INDOPREMIER

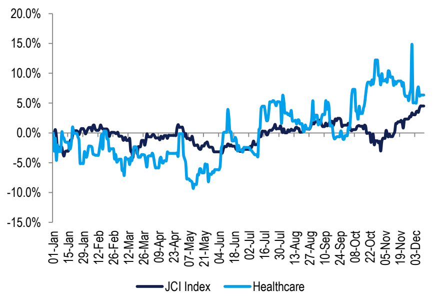
Healthcare

OVERWEIGHT

Sector Initiation | Healthcare | 11 December 2023

Sector Index Performance

	3M	6M	12M
Absolute	3.2%	6.2%	9.8%
Relative to JCI	-0.2%	-0.7%	3.5%



Summary Valuation Metrics

P/E (x)	2023F	2024F	2025F
MIKA IJ	41.7	36.9	32.7
HEAL IJ	44.5	33.8	28.1
SILO IJ	25.0	21.3	18.8

EV/EBITDA (x)	2023F	2024F	2025F
MIKA IJ	25.0	21.8	19.2
HEAL IJ	15.3	12.8	10.9
SILO IJ	11.1	9.5	8.3

Div. Yield	2023F	2024F	2025F
MIKA IJ	1.3%	1.2%	1.4%
HEAL IJ	0.5%	0.8%	1.0%
SILO IJ	0.9%	1.4%	1.6%

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Supported by macro and regulatory tailwinds; Initiate Healthcare with O/W

- Conducive macro & industrial tailwinds shall drive hospitals' revenue CAGR FY22-25F by 11.6% (led by HEAL's 13.4%)
- Positive operating leverage on the back of solid revenue growth vs. stable fixed assets shall drive EBITDA margin by 443bps (FY22-25F)
- Recent healthcare reform bill to address industry bottlenecks in the mid-term. Initiate Healthcare sector with O/W, with HEAL as our top pick

Ample room for growth with macro and industrial tailwinds

Indonesia's relatively low healthcare spending/capita (Fig.2) provides ample room for growth and is estimated to grow at 7.6% CAGR in FY22-25F. In addition, the structural demographic growth and rising non-communicable chronic diseases would lead to higher healthcare demand and spending going forward. Consequently, we expect hospitals (HEAL, SILO and MIKA) to book 11.6% revenue FY22-25F CAGR.

Public healthcare spending represents a key growth engine

Since the introduction of universal healthcare coverage (JKN), it has become the main growth engine for Indonesian healthcare spending. JKN-derived aggregate revenue for hospitals has grown at a CAGR FY19-22 of 10.7%, compared to non-JKN revenues' of 9.8% (ex-SILO at 7.2%). We believe the trend would continue as a JKN healthcare service is able to serve the mass market. HEAL would be the key beneficiary with FY22-25F revenue CAGR expectation of 13.4%, compared to MIKA/SILO's of 9.1/11.7%.

Potential operating leverage due to significant fixed cost components

Fixed costs form c.43.6% of hospitals' 9M23 revenue. As such, aggregate hospitals' revenue growth outlook of +11.6% CAGR FY22-25F supported by structural macro and industrial tailwinds opens up room for potential operating leverage for hospital players. Worth noting, FY24F's national minimum wage hike of c.3.9% yoy further supports the thesis of EBIT margin expansion through operating leverage. We expect EBITDA margin accretion of +146bps yoy in FY24F for aggregate hospitals, led by HEAL.

Recent healthcare reform law to address bottlenecks in the mid-term

Main industry bottleneck for faster hospital expansion lies with the supply of specialist doctors. The government seeks to tackle this through the recent healthcare reform Law by: i) allowing eligible Indonesian (diaspora)/foreign doctors working overseas to work in Indonesia (Article 243-251); ii) enabling specialist residency program beyond university hospitals (Article 209); iii) Simplification of doctor/specialist administrative application procedure such that MOH would issue SIP (practise license) for doctors/specialist to cut down on bureaucratic red tapes; and removing the 5-year expiry for doctor's registration license (STR). While this is a very positive direction, we view the impact may only be visible in the next few years.

Initiate coverage with Overweight rating, with HEAL as our top pick

In conclusion, we initiate the healthcare sector with an Overweight rating, with HEAL (Buy; Rp1,900 TP) as our top pick due to (i) main beneficiary of the JKN driven public healthcare spending, (ii) ROIC improvement, iii) undemanding valuation and iv) less crowded fund ownership. Key risks include delayed implementation of the healthcare reform Law; delay in future INA-CBG tariff adjustments (reviewed every two years); medical tourism to regional countries such as Malaysia, Singapore and Thailand.

Fig. 1: Indonesia hospital' valuation summary

Ticker	Rating	Current price (Rp)	Target price (Rp)	EBITDA yoy growth		EV/EBITDA		ROE	
				2023F	2024F	2023F	2024F	2023F	2024F
MIKA	HOLD	2,730	2,900	-0.9%	14.3%	25.0	21.8	16.5%	17.2%
SILO	BUY	2,260	2,700	24.2%	18.1%	11.1	9.5	15.8%	16.5%
HEAL	BUY	1,470	1,900	37.0%	21.5%	15.3	12.8	11.8%	13.9%

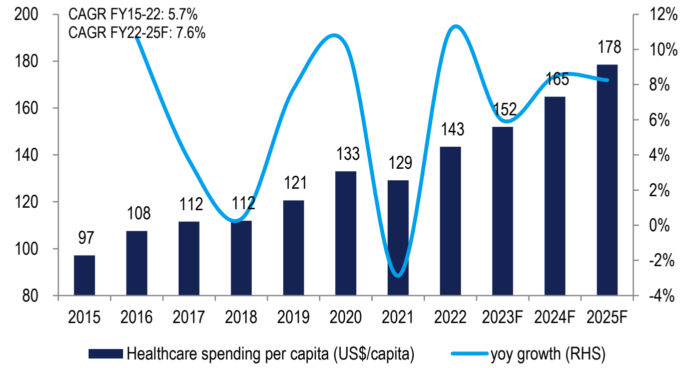
Source: Company, Indo Premier

Investment thesis

Low healthcare spending and provide huge potential growth along with Indonesia's economic growth

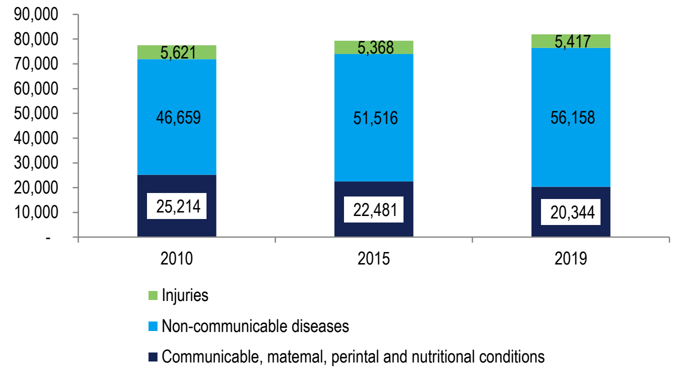
Indonesia's relatively low healthcare spending/capita (Fig.2) provides ample room for growth and is estimated to grow at 7.6% CAGR in FY22-25F. In addition, the structural demographic growth (elderlies requiring more medical attention) and rising NCD (non-communicable chronic diseases) would lead to higher healthcare demand and spending going forward. The conducive macro backdrop thus far has translated into hospitals' (MIKA, HEAL and SILO) robust revenue growth of 13.0% FY15-22 CAGR, which outpaced that of consumers' of 7.8%. During pre-covid period, hospital revenue growth stood at 15.2% CAGR in FY15-19, while consumer's 8.5% (Fig. 4-5). Given the supportive macro backdrop, regulatory framework (JKN) and debottlenecking of industry constraints, we believe that hospitals' superior growth trend would continue going forward. We expect hospitals to book 11.6% revenue FY22-25F CAGR vs consumer's 9.6%.

Fig. 2: Indonesia's healthcare spending per capita (US$/capita)



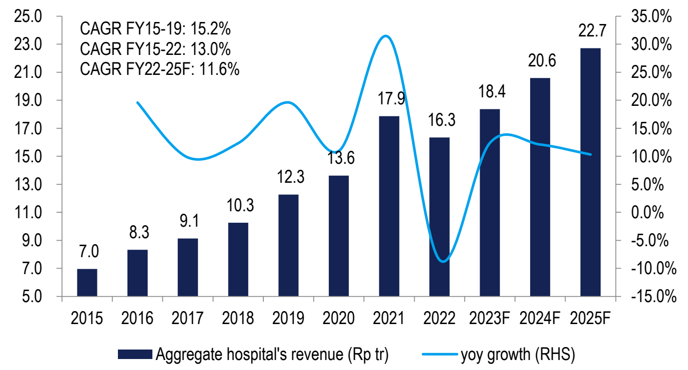
Source: Statista, Indo Premier

Fig. 3: Indonesia's total burden of diseases as measured by the total disability-adjusted-life-year ('000) by Cause



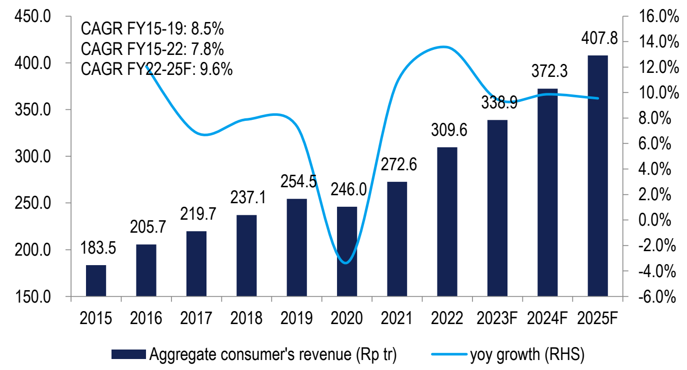
Source: BPS, IMF, Frost & Sullivan, Indo Premier

Fig. 4: Indonesia' healthcare revenue trend (Rp tr)



Source: Company, Indo Premier

Fig. 5: Indonesia' consumer revenue trend (Rp tr)



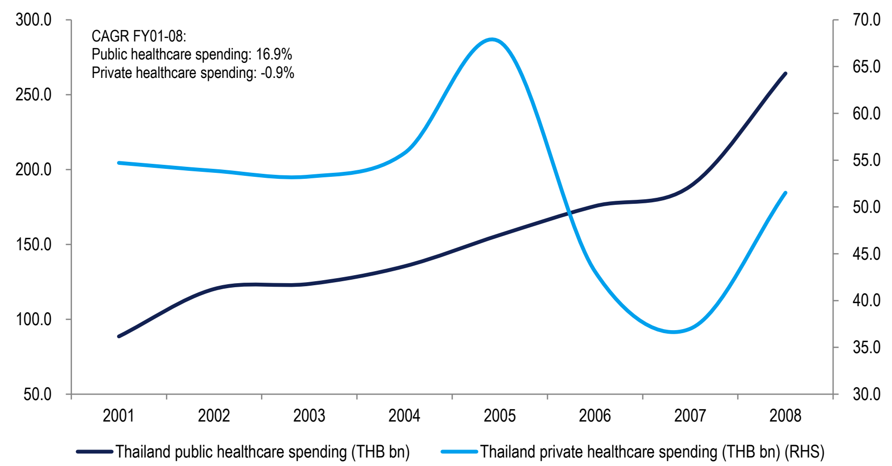
Source: Company, Indo Premier

Public healthcare spending represents a key growth engine

Indonesia's healthcare expenditure is driven by Universal Health Coverage (JKN) with total JKN claims reaching Rp113.5tr in FY22 with CAGR of 10.3% in FY15-22. JKN active members have risen from 224mn in FY19 to 262mn as of Sep23. Aggregate JKN related revenue in hospitals (HEAL, MIKA and SILO) have grown 10.7% CAGR FY19-22, compared to private healthcare revenue in hospitals of 9.8% CAGR FY19-22 (ex-SILO at 7.2%).

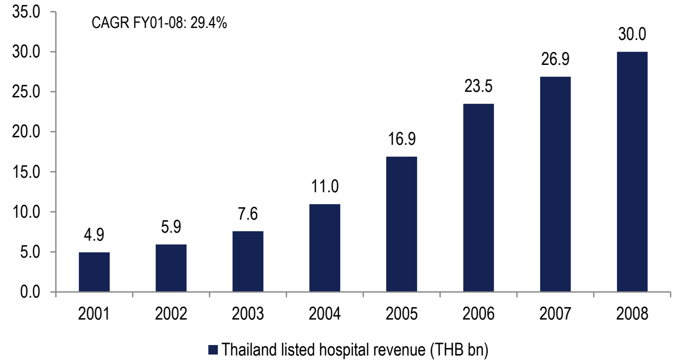
We did a case study on Thailand Universal Health Coverage system that was introduced in 2002. Thereafter, Thailand's public healthcare expenditure grew significantly to THB264.2bn in FY08 with a CAGR of +16.9% in FY01-08 - outpacing the private healthcare spending CAGR of -0.9% (Fig. 6), according to World Health Organization (WHO). In the process, Thailand listed hospital companies (Bumrungrad Hospital and Bangkok Dusit Medical Services) were benefited from Thailand Universal Healthcare Coverage as its aggregate revenue reached THB30.0bn in FY08 with CAGR of 29.4% in FY01-08. Due to robust revenue growth, the hospital experienced improved economies of scale as its EBTIDA margin improved from 18.8% in FY01 to 23.0% in FY08. Hence, we think the implementation of JKN shall similarly benefit Indonesia's hospital sector on the back of universal health coverage spending.

Fig. 6: Thailand public healthcare spending grew significantly due to Universal Health Coverage implementation in FY02



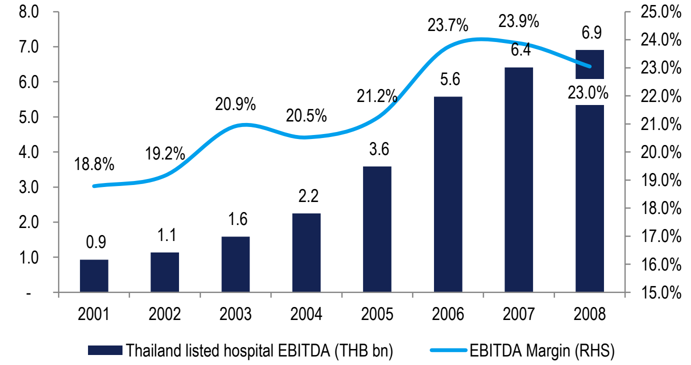
Source: WHO, Indo Premier

Fig. 7: Thailand listed hospital (BH TB & BDMS TB) revenue trend post Universal Health Coverage implementation in FY02



Source: Bloomberg, Indo Premier

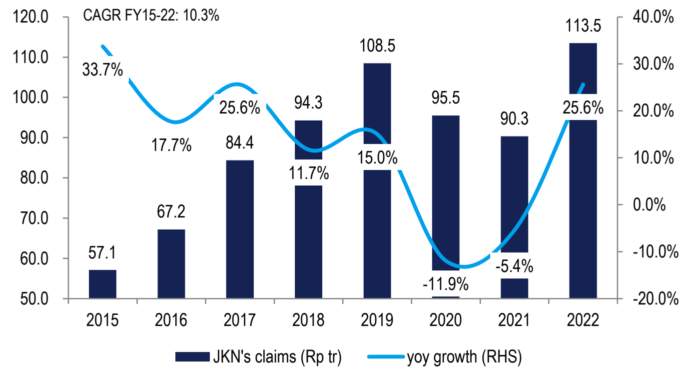
Fig. 8: Thailand listed hospital (BH TB & BDMS TB) EBITDA margin improved significantly due to operating leverage



Source: Bloomberg, Indo Premier

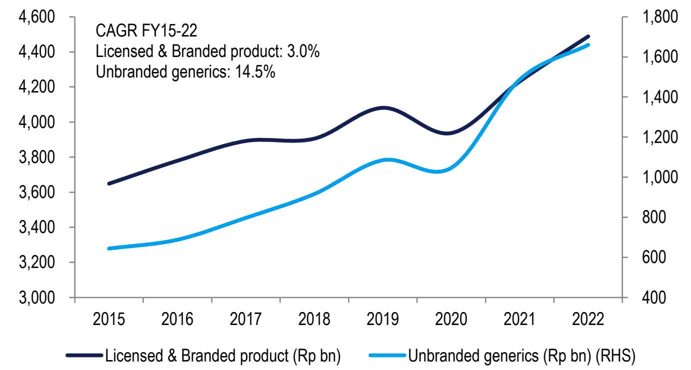
Separately, a similar trend was also observed in KLBF's pharmaceutical sales – whereby licensed and branded generic pharmaceutical sales grew a mere 3.0% CAGR FY15-22, a far contrast to unbranded generics pharma sales' of 14.5%. Although KLBF's unbranded generic sales growth is also partially boosted by regular SKU addition into the e-catalogue, the trend helps to establish that the main growth driver of the Indonesian healthcare industry lie in public healthcare space. On this note, HEAL would be the key beneficiary of continued growth driver from JKN program.

