

02 September 2025

IHH Healthcare

1HFY25 met expectations, Expect higher 2H

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IHH's 1HFY25 results met expectations. We expect IHH's earnings momentum to accelerate, underpinned by revenue intensity and rising demand for the remainder of FY25. This would be supported by higher yield services both in Singapore and Malaysia, and improvement in cost efficiency in India. We maintain our forecasts, SoP-TP of RM8.11 and OUTPERFORM call.

Its 1HFY25 core net profit of RM844m just met expectations at 45% and 42% of ours and consensus full-year net profit forecast, respectively. An interim dividend of 5 sen was declared which came in within our expectation.

QoQ, 2QFY25 revenue and EBITDA were flat, rising 0.1% and 0.8%, respectively. The lower EBITDA was eroded by start-up cost at Acibadem Kartal Hospital and pre-opening costs at Acibadem Vitosha Hospital, which opened in February and May 2025 respectively, coupled with discount offered to payor in Malaysia. Overall, its revenue per inpatient fell in Singapore (-2%) and Malaysia (-3%) but was higher in India (+1%) and Türkiye (+11%). On the other hand, inpatient admission was higher in Malaysia (+3%), Singapore (+1%) and India (+6%) but marginally but lower in Türkiye (-3%). This brought 2QFY25 core net profit to come in lower by 1.4% at RM419m.

YoY, its 1HFY25 revenue rose 5% driven by 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 largely by revenue per inpatient. Specifically, its revenue per inpatient admissions were largely higher across the board – Singapore (+10%), Malaysia (+4%), Türkiye and Europe (+18%) and India (+5%). Inpatient throughput was mixed across the board. It rose in Malaysia (+5%) and India (+8%). However, it was lower in Singapore (-8%) and flat in Türkiye and Europe. EBITDA rose 1% driven by higher yield from higher complexity case-mix, reflecting its strategy, which more than offset start-up cost of Acibadem Kartal Hospital and pre-opening costs of Acibadem Vitosha Hospital. Resultantly, 1HFY25 core net profit was higher by 0.5% to RM844m.

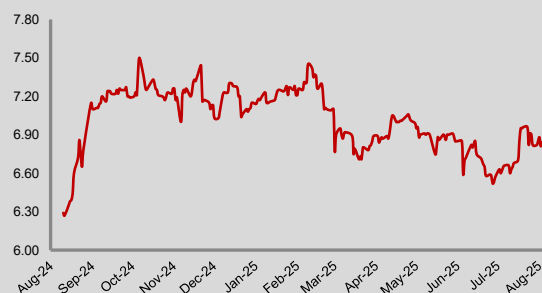
We came away from IHH's 2QFY25 results briefing feeling positive on its prospects. The key highlights are as follows:

- Singapore:** Despite the renovation works at Mount Elizabeth Orchard, 2QFY25 EBITDA margin remain solid at 28% (1QFY25: 28%) due to various measure including reduced length of hospital stay and improved patient outcome, reflecting its strategy which led to higher revenue per inpatient (+9%) but 2 ppt lower in 1HCY25 at 28% vs 30% in 1HFY24. In fact Mount Elizabeth saw phased re-openings in July and early Aug CY25 and expect beds to ramp up from 110 beds to 220 beds. Despite Mount Elizabeth Orchard being under renovation and operating at 50% capacity, bed occupancy rate (BOR) came off only slightly to 61% vs. 63% in 1QFY25. The group is optimistic for Mount Elizabeth Orchard Hospital to progressively reopen beds and expects better utilisation in 1QFY26.

