

April 17, 2023



Research Center

Morning KISI/

■ Sector In-Depth

(Healthcare: Healthy Outlook Post Pandemic)

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Healthcare

Healthy outlook post pandemic

National Health Insurance (JKN) Tariff Adjustment

Based on Minister of Health (MoH) Regulation Number 3 of 2023, the government adjusts the JKN tariffs after 6 years (effective since 24Jan2023). For the First Level Health Facility (FKTP), there is an increase in capitation tariff and inclusion of health screening services for both capitation and non-capitation tariff. Nationally, the adjustment of INA CBG tariff is ~9.5% while non-INA-CBG services are ~11%. The current surplus position of the Social Security Fund (DJS) balance can facilitate the increase in tariff adjustment, helping to ease the claim cost pressure of the health facility from the rising health inflation over the past years.

Gradual Implementation of Standard Inpatient Class (KRIS)

The implementation of KRIS would be carried out in stages starting in 2023 and full implementation is targeted by 1 Jan 2025. Holistically, the trials in the appointed hospitals showed positive results in both financial and operational metrics. We see no major constraints for MIKA and HEAL in executing the KRIS implementation. HEAL is well positioned with a concentrated JKN patient mix and MIKA hospitals have already fulfilled the KRIS requirements, so we can expect the transitions to be smooth. Thus, we expect no upside surprise from KRIS implementation but the downside is limited.

Overall Positive Impact on Healthcare-related Businesses

INA CBGs tariff adjustment imparts a positive upside for hospitals from the ASP increase for JKN patients: MIKA (7-9%) and HEAL (8%). PRDA, a market leader in the lab industry, would be benefited from the pickup demand in BPJS testing volume through the chronic disease management program (Prolanis) and private insurance-BPJS via the COB scheme, following the government commitment in promoting preventive programs. Moving toward an endemic status, the government is allocating a higher budget for promotive-preventive programs and healthcare transformation. KLBF sees minimum direct impact from the adjustment, as the generic drugs are now marketed through an open market system.

Re-initiate Healthcare Sector Coverage with an Overweight Call

We re-initiate coverage on the healthcare sector with MIKA and PRDA as our top picks. MIKA with TP of IDR 3,350/sh implies 27.4x EV/EBITDA FY23F, and deserves a premium valuation from its strong financial position with net cash position to support the expansion of 2 new hospitals per year. Improving intensity of Kasih Group hospitals and higher volume/ intensity from new hospitals and CoE should maintain its high-level EBITDA margin at 38% in FY23F and ROE 17% FY23F. PRDA with TP of IDR 6,800/sh, implies 8.2x EV/EBITDA FY23F with 17% ROE, a discount to regional peers at 11x EV/EBITDA FY23F with 14% ROE. PRDA is well positioned to capture demand from rising awareness and higher disposable income allocation for preventive healthcare measures, supported by its aggressive development in the digital platform. Meanwhile, we have HOLD calls on both HEAL and KLBF considering their rich valuation at the moment limiting the upside.

Company	Bloomberg ticker	Market Cap (USD mn)	PE (x)		EV/EBITDA (x)		EPS growth (%)		ROE (%)	
			FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F
Mitra Keluarga Karyasehat	MIKA IJ EQUITY	2,660.6	34.8	31.4	21.4	19.1	10.3	10.7	17.2	17.0
Prodia Widyahusada	PRDA IJ EQUITY	372.5	13.2	11.7	6.8	6.0	11.9	12.3	17.3	17.9
Medikaloka Hermina	HEAL IJ EQUITY	1,392.6	38.9	31.8	15.8	13.7	70.8	22.1	10.2	11.1
Kalbe Fama	KLBF IJ EQUITY	6,462.2	24.3	22.7	16.1	14.9	14.7	7.1	18.1	17.8

Sector

In-depth

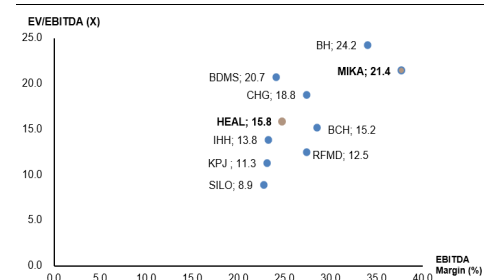
Healthcare

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Overweight (Re-Initiate)

