Edge Weekly

Apex Healthcare privatisation piques interest

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IT is not an everyday affair on Bursa Malaysia for a Temasek Holdings (Private) Ltd-backed investment fund and the Employees Provident Fund (EPF) to participate as co-investors with a private equity (PE) firm that wants to take a listed company private.

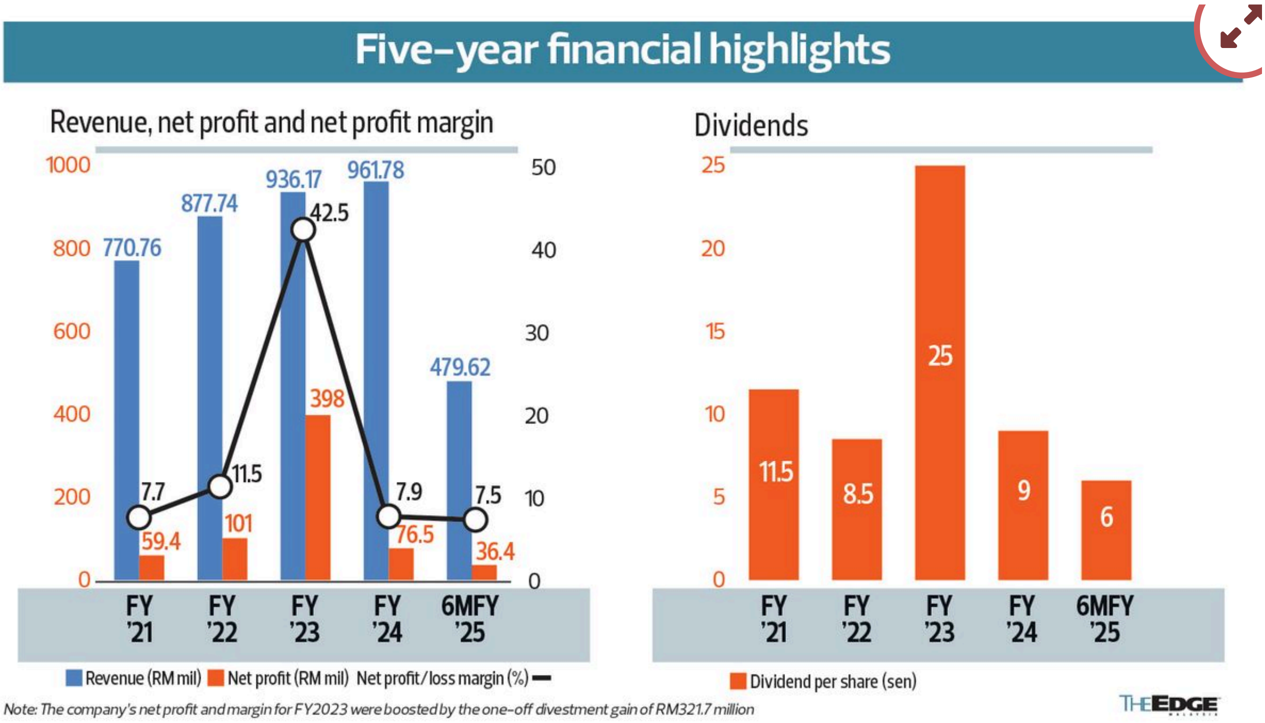
So when PE firm Quadria Capital Investment Management Pte Ltd, together with Apex Healthcare Bhd's (KL:AHEALTH) major shareholder Dr Kee Kerk Chin, recently announced a takeover offer of the pharmaceutical group known for its cough and cold medicine, interest was piqued.

On Nov 7, healthcare-focused private equity Quadria, through its special purpose vehicle Pharmora Investment Holdings Pte Ltd — partnering with Dr Kee, who is also the chairman and CEO of Apex Healthcare — proposed a conditional voluntary takeover offer to acquire all remaining shares it does not own in Apex Healthcare at RM2.64 per share.

Sources say the deal took many months to finalise and involved many legal opinions, given the various stakeholders involved.

"Several legal firms were involved because of the high-profile investors. The cost to prepare the structure and seal the various agreements between the parties involved would have been costly. Finally, they came up with a structure of either having it all [of Apex Healthcare] or none," says a health industry source.

In relation to the structure, the condition for the voluntary general offer (VGO) is an acceptance rate of 90% or more of the total issued shares in Apex Healthcare. If achieved, the VGO will kick in and the company will be delisted and taken private.



"It is set at 90% because Quadria wants certainty of going private. Dr Kee is confident that it can be achieved," says a source.

However, is the 90% threshold an easy target to achieve?

As at the date of the announcement of the takeover offer, the offeror had already secured irrevocable undertakings amounting to 71.27% of Apex Healthcare's issued shares from five entities and individuals to accept the offer. They are:

(i) Apex Pharmacy Holdings Sdn Bhd, an entity controlled by the Kee brothers holding 285.43 million, or 39.58% stake;

(ii) Xepa Holdings Sdn Bhd, an entity controlled by the Kee family, with 7.48 million, or 1.04%;

(iii) Aussie-based WHSP Holdings Pty Ltd, which owns 212.78 million, or 29.5%;

(iv) Dr Kee's brother Kee Kirk Chuen, who has 1.41 million shares, or 0.19% stake; and

(v) Tan Su-Ann, who holds 6.89 million Apex Healthcare shares, or 0.96% of the total issued shares.

Meanwhile, Dr Kee and an entity controlled by him, Apex Holdings Pte Ltd (AHPL), have agreed to sell 1.76% of their Apex Healthcare shares to the offeror after the close of the offer.

“But [Dr] Kee comes back to own at least 6% in Apex Healthcare after the delisting. He will continue to run the show in the company and his interest in the company could go higher over time,” says a source.

