# Sector Report

**Healthcare Sector**

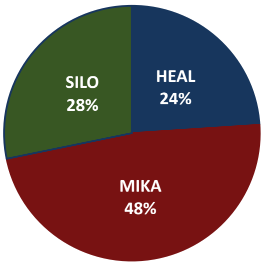
**7 August 2023**

**JCI Index: 6,853**

## Neutral

| Stock Recomendation | | | | |
|---|---|---|---|---|
| **Ticker** | **Rating** | **Price (IDR)** | **TP (IDR)** | **Upside (%)** |
| HEAL | BUY | 1.405 | 1.650 | 17,4 |
| MIKA | HOLD | 2.860 | 2.900 | 1,4 |
| SILO | BUY | 1.960 | 2.200 | 12,2 |

**Sector Market Cap Weighting**

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# Slightly Dampen

**2Q23 results.** The three healthcare companies under our coverage reported a flattish combined revenue of IDR 4.9tn in 2Q23 (-0.9% QoQ; +16.3% YoY) despite the slowdown in patient traffic, supported by higher ASP (thanks to ASP adjustments and INACBG rate hike in 1Q23). From the operational side, outpatient traffic slightly declined to 3.3mn in 2Q23 (-6.4% QoQ; +16.8% YoY; +29.7% vs. 2Q19) due to seasonality effect in 2Q (Eid, school holidays) while inpatient admissions came in at 284 thousand (+1.4% QoQ; +21.8% YoY; +41.8% vs. 2Q19). Its revenue per outpatient visit was recorded at IDR 677 thousand (+1.9% QoQ; -21.5% YoY; +15.5% vs. 2Q19), while revenue per inpatient days was recorded at IDR 4.02mn (-0,8% QoQ; -3,7% YoY; +16,8% vs 2Q19). Overall, the three companies' 1H23 revenues were in line with ours and cons (MIKA: SSI 46.1%, Cons: 46.4%, SILO: SSI: 49.1%, Cons: 49.4%, HEAL: SSI 47.0%, Cons: 46.4%). Regarding margins, MIKA and HEAL's 2Q23 margins were lower than their guidance, mainly due to their case mix and higher contribution from BPJS; MIKA's EBITDA margin came in at 35.4% in 2Q23 (1Q23: 36%; 2Q22: 40.7%; guidance: 36-38%) due to the increase in hemodialysis patient traffic in 1H23 (hemodialysis ticket size accounts for ~25% of MIKA's revenue per inpatient days), while HEAL's EBITDA margin came in at ~26 in 2Q23 (previous guidance: ~28-30%) due to the increase in contribution from BPJS (~59% of total revenue, 2Q22: ~50%). Meanwhile, SILO's EBITDA margin was actually higher than the company's guidance, coming in at ~29.7% in 2Q23 (2Q22: 29.5%; guidance: 25%), supported by higher intensity in its case mix (its top 6 craft groups saw positive volume and ARPD growth). On the bottom line, the three companies' booked a combined net profit of IDR 569.7bn (-3.3% QoQ; +22.8% YoY). MIKA's net profit performance was relatively in line with ours (SSI: 45.3%, Cons: 42.7%), while HEAL's fell short of estimates (SSI: 34.8%, cons: 40.2%), and SILO managed to beat projections (SSI: 58.8%, Cons: 54.0%). In light of their 2Q23 numbers, we revised our FY bottom-line projections for HEAL and SILO by – 20.6%/+22.4%

**2H outlook.** We believe the downtrading trend will persist in the second half, and we expect no drastic change in base case trend. As a result, we believe that the three companies' EBITDA margin performance in 2H23 will remain relatively comparable to 1H23. To note, MIKA and HEAL have relatively conservative views on their FY23F performance. MIKA expects its top line growth to reach the lower end of its guidance (guidance: +8-10%), while HEAL expects to book ~IDR 5.7tn (guidance: IDR 5.7tn - 5.9tn). It is worth noting that following the fire at HEAL's Depok hospital (which contributed ~6% to its total revenue), the company revised down its EBITDA margin guidance for 2023F to 26-28% (Prev: 28-30%) due to the possibility of a spike in opex (at the moment, the Depok hospital source its food supplies from other HEAL hospitals). Regarding the CoB scheme, its contribution to the three companies' top line is relatively insignificant at the moment; MIKA and HEAL reported that the scheme only contributed ~3% of their toplines, and both companies aim to increase the contribution to ~5-7% of their 2023F top line. It is worth noting, however, that CoB offers better margins than normal BPJS patients (~25%). Pertaining to the new healthcare omnibus law, we believe it will benefit the healthcare industry in the long run; however, hospital players under our coverage tend to adopt a neutral stance as they wait for more information regarding the law.

