

Healthcare (Overweight/Maintain)

All scenarios are welcomed

Mirae Asset Sekuritas Indonesia

Joshua Michael joshua.michael@miraeasset.co.id

BPJS Kesehatan: 2021F FKRTL utilization outlook

We maintain our expectation for single-digit growth of FKRTL utilization in 2021

- The government targets slight growth of PBI APBN participants in 2021.
- Along with steady recovery in the economy, we believe domestic unemployment rate will gradually decline and, inversely, the number of PPU participants will keep increasing and continue to become the major growth driver of JKN participants.
- Improved confidence on mobility will support consumption recovery, especially if vaccination kicks off in early 2021. However, as the government decided to cut subsidy for independent participants who register for Class III facilities, we believe the growth of independent participants will be lower than PPU participants.
- We expect FKRTL inpatient & outpatient utilization to grow by 7% & 5% YoY in 2021, respectively.

BPJS Kesehatan: Updates on single class implementation

- Standard class may be divided into two classes, namely Class A (for PBI participants) and Class B (for non-PBI participants).
- We believe the single class implementation will help solve the deficit problem as it can mitigate fraud risk related to JKN claims, which will then create cost efficiency.
- Nevertheless, if the contribution rate of the single class implementation lies somewhere between the current Class II and III facilities (as it's widely believed), this may imply lower quality of healthcare services for PPU and independent participants who register for Class I facilities, which may prompt them to apply for a private health insurance, in addition to their JKN membership.
- If that's the case, then the deadlock in the Coordination of Benefit (CoB) scheme implementation may force them to not utilize their JKN or, even worse, discourage independent participants from participating in JKN. Based on 2018 data, JKN participants who registered for Class I facilities accounted for 10-15% of total JKN participants.
- The single class implementation is expected to take effect in early 2021, which will be carried out gradually until the end of 2022. INA-CBGs tariff may also be adjusted sometime during that period.

Heading towards the end of the pandemic

- The positive rate of COVID-19 cases in Jakarta could be kept low in November; it never exceeded 12%, while the number of patients in treatment remained below 3,000.
- As Jakarta's COVID-19 positive rate in 4Q20 may be lower than we anticipated, we maintain our conservative stance on hospitals' occupancy rate of COVID-19 inpatient beds at the moment. Moreover, by assuming that COVID-19 vaccination can be administered sometime between 2Q21 and 3Q21, COVID-19 inpatient days will gradually decline accordingly.
- With our conservative stance on hospitals' occupancy rate of COVID-19 inpatient beds and COVID-19 vaccine administration in sight, we expect that the recovery in non-COVID-19 inpatient days and outpatient visits will be faster than expected. However, total inpatient and outpatient days in 2021 will still stay below pre-COVID (i.e. 2019) level, in our view.
- Despite higher revenue per inpatient day from COVID-19 treatment, we believe that prolonged COVID-19 pandemic will be unfavorable for hospitals in the longer term, considering the regulatory risk embedded in COVID-19 treatment reimbursement from the government.

Maintain Overweight on the sector

- Hospitals will still benefit from COVID-19 handling in 2021. Without any unfavorable COVID-19 handling regulations imposed by the government, hospitals' revenue per inpatient day will continue being higher-than-normal in 2021.
- Moreover, with COVID-19 vaccine administration in sight, we expect an improvement in non-COVID inpatient and outpatient visits to speed up further in 2021.
- We have **Trading Buy** recommendation on **MIKA** (TP IDR3,150) and **Buy** recommendation on **HEAL** (TP IDR4,800). Due to its higher upside potential and cheaper valuation, we switch our **top pick** to **HEAL**, from MIKA.
- Risks to our call: 1) prolonged budget deficit of BPJS Kesehatan; and, 2) unfavorable JKN-related and COVID-19 handling regulations imposed by the government.

Healthcare companies covered in this report

Company	Ticker	Rating	Target price (IDR/share)	EPS growth (%)		Dividend yield (%)		P/E (x)		EV/EBITDA (x)	
				FY20F	FY21F	FY20F	FY21F	FY20F	FY21F	FY20F	FY21F
Mitra Keluarga Karyasehat	MIKA	Trading Buy	3,150	-2.5	21.9	0.8	0.7	55.4	45.4	35.8	30.7
Medialoka Hermina	HEAL	Buy	4,800	30.4	25.2	0.3	0.3	33.5	26.7	11.8	10.4

Source: Mirae Asset Sekuritas Indonesia Research

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BPJS Kesehatan: 2021F FKRTL utilization outlook & updates on single class implementation

The government targets slight growth of PBI APBN participants in 2021

The central government allocates IDR169.7tr of its 2021 budget for healthcare, in which IDR53.1tr (+2.6% YoY) is apportioned for Ministry of Health's JKN-related budget (JKN: National Health Insurance). IDR48.8tr of Ministry of Health's JKN-related budget will be distributed to PBI APBN (state budget beneficiary dues; 40% of the poorest) participants.

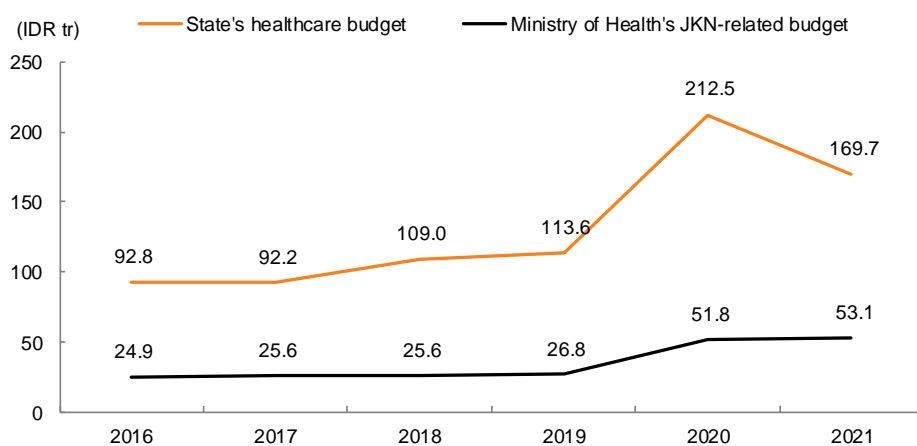
Starting from 2021, the Minister of Finance's Regulation No. 78/PMK.02/2020 stipulates that 95% of PBI APBN participants' contributions will be funded by the central government through the state budget, while the remaining 5% will be contributed by local governments.

As of 11M20, current PBI APBN participants totaled at 96.5mn. The central government targets PBI APBN participants to reach 96.8mn, only a slight rise of 0.3% compared to 11M20 position.

