


Company Note

I Malaysia

ADD (no change)

Consensus ratings*: Buy 1 Hold 0 Sell 0


Current price: RM0.25
 Target price:  RM0.37
 Previous target: RM0.37
 Up/downside: 51.0%
 CIMB / Consensus: 0.0%

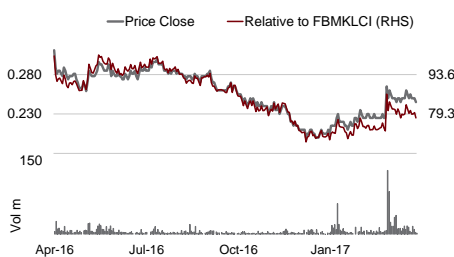
Reuters: BIOA.KL
 Bloomberg: BIOA MK
 Market cap: US\$44.27m

RM196.0m
 Average daily turnover: US\$0.68m
 RM3.04m
 Current shares o/s: 800.0m
 Free float: 57.3%

*Source: Bloomberg

Key changes in this note

 No change.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-7.6	19.5	-20.5
Relative (%)	-9.8	12.8	-22.5

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

Analyst(s)



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Bioalpha Holdings

e-Constant soft launch

- Last week, Bioalpha Holdings (BioA) held a soft launch for new franchise business e-Constant (eC), which is only open to ANGKASA members.
- In our view, there is a huge potential market for e-Constant as ANGKASA is the country's national co-operative with 12,000 co-ops and 8m members.
- We believe e-Constant is likely to target large co-ops such as the police, Telekom and Petronas co-ops.
- We think 2017 is an exciting time for Indonesia and China export markets.
- BioA remains an Add with a target price of RM0.37. Catalysts include strong export sales to Indonesia and China on the back of new product launches in 2017.

Soft launch for e-Constant

Last week, BioA had a soft launch for its new franchise business eC which lets customers buy pharmacy healthcare products online and register as referral agents. The said agent will own an eC virtual shop and sell the products through a referral mechanism. Constant Pharmacy will manage the product orders and deliveries. Referral agents will be rewarded with cash points for each successful referral sale. The points can be used as cash value for their next purchase.

For ANGKASA members only

eC is a project between Constant Pharmacy and ANGKASA members only. ANGKASA is the national co-operative organisation of Malaysia with 12,000 co-operatives and 8m members nationwide. BioA and ANGKASA have a 70:30 JV company, Alphacare S/B, which is involved in the management of the Constant Pharmacy. The eC business would be managed by Alphacare S/B.

e-Constant has huge potential

The eC soft launch was a pleasant surprise to us. In our view, e-Constant has great potential with 8m members in ANGKASA. We believe management is likely to start marketing eC soon to the larger co-operatives such as the Royal Malaysian Police, Telekom co-op (Kotamas) and Petronas Co-op (Kopetro). We have not assumed any potential earnings from eC.

Win-win deal

ANGKASA members who want to join eC must register with their respective company's co-op. Members can build their individual businesses via referrals. The respective co-op also gets some income from the members' sales through eC and BioA gets to boost its pharmaceutical and home brand sales. So, it looks like a win-win deal for everybody.

Investors should look out for sales in Indonesia and China in 2017

With the new plant in Pekan, Riau, new product approvals for BioA in Indonesia should only take 3-6 months vs. 2-3 years previously. BioA has been marketing its products in north western China, where most Muslims reside. We estimate c.100m Muslims live in China and JAKIM's halal logo is well respected there. BioA currently sells five products in China and plans to launch three new products here in 1H17 and another two in 2H17. In FY16, China and Indonesia contributed 40% and 41% of BioA's Group revenue.

Remains an Add

We keep our EPS forecasts and target price, based on 20x FY18 P/E which is a 20% discount to our 2018 consumer sector target P/E of 25x. The discount reflects its small market cap. BioA remains an Add as it is trading at an attractive 13.3x FY18 P/E. Downside risk is continued 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	19.50	23.40	27.50
Net Profit (RMm)	6.80	8.30	13.88	17.50	21.60
Core EPS (RM)	0.007	0.009	0.015	0.019	0.023
Core EPS Growth	7.9%	22.1%	67.2%	26.1%	23.4%
FD Core P/E (x)	33.64	27.56	16.48	13.07	10.59
DPS (RM)	0.003	-	-	-	-
Dividend Yield	1.22%	0.00%	0.00%	0.00%	0.00%
EV/EBITDA (x)	20.60	15.50	11.05	9.39	7.84
P/FCFE (x)	NA	NA	48.10	59.87	17.81
Net Gearing	(20.9%)	(15.2%)	(12.2%)	(7.2%)	(9.5%)
P/BV (x)	2.92	2.47	2.23	1.99	1.76
ROE	10.3%	9.7%	14.2%	16.1%	17.7%
% Change In Core EPS Estimates			0%		
CIMB/consensus EPS (x)			0.99	0.99	1.01

