# Pharmaniaga Berhad

(7081 | PHRM MK) Health Care | Pharmaceuticals

SHARIAH Compliant | ESG 1 Star | FTSE4Good

Corporate Update

# High Logistics Cost Dragged 3QFY25 Earnings

**Maintain BUY.** Pharmaniaga's 9MFY25 earnings came in below expectations at 31% of our yearly forecast. Hence, we are revising our earnings forecast and subsequently target price to RM0.30, but we maintain our BUY call in consideration that the setback from the Logistics & Distribution which we expect to be less impactful in the coming quarters, and commercialisation of its biopharmaceuticals in FY26.

**9MFY25 core PATAMI slipped -73%yoy.** 3QFY25 and 9MFY25 core earnings dropped to RM5.2m (-95%yoy) and RM33.9m (-73%yoy) respectively, due to higher transportation costs incurred for the delivery of new products recently added to the Approved Products Purchase List (APPL) to East Malaysia, as deliveries were made via air and sea freight. Meanwhile, 9MFY25 revenue remain on a positive growth to RM3.0b (+6%yoy).

**Manufacturing.** 3QFY25 and 9MFY25 revenue added to RM88m (+0.3%yoy) and RM245.6m (+8%yoy) respectively. Likewise, 3QFY25 and 9MFY25 PAT gained to RM8.2m (+96%yoy) and RM36.2m (+70%yoy) respectively. This improvement was driven by higher demand from government hospital for in-house manufactured products. The long-term outlook for this segment remains positive, supported by ongoing expansion of the vaccine manufacturing business and sustained demand.

**Logistics & Distribution.** 3QFY25 revenue was down by -2%yoy to RM720.8m but 9MFY25 revenue gained +11%yoy to RM2.2b. Meanwhile, 3QFY25 and 9MFY25 PAT dropped to a deficit of -RM5.6m (-105%yoy) and RM0.1m (-100%yoy) respectively. The weak performance was attributed to higher transportation costs during the incurred in the quarter. Additionally, the selling of remaining inventories purchased at old prices and subsequently sold at the revised pricing contributed to the weaker profit. Nevertheless, these impacts were mitigated by volume growth in the concession segment, driven by increased government hospital orders and the addition of new products to the APPL.

**Indonesia.** 3QFY25 and 9MFY25 revenues dropped to RM286.1m (-3%yoy) and RM820.3m (-7%yoy) respectively. Similarly, 3QFY25 and 9MFY25 PAT slipped to RM0.4m (-128%yoy) and RM2.8m (-7%yoy). The decrease was primarily impacted by currency fluctuations.

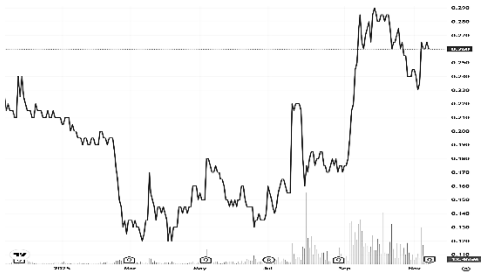
**Financial position still positive.** The group's financial position reflected positive movements stemming from the Regularisation Plan. Cash and bank balances are higher (+418%yoy) due to proceeds from the Regularisation Plan earmarked for business expansion (new warehouses, product development of vaccines, insulins, and generic drugs). Borrowings were recorded lower (-24%yoy) due to partial repayment using proceeds from the Regularisation Plan, supported by effective inventory management. Additionally, payables were higher from increased inventory purchases following the addition of new products to the APPL, while receivables were higher with the majority from the government, and full collection expected by the end-year.

