

BUY | TP : IDR1,680
HEAL Stock Price Data

Last Price	:	IDR1,320
52wk High	:	IDR1,575
52wk Low	:	IDR1,060
Share Out	:	15.0bn
Market Cap	:	IDR20.7tn

HEAL Stock Price Performance

1-Day	:	+1.9%
1-Week	:	-1.8%
1-Month	:	-0.4%
3-Month	:	-23.4%
Year-to-Date	:	-10.4%

Shareholders

Yulisar Khiat	:	12.00%
PT Astra International Tbk	:	7.23%
Binsar Parasian Simorangkir	:	5.89%
Lydia Immanuel	:	5.56%
Public <5%	:	64.07%
Treasury	:	3.10%


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PT Medikaloka Hermina Tbk (HEAL IJ)
1H24 Results: Digitalization Leading to Expansive Margins
Double-Digit growth in Top and Bottom-Line for 1H24

- In 1H24, HEAL booked a revenue of IDR3.3tn, growing by 24.3% YoY (vs IDR2.7tn in 1H23), implying 49.9% of MNCS/consensus. This growth was mainly driven by an increase in Indonesian healthcare prices and a rise in the bed occupancy rate by 11ppt YoY to 77% (vs 66% in 1H23), with an Average Length of Stay (ALOS) of 2.9 days. Both the number of inpatient days and outpatient visits showed the same uptrend. Inpatient days climbed by 32.0% YoY to 1,209k (vs 780k in 1H23), resulting in segment revenue of IDR2.0tn. At the same time, outpatient visits expanded by 17.1% YoY to 4.2mn (vs 3.6mn in 1H23) and recorded a revenue of IDR3.3tn (+24.7% YoY). This performance was mainly attributable to JKN patients, who contributed 74% of total inpatient days and 70% of total outpatient visits in 1H24.
- GPM in 1H24 advanced by 265bps YoY to 38.4% (vs 35.8% in 1H23). On top of that, OPM rose by 507bps YoY to 18.3% in 1H24 (vs 13.2% in 1H23), spurred by disciplined cost management from digitalization.
- HEAL posted a net profit of IDR343.2bn, or grew by 69.6% YoY in 1H24, implying 49.9%/57.5% of MNCS/Cons. This achievement was primarily due to an increase in costs efficiency, delivering margin expansion.
- We believe that the IT implementation since FY22 has played a crucial role in this successful margin expansion by prompting faster and more efficient patient registration flows, which have resulted in an increase in traffic volume.

Continuous acceleration in the hospital network and one of the top defensive stock picks

- As of 1H24, HEAL has absorbed ~50% capex, amounting to IDR1.1tn from IDR2tn total allocation for FY24E. As of now, the management is still planning to add 3 new hospitals, namely: 1) Hermina Madiun (3Q24); 2) Hermina PIK 2 (4Q24); and 3) Hermina IKN (3Q24). These new hospitals are expected to contribute positively to the company, starting from at least 1Q25F.
- Management remains optimistic about double-digit top-line growth, accompanied by more expansive margins. However, we anticipate that the newly operated hospitals to raise the advance costs, with growth in these costs potentially surpassing top-line change, due to the need for new personnel, including medical staff and back office support.
- We believe HEAL can maintain its solid performance at least until FY25F, while also evaluating the significant impacts of KRIS implementation on the company's earnings profile. Given its relatively strong performance, HEAL could be considered a defensive stock alternative. Our view is based on: 1) Appealing performance in 1H24; 2) Stable balance sheet; 3) Dividend player.

Valuation and Recommendation: BUY with a TP IDR1,680

We maintain BUY for HEAL with a higher TP : IDR1,680, which implies PE/PBV 36.5x/5.6x on FY24E and 31.2x/4.9x in FY25F. 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 -1STD level of 5 years average PBV band at 4.7x.

