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Funding Valuation to Support Disaggregation of Value Chain in HLMC Hospital Yogyakarta

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ABSTRACT: The economic cycle always goes through boom-and-bust cycles. When the economy slows down, the government will increase the money circulation; when the economy is heating up, the government will slow down the money circulation. In this regard, interest rates, credit control, currency policies, and so on play a role. The COVID-19 pandemic era accelerated the economic cycle relatively quickly. During the pandemic, the government provided massive stimuli to the economy, and during the recovery phase, the government tightened financial policies again. Such actions have made the global investment market experience tumultuous twists and turns. Corporate funding, which was relatively easier before, has become difficult. Companies once again have to adjust their business models to their original goals: value creation, generating profit and margin, and ultimately producing positive cash flow. Adapting to the changing demands of the business environment, shifting from a "growth at all costs" mindset to prioritizing "more sustainable profit," companies must acknowledge that the essence of business activities is to generate real cash flow and tangible profits. This study compares different approaches to valuing companies: the Discounted Cash Flow (DCF), Revenue Multiple, and PE Multiples. DCF takes a valuation approach based on projections of the company's future cash flows and real profits operationally, whereas revenue and PE multiples offer simpler valuation methods by emphasizing relative comparisons within similar industries. This simplification aids investors in evaluating potential profits when executing exit strategies. Therefore, the valuation method using DCF (Discounted Cash Flow) is not as aggressive as the valuation method using exit multiples, such as P/E (Price/Earnings) Multiple, let alone Revenue Multiple. This research serves as a benchmark for the funding valuation method to support the disaggregation outlined by HLMC Hospital Yogyakarta in the field of skin, aesthetic, and wellness centers.

KEYWORDS: benchmark, disaggregation, economic cycle, funding, money circulation, value creation.

INTRODUCTION

In recent years, the healthcare industry has witnessed significant transformations driven by technological advancements, changing patient expectations, and increasing pressure to enhance the quality of care while containing costs. Within this dynamic landscape, the disaggregation of the value chain in medical hospitals has emerged as a critical strategy to address the evolving needs of healthcare systems. This thesis aims to explore the rationale and implications of value chain disaggregation in medical hospitals, shedding light on its potential benefits and challenges.

The healthcare value chain encompasses the range of activities involved in the delivery of healthcare services, including the identification of patient needs, diagnosis, treatment, and ongoing patient management. Traditionally, medical hospitals have assumed the responsibility for managing and executing most of these activities internally, maintaining control over the entire value chain.

This research takes place in Happy Land Medical Centre (HLMC) Hospital, a "boutique hospital" in Yogkyakarta that emphasizes personal and professional services, making patients feel at home. HLMC aims to disaggregate the value chain to reach efficiency in serving skin, aesthetics, and wellness sectors. Therefore, Therefore, NOM is presented as the solution to the disaggregation of the value chain in the respective field within HLMC. NOM (read:/ enom) means "young" in Javanese, representing that the clinic offers beauty services by highlighting the local culture. The mission of this clinic is to promote health, beauty, and wellness; provide an integrated clinic with multidisciplinary experts in skin, aesthetics, and wellness; develop a service system that continiously follows technological advancement; and to create certified products that potentially be marketed nationally & globally. Hopefully in the future, this clinic will also be able to integrate and at the same time promote HLMC, as its parent company.

Disaggregation refers to the process of breaking down a complex system or organization into smaller, specialized components that can be independently managed or outsourced. In the context of medical hospitals, disaggregation involves strategically reorganizing and redistributing various elements of the value chain to external entities or specialized service providers.

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The management realized the biggest potential in the hospital comes from the aesthetic and wellness business line. This is evidenced by the massive growth of demand for beauty and personal care market size nationally. This growth was not a mere blip on the radar; it signaled a shifting tide, indicating that something truly remarkable was happening. As the years rolled on, the industry continued to flourish, surpassing expectations, and defying all limits. By the end of 2023, experts projected that the beauty industry would amass an astonishing revenue of US$7.95 billion. This massive figure showcased the industry's relentless pursuit of success, as it steadily climbed the financial ladder, securing its place among the most lucrative markets in the world.

Within this vast landscape, there was a dominant market segment that stood head and shoulders above the rest: personal care. Personal care products became the shining stars of the beauty industry, captivating consumers with their promise of enhancing their well-being and nurturing their individuality. From skincare to haircare, from bath essentials to grooming tools, personal care has become an essential part of people's daily lives. But what made this growth even more impressive was the future forecast. With a projected Compound Annual Growth Rate (CAGR) of 4.8% over the next five years, the beauty industry showed no signs of slowing down. It was as if the market had harnessed an unstoppable force, propelled forward by innovation, changing consumer preferences, and a relentless pursuit of perfection. This captivating story of the beauty industry's journey was a testament to the ever-evolving nature of human desires and the power of self-expression.