OUTPERFORM ↔

Price: **RM6.79**
Target Price: **RM8.11** ↔

Share Price Performance



KLCI	1,576.60
YTD KLCI chg	-4.1%
YTD stock price chg	-7.0%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	IHH MK Equity
Market Cap (RM m)	59,997.5
Shares Outstanding	8,813.0
52-week range (H)	7.56
52-week range (L)	6.25
3-mth avg. daily vol.	5,210,646
Free Float	26%
Beta	0.6

Major Shareholders

Mitsui & Co Ltd	32.7%
Pulau Memutik Ven Sdn Bhd	25.9%
Employees Provident Fund	11.3%

Summary Earnings Table

FY Dec (RMm)	2024A	2025F	2026F
Turnover	24,383.0	25,400.2	27,305.7
PBT	3,756.0	2,759.8	2,877.5
Net Profit (NP)	2,657.0	1,895.0	2,119.6
Core NP	1,685.0	1,895.0	2,119.6
Consensus (NP)	-	1973.0	2233.0
Earnings Revision	-	-	-
Core EPS (sen)	19.2	21.6	24.2
Core EPS Growth(%)	31.7	12.5	11.9
NDPS (sen)	10.0	10.0	10.0
BVPS (RM)	3.43	3.54	3.66
Core PER (x)	35.4	31.4	28.1
PBV(x)	2.0	1.9	1.9
Net Gearing (%)	37.9	31.4	25.0
Net Div. Yield (%)	1.5	1.5	1.5
EV/EBITDA	13.1	12.6	12.4

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2. **Malaysia:** The group in 2QFY25 saw a structural shift from the healthcare model with increasing focus on day-care and skewed towards more surgical cases, while moving away from medical cases. For example, gallbladder surgery and angiogram can be done via day-care instead of inpatient. The shift was largely due to the fact that many of the procedures conducted as an inpatient can be done via day-care. Generally, day-care treatment refers to a patient's pre-planned medical procedures, both surgical and non-surgical, that require a short hospital stay, typically less than 24 hours, with admission, treatment, and discharge occurring on the same day. We believe margins are not expected to be cramped because day-care requires less operating costs. Typically, inpatient wards need three shifts of nurses and 24 hours operations. However, day-care requires 1 shift of nurses, and the wards are not operating overnight.

Specifically, net day-care revenue and volume rose 20% and 80%, respectively. Despite pressure from payors and IHH giving discounts, revenue intensity and EBITDA margin remain steady. As an indication, EBITDA margin rose 1 ppt to 25% in 2QFY25 driven by higher yield cases and measures to mitigate medical inflation. The group is optimistic and expects more robust set of numbers in 2HFY25. Recall, as part of the negotiations with the insurers (payors) which it has concluded, IHH is offering more packages and bundles including giving discounts if the insurers continue to use its hospitals on a 'cashless' basis. Almost all its hospitals are operating on 'cashless' basis. "Cashless reimbursements" refer to the system where the policyholder does not need to pay for medical expenses upfront followed by an reimbursement. Rather, the insurance company directly settles the bill with the healthcare provider.

The group is taking proactive measures to manage medical inflation through coordinated sourcing and procurement strategies. As an indication, it is undertaking a central procurement, driving down prices of consumables, medical devices and equipment across all of its hospitals. Generally, value-based healthcare is a healthcare delivery model where providers are paid based on patient health outcomes and not the volume of services provided. Based on early data, these advanced surgeries have led to a shorter length of stay and reduction in rate of blood transfusion. For example, total knee replacement procedures under the VDO model have shown that standardised care protocols can reduce hospital stays and complications.

Looking ahead, its growth will be organic in nature with the addition of 1,300 beds (+46% to 4,300 beds) over the next five years. The group expects medical tourism to contribute 14% revenue growth in Malaysia once Penang Island Hospital is fully integrated. It has revealed for FY25, the group is targeting to expand 340 beds, we believe, via brownfield expansion. Despite a visible shift towards day-care, most of its brownfield hospitals require expansion as they are operating at close to full utilisation.

