



APEX HEALTHCARE BERHAD

Neutral

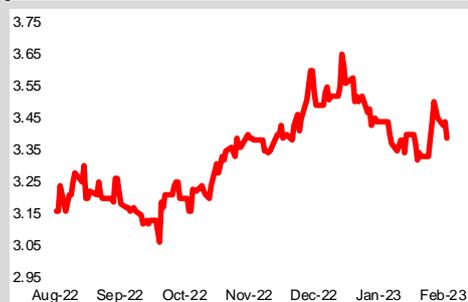
DESCRIPTION

An investment holding company involved in the development, manufacturing, marketing and distribution of pharmaceuticals, diagnostics, consumer healthcare products and orthopaedic devices.

12-Month Target Price RM3.31
Current Price RM3.39
Expected Return -2.4%

Market Main
Sector Consumer
Bursa Code 7090
Bloomberg Ticker APEX MK
Shariah-Compliant Yes

SHARE PRICE CHART



52 Week Range (RM) 2.51 – 3.69
3-Month Average Vol ('000) 117.0

SHARE PRICE PERFORMANCE

	1M	3M	12M
Absolute Returns	-1.5	0.0	6.3
Relative Returns	1.0	-1.4	7.3

KEY STOCK DATA

Market Capitalisation (RMm) 1,619.1
No. of Shares (m) 477.6

MAJOR SHAREHOLDERS

	%
Apex Pharmacy Holdings Sdn Bhd	39.9
Washington H Soul Pattinson	29.7
Lim Teh Realty Sdn Bhd	1.4

Research Team

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Record High Quarterly Profit

Apex Healthcare (ApexH) posted a record high net profit of RM34.8m (+68.3% YoY) in 4QFY22. The stronger performance was mainly driven by higher sales of respiratory medicines especially the cough and cold products. Share of earnings from associated company, Straits Apex Group (SAG), has also contributed to the increase in earnings at RM14.5m (+158% YoY) in 4QFY22. After stripping off non-operating items, full year FY22 core net profit was RM96.8m, beating expectations at 133% and 118% of our and consensus full-year forecasts respectively. ApexH declared a final and special dividend of 3.5 sen and 2.0 sen per share. Additionally, the group has also proposed to undertake a 1:2 bonus issue for existing shares without capitalising reserves. Our earnings forecasts are under review with an upside bias, pending our meeting with management. At this juncture, we maintain our **Neutral** call on ApexH, with an unchanged TP of RM3.31.

§ **Stronger revenue.** ApexH's revenue stood at RM220.5m (+11.6% YoY) in 4QFY22. The increase was mainly due to stronger contributions from its manufacturing and marketing segment (46.7% YoY) as well as its wholesale and distribution segment (8.7% YoY), on the back of a strong market demand for respiratory illness related products in Malaysia, Singapore and international markets. This was mainly attributed to the prevalence of COVID-19 infection in 2HFY22. The steady growth in revenue was also due to the group's timely expansion of production capacity, rapid sourcing and supply of changing in-demand healthcare products in the existing market.

§ **Net profit.** In tandem with higher revenue, ApexH's 4QFY22 net profit jumped by 68.3% YoY to RM34.8m. Stripping off the reversal of RM4.2m impairment for SAG, core net profit was at RM30.7m in 4QFY22 (+48.1% YoY). The stronger net profit was backed by a higher share of profits from SAG at RM14.5m in the current quarter from RM5.6m in 4QFY21, mainly due to the uninterrupted production which allowed SAG to clear its order backlogs to meet growing demand on new orders from customers. In addition, PBT margin improved by 3.9ppt YoY to 14% in FY22.

§ **Outlook.** We believe ApexH will benefit from the favourable demographics and the increase in ageing population over the long run. The group should continue to generate higher sales and grow its market share of group brand products through R&D intensification in key therapeutic categories to broaden its new product pipeline. However, we remain cautious on cost pressure due to rising imported raw material prices due to the supply chain disruption and inflationary pressure in the near term.

KEY FORECAST TABLE

FYE Dec (RM m)	2021A	2022E	2023F	2024F	2025F	CAGR
Revenue	770.8	877.7	968.4	1,127.9	1,245.1	17.3%
Pre-tax Profit	75.4	120.4	96.3	109.9	125.0	13.4%
Net Profit	59.4	101.0	80.8	92.2	104.9	15.8%
EPS (Sen)	12.5	21.3	16.9	19.3	22.0	15.5%
P/E (x)	27.2	16.0	20.0	17.6	15.4	
DPS (Sen)	11.4	8.4	5.6	6.4	7.2	
Dividend Yield (%)	3.4	2.5	1.6	1.9	2.1	