On the other hand, as of 11M20, PBI APBD (local government budget beneficiary dues; outside 40% of the poorest) participants dropped by 6.8% YTD as some regions reallocated their budget to handle the COVID-19 pandemic.

Starting from 2021, the Minister of Finance's Regulation No. 78/PMK.02/2020 stipulates that 10% of PBI APBD participants' contributions will be funded by the central government through the state budget, while the remaining 90% can be either partially or fully contributed by the local governments.

Figure 1. State's healthcare budget & Ministry of Health's JKN-related budget in 2016-21



Source: Mirae Asset Sekuritas Indonesia Research

Number of PPU participants surprisingly increases during the pandemic

The pandemic has caused many wage-earning workers (PPU) to experience layoffs. BPJS Ketenagakerjaan reported a decline in the number of participants from 53.1mn in 9M19 to 50.4mn in 9M20. Surprisingly, that's not the case with BPJS Kesehatan, whose number of PPU participants managed to rise from 53.5mn in 2019 to 55.4mn in 11M20 (+3.4%), albeit at a far slower rate than 2014-19 CAGR of 10.1%.

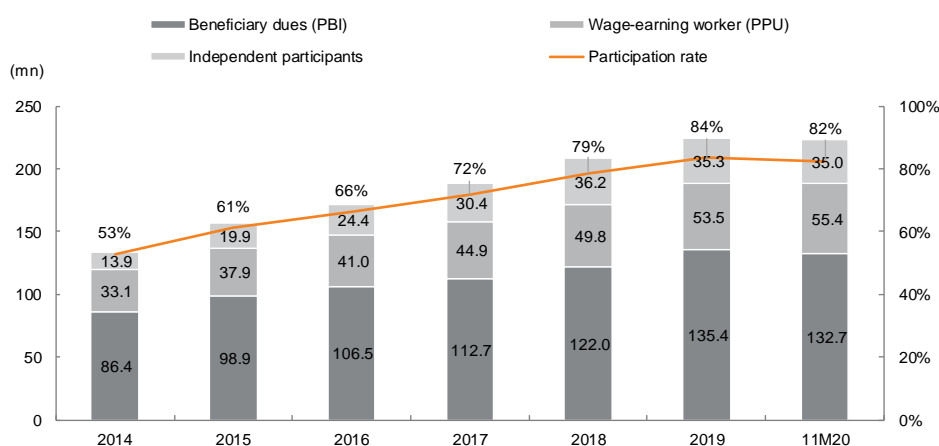
Along with the steady recovery in the economy, we believe domestic unemployment rate will gradually decline and, inversely, the number of PPU participants will keep increasing and continue to become the major growth driver of JKN participants.

Non-workers being the most affected by the pandemic

The number of independent (i.e. non-wage-earning workers and non-workers) participants dropped from 35.3mn in 2019 to 35.0mn in 11M20. Specifically, the number of non-wage-earning workers increased from 30.2mn in 2019 to 30.6mn in 11M20, while the number of non-worker participants lessened from 5.0mn in 2019 to 4.3mn in 11M20.

As explained in our strategist's latest report (*2021 Outlook: Gearing up for the dawn*), improved confidence on mobility will support consumption recovery, especially if vaccination kicks off in early 2021. However, the government decided to cut subsidy for Class III facilities from IDR16,500/participant/month to IDR7,000/participant/month, which implies higher contribution rate that has to be paid by independent participants who register for Class III facilities. That being said, we believe the growth of independent participants will be lower than PPU participants.

Figure 2. Number of BPJS Kesehatan participants



Source: BPJS Kesehatan, Mirae Asset Sekuritas Indonesia Research

Figure 3. Monthly premium rate of BPJS Kesehatan from 2014-21 (IDR)

Legal basis	Perpres 111/2013	Perpres 19/2016	Perpres 28/2016	Perpres 82/2018	Perpres 64/2020		
	2013-2015	2016	2016-2017	2018-2019	2020		2021
Applicable year					Jan-Mar	Apr-Jun	Jul-Dec
Independent participants							
Class I	59,500	80,000	80,000	80,000	160,000	80,000	150,000
Class II	42,500	51,000	51,000	51,000	100,000	51,000	100,000
Class III	25,500	30,000	25,500	25,500	42,000	25,500	42,000
PBI (only Class III)	19,225	23,000	23,000	23,000	42,000	42,000	42,000
PPU	5% of the monthly salary as calculation basis, capped at:						
	2,362,500*	8,000,000			12,000,000		

* non-taxable income (PTKP) K/1 was amounted to IDR28,350,000 annually

Source: Presidential regulations, Mirae Asset Sekuritas Indonesia Research

Maintain expectation for single-digit growth of FKRTL utilization in 2021

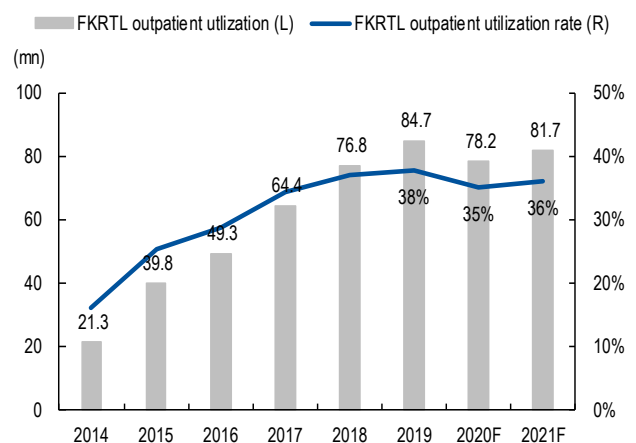
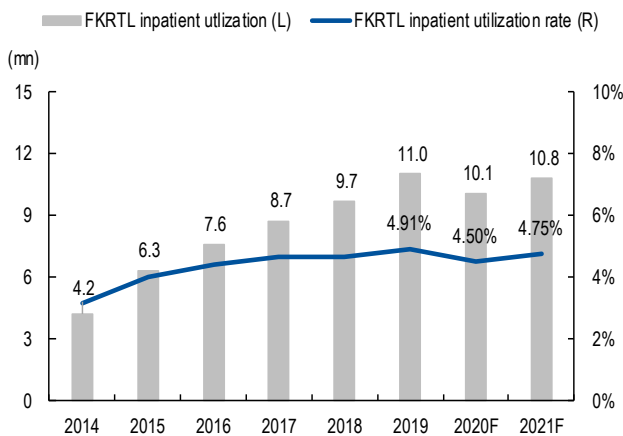
As mentioned in our initiation report (*Healthcare sector: Perfectly imperfect*), we expect JKN participation rate of 82.5% and 83.0% for 2020-21F. By assuming 1% domestic population growth, we estimate JKN participants of 223.4mn and 227.0mn for 2020-21F, respectively.

