

Medikaloka Hermina (HEAL IJ)

3Q26: Sequential Improvement, But Earnings And Valuation Remain Under Pressure

Highlights

- 3Q26 earnings broadly in line;** sequential recovery continues, but PATMI remains weak yoy.
- Non-BPJS growth supports revenue,** while soft patient demand and BPJS dependence constrain earnings visibility.
- Maintain BUY with a lower target price of Rp785,** implying 6.5x 2027 EV/EBITDA as higher sovereign yields and MSCI uncertainty lead to a lower valuation multiple.

3Q26 Results

Year to 31 Dec (Rpb)	1Q26	2Q26	3Q26	qoq	yoy	9M26	yoy
Revenue	1,783	1,826	1,914	4.8%	0.7%	5,523	4.4%
Cost of revenue	1,164	1,209	1,253	3.6%	0.0%	3,626	5.5%
Gross profit	619	617	660	7.1%	2.2%	1,897	2.5%
Opex	404	401	423	5.6%	12.9%	1,227	9.8%
Opr Income	224	218	248	14.1%	-10.4%	690	-8.2%
Finance cost	(56)	(60)	(59)	-2.2%	3.6%	(175)	-3.2%
Pre-tax income	171	161	191	18.6%	-14.9%	523	-11.5%
Tax expenses	(39)	(44)	(50)	12.1%	-9.0%	(132)	-5.2%
Min controlling	31	25	31	25.5%	-12.4%	87	-8.5%
PATMI	101	92	110	19.8%	-16.0%	303	-14.8%
Margins	1Q26	2Q26	3Q26	qoq	yoy	9M26	yoy
Gross profit	34.7%	33.8%	34.5%	0.7%	0.5%	34.3%	-0.7%
Opr Income	12.5%	11.9%	13.0%	1.1%	-1.6%	12.5%	-1.7%
Net Income	5.7%	5.0%	5.8%	0.7%	-1.1%	5.5%	-1.2%

Source: HEAL, UOB Kay Hian

Analysis

- 3Q26 earnings improved sequentially but remained weak yoy.** Medikaloka Hermina (HEAL) posted a 3Q26 revenue of Rp1.91t (+0.8% yoy, +4.8% qoq) and EBITDA of Rp530b (+1.9% yoy, +10.6% qoq), with EBITDA margin improving to 27.7% from 26.2% in 2Q26. The improvement was supported by higher medicine margins (32.4% vs. 31.1% in 2Q26) and lower employee costs relative to revenue. However, 3Q26 PATMI declined 16.6% yoy to Rp110b (+19.6% qoq), weighed down by higher depreciation following previous capacity expansion. Depreciation increased to 13.4% of revenue from 12.0% in 3Q25. 9M26 net profit is in line with our expectation, but below consensus', accounting for 78%/64% of our/market 2026 estimates.

Key Financials

Year to 31 Dec (Rpb)	2024	2025	2026F	2027F	2028F
Net turnover	6,717	7,134	7,642	8,504	9,605
EBITDA	1,726	1,744	1,941	2,205	2,523
Operating profit	1,037	941	929	1,085	1,295
Net profit (rep./act.)	536	430	388	471	593
Net profit (adj.)	536	430	388	471	593
EPS (Rp)	34.9	28.0	25.2	30.7	38.6
PE (x)	14.8	18.4	20.4	16.8	13.4
P/B (x)	1.8	1.4	1.3	1.3	1.2
EV/EBITDA (x)	4.6	4.5	4.1	3.6	3.1
Dividend yield	2.0	2.6	0.2	0.3	0.4
Net margin (%)	8.0	6.0	5.1	5.5	6.2
Net debt/(cash) to equity (%)	58.4	44.1	41.5	40.7	36.6
Interest cover (x)	11.4	8.2	7.2	7.9	9.2
ROE (%)	12.9	8.5	6.7	7.8	9.4
Consensus net profit	-	-	463.7	545.4	655.7
UOBKH/Consensus (x)	-	-	0.84	0.86	0.90

Source: HEAL, Bloomberg, UOB Kay Hian

Analyst(s)

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BUY (Maintained)

Share Price	Rp515
Target Price	Rp785
Upside	+52.4%
Previous TP	Rp1,120

Stock Data

Sector	Healthcare
Bloomberg ticker	HEAL IJ
Shares issued (m)	15,366
Market cap (Rpb)	7,913.5
Market cap (US\$m)	436.3
3-mth avg daily t'over (US\$m)	0.6

Price Performance (%)

52-week high/low				Rp1,530/Rp470
1mth	3mth	6mth	1yr	YTD
(18.3)	(36.4)	(56.0)	(65.7)	(62.5)

Major Shareholders (%)

Astra Healthcare	13.65
Khiat Yulisar	6.48
Astra International	7.23
Binser P Simorangkir	5.14

Balance Sheet Metrics

FY26 NAV/Share (Rp)	383
FY26 Net Cash/Share (Rp)	0.16

Price Chart



Source: Bloomberg

Company Description

Medikaloka Hermina is one of the largest private general hospitals in Indonesia.

