Pharmaniaga Berhad

(7081 | PHRM MK) Health Care | Pharmaceuticals

***Maintain* BUY**

Completion of halal pharmaceutical plants in CY23

***Unchanged* Target Price: RM0.77**

KEY INVESTMENT HIGHLIGHTS

- **Pharmaniaga's subsidiary PLSB installed a PFS filling line for its vaccine plant; one of its kind in Malaysia**
- **Plant completion by 3QCY23; commercialisation in CY24**
- **Insulin plant 82% complete; commercialisation in CY25**
- **Halal plants in line with strategy and growing demand**
- **No changes to earnings estimates**
- **Maintain BUY with unchanged TP of RM0.77 per share**

First PFS filling line in Malaysia. Pharmaniaga Bhd's (Pharmaniaga) wholly-owned subsidiary, Pharmaniaga LifeScience Sdn Bhd (PLSB), has successfully installed a pre-filled syringe (PFS) filling line - the first of its kind in Malaysia. The line is part of PLSB's ongoing expansion plan to becoming the world's first halal vaccine manufacturing plant. Additionally, the plant has commissioned other PFS packing equipment, including a de-nester, an automatic visual inspection (AVI) machine, a plunger insertion machine, a labelling unit, and two-in-one combination unit of washer-steriliser.

Vaccine plant to complete by 3QCY23. The EU-certified and high-tech vaccine plant has been handed over in November CY22 and had undertaken equipment factory acceptance tests (FATs) for the production water system in Sweden for purified water, water for injection and pure steam generator in January CY23. The plant has successfully passed all tests to administer vaccine testing equipment, which is targeted to be delivered in 1QCY23. The plant is expected to be fully completed by 3QCY23, and the commercialization to begin in CY24.

82% completion for insulin project. Pharmaniaga also announced that its ongoing halal insulin project is currently 82% completed. The insulin plant will be located in the same building used to manufacture insulin cartridges. Meanwhile, FATs for labelling and blister packing machines were completed in December CY22, whereas other FATs for insulin such as dispensing booths, washer-steriliser, solution manufacturing system (SMS), cartridge filling line and AVI machine are scheduled to begin in February CY23. The halal insulin plant is expected to be fully completed by 4QCY23, and the commercialization to begin in CY25.

RETURN STATISTICS	
Price @ 8th February 2023	0.53
Expected share price return (%)	+45.28
Expected dividend yield (%)	+6.50
Expected total return (%)	**+51.78**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-2.8	-1.3
3 months	-3.7	-2.6
12 months	-30.0	-26.2

KEY STATISTICS	
FBM KLCI	1,470.75
Syariah compliant	Yes
F4GBM Index	Yes
ESG Grading Band	☆
Issue shares (m)	1309.96
Estimated free float (%)	34.82
Market Capitalisation (RM'm)	687.73
52-wk price range	RM0.49 - RM0.86
Beta vs FBM KLCI (x)	1.08
3-mth average daily volume (m)	0.95
3-mth average daily value (RM'm)	0.51
Top Shareholders (%)	
Boustead Holdings Bhd	51.85
Lembaga Tabung Angkatan Tentera	8.62
UBS AG	1.44

