

**Chelsea Chew**

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<b>Recommendation:</b>	<b>BUY</b>
<b>Current Price:</b>	<b>RM 0.68</b>
<b>Previous Target Price:</b>	<b>RM 0.74</b>
<b>Target Price:</b>	<b>RM 0.76</b> <span style="color: green;">↑</span>
<b>Upside/Downside:</b>	<b>12.6%</b>

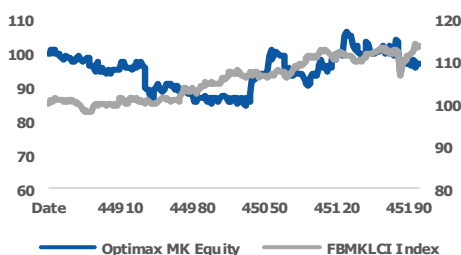
**Stock information**

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)	366.7
52-Week Price Range (RM)	0.58-0.735
Beta (x)	0.6
Free float (%)	29.4
3M Average Volume (m)	0.7
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**



	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute (%)	-2.2	2.3	-3.6
Relative (%)	-5.1	-2.0	-16.3

## Optimax Holdings Berhad

### Higher operational cost bites into margins

#### Summary










- **OPTIMAX 2QFY24 core net profit of RM3.8m (-1.4% yoy and +25% qoq), bringing 1HFY24 core net profit at RM6.8m (-1.3% yoy) came below ours and consensus expectations, constituting 36% and 46% of forecast respectively, impacted by higher depreciation and staff costs.**
- **Tweaked our FY24F earnings forecast from RM19.1m to RM14.6m on increasing operating expenses and set the FY25F core net profit forecast at RM18.7m (up from RM17.7m) based on better growth prospects.**
- **Upgrade our recommendation to BUY, with a higher target price of RM0.76, pegged by P/E multiple of 22x for FY25F EPS of 3.4 sen.**

#### Results Review

- **Results review.** 2QFY24 reported revenue increased +14.9% yoy and +13.6% qoq, reaching RM32.0m. This stellar performance is mainly driven by higher sales volume resulting from the group's successful marketing efforts. While, core net profit experienced a slight decline of -1.4% yoy but improved by +25% qoq, standing at RM3.8m. Core net profit weakness was not aligned proportionally with higher revenue due to higher operational cost and depreciation during the quarter.
- **Below expectations.** 1HFY24 core net profit of RM6.8m came below expectations, constituting 36% of our forecast and 46% of consensus expectations. Key deviation is mainly due to higher-than-expected operational and depreciation charges.
- **Operations Highlights.** During the quarter, decline in the bottom line was affected by additional staff hired for new ACCs and satellite clinics, increased depreciation related to rental costs from the new satellite clinic, and pre-operation costs incurred for Cambodia ACC. We expect the margins to normalise once the new centres/clinics commence operations in 2H24.
- In May 2024, the Group's Cambodia branch and its aesthetic clinic, Neumax, began operations and are expected to boost revenue from June. Meanwhile in July, Optimax's subsidiary signed an MOU with Malaysia's Ministry of Health to provide eye exams and spectacles to Putrajaya primary school students, aiming to improve the children's vision and overall well-being.
- **Industry Highlights.** A study at UM Medical Centre found that 32.6% of 1,002 patients had visual impairments, with 0.9% blind. These results highlight the need for general practitioners to address avoidable visual impairments. The robust healthcare outlook, driven by rising health awareness and demand, well positioned Optimax to benefit from expansionary of its network of ambulatory care centers and satellite clinics across Malaysia.
- **Outlook.** New ACCs in Atria Mall, Petaling Jaya, and Kota Kinabalu are set to open in September 2024. Optimax is also introducing PRESBYOND technology for presbyopia and expanding pediatric eye care services. The move aim to enhance treatment options and attract more patients. Also, increased health awareness is expected to boost Optimax's sales performance.