BUSINESS ISSUE

Public healthcare plays a pivotal role in ensuring the well-being and overall health of a nation's population. In Indonesia, a country with a vast and diverse population of over 270 million people, the provision of adequate and accessible healthcare services is crucial. However, the needs and challenges related to public healthcare in Indonesia have become increasingly significant in recent years.

The business issue comes from the increasing cost of revenue (purchase of new medical devices), market share disruption, required market changes from niche to wide market, and the lack of exposure.

First, the stringent competition in the healthcare and hospital industry reduced market share and caused difficulties in retaining and acquiring customers. Currently, management and the team are contemplating steps to lead to more effective business decisions. This method is done by separating business lines between specialties and in the end. This strategic decision is ultimately expected to increase flexibility in each specialization. This method will be used for the first time in dermatology and venereology specialization.

Second, the hospital (especially the Department of Dermatology and Vereenology) wants to widen its market segmentation from a niche to a wider market. For now, the department only treats medical matters (drugs, light therapy, surgical procedures, and biopsies), by widening its specialization, by disaggregation, it is hoped that the department can also handle non-medical matters (facials, skin care, relaxing massages, hair and nail treatments, and cosmetic procedures such as filler and botox injections, etc). It is projected to have double-digit growth by 2027 [1]. Global supply chains are in a constant state of change, fundamentally altering the dynamics of business between emerging economies and developed nations. This transformation is particularly evident in the progression of these value chains as fundamental "modes of production." Developing countries are increasingly collaborating with developed nations through these swiftly evolving global value chains (GVCs) without the need to invest heavily in constructing their own, resulting in time and cost savings, and the acquisition of access to cutting-edge technological innovations. In this era of intricate and expansive supply chains in our interconnected world, it is imperative to foster close collaboration with partners in the supply chain [2]. Disaggregation involves the dynamics driven by efficiency considerations and aims to evaluate the allocation of new capabilities to either existing or novel participants. This introduces a more discerning process for selecting and retaining elements that contribute to the drivers of disaggregation [3]. The disaggregation of value chain helps the entity to focus more on its competencies. Healthcare organizations can allocate their resources and expertise to their specialization, such as patient care, research, and also medical innovation. Disaggregation of value chain helps the organizations to use specialized external providers to perform certain functions more efficiently at a lower cost. This will lead the organization to economies of scale and economies of scope. Flexibility and scalability will also be the benefit of disaggregation of value chain. Disaggregation provides flexibility to adapt to changing market dynamics and demands. Organizations can easily adapt their operations according to current needs, with no restrictions to maintain internal resources for all functions.

In managing risk, diversification, and decentralization of value can help reduce risk. By forming a subsidiary, a company can divide business risks by separating operations and assets into different entities. If one of the subsidiaries experiences difficulties or failures, the impact can be limited to that subsidiary, while the main company can continue to operate normally.

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Third, the tax incentive for medical device imports will be revoked at the end of 2022. Initially, this medical device import tax incentive was given in order to provide facilities for handling the COVID-19 pandemic. Then, following the new harmonization of the subject of the added value tax, that classified the clinic as a service that should be taxed and urged the business to propose a new business classification (KBLI).

The next consideration lies in the capital adequacy of the hospital, which is the calculation of the efficiency of the capital requirements that will be needed. At the same time, an increase in interest rates will result in an increase in the cost of capital which will complicate the need for funds for expansion. Therefore, consideration will be made regarding decision-making, including funding using debt or funding using private equity. Both have advantages and disadvantages of each. Debt funding will increase the liquidity risk of HLMC, without releasing ownership from the owner. Meanwhile, equity funding can reduce the ownership of the owner (shares dilution), but liquidity risk can be overcome. Therefore, in this case, the company requires funding from external parties to facilitate growth and share risks.

Funding entails the act of procuring financial resources or capital for a designated objective, commonly associated with business ventures, non-profit entities, or specific projects. This process encompasses the pursuit of financial backing from a diverse array of sources, including investors, lenders, philanthropic contributors, or the wider public. The acquisition of funding assumes a pivotal role in empowering entities or individuals to advance their objectives, underwrite novel undertakings, amplify their operational capacities, or advocate for social causes. New businesses frequently encounter challenges when it comes to introducing their products and services to the commercial market. Given their constrained access to capital and relatively limited experience, startups may not initially meet the criteria for institutional equity investments [4].

