

Malaysia

ADD (initiation)

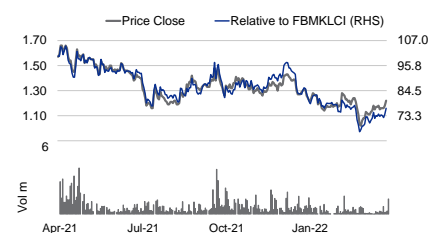
Consensus ratings*: Buy 1 Hold 0 Sell 0

Current price:	RM1.22
Target price:	RM1.47
Previous target:	N/A
Up/downside:	20.5%
CGS-CIMB / Consensus:	-8.1%
Reuters:	OPTI.KL
Bloomberg:	OPTIMAX MK
Market cap:	US\$78.24m
	RM329.4m
Average daily turnover:	US\$0.09m
	RM0.40m
Current shares o/s:	270.0m
Free float:	33.8%

*Source: Bloomberg

Key changes in this note

➤ N/A



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	9.9	-6.9	-25.6
Relative (%)	10.4	-10.1	-26.4

Major shareholders

	% held
Sena Healthcare Services Sdn Bhd	29.2
Tan Sri Dato' Tan Boon Hock	26.7
Dr Stephen Chung Soon Hee	5.7

Analyst(s)



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Optimax Holdings

Sights set on multi-year growth

- We initiate coverage with Add & TP of RM1.47 (28x CY23F P/E) on Optimax, the largest Malaysia-listed private eye specialist services provider in CY20.
- We see robust FY21-24F EPS CAGR of 14.7%, mainly driven by its network expansion plan & improving revenue intensity; this is a key re-rating catalyst.
- Its growth prospects will also be supported by the ageing population, rising affluence/insurance penetration & benign competition, in our view.

Established eye specialist services provider

Optimax, which was listed on the ACE Market in Aug 20 at RM0.30/share, now has a market cap of RM329m (US\$78m). It is the largest Malaysia-listed private pureplay eye specialist services provider in CY20, with 13 centres nationwide currently. It is involved in treatment of eye diseases/disorders (mainly cataract), refractive/oculoplastic surgeries, eye examinations, marketing of food products and Covid-19 vaccinations (since May 21).

Initiate with Add and target price of RM1.47

We initiate coverage on Optimax with Add and RM1.47 TP, pegged to 28x CY23F P/E (0.8 s.d. below AIER's 10-year mean) and after factoring in potential dilution from full conversion of outstanding warrants into shares. After the 26% share price drop since Apr 21 (possibly due to overhang from warrants), its FY22F P/E is at attractive 50% discount to (0.9 s.d. below) AIER's 10-year mean. Re-rating catalysts: i) strong EPS growth during FY22-24F, and ii) a rise in its institutional holdings (early-May 21: c.9%). Downside risks: expansion plan delays, longer gestation for new centres and further severe MCOs.

Projecting robust 3-year core EPS CAGR of 14.7%

We expect Optimax to post a strong 3-year core EPS CAGR (FY21-24F) of 14.7%, driven by: a) robust growth in the number of cataract/refractive surgeries done, b) improving revenue intensity on take-up of newer-generation procedures and muted competition, c) more meaningful contribution from new centres, and d) normalisation of effective tax rate. These are partly offset by the tapering of Covid-19 vaccination revenue to nil by FY23F.

Attractive proxy for ageing population and rising affluence

With its established track record, Optimax is poised to benefit from the rapidly ageing population and rising medical insurance penetration as we think cataract surgeries will form c.31% of FY22F revenue (ex-Covid-19 vaccination services). Demand for refractive surgeries (c.37% of revenue) should also be boosted by improving affluence. We project capex of RM11m-12m p.a. in FY22-24F as it expands its network to drive future growth.

Riding on the tailwinds of a favourable competitive landscape

Our channel checks and analysis show that market competition is fairly benign due to: i) the limited number of large players, ii) rational pricing and marketing practices, iii) major players' healthy ROICs, and iv) fairly high barriers to entry given the industry's highly-regulated nature. This should help sustain the growth of its revenue intensity, in our view.

Financial Summary

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue (RMm)	58.0	88.9	98.1	109.6	130.1
Operating EBITDA (RMm)	17.74	26.19	28.34	31.19	37.28
Net Profit (RMm)	5.64	12.30	13.26	14.78	18.52
Normalised EPS (RM)	0.023	0.045	0.049	0.055	0.069
Normalised EPS Growth	(25.7%)	98.6%	8.1%	11.4%	25.3%
FD Normalised P/E (x)	53.34	26.86	24.84	22.29	17.79
DPS (RM)	-	0.038	0.034	0.038	0.048
Dividend Yield	0.00%	3.11%	2.82%	3.14%	3.93%
EV/EBITDA (x)	18.72	12.67	11.82	10.78	9.01
P/FCFE (x)	NA	16.00	24.47	21.31	16.95
Net Gearing	(16.7%)	(14.6%)	(8.8%)	(6.3%)	(6.4%)
P/BV (x)	6.88	5.98	5.58	5.19	4.77
ROE	17.5%	23.8%	23.3%	24.1%	28.0%
% Change In Normalised EPS Estimates					
Normalised EPS/consensus EPS (x)			0.86	0.80	0.85

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

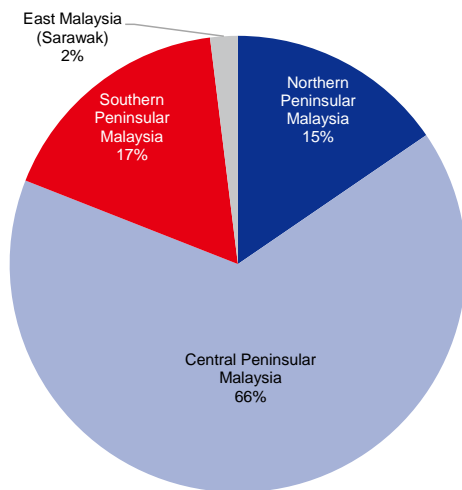
Sights set on multi-year growth

INVESTMENT THESIS

Established eye specialist services provider ▶

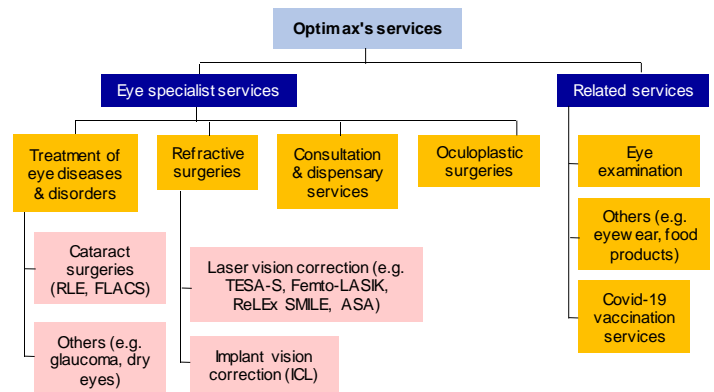
Listed on the ACE Market of Bursa Malaysia, Optimax Holdings Bhd (Optimax) is the largest Malaysia-listed private pureplay eye specialist services provider (by revenue market share and number of cataract/refractive surgeries as of CY20, in our view), with a network of 13 specialist centres (12 ambulatory care centres [ACCs] and 1 hospital) nationwide. Since its incorporation in 1995, it has expanded its suite of services to include the treatment of eye diseases/disorders (mainly cataracts), refractive surgeries (laser and implants), oculoplastic surgeries, eye examinations, marketing of its own food products (under the Optixanthin brand) as well as, since May 2021, Covid-19 vaccination services.

Figure 1: FY21 geographical revenue breakdown (RM m)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Optimax offers a range of eye specialist and related services



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, COMPANY WEBSITE

Proxy for Malaysia's rapidly ageing population ▶

We believe Optimax is poised to benefit from Malaysia's rapidly ageing population, as we estimate cataract surgeries formed c.30-35% of FY18-21 total revenue (ex-Covid-19 vaccination services) for the company. Cataracts cloud the lens in the eye, thus making vision hazy and cloudy, and the procedure, which is bladeless in Optimax's centres, usually involves removing the clouded lens and replacing it with an intra-ocular lens using a Femtosecond laser. Cataract surgeries are a common procedure for ageing patients (those aged >50 years accounted for 95% of total cataract surgeries registered with Malaysia's Cataract Surgery Registry in 2018). We believe Optimax's 15-year track record in performing cataract surgeries and 26-year experience in the eye specialist industry stand it in good stead among this market segment. World Bank data showed that Malaysia's population aged >50 years posted a 9-year CAGR of 3.7% between 2011-20 to reach 6.7m, accounting for 20.7% of the total population in 2020. This drove growth in the number of cataract surgeries conducted by Optimax, which delivered a robust 5-year CAGR of 24.3% in FY16-21.

Figure 3: Age distribution of cataract surgery patients in 2018 (latest available data)

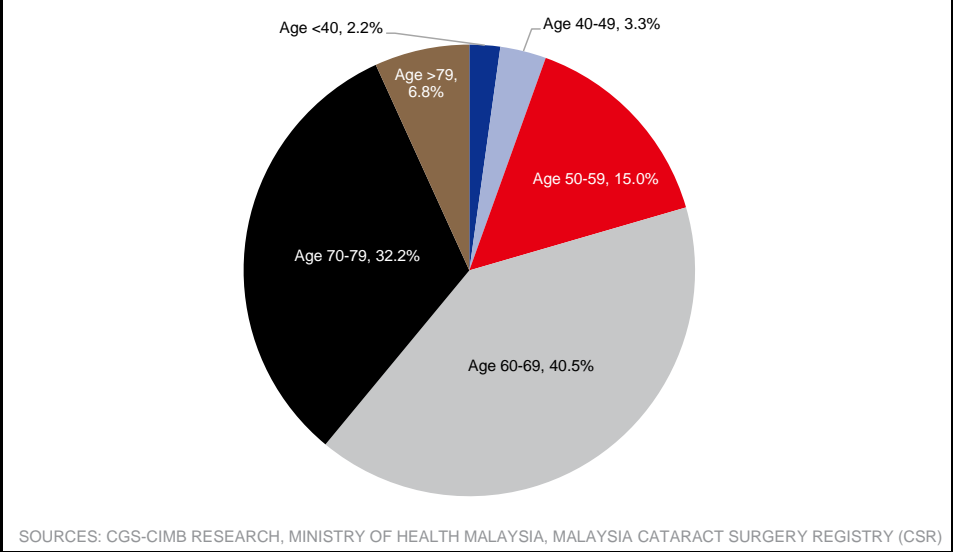


Figure 4: Malaysia's population aged 50 and above, and proportion of total population

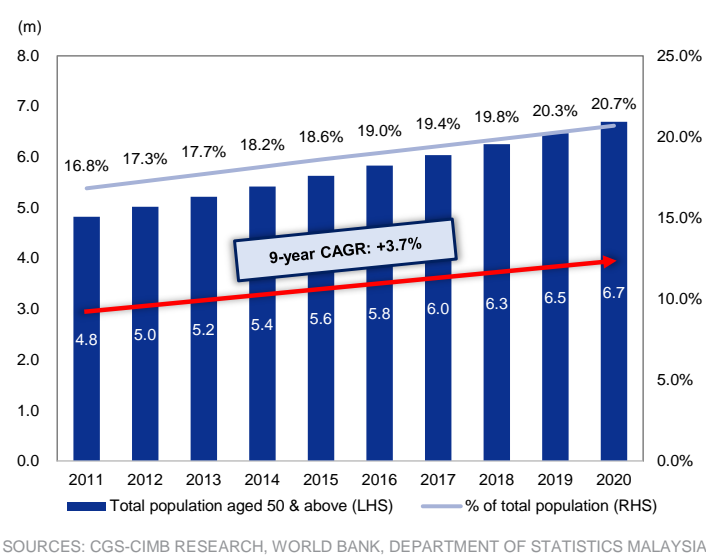
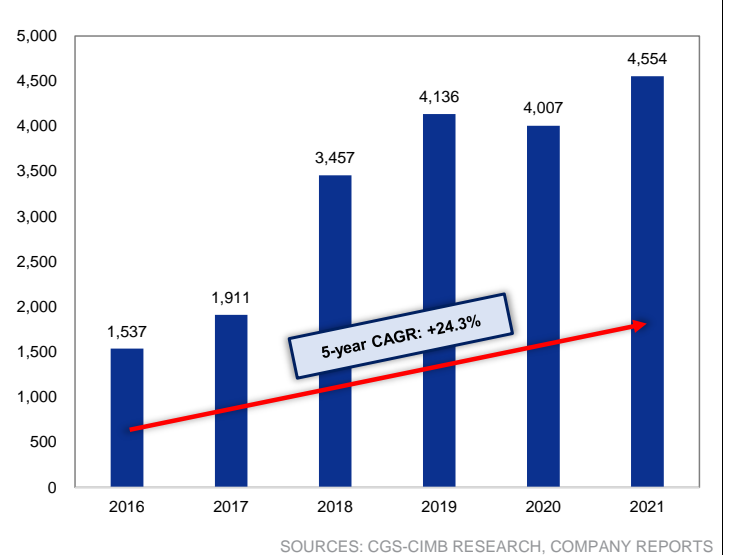


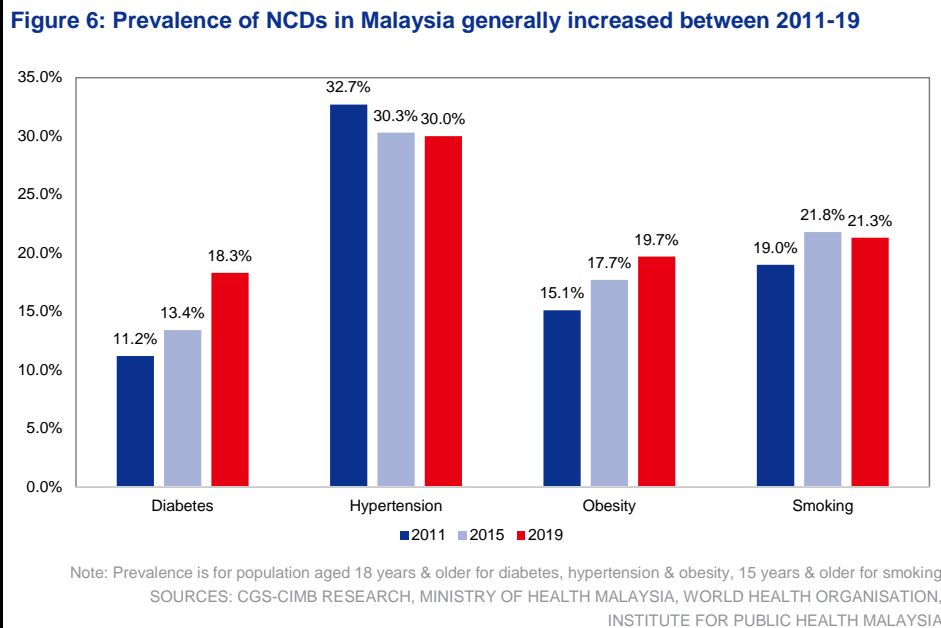
Figure 5: Number of cataract surgeries performed by Optimax has been on an uptrend



Department of Statistics Malaysia (DOSM) estimated that 7.4% of Malaysia's population was aged >65 years in 2021, up from 6.8% in 2020 (based on its 2020 Population and Housing Census). This, according to World Bank's "A Silver Lining: Productive and Inclusive Aging for Malaysia" report (22 Nov 2020), implies that Malaysia has transitioned to an ageing society (defined as having at least 7% of the population aged >65 years), driven by declining fertility rates and a sustained increase in life expectancy. In the same report, World Bank projected the rate of ageing for Malaysia to pick up in the coming years, with the share of the population aged >65 years to double to 14% by 2044 (making it an aged society).

Besides higher occurrences of cataracts, Malaysia's ageing population could result in the rising incidence of non-communicable diseases (NCDs) such as hypertension, cardiovascular disease, diabetes and cancers. Lifestyle factors such as diet, smoking, excessive exposure to ultraviolet light and a sedentary lifestyle also contribute to NCDs. A diabetic person is at risk of developing eye-related diseases and disorders e.g. diabetic retinopathy, diabetic macular oedema, cataract and glaucoma. Meanwhile, hypertensive individuals could suffer from hypertensive retinopathy, optic neuropathy and choroidopathy over the medium-to-long term. The Ministry of Health's (MOH) National Health and Morbidity Survey (NHMS) 2019 Technical Report indicated that the prevalence

of diabetes, obesity and smoking has increased since 2011, while that of hypertension is down only marginally. Hence, this should drive demand for treatments for eye diseases/disorders, in our view.

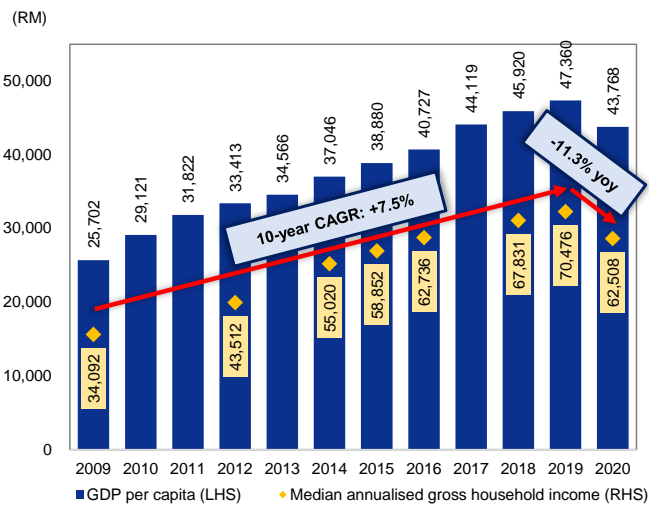


Beneficiary of improving consumer affluence ►

We think Optimax is well positioned to capitalise on the growing affluence of Malaysian consumers. The median monthly gross household income registered a 10-year CAGR of 7.5% in 2009-19, as per DOSM data. After potentially resuming its growth trend in 2021F following the hit from Covid-19-led lockdowns in 2020, we expect this to grow further in 2022F. The improving affordability, coupled with greater awareness of eye health, should spur demand for cataract surgeries and elective procedures, i.e. refractive (to replace the use of eyeglasses/contact lenses; c.35-40% of Optimax's FY18-21 total revenue, ex-Covid-19 vaccination services, based on our estimates) and oculoplastic (for cosmetic reasons) surgeries, in our view. Indeed, the number of laser/implant refractive surgeries conducted by Optimax saw an impressive 5-year CAGR of 9.1%/37.3% in FY16-21.

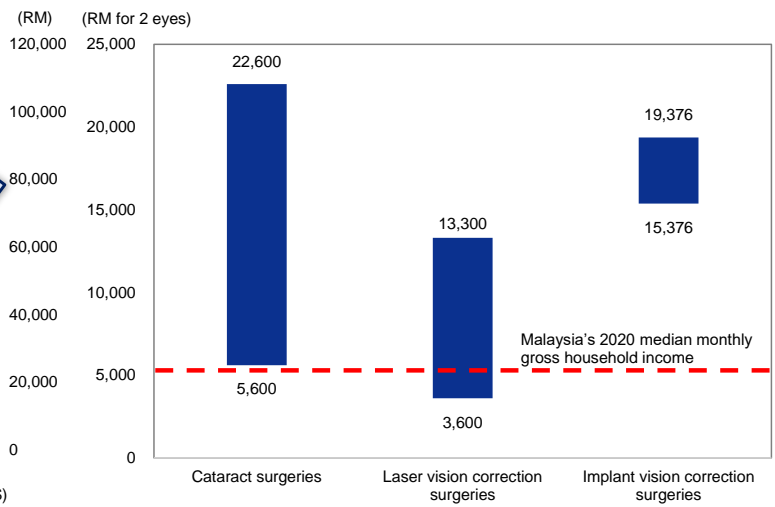
As shown in Fig 8, Optimax's cataract and refractive surgeries are generally priced higher vs. Malaysia's 2020 median monthly gross household income (RM5,209), suggesting that these services are currently beyond the reach of a large part of the population (especially those in the lower 80th percentile income segment). We believe rising affluence should help increase the penetration of eye surgeries amongst the population in the next few years.

Figure 7: Malaysia's GDP per capita vs. gross household income



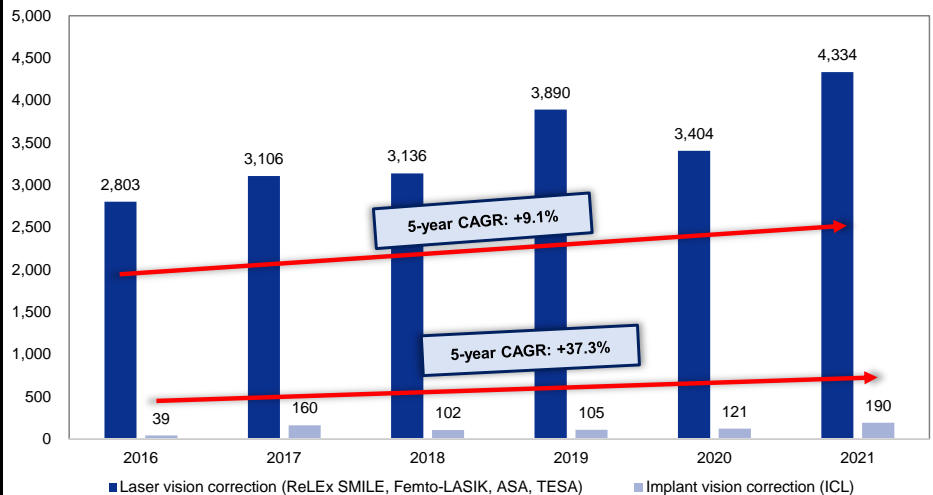
SOURCES: CGS-CIMB RESEARCH, WORLD BANK, DEPARTMENT OF STATISTICS MALAYSIA

Figure 8: Price range of Optimax's services (for 2 eyes) vs. Malaysia's median monthly gross household income



SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS, OPTIMAX, DEPARTMENT OF STATISTICS MALAYSIA

Figure 9: Number of refractive surgeries performed by Optimax



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Reputable brand & track record are its advantages ➤

In our view, Optimax's key competitive advantage lies in its reputable brand and high-quality services, built upon its 26 years of industry experience and strong track record. All of its 18 resident and 8 locum eye surgeons have ophthalmology degrees, are licenced as medical practitioners by the Malaysian Medical Council and registered as specialists in ophthalmology under the National Specialist Register. Notably, its medical directors, Dr Stephen Chung Soon Hee, Dr Chuah Kay Leong and Dr Lam Hee Hong, each have established track records as ophthalmologists for 19-36 years. They are also supported by a total of 45 optometrists.

