

Healthcare Sector

Benefiting from universal healthcare

- Strong growth outlook for private hospitals in Indonesia...
- ...as healthcare coverage may rise to 100% by 2019, from 63% now
- Indonesia has lowest hospital density among ASEAN countries
- Private hospital operators SILO, MIKA, SAME are key beneficiaries

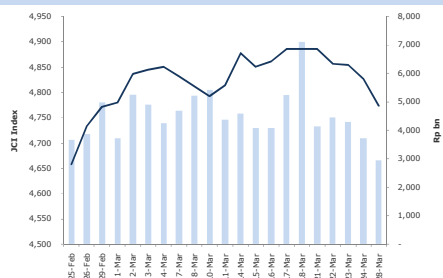
Strong growth outlook for private hospitals in Indonesia. Indonesia has one of the fastest growing numbers of private hospitals in Asia Pacific, growing at 34.1% CAGR in 2011-2014 (vs. 4.2% CAGR for public hospitals), according to Frost & Sullivan. However, revenue growth for the three listed private hospital operators, on average, has slowed to c.19% in 2015, from 31% in 2012, due to weakening economic growth and consumer purchasing power in the past three years, as also seen in the slowdown of the country's pharma sector growth to <6%, from 20%, during this period. Going forward, we expect strong growth to be sustained given implementation of universal healthcare coverage (UHC), which is targeted to cover the entire population of c.260m by 2019 once teething issues are resolved.

Healthcare coverage for entire population by 2019. The UHC program makes healthcare services in Indonesia affordable to the mass population through subsidization of medication and hospital insurance by the government and cross-subsidy from middle/upper income population. Launched in 2014, the program's coverage has now reached 63% of the total population and service is targeted to reach 100% by 2019. Teething issues such as quality of services, coordination of benefits (between UHC and private insurers) have hindered participation of private sector workers in the program, while BPJS Kesehatan, which runs the UHC program, also faced revenue deficit of Rp6tn in 2015. However, we expect these issues to be resolved in the coming year.

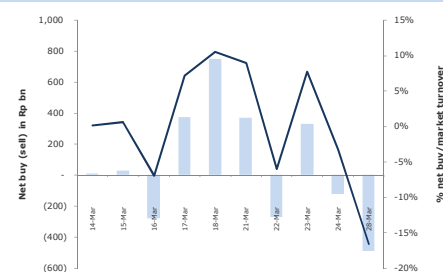
Low hospital density vs. ASEAN peers. Indonesia has 1,590 public and 760 private hospitals with a total of c.285,000 beds in 2014, according to Frost & Sullivan. However, the country still has one of the lowest hospital bed densities among ASEAN countries, with only 1.13 beds per 1,000 population vs. 2.1 in Thailand, 2.0 in Singapore, 2.0 in Vietnam, 1.9 in Malaysia and a global average of 3.0. Given full implementation of universal healthcare expected in 2019 and overcrowding at public hospitals in Indonesia, we expect private hospitals to sustain their strong growth to meet rising healthcare spending, which is 3.1% of GDP in Indonesia and the lowest in ASEAN.

Key beneficiaries. We believe the three listed hospital operators in Indonesia – Siloam Hospitals (SILO IJ; Rp7,675; Buy), MitraKeluargaKaryasehat (MIKA IJ; Rp2,380; Not Rated) and the Omni group (SAME IJ; Rp2,615; Not Rated) – will be key beneficiaries of rising healthcare demand in the country. While MIKA focuses on serving its existing middle/upper income customers in the major cities, SILO opts to participate in the UHC scheme (albeit a low margin business) and has a more diversified portfolio of hospitals in Indonesia. In turn, this is reflected in SILO's strong inpatient/outpatient admissions growth of 26% p.a. in the past three years vs. MIKA's more modest patient growth of 5-7% p.a. However, despite their different strategies, we expect all hospital operators to equally benefit from rising healthcare demand in Indonesia.

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	4,774	-1.1%	-11.5%	3.9%
LQ45	828	-1.3%	-11.7%	4.5%
DJI	17,535	0.1%	-1.0%	0.6%
SET	1,389	-0.4%	-7.1%	7.8%
HSI	20,346	-1.3%	-17.1%	-7.2%
NKY	17,134	0.8%	-11.2%	-10.7%
FTSE	6,106	-1.5%	-12.7%	-2.2%
FSSTI	2,830	-0.6%	-18.0%	-1.8%
EIDO	23	-1.6%	-15.9%	8.8%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	39.4	3.8%	-19.4%
CPO/tonne	615.8	1.4%	10.0%
Soy/bushel	9.1	0.2%	-5.4%
Rubber/kg	1.5	0.5%	-7.8%
Nickel/tonne	8,612	-0.5%	-34.9%
Tins/tonne	17,385	-0.3%	1.4%
Copper/tonne	4,977	0.1%	-18.1%
Gold/try.oz (Spot)	1,222	0.4%	1.9%
Coal/tonne*	50.7	-2.1%	-20.0%
Corn/bushel	3.6	0.1%	-5.6%
Wheat/bushel**	159.3	-3.2%	-21.1%

* : 1 week change
 **: 1 month change

Source : Bloomberg

Stock	Ticker	Rating	Price (Rp)	TP (Rp)	16F P/E (x)	17F P/E (x)	16F EV/EBITD A (x)	17F EV/EBITD A (x)	16F ROA (%)	16F ROE (%)
Siloam International	SILO	Buy	7,650	11,900	80.9	54.8	13.9	11.9	3.6	6.3
MitraKeluarga*	MIKA	Not Rated	2,400	Not Rated	51.3	46.2	37.8	30.9	17.4	20.0
SaranaMeditama*	SAME	Not Rated	2,620	Not Rated	59.6	41.6	17.8	13.5	6.9	17.9

