

To continue good performance in 2H24F, after solid 1H24 results

24 July 2024



MIKA IJ	BUY
Sector	Healthcare
Price at 22 July 2024 (IDR)	3,010
Price target (IDR)	3,400
Upside/Downside (%)	13.0

Stock Information

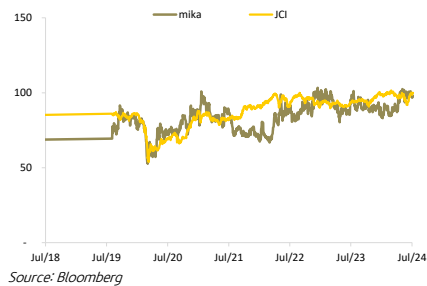
Mitra Keluarga Tbk (MIKA) is one of the largest hospital groups in Indonesia and has served for more than 31 years in several big cities.

Market cap (IDR bn)	41,862
Shares outstanding (mn)	13,907
52-week range (IDR)	2,430–3,200
3M average daily vol. ('000)	13,767
3M average daily val. (IDR mn)	41,135

Shareholders (%)

Griyainsani Cakrasadaya	62.23
Treasury stock	2.38
Public	35.39

Stock Performance



	1M	3M	12M
Performance (%)	1.4	9.1	0.0

Mitra Keluarga Karyasehat (MIKA) recorded solid performance in 1H24 as its earnings grew 32.5% yoy with a 240bps yoy net margin expansion. While, MIKA' revenue grew 19.7% yoy to IDR2.45 tn in 1H24 on higher tariffs (exclude JKN' patients) and higher patients' traffic (inpatients' admission and outpatient' visits). In 2Q24, MIKA' revenue and earnings reached IDR1.21 tn (+18.4% yoy/-2.7% qoq), and IDR312 bn (+39.9% yoy/+7.9% qoq), respectively on softer drugs' cost and better cost management. With solid 1H24 performance and higher guidance from the company, we adjusted our '24F revenue and expects MIKA to grow its revenue by 16.1% yoy as our view on the company' capability to continue its good performance in 2H24F. All in all, we still expect MIKA to record a 26.9% yoy earnings growth with a 200bps yoy net margin expansion in '24F. Thus, maintain BUY on MIKA with TP of IDR3,400, which implies 26.1x '24F EV/EBITDA. Currently, MIKA is trading at 20.9x '24F EV/EBITDA or slightly above -1stdev of its 5 years' mean EV/EBITDA.

1H24' revenue growth on higher tariffs and patients' traffic

Since January 2024, MIKA has increased its tariffs (exclude JKN' patients) by around 5%–7% yoy. MIKA' revenue from its inpatients reached IDR838.4 bn (+21.2% yoy/-0.5% qoq) on the back of higher tariffs and a 12.5% yoy higher inpatient' admission (mostly private patients), despite quarterly had a 1.2% qoq decline. MIKA' inpatient segment remained as the biggest revenue contributor (69.3% contribution) to MIKA' total revenue in 2Q24. While, MIKA' revenue from its outpatients reached IDR371.4 bn (+12.6% yoy/-7.3% qoq) due to higher tariffs and a 7.3% yoy higher outpatient' visits, despite quarterly had a 5.1% qoq decline. Note that, a qoq lower in MIKA' inpatient admissions and its outpatient visits was due to more holiday in 2Q24, which included the children' school holiday period. As a result, MIKA' revenue in 1H24 grew 19.7% yoy to IDR2.45 tn, which came in-line with ours' (50.2%), but above cons' (51%).

Earnings grew 39.9% yoy/7.9% qoq in 2Q24

MIKA' earnings reached IDR312 bn (+39.9% yoy/+7.9% qoq) in 2Q24, with a 400bps yoy/260bps qoq net margin expansion, mainly on higher revenue with better cost management. As a result, MIKA' earnings grew 32.5% yoy to IDR600.6 bn in 1H24, which came above ours (55.5%) and consensus' (53.5%) expectation.

