Corporate Update

KPJ Healthcare Berhad

(5878 | KPJ MK) Healthcare | Healthcare Providers

3 Stars | SHARIAH Compliant | FTSE4Good

Maintain **BUY**

Revised Target Price **RM2.78** (from RM2.75)

FY24 Earnings Surged from Higher BOR

Maintain BUY. KPJ Healthcare Bhd's (KPJ) FY24 normalised earnings came in above our and consensus' expectations by +18% and +27% respectively. As such, we maintain our BUY call for KPJ. We revised the target price from RM2.75 to RM2.78 to accommodate the normalisation with FY24 results.

Normalised PATAMI up +48%yoy. FY24 normalised PATAMI added +48%yoy to RM400.2m. Likewise, FY24 revenue saw a rise of +14.7%yoy to RM3.9b. This is mainly due by higher number of patients visits and bed capacity, subsequently contributing to higher hospital activities.

Hospitals to continue seeing positive prospects. KPJ's continuous capacity expansion plan and development of centres of excellence paved an optimistic prospect for the group coming into FY25. We are expecting the group to also remain vigilant on its financial management in tandem with its brownfield asset optimisation strategy, whilst delivering sustainable healthcare services to its patients.

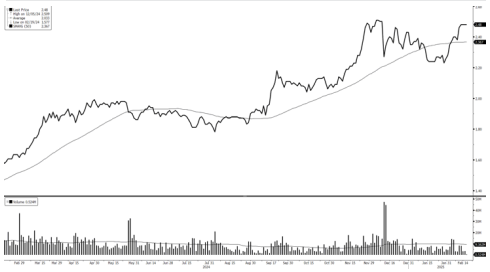
Resilient operations expected in the long term. KPJ had shown promising prospects, on the strength of: (i) increased demand for quality and affordable care, (ii) improved operational efficiency and cost optimisation, (iii) higher demand from medical tourism, (iv) advancing AI-based medical tech, and (v) optimisation of brownfield hospitals to sustain organic growth. To note, the group is expected to add more than 1,500 beds over the next 5 years, bringing the total to 5,000 beds.

Revised earnings estimates. Considering that FY24 earnings came in above expectations, we revised FY25-27 upwards by +13%/+13%/+6% respectively. This revision considers KPJ's FY24 results, in addition to normalising the forecast based on current market conditions for local private healthcare. KPJ has the advantage of being less susceptible to unfavourable forex and the direct impact of external geopolitical risks. Nevertheless, local and regional competition remain high, on top of the continuous regulation and policy changes in the healthcare sector. Given KPJ's strong footprint in Malaysia, we believe KPJ will remain resilient amid these headwinds.

Revised TP to RM2.78. Likewise, we revised our target price to RM2.78 from RM2.75, pegging on a PER of 28.8x to the revised EPS25 of 9.7sen. The new PER used is derived from KPJ's average 5-Y PER, +1 SD, as we remain optimistic on the KPJ's trajectory coming into FY25. Despite the industry-wide challenges and global uncertainties, we believe KPJ is capable to navigate these setbacks via its strong focus on operational efficiency, technological innovation, and strategic expansion. Hence, we maintain a BUY call for KPJ.

RETURN STATISTICS	
Price @ 28th Feb 2025 (RM)	2.37
Expected share price return (%)	+17.3
Expected dividend yield (%)	+1.6
Expected total return (%)	+18.9

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	8.4	9.0
3 months	0.8	7.4
12 months	49.4	47.9

INVESTMENT STATISTICS

FYE Dec (Rm'm)	2025E	2026F	2027F
Revenue	3,961	4,196	4,320
EBIT	690	781	831
PBT	551	639	686
Core PATAMI	437	487	506
Core EPS	9.7	10.8	11.2
DPS	4.4	5.0	5.1
Dividend Yield (%)	1.6	1.8	1.8

