

16 May 2025

Consumer Non-cyclical | Pharmaceuticals

Duopharma Biotech (DBB MK)

Buy (Maintained)

Strong Start To 2025; Maintain BUY

- **Maintain BUY, higher MYR1.50 TP (DCF) from MYR1.34, 17% upside.** Duopharma Biotech booked a 1Q25 core profit of MYR30.5m, accounting for 37% and 34% of our and Street's estimate. Results were above expectations due to a notable surge in insulin supply and improvements in public sector sales. Moving forward, DBB's growth should be underpinned by the Government's higher budget allocations for the Health Ministry (MOH) and sustained consumer demand for pharmaceutical products.
- **Results overview.** 1Q25 core profit grew 71% YoY, primarily driven by robust sales to the public sector on the awarding of the Approved Products Purchase List or APPL contract (with extended numbers of stock-keeping units or SKUs) and a notable surge in human insulin supply, as the industry-wide shortage gradually resolved. GPM contracted 3ppts YoY – likely on the higher contribution of local sales, which command a relatively lower margin vis-à-vis the private sector. Nevertheless, the normalisation of DBB's key raw material – active pharmaceutical ingredient price (API) – led to a net margin expansion of 2.3ppts YoY to 11.6%.
- **Insulin contract due for renewal.** DBB's existing contract for the supply and distribution of human insulin was set for renewal at end April. We gather that management is at the contract negotiation stage with MOH. There has been concern over the entry of a new competitor participating in the tender. While such developments remain fluid, we believe the entry of a new player aligns with MOH's [ambition to diversify its procurement processes](#). Should the ministry decide to split the contract equally between DBB and its competitor, we expect a potential earnings impact of 5% – based on our latest FY25F-26F earnings on the basis of a 10% net margins assumption.
- **Outlook.** DBB's prospects should continue to be underpinned by the recent additional letter of award by MOH for the supply of pharmaceutical products under the APPL contract, which brings the products range to 100 (with a combined estimated contract value of MYR684m). A higher budget allocation to MOH, which should boost DBB's sales to the public sector, ought to be another positive. API price normalisation and the weakening of the USD should continue to support its near-term profitability, in our view.
- **Earnings estimates.** We lift our 2025F-2026F earnings by 14% and 6% – taking into account the effects of a weakening USD and higher public sector sales. We expect net margins to sustain within a 10-11% range in 2025 from 9% in 2024. We continue to like DBB, underpinned by better earnings visibility and sustained consumer demand towards pharmaceutical products. Our new DCF-derived TP of MYR1.50 implies 15.5x 2025F forward P/E, 0.6SD below its 3-year historical mean of 17x.

Target Price (Return): MYR1.50 (16.6%)
Price (Market Cap): MYR1.29 (USD290m)
ESG score: 3.2 (out of 4)
Avg Daily Turnover (MYR/USD) 0.27m/0.06m

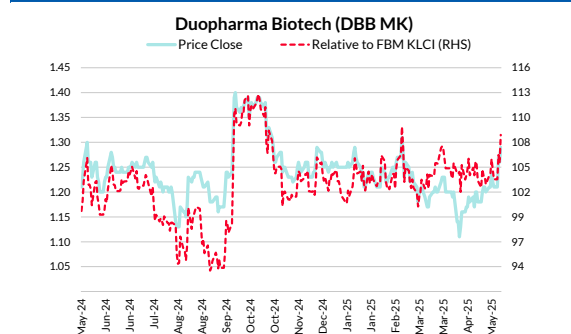
Analyst

Oong Chun Sung
+603 2302 8126
chun.sung@rhbgroup.com



Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	3.2	10.3	1.6	5.7	6.6
Relative	7.4	4.5	2.8	6.9	8.5
52-wk Price low/high (MYR)				1.11	1.40



Source: Bloomberg

Forecasts and Valuation	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover (MYRm)	705	814	877	929	972
Recurring net profit (MYRm)	61	72	93	97	105
Recurring net profit growth (%)	(45.4)	18.7	29.6	4.0	8.2
Recurring P/E (x)	20.31	17.20	13.30	12.79	11.82
P/B (x)	1.8	1.7	1.6	1.5	1.4
P/CF (x)	25.25	14.86	9.43	9.67	9.17
Dividend Yield (%)	1.8	2.3	2.3	2.3	2.3
EV/EBITDA (x)	12.07	10.01	7.49	6.97	6.57
Return on average equity (%)	7.8	9.0	12.6	12.0	11.9
Net debt to equity (%)	40.2	35.0	22.1	11.6	2.1

Source: Company data, RHB

Overall ESG Score: 3.2 (out of 4)

E Score: 3.0 (GOOD)

S Score: 3.0 (GOOD)

G Score: 3.7 (EXCELLENT)

Please refer to the ESG analysis on the next page

Note:

Small cap stocks are defined as companies with a market capitalisation of less than USD0.5bn.

