

Company Note

I Malaysia

ADD (no change)

Consensus ratings: Buy 1 Hold 0 Sell 0

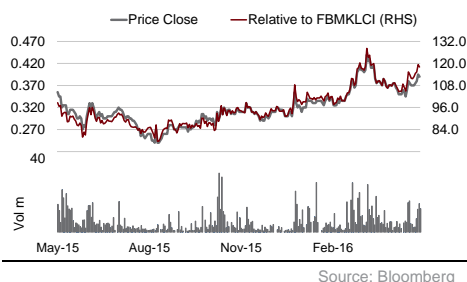
Current price: RM0.39
 Target price: RM0.65
 Previous target: RM0.65
 Up/downside: 66.7%
 CIMB / Consensus: 0.0%

Reuters: BIOA.KL
 Bloomberg: BIOA MK
 Market cap: US\$48.14m
 RM195.0m

Average daily turnover: US\$0.70m
 RM2.83m
 Current shares o/s: 500.0m
 Free float: 48.0%

Key changes in this note

None



Price performance	1M	3M	12M
Absolute (%)	5.4	14.7	5.4
Relative (%)	9.9	17.2	15.1

Major shareholders	% held
William Hon	17.9
MTDC	17.6
PNB	16.7

Analyst(s)



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Bioalpha Holdings

Earnings preview: Weak 1Q results expected

- To release 1Q16 results at the end of next week. We believe 1Q16 net profit to be between RM0.1-0.5m net profit.
- 1Q is seasonally the weakest quarter of the year while 4Q is seasonally the strongest, mainly due to festive seasons.
- 1Q16 revenue is expected to be higher than 1Q15, mainly due to consolidation of the Constant Pharmacy Group acquired in end-2015.
- Indonesia looks bullish in view of the expected launch of 20 products in 2017, compared to only 10 products this year.
- Remains an Add, one of our top consumer smallcap picks.

To release 1Q16 results end of next week

Bioalpha (BioA) is expected to release its 1Q16 results at the end of next week. We expect the company to record RM0.1m-0.5m (US\$0.12m) net profit in 1Q16. 1Q is seasonally the weakest quarter for the company as the peak quarter is usually the festive 4Q. Most of the sales are delivered to its customers before the start of the festive season.

Marginal revenue in 1Q

In 1Q15, the company recorded RM3.2m (US\$0.78m) revenue and only RM0.1m (US\$0.24m) net profit, which was not a surprise. 1Q15 revenue was only 11% of FY2015's total revenue. In 1Q14, revenue was only RM2.6m (US\$0.64m) and the company recorded a RM0.2m (US\$0.05m) loss. However, 1Q16 revenue could be much higher than 1Q15's RM3.2m (US\$0.8m) as the company consolidated revenue from acquisition of the Constant Pharmacy Group from end-2015 onwards.

About the Constant Pharmacy Group

The Constant Pharmacy has 13 pharmacy outlets across Klang Valley, contributing around RM15m (US\$3.7m) revenue p.a. 1Q is also seasonally a weak quarter for the pharmacies but could contribute RM2m-3m (US\$0.7m) revenue in 1Q16. Profit contribution could be marginal or even a minor loss as it is seasonally weak quarters for the pharmacies.

Bullish about Indonesia

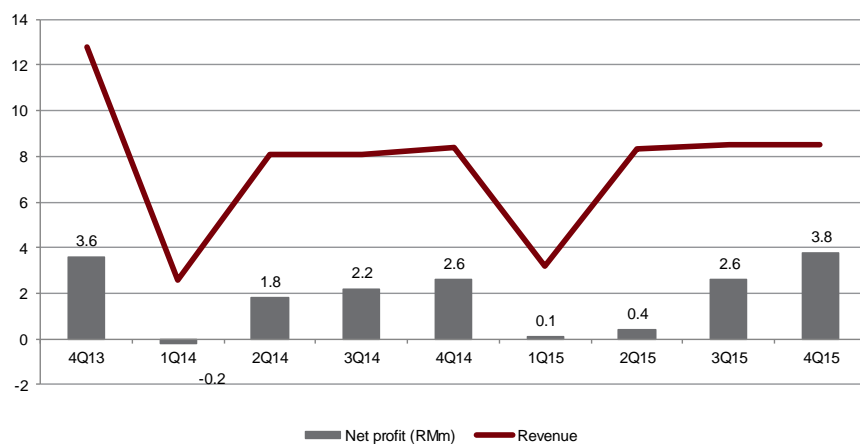
Indonesia is BioA's largest market, contributing close to half of its revenue last year. The company currently only has 10 products distributed in that country and management targets 20 products in 2017. This could have a substantial impact on its sales in Indonesia. Based on 10 products, we were earlier looking at an average 20% annual revenue growth in Indonesia. However, with 20 products targeted in 2017, the company's sales in Indonesia should surprise on the upside.

