

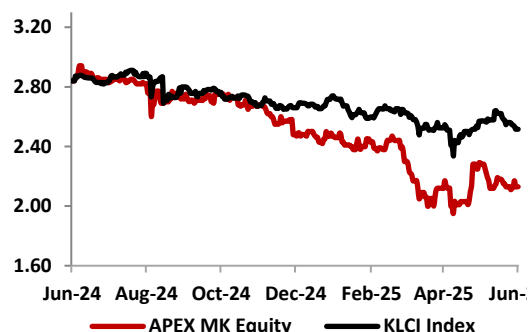
Apex Healthcare Berhad (APEX MK) **Below****SELL** ▼

Share Price RM2.53
Target Price RM1.91 -24.5%

SAG's Losses Dragged Earnings

- **Key Highlight.** Apex Healthcare Berhad (Apex)'s 1HFY25 net profit of RM36.9mn, substantially below our in-house and market expectation, making only 40.1% and 40.8% respectively of full-year forecast. The lower-than-expected earnings was due to losses from an associate. On quarterly basis, Apex's 2QFY25 revenue flattish +0.8% QoQ while PBT improved 8.3% QoQ, thanks to better margin in sales mix product. Nonetheless, yearly PBT decline 15.4% YoY despite marginal uptick in revenue (+0.8% YoY), following losses of RM2.6mn recorded by its associate.
- **Dividend.** The company declared a special dividend of 3 sen per share alongside an interim dividend of 3 sen per share during this quarter, accounting for approximately 55.6% of our FY25F dividend assumption of 10.8 sen
- **Earnings Revision.** Due to lower earnings, we have cut our FY25F/FY26F/FY27F earnings forecast by 6.6%/10.9%/13.5% to account for lower margin assumption.
- **Outlook.** Despite resilient demand and ongoing launches of new products, earnings growth is expected to remain subdued as weak contributions from its associate continue to offset gains from the Group's core operations. Additionally, while the pharmaceutical business has minimal direct exposure to the US, recent trade policy changes could indirectly impact performance via SAG's orthopaedic exports to the US.
- **Downgraded to SELL.** Due to recent rally in share price, we downgrade our call from a HOLD to a **SELL** call with lower **TP of RM1.91** (RM2.14 previously) following our earnings downgrade. Our valuation is based on based on a PER of 15.4x, representing 3-years historical average PER to FY27F EPS of 12.4sen.

Price Chart (RM)



Share Performance (%)	1m	3m	12m
Absolute	6.3	19.3	(3.5)
vs FBM KLCI	2.0	14.5	(4.2)

Stock Data

ESG Rating	Fair
Mkt Cap (RM mn)	1,823.1
Adjusted Beta	0.851
Free float (%)	29.5
Issued shares (mn)	720.612
52w H/L (RM)	2.78/ 1.90
3m avg daily volume	81,948

Major Shareholders (%)

Apex Pharmacy Holding	39.6
Washington H Soul	29.5
Lim The Realty	1.4

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Table 1: Quarterly Figures

Apex Healthcare	Quarterly			Change (%)		Cumulative		YTD	BIMB	
FYE 31 Dec (RM mn)	2Q24	1Q25	2Q25	QoQChg	YoYChg	FY24	FY25	%	FY25F	6M/F
Revenue	238.7	238.9	240.8	0.8	0.8	479.6	-1.5	479.6	822.7	58%
EBITDA	28.6	30.6	33.7	9.9	17.6	64.3	6.3	64.3	92.1	70%
Pretax profit	29.1	22.7	24.6	8.3	-15.4	47.3	-14.6	47.3	110.0	43%
Taxation	-5.4	-5.1	-5.8	12.9	6.2	-10.9	3.4	-10.9	-24.2	45%
Net profit	23.6	17.6	18.8	7.0	-20.4	36.4	-18.8	36.4	85.8	42%
Core net profit	23.7	17.7	19.2	8.9	-18.9	36.9	-21.3	36.9	85.8	43%
Core EPS (sen)	3.3	2.5	2.7	8.7	-19.2	5.1	-21.5	5.1	12.0	43%
				Chg (ppts)				Chg (ppts)		
EBITDA margin (%)	12.0	12.8	14.0	1.2	-10.8	13.4	1	11.2		
PBT margin (%)	12.2	9.5	10.2	0.8	-11.4	9.9	-1.6	13.4		
Net profit margin (%)	9.9	7.4	7.8	0.5	-9.5	7.6	-1.7	10.4		
Effective tax rate (%)	19.3	22.5	23.5	1	-17.7	19.3	22.5	3.2		

Source: BIMB Securities, Company

Table 2: Change in Earnings Forecast

FYE Dec (RM mn)	Previous		After		Change (%)	
	2025F	2026F	2025F	2026F	2025F	2026F
Revenue	823	910	823	910	0.0%	0.0%
EBITDA	99	107	92	95	-6.6%	-11.3%
Pretax profit	118	128	110	114	-6.6%	-10.9%
PATAMI	92	100	86	89	-6.6%	-10.9%
Core PATAMI	92	100	86	89	-6.6%	-10.9%

Source: Company, BIMB Securities

Table 3: Earnings Forecast

FYE Dec (RM mn)	FY23	FY24	FY25F	FY26F	FY27F
Turnover	936	962	823	910	974
EBITDA	106	100	92	95	101
Pretax profit	423	101	110	114	121
Net profit	398	77	86	89	94
Core net profit	95	86	86	89	94
Consensus			90	102	112
EPS (sen)	13.8	13.2	11.9	12.0	12.4
PER (x)	18.3	19.1	21.2	21.2	20.4
DPS (sen)	5.7	22.5	9.0	10.1	10.5
Div. Yield (%)	2.3	8.9	3.6	4.0	4.1
P/B (x)	3.3	2.0	2.3	2.3	2.3
Key Ratios (%)					
ROE	17.8	10.3	10.9	10.9	11.2
EBITDA margin	11.9	11.3	10.4	11.2	10.4
Pretax margin	13.7	45.2	10.5	13.4	12.5
Net margin	6.0	5.6	5.4	6.4	5.8

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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Printed and published by**BIMB SECURITIES SDN BHD (290163-X)**

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