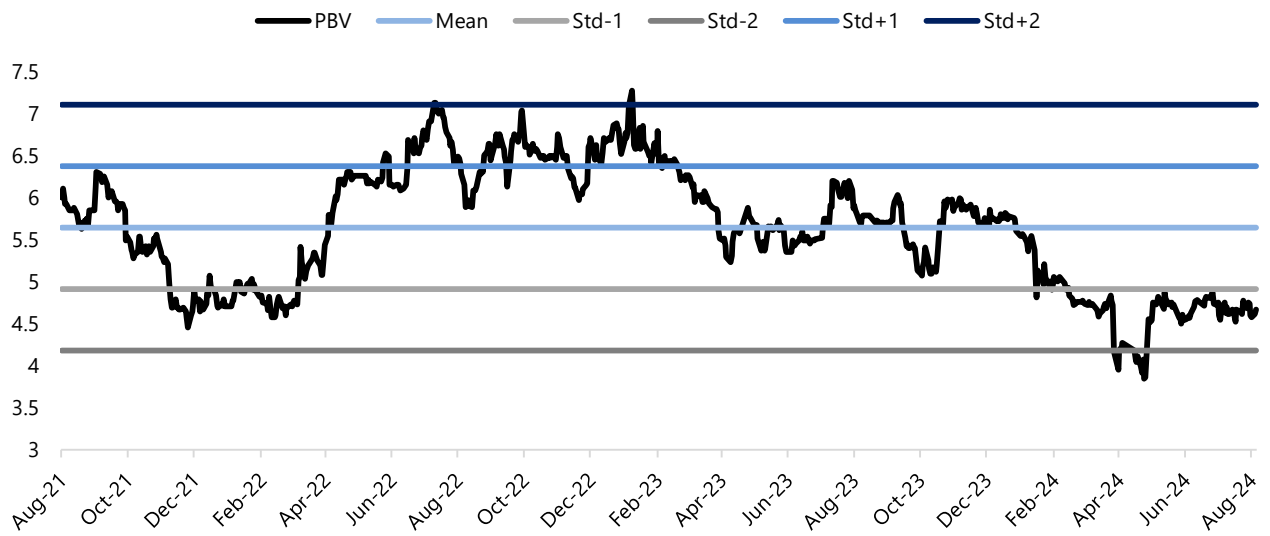
Key Financial Highlight	FY21	FY22	FY23	FY24E	FY25F
Revenue (IDR Bn)	5,869.0	4,901.8	5,784.1	6,706.3	7,564.2
EBITDA (IDR Bn)	2,201.7	1,141.7	1,464.0	1,835.1	2,106.7
EBITDA Margin (%)	37.5	23.3	25.3	27.4	27.9
Net Income (IDR Bn)	996.0	298.6	437.3	688.3	806.7
ROA (%)	13.2	3.9	5.0	7.4	8.0
ROE (%)	22.5	6.4	8.4	12.1	12.6
PE (x)	22.5	75.2	51.3	28.7	24.5
PBV (x)	6.8	6.5	5.8	4.4	3.8

