

Buy

(Upgraded)

Mitra Keluarga Karyasehat (MIKA IJ)

Solid 1Q24 earnings (in-line); upgrade to Buy as we expect earnings momentum to be sustained

Last Price (Rp)	2,850
Target Price (Rp)	3,200 ▲
Previous Target Price (Rp)	2,900
Upside/Downside	+12.3%

No. of Shares (mn)	14,076
Mkt Cap (Rpbn/US\$m)	40,118/2,479
Avg, Daily T/O (Rpbn/US\$m)	32.3/2.0
Free Float (%)	34.1

Major Shareholder (%)	
Griayinsani Cakrasadaya	62.1

EPS Consensus (Rp)	2024F	2025F	2026F
BRIDS	81.3	95.2	118.9
Consensus	78.9	90.0	99.1
BRIDS/Cons (%)	3.0	5.7	20.0

- MIKA reported solid 1Q24 net profit of Rp289bn (+25% yoy), in-line with expectations, driven by a higher drugs margin and improving payer mix.
- We expect MIKA to further deliver stronger earnings for the remaining FY24 amid its organic strategy to obtain higher-intensity cases at an updated pricing level and a better payer mix.
- We upgrade our HOLD rating to BUY on MIKA with a TP of Rp3,200. Key risks relate to volume growth and higher opex in 2H24.

Solid 1Q24 earnings (inline) driven by higher margin and better payer mix
 MIKA reported 1Q24 revenue of Rp1.2tr (+21%yoy) and Net Income of Rp289bn (+25%yoy, +26%qoq, in-line at 28/26% of our FY24F est./the cons). The EBITDA margin expanded by 210bps to 37% supported by a better drugs margin as the company imposed an average of 8-10% price increases on top of overall ASP increases of +5-7% effective in Jan24. At the same time, MIKA managed to obtain discounts from its medicine suppliers, as reflected in the declining medicine cost as a % of revenue qoq. In terms of the payer mix, BPJS' portion to revenue declined in 1Q24 (exh.4).

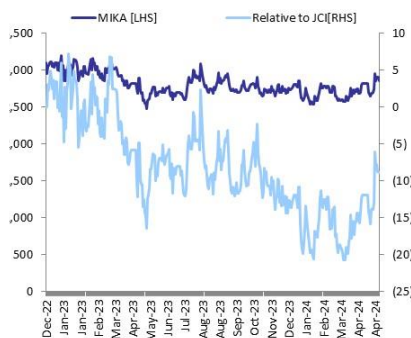
Expect earnings momentum to be sustained for the remaining FY24

The company indicated that volume traffic in the last 2 weeks of Apr24 had returned to the Mar24 level, a yearly high in terms of the avg.patients/day. We believe that if this trend persists, along with the company's strategy to provide more bed openings to non-BPJS patients, the FY24 revenue growth should surpass the guidance (12.5-15%) with an EBITDA margin of 35.5-37%. MIKA has reorganized its marketing team to focus on priv. insurance and corp. clients separately in each account (covered patients business grew around 27%yoy, while the overall marketing costs only increased by 11%yoy in 1Q24). Meanwhile, for its Kasih Group, MIKA plans to increase bed capacity by ~200 in 2H24. **As such, we expect MIKA to further deliver stronger earnings for the remaining FY24 amid its organic strategy to obtain higher-intensity cases at an updated pricing level and a better payer mix.**

We raise our FY24/25F net profit estimates by +10.0/9.4%; Buy with a TP of Rp3,200

Incorporating the 1Q24 results, we raise our blended intensity growth forecast by 4%, and lower our total salary/drug cost estimates by 800/100bps in FY24 as we believe MIKA's strategy is starting to bear fruit. We upgrade our rating to Buy (from Hold prev.) with a higher TP of Rp3,200, implying 24.9/21.3x FY24/25F EV/EBITDA. Key risks are; 1) lower volume seasonality in 2Q24 and 4Q24 2) higher opex in overall 2H24 (incurred pre-operating costs of FY25 newly opened hospitals) 3) BPJS payer mix outgrew private patients as Kasih Group starting to expand, potentially dragging down intensity.

