



MERCURY SECURITIES SDN BHD

(A Participating Organisation of Bursa Malaysia Securities Berhad)

OPTIMAX HLDGS BHD

“IPO Notes – Eye Specialist”

BACKGROUND

Optimax Holdings Bhd (Optimax) is a provider of eye specialist services supported by network of 13 specialist centres; include one specialist hospital, 11 ambulatory care centres and one specialist clinic in Malaysia, and 18 surgeons to perform a range of eye specialist services from diagnosis to treatment including medical and surgical procedures.

VALUATION/RECOMMENDATION

We like Optimax for its proven track record of 25 years, established network of private eye specialist centres with experienced management & operational team and positive demand outlook for eye specialist services due to increase in population, advancing age, prevalence lifestyle and increase in popularity of Malaysia as a healthcare destination.

We have a subscribe recommendation with a target price of RM0.44 derived based on PE of 13.0x (30% discount to PE of KPJ) our estimated EPS of 4.5 sen for FY21E. The target price represents a potential return of 45.0% over the IPO price.

EARNINGS SUMMARY

FY 31 Dec (RM m)	2018	2019	2020	2021	2022
Revenue	49.2	62.6	51.7	68.9	75.8
EBITDA	13.1	18.2	8.3	19.0	22.7
Core Net Profit	5.4	8.5	1.6	8.4	10.7
Core EPS (sen)	2.0	3.1	0.6	3.1	4.0
Core EPS Growth (%)	-26.3	55.9	-81.2	426.3	27.1
Net DPS (Sen)	0.0	0.0	0.0	0.0	0.0
Core PE	14.9	9.5	50.7	9.6	7.6
Dividend Yield (%)	-	-	-	-	-
Debt/Equity (%)	0.8	0.8	0.6	0.4	0.3
ROA (%)	9.7	13.3	2.3	11.6	13.9
ROE (%)	23.5	32.9	5.7	21.9	20.6
NTA per share (sen)	8.1	9.0	9.6	13.2	17.6
Price to NTA (x)	3.7	3.3	3.1	2.3	1.7

IPO Report

Thursday, 30th July 2020

ACE MARKET

Healthcare

SUBSCRIBE

IPO Price	:	RM 0.30
Fair Value (FV)	:	RM 0.44
FV Upside	:	45%

LISTING DETAILS

Issuer Manager	:	AFFIN Hwang Investment Bank Bhd
New Shares (m)	:	70.0
Fund Raised (RM m)	:	21.0
Shares on Offer (m)	:	-
Listing	:	18 th Aug'20

POST LISTING

Ordinary Share (m)	:	270.0
Mkt Cap (RM m)	:	81.0
Est Free Float	:	38.2%
P/E	:	10.3
P/B	:	1.9

MAJOR SHAREHOLDERS

Dato Tan Boon Hock	:	61.8%
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Prepared by:

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**DETAILS OF IPO**

IPO at an issue price of RM0.30 per IPO Share comprise of a total of 70.0m shares, representing 25.9% of the enlarged issued and paid-up share capital of Optimax.