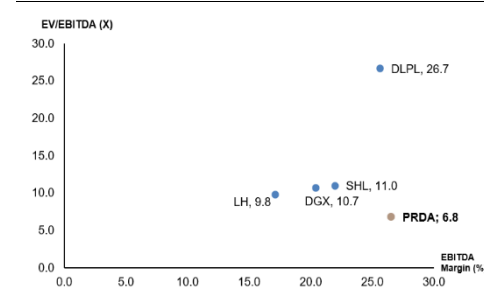
Company	Rating	TP (IDR)
MIKA	BUY	3,350
HEAL	HOLD	1,500
PRDA	BUY	6,800
KLBF	HOLD	2,250

Hospitals EV/EBITDA vs EBITDA margin (FY23F)



Source: Bloomberg, KISI

Labs EV/EBITDA vs EBITDA margin (FY23F)



Source: Bloomberg, KISI

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Market Commentary

Market Commentary

- JCI was slightly lower at the close on Wednesday after a bit choppy and mixed trading, as investors still seek a strong market direction.
- Tech and energy stocks remain a constraint for today's movement, while gains in big banks and Astra's stocks helped the index from further declines.
- Asian equities ended in a mixed tone, while traders weigh the potential for US inflation data due today to spur volatility across the global market.
- Market was traded mixed, with Energy, Tech, and Consumers among today's laggards. While gains in Industrials, and Financials stocks helped to offset the index from further losses.
- RUPIAH -0.02% at 14,880 against USD.
- BYAN -3.26% led other energy-related shares declines, erasing some of yesterday's gains amid a vulnerable market sentiment. ADRO IJ -2.95%, ITMG -6.97%, PTBA IJ -1.51%.
- ITMG -6.97% hit the lowest price for the second day after its ex-dividend date.
- GOTO -6.06% resumed losses amid Softbank's divestment plans.
- Big banks were mostly higher amid stock rotations and ahead of the release of US CPI data later today. BBRI IJ +1.02%, BBKA IJ +0.85%, BMRI IJ +0.98%.
- Astra shares closed on a strong note after UNTR IJ +2.80% got shareholder's approval for a high final dividend of IDR 6.185/share (offering 20% yields). ASII IJ +2.88%.
- New metal and mining stocks NCKL IJ +4.40% finished with front foot in its debut, after raising IDR 10tn, the largest IPO for this year.
- Top value were: GOTO (+5,3%), BBKA (+0,2%), TLKM (0,0%)
- Top Gainers: ASII (+2,8%), BBRI (+1,0%), BBKA (+0,8%)
- Top Losers: BYAN (-3,2%), GOTO (-6,0%), ADRO (-2,9%)

News

Macroeconomic, Sector and Corporate News

- MTEL - To distribute dividend of IDR 21.4/sh (~3% yield). (Kontan)
- PGAS – Recorded FY22 net profit of USD326mn, +7% YoY, 80%/84% of our/cons FY22F ests
- BRMS – Recorded 1Q23 net profit of USD2.1mn, +14.5% YoY. (Kontan)
- GMFI – Recorded FY22 net profit of USD3.6mn (vs. FY21 net loss of USD127.4mn). (Kontan)
- OASA - Recorded FY22 net profit of IDR 5.1bn, 3.9x YoY. (Bisnis)
- KAEF - Plans to open 50-100 new pharmacy stores in 2023. (Kontan)
- SMKL - Allocates FY23 capex of IDR 400-500bn to build new packaging facility in Batang, Central Java. (Kontan)
- DILD - Targets FY23 marketing sales of IDR 2.3tn. (Kontan)

Outliers

Outlier Stocks

- Sharp Movers (Up) : PADA (+10%), CHIP (+9,8%), HAJJ (+9,5%)
 - Sharp Movers (Down) : GDST (-7%), BJBR (-6,9%), TAYS (-6,9%)
-

