Sector Report

Healthcare Sector

11 April 2023

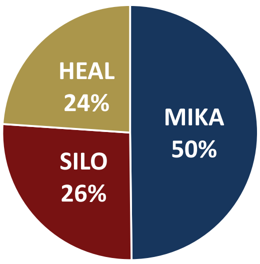
JCI Index: 6,791

Neutral

Stock Recomendation

Ticker	Rating	Price (IDR)	TP (IDR)	Upside (%)
HEAL	BUY	1,285	1,700	32.3
MIKA	HOLD	2,850	3,000	5.3
SILO	BUY	1,645	1,900	15.5

Sector Market Cap Weighting



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Traffic is Key

Positive traffic trend in 4Q22. The three healthcare companies under our coverage (SILO. MIKA. HEAL) booked cumulative revenue growth in 4Q22 (+10.1% YoY, +1.9% QoQ), driven mainly by recovery in patient traffic as the Covid-19 pandemic continues to subside (contribution of Covid-19 cases fell below ~5% in 12M22, vs. ~20% in 12M21). Outpatient traffic went up to 3.4 million (+12% higher than in 4Q19) while inpatient admissions rose to ~274 thousand (+29.9% higher than in 4Q19). Cumulatively. the three companies recorded outpatient traffic of 10.6 million (+17.3% YoY; 5-year average: 9.2 million) and inpatient admissions of 990 thousand in FY22 (+35% YoY; 5-year average: 783 thousand), in line with our estimates: MIKA (SSI: 98.0%; Cons: 97.4%). SILO (SSI: 99.7%; Cons: 113.4%). HEAL (SSI: 96.0%; Cons: 96.4%).

Margins continue to normalize. As the pandemic continues to normalize, the margins of healthcare companies under our coverage have started to normalize as well; MIKA's EBITDA margin slumped in FY22 (37.1%, FY21: 41.1%), as did HEAL's (23.2%, FY21: 37.9%), while SILO managed to improve its EBITDA margin to 26.8% (FY21: 25.7%), supported by the increase in more complex cases. Regarding their bottom line, the three healthcare companies under our coverage reported mixed performance; MIKA's 4Q22 net profit was in line with ours and cons (SSI: 99.31%; Cons: 101.6%), while SILO managed to beat both (SSI: 126.4%; Cons: 119.5%) and HEAL fell short of both (SSI: 93.0%; Cons: 63.0%), mainly due to one-off IT expense (which should normalize in 2Q23). This year, we expect healthcare companies under our coverage to book low-to-mid double-digit revenue growth, driven mainly by patient traffic and revenue per patient. Given the upward trend of complexity from base cases in 4Q22 (cumulative ALOS 4Q22: ~2.84 days vs. ALOS 4Q19 ~2.80 days), we expect ALOS to remain stable at ~2.9 days in 2023F.

Impact of INACBG rate hike. The Ministry of Health raised the INACBG rate by ~9.5% (blended) in 1Q23 (its first adjustment since 2017), below our initial estimate (~15%). However, the impact of the new rate might be less significant than our initial estimates; SILO indicates that the impact of the new rate on its bottom line is projected to reach ~IDR 75-100 bn (our initial estimate: +~ IDR113 bn), while MIKA and HEAL provide EBITDA margin guidance of ~36-38% (estimate: ~39%) and ~28 -30% (estimate: ~31.1%). However, we expect to see positive impacts from the new co-payment scheme (CoB Scheme) and the new regulation that allows class 2 patients to upgrade to the VIP class (previously, only one-class upgrade was allowed). It should be noted that the contribution of the CoB scheme is still relatively insignificant (less than ~5% of total revenue).

NEUTRAL rating for the sector. We reiterate our NEUTRAL rating for the healthcare sector and pick HEAL as our top pick, with a BUY recommendation and a TP of IDR 1,700 (15.1x 23F EV-to EBITDA), We believe that the new INACBG rate and CoB scheme will benefit those with larger share of JKN users, giving them more flexibility to adjust their ASP in the long term. Upside: (1) Better than expected patient traffic (2) more complex base cases. Risks: (1) Economic slowdown (2) worse-than-expected decline in revenue per patient.

