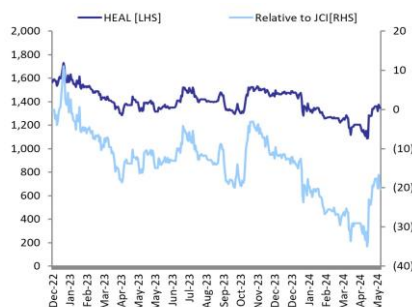


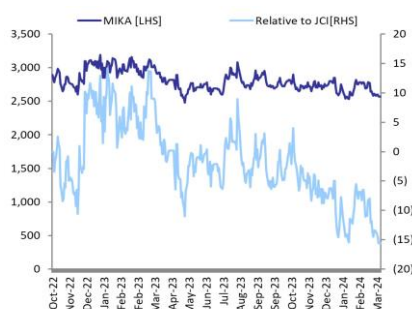
Overweight

(Maintained)

HEAL relative to JCI Index



MIKA relative to JCI Index



Source: Bloomberg

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Healthcare

New Strategic Investor in SRAJ Set to Bolster Confidence in the Sector

- SRAJ operates seven hospitals located in major cities across Java, focusing primarily on specialty care and higher-intensity medical cases.
- Our estimation indicates that the recent equity injection from Bain Capital is valued at c. 16.6x FY24F EBITDA and 13.1x FY25F EBITDA.
- We believe the entrance of Bain Capital should further cement confidence in the Indonesian healthcare sector's growth resiliency.

SRAJ at Glance: Local Hospital Operator with an Upscale Brand Equity

PT Sejahterarraya Anugrahjaya Tbk (SRAJ), part of the Mayapada conglomerate group, operated 7 Mayapada Hospital (MH) with a total of 1,310 beds, located in prime location in major cities in Java (**exh.6**). MH's number of operating beds is lower than the capacity of its listed operator peers (i.e. HEAL at 7,613 beds, followed by SILO at 4,097 beds, and MIKA at 4,008 beds), with relatively modest occupancy rate at 49% per FY23 vs. average peers of 67% (per 9M24). Revenue/Inpatient days as per FY23 stood at Rp38mn/ day, with ALoS of 20.5 days, which contrasts sharply with peer's average of Rp3.6mn/days with ALoS of 2.9 days (per 9M24). The operation numbers implied that SRAJ's product offering might lean more towards the specialty care and higher-intensity cases, targeting the upper-middle class of Indonesian consumer.

Estimates of Implied Valuation: Fairly-Valued

According to SRAJ's latest IDX disclosure, the company has reached an agreement with US-based private equity Bain Capital. Under this agreement, Bain Capital will invest in SRAJ through its affiliated company BCCS Maverick, by subscribing to new shares worth US\$32mn and bonds at US\$125mn. Our estimation (**exh.2**) suggests that the transaction is valued at around 16.6x/ 13.1x FY24F/25F EBITDA, relatively in line with listed operator peers' mean at 16.7x/ 14.1x. (**exh.3**).

New Strategic Investors Shall Cement Market Confidence on The Sector

We believe that the sector's growth resilience, which attracts long-term investors to local operators, is supported by two key factors: 1) the underpenetrated and Java-centered patient care market, and 2) the ability of large operators to secure Indonesia's medical talent and efficiently procure medicines due to economies of scale. These aspects provide Indonesia's listed hospital operators with opportunities to expand profit margins through improved cost efficiency and naturally increasing patient volume (see our [last KTA meeting note with Special Advisor to MoH](#)).

Maintain our OW rating on the Sector with HEAL as our Top Picks

We maintain our OW rating on the sector, as we believe that profitability growth will remain robust for at least the next 5 years, with a projected CAGR of 19% for FY24F-FY29F EBITDA. The sector's average valuation stands at 14x FY25F EV/EBITDA, which reflects a 24% discount compared to EM peers (see Exh 3). Our top pick remains HEAL, with a DCF-based target price of Rp2,000, implying 14.4x FY25 EV/EBITDA. We are confident that its consistent growth and margin expansion will continue, driven by increased intensity from the CoB program and improved operational cost-efficiency, even while serving lower-margin JKN patients.

Company	Ticker	Rec	Target Price (Rp)	Market Cap. (Rp bn)	EV/EBITDA (x)		P/E (x)		ROE (%) 2025F
					2025F	2026F	2025F	2026F	
Medikaloka Hermina	HEAL IJ	BUY	2,000	22,741.6	11.0	9.3	28.6	23.0	16.5
Siloam Hospitals	SILO IJ	BUY	3,300	39,928.8	12.7	10.5	31.5	24.8	14.4
Mitra Keluarga	MIKA IJ	BUY	3,400	37,272.1	18.5	15.8	29.4	25.0	18.5

New Strategic Investor in SRAJ Set to Bolster Confidence in the Sector

Strategic Investor with Prior Experiences in Listed Hospitals Operator

Bain Capital as the new strategic investor in SRAJ, has previously invested in wide range of healthcare services globally, e.g., China-based APMG Hospitals, US-based Family Physicians Network Innovacare, etc. **(exh.4)**. The entrance of Bain Capital into SRAJ adds another PE/Global Investment/Conglomerate names into the sector's ownership. Previously, there were: Quadria Capital and Astra International at HEAL (~8% and 7%, respectively), CVC Capital at SILO (63%), Saratoga at Brawijaya Hospitals, and Emtek Group at EMC (79%).

