

IHH HEALTHCARE BERHAD



IHH Healthcare

Main Market | Health Care

IHH Healthcare is an international private healthcare provider. Its portfolio of brands such as *Acibadem*, *Mount Elizabeth*, *Prince Court*, *Gleneagles*, *Fortis*, *Pantai*, *Parkway* and *IMU*, is no stranger to people in Malaysia, Singapore, Turkey, India and Greater China (including Hong Kong). IHH Healthcare had its primary listing on the Main Market of Bursa Malaysia and secondary listing on the Main Board of Singapore Stock Exchange in 2012.

Stock Code	5225
Market Cap (RM m)	58,923.0
Share Outstanding (m)	8,794.5
Current Price (RM)	6.70
52-week range (H)	6.87
52-week range (L)	4.95

[Company profile](#)

1. Could you give us a brief introduction to your company and key milestones throughout the years?

IHH Healthcare was incorporated on 21 May 2010 as a holding company for Khazanah’s healthcare investments in Parkway, Pantai, IMU Health and Apollo. Subsequently, IHH Healthcare was converted to a public company on 2 April 2012 and assumed its current name. In the same year, we undertook concurrent IPO, with primary listing on the Main Market of Bursa Malaysia and secondary listing on the Main Board of Singapore Stock Exchange. Currently, we are a constituent of the FTSE Bursa Malaysia KLCI Index.

Our vision is to become the world’s most trusted healthcare services network. At the core of this is our commitment to touching lives and transforming lives.

Our portfolio of brands - Acibadem, Mount Elizabeth, Prince Court, Gleneagles, Fortis, Pantai, and Parkway - are among the most trusted brands in our key markets of Malaysia, Singapore, Turkey, India, and Greater China (including Hong Kong).

Through our dedicated team of more than 65,000 people across 80 hospitals in ten countries, we offer a full spectrum of integrated healthcare services, from primary care to highly specialised acute medical treatment via a diverse range of medical, diagnostic, and ancillary assets from clinics and hospitals to laboratories and radiology centres.



Since our listing, we have embarked on multiple acquisitions to expand our regional presence.

- In 2012, we acquired a 60% stake in Acibadem Healthcare Group, Turkey's leading healthcare provider, and further increased our stake to 90% in 2018. The Acibadem brand sets the benchmark for clinical excellence in Turkey and region, combining top medical expertise and latest technology with the comfort and sophistication of a five-star hotel, providing an exceptional patient experience.

- In 2015, we acquired a majority stake in Global and Continental Hospitals to grow our presence in India. In 2018, we completed a transformational acquisition of a 31.1% stake in Fortis Healthcare (Fortis), a leading integrated healthcare delivery service provider in India. The healthcare verticals of Fortis comprise hospitals, diagnostics, and day care specialty facilities. This gave us board control over Fortis and increased our scale in India to over 30 hospitals.
- Greater China, including Hong Kong has also been a growth market for IHH Healthcare. In 2017, we opened Gleneagles Hospital Hong Kong, a multi-specialty greenfield hospital and the first private hospital in Hong Kong since 1991, following a competitive bid and meticulous development. In late 2019, we opened our Gleneagles Hospital Chengdu, the first private general hospital in Southwest China.

2. What are your key success factors?

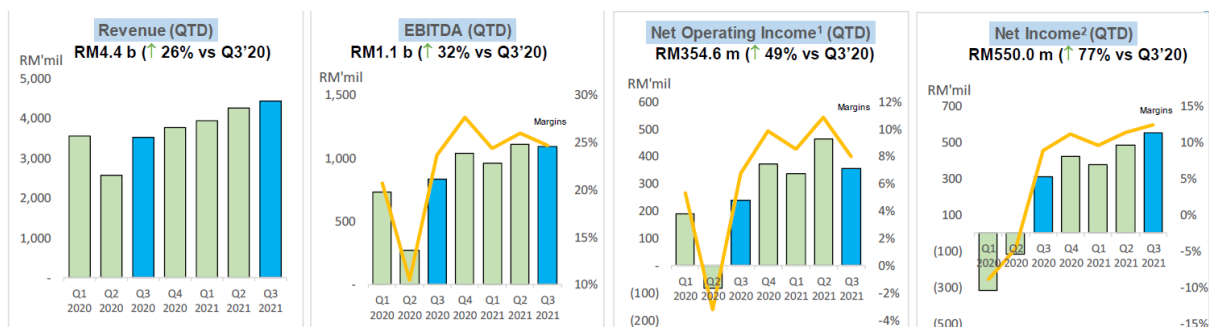
We deliver our vision to be the world's most trusted healthcare services network through our Refreshed Strategy. First announced in February 2020, the Refreshed Strategy focuses on improving returns while delivering growth and achieving stronger synergies through:

