IHH Healthcare Berhad

***Maintain* BUY**

(5225 | IHH MK) Healthcare | Healthcare Providers

Acibadem expanded to Izmir with Kent acquisition

Target Price: RM7.65

DEVELOPMENT

- IHH Healthcare's subsidiary Acibadem Healthcare entered definitive agreements to buy 100% stake in Kent Health Group (Kent).
- Kent owns two medical centres in Izmir, Turkiye, in addition to Izmir Kent Hospital – the largest private hospital in the region which is equipped with 340 beds and a cancer centre.

OUR VIEW

- **100% acquisition.** Acibadem Healthcare Group (Acibadem), a division of IHH Healthcare, declared that it has entered into binding agreements to buy 100% stake in Kent Health Group (Kent), a leading private healthcare services provider in Izmir, Turkiye. The acquisition aligns with Achibadem's growth strategy.
- **State-of-the-art facilities.** Established in 2004, Kent manages two medical facilities in the city in addition to the largest private hospital in Izmir, the 340-bed Izmir Kent Hospital with an affiliated cancer centre. Kent is also constructing a cutting-edge oncology centre and opening of a new satellite facility.
- **Transaction completed in 1QCY23.** Izmir Kent Hospital will be Acibadem's 19th hospital in Turkiye and 25th globally. The number of medical centres in Acibadem's network will increase to 16 with this acquisition. The transaction is expected to close during the first quarter of 2023 following the completion of necessary regulatory approvals.
- **FX risk.** We are positive that the acquisition of Kent will bring more value to Achibadem's and IHH's performance in the medium to long term. However, the risk of Lira forex exchange on the group's financials will continue to be a cause for concern.
- **All in all,** we like IHH as its medium to long term growth prospects remain intact. Moreover, with the gradual returning to pre-pandemic demand for healthcare, we maintain our positive stance on IHH.
- **Maintain BUY.** At this juncture, we make no changes to our earnings estimates and maintain our **BUY** call on IHH with a **target price of RM7.65.** Our target price pegs on a PER of 31.3x to an EPS23 of 24.5sen.

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**	**18,261.4**	**19,459.8**	**20,306.0**
EBITDA	2,876.3	4,279.4	3,501.8	3,930.7	4,813.3
PBT	567.5	2,555.7	2,217.9	2,546.2	3,034.9
PATANCI	288.9	1,862.5	**1,812.1**	**2,146.1**	**2,558.1**
Normalised PATANCI	**715.3**	**1,594.8**	**1,812.1**	**2,146.1**	**2,558.1**
Normalised Basic EPS (sen)	7.1	17.2	20.7	24.5	29.2
Normalised EPS growth (%)	(24.9)	141.2	20.1	18.4	19.2
PBT margin (%)	4.2	14.9	12.1	13.1	14.9
Normalised PATANCI margin (%)	2.2	10.9	9.9	11.0	12.6
PER (x)	111.6	46.3	37.0	31.3	26.2
Dividend per share (sen)	4.0	6.0	6.0	6.0	7.0
Dividend yield (%)	0.5	0.8	0.8	0.8	0.9

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 *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