

Chelsea Chew

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Recommendation:	BUY
Current Price:	RM 0.62
Previous Target Price:	RM 0.76
Target Price:	RM 0.70
Upside/Downside:	12.9%

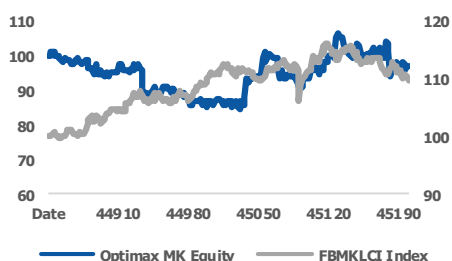
Stock information

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)	336.8
52-Week Price Range (RM)	0.58-0.735
Beta (x)	0.5
Free float (%)	29.4
3M Average Volume (m)	0.3
3M Average Value (RM' m)	0.2

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 (%)	-6.1	-6.8	-8.8
Relative (%)	-5.7	-2.6	-17.7

Optimax Holdings Berhad

Slight miss, but outlook remains optimistic

Summary

- **Optimax reported 3QFY24 core net profit of RM3.2m (-15.9% qoq, +11.7% yoy). 9MFY24 core net profit of RM10.0m (+2.5% yoy), which came below both ours and consensus expectations, accounting for 67.8%/68.0% of full year forecasts respectively.**
- **We revised our FY24F depreciation rate from 12.5% to 13% and our tax rate from 25% to 28% (YTD tax rate was 26.6%). This resulted in FY24F CNP of RM13.7m. We have also revised our FY25F forecast lower by 7%, from RM18.7m to RM17.3m, as we increased our operating expense forecasts by additional 2% on the account of pre-operation training expenses for hospital operation commencement.**
- **Our current FY25F and FY26F forecasts exclude hospital contributions, as Optimax is still in the MOU stage for potential partnerships.**
- **Maintain BUY recommendation on OPTIMAX, with a lower target price of RM0.70 based on 22.0x pegged to FY25F EPS of 3.2 sen.**

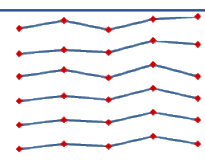
Results Review

- **Below expectations.** Optimax's 9MFY24 core net profit (CNP) of RM10.0m accounted for 67.8% of our CNP forecast of RM14.7m and 68.0% of the street forecast of FY24F CNP at RM14.6m. Despite missing our and the consensus's expectations this quarter, the top line still aligned with our and consensus forecast, accounting for 70.9% of our revenue forecast of RM131.6m and 74.0% of the consensus of RM126.0m. Margins compression were noticeable on higher OPEX (higher staff cost in advance) and depreciation rates were recognised this quarter, as most of the new ACCs (Kota Kinabalu) and satellite clinics received operating licenses during this period.
- **Proposed dividend.** An interim dividend of 0.8 sen per share, payable on 30 Dec 2024 was declared.
- **QoQ.** 3QFY24 CNP declined -15.9% qoq to RM3.2m (from RM3.8m), despite a 3.3% qoq increase in revenue to RM33.1m — the weaker CNP was due to higher OPEX and depreciation expenses. Geographically, Central Malaysia saw a +4.4% qoq increase. While Cambodia surged +137.0% qoq improvement (due to a lower base effect). Central region's major contribution is mainly linked to the Atria clinics with some minor contribution from the aesthetic service. (Atria has 4 Operation Theatres (OT) and an aesthetic clinic—Neumax clinic)
- **YoY.** 9MFY24 CNP rose 2.5% yoy to RM10.0m; the marginal increase was due to the effective promotional efforts from ongoing promotion and newly set up satellite clinics. On the other side, the top-line rose +13.1% yoy. Bottom line margin compression due to (i) higher OPEX, mainly additional hiring costs in anticipation for FY25 ACCs commencement, (ii) higher depreciation rate on new ACCs with associated rental costs and (iii) pre-operation costs at the Cambodia ACCs.
- **Outlook.** Signed an MOU to operate full-service eye specialist centre in Selgate Group of hospitals. This hospital group will be one of the large-scale private healthcare operators in the country by end-2026, as it plans to complete and operate seven hospitals. While, Optimax currently has signed the MOU of the first

hospital of Selgate Group in Setia Alam, we gather that construction is expected to be completed in 4Q24 and operational in early 2025.

