

ISEC Healthcare Ltd

05 March 2024

Non-rated

BBG	ISEC SP	
Market Cap (\$m)	255.6	
Price (\$)	0.445 (5 March 2024)	
52-week range (\$)	0.32 – 0.48	
Shares Outstanding	574m	
Free Float	22.1%	
Major Shareholder	Aier Eye International	57.25%
	Wong Jun Shyan	4.81%
	Lee Hung Ming	3.49%

P/B (03/24)	3.1x
Net Gearing (03/24)	Net cash

Source: Company data, Bloomberg, SAC Capital

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Eyeing Growth & Income

Incorporated in 2014, ISEC Healthcare is an internationally accredited provider of medical eye care services. It provides a full range of speciality services ranging from cataract, Lasik to complex corneal transplantation surgeries. More than tripling its profit from 2020 to 2023, ISEC's "asset-light" business model has proven to be sustainable.

Strong FY23 with revenue up 11.2% yoy and a net profit growth of 3.3% to S\$13.2m. This is coming on the back of stronger demand for specialty eye care services in Singapore, Malaysia and emerging countries in Southeast Asia.

Over 70% of the group's sales comes from Malaysia with around 50% of its Malaysia's sales coming from its flagship center in Mid-Valley, Kuala Lumpur. Gearing up to meet the demand in Mid-Valley, ISEC plans to build a new 15-storey building that will at least triple its clinical space. Additionally, there are plans to open at least 4 more centers outside of Klang Valley. ISEC is well-positioned to capitalize on Malaysia's population size of 33.5m.

Potential in emerging Indochina. Using its Singapore and Malaysia franchise as a springboard, its scalable business model and the expertise to operate eye centers in these emerging markets has allowed ISEC to explore rolling out expansion plans to emerging markets in the coming years.

Attractive dividend yield since its inception in 2014, ISEC's strong balance sheet allows it to fulfill its expansion plans and simultaneously reward shareholders with dividends.

YE 31 Dec (\$m)	FY19	FY20	FY21	FY22	FY23
Revenue	42.9	36.3	40.5	63.0	70.0
% Change	6.1%	-15.3%	11.4%	55.6%	11.2%
Gross profit	20.0	16.1	17.9	28.8	31.0
% Change	3.0%	-19.9%	11.3%	60.9%	7.9%
Net profit	7.2	4.5	6.9	12.7	13.2
% Change	-16.5%	-38.6%	54.5%	85.0%	3.3%
EPS (S cents)	1.4	0.9	1.3	2.2	2.3
DPS (S cents)	0.5	0.8	0.3	1.1	0.9
Net cash / (debt)	25.7	20.1	19.4	18.0	17.2
Dividend yield (%)	2.0%	2.0%	2.4%	3.5%	4.0%
Valuation					
Gross profit margin (%)	46.8%	44.2%	44.2%	45.7%	44.3%
Net profit margin (%)	16.9%	12.3%	17.0%	20.2%	18.8%
P/E (x)	31.6	51.2	35.5	20.0	19.7
P/B (x)	3.7	3.4	3.5	3.1	3.1

Income Statement

FYE 31 Dec (\$m)	FY19	FY20	FY21	FY22	FY23
Revenue	42.9	36.3	40.5	63.0	70.0
Cost of sales	(22.8)	(20.3)	(22.6)	(34.2)	(39.0)
Gross profit	20.0	16.1	17.9	28.8	31
Other income	0.7	1.3	1.0	0.5	0.1
Selling and distribution expenses	(0.1)	-	(0.1)	(0.1)	(0.1)
Administrative expenses	(8.7)	(8.3)	(8.6)	(10.3)	(12.1)
Other expenses	(1.8)	(2.0)	(0.7)	(1.5)	(1.3)
Finance costs	(0.3)	(0.4)	(0.4)	(0.6)	(0.7)
Profit / (loss) before income tax	9.9	6.5	9.1	16.8	17.3
Income tax credit/(expense)	(2.7)	(2.1)	(2.2)	(4.1)	(4.2)
Net profit / (loss)	7.2	4.5	6.9	12.7	13.2