While two medical negligence claims were filed against the company and one of its cataract surgeons in 2012, the doctor involved is no longer with Optimax and the company has subsequently established/implemented a more comprehensive set of SOPs to be adopted by its ophthalmologists. We also note that its current doctors have favourable track records since joining the group.

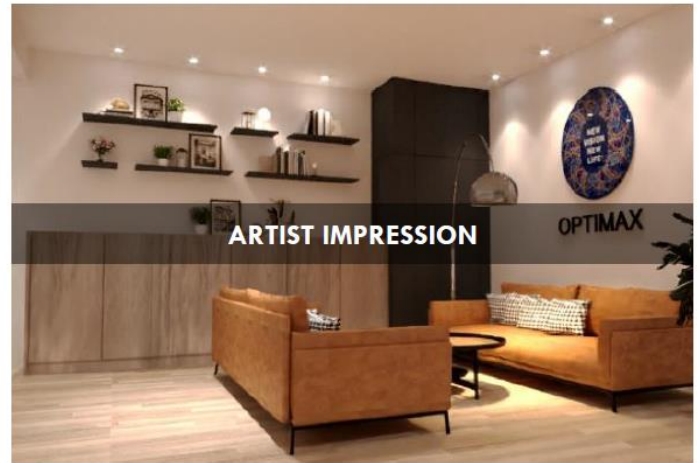
To attract and retain resident specialist doctors as well as incentivise them to improve their branch's performance, Optimax offers minority stakes in the

relevant subsidiaries operating the selected centre(s) via business associate arrangements (e.g. Seri Petaling and Bandar Sunway branches), while retaining a majority stake to maintain control. Augmented by its sizeable scale (it is the largest Malaysia-listed pureplay private eye specialist services provider, with a 22% revenue market share in CY20, based on our estimates), we think Optimax is better able to recruit and retain competent eye specialist doctors vs. its peers. Due to the above ownership and operating model, we understand that the turnover rate amongst its resident and locum doctors is minimal.

Network expansion plans to drive growth >

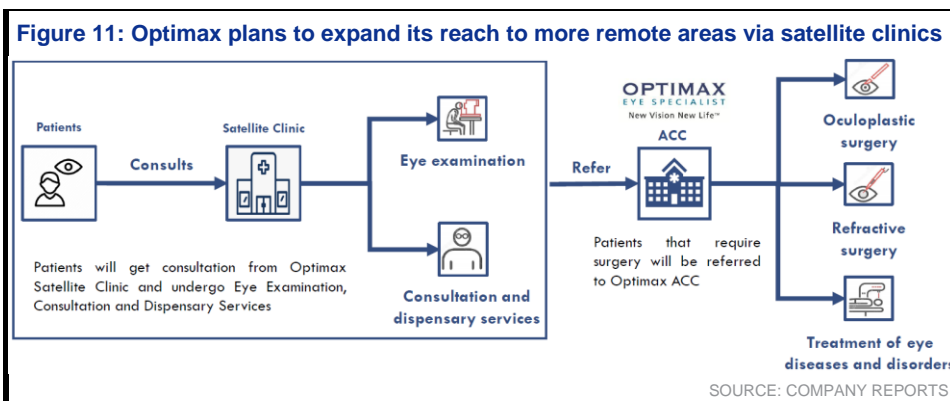
In order to capitalise on the strong demand for eye specialist services, Optimax said during its 4Q21 results briefing that its upcoming ACC in Bahau, Negeri Sembilan, is on track to open by mid-2022F. Similar to its smaller ACCs such as in Muar and Segamat, it guided during the same briefing that the new Bahau ACC will house a new resident doctor (who is an existing locum doctor based at its Seremban ACC) and could generate c.RM3m-4m p.a. of incremental revenue from FY23F.

Figure 10: Optimax's new ACC in Bahau is targeted to open by mid-2022F



SOURCE: COMPANY REPORTS

Furthermore, Optimax said during its 4Q21 results briefing that it targets to open its first satellite clinic in Sutera, Johor Bahru, Johor, in 2Q22F, with three other satellite clinics slated to open in the Klang Valley in 2H22F. These clinics will provide eye examination and consultation services, and it aims to expand its reach to more remote areas as well as drive additional patient volumes to its ACCs and hospital (as patients that require surgery will be referred to the latter facilities). Thus, this should help to improve the utilisation of the operating theatres at its ACCs and hospital, which stood at a blended average of c.50-60% in 4Q21 and c.60-70% as of mid-Feb 22, as per its 4Q21 results briefing. Note that, unlike ACCs and hospitals, surgeries cannot be performed at clinics.

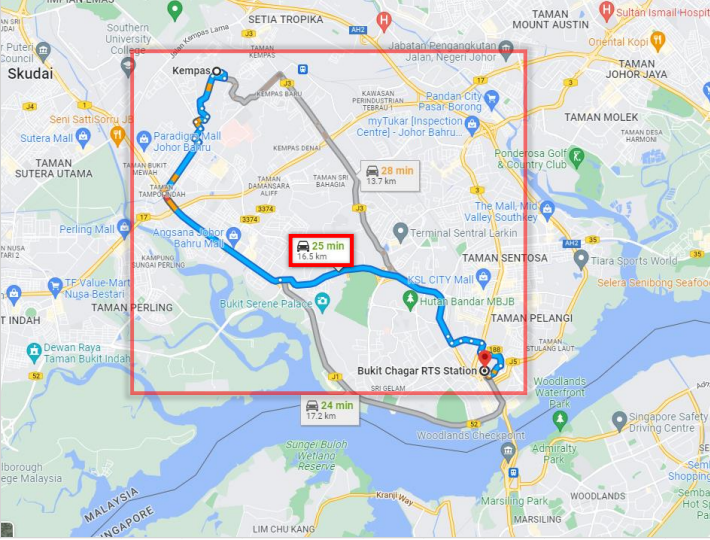


We learnt from Optimax during its 4Q21 results briefing that it is planning to open a new specialist hospital in Kempas, Johor. This could start operations sometime in 2H24F, as management highlighted during the same briefing that construction works may begin in Jun 22 and last c.18 months, before its licence is potentially approved by MOH within 6-12 months. Optimax will incur minimal capex for this, as the premise will be leased from Sena Healthcare, which is its major shareholder and a vehicle jointly owned by its founder and Executive Deputy Chairman, Tan Sri Dato' Dr Tan Boon Hock, as well as his spouse, Puan Sri Datin Lim Sho Hoo.

Given the close proximity of the planned Kempas hospital to the upcoming Johor Bahru (JB)-Singapore Rapid Transit System (RTS) Link station in Bukit Chagar, Johor (c.25-minute drive apart), Optimax said during the briefing that it expects good patient volumes for the Kempas hospital, aided by inbound Singaporean and other foreign travellers.

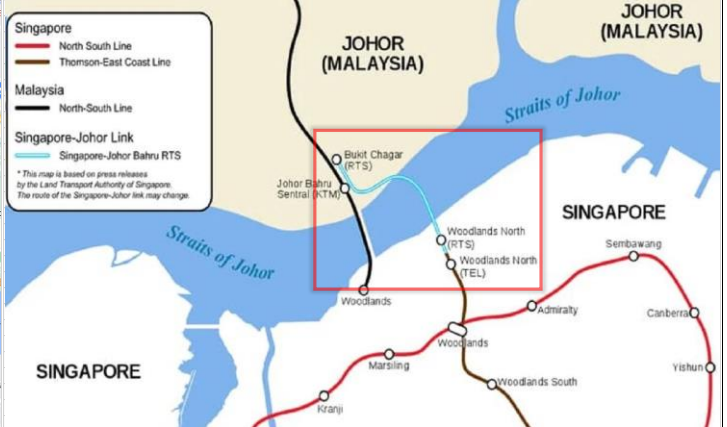
For some context, the RTS project, which involves a 4km rail shuttle service that will transport travellers between Malaysia and Singapore within 5 minutes, was first announced in 2010 and is slated to begin operations by Jan 2027, according to reports by The Edge Markets (19 Feb 2021) and Channel News Asia (14 Mar 2022). The latter cited Malaysian Minister for Transport Wee Ka Siong as saying that work progress on the RTS reached almost 10% as of mid-Mar 22, though Mass Rapid Transit Corp (Unlisted), the developer and owner of the civil infrastructure for the Malaysian section of the project, outlined that the construction of the Bukit Chagar station was still pending the relocation of water pipes within the station's vicinity to a new location. According to the same Channel News Asia article, the RTS Link aims to serve up to 10k commuters per hour each way, to help ease traffic congestion on the Johor-Singapore Causeway.

Figure 12: Kempas is located in close proximity to the Bukit Chagar JB-Singapore RTS Link station



SOURCE: GOOGLE MAPS

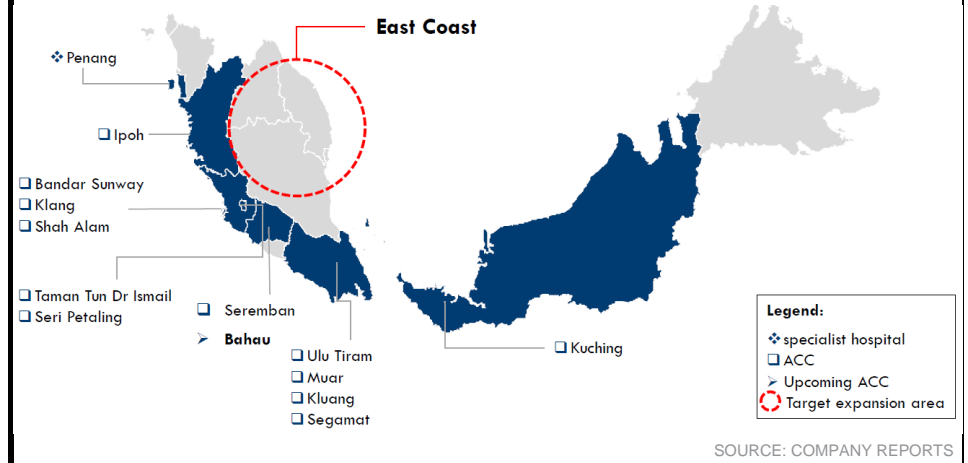
Figure 13: The RTS Link entails a 4km rail shuttle service that will transport travellers between Malaysia & Singapore within 5 mins



SOURCES: THE EDGE MARKETS, LAND TRANSPORT AUTHORITY OF SINGAPORE

Going forward, we understand from channels checks with Optimax that it is also eyeing the potential expansion of its ACC network to the East Coast of Peninsular Malaysia, to form a network connecting major states in the country, though no concrete plans have yet been announced.

Figure 14: Optimax is eyeing potential expansion of its ACC network to the East Coast



SOURCE: COMPANY REPORTS

Riding on Selgate's planned capacity expansion >

On 17 Dec 2021, Optimax announced in a bourse filing that it inked a Memorandum of Understanding (MOU) with Selgate Healthcare (Unlisted), an indirect wholly-owned subsidiary of the Selangor State Development Corporation (Unlisted), to operate eye specialist centres for designated Selgate hospitals on an exclusive basis. This will be initiated by setting up an ACC at Selgate Hospital Setia Alam, which is targeted to be operational by 3Q24F, based on Selgate's website. Under the MOU, Selgate will lease floor space to Optimax for its use as a centre at mutually agreed-upon rates and tenures, and procure the necessary approvals from MOH for the centre. The MOU is valid for 12 months and may be extended on mutual agreement.

We gathered from Optimax at its 4Q21 results briefing that it will also potentially set up ACCs at Selgate's upcoming Kuala Selangor and Mont Kiara hospitals under the MOU. According to Selgate's website, the latter are slated to open sometime in 2024F and 3Q25F, respectively. We see a chance for Optimax to also open an ACC at Selgate Hospital Shah Alam, which the latter targets to complete in 2026F. Similar to the Setia Alam hospital, Optimax will lease the

space for any potential new centre at other Selgate hospitals, and thus will incur minimal capex. While meaningful revenue/earnings contribution may be slightly far out (likely from FY25F onwards), these new ACCs bode well for Optimax's number of surgeries in the medium- to longer-term, in our view.

Figure 15: Optimax will potentially set up specialist clinics at three of Selgate's upcoming hospitals under their MOU

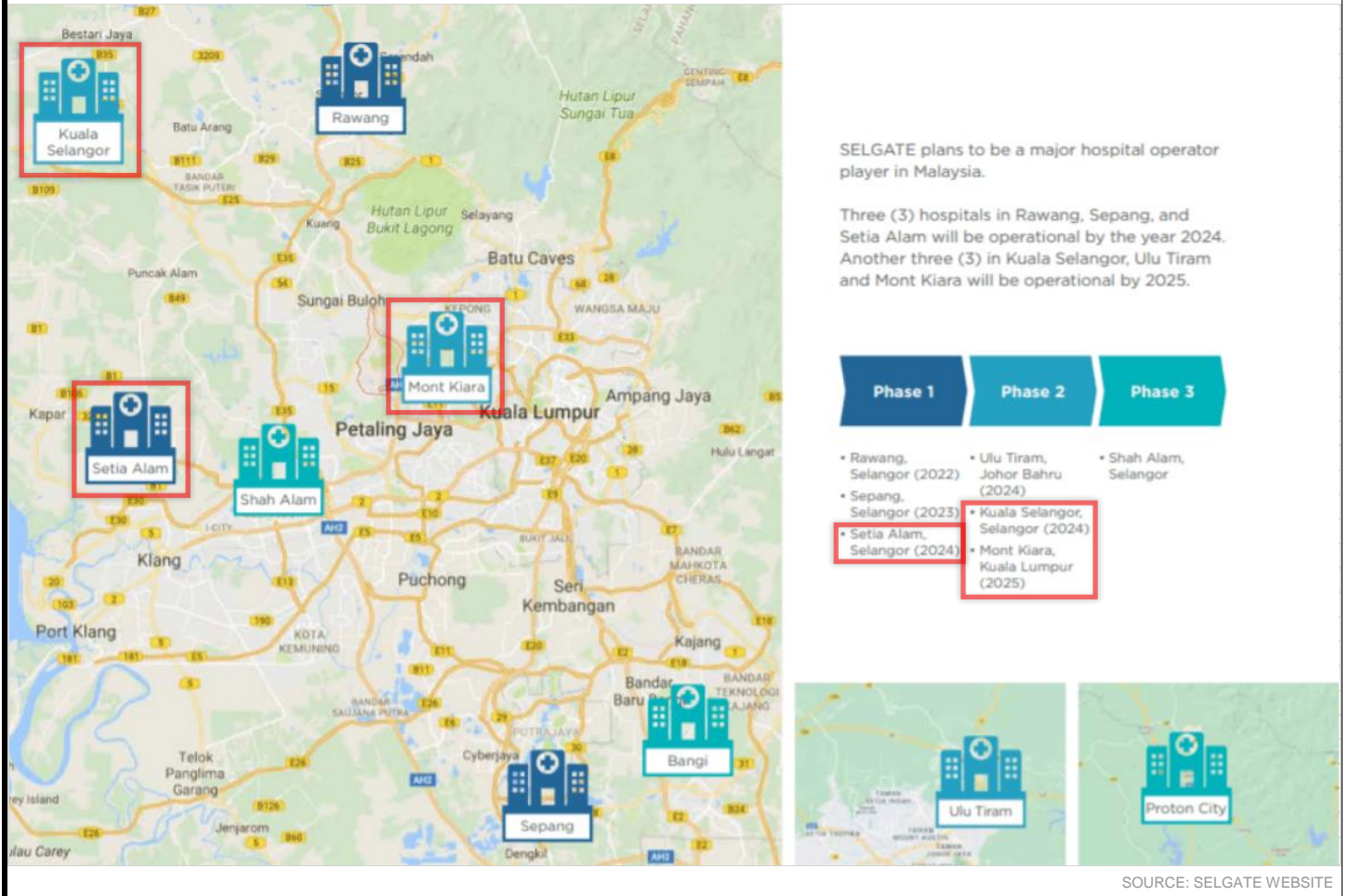


Figure 16: Selgate's planned new Setia Alam hospital



This 150 beds specialist hospital is located in the CBD area of Setia Alam township. Close to the proposed site are many residential and commercial areas buzzing with activity nestled within the middle and upper class population. The land is located right in the CBD with easy access to the North-South highway.

GDC: RM140 mil (financed by OPTIMAX)
Land: OPTIMAX Healthcare
Building: OPTIMAX to build & lease to SELGATE
OpCo: SELGATE & Partner
STATUS: Completion Q3 2024

SOURCE: SELGATE WEBSITE

Figure 17: Selgate's planned new Mont Kiara hospital



This 150 beds state-of-the-art hospital will be built within a fast-paced neighbourhood surrounded by residential areas of Sri Hartamas, Taman Tun Dr Ismail, Bukit Damansara and Mont Kiara. Located in the heart of Desa Sri Hartamas CBD with surrounding affluent townships. The site is strategically located near the SPRINT, North-South highway and NKVE.

GDC: RM150 mil (financed by OPTIMAX)
Land: OPTIMAX Healthcare
Building: OPTIMAX to build & lease to SELGATE
OpCo: SELGATE & Partner
STATUS: Completion Q3 2025

SOURCE: SELGATE WEBSITE

Near-term earnings boost from Covid-19 vaccines ▶

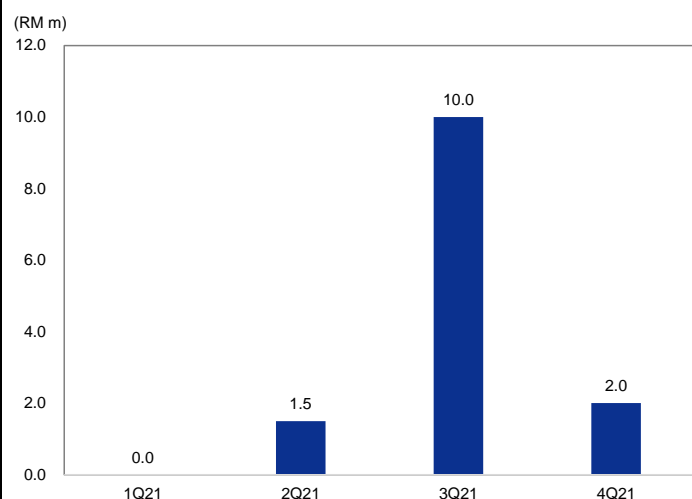
Since May 2021, Optimax has been appointed by ProtectHealth Corporation (Unlisted) to administer Covid-19 vaccines (Pfizer-BioNTech's Comirnaty) for free to the public under the government's National Covid-19 Immunisation Programme (PICK) and Public-Private Partnership Covid-19 Industry Immunisation Programme (PIKAS). In Jun 21, it also participated in the Ministry of Federal Territories's MyMedic@Wilayah mobile vaccination programme, which involved vaccinating residents under the Projek Perumahan Rakyat and Perumahan Awam, as well as workers of essential services companies in designated areas of the Federal Territories.

The above programmes entitled Optimax to receive a fee from the government for each vaccine dose administered. It generated c.RM14m in revenue (15% of total) from the administration of c.400k vaccine doses (based on our estimates) in FY21. We think the EBITDA margin for this service is higher vs. its normal margin of c.30%, as it incurs minimal incremental cost, with the vaccine procured from the government at no extra cost.

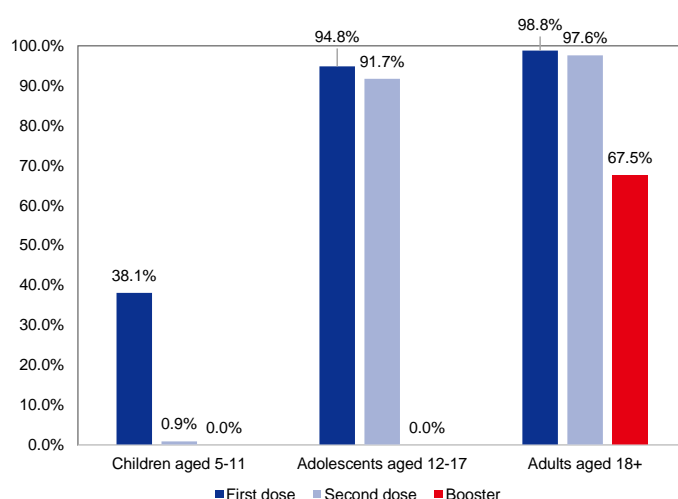
Optimax said in its 4Q21 results briefing that it started to offer Covid-19 vaccines for children aged 5-11 under the National Covid-19 Immunisation Programme for Children (PICKids) in 1Q22. It also began to roll out paid Sinovac Covid-19 vaccines (CoronaVac) recently at a relatively higher fee of RM110/dose (vs. average of c.RM34/dose in FY21 for sales on behalf of the government, based on our estimates), as said during its 4Q21 results briefing.

As of 5 Apr 2022, 5.7m more doses of Pfizer-BioNTech's Comirnaty vaccine will need to be administered to fully vaccinate (primary series) children (aged 5-11), while 421k more doses are needed to fully vaccinate adolescents (aged 12-17), according to data from MOH and the Covid-19 Immunisation Task Force. While most adults (aged 18+) have been fully vaccinated (mix of various vaccine brands), 7.6m of them have yet to receive a booster dose (c.2m of which were recipients of Sinovac's CoronaVac vaccine).

