

Siloam Hospitals

HOLD (downgrade)

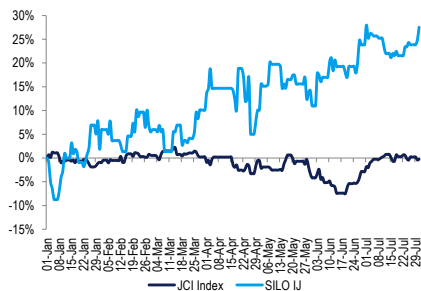
Company Update | Healthcare | SILO IJ | 31 July 2024

Stock Data

Target price	Rp2,800
Prior TP	Rp2,800
Current price	Rp2,780
Upside/downside	1%
Shares outstanding (mn)	13,006
Market cap (Rp bn)	36,157
Free float	26%
Avg. 6m daily T/O (Rp bn)	7

Price Performance

	3M	6M	12M
Absolute	15.8%	18.3%	49.5%
vs. JCI	15.5%	17.4%	44.1%
52w low/high (Rp)	1,860 – 2,790		



Major Shareholders

PT Megapratama Karta Persada	49.6%
Prime Health Company	26.2%

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2Q24 results: in-line EBITDA and top-line driven by robust inpatient traffic

- 1H24 EBITDA of Rp1.4tr (+15% yoy) was in-line with our/consensus estimate; gross revenue of Rp6tr (+14% yoy) was also in-line.
- Robust 2Q24 revenue growth of 14% yoy was driven mainly by inpatient traffic growth of 13%.
- Downgrade to HOLD with TP of Rp2,800 as the share price has appreciated by 28% YTD.

1H24 EBITDA was in-line with our/consensus

SILO booked 1H24 EBITDA of Rp1.4tr (+15.2% yoy) with EBITDA margin of 29.9% and this was in-line ours/consensus estimate at 44/46% (vs. 5yr avg of 46%). 1H24 gross sales stood at Rp6.0tr (+13.9% yoy), also in-line. 1H24 net profit stood at Rp314bn (-37.6% yoy) excluding 1Q24 one-off write off expenses of Rp308bn, 1H24 core profit grew by 10.2% yoy to Rp505bn and this was above consensus estimate at 49%, but in-line with ours at 40% (vs. 5yr avg of 39%). 1H24 GPM rose to 50.7% (+146bps yoy) while opex to sales stood at 31.6% (+89bps yoy).

Stable 2Q24 EBITDA margin as GPM improvement was able to offset higher opex

2Q24 EBITDA went up to Rp688bn (+13.4% yoy) with EBITDA margin of 29.7% (-8bps yoy). Concurrently, GPM improved to 52.1% (+314bps yoy) amid higher drugs margin (+89bps yoy) due to procurement efficiency. On the other hand, opex to sales rose to 32.9% (+264bps yoy) due to higher salary/sales ratio of 6.2% (+121bps yoy).

Robust 2Q24 revenue growth on the back of inpatient traffic

2Q24 revenue grew by 13.8% yoy to Rp3.0tr (-1.2% qoq) driven by inpatient traffic growth of 12.8% yoy as revenue intensity remained flat yoy. It is worth highlighting that inpatient traffic growth was driven by higher complexity traffic coupled with BPJS patient, resulting in flattish revenue intensity. To note, BPJS revenue contribution increased to 18.2% in 2Q24 (vs. 17.0% in 2Q23) as BPJS' revenue growth (+21.8% yoy) outperformed non-BPJS's (+12.1% yoy).

Downgrade to HOLD with TP of Rp2,800

As SILO's share price has risen by 28% YTD and nearly reach our TP of Rp2,800 based on 11.5x FY24F EV/EBITDA (+2s.d. from its 5yr avg), we downgrade our call rating to HOLD. In addition, we view investors are unwilling to invest higher than tender offer price of Rp2,850/sh.

Financial Summary (Rp bn)	2022A	2023A	2024F	2025F	2026F
Revenue	7,393	8,663	9,659	10,579	11,583
EBITDA	1,984	2,678	3,134	3,612	4,083
Net profit	696	1,211	1,400	1,635	1,880
Net profit growth	3.3%	73.9%	15.6%	16.8%	15.0%
ROE	10.4%	16.3%	16.7%	17.3%	17.6%
ROIC	14.0%	19.6%	19.9%	20.8%	21.7%
PER (x)	51.9	29.9	25.8	22.1	19.2
EV/EBITDA (x)	18.0	13.4	11.5	9.9	8.6
Dividend yield	0.7%	0.7%	1.2%	1.4%	1.6%
Forecast change			0%	0%	0%
IPS vs. consensus			122%	103%	101%

