

## Mitra Keluarga

02 November 2016

## Company Update

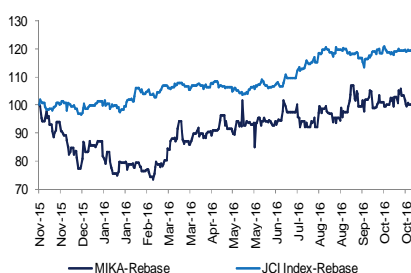
**BUY** (Hold)

## Stock Data

Target price (Rp)	Rp3,200
Prior TP (Rp)	Rp2,800
Shareprice (Rp)	Rp2,780
Upside/downside (%)	+15.1
Sharesoutstanding (m)	14,551
Marketcap. (US\$ m)	3,099
Free float (%)	18.0
Avg. 6m dailyT/O (US\$ m)	1.3

## Price Performance

	3M	6M	12M
Absolute (%)	2.2	9.9	3.2
Relative to JCI (%)	2.3	(2.4)	(18.5)
52w high/low (Rp)	2,780 - 2,030		



## Major Shareholders

Lion Investment Partners	49.7%
Griyainsani Cakrasadaya	32.3%
Public	18.0%

## Estimate Change; Vs. Consensus

	2016F	2017F
Latest EPS (Rp)	45	53
Vs. Prior EPS (%)	1.7	5.1
Vs. Consensus (%)	(0.5)	0.1

Source: Bloomberg

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## Growing healthier

- Strong patient volume growth in 9M16
- Secondary brand to enter BPJS
- New hospitals underway
- Upgrade to Buy with new TP of Rp3,200

**Strong patient volume growth in 3Q16.** MIKA's revenue increased to Rp1.8tn (+14% yoy) in 9M16 largely supported by strong admissions growth of 7.3% yoy, rather than ASP hikes. Inpatient days grew the most by 18% yoy and outpatient visits grew by 7% yoy in 9M16, while bed occupancy ratio (BOR) has improved to 66.1% (vs. 59% in 9M15). The growth of total admissions in 9M16 was still mostly driven by 10 matured hospitals, followed by positive contribution from 2 developed hospitals (Mitra Keluarga Kenjeran and Kalideres). Overall, we believe the positive 2Q16 and 3Q16 patient volume growth of 6% and 8.4% yoy indicates returning demand for private healthcare despite greater penetration from Universal Healthcare Coverage (BPJS).

**Secondary brand hospital to enter BPJS.** MIKA's management is considering establishing hospitals under a different brand (secondary brand) to serve BPJS patients following the decision not to convert hospitals under the Mitra Keluarga brand into BPJS hospitals. The second-brand hospitals may be acquired or newly built and would be located in greater Jakarta or Surabaya only. These hospitals would act as a feeder for MIKA's hospitals as these hospitals will have lower complexity of services and capacity. BPJS currently covers 170mn Indonesians and expects to cover all citizens by 2019; if fully achieved this would generate massive demand for both private and public hospitals. We also believe MIKA's expertise in expansion execution and managing hospitals would allow the company to keep up with peers despite its late entry into the industry.

**New hospitals underway.** MIKA is scheduled to open two hospitals in 4Q17 with the company holding the ground breaking in October 2016. As such, MIKA is on track to meet its target to have six new hospitals in greater Jakarta and Surabaya with more than 400 beds by 2019. The company has also secured its fifth land parcel in West Jakarta for future expansion.

**Upgrade to Buy from Hold, new TP of Rp3,200.** We raise our FY17/18 earnings forecasts by 5/8% as we expect higher volume growth and better margin from standardized procurement to help lower drug costs. We roll over our valuation base to FY17F and arrive at a new TP of Rp3,200 (vs Rp2,800 previously). Note that we do expect slightly lower margin in FY17 following two new hospital openings, but expect lighter pressure in FY18 as hospitals mature.