Fig. 9: JKN claims trend (Rp tr)



Source: Company, Indo Premier

Fig. 10: KLBF's licensed & branded product and unbranded generics revenue trend (Rp bn)



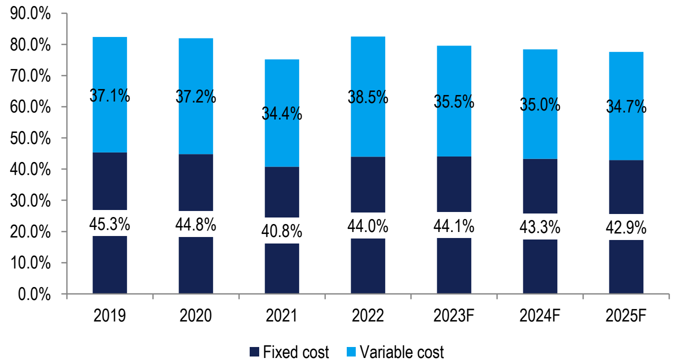
Source: Company, Indo Premier

Potential operating leverage due to significant fixed cost components

Fixed costs are estimated to form 43.6% of hospitals' 9M23 revenue implying ample room for potential operating leverage. As evidenced during the pandemic especially FY21, hospitals enjoyed positive operating leverage on the back of +30.8% yoy revenue growth in FY21. In FY21, gross profit margin expanded by +442bps yoy (+780bps vs. FY19) but EBIT margin expanded much more by +704bps yoy (+1,166bps vs. FY19).

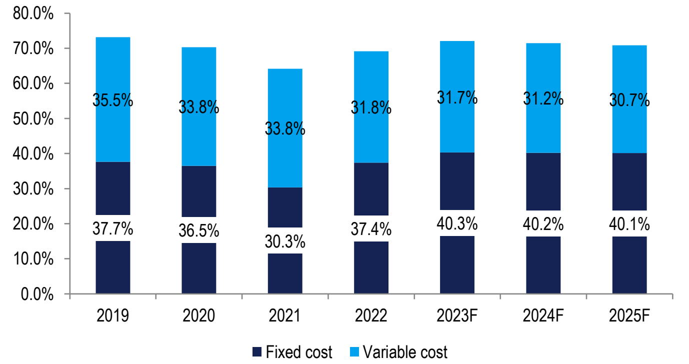
As such, aggregate hospitals' revenue growth outlook of +11.6% CAGR FY22-25F was supported by structural macro and industrial tailwinds open up room for potential operating leverage for hospital players. Worth noting, FY24F's national minimum wage hike of c.3.9% yoy further supports the thesis of EBIT margin expansion through operating leverage as salary costs represent 23.2% of 9M23 sales. Additionally, hospitals continue to invest in IT improvements, automations; and these processes can be expected to bring operational efficiencies, cost reductions in the mid-term. We expect EBITDA margin accretion of +159bps yoy in FY24F for aggregate hospitals, led by HEAL's +182bps yoy.

Fig. 11: Aggregate Hospital' fixed and variable cost trend



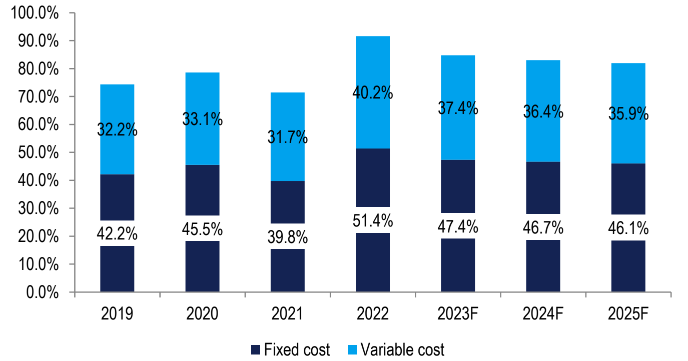
Source: Company, Indo Premier

Fig. 12: MIKA' fixed and variable cost



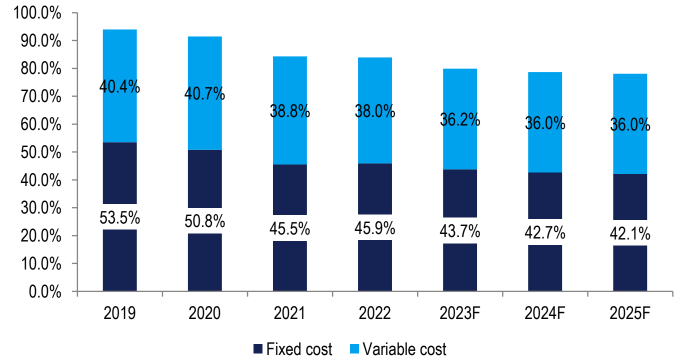
Source: Company, Indo Premier

Fig. 13: HEAL' fixed and variable cost trend



Source: Company, Indo Premier

Fig. 14: SILO' fixed and variable cost



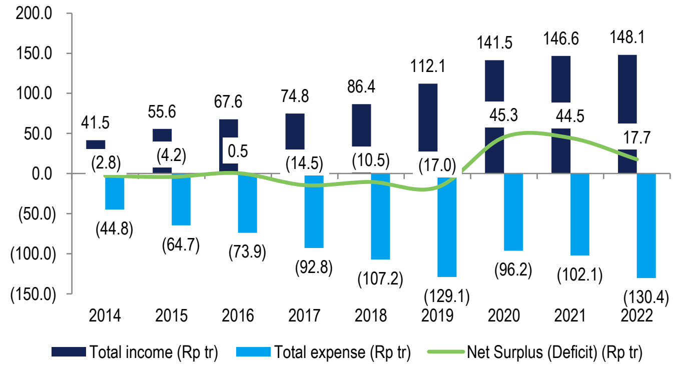
Source: Company, Indo Premier

A surplus on JKN balance of payments bodes well for hospitals

Since 2020, JKN annual balance of payments (BOP) has recorded surpluses in contrast with FY17-19's deficits. Based on our channel checks, this factor contributes to the recent INA-CBG (Indonesia-Case Base Group) tariff hike (7-8% in Jan23). It is worth noting that there has been an absence of adjustment throughout FY18-20 which may be related to JKN recording substantial deficit at that time and Covid-19 pandemic between FY20-22.

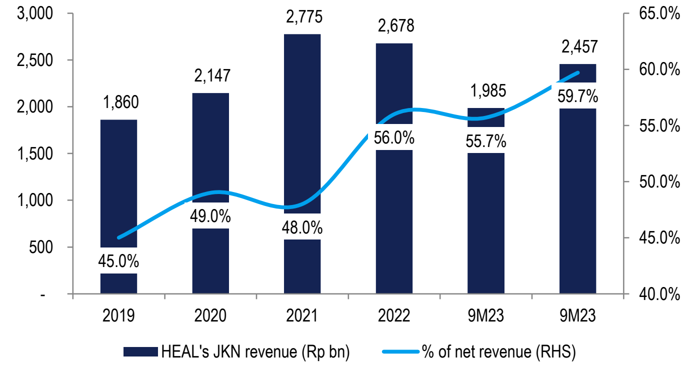
The increase in INA-CBG tariffs serves as a tailwind for healthcare sector benefiting hospitals' revenue and profitability (especially those that cater to JKN). <u>Main beneficiary of this shall be HEAL due to its high JKN revenue contribution of 59.7% in 9M23 (vs. MIKA/SILO's 18.8/17.8%).</u> Nonetheless, we note that the JKN premium is unlikely to be adjusted up in the political years of FY23/24F (last adjusted at c.+86% in FY20). We think this may pose a risk to JKN's BOP (potentially turning deficit) in FY24/25F. However, a surplus in four consecutive years FY20-23F serves as a buffer and the prospect of a delay in future INA-CBG adjustments is unlikely (next review in FY25, every 2 years).

Fig. 15: JKN recorded a net surplus in FY20 due to higher JKN's premium



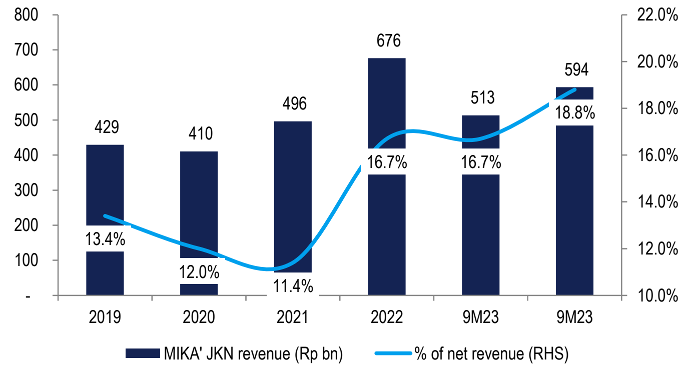
Source: BPJS, Indo Premier

Fig. 16: HEAL's JKN revenue trend (Rp bn) & contribution to net revenue



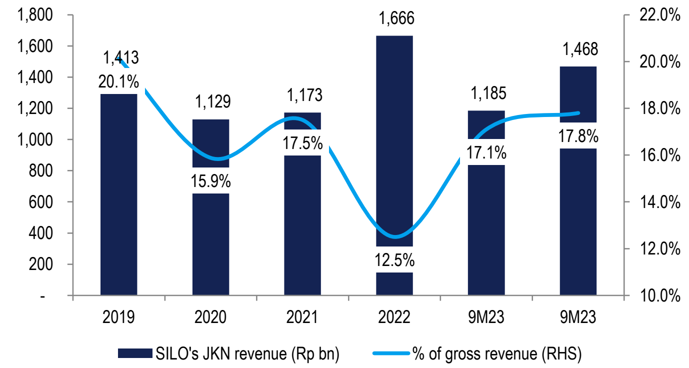
Source: Company, Indo Premier

Fig. 17: MIKA's JKN revenue trend (Rp bn) & contribution to total revenue



Source: Company, Indo Premier

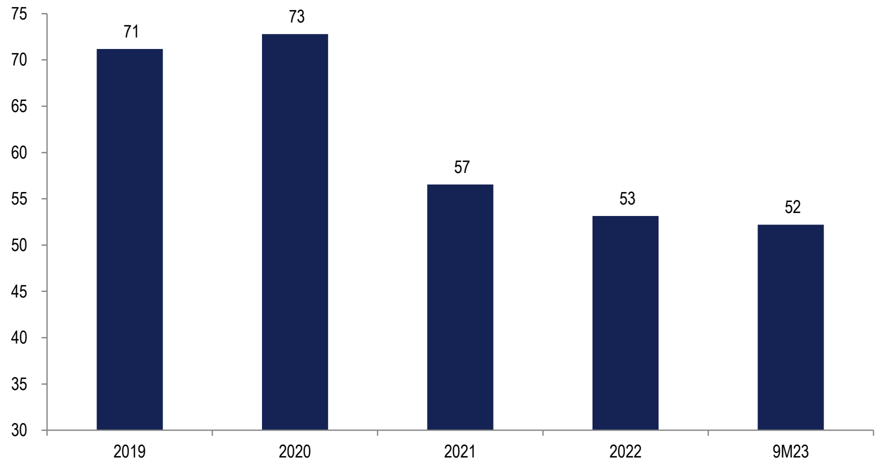
Fig. 18: SILO' JKN revenue trend (Rp bn) & contribution to gross revenue



Source: Company, Indo Premier

Separately, a surplus JKN balance of payment since 2020 also resulted in a faster receivable days for hospitals. While this coincides with government's prioritization in combating the pandemic in FY20-21, we note that the lower receivable days for Indonesia' hospital continued to trend down from 71 days in FY19 to 52 days in 9M23.

Fig. 19: Indonesia hospital' receivable days trend



Source: Company, Indo Premier

Recent healthcare reform law to address bottlenecks in the mid-term
Based on discussion with hospital players, the main bottleneck of the industry lies with the supply of specialist doctors. Currently, Indonesia' specialist doctors/1k populations stands at 0.19x in FY23 and this ratio was below WHO's recommendation of 0.28x.

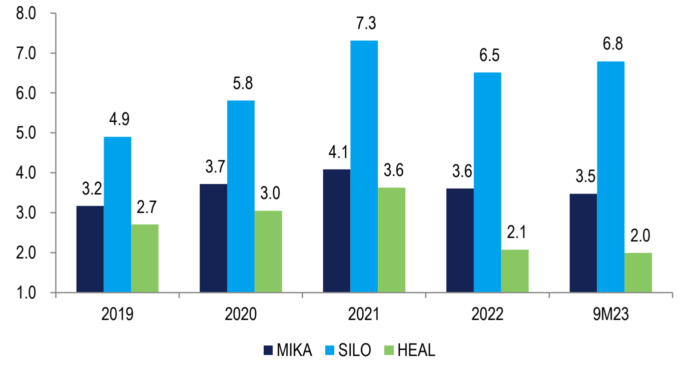
We think Indonesia's current run-rate to produce specialist doctor (2.7k/year) is relatively low on the back of a low number of universities that offer specialist program (21 out of 92 universities); and the specialist doctors candidate must get a recommendation letter from single professional organization: Indonesian Doctors Association (IDI). At this rate, Indonesia' needs c.13 years to reach WHO's recommendation of 0.28x.

The government seeks to resolve this through "Government Regulation No. 17/2023", concerning Healthcare, and Circular Letter No. HK.02.01/Minister of Health/1911/2023. Concerning the Implementation of Registration and Licensing of Medical personnel and Health Personnel, with the aim of boosting specialist doctors supply going forward. A few notable highlights are as follow:

i) allowing eligible Indonesian (diaspora)/foreign doctors working overseas to practise medicine in Indonesia (Article 243-251);
ii) allowing specialist residency program beyond the current 21 university hospitals (Article 209). Notably, there are c.210 accredited teaching hospitals (>10x the current number of universities) with specialist program. In the future, the government aims to increase the number of teaching hospitals to 420.
iii) Simplification of doctor/specialist administrative application procedure such that MOH would issue SIP (practise license) for doctors/specialist directly, reducing the involvement of doctors' (IDI) association and bureaucratic red tapes. Details discussed in Fig 53; and removing the 5-year expiry for doctor's registration license.

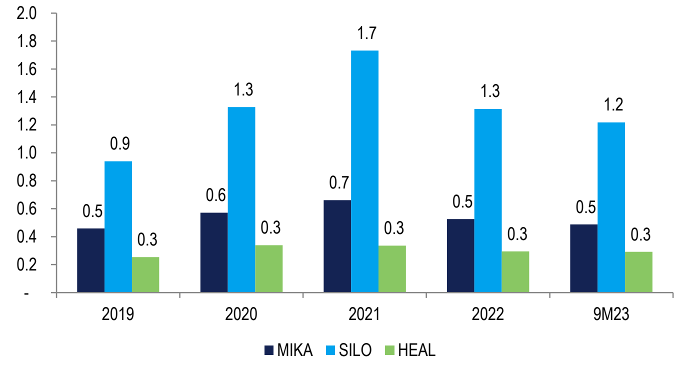
Nonetheless, we note that the changes would take several years to have a material impact.

