

# Siloam Hospitals

**BUY** (unchanged)

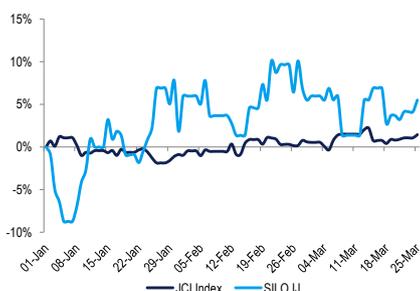
Company Update | Healthcare | SILO IJ | 25 March 2024

## Stock Data

Target price	Rp2,800
Prior TP	Rp2,700
Current price	Rp2,300
Upside/downside	22%
Shares outstanding (mn)	13,006
Market cap (Rp bn)	29,914
Free float	15%
Avg. 6m daily T/O (Rp bn)	7

## Price Performance

	3M	6M	12M
Absolute	8.5%	15.0%	69.7%
vs. JCI	6.6%	9.9%	60.6%
52w low/high (Rp)	1,355 – 2,740		



## Major Shareholders

PT Megapratama Karta Persada	49.6%
Prime Health Company	26.2%

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## 4Q23: net profit beat on the back of improving margin and benign opex

- FY23 net profit of Rp1.2tr was above our/cons' estimates at 103/106%, while gross revenue was in-line with estimates.
- 4Q23 net profit improved significantly by 42.5% yoy to Rp352bn on the back of robust revenue intensity of +7.5% yoy.
- We maintain BUY with a higher TP of Rp2,800/sh as we adjust our FY24/25F EBITDA forecast by 1.3/2.6%.

### FY23 net profit was above ours/consensus' estimates

SILO delivered FY23 net profit of Rp1.2tr (+73.9% yoy) and this was above our/consensus' estimates at 103/106%. On the other hand, FY23 EBITDA of Rp2.7tr (+8.8% yoy) was in-inline/slight below of ours/consensus' estimates at 102/96%. Gross sales increased to Rp11.2tr (+17.6% yoy), in-line. GPM also improved meaningfully to 51.4% (+364bps yoy), while opex/sales ratio came at 31.1% vs. 33.4% in FY22 - resulting in EBIT growth of 66.3% yoy. The improving bottom line was also partly due to lower effective tax rate of 25.2% in FY23 (vs. 27.8% in FY22).

### 4Q23 net profit boosted by top-line growth and improving margin

4Q23 net profit stood at Rp352bn (+42.5% yoy/-0.9% qoq), while EBITDA came at Rp720bn (+8.1% yoy/+3.9% qoq) with EBITDA margin of 31.4% (vs. 4Q22's 29.3%). Concurrently, 4Q23 net revenue improved to Rp2.3tr (+13.9% yoy/+0.1% qoq) on the back of robust revenue intensity growth (+7.5% yoy/-2.7% qoq) and inpatient days (+7.4% yoy/-1.4% qoq). Opex to net sales improved by 170bps yoy (-117bps qoq) as its salary to net sales decreased by 175bps yoy (+23bps qoq). SILO shared its 4Q23's professional fee of Rp21.5bn (+102% qoq) was for consultation fee as the company prepares its 5years strategy that is aimed to be published by end of FY24F.

### SILO aims for double digit top-line growth with EBITDA margins >30%

SILO guided its FY24F revenue to grow by low-mid teens and EBITDA margin to be maintained at above 30%. In terms of pricing, the company has adjusted +3% ASP hike on its private services in early FY24F. As such, we slightly revised up our FY24/25F EBITDA by +1.3/+2.6% respectively to incorporate FY23's result. In addition, the company mentioned that they intend to buy back its hospitals' land, but it depends on the company cash flow and the land's valuation.

### Maintain BUY with higher TP of Rp2,800

In sum, we reiterate our BUY rating with a tad higher TP of Rp2,800/sh based on 11.5x FY24F EV/EBITDA (+3s.d. from its 5yr avg). Risk is lower than expected revenue growth and healthcare competition from regional players.

