

22 May 2026

KPJ Healthcare

1QFY26 Beat Ours but In Line with Consensus

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KPJ's 1QFY26 beat our expectation but was in line with consensus. KPJ's 1QFY26 core net profit climbed 22% YoY to RM70m or 19% of our full-year net profit forecast. We raise our FY26F-FY27F net profit by 4%-9% after taking into account better-than-expected revenue intensity and operational efficiency. Consequently, our TP is raised to RM3.05 (previously RM2.80) based on unchanged 12x EV/EBITDA multiple in line with its regional peers. Reiterate MP.

KPJ's 1QFY26 core net profit climbed 22% YoY to RM70m or 19% of our full-year net profit forecast. However, result came in line with consensus accounting for 17%. The result beat our expectation due to better-than-expected throughput and margins. Historically, 2H accounts for 55% to 60% of full-year forecasts. It declared an interim dividend of 1.0 sen which came within our expectation.

QoQ, its 1QFY26 revenue was down 9% due to lower inpatient (-11%) and outpatient (-10%) throughput but negated by higher average revenue per inpatient (+2%). The lower bed occupancy rate of 60% vs. 67% in 4QFY25 was due to lower surgeries (-10%). Consequently, its 1QFY26 core net profit fell 43% due to the higher base effect in the seasonally strongest 4Q. EBITDA margin registered 21% vs. 24% in 4QFY25 due to lower topline growth leading to less-than-optimum operational efficiency.

YoY, its 1QFY26 revenue rose 9%, thanks to higher average revenue per inpatient (+6%) driven by elective surgeries cases (+2%) and higher inpatient throughput (+2%). Core net profit rose 22%, thanks to better overhead absorption (on an improved turnover) and reduced losses from its hospitals under gestation namely Damansara Specialist Hospital 2 (DSH2), KPJ Perlis, KPJ Batu Pahat KPJ Bandar Dato Onn and Kuala Selangor. The better performance was underpinned by incremental revenue from higher patient throughput from new hospitals and better operational efficiency from its cost optimisation effort and overhead absorption by adding new beds.

Outlook. KPJ is cautiously optimistic that a few hospitals under gestation would be expected to turn from a pre-tax loss to a pre-tax profit by end CY26. It is optimistic for earnings to gain momentum moving into 2HFY26 supported by better operational efficiencies stemming from ongoing cost optimisation efforts.

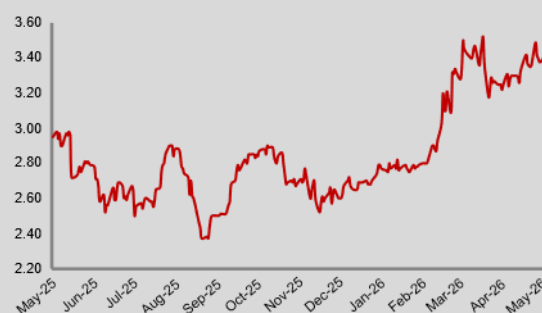
Forecasts. We raise our FY26F/FY27 net profit by 4%/9% taking into account better-than-expected revenue intensity and operational efficiency.

Valuations. Consequently, our TP is raised from RM2.80 to RM3.05 based on unchanged 12x FY27F EV/EBITDA multiple in line with its regional peers. There is no adjustment to TP based on ESG given a 3-star rating as appraised by us (see next page). In terms of FY26F EV-EBITDA multiple, Bumrumgrad Hospital and Bangkok Dusit are trading at 12x and 13x, respectively. Note that Bumrumgrad Hospital and Bangkok Dusit's FY25F consensus EBITDA margins are 38% and 24%, respectively. KPJ is trading at 14x/13x EV/EBITDA for FY26/FY27 with a forecasted net profit growth of 9% in FY26 and 10% in FY27. Reiterate MARKET PERFORM.

