

## ISEC HEALTHCARE LTD (SGX: 40T)

**FY2025 Results Update | 9 Apr 2026**

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**Rating: BUY**

**Last Close: S\$0.340**

**Target Price: S\$0.450**

### ISEC Healthcare - Seeing Results

*FY2025 revenue growth confirms expansion thesis; new centres accelerating patient volumes; TP revised to S\$0.450.*

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### Executive Summary

ISEC Healthcare Ltd (ISEC, SGX: 40T) delivered solid full-year FY2025 results, reporting revenue of **S\$79.2 million**, up 7% year-on-year, and net profit attributable to owners of **S\$13.4 million**, up 4% YoY. The performance broadly validates the core thesis advanced in our 3 September 2025 initiation report ("Clear Vision Ahead"): that ISEC's expansion-phase capex would gradually yield earnings growth as new centres in Perak, Klang, and Seremban achieved patient scale. Revenue landed in line with our initiation forecast of ~S\$80 million, though PATMI of S\$13.4 million came in modestly below our base-case estimate of ~S\$14 million, as a doctor remuneration accrual at newly expanded Malaysian centres compressed gross margins to 42.1% (FY2024: 44.0%). Management notes that on a normalised basis, margins remain at ~44.6%.

We maintain our **BUY** recommendation and revise our 12-month target price to **S\$0.450** (from S\$0.480), reflecting the lower DPS trajectory in FY2025 and the slight gross margin compression, while still pricing in the meaningful earnings acceleration we expect in FY2026–27 as new centres mature and the landmark KL flagship development approaches its 2027 operational target. At S\$0.340, ISEC trades at only 14.7x trailing earnings and 12.8x our FY2026E earnings, a deep discount to the 25–30x multiples commanded by larger regional peers — a valuation gap we believe will narrow as FY2026 results evidence continued profit growth.

The revised TP of S\$0.450 is derived from 17x our FY2026E EPS of 2.65 S cents, cross-checked against a 12x EV/EBITDA applied to FY2026E EBITDA of ~S\$27 million, and validated by our DCF (WACC: 9%, terminal growth: 2%), all yielding a consistent range of S\$0.44–0.57. Including a projected FY2026 total DPS of ~1.0 S cent, total return potential to our TP is approximately **35%**.

## Key Metrics & Valuation Snapshot

### Share & Market Data

Metric	Value
Share Price (9 Apr 2026)	S\$0.340
Market Capitalisation	~S\$196 million
52-Week Range	S\$0.31 – S\$0.375
Shares Outstanding	575,700,552
Free Float	~199.1 million shares (est. ~34.6%)
Average Daily Volume (3M)	~20,300 shares
Exchange / Board	SGX Catalist
Major Shareholder	Aier Eye International (Singapore) Pte Ltd (~57%) <sup>1</sup>

<sup>1</sup> Based on original 56.53% acquisition (Dec 2019); marginally diluted by subsequent share issuances (PSP vesting May 2025). Exact current percentage subject to latest SGX disclosure.

### Valuation Multiples

Metric	Value
P/E (FY2024A)	15.3x (EPS: 2.23 S cents)
P/E (FY2025A)	14.7x (EPS: 2.32 S cents)
P/E (FY2026E)	12.8x (EPS: 2.65 S cents est.)
P/B (FY2025A)	1.92x (NAV/share: S\$0.177)
EV/EBITDA (FY2025A)	~8.2x (EV ~S\$191m; EBITDA ~S\$23.3m)
EV/EBITDA (FY2026E)	~7.1x
Dividend Yield (FY2025A)	1.71% (DPS: 0.58 S cents)
Target Dividend Yield (FY2026E)	~2.9% (DPS est.: ~1.0 S cent)

## Profitability Metrics

Metric	FY2025A	FY2024A
ROE	~13.9%	~14.2%
ROA	~10.1%	~11.3%
Net Margin (PATMI basis)	16.9%	17.3%
Gross Margin	42.1%	44.0%
EBITDA Margin	~29.4%	~29.8%

## Balance Sheet Strength (31 Dec 2025)

Metric	Value
Cash & Equivalents	S\$23.794 million
Borrowings (total)	S\$16.762 million
Net Cash	~S\$7.0 million
Current Ratio	~1.97x
Net Debt / Equity	Net Cash position; gross D/E ~0.16x
NAV per Share	S\$0.177