MIKA relative to JCI Index



Source: Bloomberg

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Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Revenue (Rpbn)	4,049	4,264	4,871	5,354	6,053
EBITDA (Rpbn)	1,518	1,501	1,813	2,114	2,595
EBITDA Growth (%)	(15.2)	(1.1)	20.8	16.6	22.7
Net Profit (Rpbn)	1,008	916	1,144	1,340	1,674
EPS Growth (%)	(17.2)	(9.1)	24.9	17.1	25.0
Dividend yield (%)	1.2	1.3	0.9	1.4	1.7
EV/EBITDA	26.0	26.2	21.7	18.6	15.1

Source: MIKA, BRIDS Estimates

Exhibit 1. 1Q24 Results Summary

MIKA (in Rpbm, unless stated)	1Q23	4Q23	1Q24	qoq, %	yoy, %	3M23	3M24	yoy, %	FY24F BRIDS Old	A/BRIDS,%	FY24F Cons.	A/Cons.,%
Revenue	1,028	1,107	1,243	12.3	21.0	1,028	1,243	21.0	4,723	26.3%	4,809	25.8%
<i>Drugs and medical supplies</i>	438	458	552	20.5	26.0	438	552	26.0	1,938	28.5%		
COGS	(523)	(551)	(577)	4.7	10.4	(523)	(577)	10.4	(2,406)	24.0%	(2,394)	24.1%
Gross profit	505	556	666	19.8	31.9	505	666	31.9	2,318	28.7%	2,415	27.6%
Opex	(222)	(259)	(291)	12.4	31.0	(222)	(291)	31.0	(1,017)	28.6%	(987)	29.5%
Op.Profit	283	297	375	26.1	32.6	283	375	32.6	1,301	28.8%	1,428	26.3%
EBITDA	361	376	463	23.1	28.2	361	463	28.2	1,691	27.4%	1,756	26.4%
Pre-tax profit	311	314	402	28.2	29.6	311	402	29.6	1,411	28.5%	1,540	26.1%
Net profit to common	231	230	289	25.6	25.3	231	289	25.3	1,040	27.8%	1,123	25.7%
<i>Drugs and medical supplies gross margin</i>	44.3%	42.2%	46.4%			44.3%	46.4%		61.6%			
<i>Drugs and medical supplies as% of revenue</i>	23.7%	23.9%	23.8%			23.7%	23.8%		15.7%			
<i>Salary expenses as %of revenue</i>	22.6%	21.8%	21.4%			22.6%	21.4%		30.0%			
Gross margin (%)	49.1	50.2	53.5	3.4	4.4	49.1	53.5	4.4	49.1		50.2	
Opex to sales (%)	(21.6)	(23.3)	(23.4)	(0.0)	(1.8)	(21.6)	(23.4)	(1.8)	(21.5)		(20.5)	
Operating margin (%)	27.5	26.9	30.2	3.3	2.7	27.5	30.2	2.7	27.5		29.7	
EBITDA margin (%)	35.1	34.0	37.2	3.3	2.1	35.1	37.2	2.1	35.8		36.5	
Net margin (%)	22.4	20.8	23.2	2.5	0.8	22.4	23.2	0.8	22.0		23.4	

Key Operational Indicators	1Q23	4Q23	1Q24	qoq, %	yoy, %
Inpatient Days ('000)	198	208	229	10.1%	15.7%
Inpatient Revenue per Days (IDR'000/days)	3,454	3,596	3,677	2.2%	6.5%
ALoS	2.83	2.70	2.79	3.4%	-1.3%
Outpatient Visits	711	739	763	3.2%	7.3%
Outpatient Revenue per Visits (IDR'000/visits)	484	486	526	8.2%	8.6%

