

Optimax Holdings Berhad

Increased number of patients; outlook remains positive

Summary

- Optimax Holdings Bhd's (Optimax) 1Q22 core net profit surged 101.5% YoY to RM2.6m, primarily driven by the increased number of patients amid easing restrictions under the National Recovery Plan. Although the net income came in at 20.1% of our full year forecast of RM12.7, we deemed it is in line as the upcoming ACC in Bahau, Negeri Sembilan will start to contribute by 2H22 and number of patients is expected to increase following as we enter the endemic phase.
- Core net profit jumped YoY, primarily resulted from (i) increase in number of patients for refractive surgeries and cataract surgeries who had postponed their treatments during various MCO implemented earlier (ii) effective marketing effort through online platforms, and (iii) better control of operating costs on the back of experience gained from multiple lockdowns since March 2020.
- QoQ, however, core net profit declined 27.5% to RM2.6m, mainly due to a lower revenue from the national vaccination programme (PICK) in the current quarter which is in line with our earlier expectation. Nevertheless, an increase in revenue from eye specialist services helped cushion the revenue losses from vaccination.
- Moving forward, we believe contribution from vaccination programme will remain minor as majority of the Malaysian population have been vaccinated. Optimax's main business focus will be on ACC network expansion, setting up satellite clinics and business expansion to extend its market reach in the country. As Malaysia transitions into endemic phase, the group saw a gradual improvement in the performance of its branches, with some branches returned to pre-Covid-19 levels.
- Optimax's new ACC in Bahau, Negeri Sembilan is being renovated and is expected to be completed by 2Q22. Upon completion, the group is expected to have one resident doctor for the branch. Meanwhile, its first satellite clinic in Taman Sutera located in Skudai, Johor is expected to be fully operational by 2Q22.
- We like Optimax's strategic collaboration with Selgate Healthcare Sdn. Bhd. (Selgate) to operate a full-service eye-specialist centre at Selgate's designated hospitals. The first intend collaboration hospital will be in Selgate Hospital Shah Alam branch, while potential future collaboration branches include Rawang, Kota Damansara, Shah Alam, Gombak and Kuala Selangor.

Results Note – 1QFY22

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BUY

Share price	RM0.565
Target price	RM0.94
Previous TP	RM1.88
Capital upside	66.4%
Dividend return	3.4%
Total return	69.7%

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
Listing market	ACE
Share issued (m)	540.0
Market Cap (m)	305.1
52W High/Low	0.79/0.50
Est. Free float	51.6%
Beta (x)	0.9
3-mth avg vol ('000)	545.0
Shariah compliant	Yes

Major shareholders

Sena Healthcare Services	29.2
Chung Soon Hee	5.7
Chuah Kay Leong	3.7

Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	-10.3	-7.4	-25.2
Relative	-6.7	-4.0	-23.1

Earnings summary

FYE (Dec)	FY21	FY22f	FY23f
PATMI (m)	12.2	12.7	14.0
EPS (sen)	2.3	2.3	2.6
P/E (x)	24.9	24.1	21.9

Relative performance chart



Quarterly performance FYE Dec (RM m)	1QFY21	4QFY21	1QFY22	QoQ (%)	YoY (%)	3MFY21	3MFY22	YoY (%)
Revenue	14.5	26.6	23.3	(12.6)	60.5	14.5	23.3	60.5
EBITDA	3.6	8.0	6.5	(19.8)	76.9	3.6	6.5	76.9
PBT	2.1	6.3	4.3	(31.4)	108.2	2.1	4.3	108.2
PAT	1.4	4.0	3.0	(24.8)	114.3	1.4	3.0	114.3
Core PATMI	1.3	3.6	2.6	(27.5)	101.5	1.3	2.6	101.5
Reported PATMI	1.3	3.6	2.6	(27.5)	101.5	1.3	2.6	101.5
Core EPS (sen)	0.2	0.7	0.5	(27.5)	101.5	0.2	0.5	101.5
EBITDA margin (%)	25.2	30.2	27.7			25.2	27.7	
PBT margin (%)	14.4	23.8	18.7			14.4	18.7	
Core PATMI margin (%)	8.9	13.4	11.1			8.9	11.1	

Valuation & Recommendation

- As the reported earnings came in largely within our expectations, we made no changes to our earnings forecast at RM12.7m and RM14.0m for FY22f and FY23f respectively. We believe the easing Covid-19 restrictions will continue to bode well for Optimax's performance.
- We maintained our **BUY** recommendation on Optimax with a revised target price of RM0.94 (from RM1.88) after taking into consideration the recent bonus issue. Our target price is based on the assigned target PER of 40.0x to our revised FY22f EPS of 2.3 sen.
- Risks to our recommendation include the uncertainties associated with the Covid-19 pandemic. Any resurgence in Covid-19 cases may result in movement restrictions and the postponement of surgeries. Besides, shortages of skilled doctor in the new ACC could be another risk.

