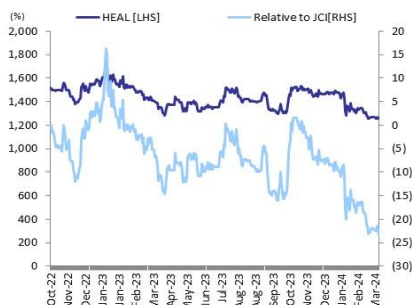


# Overweight

(Maintained)

## HEAL relative to JCI Index



## SILO relative to JCI Index



Source: Bloomberg

BRI Danareksa Sekuritas Analyst

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# Healthcare

## On track 4Q23 operational affirm attractive growth and return outlook

- Our latest checks with the healthcare operators indicated positive operational trajectory in 4Q23, hence we expect in-line 4Q23 earnings.
- Compared to EM peers, Indonesian healthcare operators' ROIC/WACC ratios are at par but with stronger projected EBITDA growth of 16%.
- We maintain our OW rating on the sector, with HEAL as our top pick; recent share price weakness offers attractive entry points.

### On track 4Q23 operational to drive FY23 earnings to meet our expectations

Our recent check with HEAL and SILO indicated that the 4Q23 operational were on a positive trajectory both qoq and yoy. Thus, we expect both company's FY23 earnings to come in-line/above ours/cons. estimates (MIKA already hinted that its FY23 results should also be in-line with ours/cons. estimates), with aim for another double-digit growth on the top-line (HEAL +17.5%, MIKA +12.5-15%) and 100bps EBITDA margin expansion for FY24. Source of the margin expansion will come from company's effort to push down medicine and employee cost as a % to revenue, which we evidently see during 9M23 operation, has yielded into the operators OPM expansion (exh.4-6).

### Indonesian Healthcare: attractive ROIC and growth outlook vs. EM peers

Indonesian healthcare operators' ROIC/WACC ratios are at par with emerging market peers (1.5x) (exh.1) with stronger projected 3-year EBITDA growth of 16% vs. EM peers of 13%. Thus, we see the 16.9% valuation discount to be unwarranted. The underserved market of Indonesia (exh.2) shall offer ample room for Indonesian operators to improve its ROIC through: 1) pushing revenue intensity by offering complex treatment 2) increasing volume through network expansion, incentivized by Omnibus Law 3) better flexibility to roll-out the mentioned strategic plans given the lower gearing level vs. EM peers (average of net cash at 0.02x vs. EM peers average net gearing of 0.2x). (see exh.3 for capex breakdown).

### Maintain OW, HEAL as our Top pick with an Attractive Valuation

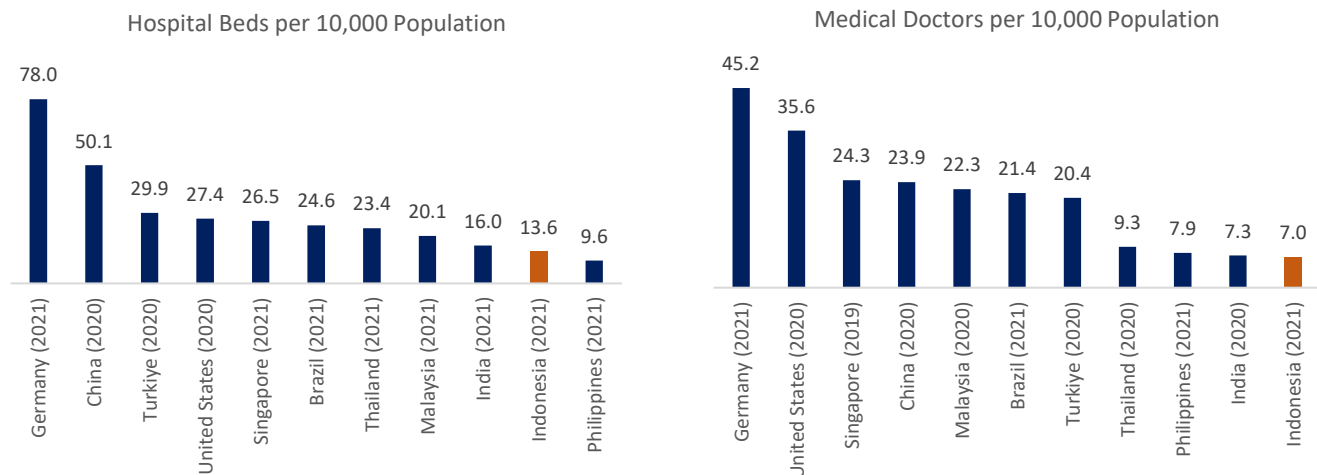
We see an attractive entry point for the healthcare stocks following recent share price weakness. HEAL remains our top pick, given its proven execution on BPJS business (medicine supplies and the availability of healthcare officers), while also trading at low multiples. Our DCF-based TP is Rp1,800 implying 20.3/17.6x FY23/FY24 EV/EBITDA, similar to the regional average of 22.4/17.5x, meanwhile the current share price traded at 14.5/12.5x FY23/FY24 EV/EBITDA. We also still like SILO, which currently trades at an attractive multiple of 9.7/9.0x FY23/FY24 EV/EBITDA, with our DCF-based TP of Rp2,900 implying 12.3/11.4x FY23/FY24 EV/EBITDA. Key downside risks are: 1) lower intensity is not offset by successful cost-control (particularly in medicines & labor), which would squeeze margins; 2) stiffer competition from Gov't and Non-Listed Hospitals; 3) BPJS turning into deficit; 4) Low share turnover giving headwinds for appreciation.