By using an assumption of 4.5% and 4.75% FKRTL (advanced level facilities) inpatient utilization rate for 2020-21F, respectively, we estimate 10.0mn and 10.8mn FKRTL inpatient utilization for 2020-21F, respectively. As such, after its decline of 9% in 2020, we expect FKRTL inpatient utilization to grow by 7% YoY in 2021.

As for FKRTL outpatient utilization, by assuming 35% and 36% rate for 2020-21F, respectively, we estimate 78.2mn and 81.7mn FKRTL outpatient utilization for 2020-21F, respectively. Hence, after its drop of 8% in 2020, we expect FKRTL outpatient utilization to grow by 5% YoY in 2021.

Figure 4. FKRTL inpatient utilizations and utilization rate in 2014-21F

Figure 5. FKRTL outpatient utilizations and utilization rate in 2014-21F



Source: Mirae Asset Sekuritas Indonesia Research

Source: Mirae Asset Sekuritas Indonesia Research

Single class implementation in sight

Earlier in November, a member of DJSN (National Social Security Council), Muttaqien, explained that the standard class will be divided into two classes, namely Class A for PBI participants and Class B for non-PBI participants. There are 2 differences between Class A and Class B; in Class A, the minimum area per bed is 7.2 sqm with a maximum number of 6 beds per room, while in Class B, the minimum area per bed is 10 sqm, with a maximum number of 4 beds per room.

We believe the single class implementation will help solve the deficit problem as it can mitigate fraud risk related to JKN claims, which will then create cost efficiency. Nevertheless, if the contribution rate of the single class implementation lies somewhere between the current Class II and III facilities (as it's widely believed), this may imply lower quality of healthcare services for PPU and independent participants who register for Class I facilities, which may prompt them to apply for a private health insurance, in addition to their JKN membership.

If that's the case, then the deadlock in the Coordination of Benefit (CoB) scheme implementation may force them to not utilize their JKN or, even worse, discourage independent participants from participating in JKN. Based on 2018 data, JKN participants who registered for Class I facilities accounted for 10-15% of total JKN participants.

The single class implementation is expected to take effect in early 2021, which will be carried out gradually until the end of 2022. INA-CBGs tariff may also be adjusted sometime during that period.

Heading towards the end of the pandemic

Latest update on Jakarta's COVID-19 cases

Positive rate kept low in November

As a follow-up on our sector report (*Jakarta COVID-19 monthly tracker: September & October 2020*), our concern on the impact of long weekend holidays on the surge in Jakarta's positive rate in November was proven wrong. According to <https://corona.jakarta.go.id>, with average weekly number of PCR tests at around 90,000 (higher than September and October figure of 80,000), the positive rate never exceeded 12%, while the number of patients in treatment remained below 3,000.

However, that finding somewhat contradicts MIKA's occupancy rate of COVID-19 inpatient beds, which increased from 70% (out of 700 total allocated beds) in October to 85% (out of 800 total allocated beds) in November.

Maintain our conservative stance on hospitals' occupancy rate of COVID-19 inpatient beds

As Jakarta's COVID-19 positive rate in 4Q20 may be lower than we anticipated, we maintain our conservative stance on hospitals' occupancy rate of COVID-19 inpatient beds at the moment. Moreover, by assuming that COVID-19 vaccination can be administered sometime between 2Q21 and 3Q21, COVID-19 inpatient days will gradually decline accordingly.

Regarding MIKA's COVID-19 inpatient days, we expect a slight QoQ increase from 26.7k in 3Q20 to 28.3k in 4Q20. In full-year terms, we estimate it to drop from 67k in FY20 to 57k in FY21.

As for HEAL, we also expect slim QoQ growth in its COVID-19 inpatient days from 21.6k in 3Q20 to 22.1k in 4Q20. In full-year terms, we estimate it to drop from 62k in FY20 to 47k in FY21.

Recovery in non-COVID inpatient and outpatient visits to speed up further in 2021

With our conservative stance on hospitals' occupancy rate of COVID-19 inpatient beds and COVID-19 vaccine administration in sight, we expect that the recovery in non-COVID-19 inpatient days and outpatient visits will be faster than expected. However, total inpatient and outpatient days in 2021 will still lie below pre-COVID (i.e. 2019) level, in our view.

For MIKA, we estimate FY20-21F inpatient days at 572k and 602k, with outpatient visits at 2,010k and 2,354k, respectively. As for HEAL, we forecast FY20-21F inpatient days at 891k and 952k, with outpatient visits at 4,508k and 5,750k, respectively.

Figure 6. MIKA inpatient days & revenue per inpatient day (YoY)

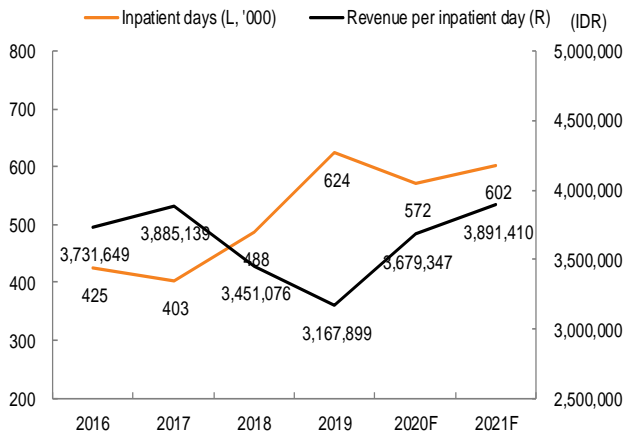
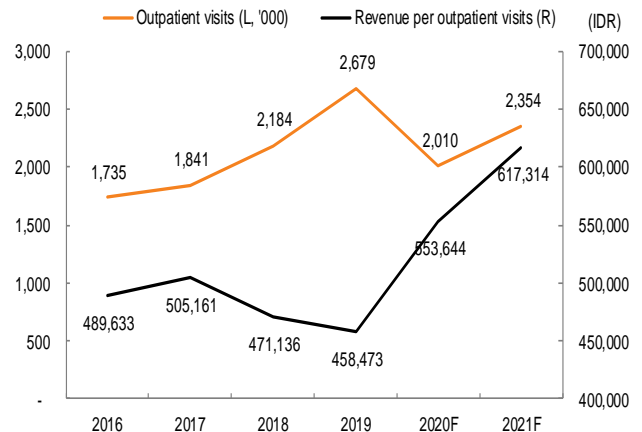


Figure 7. MIKA outpatient visits & revenue per outpatient visit (YoY)

