

Team Coverage

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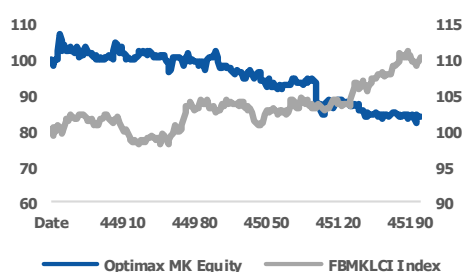
Recommendation:	BUY
Current Price:	RM 0.64
Previous Target Price:	-
Target Price:	RM 0.76
Upside/Downside:	18.8%

Stock information

Board	MAIN
Sector	Healthcare
Bursa / Bloomberg Code	0222 / OPTIMAX MK
Syariah Compliant	Yes
FTSE4Good Index	Yes
FTSE ESG Rating	☆☆☆
Bloomberg ESG Rating	N/A
Shares issued (m)	543.3
Market Cap (RM' m)	347.7
52-Week Price Range (RM)	0.58-0.77
Beta (x)	0.6
Free float (%)	28.2
3M Average Volume (m)	0.7
3M Average Value (RM' m)	0.4

Top 3 Shareholders	(%)
SENA HEALTHCARE SERV	29.0
Tan Boon Hock	27.2
CHUNG SOON HEE	5.7

Share Price Performance



	1M	3M	12M
Absolute (%)	5.8	2.4	-12.3
Relative (%)	4.7	-3.0	-20.3

Optimax Holdings Berhad

Visionary expansion in local and global markets

Summary

- Involved in eye-care services, providing ophthalmic care offerings, additional associated amenities, and aesthetic services.
- Revenue is forecasted to expand 15.0% yoy and 5.0% yoy to RM131.6m and RM136.6m in FY24F and FY25F respectively, driven by Optimax's extensive expansion locally and internationally, alongside the addition of new services such as plastic surgery and aesthetic services.
- Optimax is valued by pegging its FY25F core EPS of 3.3 sen to PE of 23.0x, leading to a FV of RM0.76 (+18.8% potential upside from current price).

Company Background

- Optimax Holdings Berhad (Optimax) is regarded as a well-established eye-care service provider in Malaysia with a network of 25 specialist centers, including a hospital, ambulatory care centers, and clinics. The Group is supported by 24 surgeons capable of performing various eye procedures and are assisted by 80 optometrists for eye examinations. Specialist centers are located in the Northern, Central, Southern, and East regions of Malaysia.
- As of end-FY23, the group operates a total of 16 ambulatory care centers (ACC), 8 satellite clinics, and 1 specialist hospital. The group's main business segments are categorised into: (i) Ophthalmic care encompassing refractive surgery, treatment for cataracts, and various other procedures for eye conditions, (ii) Additional associated amenities such as vision assessments, sales of eyewear, and provision of snacks and (iii) Aesthetic services which offers procedures like plastic surgery.
- In 2023, the Group acquired a license from the Ministry of Health (MOH) which allows a vertical expansion into plastic surgery and aesthetic services. The said expansion was brought about from the addition of a plastic surgery surgeon during the Covid-19 pandemic, initially for vaccination services as a general practitioner (GP). The said surgeon successfully built a robust customer base for aesthetic services over the years and resulted in the foray into provision of plastic surgery and aesthetic services.
- While domestic eye centres expansions are in place, Optimax is making its footprint into Cambodia. This follows a positive response, evident from the number of bookings in the waiting list prior to the official opening. The said expansion is slated to commerce surgeries in FY24 with local resident doctors flying from Malaysia on a rotation basis.

Corporate Structure



Source: Optimax

Business Overview

- Optimax's primary business involves eye specialist services and related ventures. There are four main categories of eye specialist services offered, namely (i) treatment of eye diseases and disorders, (ii) refractive surgery, (iii) consultation and dispensary services and (iv) oculoplastic surgery. Additionally, Optimax provides supplementary services such as eye examinations and the sale of optical wear, food products, aesthetic and plastic surgery procedures, as well as other offerings like Ortho-K, Botox, and Covid-19 vaccination jobs.

