IHH Healthcare Berhad

(5225 | IHH MK) Healthcare | Healthcare Providers

***Maintain* BUY**

10th Anniversary of Commitment to Net Zero

***Unchanaged* Target Price: RM7.96**

KEY INVESTMENT HIGHLIGHTS

- **IHH Healthcare marked its 10th Anniversary of Commitment to Net Zero**
- **Carbon emissions capped from 2025 with 2022 as baseline**
- **Established Sustainability Goals Framework**
- **No changes to our FY22-23 earnings estimates**
- **Maintain BUY with unchanged TP of RM7.96 per share**

10 Years Commitment. IHH Healthcare Bhd (IHH), an integrated healthcare provider, stated that it aims to grow its business in tandem with achieving net zero carbon emissions by 2050. The group marked its 10th Anniversary with the Commitment to Net Zero; leading the healthcare service provider to commit into capping carbon emissions across its entire operations from 2025 onwards with 2022 as its baseline.

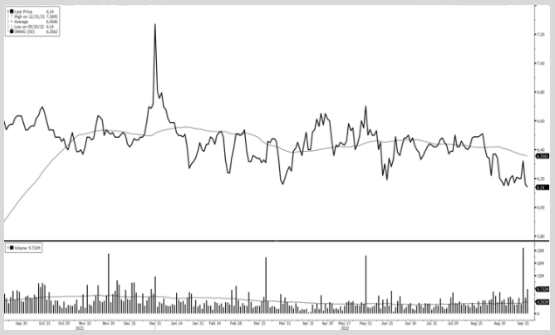
"Care. For Good". In tandem with the group's aspiration to *"Care. For Good.",* IHH had disclosed its sustainability objectives, which are summarised in the four key pillars – *Patients, People, Public, and Planet* through leveraging on its international footprint, robust collaborations and efficient resources (see Table 1). The goals set by each pillar are time-specific, science-based and aligned to eight of the UN Sustainable Development Goals (UNSDGs), of which the group will track and monitor in the short- to medium-terms.

Major programmes progressing. The group is concurrently implementing several major programmes under the key pillars, including:

(i) expanding its value-driven outcomes (VDO) initiative across all its markets to improve outcomes and care for patients while reducing costs;
(ii) driving initiatives under the Antimicrobial Stewardship Programme to promote responsible use of antibiotics;
(iii) signing of Memorandum of Understanding (MoU) with the Ministry of Health (MOH) to provide 500 low-income cancer patients in government hospitals through radiotherapy and radiosurgery treatments for 12 months;
(iv) continuously reducing emissions through decarbonisation projects and renewable energy, while also reducing patient carbon output in line with patient volume growth; and
(v) partnering with World Wildlife Fund's Plastic Action initiative to reduce plastic waste and move towards a circular economy.

RETURN STATISTICS	
Price @ 20th September 2022	6.14
Expected share price return (%)	+29.6
Expected dividend yield (%)	+1.2
Expected total return (%)	**+30.8**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-4.2	-1.4
3 months	-4.8	-4.3
12 months	-7.7	-3.4

KEY STATISTICS	
FBM KLCI	1,461.10
Syariah compliant	Yes
F4GBM Index	No
ESG Grading Band	☆☆☆
Issues shares (m)	8796.72
Estimated free float (%)	14.23
Market Capitalisation (RM'm)	54,069.11
52-wk price range	RM6.02 - RM7.34
Beta vs FBM KLCI (x)	0.98
Monthly velocity (%)	0.00
Monthly volatility (%)	8.76
3-mth average daily volume (m)	4.46
3-mth average daily value (RM'm)	28.36
Top Shareholders (%)	
Mitsui & Co Ltd	32.80
PULAU MEMUTIK VEN SDN BHD	25.94
Employees Provident Fund Board	9.61

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Table 1: IHH Sustainability Goals Framework

Key Pillars	Target	Undertaking
Patients	To be the most trusted private healthcare provider in all our markets by 2025	• Achieve 90% of value-driven outcomes (VDO) at or above international benchmarks • Billing estimates to be 90% accurate in core markets • Admission for accident & emergency (A&E) cases to be within 1-hour from doctors' instruction • Be in top quartile in Net Promoter Score (NPS) in all markets
People	To be the employer of choice in private healthcare in all our markets by 2025	• Be above country and world healthcare norms in Employee Engagement Survey (EES) scores for all of markets • Achieve 50:50 Male to Female ratio in Leadership roles • Increase global nursing talent pool by 10% • Reduce lost time injuries and have zero workplace fatalities
Public	To touch 5 million lives for healthier communities by 2025	• 100% of hospitals implement antimicrobial resistance (AMR) interventions in line with CDC, WHO and national guidelines • Reduce disease burden on cancer and cardiovascular diseases through screenings, health literacy and disease management programmes • Establish public corporate responsibility programmes in at least two of core markets to avail quality healthcare to the underserved (by 2023)
Planet	To cap carbon growth by 2025 and achieve carbon net zero by 2050	• Cap Scope 1 & 2 emissions at 2022 baseline (inclusive of growth) and reduce y-o-y carbon intensity per patient bed-day • Strategise Scope 3 carbon accounting (by 2023) • Be SBTi (Science Based Target Initiative) ready • Reduce single-use virgin plastic by 90% in nonclinical areas in Malaysia • and Singapore (by 2023)

Source: Company, MIDFR

No changes to earnings forecasts. IHH's sustainability goals are set to persevere for the long run and until it meets its net zero carbon aspirations by 2050. Hence, we make no changes to our earnings forecasts at this juncture.

Maintain BUY with unchanged TP of RM7.96. All in, we maintain our **BUY** call with an unchanged target price of **RM7.96 per share** on IHH. We believe IHH's solid vision of an ESG-heavy future for healthcare service providers is a positive addition to the group's resilient financial performance on the strength of increasing inpatient volume and returning medical tourists post-pandemic. We reiterate our positive stance on IHH for its: (i) strong balance sheet, (ii) efficient local, regional and international collaborations, and (iii) focused sustainability goals.

INVESTMENT STATISTICS

Financial year ending 31st December (in RM'm unless stated otherwise)	2020A	2021A	2022E	2023F	2024F
Revenue	**13,404.6**	**17,131.8**	**18,191.5**	**17,991.0**	**18,889.7**
EBITDA	2,876.3	4,279.4	5,333.6	5,362.0	5,413.7
PBT	567.5	2,555.7	2,309.9	2,373.1	2,443.2
PATANCI	288.9	1,862.5	1,688.7	1,796.3	1,849.4
Normalised PATANCI	**715.3**	**1,594.8**	**1,688.7**	**1,796.3**	**1,849.4**
Normalised Basic EPS (sen)	7.1	17.2	19.2	20.5	21.1
Normalised EPS growth (%)	(24.9)	141.2	11.9	6.4	3.4
PBT margin (%)	4.2	14.9	12.7	13.2	12.9
Normalised PATANCI margin (%)	5.3	9.3	9.3	10.0	9.8
PER (x)	100.3	41.6	37.1	34.9	33.9
Dividend per share (sen)	4.0	6.0	6.0	6.0	7.0
Dividend yield (%)	0.6	0.8	0.8	0.8	1.0

Source: Company, 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 *rise* 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 *fall* 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