Company Note

Malaysia

ADD *(no change)*

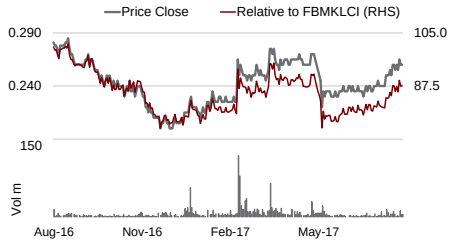
Consensus ratings*:	Buy 1	Hold 0	Sell 0

Current price:	RM0.26
Target price:	RM0.37
Previous target:	RM0.37
Up/downside:	42.3%
CIMB / Consensus:	0.0%
Reuters:	BIOA.KL
Bloomberg:	BIOA MK
Market cap:	US$48.96m
	RM209.7m
Average daily turnover:	US$0.24m
	RM1.02m
Current shares o/s:	800.0m
Free float:	57.3%

*Source: Bloomberg

Key changes in this note

- None.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	10.6	-3.7	-7.5
Relative (%)	9.8	-4	-12.8

Major shareholders	% held
William Hon	17.8
MTDC	16.1
Perbadanan Nastional (PNS)	10.3

Bioalpha Holdings

2Q17: Higher revenues from all markets in 2Q

- We deem Bioalpha's 6M17 net profit in line even though it makes up just 5% of our full-year forecast as we expect a seasonally much stronger 2H17 number.
- We believe China and Indonesia export markets are set to lead export revenue growth. The company is also targeting to own or open more pharmacies this year.
- It has RM25.5m net cash or 3.2 net cash per share at end-Jun 17.
- Remains an Add; the full revenue impact of new product launches in China, Indonesia and Malaysia this year should be manifested in 2018's financials, in our view.

2Q17 net profit up 71.4% yoy

2Q17 revenue was up 10% yoy due to growth in all three markets: domestic, China and Indonesia. 2Q17 net profit growth was up a strong 71.4% yoy mainly due to renovation and refurbishment costs incurred for Constant pharmacy in 1H16 and higher export sales in 2Q17. However, 1H17 net profit fell 67% yoy mainly due to the RM1.8m in ESOS and RM0.5m rights issue expenses incurred. No interim DPS was declared, in line with our expectations.

Constant to open more pharmacies

We estimate that the pharmacy division posted a marginal profit in 1H17. The division recorded more than RM1m in losses in 2016 due to the cost of refurbishing the pharmacies that Bioalpha acquired in end-2015. The company currently has 17 Constant pharmacies and plans to open more new outlets in Kelantan. Management is looking to grow its pharmacy outlets organically and also through M&As, as Bioalpha will then be able to distribute more of its house products through its wholly-owned pharmacy outlets.

Marketing in China in 2H16 set to bear fruit

In 2H16, management was marketing its halal-certified products in the Chinese provinces of Xinjiang, Qinghai, Shaanxi, and Gansu in which Muslims make up a sizable proportion of the population. The company works with Muslim Associations in these provinces to distribute its products. We expect commercial orders to kick in for Bioalpha from 2H17 onwards, after product testing over the past two quarters.

Getting new customers for the Indonesia business

The factory in Riau, Sumatra (Indonesia) started operations last year. We believe the company is getting new customers who want Bioalpha to distribute or manufacture products for them. With a new factory in place in Indonesia in 2H16, we believe the company will be able to obtain speedier product approvals from the local municipal councils compared to the more time-consuming federal approvals previously. We expect the company to also launch a few new products in Indonesia in 2H17, which should help to boost its export sales.

e-Constant launch in Apr

In Apr 2017, the company launched its new franchise business "e-Constant" (eC), which allows customers to buy pharmacy and healthcare products online and register as referral agents. eC is an exclusive project between Constant Pharmacy and ANGKASA members. ANGKASA is the national co-operative organisation of Malaysia with 12,000 co-operatives and 8m members nationwide. The company is targeting to sign 10,000 eC members over the next one year. Marketing and recruitment for eC is ongoing currently.

