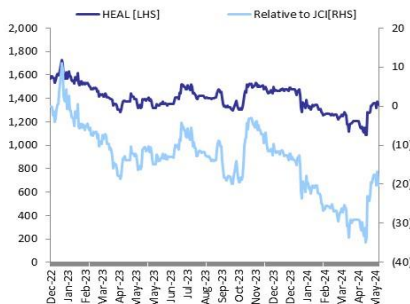


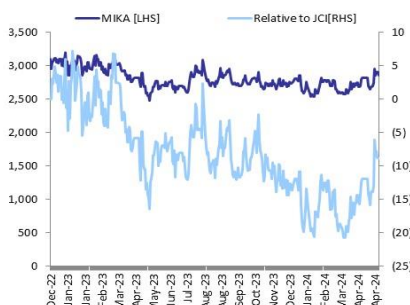
Overweight

(Maintained)

HEAL relative to JCI Index



MIKA relative to JCI Index



Source: Bloomberg

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Healthcare

KTAs from the meeting with ARSSI: KRIS and Single-Tariff JKN Still Awaits Further Regulation

- ARSSI expects non-chain hospitals' dependency on JKN to continue in FY25F and the KRIS-JKN single tariff to be subject to further regulation.
- KRIS implementation might impact the capex of hospitals, but ARSSI members are generally prepared to adjust to a 4 beds/room layout.
- We retain our OW rating on the sector. HEAL (Buy, TP Rp2,000) remains our top pick given its resiliency from serving the whole middle-class.

Non-Chain Hospitals' high dependency on JKN expected to continue in FY25F

According to the Indonesian Private Hospitals Association (ARSSI), business for solitary hospitals (non-chain/non-group) is highly dependent on JKN patients, and it expects this trend to continue in FY25F. We have shared a similar view since mid-FY23, as we expect the overall weak purchasing power to impact the ability of corporates/individuals to retain private healthcare coverage. Despite this, we believe ARSSI's view backs our thesis that the listed hospital network has a competitive edge from its wide offering of complex treatments and ability to attract doctors, with healthy revenue drivers (overall 1Q24 revenue intensity at +4%yoy, while the JKN payer mix is relatively stable or even trending lower (exh.7)

Implementation of KRIS and Single-Tariff JKN: Awaits Further Regulation
ARSSI indicated that its members already comply with 11 of 12 KRIS standards (exh.6), showing their preparedness for the implementation of standardized inpatient rooms, except for the 4 beds/room layout prerequisites. As complying with the latter standard will require additional capex/extra space in the hospital, the association generally views that its members will only make the adjustments according to their financial capacity and existing space (e.g., adjusting a 5 beds/room or 3 beds/room layout to 4 beds/room). ARSSI still awaits further regulation to ensure the standardized of service is still delivered well and to avoid negative perceptions from JKN users (i.e. Class-1 JKN users). Meanwhile, it sees that the Single-Tariff Implementation (including the new rate) still awaits further regulation, which is expected to be released at the end of FY24 to early FY25.

Coordination of Benefit (CoB): Hurdles from Limited Product Penetration

ARSSI stated that its members are already prepared for any extra volume from CoB patients (Current portion: <10% of total ARSSI patients). However, it noted that the current challenge for CoB comes from the limited product penetration from the private insurance side. ARSSI believes that a more significant impact for its members' financials might come if there is a double upgrade from JKN services to VIP Class (hence, uplifting revenue intensity).

Maintain OW on the sector's attractive growth; HEAL is our top pick

We remain OW on the sector amid its most defensive growth in the JCI (FY24F EBITDA/net profit growth at +15%/+14%yoy), with healthy revenue drivers and a competitive edge for the listed operators. HEAL remains our top pick in the sector, as the company is less susceptible to economic turmoil by catering to the entire middle class. Our DCF-based TP for HEAL of Rp2,000 implies 16.6/14.6x FY24F/FY25F EV/EBITDA at a 6% disc. to the regional avg. of 17.6/16.3x. Key risks to our view are lower revenue intensity and a JKN deficit.

