

# Mitra Keluarga Karyasehat Tbk (MIKA IJ)

## Facing Earnings Normalization

MIKA continues to booked solid performance in 9M21 with strong growth in both inpatient and outpatient segments. For upcoming quarters, we expect there will be normalization of margin and patient traffic volume after Covid-19 peak. Given its strong track record and balance sheet, we believe company's strategic plan will be achievable.

### 9M21 result show continued solid performance

- Cumulatively, as of 9M21, sales revenue recorded at IDR3.4tn (+47.1% YoY), forming 80% of consensus' and our estimate.
- MIKA's overall total patient volumes grew by 10.8% in 9M21, with Bed Occupancy Ratio (BOR) reported at 60.0% along with the Average Length of Stay (ALoS) still at 3.6 days, relatively stable growth amid an increase in the number of Covid-19 cases.
- Both Outpatient (OPD) and Inpatient (IPD) admissions have improved strongly, resulting in MIKA's OPD and IPD revenue per patient growing by 29.2% YoY and 20.8% YoY respectively in 9M21.
- We notice operational bed and inpatient days for Covid-19 have fallen during 3Q, which we believe was mainly due to the high vaccination rate and strict health protocols.
- Meanwhile, with the government have lowered the price ceiling for Covid-19 related services (Rapid and PCR Test). We believe this should normalize overall margins for the upcoming quarters.
- Given the current situation, we like MIKA's strategy to shift its focus on non-Covid19 by increasing operational bed and converting 23 hospitals to become Green Zone Hospital, while 3 hospitals continue to treat Covid-19 patients.

### The next revenue growth driver

- So far revenue growth has been supported by Covid-19 related services. However, we believe this catalyst would be no longer continue in the long term considering rapidly vaccines rollout.
- As such, the company has planned to offer new sophisticated medical services such as IVF clinics and Radiotherapy Center, which is expected to be the revenue growth driver in the next year.
- That should also leverage the margins and increase revenue per patient as most expenses of complex services are relatively fixed.
- Besides, the management is confident in operating two hospital (Cikarang and Tangerang Selatan) on schedule in upcoming 3Q and 4Q in 2022, each with 200-bed capacity. According to the management's plan, MIKA is also targeting to build 1 hospital located in Tegal.
- Until now, MIKA capex reach only 49% of total IDR350 bn, and we expect company will use more capex in the next year for the ongoing construction.

### Valuation

- We cut our FY21F/22F earnings by -6%/23% to reflect normalization of margins and decline in Covid19 patients admission. As such, we maintain BUY recommendation with lower TP of IDR2,750/shares. Our TP implies forward P/E of 44.0x
- On the bright side, we expect the continuous expansion plans along with sophisticated medical services will support hospital traffic. Its debt free balance sheet and strong cash positions should be able to support company's expansion plan.

### Mitra Keluarga Karyasehat Tbk | Summary (IDR Bn)

	2020A	2021E	2022F	2023F
Net Sales	3,419	4,306	3,576	3,958
Growth	6.7%	25.9%	-17.0%	10.7%
Net Profit	842	1,150	893	993
Growth	15.3%	36.7%	-22.4%	11.2%
EPS (IDR)	59	81	63	70
P/E	46.2x	34.1x	43.9x	39.5x
P/BV	7.0x	6.5x	6.1x	5.7x
EV/EBITDA	29.8x	21.6x	27.9x	25.3x
ROE	15.3%	18.9%	13.9%	14.4%
DER	0.0x	0.0x	0.0x	0.0x
Dividend Yield	0.8%	1.3%	1.3%	1.4%

Source: Company Data, Bloomberg, NIKSI Research

Please consider the rating criteria & important disclaimer

**NH Korindo Sekuritas Indonesia**

Company Update | Nov, 8 2021

## BUY

<b>Target Price (IDR)</b>	<b>2,750</b>
Consensus Price (IDR)	2,904
TP to Consensus Price	-5.3%
Potential Upside	21.7%

### Shares data

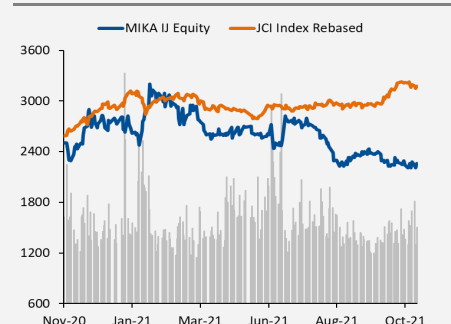
Last Price (IDR)	2,260
Price date as of	5-Nov-21
52 wk range (Hi/Lo)	3200/2210
Free float (%)	38.1
Outstanding sh.(mn)	14,246
Market Cap (IDR bn)	31,912
Market Cap (USD mn)	2,236
Avg. Trd Vol - 3M (mn)	24.99
Avg. Trd Val - 3M (bn)	57.65
Foreign Ownership	3.3%