Source: Bloomberg,*, consensus IndoPremier

Note: Share prices as of closing 24 Maret 2016

News & Analysis

Corporates

DMAS: Puridelta lestari (DMAS IJ; Rp 206; Not Rated) reported net profit of Rp1.4tn in 2015 or 42% yoy. Company recorded forex gain of Rp 135.1bn from loss of Rp3.9bn in 2014. However, current tax nearly doubled in 2015, causing net margin to drop to 60% from 63% in 2014. Revenue rose to Rp2.3tn or 49% and gross profit increased 35% yoy. Operating expenses soared to Rp150.3bn (+106% yoy) as company booked higher sales expenses. As a result, operating margin fell hard to 57% in 2015 (vs 65% in 2014). (Bisnis Indonesia)

KINO: Kino Indonesia (KINO IJ; Rp4,420; Buy) reported net profit of Rp263bn in FY15F (+152% yoy), which is 19% above our /consensus estimate on the back of 8% revenue growth. Despite a higher forex loss in 2015, the operating profit grew by 145% due to higher interest income (+235% yoy). (Company)

Comment: Despite economic slowdown in Indonesia over the course of last year, the company reported robust earnings growth. We expect the company to maintain its outstanding performance going forward as we expect better economic outlook in 2016.

(in Rp bn)	FY15	FY14	YoY	vs. forecast 2015	vs. consensus 2015
Revenue	3,603.80	3,339.40	7.9%	99.4%	99.4%
Gross Profit	1,468.40	1,146.10	28.1%		
Operating Profit	337	186.3	80.9%		
Net Profit	263	104.1	152.8%	119.2%	119.0%
	FY15	FY14			
Gross Margin (%)	40.7%	34.3%			
Operating Margin (%)	9.4%	5.6%			
Net Margin (%)	7.3%	3.1%			

Source: Company

SGRO: Sampoerna Agro (SGRO IJ; Rp1,920; Not Rated) posted FY15 earnings of Rp247.6bn, down 27% yoy, but came 20% above the street's expectation. In 2015, top-line down 7.5% yoy while EBIT decreased 11.7% yoy. (Kontan)

Comment: SGRO performance in 2015 is better than our plantation counters' performances, likely backed by SGRO focus in the plantation segment without exposure to the downstream business, and its net-assets position in the foreign currencies.

WIKA: Wijaya Karya (WIKA IJ; Rp 2,600; Buy) obtained new contract of Rp501.8bn to build cooking oil factory from PT Perkebunan Nusantara (PTPN) III. The factory will have 600k ton of capacity and will be built on Special Economic Zone (KEK) in Mangke, South Sulawesi. The project will include engineering and procurement & construction (EPC). With this new contract WIKA has reached 10.08% from its target of Rp52.8tn in 2016. (Bisnis Indonesia)

Markets & Sectors

Telecommunication sector: Telco operators proposed to the Government to clarify the interconnection tariff and expect a significant decline. However, the Government continues to review the interconnection tariff with indicative decline of 10% from current level of Rp250 per minute. Smaller operators such as Indosat, XL Axiata, Smartfren and 3 has voiced to lower interconnection tariff significantly to enclose the gap of on-net and off-net tariff. XL indicated that interconnection tariff should be reduced by 40%, while 3 indicated a 50% reduction is possible. Telkom decline to comment on this issue.

Comment: We think that Telkom is likely to be hurt if interconnection cost is reduced significantly since Telkom has the largest customer based which benefits the on-net users. Competitive on-net and off-net tariff will take away such advantage.

Head Office

PT INDO PREMIER SECURITIES

Wisma GKBI 7/F Suite 718

Jl. Jend. Sudirman No.28

Jakarta 10210 - Indonesia

p +62.21.5793.1168

f +62.21.5793.1167

Institutional Equity & Private Client

Benny B. Soebagjo	Head of Equities	benny.soebagjo@ipc.co.id
Angkula Ruriawan	Equity Sales	angkula.ruriawan@ipc.co.id
Alexander Salim	Equity Sales	alexander.salim@ipc.co.id
Edward Azizy	Equity Sales	edazizy@ipc.co.id
Henry Sutanto	Equity Sales	henry.sutanto@ipc.co.id
Isna Alfiathi	Equity Sales	isna.alfiathi@ipc.co.id
Angky Amarylis	Sales Trader	angky.amarylis@ipc.co.id
Thomas Samuil	Sales Trader	thomas.samuil@ipc.co.id

INVESTMENT RATINGS

BUY : Expected total return of 10% or more within a 12-month period
HOLD : Expected total return between -10% and 10% within a 12-month period
SELL : Expected total return of -10% or worse within a 12-month period

ANALYSTS CERTIFICATION.

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

DISCLAIMERS

This research is based on information obtained from sources believed to be reliable, but we do not make any representation or warranty nor accept any responsibility or liability as to its accuracy, completeness or correctness. Opinions expressed are subject to change without notice. This document is prepared for general circulation. Any recommendations contained in this document do not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is not and should not be construed as an offer or a solicitation of an offer to purchase or subscribe or sell any securities. PT. Indo Premier Securities or its affiliates may seek or will seek investment banking or other business relationships with the companies in this report.