Fig. 20: Indonesia' hospital inpatient revenue/day (Rp mn/day)



Source: Company, Indo Premier

Fig. 21: Indonesia' hospital outpatient revenue/patient (Rp mn/patient)



Source: Company, Indo Premier

Initiate coverage with Overweight rating, with HEAL as our top pick

With a solid healthcare industry outlook, we initiate the healthcare sector with an Overweight rating, along with HEAL (Buy; Rp1,900 TP) as our top pick due to (i) main beneficiary of the JKN driven public healthcare spending, (ii) ROIC improvement, and iii) undemanding valuation.

ROIC analysis

Analysing hospitals' ROIC, we further dissect the metric into two components NOPAT margin and Net revenue/invested capital. Omitting FY20-22 due to the impact of the pandemic, our analysis focuses on the comparison pre-pandemic in FY18-19 vs. FY23F.

On NOPAT margin, we note that operating leverage would be the key in determining potential NOPAT margin accretion. Thus far SILO has booked the highest NOPAT margin improvement in 9M23F due to its extremely low base in FY19.

Going forward, we expect HEAL's NOPAT margin improvement to outpace its peers by FY25F with +593bps accretion from FY22 (vs. MIKA/SILO's -133/+402bps) – supported by HEAL's superior revenue CAGR FY22-25F of 13.4% (vs. MIKA/SILO's 9.1/10.7%) and operating leverage. In the process, fixed cost/sales ratio for HEAL is reduced by -432bps in FY25F from FY22 (vs. MIKA/SILO's +270/-457bps. To note, MIKA still handled Covid-19 patients in 1H22 hence still the elevated fixed cost/sales ratio.

On the other hand, net revenue/invested capital is unlikely to change significantly in the near future given that hospitals are still in expansion mode and new hospitals require time to be built and ramp-up to maturity. In particular, we note that SILO's improvement in net revenue/invested capital may be attributable from its dividend payout that started in FY20.

In sum, we forecast HEAL/SILO's ROIC to improve significantly from 7.8/15.7% in FY22 to 15.5/17.0% in FY25F. Meanwhile, MIKA's ROIC is at 22.1% in FY25F (vs. 26.4% in FY22). Given that MIKA's EV/EBITDA valuation is already trading at a premium (currently justified by its superior ROIC), HEAL and SILO have further room for re-rating over MIKA, in our view.

Fig. 22: ROIC analysis

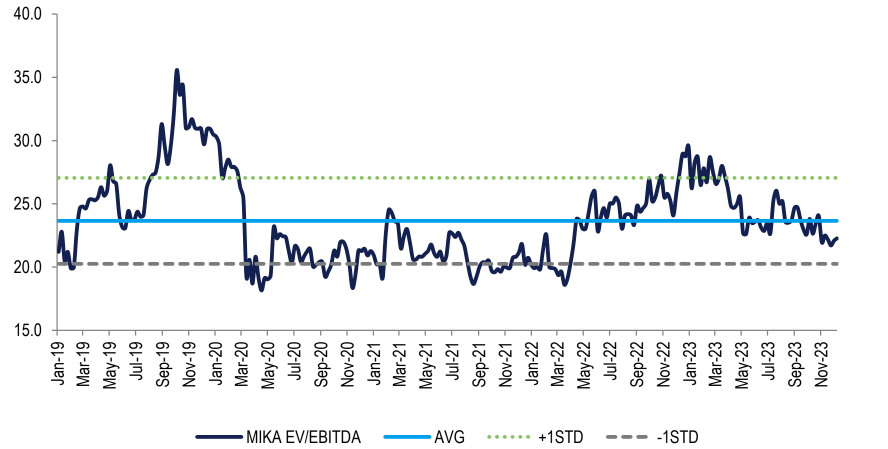
	2018	2019	2020	2021	2022	2023F	2024F	2025F
Mika Keluarga Karyasehat (MIKA IJ)								
NOPAT/net revenue	21.3%	21.8%	24.1%	29.0%	25.0%	22.8%	23.2%	23.7%
Net revenue/Invested capital	1.0	1.0	1.0	1.3	1.1	0.9	0.9	0.9
ROIC	**21.5%**	**20.9%**	**23.3%**	**37.0%**	**26.4%**	**21.1%**	**21.5%**	**22.1%**
Siloam International Hospitals (SILO IJ)								
NOPAT/net revenue	1.1%	1.0%	3.4%	11.3%	11.6%	14.8%	15.8%	16.4%
Net revenue/Invested capital	0.8	0.9	1.1	1.5	1.4	1.2	1.1	1.0
ROIC	**0.8%**	**0.9%**	**3.6%**	**17.5%**	**15.7%**	**17.4%**	**17.0%**	**17.0%**
Medikaloka Hermina (HEAL IJ)								
NOPAT/net revenue	7.9%	10.3%	15.0%	23.2%	8.3%	12.0%	13.4%	14.2%
Net revenue/Invested capital	1.0	1.1	1.2	1.3	0.9	1.0	1.0	1.1
ROIC	**8.3%**	**11.8%**	**18.0%**	**31.2%**	**7.8%**	**11.8%**	**13.9%**	**15.5%**

Source: Company, Indo Premier

Valuation

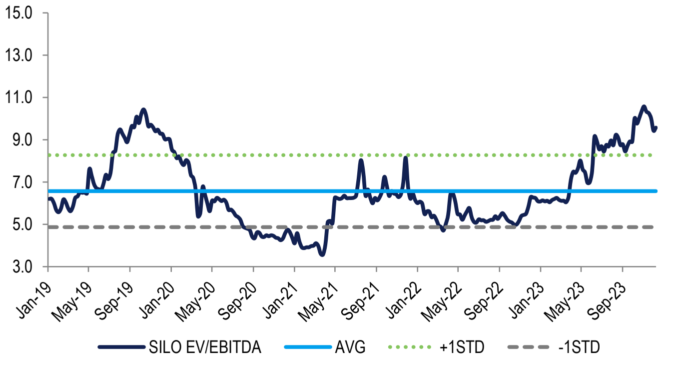
In terms of valuation, we use EV/EBITDA multiples methodology to derive MIKA/SILO/HEAL's fair value. We initiate SILO and HEAL with BUY ratings and TP of Rp2,700/1,900/sh based in 11.5/16.5x FY24F EV/EBITDA (+3.0/+1.0 s.d. from its 5yr mean) – the re-ratings of which are justified by their expected ROIC accretion; while MIKA with HOLD rating and TP of Rp2,900, based on 23.5x FY24F EV/EBITDA (its 5yr mean).

Fig. 23: MIKA's is traded at 22.3 fwd. 12M EV/EBITDA (-0.4 s.d. from its 5yr mean)



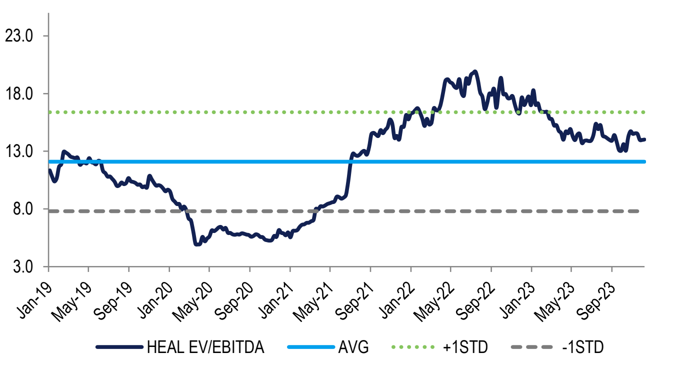
Source: Bloomberg, Indo Premier

Fig. 24: SILO's is traded at 9.6 fwd. 12M EV/EBITDA (+2.2 s.d. from its 5yr mean)



Source: Company, Indo Premier

Fig. 25: HEAL's is traded at 14.0 fwd. 12M EV/EBITDA (+0.4 s.d. from its 5yr mean)

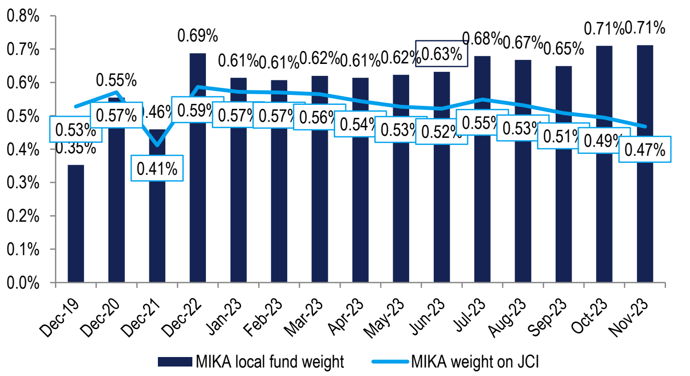


Source: Company, Indo Premier

Institutional ownership

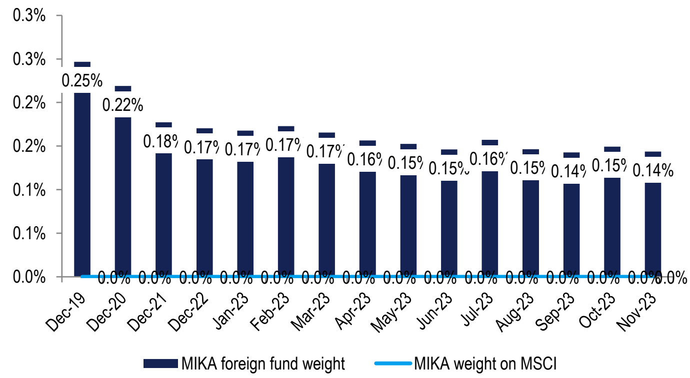
In terms of positioning, local funds have an OW position for MIKA in Nov23. In addition, local funds have an UW position for SILO and HEAL in Nov23. It is worth highlighting that local funds have started to build its position on SILO, starting in Jun23. In sum, HEAL's relatively less crowded institutional ownership also lends support to our top pick justification.

Fig. 26: MIKA's local fund weight vs. JCI



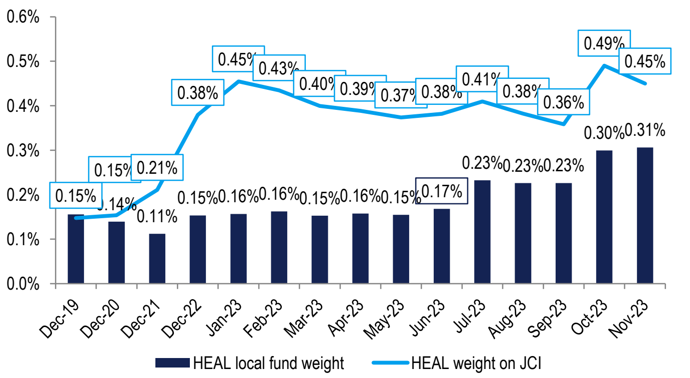
Source: KSEI, Indo Premier

Fig. 27: MIKA's foreign fund weight vs. MSCI



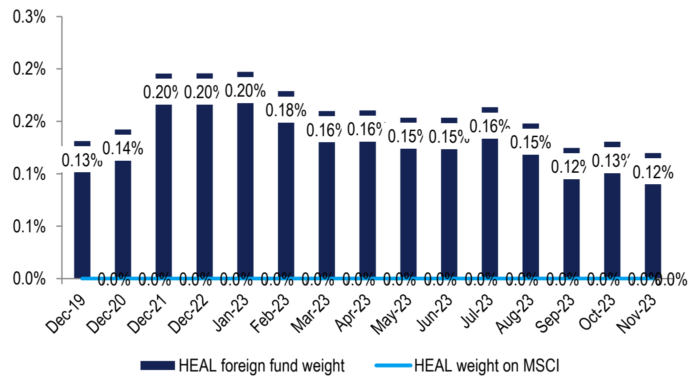
Source: KSEI, Indo Premier

Fig. 28: HEAL's local fund weight vs. JCI



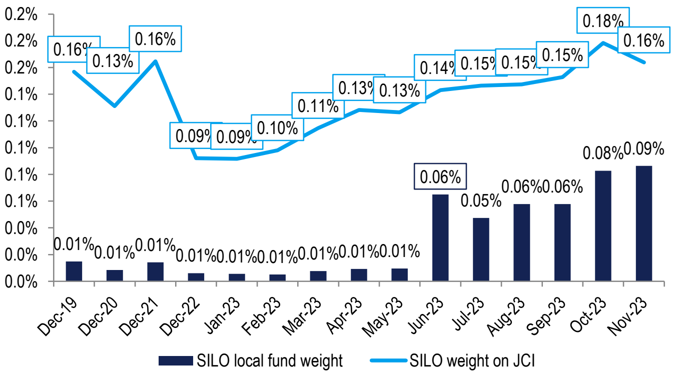
Source: KSEI, Indo Premier

Fig. 29: HEAL's foreign fund weight vs. MSCI



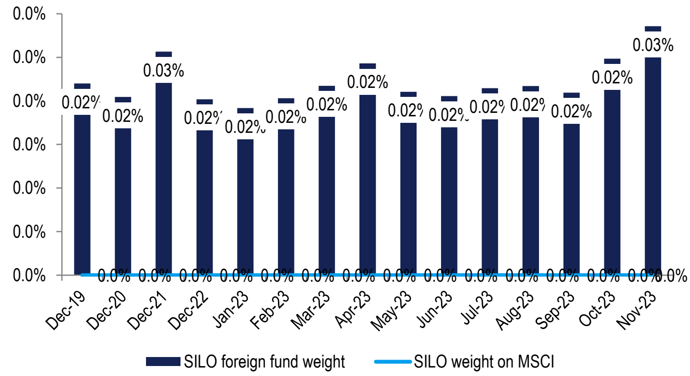
Source: KSEI, Indo Premier

Fig. 30: SILO's local fund weight vs. JCI



Source: KSEI, Indo Premier

Fig. 31: SILO's foreign fund weight vs. MSCI



Source: KSEI, Indo Premier

Fig. 32: Healthcare peers comparison

Ticker	Name	Mkt cap (US$ mn)	P/E			EV/EBITDA			ROE			EBITDA Growth		
			2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F
Indonesia														
MIKA IJ	Mika Keluarga Karyasehat	2,545	41.7	36.9	32.7	25.0	21.8	19.2	16.5%	17.2%	17.5%	-0.9%	14.3%	13.1%
SILO IJ	Siloam International Hospitals	1,949	25.0	21.3	18.8	11.1	9.5	8.3	15.8%	16.5%	16.7%	24.2%	18.1%	13.8%
HEAL IJ	Medikaloka Hermina	1,279	44.5	33.8	28.1	15.3	12.8	10.9	13.4%	15.8%	16.9%	37.0%	21.5%	16.0%
Simple average			**37.1**	**30.7**	**26.5**	**17.1**	**14.7**	**12.8**	**15.3%**	**16.5%**	**17.0%**	**20.1%**	**18.0%**	**14.3%**
Malaysia														
IHH MK	IHH Healthcare Bhd	10,842	30.7	29.6	26.7	14.0	13.1	12.3	6.0%	6.3%	6.7%	12.5%	6.6%	7.0%
KPJ MK	KPJ Healthcare	1,062	24.8	22.1	19.5	11.6	11.0	10.4	10.0%	10.9%	11.7%	15.1%	5.5%	6.0%
Simple average			**27.7**	**25.9**	**23.1**	**12.8**	**12.1**	**11.3**	**8.0%**	**8.6%**	**9.2%**	**13.8%**	**6.0%**	**6.5%**
Thailand														
BH TB	Bumrungrad Hospital	5,654	24.6	23.7	22.4	17.9	17.1	16.1	31.7%	28.4%	26.3%	31.7%	5.2%	5.7%
BCH TB	Bangkok Chain Hospital	1,369	36.8	30.4	26.7	18.0	16.1	14.6	10.8%	12.8%	13.7%	-41.0%	11.5%	10.3%
CHG TB	Chularat Hospital	982	30.3	26.3	23.4	18.6	16.3	15.0	13.8%	15.3%	16.3%	-55.4%	13.9%	9.0%
BDMS TB	Bangkok Dusit Med. Ser	11,821	30.1	27.7	25.7	17.8	16.7	15.6	14.6%	15.5%	15.6%	3.7%	7.0%	6.8%
Simple average			**30.4**	**27.0**	**24.5**	**18.1**	**16.5**	**15.3**	**17.7%**	**18.0%**	**18.0%**	**-15.2%**	**9.4%**	**7.9%**

Source: Bloomberg, Company, Indo Premier

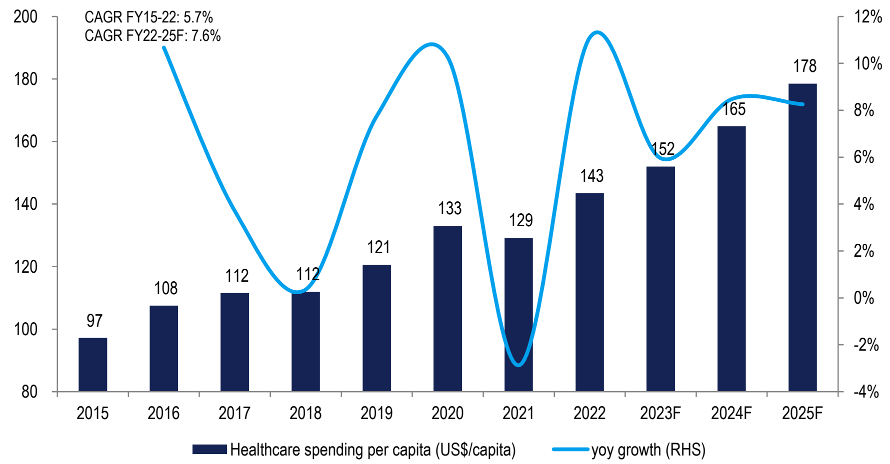
Industry Overview

Indonesia healthcare industry has huge potential for future growth
Indonesia's healthcare expenditure stood at US$143/capita in FY22 with CAGR of 5.7% in FY15-22, based on Statista and CEIC. Going forward, Statista estimates Indonesia' healthcare expenditure per capita to reach US$178/capita in FY25F from US$143/capita in FY22, implying 7.6% CAGR in FY22-25F.