Equity financing could be the first option to support this action. This process entails the issuance of ownership stakes or equity in a company to investors, in return for the infusion of capital. This practice is frequently employed in fundraising efforts for startups or when pursuing substantial investments to fuel business expansion. Entrepreneurial enterprises, especially those marked by substantial intangible assets, anticipate enduring periods of negative earnings, and harbor uncertain prospects, are improbable candidates for traditional bank loans or other forms of debt financing [5]. VC firms specialize in investing in early-stage private enterprises and are frequently the first institutional investors in such firms. A company is considered to be VC-backed if it receives early-stage funding from a VC fund. We specifically exclude companies that obtained money from VC funds only later in their development, as well as companies that received funding only from private equity funds [6]. The venture capital (VC) industry is critical in supplying high-impact startups with critical investment, mentorship, and reputation [7]. It has been substantiated through previous survey research that venture capitalists take into account various factors, which encompass the market's appeal, strategic approach, technological innovation, product or service offerings, customer adoption, competitive landscape, deal terms, and the caliber and experience of the management team [8]. This, in turn, secures the company's sustainability and the creation of shareholder value over the long haul, especially in an increasingly competitive business environment [9].

Debt funding can also be considered as a second option to support this initiative. This approach involves securing financial resources through loans obtained from banks, financial institutions, or individual lenders, with a formal commitment to repay the borrowed principal amount along with interest within a predetermined timeframe. Utilizing debt offers tax advantages since the interest expenses incurred can lead to a reduction in taxable income [10].

A startup or venture firm necessitates substantial financial resources at various junctures, including early-stage research and development, mass production and market expansion during the growth phase, and market positioning in the maturity phase [11].

CONCEPTUAL FRAMEWORK

This conceptual framework outlines a systematic approach to determining the funding valuation of a company. It consists of four key stages: deciding the targeted post-money valuation, reverse valuation using the Discounted Cash Flow (DCF) method, counter-measuring with Price-to-Earnings (PE) and Revenue Multiple analysis, and calculating the margin of safety. The margin of safety allows for unforeseen negative factors that may affect the investment. Economists believe that market prices are “efficient”. While value investors know that at times, market prices can behave extremely inefficient resulting in a margin of safety-rich opportunities for the patient, liquid, and informed investor [12].

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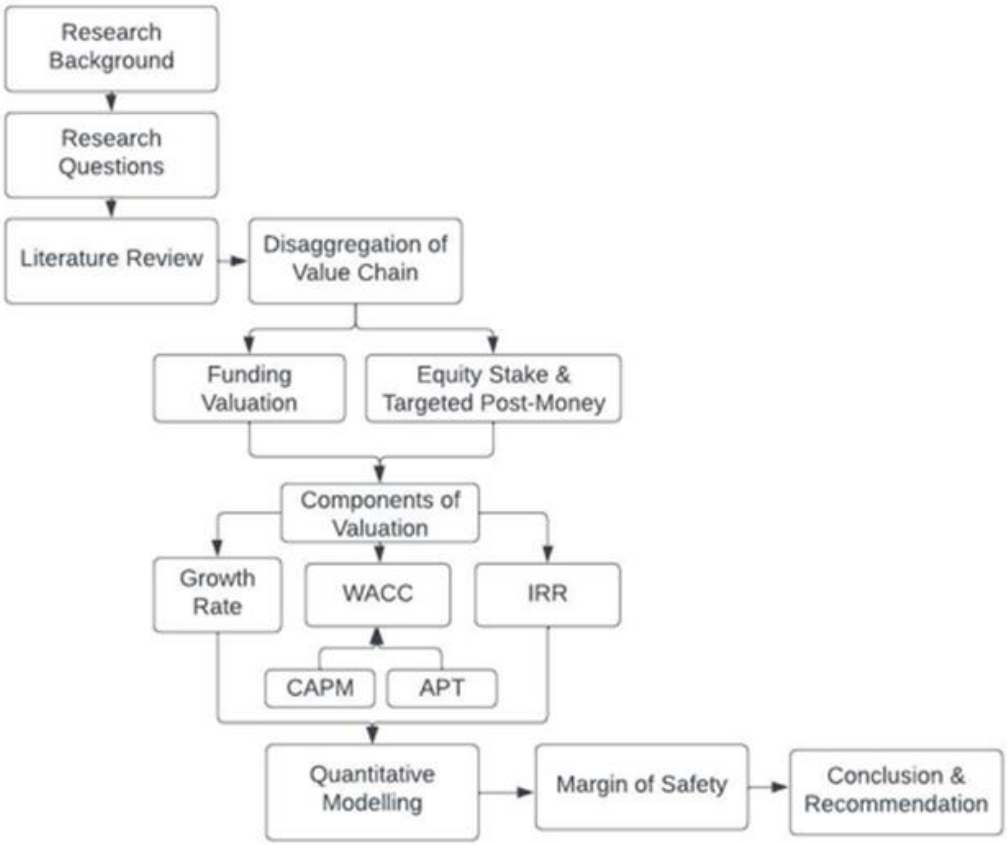

