

**BUY | TP : IDR1,720**
**HEAL Stock Price Data**

Last Price	:	IDR1,460
52wk High	:	IDR1,800
52wk Low	:	IDR1,265
Share Out	:	15.0bn
Market Cap	:	IDR21.8tn

**HEAL Stock Price Performance**

1-Day	:	-0.34%
1-Week	:	+11.49%
1-Month	:	+9.81%
3-Month	:	-1.36%
Year-to-Date	:	-6.13%

**Shareholders**

Yulisar Khiat	:	11.71%
PT Astra International Tbk	:	7.42%
Binsar Parasian Simorangkir	:	5.80%
Lydia Immanuel	:	5.71%
Soepardiman	:	5.05%
Public <5%	:	61.13%
Treasury	:	3.18%

**PT Medikaloka Hermina Tbk (HEAL IJ)**
**9M23 results: In-line with Improvement Margin**
**A double-digit revenue growth in 9M23**

- In 9M23, HEAL booked a revenue of IDR4.2tn, or grew by 16.1% YoY ( vs IDR3.6tn 9M22), implying 75.6%/74.2% of MNCS/cons. This was driven by an increase in the price of healthcare, coupled with an increase in bed occupancy rate to 71% (vs 60% in 9M22) and a higher Average Length of Stay (ALOS) of 2.8 days. Both the number of inpatient days and outpatient visits experienced an increase in 9M23. Number of inpatient days grew 25.6% YoY to 1.23mn, and managed to contribute IDR2.5 bn (+11.3% YoY) to HEAL's revenue. Meanwhile, outpatient visits grew by 19.1% YoY to 5.4mn (vs 4.8mn 9M22) and recorded IDR1.7tn (+18.6% YoY). This surge is primarily due to the rise in JKN patients, accounting for 75% of all inpatient days and 71% of all outpatient visits in 9M23.
- GPM in 9M23 decreased by 18bps YoY in 9M23 to 36.6% (vs 36.7% 9M22), however OPM in 9M23 rose by 174 bps YoY to 15.1% in 9M23 (vs 13.4% in 9M22) given cost management discipline.
- HEAL posted a net profit of IDR348.8bn, or grew by 42.1% YoY in 9M23, implying 78.7%/76.4% of FY23E MNCS/Cons target, primarily due to an increase in efficiency which delivered margin expansion as well as the increase of HEAL ownership in the subsidiaries. EBITDA grew by 25.6% YoY to IDR1.2tn in 9M23 (vs IDR927.7bn in 9M22).
- HEAL used a higher leverage in their operation as the total debt for the company rose by 29.1% YTD. This is a result of the company obtaining funding through bank loans, which has led to an increase in long-term bank loan by 87.7% YTD.
- HEAL's cash conversion cycle improved to 33.6 days in 9M23 (vs 39.2 days in FY22). This improvement is primarily attributable to the improved payment cycle from JKN, which allowed HEAL a prudent working capital management.

**Continuing its hospital outreach expansion; landing a cooperation in IKN**

- Management remains optimistic on expanding their hospital network, for instance in 3Q23 HEAL opened a new branch in Ciawi, adding up to a total of 46 branches and 6.6k beds. There are plans to add another branch in Aceh, scheduled to open in 4Q23, making it a total of 47 branches by the end of the fiscal year. Looking ahead to FY24F, HEAL targets branch additions in several areas, including: 1) Pasuruan; 2) Madiun; and 3) PIK 2.
- HEAL also plans to build a hospital in IKN with a capacity of >100 beds, targeted for operational commencement in FY24F. The development of this hospital is a collaborative effort between HEAL and PT Bina Karya (Persero), which the government has designated as the Badan Usaha Milik Otorita (BUMO), or the acting master developer for the IKN. As the master developer, PT Bina Karya is responsible for playing a crucial role in the commercial aspect and meeting the needs of investors and B2B interactions to attract investments into the IKN project.

**Valuation and Recommendation: BUY with a TP IDR8,450**

We maintain BUY for HEAL with a higher TP : IDR1,720, which implies PE/PBV 58.1x/6.7x on FY23E and 44.9x/6.0x in FY24F. Its stable financial position and strong brand positioning should be able to drive growth. Downside risks to our call include: 1) changes in regulations; 2) lower purchasing power, leading to patients postponing treatments. HEAL is currently trading at +0.5 level of 5 years average PBV band at 5.8x.


