

Prodia Widyahusada (PRDA)

Returning to the norm

High margins for covid-19 related tests in the rear-view mirror

PRDA recorded remarkable performance for the first nine months of 2021 as Covid-19 related tests provided a good ASP and margin. From Jan2021-Sep2021, covid-19 PCR test ASP was IDR900k/test/person. However, since Oct2021, the Government released a price cap for PCR test at IDR295k in Java and Bali, and IDR275k in non-Java and non-Bali. As a result, we should see soft revenue and margins on QoQ basis in 4Q21. **The new PCR test pricing does not really provide significant coverage on the cost side as the reagent cost is still high.** Recently, since 20Jan2022, PRDA saw another surge in covid-19 testing to 700 tests per day (from previously 400-500 tests per day, but still lower from the peak of 1,200 tests per day back in Jul2021).

Normality to resume in FY22F

Looking into 2022, we expect PRDA revenue to decline as we assume a lower revenue per visit as compared to FY21F, mainly due to PCR testing ASP. We expect revenue growth to come from normal testing (like medical check-ups, esoteric testing, etc) to partially offset the decline from covid-19 related tests. The company will also focus on its digital platform to drive the volume in POC (Point of Care) and home delivery testing. We expect gross margin to come back down to 59% level (vs. 62% forecasted for FY21F).

Earnings assumptions changes – based on latest performance

We revised our revenue based on the latest performance and current condition. For FY21F, revenue assumption is revised up by 11% (from 11% adjustment to revenue per visit to IDR704k/visit due to covid-19 related test ASP of IDR900k in the first nine months of 2021. Meanwhile, for FY22F, we adjusted up our revenue slightly by 5% driven by (i) higher number of normal patients, and (ii) higher revenue per visit in FY22F (as the company has increased test prices in Jan2022 by 5-7%). Furthermore, we adjusted our GP and EBIT margins for both FY21F and FY22F to put into consideration the impact of PRDA's digitalization which reduces costs.

Downgrade to SELL from HOLD

Considering the changes in our assumptions, we revised up our TP to IDR7,500/share, derived using DCF (WACC of 11% and TG of 4%). Our TP implies 16.8x FY22F PE and 10.1x FY22F EV/EBITDA valuation (both slightly above their historical average). In our view, the recent share price rally has priced-in currently surging covid-19 cases due to omicron. Investors should take note that (i) PCR test has not provided a better ASP and margin due to price cap since Oct2021, and (ii) we foresee a decline in revenue and earnings in FY22F. Thus, we downgrade our call to SELL from HOLD on the counter.

	2019A	2020A	2021F	2022F	2023F
Sales (IDR bn)	1,744	1,873	2,370	2,048	2,152
GP (IDR bn)	1,041	1,046	1,469	1,208	1,280
OP (IDR bn)	214	300	735	451	484
NP (IDR bn)	210	269	642	416	444
EBITDA (IDR bn)	288	376	817	546	592
Net debt (IDR bn)	(993)	(1,126)	(1,537)	(1,670)	(1,926)
OP margin (%)	12.2	16.0	31.0	22.0	22.5
ROE (%)	13.1	15.6	31.7	18.0	17.9
Dividend yield (%)	1.1	1.3	1.9	3.9	2.5
EPS (IDR)	224	287	685	444	474
chg (% YoY)	19.8	27.8	138.9	35.1	6.6
BPS (IDR)	1,770	1,908	2,420	2,522	2,774
DPS (IDR)	94	112	172	342	222
PE (x)	16.5	11.3	12.9	19.9	18.7
PB x)	2.1	1.7	3.7	3.5	3.2
EV/EBITDA (x)	8.8	4.9	8.3	12.5	10.8

Company

Update

Healthcare

February 04, 2022

12M rating **SELL (Downgrade)**
 12M TP **IDR 7,500** (Prev IDR7,200)
 Upside **-15.0%**

Stock Data

JCI (February 03)	6,684
Stock price (February 03, IDR)	8,775
Market cap (IDR bn)	8,226
Shares outstanding (m)	937.5
52-week high/low (IDR)	10,000/3,260
6M avg. daily turnover (IDR mn)	13.6
Free float (%)	25.0

Major shareholders (%)