Maintain Add

We maintain our EPS forecasts and target price, based on a 20% discount (reflecting its small market cap) to 2017 25x target P/E for the consumer sector. Re-rating catalysts are strong Indonesia sales and further development in its JV with MyAngkasa. Risks are continued weak domestic sales.

Financial Summary	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Revenue (RMm)	27.10	29.70	45.68	65.31	88.59
Operating EBITDA (RMm)	5.40	10.30	17.25	21.80	25.75
Net Profit (RMm)	6.30	6.80	12.38	16.18	19.85
Core EPS (RM)	0.013	0.014	0.025	0.032	0.040
Core EPS Growth	(0.0%)	4.1%	82.1%	30.7%	22.7%
FD Core P/E (x)	29.86	28.68	15.75	12.05	9.82
DPS (RM)	0.000	0.004	0.001	0.001	0.001
Dividend Yield	0.10%	1.03%	0.21%	0.26%	0.31%
EV/EBITDA (x)	33.74	17.32	10.41	8.19	6.87
P/FCFE (x)	NA	NA	246.5	31.7	31.6
Net Gearing	(10.9%)	(20.9%)	(16.3%)	(15.5%)	(15.1%)
P/BV (x)	3.46	2.49	2.10	1.87	1.65
ROE	12.3%	10.3%	14.5%	16.4%	17.9%
% Change In Core EPS Estimates			0%	0%	
CIMB/consensus EPS (x)			0.99	1.01	0.99

SOURCE: COMPANY DATA, CIMB FORECASTS

Figure 1: Bioalpha quarterly revenue and net profit (RMm)

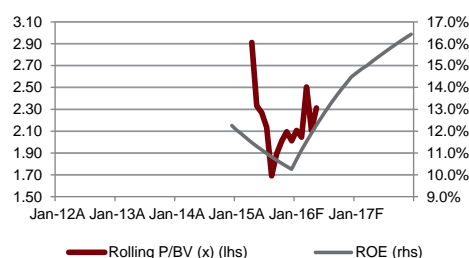
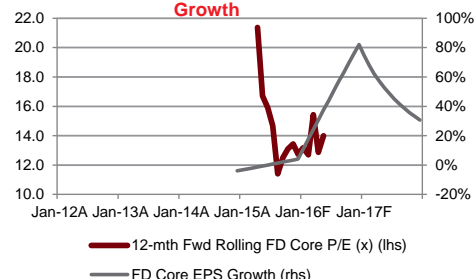
SOURCES: CIMB, COMPANY REPORTS

Figure 2: Sector Comparisons

Company	Bloomberg Ticker	Recom	Price (local curr)	Target Price (local curr)	Market Cap (US\$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)		EV/EBITDA (x)		Dividend Yield (%)	
						CY2016	CY2017		CY2016	CY2017	CY2016	CY2017	CY2016	CY2017	CY2016	CY2017
Bioalpha	BIOA MK	ADD	0.40	0.65	49	16.0	12.2	41.2%	2.1	1.9	14.1%	16.4%	10.9	8.3	0.2%	0.3%
Berjaya Food Berhad	BFD MK	ADD	1.87	2.35	175	22.6	18.8	26.3%	1.7	1.6	7.7%	8.7%	6.8	5.9	2.7%	3.2%
Kawan Food	KFB MK	ADD	3.10	4.48	181	18.7	14.3	29.4%	2.9	2.5	18.3%	19.0%	9.7	7.3	1.6%	2.1%
Nestle (Malaysia)	NESZ MK	HOLD	74.60	74.94	4,319	28.7	27.4	4.7%	24.3	23.8	81.2%	87.7%	19.2	17.6	3.4%	3.6%
QL Resources	QLG MK	ADD	4.30	5.05	1,325	22.7	19.6	7.5%	3.1	2.8	14.8%	15.2%	13.9	12.5	1.2%	1.4%
Sector average ex-Bio						23.2	20.0	17.0%	8.0	7.7	0.3	32.6%	12.4	10.8	2.2%	2.6%

