

28 February 2025

# IHH Healthcare

## FY24 Boosted by Better Yields

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IHH's FY24 results met our expectation but missed consensus by 13%. Its FY24 core net profit rose 32% YoY driven by revenue intensity and better yields. We expect IHH earnings momentum to accelerate, underpinned by revenue intensity and rising demand in FY25. This would be supported by higher yield services both in Singapore and Malaysia, return of medical tourists in Türkiye, and improvement in cost efficiency in India. We maintain our forecasts, SoP-TP of RM8.11 and **OUTPERFORM** call.

Its FY24 core net profit marginally met our expectation but missed consensus full-year estimates by 13%. A final dividend of 5.5 sen was declared bringing FY24 DPS to 10 sen which was within our expectation.

**YoY**, its FY24 revenue increased 17% driven by significant pick-up in its operations across the board due to sustained demand, a case-mix of more acute patients and price adjustments to counter inflation. Amplified revenue intensity was driven by both higher inpatient throughput and revenue per inpatient. Specifically, its revenue per inpatient admissions were largely higher across the board -higher in Singapore (+12%), Malaysia (+7%), Türkiye and Europe (+45%) and India (+8%). Inpatient throughput rose across the board including Singapore (+1%), Malaysia (+6%), Türkiye and Europe (+2%) and India (+5%). Correspondingly, EBITDA rose 17% driven by higher yield acute case-mix, reflecting its strategy. This brings FY24 core net profit higher by 32% to RM1,685m largely driven by higher contribution from Singapore (47%) and India (+57%).

**QoQ**, its 4QFY24 revenue and EBITDA increased 19% and 10%, respectively, excluding effects of MFRS 129. Specifically, the higher inpatient admissions including Türkiye and Europe (+11%) and Malaysia (+2%) more than offset lower admissions in Singapore (-6%) and India (-7%), we believe, due to the seasonally slower season there. On the other hand, revenue per inpatient was higher in India (+4%), Singapore (+1%), Malaysia (+2%) and Türkiye and Europe (+1%). However, 4QFY24 core net profit of RM317m (-40% QoQ) was dragged down by higher depreciation (+33%) and finance cost (+52%), we believe, due to the incorporation of Bedrock and Island Hospital in a seasonally slower quarter.

**Outlook.** We expect IHH earnings momentum to accelerate, underpinned by revenue intensity and rising demand in FY25. This would be supported by higher yield services both in Singapore and Malaysia, return of medical tourists in Türkiye, and improvement in cost efficiency in India. Looking ahead, the group plans to increase bed capacity >30% or 4,000 beds over the next 5 years across Malaysia, India, Türkiye and Europe.

**Valuations.** We maintain our earnings forecasts and SoP-TP of RM8.11 (see Page 3). There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).

We continue to like IHH for: (i) its pricing power, as the inelastic demand for healthcare provides it with the ability to pass cost through amidst rising inflation, (ii) the strong recovery in patient throughput, from both domestic and international markets, and (iii) its commanding market position in the private healthcare space with presence in Malaysia, Singapore, Türkiye and Greater China. Reiterate **OUTPERFORM**.

**Key risks to our call include:** (i) regulatory risk, (ii) risks associated with overseas operations, and (iii) earnings risk related to potential imposition of Diagnostic-Related Group (DRG) payment system to regulate private healthcare costs in Malaysia.

**OUTPERFORM** ↔

Price: **RM7.31**  
Target Price: **RM8.11** ↔

### Share Price Performance



KLCI	1,586.60
YTD KLCI chg	-3.4%
YTD stock price chg	0.1%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	IHH MK Equity
Market Cap (RM m)	64,436.2
Shares Outstanding	8,814.8
52-week range (H)	7.56
52-week range (L)	5.93
3-mth avg. daily vol.	5,730,716
Free Float	26%
Beta	0.6

### Major Shareholders

Mitsui & Co Ltd	32.8%
Pulau Memutik Ven Sdn Bhd	25.9%
Employees Provident Fund	10.3%

