

Company Note

I Malaysia

ADD (no change)

Consensus ratings*: Buy 1 Hold 0 Sell 0

Current price: RM0.37
 Target price:  RM0.65
 Previous target: RM0.65
 Up/downside: 78.1%
 CIMB / Consensus: 0.0%

Reuters: BIOA.KL
 Bloomberg: BIOA MK
 Market cap: US\$45.31m
 RM182.5m
 Average daily turnover: US\$0.33m
 RM1.34m
 Current shares o/s: 500.0m
 Free float: 57.3%

* Source: Bloomberg

Key changes in this note

► FY16F EPS cut by 10%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-4	-6.4	40.4
Relative (%)	-6	-10.2	33

Major shareholders	% held
William Hon	16.3
MTDC	16.1
PNB	10.3

Analyst(s)



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Bioalpha Holdings

2Q16 hit by higher expenses

- At 12% of full-year forecast, BioA's 1H2016 net profit was below our expectations, mainly due to higher costs incurred at the Constant Pharmacy Group.
- Stronger sales from all main markets a positive.
- Indonesia a major outperformer in 2017 with planned 20 products for sale.
- FY16F EPS cut by 10% but FY17/18F EPS maintained.
- Remains an Add; accumulate on share price weakness due to weak 2Q results.

1H16 net profit up but....

BioA's 1H16 revenue was up 64% yoy, mainly due to consolidation of the Constant Pharmacy acquired at end-2015. However, 1H16 net profit was 49% lower than 1H2015's RM2.7m (excluding RM2.2m IPO expenses recognised in 1H15) mainly due to higher-than-expected expenses. No interim DPS was declared, in line with our expectation.

...Higher expenses in 1H

We understand that in 1H16, the company spent quite a bit on renovation works at Constant outlets and on advertising and promotional activities for Constant. In addition, it continued to plant herbs at its two plantations in Peninsula Malaysia. BioA also incurred expenses in marketing and exhibitions to promote its product herbs in north China.

Stronger sales

BioA recorded stronger sales in 1H from all its main markets: Indonesia, China and Malaysia (Figure 3). The strongest growth was from Malaysia. It seems that the strategy to use Constant to promote its house products is paying off.

Expect a stronger 2H

Seasonally, sales in 2H is stronger than 1H, mainly due to the festive seasons and year-end holidays. Meanwhile, the opening of its new factory in Indonesia in Sep should result in more products being launched in this country. In addition, the company has been doing more promotional activities in north China, where most of the Chinese Muslim reside. We believe this should translate to strong orders for its products in 2H.

Indonesia to be a major earnings contributor in 2017

BioA's new plant in Riau, Indonesia should solve its product registration issues in Indonesia. The 4,000sf repackaging facility should also enable the group to repackage its semi-finished products. It should only take six months to get approvals vs. up to 2-3 years previously. BioA currently distributes only 10 products in Indonesia and management aims to double that to 20 by early 2017. Revenue from Indonesia should double in 2017.

Maintain an Add

We cut our FY16F EPS by 10% to reflect the higher cost pressures but maintain our FY17-18F EPS as we project earnings from Indonesia to kick in significantly from 2017 onwards. Our target price is unchanged at 20x 2017F P/E, 20% discount to the consumer sector target of 25x to reflect its small-cap status. Potential re-rating catalysts include stronger-than-expected sales from Indonesia and the finalisation of its proposed 1:3 bonus issue. Risks include weak domestic sales.

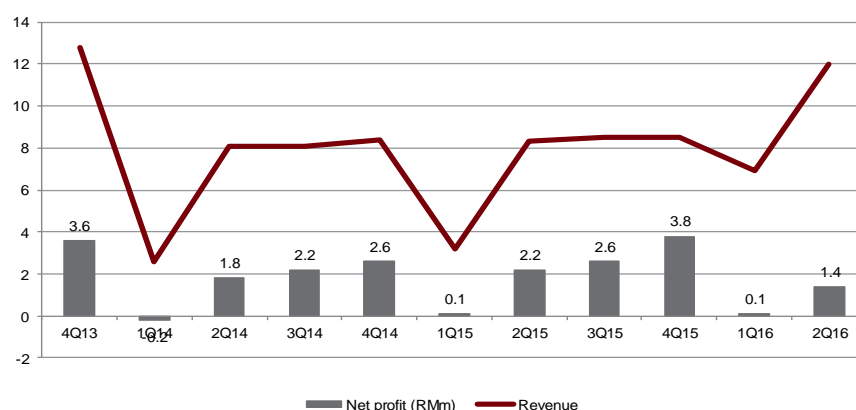
Financial Summary	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Revenue (RMm)	27.10	29.70	45.68	65.31	88.59
Operating EBITDA (RMm)	5.40	10.30	16.00	21.80	25.75
Net Profit (RMm)	6.30	6.80	11.13	16.18	19.85
Core EPS (RM)	0.013	0.014	0.022	0.032	0.040
Core EPS Growth	(0.0%)	4.1%	63.7%	45.3%	22.7%
FD Core P/E (x)	27.94	26.84	16.39	11.28	9.19
DPS (RM)	0.000	0.004	0.001	0.001	0.001
Dividend Yield	0.11%	1.10%	0.22%	0.27%	0.33%
EV/EBITDA (x)	31.51	16.11	10.44	7.71	6.63
P/FCFE (x)	NA	NA	NA	29.69	29.57
Net Gearing	(10.9%)	(20.9%)	(16.3%)	(13.5%)	(9.7%)
P/BV (x)	3.24	2.33	1.97	1.75	1.55
ROE	12.3%	10.3%	13.0%	16.4%	17.9%
% Change In Core EPS Estimates			(10.1%)	0.0%	
CIMB/consensus EPS (x)			0.89	1.01	0.99

