Sector Report

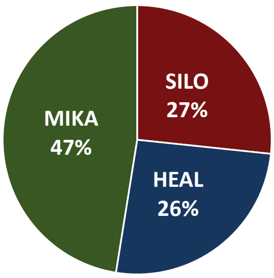
Healthcare Sector

5 May 2023 JCI Index: 6,787

Neutral

Stock Recomendation				
Ticker	Rating	Price (IDR)	TP (IDR)	Upside (%)
HEAL	HOLD	1,355	1,600	18.1
MIKA	HOLD	2,580	2,800	8.5
SILO	BUY	1,645	1,900	15.5

Sector Market Cap Weighting



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Staying in Positive Trajectory

1Q23 results. The three healthcare companies under our coverage (SILO, MIKA, HEAL) cumulatively reported revenue and net profit growth in 1Q23, supported by higher patient traffic, even as the Covid-19 pandemic continued to subside (the average contribution of Covid-19 cases fell below ~1% in 1Q23, vs. ~10% in 1Q22), and more complex base cases. Cumulatively, the three companies reported revenue growth of +11.3% YoY (+3.3% QoQ), thanks to patient traffic and ASP growth; outpatients and inpatient admissions went up to 3.5 million (+20.8% vs. 1Q19; +4.6% QoQ) (5-year average: 2.9 million) and 280 thousand (+31.1% vs. 1Q19; +2.1% QoQ) (5-year average: 220 thousand), respectively, while revenue per inpatient days rose to 3.7 million in 1Q23 (+13.0% vs. 1Q19). In general, the three companies' 1Q23 revenue performance was in line with ours and cons (MIKA: SSI 22.1%, Cons: 21.9%, SILO: SSI 24.7%, Cons: 26.2%, HEAL: SSI 23.1%, Cons 23.4%). Regarding their margins, carrying on the trend from 4Q22, the three companies' margins mostly normalized in 1Q23; MIKA booked an EBITDA margin of 35.1% in 1Q23 (1Q22: 39.4%), HEAL posted 24.7% (1Q22: 27.5%), while SILO actually reported a better EBITDA margin than 1Q22 (29.5% vs 1Q22: 22.4%), supported by the increase of more complex base cases. On the bottom line, the three companies' cumulative net profit went up +12.3% YoY (+4.4% QoQ) in 1Q23; MIKA and SILO's net profit performance was in line with ours (MIKA: SSI 20.7%, Cons: 20.2%; SILO: SSI: 29.2%, Cons: 34.1%), while HEAL fell short of estimates (SSI: 17.4%; Cons: 19.1%), mainly due to one-off IT expense booked in 1Q23 (which will normalize in 2Q23).

Guidance revision. Following its rather soft 1Q23 performance, MIKA decided to revise its top-line growth guidance for 2023F to +8-10% YoY (Prev: +13-15) with a conservative EBITDA margin projection ~36-37% (previous: 36-38%) due to several reasons: 1)massive decline in COVID-19 cases, 2) higher contribution from BPJS due to challenging economic situation (Indonesia's 2023F inflation forecast: 4.0%, 5-year average: ~3%), and 3) new hospital openings in 1Q23 (Slawi and Pamulang), which dragged down the company's margins. Meanwhile, SILO and HEAL decided to maintain their guidance, with SILO forecasting low to mid-double-digit top-line growth and an EBITDA margin of ~25% (However, the company expects its EBITDA margin to reach ~29% in 2H23, in line with our projection for its 2023F net EBITDA margin of ~29%). Regarding HEAL, it maintained its top-line guidance at IDR 5.7-5.9tn (+16-20% YoY), with an EBITDA margin of ~28-30% in 2023F, as the company believes that it will record better performance in 2H23, supported by the normalization of its IT expense and better revenue per patient (following the adjustments of BPJS tariffs and the company's ASP in 1Q23).

