

## Results Note

RM2.15 @ 21 May 2025

*"Outlook of associate business may come under further pressure"*

## Share price performance



	1M	3M	12M
Absolute (%)	7.0	-11.9	-25.6
Rel KLCI (%)	3.8	-9.2	-21.9

	BUY	HOLD	SELL
Consensus	1	2	1

Source: Bloomberg

## Stock Data

Sector	Healthcare
Issued shares (m)	720.4
Mkt cap (RMm)/(US\$m)	1548.8/362.5
Avg daily vol - 6mth (m)	0.1
52-wk range (RM)	1.9-2.95
Est free float	21.0%
Stock Beta	0.83
Net cash/(debt) (RMm)	157.19
ROE (FY25E)	9.7%
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

## Apex Healthcare (APEX MK)

**HOLD (maintain)**

Up/Downside: +0.0%

**Price Target: RM2.15**

Previous Target (Rating): RM2.15 (HOLD)

## Results missed from lower associate contribution

- 1Q25 earnings came in below expectations. Apex Healthcare's associate continued to register losses
- We lower our FY25E-27E EPS by 4-5% to reflect a slower recovery in its associate operations
- Maintain HOLD with an unchanged TP of RM2.15

## Earnings came in below expectations

1Q25 core earnings of RM17m (-13% qoq, -14% yoy) formed 20% of our previous full-year estimate (and consensus). Earnings came in below expectations primarily due to its associate, Straits Apex Group (SAG), which generated larger-than-expected losses from weaker customer orders despite the initial expectation of a better 1H25. Whilst the quarter saw flattish revenue qoq, margins fell marginally for both the manufacturing and distribution segments.

## US tariff has no direct impact on core business but may impact SAG

With regards to its core pharmaceutical business, we note that Apex Healthcare does not export to the US and the tariff is not anticipated to have a direct impact on its outlook. However, SAG engages in the manufacturing and export of orthopaedic devices with a predominant focus on the US market. As such, the outlook and profitability of this business segment may be further impacted from 2Q25 onwards. Pending further updates on the outlook of SAG in the upcoming results briefing (although typically not disclosed in detail), we take this opportunity to lower our estimates for FY25E-27E to reflect weaker associate contributions after factoring in a slower recovery. We expect Apex Healthcare's earnings momentum to trend sideways in the near term and remain below FY23 levels as FY23 was boosted by strong associate contributions.

## Maintain HOLD with an unchanged TP of RM2.15

Following our earnings forecast revisions, and rollover of the valuation base year to 2026E, our PE-derived 12-month TP is unchanged at RM2.15 based on an unchanged multiple of 19x. 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 &amp; Valuation Summary

FYE 31 Dec	2023	2024	2025E	2026E	2027E
Revenue (RMm)	936.2	961.8	1,009.7	1,031.7	1,059.1
EBITDA (RMm)	95.9	126.3	125.7	127.4	130.3
Pretax profit (RMm)	423.3	101.2	99.7	103.0	106.7
Net profit (RMm)	398.0	76.5	78.8	81.8	85.1
EPS (sen)	55.4	10.6	11.0	11.4	11.8
PER (x)	3.9	20.2	19.6	18.9	18.2
Core net profit (RMm)	94.6	83.2	78.8	81.8	85.1
Core EPS (sen)	13.2	11.6	11.0	11.4	11.8
Core EPS growth (%)	-2.2	-12.1	-5.3	3.8	4.0
Core PER (x)	16.3	18.6	19.6	18.9	18.2
Net DPS (sen)	22.5	9.0	5.5	6.5	6.5
Dividend Yield (%)	10.5	4.2	2.6	3.0	3.0
EV/EBITDA	12.2	10.9	10.4	10.0	9.6

Chg in EPS (%)	-4.0	-4.7	-3.6
Affin/Consensus (x)	0.9	0.9	0.8

Source: Company, Bloomberg, Affin Hwang forecasts

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**Fig 1: Results Comparison**

FYE Dec (RMm)	1Q24	4Q24	1Q25	QoQ % chg	YoY % chg	Comments
<b>Revenue</b>	<b>248.2</b>	<b>237.5</b>	<b>238.9</b>	<b>0.6</b>	<b>-3.8</b>	Revenue was flattish in both the manufacturing and distribution segments
Op costs	-220.7	-198.1	-210.4	6.2	-4.7	
<b>EBITDA</b>	<b>27.5</b>	<b>39.4</b>	<b>28.4</b>	<b>-27.8</b>	<b>3.6</b>	Weakened margins from both the manufacturing and distribution segments
<i>EBITDA margin (%)</i>	<i>11.1</i>	<i>16.6</i>	<i>11.9</i>	<i>-4.7ppt</i>	<i>0.8ppt</i>	
Depn and amort	-4.7	-5.2	-5.3	1.7	13.4	
EBIT	22.8	34.2	23.2	-32.3	1.6	
<i>EBIT margin (%)</i>	<i>9.2</i>	<i>14.4</i>	<i>9.7</i>	<i>-4.7ppt</i>	<i>0.5ppt</i>	
Int expense	-0.1	-0.5	-0.5	7.1	366.4	
Int income	2.8	1.2	1.2	3.0	-56.4	
Associates	-0.5	-6.6	-1.6	-76.2	199.2	
Exceptional items	1.3	-6.2	0.4	-106.6	-68.5	
<b>Pretax Profit</b>	<b>26.3</b>	<b>22.1</b>	<b>22.7</b>	<b>2.7</b>	<b>-13.7</b>	
Tax	-5.1	-8.6	-5.1	-40.8	0.5	
<i>Tax rate (%)</i>	<i>19.3</i>	<i>39.1</i>	<i>22.5</i>	<i>-16.6ppt</i>	<i>3.2ppt</i>	
<b>Net profit</b>	<b>21.2</b>	<b>13.5</b>	<b>17.6</b>	<b>30.6</b>	<b>-17.1</b>	
EPS (sen)	4.5	2.8	3.7	30.8	-17.1	
<b>Core net profit</b>	<b>19.9</b>	<b>19.6</b>	<b>17.2</b>	<b>-12.6</b>	<b>-13.7</b>	Below expectations

Source: Affin Hwang, Company

## Important Disclosures and Disclaimer

### Equity Rating Structure and Definitions

<b>BUY</b>	Total return is expected to exceed +10% over a 12-month period
<b>HOLD</b>	Total return is expected to be between -5% and +10% over a 12-month period
<b>SELL</b>	Total return is expected to be below -5% over a 12-month period
<b>NOT RATED</b>	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.*

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