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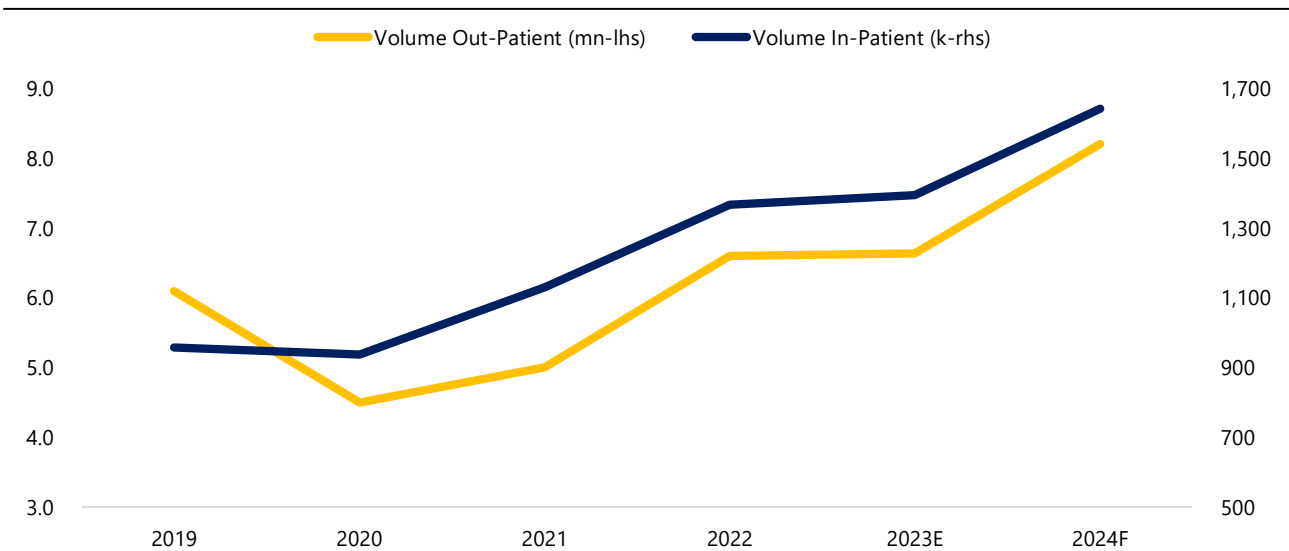
Key Financial Highlight	FY20	FY21	FY22	FY23E	FY24F
Revenue (IDR Bn)	4,416.0	5,869.0	4,901.8	5,595.1	7,013.4
EBITDA (IDR Bn)	1,336.9	2,201.7	1,141.7	1,368.4	1,702.0
EBITDA Margin (%)	30.3	37.5	23.3	24.5	24.3
Net Income (IDR Bn)	473.2	996.0	298.6	443.3	573.4
ROA (%)	7.5	13.2	3.9	5.3	6.2
ROE (%)	13.7	22.5	6.4	8.8	10.3
PE (x)	46.2	21.9	73.2	49.3	38.1
PBV (x)	8.4	6.6	6.4	5.7	5.1

Sources : Bloomberg, MNCS Research

**Exhibit 01. HEAL's 9M23 net income results was in-line MNCS/consensus estimates**

IDR bn	3Q23	2Q23	% QoQ	9M23	9M22	% YoY	% MNCS	% Consensus
<b>Revenue</b>	<b>1,538.4</b>	<b>1,338.9</b>	<b>14.9%</b>	<b>4,229.9</b>	<b>3,642.2</b>	<b>16.1%</b>	<b>75.6%</b>	<b>74.2%</b>
COGS	955.1	882.1	8.3%	2,683.516	2,304.187	16.5%		
<b>Gross Profit</b>	<b>583.4</b>	<b>456.7</b>	<b>27.7%</b>	<b>1,546.4</b>	<b>1,338.0</b>	<b>15.6%</b>		
Gross Margin	37.9%	34.1%		36.6%	36.7%			
<b>Operating Profit</b>	<b>270.2</b>	<b>171.5</b>	<b>57.6%</b>	<b>639.2</b>	<b>488.0</b>	<b>31.0%</b>	<b>76.4%</b>	<b>82.5%</b>
Operating Margin	17.6%	12.8%		15.1%	13.4%			
<b>Pre-Tax Profit</b>	<b>242.8</b>	<b>144.0</b>	<b>68.6%</b>	<b>560.2</b>	<b>406.8</b>	<b>37.7%</b>	<b>79.4%</b>	<b>79.2%</b>
<b>Net Profit</b>	<b>146.498</b>	<b>93.442</b>	<b>56.8%</b>	<b>348.8</b>	<b>245.5</b>	<b>42.1%</b>	<b>78.7%</b>	<b>76.4%</b>
Net Margin	9.5%	7.0%		8.2%	6.7%			

