

KPJ Healthcare (KPJ MK)

Making the necessary changes to turn around

Maintain BUY

We came from a recent meeting with KPJ's management, diving deeper into the structural changes around its operating model. Over the past 2 years, the previous GMDs have put in plenty of operational changes around the group's procurement practice. Long-term strategy to improve efficiency and asset restructuring are also underway, despite recent key management changes. In our view, the market is discounting the potential long-term margin accretion and growth coming from returning patient volumes. Maintain BUY with an unchanged SOTP-TP of MYR1.01.

Structural changes already put into place

Under the previous two GMDs, we learnt that the management have put in tremendous work in setting up a group-level central system for its procurement of medical supplies. In our view, this structural change is essential, given that KPJ's medical supplies as a percentage of revenue of 31-32% in FY19-21 was among the highest versus regional peer average of c.21%, and this is reflected in KPJ's low pretax margins of c.7% in FY19-21 vs. peer average of c.13%. We understand that KPJ is still at the nascent stage on executing this central procurement system, and view there could be a strong upside to its margin expansion in the medium term.

Portfolio restructuring

Despite the recent management changes, KPJ will remain steadfast on its execution path of setting up more quaternary-level hospitals and ACC in order to drive up patient stickiness and revenue intensity. According to the management, KPJ can charge up to 25% more for foreign patients for a similar treatment. At c.5% of total revenue, the health tourism is a wildcard segment for KPJ's growth ahead. Its new D2S hospital could also help in improving KPJ's brand and capabilities among the health tourists through its more digitalised operations, in our view.

Organic growth through bed capacity expansion

Near-term bed capacity expansion could come from KPJ Puteri (167 beds), KPJ Penang (151 beds), and D2S (297 beds), some of which are waiting MOH's approval for operational start. From ~3,500 operational beds end-2H22, we expect an annual increase of ~150 beds. Per management, some of KPJ's matured hospitals have reached encouraging BOR levels of >60%, which could necessitate further capacity expansion.

FYE Dec (MYR m)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	2,397	2,627	2,826	3,090	3,244
EBITDA	546	500	588	667	730
Core net profit	135	48	130	187	230
Core EPS (sen)	3.1	1.1	2.9	4.2	5.2
Core EPS growth (%)	(35.9)	(66.0)	172.0	43.9	23.2
Net DPS (sen)	1.2	0.8	1.6	1.8	1.8
Core P/E (x)	31.8	103.7	27.8	19.3	15.7
P/BV (x)	2.1	2.3	1.6	1.6	1.5
Net dividend yield (%)	1.2	0.7	2.0	2.2	2.2
ROAE (%)	5.6	2.4	6.0	8.3	9.7
ROAA (%)	2.2	0.8	2.1	3.0	3.6
EV/EBITDA (x)	10.8	13.1	8.9	7.8	7.1
Net gearing (%) (incl perps)	67.8	67.1	65.1	59.6	54.0
Consensus net profit	-	-	115	150	169
MKE vs. Consensus (%)	-	-	13.3	24.4	36.3

Shafiq Kadir, CFA
 msshafiqk.abkadir@maybank-ib.com
 (603) 2297 8691

BUY

Share Price	MYR 0.81
12m Price Target	MYR 1.01 (+27%)
Previous Price Target	MYR 1.01

Company Description

KPJ Healthcare is the largest private hospital operator in Malaysia by number of hospitals.

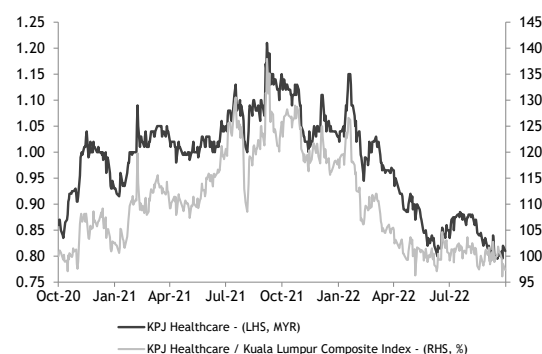
Statistics

52w high/low (MYR)	1.15/0.79
3m avg turnover (USDm)	0.3
Free float (%)	31.6
Issued shares (m)	4,506
Market capitalisation	MYR3.6B USD770M

Major shareholders:

Johor Corp.	43.6%
Employees Provident Fund	12.0%
Kumpulan Waqaf An Nur Bhd.	6.8%

Price Performance



	-1M	-3M	-12M
Absolute (%)	(2)	(5)	(30)
Relative to index (%)	(4)	(3)	(23)

Source: FactSet

Abbreviations:

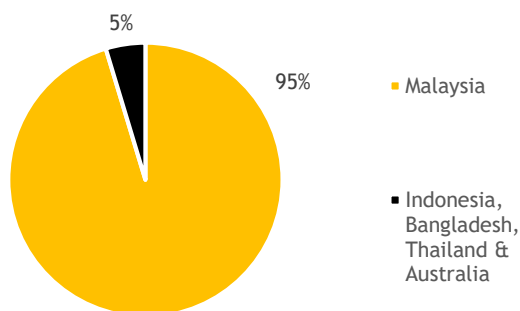
ACC: Ambulatory Care Center
 D2S: Damansara II Specialist
 GMD: Group Managing Director

ESG@MAYBANK IBG
 Tear Sheet Insert

Value Proposition

- KPJ is the largest private hospital operator in Malaysia with 28 hospitals and over 3,300 beds. Through its broad reach in mature areas, KPJ has managed to capture the highest market share in combined outpatient and inpatient volume.
- Has long-term structural support i.e. aging population, growing insurance penetration, and rising group of affluent population demanding premium healthcare services.
- KPJ Lablinks is its initiative to pursue telemedicine and digital healthcare services.
- A pure play for Malaysian private healthcare sector as >90% revenues are derived from its local ops. Will likely stand to benefit from lifting of travel restrictions in Malaysia.

Revenue by geography - FY21

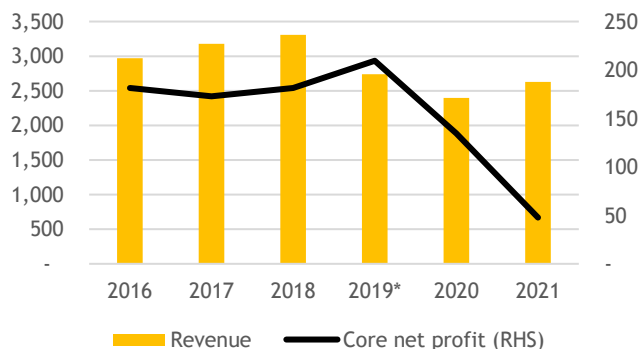


Source: Company

Financial Metrics

- Barring the impact from the pandemic, the company has recorded steady revenue and net profit growth over the last few years.
- Operating margins lagged regional healthcare players as KPJ also focuses on the broader market through its outpatient segment. The outpatient market is a high-volume, low-ticket size segment, and has lower margins vs. the inpatient segment.

