



APEX HEALTHCARE BERHAD

Neutral

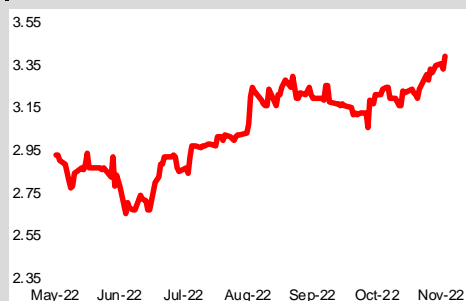
DESCRIPTION

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	-2.3%

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

SHARE PRICE CHART



52 Week Range (RM)	2.33 – 3.39
3-Month Average Vol ('000)	74.0

SHARE PRICE PERFORMANCE

	1M	3M	12M
Absolute Returns	5.6	10.4	22.0
Relative Returns	1.1	10.0	25.0

KEY STOCK DATA

Market Capitalisation (RMm)	1,619.0
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's (ApexH) posted a record high net profit of RM26.9m (+91.9% YoY) in 3QFY22. The stronger performance was mainly driven by a higher demand for pharmaceuticals, medicals devices and consumer healthcare products. For 9MFY22, net profit improved by 70.8% YoY to RM66.1m. The results came in above both our and street projections at 93.13% and 92.18% of full-year numbers respectively. We revise up our FY22-24F forecasts by 2-16%, factoring in higher revenue and share of associate results. Our TP is subsequently revised to RM3.31, based on 20x PER (5-years historical mean). Although we expect ApexH to benefit from the increasing customer demand for pharmaceutical products with the prevalence of respiratory illness in the community, we remain cautious on cost pressure due to rising imported raw material prices. As such, we maintain our **Neutral** call on ApexH.

§ **Stronger revenue.** ApexH's revenue rose to a record high of RM232.1m (+10% YoY) in 3QFY22. The increase was mainly due to stronger contribution from its manufacturing and marketing segment (+35.3% YoY) as well as wholesale and distribution segment (+7.9% YoY), on the back of an increased demand for pharmaceuticals, medical devices and consumer healthcare products in both domestic and international markets. This was attributable to higher consumption for cough and cold related products given the prevalence of Covid-19 infection.

§ **Net profit.** In tandem with higher revenue, ApexH's net profit increased by 91.9% YoY to RM26.9m. The stronger net profit was backed by a higher share of profits from its associated company, SAG, jumping from RM0.5m in 3QFY21 to RM7.0m in the current quarter. In addition, PBT margin has improved by 5.5ppt to 14% YoY.

§ **New liquid production line commissioning.** ApexH's wholly owned manufacturing subsidiary Xepa-Soul Pattinson (Malaysia) SB (Xepa) has commissioned its liquid production line, doubling its annual installed capacity to meet rising demand for cold syrups and cold related products.

§ **Outlook.** We note that there is a surge in Covid-19 cases recently following the emergence of new XBB variant. This could lead to higher sales for ApexH's respiratory medication in the near term. However, we believe bottomline may be impacted by rising raw material cost and supply chain disruption.

KEY FORECAST TABLE

FYE Dec (RM m)	2020A	2021A	2022F	2023F	2024F	CAGR
Revenue	698.7	770.8	840.4	969.1	1,103.1	12.7%
Pre-tax Profit	70.2	75.4	92.7	102.1	116.5	15.6%
Net Profit	56.0	59.4	73.0	80.5	91.8	15.6%
EPS (Sen)	11.7	12.4	15.3	16.9	19.2	15.6%
P/E (x)	28.9	27.2	22.2	20.1	17.6	
DPS (Sen)	4.5	11.4	5.1	5.6	6.3	
Dividend Yield (%)	1.3	3.4	1.5	1.6	1.9	

