

Prodia Widyahusada (PRDA IJ)

09 May 2017

Results note

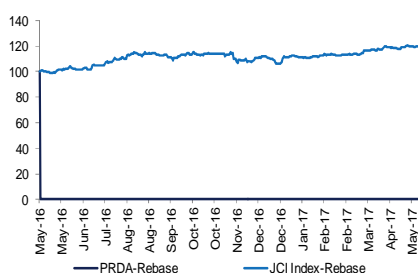
BUY (Unchanged)

Stock Data

Target price (Rp)	Rp7,500
Prior TP (Rp)	Rp7,500
Shareprice (Rp)	Rp4,500
Upside/downside (%)	+66.7
Sharesoutstanding (m)	938
Marketcap. (US\$ m)	317
Free float (%)	19.6
Avg. 6m dailyT/O (US\$ m)	0.1

Price Performance

	3M	6M	12M
Absolute (%)	-15.9	-31.8	-31.8
Relative to JCI (%)	-22.1	-40.2	-40.2
52w high/low (Rp)	6,600 - 4,300		



Major Shareholders

PT Prodia Utama	60.8%
Bio Majesty Pte Ltd	19.2%
Public	19.6%

Estimate Change; Vs. Consensus

	2017F	2018F
Latest EPS (Rp)	129	160
Vs. Prior EPS (%)	0.0	0.0
Vs. Consensus (%)	(6.6)	(3.2)

Source: Bloomberg

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Off to a good start

- **In-line 1Q17 net profit (+34% yoy) boosted by interest income**
- **Better service in BPJS to benefit Prodia**
- **Strong execution and on-track network outlet expansion**
- **Maintain earnings and TP at Rp7,500**

In-line 1Q17 net profit boosted by interest income. Prodia (PRDA) booked net profit of Rp32bn (+34% yoy) in 1Q17, in-line with ours and consensus with 27/25% achievement. Net margin expanded to 9.7% from 7.8% in 1Q16, boosted by strong operating profit (+23% yoy) from higher interest income on IPO proceed. 1Q17 revenue increased 7% yoy with main contributor from doctor referral (37%), walk in customer (33%) and external referral (18%). Company also saw higher esoteric test of 3.3% from total volume in 1Q17 (vs. 3% in FY16), accounting for 14% of revenue (vs. 13% in FY16). On the other hand, gross margin slightly declined by 44bps to 57.9% due to rising salary on COGS from opening of new labs.

Better service in BPJS to benefit Prodia. Indonesia's universal healthcare system (BPJS) is getting better in service, which encourage middle income earners to use BPJS to fill their healthcare needs. To capture this opportunity, Prodia has established corporation with BPJS clinics in Mid Java as referral lab for routine test. Although price was notably lower (discount 10-20%) from normal price, Prodia is expecting large volume from BPJS to help company gaining scale and increase its profitability. Moving forward, company is also expecting execution of Coordination of Benefit (COB) to further increase patient volume through external reference.

Strong execution and on-track network outlet expansion. PRDA has opened 4 Prodia healthcare clinic (PHC), seven point of care (POC) and two hospital labs, bringing total operational outlets to 268 in 1Q17 (vs. 259 in FY16). Company has also prepared 5-7 sites in Greater Jakarta, East Java and Papua for outlet expansions and now waiting for license approval before commencing the operation. Note that all licenses are currently on track, therefore poses little execution risk. Hence we expect more labs opening in second half of the year which company is committed to deliver a reference regional lab in Medan, 5-7 clinical labs, 20 points of care (POC), 5 new hospitals and specialty clinics this year.

Maintain earnings and TP at Rp7,500. We maintain our BUY call and TP at Rp7,500/share unchanged given 1Q17 solid result with strong execution in expansion plan. Further upside may also come from second half of the year which company usually has stronger seasonality due to corporate check-ups. We believe extensive network will allow company to have deeper penetration into society, thus helping company to grow its top line and translate to better profitability margins.

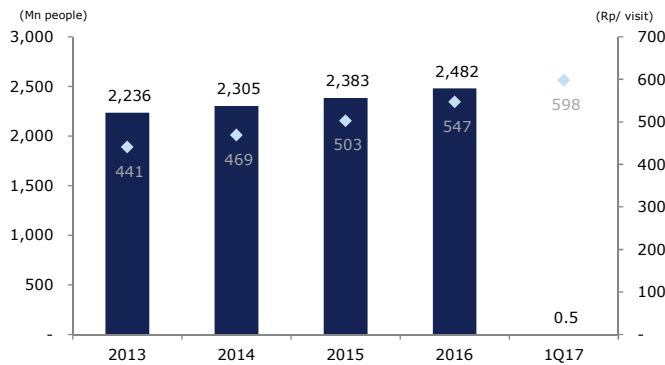
Year To 31 Dec	2015A	2016A	2017F	2018F	2019F
Revenue (RpBn)	1,199	1,359	1,526	1,766	2,051
EBITDA (RpBn)	128	161	190	263	349
EBITDA Growth (%)	10.6	25.9	18.4	37.9	33.0
Net Profit (RpBn)	60	88	121	150	196
EPS (Rp)	64	94	129	160	209
EPS Growth (%)	8.9	46.4	36.7	24.2	30.7
Net Gearing (%)	23.8	(84.5)	(31.1)	(18.8)	(22.9)
PER (x)	70.0	47.9	35.0	28.2	21.6
PBV (x)	33.4	3.3	2.9	2.7	2.5
Dividend Yield (%)	2.4	1.8	0.5	0.9	1.1
EV/EBITDA (x)	32.8	32.9	24.5	17.2	13.2