Sources: Company, Indo Premier

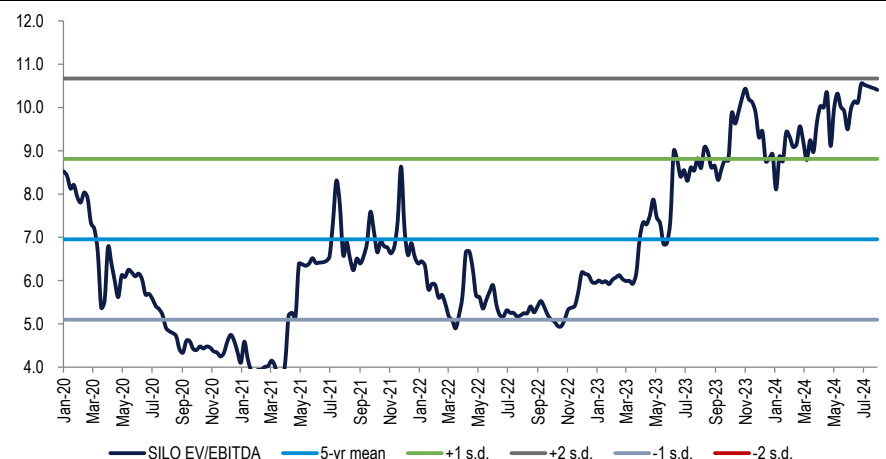
Share price closing as of: 31 July 2024

Fig. 1: SILO's 2Q24 results

	2Q24	2Q23	% YoY	1Q24	% QoQ	1H24	1H23	% YoY	IPS FY24F	% IPS	Cons. FY24F	% Cons	5yr avg (exclude covid period)
Gross sales	2,990	2,628	13.8%	3,027	-1.2%	6,017	5,282	13.9%	12,641	48%	12,549	48%	48%
Net sales	2,319	2,040	13.7%	2,341	-0.9%	4,659	4,086	14.0%					
COGS	1,783	1,630	9.4%	1,872	-4.8%	3,654	3,270	11.8%					
Gross profit	1,207	998	21.0%	1,155	4.5%	2,362	2,012	17.4%					
Operating expenses	(763)	(617)	23.6%	(690)	10.6%	(1,453)	(1,255)	15.8%					
EBIT	444	380	16.7%	466	-4.6%	909	757	20.1%	2,050	44%	2,038	45%	43%
EBITDA	688	607	13.4%	706	-2.5%	1,394	1,210	15.2%	3,134	44%	3,060	46%	46%
Others	-	-	N/A	(308)	N/A	(308)	-	N/A					
PBT	416	356	16.9%	133	212.2%	550	709	-22.5%					
Tax	(105)	(97)	8.4%	(108)	-2.7%	(213)	(193)	10.6%					
Minorities	11	5	99.8%	12	-9.2%	22	13	69.7%					
Net profit	301	254	18.5%	14	2097.7%	314	503	-37.6%	1,400	22%	1,143	27%	39%
Core profit*	301	254	18.5%	254	18.4%	555	503	10.2%	1,400	40%	1,143	49%	39%
Margin (%)													
Gross margin	52.1%	48.9%		49.4%		50.7%	49.2%						
EBIT margin	19.1%	18.6%		19.9%		19.5%	18.5%						
EBITDA margin	29.7%	29.8%		30.2%		29.9%	29.6%						
Effective tax rate	-25.3%	-27.3%		-81.1%		-38.8%	-27.2%						
Net margin	13.0%	12.4%		0.6%		6.7%	12.3%						
<i>Based on net sales</i>													
BPJS	544	447	21.8%	545	-0.1%	1,089	898	21.3%					
Non-BPJS	2,445	2,181	12.1%	2,482	-1.5%	4,928	4,384	12.4%					
Traffic													
Inpatient admissions ('000)	81.6	71.6	13.9%	82.8	-1.5%	164.5	143.0	15.0%					
Inpatient days ('000)	255.2	226.2	12.8%	260.3	-2.0%	515.4	451.5	14.2%					
Outpatient visit ('000)	1,018.1	910.4	11.8%	1,051.0	-3.1%	2,069.1	1,835.7	12.7%					
Bed Occupancy Rate	68.1%	62.8%	5.2%	70.6%	-2.5%	137.5%	62.7%	74.8%					
Revenue intensity (Rp mn/day)	6.6	6.6	0.0%	6.5	1.4%	6.6	6.7	-1.2%					
Outpatient revenue/visit (Rp mn/visit)	1.3	1.2	2.9%	1.3	1.1%	1.3	1.2	2.3%					