Remains an Add

We maintain our EPS forecasts and target price, based on 20x FY18 P/E which is a 20% discount to our 2018 25x consumer sector target P/E. The discount reflects Bioalpha's small market cap. The stock remains an Add and potential catalysts include stronger-than-expected sales from China and India, its two main export markets. Downside risk is weak domestic sales.

Financial Summary	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue (RMm)	29.7	47.7	65.3	88.6	102.5
Operating EBITDA (RMm)	10.30	13.80	17.20	23.40	27.50
Net Profit (RMm)	6.80	8.30	11.58	17.50	21.60
Core EPS (RM)	0.007	0.009	0.012	0.019	0.023
Core EPS Growth	7.9%	22.1%	39.5%	51.1%	23.4%
FD Core P/E (x)	35.70	29.25	20.97	13.87	11.24
DPS (RM)	0.003	-	-	-	-
Dividend Yield	1.15%	0.00%	0.00%	0.00%	0.00%
EV/EBITDA (x)	21.96	16.52	13.44	10.06	8.42
P/FCFE (x)	NA	NA	98.84	63.53	18.91
Net Gearing	(20.9%)	(15.2%)	(10.7%)	(5.8%)	(8.3%)
P/BV (x)	3.10	2.62	2.41	2.15	1.89
ROE	10.3%	9.7%	12.0%	16.4%	17.9%
% Change In Core EPS Estimates			0%		
CIMB/consensus EPS (x)			1.03	0.99	1.01

SOURCE: COMPANY DATA, CIMB FORECASTS

Analyst(s)



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2Q17: Higher revenues from all markets in 2Q

Figure 1: Results Comparison

FYE Dec (RM m)	2QFY17	2QFY16	yoy % chg	qoq % chg	2QFY17 cum	2QFY16 cum	yoy % chg	Prev. FY17F	Comments
Revenue	**13.2**	**12.0**	***10.0***	***51.7***	**21.8**	**18.9**	***15.3***	**65.3**	**In line, 2H to see strong sales from China and Indonesia**
Operating costs	(10.3)	(9.8)	21.8	*(1.0)*	(20.3)	(15.6)	*30.1*	(48.1)	
EBITDA	2.9	2.2	*31.8*	*270.6*	1.5	3.3	*(54.5)*	17.2	
EBITDA margin (%)	*22.0*	*18.3*	*19.8*	*212.4*	*6.9*	*17.5*	*(60.6)*	*26.3*	EBITDA margin stronger in 2Q17 compared 2Q16
Depn & amort.	(0.5)	(0.9)	*(44.4)*	*(70.6)*	(1.0)	(1.7)	*(41.2)*	(4.8)	
EBIT	2.4	1.3	*84.6*	*170.6*	0.5	1.6	*(68.8)*	12.4	
Interest expense	(0.1)	(0.1)	-	-	(0.1)	(0.3)	*(66.7)*	-	In line, RM25.5m net cash or 3.2 sen net cash/share
Interest & invt inc	0.2	0.2	-	*(84.6)*	0.1	0.1	*0.0*	0.5	
Pretax profit	**2.5**	**1.4**	***78.6***	***219.0***	**0.5**	**1.4**	***(64.3)***	**12.9**	**In line, expect export sales to rise higher in 2H17**
Tax	(0.1)	(0.1)	nm	-	(0.1)	(0.1)	-	(1.3)	
Tax rate (%)	4.0%	7.1%	-	-	20.0%	7.1%	-	-	
Minority interests	0.0	0.1	*nm*	-	0.1	0.2	-	-	
Net profit	**2.4**	**1.4**	***71.4***	**-**	**0.5**	**1.5**	***(66.7)***	**11.6**	**In line, 2H seasonally stronger half**
EPS (sen)	0.3	0.2	*71.4*	-	0.1	0.2	*(66.7)*	1.5	

