

28 May 2026

IHH Healthcare

1QFY26 Met Ours, Barely Meet Consensus

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IHH's 1QFY26 results met our expectation but barely met consensus'. Overall, we are positive on IHH's 2030 strategy targets which is on track, with daycare transition aimed at improving capital efficiency and expansion plans expected to be ROE-accrative. However, we believe the fundamentals are already reflected in its share price. We maintain our forecasts, SoP-TP of RM8.50 and MARKET PERFORM call.

Its 1QFY26 core net profit of RM459m (+8% YoY) just met our expectation at 24%. However, it accounts for 21% of consensus full-year net profit forecast. No dividend was declared in this quarter which was expected.

YoY, 1QFY26 revenue rose 4% driven by a 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. Specifically, higher contribution from Türkiye & Europe (+17%) and Malaysia (+7%) more than offset lower contribution from Singapore (-12%) and India (-1%). EBITDA rose 5% thanks to higher contribution from Türkiye & Europe (+38%) and Malaysia (+16%) which more than offset lower Singapore (-18%) and Greater China (-31%) contribution due to lower revenue intensity driving yields lower. Overall revenue intensity came in a mixed bag. Specifically, its revenue per inpatient rose in Malaysia (-3%), Türkiye (+28%), and India (+5%) but lower in Singapore (-8%). On the other hand, inpatient admission was mixed across the board was higher in Türkiye (+13%) and India (+14%) but lower in Singapore (-8%), and Malaysia (-3%). 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, 1QFY26 core net profit was higher by 8% at RM459m.

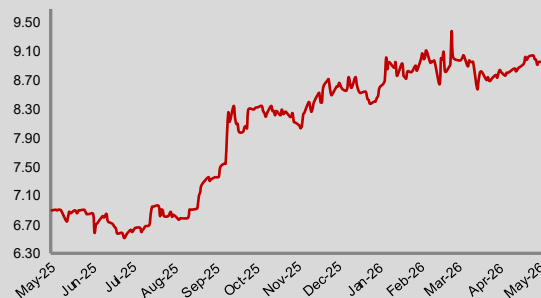
The key highlights from IHH's 1QFY26 results briefing are as follows:

Singapore: 1QFY26 continued to be negatively impacted by structural shift towards public healthcare and longer holiday season which affected operations. It expects recovery in 2HFY26. The higher utilisation of public healthcare and payor pressure from insurers, corporates and regulators continue to shape reimbursement dynamics and exert pressure on pricing and volumes. The weaker performance was further exacerbated by slower medical travel from Indonesia due to higher airfares and depreciating Rupiah. In an effort to alleviate payor pressures, the group is proactively engaging key stakeholders, and has introduced package-based pricing to improve transparency and predictability for both patients and payors. 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 including growing its network of ambulatory care centers, 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 expected Mount Elizabeth Orchard operations to be ramped up in 2HFY26 following the re-opening from major renovations works in 3QCY25. Despite the less-than-optimum capacity, 1QFY26 EBITDA margin was 26% vs. 28% in 1QFY25.

MARKET PERFORM ↔

Price: **RM8.98**
Target Price: **RM8.50** ↔

Share Price Performance



| | |
|---------------------|----------|
| KLCI | 1,699.02 |
| YTD KLCI chg | 1.1% |
| YTD stock price chg | 2.6% |

Stock Information

| | |
|-----------------------|-----------|
| Shariah Compliant | Yes |
| Bloomberg Ticker | IHH MK |
| Market Cap (RM m) | 79,348.7 |
| Shares Outstanding | 8,836.2 |
| 52-week range (H) | 10.48 |
| 52-week range (L) | 6.42 |
| 3-mth avg. daily vol. | 7,192,229 |
| Free Float | 27% |
| Beta | 0.6 |

Major Shareholders

| | |
|---------------------------|-------|
| Mitsui & Co Ltd | 32.7% |
| Pulau Memutik Ven Sdn Bhd | 25.9% |
| Employees Provident Fund | 13.6% |

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) | - | 2221.7 | 2563.3 |
| 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) | 43.3 | 37.7 | 34.7 |
| 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 | 16.2 | 15.3 |

