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Equity Research
Asia Pacific | Indonesia

CREDIT SUISSE

Indonesia Healthcare Sector

Strong and steady

Healthcare | Sector Review

Research Analysts

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Figure 1: Key financial matrix summary

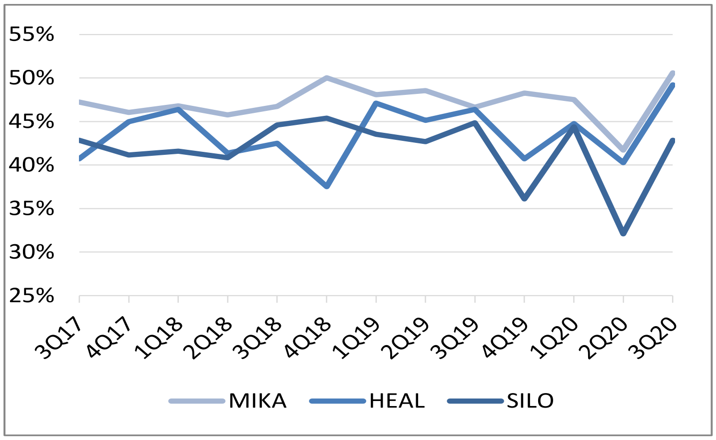
Company	Recommendation	TP	Upside	2019-2022 EBITDA CAGR
Mitra Keluarga	Outperform	2,900	18%	10%
Medikaloka Hermina	Outperform	4,400	26%	15%
Siloam International Hospitals	Neutral	5,200	6%	17%*
Prodia Widyahusada	Outperform	4,010	27%	12%

Source: Credit Suisse estimates, *SILO strong EBITDA growth partly due to accounting policy change impact

- **Healthcare earnings boosted by COVID-19.** The surge in COVID-19 cases has made a positive impact on hospitals' profitability, reflected in their 3Q20 results, as the 25-30% drop in patient volume was offset by a larger increase in ASP. The impact was more pronounced for companies with higher exposure to Jakarta (MIKA's top line grew 4% YoY) and lower base margin or average ticket size (HEAL's top line grew 10% YoY). How should we anticipate the trend going forward? We believe COVID-19 treatments will remain significant in the next few quarters, as: (1) we expect vaccines to make an impact not before 2H21, (2) recent pick-up in leisure activities may elevate the number of active cases, and (3) COVID-19 cocktails or therapeutics are only available to admitted patients.
- **Vaccine data and distribution timing are key wildcards for 2021.** Our base case scenario assumes vaccine rollout to start in Jan-Feb 2021, but in more meaningful quantities towards the second half of next year, and most likely to begin with the public sector. It is likely that COVID-19 contribution to hospitals' revenues will remain significant and a temporary earnings booster until the end of 1H21, especially coming from a very low base this year. We estimate earnings for hospitals under coverage to grow at 10-17% CAGR over 2019-22. Key vaccine developments to watch out for in the near future: (1) timing of distribution, (2) longevity of protection, and (3) commercial opportunities for independent vaccinations—likely through private healthcare providers.
- **Stock calls.** We upgrade MIKA to OUTPERFORM (from Neutral) with a new TP of Rp2,900 (from Rp2,400), as recent stock correction and upward earnings revision present decent upside. We maintain OUTPERFORM on HEAL with a higher TP of Rp4,400 (from Rp3,800), as we like its aggressive expansion strategy; and maintain NEUTRAL on SILO with a new TP of Rp5,200 (from Rp4,800). Key risks: Downward adjustment in COVID-19 reimbursement pricing and slower-than-expected recovery of regular patient volume may impact earnings negatively.

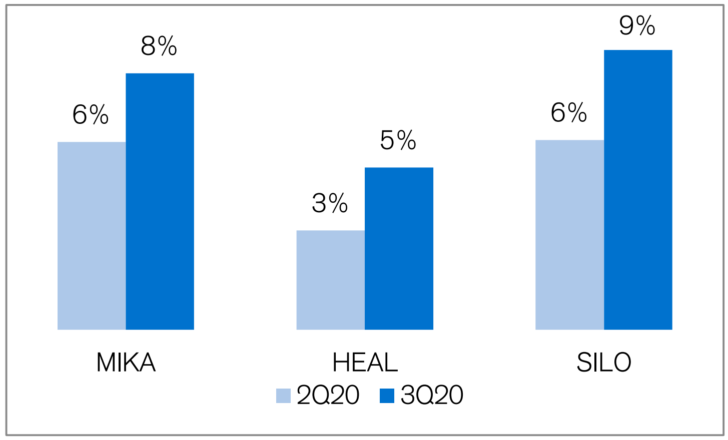
Focus charts and tables

Figure 2: Earnings driven by high-margin COVID-19 treatments



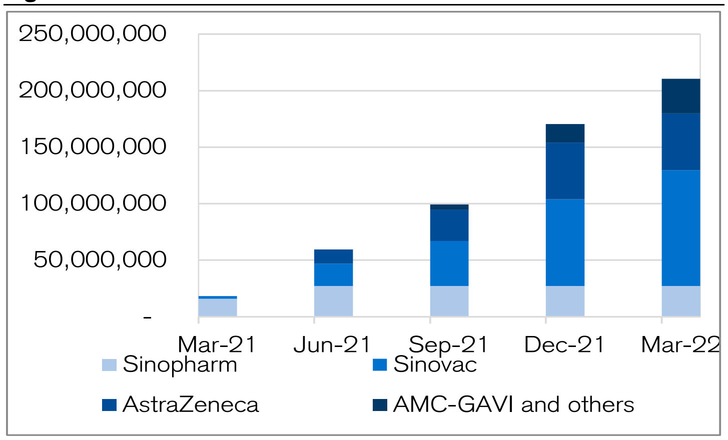
Source: Company data

Figure 3: COVID-19 patients as % of total admissions



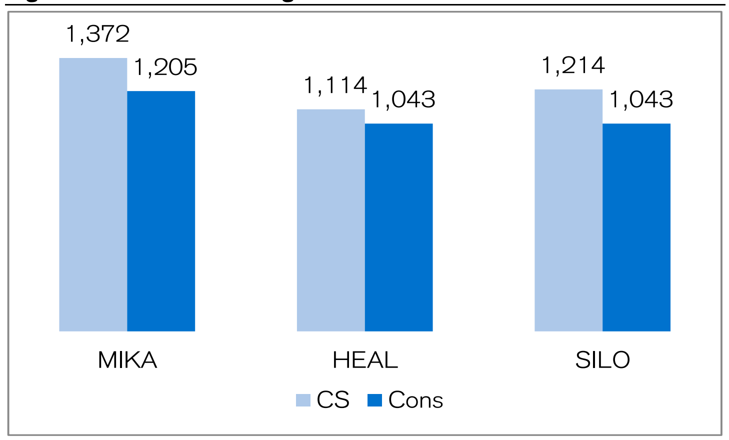
Source: Company data, Credit Suisse estimates

Figure 4: Vaccination timeline



Source: Health Ministry

Figure 5: New CS earnings estimates vs consensus



Source: The BLOOMBERG PROFESSIONAL™ service, Credit Suisse estimates

Figure 6: Key investment thesis for 2021

Company	Key investment thesis	Earnings forecast change 2020	Earnings forecast change 2021	Rating Old	Rating New	TP (Rp) Old	TP (Rp) New
MIKA	We maintain our double digit growth earnings growth foreacast for next year (with a higher estimates for 2020), driven by a combination of high COVID-19 treatment demand and bed allocation, as well as gradual recovery of patient volume. Faster expansion through M&A may be a strong catalyst for the medium-term.	25%	16%	Neutral	Outperform	2,400	2,900
HEAL	Most aggressive use of capital to expand footprint strengthens its medium-term growth outlook. The company is set to become the largest hospital chain in Indonesia by year-end and yet still aims to add new locations at a faster rate than peers. In the near-term, it may be the most benefitted from a surge in COVID-19 treatment demand due to lower base margin and revenue per bed.	44%	36%	Outperform	Outperform	3,800	4,400
SILO	Better earnings outlook during pandemic, and relatively low expectations for 2020/2021. Difficult to distinguish cause of strong improvement at loss-making hospitals due to COVID-19 and key overhangs have not been resolved, hence maintain neutral.	23%	21%	Neutral	Neutral	4,800	5,200
PRDA	The company reported a very strong 3Q20 results on the back of high PCR test volume, which may still grow QoQ according to our channel checks. Price capping may reduce margins, however may be offset by PRDA's new supplementary health checkups for previously infected patients.	no change		Outperform	Outperform	4,010	4,010

Source: Credit Suisse estimates

2021 outlook: Strong and steady

3Q wrap: Earnings boosted by COVID-19, unlikely to peak at current virus transmission rates

Events such as the regional government election and long holidays in December may keep COVID-19 cases high, and elevate demand for treatments.

Hospitals have beaten CS and street earnings forecasts, with very strong 3Q20 results—reaching more than 100% of FYe as in 9M20—mainly due to a surge in COVID-19 patient volume which delivered significantly higher revenue per patient and margins. Although regular patient volume recovery has stagnated at 70-75% of normal levels in recent months, which we think may gradually recovery in 2021 as vaccines are rolled out, the contribution of COVID-19 to total hospital revenues have more than compensated and provided a temporary boost to earnings.

We expect strong quarters ahead, until vaccinations reach meaningful amount.

Then is it a temporary peak in earnings? Although we wish for the pandemic to be over as quickly as possible, it is undeniable that the transmission rate of the disease is positively correlated with hospitals' profitability. Our base case assumes that COVID-19 patient admissions will gradually decline starting in 2H21, as: (1) we expect vaccines to make an impact not before 2H21, (2) recent pick-up in leisure activities may elevate the number of active cases, and (3) COVID-19 cocktails or therapeutics are only available to admitted patients.

Key vaccine developments the main wildcard

Early vaccine distribution and slow recovery of patient volume are key earnings downside risk.

Eyes are on major pharmaceutical companies as they are expected to report COVID-19 vaccine efficacy data from phase 3 clinical trials, before this year-end. Pfizer and Moderna have both reported above 90% efficacy on their mRNA vaccine candidates, but it is less relevant for Indonesia and EM as the mRNA technology requires cold chain logistics systems below freezing temperature (-70° C for Pfizer, and -20° C for Moderna). For 2021, Indonesia has secured a total of 295 mn doses from several vaccine manufacturers: Sinovac (125 mn), Cansino (25 mn), Sinopharm (50 mn), and AstraZeneca (100 mn). All of these candidates are still in limited use and clinical trial phase 3 status—hence the results of their interim efficacy data will be very important and likely determine consumers' willingness to take the vaccine.

Gas pedal on expansion sets up strong medium-term growth outlook

Hospitals need to be aggressive in expanding as the government has loosened foreign investment regulation into healthcare

Hospitals under our coverage are maintaining their operational bed expansion rate at 10% per year, mostly contributed by MIKA (+8% YTD) and HEAL (+18%), while SILO (-1%) continues to focus on improving existing hospitals performance. We view this positively, as there are currently good opportunities for M&A (pandemic has tilt the bargaining power in big chains' favour), while industry fundamentals have strengthened with the government's focus on healthcare as well as improving budget sustainability at BPJS. In addition, the strong near-term earnings potential due to COVID-19 is pushing up cash levels can be utilised for expansion capex. We prefer names with more aggressive expansion strategies as they are likely to outperform peers in the medium term. We estimate 15%/10%/17% 3-year EBITDA CAGRs for HEAL/MIKA/SILO.

Stock calls and new earnings forecast

HEAL remains top pick, but we now see decent upside on MIKA after recent share price. We are 8-14% ahead of consensus earnings for FY21.

We upgrade MIKA to OUTPERFORM (from Neutral) with a new TP of Rp2,900 (from Rp2,400), as recent stock correction and upward earnings revision present decent upside. We maintain OUTPERFORM on HEAL with a higher TP of Rp4,400 (from Rp3,800), as we like its aggressive expansion strategy; and maintain NEUTRAL on SILO with a new TP of Rp5,200 (from Rp4,800). Key risks: Downward adjustment in COVID-19 reimbursement pricing and slower-than-expected recovery of regular patient volume may impact earnings negatively.

Figure 7: Domestic and regional hospital peers

Stock	Ticker	Cur.	Target price	CS rating	% upside to TP	Mkt. cap (US$ mn)	Avg. daily t/o (US$ mn)	YTD 2020 stock perf.	EV/EBITDA (x)		P/E (x)		P/B (x)		Growth FY21 (%)			2021 EBITDA Margin	2021 Net debt / equity (%)	2021 ROE (%)	Div. Yield (%)
									FY20	FY21	FY20	FY21	FY20	FY21	Revenue	EBITDA	EPS				
Indonesia																					
Mitra Keluarga	MIKA.JK	IDR	2,900	O	18%	2,477	3.8	-8%	28.5	24.8	45.8	39.4	6.6	5.9	6%	7%	8%	39%	-17	18	1.0%
Medikaloka Hermina	HEAL.JK	IDR	4,400	O	26%	735	0.1	-2%	10.8	9.6	28.6	25.5	3.3	2.9	6%	6%	6%	28%	24	16	0.9%
Siloam	SILO.JK	IDR	5,200	N	6%	562	0.1	-30%	7.0	6.2	212.4	66.3	1.3	1.3	4%	5%	na	16%	-7	2	0.0%
Prodia	PRDA.JK	IDR	4,010	O	27%	209	0.0	-13%	7.1	5.5	18.5	14.4	1.7	1.6	7%	12%	13%	18%	-59	12	2.7%
Market cap weighted avg.						**996**	**2.4**	**-10%**	**21.1**	**18.4**	**64.7**	**39.3**	**5.0**	**4.5**	**5%**	**7%**	**7%**	**32%**	**(10)**	**15**	**1%**
Australia																					
Ramsay Health Care	RHC.AX	AUD	69	N	5%	11,002	28.6	-9%	12.6	11.2	42.3	32.8	3.6	3.3	3%	5%	13%	15%	169	13	1.1%
Sonic Healthcare	SHL.AX	AUD	39	O	14%	11,934	32.6	19%	12.9	8.0	30.4	16.4	2.9	2.7	12%	23%	36%	25%	16	17	4.3%
Healius	HLS.AX	AUD	4	O	11%	1,631	6.3	30%	8.6	4.7	48.4	14.5	1.2	1.1	10%	21%	82%	25%	5	8	2.6%
ResMed Inc.	RMD.AX	AUD	31	O	7%	38,140	23.2	32%	37.1	33.3	44.6	39.6	14.5	11.7	2%	5%	6%	34%	6	27	0.8%
Market cap weighted avg.						**15,677**	**25.5**	**22%**	**27.5**	**23.9**	**41.6**	**33.3**	**10.0**	**8.3**	**3%**	**9%**	**15%**	**29%**	**36**	**22**	**1.5%**
Thailand																					
Bankok Chain Hospital	BCH.BK	THB	18	O	24%	1,208	3.9	-14%	18.5	16.9	38.5	34.8	5.0	4.7	6%	5%	5%	25%	61	15	1.4%
Bumrungrad Hospital	BH.BK	THB	90	U	-16%	2,570	6.8	-27%	27.6	22.4	63.5	48.3	4.1	4.0	6%	11%	15%	23%	-32	9	1.8%
Chularat Hospital	CHG.BK	THB	3	O	23%	913	2.4	-2%	23.2	19.5	41.7	33.6	6.9	6.3	6%	9%	11%	26%	16	21	2.1%
Rajthanee Hospital	RJH.BK	THB	28	O	23%	224	0.1	-10%	14.1	12.8	22.8	19.9	4.6	4.3	3%	7%	7%	28%	5	23	3.8%
Bangkok Dusit	BDMS.BK	THB	25	O	10%	11,886	20.5	-13%	26.9	22.4	61.6	46.3	4.2	4.0	6%	9%	15%	23%	20	9	1.1%
Market cap weighted avg.						**3,360**	**16.0**	**-14%**	**26.0**	**21.7**	**58.6**	**44.7**	**4.4**	**4.1**	**6%**	**9%**	**14%**	**23%**	**14**	**10**	**1%**
Malaysia/Singapore																					
IHH	IHHH.KL	MYR	6	O	12%	11,726	3.8	0%	20.3	13.5	133.4	46.0	1.7	1.7	17%	21%	70%	22%	9	5	0.5%
Raffles Medical	RAFG.SI	SGD	1	N	9%	1,145	0.6	-18%	18.0	13.5	34.1	23.2	1.8	1.7	10%	15%	21%	19%	6	7	2.6%
Market cap weighted avg.						**6,435**	**3.6**	**-2%**	**20.1**	**13.5**	**124.6**	**43.9**	**1.7**	**1.7**	**16%**	**20%**	**66%**	**21%**	**9**	**5**	**1%**
India																					
Apollo Hospitals	APLH.NS	INR	2,405	O	5%	4,289	32.4	59%	23.3	36.3	124.2	1,182.6	9.2	9.1	-3%	-20%	na	9%	131	1	0.0%

