

Company Name : Pharmaniaga Berhad
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Pharmaniaga Expected To Be Main Distributor Of Covid-19 Vaccine In Malaysia

PETALING JAYA: AmInvestment Research (AmResearch) has pegged Pharmaniaga Bhd to be the main distributor of the Covid-19 vaccine to local hospitals, though it may appoint other companies to help distribute the vaccine all over Malaysia.

“In this space, we believe that Apex Healthcare would benefit due to its solid distribution network and excellent past track record of distributing vaccines and other pharmaceutical products,” the research house said in a report.

With regard to the vaccine’s yet-to-materialise fill-finish process, it opined that Duopharma and Pharmaniaga are favoured by the government to undertake it.

AmResearch pointed out that for this particular process, Pharmaniaga has signed an agreement with Serum Institute of India to perform fill and finish processes for pneumococcal vaccines.

It believes that the first batch of vaccines will be administered in the second or third quarter of 2021, after a priority review by the National Pharmaceutical Regulatory Agency (NPRA).

The Malaysian government has procured Pfizer, AstraZeneca and COVAX-sourced vaccines for 40% of the population and it is in negotiation with China’s CanSino and Sinovac as well as Russia’s Gamaleya National Centre to provide vaccines for another 40% of the population.

The research house noted that the first batch of one million doses of the Pfizer Inc/BioNTech Covid-19 vaccine is expected next month.

AmResearch opined that private hospitals and clinics would assist in the vaccination process, due to the cold chain facility, logistical and manpower limitations of the public sector.

“We think that private healthcare providers may receive a fixed fee from the government in return for their service, though we doubt that operating profit margins would be high due to this being a national service,” it said.

AmResearch said Singapore’s Changi Airport is expected to be the regional hub for the distribution of Covid-19 vaccines from global suppliers, and KLIA will be the hub for Malaysia.

Subsequently, local transporters will then take over and deliver the vaccines to distribution centres.

On the whole, it maintains an overweight call on Malaysia’s private healthcare sector.

“Although a recovery in inpatient volume is only expected to be modest in 2021F, earnings prospects for the sector are positive. This is due to potential public-private collaborations, improved margins as a result of cost-cutting measures and a focus on low capex and gestational period projects,” said the research house.

Over the long run, it highlighted that the recovery in medical tourism, improved public health awareness and an aging population would drive the next level of growth in the healthcare sector.

AmResearch’s top pick for sector is IHH Healthcare (fair value RM6.35 per share), for its strong recovery potential in fourth-quarter 2020 and FY21E, expansionary outlook, effective cost-cutting and capital efficiency methods and its position in the premium segment of the private healthcare sector, translating to high EBITDA margins of over 20%.