## Maintain BUY

Revised Target Price **RM0.30**
(from RM0.32)

| RETURN STATISTICS | |
|---|---|
| Price @ 13th Nov 2025 (RM) | 0.26 |
| Expected share price return (%) | +15.4 |
| Expected dividend yield (%) | +0.0 |
| Expected total return (%) | +15.4 |

**SHARE PRICE CHART**



| Price performance (%) | Absolute | Relative |
|---|---|---|
| 1 month | 6.1 | -8.8 |
| 3months | 40.5 | -7.3 |
| 12 months | -26.8 | -28.8 |

**INVESTMENT STATISTICS**

| FYE Dec (RM m) | 2025E | 2026F | 2027F |
|---|---|---|---|
| Revenue | 3,959 | 4,063 | 4,070 |
| Operating Profit | 147 | 228 | 301 |
| Profit Before Tax | 102 | 176 | 242 |
| Core PATAMI | 77 | 143 | 201 |
| Core EPS | 1.2 | 2.2 | 3.1 |
| DPS | 0.0 | 1.3 | 1.8 |
| Dividend Yield | 0.0 | 4.4 | 6.3 |

**KEY STATISTICS**

| | |
|---|---|
| FBM KLCI | 1,632.27 |
| Issue shares (m) | 6557.03 |
| Estimated free float (%) | 39.52 |
| Market Capitalisation (RM'm) | 1,734.17 |
| 52-wk price range | RM0.12 - RM0.32 |
| 3-mth average daily volume (m) | 1.59 |
| 3-mth average daily value (RM'm) | 3.60 |
| **Top Shareholders (%)** | |
| Boustead Holdings Bhd | 35.22 |
| Lembaga Tabung Angkatan Tentera | 10.69 |
| Jakel Medical Sdn Bhd | 10.16 |

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**High transportation cost may be urgent.** We noted that air freight and sea freight are not inexpensive from shipment from Peninsular Malaysia to East Malaysia, notably for bulk items. Air freights are based on the actual weight or volumetric weight of the item/container and can cost over RM35/kg for heavy weights, with higher initial fees. Sea freights can cost at a range of RM60-90 per 0.1 cbm, and the final total cost will be dependable on the final port and backhaul cost. In general, the movement of goods to East Malaysia is an international-level logistics operation in terms of cost and complexity, making it more expensive that Peninsular Road logistics, which is cheaper and faster. Additionally, the higher transportation costs cited were specifically for new products, which may be urgent, given that the group was in need to use air freights (which is the costliest) in such a short time.

**Revised earnings forecast.** Considering that earnings came in below expectations, we revise our earnings forecast for FY25-28 downwards by -30%/-9%/-5%/-1%. As such, we revised our **target price to RM0.30** (previously RM0.32), pegging on a PER of 13.5x to a revised EPS26 of 2.2x. We expect that transportation cost which had dragged its Logistics & Distribution segment in 3QFY25 may be less impactful in the next quarter, due to: (i) seasonally low demand from public hospitals in end-year, (ii) new product stock-up rush possibly completed, and (iii) future replenishment of products can be done with cheaper sea freights. Furthermore, we expect the commercialisation of its biopharmaceuticals in FY26 will provide support for its manufacturing division. Hence, we maintain our **BUY** call for Pharmaniaga. However, we remain vigilant on the risk of repeated cost, if: (i) APPL expansion in East Malaysia continues until end-year, and (ii) transition cost of logistics upgrades continues. This revision is pending further clarity from the group in the upcoming briefing.

