

25 May 2026

KPJ Healthcare

2H to Improve, Rich Valuation Though

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KPJ in 1QFY26 managed to turn one hospital under gestation into bottom-line profitable and is hopeful another one will be out of the woods by end-FY26. The group's longer-term strategy is to establish more CoEs within its existing hospitals under which forms an integral part of its hub-and-spoke model to amplify revenue intensity. Overall, we are neutral following the post-results briefing as record-high revenue per inpatient could be offset by moderation in BOR in 2HFY26. We maintain our forecasts, TP of RM3.05 and our MARKET PERFORM call.

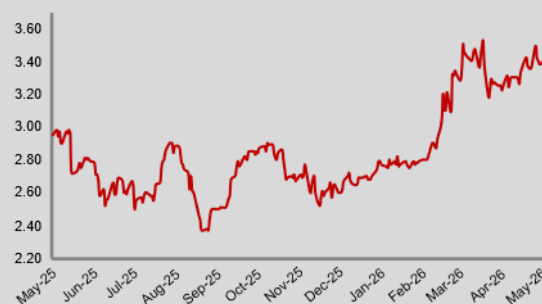
The key highlights from KPJ's 1QFY26 post-results briefing are as follows:

1. KPJ is hopeful that at least one of the hospitals under gestation is expected to turn from a pre-tax loss to a pre-tax profit. In terms of bottom-line profitability, we expect earnings to gain momentum moving into 2HFY26 on better operational efficiencies from its cost optimisation effort and overhead absorption rate on gradual ramp-up in the opening of new beds (+5%). With incremental revenue from higher patient throughput, Bandar Dato Onn have already turned bottom-line profitable. It expects another hospital to turn bottom-line profitable by end-FY26. Damansara Specialist Hospital 2 (DSH2), KPJ Perlis, KPJ Batu Pahat and Miri are still EBITDA-positive.
2. The group has successfully launched its first Neuroscience and Stroke Centre of Excellence (COE) at Damansara Specialist Hospital 2 (DSH2), the second COE established under the group. It is targeting to launch two new COEs by end-2026. KPJ has identified five areas of subspecialties or coined as COE, in the discipline of heart and lung, neurology and stroke, oncology, orthopaedics as well as robotics for advanced surgery. The group's is targeting to establish 11 of the 30 COEs within its existing hospitals under its five-year strategic roadmap (2026–2030). The COEs are expected to amplify revenue intensity and forms an integral part of its hub-and-spoke model. Specifically, it integrates its 30 hospitals, Ambulatory Care Centres (ACCs), and community clinics. It designates flagship "hubs" for complex subspecialties like cardiology, while "spokes" and clinics handle routine care and diagnostics. This system captures referrals locally, improves operational efficiency, and elevates patient-centric care.
3. It has allocated an estimated RM5b for capex over 2026–2030 toward infrastructure including system-led integration, AI implementation, digitalization, Centres of Excellence and brownfield expansion. It plans to expand its network capacity from about currently 4,000 beds to 4,600–5,000 beds. This strategy focuses heavily on asset optimisation and brownfield upgrades to shorten gestation periods. In FY26, it is targeting to increase beds capacity by 4%-5% from 3,900, close to achieving 4,100 to 4,200 (+c.200 beds) largely via brownfield expansion which we have already factored into our forecasts.

MARKET PERFORM ↔

Price: RM3.23
Target Price: RM3.05 ↔

Share Price Performance



KLCI 1,712.67
YTD KLCI chg 1.9%
YTD stock price chg 20.1%

Stock Information

Shariah Compliant Yes
Bloomberg Ticker KPJ MK
Market Cap (RM m) 14,297.0
Shares Outstanding 4,426.3
52-week range (H) 3.53
52-week range (L) 2.34
3-mth avg. daily vol. 9,754,595
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)	-	411	455
Earnings Revision	-	-	-
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)	39.2	37.3	33.8
Price/BVPS (x)	5.2	4.9	4.5
Net Gearing (%)	22.5	11.8	0.3
Dividend Yield (%)	1.3	1.3	1.3
EV/EBITDA (x)	14.8	14.0	12.9

