

Better performance in '24F on higher patients' growth

31 May 2024



MIKA IJ	BUY
Sector	Healthcare
Price at 31 May 2024 (IDR)	2,890
Price target (IDR)	3,400
Upside/Downside (%)	17.6

Stock Information

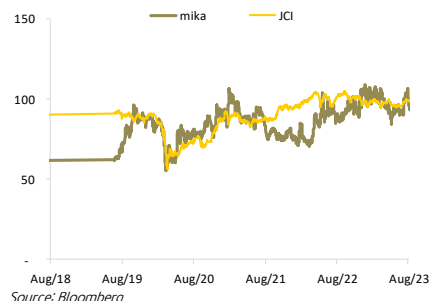
Mitra Keluarga Tbk (MIKA) is one of the largest hospital groups in Indonesia and has served for more than 31 years in several big cities.

Market cap (IDR bn)	43,113
Shares outstanding (mn)	13,908
52-week range (IDR)	2,430-3,200
3M average daily vol. ('000)	12,751
3M average daily val. (IDR mn)	36,537

Shareholders (%)

Griyainsani Cakrasadaya	62.23
Treasury stock	2.38
Public	35.39

Stock Performance



	1M	3M	12M
Performance (%)	(0.3)	12.0	6.6

Analyst

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Re-initiate our coverage on Mitra Keluarga Karyasehat (MIKA) with a BUY and TP of IDR3,400, which implies 27.5x '24F EV/EBITDA as we could expect better performance from MIKA in '24F. Moreover, MIKA' revenue and earnings reached IDR1.24 tn (+21% yoy/+12.3% qoq) and IDR289 bn (+25.4% yoy/+25.5% qoq) in 1Q24, with margin expansions yoy/qoq, on higher case of dengue fever amidst unpredictable weather and better cost management. All in all, we expect MIKA' revenue and net profit to grow by 14.6% yoy and 18.1% yoy, respectively in '24F, with a 60bps yoy net margin expansion, on the back of higher outpatient' and inpatient' revenue amidst continuous unpredictable weather, with better cost management. Currently, MIKA is trading at 23.4x '24F EV/EBITDA or slightly above its 5 years' mean EV/EBITDA.

Higher inpatients and outpatients yoy to support revenue growth in '24F

This year' unpredictable weather has been such a drag for most people. In 1Q24, higher dengue fever' cases amidst unpredictable weather, had boosted MIKA' inpatients and outpatients, as its inpatient' days and outpatient' visits increased by 15.7% yoy/10.1% qoq and 7.3% yoy/3.2% qoq, respectively in 1Q24. At the same time, MIKA' Bed Occupancy Rate (BOR) grew to 64.1% of total operational beds. MIKA also added 60 operational beds in 1Q24, which made its total operational beds at 3,928 beds. This year, MIKA plans to add around 250-300 beds (includes 200 for its Kasih' hospitals). Now, heatwave has hit Southeast Asian countries, despite Indonesian' Meteorological, Climatological, and Geophysical Agency (BMKG) stated that the heat weather in Indonesia is more because of the sun' positioning is near earth' equator. Thus, we expect MIKA' revenue from its inpatients and outpatients could grow by 13.6% yoy and 16.7% yoy, respectively in '24F due to expectation on higher BOR with more operational beds, inpatient' days and outpatient' visits. This could result in a 14.6% yoy revenue growth in '24F.

Earnings could grow 18.1% yoy in '24F, with margin expansions

With additional 200 new operational beds, MIKA plans to give a more premium services in its Kasih' hospitals, despite no new hospitals opening this year. Along with government' COB split bill scheme for patients and better cost management, we expect MIKA' gross profit and EBITDA could grow by 17% yoy and 17.4% yoy, respectively in '24F. Thus, MIKA could grow its net profit by 18.1% yoy in '24F. All in all, we expect MIKA' gross, EBITDA and net margin could expand to 50.9%, 36% and 22.1%, respectively in '24F.

