IHH Healthcare

FY25 Met Our Target, Missed Consensus

By Raymond Choo Ping Khoon I pkchoo@kenanga.com.my

MARKET PERFORM ↔

Price:	**RM9.12**
Target Price:	**RM8.50** ↔

IHH's FY25 results met our expectation but missed consensus. We expect IHH's earnings momentum to remain stable anchored by Singapore and Malaysia operations, underpinned by revenue intensity and rising demand in FY26. This would be supported by higher yield case-mix of more acute patients in Singapore, and Malaysia. However, we believe the fundamentals are reflected in its share price. Pending an analyst briefing, we maintain our forecasts, SoP-TP of RM8.50 and MARKET PERFORM call.

Its FY25 core net profit of RM1818m (+8% YoY) just met our expectation at 97%. However, it missed consensus estimate by 8%. A DPS of 5.5 sen was declared in this quarter bringing FY25 to 10.5 sen which came in within our estimate.

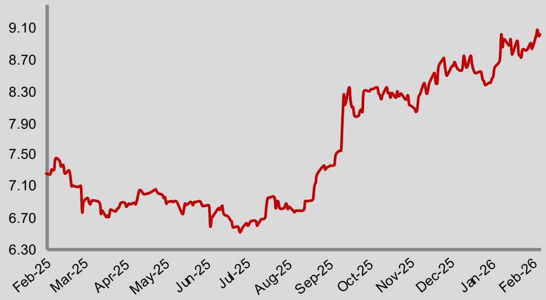
QoQ, 4QFY25 revenue was flat up 0.2% due to higher contribution from Turkiye & Europe (+13%) but offset by lower Singapore (-4%) and labs (-7%). However, EBITDA came in lower by 7%, no thanks to lower contribution from India (-31%), we believe, due to lower revenue intensity driving yields lower. Overall revenue intensity came in a mixed bag. Specifically, its revenue per inpatient rose in Malaysia (+4%), India (+2%), Singapore (+3%) but lower in Türkiye (-3%). On the other hand, inpatient admission was higher in Malaysia (+3%) and Türkiye (+15) but lower across India (-5%), Singapore (-7%), and Malaysia (-1%). In Singapore, the lower revenue and admission per inpatient were due to the gradual reopening of Mount Elizabeth Orchard which was previously under renovation. Its Türkiye and Europe operations saw the return of patients and high revenue intensity driving EBITDA higher by 14%. In Malaysia, we believe, the structural shift continued from the healthcare model with increasing focus on day-care and skewed towards more surgical cases, while moving away from medical cases. All in, 4QFY25 core net profit to come in higher by 10% at RM512m.

YoY, its FY25 revenue rose 6% 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. The consolidation of Island Hospital and Bayindir Healthcare Group contributed to the increase in revenue. Amplified revenue intensity was driven largely by revenue per inpatient. Specifically, its revenue per inpatient admissions were largely higher across the board – Singapore (+7%), Malaysia (+7%), Türkiye & Europe (+18%), and India (+6%). Inpatient throughput rose in Malaysia (+3%), India (+8%) and in Türkiye & Europe (+6%) but lower in Singapore (-9%). EBITDA rose 4% 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, FY25 core net profit was higher by 8% to RM1,818m.

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 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 **Market Perform.**

Key risks to our call include: (i) regulatory risk, (ii) risks associated with overseas operations, and (iii) earnings risk related to any imposition of

Share Price Performance



KLCI	1,716.61
YTD KLCI chg	2.2%
YTD stock price chg	4.2%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	IHH MK
Market Cap (RM m)	80,585.7
Shares Outstanding	8,836.2
52-week range (H)	10.48
52-week range (L)	6.42
3-mth avg. daily vol.	5,690,680
Free Float	27%
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 (RMm)	2025A	2026F	2027F
Turnover	25,745.0	27,305.7	28,818.0
PBT	3,428.0	2,837.6	3,098.9
Net Profit (NP)	2,101.0	2,093.0	2,271.9
Core NP	1,818.0	2,093.0	2,271.9
Consensus (NP)	-	2205.4	2490.1
Earnings Revision	-	-	-
Core EPS (sen)	20.7	23.8	25.9
Core EPS Growth (%)	7.9	15.1	8.5
NDPS (sen)	10.5	11.5	11.5
BVPS (RM)	3.45	3.58	3.72
Core PER (x)	43.9	38.2	35.2
PBV(x)	2.6	2.5	2.4
Net Gearing (%)	38.7	30.9	23.2
Net Div. Yield (%)	1.2	1.3	1.3
EV/EBITDA (x)	16.3	16.4	15.5

Diagnostic-Related Group (DRG) payment system to regulate private healthcare costs in Malaysia.

