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research@rakutenrade.my

## Investment Idea

### LYC Healthcare Bhd

A healthcare player to watch

By Vincent Lau | vincent.lau@rakutenrade.my

LYC Healthcare Bhd (“LYC”) has transformed into a healthcare-related company focusing on mother and childcare services and is expanding on their confinement care centres. We are positive on LYC’s move into this lucrative and growing yet underserved segment in post-partum care business as they are set to return to profitability by FY21. BUY with a target price of RM0.68 premised on 22x PER FY21 as per the average of healthcare players listed on Bursa Malaysia.

LYC formerly Mexter Technology Bhd was a loss-making IT company has ventured into healthcare business in 2017 following the entry of Lim Yin Chow the single largest shareholder with 20% stake, was the co-founder of HSC Medical Centre. LYC is presently operating a confinement centre, family clinic and nursing home with more in the pipeline thus improving earnings visibility to the group. These includes a fertility centre, cosmetics and aesthetic centre as well as a wellness valley project.

Since the operation of its two premium confinement centres located at TTDI and Puchong, the centres received various industry awards recognition and high occupancy rate in excess of 80%. On the back of strong demand for professionally run confinement centres in Malaysia, LYC will be adding another centre in Bukit Jalil with 61 beds, or 100% capacity increase from the current 62 beds (TTDI: 33 beds, Puchong: 29 beds) with close to full bookings.

Positioned as the only listed company in Malaysia in post-partum care business, LYC serves the niche luxury markets and stands to benefit from the upward trending demand for confinement care business in Malaysia. The next growth segment will be their entry into fertility services, via a collaboration with University Malaya Medical Centre.

Their recent proposed private placement will help raise RM10.4m for new postpartum centres and three new senior living centres. Balance sheet remains healthy with a net cash position of RM5.3m. We believe the lucrative earnings from their healthcare business is the catalyst that will transform LYC into a niche healthcare company, with expected net margins of over 20% that will bring them back to profitability.

# BUY

Price: **RM0.37**  
Target price: **RM0.68**



Source: Thomson Reuters

KLCI	1,583.91
YTD KLCI change	-6.3%
YTD stock price change	-3.9%

#### Stock Information

Market Cap (RM'm)	123.2
Issued Shares (m)	332.9
52-week range (H)	0.545
52-week range (L)	0.275

#### Major Shareholders

LYC Capital Sdn Bhd	19.7%
Koo Weng Seng	5.0%
Lim Chai Beng	4.6%
Koh Kin Lip	4.2%

#### Summary Earnings Table

FY Mar (RM'm)	2019A	2020F	2021F	2022F
Turnover	7.6	12.0	45.0	63.0
EBIT/(LBIT)	(7.2)	(3.0)	16.5	20.7
PBT/(LBT)	(7.6)	(2.4)	10.8	13.9
<b>Net Profit/(Loss)</b>	<b>(7.5)</b>	<b>(2.5)</b>	<b>10.3</b>	<b>13.5</b>
Consensus	-	-	-	-
EPS (sen)	-2.5	-0.8	3.1	4.1
EPS growth (%)	-	-	-	31.9
DPS (sen)	-	-	-	-
PER (x)	-	-	12.0	9.1
BV/Share (RM)	0.07	0.06	0.10	0.14
ROE (%)	-32.9	-11.7	32.3	30.0
Div. Yield (%)	-	-	-	-

Sources: Company, Rakuten Research

#### Technically Speaking

Resistance level	RM0.41
Support level	RM0.35



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COMPANY	Definition
<b>Buy</b>	The stock return is expected to exceed the KLCI benchmark by more than 10% over the next 6-12 months.
<b>Trading Buy</b>	Short-term positive development on the stock that could lead to a re-rating in the share price and translate into an absolute return of 10% over the next 3-6 months. Trading Buy is generally for investors who are willing to take on higher risks.
<b>Take profit</b>	The stock return previously recommended has gained by >10%
<b>Hold</b>	The stock return is expected to be in line with the KLCI benchmark (+/- 5%) over the next 6-12 months.
<b>Sell</b>	The stock return is expected to underperform the KLCI benchmark by more than 10% over the next 6-12 months.
SECTOR	
<b>Overweight</b>	Industry expected to outperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
<b>Neutral</b>	Industry expected to perform in-line with the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
<b>Underweight</b>	Industry expected to underperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.

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**RAKUTEN TRADE SDN BHD (266701-P)**

Level 7, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia  
Telephone: (603) 2110 7188 Website: [www.rakutenrade.my](http://www.rakutenrade.my)

Kenny Yee Shen Pin  
Head of Research