KPJ Healthcare Berhad

(5878 | KPJ MK) Main | Healthcare

SHARIAH Compliant | ESG 3 Stars | FTSE4Good

Maintain **BUY**

Unchanged Target Price **RM3.70**

Corporate Update

3QFY26 Earnings Gained on Higher Services Demand

Maintain BUY. KPJ Healthcare Bhd's (KPJ) 9MFY26 normalised earnings came in within our and consensus' expectations at 73% and 69% of FY26 earnings forecast respectively. We make no changes to our earnings forecast and maintain our **BUY** call with a **target price at RM3.70**.

9MFY26 core earnings added +9%yoy. 9MFY26 revenue gained +13%yoy to RM3.5b, while EBITDA added to RM762m (+9%yoy). Meanwhile, core earnings added +9%yoy to RM292m. This was largely contributed by the increase in patients' visits and surgeries performed, as well as improvement in case mix. KPJ announced an interim dividend of 1.2sen per share for 3QFY26.

Positive outlook for overall operation. KPJ remains optimistic of a fruitful FY26, weighing on: (i) 5.5% 3QCY26 GDP growth with a projection of >5% for the full year, (ii) the rise in healthcare demand, (iii) Budget 2027 allocations supporting growth and capacity building, and (iv) robust medical tourism. KPJ is also focusing on its specialised clinical offerings including its ambulatory care centres in Selangor and Centres of Excellence in Orthopaedic and Rheumatology in Penang, which will support its operations moving forward.

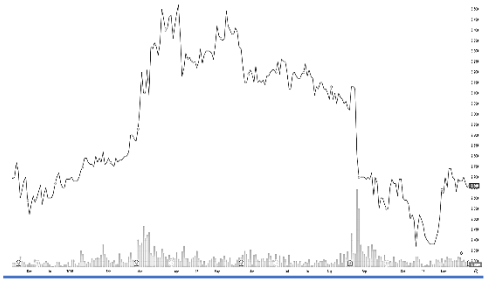
Self-sustaining is key. KPJ anchors its strategy on Practice, Education, Research and Innovation, giving the group an upper hand in sustaining the talent pipelines. Through KPJ University, the group is ultimately driving better clinical outcomes and long-term brand defensibility.

Continuous mitigation of headwinds. External headwinds in healthcare typically include: (i) medical inflation, (ii) rising pharmaceutical and medical supply costs, (iii) nursing shortages, and (iv) global geopolitical uncertainty. Despite these, KPJ continues to ensure that is scalability, domestic stronghold and specialised service mix will insulate the group from these pressures for the remainder of the year.

No changes to earnings estimates. Considering that 9MFY26 earnings came in within expectations, we make no changes to our earnings forecast, pending KPJ's upcoming analyst briefing. We maintain our **BUY call** for the group, with an unchanged **target price to RM3.70**.

RETURN STATISTICS	
Price @ 23rd Nov 2026 (RM)	2.66
Expected share price return (%)	+39.1
Expected dividend yield (%)	+1.5
Expected total return (%)	+40.6

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	+11.8	+15.7
3months	-5.0	+5.3
12 months	+2.3	+1.0

INVESTMENT STATISTICS

FYE Dec (RM m)	2026E	2027F	2028F
Revenue	4,278	4,359	4,465
Operating Profit	689	725	767
Profit Before Tax	568	601	638
Core PATAMI	401	444	483
Core EPS	9.1	10.0	10.9
DPS	5.0	5.2	5.5
Dividend Yield	1.5	1.4	1.4

KEY STATISTICS	
FBM KLCI	1,549.05
Issue shares (m)	4,426.67
Estimated free float (%)	27.01
Market Capitalisation (RM'm)	11,775.02
52-wk price range	RM2.31 - RM3.53
3-mth average daily volume (m)	8.80
3-mth average daily value (RM'm)	22.62
Top Shareholders (%)	
Johor Corp	44.4
Employees Provident Fund	16.5
Waqaf An-Nur Corp Bhd	6.0