Source: Refinitiv, Credit Suisse estimates

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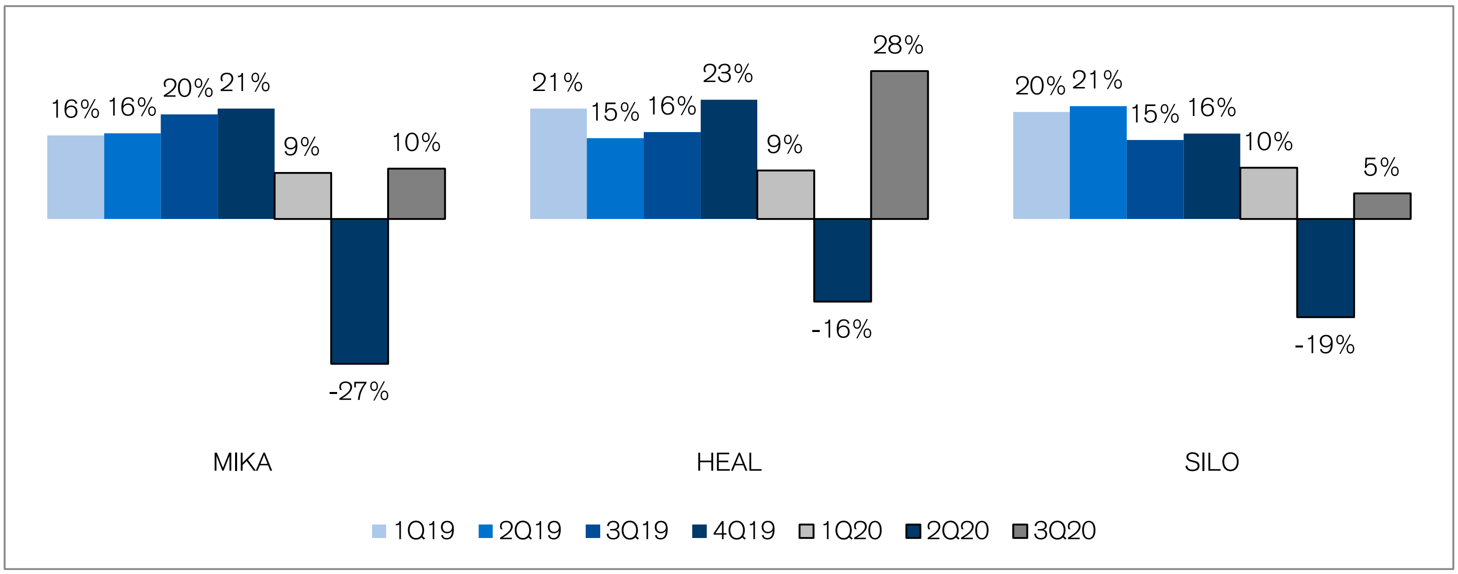
3Q wrap: Earnings boosted by COVID-19, unlikely to peak at current virus transmission rates

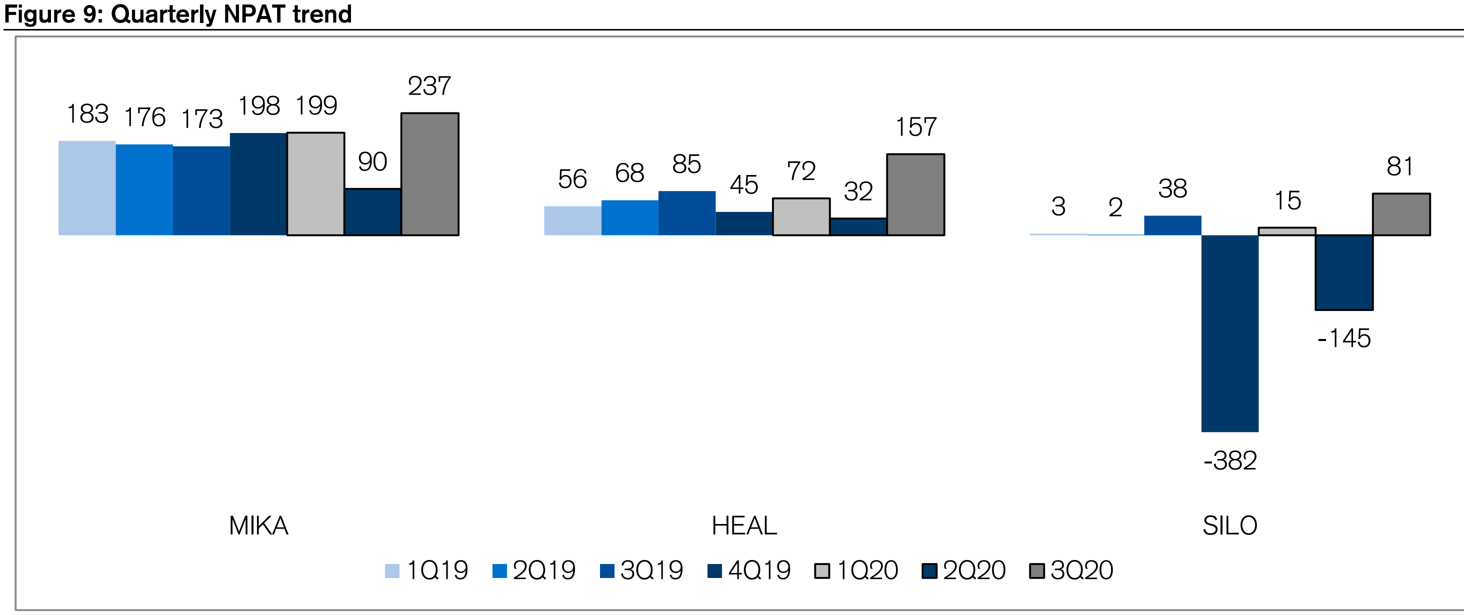
Hospitals have beaten CS and street earnings forecasts with a very strong 3Q20 result—reaching more than 100% of FYe as in 9M20—mainly due to a surge in COVID-19 patient volume which delivered significantly higher revenue per patient and margins. Although regular patient volume recovery has stagnated at 70-75% of normal levels in recent months, which we think may gradually recovery in 2021 as vaccines are rolled out, the contribution of COVID-19 to total hospital revenues have more than compensated and provided a temporary boost to earnings.

Figure 8: Quarterly revenue growth trend



Source: Company data

Figure 9: Quarterly NPAT trend

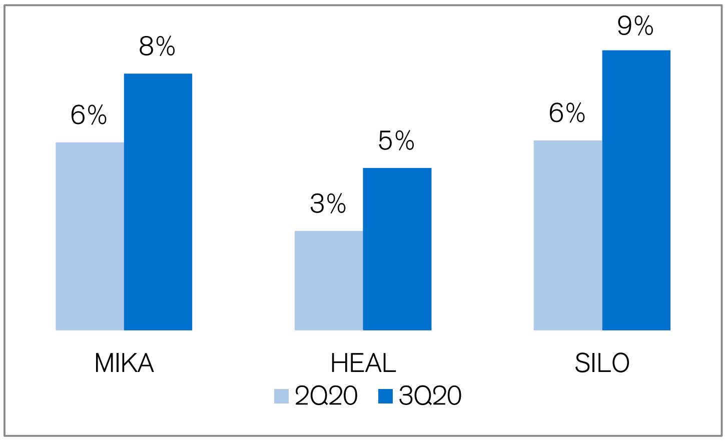


Source: Company data

COVID-19 contributed 30-40% of revenues, elevating margins

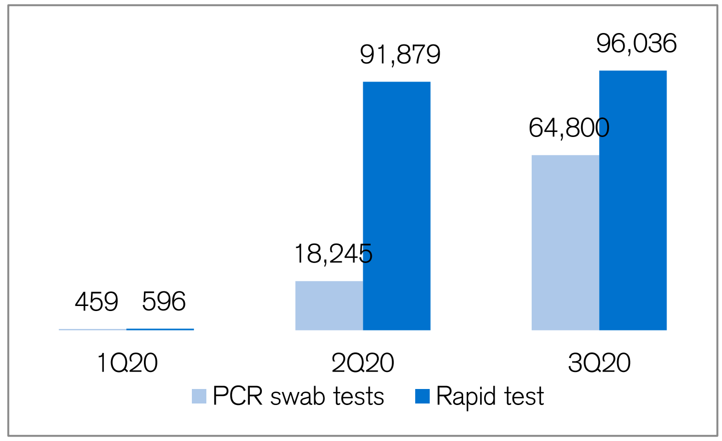
We estimate COVID-19 to contribute 30-40% of hospitals' total revenues in 3Q20, where 5-7% were generated by diagnostics and the rest coming from treatments. Since these patients stay as much 3x longer than the regular average and ASP per day can be 2x-3x more expensive, a small contribution in volume were able to drive revenues to last year levels, or even higher (in the case of HEAL).

Figure 10: COVID-19 patient as % of total admissions



Source: Company data

Figure 11: MIKA PCR and rapid test volume

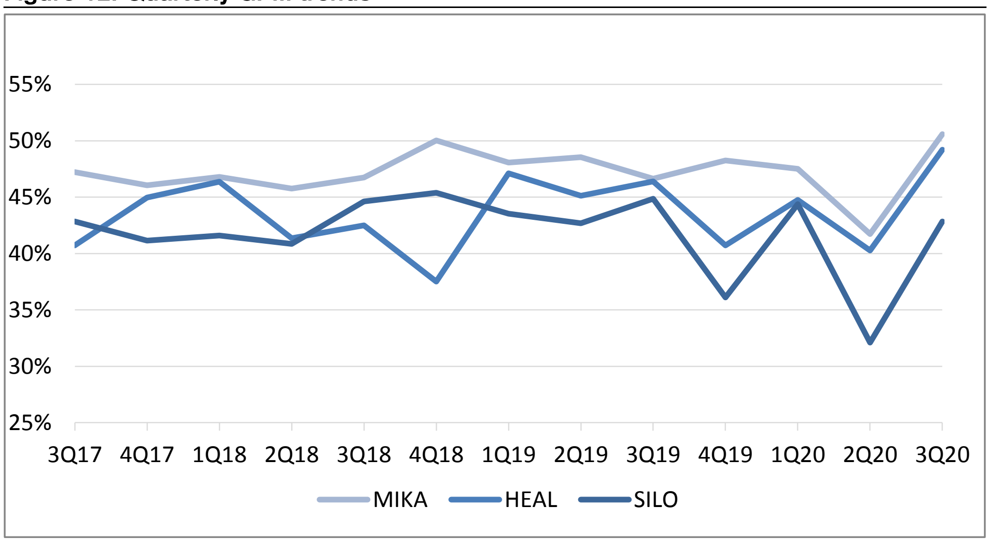


Source: Company data

As a result of the shift in case mix, gross margins turned out better than expected and consequently pushed profits to beat street estimates as most hospitals are also managing their costs very well.

With that said, we do not think GPM is sustainable at this level, as pricing on diagnostics (which have an estimated GPM of 50-60%) have been capped by the government at Rp900k (from Rp1.8-2 mn) per test. In order to prevent diagnostics margins from significantly declining, hospitals have also found alternative sources of cheaper reagents.

Figure 12: Quarterly GPM trends



Source: Company data

In the diagnostics space, PRDA also reported very strong results as it ramped up its PCR testing capacity in the 3Q20, causing revenue to grow by 24% YoY and profits by 242% YoY. GPM only slightly expanded from 57.6% in 3Q19 to 58.1% in 3Q20, as PRDA aimed to provide the best-quality reagent for the tests, and hence margins are similar to other lab tests. However, profits were pushed by the company's effort to be more efficient with opex (-28% YoY), hence operating profit margin expanded significantly from 8% in 3Q19 to 29.2% in 3Q20.

An interesting observation at 3Q20 operational numbers, the number of tests per visit declined by -38% YoY as customers are reluctant to perform excessive routine tests if unnecessary. Corporates have also shifted their preference and budget towards testing their employees for COVID-19, hence we saw a sharp increase in number of visits, but decline in tests per visit.

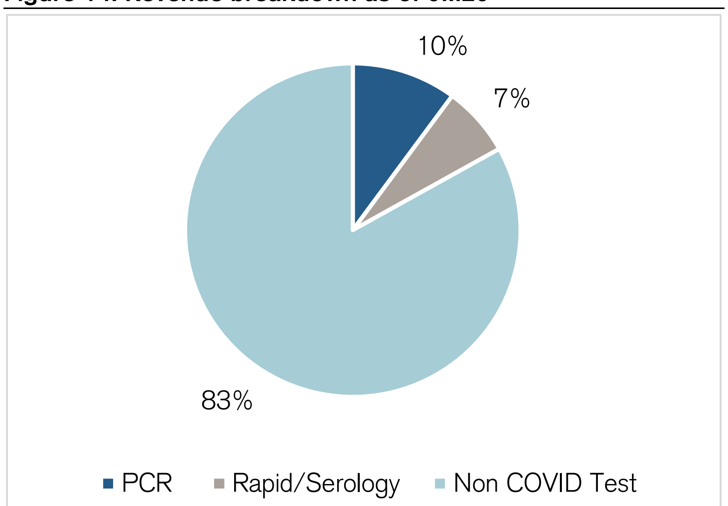
Based on this data, we believe it will take time for regular test volume to recover to normal levels, hence PRDA needs to rely on PCR test revenue in order to temporarily support its top line. However, management has also set several strategies to adapt to the situation, which is to provide customers with follow up tests to check for any lasting impacts that previous COVID-19 may have dealt to other organs in the human body.

Figure 13: PRDA quarterly operational data

	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20
Number of visits (in '000)	607	609	634	721	567	401	982
Revenue per visit (in '000)	658	656	694	701	690	663	555
Number of tests (mn)	3	4	4	5	3	2	4
Revenue per test (Rpk)	114,528	102,307	108,114	99,917	118,742	128,711	139,332
Tests per visit	5.75	6.41	6.42	7.02	5.81	5.15	3.98
% YoY							
Number of visits (in '000)	11%	8%	0%	-2%	-7%	-34%	55%
Revenue per visit (in '000)	1%	4%	9%	7%	5%	1%	-20%
Number of tests (mn)	4%	10%	2%	0%	-6%	-47%	-4%
Revenue per test (Rpk)	8%	2%	6%	5%	4%	26%	29%
Tests per visit	-6%	2%	3%	1%	1%	-20%	-38%

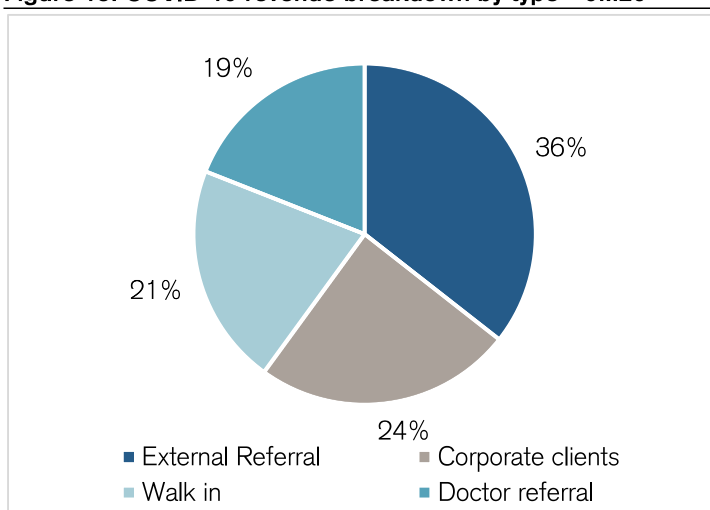
Source: Company data

Figure 14: Revenue breakdown as of 9M20



Source: Company data

Figure 15: COVID-19 revenue breakdown by type—9M20

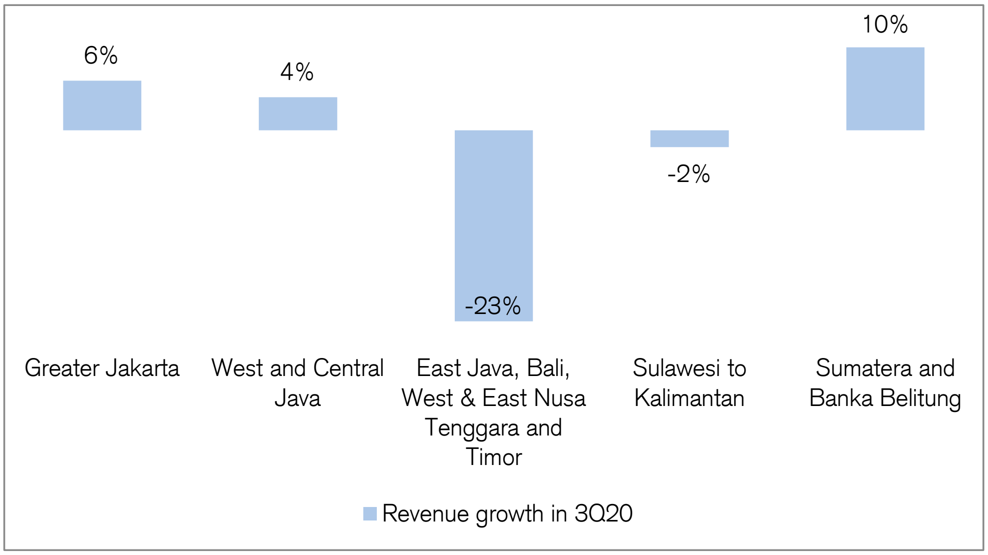


Source: Company data

Impact more pronounced for hospitals in Greater Jakarta area

Companies with the highest exposure in Greater Jakarta and big cities saw a more significant impact from COVID-19, possibly due to higher virus transmission rates as well as better public awareness towards the possible treatment methods. As seen from SILO's revenue growth by region in the figure below, Greater Jakarta and Sumatera performed the best, with +6% YoY and +10% YoY revenue growth, while East Java and tourism areas like Bali, West and East Nusa Tenggara are struggling with -23% YoY decline in revenues.