Macro Calendar

April 17, 2023

Mon	Tue	Wed	Thu	Fri
3	4	5	6	7
US> February construction spending (mom) March Markit manufacturing PMI (F) March ISM manufacturing PMI Europe> March Markit manufacturing PMI (F) China> March Caixin manufacturing PMI Japan> 1Q23 Tankan large manufacturers index 1Q23 Tankan large services index March Jibun Bank manufacturing PMI (F)	Korea> March CPI US> February job openings and labor turnover survey February manufacturing orders February durable goods orders (F) Europe> February PPI Japan> March monetary base	Korea> March FX reserves US> February trade balance March ADP employment chg. March Markit services/composite PMI March ISM services PMI MBA mortgage applications Europe> March Markit services/composite PMI (F) China> Market closed (Qingming Festival) Japan> March Jibun Bank composite PMI (F) March Jibun Bank services PMI (F)	US> Initial jobless claims Continuing claims for unemployment insurance China> March Caixin composite PMI March Caixin services PMI	Korea> February current balance US> Market closed (Easter) March jobless rate March non-farm payrolls March avg. hourly wages March economic activity participation rate China> March FX reserves Japan> February household spending February leading/coincident index (P)
10	11	12	13	14
US> February wholesale inventory (F) China> March total social financing Japan> February current balance February current balance (not seasonally adjusted) March consumer expectation index	Korea> BoK MPC meeting US> NHIB small business optimism index Europe> February retail sales (mom) China> March CPI March PPI Japan> March machine tool orders (P)	Korea> March jobless rate US> March FOMC minutes release March CPI MBA mortgage applications Japan> February core machinery orders March PPI	US> Initial jobless claims Continuing claims for unemployment insurance March PPI Europe> February industrial production China> March trade balance March imports/exports Japan> March M2 money stock (yoy)	US> March retail sales March mining and manufacturing production March facility utilization rate April U. of Michigan consumer confidence index (P) April U. of Michigan consumer expectation index (P) April U. of Michigan inflation expectations (P) Japan> March nationwide/Tokyo department store sales
17	18	19	20	21
US> April New York manufacturing index April NAHB housing market index	US> March housing construction starts March building permits China> 1Q23 GDP March mining and manufacturing production (mom) March retail sales March jobless rate	US> MBA mortgage applications Fed Beige Book release Europe> March CPI Japan> February mining and manufacturing production (F) February facility utilization rate (mom)	US> Initial jobless claims Continuing claims for unemployment insurance April Philadelphia Fed economic outlook March existing home sales Europe> April consumer expectation index (P) Japan> March trade balance March imports/exports March machine tool orders (F)	US/Europe>] April Markit services/composite PMI (P) April Markit manufacturing PMI (P) Japan> March CPI April Jibun Bank composite PMI (P) April Jibun Bank manufacturing PMI (P) April Jibun Bank services PMI (P)
24	25	26	27	28
US> March Chicago Fed national activity index April Dallas Fed manufacturing activity index	Korea> 1Q23 GDP US> February FHFA house price index March new home sales April CB consumer expectation index April Richmond Fed manufacturing index	Korea> US-Korea summit (scheduled) April consumer sentiment index US> MBA mortgage applications March retail inventory March wholesale inventory (P) March durable goods orders (P)	US> Initial jobless claims Continuing claims for unemployment insurance 1Q23 private spending 1Q23 GDP March pending home sales April Kansas City manufacturing activity index Europe> April consumer expectation index (F) China> March industrial production Japan> BoJ MPC meeting (-April 28)	Korea> March mining and manufacturing production (yoy) US> March private consumption expenditure April U. of Michigan consumer confidence index (F) April U. of Michigan consumer expectation index (F) April U. of Michigan inflation expectations (F) Europe> 1Q23 GDP Japan> March jobless rate March mining and manufacturing production (P) March retail sales March housing construction starts April Tokyo CPI

Note: 1) Figures in parentheses represent the latest reported figures, Bloomberg estimates and previous reported figures in that order. For example: Data (actual reported figures, Bloomberg estimate, previous reported figures). Bloomberg estimates are subject to change 2) Earnings release date is from Bloomberg or company announcement