

18 September 2017

Investment Idea

Bioalpha Holdings Bhd

A "Healthy" Company

BUY

Price: RM0.26

Target Price: RM0.38

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Bioalpha Holdings Bhd ("Bioalpha") growth trajectory to be boosted by new products and exports to Indonesia and China. Tie-up with ANGKASA should also boost earnings by FY18. We are recommending a BUY on Bioalpha with a target price of RM0.38 premised on 19x PER FY18 in line with its closest related peers.

Bioalpha is a leading homegrown integrated health supplement company operating the largest herbal park spanning 1,300 acres in Pasir Raja, Terengganu and Desaru, Johor with two good manufacturing practice (GMP) facilities in Bangi, Selangor and Riau, Indonesia.

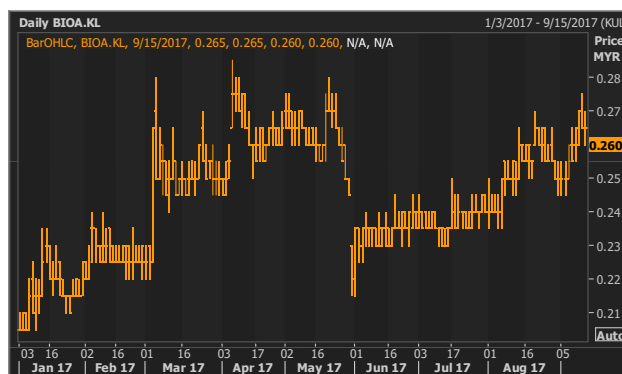
Bioalpha health supplements which are Halal certified with main export markets to Indonesia and China. Bioalpha with its aggressive roadmap is launching 27 new products in Indonesia - 12 in China targeting Muslim majority provinces and 10 in Malaysia.

Bioalpha pharmacy division under the brand "Constant" has 17 outlets and is expected to expand to 30 outlets by 2018. The recent collaboration with ANGKASA, national co-operative with 12,000 co-operatives and 8m members will bolster distribution reach via online e-Constant franchise system.

Bioalpha balance sheet is healthy with net cash of RM25.8m enabling them to expand to key markets. We are projecting earnings growth of 42.8% for FY18 which reinforces our bullish view on Bioalpha and their ambition to transfer to the Main Board.

Technically Speaking

Resistance level	RM0.27
Support level	RM0.25
Take profit level	RM0.36
Cut loss level	RM0.22



Source: Thomson Reuters

KLCI	1,786.33
YTD KLCI change	+8.81%
YTD stock price change	+26.83%

Stock Information

Market Cap (RM m)	209.96
Issued shares	807.54
52-week range (H)	0.285
52-week range (L)	0.195

Major Shareholders

William Hon Tian Kok	13.82%
Msia Tech Dev Corp (MTDC)	13.28%
Perbadanan Nasioanal Bhd (PNS)	10.87%

Summary Earnings Table

FY Dec (RM'm)	2015A	2016A	2017F	2018F
Turnover	29.7	47.7	63.0	86.0
EBIT	10.3	13.8	16.3	22.0
PBT	7.3	46.7	12.3	17.2
Net Profit	6.8	8.3	11.3	16.2
Consensus	-	-	13.8	17.5
EPS (sen)	1.1	1.3	1.4	2.0
EPS growth (%)	-	18.1	7.7	42.8
DPS (sen)	0.09	-	-	-
PER (x)	32.8	26.5	18.5	12.9
BV/Share (RM)	0.17	0.15	0.13	0.15
ROE (%)	8.2	8.1	10.1	12.0
Net Div Yield (%)	1.2	-	-	-

Source: Company & Rakuten Trade Research

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COMPANY	Definition
Buy	The stock return is expected to exceed the KLCI benchmark by more than 10% over the next 6-12 months.
Trading Buy	Short-term positive development on the stock that could lead to a re-rating in the share price and translate into an absolute return of 10% over the next 3-6 months. Trading Buy is generally for investors who are willing to take on higher risks.
Take profit	The stock return previously recommended has gained by >10%
Hold	The stock return is expected to be in line with the KLCI benchmark (+/- 5%) over the next 6-12 months.
Sell	The stock return is expected to underperform the KLCI benchmark by more than 10% over the next 6-12 months.
SECTOR	
Overweight	Industry expected to outperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Neutral	Industry expected to perform in-line with the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Underweight	Industry expected to underperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.

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