Indonesia healthcare expenditure growth will be driven by higher government spending on public healthcare, rising consumer affluence contributing to out-of-pocket expenses and higher private healthcare insurance coverage. This is also supported by a structural demographic growth (Fig 37, elderlies would require more medical attention), along with a higher case of non-communicable diseases due to the urban population's lifestyle.

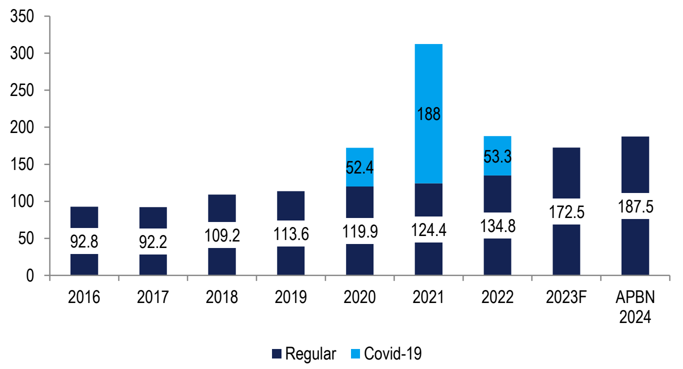
The Indonesian government has significantly increased its healthcare budget (excluding Covid-related) from Rp92.8tr in FY16 to Rp187.5tr in FY24F implying a CAGR of 9.2%. As of 2023, the government did not allocate any budget to the Covid-19 cases as the government will focus on non-Covid-19 healthcare services, including Universal Health Coverage (JKN) program. As of now, JKN becomes the largest provider in Indonesia public healthcare as JKN's claims stood at Rp113.5tr with CAGR of 10.3% in FY15-22. Relative to regional peers, FY21 Indonesia' healthcare expenditure per capita of US$129/capita lags severely behind its regional peers (Fig.36), implying a huge potential growth outlook.

Fig. 33: Indonesia's healthcare expenditure per capita (US$ per capita)



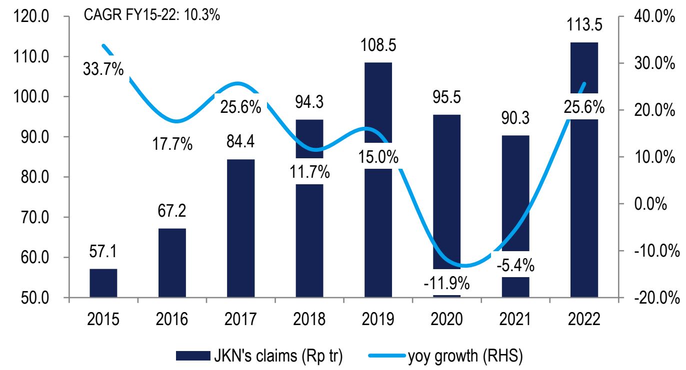
Source: Statista, CEIC, Indo Premier

Fig. 34: Indonesia national healthcare budget (Rp tr)



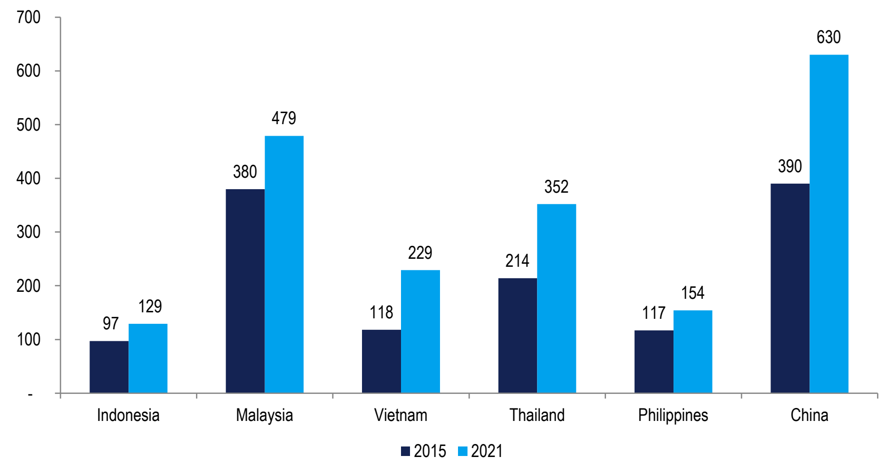
Source: Minister of Finance, Indo Premier

Fig. 35: JKN claim trend (Rp tr)



Source: BPJS, Indo Premier

Fig. 36: Indonesia healthcare expenditure per capita is far below than its peers (US$/capita)

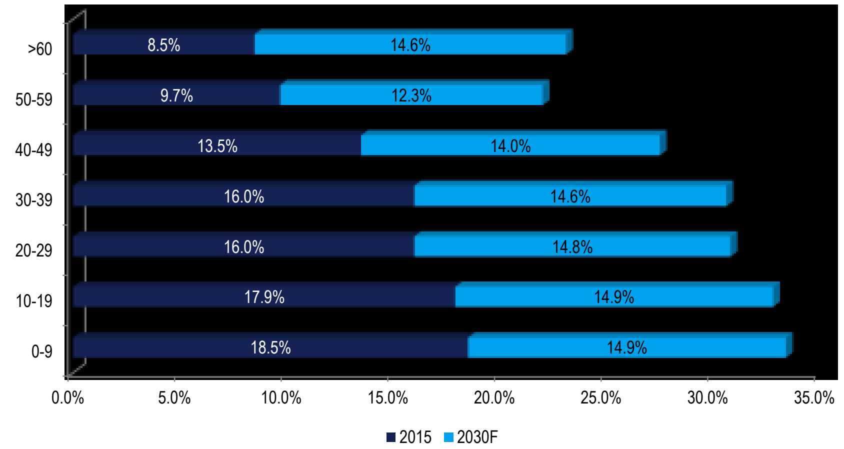


Source: WHO, Frost & Sullivan, Statista, Indo Premier

Healthcare spending supported by Indonesia's demography

According to Frost & Sullivan, Indonesia's aging population (>60 years old) is estimated to grow from 8.5% of the total population in FY15A to 14.6% in FY30F. The elderlies typically have higher risk to experience severe health conditions and complication, and hence the need for better medical services. A higher proportion of aged population would structurally boost the demand of healthcare services.

Fig. 37: Indonesia' ageing population % of total population

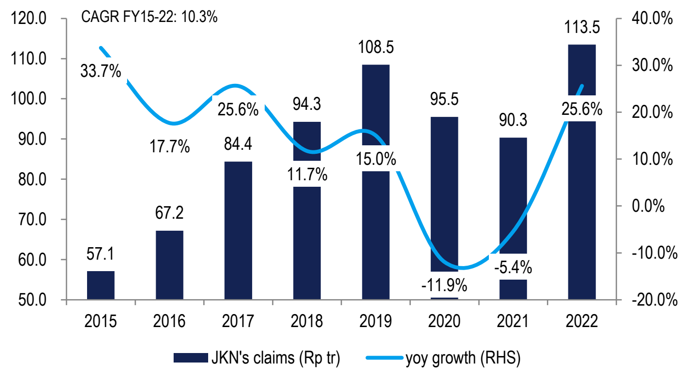


Source: BPS, IMF, Frost & Sullivan, Indo Premier

Public healthcare spending represents a key growth engine
Indonesia's healthcare expenditure is driven by Universal Health Coverage (JKN) with total JKN claims reaching Rp113.5tr in FY22 with CAGR of 10.3% in FY15-22. JKN active members have risen from 224mn in FY19 to 262mn as of Sep23. Aggregate JKN related revenue in hospitals (HEAL, MIKA and SILO) have grown 10.7% CAGR FY19-22, compared to private healthcare revenue in hospitals of 9.8% CAGR FY19-22 (ex-SILO at 7.2%)

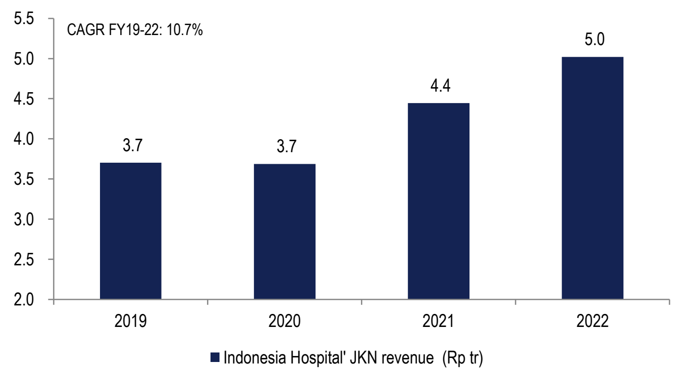
Separately, a similar trend is also gleaned from KLBF's pharmaceutical sales – whereby licensed and branded generic pharmaceutical sales grew a mere 3.0% CAGR FY15-22, a far contrast to unbranded generics pharma sales' of 14.5%. Although KLBF's unbranded generic sales growth is also partially boosted by regular SKU addition into the e-catalogue, <u>the trend helps to establish that the main growth driver of the Indonesian healthcare industry lie in public healthcare space. On this note, HEAL would be the key beneficiary of continued growth driver from JKN program.</u>

Fig. 38: JKN claim trend (Rp tr)



Source: BPJS, Indo Premier

Fig. 39: Indonesia' hospital' JKN revenue trend (Rp bn)



Source: Company, Indo Premier

Adjustment INA-CBG shall improve hospital's profitability

The adjustment of INA-CBG (Indonesia-Case Base Group) tariff is another boon for healthcare industry where Minister of Health has increased the INA-CBG tariff in Jan23 after 4 years hiatus. It is worth highlighting that Minister of Health will review the standard tariff of INA-CBG at least every 2 years, according to Presidential Regulation No. 111/2013. We think the government didn't adjust its INA-CBG tariff standard in FY18-22 because of JKN's balance sheet deficit until FY19 (Fig. 41) and Covid period in FY20-22. The main reason JKN balance of payments (BOP) has reached a surpluses position in FY20 was due to JKN' premium adjustment (c.+86%).

We note that the new INA-CBG tariff will result in higher JKN' claim and may result in JKN's deficit in FY24F. However, National Social Security Council (DJSN) mentioned that JKN' cumulative balance of payment will remain stable until Aug25 as JKN has a net cumulative surplus of Rp56.5tr in FY22 on the back of the surplus position since FY20-23F. As a result, DJSN estimates there will be no new JKN's premium adjustment until Aug25. It is worth highlighting that government will review JKN's premium at least once per two years (Fig. 40). Hence, we think there is a possibility of a more regular JKN' premium adjustment if JKN' balance of payment turns deficit. And in turn, this shall be more conducive for potential adjustment of INA-CBG tariff in FY25F (reviewed every two years).

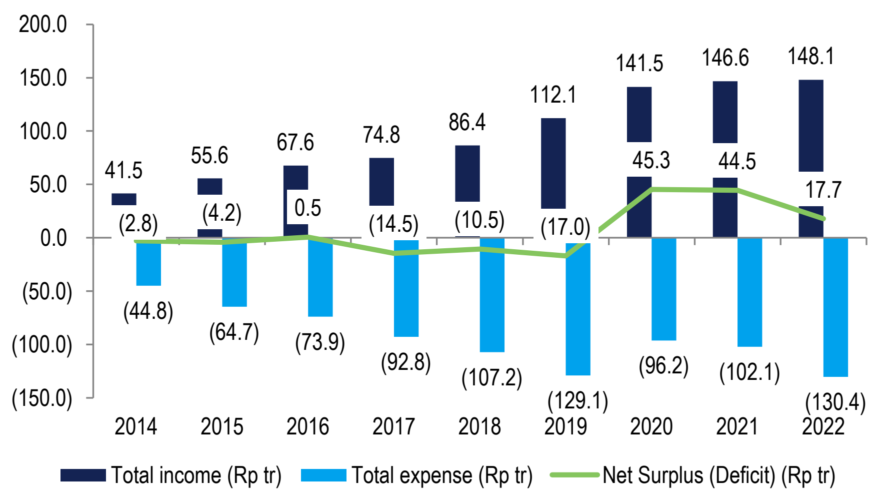
In sum, we think HEAL will be benefited from INA-CBG tariffs adjustment as HEAL's JKN revenue contribution stood at 59.7% in 9M23 (vs. MIKA/SILO's 18.8/17.8%).

