

Sector Focus

Healthy demand, capacity growth to drive healthcare earnings through 2025 – BIMB

By Yu Jien Lim / theedgemalaysia.com

09 Dec 2024, 01:23 pm



Photo by Low Yen Yeing/The Edge

KUALA LUMPUR (Dec 9): Malaysia's healthcare sector is set for sustained growth beyond its robust third-quarter results, amid steady increases in both capacity and demand, BIMB Securities said.


The research house, which kept an 'overweight' stance on the sector, expects private hospital operators to "sustain earnings growth of double digits,


supported by steady increases in inpatient and outpatient visits”, which are likely to extend into 2025.

Meanwhile, the organic capacity expansion among private hospitals would further boost revenue from healthcare tourism, the house said in a note.

The sector's earnings would be further supported by the ongoing adoption of healthcare digitalisation, BIMB added.


According to BMI, a unit under Fitch Solutions, “Malaysia’s medical devices market is projected to grow at a compound annual growth rate of 8.2% from 2023-2028, reaching RM15.4 billion by 2028”, on the back of the modernisation of healthcare facilities and a rising prevalence of chronic diseases.


For healthcare sector players, BIMB reaffirmed its 'buy' call on IHH Healthcare Bhd (KL:IHH ) , with a target price (TP) of RM8.60, citing a robust performance across all markets.


Meanwhile, the house maintained its 'hold' call on KPJ Healthcare Bhd (KL:KPJ ) , with a revised TP of RM2.52, despite an upward revision of its earnings forecasts by 18% for the financial year ending Dec 31, 2025 (FY2025) and 15% for FY2026.

Looking ahead, "our positive outlook on hospital players is supported by organic capacity expansion, growing demand for elective surgeries, improved adoption of healthcare digitalisation, increased revenue from health tourism, and rising demand driven by an ageing population", said BIMB.

The third-quarter financial results were deemed “favourable”, with IHH delivering a standout 34.9% year-on-year earnings growth and KPJ reporting an 11.6% increase, both driven by rising hospital activities and patient volumes.

For pharmaceutical players, innovations like Pharmaniaga Bhd’s (KL:PHARMA ) locally produced recombinant insulin, which received National Pharmaceutical Regulatory Agency (NPRA) approval in November, is set to launch in the first quarter of 2025, which reflects the sector’s evolution towards meeting chronic disease demands.

Apex Healthcare Bhd (KL:AHEALTH ) also performed well in its top-line growth, supported by decent demand for pharmaceuticals, consumer healthcare products, and medical devices.

Conversely, nutraceutical players like Nova Wellness Group Bhd (KL:NOVA ) faced headwinds, with earnings pressured by rising raw material costs and subdued demand.

Edited By Adam Aziz