

Malaysia

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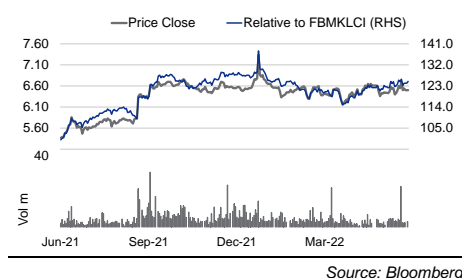
Consensus ratings*: Buy 15 Hold 4 Sell 1

Current price:	RM6.50
Target price:	RM8.12
Previous target:	RM8.12
Up/downside:	24.9%
CGS-CIMB / Consensus:	8.1%
Reuters:	IHHH.KL
Bloomberg:	IHH MK
Market cap:	US\$13,020m
	RM57,218m
Average daily turnover:	US\$5.36m
	RM22.95m
Current shares o/s	8,776m
Free float:	12.8%

*Source: Bloomberg

Key financial forecasts

	Dec-22F	Dec-23F	Dec-24F
Net Profit (RMm)	1,573	1,841	2,008
Core EPS (RM)	0.18	0.21	0.23
Core EPS Growth	(1.5%)	17.0%	9.1%
FD Core P/E (x)	36.32	31.07	28.48
Recurring ROE	6.86%	7.65%	7.94%
P/BV (x)	2.23	2.13	2.03
DPS (RM)	0.063	0.073	0.080
Dividend Yield	0.96%	1.13%	1.23%



Price performance	1M	3M	12M
Absolute (%)	0.6	0.8	22.6
Relative (%)	3.1	3.8	25.9

Major shareholders	% held
Mitsui & Co Ltd	32.9
Khazanah Nasional Bhd	25.8
Employees Provident Fund	8.6

Analyst(s)

TAY Wee Kuang

T (65) 6210 8604

E weekuang.tay@cgs-cimb.com

IHH Healthcare Bhd

Positive on IMU sale

- IHH has entered into a definitive agreement for the sale of its medical education arm International Medical University (IMU) for RM1,345m.
- The deal is valued at 16.6x of IMU's FY21 EV/EBITDA, and is expected to complete in 1Q23F, subject to relevant regulatory approvals.
- Reiterate Add, with an unchanged SOP TP of RM8.12. We like the deal as it allows IHH to focus on investments in its core healthcare service businesses.

Details of the deal

- The deal is valued at 16.6x EV/EBITDA based on IMU's adjusted EBITDA for FY21 of c.81.4m. Under the agreement, IHH will be selling its entire stake of IMU to a consortium led by TPG's The Rise Fund and the Hong Leong Group.
- Apart from the medical education business that is held through IMU Healthcare (IMUH), the sale also includes a hospital under construction, which is designated to be a teaching hospital for IMU. There will be a proposed restructuring to hold the new hospital under a newly incorporated entity (Hospital HoldCo). Although IMUH and Hospital HoldCo will be separately sold to Inbound Education Holdings (IEH) and Columbia Asia (CASB), respectively, both IEH and CASB share common shareholders (i.e. TPG and the Hong Leong Group, which each own 45% and 49.95% of IEH and CASB, respectively).
- The deal will not be subjected to shareholders' approval, but is subjected to approval from various regulatory bodies, in relation to the proposed restructuring of Hospital HoldCo and the subsequent disposal of IMU and the Hospital HoldCo.
- Barring any hiccups, the deal is expected to complete in 1Q23F.

Impact to financials

- Apart from the potential gain on divestment of c.RM900m (10.3 sen/share), the impact from the sale of IMU will not be significant on IHH's earnings as IMU's FY21 revenue/net profit of c.RM252.7m/RM54.5m represented c.1%/3% of IHH's FY21 revenue/net profit.
- The sales proceeds of RM1,345m will bring IHH's net debt down from RM5.9bn to RM4.6bn, based on FY21 net debt levels. This could also lead to potential finance cost savings for IHH of RM125m per annum. IHH's FY21 finance costs stood at RM1.1bn.

The deal looks both financially and strategically sound

- It is difficult to find a precedent transaction as a benchmark as most healthcare education businesses are private, but an implied valuation of 16.6x EV/EBITDA suggests value creation for IHH, which is currently only trading at 14.8x of our forward EV/EBITDA.
- Strategically, IMU also does not fit into IHH's goals of leveraging its brand, and the deal will enable IHH to deploy the proceeds to optimise operations and focus on its core hospital businesses, such as expanding its existing hospital clusters, entering new and adjacent markets, as well as investing in its diagnostics business.

IHH remains strategically focused; reiterate Add with TP of RM8.12

- IHH remains steadfast in executing its business strategy to grow its existing hospital clusters, with a greenfield hospital in Turkey slated to open in 2H22F, as well as ongoing due diligence to acquire business from Ramsay-Sime Darby that will both enhance IHH's Klang Valley cluster and expand into the Indonesian market.
- We think that current valuations for IHH remain attractive, and its SOP-based TP of RM8.12 implies a forward EV/EBITDA of 16.2x, which is lower than its 5-year historical average of 19.2x.
- Re-rating catalysts: accretive acquisitions through pockets of opportunities in India and Europe, and swifter return of patients in Singapore and Malaysia.
- Downside risks: unsuccessful closure of ongoing deals, weaker revenue intensities across operating geographies, and depreciation of the lira.