Margin expansion on softer drugs' cost with better cost management

Based on MIKA' recent info that the company has succeeded in negotiating the drugs' costs with its major suppliers in 2Q24. Thus, with higher revenue, softer drugs' cost and better cost management, MIKA' gross profit, EBIT and EBITDA reached IDR652.6 bn (+27.6% yoy/-2.0% qoq), IDR380.2 bn (+36.9% yoy/+1.4% qoq) and IDR549.6 bn (+52.2% yoy/+42.2% qoq), respectively in 2Q24. All in all, MIKA' gross, EBIT, EBITDA and net margin expanded by 410bps yoy, 340bps yoy, 300bps yoy, and 240bps yoy, respectively in 1H24.

Earnings adjustments on solid 1H24 results with higher guidance

After meeting with MIKA, we adjusted upward our '24F revenue and earnings due to its solid 1H24 results and the company also guided for higher revenue growth in 2024, to grow by 15%–17% yoy from prior, around 12.5%–15% yoy growth, with EBITDA margin to be at 37%–38.5% from prior at 35.5%–37%. Thus, we increased our '24F revenue by 1.3% from prior, and expect MIKA could grow its '24F revenue by 16.1% yoy on higher tariffs and patients' traffic. This has made, our '24F gross profit to be a 5.6% higher than prior as we also reduced our '24F cogs on softer drugs' cost. We also have factored in for higher opex starting this 4Q24 as the company' preparation in opening 2 new hospitals in 2Q25. Note that, MIKA has prepared in 6 months prior for the human resources needed in its new hospitals. All in all, we still expect MIKA to be able to grow its earnings by 26.9% yoy in '24F, with around 200bps yoy net margin expansion.

Maintain BUY with TP of IDR3,400

Maintain BUY on MIKA with TP of IDR 3,400/share, which implies 26.1x '24F EV/EBITDA or at +1 stdv of its 5 years mean EV/EBITDA. After solid 1H24 results and higher guidance for 2024 from the company, we still expect MIKA to grow its revenue and earnings in '24F on higher tariffs and patients' traffic (inpatients' admission and outpatients' visit). Moreover, MIKA plans to open 2 new hospitals in 2Q25 and 1 new hospital in 4Q25. Thus, with more hospitals, it is expected that MIKA to be able to generate further its revenue and earnings in '25F. Risks to our call includes: a) tighter competition from local and regional peers, b) changes in government regulations on healthcare sector, and c) lawsuits. Currently, MIKA is trading at 20.9x '24F EV/EBITDA or slightly above -1 stdv of its 5 years' mean EV/EBITDA.

Exhibit 1: Key Statistics

Year end Dec	2022A	2023A	2024F	2025F	2026F
Revenue (IDR bn)	4,049	4,264	4,950	5,719	6,575
EBITDA (IDR bn)	1,518	1,501	1,858	2,157	2,476
Net profit (IDR bn)	1,008	916	1,162	1,352	1,555
EPS (IDR)	71	64	82	95	109
EPS growth (%)	(18.0)	(9.1)	26.9	16.3	15.1
ROE (%)	18.6	15.7	17.9	18.9	20.3
ROA (%)	14.6	12.5	14.2	14.9	15.8
PER (x)	41.6	45.7	36.0	31.0	26.9
PBV (x)	7.7	7.2	6.5	5.9	5.5
EV/EBITDA (x)	26.4	26.7	21.5	18.4	16.0
Div Yield (%)	1.2	1.2	1.2	1.7	2.4

Source: Company, KBVS Research

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Exhibit 2: MIKA 1H24 results

