

Company Name : Pharmaniaga Berhad
Date : 25 March 2021
Source : New Straits Times

RM4.60 TARGET PRICE

CGS-CIMB maintains 'add' call on Pharmaniaga

KUALA LUMPUR: Pharmaniaga Bhd's operating leverage is expected to kick in for the financial year ending Dec 31 this year on the back of a recovery in demand for both its logistics and distribution (L&D) and manufacturing segments.

In addition to earnings contribution from Covid-19 vaccine supply and distribution, CGS-CIMB Research believes upside risks for Pharmaniaga also lie in stronger-than-expected demand recovery benefiting both its L&D and manufacturing segments, which are projected to grow from the low base in financial year 2020.

From past analyst briefing, the research firm gathered that Pharmaniaga is also putting in more focus on driving the sales of its consumer healthcare products.

"On this, we expect Pharmaniaga to allocate more advertising and promotional spending in financial year 2021 forecast, to capture the recovery in demand.

"Higher contribution from consumer healthcare products also bodes well for profitability as this

segment commands higher margins compared to its L&D segment," it said.

CGS-CIMB said to recap, Pharmaniaga's financial year 2020 revenue dipped 3.4 per cent as it saw lower sales from its core concession business for its L&D segment due to disruptions in demand from both public and private healthcare facilities.

"However, expect Pharmaniaga to see a normalisation in demand in financial year 2021 as we expect non-Covid-19-related patient visitations for both public and private hospitals and clinics to recover, in line with easing movement restrictions and abating concerns over the Covid-19 outbreak," it said.

The research house also noted that Pharmaniaga's supply of the Sinovac Covid-19 vaccine to the Health Ministry facilities are well under way, including 12 million fill-and-finish processes and 200,000 imported finished doses.

CGS-CIMB has maintained its "add" call on Pharmaniaga, with an unchanged target price of RM4.60.