Buy

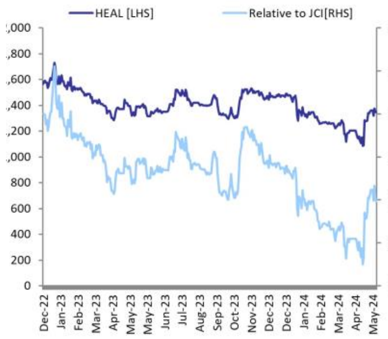
(Maintained)

Last Price (Rp)	**1,345**
Target Price (Rp)	**2,000**
Previous Target Price (Rp)	***1,800***
Upside/Downside	**+48.7%**
No. of Shares (mn)	**14,713**
Mkt Cap (Rpbn/US$mn)	**19,789/1,243**
Avg, Daily T/O (Rpbn/US$mn)	**11.1/0.7**
Free Float (%)	**28.6**
Major Shareholder (%)	
Yulisar Khiat	**11.7**
Astra International	**7.4**

EPS Consensus (Rp)

	2024F	**2025F**	**2026F**
BRIDS	44.7	54.1	63.2
Consensus	40.6	47.8	58.2
BRIDS/Cons (%)	**10.2**	**13.1**	**8.6**

HEAL relative to JCI Index



Source: Bloomberg

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Medikaloka Hermina (HEAL IJ)

Expect volume growth and efficiency effort to sustain earnings momentum in 2Q24 onwards

- **1Q24 performance has showcased HEAL's cost-control optimization, volume expansion through operating additional beds and ASP increase.**
- **We raise our FY24/25F net profit est. by +10/+14%, as we adjust our blended volume growth, amid continued strong traffic YTD.**
- **We reiterate BUY rating on its solid earnings growth prospect, with a higher TP of Rp2,000.**

Strong traffic volume to sustain earnings momentum in 2Q24 onwards

We believe HEAL's 1Q24 performance has showcased management's initiatives of cost-control optimization of and volume expansion through operating additional beds (+745 beds in 1Q24, 68% of mgmt. FY24 target), on top of the 1Q24 blended ASP increases of ~3%. While patient traffic in Apr24 may likely reflect seasonal effect due to Eid holiday (weaker m-m), we believe the rest of 2Q24-3Q24 traffic should normalize. Based on our check, patient traffic in primary care facilities in Jakarta area showed +27% growth YTD **(exh.10)**, with JKN volume referred to HEAL at ~5-6%. (our previous note).

We raise our FY24/25F net profit est. by +10/+14%

HEAL reiterates its plans to add four new hospitals in FY24 **(exh.11)**, which we expect to aid volume growth (though this will be accompanied by an increase in pre-operating salary costs, estimated at around 1-1.5% of revenue)**.** Incorporating the 1Q24 results, we raised our FY24F IP/OP volume growth forecast by +9%/ +1%, and lowered our drug cost estimates by 250bps as we believe impact of cost optimization shall continue **(exh.2)**.

Expect strong earnings momentum to be sustained in 2Q24-3Q24

Compared with historical quarterly contribution, our new earnings forecasts imply a seasonal qoq decline in 2Q24 net profit, yet still a healthy growth of around 40%yoy. Meanwhile, we expect 3Q24 earnings to show c.20-30% growth in both qoq and yoy basis **(exh.5)**.

We reiterate Buy rating with a higher TP of Rp2,000

We maintain our Buy rating on the stock on the solid earnings growth outlook with a higher TP of Rp2,000 (from Rp1,800 prev.), based on our DCF valuation. Our new TP implies 16.6/14.6x FY24/25F EV/EBITDA, a 7% discount to regional average **(exh.8)**. Key risks are minimum intensity growth and higher opex in 2H24.

Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Revenue (Rpbn)	4,902	5,784	6,747	7,751	8,952
EBITDA (Rpbn)	1,106	1,476	1,914	2,177	2,459
EBITDA Growth (%)	(49.2)	33.5	29.7	13.7	12.9
Net Profit (Rpbn)	299	437	648	784	917
EPS (Rp)	20.3	30.2	44.7	54.1	63.2
EPS Growth (%)	(70.0)	48.6	48.3	20.9	16.9
BVPS (Rp)	233.9	266.8	302.5	343.3	390.3
DPS (Rp)	6.1	7.1	8.9	13.2	15.9
PER (x)	66.3	44.6	30.1	24.9	21.3
PBV (x)	5.8	5.0	4.4	3.9	3.4
Dividen yield (%)	0.5	0.5	0.7	1.0	1.2
EV/EBITDA	18.3	14.3	10.7	9.2	8.0