### Healthcare

#### Healthcare Equipment & Providers

Bloomberg	MIKA IJ
Reuters	MIKA.JK

### Share Price Performance



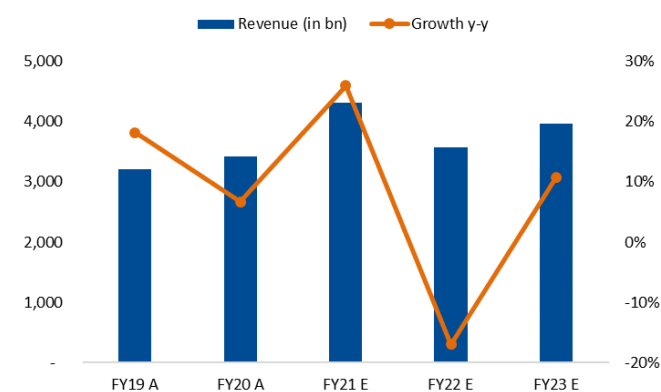
	YTD	1M	3M	12M
Abs. Ret.	-19.6%	-1.7%	-9.2%	-9.6%
Rel. Ret.	-26.9%	-5.0%	-16.1%	-36.6%

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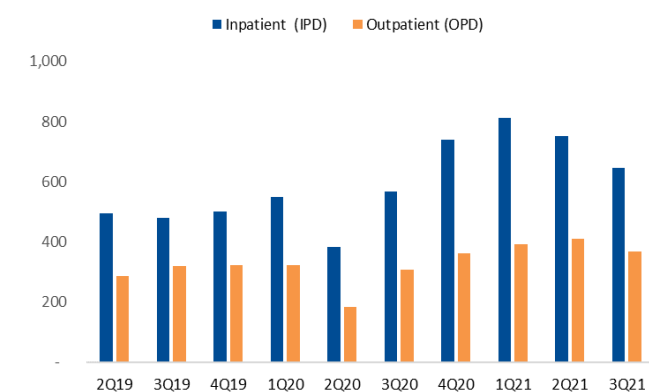
## Performance Highlights

### MIKA's FY19A—FY23E Revenues



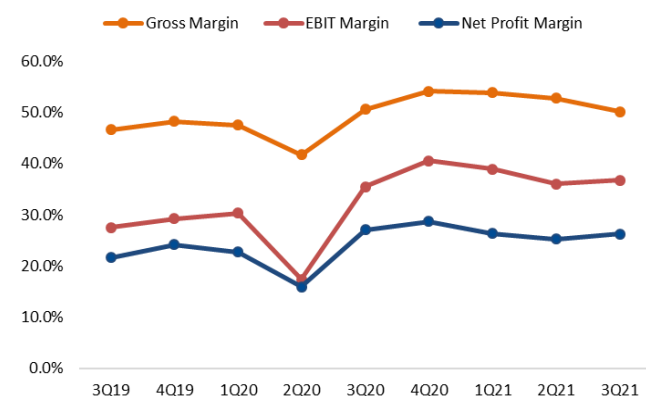
Source: Company Data, NHKSI Research

### MIKA's Revenue Segments



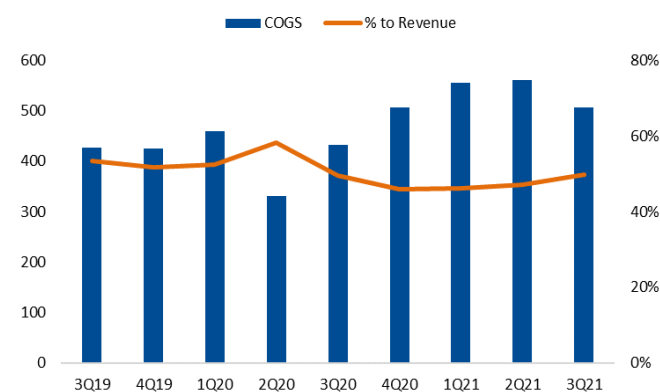
Source: Company Data, NHKSI Research

### MIKA's Margin Ratios



Source: Company Data, NHKSI Research

### MIKA's COGS to Revenue



Source: Company Data, NHKSI Research

## Company Overview



Mitra Keluarga started operation in 1989 with the opening of its first hospital in Jatinegara—Jakarta. The company is one of the largest private hospital operators in Indonesia. Currently, Mitra Keluarga operates hospitals throughout several cities in Java regions, such as: Greater Jakarta, Cirebon, Tegal, and Surabaya. MIKA was listed on the Indonesia Stock Exchange (IDX) on 24 Mar 2015. In 2017, it announced the acquisition of PT Rumah Kasih Indonesia (Kasih Group) in Jakarta. As of 3Q20, the company manages 25 hospitals with 3,075 beds capacity.