Company	Ticker	Rec	Target Price (Rp)	Market Cap. (RpBn)	EV/EBITDA (x)		P/E (x)		ROE (%)
					2024F	2025F	2024F	2025F	
Medikaloka Hermina	HEAL IJ	BUY	2,000	19,789.1	11.7	10.3	30.1	24.9	16.7
Siloam Hospitals	SILO IJ	BUY	2,900	30,763.8	12.3	9.1	22.4	18.5	16.4
Mitra Keluarga	MIKA IJ	BUY	3,200	40,118.0	23.1	19.8	35.1	29.9	19.2

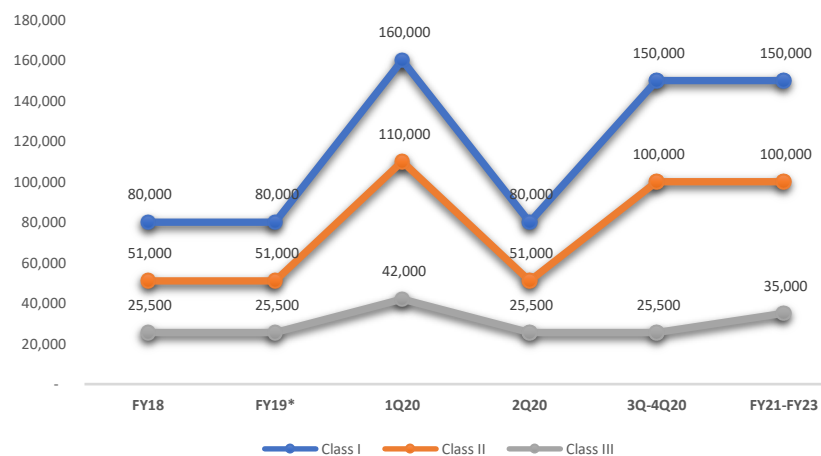
ARSSI's View on JKN

ARSSI believes the current tariff scheme, which has been in place for ten years, is ideal. However, it understands the government's ultimate goal of enhancing services for class III JKN users through KRIS, and therefore, recognizes the need for a new premium level for JKN members.

ARSSI's JKN Users Profile

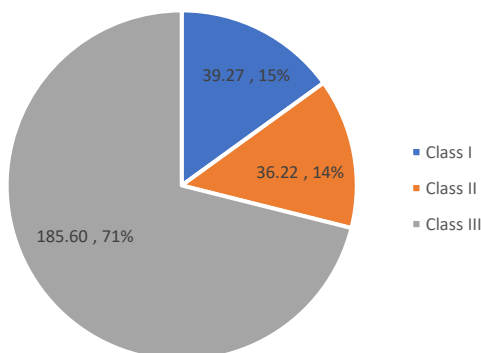
ARSSI members include 1,900 of the 3,100 hospitals in Indonesia and it reports that 80% of their patient profile consists of JKN users, with the exception of the larger hospital chains where this percentage is slightly lower. The distribution of JKN users is approximately 35% in Class I, 15% in Class II, and 40-50% in Class III. We believe this situation will necessitate government adjustments to consider the purchasing power of Class III members in determining the new premium rate. This adjustment will be a critical factor for hospital companies' receivables as well as the financial surplus or deficit of JKN. Based on DJSN (*Dewan Jaminan Sosial Nasional/The National Social Security Board*) estimates as of 2023, JKN may start falling into deficit in FY25 if no tariff hikes are implemented for the UHC program despite net assets remaining at a manageable level of 4.36x to claim per FY23. Per the DJSN website, the current claim ratio of JKN stood at 110% per May24.

Exhibit 1. Historical Tariff Development of JKN



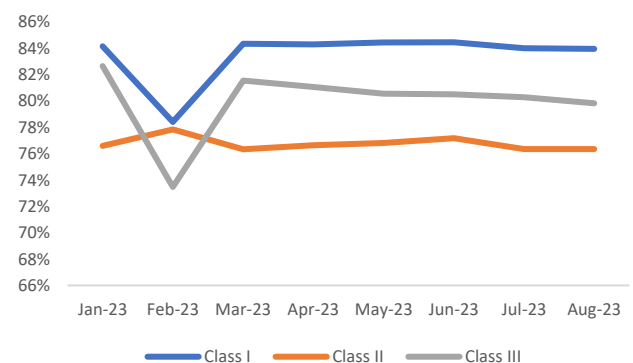
Source: JKN, Various Sources

Exhibit 2. JKN Members Based on Class (mn.members,%)