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Malaysia: 1QFY26 saw foreign patients revenue rising 17% YoY accounting for 15% of total IHH Malaysia revenue. It further sharpens its cluster strategy to leverage on its network of hospitals to grow footprint and drive yields higher. Generally, the Centre of Excellence (COE)s are expected to amplify revenue intensity and forms an integral part of its hub-and-spoke model. It designates flagship "hubs" to drive referrals for complex sub-specialties like cardiology, while "spokes" and clinics handle routine care and diagnostics. This system captures referrals locally, improves operational efficiency, and drives revenue intensity. Elsewhere, it is strategically expanding its healthcare continuum by moving select outpatient (OP) and daycare (DC) services to dedicated Ambulatory Care Centres (ACC). This shift decants suitable cases from acute hospitals, reducing facility overheads and improving patient referral flows while freeing up core hospital bed capacity. Additionally, a future-proof care is being built through adjacent, hospital-linked ACC blocks. As in indication, it is building a build-to-suit medical block in partnership with Pelaburan Hartanah Bhd (PHB) near Gleneagles Hospital Kuala Lumpur, specifically designed for specialized outpatient procedures and individualized care.

Türkiye and Europe: Its Türkiye and Europe operations saw higher patient throughput and high revenue intensity driving in addition to quick ramp-up of new hospitals (Bayindir, Acibadem Kartal and Acibadem Vitosha) despite full effect of Eid this year vs. partial impact last year drove EBITDA higher by 38%. This brings EBITDA margin to 21% in 1QFY26 (1QFY25: 18%). In 1QFY26, Türkiye foreign patients' revenue declined to 11% of its total revenue vs. 13% in 1QFY25.

India: India operation continue to show double-digit revenue and EBITDA growth fuelled by higher patient inpatient admissions and increased case intensity. Integration across its India networks particularly the Operations and Maintenance Services (MSA) model between Fortis Healthcare and Gleneagles India is fully on track to scale clinical excellence. Under an Operations & Management (O&M) model, Fortis now manages five out of six hospitals in the Gleneagles India network. This harmonizes procurement, IT systems, and clinical governance to boost overall structural and financial efficiency. As an indication, EBITDA margin remained stable at 20% compared to between 16%-20% over the past for quarters.

Other key briefing notes. a) IHH target to sustain growth with less capital expenditure, supported by investments in ambulatory and daycare centres across Singapore, Malaysia, Hong Kong & China. Due to technological advancement, certain procedures can be done in a daycare setting which costs lower to set up compared to a hospital setup. Its FY26 planned capex is RM2b-RM2.5b compared to RM3.5b in FY25; b) Due to rising costs the group is exploring the use of generic drugs compared to using originator drugs; c) In the longer term it is leveraging on technology, data and process optimisation to systematically improve productivity and cost efficiency over time to manage costs, enhance productivity, and improve care delivery. As these initiatives scale, the Group expects progressive gains through better resource utilisation, standardisation of care pathways and enhanced operational discipline, thereby supporting more sustainable margins.

