

"Expect a stronger 2H25"

Share price performance



	1M	3M	12M
Absolute (%)	6.3	17.7	-7.0
Rel KLCI (%)	2.0	14.6	-3.9

	BUY	HOLD	SELL
Consensus	1	3	-

Source: Bloomberg

Stock Data

Sector	Healthcare
Issued shares (m)	720.6
Mkt cap (RMm)/(US\$m)	1823.1/431.5
Avg daily vol - 6mth (m)	0.1
52-wk range (RM)	1.9-2.78
Est free float	21.1%
Stock Beta	0.94
Net cash/(debt) (RMm)	172.11
ROE (FY26E)	9.9%
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: -9.1%

Price Target: RM2.30

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

A positive surprise in dividends

- 2Q25 earnings were broadly within expectations as we expect a stronger 2H25 from better associate contributions
- Dividends totaling 6 sen per share were declared. We raise our total dividend assumptions accordingly (from 6 sen per share to 9 sen per share)
- Maintain HOLD with a higher TP of RM2.30 as we reflect an updated historical mean multiple of 20x (from 19x)

Earnings broadly within expectations

2Q25 core earnings of RM18m (-22% qoq, +7% yoy) brought 1H25 earnings to RM36m (-19% yoy) which formed 45% of our full-year estimate (41% of consensus). We deem the results within expectations as we expect a better 2H25 from a better associate performance given losses in 2Q25. Whilst the quarter saw flattish revenue qoq, margins for its manufacturing segment saw an improvement. On a positive note, Apex Healthcare declared interim and special dividends which totaled 6 sen per share. We raise our DPS estimate for FY25E accordingly.

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

With regards to demand for pharmaceuticals, consumer healthcare products, and medical devices, management expects 2H25 to remain resilient. It remains confident that its increased investments in its pipeline of new products, digital capabilities, diversified distribution models and dedicated workforce will support continued growth and help navigate any unforeseen external challenges. 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 a higher TP of RM2.30 (from RM2.15)

Whilst we keep our earnings forecasts unchanged, our PE-derived 12-month TP is raised to RM2.30 as we raise our PE target multiple to 20x (from 19x) based on an updated 5-year mean. Apex's positive cash flow generation and its net cash balance of close to RM200m will enable it to sustain decent dividend declarations ahead. Nevertheless, 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	1,009.7	1,031.7	1,059.1
EBITDA (RMm)	95.9	126.3	125.7	127.9	130.8
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)	4.6	23.8	23.1	22.2	21.4
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)	19.2	21.9	23.1	22.2	21.4
Net DPS (sen)	22.5	9.0	9.0	6.5	6.5
Dividend Yield (%)	8.9	3.6	3.6	2.6	2.6
EV/EBITDA	15.0	13.1	12.8	12.3	11.8

Chg in EPS (%)

Affin/Consensus (x)

-
0.9 -
0.9 -
0.8

Source: Company, Bloomberg, Affin Hwang forecasts

Fig 1: Results Comparison

FYE Dec (RMm)	2Q24	1Q25	2Q25	QoQ % chg	YoY % chg	6M24	6M25	YoY %chg	Comments
Revenue	238.7	238.9	240.8	0.8	0.8	486.9	479.6	-1.5	Yoy improvements from increased sales and marketing efforts carried out over the preceding quarters
Op costs	-208.0	-210.4	-209.2	-0.6	0.6	-428.7	-419.6	-2.1	
EBITDA	30.7	28.4	31.5	10.9	2.6	58.2	60.0	3.1	Improved margins largely from its manufacturing operations
<i>EBITDA margin (%)</i>	<i>12.9</i>	<i>11.9</i>	<i>13.1</i>	<i>1.2ppt</i>	<i>0.2ppt</i>	<i>12.0</i>	<i>12.5</i>	<i>0.6ppt</i>	
Depn and amort	-4.8	-5.3	-5.4	1.8	12.5	-9.4	-10.7	13.0	
EBIT	25.9	23.2	26.1	12.9	0.8	48.7	49.3	1.2	
<i>EBIT margin (%)</i>	<i>10.9</i>	<i>9.7</i>	<i>10.9</i>	<i>1.2ppt</i>	<i>0ppt</i>	<i>10.0</i>	<i>10.3</i>	<i>0.3ppt</i>	
Int expense	-0.2	-0.5	-0.6	1.8	236.0	-0.3	-1.1	290.0	
Int income	2.4	1.2	1.2	-0.8	-48.5	5.2	2.5	-52.8	Lower cash pile yoy after declaring a large sum of special dividends post-divestment of a stake in its associate
Associates	1.0	-1.6	-2.6	68.7	-364.3	0.5	-4.2	-983.4	
Exceptional items	-0.1	0.4	0.4	-11.0	-494.6	1.2	0.8	-36.0	
Pretax Profit	29.1	22.7	24.6	8.2	-15.6	55.4	47.2	-14.7	
Tax	-5.4	-5.1	-5.8	12.9	6.2	-10.5	-10.9	3.4	
<i>Tax rate (%)</i>	<i>18.7</i>	<i>22.5</i>	<i>23.5</i>	<i>1ppt</i>	<i>4.8ppt</i>	<i>19.0</i>	<i>23.0</i>	<i>4ppt</i>	
Net profit	23.6	17.6	18.8	6.8	-20.6	44.9	36.4	-18.9	
EPS (sen)	5.0	3.7	4.0	6.7	-20.6	9.5	7.7	-18.9	
Core net profit	23.7	17.2	18.4	7.2	-22.4	43.6	35.6	-18.5	Within our estimates but below consensus

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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