

"2021 core profit grew by 6% on higher revenue; 11.5 sen DPS declared for 2021, including 6 sen special dividend"

### Share price performance



	1M	3M	12M
Absolute (%)	1.6	-5.2	-22.9
Rel KLCI (%)	-2.2	-9.0	-23.9

	BUY	HOLD	SELL
Consensus	2	1	1

Source: Bloomberg

### Stock Data

Sector	Healthcare & Pharmaceutical
Issued shares (m)	476.2
Mkt cap (RMm)/(US\$m)	1,219.3/291.4
Avg daily vol - 6mth (m)	0.0
52-wk range (RM)	2.38-3.36
Est free float	19.4%
Stock Beta	0.77
Net cash/(debt) (RMm)	172.6
ROE (CY22E)	11.7%
Derivatives	No
Shariah Compliant	Yes
FTSE4Good Constituent	No
FBM EMAS (Top 200)	NA
ESG Rank	

### Key Shareholders

Apex Pharmacy Holding	40.0%
Washington H Soul	29.8%

Source: Bloomberg, Affin Hwang

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## Apex Healthcare (APEX MK)

**HOLD (maintain)**

Up/Downside: +9.4%

**Price Target: RM2.80**

Previous Target (Rating): RM2.80 (HOLD)

### Decent results with a special dividend

- Apex's 2021 core profit grew by 6% to RM58.6m on the back of higher revenue (+10% yoy). The group declared a 3 sen interim dividend and 6 sen special dividend, bringing its full-year DPS to 11.5 sen (2020: 4.5 sen)
- Sequentially, Apex's 4Q21 core profit grew by 49% qoq to RM20.4m on a strong rebound in associate earnings as Straits Apex ramped up its operation to fulfil its orderbook backlog
- Maintain HOLD with an unchanged price target of RM2.80 based on 22x 2022E PER. While we like Apex for its solid business prospects and strong management team, we believe its valuation reflects these positives

### Apex's 2021 core profit grew by 6% to RM58.6m, declared a special dividend

Apex reported a decent set of results – 2021 core net profit grew by 6% yoy to RM58.6m on the back of higher revenue and stable profit margin. The higher revenue (+10% yoy to RM771m) was driven by steadily improving private sector consumer sentiment, improved demand from both domestic and overseas markets, the group's ability to rapidly source and supply the new in-demand Covid-19 related healthcare products, and rising contract manufacturing orders. The results were above market and our expectations. Apex's 2021 core profit was 8% higher than our full-year forecasts due to a higher-than-expected revenue and strong rebound in associate earnings. Management declared 3 sen interim dividend and 6 sen special dividend, bringing its full-year DPS to 11.5 sen (2020: 4.5 sen).

### Sequentially, 4Q21 core profit grew by 49% on rebound in associate earnings

Sequentially, Apex's 4Q21 core profit grew by 49% qoq to RM20.4m on a strong rebound in associate earnings, from RM0.5m in 3Q21 to RM5.6m in 4Q21. To recap, its associate company, Strait Apex's 3Q21 production output and costs were severely impacted by Covid-19 infections and resulting quarantine of production staff. Strait Apex has since ramped up its operations to fulfil the order backlog.

### Maintain HOLD with an unchanged PT of RM2.80

We tweak our 2022-23E EPS forecasts by 1% after incorporating Apex's full-year financial statement. We introduce our 2024E forecasts, anticipating Apex to deliver 5% earnings growth on the back of higher revenue. Maintain HOLD with an unchanged PT of RM2.80 based on 22x 2022E PER. Upside risks are strong earnings growth and major manufacturing contract wins; key downside risk is earnings disappointments.