Neutral stance. We revised our FY projections for MIKA and HEAL, as we anticipate softer than expected performance in FY23; we revised down MIKA and HEAL bottom-line projections by –10,3%/ -8,7%, and cut our TP for MIKA to IDR 2.800/share (previous: IDR 3.000/share) and HEAL to IDR 1.600/share (previous: IDR 1.700/share, Implying 14,5x FY23F EV/EBITDA. We keep HEAL as our top pick as we believe that the new INA-CBG rates and CoB scheme will benefit those with larger share of JKN patients, giving them more flexibility to adjust their ASP in the long term. Also, considering the possibly challenging economic situation in 2023 (2023F inflation forecast: ~4%; 5-year average: ~3%), we expect to see positive growth in JKN patient traffic. 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	1.355	1.600	18,1	5,8	5,1	14,5	12,9	730	826	95,0	14,9	9,1	9,4
MIKA	HOLD	2.580	2.800	8,5	6,6	5,8	24,2	20,1	1001	1243	-0,7	24,3	17,5	19,3
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					**5,2**	**4,6**	**16,1**	**13,8**	**2587**	**3042**	**39,1**	**17,6**	**12,8**	**13,7**

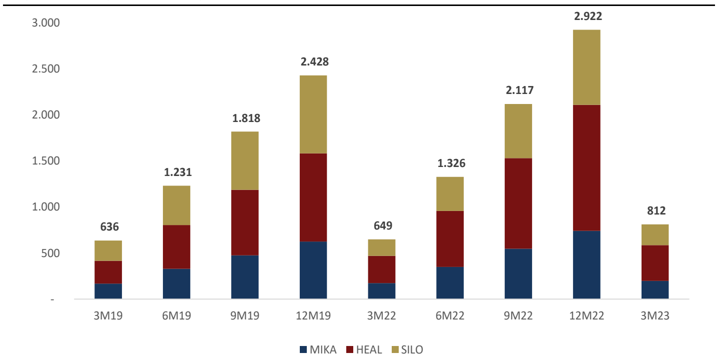
Source: SSI research

Table 2. Regional peers comparison

Company Name	Country	Company Ticker	Market Cap (IDR Tn)	PER (x)		EV/EBITDA (x)		PBV (x)		ROE (%)	
				2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
FORTIS HEALTHCAR	IN	FORH IN	36	37.4	30.4	18.3	15.5	3.0	2.6	8.2	9.0
NARAYANA HRUDAYA	IN	NARH IN	28	28.0	26.8	16.9	15.2	7.8	6.1	30.2	24.5
ASTER DM HEALTHC	IN	ASTERDM IN	22	28.1	16.8	11.6	9.5	2.8	2.4	10.0	14.4
KRISHNA INSTITUT	IN	KIMS IN	21	36.0	30.7	20.5	17.1	6.9	5.6	21.2	21.0
HEALTHCARE GLOBA	IN	HCG IN	7	112.8	43.8	15.1	12.8	4.2	3.8	3.8	9.0
MAX HEALTHCARE I	IN	MAXHEALT IN	84	38.9	37.0	29.3	25.5	6.0	5.2	15.7	14.7
GREENTOWN SERVIC	CN	2869 HK	28	17.1	14.0	7.2	6.0	1.7	1.6	10.3	11.8
RAMKHAMHAENG HOS	TH	RAM TB	27	33.3	30.3	30.9	28.2	3.1	3.0	9.6	10.2
THONBURI HEALTHC	TH	THG TB	25	60.0	53.8	29.3	27.3	5.4	5.2	8.8	9.4
BANGKOK CHAIN HO	TH	BCH TB	23	27.8	24.9	15.0	13.9	3.7	3.4	13.7	14.5
CHULARAT HOSPITA	TH	CHG TB	16	28.9	25.5	17.5	16.0	4.8	4.5	17.8	18.2
VIBHAVADI MED	TH	VIBHA TB	16	37.7	37.7	22.1	20.9	2.1	2.0	5.3	5.5
PRARAM 9 HOSPITA	TH	PR9 TB	7	24.9	22.4	12.9	11.8	2.9	2.7	12.1	12.5
RAJTHANEE HOSPIT	TH	RJH TB	4	21.3	21.3	13.7	13.3	3.9	3.7	18.0	18.0
LADPRAO GENERAL	TH	LPH TB	2	18.3	27.5	11.6	11.7	2.2	2.2	10.5	9.7
RATCHAPHRUEK HOS	TH	RPH TB	16	22.9	20.4	11.0	10.5	2.1	1.9	9.2	10.0
KPJ HEALTHCARE	MY	KPJ MK	30	21.5	21.2	12.3	12.1	2.6	2.5	12.0	11.8
RAFFLES MEDICAL	SG	RFMD SP	36	37.4	30.4	18.3	15.5	3.0	2.6	8.2	9.0
		Adjusted Average		**34.1**	**29.4**	**19.5**	**17.3**	**4.4**	**3.8**	**13.8**	**14.0**