1Q24' revenue growth on higher dengue fever' cases amidst unpredictable weather

MIKA' revenue reached IDR1.24 tn (+21% yoy/+12.3% qoq) in 1Q24, driven by higher revenue from inpatient (+23.2% yoy/+12.5% qoq) and outpatient (+16.6% yoy/+11.8% qoq) on higher case of dengue fever amidst unpredictable weather, in 1Q24. Based on area, MIKA' hospitals in Jakarta and West Java remained as the biggest revenue contributor to its 1Q24' revenue, at IDR996.9 bn (+19% yoy/+11.7% qoq). While the rest of MIKA revenue in 1Q24, was contributed by its hospitals in Tegal and Surabaya at IDR246.2 bn (+29.5% yoy/+14.7% qoq).

Earnings grew double digit yoy/qoq in 1Q24, with margin expansions

MIKA' gross profit, EBIT and EBITDA reached IDR666 bn (+31.9% yoy/+19.8% qoq), IDR375 bn (+32.6% yoy/+26.3% qoq), and IDR464 bn (+28.5% yoy/+23.4% qoq), respectively in 1Q24, despite higher cogs (+10.4% yoy/+4.7% qoq) and opex (+31% yoy/+12.4% qoq). Thus, MIKA' gross, EBIT and EBITDA margin expanded by 440bps yoy/330bps qoq, 270bps yoy/340bps qoq, and 220bps yoy/330bps qoq, respectively in 1Q24. All in all, MIKA' earnings reached IDR289 bn (+25.4% yoy/+25.5% qoq), with 80bps yoy/240bps qoq net margin expansion.

Re-initiate a BUY with TP of IDR3,400

We re-initiate our coverage on MIKA with a Buy and TP of IDR 3,400/share, which implies 27.5x '24F EV/EBITDA or at +1.5 stdv of its 5 years mean EV/EBITDA. Although with no new hospital opening, we still think MIKA' performance would be much better yoy in '24F, due to expectations on better services from MIKA that could increase its inpatient' and outpatient' revenue, amidst unpredictable weather. Note that, MIKA opened 3 new hospitals last year and plans to open another 3 new hospitals in 2025. 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 23.4x '24F EV/EBITDA or slightly above 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	4,888	5,495	6,081
EBITDA (IDR bn)	1,518	1,501	1,762	2,012	2,232
Net profit (IDR bn)	1,008	916	1,082	1,251	1,397
EPS (IDR)	71	64	76	88	98
EPS growth (%)	(18.0)	(9.1)	18.1	15.6	11.7
ROE (%)	18.6	15.7	16.9	17.9	18.7
ROA (%)	14.6	12.5	13.3	14.0	14.6
PER (x)	40.8	44.9	38.1	32.9	29.5
PBV (x)	7.6	7.1	6.4	5.9	5.5
EV/EBITDA (x)	25.9	26.2	22.3	19.5	17.6
Div Yield (%)	1.2	1.2	1.2	1.6	2.3

Source: Company, KBVS Research

Exhibit 2: MIKA 1Q24 results

MIKA 1Q24 Results (IDRbn)	1Q24	1Q23	YoY	4Q23	QoQ	Cons'	% to Cons'
Revenue	1,243	1,028	21.0%	1,107	12.3%	4,809	25.9%
Inpatient	842	684	23.2%	748	12.5%		
Outpatient	401	344	16.6%	359	11.8%		
COGS	(577)	(523)	10.4%	(551)	4.7%	(2,395)	
Gross profit	666	505	31.9%	556	19.8%	2,414	27.6%
Operating expenses	(291)	(222)	31.0%	(259)	12.4%	(969)	
EBIT	375	283	32.6%	297	26.3%	1,445	25.9%
EBITDA	464	361	28.5%	376	23.4%		
Profit before tax	402	310	29.7%	314	28.2%	1,540	26.1%
Tax expense	(90)	(61)	48.6%	(59)	52.2%		
Minority interest	23	19	20.7%	24	-5.8%		
Net profit	289	230	25.4%	230	25.6%	1,123	25.7%

Margins (%)

Gross margin	53.5%	49.1%		50.2%	
EBIT margin	30.2%	27.5%		26.8%	
EBITDA margin	37.3%	35.1%		34.0%	
Pretax margin	32.4%	30.2%		28.4%	
Net margin	23.2%	22.4%		20.8%	