**Neutral stance.** We roll over our valuations to 2024F, and our pecking order for the healthcare sector is HEAL (TP: IDR 1,650/share) > SILO (TP: IDR 2,200/share)> MIKA (TP: IDR 2,900/share). We believe that the new 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. Lastly, we believe that the potential increase in supply of doctors due to the new omnibus law (particularly in second and third-tier cities) will benefit HEAL and increase the company's penetration pace in rural areas. Upside: (1) Better-than-expected patient traffic, (2) better base case revenue. Risks: (1) Economic slowdown (2) worse-than-expected decline in revenue per patient.

## Table 1. Valuation highlights

| Ticker | Rating | CP (IDR) | TP (IDR) | Upside (%) | P/B (x) 2023F | P/B (x) 2024F | EV/EBITDA (x) 2023F | EV/EBITDA (x) 2024F | NP (IDRBn) 2023F | NP (IDRBn) 2024F | EPSG (%) 2023F | EPSG (%) 2024F | ROE (%) 2023F | ROE (%) 2024F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| HEAL | BUY | 1,405 | 1,650 | 17.4 | 6.2 | 5.4 | 16.6 | 13.9 | 579 | 748 | 54.7 | 31.1 | 7.3 | 8.7 |
| MIKA | HOLD | 2,860 | 2,900 | 1.4 | 6.9 | 6.0 | 25.0 | 20.8 | 1,001 | 1,243 | -0.7 | 24.3 | 17.5 | 19.3 |
| SILO | BUY | 1,960 | 2,200 | 12.2 | 3.7 | 3.3 | 9.7 | 8.6 | 1,048 | 1,192 | 22.9 | 13.6 | 14.2 | 14.6 |
| **Sector** | | | | | **5.6** | **4.9** | **17.1** | **14.4** | **2627** | **3183** | **25.6** | **23.0** | **13.0** | **14.2** |