Friday, 30 October 2026

- **Non-BPJS growth remains encouraging, but patient demand is still soft.** Non-National Health Insurance (BPJS) revenue increased 9.0% yoy, lifting its contribution to 50.9% of hospital revenue from 46.9% in 3Q25. Growth was driven by insurance and corporate patients (+26.3% yoy), while out-of-pocket revenue declined 17% yoy. Meanwhile, bed capacity rose 8.2% yoy against inpatient admissions growth of only 3.2%, reducing occupancy to 67.9% from 71.6% in 9M25. Management revised its 2026 guidance to single-digit revenue growth and up to 1% EBITDA margin contraction, while moderating 2027 capex to approximately Rp1.0t from Rp1.3t in 2026.
- **BPJS dependence remains a structural policy risk.** BPJS accounts for approximately 49% of hospital revenue, exposing HEAL to government discretion over patient referrals, reimbursement and healthcare funding priorities. Although management reported no material disruption to BPJS operations in 3Q26, receivables overdue by more than 60 days more than doubled to Rp171b from Rp81b at end-25, warranting closer monitoring. Nevertheless, 9M26 operating cash flow increased 37% yoy to Rp1.07t, indicating resilient cash generation. Combined with weak utilisation and higher depreciation, potential changes in BPJS policies could weigh on earnings visibility.

Valuation/Recommendation

- **Maintain BUY with a lower target price of Rp785 on higher country-risk premium.** We reduce our target multiple to 6.5x 2027 EV/EBITDA from 8.8x previously, reflecting higher Indonesian sovereign bond yields, MSCI-related market-access uncertainty and weaker earnings visibility. The revised multiple implies a 26% reduction in target enterprise value, corresponding to a 230bp increase in WACC to approximately 12.9%, based on our valuation sensitivity.
- Our Capital IQ screening indicates that healthcare providers in MSCI Standalone markets trade at a median 10.8x trailing 12-month EV/EBITDA, compared with HEAL's current 7.1x. HEAL compares favourably on profitability, leverage and trading liquidity, although the small peer sample and differences in business models limit direct comparability. While Standalone classification does not necessarily warrant a mechanical valuation discount, Indonesia's higher country-risk premium justifies a more conservative target multiple. HEAL's removal from the MSCI Small Cap Index in Sep 26 limits incremental direct passive-selling exposure, although broader market repricing risks persist. We retain our BUY recommendation, supported by HEAL's established hospital network and potential earnings recovery as utilisation improves.

Earnings Revision/Risk

- **No change to earnings forecasts.**
- **Risks:** HEAL remains exposed to BPJS policy changes, which could affect patient referrals and reimbursement rates. Weak patient volumes and lower capacity utilisation may also constrain earnings recovery, while higher depreciation and financing costs weigh on profitability. Meanwhile, MSCI's proposed Standalone reclassification could increase Indonesia's equity risk premium and pressure HEAL's valuation multiple.

Comparison To Companies In Standalone MSCI Market Classification

Company	Country	Business	LTM EV/EBITDA	EBITDA margin	ROE	DER	Net debt/EBITDA	3M ADTV (US\$)
GWest Corporation	Jamaica	Medical centre	18.2x	6.4%	-3.0%	1.22x	10.38x	0.04
Medcorp	Trinidad & Tobago	Hospital	10.9x	18.4%	18.7%	0.83x	1.80x	0.57
Image Plus Consultants	Jamaica	Diagnostic imaging	10.7x	16.4%	7.5%	0.62x	2.73x	4.25
Elite Diagnostic	Jamaica	Diagnostic imaging	4.8x	25.2%	5.0%	1.19x	2.21x	58.86
Ekocorp	Nigeria	Hospital	N/A	-37.7%	-18.1%	0.20x	NM	0
Nabius Surgical Center	Palestine	Hospital	NM	0.2%	-0.1%	0.38x	142.35x	0.21
Standalone median		Providers	10.8x	11.4%	2.4%	0.72x	2.73x	0.39
HEAL	Indonesia	Hospital chain	7.1x	24.6%	6.8%	0.51x	1.69x	575.68
MIKA	Indonesia	Hospital chain	8.1x	38.0%	19.0%	0.00x	Net cash	377.25