MIKA 1Q24 Results (IDRbn)

	1Q24	1Q23	YoY	4Q23	QoQ
Jakarta and West Java					
Revenue	996.9	837.4	19.0%	892.6	11.7%
Gross profit	475.3	380.5	24.9%	428.8	10.9%
Gross margin (%)	47.7%	45.4%		48.0%	

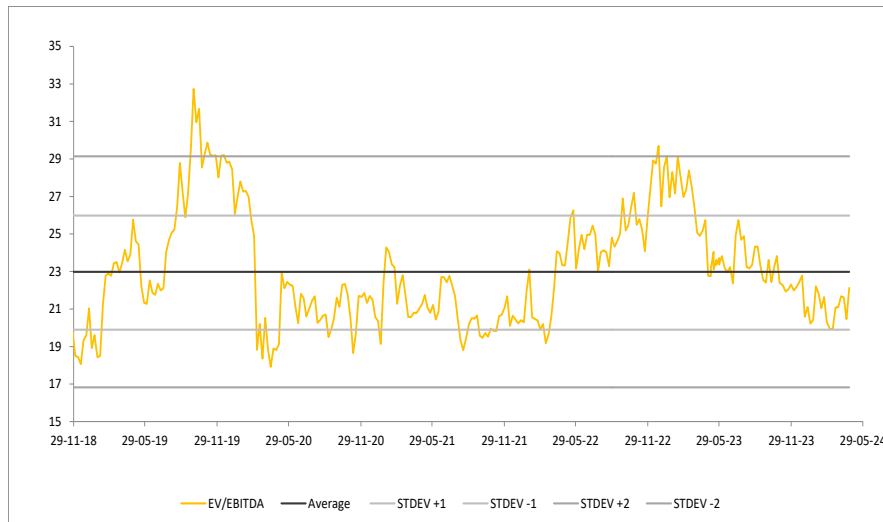
Tegal and Surabaya

Revenue	246.2	190.2	29.5%	214.7	14.7%
Gross profit	190.3	124.1	53.4%	127.1	49.8%
Gross margin	77.3%	65.3%		59.2%	

(Source: Company, KBVS Research)