Results Highlight

FYE Dec	**12M**	**12M**	**YoY**
(RM m)	**2024**	**2025**	**%Chg**
Turnover	24,383	25,745	5.6
Singapore	6,131	5,950	(3.0)
Malaysia	4,154	4,825	16.2
India	4,028	4,176	3.7
Greater China	1,529	1,620	6.0
Turkiye and Europe	7,238	8,448	16.7
Labs	1,032	1,023	(0.9)
PLife REIT	414	440	6.3
Others (Plife REIT inter-segment revenue)	(259)	(254)	(1.9)
Adjustment for hyperinflationary economies	116	(483)	(516.4)
EBITDA	5,439	5,618	3.3
Singapore	1,825	1,666	(8.7)
Malaysia	1,060	1,281	20.8
India	723	770	6.5
Greater China	145	146	0.7
Turkiye and Europe	1,489	1,691	13.6
Labs	375	359	(4.3)
PLife REIT	291	320	10.0
Others	(159)	(202)	27.0
Eliminations	(277)	(270)	(2.5)
Adjustment for hyperinflationary economies	(31)	(143)	361.3
Depreciation & amortisation	(1,734)	(1,899)	9.5
Finance cost	(1,065)	(1,086)	1.9
Finance income	273	200	(26.7)
Associates and JV	28	32	12.5
EI^	1,044	315	(69.8)
Pretax profit	3,756	3,428	(8.7)
Taxation	(594)	(821)	38.2
Minority interest	(505)	(506)	0.2
Net profit	2,657	2,101	(20.9)
Core net profit	1,685	1,818	7.9
EPS (sen)	30	21	(31.8)
EBITDA margin (%)	22	22	
Singapore	30	28	
Malaysia	26	27	
India	18	18	
Greater China	9	9	
Turkiye and Europe	21	20	
Pretax margin (%)	15	13	
Effective tax rate (%)	16	24	

Source : Company, Kenanga Research
^excluding change in fair value of investment properties, net monetary gain arising from hyperinflationary economy, deffered tax credits, forex on net borrowings

Results Highlight

FYE Dec (RM m)	3Q 2025	4Q 2025	QoQ %Chg
Turnover	6,570	6,583	0.2
Singapore	1,487	1,429	(3.9)
Malaysia	1,261	1,280	1.5
India	1,084	1,048	(3.3)
Greater China	399	411	3.0
Turkiye and Europe	2,094	2,361	12.8
Labs	268	251	(6.3)
PLife REIT	111	107	(3.6)
Others (Plife REIT inter-segment revenue)	(64)	(62)	(3.1)
Adjustment for hyperinflationary economies	(70)	(242)	245.7
EBITDA	1,513.0	1,408.0	(6.9)
Singapore	422.0	385.0	(8.8)
Malaysia	353.0	366.0	3.7
India	220.0	170.0	(22.7)
Greater China	29.0	38.0	31.0
Turkiye and Europe	430.0	540.0	25.6
Labs	106.0	73.0	(31.1)
PLife REIT	87.0	60.0	(31.0)
Others	(51.0)	(92.0)	80.4
Eliminations	(67.0)	(67.0)	-
Adjustment for hyperinflationary economies	(16.0)	(65.0)	306.3
Depreciation & amortisation	(476)	(491)	3.2
Finance cost	(277)	(270)	(2.5)
Finance income	33	41	24.2
Associates and JV	8	9	12.5
EI^	176	11	(93.8)
Pretax profit	1,053	886	(15.9)
Taxation	(264)	(260)	(1.5)
Minority interest	(173)	(98)	(43.4)
Net profit (PATAMI)	616	528	(14.3)
Core PATAMI	462	512	10.8
EPS (sen)	5	6	10.7
EBITDA margin (%)	23	21	
Singapore	28	27	
Malaysia	28	29	
India	20	16	
Greater China	7	9	
Turkiye and Europe	21	23	
Pretax margin (%)	16	13	
Effective tax rate	25	29	

Source :Company, Kenanga Research
^excluding change in fair value of investment properties, net monetary gain arising from hyperinflationary economy, deffered tax credits, forex on net borrowings

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

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	1.49	1.72	15%	1,433	Y	12/2026	11.5	12.1	14.0%	5.4%	13.0	12.3	1.7	14.0%	4.6	3.1%
IHH HEALTHCARE BHD	MP	9.12	8.50	-7%	80,586	Y	12/2026	23.8	25.9	15.1%	8.5%	38.2	35.2	2.6	6.8%	11.5	1.3%
KOTRA INDUSTRIES BHD	OP	4.10	4.90	20%	608	Y	06/2026	28.7	32.5	-4.7%	13.2%	14.3	12.6	2.2	15.3%	25.5	6.2%
NOVA WELLNESS GROUP BHD	OP	0.375	0.470	25%	120	Y	12/2026	3.6	3.8	49.4%	4.3%	10.4	9.9	1.0	10.1%	1.6	4.3%
PHARMANIAGA BERHAD	UP	0.295	0.200	-32%	1,934	Y	06/2026	1.0	1.1	34.0%	8.0%	29.8	27.6	3.9	13.9%	0.0	0.0%
SCOMNET	OP	0.560	1.00	79%	479	Y	12/2026	4.2	4.9	38.5%	18.1%	13.4	11.3	1.1	8.3%	2.3	4.1%

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

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.***

Published by:

KENANGA INVESTMENT BANK BERHAD (15678-H)
Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my