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)	52.3	30.1	26.0	22.3	19.4
EV/EBITDA (x)	18.2	13.5	11.5	9.9	8.7
Dividend yield	0.7%	0.7%	1.2%	1.3%	1.6%
Forecast change			2%	5%	N/A
IPS vs. consensus			104%	103%	94%

Sources: Company, Indo Premier

Share price closing as of: 25 March 2024

Fig. 1: SILO's 4Q23 results

(Rp bn)	4Q23	4Q22	% YoY	3Q23	% QoQ	12M23	12M22	% YoY	IPS FY23F	% IPS	Cons. FY23F	% Cons	Comment
<b>Gross sales</b>	<b>2,945</b>	<b>2,587</b>	<b>13.9%</b>	<b>2,964</b>	<b>-0.6%</b>	<b>11,191</b>	<b>9,518</b>	<b>17.6%</b>	<b>11,013</b>	<b>102%</b>	<b>11,159</b>	<b>100%</b>	In-line
<b>Net sales</b>	<b>2,289</b>	<b>2,010</b>	<b>13.9%</b>	<b>2,287</b>	<b>0.1%</b>	<b>8,663</b>	<b>7,393</b>	<b>17.2%</b>					
COGS	1,720	1,544	11.5%	1,745	-1.4%	6,735	5,985	12.5%					
<b>Gross profit</b>	<b>1,225</b>	<b>1,043</b>	<b>17.4%</b>	<b>1,219</b>	<b>0.5%</b>	<b>4,455</b>	<b>3,533</b>	<b>26.1%</b>					
Operating expenses	(731)	(676)	8.1%	(704)	3.9%	(2,690)	(2,472)	8.8%					
<b>EBIT</b>	<b>493</b>	<b>367</b>	<b>34.5%</b>	<b>515</b>	<b>-4.2%</b>	<b>1,765</b>	<b>1,061</b>	<b>66.3%</b>	<b>1,698</b>	<b>104%</b>	<b>1,752</b>	<b>101%</b>	In-line
<b>EBITDA</b>	<b>720</b>	<b>589</b>	<b>22.2%</b>	<b>741</b>	<b>-2.8%</b>	<b>2,671</b>	<b>1,984</b>	<b>34.6%</b>	<b>2,621</b>	<b>102%</b>	<b>2,783</b>	<b>96%</b>	In-line
Others	(9)	(9)	N/A	(9)	N/A	(37)	(39)	N/A					
<b>PBT</b>	<b>469</b>	<b>339</b>	<b>38.3%</b>	<b>489</b>	<b>-4.1%</b>	<b>1,666</b>	<b>984</b>	<b>69.3%</b>					
Tax	(105)	(86)	22.9%	(121)	-13.0%	(419)	(274)	53.1%					
Minorities	11	6	88.1%	12	-8.9%	36	14	157.5%					
<b>Net profit</b>	<b>352</b>	<b>247</b>	<b>42.5%</b>	<b>356</b>	<b>-0.9%</b>	<b>1,211</b>	<b>696</b>	<b>73.9%</b>	<b>1,175</b>	<b>103%</b>	<b>1,147</b>	<b>106%</b>	Above
<b>Margin (%)</b>													
Gross margin	53.5%	51.9%		53.3%		51.4%	47.8%						
EBIT margin	21.5%	18.3%		22.5%		20.4%	14.4%						
EBITDA margin	31.4%	29.3%		32.4%		30.8%	26.8%						
Effective tax rate	-22.5%	-25.3%		-24.8%		-25.2%	-27.8%						
Net margin	15.4%	12.3%		15.5%		14.0%	9.4%						
<i>Based on net sales</i>													
<b>Traffic</b>													
Inpatient admissions ('000)	80.2	68.0	17.9%	79.9	0.3%	302.5	240.8	25.6%					
Inpatient days ('000)	242.7	226.1	7.4%	246.2	-1.4%	939.9	813.7	15.5%					
Outpatient visit ('000)	1,066.5	897.0	18.9%	1,047.2	1.8%	3,949.3	3,151.4	25.3%					
Revenue intensity (Rp mn)	6.8	6.3	7.5%	7.0	-2.7%	6.8	6.5	4.3%					
Outpatient revenue/visit (Rp mn)	1.2	1.3	-5.8%	1.2	2.3%	1.2	1.3	-9.1%					

