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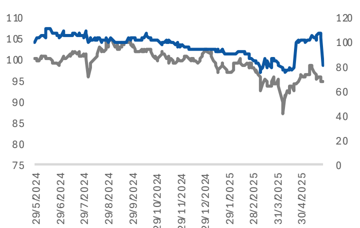
| **Recommendation:** | | **BUY** |
|---|---|---|
| Current Price: | | RM 0.52 |
| Previous Target Price: | | RM 0.69 |
| Target Price: | ↔ | RM 0.69 |
| Capital Upside/Downside: | | 32.7% |
| Dividend Yield (%): | | 3.0% |
| **Total Upside/Downsid** | | **35.7%** |

**Stock information**

| | |
|---|---|
| Board | MAIN |
| Sector | Healthcare |
| Bursa / Bloomberg Code | 0222 / OPTIMAXMK |
| Syariah Compliant | Yes |
| ESG Rating | ★★★ |
| Shares issued (m) | 543.3 |
| Market Cap (RM' m) | 279.8 |
| 52-Week Price Range (RM) | 0.735-0.46 |
| Beta (x) | 0.7 |
| Free float (%) | 28.8 |
| 3M Average Volume (m) | 0.4 |
| 3M Average Value (RM' m) | 0.2 |

| **Top 3 Shareholders** | **(%)** |
|---|---|
| Sena Holdings Sdn Bhd | 29.6 |
| Tan Boon Hock | 27.2 |
| Chung Soon Hee | 5.7 |

**Share Price Performance**




| | 1M | 3M | 12M |
|---|---|---|---|
| Absolute (%) | 3.0 | -7.2 | -21.4 |
| Relative (%) | 2.5 | -4.1 | -17.1 |

**Earnings Summary**

| FYE Dec (RM m) | FY24 | FY25F | FY26F |
|---|---|---|---|
| Revenue (RM'm) | 127.7 | 138.8 | 149.0 |
| PATAMI (RM'm) | 13.0 | 16.9 | 16.8 |
| CNP (RM'm) | 13.0 | 16.9 | 16.8 |
| EPS - core (sen) | 2.4 | 3.1 | 3.1 |
| P/E (x) | 23.5 | 18.1 | 18.1 |

*Source: Company, Apex Securities*

# Optimax Holdings Berhad

## Within expectations

- **Optimax reported a 1QFY25 CNP of RM3.4m (14.5% yoy, 12.0% qoq) came within both our and market expectations, accounting 20% and 24.4% respectively.**
- **Looking ahead, Optimax aims to grow organically in FY25 by optimising operating theatre (OT) utilisation and temporarily halting further expansion.**
- **After incorporating the FY24 audited figures, we did some housekeeping but maintain our earnings forecasts.**
- **Re-iterate BUY recommendation with an unchanged TP of RM0.69, pegged to 22.0x P/E multiple on FY25F EPS of 3.1 sen, and ascribed with three-star ESG rating.**

**Within expectations.** Optimax's 1QFY25 core net profit (CNP) of RM3.4m (+14.5% yoy, +12.0% qoq) came in within our and consensus full-year forecasts, accounting for 20.3% and 24.4%, respectively. Despite being just 20.3% of our full-year forecast, as we consider 1Q to be seasonally weaker.

**YoY.** Optimax's 1QFY25 core net profit (CNP) increased by 14.5% yoy to RM3.4m. This is notable as the first quarter for Optimax is typically seasonally weaker, particularly since this quarter included two major festivities: Chinese New Year and Hari Raya. Despite that, the Group managed to further drive its profitability in this exceptional quarter. This performance was primarily driven by effective marketing efforts and contributions from new satellite clinics and centres opened last year.

**QoQ.** Revenue declined 11.8% qoq due to the typically quieter nature of this period. Staff costs dropped 24.4% qoq, largely a reflection of better bonus payouts in prior quarters for employee compensation. Overall expenses were modest and began to normalise.

**Outlook.** Looking ahead, Optimax aims to grow organically in FY25 by optimising operating theatre (OT) utilisation and temporarily halting further expansion. The ambulatory care centers (ACCs) opened in 2H FY2024 at Atria Mall (PJ) and in Cambodia have remarkably achieved self-sustaining operations. Consequently, we anticipate that the next few quarters, typically less impacted by major festivities, are likely to help Optimax align with our full-year forecasts. However, we expect Cambodia's revenue to be impacted in the coming quarter due to the weakening USD against MYR.

