

COMPANY UPDATE

First REIT (FIRT SP)

Riding On Transformation And Growth Of Healthcare In Indonesia

The healthcare industry in Indonesia is booming due to increasing awareness towards preventive care, rising affluence and successful healthcare reform. FIRT is able to capture the growth in Indonesia through its performance-based rent, which is calculated based on 8.0% of preceding financial year gross operating revenue. Three of its hospitals currently contribute performance-based rent. The stock trades at 2024 distribution yield of 10.2% and P/NAV of 0.82x.

WHAT'S NEW

- Indonesia a huge market for healthcare.** The growth in healthcare in Indonesia rides on megatrends, such as the rise of the senior demographic and increasing healthcare awareness towards preventive care. According to the World Bank, there are currently 52m middle-income Indonesians (earning Rp1.2-6.0m per person per month), or one in every five. More people can afford quality healthcare with the middle-income population expanding rapidly at a CAGR of 10%. Demand is also boosted as the proportion of population aged 65 & above is expanding from 6.7% in 2020 to 15.0% in 2050.
- Successful healthcare reform.** Indonesia established Jaminan Kesehatan Nasional (JKN), the largest national healthcare insurance system in the world, in 2014. JKN is implemented by SOE BPJS Kesehatan. The premium is set at 5%, of which 4% is paid by employer and 1% by the employee. Premium for the poor is funded by the government. The scheme has 249m registered members in 2022, representing a population coverage of 91%. It indirectly boosts domestic consumption by providing citizens with a safety net against financial shocks from chronic illnesses and medical emergencies. Concurrently, affluent Indonesians covered by private healthcare insurance is projected to increase at a CAGR of 8.1% to 16m in 2027.
- Market leader in Indonesia.** First REIT's (FIRT) 14 hospitals in Indonesia is operated by Siloam Hospitals (Bloomberg ticker: SILO IJ), the largest private healthcare operator with 3,800 operational beds and a market share of 9%. SILO's medical team comprises more than 2,200 specialist doctors and 500 general practitioners. The average length of stay decreased by 0.2 days yoy to 3.1 days in 3Q23 due to improved efficiency in treatment. SILO generated higher throughput from complex clinical programmes, such as cardiology, oncology, neurology, gastroenterology and orthopaedic. It performed 1,883 cardiac surgeries, 2,776 neuro surgeries, 11,373 orthopaedic surgeries and 18,280 deliveries in 2022.
- Improved profitability driven by complex clinical programmes.** SILO's average revenue per patient day has grown at a CAGR of 15% to Rp6.5m in 2022, driven by complex clinical programmes. 82% of its total revenue was derived from private patients in 9M23, of which 50% were from Corporate and Insurance clients. BPJS' contribution was stable at about 18% as of 9M23. SILO's EBITDA margin expanded to 30.6% in 9M23 compared with 25.9% in 9M22.

KEY FINANCIALS

Year to 31 Dec (\$m)	2019	2020	2021	2022	2023
Net turnover	115	80	102	111	109
EBITDA	100	62	89	96	93
Operating profit	100	62	89	96	93
Net profit (rep./act.)	49	(352)	63	34	63
Net profit (adj.)	56	51	59	59	56
EPS (\$ cent)	7.0	6.0	3.9	3.0	2.7
PE (x)	3.5	4.1	6.2	8.3	9.0
P/B (x)	0.2	0.5	0.7	0.8	0.8
EV/EBITDA (x)	9.1	14.8	10.3	9.5	9.8
Dividend yield (%)	35.1	16.9	10.7	10.8	10.1
Net margin (%)	42.4	(442.6)	61.7	30.2	58.3
Net debt/(cash) to equity (%)	53.0	101.2	45.7	60.9	62.0
Interest cover (x)	5.6	3.8	5.2	5.0	4.2
ROE (%)	5.7	n.a.	11.3	5.1	9.6
Consensus net profit (\$ cent)	-	-	-	-	-
UOBKH/Consensus (x)	-	-	-	-	-

Source: First REIT, Bloomberg, UOB Kay Hian

NOT RATED

Share Price	S\$0.245
Target Price	n.a.
Upside	n.a.

COMPANY DESCRIPTION

FIRT invests in income producing real estate primarily used for healthcare and related purposes. Its sponsors are OUE Healthcare (40% of REIT manager) and OUE Limited (60% of REIT manager). It owns 11 hospitals, two integrated hospitals & malls and an integrated hospital & hotel in Indonesia. It acquired 14 nursing homes in Japan in 2022.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	FIRT SP
Shares issued (m):	2,081.5
Market cap (\$m):	510.0
Market cap (US\$m):	380.6
3-mth avg daily t'over (US\$m):	0.2

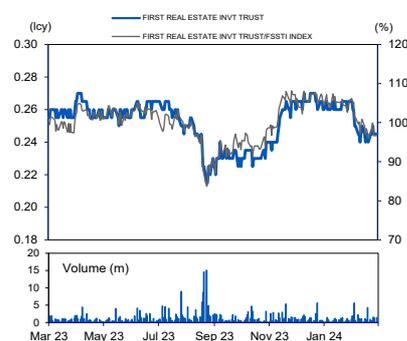
Price Performance (%)