Year To 31 Dec	2014A	2015A	2016F	2017F	2018F
Revenue(RpBn)	1,946	2,141	2,487	2,994	3,755
EBITDA(RpBn)	627	691	816	977	1,267
EBITDA Growth (%)	14.7	10.2	18.0	19.7	29.7
Net Profit(RpBn)	519	567	670	784	1,006
EPS (Rp)	36	39	46	54	69
EPS Growth (%)	30.1	9.2	18.3	16.9	28.4
Net Gearing (%)	(54.9)	(72.8)	(68.0)	(60.2)	(55.6)
PER (x)	77.7	71.1	60.1	51.4	40.0
PBV (x)	22.8	12.3	11.7	11.0	10.2
Dividend Yield (%)	0.7	1.2	1.3	1.5	1.8
EV/EBITDA (x)	62.9	55.0	46.7	39.2	30.2

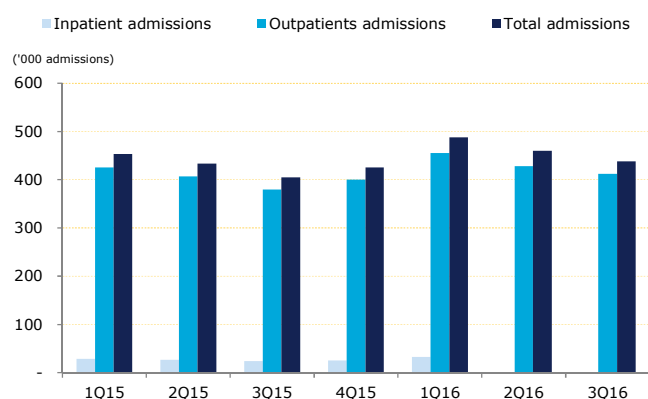
Source : MIKA, IndoPremier

Share Price Closing as of : 01-November-2016

Refer to Important disclosures on the last of this report

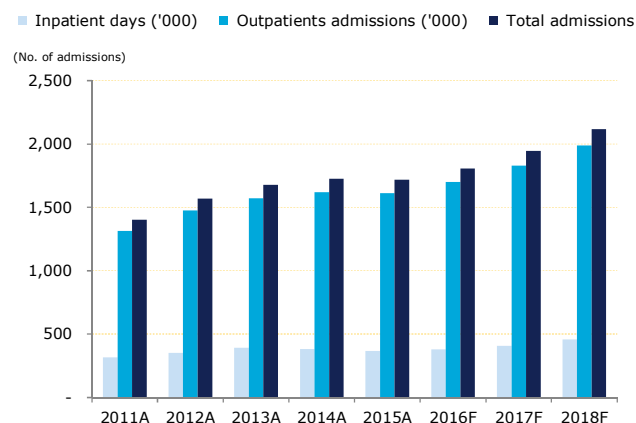
## MIKA Company Update

**Fig. 1: Quarterly patient admission**



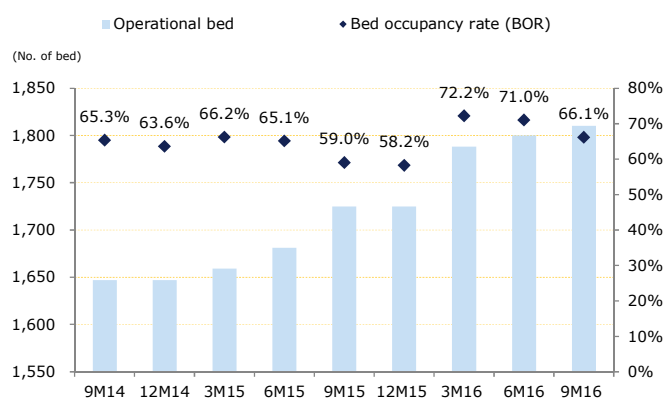
Source: MIKA, IndoPremier

**Fig. 2: Total admission to grow at CAGR 7.3% 2015-18F**



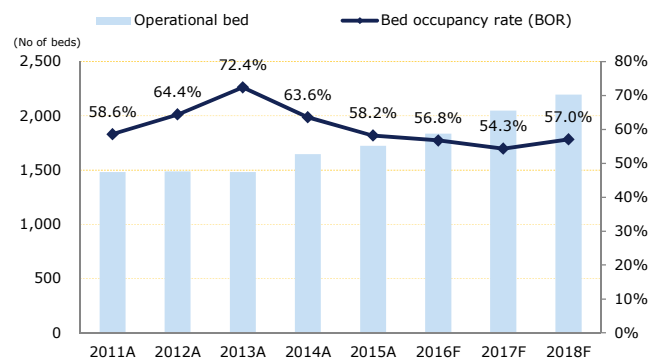
Source: MIKA, IndoPremier