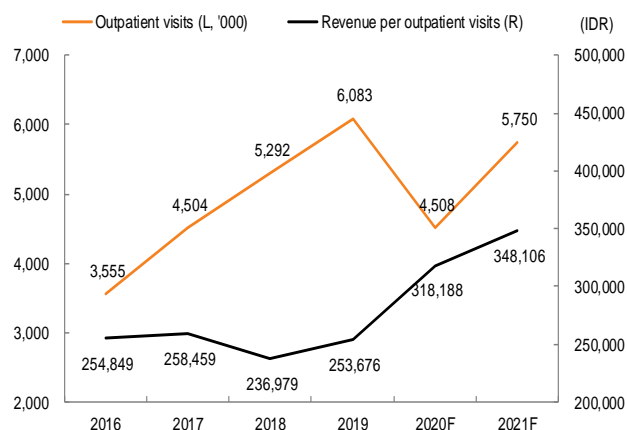
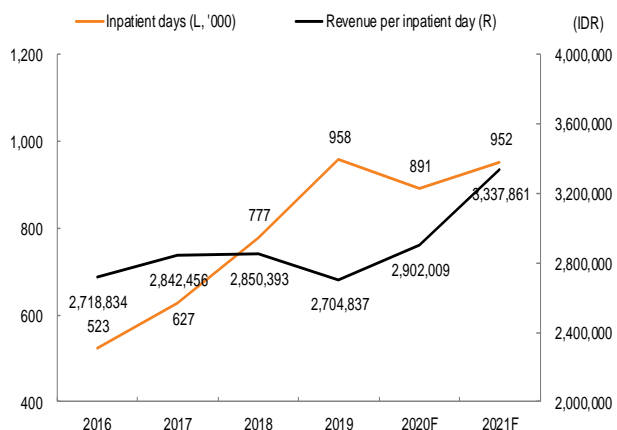


Source: Mirae Asset Sekuritas Indonesia Research

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Figure 8. HEAL inpatient days & revenue per inpatient day (YoY)

Figure 9. HEAL outpatient visits & revenue per outpatient visit (YoY)



Source: Mirae Asset Sekuritas Indonesia Research

Source: Mirae Asset Sekuritas Indonesia Research

Despite higher revenue per inpatient day from COVID-19 treatment, we believe that prolonged COVID-19 pandemic will be unfavorable for hospitals in the longer term, considering the regulatory risk embedded in COVID-19 treatment reimbursement from the government.

Maintain Overweight on the sector

Hospitals will still benefit from COVID-19 handling in 2021. Without any unfavorable COVID-19 handling regulations imposed by the government, hospitals' revenue per inpatient day will continue being higher-than-normal in 2021. Moreover, with COVID-19 vaccine administration in sight, we expect an improvement in non-COVID inpatient and outpatient visits to speed up further in 2021.

That being said, we **maintain** our **Overweight** recommendation on the sector. We have Trading Buy recommendation on MIKA (TP IDR3,150) and Buy recommendation on HEAL (TP IDR4,800). Due to its higher upside potential and cheaper valuation, we switch our top pick to HEAL, from MIKA.

Risks to our call: 1) Prolonged budget deficit of BPJS Kesehatan; and, 2) unfavorable JKN-related and COVID-19 handling regulations imposed by the government.

Figure 10. MIKA forward P/E band



Source: Mirae Asset Sekuritas Indonesia Research

Figure 11. HEAL forward P/E band



Source: Mirae Asset Sekuritas Indonesia Research

Figure 12. MIKA forward EV/EBITDA band



Source: Mirae Asset Sekuritas Indonesia Research

Figure 13. HEAL forward EV/EBITDA band



Source: Mirae Asset Sekuritas Indonesia Research

Mitra Keluarga Karyasehat

(MIKA IJ)

Specialty in serving non-JKN patients

Trading Buy

(Downgrade)

TP: IDR3,150
Upside: 11.3%
Mirae Asset Sekuritas Indonesia

Joshua Michael joshua.michael@miraeasset.co.id

Specialty in serving non-JKN patients

- MIKA's hospitals are widely scattered across Java; 80% of them are located in Jabodetabek and West Java, while the rest are sited in East Java. By concentrating its hospital locations on Greater Jakarta and Surabaya, the company can obtain attractive occupancy rates, revenue per patient, and financial returns.
- Despite JKN's growing penetration into domestic healthcare system since 2014, the company has maintained its strong footing in serving non-JKN patients, which enables MIKA to book higher revenue per inpatient day, EBITDA margin, and net margin compared to HEAL.

Maintained positive free cash flow and net cash position

- Since its IPO in 2015, MIKA has barely had debt in its B/S.
- Receivable days keep climbing due to the increased number of JKN patients, yet it can be kept below 60 days.
- MIKA has also consistently recorded positive cash flow since 2016.
- With abundant cash, all capex can still be funded internally.

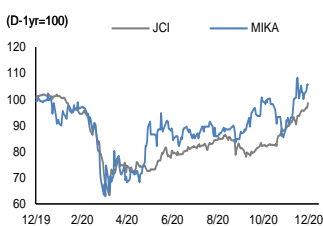
Financials and operational outlook

- We estimate FY20-21F inpatient days and outpatient visits at 572k/602k and 2,010k/2,354k.
- We expect FY20-21F inpatient and outpatient revenue of IDR2.1tr/IDR2.3tr and IDR1.1tr/IDR1.4tr.
- FY20-21F net profit to reach IDR712bn (-2.5% YoY) and IDR868bn (+21.9% YoY).
- As we assume similar degrees of recovery in patient volume for both MIKA and HEAL, a faster-than-expected vaccine timeline will benefit MIKA more than HEAL as MIKA's revenue per inpatient day and outpatient visit for non-COVID patients are 15-20% and 80% higher than those of HEAL, respectively.

Downgrade to Trading Buy with unchanged TP of IDR3,150

- Our TP of IDR3,150 is derived using an equally blended method of target FY21F P/E multiple of 49.7x (average of its 5-year mean) and FY21F EV/EBITDA multiple of 36.2x (average of its 5-year mean).
- Share price has increased by **11.2%** since our initiation report published last September. Hence, we **downgrade** our call from Buy to **Trading Buy** with an unchanged TP of IDR3,150.

Key data



Share Price (12/16/20, IDR)	2,830	Market Cap (IDRbn)	40,317.2
Consensus NP (21F, IDRbn)	827.6	Shares Outstanding (mn)	14,246.4
NP Mirae Asset vs. consensus (21F, %)	4.9	Free Float (%)	38.1
EPS Growth (21F, %)	21.9	Beta (Adjusted, 24M)	0.3
P/E (21F, x)	45.4	52-Week Low (IDR)	1,570
Industry P/E (Current, x)	15.3	52-Week High (IDR)	3,080
Benchmark P/E (21F, x)	16.3		

Share performance

(%)	1M	6M	12M
Absolute	23.6	20.4	5.6
Relative	13.5	-0.1	8.8

Earnings and valuation metrics

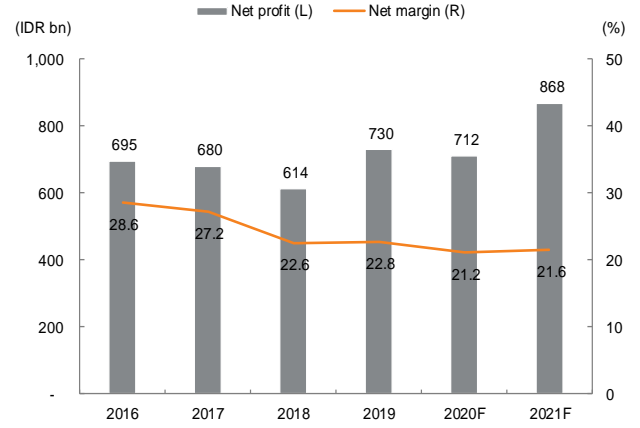
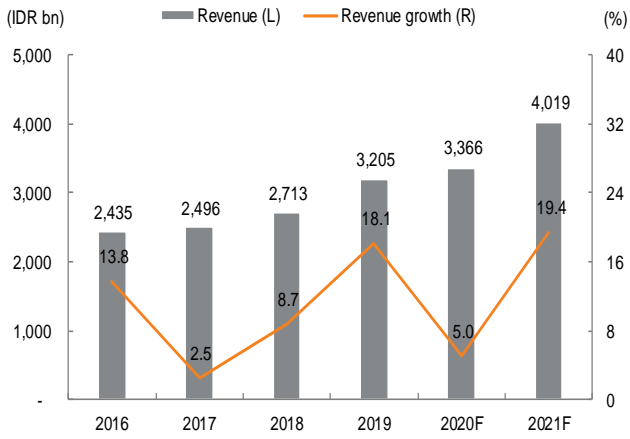
FY (Dec.)	2016	2017	2018	2019	2020F	2021F
Revenue (IDRbn)	2,435	2,496	2,713	3,205	3,366	4,019
EBITDA (IDRbn)	846	949	914	1,103	1,086	1,260
EBITDA Margin (%)	35	38	34	34	32	31
NP (IDRbn)	695	680	614	730	712	868
EPS (IDR)	49	48	43	51	50	61
ROE (%)	19.7	18.4	15.1	17.0	15.1	16.4
P/E (x)	56.7	58.0	64.3	54.0	55.4	45.4
EV/EBITDA (x)	45.1	41.2	42.7	35.7	35.8	30.7
Dividend Yield (%)	0.9	1.2	-	0.6	0.8	0.7

Note: Net profit refers to net profit attributable to controlling interests

Source: Company data, Mirae Asset Sekuritas Indonesia Research

PLEASE SEE ANALYST CERTIFICATIONS AND IMPORTANT DISCLOSURES AND DISCLAIMERS IN APPENDIX 1 AT THE END OF REPORT.

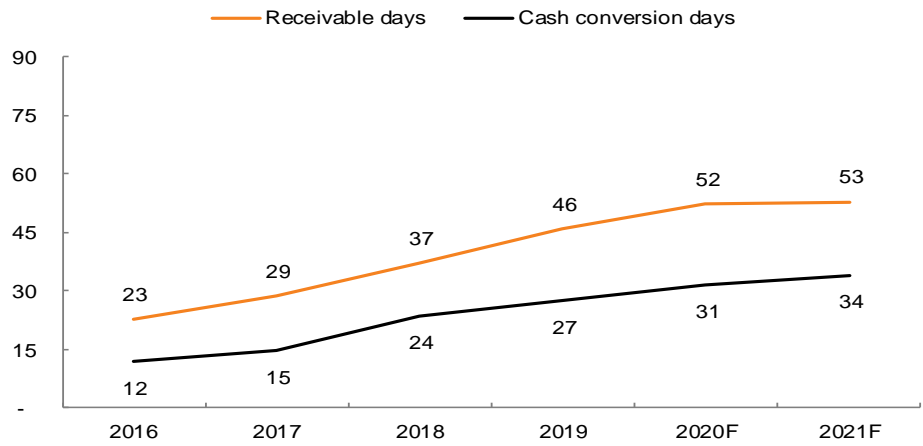
Figure 14. Revenue & revenue growth **Figure 15. Net profit & net margin**



Source: Mirae Asset Sekuritas Indonesia Research

Source: Mirae Asset Sekuritas Indonesia Research

Figure 16. Receivable days & cash conversion days



Source: Mirae Asset Sekuritas Indonesia Research

Mitra Keluarga Karyasehat (MIKA IJ)

Comprehensive Income Statement (Summarized)

(IDR bn)	12/18	12/19	12/20F	12/21F
Revenue	2,713	3,205	3,366	4,019
Cost of sales	(1,429)	(1,671)	(1,819)	(2,234)
Gross profit	1,284	1,534	1,547	1,785
Operating expenses	(504)	(592)	(643)	(721)
EBIT	780	943	904	1,064
EBITDA	914	1,103	1,086	1,260
Interest income	85	75	57	101
Interest expense	(15)	(14)	(17)	(20)
Pretax profit	850	1,004	944	1,145
Income taxes	(191)	(213)	(170)	(206)
Minority interest	(45)	(61)	(62)	(70)
Net profit	614	730	712	868
Gross margin (%)	47.3	47.9	46.0	44.4
EBITDA margin (%)	33.7	34.4	32.3	31.3
Operating margin (%)	28.8	29.4	26.9	26.5
Net margin (%)	22.6	22.8	21.2	21.6

Statement of Financial Condition (Summarized)

(IDR bn)	12/18	12/19	12/20F	12/21F
Current assets				
Cash & ST investment	2,008	1,866	2,189	2,522
Trade receivable	331	475	487	678
Inventories	40	49	47	64
Others	40	86	91	95
Non-current assets				
Fixed assets	2,066	2,390	2,491	2,695
Others	606	711	818	941
Total assets	5,089	5,576	6,123	6,995
Current liabilities				
Account payable	97	162	141	205
ST financials	8	3	-	-
Accrued expense	125	163	164	201
Others	82	103	150	200
Non-current liabilities				
LT financials	10	2	-	-
Others	318	351	403	464
Total liabilities	639	783	858	1,070
Capital stock	146	142	142	142
Additional paid in capital	1,909	1,363	1,363	1,363
Treasury stock	(332)	(1)	(9)	(9)
Retained earnings	2,318	2,777	3,196	3,785
Capital adjustment	31	14	14	14
Minority interest	379	497	559	629
Total equities	4,450	4,793	5,265	5,925