Source : PRDA, IndoPremier

Share Price Closing as of : 8-May-2017

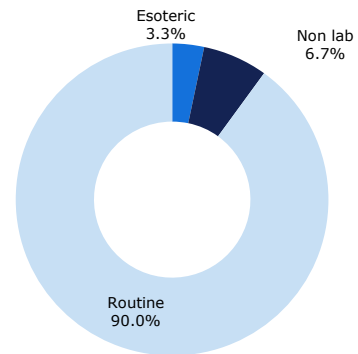
PRDA Results Note

Fig. 1: Historical patient volume and revenue per visit



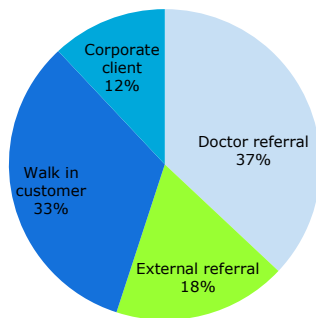
Source: PRDA, Indo Premier

Fig. 2: higher esoteric test compared to FY16



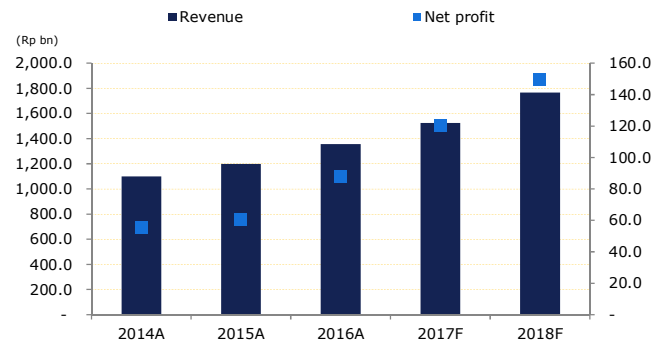
Source: PRDA, Indo Premier

Fig. 3: 1Q17 revenue split



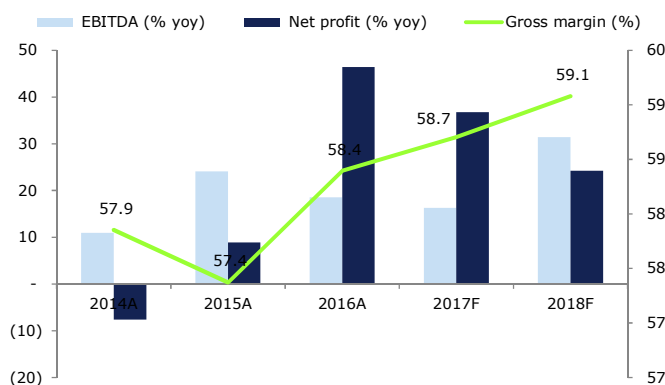
Source: PRDA, Indo Premier

Fig. 4: Revenue and net profit forecast



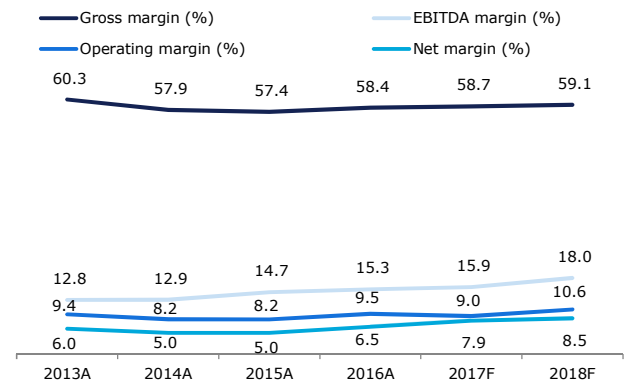
Source: PRDA, Indo Premier

Fig. 5: Strong EBITDA growth



Source: PRDA, Indo Premier

Fig. 6: Solid PRDA's margins



Source: PRDA, Indo Premier

PRDA Results Note

Fig. 7: 1Q17 earnings result

(Rp bn)	3M17	3M16	YoY	% of ours	% of consensus
Revenue	331.6	311.4	6.5%	22%	22%
Gross profit	191.9	181.6	5.7%	21%	21%
EBITDA	52.0	50.0	4.0%	21%	23%
Operating profit	41.8	34.0	22.8%	30%	30%
Net income	32.3	24.2	33.8%	27%	25%
<i>Gross margin</i>	<i>57.9%</i>	<i>58.3%</i>			
<i>EBITDA margin</i>	<i>15.7%</i>	<i>16.1%</i>			
<i>Operating margin</i>	<i>12.6%</i>	<i>10.9%</i>			
<i>Net margin</i>	<i>9.7%</i>	<i>7.8%</i>			

Source: PRDA, Indo Premier

PRDA Results Note

Year To 31 Dec (RpBn)	2015A	2016A	2017F	2018F	2019F
Income Statement					
Net Revenue	1,199	1,359	1,526	1,766	2,051
Cost of Sales	(511)	(565)	(630)	(723)	(837)
Gross Profit	688	793	896	1,044	1,215
SG&A Expenses	(607)	(676)	(760)	(856)	(971)
Operating Profit	81	117	136	187	244
Net Interest	(19)	(9)	35	21	18
Forex Gain (Loss)	0	0	0	0	0
Others-Net	15	12	2	(1)	(1)
Pre-Tax Income	78	120	172	208	261
Income Tax	(18)	(32)	(52)	(58)	(65)
Minorities	0	0	0	0	0
Net Income	60	88	121	150	196
Balance Sheet					
Cash & Equivalent	45	1,177	524	356	442
Receivable	78	114	104	121	140
Inventory	26	19	27	31	36
Other Current Assets	47	75	68	77	87
Total Current Assets	196	1,385	724	585	706
Fixed Assets - Net	196	226	611	879	907
Goodwill	0	0	0	0	0