Sources : Company, Bloomberg, MNCS

**Exhibit 02. HEAL out-patient and in-patient volume in FY19-FY24F**


Sources : Company, MNCS

**Exhibit 03. HEAL National Hospitals Network in 9M23**


Sources : Company, MNCS

**Exhibit 04. Financial Projections**

Income Statement					
in Billion IDR	FY20	FY21	FY22	FY23E	FY24F
<b>Revenue</b>	<b>4,416.0</b>	<b>5,869.0</b>	<b>4,901.8</b>	<b>5,595.1</b>	<b>7,013.4</b>
COGS	(2,281.5)	(2,905.3)	(3,193.4)	(3,362.3)	(4,181.6)
<b>Gross Profit</b>	<b>2,134.5</b>	<b>2,963.7</b>	<b>1,708.4</b>	<b>2,232.8</b>	<b>2,831.7</b>
OPEX	(1,164.3)	(1,227.6)	(1,192.0)	(1,476.7)	(1,841.5)
Other Income (Expense)	71.7	30.4	71.0	81.1	88.4
<b>Operating Profit</b>	<b>1,041.9</b>	<b>1,766.5</b>	<b>587.4</b>	<b>837.2</b>	<b>1,078.6</b>
Finance Income	32.9	23.2	32.5	40.6	36.6
Finance Cost	(128.8)	(143.2)	(139.8)	(172.4)	(179.7)
<b>Profit Before Tax</b>	<b>946.0</b>	<b>1,646.5</b>	<b>480.1</b>	<b>705.4</b>	<b>935.6</b>
Tax Income (Expense)	(300.4)	(355.9)	(101.3)	(148.9)	(197.4)
Minority Interest	(172.4)	(294.7)	(80.2)	(113.2)	(164.7)
<b>Net Income</b>	<b>473.2</b>	<b>996.0</b>	<b>298.6</b>	<b>443.3</b>	<b>573.4</b>
EPS (IDR)	31.6	66.5	19.9	29.6	38.3

Balance Sheet					
in Billion IDR	FY20	FY21	FY22	FY23E	FY24F
Cash & Equivalents	864.6	1,286.5	774.9	915.5	815.8
Trade Receivables	1,116.6	1,039.7	862.9	978.9	1,219.3
Inventory	81.8	94.6	100.0	101.6	121.8
Others	189.3	44.8	52.8	58.1	68.9
<b>Current Assets</b>	<b>2,252.4</b>	<b>2,465.7</b>	<b>1,790.7</b>	<b>2,054.1</b>	<b>2,225.8</b>
Fixed Assets - net	3,760.3	4,537.6	5,109.5	5,532.8	6,004.5
Other	323.4	569.8	691.3	789.0	989.1
<b>Non-Current Assets</b>	<b>4,083.7</b>	<b>5,107.4</b>	<b>5,800.8</b>	<b>6,321.9</b>	<b>6,993.5</b>
<b>TOTAL ASSETS</b>	<b>6,336.1</b>	<b>7,573.1</b>	<b>7,591.5</b>	<b>8,375.9</b>	<b>9,219.4</b>
Trade Payables	726.4	869.0	814.7	861.4	1,075.9
Short-term Debt	267.8	192.0	575.0	685.8	716.6
Other	485.5	556.1	320.4	338.0	374.1
<b>Current Liabilities</b>	<b>1,479.7</b>	<b>1,617.1</b>	<b>1,710.0</b>	<b>1,885.3</b>	<b>2,166.6</b>
Long-term Debt	1,297.6	1,474.5	1,162.4	1,386.4	1,448.7
Other	108.7	48.9	33.6	38.3	48.1
<b>LT-Liabilities</b>	<b>1,406.3</b>	<b>1,523.4</b>	<b>1,196.0</b>	<b>1,424.8</b>	<b>1,496.7</b>
<b>Total Equity</b>	<b>3,450.1</b>	<b>4,432.6</b>	<b>4,685.5</b>	<b>5,065.9</b>	<b>5,556.0</b>
<b>TOTAL LIA &amp; EQUITY</b>	<b>6,336.1</b>	<b>7,573.1</b>	<b>7,591.5</b>	<b>8,375.9</b>	<b>9,219.4</b>