Figure 18: Optimax's revenue from Covid-19 vaccination services **Figure 19: Proportion of population groups vaccinated against Covid-19 in Malaysia (as of 5 Apr 2022)**



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS, OPTIMAX



SOURCES: CGS-CIMB RESEARCH, MALAYSIAN MINISTRY OF HEALTH, COVID-19 IMMUNISATION TASK FORCE

Projecting robust 3-year core EPS CAGR of 14.7% ▶

We project Optimax to register a strong 3-year core EPS CAGR of 14.7% over FY21-24F. This will be underpinned by the: a) continued robust growth in the number of cataract and refractive surgeries conducted, b) improving revenue intensity on take-up of newer-generation procedures and benign competition, c) more meaningful contribution from new specialist centres, as well as d) normalisation of effective tax rate.

We expect FY22F core EPS to rise at a more moderate 8.1% yoy (FY21: +98.6% yoy), as we see it being dragged by gestation losses (mainly higher staff, leasing costs and depreciation) from its new specialist centres and tapering contribution from Covid-19 vaccination services (higher margin, in our view). If we exclude the latter (assuming it garners c.15% net profit margin), we estimate underlying FY22F core EPS growth and 3-year core EPS CAGR will be 24% and 22%, respectively.

Figure 20: Forecasting 3-year revenue CAGR of 13.5% in FY21-24F

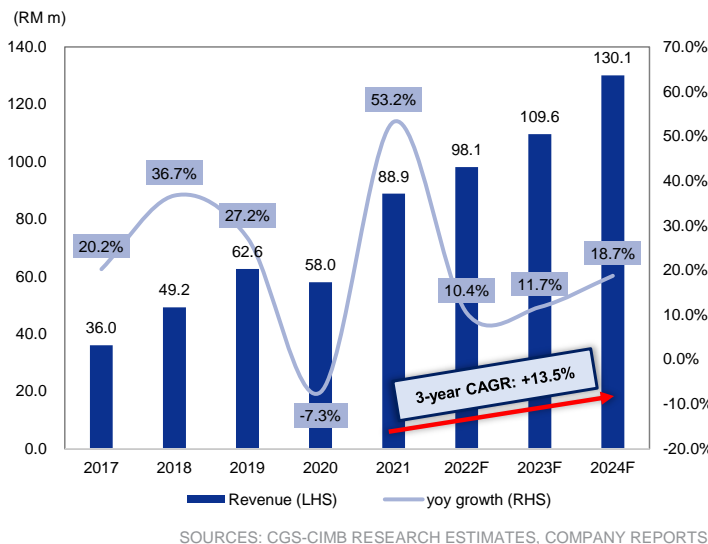
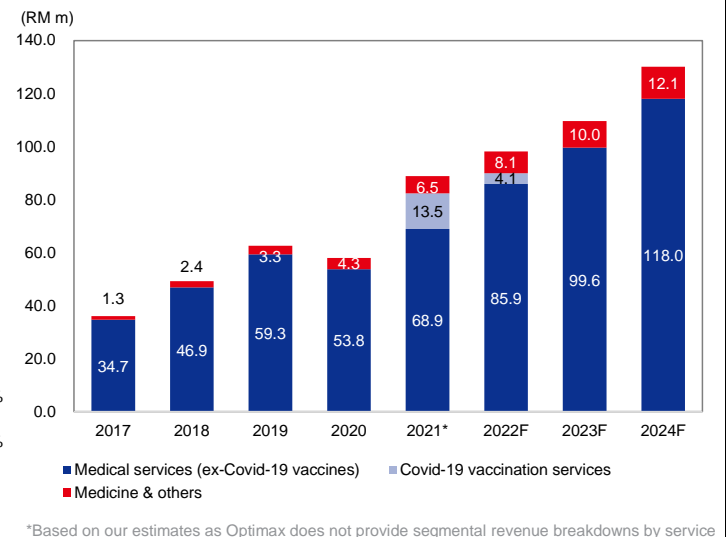
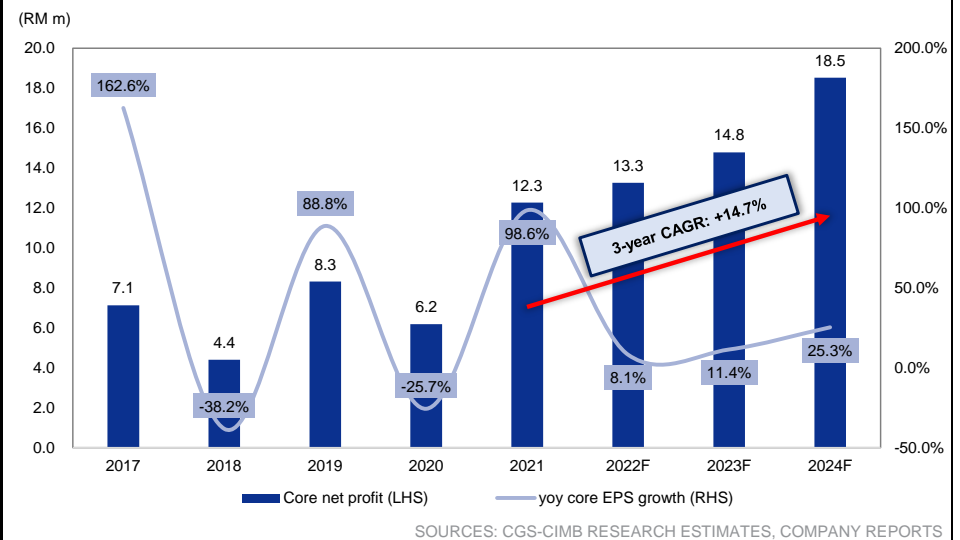


Figure 21: Segmental revenue breakdown



*Based on our estimates as Optimax does not provide segmental revenue breakdowns by service in its quarterly reports

Figure 22: We expect robust 3-year core EPS CAGR of 14.7% in FY21-24F



INDUSTRY OUTLOOK

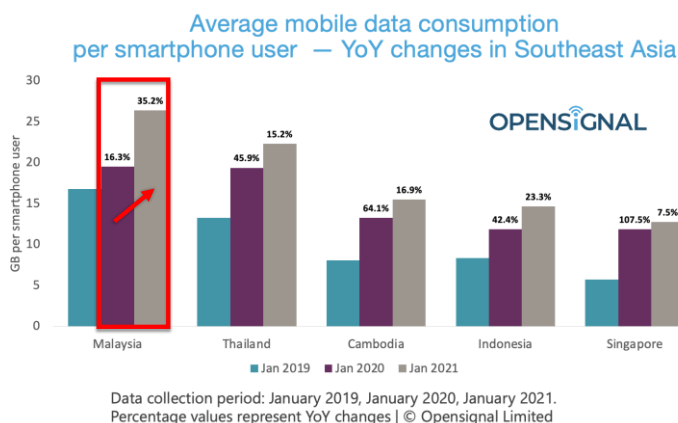
Ophthalmology market to post 5-year CAGR of 10% ▶

Market research firm Ken Research predicts that the size of the ophthalmology market in Malaysia will post a robust 5-year CAGR of 10.3% over 2020-25, which is faster than the 7.7% CAGR posted in 2015-20. This will be underpinned by the ageing population, higher prevalence of NCDs (e.g. diabetes) and increasing insurance coverage, augmented by technological advancements in eye surgeries. Data from MOH's Cataract Surgery Registry (CSR) showed that the total number of cataract surgeries performed in Malaysia (mainly public sector) recorded a CAGR of 9.6% to reach 55.7k over 2009-18.

Digital trends likely helped drive demand ▶

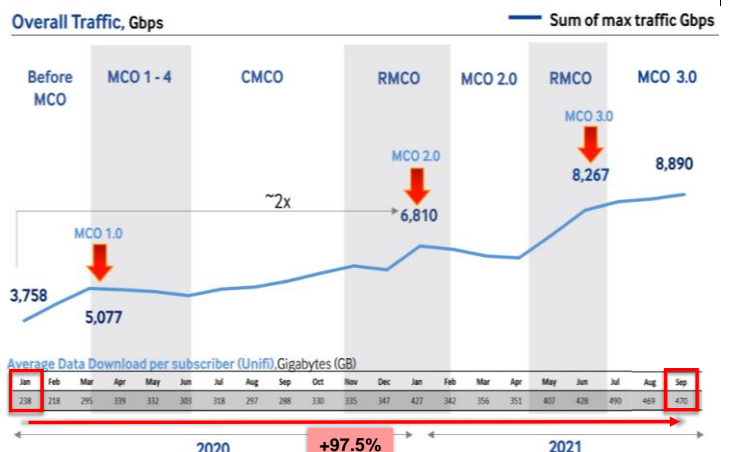
Besides the ageing population and rising consumer affluence in Malaysia, we are of the view that eye specialist providers have benefited from the greater prevalence of visual impairments and eye diseases, especially myopia (short-sightedness) and dry eyes, likely associated with increasingly digital lifestyles. While there is no concrete scientific evidence to prove that blue light from digital devices' screens causes direct damage to one's eyes, a blog post on the website of Ramsay Sime Darby Health Care's (Unlisted) Ara Damansara Medical Centre said that viewing screens may still cause dry eyes, as the eye blinking rate (BR) can reduce from resting BR of 15 per minute to c.5 per minute. Meanwhile, low levels of dopamine in children as a result of reduced exposure to physical outdoor activities (due to increased gadget usage) could lead to myopia, as dopamine helps inhibit the elongation of the eyeball (a leading cause of myopia), based on the same blog post above. This digitalisation trend has likely been accelerated by the work/study-from-home trends due to various Covid-19-induced movement control orders (MCOs), as Malaysian users' average mobile/fibre broadband data consumption surged by 35.2%/97.5% between Jan 20-Jan 21/Jan 20-Sep 21, as per network test provider Opensignal's "Malaysia's mobile data consumption surge in 2020 dwarfed that of neighbouring countries" report (11 May 2021) and Telekom Malaysia's (T MK, Add, TP: RM7.50, CP: RM4.97) investor briefing presentation (25 Oct 2021).

Figure 23: Malaysia's average mobile data usage surged 35.2% between Jan 20 and Jan 21



SOURCE: OPENSIGNAL

Figure 24: Telekom Malaysia's (TM) subscribers' average fibre broadband data usage surged 97.5% between Jan 20 and Sep 21



SOURCE: COMPANY REPORTS

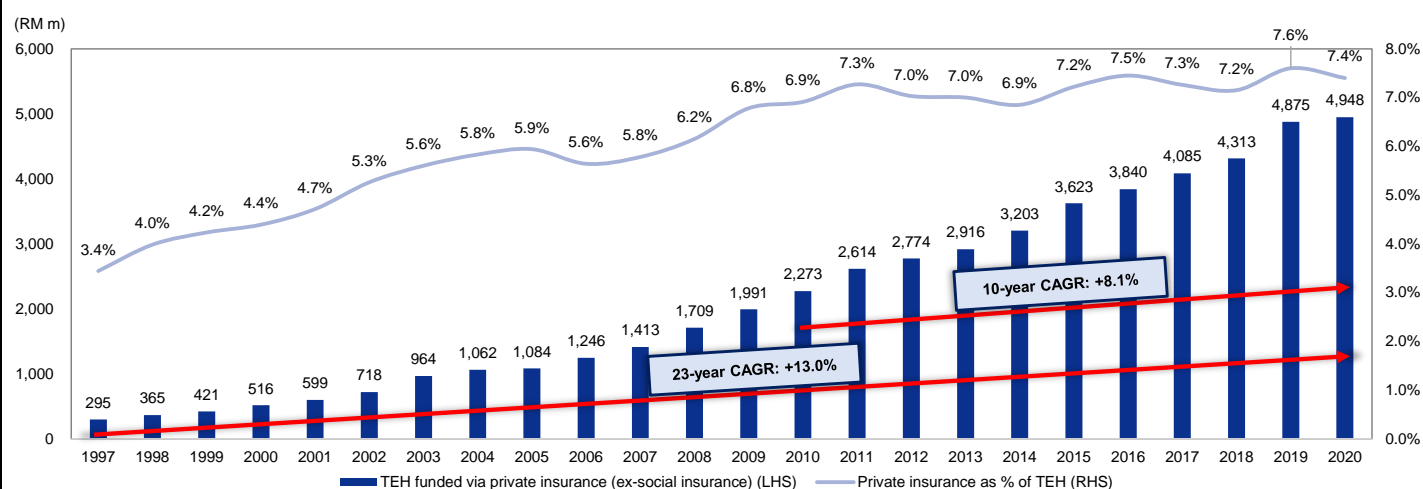
Tailwinds from rising health insurance penetration ▶

We believe the structural uptrend in private medical insurance penetration in Malaysia will continue to spur the take-up of cataract surgeries and treatment of other eye diseases/disorders. Malaysia's total healthcare expenditure (TEH) funded by private insurance (ex-social insurance) grew at a strong 10-year

CAGR of 8.1% over 2010-20, based on MOH's Malaysia National Health Accounts Health Expenditure Reports. As a proportion of TEH, private insurance spending also steadily rose from 6.9% in 2010 to 7.4% in 2020. The NHMS 2019 Technical Report showed that only 22% of the population is covered by personal health insurance. This is lower vs. Ireland's 47% (as at end-2021, as per The Health Insurance Authority; Ireland has a dual-tiered healthcare system similar to Malaysia's), leading us to believe that there is more room for medical insurance penetration to rise in the coming years.

We understand from channel checks that the latest medical insurance plans offered by most (if not all) major insurers in Malaysia currently cover the cost of cataract surgeries (albeit only to the extent of the cost of monofocal procedures) and other ancillary charges required for the surgeries. Bifocal/multifocal cataract, refractive and oculoplastic surgeries are not deemed medically necessary, and thus are typically not covered under medical insurance coverage.

Figure 25: Malaysia's total healthcare expenditure funded by private insurance grew at a strong 10-year CAGR of 8.1% over 2010-20



SOURCES: CGS-CIMB RESEARCH, MINISTRY OF HEALTH MALAYSIA, MALAYSIA NATIONAL HEALTH ACCOUNTS

Sizeable untapped market potential for cataract & refractive surgeries, in our view ➤

Nationally-representative data on the prevalence of cataract and refractive errors in Malaysia are limited. Authors from the Faculty of Medicine of University of Malaya, Hospital Kuala Lumpur and Hospital Serdang, led by Jun Fai Yap in their journal paper titled "Prevalence of cataract and factors associated with cataract surgery uptake among older persons in Malaysia: A cross-sectional study from the National Eye Survey II" published on SAGE (31 Jan 2022), estimated that cataract prevalence among older people in Malaysia was 27%.

Assuming cataract prevalence of 25% in both eyes amongst Malaysian adults aged >50 years as of 2020, we estimate there could currently be c.1.7m adults with cataracts. If we assume only the upper 20th percentile household income group (T20; monthly income threshold of >RM10,960 in 2019) has the ability to pay for cataract surgeries, this suggests a potential addressable market of c.680k surgeries (1 surgery = 1 eye). Moreover, the population aged >50 years increased by 200k-220k p.a. in 2012-20 (according to World Bank and DOSM). Assuming this trend sustains and only the T20 group can afford cataract surgeries, we estimate incremental cataract surgeries of c.80k-88k p.a. in the next 3-5 years.

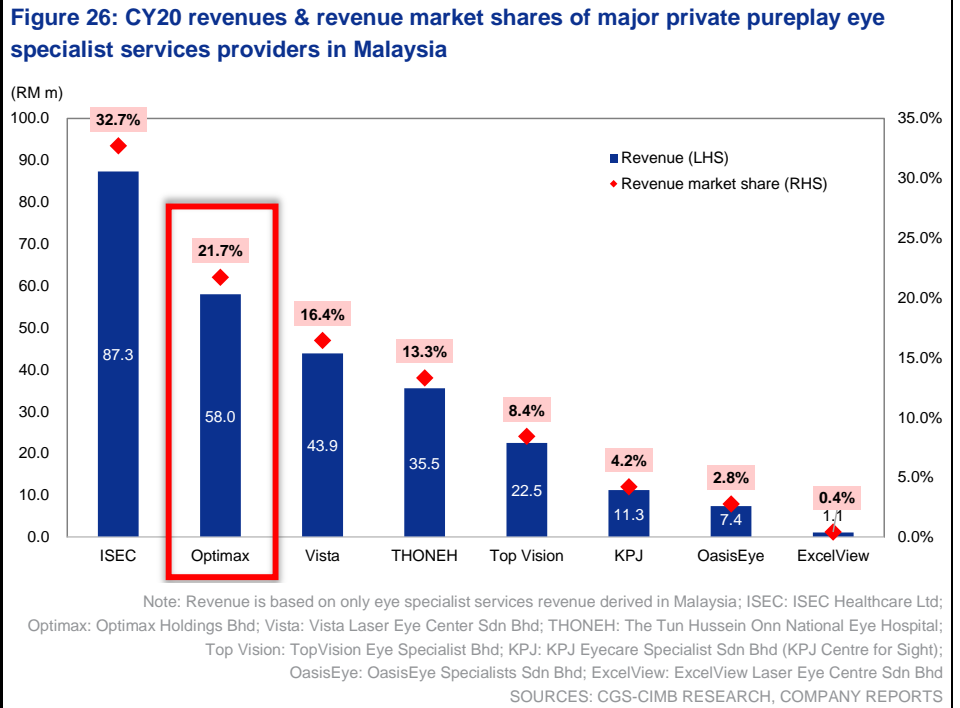
As the CSR indicated that only a cumulative 399k cataract surgeries were conducted over 2009-18, with 51k-56k surgeries performed p.a. in 2016-18, we believe the untapped addressable market size for cataract surgeries could be at least 200k surgeries currently. This could be worth RM1.0bn, based on an average fee of RM5k per eye, i.e. roughly in line with Optimax's average in FY16-19.

Meanwhile, the International Agency for the Prevention of Blindness (IAPB) estimated that 23% of the global population were myopic in 2015. This is slightly lower than the 34% prevalence rate estimated for 15-year-old adolescents in Gombak district, Selangor, by the American Academy of Ophthalmology in 2003. Using the same approach as the case for cataract surgeries, assuming a myopic prevalence of 20% for the adult population aged 15-50 in Malaysia as of 2020, c.3.6m Malaysian adults could be myopic currently. Assuming only the T20 group in this segment is able to pay for laser refractive surgeries, the potential addressable market size could be c.1.4m surgeries (1 surgery = 1 eye). This may be worth RM7.0bn, based on an average fee of RM5k per eye, slightly lower vs. Optimax's average revenue per eye for laser refractive surgeries in FY16-19. While we are unsure of the cumulative number of refractive surgeries that has been performed in Malaysia to date, we think c.14k-18k new refractive surgeries could also be conducted p.a. in the country due to Malaysia's population growth (assuming there are c.170k-220k additional adults aged 15-50 p.a., with 20% myopic prevalence and only the T20 group can afford procedures).

Thus, we believe there is ample room for the number of cataract/refractive surgeries to continue to grow strongly for eye specialist providers in the near-to-medium term.

Muted competition with some barriers to entry; Optimax tops RMS among Malaysia-listed players ▶

Our channel checks and company filings indicate that the private pureplay eye specialist services market in Malaysia is dominated by c.5-10 large operators, with many other smaller players. Collectively, we estimate that the five largest pureplay players commanded a sizeable revenue market share (RMS) of 93% in CY20, as per Fig 26. Optimax has an estimated RMS of 22%, i.e. the largest for a Malaysia-listed player and second only to International Specialist Eye Centre (ISEC SP, Not Rated, CP: S\$0.30; RMS: 33%), which is listed on the Catalist Market of the Singapore Exchange. Trailing them are Vista (Unlisted; RMS: 16%), Tun Hussein Onn National Eye Hospital (THONEH; Unlisted; RMS: 13%) and Top Vision (03013 MK; Not Rated, CP: RM0.75; listed on the LEAP Market of Bursa Malaysia; RMS: 8%). As it is ranked first based on RMS amongst Malaysia-listed providers in CY20, we believe Optimax could also be ranked first in terms of the number of cataract/refractive surgeries conducted in the same year. Out of the total number of cataract surgeries performed in Malaysia in 2018 (mainly comprising the public sector; based on MOH's CSR), Optimax had a market share of 6.2%.

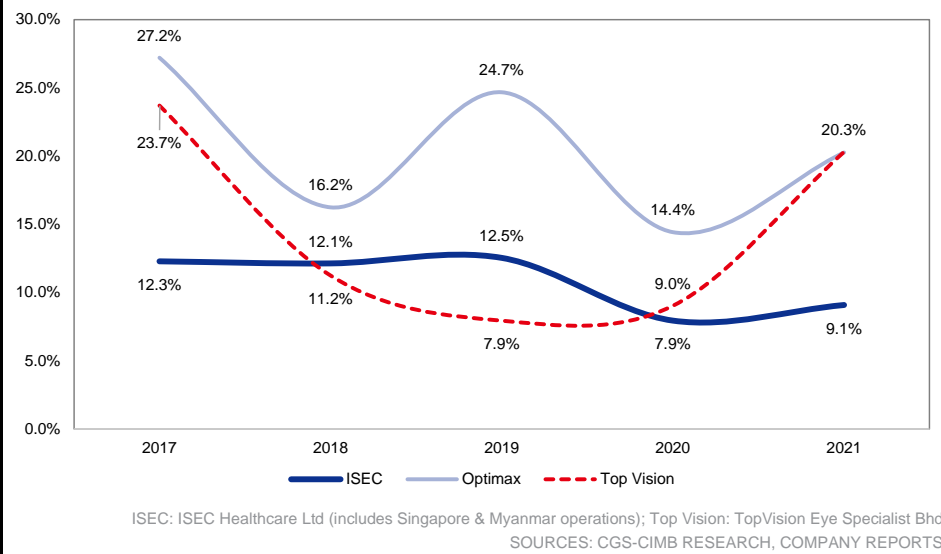


We believe price competition has been fairly benign in the private pureplay eye specialist services market, given the: a) limited number of large players, b) rational pricing/marketing practices with a lack of aggressive price undercutting or promotional offers (see Fig 28), c) generally healthy ROICs registered by the major operators (see Fig 27), and d) fairly high barriers to entry due to the highly-regulated nature of the industry, which may have hampered new market entrants or small operators from expanding too aggressively (thereby crippling their ability to compete effectively vs. the established incumbents), in our view.

