

Chelsea Chew

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Recommendation:	HOLD
Current Price:	RM 0.66
Previous Target Price:	RM 0.76
Target Price:	RM 0.72
Upside/Downside:	9.1%

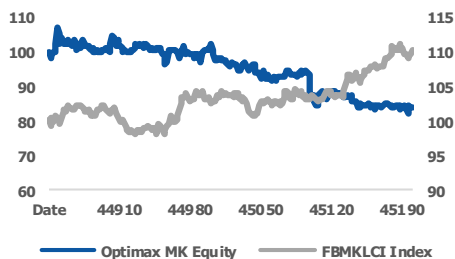
Stock information

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)	358.6
52-Week Price Range (RM)	0.58-0.74
Beta (x)	0.7
Free float (%)	29.4
3M Average Volume (m)	0.8
3M Average Value (RM' m)	0.5

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 (%)	2.3	10.0	-9.0
Relative (%)	0.2	5.6	-20.8

Optimax Holdings Berhad

Within expectations










Summary

- **Optimax's 1QFY24 core net profit RM3.0m came within our expectations.**
- **Looking ahead, better profits are expected in late Q2 and Q3 of FY24 due to the commencement of operations in the Cambodia branch and the current soft launch of the aesthetic clinic in Atria.**
- **We downgraded to HOLD recommendation with a lower target price of RM0.72 by pegging PE multiple of 22x to FY25F EPS of 3.3 sen.**

Results Review

- **Results review.** 1QFY24 core net profit slightly declined by 1.2% yoy to RM3.0m, but bottom-neck profitability remained despite higher operating costs incurred in FY23. Revenue for the quarter surged by 8.1% yoy to RM28.2m, primarily attributed to effective marketing efforts through ongoing promotions and contributions from newly established satellite clinics/centre.
- **Within expectations.** The reported core net profit came within both ours and consensus forecast, accounting for 23.4% and 21.0% of the projected full-year net profits of RM19.1m and RM14.6m, respectively. Improvement in 3QFY24 may stem from opening of the Cambodia branch along with the commencement of operations at the Group's inaugural aesthetic clinic in May 2024.
- **Operations Highlights.** Despite a slight decrease in core net profit, there has been a 7.4% yoy increase in laser vision correction surgeries compared to 1QFY23, attributed to ReLEx SMILE PRO treatment. In May 2024, the Group's Cambodia branch and first aesthetic clinic soft launch after acquiring the necessary licenses, are set to contribute from June 2024.
- **Industry Highlights.** Asia is known for its high myopia rates, which stem from environmental and genetic factors such as extended screen time and academic pressure. Spending more time indoors exacerbates the issue, as sunlight exposure is crucial for regulating eye length growth. Malaysia has a 13.4% prevalence of myopia among all school children worldwide. As a result, we foresee the outlook for the healthcare industry remains robust, aligning with the government's agenda.
- **Outlook.** We believe that the healthcare industry remains robust due to rising demand and awareness among local and foreign patients, along with parents who are cautious over their children's health. We anticipate expansion in certain Ambulatory Care Centers (ACCs), such as those in Kota Kinabalu, Cambodia, and the forthcoming Kempas Eye Hospital and Setia Alam Hospital will anchor growth.
- **Valuation.** We have maintained our core earnings forecast unchanged for FY24F and FY25F at RM19.0m and RM17.7m, respectively. However, we have downgraded our recommendation on OPTIMAX from BUY to **HOLD**, with a revised lower target price of RM0.72, by pegging at 22.0x P/E multiple to FY25F EPS of 3.3sen.
- **Risk.** Legal approvals, licenses, and permits in operations, as well as reputational risks stemming from allegations of medical negligence. Potential delays or termination risks regarding announced expansion plans.

Figure 1: Results Comparison

FYE Dec (RM m)	1QFY24	1QFY23	YoY (%)	4QFY23	QoQ (%)	3MFY23	3MFY24	YoY (%)	5 Quarters Trend	Comments
Revenue	28.2	26.1	8.1	31.4	(10.2)	26.1	28.2	8.1		Lower sales due to start of the year and festivities
EBITDA	7.7	7.2	7.2	8.3	(6.6)	7.2	7.7	7.2		
Pre-tax profit	4.5	4.6	(4.1)	5.3	(15.7)	4.6	4.5	(4.1)		
Net profit	3.3	3.3	0.3	3.6	(7.7)	3.3	3.3	0.3		
Core net profit	3.0	3.1	(1.2)	3.2	(5.1)	3.1	3.0	(1.2)		Remaining stable as sales demonstrate enhancement
Core EPS (sen)	0.6	0.6	(1.2)	0.6	(5.1)	0.6	0.6	(1.2)		
EBITDA margin (%)	27.4	27.7		26.4		27.7	27.4			
PBT margin (%)	15.8	17.8		16.8		17.8	15.8			
Core PATMI margin (%)	10.7	11.7		10.1		11.7	10.7			