**Fig. 3: Quarterly operational bed and BOR**



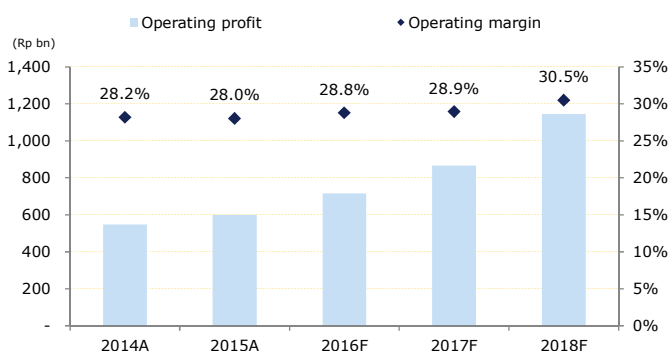
Source: MIKA, IndoPremier

**Fig. 4: Operational bed and BOR forecasts**



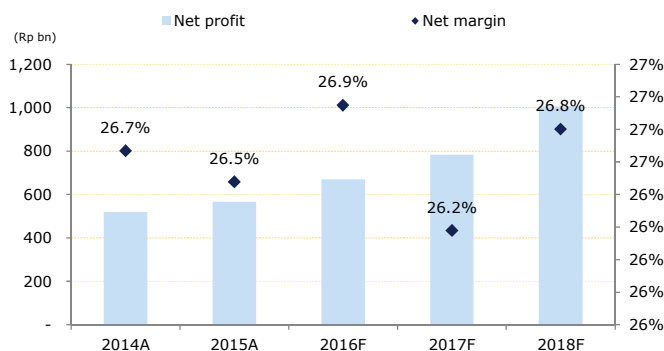
Source: MIKA, IndoPremier

**Fig. 5: Operating profit and margin forecasts**



Source: MIKA, IndoPremier

**Fig. 6: Net profit and margin forecast**



Source: MIKA, IndoPremier

## MIKA Company Update

**Fig. 7 earnings forecast and changes**

	2016			2017			2018		
	Old	New	Diff.	Old	New	Diff.	Old	New	Diff.
Revenue	2,476.0	2,487.3	0.5%	2,907.0	2,993.6	3.0%	3,540.0	3,755.2	6.1%
Gross profit	1,115.0	1,144.3	2.6%	1,309.0	1,370.0	4.7%	1,593.0	1,744.2	9.5%
Operating profit	701.0	715.6	2.1%	836.0	866.0	3.6%	1,044.0	1,145.1	9.7%
Net profit	659.0	670.3	1.7%	746.0	783.7	5.1%	923.0	1,006.4	9.0%
GPM	45.0%	46.0%		45.0%	45.8%		45.0%	46.4%	
OM	28.3%	28.8%		28.8%	28.9%		29.5%	30.5%	
NPM	26.6%	26.9%		25.7%	26.2%		26.1%	26.8%	

