Pharmaniaga Berhad

(7081 | PHRM MK) Health Care | Pharmaceuticals

SHARIAH Compliant | ESG 1 Star | FTSE4Good

Maintain **BUY**

Unchanged Target Price **RM0.32**

Corporate Update

Spreading the Distribution Footprint

Two new SPAs for logistic hubs. Pharmanaiga Bhd (Pharmaniaga)'s wholly-owned subsidiary, Pharmaniaga Logistics (PLSB) had entered into a Sale and Purchase Agreement (SPA) for two acquisitions:

(i) A single storey industrial building on a piece of land in Kidurong, Bintulu measuring approximately 3,731sqm (SPA with Hyper Shipping Sdn Bhd); and
(ii) A single storey detached building with individual design on leasehold land in Kuala Nerus, Terengganu, measuring approximately 11,549 sqm (SPA with Sinoria Sdn Bhd).

The purchase price for the Bintulu acquisition stood at RM11m, while the one for the Kuala Nerus acquisition totaled at RM19.5m. Both properties were priced at on a willing-buyer willing-seller basis, after considering the value of the land market and approved construction plan.

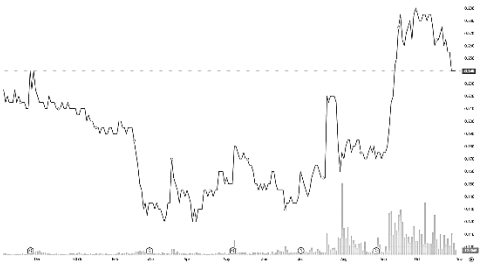
Strategic locations for product distribution. We opine that these recent acquisitions are in line with the concession agreement stipulated with the Ministry of Health (MoH). These new facilities are crucial for improving the efficiency and capacity of distributing pharmaceutical and medical products nationwide. The focal points of these two premises – one in Kuala Nerus, which is located in the epicenter of the East Coast region (approximately 150-200km from Jeli, Kelantan and Kuantan, Pahang), and another in Bintulu which is located close to the eastern part of Sarawak (approximately 200km to Miri and Sibu) with a growing industrial and commercial ecosystem that will contribute to the residential population in both Bintulu and Miri districts.

Improving efficiency in suburban, remote regions. By having dedicated, modern, and strategically located logistics hubs in these key regions, we believe Pharmaniaga would be able to provide a more secure, reliable, and timely supply of essential medicines to all government hospitals and clinics in the East Coast of Peninsular Malaysia, and in Sarawak. We noted that the latter is often plagued with challenging logistics for consumer goods, hence we believe the establishment in Bintulu could assist in streamlining and cost-saving the group's operations more efficiently.

Downside risks. We noted that the challenges on these SPAs remain on a possibility of unexpected cost than the ones agreed, which are funded from the proceeds of the Regularisation Plan, as well as any delays on the development of these two premises. Nonetheless, we view the risks to be short-term, and the acquisitions are good steps to mitigate supply chain risks.

RETURN STATISTICS	
Price @ 30 Oct 2025 (RM)	0.27
Expected share price return (%)	+33.3
Expected dividend yield (%)	+0.0
Expected total return (%)	+33.3

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-15.8	-17.2
3 months	+33.3	+14.4
12 months	-35.1	-32.4

INVESTMENT STATISTICS

FYE Dec (RM m)	2025E	2026F	2027F
Revenue	3,959	4,063	4,070
Operating Profit	187	246	314
Profit Before Tax	139	193	254
Core PATAMI	110	158	211
Core EPS	1.7	2.4	3.2
DPS	0.0	1.4	1.9
Dividend Yield	0.0	4.5	6.0

KEY STATISTICS

FBM KLCI	1614.20
Issue shares (m)	6557.03
Estimated free float (%)	39.52
Market Capitalisation (RM'm)	1578.20
52-wk price range	RM0.13 - RM0.43
3-mth average daily volume (m)	20.91
3-mth average daily value (RM'm)	3.60
Top Shareholders (%)	
Boustead Holdings Bhd	35.22
Lembaga Tabung Angkatan Tentera	10.69
EAST NAVIGATORS CAP LTD	10.00

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No changes to earnings estimates. Considering that the SPAs are in line with the concession agreement for new warehouses, we make no changes to our earnings estimates as we had factored in on these acquisitions. We also reiterate that Pharmaniaga may forego older warehouses to make way to these new facilities. Hence, we expected a possible one-off disposal gain of the older establishments by CY27, upon completion of the acquisition of these warehouses, which only left for one location in Sabah. As such, we maintain our **BUY** call for Pharmaniaga, with an **unchanged target price of RM0.32,** pending its 3QFY25 earnings results.