On the latter, we understand from Optimax that setting up an eye specialist centre in Malaysia involves i) sizeable capex/costs (purchase/rental of at least two adjoining shop-lot units to house the centre, plus c.RM3m-5m capex mainly for equipment and tools), ii) typically long approval period of c.6-12 months for the licence from MOH (which only commences after construction is completed), and iii) the need to hire competent and respectable specialist doctors. This is despite stiff pricing competition from public hospitals, which tend to charge significantly lower fees, based on our channel checks. Thus, we think private operators compete mainly on qualitative aspects such as their/doctors' track record, competency and service quality, rather than on price.

The favourable competitive landscape should lead to better revenue intensity for Optimax in the coming years, in our view.

Figure 27: ROICs of listed eye specialist services providers with operations in Malaysia



Optimax’s fees are on par vs. peers ➤

Our channel checks and analysis of the prices of eye surgeries in the Malaysian private market (as of end-Mar 22) reveal that the fees charged by Optimax are broadly on par with peers’ (see Fig 28). While Optimax’s headline fees are 5-12% higher vs. the industry average for key refractive surgeries (Femto-LASIK and ReLEx SMILE), we believe this is justified given Optimax’s proven track record and reputable brand, plus its package includes additional lifetime vision warranty (i.e. free retreatment in future if the patient’s myopia returns). We deem Optimax’s fees for cataract surgeries to also be largely in line with peers’ despite the former’s 13-27% discount in headline prices vs. the industry average, after accounting for the inclusion of additional benefits (e.g. enhanced night vision and day care services) in some of the latter’s packages.

Figure 28: Fees charged by Optimax for key eye surgeries are largely on par vs. peers, in our view (as of end-Mar 22)

Provider/centre	Operating entity	No. of centres	Fees charged for key eye surgeries (RM per eye, excluding limited-time promotions)*								
			Cataract surgery (RLE)			Refractive surgery					
			Monofocal	Bifocal	Multi/trifocal	TESA/PRK	Femto-LASIK	ASA	ReLEx SMILE	ICL (non-toric)^	ICL (toric)^
Optimax Eye Specialist	Optimax Eye Specialist Centre Sdn Bhd (wholly-owned subsidiary of Optimax Holdings Bhd)	13	2,800	6,200	7,700	1,800	4,650	4,650	6,650	7,688	9,688
ISEC	ISEC Sdn Bhd (wholly-owned subsidiary of ISEC Healthcare Ltd)	5	4,500	N/A	7,800	2,500	3,800	N/A	N/A	7,500	8,500
Vista	Vista Laser Eye Center Sdn Bhd	10	3,498	7,998	9,998	N/A	4,998	N/A	N/A	7,998	9,998
THONEH	The Tun Hussein Onn National Eye Hospital	1	5,000	7,000	8,000	N/A	N/A	N/A	6,000	8,000	9,000
Top Vision	Topvision Eye Specialist Bhd	7	2,800	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
KPJ Centre for Sight	KPJ Eyecare Specialist Sdn Bhd (wholly-owned subsidiary of KPJ Healthcare Bhd)	4	4,400	8,500	9,000	N/A	3,590	3,090	6,090	7,000	N/A
OasisEye	OasisEye Specialists Sdn Bhd	3	N/A	N/A	N/A	1,800	N/A	N/A	N/A	7,250	N/A
Sunway Eye Centre	Sunway Bhd	3	3,000	N/A	10,000	4,400	4,944	4,400	6,988	7,500	9,000
ExcelView	ExcelView Laser Eye Centre Sdn Bhd (wholly-owned subsidiary of Focus Point Holdings Bhd)	1	3,500	N/A	9,500	N/A	3,950	N/A	6,450	6,998	8,998
Ikonik	Ikonik Eye Specialist Centre Sdn Bhd	1	4,000	7,000	11,000	N/A	3,500	N/A	6,000	7,000	9,000
Ara Damansara Medical Centre	Ramsay Sime Darby Health Care Sdn Bhd (50%-owned subsidiary of Sime Darby Bhd)	1	4,500	N/A	6,500	N/A	3,750	N/A	N/A	7,400	8,500
Eye Surgeons	Eye Surgeons Eye Specialist Centre	1	4,000	N/A	8,000	N/A	N/A	N/A	N/A	N/A	10,000
The Eye Specialist	The Eye Specialist	1	3,888	N/A	9,888	N/A	N/A	N/A	N/A	N/A	N/A
Average			3,824	7,340	8,853	2,625	4,148	4,047	6,363	7,433	9,187

Note: *Based on lowest-priced package for a given type of surgery where available, colours of price cells indicate difference vs. 50th percentile of the price range for a given surgery (green denotes most affordable package, yellow denotes mid-point of the price range, red denotes least affordable package); ^toric refers to astigmatism correction; N/A: not offered or disclosed

SOURCES: CGS-CIMB RESEARCH, OPTIMAX, ISEC, VISTA, TUN HUSSEN ONN NATIONAL EYE HOSPITAL, TOP VISION, KPJ CENTRE FOR SIGHT, OASISEYE, SUNWAY EYE CENTRE, EXCELVIEW, IKONIK, ARA DAMANSARA MEDICAL CENTRE, EYE SURGEONS EYE SPECIALIST CENTRE, THE EYE SPECIALIST, COMPANY REPORTS, COMPANY WEBSITES

SWOT ANALYSIS

Figure 29: SWOT analysis

Strengths	Opportunities
1. Established presence as the largest Malaysia-listed private eye specialist services provider by revenue market share, based on our estimates	1. Beneficiary of Malaysia's rapidly ageing population
2. Wide range of eye specialist services, including newer-generation surgical procedures such as ReLEx SMILE	2. Rising consumer affluence in Malaysia
3. Reputable brand & good quality of services, built upon 26 years of industry experience & strong track record	3. Network expansion including via partnerships with Selgate & possibly other hospital operators, & to East Coast of Peninsular Malaysia
4. Ability to secure & retain an established, competent & credible team of ophthalmologists	4. Increasing prevalence of NCDs, visual impairments & eye diseases
5. Strong network of 13 specialist centres across 7 states in Malaysia	5. Structural uptick in private medical insurance penetration
6. Its fees for eye surgeries are largely on vs. peers	6. Benign competition with rational pricing & marketing practices
7. Fairly high barriers to entry & for existing small operators	7. Sustained Covid-19 vaccination drive, which will support its earnings contribution from vaccination services
Weaknesses	Threats
1. Heavy reliance on established & competent ophthalmologists	1. Medical or legal claims & reputational risk
2. Exposure to fluctuations in consumer sentiment & spending power	2. Weak consumer sentiment & affluence
3. Potential or perceived governance risk as a result of related party transactions conducted in the past 6 years	3. Stiffer competition from private or public eye specialist providers
4. Dependence on Carl Zeiss Meditec as a key supplier for equipment, surgical kits & medical supplies	4. Longer-than-expected gestation for new specialist centres

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

KEY RISKS

Medical or legal claims & reputational risk >

We believe the demand for Optimax's eye specialist services is highly dependent on its quality of service and customers' experience. Any possible medical/negligence claims or professional liability as a result of alleged misconduct or deficiencies in its services could not only lead to incremental costs to the company, but also dent its reputation and negatively impact future patient volumes (thus, revenue and earnings), in our view.

This risk materialised in 2012 when two medical negligence claims were filed against Optimax's wholly-owned subsidiary, Optimax Eye Specialist Centre (OESC; Unlisted), and one of its doctors. The patients involved claimed that OESC was negligent in providing properly trained staff and that OESC's attending doctor was negligent in performing cataract surgery. Subsequently in 2017, the parties entered into a consent judgement on a without-admission-of-liability basis, with OESC paying a total ex-gratia compensation of RM210k to these patients as a full and final settlement of such claims.

Weak consumer sentiment & spending power >

During economic downturns when consumers' incomes tend to be crimped, the reduction in spending power may cause patients to postpone/cancel their eye surgeries (and potentially resort to more affordable alternatives e.g. eyewear or undergoing surgery at public hospitals), which will negatively impact Optimax's patient volumes and revenue, in our view. This is especially so for refractive surgeries given their elective nature and the fact that fees for surgeries are fairly high relative to the average incomes of most Malaysian consumers.

Further rounds of severe Covid-19 restrictions >

Optimax's FY20 revenue fell for the first time in four years (-7.3% yoy) due to fewer surgeries performed as elective/non-urgent procedures were deferred till after the first MCO (mid-Mar till early-May 20) and the temporary closure of several specialist centres as part of its measures to safeguard employees and customers. Similarly, any further severe MCOs implemented in the future could hit its revenue and earnings.

Stiffer competition from private or public players >

We believe price competition in the eye specialist services market (including both private and public sector players) remains rational and benign at this juncture. Nonetheless, we think any major deterioration in the competitive landscape could lead to players eventually having to cut fees to draw in patient volumes, which would hurt Optimax's revenue intensity.

Adverse regulatory developments >

Adverse regulatory developments, such as the setting of significantly more stringent requirements or a longer period for licence approvals/renewals by MOH, could result in delays to Optimax's expansion plans or drag out the gestation for its newly-opened specialist centres, thereby negatively impacting its margins and profitability, in our view.

Heavy reliance on competent ophthalmologists >

We believe Optimax's track record and brand reputation hinges on its ability to consistently hire and retain competent as well as credible ophthalmologists. To attract and retain resident specialist doctors as well as incentivise them to

improve their branch's performance, Optimax currently offers minority stakes in the relevant subsidiaries operating the selected centre(s) via business associate arrangements (e.g. Seri Petaling and Bandar Sunway branches). An inability to hire/retain such talents due to either a lack of influx of registered ophthalmologists to the market or increased competition from new/existing eye specialist providers may potentially pose a threat to Optimax's competitive advantage over the medium- to longer-term, in our view.

Potential or perceived governance risk ►

According to Optimax's FY20 annual report and IPO prospectus (15 Jul 2020), there have been numerous related-party transactions conducted since 2016 involving Optimax and the founding Tan family, who is also ultimately its major shareholder (aggregate stake: 56.8%), with notable ones including:

- Sep 2017: Optimax acquired OESC Ipoh from CFO Michelle Tan Sing Chia and CEO Sandy Tan Sing Yee for RM100k.
- Dec 2017: Optimax acquired the Seri Petaling building to be used as its ACC from Modal Saujana (Unlisted; jointly owned by Tan Sri Dato' Dr Tan Boon Hock and his spouse, Datin Lim Sho Hoo) for RM15.3m.
- Dec 2019: Optimax acquired two terraced shop/office units in Seremban to be used as its ACC from Modal Saujana for RM3.2m.
- Since 2016: Optimax has entered into lease arrangements with either Modal Saujana, Tan Boon Hock Holdings (Unlisted; jointly owned by Tan Sri Dato' Dr Tan Boon Hock and Datin Lim Sho Hoo), Sena Letrik (Unlisted; jointly owned by Tan Sri Dato' Dr Tan Boon Hock and Datin Lim Sho Hoo), Tan Sri Dato' Dr Tan Boon Hock or Datin Lim Sho Hoo for a few of its branches, i.e. Seri Petaling, Klang, Ipoh, Seremban and Johor Bahru.

The related-party transactions above could be perceived by investors in a negative light in terms of corporate governance (i.e. potential concerns over whether Optimax and its minority shareholders will be disadvantaged), in our view.

Over-dependence on a key supplier for equipment, surgical kits & medical supplies ►

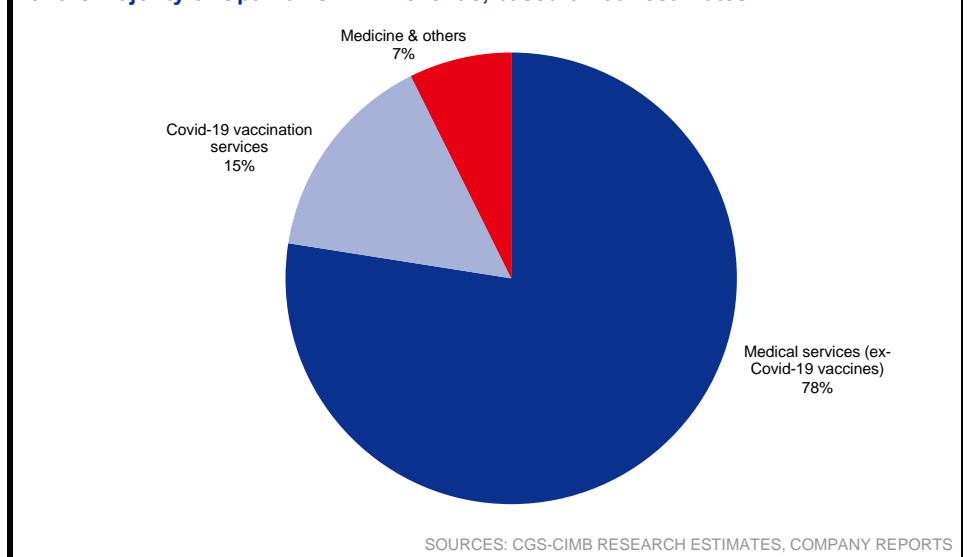
We believe Optimax is reliant on Carl Zeiss Meditec (AFX GR, Not Rated, CP: €151.30) as its key vendor for ophthalmological equipment, especially those used to perform more advanced eye surgical procedures such as ReLEx SMILE. The equipment can only be used together with surgical kits and medical supplies supplied from Carl Zeiss. According to Optimax's IPO prospectus (15 Jul 2020), 30% of its total purchases in FY19 were sourced from Carl Zeiss. As of now, the latter has been Optimax's vendor for 13 years. Any possible disruption (temporary or permanent) to the delivery of operation equipment, surgical kits or medical supplies from Carl Zeiss to Optimax would cause deferments/cancellations of surgeries for the latter, thus leading to negative revenue and margin impact, in our view.

FINANCIALS

Diversified revenues to work in Optimax's favour ►

Based on historical trends and FY21 total revenue growth, we estimate that the medical services segment (ex-Covid-19 vaccination services) was the largest contributor to Optimax's FY21 total revenue at 78%, followed by Covid-19 vaccination services (15%) and medicine & others (7%). While it is a pureplay eye specialist services provider, we like its diversified revenue exposure to the various types of eye surgeries, i.e. treatment of eye diseases & disorders (mainly cataracts), refractive and oculoplastic surgeries. This puts it in a prime position to capitalise on the anticipated broad-based demand growth in eye specialist services in the coming years, in our view.

Figure 30: The medical services segment (ex-Covid-19 vaccination services) accounted for the majority of Optimax's FY21 revenue, based on our estimates



Five-year revenue CAGR of 24% in FY16-21 drove... ►

Over FY16-21, Optimax recorded a robust 5-year revenue CAGR of 24.3%, thanks to the growing number of surgeries conducted (both cataract and refractive), improving revenue intensity (measured by average revenue per eye), plus maiden contribution from Covid-19 vaccination services in FY21 (c.RM14m). FY20 revenue fell for the first time in four years, easing 7.3% yoy, owing to fewer surgeries performed as elective/non-urgent procedures were deferred till after the first Covid-19-led MCO (mid-Mar till early-May 20) and the temporary closure of several specialist centres as part of its measures to safeguard employees and customers. Nonetheless, revenue bounced back sharply by 53.2% yoy in FY21 as patients returned after the Covid-19-related movement/social restrictions were lifted, helped by incremental contribution from Covid-19 vaccination services. We gather from channel checks with Optimax that its surgeries that had been postponed during the MCOs in 2020-21 have been largely completed.

Figure 31: Optimax's revenue posted a 5-year CAGR of 24% in FY16-21

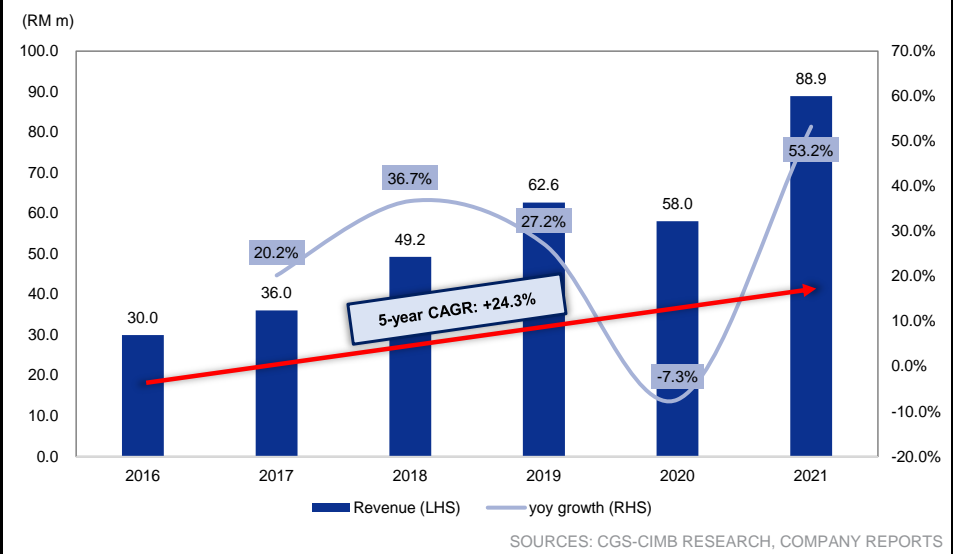


Figure 32: FY16-21 revenue growth was driven by all segments

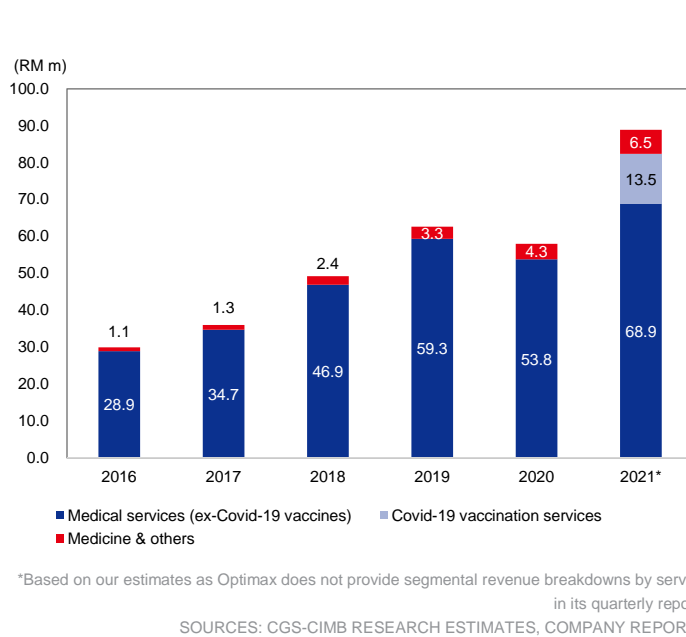
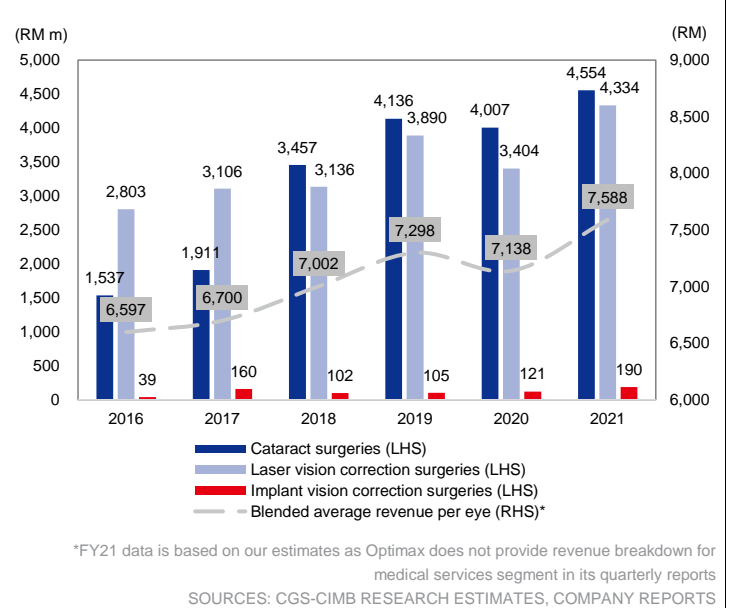


Figure 33: Surgeries performed & revenue intensity grew strongly in FY16-21

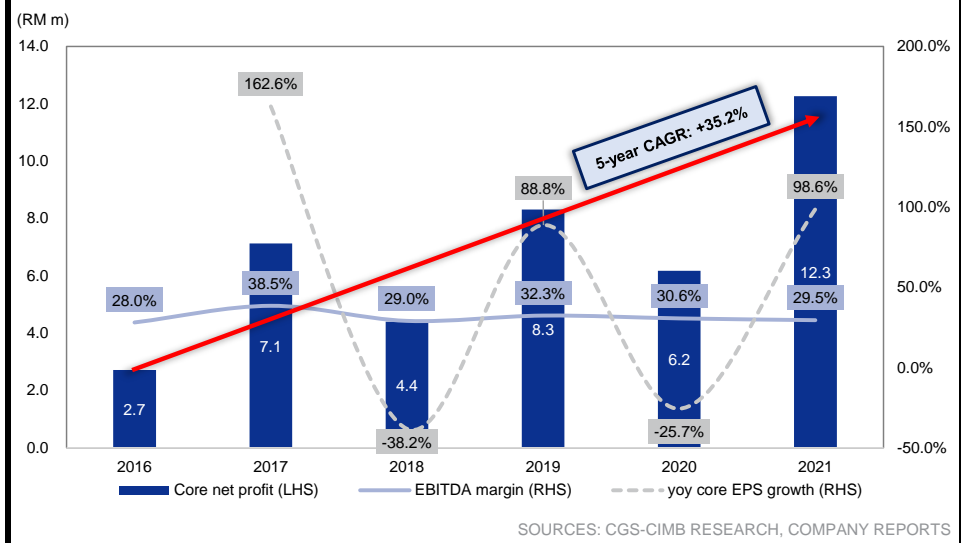


... robust 5-year core EPS CAGR of 35% ➤

Optimax posted a strong 5-year core EPS CAGR of 35.2% over FY16-21, in tandem with the revenue growth during the period. Besides the latter, we note that the 1.6x yoy spike in FY17 core EPS was attributable to i) staff cost savings as more doctors were employed as full-time staff rather than appointed as consultant doctors (who tend to have a higher proportion of variable vs. fixed compensation), and ii) lower effective tax rate. Subsequently, FY18 core EPS fell 38.2% yoy owing to i) the high base in FY17, ii) additional costs and depreciation related to Optimax's acquisition of three new subsidiaries (which operate its Ipoh, Seri Petaling and Johor Bahru ACCs), iii) gestation losses from its new ACCs (Segamat and Kluang), as well as iv) higher effective tax rate.