Figure 1. Conceptual Framework

RESEARCH DESIGN

Research designs are plans and procedures for research that span the decisions from broad assumptions to detailed methods of data collection and analysis [13]. Research seeks to develop relevant, true statements, ones that can serve to explain the situation of concern or that describe the causal relationships of interest. In quantitative studies, researchers advance the relationship among variables and pose this in terms of questions or hypotheses.

This research used quantitative methodology focuses on the phenomenon using projection, valuation, and equity stakes. The analysis is conducted in the identification of business issues to formulate the right number of valuations. Then, the research continues to estimate the budget allocation for capital expenditure and operating expenditure with the post-money from investment. After that, a financial projection is conducted to determine the income statement structure which could provide the number of cash flows that generated by the assets.

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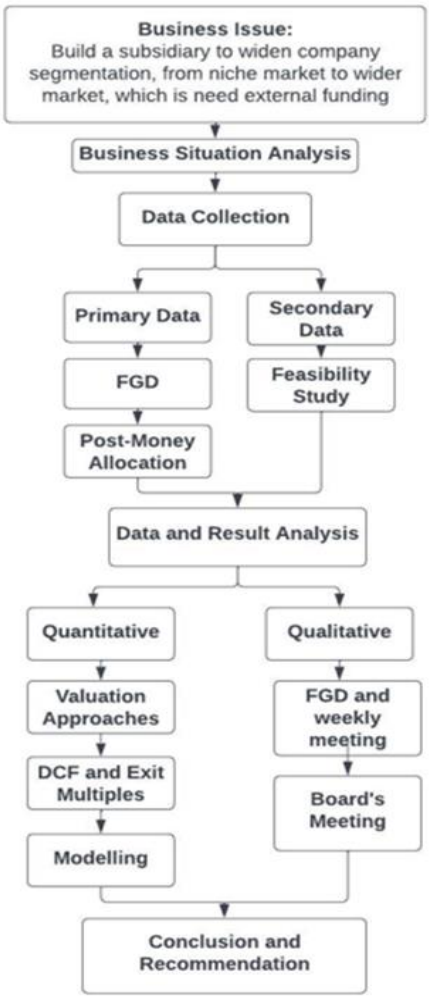

Figure 2. Research Design

DATA COLLECTION METHOD

The thesis data collection will involve the use of primary and secondary data sources. The primary data will consist of post-money usage, spending allocation, and the cost structure of products and services. This data will be collected directly from the target hospital or hospitals being studied. It will provide valuable insights into the hospital's financial activities, expenditure patterns, and the breakdown of costs associated with its offerings.

In addition, for the secondary data, will be gathered from various sources. One such source will be financial statements obtained from publicly listed hospitals in Indonesia. These financial statements will provide information on revenue, expenses, and profitability, allowing for a comprehensive analysis of the financial performance of these hospitals.

Another source of secondary data will be the number of Weighted Average Cost of Capital (WACC) obtained from other hospitals for comparison. The Weighted Average Cost of Capital (WACC), often referred to as WACC, is a calculation that determines the cost of capital for a company by assigning proportional weights to all its capital components [14]. The WACC is a financial metric used to assess the cost of capital for a hospital, and by comparing it across different hospitals, valuable insights can be gained regarding their financial health and efficiency. By utilizing both primary and secondary data sources, the thesis data collection aims to provide a comprehensive understanding of the financial aspects of the target hospital or hospitals, enabling in-depth analysis and valuable insights into their financial performance, spending patterns, and cost structures.

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DATA ANALYSIS METHOD

The final project used secondary data to do analysis. The data is given from NOM Aesthetic & Wellness Center, the subsidiary of Happy Land Medical Center, Yogyakarta. The data is used to determine the structure of the income statement (revenue, cost of revenue, operating, and financing cost), the composition of the use of funds needed, and the timeline of the project.

The collected data is used to form a valuation modeling by using Discounted Cash Flow (DCF), Revenue Multiple Valuation Modelling, and Price to Earning (P/E) Multiple Valuation Modelling.

For growth capital and buyout investments in well-established companies, the valuation predominantly relies on various factors, including the target company's earnings, operational cash flow, and valuation metrics derived from similar businesses. Central to any valuation process is a thorough business plan that converts the potential risks and opportunities related to the target company into a multi-year financial projection [15].