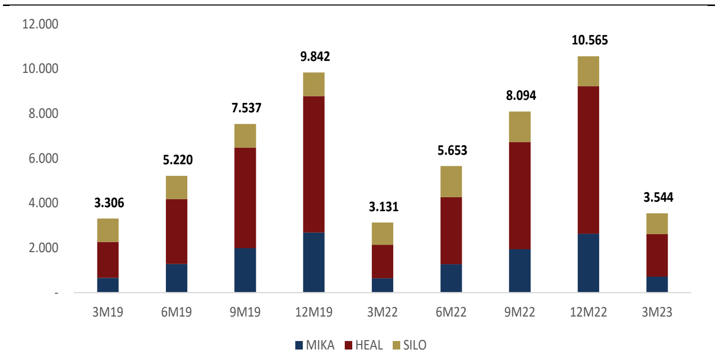
Source: Bloomberg, SSI research

Figure 1. Inpatient days ('000)



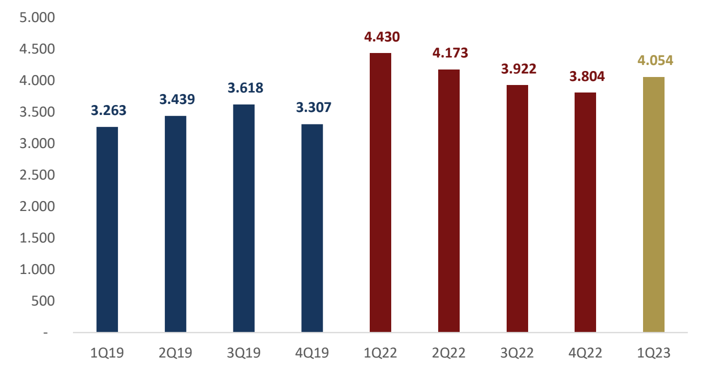
Source: Companies, SSI research

Figure 2. Outpatient visits ('000)



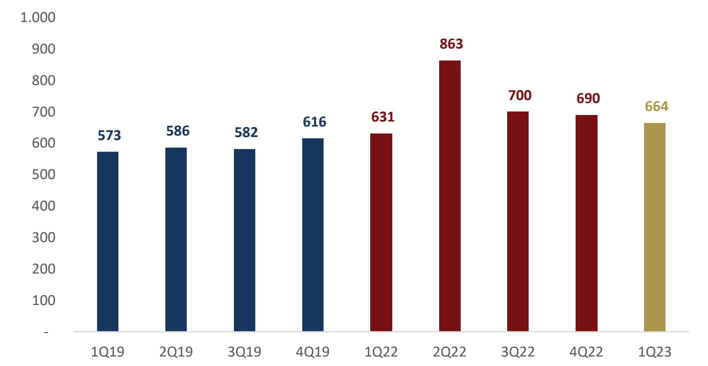
Source: Companies, SSI research

Figure 3. Average revenue per inpatient day (in IDR thousand)