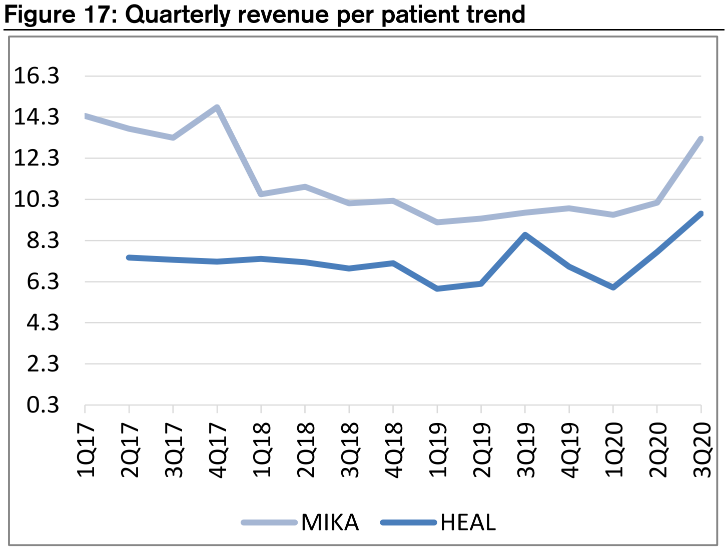
Figure 16: SILO revenue growth by region



Source: Company data

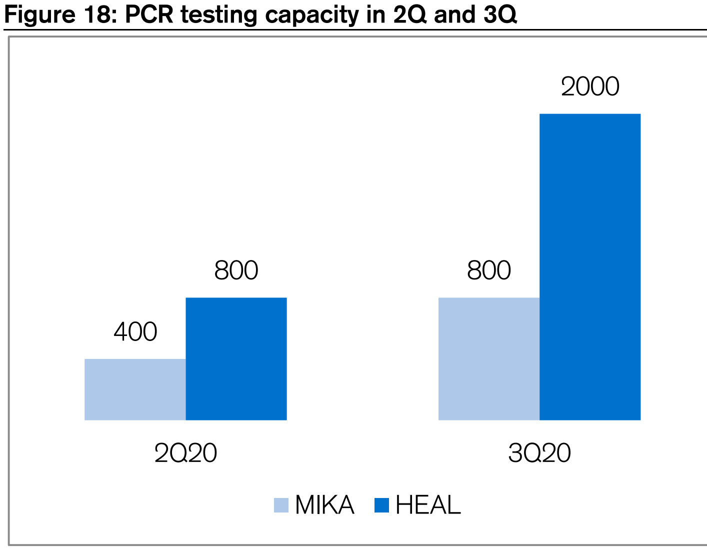
Other than regional exposure, HEAL also reported the strongest results, as: (1) its regular patients are recovering faster due to its larger BPJS mix, (2) it has a lower base revenue per patient compared to peers, and (3) it has a larger PCR testing capacity. We believe the last factor will make a lesser impact in the next few quarters, as the government has placed the PCR test price cap at Rp900k, much lower than what the hospital used to charge (Rp1.5 mn).

Figure 17: Quarterly revenue per patient trend



Source: Company data

Figure 18: PCR testing capacity in 2Q and 3Q

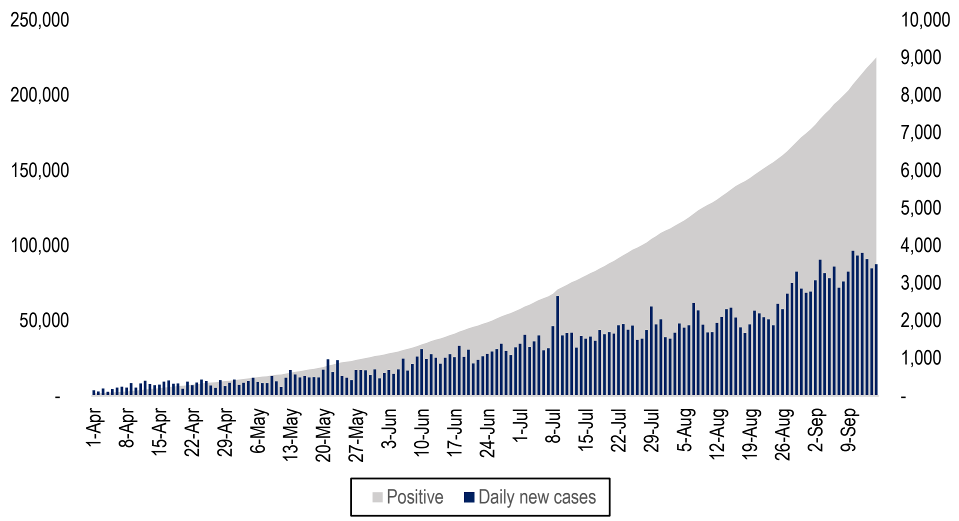


Source: Company data

Is COVID-19 at its peak in 3Q20?

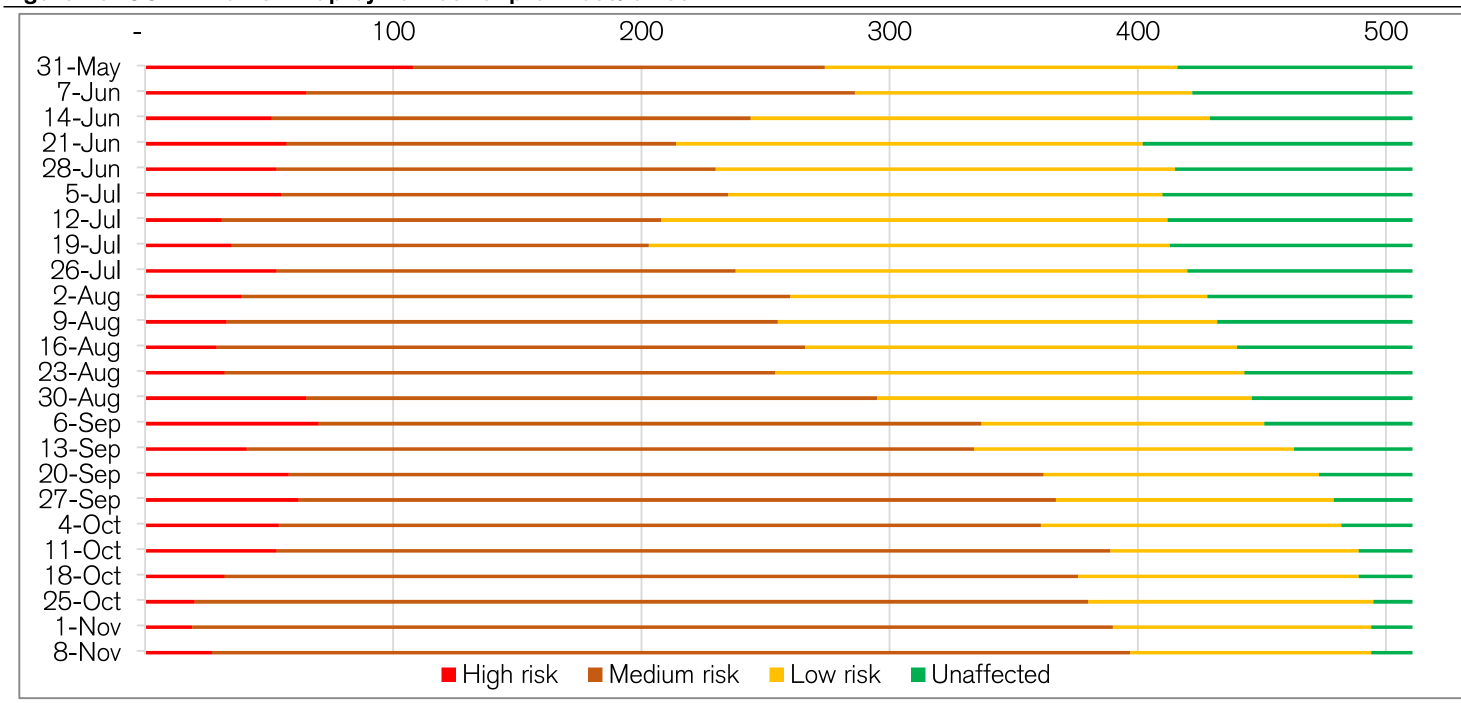
Daily new cases are still quite high despite stagnant (or even lower) average testing numbers in the past few weeks, still mainly driven by red zones such as Jakarta and other big cities in Java. Our checks with hospital players also suggest that the number of daily patients in care in October are comparable to 3Q20 numbers. The number of COVID-19 patients as a % to total inpatient volume are still increasing, as hospitals allocate more beds for these treatments. Positivity rates are stabilising at 14%, however, that is still much above the WHO recommended rate of 5%.

Figure 19: Daily new cases are still quite high despite stagnant testing



Source: Health Ministry

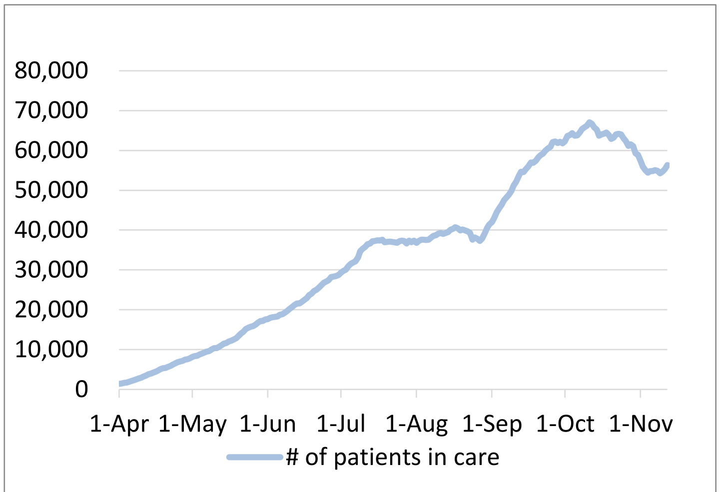
Figure 20: COVID-19 risk map by number of provinces/cities



Source: Indonesia COVID-19 task force

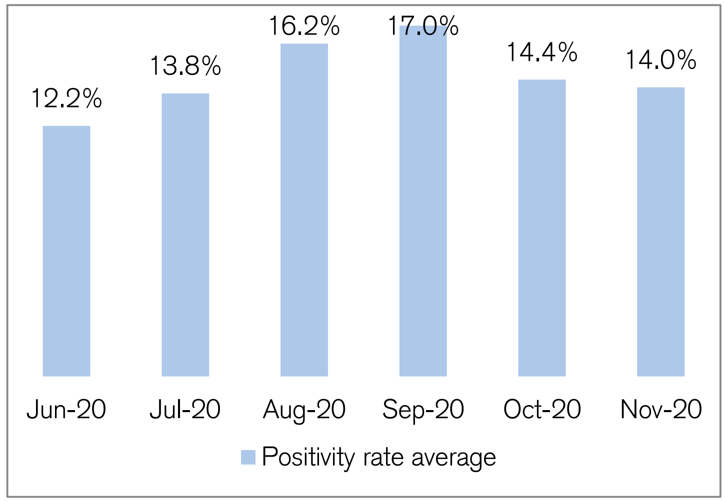
Our channel checks with hospitals suggest that November's daily admissions are yet again increasing MoM as the country came back from a long holiday. Our observation and the Google mobility report also indicate a pick-up in leisure activities such as eating-out and mass gatherings, which could spiral into higher virus transmission rates in the future. As long as cities do not go back to another full lockdown, we believe COVID-19 cases may remain high until vaccinations reach critical mass.

Figure 21: Patients in care



Source: Health Ministry

Figure 22: Positivity rates



Source: Health Ministry

Key vaccine developments the main unknown

Efficacy data on Sinovac and Sinopharm vaccines should be key focus for Indonesia

Eyes are on major pharmaceutical companies as they are expected to report COVID-19 vaccine efficacy data from phase 3 clinical trials, before the year-end. Pfizer has recently reported 90% efficacy on its candidate, but it is likely less relevant for Indonesia and EM given its mRNA technology requires advanced cold chain logistic systems. For 2021, Indonesia has secured a total of 295 mn doses from several vaccine manufacturers: Sinovac (125 mn), Cansino (25 mn), Sinopharm (50 mn), and AstraZeneca (100 mn). All of these candidates are still in limited use and clinical trial phase 3 status, hence positive data that is expected to come out any time soon may be the next key catalyst for increased investor and consumer confidence.

Government's vaccine rollout programme

The government is currently finalising its vaccination roadmap and targets to start mass vaccinations in January 2021, assuming vaccine candidates obtain necessary licenses and approvals on time. Since our last update on vaccines in early October (link: Indonesia Healthcare Sector: Vaccine update: Preliminary roadmap for 2021-22), the government was able to obtain another 100 mn doses from AstraZeneca for 2021, enabling Indonesia to vaccinate 210 mn people by March 2022, according to the government's current multilateral commitments.

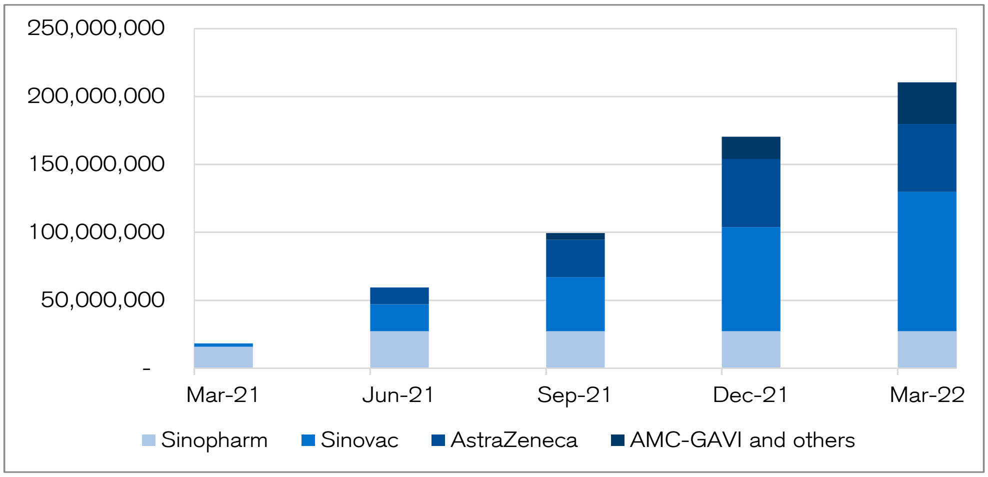
Indonesia's earliest batch of vaccines will most likely come from Chinese manufacturers, however, it has yet to report efficacy data and obtain approvals from BPOM. Strong efficacy data is the first step to accelerate the distribution process. Meanwhile, vaccines from US and EU manufacturers are expected to be available from the second half of 2021, at the earliest.

Figure 23: List of target vaccine candidates for Indonesia

No	Vaccine	Type	Project lead	Local developer	Progress	Targeted distribution timeline
1	**Sinovac (CoronaVac.)**	Inactivated virus	SOE Ministry	PT. Biofarma	Phase 3 clinical trials in China, Brazil, Bangladesh, Indonesia, and Turkey	Jan-21
2	**G-42/Wuhan Institute Biological Products/Sinopharm**	Inactivated virus	SOE Ministry	PT. Kimia Farma	Phase 3 clinical trials in UEA	Jan-21
3	**CanSino Biologics (Ad5-nCOV)**	Modified adenovirus	SOE Ministry	PT. Biofarma	Phase 3 clinical trials in Saudi Arabia, Russia, Brazil, Chille. Limited approval for military use in China	Under discussion
4	**Vaksin Merah Putih**	Protein recombinant	Research and Technology Ministry	PT. Biofarma and Eijkman Institute for Molecular Biology	Pre-clinical trials with animals	2nd half of 2021
5	**BioNTech/Fosun/Pfizer**	mRNA vaccine	BioNTech	PT. Pfizer Indonesia	Phase 3 clinical trials in USA and Germany	NA
6	**Genexine Korea**	DNA-based vaccine	Genexine	PT. Kalbe Farma	Phase 2 clinical trials in Indonesia and Korea	2nd half of 2021
7	**Astra Zeneca**	Modified adenovirus	Astra Zeneca	PT. Astra Zeneca Indo	Phase 3 clinical trials in UK, USA, Brazil, and South Africa	March 2021 - 2nd half of 2021

Source: Health Ministry

Figure 24: Cumulative vaccinations to reach 210 mn by March 2022



Source: Government, Health Ministry

Government budget, subsidy recipients, and priority target segments

The Finance Ministry is allocating **~Rp30 tn budget** for vaccine subsidies and procurement in 2021, which could provide free vaccinations for 60 mn people in priority groups and poverty. For the government, the main priorities for initial vaccination are: (1) frontline medical workers and public authorities, (2) regional public leaders/figures and authorities, (3) educational workforce, (4) central, regional governments and legislatures, and (5) BPJS subsidy recipients.

Figure 25: Priority segments

Priority	Target segment	Estimated # of people	Dosage required
1	Front liners: Medic, paramedics, contact tracing, national service (Army and Police)	3,497,737	6,995,737
2	Regional leaders, regents, mayors, village chiefs, etc.	5,624,010	11,248,020
3	Educational workforce	4,361,197	8,722,394
4	Government officials (central, regional, and legislature)	2,305,689	4,611,378
5	BPJS subsidy recipients	86,622,867	173,245,734
6	Others	57,548,500	115,097,000
	Total	**159,960,000**	**319,920,263**

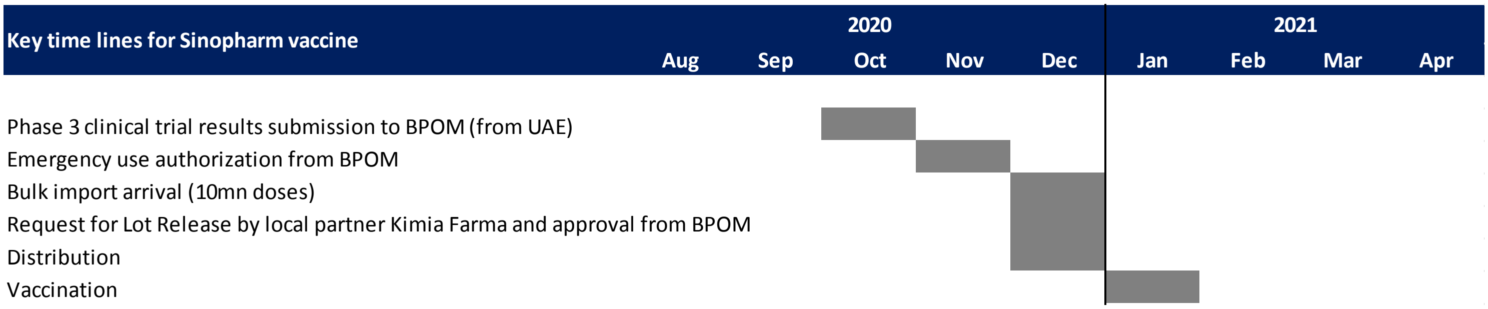
Source: Health Ministry

Where are we right now?