MARKET PERFORM ↔

Price: RM3.31
Target Price: RM3.05 ↑

Share Price Performance



KLCI 1,708.36
YTD KLCI chg 1.7%
YTD stock price chg 23.0%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	KPJ MK
Market Cap (RM m)	14,651.1
Shares Outstanding	4,426.3
52-week range (H)	3.53
52-week range (L)	2.34
3-mth avg. daily vol.	9,762,580
Free Float	40%
Beta	0.9

Major Shareholders

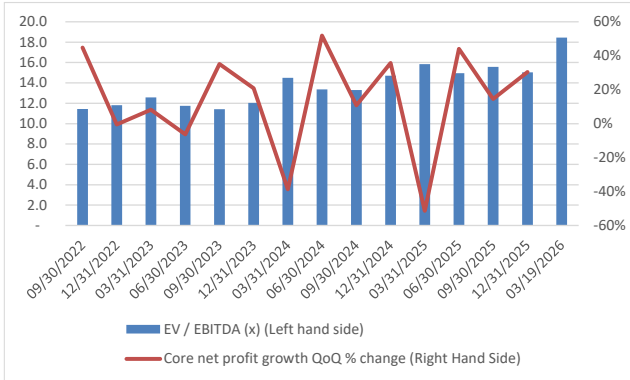
Johor Corporation	44.4%
Employees Provident Fund	18.6%
Waqaf An-Nur Corporation	6.3%

Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Turnover	4,258.4	4,378.9	4,547.9
EBITDA	699.3	702.2	749.2
PBT	574.8	583.3	638.3
Net Profit (NP)	366.0	384.5	424.1
Core NP	355.6	384.5	424.1
Consensus (NP)	-	410.4	451.7
Earnings Revision	-	+4%	+9%
Core EPS (sen)	8.0	8.7	9.6
Core EPS Growth (%)	13.9	8.6	10.2
NDPS (sen)	4.15	4.15	4.15
BVPS (RM)	0.62	0.67	0.72
PER (x)	41.3	38.3	34.7
Price/BVPS (x)	5.3	5.0	4.6
Net Gearing (%)	22.5	11.8	0.3
Dividend Yield (%)	1.3	1.3	1.3
EV/EBITDA (x)	15.1	14.3	13.2

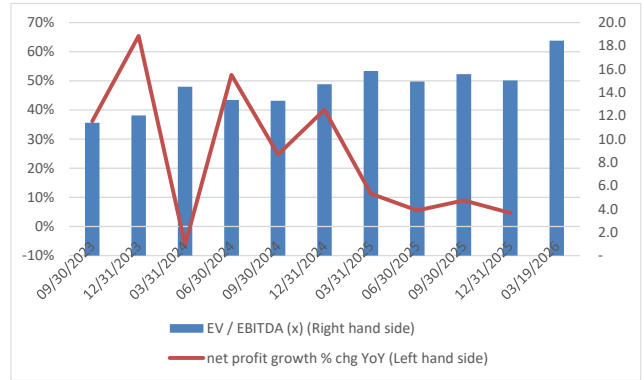


KPJ - EV/Ebitda Multiple Rose 60% vs. Average 14% QoQ EPS Growth



Source: Bloomberg, Kenanga Research

KPJ - EV/Ebitda Multiple Rose 60% vs. Average 23% YoY EPS Growth



Source: Bloomberg, Kenanga Research

We like KPJ for: (i) the bright prospects of the private healthcare sector in Malaysia, underpinned by rising affluence and ageing population, (ii) the low “price elasticity of demand” for healthcare service, making players less vulnerable to high inflation as they could pass on the higher cost, and (iii) its strong market position locally with the largest network of 29 private hospitals (vs. only 16 of IHH Healthcare’s Malaysia operation in the second place).

Key risks to our call are: (i) regulatory risks, (ii) earnings risk related to potential imposition of Diagnostic-Related Group (DRG) payment system to regulate private healthcare costs in Malaysia., and (iii) longer-than-expected gestation periods for its newer hospitals.

