

28 November 2025

IHH Healthcare

Solid Earnings, Rich Valuations

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IHH expect earnings going forward to remain robust, underpinned by revenue intensity, rising demand, and supported by higher yield case-mix of more acute patients. However, we believe the fundamentals are reflected in its share price. We maintain our forecasts, SoP-TP of RM8.50 and MARKET PERFORM call.

The key highlights from IHH's 3QFY25 results are as follows:

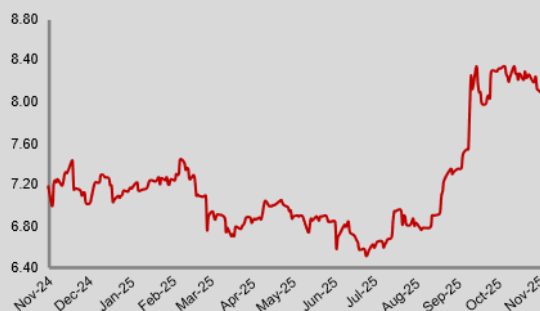
- Singapore:** It has responded to persistent payor pressure and a structural shift towards outpatient care by implementing a "tactical change" centered on an "out of hospital" strategy. Specifically, this involves growing its network of ambulatory care centers to free up hospital beds for more complex, high-acuity, and higher-margin procedures, and shifting lower acuity (less severe) cases, which previously required hospital admission, to new ambulatory care centers. This approach addresses insurer concerns over routine inpatient cost inflation while optimizing hospital bed utilization for complex surgeries. It has fully re-opened Mount Elizabeth Orchard in 3QCY25 and expects full operations in 2QFY26 with beds to ramp up from 110 to 220 beds. Due to Mount Elizabeth Orchard being under renovation and operating at 50% capacity, bed occupancy rate (BOR) came off to 54% vs 61% in 2QFY25. Despite the less-than-optimum capacity, 3QFY25 EBITDA margin remain solid at 28% (2QFY25: 28%) due to various measure including reduced length of hospital stay and improved patient outcome.
- Malaysia:** It has resolved with insurers (payors) and the final negotiation discount rates were 12%-13% vs. historically 10%-12%. 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. In the meantime, foreign patients account for 15% of revenue (6%-7% historically) due to Island hospital acquisition. It has seen an increase in medical tourism in Prince Court, Gleneagles KL, Pantai KL and Gleneagles Johor hospitals.

The group's structural shift in 2QFY25 gains momentum in 3QFY25 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. 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 crimped because day-care requires less operating costs. Typically, inpatient wards need three shifts of nurses and 24 hours operations. However, day-care requires one shift of nurses, and the wards are not operating overnight. Specifically, net day-care revenue rose 13%. Despite pressure from payors and IHH giving discounts, revenue intensity and EBITDA margin remain steady. EBITDA margin rose 3 pts to 28% in 3QFY25 driven by higher yield cases and measures to mitigate medical inflation. 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.

MARKET PERFORM ↔

Price : **RM8.23**
Target Price : **RM8.50** ↔

Share Price Performance



KLCI	1,617.46
YTD KLCI chg	-1.5%
YTD stock price chg	12.7%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	IHH MK
Market Cap (RM m)	72,721.5
Shares Outstanding	8,836.2
52-Week Range (H)	10.48
52-Week Range (L)	6.42
3-Mth Avg. Daily Vol.	10,864,200
Free Float	26%
Beta	0.6

Major Shareholders

Mitsui & Co Ltd	32.7%
Pulau Memutik Ven Sdn Bhd	25.9%
Employees Provident Fund	12.8%

Summary Earnings Table

FY Dec (RM m)	2025F	2026F	2027F
Turnover	25,400.2	27,305.7	28,818.0
PBT	2,763.5	2,888.7	3,106.8
Net Profit (NP)	1,897.8	2,128.6	2,278.2
Core NP	1,897.8	2,128.6	2,278.2
Consensus (NP)	1931	2193	2490
Earnings Revision	-	-	-
Core EPS (sen)	21.6	24.3	26.0
Core EPS Growth (%)	12.6	12.2	7.0
NDPS (sen)	10.0	10.0	10.0
BVPS (RM)	3.54	3.66	3.80
Core PER (x)	38.1	33.9	31.7
PBV(x)	2.3	2.2	2.2
Net Gearing (%)	31.4	25.0	18.0
Net Div. Yield (%)	1.2	1.2	1.2
EV/EBITDA	14.9	14.7	13.9

