

"Still awaiting a rerating catalyst"

Share price performance



	1M	3M	12M
Absolute (%)	0.0	-7.0	-13.3
Rel KLCI (%)	-0.9	-6.1	-15.5

	BUY	HOLD	SELL
Consensus	1	2	1

Source: Bloomberg

Stock Data

Sector	Healthcare
Issued shares (m)	720.2
Mkt cap (RMm)/(US\$m)	1728.6/390.4
Avg daily vol - 6mth (m)	0.1
52-wk range (RM)	2.37-3.22
Est free float	21.1%
Stock Beta	0.68
Net cash/(debt) (RMm)	151.90
ROE (FY25E)	8.6%
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	29.5%

Source: Affin Hwang, Bloomberg

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Apex Healthcare (APEX MK)

HOLD (maintain)

Up/Downside: +8.3%

Price Target: RM2.60

Previous Target (Rating): RM2.75 (HOLD)

Earnings momentum to trend sideways

- **FY24 earnings came in within expectations. Apex Healthcare's associate continues to register losses**
- **We lower our FY25E-26E EPS to reflect a slower recovery in its associate operations**
- **Maintain HOLD with a lower TP of RM2.60**

Earnings came in within expectations

4Q24 core earnings of RM19.6m (-1.3% qoq, +14.5% yoy) brought FY24 core earnings to RM83m (-9.3% yoy) which formed 103% of our full-year estimate (105% of consensus). We had stripped off RM6m worth of EIs to derive our core earnings, largely arising from a write-off in relation to an option held by its associate to divest its remaining equity. Whilst the quarter saw flattish revenue qoq, margins saw improvement from both the Manufacturing as well as the Distribution segments. The company declared a final dividend worth 3 sen per share (YTD: 9 sen per share).

FY25E earnings to trend sideways

With regards to demand for pharmaceuticals, consumer healthcare products, and medical devices, management expects the strength seen in 2024 to continue in 2025. On the other hand, Apex Healthcare's associate continued to register losses, due to dampened sales momentum coupled with a higher cost structure. As such, we lower our estimates for FY25E-26E to reflect weaker associate contributions after factoring in a slower recovery. We expect Apex Healthcare's earnings momentum to likely trend sideways in the near term and remain below FY23 levels as FY23 was boosted by strong associate contributions. We introduce our FY27E earnings estimate of RM89m.

Maintain HOLD with a lower TP of RM2.60

Following our earnings forecast revisions, our 12-month TP is lowered to RM2.60 (from RM2.75). Our PE-derived TP is based on an unchanged 22x on 2025E EPS. We believe the stock is fairly valued as earnings momentum is expected to trend sideways in the near term. Key downside/upside risks include: i) weaker/stronger demand for pharmaceutical products; and ii) raw material price fluctuations.

Earnings & Valuation Summary

FYE 31 Dec	2023	2024	2025E	2026E	2027E
Revenue (RMm)	936.2	961.8	1,036.3	1,059.1	1,087.3
EBITDA (RMm)	115.8	131.0	117.1	119.4	122.1
Pretax profit (RMm)	420.4	101.2	105.5	107.9	110.6
Net profit (RMm)	395.0	76.5	84.6	86.6	89.0
EPS (sen)	22.9	4.4	11.8	12.1	12.4
PER (x)	10.5	54.1	20.4	19.9	19.4
Core net profit (RMm)	91.7	83.2	84.6	86.6	89.0
Core EPS (sen)	12.8	11.6	11.8	12.1	12.4
Core EPS growth (%)	-5.3	-9.3	1.7	2.4	2.7
Core PER (x)	18.8	20.7	20.4	19.9	19.4
Net DPS (sen)	22.5	9.0	6.1	6.6	6.8
Dividend Yield (%)	9.4	3.8	2.5	2.8	2.8
EV/EBITDA	11.6	10.1	11.0	10.6	10.1

Chg in EPS (%)	-5.5	-5.4	new
Affin/Consensus (x)	1.0	0.9	-

Source: Company, Bloomberg, Affin Hwang forecasts

Fig 1: Results Comparison

FYE Dec (RMm)	4Q23	3Q24	4Q24	QoQ % chg	YoY % chg	FY23	FY24	YoY %chg	Comments
Revenue	240.0	237.4	237.5	0.1	-1.0	936.2	961.8	2.7	Revenue was flattish in both the manufacturing and distribution segments
Op costs	-210.1	-204.0	-198.1	-2.9	-5.7	-820.4	-830.8	1.3	
EBITDA	29.9	33.4	39.4	17.9	31.7	115.8	131.0	13.1	Improved margins from both the manufacturing and distribution segments
<i>EBITDA margin (%)</i>	12.5	14.1	16.6	1.2ppt	1.9ppt	12.4	13.6	1.3ppt	
Depn and amort	-4.5	-5.1	-5.2	2.2	16.9	-17.2	-19.7	15.0	
EBIT	25.5	28.3	34.2	20.7	34.3	98.6	111.2	12.8	
<i>EBIT margin (%)</i>	10.6	11.9	14.4	1.1ppt	1.6ppt	10.5	11.6	1ppt	
Int expense	-0.1	-0.6	-0.5	-18.5	313.9	-0.6	-1.4	149.6	
Int income	3.0	1.4	1.2	-11.7	-60.1	6.9	7.8	13.8	
Associates	0.3	-3.7	-6.6	79.7	-2403.5	15.0	-9.8	-165.2	
Exceptional items	-2.9	-1.7	-6.2	270.4	113.3	300.5	-6.7	-102.2	FY23 saw RM304m worth of gains from its stake divestment in its associate
Pretax Profit	25.7	23.7	22.1	-6.8	-14.1	420.4	101.2	-75.9	
Tax	-8.6	-5.5	-8.6	57.4	0.8	-25.3	-24.7	-2.6	
<i>Tax rate (%)</i>	33.3	23.1	39.1	4.4ppt	2.4ppt	6.0	24.4	18.3ppt	
Net profit	17.2	18.2	13.5	-26.2	-21.6	395.0	76.5	-80.6	
EPS (sen)	3.6	3.8	2.8	-26.2	-21.6	83.3	16.1	-80.6	
Core net profit	17.2	19.9	19.6	-1.3	14.5	91.7	83.2	-9.3	Within expectations

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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