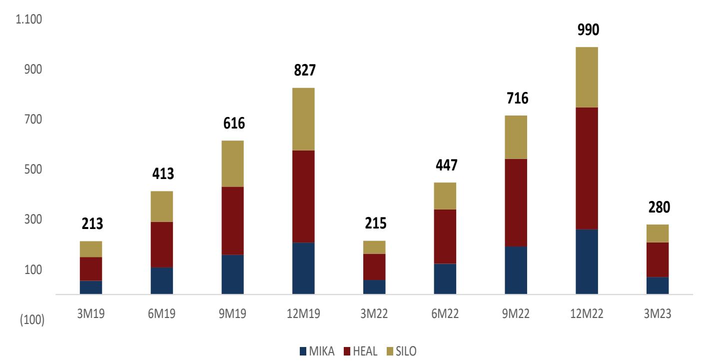
Source: Companies, SSI research

Figure 4. Average revenue per outpatient visit (in IDR thousand)



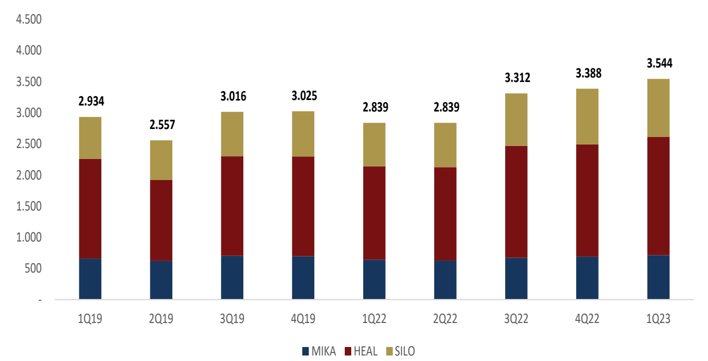
Source: Companies, SSI research

Figure 5. Inpatient admission (in thousands)



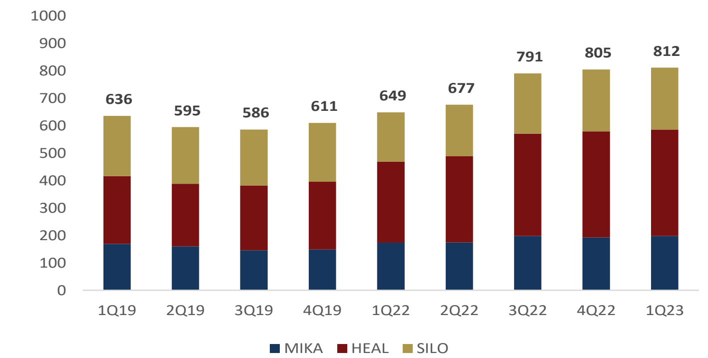
Source: Companies, SSI research

Figure 6. Quarterly outpatient visits (in thousands)



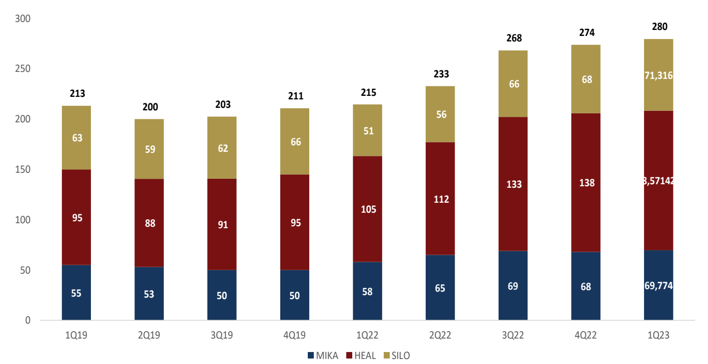
Source: Companies, SSI research

Figure 7. Quarterly inpatient days (in thousands)



