

ISEC Healthcare (ISEC SP)

Target price: **n.a.**Share price (8 Dec): **SGD0.255** | Up/downside: -

5 4 3 2 1

No Rating

Eyeing regional expansion

- A growing healthcare provider specialising in eye services
- 2 new clinics added recently; targeting expansion in several markets
- Leveraging its group practice model for organic growth

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Background: International Specialist Eye Centre (ISEC) Healthcare is a provider of specialist ophthalmology services across the spectrum, from cataract and refractive surgery (including LASIK) to oculoplastics and paediatric ophthalmology. Listed in October 2014, it currently has 3 clinics: 2 in Malaysia and 1 in Singapore. ISEC's main clinic in Kuala Lumpur is JCI-accredited. We met with management (CFO Macy Thong) to better understand the company's strategic direction going forward.

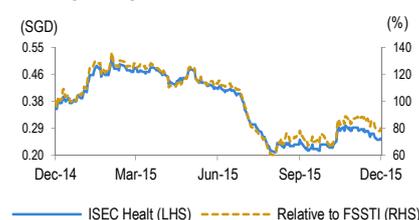
Highlights: Recent expansion activities. As part of its strategy to deepen its presence across key areas in Malaysia, ISEC has established a clinic staffed with 2 doctors in Sibu, Sarawak, which is expected to commence operations in 1Q16. On 8 December, it completed the acquisition of Southern Specialist Eye Centre (SSEC) (acquired for MYR37.1m; around 12.4x its 2014 earnings), which operates a clinic in Malacca with 3 doctors. Management said it is looking for further expansion opportunities, including in areas such as Sabah, Kelantan and Johor. In Singapore, the company decided to close its Novena clinic in October 2015, as the ramp-up in patient volume was slower than expected. Instead, it plans to focus on driving organic growth from its existing clinic LHM Eye Centre (located in Gleneagles Hospital), operated by one of its founders (Dr. Lee). It will incur a total SGD2.6m in closing charges, with the medical equipment to be transferred to its Sibu clinic. In terms of overall organic growth, management said it is targeting around 1-2 doctors a year.

Group practice model. ISEC operates under a group practice model, wherein its doctors are considered employees and remunerated mainly based on professional involvement (ie services rendered). It also provides a share option scheme to align stakeholder interests. With its 2 new clinics, ISEC will have a total of 21 doctors; 16 of these doctors collectively own around a 70% stake in the company. Looking ahead, management believes it will be able to leverage this group practice, which involves the transfer and harmonisation of best practices and sharing of technology (patient management systems and latest medical equipment), to drive business growth and attract more doctors onto its platform.

Further regional M&A. Apart from Singapore and Malaysia, management said it is targeting regional expansion opportunities. It signed a non-binding MoU in Vietnam with Cao Thang Eye Hospital, and is also actively looking at opportunities including Myanmar, Indonesia, Philippines and Taiwan, where it believes demand for ophthalmology services remains high.

Valuation: According to the Bloomberg consensus, the stock is trading at a 2015E PER of 23x.

Share price performance



12-month range	0.21-0.51
Market cap (USDbn)	0.08
3m avg daily turnover (USDm)	0.05

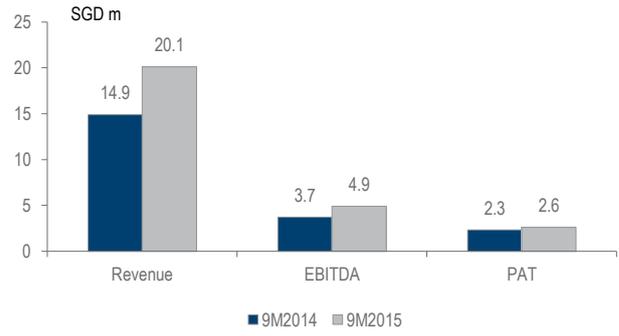
Source: FactSet, Daiwa forecasts

ISEC: list of clinics

Clinic	No. of doctors
Mid Valley City, Kuala Lumpur	12
Jalan Burma, Penang	3
Malacca (SSEC acquisition)	3
Sibu, Sarawak (1Q16)	2
Singapore (Gleneagles Hospital)	1

Source: Company

ISEC: financials



Source: Company

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Rating	Percentage of total
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Source: Daiwa

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