Meanwhile, FY21 core EPS jumped at a faster pace than revenue, almost doubling yoy, boosted by leverage effects and a slight normalisation in the effective tax rate. Core net profit or EPS excludes one-off items such as gains/losses from forex, disposals/write-downs of fixed assets/inventories/subsidiaries, government grants and rental rebates.

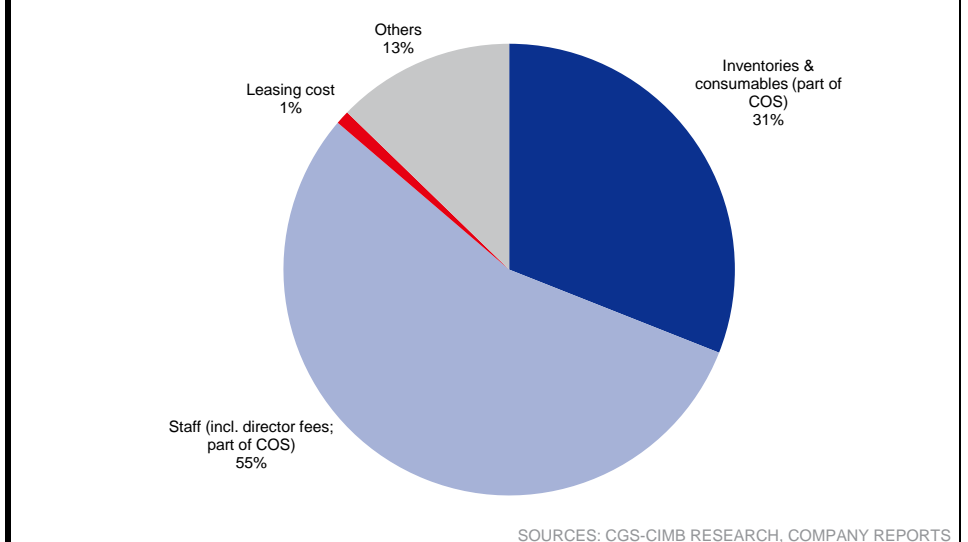
Figure 34: Strong 5-year core EPS CAGR of 35% in FY16-21



Cost of services form the bulk of total costs ➤

Being an eye specialist services provider, Optimax’s largest cost components are staff (including salaries, consultant doctors’ and directors’ fees) and inventories & consumables (e.g. drugs and medications, spectacles, surgical kits, medical supplies, operation equipment maintenance), which respectively made up 55% and 31% of its total costs (excluding depreciation & amortisation [D&A]) in FY21 and form its cost of services. This is followed by other (13%; e.g. administrative & office, sales & marketing costs, professional fees) and leasing (1%; short-term and low-value leases for operation and office equipment) costs. Leasing cost for the land/building for its specialist centres is accounted for as finance lease charges under depreciation and interest cost, as per MFRS 16.

Figure 35: Breakdown of total costs in FY21 (including cost of services [COS], ex-D&A)

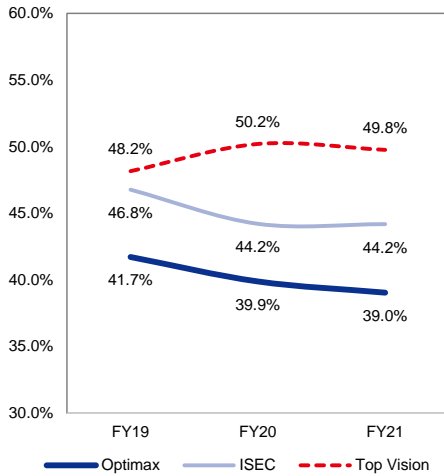


Optimax has similar EBITDA margin but better earnings growth profile vs. ISEC ➤

Optimax’s FY21 gross profit margin of 39.0% was lower vs. its listed peers with eye specialist operations in Malaysia (ISEC and Top Vision), which we believe may be due to the inclusion of total staff cost into Optimax’s cost of services, whereas its peers’ staff costs are broken down into cost of services and opex,

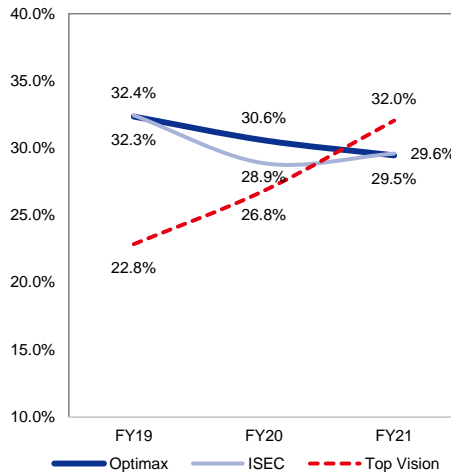
respectively. This difference in treatment of staff cost is largely evened out when comparing their EBITDA margins. Meanwhile, Optimax's earnings growth profile is superior to ISEC's, with a 3-year core net profit CAGR (FY18-21) of 40.7%, much better vs. the latter's -7.3%. While Top Vision's 3-year core net profit CAGR is higher at 61.4%, this is on a relatively lower base in FY18 and was driven by the addition of three new specialist centres.

Figure 36: Gross profit margin comparisons



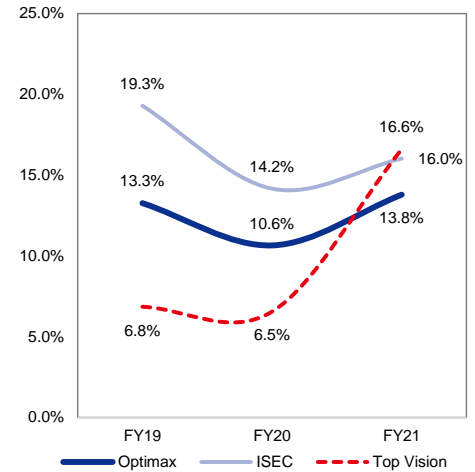
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 37: EBITDA margin comparisons



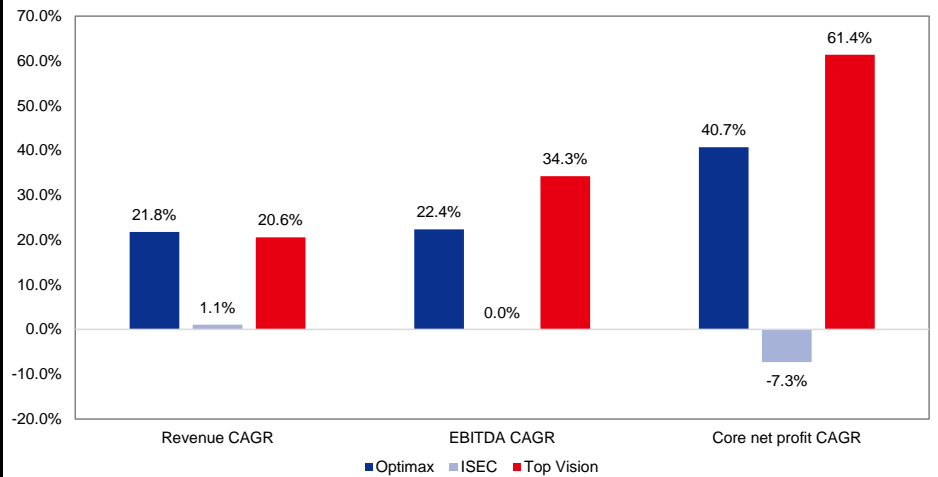
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 38: Core net profit margin comparisons



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 39: 3-year revenue, EBITDA and core net profit CAGR (FY18-21) comparisons



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Cataract & refractive surgeries as twin revenue growth engines ➤

We project Optimax to register robust revenue growth of 10.4%/11.7%/18.7% yoy to reach RM98m/110m/130m in FY22F/23F/24F, implying a healthy 3-year CAGR (FY21-24F) of 13.5%. Excluding the potential one-off boost from Covid-19 vaccination services in FY21-22F, we estimate underlying revenue will grow 24.8% yoy in FY22F, with 3-year CAGR (FY21-24F) at an impressive 20.0%. We expect this to be driven by:

- 1) Continued solid growth in the number of eye surgeries conducted (forecasted 3-year CAGR [FY21-24F] for cataract/laser/implant refractive surgeries: 16.3%/16.0%/18.9%). We believe this will be led by pent-up demand in the near

term, Malaysia's rapidly ageing population and rising consumer affluence, supported by Optimax's reputable brand/track record and network expansion plans.

2) improving revenue intensity, with blended average revenue per eye estimated to rise by 3.0% p.a. in FY22-24F, owing to a higher mix of surgeries being conducted based on newer-generation technologies such as ReLEx SMILE, which are more revenue-intensive. We also see this being aided by a healthy pricing environment.

Figure 40: Projecting 3-year revenue CAGR of 13.5% in FY21-24F

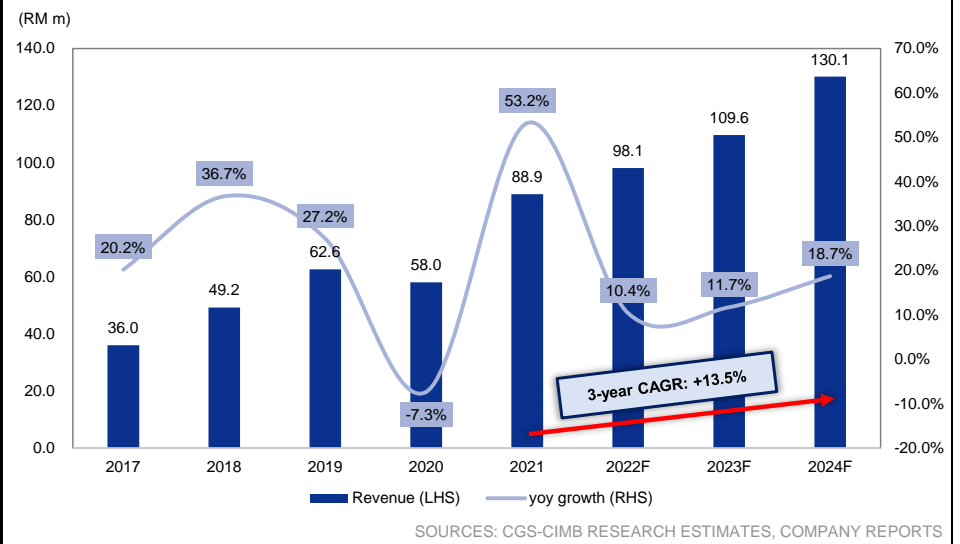


Figure 41: Segmental revenue breakdown

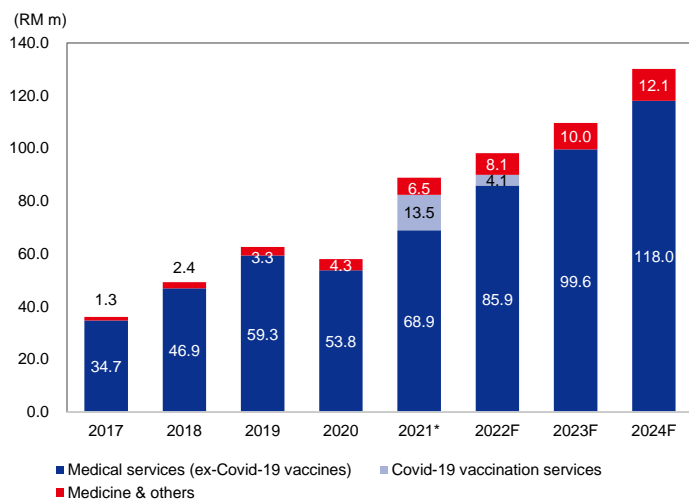
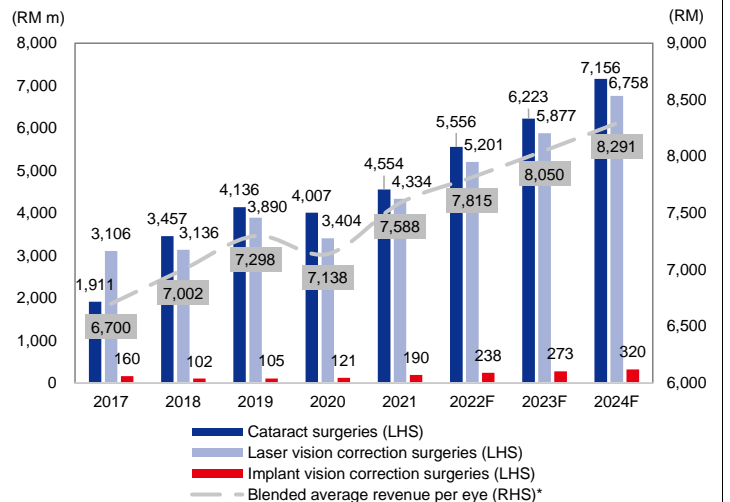


Figure 42: Expecting robust growth in surgeries performed & revenue intensity in FY22-24F



Vaccination contribution to wane in FY22-23F ➤

The robust revenue growth in FY22-23F from Optimax's core eye specialist services will be partly dragged by our expectation for contribution from Covid-19 vaccination services to tank 70% yoy to RM4m in FY22F (assuming sales volume of 120k doses and average selling price of RM34/dose), before diminishing to nil in FY23F.

We have assumed that sales volume will drop off in FY22F, as the majority of the Malaysian population received their Covid-19 vaccination primary series and

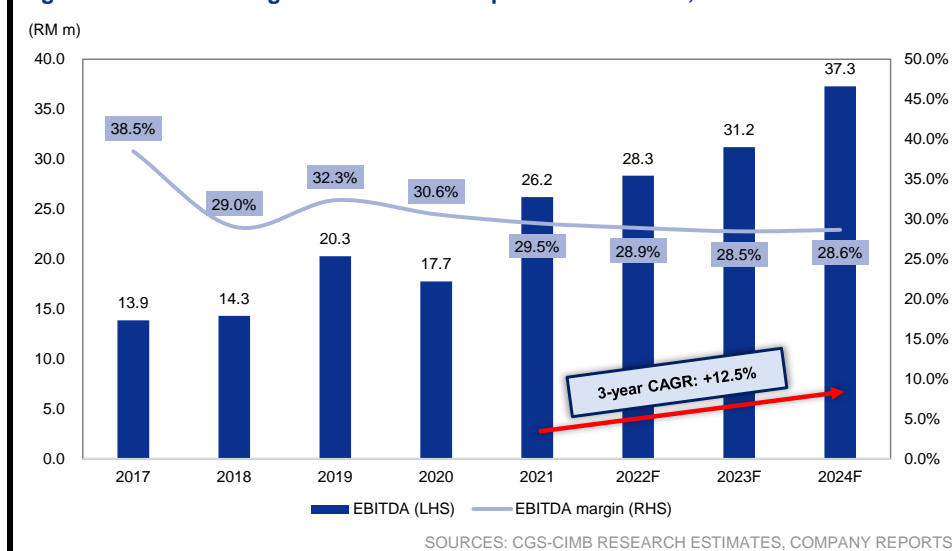
booster doses as of end-2021. Our projected FY22F vaccination contribution is mainly for primary series doses for children aged 5-11 and booster doses for adults aged 18+. Although there is a possibility that further doses may be needed for the population (booster) and for children aged below 5 in the future, we have conservatively assumed nil contribution from FY23F at this juncture, pending further clarity from the management/government in the coming months.

Meanwhile, while Optimax has started offering private Sinovac Covid-19 vaccines (CoronaVac) recently at a price of RM110/dose, we have assumed its blended average selling price for Covid-19 vaccines will remain stable yoy at RM34/dose in FY22F, as we believe most doses administered will still be for the government (under PICK or PICKids). We note that, since the wholesale/retail ceiling price of RM62/77 per dose was imposed in mid-Jan 22 up till 8 Mar, only c.48k doses of the Sinovac CoronaVac vaccine were sold in Malaysia (vs. 2.2m doses between Aug 21 and mid-Jan 22), as per CodeBlue's 28 Mar report.

Some margin pressure in FY22 before stabilisation ►

We estimate that Optimax has not seen any major increases in its cost of services (inventories and consumables) and staff YTD, beyond the normal yoy uptick. However, we project EBITDA margin to slide 0.6% pt yoy to 28.9% in FY22F, on i) higher staff (doctors, nurses and optometrists, etc.) and other costs related to its new specialist centres, and ii) waning contribution from Covid-19 vaccination services (higher margin, in our view). Thereafter, we expect EBITDA margin to be stable yoy in FY23-24F, as we see costs being managed in line with revenue (based on management's guidance). Thus, we forecast Optimax's EBITDA to grow 8.2%/10.1%/19.5% yoy to reach RM28m/31m/37m in FY22F/23F/24F, with a 3-year CAGR of 12.5%.

Figure 43: EBITDA margin could face some pressure in FY22F, in our view



Not a key beneficiary of border reopening ►

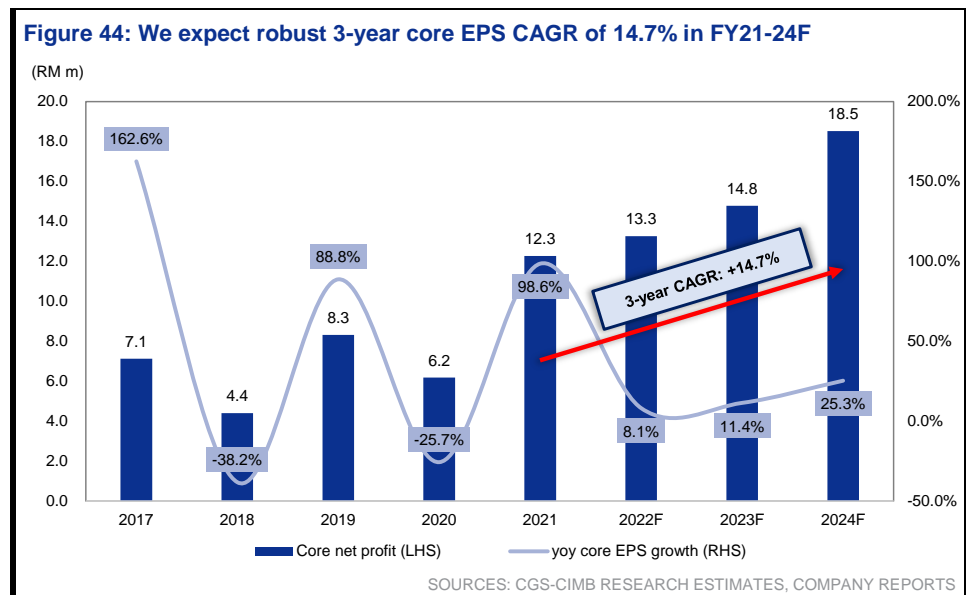
Malaysia has allowed quarantine-free entry for fully-vaccinated international visitors from 1 Apr, as per Bernama's 31 Mar 2022 media report. While this development is slightly positive as it will usher in the gradual return of foreign patients, we believe Optimax will not be a major beneficiary of this, as foreign patients accounted for only less than 5% total revenue in FY19 (pre-Covid-19).

Projecting robust 3-year core EPS CAGR of 14.7% ►

Having taken into account the above, we project Optimax to register a strong 3-year core EPS CAGR of 14.7% over FY21-24F. We believe this will be

underpinned by the: a) continued robust growth in the number of cataract and refractive surgeries conducted, b) improving revenue intensity on take-up of newer-generation surgeries and benign competition, c) more meaningful contribution from new specialist centres, as well as d) normalisation of effective tax rate.

We expect FY22F core EPS to rise at a more moderate 8.1% yoy (FY21: +98.6% yoy), as we see it being dragged by gestation losses (mainly higher staff, leasing costs and depreciation) from its new specialist centres and tapering contribution from Covid-19 vaccination services. Thereafter, we forecast core EPS growth to pick up to a healthy 11.4%/25.3% yoy in FY23F/24F. Excluding the contribution from Covid-19 vaccination services (assuming it garners c.15% net profit margin), we estimate underlying FY22F core EPS growth and 3-year core EPS CAGR of 24% and 22%, respectively.