Source: MIKA, IndoPremier

## MIKA Company Update

Year To 31 Dec (RpBn)	2014A	2015A	2016F	2017F	2018F
<b>Income Statement</b>					
Net Revenue	1,946	2,141	2,487	2,994	3,755
Cost of Sales	(1,081)	(1,168)	(1,343)	(1,624)	(2,011)
Gross Profit	865	972	1,144	1,370	1,744
SG&A Expenses	(317)	(372)	(429)	(504)	(599)
Operating Profit	548	600	716	866	1,145
Net Interest	80	135	157	154	166
Forex Gain (Loss)	2	3	0	0	0
Others-Net	40	2	2	2	3
Pre-Tax Income	669	740	875	1,023	1,314
Income Tax	(133)	(151)	(179)	(209)	(269)
Minorities	(17)	(22)	(26)	(30)	(38)
Net Income	519	567	670	784	1,006
<b>Balance Sheet</b>					
Cash & Equivalent	970	2,387	2,349	2,198	2,205
Receivable	148	162	184	225	281
Inventory	39	38	49	57	70
Other Current Assets	33	33	41	48	60
Total Current Assets	1,190	2,621	2,623	2,527	2,616
Fixed Assets - Net	771	884	1,088	1,411	1,695
Goodwill	0	0	0	0	0
Non Current Assets	162	158	191	238	284
Total Assets	2,169	3,720	3,968	4,253	4,694
ST Loans	0	0	0	0	0
Payable	65	66	0	98	121
Other Payables	141	139	158	189	231
Current Portion of LT Loans	0	0	0	0	0
Total Current Liab.	205	206	244	287	352
Long Term Loans	0	0	0	0	0
Other LT Liab.	195	235	271	318	378
Total Liabilities	400	441	515	605	730
Equity	843	2,055	2,055	2,055	2,055
Retained Earnings	864	1,140	1,297	1,474	1,770
Minority Interest	61	83	101	119	138
Total SHE + Minority Int.	1,769	3,279	3,453	3,648	3,964
Total Liabilities & Equity	2,169	3,720	3,968	4,253	4,694

Source : MIKA,IndoPremier

## MIKA Company Update

Year to 31 Dec	2014A	2015A	2016F	2017F	2018F
<b>Cash Flow</b>					
Net Income (Excl.Extraordinary&Min.Int)	536	588	696	814	1,045
Depr. & Amortization	70	86	108	132	160
Changes in Working Capital	(45)	(8)	(1)	(15)	(20)
Others	(122)	(16)	(153)	(148)	(157)
Cash Flow From Operating	439	650	649	783	1,028
Capital Expenditure	(304)	(196)	(344)	(502)	(490)
Others	95	145	167	164	176
Cash Flow From Investing	(209)	(50)	(177)	(337)	(314)
Loans	(50)	0	0	0	0
Equity	0	1,208	0	0	0
Dividends	(291)	(470)	(513)	(607)	(710)
Others	(2)	15	7	8	9
Cash Flow From Financing	(343)	754	(506)	(599)	(700)
Changes in Cash	(113)	1,353	(34)	(153)	13
<b>Financial Ratios</b>					
Gross Margin (%)	44.4	45.4	46.0	45.8	46.4
Operating Margin (%)	28.2	28.0	28.8	28.9	30.5
Pre-Tax Margin (%)	34.4	34.6	35.2	34.2	35.0
Net Margin (%)	26.7	26.5	26.9	26.2	26.8
ROA (%)	24.1	19.3	17.4	19.1	22.5
ROE (%)	29.6	22.5	19.9	22.1	26.4
ROIC (%)	35.6	29.0	25.6	27.6	32.2
Acct. Receivables TO (days)	23.2	22.8	22.0	22.0	21.4
Acct. Receivables - Other TO (days)	2.2	3.6	3.4	3.0	3.2
Inventory TO (days)	27.5	30.3	30.9	30.9	31.9
Payable TO (days)	23.7	20.5	20.7	20.7	19.9
Acct. Payables - Other TO (days)	6.5	7.8	7.0	6.8	6.9
Debt to Equity (%)	0.0	0.0	0.0	0.0	0.0
Interest Coverage Ratio (x)	0.0	0.0	0.0	0.0	0.0
Net Gearing (%)	(54.9)	(72.8)	(68.0)	(60.2)	(55.6)

Source : MIKA,IndoPremier

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**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.**

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