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Table 1: KPJ's 3QFY26 earnings review

Financial year ending 30th Dec (in RM'm unless stated otherwise)	Quarterly results					Cumulative results		
	3Q25	2Q26	3Q26	QoQ%	YoY%	9M25	9M26	YoY%
Revenue	1116.2	1196.8	1248.5	4.3	11.8	3106.9	3495.0	12.5
Cost of Sales	-623.1	-661.0	-704.2	6.5	13.0	-1746.4	-1959.6	12.2
Gross Profit	**493.1**	535.8	544.3	**1.6**	**10.4**	1360.5	1535.3	**12.9**
Admin and Other Operating Expenses	-323.2	-348.1	-355.4	2.1	10.0	-905.0	-1024.1	13.2
Other Income	9.8	2.8	5.1	79.0	-48.2	24.5	15.8	-35.3
Zakat	-0.7	-2.6	-2.1	-20.2	180.9	-5.0	-6.9	37.7
EBIT	**179.0**	188.0	191.9	**2.1**	**7.2**	474.9	520.1	**9.5**
Finance Income	4.7	7.3	10.2	39.2	117.2	13.4	24.7	84.4
Finance Cost:								
Borrowings	-20.0	-20.0	-20.3	1.5	1.6	-58.4	-58.7	0.6
Lease Liabilities	-28.0	-29.2	-30.0	2.8	7.2	-83.2	-90.6	8.9
Share of Results - Associates	16.2	14.1	15.4	8.9	-5.0	33.6	41.3	22.7
PBT	**151.9**	160.2	167.2	**4.4**	**10.0**	380.3	436.8	**14.8**
Tax	-46.2	-44.9	-47.1	4.8	1.9	-117.4	-123.1	4.8
PAT	**105.7**	115.2	120.1	**4.2**	**13.6**	262.9	313.7	**19.3**
Minority Interest	11.8	12.3	13.7	11.5	16.6	29.8	33.8	13.6
PATAMI	**93.9**	102.9	106.3	**3.3**	**13.2**	233.1	279.9	**20.1**
PATAMI ex-EI	**94.1**	110.6	108.6	**-1.8**	**15.4**	**230.8**	291.9	**26.5**
EBITDA	**258.0**	265.2	274.1	**3.3**	**6.2**	**701.6**	761.8	**8.6**
DPS (sen)	1.1	1.0	1.2	20.0	14.3	3.0	3.6	18.3
Basic EPS (sen)	2.2	2.4	2.4	2.1	11.6	5.3	6.3	18.4
EPS ex-EI (sen)	2.2	2.5	2.5	-1.7	13.8	5.3	6.6	24.7
				+/(-)ppts	*+/(-)ppts*			*+/(-)ppts*
PATAMI margin %	8.4	8.6	8.5	-0.1	0.1	7.5	8.0	0.5
Core PATAMI margin %	8.4	9.2	8.7	-0.5	0.3	7.4	8.4	0.9
Tax Rate %	30.4	28.1	28.2	0.1	-2.3	30.9	28.2	-2.7
SEGMENTAL	**3Q25**	**2Q26**	**3Q26**	**QoQ%**	**YoY%**	**9M25**	**9M26**	**YoY%**
Revenue:								
Malaysia	1101.2	1180.4	1229.9	4.2	11.7	3068.0	3447.1	12.4
Others	16.0	17.3	19.4	12.0	21.5	41.3	50.5	22.3
PAT:								
Malaysia	94.0	111.7	116.3	4.1	23.7	252.2	300.7	19.2
Others	11.7	4.7	3.8	-18.3	-67.3	10.7	13.2	23.3

