

Siloam Int'l Hospitals_(SILO IJ)

07 March 2016

Results Note

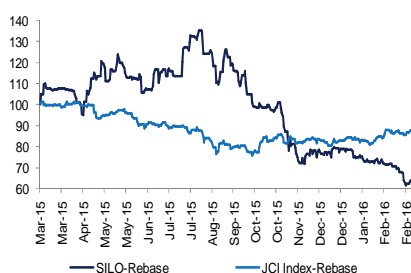
BUY (Unchanged)

StockData

Target price (Rp)	Rp11,900
Prior TP (Rp)	Rp12,650
Shareprice (Rp)	Rp7,875
Upside/downside (%)	+51.1
Sharesoutstanding (m)	1,162
Marketcap. (US\$ m)	696
Free float (%)	2,920.0
Avg. 6m dailyT/O (US\$ m)	2.8

Price Performance

	3M	6M	12M
Absolute (%)	(17.3)	(47.3)	(41.6)
Relative to JCI (%)	(24.5)	(59.5)	(30.6)
52whigh/low (Rp)	7,875 - 7,700		



Major Shareholders

LippoKarawaci	70.8%
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Estimate Change; Vs. Consensus

	2016F	2017F
Latest EPS (Rp)	98.0	145.0
Vs. Prior EPS (%)	(8.4)	(6.4)
Vs. Consensus (%)	(7.0)	(1.0)

Source: Bloomberg

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Challenges persist

- **Modest FY15 revenue and operational improvement**
- **...but weak earnings due to higher non-operating expenses**
- **Additional hospitals are underway**
- **Maintain Buy with lower TP of Rp11,900**

Strong FY15 revenue and operational improvement. Siloam International (SILO) booked strong revenue growth of 24% yoy to Rp4.1tn in 2015, which is 4% above our estimates. Although there were no openings of new hospitals last year, mature hospitals were able to maintain 59% contribution to revenue, while new and developing ones took on the remaining portion. Admissions volumes for inpatients recovered in 4Q15, growing at 13.6% yoy (vs. -3.6% in 3Q15, -3.3% in 2Q15) with revenue of Rp2.6tn. Similarly, outpatient intake volume has shown an improvement, increasing 11.1% in the last quarter (vs -2.5% in 3Q15). Operating expenses increased 25% yoy to Rp965bn in FY15, slightly lowering operating margin by 31 bps to 5.1%.

...weak earnings due to rising non-operating expenses. However, SILO's net profit declined and was 12% below our forecast. The weak performance was caused by non operating expenses that soared 34% yoy and also higher net interest expense (+60% yoy). Hence net margin was compressed 45bps to 1.7% (vs. 2.2% in 2015).

Additional hospitals are underway. SILO opened one hospital in Labuan Bajo early this year, a good start to the year. The company is still waiting for the delayed license for its Jogjakarta hospital but it is highly likely the permit will be released this year. Other sites in construction include Sorong, Jember, Bangka and Lubuk Linggau. The company is also preparing for its initial construction in Panakukang, Semarang, Bandung, Ambon, Cempaka Putih. We think our conservative target of four hospitals this year is achievable given Bogor and Bau Bau hospitals are close to its completion and might be operational this year.

Maintain BUY with lower TP of Rp11,900. We cut our FY16/17F earnings forecasts by 8%/6% and EBITDA growth of CAGR 31% 2015-18F as we assume more conservative growth on operational metrics and also higher non-operating income. We maintain our BUY rating on SILO and revise down our target price to Rp11,900 (vs. Rp12,650 previously). Our target price implies EV/EBITDA of 17.8x FY16F, which is below its domestic peer Mitra Keluarga (MIKA IJ; Rp2,175; Not Rated) at 34.7x. SILO's long-term story and fundamentals remain intact, in our view, considering on-track expansion plans and nine potential development sites that have been prepared by the company.

