

## Optimax Berhad

Growing gradually and in line with our expectations

### Summary

- **Within expectations.** OPTIMAX's core net profit came in at RM3.8m (+25.3% QoQ, -16.6% YoY), bringing the 6MFY23 core net profit to RM6.9m (-4.2% YoY). Despite the results only accounting to 44% and 38% of ours and consensus estimates, respectively, we deemed it is within our expectations as 1H is likely to be weaker due to lesser business days coupled with festive season, which may result in lower surgeries done.
- **QoQ.** Revenue grew 6.9% to RM27.9m, while the core net profit rose 25.3% mainly due to (i) 2Q23 has more business days (Jan-2023 is CNY period) and (ii) people tend to defer their surgeries until after festive period. Despite some ad-hoc public holidays were declared by the government and festive season in April, the growth momentum gradually normalised in May-Jun 2023.
- **YoY/YTD.** As compared to 2Q22, the core net profit dropped 16.6% mainly due to (i) increased in operating cost (additional staffs hired in advance for the upcoming expansion of new ambulatory care centres and satellite clinics/centres at the new location), (ii) increase in depreciation expenses and (iii) pre-operation costs (consultancy and professional costs) were incurred at the Cambodia ambulatory care centre.
- **Outlook.** We are cautiously optimistic on OPTIMAX's 2H outlook driven by the increase in demand and awareness from both the local and foreign patients that are more health conscious. Also, the regional expansion into Cambodia may provide potential valuable opportunities within the SEA region. Meanwhile, the recent announcement on OPTIMAX securing license to offer plastic surgery and aesthetic services will be a boon for overall revenue and earnings beyond FY23.

Quarterly performance								
FYE Dec (RM m)	2QFY22	1QFY23	2QFY23	QoQ (%)	YoY (%)	6MFY22	6MFY23	YoY (%)
Revenue	27.7	26.1	27.9	6.9	0.9	50.9	54.0	6.0
EBITDA	9.2	7.2	8.2	13.4	(11.3)	15.7	15.4	(1.8)
PBT	7.0	4.6	5.8	25.2	(16.8)	11.3	10.5	(7.6)
PAT	5.0	3.3	4.2	26.2	(16.7)	8.0	7.5	(6.8)
Core PATMI	4.6	3.1	3.8	25.3	(16.6)	7.2	6.9	(4.2)
Reported PATMI	4.6	3.1	3.8	25.3	(16.6)	7.2	6.9	(4.2)
Core EPS (sen)	0.8	0.6	0.7	25.3	(16.6)	1.3	1.3	(4.2)
EBITDA margin (%)	33.4	27.7	29.3			30.8	28.5	
PBT margin (%)	25.3	17.8	20.9			22.3	19.4	
Core PATMI margin (%)	16.6	11.7	13.7			14.1	12.7	

### Valuation & Recommendation

- Although OPTIMAX core net profit came in within expectation and the outlook remains optimistic, we are ceasing the coverage due to reallocation of internal resources. Our last recommendation on OPTIMAX was **BUY** with a fair value of RM1.15, which was derived by assigning a target P/E of 40.0x to FY23f EPS of 2.9 sen.

### Results Note & Cease Coverage

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### BUY

Share price	RM0.72
Target price	-
Previous TP	RM1.15
Capital upside	-
Dividend return	-
Total return	-

### Company profile

Principally involved in the provision of eye specialist services including cataract and refractive surgery, consultation and dispensary services, oculoplastic treatment and other related products and services.

### Stock information

Bursa Code	0222
Bloomberg ticker	OPTIMAX MK
Listing market	MAIN
Share issued (m)	540.0
Market Cap (m)	388.8
52W High/Low	0.845 / 0.625
Est. Free float	28.5
Beta	0.5
3-mth avg vol ('000)	473.2
Shariah compliant	Yes

### Major shareholders

Sena Healthcare Services	29.2
Boon Hock Tan	26.7
Chung Soon Hee	5.7

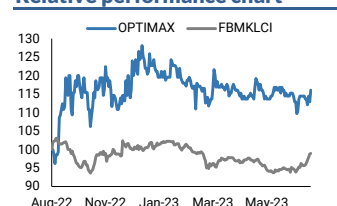
### Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	2.8	-0.7	13.3
Relative	1.6	-4.3	16.5

### Earnings snapshot

FYE (Dec)	FY23	FY24f	FY25f
PATMI (m)	14.7	15.5	17.6
EPS (sen)	2.7	2.9	3.3
P/E (x)	26.5	25.1	22.0

