AmInvestment Bank

Company Report

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HEALTHCARE

IHH HEALTHCARE

(IHH MK EQUITY, IHH.KL)

3 Jun 2025

In line. Long-term growth intact

BUY

(Maintained)

Rationale for report: Company Result

Price	**RM6.91**
Fair Value	**RM8.60**
52-week High/Low	RM7.56/RM6.01

Key Changes

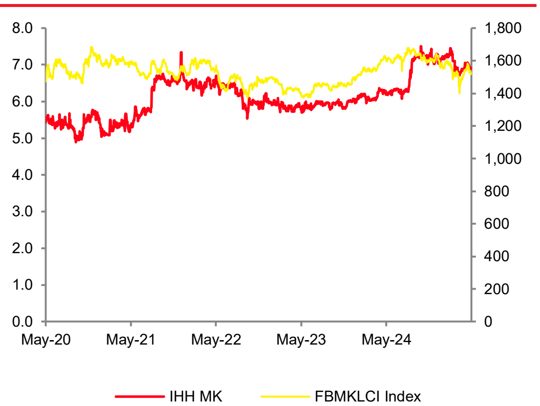
Fair value	⇔
EPS	⇔

YE to Dec	**FY24**	**FY25F**	**FY26F**	**FY27F**
Revenue (RMmil)	24,383.0	26,546.1	28,306.8	29,879.1
Core net profit (RMmil)	1,685.0	1,993.7	2,225.3	2,631.7
FD Core EPS (Sen)	19.1	22.6	25.3	29.9
FD Core EPS growth (%)	31.7	18.3	11.6	18.3
Consensus Net Profit (RMmil)	-	1,956.0	2,216.0	2,532.0
DPS (Sen)	10.0	11.8	13.2	15.6
PE (x)	36.1	30.5	27.3	23.1
EV/EBITDA (x)	13.3	12.2	11.2	9.9
Div yield (%)	1.4	1.6	1.8	2.1
ROE (%)	9.0	6.5	7.0	8.0
Net Gearing (%)	37.9	34.2	32.3	29.7

Stock and Financial Data

Shares Outstanding (million)	8,824.9
Market Cap (RMmil)	60,856.4
Book Value (RM/Share)	3.80
P/BV (x)	1.8
ROE (%)	9.0
Net Gearing (%)	37.9
Major Shareholders	Mitsui & Co Ltd (32.7%) Khazanah Nasional (25.9%) EPF (11.0%)
Free Float	26.3
Avg Daily Value (RMmil)	40.4

Price performance	**3mth**	**6mth**	**12mth**
Absolute (%)	(7.2)	(4.8)	11.6
Relative (%)	(3.8)	(0.1)	18.0



Investment Highlights

We maintain our BUY recommendation on IHH with an unchanged TP of RM8.60, based on 14x FY26F EV/EBITDA and a 3% ESG premium. As 1QFY25 results and key metrics were within expectations, we maintain our earnings forecast. IHH's 1QFY25 EBITDA of RM1.34bil (-1.5% YoY) and core net profit of RM425mil (+5.5% YoY) were in line, accounting for 21–23% of our and consensus full-year estimates. Performance was mixed across key markets—Malaysia saw strong growth following the addition of Island Hospital, but this was offset by renovation works at Mount Elizabeth in Singapore and start-up losses at Acibadem Kartal in Turkiye. Despite near-term pressures, IHH is well positioned for long-term growth, with 1,085 beds to be added this year across five key markets—on track to meet its ~4,000 new beds target by 2028.

- **Maintain Buy with TP of RM8.60.** We maintain our recommendation on IHH at BUY with the same target price of RM8.60, based on 14x FY26F EV/EBITDA. Our target price also includes a 3% ESG premium, based on a 4-star ESG rating. As 1QFY25 results and key metrics were within expectations, we maintain our earnings forecast.

- **In line.** IHH's 1QFY25 EBITDA of RM1.34bil (-1.5% YoY) and CNP of RM425mil (+5.5% YoY) were in line, accounting for 21–23% of our and consensus full-year estimates. Revenue rose 5.7% YoY, driven by a higher case-mix of acute patients and price adjustments. EBITDA was impacted weaker EBITDA from IHH Singapore and Acibadem.