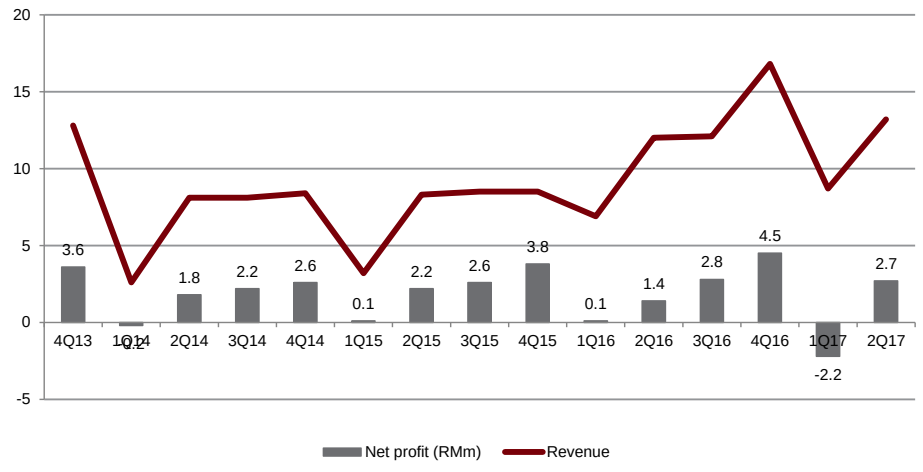
SOURCE: CIMB RESEARCH, COMPANY

Figure 2: Bioalpha's 1H revenue breakdown (RM m)

Country	1H17	1H16	% chg	Comment
M'sia	11.7	10.6	10.4%	Higher sales of its house brands
Indonesia	6.8	5.7	19.3%	To launch new products in 2H17
China	3.3	2.6	26.9%	Should see stronger sales growth in 2H17
Total	**21.8**	**18.9**	**15.3%**	

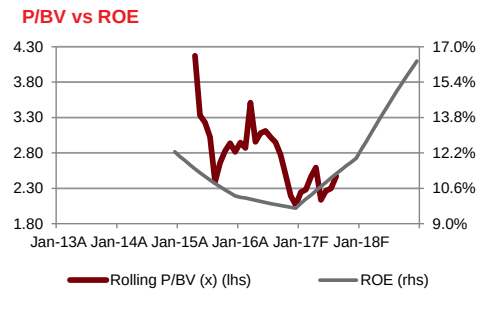
SOURCE: CIMB RESEARCH, COMPANY

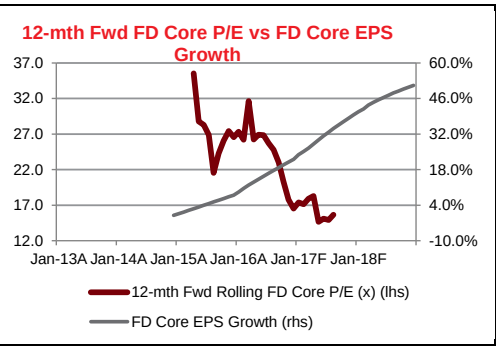
Figure 3: Bioalpha's quarterly revenue and net profit (RM m)



SOURCE: CIMB RESEARCH, COMPANY

BY THE NUMBERS





Profit & Loss

(RMm)	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	**29.70**	**47.70**	**65.31**	**88.59**	**102.50**
Gross Profit	**16.34**	**27.67**	**39.18**	**54.93**	**63.55**
Operating EBITDA	**10.30**	**13.80**	**17.20**	**23.40**	**27.50**
Depreciation And Amortisation	(3.80)	(6.20)	(4.80)	(5.00)	(5.00)
Operating EBIT	**6.50**	**7.60**	**12.40**	**18.40**	**22.50**
Financial Income/(Expense)	0.80	0.50	0.50	0.50	0.50
Pretax Income/(Loss) from Assoc.	0.00	0.00	0.00	0.00	0.00
Non-Operating Income/(Expense)	0.00	0.00	0.00	0.00	0.00
Profit Before Tax (pre-EI)	**7.30**	**8.10**	**12.90**	**18.90**	**23.00**
Exceptional Items					
Pre-tax Profit	**7.30**	**8.10**	**12.90**	**18.90**	**23.00**
Taxation	(0.80)	0.20	(1.32)	(1.40)	(1.40)
Exceptional Income - post-tax	0.00	0.00	0.00	0.00	0.00
Profit After Tax	**6.50**	**8.30**	**11.58**	**17.50**	**21.60**
Minority Interests	0.30				
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	**6.80**	**8.30**	**11.58**	**17.50**	**21.60**
Recurring Net Profit	6.80	8.30	11.58	17.50	21.60
Fully Diluted Recurring Net Profit	**6.80**	**8.30**	**11.58**	**17.50**	**21.60**