Company	Ticker	Rec	Target Price (Rp)	Market Cap. (RpBn)	P/E (x)		P/BV (x)		ROE (%) 2024F
					2023F	2024F	2023F	2024F	
Medikaloka Hermina	HEAL IJ	BUY	1,800	18,785.7	38.3	31.0	3.9	3.6	12.1
Siloam Hospitals	SILO IJ	BUY	2,900	28,774.4	24.0	21.5	3.5	3.0	15.2
Mitra Keluarga	MIKA IJ	HOLD	2,900	36,613.1	39.7	35.2	6.2	5.5	16.6

**Exhibit 1. Indo vs Regional Peers ROIC/WACC Ratios**

Ticker	Company	Mkt.Cap (USD mn.)	ROIC 3Q23	WACC 3Q23	ROIC/WACC (x)	EBITDA (US\$m)				CAGR EBITDA FY23F-FY26F	Net Debt to Equity (x)		
						FY23F	FY24F	FY25F	FY26F		FY23F	FY24F	FY25F
<b>Healthcare Indonesia</b>													
HEAL IJ	MEDIKALOKA HERMINA TBK PT	19,230	8.9	8.2	1.1	95	115	132	166	20%	0.2	0.2	0.1
MIKA IJ	MITRA KELUARGA KARYASEHAT TBK	37,041	14.4	8.1	1.8	98	112	129	139	13%	(0.2)	(0.3)	(0.1)
SILO IJ	SILOAM INTERNATIONAL HOSPITAL	29,914	14.6	9.1	1.6	174	199	225	267.7	15%	(0.1)	(0.1)	(0.1)
<b>Emerging Market Peers</b>													
000516 CH	XIAN INTERNATIONAL MEDICAL-A	31,558	(5.7)	12.4	(0.5)	49	125	168	n.a		n.a	n.a	n.a
NARH IN	NARAYANA HRUDAYALAYA LTD	46,527	n.a	10.5		115	142	161	188	18%	0.3	0.1	0.1
MEDANTA in	GLOBAL HEALTH LTD/INDIA	63,649	n.a	n.a		75	103	125	151	26%	(0.2)	(0.2)	(0.2)
301239 CH	CHENGDU BRIGHT EYE HOSPITA-A	20,696	5.7	13.5	0.4	80	94	120	n.a		n.a	n.a	n.a
ASTERDM IN	ASTER DM HEALTHCARE LTD	42,018	n.a	10.2		188	234	274	315	19%	0.4	0.4	0.0
KIMS IN	KRISHNA INSTITUTE OF MEDICAL	31,867	n.a	9.6		74	81	98	114	16%	0.1	0.4	0.4
RAM TB	RAMKHAMHAENG HOSPITAL PUB CO	16,345	2.3	7.7	0.3	52	58	63	64	7%	0.6	0.5	0.5
IHH MK	IHH SINGAPORE	173,623	7.0	8.1	0.9	957	1,029	1,103	1,150	6%	0.1	0.2	0.1
TNH VN	THAI NGUYEN INTL HSPTL JSC	1,586	11.2	6.0	1.9	9	11	14	n.a		0.2	0.3	0.3
BH TB	BUMRUNGRAD HOSPITAL PCL	80,681	32.9	8.1	4.1	265	282	300	310	5%	(0.2)	(0.3)	(0.4)
BDMS TB	BANGKOK DUSIT MED SERVICE	204,248	12.3	8.7	1.4	673	736	791	863	9%	(0.0)	0.0	(0.0)
KPJ MK	KPJ HEALTHCARE BERHAD	24,541	6.3	7.7	0.8	159	175	184	196	7%	0.6	0.5	0.4
OPTIMAX MK	OPTIMAX HOLDINGS BHD	1,051	15.6	7.8	2.0	6	7	8	9	10%	0.0	0.1	0.4