### Summary Earnings Table

FY Dec (RMm)	2024A	2025F	2026F
Turnover	24,383.0	25,400.2	27,305.7
PBT	3,756.0	2,763.5	2,888.7
<b>Net Profit (NP)</b>	<b>2,657.0</b>	<b>1,897.8</b>	<b>2,128.6</b>
<b>Core NP</b>	<b>1,685.0</b>	<b>1,897.8</b>	<b>2,128.6</b>
Consensus (NP)	-	2033.7	2319.3
Earnings Revision	-	-	-
Core EPS (sen)	19.2	21.6	24.3
Core EPS Growth (%)	31.7	12.6	12.2
NDPS (sen)	10.0	10.0	10.0
BVPS (RM)	3.43	3.55	3.69
Core PER (x)	38.1	33.8	30.1
PBV(x)	2.1	2.1	2.0
Net Gearing (%)	37.9	31.1	24.0
Net Div. Yield (%)	1.4	1.4	1.4
EV/EBITDA	13.9	13.4	13.2

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<b>Results Highlight</b>			
<b>FYE Dec</b>	<b>12M</b>	<b>12M</b>	<b>YoY</b>
<b>(RM m)</b>	<b>2023</b>	<b>2024</b>	<b>%Chg</b>
<b>Turnover</b>	20,935	24,383	16.5
Parkway Pantai	14,118	15,842	12.2
Acibadem Holdings	5,945	7,238	21.7
IMU Health <sup>^</sup>	53.9	-	(100.0)
Labs	979.5	1,032.8	5.4
PLife REIT	407.8	413.6	1.4
Others (PLife REIT inter-segment revenue)	(249.1)	(258.8)	3.9
Adjustment for hyperinflationary economies <sup>^</sup>	(320.4)	116.1	(136.2)
<b>EBITDA</b>	<b>4,646.2</b>	<b>5,439.2</b>	<b>17.1</b>
Parkway Pantai	3,237.0	3,743.5	15.6
Acibadem Holdings	1,249.2	1,475.0	18.1
IMU Health	13.0	-	(100.0)
Labs	345.0	376.8	9.2
PLife REIT	326.0	300.8	(7.7)
Others	(121.0)	(133.4)	10.3
Eliminations	(261.0)	(317.5)	21.7
Adjustment for hyperinflationary economies <sup>^</sup>	(142.1)	(6.0)	NM
Depreciation & amortisation	(1,486.3)	(1,734.0)	16.7
Finance cost	(941.3)	(1,065.4)	13.2
Finance income	102.8	272.7	165.4
Associates and JV	26.2	28.4	8.4
EI	1,793.1 <sup>^</sup>	1,044.0 <sup>*</sup>	(41.8)
Pretax profit	4,049.3	3,756.6	(7.2)
Taxation	(658.3)	(594.2)	(9.7)
Minority interest	(439.1)	(505.4)	15.1
Net profit	2,951.9	2,657.0	(10.0)
<b>Core net profit</b>	<b>1,279.2</b>	<b>1,685.0</b>	<b>31.7</b>
<b>EPS (sen)</b>	<b>33.5</b>	<b>30.2</b>	<b>(10.0)</b>
EBITDA margin (%)	21	22	
Parkway Pantai	24	24	
Acibadem Holdings	26	20	
Pretax margin (%)	19	15	
Effective tax rate (%)	16	16	

Source : Bursa Malaysia, Kenanga Research

<sup>^</sup>IMU was sold in FY23<sup>^</sup>excluding gain from disposal (RM991m), gain arising from hyperinflationary economy (RM704m), net monetary gain arising from deferred tax credits (RM256m), Exchange difference on net borrowings (RM191m),<sup>\*</sup> net monetary gain arising from hyperinflationary economy (RM489m), deferred tax credits (RM339m), change in fair value of investment properties (RM239m)