Cash Flow

(RMm)	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	10.30	13.80	17.20	23.40	27.50
Cash Flow from Invt. & Assoc.	0.00	0.00	0.00	0.00	0.00
Change In Working Capital	(0.47)	(9.30)	(6.42)	(11.18)	(6.26)
(Incr)/Decr in Total Provisions	0.00	0.00	0.00	0.00	0.00
Other Non-Cash (Income)/Expense	0.00	0.00	0.00	0.00	0.00
Other Operating Cashflow	(2.00)	(1.00)	(1.00)	(1.00)	(1.00)
Net Interest (Paid)/Received	0.00	0.00	0.00	0.00	0.00
Tax Paid	(0.80)	0.20	(1.32)	(1.40)	(1.40)
Cashflow From Operations	**7.04**	**3.70**	**8.46**	**9.82**	**18.84**
Capex	(9.50)	(5.00)	(5.00)	(5.00)	(5.00)
Disposals Of FAs/subsidiaries	0.00	0.00	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	(1.00)	(1.00)	(1.00)	(1.00)	(1.00)
Other Investing Cashflow	0.00	0.00	0.00	0.00	0.00
Cash Flow From Investing	**(10.50)**	**(6.00)**	**(6.00)**	**(6.00)**	**(6.00)**
Debt Raised/(repaid)	0.00	0.00	0.00	0.00	0.00
Proceeds From Issue Of Shares	17.80	5.80	0.00	0.00	0.00
Shares Repurchased	0.00	0.00	0.00	0.00	0.00
Dividends Paid	(2.04)	0.00	0.00	0.00	0.00
Preferred Dividends	0.00	0.00	0.00	0.00	0.00
Other Financing Cashflow	0.00	0.00	0.00	0.00	0.00
Cash Flow From Financing	**15.76**	**5.80**	**0.00**	**0.00**	**0.00**
Total Cash Generated	12.30	3.50	2.46	3.82	12.84
Free Cashflow To Equity	**(3.47)**	**(2.30)**	**2.46**	**3.82**	**12.84**
Free Cashflow To Firm	**(3.47)**	**(2.30)**	**2.46**	**3.82**	**12.84**

SOURCE: CIMB RESEARCH, COMPANY DATA

BY THE NUMBERS… cont'd

Balance Sheet

(RMm)	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	21.10	18.90	20.50	13.40	18.20
Total Debtors	14.85	23.85	32.65	44.30	51.25
Inventories	3.60	4.80	3.30	4.00	4.00
Total Other Current Assets	7.40	7.40	7.40	7.40	11.50
Total Current Assets	**46.95**	**54.95**	**63.85**	**69.10**	**84.95**
Fixed Assets	30.00	28.80	29.00	29.00	29.00
Total Investments	0.00	0.00	0.00	0.00	0.00
Intangible Assets	0.00	0.00	0.00	0.00	0.00
Total Other Non-Current Assets	15.20	20.10	24.50	28.70	28.70
Total Non-current Assets	**45.20**	**48.90**	**53.50**	**57.70**	**57.70**
Short-term Debt	1.00	1.00	4.90	1.00	1.00
Current Portion of Long-Term Debt	1.49	2.39	3.27	4.43	5.13
Total Creditors	0.00	0.00	0.00	0.00	0.00
Other Current Liabilities	6.10	6.10	6.10	6.10	6.10
Total Current Liabilities	**8.59**	**9.49**	**14.27**	**11.53**	**12.23**
Total Long-term Debt	2.30	1.50	1.60	1.50	1.50
Hybrid Debt - Debt Component	0.00	0.00	0.00	0.00	0.00
Total Other Non-Current Liabilities	3.20	1.00	1.40	1.50	1.50
Total Non-current Liabilities	**5.50**	**2.50**	**3.00**	**3.00**	**3.00**
Total Provisions	0.00	0.00	0.00	0.00	0.00
Total Liabilities	**14.09**	**11.99**	**17.27**	**14.53**	**15.23**
Shareholders' Equity	78.30	92.80	100.91	113.16	128.28
Minority Interests	(0.30)	(0.80)	(0.80)	(0.80)	(0.80)
Total Equity	**78.00**	**92.00**	**100.11**	**112.36**	**127.48**