MIKA 1H24 Results (IDRbn)	1H24	1H23	YoY	2Q24	2Q23	YoY	1Q24	QoQ	% to '24F	% to Cons'
Revenue	2,452	2,049	19.7%	1,209	1,021	18.4%	1,243	-2.7%	50.2%	51.0%
Inpatient	1,680	1,375	22.2%	838	691	21.2%	842	-0.5%		
Outpatient	772	673	14.6%	371	330	12.6%	401	-7.3%		
COGS	(1,134)	(1,033)	9.8%	(557)	(510)	9.3%	(577)	-3.6%		
Gross profit	1,318	1,016	29.7%	653	511	27.6%	666	-2.0%	52.9%	54.6%
Operating expenses	(563)	(456)	23.6%	(272)	(234)	16.5%	(291)	-6.3%		
EBIT	755	560	34.7%	380	278	36.9%	375	1.4%	53.4%	52.3%
EBITDA	936	722	29.6%	472	361	30.7%	464	1.7%	53.1%	53.8%
Profit before tax	814	610	33.5%	412	300	37.4%	402	2.4%	54.0%	52.9%
Tax expense	(169)	(123)	38.2%	(79)	(62)	27.9%	(90)	-12.8%		
Minority interest	44	35	28.8%	21	15	38.9%	23	-6.6%		
Net profit	601	453	32.5%	312	223	39.9%	289	7.9%	55.5%	53.5%

Margins (%)

Gross margin	53.7%	49.6%		54.0%	50.1%		53.5%	
EBIT margin	30.8%	27.4%		31.4%	27.2%		30.2%	
EBITDA margin	38.2%	35.2%		39.0%	35.4%		37.3%	
Pretax margin	33.2%	29.8%		34.1%	29.4%		32.4%	
Net margin	24.5%	22.1%		25.8%	21.8%		23.2%	

MIKA 1H24 Results (IDRbn)

	1H24	1H23	YoY	2Q24	2Q23	YoY	1Q24	QoQ
Jakarta and West Java								
Revenue	1,952	1,660	17.6%	955.5	822.7	16.1%	996.9	-4.1%
Gross profit	923	821	12.4%	448.0	440.8	1.6%	475.3	-5.7%
Gross margin (%)	47.3%	49.5%		46.9%	53.6%		47.7%	
EBIT	527.4	504.8	4.5%	259.4	271.0	-4.3%	268.0	-3.2%
EBITmargin (%)	27.0%	30.4%		27.1%	32.9%		26.9%	
Tegal and Surabaya								
Revenue	500.1	388.6	28.7%	253.9	198.5	27.9%	246.2	3.1%
Gross profit	394.8	194.7	102.8%	204.5	70.6	189.5%	190.3	7.5%
Gross margin	79.0%	50.1%		80.5%	35.6%		77.3%	
EBIT	232.2	53.3	335.8%	121.9	3.1	3859.8%	110.3	10.5%
EBITmargin (%)	46.4%	13.7%		48.0%	1.6%		44.8%	