- Kempas Eye Hospital serves to capture the increased demand for Indonesia and Singapore medical tourism. Optimax may capitalise from its ability to price ReLEx SMILE service cheaper (refer to Appendix 1). The Group is also able to provide ReLEx SMILE pro and PRESBYOND laser treatment.
- **Earnings revision.** We revised our depreciation and tax rates in FY24F to 13.0% from 12.5% and 25% to 28%, respectively. Most of the new ACC experienced higher depreciation expenses with associated rentals, and the YTD tax rate was recorded at 26.6%. This result in FY24F CNP at RM13.7m. We have also revised our FY25F forecast lower from RM18.7m to RM17.3m (-7%) following the additional 2% in operating expenses (from 48% to 50% of total revenue), due to the pre-operation training costs for hospital staff. The current FY25F and FY26F CNP has yet to factor in hospital revenue, as Optimax is still in the MOU stage with both hospitals.
- **Valuation.** Maintain **BUY** recommendation with a lower TP of **RM0.70** (from RM0.76). This is based on a PE multiple of 22.0x (2-year historical average) pegged to FY25F EPS of 3.2 sen, almost equivalent to Optimax's 2-year average historical PE of 22.6x. We are confident on Optimax's prospects, premised to the Group's market leading position in cataract and refractive surgeries, advanced medical technology and aggressive expansion plans.
- **Risks.** (i) Exposed to foreign exchange risk with potential short-term increases in material costs and freight charges, (ii) Changes in hospital agreements.

Figure 1: Results Comparison

FYE Dec (RM m)	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)	9MFY23	9MFY24	YoY (%)	5 Quarters Trend	Comments
Revenue	33.1	28.5	16.0	32.0	3.3	82.5	93.4	13.1		Higher sales due to the effective marketing effort
EBITDA	9.2	7.4	23.6	10.1	(9.0)	22.8	27.0	18.2		
Pre-tax profit	4.6	4.6	0.2	5.9	(21.7)	14.7	14.9	1.2		
Net profit	3.4	3.2	7.0	4.2	(19.0)	10.7	10.9	2.3		
Core net profit	3.2	2.8	11.7	3.8	(15.9)	9.7	10.0	2.5		
Core EPS (sen)	0.6	0.5	11.7	0.7	(15.9)	1.8	1.8	2.5		
EBITDA margin (%)	27.7	26.0		31.5		27.7	28.9		Slight dip due to higher opex and depreciation expense	
PBT margin (%)	13.8	16.0		18.3		17.8	15.9			
Core PATMI margin (%)	9.6	9.9		11.8		11.8	10.7			

Source: Company, Apex Securities

Financial Highlights
Income Statement

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Revenue	108.0	114.0	131.6	138.8	151.6
Gross Profit	84.4	89.4	101.3	110.4	119.7
EBITDA	32.4	31.1	34.5	41.2	43.5
Depreciation & Amortisation	-7.8	-9.9	-11.8	-13.0	-14.0
EBIT	24.6	21.2	22.7	28.3	29.5
Net Finance Income/ (Cost)	-1.1	-1.2	-1.3	-1.3	-1.3
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	23.5	20.0	21.4	27.0	28.2
Tax	-5.5	-7.1	-5.7	-6.0	-8.1
Profit After Tax	16.4	14.3	15.4	18.9	19.7
Minority Interest	-1.7	-1.4	-1.7	-1.7	-1.8
Net Profit	14.7	12.9	13.7	17.3	17.9
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Net Profit	14.7	12.9	13.7	17.3	17.9

