

Results Update

Monday, 16 November 2009

KLCI : 1,270.96
Bloomberg : PHRM MK

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Pharmaniaga Berhad

Surprisingly Disappointing

Share Price : RM4.40

Target Price : RM4.70

Market Capitalisation : RM107mn

Board : Main

Sector : Pharmaceutical

Recommendation : SELL

Stock code : 8133

Key Stock Statistics

		2007	2008	2009F	2010F
EPS	(sen)	46.8	39.8	47.8	78.6
P/E	(x)	7.5	8.8	7.4	4.5
Div / Share	(sen)	18.0	11.9	14.3	23.6
BV / Share	(sen)	3.4	3.7	4.1	4.7
Issued Capital	(mn)	107			
52 weeks price	(%)	4.04 / 3.10			
Major shareholders		Khazanah - 86%			

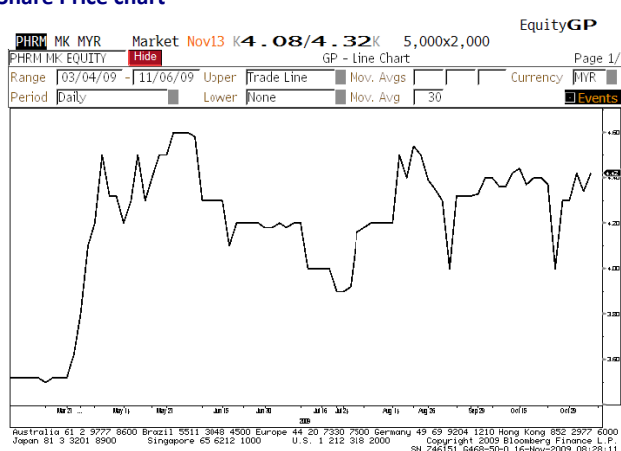
Per Share Data

		2007	2008	2009F	2010F
Book Value	(sen)	3.4	3.7	4.1	4.7
Cash Flow	(sen)	- 1.2	95.9	118.9	165.7
Earnings	(sen)	46.8	39.8	47.8	78.6
Gross Dividend	(sen)	18.0	11.9	14.3	23.6
Dividend Yield	(%)	5.1	3.4	4.1	6.7
PER	(x)	7.5	8.8	7.4	4.5
ROE	(%)	15.6	11.1	12.2	17.6

P&L Analysis (RM mil)

	2007	2008	2009F	2010F
Revenue	1184.0	1338.9	1482.8	1646.6
Cost of Revenue	1080.8	1237.4	1386.1	1506.5
EBITDA	103.2	101.5	96.7	140.1
Net Interest	5.4	9.5	7.2	5.4
Depreciation	21.6	21.9	22.3	22.7
Net Profit	50.1	42.6	51.1	84.1

Share Price chart



Source : Bloomberg

3Q09 Results Analysis

	YE 31 December	3Q09	2Q09	QOQ%	FY09	FY08	YOY%
Turnover		329.9	333.2	-1%	976.89	977.40	0%
EBIT		10.4	25.4	-59%	57.2	70.8	-19%
Interest Inc/(exp)		-1.0	-1.1	-7%	-3.30	-4.70	-30%
Pretax		9.4	24.3	-61%	53.95	66.10	-18%
Taxation		-3.0	-5.8	-48%	-14.34	-22.62	-37%
Net Profit		6.1	17.7	-66%	38.28	42.24	-9%
EPS (sen)		5.7	16.5	-66%	35.78	39.49	-9%
EBIT Margin (%)		3%	8%		6%	7%	
Pretax Margin (%)		3%	7%		6%	7%	
Tax Rate (%)		32%	24%		27%	34%	

Review

- Pharmaniaga's 3Q09 results were announced last Friday. The group made RM6,059mn in net profit or 5.66sen per share. The performance is backed by revenue of around RM330mn.
- The results came well below our estimate as cumulatively, it made up only 59% of our full year estimate of RM64.9mn in net income.
- Compared to the preceding quarter, the group's revenue was rather flat. However, as a result of tremendous contraction in gross profit margin and lower contribution from other income, net profit declined by 66%. The lower margin is a result of higher costs of raw materials.
- YTD 9M09 net profit fell by some 9% YoY.

Impact

- Given the sudden increase in cost inputs, we are adjusting our FY09 numbers. This would reduce our gross profit margin to 14.7% from 15.8%.
- This would reduce our FY09 net profit to RM51.1mn (-26.34%) from RM64.9mn estimated previously.
- We are also reducing our FY10 forecast, in tandem with the 2.3p.p reduction in gross profit margin. This translates to FY10 net profit of RM84.1mn vs. RM107.8mn previously.

Outlook

- The company has asked for an extension of its listing status. This is because it is in breach of the required public shareholding spread. We believe this issue is a big concern plaguing sentiments of its share trading activities.

Valuation

- We are rolling forward our valuation basis to FY10. Assuming an unchanged PER of 6x, we derive at a TP of RM4.70, from RM3.95. With this we maintain our SELL stance on Pharmaniaga.

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