- **Valuation.** We trimmed our FY24F earnings forecast, reducing the GP margin from 78.1% to 77.0% and increased operating expenses by c.3%, resulting in a core net profit of RM14.6m (previously at RM19.1m). For FY25F, we expect the GP margin to improve at 79.5% (from 78.1%) underpinned by commencement of Kempas Eye Hospital, Setia Alam Hospital and new ACCs/clinics, thereby boosting the core net profit to RM18.7m. As a result, we upgrade our recommendation for **OPTIMAX** to **BUY** (from HOLD) with a higher target price to RM0.76, based on P/E multiple of 22x for the FY25F EPS of 3.4 sen.
- **Risk.** Exposed to foreign exchange risk with potential short-term increases in material costs and freight charges.

Figure 1: Results Comparison

FYE Dec (RM m)	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	1HFY23	1HFY24	YoY (%)	5 Quarters Trend	Comments
Revenue	32.0	27.9	14.9	28.2	13.6	54.0	60.3	11.6		Higher sales due to the effective marketing effort
EBITDA	10.1	8.2	23.2	7.7	30.3	15.4	17.8	15.7		
Pre-tax profit	5.9	5.5	6.4	4.5	31.2	10.1	10.3	1.6		Minimal improvement capped by higher operating costs
Net profit	4.2	4.2	0.4	3.3	26.4	7.5	7.5	0.4		
Core net profit	3.8	3.8	(1.4)	3.0	25.0	6.9	6.8	(1.3)		
Core EPS (sen)	0.7	0.7	(1.4)	0.6	25.0	1.3	1.2	(1.3)		
EBITDA margin (%)	31.5	29.3		27.4		28.5	29.6			
PBT margin (%)	18.3	19.7		15.8		18.8	17.1			
Core PATMI margin (%)	11.8	13.7		10.7		12.7	11.3			

Source: Company, Apex Securities

### Financial Highlights

#### Income Statement

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
<b>Revenue</b>	<b>108.0</b>	<b>114.0</b>	<b>131.6</b>	<b>136.6</b>	<b>146.3</b>
<b>Gross Profit</b>	<b>84.4</b>	<b>89.4</b>	<b>101.3</b>	<b>108.6</b>	<b>115.5</b>
<b>EBITDA</b>	<b>32.4</b>	<b>31.1</b>	<b>34.5</b>	<b>43.3</b>	<b>43.5</b>
Depreciation & Amortisation	-7.8	-9.9	-11.3	-13.0	-13.9
<b>EBIT</b>	<b>24.6</b>	<b>21.2</b>	<b>23.2</b>	<b>30.3</b>	<b>29.5</b>
Net Finance Income/ (Cost)	-1.1	-1.2	-1.3	-1.2	-1.3
Associates & JV	0.0	0.0	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>23.5</b>	<b>20.0</b>	<b>21.9</b>	<b>29.1</b>	<b>28.2</b>
Tax	-5.5	-7.1	-5.7	-5.5	-8.7
<b>Profit After Tax</b>	<b>16.4</b>	<b>14.3</b>	<b>16.4</b>	<b>20.4</b>	<b>19.8</b>
Minority Interest	-1.7	-1.4	-1.7	-1.6	-1.8
<b>Net Profit</b>	<b>14.7</b>	<b>12.9</b>	<b>14.7</b>	<b>18.7</b>	<b>18.0</b>
Exceptionals	0.0	0.0	0.0	0.0	0.0
<b>Core Net Profit</b>	<b>14.7</b>	<b>12.9</b>	<b>14.7</b>	<b>18.7</b>	<b>18.0</b>

#### Key Ratios

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
EBITDA margin	30.0%	27.3%	26.2%	31.7%	29.7%
EBIT margin	22.8%	18.6%	17.6%	22.2%	20.2%
PBT margin	21.8%	17.6%	16.6%	21.3%	19.3%
PAT margin	15.2%	12.5%	12.5%	14.9%	13.5%
NP margin	13.6%	11.3%	11.2%	13.7%	12.3%
Core NP margin	13.6%	11.3%	11.2%	13.7%	12.3%
ROE	23.7%	19.0%	17.8%	18.5%	15.2%
ROA	21.5%	14.4%	15.4%	18.2%	16.3%
Net gearing	Net Cash	3.0%	5.5%	Net Cash	Net Cash