Sources: Company, Bloomberg, Indo Premier

Fig. 2: SILO's forecast changes

	Previous		Current		Changes	
	2024F	2025F	2024F	2025F	2024F	2025F
<b>Financial Perform. (Rp bn)</b>						
Gross sales	12,425	13,794	12,641	14,028	1.7%	1.7%
Net sales	9,402	10,301	9,659	10,579	2.7%	2.7%
Gross profit	4,894	5,476	5,034	5,630	2.9%	2.8%
EBIT	2,003	2,259	2,050	2,374	2.3%	5.1%
EBITDA	3,095	3,522	3,134	3,612	1.3%	2.6%
Net profit	1,378	1,563	1,428	1,663	3.6%	6.4%
<b>Profitability (%)</b>						
GPM	52.0%	53.2%	52.1%	53.2%	0.1%	0.1%
EBIT margin	21.3%	21.9%	21.2%	22.4%	-0.1%	0.5%
EBITDA margin	32.9%	34.2%	32.4%	34.1%	-0.5%	0.0%
Net profit margin	14.7%	15.2%	14.8%	15.7%	0.1%	0.5%

Sources: Bloomberg, Indo Premier

**Fig. 3: SILO is traded at 9.0x fwd. 12M EV/EBITDA (+1.3 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
<b>Gross profit</b>	<b>3,533</b>	<b>4,455</b>	<b>5,034</b>	<b>5,630</b>	<b>6,230</b>
SG&A Expenses	(2,345)	(2,577)	(2,870)	(3,143)	(3,429)
<b>Operating profit</b>	<b>1,188</b>	<b>1,879</b>	<b>2,163</b>	<b>2,488</b>	<b>2,802</b>
Net interest	(38)	(62)	(100)	(118)	(117)
Others	0	0	0	0	0
<b>Pre-tax income</b>	<b>1,150</b>	<b>1,817</b>	<b>2,063</b>	<b>2,369</b>	<b>2,684</b>
Income tax	(274)	(419)	(472)	(536)	(600)
<b>Net income</b>	<b>696</b>	<b>1,211</b>	<b>1,400</b>	<b>1,635</b>	<b>1,880</b>

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
<b>Total current assets</b>	<b>2,697</b>	<b>3,137</b>	<b>3,711</b>	<b>4,215</b>	<b>5,011</b>
Fixed assets	5,818	6,767	7,584	8,286	8,869
Goodwill	746	675	675	675	675
<b>Total non-current assets</b>	<b>6,564</b>	<b>7,441</b>	<b>8,259</b>	<b>8,960</b>	<b>9,543</b>
<b>Total assets</b>	<b>9,262</b>	<b>10,578</b>	<b>11,970</b>	<b>13,176</b>	<b>14,554</b>
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
<b>Total current liab.</b>	<b>2,178</b>	<b>2,553</b>	<b>2,969</b>	<b>3,030</b>	<b>3,101</b>
Long term loans	0	0	0	0	0
Other LT liab.	436	381	381	381	381
<b>Total liabilities</b>	<b>2,614</b>	<b>2,934</b>	<b>3,350</b>	<b>3,411</b>	<b>3,482</b>
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
<b>Total SHE + minority int.</b>	<b>7,052</b>	<b>8,048</b>	<b>9,024</b>	<b>10,169</b>	<b>11,476</b>
<b>Total liabilities &amp; equity</b>	<b>9,666</b>	<b>10,982</b>	<b>12,374</b>	<b>13,580</b>	<b>14,958</b>

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)
<b>Cash flow from operating</b>	<b>1,410</b>	<b>1,943</b>	<b>2,344</b>	<b>2,736</b>	<b>3,138</b>
Capital expenditure	(2,271)	(1,864)	(1,901)	(1,939)	(1,978)
Others	196	107	0	0	0
<b>Cash flow from investing</b>	<b>(2,074)</b>	<b>(1,757)</b>	<b>(1,901)</b>	<b>(1,939)</b>	<b>(1,978)</b>
Loans	90	205	400	0	0
Equity	(56)	(8)	0	0	0
Dividends	(218)	(262)	(424)	(490)	(572)
Others	0	0	0	0	0
<b>Cash flow from financing</b>	<b>(185)</b>	<b>(66)</b>	<b>(24)</b>	<b>(490)</b>	<b>(572)</b>
<b>Changes in cash</b>	<b>(849)</b>	<b>120</b>	<b>419</b>	<b>307</b>	<b>588</b>

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**

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.

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