

KPJ Healthcare looks abroad, at REITs in expansion drive



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Hospital management contracts are being sought abroad along with more local acquisitions

By ISABELLE FRANCIS

MALAYSIA'S largest public-listed hospital chain operator KPJ Healthcare Bhd may already be in high gear in its expansion drive, but the company is not pulling the brakes on the campaign just yet.

Its managing director Datin Paduka Siti Sa'diah said the company, besides expanding its REITs business, was also scouting for more hospital management contracts overseas. She named India, China and Russia as possible markets.

KPJ Healthcare now manages six hospitals overseas; three in Indonesia, one Dhaka, Bangladesh and two in Jeddah. "We are being sought after by many international

partners. The main ingredient in a successful relationship is always the partner.

"In India we would probably look into the area of turning around hospitals with financial constraints," she told *The Malaysian Reserve* in a recent interview.

On the development of its Al-Aqar REITs, she said that the company is also considering the possibility of injecting non-hospital but healthcare-related assets, which may include schools, laboratories, universities, and trading houses, into the REITs.

"From 2008 onwards, in order to excite the market, there will be a continuous injection of properties. To make sure that the counter is kept alive and active, this must be undertaken. But we would stay healthcare-focused," explained Siti Sa'diah.

Al Aqar REIT began with six hospitals and a fund size of RM340 million. Recently, five hospital assets worth RM170.04 million were injected into the Al Aqar REIT.

This move, Siti Sa'diah said,

was aimed at enhancing the current yield of about 7.6%, with a target to increase it to over 8% soon after the injection of new assets.

Without giving details, she said the Al Aqar REITs had helped the group to "de-gear" significantly.

Given the fact that more people are now demanding a higher quality of healthcare services, KPJ Healthcare has got it made, and most analysts have no problem agreeing to this fact.

Research houses like RHB Research and Credit Suisse are giving "outperform" recommendations to the stock, while Deutsche Bank, Affin Securities, HLG Securities and Kim Eng Securities have a "buy" call on the largest hospital chain operator.

The current low healthcare spending in Malaysia, at 3.4% of the total gross domestic product last year, compared with the Organisation for Economic Cooperation and Development (8.6%) and the UK at 15.2%, tips the scale in KPJ Healthcare's favour.

Foreign funds raise stake in AirAsia to 7%

A GROUP of foreign funds collectively bought an additional 2.58 million shares in AirAsia Bhd on May 16, raising their stakes to 157.34 million shares or 6.67%.

Some of the 13 fund managers are FID FDS-Southeast Asia Pool Brown Bros Harriman Ltd Lux, FA Growth Opportunities Fund, Mellon Bank NA, Fidelity Fifty Fund, Citibank NA, and FID Southeast Asia Fund, Northern Trust Co. A Bursa Malaysia filing stated that the transaction was a simple portfolio investment.

Meanwhile, Gamuda Bhd's major foreign shareholder, FMR Corp & Fidelity International Ltd, bought 1.19 million shares in the company on May 15.

It also sold 800,000 shares in Gamuda on the same day. The transaction, according to Bursa, was carried out in the normal course of business.

Amanah Raya Nominees (Tempatan) Sdn Bhd acquired 15.8 million additional shares in Telekom Malaysia Bhd under the Skim Amanah Saham Bumiputera trust, raising its direct stake to 293.15 million shares.