As SinoVac is likely to be the largest vaccine supplier for Indonesia, it is worthwhile to pay attention to its monthly progress. At the moment, the Coronavac is simultaneously undergoing phase 3 clinical trials, inspection at China by the NMPA, while Bio Farma is preparing its facility for fill & finish and receiving the first bulk shipment by end-November. Currently, more than 90% of samples have received their second dose of vaccine and is on track to report efficacy data by January 2021.

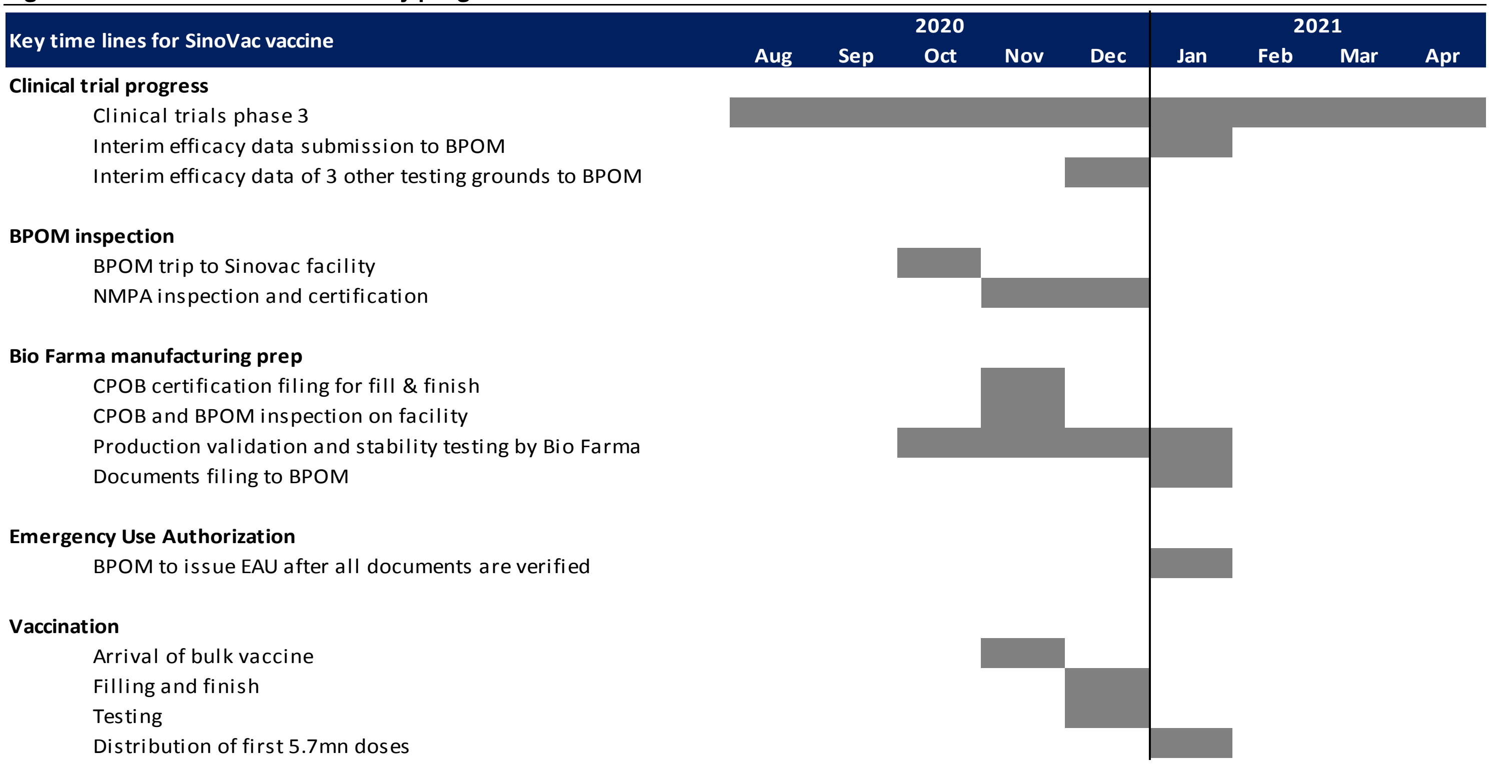
With that said, Brazil reported an incident that prompted a temporary suspension of clinical trials in one of the major testing grounds for SinoVac. We believe this may also trigger the Indonesian government to become more thorough with its clinical trials and consequently extending the timeline of distribution. **On the other hand,** the Sinopharm vaccines (to be distributed by Kimia Farma) may be distributed earlier than the Coronavac as it is expected to obtain the emergency use authorisation from Indonesia's BPOM by the end of November, and set to receive bulk imports in early December. Other detailed inspection will have been done by the UAE.

Figure 26: Current estimated time line for Sinopharm vaccine



Source: Health Ministry

Figure 27: Current time line and key progress for SinoVac vaccine



Source: Health Ministry

Progress on global vaccine development

Pfizer and BioNTech has recently announced its interim phase 3 clinical trial results, citing 90% efficacy on its vaccine candidate, well above initial expectations of 50-60%. Furthermore, the data suggests protection 7 days after the second dose were administered, which signals a fast immune response. Many important questions still need to be addressed, however, this early data may encourage the mass public to take vaccinations and bring herd immunity timeline forward.

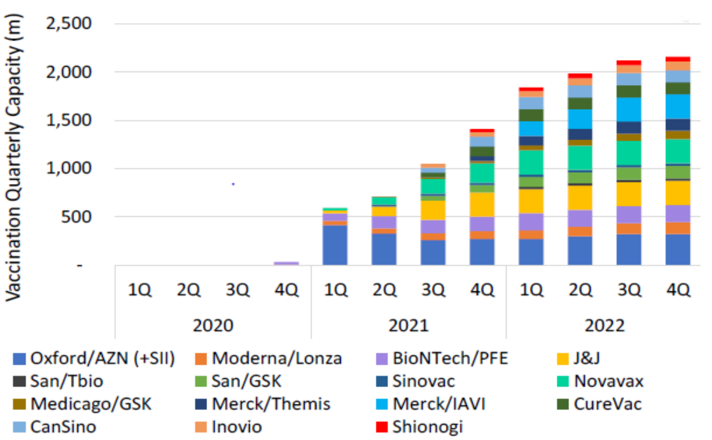
The last two months of the year will be eventful as most of the key vaccine candidates are expected to report their early phase 3 efficacy data. We believe it is important to monitor data from AZN/Oxford and Novovax as they have a different vaccine platform than Pfizer, and are expected to contribute a significant amount of vaccines in 2021. Also note that Pfizer's candidate may be more relevant for developed markets as it uses an mRNA technology that requires -70° C cold chain logistics, while emerging countries are unlikely to have this is in large capacities.

Figure 28: Early phase 3 reporting schedule for key vaccine candidates

Vaccine candidate	Vaccine type	Early phase 3 data timeline
Pfizer/BioNtech	mRNA	2nd week of November
Moderna	mRNA	End of Nov - Dec
AZN/Oxford	Viral vector	Nov/Dec
JNJ	Viral vector	Dec/Jan 2021
Novovax	Traditional	End of Dec/Jan 2021
Sanofi/GSK	Traditional	By end of 1H21

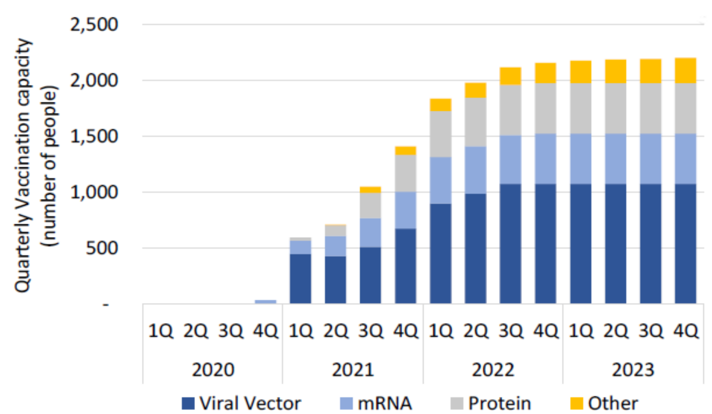
Source: Company data, Credit Suisse estimates

Figure 29: Est. vaccinations by manufacturer



Source: Company data, Credit Suisse estimates

Figure 30: Est. vaccinations by platform



Source: Company data, Credit Suisse estimates

What is relevant for Indonesia?

We urge investors to focus on vaccines with traditional protein antigen or viral vector technology as they are easier to transport and hence more suitable for Indonesia. AZN/Oxford, which has given their commitment to supply 100 mn doses of vaccines in 2021 to the Indonesian government, is set to report its early phase 3 efficacy data very soon.

Moderna stated that its interim phase 3 data could be available in November 2020 and also expects to be able to produce 20 mn doses of its vaccine by year-end and between 500 mn and 1 bn in 2021. Unlike Pfizer's candidate, Moderna believes that its mRNA vaccine can be distributed at -20 C (a normal household freezer) which would significantly simplify some of the cold-chain logistics.

Key risks—durability of vaccine, efficacy of other platforms

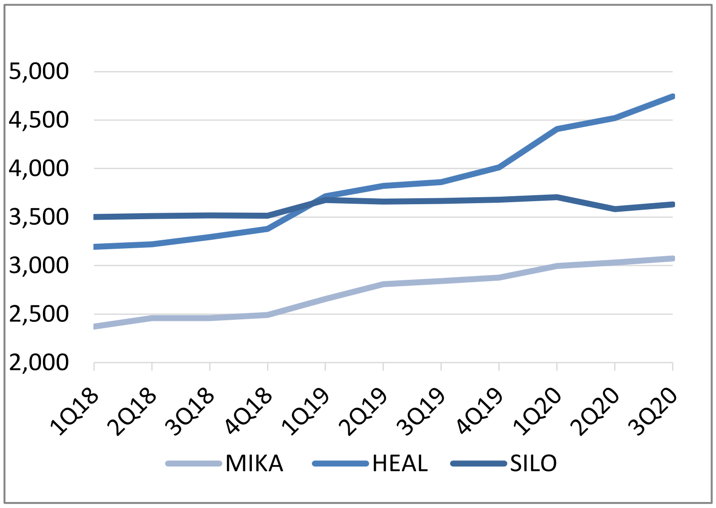
We believe the key risks on back-to-normal timing is durability of the vaccines as well as efficacy of other technology platforms besides mRNA.

- Shorter protection period means it will take longer to inoculate the global population at the current vaccine capacity, and would likely create logistics issues for mas repeat vaccinations.
- We need to see good efficacy data for viral vector and protein antigen vaccines as they make up more than 70% of the total estimated vaccine supply globally. It will also take time for manufacturers to retool their equipment for a different vaccine platform, pushing her immunity timelines further back.

Gas pedal on expansion sets up strong medium-term growth outlook

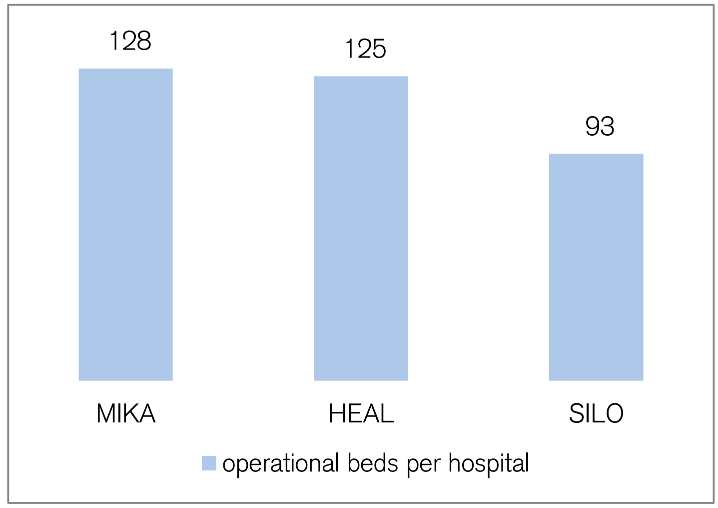
Hospitals under our coverage are maintaining their operational bed expansion by a rate of 10% per year, mostly contributed by MIKA (+8% YTD) and HEAL (+18%), while SILO (-1%) continues to focus on improving existing hospitals performance. We view this positively as there are currently good opportunities for M&A (pandemic has tilt the bargaining power in big chains' favor), while industry fundamentals have strengthened with the government's focus on healthcare as well as improving budget sustainability at BPJS.

Figure 31: # of operational beds, HEAL most aggressive



Source: Company data

Figure 32: Operational beds per hospital



Source: Company data

HEAL—raising cash in preparation for opportunities

We see HEAL as the most aggressive hospital in terms of expansion. It is on track to have 40 hospitals by the end-2020 and surpass SILO as the largest hospital chain in the country (in terms of the number of hospitals). It also recently raised Rp400 bn through bond issuance and has obtained shareholders' approval for an equity raise to prepare for acquisition opportunities. Management mentioned during the company's 3Q20 earnings call that HEAL is in early stage of discussion to acquire a small hospital chain. We view this positively, but prefer new hospitals to be located in first- or second-tier cities.

MIKA—steady expansion in big cities

Management maintains its strategy to pen 2-3 hospitals every year (~10% of its current footprint), but is also open to M&A opportunities depending on valuation and location. We agree with MIKA's preference to expand in bigger cities, for return and profitability reasons, however, we would like to see MIKA be slightly more aggressive and solidify its presence in Indonesia before foreign investments start to crowd the healthcare space.

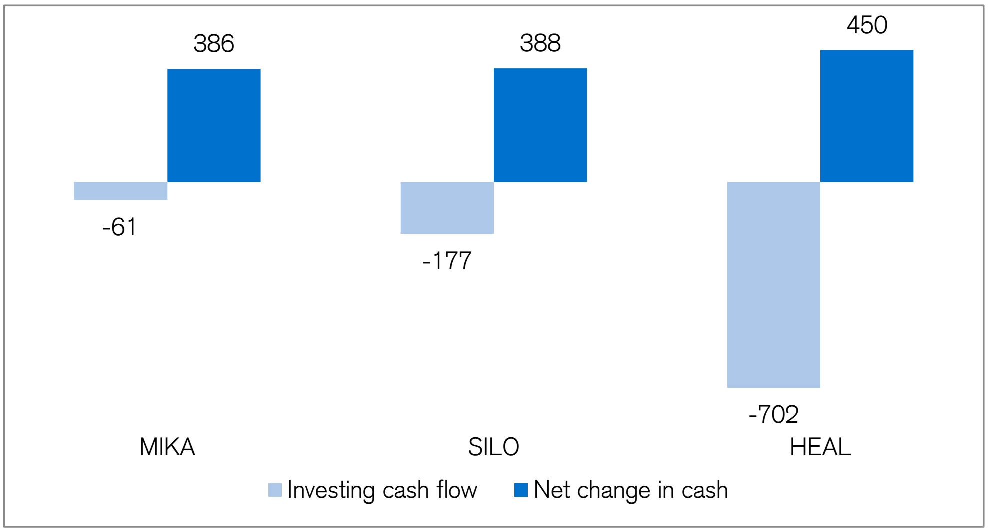
SILO—focus on existing hospitals

Before resuming expansion, SILO needs to focus on existing hospitals and grow the overall profit margin of the company. Management is reviewing strategies at loss-making hospitals in order to increase bed occupancy rates, revenue per patient, and become more cost-efficient. The progress has been great so far, as we saw ramping up hospitals grow its revenue per bed by 90% YoY in 3Q20 (partly due to COVID-19), and reduce EBITDA losses significantly.

Strong cash flows during the pandemic gives extra room for expansion capex

The strong near-term earnings potential due to COVID-19 as well as managements' cash conservation initiatives (especially for MIKA), are pushing up cash levels that can be utilised for expansion capex. At this stage, we prefer names with more aggressive expansion strategies as they are likely to outperform peers in the medium term, assuming decent performance.

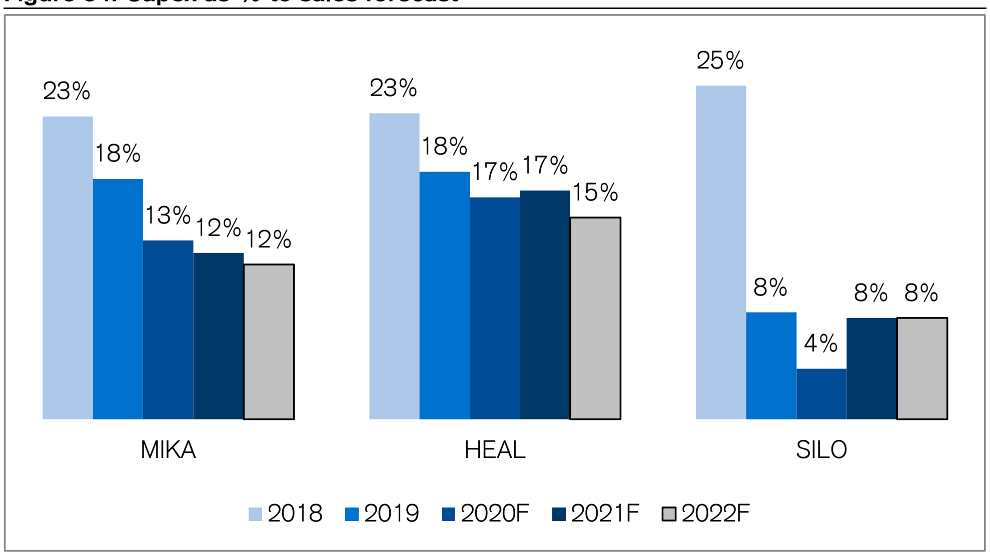
Figure 33: HEAL most aggressive with expansion capex in 9M20



Source: Company data, Credit Suisse estimates

We estimate HEAL's capex as % to sales to be higher compared to domestic peers in the next few years, as we expect strong expansion trend from the company. We expect HEAL to open four new hospitals every year, at the least, MIKA at two to three hospitals per year, and zero to one hospital per year for SILO.