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

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Results Highlight

| FYE Dec | 1Q | 4Q | 1Q | QoQ | YoY |
|--|----------------|----------------|----------------|---------------|-------------|
| (RM m) | 2025 | 2025 | 2026 | %Chg | %Chg |
| Turnover | 6,294 | 6,583 | 6,553 | (0.5) | 4.1 |
| Singapore | 1,520 | 1,429 | 1,338 | (6.4) | (12.0) |
| Malaysia | 1,118 | 1,280 | 1,196 | (6.6) | 7.0 |
| India | 994 | 1,048 | 985 | (6.0) | (0.9) |
| Greater China | 413 | 411 | 391 | (4.9) | (5.3) |
| Turkiye and Europe | 2,003 | 2,361 | 2,339 | (0.9) | 16.8 |
| Labs | 248 | 251 | 231 | (8.0) | (6.9) |
| PLife REIT | 111 | 107 | 116 | 8.4 | 4.5 |
| Others (PLife REIT inter-segment revenue) | (66.0) | (62) | (75) | 21.0 | 13.6 |
| Adjustment for hyperinflationary economies | (47.0) | (242) | 32 | (113.2) | (168.1) |
| EBITDA | 1,343.0 | 1,408.0 | 1,435.0 | 1.9 | 6.9 |
| Singapore | 431.0 | 385.0 | 353.0 | (8.3) | (18.1) |
| Malaysia | 273.0 | 366.0 | 316.0 | (13.7) | 15.8 |
| India | 187.0 | 170.0 | 199.0 | 17.1 | 6.4 |
| Greater China | 45.0 | 38.0 | 31.0 | (18.4) | (31.1) |
| Turkiye and Europe | 362.0 | 540.0 | 499.0 | (7.6) | 37.8 |
| Labs | 85.0 | 73.0 | 82.0 | 12.3 | (3.5) |
| PLife REIT | 86.0 | 60.0 | 93.0 | 55.0 | 8.1 |
| Others | (33.0) | (92.0) | (60.0) | (34.8) | 81.8 |
| Eliminations | (69.0) | (67.0) | (79.0) | 17.9 | 14.5 |
| Adjustment for hyperinflationary economies | (24.0) | (65.0) | 1.0 | (101.5) | (104.2) |
| Depreciation & amortisation | (470) | (491) | (490) | (0.2) | 4.3 |
| Finance cost | (282) | (270) | (275) | 1.9 | (2.5) |
| Finance income | 57 | 41 | 58 | 41.5 | 1.8 |
| Associates and JV | 7 | 9 | 8 | (11.1) | 14.3 |
| EI [^] | 98 | 11 | 74 | NM | NM |
| Pretax profit | 762 | 886 | 972 | 9.7 | 27.6 |
| Taxation | (137) | (260) | (297) | 14.2 | 116.8 |
| Minority interest | (111) | (98) | (147) | 50.0 | 32.4 |
| Net profit (PATAMI) | 514 | 528 | 528 | - | 2.7 |
| Core PATAMI | 425 | 512 | 459 | (10.4) | 8.0 |
| EPS (sen) | 4.8 | 6 | 5.2 | (10.4) | 7.7 |
| EBITDA margin (%) | 21 | 21 | 22 | | |
| Singapore | 28 | 27 | 26 | | |
| Malaysia | 24 | 29 | 26 | | |
| India | 19 | 16 | 20 | | |
| Greater China | 11 | 9 | 8 | | |
| Turkiye and Europe | 18 | 23 | 21 | | |
| Pretax margin (%) | 12 | 13 | 15 | | |
| Effective tax rate | 18 | 29 | 31 | | |

Source : Company, Kenanga Research

[^]excluding change in fair value of investment properties, net monetary gain arising from hyperinflationary economy, deferred 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

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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 BIOTECH BERHAD | OP | 1.27 | 1.72 | 35.4% | 1,222 | Y | 12/2026 | 11.5 | 12.1 | 14.0% | 5.4% | 11.0 | 10.5 | 1.5 | 14.0% | 4.6 | 3.6% |
| IHH HEALTHCARE BHD | MP | 8.98 | 8.50 | -5.3% | 79,349 | Y | 12/2026 | 23.8 | 25.9 | 15.1% | 8.5% | 37.7 | 34.7 | 2.5 | 6.8% | 10.0 | 1.1% |
| KOTRA INDUSTRIES BHD | MP | 3.77 | 3.88 | 2.9% | 559 | Y | 06/2026 | 28.7 | 25.8 | -4.7% | -10.1% | 13.1 | 14.6 | 2.0 | 15.3% | 24.5 | 6.5% |
| KPJ HEALTHCARE BHD | MP | 3.15 | 3.05 | -3.2% | 13,943 | Y | 12/2026 | 8.0 | 8.7 | 13.8% | 8.1% | 39.4 | 36.4 | 5.1 | 13.8% | 4.2 | 1.3% |
| NOVA WELLNESS GROUP BHD | MP | 0.330 | 0.380 | 15.2% | 105 | Y | 06/2026 | 2.9 | 3.0 | 19.5% | 4.3% | 11.4 | 10.9 | 0.9 | 8.2% | 1.6 | 4.8% |
| PHARMANIAGA BHD | UP | 0.250 | 0.200 | -20.0% | 1,639 | Y | 12/2026 | 1.0 | 1.1 | 34.0% | 8.0% | 25.2 | 23.4 | 3.3 | 13.9% | 0.4 | 1.4% |
| SCOMNET BHD | OP | 0.505 | 0.850 | 68.3% | 428 | Y | 12/2026 | 3.7 | 4.3 | 21.2% | 17.8% | 13.8 | 11.7 | 1.0 | 7.3% | 2.3 | 4.6% |
| SUNWAY HEALTHCARE HOLDINGS BHD | MP | 1.75 | 1.75 | 0.0% | 20,125 | Y | 12/2026 | 2.5 | 3.5 | 11.7% | 43.3% | 71.4 | 49.8 | 6.1 | 9.7% | 0.6 | 0.3% |

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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