PT Prodia Utama	57.0
Bio Majesty Pte. Ltd	18.0

Performance

	1M	6M	12M
Absolute (%)	(3.5)	21.6	173.4
Relative to JCI (%)	1.8	9.9	136.1

Stock price trend



Source: Bloomberg

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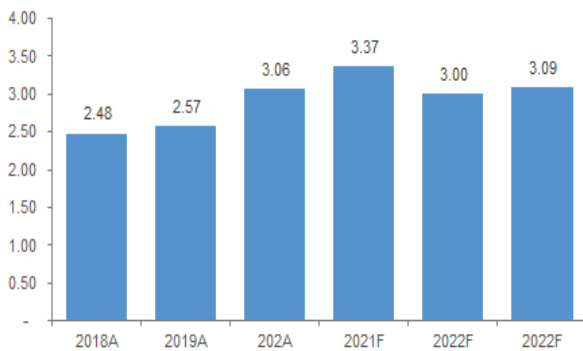
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Table 1. Assumption changes

	FY2021			FY2022		
	New	Old	Diff	New	Old	Diff
Revenue	2,370	2,133	11%	2,048	1,948	5%
Operating income	735	421	74%	451	302	49%
EBITDA	817	551	48%	546	396	38%
Net income	642	412	56%	416	298	40%
Number of visits (in mn)	3.4	3.4	-1%	3.0	2.9	3%
Revenue/visit ('000)	704	633	11%	683	665	3%

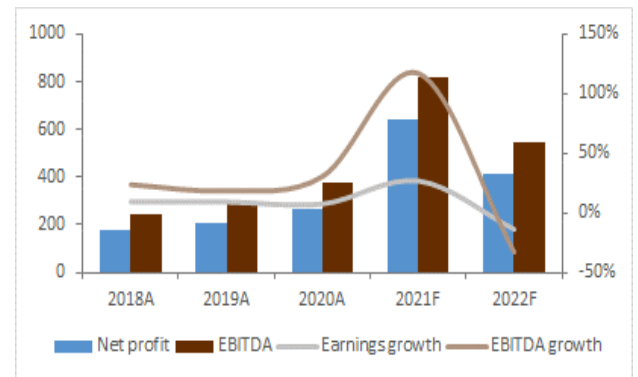
Source: Company, KISI

Fig 1. Number of visits (in mn)



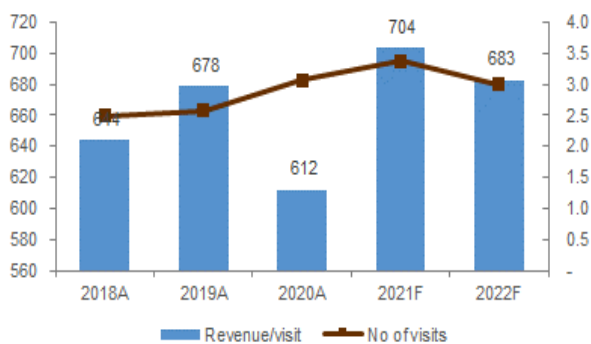
Source: Company, KISI

Fig 2. Profitability margin



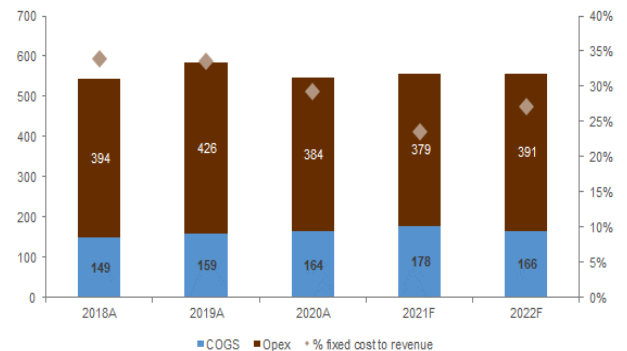
Source: Company, KISI

Fig 3. Revenue per visit (IDRk) and no of visit (in mn)