- **Mixed performance across key markets.** IHH Malaysia posted strong revenue and EBITDA growth of 17.1% and 14.1% YoY, driven by the full contribution from Inland Hospital. In contrast, IHH Singapore's EBITDA declined 8.1% YoY, with operations facing margin pressure (-1.9ppt to 28.4%) due to ongoing renovation works at Mount Elizabeth, which operated at only 50% bed capacity. At Acibadem, EBITDA declined 3.7% YoY despite a robust 11.7% revenue increase, due to start-up losses at the newly opened Acibadem Kartal Hospital in February 2025.

- **Scaling capacity to meet healthcare demand.** Rising income and aging populations are fueling a surge in NCDs like diabetes, heart disease, and cancer, driving demand for specialized and long-term care. With a strong presence in emerging markets and a focus on advanced treatments, IHH is well-positioned to capture this structural shift. To meet growing demand, 1,085 beds will be added in 2025 across Europe (190), Malaysia (340), Hong Kong (50), Turkiye (130), and India (375), keeping the group on track to add ~4,000 beds by 2028.

EXHIBIT 1: 1QFY25 EARNINGS SUMMARY

FYE Dec 31 (RM mil)	1QFY24	4QFY24	1QFY25	QoQ (%)	YoY (%)
Revenue	**5,955**	**6,692**	**6,294**	**-5.9%**	**5.7%**
EBITDA	**1,364**	**1,425**	**1,343**	**-5.8%**	**-1.5%**
Net interest expenses	(179)	(291)	(225)	-22.7%	25.9%
D&A	(414)	(496)	(470)	-5.2%	13.5%
Associates	7	6	6	0.0%	-11.2%
Share of profits from JV	1	1	1	0.0%	44.5%
Net monetary gain arising from hyperinflationary economy	146	166	103	-38.0%	-29.5%
PBT	**931**	**1,101**	**762**	**-30.8%**	**-18.1%**
Tax	(5)	(263)	(137)	-47.9%	>100%
NCI	(157)	(106)	(111)	4.7%	-29.5%
Net Profit	768	732	514	-29.8%	-33.1%
EI	(365)	(415)	(89)	-78.6%	-75.6%
Core net profit	**403**	**317**	**425**	**34.1%**	**5.5%**
Basic EPS (sen)	4.6	3.6	4.8	1.2 ppt	0.3 ppt
FD EPS (sen)	4.6	3.6	4.8	1.2 ppt	0.3 ppt
Gross DPS (sen)	0.0	5.5	0.0	-5.5 ppt	0.0 ppt
EBITDA margin (%)	22.9	21.3	21.3	0.0 ppt	-1.6 ppt
PBT margin (%)	15.6	16.5	12.1	-4.3 ppt	-3.5 ppt
Effective tax rate (%)	0.6	23.9	18.0	-5.9 ppt	17.4 ppt
Core net profit margin (%)	6.8	4.7	6.8	2.0 ppt	0.0 ppt
Segmental revenue					
Singapore	1,551	1,472	1,520	3.3%	-2.0%
Malaysia	955	1,114	1,118	0.4%	17.1%
India	981	986	994	0.8%	1.3%
Greater China	369	384	413	7.6%	12.0%
Turkiye & Europe	1,794	1,963	2,003	2.0%	11.7%
Hospital & Healthcare	**5,650**	**5,919**	**6,048**	**2.2%**	**7.0%**
Labs	256	255	248	-2.7%	-3.1%
Plife REIT	38	37	45	21.6%	17.7%
Others	1	2	0	-100.0%	-100.0%
Hyperinflation adjustment	10	479	(47)	<-100%	<-100%
Total	**5,955**	**6,692**	**6,294**	**-5.9%**	**5.7%**
Segmental EBITDA					
Singapore	469	415	431	3.9%	-8.1%
Malaysia	239	284	273	-3.9%	14.2%
India	186	168	187	11.3%	0.5%
Greater China	25	45	45	0.0%	80.0%
Turkiye & Europe	376	443	362	-18.3%	-3.7%
Hospital & Healthcare	**1,295**	**1,353**	**1,298**	**-4.1%**	**0.2%**
Labs	97	89	85	-4.5%	-12.4%
Plife REIT	83	46	86	87.0%	3.6%
Others	16	(78)	(20)	-74.4%	<-100%
Elimination	(115)	(67)	(82)	22.4%	-28.7%
Hyperinflation adjustment	(12)	83	(24)	<-100%	100%
Total	**1,364**	**1,426**	**1,343**	**-5.8%**	**-1.5%**

