Pharmaniaga

Won RM281m Contract Insulin

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PHARMA has won a contract to supply recombinant human insulin (RHI) worth RM282m from Ministry of Health (MOH) for the duration of three years. While these contracts were earlier guided as a potential tender win, the value of the win came in above than our expectation. Securing foundational human insulin contracts is a strategic stepping stone for PHARMA eyeing the upcoming 2028 tenders for insulin analogues. We raise our FY26/FY27 net profit by 2%/15%, our TP to RM0.23 (previously RM0.20). Upgrade our call from UNDERPERFORM to MARKET PERFORM.

PHARMA has won a contract to supply recombinant human insulin (RHI) worth RM282m from Ministry of Health (MOH) for the duration of three years commencing 3 June 2026 till 2 June 2029. This contract win was bigger-than-expected. A formal agreement will be signed later.

PHARMA will initially supply the insulin through trading arrangements before progressively ramping up in-house production at its manufacturing facility in Puchong by end CY2026, making it the first local company to produce human insulin in the country.

The group is already eyeing upcoming CY2028 tenders for insulin analogues (such as Glargine/Aspart) and anti-obesity drugs, and is also working to secure halal certification for its insulin products. We understand that it is a normal progression for all insulin manufacturers to move from human insulin to insulin analogues, followed by an anti-obesity group of drugs to ensure a sustainable product pipeline.

While these contracts were earlier guided as a potential tender win, the value of the win came in above our expectation. For fill-and-finish insulin, the net margin is expected to be 8%-10%. However, for manufacturing insulin, the net margin is 15%-18%. For illustration purposes, assuming a net margin of 10%, these latest contract wins amount to a net profit of RM28m or RM9m per annum or 11% of FY27F net profit.

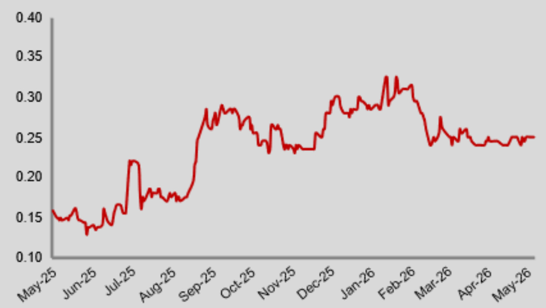
Outlook. The group has proposed a share consolidation of 5 existing ordinary shares into 1 consolidated share. The exercise is expected to be completed in early June 2026. The biopharmaceutical segment continues to gain traction as a key growth pillar for the group with commencement of human insulin supply in mid-2026. Within the pharmaceutical segment, it has strengthened its product offerings in the cardiovascular and urology segments with the launch of Apixaban and Dutasteride. The planned introduction of the Gemigliptin product range, including its combination variants somewhere in 2QCY26 is expected to further enhance the Group's anti-diabetic and metabolic portfolio. As a new chemical entity, Gemigliptin is anticipated to provide a differentiated offering in the Malaysian market, supporting the Group's efforts to expand its presence in the private sector and diversify its revenue base.

Valuations. We raise our FY26/FY27 net profit by 2%/15%. Our TP is raised from RM0.20 to RM0.23 based on unchanged 18x FY27F EPS which is at 20% premium to peers' average to account for PHARMA moving up the value chain via focusing towards high-margin manufacturing of biopharmaceuticals. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4). Upgrade from UNDERPERFORM to MARKET PERFORM.

MARKET PERFORM ↑

Price :	**RM0.25**
Target Price :	**RM0.23** ↑

Share Price Performance



KLCI	1,684.93
YTD KLCI chg	0.3%
YTD stock price chg	-12.3%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	PHRM MK
Market Cap (RM m)	1,639.3
Shares Outstanding	6,557.0
52-week range (H)	0.34
52-week range (L)	0.13
3-mth avg. daily vol.	24,733,310
Free Float	58%
Beta	1.7

Major Shareholders

Boustead Holdings Bh	24.9%
Jakel Medical Sdn Bhd	14.3%

Summary Earnings Table

FYE Dec (RM m)	2025A	2026F	2027F
Turnover	3797.1	3919.8	4091.9
PBT / (LBT)	70.6	99.7	121.5
Net Profit / (Loss)	48.5	66.8	81.1
Core Profit / (Loss)	48.5	66.8	81.1
Consensus (NP)	-	84	101
Earnings Revision	-	-2%	-15%
Core EPS (sen)	0.7	1.0	1.2
Core EPS Growth (%)	(72.6)	37.8	21.4
NDPS (sen)	0.00	0.35	0.35
BVPS (RM)	0.07	0.07	0.08
PER (x)	33.8	24.5	20.2
Price/Book (x)	3.8	3.4	3.1
Net Gearing (%)	128.3	133.4	113.3
Net Div. Yield (%)	0.0	1.4	1.4

Key risks to our call include: (i) it bagging more concessions from the government, and (ii) higher-than-expected orders.