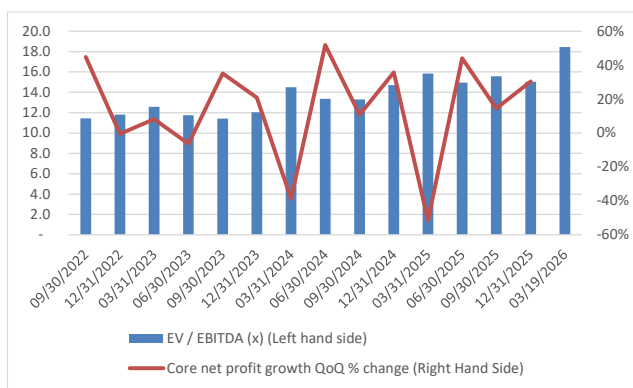
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Valuations. We keep our earnings unchanged. TP of RM3.05 is based on unchanged 12x FY27F EV/EBITDA multiple in line with its regional peers. There is no adjustment to TP based on ESG given a 3-star rating as appraised by us (see next page). In terms 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.

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).

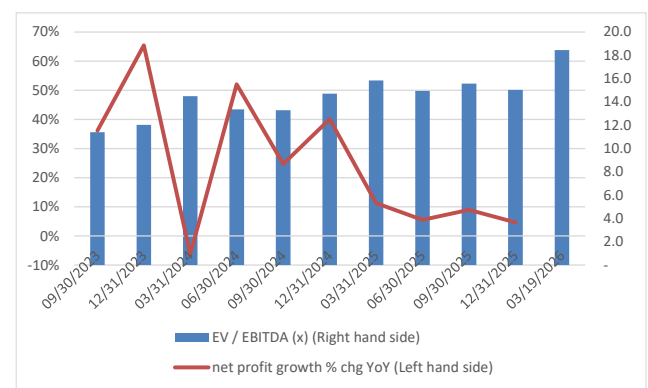
Key risks to our call are: (i) regulatory risks, (ii) earnings risk related to potential imposition of Diagnostic-Related Group (DRG) payment system to regulate private healthcare costs in Malaysia., and (iii) longer-than-expected gestation periods for its newer hospitals.

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

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

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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