Source: Company

Company profile

IHH Healthcare Berhad (IHH) operates as an integrated healthcare business and related services and has leading market positions in its home markets of Singapore, Malaysia and Turkey, and it also has healthcare operations and investments in the People's Republic of China, India, Hong Kong and Europe. The company's integrated healthcare network provides the full spectrum of healthcare services, from primary healthcare clinics to secondary and tertiary hospitals, to quaternary care and post-operative rehabilitation centres, complemented by a wide range of ancillary services including diagnostic laboratories, imaging centres, ambulatory care, medical education facilities, hospital project management and other related services. The company was incorporated in Malaysia on 21 May 2010 as a holding company for Khazanah's healthcare investments in Parkway, Pantai, IMU Health and Apollo.

Investment thesis and catalysts

We have a Buy recommendation on IHH. Rising income and ageing population are contributing to a rise in noncommunicable diseases, leading to a structural increase in demand for advanced medical treatments. Additionally, Island Hospital acquisition is value accretive, as there will cost savings of RM200 million over five years due to the synergy benefits. We believe the implementation of diagnosis-related group (DRG) is unlikely to have a significant impact to IHH as only c.20% of IHH's revenue and EBITDA are derived from IHH Malaysia.

Valuation methodology

The stock is valued based on a target FY26F EV/EBITDA of 14x, which is in line with its 5Y historical average EV/EBITDA. Our target price also includes a 3% ESG premium based on a 4-star ESG rating.

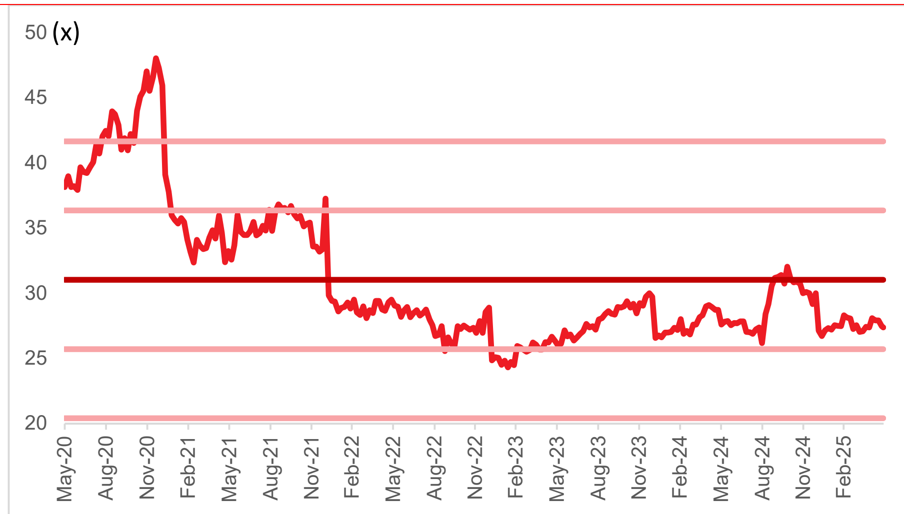
Risk factors

Downside risks to our estimates include more than expected decrease in average revenue per inpatient due to the roll out of diagnosis-related group or unable to realise synergies from Island Hospital acquisition.