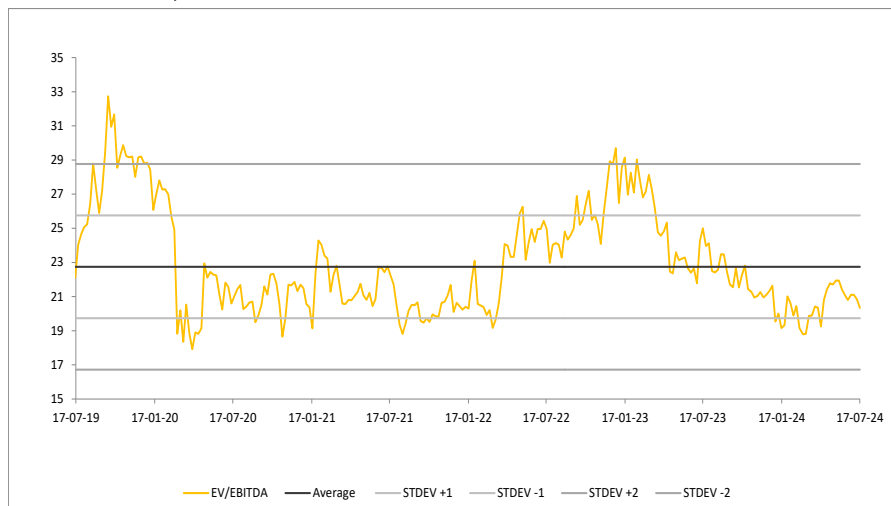
Source: Company, KBVS Research

Exhibit 3: Revenue and earnings adjustments

Adjustments	New		Old		Diff (%)	
	2024F	2025F	2024F	2025F	2024F	2025F
Revenue	4,950	5,719	4,888	5,495	1.3%	4.1%
Gross profit	2,629	3,048	2,490	2,826	5.6%	7.8%
Operating profit	1,508	1,758	1,413	1,614	6.7%	8.9%
Net Profit	1,162	1,352	1,082	1,251	7.4%	8.1%

