

Siloam Hospitals

HOLD (unchanged)

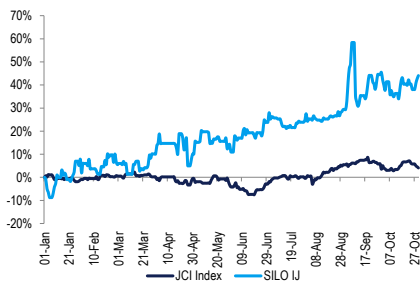
Company Update / Healthcare / SILO IJ / 30 October 2024

Stock Data

Target price	Rp3,150
Prior TP	Rp2,800
Current price	Rp3,140
Upside/downside	1%
Shares outstanding (mn)	13,006
Market cap (Rp bn)	40,839
Free float	7%
Avg. 6m daily T/O (Rp bn)	24

Price Performance

	3M	6M	12M
Absolute	15.4%	30.8%	30.8%
vs. JCI	10.9%	26.2%	18.7%
52w low/high (Rp)	1,990 – 3,450		



Major Shareholders

PT Megapratama Karta Persada	49.6%
Prime Health Company	26.2%

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Soft 3Q24 EBITDA amid weak top-line growth and GPM

- 9M24 EBITDA of Rp2.1tr (+7% yoy) was below our/consensus estimate; revenue also came below.
- 3Q24 EBITDA declined by -8% yoy on the back of soft gross revenue growth (+5% yoy) coupled with lower GPM of -125bps yoy.
- We revised down our FY25F EBITDA by -10%. Maintain HOLD with a higher TP of Rp3,150/sh rolled forward to FY25F EV/EBITDA of 12.5x.

9M24 EBITDA was below our/consensus estimates

SILO recorded 9M24 EBITDA of Rp2.1tr (+6.6% yoy) with EBITDA margin of 29.4% and this was below at 66/67% of our/consensus estimate (vs. 5yr avg exclude Covid period of 75%). 9M24 gross sales grew by 10.6% yoy to Rp9.1tr and this was slightly below at 72% of our/consensus estimate (vs. 5yr avg. of 74%). 9M24 net profit stood at Rp635bn (-26.1% yoy), excluding 1Q24 one-off write off Rp308bn, 9M24 core profit grew by 1.9% yoy to Rp875bn and this was in-line consensus estimate of 73%; but, below ours at 63% (vs. 5yr avg of 71%). 9M24 GPM improved to 51.2% (+47bps yoy) while opex to sales stood at 32.1% (+137bps yoy).

Soft 3Q24 EBITDA due to weak top-line growth and GPM

3Q24 EBITDA declined by 7.5% yoy to Rp685bn (-0.4% qoq) with EBITDA margin of 28.5% (-390bps yoy). 3Q24 GPM dropped to 52% (-125bps yoy) due to lower inpatient revenue contribution of 54.2% (-388bps yoy). 3Q24 gross revenue stood at Rp3.1tr (+4.8% yoy) as this was driven by outpatient revenue growth of +14.5% yoy (vs. inpatient's -2.2% yoy). To note, soft inpatient revenue was driven by viral and non-viral normalization and we think this trend will continue until end of FY24F. With soft top-line growth, opex to sales ratio increased to 33.9% (+311bps yoy) due to combination of higher salary/sales ratio of 8.9% (+68bps yoy) and depreciation cost/sales ratio of 12.8% (+124bps yoy).

Maintain HOLD with a higher TP of Rp3,150/sh

In sum, we revised down our FY24/25F EBITDA by -10% respectively to incorporate soft 3Q24 result coupled with soft 4Q24F traffic outlook. We maintain our HOLD with a higher TP of Rp3,150/sh as we rolled forward based on 12.5x FY25F EV/EBITDA (+2s.d. from its 5yr avg). Risks are lower than expected revenue growth.