Fund Proceeds Usage Disclosure

Previously in Aug24, SRAJ disclosed its plan to conduct private placement with fund proceeds to be utilized for the development of:

- Tower 3 of Mayapada Hospital Lebak Bulus (Rp497bn)
- Mayapada Apollo Batam International Hospital (Rp497bn)
- Mayapada Hospital Surabaya 2 (Rp248bn)
- Payment of non-interest bearing shareholders' loan (Rp1.5tr).

Exhibit 1. SRAJ's Shareholder Structure (Pre-and-Post Private Placement)

Shareholder Structure	Pre-Private Placement		Post-Private Placement		Chgs.
	#of Shares (bn.shares)	%	#of Shares (bn.shares)	%	
Surya Cipta Inti Cemerlang	7.2	59.99%	7.2	54.54%	-5.45%
High Pro Investment Limited	2.2	18.17%	2.2	16.51%	-1.65%
Wing Harvest Ltd	1.3	10.63%	1.3	9.66%	-0.97%
Dato'Sri Prof DR Tahir MBA	0.0	0.02%	0.0	0.02%	0.00%
Jane Dewi Tahir	0.1	0.42%	0.1	0.38%	-0.04%
Jonathan Tahir	0.1	0.49%	0.1	0.44%	-0.04%
Public <5%	1.2	10.29%	1.2	9.36%	-0.94%
Bain Capital	-	0.00%	1.2	9.09%	9.09%
Total	12.0	100%	13.2	100%	10.0%

Source: SRAJ's IDX Disclosure Aug24, BRIDS Estimates

Exhibit 2. Estimates of SRAJ's Implied Valuation

Investment Value	
through Subscribing Bonds Issuance	125
through Subscribing in Equity Private Placement	32
Total Investment (USDmn.)	157
<i>Exhc. Rate</i>	15,835
Implied EV/EBITDA Estimates	
EV Components	
Equity Value (Rpbn)	
Equity Investments only	507
for a maximum of 10% Stake through Priv Placement - Agreed in GMS Aug,23,2024	
Implied Equity Value (1)	5,067
Debt Component (Rpbn)	
SRAJ's Debt - per 9M24 F/S (2)	1,677
Current	137
ST Bank Loan	29
Current Maturities of LT Debt;	
- Bank Loans	74
- Unearned revenue from rent	9
- Financing payables	1
- Lease liabilities	1
- LT Loan	24
Non-Current	1,540
LT Bank Loans	165
Financing payables	0
Lease liabilities	3
LT Loan	426
Bonds Payable	946
Cash (Rpbn) (3)	295
Entp. Value (Rpbn) (4) = (1)+(2)-(3)	6,449
Debt Adjustments (Rpbn) (5)	1,979
Bonds Issuance	1,979
Cash Adjustments (6)	-
Cash Addition from Private Placement	507
Cash Addition from Bonds Issuance	1,979
Capex Needs;	(1,244)
MH Lebak Bulus - Tower 3	(498)
MH Apollo Batam International Hospitals	(498)
MH Surabaya 2	(249)
Remaining Cash from Inv.Proceeds	1,242
Shareholder Loan to SCIC (Non-Int.Bearing)	1,504
Payment Assumed: 100% of Remaining Cash from Inv.Proceeds	(1,242)
Remaining Shareholder Loan to SCIC	262
Remaining Cash from Inv.Proceeds	-
Adjusted Entp. Value (7) = (4)+(5)+(6)	8,428
EBITDA (Rpbn) - Bloomberg	
EBITDA 9M24 (Rpbn) - Bberg	381
EBITDA FY24F Anlz. (Rpbn) (8)	508
EBITDA FY25F (Rpbn) - based on 27% FY08-23 CAGR (9)	645
Implied FY24F EV/EBITDA (x) (7)/(8)	16.6
Implied FY25F EV/EBITDA (x) (7)/(9)	13.1

Source: SRAJ IDX Disclosure Aug24, Bloomberg, BRIDS Estimates

Exhibit 3. SRAJ's EBITDA margin per 9M24 stood at ~16%, remain below its listed operator peers average at 30%, which could be an opportunity for improvement.