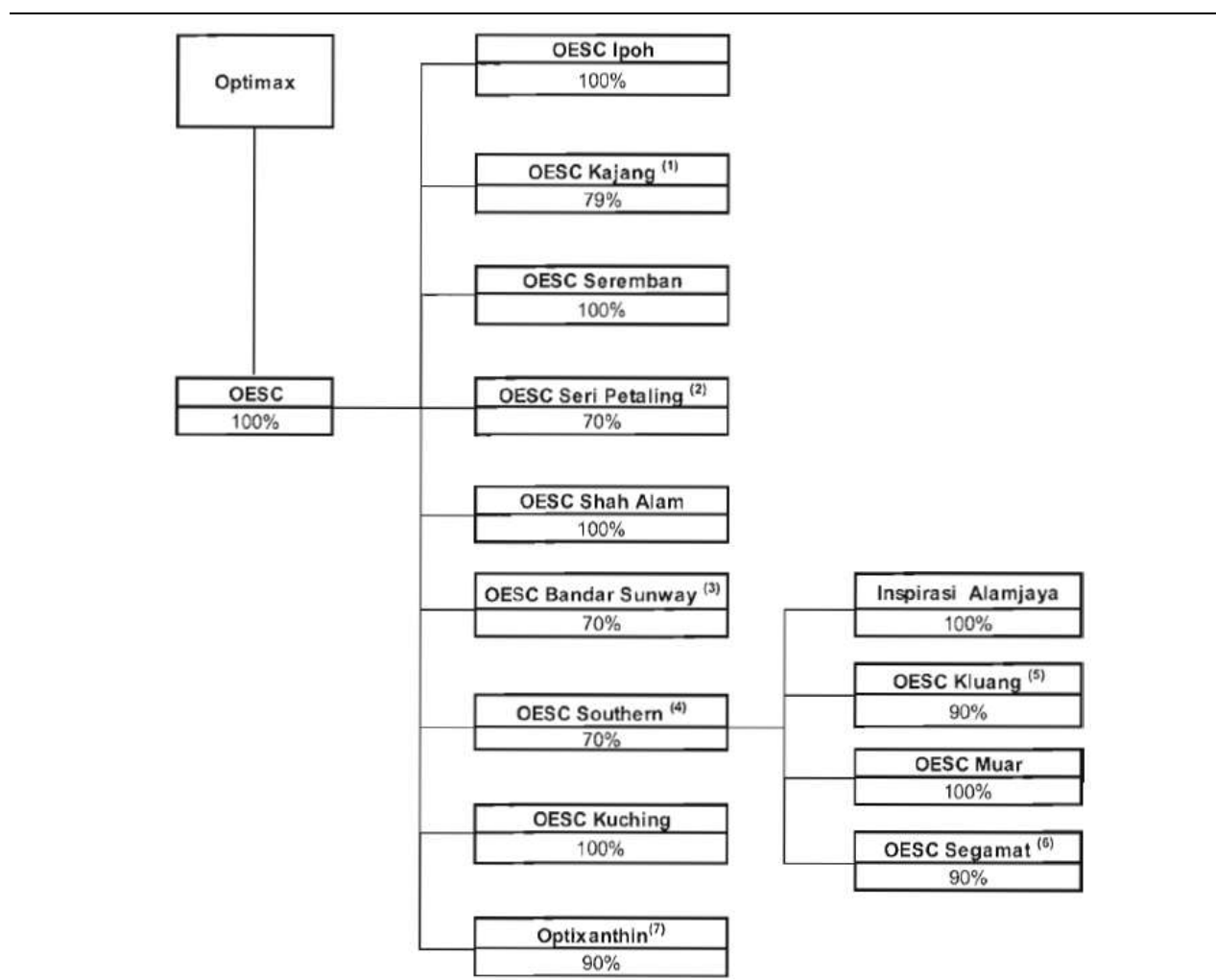
Fig 1: Details of IPO:

	Public issue (m)	(%)
(i) Malaysian Public (via balloting)	13.5	5.0%
(ii) eligible Persons (Directors, employees, and others who have contributed to the success of the Group)	4.0	1.5%
(iii) private placement to selected investors	25.5	9.4%
(iv) private placement to Bumiputera investors approved by the MITI	27.0	10.0%
Total	70.7	25.9%

Source: Company

GROUP OVERVIEW

Fig 2: The Group Structure



Source: Company



Optimax history can trace back to 1995 with opening of its first eye specialist clinic in Taman Tun Dr Ismail, Kuala Lumpur. The Group has grown leaps and bounds, currently it has network of 13 specialist centres which include one specialist hospital, 11 ambulatory care centres and one specialist clinic in Malaysia. It has 18 surgeons supported by a team of professional workforce of 33 optometrists to perform eye examinations.

Fig 3: Board of Directors and key senior management

Name	Position
<u>Directors</u>	
1 Tan Sri Datuk Dr. Ir. Ahmad Tajuddin bin Ali	Independent Non-Executive Director and Chairman
2 Dato' Tan Boon Hock	Non-Independent Non-Executive Director
3 Sandy Tan	Non-Independent Executive Director and CEO
4 Yap Ping Hong	Independent Non-Executive Director
5 Yap Eng Gee	Independent Non-Executive Director
<u>Key Senior Management</u>	
1 Sandy Tan	CEO
2 Michelle Tan	CFO
3 Dr. Stephen Chung	Senior Medical Director
4 Dr. Chuah Kay Leong	Senior Medical Director
5 Dr. Lam Hee Hong	Medical Director (Southern)
6 Pang Woei Yaw	Group Accountant
7 Ang Chian Yen	Operations Manager