## PHARMANIAGA'S 3QFY25 RESULTS

| | Quarterly Results | | | | | Cumulative Results | | |
|---|---|---|---|---|---|---|---|---|
| **FYE Aug (RM mil)** | **3Q24** | **2Q25** | **3Q25** | **QoQ%** | **YoY%** | **9M24** | **9M25** | **YoY%** |
| Revenue | 1029.8 | 926.9 | 1007.3 | 8.7 | -2.2 | 2833.0 | 2989.5 | 5.5 |
| Cost of Sales | -802.4 | -836.6 | -912.0 | 9.0 | 13.7 | -2398.7 | -2677.3 | 11.6 |
| **Gross Profit** | **227.5** | **90.3** | **95.3** | 5.6 | -58.1 | **434.3** | **312.2** | -28.1 |
| Other income | 0.1 | 0.5 | 0.5 | -3.6 | 227.9 | 2.1 | 2.7 | 29.4 |
| Operating Expenses | -71.8 | -66.5 | -73.2 | 10.0 | 2.0 | -203.6 | -205.8 | 1.1 |
| **Finance Costs** | **-18.3** | **-17.2** | **-14.6** | -15.1 | -19.8 | **-53.8** | **-49.2** | -8.7 |
| Interest Income | 0.9 | 0.4 | 2.4 | 443.6 | 169.4 | 1.9 | 3.5 | 86.0 |
| **PBT** | **138.5** | **7.4** | **10.4** | **39.3** | **-92.5** | **180.9** | **63.3** | **-65.0** |
| Zakat | 0.0 | -0.2 | -0.3 | 50.0 | nm | 0.0 | -1.0 | nm |
| Taxation | -37.2 | -3.0 | -2.6 | -15.1 | -93.1 | -49.5 | -20.3 | -58.9 |
| **PAT** | **101.3** | **4.2** | **7.5** | 77.8 | -92.6 | **131.3** | **42.0** | -68.1 |
| Minority Interest | -0.3 | -0.3 | -0.2 | -15.0 | -25.1 | -1.9 | -1.1 | -39.2 |
| **PATAMI** | **101.0** | **4.0** | **7.3** | **83.7** | **-92.8** | **129.5** | **40.8** | **-68.5** |
| Forex translation | -4.1 | -3.4 | -2.5 | -27.3 | -38.8 | -7.4 | -9.3 | 24.8 |
| Recognition of acturial loss/gain | 0.0 | 0.0 | 0.0 | nm | nm | 0.1 | 0.0 | -100.0 |
| Gain on revaluation of land and buildings | 0.0 | 0.0 | 0.0 | nm | nm | 0.2 | 0.0 | -100.0 |
| Minority Interest | -0.3 | -0.3 | -0.2 | -15.0 | -25.1 | -1.9 | -1.1 | -39.2 |
| **Normalised PATAMI** | **98.1** | **1.5** | **5.2** | **247.8** | **-94.7** | **124.1** | **33.9** | **-72.7** |
| Basic EPS (sen) | 0.3 | 0.3 | 0.3 | 0.0 | 0.0 | 7.0 | 1.6 | -5.5 |
| Diluted EPS (sen) | 0.3 | 0.3 | 0.3 | 0.0 | 0.0 | -1.9 | -1.6 | 0.3 |
| DPS (sen) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | | | *+/(-)ppts* | *+/(-)ppts* | | | *+/(-)ppts* |
| PATAMI margin % | 9.8 | 0.4 | 0.7 | 0.3 | -9.1 | 4.6 | 1.4 | -3.2 |
| Core PATAMI margin % | 9.5 | 0.2 | 0.5 | 0.4 | -9.0 | 4.4 | 1.1 | -3.2 |
| Tax Rate % | 26.8 | 40.6 | 24.8 | -15.9 | -2.1 | 27.4 | 32.1 | 4.8 |
| **SEGMENTAL** | **3Q24** | **2Q25** | **3Q25** | **QoQ%** | **YoY%** | **9M24** | **9M25** | **YoY%** |
| *Revenue:* | | | | | | | | |
| Manufacturing | 87.8 | 86.6 | 88.0 | 1.6 | 0.3 | 226.6 | 245.6 | 8.4 |
| Logistics and Distribution | 735.6 | 662.5 | 720.8 | 8.8 | -2.0 | 1948.9 | 2168.6 | 11.3 |
| Indonesia | 293.4 | 264.4 | 286.1 | 8.2 | -2.5 | 880.4 | 820.3 | -6.8 |
| *PAT:* | | | | | | | | |
| Manufacturing | 4.2 | 8.3 | 8.2 | -1.8 | 96.3 | 21.3 | 36.2 | 69.8 |
| Logistics and Distribution | 106.3 | -4.8 | -5.6 | 16.3 | -105.3 | 117.3 | 0.1 | -99.9 |
| Indonesia | -1.5 | 1.7 | 0.4 | -73.8 | -128.4 | 3.0 | 2.8 | -7.3 |