### Asia pharmaceutical companies peers analysis

Company	Market Cap (USD Mn)	Assets (USD)	Sales (USD Mn)	Net Income (USD Mn)	DER (%)	PER (X)	PBV (X)	ROE (%)
<b>Indonesia</b>								
Mitra Keluarga Karyasehat	2,236	458	315	84	-	27	6	25
Mediloka Hermina	1,158	456	430	69	46	19	5	36
<b>Thailand</b>								
Bumrungrad Hospital PCL	3,576	808	366	25	14	154	7	4
Samitivej Public Co Ltd	1,232	458	337	47	3	28	4	16
Ramkhamhaeng Hospital Pub Co	1,138	909	281	39	56	32	3	10
Chularat Hospital PCL	1,229	207	209	44	28	30	9	33
Bangkok Dusit Med Service	11,472	4,536	2,193	226	27	56	5	9
Vibhavadi Medical Center PCL	910	706	203	27	72	37	3	10
<b>India</b>								
Narayana Hrudayalaya LTD	1,498	379	348	(2)	65	#N/A	10	-1
<b>Hongkong</b>								
China Resources Medical Hold	836	1,373	546	61	12	13	1	7

Unit: IDR bn, %, X

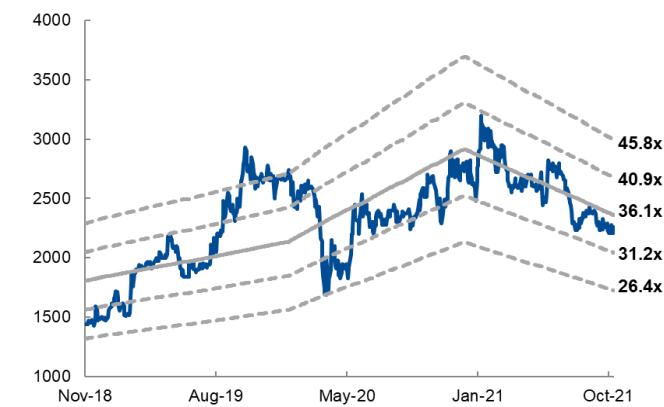
Source: Bloomberg, NHKSI Research

## Valuation highlights in charts

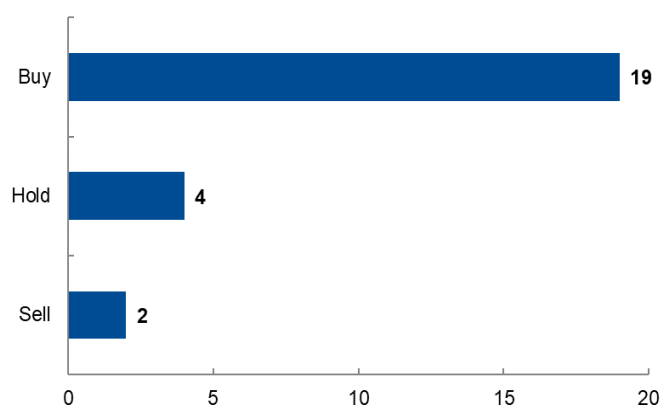
### 3-year forward P/E band



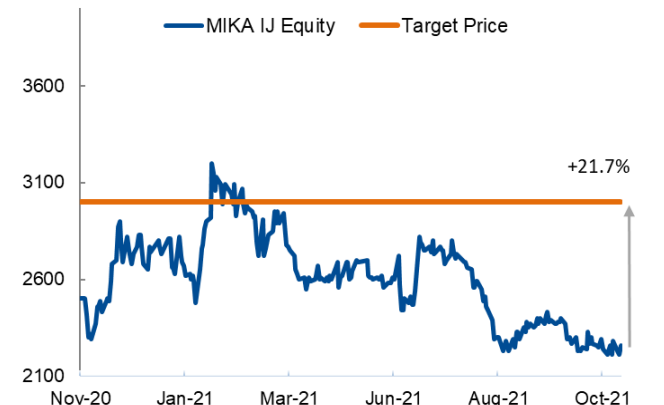
### 3-year dynamic forward P/E band



### Consensus of analyst recommendation



### Closing and Target Price Update



## Rating and Target Price Update

### Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
11/8/2021	BUY	IDR2,750	IDR2,260	IDR2,904	+21.7%	-5.3%