Table 1. Valuation highlights

Ticker	Rating	CP	TP	Upside	P/B (x)		EV/EBITDA (x)		NP (IDRBn)		EPSG (%)		ROE (%)	
		(IDR)	(IDR)	(%)	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
HEAL	HOLD	1.285	1.700	32,3	6,1	5,3	15,1	13,5	797	900	113,6	14,3	9,8	10,0
MIKA	HOLD	2.850	3.000	5,3	7,0	6,1	23,5	20,3	1116	1331	10,7	19,2	19,3	20,3
SILO	BUY	1.645	1.900	15,5	3,3	3,0	9,5	8,5	856	972	22,9	13,6	11,8	12,3
Sector					**5,4**	**4,8**	**16,1**	**14,1**	**2770**	**3203**	**49,1**	**15,7**	**13,7**	**14,2**

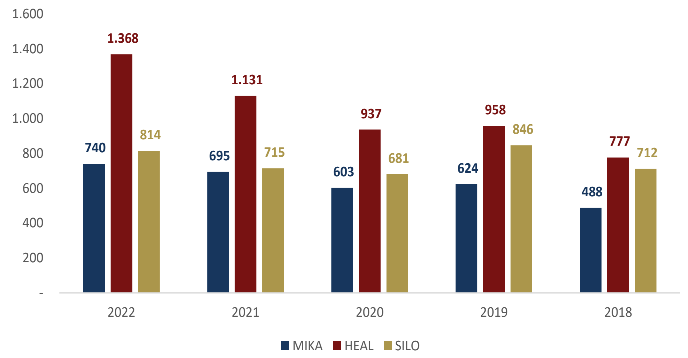
Source: SSI research

Table 2. Regional peers comparison

Company Name	Country	Company Ticker	Market Cap (IDR Tn)	PER (x) 2023F	PER (x) 2024F	EV/EBITDA (x) 2023F	EV/EBITDA (x) 2024F	PBV (x) 2023F	PBV (x) 2024F	ROE (%) 2023F	ROE (%) 2024F
FORTIS HEALTHCAR	IN	FORH IN	35	28.9	23.4	15.0	13.0	2.5	2.2	9.3	10.3
NARAYANA HRUDAYA	IN	NARH IN	29	26.8	24.1	15.3	14.0	6.1	4.9	24.7	22.5
ASTER DM HEALTHC	IN	ASTERDM IN	23	17.7	13.9	9.7	8.6	2.5	2.1	14.2	15.4
KRISHNA INSTITUT	IN	KIMS IN	21	29.5	25.5	16.1	14.3	5.3	4.4	19.8	18.2
HEALTHCARE GLOBA	IN	HCG IN	7	39.5	27.5	12.6	11.0	3.8	3.3	9.9	12.8
MAX HEALTHCARE I	IN	MAXHEALT IN	78	33.8	29.1	23.8	20.4	4.8	4.1	14.4	15.4
GREENTOWN SERVIC	CN	2869 HK	31	14.7	12.8	6.6	5.5	1.7	1.6	11.9	12.6
RAMKHAMHAENG HOS	TH	RAM TB	28	34.5	31.8	27.2	25.3	3.1	3.0	9.1	9.6
THONBURI HEALTHC	TH	THG TB	26	55.2	47.9	27.9	24.9	5.3	5.2	9.4	10.9
BANGKOK CHAIN HO	TH	BCH TB	23	24.8	22.7	14.0	13.0	3.4	3.4	14.5	15.7
CHULARAT HOSPITA	TH	CHG TB	17	27.4	24.1	16.8	16.1	4.7	4.8	18.2	19.3
VIBHAVADI MED	TH	VIBHA TB	16	37.7	37.7	20.9	20.1	2.0	2.0	5.5	5.7
PRARAM 9 HOSPITA	TH	PR9 TB	6	22.0	19.9	11.6	10.9	2.7	2.5	12.7	13.5
RAJTHANEE HOSPIT	TH	RJH TB	4	21.9	20.7	13.6	12.9	3.7	3.6	17.6	17.6
LADPRAO GENERAL	TH	LPH TB	2	18.5	27.8	11.7	11.8	2.2	2.2	10.5	9.7
RATCHAPHRUEK HOS	TH	RPH TB	17	21.7	18.9	11.0	10.2	2.1	1.9	10.0	10.7
KPJ HEALTHCARE	MY	KPJ MK	35	28.9	23.4	15.0	13.0	2.5	2.2	9.3	10.3
RAFFLES MEDICAL	SG	RFMD SP	30.9	27.0	25.6	14.5	14.0	2.6	2.5	9.6	9.7
		Adjusted Average	**30.6**	**27.1**	**17.8**	**16.0**	**3.7**	**3.3**	**13.1**	**13.5**	**30.6**