Key Ratios

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
EBITDA margin	30.0%	27.3%	26.2%	29.7%	28.7%
EBIT margin	22.8%	18.6%	17.3%	20.4%	19.5%
PBT margin	21.8%	17.6%	16.3%	19.5%	18.6%
PAT margin	15.2%	12.5%	11.7%	13.6%	13.0%
NP margin	13.6%	11.3%	10.4%	12.4%	11.8%
Core NP margin	13.6%	11.3%	10.4%	12.4%	11.8%
ROE	23.7%	19.0%	16.8%	17.5%	15.4%
ROA	21.5%	14.4%	14.4%	16.8%	16.1%
Net gearing	Net Cash	3.0%	5.6%	Net Cash	Net Cash

Key Assumptions

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Medical services	101.7	107.7	123.7	130.5	142.5
Medicine and others	6.3	6.7	7.9	8.3	9.1
Satellite clinics	1	6	8	10	12

Valuations

	FY25F
Core EPS (RM)	0.03
P/E multiple (x)	22.0
Fair Value (RM)	0.70

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Cash	18.2	16.2	15.3	23.4	33.4
Receivables	2.5	3.2	3.2	3.0	3.7
Inventories	4.3	5.0	2.9	4.7	8.7
Other current assets	8.0	5.8	9.9	10.4	11.4
Total Current Assets	33.1	30.2	31.3	41.6	57.3
Fixed Assets	58.0	73.5	78.8	86.7	93.9
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
Total Non-current assets	68.3	89.6	94.9	102.8	110.9
Short-term Debt	3.8	3.1	3.3	3.5	3.6
Payables	9.3	15.4	13.4	11.1	11.5
Other Current Liabilities	2.8	3.4	3.8	3.4	3.8
Total Current Liabilities	15.9	21.9	20.5	18.0	19.0
Long-term Debt	13.4	15.0	16.5	18.2	20.0
Other non-current liabilities	10.0	14.8	7.6	9.6	12.9
Total Non-current Liabilities	23.5	29.9	24.2	27.8	32.9
Shareholder's equity	42.0	48.9	76.0	110.2	145.7
Minority interest	3.9	4.9	4.9	4.9	4.9
Total Equity	62.0	68.0	81.5	98.6	116.4

Cash Flow

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Pre-tax profit	23.5	20.0	21.4	27.0	28.2
Depreciation & amortisation	7.8	9.9	11.8	13.0	14.0
Changes in working capital	1.3	1.0	3.6	4.8	4.8
Others	-5.6	-5.6	-5.6	-5.6	-5.6
Operating cash flow	27.1	25.3	31.2	39.2	41.5
Net capex	-11.1	-11.3	-17.1	-20.8	-21.2
Others	-0.1	1.9	1.9	1.9	1.9
Investing cash flow	-11.2	-9.4	-15.2	-18.9	-19.3
Dividends paid	-0.6	-0.5	-0.1	-0.2	-0.2
Others	-15.6	-17.4	-11.0	-12.0	-12.0
Financing cash flow	-16.1	-18.0	-11.1	-12.2	-12.2
Net cash flow	-0.3	-2.0	4.9	8.2	10.0
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	23.4
Ending cash	18.2	16.2	15.3	23.4	33.4

Appendix 1: Surgeries breakdown

Cataract Surgeries					
			Total	YoY	QoQ
FY23	Q1	1695	6968		
	Q2	1747			
	Q3	1750			
	Q4	1776			
FY24	Q1	1552	5213	▲ 1.2%	▼ -6.3%
	Q2	1890			
	Q3	1771			
	Q4				

Refractive Surgeries (Laser Vision Correction)					
			Total	YoY	QoQ
FY23	Q1	1634	7238		
	Q2	1731			
	Q3	1910			
	Q4	1963			
FY24	Q1	1755	4806	▼ -19.9%	▲ 0.5%
	Q2	1522			
	Q3	1529			
	Q4				