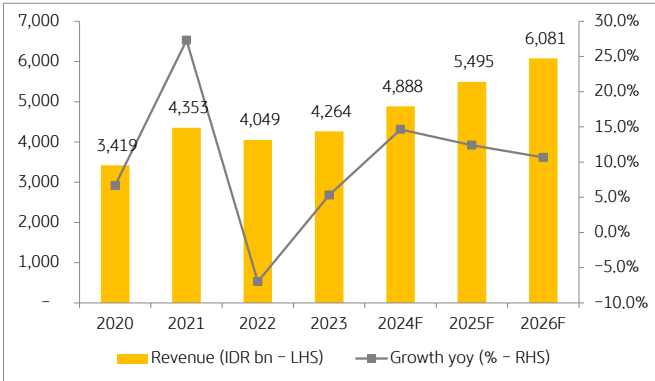
Source: Company, KBVS Research

Exhibit 3: MIKA EV/EBITDA Band



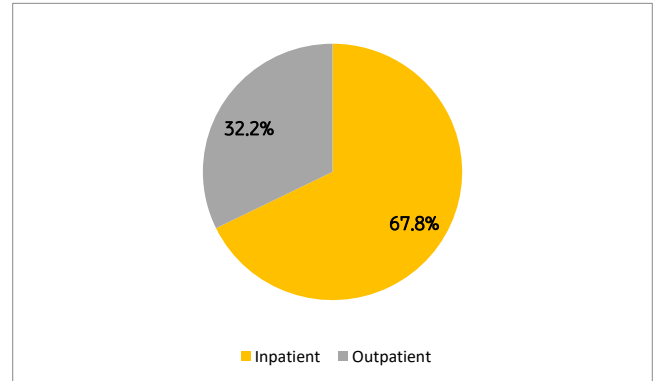
Source: Company, KBVS Research

Exhibit 4: Revenue and growth yoy



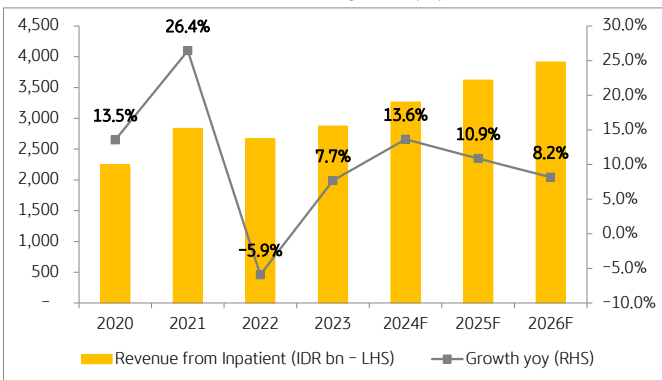
Source: Company, KBVS Research

Exhibit 5: Revenue contribution from types of patient



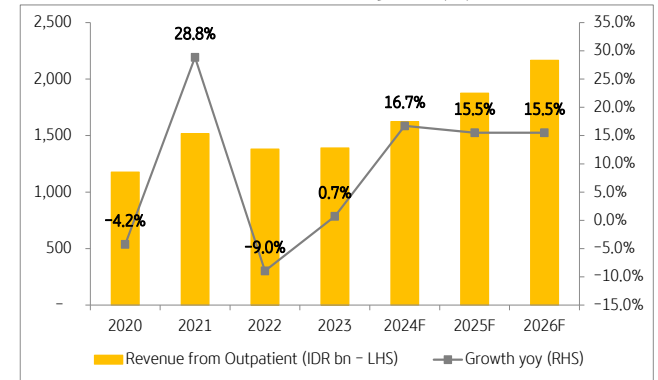
Source: Company, KBVS Research

Exhibit 6: Revenue from inpatient and growth yoy



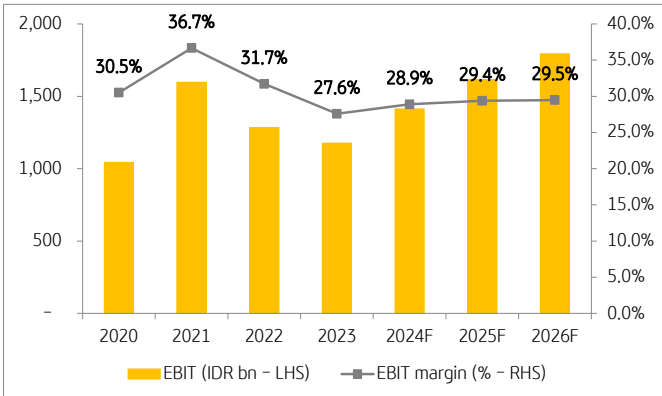
Source: Company, KBVS Research

Exhibit 7: Revenue from outpatient and growth yoy



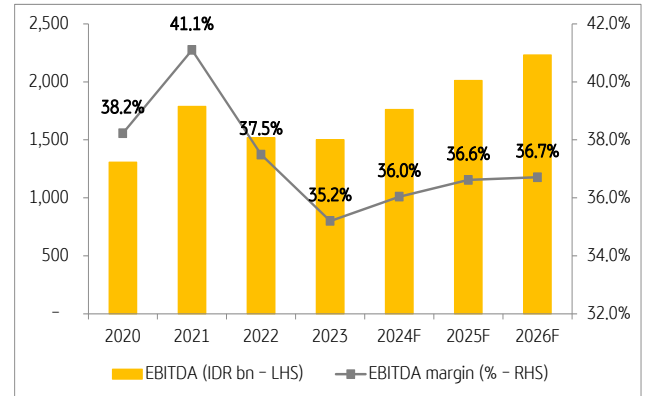
Source: Company, KBVS Research

Exhibit 8: EBIT & margin



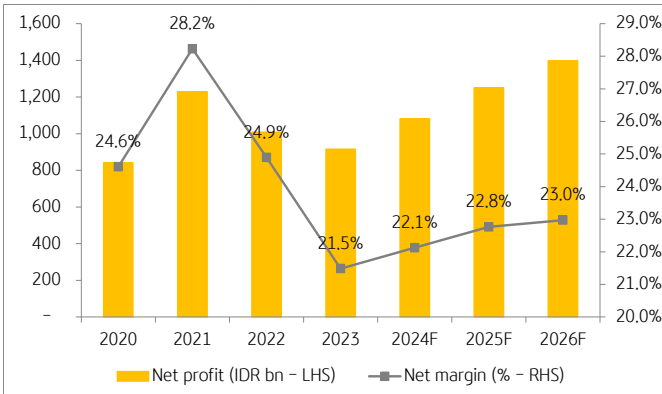
Source: Company, KBVS Research

Exhibit 9: EBITDA & margin



Source: Company, KBVS Research

Exhibit 10: Net profit & margin



Source: Company, KBVS Research

Exhibit 11: Profit & loss summary

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Revenue	4,049	4,264	4,888	5,495	6,081
COGS	(1,972)	(2,136)	(2,399)	(2,669)	(2,950)
Gross profit	2,077	2,128	2,490	2,826	3,131
Operating expenses	(793)	(952)	(1,077)	(1,212)	(1,338)
EBIT	1,284	1,176	1,413	1,614	1,793
EBITDA	1,518	1,501	1,762	2,012	2,232
Pre-tax profit	1,386	1,264	1,508	1,721	1,903
Net profit	1,008	916	1,082	1,251	1,397
EPS	71	64	76	88	98
EPS growth	-18%	-9%	18%	16%	12%

Source: Company, KBVS Research

Exhibit 12: Balance sheet

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent (with ST Investment)	1,858	1,828	1,918	1,980	1,937
Accounts receivables	467	724	724	868	961
Inventories	63	82	187	210	233
Others	107	128	149	155	160
Total current assets	2,494	2,762	2,978	3,213	3,291
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	8,112	8,906	9,553
Accounts payable	294	276	316	356	393
Others	359	280	321	361	400