SOURCES: CIMB, COMPANY REPORTS

BY THE NUMBERS

P/BV vs ROE

12-mth Fwd FD Core P/E vs FD Core EPS Growth


Profit & Loss

(RMm)	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Total Net Revenues	27.10	29.70	45.68	65.31	88.59
Gross Profit	13.20	16.34	26.49	39.18	54.93
Operating EBITDA	5.40	10.30	17.25	21.80	25.75
Depreciation And Amortisation	(3.40)	(3.80)	(4.30)	(4.80)	(5.00)
Operating EBIT	2.00	6.50	12.95	17.00	20.75
Financial Income/(Expense)	4.80	0.80	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)	6.80	7.30	13.45	17.50	21.25
Exceptional Items					
Pre-tax Profit	6.80	7.30	13.45	17.50	21.25
Taxation	(0.50)	(0.80)	(1.07)	(1.32)	(1.40)
Exceptional Income - post-tax	0.00	0.00	0.00	0.00	0.00
Profit After Tax	6.30	6.50	12.38	16.18	19.85
Minority Interests		0.30			
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	6.30	6.80	12.38	16.18	19.85
Recurring Net Profit	6.30	6.80	12.38	16.18	19.85
Fully Diluted Recurring Net Profit	6.30	6.80	12.38	16.18	19.85

Cash Flow

(RMm)	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
EBITDA	5.40	10.30	17.25	21.80	25.75
Cash Flow from Inv. & Assoc.	0.00	0.00	0.00	0.00	0.00
Change In Working Capital	(0.20)	(0.47)	(8.39)	(7.33)	(11.18)
(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	(4.80)	(2.00)	(1.00)	(1.00)	(1.00)
Net Interest (Paid)/Received	0.00	0.00	0.00	0.00	0.00
Tax Paid	(0.20)	(0.80)	(1.07)	(1.32)	(1.40)
Cashflow From Operations	0.20	7.04	6.79	12.15	12.17
Capex	(7.50)	(9.50)	(5.00)	(5.00)	(5.00)
Disposals Of FAs/subsidiaries	0.00	0.00	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	0.00	(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	(7.50)	(10.50)	(6.00)	(6.00)	(6.00)
Debt Raised/(repaid)	4.20	0.00	0.00	0.00	0.00
Proceeds From Issue Of Shares	0.00	17.80	5.80	0.00	0.00
Shares Repurchased	0.00	0.00	0.00	0.00	0.00
Dividends Paid	(0.20)	(2.04)	(3.71)	(4.85)	(5.96)
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	4.00	15.76	2.09	(4.85)	(5.96)
Total Cash Generated	(3.30)	12.30	2.88	1.29	0.22
Free Cashflow To Equity	(3.10)	(3.47)	0.79	6.15	6.17
Free Cashflow To Firm	(7.30)	(3.47)	0.79	6.15	6.17

BY THE NUMBERS

Balance Sheet

(RMm)	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Total Cash And Equivalents	9.8	21.1	20.7	26.6	25.5
Total Debtors	12.8	14.9	22.8	32.7	44.3
Inventories	4.1	3.6	4.8	3.3	4.0
Total Other Current Assets	7.4	7.4	7.4	7.4	7.4
Total Current Assets	34.1	47.0	55.7	70.0	81.2
Fixed Assets	24.3	30.0	30.7	30.9	30.9
Total Investments	0.0	0.0	0.0	0.0	0.0
Intangible Assets	0.0	0.0	0.0	0.0	0.0
Total Other Non-Current Assets	8.1	15.2	20.1	24.5	28.7
Total Non-current Assets	32.4	45.2	50.8	55.4	59.6
Short-term Debt	1.2	1.0	1.0	4.9	1.0
Current Portion of Long-Term Debt	0.4	1.5	2.3	3.3	4.4
Total Creditors	0.0	0.0	0.0	0.0	0.0
Other Current Liabilities	6.1	6.1	6.1	6.1	6.1
Total Current Liabilities	7.7	8.6	9.4	14.3	11.5
Total Long-term Debt	2.3	2.3	2.3	2.3	2.3
Hybrid Debt - Debt Component	0.0	0.0	0.0	0.0	0.0
Total Other Non-Current Liabilities	2.2	3.2	2.4	5.0	9.3
Total Non-current Liabilities	4.5	5.5	4.7	7.3	11.6
Total Provisions	0.0	0.0	0.0	0.0	0.0
Total Liabilities	12.2	14.1	14.1	21.6	23.1
Shareholders' Equity	54.3	78.3	92.8	104.1	118.0
Minority Interests	0.0	(0.3)	(0.3)	(0.3)	(0.3)
Total Equity	54.3	78.0	92.5	103.8	117.7