Figure 1: Peer comparison

Company	Bloomberg Ticker	Recom.	Price	Target	Market	P/E (x)			3-year EPS			Recurring		EV/EBITDA		Dividend	
			(lcl curr)	(lcl curr)	Cap (US\$ m)	CY22F	CY23F	CY24F	CAGR (%)	CY22F	CY23F	CY22F	CY23F	(x)	CY22F	CY23F	Yield (%)
IHH Healthcare Bhd	IHH MK	Add	6.50	8.12	13,020	36.3	31.1	28.5	5.8%	7.1%	7.7%	15.7	14.0	1.0%	1.1%		
Raffles Medical Group	RFMD SP	Hold	1.18	1.33	1,589	33.5	31.8	30.1	0.2%	6.8%	7.1%	15.9	14.8	2.4%	2.4%		
Bangkok Chain Hospital	BCH TB	Add	19.30	24.50	1,395	13.2	16.6	15.2	-24.7%	26.8%	18.7%	8.5	10.4	3.8%	3.0%		
Bangkok Dusit Med Service	BDMS TB	Hold	25.00	27.00	11,516	38.6	36.8	32.4	13.2%	12.3%	12.5%	21.1	20.0	2.2%	2.2%		
Bumrungrad Hospital	BH TB	Hold	175.0	179.0	4,032	60.8	48.8	42.2	38.1%	13.5%	16.3%	34.8	28.8	1.8%	1.8%		
Chularat Hospital	CHG TB	Add	3.78	4.03	1,205	17.5	23.9	23.8	-27.3%	34.1%	25.7%	13.1	18.0	4.4%	3.3%		
KPJ Healthcare	KPJ MK	Hold	0.89	0.99	880	31.7	29.7	29.0	33.2%	5.7%	5.8%	8.8	8.6	1.6%	1.7%		
Siloam International Hospitals	SILO IJ	Add	1,125	10,900	1,012	2.8	2.3	2.0	10.1%	10.0%	11.0%	0.0	-0.2	14.7%	14.4%		
Mitra Keluarga Karyasehat	MIKA IJ	Hold	2,580	2,300	2,543	34.8	31.0	27.9	2.3%	19.4%	19.7%	22.1	19.7	1.7%	1.4%		
Simple Average						36.5	33.0	29.7	6.5%	13.3%	12.4%	19.2	17.6	2.2%	2.1%		

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS
Updated as of 7 Jun 2022

BY THE NUMBERS

Profit & Loss

(RMm)	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Net Revenues	17,132	16,942	18,360	19,510
Gross Profit	7,448	7,030	7,520	8,032
Operating EBITDA	4,544	4,234	4,636	4,939
Depreciation And Amortisation	(1,484)	(1,484)	(1,558)	(1,636)
Operating EBIT	3,060	2,750	3,077	3,303
Financial Income/(Expense)	(544)	(549)	(550)	(550)
Pretax Income/(Loss) from Assoc.	40	40	40	40
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	2,556	2,241	2,567	2,793
Exceptional Items				
Pre-tax Profit	2,556	2,241	2,567	2,793
Taxation	(379)	(392)	(436)	(475)
Exceptional Income - post-tax	(268)	0	0	0
Profit After Tax	1,909	1,849	2,131	2,318
Minority Interests	(314)	(275)	(290)	(310)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	1,595	1,573	1,841	2,008
Recurring Net Profit	1,595	1,573	1,841	2,008
Fully Diluted Recurring Net Profit	1,595	1,573	1,841	2,008

Balance Sheet

(RMm)	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	5,018	4,047	6,208	8,530
Total Debtors	2,498	2,444	2,701	2,842
Inventories	455	459	511	537
Total Other Current Assets	563	563	563	563
Total Current Assets	8,533	7,513	9,983	12,472
Fixed Assets	10,841	10,752	10,607	10,404
Total Investments	4,039	4,079	4,119	4,159
Intangible Assets	14,193	14,146	14,096	14,044
Total Other Non-Current Assets	7,904	9,545	9,226	8,881
Total Non-current Assets	36,977	38,522	38,049	37,488
Short-term Debt	1,262	1,262	1,262	1,262
Current Portion of Long-Term Debt				
Total Creditors	4,053	4,739	5,217	5,514
Other Current Liabilities	735	735	735	735
Total Current Liabilities	6,049	6,735	7,213	7,510
Total Long-term Debt	7,609	7,285	7,285	7,285
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	3,340	2,204	2,237	2,253
Total Non-current Liabilities	10,950	9,490	9,522	9,538
Total Provisions	1,235	1,235	1,235	1,235
Total Liabilities	18,233	17,460	17,970	18,283
Shareholders' Equity	24,583	25,606	26,802	28,108
Minority Interests	2,694	2,969	3,259	3,569
Total Equity	27,277	28,575	30,061	31,677

