Pharmaniaga Berhad

(7081 | PHRM MK) Health Care | Pharmaceuticals

SHARIAH Compliant | ESG 1 Star | FTSE4Good

Maintain **BUY**

Unchanged Target Price **RM0.32**

Corporate Update

Positive Outlook Remains Intact

We visited Pharmaniaga Lifesciences Sdn Bhd recently to observe its biopharmaceutical manufacturing arm, which is expected to be commercialized in CY26. The visit is an extension to our previous report on Pharmaniaga (*Crucial Bets on Biopharma, 23 Sept 2025).* The following are key takeaways from our visit:

Dividends expected after PN17 exit. Pharmaniaga had been optimistic of its turnaround in 1HFY25 and believe that the group has the potential to pay dividends by FY26, at approximately 50-70% of its PATAMI. This is also supported by Pharmaniaga's Logistics & Distribution (L&D) segment's robust performance in YTD25, as SKU volume had, as of 1HFY25, had exceeded FY24 numbers. This was driven by activation of new APPL products. As guidance, the group expected that its 3QFY25 would show improvements on the basis of higher concession from the government, offset by 4QFY25's lower expected result due to lower demand and lesser purchasing from the public sector. The group also added that YTD25 borrowings had decreased about 4%yoy, which directly reduced its financing burden.

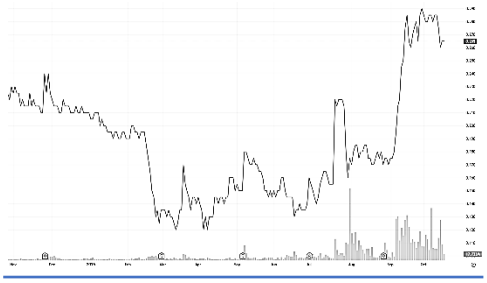
We had included the guided volume growth of 10-12%yoy and revenue growth of 15-20%yoy into our earnings forecast. We also added in assumptions on dividends for FY26 and onwards.

Continue to observe Indonesian business. Pharmaniaga's Indonesian operations remain under review, notably with the risk of a devaluation of the IDR against MYR. The translation risk in terms of consolidation into MYR and operating cost derived from import cost of materials (which are typically priced in USD) are expected to negatively impact the segment's financial performance. These headwinds are anticipated to also simultaneously diminish the buying power in Indonesia for Pharmaniaga products. Nevertheless, this currency risk is expected to be main part of the review, and we believe the focus on domestic L&D and trading to other regions can mitigate this risk.

Indirect impact from US tariffs. We noted that Pharmaniaga's primary business focus is the Malaysian domestic market. The group had publicly stated that it does not currently export directly to the US, hence direct impact from the tariffs is expected to be non-existent. However, secondary, indirect impact are expected, in terms of: (i) disrupted supply chain for imported raw materials and Active Pharmaceutical Ingredients (API), (ii) trade diversion from international pharmaceutical manufacturers into ASEAN and Malaysia, which could put price pressure on local companies and reduce competitiveness, and (iii) increased drug import cost for non-local drugs, impacting government procurement expenses. We opine that Pharmaniaga is adopting a proactive approach to mitigate these risks, including: (i) enhancing local capacity, (ii) multi-sourcing raw materials and APIs, (iii) market diversification into new markets, and (iv) securing sufficient stocks of critical materials.

RETURN STATISTICS	
Price @ 16 Oct 2025 (RM)	0.27
Expected share price return (%)	+18.5
Expected dividend yield (%)	+0.0
Expected total return (%)	+18.5

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	19.1	16.0
3months	19.1	14.4
12 months	-12.5	-7.1

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	1612.29
Issue shares (m)	6557.03
Estimated free float (%)	55.74
Market Capitalisation (RM'm)	1180.26
52-wk price range	RM0.12 - RM0.30
3-mth average daily volume (m)	20.91
3-mth average daily value (RM'm)	3.60
Top Shareholders (%)	
Boustead Holdings Bhd	47.12
Lembaga Tabung Angkatan Tentera	7.83
EAST NAVIGATORS CAP LTD	4.19

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Insulin commercialisation in 2HCY26. In the visit to Pharmaniaga's biopharmaceutical plant, we noted that for insulin manufacturing, all processes and machineries (which include solution preparation line, ampoule filling line, terminal and parts autoclave, external washer and inspection machine, leak tester machine and a purified water system) had been validated. Currently, Pharmaniaga is awaiting approval for commercialization, which is expected to commence in 2HCY26. Meanwhile, orders had been placed for trading, as well as for teaching hospitals and military healthcare facilities, with halal confirmation secured. For vaccine manufacturing, commercialization will only begin in CY27, as the processes are in the midst of validation, as of writing. Recall that PV13 vaccine is expected to be distributed only in CY27, while hexavalent (6-in-1 vaccine) is expected in CY28-29. We also noted that the group continues to manufacture, package and distribute other small injectables, in the form of vials, ampoules and pre-filled syringes (PFS), in the same facility.

Adequate preparedness for production. The manufacturing lines are capable to produce up to 200L of mixture per batch within 1-3 days. This translates up to nearly 100k vials, ampoules and PFS per batch, with about 2% error hedged in production and packaging. With the production capacity at the maximum of 2.5m per month, we believe this production rate is adequate to meet the current government demand for approximately 25m doses of insulin per year for over 4m diabetic adults nationwide. Additionally, the 9,000m^2 plant is one of the first facility in Malaysia to feature clean rooms of classes A, B, C and D. The main building includes a warehouse, manufacturing and packaging area, equipment workshop, quality control and microbiology laboratories and an office. These signifies Pharmaniaga's preparedness for its insulin and vaccine production and commercialisation, once all regulations are met.

We also gained a brief insight on 3QFY25 outlook, based on 1HFY25 performance. Key takeaways include:

More products in the queue. Pharmaniaga's newly launched Human Insulin has already secured RM3m in sales by winning tenders from teaching hospitals (HUSM, HUiTM, and HoSZA). Additionally, the Influenza vaccine, launched in March 2025, generated RM1.5m in sales by June 2025 and is anticipated to see further growth during the peak flu season (July–September). We expect these sales will be translated into the group's 3QFY25 performance. For generic drugs, Pharmaniaga has introduced 5 new products which collectively earned approximately RM750k as of June 2025, with an expected contribution of about RM3m by the end-year. Moving forward, the group is expected to introduce two new wound care products in 3QFY25, adding to a positive profit growth for its products in FY25.

No changes to earnings estimates. Pending Pharmaniaga's 3QFY25 result in a month, we make no changes to our forecasts at this juncture. As such, we maintain our **BUY** call for the group with a **target price of RM0.32**; pegging on a PER of 13.5x to the EPS26 of 2.6sen. The PER is derived from the group's 1-Y PER which is a discount by -1SD of the pharmaceutical's PER of 14x. We reiterate our positive stance for Pharmaniaga, on the basis of its continuously robust concession agreement with the government for the logistics and distribution of drugs and consumables nationwide, as well as its upcoming biopharmaceutical products that are expected to begin full commercialisation by 2HCY26, after the group's expected PN17 exit. We also noted the potential growth in digitalisation, automation and warehouse optimisation for the group. However, we remain vigilant on its Indonesian business moving forward, as well as the government's concession for human insulin.

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

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**

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

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

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**	**1,712.7**	**1,771.5**	**1,853.0**
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**

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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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