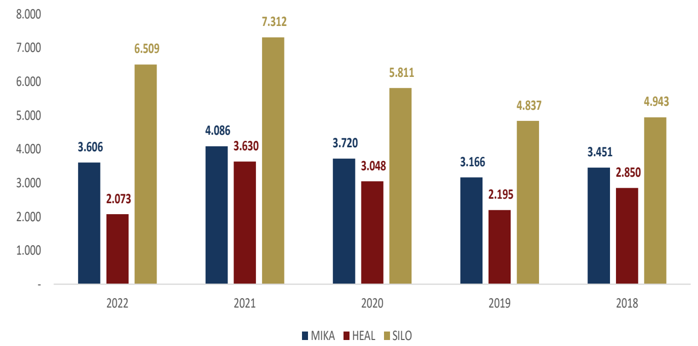
Source: Bloomberg, SSI research

Figure 1. Inpatient days ('000)



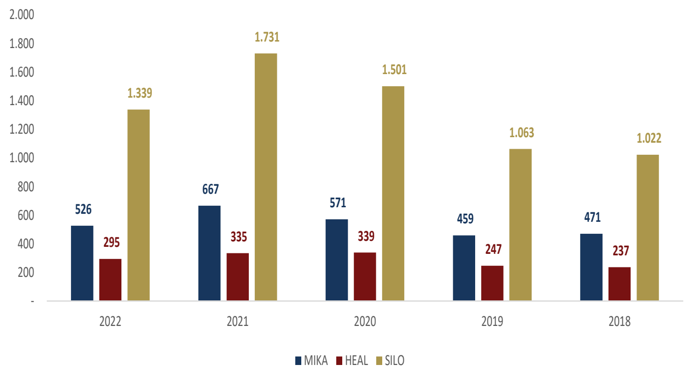
Source: Companies, SSI research

Figure 2. Outpatient admission ('000)



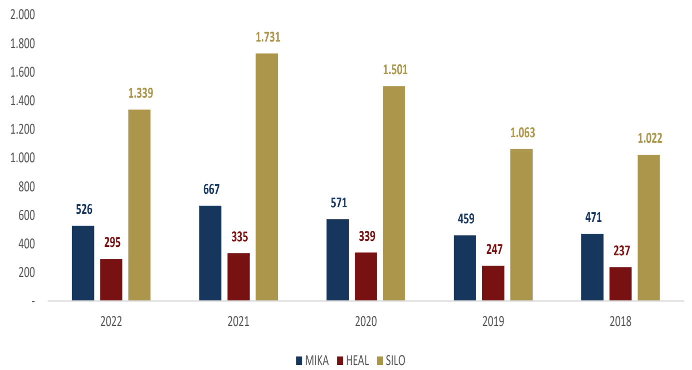
Source: Companies, SSI research

Figure 3. Revenue per inpatient (in IDR thousand)



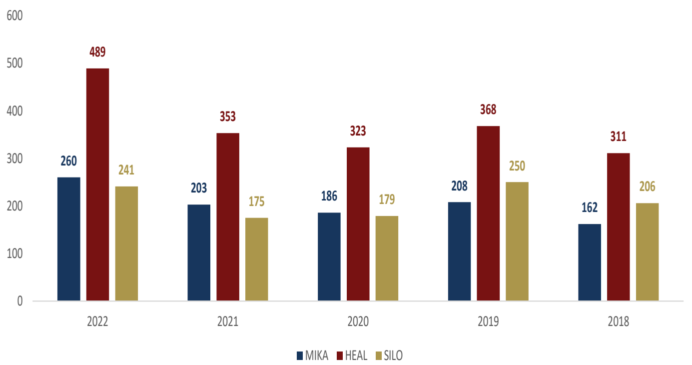
Source: Companies, SSI research

Figure 4. Revenue per outpatient (in IDR thousand)



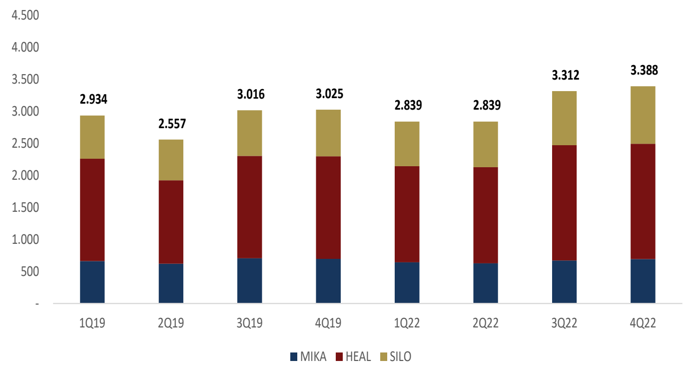
Source: Companies, SSI research

Figure 5. Inpatient admission (in thousands)