RFMD SP	RAFFLES MEDICAL GROUP LTD	21,598	n.a	n.a		118	105	113	116	-1%	(0.2)	(0.3)	(0.3)
MPARK TI	MLP SAGLIK HIZMETLERI AS	17,509	54.1	16.6	3.3	133	208	265	297	31%	0.9	0.4	0.1
<b>Developed Market Peers</b>													
HCA US	HCA HEALTHCARE INC	1,338,600	18.3	8.6	2.1	12,437	13,245	14,002	14,787	6%	4.7	(1.5)	54.4
UHS US	UNIVERSAL HEALTH SERVICES-B	185,090	7.5	8.4	0.9	1,732	1,945	2,052	2,224	9%	0.8	0.7	0.7
THC US	TENET HEALTHCARE CORP	152,320	8.2	7.8	1.1	3,393	3,400	3,589	3,841	4%	10.2	4.4	2.8
CYH US	COMMUNITY HEALTH SYSTEMS INC	5,970	(1.5)	8.4	(0.2)	1,472	1,536	1,629	1,732	6%	(5.8)	n.a	n.a
RHC AU	RAMSAY HEALTH CARE LTD	133,248	n.a	n.a		1,308	1,423	1,563	1,702	9%	1.2	1.1	1.2
<b>Indonesia</b>													
Median		29,914	14.4	8.2	1.6	98	115	132	166	15%	(0.1)	(0.1)	(0.1)
Simple Average		28,728	12.6	8.4	1.5	122	142	162	191	16%	(0.0)	(0.1)	(0.0)
Weighted Average		30,593	13.2	8.4	1.6	124	143	163	190	15%	(0.1)	(0.1)	(0.1)
<b>Emerging Market Peers</b>													
Median		30,736	9.1	8.7	1.1	115	125	161	192	10%	0.1	0.2	0.1
Simple Average		47,982	14.2	9.8	1.5	197	226	253	314	13%	0.2	0.2	0.1
Weighted Average		107,766	9.7	8.2	1.1	461	507	550	579	10%	0.1	0.1	0.0
<b>Developed Market Peers</b>													
Median		152,320	7.9	8.4	1.0	1,732	1,945	2,052	2,224	6%	1.2	0.9	2.0
Simple Average		363,046	8.1	8.3	1.0	4,068	4,310	4,567	4,857	7%	2.2	1.2	14.8
Weighted Average		1,028,576	14.9	7.8	1.8	9,733	10,360	10,956	11,584	6%	4.5	(0.6)	40.5

Source: Bloomberg

**Exhibit 2. Indonesia's Healthcare Access: Underserved Inpatient Care with Low Medical Doctor per Population Ratio**


Additional Doctor Needs			
Information	Doctor/Pop Ratio	%	No. of Doctors
Indonesia (2021)	6.95/10,000	0.07%	193,627
WHO Recommendation	1/1,000	0.10%	278,600
Additional Needs	3.05/10,000	0.03%	
Indonesia's Population (BPS, mn. people)			278.6
<b>Est. Number of Additional Medical Doctor Needs</b>			<b>84,973</b>
Est. Number of Additional Doctor Needs/Province			2,499
Average Med Graduate/Year Indonesia			12,000
Estimated Year to Fill in the Gap			7.08