BUSINESS SOLUTION

The decision to divest a portion of NOM Skin, Aesthetic, and Wellness Center necessitates careful consideration to ensure optimal decision-making, coupled with the infusion of additional capital injections. This evaluation should not only benefit the company but must also take into account the perspective of investors. There are three general approaches to valuation. The present value (PV) of the asset's anticipated future cash flows is used to determine the asset's value in the first valuation method, known as discounted cash flow (DCF). The second method, known as relative valuation, calculates an asset's value by comparing the prices of similar assets to a shared variable like sales, book value, cash flows, or earnings. In the third, contingent claim valuation, assets sharing option characteristics are valued using models of option pricing [16]. This research conducts the DCF method, the derivative of relative valuation, the multiple valuation, such as Revenue and P/E Multiples.

Discounted Cash Flow (DCF):

Discounted cash flow (DCF) valuation views the intrinsic value of a security as the present value of its expected future cash flows. DCF valuation attempts to figure out the value of an investment today, based on projections of how much money the company will generate in the upcoming periods. This model is based on the growth of expenditures and their ability to generate revenues from the founding of the startup [17].

$$\text{Firm Value} = \sum_{t=1}^{\infty} \frac{CF}{(1+WACC)^1}$$

The 2023 Historical (Compounded Annual) Growth Rates by Sector, Aswath Damodaran is the source of the growth rate [18]. The transition growth rate is derived from the average growth of the healthcare industry after running for more than 5-7 years. Subsequently, the terminal growth rate is based on the annual inflation target of Indonesia after the post-pandemic recovery period.

Table 1. Firm Value Calculation for each year

Growth rate	33.00%	n	1	2	3	4	5	6	7
Discount rate E	20.00%	year	2024	2025	2026	2027	2028	2029	2030
Discount rate T	15.38%	FCF	Rp 546 372 966.77	Rp 729 474 704.94	Rp 970 201 357.57	Rp 1 290 367 805.57	Rp 1 716 189 181.41	Rp 2 282 531 611.27	Rp 3 035 767 042.99
Discount rate Terminal	15.38%	Disc factor	1.1999695	1.439926801	1.727868243	2.073389192	2.488003792	2.985528666	3.582543341
Terminal g rate	4%	PV	Rp 655 630 895.75	Rp 506 605 408.32	Rp 561 501 932.40	Rp 622 347 126.40	Rp 689 785 597.14	Rp 764 531 802.02	Rp 847 377 618.08
Transition Growth Rate	7%								
8	9	10	11	12	13	14	15	16	17
2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Rp 3 248 270 736.00	Rp 3 475 649 687.52	Rp 3 718 945 165.65	Rp 3 979 271 327.24	Rp 4 257 820 320.15	Rp 4 555 867 742.56	Rp 4 874 778 484.54	Rp 5 216 012 978.46	Rp 5 581 133 886.95	Rp 5 971 813 259.04
3.141112006	3.624255867	4.181713534	4.824915438	5.567050156	6.423334842	7.411327244	8.551285721	9.866584632	11.38419361
Rp 1 034 114 902.67	Rp 958 996 774.91	Rp 889 335 229.50	Rp 824 733 900.18	Rp 764 825 212.74	Rp 709 268 293.59	Rp 657 747 030.19	Rp 609 968 272.42	Rp 565 660 164.59	Rp 524 570 598.63

Terminal Value
Perpetuity
Rp 54 569 212 562.70
11.38419361
Rp 4 793 419 227.79

Fair Valuation

Firm Value = Equity Value = Sum of the PV of FCF = Rp 16,980,419,987.33

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Assumption of shares o/s = 1,000,000 shares
Fair value / share = Rp 16,980.42

Funding Valuation
Assumption of shares o/s = 1,000,000 shares
Equity Stake = 32.5% (Iteration)
Funding Investment Shares = 325,000 shares
Amount of Desired Investment = Rp 5,500,000,000 (5.5 Biliion Rupiah for 32.5% Equity)
Funding Valuation = Rp 16,923

Margin of Safety $= \frac{\text{Fair Valuation}}{\text{Funding Valuation}} - 1$
$= \frac{16{,}980}{16{,}923} - 1$
$= 0.34\%$

With the 0.34% margin of safety, it typically means that the current funding valuation is very close to its intrinsic value. In other words, there is very little room for error or unexpected fluctuations in the value of the investment before it reaches its intrinsic value. So, it could be concluded that the 32.5% equity stake for Rp 5,500,000,000 (5.5 billion Rupiah) is the desired deal for both the company and the investors.