3. **Türkiye and Europe:** The higher intensity and inpatient admissions continue to drive growth for Turkey, partially offset by pre-opening costs at Acibadem Vitosha (Bulgaria) in 2QFY25. This brings EBITDA margin to 18% in 2QFY25 (1QFY25: 18%). Excluding the pre-opening expenses, EBITDA margin would have been 20%. It is experiencing patients, both local and foreign, gradually returning since Aug 2024. In 1HFY25, foreign patients' revenue declined to 13% of its total revenue vs 15% in 1HFY24 due to the faster increase in local patients revenue which rose 50%. Typically, while foreign patients only account for 5% of its total patients, these high-yielding customers contribute 23%-25% of total revenue. It has acquired Bayindir Healthcare Group in Türkiye for USD55m (RM233m) with the aim of creating synergies with the Group's existing network.
4. **India:** In CY25, the group completed the acquisition of the 228-bedded Shrimann Superspeciality Hospital in India for INR 462 crore or USD53.9m (RM228m). The acquisition is in line with the group's cluster strategy and further bolsters Fortis' network in the state of Punjab. Shrimann Hospital, Jalandhar adds to the group's existing presence in the key cities of Punjab including Mohali, Amritsar and Ludhiana. Shrimann Hospital, is amongst the leading multi-specialty hospitals in Jalandhar, commissioned in 2018. In addition, the acquisition of the adjunct land parcel of approx. 2.4 acres provides an attractive opportunity to add another 180+ beds in the future, lifting the overall potential capacity to 450+ beds. In terms of organic growth, it is targeting to add >2,000 beds to 7,000 by 2028 in India via Fortis Healthcare (+1560 beds or +38%) and Gleneagles India (+300 beds or +34%) over the next five years. Overall, it is optimistic for the outlook in India, underpinned by cost efficiency, case mix focusing on high yields and sustained pent-up demand in FY25. Specifically, EBITDA margin continued to improve on better patient volumes, and better cost management.

Outlook. We expect IHH's earnings momentum to accelerate, underpinned by revenue intensity and rising demand for the remainder of FY25. This would be supported by higher yield services both in Singapore and Malaysia, return of medical tourists in Türkiye, and an 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 its 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 on any imposition of Diagnostic-Related Group (DRG) payment system to regulate private healthcare costs in Malaysia.

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Results Highlight			
FYE Dec	1H	1H	YoY
(RM m)	2024	2025	%Chg
Turnover	12,048.5	12,592.0	4.5
Parkway Pantai	7,858.9	8,172.0	4.0
Acibadem Holdings	3,512.9	3,993.0	13.7
Labs	513.8	504.0	(1.9)
PLife REIT	210.6	222.0	5.4
Others (Plife REIT inter-segment revenue)	(132.8)	(128.0)	(3.6)
Adjustment for hyperinflationary economies	85.1	(171.0)	(301.0)
EBITDA	2,715.0	2,697.0	(0.7)
Parkway Pantai	1,877.0	1,880.0	0.2
Acibadem Holdings	712.0	721.0	1.3
Labs	186.0	180.0	(3.2)
PLife REIT	166.0	173.0	4.2
Others	(59.0)	(59.0)	-
Eliminations	(142.0)	(136.0)	(4.2)
Adjustment for hyperinflationary economies	(25.0)	(62.0)	148.0
Depreciation & amortisation	(840.0)	(932.0)	11.0
Finance cost	(500.4)	(539.0)	7.7
Finance income	147.7	126.0	(14.7)
Associates and JV	13.4	15.0	11.6
EI	600.0 [^]	128 [*]	(78.7)
Pretax profit	1,831.6	1,489.0	(18.7)
Taxation	(159.2)	(297.0)	86.5
Minority interest	(281.4)	(235.0)	(16.5)
Net profit	1,391.0	957.0	(31.2)
Core net profit	840.0	844.0	0.5
EPS (sen)	9.5	9.6	0.3
EBITDA margin (%)	23	21	
Parkway Pantai	24	23	
Acibadem Holdings	20	18	
Pretax margin (%)	15	12	
Effective tax rate (%)	9	20	

Source : Bursa Malaysia, Kenanga Research

[^]excluding net monetary gain arising from hyperinflationary economy (RM273m), deferred tax credits (RM379m), forex on net borrowings (RM54m)

