



AmInvestment Bank

## Company report

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## IHH HEALTHCARE

(IHH MK EQUITY, IHHH.KL)

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## Selling China division?

**HOLD**

Price: RM6.62  
 Fair Value: RM6.29

Rationale for report: Company update

YE to Dec	FY20	FY21F	FY22F	FY23F
FD Core EPS (sen)	8.1	17.3	20.6	25.8
PE (x)	81.7	38.3	32.1	25.7

Source: AmInvestment Bank Bhd

- We maintain our HOLD call on IHH Healthcare (IHH) with an unchanged fair value (FV) of RM6.29. We use DCF to value IHH Healthcare with WACC of 7% and terminal growth rate of 3.5%. Incorporated in our FV is a 3% premium for our ESG rating of 4 stars for the company.
- According to *Bloomberg*, IHH Healthcare is considering the potential sale of its China unit. It was reported that the value of the deal could reach US\$1bil. *Bloomberg* quoted people familiar with the situation for the report who asked not to be named as the information is private.
- However, it said that deliberations are ongoing and may not lead to a transaction.
- IHH's Greater China segment revenue has grown from RM259.2mil in FY2016 to RM662.4mil in FY2020. Its EBITDA loss was RM27.9mil in FY2016 and worsened to RM252mil in FY2017. However, things gradually improved with the EBITDA loss narrowing to RM208.7mil/RM175.5mil/RM146.5mil in FY2018/FY2019/FY2020.
- In 1HFY2021, Greater China revenue has improved 44% to RM406.2mil. As a result, its 1H2021 EBITDA loss shrank to RM50.1mil from 1H2020 RM115.mil.
- Note that the Greater China segment includes ParkwayHealth Central Hong Kong Medical Center. The *Bloomberg* report referred to a "China unit".
- We are neutral on the news pending a formal announcement and valuation on the sale of Parkway Pantai China (if it materializes). IHH share price has done well this year with a year-to-date gain of 20% to RM6.72 (from RM5.50). This is supported by its strong EBITDA growth in 1H2021 by 107% to RM2.07bil.

Quick Take

TABLE 1 : VALUATION MATRIX

YE 31 Dec	FY19	FY20	FY21F	FY22F	FY23F
Revenue (RM mil)	14,912.5	13,404.6	17,020.0	18,789.0	19,300.0
Core net profit (RM mil)	920.7	715.3	1,520.7	1,806.7	2,268.6
FD Core EPS (sen)	10.5	8.1	17.3	20.6	25.8
FD Core EPS growth (%)	(10.4)	(22.3)	112.6	18.8	25.6
Consensus Net Profit (RM mil)	-	-	1357	1534	1762
DPS (sen)	4.0	4.0	8.5	10.1	12.7
PE (x)	63.0	81.7	38.3	32.1	25.7
EV/EBITDA (x)	18.9	22.5	16.7	15.0	13.6
Div yield (%)	0.7	0.7	1.5	1.7	2.2
ROE (%)	2.5	1.3	5.2	6.4	8.2
Net Gearing (%)	21.1	30.6	28.6	25.5	45.0

Source: Company, AmInvestment Bank Bhd estimates

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