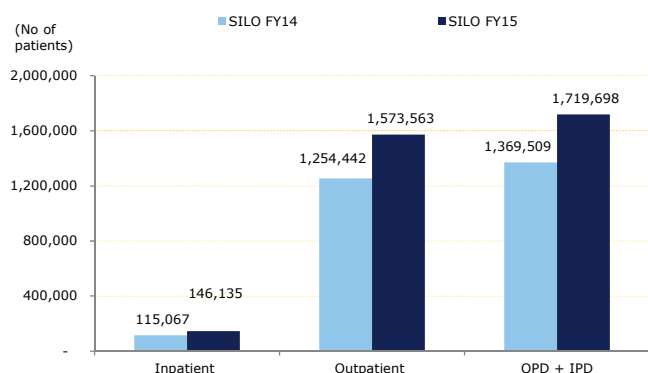
Year To 31 Dec	2014A	2015A	2016F	2017F	2018F
Revenue (RpBn)	3,341	4,144	5,500	7,507	10,141
EBITDA (RpBn)	448	548	695	835	1,244
EBITDA Growth (%)	60.8	22.5	26.7	20.2	49.0
Net Profit (RpBn)	72	94	114	169	257
EPS (Rp)	62	81	98	145	221
EPS Growth (%)	44.1	30.3	21.9	47.8	52.4
Net Gearing (%)	(14.1)	(7.3)	(25.0)	(36.1)	(45.0)
PER (x)	128.6	98.7	81.0	54.8	36.0
PBV (x)	5.6	5.3	5.0	4.6	4.1
Dividend Yield (%)	0.0	(0.1)	(0.1)	(0.1)	(0.2)
EV/EBITDA (x)	21.2	17.1	14.0	11.9	8.2

Source : SILO,IndoPremier

Share Price Closing as of : 04-March-2016

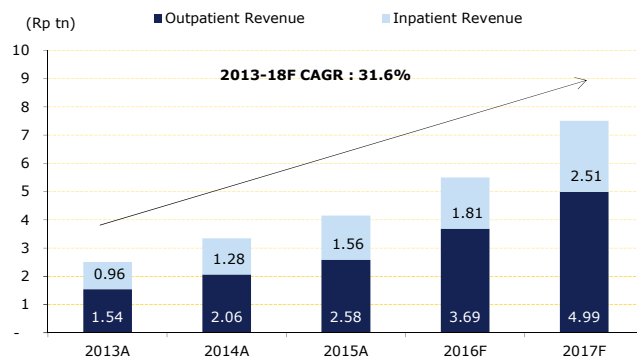
SILO Results Note

Fig. 1: SILO's patients FY15



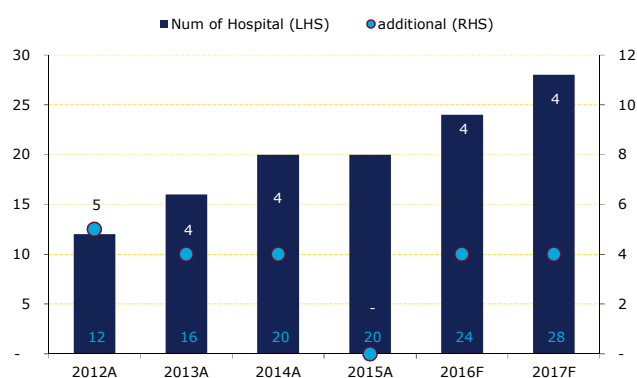
Source: SILO

Fig. 2: Revenue breakdown 2013-17F



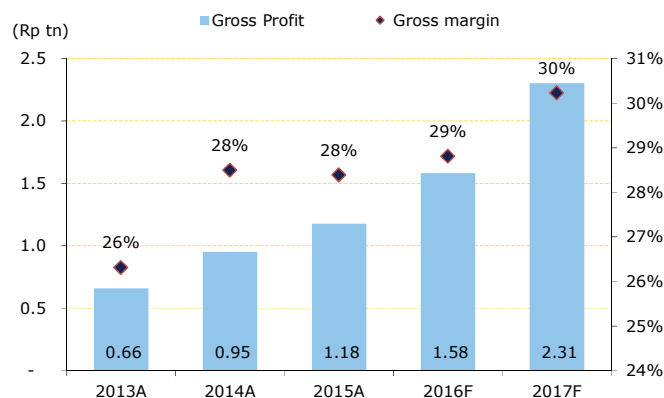
Source: SILO, Indo Premier

Fig. 3: Estimated additional hospitals



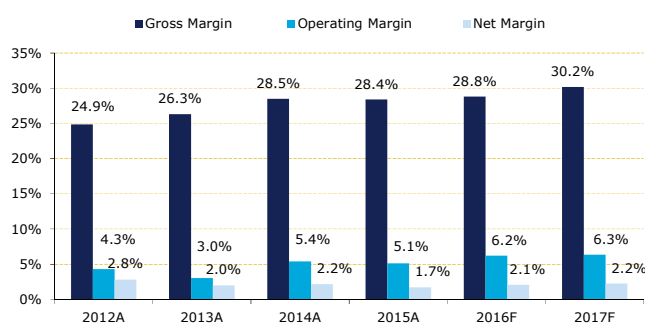
Source: SILO, Indo Premier

Fig. 4: Gross profit to grow at CAGR 36.2% 2013-17F



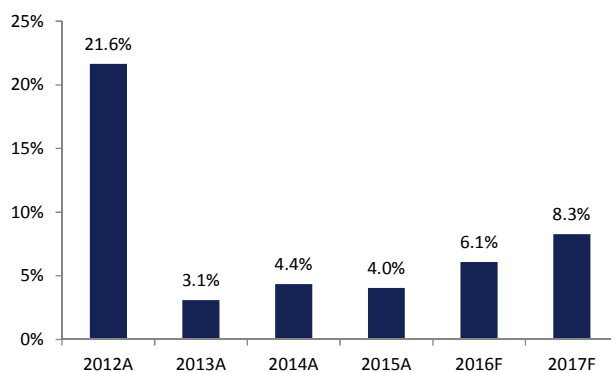
Source: SILO, Indo Premier

Fig. 5: Margin keeps getting healthier



Source: SILO, Indo Premier

Fig. 6: ROE 2012-2017F



Source: SILO, Indo Premier

SILO Results Note

Fig. 7: 4Q15 result

	FY15	FY14	YoY (%)	4Q15	3Q15	QoQ (%)	Ours	Achiev.	Consensus	Achiev.
Revenue	4,144.1	3,340.8	24%	1,131.0	1,026.2	10%	3,992.0	104%	4,106.0	101%
Gross profit	1,176.5	952.1	24%	320.1	290.4	10%	1,088.0	108%	1,157.9	102%
Opex	(965.3)	(771.6)	25%	(270.7)	(265.2)	2%				
Operating profit	211.2	180.5	17%	49.4	25.2	96%	197.0	107%	199.4	106%
Net intinc (exp)	(35.3)	(22.0)	60%	(14.4)	(13.0)	11%				
Other income	(70.2)	(52.6)	34%	(32.3)	(4.7)	583%				
Pretax profit	105.8	105.9	0%	(5.9)	5.8	-202%				
Net profit	70.4	71.8	-2%	(0.0)	8.3	-100%	80.0	88%	85.1	83%

Margins	FY15	FY14		4Q15	3Q15		FY15		Cons
Gross margin	28.4%	28.5%		28.3%	28.3%		27.3%		28.2%
Operating margin	5.1%	5.4%		4.4%	2.5%		4.9%		4.9%
Pretax margin	2.6%	3.2%		-0.5%	0.6%				
Net profit	1.7%	2.2%		0.0%	0.8%		2.0%		2.1%

Source: SILO, Indo Premier

Fig. 8: Changes in earnings forecast

Year to Dec 31	(old)			(new)			(%) change		
	2015A	2016F	2017F	2015F	2016F	2017F	2015F	2016F	2017F
Revenue	4,144	5,378	7,478	4,144	5,500	7,507	0.0%	2.3%	0.4%
Gross profit	1,177	1,554	2,270	1,177	1,584	2,266	0.0%	2.0%	-0.2%
Operating profit	211	325	493	211	341	474	0.0%	4.9%	-3.8%
Net profit	70	124	181	70	114	169	0.0%	-8.0%	-6.9%

<i>Margins</i>									
Gross profit margin	28.4%	28.9%	30.4%	28.4%	28.8%	30.2%			
EBIT Margin	5.1%	6.0%	6.6%	5.1%	6.2%	6.3%			
Net profit margin	1.7%	2.3%	2.4%	1.7%	2.1%	2.2%			