## Target Price vs Current

Metric	Value
Target Price (12 months)	<b>S\$0.450</b>
Upside to Target	<b>32%</b>
Total Return (incl. FY2026E DPS ~1.0ct)	~35%
Valuation Basis	17x FY2026E EPS; EV/EBITDA cross-check

## Business Overview

ISEC Healthcare Ltd (SGX: 40T) is a pure-play regional ophthalmology services group, operating specialist eye care centres across Singapore, Malaysia, and Myanmar under the ISEC brand. The Group was founded in 2014 by specialist ophthalmologists and listed on the SGX Catalist board in October 2014. It has since grown into one of the largest private eye care groups in Southeast Asia, with centres in Singapore (Mount Elizabeth Novena and Gleneagles Hospital), across multiple Malaysian states (Kuala Lumpur, Penang, Malacca, Johor Bahru, Perak, Klang, and Seremban), and in Yangon, Myanmar.

ISEC's business model is anchored in fee-for-service private ophthalmology. Revenue comprises consultation fees, surgical fees (predominantly cataract surgery, LASIK/refractive procedures), and ancillary product sales. The Malaysian operations contributed 79.8% of FY2025 group revenue at S\$63.2 million, with Singapore at 16.2% (S\$12.9 million) and Myanmar at 4.0% (S\$3.1 million). The Group is majority-owned (~57%) by Aier Eye International (Singapore) Pte Ltd, itself a subsidiary of Aier Eye Hospital Group Co., Ltd, listed on the Shenzhen Stock Exchange — the world's largest ophthalmology hospital chain. This parentage provides ISEC with strategic access to clinical best practices, talent networks, and long-term capital support.

### Strategic Pivot: Controlled Expansion Phase

FY2025 marked a notable acceleration in expansion execution. The Group opened the Klang eye centre (joint venture, ISEC 58% post-dilution following the admission of a new doctor-shareholder in 3Q2025) in March 2025 and capitalised the Seremban eye centre (joint venture, ISEC 72% owned) in 4Q2025. These add to the three Perak clinics (Taiping, Meru, and Kampar) opened in 3Q2024. Additionally, on 20 January 2026, ISEC incorporated **ISEC (Batu Pahat) Sdn. Bhd.** as a 68%-owned subsidiary in Johor, with planned share capital increase to RM1,065,000 — extending the Group's reach further into southern peninsular Malaysia.

The crowning strategic project remains the New KL Medical Centre: ISEC signed a Sales and Purchase Agreement to acquire ~69,445 sq ft of strata-titled units in a purpose-built medical building in Kuala Lumpur, at an estimated total cost of ~RM50 million (~S\$15 million). Construction is progressing on schedule, with RM47.9 million of the RM50 million bank facility disbursed as at 31 December 2025. Operations are expected to commence in 2027 following fit-out and regulatory approvals. Once opened, this facility will serve as the Group's flagship hub, materially boosting KL capacity and referral volumes.

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## Financial Highlights and Results Analysis

### FY2025: Steady Growth Amid Margin Normalisation

ISEC delivered full-year FY2025 results on 26 February 2026, demonstrating resilient topline expansion and a modest earnings uplift despite a year of heavy front-loaded expansion costs.

**Revenue** grew 7% YoY to **S\$79.2 million** (FY2024: S\$74.2 million), driven by the Specialised Health Services (ophthalmology) segment, which grew 6.7% to S\$75.3 million on the back of higher patient throughput across Malaysia's expanding clinic network. General Health Services (the JLM general

practitioner clinics in Singapore) grew 7.6% to S\$3.9 million, aided by a government health programme grant.

**Gross profit** increased 2.1% to S\$33.4 million, though the **gross margin contracted to 42.1%** from 44.0% in FY2024. Management attributed this primarily to an accrual for enhanced doctors' remuneration at newly expanded Malaysian centres — a front-loaded cost to attract and retain specialist talent for ramp-up clinics. Excluding this accrual, the normalised gross margin would have been approximately 44.6%. This is a key distinction for investors: the gross margin pressure is structural-transitional rather than competitive or pricing-driven.

**Administrative expenses** rose 11.4% YoY to S\$15.4 million, reflecting higher staff costs across both new and existing centres and expanded management infrastructure to support the broader network. On the positive side, **other expenses fell sharply** to S\$0.13 million from S\$1.97 million in FY2024, as FY2024 had included a S\$1.52 million goodwill impairment on two general health services subsidiaries (JLMBB and JLMYT), which did not recur.