Fig. 40: Presidential Regulation is supportive for JKN's premium and INA-CBG

Regulation	Summary
Presidential Regulation No. 82/2018, Concerning Health Insurance, article 38	- Government w ill review JKN's premium at least once per tw o years
Presidential Regulation No. 82/2018, Concerning Health Insurance, article 73	- Minister of Health w ill review the INA-CBG tariff no later than once every tw o years

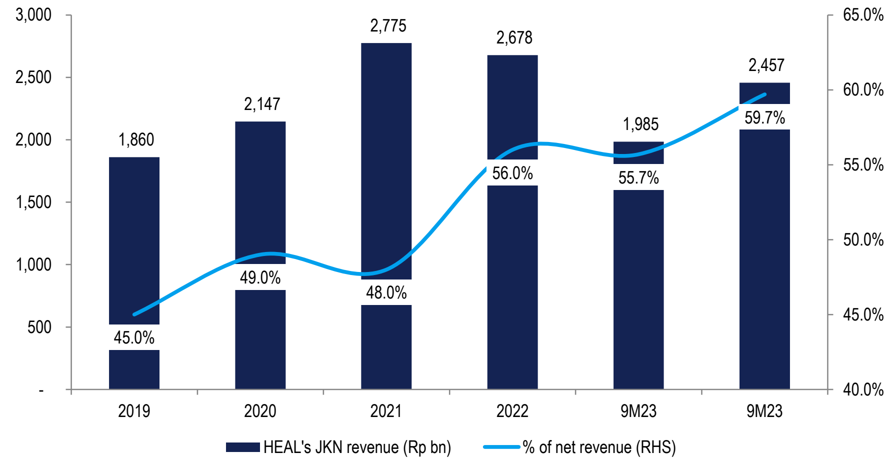
Source: Presidential Regulation, Indo Premier

Fig. 41: JKN recorded a net surplus in FY20 due to higher JKN's premium



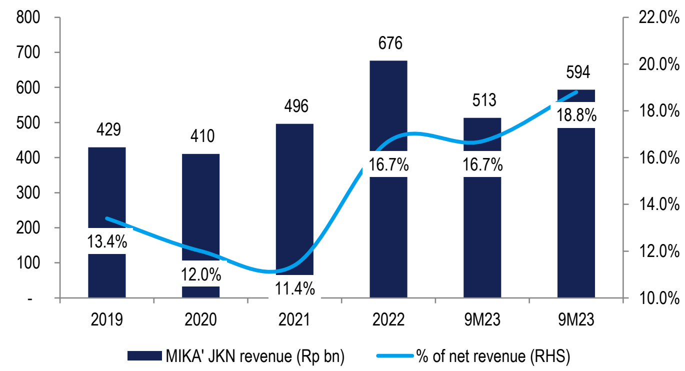
Source: BPJS, Indo Premier

Fig. 42: HEAL's JKN revenue trend (Rp bn) & contribution to net revenue



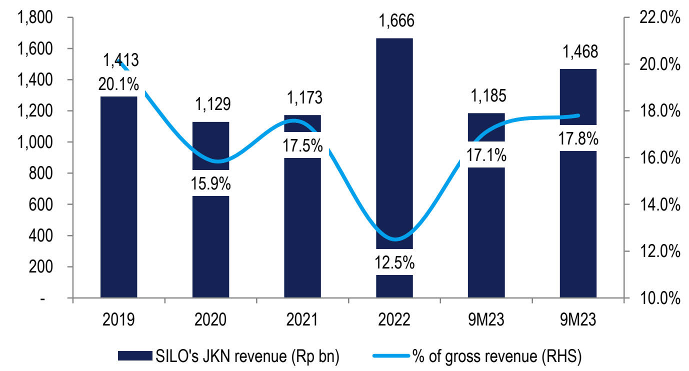
Source: Company, Indo Premier

Fig. 43: MIKA's JKN revenue trend (Rp bn) & contribution to total revenue



Source: Company, Indo Premier

Fig. 44: SILO' JKN gross revenue trend (Rp bn) & contribution to gross revenue



Source: Company, Indo Premier

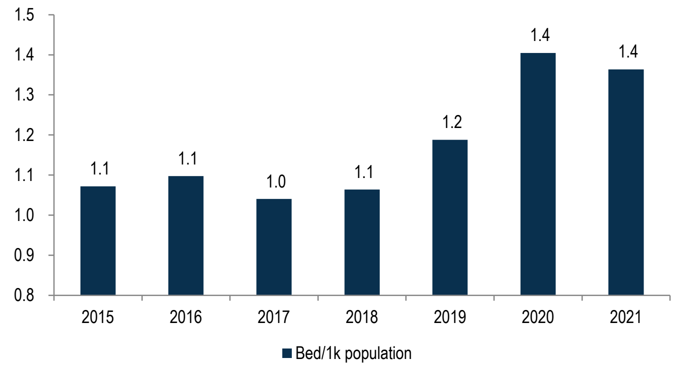
Indonesia hospital penetration is still low, and bottleneck lies in the supply of specialist doctors

As of 2021, Indonesia has 3,042 hospitals with total bed capacity of 371k, implying 1.4 beds /1k population, which was still below World Health Organization (WHO)'s recommendation of 2-4 beds/1k population. With hospital bed expansion rate during pre-covid period at CAGR of 3.7% in FY15-19, Indonesia needs c.12 years to reach WHO standard. Our recent discussion with hospital players revealed that the bottleneck to more rapid expansion lie in the supply of specialist doctors.

According to Konsil Kedokteran Indonesia (KKI), Indonesia has 52.5k specialist doctors (0.19 specialist doctors/1k populations) and is still far lower than World Health Organization (WHO)'s standard of 0.28 specialist doctors/1k population. Indonesia's current run-rate to produce doctor specialist is at 2.7k specialist doctors per year. As of FY22, there are only 21 out of 92 universities that offer specialist programs, according to Directorate General of Health Workers. Based on this run-rate, Indonesia needs c.13 years to achieve WHO's recommendation.

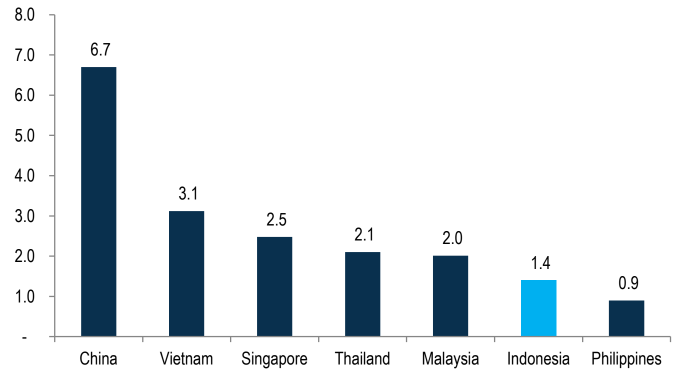
More importantly, the specialist doctors in Indonesia is concentrated in Java & Bali (68%), followed by Sumatera (18%), Sulawesi (7%), Kalimantan (4%) and NTT, Maluku & Papua (3%). As a result, hospitals are more likely to expand in Java & Bali Islands as typically hospital needs 25-40 specialist doctors to open a hospital.

Fig. 45: Indonesia' bed/1k population ratio is still below than WHO recommendation of 2beds/1k population



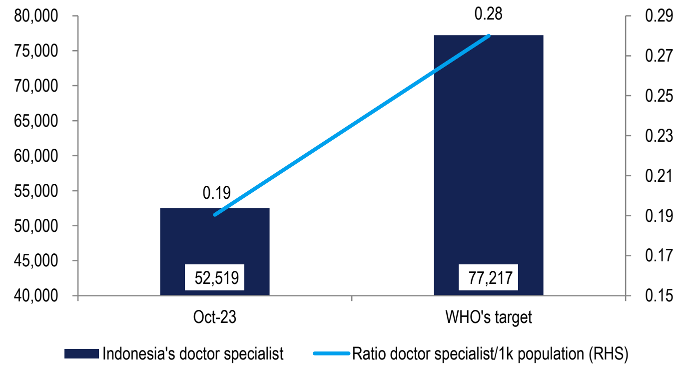
Source: CEIC, Indo Premier

Fig. 46: Indonesia's bed/1k population ratio is lower than its regional peers in FY21



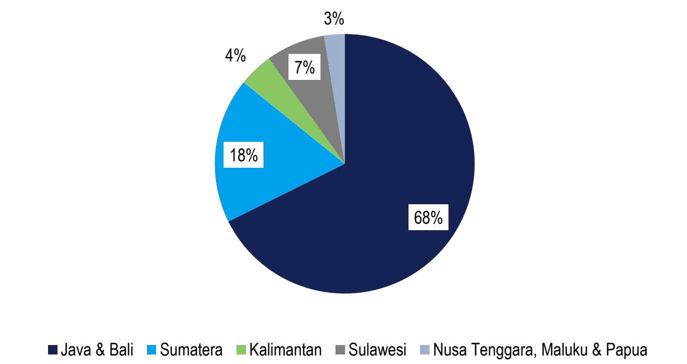
Source: Statista, CEIC, Indo Premier

Fig. 47: Indonesia's doctor specialist/1k population is still below than WHO's standard



Source: Konsil Kedokteran Indonesia, Euromonitor, Indo Premier

Fig. 48: Indonesia's doctor specialist breakdown by island



Source: Euromonitor, Indo Premier

Boosting doctor specialist supply from attracting overseas doctors and hospital based residency programs

This doctor/specialist supply bottleneck is well understood by the authorities and is addressed with its recently approved new healthcare regulation (Law of The Republic of Indonesia No. 17/2023, concerning Health). As such, doctor specialist supply is likely to increase in the medium term as (i) Indonesia/Foreign doctor specialist and subspecialist are allowed to practice medicine in Indonesia (subject to certain terms and conditions) and (ii) teaching hospitals can offer specialist and subspecialist program. To note, we are waiting on Circular Letter from Minister of Health regarding doctor specialist to get more details.

(i) **Attracting Indonesian (diaspora)/foreign doctors practising overseas:** According to Article 243-245 & 251 (Fig. 49), the government also opens up Indonesia/foreign doctor specialist/sub-specialist who are working on overseas to come back and practice in Indonesia. On this front, we view that SILO and MIKA have the best chance to attract the potential diaspora Indonesian/Foreign doctor specialist as their revenue/patient is relatively higher than

HEAL's (Fig. 47-48). Note that doctors typically pocket the majority (if not all) of the doctors' fee in hospitals.

(ii) **Extending specialist residency program beyond universities to teaching hospitals:** According to Article 209 (Fig. 52), the government can utilize 3k hospitals to provide specialist residency programs and currently there are 210 accredited teaching hospitals (c.10 times higher than universities). Moreover, government aims to double this to 420 teaching hospitals in the future that will be spread out across Indonesia. To note, hospital trained program offers a free of charge residency program for the specialist/doctors under training and they will even receive a stipend from the hospital. These programs typically need c.4-6 years to complete. Compared to current specialist programs in the 21 universities, where doctors/specialists would be charged tuition fees, there'd be a clear preference to take hospital trained program rather than university based program. As such, we think this program is very viable and shall improve the number of specialists and subspecialists in the medium term.

Simplification on SIP issuance shall improve the doctor specialist supply

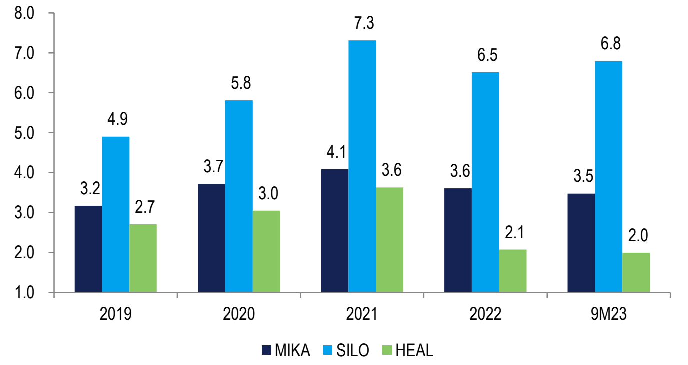
Another tailwind for healthcare sector due to simplification on Practice License (SIP) issuance as we think this shall also increase the doctor specialist supply. Previously, local government needs recommendation letter from Indonesian Doctors Association (IDI) to issue SIP for doctor specialist (Fig. 50). With Circular Letter No. HK.02.01/Minister of Health/1911/2023 Concerning the Implementation of Registration and Licensing of medical Personnel and Health, we think this shall improve the doctor specialist. The key differences are: (i) STR is now valid for life time and (ii) doctor specialist candidate is no longer needs recommendation letter from IDI to get SIP as local government can coordinate directly with Minister of Health. As a result, we believe the new regulation shall improve doctor specialist supply.

Fig. 49: Requirement for Indonesia/Foreign doctor specialist to do a practice in Indonesia

No.	Reference	Health worker	Summary
1	Law of The Republic of Indonesia No. 17/2023, concerning Health, Article 243-245	Indonesia citizen	- Indonesia doctor specialist graduaded from reputable universities on overseas and already have at least 2 years of w orking experience on overseas and/or hold expert certificate in a specific field
2	Law of The Republic of Indonesia No. 17/2023, concerning Health, Article 251	Foreigner	- Foreign doctor specialist/subspecialist must have at least 5 years w orking experience at overseas - Foreign doctor specialist/subspecialist w ill get registration certificate (STR) and practice license (SIP) from Indonesia Minister of Health - For foreign doctor, they can do a practice in Indonesia w ith period of 3 years + 1 year. To note, this is only for transfer know ledge purpose

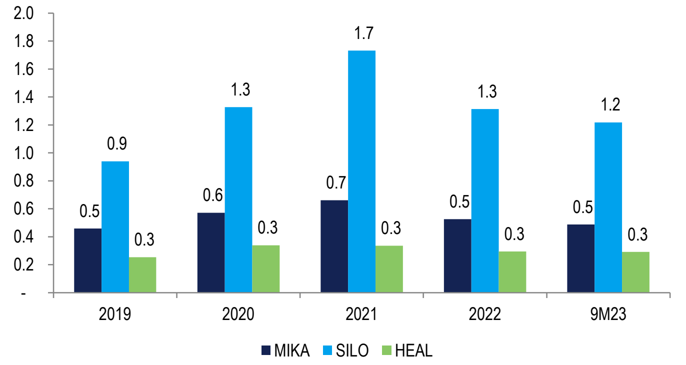
Source: Government Regulation, Minister of Health, Indo Premier

Fig. 50: Indonesia' hospital inpatient revenue/day (Rp mn/day)



Source: Company, Indo Premier

Fig. 51: Indonesia' hospital outpatient revenue/patient (Rp mn/patient)



Source: Company, Indo Premier

Fig. 52: Teaching hospital can offer specialist and subspecialist programs for doctor

No.	Item	Old Regulation		New Regulation	
		Reference	Summary	Reference	Summary
1	Teaching Hospital	Government Regulation No.93/2015 on Teaching Hospital, article 3	Teaching hospital have to provide health services, education and research functions in the fields of medicine, dentistry and other health fields	Law of The Republic of Indonesia No. 17/2023 concerning Health, Article 209	Teaching Hospital to conduct specialist and sub-specialist program as the main organization and teaching hospital needs to do a partnership w ith University

Source: Government Regulation, Minister of Health, Indo Premier

Fig. 53: Simplification on registration certificate (STR) and practice permit (SIP)

	Registration Certificate (STR)		Practice Permit (SIP)	
	Old	New	Old	New
Validity period	5 years	Life time	5 years	5 years
Recommendation letter	N/A	N/A	Professional Organization (IDI)	N/A
Issuance	Council	Council	Local government	Minister of Health

Source: Government Regulation, Minister of Health, Indo Premier

New CoB scheme shall give a benefit into JKN's hospital

According to Minister of Health Regulation No. 3 of 2023 concerning Health Service Tariff Standards in the Implementation of the Health Security Program Article 48, new Coordination of Benefit (CoB) scheme allows for class-2 JKN' inpatient to upgrade its room class up to VIP class in JKN-approved hospitals. Under this scheme, JKN will cover 75% of the additional cost, while the rest would be funded either out-of-pocket/corporate insurance/private insurance.

The new CoB scheme shall be applicable for corporate insurance holders as corporate insurance offers a similar mechanism like JKN's which corporate insurance patient needs a referral letter from clinic to be treated in hospital. To note, corporate insurance is applicable to hospitals within vicinity of industrial area as new CoB schemes are adopted by several number of manufacturing companies. Based on our conversation with the companies, JKN's rate is at 30% of corporate insurance rate. With new CoB scheme, we think corporate insurance will collaborate with JKN's hospital to get this benefit. In addition, we think new CoB scheme is a win-win solution for corporate insurance to get a lower cost, while patient will get better healthcare services.

Although the application for COB is quite limited on a national level , hospital player (MIKA) that were able to capitalize by opening JKN hospitals within industrial estates' vicinity. MIKA plans to open another hospital that would be able to cater to COB scheme in FY24F. Currently, COB scheme revenue contributes mid-single digit% of MIKA/HEAL's 9M23 revenue. In particular, MIKA will transform its private hospital into JKN hospital (DeltaMas, Karawang) and open 2 JKN hospitals in Slawi, Central Java (Jan24) & Grand Wisata, Bekasi (Dec23).

