Company Name **: Pharmaniaga Berhad**
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Pharmaniaga To See Positive Earning From Normalisation In Government Healthcare, Sinovac Vaccine Distribution

KUALA LUMPUR: Pharmaniaga Bhd's earnings is expected to significantly recover in financial year ending December 31, 2021 (FY21) despite a weak FY20, CGS-CIMB said in a note today.

The firm said two key drivers for growth are the normalisation in demand from government healthcare facilities, which should positively impact both its logistics and distribution (L&D) and manufacturing segments, and the commencement of fill-and-finish and distribution of the Covid-19 Sinovac vaccine, which is expected to contribute starting the second quarter (Q2) of FY21.

"We gather that the administering of Sinovac's vaccine is to commence today with the first 100,000 doses delivered on March 15, 2021.

"Due to the earnings miss, we lower our FY21-FY22 EPS (earnings per share) forecasts by 13.7 per cent to 16.5 per cent to take into account the reimplementation of the movement control order (MCO) in Q1 FY21 and a more gradual recovery in demand," it said.

CGS-CIMB said Pharmaniaga's FY20 core net profit of RM29.9 million came in below expectations at 80 per cent of the firm's and 56 per cent of Bloomberg consensus full-year forecasts.

"The earnings disappointment was mainly due to an unexpected core net loss of RM3.8 million recorded in Q4 FY20 from weaker-than-expected contribution from its higher-yielding manufacturing segment, and weaker-than-expected sales at its L&D segment.

"Note that Q4 FY20 is usually seasonally weaker as orders from the government sector typically slow down towards the end of the year," it said.

Meanwhile, CGS-CIMB said the announced dividend per share pay-out of 1.0 sen brought total FY20 DPS pay-out to 11 sen, within the firm's expectations.

CGS-CIMB has upgraded its call on Pharmaniaga to an "add" from "hold", with a lower target price of RM4.60.