



### APEX HEALTHCARE BERHAD

### Neutral

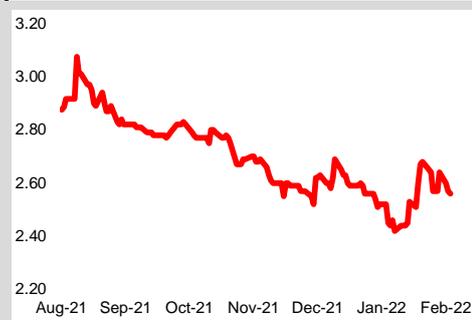
#### DESCRIPTION

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	RM2.40
Current Price	RM2.56
Expected Return	-6.3%

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

#### SHARE PRICE CHART



52 Week Range (RM)	2.38 – 3.33
3-Month Average Vol ('000)	35.6

#### SHARE PRICE PERFORMANCE

	1M	3M	12M
Absolute Returns	1.6	-5.2	-10.4
Relative Returns	-2.5	-8.3	-13.2

#### KEY STOCK DATA

Market Capitalisation (RMm)	1,219.5
No. of Shares (m)	476.3

#### MAJOR SHAREHOLDERS

	%
Apex Pharmacy Holdings Sdn Bhd	40.0
Washington H Soul Pattinson	29.8
MD DEWAK MD ALI	1.7

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## Above Expectations

Apex Healthcare's (ApexH) 4QFY21 net profit increased by 43.8% YoY to RM20.7m. The stronger performance was mainly due to higher market demand for pharmaceuticals, consumer healthcare products and point of care diagnostics. The results were above both our and street projections at 109% of full-year numbers. The discrepancy in our forecasts was due to lower-than-expected administrative, selling and marketing expenses. We revised our forecasts for FY22-23F by 4-8% as we impute in lower administrative, selling and marketing expenses. As such, our TP is revised to RM2.40, based on an unchanged 17x FY22 EPS of 13.8sen, from RM2.25 previously. Given the recent fall in share price, our revised TP suggests a downside of only 6%. As such, we upgrade our call from Underperform to **Neutral**. On a side note, ApexH declared a final dividend of 3sen and a special dividend of 6sen.

§ **Stronger revenue.** ApexH reported a 22.3% YoY increase in revenue to RM197.7m. The increase was mainly due to stronger contribution from its wholesale and distribution segment (+20.1% YoY) and its manufacturing and marketing segment (+58.4% YoY), underpinned by the increase in market demand for pharmaceuticals, consumer healthcare products and point of care diagnostics. We attribute this to improving consumer confidence, especially for products relating to cough and cold given the milder symptom delivered by Omicron variant.

§ **Net profit.** In tandem with higher revenue, ApexH's net profit improved by 43.8% YoY to RM20.7m. This was mainly due to higher share of profits from its 40%-owned associate company, SAG, which added 44.3% YoY to RM5.6m. The stronger performance from SAG was due to progressively clearing of backlog order as the production operations normalized where the production was interrupted by movement restriction during 3QFY21. In addition, PBT margin has improved by 1.4ppt to 12.8% mainly due to stronger sales of higher margin products.

§ **Outlook.** Although the new Covid-19 cases in Malaysia are rising, as the majority of cases delivered only mild symptoms, we do not expect the government to reintroduction lockdown measures. Additionally, we believe consumer sentiment should gradually recover, boosting consumer spending which in turn should benefit ApexH. In the long term, we expect ApexH should benefit from the current market trend of aging population where the demand for pharmaceutical products should increase with aged population. However, the supply chain bottleneck and elevated raw materials and freight cost might tempered ApexH's performance in the short term.

#### KEY FORECAST TABLE

FYE Dec (RM m)	2020A	2021E	2022F	2023F	2024F	CAGR
Revenue	698.7	770.8	801.7	862.3	920.4	7.4%
Pre-tax Profit	70.2	75.4	85.1	87.7	93.3	9.5%
Net Profit	56.0	59.4	65.5	67.6	71.8	9.5%
EPS (Sen)	11.8	12.6	13.8	14.2	15.1	9.5%
P/E (x)	22.7	20.4	18.6	18.0	17.0	
DPS (Sen)	4.5	11.5	4.5	4.7	5.0	
Dividend Yield (%)	1.7	4.5	1.8	1.8	1.9	

