

KPJ to benefit from realignment of business operation

KUALA LUMPUR — KPJ Healthcare Bhd (KPJ) is poised to benefit from the realignment of its business investments this year, MIDF Research said.

A report by the research house said it is positive on the fact that KPJ has decided to exit Jeta Garden, its aged care centre in Australia, as the business has remained loss-making since the care centre was acquired in 2010 and shows no sign of turning around anytime soon.

“This is despite the continuous effort by the management to turn around the operation, including adding more facility in 2015,” it said.

“Furthermore, we believe the management will be able to use the proceeds from the disposal to pare down debts and reinvest in expanding existing hospitals which will benefit KPJ in the future.”

Moving forward, MIDF Research said, the growth will continue to be driven by higher contribution from newly opened hospitals as well as improvements in contribution coming from its more matured hospitals.

“We also view that the improving ringgit against US dollar will bode well for KPJ as it will reduce the volatility and the cost of medical consumable which in turn will result in higher profitability,” it said.

The report said there will be

a new round of price revision exercise that will take place early in the year which will assist in revenue growth for the final year 2018 given the absence of price revisions last year.

In addition, despite the intricacies of operating in the Indonesian market, the management of KPJ is planning to expand its footprint in Indonesia in the medium to long-term.

“Indonesia remains in KPJ’s interest due to its lower labour costs and plenty of underserved areas. Also, by targeting to operate in cities outside of Jakarta, which is underserved, it will also avoid competing head-on with other Indonesia’s private healthcare service providers,” it said.