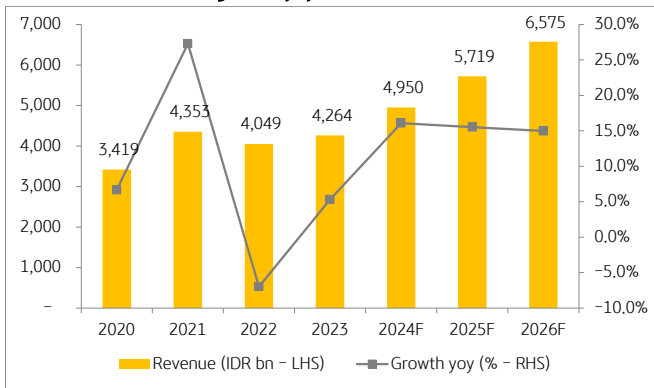
Source: Company, KBVS Research

Exhibit 4: MIKA EV/EBITDA Band



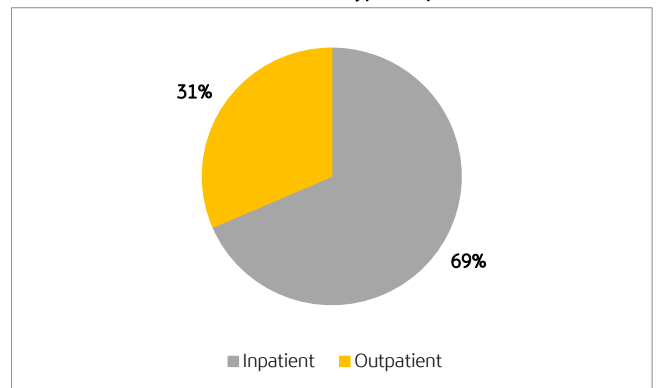
Source: Company, KBVS Research

Exhibit 5: Revenue and growth yoy



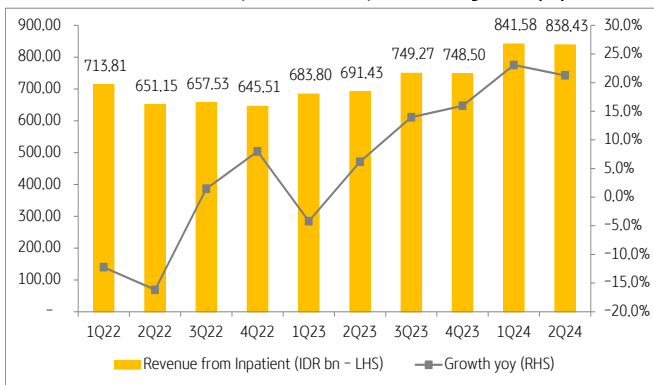
Source: Company, KBVS Research

Exhibit 6: Revenue contribution from types of patient



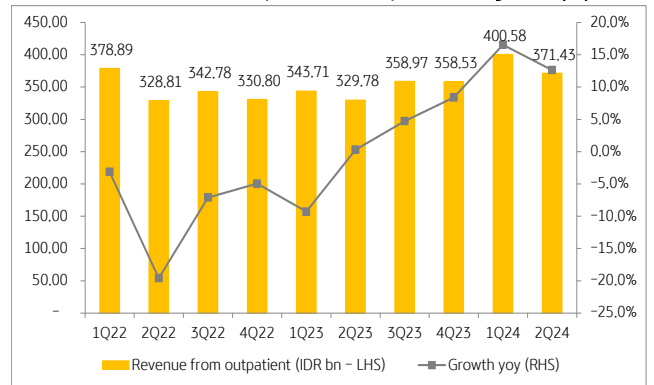
Source: Company, KBVS Research

Exhibit 7: Revenue from inpatient each quarter and growth yoy



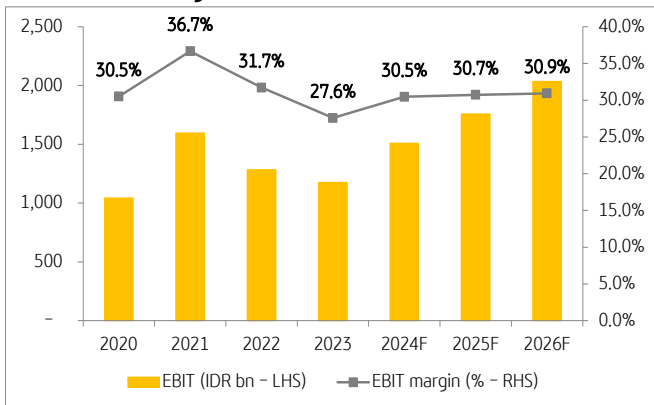
Source: Company, KBVS Research

Exhibit 8: Revenue from outpatient each quarter and growth yoy



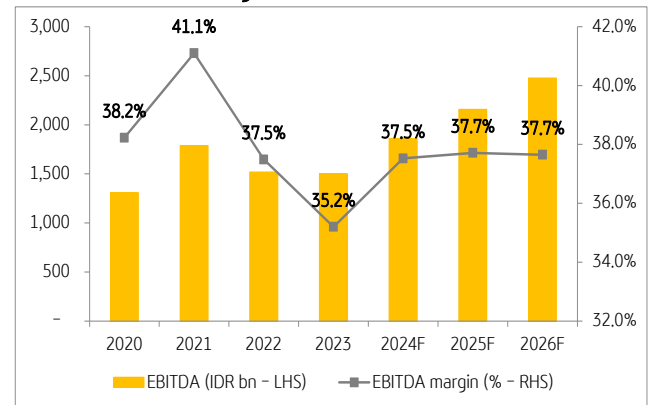
Source: Company, KBVS Research

Exhibit 9: EBIT & margin



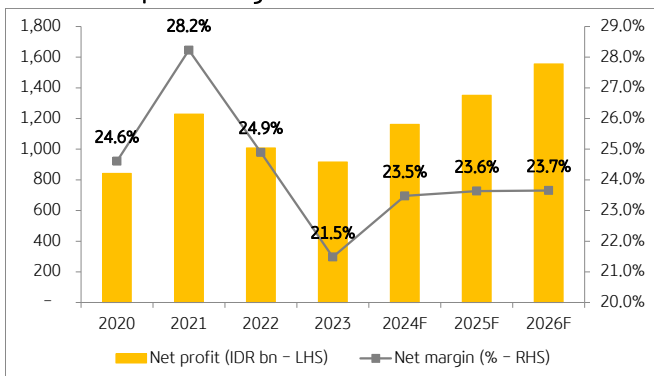
Source: Company, KBVS Research

Exhibit 10: EBITDA & margin



Source: Company, KBVS Research

Exhibit 11: Net profit & margin



Source: Company, KBVS Research

Exhibit 12: Profit & loss summary

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Revenue	4,049	4,264	4,950	5,719	6,575
COGS	(1,972)	(2,136)	(2,322)	(2,672)	(3,065)
Gross profit	2,077	2,128	2,629	3,048	3,510
Operating expenses	(793)	(952)	(1,121)	(1,290)	(1,476)
EBIT	1,284	1,176	1,508	1,758	2,034
EBITDA	1,518	1,501	1,858	2,157	2,476
Pre-tax profit	1,386	1,264	1,603	1,864	2,145
Net profit	1,008	916	1,162	1,352	1,555
EPS	71	64	82	95	109
EPS growth	-18%	-9%	27%	16%	15%

