Company Name : Pharmaniaga Berhad
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Pharmaniaga's revenue set to improve in FY21

PETALING JAYA: Pharmaniaga Bhd is expected to see a normalisation in demand for financial year 2021 (FY21) after witnessing a decline in revenue for FY20.

The company's FY20 revenue dipped 3.4% as it saw lower sales from its core concession business for its logistics and distribution (L&D) segment due to disruptions in demand from both the public and private healthcare facilities.

Moving forward, CGS-CIMB Research expects to see a normalisation in demand in FY21 as it anticipates 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 pandemic outbreak.

The research house is maintaining an "add" call to the stock with an unchanged target price of RM4.60.

It believes in addition to earnings contribution from the Covid-19 vaccine supply and distribution, upside risks also lie in stronger-than-expected demand recovery benefiting both its logistics and distribution and manufacturing segments, which would grow from the low base of FY20.

"We also gather from the company's past analyst briefings that it is also putting in more focus on driving sales of its consumer healthcare products.

"On this, we expect it to allocate more advertising and promotional (A&P) spending in FY21 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.

"Potential re-rating catalysts/downside risks include better-lower-than-expected contribution from its fill-and-finish works for the Sinovac Covid-19 vaccine, and better-lower-than-expected concession business margins," CGS-CIMB said in a report yesterday.

Logistics boost: A technician checking the production line of the first batch of Sinovac Biotech's Covid-19 vaccine CoronaVac at Pharmaniaga Life Science's plant in Puchong. The firm's upside is its earnings contribution from the Covid-19 vaccine supply and distribution.