**Updates on Selgate Hospital and Kempas Hospital.** Construction activities are ongoing at both hospitals. As per the guidance provided in the last analyst briefing, Selgate Hospital's construction is projected for completion in 4QFY25, with operations commencing in 1H26. Kempas Hospital is anticipated to complete construction in 1H26 and begin operations in 2QFY26. Management has indicated that no further guidance is available on this timeline, as the application for the operating license and the hiring process can only commence upon the successful completion of construction.

**Earnings Revision**. After incorporating the FY24 audited figures, we did some housekeeping but maintained our earnings forecasts.

**Valuation**. We reiterate our **BUY** recommendation with an unchanged TP of **RM0.69**/share, pegged to 22.0x PE multiple on FY25F EPS of 3.0 sen. This valuation incorporates a 0% ESG factored premium/discount based on its three-star ESG rating. We remain confident in Optimax's prospects, supported by the Group's market-leading position in cataract and refractive surgeries, advanced medical technology, and its newly self-sustaining ACCs.

**Risk**. (i) Exposed to foreign exchange risk with potential short-term increases in material costs and freight charges, (ii) Changes in hospital agreements.


KDN PP13226/06/2024 (035469)

### Results Comparison

| FYE Dec (RM m) | 1QFY25 | 1QFY24 | yoy (%) | 4QFY24 | qoq (%) | 3MFY25 | 3MFY24 | yoy (%) | Comments |
|---|---|---|---|---|---|---|---|---|---|
| Revenue | 30.3 | 28.2 | *7.3* | 34.3 | *(11.8)* | 30.3 | 28.2 | *7.3* | *better revenue due to effective marketing effort and* |
| EBITDA | 9.5 | 7.7 | *22.2* | 10.1 | *(6.4)* | 9.5 | 7.7 | *22.2* | *new ACCs contributions* |
| Pre-tax profit | 4.6 | 4.5 | *3.7* | 5.1 | *(9.1)* | (1.1) | 4.5 | *nm* | |
| Net profit | 3.5 | 3.3 | *5.8* | 3.4 | *3.0* | 3.5 | 3.3 | *5.8* | |
| Core net profit | 3.4 | 3.0 | *14.5* | 3.1 | *12.0* | 3.4 | 3.0 | *14.5* | |
| Core EPS (sen) | 0.6 | 0.6 | *14.5* | 0.6 | *12.0* | 0.6 | 0.6 | *14.5* | |
| DPS (sen) | 0.5 | 0.6 | *(16.7)* | 0.8 | *(37.5)* | 1.3 | 1.2 | *8.3* | |
| | | | | | | | | | |
| EBITDA margin (%) | 31.2 | 27.4 | | 29.4 | | 31.2 | 27.4 | | |
| PBT margin (%) | 15.3 | 15.8 | | 14.8 | | (3.7) | 15.8 | | |
| Core PATMI margin (%) | 11.3 | 10.6 | | 8.9 | | 11.3 | 10.6 | | |

*Source: Company, Apex Securities*

### Financial Highlights

**Income Statement**

| FYE Dec (RM m) | FY23 | FY24 | FY25F | FY26F | FY27F |
|---|---|---|---|---|---|
| **Revenue** | **114.0** | **127.7** | **138.8** | **149.0** | **163.8** |
| **Gross Profit** | **89.4** | **101.6** | **109.7** | **117.7** | **129.4** |
| **EBITDA** | **31.1** | **37.0** | **43.1** | **48.5** | **57.7** |
| Depreciation & Amortisation | -9.9 | -14.6 | -15.1 | -20.7 | -25.9 |
| **EBIT** | **21.2** | **22.4** | **28.0** | **27.8** | **31.7** |
| Net Finance Income/ (Cost) | -1.2 | -2.5 | -2.9 | -2.8 | -4.0 |
| Associates & JV | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Pre-tax Profit** | **20.0** | **19.9** | **25.1** | **25.0** | **27.8** |
| Tax | -5.7 | -5.6 | -6.8 | -6.7 | -7.5 |
| **Profit After Tax** | **14.3** | **14.3** | **18.3** | **18.2** | **20.3** |
| Minority Interest | 1.4 | 1.3 | 1.5 | 1.5 | 1.6 |
| **PATAMI** | **12.9** | **13.0** | **16.9** | **16.8** | **18.7** |
| Exceptionals | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Core Net Profit** | **12.9** | **13.0** | **16.9** | **16.8** | **18.7** |