Revenue Multiple Valuation:

Table 2. Revenue Multiple Valuation

Investment Required	Rp5 500 000 000
Revenue Multiple	3.92
Yr n Revenue	Rp 13 201 455 242
Exit value	Rp 51 749 704 547
IRR	20%
Desired Value	Rp 20 797 045 615.94
% Equity	**26.446%**

The fair value for the equity percentage to be divested to the investor for an investment of up to Rp 5,500,000,000 (5 billion Rupiah) is approximately 26.446%. The revenue multiple used is 3.92x, taken from Aswath Damodaran (2023) for Healthcare Products, Healthcare Support Services, and Hospitals/Healthcare Facilities. Additionally, the Internal Rate of Return (IRR) used is 20% [19]. The exit value is calculated using 5 years period. The desired value is calculated by dividing the product of the Revenue Multiple and Period by $(1+IRR)^{years}$. Subsequently, the percentage equity is obtained by dividing the investment required by the desired value at the exit year. Then, the stock price is determined by dividing the Firm Value by the number of shares. The number of shares in this case is assumed to be 1 million, resulting in a per-share price of Rp 20,797.

P/E Multiple Valuation:

Table 3. Component of P/E Multiple Valuation

Annual Earnings	Rp 2 938 044 885
In year, n =	5
PE Multiple	15.9
RRR	20%
Value of Firm	Rp 18 773 676 082.68

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The annual earnings are obtained from the projected income statement conducted during the valuation using the Discounted Cash Flow (DCF) method. The PE multiple value of 15.9x is derived from the McKinsey Report on Stock Price Multiples (consensus 12-month forward earnings) for the period January 1990 to June 2022. The Firm Value can be calculated by dividing the product of Earnings and Multiple by $(1+RRR)^{years}$. Similar to the revenue multiple valuation, the exit value is computed over 5 years period.

Table 4. Investment and Equity Stake

Initial Investment	Rp	5 500 000 000
Equity Stake		**29.296%**
Current O/S		1 000 000
Total Outstanding Share		1 414 353.94
Investor Owns # Shares		414 353.94
Share Price	Rp	13 274

Then, with the same investment amount, the calculation of the percentage equity stake is determined by dividing the investment amount by the Firm Value. Finally, the stock price is determined by dividing the amount of investment by the number of shares outstanding. The number of shares in this case is assumed to be 1 million, resulting in a per-share price of Rp 13,274**.**

Pre-money valuation = Rp 13,273,676,083
Post-money valuation = Rp 18,773,676,083

The three distinct methods of company valuation yield varying results. However, in accordance with valuation principles, the outcomes obtained from these three methods are reasonable. DCF is inherently more conservative in providing valuation assessments because the variable employed in this method is Free Cash Flow (FCF), which denotes the money a company retains after covering its operating expenses (OpEx) and capital expenditures (CapEx). This amount tends to be smaller than net income, especially when compared with revenue. Therefore, the equity stake to be granted to the investor will be smaller in amount, sequentially when evaluated with Revenue Multiple, followed by Earnings Multiple, and DCF.

Table 5. Result in Equity Stake Between Three Methods of Valuation

Method	**Amount of Investment**	**Equity Stake**
DCF	Rp 5,500,000,000	32.5%
Revenue Multiple	Rp 5,500,000,000	26.446%
Earnings Multiple	Rp 5,500,000,000	29.296%

Sensitivity Analysis

This analysis focuses on the significance of changes in company valuation influenced by several variables, such as revenue growth rate, discount rate, perpetuity/terminal growth rate, free cash flow margin, and valuation multiples.

In conducting sensitivity analysis in this study, the operational variables measured include the Revenue Growth Rate during the growth period, the magnitude of the discount rate, the terminal growth rate, and the free cash flow margin. Meanwhile, from a valuation and investor perspective, the variables utilized are exit multiples (revenue multiple and earnings multiple).

Table 6. Indicator and % change of each variable

Indicator	**Change**	**Change**
WACC +/- 1%	-2.51%	2.51%
Terminal Growth Rate +/- 1%	-3.02%	3.02%

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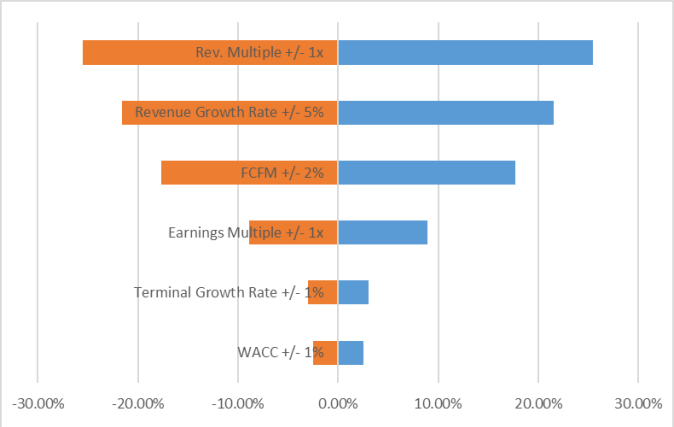
Earnings Multiple +/- 1x	-8.89%	8.89%
FCFM +/- 2%	-17.69%	17.69%
Revenue Growth Rate +/- 5%	-21.59%	21.59%
Rev. Multiple +/- 1x	-25.51%	25.51%

By measuring the above variables against the stock price per share, the sensitivity of each variable can be quantified and plotted into a tornado diagram below.

