IHH Likely To Shine In Medical Tourism

PETALING JAYA: IHH Healthcare Bhd is RHB Research's top pick within the healthcare sector and it should fare better than its peers in terms of medical tourism.

This is based on its state-of-the-art medical facilities and strategic geographical presence, in meeting the needs of affluent patients, the research house noted in a report.

That said, the sector as a whole reported lower-than expected earnings in the first half of this year.

IHH and KPJ Healthcare Bhd's first half 2022 (1H22) results were below expectations, said RHB Research.

IHH was hit by the weakening of the Turkiyish lira where it has operations, the application of the Malaysian Financial Reporting Standard 129 and diminishing Covid-19-related revenue.

KPJ was dragged by losses from its overseas units, RHB Research noted.

"In terms of domestic patients' growth, IHH fared better than KPJ after posting an 18% quarter-on-quarter growth in the second quarter of this year (2Q22).

"IHH also reported a better bed occupancy rate of 61% (KPJ 56%) and revenue intensity."

RHB Research said that in terms of medical tourism revenue contribution, IHH has a higher exposure than KPJ (15% to 7%), which it can leverage on through its vast hospital network within the region and capture pent-up demand from returning medical tourists.

It added that IHH remains in a sweet spot to pass on higher costs to its affluent customer base, given its relatively robust revenue intensity performance in 2Q22.

"KPJ lags behind, mainly dragged by the increasing outpatient visitation in 2Q22."

For Duopharma Biotech Bhd (DBB), while the consumer healthcare segment delivered better-than-expected sales in July and August, FY22 growth may be lukewarm due to the high-base effect in FY21," RHB Research said.

It added that it expected DBB’s consumer healthcare (CHC) revenue growth to be more meaningful from 2023 onwards, driven by strong brand recognition and resilient consumer demand for healthcare and supplement products.

RHB in the report also noted that DBB’s 1H22 results beat expectations.

After adjusting for one-off items, the write-down of inventories amounted to RM18mil.

“The impairment of Sinopharm vaccines is expected to last until the end of 2022, even though the remaining inventory should be sold off by 2023,” said RHB Research.

“While the approved product purchase list contract renewal remains a wild card for DBB, the gradual incremental contribution from the human insulin supply contract and meaningful CHC growth moving into 2023 should anchor its three-year revenue compounded annual growth rate of 10% from 2021 to 2024.”

RHB said among key risks for the sector include the re-imposition of border closures in local and overseas markets, lower-than-expected patient visits or revenue intensity growth and unfavourable drug pricing mechanisms from the Health Ministry.