Key Ratios

	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	9.6%	60.6%	36.9%	35.7%	15.7%
Operating EBITDA Growth	90.7%	34.0%	24.6%	36.0%	17.5%
Operating EBITDA Margin	34.7%	28.9%	26.3%	26.4%	26.8%
Net Cash Per Share (RM)	0.017	0.015	0.011	0.007	0.011
BVPS (RM)	0.08	0.10	0.11	0.12	0.14
Gross Interest Cover	N/A	N/A	N/A	N/A	N/A
Effective Tax Rate	11.0%	0.0%	10.2%	7.4%	6.1%
Net Dividend Payout Ratio	30.0%	NA	NA	NA	NA
Accounts Receivables Days	169.9	148.5	157.9	158.5	170.1
Inventory Days	105.1	76.7	56.6	39.6	37.5
Accounts Payables Days	-	-	-	-	-
ROIC (%)	12.8%	11.7%	15.7%	20.3%	21.0%
ROCE (%)	10.4%	9.0%	12.5%	16.5%	18.1%
Return On Average Assets	7.2%	8.0%	10.0%	13.9%	15.7%

Key Drivers

	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (%, main prod./serv.)	10.0%	40.0%	23.0%	18.0%	18.0%
Util. rate (%, main prod./serv.)	N/A	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	0.0%	875.0%	54.0%	25.0%	25.0%
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A
Outlets #/POS (main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Outlets #/POS (2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
A&P As % Of Sales	N/A	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

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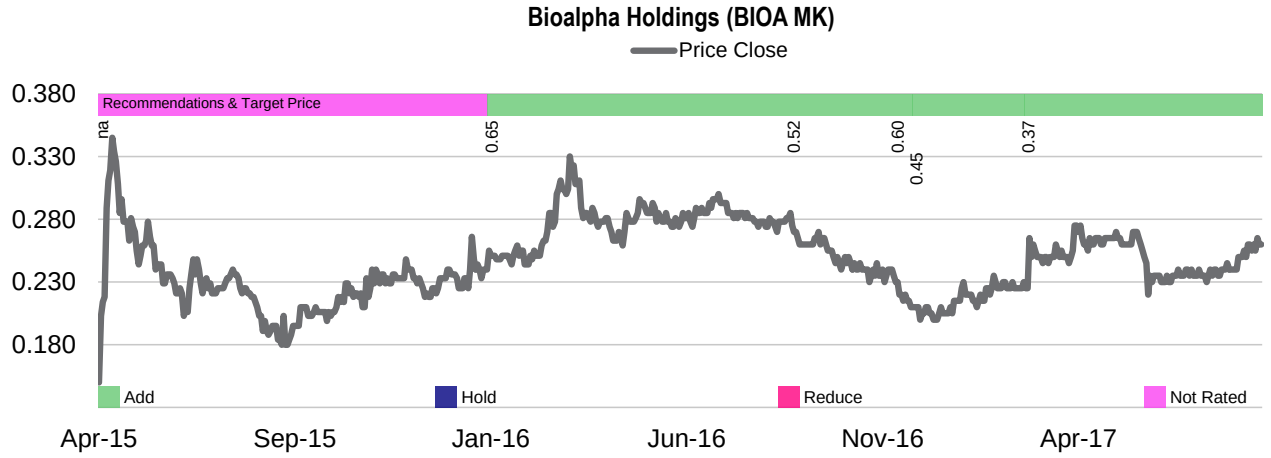
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	Rating Distribution (%)	Investment Banking clients (%)
Add	51.2%	5.5%
Hold	35.7%	3.1%
Reduce	11.9%	0.1%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2016, Anti-Corruption 2016