Source: Company, BRIDS, Bloomberg

Exhibit 2. MIKA Forecast Changes

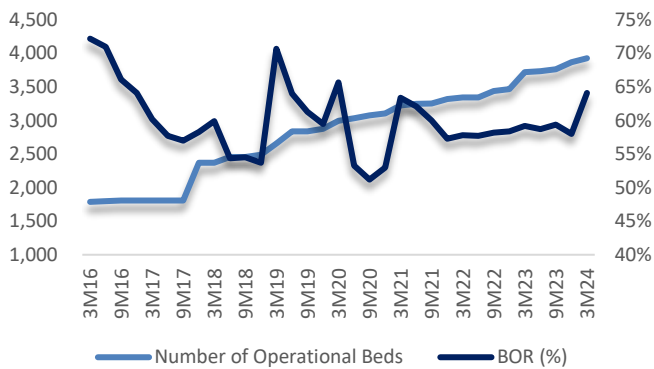
Assumptions	2024F			2025F		
	Prev	New	%Chg.	Prev	New	%Chg.
Inpatient revenue per inpatient days growth	4.0%	8.0%	4.0%	4.0%	4.0%	0.0%
Outpatient revenue per outp. Volume growth	4.0%	7.0%	3.0%	4.0%	4.0%	0.0%
Implied ASP growth	4.4%	8.4%	4.0%	4.4%	4.4%	0.0%
Patient volume growth	5.2%	5.4%	0.1%	5.2%	5.2%	0.0%
Drugs and medical supplies as % of revenue	22.9%	22.8%	-0.1%	22.8%	22.5%	-0.3%
Total salary expenses as % of revenue	22.8%	22.0%	-0.8%	21.7%	21.0%	-0.7%

Financials, IDRbn	2024F			2025F		
	Prev	New	%Chg.	Prev	New	%Chg.
Revenue	4,723	4,871	3.1%	5,191	5,354	3.1%
Gross profit	2,318	2,467	6.4%	2,596	2,767	6.6%
Operating profit	1,301	1,420	9.1%	1,518	1,665	9.7%
EBITDA	1,691	1,813	7.2%	1,949	2,114	8.5%
Net profit	1,040	1,144	10.0%	1,224	1,340	9.4%

Margins	2024F			2025F		
	Prev	New	%Chg.	Prev	New	%Chg.
Gross profit	49.1%	50.6%	1.6%	50.0%	51.7%	1.7%
Operating profit	27.5%	29.1%	1.6%	29.2%	31.1%	1.9%
EBITDA	35.8%	37.2%	1.4%	37.6%	39.5%	1.9%
Net profit	22.0%	23.5%	1.5%	23.6%	25.0%	1.4%

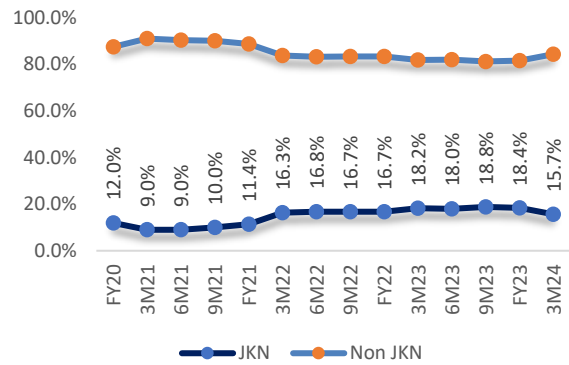
Source: BRIDS

Exhibit 3. MIKA Bed Occupancy Ratio (BOR%) Trend (3M24 jumps in occupancy as IP admissions grew strongly by 16%)



Source: Company, BRIDS

Exhibit 4. MIKA's Payer Mix (4Q23 showed signs of decreasing BPJS numbers)



