

"We now expect FY25 to see a more moderated growth"

Share price performance



	1M	3M	12M
Absolute (%)	-3.7	-5.9	11.9
Rel KLCI (%)	-2.9	-3.0	1.0

	BUY	HOLD	SELL
Consensus	2	3	1

Source: Bloomberg

Stock Data

Sector	Healthcare
Issued shares (m)	720.1
Mkt cap (RMm)/(US\$m)	1850.6/416.3
Avg daily vol - 6mth (m)	0.1
52-wk range (RM)	2.24-3.22
Est free float	21.1%
Stock Beta	0.61
Net cash/(debt) (RMm)	203.42
ROE (CY25E)	9.5%
Derivatives	No
Shariah Compliant	Yes
FTSE4Good	No
Constituent	
FBM EMAS (Top 200)	na
ESG Rank	

Key Shareholders

Apex Pharmacy Holding	39.6%
Washington H Soul	29.6%

Source: Affin Hwang, Bloomberg

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Apex Healthcare (APEX MK)

HOLD (maintain)

Up/Downside: +7.0%

Price Target: RM2.75

Previous Target (Rating): RM2.90 (HOLD)

Still lacking a rerating catalyst

- 9M24 earnings came in within our expectations but below consensus. Net profit saw a decline on the back of losses generated by its associates
- We lower our FY25E-26E to reflect higher operating expenses (post-expansion) coupled with lower associate's contributions
- Maintain HOLD with a lower TP of RM2.75

Earnings came in within our expectations but below consensus

3Q24 core earnings of RM19.9m (-16% qoq, -18% yoy) brought 9M24 core earnings to RM64m (-15% yoy) which formed 74% of our full-year estimate (69% of consensus). Whilst revenue remained rather flattish both qoq and yoy, net profit decreased as its associate generated losses in the reporting quarter (from unfavourable forex movements coupled with sluggish sales momentum). Declared second interim dividend worth 3 sen per share (YTD: 6 sen per share).

FY25E earnings growth may be moderated

In the reporting quarter, Apex Healthcare had expanded its pallet capacity by 62% to cater to long-term growth, and expects this to result in an additional annual expense of over RM7m (RM1.6m incurred in 3Q24). Whilst this is a positive move to enable the company to cater to future demand, we lower our FY25E-26E estimates by 4-5% to reflect higher operating expenses coupled with lower associate's contributions. We keep our FY24 forecasts unchanged as we expect 4Q24 earnings to come in flattish qoq.

Maintain HOLD with a lower TP of RM2.75

Following our earnings revisions, our 12-month TP is lowered to RM2.75 (from RM2.90). Our PE-derived TP is based on an unchanged 22x on 2025E EPS. Pending further updates from the analyst briefing tomorrow, we believe the stock is fairly valued as demand for its pharmaceutical products is expected to normalise this year coupled with it not being able to meaningfully tap into the growth prospects of its associate (due to the recent stake divestment). Key downside/upside risks include: i) weaker/stronger demand for pharmaceutical products; and ii) raw material price fluctuations.

Earnings & Valuation Summary

FYE 31 Dec	2022	2023	2024E	2025E	2026E
Revenue (RMm)	877.7	936.2	1,004.3	1,036.3	1,059.1
EBITDA (RMm)	102.2	95.9	104.7	117.1	119.4
Pretax profit (RMm)	120.4	423.3	99.7	110.5	112.8
Net profit (RMm)	101.0	398.0	85.5	89.5	91.6
EPS (sen)	14.0	55.4	11.9	12.5	12.7
PER (x)	18.3	4.6	21.6	20.6	20.2
Core net profit (RMm)	96.8	94.6	85.5	89.5	91.6
Core EPS (sen)	13.5	13.2	11.9	12.5	12.7
Core EPS growth (%)	65.1	-2.2	-9.7	4.8	2.3
Core PER (x)	19.1	19.5	21.6	20.6	20.2
Net DPS (sen)	8.5	22.5	6.0	6.5	7.0
Dividend Yield (%)	3.3	8.8	2.3	2.5	2.7
EV/EBITDA	16.5	15.3	13.7	12.1	11.6

Chg in EPS (%)	-	-5.0	-4.4
Affin/Consensus (x)	0.9	0.9	0.8

Source: Company, Bloomberg, Affin Hwang forecasts

Fig 1: Results Comparison

FYE Dec (RMm)	3Q23	2Q24	3Q24	QoQ % chg	YoY % chg	9M23	9M24	YoY %chg	Comments
Revenue	235.3	238.7	237.4	-0.6	0.9	696.2	724.3	4.0	Revenue was flattish in both the manufacturing and distribution segments
Op costs	-206.7	-208.0	-204.0	-1.9	-1.3	-610.3	-632.7	3.7	
EBITDA	28.6	30.7	33.4	8.7	16.8	85.9	91.6	6.7	
<i>EBITDA margin (%)</i>	12.2	12.9	14.1	1.2ppt	1.9ppt	12.3	12.6	0.3ppt	
Depn and amort	-4.3	-4.8	-5.1	6.5	18.5	-12.7	-14.5	14.4	
EBIT	24.3	25.9	28.3	9.1	16.5	73.2	77.1	5.3	
<i>EBIT margin (%)</i>	10.3	10.9	11.9	1.1ppt	1.6ppt	10.5	10.6	0.1ppt	
Int expense	-0.1	-0.2	-0.6	278.0	362.7	-0.4	-0.9	104.1	
Int income	2.7	2.4	1.4	-43.0	-48.8	3.8	6.6	71.8	
Associates	3.6	1.0	-3.7	-467.1	-200.8	14.7	-3.2	-121.7	Losses generated due to unfavourable forex movements and subdued sales
Exceptional items	0.0	-0.1	-1.7	nm	nm	303.4	-0.5	-100.2	
Pretax Profit	30.5	29.1	23.7	-18.4	-22.2	394.6	79.1	-80.0	
Tax	-6.3	-5.4	-5.5	1.0	-13.0	-16.7	-16.0	-4.4	
<i>Tax rate (%)</i>	20.7	18.7	23.1	4.4ppt	2.4ppt	4.2	20.2	16ppt	
Net profit	24.2	23.6	18.2	-22.9	-24.5	377.9	63.1	-83.3	
EPS (sen)	5.1	5.0	3.8	-22.9	-24.5	79.7	13.3	-83.3	
Core net profit	24.2	23.7	19.9	-16.2	-17.6	74.5	63.5	-14.7	Within our estimates but below consensus

Source: Affin Hwang, Company

Important Disclosures and Disclaimer

Equity Rating Structure and Definitions

BUY	Total return is expected to exceed +10% over a 12-month period
HOLD	Total return is expected to be between -5% and +10% over a 12-month period
SELL	Total return is expected to be below -5% over a 12-month period
NOT RATED	Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

The total expected return is defined as the percentage upside/downside to our target price plus the net dividend yield over the next 12 months.

OVERWEIGHT	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
NEUTRAL	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
UNDERWEIGHT	Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

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