Sources : Bloomberg, MNCS Research

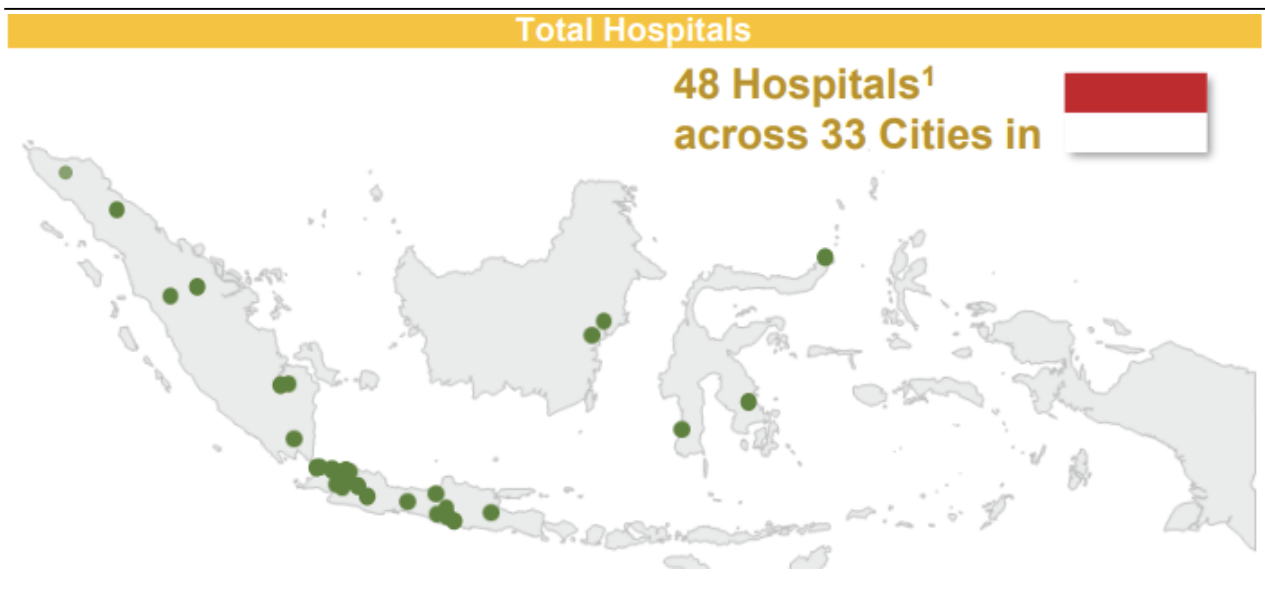
Exhibit 01. HEAL's 1H24 net income results was in-line MNCS/consensus estimates

	1H24	1H23	YoY	MNCS	Cons.	MNCS %	Cons.%
Revenue	3,344.3	2,691.4	24.3%	6,706.3	6,704.1	49.9%	49.9%
COGS	2,059.0	1,728.5	19.1%				
Op.Profit	611.8	355.8	71.9%	1,158.1	1,079.1	52.8%	56.7%
Op. Margin	18.29%	13.22%					
PBT	556.2	317.4	75.2%	1,032.3	969.7	53.9%	57.4%
Net Income	343.2	202.3	69.6%	688.3	596.6	49.9%	57.5%
Net Margin	10.3%	7.5%					

Sources : Company, Bloomberg, MNCS

Exhibit 02. HEAL is currently trading at -1STD level of 5 years average PBV band at 4.7x


Sources : Bloomberg, MNCS

Exhibit 03. HEAL National Hospitals Network in 1H24


Source : Company

Exhibit 04. Financial Projections

Income Statement					
in Billion IDR	FY21	FY22	FY23	FY24E	FY25F
Revenue	5,869.0	4,901.8	5,784.1	6,706.3	7,564.2
COGS	(2,905.3)	(3,193.4)	(3,709.1)	(4,120.8)	(4,660.8)
Gross Profit	2,963.7	1,708.4	2,075.0	2,585.4	2,903.4
OPEX	(1,227.6)	(1,192.0)	(1,294.3)	(1,470.5)	(1,638.3)
Other Income (Expense)	30.4	71.0	37.3	43.2	61.6
Operating Profit	1,766.5	587.4	818.0	1,158.1	1,326.6
Finance Income	23.2	32.5	32.0	34.2	35.0
Finance Cost	(143.2)	(139.8)	(139.6)	(160.1)	(154.2)
Profit Before Tax	1,646.5	480.1	710.4	1,032.3	1,207.4
Tax Income (Expense)	(355.9)	(101.3)	(151.1)	(219.6)	(256.8)
Minority Interest	(294.7)	(80.2)	(121.9)	(124.4)	(143.9)
Net Income	996.0	298.6	437.3	688.3	806.7
EPS (IDR)	66.5	19.9	29.2	46.0	53.9