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Income Statement						Financial Data & Ratios					
FY Dec (RM m)	2023A	2024A	2025A	2026F	2027F	FY Dec	2023A	2024A	2025A	2026F	2027F
Revenue	3,418.7	3,822.2	4,258.4	4,378.9	4,547.9	Growth					
EBITDA	838.0	938.4	1,009.8	1,050.9	1,114.2	Turnover	17.1%	11.8%	11.4%	2.8%	3.9%
Dep & Amort	(271.0)	(281.9)	(310.6)	(348.8)	(365.1)	EBITDA	18.2%	12.0%	7.6%	4.1%	6.0%
Associates	46.8	49.4	48.8	49.9	51.1	Operating Profit	29.7%	26.8%	6.5%	0.4%	6.7%
PBT	379.7	531.0	574.8	583.3	638.3	PBT	29.7%	26.8%	6.5%	0.4%	6.7%
Taxation	(77.1)	(166.2)	(173.2)	(163.3)	(178.7)	Net Profit /(loss)	62.9%	17.6%	10.5%	5.0%	10.2%
Minorities	(21.3)	(33.7)	(35.5)	(35.5)	(35.5)	Profitability					
Net profit	281.3	331.1	366.0	384.5	424.1	EBITDA Margin	24.5%	24.6%	23.5%	24.0%	24.5%
Core net profit	254.8	331.1	355.6	384.5	424.1	Operating Margin	9.5%	13.7%	16.4%	16.0%	16.5%
Balance Sheet						PBT Margin	11.1%	13.9%	13.5%	13.3%	14.0%
FY Dec (RM m)	2023A	2024A	2025A	2026F	2027F	Core Net Margin	8.2%	8.7%	8.6%	8.8%	9.3%
Fixed Assets	2,774.5	2,949.2	2,792.3	2,743.5	2,678.4	Eff. Tax Rate	20.3%	31.3%	28.0%	28.0%	28.0%
Int. Assets	198.5	195.4	201.7	201.7	201.7	ROA	3.9%	4.5%	4.5%	4.6%	4.9%
Other FA	2,604.3	2,654.4	3,054.7	3,054.7	3,054.7	ROE	12.2%	13.5%	13.8%	13.5%	13.8%
Inventories	73.0	80.0	99.9	102.8	106.7	DuPont Analysis					
Receivables	673.6	781.5	794.3	799.8	831.0	Net Margin (%)	8.2	8.7	8.6%	8.8%	9.3%
Other CA	101.9	128.8	104.7	104.7	104.7	Assets T/O (x)	2.1	1.9	1.9	1.9	1.9
Cash	785.2	614.0	1,006.3	1,280.1	1,619.9	Lev. Factor (x)	3.0	2.9	2.9	2.8	2.7
Non CA	35.2	-	-	-	-	ROE (%)	12.2	13.5	13.8	13.5	13.8
Total Assets	7,246.2	7,403.2	8,053.8	8,287.2	8,597.1	Leverage					
Payables	658.3	828.0	899.7	927.4	963.1	Debt/Asset (x)	0.3	0.2	0.2	0.2	0.2
ST Borrowings	547.0	329.0	268.6	268.6	268.6	Debt/Equity (x)	0.8	0.7	0.6	0.6	0.5
Ot. ST Liability	142.0	139.8	148.1	148.1	148.1	Valuations					
LT Borrowings	1,365.0	1,347.3	1,359.6	1,359.6	1,359.6	EPS (sen)	6.4	7.5	8.3	8.7	9.6
Ot. LT Liability	2,005.9	2,021.6	2,372.8	2,342.9	2,341.9	NDPS (sen)	3.35	4.15	4.15	4.15	4.15
Minorities Int.	145.0	200.9	246.9	282.4	317.9	BVPS (RM)	0.54	0.57	0.62	0.67	0.72
Net Assets	2,383.2	2,536.7	2,758.1	2,958.2	3,197.9	PER (x)	51.0	43.3	39.2	37.3	33.8
Share Capital	999.2	999.2	999.2	999.2	999.2	Net Div. Yield(%)	1.3	1.6	1.3	1.3	1.3
Treasury shares	(155.3)	(155.3)	(146.2)	(146.2)	(146.2)	P/BV (x)	6.0	5.7	5.2	4.9	4.5
Reserves	1,539.3	1,692.8	1,905.1	2,105.2	2,344.8	EV/EBITDA (x)	18.5	16.4	14.8	14.0	12.9
Equity	2,383.2	2,536.7	2,758.1	2,958.2	3,197.9						
Cashflow Statement											
FY Dec (RM m)	2023A	2024A	2025A	2026F	2027F						
Operating CF	459.8	657.6	844.4	893.3	719.3						
Investing CF	(25.8)	(94.6)	(232.1)	12.7	(270.4)						
Financing CF	(286.5)	(434.7)	(569.7)	(503.8)	(163.9)						
Change In Cash	147.4	128.2	42.6	402.2	285.0						
Free CF	159.8	357.6	544.4	593.3	419.3						

Source: Kenanga Research, Bursa Malaysia

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	1.26	1.72	36.5%	1,212	Y	12/2026	11.5	12.1	14.0%	5.4%	11.0	10.4	1.5	14.0%	4.6	3.7%
IHH HEALTHCARE BHD	MP	8.96	8.50	-5.1%	79,172	Y	12/2026	23.8	25.9	15.1%	8.5%	37.6	34.6	2.5	6.8%	10.0	1.1%
KOTRA INDUSTRIES BHD	MP	3.80	3.88	2.1%	564	Y	06/2026	28.7	25.8	-4.7%	-10.1%	13.2	14.7	2.0	15.3%	24.5	6.3%
KPJ HEALTHCARE BHD	MP	3.23	3.05	-5.6%	14,297	Y	12/2026	8.0	8.7	13.8%	8.1%	40.4	37.3	5.2	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	0.250	0.200	-20.0%	1,639	Y	12/2026	1.0	1.1	34.0%	8.0%	25.2	23.4	3.3	13.9%	0.4	1.4%
SCOMNET BHD	OP	0.510	0.850	66.7%	433	Y	12/2026	3.7	4.3	21.2%	17.8%	13.9	11.8	1.0	7.3%	2.3	4.5%
SUNWAY HEALTHCARE HOLDINGS BHD	MP	1.81	1.75	-3.3%	20,815	Y	12/2026	2.5	3.5	11.7%	43.3%	73.9	51.5	6.3	9.7%	0.6	0.3%

Source: Company, Bloomberg, Kenanga Research

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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

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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