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## M'sian Genomics Resource Centre Looking Beyond a Soft FY23

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Despite disappointing 9MFY23 results, we remain sanguine on MGRC's earnings outlook, especially from 4QFY23 onwards. This is driven by its biopharmaceutical division which is gradually ramping up its distribution network and footprint overseas. Hence, despite cutting our FY23-24F net profit forecasts by 65% and 16%, respectively, and TP by 16% to RM0.80 (from RM0.95), we reiterate our **OUTPERFORM** call.

9MFY23 results missed our expectation, registering a net loss of RM3.2m against our full-year net profit forecast of RM5.2m. The variance came largely from higher-than-expected start-up costs and slower-than-expected ramping up of its new range of biopharmaceutical products.

**YoY**, 9MFY23 revenue fell 87% due to the absence of vaccine sales and COVID-19 related products and lower-than-expected contributions from biopharmaceutical products (immunotherapy and cell therapies including producing Car-T cells and natural killer cells). Coupled with higher-than-expected start-up costs incurred by the development of new products, it registered a net loss of RM3.2m in 9MFY23, compared to a net profit of RM3.2m in 9MFY22.

**QoQ**, it plunged to a net loss of RM2.9m in 3QFY23 compared to a net profit of RM1.2m in 2QFY23 due to: (i) the absence of contribution from COVID-19 related products and services and lower-than-expected contribution of biopharmaceutical products (immunotherapy and cell therapies including producing Car-T cells and natural killer cells), and (ii) the higher-than-expected costs incurred by the development of new products in the biopharmaceutical segment.

**Outlook.** The group reiterated that its earnings growth is expected to gather momentum in coming quarters driven by their biopharmaceutical products as it ramps up its distribution network and footprint overseas. Already, the group had, in 1QFY23, registered maiden contributions from Thailand and Middle East and expect orders to continue to flow through in coming quarters. Over the past 12 months, the group has established alliances with key distributors that have their respective captive markets to distribute its products and services. It has formed collaboration with: (i) Ajlan & Bros Medical Company, Saudi Arabia, to distribute genetic tests and cell therapies in the Middle East and North Africa region, and (ii) Acquest Healthcare Stem Cell Research to produce CAR T-cells for supply to Acquest's customer which provide various cell therapies to hospitals, doctors, and patients in Thailand.

**Forecasts.** We cut our FY23-24F net profit forecasts by 65% and 16%, respectively, to reflect slower ramping up of production at its new biopharmaceutical plant and higher-than-expected start-up costs. Consequently, we reduce our TP by 16% to RM0.80 (from RM0.95) based on 17x FY24F EPS, in line with the average forward PER of its international peers. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 3).

We like MGRC for: (i) the rising adoption and hence tremendous growth potential of immunotherapy globally, (ii) having the exclusive rights to deliver such therapy in the region under a long-term licensing agreement with reputable principals, and (iii) being the leading provider of genetic sequencing and analysis in Southeast Asia. Reiterate **OUTPERFORM**.

# OUTPERFORM ↔

**Price:** RM0.52  
**Target Price:** RM0.80 ↓

### Share Price Performance



KLCI	1,411.54
YTD KLCI chg	-5.6%
YTD stock price chg	-32.0%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MGRC MK
Market Cap (RM m)	67.7
Shares Outstanding	130.2
52-week range (H)	1.17
52-week range (L)	0.50
3-mth avg daily vol:	3,953,442
Free Float	46%
Beta	1.0

### Major Shareholders

Pixelvest Sdn Bhd	7.2%
Bintai Trading Sdn Bhd	5.0%
Crest Advisory Bhd	4.4%

### Summary Earnings Table

FY Jun (RM m)	2022A	2023F	2024F
Turnover	28.4	11.8	19.7
EBITDA	7.2	3.0	7.9
PBT	6.2	2.0	7.1
Net Profit	7.2	1.8	6.4
Core Net Profit	7.2	1.8	6.4
Consensus (NP)	-	-	-
Earnings Revision	-	-65%	-16%
Core EPS (sen)	3.8	1.3	4.7
Core EPS growth (%)	(34.5)	(77.2)	250.6
NDPS (sen)	-	-	-
Price to NTA (x)	2.2	1.6	1.4
PER (x)	8.7	37.2	11.0
PBV (x)	1.7	1.5	1.3
Net Gearing (%)	Cash	Cash	Cash
Net Div. Yield (%)	0.0	0.0	0.0

