Right time, right price for Apex takeover offer

By Pankaj Kumar

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THE relatively quiet and one of Malaysia's well-known healthcare pharmaceutical groups, Apex Healthcare Bhd (Apex) came to the limelight recently as it received a conditional takeover offer .

The offer could see Apex being taken private, marking a significant moment for Malaysia's private healthcare sector.

Quadria Capital, via its special purpose vehicle Pharmora Investment Holdings Pte Ltd has launched a conditional voluntary general offer to buy the remaining ordinary shares in Apex not already held by it and joint ultimate offerors (JUO) at aRM2.64 per share.

The offer will proceed only if Pharmora and its JUO secure at least 90 per cent of Apex's total shares outstanding, a threshold that is required to de-list the company from Bursa Malaysia's Main Market.

Pharmora which is the entity making the bid, is majority-controlled and led by Quadria Capital (via Quadria Capital Fund III) and is supported financially by other co-investors who are providing capital participation for the transaction.

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What do we know about the deal now?

As of the date of the offer notice:

(i) irrevocable undertakings have been secured from major shareholders representing 71.27 per cent of Apex's issued shares (including APHSB, XHSB, WHSP, Tan Su-Ann and Kee Kirk Chuen) to accept the offer; and

(ii) Kee and AHPL as the JUO collectively hold about 1.76 per cent interest in Apex.

With the undertakings secured, this will bring the offeror and JUO collective shareholdings in Apex to 73.03 per cent.

This leaves another16.97 per cent to be secured and accepted by other minority shareholders to meet the 90 per cent threshold level for the purposes of delisting from the main market.

Upon closing of the offer, Kee and AHPL will be disposing their entire stake in Apex to the offeror under the conditional share purchase agreement.

AHPL, an entity controlled by Kee, will also subscribe for interest in the offeror which will give AHPL about six per cent interest in Pharmora through a conditional share subscription deed, thus formally participating as one of the consortium members as joint ultimate offerors alongside Quadria Capital.

It is common in private equity-led transactions for existing shareholders, who hold key management roles to be invited to retain minority stake in the business following a change of ownership to facilitate a smooth transition and ensure leadership continuity.

Does this deal make sense?

By taking Apex private, the company would be positioned to operate without the constraints of a public listed company, providing the company with greater flexibility to pursue its strategic objectives and long-term growth plans.

This represents an attractive opportunity for the minority shareholders of Apex to realise the value of their investment and receive liquidity at a favourable market price.

The offer provides shareholders with a convenient avenue to cash-out their holdings, particularly as the offer price reflects a premium over the company's recently traded market prices and volume-weighted average prices as detailed in the offer notice.

In addition, independent market analysts covering the company too have noted that the offer is both fair and reasonable, underscoring that the proposed privatisation offer represents a timely opportunity for existing shareholders to secure a meaningful exit and not subject to future market uncertainties.

By accepting the offer, the minorityshareholders will reduce the risk of being left holding shares in a potentially delisted and highly illiquid company, should the offer become unconditional.

Is this a good deal?

Malaysia's private healthcare and pharmaceutical sectors are increasingly targeted by private equity and strategic investors, highlighting the attractiveness of privatisation and merger and acquisition or consolidation transactions.

The consortium led by Quadria Capital is particularly attractive, valuing Apex Healthcare Bhd's trailing price earnings ratio (PER) at 27x.

Remaining well above the three-year historical average PER (14.7x) and significantly higher than itspeers (Duopharma at 12x and Pharmaniaga at 9.5x) and in line with recent acquisition of Imexpharm by Livzon Pharma in Vietnam at 26.51x PER in May 2025.

Based on market consensus from analyst reports, Apex's core earnings momentum is expected to remain largely flat in the near term, constrained by softer contributions from its associate businesses and the maturity of its core operations.

Against this backdrop, the offer provides a fair and balanced outcome, recognising Apex's strong fundamentals, net cash position, and established market franchise, while compensating for limited short-term growth catalysts.

What's next?

Given the deal structure and the substantial support has alreadybeen secured, there is a strong likelihood that the privatisation offer will go through.

The offeror and its JUO have already obtained irrevocable undertakings that will result in their shareholdings to increase to more than 73 per cent of Apex's current shares outstanding,leaving a minimal gap towards the 90 per cent acceptance threshold.

If the proposed privatisation is successful, the move would offer minority shareholders an opportunity to monetise their holdings at a premium price, and at the same time allowing the company to position itself for its next phase of growth under a private ownership structure.

In addition, once privatised, remaining minority investors who choose not to accept the offer risk being trapped with illiquid, unlisted shares, with no clear timeline for monetisation or a comparable future exit opportunity.

As the Ooferor has stated its intention to exercise its right under the Malaysian law to compulsorily acquire the remaining minority shares after the close of the offer, provided it receives sufficient acceptances level to do so, it may be in the best interest of minority shareholders to participate early and realise the value on attractive offer rather than waiting for the offer to achieve its unconditional status.

Conversely, if the offer fails to achieve the 90 per cent threshold and turn unconditional, it would create an uncertainty as Apex's share price could retrace from the current trading levels, as well below the RM2.64 offer price.

This will reflect the failure of the VGO and the premium price offered, while investors' focus will then turn to concerns over Apex's earnings stagnation and rich valuation.

Without the flexibility and capital support that the privatisation offers promises, it is our opinion that Apex may face constraints in executing or pursuing its long-term expansion plans while remaining subject to quarterly market expectations.

Ultimately, the VGO provides a clean, value-maximising exit for minority shareholders, and positions Apex to embark on its next growth chapter under a structure better suited for its long-term transformation.

In this context, acceptance by minority shareholders appears not only likely, due to the premium price offered, but also rational and logical.

* The writer is managing director of Datametrics Research and Information Centre Sdn Bhd. The views expressed are entirely his own.

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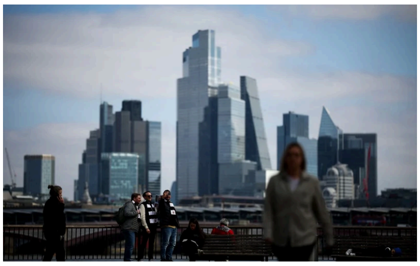

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