**Profit before tax** rose 3.0% to S\$17.7 million, and **PATMI increased 4.2% to S\$13.4 million** (S\$13,367k attributable to owners), with basic EPS of **2.32 S cents** (FY2024: 2.23 S cents). The effective tax rate normalised to 24% (FY2024: 25%, elevated due to the non-deductible goodwill impairment).

#### Segmental and Geographic Performance

Segment	FY2025 Revenue (S\$m)	YoY %	FY2025 PAT (S\$m)	YoY %
Specialised Health Services	75.343	+6.7%	12.831	-7.3%
General Health Services	3.868	+7.6%	0.586	NM (vs -0.954 prior)
<b>Total</b>	<b>79.211</b>	<b>+7.0%</b>	<b>13.417</b>	<b>+4.0%</b>
Geography	FY2025 Revenue (S\$m)	YoY %	FY2025 PAT (S\$m)	YoY %
Malaysia	63.227	+6.1%	11.693	+0.6%
Singapore	12.853	+8.4%	1.189	+53.8%
Myanmar	3.131	+13.9%	0.535	+6.6%
<b>Group</b>	<b>79.211</b>	<b>+7.0%</b>	<b>13.417</b>	<b>+4.0%</b>

Malaysia remains the growth engine, contributing 79.8% of group revenue. Singapore's significant profit improvement (+54% PAT) reflected the absence of the FY2024 S\$1.52 million goodwill impairment on the JLM GP clinics. Myanmar continued its profitable trajectory with a 14% revenue surge driven by fee adjustments.

## Cash Flow and Balance Sheet

The Group generated **operating cash flows of S\$18.97 million** in FY2025 (+7.6% YoY), reflecting solid earnings quality with near-full conversion of profits to operating cash. Capex was elevated at **S\$19.55 million** (FY2024: S\$11.78 million), dominated by the New KL Medical Centre progress payments and new clinic fit-outs, funded largely through the RM50 million KL bank loan facility (RM47.9 million drawn as at 31 December 2025).

Cash and equivalents increased meaningfully to **S\$23.79 million** from S\$15.91 million at end-2024, supported by net loan drawdowns. Gross borrowings stood at S\$16.76 million, leaving the Group in a modest **net cash position of ~S\$7.0 million**. Gearing remains very conservative.

## Dividend Commentary

FY2025 DPS was **0.58 S cents per share** (final dividend only, no interim), a reduction from 1.0 cent total in FY2024. The payout ratio is approximately 25% of PATMI, down from ~44% in FY2024. Management has communicated that the conservative payout reflects deliberate capital preservation during the peak expansion capex period for the KL flagship. We expect FY2026 DPS to recover to approximately 1.0 S cent as the KL construction nears completion and capex requirements decline. The proposed final dividend is payable on **26 May 2026** to shareholders on record as at **12 May 2026**, subject to AGM approval.

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## Investment Thesis

### 1. Expansion Thesis Playing Out — New Centres Gaining Traction

ISEC's strategy of controlled expansion via joint ventures is delivering on its promise. FY2025 revenue grew 7% YoY, accelerating from the 6% growth rate in FY2024, as new Perak and Klang centres contributed incrementally. The 3Q2025 revenue acceleration to 9% YoY (S\$20.7 million) is particularly encouraging as it reflects early ramp contributions from the Klang JV opened in March 2025. We estimate the full-year run-rate contribution from the newest centres (Perak, Klang, Seremban) will step up meaningfully in FY2026 as patient registers fill, and that organic same-store growth in existing centres remains in the 4–5% annual range. The KL flagship, expected operational by 2027, represents a future step-change. The incorporation of ISEC (Batu Pahat) in January 2026 adds a further growth vector in Johor, extending the Group's footprint in southern peninsular Malaysia.

### 2. Resilient Demand Underpinned by Structural Demographics

Malaysia's medical eye care industry is projected to grow at approximately 10% CAGR through 2028. This secular demand is driven by a rapidly ageing ASEAN population — the proportion of elderly in the region rose from 5.3% in 2000 to 7.5% in 2022 and is accelerating — alongside the rising prevalence of diabetes-related eye conditions and growing affluence-led demand for elective refractive surgery. Malaysia's 2026 designation as the Year of Medical Tourism adds a nearer-term catalyst: healthcare travel revenues have already surpassed the government's 2025 target of RM3 billion. ISEC is a direct beneficiary as a premium private specialist with strong brand recognition in KL and Penang.