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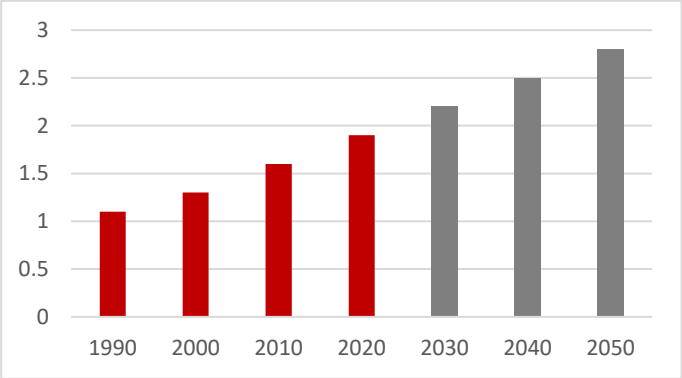
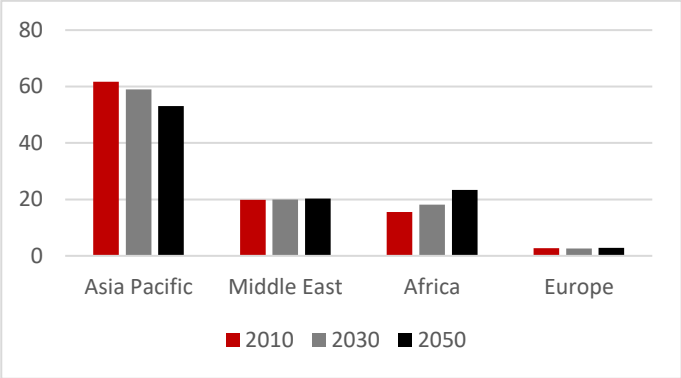
Strong presence in halal market. The global halal pharmaceutical market is expected to value at approximately USD160b by 2050, in tandem with the expected growth in Muslim population with a 5-Year CAGR of +14%. Additionally, the Asia-Pacific Muslim population is expected to remain the largest halal pharmaceutical consumers, despite an estimate drop in population numbers from 2030 to 2050 by -0.1%. We opine that the growing Muslim population globally will provide a wider consumer base to Pharmaniaga's halal product portfolio. With an expected growing demand in Asia-Pacific, we also believe that establishing halal manufacturing plants in Malaysia will greatly reduce the dependency of importing halal products from other regions and reduce the cost of logistics for the group.

CHART 1: Muslim Population Growth (Projected) (billion)



Source: Macrobond, MIDFR

CHART 2: Muslim Population Share by Region (Projected) (%)



Source: Macrobond, MIDFR

No changes to earnings estimates. In consideration that the commercialisation of the halal products by Pharmaniaga will not take place until the manufacturing plants are fully online, we make no changes to our earnings estimates at this juncture. As such we maintain our target price at RM0.77, based on pegging a PER of 14x to the revised EPS23 of 5.4sen.

Maintain BUY. All in all, we maintain our **BUY** call on Pharmaniaga with **target price of RM0.77.** Pharmaniaga continues to display its thorough effort in penetrating the halal pharmaceutical market. Adding to the incline in aging population, the group is also leveraging on the halal market's demand to treat viral and comorbid diseases without compromising religious obligations. Additionally, we opine the group will continue on with its marketing plans of new products in its portfolio – notably supplements and traditional medicines – and leverage on the upcoming re-tabling of Budget 2023 for the healthcare sector. As such, we reiterate our positive stance on the group.

INVESTMENT STATISTICS

Financial year ending 31st December (in RM'm, unless otherwise stated)	2020A	2021A	2022E	2023F	2024F
Revenue	2,725.1	4,815.0	3,848.5	4,419.1	5,182.0
Cost of sales	(2,726.5)	(4,185.0)	(3,425.2)	(3,955.1)	(4,637.9)
Gross profit	(1.5)	630.0	**423.3**	**464.0**	**544.1**
Profit after tax	**(270.4)**	**172.2**	**56.7**	**67.9**	**87.7**
Normalised PATAMI	**(81.5)**	**172.2**	**58.43**	**71.32**	**92.08**
Normalised EPS (sen)	2.1	13.1	4.5	5.4	7.0
EPS growth (%)	-86.0	526.0	23.2	157.3	158.2
PAT margin (%)	-9.9	3.6	1.5	1.5	1.7
Normalised PATAMI margin (%)	-3.0	3.6	1.5	1.6	1.8
PER (x)	46.3	7.8	17.3	14.1	11.0
Dividend per share (sen)	0.0	5.0	4.0	5.0	6.7
Dividend yield (%)	0.0	4.9	5.2	6.5	8.7

Source: Company, MIDFR

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology