

Company Name : Pharmaniaga Berhad
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CGS-CIMB Upgrades Pharmaniaga To 'Hold', Raises Target Price To RM5.41

KUALA LUMPUR (Jan 14): CGS-CIMB has upgraded Pharmaniaga Bhd to "hold" at RM5.27, with a higher target price (TP) of RM5.41 from RM4.15 previously, as the research house raised its earnings forecasts for the financial year ending Dec 31, 2021 (FY21) and FY22 to reflect Pharmaniaga's vaccine fill-and-finish venture contribution after sealing an agreement with China's Sinovac Life Sciences Co Ltd (Sinovac).

Pharmaniaga on Tuesday announced that it would purchase about 14 million Covid-19 vaccines in bulk form from Sinovac, and carry out the fill-and-finish process at its retrofitted facility in Puchong.

CGS-CIMB analyst Syazwan Aiman Sobri said in a note today he believes the venture could bring in significant earnings before interest and tax (EBIT) contributions — about RM25.5 million for the production of 14 million fill-and-finished doses in FY21.

According to Syazwan Aiman, among the key assumptions are: i) a US\$12 (RM48.52) per dose cost price for the Sinovac vaccine; ii) a gross margin assumption of 20%; and iii) an EBIT margin assumption of 3% for the fill-and-finish venture.

“Our FY21-FY22 earnings per share (EPS) forecasts are raised by 4.2%-19.7% mainly to factor in the vaccine fill-and-finish venture contribution,” he said.

He noted that Pharmaniaga is in the midst of finalising the purchase agreement with the Malaysian government, and is expected to be ready to roll out the finished form of the vaccine by March 2021.

He said Pharmaniaga had also shared that the additional investment to retrofit the plant for the process is small at about RM3 million, and estimated that the small-volume

injectable (SVI) plant will have a fill-and-finish capacity of about two million doses a month at full capacity.

In terms of logistics, Syazwan Aiman said the Sinovac vaccine requires normal refrigeration of 2°C to 8°C, well within Pharmaniaga's logistic and distribution capabilities.

He noted that Pharmaniaga already distributes various forms of vaccines to government hospitals and clinics that require cold chain temperatures of 2°C to 8°C.

At 10.25am today, Pharmaniaga had fallen four sen or 0.76% to RM5.23, valuing the company at RM1.35 billion.