



By TEE LIN SAY
linsay@thestar.com.my

PETALING JAYA: In recent weeks, news has emerged that Pantai Holdings Bhd, the local healthcare group run by Singaporeans since 2005, is willing to sell its Malaysian government concession businesses "as it seeks to focus on growing its hospital business".

Pantai chairman Tan Sri Mohamed Khatib Abdul Hamid was quoted as saying that although Pantai delivered quality service in both concessions, the possibility of selling them in the near future was possible.

Khatib said the Pantai group would build a 400-bed hospital, together with a nursing college, in Iskandar Malaysia, Johor, at a development cost of about RM500mil. The project will be completed in five years.

Pantai, via Pantai Medivest Sdn Bhd, provides support services like laundry to public hospitals in three states under a 15-year concession which ends in 2011.

Another unit, Pantai Fomema & Systems Sdn Bhd, holds 75% of Fomema Sdn Bhd which is responsible for foreign worker health checks under a 15-year concession that ends in 2012.

Fomema's role is to implement, manage and supervise nationwide mandatory health screening programme for all legal foreign workers in Malaysia. There are some 1.2 million legal foreign workers in the country.

Both Pantai Medivest and Fomema are profitable oligopoly and monopoly businesses respectively. The question that arises is why the hospital would want to sell its low-risk concessions which offer stable income?

"Pantai has been doing all right in the last few years. The logical reason why it would be thinking of selling off its concessions would probably be because it wants to concentrate

Why Pantai might sell concession business

Analyst says the group may want to focus on growing hospital operations

»It may be profitable but we don't know how profitable the concessions are«

ANALYST

on its core hospital business," said a hospitality analyst.

He said it was difficult to evaluate how well the concessions were doing without having seen Pantai's accounts. (Pantai is no longer listed, hence, its accounts are not available to the public).

"It may be profitable but we don't know how profitable the concessions are, how much gearing it has and how much capital is required," he said.

The analyst said there was talk that Pantai may want to venture into building community hospitals on a joint-venture basis in the smaller towns of Malaysia.

"The strategy could be for Pantai to form a joint venture with a developer, and then lease the building from the developer. This would be less capital intensive and provide some form of guaranteed yield for Pantai," said the analyst.

Pantai currently has nine hospitals in Malaysia in addition to its international operations. It is wholly owned by Pantai Irama Ventures Sdn Bhd, which in turn is 60% held by Khazanah Nasional Bhd and 40% by Singapore's Parkway Holdings Ltd.

If investors recall, Pantai's government concessions became a contentious issue when Parkway bought a 31% stake in Pantai almost five years ago for RM312mil to emerge as the largest shareholder of the local private healthcare service provider. The issue became more heated when it was later learnt that a substantial share in the Singapore firm was held by an American, Richard Blum.

In fact, Parkway was already interested in Pantai since the late 1990s, but the plan was shelved due to vehement local objections.

The displeasure was that the two government concessions should not fall into foreign hands. Hence, there was much surprise when Parkway succeeded in getting the Pantai stake in 2005.

About a year later - in August 2006 - Khazanah announced that Pantai Irama, then a wholly owned unit, had bought 35% of Pantai and that it had reached an agreement with Parkway for the Singapore firm's stake in Pantai never to rise above 40% at any time.

While Khazanah had the majority equity ownership, the operational and management responsibility for the hospitals was governed through a management contract with Parkway.

There's another rumour that Faber Group

Bhd's healthcare concession under Faber Medi-Serve Sdn Bhd might be merged with that of Pantai Medivest. Faber Medi-Serve serves some 79 government hospitals in the country.

Several reports have suggested that there could be a deal involving the two companies, which hold government concessions.

The deal is a little tricky as Pantai's concessions end in under two years. This complicates matters because a buyer might not want to pay too much due to uncertainty over the concessions' renewal.

"While Faber has denied it, I think a merger is not entirely impossible. Faber has indicated before that it wants to grow its business 'side-ways' and in the services business.

"If the price is reasonable, I don't see why Faber would not be open for discussions," said an analyst who tracks Faber.

Meanwhile, Faber has submitted its request for an extension of its concession and expects to know the outcome by October 2010.

The analyst added that Faber had been doing a good job, with efficiencies in the concession being increased. He did not see why the concessions should not be renewed.

A search with Companies Commission of Malaysia showed that for the financial year ended Dec 31 2008, Pantai Fomema made a net profit of RM41.58mil on revenue of RM235.87mil. Pantai Medivest made a revenue of RM207.8mil and a net profit of RM14.8mil in 2008, documents from the commission showed.