Source: HEAL, BRIDS Estimates

Exhibit 1. 1Q24 Results Summary

Hermina Hospitals

Key Operational Indicators	1Q23	4Q23	1Q24	qoq, %	yoy, %	3M23	3M24	yoy, %
Inpatient Days ('000)	388	499	522	4.7	34.5	388	522	34.5
Inpatient Revenue per Days (IDR'000/days)	2,011	1,836	1,985	8.1	(1.3)	2,011	1,985	(1.3)
Bed Occupancy Rate (%)						67%	78%	11.0%
Outpatient Visits ('000 visits)	1,900	2,300	2,200	(4.3)	15.8	1,900	2,200	15.8
Outpatient Revenue per Visits (IDR'000/patient)	284	266	286	7.6	0.8	284	286	0.8

JKN Portion to IP Days: FY23 75%, 3M24 73%
JKN Portion to OP Visits: FY23 68%, 3M24 69%

Financial Performance	1Q23	4Q23	1Q24	qoq, %	yoy, %	3M23	3M24	yoy, %	A/BRIDS	A/Cons.
Revenue	1,353	1,554	1,706	9.8	26.2	1,353	1,706	26.2	27.5%	26.1%
Medicine Cost as % of Revenue	23.5%	22.3%	21.6%			23.5%	21.6%			
EBITDA	333	391	492	25.9	47.9	333	492	47.9	30.5%	27.4%
Margin	24.6%	25.2%	28.9%							
Net Income to Common	109	89	191	115.7	75.3	109	191	75.3	31.9%	31.2%

Source: Company, BRIDS, Bloomberg

Exhibit 2. HEAL Forecast Changes

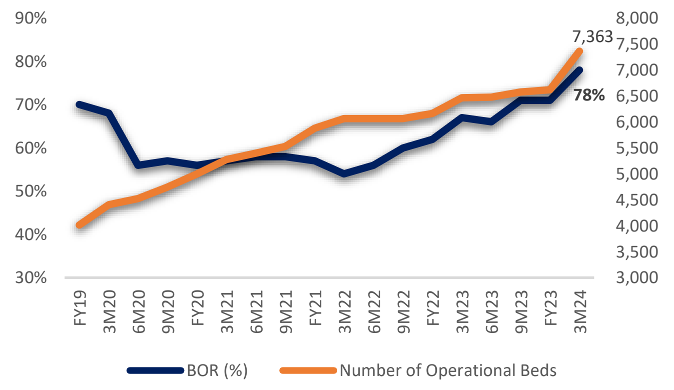
Assumptions	2024F			2025F		
	Prev	New	*% changes*	Prev	New	*% changes*
Inpatient revenue per inpatient days growth	5.0%	5.0%	*0.0%*	5.5%	5.5%	*0.0%*
Outpatient revenue per outp. Volume growth	7.5%	7.5%	*0.0%*	7.5%	7.5%	*0.0%*
Inpatient days growth	3.6%	12.8%	*9.2%*	3.5%	8.8%	*5.3%*
Outpatient volume growth	5.0%	6.0%	*1.0%*	6.5%	7.0%	*0.5%*
Revenue growth	10.5%	16.6%	*6.2%*	11.4%	14.9%	*3.5%*
Drugs and medical supplies as % of revenue	24.8%	22.3%	*-2.5%*	24.5%	22.1%	*-2.4%*
Total salary expenses as % of revenue	28.8%	30.0%	*1.1%*	29.5%	30.8%	*1.3%*

Financials, IDRbn	2024F			2025F		
	Prev	New	*% changes*	Prev	New	*% changes*
Revenue	6,214	6,747	*8.6%*	6,922	7,751	*12.0%*
Gross profit	2,234	2,603	*16.5%*	2,514	3,006	*19.6%*
Operating profit	877	1,150	*31.1%*	1,010	1,330	*31.8%*
EBITDA	1,615	1,914	*18.6%*	1,828	2,177	*19.1%*
Net profit	598	656	*9.6%*	696	792	*13.8%*

Margins	2024F			2025F		
	Prev	New	*% changes*	Prev	New	*% changes*
Gross profit	36.0%	38.6%	*2.6%*	36.3%	38.8%	*2.5%*
Operating profit	14.1%	17.0%	*2.9%*	14.6%	17.2%	*2.6%*
EBITDA	26.0%	28.4%	*2.4%*	26.4%	28.1%	*1.7%*
Net profit	9.6%	9.7%	*0.1%*	10.1%	10.2%	*0.2%*

