

## Results Update

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Bloomberg : PHRM MK

KLCI : 1,260.58

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## Pharmaniaga Berhad

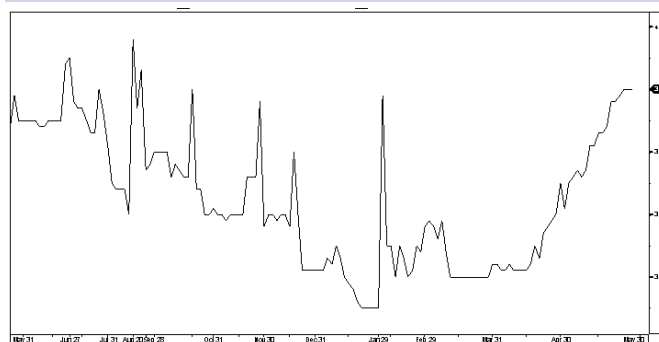
## 1Q08 Result

Price (RM) : 3.80  
 Target Price (RM) : 4.35  
 Market Capitalisation (RMmn) : 406.5  
 Board : Main Board  
 Sector : Trading/Service  
 Stock code : PHARMA (7081)  
 Recommendation : BUY

## KEY STOCK STATISTICS

YE 31 Dec		2007	2008F
EPS	(sen)	46.8	58.9
P/E	(x)	8.1	6.5
Div / Share	(sen)	18.0	17.7
BV / Share	(sen)	7.7	
Issued Capital	(mn)	107	
52 weeks price change	RM	4.04 / 3.10	
Major shareholders		UEM Berhad - 72.5%	

## Share Price Chart



Source: Bloomberg

## PER SHARE DATA

YE 31 Dec		2007	2008F	2009F	2010F
Book Value	(sen)	7.7	8.1	8.7	9.5
Cash Flow	(sen)	7.6	61.3	49.5	95.1
Earnings	(sen)	46.8	58.9	88.5	101.4
Gross Dividend	(sen)	18.0	17.7	26.5	30.4
Dividend Yield	(%)	4.7	4.7	7.0	8.0
PER	(x)	8.1	6.5	4.3	3.7
ROE	(%)	7.8	8.5	11.7	12.3

## 1Q08 Result Highlight (RM'm)

YE 31 December	4Q07	1Q08	QOQ%	Cumulative 1Q		
				FY07	FY08	YOY%
Turnover	292.8	309.65	6%	256.2	309.65	21%
EBIT	26.2	29.17	11%	12.6	29.17	132%
Interest Inc/(exp)	-2.7	-1.80	-33%	-2.4	-1.80	-25%
Pretax	23.6	27.37	16%	10.2	27.37	168%
Taxation	-7.1	-8.39	18%	-3.7	-8.39	127%
Net Profit	16.1	18.50	15%	6.0	18.50	208%
EPS (sen)	15	17.34	16%	5.7	17.34	206%
EBIT Margin (%)	8.9%	9.4%		4.9%	9.4%	
Pretax Margin (%)	8.1%	8.8%		4.0%	8.8%	
Tax Rate (%)	30.1%	30.6%		36.2%	30.6%	

## P&amp;L ANALYSIS (RM mil)

YE 31 Dec	2007	2008F	2009F	2010F
Revenue	1184.0	1338.9	1482.8	1646.6
Cost of Revenue	1080.8	1217.3	1329.8	1473.5
EBITDA	103.2	121.6	153.0	173.0
Net Interest	5.4	1.5	1.2	0.9
Depreciation	21.6	21.9	22.3	22.7
Net Profit	50.1	63.0	94.6	108.5

## Review

- ❖ Pharmaniaga announced its 1Q08 yesterday that saw the company making RM18.50mn or 17.34sen per share on the back of RM309.65mn revenue. This in line with our estimate as it is already 25.5% of our full year numbers.
- ❖ QoQ, there is a huge improvement with revenue increasing by 6%, while net income grew by 16%. The top line growth emanated from higher concession sales, institutional sales as well as higher billings for its hospital equipment. In addition, the company has also mentioned that its Indonesian operation contribution has increased compared to the previous quarter. EBIT margin improved by 0.5p.p increasing to 9.4% from 8.9% previously.
- ❖ YoY, revenue grew by 20% while net income expanded by 208%.

- ❖ Its Indonesian operation is growing very strongly. Currently, the contribution from Indonesian operation constitutes almost 22% from 20% in the same quarter previous year. In our previous meeting with the management, it was cited the sheer population of Indonesia provides a huge potential growth. Currently the company only has 26 distribution branches all over the country. Only recently it was announced that it is looking to acquire a plant and has set aside RM300mn for that purpose. The condition set by the management is that the plant need to have a capacity of at least RM80mn.

#### Impact

- ❖ Although the company has made an announcement last week regarding the possible acquisition of a plant with a capacity of above RM80mn per year in Indonesia, no further details regarding the prospect is made public. As such, we are not factoring any upside from this acquisition as we feel it is too soon to impute the earnings impact. We believe the more likely scenario is that the impact would only be felt in FY09. Given these, we are leaving our numbers unchanged.

#### Outlook

- ❖ As announced in the preceding quarter, the company's headline KPIs for FY08 are a) ROE of 20% and b) Revenue growth of 20%. The company has put in motion aggressive strategies to ensure that they achieve the KPIs. Last year the company only failed to achieve the target revenue growth of 20% as it only registered a growth of 13%. As such, we are taking a rather conservative view of its top line numbers.
- ❖ Other than that we remain positive on the outlook for the company going forward.

#### Valuation

- ❖ We maintain our valuation at RM4.35. Our target price implies PER of 7.38x FY08. However, the share price has rallied recently. As the stock still offers an upside potential of more than 15% including the dividend yield of 4.7%, we are maintaining our Buy call.

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