

22 August 2025

Duopharma Biotech

A Solid 1HFY25

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DPHARMA's 1HFY25 met expectations with net profit rising 43% YoY to RM46m. Looking into 2HFY25, we expect bottom-line profitability to remain steady due to industry-wide normalisation of input raw material, which has been trending down, and better margins from the Ministry of Health's Approved Product Purchase List (APPL). We maintain our forecasts, TP of RM1.72 and OUTPERFORM call.

DPHARMA's 1HFY25 net profit rose 43% YoY to RM46m which came in within expectations at 48% and 49% of our and consensus full-year forecasts, respectively. The solid results were underpinned by strong sales performance across all business segments, particularly the increased sales to the public sector and a one-off surge in insulin supply in 1QFY25, as the group fulfilled outstanding orders following supply normalisation.

QoQ, 2QFY25 revenue fell 16%, primarily due to lower demand from the public health sector, coupled with the absence of the one-off surge in insulin sales seen in 1QFY25 as supply regularised to fulfil all outstanding orders, which is within expectations. Bottom-line profitability is expected to remain steady due to industry-wide normalisation of input raw material Active Pharmaceutical Ingredient (API) which has been trending down. Typically, raw material accounts for 50–60% of total cost. Its EBITDA margin expended 1 ppt to 19.3% due to better economies of scale and better margins from AAPL contracts. This brought 2QFY25 net profit to RM20m (-21%). A 1st interim dividend of 1.5 sen was declared as expected.

YoY, its 1HFY25 revenue rose 18%, we believe, due to higher sales volume from APPL and surge in supply of insulin in 1QFY25. This resulted in 1HFY25 net profit jumping 43% to RM46m. The better performance, we believe, was driven by aggressive tender participation, supported by expanded production capacity, and underpinned by the government's AAPL contract renewal cycle.

Outlook. DPHARMA is poised to benefit from a full-year of contribution in 2025 from the APPL contracts vis-à-vis a nine-month contribution in 2024, further boosting revenue and tilting the sales mix higher towards public sector sales. Typically, an APPL contract will draw down its value proportionately over the course of the contract period with an estimated unbilled outstanding order book of RM450m as at end-1QCY25. It is optimistic that public sector sales are expected to be higher in FY25. We expect public sector sales to contribute 55% in FY25 to Duopharma's revenue, underpinned by aggressive bidding, an expanded production capacity, and the government's contract renewal cycle. Overall, we are encouraged to see the alignment between the immediate fiscal measures in Budget 2025 and the priorities under the 13th Malaysia Plan (13MP). Specifically, the 13MP prioritises strengthening medical supply security, encouraging domestic pharmaceutical manufacturing, and increasing the use of generic medicines in both public and private significantly. All these augers well for DUOPHARMA.

Valuation and forecasts. We maintain our forecasts, TP of RM1.72 based on unchanged 15x FY26F EPS at 15% premium to its peers' average due to its dominant market position in the local generic drug manufacturing and bigger market capitalisation. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us. We like DUOPHARMA for: (i) its business model encompassing the entire spectrum of the pharmaceutical value chain from R&D, product conceptualisation to manufacturing and sales, and (ii) its dominance as a local manufacturer of generic drugs in terms of sales volume and value.

OUTPERFORM ↔

Price: RM1.32
Target Price: RM1.72 ↔

Share Price Performance



KLCI	1,592.87
YTD KLCI chg	-3.0%
YTD stock price chg	5.6%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	DBB MK
Market Cap (RM m)	1,269.8
Shares Outstanding	961.9
52-week range (H)	1.46
52-week range (L)	1.07
3-mth avg. daily vol.	738,679
Free Float	41%
Beta	0.7

Major Shareholders

PNB	44.1%
Employees Provident	8.9%
A S Bumiputera	4.4%

Summary Earnings Table

FY Dec (RM m)	2024A	2025F	2026F
Turnover	813.7	1,032.9	1,152.1
EBITDA	146.1	189.3	211.2
PBT	80.0	124.1	143.9
Net Profit	62.6	95.0	110.1
Core Net Profit	62.6	95.0	110.1
Consensus (NP)	-	93	102
Earnings Revision	-	-	-
EPS (sen)	6.5	9.9	11.5
EPS Growth (%)	19.0	51.6	15.9
NDPS (sen)	3.0	3.3	3.3
PER (x)	20.2	13.4	11.5
PBV (x)	1.8	1.6	1.5
Net Gearing (%)	35.0	33.3	25.1
Net Div. Yield (%)	2.3%	2.5%	2.5%

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Key risks to our recommendation include: (i) product approval from the relevant regulatory authorities and (ii) lower-than-expected order in the public segment.

Results Highlights

	2Q	1Q	Q-o-Q	2Q	Y-o-Y	1H	1H	Y-o-Y
FYE Dec (RM m)	FY25	FY25	Chg (%)	FY24	Chg (%)	FY24	FY25	Chg (%)
Turnover	221.8	262.7	(15.6)	218.3	1.6	411.3	484.5	17.8
EBITDA	42.9	48.5	(11.5)	38.7	10.9	75.4	91.3	21.1
Dep & Amortisation	(11.4)	(11.2)	1.4	(11.3)	0.5	(22.7)	(22.6)	(0.1)
Net Interest expense	(4.9)	(3.5)	40.3	(5.4)	(8.7)	(10.7)	(8.4)	(21.6)
PBT	26.6	33.7	(21.2)	22.0	21.1	42.1	60.3	43.4
Tax	(6.4)	(8.1)	(21.2)	(5.3)	21.0	(10.1)	(14.5)	43.4
PATAMI	20.2	25.6	(21.2)	16.7	21.1	32.0	45.8	43.4
EPS (sen)	2.1	2.7	(21.3)	1.7	21.4	3.3	4.8	43.7
EBITDA margin	19.3	18.4		17.7		18.3	18.9	
PBT margin	12.0	12.8		10.1		10.2	12.4	
Effective tax rate	24.0	24.0		24.0		24.0	24.0	

Source: Company, Kenanga Research, Bursa Malaysia

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.
Stocks Under Coverage																	
DUOPHARMA BIOTECH BERHAD	OP	1.32	1.72	30.3%	1,270	Y	12/2025	9.9	11.5	51.8%	15.9%	13.4	11.5	1.6	12.8%	3.3	2.5%
IHH HEALTHCARE BHD	OP	6.81	8.11	19.1%	60,174	Y	12/2025	21.6	24.3	12.6%	12.2%	31.5	28.1	1.9	6.2%	10.0	1.5%
KOTRA INDUSTRIES BHD	OP	4.30	4.90	14.0%	638	Y	06/2025	30.4	32.7	0.9%	7.6%	14.1	13.1	2.0	15.1%	25.5	5.9%
KPJ HEALTHCARE BHD	UP	2.77	2.50	-9.7%	12,089	Y	12/2025	7.6	8.8	8.5%	15.7%	36.3	31.4	4.6	13.0%	4.2	1.5%
NOVA WELLNESS GROUP BHD	OP	0.330	0.410	24.2%	105	Y	06/2025	2.7	2.8	8.9%	3.5%	12.2	11.8	0.9	7.7%	1.3	3.9%

Source: Company, Bloomberg, Kenanga Research

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	☆	
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	☆		
SPECIFIC	Product Quality & Safety	★	★	★		
	Effluent/Waste Management	★	★	☆		
	Automation & Innovation	★	★	★		
	Energy Efficiency	★	★	★	☆	
	Supply Chain Management	★	★	★	☆	
	Legal & Regulatory Compliance	★	★	★		
OVERALL		★	★	★		

☆ 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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