Source: Company, KISI

Fig 4. Fixed cost



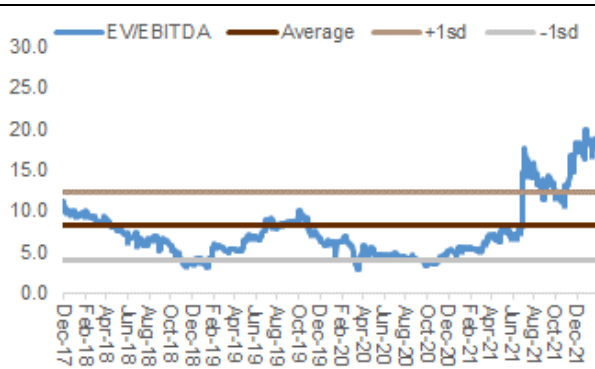
Source: Company, KISI

Table 2. Peers comparison

Company	Bloomberg Ticker	PE (x)		EV/EBITDA (x)		PB (x)		EPS growth (%)		Dividend yield (%)		ROE (%)	
		FY21F	FY22F	FY21F	FY22F	FY21F	FY22F	FY21F	FY22F	FY21F	FY22F	FY21F	FY22F
Indonesia Hospitals													
Mitra Keluarga	MIKA IJ EQUITY	36.2	37.5	22.3	22.8	6.3	5.8	22.6	12.3	1.2	1.3	17.7	17.8
Medikaloka Hermina	HEAL IJ EQUITY	29.4	29.2	12.4	12.2	4.0	3.4	23.4	6.7	0.6	0.8	14.8	12.8
Siloam International	SILO IJ EQUITY	49.5	42.8	9.8	9.9	2.8	2.7	196.9	15.6	1.3	0.7	5.4	6.8
Weighted average		29.5	36.5	13.4	14.9	3.3	4.0	81.0	11.5	1.0	0.9	12.6	12.5
Indonesia Labs													
Prodia	PRDA IJ EQUITY	12.9	19.9	8.3	12.5	3.4	3.3	138.9	(35.1)	3.9	3.9	31.7	18.0
Indonesia Pharmaceutical													
Kalbe Farma	KLBF IJ EQUITY	22.0	20.2	13.8	12.9	3.4	3.1	6.6	8.8	2.3	2.4	15.8	15.9
Sido Muncul	SIDO IJ EQUITY	21.6	19.3	15.3	13.7	6.7	6.3	13.9	11.8	4.1	4.4	31.9	33.8
Weighted average		21.8	19.8	14.6	13.3	5.1	4.7	10.2	10.3	3.2	3.4	23.9	24.8
Malaysia Hospitals													
IHH Healthcare	IHH MK EQUITY	45.7	37.3	17.6	15.7	2.1	2.1	443.5	22.4	0.8	0.9	4.5	5.3
KPJ Healthcare	KPJ MK EQUITY	38.8	25.3	13.2	11.3	1.9	1.8	0.0	53.8	1.4	2.0	6.1	8.2
Weighted average		42.3	31.3	15.4	13.5	2.0	1.9	221.7	38.1	1.1	1.5	5.3	6.8
Singapore Hospital													
Raffles Medical Group	RFMD SP EQUITY	35.3	31.6	18.9	17.3	2.4	2.4	(5.0)	11.8	2.1	1.9	6.8	7.5
Thailand Hospitals													
Bangkok Dusit Medical	BDMS TB EQUITY	50.5	39.9	23.3	20.1	4.2	4.0	(5.5)	26.6	1.3	1.5	8.3	10.1
Bumrungrad Hospital	BH TB EQUITY	80.3	39.8	35.9	23.1	5.6	5.4	0.1	101.7	2.0	2.1	7.2	13.5
Bangkok Chain	BCH TB EQUITY	33.5	37.7	19.8	21.0	7.3	6.9	42.7	(11.3)	1.4	1.4	23.1	19.0
Chularat Hospital	CHG TB EQUITY	38.1	36.4	25.0	24.0	9.7	8.9	32.9	4.7	1.8	1.9	26.6	24.8
Weighted average		35.8	37.1	22.4	22.5	8.5	7.9	37.8	(3.3)	1.6	1.6	24.8	21.9
Global Labs													
LabCorp America	LH US EQUITY	12.2	17.3	9.1	12.2	2.6	2.4	(5.0)	(29.6)	0.0	0.0	22.2	13.6
Quest Diagnostic	DGX US EQUITY	12.1	16.7	9.0	11.7	2.8	2.5	(0.3)	(27.9)	1.8	1.8	21.1	14.9
Sonic Healthcare	SHL AU EQUITY	17.6	25.1	9.7	12.5	2.9	2.7	10.5	(30.0)	2.7	2.5	16.2	10.9
Dr Lal Pathlabs	DLPL IN EQUITY	77.1	60.9	53.3	49.6	20.1	17.0	53.2	26.6	0.4	0.5	26.5	26.1
Weighted average		47.3	43.0	31.5	31.0	11.5	9.9	31.9	(1.7)	1.5	1.5	21.4	18.5
Global Healthcare													
HCA Healthcare	HCA US EQUITY	15.5	14.4	9.6	9.3			21.4	7.9	0.9	1.1	(352.0)	(245.4)
Universal Health Services	UHS US EQUITY	14.0	12.5	8.9	8.3	2.0	1.9	(2.0)	12.4	0.5	0.5	14.4	14.6
Weighted average		14.8	13.4	9.3	8.8	2.0	1.9	9.7	10.2	0.7	0.8	(168.8)	(115.4)