Related Business



Sales of optical wear



Botox



Eye Examinations



OPTIXANTHIN



OPTI-I

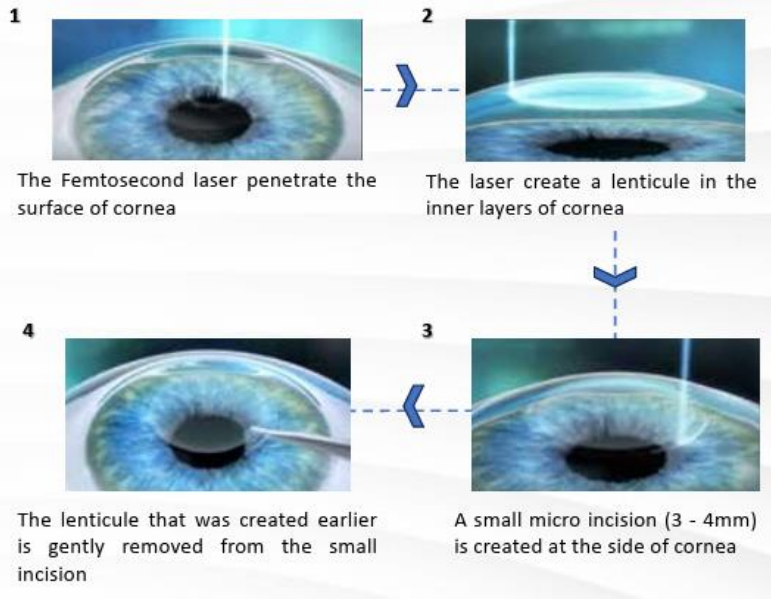


OPTI-B

Source: Optimax

- Optimax offers four generations of machines for refractive surgery: Transepithelial Photorefractive Keratectomy (TransPRK), Custom Femto Lasik, ReLex SMILE, and ReLex SMILE PRO. ReLex SMILE PRO technology was fully implemented at Optimax in October 2023 which shortens the duration of refractive surgery garners an overwhelming positive response, with steadily rising demand which makes up to the largest revenue contributor amongst other surgeries performed in FY23.

Refractive Surgery Procedure

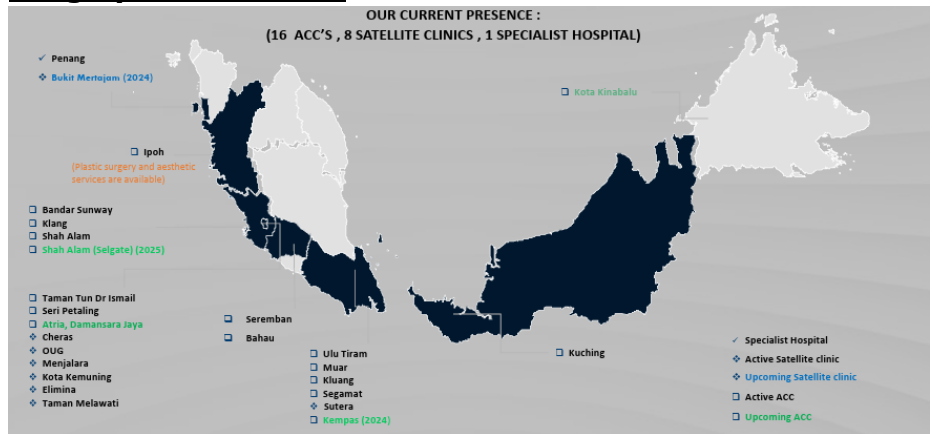


Source: Optimax

- Optimax expanded their services into a new segment: plastic surgery. The venture started off with oculoplastic surgery after a plastic surgeon joined Optimax as a locum doctor that was affected by Covid-19 pandemic. Consequently, the group obtained a license from the Ministry of Health (MOH) in Aug 2023 to perform plastic surgery and offer aesthetic services.