Source: Company, PublicInvest Research estimates



Table 1: Results Summary

<u>FYE Dec (RM m)</u>	<u>4Q22</u>	<u>4Q21</u>	<u>3Q22</u>	<u>YoY chg (%)</u>	<u>QoQ chg (%)</u>	<u>YTD FY22</u>	<u>YTD FY21</u>	<u>YoY chg (%)</u>	<u>Comments</u>
Revenue	220.5	197.7	232.1	11.6	-5.0	877.7	770.8	13.9	
Cost of Sales	-169.4	-156.2	-178.9	8.5	-5.3	-680.1	-609.8	11.5	
Gross Profit	51.1	41.5	53.2	23.1	-4.0	197.6	160.9	22.8	
Other operating income/ (expenses)	1.9	1.3	1.4	48.1	32.1	6.0	6.3	-5.2	
Operating profit/ (loss)	26.0	19.9	25.6	30.7	1.7	91.5	69.2	32.3	
Finance income/ (costs)	-0.2	-0.2	-0.2	-2.3	18.2	-0.8	-0.9	-11.5	
Other income/ (expenses)	14.5	5.6	7.0	158.0	>100	29.6	7.1	>100	
Profit/ (Loss) before tax	40.3	25.3	32.4	59.2	24.4	120.4	75.4	59.6	
Taxation	-5.5	-4.6	-5.5	19.4	-1.1	-19.4	-16.0	21.3	
Net Profit	34.8	20.7	26.9	68.0	29.6	101.0	59.4	69.9	
Non-controlling interests	0.0	0.0	0.0	>-100	>-100	0.0	0.0	>-100	
PATAMI	34.8	20.7	26.9	68.3	29.6	101.0	59.4	69.9	
Core PATAMI	30.7	20.7	26.9	48.1	14.1	96.8	59.4	62.9	
Operating Margin (%)	11.8%	10.1%	11.0%			10.4%	9.0%		
Pre-tax Margin (%)	18.3%	12.8%	14.0%			13.7%	9.8%		
Net Margin (%)	13.9%	10.5%	11.6%			11.0%	7.7%		
<u>Segment Revenue</u>									
Manufacturing and Marketing	22.3	15.2	22.5	46.7	-0.7	84.1	58.6	43.4	
Wholesale and Distribution	198.1	182.3	209.6	8.7	-5.5	793.6	711.5	11.5	
Corporate	0.0	0.1	0.0	-93.2	-9.1	0.0	0.7	-93.6	
<u>Segment EBIT</u>									
Manufacturing and Marketing	18.2	11.9	17.7	52.7	3.0	63.9	41.6	53.8	
Wholesale and Distribution	8.5	8.4	10.1	1.5	-15.9	36.2	33.1	9.3	
Corporate	15.3	5.9	5.6	>100	>100	24.9	4.3	>100	

Source: Company

KEY FINANCIAL DATA

INCOME STATEMENT

FYE Dec (RM m)	2021A	2022E	2023F	2024F	2025F
Revenue	770.8	877.7	968.4	1,127.9	1,245.1
Operating Profit	69.2	91.5	86.7	98.7	112.7
Other Gains/(Losses)	7.1	29.6	9.7	11.3	12.5
Finance Costs	-0.9	-0.8	0.0	-0.1	-0.1
Pre-tax Profit	75.4	120.4	96.3	109.9	125.0
Income Tax	-16.0	-19.4	-15.5	-17.7	-20.1
Effective Tax Rate (%)	21.2	16.1	16.1	16.1	16.1
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	59.4	101.0	80.8	92.2	104.9
Growth					
Revenue (%)	10.3	13.9	10.3	16.5	10.4
Operating Profit (%)	10.4	32.3	-5.3	13.9	14.2
Net Profit (%)	6.1	69.9	-20.0	14.1	13.8

Source: Company, PublicInvest Research estimates

BALANCE SHEET

FYE Dec (RM m)	2021A	2022E	2023F	2024F	2025F
Property, Plant & Equipment	167.1	189.3	187.2	182.4	175.6
Cash and Cash Equivalents	93.4	174.5	178.7	205.4	218.5
Receivables	158.8	178.2	172.5	185.4	204.7
Other Assets	260.9	203.3	234.8	296.2	365.5
Total Assets	680.1	745.3	773.2	869.4	964.2
Payables	144.1	160.4	157.8	184.0	211.7
Borrowings	9.5	9.5	6.9	11.2	23.9
Deferred Tax	8.6	6.8	10.4	10.4	10.4
Other Liabilities	11.1	10.1	-8.8	1.5	-7.0
Total Liabilities	173.3	186.8	166.3	207.1	239.1
Total Equity	506.9	558.4	606.9	662.2	725.2
Total Equity and Liabilities	680.1	745.3	773.2	869.4	964.2

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Dec (RM m)	2021A	2022E	2023F	2024F	2025F
Book Value Per Share	1.1	1.2	1.3	1.4	1.5
EPS (Sen)	12.5	21.3	16.9	19.3	22.0
DPS (Sen)	11.4	8.4	5.6	6.4	7.2
Payout Ratio	91.7%	39.9%	33.0%	33.0%	33.0%
ROA	8.7%	13.5%	10.5%	10.6%	10.9%
ROE	11.7%	18.1%	13.3%	13.9%	14.5%

Source: Company, PublicInvest Research estimates

RATING CLASSIFICATION

STOCKS

OUTPERFORM	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
NEUTRAL	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
UNDERPERFORM	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
TRADING BUY	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
TRADING SELL	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
NOT RATED	The stock is not within regular research coverage.

SECTOR

OVERWEIGHT	The sector is expected to outperform a relevant benchmark over the next 12 months.
NEUTRAL	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform a relevant benchmark over the next 12 months.

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