Source: WHO, BRIDS Estimates

**Exhibit 3. Capex Range of Hospital Players, Indo Hospital Players Network and CoE Expansion Plans**

Hospitals	Rpbn. Capex
<b>Mitra Keluarga (Capacity 200 beds - Type C)</b>	
New Hospitals (incl. Land)	250-300
Building & Equipment Purchase	150-175
Land	100-125

Note that MIKA's Hospital mostly located in Greater Jakarta/Surabaya  
It usually takes 10,000-15,000 m2 per hospital  
Implying Rp8.3-10 mn. per m2

Financing is all done by internal cash

Capex per bed (Rpbn) 1.25-1.50

**Hermina Hospitals (Capacity 100 beds, can be extended up to 200 - Type C)**

New Hospitals (incl. Land)	135
Land	37
Building	61
Equipment	25
Working Capital	12

Financing Scheme

Equity	90
Construction Loan	45

Capex per bed (Rpbn) 1.35

**Siloam Hospitals**

Overall Capex per bed (Rpbn) 1.5-3  
incl. Land, Building, Equipment, etc.

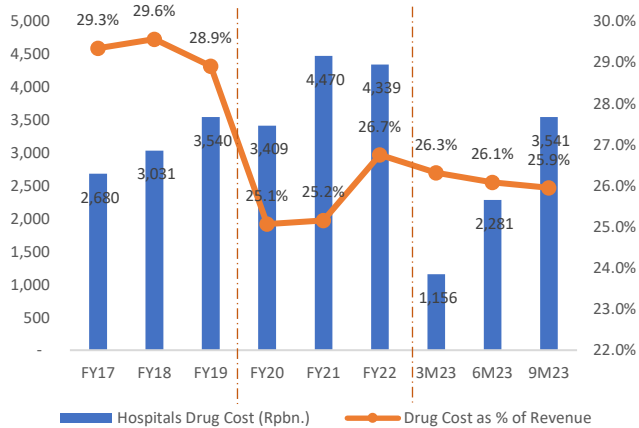
Hospitals	Network	Est. Opening
Hermina	#48 Pasuruan #49 Madiun #50 IKN #51 PIK 2	Apr24 Jul24 Jul24-Aug24 Late Oct24
Mitra Keluarga	#31 Mitra Keluarga Sidoarjo #32-33 Mitra Signature #32-33 Standalone Kasih	2025 2025 2025
Siloam Hospitals	Lippo Village Extension Makassar Extension Sentosa Extension	1Q24 3Q24 4Q24
	Gubeng Surabaya Revitalized #42 Manyar Surabaya	1Q25 3Q25

Hospitals	Intensity Initiatives	Area/Other Info
Hermina	Kidney Transplantation	In Coordination with Hiroshima University Hospital
Mitra Keluarga	Cancer Center Women's & Children's Clinic Hearing and Otology Center	Greater Jakarta & East Java Kelapa Gading Kelapa Gading
Siloam Hospitals	Radiotherapy Cathlab Cathlab + MRI Robotic Medical Tools	Lippo Village Lippo Village Kebon Jeruk -

Total FY24 Capex	Rpbn	Target of FY24 Beds Addition
Hermina	2,000 (Company Guide)	900
Mitra Keluarga	800-1,000 (Company Guide)	250-300
Siloam Hospitals	1,900 (BRIDS Estimates)	200-300