Source: Company

BUSINESS OVERVIEW

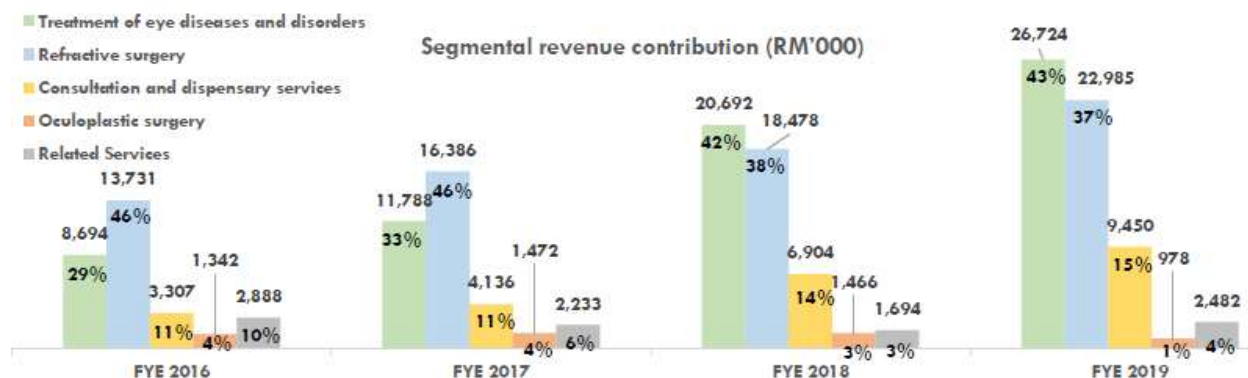
Optimax is a provider of eye specialist services, offer a range of services with in-house expertise in medical ophthalmology at specialist centres such as specialist clinics, ambulatory care centres and specialist hospital.

Fig 4: Optimax eye specialist services

Services	Descriptions
1 Treatment of eye diseases and disorders	including cataract surgery and other eye medical treatment
2 Refractive surgery	Comprising laser vision correction and implant vision correction, including short-sightedness, long-sightedness and astigmatism.
3 Consultation and dispensary services	Comprising doctor consultation and medication
4 Oculoplastic surgery	Provides both functional and cosmetic treatment for disorders around the eye
5 Related services	To complement its core services in eye specialist services, includes sales of optical wear, consumables from surgery and medical treatments, administration fees as well as laboratory tests for patients

Source: Company

Fig 5: Group's revenue breakdown for the past 4 years



Source: Company

The two main revenue drivers for the Group are **refractive surgery** and **treatment of eye disease and disorders**. Both accounted for approximately 80% of the Group's revenue for the past 4 financial years.

Fig 6: Principal markets

Revenue Breakdown by Locations of Our Specialist Centres in Malaysia								
	FYE 2016		FYE 2017		FYE 2018		FYE 2019	
	RM '000	%	RM '000	%	RM '000	%	RM '000	%
Peninsular Malaysia	27,921	93.19	33,397	92.73	46,720	94.89	59,689	95.32
East Malaysia	2,041	6.81	2,618	7.27	2,514	5.11	2,930	4.68
Group Revenue	29,962	100.00	36,015	100.00	49,234	100.00	62,619	100.00

Source: Company

The Group mainly serve the peninsular Malaysia market with east Malaysia accounted for less than 10% of its total revenue

OUTLOOKS AND PROSPECTS

According to IMR by Vital Factor Consulting, the GDP of health services in Malaysia grew 9.3% between 2015 and 2019, higher compared to government sector at 8.1%. Although the market size of private eye care specialist services is not available, expect demand for eye specialist services to remain robust underpinned by aging population, prevalence of lifestyle disease, growing affluence of the population and increase in healthcare tourism.

FUTURE PLANS AND STRATEGIES

Optimax will continue to focus on its core competencies in eye specialist services, strengthening its market presence in Malaysia with existing mode of operation, which is to adopt two approaches in expansion of outlets:

1. through **fully owned new ambulatory care centres** and **hire employee doctors** to be its resident doctors; and
2. through **business associate** arrangements with **joint-owned new ambulatory care centres** where **resident doctors** will have **equity participation** as minority shareholders.

Fig 7: Expansion in the Central Region



Source: Company

The Group intend to continue its on-going expansion in Central Region. It had recently upgraded and converted its specialist centre in Klang into an ambulatory care centre and on 10 March 2020 received licence as a private ambulatory care centre. In addition, the Group has begun renovation works to convert its specialist clinic in **Seremban** into an ambulatory care centre which will enable surgical procedures such as refractive and cataract surgeries to be carried out, expected to commence operation by **4th quarter of 2020** subject to completion of renovation and obtaining relevant approvals.

