

IHH Healthcare Berhad

(5225 | IHH MK) Healthcare | Healthcare Providers

Maintain BUY


Development of new block for Gleneagles underway

Target Price: RM7.08

DEVELOPMENT

- IHH Healthcare has partnered with Pelaburan Hartanah Bhd (PHB) for the development of a new medical block adjacent to the current Gleneagles Hospital Kuala Lumpur complex.
- The new facility will be leased from PHB for an initial period of 20 years.

OUR VIEW

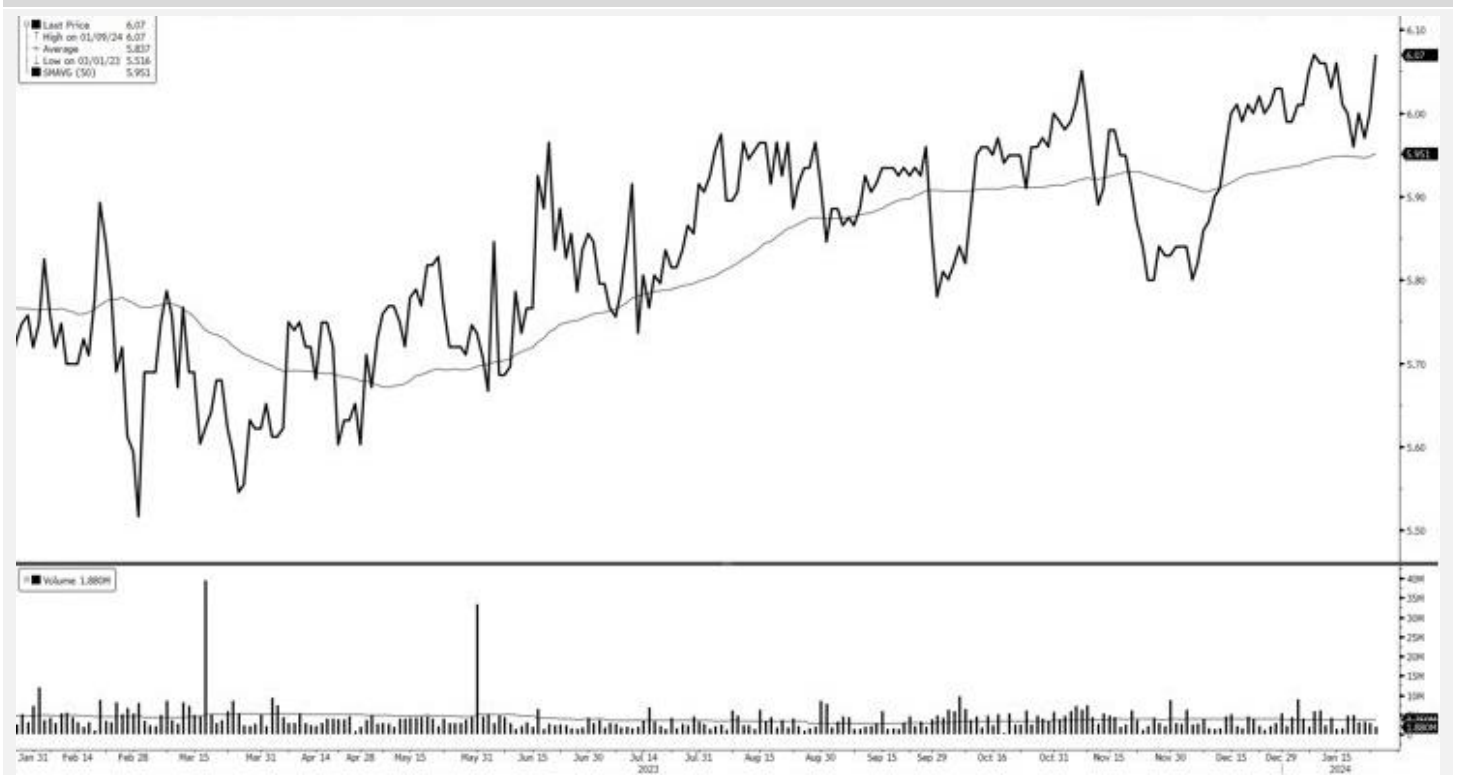
- **Expansion underway as promised.** The new purpose-built medical block for Gleneagles Hospital will take up about 470,000 sqft of floor area equipped with over 260 beds. This project is expected to be completed by CY27, subject to regulatory approvals. This is in line with IHH's drive to add additional beds to its hospitals locally and internationally in CY24.
- **Sub-specialties and green the main focus.** The new block will be equipped with state-of-the-art facilities aimed at providing highly specialised care in emerging sub-specialties such as micro and hand, foot and ankle, spine surgeries. It is also specifically designed with a high allocation of single beds to meet rising demand for individualised patient care, and is expected to incorporate green building features.
- **Set to be largest private hospital in Malaysia.** Post-expansion, Gleneagles Hospital Kuala Lumpur will enter a new phase of growth and will be one of the largest private hospitals in Malaysia with over 700 beds. Gleneagles caters for growing demand from locals and medical tourists. For PHB, this expansion is in line with its aim to achieve RM25b asset portfolio by CY30.
- We believe that the collaboration between IHH and PHB since 2011 for its Gleneagles Hospital proved to be a solid and strategic partnership. Considering IHH's strong presence in the private healthcare sector as well as the call for more healthcare services in line with the growing aging population and higher demand for basic treatments and surgeries from local patients and medical tourists, we opine that this expansion will benefit the group in the long run. We like IHH for its strong balance sheet.
- We maintain our **BUY** call on IHH, with a **target price of RM7.08**. Our target price is based on the PER of 41.1x to the revised EPS24 of 17.2sen. 

INVESTMENT STATISTICS

Income Statement	2021A	2022E	2023F	2024F	2025F
Revenue	17,131.8	17,988.7	18,547.5	19,009.7	19,436.0
EBITDA	4,279.4	4,158.0	3,850.0	3,955.8	4,013.6
PBT	2,555.7	2,217.1	2,180.7	2,248.5	2,502.4
PATANCI	1,862.5	1,645.1	1,626.5	1,677.1	1,866.4
Normalised PATANCI	1,594.8	1,548.4	1,491.6	1,517.1	1,583.9
Basic EPS (sen)	17.2	17.0	16.9	17.2	18.0
EPS growth (%)	141.2	(1.2)	(0.4)	1.7	4.4
PBT margin (%)	14.9	12.3	11.8	11.8	12.9
PATANCI margin (%)	10.9	9.1	8.8	8.8	9.6
PER (x)	41.2	41.6	41.8	41.1	39.4
Dividend per share (sen)	6.0	6.0	6.0	7.0	8.0
Dividend yield (%)	0.8	0.8	0.8	1.0	1.1

Source: Company, MIDFR

SHARE PRICE CHART



Source: Company, Bloomberg, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology