

Healthcare Sector

Report Update | BCAS Virtue | Healthcare Sector

Strong immunity for 2021

The balance of Covid-19 impact

The resurgence of Covid-19 cases occasioned by the year-end long holidays have led the average hospitals BOR in Indonesia to reach more than 70%, while some hospitals under our coverage stated they have reached ~90% of their Covid-19 bed capacity. Such a phenomena, along with PPKM could potentially dampen outpatient traffic recovery this year. However, we expect to see a lower fear level compared to early last year (-40% volume decline in 2Q20) and potential revenue from Covid-19 related services, including vaccination program, to alleviate the opportunity loss from the lower volume. We predict 2021 volume traffic to revive to 90%-100% of normal level starting end of 2Q21 compared to Dec-20 blended volume traffic that reached 70-80% of the normal level. This is also supported by the vaccination program alleviating fear level even more, adding momentum to a low-based in early 2020. Thus, we maintain our 18.3% volume traffic gwt. On the other hand, higher average revenue per patient in 2021 (+27.2% YoY in 9M20) from Covid-19 cases is also expected to continue, cushioning losses from the outpatient revenue in 1H21 before the moderate-to-full recovery of outpatient traffic in 2H21, leading to aggregate 11.8% revenue growth in 2021F.

Vaccination program on the go

The free vaccination program sponsored by the government is estimated to require around IDR74tn funding. MoF has assured their commitment for fund availability of the vaccination program. From the IDR169.7tn of APBN healthcare budget for 2021, IDR25.4tn will be allocated for the PEN healthcare program. This will be complemented with unrealized 2020 PEN healthcare budget of IDR50.6tn (until Dec: 48.0% realization of IDR97.3tn budget). With the vaccination program target completion of 15 months in 2 phases starting 13-Jan-21, we expect private hospitals to play more role in the program starting 2Q21 when extending the vaccine to wider population. However, we anticipate smaller margin from the Covid-19 vaccination as a social program compared to ~40% in influenza vaccination (from admin. fee). Even though the reimbursement scheme is still uncertain, there is a potential Covid-19 vaccination admin. fee contribution to around 2%-5% to revenue if the reimbursement does not apply to admin. fee.

Standardization of JKN premium to benefit lower type hospitals

Standardization of JKN classes is to start trial in 2021. While some indicators have stated that the standardization to adjust to the 3rd class level premium, we believe this initiative will benefit the hospitals with highest number of type C & D hospitals to benefit. Note that previously, the government plans to divide the JKN premium under 2 categories: PBI and a single class independent members. While the government is finalizing the formula, we expect single rate for INA-CBG across all categories, thus, generating greater benefit to lower type of hospitals with lower cost of equipment. We expect no issue on receivable days, as BPJS healthcare has been prompt with payment since early 2020.

Overweight with its resilient performance

We expect hospitals to give resilient performance, still benefiting from the higher intensity services of Covid-19 cases and the anticipation recovery of elective services along with people's overdue delayed procedures starting end-2Q21. With all the factors supporting the growth in hospitals, along with the ongoing incomplete efficiencies through digitalization, aggregate EBITDA margin will bend upward to 21.1% in 2021F vs. 19.7% in 2020F leading to aggregate earnings gwt. (ex. SILO) of 20.3% in 2021 before normalizing to 15.0% in 2022F. We maintain our **OVERWEIGHT** rating on the sector, with our pecking order of HEAL, MIKA, SILO.

OVERWEIGHT

(Unchanged)

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12M PRICE PERFORMANCE



Source: Bloomberg, BCA Sekuritas

MARKET DATA

	YTD	1M	3M	12M
Absolute	7.1%	3.5%	18.1%	-1.9%
JCI return	7.0%	7.7%	25.6%	1.9%
Relative	0.2%	-4.2%	-7.5%	-3.8%

Source: Bloomberg

STOCK COVERAGE

Ticker	Rating	CP (IDR)	TP (IDR)	P/E (x) 2021F	P/B (x) 2021F
HEAL	BUY	3,880	5,200	28.6	3.2
MIKA	BUY	2,720	3,400	47.8	6.7
SILO	BUY	6,000	6,400	1,607.3	1.7
Sector	Overweight			297.4	5.2

