



### APEX HEALTHCARE BERHAD

**Neutral**

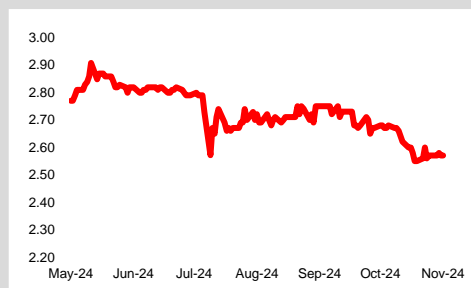
#### DESCRIPTION

An investment holding company involved in the development, manufacturing, marketing and distribution of pharmaceuticals, diagnostics, consumer healthcare products and orthopaedic devices.

<b>12-Month Target Price</b>	RM2.79
<b>Current Price</b>	RM2.57
<b>Expected Return</b>	+8.56%
<i>Previous Target Price</i>	RM2.87

<b>Market</b>	Main
<b>Sector</b>	Healthcare
<b>Bursa Code</b>	7090
<b>Bloomberg Ticker</b>	APEX MK
<b>Shariah-Compliant</b>	Yes

#### SHARE PRICE CHART



52 Week Range (RM)	2.24 – 3.22
3-Month Average Vol ('000)	41.9

#### SHARE PRICE PERFORMANCE

	1M	3M	12M
Absolute Returns	-3.7	-4.8	-7.9
Relative Returns	-3.7	-2.4	-7.6

#### KEY STOCK DATA

Market Capitalisation (RMm)	1,850.6
No. of Shares (m)	720.1

#### MAJOR SHAREHOLDERS

	%
Apex Pharmacy Holdings Sdn Bhd	39.7
Washington H Soul Pattinson	29.6
Lim Teh Realty Sdn Bhd	1.4

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## Below Expectations

Apex Healthcare's (ApexH) 3QFY24 net profit dropped 24.5% YoY to RM18.2m, mainly due to a higher operating expense for new product launches and expansion of Techlink and Cheng 2 warehouses. After excluding non-operating items, ApexH's 3QFY24 core net profit dropped by 24.3% YoY to RM18.4m. The results were below both our and market's expectations at 69% and 68% of full-year forecasts respectively. The discrepancy in our forecasts was due to the weaker-than-expected performance from SAG. We cut our FY24F-26F earnings forecasts by 5% to account for lower earnings contribution from SAG. All told, we reiterate our **Neutral** call on ApexH, with a lower TP of RM2.79 based on 19x 5-year historical mean on FY25F EPS. On a side note, ApexH declared a second interim single-tier dividend of 3.0 sen per share, bringing the total DPS to 6.0sen for FY24.

§ **Revenue.** ApexH's 3QFY24 revenue increased marginally by 0.9% YoY to RM238.7m, underpinned by steady demand for pharmaceuticals, consumer healthcare products, and medical devices in key markets. The revenue growth was further supported by enhanced sales and marketing initiatives aimed at securing new pharmaceutical and consumer healthcare agencies for branded products. ApexH's distribution segment recorded an increase of 3.8% YoY to RM217.1m, while the manufacturing segment dropped 16.4% YoY to RM17.1m in 3QFY24.

§ **Net profit.** ApexH's 3QFY24 net profit dropped 24.5% YoY to RM18.2m, mainly due to a higher operating expense for new product launches and expansion costs for Techlink and Cheng 2 warehouses. After excluding the non-operating items, ApexH's 3QFY24 core net profit declined by 24.3% YoY, primarily impacted by a weaker performance in the SAG segment, attributed to foreign exchange losses stemming from the strengthening of the Ringgit, as well as recognition of the Group's share of financing costs and amortisation of intangible assets.

§ **Outlook.** We remain cautious on the impact of export disruptions stemming from ongoing civil unrest in Myanmar and persistent market uncertainties, alongside the normalisation of pandemic-related demand. However, we are confident in the Group's long-term resilience, underpinned by its robust domestic demand, the addition of new pharmaceutical and consumer healthcare agencies, and the continued rollout of new Group-branded products. All told, we reiterate our **Neutral** call on ApexH.

