



Stock Valuation and Business Performances of Indonesia Health Care Provider Company after Post Covid 19 Pandemics (Case Study of PT. Medikaloka Hermina, Tbk.)

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ABSTRACT: The Covid-19 pandemic caused a contraction in the Indonesian economy, as evidenced by the large number of layoffs, and several companies had to declare bankruptcy, but this did not occur for companies engaged in health services, including hospitals. The large number of Indonesians infected with the Covid-19 virus caused hospitals to experience an increase in inpatient admissions, which accelerated the hospitals' financial performance in a very short period of time. PT Mediloka Hermina, Tbk (HEAL) is a private hospital with the greatest number of branches in Indonesia, all of which are impacted by the Covid-19 pandemic. This is also a positive sentiment among stock investors, as they perceive the health industry sector to have very promising future prospects. Several listed hospital company on the IDX have seen their share prices increase significantly over the past year, including PT. Mediloka Hermina, Tbk, whose share price increased by 197 percent between 23 March 2020 and 23 March 2021. This made the author curious about PT Mediloka Hermina, Tbk's stock valuation and whether its shares are classified as overvalued or undervalued. This study utilizes secondary data obtained from the annual report of PT. Mediloka Hermina, Tbk as well as idx.co.id and stockbit.com, among others. The data was processed with the absolute valuation method (Discounted Cash Flow) and the relative valuation method (Relative Value) in mind (EV EBITDA and Price Earnings to Ratio). Using the Discounted Cash Flow model, the company's intrinsic value is IDR 452.80 per share. It has a safety margin of -135 percent relative to the per-share market price of IDR 1,065 as of 31 December 2021. The intrinsic value per share is 688 IDR based on the relative price-to-earnings ratio and relative valuation EV EBITDA of 7.21. Following the evaluation procedure. The author may determine the relationship between HEAL's fundamental company and its stock price growth.

KEYWORDS: Absolute Valuation, Business Performance, Discounted Cashflow, Healthcare Providers, Relative Valuation

I. INTRODUCTION

The Covid-19 pandemic caused many businesses to fail in Indonesia as a result of several government regulations that restricted economic activity and slowed it down significantly. This information contrasts with the fact that several hospitals that are listed on the Indonesia Stock Exchange (IDX) actually saw a sharp rise in profits following the pandemic, despite the fact that hospitals were turning COVID-19 patients who were negative for financial gain into positive those in order to obtain BPJS Health claims from the government. As of March 2020, there were four hospitals that had completed initial public offerings (IPOs) on the Indonesia Stock Exchange this demonstrates how the hospital sector is very promising given that, according to projections from the Central Bureau of Statistics (BPS), Indonesia's population will rise from 271 million in 2020 to 294 million in 2030. To promote Indonesians' health, more medical facilities are required, as is a strengthening of the National Health Insurance (JKN) program.

Hermina is a company that has the greatest number of hospitals compared to other companies listed on idx, besides that Hermina has the second largest market cap after Mitra Keluarga, this shows that investors have a great interest in this company. The sentiment regarding the increase in hospital revenues due to Covid-19 patients made investors use this reason to buy shares from Hermina Mediloka. As supporting evidence, Astra Group continues to increase its ownership of Hermina Hospital so that in October 2022 it has increased the share ownership of Hermina Hospital by 0.95% and its total ownership has increased to 7.45% or 1.1 billion shares.

Figure 1 shows that the stock price of Mediloka Hermina or Hermina Hospital experience a significant increase makes the prospects for the health service industry very promising. On March 23, 2020, when the Covid-19 period entered Indonesia, Mediloka Hermina's share price was Rp. 380 and on March 23, 2022, its share price had risen to Rp. 1215, up by 197%. This stock movement



is also supported by a promising financial performance which in 2021 is able to generate a profit of IDR 1 trillion or an increase of 112%. However, in 2022 Mediloka Hermina experienced a decrease in profit of around 200% or to Rp 329 billion.



Figure 1. Stock Price Movement per Closing Date 3/23/2022

In Another perspective, hospital companies that have been listed on the IDX received positive sentiment in the market. Since Q2 2020, where Covid19 patients continued to grow and all hospitals were ordered by the government to accept Covid19 patients, MIKA's stock rose 22% on March 23, 2022, SRAJ's stock rose by 3.1 % on March 23, 2022, CARE's stock rose 121% on March 23, 2022, and SILO shares were up 60.89 % in March 23, 2022. With a significant increase in stock prices since Q2 2020, does the stock price reflect good company fundamentals and also whether the company's valuation has been assessed above or below the current market price.