SOURCE: COMPANY DATA, CIMB FORECASTS

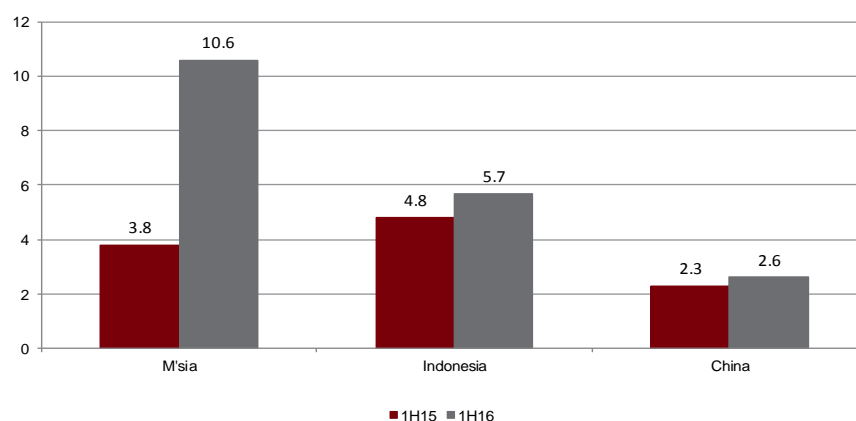
Figure 1: Results comparison

FYE Dec (RM m)	2QFY16	2QFY15	yoy % chg	qoq % chg	2QFY16 cum	2QFY15 cum	yoy % chg	Prev. FY16F	Comments
Revenue	12.0	8.3	44.6	73.9	18.9	11.5	64.3	43.5	In line, consolidate sales from Constant pharmacies
Operating costs	(10.8)	(6.6)	(74.0)	56.5	(17.9)	(9.3)	92.5	(26.2)	Above, sharp rise in costs
EBITDA	1.2	1.7	(29.4)	#DIV/0!	1.0	2.2	(54.5)	17.3	Below, higher cost pressures
EBITDA margin (%)	10.0	20.5	(51.2)	#DIV/0!	5.3	19.1	(72.3)	39.8	
Depn & amort.	(1.2)	(1.2)	0.0	(7.7)	(2.5)	(2.3)	8.7	(4.3)	
EBIT	0.0	0.5	(100.0)	(100.0)	(1.5)	(0.1)	1400.0	13.0	
Interest expense	(0.1)	(0.2)	-	0.0	(0.1)	(0.2)	(50.0)	-	In line, RM10.5m net cash or 2 sen net cash/share
Interest & invt inc	1.5	0.2	nm	0.0	3.0	0.8	275.0	0.5	
Pretax profit	1.4	0.5	180.0	1,300.0	1.4	0.5	180.0	13.5	Below, but expect stronger 2H
Tax	(0.1)	(0.3)	-	-	(0.1)	(0.3)	-	(1.1)	
Tax rate (%)	7.1%	60.0%	-	-	7.1%	60.0%	-	-	
Minority interests	0.1	0.2	-	-	0.2	0.2	-	-	
Net profit	1.4	0.4	nm	-	1.5	0.4	275.0	12.4	Below, Constant is still growing
EPS (sen)	0.3	0.1	nm	-	0.3	0.1	200.0	2.6	

SOURCES: CIMB, COMPANY REPORTS

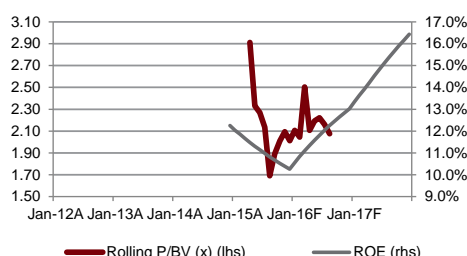
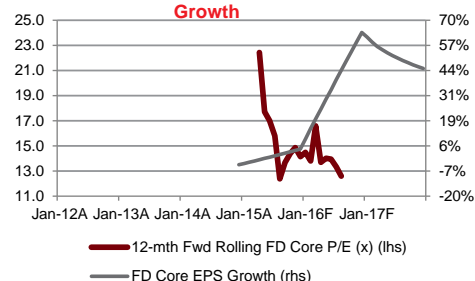
Figure 2: BioA's quarterly revenue and net profit-ex-IPO expenses (RMm)

SOURCES: CIMB, COMPANY REPORTS

Figure 3: BioA's 1H2016 revenue breakdown (RMm)