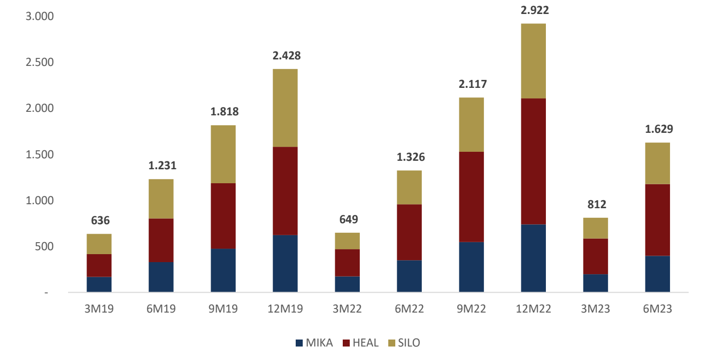
*Source: SSI research*

## 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 | 46,3 | 37,7 | 31,1 | 20,2 | 17,5 | 3,2 | 2,9 | 8,7 | 9,7 |
| NARAYANA HRUDAYA | IN | NARH IN | 38,2 | 33,5 | 30,4 | 19,2 | 17,6 | 7,8 | 6,3 | 23,9 | 22,4 |
| ASTER DM HEALTHC | IN | ASTERDM IN | 29,3 | 22,8 | 17,9 | 11,3 | 9,9 | 3,1 | 2,6 | 13,8 | 15,1 |
| KRISHNA INSTITUT | IN | KIMS IN | 27,1 | 39,2 | 33,9 | 22,0 | 18,9 | 6,9 | 5,8 | 20,5 | 17,7 |
| HEALTHCARE GLOBA | IN | HCG IN | 8,7 | 56,7 | 35,3 | 14,9 | 12,8 | 4,9 | 4,3 | 8,6 | 12,3 |
| MAX HEALTHCARE I | IN | MAXHEALT IN | 97,6 | 43,4 | 36,9 | 29,1 | 24,8 | 5,9 | 5,1 | 14,6 | 14,9 |
| GREENTOWN SERVIC | CN | 2869 HK | 25,0 | 15,8 | 12,9 | 6,7 | 5,8 | 1,6 | 1,4 | 10,0 | 11,7 |
| RAMKHAMHAENG HOS | TH | RAM TB | 22,3 | 29,7 | 26,6 | 33,1 | 29,6 | 2,5 | 2,4 | 8,7 | 9,4 |
| THONBURI HEALTHC | TH | THG TB | 24,5 | 48,9 | 45,8 | 26,7 | 25,7 | 5,2 | 4,9 | 10,0 | 9,7 |
| BANGKOK CHAIN HO | TH | BCH TB | 19,8 | 29,7 | 25,6 | 14,9 | 13,7 | 3,4 | 3,2 | 11,4 | 12,4 |
| CHULARAT HOSPITA | TH | CHG TB | 13,6 | 27,4 | 24,1 | 15,8 | 14,4 | 4,0 | 3,7 | 15,6 | 16,3 |
| VIBHAVADI MED | TH | VIBHA TB | 14,2 | 34,0 | 34,0 | 20,5 | 18,9 | 2,1 | 2,0 | 5,5 | 5,7 |
| PRARAM 9 HOSPITA | TH | PR9 TB | 6,3 | 24,6 | 22,2 | 13,1 | 12,0 | 2,8 | 2,6 | 11,6 | 12,0 |
| RAJTHANEE HOSPIT | TH | RJH TB | 3,6 | 19,6 | 19,8 | 12,3 | 12,3 | 3,5 | 3,4 | 18,0 | 17,4 |
| LADPRAO GENERAL | TH | LPH TB | 16,7 | 23,0 | 20,5 | 11,0 | 10,3 | 2,1 | 2,0 | 9,7 | 10,3 |
| RATCHAPHRUEK HOS | TH | RPH TB | 27,7 | 20,0 | 19,4 | 11,0 | 10,7 | 2,3 | 2,2 | 11,9 | 11,7 |
| KPJ HEALTHCARE | MY | KPJ MK | 42,9 | 41,2 | 35,5 | 26,4 | 22,5 | 7,2 | 6,4 | 18,3 | 19,7 |
| RAFFLES MEDICAL | SG | RFMD SP | 21,5 | 38,6 | 29,0 | 14,7 | 11,8 | 5,3 | 4,3 | 14,6 | 16,3 |
| | | **Adjusted Average** | | **34.4** | **29.5** | **20.1** | **17.7** | **4.6** | **4.0** | **13.8** | **14.2** |