Balance Sheet

FYE 31 Dec (\$m)	FY19	FY20	FY21	FY22	FY23
Property, plant and equipment	4.0	10.1	9.4	16.3	17.0
Right-of-use assets	4.1	4.8	6.4	10.9	9.8
Intangible assets	36.4	44.4	43.5	55.3	52.9
Investment in associate	0.2	0.2	0.2	-	-
Net investment in sublease	0.2	0.1	0.1	-	0.1
Deposits	-	-	0.2	-	-
Deferred tax assets	0.1	0.1	0.1	0.2	0.3
Total non-current assets	44.9	59.6	59.8	82.7	80.1
Inventories	1.2	1.3	1.3	1.9	2.2
Trade and other receivables	3.1	3.1	3.7	4.7	5.0
Prepayments	0.2	0.2	0.3	0.3	0.3
Net investment in sublease	0.1	0.1	0.1	0.1	0.1
Cash and cash equivalents	25.7	24.1	22.5	20.6	19.4
Total current assets	30.2	28.8	27.8	27.6	27.0
Total assets	75.2	88.5	87.7	110.3	107.1
Share capital	64.7	70.1	70.1	75.5	76.1
Treasury share reserve	(0.1)	(0.1)	(0.1)	(0.1)	-
Other reserves	(7.5)	(7.4)	(8.1)	(10.6)	(12.9)
Retained earnings	6.5	8.6	6.9	15.1	17.5
Equity attributable to owners of the Company	63.6	71.1	68.8	79.9	80.7
Non-controlling interests	0.5	0.6	0.6	1.5	1.4
Total equity	64.1	71.7	69.3	81.3	82.2
Other payables	-	0.6	-	1.0	-
Borrowings	-	3.1	2.2	1.8	1.3
Lease liabilities	3.2	3.6	5.2	9.6	8.8
Deferred tax liabilities	0.5	0.4	0.3	0.3	0.2
Provisions	0.2	0.2	0.2	0.2	0.2
Total non-current liabilities	3.8	7.9	7.9	12.9	10.5
Trade and other payables	2.0	3.3	2.8	6.6	5.2
Advances and contract liabilities	0.2	0.2	0.3	0.7	0.4
Accrued expenses	0.5	0.5	0.8	0.9	1.1
Borrowings	-	0.9	0.8	0.8	0.8
Payroll payable	2.1	1.4	3.0	3.6	3.8
Lease liabilities	1.5	1.6	1.6	1.7	1.6
Current income tax payable	1.0	0.8	1.0	1.0	1.4
Total current liabilities	7.3	8.9	10.5	16.1	14.5
Total liabilities	11.1	16.8	18.4	29.0	25.0
Total equity and liabilities	75.2	88.5	87.7	110.3	107.1

Cash Flow Statement

FYE 31 Dec (\$m)	FY19	FY20	FY21	FY22	FY23
Profit before income tax	9.9	6.5	9.1	16.8	17.3
Amortisation of intangible assets	0.6	0.6	0.6	0.5	0.5
Depreciation of PPE	2.5	2.7	2.7	1.2	1.5
Depreciation of right of use assets	-	-	-	1.7	1.9
Interest income	(0.5)	(0.3)	(0.2)	(0.2)	(0.2)
Interest expense	0.3	0.4	0.4	0.6	0.7
Impairment of goodwill	1.2	1.5	-	-	-
Other income from rental rebates	-	(0.1)	(0.1)	-	-
Loss on disposal of associate	-	-	-	0.2	-
Operating cash flows before movements in working capital	14.0	11.3	12.5	20.8	21.7
Inventories	(0.1)	-	-	(0.5)	(0.5)
Trade and other receivables	(0.1)	0.1	(0.6)	0.5	0.1
Trade and other payables	0.7	(1.2)	2.6	0.5	0.6
Cash generated from operations	14.5	10.2	14.5	21.3	21.9
Income tax paid	(2.8)	(2.3)	(2.2)	(3.5)	(4.7)
Net cash generated from operating activities	11.7	7.9	12.3	17.8	17.2
Purchase of PPE	(1.4)	(2.3)	(0.7)	(5.7)	(3.4)
Purchase of intangible assets	-	(0.1)	(0.1)	-	(0.1)
Interest received	0.5	0.3	0.2	0.2	0.3
Payment to vendors	-	-	(1.8)	(0.6)	(3.2)
Acquisition of subsidiaries	-	(2.9)	-	(5.5)	-
Net cash used in investing activities	(0.9)	(5.1)	(2.3)	(11.6)	(6.4)
Advances from non-controlling interests	-	-	-	-	1.2
Dividends paid	(11.0)	(2.7)	(8.5)	(4.4)	(10.5)
Subscription of shares in a subsidiary	0.7	0.3	-	0.3	-
Purchase of treasury shares	(0.1)	-	-	-	-
Purchase of shares in subsidiary from non-controlling interests	(0.1)	-	-	-	-
Proceeds from exercise of share options	-	-	-	-	0.7
Principal elements of lease payments, net	(1.5)	(1.4)	(1.6)	(1.8)	(1.8)
Interest paid - lease liabilities	(0.2)	(0.3)	(0.3)	(0.4)	(0.5)
Proceeds from bank loan	-	-	-	-	0.5
Repayment of loan	-	(0.3)	(0.8)	(0.8)	(0.8)
Interest paid - loan	-	-	(0.1)	(0.1)	(0.1)
Net cash used in financing activities	(12.2)	(4.3)	(11.3)	(7.2)	(11.3)
Net decrease in cash and cash equivalents	(1.4)	(1.5)	(1.3)	(0.9)	(0.6)
Cash and cash equivalents at beginning of year	27.1	25.7	24.1	22.5	20.6
Effect of exchange rate changes on cash and cash equivalents	-	-	(0.3)	(0.9)	(0.7)
Cash and cash equivalents at end of year	25.7	24.1	22.5	20.6	19.4

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