To invest in a stock instrument, investors must consider fundamental and prospect of the shares of the company in which they will invest. In the period following the Covid-19 pandemic, Hermina Hospital shares outperformed other hospital shares in terms of price appreciation. Investors must consider whether the increase in Hermina's share price reflects the company's strong fundamentals or simply a result of the positive sentiment generated by the large number of Covid-19 patients requiring intensive care, which will ultimately increase the hospital's revenue. In essence, investors must understand the company's fundamentals in order to determine whether a stock is worth investing in or not, as opposed to purchasing a stock based solely on the positive sentiment generated by a company.

II. LITERATURE REVIEW

A. Financial Ratios

According to (Gitman & Zutter, 2015:115) Ratio analysis involves methods of calculating and interpreting financial ratios to analyze and monitor the firm's performance. The basic inputs to ratio analysis are the firm's income statement and balance sheet. Ratio analysis of a firm's financial statements is of interest to shareholders, creditors, and the firm's own management. Both current and prospective shareholders are interested in the firm's current and future level of risk and return, which directly affect share price. In addition, management uses ratios to monitor the firm's performance from period to period. Ratio analysis is not merely the calculation of a given ratio. More important is the interpretation of the ratio value.

B. Absolute Valuation

(Senteney et al., 2020) Explain that the absolute valuation model determines the intrinsic value of an asset, whereas the relative valuation model determines the value of assets in comparison to similar assets. Based on the number of periods used, the valuation model is classified as either a single-period model or a multi-period model. Absolute valuation models determine a company's



current value by predicting its future income streams. The models use the information contained in a company's financial statements and books of account to determine its intrinsic or true value. Two types of absolute valuation models exist are Dividend Discounted Model and Discounted Cashflow Model, (CFI,2022).

The valuation model can determine the asset's intrinsic value and compare it to its market price. The investor anticipated a capital gain proportional to the asset's value. Common absolute valuation models include Free Cash Flow to Firm (FCFF) and Free Cash Flow to Equity (FCFE). Prior to employing these methods, the Weighted Average Cost of Capital (WACC) must be defined.

C. Relative Valuation

Relative valuation model usually used as a business valuation method which is comparing a company's value to its competitors or industry peers to assess the firms' financial worth. In relative valuation, the value of an asset is derived from the pricing of comparable assets, standardized using a common variable such as earnings, cash flows, book value, or revenues. One illustration of this approach is the use of an industry-average price-earnings ratio to value a firm, the assumption being that the other firms in the industry are comparable to the firm being valued and that the market, on average, prices these firms correctly. Another multiple in wide use is the price-book value ratio, with firms selling at a discount on book value relative to comparable firms being considered undervalued. Revenue multiples are also used to value firms, with the average price-sales ratios of firms with similar characteristics being used for comparison. While these three multiples are among the most widely used, there are others that also play a role in analysis—EV to EBITDA, EV to invested capital, and market value to replacement value. (Damodaran, 2012).

D. PESTEL Analysis

PESTEL analysis is a tool to identify the macro condition or external forces faced by an organization according to (Kotler & Keller, 2016). PESTEL is an acronym that stand for Political, Economic, Social, Technological, Environmental, and Legal factor. In this final project, the author will analyze the macroeconomic factors related to the health industry, particularly the hospital industry. Because the Mediloka Hermina's involvement in the health industry and its contribution to a broader understanding of the hospital industry, the author is better equipped to evaluate the company's worth.

E. Porter's Five Forces Model

According to (Cozzolino et al., 2018), Michael Porter developed the highly influential five forces model to help managers understand the profit potential of different industries and how they can position their respective firms to gain and sustain competitive advantage. By combining theory from industrial organization economics with hundreds of detailed case studies, Porter derived two key insights that form the basis of his seminal five forces model:

1. Rather than defining competition narrowly as the firms' closest competitors to explain and predict a firm's performance, competition must be viewed more broadly to also encompass the other forces in an industry: buyers, suppliers, potential new entry of other firms, and the threat of substitutes.
2. The profit potential of an industry is neither random nor entirely determined by industry-specific factors. Rather, it is a function of the five forces that shape competition: threat of entry, power of suppliers, power of buyers, threat of substitutes, and rivalry among existing firms.