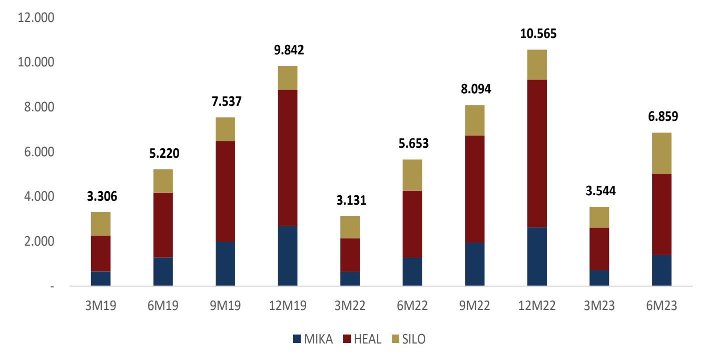
Source: Bloomberg, SSI research

**Figure 1. Inpatient days ('000)**



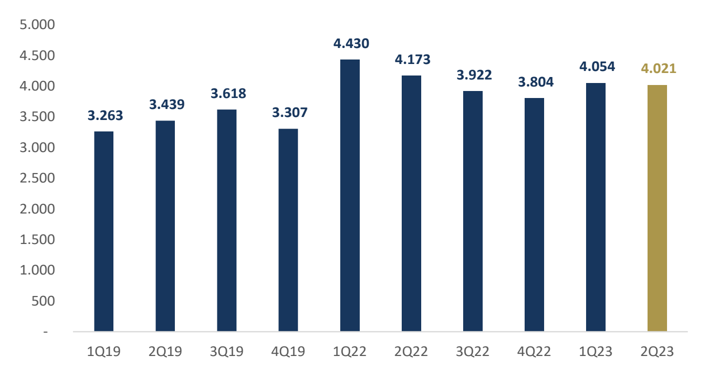

*Source: Companies, SSI research*

**Figure 2. Outpatient visits ('000)**



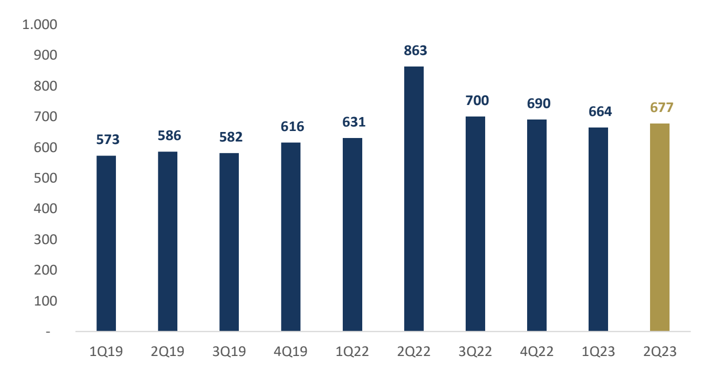

*Source: Companies, SSI research*

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



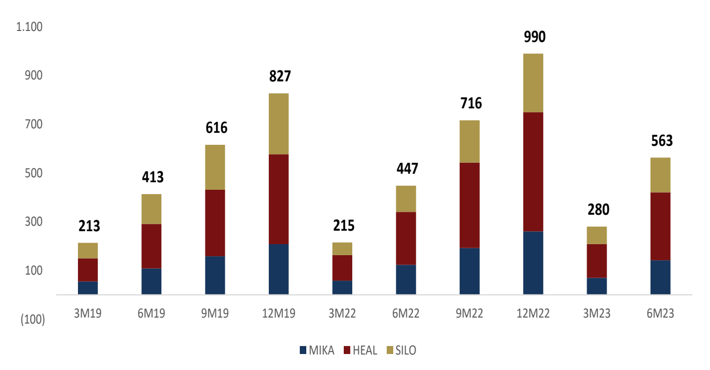

*Source: Companies, SSI research*

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



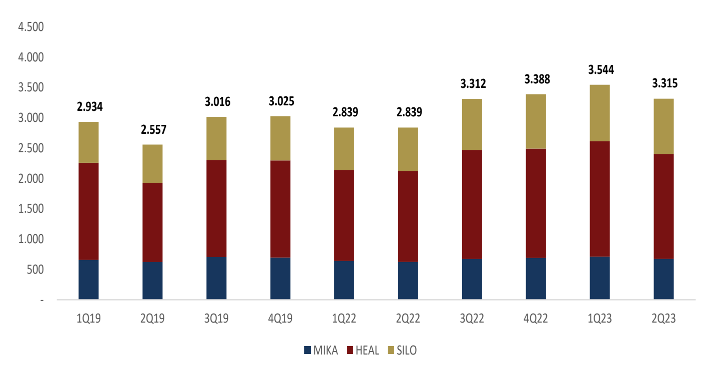

*Source: Companies, SSI research*

**Figure 5. Inpatient admission (in thousands)**



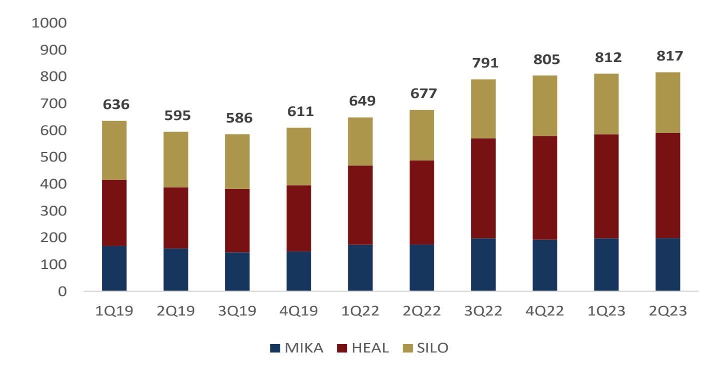

*Source: Companies, SSI research*

**Figure 6. Quarterly outpatient visits (in thousands)**



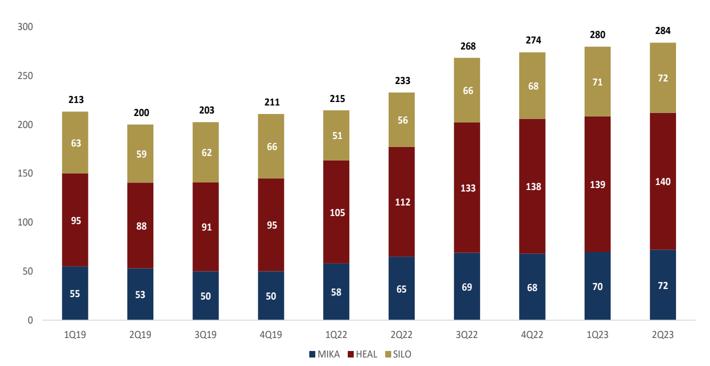

*Source: Companies, SSI research*

**Figure 7. Quarterly inpatient days (in thousands)**



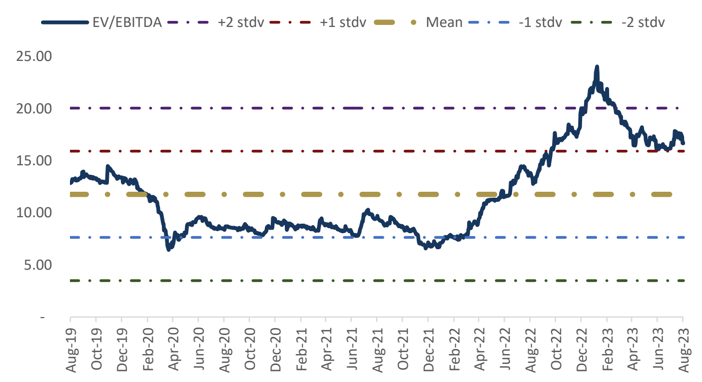

*Source: Companies, SSI research*