Source: Company, PublicInvest Research estimates

**Table 1: Results Summary**

<u>FYE Dec (RM m)</u>	<u>4Q21</u>	<u>4Q20</u>	<u>3Q21</u>	<u>YoY chg (%)</u>	<u>QoQ chg (%)</u>	<u>YTD FY21</u>	<u>YTD FY20</u>	<u>YoY chg (%)</u>	<u>Comments</u>
Revenue	197.7	161.6	211.1	22.3	-6.4	770.8	698.7	10.3	Growth mainly contributed by its wholesale and distribution segment and its manufacturing and marketing segment
Cost of Sales	-156.2	-129.9	-166.7	20.2	-6.3	-609.8	-550.5	10.8	
<b>Gross Profit</b>	<b>41.5</b>	<b>31.7</b>	<b>44.3</b>	<b>30.9</b>	<b>-6.4</b>	<b>160.9</b>	<b>148.2</b>	<b>8.6</b>	
Other operating income/ (expenses)	1.3	1.9	2.0	-32.6	-35.1	6.3	7.7	-18.7	
<b>Operating profit/ (loss)</b>	<b>19.9</b>	<b>14.8</b>	<b>18.3</b>	<b>34.5</b>	<b>8.9</b>	<b>69.2</b>	<b>62.7</b>	<b>10.4</b>	
Finance income/ (costs)	-0.2	-0.3	-0.2	-26.0	6.3	-0.9	-1.1	-24.7	
Other income/ (expenses)	5.6	3.9	0.5	44.3	1,089.8	7.1	8.7	-18.1	
<b>Profit/ (Loss) before tax</b>	<b>25.3</b>	<b>18.4</b>	<b>18.6</b>	<b>37.5</b>	<b>36.4</b>	<b>75.4</b>	<b>70.2</b>	<b>7.5</b>	
Taxation	-4.6	-4.0	-4.5	13.5	0.5	-16.0	-14.2	12.8	
<b>Net Profit</b>	<b>20.7</b>	<b>14.4</b>	<b>14.0</b>	<b>44.2</b>	<b>48.1</b>	<b>59.4</b>	<b>56.0</b>	<b>6.1</b>	
Non-controlling interests	0.0	0.0	0.0	-238.1	-583.3	0.0	0.0	-280.0	
<b>PATAMI</b>	<b>20.7</b>	<b>14.4</b>	<b>14.0</b>	<b>43.8</b>	<b>47.8</b>	<b>59.4</b>	<b>56.0</b>	<b>6.1</b>	
<b>Core PATAMI</b>	<b>20.7</b>	<b>14.4</b>	<b>14.0</b>	<b>43.8</b>	<b>47.8</b>	<b>59.4</b>	<b>56.0</b>	<b>6.1</b>	
Operating Margin (%)	10.1%	9.2%	8.7%			9.0%	9.0%		Improved mainly due to sales of higher margin products
Pre-tax Margin (%)	12.8%	11.4%	8.8%			9.8%	10.0%		
Net Margin (%)	10.5%	8.9%	6.6%			7.7%	8.0%		
<b><u>Segment Revenue</u></b>									
Manufacturing and Marketing	15.2	9.6	16.6	58.4	-8.4	58.6	47.5	23.3	
Wholesale and Distribution	182.3	151.8	194.2	20.1	-6.2	711.5	649.0	9.6	
Corporate	0.1	0.1	0.2	11.4	-30.0	0.7	2.2	-70.5	
<b><u>Segment EBIT</u></b>									
Manufacturing and Marketing	11.9	8.2	11.5	45.6	3.3	41.6	34.3	21.3	
Wholesale and Distribution	8.4	6.5	9.8	28.1	-14.4	33.1	33.8	-2.1	
Corporate	5.9	4.2	-1.2	41.6	-585.5	4.3	4.5	-5.0	

Source: Company

## KEY FINANCIAL DATA

### INCOME STATEMENT

FYE Dec (RM m)	2020A	2021E	2022F	2023F	2024F
Revenue	698.7	770.8	801.7	862.3	920.4
Operating Profit	62.7	69.2	78.7	80.8	85.9
Other Gains/(Losses)	8.7	7.1	6.4	6.9	7.4
Finance Costs	-1.1	-0.9	0.0	0.0	0.0
Pre-tax Profit	70.2	75.4	85.1	87.7	93.3
Income Tax	-14.2	-16.0	-19.6	-20.2	-21.5
Effective Tax Rate (%)	20.2	21.2	23.0	23.0	23.0
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>56.0</b>	<b>59.4</b>	<b>65.5</b>	<b>67.6</b>	<b>71.8</b>
Growth					
Revenue (%)	1.4	10.3	4.0	7.6	6.7
Operating Profit (%)	3.4	6.8	13.7	2.7	6.3
Net Profit (%)	6.2	6.0	10.3	3.1	6.3

Source: Company, PublicInvest Research estimates

### BALANCE SHEET

FYE Dec (RM m)	2020A	2021E	2022F	2023F	2024F
Property, Plant & Equipment	170.7	167.1	157.6	154.2	148.5
Cash and Cash Equivalents	82.8	194.1	156.2	188.5	237.6
Receivables	129.3	158.8	148.4	159.6	170.4
Other Assets	238.1	160.1	234.1	250.1	253.9
<b>Total Assets</b>	<b>620.9</b>	<b>680.1</b>	<b>696.3</b>	<b>752.4</b>	<b>810.3</b>
Payables	118.4	143.3	134.5	145.3	155.1
Borrowings	21.2	15.4	0.0	0.0	0.0
Deferred Tax	7.5	8.6	7.5	7.5	7.5
Other Liabilities	5.8	6.0	5.8	5.8	5.8
<b>Total Liabilities</b>	<b>153.0</b>	<b>173.3</b>	<b>147.8</b>	<b>158.6</b>	<b>168.4</b>
Total Equity	468.0	506.9	548.5	593.8	641.9
<b>Total Equity and Liabilities</b>	<b>620.9</b>	<b>680.1</b>	<b>696.3</b>	<b>752.4</b>	<b>810.3</b>

Source: Company, PublicInvest Research estimates

### PER SHARE DATA & RATIOS

FYE Dec (RM m)	2020A	2021E	2022F	2023F	2024F
Book Value Per Share	1.0	1.1	1.2	1.2	1.3
EPS (Sen)	11.8	12.6	13.8	14.2	15.1
DPS (Sen)	4.5	11.5	4.5	4.7	5.0
Payout Ratio	38.0%	91.6%	33.0%	33.0%	33.0%
ROA	9.0%	8.7%	9.4%	9.0%	8.9%
ROE	12.0%	10.8%	11.9%	11.4%	11.2%

Source: Company, PublicInvest Research estimates

## **RATING CLASSIFICATION**

### STOCKS

<b>OUTPERFORM</b>	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
<b>NEUTRAL</b>	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
<b>UNDERPERFORM</b>	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
<b>TRADING BUY</b>	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.
<b>TRADING SELL</b>	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
<b>NOT RATED</b>	The stock is not within regular research coverage.

### SECTOR

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

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### **Published and printed by:**

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