- **Pursuing a geographical cluster strategy for capital efficient growth:** This can be best exemplified with the acquisition of the Prince Court Medical Centre which has a suite of services and specialties that complements our cluster strategy of having specialised tertiary hospitals in the Golden Triangle of Kuala Lumpur, Malaysia.
- **Reviewing our asset portfolio and capital deployment to prioritise returns:** We actively review and calibrate our portfolio which include the divestment of non-core or underperforming assets. We always prioritise capital efficiency and focus on achieving higher returns.
- **Leveraging our international scale to achieve stronger synergies and cost savings:** With our geographical footprint in ten countries, we can extract tremendous synergies by sharpening our strategy to deliver greater value for patients. We are also targeting cost savings through our Group procurement programme and enhancing operational efficiency through the "one-IHH" network.
- **Developing sustainable platforms by innovating and digitalising to adapt and respond quickly to our patients' evolving needs in the new post-COVID 19 world:** We accelerated the roll out of our telemedicine offerings globally last year to complement our brick-and-mortar facilities as we live with COVID-19. We aim to continue providing value-driven-outcomes focusing on better identifying and eventually predicting the outcomes and costs of our care to create more transparency and consistency for our patients, thereby fostering trust. We believe that this is a key move to drive sustainability in healthcare industry.

3. Describe your recent financial performance.

Having responded swiftly to these unprecedented times, our Group undertook COVID-19 support services and navigated through the pandemic with strict cost controls. We reported sustained recovery since June 2020. The underlying strength of our business underpinned by a clear strategy and the agility of our team in adapting to the challenges were among the key reasons for our resilience.

Business continued to rebound in the third quarter of financial year 2021 as patients returned for treatment, coupled with our provision of COVID-19 support service offerings. Revenue grew 26% YoY to RM4.4 billion while EBITDA jumped 32% for the same period. We are also glad to share that Gleneagles Hong Kong Hospital has broken even on EBITDA in May 2021 and reported a positive EBITDA this quarter.



[Announcement on financial result for the third quarter for financial year 2021](#)

4. Do you have a dividend policy?

We adopt a dividend policy whereby not less than 20% of our Group's profit after tax and minority interests, excluding exceptional items (PATMI EI), is distributed to our shareholders.

For the financial year 2020, the Board declared a dividend of 4 sen per ordinary share, representing a payout ratio of 49%. This ratio is higher than the 38% payout ratio in the previous year.

5. How has the COVID-19 impacted your business?

We adapted swiftly and were able to navigate through the challenges presented during the pandemic. Our operations - as with all other businesses - were most impacted at the height of the pandemic in April and May 2020, when movement restrictions resulted in local patients deferring non-urgent medical procedures and a drop in foreign patients.

However, we have successfully mitigated the impact - and continue to do so by:

- **Driving efficient growth** through opportunities to expand into new or established clusters where it is earnings accretive to IHH Healthcare.
- **Extracting synergies from our international network** and enhancing efficiencies to become one-IHH network.
- **Proactively diversifying into new revenue streams** in areas of diagnostics and laboratory services, improving case mix as well as partnering and supporting public health organisations, while maintaining tight cost and capital discipline.
- **Embarking on a patient-centric digital transformation roadmap** over the next few years to deliver better, seamless, and affordable care for our patients.

As healthcare providers, our immediate and continuing priority lies in supporting governments across the world in their fight against COVID-19, including by providing COVID-19 lab testing, allocating some of our beds for COVID-19 patients, and running vaccination centres. In fact, our laboratories have already conducted more than eight million COVID-19-related tests since 2020.

In the long run, hospitals will continue to transform the face of healthcare and meet patients' demand for faster, affordable, and more convenient services. The future of hospital care is one that will be both "high-tech" and "high-touch".

