

Apex Healthcare's prospects remain positive



CORPORATE NEWS

Tuesday, 25 May 2021



AmInvestment Bank Research said it expects better quarterly results going forward as the group's associate unit, Straits Apex Sdn Bhd (SA) is expected to draw stronger sales.

PETALING JAYA: Apex Healthcare Bhd's prospects remain positive although subdued performance can be expected in the shorter term.

This is due to rising raw material costs and poor pharmaceutical demand.

However, AmInvestment Bank Research said it expects better quarterly results going forward as the group's

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It added that the current poor utilisation rates at SPP Novo (manufacturing facility) were expected to keep manufacturing segment margins depressed.

The utilisation rate for Q1'FY21 was 62%. FY20's average utilisation rate was 67%, while FY19's was 74%. The group has deferred the expansion until pharmaceutical demand returns, it adds.

On rising freight and raw material costs, it said it will likely compress margins in the coming quarters.

"While average selling prices (ASP) for group brand products remain unchanged, they may rise in the coming quarters. External products have already seen an ASP increase of 6%," the research house added.

With the Health Ministry's (MoH) expenses tied up by the pandemic resurgence, government tenders are hard to come by at the moment.

But the research house expects it to normalise in FY22, as the bulk of the MoH's mass vaccinations will have already been completed by then.

"Going forward, we remain positive on Apex's future prospects as a recovery play. Pent-up demand is likely to provide the group a lucrative FY22.

"Apex's state of the art SPP Novo facility is expected to give it an edge in winning lucrative government tenders when the pandemic situation improves," it adds.

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