Sources: Company, Bloomberg, Indo Premier

Fig. 2: SILO is traded at 10.4x fwd. 12M EV/EBITDA (+1.9 s.d. from its 5-year mean)



Sources: Bloomberg, Indo Premier

Income Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
Net revenue	7,393	8,663	9,659	10,579	11,583
Cost of sales	5,985	6,735	7,607	8,398	9,335
Gross profit	3,533	4,455	5,034	5,630	6,230
SG&A Expenses	(2,345)	(2,577)	(2,870)	(3,143)	(3,429)
Operating profit	1,188	1,879	2,163	2,488	2,802
Net interest	(38)	(62)	(100)	(118)	(117)
Others	0	0	0	0	0
Pre-tax income	1,150	1,817	2,063	2,369	2,684
Income tax	(274)	(419)	(472)	(536)	(600)
Net income	696	1,211	1,400	1,635	1,880

Balance Sheet (Rp bn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent	1,066	1,186	1,605	1,912	2,500
Receivable	1,179	1,449	1,485	1,648	1,828
Inventory	202	204	323	358	385
Other current assets	250	298	298	298	298
Total current assets	2,697	3,137	3,711	4,215	5,011
Fixed assets	5,818	6,767	7,584	8,286	8,869
Goodwill	746	675	675	675	675
Total non-current assets	6,564	7,441	8,259	8,960	9,543
Total assets	9,262	10,578	11,970	13,176	14,554
ST loans	220	425	825	825	825
Payable	442	524	539	600	671
Other payables	0	0	0	0	0
Current portion of LT loans	1,515	1,605	1,605	1,605	1,605
Total current liab.	2,178	2,553	2,969	3,030	3,101
Long term loans	0	0	0	0	0
Other LT liab.	436	381	381	381	381
Total liabilities	2,614	2,934	3,350	3,411	3,482
Equity	5,756	5,768	5,768	5,768	5,768
Retained earnings	1,199	2,148	3,124	4,269	5,576
Minority interest	96	132	132	132	132
Total SHE + minority int.	7,052	8,048	9,024	10,169	11,476
Total liabilities & equity	9,666	10,982	12,374	13,580	14,958

Sources: Company, Indo Premier

Cash Flow Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
EBIT	1,061	1,765	2,050	2,374	2,688
Depr. & amortization	923	913	1,084	1,238	1,395
Changes in working capital	53	(190)	(139)	(137)	(137)
Others	(626)	(545)	(650)	(739)	(808)
Cash flow from operating	1,410	1,943	2,344	2,736	3,138
Capital expenditure	(2,271)	(1,864)	(1,901)	(1,939)	(1,978)
Others	196	107	0	0	0
Cash flow from investing	(2,074)	(1,757)	(1,901)	(1,939)	(1,978)
Loans	90	205	400	0	0
Equity	(56)	(8)	0	0	0
Dividends	(218)	(262)	(424)	(490)	(572)
Others	0	0	0	0	0
Cash flow from financing	(185)	(66)	(24)	(490)	(572)
Changes in cash	(849)	120	419	307	588

Key Ratios	2022A	2023A	2024F	2025F	2026F
Gross margin	47.8%	51.4%	52.1%	53.2%	53.8%
Operating margin	14.4%	20.4%	21.2%	22.4%	23.2%
Pre-tax margin	13.3%	19.2%	19.8%	21.0%	21.9%
Net margin	9.4%	14.0%	14.5%	15.5%	16.2%
ROA	7.3%	11.7%	12.0%	12.6%	13.2%
ROE	10.4%	16.3%	16.7%	17.3%	17.6%
Acct. receivables TO (days)	44.8	42.9	42.9	42.9	42.9
Inventory TO (days)	15.4	11.0	15.5	15.5	15.0
Payable TO (days)	27.8	26.2	25.9	26.1	26.2
Debt to equity	3.2%	5.4%	9.3%	8.2%	7.3%
Interest coverage ratio (x)	-15.6	-21.1	-18.5	-18.4	-20.9
Net gearing	-12.2%	-9.6%	-8.8%	-10.8%	-14.8%

Sources: Company, Indo Premier

INVESTMENT RATINGS

BUY	: Expected total return of 10% or more within a 12-month period
HOLD	: Expected total return between -10% and 10% within a 12-month period
SELL	: Expected total return of -10% or worse within a 12-month period

ANALYSTS CERTIFICATION

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