Revenue and core profit trend (MYRm)

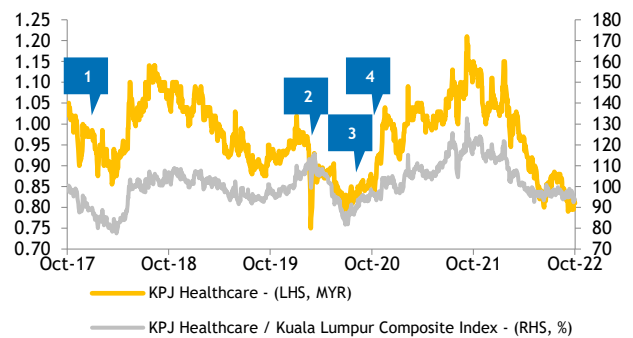


Source: Company

*Revenue is stated net of consultant fees since 2019

Price Drivers

Historical share price trend



Source: Company, Maybank IBG Research

1. Sale of 49% stake of Lablink (M) Sdn Bhd for MYR120m.
2. Nationwide lockdown imposed due to Covid-19 pandemic, impacting mobility of the population.
3. Disposed 80% stake in an Indonesian company that owns a hospital in Jakarta for MYR28m.
4. Better operational metrics seen as KPJ benefited from the partial lifting of lockdown measures in 3Q20.

Swing Factors

Upside

- Stronger-than-expected BOR recovery as travel restrictions ease.
- Sustained higher revenue intensity heading towards post-pandemic, even as mix of non-critical treatments increases.
- Material and sustainable cost cutting initiatives under the direction of new MD.

Downside

- Prolonged lockdown and travel restriction measures, weakening the recovery in patient volumes.
- Gestation period of new hospitals takes longer than expected to achieve EBITDA-breakeven, dragging margins.
- Rising competition from other private hospital operators.

msshafiqk.abkadir@maybank-ib.com

ESG@MAYBANK IBG

msshafiqk.abkadir@maybank-ib.com

Risk Rating & Score ¹	Medium & 23.0
Score Momentum ²	+2.1
Last Updated	31 Mar 2022
Controversy Score ³ (Updated: 1 Jan 2000)	0

Business Model & Industry Issues

- Being one of the largest private hospital operators in Malaysia, KPJ Healthcare adheres to strict regulations and guidelines to ensure deliverance of high-quality healthcare services while not compromising on sustainability practices.
- The Group’s sustainability initiatives and impacts are aligned with 15 UN Sustainable Development Goals (UNSDGs) since 2018.
- The group practices strong governance controls and internal measures. It also set targets to achieve a certain amount of water and electricity consumption while reducing waste. It has also launched initiatives to provide basic healthcare services to the underserved communities.
- Disclosures on its ESG practices are relatively better compared to its peers - it has been publishing its Sustainability Report in accordance with the GRI Standards Core option and is closely guided by Bursa Malaysia’s Sustainability Reporting Guide.
- KPJ is a constituent of the Bursa Malaysia FTSE4GOOD index.

Material E issues

- Achieved some of the targets in emission and consumption reductions set for FY21.
- The group recorded 4% lower greenhouse gas (GHG) emissions in FY21 due to reduced operating hours during the pandemic.
- Achieved water management target of 99m3 usage per employee in 2021 (+3% yoy) compared to target of not more than 111m3, and electricity consumption of 23.6kWh per sq ft (+6% yoy) compared to target of not more than 27.69kWh.
- Average clinical waste generated per patient dropped by 13% to 0.48kg and met the target of not more than 0.5kg per patient.
- Has implemented policies to achieve long term targets on waste, water and energy management.

Material S issues

- 78% of total employees are female in 2021. However, 60% of senior and top management staff are male. Further, 77% of total staff are bumiputera.
- Scored 86 in Net Promoter Score for patient loyalty in 2022 vs 75 in 2020. Customer Satisfaction Index (CSI) improved to 92.3% in 2021 vs 90.1% in 2020. Both were highest to-date.
- Managed admissions and treatments of patients referred by MOH to ease public healthcare burden during pandemic.
- Spent RM9.2mil on community outreach programmes and initiatives in FY21.
- Committed to serve the underserved segment e.g. served more than 44,000 patients, mainly for underprivileged and B40 groups, through 17 KWAN (Klinik Wakaf An-Nur) clinics and mobile clinics during the pandemic.

Key G metrics and issues

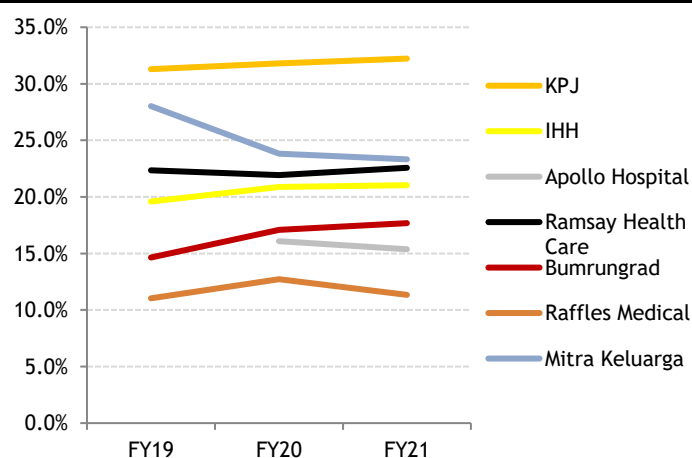
- Board member comprised of 12 members - of this, 50% of the board members are Independent Non-Executive Directors (INEDs), while 92% are male.
- 92% of the board members have served with tenure of 3 years and below.
- The risk and governance committees are made up of 5 board members each. The audit committee is made up of 4, while the remuneration committee is made up of 6.
- The group plans to add one more Independent Director to broaden the professional level of its BOD, while also working to increase composition of female directors for a more gender-diverse representation.
- The remuneration of the MD, Ahmad Shahizam Mohd Shariff in FY21 was RM1.72m, representing 3.6% of the group core net profit in FY21.
- Ernst & Young was appointed as the auditor for FY20-21, following the appointment of PricewaterhouseCooper as the group’s auditor from FY15 to FY19.
- The group expects all its vendors, contractors, suppliers and other related third parties of the group to sign and comply with KPJ’s Corporate Integrity Agreement (CIA) declaration. As at end-2020, over 9,500 parties have signed the CIA.
- A recent related party transaction (RPT) is the downward rental revision on Jeta Gardens Retirement Village (JGRV) for a period of 1+4 years in 2021-26. This was due to an asset revaluation exercise undertaken to be in-line with market dynamics and comparable entities. JGRV is 57% owned by KPJ and 22% owned by JCorp.

¹**Risk Rating & Score** - derived by Sustainalytics and assesses the company’s exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company’s enterprise value, respectively, from ESG-driven financial impacts. ²**Score Momentum** - indicates changes to the company’s score since the last update - a **negative** integer indicates a company’s improving risk score; a **positive** integer indicates a deterioration. ³**Controversy Score** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

1. Structural changes already put into place

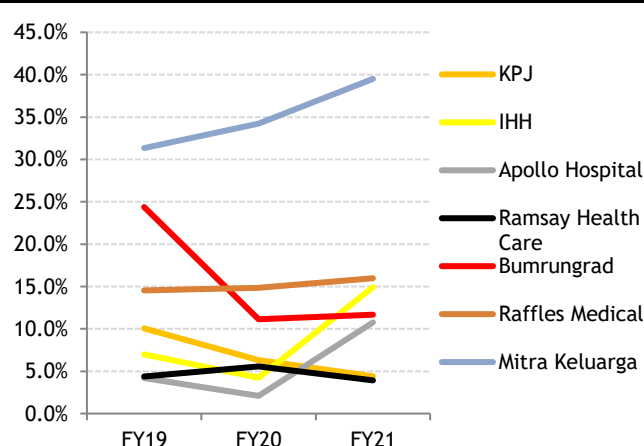
The previous GMDs, Ahmad Shahizam Mohd Shariff (Jul 2020 - Mar 2022) and Dato' Mohd Shukrie Mohd Salleh (Apr 2022 - Sep 2022) have executed various structural changes within KPJ Healthcare in order to enhance the group's operating efficiency. Under Ahmad Shahizam, he identified the lowest hanging fruit of KPJ operational issues was on its procurement system. We analyse the cost of medical supplies and related consumables as a percentage of revenue for KPJ and some of its regional peers and noted that KPJ has considerably higher cost intensity of medical supplies of 31-32% versus regional peer average of c.21%, and this is reflected in its low pretax margins of c.7% in FY19-21 vs. peer average of c.13%, per Fig 2.

