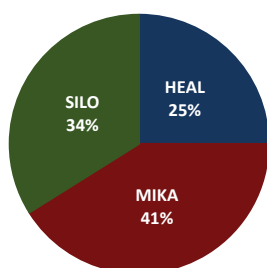


Neutral

Stock Recommendation

Ticker	Rating	Price (IDR)	TP (IDR)	Upside (%)
HEAL	BUY	1.535	1.800	17,3
MIKA	HOLD	2.670	2.700	1,1
SILO	BUY	2.410	2.900	20,3

Sector Market Cap Weighting



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Healthcare 3Q23 Round-Up

3Q23 results. The three healthcare companies under our coverage reported combined revenue of IDR 5.6tn in 3Q23 (+12.5% QoQ; +17.3% YoY), supported by patient traffic (inpatient admissions and outpatient visits went up to 320k (+12.8% QoQ; +19.3% YoY) and 3.8mn (+15.9% QoQ; +16.0% YoY), respectively in 3Q23, partly due to the larger number of productive days). However, the average revenue per outpatient visit saw a decline to IDR 654k (-3.5% QoQ; -6.7% YoY), mainly because a large portion of those outpatients were respiratory disease patients, particularly in Jakarta (due to the recent air pollution crisis; ticket size of respiratory diseases was quite low). Meanwhile, the average revenue per inpatient day rose to IDR 4.2mn (+3.9% QoQ; +6.5% YoY), thanks to the higher intensity of those companies' case mix, bringing the cumulative EBITDA margin to 28.7% in 3Q23 (2Q23: 26.7%; 3Q22: 25.7%). Overall, the three companies' 9M23 revenues were in line with ours and cons (MIKA: SSI: 71.0%, Cons: 72.4%; SILO: SSI: 75.6%, Cons: 74.5%; HEAL: SSI 73.8%, Cons: 74.2%). From the margin side, all three companies posted EBITDA margin growth in 3Q23 of ~200 bps QoQ on average (+300 bps YoY), supported by several reasons: 1) better volume, 2) normalization of cost (HEAL), 3) higher complexity (especially SILO; SILO high complexity clinical departments (CONGO) posted patient volume and ARPD growth of +12.6% QoQ and ~+6-13% QoQ in 3Q23). On the bottom line, the three companies booked a combined net profit of IDR 735.04bn (+29.0% QoQ; +37.5% YoY). MIKA's 3Q23 net profit was relatively in line with ours (68.5%) and cons (67.7%), as did HEAL's (SSI: 75.5%, cons: 76.4%), while SILO managed to beat projections (SSI: 75.6%, Cons: 74.5%).

New guidance. As the case complexity in 4Q is projected to remain somewhat comparable to the previous quarters, MIKA decided to revise its FY revenue growth guidance to 4.5-6% YoY (prev: +8-10% YoY) and EBITDA margin guidance to 35-36% (previous: 36-37%) as the company expects to book higher cost run rate in 4Q due to the opening of its new hospital (Grand Wisata). However, for 2024F, the company projects its revenue growth to normalize, reaching ~mid-teens (Price + intensity: ~+6-8%; Volume: ~6-8%). Meanwhile, we expect HEAL and SILO to deliver their guidance [HEAL aims to book mid to high-teens revenue growth in 2023F, while SILO expects low to mid-teens]. From the margin side, we expect HEAL's EBITDA margin to continue to hover at ~30% in 4Q, backed by normalization of its cost, while in the medium term, the company expects its EBITDA margin to hover at ~32-33% (potential EBITDA expansion of ~1% in 2024F, 2025-2026F: ~1%), while in terms of volume, the company expects double-digit growth in 2024F. For SILO, we project its topline growth to remain at the teens level in 2024F, backed by positive traction for its Top Craft Group (CONGO), with an EBITDA margin of ~30s, supported by higher case mix intensity and its cost efficiency initiatives (9M23 run rate: IDR 120bn; 5-year target: IDR 840bn) 2024F. In 4Q, we expect SILO to maintain its EBITDA margin at ~30s, supported by its CONGO departments (especially Cardio, Onco, and Neuro).