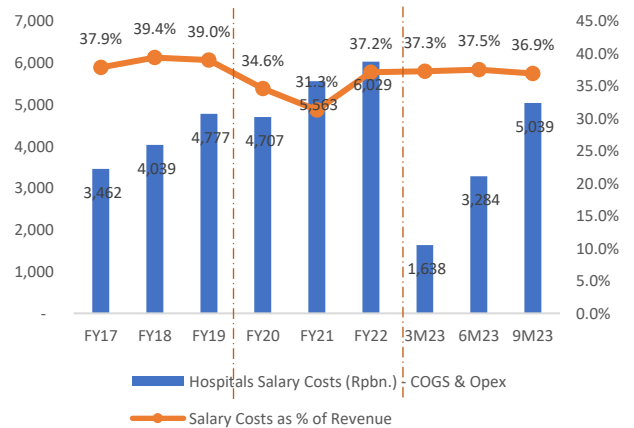
Source: Company, BRIDS

**Exhibit 4. Indonesian Listed Hospitals Drug Costs**



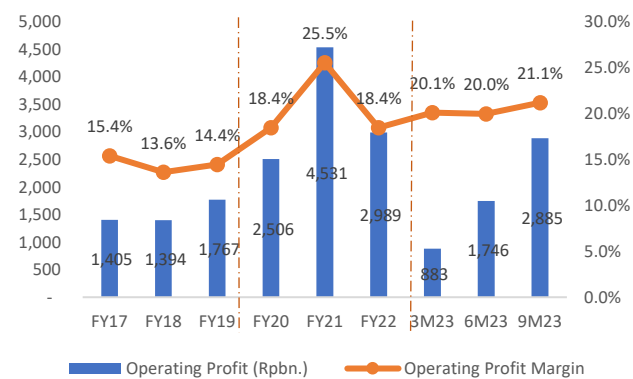
Source: Bloomberg, BRIDS

**Exhibit 5. Indonesian Listed Hospitals Labor Costs**



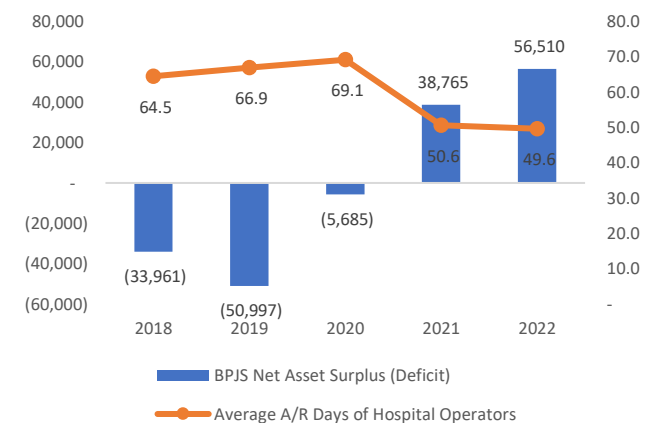
Source: Bloomberg, BRIDS

**Exhibit 6. Indonesian Listed Hospitals Operating Profit**



Source: Bloomberg, BRIDS

**Exhibit 7. BPJS Net Assets (Rpbn) and Hospital's Receivables Days**

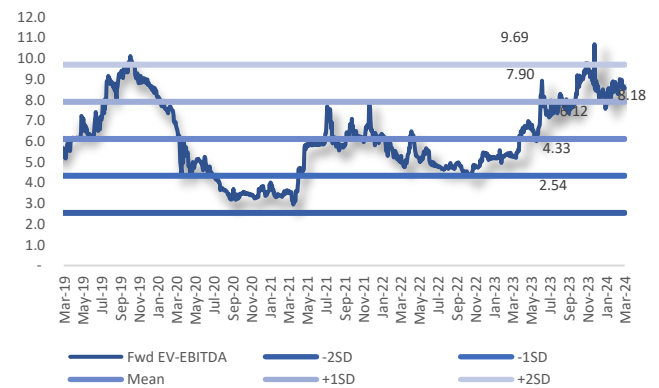


Source: BPJS, Bloomberg

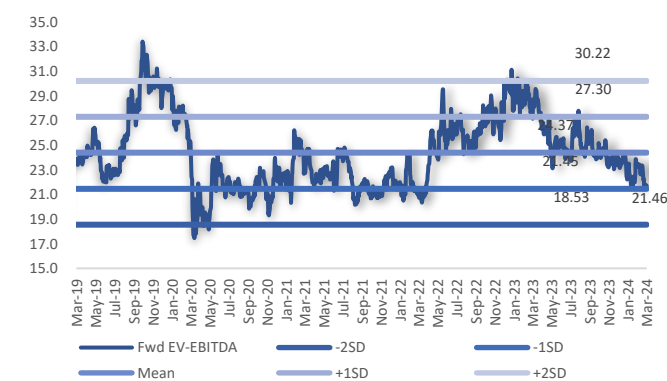
**Exhibit 8. Rolling Fwd. EV/EBITDA Band HEAL**