Fig 1: Medical supplies as a % of revenue - peer comparison



Source: Company, Various

Fig 2: Pretax margin - peer comparison



Source: Company, Various

This can be explained by the absence of a proper central procurement system, as most of the hospitals under KPJ's portfolio have been operating in silos. We understand that the previous two GMDs have since done tremendous work in setting up a group level procurement system that centralises the sourcing of medical supplies and consumables. Additionally, a group level marketing and insurance negotiation system was also established to improve KPJ's ability of obtaining better terms with the relevant stakeholders i.e. pricing with insurance providers and marketing firms.

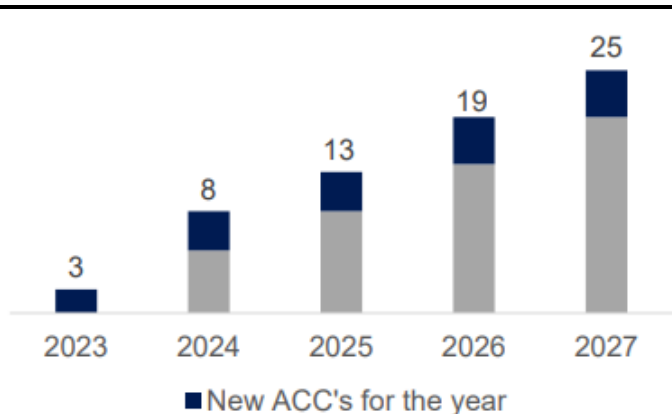
We understand that KPJ is still at the nascent stage of executing this strategic move, which began in 3Q22. That said, the traction i.e. buy-ins from its portfolio of hospitals to onboard these changes has been rather encouraging, according to the management, which in fact is a good sign. The cost saving benefits could be relatively sizeable once KPJ manages to shift all its procurement practice to the group level, in our view. We make no changes to our earnings forecast, but note that we have already pencilled in around 20-30 bps annual decrease in medical supply cost as a percentage of revenue for FY22-24E.

2. Portfolio restructuring

Establishment of ACCs is a two-pronged strategy

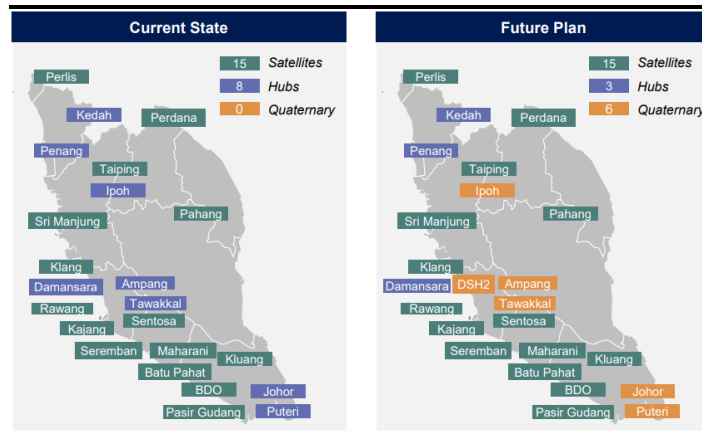
ACCs are KPJ’s new business model that are low-capex and have shorter gestation period vis-à-vis typical hospitals. KPJ benefits through the expansion of outpatient reach, in which total volumes could grow by a further 30% upon the opening of all 25 ACCs by 2027. Aside from that, the establishment of ACCs could also provide KPJ with better flexibility to reallocate its resources by implementing a more proper shift system for its consultants across its portfolio of hospitals. A better shift system could result in improvement in consultant availability for the more acute treatments, which in turn could also improve the utilisation of its medical equipment.

Fig 3: Ambulatory Care Center (ACC) yearly addition



Source: Company

Fig 4: Portfolio transformation in the future



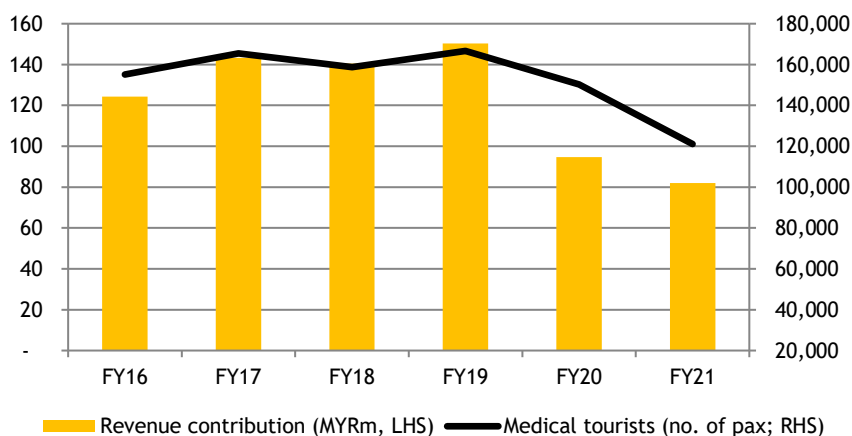
Source: Company

Quarternary hospitals to drive up revenue intensity

KPJ is also pushing to establish up to 6 quarternary hospitals across its current portfolio of 29 hospitals in Malaysia, in order to 1) improve revenue intensity through higher mix of acute and critical treatments, as well as increasing the mix of health tourists, and 2) improve the patient referrals from other hospitals to retain high-value patients. According to the management, KPJ can charge up to 25% more for foreign patients for a similar treatment.

The key then is to attract and grow its medical tourism business, which has been rather stagnant over the years, due to intense competition from neighbouring countries i.e. Singapore and Thailand.

Fig 5: Medical tourism revenue



Source: Company

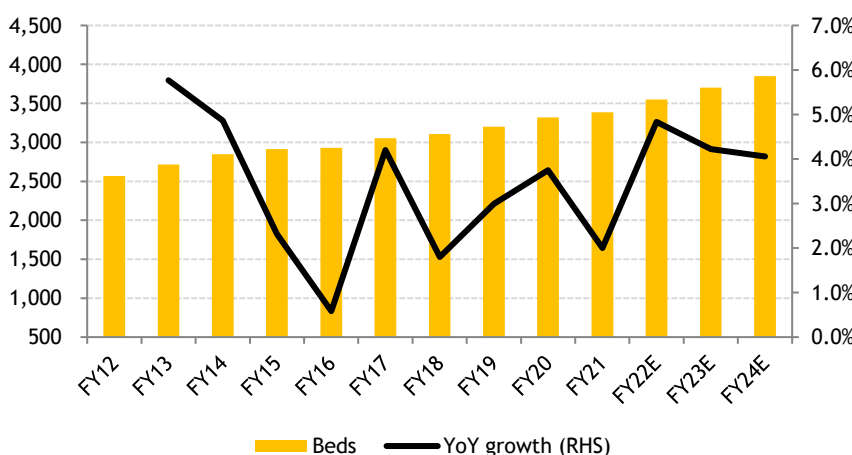
Management is hopeful to at least double the current mix of health tourism revenue of around 5% in a few years. The new KPJ Damansara II Specialist Hospital, which saw its soft launch in Sep 2022, would be the maiden full-fledged digital hospital that would cater for a much higher mix of health tourists of up to 50%, according to the management.