Emissions And ESG

Trend analysis
The increased carbon emissions in 2023 was mainly attributed by the inaugural inclusion of Scope 3 emissions reporting.

Emissions (tCO2e)	Dec-22	Dec-23	Dec-24	Dec-25
Scope 1	1,288	1,478	na	na
Scope 2	38,063	38,142	na	na
Scope 3	-	4,086	na	na
Total emissions	39,351	43,705	na	na

Source: Company data, RHB

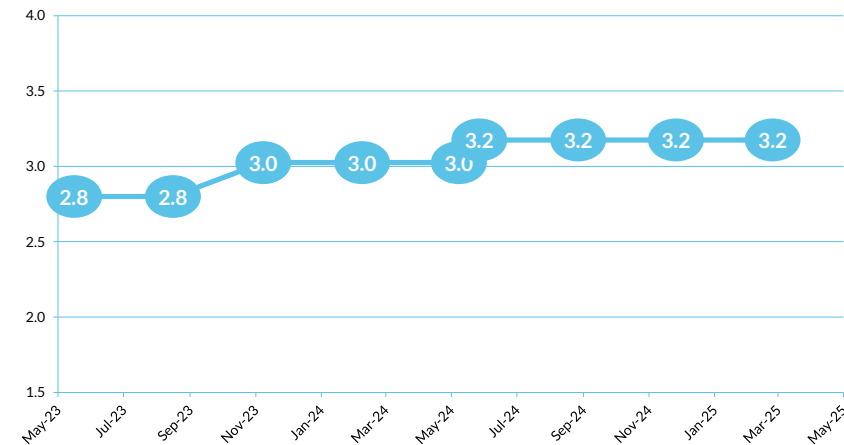
Latest ESG-Related Developments

Pledged to achieve carbon neutrality by 2030, net zero carbon emissions by 2050, and replace 50% of single-use plastics with biodegradable ones within its operations by 2026.

ESG Unbundled

Overall ESG Score: 3.2 (out of 4)
Last Updated: 20 December 2024
E Score: 3.0 (GOOD) DBB has established Net Zero Transition Plan to drive its efforts to achieve carbon neutrality by 2050. It intends to replace single-use plastics with biodegradable ones within its operations by 2026.
S Score: 3.0 (GOOD) DBB has established multiple communication channels (including its quarterly town hall sessions) with employees to make them feel engaged and connected with senior management. The female:male workers ratio stands at 45:55.
G Score: 3.7 (EXCELLENT) 64% of its board members are independent, and 45% are female, exceeding the Malaysian Code on Corporate Governance requirement of 30%. Additionally, DBB provides full disclosures on its directors' remunerations, including salaries and bonuses, on a named basis. The group holds investor briefings regularly, embodying good transparency and disclosure practices.