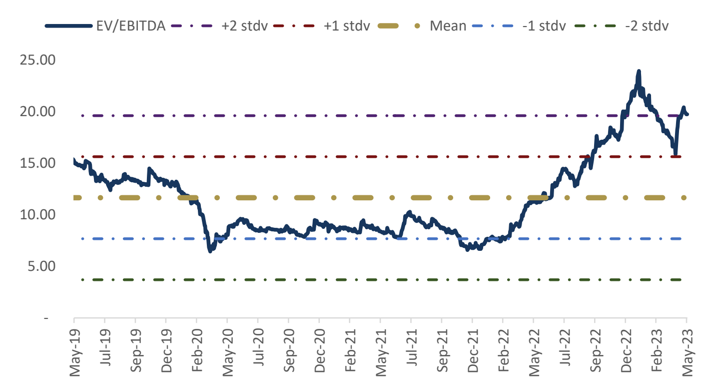
Source: Companies, SSI research

Figure 8. Quarterly inpatient admission (in thousands)



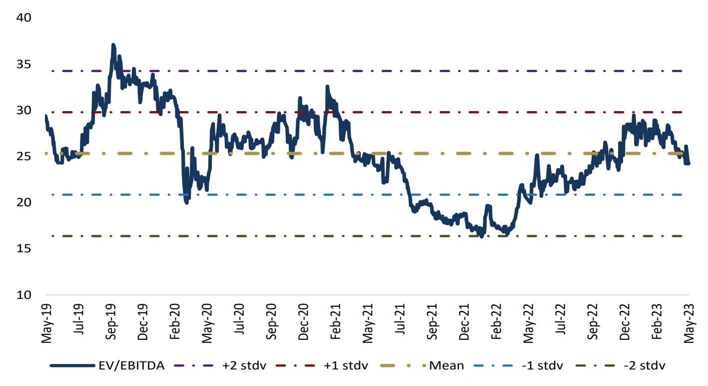
Source: Companies, SSI research

Figure 9. HEAL's EV/EBITDA



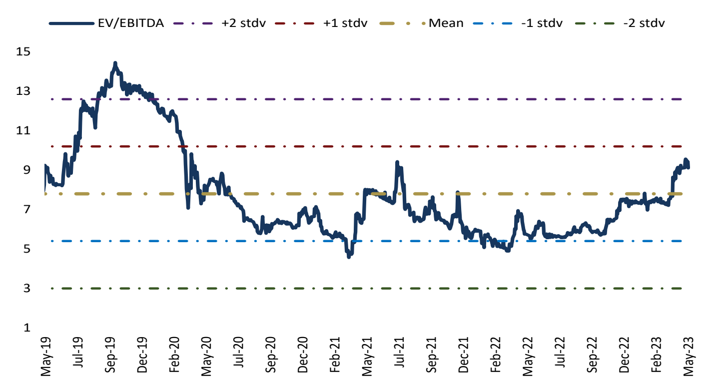
Source: Bloomberg, Company, SSI research

Figure 10. MIKA's EV/EBITDA



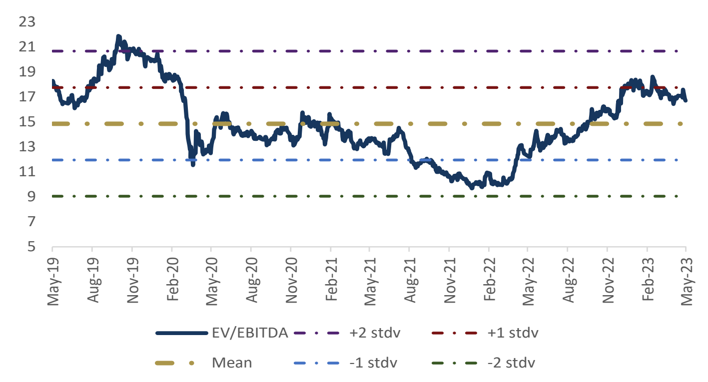
Source: Bloomberg, Company, SSI research

