

Optimax Holdings Berhad

Steadfast commitment to expansion

Summary

- Optimax Holdings Bhd's (OPTIMAX) 1Q23 core net profit advanced 17.9% YoY to RM3.1m. Although the earnings amounted to 20.0% of our full year forecast of RM15.5m, and 17.3% of consensus of RM18.0m, we deemed it is broadly in line as typically the 1Q will be softer due to lower surgeries done during festive season such as Chinese New Year.
- YoY, the increase in core net profit stemmed from (i) increase in number of refractive and cataract surgeries across all ambulatory care centres (ACC) and satellite clinics, (ii) higher contribution from the newly set up satellite clinic, and (iii) ongoing promotions for eye specialist services through online platforms.
- However, Optimax saw a slight decrease in profit before tax margin, due to additional staffs hired in advance for the upcoming expansion of the new ACC and satellite clinics. The impact is expected to be diminished upon the operationalization of the new ACC and satellite clinics.
- QoQ, core net profit declined 20.4% to RM3.1m, owing to the decrease in revenue resulted from lower number of refractive and cataract surgeries conducted during 1Q23 as people tend to do surgery after the festive season such as Chinese New Year. As such, we expect the revenue will rebound in the forthcoming quarters based on historical trend.
- To date, Optimax has established a network of 13 ACCs, 3 satellite clinics, and 1 specialist hospital, spanning across all regions in Malaysia. Optimax remained committed to expand its presence and brand in Malaysia to cater to medical tourism, targeting to establish 5-7 additional satellite clinics in FY23. In the longer term, we envision new sources of revenue stemming from Kempas eye hospital and Setia Alam Hospital (where Optimax will operate a full-service eye specialist centre on an exclusive basis). Construction is underway for both facilities, with plans for both facilities to be fully operational by 2025.
- Moving forward, we foresee an improvement in performance for Optimax's branches in light of the World Health Organization's (WHO) officially declaring an end to the Covid-19 as a public health emergency, coupled with heightened awareness amongst the general public with regards to the importance of eyecare.

Quarterly performance								
FYE Dec (RM m)	1QFY22	4QFY22	1QFY23	QoQ (%)	YoY (%)	3MFY22	3MFY23	YoY (%)
Revenue	23.3	28.4	26.1	(8.2)	12.2	23.3	26.1	12.2
EBITDA	6.5	7.9	7.2	(9.2)	11.9	6.5	7.2	11.9
PBT	4.3	5.7	4.6	(18.4)	7.1	4.3	4.6	7.1
PAT	3.0	3.6	3.3	(8.4)	9.6	3.0	3.3	9.6
Core PATMI	2.6	3.8	3.1	(20.4)	17.9	2.6	3.1	17.9
Reported PATMI	2.6	3.8	3.1	(20.4)	17.9	2.6	3.1	17.9
Core EPS (sen)	0.5	0.7	0.6	(20.4)	17.9	0.5	0.6	17.9
EBITDA margin (%)	27.7	28.0	27.7			27.7	27.7	
PBT margin (%)	18.7	20.1	17.8			18.7	17.8	
Core PATMI margin (%)	11.1	13.5	11.7			11.1	11.7	

Results Note – 1QFY23

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BUY

Share price	RM0.725
Target price	RM1.15
Previous TP	RM1.15
Capital upside	58.6%
Dividend return	3.2%
Total return	61.8%

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)	391.5
52W High/Low	0.845/0.55
Est. Free float	28.5%
Beta (x)	0.7
3-mth avg vol ('000)	270.1
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	1.4	2.1	27.2
Relative	2.3	5.8	40.2

Earnings summary

FYE (Dec)	FY22	FY23f	FY24f
PATMI (m)	14.7	15.5	17.6
EPS (sen)	2.7	2.9	3.3
P/E (x)	26.1	24.7	21.7

Relative performance chart



Valuation & Recommendation

- Since the earnings came in broadly within our expectations, we kept our forecast unchanged at RM15.5m and RM17.6m for FY23f and FY24f respectively, taking into account the expected increase in revenue in the forthcoming quarters.
- We maintained our **BUY** recommendation on OPTIMAX with an unchanged target price of RM1.15. The target price is based on the assigned target PER of 40.0x to our revised FY23f EPS of 2.9 sen.
- Risks to our recommendation include the risks of medical and legal claims related to the provision of its eye specialist services. Besides, the inflationary pressure due to rising food and energy prices remains as threat to local economy.

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
Revenue	58.0	88.9	108.0	114.7	130.1	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
Profit before tax	10.5	18.5	23.5	24.2	27.6	Assets	84.2	92.6	101.4	117.4	129.6
Tax	(3.3)	(5.5)	(7.1)	(6.9)	(7.9)	Debts	17.7	15.8	17.2	26.9	31.6
Net profit	7.2	13.0	16.4	17.3	19.7	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
Core earnings	6.4	12.2	14.7	15.5	17.6	Liabilities	34.0	34.9	39.4	50.5	57.1
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
						Equity	50.2	57.7	62.0	66.9	72.5
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 capital	(0.9)	(1.4)	1.3	0.2	0.2	P/E (x)	59.5	31.3	26.1	24.7	21.7
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%	5.4%	3.4%	3.2%	3.7%
Others	1.4	0.5	0.5	(0.2)	(0.3)	BVPS (RM)	0.09	0.10	0.11	0.11	0.12
Operating cash flow	13.0	19.7	27.1	27.2	30.7	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%
Investing cash flow	(19.6)	(0.3)	(11.2)	(7.5)	(10.9)	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%
Financing cash flow	10.8	(10.7)	(16.1)	(9.7)	(16.9)	Net gearing	14.1%	CASH	CASH	CASH	CASH
Net cash flow	4.2	8.7	(0.3)	10.1	2.9						
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						