Balance Sheet					
in Billion IDR	FY21	FY22	FY23	FY24E	FY25F
Cash & Equivalents	1,286.5	774.9	855.2	968.4	1,184.1
Trade Receivables	1,039.7	862.9	934.2	1,083.2	1,213.5
Inventory	94.6	100.0	117.4	126.0	137.3
Others	44.8	52.8	43.2	48.4	53.2
Current Assets	2,465.7	1,790.7	1,950.1	2,225.9	2,588.1
Fixed Assets - net	4,537.6	5,109.5	5,874.0	6,326.4	6,605.4
Other	569.8	691.3	978.6	747.2	842.8
Non-Current Assets	5,107.4	5,800.8	6,852.6	7,073.6	7,448.2
TOTAL ASSETS	7,573.1	7,591.5	8,802.7	9,299.6	10,036.3
Trade Payables	869.0	814.7	923.9	1,155.6	1,262.8
Short-term Debt	192.0	575.0	258.2	659.6	635.5
Other	556.1	320.4	370.7	392.1	412.1
Current Liabilities	1,617.1	1,710.0	1,552.8	2,207.4	2,310.3
Long-term Debt	1,474.5	1,162.4	2,002.7	1,333.5	1,284.7
Other	48.9	33.6	48.8	56.6	63.8
LT-Liabilities	1,523.4	1,196.0	2,051.5	1,390.1	1,348.5
Total Equity	4,432.6	4,685.5	5,198.3	5,702.1	6,377.5
TOTAL LIA & EQUITY	7,573.1	7,591.5	8,802.7	9,299.6	10,036.3

Cash Flow					
in Billion IDR	FY21	FY22	FY23	FY24E	FY25F
Net Income	996.0	298.6	437.3	688.3	806.7
D&A	435.3	554.3	646.0	677.0	780.0
Changes in WC	206.8	117.1	20.5	74.2	(34.5)
Change in others	198.1	(266.8)	10.1	16.2	15.1
Operating CF	1,836.2	703.1	1,113.9	1,455.7	1,567.3
Capex	(1,214.0)	(1,128.1)	(1,412.5)	(1,129.4)	(1,059.0)
Others	(221.7)	(86.2)	(228.3)	231.4	(95.6)
Investing CF	(1,435.7)	(1,214.3)	(1,640.8)	(898.0)	(1,154.6)
Dividend Paid	(73.5)	(86.7)	(101.4)	(100.0)	(131.3)
Net Change in Debt	101.1	70.8	523.5	(267.7)	(73.0)
Equity Fund Raised	280.8	194.2	191.1	(84.6)	-
Others	(286.9)	(178.7)	(6.1)	7.8	7.2
Financing CF	21.5	(0.4)	607.1	(444.5)	(197.1)
Cash at Beginning	864.6	1,286.5	774.9	855.2	968.4
Cash at Ending	1,286.5	774.9	855.2	968.4	1,184.1

Ratios					
	FY21	FY22	FY23	FY24E	FY25F
Revenue Growth (%)	32.9	(16.5)	18.0	15.9	12.8
Operating Profit Growth (%)	69.5	(66.7)	39.3	41.6	14.5
Net Profit Growth (%)	110.5	(70.0)	46.5	57.4	17.2
Current Ratio (%)	152.5	104.7	125.6	100.8	112.0
Receivable Days (x)	146.6	98.9	118.0	95.1	106.1
Inventory Days (x)	64.7	64.3	59.0	59.0	58.6
Payable Days (x)	11.9	11.4	11.6	11.2	10.8
Net Gearing Ratio (x)	109.2	93.1	90.9	102.4	98.9
DER (x)	0.1	0.2	0.3	0.3	0.2
Interest Coverage (x)	0.4	0.4	0.4	0.5	0.4
Dividend Yield (%)	0.3	0.4	0.5	0.5	0.7
Gross Profit Margin (%)	50.5	34.9	35.9	38.6	38.4
Operating Profit Margin (%)	30.1	12.0	14.1	17.3	17.5
EBITDA Margin (%)	37.5	23.3	25.3	27.4	27.9
Net Income Margin (%)	17.0	6.1	7.6	10.3	10.7
BVPS (IDR)	221.0	229.9	258.5	297.8	342.9

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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