**Key Ratios**

| FYE Dec (RM m) | FY23 | FY24 | FY25F | FY26F | FY27F |
|---|---|---|---|---|---|
| P/E (x) | 23.6 | 23.5 | 18.1 | 18.1 | 16.3 |
| EPS (sen) | 2.4 | 2.4 | 3.1 | 3.1 | 3.4 |
| P/B (x) | 4.8 | 4.5 | 4.0 | 3.6 | 3.2 |
| EV/EBITDA (x) | 9.8 | 8.9 | 7.4 | 6.3 | 5.0 |
| DPS (sen) | 1.8 | 1.4 | 1.6 | 1.5 | 1.7 |
| Dividend Yield (%) | 3.2 | 2.5 | 2.8 | 2.8 | 3.1 |
| EBITDA margin | 27.3% | 29.0% | 31.0% | 32.5% | 35.2% |
| EBIT margin | 18.6% | 17.6% | 20.1% | 18.6% | 19.4% |
| PBT margin | 17.6% | 15.6% | 18.1% | 16.8% | 16.9% |
| PAT margin | 12.5% | 11.2% | 13.2% | 12.2% | 12.4% |
| PATAMI margin | 11.3% | 10.2% | 12.1% | 11.3% | 11.4% |
| Core NP margin | 11.3% | 10.2% | 12.1% | 11.3% | 11.4% |
| ROE | 20.5% | 19.2% | 22.1% | 19.8% | 19.9% |
| ROA | 10.8% | 8.7% | 9.6% | 7.1% | 6.0% |
| Net gearing | Net Cash | Net Cash | Net Cash | Net Cash | Net Cash |

**Key Assumptions**

| FYE Dec (RM m) | FY25F | FY26F | FY27F |
|---|---|---|---|
| Medicine and others (RM'm) | 8.33 | 8.94 | 11.47 |
| Medical services (RM'm) | 1.5 | 1.5 | 1.6 |
| No. of satellite clinics | 10 | 11 | 12 |
| Est. revenue per clinic (RM'm) | 2.5 | 2.6 | 2.6 |

| Valuations | FY25F |
|---|---|
| Core EPS (RM) | 0.03 |
| P/E multiple (x) | 22.0 |
| **Equity Value (RM)** | **0.69** |
| **ESG premium/discount** | **0.0%** |
| **Fair Value** | **0.69** |

*Source: Company, Apex Securities*

**Balance Sheet**

| FYE Dec (RM m) | FY23 | FY24 | FY25F | FY26F | FY27F |
|---|---|---|---|---|---|
| Cash | 16.2 | 17.9 | 17.0 | 39.0 | 66.3 |
| Receivables | 3.2 | 5.1 | 5.7 | 6.1 | 6.7 |
| Inventories | 5.0 | 5.7 | 5.8 | 6.2 | 6.8 |
| Other current assets | 5.8 | 6.9 | 5.4 | 5.4 | 5.4 |
| **Total Current Assets** | **30.2** | **35.6** | **33.9** | **56.7** | **85.2** |
| PPE | 73.5 | 96.3 | 120.0 | 152.8 | 191.5 |
| ROU | 15.7 | 15.8 | 21.2 | 27.0 | 33.8 |
| Other non-current assets | 0.3 | 1.0 | 0.0 | 0.0 | 0.0 |
| **Total Non-current assets** | **89.6** | **113.2** | **141.2** | **179.8** | **225.3** |
| Short-term Debt | 3.1 | 9.5 | 5.0 | 6.1 | 7.4 |
| Payables | 15.4 | 12.2 | 12.7 | 13.2 | 13.7 |
| Other Current Liabilities | 3.4 | 4.1 | 30.3 | 72.1 | 124.4 |
| **Total Current Liabilities** | **21.9** | **25.9** | **48.1** | **91.5** | **145.6** |
| Long-term Debt | 15.0 | 32.4 | 28.5 | 34.8 | 41.8 |
| Other non-current liabilities | 14.8 | 17.3 | 15.3 | 17.1 | 19.2 |
| **Total Non-current Liabilities** | **29.9** | **49.6** | **43.8** | **51.9** | **61.0** |
| Shareholder's equity | 63.0 | 67.7 | 76.2 | 84.6 | 93.9 |
| Minority interest | 4.9 | 5.6 | 7.0 | 8.5 | 10.1 |
| **Equity** | **68.0** | **73.3** | **83.2** | **93.0** | **104.0** |