- In addition, Optimax holds the distinction of being the first myopic control clinic in Malaysia dedicated to monitoring children’s vision. New satellite clinics will be introduced which will incorporate myopic control clinics to monitor children’s vision without the necessity of surgeries.
- Moreover, Optimax is collaborating with Selgate Group by taking on the ophthalmology department. We gather that the group does not incur any CAPEX from the construction of the collaboration. Instead, the group will be liable for operational loan and certain charges.
- Looking forward, Optimax remains committed to expand their network with new satellite clinics. Apart of marking their footprint in Cambodia, Optimax is also actively eyeing onto the Vietnamese market as part of the regional expansion plan.

Geographical Presence

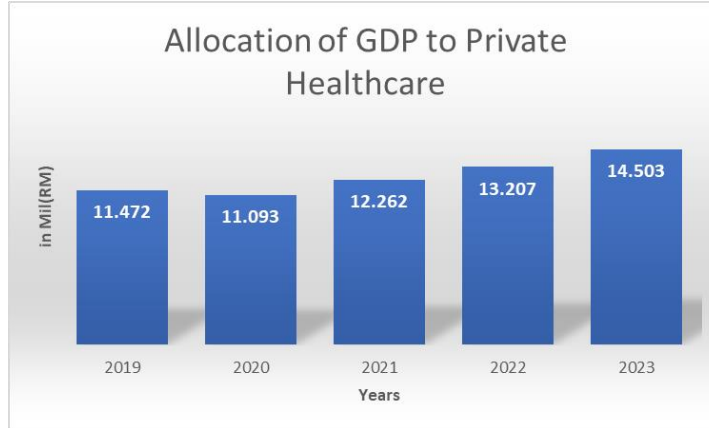


Source: Optimax

Industry Overview

- In 2023, Malaysia's private healthcare GDP allocation recorded a marginal increase of 9.8% yoy to RM14.5m. The said improvement can be attributed to the growing awareness of the importance of health among the population. Over the years, the Malaysian government has gradually ramp up expenditure in private healthcare in yearly basis to cater for increasing demand in response to the rising health awareness among the people.
- According to an independent market research report from Malaysia Ophthalmology Market Outlook to 2025, the allocation of gross domestic product (GDP) to private healthcare market is projected to grow at a CAGR of 10.3% from 2020 to 2025F. Growth will be driven by rising consultations, higher fees, surgery prices, and the aging population. Despite a negative growth rate recorded 2020 due to Covid-19 pandemic, technological advancements and rising insurance partnerships are expected to boost revenue. Additionally, the market is expected to record double-digit growth in consultations and surgeries.

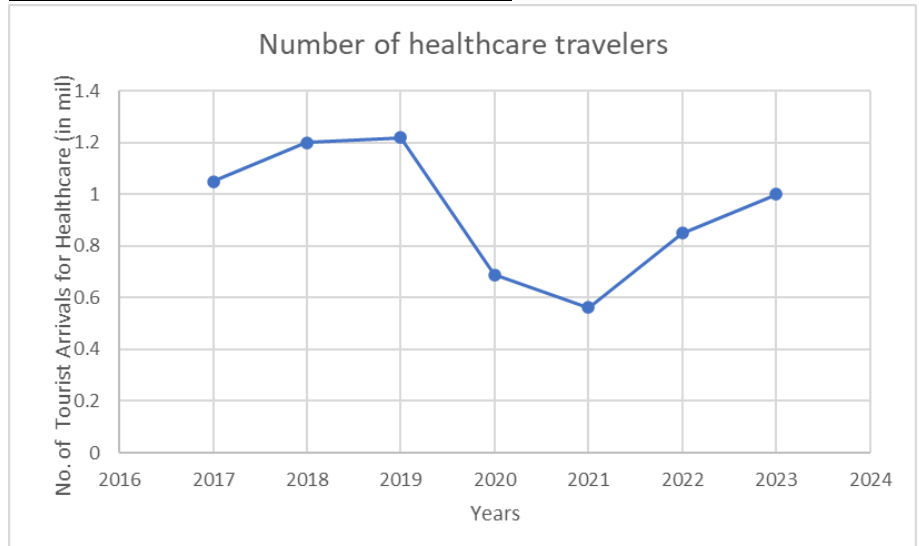
Historical allocation of GDP to private healthcare