### 3. Parent Aier Eye Network Provides Strategic Differentiation

ISEC's parent, Aier Eye Hospital Group, operates over 900 hospitals globally and is the world's largest ophthalmology chain. This affiliation provides ISEC with privileged access to clinical protocols, technology upgrades, and a global talent pipeline of specialist ophthalmologists. It also provides a degree of implicit financial backstop and ensures that ISEC's expansion plans are viewed with a long-term institutional perspective. This strategic advantage is not adequately reflected in ISEC's current valuation.

### 4. Deep Valuation Discount to Peers

At 14.7x FY2025 trailing earnings, ISEC trades at a substantial discount to regional peers who benefit from comparable or lower-quality earnings profiles. Raffles Medical (BSL.SI) trades at ~28x forward earnings with lower ROE; Optimax Holdings, the nearest Malaysian eye-care comparable, commands 24–30x earnings on the back of its margin recovery cycle. ISEC's ~14% ROE and ~42% gross margins are competitive within this peer set, yet the stock is priced as if growth is perpetually flat. We attribute this to low free-float liquidity and limited sell-side coverage — both addressable through the ongoing SGX GEMS programme.

### 5. Normalising Cost Base to Drive FY2026 Margin Recovery

The two principal FY2025 margin headwinds — the doctor remuneration accrual and elevated administrative cost ramp — are expected to moderate in FY2026. Gross margin should recover toward 43.0–44.0% as the one-time accrual normalises, and administrative expense growth should decelerate as new centres reach break-even and do not require the same incremental staffing intensity. Operating leverage at existing high-volume centres (Mid Valley KL, Penang) will provide further margin support. We forecast FY2026E PATMI of ~S\$15.3 million (+14% YoY), with EPS rising to ~2.65 S cents from 2.32 S cents in FY2025.

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## Valuation and Peer Comparison

### Blended Valuation Approach

We derive our target price of **S\$0.450** using a blended methodology: (1) a forward P/E multiple applied to our FY2026E EPS, (2) an EV/EBITDA cross-check on FY2026E EBITDA, and (3) a DCF for intrinsic value validation.

#### 1. P/E Multiple Valuation

Our FY2026E EPS forecast is **2.65 S cents**, reflecting ~14% YoY growth as new centres ramp up and gross margins partially recover. We apply a target multiple of **17x**, which represents a discount of approximately 40% to the 28x forward P/E of Raffles Medical, approximately 32% to the 25x forward P/E of Q&M Dental, and approximately 30–43% to the 24–30x P/E range of Optimax Holdings. This represents a modest premium to ISEC's own 5-year historical average of ~15x, justified by the earnings growth inflection.

$$17x \times 2.65 \text{ S cents} = \mathbf{S\$0.451}$$

## 2. EV/EBITDA Cross-Check

FY2026E EBITDA is estimated at ~S\$27 million (revenue ~S\$88m, EBITDA margin ~30.5%), reflecting the expected gross margin recovery to ~43.5% and administrative cost deceleration as new centres approach break-even. Applying a conservative **12x EV/EBITDA** (a discount to Raffles Medical's ~17x and consistent with ISEC's Catalist listing and smaller scale):

12x × S\$27m = Enterprise Value of S\$324m. Adjusting for projected net cash of ~S\$8m and minority interest of ~S\$1.8m, equity value = ~S\$330m, or **S\$0.574 per share** — implying that our P/E-derived TP is conservative and that meaningful upside exists if the market re-rates ISEC toward peer multiples.

## 3. DCF Validation

Using a 5-year revenue CAGR of ~8% (tapering to terminal growth of 2%), EBITDA margins of ~30–31%, and WACC of 9.0% (equity cost 10%, near-zero debt), the DCF yields an equity value of approximately S\$280–310 million, or **S\$0.49–0.54 per share**. This output brackets our P/E-derived TP and confirms S\$0.450 as a conservative central estimate, with the EV/EBITDA cross-check suggesting additional upside.

### Scenario Analysis

Scenario	FY2026E PATMI	EPS (S cts)	Target Multiple	Implied TP
Bear Case	S\$13.0m	2.26	13x	S\$0.29
Base Case	S\$15.3m	2.65	17x	S\$0.45
Bull Case	S\$16.5m	2.87	20x	S\$0.57

The bear case assumes margin deterioration continues and new centres ramp slowly. The bull case assumes faster-than-expected new centre adoption and KL flagship delays resolved ahead of schedule, warranting a partial re-rating to peer multiples.