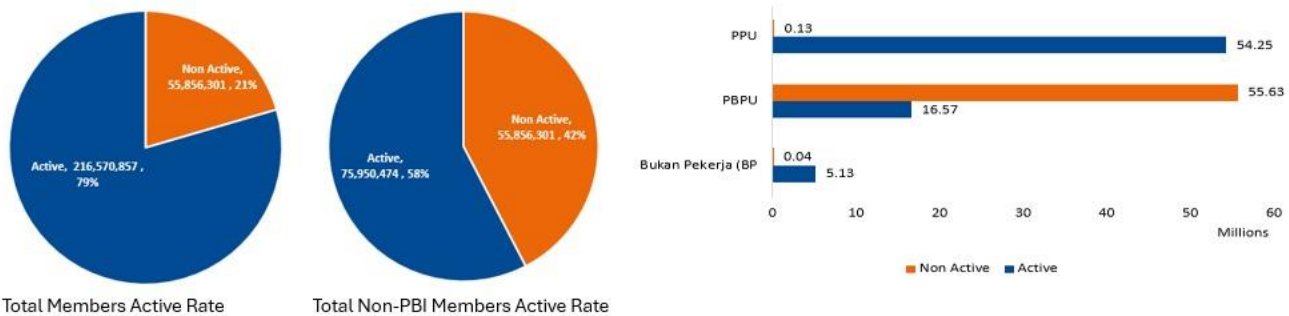


Source: BRIDS, DJSN (as per Aug23)

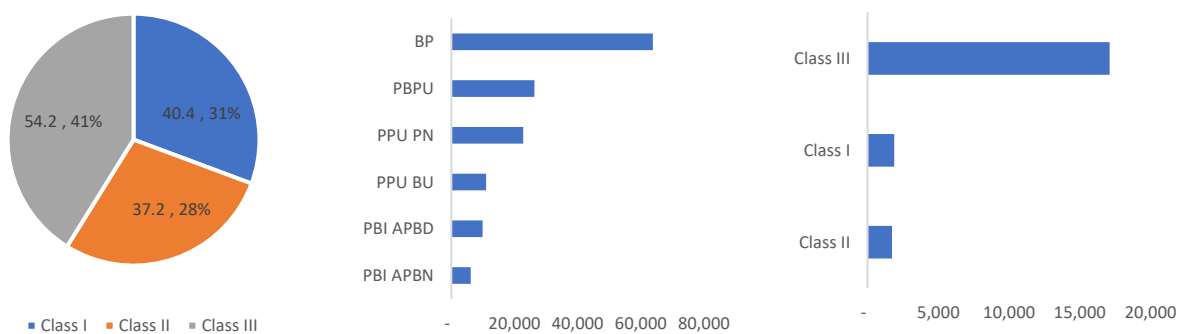
Exhibit 3. Active Membership Rate based on Class



Source: BRIDS, DJSN

Exhibit 4. Active and Non-Active (Arrears in Dues) JKN Members Profile


Source: DJSN (as per May24)

Exhibit 5. Non-PBI Members based on Class (mn.members,%); Claim Ratio per 10,000 members based on Class and Segment


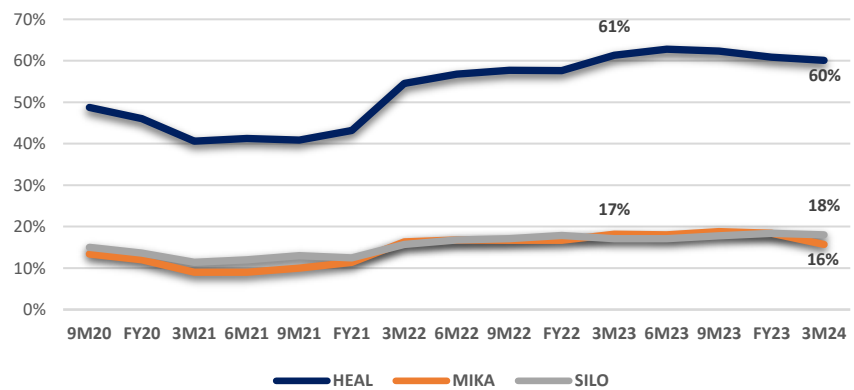
Source: DJSN (Non-PBI Members per May24; Claim Ratio per FY23)

