

# Buy

## Medikaloka Hermina (HEAL IJ) Favorable Long-Term Prospect Remains Intact

Last Price (Rp)	1,390
Target Price (Rp)	2,000
Upside/Downside	+43.9%
No. of Shares (mn)	14,713
Mkt Cap (Rpbn/US\$mn)	20,451/1,255
Avg, Daily T/O (Rpbn/US\$mn)	22.9/1.4

### Key Financials:

	2024F	2025F	2026F
EPS (Rp)	40.4	52.4	65.3
PER (x)	34.9	26.9	21.6
PBV (x)	4.7	4.1	3.6
EV/EBITDA (x)	12.4	10.4	8.8
Dividend yield (%)	0.6	0.9	1.1
ROAE (%)	14.3	16.5	18.0

- HEAL is on track to meet its FY24 revenue/EBITDA margin guidance, despite operational losses from newly built hospitals.
- HEAL assessed that the recent operational environment is facing tighter compliance check by JKN, yet it still fully abides by standard procedures.
- Despite ST dynamics from new hospitals and JKN potentially impacting PATMI, HEAL's LT prospect to improve EBITDA margins remain intact.

- Our latest meeting with management indicates that the company is on track to meet its FY24 revenue/EBITDA margin guidance (Rp6.6-6.7tr/~28%), which aligns with our/consensus revenue estimates of Rp6.6tr/Rp6.7tr, with an EBITDA margin of 28%/28%.
- However, the previously guided operational losses from new hospitals and higher depreciation expenses might pose risks to Profit After Taxes and Minority Interests (PATMI), particularly for the fully owned international-standard IKN Nusantara branch. Despite this, HEAL communicated that business activities at the IKN branch are growing, driven by demand from both the city and surrounding areas, as indicated by the presence of Obgyn cases and a higher proportion of non-JKN patients.
- The company also assessed that the recent operational environment is facing tighter compliance requirements by JKN for all its hospital partners across Indonesia during FY24, triggered by rising claims that risk further deficits. While HEAL sees a potential impact from slower receivables reimbursement from its main payor (JKN contributes ~60/75% to revenue/volume), it has managed to maintain operational compliance, evidenced by no hospital being terminated from JKN coordination. The BoD has further reinforced this vision at the middle-lower management level by initiating Key Performance Metrics related to timely, compliant, and precise claim verification and receivables collection.
- We believe HEAL's favorable long-term prospects for improving its EBITDA margin remain intact, driven by: 1) [potentials for higher revenue intensity from the KRIS and CoB Managed Care Implementation](#) 2) volume growth from existing and new hospitals 3) continuous cost-saving efforts benefiting from IT Implementation 4) additional revenue from operatorship business.
- The company also anticipates performance dynamics in 1H25 due to lower seasonality impacted by holidays and the transitional period of JKN's KRIS/ New Tariff Implementation. While FY25 guidance is still pending an official announcement, HEAL reaffirms expectation of another double-digit top-line growth and EBITDA margin expansion. Our estimates stood at Rp7.7tr (+16%yoy) with 29% EBITDA margin.

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## Favorable Long-Term Prospect Remain Intact

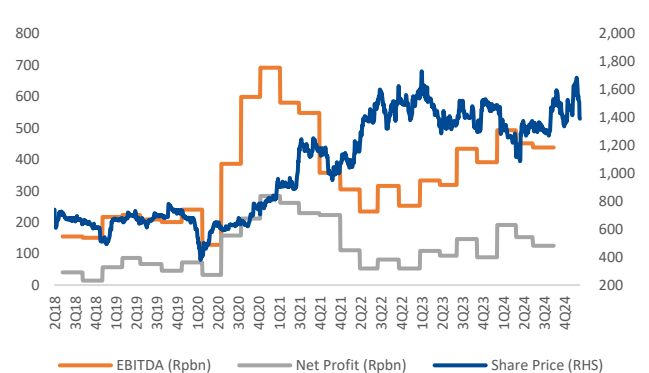
- We maintain our Buy rating on HEAL with a DCF-based TP of Rp2,000, implying 14.4x FY25F EV/EBITDA. The stock currently trades at an attractive 11.6x FY25F EV/EBITDA, ~19% disc. to regional average, while the potential for LT margin improvement remains intact. Risks include: 1) continued JKN deficits impacting receivables, 2) slower volume ramp-up in new hospitals failing to offset operational costs (FY25 pipeline: Bali, Salatiga), and 3) cost-control execution.
- Our check indicates that there has been no major selling action from domestic funds, with selling primarily from foreign-based index funds.