We will also see increased investment in digitalisation and innovation as a host of new technologies are integrated into care delivery such as telemedicine, artificial intelligence (AI), genomics and precision medicine. For us, we have accelerated our digital healthcare journey. Since 2019, we have set aside RM250 million (~S\$80 million) for innovative projects to drive loyalty.

COVID-19 has shown the importance of Public Private Partnerships and how having a holistic healthcare ecosystem will create opportunities for new healthcare behaviours, business and funding

models and more effective stakeholder collaborations which can lead to novel combinations of products and services from incumbents and new entrants.

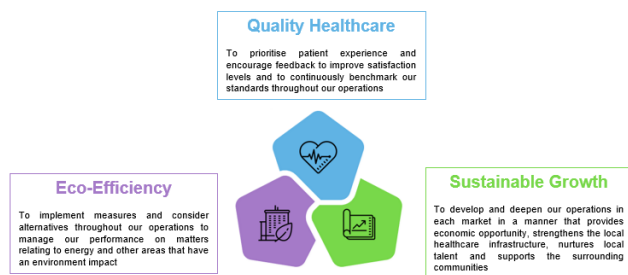
Areas of cooperation include providing COVID-19 tests, lab testing, border screening, running vaccination centres, and administering vaccinations. We believe these Public Private Partnerships and laboratory services are here to stay and can provide governments with further support.

5. Tell us more about your efforts in the area of sustainability.

In 2021, we rolled out our latest roadmap and action plan and implemented our Sustainability Policy which focuses on areas that maximise our value for long-term growth while ensuring our operations do not impact the surrounding ecosystem. IHH Healthcare has adopted seven United Nations Sustainable Development Goals which are aligned with the Group’s current strategies and sustainability initiatives illustrated below.



We categorised 20 materiality matters according to our five pillars of sustainability - our patients, our people, our organisation, our environment, and our community. We adopt a three-pronged strategy to guide the implementation of sustainability initiatives to support our overall business strategy



In addition, IHH Healthcare is embarking on several key initiatives to meet SDG 3 - good health and well-being - that we believe will have an impact and improve sustainability in the healthcare landscape. We are passionate about building a healthcare business that’s firmly anchored on being patient centred on making healthcare better for each patient.

Rising healthcare cost is a growing concern in markets we operate in, and we proactively embark on our Value Driven Outcomes initiative to better identify and eventually predict the outcomes and costs of our care. This initiative is currently rolled out for four common, high-volume, and high-impact procedures which will have the biggest impact on patients, namely:

- Total Knee Replacement
- Colonoscopy
- Anterior Cruciate Ligament Surgery
- Percutaneous Coronary Intervention

Our Value Driven Outcomes Initiative is currently practiced in five regions Singapore, Malaysia, Turkey, Brunei, and Hong Kong.

6. Tell us more about the progress of your Refreshed Strategy. Also, any plan for further acquisition or joint venture in the near term?

Since the second quarter of 2021, our Refreshed Strategy to double our return on equity (ROE) by 2024 has materialised ahead of schedule. In May 2021, Gleneagles Hong Kong operations achieved EBITDA breakeven and delivered a positive EBITDA in the third quarter. We have achieved our target procurement savings of RM100 million (-US\$25 million). Our Turkish and European operations have also grown in profitability and has steadily increased its non-Lira contributions to 40% of its revenue. In the longer term, we are optimistic for Fortis (India), Gleneagles Hong Kong and the Greater China region to contribute positively to the Group

In addition, the Group will also pursue a geographical cluster strategy to drive efficient capital growth. This means IHH Healthcare will further strengthen its presence in established clusters in metro centres to achieve greater economies of scale while delivering better patient services. We are reviewing opportunities to expand into new clusters which are earnings accretive to IHH Healthcare. We also continue to invest in growth prudently, for instance by entering Serbia through acquiring Bel Medic in July 2021. This is in line with our strategy to grow our Eastern Europe cluster and diversify Acibadem's revenue base with Euro-hedged earnings. In the near term, we aim to further diversify and grow our business in diagnostics, ambulatory care, and data analytics while continuing to drive stronger financial performance.

Corporate website: <https://www.ihhhealthcare.com/>

IR Contact: ir@ihhhealthcare.com

Prepared by Bursa Digital Research

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