Source: BCA Sekuritas

Exhibit 1. Peer comparisons

Ticker	Rating	CP (IDR)	TP (IDR)	Upside (%)	EPSG (%)		P/E (x)		P/B (x)		EV/ EBITDA (x)		ROE (%)		Div yield (%)	
					2020F	2021F	2020F	2021F	2020F	2021F	2020F	2021F	2020F	2021F	2020F	2021F
HEAL	BUY	3,880	5,200	34.0	36.7	17.3	33.5	28.6	3.9	3.2	13.8	10.9	11.5	11.1	-	-
MIKA	BUY	2,720	3,400	25.0	(7.7)	21.8	58.3	47.8	7.5	6.7	38.7	31.3	15.2	16.6	0.6	0.5
SILO	BUY	6,000	6,400	6.7	(35.6)	NA	(44.7)	1,607.3	1.7	1.7	11.4	9.9	(4.9)	0.1	-	-
Sector Weighted Average					(3.7)	17.4	36.8	297.4	5.8	5.2	29.5	23.9	11.2	12.9	0.4	0.3

Sources: Company, BCA Sekuritas

Exhibit 2. DKI Jakarta Covid-19 occupancy rate

Bed availability DKI Jakarta	4-Jan-21	6-Jan-21	7-Jan-21	8-Jan-21	11-Jan-21	12-Jan-21
ICU with negative pressure with ventilator	96%	91%	92%	95%	91%	89%
ICU with negative pressure without ventilator	81%	78%	76%	73%	77%	77%
ICU without negative pressure with ventilator	81%	77%	80%	81%	83%	79%
ICU without negative pressure without ventilator	88%	81%	84%	81%	85%	88%
Isolation with negative pressure	85%	85%	86%	86%	88%	88%
Isolation without negative pressure	82%	82%	82%	81%	81%	82%
NICU for Covid-19	59%	67%	78%	70%	71%	72%
Perina for Covid-19	50%	60%	52%	49%	55%	54%
PICU for Covid-19	64%	68%	55%	70%	75%	77%
OK for Covid-19	100%	100%	100%	100%	100%	100%
HD for Covid-19	71%	71%	71%	71%	71%	71%

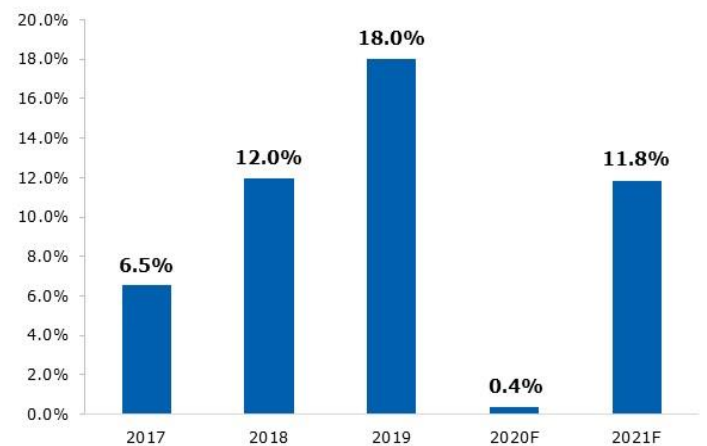
Sources: Dinkes Jakarta, BCA Sekuritas

Exhibit 3. Hospital's Covid-19 latest bed capacity

Hospital	COVID-19 beds capacity (beds)
HEAL	>700
MIKA	900
SILO	1,650

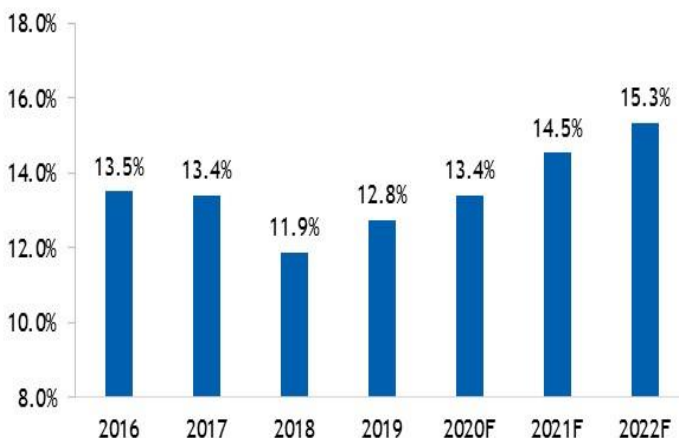
Sources: Company, BCA Sekuritas

Exhibit 4. Aggregate revenue growth (ex. SILO) supported by the Covid-19 cases and recovery of outpatient in 2H21



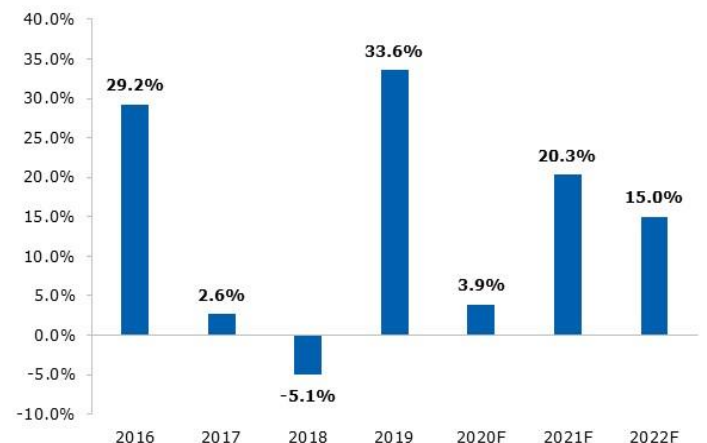
Sources: Company, BCA Sekuritas

Exhibit 5. Aggregate EBIT margin, ongoing efficiencies to allow higher margin



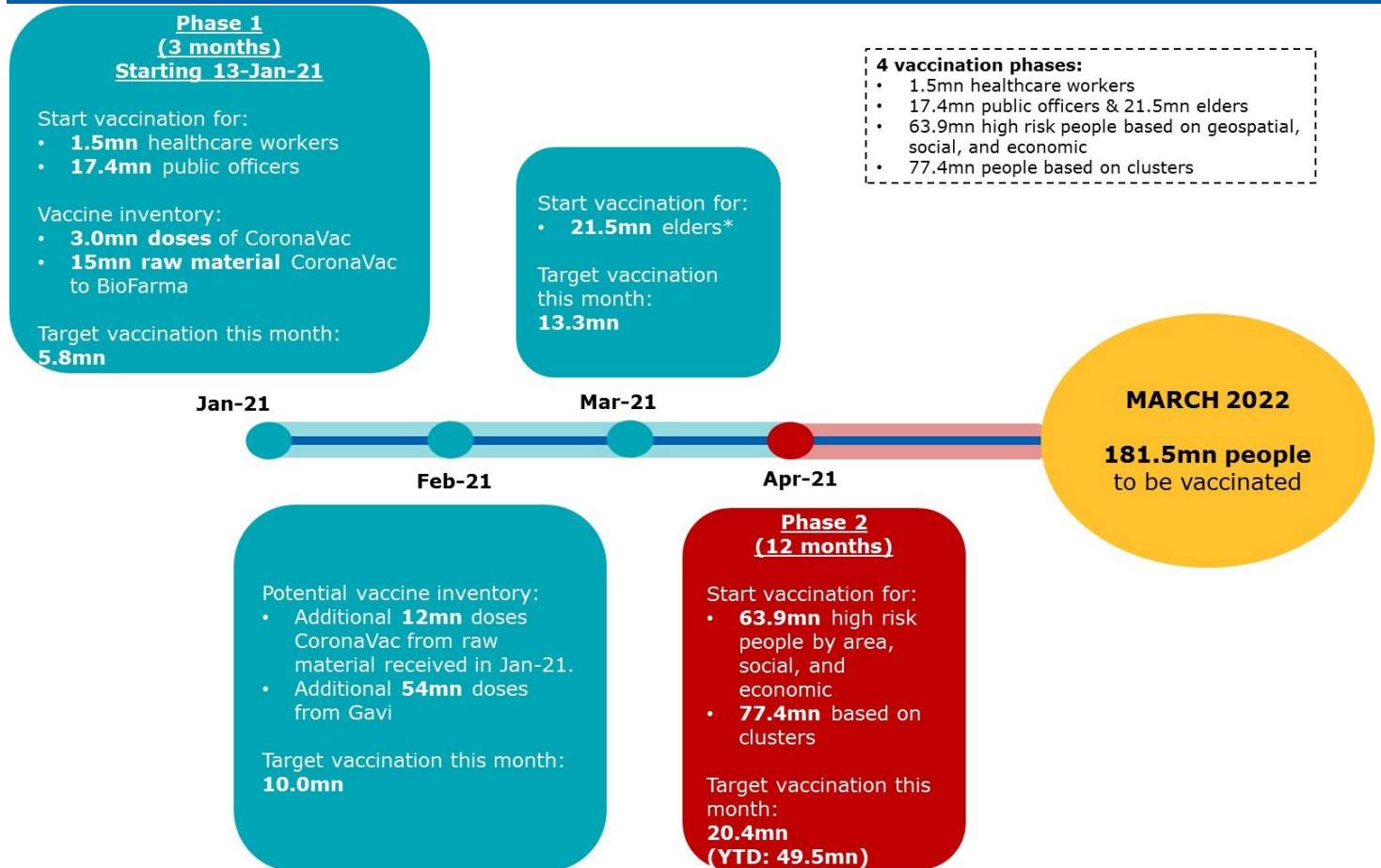
Sources: Company, BCA Sekuritas

Exhibit 6. Aggregate earnings gwt. (ex. SILO) to normalize in 2022F



Sources: Company, BCA Sekuritas

Exhibit 7. Vaccination timeline



*CoronaVac has not yet go through trial for those >60 years old, so elders vaccination will wait procurement from other brand (Pfizer/AstraZeneca)

Sources: Various sources, BCA Sekuritas

Exhibit 8. Latest government's firm order of vaccines

Firm order	Doses (mn)	Potential IDR/dose
AstraZeneca	50.0	57,000
BioNtech Pfizer	50.0	283,000
Novavax	50.0	226,000
Sinovac	125.5	200,000
Covax-Gavi	54.0	
Total	329.5	

Sources: Various sources, BCA Sekuritas

Exhibit 9. Influenza vaccination price and additional cost comparisons

Hospitals	Brand	Vaccine cost (IDR)	Additional/admin. costs (IDR)
Siloam	Influvac	275,000	200,000 - 350,000
Awal Bros	Flubio	150,000	200,000 - 350,000
Mitra Keluarga	Influvac	176,900	300,000 - 350,000
Hermina	Fluquadri	280,000	300,000 - 400,000
OMNI hospital	Influvac	272,000	300,000 - 400,000

Sources: Various sources, BCA Sekuritas

Exhibit 10. Potential revenue from vaccination administration fee if there is no reimbursement from the government

Hospitals	2019 doctors & specialists (ppl)	Potential Covid-19 vaccination per day (units)*	Minimum admin. Cost for normal Influenza vaccine (IDR)	Potential income from Covid-19 vaccination admin. Fee per day (IDR)	Potential quarterly income from Covid-19 vaccination admin. (IDRbn)	3Q20 revenue (IDRbn)	Potential Covid-19 admin. Fee contribution based on 3Q20 revenue
HEAL	2,838	1,987	300,000	595,980,000	53.6	1,150	4.7%
MIKA	1,519	1,063	300,000	318,990,000	28.7	875	3.3%
SILO	3,184	2,229	200,000	445,760,000	40.1	1,826	4.5%

*based on the rate of average private hospitals' daily Covid-19 tests vs. daily national Covid-19 tests and the policy of 40-70 target/vaccinators/day

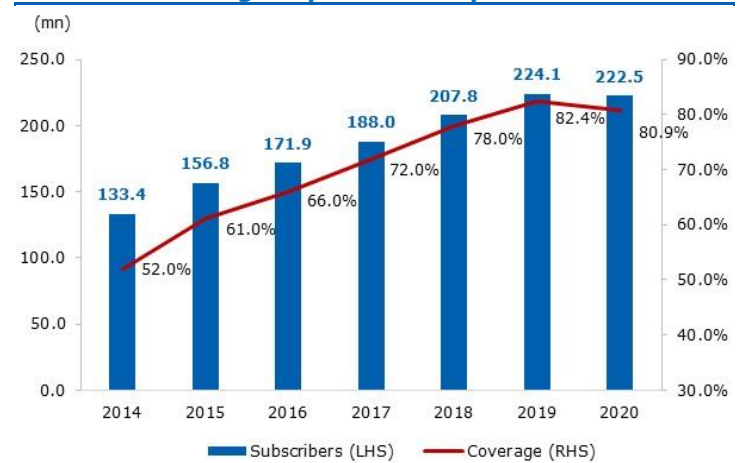
Sources: Various sources, BCA Sekuritas

Exhibit 11. The latest vaccine order by the government

Firm order	Doses (mn)	Potential IDR/dose
AstraZeneca	50.0	57,000
BioNtech Pfizer	50.0	283,000
Novavax	50.0	226,000
Sinovac	125.5	200,000
Covax-Gavi	54.0	
Total	329.5	

Sources: Various news, BCA Sekuritas

Exhibit 12. JKN members until Dec-2020, slight decline due to higher premium implementation



Sources: BPJS Healthcare, BCA Sekuritas

Exhibit 13. JKN premium changes in the past year

	CURRENT Starting Jul-20 [Perpres 64/2020]	Apr - Jun 2020 [Perpres 82/2018]	Jan - Mar- 2020 [Perpres 75/2019]
Class I	150,000	80,000	160,000
Class II	100,000	51,000	110,000
Class III	35,000	25,500	42,000
PBI	42,000	23,000	42,000
Wage earners (private)	5.0% of the max wage of IDR12mn/month and min wage according to regions	5.0% of the max wage of IDR8mn/month	5.0% of the max wage of IDR12mn/month

Sources: BPJS Healthcare, BCA Sekuritas

Exhibit 14. HEAL, MIKA, SILO hospital type breakdown

Company	Type A	Type B	Type C	Type D	Total
HEAL	0%	22%	78%	0%	100%
MIKA	0%	32%	56%	12%	100%
SILO	3%	42%	50%	5%	100%

Sources: Companies, BCA Sekuritas

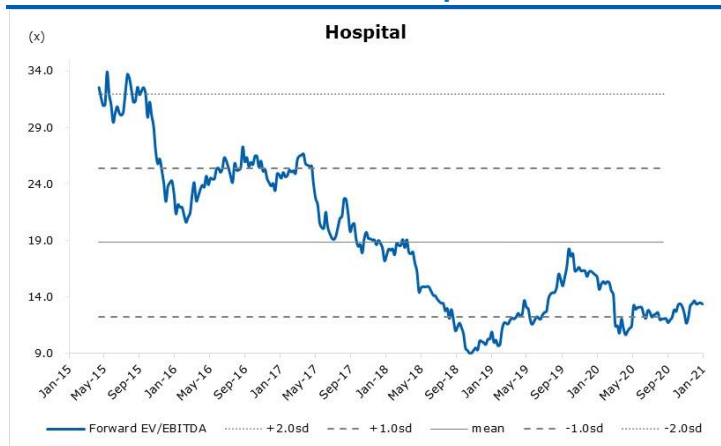
Exhibit 15. Potential JKN classes standardization categories

	PBI JKN	Non-PBI JKN
Beds per room	6	4
Minimum bed size	7.2sqm	10sqm

Criteria for both classes	
1.	The building material must not have high porosity level
2.	Distances between beds have to be 2.4m. Between the side of beds with minimal distance of 1.5m and semi-electric bed standards
3.	Provide one small storage or table per bed
4.	Room temperature around 20-26 degrees celcius
5.	One bathroom inside the room. The room must have standard accesibility, such as handrail, enough area for wheelchair user, etc.
6.	Curtain rails have to be patched on the ceiling and the material should not be porous.
7.	Assuring the air circulation for mechanic minimal 6x per hour for natural ventilation.
8.	Optimalizing natural lighting. If using artificial lighting, the intensity needs to get 250 lux for lighting and 50 lux for bedtime.
9.	Every beds are equipped with a minimal of 2 power outlets, oxygen outlets, nurse call.