Source: SILO, Indo Premier

SILO Results Note

Year To 31 Dec (RpBn)	2014A	2015A	2016F	2017F	2018F
Income Statement					
Net Revenue	3,341	4,144	5,500	7,507	10,141
Cost of Sales	(2,389)	(2,968)	(3,916)	(5,241)	(6,931)
Gross Profit	952	1,177	1,584	2,266	3,210
SG&A Expenses	(772)	(965)	(1,244)	(1,791)	(2,326)
Operating Profit	180	211	341	474	884
Net Interest	(22)	(12)	(49)	(92)	(68)
Forex Gain (Loss)	0	0	0	0	0
Others-Net	(53)	(70)	(132)	(142)	(445)
Pre-Tax Income	106	129	160	241	371
Income Tax	(37)	(44)	(56)	(84)	(130)
Minorities	3	9	10	12	15
Net Income	72	94	114	169	257
Balance Sheet					
Cash & Equivalent	280	160	589	839	1,072
Receivable	393	575	673	951	1,312
Inventory	106	140	190	252	343
Other Current Assets	62	81	99	131	175
Total Current Assets	841	956	1,552	2,173	2,902
Fixed Assets - Net	1,589	1,553	1,428	1,234	1,000
Goodwill	0	0	0	0	0
Non Current Assets	401	454	415	390	394
Total Assets	2,844	2,986	3,430	3,850	4,377
ST Loans	4	2	6	8	10
Payable	193	255	0	378	455
Other Payables	269	365	504	610	776
Current Portion of LT Loans	12	7	12	50	50
Total Current Liab.	478	630	830	1,046	1,291
Long Term Loans	31	23	106	56	6
Other LT Liab.	682	593	629	738	845
Total Liabilities	1,190	1,246	1,565	1,839	2,142
Equity	1,380	1,380	1,407	1,407	1,407
Retained Earnings	269	364	472	629	869
Minority Interest	5	(4)	(14)	(26)	(41)
Total SHE + Minority Int.	1,654	1,740	1,865	2,010	2,235
Total Liabilities & Equity	2,844	2,986	3,430	3,850	4,377

Source : SILO,IndoPremier

SILO Results Note

Year to 31 Dec	2014A	2015A	2016F	2017F	2018F
Cash Flow					
Net Income (Excl.Extraordinary&Min.Int)	69	85	104	157	241
Depr. & Amortization	319	334	354	361	360
Changes in Working Capital	(44)	(77)	(19)	(167)	(243)
Others	57	41	99	252	156
Cash Flow From Operating	402	383	539	603	515
Capital Expenditure	(623)	(351)	(190)	(142)	(131)
Others	15	5	8	9	13
Cash Flow From Investing	(607)	(346)	(182)	(133)	(118)
Loans	(13)	(14)	91	(10)	(47)
Equity	0	0	2	0	0
Dividends	0	6	7	11	17
Others	(69)	(100)	(53)	(124)	(108)
Cash Flow From Financing	(82)	(107)	48	(124)	(138)
Changes in Cash	(287)	(70)	405	346	258
Financial Ratios					
Gross Margin (%)	28.5	28.4	28.8	30.2	31.7
Operating Margin (%)	5.4	5.1	6.2	6.3	8.7
Pre-Tax Margin (%)	3.2	3.1	2.9	3.2	3.7
Net Margin (%)	2.2	2.3	2.1	2.2	2.5
ROA (%)	2.6	3.2	3.6	4.6	6.2
ROE (%)	4.4	5.5	6.3	8.7	12.1
ROIC (%)	5.2	5.7	6.5	8.5	12.0
Acct. Receivables TO (days)	0.3	0.6	0.8	0.8	0.8
Acct. Receivables - Other TO (days)	35.9	42.0	40.7	38.7	39.9
Inventory TO (days)	23.8	24.1	23.7	23.7	23.3
Payable TO (days)	27.3	27.5	26.2	23.9	21.9
Acct. Payables - Other TO (days)	0.0	0.0	0.0	0.0	0.0
Debt to Equity (%)	2.8	1.9	6.6	5.6	2.9
Interest Coverage Ratio (x)	0.2	0.1	0.2	0.2	0.1
Net Gearing (%)	(14.1)	(7.3)	(25.0)	(36.1)	(45.0)

Source : SILO, IndoPremier

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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

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