Income Statement

FY Dec (RM m)	2024A	2025A	2026F	2027F
Revenue	3759.5	3797.1	3919.8	4091.9
EBITDA	303.3	169.7	188.9	212.8
Depre. & Amort	-41.4	-46.2	-48.3	-50.7
OperatingProfit	261.9	126.3	140.6	162.1
PBT	192.2	70.6	99.7	121.5
Taxation	-60.4	-24.1	-34.9	-42.5
MI	2.0	2.0	2.1	2.1
Net Profit	133.8	48.5	66.8	81.1
Core Net Profit	133.8	48.5	66.8	81.1

Operating Margin

FY Dec (RM m)	2024A	2025A	2026F	2027F
Fixed Assets	522.7	534.4	543.7	522.7
Intangibles	151.7	151.7	151.7	151.7
Other FA	108.3	108.3	108.3	108.3
Inventories	729.8	753.4	786.5	729.8
Receivables	446.7	461.1	481.4	446.7
Other CA	29.2	29.2	29.2	29.2
Cash	258.6	177.8	207.9	258.6
Total Assets	2,246.8	2,215.8	2,308.5	2,246.8
Payables	898.0	835.1	871.8	898.0
ST Borrowings	690.4	690.4	690.4	690.4
Ot. ST Liability	22.7	12.9	12.9	22.7
LT Borrowings	125.5	125.5	125.5	125.5
Ot. LT Liability	51.1	51.1	51.1	51.1
Minorities	24.7	22.4	20.3	24.7
Net Assets	434.5	478.4	536.5	434.5
Share Capital	243.4	243.4	243.4	243.4
Reserves	191.0	234.9	293.1	191.0
Equity	434.5	478.4	536.5	434.5

Financial Data & Ratios

FY Dec	2024A	2025A	2026F	2027F
Growth				
Turnover	10.4%	1.0%	3.2%	4.4%
EBITDA	673.7%	-44.0%	11.3%	12.6%
Operating Profit	NM	-51.8%	11.4%	15.3%
PBT	-406%	-63.3%	41.2%	21.9%
Net Profit /(loss)	-2723%	-63.7%	37.8%	21.4%
Profitability				
EBITDA Margin	8.1%	4.5%	4.8%	5.2%
Operating margin	-0.1%	7.0%	3.5%	4.1%
PBT Margin	5.1%	1.9%	2.5%	3.0%
Core Net Margin	3.6%	1.3%	1.7%	2.0%
Eff. Tax Rate	34.4%	34.1%	35.0%	35.0%
ROA	6.7%	2.2%	3.0%	3.5%
ROE	-78.1%	11.2%	14.0%	15.1%
Leverage				
Debt/Asset (x)	0.6	0.4	0.4	0.4
Debt/Equity (x)	-6.9	1.9	1.7	1.5
Valuations				
EPS (sen)	9.3	0.7	1.0	1.2
NDPS (sen)	0.0	0.0	0.4	0.4
BVPS (RM)	-0.12	0.07	0.07	0.08
PER (x)	2.7	33.8	24.5	20.2
Net Div. Yield(%)	0.0	0.0	1.4	1.4
PBV (x)	-2.1	3.8	3.4	3.1

Cashflow Statement

FY Dec (RM m)	2024A	2025A	2026F	2027F
Operating CF	42.7	(17.7)	12.2	113.0
Investing CF	(39.5)	(180.2)	(60.0)	(60.0)
Financing CF	22.1	164.6	115.1	(22.9)
Change In Cash	25.3	(35.5)	67.2	30.0
Free CF	(17.3)	(77.7)	(47.8)	53.0

Source: Kenanga Research

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	1.21	1.72	42%	1,164	Y	12/2026	11.5	12.1	14.0%	5.4%	10.5	10.0	1.4	14.0%	4.6	3.8%
IHH HEALTHCARE BHD	MP	8.99	8.50	-5%	79,437	Y	12/2026	23.8	25.9	15.1%	8.5%	37.7	34.7	2.5	6.8%	10.0	1.1%
KOTRA INDUSTRIES BHD	MP	3.75	3.88	3%	556	Y	06/2026	28.7	25.8	-4.7%	-10.1%	13.1	14.5	2.0	15.3%	24.5	6.5%
KPJ HEALTHCARE BHD	MP	3.19	3.05	-4%	14,120	Y	12/2026	8.0	8.7	13.8%	8.1%	39.9	36.9	5.1	13.8%	4.2	1.3%
NOVA WELLNESS GROUP BHD	MP	0.330	0.380	15%	105	Y	06/2026	2.9	3.0	19.5%	4.3%	11.4	10.9	0.9	8.2%	1.6	4.8%
PHARMANIAGA BHD	UP	0.250	0.200	-20%	1,639	Y	12/2026	1.0	1.1	34.0%	8.0%	25.2	23.4	3.3	13.9%	0.4	1.4%
SCOMNET BHD	OP	0.505	0.850	68%	428	Y	12/2026	3.7	4.3	21.2%	17.8%	13.8	11.7	1.0	7.3%	2.3	4.6%
SUNWAY HEALTHCARE HOLDINGS BHD	MP	1.75	1.75	0%	20,125	Y	12/2026	2.5	3.5	11.7%	43.3%	71.4	49.8	6.1	9.7%	0.6	0.3%

Source: Company, Bloomberg, Kenanga Research

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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	★	★	☆		
	Energy efficiency	★	★	★		
	Education & Training	★	★	★	☆	
	Talent Management	★	★	☆		
	Supply Chain Management	★	★	★	☆	
	OVERALL	★	★	★		

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

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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