

27 June 2023

Consumer Non-cyclical | Healthcare

Prodia Widyahusada (PRDA IJ)**Buy****Regaining Strength; Initiate Coverage With BUY**

Target Price (Return): IDR7,300 (35.8%)
 Price (Market Cap): IDR5,375 (USD336m)
 ESG score: 3.3 (out of 4)
 Avg Daily Turnover (IDR/USD) 6,789m/0.46m

• **Initiate coverage with BUY and IDR7,300 TP, 36% upside.** We are positive on Prodia Widyahusada's prospects, based on the expansion initiatives for its offline and online platforms. PRDA's performance should accelerate in 2H23 on seasonal factors and the improved macroeconomic situation. We pencil in 15% revenue and 19% EBITDA CAGR for 2023-2025. The stock is trading at 9-10x 2023F EV/EBITDA – at a c.40% discount to domestic healthcare players and c.60% discount to regional peers.

• **Beneficiary of increasing healthcare awareness** – a trend which began prior to the pandemic, and accelerated during the pandemic. Rising health awareness, coupled with growing purchasing power among the expanding middle-income demographic, should support demand for high-end health testing. PRDA has seen strong growth in esoteric testing – especially genomic testing. The higher price point for such tests should help PRDA stay ahead of the competition and boost its profitability. This is further supported by its wide national footprint and comprehensive testing methods.

• **Supportive regulatory environment.** The Social Security Agency's (BPJS) stronger financial position bodes well for the industry, with the Government focusing more on the chronic disease management programme (*Prolanis*). PRDA sees higher contribution from BPJS patients, with more growth avenues and a positive impact on margins. It has also formed a partnership with IHH Healthcare (IHH MK, BUY, TP: MYR7.07). While the revenue portion from this partnership is still small, we like the strategy for PRDA to widen its foothold and ride the medical tourism recovery wave. Potential regulations that allow domestic laboratories (labs) to receive test samples from overseas would benefit PRDA, as it would boost its test volumes. Greater scale should help improve efficiency and strengthen its capabilities.

• **Stronger prospects.** PRDA remains optimistic of regaining its pre-pandemic market share (38-39%) in 2023 (2021: 37.9%), given the industry's consolidation on decreasing demand for COVID-19 testing. PRDA should remain competitive – despite hospital players becoming more aggressive in their lab testing businesses – by focusing on advanced testing. Despite strong interest from foreign companies looking to enter the clinical lab business in Indonesia, PRDA remains optimistic due to its strong foothold on walk-in consumers (usually less price sensitive).

• **Digitalisation strategy.** PRDA is integrating its services into a healthcare super-app 'U by Prodia', to be completed by the end of 2024. The digital strategy should help PRDA expand its presence and develop more revenue streams. We stay positive on its strategy to develop its data and analytics to enhance business value and operating efficiency, as well as to boost walk-in traffic and doctor referrals, which have better cash flows and margins.

• **ESG framework update.** As there is now greater focus on the E pillar due to critical climate change issues, we tweaked our ESG weightage. We now assign a 50% weightage to the E pillar, followed by 25% each to the S and G pillars. See our [2 May thematic research](#) for more details. We assign a 3.3 ESG score for PRDA, with a 6% ESG premium included in the TP.

Forecasts and Valuation	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
Total turnover (IDRb)	2,652	2,182	2,377	2,675	3,123
Recurring net profit (IDRb)	598	345	303	366	450
Recurring net profit growth (%)	151.1	(42.2)	(12.3)	20.7	23.1
Recurring P/E (x)	8.43	14.59	16.63	13.78	11.19
P/B (x)	2.2	2.2	2.0	1.9	1.7
P/CF (x)	9.92	6.53	14.50	11.31	9.96
Dividend Yield (%)	na	na	na	na	na
EV/EBITDA (x)	5.43	9.18	9.27	7.83	6.53
Return on average equity (%)	30.0	16.1	13.8	15.6	17.5