3. Organic growth through bed expansion

Near-term bed capacity expansions could come from KPJ Puteri (167 beds), KPJ Penang (151 beds), and D2S (297 beds), all of which have reached construction completion and some are waiting for MOH’s approval for operational commencement. We understand that KPJ is leveraging on its subsidiary KPJ Healthcare University College to secure registered nurses as part of the requirement by MOH to commence operations of the new beds. This may alleviate the concern on nurse shortages which was caused by the COVID-19 pandemic.

From ~3,500 operational beds as at 2H22, we expect an annual increase of ~150 beds. Per management’s guidance, some of its matured hospitals have also reached encouraging BOR levels of >60%, which could necessitate further capacity expansion.

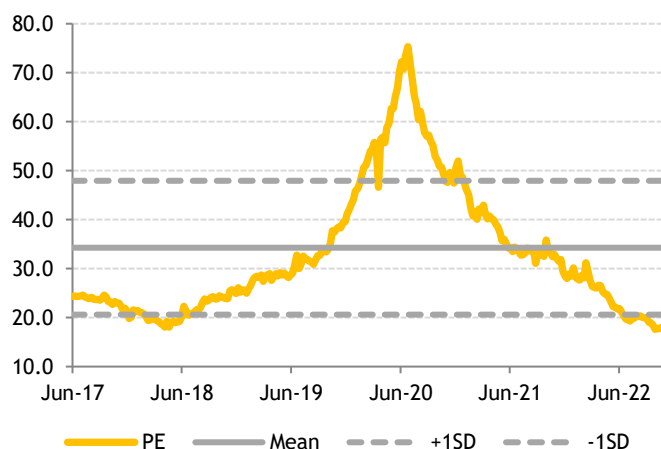
Fig 6: KPJ’s operational bed capacity trend



Source: Company, Maybank IBG Research

4. Valuation

Fig 7: 12M forward PER



Source: Bloomberg, Maybank IBG Research

Fig 8: 12M forward P/B



Source: Bloomberg, Maybank IBG Research

Fig 9: Sector and regional peer comparison

Company	Ticker	Mkt cap (USDm)	Shr px (Local)	PE (x)		PBV (x)		EV/EBITDA (x)		ROE (%)		Yield (%)	
				FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
KPJ Healthcare	KPJ MK	796	0.82	28.2	19.6	1.7	1.6	11.0	9.6	5.9	8.1	2.0	2.2
Bangkok Dusit	BDMS TB	11,970	28.75	41.6	38.5	5.2	4.9	22.3	20.9	12.5	12.8	1.5	1.7
Bumrungrad Hospital	BH TB	4,770	229.00	46.8	40.7	9.7	8.8	32.3	28.9	20.8	21.6	1.4	1.5
Bangkok Chain	BCH TB	1,144	17.50	10.7	23.5	3.1	3.0	7.3	13.0	28.7	12.8	4.6	2.2
Chularat Hospital	CHG TB	1,009	3.50	12.7	25.4	4.6	4.5	9.1	16.4	36.1	17.8	5.0	2.7
Apollo Hospital	APHS IN	7,620	4,392.35	65.0	44.9	9.7	8.2	na	na	14.9	18.3	0.3	0.3
Fortis Healthcare	FORH IN	2,500	274.15	43.4	32.6	3.1	2.8	na	na	7.1	8.6	-	-
Raffles Medical	RFMD SP	1,597	1.21	23.0	24.4	2.3	2.2	12.2	12.9	9.8	8.9	2.3	2.1
Mitra Keluarga	MIKA IJ	2,630	2,880.00	37.1	33.5	7.1	6.3	23.8	21.4	19.2	18.9	1.6	1.3
Siloam International	SILO IJ	840	1,010.00	28.1	23.7	2.0	1.9	7.2	6.4	7.1	7.9	2.0	1.6
Ryman Healthcare	RYM NZ	2,399	8.45	15.0	13.9	1.1	1.1	15.3	16.4	7.6	7.8	2.6	2.6
Simple average				31.7	28.5	4.4	4.0	15.2	15.6	15.1	13.1	2.1	1.8
Mkt cap-weighted avg				39.5	33.0	5.6	5.0	14.9	14.2	14.0	14.6	1.6	1.6

Source: Bloomberg, Maybank IBG Research

Fig 10: Sum of parts valuation

Items	Value (RMm)	Method
Hospital operations	5,751	DCF (WACC: 7.98%, growth: 2.0%)
Al-Aqar Healthcare REIT	324	Market Value
Less: Net debt (MYRm)	1,507	End-FY22E
Target equity value (MYRm)	4,569	
Shares outstanding (mil)	4,506	
Equity value per share (MYR)	1.01	

Source: Maybank IBG Research

Risk statement

There are several risks to our earnings estimates, target price and rating for KPJ. These include weaker-than-expected recovery in the patient volume, the inability to pass on cost escalation to customers, prolonged gestation period of the new hospitals, and rising competition from other private hospital operators.

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Metrics					
P/E (reported) (x)	34.6	91.1	27.8	19.3	15.7
Core P/E (x)	31.8	103.7	27.8	19.3	15.7
P/BV (x)	2.1	2.3	1.6	1.6	1.5
P/NTA (x)	2.4	2.6	1.8	1.7	1.6
Net dividend yield (%)	1.2	0.7	2.0	2.2	2.2
FCF yield (%)	2.9	3.9	6.8	8.6	8.3
EV/EBITDA (x)	10.8	13.1	8.9	7.8	7.1
EV/EBIT (x)	19.3	26.8	15.6	12.6	11.0

INCOME STATEMENT (MYR m)

Revenue	2,397.4	2,626.8	2,825.8	3,089.6	3,244.1
EBITDA	546.0	500.3	587.8	667.4	729.9
Depreciation	(223.3)	(243.8)	(240.0)	(244.6)	(248.9)
Amortisation	(15.4)	(11.5)	(11.5)	(11.5)	(11.5)
EBIT	307.3	245.0	336.3	411.3	469.5
Net interest income / (exp)	(149.3)	(158.6)	(170.2)	(169.5)	(168.3)
Associates & JV	16.9	25.9	26.6	27.4	28.3
Exceptionals	(24.1)	3.3	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	150.8	115.6	192.7	269.2	329.5
Income tax	(40.0)	(49.9)	(55.9)	(75.4)	(92.3)
Minorities	(0.4)	(14.6)	(7.0)	(7.0)	(7.0)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	110.4	51.0	129.8	186.8	230.2
Core net profit	134.5	47.7	129.8	186.8	230.2

BALANCE SHEET (MYR m)