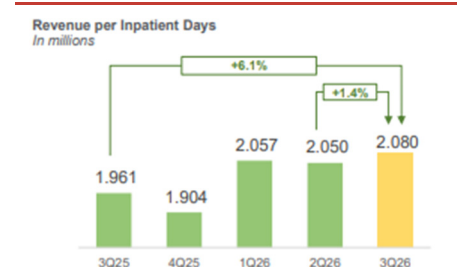
Source: Capital IQ, UOB Kay Hian

Volume And Operating Data



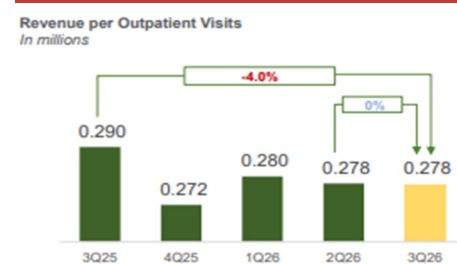
Source: HEAL

Revenue Per Inpatient Day



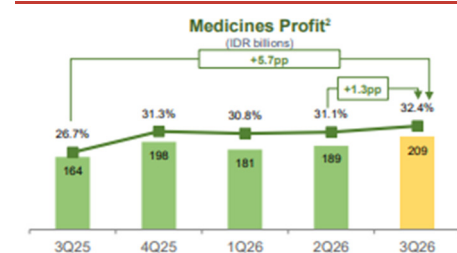
Source: HEAL

Revenue Per Outpatient Visit



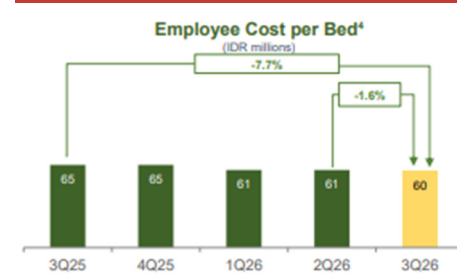
Source: HEAL

Medicines Profit



Source: HEAL

Employee Cost Per Bed



Source: HEAL

Profit & loss

Year to 31 Dec (Rpb)	2025	2026F	2027F	2028F
Net turnover	7,134	7,642	8,504	9,605
EBITDA	1,744	1,941	2,205	2,523
Deprec, & amort	803	1,012	1,120	1,228
EBIT	941	929	1,085	1,295
Associate Contributions	0	-	-	-
Net interest income/(expense)	(212)	(269)	(280)	(274)
Pre-tax profit	755	683	830	1,045
Tax	(206)	(186)	(227)	(285)
Minorities	(119)	(109)	(133)	(167)
Net profit	430	388	471	593

Cash flow

Year to 31 Dec (Rpb)	2025	2026F	2027F	2028F
Operating	1,138	1,570	1,515	1,720
Net profit before MI	755	683	830	1,045
Deprec, & amort,	803	1,012	1,120	1,228
Working capital changes	(114)	89	(119)	(142)
Other operating cashflows	(306)	(214)	(316)	(411)
Investing	(1,787)	(1,435)	(1,478)	(1,465)
Capex (growth)	(1,386)	(1,350)	(1,350)	(1,350)
Others	(401)	(85)	(128)	(115)
Financing	734	(46)	(61)	(83)
Dividend payments	(207)	(185)	(225)	(283)
Others	942	139	164	200
Net cash inflow (outflow)	85	89	(23)	171
Beginning cash & cash equivalent	643	728	817	794
Change due to forex impact	0	0	0	0
Ending cash & cash equivalent	728	817	794	966

Balance Sheet

Year to 31 Dec (Rpb)	2025	2026F	2027F	2028F
Fixed assets	8,278	8,595	8,825	8,947
Other LT assets	1,242	1,303	1,424	1,544
Cash/ST investment	728	817	794	966
Other current assets	1,639	1,537	1,685	1,862
Total assets	11,887	12,251	12,728	13,318
ST debt	590	619	650	683
Other current liabilities	1,349	1,417	1,488	1,562
LT debt	2,639	2,639	2,639	2,639
Other LT liabilities	0	22	22	22
Shareholders' equity	5,677	5,881	6,129	6,440
Minority interest	1,534	1,643	1,776	1,943
Total liabilities & equity	11,887	12,274	12,750	13,340

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	24.4	25.4	25.9	26.3
Pre-tax margin	10.6	8.9	9.8	10.9
Net margin	6.0	5.1	5.5	6.2
ROA	3.8	3.2	3.8	4.6
ROE	8.5	6.7	7.8	9.4
Growth				
Turnover	6.2	7.1	11.3	13.0
EBITDA	1.0	11.3	13.6	14.4
Pre-tax profit	(16.8)	(9.5)	21.5	25.8
Net profit	(19.9)	(9.8)	21.5	25.8
EPS	(19.9)	(9.8)	21.5	25.8
Leverage				
Debt to total capital (x)	30.9	30.2	29.4	28.4
Debt to equity (x)	56.9	55.4	53.7	51.6
Net debt/(cash) to equity (x)	44.1	41.5	40.7	36.6
Interest cover (x)	8.2	7.2	7.9	9.2

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