Financial Summary (Rp bn)	2022A	2023A	2024F	2025F	2026F
Revenue	7,393	8,663	9,463	10,369	11,359
EBITDA	1,984	2,678	2,823	3,251	3,653
EBITDA growth	-6.4%	35.0%	5.4%	15.2%	12.4%
Net profit	696	1,211	1,033	1,471	1,675
EPS	54	93	79	113	129
EPS growth	3.3%	73.9%	-14.7%	42.4%	13.9%
ROE	10.4%	16.3%	12.6%	16.2%	16.4%
ROIC	14.0%	19.6%	17.6%	18.5%	18.9%
PER (x)	58.6	33.7	39.5	27.8	24.4
EV/EBITDA (x)	20.4	15.2	14.5	12.6	11.1
Dividend yield	0.6%	0.6%	1.0%	0.9%	1.3%
Forecast change			-26%	-10%	-11%
IPS vs. consensus			87%	93%	91%

Sources: Company, Indo Premier

Share price closing as of: 30 October 2024

Fig. 1: SILO's 3Q24 results

	3Q24	3Q23	% YoY	2Q24	% QoQ	9M24	9M23	% YoY	IPS FY24F	% IPS	Cons. FY24F	% Cons	5yr avg (exclude covid period)
Gross sales	3,107	2,964	4.8%	2,990	3.9%	9,123	8,246	10.6%	12,641	72%	12,704	72%	74%
Net sales	2,403	2,287	5.1%	2,319	3.7%	7,063	6,373	10.8%					
COGS	1,856	1,745	6.4%	1,783	4.1%	5,510	5,015	9.9%					
Gross profit	1,251	1,219	2.6%	1,207	3.6%	3,613	3,231	11.8%					
Operating expenses	(814)	(704)	15.7%	(763)	6.7%	(2,267)	(1,959)	15.7%					
EBIT	437	515	-15.2%	444	-1.7%	1,346	1,272	5.8%	2,050	66%	2,096	64%	74%
EBITDA	685	741	-7.5%	688	-0.4%	2,079	1,951	6.6%	3,134	66%	3,108	67%	75%
Others	-	-	N/A	-	N/A	(308)	-	N/A					
PBT	438	489	-10.3%	416	5.2%	988	1,198	-17.5%					
Tax	(105)	(121)	-13.2%	(105)	0.0%	(318)	(314)	1.4%					
Minorities	12	12	3.6%	11	17.2%	34	25	38.2%					
Net profit	321	356	-9.8%	301	6.7%	635	859	-26.1%	1,400	45%	1,192	53%	71%
Core profit*	321	356	-9.8%	301	6.7%	875	859	1.9%	1,400	63%	1,192	73%	71%
Margin (%)													
Gross margin	52.0%	53.3%		52.1%		51.2%	50.7%						
EBIT margin	18.2%	22.5%		19.1%		19.1%	20.0%						
EBITDA margin	28.5%	32.4%		29.7%		29.4%	30.6%						
Effective tax rate	-24.0%	-24.8%		-25.3%		-32.2%	-26.2%						
Net margin	13.3%	15.5%		13.0%		9.0%	13.5%						

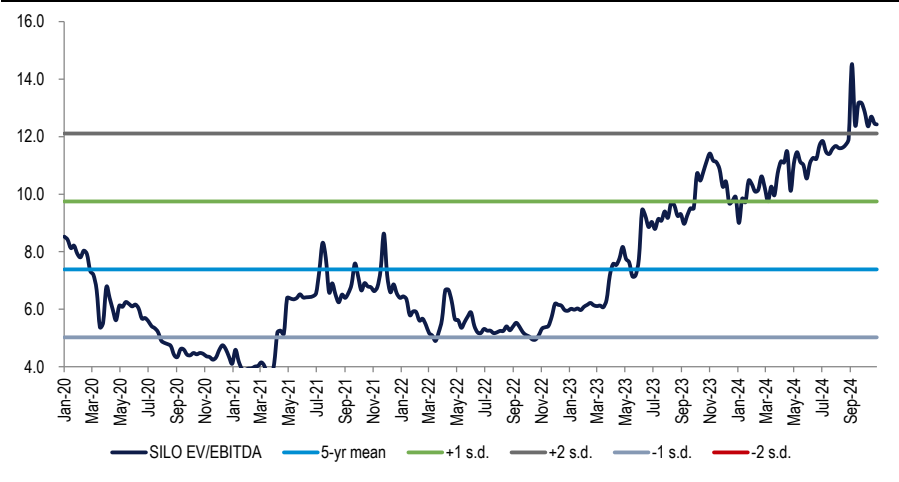
Sources: Company, Bloomberg, Indo Premier