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- 3) **Türkiye and Europe:** Its Türkiye and Europe operations saw the return of patients and high revenue intensity driving EBITDA higher by 20%. The higher revenue intensity was driven by inpatient admissions (3QFY25 +10% YoY) and revenue per inpatient (3QFY25 +20% YoY) coupled with the ramping up of Acibadem Kartal Hospital and Acibadem Vitosha Hospital. This brings EBITDA margin to 21% in 3QFY25 (2QFY25: 18%). It is experiencing patients, both local and foreign, gradually returning since Aug 2024. In 9MFY25, foreign patients' revenue declined to 14% of its total revenue vs. 15% in 9MFY24 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:** The group efforts in improving cost efficiency, case mix focusing on high yields and sustained pent-up demand has significantly enhanced Fortis Healthcare's operational efficiencies through a strategy of clinical and operational integration, technology adoption, and network synergy across their Indian hospital and diagnostics network. As an indication, EBITDA margin in 3QFY25 rose to 20% vs. 18% in 2QFY25 (historically was high single-digit). The Fortis' open offer has closed with negligible acceptance, as it received a tepid response due to the company's strong share price performance. Following the close of the open offers, IHH's holdings stand at 31.17% in Fortis.

The group is hopeful that the collaboration between Fortis Healthcare and Gleneagles Healthcare India (both subsidiaries of IHH Healthcare) could improve margin going forward. This strategic step is towards strengthening IHH's pan-India healthcare platform. The collaboration is an O&M Services agreement, under which Fortis will manage the operations of five out of six hospitals in the Gleneagles India network. The primary goal is to unlock operational and financial synergies across both networks by leveraging their complementary strengths, enhancing operational scale, and improving clinical excellence and geographical reach across 11 states in India.

In CY25, the group completed the acquisition of the 228-bedded Shrimann Superspecialty 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.

Valuations. We maintain our earnings forecasts and SoP-TP of RM8.50 (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 to potential imposition of Diagnostic-Related Group (DRG) payment system to regulate private healthcare costs in Malaysia