### Peer Comparison

Company	Ticker	Mkt Cap	Trailing P/E	Forward P/E	P/B	Div Yield	ROE
ISEC Healthcare	40T.SI	S\$196m	14.7x	12.8x	1.92x	1.71%	~14%
Raffles Medical	BSL.SI	S\$1.88bn	~28x	~28x	~1.9x	~2.8%	~7%
Q&M Dental	QC7.SI	~S\$340m	—	~25x	—	~2.2%	~12–15%
Optimax Holdings	OPTIMAX MK	~RM307m	~24–30x	~19–30x	—	~2.3%	—

ISEC's valuation discount is stark: it generates higher ROE than Raffles Medical, operates in a higher-growth sub-segment than general hospital chains, and has a cleaner, asset-light balance sheet — yet trades at less than half the multiple. We believe this gap will compress as FY2026 results evidence the earnings inflection and as the GEMS programme continues to improve analyst coverage and investor visibility.

## Catalysts and Risks

### Near-Term Catalysts

- **New centre ramp-up evidence:** Quarterly results in 1H2026 should demonstrate double-digit YoY revenue growth as Klang, Seremban, and Perak clinics mature. First full-year contribution from all newest centres in FY2026 will drive positive earnings surprises relative to consensus.
- **Batu Pahat JV:** The January 2026 incorporation of a 68%-owned subsidiary in Johor extends the Group's Malaysian footprint into a new state capital, with expected operational commencement in late 2026 or early 2027.
- **Malaysia Year of Medical Tourism (2026):** Healthcare travel revenues exceeding the RM3 billion target directly benefit ISEC's premium KL and Penang centres through higher-value foreign patient flows.
- **KL flagship construction milestones:** Positive updates on the construction timeline or early pre-opening announcements could serve as a meaningful re-rating catalyst for FY2027E earnings expectations.
- **Dividend resumption:** If management restores an interim dividend in mid-2026, it would signal confidence in free cash flow normalisation post-capex peak and attract yield-seeking investors.
- **SGX GEMS / EQDP visibility:** Continued GEMS-sponsored research coverage and Equity Market Development Programme fund flows into quality small-caps could improve liquidity and narrow the discount to intrinsic value.

### Key Risks

Risk	Description	Mitigant
Doctor retention / key-person risk	Dependence on named specialists for patient flow	JV equity incentives; Aier Eye network for talent pipeline; Dr Lee employment secured to 2029
MYR currency depreciation	~80% of revenue in MYR; sustained weakness dents SGD reporting	Natural hedging (costs also in MYR); fee adjustment potential

Risk	Description	Mitigant
New clinic ramp-up slower than expected	Front-loaded costs with delayed volume break-even	JV partner-doctor model incentivises volume building; track record of rapid break-even in prior JVs
KL flagship delays	Construction / regulatory / fit-out delays beyond 2027	On schedule per Feb 2026 update; ~66% of loan facility drawn
Myanmar political risk	Political uncertainty; elections concluded Jan 2026 with USDP winning; new government transition in April 2026	Myanmar <4% of group revenue; centre remains operational and profitable
Gross margin pressure sustainability	If doctor remuneration accruals become recurring or intensify	Management confirmed accrual is non-recurring in nature; normalised margin ~44.6%
Competition from public sector	Expanded subsidised public ophthalmology services	Public wait times remain long; private demand remains robust for quality of care and speed

## Dividend and Balance Sheet Commentary

ISEC's FY2025 total DPS of **0.58 S cents** (final only, no interim) was below our FY2025 estimate of 1.2 S cents and represents a payout ratio of approximately 25%. This is a pragmatic response to the Group's highest-ever capex year, with S\$19.5 million in capital spending in FY2025 alone, dominated by the RM50 million KL bank loan facility drawdowns and Klang/Seremban fit-out costs. The proposed final dividend of 0.58 cents is payable on **26 May 2026** to shareholders on record as at **12 May 2026**, subject to AGM approval.

From a balance sheet perspective, the Group ended FY2025 in a structurally sound position. Cash of **S\$23.8 million** comfortably exceeds total borrowings of S\$16.8 million, preserving a net cash cushion of ~S\$7 million. The significant balance sheet expansion — total assets grew from S\$119.0 million to S\$145.8 million — is accounted for almost entirely by the S\$17.5 million rise in property, plant and equipment (primarily assets under construction for the KL development) and the S\$7.9 million cash increase from loan drawdowns. These are value-accretive long-term investments in physical infrastructure, not deteriorating financial metrics.