Refractive Surgeries (Implant Vision Correction)					
			Total	YoY	QoQ
FY23	Q1	73	290		
	Q2	84			
	Q3	62			
	Q4	71			
FY24	Q1	52	223	▲ 51.6%	▲ 22.1%
	Q2	77			
	Q3	94			
	Q4				

*FY24 total figure is on a YTD basis

Source: Optimax, Apex Securities

Appendix 2: Price comparison in SEA countries on ReLEx SMILE service

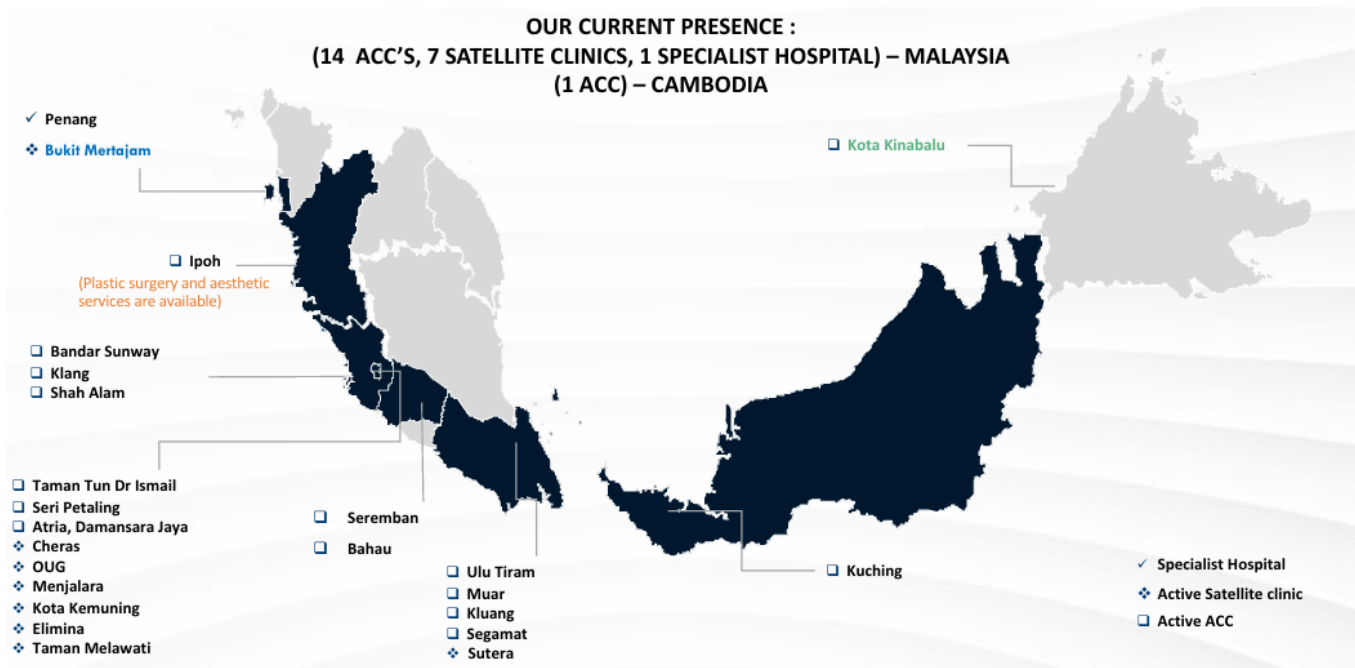
Average ReLEx SMILE pricing in SEA¹

1. Thailand – RM19,500
2. Singapore – RM18,600
3. Philippine – RM11,000
4. Indonesia – RM11,000
5. Malaysia (Optimax) – RM10,800

Source: Optimax, Apex Securities Berhad

*Note: (1) Price of ReLEx SMILE procedures (both eyes) as at 31 March 2024.

Appendix 3: Optimax’s market presence



Source: Optimax's Q2FY24 deck, Apex Securities Berhad

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD

DEALING TEAM

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Amir Hamdan (ext 2112)

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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