

# Company Update



20 June 2022

research@rakutentrade.my

## Company Update

### IHH Healthcare

On a recovery phase

By Rakuten Trade Research Team

We raise our FY22E/FY23E net profit forecasts by 8%/11% premised on higher revenue per inpatient growth in Singapore/Malaysia/Acibadem of 18%/11%/20% from 8%/9%/10% for FY22E. IHH's investment appeal lies in: (i) its pricing power, as the inelastic demand of healthcare needs provides it with the ability to pass cost through amidst rising inflation; (ii) strong pent-up demand from domestic and international patients of which the group have started seeing in end Mar 2022; and (iii) commanding market position in countries it operates in. BUY with a TP of RM7.20

Demand recovery in 2QFY22 will be stronger than previously assumed as the geographical locations in which IHH operates are exiting the end of the pandemic. There have been strong returns of domestic patients as well as growth in foreign patients in Malaysia and Singapore. In Turkey (80% bed occupancy rate) and Europe, IHH foresees high bed occupancy rate to continue. While in India, it expect gradual improvement of non-Covid patients starting from 2QFY22. The group will continue to drive cost savings and ramp up productivity and increase bed occupancy ratio currently averaging at 60% in India. Gleneagles HK turned positive EBITDA since May 2021 and sustains its growth with EBITDA margin at single digit.

Given the low "price elasticity of demand" of private healthcare services, IHH has been able to pass on cost inflation to customers, as reflected in its rising revenue per inpatient over the past several quarters. In tandem with the stronger-than-expected demand we expect revenue per inpatient to surpass our earlier expectations. In Turkey, price adjustment is based on CPI. However, medical supplies inflation which represents bulk of its cost is less than price inflation and hence, it enjoys the difference which flow through to margins.

Turkey is expected to be classified as a hyper-inflationary economy. As such, Acibadem Holdings may have to apply IAS29 Financial Reporting in Hyperinflationary Economies in 2QCY22. The Group is in the midst of evaluating the implications on its financial reporting. Basically, assets need to be rebased which typically could potentially lead to higher level of depreciation.

# BUY

Price: RM6.28

Target price: RM7.20

#### Share Price Performance



KLCI	1,456.74
YTD KLCI chg	-7.1%
YTD stock price chg	-14.4%

#### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	IHH MK Equity
Market Cap (RM m)	55,281.5
Shares Outstanding	8,802.8
52-week range (H)	7.34
52-week range (L)	5.47
3-mth avg daily vol:	4,025,016
Free Float	14%
Beta	1.0

#### Major Shareholders

Mitsui & Co Ltd	32.8%
Pulau Memutik Ven Sdn Bhd	26.0%
Employees Provident Fund	9.7%

#### Summary Earnings Table

FY Dec (RMm)	2021A	2022E	2023E
Turnover	17,132	17,891.0	18,696.9
PBT	2,555.7	2,655.4	2,873.8
Net Profit (NP)	1,862.5	1,625.1	1,802.9
Core NP	1,594.8	1,625.1	1,802.9
Consensus (NP)	-	1,623.1	1,847.0
Earnings Revision	-	+8%	+11%
Core EPS (sen)	17.2	18.5	20.5
Core EPS growth (%)	142.3	7.7	10.9
NDPS (sen)	6.0	6.0	6.0
BVPS (RM)	2.56	2.68	2.83
Core PER (x)	36.5	33.9	30.6
PBV(x)	2.5	2.3	2.2
Net Gearing (%)	17.1	10.3	3.6
Net Div. Yield (%)	17.2	18.5	20.5

Source: Kenanga Research

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 [research@rakutentrade.my](mailto:research@rakutentrade.my)

COMPANY	Definition
<b>Buy</b>	The stock return is expected to exceed the KLCI benchmark by more than 10% over the next 6-12 months.
<b>Trading Buy</b>	Short-term positive development on the stock that could lead to a re-rating in the share price and translate into an absolute return of 10% over the next 3-6 months. Trading Buy is generally for investors who are willing to take on higher risks.
<b>Take profit</b>	The stock return previously recommended has gained by >10%
<b>Hold</b>	The stock return is expected to be in line with the KLCI benchmark (+/- 5%) over the next 6-12 months.
<b>Sell</b>	The stock return is expected to underperform the KLCI benchmark by more than 10% over the next 6-12 months.
SECTOR	
<b>Overweight</b>	Industry expected to outperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
<b>Neutral</b>	Industry expected to perform in-line with the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
<b>Underweight</b>	Industry expected to underperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.

### Scoring model:

The in-house scoring model is derived from Rakuten Trade Research valuation matrix based on earnings growth, earnings visibility, business model, valuation, balance sheet, technical analysis, and shareholder value creation. Each parameter is given a specific weighting.

All buy calls are based on the research team's judgement. Investing is risky and trading is at your own risk. We advise investors to:

- read and understand the contents of the disclosure document or any relevant agreement or contract before investing;
- understand the risks involved in relation to the product or service;
- compare and consider the fees, charges and costs involved; and
- make your own risk assessment and seek professional advice, where necessary.

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Published:



Kenny Yee Shen Pin  
Head of Research