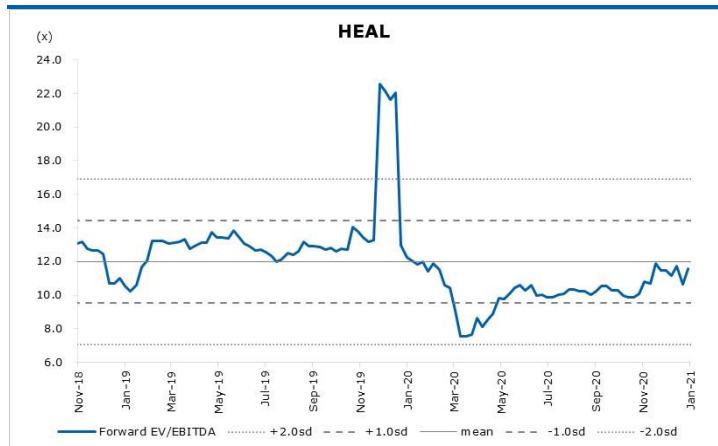
Sources: MoH, BCA Sekuritas

Exhibit 16. EV EBITDA Band Hospital



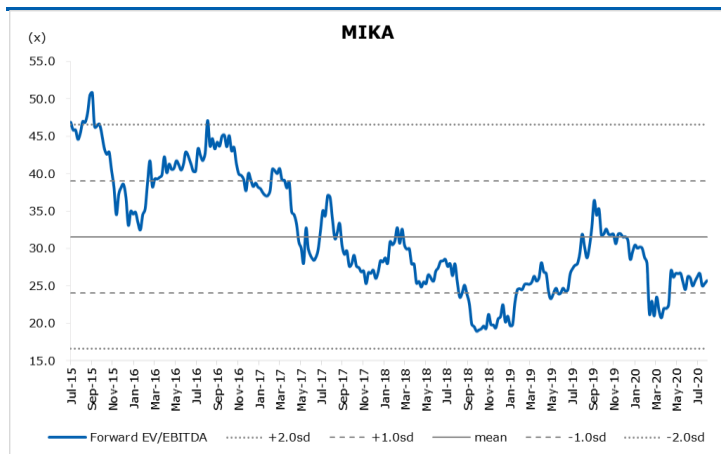
Sources: Bloomberg, BCA Sekuritas

Exhibit 17. EV EBITDA Band HEAL



Sources: Bloomberg, BCA Sekuritas

Exhibit 18. EV EBITDA Band MIKA



Sources: Bloomberg, BCA Sekuritas

Exhibit 19. EV EBITDA Band SILO



Sources: Bloomberg, BCA Sekuritas

Exhibit 20. HEAL Financial Summary

Income Statement					
Year-end 31 Dec (IDRbn)	2018	2019	2020F	2021F	2022F
Revenue	3,058	3,631	3,834	4,286	4,831
Cost of revenue	1,704	2,005	2,061	2,274	2,563
Gross profit	1,354	1,626	1,773	2,012	2,268
EBITDA	553	779	881	1,109	1,266
Depreciation	203	227	217	303	328
EBIT	350	552	664	806	938
Interest income	20	31	33	50	37
Interest expenses	(131)	(109)	(123)	(137)	(151)
Forex gain/(losses)	-	-	-	-	-
Other income/(expense)	36	31	77	86	77
Pre-tax profit	276	505	650	805	901
Taxes	(85)	(162)	(202)	(249)	(282)
Minority interests	67	89	100	146	136
Net income	124	255	349	410	483
EPS (IDR)	44	85	116	136	160
Balance Sheets					
Year-end 31 Dec (IDRbn)	2018	2019	2020F	2021F	2022F
Cash and equivalents	304	593	821	909	1,213
Accounts receivables	861	1,009	882	1,007	977
Inventories	55	51	60	65	71
L-T invest & receivables	-	-	-	-	-
Fixed assets	2,656	3,096	3,364	3,856	4,306
Other assets	295	299	533	693	776
Total assets	4,171	5,048	5,660	6,531	7,343
S-T liabilities	-	46	46	46	46
Other S-T liabilities	68	82	116	165	223
L-T liabilities	604	1,068	1,130	1,161	1,192
Other L-T liabilities	1,129	1,087	1,327	1,474	1,619
Total liabilities	1,801	2,283	2,619	2,846	3,080
Minority interests	504	617	627	832	927
Equity	2,370	2,764	3,041	3,684	4,263
Total liabilities and equity	4,171	5,048	5,660	6,531	7,343
Cash Flow Statement					
Year-end 31 Dec (IDRbn)	2018	2019	2020F	2021F	2022F
Net income	124	255	349	410	483
Depreciation	203	227	217	303	328
Change in working capital	(400)	(106)	361	(1)	156
Operating cash flow	(104)	375	690	553	885
Capital expenditure	(764)	(576)	(475)	(650)	(650)
Others	75	(90)	(10)	(145)	(128)
Investing cash flow	(690)	(666)	(485)	(795)	(778)
Dividend Paid	-	-	-	-	-
Net change in debt	(423)	510	63	30	31
Others	1,198	71	(40)	300	166
Financing cash flow	775	581	22	330	197
Change in cash	(19)	289	227	88	304
Beginning cash flow	322	304	593	821	909
Ending cash flow	304	593	821	909	1,213
Key Ratios					
	2018	2019	2020F	2021F	2022F
Gross margin (%)	44.3	44.8	46.2	46.9	46.9
EBITDA margin (%)	18.1	21.5	23.0	25.9	26.2
EBIT margin (%)	11.4	15.2	17.3	18.8	19.4
Pretax margin (%)	9.0	13.9	17.0	18.8	18.6
Net margin (%)	4.1	7.0	9.1	9.6	10.0
ROAE (%)	5.2	9.2	11.5	11.1	11.3
ROAA (%)	3.0	5.1	6.2	6.3	6.6
Current ratio (x)	1.2	1.6	1.4	1.4	1.4
Acid ratio (x)	1.9	2.5	2.0	2.0	1.9
Gearing (%)	12.8	21.5	27.0	24.7	28.4
Net gearing (%)	24.3	25.8	18.4	14.9	7.6
AR turnover (days)	75	84	79	66	60
Inventory turnover (days)	5.9	5.3	5.2	5.3	5.1
AP turnover (days)	22	20	21	23	23

Sources: Company, BCA Sekuritas

Exhibit 21. MIKA Financial Summary

Income Statement					
Year-end 31 Dec (IDRbn)	2018	2019	2020F	2021F	2022F
Revenue	2,713	3,205	3,238	3,647	3,989
Cost of revenue	1,429	1,671	1,742	1,924	2,075
Gross profit	1,284	1,534	1,496	1,723	1,913
EBITDA	880	1,045	975	1,192	1,331
Depreciation	134	160	191	212	231
EBIT	745	885	784	980	1,100
Interest income	85	75	60	73	101
Interest expenses	(15)	(14)	(14)	(15)	(17)
Forex gain/(losses)	-	-	-	-	-
Other income/(expense)	35	58	90	76	69
Pre-tax profit	850	1,004	920	1,114	1,254
Taxes	(191)	(213)	(184)	(223)	(244)
Minority interests	45	61	62	70	76
Net income	614	730	674	821	933
EPS (IDR)	42	51	47	57	65
Balance Sheets					
Year-end 31 Dec (IDRbn)	2018	2019	2020F	2021F	2022F
Cash and equivalents	831	569	1,035	1,448	1,960
Accounts receivables	331	475	343	384	402
Inventories	40	49	44	46	50
L-T invest & receivables	22	22	22	22	22
Fixed assets	2,066	2,390	2,649	2,887	3,106
Other assets	1,800	2,073	1,903	1,858	1,812
Total assets	5,089	5,576	5,997	6,645	7,352
S-T liabilities	-	-	-	-	-
Other S-T liabilities	312	431	379	389	391
L-T liabilities	10	2	2	2	2
Other L-T liabilities	318	351	368	387	406
Total liabilities	639	783	749	778	799
Minority interests	379	497	497	497	497
Equity	4,450	4,793	5,248	5,867	6,553
Total liabilities and equity	5,089	5,576	5,997	6,645	7,352
Cash Flow Statement					
Year-end 31 Dec (IDRbn)	2018	2019	2020F	2021F	2022F
Net income	614	730	674	821	933
Depreciation	134	160	191	212	231
Change in working capital	125	(196)	253	14	25
Operating cash flow	873	694	1,118	1,047	1,189
Capital expenditure	(531)	(551)	(450)	(450)	(450)
Others	(12)	(38)	-	-	-
Investing cash flow	(543)	(589)	(450)	(450)	(450)
Dividend Paid	-	256	219	202	246
Net change in debt	(13)	(8)	-	-	-
Others	(229)	(616)	(421)	(386)	(474)
Financing cash flow	(242)	(367)	(202)	(184)	(227)
Change in cash	88	(262)	467	413	512
Beginning cash flow	743	831	569	1,035	1,448
Ending cash flow	831	569	1,035	1,448	1,960
Key Ratios					
	2018	2019	2020F	2021F	2022F
Gross margin (%)	47.3	47.9	46.2	47.3	48.0
EBITDA margin (%)	32.4	32.6	30.1	32.7	33.4
EBIT margin (%)	27.5	27.6	24.2	26.9	27.6
Pretax margin (%)	31.3	31.3	28.4	30.5	31.4
Net margin (%)	22.6	22.8	20.8	22.5	23.4
ROAE (%)	14.1	31.0	15.2	16.6	17.0
ROAA (%)	12.2	26.6	13.3	14.5	15.0
Current ratio (x)	7.8	5.7	7.0	7.8	9.0
Acid ratio (x)	5.7	3.7	5.0	5.9	7.2
Gearing (%)	0.3	0.0	0.0	0.0	0.0
Net gearing (%)	n.c.	n.c.	n.c.	n.c.	n.c.
AR turnover (days)	42	50	39	38	37
Inventory turnover (days)	10	10	9	9	9
AP turnover (days)	23	32	23	23	22

