

Optimax Holdings Berhad

Easing Covid-19 restriction drives growth

Summary

- Optimax Holdings Bhd's (Optimax) 2Q22 core net profit surged 125.2% YoY to RM4.6m, bringing its 2H22 net profit to RM7.2m (+116% YoY). The results came in slightly above expectations, amounting to 56.7% of our full year forecast of RM12.7m and 53.7% of the consensus at RM13.4m. Key deviations include higher-than-expected increase in number of surgeries conducted amid relaxation of restrictions under Malaysia's National Recovery Plan (NRP) in combating Covid-19.
- Core net profit increased YoY, primarily attributed to (i) an increase in number of refractive and cataract surgeries conducted in 2Q22 including those had been postponed during various MCO vs. 2Q21 (when Malaysia was under MCO and FMCO), (ii) ongoing promotions such as giving out vouchers and discounts via online platforms, and (iii) better costs control after experiencing various lockdowns.
- QoQ, core net profit jumped 77.2% due to an increase in refractive and cataract surgeries conducted in the current quarter as compared to 1Q22 which includes the shorter festive February month.
- Moving forward, we expect most branches' performance will gradually return to pre-Covid-19 level. Meanwhile, the setup of its first satellite clinic in Taman Sutera located in Skudai, Johor, as well as the new ACC in Bahau, Negeri Sembilan is on schedule, aiming to start operation by September 2022. A surgeon who is currently based in Seremban ACC will be relocated to the new Bahau branch.
- On 30th May 2022, OPTIMAX entered into a Memorandum of Understanding with Sena Resources Sdn Bhd (SENA) and Kempas Eye Specialist Hospital Sdn Bhd (KESH), whereby SENa is to construct a private eye hospital and rent it to OPTIMAX. The eye hospital that is expected to be operational by 2024 will allow OPTIMAX to expand its services within the southern region area of Peninsular Malaysia.
- Also, the eye hospital will leverage on OPTIMAX's existing ACC and satellite clinic which are located in Johor Bahru, Muar, Kluang, and Segamat for referral and to provide follow-ups for patients. It is envisaged to meet the anticipated rise in demand for eye treatment services from neighbouring countries such as Singapore and Indonesia, particularly following the construction and launch of the Johor Bahru-Singapore Rapid Transit System.

Results Note – 2QFY22

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BUY

Share price	RM0.63
Target price	RM1.04
Previous TP	RM0.94
Capital upside	65.1%
Dividend return	3.3%
Total return	68.4%

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	ACE
Share issued (m)	540.0
Market Cap (m)	340.2
52W High/Low	0.755/0.498
Est. Free float	50.6%
Beta (x)	1.0
3-mth avg vol ('000)	335.5
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	5.0	11.5	-1.6
Relative	2.3	14.8	-0.7

Earnings summary

FYE (Dec)	FY21	FY22f	FY23f
PATMI (m)	12.2	13.7	14.0
EPS (sen)	2.3	2.5	2.6
P/E (x)	24.9	22.3	21.7

Relative performance chart



Quarterly performance								
FYE Dec (RM m)	2QFY21	1QFY22	2QFY22	QoQ (%)	YoY (%)	6MFY21	6MFY22	YoY (%)
Revenue	18.0	23.3	27.7	18.9	53.4	32.5	50.9	56.5
EBITDA	5.0	6.5	9.2	43.0	83.8	8.7	15.7	80.9
PBT	3.0	4.3	7.0	61.1	134.8	5.1	11.3	123.8
PAT	2.1	3.0	5.0	65.9	139.7	3.5	8.0	129.5
Core PATMI	2.0	2.6	4.6	77.2	125.2	3.3	7.2	116.0
Reported PATMI	2.0	2.6	4.6	77.2	126.0	3.3	7.2	116.5
Core EPS (sen)	0.4	0.5	0.8	77.2	125.2	0.6	1.3	116.0
EBITDA margin (%)	27.8	27.7	33.4			26.7	30.8	
PBT margin (%)	16.5	18.7	25.3			15.6	22.3	
Core PATMI margin (%)	11.3	11.1	16.6			10.2	14.1	