Cash & Short Term Investments	462.2	318.0	321.9	381.1	431.7
Accounts receivable	446.9	481.4	517.8	566.2	594.5
Inventory	52.1	53.8	56.6	61.2	63.6
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	3,914.8	3,825.5	3,835.6	3,841.0	3,892.1
Intangible assets	235.8	220.0	213.5	207.0	200.5
Investment in Associates & JVs	450.8	437.1	463.7	491.1	519.4
Other assets	578.9	851.9	851.9	851.9	851.9
Total assets	6,141.4	6,187.6	6,261.0	6,399.5	6,553.6
ST interest bearing debt	505.8	860.5	860.5	860.5	860.5
Accounts payable	605.1	618.3	626.1	651.1	648.3
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	1,449.2	968.0	968.0	968.0	968.0
Other liabilities	1,379.0	1,490.0	1,490.0	1,490.0	1,490.0
Total Liabilities	3,939.2	3,937.1	3,945.0	3,970.0	3,967.2
Shareholders Equity	2,050.1	2,135.4	2,193.9	2,300.4	2,450.4
Minority Interest	152.1	115.1	122.1	129.1	136.1
Total shareholder equity	2,202.2	2,250.5	2,316.0	2,429.5	2,586.4
Total liabilities and equity	6,141.4	6,187.6	6,261.0	6,399.5	6,553.6

CASH FLOW (MYR m)

Pretax profit	150.8	115.6	192.7	269.2	329.5
Depreciation & amortisation	238.8	255.3	251.5	256.1	260.4
Adj net interest (income)/exp	149.3	158.6	170.2	169.5	168.3
Change in working capital	(149.5)	(46.8)	(31.4)	(28.0)	(33.5)
Cash taxes paid	(59.4)	(58.9)	(55.9)	(75.4)	(92.3)
Other operating cash flow	0.0	0.0	0.0	0.0	0.0
Cash flow from operations	336.7	412.2	500.5	564.0	604.2
Capex	(240.5)	(216.6)	(250.0)	(250.0)	(300.0)
Free cash flow	96.3	195.6	250.5	314.0	304.2
Dividends paid	(72.7)	(23.7)	(71.4)	(80.3)	(80.3)
Equity raised / (purchased)	2.6	42.9	0.0	0.0	0.0
Change in Debt	154.0	(150.4)	0.0	0.0	0.0
Other invest/financing cash flow	(230.4)	(8.2)	(175.2)	(174.5)	(173.3)
Effect of exch rate changes	(3.1)	(1.2)	0.0	0.0	0.0
Net cash flow	(53.3)	55.0	3.9	59.2	50.6

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Ratios					
Growth ratios (%)					
Revenue growth	(12.4)	9.6	7.6	9.3	5.0
EBITDA growth	(8.2)	(8.4)	17.5	13.5	9.4
EBIT growth	(18.0)	(20.3)	37.2	22.3	14.2
Pretax growth	(45.2)	(23.3)	66.7	39.7	22.4
Reported net profit growth	(47.7)	(53.8)	154.4	43.9	23.2
Core net profit growth	(35.8)	(64.5)	172.0	43.9	23.2
Profitability ratios (%)					
EBITDA margin	22.8	19.0	20.8	21.6	22.5
EBIT margin	12.8	9.3	11.9	13.3	14.5
Pretax profit margin	6.3	4.4	6.8	8.7	10.2
Payout ratio	46.5	65.6	55.0	43.0	34.9
DuPont analysis					
Net profit margin (%)	4.6	1.9	4.6	6.0	7.1
Revenue/Assets (x)	0.4	0.4	0.5	0.5	0.5
Assets/Equity (x)	3.0	2.9	2.9	2.8	2.7
ROAE (%)	5.6	2.4	6.0	8.3	9.7
ROAA (%)	2.2	0.8	2.1	3.0	3.6
Liquidity & Efficiency					
Cash conversion cycle	(48.7)	(31.0)	(27.6)	(23.0)	(19.7)
Days receivable outstanding	74.8	63.6	63.7	63.2	64.4
Days inventory outstanding	10.3	9.0	8.9	8.8	8.9
Days payables outstanding	133.7	103.5	100.1	94.9	93.0
Dividend cover (x)	2.2	1.5	1.8	2.3	2.9
Current ratio (x)	0.9	0.6	0.6	0.7	0.7
Leverage & Expense Analysis					
Asset/Liability (x)	1.6	1.6	1.6	1.6	1.7
Net gearing (%) (incl perps)	67.8	67.1	65.1	59.6	54.0
Net gearing (%) (excl. perps)	67.8	67.1	65.1	59.6	54.0
Net interest cover (x)	2.1	1.5	2.0	2.4	2.8
Debt/EBITDA (x)	3.6	3.7	3.1	2.7	2.5
Capex/revenue (%)	10.0	8.2	8.8	8.1	9.2
Net debt/ (net cash)	1,492.8	1,510.5	1,506.5	1,447.4	1,396.7

Source: Company; Maybank IBG Research

Research Offices

ECONOMICS

Suhaimi ILIAS
Chief Economist
Malaysia | Philippines | Global
(603) 2297 8682
suhaimi_ilias@maybank-ib.com

CHUA Hak Bin
Regional Thematic Macroeconomist
(65) 6231 5830
chuahb@maybank.com

LEE Ju Ye
Singapore | Thailand | Indonesia
(65) 6231 5844
leejuy@maybank.com

Dr Zamros DZULKAFI
(603) 2082 6818
zamros.d@maybank-ib.com

Fatin Nabila MOHD ZAINI
(603) 2297 8685
fatinnabila.mohdzaini@maybank-ib.com

Brian LEE Shun Rong
(65) 6231 5846
brian.lee1@maybank.com

Luong Thu Huong
(65) 6231 8467
hana.thuluong@maybank.com

FX

Saktiandi SUPAAT
Head of FX Research
(65) 6320 1379
saktiandi@maybank.com.sg

TAN Yanxi
(65) 6320 1378
tanyx@maybank.com.sg

Fiona LIM
(65) 6320 1374
fionalim@maybank.com.sg

STRATEGY

Anand PATHMAKANTHAN
ASEAN
(603) 2297 8783
anand.pathmakanthan@maybank-ib.com

FIXED INCOME

Winson PHOON, FCA
Head of Fixed Income
(65) 6340 1079
winsonphoon@maybank.com

SE THO Mun Yi, CFA
(603) 2074 7606
munyi.st@maybank-ib.com

PORTFOLIO STRATEGY

CHAN Han Chin
(603) 2297 8888
hanchin.chan@maybank-ib.com

ONG Seng Yeow
(65) 6231 5839
ongsengyeow@maybank.com

MIBG SUSTAINABILITY RESEARCH

Jigar SHAH
Head of Sustainability Research
(91) 22 4223 2632
jigars@maybank.com

Neerav DALAL
(91) 22 4223 2606
neerav@maybank.com

REGIONAL EQUITIES

Anand PATHMAKANTHAN
Head of Regional Equity Research
(603) 2297 8783
anand.pathmakanthan@maybank-ib.com

WONG Chew Hann, CA
Head of ASEAN Equity Research
(603) 2297 8686
wchewh@maybank-ib.com

MALAYSIA

Anand PATHMAKANTHAN Head of Research
(603) 2297 8783
anand.pathmakanthan@maybank-ib.com
• Strategy

WONG Chew Hann, CA
(603) 2297 8686
wchewh@maybank-ib.com
• Non-Bank Financials (stock exchange)
• Construction & Infrastructure