Cash Flow

(RMm)	Dec-21A	Dec-22F	Dec-23F	Dec-24F
EBITDA	4,544	4,234	4,636	4,939
Cash Flow from Invnt. & Assoc.				
Change In Working Capital	(240)	(433)	183	137
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	(280)	0	0	0
Net Interest (Paid)/Received	(1,088)	(1,093)	(1,094)	(1,093)
Tax Paid	(490)	(392)	(436)	(475)
Cashflow From Operations	2,447	2,316	3,289	3,508
Capex	(1,249)	(1,027)	(1,027)	(1,027)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/Investments	(313)	0	0	0
Other Investing Cashflow	740	544	544	544
Cash Flow From Investing	(822)	(484)	(484)	(484)
Debt Raised/(repaid)	(540)	(324)	0	0
Proceeds From Issue Of Shares	103	0	0	0
Shares Repurchased				
Dividends Paid	(351)	(551)	(644)	(703)
Preferred Dividends				
Other Financing Cashflow	(902)	(1,093)	(1,094)	(1,093)
Cash Flow From Financing	(1,690)	(1,967)	(1,738)	(1,796)
Total Cash Generated	(65)	(135)	1,067	1,228
Free Cashflow To Equity	1,085	1,508	2,805	3,024
Free Cashflow To Firm	2,713	2,925	3,899	4,118

Key Ratios

	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	27.8%	(1.1%)	8.4%	6.3%
Operating EBITDA Growth	71.4%	(6.8%)	9.5%	6.5%
Operating EBITDA Margin	26.5%	25.0%	25.2%	25.3%
Net Cash Per Share (RM)	(0.44)	(0.51)	(0.27)	(0.00)
BVPS (RM)	2.80	2.91	3.05	3.19
Gross Interest Cover	2.81	2.52	2.81	3.02
Effective Tax Rate	14.8%	17.5%	17.0%	17.0%
Net Dividend Payout Ratio	28%	35%	35%	35%
Accounts Receivables Days	47.41	53.23	51.14	52.00
Inventory Days	16.49	16.82	16.32	16.71
Accounts Payables Days	149.7	161.9	167.6	171.1
ROIC (%)	9.6%	8.7%	9.5%	10.4%
ROCE (%)	9.57%	8.70%	9.26%	9.46%
Return On Average Assets	6.04%	5.24%	5.70%	5.85%

12-mth Fwd FD P/E (x) - IHH Healthcare Bhd



Key Drivers

	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Occupancy Rate Of Beds (%)	63.6%	67.1%	69.5%	71.8%
Number Of Operational Beds	11,418.0	11,418.0	11,418.0	11,418.0

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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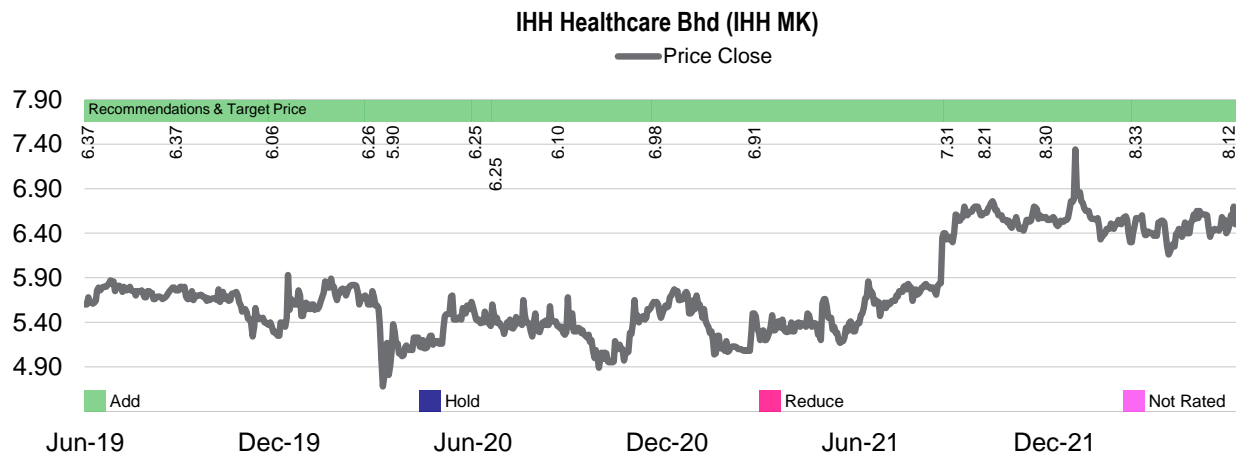
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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2022		
632 companies under coverage for quarter ended on 31 March 2022		
	Rating Distribution (%)	Investment Banking clients (%)
Add	70.3%	0.8%
Hold	22.0%	0.0%
Reduce	7.8%	0.2%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** – Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** – Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, n/a, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** – Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** – Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TOP** – Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

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Recommendation Framework	
Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.
<i>The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.</i>	
Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.
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Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.