Figure 34: Capex as % to sales forecast

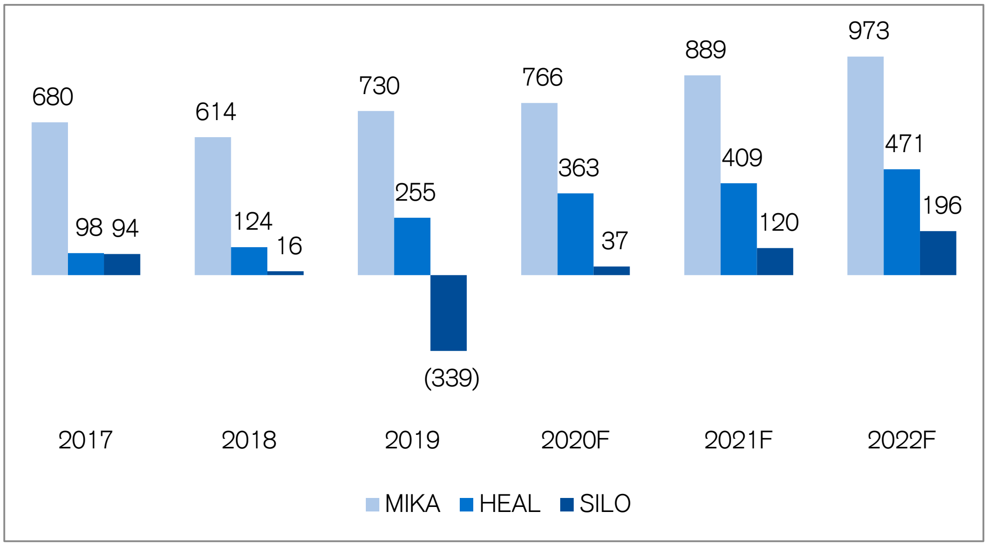


Source: Company data, Credit Suisse estimates

Forecast double-digit growth

We forecast 12-16% earnings growth for HEAL and MIKA, while we expect SILO's profit to grow by 200% (from a very low base). Their strong performance is under the assumption that COVID-19 cases remain high for the first half of 2021, patient volume recovery continues, and hospitals maintain aggressive stance on expansion. We estimate 15%/10%/17% 3-year EBITDA CAGR for HEAL/MIKA/SILO.

Figure 35: Earnings forecast



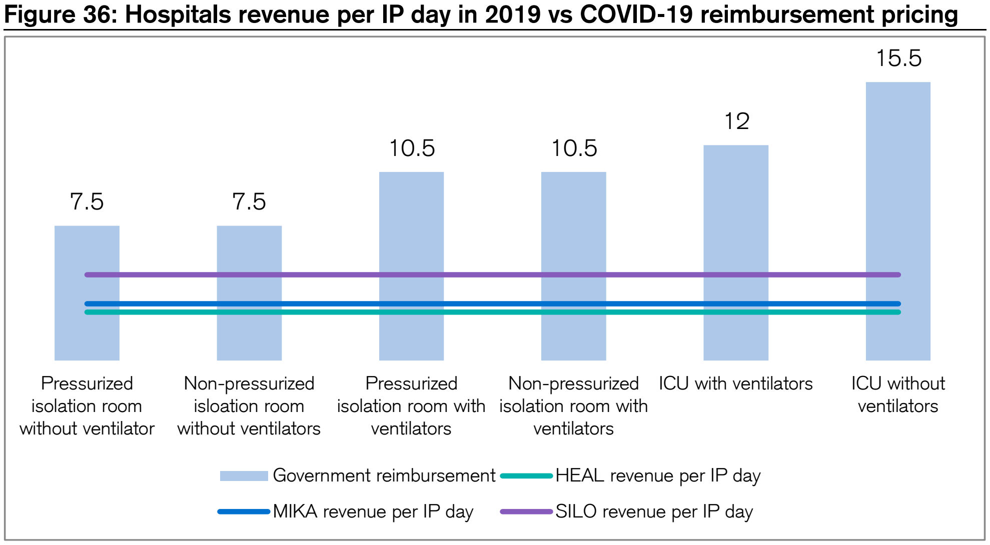
Source: Company data, Credit Suisse estimates

Key risks

Downward adjustment in COVID-19 reimbursement pricing

Since the largest swing factor for hospitals' strong earnings were the margins earned from treating COVID-19 patients, lower average ticket size (which is under the control of the government) is the main downside risk going forward. The government has allocated around Rp70 tn for COVID-19 reimbursement treatments, roughly enough for 1 mn patients.

Figure 36: Hospitals revenue per IP day in 2019 vs COVID-19 reimbursement pricing

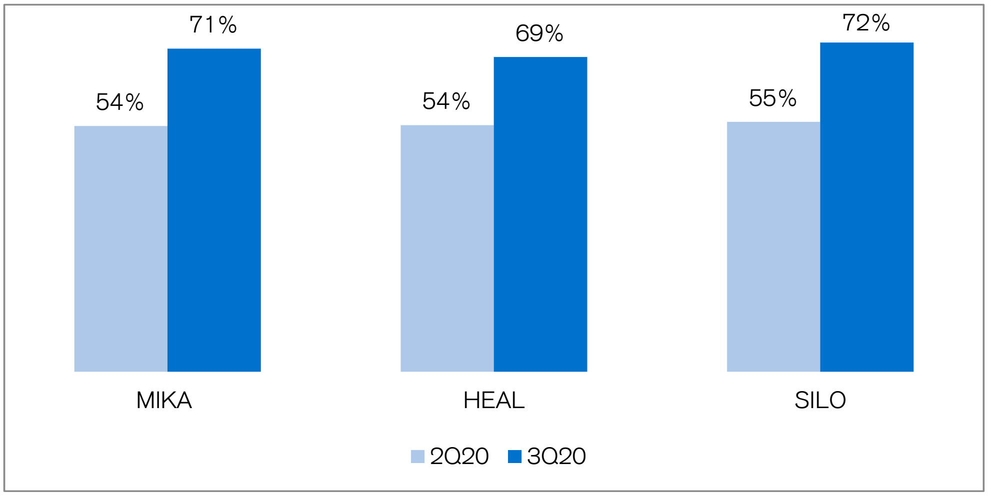


Source: Company data, Ministry of Health

Slower-than-expected patient volume recovery

According to our estimates based on outpatient visits, regular patient volume is still around 70% of normal levels. We expect this number to gradually recover to 80-85% by the end of next year, as activities continue to pick up and vaccines are rolled out. The downside risk to earnings is then realised if COVID-19 treatment volume comes down, but patient volume takes longer to recover.

Figure 37: Outpatient visits as % to same period last year



Source: Company data

Stock calls and new earnings forecast

We upgrade MIKA to OUTPERFORM (from Neutral) with new TP of Rp2,900 (from Rp2,400), as recent stock correction and upward earnings revision present decent upside. We maintain OUTPERFORM on HEAL with higher TP of Rp4,400 (from Rp3,800), as we like its aggressive expansion strategy; and maintain NEUTRAL on SILO, with new TP of Rp5,200 (from Rp4,800). Key risks: Downward adjustment in COVID-19 reimbursement pricing and slower-than-expected recovery of regular patient volume may impact earnings negatively.

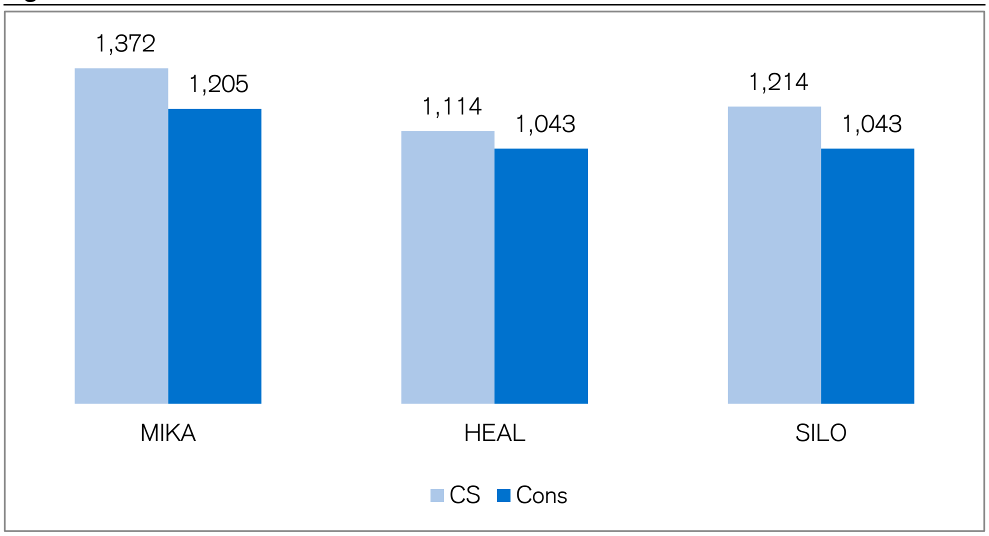
Figure 38: Investment thesis summary

Company	Key investment thesis	Earnings forecast change		Rating		TP (Rp)	
		2020	2021	Old	New	Old	New
MIKA	We maintain our double digit growth earnings growth foreacast for next year (with a higher estimates for 2020), driven by a combination of high COVID-19 treatment demand and bed allocation, as well as gradual recovery of patient volume. Faster expansion through M&A may be a strong catalyst for the medium-term.	25%	16%	Neutral	Outperform	2,400	2,900
HEAL	Most aggressive use of capital to expand footprint strengthens its medium-term growth outlook. The company is set to become the largest hospital chain in Indonesia by year-end and yet still aims to add new locations at a faster rate than peers. In the near-term, it may be the most benefitted from a surge in COVID-19 treatment demand due to lower base margin and revenue per bed.	44%	36%	Outperform	Outperform	3,800	4,400
SILO	Better earnings outlook during pandemic, and relatively low expectations for 2020/2021. Difficult to distinguish cause of strong improvement at loss-making hospitals due to COVID-19 and key overhangs have not been resolved, hence maintain neutral.	23%	21%	Neutral	Neutral	4,800	5,200
PRDA	The company reported a very strong 3Q20 results on the back of high PCR test volume, which may still grow QoQ according to our channel checks. Price capping may reduce margins, however may be offset by PRDA's new supplementary health checkups for previously infected patients.	no change		Outperform	Outperform	4,010	4,010

Source: Credit Suisse estimates

We are currently around 10% ahead of consensus on 2021 EBITDA, after factoring in COVID-19's strong contribution to earnings. We believe the street may also need to adjust its estimates upward in the near future.

Figure 39: CS vs consensus EBITDA for 2021



Source: The BLOOMBERG PROFESSIONAL™ service, Credit Suisse estimates

Figure 40: Summary of forecast changes

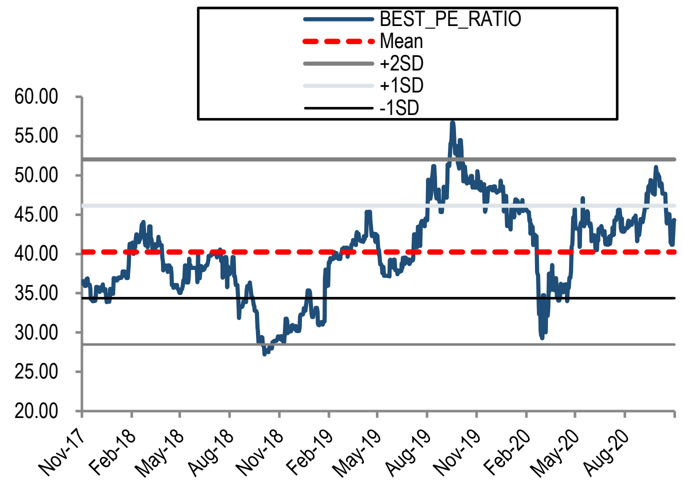
MIKA.JK	Old estimates		New estimates		Change	
	FY20	FY21	FY20	FY21	FY20	FY21
Revenue	3098	3584	3181	3541	3%	-1%
Growth		16%		11%		
Gross profit	1416	1697	1556	1759	10%	4%
Growth		20%		13%		
EBITDA	1012	1249	1199	1371	19%	10%
Growth		23%		14%		
NPAT	614	766	766	888	25%	16%
Growth		25%		16%		
Gross margin	46%	47%	49%	50%		
EBITDA margin	33%	35%	38%	39%		
Net margin	20%	21%	24%	25%		

HEAL.JK	Old estimates		New estimates			
	FY20	FY21	FY20	FY21	FY20	FY21
Revenue	3689	4206	3802	4272	3%	2%
Growth YoY	2%	14%	5%	12%		
Gross profit	1629	1872	1779	2007	9%	7%
Growth YoY	0%	15%	9%	13%		
EBITDA	857	1010	1042	1178	22%	17%
Growth YoY	-1%	18%	21%	13%		
NPAT	253	300	363	409	44%	36%
Growth YoY	-1%	19%	42%	13%		
Gross margin	44%	45%	47%	47%		
EBITDA margin	23%	24%	27%	28%		
Net margin	7%	7%	10%	10%		

SILO.JK	Old estimates		New estimates			
	FY20	FY21	FY20	FY21	FY20	FY21
Revenue	6752	7362	6822	7362	1%	0%
Growth	-4%	9%	-3%	8%		
Gross profit	1966	2249	2178	2454	11%	9%
Growth	-11%	14%	-1%	13%		
EBITDA	891	1005	1094	1214	23%	21%
Growth	6%	13%	30%	11%		
NPAT	-114	21	37	120	na	458%
Growth	na	-119%	na	na		
Gross margin	29%	31%	32%	33%		
EBITDA margin	13%	14%	16%	16%		
Net margin	-2%	0%	1%	2%		

Source: Credit Suisse estimates

Figure 41: MIKA 12-month-forward PE

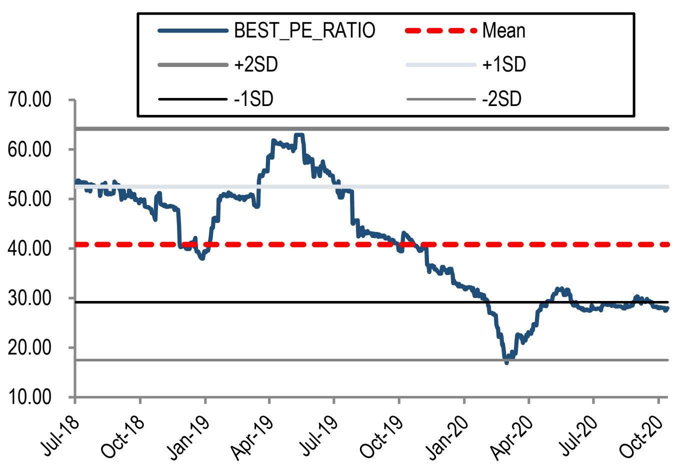


Source: The BLOOMBERG PROFESSIONAL™ service

Figure 42: MIKA 12-month-forward EV/EBITDA

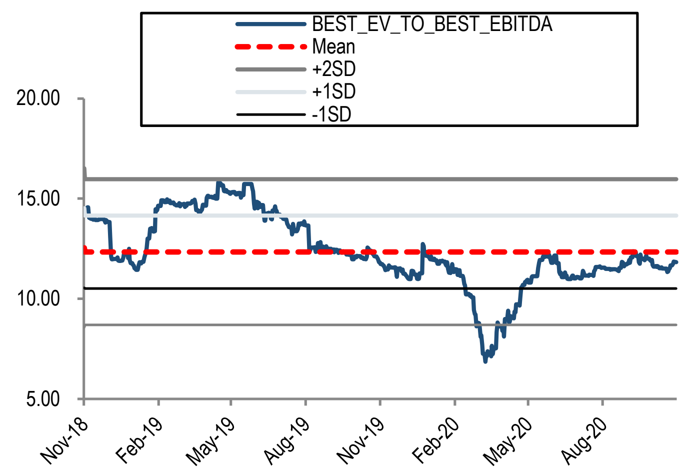
Source: The BLOOMBERG PROFESSIONAL™ service

Figure 43: HEAL 12-month-0forward PE



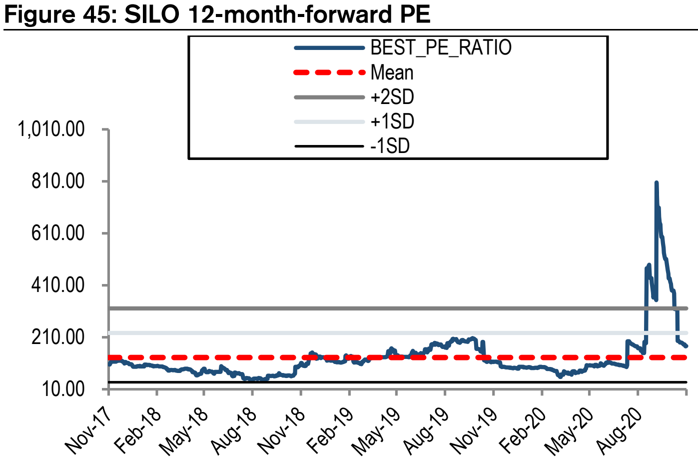
Source: The BLOOMBERG PROFESSIONAL™ service