KEY STATISTICS	
FBM KLCI	1,574.70
Issue shares (m)	4,364.30
Estimated free float (%)	55.67
Market Capitalisation (RM'm)	10,692.54
52-wk price range	RM1.64 - RM2.54
3-mth average daily volume (m)	9.21
3-mth average daily value (RM'm)	21.97
Top Shareholders (%)	
Johor Corp	35.86
Employees Provident Fund Board	11.97
Waqaf AN Nur Corp Bhd	6.56

Analyst

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KPJ HEALTHCARE'S 4QFY24 RESULTS REVIEW

FYE Dec (RM'm)	Quarterly					Cumulative		
	4Q23	3Q24	4Q24	QoQ (%)	YoY (%)	FY23	FY24	YoY (%)
Revenue	**911.5**	**1,032.8**	**1,050.8**	1.7	15.3	**3,418.7**	**3,922.2**	14.7
Cost of sales	(533.4)	(564.0)	(556.4)	(1.3)	4.3	(1,986.8)	(2,166.9)	9.1
Gross Profit	**378.0**	**468.9**	**494.4**	5.4	30.8	**1,431.9**	**1,755.4**	22.6
Admin Expenses	(275.3)	(305.9)	(290.0)	(5.2)	5.4	(980.3)	(1,120.7)	14.3
Other Income	9.2	7.0	6.9	(1.9)	(24.7)	67.3	27.5	(59.2)
Zakat	(0.6)	(0.9)	(0.8)	(9.0)	49.2	(3.1)	(5.6)	82.5
Operating Profit	**111.3**	**169.1**	**210.4**	24.5	89.0	**515.9**	**656.5**	27.2
Finance Income	7.8	5.2	**4.7**	(9.0)	(39.7)	20.1	22.1	9.7
Finance Borrowings	(24.6)	(21.6)	**(21.0)**	(2.8)	(14.5)	(97.2)	(87.9)	(9.5)
Finance Costs: Lease Liabilities	(24.0)	(26.7)	(28.3)	6.0	17.8	(107.7)	(109.1)	1.3
Associates	12.9	13.6	15.4	13.2	19.8	46.8	49.4	5.6
Profit Before Tax	**83.4**	**139.6**	**181.3**	29.9	117.2	**377.9**	**531.0**	40.5
Taxation	1.7	(43.6)	(59.1)	35.5	(3,553.7)	(75.3)	(166.2)	120.6
Profit After Tax	**85.2**	**95.9**	**122.1**	27.3	43.4	**302.6**	**364.8**	20.5
Minority Interest	11.3	-	10.0	#DIV/0!	(11.5)	(0.6)	42.5	(6,864.0)
PATANCI	**96.4**	**95.9**	**132.1**	37.7	37.0	**302.0**	**407.2**	34.9
Exceptional Items (EI)	(29.1)	(9.9)	(6.0)	(38.9)	(79.2)	(31.6)	(7.0)	(77.8)
PATANCI ex-EI	**67.3**	**86.0**	**126.1**	46.5	87.2	**270.4**	**400.2**	48.0
Basic EPS (sen)	1.9	2.0	1.2	(41.6)	(39.8)	6.5	4.2	(35.7)
Diluted EPS (sen)	1.9	2.0	1.2	(41.6)	(39.8)	6.5	4.2	(35.7)
Dividend per share (sen)	1.3	1.0	1.2	15.0	(11.5)	3.4	4.2	23.9
				+/(-) ppts	+/(-) ppts			+/(-) ppts
GP margin (%)	41.5	45.4	47.0	1.7	5.6	41.9	44.8	2.9
Operating Profit margin (%)	12.2	16.4	20.0	3.7	7.8	15.1	16.7	1.6
PBT margin(%)	9.2	13.5	17.3	3.7	8.1	11.1	13.5	2.5
PAT margin(%)	9.3	9.3	11.6	2.3	2.3	8.9	9.3	0.4
PATANCI margin(%)	10.6	9.3	12.6	3.3	2.0	8.8	10.4	1.6
Effective Tax rate (%)	(2.1)	31.3	32.6	1.3	34.7	19.9	31.3	11.4