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	16.00	21.80	25.75
Depreciation And Amortisation	(3.40)	(3.80)	(4.30)	(4.80)	(5.00)
Operating EBIT	2.00	6.50	11.70	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	12.20	17.50	21.25
Exceptional Items					
Pre-tax Profit	6.80	7.30	12.20	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	11.13	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	11.13	16.18	19.85
Recurring Net Profit	6.30	6.80	11.13	16.18	19.85
Fully Diluted Recurring Net Profit	6.30	6.80	11.13	16.18	19.85

Cash Flow

(RMm)	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
EBITDA	5.40	10.30	16.00	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	5.54	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)	(3.34)	(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	2.46	(4.85)	(5.96)
Total Cash Generated	(3.30)	12.30	2.00	1.29	0.22
Free Cashflow To Equity	(3.10)	(3.47)	(0.46)	6.15	6.17
Free Cashflow To Firm	(7.30)	(3.47)	(0.46)	6.15	6.17

BY THE NUMBERS

Balance Sheet

(RMm)	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Total Cash And Equivalents	9.80	21.10	20.70	24.50	19.20
Total Debtors	12.80	14.85	22.84	32.65	44.30
Inventories	4.10	3.60	4.80	3.30	4.00
Total Other Current Assets	7.40	7.40	7.40	7.40	7.40
Total Current Assets	34.10	46.95	55.74	67.85	74.90
Fixed Assets	24.30	30.00	30.70	30.90	30.90
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	8.10	15.20	20.10	24.50	28.70
Total Non-current Assets	32.40	45.20	50.80	55.40	59.60
Short-term Debt	1.20	1.00	1.00	4.90	1.00
Current Portion of Long-Term Debt	0.40	1.49	2.28	3.27	4.43
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	7.70	8.59	9.38	14.27	11.53
Total Long-term Debt	2.30	2.30	2.30	2.30	2.30
Hybrid Debt - Debt Component	0.00	0.00	0.00	0.00	0.00
Total Other Non-Current Liabilities	2.20	3.20	2.40	2.80	3.00
Total Non-current Liabilities	4.50	5.50	4.70	5.10	5.30
Total Provisions	0.00	0.00	0.00	0.00	0.00
Total Liabilities	12.20	14.09	14.08	19.37	16.83
Shareholders' Equity	54.30	78.30	92.80	104.10	118.00
Minority Interests	0.00	(0.30)	(0.30)	(0.30)	(0.30)
Total Equity	54.30	78.00	92.50	103.80	117.70

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%	55.3%	36.3%	18.1%
Operating EBITDA Margin	19.9%	34.7%	35.0%	33.4%	29.1%
Net Cash Per Share (RM)	0.012	0.033	0.030	0.028	0.023
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%	8.8%	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%	18.0%	21.3%	22.4%
ROCE (%)	12.2%	10.4%	13.5%	16.5%	17.7%
Return On Average Assets	2.4%	7.2%	10.7%	13.6%	15.0%

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
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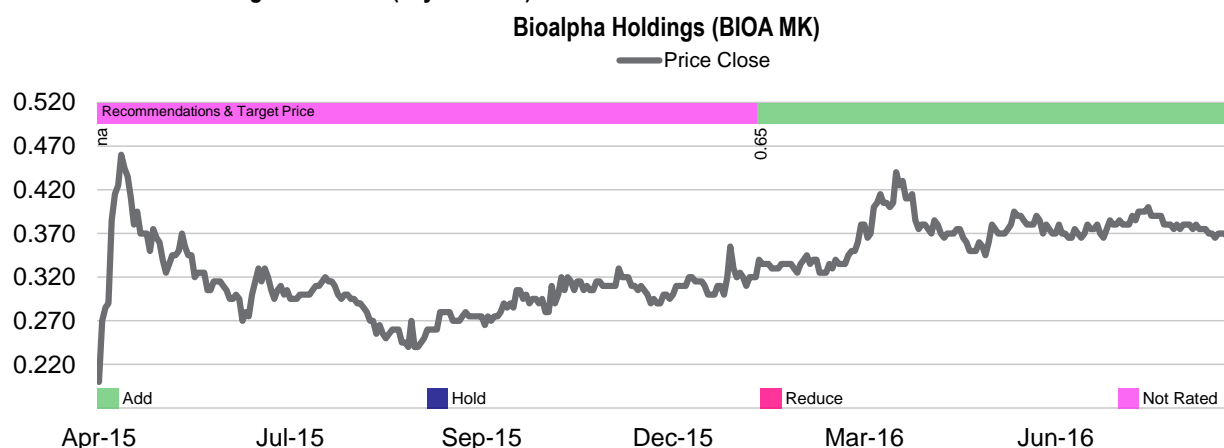
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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2016		
1574 companies under coverage for quarter ended on 30 June 2016		
	Rating Distribution (%)	Investment Banking clients (%)
Add	56.5%	7.1%
Hold	32.2%	2.9%
Reduce	9.8%	0.6%

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, SAMART - 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.

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Level 2: Declared

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Level 4: Certified

Level 5: Extended.

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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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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:

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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.