Source: Company, BRIDS

Exhibit 5. MIKA's Seasonality Trend

IP Volume Trend (Contribution to FY)	2016	2017	2018	2019	2020	2021	2022	2023	Avg. exclude pandemic
1Q	27.8%	23.8%	26.2%	27.1%	29.7%	26.5%	23.5%	24.2%	25.4%
2Q	27.1%	23.1%	23.4%	25.6%	19.1%	26.1%	23.6%	24.3%	24.5%
3Q	22.4%	22.8%	25.4%	23.4%	22.9%	24.1%	26.8%	26.1%	24.5%
4Q	22.8%	30.3%	25.0%	23.9%	28.4%	23.3%	26.1%	25.4%	25.6%

OP Volume Trend (Contribution to FY)	2016	2017	2018	2019	2020	2021	2022	2023	Avg. exclude pandemic
1Q	26.2%	24.2%	25.5%	24.6%	33.6%	24.7%	24.4%	24.9%	24.9%
2Q	24.7%	22.9%	24.1%	23.2%	16.2%	25.4%	23.8%	23.6%	23.7%
3Q	23.7%	23.4%	25.0%	26.2%	24.1%	23.7%	25.5%	25.6%	24.9%
4Q	25.4%	29.5%	25.5%	26.0%	26.1%	26.2%	26.3%	25.9%	26.4%

Source: Company, BRIDS

Exhibit 6. MIKA's Valuation Summary

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
EBIT * (1-tax)	927	1,120	1,313	1,640	2,125	2,621	3,193	3,743	4,256	5,015	5,871	6,923
Depreciation	276	343	401	465	541	627	725	838	960	1,099	1,249	1,419
Change in working capital	(396)	122	(18)	(27)	(38)	(40)	(46)	(56)	(64)	(72)	(80)	(91)
Capex	639	1,000	1,099	1,242	1,443	1,646	1,873	2,138	2,322	2,641	2,842	3,223
Minority interest	80	80	80	80	80	80	80	80	80	80	80	80
FCFF	88	505	517	756	1,105	1,481	1,919	2,307	2,750	3,321	4,118	4,948
<i>Growth</i>			2%	46%	46%	34%	30%	20%	19%	21%	24%	20%
Discount factor	1.00	1.00	1.10	1.21	1.33	1.46	1.60	1.76	1.93	2.12	2.33	2.56
Present value of FCFF	88	505	470	626	834	1,018	1,200	1,313	1,425	1,567	1,769	1,935
Terminal value												79,426
PV of terminal value												31,063
NPV												
Net debt (as of end 2024)	IDR Bn	43,727										
	IDR Bn	(765)										
Equity value	IDR Bn	44,493										
Outstanding share	Bn sh	14.08										
Equity value per share	IDR/sh	3,161										
Target price	IDR/sh	3,200										
Current price	IDR/sh	2,850										
% upside/(downside)	%	12.3%										

Assumptions		
Market return (Rm)	%	14.20%
Risk free rate	%	7.50%
Market risk premium	%	6.70%
Tax rate	%	21.16%
Adjusted Beta	x	0.35
Debt to Equity value 2024	x	0%
Cost of equity	%	9.85%
Cost of debt	%	0.00%
WACC	%	9.84%
Terminal growth	%	3.0%

