

Company Note

Malaysia

ADD (no change)

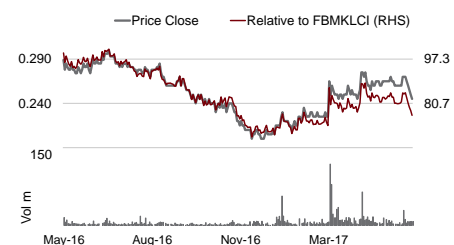
Consensus ratings*: Buy 1 Hold 0 Sell 0

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\$46.09m
	RM197.4m
Average daily turnover:	US\$0.82m
	RM3.60m
Current shares o/s:	800.0m
Free float:	57.3%

*Source: Bloomberg

Key changes in this note

- FY17F EPS cut by 16.6%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-7.6	6.5	-15.2
Relative (%)	-7.4	2.3	-23.5

Major shareholders

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

Analyst(s)



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Bioalpha Holdings

1Q17: Hit by ESOS expenses

- 1Q17's RM2.2m net loss was worse than we expected mainly due to ESOS expenses recognised. Still, 1Q is traditionally Bioalpha's weakest quarter of the year.
- Bioalpha plans to launch 27 new products over the next 18 months in its three main markets of Indonesia, China and Malaysia.
- We cut our FY17F EPS by 16.6% to reflect the ESOS and rights issue expenses.
- Remains an Add, strong China & Indonesia sales should see a rerating of the stock.

Posts 1Q17 net loss of RM2.2m

Bioalpha's (BioA) 1Q17 revenue rose 24.9% to RM8.6m but its bottom line swung into a RM2.2m net loss, mainly due to RM1.8m in ESOS and RM0.5m in rights issue expenses. This was a disappointment vs. our earlier expectation of a full-year net profit of RM13.9m. No interim DPS was declared, in line with our expectations.

Healthy balance sheet

The balance sheet is healthy with RM26.4m in net cash or 3.3sen net cash per share as at end-Mar. Most of the cash would be used as working capital for the launch of its new products in its three key markets of Indonesia, China and Malaysia.

27 new products to be launched

Over the next 18 months, BioA is targeting to launch 27 new products in its three main markets of Indonesia, China and Malaysia. In 1H17, the company plans to launch 11 new products, followed by another five in 2H17. Indonesia's sales growth was flat in 2016 but should pick up with the launch of six new products in Indonesia in 2017.

Expect higher sales from China

BioA has been marketing its halal-certified supplements in Muslim-majority provinces in western China such as Xinjiang and Qinghai, using the local Muslim associations of the respective provinces to establish a distribution network. Sales from these regions should start to materialise from 2Q17 onwards.

Official launch of e-Constant this month

In mid-May, BioA officially launched its new franchise business "e-Constant" (eC) which allows customers to buy pharmacy healthcare products online and register as referral agents, in partnership with the Malaysian National Co-operative Movement (Angkasa). BioA is targeting 20,000 Angkasa members from 20 co-operatives signing up with eC over the next 12 months. We have not assumed any potential earnings from eC but believe it has the potential to be a major revenue contributor to the company.

To franchise more pharmacies

BioA currently has 17 Constant pharmacies and targets to open more by year-end. It is looking to franchise more pharmacies in Kelantan and Terengganu, and has also identified new markets in Kedah and Johor. Ultimately, BioA plans to franchise out all of its existing and new pharmacy outlets whose main purpose has always been to serve as a platform for BioA to sell and distribute its house brands.

Remains an Add

We cut our FY17F EPS by 16.6% to reflect the ESOS and rights issue expenses but keep our FY18-19F numbers. Our TP is unchanged, still 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 2018 13.1x P/E. Re-rating catalysts are strong sales in China and Indonesia following new product launches.

