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Friday, May 29, 2015

Market Access

IHH Healthcare Bhd

"Fit and Healthy 1Q15"

Results Review

- **Actual vs. expectations.** IHH Healthcare (IHH) recorded a commendable 1Q15 net profit of RM171 million (+8% y-o-y) that came in line with ours and consensus estimates respectively, accounting 20% of ours and consensus full year net profit forecast. Excluding exceptional items, 1Q15 net profit grew solidly assisted by higher contribution from the Parkway Pantai and Acibadem segment with both hospitals recorded an increase in inpatient admission by 7% and 3% respectively. PBT however, dropped by 4% y-o-y to RM233 million due to higher finance cost of RM155 million compared with the preceding year of RM64 million.

- **Dividend**.There was no dividend declared during the quarter.

- **Parkway Pantai.** Parkway Pantai posted higher revenue and EBITDA at RM1.2 billion (+14% y-o-y) and RM297 million (+15% y-o-y) in 1Q15, underpinned by strong inpatient admission from Singapore hospitals that jumped by 7% y-o-y respectively. Malaysia's inpatient admission however was flat during the quarter. 1Q15 revenue per inpatient admission increased by 2% to approximately RM24,392 in Singapore and jumped by 14% to RM5,412 in Malaysia compared to preceding year.

- **Acibadem.** Turkey's largest private healthcare provider recorded revenue growth of 15% y-o-yin 1Q15 to RM737 million and EBITDA growth of 27% y-o-y to RM148 million, driven by higher inpatient admissions from existing operations and new hospitals consisting of Acibadem Ankara Hospital and Acibadem Bodrum Hospital as well as contribution from the one year-old

Research Team
research@mna.com.my
03-22877228 ext. 257,229,221,249,258,219

SELL (TP: RM 5.19)

Current Price (RM)	RM5.80
New Target Price (RM)	**RM5.19**
Previous Target price (RM)	RM 4.92
Previous Recomm.	HOLD
Upside to the Target Price	**-10%**
Dividend Yield (FY15)	**1%**

Stock Code

Bloomberg	IHH MK

Stock & Market Data

Listing	MAIN MARKET
Sector	Healthcare
Shariah Compliance	Yes
Issued Shares	8,207.4mn
Market Cap	49,162.3mn
YTD Chg In Share Price	24.27%
Beta (x)	0.86
52-week Hi/Lo (RM)	6.12 | 3.94
6M Average Volume (shares)	6.158mn
Estimated Free Float	17%

Major Shareholders

Khazanah Nasional Bhd	43.63%
Mitsuiui& Co LTD	20.10%
EPF	8.77%

Acibadem Atakent Hospital. Average revenue per inpatient admission rose by 10% y-o-y to RM9,565 for 1Q15.

- **Catalyst on new projects.** IHH will gradually open additional wards and beds in the future to meet patient demands and the group has already started commencing some of their few projects to expand their share market. The Group will start the construction of Parkway Pantai and Gleneagles's new hospitals in Malaysia, Hong Kong and India. In Malaysia, new Greenfield projects, namely Gleneagles Kota Kinabalu and Gleneagles Medini will add an approximately 400 beds by FY15. In Turkey, there are three Greenfield projects, namely Acibadem Altunizade with expectation of approximately new 150 beds, Acibadem Kartal and Atasehir which is located in Istanbul. Acibadem Kartal and Atasehir are currently under valuation and ongoing discussion. Hence, these two projects could add approximately another 300 beds to IHH's bed capacity. The Brownfield project, namely Acibadem Taksim which is currently under construction is estimated to complete by 1st half FY15. This hospital will add another 120 beds capacity. These new projects across Malaysia and Turkey are expected to boost the patients' volume and revenue upon its completion.

- **Change to forecast.**We have done some housekeeping exercise and came out with new FY15 and FY16 earnings forecast of RM884 million and RM1.10 billion respectively. FY15 and FY16 earnings are projected to increase 17% and 25% y-o-y lifted by i) strong balance sheet and cash flow to support its expansion plans as they move forward and ii) steady patient volume due to continuous demand and quality service of private healthcare.