Remain neutral. We maintain our Neutral view of the healthcare sector, and our pecking order is as follows: HEAL (TP: IDR 1,800/share) > SILO (TP: IDR 2,900/share) > MIKA (TP: IDR 2,700/share). We believe that the new CoB scheme will benefit those with larger share of JKN patients, since it will give them more flexibility to adjust their ASP in the long term. Also, considering the challenging economic situation, which might linger well into 2024F (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 the supply of doctors due to the new Omnibus law (particularly in second and third-tier cities) will benefit HEAL and help 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	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	BUY	1.535	1.800	17,3	6,7	5,8	13,2	10,6	642	873	71,6	38,0	8,0	9,9
MIKA	HOLD	2.670	2.700	1,1	6,5	5,8	24,8	21,8	924	1.080	-8,3	16,9	16,3	17,2
SILO	BUY	2.410	2.900	20,3	3,9	3,5	12,5	10,8	1.250	1.496	79,4	19,7	16,8	17,7
Sector					5,7	5,0	17,8	15,3	964	1169	41,4	23,1	14,4	15,5

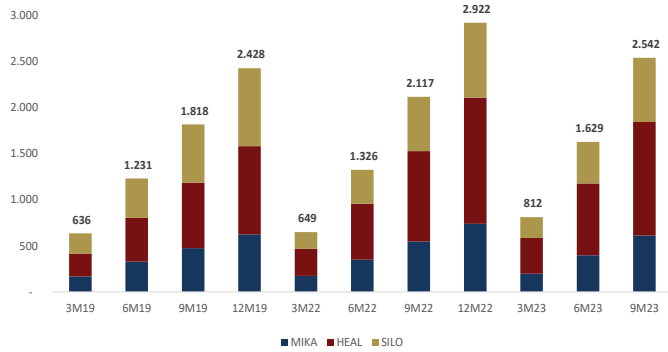
Source: SSI research

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	48.0	40.3	31.6	20.5	17.2	3.2	2.9	8.4	9.8
NARAYANA HRUDAYA	IN	NARH IN	41.2	33.5	30.4	20.7	18.3	8.1	6.5	26.6	24.0
ASTER DM HEALTHC	IN	ASTERDM IN	31.7	30.0	21.6	12.2	10.6	3.4	2.9	11.5	14.1
KRISHNA INSTITUT	IN	KIMS IN	28.4	41.2	34.3	22.3	18.4	7.4	5.9	18.6	18.4
HEALTHCARE GLOBA	IN	HCG IN	9.6	68.8	42.8	16.9	14.1	5.4	4.8	8.0	11.5
MAX HEALTHCARE I	IN	MAXHEALT IN	109.5	47.8	39.9	31.2	26.7	6.4	5.5	14.6	14.7
GREENTOWN SERVIC	CN	2869 HK	20.9	13.4	10.8	6.1	5.1	1.3	1.2	10.0	11.5
RAMKHAMHAENG HOS	TH	RAM TB	21.8	28.8	25.9	32.3	28.9	2.5	2.4	8.7	9.4
THONBURI HEALTHC	TH	THG TB	22.8	46.8	41.9	24.4	22.7	4.9	4.6	10.1	10.7
BANGKOK CHAIN HO	TH	BCH TB	22.4	36.0	29.0	17.2	15.9	3.8	3.5	10.8	12.2
CHULARAT HOSPITA	TH	CHG TB	15.7	32.7	28.4	20.1	17.9	4.6	4.3	14.4	15.5
VIBHAVADI MED	TH	VIBHA TB	11.5	27.6	27.6	17.7	16.3	1.7	1.6	5.5	5.7
PRARAM 9 HOSPITA	TH	PR9 TB	5.3	22.4	18.9	11.5	10.3	2.4	2.2	10.9	11.4
RAJTHANEE HOSPIT	TH	RJH TB	3.5	19.2	18.1	12.4	11.5	3.3	3.2	18.3	17.9
LADPRAO GENERAL	TH	LPH TB	18.7	26.1	23.7	11.7	11.0	2.5	2.2	9.4	9.9
RATCHAPHRUEK HOS	TH	RPH TB	22.0	18.2	18.5	9.6	9.7	1.8	1.8	10.2	9.6
KPJ HEALTHCARE	MY	KPJ MK	48.0	40.3	31.6	20.5	17.2	3.2	2.9	8.4	9.8
RAFFLES MEDICAL	SG	RFMD SP	41.2	33.5	30.4	20.7	18.3	8.1	6.5	26.6	24.0
Adjusted Average				37.1	31.0	20.8	18.1	4.8	4.2	13.6	14.2