Source: Company, MBSBR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	2026E	2027F	2028F
Revenue	3,899	4,258	4,278	4,359	4,465
EBIT	663	694	689	725	767
PBT	537	569	568	601	638
Taxation	-166	-162	-144	-136	-135
PAT	366	402	420	461	499
MI	34	36	15	16	17
PATAMI	332	366	405	445	482
Core PATAMI	302	349	401	444	483
EPS (sen)	6.9	8.0	9.1	10.0	10.9
PER (x)	34.0	33.6	37.0	35.0	33.5
DPS (sen)	4.2	4.2	4.5	4.5	4.7
Dividend yield (%)	1.8	1.6	1.3	1.3	1.3

Cash Flow (RM'm)	2024A	2025A	2026E	2027F	2028F
PBT	537	569	568	601	638
Depreciation	279	310	273	260	260
OP pre-WC changes	955	990	974	1,007	1,056
Change in NWC	67	25	-36	-22	-6
Operating cash flow	**840**	**874**	**847**	**890**	**953**
Capital expenditure	373	272	324	356	380
Investing cash flow	**-227**	**13**	**-261**	**-290**	**-313**
Debt raised/(repaid)	-256	-110	-236	-284	-312
Dividends paid	-181	-185	-99	-100	-103
Financing cash flow	**-570**	**-504**	**-512**	**-570**	**-610**
Net cash flow	**43**	**383**	**75**	**30**	**29**
Beginning cash flow	**553**	**594**	**975**	**1,052**	**1,084**
Ending cash flow	**594**	**975**	**1,052**	**1,084**	**1,116**

Growth (%)	2024A	2025A	2026E	2027F	2028F
Revenue growth	0.5	9.2	0.5	1.9	2.5
PBT growth	-0.3	5.9	-0.3	5.9	6.1
PATAMI growth	10.5	10.2	10.5	9.9	8.4
Core PATAMI growth	13.3	15.5	14.8	10.7	8.8

Profitability Ratios (%)	2024A	2025A	2026E	2027F	2028F
EBIT margin	17.0	16.3	16.1	16.6	17.2
PBT margin	13.8	13.4	13.3	13.8	14.3
PATAMI margin	8.5	8.6	9.5	10.2	10.8
Core PATAMI margin	7.7	8.2	9.4	10.2	10.8
ROA	4.1	4.3	5.0	5.4	5.7
ROE	11.0	11.6	12.9	13.2	14.1

Balance Sheet (RM'm)	2024A	2025A	2026E	2027F	2028F
PPE	2,949	2,792	2,840	2,932	3,046
ROU assets	1,640	1,994	1,832	1,817	1,870
Non-current assets	**5,799**	**6,049**	**6,120**	**6,334**	**6,448**
Trade receivables	782	786	711	678	667
Cash & bank balances	594	975	1,052	1,084	1,116
Current assets	**1,604**	**1,997**	**1,953**	**1,948**	**1,971**
Long-term debt	1,347	1,360	1,456	1,413	1,400
Non-current liabilities	**3,369**	**3,724**	**3,650**	**3,602**	**3,661**
Short-term debt	329	269	375	414	438
Trade payables	828	900	800	756	747
Current liabilities	**3,369**	**3,724**	**3,650**	**3,602**	**3,661**
Share capital	999	999	999	999	999
Reserves	1,693	1,905	2,032	2,305	2,376
Equity	**2,738**	**3,005**	**3,098**	**3,353**	**3,415**

Liquidity Ratios (x)	2024A	2025A	2026E	2027F	2028F
Current ratio	1.2	1.5	1.5	1.5	1.5
Quick ratio	0.1	-0.2	-0.3	-0.3	-0.3

Leverage Ratios (x)	2024A	2025A	2026E	2027F	2028F
Debt-to-equity	2.5	2.5	2.4	2.1	2.1
Interest coverage	-3.4	-3.6	-3.6	-3.8	-3.9

Efficiency Ratios (days)	2024A	2025A	2026E	2027F	2028F
Cash conversion cycle	200	191	169	158	154
DIO	-14	-15	-13	-11	-11
DSO	73	67	61	57	55
DPO	-141	-139	-121	-113	-110

Source: Bloomberg, MBSBR

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MBSB 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