Results Highlights

	1Q FY25	4Q FY25	1Q FY26	Q-o-Q Chg (%)	Y-o-Y Chg (%)
FYE Dec (RM m)					
Turnover	967.0	1,151.6	1,049.7	(8.8)	8.6
EBITDA	207.9	286.6	221.5	(22.7)	6.6
Dep & Amortisation	(71.8)	(84.1)	(82.3)	(2.1)	14.6
EBIT	136.1	202.5	139.2	(31.2)	2.3
Net Interest expense	(41.8)	(45.0)	(42.5)	(5.5)	1.9
Associates	3.4	15.1	11.7	(22.4)	240.3
EI	-	10.4^	-	NM	NM
PBT	97.7	183.0	108.4	(40.8)	10.9
Tax	(32.1)	(44.4)	(31.0)	(30.1)	(3.4)
MI	(8.4)	(5.8)	(7.8)	34.5	(8.1)
PATAMI	57.2	132.9	69.6	(47.6)	21.8
Core Net profit	57.2	122.5	69.6	(43.1)	21.8
EPS (sen)	1.3	2.7	1.4	(50.2)	3.1
EBITDA margin	21%	25%	21%	(22.7)	6.6
PBT margin	10%	16%	10%	(2.1)	14.6
Effective tax rate	33%	24%	29%	(31.2)	2.3

Source: Company, Kenanga Research, Bursa Malaysia

^ gain from disposal in a subsidiary (RM3.2m) and gain on fair value from investment properties (RM7.2m)

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Peers Table													
Name	Market Cap (USD m)	Revenue Growth		Core Earnings Growth		PER (x)		EV/EBITDA (x)		CNP Margin (%)		EBITDA Margin (%)	
		1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.
Thailand													
BUMRUNGRAD HOSPITAL	4372	5%	6%	4%	3%	18	17.5	12.1	11.5	29%	28%	40%	39%
BANGKOK DUSIT MED SERVICE	9822	5%	5%	7%	6%	18	17	11.2	10.7	15%	15%	25%	24%
RAMKHAMHAENG HOSPITAL PUB CO	700	-18%	6%	-50%	11%	15.8	14.2	23	21	12%	12%	20%	20%
THONBURI HEALTHCARE GROUP	1796	3%	11%	2%	13%	23.2	20.5	14.4	12.6	25%	25%	38%	38%
MITRA KELUARGA KARYASEHAT	1704	-72%	330%	7%	15%	36.4	31.9	14.4	12.9	124%	33%	23%	23%
India													
MAX HEALTHCARE	11,306	24%	21%	14%	24%	61	49	39.4	31.6	16%	17%	26%	27%
APOLLO HOSPITALS	12,176	4%	19%	5%	25%	58.7	46.7	31.5	26	8%	8%	15%	15%
FORTIS HEALTHCARE	6668	4.5%	17%	16%	34%	58.3	43.6	30.4	24.7	11.7%	13.3%	23.1	24.2
Average				12%	28%			33.8	27.4				
Singapore													
RAFFLES MEDICAL GROUP	1472	2%	1%	-3%	7%	27	25.6	12.2	11.7	9%	12%	17%	18%
Average exclude India				6%	9%			14.6	13.4				
Malaysia													
IHH HEALTHCARE	19,976	10%	8.5%	19%	14%	35.2	30.8	15.1	13.7	7.9%	8.3%	23%	23%
KPJ HEALTHCARE	3827	5%	6%	13%	11%	36.0	32.8	16.3	15.2	8.8%	9.2%	24%	24%
Simple average exclude India				0%	10%			15.1	13.9				

Source: Company, Bloomberg, Kenanga Research

EV / EBITDA – Malaysian Listed Private Healthcare Operators Historically Trades At 20%-40% Discount To ASEAN And Indian Players

