

1QFY13 Results Review

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Apex Healthcare Bhd

NEUTRAL

Target	MYR 4.60
Previous	MYR 4.10
Price	MYR 4.37

Major Shareholders (%)

Apex Pharmacy Holdings	40.5%
Washington H Soul Pattinson	30.3%

Stock's Information

Market cap (RMm)	409.5
Shares Capital (m)	93.7
OSK 188 Ticker	AHEALTH
Industry	Consumer

Company Description

Apex Healthcare is a pharmaceutical company that manufactures off-patent drugs and also distributes 3rd party drugs.

1QFY13 Results In Line

Apex Healthcare Bhd's (AHB) 1QFY13 results were largely within our expectations. Its PBT of MYR12.2m accounted for about 25.1% of our full-year estimate, while 1Q net profit rose 44.2% y-o-y to MYR9.1m, due to an exceptional capital gains tax charge of MYR2.5m incurred in 1QFY12. Excluding the non-recurring item, net profit growth would have normalized to 3.0% y-o-y. It was still a good start for FY13, with 1Q results generally higher q-o-q amid better margins from its own brand products. We are leaving our FY13 forecasts unchanged and introducing our FY14 numbers. We roll over our valuations to FY14f with a revised MYR4.60 FV, pegged to a higher average P/E of 12x. **Maintain NEUTRAL.** The company is still in a net cash position, with net cash per share of 66.9 sen.

Within expectations. AHB's 1QFY13 results were in line with our expectations, with MYR12.2m PBT accounting for about 25.1% of our full-year target. Revenue was relatively flat at MYR106.4m y-o-y, while net profit rose 44.2% to MYR9.1m due to a non-recurring capital gains tax charge of MYR2.5m in FY12 upon the completion of the disposal of its China investment. Excluding the one-off item, net profit growth would have normalized to 3.0% y-o-y.

Higher q-o-q results, margin improves. AHB reported better q-o-q results. Net profit climbed 15.4% q-o-q on a 10.8% q-o-q revenue increase, while 1QFY13 EBIT margin improved to 11.6% from 10.3% in 4QFY12. The better margin was attributed to better sales and higher margins from its own brand products such as Xepa, AVEX, AVO and Agnesia.

Updates on orthopaedic venture. Its 40% JV company, Abio Orthopaedics Sdn Bhd (AOSB), has been officially recognized as an Entry Point Project (EPP) under the Economic Transformation Program (ETP) in March this year. Currently, AOSB is renovating its 75,000-sq-ft plant in Prai, Penang, with the installation and commissioning of machinery and equipment expected to commence in 2Q. AHB teamed up with November Union Sdn Bhd (NUSB) to manufacture surgical-grade orthopaedic devices, components and surgical instruments in December last year.

Maintain NEUTRAL, FV revised to MYR4.60. We like AHB as a low beta company with stable share price movement due to the nature of its business that has inelastic demand. Nevertheless, we are keeping our NEUTRAL call on the company with a projected gross dividend yield of 4.6% and a net dividend yield of 3.4%. We are leaving our FY13 forecasts unchanged and introducing our FY14 forecasts. We roll over our valuations to FY14F with a revised MYR4.60 FV, pegged to a higher average P/E of 12x. The company is still in a net cash position, with net cash per share of 66.9 sen.

FYE Dec (MYRm)	FY10	FY11	FY12	FY13f	FY14f
Revenue	313.7	366.0	398.6	460.1	516.6
Net Profit	32.9	28.1	29.0	35.9	40.9
% chg y-o-y	48.8	-14.8	3.4	23.8	13.9
Consensus	-	-	-	n.a	n.a
EPS (sen)	35.2	30.0	31.0	38.3	43.7
Gross DPS (sen)	16.0	17.2	18.3	20.0	20.0
Gross dividend yield (%)	3.7	3.9	4.2	4.6	4.6
ROE (%)	18.0	14.1	13.4	15.3	16.0
ROA (%)	12.4	9.7	10.0	10.5	10.9
PER (x)	12.4	14.6	14.1	11.4	10.0
BV/share (MYR)	1.95	2.12	2.31	2.50	2.73
P/BV (x)	2.2	2.1	1.9	1.8	1.6

Result Table (MYRm)

FYE Dec (MYRm)	1Q13	4Q12	Q-o-Q chg	YTD FY13	YTD FY12	Y-o-Y chg
Revenue	106.4	96.0	10.8	106.4	104.1	2.1
EBIT	12.3	9.9	24.1	12.3	12.4	-0.3
Interest expense	0.0	0.0	-9.1	0.0	0.0	-73.0
Associates	-0.1	0.0	n.m.	-0.1	0.0	n.m.
PBT	12.2	9.9	22.9	12.2	12.3	-1.1
Tax	-3.1	-2.0	51.6	-3.1	-6.0	-48.9
MI	0.0	0.0	162.5	0.0	0.0	23.5
Net Profit	9.1	7.9	15.4	9.1	6.3	44.2
EPS (sen)	9.7	8.4	15.4	9.7	6.7	44.2
DPS (sen)	0.0	12.3	n.m.	0.0	0.0	n.m.
EBIT margin	11.6%	10.3%	12.0	11.6%	11.9%	-2.4
NTA/share (MYR)	2.41	2.31	4.3	2.41	2.31	4.3

Source: Bursa Malaysia, RHB

RHB Guide to Investment Ratings

Buy: Share price may exceed 10% over the next 12 months

Trading Buy: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

Neutral: Share price may fall within the range of +/- 10% over the next 12 months

Take Profit: Target price has been attained. Look to accumulate at lower levels

Sell: Share price may fall by more than 10% over the next 12 months

Not Rated: Stock is not within regular research coverage

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