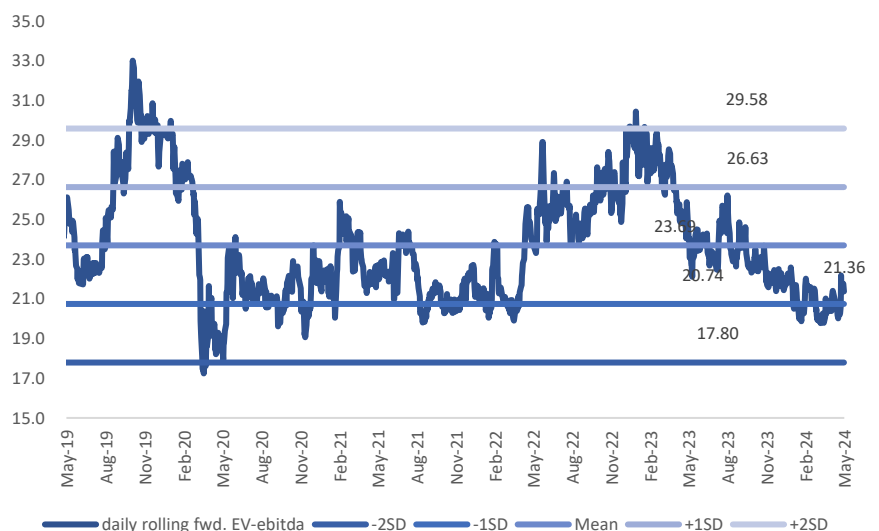
Source: BRIDS

Exhibit 7. MIKA's Peers Valuation

Ticker	Company	Mkt.Cap (US\$ mn.)	EV/EBITDA	
			FY24F	FY25F
Healthcare Indonesia				
HEAL IJ*	MEDIKALOKA HERMINA TBK PT	1,197	12.8	11.3
MIKA IJ*	MITRA KELUARGA KARYASEHAT TBK	2,541	22.1	19.0
SILO IJ*	SILOAM INTERNATIONAL HOSPITAL	1,919	12.4	10.5
Emerging Market Peers				
000516 CH	XIAN INTERNATIONAL MEDICAL-A	1,795	18.5	13.8
NARH IN	NARAYANA HRUDAYALAYA LTD	3,151	22.3	19.7
MEDANTA in	GLOBAL HEALTH LTD/INDIA	4,649	44.4	36.7
301239 CH	CHENGDU BRIGHT EYE HOSPITA-A	1,017	14.8	10.6
ASTERDM IN	ASTER DM HEALTHCARE LTD	2,084	12.0	10.2
KIMS IN	KRISHNA INSTITUTE OF MEDICAL	1,950	25.7	21.3
RAM TB	RAMKHAMHAENG HOSPITAL PUB CO	1,009	28.5	24.0
IHH MK	IHH SINGAPORE	11,686	13.8	12.9
TNH VN	THAI NGUYEN INTL HSPTL JSC	90	10.2	8.4
BH TB	BUMRUNGRAD HOSPITAL PCL	5,240	18.9	17.8
BDMS TB	BANGKOK DUSIT MED SERVICE	12,400	18.1	16.7
KPJ MK	KPJ HEALTHCARE BERHAD	1,848	14.2	13.5
OPTIMAX MK	OPTIMAX HOLDINGS BHD	73	10.4	9.1
RFMD SP	RAFFLES MEDICAL GROUP LTD	1,359	12.0	11.2
MPARK TI	MLP SAGLIK HIZMETLERI AS	1,503	6.1	n.a
Developed Market Peers				
HCA US	HCA HEALTHCARE INC	81,842	9.3	8.8
UHS US	UNIVERSAL HEALTH SERVICES-B	11,460	8.1	7.7
THC US	TENET HEALTHCARE CORP	11,501	7.3	7.1
CYH US	COMMUNITY HEALTH SYSTEMS INC	478	8.1	7.7
RHC AU	RAMSAY HEALTH CARE LTD	7,615	10.7	9.7
Indonesia				
Median		1,919	12.8	11.3
Simple Average		1,886	15.8	13.6
Weighted Average		2,046	16.9	14.5
Emerging Market Peers				
Median		1,884	14.8	13.6
Simple Average		3,084	18.0	16.1
Weighted Average		6,879	19.4	17.0
Developed Market Peers				
Median		11,460	8.1	7.7
Simple Average		22,579	8.7	8.2
Weighted Average		62,181	9.1	8.6