Exhibit 6. 12 KRIS standards

12 Standard of KRIS (Kelas Rawat Inap Standar)	
Aspects	Standard
Building Components	Low level of porosity
Air Ventilation	Regular treatment room meets at least 6 (six) air changes per hour
Room Lighting	Minimum 250 lux for lighting and 50 lux for sleeping lighting
Bed Equipments	Includes 2 (two) contact boxes and a nurse call on each bed
Nightstand	Minimum 1 nightstand per bed
Room Temperature	Able to maintained between 20-26 Celsius degree
Room Division	Divided into gender, age and type of disease (infectious and non-infectious)
Maximum Density	Maximum of 4 beds per inpatient rooms; with a minimum distance of 1.5 meters between bed edges.
Partitions	Curtains/partitions with embedded rails attached to the ceiling or hanging.
Bathroom	Minimum 1 bathroom per inpatient room
Bathroom Accessibility	Comply with Accessibility standards
Oxygen	Oxygen outlet availability

Source: Perpres No.59 Tahun 2024

Exhibit 7. JKN Revenue Portion on Listed Hospitals Development

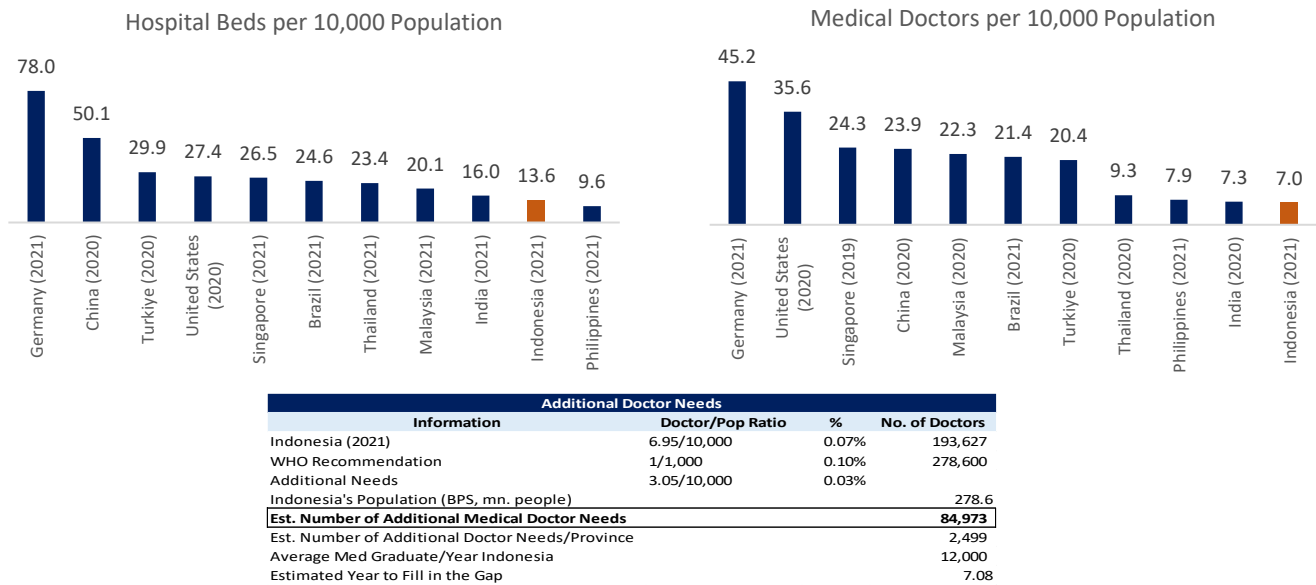


Source: Company, BRIDS

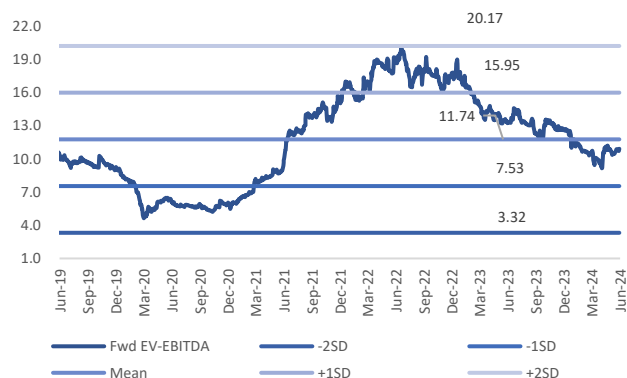
Exhibit 8. Regional Peers' Comparison

Ticker	Company	Mkt.Cap (USDmn.)	ROIC 1Q24	WACC 1Q24	ROIC/ WACC (x)	EBITDA (USDmn.)			CAGR EBITDA FY24F-FY26F	EV/EBITDA		EBITDA Margin	
						FY24F	FY25F	FY26F		FY24F	FY25F	24F	25F
Healthcare Indonesia													
HEAL U	MEDIKALOKA HERMINA TBK PT	1,258	10.5	8.0	1.3	120	136	154	13%	11.7	10.3	28%	28%
MIKA U	MITRA KELUARGA KARYASEHAT TBK	2,506	15.2	8.1	1.9	113	132	162	20%	23.1	19.8	37%	39%
SILO U	SILOAM INTERNATIONAL HOSPITAL	2,012	12.0	9.2	1.3	172	232	291	30%	12.3	9.1	21%	24%
Emerging Market Peers													
000516 CH	XIAN INTERNATIONAL MEDICAL-A	1,591	(5.0)	10.6	(0.5)	118	167	218	36%	17.6	12.4	14%	16%
NARH IN	NARAYANA HRUDAYALAYA LTD	3,013		8.9		139	155	180	14%	21.3	19.1	23%	23%
MEDANTA in	GLOBAL HEALTH LTD/INDIA	4,239		11.4		102	121	146	20%	41.6	35.0	25%	26%
301239 CH	CHENGDU BRIGHT EYE HOSPITA-A	773	5.2	12.7	0.4	88	114	115	15%	10.8	8.3	20%	22%