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	17.20	23.40	27.50
Net Profit (RMm)	6.80	8.30	11.58	17.50	21.60
Core EPS (RM)	0.007	0.009	0.012	0.019	0.023
Core EPS Growth	7.9%	22.1%	39.5%	51.1%	23.4%
FD Core P/E (x)	33.64	27.56	19.76	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	12.63	9.47	7.91
P/FCFE (x)	NA	NA	93.14	59.87	17.81
Net Gearing	(20.9%)	(15.2%)	(10.7%)	(5.8%)	(8.3%)
P/BV (x)	2.92	2.47	2.27	2.02	1.78
ROE	10.3%	9.7%	12.0%	16.4%	17.9%
% Change In Core EPS Estimates			(16.6%)		
CIMB/consensus EPS (x)			0.83	0.99	1.01

SOURCE: COMPANY DATA, CIMB FORECASTS

1QFY17: Hit by ESOS expenses

Figure 1: Results Comparison

FYE Dec (RM m)	1QFY17	1QFY16	yoy % chg	4QFY16	qoq % chg	Prev. FY17F	Comments
Revenue	8.7	6.9	24.9	16.8	(48.6)	65.3	In line, growth from export sales
Operating costs	(8.0)	(7.0)	14.9	(13.8)	(41.6)	(45.8)	
EBITDA	0.6	(0.1)	<i>nm</i>	3.0	(80.5)	19.5	
<i>EBITDA margin (%)</i>	<i>6.8</i>	<i>(1.3)</i>	<i>nm</i>	<i>18.0</i>	<i>(62.1)</i>	<i>29.9</i>	
Depn & amort.	(1.7)	(1.3)	24.0	(2.3)	(29.3)	(4.8)	
EBIT	(1.1)	(1.4)	(25.4)	0.7	<i>nm</i>	14.7	
Interest expense	-	(0.1)	<i>nm</i>	(0.0)	<i>nm</i>	-	In line, RM26.4m net cash or 3.3 sen net cash/share
Interest & invt inc	1.3	1.5	(13.5)	3.3	(60.2)	0.5	
Exceptionals	(2.3)	-	<i>nm</i>	0.0	<i>nm</i>	(6.6)	RM1.8m ESOS expense & RM0.5m for rights issue corp. expense
Pretax profit	(2.1)	0.0	<i>nm</i>	3.9	<i>nm</i>	15.2	Below due to ESOS expense
Tax	(0.0)	(0.0)	30.4	0.4	<i>nm</i>	(1.3)	
Tax rate (%)	-1.5%	67.6%	<i>nm</i>	-9.2%	(84.0)	-	
Minority interests	(0.1)	(0.1)	0.0	0.2	<i>nm</i>	-	
Net profit	(2.2)	0.1	<i>nm</i>	4.5	<i>nm</i>	13.9	Below, but 1Q seasonally weakest quarter
EPS (sen)	(0.3)	0.0	<i>nm</i>	0.6	<i>nm</i>	1.7	

SOURCES: CIMB, COMPANY REPORTS

Figure 2: Bioalpha's 1Q revenue breakdown (RM m)

	1Q16	1Q17	% chg'	Comment
Malaysia	4.5	4.6	2.2%	Flat domestic growth
Indonesia	1.5	2.6	73.3%	Strong sales from both China and Indonesia
China	1.0	1.5	50.0%	
Total	7.0	8.7	24.3%	
Manufacturing	3.3	4.9	48.5%	Driven by export sales
Pharmacy	3.7	3.8	2.7%	
Total	7.0	8.7	24.3%	

SOURCES: CIMB, COMPANY REPORTS

Figure 3: Bioalpha's target new product launches

	1H2017	2H2017	1H2018
Malaysia	5		5
Indonesia	3	3	6
China	3	2	
Total	11	5	11

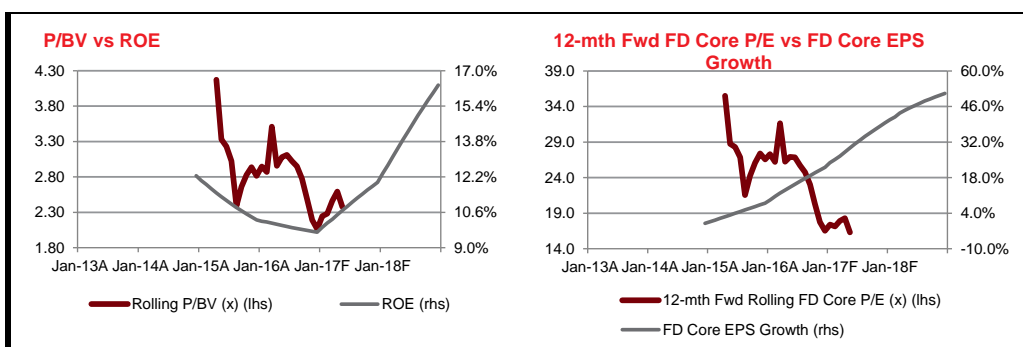
SOURCES: CIMB, COMPANY REPORTS

Figure 4: Earnings revision

YE Jun (RMm)	Old			New		
	FY17	FY18	FY19	FY17	FY18	FY19
Revenue	65.3	88.6	102.5	65.3	88.6	102.5
EBITDA	19.5	23.4	27.5	17.2	23.4	27.5
PBT	15.2	18.9	23	12.9	18.9	23.0
Net profit	13.9	17.5	21.6	11.6	17.5	21.6