#### KEY FORECAST TABLE

FYE Dec (RM m)	2022A	2023A	2024F	2025F	2026F	CAGR
Revenue	877.7	936.2	1,143.6	1,262.6	1,453.5	17.9%
Pre-tax Profit	120.4	423.3	91.6	111.7	128.6	14.0%
Net Profit	101.0	398.0	86.1	105.1	120.9	20.9%
Core Net Profit	96.8	92.9	86.1	105.1	120.9	20.9%
EPS (Sen)	14.1	55.7	12.0	14.7	16.9	20.9%
P/E (x)	18.2	4.6	21.3	17.5	15.2	
DPS (Sen)	5.7	25.0	3.6	4.4	5.1	
Dividend Yield (%)	2.2	9.7	1.4	1.7	2.0	

Source: Company, PublicInvest Research estimates

**Table 1: Results Summary**

<u>FYE Dec (RM m)</u>	<u>3Q24</u>	<u>3Q23</u>	<u>2Q24</u>	<u>YoY chg (%)</u>	<u>QoQ chg (%)</u>	<u>YTD FY24</u>	<u>YTD FY23</u>	<u>YoY chg (%)</u>	<u>Comments</u>
Revenue	237.4	235.3	238.7	0.9	-0.6	724.3	696.2	4.0	
Cost of Sales	-180.1	-179.8	-182.7	-0.1	1.4	-555.2	-532.9	-4.2	
<b>Gross Profit</b>	<b>57.3</b>	<b>55.5</b>	<b>56.0</b>	<b>3.2</b>	<b>2.2</b>	<b>169.1</b>	<b>163.2</b>	<b>3.6</b>	
Other operating income/ (expenses)	2.9	4.6	4.2	-36.3	-30.5	12.8	8.6	48.5	
<b>Operating profit/ (loss)</b>	<b>28.0</b>	<b>27.0</b>	<b>28.2</b>	<b>3.8</b>	<b>-0.8</b>	<b>83.2</b>	<b>76.3</b>	<b>9.0</b>	
Finance income/ (costs)	-0.6	-0.1	-0.2	>-100	>-100	-0.9	-0.6	-42.4	
Other income/ (expenses)	-3.7	3.6	1.0	>-100	>-100	-3.2	8.1	>-100	
<b>Profit/ (Loss) before tax</b>	<b>23.7</b>	<b>30.5</b>	<b>29.1</b>	<b>-22.2</b>	<b>-18.4</b>	<b>79.1</b>	<b>394.7</b>	<b>-80.0</b>	
Taxation	-5.5	-6.3	-5.4	-13.0	-1.0	-16.0	-16.7	4.4	
<b>Net Profit</b>	<b>18.2</b>	<b>24.2</b>	<b>23.6</b>	<b>-24.5</b>	<b>-22.9</b>	<b>63.1</b>	<b>377.9</b>	<b>-83.3</b>	
Non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<b>PATAMI</b>	<b>18.2</b>	<b>24.2</b>	<b>23.6</b>	<b>-24.5</b>	<b>-22.9</b>	<b>63.1</b>	<b>377.9</b>	<b>-83.3</b>	
<b>Core PATAMI</b>	<b>18.4</b>	<b>24.3</b>	<b>23.7</b>	<b>-24.3</b>	<b>-22.6</b>	<b>63.0</b>	<b>74.7</b>	<b>-15.6</b>	
Operating Margin (%)	11.8%	11.5%	11.8%			11.5%	11.0%		
Pre-tax Margin (%)	10.0%	12.9%	12.2%			10.9%	56.7%		
Net Margin (%)	7.7%	10.3%	9.9%			8.7%	10.7%		
<b><u>Segment Revenue</u></b>									
Manufacturing and Marketing	20.1	26.2	21.9	-23.2	-8.0	67.8	68.6	-1.1	
Wholesale and Distribution	217.1	209.1	216.7	3.8	0.2	656.2	627.5	4.6	
Corporate	0.1	0.0	0.1	>100	0.0	0.3	0.0	>100	
<b><u>Segment EBIT</u></b>									
Manufacturing and Marketing	19.8	18.4	20.0	7.3	-1.2	39.7	37.2	6.8	
Wholesale and Distribution	7.3	7.6	8.2	-3.3	-10.9	15.5	17.5	-11.4	
Corporate	1.9	309.7	-0.1	-99.4	>100	1.7	311.6	-99.4	