Source: *BRIDS Estimates, Bloomberg

Exhibit 8. MIKA's Rolling Fwd EV/EBITDA Band



Source: BRIDS, Bloomberg

Exhibit 9. Income Statement

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Revenue	4,049	4,264	4,871	5,354	6,053
COGS	(1,972)	(2,136)	(2,404)	(2,587)	(2,805)
Gross profit	2,077	2,128	2,467	2,767	3,248
EBITDA	1,518	1,501	1,813	2,114	2,595
Oper. profit	1,284	1,176	1,420	1,665	2,080
Interest income	58	72	72	66	64
Interest expense	(13)	(15)	(15)	(14)	(14)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	57	31	76	84	95
Pre-tax profit	1,386	1,264	1,553	1,801	2,225
Income tax	(292)	(267)	(328)	(381)	(471)
Minority interest	(86)	(80)	(80)	(80)	(80)
Net profit	1,008	916	1,144	1,340	1,674
Core Net Profit	1,008	916	1,144	1,340	1,674

Exhibit 10. Balance Sheet

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Cash & cash equivalent	696	843	767	745	840
Receivables	467	724	707	778	879
Inventory	63	82	79	85	94
Other Curr. Asset	107	128	139	142	146
Fixed assets - Net	3,430	3,810	4,449	5,129	5,888
Other non-curr.asset	994	769	1,102	1,187	1,303
Total asset	6,918	7,341	8,277	9,152	10,291
ST Debt	0	0	0	0	0
Payables	294	276	295	322	358
Other Curr. Liabilities	359	279	376	413	467
Long Term Debt	0	0	0	0	0
Other LT. Liabilities	134	183	227	270	315
Total Liabilities	786	738	898	1,005	1,141
Shareholder's Funds	5,424	5,823	6,600	7,368	8,372
Minority interests	708	777	777	777	777
Total Equity & Liabilities	6,918	7,338	8,276	9,150	10,289

Exhibit 11. Cash Flow

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Net income	1,008	916	1,144	1,340	1,674
Depreciation and Amort.	233	276	343	401	465
Change in Working Capital	(396)	122	(18)	(27)	(38)
Other Oper. Cash Flow	(6)	348	292	439	617
Operating Cash Flow	839	1,662	1,762	2,152	2,718
Capex	(985)	(422)	(1,320)	(1,160)	(1,333)
Others Inv. Cash Flow	738	(947)	107	(227)	(296)
Investing Cash Flow	(246)	(1,369)	(1,212)	(1,387)	(1,629)
Net change in debt	0	3	(1)	0	0
New Capital	0	0	0	0	0
Dividend payment	(501)	(515)	(366)	(572)	(670)
Other Fin. Cash Flow	(290)	69	(1)	0	0
Financing Cash Flow	(791)	(443)	(368)	(572)	(670)
Net Change in Cash	(198)	(150)	181	193	420
Cash - begin of the year	1,283	696	843	767	745
Cash - end of the year	696	843	767	745	840

Exhibit 12. Key Ratio

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Growth (%)					
Sales	(7.0)	5.3	14.2	9.9	13.1
EBITDA	(15.2)	(1.1)	20.8	16.6	22.7
Operating profit	(19.5)	(8.4)	20.7	17.3	24.9
Net profit	(18.0)	(9.1)	24.9	17.1	25.0
Profitability (%)					
Gross margin	51.3	49.9	50.6	51.7	53.7
EBITDA margin	37.5	35.2	37.2	39.5	42.9
Operating margin	31.7	27.6	29.1	31.1	34.4
Net margin	24.9	21.5	23.5	25.0	27.7
ROAA	14.6	12.8	14.7	15.4	17.2
ROAE	18.8	16.3	18.4	19.2	21.3
Leverage					
Net Gearing (x)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Interest Coverage (x)	99.8	75.9	91.6	118.0	151.8

Source : MIKA, BRIDS Estimates

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INVESTMENT RATING

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

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