

### Neutral

Current Price	2,000
2017E P/E	42.8
Target Price	2,050
2017E P/E	43.9

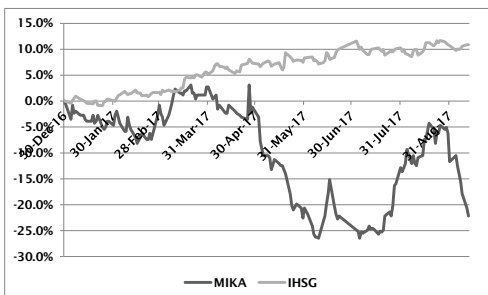
#### Trade, Healthcare

52-week-High	2,950
52-week-Low	1,850
Mkt Cap (Rp tn)	29.1
Mkt Cap (US\$ bn)	2.2
USDIDR	13,210
Daily avg vol ('000 shares)	10,162
Daily avg val (Rp bn)	21.7
Daily avg val (US\$ mn)	1.6

#### Major Shareholders (%):

PT. Griyainsani	
Cakrasadaya	60
Public and others	40

#### Relative performance vs IHSG:



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### Expanding with horizontal acquisition

Despite the potential rise in revenue after acquiring PT. Rumah Kasih Indonesia (Kasih Group, RKI), we see the overall profitability of MIKA Group will drop after the acquisition, because the current EBITDA Margin of RKI is only 12.9%, compared to MIKA 37.3%. RKI's revenue contribution to MIKA is estimated to be only 5-6% this year, that are expected to increase to 10% in the next 3-5 years by the management.

#### Investment Risks

1) Slowing growth in patient volume 2) Increased competition from competitors like Siloam, Hermina, and several State Hospitals that are also expanding and operating in the same region. Currently there are more than 200 hospitals in Greater Jakarta that are also serving JKN patients.

**In the positive side**, we see MIKA's financial position is very healthy with no debts and significantly larger cash compare to liabilities. Being part of Kalbe Farma Group can also guarantee the company's upstream business.

#### Financial Performance 1H2017

Revenue declined 2% yoy to Rp1.23 tn from Rp1.26 tn in the same period of the previous year, due to the holiday effect, where the patient volume decreased however the average income per patient still increased. Net income fell 5.5% to Rp365 bn from Rp386 bn. EBITDA fell 3% to Rp461 bn from Rp476 bn.

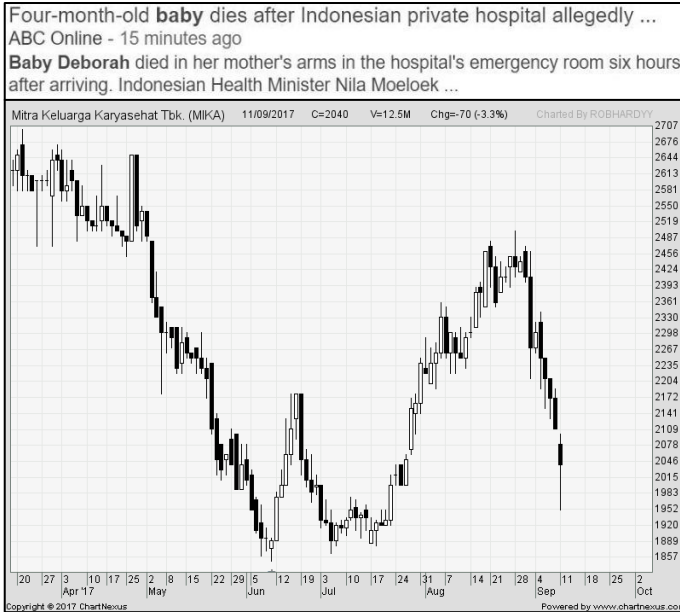
#### Valuation and Recommendation: Neutral, TP 2050

At current price (2000), MIKA shares are traded at 43x P/E, compared to SAME (34x), SILO (143x), SRAJ (-25x).

#### Corporate Overview and Recent Actions

MIKA has 12 hospitals with a capacity of 2000+ beds, which has been operating for more than 25 years and is listed on the IDX since March 2015. It is currently in the process of constructing two more hospitals in Tangerang and Bintaro, each targeting completion in the first and third quarters of 2018.

The huge growth potential of National Healthcare service users (JKN, BPJS Kesehatan), pushed the company to expand with its latest acquisition plan of PT. Rumah Kasih Indonesia (Kasih Group, RKI), which is the holding of 7 Public Hospitals and Mother & Child Hospital, which provide JKN services with a capacity of 500+ beds. The Kasih Group is also owned by Jozef Darmawan Angkasa (President Commissioner of MIKA), along with his two siblings; Stanley Handiono Angkasa, and Ronny Hadiana. The acquisition process worth Rp342.6 bn is scheduled for completion in early October-2017, in which MIKA will become the owner of 70% of RKI shares, which in 2016 has revenue of Rp155 bn, EBITDA of Rp20 bn, and positive growth in the last 2 years. The remaining 30% shares will still be owned by Jozef Darmawan Angkasa and brothers.



*MIKA's share price has fallen by more than 20% since the widespread news about the failure of the company to save the life of a baby patient who is a participant of JKN program. It also triggered a series of legal inquiries from several authorities.*



**PT. Griyainsani Cakrasadaya**



*MIKA is a part of Kalbe Farma Group, that completes its pharmaceuticals and healthcare business line.*

#### Mitra Keluarga Hospitals location:

- Greater Jakarta (Kemayoran, East Bekasi, West Bekasi, Kelapa Gading, Cikarang, Depok, Cibubur, Kalideres).
- Surabaya (Satelit Indah, Waru, Kenjeran).
- Central Java (Tegal).

