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Sector – Update | Indonesia

Wednesday, 18 November 2026

Healthcare

Acuity Cushions Soft Volumes; Valuations Offer Opportunity

Highlights

- **Revenue intensity cushions softer volumes**. MIKA's high-complexity revenue grew 25.2% yoy, while SILO's revenue per inpatient day rose 10.2%, supporting net profit growths of 6.7% and 22.1%, respectively. HEAL lagged, with revenue per inpatient day declining 1% and its out-of-pocket segment contracting 18.8%.
- **Asset productivity and capital efficiency become increasingly important**. HEAL's bed capacity expanded 8.2% against a 3.2% growth in inpatient days, while MIKA's ROIC excluding landbank declined to 37.9% from 42.4%. SILO's net gearing rose to 55.2% from 4.8% following its hospital property acquisitions.
- **Maintain OVERWEIGHT; prefer MIKA and KLBF**. Depressed valuations offer attractive opportunities despite earnings uncertainty. MIKA offers established specialty-care capabilities, strong profitability and Rp2.7t in net cash, while KLBF provides exposure to volume-led growth, market-share gains and a Rp5.3t net cash position.

Analysis

- **Demand is turning selective: volume is soft, acuity is holding.** In 9M26, inpatient admissions fell 3.6% yoy at Mitra Keluarga Karyasehat (MIKA), driven by softer National Health Insurance (BPJS) patient volume, while Medikaloka Hermina (HEAL) and Siloam International Hospitals (SILO) recorded modest inpatient admission growth of 3.2% and 2.0%. Beyond tighter BPJS referral controls, softer household spending appears to be contraining self-funded healthcare spending with HEAL's out-of-pocket segment contracting 18.8% yoy (vs +22.4% growth in its insurance and corporate segment). While patients may increasingly defer less urgent treatments, demand for higher-complexity care appers relatively resilient. This is reflected in MIKA's 25.2% growth in high-complexity revenue. We see an increasing shift from volume-driven towards acuity and case mix-led growth, favouring operators with established speciality-care capabilities.
- **Revenue intensity carrying earnings, but conversion varies across operators.** In 9M26, the strong growth from high-complexity revenue lfited the segment contritbution to revenue to 28% (vs 9M24: 24%), while SILO's revenue per patient day rose 10.2%. The stronger revenue intensity supported 8.2% MIKA's EBITDA growth of 8.2% and SILO's 17.8%, translating into net profit growths of 6.7% and 22.1% respectively. In contrast, HEAL's revenue per inpatient day declined 1%, despite rising revenue contribution from non-BPJS patients. While stronger revenue intensity cannot indefinitely compensate for weak utilisation, the earnings resilience at MIKA and SILO challenges the narrative of a sector in structural earnings decline.
- **Slower demand growth puts greater emphasis on asset productivity.** In 9M26, HEAL expanded its bed capacity by 8.2% against just a 3.2% growth in inpatient days, while MIKA's inpatient days fell 6% despite a 1.6% capacity increase. Consequently, HEAL's bed occupancy rates (BOR) fell by 3.7ppt to 67.9% and MIKA's BOR dropped 4.2ppt to 52.6%, while SILO's remained broadly stable at 62.5%. The trade-off between expansion and shareholder returns is becoming increasingly evident - MIKA's ROIC (excluding landbank) fell to 37.9% from 42.4%, higher depreciation drove HEAL's 14.8% yoy net profit decline in 9M26, and SILO's hospital property acquisitions materially increased its financial leverage, with net gearing ratio rising to 55.2% at end-Sep 26 from 4.8% at end-25.