Fig. 54: BPJS' patient could upgrade its service from Class 2 to VIP Class

Regulation	Changes
Regulation of The Minister of Health No. 3 of 2023 Concerning Health Service Tariff Standards in The Implementation of The Health Security Program, Article 48	- New COB scheme w hich Class 2' service can upgrade to VIP class w hich BPJS w ill cover 75%, w hile the rest could be come from out-of-pocket or private insurance

Source: Government Regulation, Indo Premier

Decentralization of e-catalogue procurement would lead to higher fulfilment

Based on channel checks with pharmaceutical distributors, they mentioned that the previous e-catalogue procurement has several issues, especially on the product fulfilment. Previously, the tender winner was based on the lowest price and awarded to a single winner per region (total four regions), which resulted in poor product fulfilment. The current e-catalogue reformation has moved to a model that's very similar to an online marketplace, with similar mechanism of prioritization for local content products. This allows for buyers (healthcare facilities) to engage directly with approved vendors on product availability and even pricing. The decentralized e-catalogue procurement brings higher product fulfilment; and chain hospitals such as MIKA, HEAL and SILO are also able to leverage on their scale to negotiate for slightly better prices directly with pharmaceutical distributors.

Fig. 55: Local E-Katalog implementation

Regulation	Summary
Presidential Regulation No. 12 of 2021 on procurement of goods/services, Article 72	- e-Katalog can be in the form of national e-Katalog, sectoral e-Katalog and local e-Katalog - e-Katalog is carried out by Ministers/ National Public Agencies/ Local government or National Public Procurement Agency (LKPP) - LKPP will provide further detail on e-Katalog procurement

Source: Government Regulation, Indo Premier

Fig. 56: LKPP's regulation on procurement of goods/services

Regulation	Summary
National Public Procurement Agency Regulation No. 12 of 2021 on procurement of goods/services, Part 4 & 5	- Ministries/National Public Agencies or Local government have a rights to choose the tender winner - The procurement officer will choose the winner and 2 reserve winners as a back up

Source: Government Regulation, Indo Premier

Fig. 57: Indonesia's hospital summary

	MIKA	SILO	HEAL
Operational metrics			
Number of hospitals (Sep23)	29	41	46
Number of beds (Sep23)	3,766	3,941	6,578
Target hospital opening/year	1-2 hospitals	1-2 hospitals	2-3 hospitals
Occupancy rate (%) as of 9M23	59.7%	65.5%	68.7%
JKN revenue contribution as of 9M23	18.8%	17.8%	59.7%
COB revenue contribution as of 9M23	4-5%	<5%	<5%
Inpatient revenue/days as of 9M23 (Rp mn/day)	3.5	6.8	2.0
Outpatient revenue/visit as of 9M23 (Rp mn/day)	0.5	1.2	0.3
Capex/hospital (Rp bn)	250-300	650-900	195
Target EBITDA positive	6-9months	1-2years	11-12months
Target payback period	7-8years	7-8 years	7years
Financial metrics			
Revenue growth CAGR FY19-22	8.1%	10.8%	10.5%
Revenue growth CAGR FY22-25F	9.1%	11.7%	13.4%
EBITDA growth CAGR FY19-22	12.9%	33.0%	11.2%
EBITDA growth CAGR FY22-25F	8.7%	18.6%	24.5%
EBITDA margin as of 9M23	34.3%	30.2%	25.1%
NOPAT growth CAGR FY19-22	13.3%	153.9%	2.7%
NOPAT growth CAGR FY22-25F	7.2%	25.4%	35.7%
Invested Capital growth CAGR FY19-22	5.3%	2.4%	18.2%
Invested Capital growth CAGR FY22-25F	11.2%	19.3%	6.1%
ROIC as of FY23F	21.1%	17.4%	11.8%
Gearing as of 9M23	-	-	0.60
Net gearing as of 9M23	-	-	0.35

Source: Company, Indo Premier

Dupont analysis - Comparison with peers

At pre-Covid level (2019), MIKA recorded the highest FY19 NPM of 22.8%, compared with HEAL/SILO's 7.0/-6.2%, driven by higher GPM of 47.9% (vs. HEAL/SILO's 44.8/40.5%); coupled with lower opex to sales ratio at 20.3% (vs. HEAL/SILO's 29.6/31.8%). In addition, MIKA's NPM was higher than average regional NPM of 12.5%.

During Covid-19 period, Indonesian hospitals benefited from Covid-19 pandemic, except SILO as SILO only accepted Covid patients in 2 out of 41 hospitals, while MIKA and SILO accepted covid-19 patient in all their hospitals. As the government didn't allocate Covid-19 budget in FY23F (Fig. 34), FY23F Indonesia's hospitals performance is already at normal base.

For FY23F, we estimate MIKA's NPM will normalized to 22.1%. Meanwhile, HEAL's NPM to improve at 8.2% (+114bps from 2019) on the back of new adjusted tariff INA-CBG in early 2023, as its EBITDA margin improved significantly to 25.1% in 9M23 vs. 21.5% in 9M22. For SILO, we forecast its NPM increases to 12.6% on the back of higher inpatient revenue/days (FY23F' +3.0%) and higher inpatient days volume of +13.7% yoy resulting in higher EBITDA margin of 31.3% (+274bps yoy).

On sales turnover, among MIKA, HEAL and SILO recorded a similar sales turnover at 0.6x, 0.8x and 0.70x in FY19, respectively, while average region sales turnover stood at 0.6x. Looking into FY23F, we forecast MIKA and HEAL's sales turnover will be at 0.6x and 0.7x in FY23F, while SILO's sales turnover will increase to 0.8x due to robust sales growth of 15.2%.

On equity multiplier, MIKA and SILO have a lower leverage of 1.3x and 1.4x in FY22, while HEAL's leverage stood at 2.2x as HEAL holds Rp547bn bonds. Comparing with regional peers', MIKA/SILO' equity multiplier is lower than its average regional peers' (1.7x), while HEAL has a higher equity multiplier than its average regional peers.

We forecast MIKA' ROE to normalize to 16.6% (-224bps yoy) due to NPM normalization of 22.1% (-282bps yoy). Meanwhile, HEAL's ROE is expected to increase to 12.6% (+378bps yoy) on the back of robust NPM accretion (+208 bps yoy). For SILO, its ROE is forecasted to rise by 545bps yoy to 15.8% as a result of NPM improvement (+449% yoy). In addition, average FY23F Indonesia' hospital ROE (15.3%) is higher than its average regional of 13.8%

Fig. 58: Hospital's dupont analysis (1)

	2019	2020	2021	2022	2023F	2024F	2025F
Mika Keluarga Karyasehat (MIKA IJ)							
NPM	22.8%	24.6%	28.2%	24.9%	22.3%	23.1%	23.8%
Sales turnover	0.6	0.6	0.7	0.6	0.6	0.6	0.6
Equity multiplier	1.3	1.3	1.3	1.3	1.3	1.2	1.2
ROE	**17.5%**	**18.3%**	**24.1%**	**18.8%**	**16.8%**	**18.0%**	**18.7%**
Medikaloka Hermina (HEAL IJ)							
NPM	7.0%	10.7%	17.0%	6.1%	8.6%	10.0%	10.8%
Sales turnover	0.8	0.8	0.8	0.6	0.7	0.8	0.8
Equity multiplier	2.3	2.4	2.4	2.2	2.2	2.0	1.9
ROE	**12.7%**	**20.1%**	**34.0%**	**8.8%**	**13.4%**	**15.8%**	**16.9%**
Siloam International Hospitals (SILO IJ)							
NPM	-6.2%	2.2%	8.8%	9.4%	12.6%	12.8%	13.0%
Sales turnover	0.7	0.7	0.9	0.8	0.8	0.8	0.8
Equity multiplier	1.3	1.4	1.4	1.4	1.4	1.3	1.3
ROE	**-5.5%**	**2.1%**	**10.9%**	**10.4%**	**14.6%**	**14.4%**	**14.2%**
IHH Healthcare Bhd (IHH MK)							
NPM	3.7%	2.2%	10.9%	8.6%	8.5%	8.3%	8.7%
Sales turnover	0.3	0.3	0.4	0.4	0.4	0.5	0.5
Equity multiplier	1.6	1.6	1.7	1.7	1.7	1.7	1.7
ROE	**2.0%**	**1.0%**	**6.9%**	**5.5%**	**6.0%**	**6.3%**	**6.7%**
KPJ Healthcare (KPJ MK)							
NPM	5.9%	4.6%	2.1%	5.9%	7.1%	7.4%	7.8%
Sales turnover	0.6	0.4	0.4	0.4	0.5	0.5	0.5
Equity multiplier	2.9	2.9	2.8	2.9	2.9	2.9	2.9
ROE	**10.3%**	**5.2%**	**2.5%**	**7.5%**	**10.0%**	**10.9%**	**11.7%**

Source: Bloomberg, Company, Indo Premier

Fig. 59: Hospital's dupont analysis (2)

	2019	2020	2021	2022	2023F	2024F	2025F
Bumrungrad Hospital (BH TB)							
NPM	20.4%	9.8%	9.8%	23.9%	27.2%	26.9%	26.7%
Sales turnover	0.7	0.5	0.6	0.9	1.0	0.9	0.8
Equity multiplier	1.3	1.3	1.2	1.2	1.2	1.2	1.2
ROE	**18.5%**	**6.2%**	**6.7%**	**26.3%**	**31.7%**	**28.4%**	**26.3%**
Bangkok Chain Hospital (BCH TB)							
NPM	12.8%	13.8%	32.0%	16.1%	11.8%	13.4%	14.1%
Sales turnover	0.6	0.6	1.0	0.8	0.6	0.6	0.6
Equity multiplier	2.0	2.1	2.0	1.7	1.7	1.7	1.7
ROE	**16.3%**	**16.8%**	**62.4%**	**21.9%**	**10.8%**	**12.8%**	**13.7%**
Chularat Hospital (CHG TB)							
NPM	13.7%	16.1%	35.8%	27.5%	14.1%	14.8%	15.5%
Sales turnover	0.8	0.9	1.4	1.0	0.7	0.8	0.8
Equity multiplier	1.6	1.5	1.4	1.3	1.3	1.3	1.3
ROE	**18.1%**	**21.7%**	**69.9%**	**35.4%**	**13.8%**	**15.3%**	**16.3%**
Bangkok Dusit Med. Ser (BDMS TB)							
NPM	18.8%	10.6%	10.7%	13.7%	13.8%	13.9%	14.2%
Sales turnover	0.6	0.5	0.6	0.7	0.7	0.7	0.7
Equity multiplier	1.5	1.5	1.5	1.5	1.5	1.5	1.5
ROE	**17.8%**	**8.1%**	**8.9%**	**13.9%**	**14.6%**	**15.5%**	**15.6%**

Source: Bloomberg, Company, Indo Premier

INDOPREMIER

Mitra Keluarga Karyasehat

HOLD

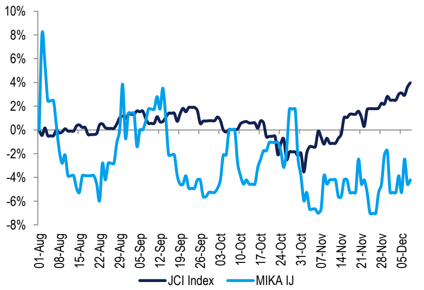
Company Initiation | Healthcare | MIKA IJ | 11 December 2023

Stock Data

Target price	**Rp2,900**
Prior TP	*NA*
Current price	Rp2,730
Upside/downside	*+6.2%*
Shares outstanding (mn)	14,246
Market cap (Rp bn)	38,893
Free float	34%
Avg. 6m daily T/O (Rp bn)	26

Price Performance

	3M	6M	12M
Absolute	-4.9%	1.1%	-11.7%
Relative to JCI	-7.8%	-6.3%	-16.9%
52w low/high (Rp)			2,480-3,190



Major Shareholders

PT Griyainsani Cakrasadaya	62%

Superior ROIC is partially priced-in; initiate with Hold

- We estimate MIKA FY24/25F revenue growth to fully normalize to 11.7/10.9% yoy from +4.8% in FY23F (Note Covid-19 base in 1H22).
- We estimate EBITDA margin to improve to 35.9/36.6% in FY24/25F on the back of +5.6% revenue intensity growth during the same period.
- MIKA's superior ROIC to peers is partially priced-in into valuation of 21.8x FY24F EV/EBITDA, especially with relatively lower revenue growth outlook in FY24F to peers. Initiate with HOLD.

Revenue growth to normalize in FY24/25F

During Covid-19 period, MIKA is the most benefited from Covid-19 as its FY20/21 revenue grew significantly by 6.7/27.3% yoy, respectively. As the last major Covid-19 wave happened in 1H22 (Omicron), MIKA' FY22/9M23 revenue growth recorded -7.0/+2.7% yoy on the back of lower revenue intensity of -11.7/-6.0% (Fig. 61) due to high base from Covid-19 revenue intensity. We estimate its revenue intensity to decline at -5.6% yoy and inpatient days to grow at 11.9%, leading into FY23F topline growth of 4.8%. As such, we think FY23F performance will become a normalized base going forward. Looking into FY24/25F, we forecast revenue to grow at 11.7/10.9% yoy respectively on the back of +5.6% revenue intensity growth coupled with +6.3/6.0% inpatient days growth (vs. FY15-19 revenue CAGR of 10.6%).

The most profitable hospital among its peers

In 9M23, MIKA's EBITDA margin stood at 34.3% and this outperformed HEAL/SILO's 25.7/30.2%. Solid MIKA's EBITDA margin was driven by its variable cost of 32.2% of net sales (vs. SILO/HEAL's 36.3/48.5%) as this was due to MIKA's strong procurement system. With FY24/25F topline growth of 11.7/10.9%, we forecast MIKA' EBITDA to reach Rp1.7/1.9tr (+14.3/13.1% yoy) with EBITDA margin of 35.9/36.6%, respectively. As a result, MIKA will deliver the strongest ROIC of 21.5/22.1% in FY24/25F (vs. SILO and HEAL's at 17.0% and 13.9/15.5%).

Initiate coverage on MIKA with HOLD rating and TP of Rp2,900/sh

Despite MIKA commanding the highest ROIC, however, MIKA has a rich valuation at 21.5 FY24F EV/EBITDA as such we think the strong performance has been priced-in into share price. As a result, we initiate our coverage on MIKA with HOLD rating and TP of Rp2,900/sh, based on 23.5x FY24F EV/EBITDA (its 5yr mean). Upside risk another outbreak.