EXHIBIT 2: VALUATIONS

Target EV/EBITDA (x)	14x
CY26 EBITDA	RM6.3 bil
ESG premium	3%
12-month target price	8.60

EXHIBIT 3: PE BAND CHART



Source: Bloomberg

EXHIBIT 4: ESG RATING

	Environmental assessment	Parameters	Weightage	Rating					Rationale
1	Carbon emissions reduction	45% CO2 reduction by 2030	15%	*	*	*			Recorded carbon emissions for the first time, and established 2022 as baseline year for Scope 1 and 2 carbon emissions.
2	Scope 1 GHG Emissions	tCo2e reduction	15%	*	*	*			Recorded carbon emissions of 55,463 for the first time and established 2022 as baseline year for Scope 1 and 2 carbon emissions.
3	Scope 2 GHG Emissions	tCo2e reduction	15%	*	*	*			Recorded carbon emissions of 181,271 for the first time, and established 2022 as baseline year for Scope 1 and 2 carbon emissions.
4	Scope 3 GHG Emissions	tCo2e reduction	15%	*	*	*			Strategising Scope 3 carbon accounting by 2023.
5	Water usage	megalitres	20%	*	*	*			3,013 megalitres used.
6	Waste generation	Minimise waste generation	20%	*	*	*	*		42% reduction of single-use virgin plactic in non-clinical areas in Singapore and 100% reduction of single-use plastic water bottles in Malaysia.
	Weighted score for evironmental assessment		**100%**	*	*	*			
	Social assessment								
1	Health, safety & well-being	Recorded injuries	25%	*	*	*	*		Establishing a consistent framework to track
2	Women in workforce	% of total workforce	25%	*	*	*	*		64% in workforce & 27% in senior management
3	Investment in employee training	RM	25%	*	*	*			Training provided, however the group just establishing a consistent framework to track the metrics.
4	CSR programmes	No. of programmes organized	25%	*	*	*	*		(i) #ListenToYourHeart raise awareness about heart disease (76,000 people were reached) (ii)Sustainability Project: Mangroves Plantation (500 mangrove saplings planted) (iii) Breast cancer awareness project: "Traveling Pink Ribbon" (iv) 'The Purple Parade" (100 of colleagues participated)
	Weighted score for social assessment		**100%**	*	*	*			
	Governance assessment								
1	Board age diversity	% under 60 years old	15%	*	*	*	*		45%
2	Board women representation	% of total board directors	15%	*	*	*			27% representation
3	Directors with tenure below 6 years	% below 6 years category	15%	*	*	*	*		72%
4	Independent board directors	% of total board directors	15%	*	*	*			46% - independent non-exec
5	Remuneration to directors	% of total staff costs	20%	*	*	*	*		RM25.8mil - 0.4% of 2022 staff costs
6	Corruption investigations	Confirmed incidents	20%	*	*	*	*		no incident
	Weighted score for governance assessment		**100%**	*	*	*			
	Environmental score		35%	*	*	*			
	Social score		35%	*	*	*	*		
	Governance score		30%	*	*	*	*		
	Overall ESG Score		**100%**	*	*	*	*		

Source: AmInvestment Bank Bhd

EXHIBIT 5: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	20,934.8	24,383.0	26,546.1	28,306.8	29,879.1
EBITDA	4,645.6	5,439.0	5,873.7	6,354.5	7,120.2
Depreciation	(1,510.9)	(1,734.0)	(1,869.8)	(1,960.1)	(2,058.2)
Operating income (EBIT)	3,134.8	3,705.0	4,003.9	4,394.4	5,062.0
Other income & associates	26.3	29.0	31.9	35.1	38.6
Net interest	(838.6)	(792.0)	(974.2)	(1,000.3)	(1,041.0)
Exceptional items	(1,672.6)	(972.0)	-	-	-
Pretax profit	**4,049.3**	**3,756.0**	**3,061.5**	**3,429.2**	**4,059.7**
Taxation	(658.3)	(594.0)	(757.4)	(848.5)	(1,005.3)
Minorities/pref dividends	(439.1)	(505.0)	(310.4)	(355.4)	(422.6)
Net profit	**2,951.9**	**2,657.0**	**1,993.7**	**2,225.3**	**2,631.7**
Core net profit	1,279.2	1,685.0	1,993.7	2,225.3	2,631.7