**Cash Flow**

| FYE Dec (RM m) | FY23 | FY24 | FY25F | FY26F | FY27F |
|---|---|---|---|---|---|
| **Pre-tax profit** | **20.0** | **19.9** | **25.1** | **25.0** | **27.8** |
| Depreciation & amortisation | 9.9 | 14.6 | 15.1 | 20.7 | 25.9 |
| Changes in working capital | 1.0 | -7.1 | -0.2 | -0.3 | -0.7 |
| Others | -5.6 | -3.9 | -6.8 | -6.7 | -7.5 |
| **Operating cash flow** | **25.3** | **23.5** | **33.3** | **38.6** | **45.5** |
| Capex | -11.8 | -25.6 | -13.9 | -17.9 | -19.7 |
| Others | 1.9 | 3.2 | 0.0 | 0.0 | 0.0 |
| **Investing cash flow** | **-9.9** | **-22.5** | **-13.9** | **-17.9** | **-19.7** |
| Dividends paid | -9.7 | -7.6 | -8.4 | -8.4 | -9.3 |
| Others | -7.7 | 7.0 | -10.7 | 9.7 | 10.7 |
| **Financing cash flow** | **-17.5** | **-0.6** | **-19.2** | **1.3** | **1.4** |
| **Net cash flow** | **-2.0** | **0.5** | **0.2** | **22.0** | **27.3** |
| Forex | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 |
| Others | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Beginning cash | 18.2 | 16.2 | 16.8 | 17.0 | 39.0 |
| **Ending cash** | **16.2** | **16.8** | **17.0** | **39.0** | **66.3** |

## ESG Matrix Framework:

### Environment

| Parameters | Rating | Comments |
|---|---|---|
| Climate | ★ | Lack of data and strategy on climate change implications. |
| Waste & Effluent | ★ | Lack of data and strategy on waste management. |
| Energy | ★ | Consuming 21.7% yoy higher energy consumption compared to 2023. |
| Water | ★★ | An 18% year-on-year increase in water consumption was recorded, reaching 6.88 ML (from 5.79 ML), and there is currently no strategy for reducing it. |
| Compliance | ★★★ | Zero confirmed incidents of corruption and data breaches in 2024. |

### Social

| | | |
|---|---|---|
| Diversity | ★★★ | The gender distribution of employees in Optimax is 77% female and 33% male. There is room for improvement towards gender parity in FY2024. |
| Human Rights | ★★★ | Zero number of substantiated complaints concerning human rights violations. |
| Occupational Safety and Health | ★★★★ | Total in-house training hours improved by 75% yoy. |
| Labour Practices | ★★★★ | 100% of eligible employees trained on health and safety standards. |

### Governance

| | | |
|---|---|---|
| CSR Strategy | ★★ | 9% yoy declined total number of beneficiaries of the investment in communities in FY24. |
| Management | ★★★ | The Board currently has eight members, with three female and five males. |
| Stakeholders | ★★★ | 1x AGM per annum and 4/4 analyst briefings. |

**Overall ESG Scoring:** ★★★

**Recommendation Framework:**
**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.

**ESG Rating Framework:**
★★★★★ : Appraised with 3% premium to fundamental fair value
★★★★ : Appraised with 1% premium to fundamental fair value
★★★ : Appraised with 0% premium/discount to fundamental fair value
★★ : Appraised with -1% discount to fundamental fair value
★ : Appraised with -5% discount to fundamental fair value