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OVERWEIGHT (Maintained)

Sector Picks

Ticker	Rec	Share Price (Rp)	Target Price (Rp)
KLBF	BUY	790	1,000
MIKA	BUY	1,375	1,900

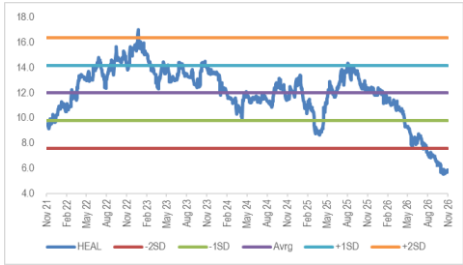
Source: Bloomberg, UOB Kay Hian

MIKA's EV/EBITDA



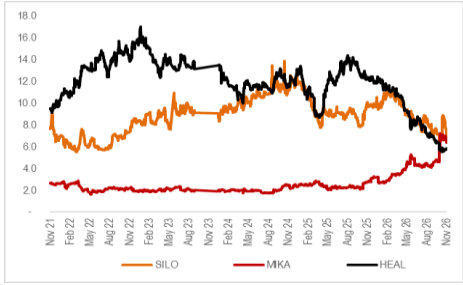
Source: Bloomberg, UOB Kay Hian

HEAL's EV/EBITDA



Source: Bloomberg, UOB Kay Hian

FCF Yield



Source: Bloomberg, UOB Kay Hian

Valuation

		Price	Target	Market	PE		EV/EBITDA		Div Yield		ROE
Ticker	Rec	17 Nov 26	Price	Cap	2026F	2027F	2026F	2027F	2026F	2027F	2027F
		(Rp)	(Rp)	(Rpb)	(x)	(x)	(x)	(x)	(%)	(%)	(%)
MIKA	BUY	1,375	1,900	19,122	13.2	11.9	7.8	7.9	3.4	3.8	18.6
HEAL	BUY	505	785	7,759	17.7	15.2	6.4	5.8	1.9	2.1	8.0
SILO	NR	1,480	n.a.	19,249	16.0	15.5	8.1	6.8	2.4	2.8	10.8
KLBF	BUY	790	1,000	36,982	9.9	9.0	6.1	5.7	4.5	5.2	15.0

Source: Bloomberg, UOB Kay Hian

Valuation/Recommendation

- **Trading at below -2SD, reflecting significant earnings and market-related concerns.** Moderating growth, lower capacity utilisation and declining capital efficiency warrant lower valuation multiples than historical averages. However, the extent of the de-rating suggests that some of anticipated deterioration in fundamentals may already be reflected invaluations. MIKA and HEAL are currently trading below -2SD to their five-year mean EV/EBITDA, with broader market weakness and MSCI-related uncertainty putting further pressure on pressures. Notably, MIKA, HEAL and SILO are no longer represented in the MSCI, limiting their exposures to direct MSCI-related passive selling.
- **Maintain OVERWEIGHT; prefer MIKA for acuity and balance sheet, add KLBF as the diversifier.** Our sector recommendation is primarily valuation driven, with MIKA trading at 7.9x 2027F EV/EBITDA and KLBF trading at 9.0x 2027F PE. Both companies offer established franchises, strong profitability and net cash balance sheets, with the financial capacity to fund future growth internally. MIKA (BUY/Target: Rp1,900) offers attractive exposure to an established hospital franchise with an EBITDA margin of 39.2% and a Rp2.7t net cash position. Its ability to sustain earnings growth despite declining patient volumes reflects its established speciality-care capabilities and favourable payer mix. Beyond hospitals, KLBF (BUY/Target: Rp1,000) offers exposure to different source of earnings growth. Its 11.5% yoy revenue growth in 9M26 was largely volume-driven, supported by market-share gains, while tighter cost control sustained earnings growth despite raw material cost and currency pressures. Its diversified product portfolio, established market leadership and Rp5.3t net cash position underpin its earnings resilience.