F. Previous Research

Previous research conducted by Zemba & Hendrawan analyzed the stock fair values using discounted cash flow method and P/E valuation in companies engaged in the health sector listed on the IDX during the 2013-2017 period. The results of this research showed that MIKA, SAME, and SRAJ stocks are overvalued in all scenarios and methods used. However, SILO stock prices are overvalued in optimistic and moderate scenarios.

Another research conducted by Jumran and Hendrawan which examined stock fair price value of state-owned bank listed on IDX for 2021 2025 projection using discounted cash flow and relative valuation approaches. The result showed the stock prices of state-owned banks using the FCFE method shows undervalued results for all scenarios. Meanwhile, using the relative valuation method, PBV in the optimistic scenario only shows BBNI undervalued conditions.

In addition, research conducted by Hendrawan & Himawan analyzed the stock fair value in companies engaged in agriculture listed on the IDX during the 2013-2017 period. The results of this research indicate that with the DCF-FCFF method in the three industries, the value of AALI and LSIP is overvalued, and SIMP is undervalued. By implementing the relative assessment method using the



PBV and PER approaches, the AALI, SIMP, and LSIP values are still within the industry range according to the IDX in the 2018 quarter.

Research conducted by Setiawan and Sumirat analyzed stock valuation of PT. Kalbe Farma, Tbk. with Covid-19 vaccination development prospects amidst pandemic situations. The study examined absolute valuation using FCF model and relative valuation using P/E and EV/EBITDA for KLBF. Result of the valuation suggested that the current stock price of IDR 1,445 is overvalued. The intrinsic value calculated from FCF model is IDR 1,397 and based on the relative valuation models are IDR 1,330 and IDR 1,233 for EV/EBITDA and P/E ratio, respectively.

III. METHODOLOGY

This study used PT. Mediloka Hermina, Tbk. as the object of research. PT. Mediloka Hermina, Tbk. was selected based on the phenomenon and research objectives. Moreover, this research used the purposive sampling technique method in selecting research objects, which are DCF-FCFE, PER, and EV/EBITDA

There are several stages in conducting company valuations. The first step is (1) classification of historical data as a basis for projections, (2) Calculating cash flow with Discounted cash flow (DCF) – FCFE, (3) Calculating the estimated cost of capital (Cost of equity) and terminal value, (4) Calculating the company's equity value, (5) Calculate the intrinsic value of shares per share (6) Furthermore, to validate the FCFE calculation and compare it with the industry, the PER and EV/EBITDA approaches are used to ensure the calculation is valid.

The data resources used in this study is secondary data for references. The following are the sources of data used in this study:

1. Financial and annual reports of health industry company (Hospital) listed on the IDX that have been audited from the 2017 to 2021 period from the website of each company.
2. Previous research supported, such as credible journals or articles.
3. Historical data on stock prices of health industry company (Hospital) listed on the IDX from the 2017 to 2021 period obtained from the Yahoo Finance website.

IV. RESULTS AND DISCUSSION

A. PESTEL

1) Political

The ministry of health's budget priorities for 2023, with the goal of ensuring that health financing is accessible, sufficient, sustainable, and allocated fairly, including JKN PBI financing.

2) Economic

The IMF's World Economic Outlook for 2022 is only 3.2%, and global economic growth is expected to slow to 2.7% the following year.

3) Social

Individuals in the middle and upper market segments continue to use the JKN program despite having the purchasing power to use regular healthcare services.

4) Technology

The majority of hospitals have implemented telehealth to facilitate access to their specialists. Some hospital organizations are expanding their telehealth services to generate additional revenue streams.

5) Environmental

There are still thousands of unreliable and inadequate health services in Indonesia, particularly in health centers and hospitals. Most adequate facilities are only available in major cities.

6) Legal

Government regulation on JKN or BPJS and the standardization of inpatient room classes.

B. Porter's Five Forces Model

1) Threat of Potential New Entrants – High

Due to the high investment fund entry into the healthcare industry, the barrier for new entrants is considered to be high; however, the rapid growth of the industry's demand makes it quite attractive to penetrate.