Desmond CH'NG, BFP, FCA
(603) 2297 8680
desmond.chng@maybank-ib.com
• Banking & Finance

LIAW Thong Jung
(603) 2297 8688 tjliaw@maybank-ib.com
• Oil & Gas Services- Regional
• Automotive

ONG Chee Ting, CA
(603) 2297 8678 ct.ong@maybank-ib.com
• Plantations - Regional

YIN Shao Yang, CPA
(603) 2297 8916 samuel.y@maybank-ib.com
• Gaming - Regional
• Media • Aviation • Non-Bank Financials

TAN Chi Wei, CFA
(603) 2297 8690 chiwei.t@maybank-ib.com
• Power • Telcos

WONG Wei Sum, CFA
(603) 2297 8679 weisum@maybank-ib.com
• Property • Glove

Jade TAM
(603) 2297 8687 jade.tam@maybank-ib.com
• Consumer Staples & Discretionary

Nur Farah SYIFAA
(603) 2297 8675
nurfarahsyifaa.mohamadfuad@maybank-ib.com
• Renewable Energy • REITs

Arvind JAYARATNAM
(603) 2297 8692
arvind.jayaratnam@maybank.com
• Petrochemicals • Technology

Shafiq KADIR, CFA
(603) 2297 8691
msshafiqk.abkadir@maybank-ib.com
• Healthcare • Software

LOH Yan Jin
(603) 2297 8687
lohyanjin.loh@maybank-ib.com
• Ports • Shipping

Eugene HOO Yee Hui
(603) 2082 6819
eugene.hoo@maybank.com

TEE Sze Chiah Head of Retail Research
(603) 2082 6858 szechiah.t@maybank-ib.com
• Retail Research

Nik Ihsan RAJA ABDULLAH, MSTA, CFTe
(603) 2297 8694
nikmohdihsan.ra@maybank-ib.com
• Chartist

Amirah AZMI
(603) 2082 8769 amirah.azmi@maybank-ib.com
• Retail Research

SINGAPORE

Thilan WICKRAMASINGHE Head of Research
(65) 6231 5840 thilanw@maybank.com
• Banking & Finance - Regional
• Consumer

Eric ONG
(65) 6231 5924 ericong@maybank.com
• Healthcare • Transport • SMIDs

Kelvin TAN
(65) 6231 5837 kelvintan1@maybank.com
• Telcos • Industrials

LI Jialin
(65) 6231 5845 jialin.li@maybank.com
• REITs

Jarick SEET
(65) 6231 5848 jarick.seet@maybank.com
• Technology

PHILIPPINES

Jacqui de JESUS Head of Research
(63) 2 8849 8840
jacqui.dejesus@maybank.com
• Strategy • Conglomerates

Rachelleen RODRIGUEZ, CFA
(63) 2 8849 8843
rachelleen.rodriquez@maybank.com
• Banking & Finance • Transport • Telcos

Daphne SZE
(63) 2 8849 8847
daphne.sze@maybank.com
• Consumer

Miguel SEVIDAL
(63) 2 8849 8844
miguel.sevidal@maybank.com
• REITs • Property • Gaming

Fiorenzo de JESUS
(63) 2 8849 8846
fiorenzo.dejesus@maybank.com
• Utilities

THAILAND

Jesada TECHAHUSDIN, CFA
(66) 2658 6300 ext 1395
jesada.t@maybank.com
• Banking & Finance

Vanida GEISLER, CPA
(66) 2658 6300 ext 1394
Vanida.G@maybank.com
• Property • REITs

Yuwanee PROMMAPORN
(66) 2658 6300 ext 1393
Yuwanee.P@maybank.com
• Services • Healthcare

Wasu MATTANAPOTCHANART
(66) 2658 6300 ext 1392
wasu.m@maybank.com
• Telcos

Surachai PRAMUALCHAROENKIT
(66) 2658 5000 ext 1470
Surachai.p@maybank.com
• Auto • Conmat • Contractor • Steel

Suttatip PEERASUB
(66) 2658 5000 ext 1430
suttatip.p@maybank.com
• Food & Beverage • Commerce

Jaroonpan WATTANAWONG
(66) 2658 5000 ext 1404
jaroonpan.w@maybank.com
• Transportation • Small cap

INDONESIA

Jeffrosenberg CHENLIM Head of Research
(62) 21 8066 8680
Jeffrosenberg.lim@maybank.com
• Strategy

Willy GOUTAMA
(62) 21 8066 8500
willy.goutama@maybank.com
• Consumer

Richard SUHERMAN
(62) 21 8066 8691
richard.suherman@maybank.com
• Metals & Mining

Etta Rusdiana PUTRA
(62) 21 8066 8683
etta.putra@maybank.com
• Telcos

Satriawan, CTA
(62) 21 8066 8682
satriawan@maybank.com
• Chartist

VIETNAM

Quan Trong Thanh Head of Research
(84 28) 44 555 888 ext 8184
thanh.quan@maybank.com
• Strategy • Banks

Hoang Huy, CFA
(84 28) 44 555 888 ext 8181
hoanghuy@maybank.com
• Strategy • Technology

Le Nguyen Nhat Chuyen
(84 28) 44 555 888 ext 8082
chuyen.le@maybank.com
• Oil & Gas • Logistics

Nguyen Thi Sony Tra Mi
(84 28) 44 555 888 ext 8084
trami.nguyen@maybank.com
• Consumer Discretionary

Tran Thi Thanh Nhan
(84 28) 44 555 888 ext 8088
nhan.tran@maybank.com
• Consumer Staples

Nguyen Le Tuan Loi
(84 28) 44 555 888 ext 8088
loi.nguyen@maybank.com
• Industrials

Nguyen Thi Ngan Tuyen
Head of Retail Research
(84 28) 44 555 888 ext 8081
tuyen.nguyen@maybank.com
• Retail Research

Nguyen Thanh Lam
(84 28) 44 555 888 ext 8086
thanhlam.nguyen@maybank.com
• Chartist

APPENDIX I: TERMS FOR PROVISION OF REPORT, DISCLAIMERS AND DISCLOSURES

DISCLAIMERS

This research report is prepared for general circulation and for information purposes only and under no circumstances should it be considered or intended as an offer to sell or a solicitation of an offer to buy the securities referred to herein. Investors should note that values of such securities, if any, may fluctuate and that each security's price or value may rise or fall. Opinions or recommendations contained herein are in form of technical ratings and fundamental ratings. Technical ratings may differ from fundamental ratings as technical valuations apply different methodologies and are purely based on price and volume-related information extracted from the relevant jurisdiction's stock exchange in the equity analysis. Accordingly, investors' returns may be less than the original sum invested. Past performance is not necessarily a guide to future performance. This report is not intended to provide personal investment advice and does not take into account the specific investment objectives, the financial situation and the particular needs of persons who may receive or read this report. Investors should therefore seek financial, legal and other advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report.

The information contained herein has been obtained from sources believed to be reliable but such sources have not been independently verified by Maybank Investment Bank Berhad, its subsidiary and affiliates (collectively, "Maybank IBG") and consequently no representation is made as to the accuracy or completeness of this report by Maybank IBG and it should not be relied upon as such. Accordingly, Maybank IBG and its officers, directors, associates, connected parties and/or employees (collectively, "Representatives") shall not be liable for any direct, indirect or consequential losses or damages that may arise from the use or reliance of this report. Any information, opinions or recommendations contained herein are subject to change at any time, without prior notice.