- **Valuation.**Due to our revision in earning forecast, we have come out with a new target price on IHH of **RM5.19** based on SOP-valuation and the stock is a **SELL**. Re-rating catalyst may come from i) expansion of existing facilities that may increase the inpatient admission and ii) continuous business expansion Malaysia, Hong Kong and Turkey and newly opened hospitals which would add more beds in FY15 and FY16.

Table 1: Peers Comparison

Company	Year End	Price (RM)	EPS (sen)		P/E (X)		P/B (X)		ROE (%)	Div Yield (%)	Target Price	Call
			FY14	FY15	FY14	FY15	FY14	FY15				
KPJ Healthcare	Dec	4.22	12	14	33	30	3	3	10.9	1.22	3.92	Hold
IHH Healthcare	Dec	5.80	12	15	47	38	2	2	4.0	0.36	5.19	Sell
PharmaNiaga	Dec	6.90	39	40	14	14	3	3	18.5	4.91	NA	NA
Average			21	23	31	27	3	2				

Source: Bloomberg, M&A Securities

Research Team
research@mna.com.my
03-22877228

Table 2: Financial Forecast

YE: Dec (RM million)	FY12	FY13	FY14	FY15F	FY16F
Revenue	6,962	6,756	7,344	9,111	10,410
EBITDA	1,569	1,658	1,336	1,649	1,884
PBT	1,058	882	1,221	1,427	1,783
Net profit	751	631	754	884	1,106
EPS (sen)	11	8	9	11	14
PBT margin	15%	13%	17%	16%	17%
Net profit margin	11%	9%	10%	10%	11%
PER (x)	29	50	50	47	38
P/BV (x)	1.57	1.74	2.51	2.44	2.36

Source: Company, M&A Securities

Table 3: IHH Sum of Parts

	Valuation Basis	Value RM	Multiples/Stake	Effective EV	Per IHH Share
PPL	FY16F EV/EBITDA	1,662	21x	29,915	3.65
Acibadem	FY16F EV/EBITDA	766	26x	10,294	1.26
IMU Health	FY16F EV/EBITDA	96	16x	1,549	0.19
PlifeReit	Consensus TP	1,371	36%	490	0.06
Apollo	Consensus TP	1,097	11%	119	0.01
Net Debt/ Share	FY15F			218	0.03
Total				**42,586**	**5.19**

Source: M&A Securities

Table 4: Results Highlight

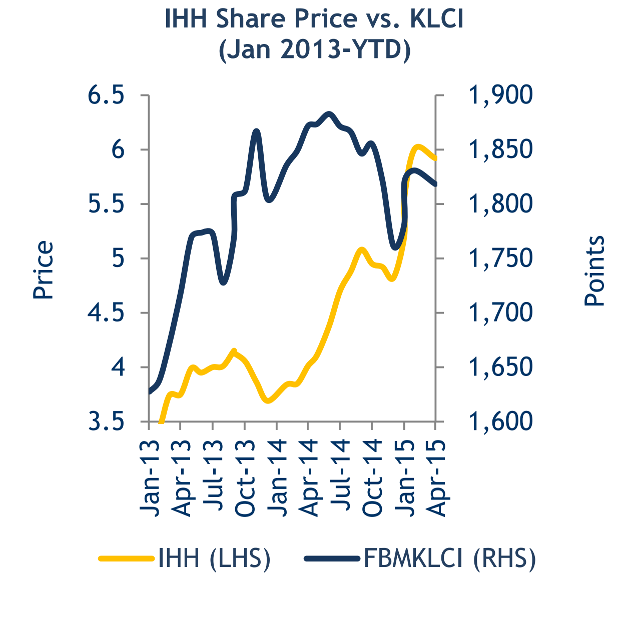
YE: Dec (RM million)	1Q15	1Q14	4Q14	q-o-q	y-o-y	3M15	3M14	y-o-y
Revenue	2,003	1,758	1,937	3%	14%	2,003	1,758	14%
EBITDA	506	438	588	-14%	16%	506	438	16%
PBT	233	243	429	-46%	-4%	233	243	-4%
Taxation	(52)	(54)	(94)	-44%	-3%	(52)	(54)	-3%
Net Profit	171	159	239	-28%	8%	171	159	8%
EPS (sen)	2	2	3	-30%	7%	2	2	7%
EBITDA margin	25%	25%	30%			25%	25%	
PBT margin	12%	14%	22%			12%	14%	
Net profit margin	9%	9%	12%			9%	9%	
Effective tax rate	-22%	-22%	-22%			-22%	-22%	