Total current liabilities	653	556	637	717	793
Others non-current liabilities	134	185	191	196	202
Total non-current liabilities	134	185	191	196	202
Total liabilities	786	741	828	913	995
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	884	991	1,096
Retained earnings	4,676	5,078	5,655	6,257	6,716
Total Equity	5,424	5,823	6,401	7,002	7,461
Total Liabilities & Equity	6,918	7,341	8,112	8,906	9,553

Source: Company, KBVS Research

Exhibit 13: Cash flow

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Pre-tax profit	1,386	1,264	1,508	1,721	1,903
Tax	(292)	(267)	(319)	(363)	(400)
D&A	218	258	304	346	390
Changes in working capital	(194)	(295)	(64)	(129)	(77)
Others	17	355	17	46	40
Operating cash flow	1,135	1,314	1,446	1,621	1,855
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)	(649)	(938)
Financing cash flow	(881)	(530)	(504)	(649)	(938)
Net change in cash	(587)	147	90	62	(43)
Cash in beginning of the year	1,283	696	843	932	994
Cash at the end of the year	696	843	932	994	951

Source: Company, KBVS Research

Exhibit 14: Ratio analysis

Year End Dec	2022A	2023A	2024F	2025F	2026F
Growth (%)					
Revenue	-7.0	5.3	14.6	12.4	10.7
Gross profit	-8.2	2.5	17.0	13.5	10.8
Operating profit	-19.5	-8.4	20.1	14.3	11.1
EBITDA	-15.1	-1.1	17.4	14.2	11.0
Net profit	-18.0	-9.1	18.1	15.6	11.7
Profitability (%)					
Gross margin	51.3	49.9	50.9	51.4	51.5
Operating margin	31.7	27.6	28.9	29.4	29.5
EBITDA margin	37.5	35.2	36.0	36.6	36.7
Net margin	24.9	21.5	22.1	22.8	23.0
ROA	14.6	12.5	13.3	14.0	14.6
ROE	18.6	15.7	16.9	17.9	18.7
Solvency (x)					
Current ratio	3.8	5.0	4.7	4.5	4.1
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	91.2	104.2	115.7
Net gearing	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)

Source: Company, KBVS Research

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