

Results Update

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Bloomberg : PHRM MK

KLCI : 1,368.27

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Pharmaniaga Berhad

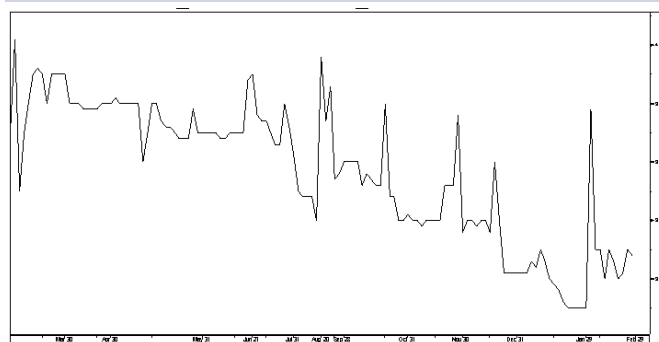
FY07 Earnings Within estimate

Price (RM) : 3.40
 Target Price (RM) : 4.35
 Market Capitalisation (RMmn) : 363.8
 Board : Main
 Sector : Trading/Service
 Stock code : PHARMA (7081)
 Recommendation : BUY

KEY STOCK STATISTICS

YE 31 Dec	2007	2008F
EPS	46.8	60.6
P/E	6.9	5.3
Div / Share	18.0	
BV / Share	7.6	
Issued Capital	107	
52 weeks price change	-15%	
Major shareholders	UEM Berhad - 72.5%	

Share Price Chart



Source: Bloomberg

PER SHARE DATA

YE 31 Dec		2007	2008F	2009F	2010F
Book Value	(RM)	7.6	8.1	8.7	9.5
Cash Flow	(Sen)	5.3	60.3	48.1	94.9
Earnings	(Sen)	46.8	60.6	88.0	102.9
Gross Dividend	(Sen)	18.0	18.2	26.4	30.9
Dividend Yield	(%)	5.6	5.6	8.2	9.6
PER	(x)	6.9	5.3	3.7	3.1
ROE	(%)	7.3	8.7	11.6	12.4

P&L ANALYSIS (RM mil)

YE 31 Dec	2007	2008F	2009F	2010F
Revenue	1184.0	1338.9	1482.8	1646.6
Cost of Revenue	1080.8	1217.3	1329.8	1473.5
EBITDA	103.2	121.6	153.0	173.0
Net Interest	5.4	1.5	1.2	0.9
Depreciation	21.6	21.9	22.3	22.7
Net Profit	50.1	64.9	94.2	110.1

Review

- ❖ 4Q07 results came in within estimate as its full year results was only 4.16% above our estimation.
- ❖ For 4Q07, it made a net income of RM16.07mn or 15.02 sen per share arising from a revenue of RM292.81mn. Net income and revenue grew by 33.0% and 14.0% QoQ respectively.
- ❖ Full the full year, the company made a net profit of RM50.08mn on revenue of RM1,183.98mn. YoY net profit and revenue grew by 301% and 12 % respectively.
- ❖ It also announced a final tax exempt dividend of 18 sen per share.
- ❖ The improvement in revenue was largely supported by higher sales to government hospitals as well as private sector. Its Indonesian subsidiary also has also increased its revenue contribution from the previous quarter.

4Q07 Result Highlight (RM'm)

YE 31 Dec	3Q07	4Q07	QOQ%	Cumulative 4Q FY07	FY06	YOY%
Turnover	334.7	292.81	14%	1,183.98	1,057.86	12%
EBIT	34.3	26.24	31%	87.59	37.20	135%
Interest Inc/(exp)	-2.4	-2.67	-10%	-9.69	-10.00	-3%
Pretax	31.9	23.57	35%	77.90	27.20	186%
Taxation	-10.4	-7.13	46%	-26.18	-13.11	100%
Net Profit	21.3	16.07	33%	50.08	12.48	301%
EPS (sen)	19.9	15.02	32%	46.82	11.67	301%
EBIT Margin (%)	10%	9%		7%	4%	
Pretax Margin (%)	10%	8%		7%	3%	
Tax Rate (%)	33%	30%		34%	48%	

Impact

- ❖ No revision to our earnings estimate.

Outlook

- ❖ We have factored in the further increase in margins for FY08 in line with our optimism of the managements ability to trim its operating costs since our previous report.
- ❖ Renewal of its concession contract to public hospitals still pending. But as we discussed in our previous report, the odds is in favour of the company.
- ❖ Apart from that, the latest announcement by the company regarding the partnership in its Kazakhstan's operation should be received well.

Valuation

- ❖ As we are maintaining our estimates since the last report, we are also maintaining our target price at RM4.35. Our target price implies a PER FY08 7.2x. We reiterate that we did not factor any earnings potential from its Kazakhstan operation as we believe it is too early to have a good estimate on its earnings contribution. It's a BUY.

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