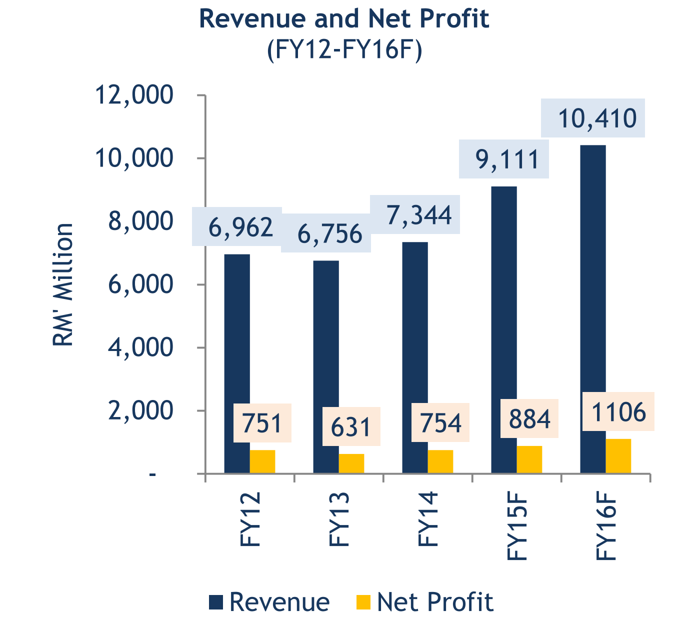
Source: Company, M&A Securities

Table 5: Segmental Analysis

	1Q15	1Q14	y-o-y	3M15	3M14	y-o-y
<u>Revenue</u>						
Parkway Pantai	1,187	1,044	14%	1,187	1,044	14%
Acibadem Holdings	737	640	15%	737	640	15%
IMU Health	57	50	13%	57	50	13%
Plife REIT	23	23	-1%	23	23	-1%
<u>EBITDA</u>						
Parkway Pantai	297	259	15%	297	259	15%
Acibadem Holdings	148	117	27%	148	117	27%
IMU Health	23	21	9%	23	21	9%
Plife REIT	54	52	3%	54	52	3%

Source: Bloomberg, M&A Securities





Source: Bloomberg, M&A Securities

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STOCK RECOMMENDATIONS

BUY	*Share price is expected to be ≥+10% over the next 12 months.*
TRADING BUY	*Share price is expected to be ≥+10% within 3-months due to positive newsflow.*
HOLD	*Share price is expected to be between -10% and +10% over the next 12 months.*
SELL	*Share price is expected to be ≥-10% over the next 12 months.*

SECTOR RECOMMENDATIONS

OVERWEIGHT	*The sector is expected to outperform the FBM KLCI over the next 12 months.*
NEUTRAL	*The sector is expected to perform in line with the FBM KLCI over the next 12 months.*
UNDERWEIGHT	*The sector is expected to underperform the FBM KLCI over the next 12 months.*

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(A wholly-owned subsidiary of INSAS BERHAD)
A Participating Organisation of Bursa Malaysia Securities Berhad

Principal Office:
Level 1,2,3 No.45-47 &43-6 ,
The Boulevard, Mid Valley City,
Lingkaran Syed Putra,
59200 Kuala Lumpur
Tel: +603 – 2282 1820 Fax: +603 – 2283 1893
Website: www.mnaonline.com.my

Research Team
research@mna.com.my
03-22877228