Source: Company, MIDFR

FINANCIAL SUMMARY

Growth (%)	2023A	2024A	2025E	2026F	2027F
Revenue growth	17.1	14.7	1.0	5.9	3.0
PBT growth	195.6	40.5	3.8	15.8	7.4
PATAMI growth	48.0	34.8	8.3	11.2	3.8
Core PATAMI growth	63.3	48.0	9.2	11.6	3.7
Balance Sheet (RM'm)	**2023A**	**2024A**	**2025E**	**2026F**	**2027F**
PPE	2,774.5	2,949.2	3,220.4	3,276.8	3,410.9
ROU assets	1,784.3	1,835.4	1,775.4	1,832.6	1,916.1
Non-current assets	**5,577.2**	**5,799.0**	**5,941.0**	**6,123.4**	**6,396.8**
Trade receivables	673.6	781.5	778.4	824.5	848.8
Cash & bank balances	552.5	594.3	643.7	605.1	712.2
Current assets	**1,436.2**	**1,604.3**	**1,656.2**	**1,670.8**	**1,778.2**
Long-term debt	1,365.0	1,347.3	1,147.2	1,194.8	1,296.2
Non-current liabilities	**3,083.8**	**3,368.8**	**3,123.5**	**3,241.2**	**3,451.6**
Short-term debt	547.0	329.0	494.9	557.8	595.9
Trade payables	658.3	828.0	768.9	773.6	796.0
Current liabilities	**1,401.6**	**1,296.8**	**1,399.5**	**1,468.2**	**1,629.4**
Share capital	999.2	999.2	999.2	999.2	999.2
Reserves	1,539.3	1,692.8	2,048.5	2,064.7	2,181.8
Equity	**2,528.2**	**2,737.6**	**3,074.1**	**3,084.7**	**3,093.9**

Profitability Ratios (%)	2023A	2024A	2025E	2026F	2027F
EBIT margin	15.1	16.7	17.4	18.6	19.2
PBT margin	11.1	13.5	13.9	15.2	15.9
PATAMI margin	8.8	10.4	11.1	11.7	11.8
Core PATAMI margin	7.9	10.2	11.0	11.6	11.7
ROA	3.9	5.4	5.8	6.3	6.2
ROE	20.5	21.5	22.5	23.5	24.5
Liquidity Ratios (x)	**2023A**	**2024A**	**2025E**	**2026F**	**2027F**
Current ratio	0.9	0.7	0.7	0.8	0.8
Quick ratio	1.0	1.2	1.1	1.1	1.1
Leverage Ratios (x)	**2023A**	**2024A**	**2025E**	**2026F**	**2027F**
Debt-to-equity	1.8	1.7	1.5	1.5	1.6
Interest coverage	-2.5	-3.3	-3.5	-3.7	-3.8
Efficiency Ratios (days)	**2023A**	**2024A**	**2025E**	**2026F**	**2027F**
Cash conversion cycle	-105	-124	-116	-112	-114
DIO	13.4	13.5	8.4	8.4	8.4
DSO	2.1	1.8	1.8	1.7	1.8
DPO	120.9	139.5	125.9	122.4	123.8

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ROE	20.5	21.5	22.5	23.5	24.5
Liquidity Ratios (x)	**2023A**	**2024A**	**2025E**	**2026F**	**2027F**
Current ratio	0.9	0.7	0.7	0.8	0.8
Quick ratio	1.0	1.2	1.1	1.1	1.1
Leverage Ratios (x)	**2023A**	**2024A**	**2025E**	**2026F**	**2027F**
Debt-to-equity	1.8	1.7	1.5	1.5	1.6
Interest coverage	-2.5	-3.3	-3.5	-3.7	-3.8

Source: 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	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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