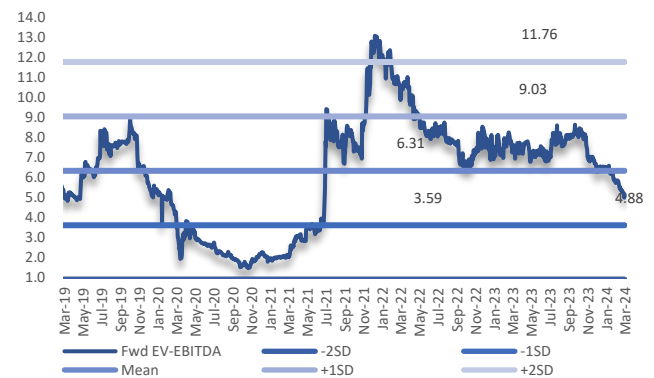
**Exhibit 9. Rolling Fwd. EV/EBITDA Band SILO**



**Exhibit 10. Rolling Fwd. EV/EBITDA Band MIKA**



**Exhibit 11. Rolling Fwd. EV/EBITDA Band PRDA**



**Exhibit 12. Rolling Fwd. P/E Band PRDA**



Exhibit 13. Healthcare Sector - Rolling Fwd. EV/EBITDA Band



Source: Bloomberg, BRIDS

Exhibit 14. Hospital Valuations – with SILO REITS Value

Ticker	Company	Mkt.Cap (USD mn.)	EV/EBITDA			
			FY23F	FY24F	FY25F	FY26F
Healthcare Indonesia						
HEAL IJ*	MEDIKALOKA HERMINA TBK PT	19,230	14.5	12.6	11.1	9.3
MIKA IJ*	MITRA KELUARGA KARYASEHAT TBK	36,613	24.9	21.8	18.9	15.5
SILO IJ*	SILOAM INTERNATIONAL HOSPITAL	28,744	9.3	8.6	7.3	6.6
	SILOAM INTERNATIONAL HOSPITA (Added with Carrying Value of REITS)		12.4	11.5	9.8	8.8
	SILOAM INTERNATIONAL HOSPITA (Added with Appraised Value of REITS)		12.3	11.4	9.7	8.7
Emerging Market Peers						
000516 CH	XIAN INTERNATIONAL MEDICAL-A	31,558	51.3	20.1	15.0	n.a
NARH IN	NARAYANA HRUDAYALAYA LTD	46,527	25.7	20.7	18.2	15.6
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IHH MK	IHH SINGAPORE	173,623	14.0	13.1	12.2	11.7
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OPTIMAX MK	OPTIMAX HOLDINGS BHD	1,051	11.6	10.4	8.8	8.5
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THC US	TENET HEALTHCARE CORP	152,320	8.1	8.1	7.7	7.2
CYH US	COMMUNITY HEALTH SYSTEMS INC	5,970	8.4	8.1	7.6	7.2
RHC AU	RAMSAY HEALTH CARE LTD	133,248	12.1	11.3	10.3	9.5
Indonesia						
Median		28,744	14.5	12.6	11.1	9.3
Simple Average		28,196	16.2	14.3	12.5	10.5
Weighted Average		29,987	17.2	15.2	13.2	11.1
Emerging Market Peers						
Median		30,151	18.2	14.5	12.4	13.6
Simple Average		47,894	22.4	17.5	15.1	14.5
Weighted Average		107,850	22.5	18.5	16.4	14.1
Developed Market Peers						
Median		152,320	9.6	8.6	8.1	7.5
Simple Average		363,046	9.7	9.1	8.6	8.0
Weighted Average		1,028,576	10.1	9.5	8.9	8.4

Source: \*BRIDS estimates, Bloomberg

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

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