Exhibit 1. HEAL EV/EBITDA Band



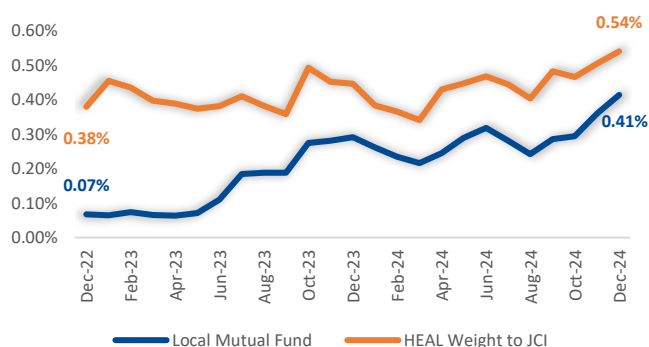
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 2. Earnings vs. EBITDA vs. Share Price



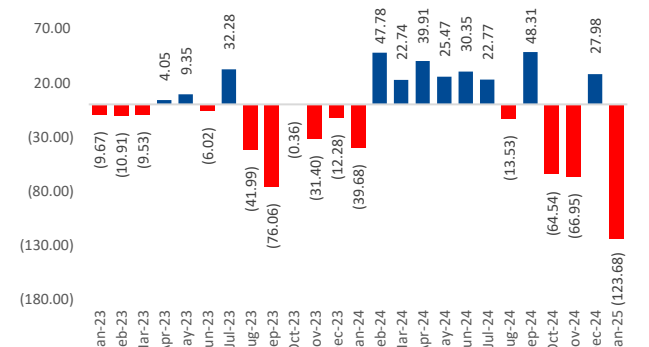
Source: Company, Bloomberg

Exhibit 3. Domestic Fund Positioning



Source: KSEI, Bloomberg, BRIDS

Exhibit 4. Equity Foreign Flow



Source: IDX, BRIDS

**Exhibit 5. HEAL's Peers Valuation**

Ticker	Company	Mkt.Cap (US\$ mn.)	EV/EBITDA			EBITDA Margin
			FY24F	FY25F	FY26F	25F
Healthcare Indonesia						
HEAL IJ*	MEDIKALOKA HERMINA TBK PT	1,312	12.4	10.4	8.8	29%
MIKA IJ*	MITRA KELUARGA KARYASEHAT TBK	2,067	19.1	16.7	14.2	38%
SILO IJ*	SILOAM INTERNATIONAL HOSPITAL	2,436	15.7	12.6	10.5	29%
Emerging Market Peers						
000516 CH	XIAN INTERNATIONAL MEDICAL-A	1,516	n.a	n.a	n.a	n.a
NARH IN	NARAYANA HRUDAYALAYA LTD	3,194	24.3	23.3	20.0	22%
MEDANTA in	GLOBAL HEALTH LTD/INDIA	3,333	33.2	31.8	26.6	24%
301239 CH	CHENGDU BRIGHT EYE HOSPITA-A	854	n.a	n.a	n.a	n.a
ASTERDM IN	ASTER DM HEALTHCARE LTD	2,745	12.6	30.1	24.1	19%
KIMS IN	KRISHNA INSTITUTE OF MEDICAL	2,854	40.1	32.4	26.8	27%
RAM TB	RAMKHAMHAENG HOSPITAL PUB CO	765	24.8	22.0	20.0	19%
IHH MK	IHH SINGAPORE	14,159	13.9	12.8	11.6	22%
TNH VN	THAI NGUYEN INTL HSPTL JSC	116	22.7	15.7	11.7	40%
BH TB	BUMRUNGRAD HOSPITAL PCL	4,262	13.5	13.1	12.6	40%
BDMS TB	BANGKOK DUSIT MED SERVICE	11,123	15.0	14.0	12.9	24%
KPJ MK	KPJ HEALTHCARE BERHAD	2,213	14.7	13.5	12.6	23%
OPTIMAX MK	OPTIMAX HOLDINGS BHD	71	10.5	9.0	8.4	28%
RFMD SP	RAFFLES MEDICAL GROUP LTD	1,146	10.8	10.2	9.4	17%
MPARK TI	MLP SAGLIK HIZMETLERI AS	2,088	7.8	5.7	4.8	27%
Developed Market Peers						
HCA US	HCA HEALTHCARE INC	83,565	9.2	8.7	8.3	20%
UHS US	UNIVERSAL HEALTH SERVICES-B	12,438	7.8	7.2	6.8	14%
THC US	TENET HEALTHCARE CORP	13,398	6.7	6.5	6.1	19%
CYH US	COMMUNITY HEALTH SYSTEMS INC	445	8.2	7.7	7.4	13%
RHC AU	RAMSAY HEALTH CARE LTD	4,860	8.8	8.4	7.9	13%
Indonesia						
Median		2,067	15.7	12.6	10.5	29%
Simple Average		1,938	15.7	13.2	11.2	32%
Weighted Average		2,051	16.1	13.5	11.4	32%
Emerging Market Peers						
Median		2,088	14.7	14.0	12.6	24%
Simple Average		3,067	18.8	18.0	15.5	25%
Weighted Average		7,208	16.7	16.3	14.3	23%
Developed Market Peers						
Median		12,438	8.2	7.7	7.4	14%
Simple Average		22,941	8.1	7.7	7.3	16%
Weighted Average		64,000	8.7	8.3	7.8	19%

Source: \*BRIDS Estimates, Bloomberg

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**INVESTMENT RATING**

<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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