This report may contain forward looking statements which are often but not always identified by the use of words such as "anticipate", "believe", "estimate", "intend", "plan", "expect", "forecast", "predict" and "project" and statements that an event or result "may", "will", "can", "should", "could" or "might" occur or be achieved and other similar expressions. Such forward looking statements are based on assumptions made and information currently available to us and are subject to certain risks and uncertainties that could cause the actual results to differ materially from those expressed in any forward looking statements. Readers are cautioned not to place undue relevance on these forward-looking statements. Maybank IBG expressly disclaims any obligation to update or revise any such forward looking statements to reflect new information, events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

Maybank IBG and its officers, directors and employees, including persons involved in the preparation or issuance of this report, may, to the extent permitted by law, from time to time participate or invest in financing transactions with the issuer(s) of the securities mentioned in this report, perform services for or solicit business from such issuers, and/or have a position or holding, or other material interest, or effect transactions, in such securities or options thereon, or other investments related thereto. In addition, it may make markets in the securities mentioned in the material presented in this report. One or more directors, officers and/or employees of Maybank IBG may be a director of the issuers of the securities mentioned in this report to the extent permitted by law.

This report is prepared for the use of Maybank IBG's clients and may not be reproduced, altered in any way, transmitted to, copied or distributed to any other party in whole or in part in any form or manner without the prior express written consent of Maybank IBG and Maybank IBG and its Representatives accepts no liability whatsoever for the actions of third parties in this respect.

This report is not directed to or intended for distribution to or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for distribution only under such circumstances as may be permitted by applicable law. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Without prejudice to the foregoing, the reader is to note that additional disclaimers, warnings or qualifications may apply based on geographical location of the person or entity receiving this report.

Malaysia

Opinions or recommendations contained herein are in the form of technical ratings and fundamental ratings. Technical ratings may differ from fundamental ratings as technical valuations apply different methodologies and are purely based on price and volume-related information extracted from Bursa Malaysia Securities Berhad in the equity analysis.

Singapore

This report has been produced as of the date hereof and the information herein may be subject to change. Maybank Research Pte. Ltd. ("MRPL") in Singapore has no obligation to update such information for any recipient. For distribution in Singapore, recipients of this report are to contact MRPL in Singapore in respect of any matters arising from, or in connection with, this report. If the recipient of this report is not an accredited investor, expert investor or institutional investor (as defined under Section 4A of the Singapore Securities and Futures Act), MRPL shall be legally liable for the contents of this report, with such liability being limited to the extent (if any) as permitted by law.

Thailand

Except as specifically permitted, no part of this presentation may be reproduced or distributed in any manner without the prior written permission of Maybank Securities (Thailand) Public Company Limited. Maybank Securities (Thailand) Public Company Limited ("MST") accepts no liability whatsoever for the actions of third parties in this respect.

Due to different characteristics, objectives and strategies of institutional and retail investors, the research products of MST Institutional and Retail Research departments may differ in either recommendation or target price, or both. MST reserves the rights to disseminate MST Retail Research reports to institutional investors who have requested to receive it. If you are an authorised recipient, you hereby tacitly acknowledge that the research reports from MST Retail Research are first produced in Thai and there is a time lag in the release of the translated English version.

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information. The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey may be changed after that date. MST does not confirm nor certify the accuracy of such survey result.

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by Thaipat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of the Office of the Securities and Exchange Commission. Thaipat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of Thaipat Institute that is a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, MST does not confirm, verify, or certify the accuracy and completeness of the assessment result.

US

This third-party research report is distributed in the United States ("US") to Major US Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended) only by Maybank Securities USA Inc ("MSUS"), a broker-dealer registered in the US (registered under Section 15 of the Securities Exchange Act of 1934, as amended). All responsibility for the distribution of this report by MSUS in the US shall be borne by MSUS. This report is not directed at you if Maybank IBG is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that MSUS is permitted to provide research material concerning investments to you under relevant legislation and regulations. All U.S. persons receiving and/or accessing this report and wishing to effect transactions in any security mentioned within must do so with: Maybank Securities USA Inc. 400 Park Avenue, 11th Floor, New York, New York 10022, 1-(212) 688-8886 and not with, the issuer of this report.

UK

This document is being distributed by Maybank Securities (London) Ltd (“MSUK”) which is authorized and regulated, by the Financial Conduct Authority and is for Informational Purposes only. This document is not intended for distribution to anyone defined as a Retail Client under the Financial Services and Markets Act 2000 within the UK. Any inclusion of a third party link is for the recipients convenience only, and that the firm does not take any responsibility for its comments or accuracy, and that access to such links is at the individuals own risk. Nothing in this report should be considered as constituting legal, accounting or tax advice, and that for accurate guidance recipients should consult with their own independent tax advisers.

DISCLOSURES

Legal Entities Disclosures

Malaysia: This report is issued and distributed in Malaysia by Maybank Investment Bank Berhad (15938- H) which is a Participating Organization of Bursa Malaysia Berhad and a holder of Capital Markets and Services License issued by the Securities Commission in Malaysia. **Singapore:** This report is distributed in Singapore by MRPL (Co. Reg No 198700034E) which is regulated by the Monetary Authority of Singapore. **Indonesia:** PT Maybank Sekuritas Indonesia (“PTMSI”) (Reg. No. KEP-251/PM/1992) is a member of the Indonesia Stock Exchange and is regulated by the Financial Services Authority (Indonesia). **Thailand:** MST (Reg. No.0107545000314) is a member of the Stock Exchange of Thailand and is regulated by the Ministry of Finance and the Securities and Exchange Commission. **Philippines:** Maybank Securities Inc (Reg. No.01-2004-00019) is a member of the Philippines Stock Exchange and is regulated by the Securities and Exchange Commission. **Vietnam:** Maybank Securities Limited (License Number: 117/GP-UBCK) is licensed under the State Securities Commission of Vietnam. **Hong Kong:** MIB Securities (Hong Kong) Limited (Central Entity No AAD284) is regulated by the Securities and Futures Commission. **India:** MIB Securities India Private Limited (“MIBSI”) is a participant of the National Stock Exchange of India Limited and the Bombay Stock Exchange and is regulated by Securities and Exchange Board of India (“SEBI”) (Reg. No. INZ000010538). MIBSI is also registered with SEBI as Category 1 Merchant Banker (Reg. No. INM 000011708) and as Research Analyst (Reg No: INH000000057) **US:** Maybank Securities USA Inc is a member of/and is authorized and regulated by the FINRA - Broker ID 27861. **UK:** Maybank Securities (London) Ltd (Reg No 2377538) is authorized and regulated by the Financial Conduct Authority.

Disclosure of Interest

Malaysia: Maybank IBG and its Representatives may from time to time have positions or be materially interested in the securities referred to herein and may further act as market maker or may have assumed an underwriting commitment or deal with such securities and may also perform or seek to perform investment banking services, advisory and other services for or relating to those companies.

Singapore: As of 26 October 2022, Maybank Research Pte. Ltd. and the covering analyst do not have any interest in any companies recommended in this research report.

Thailand: MST may have a business relationship with or may possibly be an issuer of derivative warrants on the securities /companies mentioned in the research report. Therefore, Investors should exercise their own judgment before making any investment decisions. MST, its associates, directors, connected parties and/or employees may from time to time have interests and/or underwriting commitments in the securities mentioned in this report.