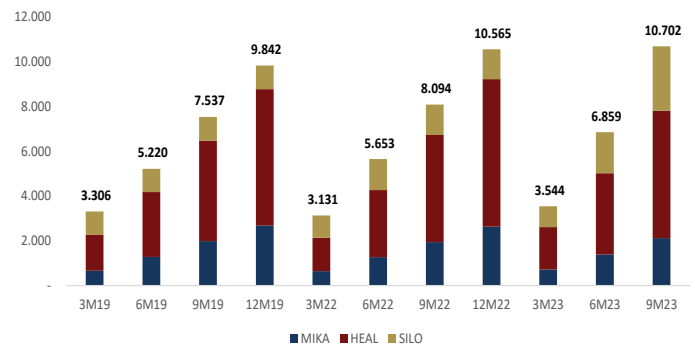
Source: Bloomberg, SSI research

Figure 1. Inpatient days ('000)



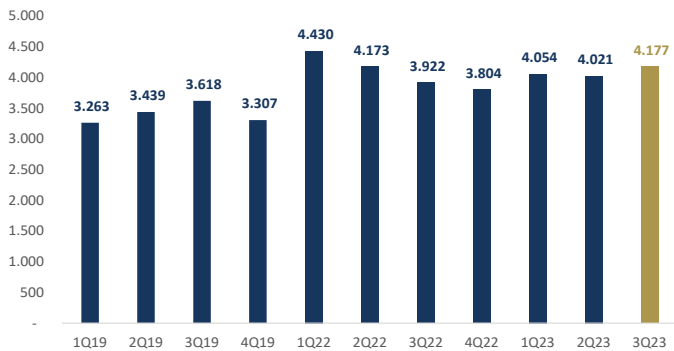
Source: Companies, SSI research

Figure 2. Outpatient visits ('000)



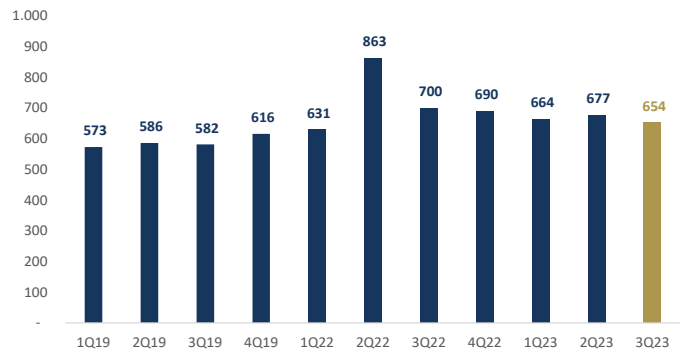
Source: Companies, SSI research

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



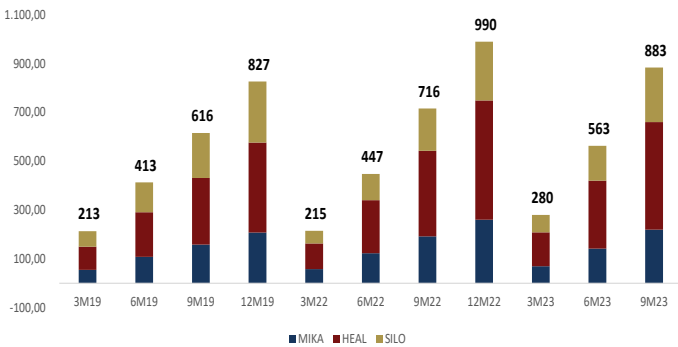
Source: Companies, SSI research

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



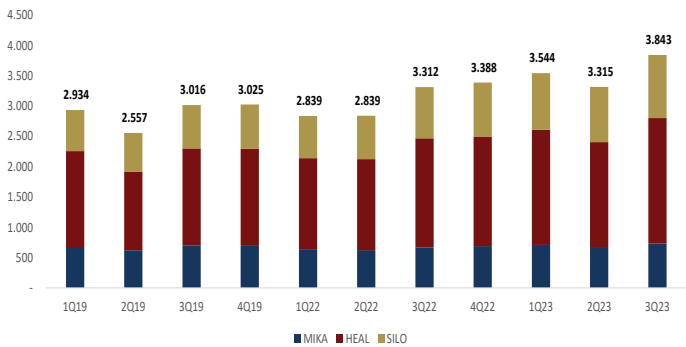
Source: Companies, SSI research

Figure 5. Inpatient admission (in thousands)



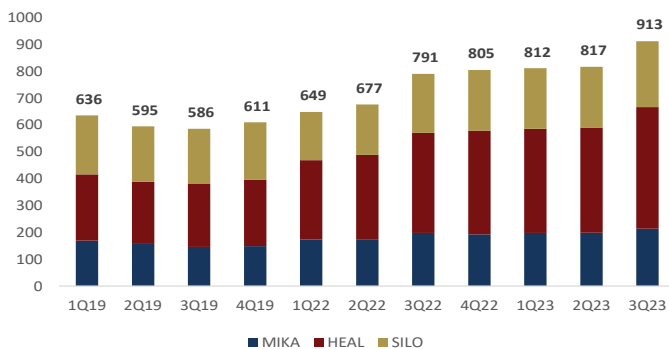
Source: Companies, SSI research

Figure 6. Quarterly outpatient visits (in thousands)