Source: Department of Statistics, Apex Securities

- Under the Malaysia's Ophthalmology sector, cataract surgery is regarded as the biggest in-demand requested procedure, constituting approximately 40% of the total surgeries performed. Conversely, refractive surgeries yielded the highest revenue share in 2020, primarily attributed to the elevated surgery prices in Malaysia.
- The cost of ophthalmological treatment in Malaysia is estimated to be circa 40% lower against the amount patients typically spent for similar treatments in the US and European countries like the UK, France, and Germany. For instance, surgery for cataracts costs between SGD2550 to SGD6200 in Singapore, whereas in Malaysia, it ranges from RM6,000 to RM10,000.
- Affordability has partly contributed to the growth in medical tourism activities which allows international patients to receive world-class medical care. As a result, Malaysia has experienced a significant increase in the number of healthcare travelers, rising from 850,000 patients to over 1.0m patients in 2023. In 2022, healthcare travelers contributed RM1.30b to healthcare traveler revenue, representing a +116% yoy increase against RM600.0m revenue in 2021.

Number of healthcare travelers



Source: MHTC, Apex Securities

- Personal healthcare spending in Malaysia is expected to double to RM13.1b by 2028. The Malaysian government is committed to strengthening public healthcare services, evident in the substantial increase allocated to the Ministry of Health (MOH) in the 2024 National Budget, totaling RM41.2b against RM36.3b in 2023. With approximately 10% of the population aged over 60, eldercare options are receiving heightened attention within the healthcare system.
- In Malaysia, both public and private healthcare sectors coexist. Private healthcare providers lead in adopting health technology and partnering with international entities to cater to medical tourists. Public healthcare facilities focus onto expansion of preventive measures, screenings, and healthcare access to remote areas. These efforts will continue to drive the demand for relevant technology and products.

Investment Highlights

- **Expansion of ambulatory care center network.** Optimax is currently expanding to broaden its market reach by engaging more patients both locally and regionally. With the overall utilisation rate of ACCs in 4QFY23 standing at approximately 70%, the TTDI outlet operating at close to full capacity. Therefore, expansion of the ambulatory care center will enhance accessibility for patients to follow up on consultations through satellite clinics, and will allow the Group to extend its expertise and brand to overseas locations such as Cambodia and Singapore. Additionally, Optimax will manage and operate a comprehensive eye specialist center exclusively at the designated SELGATE Group of Hospitals for Selgate.
- **Broadening vision into regional markets.** Diversifying its presence in the field of eye care, Optimax is embarking on an ambitious expansion strategy. Beyond its current operations, the group aims to establish a broader network of eye care facilities across Malaysia, with a particular focus on expansion within the Klang Valley region. Furthermore, Optimax is actively exploring opportunities to extend its expertise and renowned brand beyond Malaysian borders. Optimax has identified promising markets in neighbouring regions, including Cambodia and Singapore, where it plans to introduce its innovative services and establish a strong foothold in the international eye care arena.
- **Direct engagement with communities by prioritising children's vision and eye care at the grassroots level.** Dr. Manoharan Shunmugam, the president of the Malaysian Society of Ophthalmology, highlighted that nationally, the prevalence of myopia among seven-year-old children is 9.8%, escalating to 34.4% by the age of 15. Left untreated during the crucial first decade of life, these children are likely to endure lifelong visual impairment, including conditions like amblyopia, commonly referred to as "lazy eye," which may affect one or both eyes. Therefore, Optimax is committed to ensuring that children receive proper vision and eye care.
- **Favourable industry outlook.** Cataract surgery stands as the most sought-after procedure within Malaysia's Ophthalmology sector, comprising approximately 40% of all surgeries conducted. Conversely, refractive surgeries dominate revenue generation in 2020, largely due to the higher prices associated with these procedures in Malaysia. The Malaysian Ophthalmology Market is expected to witness significant growth, with a projected compound annual growth rate (CAGR) of 10.3% from 2020 to 2025 in terms of overall revenue.