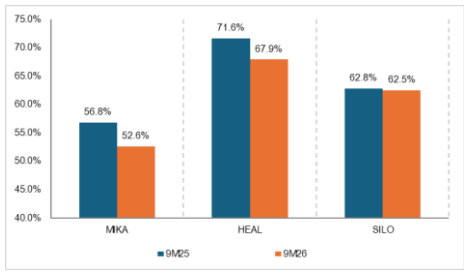
Earnings Revision

- **No change to our 2027 forecasts, although downside risks remain.** We retain our existing hospital earnings forecast as 9M26 results were within expectations and management teams have yet provide 2027 guidances. However, we see limited evidence of a meaningful patient-volume recovery amid softer household purchasing power, tighter BPJS referral controls, and stricter private insurer reimbursement. The ability to monetise existing capacity and contain operating costs will be critical to meeting our 2027 earnings forecasts.
- **Revenue intensity remains the key earnings cushion.** In the absence of meaning of meaningful volume recovery, we expect higher treatment complexity and a more favaourable payer mix to remain important growth drivers in 2027. MIKA is particularly well positioned given its established specialty-care capabilities, higher private revenue contribution (90%) and strong net cash position. While higher depreciation could weigh on earnings across hospital operators, HEAL and SILO face additional pressure from higher financial leverage.

Sector Catalyst/Risk

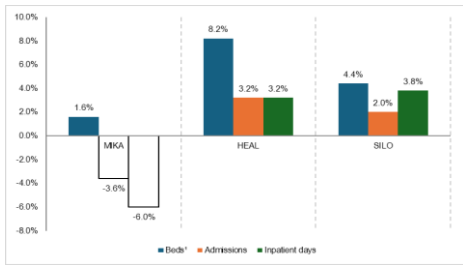
- **Catalysts:** a) Greater visibility on 2027 earnings, b) stabilisation in hospital capacity utilisation while sustaining revenue intensity, c) greater clarity on

Bed Occupancy Rate (BOR)



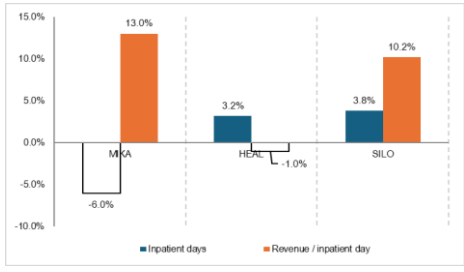
Source: Respective companies, UOB Kay Hian

Number Of Beds And Patient Volumes



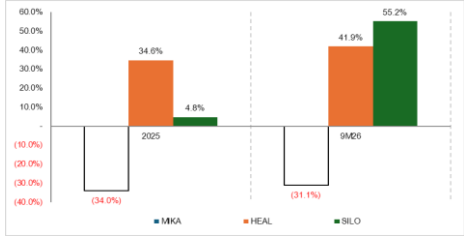
Source: Respective companies, UOB Kay Hian

Patient Volume And Revenue Intensity



Source: Respective companies, UOB Kay Hian

Net Gearing Ratio

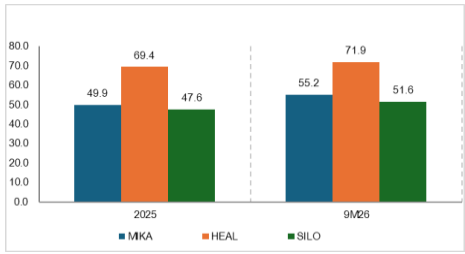


Source: Respective companies, UOB Kay Hian

BPJS referral policies and reimbursement, d) rupiah stabilisation, and e) resolution of MSCI-related uncertainty.

- **Risks:** a) Prolonged utilisation weakness, b) tighter reimbursement, c) falling returns on increamental capacity, d) further country-risk-driven de-rating, e) regulatory of drug pricing control beyond BPJS patients, and f) rupiah depreciation.
- **Continued government support for BPJS**. The government's Rp10t funding injection in Oct 26, with a further Rp10t earmarked subject to evaluation, underscores its commitment to sustaining the BPJS programme. While structural funding challenges remain, the additional funding should ease near-term liquidity pressure and support hospitals' cash collection, particularly for operators with higher BPJS exposure.

Account Receivable Days



Source: Respective companies, UOB Kay Hian

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