



APEX HEALTHCARE BERHAD

Neutral

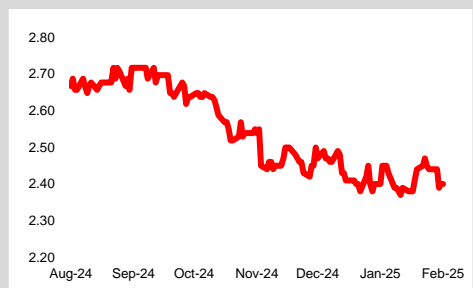
DESCRIPTION

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

12-Month Target Price	RM2.36
Current Price	RM2.40
Expected Return	-1.7%
Previous Target Price	RM2.79

Market	Main
Sector	Healthcare
Bursa Code	7090
Bloomberg Ticker	APEX MK
Shariah-Compliant	Yes

SHARE PRICE CHART



52 Week Range (RM)	2.37 – 3.22
3-Month Average Vol ('000)	74.6

SHARE PRICE PERFORMANCE

	1M	3M	12M
Absolute Returns	0.0	-5.8	-11.0
Relative Returns	-1.9	-5.7	-8.6

KEY STOCK DATA

Market Capitalisation (RMm)	1,728.6
No. of Shares (m)	720.2

MAJOR SHAREHOLDERS

	%
Apex Pharmacy Holdings Sdn Bhd	39.6
Washington H Soul Pattinson	29.5
Lim Teh Realty Sdn Bhd	1.4

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Earnings Miss Under Margin Pressure

Apex Healthcare's (ApexH) 4QFY24 net profit dropped 32.9% YoY to RM13.5m, mainly due to a loss in share of associate SAG and a higher effective tax rate. After excluding non-operating items, ApexH's 4QFY24 core net profit dropped 26.8% YoY to RM13.3m. The results were below our and market expectations at 89% and 88% of full-year forecasts respectively. The discrepancy in our forecasts was due to the weaker-than-expected performance from SAG. We cut our FY25-26F forecasts by 15% to account for lower earnings from SAG. All told, we reiterate our **Neutral** call on ApexH, with a lower TP of RM2.36 based on 19x 5-year historical mean on FY25F EPS. On a side note, ApexH declared a final single-tier dividend of 3.0 sen per share, bringing the total DPS to 9.0 sen for FY24.

§ **Revenue.** ApexH reported a marginal 1% YoY decline in 4QFY24 revenue to RM237.5m, primarily attributed to lower government tenders in Malaysia and Singapore. However, sales from the domestic private sector, international markets, and contract manufacturing remained resilient across pharmaceuticals, consumer healthcare products, and medical devices. By segment, manufacturing revenue declined 12.3% YoY, while the distribution segment recorded a slight contraction of 0.1% YoY in 4QFY24.

§ **Net profit.** ApexH's reported a 32.9% YoY decline in 4QFY24 net profit to RM13.5m, primarily impacted by losses from its associate, SAG, and a higher effective tax rate. Excluding non-operating items, core net profit declined by 26.8% YoY. Meanwhile, PBT margin dropped to 9.3% in 4QFY24 from 11.9% in 4QFY23, attributed to higher marketing expenses and increased finance costs related to the new term loan secured for the Cheng 2 acquisition.

§ **Outlook.** We remain cautious on the normalisation of demand for pandemic-related products. However, demand for pharmaceuticals, consumer healthcare products, and medical devices remained robust across both domestic and international markets in 2024, with momentum expected to continue into 2025. This positive outlook is underpinned by sustained demand for essential medicines, driven by rising healthcare needs and demographic shifts given an increasing ageing population. Additionally, ApexH's expansion into new international markets, supported by a growing pipeline of high-demand generic products, is expected to provide further growth opportunities. All told, we reiterate our **Neutral** call on ApexH.

KEY FORECAST TABLE

FYE Dec (RM m)	2023A	2024A	2025F	2026F	2027F	CAGR
Revenue	936.2	961.8	998.8	1,070.0	1,191.2	10.7%
Pre-tax Profit	423.3	101.2	117.5	135.5	150.9	7.8%
Net Profit	398.0	76.5	88.8	102.5	114.1	4.2%
Core Net Profit	92.9	76.4	88.8	102.5	114.1	5.6%
EPS (Sen)	55.6	10.7	12.4	14.3	16.0	4.2%
P/E (x)	4.3	22.4	19.3	16.7	15.0	
DPS (Sen)	25.0	9.0	5.0	5.7	6.4	
Dividend Yield (%)	10.4	3.8	2.1	2.4	2.7	