SOURCES: CIMB, COMPANY REPORTS

BY THE NUMBERS



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	17.20	23.40	27.50
Depreciation And Amortisation	(3.80)	(6.20)	(4.80)	(5.00)	(5.00)
Operating EBIT	6.50	7.60	12.40	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	12.90	18.90	23.00
Exceptional Items					
Pre-tax Profit	7.30	8.10	12.90	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	11.58	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	11.58	17.50	21.60
Recurring Net Profit	6.80	8.30	11.58	17.50	21.60
Fully Diluted Recurring Net Profit	6.80	8.30	11.58	17.50	21.60

Cash Flow

(RMm)	Dec-15A	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	10.30	13.80	17.20	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	8.46	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	2.46	3.82	12.84
Free Cashflow To Equity	(3.47)	(2.30)	2.46	3.82	12.84
Free Cashflow To Firm	(3.47)	(2.30)	2.46	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	20.50	13.40	18.20
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	63.85	69.10	84.95
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	100.91	113.16	128.28
Minority Interests	(0.30)	(0.80)	(0.80)	(0.80)	(0.80)
Total Equity	78.00	92.00	100.11	112.36	127.48

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%	24.6%	36.0%	17.5%
Operating EBITDA Margin	34.7%	28.9%	26.3%	26.4%	26.8%
Net Cash Per Share (RM)	0.017	0.015	0.011	0.007	0.011
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%	10.2%	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%	15.7%	20.3%	21.0%
ROCE (%)	10.4%	9.0%	12.5%	16.5%	18.1%
Return On Average Assets	7.2%	8.0%	10.0%	13.9%	15.7%

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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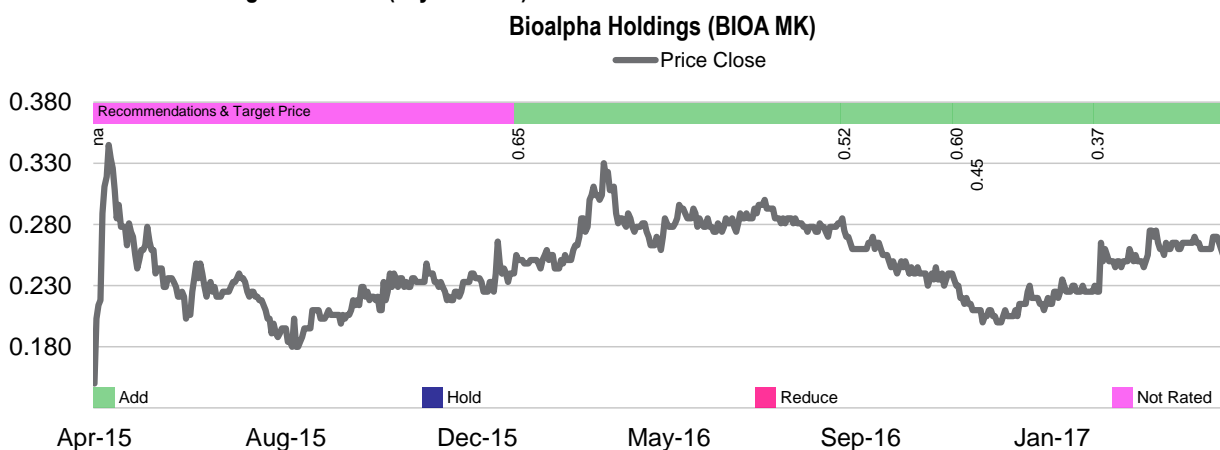
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1244 companies under coverage for quarter ended on 31 March 2017		
	Rating Distribution (%)	Investment Banking clients (%)
Add	55.9%	5.2%
Hold	30.0%	1.6%
Reduce	10.4%	0.3%

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.
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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:

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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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