

# KPJ Healthcare eyes more assets

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KPJ Healthcare Bhd, which has 21 hospitals under its wings locally and abroad, plans to manage or acquire more hospitals - at a rate of one per year - in future.

Managing director Datin Paduka Siti Sa'diah Sheikh Bakir said the group would continue to build new hospitals, acquire existing ones or take up stakes in hospitals that it managed.

"Our core competencies are patient care and hospital management and we have built our healthcare group into the largest in the country," she told *StarBiz*.

Siti said besides expanding the number of hospitals it owned or managed, KPJ Healthcare aimed to inject another six hospitals worth RM300mil to RM400mil into its Islamic Real Estate Investment Trust (REIT).

In July, the group launched the world's first Islamic real estate investment trust, the Al-'Aqar KPJ REIT, comprising six hospitals worth RM481mil.

They are Ampang Puteri Specialist Hospital, Johor Specialist Hospital, Damansara Specialist Hospital, Ipoh Specialist Hospital, Puteri Specialist Hospital and Selangor Medical Centre.

"The REIT allowed us to unlock the value of our properties, raise funds to reduce borrowings and to expand our business," Siti said, adding that the group was assessing all its hospitals to see which ones were ready and viable for the REIT.

On yield, she said the first six hospitals that were injected into the Al-'Aqar KPJ REIT provided over 7% yield from rental income and capital appreciation.

"We aim to inject another six KPJ

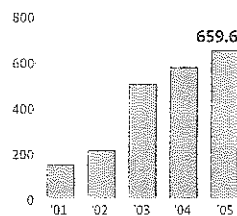


Datin Paduka Siti Sa'diah Sheikh Bakir, Managing Director of KPJ Healthcare, says the group will continue to build new hospitals, acquire existing ones or take up stakes in hospitals that it managed.

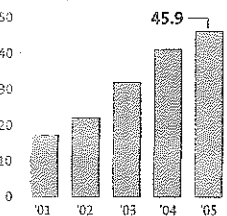
Healthcare hospitals into the Al-'Aqar KPJ REIT by 2007," she said, noting that the timing would depend on market conditions.

KPJ Healthcare

Revenue (RM mil)



Pre-tax profit (RM mil)



Source: Annual Report 2005

"A larger trust fund would potentially provide better yield. This is our strategy for growth and expansion," she said.

KPJ Healthcare chief financial officer Alvin Lee said the company was open to "work" with other standalone or ailing hospitals.

"We welcome standalone hospitals to join us. We are prepared to fully own or have an equity stake in the standalone hospital if the price is attractive. Alternatively, we can provide consultancy services to them," he said.

Lee said KPJ Healthcare derived significant synergy, efficiency and economies of scale due to the number of hospitals it owned and managed as well as the pool of medical professionals in the group.

"We even have our own nursing college which provides us with a reliable and consistent number of professionally trained nurses each year," he said.

The college, called Puteri Nursing College International, is located in Nilai, Negri Sembilan.

Lee said KPJ Healthcare had also embarked on an overseas expansion a few years ago by buying and managing several hospitals in Indonesia, Bangladesh and the Middle East.

"Currently, we have a 75% stake in a hospital in Indonesia and we manage two other hospitals there. In Bangladesh, we have a small stake (less than 10%) in a hospital. We also manage the hospital.

"We are planning to manage a hospital in the Middle East, soon," he said.

Earlier this month, KPJ Healthcare signed an agreement to purchase Sentosa Medical Centre Kuala Lumpur (Sentosa-KL) and Sentosa Medical Centre Kajang (Sentosa-Kajang) for RM72mil.

The deal, to be completed soon, entails the healthcare group forking out RM65.3mil for Sentosa-KL and RM5.22mil for Sentosa-Kajang.

Lee said the acquisitions would allow the group to own medium-range private specialist hospitals in Kuala Lumpur.

With these latest acquisitions, KPJ Healthcare has expanded its chain to 17 private hospitals in Malaysia, three in Indonesia and one in Bangladesh.

ISO 9002-certified Sentosa-KL is an eight-storey hospital with 142 beds. Due to strong demand, Siti said Sentosa-KL was adding another two floors to cater to its patients.

Sentosa-Kajang, a newly completed hospital located along the main road of Jalan Cheras, would further extend the group's services to towns further away from the city. The hospital started operations in February.

Sentosa-KL posted a pre-tax profit of RM4.3mil on revenue of RM46.9mil as at December 31, 2005, while Sentosa-Kajang is expected to break even in 2007 and be profitable in the third year of operations. For the year ended Dec 31, 2005, KPJ Healthcare registered a pre-tax profit of RM45.95mil on revenue of RM659.64mil.

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**STARBIZ: In a span of 25 years, KPJ Healthcare has established 21 private healthcare hospitals within the group. This is a big achievement. Where do you go from here?**

**Datin Paduka Siti Sa'diah Sheikh Bakir:** There is always room for improvement. We are the largest private healthcare group in the country and we aim to continue growing by managing more hospitals locally and abroad.

More importantly, as a listed entity, we need to ensure that we grow in revenue and net profit every year to satisfy our stakeholders.

**StarBiz: What are your strategies to improve revenue or yield?**

**Siti:** We will continue to expand by way of acquisitions, partnerships, joint ventures or even consultancy services in healthcare management, locally and overseas.

Our core competency is in patient care and hospital management and KPJ Healthcare has a proven record of turning around "sick" hospitals and later package them for real estate investment trusts (REITs), if yields are attractive.

We also provide consultancy to hospitals, which is another good revenue stream. By growing bigger (via acquisitions) we have scalability - in terms of operations, which can help reduce costs, especially in areas like inventory purchase, because of the larger volume.

**StarBiz: KPJ Healthcare has moved into the REIT market. In fact, the group is reputed to be a specialist in healthcare REITs. What does this mean?**

**Siti:** There are many types of REITs. There are companies that specialise in injecting retail shopping centres into REITs or some other purposely-built structures.

In our case, we only focus on managing hospitals, which is very different from managing retail shopping centres. We are also branding ourselves as a REIT specialist in hospital management.

# Group to inject more hospitals into REIT

**STARBIZ senior writer DANNY YAP talks to KPJ Healthcare Bhd managing director Datin Paduka Siti Sa'diah Sheikh Bakir on the healthcare group's expansion plans, going forward.**

**StarBiz: What is the overseas hospital contribution to KPJ Healthcare group's revenue currently?**

**Siti:** KPJ Healthcare started venturing overseas in 1995. We currently manage and own a majority stake in a hospital in Indonesia. We also manage two other hospitals there.

KPJ Healthcare also owns a minority stake in United Hospital Ltd, the second major private hospital in Bangladesh, and has a 10-year contract to manage it. We are also making a foray into the Middle Eastern market. We expect overseas operations to account for 15% of group earnings in three years.

**StarBiz: How successful was the world's first Islamic REIT - the Al-Aqar KPJ REIT - launched by the group earlier this year?**

**Siti:** The REIT attracted a lot of investors, especially non-bumiputras, because of good yields as well as stable and consistent returns from the properties. We plan to inject more hospitals into the REIT when the time is right.