Cash Flow					
in Billion IDR	FY20	FY21	FY22	FY23E	FY24F
Net Income	473.2	996.0	298.6	443.3	573.4
D&A	294.9	435.3	554.3	531.2	623.4
Changes in WC	(0.9)	206.8	117.1	(70.8)	(46.1)
Change in others	100.4	198.1	(266.8)	12.3	25.2
<b>Operating CF</b>	<b>867.7</b>	<b>1,836.2</b>	<b>703.1</b>	<b>916.1</b>	<b>1,175.9</b>
Capex	(960.7)	(1,214.0)	(1,128.1)	(954.5)	(1,095.1)
Others	(17.3)	(221.7)	(86.2)	(97.8)	(200.0)
<b>Investing CF</b>	<b>(978.1)</b>	<b>(1,435.7)</b>	<b>(1,214.3)</b>	<b>(1,052.3)</b>	<b>(1,295.1)</b>
Dividend Paid	(35.6)	(73.5)	(86.7)	(62.9)	(83.3)
Net Change in Debt	270.9	101.1	70.8	334.9	93.0
Equity Fund Raised	246.7	280.8	194.2	-	-
Others	(100.3)	(286.9)	(178.7)	4.8	9.7
<b>Financing CF</b>	<b>381.7</b>	<b>21.5</b>	<b>(0.4)</b>	<b>276.8</b>	<b>19.5</b>
Cash at Beginning	593.3	864.6	1,286.5	774.9	915.5
<b>Cash at Ending</b>	<b>864.6</b>	<b>1,286.5</b>	<b>774.9</b>	<b>915.5</b>	<b>815.8</b>

Ratios					
	FY20	FY21	FY22	FY23E	FY24F
Revenue Growth (%)	21.6	32.9	(16.5)	14.1	25.3
Operating Profit Growth (%)	78.6	69.5	(66.7)	42.5	28.8
Net Profit Growth (%)	85.3	110.5	(70.0)	48.5	29.4
Current Ratio (%)	152.2	152.5	104.7	109.0	102.7
Receivable Days (x)	146.7	146.6	98.9	103.6	97.1
Inventory Days (x)	92.3	64.7	64.3	63.9	63.5
Payable Days (x)	13.1	11.9	11.4	11.0	10.6
Net Gearing Ratio (x)	116.2	109.2	93.1	93.5	93.9
DER (x)	0.2	0.1	0.2	0.2	0.2
Interest Coverage (x)	0.5	0.4	0.4	0.4	0.4
Dividend Yield (%)	0.2	0.3	0.4	0.3	0.4
Gross Profit Margin (%)	48.3	50.5	34.9	39.9	40.4
Operating Profit Margin (%)	23.6	30.1	12.0	15.0	15.4
EBITDA Margin (%)	30.3	37.5	23.3	24.5	24.3
Net Income Margin (%)	10.7	17.0	6.1	7.9	8.2
BVPS (IDR)	174.1	221.0	229.9	255.3	288.0

Sources : Company, MNCS

### MNC Research Industry Ratings Guidance

- **OVERWEIGHT** : Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months
- **NEUTRAL** : Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months
- **UNDERWEIGHT** : Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

### MNC Research Investment Ratings Guidance

- **BUY** : Share price may exceed 10% over the next 12 months
- **HOLD** : Share price may fall within the range of +/- 10% of the next 12 months
  - **SELL** : Share price may fall by more than 10% over the next 12 months
  - **Not Rated** : Stock is not within regular research coverage

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