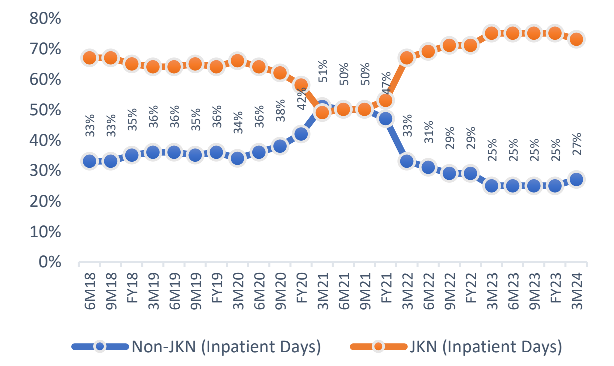
Source: BRIDS

Exhibit 3. HEAL Bed Occupancy Ratio (BOR%) Trend (3M24 jumps in occupancy as IP admissions grew strongly by 30%yoy)



Source: Company, BRIDS

Exhibit 4. HEAL's Payer Mix (1Q24 showed signs of growing private patient mix)



Source: Company, BRIDS

Exhibit 5. HEAL's Seasonality Trend (Volume and Net Profit)

IP Volume Trend (%Contribution to FY)	2019	2020	2021	2022	2023	Avg.	Avg. ex-COVID	1Q24 IP Days	Hypothetical FY24	%yoy
1Q	26%	29%	24%	22%	22%	25%	23%	522	2,123	23%
2Q	24%	20%	25%	23%	23%	23%	23%			
3Q	25%	24%	25%	27%	26%	25%	26%			
4Q	26%	27%	26%	28%	29%	27%	28%			

OP Volume Trend (%Contribution to FY)	2019	2020	2021	2022	2023	Avg.	Avg. ex-COVID	1Q24 OP Visits	Hypothetical FY24	%yoy
1Q	26%	36%	22%	23%	24%	26%	24%	2,200	8,444	6%
2Q	21%	16%	26%	23%	22%	21%	22%			
3Q	26%	24%	22%	27%	26%	25%	26%			
4Q	26%	24%	30%	27%	29%	27%	27%			

Net Profit Quarterly Trend (%Contribution to FY)	2019	2020	2021	2022	2023	Avg.	Avg. ex-COVID	1Q24 Net Profit	BRIDS FY24		%yoy
1Q	22%	15%	28%	37%	25%	26%	28%	191	656		50%
2Q	34%	7%	26%	18%	21%	21%	24%	Forecast Quarter	Net Profit	%qoq	%yoy
3Q	26%	33%	23%	27%	33%	29%	29%	1Q-A	191		
4Q	18%	45%	22%	18%	20%	25%	19%	2Q-F	139	-27%	49%
								3Q-F	188	35%	28%

Source: Company, BRIDS

Exhibit 6. HEAL's Valuation Summary

FCFF Projection HEAL		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
			0	1	2	3	4	5	6	7	8	9	10
EBIT * (1-tax)	+	615	905	1,047	1,199	1,386	1,632	1,907	2,253	2,531	2,885	3,296	3,774
Depreciation	+	646	707	786	870	962	1,085	1,198	1,318	1,455	1,597	1,759	1,944
Change in working capital	+	81	(9)	30	39	42	45	48	51	69	72	81	92
Capex	-	1,412	1,287	1,135	1,223	1,312	1,750	1,608	1,695	1,932	1,998	2,275	2,592
Minority interest	-	122	188	228	266	315	375	444	532	607	701	810	936
FCFF		**(193)**	**128**	**501**	**619**	**763**	**637**	**1,102**	**1,394**	**1,516**	**1,854**	**2,051**	**2,282**
%yoy					24%	23%	-16%	73%	27%	9%	22%	11%	11%
Discount factor			1.00	1.08	1.17	1.26	1.36	1.47	1.59	1.71	1.85	2.00	2.16
Present value of FCFF			128	464	530	606	468	750	878	884	1,001	1,026	1,056
Terminal value													49,232
PV of terminal value													22,789

NPV	**IDR Bn**	**30,581**
Net debt (as of end 2024)	IDR Bn	810
Equity value	IDR Bn	29,771
Outstanding share	Bn sh	14.71
Equity value per share	IDR/sh	2,023
Target price	**IDR/sh**	**2,000**
Current price	IDR/sh	1,345
% upside/(downside)	%	48.7%
Rating		**BUY**