Figure 11. SILO's EV/EBITDA



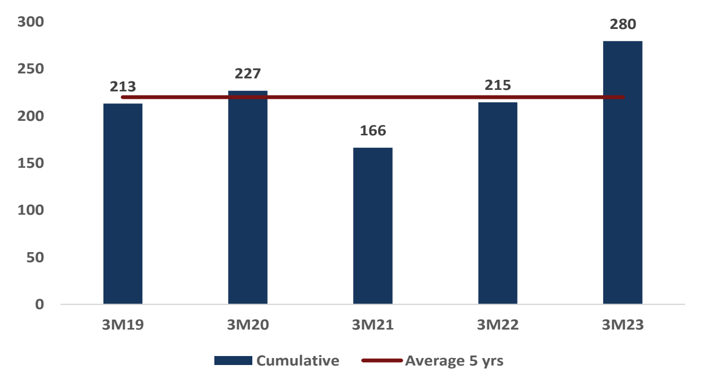
Source: Bloomberg, Company, SSI research

Figure 12. Healthcare EV/EBITDA



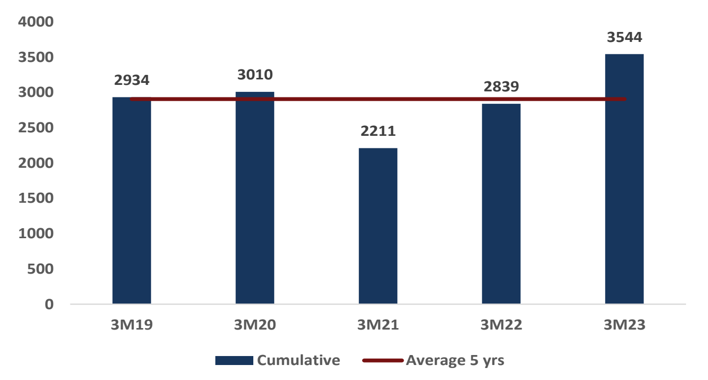
Source: Bloomberg, Company, SSI research

Figure 13. Total inpatient admissions ('000s)



Source: Bloomberg, Company, SSI research

Figure 14. Total outpatient visits ('000s)



Source: Bloomberg, Company, SSI research

Table 3. Forecast Changes (MIKA)

	Before			Revision			Percentage		
	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F
Revenue	4.651	5.285	6.013	4.448	5.053	5.748	*-4,4%*	*-4,4%*	*-4,4%*
growth (%)	*14,9%*	*13,6%*	*13,8%*	*9,8%*	*13,6%*	*13,8%*			
Operating Profit	1.455	1.693	1.974	1.295	1.578	1.843	*-11,0%*	*-6,8%*	*-6,6%*
growth (%)	*15,2%*	*15,1%*	*15,2%*	*6,5%*	*18,8%*	*15,2%*			
Net profit	1.116	1.331	1.535	1.001	1.243	1.435	*-10,3%*	*-6,6%*	*-6,5%*
growth (%)	*10,7%*	*19,2%*	*15,3%*	*-0,7%*	*24,3%*	*15,4%*			

Source: Company, SSI Research

Table 4. Forecast Changes (HEAL)

	Before			Revision			Percentage		
	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F
Revenue	5.858	6.412	7.020	5.728	6.270	6.865	*-2,2%*	*-2,2%*	*-2,2%*
growth (%)	*19,5%*	*9,5%*	*9,5%*	*16,8%*	*9,5%*	*9,5%*			
EBIT	1.072	1.173	1.395	988	1.080	1.245	*-7,9%*	*-7,9%*	*-10,8%*
growth (%)	*107,7%*	*9,4%*	*18,9%*	*107,6%*	*9,4%*	*18,9%*			
Net profit	638	729	895	582	669	796	*-8,7%*	*-8,2%*	*-11,1%*
growth (%)	*112,5%*	*14,3%*	*22,8%*	*95,0%*	*14,9%*	*19,0%*			

Source: Company, SSI Research

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