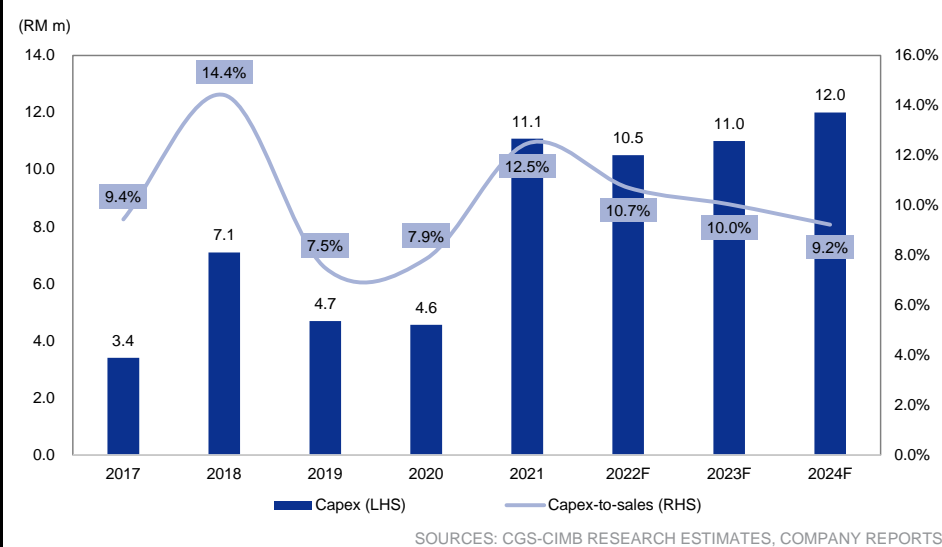
Expecting RM11m-12m p.a. capex in FY22-24F... ➔

We project capex of RM10.5m/11.0m/12.0m in FY22F/23F/24F (9-11% of sales), mainly for the purchase of new/upgraded operation equipment and tools for its new and existing eye specialist centres. We expect this to remain at fairly elevated levels (FY21: RM11.1m, average in FY17-20: RM4.9m) based on the following assumptions for FY22-24F:

- **Satellite clinics:** As per Optimax's guidance, we pencil in the opening of four new satellite clinics in FY22F (one in Sutera, Johor, to open in 2Q22F, with the rest to open in the Klang Valley in 2H22F). We have factored in the further opening of two new ones in FY23F. We have assumed minimal capex of c.RM300k per satellite clinic.
 - **ACCs:** We estimate that Optimax will incur the remaining capex of c.RM2m for its new Bahau ACC (slated to open in 2Q22F). Following this, we assume it incurs total capex of c.RM3m over FY23-24F ahead of the potential opening of each of its ACCs at Selgate Hospital Setia Alam (3Q24F), Kuala Selangor (FY24F) and Mont Kiara (3Q25F), as part of its MOU with Selgate. This assumption is in line with Optimax's c.RM3m capex guidance for its smaller ACCs, as per its FY20 Annual General Meeting minutes.
 - **Hospital:** We project total capex of c.RM10m for its planned new specialist hospital in Kempas, Johor, which could open in 2H24F. This assumption is higher vs. the typical capex of c.RM5m for a large ACC, as per its FY20 Annual General Meeting minutes.
 - **Maintenance capex:** c.RM4m p.a., based on our analysis of historical trends.
- The overall capex for these expansion plans is fairly manageable (mainly includes operation equipment and tools), as we have assumed all the buildings

used by Optimax will be leased from either related parties or external third parties (with tenures of >3 years), as per its usual practice in the past few years.

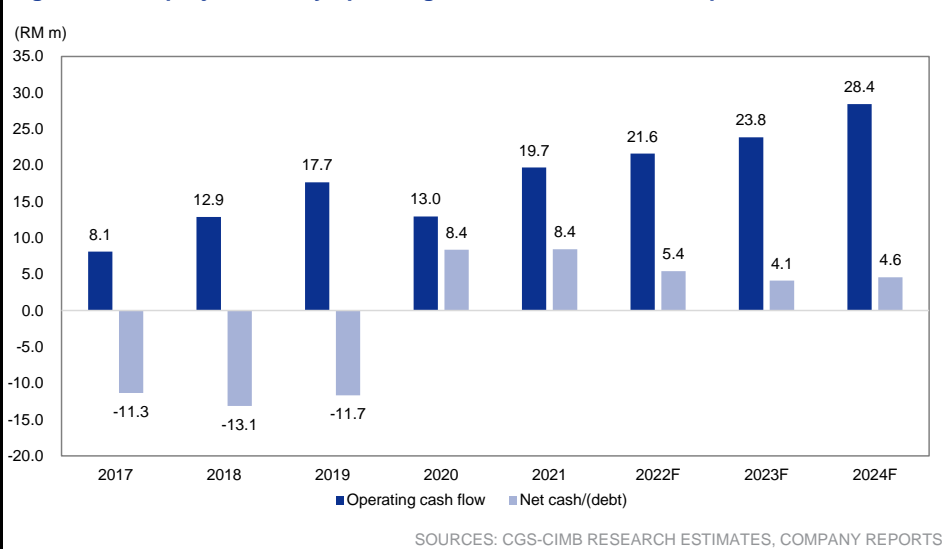
Figure 45: We forecast capex of RM11m-12m p.a. in FY22-24F



... to be handily funded by healthy operating cash flows & balance sheet ➤

We expect Optimax to comfortably finance its projected capex in FY22-24F via its healthy operating cash flows (RM22m-29m p.a.) and net cash position of RM5.4m/4.1m/4.6m at end-FY22F/23F/24F. We also understand from Optimax that it is not constrained by any debt covenants at this juncture, giving it substantial debt headroom for capex or M&A (if needed), in our view.

Figure 46: We project healthy operating cash flows and net cash position in FY22-24F



Optimax announced on 6 Jan 2022 that it issued 67.5m bonus warrants on the ACE Market of Bursa Malaysia on the basis of one warrant for every four existing shares held on the entitlement date (28 Dec 2021). Its outstanding warrants may help raise further gross proceeds of RM81m upon the potential full conversion into ordinary shares at any time up till their maturity (29 Dec 2026), based on the exercise price of RM1.20 per warrant. Optimax, in its prospectus related to the issuance of the bonus warrants, said that it expects the potential proceeds to be used for working capital (e.g. staff cost, payment to trade creditors and general costs) and capex (to establish new specialist centres and

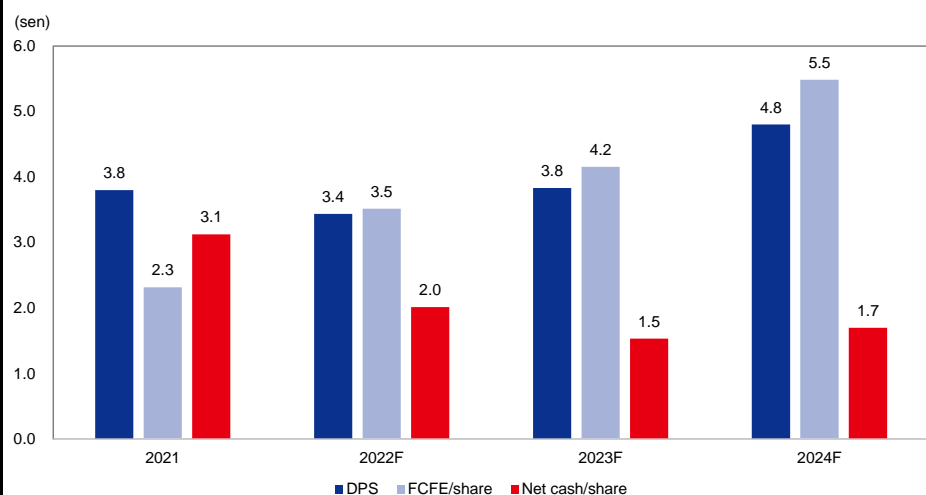
purchase of new operation equipment/tools) within a year from receipt of proceeds.

If the outstanding warrants are fully converted into ordinary shares (as of 5 Apr 2022), it will raise Optimax's proforma share base by 25% and market cap by 25%. As of now, existing warrant holders who opt to convert the warrants into Optimax shares and sell them at the current share price of RM1.22 will receive a net of only RM0.02/share, vs. the current warrant price of RM0.43.

Decent yields supported by strong FCF & net cash ▶

Since Optimax was listed in Aug 20, it declared a total DPS of 3.8 sen for FY21, implying a payout ratio of 83%. While the company currently does not have a dividend policy, management said during its 4Q21 results briefing that it hopes to keep to a dividend payout ratio of at least 70% going forward. As such, we forecast DPS of 3.4/3.8/4.8 sen in FY22F/23F/24F (implying decent yields of 2.8-3.9% p.a.), based on a 70% payout assumption. We believe this is justified as Optimax should be able to pay the DPS out of its healthy FCFE (3.5/4.2/5.5 sen per share) and net cash position (2.0/1.5/1.7 sen per share) in FY22F/23F/24F, based on our estimates.

Figure 47: We see DPS being well covered by FCFE & net cash position



SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Recently proposed one-for-one bonus issue ▶

On 14 Feb 2022, Optimax proposed to undertake a one-for-one bonus issue on an entitlement date to be determined later. The exercise, which it expects to complete in early-May, is subject to shareholders' approval (Extraordinary General Meeting to be held on 14 Apr) and other relevant regulatory authorities (if needed), having received Bursa Securities's approval on 24 Mar. While this will not have any fundamental impact on its earnings/cash flows/balance sheet, it will likely enhance trading liquidity and improve the affordability of the stock, thereby potentially broadening its shareholder base, in our view.

Possible transfer of listing to Main Market? ▶

On 18 Aug 2020, Optimax was listed on the ACE Market of Bursa Malaysia. It issued a total of 70.0m new shares to the public at a price of RM0.30 per share, thus raking in total proceeds of RM21.0m for the company. It planned to use the latter for capex (mainly to convert its Seremban clinic into an ACC), repay debt and as working capital. Upon listing, its market cap was RM81.0m.

While Optimax has not disclosed this in the past, we think there is a chance that Optimax's stock could qualify to be transferred to the Main Market of Bursa

Malaysia upon the release of its audited FY21 financial statements in Apr 22 (assuming no major variation vs. the unaudited results released in Feb 22), albeit subject to compliance with the requirement to allocate 50% of the public spread to Bumiputera investors. We highlight this as a potential catalyst that could re-rate the stock (if it materialises), as it could help improve the stock's trading liquidity and broaden its shareholder base.

Optimax's unaudited FY21 results suggest that it may meet the following key listing criteria under the profit test approach (as per Bursa Malaysia's Main Market Listing Requirements, updated on 19 Jan 2022):

- Uninterrupted reported profit of 3-5 full financial years, with aggregate profit after tax (PAT) of at least RM20m (total between FY17-21: RM37.6m)
- Reported PAT of at least RM6m for the most recent financial year (FY21: RM12.3m)
- Has been operating in the same core business over at least the profit track record
- Minimum 25% public shareholding spread (estimated free float as of 28 Feb 2022: ~34%)
- Have at least 1k public shareholders holding not less than 100 shares each (total number of shareholders holding at least 100 shares each as at 7 May 2021: 3,142)
- Has an identifiable core business over which it has majority ownership/management control (not holding of investment in other listed companies)
- Continuity of substantially the same management for at least three full FY
- Positive operating cash flow (FY21: RM19.7m)
- No accumulated losses

VALUATION AND RECOMMENDATION

Stock is under-researched ►

Optimax is an under-covered stock, with only one research house actively covering it as at 6 Apr 2022, based on Bloomberg. We think this could be due to the lack of comparable domestic peers and its recent listing. At this juncture, we anecdotally estimate that institutional holdings in the stock were at only c.9% as at 7 May 2021, based on its FY20 annual report. Thus, we believe there is room for institutional investor participation to increase in the stock, on the back of its robust earnings growth in FY22-24F.

Initiate coverage with Add and TP of RM1.47 ►

We initiate coverage on Optimax with an Add rating and a target price of RM1.47, pegged to 28x CY23F P/E, which is 0.8 s.d. below China-based AIER Eye Hospital Group's (300015 CH, Not Rated, CP: RMB32.09) 10-year mean P/E of 50.1x. AIER is China's leading eye hospital group and has over 700 eye hospitals/centres across Asia, Europe and North America, as well as ISEC's major shareholder. We employ P/E as our valuation methodology for Optimax as we believe it is the best approach to take into account its strong near-term earnings growth potential, as highlighted earlier.

Our target valuation assumption of 0.8 s.d. below (equivalent to a 44% discount to) AIER's 10-year mean P/E is to reflect Optimax's substantially smaller market cap, lower trading liquidity and relatively less robust earnings growth potential (we forecast 3-year EPS CAGR of 14.7% for Optimax in FY21-24F vs. AIER's 33.9%, based on Bloomberg consensus estimates).

We did not peg Optimax's valuation to ISEC's and Top Vision's mean P/E due to the latter's low trading liquidity, small market cap and lack of Bloomberg consensus data, while Germany-based EuroEyes International Eye Clinic's P/E (1846 HK, Not Rated, CP: HK\$6.78) was also not used as it was only recently listed in Oct 2019.

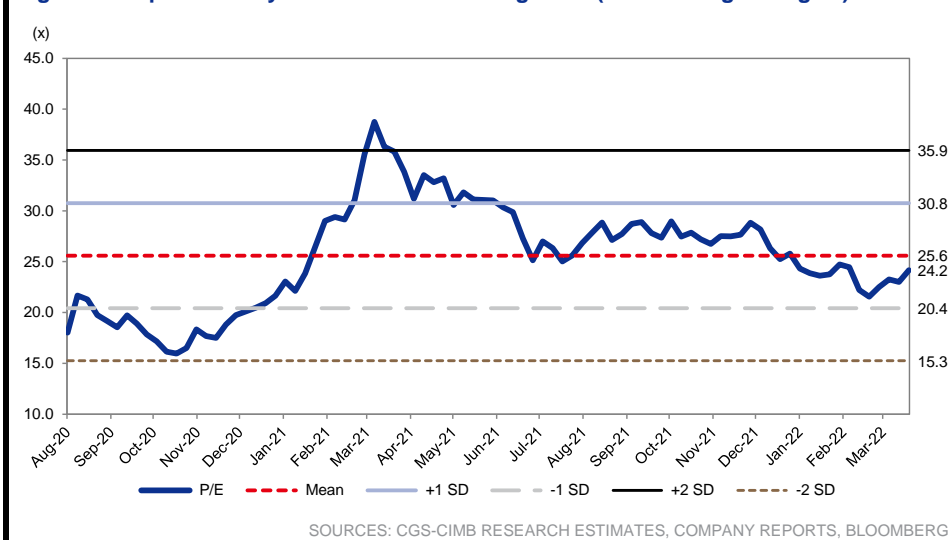
Given the potential overhang on Optimax's stock due to its outstanding warrants (exercise price: RM1.20/warrant), we have conservatively factored in the slight dilution from the potential full conversion of the warrants into ordinary shares (i.e. proceeds and enlarged share base), in deriving our TP of RM1.47. Excluding this dilutive impact, our TP for Optimax is RM1.53.

Key potential re-rating catalysts include: i) its expected robust core EPS growth during FY22-24F, and ii) a potential increase in its institutional shareholdings.

Figure 48: Our target price for Optimax is RM1.47

FYE 31 Dec (RM m)	Value	Remarks
CY23F core net profit (RM m)	14.8	
CY23F P/E multiple (x)	28.0	0.8 s.d. below AIER's 10-year mean P/E
Potential proceeds from full conversion of warrants	81.0	
Equity value (RM m)	495	
No. of shares (m)	337	Assumed full conversion of outstanding warrants
Target price (RM)	1.47	

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Figure 49: Optimax's 1-year forward P/E trading band (since listing in Aug 20)

Figure 50: AIER's 1-year forward P/E trading band


Peer comparisons ►

We believe Optimax does not have a direct local competitor with pure exposure to the Malaysian eye specialist services market. We deem ISEC, which is listed on the Catalyst Market of the Singapore Exchange, as its closest comparable peer as it provides eye specialist services in Singapore, Malaysia and Myanmar, though ISEC also conducts more niche/complex surgeries, such as vitreoretinal, orbital reconstruction and corneal transplantation. Other comparable peers globally are AIER and EuroEyes International, which are both pureplay eye specialist services providers offering cataract and refractive surgeries.

Following Optimax's 26% share price correction since Apr 21 (which we believe could be due to a potential overhang arising from its rights issue of free warrants), its FY21 P/E of 26.9x is now at a slight premium to ISEC's FY21 P/E of 25.5x. We think this undervalues the former given its much stronger 3-year core EPS CAGR (FY18-21) of 40.7% (ISEC: -10.1%) and ROE. Top Vision was excluded from the comparison due to its very low trading liquidity and market cap as it is part of the LEAP Market of Bursa Malaysia.

Optimax's FY22F P/E of 24.8x is at a compelling 50% discount to (0.9 s.d. below) AIER's 10-year mean P/E of 50.1x (based on Bloomberg consensus forecasts), although this is partly warranted given the latter's significantly larger market cap,

better trading liquidity and earnings growth prospects, in our view. While EuroEyes International's CY21-23F valuations are cheaper vs. Optimax, we note this may be owing to its relatively weak earnings CY19-21 (thus, its high FY21-24F EPS CAGR is due to the low base in FY21).

Meanwhile, Optimax trades at a 27%/11% discount to the average FY22F P/E for Malaysian/ASEAN hospital groups, with the former having a better earnings growth outlook (i.e. 3-year core EPS CAGR) and dividend yield vs. the latter.

Figure 51: Global pureplay eye specialist services peer comparisons

Company	Bloomberg	Rec.	CP	TP	Market cap	P/E (x)			EV/EBITDA (x)			EPS CAGR (%)			Dvd yield (%)			ROE (%)			P/B (x)		
	Ticker					(local curr.)	(US\$ m)	CY21	CY22F	CY23F	CY21	CY22F	CY23F	CY21-24F	CY18-21	CY21	CY22F	CY23F	CY21	CY22F	CY23F	CY21	CY22F
Optimax	OPTIMAX MK	ADD	1.22	1.47	78	26.9	24.8	22.3	12.7	11.8	10.8	14.7	40.7	3.1	2.8	3.1	23.8	23.3	24.1	6.0	5.6	5.2	
AIER	300015 CH	NR	32.09	N/A	27,265	72.6	56.3	44.3	42.7	33.8	26.8	33.9	19.3	0.7	0.7	0.9	22.0	22.0	23.4	11.8	11.8	9.7	
EuroEyes	1846 HK	NR	6.78	N/A	288	17.8	12.3	9.7	12.4	5.2	4.1	28.3	(33.3)	0.9	1.3	1.7	15.0	19.0	20.4	2.3	1.8	1.5	
ISEC	ISEC SP	NR	0.30	N/A	114	25.5	N/A	N/A	11.9	N/A	N/A	N/A	(10.1)	3.5	N/A	N/A	9.3	N/A	N/A	2.3	N/A	N/A	
Global pureplay eye specialist providers' average						35.7	31.1	25.4	19.9	16.9	13.9	25.6	4.2	2.0	1.6	1.9	17.5	21.4	22.7	5.6	6.4	5.5	

Note: Share prices as of 5 Apr 2022, 7pm HKT; N/A indicates no Bloomberg consensus estimates (not actively covered); estimates for NR stocks are based on Bloomberg consensus where available
SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG

Figure 52: ASEAN healthcare sector comparisons (CGS-CIMB coverage universe)

Company	Bloomberg	Recom.	Share price	Target price	Market cap	P/E (x)			EV/EBITDA (x)			3-year CAGR (%)		Dvd yield (%)		ROE (%)		P/B (x)	
	Ticker					(local curr.)	(US\$ m)	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F	EPS	EBITDA	FY22F	FY23F	FY22F	FY23F
Optimax	OPTIMAX MK	ADD	1.22	1.47	78	24.8	22.3	11.8	10.8	14.7	12.5	2.8	3.1	23.3	24.1	5.6	5.2		
Duopharma Biotech	DBB MK	HOLD	1.51	1.60	338	16.6	17.2	11.3	10.1	8.0	10.1	4.2	4.1	13.4	12.5	2.2	2.1		
Pharmaniaga	PHRM MK	ADD	0.76	0.90	235	9.9	16.0	8.0	10.7	(30.7)	(22.7)	7.1	4.4	21.5	12.6	2.1	2.0		
IHH Healthcare	IHH MK	ADD	6.25	8.33	13,068	35.5	30.9	14.7	13.1	5.9	3.1	1.0	1.1	6.2	6.8	2.1	2.1		
KPJ Healthcare	KPJ MK	HOLD	0.98	1.10	1,011	32.0	30.1	9.4	9.1	40.5	8.8	1.6	1.7	6.1	6.3	1.9	1.9		
Malaysia overall healthcare average (ex-outliers)						23.8	23.3	11.0	10.8	7.7	2.4	3.3	2.9	14.1	12.4	2.8	2.6		
Malaysia hospital average (ex-outliers)						33.8	30.5	12.1	11.1	5.9	6.0	1.3	1.4	6.1	6.5	2.0	2.0		
Malaysia pharmaceutical average (ex-outliers)						13.2	16.6	9.7	10.4	(11.4)	(6.3)	5.7	4.2	17.5	12.5	2.1	2.0		
Raffles Medical Group	RFMD SP	HOLD	1.18	1.33	1,618	33.5	31.8	15.9	14.8	0.3	(3.1)	2.4	2.4	6.8	7.1	2.3	2.2		
Singapore healthcare average (ex-outliers)						33.5	31.8	15.9	14.8	0.3	(3.1)	2.4	2.4	6.8	7.1	2.3	2.2		
Bumrungrad Hospital	BH TB	HOLD	160.00	162.00	3,803	68.9	57.3	39.7	34.0	26.6	17.3	2.0	2.0	10.9	13.5	7.7	7.8		
Bangkok Dusit Med Service	BDMS TB	HOLD	25.00	27.00	11,880	42.8	38.3	22.9	21.0	13.1	8.7	2.2	2.2	11.0	12.2	4.7	4.6		
Bangkok Chain Hospital	BCH TB	ADD	20.70	24.50	1,543	14.2	17.8	9.1	11.1	(22.6)	(21.9)	3.5	2.8	26.2	18.7	3.5	3.2		
Chularat Hospital	CHG TB	ADD	3.86	4.45	1,270	20.2	23.5	15.6	18.7	(22.8)	(24.5)	7.7	3.9	33.8	36.3	8.7	8.4		
Ramkhamhaeng Hospital	RAM TB	HOLD	46.25	48.00	1,659	20.0	29.7	15.2	18.8	(21.1)	(16.5)	1.6	1.6	15.4	9.7	2.9	2.8		
Praram 9 Hospital	PR9 TB	ADD	12.10	12.70	284	33.3	30.0	12.8	11.8	13.4	7.5	1.2	1.3	6.5	7.0	2.1	2.1		
Mega Lifesciences	MEGA TB	ADD	47.00	51.00	1,225	21.8	20.3	15.4	14.2	6.5	3.7	2.7	3.0	22.5	22.1	4.7	4.3		
Thailand healthcare average (ex-outliers)						25.4	26.6	15.2	15.9	(1.0)	(3.7)	3.0	2.4	18.1	17.1	4.9	4.7		
Mitra Keluarga Karyasehat	MIKA IJ	HOLD	2,280	2,300	2,264	30.7	27.4	19.4	17.3	12.2	13.4	1.9	1.6	19.3	19.7	5.7	5.1		
Siloam International Hospitals	SILO IJ	ADD	8,675	10,900	983	21.4	18.1	5.6	4.8	88.6	22.0	1.9	1.9	10.0	11.0	2.1	1.9		
Medikaloka Hermina	HEAL IJ	HOLD	1,295	1,200	1,344	23.9	21.3	12.4	10.6	24.0	15.4	1.2	1.2	22.7	21.6	5.0	4.3		
Kalbe Farma	KLBF IJ	ADD	1,610	1,950	5,260	21.6	19.2	14.1	12.4	12.9	10.7	2.0	2.4	17.3	17.6	3.6	3.2		
Indonesia healthcare average (ex-outliers)						24.4	21.5	12.9	11.3	34.4	15.4	1.7	1.8	17.3	17.5	4.1	3.6		
ASEAN hospital average (ex-outliers)						28.0	27.2	13.9	13.7	10.7	2.5	2.3	2.0	14.6	14.1	4.1	3.9		
ASEAN pharmaceutical average (ex-outliers)						17.5	18.2	12.2	11.9	(0.8)	0.4	4.0	3.4	18.7	16.2	3.1	2.9		