Table 7. Tornado Chart



Based on the Tornado Chart, it could be concluded that the Revenue Multiple has the biggest influence on the valuation, followed by Revenue Growth Rate, Free Cash Flow Margin to Revenue, Earnings Multiple, Terminal Growth Rate, and Discount Rate. Divided into two categories, from an operational standpoint, the Revenue Growth Rate is the most sensitive variable, followed by the FCF Margin and the Terminal Growth Rate. From an investor and valuation standpoint, the Revenue Multiple is more sensitive than the Earnings Multiple. That being said, companies that provide a positive customer experience are inclined to retain and attract new customers, thereby fostering increased revenue, which is reflected in recurring revenue and the annual growth rate [20].

JUSTIFICATION & IMPLEMENTATION PLAN

To implement a valuation within an investor presentation to secure additional funding, management needs to ensure that operational targets align with on-the-ground execution. The business will achieve the intended valuation once these operational goals are met. The process of obtaining more funding is expected to begin following 2024's first quarter. The goal of this funding is to improve the wellness center's operational capabilities and support the sales and distribution of over-the-counter (OTC) products.

Moreover, the company's Standard Operating Procedures (SOP) and protocols need to be finalized and separate from the hospital as a whole in order to form partnerships with outside parties. This division makes it possible to open new branches in various places or areas.

The company's annual budget, the creation of Standard Operating Procedures (SOPs) and protocols, monthly to annual operational targets, and the steps involved in business expansion are all included in the company's short- and long-term plans, which are approved by the shareholders at the general meeting.

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Table 8. Implementation Plan

No	Business Solution	Action Plan	2023								2024																	
			November				December				January				February				March				April					
		Weeks	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4		
1	Soft Opening	Employee's Training																										
		SOP Finalization																										
		Timeline finalization																										
		Social media advertisement																										
2	Day-to-day Operation	Preparing for marketing campaigns																										
		Evaluate every operational flow and schemes																										
3	Quartal-end Evaluation	Ensure that the operations fulfill the revenue target																										
		Ensure the efficiency for the bottom line																										
4	Grand Opening	Launch Over the Counter (OTC) Product																										
		Adjust package for marketing campaigns																										
		Disaggregate from HLMC Hospital																										
5	Improvement	Open the new business line, wellness center																										
6	Fundraising	Open for partnership																										
		Plan for new branch																										
		Define fundraising goals																										
		Setup fundraising infrastructure																										
		Lanch fundraising campaign																										

CONCLUSION

The findings from this valuation research serve as a valuable tool for stakeholders, providing insights that can inform strategic decision-making, investment considerations, and overall risk management. In the end, this research should give a concrete answer to the research questions stated in the earlier part of this research.

Here are the conclusions of this research:

1. The separation between specialties in a hospital entity will be the appropriate and efficient step toward increasing the company's performance in the future because it increases efficiency, improves patient outcomes, pivots strategic alignment with the most sought-after lines of business, and increases revenue at the end. By focusing on a specific area of medicine, physicians can become more specialized and provide higher-quality care. This can lead to shorter patient stays, fewer complications, and improved exclusivity for patient satisfaction.
2. The sensitivity analysis showed that the influencing variables are the Revenue Multiple, Revenue Growth Rate, Free Cash Flow Margin to Revenue, Earnings Multiple, Terminal Growth Rate, and the discount rate, respectively.

Revenue Multiple and Earnings Multiple are variables used by investors to measure the value of a company or investment. By applying a multiple to a financial metric (e.g., revenue, earnings, EBITDA), investors can estimate the potential selling price or market value of the investment at a future exit point. However, from the perspective of stakeholders and operational management, the variables that need to be considered are Revenue Growth Rate, Free Cash Flow Margin to Revenue, Terminal Growth Rate, and the company's capital structure.