ESG Rating History



Source: RHB

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Financial Exhibits

Asia	Financial summary (MYR)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Malaysia	Recurring EPS	0.06	0.07	0.10	0.10	0.11
Consumer Non-cyclical	DPS	0.02	0.03	0.03	0.03	0.03
Duopharma Biotech	BVPS	0.72	0.74	0.80	0.88	0.95
DBB MK	Return on average equity (%)	7.8	9.0	12.6	12.0	11.9
Buy						
Valuation basis	Valuation metrics	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
We use DCF-FCFF to value DBB	Recurring P/E (x)	20.31	17.20	13.30	12.79	11.82
	P/B (x)	1.8	1.7	1.6	1.5	1.4
	FCF Yield (%)	1.3	4.9	8.5	8.2	8.7
Key drivers	Dividend Yield (%)	1.8	2.3	2.3	2.3	2.3
i. Increase in health awareness leading to higher demand for pharmaceutical products;	EV/EBITDA (x)	12.07	10.01	7.49	6.97	6.57
ii. Better efficiency from its new plant.	EV/EBIT (x)	18.67	14.53	10.04	9.37	8.91
Key risks	Income statement (MYRm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Downside risks to our call include lower-than-expected sales volumes and stronger USD/MYR.	Total turnover	705	814	877	929	972
	Gross profit	268	302	359	376	387
	EBITDA	122	146	185	189	188
	Depreciation and amortisation	(43)	(45)	(47)	(48)	(49)
	Operating profit	79	101	138	140	139
	Net interest	(15)	(21)	(16)	(13)	(6)
	Pre-tax profit	63	80	122	127	132
	Taxation	(11)	(17)	(29)	(30)	(27)
	Reported net profit	53	63	93	97	105
	Recurring net profit	61	72	93	97	105
Company Profile	Cash flow (MYRm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
DBB is Malaysia's largest local pharmaceutical company by volume and market cap. It produces vitamin C and solutions for diabetes, hepatitis C, cancer, and kidney disease treatments.	Change in working capital	(46)	(34)	(9)	(17)	(19)
	Cash flow from operations	49	83	132	128	135
	Capex	(33)	(23)	(26)	(27)	(27)
	Cash flow from investing activities	(43)	(27)	(26)	(27)	(27)
	Dividends paid	(9)	(27)	(29)	(29)	(29)
	Cash flow from financing activities	296	(89)	(63)	(63)	(63)
	Cash at beginning of period	158	271	265	307	346
	Net change in cash	302	(33)	43	39	45
	Ending balance cash	459	237	307	346	391
	Balance sheet (MYRm)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
	Total cash and equivalents	271	265	307	346	391
	Tangible fixed assets	582	568	552	535	518
	Total investments	38	24	24	24	24
	Total assets	1,345	1,378	1,405	1,443	1,495
	Short-term debt	66	48	48	48	48
	Total long-term debt	481	465	430	396	362
	Total liabilities	658	669	632	601	577
	Total equity	687	709	774	842	918
	Total liabilities & equity	1,345	1,378	1,405	1,443	1,495
	Key metrics	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
	Revenue growth (%)	1.1	15.5	7.8	5.9	4.6
	Recurrent EPS growth (%)	(45.9)	18.1	29.3	4.0	8.2
	Gross margin (%)	38.1	37.1	40.9	40.5	39.8
	Operating EBITDA margin (%)	17.3	18.0	21.1	20.3	19.4
	Net profit margin (%)	7.5	7.7	10.6	10.4	10.8
	Dividend payout ratio (%)	41.9	46.1	30.9	29.7	27.5
	Capex/sales (%)	4.7	2.8	2.9	2.9	2.8
	Interest cover (x)	4.33	3.79	6.54	7.30	14.09

Source: Company data, RHB

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Figure 1: Results snapshot

FYE Dec (MYRm)	1Q24	4Q24	1Q25	QoQ (%)	YoY (%)	Comments
Revenue	193.0	193.7	262.7	35.7	36.2	Topline grew 36% YoY as a result of stronger public sector sales and a notable surge in the supply of insulin.
Gross profit	74.3	75.5	93.3	23.5	25.6	
<i>GP margin (%)</i>	<i>38.5</i>	<i>39.0</i>	<i>35.5</i>	<i>(3.5)</i>	<i>(3.0)</i>	
EBITDA	35.6	32.3	48.7	51.1	36.9	
<i>EBITDA margin (%)</i>	<i>18.4</i>	<i>16.7</i>	<i>18.6</i>			
Depreciation	10.2	10.4	10.2	2.4	0.0	
EBIT	25.4	21.8	38.6	76.6	51.7	
<i>EBIT margin (%)</i>	<i>13.2</i>	<i>11.3</i>	<i>14.7</i>			
Finance cost	(7.0)	(5.8)	(6.2)	(7.0)	10.2	
El/others	(2.6)	(3.8)	(4.8)	(27.5)	(87.6)	
Pre-tax profit	20.1	17.4	33.7	93.4	67.8	
<i>Pre-tax margin (%)</i>	<i>10.4</i>	<i>9.0</i>	<i>12.8</i>			
Tax	(4.8)	(2.4)	(8.1)	(243.1)	(67.8)	
<i>Effective tax rate (%)</i>	<i>24.0</i>	<i>13.5</i>	<i>24.0</i>			
Minority interest	0.0	0.0	0.0	Nm	Nm	
Net profit	15.3	15.1	25.6	70.0	67.8	
Core profit	17.9	18.9	30.5	61.5	70.7	Core profit was at 37% and 34% of our and Street's full-year estimates.
<i>Net margin (%)</i>	<i>9.3</i>	<i>9.7</i>	<i>11.6</i>	<i>1.9</i>	<i>2.3</i>	