ASTERDM IN	ASTER DM HEALTHCARE LTD	2,128		9.7		231	90	111	-31%	10.4	26.7	14%	17%
KIMS IN	KRISHNA INSTITUTE OF MEDICAL	1,981		9.0		80	93	110	17%	27.0	23.2	26%	27%
RAM TB	RAMKHAMHAENG HOSPITAL PUB CO	971	2.5	6.9	0.4	55	63	73	15%	27.6	24.1	20%	21%
IHH MK	IHH SINGAPORE	11,612	7.3	7.9	0.9	1,058	1,114	1,205	7%	13.1	12.5	22%	22%
TNH VN	THAI NGUYEN INTL HSPTL JSC	111	8.6	5.7	1.5	9	11	13	20%	15.1	12.1	41%	39%
BH TB	BUMRUNGRAD HOSPITAL PCL	5,081	29.3	8.0	3.7	282	301	315	6%	17.7	16.6	38%	38%
BDMS TB	BANGKOK DUSIT MED SERVICE	11,238	12.4	9.1	1.4	710	761	834	8%	16.1	15.0	24%	24%
KPJ MK	KPJ HEALTHCARE BERHAD	1,779	6.8	8.8	0.8	179	189	200	6%	13.9	13.1	23%	23%
OPTIMAX MK	OPTIMAX HOLDINGS BHD	81	14.7	8.3	1.8	7	9	9	10%	11.8	10.4	28%	28%
RFMD SP	RAFFLES MEDICAL GROUP LTD	1,369				101	108	116	7%	12.1	11.3	19%	19%
MPARK TI	MLP SAGLIK HIZMETLERI AS	2,152	25.4	24.3	1.0	293	490	532	35%	8.0	4.8	25%	28%
Developed Market Peers													
HCA US	HCA HEALTHCARE INC	88,624	18.3	8.5	2.1	13,325	14,066	14,852	6%	9.8	9.3	19%	19%
UHS US	UNIVERSAL HEALTH SERVICES-B	12,628	8.6	8.6	1.0	2,010	2,121	2,277	6%	8.7	8.2	13%	13%
THC US	TENET HEALTHCARE CORP	13,210	18.5	8.0	2.3	3,630	3,779	4,061	6%	7.7	7.4	18%	18%
CYH US	COMMUNITY HEALTH SYSTEMS INC	438	1.7	3.5	0.5	1,543	1,641	1,755	7%	8.1	7.6	12%	13%
RHC AU	RAMSAY HEALTH CARE LTD	7,447				1,455	1,593	1,729	9%	10.4	9.5	13%	14%
Indonesia													
Median		2,012	12.0	8.1	1.3	120	136	162	20%	12.3	10.3	28%	28%
Simple Average		1,925	12.6	8.4	1.5	135	167	202	21%	15.7	13.1	29%	31%
Weighted Average		2,062	13.0	8.5	1.5	135	168	205	22%	16.9	14.0	30%	32%
Emerging Market Peers													
Median		1,981	8.0	8.9	1.0	118	121	146	14%	15.1	13.1	23%	23%
Simple Average		3,208	10.7	10.1	1.1	230	252	278	12%	17.6	16.3	24%	25%
Weighted Average		6,987	9.2	9.4	1.0	511	547	597	10%	17.9	16.8	24%	25%
Developed Market Peers													
Median		12,628	13.5	8.3	1.6	2,010	2,121	2,277	6%	8.7	8.2	13%	14%
Simple Average		24,469	11.8	7.1	1.5	4,393	4,640	4,935	7%	8.9	8.4	15%	15%
Weighted Average		67,381	16.2	8.0	1.9	10,345	10,918	11,543	6%	9.5	9.0	18%	18%