2) *Threat of Substitute Product or Services – Moderate*

Halodoc already have a similar application, but online consultation through the application is limited to the initial stages of diagnosing a disease; if additional treatment is required, the patient must still visit the hospital.

3) *The Bargaining Power of Buyer – Moderate*

For those utilizing the Universal Health Care (UHC) program or BPJS, the healthcare service provider has greater bargaining power than the purchasers or patients. Patients with greater purchasing power are typically covered by premium insurance companies. This condition gives the medium-to-high market segment greater bargaining power when deciding which healthcare provider to select.

4) *The Rivalry among Competitors – High*

As almost 90 percent of Indonesians are already BPJS participants and all Indonesian hospitals are required to collaborate with BPJS, patients will be able to choose a hospital based on their preferences.

5) *The Bargaining Power of Supplier – Low*

There are so many suppliers of medical equipment and pharmaceuticals in Indonesia, the suppliers' bargaining power is considered to be low, and considering that Hermina is one of the largest hospital chains in Indonesia, the volume of purchases made will be very large so it will be simple for Hermina Hospital to select suppliers from the market.

C. Financial Performances Analysis

1) *Profitability Comparison*

Table 1. Profitability Comparison

Profitability	Industry	HEAL	SILO	MIKA	SRAJ	PRIM	SAME
Gross Profit Margin	38.85%	50.00%	32.65%	48.83%	27.64%	30.13%	43.83%
Operating Profit Margin	14.12%	26.68%	4.38%	31.90%	-3.30%	12.87%	12.21%
Net Profit Margin	4.61%	11.83%	1.34%	27.14%	-5.60%	9.67%	-16.76%

HEAL has the largest gross profit compared to its peers and is greater than the industry average. Meanwhile, HEAL's operating profit margin and net profit margin are still far below MIKA, which has the largest percentage, even though HEAL's percentage is still above the industry average.

2) *Management Effectiveness*

Table 2. Management Effectiveness Comparison

Management Effectiveness	Industry	HEAL	SILO	MIKA	SRAJ	PRIM	SAME
Return on Asset	3.64%	8.77%	1.14%	14.14%	-1.51%	3.86%	-4.56%
Return on Equity	4.07%	17.48%	1.69%	18.17%	-1.58%	4.46%	-15.82%

HEAL's return on asset and return on equity are still below MIKA, which has the largest percentage, even though HEAL's percentage is still above the industry average.



D. Absolute Valuation

Table 3. Discounted Cashflow Valuation

Free Cash Flow Buildup		Projected Annual Forecast				
Million IDR	0	2022	2023	2024	2025	2026
Period		1	2	3	4	5
Total Revenues		6,797,514	7,939,041	9,272,267	10,829,367	12,647,999
EBITDA		1,813,606	2,118,170	2,473,881	2,889,327	3,374,540
EBIT		1,443,862	1,687,818	1,973,296	2,306,477	2,695,371
Tax rate		25.0%	25.0%	25.0%	25.0%	25.0%
NOPAT		1,082,386.31	1,265,863.18	1,479,972.32	1,729,857.91	2,021,527.97
Depreciation & Amortization		370,424	430,353	500,584	582,850	679,170
Account receivable		(505,500)	(264,954)	(309,331)	(361,278)	(421,949)
Inventories		(2,303)	(16,280)	(19,014)	(22,207)	(25,936)
Prepaid Taxes		326	-	-	-	-
Advances		-	-	-	-	-
Prepayments		-	-	-	-	-
Trade and other payables		74,251	66,939	78,300	91,309	106,643
Taxes Payable		(180,781)	30,250	35,294	41,166	48,068
Other Payable		199,605	124,810	145,779	170,260	198,052
Accruals		25,380.1	12,814.8	14,966.8	17,480.3	20,415.8
Capital expenditures		(1,189,269.0)	(1,037,568.9)	(1,215,955.8)	(1,424,299.9)	(1,667,631.7)
Unlevered free cash flows		(125,481.33)	612,334.12	710,475.49	825,157.88	959,159.09
Discount Rate (WACC)		11.7%	11.7%	11.7%	11.7%	11.7%
Present value of free cash flows		112,300	490,447	509,277	529,351	550,679
Sum of present values of FCFs		1,967,454				
Terminal Value						
Growth in perpetuity method:						
Long term growth rate		2.3%				
WACC		11.7%				
Free cash flow (t+1)		966,595.0				
Terminal Value		11,134,147.8				
Present Value of Terminal Value		6,380,936.35				
Enterprise Value to Equity Value						
Enterprise Value		8,348,390				
Less: Net debt		257,818.0				
Equity Value		8,090,572.07				
Diluted Shares Outstanding		17,868.0				
Intrinsic Value Per Share		452.80				
Adj. Close Price Per 31 Desember 2021 IDR		1,065				
Margin of Safety		-135%				

