

## KPJ Damansara Specialist 2 a long overdue positive move

**KUALA LUMPUR:** KPJ Healthcare Bhd's (KPJ) recent announcement of a memorandum of understanding (MoU) to develop KPJ Damansara Specialist Hospital II (KPJ Damansara Specialist 2), has been viewed as a long overdue positive move by the group.

However, analysts opined that the project is likely to not have any impact on the group, in the near term.

AllianceDBS Research Sdn Bhd (AllianceDBS Research) in a recent note said, "We are positive on the proposed hospital, as it would allow KPJ to continue to tap into rising demand for quality healthcare from residents in Damansara and Sungai Buloh.

"Several ongoing residential projects will continue to drive population growth in the surrounding areas.

"However, there will be no impact on near-term earnings as the hospital will likely be ready only in 2018."

To note, the MoU, which was signed with Perlaburan Hartanah Bhd (PHB) and Nadayu Properties Bhd (NPB), will see NPB developing a 300-bed, nine-storey hospital building and a 636-bay car park with a certificate of completion and compliance (CCC) for PHB within 36 months from the agreed execution date.

PHB will then execute a sale-and-purchase agreement (SPA) with NPB for the purchase of both the land and building and thereafter, it will be leased to KPJ for a 15-year period, with an option of a renewal for another 15 years.

According to RHB Research Sdn Bhd (RHB Research), the development will also include a new exit ramp to the hospital.

However, at this point in time, matters relating to the timeline and costs for the development have yet to be finalised and disclosed, it noted.

The research firm said, the new hospital is slated to cater to the rising demand for private healthcare in the Damansara-Sungai Buloh vicinity.

RHB Research noted, the rationale of the project is due to increasing development funding costs.

"Management believes that established Tier-1 hospitals like KPJ Damansara can afford to pay rent immediately, thereby easing capex that can be channeled towards new hospitals in smaller towns. KPJ Damansara Specialist has 211 beds currently," it said.

RHB Research retained its earnings forecasts as management disclosed that the hospital requires 36 months to be developed.



KPJ's healthcare centres and hospitals. KPJ's recent announcement of a MoU to develop KPJ Damansara Specialist 2, has been viewed by analysts as a long overdue positive move by the group.