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The term "Startup Winter" refers to a phase in which startup companies experience a decline in investment value, funding difficulties, and operational challenges in their business. Actually, not only the startups that suffering the winter, but almost every company. During this period, investors may exercise greater caution in providing funding, and many startup companies face difficulties in securing sufficient funds for growth or even survival. This term is often associated with situations where there is a drastic decrease in venture capital investment, numerous startup failures or financial struggles, and a general market sentiment that is less supportive of new business growth. Typically, Startup Winter can be caused by several factors, including:

- Economic Uncertainty: Periods of economic uncertainty can make investors more cautious about providing funding. Macro-economic factors, such as recessions or financial market turmoil, can contribute to the startup winter.
- Disappointment with Tech Company Performance: If prominent technology companies experience failures or a decline in market value, it can create negative sentiment towards new companies, making it difficult for them to secure funding.
- Changing Risk Perceptions: Investors may alter their risk perceptions, especially if some startups that received significant investment face difficulties or failures. This can lead investors to be more cautious and carefully choose where they allocate their funds.
- Shifts in Market Preferences: Market preferences can change, and certain trends or industries may no longer be the primary focus of investors. This can impact companies in specific sectors, especially if the market experiences oversaturation or excess capacity.
- Reassessment of Business Models: At some point, investors or industry players may begin to reassess specific business models or expect tangible evidence of profitability potential before providing further funding.

The most recent instance of Startup Winter occurred during the recovery phase of the COVID-19 pandemic. This was attributed to quantitative easing efforts aimed at reducing the circulating money supply, leading to inflation due to the monetary loosening implemented to boost the global economy during the worldwide social restrictions, which affected the turnover and growth of the global economy at that time.

Due to the issues mentioned above, it is imperative to adopt an operational approach to redefine the objectives of startup entrepreneurs in the current era. Shifting from the previous focus solely on valuation and exit strategy (growth at all costs), the new approach emphasizes sustainable growth. Consequently, operational metrics such as operational margin, average growth, the company's ability to generate cash flow, and organic growth become key indicators for startups in an era marked by high interest rates. Of the three valuation approaches used in this research—Discounted Cash Flow (DCF), Revenue Multiple, and Earnings Multiple—it can be concluded that the DCF valuation approach is the most appropriate. This conclusion stems from considering operational and managerial perspectives on cash flow generation, not solely from the investor's viewpoint prioritizing company valuation over operational capabilities.

RECOMMENDATION

After the economic crisis caused by the COVID-19 pandemic has come to an end, there has been a gradual occurrence of prolonged impacts resulting from the crisis. One of these impacts is the abnormal increase in inflation rates, creating a contradictory situation compared to the conditions during the pandemic. Suddenly, loose economic policies are tightened, leading to economic shocks, downturns, and even bubbles that eventually burst.

Here are the concluded recommendations for:

1. The stakeholders of the company: The author recommends that the company revert to its original business model, which focuses on generating cash flow and creating operational margins. This approach allows companies to grow organically and navigate the challenges posed by economic shifts and uncertainties, avoiding the pitfalls associated with economic shocks and bubbles.

The emphasis on organic growth is in line with the inclinations of long-term investors, who frequently favor gradual and sustainable growth over riskier, faster growth strategies. Examples of these investors include institutional shareholders and employees with stock options. With this change, the business will be better equipped to handle economic upheavals and weather market volatility. As the valuation conducted reflects the current economic conditions, it no longer relies solely on growth and top-line figures but places emphasis on real cash flows and the business model.Stakeholders, such as workers and shareholders, are more likely to

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experience a stable and predictable environment by avoiding the traps connected with economic bubbles, which promote trust and loyalty.

Finally, the company will reach the desired cash flow, followed by the desired valuation. The ultimate goal of reaching the desired cash flow and valuation emphasizes a commitment to shareholder value. As the company builds operational margins and cash reserves, it becomes better positioned to weather economic challenges, fund strategic initiatives, and enhance its overall financial health. This is a holistic strategy aimed at securing the interests of all stakeholders, including employees, shareholders, and creditors.

2. The investors: The author recommends another method of valuation, besides the exit multiples applied by the venture capitals during the period of Quantitative Easing (QE), when central banks inject large amounts of money into the financial system, which can affect the dependability of exit multiples. In a situation like this, investors—especially those in venture capital—may find it difficult to determine the actual value of their investments. The suggested alternative approach to valuation might include adding more financial indicators, analyzing market dynamics, or making adjustments for the special circumstances brought about by quantitative easing. Therefore, in the current era of pandemic recovery, where Quantitative Easing (QE) has transitioned into Quantitative Tightening (QT) due to rising interest rates, inflation, and subsequent increases in the cost of funds, investors need to employ alternative valuation methods. These methods should focus on a realistic assessment of the company's operational cash flow, no longer relying solely on inorganic growth that artificially inflates the company's valuation.

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