

Medical tourism revenue likely to double



ECONOMY

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Medical tourism revenue in Malaysia is expected to double.

PETALING JAYA: BIMB Research remains positive about the healthcare sector, citing several factors including organic capacity expansion, rising demand due to an ageing population and growth in health tourism.





“With strong ongoing premium healthcare services demand and consistent earnings growth, we anticipate private hospital players will pursue more inorganic expansions going forward,” it said.

The research house maintained an “overweight” call on the sector.

It added that there is also a growing demand for elective surgeries while improved adoption of healthcare digitalisation will help spur the sector's growth.

However, it believed the sector faces risks of higher-than-expected raw material costs, which could impact earnings for pharmaceutical and nutraceutical players as well as unfavourable regulations related to the implementation of diagnosis-related groups (DRG) payment system.

BIMB Research said the recently concluded fourth quarter of 2024 corporate earnings season showed mixed results for the sector.

“Among the four companies under our coverage [KPJ Healthcare Bhd](#) , [Apex Healthcare Bhd](#)  and [Nova Wellness Group Bhd](#)  met expectations, while [IHH Healthcare Bhd](#)  underperformed.”



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However, it has maintained its “buy” recommendation on IHH Healthcare, with a target price of RM8.60 per share.

This was driven by expectations of strong performance from higher hospital activity.

IHH Healthcare is expected to benefit from its recent acquisition of Island Hospital, completed in November 2024.

The deal is projected to enhance operational efficiency and generate over RM200mil in synergies over the next five years.

Additionally, medical tourism revenue in Malaysia is expected to double.

It pointed out that Island Hospital's vacant land offers further expansion opportunities, with approvals in place to add around 400 more beds, increasing capacity to over 1,000 beds to meet growing demand.

Maybank Investment Bank (Maybank IB) Research views KPJ's centre of excellence and hub-and-spoke model favourably, as it enables the consolidation of specialised medical services and critical infrastructure in its key hospitals.

The research house said the business model also reduces duplication of high-cost medical equipment and encourages efficient patient flow.

“KPJ has also embarked on a DRG case mix analysis exercise to improve its operational efficiency as it gears up for the potential implementation of DRG in the mid-to-longer term,” it said.

Maybank IB Research expects KPJ’s strengthened earnings before interest, tax, depreciation and amortisation (Ebitda) margin of 24% in financial year 2024 (FY24) to remain resilient into FY25 to FY27.

This is supported by the hospital operator’s ability to improve its cost levels, as it is able to negotiate better terms for the variable cost of medical supplies and drugs, which registered significant cost-savings and resulted in higher Ebitda margin.

This is supported by the hospital operator’s ability to manage costs by negotiating better terms for medical supplies and drugs, leading to significant cost savings and a higher Ebitda.

“KPJ’s robotic-enhanced surgical capabilities and quality of care remains attractive to foreign patients, especially for its key hospitals in the Klang Valley and Johor,” it added.

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