Financial Highlights

All items in (RM m) unless otherwise stated

Income Statement						Balance Sheet					
FYE Dec (RM m)	FY19	FY20	FY21	FY22f	FY23f	FYE Dec (RM m)	FY19	FY20	FY21	FY22f	FY23f
Revenue	62.6	58.0	88.9	92.7	99.5	Cash	8.5	10.9	19.6	16.8	13.8
EBITDA	20.3	17.8	26.2	26.5	29.2	Receivables	2.4	1.5	4.6	3.1	3.3
EBIT	14.6	11.9	19.6	19.5	21.5	Inventories	1.8	2.2	3.1	3.3	3.2
Net finance income/ (cost)	(1.4)	(1.4)	(1.1)	(0.8)	(0.7)	PPE	39.1	43.0	49.3	53.7	59.3
Associates & JV	-	-	-	-	1.0	Others	12.2	26.7	16.1	15.8	15.5
Profit before tax	13.2	10.5	18.5	18.6	20.8	Assets	63.9	84.2	92.6	92.7	95.1
Tax	(3.8)	(3.3)	(5.5)	(5.1)	(5.9)	Debts	20.2	17.7	15.8	12.0	10.1
Net profit	9.4	7.2	13.0	13.5	14.9	Payables	9.3	5.8	7.8	9.6	10.3
Minority interest	(0.9)	(0.8)	(0.8)	(0.8)	(0.9)	Others	10.2	10.6	11.3	10.2	10.2
Core earnings	8.5	6.4	12.2	12.7	14.0	Liabilities	39.7	34.0	34.9	31.8	30.7
Exceptional items	0.6	0.8	(0.1)	-	-	Shareholder's equity	22.7	47.9	55.0	57.6	60.4
Reported earnings	8.7	6.4	13.1	13.5	14.9	Minority interest	1.6	2.4	2.7	3.5	4.5
						Equity	24.2	50.2	57.7	61.1	64.8
Cash Flow Statement						Valuation & Ratios					
FYE Dec (RM m)	FY19	FY20	FY21	FY22f	FY23f	FYE Dec (RM m)	FY19	FY20	FY21	FY22f	FY23f
Profit before taxation	13.2	10.5	18.5	18.6	20.8	Core EPS (sen)	1.6	1.2	2.3	2.3	2.6
Depreciation & amortisation	5.6	6.0	6.6	7.0	7.7	Diluted EPS (sen)	N.M	N.M	1.8	1.9	2.1
Changes in working capital	0.3	(0.9)	(1.4)	2.5	0.5	P/E (x)	36.1	47.3	24.9	24.1	21.9
Share of JV profits	-	-	-	-	-	DPS (sen)	222.2	-	3.8	1.9	2.1
Taxation	(2.4)	(3.1)	(4.5)	(4.5)	(5.0)	Dividend yield	393.3%	0.0%	6.7%	3.3%	3.7%
Others	1.6	1.4	0.5	(0.2)	(0.2)	BVPS (RM)	0.04	0.09	0.10	0.11	0.11
Operating cash flow	17.7	13.0	19.7	23.5	23.9	P/B (x)	13.5	6.4	5.5	5.3	5.1
Net capex	(3.7)	(4.6)	(11.0)	(9.7)	(9.3)	EBITDA margin	32.3%	30.8%	29.5%	28.6%	29.4%
Others	(1.4)	(15.0)	10.7	-	-	EBIT margin	23.3%	20.5%	22.0%	21.0%	21.7%
Investing cash flow	(5.1)	(19.6)	(0.3)	(9.7)	(9.3)	PBT margin	21.1%	18.1%	20.8%	20.1%	20.9%
Changes in borrowings	(2.4)	(5.7)	(3.8)	(3.8)	(3.8)	PAT margin	12.5%	9.7%	13.8%	13.7%	14.0%
Issuance of shares	-	21.0	-	-	-	Core PAT margin	13.5%	11.1%	13.8%	13.7%	14.0%
Dividends paid	(6.4)	-	(5.6)	(10.1)	(11.2)	ROE	36.6%	17.3%	22.7%	21.3%	22.2%
Others	(2.9)	(4.5)	(2.4)	(2.7)	(2.5)	ROA	14.1%	8.7%	13.8%	13.7%	14.9%
Financing cash flow	(11.7)	10.8	(10.7)	(16.7)	(17.5)	Net gearing	51.5%	14.1%	CASH	CASH	CASH
Net cash flow	0.9	4.2	8.7	(2.8)	(3.0)						
Forex	-	-	-	-	1.0						
Others	2.8	1.1	1.1	1.1	1.1						
Beginning cash	4.8	5.7	9.8	18.5	15.7						
Ending cash	8.5	10.9	19.6	16.8	13.8						