Cash Flows (Summarized)

(IDR bn)	12/18	12/19	12/20F	12/21F
Operating cash flow	868	695	1,203	903
Net profit	614	730	712	868
Depreciation	134	160	182	196
Change in working capital	120	(196)	309	(161)
Investment cash flow	(577)	(557)	(337)	(462)
Capex	(453)	(452)	(283)	(400)
Others	(124)	(105)	(54)	(62)
Financing cash flow	(203)	(400)	(245)	(208)
Change in financial liabilities	(9)	(13)	(5)	-
Change in equity	(332)	(218)	(8)	-
Dividend	-	(256)	(299)	(285)
Others	138	87	68	76
Increase (Decrease) in Cash	88	(262)	621	233
Beginning Balance	743	831	569	1,189
Ending Balance	831	569	1,189	1,422

Forecasts/Valuations (Summarized)

	12/18	12/19	12/20F	12/21F
P/E (x)	64.3	54.0	55.4	45.4
P/B (x)	9.9	9.2	8.4	7.5
EV/EBITDA (x)	42.7	35.7	35.8	30.7
EPS (IDR)	43.1	51.3	50.0	60.9
BPS (IDR)	279.8	301.5	330.3	371.7
DPS (IDR)	-	18.0	21.0	20.0
Payout ratio (%)	-	41.8	41.0	40.0
Div. yield (%)	-	0.6	0.8	0.7
Revenue growth (%)	8.7	18.1	5.0	19.4
EBITDA growth (%)	(3.7)	20.6	(1.6)	16.0
Operating profit growth (%)	2.7	20.8	(4.1)	17.7
Net profit growth (%)	(9.7)	19.0	(2.5)	21.9
A/R turnover (x)	9.8	8.0	7.0	6.9
Inventory turnover (x)	35.7	37.8	38.0	40.0
A/P turnover (x)	15.3	13.0	12.0	13.0
ROA (%)	12.1	13.1	11.6	12.4
ROE (%)	15.1	17.0	15.1	16.4
Current ratio (x)	7.8	5.7	6.2	5.5
Gross debt/equity (%)	0.4	0.1	-	-
Net debt/equity (%)	Net cash	Net cash	Net cash	Net cash
Int. coverage (x)	52.4	69.4	53.7	52.9

Source: Company, Mirae Asset Sekuritas Indonesia Research estimates

Medialoka Hermina

(HEAL IJ)

Specialty in serving JKN patients

Buy

(Maintain)

TP: IDR4,800

Upside: 26.3%

Mirae Asset Sekuritas Indonesia

Joshua Michael joshua.michael@miraeasset.co.id

- Specialty in serving JKN patients**
- As an early adopter of JKN, HEAL has **extensive experiences in dealing with JKN patients**. Currently, the company has 100% JKN participation across its hospitals.
 - Economies of scale enable HEAL's **EBITDA margin to keep improving** despite ever-growing JKN patients.

- Aggressive hospital expansion**
- More aggressive hospital expansion** than MIKA.
- Since 2016, its number of operational beds has grown by 2016-19 CAGR of 21%, higher than MIKA's 2016-19 CAGR of 14%.
 - This is reflected from HEAL's cumulative capex throughout 2016-19 which totaled at IDR2.6tr (vs. MIKA's at IDR1.7tr).

- Financials and operational outlook**
- We estimate FY20-21F inpatient days and outpatient visits at 891k/952k and 4,508k/5,750k.
 - We expect FY20-21F inpatient and outpatient revenue of IDR2.6tr/IDR3.2tr and IDR1.4tr/IDR2.0tr, respectively.
 - FY20-21F net profit will each reach IDR333bn (+30.4% YoY) and IDR417bn (+25.2% YoY).

- Maintain Buy with unchanged TP of IDR4,800**
- Our TP of IDR4,800 is derived using an equally blended method of target FY21F P/E multiple of 33.3x (-1 SD of its 3-year mean) and FY21F EV/EBITDA multiple of 13.2x (-1 SD of its 3-year mean).
 - We **maintain** our **Buy** call on HEAL. HEAL is our new top pick due to its higher upside potential and cheaper valuation than MIKA.
 - At our TP, HEAL is trading at FY21F P/E of 34.2x (vs. MIKA's FY21F P/E of 51.7x).

Key data



Share Price (12/16/20, IDR)	3,800	Market Cap (IDRbn)	11,297.4
Consensus NP (21F, IDRbn)	397.1	Shares Outstanding (mn)	2,973.0
NP Mirae Asset vs. consensus (21F, %)	5.0	Free Float (%)	20.7
EPS Growth (21F, %)	25.2	Beta (Adjusted, 24M)	0.8
P/E (21F, x)	26.7	52-Week Low (IDR)	1,850
Industry P/E (Current, x)	15.3	52-Week High (IDR)	4,100
Benchmark P/E (21F, x)	16.3		

Share performance

(%)	1M	6M	12M
Absolute	7.1	15.7	4.2
Relative	-2.9	-4.8	7.4

Earnings and valuation metrics

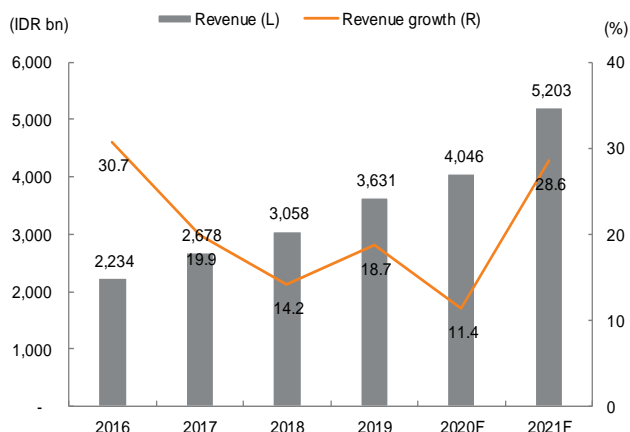
FY (Dec.)	2016	2017	2018	2019	2020F	2021F
Revenue (IDRbn)	2,234	2,678	3,058	3,631	4,046	5,203
EBITDA (IDRbn)	411	533	571	795	1,048	1,244
EBITDA Margin (%)	18.4	19.9	18.7	21.9	25.9	23.9
NP (IDRbn)	176	72	124	255	333	417
EPS (IDR)	59	24	42	86	112	140
ROE (%)	14.8	15.9	6.7	11.9	13.6	14.7
P/E (x)	63.2	154.1	89.6	43.7	33.5	26.7
EV/EBITDA (x)	27.6	23.9	21.4	15.7	11.8	10.4
Dividend Yield (%)	1.1	0.5	-	0.3	0.3	0.3