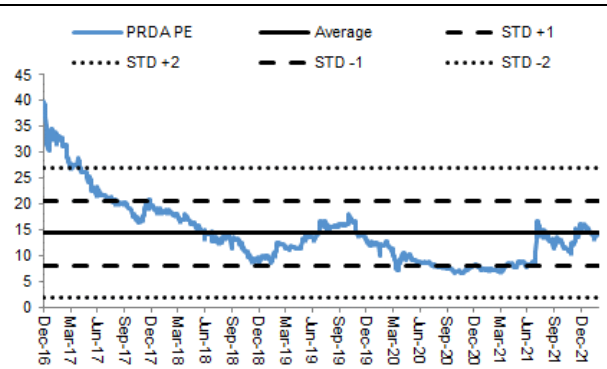
Source: Bloomberg, KISI

Fig 5. PRDA EV/EBITDA (x)



Source: Bloomberg, KISI

Fig 6. PRDA PE Band (x)

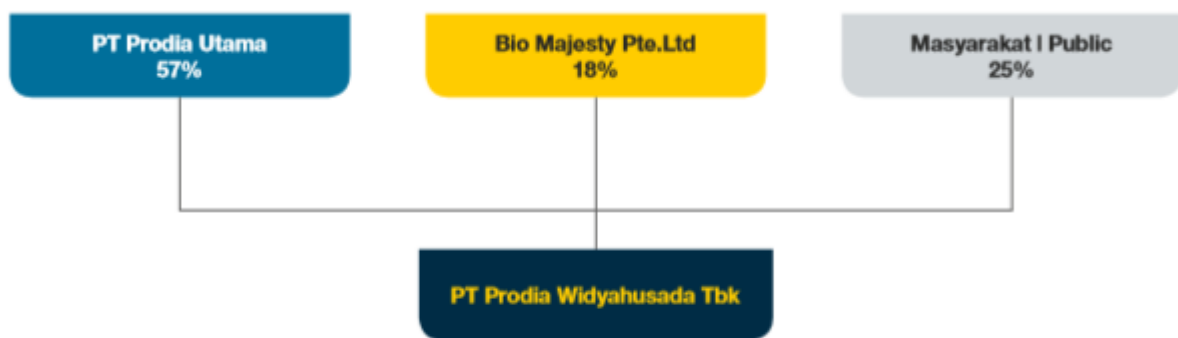


Source: Bloomberg, KISI

Company Overview

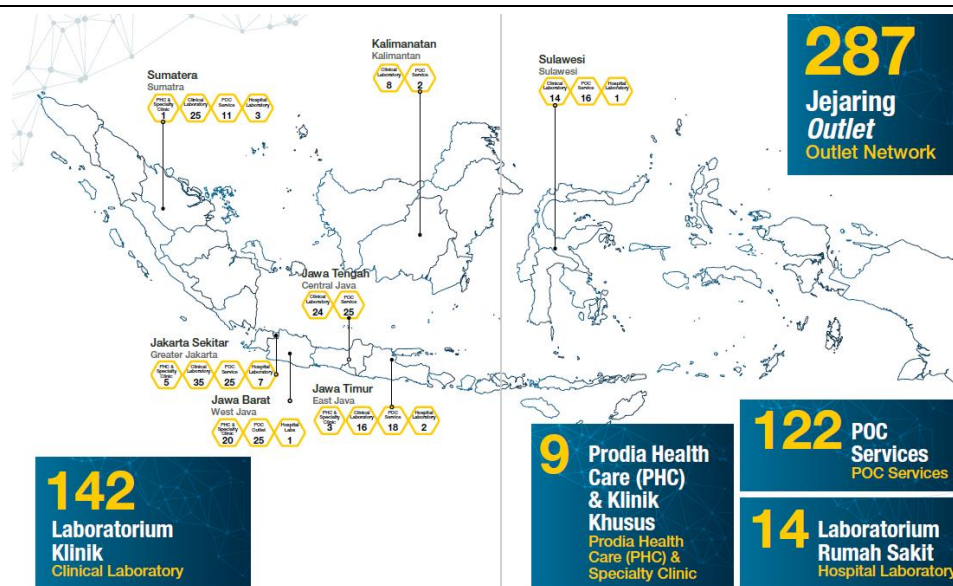
PT Prodia Widyahusada (PRDA) or known as Prodia's Clinical Laboratory was first established in Solo on 7 May 1973 by expertists having their educational background in pharmacy. As the pioneer in the industry, PRDA successfully obtained accreditation from College of American Pathologist ("CAP") as well as certification from NGSP constitute, which led PRDA to become National Reference Lab. Until the end of 2019, Prodia has 287 outlets spread in 126 cities in 34 provinces in Indonesia. This makes Prodia as the largest clinical laboratory based on the category of revenue and laboratory network in Indonesia.