Note that core PATAMI exclude tax effects and minority on EI

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<b>Results Highlight</b>			
<b>FYE Dec</b>	<b>3Q</b>	<b>4Q</b>	<b>QoQ</b>
<b>(RM m)</b>	<b>2024</b>	<b>2024</b>	<b>%Chg</b>
<b>Turnover</b>	5,643.0	6,692.0	18.6
Parkway Pantai	4,027.0	3,956.0	(1.8)
Acibadem Holdings	1,762.0	1,963.0	11.4
Labs	264.0	255.0	(3.4)
PLife REIT	102.0	101.0	(1.0)
Others (Plife REIT inter-segment revenue)	(64.0)	(62.0)	(3.1)
Adjustments (hyperinflationary)	(448.0)	479.0	NM
<b>EBITDA</b>	<b>1,299.0</b>	<b>1,425.0</b>	<b>9.7</b>
Parkway Pantai	964.0	910.0	(5.6)
Acibadem Holdings	334.0	443.0	32.6
Labs	100.0	89.0	(11.0)
PLife REIT	79.0	46.0*	(41.8)
Others	(22.0)	(79.0)	259.1
Eliminations	(67.0)	(67.0)	NM
Adjustments (hyperinflationary)	(89.0)	83.0	(193.3)
Depreciation & amortisation	(384.0)	(510.0)	32.8
Finance cost	(224.0)	(341.0)	52.2
Finance income	75.0	50.0	(33.3)
Associates and JV	8.0	7.0	(12.5)
EI	10.0	434.0^	NM
Pretax profit	824.0	1,101.0	33.6
Taxation	(172.0)	(263.0)	52.9
Minority interest	(118.0)	(106.0)	(10.2)
Net profit (PATAMI)	534.0	732.0	37.1
<b>Core PATAMI</b>	<b>528.0</b>	<b>317.0</b>	<b>(40.0)</b>
EPS (sen)	6.0	8.3	38.5
EBITDA margin (%)	23	21	
Parkway Pantai	24	23	
Acibadem Holdings	19	23	
Pretax margin (%)	15	16	
Effective tax rate	21	24	

Source : Bursa Malaysia, Kenanga Research ,

^ net monetary gain arising from hyperinflationary economy (RM166m) and change in fair value of investment properties (RM239m)

Note that core PATAMI exclude tax effects and Minorities on EI

\*due to recognition of valuation loss of RM32 million on its investment properties in Japan and France

### IHH's Sum-of-Parts Valuations

<b>Unit</b>	<b>Basis</b>	<b>Multiples</b>	<b>Value</b>	<b>Remarks</b>
		<b>(x)</b>	<b>(RM m)</b>	
Parkway Pantai	EV/EBITDA	15.00	51,924	In line with peers' average
Acibadem (60%)	EV/EBITDA	14.00	26,417	In line with peers' average
Fortis (31.1%)	Market value		3,300	10% discount to market value
Plife REIT (35.8%)			1,461	10% discount to market value
<b>Total</b>			<b>83,102</b>	
Net debt			<b>(11,416)</b>	
<b>Total</b>			<b>71,686</b>	
No of shares (m)			<b>8,814</b>	
<b>TP (RM)</b>			<b>8.11</b>	

Source: Kenanga Research

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### Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RMm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
<b>Stocks Under Coverage</b>																	
IHH HEALTHCARE BHD	OP	7.31	8.11	10.9%	64,436.2	Y	12/2025	21.6	24.3	12.6%	12.2%	33.8	30.1	2.1	6.2%	10.0	1.4%
KOTRA INDUSTRIES BHD	OP	4.20	5.35	27.4%	622.9	Y	06/2025	32.4	34.0	7.4%	5.0%	13.0	12.4	1.9	16.0%	25.5	6.1%
KPJ HEALTHCARE BHD	MP	2.49	2.40	-3.6%	10,867.1	Y	12/2024	6.6	7.7	14.5%	17.0%	37.9	32.4	4.4	11.9%	3.4	1.4%
NOVA WELLNESS GROUP BHD	OP	0.355	0.410	15.5%	113.1	Y	06/2025	2.7	2.8	8.9%	3.5%	13.1	12.7	1.0	7.7%	1.3	3.7%
<b>SECTOR AGGREGATE</b>					<b>76,342.1</b>					<b>19.7%</b>	<b>12.5%</b>	<b>33.3</b>	<b>33.3</b>	<b>2.3</b>	<b>6.8%</b>		<b>2.5%</b>

Source: Company, Bloomberg, Kenanga Research

### Stock ESG Ratings:

	Criterion	Rating				
<b>GENERAL</b>	Earnings Sustainability & Quality	★	★	★		
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★	★	
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	☆		
<b>SPECIFIC</b>	Care Quality & Patient Safety	★	★	★		
	Effluent / Waste Management	★	★	★		
	Energy Efficiency	★	★	★	☆	
	Cybersecurity/Data Privacy	★	★	★	☆	
	Talent Management	★	★	★		
	Supply Chain Management	★	★	★		
<b>OVERALL</b>		★	★	★		

☆ denotes half-star  
 ★ -10% discount to TP  
 ★★ -5% discount to TP  
 ★★★ TP unchanged  
 ★★★★ +5% premium to TP  
 ★★★★★ +10% premium to TP

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**Stock Ratings are defined as follows:****Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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