Hong Kong: As of 26 October 2022, MIB Securities (Hong Kong) Limited and the authoring analyst do not have any interest in any companies recommended in this research report.

India: As of 26 October 2022, and at the end of the month immediately preceding the date of publication of the research report, MIBSI, authoring analyst or their associate / relative does not hold any financial interest or any actual or beneficial ownership in any shares or having any conflict of interest in the subject companies except as otherwise disclosed in the research report.

In the past twelve months MIBSI and authoring analyst or their associate did not receive any compensation or other benefits from the subject companies or third party in connection with the research report on any account what so ever except as otherwise disclosed in the research report.

Maybank IBG may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment and may receive compensation for the services provided from the companies covered in this report.

OTHERS

Analyst Certification of Independence

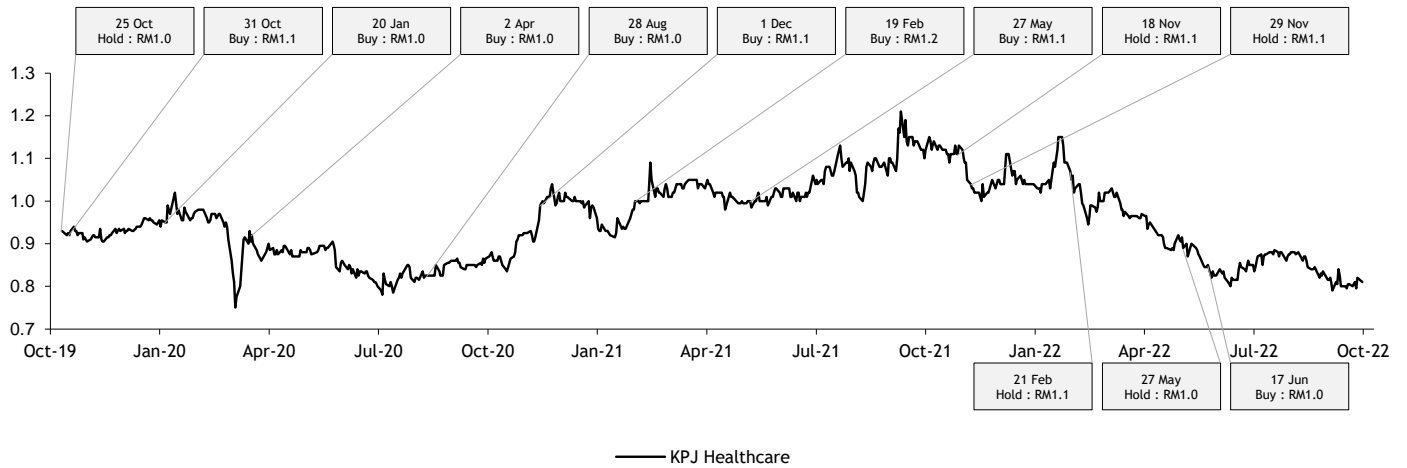
The views expressed in this research report accurately reflect the analyst’s personal views about any and all of the subject securities or issuers; and no part of the research analyst’s compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

Reminder

Structured securities are complex instruments, typically involve a high degree of risk and are intended for sale only to sophisticated investors who are capable of understanding and assuming the risks involved. The market value of any structured security may be affected by changes in economic, financial and political factors (including, but not limited to, spot and forward interest and exchange rates), time to maturity, market conditions and volatility and the credit quality of any issuer or reference issuer. Any investor interested in purchasing a structured product should conduct its own analysis of the product and consult with its own professional advisers as to the risks involved in making such a purchase.

No part of this material may be copied, photocopied or duplicated in any form by any means or redistributed without the prior consent of Maybank IBG.

Historical recommendations and target price: KPJ Healthcare (KPJ MK)



Definition of Ratings

Maybank IBG Research uses the following rating system

- BUY** Return is expected to be above 10% in the next 12 months (including dividends)
- HOLD** Return is expected to be between 0% to 10% in the next 12 months (including dividends)
- SELL** Return is expected to be below 0% in the next 12 months (including dividends)

Applicability of Ratings

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

Malaysia

Maybank Investment Bank Berhad
 (A Participating Organisation of
 Bursa Malaysia Securities Berhad)
 33rd Floor, Menara Maybank,
 100 Jalan Tun Perak,
 50050 Kuala Lumpur
 Tel: (603) 2059 1888;
 Fax: (603) 2078 4194

Stockbroking Business:
 Level 8, Tower C, Dataran Maybank,
 No.1, Jalan Maarof
 59000 Kuala Lumpur
 Tel: (603) 2297 8888
 Fax: (603) 2282 5136

Singapore

Maybank Securities Pte Ltd
 Maybank Research Pte Ltd
 50 North Canal Road
 Singapore 059304

Tel: (65) 6336 9090

Indonesia

PT Maybank Sekuritas Indonesia
 Sentral Senayan III, 22nd Floor
 Jl. Asia Afrika No. 8
 Gelora Bung Karno, Senayan
 Jakarta 10270, Indonesia

Tel: (62) 21 2557 1188

Fax: (62) 21 2557 1189

Thailand

Maybank Securities (Thailand) PCL
 999/9 The Offices at Central World,
 20th - 21st Floor,
 Rama 1 Road Pathumwan,
 Bangkok 10330, Thailand

Tel: (66) 2 658 6817 (sales)

Tel: (66) 2 658 6801 (research)

London

Maybank Securities (London) Ltd
 PNB House
 77 Queen Victoria Street
 London EC4V 4AY, UK

Tel: (44) 20 7332 0221

Fax: (44) 20 7332 0302

India

MIB Securities India Pte Ltd
 1101, 11th floor, A Wing, Kanakia
 Wall Street, Chakala, Andheri -
 Kurla Road, Andheri East,
 Mumbai City - 400 093, India

Tel: (91) 22 6623 2600

Fax: (91) 22 6623 2604

Vietnam

Maybank Securities Limited
 Floor 10, Pearl 5 Tower,
 5 Le Quy Don Street,
 Vo Thi Sau Ward, District 3
 Ho Chi Minh City, Vietnam

Tel : (84) 28 44 555 888

Fax : (84) 28 38 271 030

Hong Kong

MIB Securities (Hong Kong)
 Limited
 28/F, Lee Garden Three,
 1 Sunning Road, Causeway Bay,
 Hong Kong

Tel: (852) 2268 0800

Fax: (852) 2877 0104

Philippines

Maybank Securities Inc
 17/F, Tower One & Exchange
 Plaza
 Ayala Triangle, Ayala Avenue
 Makati City, Philippines 1200

Tel: (63) 2 8849 8888

Fax: (63) 2 8848 5738

Sales Trading

Kevin Foy
 Regional Head Sales Trading
 kevinfoy@maybank.com
 Tel: (65) 6636-3620
 US Toll Free: 1-866-406-7447

Indonesia

Helen Widjaja
 helen.widjaja@maybank.com
 (62) 21 2557 1188

Philippines

Keith Roy
 keith_roy@maybank.com
 Tel: (63) 2 848-5288

London

Greg Smith
 gsmith@maybank.co.uk
 Tel: (44) 207-332-0221

India

Sanjay Makhija
 sanjaymakhija@maybank.com
 Tel: (91)-22-6623-2629

www.maybank.com/investment-banking
www.maybank-keresearch.com