Source: NHKSI research, Bloomberg

## Summary of Financials

INCOME STATEMENT				
(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Net Sales	3,419	4,306	3,576	3,958
Growth	6.7%	25.9%	-17.0%	10.7%
COGS	(1,727)	(2,047)	(1,689)	(1,863)
Gross Profit	1,692	2,259	1,887	2,095
Gross Margin	49.5%	52.5%	52.8%	52.9%
Operating Expenses	(571)	(704)	(722)	(799)
EBIT	1,122	1,555	1,164	1,295
EBIT Margin	32.8%	36.1%	32.6%	32.7%
Depreciation	180	189	183	179
EBITDA	1,302	1,744	1,347	1,474
EBITDA Margin	38.1%	40.5%	37.7%	37.3%
Interest Expenses	(31)	(48)	-	-
EBT	1,170	1,614	1,253	1,393
Income Tax	(410)	(617)	(479)	(532)
Minority Interest	82	153	119	132
Net Profit	842	1,150	893	993
Growth	15.3%	36.7%	-22.4%	11.2%
Net Profit Margin	24.6%	26.7%	25.0%	25.1%

PROFITABILITY & STABILITY				
	2020/12A	2021/12E	2022/12E	2023/12E
ROE	15.3%	18.9%	13.9%	14.4%
ROA	13.2%	16.8%	12.2%	12.6%
Inventory Turnover	33.4x	45.6x	33.2x	36.5x
Receivable Turnover	6.1x	6.6x	5.5x	6.1x
Payables Turnover	9.5x	15.2x	15.2x	15.2x
Dividend Yield	0.8%	1.3%	1.3%	1.4%
Payout Ratio	35.5%	60.9%	60.1%	60.7%
DER	0.0x	0.0x	0.0x	0.0x
Net Gearing	0.0x	0.0x	0.0x	0.0x
Equity Ratio	86.6%	88.8%	87.8%	87.5%
Debt Ratio	0.0%	0.0%	0.0%	0.0%
Financial Leverage	95.2%	103.9%	101.1%	100.2%
Current Ratio	5.5x	5.9x	5.1x	4.9x
Quick Ratio	8.3x	6.6x	6.0x	5.7x
Par Value (IDR)	10	10	10	10
Total Shares (mn)	14,246	14,246	14,246	14,246
Share Price (IDR)	2,730	2,750	2,750	2,750
Market Cap (IDR tn)	38.9	39.2	39.2	39.2

BALANCE SHEET				
(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Cash	705	1,885	2,092	2,403
Receivables	646	652	647	651
Inventories	55	35	51	51
Total Current Assets	3,104	3,317	3,535	3,850
Net Fixed Assets	2,534	2,564	2,695	2,868
Other Non Current Assets	734	955	1,102	1,158
Total Non Current Asset	3,269	3,518	3,797	4,027
Total Assets	6,372	6,835	7,332	7,876
Payables	201	68	111	122
ST Bank Loan	-	-	-	-
Total Current Liabilities	367	497	583	665
LT Debt	-	-	-	-
Total Liabilities	855	765	894	987
Capital Stock & APIC	1,505	1,505	1,505	1,505
Retained Earnings	3,405	4,099	4,467	4,918
Shareholders' Equity	5,517	6,071	6,438	6,889

VALUATION INDEX				
	2020/12A	2021/12E	2022/12E	2023/12E
Price /Earnings	46.2x	34.1x	43.9x	39.5x
Price /Book Value	7.0x	6.5x	6.1x	5.7x
PE/EPS Growth	3.0x	0.9x	-2.0x	3.5x
EV/EBITDA	29.8x	21.6x	27.9x	25.3x
EV/EBIT	34.6x	24.3x	32.2x	28.7x
EV (IDR bn)	38,795	37,759	37,551	37,241
Sales CAGR (3-Yr)			16.6%	3.7%
Net Income CAGR (3-Yr)			23.3%	6.9%
Basic EPS (IDR)	59	81	63	70
BVPS (IDR)	387	426	452	484
DPS (IDR)	21	35	37	38

OWNERSHIP	
Shareholders	%
Griyainsani Cakrasadaya	61.9
Vanguard Group	1.4
Norges Bank Investment	1.0
Schroder Investment Management	0.7
By Geography	%
Indonesia	95.0
United States	2.7
Norway	1.5
Luxembourg	0.3

CASH FLOW STATEMENT				
(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Operating Cash Flow	1,066	1,371	1,194	1,261
Investing Cash Flow	(553)	490	(462)	(409)
Financing Cash Flow	(398)	(680)	(525)	(542)
Net Changes in Cash	115	1,181	208	310

Source: Company Data, NHKSI Research

**NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings**

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
  - Buy : Greater than +15%
  - Overweight : +5% to 15%
  - Hold : -5% to +5%
  - Underweight : -5% to -15%
  - Sell : Less than -15%

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