

Results Update

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TA SECURITIES HOLDINGS BERHAD

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Pharmaniaga Berhad

Pleasant Surprise

Share Price : RM4.20

Target Price : RM3.95

Market Capitalisation : RM449mn

Board : Main

Sector : Pharmaceutical

Recommendation : SELL

Stock code : 8133

Key Stock Statistics

		2007	2008	2009F
EPS	(sen)	46.8	60.0	60.7
P/E	(x)	9.0	7.5	6.9
Div / Share	(sen)	18.0	11.9	18.2
BV / Share	(sen)	3.4	3.6	4.2
Issued Capital	(mn)	107		
52 weeks price	(%)	4.04 / 3.10		
Major shareholders				

Khazanah Berhad - 86%

Per Share Data

		2007	2008	2009F	2010F
Book Value	(RM)	3.4	3.6	4.2	4.9
Cash Flow	(Sen)	- 1.2	35.0	122.3	180.9
Earnings	(Sen)	46.8	60.0	60.7	100.8
Gross Dividend	(Sen)	18.0	11.9	18.2	30.2
Dividend Yield	(%)	4.3	2.8	4.3	7.2
PER	(x)	9.0	7.5	6.9	4.2
ROE	(%)	15.6	11.1	15.2	21.4

P&L Analysis (RM mil)

	2007	2008	2009F	2010F
Revenue	1184.0	1305.6	1482.8	1646.6
Cost of Revenue	1080.8	1073.8	1366.8	1473.5
EBITDA	103.2	101.5	115.9	173.0
Net Interest	5.4	9.7	7.2	5.4
Depreciation	21.6	21.9	22.3	22.7
Net Profit	50.1	60.0	60.7	100.8

Share Price chart



Source : Bloomberg

1Q09 Results Analysis

		4Q08	1Q09	QOQ%	FY08	FY09	YOY%
YE 31 December							
Turnover		328.80	313.72	-5%	309.65	313.72	1%
EBIT		26.08	21.36	-18%	29.23	21.36	-27%
Interest Inc/(exp)		-1.59	-1.18	-26%	-1.86	-1.18	-36%
Pretax		24.49	20.18	-18%	27.37	20.18	-26%
Taxation		-6.57	-5.49	-16%	-8.39	-5.49	-35%
Net Profit		17.80	14.52	-18%	18.54	14.52	-22%
EPS	(sen)	16.60	13.57	-18%	17.34	13.57	-22%
EBIT Margin	(%)	7.9%	6.8%		9.4%	6.8%	
Pretax Margin	(%)	7.4%	6.4%		8.8%	6.4%	
Tax Rate	(%)	26.8%	27.2%		30.7%	27.2%	

Review

- Pharmaniaga reported 1Q09 net profit of RM14.52mn (or 13.57sen per share) on the back of RM313.72mn revenue.
- The results came well above our estimate as it accounts for 34% of our full year estimate.
- Compared to the preceding quarter, the Group's revenue and net profit contracted by 5% and by 18%.
- The sequential reduction in revenue is partly due to the expiry of some tender sales as well as lower sales to the private sector.
- The company managed to register pedestrian growth of 1% in sales against last year although net profit plunged 22%.

Impact

- We are leaving our FY09 numbers unchanged for now.
- We continue to foresee a slowdown in the group's performance. We believe that the better-than-expected 1Q results would not be sustainable throughout the year.

Outlook

- The company has asked for extension of its listing status as it is currently in breach of the public shareholding spread. This issue is still a big concern.

Valuation

- We maintain our target price at RM3.95 as no revision in our numbers is warranted. We base this on a PER multiple of 6.5x. As the potential upside is still now less than 10% - following the sudden jump in share price last week - we are downgrading Pharmaniaga to a SELL.

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