Valuation & Recommendation

- As the reported earnings came in above our expectations, we upgrade our FY22f earnings forecast by 7.9% to RM13.7m, taking into account the higher-than-expected refractive and cataract surgeries conducted especially the postponed surgeries during various MCO. We made no change to our FY23f earnings forecast at RM14.0m FY23f. We believe the easing Covid-19 restrictions and the continuous expansion of the ACC network will bode well for OPTIMAX's longer term perspective.
- We maintained our **BUY** recommendation on OPTIMAX with a revised target price of RM1.04 (from RM0.94) as we rolled over to FY23f earnings. The target price is based on the assigned target PER of 40.0x to our revised FY23f EPS of 2.6 sen.
- Risks to our recommendation include shortage of skilled eye surgeons for the new ACC and the upcoming eye hospital. Besides, the post-Covid-19 environment remains uncertain as immunity wanes. Any emerge of new variants may result in movement restrictions and postponement of surgeries.

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	97.9	100.0	Cash	8.5	10.9	19.6	17.2	14.2
EBITDA	20.3	17.8	26.2	28.0	29.3	Receivables	2.4	1.5	4.6	3.3	3.3
EBIT	14.6	11.9	19.6	21.0	21.7	Inventories	1.8	2.2	3.1	3.5	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	16.1	15.8
Profit before tax	13.2	10.5	18.5	20.1	21.0	Assets	63.9	84.2	92.6	93.8	95.8
Tax	(3.8)	(3.3)	(5.5)	(5.5)	(6.0)	Debts	20.2	17.7	15.8	12.0	10.1
Net profit	9.4	7.2	13.0	14.6	15.0	Payables	9.3	5.8	7.8	10.2	10.4
Minority interest	(0.9)	(0.8)	(0.8)	(0.9)	(0.9)	Others	10.2	10.6	11.3	10.3	10.2
Core earnings	8.5	6.4	12.2	13.7	14.0	Liabilities	39.7	34.0	34.9	32.4	30.7
Exceptional items	0.6	0.8	(0.1)	-	-	Shareholder's equity	22.7	47.9	55.0	57.8	60.6
Reported earnings	8.7	6.4	13.1	14.6	15.0	Minority interest	1.6	2.4	2.7	3.6	4.5
						Equity	24.2	50.2	57.7	61.4	65.1
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	20.1	21.0	Core EPS (sen)	1.6	1.2	2.3	2.5	2.6
Depreciation & amortisation	5.6	6.0	6.6	7.0	7.7	Diluted EPS (sen)	N.M	N.M	1.8	2.0	2.1
Changes in working capital	0.3	(0.9)	(1.4)	2.7	0.4	P/E (x)	36.1	47.3	24.9	22.3	21.7
Share of JV profits	-	-	-	-	-	DPS (sen)	222.2	-	3.8	2.0	2.1
Taxation	(2.4)	(3.1)	(4.5)	(4.8)	(5.0)	Dividend yield	393.3%	0.0%	6.7%	3.6%	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	24.8	23.8	P/B (x)	13.5	6.4	5.5	5.3	5.0
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%	21.4%	21.7%
Investing cash flow	(5.1)	(19.6)	(0.3)	(9.7)	(9.3)	PBT margin	21.1%	18.1%	20.8%	20.5%	21.0%
Changes in borrowings	(2.4)	(5.7)	(3.8)	(3.8)	(3.8)	PAT margin	12.5%	9.7%	13.8%	14.0%	14.1%
Issuance of shares	-	21.0	-	-	-	Core PAT margin	13.5%	11.1%	13.8%	14.0%	14.1%
Dividends paid	(6.4)	-	(5.6)	(10.9)	(11.2)	ROE	36.6%	17.3%	22.7%	23.0%	22.2%
Others	(2.9)	(4.5)	(2.4)	(2.7)	(2.5)	ROA	14.1%	8.7%	13.8%	14.7%	14.8%
Financing cash flow	(11.7)	10.8	(10.7)	(17.5)	(17.6)	Net gearing	51.5%	14.1%	CASH	CASH	CASH
Net cash flow	0.9	4.2	8.7	(2.4)	(3.1)						
Forex	-	-	-	-	1.0						
Others	2.8	1.1	1.1	1.1	1.1						
Beginning cash	4.8	5.7	9.8	18.5	16.1						
Ending cash	8.5	10.9	19.6	17.2	14.2						

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