**Figure 8. Quarterly inpatient admission (in thousands)**



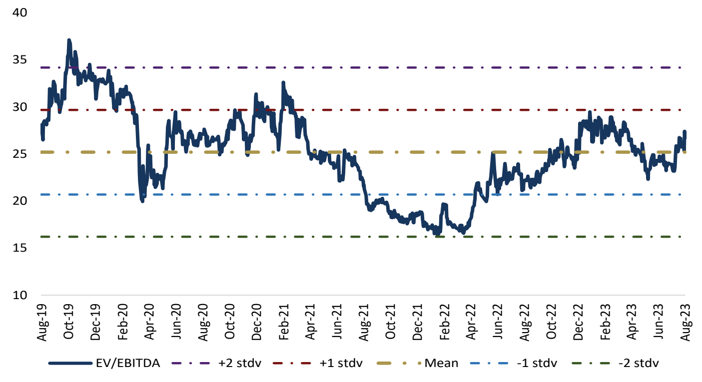

*Source: Companies, SSI research*

**Figure 9. HEAL's EV/EBITDA**



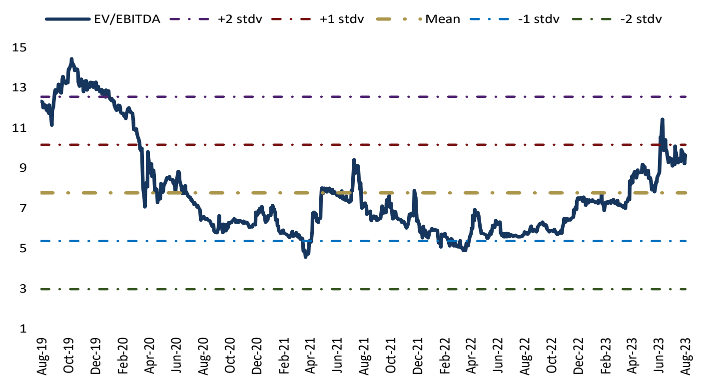

*Source: Bloomberg, Company, SSI research*

**Figure 10. MIKA's EV/EBITDA**



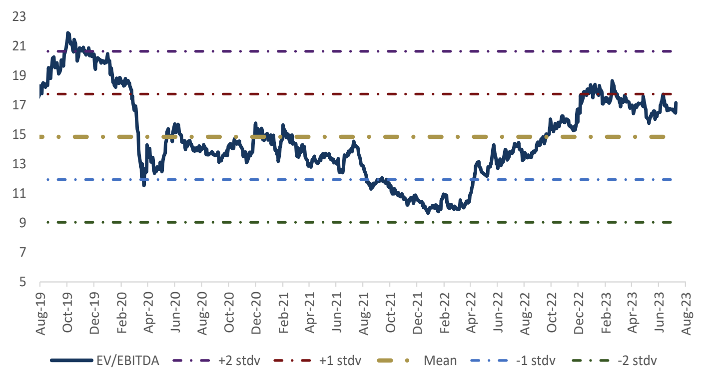

*Source: Bloomberg, Company, SSI research*

**Figure 11. SILO's EV/EBITDA**



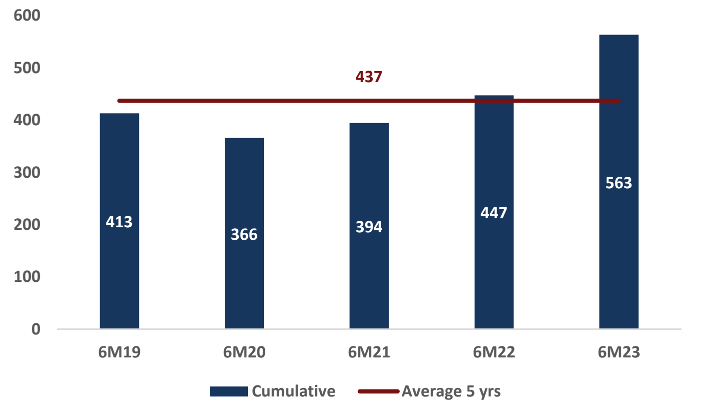

*Source: Bloomberg, Company, SSI research*

**Figure 12. Healthcare EV/EBITDA**



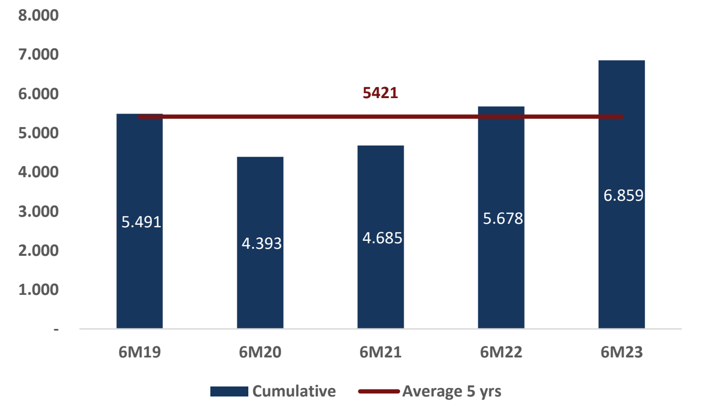

*Source: Bloomberg, Company, SSI research*

**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 (SILO)**

| | Before | | | Revision | | | Percentage | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2023F | 2024F | 2025F | 2023F | 2024F | 2025F | 2023F | 2024F | 2025F |
| Revenue | 10.758 | 11.864 | 13.084 | 10.912 | 12.206 | 13.653 | 1,4% | 2,9% | 4,3% |
| *growth (%)* | 13,0% | 10,3% | 10,3% | 14,6% | 11,9% | 11,9% | | | |
| EBIT | 1.437 | 1.610 | 1.805 | 1.710 | 1.923 | 2.173 | 19,0% | 19,4% | 20,4% |