Source: Company



## KEY FINANCIAL DATA

## INCOME STATEMENT

FYE Dec (RM m)	2022A	2023A	2024F	2025F	2026F
Revenue	877.7	936.2	1,143.6	1,262.6	1,453.5
Operating Profit	91.5	87.5	75.6	94.1	108.3
Other Gains/(Losses)	29.6	336.4	16.0	17.7	20.3
Finance Costs	-0.8	-0.6	0.0	0.0	0.0
Pre-tax Profit	120.4	423.3	91.6	111.7	128.6
Income Tax	-19.4	-25.3	-5.5	-6.7	-7.7
Effective Tax Rate (%)	16.1	6.0	6.0	6.0	6.0
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>101.0</b>	<b>398.0</b>	<b>86.1</b>	<b>105.1</b>	<b>120.9</b>
<b>Core Net Profit</b>	<b>96.8</b>	<b>92.9</b>	<b>86.1</b>	<b>105.1</b>	<b>120.9</b>
<b>Growth</b>					
Revenue (%)	13.9	6.7	22.2	10.4	15.1
Operating Profit (%)	32.3	-4.4	-13.6	24.5	15.1
Net Profit (%)	69.9	294.1	-78.4	22.0	15.1

Source: Company, PublicInvest Research estimates

## BALANCE SHEET

FYE Dec (RM m)	2022A	2023A	2024F	2025F	2026F
Property, Plant & Equipment	189.3	199.2	209.1	218.3	226.0
Cash and Cash Equivalents	174.5	383.0	428.6	490.1	544.2
Receivables	178.2	194.4	219.3	235.2	270.8
Other Assets	203.3	346.0	358.6	371.0	393.6
<b>Total Assets</b>	<b>745.3</b>	<b>1,122.6</b>	<b>1,215.6</b>	<b>1,314.6</b>	<b>1,434.6</b>
Payables	160.4	180.9	214.6	241.1	277.4
Borrowings	9.5	3.6	2.6	1.6	0.6
Deferred Tax	6.8	13.9	13.9	13.9	13.9
Other Liabilities	10.1	5.9	5.9	5.9	5.9
<b>Total Liabilities</b>	<b>186.8</b>	<b>204.3</b>	<b>237.0</b>	<b>262.5</b>	<b>297.8</b>
Total Equity	558.4	918.3	978.5	1,052.1	1,136.7
<b>Total Equity and Liabilities</b>	<b>745.3</b>	<b>1,122.6</b>	<b>1,215.6</b>	<b>1,314.6</b>	<b>1,434.6</b>

Source: Company, PublicInvest Research estimates

## PER SHARE DATA &amp; RATIOS

FYE Dec	2022A	2023A	2024F	2025F	2026F
Book Value Per Share	0.8	1.3	1.4	1.5	1.6
EPS (Sen)	14.1	55.7	12.0	14.7	16.9
DPS (Sen)	5.7	25.0	3.6	4.4	5.1
Payout Ratio	40.3%	44.9%	30.0%	30.0%	30.0%
ROA	13.5%	35.5%	7.1%	8.0%	8.4%
ROE	18.1%	43.3%	8.8%	10.0%	10.6%

Source: Company, PublicInvest Research estimates

## **RATING CLASSIFICATION**

### STOCKS

<b>OUTPERFORM</b>	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
<b>NEUTRAL</b>	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
<b>UNDERPERFORM</b>	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
<b>TRADING BUY</b>	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
<b>TRADING SELL</b>	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
<b>NOT RATED</b>	The stock is not within regular research coverage.

### SECTOR

<b>OVERWEIGHT</b>	The sector is expected to outperform a relevant benchmark over the next 12 months.
<b>NEUTRAL</b>	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
<b>UNDERWEIGHT</b>	The sector is expected to underperform a relevant benchmark over the next 12 months.

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