Fig. 2: SILO earnings changes

	Previous			Current			Changes		
	2024F	2025F	2026F	2024F	2025F	2026F	2023F	2024F	2025F
Financial Perform. (Rp bn)									
Gross sales	12,641	14,028	15,566	12,384	13,750	15,265	-2.0%	-2.0%	-1.9%
Net sales	9,659	10,579	11,583	9,463	10,369	11,359	-2.0%	-2.0%	-1.9%
Gross profit	5,034	5,630	6,230	4,865	5,482	6,071	-3.4%	-2.6%	-2.6%
EBIT	2,050	2,374	2,688	1,819	2,135	2,396	-11.2%	-10.1%	-10.9%
EBITDA	3,134	3,612	4,083	2,823	3,251	3,653	-9.9%	-10.0%	-10.5%
Net profit	1,400	1,635	1,880	1,033	1,471	1,675	-26.2%	-10.0%	-10.9%
Profitability (%)									
GPM	52.1%	53.2%	53.8%	51.4%	52.9%	53.4%	-0.7%	-0.4%	-0.3%
EBIT margin	21.2%	22.4%	23.2%	19.2%	20.6%	21.1%	-2.0%	-1.9%	-2.1%
EBITDA margin	32.4%	34.1%	35.3%	29.8%	31.4%	32.2%	-2.6%	-2.8%	-3.1%
Net profit margin	14.5%	15.5%	16.2%	10.9%	14.2%	14.7%	-3.6%	-1.3%	-1.5%

Sources: Company, Bloomberg, Indo Premier

Fig. 3: SILO is traded at 12.4x fwd. 12M EV/EBITDA (+2.1 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	9,463	10,369	11,359
Cost of sales	5,985	6,735	7,519	8,268	9,194
Gross profit	3,533	4,455	4,865	5,482	6,071
SG&A Expenses	(2,345)	(2,577)	(2,932)	(3,234)	(3,561)
Operating profit	1,188	1,879	1,933	2,249	2,509
Net interest	(38)	(62)	(100)	(102)	(101)
Others	0	0	(308)	0	0
Pre-tax income	1,150	1,817	1,525	2,146	2,408
Income tax	(274)	(419)	(348)	(482)	(534)
Net income	696	1,211	1,033	1,471	1,675

Balance Sheet (Rp bn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent	1,066	1,186	1,186	1,336	1,641
Receivable	1,179	1,449	1,454	1,615	1,793
Inventory	202	204	319	352	379
Other current assets	250	298	298	298	298
Total current assets	2,697	3,137	3,257	3,601	4,110
Fixed assets	5,818	6,767	7,664	8,488	9,209
Goodwill	746	675	675	675	675
Total non-current assets	6,564	7,441	8,339	9,163	9,883
Total assets	9,262	10,578	11,596	12,764	13,994
ST loans	220	425	825	825	825
Payable	442	524	533	591	661
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	2,962	3,020	3,090
Long term loans	0	0	0	0	0
Other LT liab.	436	381	381	381	381
Total liabilities	2,614	2,934	3,344	3,402	3,472
Equity	5,756	5,768	5,768	5,768	5,768
Retained earnings	1,199	2,148	2,757	3,866	5,026
Minority interest	96	132	132	132	132
Total SHE + minority int.	7,052	8,048	8,657	9,766	10,926
Total liabilities & equity	9,666	10,982	12,000	13,167	14,398

Sources: Company, Indo Premier

Cash Flow Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
EBIT	1,061	1,765	1,819	2,135	2,396
Depr. & amortization	923	913	1,004	1,116	1,257
Changes in working capital	53	(190)	(112)	(135)	(135)
Others	(626)	(545)	(786)	(665)	(721)
Cash flow from operating	1,410	1,943	1,925	2,451	2,798
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)	(362)	(515)
Others	0	0	0	0	0
Cash flow from financing	(185)	(66)	(24)	(362)	(515)
Changes in cash	(849)	120	(0)	150	305

Key Ratios	2022A	2023A	2024F	2025F	2026F
Gross margin	47.8%	51.4%	51.4%	52.9%	53.4%
Operating margin	14.4%	20.4%	19.2%	20.6%	21.1%
Pre-tax margin	13.3%	19.2%	14.9%	19.2%	19.9%
Net margin	9.4%	14.0%	10.9%	14.2%	14.7%
ROA	7.3%	11.7%	9.0%	11.7%	12.2%
ROE	10.4%	16.3%	12.6%	16.2%	16.4%
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%	9.7%	8.6%	7.6%
Interest coverage ratio (x)	-15.6	-21.1	-16.4	-19.0	-21.3
Net gearing	-12.2%	-9.6%	-4.2%	-5.3%	-7.6%

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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