Key Ratios

	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Revenue Growth	10.2%	9.6%	53.8%	43.0%	35.7%
Operating EBITDA Growth	(30.8%)	90.7%	67.5%	26.4%	18.1%
Operating EBITDA Margin	19.9%	34.7%	37.8%	33.4%	29.1%
Net Cash Per Share (RM)	0.012	0.033	0.030	0.032	0.036
BVPS (RM)	0.11	0.16	0.19	0.21	0.24
Gross Interest Cover	N/A	N/A	N/A	N/A	N/A
Effective Tax Rate	7.4%	11.0%	7.9%	7.5%	6.6%
Net Dividend Payout Ratio	3.2%	30.0%	30.0%	30.0%	30.0%
Accounts Receivables Days	173.7	169.9	151.0	155.1	158.5
Inventory Days	93.2	105.1	80.1	56.6	39.6
Accounts Payables Days	-	-	-	-	-
ROIC (%)	4.5%	12.8%	19.9%	21.3%	22.4%
ROCE (%)	12.2%	10.4%	14.9%	16.5%	17.7%
Return On Average Assets	2.4%	7.2%	12.0%	13.5%	14.5%

Key Drivers

	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , main prod./serv.)	10.2%	10.0%	40.0%	23.0%	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%	0.0%	875.0%	54.0%	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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Score Range:	90 - 100	80 - 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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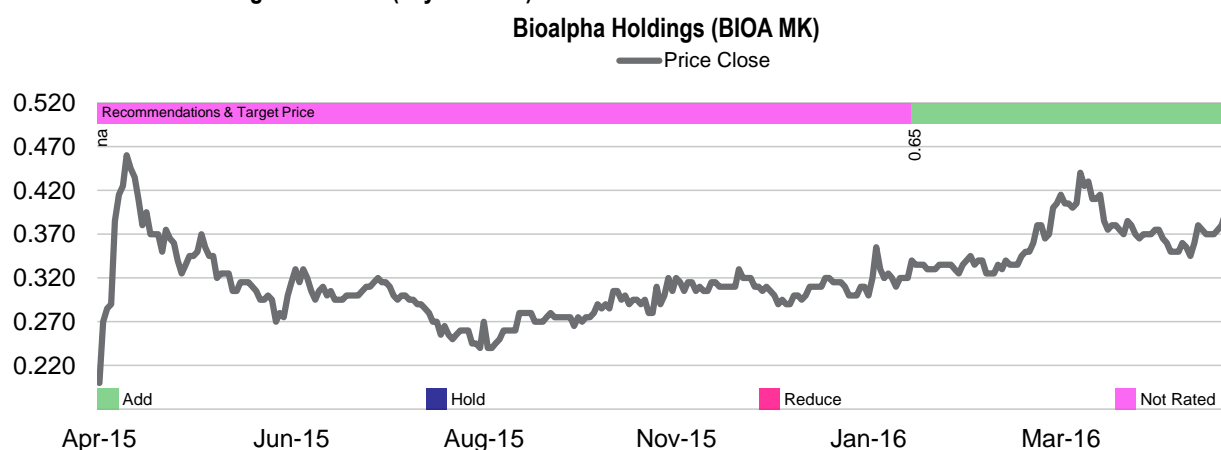
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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2016		
1539 companies under coverage for quarter ended on 31 March 2016		
	Rating Distribution (%)	Investment Banking clients (%)
Add	59.2%	6.9%
Hold	30.9%	3.1%
Reduce	8.7%	0.5%

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 2015, Anti-Corruption Progress Indicator 2015.