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025E	2026F	2027F	2028F
Revenue	3,759.5	3,959.0	4,062.7	4,069.6	4,153.5
EBIT	263.9	186.7	246.1	313.6	316.8
PBT	194.2	139.0	192.8	253.8	255.1
Taxation	-60.4	-26.8	-32.4	-39.1	-38.2
PAT	133.8	110.7	158.7	212.8	214.8
MI	-2.0	-0.7	-0.7	-0.7	-0.8
PATAMI	131.8	110.0	158.0	212.1	214.1
Core PATAMI	127.8	110.0	157.7	210.9	212.1
EPS (sen)	9.2	1.7	2.4	3.2	3.3
PER (x)	3.5	19.3	13.5	10.1	10.0
DPS (sen)	0.0	0.0	1.4	1.9	2.0
Dividend yield (%)	0.0	0.0	4.5	6.0	6.0

Growth (%)	2024A	2025E	2026F	2027F	2028F
Revenue growth	10.4	5.3	2.6	0.2	2.1
PBT growth	-348.4	-28.4	38.7	31.7	0.5
PATAMI growth	-264.4	-16.5	43.6	34.2	0.9
Core PATAMI growth	415.9	-13.9	43.4	33.7	0.6

Balance Sheet (RM'm)	2024A	2025E	2026F	2027F	2028F
PPE	520.9	526.1	522.5	519.4	518.1
ROU assets	151.3	197.2	215.9	219.1	213.5
Non-current assets	788.0	822.0	831.3	830.0	823.9
Trade receivables	407.5	370.4	355.3	350.5	354.2
Cash & bank balances	152.2	163.2	197.5	244.3	287.2
Current assets	1,204.3	1,212.0	1,264.0	1,334.0	1,410.8
Long-term debt	130.1	108.8	101.5	101.8	106.7
Non-current liabilities	185.2	155.9	150.9	152.4	157.3
Short-term debt	1,055.1	933.1	918.4	964.4	1,022.2
Trade payables	801.0	768.1	764.5	775.1	796.0
Current liabilities	1,953.1	1,729.2	1,712.5	1,770.9	1,851.9
Share capital	200.0	200.0	200.0	200.0	200.0
Reserves	-371.3	-73.9	9.1	18.8	4.2
Equity	-145.9	149.0	231.8	240.7	225.5

Cash Flow (RM'm)	2024A	2025E	2026F	2027F	2028F
PBT	194.2	139.0	192.8	253.8	255.1
Depreciation	-6.3	17.2	17.5	16.5	16.0
OP pre-WC changes	142.4	147.1	152.6	159.6	162.4
Change in NWC	99.7	88.0	83.0	81.6	81.9
Operating cash flow	**42.7**	**59.1**	**69.6**	**78.0**	**80.4**
Capital expenditure	-39.6	-47.5	-50.8	-50.1	-49.7
Investing cash flow	**-39.5**	**-47.2**	**-50.5**	**-49.9**	**-49.4**
Debt raised/(repaid)	18.7	52.8	69.0	69.9	64.0
Dividends paid	-0.2	-45.3	-44.2	-40.0	-38.8
Financing cash flow	**22.1**	**-0.7**	**15.3**	**18.9**	**12.3**
Net cash flow	**25.3**	**11.1**	**34.4**	**47.0**	**43.3**
Beginning cash flow	**127.4**	**152.2**	**163.2**	**197.5**	**244.3**
Ending cash flow	**152.2**	**163.2**	**197.5**	**244.3**	**287.2**

Profitability Ratios (%)	2024A	2025E	2026F	2027F	2028F
EBIT margin	7.0	4.7	6.1	7.7	7.6
PBT margin	5.2	3.5	4.7	6.2	6.1
PATAMI margin	3.5	2.8	3.9	5.2	5.2
Core PATAMI margin	3.4	2.8	3.9	5.2	5.1
ROA	6.4	5.4	7.5	9.7	9.5
ROE	-87.6	73.8	68.0	87.6	94.1

Liquidity Ratios (x)	2024A	2025E	2026F	2027F	2028F
Current ratio	0.6	0.7	0.7	0.8	0.8
Quick ratio	0.3	0.3	0.3	0.3	0.3

Leverage Ratios (x)	2024A	2025E	2026F	2027F	2028F
Debt-to-equity	-14.7	12.7	8.0	8.0	8.9
Interest coverage	3.7	3.8	4.5	5.1	5.0

Efficiency Ratios (days)	2024A	2025E	2026F	2027F	2028F
Cash conversion cycle	61	45	39	37	36
DIO	-69	-69	-71	-75	-77
DSO	40	34	32	31	31
DPO	-91	-80	-79	-81	-82

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MBSB INVESTMENT BANK (formerly known MIDF INVESTMENT BANK) : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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