#### Key Assumptions

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Medical services	101.7	107.7	123.7	128.4	137.5
Medicine and others	6.3	6.7	7.9	8.2	8.8
Satellite clinics	1	6	8	10	12

#### Valuations

	FY25F
Core EPS (RM)	0.03
P/E multiple (x)	22.0
<b>Fair Value (RM)</b>	<b>0.76</b>

Source: Company, Apex Securities

#### Balance Sheet

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Cash	18.2	16.2	15.3	26.5	38.0
Receivables	2.5	3.2	3.2	3.0	3.6
Inventories	4.3	5.0	2.9	5.2	9.8
Other current assets	8.0	5.8	9.9	10.2	11.0
<b>Total Current Assets</b>	<b>33.1</b>	<b>30.2</b>	<b>31.3</b>	<b>44.9</b>	<b>62.5</b>
Fixed Assets	58.0	73.5	79.3	86.8	93.3
Intangibles	9.9	15.7	15.7	15.7	16.7
Other non-current assets	0.4	0.3	0.3	0.3	0.3
<b>Total Non-current assets</b>	<b>68.3</b>	<b>89.6</b>	<b>95.3</b>	<b>102.9</b>	<b>110.4</b>
Short-term Debt	3.8	3.1	3.3	3.5	3.6
Payables	9.3	15.4	13.4	10.7	10.8
Other Current Liabilities	2.8	3.4	3.8	3.4	3.7
<b>Total Current Liabilities</b>	<b>15.9</b>	<b>21.9</b>	<b>20.5</b>	<b>17.5</b>	<b>18.1</b>
Long-term Debt	13.4	15.0	16.5	18.2	20.0
Other non-current liabilities	10.0	14.8	7.1	11.0	15.8
<b>Total Non-current Liabilities</b>	<b>23.5</b>	<b>29.9</b>	<b>23.6</b>	<b>29.2</b>	<b>35.8</b>
Shareholder's equity	42.0	48.9	78.0	115.1	150.8
Minority interest	3.9	4.9	4.9	4.9	4.9
<b>Total Equity</b>	<b>62.0</b>	<b>68.0</b>	<b>82.5</b>	<b>101.1</b>	<b>118.9</b>

#### Cash Flow

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
<b>Pre-tax profit</b>	<b>23.5</b>	<b>20.0</b>	<b>21.9</b>	<b>29.1</b>	<b>28.2</b>
Depreciation & amortisation	7.8	9.9	11.3	13.0	13.9
Changes in working capital	1.3	1.0	3.6	5.5	5.6
Others	-5.6	-5.6	-5.6	-5.6	-5.6
<b>Operating cash flow</b>	<b>27.1</b>	<b>25.3</b>	<b>31.2</b>	<b>42.0</b>	<b>42.2</b>
Net capex	-11.1	-11.3	-17.1	-20.5	-20.5
Others	-0.1	1.9	1.9	1.9	1.9
<b>Investing cash flow</b>	<b>-11.2</b>	<b>-9.4</b>	<b>-15.2</b>	<b>-18.6</b>	<b>-18.5</b>
Dividends paid	-0.6	-0.5	-0.1	-0.2	-0.2
Others	-15.6	-17.4	-11.0	-12.0	-12.0
<b>Financing cash flow</b>	<b>-16.1</b>	<b>-18.0</b>	<b>-11.1</b>	<b>-12.2</b>	<b>-12.2</b>
<b>Net cash flow</b>	<b>-0.3</b>	<b>-2.0</b>	<b>4.9</b>	<b>11.3</b>	<b>11.5</b>
Forex	0.0	0.0	0.0	0.0	0.0
Others	-1.1	0.0	-5.8	0.0	0.0
Beginning cash	19.6	18.2	16.2	15.3	26.5
<b>Ending cash</b>	<b>18.2</b>	<b>16.2</b>	<b>15.3</b>	<b>26.5</b>	<b>38.0</b>

**APEX SECURITIES BERHAD – CONTACT LIST**

**APEX SECURITIES BHD**

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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

**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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