Note: Net profit refers to net profit attributable to controlling interests

Source: Company data, Mirae Asset Sekuritas Indonesia Research

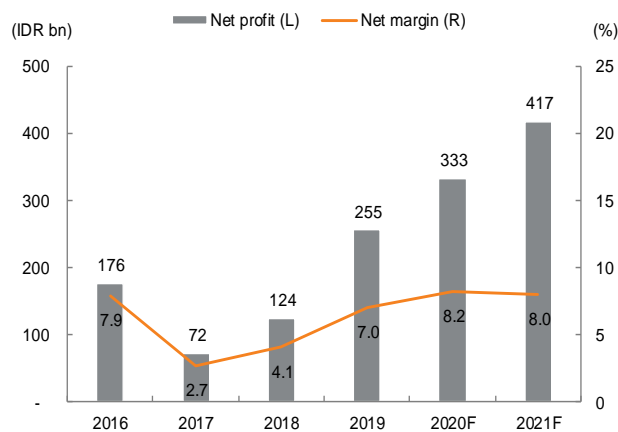
PLEASE SEE ANALYST CERTIFICATIONS AND IMPORTANT DISCLOSURES AND DISCLAIMERS IN APPENDIX 1 AT THE END OF REPORT.

Figure 17. Revenue & revenue growth



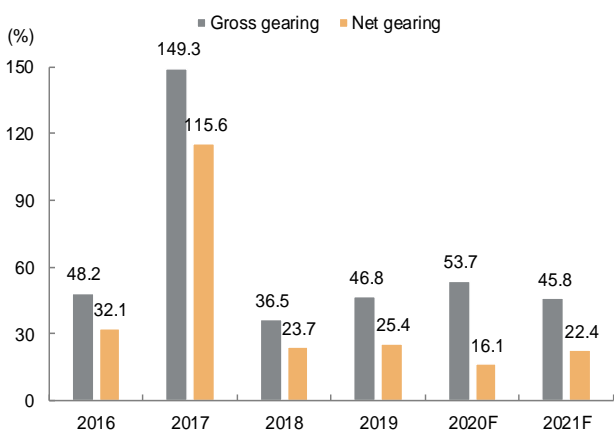
Source: Mirae Asset Sekuritas Indonesia Research

Figure 18. Net profit & net margin



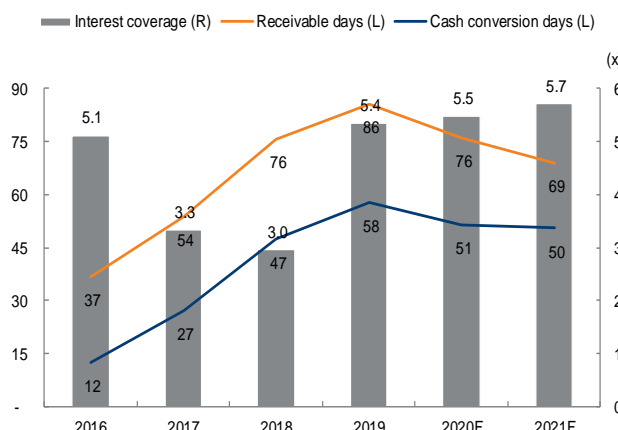
Source: Mirae Asset Sekuritas Indonesia Research

Figure 19. Gross & net gearing



Source: Mirae Asset Sekuritas Indonesia Research

Figure 20. Interest coverage, receivable days & cash conversion days



Source: Mirae Asset Sekuritas Indonesia Research

Medialoka Hermina (HEAL IJ)

Comprehensive Income Statement (Summarized)

(IDR bn)	12/18	12/19	12/20F	12/21F
Revenue	3,058	3,631	4,046	5,203
Cost of sales	(1,777)	(2,005)	(2,135)	(2,832)
Gross profit	1,282	1,626	1,911	2,371
Operating expenses	(896)	(1,043)	(1,120)	(1,420)
EBIT	386	583	791	951
EBITDA	571	795	1,048	1,244
Interest income	20	31	33	66
Interest expense	(131)	(109)	(144)	(167)
Pretax profit	276	505	680	851
Income taxes	(85)	(162)	(204)	(255)
Minority interest	(67)	(89)	(143)	(179)
Net profit	124	255	333	417
Gross margin (%)	41.9	44.8	47.2	45.6
EBITDA margin (%)	18.7	21.9	25.9	23.9
Operating margin (%)	12.6	16.1	19.5	18.3
Net margin (%)	4.1	7.0	8.2	8.0

Cash Flows (Summarized)

(IDR bn)	12/18	12/19	12/20F	12/21F
Operating cash flow	(96)	360	772	270
Net profit	124	255	333	417
Depreciation	185	212	257	293
Change in working capital	(405)	(107)	182	(440)
Investment cash flow	(649)	(638)	(679)	(728)
Capex	(695)	(666)	(600)	(700)
Others	46	27	(79)	(28)
Financing cash flow	726	568	515	132
Change in financial liabilities	(563)	429	420	-
Change in equity	1,357	-	-	-
Dividend	-	(33)	(36)	(33)
Others	(68)	172	130	165
Increase (Decrease) in Cash	(19)	289	608	(326)
Beginning Balance	322	304	593	1,202
Ending Balance	304	593	1,202	875

Statement of Financial Condition (Summarized)

(IDR bn)	12/18	12/19	12/20F	12/21F
Current assets				
Cash & ST investment	304	593	1,202	875
Trade receivable	777	926	759	1,204
Inventories	55	51	67	82
Others	92	94	150	165
Non-current assets				
Fixed assets	2,656	3,096	3,439	3,846
Others	286	288	375	413
Total assets	4,171	5,048	5,992	6,584
Current liabilities				
Account payable	203	208	202	236
ST financials	265	230	200	200
Others	572	607	700	700
Non-current liabilities				
LT financials	601	1,064	1,514	1,514
Others	161	175	183	192
Total liabilities	1,801	2,283	2,800	2,843
Capital stock	297	297	297	297
Additional paid in capital	1,831	1,831	1,831	1,831
Retained earnings	272	485	783	1,167
Capital adjustment	(534)	(466)	(466)	(466)
Minority interest	504	617	747	911
Total equities	2,370	2,764	3,192	3,741

Forecasts/Valuations (Summarized)