Source: Company, KBVS Research

Exhibit 13: Balance sheet

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent (with ST Investment)	1,858	1,828	1,989	2,101	2,150
Accounts receivables	467	724	733	904	1,039
Inventories	63	82	189	219	252
Others	107	128	150	157	164
Total current assets	2,494	2,762	3,061	3,380	3,606
Fixed assets - Net	3,430	3,810	4,398	4,980	5,556
Others	994	769	736	713	706
Total non-current assets	4,424	4,579	5,134	5,693	6,262
Total assets	6,918	7,341	8,195	9,073	9,867
Accounts payable	294	276	320	370	425
Others	359	280	325	376	432
Total current liabilities	653	556	646	746	857
Others non-current liabilities	134	185	191	196	202
Total non-current liabilities	134	185	191	196	202
Total liabilities	786	741	836	942	1,060
Shareholders equity	142	142	142	142	142
Add Paid-in capital	1,363	1,363	1,363	1,363	1,363
Treasury stock & other items	(757)	(760)	(760)	(760)	(760)
Minority interests	708	777	878	996	1,131
Retained earnings	4,676	5,078	5,736	6,390	6,932
Total Equity	5,424	5,823	6,481	7,135	7,677
Total Liabilities & Equity	6,918	7,341	8,195	9,073	9,867

Source: Company, KBVS Research

Exhibit 14: Cash flow

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Pre-tax profit	1,386	1,264	1,603	1,864	2,145
Tax	(292)	(267)	(340)	(395)	(455)
D&A	218	258	304	346	390
Changes in working capital	(194)	(295)	(72)	(151)	(113)
Others	17	355	21	55	56
Operating cash flow	1,135	1,314	1,516	1,720	2,023
Capital expenditures	(952)	(639)	(892)	(928)	(965)
Others	111	2	40	17	6
Investing cash flow	(840)	(637)	(852)	(911)	(960)
Net change in debt	-	-	-	-	-
Net change in equity	(354)	-	-	-	-
Others	(26)	(16)	-	-	-
Cash dividends paid	(501)	(515)	(504)	(697)	(1,014)
Financing cash flow	(881)	(530)	(504)	(697)	(1,014)
Net change in cash	(587)	147	160	112	50
Cash in beginning of the year	1,283	696	843	1,003	1,115
Cash at the end of the year	696	843	1,003	1,115	1,165

Source: Company, KBVS Research

Exhibit 15: Ratio analysis

Year End Dec	2022A	2023A	2024F	2025F	2026F
Growth (%)					
Revenue	-7.0	5.3	16.1	15.5	15.0
Gross profit	-8.2	2.5	23.5	15.9	15.2
Operating profit	-19.5	-8.4	28.2	16.6	15.7
EBITDA	-15.1	-1.1	23.8	16.1	14.8
Net profit	-18.0	-9.1	26.9	16.3	15.1
Profitability (%)					
Gross margin	51.3	49.9	53.1	53.3	53.4
Operating margin	31.7	27.6	30.5	30.7	30.9
EBITDA margin	37.5	35.2	37.5	37.7	37.7
Net margin	24.9	21.5	23.5	23.6	23.7
ROA	14.6	12.5	14.2	14.9	15.8
ROE	18.6	15.7	17.9	18.9	20.3
Solvency (x)					
Current ratio	3.8	5.0	4.7	4.5	4.2
Quick ratio	3.7	4.8	4.4	4.2	3.9
Debt to equity	0.0	0.0	0.0	0.0	0.0
Interest coverage	99.7	75.9	97.3	113.4	131.2
Net gearing	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)

Source: Company, KBVS Research

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