

Apex Healthcare (APEX MK)

Below

HOLD

Share Price RM2.57
Target Price RM2.42 -6.0%

Subdued Quarter

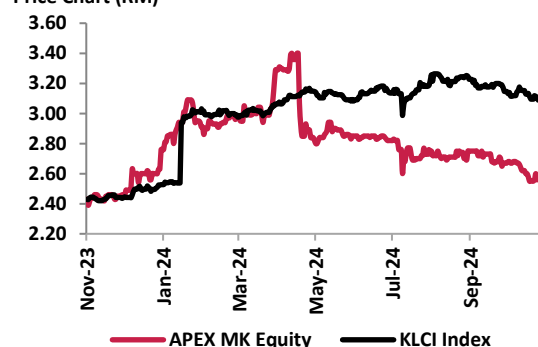
• **Maintain HOLD (TP: RM2.42).** Apex Healthcare (Apex)'s 9MFY24 revenue increased by 4.0% YoY, driven by higher sales, strong performance from new pharmaceutical and consumer healthcare agencies and the continued launch of new group-branded products. However, bottom-line performance declined sharply by 83.3% YoY to RM63.1mn in 9MFY24. Excluding exceptional items, including a one-off gain of RM304.4mn in 9MFY23 from the divestment, core net profit dropped by a smaller 8.4% YoY. The results were below our expectations but within consensus, accounting for 64% and 73% of respective estimates. The deviation was mainly due to weaker-than-expected contributions from associates. Note that Apex's share of results from Straits Apex Group Sdn Bhd (SAG) recorded a loss of RM3.2mn in 9MFY24, compared to a gain of RM319.1mn last year, which included a one-off gain from SAG's divestment. We maintain our **HOLD** recommendation and lower **TP to RM2.42** (from RM2.51), in line with earnings adjustments, based on a PER of 16.6x, representing -0.5 SD of the 5-year PER to FY25 EPS of 14.5sen.

• **Key Highlights.** On quarterly basis, Apex's 3QFY24 revenue flattish +0.9% YoY. Although the group's consumer healthcare portfolio was further strengthened, revenue growth was moderated by lower contract manufacturing orders and reduced supply to Malaysian government tenders. Core net profit declined by 16.9% YoY to RM19.8mn as SAG showed a loss of RM3.7mn for the quarter, primarily due to forex losses and weaker financial performance resulting from lower revenue.

• **Earnings Revision.** We have reduced our FY24 earnings forecast by 13.1% due to changes in associate contribution assumptions, while modestly lowering our FY25 and FY26 forecasts by 3.8% and 3.3%, respectively, as the group expects a potential improvement in SAG's contribution in 2025 supported by a recovery in customer orders.

• **Outlook.** Despite the expected resilient demand for pharmaceuticals, consumer healthcare products and the ongoing launches of new group-branded products, we do not anticipate significant growth in the group's earnings in the near term due to the weak contribution from its associate.

Price Chart (RM)



Share Performance (%)	1m	3m	12m
Absolute	(3.7)	(4.8)	14.3
vs FBM KLCI	(2.9)	(3.0)	1.0

Stock Data

ESG Rating	Fair
Mkt Cap (RM mn)	1,850.6
Adjusted Beta	0.41
Free float (%)	29.5
Issued shares (mn)	720.1
52w H/L (RM)	3.22 / 2.24
3m avg daily volume	42,910

Major Shareholders (%)