Ticker	Company	Mkt.Cap (US\$ mn.)	CAGR EBITDA FY24F-FY26F	EV/EBITDA			EBITDA Margin 25F
				FY24F	FY25F	FY26F	
Healthcare Indonesia							
HEAL IJ*	MEDIKALOKA HERMINA TBK PT	1,436	18%	13.1	11.0	9.3	28%
MIKA IJ*	MITRA KELUARGA KARYASEHAT TBK	2,353	16%	21.1	18.5	15.8	37%
SILO IJ*	SILOAM INTERNATIONAL HOSPITAL	2,521	22%	15.8	12.7	10.5	27%
SRAJ IJ**	SEJAHTERARAYA ANUGRAHJAYA TB	2,013	n.a	64.7	n.a	n.a	16%
Emerging Market Peers							
000516 CH	XIAN INTERNATIONAL MEDICAL-A	1,928	36%	n.a	n.a	n.a	18%
NARH IN	NARAYANA HRUDAYALAYA LTD	3,233	10%	24.0	22.7	19.7	22%
MEDANTA in	GLOBAL HEALTH LTD/INDIA	3,726	11%	36.4	35.1	29.1	24%
301239 CH	CHENGDU BRIGHT EYE HOSPITA-A	1,145	26%	18.3	14.3	11.5	22%
ASTERDM IN	ASTER DM HEALTHCARE LTD	2,894	-28%	13.0	31.0	24.9	19%
KIMS IN	KRISHNA INSTITUTE OF MEDICAL	2,888	21%	39.8	32.3	26.9	27%
RAM TB	RAMKHAMHAENG HOSPITAL PUB CO	823	11%	26.0	23.1	21.0	19%
IHH MK	IHH SINGAPORE	14,587	9%	14.3	13.3	12.1	22%
TNH VN	THAI NGUYEN INTL HSPTL JSC	102	40%	20.8	14.4	10.7	40%
BH TB	BUMRUNGRAD HOSPITAL PCL	4,912	4%	15.8	15.0	14.5	40%
BDMS TB	BANGKOK DUSIT MED SERVICE	11,923	8%	16.0	14.9	13.7	24%
KPJ MK	KPJ HEALTHCARE BERHAD	2,487	8%	16.3	15.0	13.9	23%
OPTIMAX MK	OPTIMAX HOLDINGS BHD	77	12%	11.1	9.5	8.9	28%
RFMD SP	RAFFLES MEDICAL GROUP LTD	1,220	8%	11.5	10.9	9.9	17%
MPARK TI	MLP SAGLIK HIZMETLERI AS	2,254	30%	8.1	5.8	4.9	26%
Developed Market Peers							
HCA US	HCA HEALTHCARE INC	81,070	6%	9.0	8.5	8.0	20%
UHS US	UNIVERSAL HEALTH SERVICES-B	12,917	7%	8.0	7.4	6.9	14%
THC US	TENET HEALTHCARE CORP	13,199	4%	6.6	6.5	6.1	19%
CYH US	COMMUNITY HEALTH SYSTEMS INC	486	5%	8.2	7.8	7.4	13%
RHC AU	RAMSAY HEALTH CARE LTD	5,927	4%	9.5	9.1	8.5	13%
Indonesia exclude SRAJ							
Median		2,353	18%	15.8	12.7	10.5	28%
Simple Average		2,103	19%	16.6	14.0	11.9	31%
Weighted Average		2,211	19%	17.1	14.5	12.2	31%
Emerging Market Peers							
Median		2,353	11%	16.1	15.0	13.8	23%
Simple Average		3,290	14%	19.4	18.4	15.8	25%
Weighted Average		7,479	9%	17.7	17.2	15.2	24%
Developed Market Peers							
Median		12,917	5%	8.2	7.8	7.4	14%
Simple Average		22,720	5%	8.2	7.9	7.4	16%
Weighted Average		61,170	6%	8.6	8.1	7.7	19%

Source: Bloomberg, *BRIDS Estimates, **Annualized 9M24

Exhibit 4. Bain Capital Notable Healthcare Portfolios

Portfolios	Location	Business
Surgery Partners	US	Surgery Center and Ancillary Services
Nichii Gakkan	Japan	Medical Support, Fee-based nursing homes, Elderly care
Innovacare	US	Medical Clinic
Estia Health	Australia	Residential Aged Care
Aveanna Healthcare	US	Pediatrics, Hospice Care
Asia Pacific Medical Group	China	Hospital (3500beds)