Financial Summary (Rp bn)	2021A	2022A	2023F	2024F	2025F
Revenue	4,353	4,049	4,244	4,743	5,261
EBITDA	1,789	1,502	1,489	1,703	1,927
Net profit	1,229	1,008	932	1,055	1,188
EPS (Rp)	86	71	65	74	83
EPS growth	46.0%	-18.0%	-7.5%	13.2%	12.6%
ROE	24.1%	18.8%	16.5%	17.2%	17.5%
ROIC	37.0%	26.4%	21.1%	21.5%	22.1%
PER (x)	31.7	38.6	41.7	36.9	32.7
EV/EBITDA (x)	20.3	24.7	25.0	21.8	19.2
Dividend yield	1.3%	1.3%	1.3%	1.2%	1.4%
Forecast change			N/A	N/A	N/A
IPS vs. consensus			97%	94%	91%

Source: Company, Indo Premier *Share price closing as of: 08 December 2023*

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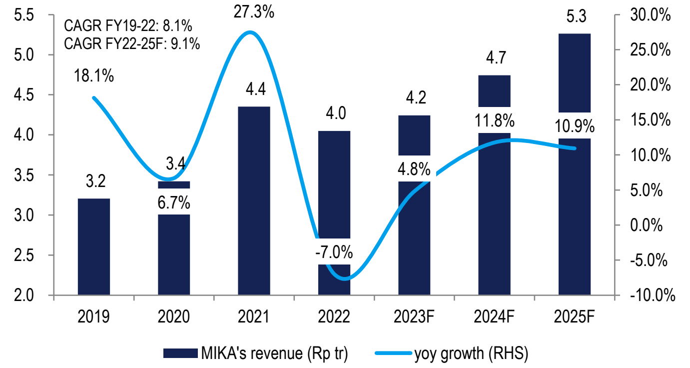
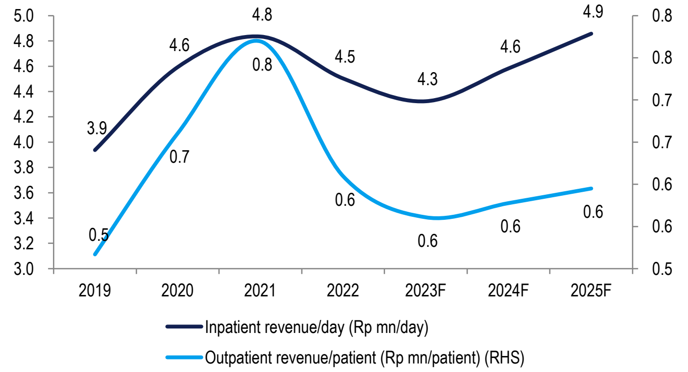
Fig. 60: MIKA's revenue trend



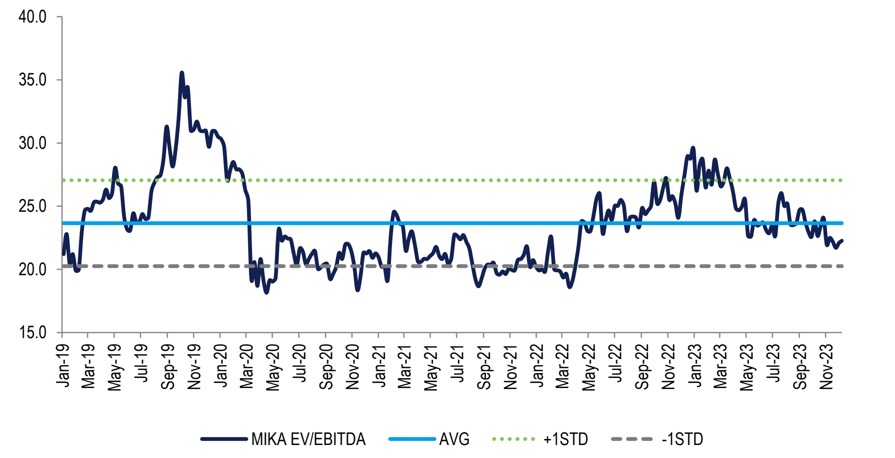
Source: Company, Indo Premier

Fig. 61: MIKA's revenue/inpatient and revenue/outpatient trend



Source: Company, Indo Premier

Fig. 94: MIKA is traded at 22.3x fwd. 12M EV/EBITDA (at -0.4 s.d. below its 5Y mean)



Source: Company, Bloomberg, Indo Premier

Income Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Net revenue	4,353	4,049	4,244	4,743	5,261
Cost of sales	(2,092)	(1,972)	(2,125)	(2,357)	(2,600)
Gross profit	**2,261**	**2,077**	**2,118**	**2,386**	**2,662**
SG&A Expenses	(665)	(793)	(895)	(989)	(1,082)
Operating profit	**1,596**	**1,284**	**1,224**	**1,397**	**1,580**
Net interest	51	46	2	(2)	(3)
Others	0	0	0	0	0
Pre-tax income	**1,647**	**1,330**	**1,225**	**1,395**	**1,578**
Income tax	(358)	(292)	(270)	(306)	(345)
Net income	**1,229**	**1,008**	**932**	**1,055**	**1,188**

Balance Sheet (Rp bn)	2021A	2022A	2023F	2024F	2025F
Cash & equivalent	1,283	696	542	590	764
Receivable	259	430	492	564	618
Inventory	67	63	62	70	78
Other current assets	361	145	145	145	145
Total current assets	**1,970**	**1,333**	**1,242**	**1,368**	**1,606**
Fixed assets	2,696	3,430	3,964	4,458	4,911
Other non-current assets	505	658	658	658	658
Total non-current assets	**3,202**	**4,088**	**4,622**	**5,116**	**5,569**
Total assets	**5,171**	**5,421**	**5,864**	**6,484**	**7,175**
ST loans	0	0	0	0	0
Payable	206	173	188	219	249
Other payables	0	0	0	0	0
Current portion of LT loans	557	480	480	480	480
Total current liab.	**762**	**653**	**668**	**699**	**729**
Long term loans	0	0	0	0	0
Other LT liab.	173	134	134	134	134
Total liabilities	**936**	**786**	**801**	**832**	**863**
Equity	1,117	748	748	748	748
Retained earnings	4,156	4,676	5,104	5,693	6,354
Minority interest	653	708	708	708	708
Total SHE + minority int.	**5,925**	**6,132**	**6,560**	**7,149**	**7,810**
Total liabilities & equity	**6,861**	**6,918**	**7,361**	**7,982**	**8,673**

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Operating income	1,596	1,284	1,224	1,397	1,580
Depr. & amortization	193	218	266	306	347
Changes in working capital	379	(199)	(48)	(48)	(33)
Others	(232)	(142)	(292)	(342)	(392)
Cash flow from operating	**1,937**	**1,161**	**1,150**	**1,314**	**1,502**
Capital expenditure	(356)	(952)	(800)	(800)	(800)
Others	163	(81)	0	0	0
Cash flow from investing	**(192)**	**(1,033)**	**(800)**	**(800)**	**(800)**
Loans	0	(0)	0	0	0
Equity	(456)	(353)	0	0	0
Dividends	(478)	(488)	(504)	(466)	(528)
Others	0	0	0	0	0
Cash flow from financing	**(934)**	**(841)**	**(504)**	**(466)**	**(528)**
Changes in cash	**810**	**(713)**	**(154)**	**48**	**174**

Key Ratios	2021A	2022A	2023F	2024F	2025F
Gross margin	52.0%	51.3%	49.9%	50.3%	50.6%
Operating margin	36.7%	31.7%	28.8%	29.5%	30.0%
Pre-tax margin	39.5%	34.2%	30.2%	30.6%	31.1%
Net margin	28.2%	24.9%	22.0%	22.2%	22.6%
ROA	18.6%	14.6%	13.1%	13.8%	14.3%
ROE	24.1%	18.8%	16.5%	17.2%	17.5%
Acct. receivables TO (days)	37.9	31.0	42.4	43.4	42.9
Inventory TO (days)	10.7	12.0	10.7	10.8	11.0
Payable TO (days)	35.5	35.0	32.2	33.9	35.0
Debt to equity	0.0%	0.0%	0.0%	0.0%	0.0%
Interest coverage ratio (x)	-130.7	-99.7	-95.0	-108.5	-122.7
Net gearing	-24.3%	-12.8%	-9.3%	-9.2%	-10.8%

Source: Company, Indo Premier

INDOPREMIER

Siloam Hospitals

BUY

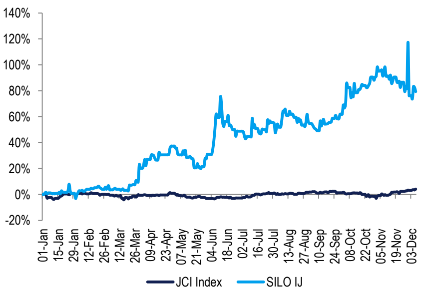
Company Initiation | Healthcare | SILO IJ | 11 December 2023

Stock Data

Target price	**Rp2,700**
Prior TP	*N/A*
Current price	Rp2,260
Upside/downside	*+19%*
Shares outstanding (mn)	13,006
Market cap (Rp bn)	29,394
Free float	16%
Avg. 6m daily T/O (Rp bn)	10

Price Performance

	3M	6M	12M
Absolute	19.3%	10.8%	75.2%
Relative to JCI	16.3%	3.4%	70.0%
52w low/high (Rp)			1,220-2,740



Major Shareholders

PT Megapratama karta persada	49.6%
Prime Health Company	26.2%

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Undemanding valuation on the back of ROIC improvement

- SILO has 17 hospitals that are still ramping-up to maturity. With these, we expect revenue to grow at 11.7% CAGR FY22-25F
- SILO' EBITDA margin to improve to 31.0/32.9% in FY23/24F (vs. FY22's 28.6%) on the back of higher revenue intensity (+4%).
- Despite SILO's valuation discount to HEAL/MIKA at 56/26% in terms of FY24F EV/EBITDA, the concern on potential CVC exit leads to our preference of HEAL over SILO. Initiate at BUY with TP of Rp2,750

Ramp-up in number of hospitals shall boost revenue growth.

SILO revenue has grown significantly at 10.8% CAGR in FY19-22 as one of the growth drivers was caused by the ramping up of its 17 out of 41 hospitals since FY17. In addition, the company mentioned its 17 hospitals will record EBITDA positive in the next 2 years, leading into normalized topline growth in the next couple years. During Covid-19 outbreaks (FY20-22), SILO only opened 2 hospitals for Covid patient, hence, SILO's revenue (FY20-22) was less impacted with Covid-19 revenue (vs. MIKA & HEAL). As a result, SILO still recorded 18.4% revenue growth in 9M23 and this was driven by higher inpatient days of +18.6% yoy. Looking into FY24/25F, we estimate SILO to record revenue growth of 11.3/9.6% yoy driven by higher revenue intensity growth coupled with higher inpatient days.

Rising NCD would lead high revenue intensity

The rising non-communicable chronic diseases (NCD) (Fig. 3) has benefit SILO through higher revenue intensity (9M23's +3.2%). SILO delivered robust inpatient revenue/days (revenue intensity) at 9.9% CAGR in FY19-22 (vs. MIKA/HEAL's 4.4/-8.5%). With 9M23 revenue intensity (+3.2% yoy), SILO's 9M23 EBITDA margin rose from 27.5% in 9M22 to 30.2% in 9M23. Going forward, we estimate SILO's revenue intensity growth to normalize to 4% CAGR in FY22-25F and we expect its EBITDA margin to reach 32.2% in FY25F.

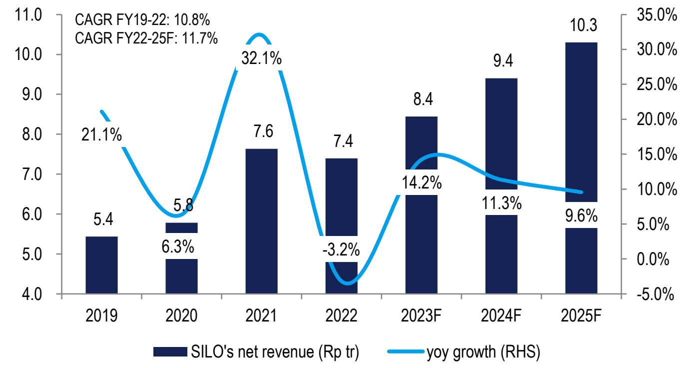
Initiate coverage on SILO with BUY rating and TP of Rp2,700/sh

We see a turnaround story from SILO which SILO's ROIC has significantly improved to 15.7% in FY22 (vs. FY19's 0.9%). Nonetheless, the concern on potential CVC exit may weigh down on the company's perceived corporate governance. Note that CVC invested into SILO in 2017. In sum, we estimate its ROIC to reach 17.0% in FY25F and we think the company deserve a re-rating valuation. Hence, we initiate our coverage on SILO with a Buy with TP of Rp2,700/sh, based on 11.5x FY24F EV/EBITDA (+3 s.d. from its 5yr mean). Downside risk is deteriorating numbers post CVC sell down.

Financial Summary (Rp bn)	2021A	2022A	2023F	2024F	2025F
Revenue	7,637	7,393	8,445	9,402	10,301
EBITDA	2,120	2,111	2,621	3,095	3,522
Net profit	674	696	1,175	1,378	1,563
EPS (Rp)	52	54	90	106	120
ROE	10.9%	10.4%	15.8%	16.5%	16.7%
ROIC	17.5%	15.7%	17.4%	17.0%	17.0%
PER (x)	43.6	42.2	25.0	21.3	18.8
EV/EBITDA (x)	13.2	13.7	11.1	9.5	8.3
Dividend yield	0.8%	0.9%	0.9%	1.4%	1.6%
Forecast change			N/A	N/A	N/A
IPS vs. consensus			101%	100%	96%

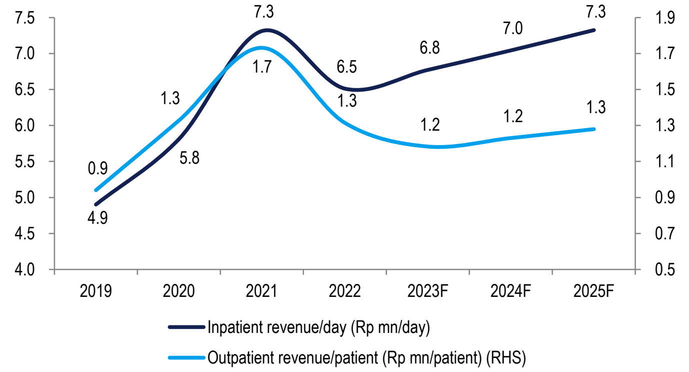
Source: Company, Indo Premier *Share price closing as of: 08 December 2023*

Fig. 62: SILO's net revenue trend



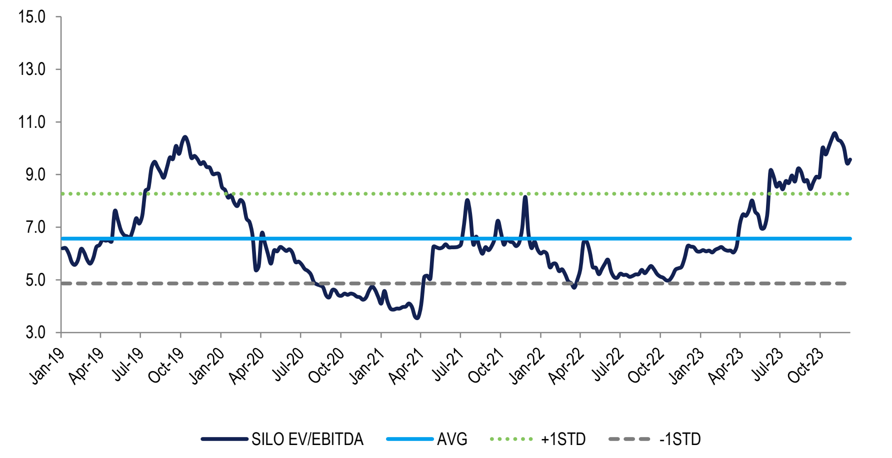
Source: Company, Indo Premier

Fig. 63: SILO's revenue/inpatient and revenue/outpatient trend



Source: Company, Indo Premier

Fig. 96: SILO is traded at 9.6x fwd. 12M EV/EBITDA (or 1.8s.d. above its 5Y mean)



Source: Company, Bloomberg, Indo Premier

Income Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Net revenue	7,637	7,393	8,445	9,402	10,301
Cost of sales	5,765	5,985	6,736	7,531	8,319
Gross profit	**3,617**	**3,533**	**4,278**	**4,894**	**5,476**
SG&A Expenses	(2,418)	(2,345)	(2,580)	(2,891)	(3,217)
Operating profit	**1,199**	**1,188**	**1,698**	**2,003**	**2,259**
Net interest	(46)	(38)	(74)	(112)	(129)
Others	0	0	0	0	0
Pre-tax income	**1,153**	**1,150**	**1,623**	**1,891**	**2,129**
Income tax	(273)	(274)	(425)	(486)	(537)
Net income	**674**	**696**	**1,175**	**1,378**	**1,563**