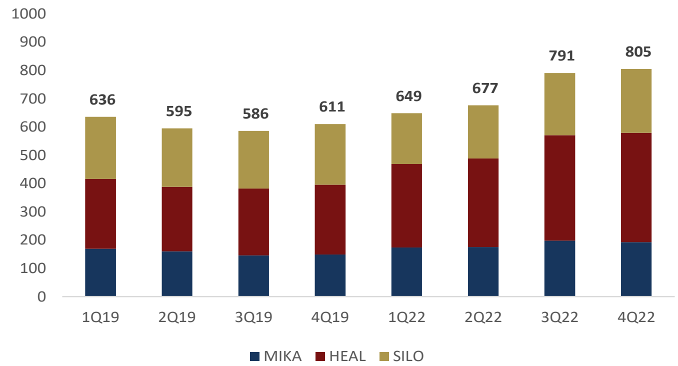
Source: Companies, SSI research

Figure 6. Quarterly outpatient visits (in thousands)



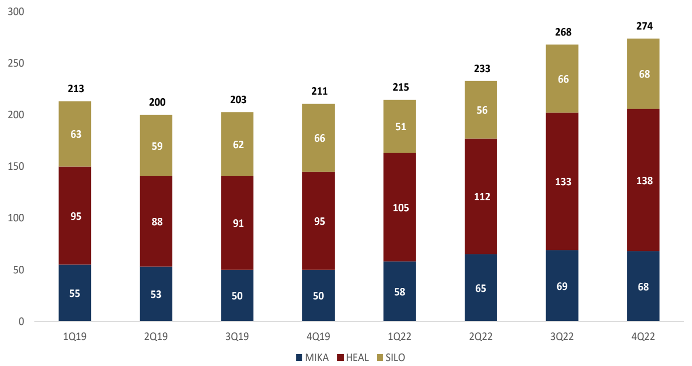
Source: Companies, SSI research

Figure 7. Quarterly inpatient days (in thousands)



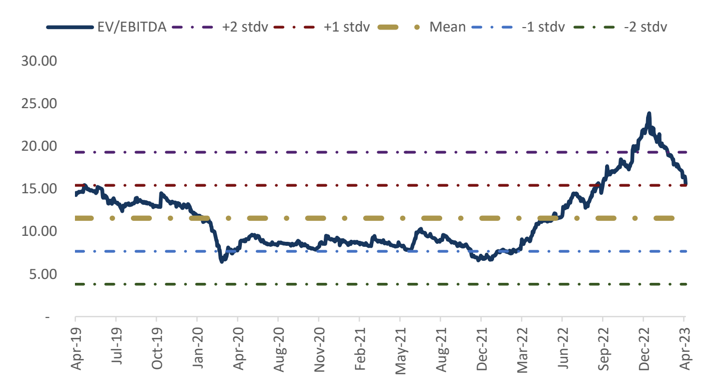
Source: Companies, SSI research

Figure 8. Quarterly inpatient admission (in thousands)