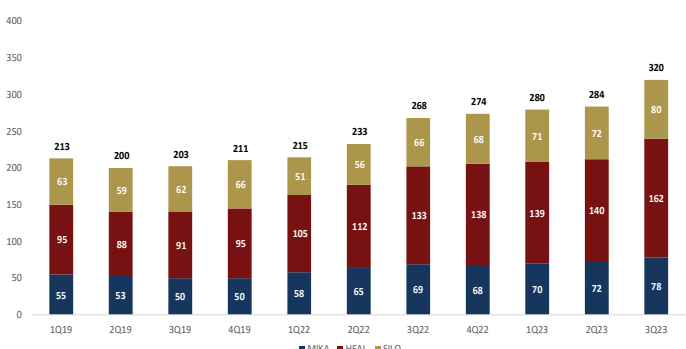
Source: Companies, SSI research

Figure 7. Quarterly inpatient days (in thousands)



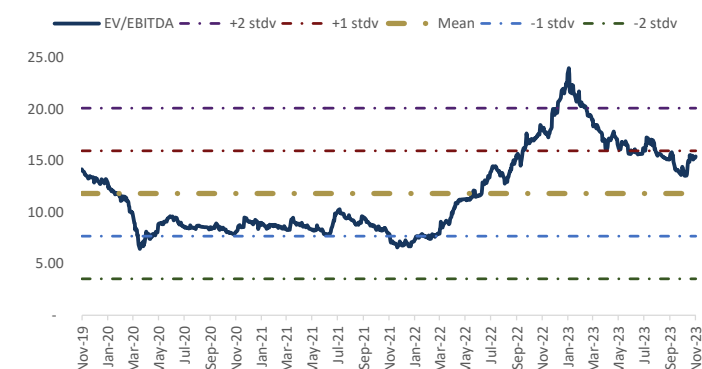
Source: Companies, SSI research

Figure 8. Quarterly inpatient admission (in thousands)



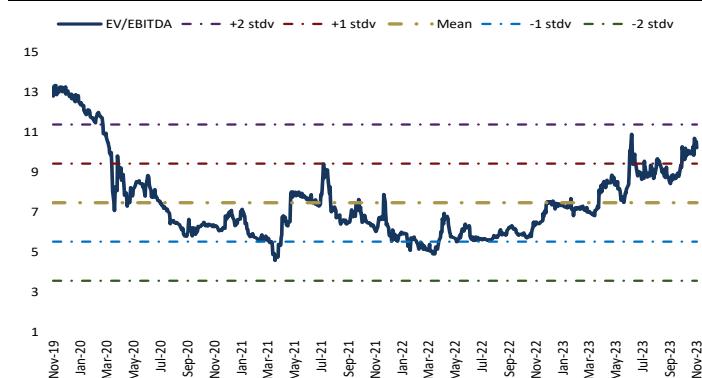
Source: Companies, SSI research

Figure 9. HEAL's EV/EBITDA



Source: Bloomberg, Company, SSI research

Figure 11. SILO's EV/EBITDA



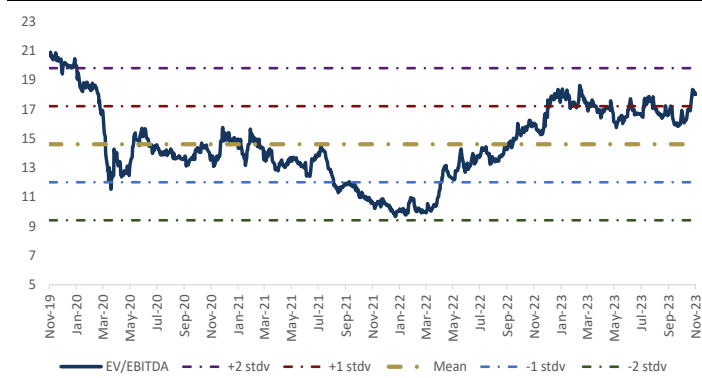
Source: Bloomberg, Company, SSI research

Figure 10. MIKA's EV/EBITDA



Source: Bloomberg, Company, SSI research

Figure 12. Healthcare EV/EBITDA



Source: Bloomberg, Company, SSI research

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