Balance Sheet (Rp bn)	2021A	2022A	2023F	2024F	2025F
Cash & equivalent	1,915	1,066	437	564	505
Receivable	1,159	1,179	905	1,021	1,134
Inventory	302	202	310	344	386
Other current assets	169	250	250	250	250
Total current assets	**3,545**	**2,697**	**1,902**	**2,178**	**2,275**
Fixed assets	4,597	5,818	6,994	8,045	8,967
Other non-current assets	758	746	746	746	746
Total non-current assets	**5,355**	**6,564**	**7,741**	**8,791**	**9,713**
Total assets	**8,900**	**9,262**	**9,642**	**10,969**	**11,988**
ST loans	120	220	620	1,020	1,020
Payable	469	442	(497)	(537)	(599)
Other payables	5	0	0	0	0
Current portion of LT loans	1,639	1,515	1,515	1,515	1,515
Total current liab.	**2,233**	**2,178**	**1,639**	**1,999**	**1,937**
Long term loans	5	0	0	0	0
Other LT liab.	542	436	436	436	436
Total liabilities	**2,780**	**2,614**	**2,076**	**2,435**	**2,374**
Equity	5,722	5,756	5,756	5,756	5,756
Retained earnings	721	1,199	2,118	3,085	4,166
Minority interest	82	96	96	96	96
Total SHE + minority int.	**6,524**	**7,052**	**7,971**	**8,938**	**10,018**
Total liabilities & equity	**9,304**	**9,666**	**10,046**	**11,373**	**12,392**

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Operating income	1,199	1,188	1,698	2,003	2,259
Depr. & amortization	922	923	924	1,092	1,263
Changes in working capital	38	53	(772)	(190)	(217)
Others	(260)	(753)	(523)	(625)	(696)
Cash flow from operating	**1,897**	**1,410**	**1,326**	**2,280**	**2,609**
Capital expenditure	(878)	(2,271)	(2,100)	(2,142)	(2,185)
Others	216	196	0	0	0
Cash flow from investing	**(662)**	**(2,074)**	**(2,100)**	**(2,142)**	**(2,185)**
Loans	116	90	400	400	0
Equity	(111)	(56)	0	0	0
Dividends	(233)	(218)	(256)	(411)	(482)
Others	0	0	0	0	0
Cash flow from financing	**(228)**	**(185)**	**144**	**(11)**	**(482)**
Changes in cash	**1,007**	**(849)**	**(629)**	**127**	**(58)**

Key Ratios	2021A	2022A	2023F	2024F	2025F
Gross margin	47.4%	47.8%	50.7%	52.0%	53.2%
Operating margin	15.7%	16.1%	20.1%	21.3%	21.9%
Pre-tax margin	12.7%	13.3%	19.2%	20.1%	20.7%
Net margin	8.8%	9.4%	13.9%	14.7%	15.2%
ROA	7.6%	7.3%	11.9%	12.9%	13.2%
ROE	10.9%	10.4%	15.8%	16.5%	16.7%
Acct. receivables TO (days)	43.9	44.8	30.0	30.0	30.0
Acct. receivables - other TO (days)					
Inventory TO (days)	17.8	15.4	16.8	16.7	16.9
Payable TO (days)	25.3	27.8	26.9	26.0	26.3
Acct. payables - other TO (days)					
Debt to equity	2.0%	3.2%	7.9%	11.5%	10.3%
Interest coverage ratio (x)	-18.4	-17.5	-19.1	-16.3	-16.2
Net gearing	-27.7%	-12.2%	2.3%	5.2%	5.2%

Source: Company, Indo Premier

INDOPREMIER

Medikaloka Hermina

BUY

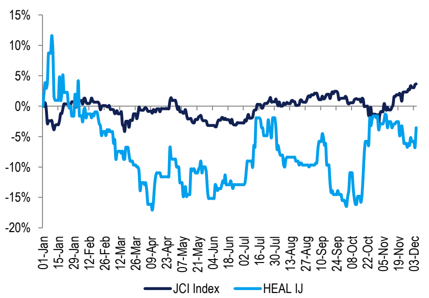
Company Initiation | Healthcare | HEAL IJ | 11 December 2023

Stock Data

Target price	**Rp1,900**
Prior TP	*NA*
Current price	Rp1,470
Upside/downside	*+29%*
Shares outstanding (mn)	15,035
Market cap (Rp bn)	22,101
Free float	28%
Avg. 6m daily T/O (Rp bn)	15

Price Performance

	3M	6M	12M
Absolute	2.1%	10.1%	-4.9%
Relative to JCI	-0.9%	2.7%	-10.9%
52w low/high (Rp)			1,285-1,730



Major Shareholders

Yulisar Khiat	11.7%
PT Astra International	7.4%
Binsar Parasian Simorangkir	5.8%
Lydia Immanuel	5.7%
Soerpardiman	5.0%

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Stellar FY23/24F outlook on the back of adjusted INA-CBG tariff

- HEAL is best positioned to ride on public healthcare spending (JKN), with revenue CAGR of 13.4% FY22-25 (ahead of MIKA/SILO's 9.1/10.7%)
- New tariff INA-CBG shall be most accretive for HEAL; expect EBITDA margin to improve to 25.2/27.0% in FY23/24F (vs. FY19's 21.5%)
- We Initiate HEAL with a BUY rating and Rp1,900 TP, based on 16.5x EV/EBITDA led by FY23/24F EBITDA growth of 33.4/21.8% yoy.

Best positioned to capitalize on public healthcare spending (JKN)

Given HEAL's relatively highest contribution from JKN at 59.7% as of 9M23 (vs. MIKA/SILO's 18.8/17.8%), HEAL is best positioned to ride on the robust JKN healthcare claims spending of 10.3% FY15-22 CAGR. Additionally, given that all of HEAL's hospitals adopt the JKN program; they are able to open type C hospitals in smaller (non-tier1) cities and cater to the mass market. Going forward, as discretionary spending in these smaller cities grows, HEAL would also be best positioned to capture the growth of private patients from these areas in the future. Hence, we forecast its revenue FY22-25 CAGR to grow at 13.4%, higher compared to MIKA/SILO's 9.1/10.7%.

Key beneficiary of INA-CBG tariff adjustment (7-8%) in Jan23

The recent INA-CBG tariff adjustment of 7-8% in Jan23 shall positively impact HEAL's revenue growth and EBITDA margin. 3Q23 EBITDA margin improved significantly to 27.5% (vs. 23.3/20.2% in 2Q23/3Q22) on the back of higher GPM (+381bps qoq/yoy). Additionally, we also expect HEAL's continuous improvement in bed occupancy ratio to boost EBITDA margin, reaching 25.2/27.0% in FY23/24F.

Positive operating leverage on the back of robust revenue growth

Given HEAL's 48.5% fixed cost/sales ratio in 9M23, coupled with the strong revenue growth expectation (+14.4% top-line CAGR in FY22-25F), HEAL shall experience positive operating leverage and we estimate its fixed cost % of net sales to drop from 51.4% in FY22 to 46.1% in FY25F.

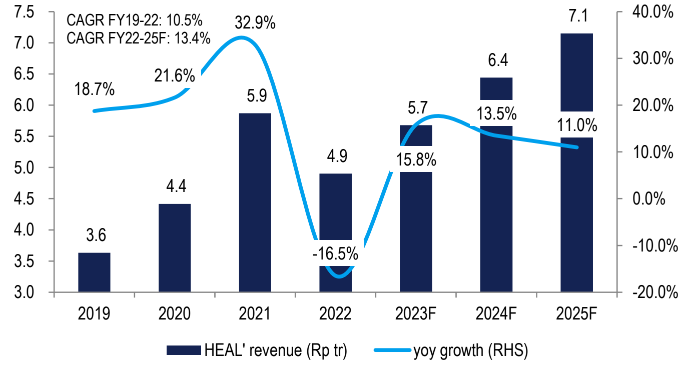
Initiate coverage on HEAL with BUY rating and TP of Rp1,900/sh

Given the above factors, we expect HEAL's ROIC to improve to 14.6% by FY25F from FY22's 7.8% - which would warrant a re-rating for the company. We initiate our coverage on HEAL with a TP of Rp1,900/sh, based on 16.5x FY24F EV/EBITDA (+1s.d. from its 5yr mean). HEAL's robust growth outlook, along with relatively undemanding valuation justify HEAL as our top pick. Key downside risks are JKN BOP turning deficit and delay on FY25F INA-CBG tariff adjustment as BPJS premium are unlikely to be adjusted in the political years of FY23-24F.

Financial Summary (Rp bn)	2021A	2022A	2023F	2024F	2025F
Revenue	5,869	4,902	5,677	6,442	7,149
EBITDA	2,170	1,071	1,467	1,782	2,067
Net profit	995	299	488	642	773
EPS (Rp)	66	20	33	43	52
ROE	34.0%	8.8%	13.4%	15.8%	16.9%
ROIC	31.2%	7.8%	11.8%	13.9%	15.5%
PER (x)	21.8	72.7	44.5	33.8	28.1
EV/EBITDA (x)	10.4	20.9	15.3	12.8	10.9
Dividend yield	0.3%	0.4%	0.5%	0.8%	1.0%
Forecast change			N/A	N/A	N/A
IPS vs. consensus			104%	103%	102%

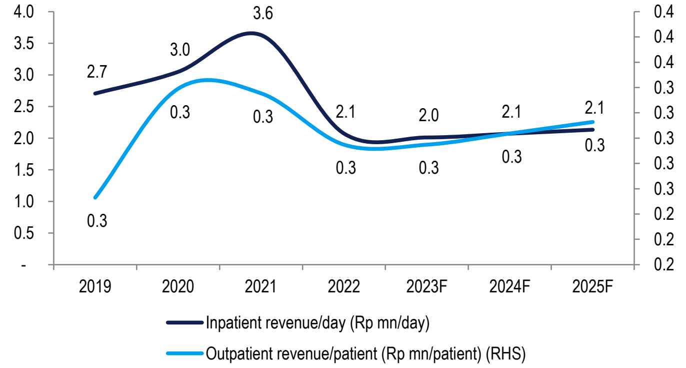
Source: Company, Indo Premier *Share price closing as of: 08 December 2023*

Fig. 64: HEAL's revenue trend



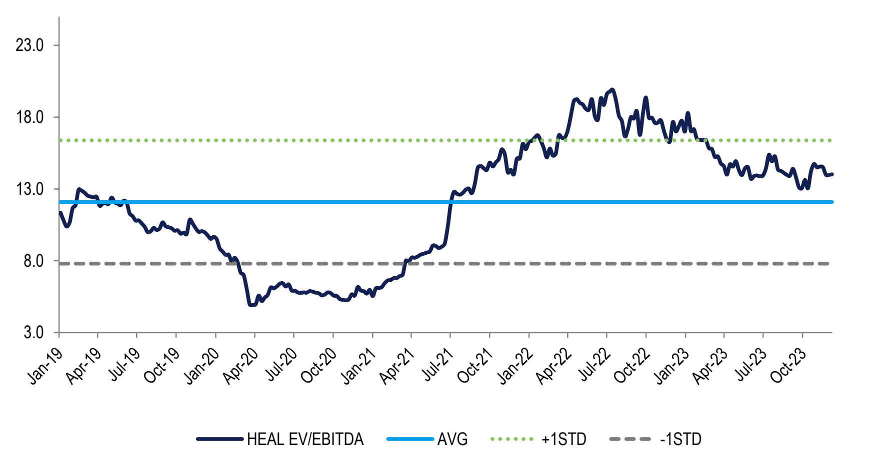
Source: Company, Indo Premier

Fig. 65: HEAL's revenue/inpatient and revenue/outpatient trend



Source: Company, Indo Premier

Fig. 94: HEAL is traded at 14.0x fwd. 12M EV/EBITDA (at +0.4s.d. above its 5Y mean)



Source: Company, Bloomberg, Indo Premier

Income Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Net revenue	5,869	4,902	5,677	6,442	7,149
Cost of sales	(2,905)	(3,193)	(3,592)	(4,032)	(4,437)
Gross profit	**2,964**	**1,708**	**2,085**	**2,410**	**2,712**
SG&A Expenses	(1,229)	(1,192)	(1,219)	(1,317)	(1,421)
Operating profit	**1,735**	**516**	**866**	**1,093**	**1,291**
Net interest	(120)	(107)	(111)	(78)	(77)
Others	30	71	22	0	0
Pre-tax income	**1,646**	**480**	**778**	**1,016**	**1,214**
Income tax	(356)	(101)	(164)	(214)	(256)
Net income	**995**	**299**	**488**	**642**	**773**

Balance Sheet (Rp bn)	2021A	2022A	2023F	2024F	2025F
Cash & equivalent	1,287	775	679	296	498
Receivable	1,040	863	946	1,021	1,133
Inventory	95	100	104	117	131
Other current assets	44	52	52	52	52
Total current assets	**2,465**	**1,790**	**1,781**	**1,486**	**1,815**
Fixed assets	4,538	5,110	5,609	6,021	6,344
Other non-current assets	221	296	296	296	296
Total non-current assets	**4,759**	**5,406**	**5,906**	**6,317**	**6,641**
Total assets	**7,224**	**7,196**	**7,687**	**7,804**	**8,456**
ST loans	29	0	0	0	0
Payable	869	815	1,069	1,141	1,245
Other payables	160	573	426	0	58
Current portion of LT loans	559	322	322	322	322
Total current liab.	**1,617**	**1,710**	**1,817**	**1,463**	**1,625**
Long term loans	1,474	1,161	1,161	1,161	1,103
Other LT liab.	50	35	35	35	35
Total liabilities	**3,140**	**2,906**	**3,014**	**2,659**	**2,763**
Equity	1,421	1,332	1,332	1,332	1,332
Retained earnings	1,887	2,109	2,492	2,963	3,511
Minority interest	1,125	1,245	1,245	1,245	1,245
Total SHE + minority int.	**4,433**	**4,685**	**5,069**	**5,539**	**6,087**
Total liabilities & equity	**7,573**	**7,591**	**8,082**	**8,199**	**8,851**

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Operating income	1,735	516	866	1,093	1,291
Depr. & amortization	435	554	600	688	776
Changes in working capital	207	117	167	(17)	(22)
Others	(671)	(496)	(379)	(452)	(517)
Cash flow from operating	**1,706**	**692**	**1,256**	**1,314**	**1,528**
Capital expenditure	(1,214)	(1,128)	(1,100)	(1,100)	(1,100)
Others	71	(40)	0	0	0
Cash flow from investing	**(1,143)**	**(1,169)**	**(1,100)**	**(1,100)**	**(1,100)**
Loans	106	71	(147)	(426)	0
Equity	(82)	16	0	0	0
Dividends	(12)	(76)	(105)	(171)	(225)
Others	0	0	0	0	0
Cash flow from financing	**12**	**11**	**(252)**	**(597)**	**(225)**
Changes in cash	**575**	**(466)**	**(96)**	**(383)**	**202**

Key Ratios	2021A	2022A	2023F	2024F	2025F
Gross margin	50.5%	34.9%	36.7%	37.4%	37.9%
Operating margin	29.6%	10.5%	15.3%	17.0%	18.1%
Pre-tax margin	28.0%	9.8%	13.7%	15.8%	17.0%
Net margin	17.0%	6.1%	8.6%	10.0%	10.8%
ROA	14.3%	3.9%	6.2%	7.9%	9.1%
ROE	34.0%	8.8%	13.4%	15.8%	16.9%
Acct. receivables TO (days)	67.1	70.8	60.8	57.8	57.8
Acct. receivables - other TO (days)					
Inventory TO (days)	11.1	11.1	10.6	10.6	10.8
Payable TO (days)	100.2	96.2	108.7	103.3	102.4
Acct. payables - other TO (days)					
Debt to equity	50.3%	50.4%	41.5%	27.0%	24.0%
Interest coverage ratio (x)	-12.1	-3.7	-6.9	-12.4	-14.8
Net gearing	11.4%	27.9%	23.7%	20.1%	13.7%

Source: Company, Indo Premier

SECTOR RATINGS

OVERWEIGHT	:	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation
NEUTRAL	:	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation
UNDERWEIGHT	:	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation

COMPANY 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

The views expressed in this research report accurately reflect the analyst’s personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.