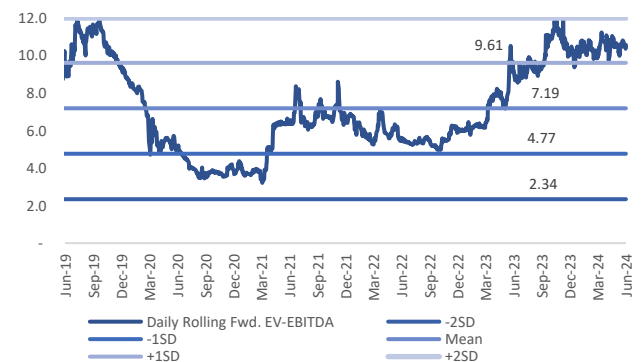
Source: BRIDS, Bloomberg

Exhibit 9. Indonesia's Healthcare: Underserved Inpatient Care with a Low Medical Doctor per Population Ratio


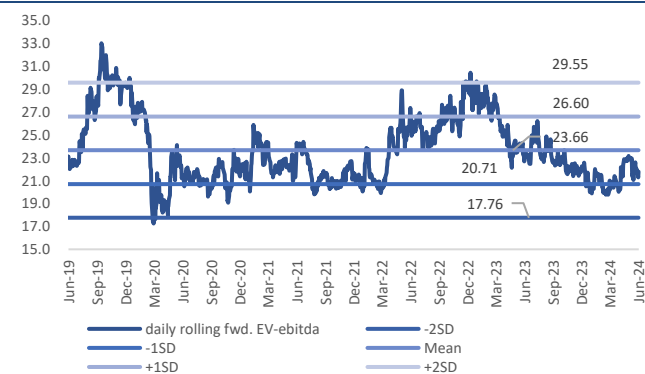
Source: WHO, BRIDS Estimates

Exhibit 10. Rolling Fwd. EV/EBITDA Band HEAL


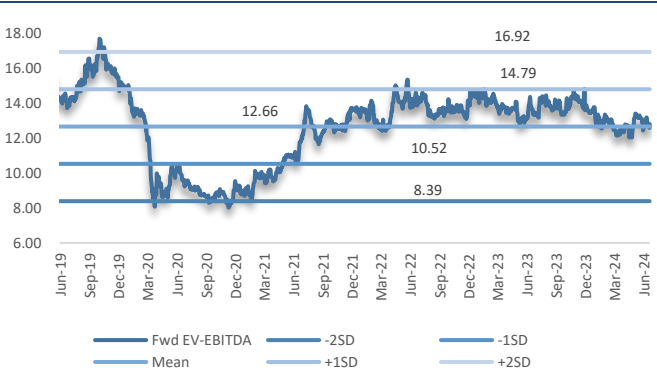
Source: Bloomberg, BRIDS

Exhibit 11. Rolling Fwd. EV/EBITDA Band SILO


Source: Bloomberg, BRIDS

Exhibit 12. Rolling Fwd. EV/EBITDA Band MIKA


Source: Bloomberg, BRIDS

Exhibit 13. Healthcare Sector EV/EBITDA Band


Source: Bloomberg, BRIDS

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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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