AAV – Very Good, 3B, ADVANC – Excellent, 3A, AEONTS – Good, 1, AMATA – Very Good, 2, ANAN – Very Good, 3A, AOT – Very Good, 2, AP – Good, 3A, ASK – Very Good, 3B, ASP – Very Good, 4, BANPU – Very Good, 4, BAY – Very Good, 4, BBL – Very Good, 4, BCH – not available, no progress, BCP – Excellent, 5, BEM – not available, no progress, BDMS – Very Good, 3B, BEAUTY – Good, 2, BEC – Good, 3B, BH – Good, 2, BIGC – Excellent, 3A, BJC – Good, 1, BLA – Very Good, 4, 1, BTS – Excellent, 3A, CBG – Good, 1, CCET – not available, 1, CENTEL – Very Good, 3A, CHG – Good, 3B, CK – Excellent, 3B, COL – Very Good, 3A, CPALL – Good, 3A, CPF – Very Good, 3A, CPN – Excellent, 5, DELTA – Very Good, 3A, DEMCO – Very Good, 3A, DTAC – Excellent, 3A, EA – not available, 3A, ECL – Good, 4, EGCO – Excellent, 4, EPG – not available, 3B, GFPT – Very Good, 3A, GLOBAL – Very Good, 2, GLOW – Good, 3A, GPSC – not available, 3B, GRAMMY – Excellent, 3B, GUNKUL – Very Good, 1, HANA – Excellent, 4, HMPRO – Excellent, 3A, ICHI – Very Good, 3A, INTUCH – Excellent, 4, ITD – Good, 1, IVL – Excellent, 4, JAS – not available, 3A, JASIF – not available, no progress, JUBILE – Good, 3A, KAMART – not available, no progress, KBANK – Excellent, 4, KCE – Excellent, 4, KGI – Good, 4, KKP – Excellent, 4, KSL – Very Good, 2, KTB – Excellent, 4, KTC – Very Good, 3A, LH – Very Good, 3B, LPN – Excellent, 3A, M – Good, 2, MAJOR – Good, 1, MAKRO – Good, 3A, MALEE – not available, 2, MBKET – Good, 2, MC – Very Good, 3A, MCOT – Excellent, 3A, MEGA – Very Good, 2, MINT – Excellent, 3A, MTLN – Good, 2, NYT – Good, no progress, OISHI – Very Good, 3B, PLANB – Good, 3B, PS – Excellent, 3A, PSL – Excellent, 4, PTT – Excellent, 5, PTTEP – Excellent, 4, PTTGC – Excellent, 5, QH – Very Good, 2, RATCH – Excellent, 3A, ROBINS – Excellent, 3A, RS – Very Good, 1, SMART – Excellent, 3B, SAPPE – Good, 3B, SAT – Excellent, 5, SAWAD – Good, 1, SC – Excellent, 3B, SCB – Excellent, 4, SCBLIF – not available, no progress, SCC – Excellent, 5, SCN – Good, 1, SCCC – Good, 3A, SIM – Excellent, 3B, SIRI – Good, 1, SPALI – Excellent, 3A, SPRC – not available, no progress, STA – Very Good, 1, STEC – Very Good, 3B, SVI – Very Good, 3A, TASCOT – Very Good, 3A, TCAP – Very Good, 4, THAI – Very Good, 3A, THANI – Very Good, 5, THCOM – Excellent, 4, THRE – Very Good, 3A, THREL – Very Good, 3A, TICON – Very Good, 3A, TISCO – Excellent, 4, TK – Very Good, 3B, TKN – not available, no progress, TMB – Excellent, 4, TPCH – Good, 3B, TOP – Excellent, 5, TRUE – Very Good, 2, TTW – Very Good, 2, TU – Very Good, 3A, UNIQ – not available, 2, VGI – Excellent, 3A, WHA – Good, 3A, WORK – not available, no progress.

Comprises level 1 to 5 as follows:

Level 1: Committed

Level 2: Declared

Level 3: Established (3A: Established by Declaration of Intent, 3B: Established by Internal Commitment and Policy)

Level 4: Certified

Level 5: Extended.

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Add The stock's total return is expected to exceed 10% over the next 12 months.

Hold The stock's total return is expected to be between 0% and positive 10% over the next 12 months.

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The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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Definition:

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

Neutral A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.

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

Country Ratings

Definition:

Overweight An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.

Neutral A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.

Underweight An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.