(IDR bn)	12/18	12/19	12/20F	12/21F
P/E (x)	89.6	43.7	33.5	26.7
P/B (x)	6.0	5.2	4.6	3.9
EV/EBITDA (x)	21.4	15.7	11.8	10.4
EPS (IDR)	41.8	85.9	112.0	140.2
BPS (IDR)	627.6	722.2	822.6	951.9
DPS (IDR)	-	11.0	12.0	11.2
Payout ratio (%)	-	26.3	13.9	10.0
Div. yield (%)	-	0.3	0.3	0.3
Revenue growth (%)	14.2	18.7	11.4	28.6
EBITDA growth (%)	7.1	39.3	31.8	18.7
Operating profit growth (%)	0.1	51.1	35.6	20.2
Net profit growth (%)	71.9	105.3	30.4	25.2
A/R turnover (x)	4.8	4.3	4.8	5.3
Inventory turnover (x)	35.2	37.6	36.0	38.0
A/P turnover (x)	9.4	9.7	10.5	13.0
ROA (%)	3.0	5.1	5.6	6.3
ROE (%)	6.7	11.9	13.6	14.7
Current ratio (x)	1.2	1.6	2.0	2.0
Gross debt/equity (%)	36.5	46.8	53.7	45.8
Net debt/equity (%)	23.7	25.4	16.1	22.4
Int. coverage (x)	3.0	5.4	5.5	5.7

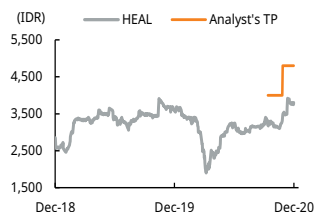
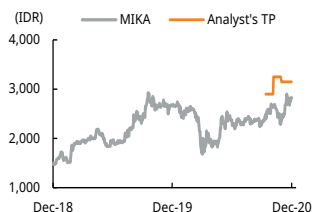
Source: Company, Mirae Asset Sekuritas Indonesia Research estimates

APPENDIX 1

Important Disclosures & Disclaimers

2-Year Rating and Target Price History

Company (Code)	Date	Rating	Target Price	Company (Code)	Date	Rating	Target Price
MIKA JJ	12/17/2020	Trading Buy	3,150	HEAL JJ	9/28/2020	Buy	2,900
	11/13/2020	Buy	3,150		11/12/2020	Buy	4,800
	10/22/2020	Buy	3,250		9/28/2020	Buy	4,000



Stock Ratings

Buy	: Relative performance of 20% or greater
Trading Buy	: Relative performance of 10% or greater, but with volatility
Hold	: Relative performance of -10% and 10%
Sell	: Relative performance of -10%

Industry Ratings

Overweight	: Fundamentals are favorable or improving
Neutral	: Fundamentals are steady without any material changes
Underweight	: Fundamentals are unfavorable or worsening

Ratings and Target Price History (Share price (—), Target price (—▶), Not covered (■), Buy (▲), Trading Buy (■), Hold (●), Sell (◆))

* Our investment rating is a guide to the relative return of the stock versus the market over the next 12 months.

* Although it is not part of the official ratings at PT Mirae Asset Sekuritas Indonesia, we may call a trading opportunity in case there is a technical or short-term material development.

* The target price was determined by the research analyst through valuation methods discussed in this report, in part based on the analyst's estimate of future earnings.

* The achievement of the target price may be impeded by risks related to the subject securities and companies, as well as general market and economic conditions.

Equity Ratings Distribution

	Buy	Trading Buy	Hold	Sell
Equity Ratings Distribution	44.68%	31.91%	19.15%	4.26%

* Based on recommendations in the last 12-months (as of September 30, 2020)

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Mirae Asset Daewoo International Network

Mirae Asset Daewoo Co., Ltd. (Seoul)

Global Equity Sales Team
Mirae Asset Center 1 Building
26 Eulji-ro 5-gil, Jung-gu, Seoul 04539
Korea

Tel: 82-2-3774-2124

Mirae Asset Securities (USA) Inc.

810 Seventh Avenue, 37th Floor
New York, NY 10019
USA

Tel: 1-212-407-1000

PT. Mirae Asset Sekuritas Indonesia

District 8, Treasury Tower Building Lt. 50
Sudirman Central Business District
Jl. Jend. Sudirman, Kav. 52-54 Jakarta Selatan
12190
Indonesia
Tel: 62-21-5088-7000

Mirae Asset Securities Mongolia UTsK LLC

#406, Blue Sky Tower, Peace Avenue 17
1 Khoroo, Sukhbaatar District
Ulaanbaatar 14240
Mongolia

Tel: 976-7011-0806

Shanghai Representative Office

38T31, 38F, Shanghai World Financial Center
100 Century Avenue, Pudong New Area Shanghai
200120
China

Tel: 86-21-5013-6392

Mirae Asset Securities (HK) Ltd.

Units 8501, 8507-8508, 85/F
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong
Tel: 852-2845-6332

Mirae Asset Wealth Management (USA) Inc.

555 S. Flower Street, Suite 4410,
Los Angeles, California 90071
USA

Tel: 1-213-262-3807

Mirae Asset Securities (Singapore) Pte. Ltd.

6 Battery Road, #11-01
Singapore 049909
Republic of Singapore

Tel: 65-6671-9845

Mirae Asset Investment Advisory (Beijing) Co., Ltd

2401B, 24th Floor, East Tower, Twin Towers
B12 Jianguomenwai Avenue, Chaoyang District
Beijing 100022
China

Tel: 86-10-6567-9699

Ho Chi Minh Representative Office

7F, Saigon Royal Building
91 Pasteur St.
District 1, Ben Nghe Ward, Ho Chi Minh City
Vietnam

Tel: 84-8-3910-7715

Mirae Asset Securities (UK) Ltd.

41st Floor, Tower 42
25 Old Broad Street,
London EC2N 1HQ
United Kingdom

Tel: 44-20-7982-8000

Mirae Asset Wealth Management (Brazil) CCTVM

Rua Funchal, 418, 18th Floor, E-Tower Building Vila
Olimpia
Sao Paulo - SP
04551-060
Brasil
Tel: 55-11-2789-2100

Mirae Asset Securities (Vietnam) LLC

7F, Saigon Royal Building
91 Pasteur St.
District 1, Ben Nghe Ward, Ho Chi Minh City
Vietnam

Tel: 84-8-3911-0633 (ext.110)

Beijing Representative Office

2401A, 24th Floor, East Tower, Twin Towers
B12 Jianguomenwai Avenue, Chaoyang District
Beijing 100022
China

Tel: 86-10-6567-9699 (ext. 3300)