Source: Company, Apex Securities

Financial Highlights
Income Statement

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Revenue	88.9	108.0	114.0	131.6	136.6
Gross Profit	69.4	84.4	89.4	103.2	107.1
EBITDA	26.2	32.4	31.1	40.3	41.8
Depreciation & Amortisation	-6.6	-7.8	-9.9	-11.3	-13.0
EBIT	19.6	24.6	21.2	29.0	28.9
Net Finance Income/ (Cost)	-1.1	-1.1	-1.2	-1.3	-1.2
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	18.5	23.5	20.0	27.7	27.7
Tax	-5.5	-5.5	-7.1	-5.7	-6.9
Profit After Tax	13.0	16.4	14.3	20.8	19.4
Minority Interest	-0.8	-1.7	-1.4	-1.7	-1.6
Net Profit	12.2	14.7	12.9	19.1	17.7
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Net Profit	12.2	14.7	12.9	19.1	17.7

Key Ratios

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
EBITDA margin	29.5%	30.0%	27.3%	30.6%	30.6%
EBIT margin	22.0%	22.8%	18.6%	22.0%	21.1%
PBT margin	20.8%	21.8%	17.6%	21.0%	20.3%
PAT margin	14.7%	15.2%	12.5%	15.8%	14.2%
NP margin	13.8%	13.6%	11.3%	14.5%	13.0%
Core NP margin	13.8%	13.6%	11.3%	14.5%	13.0%
ROE	21.2%	23.7%	19.0%	21.9%	17.0%
ROA	20.7%	21.5%	14.4%	20.0%	17.2%
Net gearing	Net Cash	Net Cash	3.0%	Net Cash	Net Cash

Key Assumptions

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Medical services	84.0	101.7	107.7	123.7	128.4
Medicine and others	4.9	6.3	6.7	7.9	8.2
Satellite clinics	0	1	6	8	10

Valuations

FY25F	
Core EPS (RM)	0.03
P/E multiple (x)	22.0
Fair Value (RM)	0.72

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Cash	19.6	18.2	16.2	22.2	27.9
Receivables	4.6	2.5	3.2	3.2	3.0
Inventories	3.1	4.3	5.0	3.3	3.7
Other current assets	6.3	8.0	5.8	9.2	10.2
Total Current Assets	33.5	33.1	30.2	38.0	44.8
Fixed Assets	49.3	58.0	73.5	79.3	86.8
Intangibles	9.5	9.9	15.7	15.7	15.7
Other non-current assets	0.4	0.4	0.3	0.3	0.3
Total Non-current assets	59.1	68.3	89.6	95.3	102.9
Short-term Debt	3.6	3.8	3.1	3.3	3.5
Payables	7.8	9.3	15.4	12.5	12.1
Other Current Liabilities	2.6	2.8	3.4	3.4	3.5
Total Current Liabilities	14.0	15.9	21.9	19.2	19.1
Long-term Debt	12.2	13.4	15.0	16.5	18.2
Other non-current liabilities	8.7	10.0	14.8	10.8	5.9
Total Non-current Liabilities	20.9	23.5	29.9	27.3	24.1
Shareholder's equity	34.6	42.0	48.9	86.8	121.9
Minority interest	2.7	3.9	4.9	4.9	4.9
Total Equity	57.7	62.0	68.0	86.9	104.5

Cash Flow

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Pre-tax profit	18.5	23.5	20.0	27.7	27.7
Depreciation & amortisation	6.6	7.8	9.9	11.3	13.0
Changes in working capital	26.1	32.3	31.0	40.2	41.8
Others	-4.0	-5.6	-5.6	-5.6	-5.6
Operating cash flow	19.7	27.1	25.3	38.1	36.4
Net capex	-11.1	-11.1	-11.3	-17.1	-20.5
Others	10.8	-0.1	1.9	1.9	1.9
Investing cash flow	-0.3	-11.2	-9.4	-15.2	-18.6
Dividends paid	-0.5	-0.6	-0.5	-0.1	-0.2
Others	-10.3	-15.6	-17.4	-11.0	-12.0
Financing cash flow	-10.7	-16.1	-18.0	-11.1	-12.2
Net cash flow	8.7	-0.3	-2.0	11.8	5.7
Forex	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	6.0	7.0	8.4	10.4	22.2
Ending cash	7.0	8.4	10.4	22.2	27.9

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD	DEALING TEAM	RESEARCH TEAM
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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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