Apex Pharmacy Holding	39.6
Washington H Soul	29.6
Lim The Realty	1.4

Shahira Rahim

shahira@bimbsec.com.my
+(603) 2613 1735

Table 1: Quarterly Figures

Apex Healthcare FYE 31 Dec (RM mn)	Quarterly			Change (%)		Cumulative		YTD	BIMB	
	3QFY23	2QFY24	3QFY24	QoQChg	YoYChg	9MFY23	9MFY24	%	FY24F	9M/F
Revenue	235.3	238.7	237.4	-0.6	0.9	696.2	724.3	4.0	923.4	78.4%
EBITDA	35.9	28.6	38.7	35.1	7.8	89.6	92.2	2.9	113.6	81.1%
Pretax profit	30.5	29.1	23.7	-18.4	-22.2	394.7	79.1	-80.0	133.4	59.3%
Taxation	-6.3	-5.4	-5.5	1.0	-13.0	-16.7	-16.0	-4.4	-29.4	54.6%
Net profit	24.2	23.6	18.2	-22.9	-24.5	377.9	63.1	-83.3	104.1	60.6%
Core net profit	23.8	23.7	19.8	-16.5	-16.9	72.8	66.7	-8.4	104.1	64.1%
Core EPS (sen)	3.3	3.3	2.8	-16.5	-16.9	10.1	9.3	-8.4	14.5	64.1%
				Chg (ppts)				Chg (ppts)		
EBITDA margin (%)	15.2	12.0	16.3	4.4	1.1	12.9	12.7	-0.2		
PBT margin (%)	12.9	12.2	10.0	-2.2	-3	56.7	10.9	-45.8		
Net profit margin (%)	10.3	9.9	7.7	-2.3	-2.6	54.3	8.7	-45.6		
Effective tax rate (%)	20.7	18.7	23.1	4.5	2.5	4.2	20.2	16.1		

Source: BIMB Securities, Company

Table 2: Change in Earnings Forecast

FYE Dec (RM mn)	Previous			After			Change (%)		
	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F
Revenue	923	947	1013	923	947	1013	0.0%	0.0%	0.0%
EBITDA	114	117	118	114	117	118	0.0%	0.0%	0.0%
Pretax profit	133	139	142	116	134	138	-13.1%	-3.8%	-3.3%
PATAMI	104	109	111	90	104	107	-13.1%	-3.8%	-3.3%
Core PATAMI	104	109	111	90	104	107	-13.1%	-3.8%	-3.3%

Source: Company, BIMB Securities

Table 3: Earnings Forecast

FYE Dec (RM mn)	2022	2023	2024F	2025F	2026F
Turnover	878	936	923	947	1013
EBITDA	105	118	114	117	118
Pretax profit	120	423	116	134	138
Net profit	101	398	90	104	107
Core net profit	99	96	90	104	107
Consensus			92	103	112
EPS (sen)	13.8	13.3	12.6	14.5	14.9
PER (x)	18.6	19.3	20.4	17.7	17.2
DPS (sen)	5.7	25.0	5.7	6.5	6.7
Div. Yield (%)	2.2	9.7	2.2	2.5	2.6
P/B (x)	3.4	3.1	2.8	2.6	2.4
Key Ratios (%)					
ROE	18.2	16.7	13.9	14.7	13.9
EBITDA margin	11.9	12.6	12.3	12.4	11.7
Pretax margin	13.7	45.2	12.6	14.1	13.6
Net margin	6.0	5.6	5.7	5.5	5.2

Source: Bloomberg, BIMB Securities

DEFINITION OF RATINGS

BIMB Securities uses the following rating system:

STOCK RECOMMENDATION

BUY	Total return (price appreciation plus dividend yield) is expected to exceed 10% in the next 12 months.
TRADING BUY	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain.
HOLD	Share price may fall within the range of +/- 10% over the next 12 months
TAKE PROFIT	Target price has been attained. Fundamentals remain intact. Look to accumulate at lower levels.
TRADING SELL	Share price may fall by more than 15% in the next 3 months.
SELL	Share price may fall by more than 10% over the next 12 months.
NOT RATED	Stock is not within regular research coverage.

SECTOR RECOMMENDATION

OVERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months
NEUTRAL	The Industry as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months
UNDERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months

Applicability of ratings

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

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A Participating Organisation of Bursa Malaysia Securities Berhad

Level 34, Menara Bank Islam

No 22, Jalan Perak,

50450 Kuala Lumpur

Tel: 03-2613 1600 Fax: 03-2613 1799

<http://www.bimbsec.com.my>

Azim Faris Ab Rahim, CFA
Acting Head of Research