### Earnings & Valuation Summary

FYE 31 Dec	2020	2021	2022E	2023E	2024E
Revenue (RMm)	698.7	770.8	804.8	842.9	875.6
EBITDA (RMm)	76.6	82.9	86.2	92.9	97.4
Pretax profit (RMm)	70.2	75.4	80.6	86.7	91.3
Net profit (RMm)	56.0	59.4	61.2	65.9	69.4
EPS (sen)	11.8	12.5	12.9	13.9	14.6
PER (x)	21.6	20.4	19.8	18.4	17.5
Core net profit (RMm)	55.3	58.6	61.2	65.9	69.4
Core EPS (sen)	11.7	12.4	12.9	13.9	14.6
Core EPS growth (%)	5.7	6.0	4.4	7.6	5.3
Core PER (x)	21.9	20.7	19.8	18.4	17.5
Net DPS (sen)	4.5	11.5	5.2	5.6	5.9
Dividend Yield (%)	1.8	4.5	2.0	2.2	2.3
EV/EBITDA	13.8	12.5	12.1	10.9	10.1

Chg in Core EPS (%)		+1.1	+0.9	new
Affin/Consensus (x)		1.0	1.0	na

Source: Company, Bloomberg, Affin Hwang forecasts

**Fig 1: Results Comparison**

FYE Dec (RMm)	4Q20	3Q21	4Q21	QoQ % chg	YoY % chg	2020	2021	YoY % chg	Comments
<b>Revenue</b>	161.6	211.1	197.7	-6.4	22.3	698.7	770.8	10.3	Higher 2021 revenue driven by steadily improving private sector consumer confidence and higher demand, rapid sourcing and supply of new in-demand healthcare products, and rising contract manufacturing orders
Op costs	-143.3	-189.3	-174.6	-7.8	21.9	-622.1	-687.9	10.6	
<b>EBITDA</b>	18.3	21.7	23.1	6.2	26.0	76.6	82.9	8.2	
<i>EBITDA margin (%)</i>	11.3	10.3	11.7	1.4 ppt	0.3 ppt	11.0	10.8	-0.2 ppt	
Depn and amort	-4.0	-4.1	-4.0	-2.1	1.8	-16.5	-16.3	-0.7	
EBIT	14.3	17.6	19.0	8.1	32.7	60.1	66.6	10.7	
<i>EBIT margin (%)</i>	8.9	8.3	9.6	1.3 ppt	0.8 ppt	8.6	8.6	0.0 ppt	2021 EBIT margin was stable at 8.6%
Int expense	-0.3	-0.2	-0.2	6.3	-26.0	-1.1	-0.9	-24.7	
Int and other inc	0.4	0.4	0.6	67.4	52.6	1.8	1.8	2.1	
Associates	3.9	0.5	5.6	>100	44.3	8.7	7.1	-18.1	Strong 4Q21 contribution from Straits Apex as the company ramped up its operations to fulfil the high order backlog
Exceptional items	0.1	0.3	0.3	nm	nm	0.7	0.8	nm	
<b>Pretax Profit</b>	<b>18.4</b>	<b>18.6</b>	<b>25.3</b>	36.4	37.5	<b>70.2</b>	<b>75.4</b>	7.5	
Tax	-4.0	-4.5	-4.6	0.5	13.5	-14.2	-16.0	12.8	
<i>Tax rate (%)</i>	21.9	24.5	18.1	-6.4 ppt	-3.8 ppt	20.2	21.2	1.0 ppt	
MI	0.0	0.0	0.0	-583.3	-238.1	0.0	0.0	-280.0	
<b>Net profit</b>	<b>14.4</b>	<b>14.0</b>	<b>20.7</b>	47.8	43.8	<b>56.0</b>	<b>59.4</b>	6.1	
EPS (sen)	3.0	3.0	4.4	47.8	43.8	11.8	12.5	5.9	
<b>Core net profit</b>	<b>14.3</b>	<b>13.7</b>	<b>20.4</b>	<b>49.3</b>	<b>42.6</b>	<b>55.3</b>	<b>58.6</b>	6.0	Above market and our expectations

Source: Affin Hwang, Company

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