52-week high/low	S\$0.270/S\$0.215			
1mth	3mth	6mth	1yr	YTD
(5.8)	(7.5)	8.9	(3.9)	(7.5)

Major Shareholders

	%
OUE Healthcare Ltd	42.0
NAV/Share (\$)	0.30
Net Debt/Share (\$)	0.20

PRICE CHART

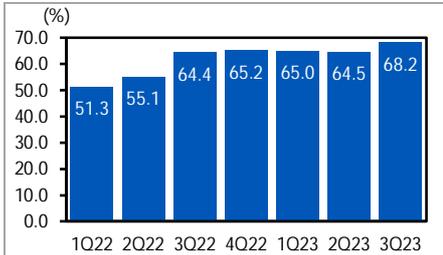


Source: Bloomberg

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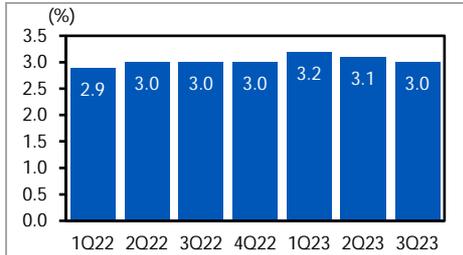
Jonathan Koh, CFA, MSc Econ
 +65 6590 6620
 jonathankoh@uobkayhian.com

OCCUPANCY RATE



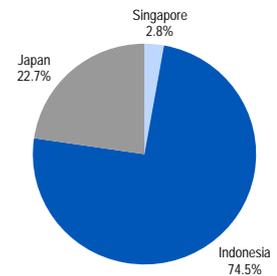
Source: SILO

OPD* TO IPD^ CONVERSION



*Outpatient Department. ^Inpatient Department.
Source: SILO

PORTFOLIO VALUATION BY COUNTRY (DEC 23)

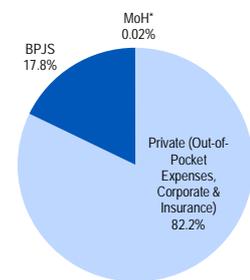


Source: FIRT

Site visits to Jakarta. We visited four hospitals managed by Siloam Hospital:

- Siloam Hospitals TB Simatupang (South Jakarta).** The mature hospital is a hub for cardiology, oncology and neuroscience. It was accorded the Diamond status for quality care by the World Stroke Organisation.
- Mochtar Riady Comprehensive Cancer Centre (Central Jakarta).** The flagship hospital is a hub for oncology and gastroenterology. It is ranked no.1 for cancer treatment in Indonesia and no.6 in Southeast Asia.
- Siloam Hospitals Kebon Jeruk (West Jakarta).** The flagship hospital is a hub for orthopaedic, urology, cardiology and radiology.
- Siloam Hospitals Lippo Village (West Jakarta).** The first hospital in Indonesia to be accredited by the prestigious Joint Commission International (JCI). The flagship hospital is a hub for neuroscience, cardiology and radiology. It is the first hospital in Southeast Asia to perform brainstem surgery.

% CONTRIBUTION TO SILO REVENUE (9M23)



*Revenue from COVID reimbursement from the government.
Source: SILO

ANGIOGRAPHY ROOM AT SILOAM HOSPITALS TB SIMATUPANG



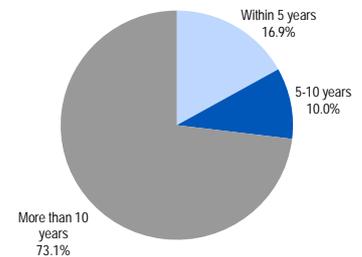
Source: UOB Kay Hian

PET CT AT MOCHTAR RIADY COMPREHENSIVE CANCER CENTRE



Source: UOB Kay Hian

LEASE EXPIRY AS % OF GFA



Source: FIRT

STOCK IMPACT

- Seeing stellar growth from healthcare.** We are witnessing the growth of the healthcare industry in Indonesia. The pool of specialist doctors is growing, covering cardiology, oncology, neurology, gastroenterology and orthopaedic. Hospitals in Indonesia, especially those located in Jakarta, are equipped with advanced diagnostic equipment, such as MRI, CT Scanner, Cath Lab and Linear Accelerator for Radiotherapy.
- Favourable lease structure that captures growth in healthcare.** FIRT's 14 hospitals in Indonesia provide base rent with fixed annual escalation of 4.5%. Performance-based rent kicks in when the hospitals achieve strong growth, which is calculated based on 8.0% of preceding financial year hospital gross operating revenue. Three hospitals in Indonesia have contributed performance-based rent starting 4Q23.
- Stability from long WALE.** FIRT is resilient with long WALE weighted by GFA of 11.5 years. The existing leases for the Indonesian hospitals run till 31 Dec 35. There is an option to renew for a further 15 years with mutual agreement.

