

Apex eyes new revenue streams



By DANIEL KHOO

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Big player: Apex Healthcare's manufacturing plant in Melaka. More than half of the group's revenue now comes from contract manufacturing for multinational healthcare companies such as Nestle Health Science in Malaysia and Merck in Singapore.

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More than half of its revenue now comes from contract manufacturing or distributing agency brands such as Nestle Health Science in Malaysia and Merck in Singapore.

It also does contract manufacturing for major pharmaceutical companies in Malaysia, Singapore, the Philippines, Japan, Australia and Mexico.

Other sources of revenue come from making and selling generic drug brands that it owns such as Xepa and Avo as well as wholesaling general brands such as MSD, Sanofi and Pfizer.

Margin pressure

Apex Healthcare's plans to increase its revenue stream comes at a time when it is seeing some margin pressure. Profit margins narrowed to 7.5% in its financial year ended Dec 31, 2021 (FY21) from 8% in FY20.

Chairman and chief executive officer Dr Kee Kirk Chin tells StarBizWeek that growth has been present but difficult to come by.



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"The last two years brought about a lot of challenges for us. We were able to get through it. We had to keep the supply lines intact to ensure medicines continued to be available," he says.

"However, we had a lot of workforce disruptions because of (Covid-19) infections, quarantines, remote working and supply chain uncertainties. We had to work quite hard to achieve our growth in the last few years," Kee adds.

Since its listing in the year 2000, Apex Healthcare has seen a compounded annual growth rate in its revenue and net profit of 9% and 8.7%, respectively.

Net profit had grown about 6.1% year-on-year (y-o-y) to RM59.44mil in FY21 while revenue grew by 10.3% y-o-y.

Kee says this year will be even more challenging. He points to the possibility of new Covid-19 variants.

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“If we cannot get our raw materials then we can’t sell and generate sales. And the third factor which we are concerned about is the protracted Russia-Ukraine war that is slowing the global economy,” Kee says.

That said, Kee believes the group has the capability to ride through the challenges this year with the experiences gained during the pandemic.

Outsourcing

On its new business plans to manufacture consumer healthcare products, Kee says the group may not necessarily manufacture all of it by itself.

“We may source some of them from other companies. It will take us a few years to build this up but we are starting this year and want to grow this segment,” he adds.

Apex Healthcare also intends to capitalise on the growing demand for oncology and immunology treatment drugs.

“It is one of the largest therapeutic categories in terms of market value. We see demand growing significantly and want to serve more companies with these products,” Kee says.

“These products usually require cold-chain logistics and regional redressing services. Redressing is short for relabelling of the particular drug for different countries’ usage and we do provide this service,” he adds.

Kee, a Singaporean, is the single-largest shareholder in Apex Healthcare with 41.36% effective stakes. He inherited the business from his father who hailed from Batu Pahat, Johor.

“My father, who has just retired, started this business as a retail pharmacy in 1962 and then grew it to a wholesale distribution and manufacturing of pharmaceutical business,” Kee says.

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