EV / EBITDA	CY18	CY19	CY20	CY21	CY22	CY23	CY24	CY25
IHH HEALTHCARE BHD	23.4	19.4	23.2	16.6	16.4	11.3	14.2	16.5
KPJ HEALTHCARE BERHAD	12.8	11.2	13.6	15.2	11.5	11.9	14.8	15.4
BUMRUNGRAD HOSPITAL PCL	20.9	17.7	37.5	41.0	23.4	18.1	15.2	11.6
BANGKOK DUSIT MED SERVICE	24.8	17.1	19.5	21.5	20.7	18.4	15.2	11.9
RAMKHAMHAENG HOSPITAL PUB CO	15.6	44.0	23.2	14.0	32.2	29.8	22.5	12.3
RAFFLES MEDICAL GROUP LTD	19.5	17.9	15.2	15.7	10.5	11.7	10.8	12.1
APOLLO HOSPITALS ENTERPRISE	22.6	19.3	13.3	39.0	31.1	32.0	39.9	33.3
MAX HEALTHCARE INSTITUTE LTD	NA	NA	NA	49.9	36.0	33.9	NA	NA
FORTIS HEALTHCARE LTD	33.2	52.6	18.7	39.9	22.1	19.1	26.2	34.6
HEALTHCARE GLOBAL ENTERPRISE	25.0	20.6	11.5	27.1	19.1	14.6	17.3	23.5
NARAYANA HRUDAYALAYA LTD	29.9	17.2	13.5	48.2	23.7	16.5	22.9	27.5
KOVAI MEDICAL CENTER AND HOS	11.1	8.5	6.9	8.7	8.2	8.5	12.3	15.2
ASTER DM HEALTHCARE LTD	17.7	12.2	8.5	11.1	10.3	11.6	16.8	33.0
Simple average								
Malaysia	18.1	15.3	18.4	15.9	14.0	11.6	14.5	16.0
Asia pac + Asean	22.0	22.7	16.8	28.7	21.6	19.5	19.9	21.5
Discount	-18%	-33%	10%	-45%	-35%	-41%	-27%	-26%

Source: Company, Bloomberg, Kenanga Research

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	☆		
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	☆		
SPECIFIC	Care Quality & Patient Safety	★	★	★		
	Effluent / Waste Management	★	★	★		
	Energy Efficiency	★	★	★		
	Cybersecurity/Data Privacy	★	★	★	☆	
	Talent Management	★	★	★		
	Supply Chain Management	★	★	★		
OVERALL		★	★	★		

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE (%)	Net Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
DUOPHARMA BIOTECH BERHAD	OP	1.27	1.72	35.4%	1,222	Y	12/2026	11.5	12.1	14.0%	5.4%	11.0	10.5	1.5	14.0%	4.6	3.6%
IHH HEALTHCARE BHD	MP	8.92	8.50	-4.7%	78,818	Y	12/2026	23.8	25.9	15.1%	8.5%	37.4	34.5	2.5	6.8%	10.0	1.1%
KOTRA INDUSTRIES BHD	MP	3.82	3.88	1.6%	567	Y	06/2026	28.7	25.8	-4.7%	-10.1%	13.3	14.8	2.0	15.3%	25.5	6.7%
KPJ HEALTHCARE BHD	MP	3.31	3.05	-7.9%	14,651	Y	12/2026	8.0	8.7	13.8%	8.1%	41.4	38.2	5.3	13.8%	4.2	1.3%
NOVA WELLNESS GROUP BHD	MP	0.340	0.380	11.8%	108	Y	06/2026	2.9	3.0	19.5%	4.3%	11.7	11.3	0.9	8.2%	1.6	4.7%
PHARMANIAGA BHD	UP	0.245	0.200	-18.4%	1,606	Y	12/2026	1.0	1.1	34.0%	8.0%	24.7	22.9	3.2	13.9%	0.4	1.6%
SCOMNET BHD	OP	0.545	0.850	56.0%	462	Y	12/2026	3.7	4.3	21.2%	17.8%	14.9	12.6	1.1	7.3%	2.3	4.2%
SUNWAY HEALTHCARE HOLDINGS BHD	MP	1.82	1.75	-3.8%	20,930	Y	12/2026	2.5	3.5	11.7%	43.3%	74.3	51.8	6.4	9.7%	0.6	0.3%

Source: Company, Bloomberg, Kenanga Research

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Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
 MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
 UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
 NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
 UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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