Note: Share prices as of 5 Apr 2022, 7pm HKT; core P/E is share price divided by core EPS (i.e. reported EPS excluding one-off extraordinary items) included only P/E ratios ranging between c.10-40x, EV/EBITDA of c.5-25x & 3-year EPS/EBITDA CAGR of -100% to +100% in our calculation of sector averages
3-year EPS & EBITDA CAGR is for FY21-24F for all countries except Indonesia (based on FY20-23F) as FY21 results have not been reported
SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG

COMPANY BACKGROUND

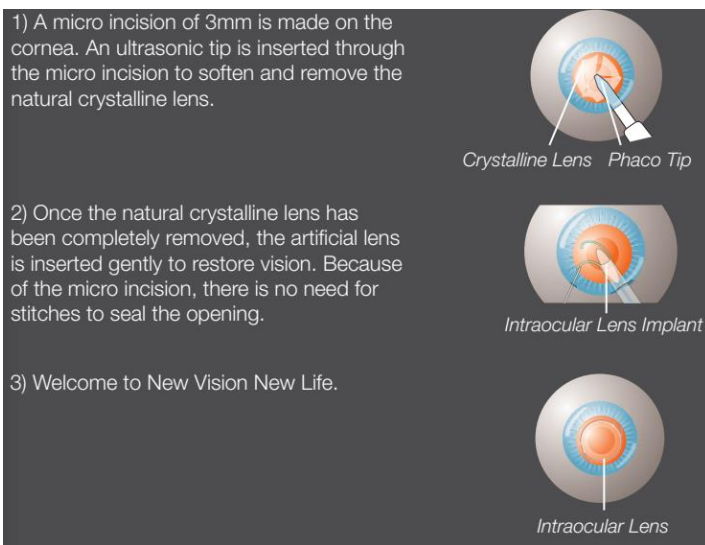
Established eye specialist services provider ►

Listed on the ACE Market of Bursa Malaysia, Optimax is the largest Malaysia-listed private pureplay eye specialist services provider (by revenue market share and number of cataract/refractive surgeries as of CY20, in our view) that provides a range of services including the treatment of eye diseases/disorders, refractive surgeries, oculoplastic surgeries, eye examinations, marketing of its own food products as well as, since May 2021, Covid-19 vaccination services.

Treatments of eye diseases and disorders

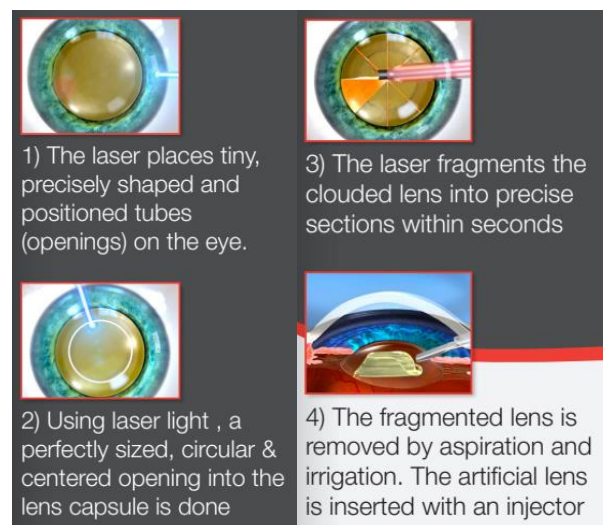
Optimax undertakes a variety of treatments for eye diseases and disorders. This mainly relates to surgeries for cataracts, which is a common surgical procedure for ageing patients (aged 50 and above) that addresses the clouding of the lens in the eye (which makes vision hazy and cloudy), according to Optimax's IPO prospectus (15 Jul 2020). If left untreated for extended periods, cataracts can lead to a loss of vision and is the principal cause of blindness. Typically, cataract surgery is conducted by removing the clouded lens and replacing it with an intra-ocular lens (IOL; i.e. an implanted lens) using a Femtosecond laser (a powerful light beam), in a bladeless procedure known as a Refractive Lens Exchange (RLE). An alternative procedure is Femtosecond Laser-Assisted Cataract Surgery (FLACS), which uses a Femtosecond laser to help remove the cataract.

Figure 53: Optimax's RLE surgical procedure



SOURCE: COMPANY WEBSITE

Figure 54: Optimax's FLACS surgical procedure



SOURCE: COMPANY WEBSITE

Meanwhile, intravitreal injection treatment with medication is commonly used to treat diabetic maculopathy (a diabetes complication that damages the blood vessels of the retina), retinal vein occlusion (blockage of small veins that carry blood away from the retina) and age-related macular degeneration (a condition that blurs one's central vision). This treatment involves injecting the eye to treat certain retinal conditions that cause abnormal blood vessels to grow and leak under the retina. Other eye diseases and disorders treated by Optimax include glaucoma (abnormally high eye pressure which damages the optic nerve) and conjunctivitis (inflammation or bacterial infection of the transparent membrane [conjunctiva] that lines the eyelid).

Refractive surgeries

Refractive surgeries are elective surgeries used to correct refractive errors that cause vision impairment, including short-sightedness (myopia), long-sightedness (hyperopia) and astigmatism (imperfection in the curvature of the eye that

causes blurred vision), and thus reduce patients' need for eyewear and/or contact lenses. Optimax's most common refractive treatments are:

- Customised Trans-Epithelial Surface Ablation (TESA-S), which uses an excimer laser to remove the epithelial (surface) layer of the cornea and reshape the cornea. Optimax currently uses the Schwind Amaris 1050RS laser, which it claims is the best-performing and fastest excimer laser in the market. TESA-S has the longest recovery period (c.2 weeks) amongst the refractive surgeries listed here.
- Advanced Surface Ablation (ASA), where the epithelium is removed, before the corneal surface is reshaped using an excimer laser. This is commonly used for patients with thin corneas or high refractive error. The recovery period may be longer than other LASIK procedures, but outcomes are similar.

Figure 55: Optimax's TESA-S surgical procedure

STEP 1:

The eye is positioned well before the corneal skin (epithelium) is gently removed using excimer laser. This will allow laser correction to the inner layers of the cornea.

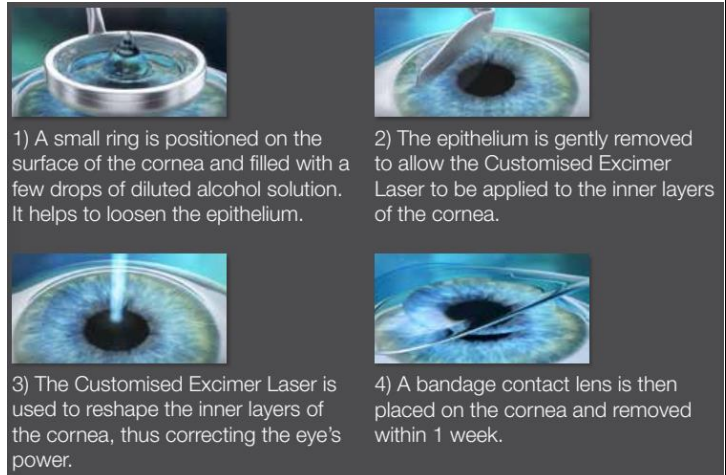
STEP 2:

The excimer laser is then used to reshape the inner layers of the cornea, thus correcting the eye's power.

STEP 3:

A bandage contact lens is then placed on the cornea to allow regrowth of the epithelium and is removed within 1 week.

Figure 56: Optimax's ASA surgical procedure

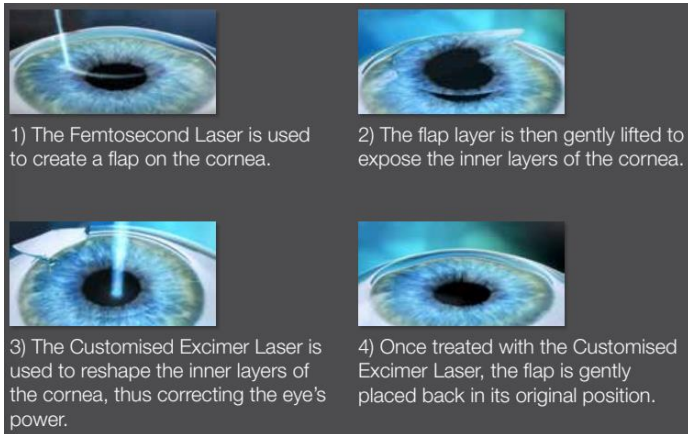


SOURCE: COMPANY WEBSITE

SOURCE: COMPANY WEBSITE

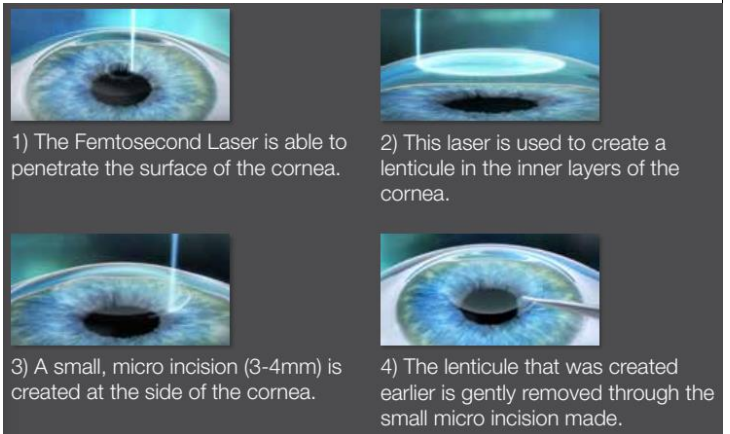
- Femto-Laser In-situ Keratomileusis (Femto-LASIK), where a femtosecond laser is first used to create a corneal flap, which is lifted up before an excimer laser is used to reshape the cornea to correct the refractive error. The flap is then folded back into place without stitches. The recovery period for this is usually a few days.
- ReLEx Small Incision Lenticule Extraction (SMILE), which is a surgery that corrects short-sightedness and astigmatism. A femtosecond laser is used to create a tiny incision on the surface of the cornea, before a thin lenticule (lens-shaped piece of corneal tissue) is removed via the incision with minimal disruption to the cornea. The removal of the lenticule changes the shape of the cornea to correct the vision impairment. This minimally-invasive technique (only requires a <4mm incision) allows surface tissue to remain intact, thus preserving the biomechanical strength of the cornea. Hence, patients' recovery period post-ReLEx SMILE surgery is only 30 minutes (the fastest amongst all laser refractive treatments offered by Optimax). As treatments using newer-generation technologies garner more premium pricing and Optimax's revenue per eye for laser refractive surgeries steadily rose in FY16-19, we believe ReLEx SMILE (its newest-generation treatment) could be its most popular laser refractive surgery currently.

Figure 57: Optimax’s Femto-LASIK surgical procedure



SOURCE: COMPANY WEBSITE

Figure 58: Optimax’s ReLEx SMILE surgical procedure



SOURCE: COMPANY WEBSITE

- Implant vision correction procedure (also known as implantable collamer lens or ICL) is an alternative refractive surgery that involves inserting a soft and flexible lens into the eye (between the iris and crystalline lens). This is commonly used for patients who do not meet the requirements for laser vision correction procedures, e.g. those with a high-degree of short-sightedness or thin cornea. It does not involve reshaping the cornea, and thus no corneal tissue is removed.

Figure 59: Optimax’s ICL surgical procedure



SOURCE: COMPANY WEBSITE

Oculoplastic surgeries

Oculoplastic surgeries provide functional and cosmetic treatment for eye disorders, primarily involving procedures on the eyelids and eyebags. Functional oculoplastic surgery involves repairing the areas that cause visual impairment such as congenital defects and abnormal eyelid positioning. Cosmetic/aesthetic surgery enhances appearance by reconstructing features around the eyes such as lifting of the eyelids.

Figure 60: Sample of Optimax’s eyelid surgeries



SOURCE: COMPANY REPORTS

Marketing of food products

Optimax also markets its own “Optixanthin” brand of food products, which contains astaxanthin, a naturally-occurring colour pigment referred to as carotenoid derived from microalgae, that is mixed with unrefined coconut oil. Optimax also offers astaxanthin in sachet-based beverage (OPTI-I) and honey (OPTI-B) forms, which were launched in Mar-Apr 20. These products are intended to be complementary to its business where they are marketed as antioxidant food products for the general wellbeing of an individual.

Figure 61: Optimax’s food products

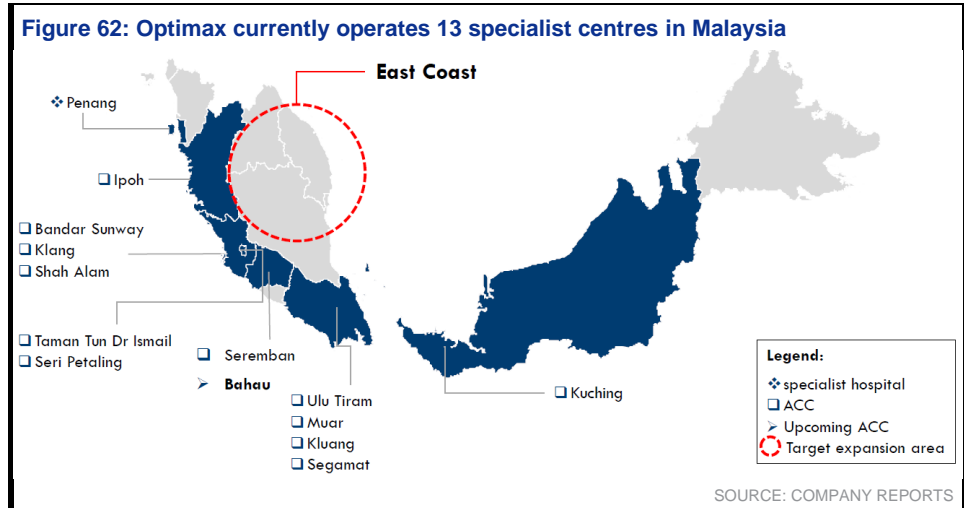


SOURCE: COMPANY REPORTS

Operates 13 specialist centres in Malaysia >

Optimax currently operates 13 specialist centres spanning seven states in the West Coast of Peninsular Malaysia and Sarawak, comprising 12 ACCs and one specialist hospital. In FY20, it obtained ACC licences from MOH for its Klang and Seremban specialist centres (converted from clinics previously), thus allowing eye surgeries to be conducted at these branches. It owns three specialist centres (Penang hospital, Seri Petaling and Seremban ACCs) and leases the remaining 10 ACCs with tenures of 3-10 years.

Figure 62: Optimax currently operates 13 specialist centres in Malaysia



SOURCE: COMPANY REPORTS

Recap of Optimax’s milestones since its inception >

Optimax Holdings Bhd, previously known as Optimax Eye Specialist Centre (OESC), was incorporated in Jan 1995. In Mar 1995, Optimax International Ltd (Unlisted), a company in the UK involved in the provision of eye specialist services, granted OESC the sole rights to use the Optimax trademark in Malaysia for ten years. During the same year, OESC opened its first eye specialist clinic in Taman Tun Dr Ismail (TTDI), Kuala Lumpur, and started to offer photorefractive keratectomy (PRK, also known as ASA) refractive surgeries. Over the past 26 years, Optimax has offered newer-generation, improved (more precise, safer, with faster recovery periods and lesser discomfort to patients)

and increasingly premium refractive surgery procedures in tandem with the technological advancement, such as LASIK (2000), Femto-LASIK (2005), cornea inlays & ICL (2010), and ReLEx SMILE (2013). Meanwhile, it started providing cataract surgeries in 2006 and oculoplastic procedures in 2016.

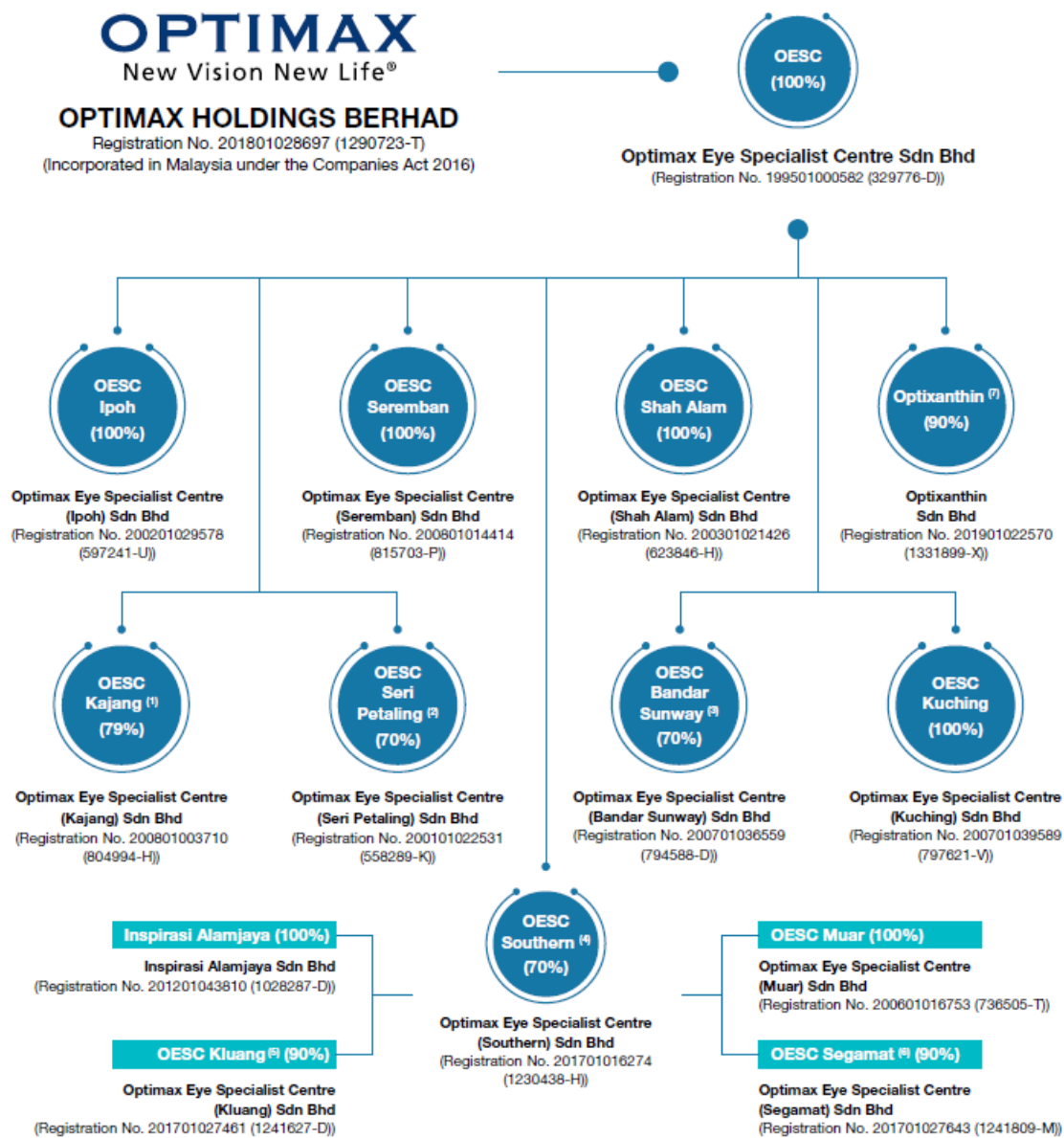
Shortly after the company was granted the sole and exclusive rights to use the Optimax trademark by Optimax International Ltd in Jun 2020, it was listed in Aug 2020 on the ACE Market of Bursa Malaysia.