^{*} net monetary gain arising from hyperinflationary economy (RM118m), forex on net borrowings (RM10m)

Note that core PATAMI exclude tax effects and minority on EI

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Results Highlight

FYE Dec (RM m)	1Q 2025	2Q 2025	QoQ %Chg
Turnover	6,294.0	6,298.0	0.1
Parkway Pantai	4,045.0	4,127.0	2.0
Acibadem Holdings	2,003.0	1,990.0	(0.6)
Labs	248.0	256.0	3.2
PLife REIT	111.0	111.0	-
Others (Plife REIT inter-segment revenue)	(66.0)	(62.0)	(6.1)
Adjustment for hyperinflationary economies	(47.0)	(124.0)	163.8
EBITDA	1,343.0	1,354.0	0.8
Parkway Pantai	936.0	944.0	0.9
Acibadem Holdings	362.0	359.0	(0.8)
Labs	85.0	95.0	11.8
PLife REIT	86.0	87.0	1.2
Others	(33.0)	(26.0)	(21.2)
Eliminations	(69.0)	(67.0)	(2.9)
Adjustment for hyperinflationary economies	(24.0)	(38.0)	58.3
Depreciation & amortisation	(470.0)	(462.0)	(1.7)
Finance cost	(282.0)	(257.0)	(8.9)
Finance income	57.0	69.0	21.1
Associates and JV	7.0	8.0	14.3
EI [^]	98.0	30	(69.4)
Pretax profit	762.0	727.0	(4.6)
Taxation	(137.0)	(160.0)	16.8
Minority interest	(111.0)	(124.0)	11.7
Net profit (PATAMI)	514.0	443.0	(13.8)
Core PATAMI	425.0	419.0	(1.4)
EPS (sen)	5.8	4.8	(1.5)
EBITDA margin (%)	21	21	
Parkway Pantai	23	23	
Acibadem Holdings	18	18	
Pretax margin (%)	12	12	
Effective tax rate	18	22	

Source : Bursa Malaysia, Kenanga Research ,

[^] net monetary gain arising from hyperinflationary economy and deferred tax credits

Note that core PATAMI exclude tax effects and Minorities on EI

IHH's Sum-of-Parts Valuations

Unit	Basis	Multiples (x)	Value (RM m)	Remarks
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
Total			83,102	
Net debt			(11,416)	
Total			71,686	
No of shares (m)			8,814	
TP (RM)			8.11	

Source: Kenanga Research

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	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.				
Stocks Under Coverage																	
DUOPHARMA	OP	1.37	1.72	25.5%	1,318	Y	12/2025	9.9	11.5	51.8%	15.9%	13.9	12.0	1.7	12.8%	3.3	2.4%
IHH HEALTHCARE BHD	OP	6.79	8.11	19.4%	59,998	Y	12/2025	21.6	24.3	12.6%	12.2%	31.4	28.0	1.9	6.2%	10.0	1.5%
KOTRA INDUSTRIES BHD	OP	4.16	4.90	17.8%	617	Y	06/2026	32.5	33.4	13.2%	2.7%	12.8	12.5	1.9	15.8%	25.5	6.1%
KPJ HEALTHCARE BHD	MP	2.60	2.50	-3.8%	11,769	Y	12/2025	7.6	8.8	8.5%	15.7%	34.1	29.4	4.3	13.0%	4.2	1.6%
NOVA WELLNESS GROUP BHD	MP	0.340	0.340	0.0%	108	Y	06/2026	2.6	2.8	6.5%	7.3%	13.2	12.3	1.0	7.3%	1.6	4.7%
PHARMANIAGA BERHAD	MP	0.170	0.150	-11.8%	1,115	Y	12/2025	0.7	1.0	25.2%	35.9%	22.9	16.8	(9.1)	-33.2%	0.0	0.0%

Source: Company, Bloomberg, Kenanga Research

Stock ESG Ratings:

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

☆ 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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