Figure 44: HEAL 12-month-forward EV/EBITDA



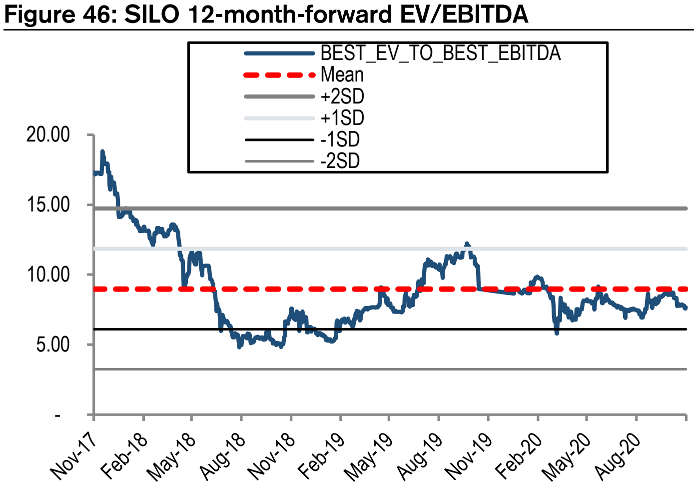
Source: The BLOOMBERG PROFESSIONAL™ service

Figure 45: SILO 12-month-forward PE



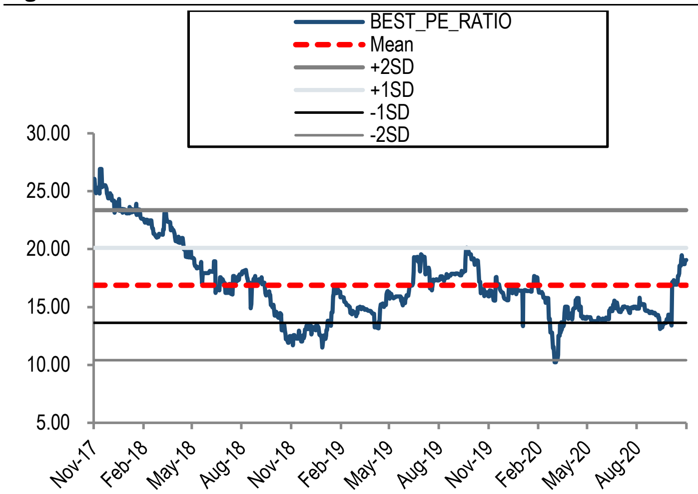
Source: The BLOOMBERG PROFESSIONAL™ service

Figure 46: SILO 12-month-forward EV/EBITDA



Source: The BLOOMBERG PROFESSIONAL™ service

Figure 47: PRDA 12-month-forward PE



Source: The BLOOMBERG PROFESSIONAL™ service

Figure 48: PRDA 12-month-forward EV/EBITDA

Source: The BLOOMBERG PROFESSIONAL™ service

PT Medikaloka Hermina Tbk

Aggressive expansion strategy strengthens medium-term outlook

Healthcare Facilities

HEAL.JK

Target price (12M, Rp)
4,400
Outperform

- **We maintain OUTPERFORM and raise our target price to Rp4,400** (from Rp3,800) as we raise our earnings forecasts by 44%/36% in 2020/21 in anticipation of strong performance in the next several quarters. We believe COVID-19 may remain a significant contributor to near-term earnings, while we expect patient volumes to gradually recover.
- **We also get more constructive on HEAL's medium-term outlook** given the company's huge appetite for expansion. Management guides for 40 total hospitals by the end of 2020, and a hospital growth rate of around 10% each year, excluding additional M&A opportunities. We believe it is a good time to be more aggressive as hospital cash flows are very healthy and value assets (land or hospitals) may be up for sale during the pandemic. HEAL has raised Rp400 bn from bond issuance in 3Q20, and has recently obtained shareholders' approval for an equity raise to fund M&As in the near future. During the latest earnings call, management highlighted it is in the early stages of discussion to acquire a small-chain hospital.
- **Catalysts and risks.** Strong catalysts for the stock include: (1) faster patient volume recovery, (2) larger contribution from COVID-19 cases, (3) commercial opportunities with vaccine, and (4) good value M&As for faster expansion. Main downside risks include: (1) downward adjustment in COVID-19 reimbursement pricing by the government and (2) slower-than-expected volume recovery.
- **We raise our target multiple to 17x 2021E EBITDA** (from 16x previously) as we expect strong earnings potential in the near term due to COVID-19, as well as a stronger medium-term growth outlook as explained above. This is in line with regional peers with slower growth outlook and 45% discount to MIKA.

Previous target price (12M, Rp)	3,800
Price (19 Nov 20, Rp)	3,470
Upside/downside (%)	26.8
Mkt cap (Rp bn/US$ mn)	10,316 / 0.73
Enterprise value (Rp bn)	11,134
Number of shares (mn)	2,973
Free float (%)	18.0
52-wk price range (Rp)	3,700-1,900
ADTO-6M (US$ mn)	0.1

Research Analysts

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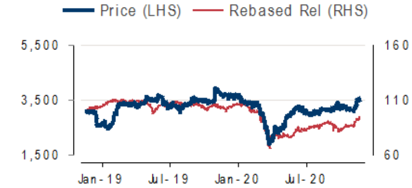
Financial and valuation metrics

Year	12/19A	12/20E	12/21E	12/22E
Revenue (Rp bn)	3,630.9	3,802.4	4,272.3	4,928.9
EBITDA (Rp bn)	862.8	1,042.1	1,178.2	1,336.9
EBIT (Rp bn)	583.3	756.2	848.3	960.7
Net profit (Rp bn)	255.4	363.2	408.7	470.8
EPS (CS adj.) (Rp)	85.9	122.17	137.47	158.35
Chg. from prev. EPS (%)	n.a.	43.5	36.1	29.4
Consensus EPS (Rp)	n.a.	91.07	126.97	159.06
EPS growth (%)	105.3	42.2	12.5	15.2
P/E (x)	40.4	28.4	25.2	21.9
Dividend yield (%)	0.3	0.7	0.9	1.0
EV/EBITDA (x)	12.8	10.7	9.5	8.3
P/B (x)	4.8	4.22	3.74	3.31
ROE (%)	12.7	15.8	15.7	16.0
Net debt/equity (%)	25.4	26.2	24.1	17.5

Source: Company data, Refinitiv, Credit Suisse estimates

Share price performance



The price relative chart measures performance against the JSX COMPOSITE INDEX which closed at 5,594.06 on 19/11/20.
On 19/11/20 the spot exchange rate was Rp14,150/US$1

Performance	1M	3M	12M
Absolute (%)	10.2	10.2	(4.9)
Relative (%)	0.5	4.1	4.2

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PT Medikaloka Hermina Tbk (HEAL.JK / HEAL IJ)

Analyst: **Steven Ho**

Price (19 Nov 2020): **Rp3,470** Target Price: **(from Rp3,800) Rp4,400**

Rating: **Outperform**

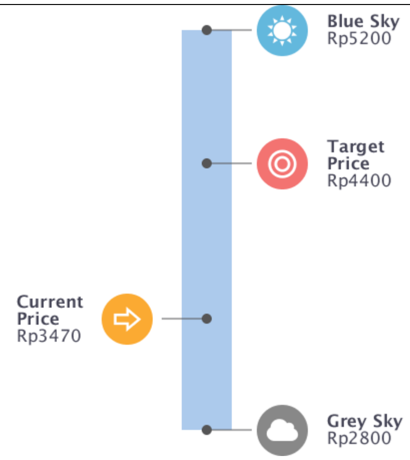
Income Statement (Rp bn)	12/19A	12/20E	12/21E	12/22E
Sales revenue	**3,631**	**3,802**	**4,272**	**4,929**
Cost of goods sold	2,005	2,023	2,265	2,655
EBITDA	**863**	**1,042**	**1,178**	**1,337**
EBIT	**583**	**756**	**848**	**961**
Net interest expense/(inc.)	78	93	102	101
Recurring PBT	**505**	**663**	**746**	**860**
Profit after tax	**344**	**484**	**545**	**628**
Reported net profit	**255**	**363**	**409**	**471**
Net profit (Credit Suisse)	**255**	**363**	**409**	**471**
Balance Sheet (Rp bn)	**12/19A**	**12/20E**	**12/21E**	**12/22E**
Cash & cash equivalents	593	790	642	691
Current receivables	1,009	1,160	1,247	1,307
Inventories	51	52	58	68
Other current assets	11	11	12	14
Current assets	**1,664**	**2,014**	**1,959**	**2,080**
Property, plant & equip.	3,096	3,484	3,931	4,348
Investments	0	0	0	0
Intangibles	0	0	0	0
Other non-current assets	288	284	298	317
Total assets	**5,048**	**5,781**	**6,188**	**6,744**
Current liabilities	**1,044**	**1,004**	**1,065**	**1,201**
Total liabilities	**2,283**	**2,600**	**2,557**	**2,593**
Total debt	1,295	1,624	1,517	1,417
Shareholders' equity	**2,147**	**2,443**	**2,756**	**3,120**
Minority interests	617	738	875	1,031
Total liabilities & equity	**5,048**	**5,781**	**6,188**	**6,744**
Cash Flow (Rp bn)	**12/19A**	**12/20E**	**12/21E**	**12/22E**
EBIT	**583**	**756**	**848**	**961**
Net interest	(109)	(128)	(149)	(139)
Tax paid	(162)	(179)	(202)	(232)
Working capital	(108)	(165)	(31)	65
Other cash & non-cash items	336	373	425	490
Operating cash flow	**542**	**658**	**892**	**1,145**
Capex	(745)	(697)	(808)	(834)
Free cash flow to the firm	**(203)**	**(40)**	**84**	**311**
Investing cash flow	**(642)**	**(658)**	**(774)**	**(815)**
Equity raised	0	0	0	0
Dividends paid	(33)	(67)	(95)	(107)
Financing cash flow	**421**	**262**	**(202)**	**(207)**
Total cash flow	**321**	**262**	**(84)**	**123**
Adjustments	0	0	0	0
Net change in cash	**321**	**262**	**(84)**	**123**
Per share	**12/19A**	**12/20E**	**12/21E**	**12/22E**
Shares (wtd avg.) (mn)	2,973	2,973	2,973	2,973
EPS (Credit Suisse) (Rp)	**86**	**122**	**137**	**158**
DPS (Rp)	11	23	32	36
Operating CFPS (Rp)	182	221	300	385
Earnings	**12/19A**	**12/20E**	**12/21E**	**12/22E**
Growth (%)				
Sales revenue	18.7	4.7	12.4	15.4
EBIT	51.1	29.6	12.2	13.3
EPS	105.3	42.2	12.5	15.2
Margins (%)				
EBITDA	23.8	27.4	27.6	27.1
EBIT	16.1	19.9	19.9	19.5
Valuation (x)	**12/19A**	**12/20E**	**12/21E**	**12/22E**
P/E	40.4	28.4	25.2	21.9
P/B	4.80	4.22	3.74	3.31
Dividend yield (%)	0.3	0.7	0.9	1.0
EV/sales	3.0	2.9	2.6	2.2
EV/EBITDA	12.8	10.7	9.5	8.3
EV/EBIT	18.9	14.7	13.2	11.5
ROE analysis (%)	**12/19A**	**12/20E**	**12/21E**	**12/22E**
ROE	12.7	15.8	15.7	16.0
ROIC	12.4	14.8	14.5	14.9
Credit ratios	**12/19A**	**12/20E**	**12/21E**	**12/22E**
Net debt/equity (%)	25.4	26.2	24.1	17.5
Net debt/EBITDA (x)	0.81	0.80	0.74	0.54

Source: Company data, Refinitiv, Credit Suisse estimates

Company Background

PT Medikaloka Hermina Tbk operates hospitals in Indonesia that provide public health and medical services. PT Medialoka Hermina Tbk was founded in 1999 and is based in Central Jakarta, Indonesia.

Blue/Grey Sky Scenario



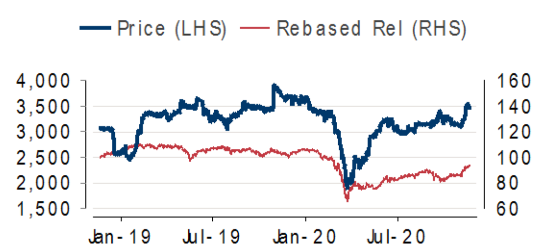
Our Blue Sky Scenario (Rp) **(from 4,300) 5,200**

Our blue sky scenario of Rp5,200assumes 14% revenue growth (2% higher than our base case) and 27.6% EBITDA margin (1.5% higher than the base case), applying 18x EV/EBITDA multiple (vs.16x base case scenario) to take into account for better-than-expected outlook.

Our Grey Sky Scenario (Rp) **(from 2,400) 2,800**

Our grey sky scenario valuation of Rp 2,800 assumes 6% revenue growth (6% lower than our base case), 24.1% EBITDA margin (2% lower than the base case), applying 13x EV/EBITDA multiple (vs.16x base case scenario) to take into account the weaker-than-expected outlook

Share price performance



The price relative chart measures performance against the JSX COMPOSITE INDEX which closed at 5,594.06 on 19-Nov-2020

On 19-Nov-2020 the spot exchange rate was Rp14,150/US$1

PT Siloam International Hospitals Tbk

SILO.JK

Early signs of improvement

Target price (12M, Rp)

5,200

Neutral

Healthcare Facilities

- **We maintain our NEUTRAL rating on SILO with a higher target price of Rp5,200** (from Rp4,800 previously). This is on the back of 23%/21% raise in 2020/21 EBITDA estimates, as the earnings outlook during COVID-19 pandemic has significantly improved compared to 2Q20. The company's 3Q20 results showed that SILO benefitted from the surge in virus treatments and diagnostics demand at larger cities, albeit at a lesser extent compared to MIKA and HEAL.
- **We factor in a stronger near-term earnings potential due to COVID-19, however, key overhangs such as rental agreements between LPKR, SILO, and First REIT remain.** The positive impact of COVID-19 has also made it difficult for us to distinguish the cause of the strong operational improvement at loss-making hospitals, which is key to the stock's structural rerating potential.
- **Upside risks.** Strong catalysts for the stock include: (1) faster patient volume recovery, (2) larger contribution from COVID-19 cases, (3) commercial opportunities with vaccine, and (4) announcement of favourable rental agreement.
- **Downside risks** include: (1) downward adjustment in COVID-19 reimbursement pricing by the government and (2) slower-than-expected volume recovery.
- **We value SILO using 7x 2021E EBITDA**, which is a steep discount to regional and domestic peers due to high earnings volatility and key overhangs.

Previous target price (12M, Rp)	4,800
Price (19 Nov 20, Rp)	4,890
Upside/downside (%)	6.3
Mkt cap (Rp bn/US$ mn)	7,950 / 0.56
Enterprise value (Rp bn)	7,640
Number of shares (mn)	1,626
Free float (%)	39.5
52-wk price range (Rp)	7,175-4,260
ADTO-6M (US$ mn)	0.1

Research Analysts

Steven Ho
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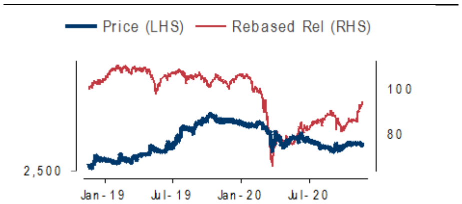
Financial and valuation metrics

Year	12/19A	12/20E	12/21E	12/22E
Revenue (Rp bn)	7,017.9	6,821.6	7,361.7	8,104.0
EBITDA (Rp bn)	843.2	1,094.4	1,214.4	1,349.4
EBIT (Rp bn)	329.9	398.4	498.3	572.0
Net profit (Rp bn)	(338.8)	37.4	119.9	195.6
EPS (CS adj.) (Rp)	(208.38)	23.03	73.77	120.31
Chg. from prev. EPS (%)	n.a.	132.9	458.3	201.8
Consensus EPS (Rp)	n.a.	(11.07)	42.37	63.88
EPS growth (%)	n.m.	n.m.	220.4	63.1
P/E (x)	n.m.	212.4	66.3	40.6
Dividend yield (%)	0.0	0.0	0.0	0.0
EV/EBITDA (x)	9.2	7.0	6.2	5.3
P/B (x)	1.34	1.33	1.3	1.26
ROE (%)	(5.5)	0.6	2.0	3.2
Net debt/equity (%)	(3.6)	(5.3)	(7.3)	(11.8)

Source: Company data, Refinitiv, Credit Suisse estimates

Share price performance



The price relative chart measures performance against the JSX COMPOSITE INDEX which closed at 5,594.06 on 19/11/20. On 19/11/20 the spot exchange rate was Rp14,150/US$1

Performance	1M	3M	12M
Absolute (%)	(1.2)	5.8	(31.1)
Relative (%)	(10.9)	(0.2)	(22.0)

PT Siloam International Hospitals Tbk (SILO.JK / SILO IJ)