Figure 63: Key historical events for Optimax

Year	Historical event
	OESC was incorporated in Malaysia as a private limited liability company by Tan Sri Dato' Dr Tan Boon Hock
1995	Granted sole rights to use Optimax trademark in Malaysia for 10 years by Optimax International
	Opened first eye specialist clinic in TTDI, Kuala Lumpur, & offered PRK surgeries
2000	Expanded to Northern region by opening specialist clinic in Island Plaza, Penang
	Started offering LASIK surgeries
2001	Mitrajaya Holdings Bhd, a listed entity, acquired 51% stake in OESC
	Expanded operational floor space of TTDI clinic by 15%
2003	Started offering LASEK surgeries for patients with thin corneas or high refractive errors
2004	Started offering Epi-LASIK surgeries
2005	Started offering Femto-LASIK surgeries
2006	Renewed Optimax trademark licence for further 10 years
	Started offering cataract surgeries
2007	Started offering Neurovision system for amblyopia (lazy eye) treatments
2008	Expanded to East Malaysia by opening 70%-owned specialist clinic in Kuching, Sarawak
	Granted perpetual, exclusive right to use Optimax trademark in South East Asia (for eye specialist centres)
2010	Started offering Pseudo-Accommodative Correction (PAC) surgeries, i.e. using excimer laser to correct presbyopia
	Started offering cornea inlays & ICL refractive surgeries
2012	Relocated Penang clinic to its first specialist hospital in George Town, Penang
	2 medical negligence claims were filed by cataract surgery patients against OESC & its doctor
2013	Started offering ReLEx SMILE surgeries
	Acquired freehold land & building relating to Penang hospital
2016	Sena Healthcare Services acquired 51% stake in OESC from Mitrajaya Holdings
	Started offering oculoplastic surgeries
	70%-owned subsidiary OESC Southern acquired Muar specialist centre (formerly Lam Eye Specialist & Laser Center)
	Current CEO Sandy Tan Sing Yee was appointed to the role
	Parties from 2012 medical negligence lawsuits entered into consent judgment without admission of liability; OESC paid total final ex-gratia compensation of RM210k to patients, involved doctor no longer with OESC & OESC implemented more comprehensive SOPs for ophthalmologists
2017	As part of corporate rationalisation exercise & geographical expansion, acquired 70% stake in Bandar Sunway clinic, 100% stake in Ipoh ACC, 70% stake in Seri Petaling ACC, & Johor Bahru ACC (Inspirasi Alamjaya; via 70%-owned subsidiary OESC Southern)
	Obtained ACC licence for Muar branch
	Started offering paediatric eye care services after hiring a qualified orthoptist
	70%-owned subsidiary OESC Southern opened ACCs in Segamat & Kluang, Johor (former has 90% stake in each)
2018	Completed conversion of TTDI, Bandar Sunway & Kuching clinics into ACCs
	Acquired Seri Petaling building for ACC & offices
	Started offering Transepithelial PRK (TransPRK) surgeries
	90%-owned subsidiary Optixanthin commenced operations
2019	Acquired remaining 30% stake in OESC Kuching
	Obtained ACC licences for TTDI, Bandar Sunway and Kuching centres
	Became sole & exclusive party entitled to the use of Optimax trademark in South East Asia
2020	Obtained ACC licence for Klang centre (converted from clinic)
	Listed on ACE Market of Bursa Malaysia
	Acquired Seremban buildings, then obtained ACC licence for the centre (converted from clinic)
	TTDI, Ipoh, Seremban & Penang centres appointed as ProtectHealth's Partner for government's National Covid-19 Immunisation Programme (PICK)
	Participated in Ministry of Federal Territories' MyMedic@Wilayah mobile Covid-19 vaccination programme
2021	Participated in government's Public-Private Partnership Covid-19 Industry Immunisation Programme (PIKAS)
	Tan Sri Dato' Dr Tan Boon Hock was redesignated from Non-Independent Non-Executive to Executive Director, then to Executive Deputy Chairman
	Inked MOU with Selgate to exclusively manage & operate full-service eye specialist centres for the latter's hospitals
	Issued bonus warrants on basis of one warrant for every four existing Optimax shares held; expiry: 29 Dec 2026
	Proposed one-for-one bonus issue; expected to be completed by early-May 22
2022	Dato' Seri Dr. Chen Chaw Min was redesignated from Independent Non-Executive Director to Chairman, replacing Tan Sri Datuk Dr. Ahmad Tajuddin Ali who resigned due to personal interest

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 64: Optimax’s corporate structure



Note:

- (1) OESC Kajang ceased its operations since the FYE 31 December 2012. The remaining 21% equity interest in OESC Kajang is held by Dr. Yen Siew Siang.
- (2) The remaining 30% equity interest in OESC Seri Petaling is held by Dr. Chang Khai Meng.
- (3) The remaining 30% equity interest in OESC Bandar Sunway is held by Dr. Ngo Chek Tung.
- (4) The remaining 30% equity interest in OESC Southern is held by Dr. Lam Hee Hong.
- (5) The remaining 10% equity interest in OESC Kluang is held by Dr. Ng Kang Kok.
- (6) The remaining 10% equity interest in OESC Segamat is held by Dr. Ngim You Siang.
- (7) The remaining 10% equity interest in Optixanthin is held by Low Mong Ying, our pharmacist.

SOURCE: COMPANY REPORTS

Led by an experienced management team ►

Optimax’s management team is led by CEO Sandy Tan Sing Yee, who is responsible for developing and implementing marketing strategies to elevate the company’s branding, as well as developing new business opportunities. She has had 10 years of experience in Optimax, spanning marketing, human resources and customer service. Prior to Sandy’s appointment in 2017, her father, Tan Sri Dato’ Dr Tan Boon Hock, had led Optimax since its founding, expanding its business to other Malaysian states and venturing into new eye specialist services (e.g. cataract surgeries). In his current capacity as Executive Deputy Chairman, he provides business/management guidance and strategic advice to the senior management. The rest of the senior management team also each have 9-36 years of experience in functions or industries relevant to their current

roles, including medical directors Dr Stephen Chung Soon Hee, Dr Chuah Kay Leong and Dr Lam Hee Hong, who have established track records as consultant ophthalmologists. Meanwhile, the senior management team is supported by 15 other resident doctors, 8 locum doctors and 45 optometrists.

According to Optimax's bourse filing, Optimax's largest shareholder as at 28 Feb 2022 with a direct stake of 29.2% is Sena Healthcare Services Sdn Bhd, a vehicle jointly owned by its founder and Executive Deputy Chairman, Tan Sri Dato' Dr Tan Boon Hock, and his spouse, Puan Sri Datin Lim Sho Hoo. This is followed by Tan Sri Dato' Dr Tan himself and Senior Medical Director Dr Stephen Chung, who directly own a 26.7% and 5.7% stake, respectively. Collectively, the founding Tan family owns a 56.8% stake in the company.

Figure 65: Board of Directors and key senior management personnel as at 28 Feb 2022

Name	Age	Gender	Position	Background	Executive role in Optimax	Board appointment/ join date	Years of experience in relevant function/
Board of directors							
Dato' Seri Dr Chen Chaw Min	61	Male	Independent Non-Executive Chairman	Former MOH Secretary General (2015-21), former Chairman of ProtectHealth	N/A	Dec 2021	7
Tan Sri Dato' Dr Tan Boon Hock	66	Male	Founder & Executive Deputy Chairman	Led Optimax since its founding in 1995 till 2017	N/A	Aug 2018	26
Sandy Tan Sing Yee	34	Female	CEO & Non-Independent Executive Director	Former Marketing Director of Optimax (2014-17), prior to which she had stints in Optimax's human resources & customer service functions	Develops & implements marketing strategies & new business opportunities	Dec 2019	10
Tan Sri Dato' Seri Mohamad Noor Abdul Rahim	76	Male	Non-Independent Non-Executive Director	Former Secretary General of Ministry of Home Affairs (1998-2000), current Chairman of TSR Capital Bhd & Independent Non-Executive Director of Mitrajaya Holdings Bhd	N/A	Dec 2021	N/A
Yap Ping Hong	39	Male	Independent Non-Executive Director	Co-founder/director of corporate & risk advisory firm Silver Ocean Advisory Sdn Bhd; owns accounting & corporate services firm Herman Yap & Associates	N/A	Jan 2020	N/A
Yap Eng Gee	52	Female	Independent Non-Executive Director	Former CEO of Stemlife Bhd (2017-18), Group CFO of TMC Life Sciences Bhd (2011-15), CFO of Pantai Holdings Bhd (2007-11)	N/A	Jan 2020	14
Other key senior management personnel							
Michelle Tan Sing Chia	32	Female	CFO	Former Financial Controller of OESC (2018-20), Acting Chief Financial Controller of Sena Letrik (2013-18), assistant to CEO at Rawang Specialist Hospital (2011-13)	Oversees finance, accounting, treasury functions & regulatory compliance	Aug 2018	10
Susan Cheow Poh Kheng	40	Female	COO	Former Assistant Director & Director of Allied Health at Thomson Hospital Kota Damansara (2017-20), Senior Manager of Allied Health & Chief Pharmacist at Tropicana Medical Centre (2015-17)	Execution of business strategies & improvement plans in line with goals	Jan 2021	14
Dr Stephen Chung Soon Hee	62	Male	Senior Medical Director	Joined OESC as consultant ophthalmologist; performed first PRK surgery in OESC after undergoing trainings with Optimax UK in 1995; carried out Femto-LASIK procedure (2005) & SMILE (2013); expanded service offerings to customers	Performs refractive surgeries & provides refractive surgery training to its doctors	1995	36
Dr Chuah Kay Leong	54	Male	Senior Medical Director	Joined OESC as consultant ophthalmologist; former lecturer, consultant ophthalmologist & Head of Cornea Service at Hospital Canselor Tuanku Muhriz UKM (HUKM; 1999-2002) where he started HUKM's cornea transplantation programme	Provides technical & clinical leadership support to & mentorship to cataract surgeons & ophthalmic nurses	2002	29
Dr Lam Hee Hong	43	Male	Medical Director (Southern)	Joined OESC as ophthalmologist after his company, Lam Eye Specialist & Laser Center Sdn Bhd, was acquired by OESC Muar; involved in process of setting up Segamat & Kluang branches	Monitors performance of specialist doctors in Southern region	Jan 2018	19
Pang Woei Yaw	33	Male	Group Accountant	Former corporate finance manager at Sena Diecasting Industries Sdn Bhd (2017-18) & audit manager at PwC Singapore (2015-17)	Accounting & tax-related matters	Sep 2018	11
Ang Chian Yen	32	Female	Operations Manager	Joined OESC as optometrist; transferred to operations department in 2016, before eventually being promoted to her current role	Ensures that all branches, doctors & nurses hold/maintain requisite licenses & certificates to comply with MOH requirements & ISO standards	Oct 2012	9

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS



ESG in a nutshell

In terms of ESG, we believe Optimax has done fairly well in the social (S) pillar, as its services play an important role in helping to overcome the rising prevalence of cataracts, visual impairments and other eye diseases (e.g. myopia and dry eyes), amid the rapidly ageing population and increasingly digital lifestyles in Malaysia. Despite the company's minimal environmental (E) impact, we are encouraged by its moves to i) engage a certified clinical waste management company to dispose of the waste generated from its operations, ii) replace all of its lighting with more energy-efficient LED lighting, and iii) implement a proper medicine supply management system to reduce wastage to a minimum level.

Keep your eye on

According to Optimax's FY20 annual report and IPO prospectus (dated 15 Jul 2020), there have been numerous related party transactions since 2016 conducted involving Optimax and the founding Tan family, who are also ultimately its major shareholders. We believe these could be perceived by investors in a negative light in terms of corporate governance (i.e. potential concerns over whether Optimax and its minority shareholders will be disadvantaged).

Implications

We have not explicitly factored this governance risk into our forecasts/valuation for Optimax for now, as we believe it is somewhat mitigated by the fact that these transactions were backed by valuation reports issued by registered independent property valuers. We think these transactions could also possibly result in incremental cost savings/revenue upside for Optimax, especially if the properties are situated in strategic locations and transacted at prices/rates that are fairly competitive vs. prevailing market rates.

ESG highlights

Optimax has not been included in the FTSE4Good Bursa Malaysia Index, nor has it been rated by ESG rating providers such as FTSE Russell and Refinitiv. The former is because it is not part of the FTSE Bursa Malaysia EMAS Index, which only includes Main Market-listed stocks.

Implications

We believe Optimax's overall ESG performance is decent, given its relatively small impact on the environment and substantial contribution to community development/wellbeing (e.g. expanding its reach to more remote areas in Malaysia).

Trends

We believe Optimax's ESG performance has improved since 2021, following its involvement in administering Covid-19 vaccines to the public under the National Covid-19 Immunisation Programme (PICK) and Public-Private Partnership Covid-19 Industry Immunisation Programme (PIKAS). We think this has contributed to the effective rollout of vaccines in Malaysia thus far.

Implications

We have not ascribed a premium to Optimax's valuations to reflect the improvement in its ESG performance as we believe business-related factors such as profitability, M&A and industry supply-demand dynamics will have more bearing on its share price performance. Nonetheless, any potential further improvements in its ESG disclosures/performance could stir up more interest in the stock from ESG-focused investors in the longer-term, in our view.

SOURCES: CGS-CIMB RESEARCH, FTSE RUSSELL, REFINITIV, COMPANY REPORTS

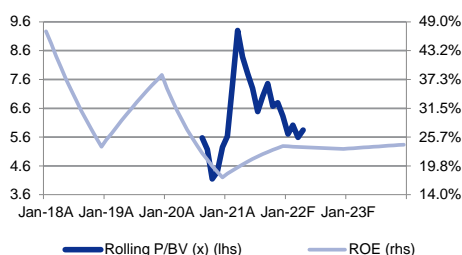
BY THE NUMBERS

We expect the strong revenue growth in FY22F to be driven by an increase in the number of cataract and refractive surgeries conducted, plus improving revenue intensity.

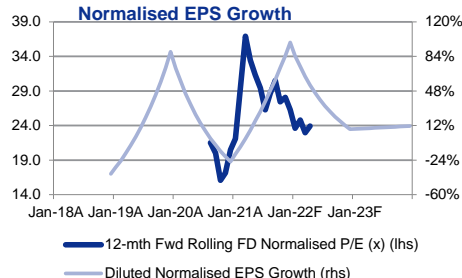
We project a more moderate FY22F core net profit growth due to gestation losses from new centres and tapering Covid-19 vaccination contribution.

We assume FY22F capex includes the purchase of operation equipment and tools for 4 new satellite clinics and 1 new ACC, which are slated to open during the year.

P/BV vs ROE



12-mth Fwd FD Normalised P/E vs FD Normalised EPS Growth



Profit & Loss

(RMm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues	58.02	88.90	98.12	109.62	130.14
Gross Profit	23.14	34.70	37.78	41.80	49.79
Operating EBITDA	17.74	26.19	28.34	31.19	37.28
Depreciation And Amortisation	-5.96	-6.58	-7.55	-8.45	-9.57
Operating EBIT	11.79	19.61	20.79	22.74	27.71
Financial Income/(Expense)	-1.42	-1.07	-1.26	-1.40	-1.60
Pretax Income/(Loss) from Assoc.	0.00	0.00	0.00	0.00	0.00
Non-Operating Income/(Expense)	0.00	0.00	0.00	0.00	0.00
Profit Before Tax (pre-EI)	10.37	18.55	19.53	21.34	26.11
Exceptional Items	-0.70	0.05	0.00	0.00	0.00
Pre-tax Profit	9.67	18.59	19.53	21.34	26.11
Taxation	-3.26	-5.49	-5.47	-5.76	-6.79
Exceptional Income - post-tax					
Profit After Tax	6.41	13.10	14.06	15.58	19.32
Minority Interests	-0.77	-0.80	-0.80	-0.80	-0.80
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
Net Profit	5.64	12.30	13.26	14.78	18.52
Normalised Net Profit	6.95	13.07	14.06	15.58	19.32
Fully Diluted Normalised Profit	6.18	12.26	13.26	14.78	18.52

Cash Flow

(RMm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
EBITDA	17.74	26.19	28.34	31.19	37.28
Cash Flow from Inv. & Assoc.					
Change In Working Capital	-0.94	-1.42	0.00	0.00	0.00
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	1.68	1.63	1.63	1.63	1.63
Net Interest (Paid)/Received	-0.60	-0.48	-0.54	-0.60	-0.68
Tax Paid	-3.12	-4.53	-5.47	-5.76	-6.79
Cashflow From Operations	14.77	21.39	23.96	26.46	31.44
Capex	-4.56	-11.08	-10.50	-11.00	-12.00
Disposals Of FAs/subsidiaries	0.00	0.11	0.00	0.00	0.00
Acq. Of Subsidiaries/Investments	-15.00	10.69	0.00	0.00	0.00
Other Investing Cashflow	-0.02	-0.02	0.00	0.00	0.00
Cash Flow From Investing	-19.58	-0.30	-10.50	-11.00	-12.00
Debt Raised/(repaid)	-3.59	-0.52	0.00	0.00	0.00
Proceeds From Issue Of Shares	18.96	0.00	0.00	0.00	0.00
Shares Repurchased					
Dividends Paid	0.00	-5.13	-9.77	-9.81	-11.65
Preferred Dividends					
Other Financing Cashflow	-4.58	-5.07	-4.33	-4.33	-4.33
Cash Flow From Financing	10.79	-10.72	-14.11	-14.15	-15.99
Total Cash Generated	5.98	10.38	-0.64	1.31	3.45
Free Cashflow To Equity	-8.40	20.58	13.46	15.46	19.44
Free Cashflow To Firm	-4.18	21.62	14.17	16.22	20.28

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(RMm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	26.04	24.25	21.25	19.94	20.39
Total Debtors	1.45	4.56	2.71	5.41	4.23
Inventories	2.22	3.07	2.82	3.80	4.04
Total Other Current Assets	1.11	1.90	1.90	1.90	1.90
Total Current Assets	30.83	33.78	28.67	31.06	30.56
Fixed Assets	42.99	49.27	54.57	59.74	65.19
Total Investments	0.00	0.00	0.00	0.00	0.00
Intangible Assets	0.00	0.00	0.00	0.00	0.00
Total Other Non-Current Assets	10.42	9.83	9.83	9.83	9.83
Total Non-current Assets	53.41	59.10	64.41	69.57	75.02
Short-term Debt	3.44	3.62	3.62	3.62	3.62
Current Portion of Long-Term Debt					
Total Creditors	5.79	8.05	6.15	8.92	8.00
Other Current Liabilities	2.29	2.52	2.52	2.52	2.52
Total Current Liabilities	11.51	14.19	12.29	15.06	14.14
Total Long-term Debt	14.21	12.19	12.19	12.19	12.19
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	8.29	8.76	6.88	7.23	7.54
Total Non-current Liabilities	22.50	20.95	19.07	19.42	19.73
Total Provisions	0.00	0.00	0.00	0.00	0.00
Total Liabilities	34.01	35.13	31.36	34.48	33.87
Shareholders' Equity	47.87	55.04	59.02	63.45	69.00
Minority Interests	2.35	2.70	2.70	2.70	2.70
Total Equity	50.22	57.74	61.72	66.15	71.71

We expect minimal debt drawdowns, as its capex will likely be funded by its strong operating cash flows and net cash position, in our view.

Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	(7.3%)	53.2%	10.4%	11.7%	18.7%
Operating EBITDA Growth	(12.4%)	47.6%	8.2%	10.1%	19.5%
Operating EBITDA Margin	30.6%	29.5%	28.9%	28.5%	28.6%
Net Cash Per Share (RM)	0.031	0.031	0.020	0.015	0.017
BVPS (RM)	0.18	0.20	0.22	0.23	0.26
Gross Interest Cover	7.66	15.59	14.53	14.59	15.76
Effective Tax Rate	33.7%	29.5%	28.0%	27.0%	26.0%
Net Dividend Payout Ratio	NA	83.7%	70.0%	70.0%	70.0%
Accounts Receivables Days	12.01	12.35	13.52	13.52	13.56
Inventory Days	21.14	17.81	17.81	17.81	17.86
Accounts Payables Days	79.28	46.58	42.94	40.56	38.53
ROIC (%)	20.6%	29.7%	27.2%	27.4%	30.4%
ROCE (%)	21.2%	28.0%	27.8%	28.7%	32.9%
Return On Average Assets	10.8%	15.7%	16.2%	17.2%	19.9%

We have assumed a dividend payout ratio of 70% in FY22-24F.

We see the growth in the number of surgeries performed in FY22-24F being propelled by pent-up demand, Malaysia's rapidly ageing population and rising consumer affluence, supported by its expansion plans.

Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total no. of surgeries performed	7,532.0	9,078.0	10,994.2	12,372.6	14,234.0
No. of cataract surgeries performed	4,007.0	4,554.0	5,555.9	6,222.6	7,156.0
No. of laser refractive surgeries performed	3,404.0	4,334.0	5,200.8	5,876.9	6,758.4
No. of implant refractive surgeries performed	121.0	190.0	237.5	273.1	319.6
Blended average revenue per eye (RM)	7,138.5	7,587.7	7,815.4	8,049.8	8,291.3
No. of eye specialist centres	13.0	13.0	18.0	20.0	23.0

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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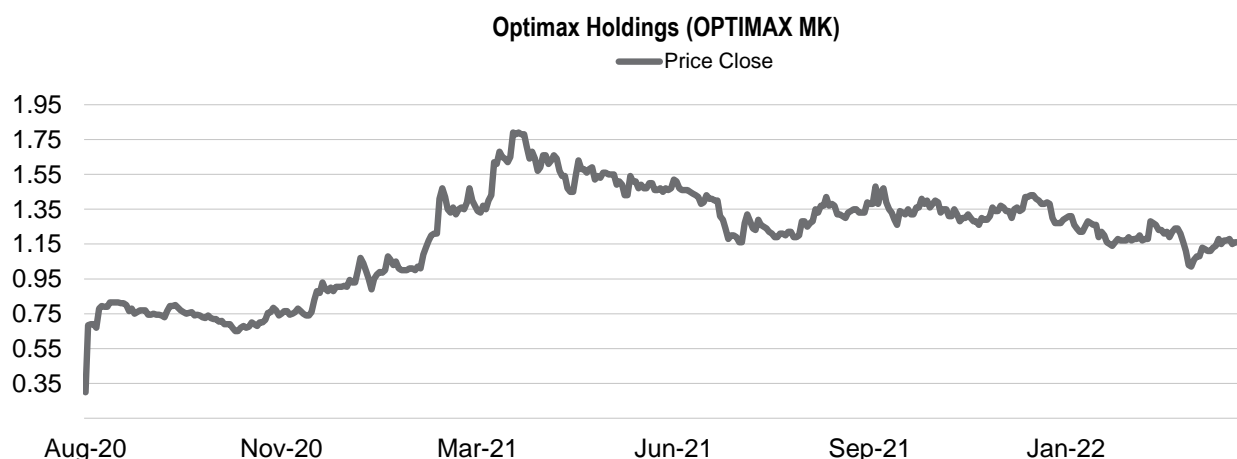
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%	0.0%
Reduce	7.1%	0.0%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a **BH** - Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** - Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** - Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, n/a, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** - Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** - Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

- Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 5, 2021) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

Recommendation Framework	
Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.
<i>The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.</i>	
Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.
Country Ratings	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

