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Quick Bites

Apex Healthcare acquiring freehold Malacca land for future expansion

Apex Healthcare (Apex) is buying a freehold industrial plot in Malacca for RM20.4m to cater for the future expansion of its off-patent pharmaceutical manufacturing unit, Xepa-Soul Pattinson (Malaysia) Sdn Bhd. The land measures 18.75 acres and Apex said its wholly-owned unit has inked a conditional sale and purchase agreement today to effect the acquisition. It expects to complete the proposed acquisition by 4Q21. (Source: The Edge)

Comment: Apex plans to use the land to cater to its future requirements in order to sustain long-term growth as its existing 9.3 acres' site at Cheng Industrial Estate, which is approximately 24km away, is fully utilised with the completion of its new plant, SPP NOVO. The acquisition cost of RM25 per sq. ft. looks fair, close to the price range of the historical industrial land acquisitions in Melaka by Complete Logistic Services Bhd in 2017 (RM30 per sq. ft.) and EP Manufacturing Bhd in 2015 (RM25 per sq. ft.). The proposed acquisition will be funded via a combination of internal funds and external borrowings. The funding should not be an issue given the group's strong net cash position of RM78m as at 2Q19. We are neutral on the acquisition as the acquisition is only expected to be completed by 4Q of 2021 after the completion of earthworks, sewerage works and roadworks by the vendor. We maintain our **HOLD** rating on Apex with an unchanged TP of **RM2.11**