The valuation results of this study indicate that the share price of PT Mediloka Hermina, Tbk is overvalued. Using the Discounted Cash Flow model, the intrinsic value per share is IDR 452.80/share. It has a safety margin of -135 percent relative to the market price per share on December 31, 2021, which is IDR 1.065.00 per share

E. Relative Valuation

1) Price to Earnings Ratio

Table 4. Price Earnings Ratio Valuation

Stock Name	2019	2020	2021	2022 F	Target Price
HEAL	6.10	19.34	14.64	13.36	688.05
MIKA	50.24	44.95	25.85		
SILO	-4.02	10.07	2.57		
SRAJ	-42.50	-170.24	22.50		
PRIM	590.63	20.62	17.99		
SAME	-12.90	-2.82	45.74		
Average Industry	97.93	-13.01	21.55	35.49	
Premium/discount	-0.94	-249%	-32%	-62%	

HEAL's PER is below the industry average (discount) from 2019 to 2021. It indicates that HEAL's share price in the range of 2019-2021 always lower than that of its competitor in the industry. The target price for HEAL based on PER calculation in 2021 is IDR 688 per share or below than the current market price (IDR 1.065 as of 21/12/30).



2) EV/EBITDA Ratio

Table 5. Price Earnings Ratio Valuation

Stock Name	2019	2020	2021	2022 F
HEAL	3.33	9.63	8.68	
MIKA	38.32	33.33	18.27	
SILO	-12.97	1.99	0.28	
SRAJ	-68.90	189.05	17.66	
PRIM	13.29	15.07	11.52	
Average Industry	-5.38	49.81	11.28	18.57
Premium/discount	-1.62	-81%	-23%	
EV/EBITDA Multiple	7.21			

HEAL's relative valuation based on the EV/EBITDA multiple is the lowest among competitors, with the Company's EV/EBITDA multiple being 7.21 times and the Industry's EV EBITDA multiple being 56.42 times. This relative valuation may represent an increase in the market value of the company's shares due to its EBITDA performance. Regarding the Company's EBITDA, it is increasing annually. The Company's EV EBITDA multiple indicates that the market value of the Company's shares is still low (undervalue). EV/EBITDA multiple of industry is 18.57 then HEAL stock price relative valuation is IDR. 1.832 per share.

Table 6. Price Relative Valuation

EV/EBITDA Multiple	18.57
Projected EBITDA 2022	1,813,606.0
Entreprise Value	33,679,954.75
Total Debt	1,998,920
Cash and Cash Equivalen	1,059,900.06
Market Capital	32,740,934.97
Outstandings Shares	17,868
Price Relative Valuation	1832.38

V. CONCLUSION

A. Financial Performances

The Company's growth in terms of revenue and net income, profitability ratio, ROE and ROA, and total assets and equity is sustainable. In addition, the company's debt ratio continues to decline from year to year, indicating that its financial health is improving. The company also distributes dividends on a consistent basis, and its value has continued to rise over the past three years, which is beneficial for investors who anticipate receiving dividends from the stocks they purchase.

B. Absolute Valuation

Using the Discounted Cash Flow model, the intrinsic value per share is IDR 452.80/share. It has a safety margin of -135 percent relative to the market price per share on December 31, 2021, which is IDR 1.065.00 per share. Therefore, based on the calculation above, we may infer that HEAL shares is Overpriced.

C. Relative Valuation

HEAL's PER and EV/EBITDA are below the average PER and EV/EBITDA for the industry, as determined by the relative valuation model. It means the stock is sold at a discount. The price action on the market is consolidating sideways. This situation presents an excellent opportunity for the capital-margin-seeking investor.



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