Table 3. PRDA company structure



Source: Company data, KISI

Table 4. PRDA operational maps



Source: Company data, KISI

Balance sheet (IDRbn)

	2019A	2020A	2021F	2022F	2023F
Current assets					
Cash & cash equivalent	1,012	1,135	1,546	1,677	1,933
Accounts & other receivables	147	139	199	172	181
Inventories	33	68	34	32	33
Others	63	18	20	18	19
Non-current assets					
Fixed assets	518	568	604	610	611
Investment	-	-	-	-	1
Intangible assets	12	14	14	14	14
Other non-current assets	226	290	290	290	290
Total assets	2,011	2,232	2,707	2,816	3,081
Current liabilities					
Accounts & other payables	44	82	64	59	61
ST debt & bond	-	-	-	-	-
Current portion of LT debt	10	3	4	2	2
Others	90	125	117	112	114
Non-current liabilities					
LT debt & financial liabilities	10	22	22	22	22
Other non-current liabilities	198	212	232	256	281
Total liabilities	351	444	438	451	480
Controlling interest					
Capital stock	94	94	94	94	94
Additional paid-in capital	1,153	1,153	1,153	1,153	1,153
Other reserves	17	17	17	17	17
Retained earnings	395	524	1,005	1,100	1,336
Minority interest	-	-	-	-	-
Shareholders' equity	1,660	1,788	2,269	2,364	2,600

Cash flow (IDRbn)

	2019A	2020A	2021F	2022F	2023F
C/F from operating					
Pre-tax income	265	339	789	507	541
Depreciation	75	76	83	96	107
Increase in W/C	(132)	177	(382)	(69)	(103)
C/F from investing					
CAPEX	(70)	(127)	(118)	(102)	(108)
Others	(15)	(41)	20	23	26
C/F from financing					
Incr. in equity	(25)	(35)	-	-	-
Incr. in debts	(21)	(10)	0	(2)	-
Dividends	(88)	(105)	(161)	(321)	(208)
C/F from others					
Increase in cash	(11)	273	232	131	255

Income statement (IDRbn)

	2019A	2020A	2021F	2022F	2023F
Sales	1,744	1,873	2,370	2,048	2,152
COGS	(703)	(827)	(901)	(840)	(871)
Gross profit	1,041	1,046	1,469	1,208	1,280
SG&A expense	(827)	(746)	(735)	(758)	(796)
Operating profit	214	300	735	451	484
Financial income					
Interest income	52	42	54	55	56
Financial expense					
Interest expense	(3)	(5)	(1)	(1)	(1)
Other non-operating profit					
Gain (loss) in associates, subsidiaries, and JV	-	-	-	-	-
Earnings before tax	265	339	789	507	541
Income taxes	(55)	(70)	(147)	(90)	(97)
Net profit	210	269	642	416	444
Non-controlling interest					
Other comprehensive profit					
Total comprehensive profit					
Total comprehensive profit of controlling interest					
EBITDA	288	376	817	546	592

Key financial data

FY-ending Dec	2019A	2020A	2021F	2022F	2023F
per share data (IDR)					
EPS	224	287	685	444	474
BPS	1,770	1,908	2,420	2,522	2,774
DPS	94	112	172	342	222
Growth (%)					
Sales growth	9.0	7.4	26.5	(13.6)	5.1
OP growth	23.9	40.7	144.5	(38.7)	7.4
NP growth	19.8	27.8	138.9	(35.1)	6.6
EBITDA growth	18.3	30.5	117.3	(33.2)	8.3
Profitability (%)					
OP margin	12.2	16.0	31.0	22.0	22.5
NP margin	12.1	14.3	27.1	20.3	20.6
EBITDA margin	16.5	20.1	34.5	26.7	27.5
ROA	10.7	12.7	26.0	15.1	15.1
ROE	13.1	15.6	31.7	18.0	17.9
Dividend yield	1.1	1.3	1.9	3.9	2.5
Dividend payout ratio	50	50	60	50	50
Stability					
Net debt (IDR bn)	-993	-1,126	-1,537	-1,670	-1,926
Int-bearing debt/equity (%)	-3.6	-16.0	-21.7	-25.6	-31.7
Valuation (X)					
PE	16.5	11.3	12.9	19.9	18.7
PB	2.1	1.7	3.7	3.5	3.2
EV/EBITDA	8.8	4.9	8.3	12.5	10.8

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