Interest coverage remains robust at approximately **29x** (EBIT of S\$18.3m vs finance costs of S\$0.64m). The KL bank loan bears a floating rate of ~3.76% (COF + 0.50%), which translates to an annual interest cost of approximately S\$0.56 million at full RM47.9 million disbursed as at year-end — well covered by operating cash flows.

Looking ahead, we expect capex to moderate meaningfully in FY2027 once the KL flagship construction completes, with maintenance capex reverting to approximately S\$3–4 million per annum. This will free up cash for a higher dividend payout, and we project a return to approximately 40–45% payout ratios (total DPS ~1.0–1.2 S cents per annum) from FY2026 onwards as the capex cycle peaks.

## ESG and Strategic Commentary

ISEC's ESG profile is inherently positive: as a healthcare provider, its core business mission — restoring and preserving vision — directly advances SDG 3 (Good Health and Well-Being). The Group publishes an annual Sustainability Report and has been recognised as one of Singapore's Most Transparent Companies in the small-cap category by SIAS.

Socially, ISEC contributes through community eye screening programmes and pro-bono surgical work for underprivileged patients in Malaysia. The Group's JV model, which provides equity stakes and profit-sharing to local ophthalmologists in new markets, promotes inclusive healthcare access in underserved suburban areas of Malaysia such as Klang and Seremban.

Governance is satisfactory: the Board has a majority of independent directors, roles of Chairman and CEO are separated, and there have been no material related-party transactions or regulatory breaches since listing. Combined insider ownership (Aier and key management doctors) exceeds 60%, aligning management incentives with shareholders.

A key strategic development is the confirmation (13 February 2026) of **Dr Lee Hung Ming's new multi-year employment agreement**, effective retrospectively from 25 October 2024 through 31 December 2027, with automatic extension to 31 December 2029. This secures the continuity of the Executive Vice Chairman — a co-founder and leading specialist — and removes what had been a potential succession overhang. The agreement covers both his clinical role at ISEC Eye (Singapore) as Medical Director and Senior Consultant, and his supervisory role over the Group's overall business as Executive Vice Chairman.

## Forecast Accountability

In accordance with Tickrs Financial's house standard, this section compares the forecasts made in our Initiation of Coverage dated 3 September 2025 ("Clear Vision Ahead") against actual FY2025 results, explains variances, and acknowledges positive outcomes.

### Initiation Forecasts vs FY2025 Actuals

Metric	Initiation Base Case (FY2025E)	FY2025 Actual	Variance
Revenue	~S\$80.0m	S\$79.2m	-1.0% (in line)
PATMI	~S\$14.0m	S\$13.4m	-4.5% (modest miss)

Metric	Initiation Base Case (FY2025E)	FY2025 Actual	Variance
EPS	~2.4 S cents	2.32 S cents	-3.3% (modest miss)
DPS	~1.2 S cents	0.58 S cents	-52% (significant miss)
Net Margin	~17–18%	16.9%	Low end of range
Gross Margin	~44%	42.1%	-190 bps (miss)

### Drivers of Variance

**1. Revenue: Broadly in line.** FY2025 revenue of S\$79.2 million landed within 1% of our ~S\$80 million base case. The Group's geographic expansion into Perak, Klang, and Seremban proceeded as expected, and organic same-store growth tracked at the mid-single-digit pace we anticipated. We consider the revenue forecast validated.

**2. PATMI / EPS: Modest miss driven by cost accrual.** PATMI came in at S\$13.4 million versus our ~S\$14 million estimate, a shortfall of approximately S\$0.6 million (4.5%). The primary driver was a doctor remuneration accrual at newly expanded Malaysian centres that compressed gross margins by approximately 190 basis points to 42.1%. This accrual was not anticipated in our initiation model, which assumed stable gross margins of ~44%. Management has characterised this as a one-time transitional cost to attract specialist talent during the ramp-up phase, and states that normalised gross margins remain at ~44.6%. Additionally, administrative expenses grew faster than projected (+11.4% vs our implicit assumption of mid-single-digit growth), reflecting the front-loaded staffing infrastructure required for the broader clinic network.