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**Key risks to our recommendation:** (i) failure in clinical trials could scupper new-product break-through, potentially leading to the inability to recover cost incurred for the pre-clinical and clinical trials, and (ii) dependency on commercialisation of new products and slower-than-expected commercial operation of the new lab to generate new revenue stream in the future.

**Results Highlight**

FYE Jun (RM m)	3Q FY23	2Q FY23	QoQ Chg %	3Q FY22	YoY Chg %	9M FY22	9M FY23	YoY Chg %
Turnover	0.7	1.6	(58.6)	5.1	(86.6)	22.0	6.1	(72.1)
EBITDA	(2.9)	(0.9)	208.7	2.2	(232.6)	4.0	(2.6)	(165.7)
PBT	(3.2)	(1.3)	149.7	2.0	(261.9)	3.2	(3.6)	(212.2)
Net Profit (NP)	(2.9)	(1.2)	132.7	2.0	(245.7)	3.2	(3.2)	(201.0)
EPS (sen)	(2.2)	(1.0)	124.5	1.6	(237.5)	2.6	(2.5)	(195.4)
EBITDA margin (%)	NM	NM		42.3		18.0	NM	
PBT margin (%)	NM	NM		38.6		14.6	NM	
Net profit margin (%)	NM	NM		38.6		14.6	NM	

Source: Bursa Malaysia, Kenanga Research

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### Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE (%)	Net Div. (sen)	Net Div Yld (%)
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
<b>HEALTHCARE</b>																	
IHH HEALTHCARE BHD	OP	5.90	7.00	18.64%	51,961.2	Y	12/2023	18.8	20.7	19.7%	9.8%	31.3	28.6	1.9	6.2%	7.0	1.2%
KOTRA INDUSTRIES BHD	OP	5.54	7.00	26.35%	820.2	Y	06/2023	42.8	46.7	1.9%	9.2%	13.0	11.9	2.7	23.0%	19.0	3.4%
KPJ HEALTHCARE BHD	OP	1.14	1.50	31.58%	4,975.3	Y	12/2023	4.7	5.3	21.6%	13.0%	24.2	21.4	2.2	9.2%	3.0	2.6%
MALAYSIAN GENOMICS RESOURCE CENTRE BHD	OP	0.520	0.800	53.85%	67.7	Y	06/2023	1.3	4.7	-75.0%	255.6%	39.1	11.0	1.5	4.3%	0.0	0.0%
NOVA WELLNESS GROUP BHD	OP	0.860	0.960	11.63%	274.1	Y	06/2023	4.7	6.4	-10.8%	37.8%	18.5	13.4	2.5	14.1%	3.0	3.5%

Source: Bloomberg, Kenanga Research

### Stock ESG Ratings:

	Criterion	Rating				
<b>GENERAL</b>	Earnings Sustainability & Quality	★	★	☆		
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	☆		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	☆		
<b>SPECIFIC</b>	Product Quality & Safety	★	★	★		
	Effluent/Waste Management	★	★	☆		
	Energy Efficiency	★	★	★		
	Education & Training	★	★	★	☆	
	Talent Management	★	★	★	☆	
	Supply Chain Management	★	★	☆		
<b>OVERALL</b>		★	★	★		

☆ denotes half-star  
 ★ -10% discount to TP  
 ★★ -5% discount to TP  
 ★★★ TP unchanged  
 ★★★★ +5% premium to TP  
 ★★★★★ +10% premium to TP

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**Stock Ratings are defined as follows:****Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%.
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%.
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%.
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%.
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%.

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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