Assumptions	
Market return (Rm)	14.2%
Risk free rate	7.5%
Market risk pren	6.7%
Tax rate	21.3%
Adjusted Beta	0.3
Debt portion 2024	37.0%
Cost of equity	9.4%
Cost of debt	7.2%
WACC	**8.0%**
Terminal growth	3.0%

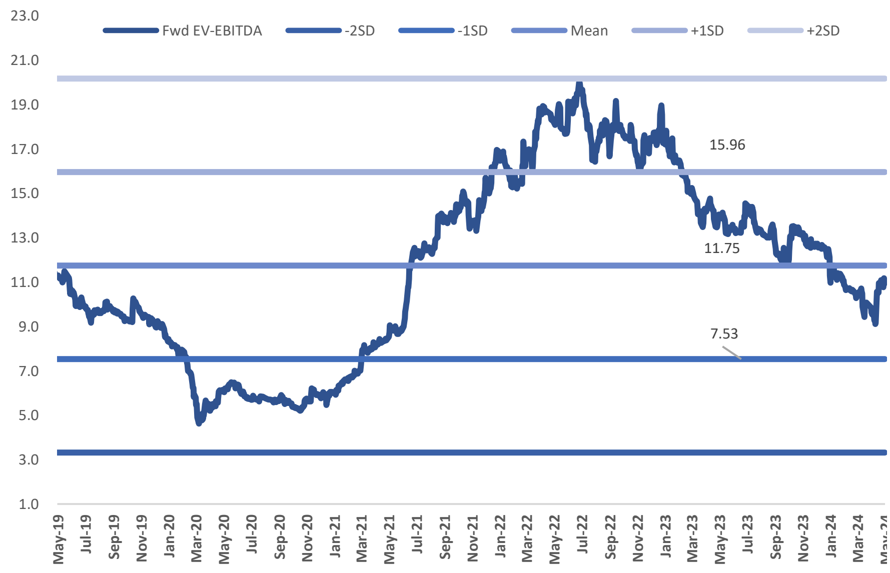
Source: BRIDS

Exhibit 7. HEAL's Peers Valuation

Ticker	Company	Mkt.Cap (US$ mn.)	EV/EBITDA	
			FY24F	FY25F
Healthcare Indonesia				
HEAL IJ*	MEDIKALOKA HERMINA TBK PT	1,302	11.5	10.2
MIKA IJ*	MITRA KELUARGA KARYASEHAT TBK	2,728	23.8	20.4
SILO IJ*	SILOAM INTERNATIONAL HOSPITAL	2,058	9.5	8.0
Emerging Market Peers				
000516 CH	XIAN INTERNATIONAL MEDICAL-A	1,835	19.9	14.1
NARH IN	NARAYANA HRUDAYALAYA LTD	3,069	22.4	19.7
MEDANTA in	GLOBAL HEALTH LTD/INDIA	4,511	43.5	35.9
301239 CH	CHENGDU BRIGHT EYE HOSPITA-A	976	12.8	9.9
ASTERDM IN	ASTER DM HEALTHCARE LTD	2,098	12.1	10.3
KIMS IN	KRISHNA INSTITUTE OF MEDICAL	1,875	24.9	20.7
RAM TB	RAMKHAMHAENG HOSPITAL PUB CO	1,032	27.9	23.5
IHH MK	IHH SINGAPORE	11,660	13.5	12.6
TNH VN	THAI NGUYEN INTL HSPTL JSC	86	9.9	8.1
BH TB	BUMRUNGRAD HOSPITAL PCL	5,532	19.3	18.1
BDMS TB	BANGKOK DUSIT MED SERVICE	12,677	18.0	16.7
KPJ MK	KPJ HEALTHCARE BERHAD	1,855	14.2	13.5
OPTIMAX MK	OPTIMAX HOLDINGS BHD	74	10.7	9.4
RFMD SP	RAFFLES MEDICAL GROUP LTD	1,419	12.5	11.7
MPARK TI	MLP SAGLIK HIZMETLERI AS	1,764	8.0	n.a
Developed Market Peers				
HCA US	HCA HEALTHCARE INC	85,635	9.6	9.1
UHS US	UNIVERSAL HEALTH SERVICES-B	12,197	8.4	8.0
THC US	TENET HEALTHCARE CORP	12,989	7.6	7.3
CYH US	COMMUNITY HEALTH SYSTEMS INC	524	8.2	7.7
RHC AU	RAMSAY HEALTH CARE LTD	7,802	10.7	9.7
Indonesia				
Median		2,058	11.5	10.2
Simple Average		2,029	15.0	12.9
Weighted Average		2,196	16.4	14.0
Emerging Market Peers				
Median		1,865	14.2	13.8
Simple Average		3,142	18.0	16.0
Weighted Average		6,937	19.2	16.7
Developed Market Peers				
Median		12,197	8.4	8.0
Simple Average		23,829	8.9	8.4
Weighted Average		64,727	9.3	8.8