Sources: Company, BCA Sekuritas

Exhibit 22. SILO Financial Summary

Income Statement					
Year-end 31 Dec (IDRbn)	2018	2019	2020F	2021F	2022F
Revenue	5,965	7,018	6,847	7,633	8,247
Cost of revenue	4,036	4,818	4,649	5,166	5,514
Gross profit	1,929	2,200	2,199	2,467	2,733
EBITDA	764	843	887	998	1,090
Depreciation	466	513	475	528	516
EBIT	299	330	411	469	574
Interest income	16	3	1	12	10
Interest expenses	(41)	(52)	(142)	(104)	(136)
Forex gain/(losses)	-	-	-	-	-
Other income/(expense)	(107)	(430)	(82)	(183)	(181)
Pre-tax profit	166	(150)	189	195	267
Taxes	(140)	(183)	(154)	(140)	(176)
Minority interests	10	6	8	8	10
Net income	16	(339)	27	47	81
EPS (IDR)	10	(208)	17	29	50
Balance Sheets					
Year-end 31 Dec (IDRbn)	2018	2019	2020F	2021F	2022F
Cash and equivalents	216	314	428	393	287
Accounts receivables	1,209	1,138	1,034	1,104	1,193
Inventories	189	212	228	241	257
L-T invest & receivables	-	-	-	-	-
Fixed assets	4,080	4,170	4,095	3,967	3,951
Other assets	11	122	122	122	122
Total assets	7,695	7,742	7,851	7,964	8,105
S-T liabilities	-	83	-	-	-
Other S-T liabilities	485	575	652	688	718
L-T liabilities	-	15	13	23	33
Other L-T liabilities	-	-	-	-	-
Total liabilities	1,378	1,754	1,837	1,902	1,962
Minority interests	30	46	46	46	46
Equity	6,317	5,988	6,015	6,061	6,143
Total liabilities and equity	7,695	7,742	7,851	7,964	8,105
Cash Flow Statement					
Year-end 31 Dec (IDRbn)	2018	2019	2020F	2021F	2022F
Net income	16	(339)	27	47	81
Depreciation	466	513	475	528	516
Change in working capital	(219)	317	165	(47)	(75)
Operating cash flow	263	491	668	527	522
Capital expenditure	(1,915)	(604)	(400)	(400)	(500)
Others	946	122	(160)	(192)	(158)
Investing cash flow	(969)	(481)	(560)	(592)	(658)
Dividend Paid	-	-	-	-	-
Net change in debt	15	108	(55)	30	30
Others	(24)	(20)	60	-	-
Financing cash flow	(8)	88	5	30	30
Change in cash	(714)	98	113	(35)	(106)
Beginning cash flow	930	216	314	428	393
Ending cash flow	216	314	428	393	287
Key Ratios					
	2018	2019	2020F	2021F	2022F
Gross margin (%)	32.3	32.9	32.1	32.3	33.1
EBITDA margin (%)	12.8	13.2	12.9	13.1	13.2
EBIT margin (%)	5.0	6.0	6.0	6.2	7.0
Pretax margin (%)	2.8	3.1	2.8	2.6	3.2
Net margin (%)	0.3	0.2	0.4	0.6	1.0
ROAE (%)	0.3	(8.8)	0.6	0.8	1.3
ROAA (%)	0.2	(6.3)	0.4	0.6	1.0
Current ratio (x)	1.8	1.3	1.3	1.3	1.3
Acid ratio (x)	1.5	1.1	1.0	1.0	1.0
Gearing (%)	-	1.6	0.2	0.4	0.5
Net gearing (%)	n.c.	n.c.	n.c.	n.c.	n.c.
AR turnover (days)	59	56	55	53	53
Inventory turnover (days)	18	18	18	17	17
AP turnover (days)	33	33	32	32	32

Sources: Company, BCA Sekuritas



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