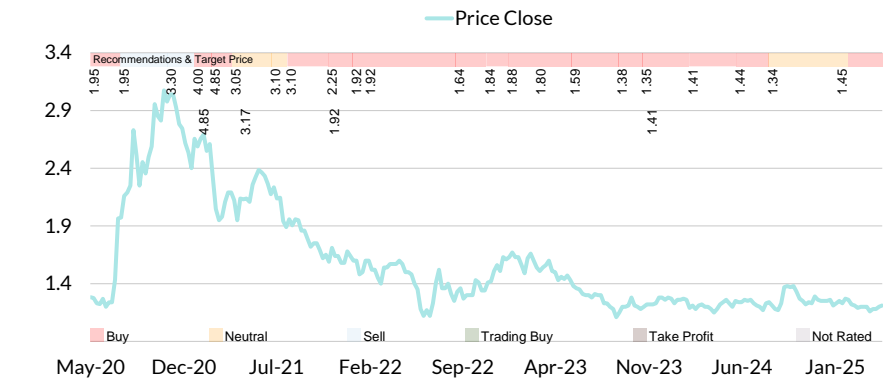
Source: Company data, RHB

Figure 2: DCF valuation

FYE Dec (MYRm)	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F	FY32F	FY33F	FY34F	Terminal
NOPAT	105	107	110	116	118	125	135	137	139	141	
+ D&A	47	48	49	51	54	56	59	62	66	69	
- Change in NWC	(9)	(17)	(19)	(15)	(20)	(18)	(18)	(21)	(23)	(24)	
- CAPEX	(26)	(27)	(27)	(51)	(53)	(56)	(70)	(73)	(77)	(80)	
Free cash flow to firm (FCFF)	118	112	113	102	98	108	107	105	106	106	1681
Discount factor	0.97	0.90	0.83	0.77	0.71	0.66	0.61	0.57	0.53	0.49	0.49
PV of FCFF	114	100	94	78	70	71	66	60	56	52	820
Risk-free	4%										
WACC	8%										
Terminal growth	2%										
Enterprise value (MYRm)	1581.4										
+ Cash	264.5										
- Debt	(512.5)										
Equity value (MYRm)	1333.4										
No of shares (m)	941.8										
Intrinsic value (MYR)	1.45										
ESG discount/premium	0.05										
TP	1.50										

Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-02-20	Buy	1.45	1.23
2024-08-23	Neutral	1.34	1.24
2024-06-10	Buy	1.44	1.28
2024-02-23	Buy	1.41	1.19
2023-11-22	Buy	1.41	1.23
2023-11-09	Buy	1.35	1.18
2023-09-14	Buy	1.38	1.14
2023-05-30	Buy	1.59	1.40
2023-03-13	Buy	1.80	1.51
2023-01-06	Buy	1.88	1.63
2022-11-16	Buy	1.84	1.40
2022-09-06	Buy	1.64	1.28
2022-02-15	Buy	1.92	1.60
2022-01-14	Buy	1.92	1.60
2021-11-24	Buy	1.92	1.65

Source: RHB, Bloomberg

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Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
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Not Rated:	Stock is not within regular research coverage

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KUALA LUMPUR

RHB Investment Bank Bhd
Level 3A, Tower One, RHB Centre
Jalan Tun Razak
Kuala Lumpur 50400
Malaysia
Tel : +603 2302 8100
Fax : +603 2302 8134

JAKARTA

PT RHB Sekuritas Indonesia
Revenue Tower, 11th Floor, District 8 - SCBD
Jl. Jendral Sudirman Kav 52-53
Jakarta 12190
Indonesia
Tel : +6221 5093 9888
Fax : +6221 5093 9777

SINGAPORE

RHB Bank Berhad (Singapore branch)
90 Cecil Street
#04-00 RHB Bank Building
Singapore 069531
Fax: +65 6509 0470