SOURCE: COMPANY DATA, CIMB FORECASTS

e-Constant soft launch



SOURCE: COMPANY DATA, CIMB FORECASTS

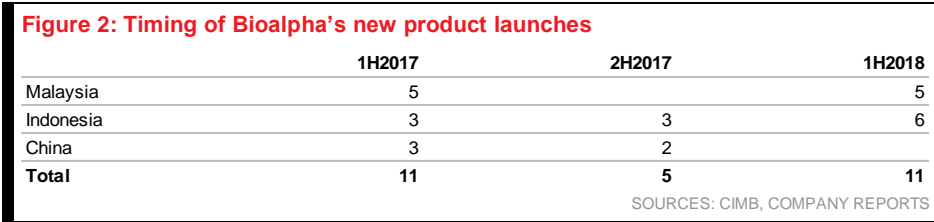
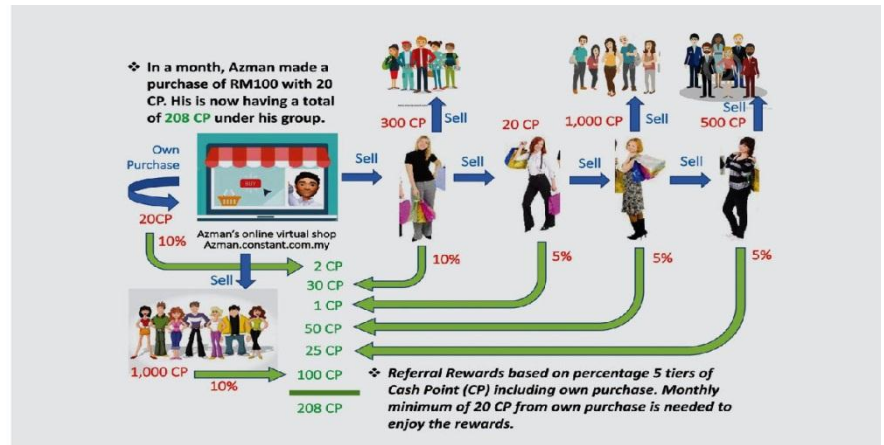


Figure 3: Bioalpha's e-Constant reward programme



The co-operative X

The Koperasi its members belong to shall also be rewarded with percentage of the CP.

5% of 4,000 CP = 200 CP



Referral Reward with Cash Point (CP)



The co-operative X

❖ In a month, Azman earned 208 CP which he can use as Cash worth RM208 for his next purchase.

❖ In a month, Co-Operative X earned 200 CP which it can use as Cash worth RM200 for their purchase of stock offline from Constant Pharmacy.

SOURCE: COMPANY DATA, CIMB FORECASTS

Triangle consolidation to end?

Bioalpha's share price has been trading in a likely triangle over the past five weeks and if we are right, the triangle consolidation should end soon, to be followed by the next leg up. The declining volume trend in the daily chart reaffirms our view that the triangle consolidation formation is taking place.

Figure 4: Bioalpha weekly price chart (RM0.25)

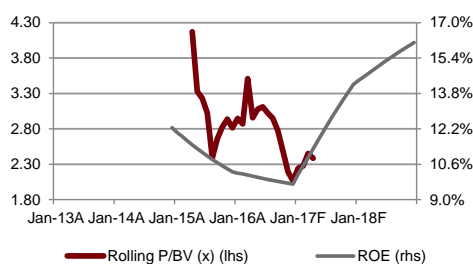
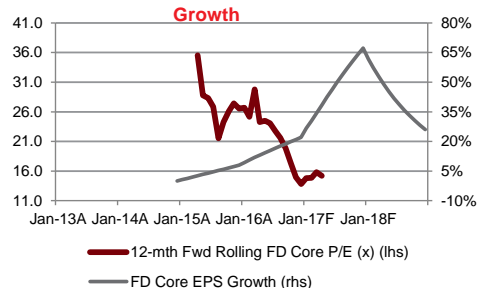