Analyst: **Steven Ho**

Price (19 Nov 2020): **Rp4,890** Target Price: **(from Rp4,800) Rp5,200**

Rating: **Neutral**

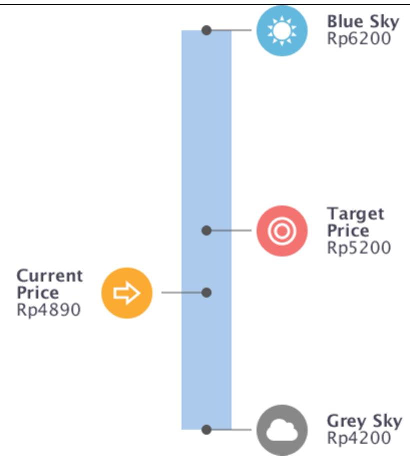
Income Statement (Rp bn)	12/19A	12/20E	12/21E	12/22E
Sales revenue	**7,018**	**6,822**	**7,362**	**8,104**
Cost of goods sold	4,818	4,643	4,908	5,387
EBITDA	**843**	**1,094**	**1,214**	**1,349**
EBIT	**330**	**398**	**498**	**572**
Net interest expense/(inc.)	49	164	157	146
Recurring PBT	**(150)**	**144**	**251**	**336**
Profit after tax	**(333)**	**43**	**126**	**201**
Reported net profit	**(339)**	**37**	**120**	**196**
Net profit (Credit Suisse)	**(339)**	**37**	**120**	**196**
Balance Sheet (Rp bn)	**12/19A**	**12/20E**	**12/21E**	**12/22E**
Cash & cash equivalents	314	382	511	812
Current receivables	1,138	1,451	1,636	1,885
Inventories	212	226	242	268
Other current assets	181	176	190	209
Current assets	**1,845**	**2,236**	**2,579**	**3,174**
Property, plant & equip.	4,170	5,243	5,059	4,915
Investments	0	0	0	0
Intangibles	475	475	475	475
Other non-current assets	1,251	1,219	1,299	1,207
Total assets	**7,742**	**9,174**	**9,412**	**9,771**
Current liabilities	**1,370**	**1,395**	**1,505**	**1,606**
Total liabilities	**1,754**	**3,143**	**3,256**	**3,413**
Total debt	101	60	60	60
Shareholders' equity	**5,941**	**5,979**	**6,099**	**6,294**
Minority interests	46	52	58	64
Total liabilities & equity	**7,742**	**9,174**	**9,412**	**9,771**
Cash Flow (Rp bn)	**12/19A**	**12/20E**	**12/21E**	**12/22E**
EBIT	**330**	**398**	**498**	**572**
Net interest	0	0	0	0
Tax paid	(183)	(101)	(126)	(134)
Working capital	330	(252)	(104)	(194)
Other cash & non-cash items	28	436	463	535
Operating cash flow	**505**	**481**	**732**	**779**
Capex	(558)	(257)	(554)	(610)
Free cash flow to the firm	**(53)**	**224**	**178**	**169**
Investing cash flow	**(516)**	**(378)**	**(609)**	**(484)**
Equity raised	0	0	0	0
Dividends paid	0	0	0	0
Financing cash flow	**109**	**(35)**	**6**	**6**
Total cash flow	**98**	**68**	**129**	**301**
Adjustments	(0)	0	0	0
Net change in cash	**98**	**68**	**129**	**301**
Per share	**12/19A**	**12/20E**	**12/21E**	**12/22E**
Shares (wtd avg.) (mn)	1,626	1,626	1,626	1,626
EPS (Credit Suisse) (Rp)	**-208**	**23**	**74**	**120**
DPS (Rp)	0	0	0	0
Operating CFPS (Rp)	311	296	450	479
Earnings	**12/19A**	**12/20E**	**12/21E**	**12/22E**
Growth (%)				
Sales revenue	17.7	(2.8)	7.9	10.1
EBIT	10.5	20.8	25.1	14.8
EPS	(2203.5)	111.1	220.4	63.1
Margins (%)				
EBITDA	12.0	16.0	16.5	16.7
EBIT	4.7	5.8	6.8	7.1
Valuation (x)	**12/19A**	**12/20E**	**12/21E**	**12/22E**
P/E	(23.5)	212.4	66.3	40.6
P/B	1.34	1.33	1.30	1.26
Dividend yield (%)	0.0	0.0	0.0	0.0
EV/sales	1.1	1.1	1.0	0.9
EV/EBITDA	9.2	7.0	6.2	5.3
EV/EBIT	23.5	19.1	15.0	12.6
ROE analysis (%)	**12/19A**	**12/20E**	**12/21E**	**12/22E**
ROE	(5.5)	0.6	2.0	3.2
ROIC	12.4	2.1	4.4	6.1
Credit ratios	**12/19A**	**12/20E**	**12/21E**	**12/22E**
Net debt/equity (%)	(3.6)	(5.3)	(7.3)	(11.8)
Net debt/EBITDA (x)	(0.25)	(0.29)	(0.37)	(0.56)

Source: Company data, Refinitiv, Credit Suisse estimates

Company Background

Siloam International Hospitals is an Indonesia-based healthcare company that owns and operates hospitals. Its hospitals offer a comprehensive range of specialists, and is located throughout Indonesia.

Blue/Grey Sky Scenario



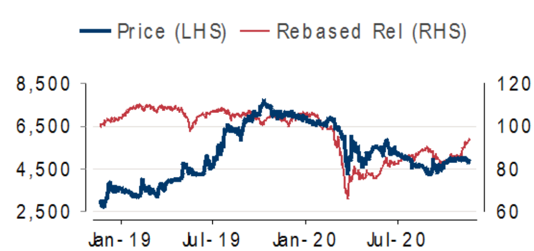
Our Blue Sky Scenario (Rp) **(from 5,700) 6,200**

Our blue sky scenario valuation of Rp6,200 is based on a more optimistic assumption on 2021 revenue growth of 9% (1% higher vs. our base case) and EBITDA margin of 22.8% (1% higher than the base case), with a higher 2021 EV/EBITDA multiple of 8.0x.

Our Grey Sky Scenario (Rp) **(from 3,900) 4,200**

Our grey sky scenario valuation of Rp4,200 is based on a less optimistic assumption on 2021 revenue growth of 6% (2% lower vs. base case) and EBITDA margin of 21% (1% lower than the base case), with a lower 2021 EV/EBITDA multiple of 6.0x.

Share price performance



The price relative chart measures performance against the JSX COMPOSITE INDEX which closed at 5,594.06 on 19-Nov-2020

On 19-Nov-2020 the spot exchange rate was Rp14,150/US$1

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PT Mitra Keluarga Karyasehat Tbk

Sure and steady

Healthcare Facilities

MIKA.JK

Target price (12M, Rp)

2,900

Outperform

- **We upgrade MIKA to OUTPERFORM (from Neutral),** with a new TP of Rp2,900 (from Rp2,400) as we raise earnings estimates by 25%/16% for 2020/21. Recent share price correction towards its 3-year mean valuation presents decent upside. We also expect street-wide earnings upgrade after a stronger-than-expected 3Q20 performance, which is likely not a one-off as we believe COVID-19 may continue to be a significant positive impact on 2021 P&L.
- **Forecast double-digit earnings growth in 2021,** even after a stronger-than-expected performance in 2020. We expect COVID-19 cases to remain high, similar to 3Q levels, for the next few quarters, and patient volume to gradually recover from 70% of normal levels to around 80-85% by the end of next year. We would like to see MIKA become more aggressive in expansion, given its high cash balance, in order to secure its position before competition escalates in big cities.
- **Catalysts and risks.** Strong catalysts for the stock include: (1) faster patient volume recovery, (2) larger contribution from COVID-19 cases, (3) commercial opportunities with vaccine, and (4) good value M&As for faster expansion. Main downside risks include: (1) downward adjustment in COVID-19 reimbursement pricing by the government, and (2) slower-than-expected volume recovery.
- **We raise our target multiple to 30x 2021E EBITDA** (from 28x previously) as we anticipate potential earnings surprise in the next few quarters as well as improving company fundamentals (e.g., stronger cash flow, more aggressive expansion capabilities, commercial opportunities on COVID-19 vaccine, etc.).

Previous rating	Neutral
Previous target price (12M, Rp)	2,400
Price (19 Nov 20, Rp)	2,490
Upside/downside (%)	16.5
Mkt cap (Rp bn/US$ mn)	35,473 / 2.51
Enterprise value (Rp bn)	34,652
Number of shares (mn)	14,246
Free float (%)	22.9
52-wk price range (Rp)	2,750-1,685
ADTO-6M (US$ mn)	3.8

Research Analysts

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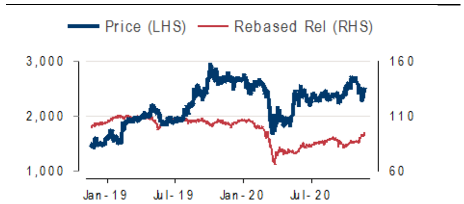
Financial and valuation metrics

Year	12/19A	12/20E	12/21E	12/22E
Revenue (Rp bn)	3,204.9	3,181.0	3,541.1	3,907.1
EBITDA (Rp bn)	1,147.7	1,199.4	1,370.6	1,502.5
EBIT (Rp bn)	884.8	938.3	1,086.9	1,189.5
Net profit (Rp bn)	730.0	766.0	888.4	972.1
EPS (CS adj.) (Rp)	50.7	53.77	62.36	68.24
Chg. from prev. EPS (%)	n.a.	24.7	15.9	6.5
Consensus EPS (Rp)	n.a.	47.31	57.24	66.17
EPS growth (%)	20.2	6.0	16.0	9.4
P/E (x)	49.1	46.3	39.9	36.5
Dividend yield (%)	0.7	0.9	1.0	1.1
EV/EBITDA (x)	30.4	28.9	25.1	22.8
P/B (x)	8.26	7.49	6.72	6.06
ROE (%)	17.5	17.0	17.7	17.5
Net debt/equity (%)	(11.8)	(16.1)	(17.3)	(19.3)

Source: Company data, Refinitiv, Credit Suisse estimates

Share price performance



The price relative chart measures performance against the JSX COMPOSITE INDEX which closed at 5,594.06 on 19/11/20. On 19/11/20 the spot exchange rate was Rp14,150/US$1

Performance	1M	3M	12M
Absolute (%)	(5.3)	6.9	(10.4)
Relative (%)	(15.0)	0.8	(1.3)

PT Mitra Keluarga Karyasehat Tbk (MIKA.JK / MIKA IJ)

Analyst: **Steven Ho**

Price (19 Nov 2020): **Rp2,490** Target Price: **(from Rp2,400) Rp2,900** Rating: **(from Neutral) Outperform**

Income Statement (Rp bn)	**12/19A**	**12/20E**	**12/21E**	**12/22E**
Sales revenue	**3,205**	**3,181**	**3,541**	**3,907**
Cost of goods sold	1,671	1,625	1,782	1,990
EBITDA	**1,148**	**1,199**	**1,371**	**1,502**
EBIT	**885**	**938**	**1,087**	**1,189**
Net interest expense/(inc.)	(62)	(58)	(71)	(77)
Recurring PBT	**1,004**	**1,059**	**1,229**	**1,345**
Profit after tax	**791**	**837**	**971**	**1,062**
Reported net profit	**730**	**766**	**888**	**972**
Net profit (Credit Suisse)	**730**	**766**	**888**	**972**
Balance Sheet (Rp bn)	**12/19A**	**12/20E**	**12/21E**	**12/22E**
Cash & cash equivalents	569	866	1,028	1,271
Current receivables	514	527	631	695
Inventories	49	45	49	55
Other current assets	1,345	1,331	1,371	1,417
Current assets	**2,475**	**2,770**	**3,079**	**3,438**
Property, plant & equip.	2,390	2,577	2,889	3,227
Investments	0	0	0	0
Intangibles	186	186	186	186
Other non-current assets	525	580	645	712
Total assets	**5,576**	**6,113**	**6,798**	**7,562**
Current liabilities	**428**	**406**	**434**	**504**
Total liabilities	**780**	**804**	**858**	**971**
Total debt	2	12	0	0
Shareholders' equity	**4,296**	**4,733**	**5,278**	**5,851**
Minority interests	497	568	650	741
Total liabilities & equity	**5,573**	**6,105**	**6,787**	**7,562**
Cash Flow (Rp bn)	**12/19A**	**12/20E**	**12/21E**	**12/22E**
EBIT	**885**	**938**	**1,087**	**1,189**
Net interest	59	58	50	60
Tax paid	(213)	(222)	(258)	(283)
Working capital	(239)	(76)	(171)	(92)
Other cash & non-cash items	159	154	194	213
Operating cash flow	**651**	**852**	**902**	**1,087**
Capex	(484)	(350)	(495)	(545)
Free cash flow to the firm	**167**	**503**	**406**	**542**
Investing cash flow	**(513)**	**(312)**	**(471)**	**(523)**
Equity raised	(549)	0	0	0
Dividends paid	(256)	(329)	(345)	(400)
Financing cash flow	**(400)**	**(243)**	**(270)**	**(322)**
Total cash flow	**(262)**	**298**	**160**	**242**
Adjustments	0	0	0	0
Net change in cash	**(262)**	**298**	**160**	**242**
Per share	**12/19A**	**12/20E**	**12/21E**	**12/22E**
Shares (wtd avg.) (mn)	14,399	14,246	14,246	14,246
EPS (Credit Suisse) (Rp)	**51**	**54**	**62**	**68**
DPS (Rp)	18	23	24	28
Operating CFPS (Rp)	45	60	63	76
Earnings	**12/19A**	**12/20E**	**12/21E**	**12/22E**
Growth (%)				
Sales revenue	18.1	(0.7)	11.3	10.3
EBIT	18.7	6.0	15.8	9.4
EPS	20.2	6.0	16.0	9.4
Margins (%)				
EBITDA	35.8	37.7	38.7	38.5
EBIT	27.6	29.5	30.7	30.4
Valuation (x)	**12/19A**	**12/20E**	**12/21E**	**12/22E**
P/E	49.1	46.3	39.9	36.5
P/B	8.26	7.49	6.72	6.06
Dividend yield (%)	0.7	0.9	1.0	1.1
EV/sales	10.9	10.9	9.7	8.8
EV/EBITDA	30.4	28.9	25.1	22.8
EV/EBIT	39.5	36.9	31.7	28.8
ROE analysis (%)	**12/19A**	**12/20E**	**12/21E**	**12/22E**
ROE	17.5	17.0	17.7	17.5
ROIC	17.8	17.1	18.4	18.4
Credit ratios	**12/19A**	**12/20E**	**12/21E**	**12/22E**
Net debt/equity (%)	(11.8)	(16.1)	(17.3)	(19.3)
Net debt/EBITDA (x)	(0.49)	(0.71)	(0.75)	(0.85)

Source: Company data, Refinitiv, Credit Suisse estimates

Company Background

Mitra Keluarga Karyasehat is an Indonesia-based healthcare company that engages in hospital management and business services. Its hospitals offer a range of specialist medical services, and are located in the Greater Jakarta Area, Surabaya, and Tegal.

Blue/Grey Sky Scenario

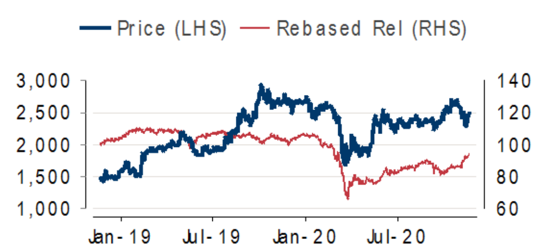
Our Blue Sky Scenario (Rp) **(from 3,000) 3,500**

Our blue sky scenario of Rp3,500 is based on a more optimistic assumption with higher revenue growth of 13% (2% higher vs base case) and EBITDA margin of 39.7%. We also assumed a higher 2021 EV/EBITDA multiple of 35.0x.

Our Grey Sky Scenario (Rp) **(from 1,600) 2,000**

Our grey sky scenario of Rp2,000 is based on a less optimistic assumption with lower revenue growth of 6% (5% lower vs base case) and EBITDA margin of 36.7%. We also assumed a lower 2021 EV/EBITDA multiple of 23x.

Share price performance



The price relative chart measures performance against the JSX COMPOSITE INDEX which closed at 5,594.06 on 19-Nov-2020

On 19-Nov-2020 the spot exchange rate was Rp14,150/US$1

CREDIT SUISSE

PT Prodia Widyahusada Tbk

Adapting and preparing for post-COVID-19 transition

Healthcare Facilities

PRDA.JK

Target price (12M, Rp)

4,010

Outperform

- **We maintain our OUTPERFORM rating and Rp4,010 target price** as the company managed to adapt to the pandemic very well and reported record profit in 3Q20, beating street expectations by a wide margin. We believe management's agile strategy may continue to produce strong results in the future through offering new services and preparing for a post-COVID-19 environment.
- **PRDA continues to add new services related to COVID-19 such as immunity,** vitamin-mineral and anti-oxidant testing, comorbidity tests to measure vulnerable risk to the virus, and collateral damage testing. We believe such services may gain traction in the near future and offset some of the declines in margin due to capped PCR testing ASP by the government (from Rp1.8-2 mn per test to Rp900k). Our channel checks suggest that PCR testing demand is still increasing in October and November, and we believe it may remain relevant even after vaccines are rolled out.
- **Catalysts and risks.** Strong catalysts for the stock include: (1) faster patient volume recovery, (2) larger contribution from COVID-19 cases, (3) commercial opportunities with vaccine, and (4) good value M&As for faster expansion. Main downside risks include: (1) downward adjustment in COVID-19 reimbursement pricing by the government and (2) slower-than-expected volume recovery.
- **We retain our target multiple at 8.6x 2021E EBITDA,** equivalent to its 3-year mean and significantly discounted compared to domestic and regional healthcare peers. Current valuation is undemanding and the company has a decent growth outlook, yet stock liquidity needs to significantly improve before valuation can rerate, in our view.