### Relative performance chart



## Financial Highlights

*All items in (RM m) unless otherwise stated*

Income Statement						Balance Sheet					
FYE Dec (RM m)	FY20	FY21	FY22	FY23f	FY24f	FYE Dec (RM m)	FY20	FY21	FY22	FY23f	FY24f
<b>Revenue</b>	<b>58.0</b>	<b>88.9</b>	<b>108.0</b>	<b>114.7</b>	<b>130.1</b>	Cash	10.9	19.6	19.3	29.4	32.3
EBITDA	17.8	26.2	32.4	34.1	38.6	Receivables	1.5	4.6	2.5	3.8	4.3
EBIT	11.9	19.6	24.6	25.4	29.0	Inventories	2.2	3.1	4.3	3.9	4.4
Net finance income/ (cost)	(1.4)	(1.1)	(1.1)	(1.2)	(1.5)	PPE	43.0	49.3	58.0	62.7	70.0
Associates & JV	-	-	-	-	-	Others	26.7	16.1	17.2	17.6	18.5
<b>Profit before tax</b>	<b>10.5</b>	<b>18.5</b>	<b>23.5</b>	<b>24.2</b>	<b>27.6</b>	<b>Assets</b>	<b>84.2</b>	<b>92.6</b>	<b>101.4</b>	<b>117.4</b>	<b>129.6</b>
Tax	(3.3)	(5.5)	(7.1)	(6.9)	(7.9)	Debts	17.7	15.8	17.2	26.9	31.6
<b>Net profit</b>	<b>7.2</b>	<b>13.0</b>	<b>16.4</b>	<b>17.3</b>	<b>19.7</b>	Payables	5.8	7.8	9.3	10.3	11.7
Minority interest	(0.8)	(0.8)	(1.7)	(1.8)	(2.1)	Others	10.6	11.3	12.9	13.2	13.8
<b>Core earnings</b>	<b>6.4</b>	<b>12.2</b>	<b>14.7</b>	<b>15.5</b>	<b>17.6</b>	<b>Liabilities</b>	<b>34.0</b>	<b>34.9</b>	<b>39.4</b>	<b>50.5</b>	<b>57.1</b>
Exceptional items	0.8	(0.1)	-	-	-	Shareholder's equity	47.9	55.0	58.1	61.2	64.7
Reported earnings	6.4	13.1	16.4	17.3	19.7	Minority interest	2.4	2.7	3.9	5.7	7.8
						<b>Equity</b>	<b>50.2</b>	<b>57.7</b>	<b>62.0</b>	<b>66.9</b>	<b>72.5</b>
Cash Flow Statement						Valuation & Ratios					
FYE Dec (RM m)	FY20	FY21	FY22	FY23f	FY24f	FYE Dec (RM m)	FY20	FY21	FY22	FY23f	FY24f
Profit before taxation	10.5	18.5	23.5	24.2	27.6	Core EPS (sen)	1.2	2.3	2.7	2.9	3.3
Depreciation & amortisation	6.0	6.6	7.8	8.7	9.6	Diluted EPS (sen)	N.M	1.8	2.2	2.3	2.6
Changes in working capita	(0.9)	(1.4)	1.3	0.2	0.2	P/E (x)	60.3	31.8	26.5	25.1	22.0
Share of JV profits	-	-	-	-	-	DPS (sen)	-	3.8	2.4	2.3	2.6
Taxation	(3.1)	(4.5)	(6.1)	(5.6)	(6.4)	Dividend yield	0.0%	5.3%	3.3%	3.2%	3.6%
Others	1.4	0.5	0.5	(0.2)	(0.3)	BVPS (RM)	0.09	0.10	0.11	0.11	0.12
<b>Operating cash flow</b>	<b>13.0</b>	<b>19.7</b>	<b>27.1</b>	<b>27.2</b>	<b>30.7</b>	P/B (x)	8.0	7.0	6.6	6.3	5.9
Net capex	(4.6)	(11.0)	(11.1)	(7.5)	(10.9)	EBITDA margin	30.8%	29.5%	30.0%	29.7%	29.7%
Others	(15.0)	10.7	(0.1)	-	-	EBIT margin	20.5%	22.0%	22.8%	22.1%	22.3%
<b>Investing cash flow</b>	<b>(19.6)</b>	<b>(0.3)</b>	<b>(11.2)</b>	<b>(7.5)</b>	<b>(10.9)</b>	PBT margin	18.1%	20.8%	21.8%	21.1%	21.2%
Changes in borrowings	(5.7)	(3.8)	(4.3)	5.9	0.8	PAT margin	9.7%	13.8%	13.6%	13.5%	13.6%
Issuance of shares	21.0	-	-	-	-	Core PAT margin	11.1%	13.8%	13.6%	13.5%	13.6%
Dividends paid	-	(5.6)	(12.2)	(12.4)	(14.1)	ROE	17.3%	22.7%	24.5%	24.0%	25.3%
Others	(4.5)	(2.4)	(2.4)	(3.2)	(3.6)	ROA	8.7%	13.8%	15.1%	14.2%	14.3%
<b>Financing cash flow</b>	<b>10.8</b>	<b>(10.7)</b>	<b>(16.1)</b>	<b>(9.7)</b>	<b>(16.9)</b>	Net gearing	14.1%	CASH	CASH	CASH	CASH
<b>Net cash flow</b>	<b>4.2</b>	<b>8.7</b>	<b>(0.3)</b>	<b>10.1</b>	<b>2.9</b>						
Forex	-	-	-	1.0	1.0						
Others	1.1	1.1	1.1	1.1	1.1						
Beginning cash	5.7	9.8	18.5	18.2	28.3						
Ending cash	10.9	19.6	19.3	29.4	32.3						

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As of **Friday, 25 Aug, 2023**, the analyst(s), **Loui Low Ley Yee**, whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) nil.

## Stock recommendation guide

<b>BUY</b>	The share price is expected to appreciate more than 10% over the next 12 months
<b>HOLD</b>	The stock price is expected to range between -10% and +10% over the next 12 months
<b>SELL</b>	The share price is expected to fall more than 10% over the next 12 months
<b>TRADING BUY</b>	The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months
<b>TRADING SELL</b>	The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months
<b>NOT RATED</b>	No recommendation is assigned