

Positive views on KPJ deal in Indonesia

PETALING JAYA: KPJ Healthcare Bhd's acquisition of PT Khidmat Perawatan Jasa Medika (PT KPJ Medika) in Indonesia for RM15.84mil is "reasonable" and deemed a positive deal.

On Monday, KPJ announced that its wholly-owned subsidiary, Kumpulan Perubatan (Johor) Sdn Bhd (KPJSB), had entered into a related party transaction to acquire up to 80% equity interest in PT KPJ Medika in Indonesia for a total cash consideration of RM15.84mil.

"This is in line with KPJ's intention to add two brownfield hospitals in 2012. At RM200,000 per bed, the acquisition is reasonable in our view compared with cost of about RM1mil per bed for new hospitals in Malaysia. In total, KPJ owns 21 hospitals in Malaysia (22% market share), and two in Indonesia (including the new acquisition)," according to JP Morgan Asia Pacific Equity Research.

The purchase is also in tandem

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— DATIN PADUKA SITI SA'ADIAH

with the company's plan to expand regionally. In an interview with *StarBiz* earlier, managing director Datin Paduka Siti Sa'diah Sheikh Bakir said the group hoped to conclude two acquisitions by year-end.

She said KPJ had been looking for potential acquisitions continuously. "We're ready for two acquisitions a year and also to build two hospitals a year."

"We want to grow in Indonesia and possibly in other parts of Asean. One hospital (in Indonesia) is performing well and Bumi Serpong Damai aims to break even by year-end. It'll need a two to three-year

gestation period."

While the deal is positive, analysts said the deal promised advantage for KPJ in the long term but it did not warrant a re-rating of the stock immediately.

PT KPJ Medika owns the 115 bed RS Medika Permata Hijau hospital in Jakarta.

"KPJ has been managing the hospital over the past 15 years; hence, execution risk is low in our view. According to management, the hospital is profitable, so we view this brownfield acquisition as earnings accretive," JP Morgan said.

It added that KPJ owned another hospital in Indonesia, RS Bumi Serpong Damai, which was completed in 2012.

"As KPJ has successfully injected the Bumi Serpong Damai hospital into 49%-owned Al-'Aqar Healthcare REIT, we believe KPJ Medika can similarly be injected, in line with KPJ's asset light model".

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