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PRG Eyes Medical Tourism Market

Good potential: Lua says the healthcare industry is a high-prospect one with growth potential.

Company sees synergies with its property development business

PETALING JAYA: Fresh from making its foray into the healthcare business, PRG Holdings Bhd has set its sight on the lucrative medical tourism market amid a strong surge in Malaysia's medical tourism spending.

Group managing director Datuk Lua Choon Hann told StarBiz that the company's next phase of strategy is to tap into opportunities in the medical tourism industry.

"We foresee this industry to have synergies with our property development division. As Malaysia is targeting RM1.5bil in medical tourism spending next year, cooperation from private service providers will be imperative.

“For example, to date there are more than 921,500 healthcare travellers in the country and it is estimated that last year alone, the actual contribution of the healthcare travel industry to the Malaysian economy was RM4bil to RM5bil.

“We will target the identified markets such as Indonesia, Vietnam, China, and recently India, as core markets for this industry,’’ he added.

Recently, PRG made its entry into the healthcare business with the acquisition of Roopi Medical Centre Sdn Bhd (RMC) and signing of a memorandum of understanding (MoU) with a confinement services provider Esther Postpartum Care Sdn Bhd (EPC).

EPC, which has two confinement centres in Malaysia, is part of the Dun Nan True Love Group, one of the most successful postpartum care services providers in Taiwan. It has over 300 branches in Taiwan and China.

PRG’s subsidiary, PRG Healthcare Sdn Bhd, on Jan 20 entered into a share-sale agreement for the proposed acquisition of the entire equity interest in RMC and its properties for RM18.3mil cash.

The proposed acquisition would entail RM7.3mil for the equity interest in RMC and RM11mil for the two properties in Kuala Lumpur from Linecom Corp Sdn Bhd, which in turn is owned by common shareholders of RMC. RMC is a 37-bed private medical centre and has been in existence in the country for over 39 years.

At the same time, PRG had signed a MoU with EPC to acquire a 25% stake for RM3.75mil. On expansion abroad, Lua does not foresee this to happen in the near term.

“Malaysia is being recognised as one of the top four destinations for foreigners who seek good healthcare services, especially those from developed nations. What Malaysia is offering is sometimes even better than what is on offer in developed countries, and at a more affordable price, too. As the demand in Malaysia is huge and is still growing, we believe we will spend some time here before planning to expand regionally," he noted.

Asked on whether there are plans to acquire more medical centres in the country, he said PRG was always open for such opportunities. "If it is at a right price, has high growth potential and matches our current business portfolio, why not? We will explore with parties who are willing to work with us on growing our healthcare business.

"The necessary announcements will be made once we have a better position on the development. But since we have just signed the agreements for the acquisition of RMC and MoU with EPC, our focus will be to complete these acquisitions,'' Lua added.

Going forward, he does not discount the possibility of more mergers and acquisitions or grow into other healthcare sub-segments, such as senior living care, specialised clinics, amongst others. In terms of competition in the healthcare space, he does not think there are too many players in the healthcare sector, adding that healthcare demand is on a secular growth trend, driven by rising population and increasing household income.

Furthermore, he noted that the healthcare business has a high barrier of entry and is highly regulated by the Private Healthcare Facilities and Services Act and regulatory approval is required, before setting up a private hospital.

"We do not foresee that there will be huge influx of such providers, but instead an increase in tandem with the demand. Additionally, the healthcare services that we are offering now is a one-stop service for patients from pre to post-birth. This is still an untapped sector that many players have ignored,'' he said.

Commenting on the outlook of the healthcare industry, Lua said it is a high-prospect one with growth potential. Currently, he said there is robust demand, underpinned by an ageing population, rising awareness and affluence, and increasing life expectancy.

“Generally, healthcare is a recession-proof industry. Malaysia’s healthcare expenditure is also expected to double in 2018, reaching up to RM68.4bil

with an annual growth rate of 6.5% since 2012.

“The challenges that we foresee in the industry is that the cost of providing healthcare services is going to increase and the government will not be able to solely depend on public healthcare. Hence, private corporations like us should fully utilise this opportunity.

“In addition, the government is committed to support the healthcare needs of the people. This is evident in the total allocation of RM26.58bil as announced in Budget 2018, which is 9.5% higher than the previous budget allocation,’’ Lua said.