Source: Company, PublicInvest Research estimates



Table 1: Results Summary

<u>FYE Dec (RM m)</u>	<u>3Q22</u>	<u>3Q21</u>	<u>2Q22</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	232.1	211.1	209.2	10.0	10.9	657.2	573.1	14.7	Growth mainly contributed by its distribution and manufacturing segment
Cost of Sales	-178.9	-166.7	-161.9	7.3	10.5	-510.7	-453.7	12.6	
Gross Profit	53.2	44.3	47.3	20.0	12.4	146.5	119.4	22.7	
Other operating income/ (expenses)	1.4	2.0	0.9	-27.2	60.3	4.1	5.0	-18.8	
Operating profit/ (loss)	25.6	18.3	20.8	39.9	22.9	65.5	49.3	33.0	
Finance income/ (costs)	-0.2	-0.2	-0.2	-12.1	2.8	-0.5	-0.6	-14.6	
Other income/ (expenses)	7.0	0.5	7.2	>100	-3.1	15.1	1.5	918.2	
Profit/ (Loss) before tax	32.4	18.6	27.9	74.6	16.3	80.1	50.1	59.8	
Taxation	-5.5	-4.5	-4.4	21.3	26.3	-13.9	-11.4	22.1	
Net Profit	26.9	14.0	23.5	91.9	14.5	66.1	38.7	70.9	
Non-controlling interests	0.0	0.0	0.0	-83.3	-66.7	0.0	0.0	-63.6	
PATAMI	26.9	14.0	23.5	91.9	14.4	66.1	38.7	70.8	
Core PATAMI	26.9	14.0	23.5	91.9	14.4	66.1	38.7	70.8	
Operating Margin (%)	11.0%	8.7%	9.9%			10.0%	8.6%		
Pre-tax Margin (%)	14.0%	8.8%	13.3%			12.2%	8.7%		
Net Margin (%)	11.6%	6.6%	11.2%			10.1%	6.8%		
<u>Segment Revenue</u>									
Manufacturing	22.5	16.6	20.8	35.3	8.2	61.7	43.4	42.3	
Distribution	209.6	194.2	188.4	7.9	11.2	595.5	529.2	12.5	
Corporate	0.0	0.2	0.0	-94.8	0.0	0.0	0.5	-93.8	
<u>Segment EBIT</u>									
Manufacturing	15.0	9.0	13.0	66.6	16.1	45.7	29.6	54.2	
Distribution	8.4	7.5	9.2	11.7	-8.6	27.7	24.8	12.0	
Corporate	5.5	0.2	-1.5	>100	<-100	9.7	-1.6	<-100	

Source: Company

KEY FINANCIAL DATA

INCOME STATEMENT

FYE Dec (RM m)	2020A	2021A	2022F	2023F	2024F
Revenue	698.7	770.8	840.4	969.1	1,103.1
Operating Profit	62.7	69.2	80.8	87.8	99.9
Other Gains/(Losses)	8.7	7.1	12.6	14.5	16.5
Finance Costs	-1.1	-0.9	-0.7	-0.2	0.0
Pre-tax Profit	70.2	75.4	92.7	102.1	116.5
Income Tax	-14.2	-16.0	-19.6	-21.6	-24.7
Effective Tax Rate (%)	20.2	21.2	21.2	21.2	21.2
Minorities	0.0	0.0	0.0	0.0	0.0
Net Profit	56.0	59.4	73.0	80.5	91.8
Growth					
Revenue (%)	1.4	10.3	9.0	15.3	13.8
Operating Profit (%)	3.4	10.4	16.8	8.6	13.8
Net Profit (%)	6.2	6.1	22.9	10.2	14.1

Source: Company, PublicInvest Research estimates

BALANCE SHEET

FYE Dec (RM m)	2020A	2021A	2022F	2023F	2024F
Property, Plant & Equipment	170.7	167.1	159.3	153.9	144.7
Cash and Cash Equivalents	82.8	93.4	141.9	162.2	207.5
Receivables	129.3	158.8	173.2	199.7	227.3
Other Assets	238.1	260.9	255.9	288.6	311.2
Total Assets	620.9	680.1	730.3	804.3	890.7
Payables	118.4	144.1	155.9	180.8	205.6
Borrowings	21.2	15.4	4.7	0.0	0.0
Deferred Tax	7.5	8.6	8.6	8.6	8.6
Other Liabilities	5.8	5.3	5.3	5.3	5.3
Total Liabilities	153.0	173.3	174.5	194.6	219.5
Total Equity	468.0	506.9	555.8	609.7	671.2
Total Equity and Liabilities	620.9	680.1	730.3	804.3	890.7

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Dec (RM m)	2020A	2021A	2022F	2023F	2024F
Book Value Per Share	1.0	1.1	1.2	1.3	1.4
EPS (Sen)	11.7	12.4	15.3	16.9	19.2
DPS (Sen)	4.5	11.4	5.1	5.6	6.3
Payout Ratio	38.2%	91.7%	33.0%	33.0%	33.0%
ROA	9.0%	8.7%	10.0%	10.0%	10.3%
ROE	12.0%	11.7%	13.1%	13.2%	13.7%

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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