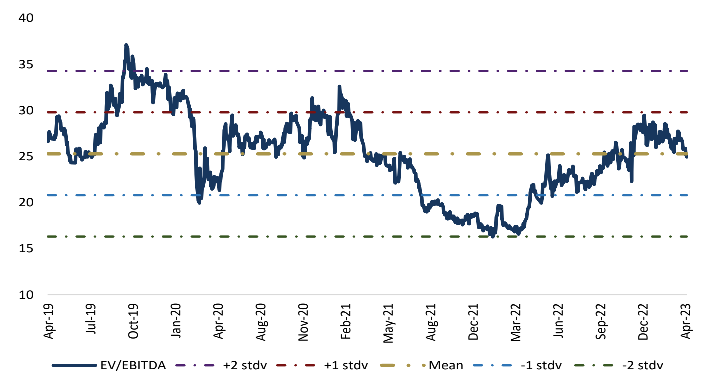
Source: Companies, SSI research

Figure 5. HEAL's EV/EBITDA



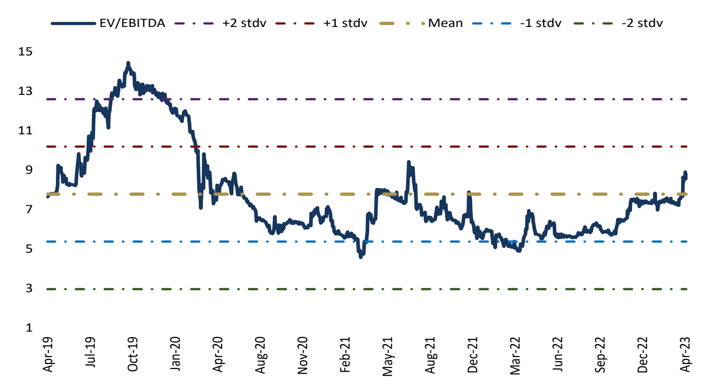
Source: Bloomberg, Company, SSI research

Figure 6. MIKA's EV/EBITDA



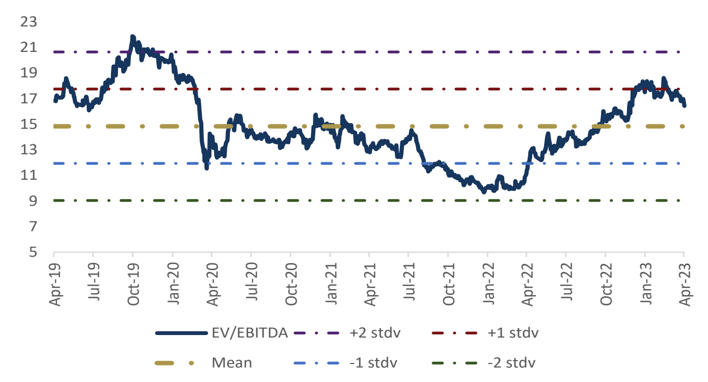
Source: Bloomberg, Company, SSI research

Figure 7. SILO's EV/EBITDA



Source: Bloomberg, Company, SSI research

Figure 8. Healthcare EV/EBITDA



Source: Bloomberg, Company, SSI research

Table 3. Forecast Changes (MIKA)

	Before			Revision			Percentage		
	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F
Revenue	4.693	5.270	5.728	4.651	5.285	6.013	*-0,9%*	*0,3%*	*5,0%*
growth (%)	*13,6%*	*12,3%*	*8,7%*	*14,9%*	*13,6%*	*13,8%*			
EBIT	1.404	1.572	1.699	1.455	1.693	1.974	*3,6%*	*7,7%*	*16,2%*
growth (%)	*11,1%*	*12,0%*	*8,1%*	*15,2%*	*15,1%*	*15,2%*			
Net profit	1.068	1.216	1.286	1.116	1.331	1.535	*4,5%*	*9,5%*	*19,3%*
growth (%)	*5,2%*	*13,8%*	*5,8%*	*10,7%*	*19,2%*	*15,3%*			

Source: Company, SSI Research

Table 4. Forecast Changes (HEAL)

	Before			Revision			Percentage		
	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F
Revenue	5.850	6.297	6.783	5.858	6.412	7.020	*0,1%*	*1,8%*	*3,5%*
growth (%)	*14,6%*	*7,6%*	*7,7%*	*19,5%*	*9,5%*	*9,5%*			
EBIT	1.177	1.267	1.353	1.072	1.173	1.395	*-8,9%*	*-7,4%*	*3,1%*
growth (%)	*63,7%*	*7,6%*	*6,8%*	*107,7%*	*9,3%*	*18,9%*			
Net profit	682	758	839	638	729	895	*-6,5%*	*-3,8%*	*6,6%*
growth (%)	*112,5%*	*11,0%*	*10,7%*	*113,6%*	*14,3%*	*22,7%*			

Source: Company, SSI Research

Table 5. Forecast Changes (SILO)

	Before			Revision			Percentage		
	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F
Revenue	9.828	10.024	10.238	10.758	11.864	13.084	*9,5%*	*18,4%*	*27,8%*
growth (%)	*2,9%*	*2,0%*	*2,1%*	*13,0%*	*10,3%*	*10,3%*			
EBIT	1.019	1.049	975	1.437	1.610	1.805	*41,0%*	*53,4%*	*85,1%*
growth (%)	*10,5%*	*3,0%*	*-7,1%*	*20,9%*	*12,1%*	*12,1%*			
Net profit	625	658	603	856	972	1.101	*37,0%*	*47,8%*	*82,7%*
growth (%)	*13,4%*	*5,3%*	*-8,4%*	*22,9%*	*13,6%*	*13,3%*			

Source: Company, SSI Research

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