#### Kasih Group Hospitals location:

- Greater Jakarta (Pondok Gede, Ciputat, Kramat Jati).
- West Java (Karawang, Sukabumi (2), Cirebon).

#### Income Statement

(bn Rp)	2016A	2017E	2018E	2019E
<b>Revenue</b>	<b>2,435.5</b>	<b>2,610.9</b>	<b>2,760.9</b>	<b>2,910.9</b>
<b>Gross Profit</b>	<b>1,155.8</b>	<b>1,173.8</b>	<b>1,213.6</b>	<b>1,265.0</b>
Selling expenses	28.0	30.2	34.7	39.5
G&A expenses	396.1	442.6	470.8	499.3
Finance income	162.7	151.8	155.0	160.0
Finance costs	12.1	12.0	11.0	10.0
Other income	19.5	38.3	40.0	42.0
Other expenses	5.5	1.7	2.7	3.7
<b>EBT</b>	<b>896.3</b>	<b>877.3</b>	<b>889.4</b>	<b>914.5</b>
Tax	(175.6)	(175.5)	(177.9)	(182.9)
<b>EAT</b>	<b>720.7</b>	<b>701.8</b>	<b>711.5</b>	<b>731.6</b>
<b>Net Income</b>	<b>695.4</b>	<b>679.4</b>	<b>688.7</b>	<b>708.2</b>
Min interest	25.3	22.5	22.8	23.4
EPS	47.8	46.7	47.3	48.7
Current Price		<b>2,000</b>		
P/E		42.8		
Target Price		<b>2,050</b>		
P/E		43.9		
<b>Ratio &amp; Margin:</b>	<b>2016A</b>	<b>2017E</b>	<b>2018E</b>	<b>2019E</b>
Revenue growth	13.8%	7.2%	5.7%	5.4%
Gross Profit margin	47.5%	45.0%	44.0%	43.5%
Net Profit margin	28.6%	26.0%	24.9%	24.3%
Net Profit growth	22.7%	-2.3%	1.4%	2.8%
ROA	16.7%	13.6%	13.4%	13.4%
ROE	19.1%	17.4%	17.3%	17.6%
Total Debt	-	-	-	-
BVPS	250	269	273	277

#### Balance Sheet

	2016A	2017E	2018E	2019E
Cash and cash equivalents	1,421.7	1,074.0	1,053.7	1,031.2
Short-term investments	1,135.9	1,190.4	1,195.4	1,202.4
Other current financial assets	29.9	331.4	336.4	341.4
Trade receivables third parties	167.4	181.9	186.9	191.9
Trade receivables related parties	1.9	1.9	2.2	2.4
Other receivables third parties	24.1	32.3	32.8	33.3
Other receivables related parties	0.9	0.9	1.1	1.4
Current inventories	40.6	42.9	43.2	43.5
Current prepaid expenses	1.4	1.9	2.0	2.2
Other current advances	1.5	1.7	1.9	2.0
Current prepaid taxes	5.1	4.5	4.6	4.8
<b>Total current assets</b>	<b>2,830.2</b>	<b>2,863.8</b>	<b>2,860.6</b>	<b>2,857.5</b>
Other non-current receivables third parties	16.6	20.9	22.9	24.9
Other non-current receivables related parties	2.2	3.2	4.5	5.7
Non-current advances on purchase of assets	99.2	160.6	165.6	170.6
Deferred tax assets	70.1	73.6	76.1	78.6
Property, plant and equipment	1,075.1	1,724.7	1,749.7	1,774.7
Non-current claims for tax refund	4.5	7.0	8.5	10.0
Intangible assets other than goodwill	1.3	1.3	1.8	2.3
Other non-current non-financial assets	76.9	86.0	87.3	88.5
<b>Total non-current assets</b>	<b>1,346.0</b>	<b>2,143.7</b>	<b>2,276.7</b>	<b>2,409.7</b>
<b>Total assets</b>	<b>4,176.2</b>	<b>5,007.5</b>	<b>5,137.3</b>	<b>5,267.3</b>
Trade payables third parties	69.1	69.6	74.6	79.6
Trade payables related parties	21.8	25.0	30.0	35.0
Other payables third parties	15.4	219.0	224.0	229.0
Other payables related parties	6.9	320.1	325.1	330.1
Current advances from customers third parties	3.9	8.0	13.0	18.0
Current accrued expenses	89.0	92.9	97.9	102.9
Taxes payable	49.0	38.5	43.5	48.5
<b>Total current liabilities</b>	<b>255.1</b>	<b>803.1</b>	<b>868.1</b>	<b>933.1</b>
Long-term post-employment benefit obligations	284.7	293.5	298.5	303.5
<b>Total non-current liabilities</b>	<b>284.7</b>	<b>293.5</b>	<b>298.5</b>	<b>303.5</b>
<b>Total liabilities</b>	<b>539.8</b>	<b>1,096.6</b>	<b>1,166.6</b>	<b>1,236.6</b>
Common stocks	145.5	147.1	147.1	147.1
Additional paid-in capital	1,909.0	2,250.0	2,250.0	2,250.0
Other components of equity	(0.2)	5.0	4.0	3.0
Appropriated retained earnings	11.0	19.0	24.0	29.0
Unappropriated retained earnings	1,463.0	1,350.3	1,400.3	1,450.3
Equity attributable to owners	3,528.4	3,771.4	3,825.4	3,879.4
Non-controlling interests	108.1	139.5	145.4	151.3
<b>Total equity</b>	<b>3,636.4</b>	<b>3,910.9</b>	<b>3,970.7</b>	<b>4,030.7</b>
<b>Total liabilities and equity</b>	<b>4,176.2</b>	<b>5,007.5</b>	<b>5,137.3</b>	<b>5,267.3</b>

Sources: the company, Reliance Research

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