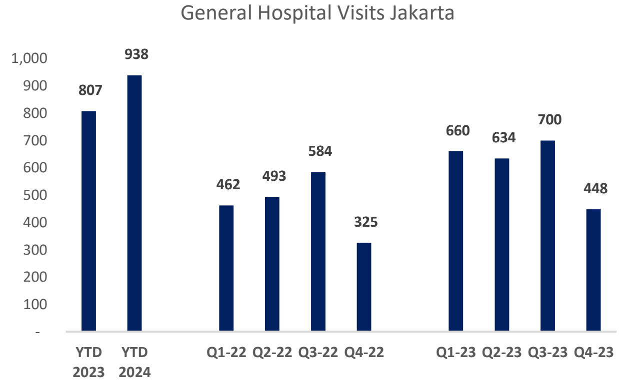
*Source: *BRIDS, Bloomberg*

Exhibit 8. HEAL's daily rolling fwd. EV/EBITDA Band



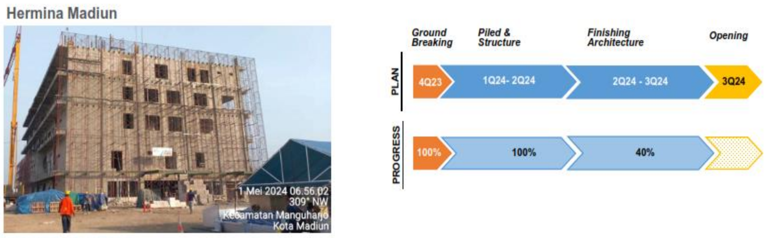
Source: BRIDS Estimates

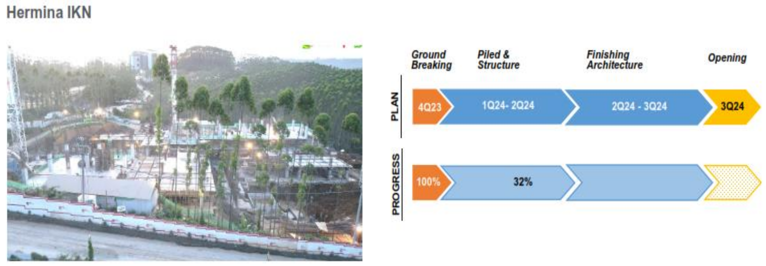
Exhibit 9. Jakarta's Primary Care Facility (Puskesmas) and General Hospitals (RSUD) Patient Visits

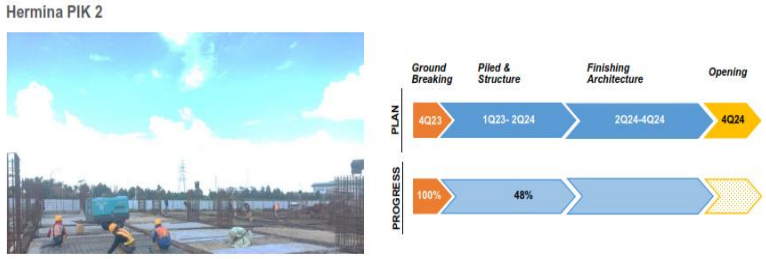


Source: Dinkes Jakarta

Exhibit 10. HEAL New Hospitals Opening Pipeline (planned for 100 beds opening each), BRIDS Estimates of Pre-Op Costs







BRIDS Estimates of Salary Cost Increases			
Employee Cost Total	Rpbn	FY23	1,726
Total Employee	#	FY23	16,749
Salary Cost per year	Rpmn/employee	FY23	103
New Hospital Requires	#	Estimates	150
Hospital Addition	#	Company	4
Total New Employee	#	Estimates	600
Composition of Employee			
New Recruitment	%	Estimates	70%
Transferred with Double Cost	%	Estimates	30%
Estimates of Arising Costs in FY24			
New Recruitment	Rpbn	Estimates	43
Transferred with Double Costs	Rpbn	Estimates	37
FY24 Revenue	Rpbn		6,747
New Costs as % of Revenue	**%**		**1.2%**