- **Adoption of new technologies entails offering a diverse array of services.** Optimax has achieved the milestone of being the first provider of ReLEx SMILE surgical equipment, and it has further advanced its technological capabilities with the latest investment in ReLEx SMILE PRO. The said equipment not only reduces the duration of surgery, but also associated with lower risks. Nevertheless, Optimax continues to offer four generations of surgical equipment, ensuring a comprehensive range of eye care treatments.

Financial Highlights

- Over the years, Optimax has achieved a four-year compounded annual growth rate (CAGR) of 18.4% and 18.6% in both its top and bottom lines, respectively. Remarkably, despite the challenges posed by Covid-19 and its aftermath, Optimax has sustained its overall revenue within the range of RM53m to RM84m for FY19 to FY21. This resilience indicates that the industry is still experiencing growth.
- Moving forward, we anticipate revenue to hit RM131.6m (+15% yoy) for FY24F and RM136.6m (+5.0% yoy) for FY25F, driven by Optimax's aggressive expansion of satellite clinics and the introduction of new services, including plastic surgery and aesthetic services. However, our net earnings forecasts for FY24F and FY25F stand at RM19.1m (+47.9% yoy) and RM17.7m (-7.0% yoy), respectively. We opined Optimax growth may experience a slowdown by FY25F due to the delayed readiness of the Setia Alam Hospital, whilst incurring additional depreciation costs. Given that most of the ongoing expansions are expected to contribute towards topline FY24, we expect the Setia Alam hospital to commence operations by early 2025. Consequently, we expect stronger contribution to begin flowing in from FY26F.

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Revenue	88.9	108.0	114.0	131.6	136.6
EBITDA	26.2	32.4	31.1	40.3	41.8
Pre-tax Profit	18.5	23.5	20.0	27.7	27.7
Profit After Tax	13.0	16.4	14.3	20.8	19.4
Net Profit	12.2	14.7	12.9	19.1	17.7
Core Net Profit	12.2	14.7	12.9	19.1	17.7
Core EPS (sen)	2.3	2.7	2.4	3.5	3.3
Core P/E (x)	28.4	23.7	27.0	18.2	19.6
Dividend Yield (%)	0.0	0.0	3.1	3.4	4.8
ROE(%)	21%	24%	19%	22%	17%
Gearing (%)	Net Cash	Net Cash	3.0%	Net Cash	Net Cash

Source: Company, Apex Securities

Valuation & Recommendation

- We initiate coverage on Optimax with a **BUY** call at a target price of RM0.76, based on 23.0x PE pegged to FY25F EPS of 3.5 sen. The PER assigned for valuation is based on two-year historical average PE.
- We are optimistic about Optimax's earnings growth prospect, premised to the prudent management practices, which have been evident in its financial performance over the past few years. Despite various challenges and market fluctuations,

Optimax consistently delivered solid results, indicating a strong foundation and effective management strategies. Moreover, Optimax's aggressive expansion initiatives, both within Malaysia and beyond, further bolster our confidence in its growth potential.

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RESEARCH RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

BUY: Total returns* are expected to exceed 10% within the next 12 months.
HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.
SELL: Total returns* are expected to be below -10% within the next 12 months.
TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.
TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.
 *Capital gain + dividend yield

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.
NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.
UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

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