Non Current Assets	125	140	560	589	622
Total Assets	578	1,824	1,940	2,089	2,279
ST Loans	1	23	26	31	35
Payable	43	40	0	29	33
Other Payables	82	107	83	93	104
Current Portion of LT Loans	19	23	17	17	2
Total Current Liab.	145	193	151	169	174
Long Term Loans	55	61	33	16	15
Other LT Liab.	251	303	318	352	387
Total Liabilities	452	557	502	537	577
Equity	41	1,169	1,241	1,241	1,241
Retained Earnings	85	98	197	310	461
Minority Interest	0	0	0	0	0
Total SHE + Minority Int.	126	1,267	1,438	1,552	1,703
Total Liabilities & Equity	578	1,824	1,940	2,089	2,279

Source : PRDA, IndoPremier

PRDA Results Note

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
Cash Flow					
Net Income (Excl.Extraordinary&Min.Int)	60	88	121	150	196
Depr. & Amortization	(16)	36	55	75	105
Changes in Working Capital	(12)	(20)	(39)	(19)	(23)
Others	53	65	(3)	28	12
Cash Flow From Operating	85	169	133	234	290
Capital Expenditure	93	(81)	(860)	(373)	(165)
Others	1	1	39	25	20
Cash Flow From Investing	94	(80)	(821)	(348)	(145)
Loans	(91)	32	(30)	(13)	(12)
Equity	25	1,147	72	0	0
Dividends	(100)	(75)	(22)	(36)	(45)
Others	(21)	(29)	(4)	(3)	(3)
Cash Flow From Financing	(187)	1,074	16	(52)	(59)
Changes in Cash	(8)	1,163	(672)	(166)	86
Financial Ratios					
Gross Margin (%)	57.4	58.4	58.7	59.1	59.2
Operating Margin (%)	6.8	8.6	8.9	10.6	11.9
Pre-Tax Margin (%)	6.5	8.8	11.3	11.8	12.7
Net Margin (%)	5.0	6.5	7.9	8.5	9.5
ROA (%)	9.9	7.3	6.4	7.4	9.0
ROE (%)	46.2	12.7	8.9	10.0	12.0
ROIC (%)	24.3	11.3	11.0	11.1	12.8
Acct. Receivables TO (days)	23.3	25.8	26.1	23.3	23.3
Acct. Receivables - Other TO (days)	0.0	0.0	0.0	0.0	0.0
Inventory TO (days)	22.5	25.2	27.1	24.6	24.8
Payable TO (days)	26.3	26.9	19.0	13.6	13.5
Acct. Payables - Other TO (days)	0.0	0.0	0.0	0.0	0.0
Debt to Equity (%)	59.4	8.4	5.3	4.1	3.0
Interest Coverage Ratio (x)	0.2	0.1	0.0	0.0	0.0
Net Gearing (%)	23.8	(84.5)	(31.1)	(18.8)	(22.9)

Source : PRDA, 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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