| *growth (%)* | 20,9% | 12,1% | 12,1% | 43,9% | 12,5% | 13,0% | | | |
| Net profit | 856 | 972 | 1.101 | 1.048 | 1.192 | 1.360 | 22,4% | 22,6% | 23,5% |
| *growth (%)* | 22,9% | 13,6% | 13,3% | 50,4% | 13,8% | 14,1% | | | |

*Source: Company, SSI Research*

**Table 4. Forecast Changes (HEAL)**

| | Before | | | Revision | | | Percentage | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2023F | 2024F | 2025F | 2023F | 2024F | 2025F | 2023F | 2024F | 2025F |
| Revenue | 5.728 | 6.270 | 6.865 | 5.728 | 6.270 | 6.865 | 0,0% | 0,0% | 0,0% |
| *growth (%)* | 16,8% | 9,5% | 9,5% | 16,8% | 9,5% | 9,5% | | | |
| EBIT | 988 | 1.080 | 1.245 | 799 | 986 | 1.094 | -19,2% | -8,7% | -12,1% |
| *growth (%)* | 107,6% | 9,4% | 18,9% | 54,7% | 23,5% | 10,9% | | | |
| Net profit | 582 | 669 | 796 | 462 | 606 | 694 | -20,6% | -9,5% | -12,8% |
| *growth (%)* | 95,0% | 14,3% | 23,8% | 54,7% | 31,1% | 14,6% | | | |

*Source: Company, SSI Research*

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