Figure 5: Bioalpha's daily chart (RM0.25)**Figure 6: Sector comparisons**

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 (%)	
						CY2017	CY2018		CY2017	CY2018	CY2017	CY2018	CY2017	CY2018	CY2017	CY2018
Bioalpha	BIOA MK	ADD	0.25	0.37	44	16.5	13.1	34.6%	2.2	2.0	14.1%	16.1%	9.4	8.0	0.0%	0.0%
Berjaya Food Berhad	BFD MK	HOLD	1.75	1.76	148	25.0	19.9	26.3%	1.5	1.5	6.4%	7.6%	9.9	8.9	2.4%	3.0%
Kawan Food	KFB MK	ADD	4.18	5.15	255	25.3	16.3	29.4%	3.5	3.0	14.4%	20.0%	18.4	12.0	2.2%	2.2%
Nestle (Malaysia)	NESZ MK	HOLD	79.40	77.30	4,205	29.0	27.2	4.7%	25.4	24.9	87.7%	92.6%	19.9	18.3	3.4%	3.6%
QL Resources	QLG MK	HOLD	4.56	4.27	1,285	26.6	24.6	7.5%	3.1	2.9	12.4%	12.1%	15.0	14.1	1.1%	1.1%
Sector average ex-Bio						26.5	22.0	17.0%	8.4	8.1	0.3	33.1%	15.8	13.3	2.2%	2.5%

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-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	19.50	23.40	27.50
Depreciation And Amortisation	(3.80)	(6.20)	(4.80)	(5.00)	(5.00)
Operating EBIT	6.50	7.60	14.70	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	15.20	18.90	23.00
Exceptional Items					
Pre-tax Profit	7.30	8.10	15.20	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	13.88	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	13.88	17.50	21.60
Recurring Net Profit	6.80	8.30	13.88	17.50	21.60
Fully Diluted Recurring Net Profit	6.80	8.30	13.88	17.50	21.60

Cash Flow

(RMm)	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	10.30	13.80	19.50	23.40	27.50
Cash Flow from Inv. & 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	10.76	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	4.76	3.82	12.84
Free Cashflow To Equity	(3.47)	(2.30)	4.76	3.82	12.84
Free Cashflow To Firm	(3.47)	(2.30)	4.76	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	22.20	15.10	19.90
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	65.55	70.80	86.65
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	102.52	114.77	129.89
Minority Interests	(0.30)	(0.80)	(0.80)	(0.80)	(0.80)
Total Equity	78.00	92.00	101.72	113.97	129.09

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%	41.3%	20.0%	17.5%
Operating EBITDA Margin	34.7%	28.9%	29.9%	26.4%	26.8%
Net Cash Per Share (RM)	0.017	0.015	0.013	0.009	0.013
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%	8.7%	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%	18.6%	20.3%	21.0%
ROCE (%)	10.4%	9.0%	14.6%	16.3%	17.9%
Return On Average Assets	7.2%	8.0%	12.0%	13.7%	15.5%

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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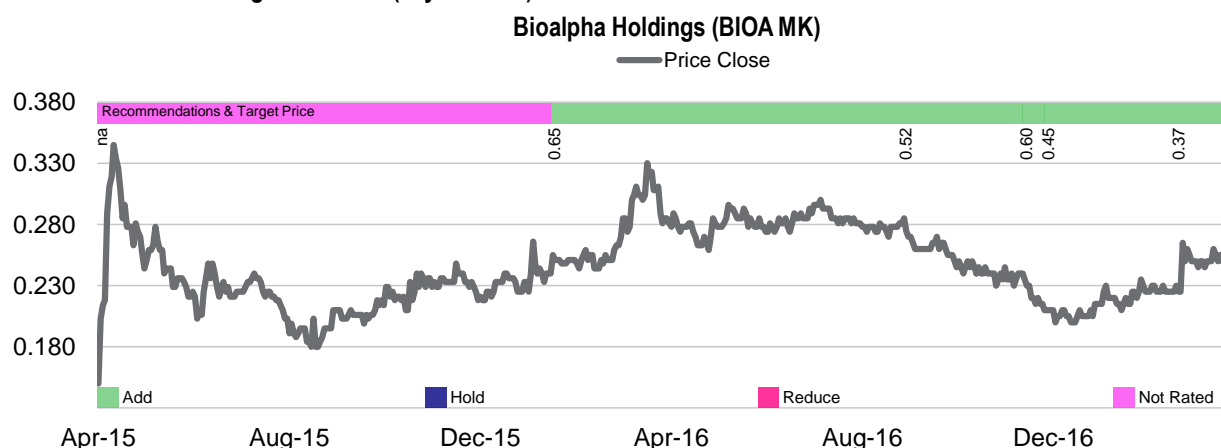
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1626 companies under coverage for quarter ended on 31 December 2016		
	Rating Distribution (%)	Investment Banking clients (%)
Add	58.4%	5.4%
Hold	29.6%	1.4%
Reduce	11.6%	0.4%

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, **BLA** – Very Good, Certified, **BPP** – not available, 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, **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,

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- Companies certified by CAC

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- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

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:

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- 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.

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Definition:

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