Source: Company

Exhibit 11. Income Statement

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Revenue	**4,902**	**5,784**	**6,747**	**7,751**	**8,952**
COGS	(3,193)	(3,709)	(4,144)	(4,745)	(5,478)
Gross profit	**1,708**	**2,075**	**2,603**	**3,006**	**3,474**
EBITDA	**1,106**	**1,476**	**1,914**	**2,177**	**2,459**
Oper. profit	**516**	**781**	**1,150**	**1,330**	**1,523**
Interest income	33	32	34	71	94
Interest expense	(140)	(140)	(185)	(189)	(198)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	71	37	63	73	84
Pre-tax profit	**480**	**710**	**1,063**	**1,285**	**1,503**
Income tax	(101)	(151)	(226)	(273)	(320)
Minority interest	(80)	(122)	(188)	(228)	(266)
Net profit	**299**	**437**	**648**	**784**	**917**
Core Net Profit	**299**	**437**	**648**	**784**	**917**

Exhibit 12. Balance Sheet

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Cash & cash equivalent	775	855	1,772	2,333	2,990
Receivables	898	963	1,088	1,245	1,432
Inventory	100	117	121	138	159
Other Curr. Asset	17	14	17	19	22
Fixed assets - Net	5,110	5,874	6,422	6,740	7,061
Other non-curr.asset	691	979	677	778	899
Total asset	**7,591**	**8,803**	**10,098**	**11,254**	**12,563**
ST Debt	148	255	473	491	527
Payables	815	924	886	1,014	1,170
Other Curr. Liabilities	748	374	555	637	735
Long Term Debt	1,040	1,880	2,040	2,123	2,224
Other LT. Liabilities	156	171	241	267	235
Total Liabilities	**2,906**	**3,604**	**4,194**	**4,532**	**4,892**
Shareholder'sFunds	3,441	3,869	4,387	4,977	5,660
Minority interests	1,245	1,329	1,517	1,745	2,011
Total Equity & Liabilities	**7,591**	**8,803**	**10,098**	**11,254**	**12,563**

Exhibit 13. Cash Flow

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Net income	299	437	648	784	917
Depreciation and Amort.	554	646	707	786	870
Change in Working Capital	(74)	(103)	(137)	(83)	(106)
OtherOper. Cash Flow	(68)	189	238	125	159
Operating Cash Flow	**711**	**1,170**	**1,457**	**1,612**	**1,840**
Capex	(1,126)	(1,410)	(1,256)	(1,103)	(1,191)
Others Inv. Cash Flow	(75)	(268)	318	(82)	(98)
Investing Cash Flow	**(1,202)**	**(1,678)**	**(938)**	**(1,185)**	**(1,290)**
Net change in debt	71	522	321	101	74
New Capital	74	107	0	0	0
Dividend payment	(90)	(105)	(131)	(194)	(234)
Other Fin. Cash Flow	(77)	65	207	228	266
Financing Cash Flow	**(21)**	**589**	**397**	**135**	**106**
Net Change in Cash	**(512)**	**80**	**916**	**562**	**657**
Cash - begin of the year	1,287	775	855	1,772	2,333
Cash - end of the year	775	855	1,772	2,333	2,990

Exhibit 14. Key Ratio

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Growth (%)					
Sales	(16.5)	18.0	16.6	14.9	15.5
EBITDA	(49.2)	33.5	29.7	13.7	12.9
Operating profit	(70.3)	51.2	47.3	15.7	14.5
Net profit	(70.0)	46.5	48.3	20.9	16.9
Profitability (%)					
Gross margin	34.9	35.9	38.6	38.8	38.8
EBITDA margin	22.6	25.5	28.4	28.1	27.5
Operating margin	10.5	13.5	17.0	17.2	17.0
Net margin	6.1	7.6	9.6	10.1	10.2
ROAA	3.9	5.3	6.9	7.3	7.7
ROAE	8.8	12.0	15.7	16.7	17.2
Leverage					
Net Gearing (x)	0.1	0.2	0.1	0.0	0.0
Interest Coverage (x)	3.7	5.6	6.2	7.0	7.7

Source: HEAL, BRIDS Estimates

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BRI Danareksa Sales Traders

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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