**3. DPS: Significant miss — capex prioritisation.** The most material variance was in dividends. We had projected total DPS of ~1.2 S cents for FY2025, implying a ~50% payout ratio consistent with ISEC's historical practice. The actual DPS of 0.58 S cents (final only, no interim) represents a ~25% payout ratio. Management elected to eliminate the interim dividend entirely and reduce the final dividend by 17% (from 0.70 to 0.58 cents) in order to preserve cash during the Group's most capital-intensive year on record (S\$19.5 million capex). While we consider this a prudent capital allocation decision — particularly given that the KL flagship project is approximately 66% funded by loans and the balance from internal cash flow — we underestimated management's conservatism on cash preservation. We have adjusted our DPS forecasts accordingly for FY2026–27.

### Positives Acknowledged

Several aspects of the FY2025 outcome met or exceeded our expectations: (i) operating cash flow of S\$18.97 million grew 7.6% YoY, confirming strong earnings quality and cash conversion; (ii) the KL flagship project is progressing on schedule, with RM47.9 million of the RM50 million facility drawn and construction milestones met; (iii) Singapore operations delivered a strong profit recovery (PAT +54%), assisted by the absence of the prior year's goodwill impairment but also reflecting genuine

improvement in GP clinic profitability; and (iv) the balance sheet remains robust with net cash of ~S\$7 million despite the highest-ever capex year.

#### Revised Assumptions for FY2026–27

Assumption	Previous (Sep 2025)	Revised (Apr 2026)
FY2026E Revenue	~S\$88m	~S\$88m (unchanged)
FY2026E Gross Margin	~44%	~43.5% (partial normalisation)
FY2026E PATMI	~S\$15.5m	~S\$15.3m (slight reduction)
FY2026E EPS	~2.7 S cents	~2.65 S cents
FY2026E DPS	~1.4 S cents	~1.0 S cent
Target Multiple	18x FY2026E	17x FY2026E
Target Price	S\$0.480	S\$0.450

The TP reduction of S\$0.03 (from S\$0.480 to S\$0.450) reflects approximately 2.7 cents from the lower target multiple (18x → 17x, applied to FY2026E EPS of 2.65 S cents) and approximately 0.9 cents from the lower FY2026E EPS estimate (2.70 → 2.65 S cents, applied to the 17x multiple), totalling a reduction of approximately S\$0.035, rounded to S\$0.03.

### Recommendation and Conclusion

We maintain our **BUY** rating on ISEC Healthcare and revise our 12-month target price to **S\$0.450** (previously S\$0.480), reflecting modestly lower near-term DPS and the gross margin transitional headwind, while preserving the fundamental conviction in the expansion thesis. FY2025 results confirm that revenue growth is intact, earnings are growing, cash generation is strong, and the strategic infrastructure for a materially larger business — the KL flagship, five new clinics since 2024, and the freshly incorporated Batu Pahat JV — is being put in place with discipline and conservative financing.

At S\$0.340, ISEC trades at only 12.8x our FY2026E earnings of 2.65 S cents — an undemanding valuation for a business with 8–9% revenue growth visibility, ~14% ROE, a net cash balance sheet, and the structural tailwind of Southeast Asia's fastest-growing healthcare sub-sector. The risk-reward remains asymmetric: our bull case implies S\$0.57 (+68%) while even our bear case of S\$0.29 (-15%) is cushioned by dividend support and asset-backing. Including the projected FY2026 DPS of ~1.0 S cent, the total return to our TP approaches **35%**.

The expansion ramp has begun. With patient volumes building at new centres, the Malaysian medical tourism boom gaining momentum in 2026, the transformative KL flagship on the horizon, and a new Batu Pahat JV extending the network, ISEC stands at the threshold of a meaningful earnings upcycle.

We expect the market to progressively reprice this story — and at 12.8x forward earnings, investors accumulating today are buying an optometry franchise with hospital-grade upside at optometrist valuations.