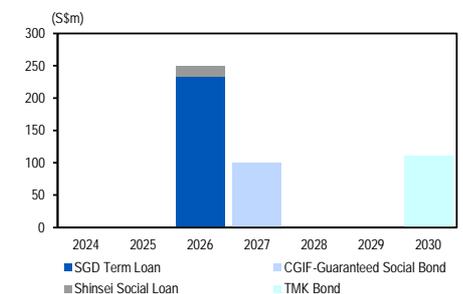
VALUATION/RECOMMENDATION

- FIRT trades at 2024 distribution yield of 10.2% based on consensus DPU of 2.5 S cents and P/NAV of 0.82x.

SHARE PRICE CATALYST

- Growth from 14 hospitals in Indonesia.
- Steady contributions from 14 nursing homes in Japan.

DEBT MATURITY PROFILE



Source: FIRT

PROFIT & LOSS

Year to 31 Dec (\$m)	2020	2021	2022	2023
Net turnover	79.6	102.3	111.3	108.6
EBITDA	61.9	88.6	96.1	93.4
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	61.9	88.6	96.1	93.4
Net interest income/(expense)	(16.4)	(16.9)	(19.2)	(22.2)
Pre-tax profit	(358.2)	75.8	52.0	78.2
Tax	5.8	(12.7)	(18.4)	(14.9)
Net profit	(352.4)	63.1	33.6	63.3
Net profit (adj.)	51.4	59.0	58.6	56.4

BALANCE SHEET

Year to 31 Dec (\$m)	2020	2021	2022	2023
Fixed assets	939.7	962.5	1,145.4	1,139.5
Other LT assets	0.0	0.0	1.2	0.0
Cash/ST investment	19.3	51.2	46.1	40.3
Other current assets	45.9	35.9	5.9	7.6
Total assets	1,004.9	1,049.5	1,198.6	1,187.3
ST debt	195.3	99.3	1.5	0.9
Other current liabilities	28.1	27.9	19.7	16.8
LT debt	293.7	250.0	449.6	448.9
Other LT liabilities	23.8	20.6	62.5	60.5
Shareholders' equity	464.0	651.8	665.4	660.2
Total liabilities & equity	1,004.9	1,049.5	1,198.6	1,187.3

CASH FLOW

Year to 31 Dec (\$m)	2020	2021	2022	2023
Operating	50.4	66.2	93.1	70.0
Pre-tax profit	(352.4)	63.1	33.6	63.3
Working capital changes	2.3	14.1	23.6	(3.8)
Non-cash items	407.3	(8.5)	13.3	(16.9)
Other operating cashflows	(6.7)	(2.5)	22.6	27.3
Investing	1.0	5.6	8.1	(4.6)
Capex (growth)	0.0	0.0	(31.1)	0.0
Capex (maintenance)	(0.4)	(0.7)	(4.3)	(4.9)
Proceeds from sale of assets	0.0	6.1	38.0	0.0
Others	1.4	0.2	5.5	0.3
Financing	(65.1)	(40.1)	(102.7)	(69.3)
Distribution to unitholders	(43.8)	(38.2)	(49.5)	(52.1)
Issue of shares	0.0	157.7	0.0	0.0
Proceeds from borrowings	0.0	252.4	379.3	122.0
Loan repayment	0.0	(393.2)	(381.5)	(115.9)
Others/interest paid	(21.3)	(18.8)	(50.9)	(23.3)
Net cash inflow (outflow)	(13.7)	31.7	(1.5)	(3.9)
Beginning cash & cash equivalent	33.0	19.3	51.2	46.1
Changes due to forex impact	0.0	0.2	(3.6)	(1.9)
Ending cash & cash equivalent	19.3	51.2	46.1	40.3

KEY METRICS

Year to 31 Dec (%)	2020	2021	2022	2023
Profitability				
EBITDA margin	77.8	86.5	86.4	86.0
Pre-tax margin	(449.9)	74.1	46.7	72.0
Net margin	(442.6)	61.7	30.2	58.3
ROA	n.a.	6.1	3.0	5.3
ROE	n.a.	11.3	5.1	9.6
Growth				
Turnover	(30.9)	28.5	8.7	(2.4)
EBITDA	(38.1)	43.0	8.5	(2.8)
Pre-tax profit	(575.2)	n.a.	(31.5)	50.5
Net profit	(820.4)	n.a.	(46.8)	88.6
Net profit (adj.)	(7.6)	14.8	(0.7)	(3.8)
EPU	(13.9)	(34.8)	(24.9)	(7.8)
Leverage				
Debt to total capital	51.3	34.9	40.4	40.5
Debt to equity	105.4	53.6	67.8	68.1
Net debt/(cash) to equity	101.2	45.7	60.9	62.0
Interest cover (x)	3.8	5.2	5.0	4.2

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