Balance Sheet (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Fixed assets	13,413.9	16,229.0	17,321.3	18,484.7	19,695.7
Intangible assets	14,296.0	16,302.0	16,302.0	16,302.0	16,302.0
Other long-term assets	15,769.4	17,357.0	17,371.7	17,423.5	17,507.7
Total non-current assets	**43,479.3**	**49,888.0**	**50,995.0**	**52,210.2**	**53,505.4**
Cash & equivalent	2,379.1	1,510.0	1,870.4	2,481.8	3,435.4
Stock	639.8	681.0	806.7	860.2	907.9
Trade debtors	3,084.0	3,598.0	3,910.6	4,170.0	4,401.7
Other current assets	609.9	1,082.0	1,082.0	1,082.0	1,082.0
Total current assets	**6,712.9**	**6,871.0**	**7,669.7**	**8,594.0**	**9,827.0**
Trade creditors	4,951.7	5,128.0	6,242.8	6,656.9	7,026.7
Short-term borrowings	1,660.8	3,560.0	2,503.5	2,572.2	2,670.7
Other current liabilities	844.3	888.0	888.0	888.0	888.0
Total current liabilities	**7,456.8**	**9,576.0**	**9,634.3**	**10,117.1**	**10,585.4**
Long-term borrowings	6,650.6	9,366.0	10,013.9	10,288.8	10,682.7
Other long-term liabilities	3,726.1	3,909.0	3,846.4	3,810.6	3,797.7
Total long-term liabilities	**10,376.7**	**13,275.0**	**13,860.4**	**14,099.4**	**14,480.5**
Shareholders' funds	**29,105.5**	**30,140.0**	**31,091.6**	**32,153.8**	**33,410.0**
Minority interests	3,253.1	3,768.0	4,078.4	4,433.9	4,856.5
BV/share (RM)	3.69	3.80	3.91	4.03	4.18

Cash Flow (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Pretax profit	4,049.3	3,756.0	3,061.5	3,429.2	4,059.7
Depreciation	1,463.2	1,681.0	1,794.7	1,884.1	1,981.0
Net change in working capital	(366.8)	(715.0)	676.5	101.2	90.4
Others	(1,386.2)	(437.0)	197.4	156.9	61.3
Cash flow from operations	**3,759.4**	**4,285.0**	**5,730.2**	**5,571.4**	**6,192.4**
Capital expenditure	(2,241.5)	(7,904.0)	(2,471.8)	(2,635.7)	(2,782.1)
Net investments & sale of fixed assets	-	-	-	-	-
Others	1,305.2	(343.0)	(473.1)	(504.5)	(532.6)
Cash flow from investing	**(936.3)**	**(8,247.0)**	**(2,944.9)**	**(3,140.3)**	**(3,314.7)**
Debt raised/(repaid)	(470.0)	5,097.0	(408.6)	343.5	492.5
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(2,037.0)	(1,224.0)	(1,042.0)	(1,163.1)	(1,375.5)
Others	(1,491.7)	(840.0)	(974.2)	(1,000.3)	(1,041.0)
Cash flow from financing	**(3,998.6)**	**3,033.0**	**(2,424.9)**	**(1,819.8)**	**(1,924.1)**
Net cash flow	**(1,175.4)**	**(929.0)**	**360.4**	**611.4**	**953.6**
Net cash/(debt) b/f	**3,662.4**	**2,301.2**	**1,427.2**	**1,787.7**	**2,399.0**
Net cash/(debt) c/f	**2,301.2**	**1,427.2**	**1,787.7**	**2,399.0**	**3,352.6**

Key Ratios (YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Revenue growth (%)	16.4	16.5	8.9	6.6	5.6
EBITDA growth (%)	14.7	17.1	8.0	8.2	12.0
Pretax margin (%)	19.3	15.4	11.5	12.1	13.6
Net profit margin (%)	14.1	10.9	7.5	7.9	8.8
Interest cover (x)	3.7	4.7	4.1	4.4	4.9
Effective tax rate (%)	16.3	15.8	24.7	24.7	24.8
Dividend payout (%)	69.0	46.1	52.3	52.3	52.3
Debtors turnover (days)	50	50	52	52	52
Stock turnover (days)	10	10	10	11	11
Creditors turnover (days)	80	75	78	83	84

Source: Company, AmInvestment Bank Bhd estimates

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