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Pharmaniaga Revenue Up 20% in Q4

Profitability Impacted by Non-Cash PhIS Amortisation

KEY HIGHLIGHTS

- Revenue grew by 20% to RM716 million in Q4.
- Earnings before interest, tax, depreciation and amortisation stood at RM6 million in Q4.
- Profitability impacted by full amortisation for the non-cash Pharmacy Information System (PhIS).

KUALA LUMPUR, 20 February, 2020 – For its fourth quarter ended 31 December 2019, Pharmaniaga Berhad (Pharmaniaga) reported a higher revenue of RM716 million, marking a 20% jump compared with RM597 million in the same quarter last year. This was driven by improved demand from the concession, non-concession and Indonesia businesses. Earnings before interest, taxation, depreciation and amortisation (EBITDA) stood at RM6 million.

Despite this, the Group's profitability was affected by the recognition of the remaining RM247 million unamortised Pharmacy Information System (PhIS), a system that benefits the *Rakyat,* developed and managed for the Ministry of Health (MOH) as part of the contractual obligations under the concession agreement which concluded in November 2019. The amount refers to expenses incurred for the provision and supply of certain hardware and software for the PhIS. Following the new contract arrangement with MOH, the remaining unamortised PhIS costs were fully recognised in the quarter under review. In addition, there was also provision for stock write off on the voluntary Ranitidine product recall of RM9 million. This saw the Group recording a loss before zakat and taxation of RM238 million for the fourth quarter. This loss recorded for the quarter under review is a direct impact of Pharmaniaga fulfilling the contractual obligations of the PhIS under the concession agreement by the Government.

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For the year ended 31 December 2019 (All figures are stated in RM'000)	Current Period		Cumulative Period	
	Q4 2019	**Q4 2018**	**2019**	**2018**
Revenue	**715,683**	596,644	**2,820,530**	2,384,956
Cost of sales	**(635,856)**	(524,860)	**(2,477,629)**	(2,062,845)
Gross (loss)/profit	**79,827**	71,784	**342,901**	322,111
Other income	**188**	92	**1,245**	959
Operating expenses	**(68,300)**	(50,737)	**(240,425)**	(217,677)
Finance costs	**(9,161)**	(9,574)	**(40,258)**	(36,072)
Interest income	**497**	375	**1,392**	899
Profit before zakat and taxation from business as usual	**3,051**	11,940	**64,855**	70,220
Amortisation of PhIS	**(232,125)**	-	**(247,320)**	-
Provision for stock write off on Ranitidine product recall	**(9,400)**	-	**(9,400)**	-
(Loss)/Profit before zakat and taxation	**(238,474)**	11,940	**(191,865)**	70,220
Zakat	**186**	(60)	**(2,240)**	(1,071)
Taxation	**59,555**	(7,310)	**44,658**	(25,919)
(Loss)/Profit for the financial period/year	**(178,733)**	4,570	**(149,447)**	43,230

For its financial year ended 31 December 2019, Pharmaniaga posted a stronger revenue of RM2.8 billion, up from RM2.4 billion in the previous year, while EBITDA came in at RM131 million. However, as a result of the recognition of the remaining unamortised PhIS costs coupled with the provision for stock write off on the voluntary Ranitidine product recall, the Group posted a loss before zakat and taxation of RM192 million for the year.

Dato' Farshila Emran, Managing Director of Pharmaniaga Berhad, said, "It was a challenging quarter as the Group was significantly impacted by the recognition of the remaining unamortised PhIS, a non-cash item worth RM247 million. Nevertheless, it is imperative to note that the Group's financial performance will not be burdened by the PhIS amortisation moving forward."

"The fact that we continued to register solid growth in revenue is indeed encouraging and bodes well for the Group's prospects. In the short-term, the ongoing coronavirus outbreak remains at the forefront as the healthcare sector strives to contain the disease."

"From a long-term perspective, we are confident that the outlook is positive for Pharmaniaga. The new contract secured with MOH for the provision of medicines and medical supplies to MOH facilities from 1 December 2019 to 31 December 2021, as well as logistics and distribution services to MOH for five years ending 31 December 2024, are set to be key contributors to the Group's earnings."

"In tandem, we are strongly focused on our continuous drive to enhance operational efficiencies and build up our research and development capabilities to tap into new opportunities in the pharmaceutical industry. This will enable us to grow our various business streams as well as our overseas operations, led by our Indonesian business, where we continue to make good progress," concluded Dato' Farshila.

Division	**Consolidated Revenue RM'000**		**Consolidated Profit before tax / (Loss before tax) RM'000**				
			Business as usual		**Unusual items ***	**Including unusual items**	
	FY19	**FY18**	**FY19**	**FY18**	**FY19**	**FY19**	**FY18**
Logistics and Distribution	2,012,413	1,686,018	35,218	11,975	*(255,120)	(219,902)	11,975
Manufacturing	289,698	329,175	39,508	60,685	**(1,600)	37,908	60,685
Indonesia	801,117	694,673	(1,769)	445	-	(1,769)	445
Elimination	(282,698)	(324,910)	-	-	-	-	-
Unallocated corporate expenses	-	-	(8,102)	(2,885)	-	(8,102)	(2,885)
Total	2,820,530	2,384,956	64,855	70,220	(256,720)	**(191,865)**	**70,220**

** Unusual items include the recognition of the remaining unamortised PhIS of RM247.3 million and provision for stock write off of voluntary Ranitidine product recall of RM7.8 million.*

*** Unusual item includes provision for stock write off of voluntary Ranitidine product recall of RM1.6 million*

The Logistics and Distribution Division posted a loss before zakat and taxation of RM220 million for the financial year, mainly due to the revision in the useful life of PhIS as described above.

The Manufacturing Division recorded a profit before zakat and taxation of RM38 million on the back of a revenue of RM290 million, in line with orders trends from the Government sector. Nevertheless, the Division has tremendous growth opportunities as it accelerates launches of new products, expands international market presence and increases capacity utilisation via the contract manufacturing business.

Meanwhile, the Indonesia Division recorded a deficit of RM1.8 million, primarily attributable to higher finance costs. The Group has undertaken the necessary measures to strengthen management of debt payments to reduce finance costs.

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ABOUT PHARMANIAGA BERHAD

Pharmaniaga Berhad, a member of Boustead Group is an investment holding company listed on the Main Board of Bursa Malaysia Securities Berhad. The Pharmaniaga Group's core businesses are warehousing and distribution of pharmaceutical and medical products; generic pharmaceuticals manufacturing; marketing and sales; research and development; trading and installation of medical and hospital equipment as well as community pharmacy.

With a vision to be the premier Malaysian pharmaceuticals company, Pharmaniaga is guided by its philosophy of 'doing business with a conscience' and is empowered by its mission of ***Passion for Patients*****.** Already operating in 38 sites across 3 countries (Malaysia, Indonesia & Vietnam) the Pharmaniaga Group is positioned to be a regional player in the international pharmaceuticals arena.

Issued for the Pharmaniaga Group *by Corporate Communications Department, Pharmaniaga Berhad.*

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