

*Edge Weekly*

## LYC Healthcare mulls spinning off dental, aesthetic businesses for listing

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Sui: For now, we are looking at Bursa's ACE Market. But if our division's profit is sizeable three years later, we will not discount the possibility of getting listed in Hong Kong. (Photo by Kenny Yap/The Edge)

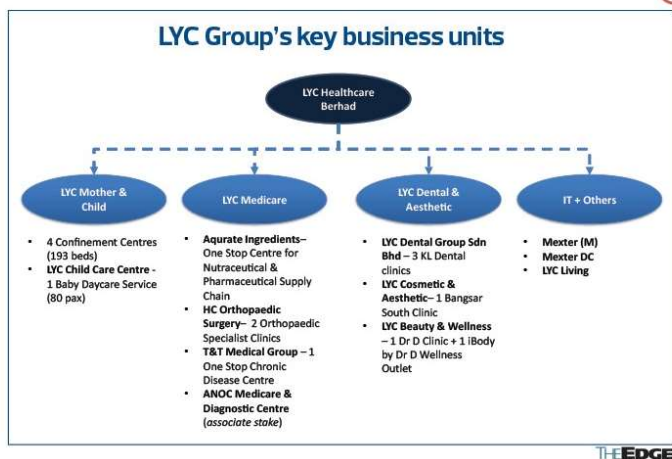


LYC Healthcare Bhd, which is in the midst of spinning off its medical care business through a listing in Singapore, is already considering another spin-off listing — this time on Bursa Malaysia. According to group CEO and managing director David Sui Diong Hoe, the group is looking at a potential spin-off listing of its dental and aesthetic division within the next three years.

“For now, we are looking at Bursa’s ACE Market. But if our division’s profit is sizeable three years later, we will not discount the possibility of getting listed in Hong Kong,” he tells The Edge in an interview.

The group currently operates three dental clinics under the brand name KL Dental in Puchong, Mont’Kiara and Subang. It also owns an aesthetic centre and a wellness centre in Bandar Sri Damansara, as well as a cosmetic and beauty clinic in Bangsar South.

“Currently, our whole dental and aesthetic division is making a profit of close to RM1 million per year. We are in the middle of negotiations to acquire another company that is making [an annual



"Today, we are no longer just a confinement centre operator. Organic growth takes time. For example, when I acquire a company that is making a profit of RM1 million at a PER (price-earnings ratio) of eight times, it will halve to four times if I can double my profit. That's how fast we can grow by M&A (merger and acquisition) exercises," says Sui.

"But for us to start a new business, to breakeven and then to make a RM1 million profit, it will probably take a longer time. That's why we have been aggressively acquiring companies in Malaysia and Singapore over the past two years."

In a nutshell, he believes LYC Healthcare could unlock the investment value of the companies it has been acquiring via the spin-off listing on SGX, followed by the second one on Bursa.

On the listing of LYC Medicare SG, Sui says the group will be looking at a PER of 15 times. Currently, its group of companies is making a profit of about S\$6 million (RM19 million) and hence, its estimated market capitalisation would be around S\$90 million. Post-listing, LYC Healthcare will retain a stake of about 54% to 55% in LYC Medicare SG.

It has been six years since low-profile businessman Lim Yin Chow emerged as the major shareholder of Mexter Technology Bhd, which was loss-making at the time. After that, the group's focus — which was mostly on the provision of mother and childcare-related services — expanded to include the medical and healthcare-related business, while its name was changed to LYC Healthcare in January 2019. But these expansions have yet to help the group return to profit.

According to its 2021 annual report, the group — which reported a loss after tax of RM2 million for the 15-month financial period ended March 31, 2017 (the expanded period was due to a change in financial year end from Dec 31) — saw its loss after tax worsen from RM5.2 million in FY2018 to RM6 million in FY2019, RM10.3 million in FY2020 and RM11.8 million in FY2021.

At end-FY2021, LYC Healthcare had accumulated losses of RM59.89 million at the group level — from a loss of RM47.61 million at end-FY2020 — and RM38.66 million at the company level. In June last year, its shareholders approved a proposed capital reduction to cancel RM37.41 million of its issued share capital to offset its accumulated losses from the corresponding rise of RM37.41 million in credit.

Sui says LYC Healthcare's recent acquisitions will help accelerate its path to profitability as it rides the expected growth in demand for healthcare-related services, driven by the ageing populations in Malaysia and Singapore.

"We are always on the lookout for companies in the healthcare space that complement our existing businesses. We have been speaking to various companies, but no definitive agreements have been signed. The sectors we are looking at are maternity hospitals, cosmetic and aesthetic centres, dental clinics, and health and wellness companies," he says.

With 14.4% equity interest, Lim is the largest shareholder of LYC Healthcare, followed by substantial shareholders Kenanga Investors Bhd for BLM Holdings Sdn Bhd (9.09%) and Tee Chee Chiang (5.45%).

Last Thursday, the share price of ACE Market-listed LYC Healthcare had dropped almost 15% year to date to close at 23.5 sen, giving the group a market capitalisation of RM120 million.

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