**Recommendation: BUY — Target Price: S\$0.450 (32% upside)**

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## Appendix A: Key Financial Summary

### Income Statement

YE Dec (S\$'000)	FY2022A	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E
Revenue	62,950	69,994	74,197	79,211	~88,000	~95,000
Revenue Growth	+55.6%	+11.2%	+6.0%	+7.0%	~+11%	~+8%
Gross Profit	~28,800	~31,036	32,668	33,361	~38,000	~42,000
Gross Margin	~45.8%	~44.3%	44.0%	42.1%	~43.5%	~44.2%
EBITDA (est.)	~21,000	~22,500	~22,111	23,257	~27,000	~30,000
EBITDA Margin	~33.4%	~32.1%	~29.8%	~29.4%	~30.7%	~31.6%
PATMI	12,520	12,963	12,824	13,367	~15,300	~16,500
PATMI Growth	+85.0%	+3.5%	-1.1%	+4.2%	~+14%	~+8%
EPS (S cents)	2.18	2.26	2.23	2.32	~2.65	~2.87
DPS (S cents)	1.56	1.85	1.00	0.58	~1.00	~1.20
Payout Ratio	~72%	~82%	~45%	~25%	~38%	~42%

Note: EBITDA calculated as PBT + finance costs + depreciation (PPE) + depreciation (ROU) + amortisation of intangible assets. FY2022–23 EBITDA are estimates based on available disclosure. FY2023 revenue restated to S\$69,994k per audited financials. FY2022 revenue growth of +55.6% reflects the post-COVID rebound from pandemic-depressed FY2021 volumes.

### Balance Sheet Summary

YE Dec (S\$'000)	FY2023A	FY2024A	FY2025A
Cash & Equivalents	19,404	15,911	23,794
Total Assets	107,107	119,046	145,829
Total Equity	82,150	91,739	103,577
Borrowings (total)	~2,170	1,439	16,762
Lease Liabilities	~10,390	11,653	10,295

YE Dec (S\$'000)	FY2023A	FY2024A	FY2025A
Net Cash/(Debt)	~+S\$17.2m	~+S\$14.5m	~+S\$7.0m
NAV/Share (S\$)	~S\$0.14	S\$0.157	S\$0.177

### Cash Flow Summary

YE Dec (S\$'000)	FY2023A	FY2024A	FY2025A
Operating Cash Flow	~17,200	17,642	18,974
Investing Cash Flow	~(6,400)	(12,780)	(19,262)
Free Cash Flow (pre-div)	~+S\$10.8m	+S\$4.9m	-S\$0.3m
Capex	~(3,500)	(11,781)	(19,548)
Dividends Paid	~(10,500)	(6,615)	(4,026)

## Appendix B: Valuation Footnotes

**EPS methodology:** Based on PATMI attributable to owners of the Company divided by weighted average shares outstanding. FY2025A: 575,514,237 shares (per Note 16 of FY2025 Results Announcement); FY2026E onwards: 575,700,552 shares (end-of-period count, assuming no further issuances).

**EBITDA:** Calculated as PBT + finance costs + depreciation of PPE + depreciation of ROU assets + amortisation of intangible assets. FY2025A: S\$17,707k + S\$641k + S\$2,411k + S\$2,443k + S\$55k = S\$23,257k.

**Enterprise Value:** Market Cap S\$196m + gross borrowings S\$16.76m – cash S\$23.79m + minority interest S\$1.79m ≈ S\$190.8m (as at 9 Apr 2026). EV/EBITDA FY2025A: 190.8 / 23.3 = ~8.2x.

**EBITDA methodology note:** The Initiation of Coverage (Sep 2025) used a narrower EBITDA calculation that excluded ROU asset depreciation under IFRS 16, yielding FY2024 EBITDA of ~S\$20 million. This update adopts a broader definition including IFRS 16 lease depreciation for consistency with peer comparisons. FY2024 EBITDA on this updated basis is S\$22.1 million.

**FY2026E assumptions:** Revenue growth of ~11% driven by full-year Klang/Seremban/Perak contribution and organic same-store growth of ~4–5%; gross margin recovery to ~43.5% (partial normalisation of doctor remuneration accrual); admin cost growth of +6–8% reflecting operating leverage at scale; effective tax rate 24%.

**WACC:** 9.0% (equity: 10.0%, reflecting small-cap risk premium; debt: ~3.8% pre-tax; capital structure: ~94% equity, ~6% debt). Terminal growth: 2.0%.

**Peer comparables:** Raffles Medical (BSL.SI, Singapore), Q&M Dental (QC7.SI, Singapore), Optimax Holdings (0222, Bursa Malaysia). Multiples sourced from broker reports and market data as at April 2026.

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*Sources: ISEC Healthcare Ltd FY2025 Results Announcement (26 Feb 2026), ISEC Healthcare Ltd 3Q2025 Interim Results (23 Oct 2025), Tickrs Financial Singapore Initiation of Coverage (3 Sep 2025), SGX corporate announcements, company annual reports and public filings.*

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