Should the privatisation materialise, Dr Kee, via AHPL, will take up an effective 6% stake in Apex Healthcare with the sales proceeds received by Apex Pharmacy Holdings and Xepa Holdings.

In total, the offeror has secured 73.03% equity interest, or 526.71 million shares in Apex Healthcare. This means that Quadria would need another 16.97% equity interest, about 122.39 million shares, to reach the 90% acceptance threshold.

However, the shareholding of those not involved in the irrevocable undertaking is fragmented.

Among the top 30 substantial shareholders listed in Apex Healthcare’s 2024 annual report, other than those who have already given their irrevocable undertaking to accept the deal, are individual shareholders and some institutional investors. All except one hold below 1% equity interest in Apex Healthcare. That one shareholder is Lim Teh Realty Sdn Bhd, which has a 1.35% stake.

At the offer price of RM2.64 per share, it represents a premium of 2.33% to Apex Healthcare’s last transacted price of RM2.58 on Nov 6.

It is also a premium of 6.58% to the average price of RM2.25 in the past one month and a 15% premium to the one-year volume weighted average market price of Apex Healthcare shares up to the last trading day.

Some wonder if the offer price is an attractive enough deal for existing shareholders. Analysts covering the stock believe it is.

PublicInvest Research says the offer is attractive as it is pricing Apex Healthcare at a premium of 21 times price-earnings ratio (PER) compared with its five-year historical average of 18 times.

BIMB Securities Research has also advised investors to accept the offer, saying it is "fair and premium" for investors. The offer of RM2.64 values Apex Healthcare at 22 times its FY2026 PER and 18 times its enterprise value/earnings before interest, taxes, depreciation and amortisation, implying a 38% premium to its target price of RM1.91.

Compared with the PER of peers such as Duopharma Biotech Bhd (KL:DPHARMA) and Pharmaniaga Bhd (KL:PHARMA), the offer price also puts Apex Healthcare at a premium. Duopharma is trading at a trailing 12-month PER of 16.2 times, while Pharmaniaga is trading at TTM PER of 12.7 times.

Quadria will be funding the offer via its internal resources and bank borrowings. It has also secured co-investments from the EPF and Temasek's 65 Equity Partners Pte Ltd, which will provide the funding in exchange for shareholding after the acceptance condition has been met.

A back-of-the-envelope calculation shows that Quadria and its co-investors will be forking out about RM1.91 billion to take Apex Healthcare private.

Upon the delisting of the company, EPF will have a 19.34% effective interest in the company while LEF 1C Pte Ltd, the investment special purpose vehicle of 65 Equity Partners Pte Ltd, will own an effective interest of 24.22% in the pharmaceutical company. Quadria will remain as the controlling shareholder.

Part of the deal will also entail the emergence of a new shareholder, SDMG Inc — a special purpose vehicle that is indirectly wholly owned by China's Silk Road Fund Co Ltd — which will have an effective interest of 13.82% in Apex Healthcare. However, SMDG's subscription of the shares is on the condition that the offeror successfully delists Apex Healthcare.

Dr Kee not exiting the business, say sources

Industry sources say the 64-year-old Dr Kee is not exiting the business and will be very much involved with Apex Healthcare.

"He is very passionate about the business and wants to grow Apex Healthcare. He is looking for partners who are prepared to pump more money into the deal. His family company is selling but not him," says an industry source.

That said, the biggest hurdle facing Quadria and Dr Kee now is reaching the 90% acceptance rate. However, based on the history of privatisation exercises with a high threshold of 90%, the offeror tends to have the option to reduce the rate of acceptance. This happened in the case of Hovid Bhd's privatisation in 2017.

Earlier this year, when Malaysia Airports Holdings Bhd (MAHB) was privatised by a consortium of institutional and PE funds, the offerors also stated in their offer document an option to reduce the threshold if the target of 90% acceptance were not met. But the offerors for MAHB eventually managed to get more than the 90% acceptance rate and delisted the airport operator.

In the case of Hovid, its managing director David Ho, together with PE firm TAEL Two Partners Ltd, made a voluntary takeover offer for the rest of Hovid shares not owned by them at 38 sen per share and 20 sen per warrant.

When the offer was made in October 2017, the joint offerors held a 33.72% stake in the company. Initially set at 90%, the acceptance condition for the offer was later lowered twice — from 90% to 75%, and later on, to 67%. The offer failed to trigger a compulsory acquisition, as the required 90% acceptance threshold was not achieved. But the offer was kept alive through multiple extensions.

It took 15 months after that takeover offer was launched for Ho and TAEL Partners to secure 94.94% of Hovid shares by the close of the offer in January 2019, allowing them to compulsorily acquire the remaining shares. The company was privatised and delisted a month later, ending its 14-year run on Bursa.

Going back to Apex Healthcare, the pharmaceutical group's revenue has been growing. Revenue grew to RM961.78 million in in the financial year ended Dec

31, 2024 (FY2024) from RM698.73 million in FY2020.

Net profit has also grown in tandem to RM76.5 million in FY2024, from RM56 million in FY2020. In FY2023, the group reported an extraordinary net profit of RM398 million following a non-recurring gain of RM321.7 million from the divestment of its associate company Straits Orthopedics (Mfg) Sdn Bhd, a contract manufacturer for orthopaedic medical devices.

Apex Healthcare's stake in the orthopaedic medical device company was divested to Quadria.

For the cumulative six months ended June 30, 2025 (6MFY2025), Apex Healthcare's net profit amounted to RM36.4 million against revenue of RM479.62 million. As at June 30, 2025, it had net cash of RM184.17 million.

At last Thursday's close, Apex Healthcare's shares settled at RM2.55 apiece, down 3.5% from the offer price of RM2.64.