UTILISATION OF PROCEEDS

The total gross proceeds from the IPO of RM70.0m will be utilised in the following manner:

Fig 11: Details of utilisation of proceed

No.	Details of utilisation of proceeds	Estimated timeframe	RM'm	%
1	Capital expenditure	Within 12 months	10.4	49.3%
2	Repayment of borrowing	Within 3 months	3.5	16.8%
3	Working capital	Within 12 months	3.5	16.8%
4	Estimated listing expenses	Within 1 month	3.6	17.1%
Total gross proceeds			21.0	100.0%

Source: Company

The bulk of IPO proceed is allocated for the purposes of **capital expenditure, repayment of borrowing and working capital**. Capital expenditure and working capital is for the expansion of ambulatory care centre network in Malaysia (acquisition of Seremban Buildings, operation equipment and day to day operations of the Group). The utilisation of proceed is expected to contribute positively to the Group earning in the future.

DIVIDEND POLICY

Optimax doesn't have a formal dividend policy however it's the board intention to pay dividends to shareholders in the future subject to a number of factors, amongst others, groups' financial performance, capital expenditure requirement and general financial conditions.

RISK FACTORS

Some of the major risks relating to Optimax highlighted as follows:

1. Reliant on certain approvals, licenses, permits and certificates;
2. Dependent on certain suppliers and may be affected by obsolescence or failures and other challenges related to medical equipment;
3. Competition from other providers of private eye specialist services; and
4. Demand depends on consumer sentiments and consumer affluence

VALUATION/RECOMMENDATION

At IPO price of RM0.30 per Share, Optimax is valued at 10.3x PE based on FY19 EPS of 2.9 cents, and representing P/B of 1.9x based on pro-forma consolidated NA per share upon listing.

The Group's performance for FY20E likely negatively impacted by Covid-19 as non-urgent treatments and surgeries were rescheduled as part of the preventive measure undertaken of the Group during MCO period nevertheless we expect the Group's growth trajectory continue in FY21E.

We have a subscribe recommendation with a target price of RM0.44 derived based on PE of 13.0x (30% discount to KPJ) of our estimated FY21E EPS of 4.4sen. The target price represents a potential return of 45% over the IPO price.

Fig 13: Comparable Peers

	Company	Share Price	Market Cap	P/E FY21E	P/B
1	TOPVISION Eye Specialist Bhd*	0.75	191.7	95.8	10.1
2	KPJ Healthcare Bhd	0.85	3,594.9	18.6	1.9
3	IHH Healthcare Bhd	5.33	46,519.3	46.2	2.2
	average			53.6	4.7
	Optimax	0.30	82.8	10.3	1.9

Source: Company and Mercury Securities

Note

* listed on LEAP market of Bursa Malaysia



Key Financial & Ratio

FY 30 Jun (RM m)	FY18 A	FY19 A	FY20 E	FY21 E	FY22 E
Cash, Cash Equivalents & STI (RM m)	5.5	8.5	21.4	19.2	17.2
Net Debt/(Net Cash)(RM m)	13.1	11.7	-4.7	-2.5	-0.6
Shareholder equity (RM m)	22.0	24.2	24.7	35.4	47.3
enterprise value (RM m)	94.1	92.7	76.3	78.5	80.4
Cash per share (sen)	2.0	3.2	7.9	7.1	6.4
Total debt / Equity (%)	0.80	0.78	0.63	0.44	0.32
Net Debt (Net Cash)/equity	0.57	0.45	-0.18	-0.07	-0.01
NTA per share (RM)	0.08	0.09	0.09	0.13	0.18
Price / NTA (x)	3.68	3.34	3.28	2.29	1.71
Revenue (RM m)	49.2	62.6	47.0	65.7	69.0
EBITDA (RM m)	13.1	18.2	6.3	20.3	22.1
EBIT (RM m)	7.8	12.5	0.6	14.1	15.6
Profit before tax (RM m)	7.8	12.6	0.6	14.1	15.6
Net profit (RM m)	5.0	8.7	0.5	10.7	11.8
Core Net profit (RM m)	5.4	8.5	0.4	9.5	10.5
EBITDA margin (%)	27%	29%	13%	31%	32%
EBIT Margin (%)	16%	20%	1%	21%	23%
Pre-tax margin (%)	16%	20%	1%	21%	23%
Net profit margin (%)	10%	14%	1%	16%	17%
Earnings per share (sen)	1.84	3.24	0.18	3.96	4.38

Source: Company and Mercury Securities



Recommendation Framework

Subscribe	The stock's total return is expected to be +10% or better over the next 12 months.
Neutral	The stock's total return is expected to be within +/-10% over the next 12 months.
Do Not Subscribe	The stock's total return is expected to be -10% or worse over the next 12 months.

DISCLAIMER

All information, views and advice are given in good faith but without legal responsibility. Mercury Securities Sdn. Bhd. or companies or individuals connected with it may have used research material before publication and may have positions in or may be materially interested in any stocks in the markets mentioned.

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