AAV – Very Good, n/a, **ADVANC** – Very Good, Certified, **AEONTS** – Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Very Good, Declared, **AOT** – Excellent, Declared, **AP** – Very Good, Declared, **ASK** – Very Good, Declared, **ASP** – Very Good, Certified, **BANPU** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – not available, Declared, **BCP** - Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, Declared, **BEC** - Good, n/a, **BH** - Good, Declared, **BIGC** - Excellent, Declared, **BJC** – Good, n/a, **BJCHI** – Good, Declared, **BLA** – Very Good, Certified, **BPP** – not available, n/a, **BR** - Good, n/a, **BTS** - Excellent, Certified, **CBG** – Good, n/a, **CCET** – not available, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COL** – Very Good, Declared, **CPALL** – not available, Declared, **CPF** – Excellent, Declared, **CPN** - Excellent, Certified, **DELTA** - Excellent, Declared, **DEMCO** – Excellent, Certified, **DIF** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Very Good, Declared, **ECL** – Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Good, n/a, **GFPT** - Excellent, Declared, **GLOBAL** – Very Good, Declared, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Declared, **GRAMMY** - Excellent, n/a, **GUNKUL** – Very Good, Declared, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Declared, **ICHI** – Very Good, Declared, **INTUCH** - Excellent, Certified, **ITD** – Good, n/a, **IVL** - Excellent, Certified, **JAS** – not available, Declared, **JASIF** – not available, n/a, **JUBILE** – Good, Declared, **KAMART** – not available, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KGI** – Good, Certified, **KKP** – Excellent, Certified, **KSL** – Very Good, Declared, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Declared, **M** – Very Good, Declared, **MAJOR** - Good, n/a, **MAKRO** – Good, Declared, **MALEE** – Very Good, Declared, **MBKET** – Very Good, Certified, **MC** – Very Good, Declared, **MCOT** – Excellent, Declared, **MEGA** – Very Good, Declared, **MINT** - Excellent, Certified, **MTLS** – Very Good, Declared, **NYT** – Excellent, n/a, **OISHI** – Very Good, n/a, **PLANB** – Very Good, Declared, **PLAT** – Good, Declared, **PSH** – not available, n/a, **PSL** - Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Declared, **RATCH** – Excellent, Certified, **ROBINS** – Very Good, Declared, **RS** – Very Good, n/a, **SAMART** - Excellent, n/a, **SAPPE** - Good, n/a, **SAT** – Excellent, Certified, **SAWAD** – Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCBLIF** – not available, n/a, **SCC** – Excellent, Certified, **SCN** – Good, Declared, **SCCC** - Excellent, Declared, **SIM** - Excellent, n/a, **SIRI** - Good, n/a, **SPA** - Good, n/a, **SPALI** - Excellent, Declared, **SPRC** – Very Good, Declared, **STA** – Very Good, Declared, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **TASCO** – Very Good, Declared, **TCAP** – Excellent, Certified, **THAI** – Very Good, Declared, **THANI** – Very Good, Certified, **THCOM** – Excellent, Certified, **THRE** – Very Good, Certified, THREL – Very Good, Certified, **TICON** – Very Good, Declared, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TK** – Very Good, n/a, **TKN** – Good, n/a, **TMB** - Excellent, Certified, **TNR** – not available, n/a, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – not available, n/a, **TRUE** – Very Good, Declared, **TTW** – Very Good, Declared, **TU** – Excellent, Declared, **TVO** – Very Good, Declared **UNIQ** – not available, Declared, **VGI** – Excellent, Declared, **WHA** – not available, Declared, **WHART** – not available, n/a, **WORK** – not available, n/a.

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Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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