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Income Statement						Financial Data & Ratios					
FY Dec (RM m)	2023A	2024A	2025F	2026F	2027F	FY Dec	2023A	2024A	2025F	2026F	2027F
Revenue	20,935	24,383	25,400	27,306	28,818	Growth					
EBITDA	4,644	5,439	5,506	5,468	5,629	Turnover	16%	16%	4%	8%	6%
Dep & Amort	(1,120)	(1,300)	(1,617)	(1,567)	(1,522)	EBITDA	15%	17%	1%	-1%	3%
Op. Profit	4,864	4,519	3,889	3,901	4,107	Operating Profit	78%	-7%	-14%	0%	5%
PBT	4,049	3,756	2,764	2,889	3,107	PBT	83%	-7%	-26%	5%	8%
Taxation	(658)	(594)	(696)	(590)	(659)	Net Profit /(loss)	-7%	32%	13%	12%	7%
MI	(439)	(505)	(170)	(170)	(170)	Profitability					
Net Profit	2,952	2,657	1,898	2,129	2,278	EBITDA Margin	22%	22%	22%	20%	20%
Core net profit	1,279	1,685	1,898	2,129	2,278	Operating Margin	9%	18%	19%	14%	14%
Balance Sheet						PBT Margin	19%	15%	11%	11%	11%
FY Dec (RM m)	2023A	2024A	2025F	2026F	2027F	Core Net Margin	14%	11%	7%	8%	8%
Fixed Assets	13,414	16,229	15,678	15,177	14,721	Eff. Tax Rate	16%	16%	25%	20%	21%
Int. Assets	17,259	19,913	19,913	19,913	19,913	ROA	6%	5%	3%	4%	4%
Other FA	12,806	13,746	13,762	13,746	13,746	ROE	11%	9%	6%	7%	7%
Inventories	640	681	709	763	805	DuPont Analysis					
Receivables	3,084	3,598	3,748	4,029	4,252	Net Margin	14.1%	10.9%	7.5%	7.8%	7.9%
Other CA	610	1,082	1,082	1,082	1,082	Assets T/O (x)	2.4	2.3	2.3	2.2	2.1
Cash	2,379	1,510	3,242	5,009	6,916	Lev. Factor (x)	1.7	1.9	1.9	1.8	1.8
Total Assets	50,192	56,759	58,135	59,719	61,436	ROE	10.7%	9.0%	6.2%	6.7%	7.0%
Payables	4,952	5,128	5,313	5,743	6,065	Leverage					
ST Borrowings	1,739	3,643	3,643	3,643	3,643	Debt/Asset (x)	0.2	0.2	0.2	0.2	0.2
Ot. ST Liability	766	805	805	805	805	Debt/Equity (x)	0.3	0.4	0.4	0.4	0.2
LT Borrowings	6,651	9,366	9,366	9,366	9,366	Valuations					
Ot. LT Liability	3,726	3,909	3,909	3,909	3,909	EPS (sen)	33.6	30.3	21.6	24.3	26.0
Minorities Int.	3,253	3,768	3,938	4,108	4,278	NDPS (sen)	9.0	10.0	10.0	10.0	12.0
Net Assets	29,106	30,140	31,160	32,145	33,370	BVPS (RM)	3.32	3.43	3.55	3.69	3.80
Share Capital	19,692	19,739	19,739	19,739	19,739	PER (x)	56.5	42.9	38.1	33.9	31.7
Share premium	1,574	693	693	693	693	Net Div. Yld. (%)	1.0	2.3	1.2	1.3	1.5
Reserves	7,840	9,708	10,728	11,713	12,938	EV/EBITDA (x)	16.8	15.4	14.9	14.7	13.9
Equity	29,106	30,140	31,160	32,145	33,370						
Cashflow Statement											
FY Dec (RM m)	2023A	2024A	2025F	2026F	2027F						
Operating CF	3,759	4,286	3,549	3,648	3,727						
Investing CF	(936)	(8,247)	(1,000)	(1,000)	(1,000)						
Financing CF	(3,999)	3,033	(734)	(734)	(819)						
Change In Cash	(1,175)	(928)	1,814	1,914	1,907						
Free CF	2,759	3,286	2,549	2,648	2,727						

Source: Kenanga Research, Bursa Malaysia

IHH's Sum-of-Parts Valuations

Unit	Basis	Multiples (x)	Value (RM m)	Remarks
Parkway Pantai	EV/EBITDA	15	55,354	In line with peers' average
Acibadem (60%)	EV/EBITDA	14	26,417	In line with peers' average
Fortis (31.1%)	Market value		3,300	40% higher to
Plife REIT (35.8%)			1,461	discount to market value
Total			86,533	
Net debt			(11,416)	
Total			75,117	
No of shares (m)			8,814	
TP (RM)			8.50	

Source: 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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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.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
DUOPHARMA	OP	1.26	1.72	36.5%	1,212	Y	12/2025	9.9	11.5	51.8%	15.9%	12.7	11.0	1.6	12.8%	3.3	2.6%
IHH HEALTHCARE BHD	MP	8.07	8.50	5.3%	71,308	Y	12/2025	21.6	24.3	12.6%	12.2%	37.3	33.3	2.3	6.2%	10.0	1.2%
KOTRA INDUSTRIES BHD	OP	4.36	4.90	12.4%	647	Y	06/2026	32.5	33.4	13.2%	2.7%	13.4	13.1	2.0	15.8%	25.5	5.8%
KPJ HEALTHCARE BHD	MP	2.68	2.80	4.5%	12,131	Y	12/2025	7.6	8.8	8.5%	15.7%	35.1	30.4	4.4	13.0%	4.2	1.6%
NOVA WELLNESS GROUP BHD	OP	0.370	0.470	27.0%	118	Y	06/2026	3.6	3.8	49.4%	4.3%	10.2	9.8	1.0	10.1%	1.6	4.3%
PHARMANIAGA	UP	0.240	0.150	-37.5%	1,574	Y	12/2025	0.7	1.0	25.2%	35.9%	32.3	23.8	3.6	37.1%	0.0	0.0%

Source: Company, Bloomberg, Kenanga Research

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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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