Source: BainCapital Website, Various

Exhibit 5. SRAJ's Operational Metrics

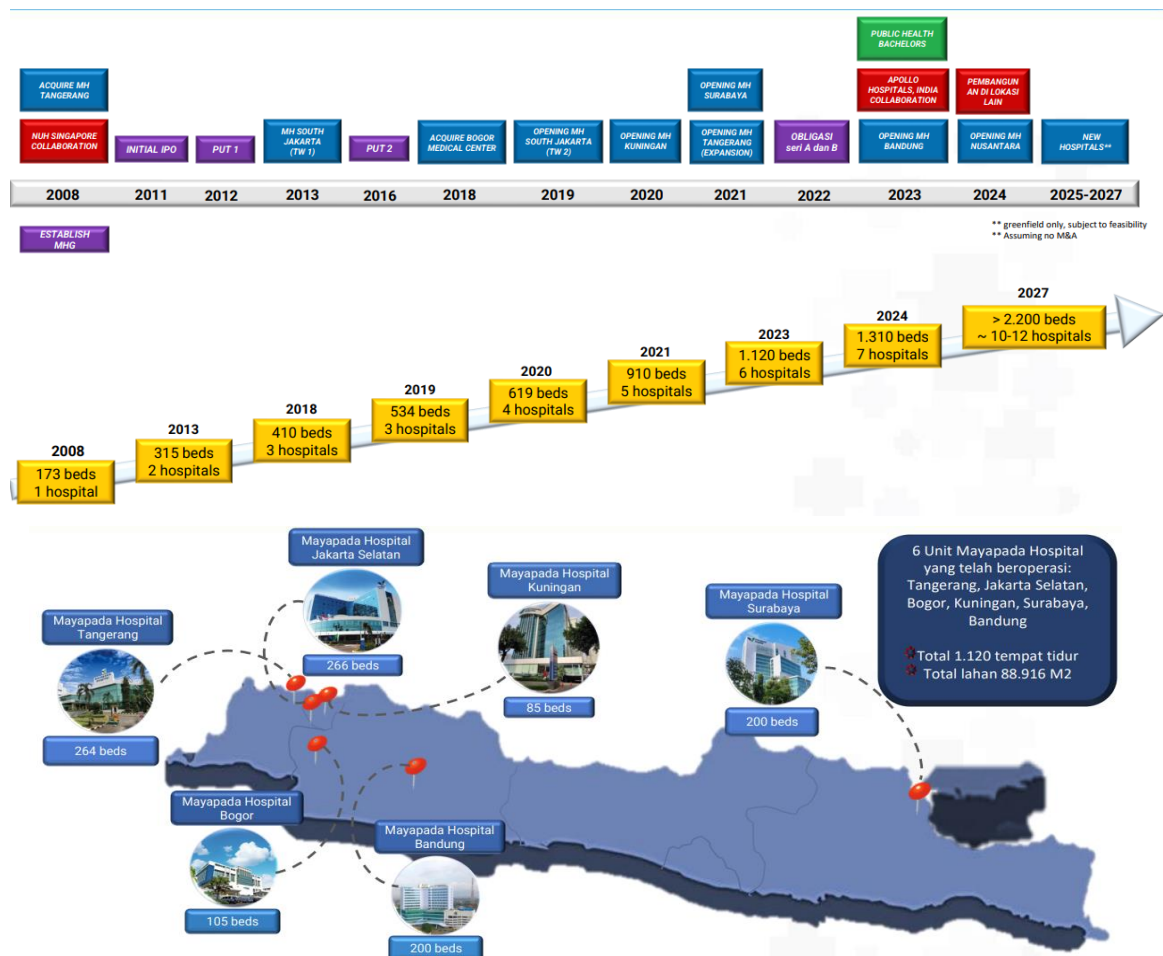
Ikhtisar Operasional

Operational Highlights

Operasional /Operational	2023	2022	2021
Total Rawat Inap Pasien (Hari) /Total Inpatient (Days)	40.382	32.774	23.960
Total Pasien Rawat Jalan /Total Outpatient Visits	472.229	378.096	314.487
Total Pasien MCU /Total Patient Medical Check Up	35.256	30.340	44.751
Total Pelayanan Gawat Darurat /Total Emergency Room Visits	71.949	49.630	38.878
Total Layanan Operasi /Total Surgery Cases	12.264	8.497	5.867
Persentase Rata-rata Kamar Rawat Inap /Average Bed Occupancy Rate	48,55%	45,75%	50,58%
Rata-rata rawat pasien (hari) /Average Length of Stay (days)	20,46	19,25	25,27
Jumlah Perawat /Number of Nurses	1.278	1.091	953
Jumlah Tempat Tidur yang Beroperasi /Number of Operating Beds	772	697	716

Source: SRAJ Annual Report 2023

Exhibit 6. SRAJ's Short Profile



Source: SRAJ's Public Expose 1H24

Exhibit 7. SRAJ aims to open another 3-5 hospitals by FY27 (1 in Jakarta Garden City scheduled to open by FY26, 1 in Batam SEZ in collaboration with Apollo International Hospitals)



Source: SRAJ's Public Expose 1H24

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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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