Source: Company, PublicInvest Research estimates



Table 1: Results Summary

<u>FYE Dec (RM m)</u>	<u>4Q24</u>	<u>4Q23</u>	<u>3Q24</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	237.5	240.0	237.4	-1.0	0.1	961.8	936.2	2.7	
Cost of Sales	-181.0	-188.4	-180.1	-3.9	0.5	-736.2	-721.3	2.1	
Gross Profit	56.5	51.6	57.3	9.5	-1.4	225.6	214.8	5.0	
Other operating income/ (expenses)	2.3	-11.7	2.9	>100	-22.1	15.0	-3.2	>100	
Operating profit/ (loss)	29.2	11.5	28.0	>100	4.2	112.4	87.8	28.0	
Finance income/ (costs)	-0.5	-0.1	-0.6	>-100	-18.5	-1.4	-0.6	>-100	
Other income/ (expenses)	-6.6	17.3	-3.7	>-100	79.7	-9.8	25.4	>-100	
Profit/ (Loss) before tax	22.1	28.6	23.7	-22.8	-6.8	101.2	423.3	-76.1	
Taxation	-8.6	-8.6	-5.5	0.8	57.4	-24.7	-25.3	-2.6	
Net Profit	13.5	20.1	18.2	-32.9	-26.2	76.5	398.0	-80.8	
Core Net Profit	13.3	18.2	18.4	-26.8	-27.4	76.4	92.9	-17.8	
Operating Margin (%)	12.3%	4.8%	11.8%			11.7%	9.4%		
Pre-tax Margin (%)	9.3%	11.9%	10.0%			10.5%	45.2%		PBT margin dropped due to higher marketing expenses.
Net Margin (%)	5.6%	7.6%	7.7%			7.9%	9.9%		
Segment Revenue									
Manufacturing and Marketing	17.7	20.2	20.1	-12.3	-12.0	85.6	88.8	-3.6	
Wholesale and Distribution	219.7	219.8	217.1	-0.1	1.2	875.9	847.3	3.4	
Corporate	0.1	0.0	0.1	>100	0.9	0.4	0.0	661.2	
Segment EBIT									
Manufacturing and Marketing	18.5	15.3	17.1	20.9	8.2	75.3	72.9	3.2	
Wholesale and Distribution	10.8	10.8	8.8	0.2	23.3	35.1	37.2	-5.6	
Corporate	-5.9	20.7	-1.2	>-100	>-100	-5.3	334.3	>-100	One-off gain of RM 321.7m from the completion of the Straits Divestment in FY23

Source: Company

**KEY FINANCIAL DATA****INCOME STATEMENT**

FYE Dec (RM m)	2023A	2024A	2025F	2026F	2027F
Revenue	936.2	961.8	998.8	1,070.0	1,191.2
Operating Profit	87.5	112.4	121.7	140.0	155.9
Other Gains/(Losses)	336.4	-9.8	-4.1	-4.4	-4.8
Finance Costs	-0.6	-1.4	-0.2	-0.2	-0.2
Pre-tax Profit	423.3	101.2	117.4	135.5	150.8
Income Tax	-25.3	-24.7	-28.6	-33.0	-36.8
Effective Tax Rate (%)	6.0	24.4	24.4	24.4	24.4
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	398.0	76.5	88.8	102.5	114.1
Core Net Profit	92.9	76.4	88.8	102.5	114.1

Growth

Revenue (%)		2.7	3.8	7.1	11.3
Operating Profit (%)		28.5	8.3	15.0	11.3
Net Profit (%)		-80.8	16.1	15.4	11.3

Source: Company, PublicInvest Research estimates

BALANCE SHEET

FYE Dec (RM m)	2023A	2024A	2025F	2026F	2027F
Property, Plant & Equipment	199.2	255.7	309.1	352.5	386.5
Cash and Cash Equivalents	383.0	214.0	262.4	264.9	279.6
Receivables	194.4	192.5	186.1	199.3	221.9
Other Assets	346.0	346.7	330.5	338.7	352.6
Total Assets	1,122.6	1,008.9	1,088.1	1,155.5	1,240.6
Payables	180.9	149.3	182.3	193.2	214.8
Borrowings	3.6	47.0	42.0	37.0	32.0
Deferred Tax	13.9	8.7	12.2	12.2	12.2
Other Liabilities	5.9	14.3	8.7	8.7	8.7
Total Liabilities	204.3	219.3	245.2	251.1	267.7
Total Equity	918.3	789.6	842.9	904.4	972.9
Total Equity and Liabilities	1,122.6	1,008.9	1,088.1	1,155.5	1,240.6

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Dec	2023A	2024A	2025F	2026F	2027F
Book Value Per Share	1.3	1.1	1.2	1.3	1.4
EPS (Sen)	55.6	10.7	12.4	14.3	16.0
DPS (Sen)	25.0	9.0	5.0	5.7	6.4
Payout Ratio	44.9%	84.1%	40.0%	40.0%	40.0%
ROA	35.5%	7.6%	8.2%	8.9%	9.2%
ROE	43.3%	9.7%	10.5%	11.3%	11.7%

Source: Company, PublicInvest Research estimates



RATING CLASSIFICATION

STOCKS

OUTPERFORM	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
NEUTRAL	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
UNDERPERFORM	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
TRADING BUY	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.
TRADING SELL	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
NOT RATED	The stock is not within regular research coverage.

SECTOR

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

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Published and printed by:

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