Price (19 Nov 20, Rp)	3,160
Upside/downside (%)	26.9
Mkt cap (Rp bn/US$ mn)	2,962 / 0.21
Enterprise value (Rp bn)	1,929
Number of shares (mn)	937.50
Free float (%)	25.0
52-wk price range (Rp)	4,100-2,350
ADTO-6M (US$ mn)	0.0

Research Analysts

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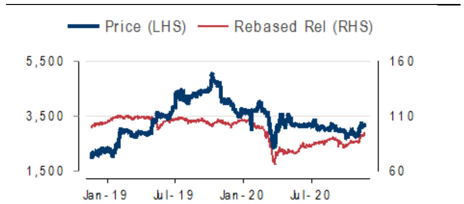
Financial and valuation metrics

Year	12/19A	12/20E	12/21E	12/22E
Revenue (Rp bn)	1,744.3	1,643.0	1,888.3	2,120.5
EBITDA (Rp bn)	330.5	270.1	338.9	389.8
EBIT (Rp bn)	213.6	149.1	206.9	245.9
Net profit (Rp bn)	210.3	159.9	205.1	237.4
EPS (CS adj.) (Rp)	224.28	170.52	218.83	253.26
Chg. from prev. EPS (%)	n.a.	0.0	0.0	3.7
Consensus EPS (Rp)	n.a.	124.42	171.48	203.81
EPS growth (%)	19.8	(24.0)	28.3	15.7
P/E (x)	14.1	18.5	14.4	12.5
Dividend yield (%)	3.0	3.5	2.7	3.5
EV/EBITDA (x)	6.0	7.1	5.5	4.7
P/B (x)	1.79	1.73	1.61	1.5
ROE (%)	13.1	9.5	11.5	12.5
Net debt/equity (%)	(59.7)	(60.6)	(58.9)	(58.2)

Source: Company data, Refinitiv, Credit Suisse estimates

Share price performance



The price relative chart measures performance against the JSX COMPOSITE INDEX which closed at 5,594.06 on 19/11/20. On 19/11/20 the spot exchange rate was Rp14,150/US$1

Performance	1M	3M	12M
Absolute (%)	9.0	5.3	(20.6)
Relative (%)	(0.7)	(0.8)	(11.5)

CREDIT SUISSE

PT Prodia Widyahusada Tbk (PRDA.JK / PRDA IJ)

Analyst: **Steven Ho**

Price (19 Nov 2020): **Rp3,160** Target Price: **Rp4,010** Rating: **Outperform**

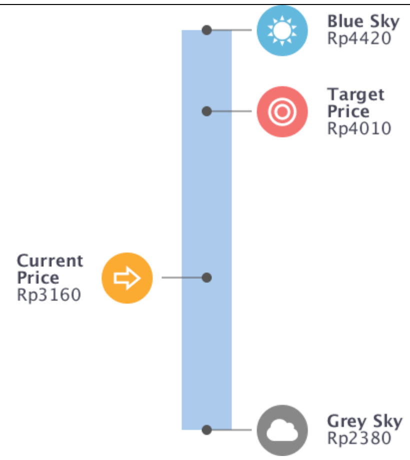
Income Statement (Rp bn)	**12/19A**	**12/20E**	**12/21E**	**12/22E**
Sales revenue	**1,744**	**1,643**	**1,888**	**2,120**
Cost of goods sold	703	662	755	842
EBITDA	**331**	**270**	**339**	**390**
EBIT	**214**	**149**	**207**	**246**
Net interest expense/(inc.)	(49)	(50)	(52)	(54)
Recurring PBT	**265**	**202**	**263**	**304**
Profit after tax	**210**	**160**	**205**	**237**
Reported net profit	**210**	**160**	**205**	**237**
Net profit (Credit Suisse)	**210**	**160**	**205**	**237**
Balance Sheet (Rp bn)	**12/19A**	**12/20E**	**12/21E**	**12/22E**
Cash & cash equivalents	1,012	1,051	1,088	1,154
Current receivables	147	138	159	179
Inventories	33	31	35	39
Other current assets	63	59	68	76
Current assets	**1,254**	**1,280**	**1,350**	**1,448**
Property, plant & equip.	518	581	636	682
Investments	0	0	0	0
Intangibles	12	12	12	12
Other non-current assets	226	247	284	319
Total assets	**2,011**	**2,120**	**2,282**	**2,461**
Current liabilities	**144**	**189**	**208**	**233**
Total liabilities	**351**	**406**	**443**	**486**
Total debt	22	12	5	5
Shareholders' equity	**1,660**	**1,714**	**1,840**	**1,974**
Minority interests	0	0	0	0
Total liabilities & equity	**2,011**	**2,120**	**2,282**	**2,461**
Cash Flow (Rp bn)	**12/19A**	**12/20E**	**12/21E**	**12/22E**
EBIT	**214**	**149**	**207**	**246**
Net interest	0	0	0	0
Tax paid	(55)	(42)	(58)	(67)
Working capital	12	62	(7)	(7)
Other cash & non-cash items	51	53	56	59
Operating cash flow	**222**	**222**	**198**	**230**
Capex	(76)	(150)	(150)	(150)
Free cash flow to the firm	**146**	**72**	**48**	**80**
Investing cash flow	**(12)**	**(67)**	**(74)**	**(62)**
Equity raised	0	0	0	0
Dividends paid	(88)	(105)	(80)	(103)
Financing cash flow	**(134)**	**(115)**	**(87)**	**(103)**
Total cash flow	**76**	**39**	**37**	**66**
Adjustments	0	0	0	0
Net change in cash	**76**	**39**	**37**	**66**
Per share	**12/19A**	**12/20E**	**12/21E**	**12/22E**
Shares (wtd avg.) (mn)	938	938	938	938
EPS (Credit Suisse) (Rp)	**224**	**171**	**219**	**253**
DPS (Rp)	94	112	85	109
Operating CFPS (Rp)	237	237	211	246
Earnings	**12/19A**	**12/20E**	**12/21E**	**12/22E**
Growth (%)				
Sales revenue	9.0	(5.8)	14.9	12.3
EBIT	23.9	(30.2)	38.8	18.8
EPS	19.8	(24.0)	28.3	15.7
Margins (%)				
EBITDA	19.0	16.4	17.9	18.4
EBIT	12.2	9.1	11.0	11.6
Valuation (x)	**12/19A**	**12/20E**	**12/21E**	**12/22E**
P/E	14.1	18.5	14.4	12.5
P/B	1.79	1.73	1.61	1.50
Dividend yield (%)	3.0	3.5	2.7	3.5
EV/sales	1.1	1.2	1.0	0.9
EV/EBITDA	6.0	7.1	5.5	4.7
EV/EBIT	9.2	12.9	9.1	7.4
ROE analysis (%)	**12/19A**	**12/20E**	**12/21E**	**12/22E**
ROE	13.1	9.5	11.5	12.5
ROIC	25.4	17.5	22.5	24.2
Credit ratios	**12/19A**	**12/20E**	**12/21E**	**12/22E**
Net debt/equity (%)	(59.7)	(60.6)	(58.9)	(58.2)
Net debt/EBITDA (x)	(2.99)	(3.85)	(3.20)	(2.95)

Source: Company data, Refinitiv, Credit Suisse estimates

Company Background

Prodia Widyahusada is the leading clinical laboratory testing company with the largest private independent lab chain by revenue (35% share) and network size (252 outlets) in Indonesia. The company offers more than 500 types of tests and services.

Blue/Grey Sky Scenario



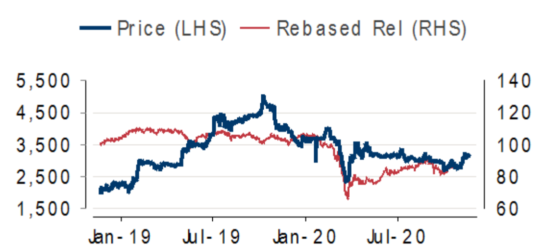
Our Blue Sky Scenario (Rp) 4,420

Our blue sky scenario valuation of Rp4,420is based on a more optimistic scenario which incorporates higher 2021 EV/EBITDA multiple of 9.6x. We assumed revenue to grow by 13% (5% higher vs the base case) and EBITDA margin of 18.4%

Our Grey Sky Scenario (Rp) 2,380

Our grey sky scenario valuation of Rp2380 is based on a downside scenario which incorporates lower 2021 EV/EBITDA multiple of 4.6x. We have assumed revenue to grow by 5% (3% lower than our base case) and EBITDA margin of 17.4%

Share price performance



The price relative chart measures performance against the JSX COMPOSITE INDEX which closed at 5,594.06 on 19-Nov-2020

On 19-Nov-2020 the spot exchange rate was Rp14,150/US$1

Valuation, Methodology and Risks

Target Price and Rating
Valuation Methodology and Risks: (12 months) for PT Medikaloka Hermina Tbk (HEAL.JK)

Method: Our target price of Rp4,400 for PT Medikaloka Hermina Tbk is derived using EV/EBITDA target multiple (17x 2021 EBITDA, in line with regional peers). Our OUTPERFORM rating is driven by: (1) growth above hospital peers; (2) resilient margin profile despite 50% revenue exposure to the Universal Healthcare (BPJS-K); (3) compelling valuation. Mid-teen growth appears achievable in 2021

Risk: Risks to our Rp4,400 target price and OUTPERFORM rating for PT Medikaloka Hermina Tbk include: (1) slower-than-anticipated growth due to a prolonged COVID-19 outbreak, (2) longer-than-expected JKN receivables, (3) ramp-up delays, and (4) unfavourable regulatory developments.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for PT Mitra Keluarga Karyasehat Tbk (MIKA.JK)

Method: Our target price of Rp2,900 for Mitra Keluarga Karyasehat Tbk is derived using an EV/EBITDA target multiple (30x, slightly above its 3-year mean). Our OUTPERFORM rating is driven by strong earnings expectations driven by both COVID-19 cases as well as a recovery in patient volume. Meanwhile, recent stock correction towards 3-year mean presents decent upside, in our view.

Risk: The main downside risks to our target price of Rp2,900 and OUTPERFORM rating for Mitra Keluarga Karyasehat Tbk include: (i) 2nd full lockdown in Jakarta, (ii) pricing caps on COVID-19 treatments and diagnosis, (iii) longer-than-expected JKN receivables, and (iv) unfavorable regulatory developments.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for PT Prodia Widyahusada Tbk (PRDA.JK)

Method: Our target price of Rp4,010 for Prodia Widyahusada is based on 2021 EV/EBITDA multiple of 8.6x, which is equivalent to its 3-year mean. We rate the stock OUTPERFORM as we think (1) there is upside from high demand of COVID-19 testing, (2) margin expansion on operating leverage and higher advanced/esoteric testing contributiion, and (3) compelling valuation.

Risk: Risks to our target price of Rp4,010 and OUTPERFORM rating for Prodia Widyahusada include: (1) slower-than-expected growth, (2) lower-than-expected operating efficiencies, (3) delays in expansion projects and execution, (4) intensifying competition, and (5) deteriorating brand recognition.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for PT Siloam International Hospitals Tbk (SILO.JK)

Method: Our target price of Rp5,200 for SILO is derived using EV/EBITDA target multiple methodology (7.0x 2021E EBITDA, slightly under its 3-year mean, a discount to regional peers). Our NEUTRAL rating is driven by: (1) relatively stronger impact of covid-19 on earninigs, (2) turn-around of loss-making hospitals may take longer, and (3) higher portion of fixed costs (rentals).

Risk: The main downside risks to our target price of Rp5,200 and NEUTRAL rating for SILO include: (1) lower-than-expected growth, (2) margin deterioration, (3) unfavourable regulatory changes, and (4) intensifying competition. (5) higher than expected rental rate changes. Upside risks are: (1) faster-than-expected growth, and (2) favourable new rental agreement.

Companies Mentioned *(Price as of 19-Nov-2020)*

Apollo Hospitals Enterprise (APLH.NS, Rs2299.05)
Bangkok Chain Hospital (BCH.BK, Bt14.7)
Bangkok Dusit Medical Services (BDMS.BK, Bt22.6)
Bumrungrad Hospital Pcl (BH.BK, Bt107.5)
Chularat Hospital (CHG.BK, Bt2.5)
Healius (HLS.AX, A$3.59)
IHH Healthcare Berhad (IHHH.KL, RM5.43)
PT Medikaloka Hermina Tbk (HEAL.JK, Rp3,470, OUTPERFORM, TP Rp4,400)
PT Mitra Keluarga Karyasehat Tbk (MIKA.JK, Rp2,490, OUTPERFORM, TP Rp2,900)
PT Prodia Widyahusada Tbk (PRDA.JK, Rp3,160, OUTPERFORM, TP Rp4,010)
PT Siloam International Hospitals Tbk (SILO.JK, Rp4,890, NEUTRAL, TP Rp5,200)
Raffles Medical Group (RAFG.SI, S$0.825)
Rajthanee Hospital Public Company Limited (RJH.BK, Bt22.7)
Ramsay Health Care (RHC.AX, A$65.9)
ResMed Inc. (RMD.AX, A$28.87)
Sonic Healthcare (SHL.AX, A$34.25)

Disclosure Appendix

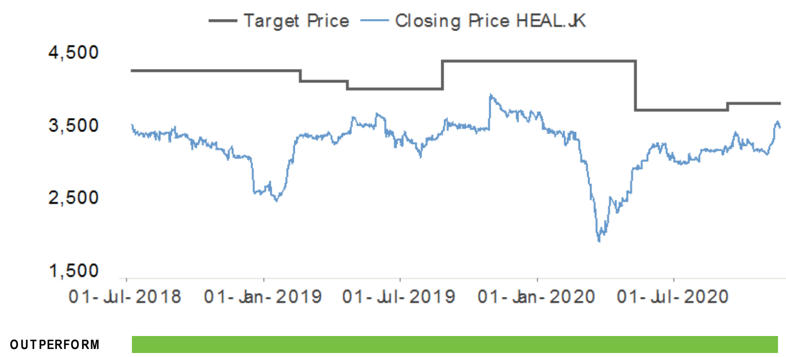
Analyst Certification

I, Steven Ho, certify that (1) the views expressed in this report accurately reflect my personal views about all of the subject companies and securities and (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

3-Year Price and Rating History for PT Medikaloka Hermina Tbk (HEAL.JK)

HEAL.JK	Closing Price	Target Price	
Date	(Rp)	(Rp)	Rating
09-Jul-18	3,500	4,250	O *
18-Feb-19	3,360	4,100	
22-Apr-19	3,390	4,000	
27-Aug-19	3,420	4,380	
10-Oct-19	3,440	4,380	*
11-May-20	2,900	3,700	*
11-Sep-20	3,170	3,800	

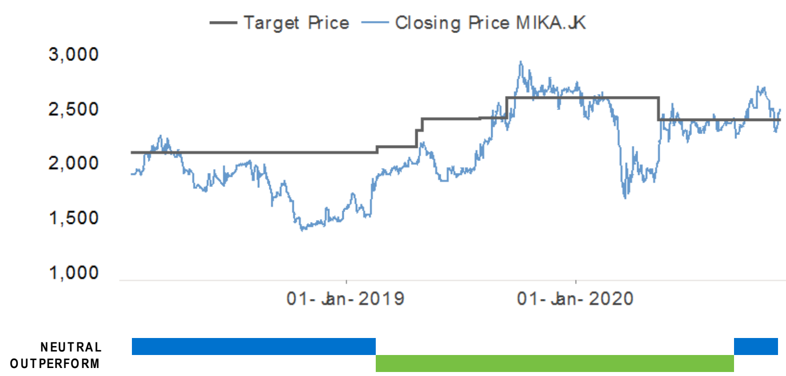
** Asterisk signifies initiation or assumption of coverage.*



3-Year Price and Rating History for PT Mitra Keluarga Karyasehat Tbk (MIKA.JK)

MIKA.JK	Closing Price	Target Price	
Date	(Rp)	(Rp)	Rating
26-Jan-18	1,900	2,100	N
18-Feb-19	1,870	2,155	O
22-Apr-19	2,000	2,300	
02-May-19	2,150	2,405	
01-Aug-19	2,070	2,420	
13-Sep-19	2,310	2,600	
10-Oct-19	2,730	2,600	*
11-May-20	2,030	2,400	*
11-Sep-20	2,270	2,400	N

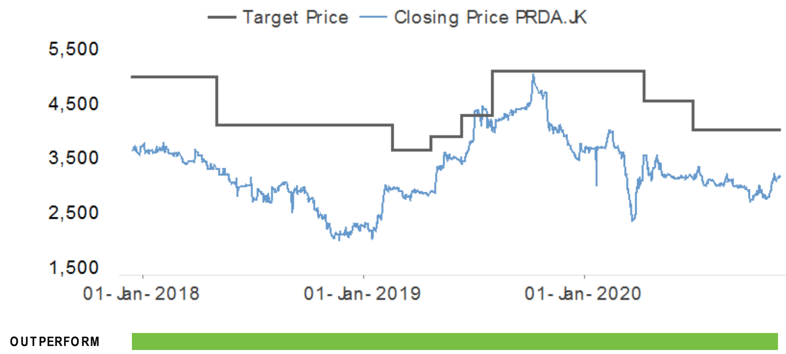
** Asterisk signifies initiation or assumption of coverage.*



3-Year Price and Rating History for PT Prodia Widyahusada Tbk (PRDA.JK)

PRDA.JK Date	Closing Price (Rp)	Target Price (Rp)	Rating
15-Dec-17	3,640	4,990	O
04-May-18	3,300	4,100	
18-Feb-19	2,940	3,650	
22-Apr-19	2,880	3,885	
13-Jun-19	3,390	4,280	
02-Aug-19	4,000	5,100	
10-Oct-19	4,920	5,100	*
08-Apr-20	3,550	4,540	
29-Jun-20	3,140	4,010	*

** Asterisk signifies initiation or assumption of coverage.*



3-Year Price and Rating History for PT Siloam International Hospitals Tbk (SILO.JK)

SILO.JK Date	Closing Price (Rp)	Target Price (Rp)	Rating
29-Jan-18	8,975	11,100	O
15-May-18	7,000	9,100	
18-Feb-19	3,530	4,930	
27-May-19	4,270	5,500	
12-Aug-19	6,375	7,670	
10-Oct-19	7,700	7,670	*
11-May-20	5,375	5,600	N *
30-Jul-20	4,690	4,800	

** Asterisk signifies initiation or assumption of coverage.*

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Outperform (O) : The stock's total return is expected to outperform the relevant benchmark* over the next 12 months.

Neutral (N) : The stock's total return is expected to be in line with the relevant benchmark* over the next 12 months.

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Underperform/Sell*	11%	(20% banking clients)
Restricted	1%	

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