## 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 | 147.1 | 227.9 | 300.8 | 313.6 |
| PBT | 194.2 | 102.0 | 175.9 | 242.0 | 252.4 |
| Taxation | -60.4 | -22.7 | -30.3 | -37.5 | -37.6 |
| PAT | 133.8 | 77.9 | 143.9 | 202.6 | 212.7 |
| MI | -2.0 | -0.7 | -0.7 | -0.7 | -0.8 |
| PATAMI | 131.8 | 77.2 | 143.2 | 201.9 | 211.9 |
| Core PATAMI | 127.8 | 77.2 | 142.9 | 200.7 | 210.0 |
| | | | | | |
| EPS (sen) | 9.2 | 1.2 | 2.2 | 3.1 | 3.2 |
| PER (x) | 3.2 | 25.1 | 13.5 | 9.6 | 9.2 |
| DPS (sen) | 0.0 | 0.0 | 1.3 | 1.8 | 1.9 |
| Dividend yield (%) | 0.0 | 0.0 | 4.4 | 6.3 | 6.6 |

| Cash Flow (RM'm) | 2024A | 2025E | 2026F | 2027F | 2028F |
|---|---|---|---|---|---|
| PBT | 194.2 | 102.0 | 175.9 | 242.0 | 252.4 |
| Depreciation | -6.3 | 18.2 | 18.0 | 16.9 | 16.2 |
| **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 | -47.5 | 72.4 | 37.6 | 4.3 |
| PATAMI growth | -264.4 | -41.4 | 85.5 | 41.0 | 5.0 |
| Core PATAMI growth | 415.9 | -39.6 | 85.2 | 40.4 | 4.6 |

| Profitability Ratios (%) | 2024A | 2025E | 2026F | 2027F | 2028F |
|---|---|---|---|---|---|
| EBIT margin | 7.0 | 3.7 | 5.6 | 7.4 | 7.6 |
| PBT margin | 5.2 | 2.6 | 4.3 | 5.9 | 6.1 |
| PATAMI margin | 3.5 | 2.0 | 3.5 | 5.0 | 5.1 |
| Core PATAMI margin | 3.4 | 1.9 | 3.5 | 4.9 | 5.1 |
| ROA | 6.4 | 3.8 | 6.8 | 9.3 | 9.4 |
| ROE | -87.6 | 51.8 | 61.7 | 83.4 | 93.1 |

| Balance Sheet (RM'm) | 2024A | 2025E | 2026F | 2027F | 2028F |
|---|---|---|---|---|---|
| PPE | 520.9 | 526.1 | 521.3 | 517.6 | 515.8 |
| ROU assets | 151.3 | 197.2 | 215.9 | 219.1 | 213.5 |
| **Non-current assets** | **788.0** | **822.0** | **830.1** | **828.2** | **821.6** |
| Trade receivables | 407.5 | 370.4 | 356.5 | 353.1 | 357.4 |
| Cash & bank balances | 152.2 | 163.2 | 197.5 | 244.3 | 287.2 |
| **Current assets** | **1,204.3** | **1,212.0** | **1,265.2** | **1,336.6** | **1,414.0** |
| 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** |

| 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 | 3.2 | 4.3 | 5.0 | 5.0 |

| Efficiency Ratios (days) | 2024A | 2025E | 2026F | 2027F | 2028F |
|---|---|---|---|---|---|
| Cash conversion cycle | 61 | 45 | 40 | 38 | 36 |
| DIO | -69 | -68 | -71 | -75 | -77 |
| DSO | 40 | 34 | 32 | 32 | 31 |
| DPO | -91 | -79 | -78 | -81 | -82 |

*Source: Bloomberg, MBSBR*

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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