Source: Company data, RHB

Analysts

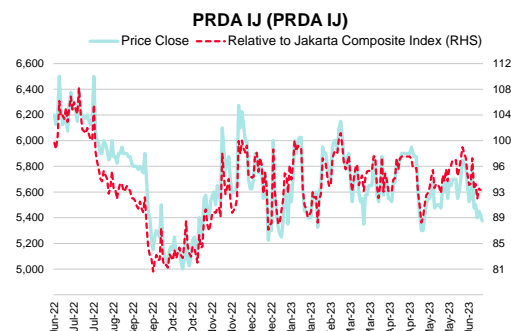
Vanessa Karmajaya
 +6221 5093 9888 Ext 985
vanessa@rhbgroup.com



Indonesia Research
 +6221 5093 9888
rhb.id.research@rhbgroup.com

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(4.0)	(3.2)	(8.1)	2.9	(11.9)
Relative	(0.9)	(2.5)	(6.3)	5.8	(6.2)
52-wk Price low/high (IDR)	5,000 – 6,500				



Source: Bloomberg

Overall ESG Score: 3.3 (out of 4)**E: GOOD**

PRDA has a management plan to minimise the detrimental impacts of its operations on the environment. It ensures that waste management is carried out in accordance to relevant regulations and standards to prevent environmental pollution. It also conducts campaigns on reducing the use of plastic and water.

S: GOOD

PRDA is committed to safeguarding the security, safety, and health of its customers and employees. It strives to improve its services through continued digital innovation and transformation, and via the establishment of the Prodia Education and Research Institute (PERI). The company has a strict policy of non-discrimination to ensure equal treatment among its employees.

G: EXCELLENT

The company prioritises good corporate governance practices across all levels, in line with applicable laws and regulations. PRDA has adopted business ethics principles and standards that require every employee to behave in an ethical manner. This code of conduct applies to all its personnel.

Note:

Small cap stocks are defined as companies with a market capitalisation of less than USD0.5bn.

Financial Exhibits

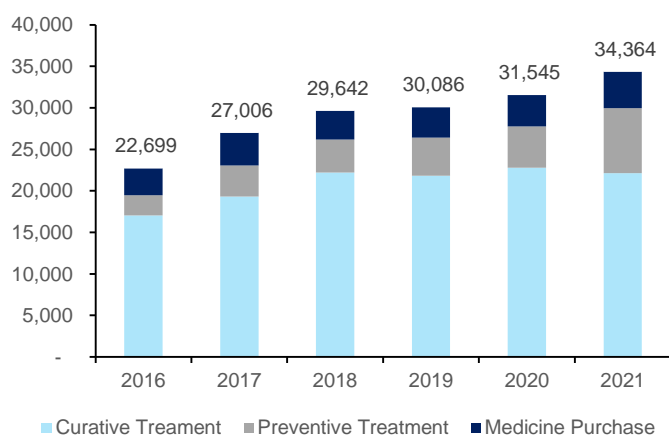
Asia	Financial summary (IDR)	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
Indonesia	Recurring EPS	637.80	368.38	323.24	389.99	480.24
Consumer Non-cyclical	BVPS	2,464.47	2,462.04	2,635.09	2,852.68	3,116.98
Prodia Widyahusada	Return on average equity (%)	30.0	16.1	13.8	15.6	17.5
PRDA IJ						
Buy						
	Valuation metrics	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
	Recurring P/E (x)	8.43	14.59	16.63	13.78	11.19
	P/B (x)	2.2	2.2	2.0	1.9	1.7
	FCF Yield (%)	8.3	12.8	0.8	5.1	6.0
	EV/EBITDA (x)	5.43	9.18	9.27	7.83	6.53
	EV/EBIT (x)	5.86	9.94	11.86	9.80	7.97
Valuation basis	Income statement (IDRb)	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
10-year DCF	Total turnover	2,652	2,182	2,377	2,675	3,123
	Gross profit	1,633	1,327	1,415	1,605	1,908
	EBITDA	817	473	488	575	691
	Depreciation and amortisation	(60)	(36)	(107)	(115)	(125)
	Operating profit	757	437	381	460	566
	Pre-tax profit	789	470	413	506	616
	Taxation	(165)	(99)	(85)	(104)	(126)
	Reported net profit	623	372	329	402	490
	Recurring net profit	598	345	303	366	450
Key drivers	Cash flow (IDRb)	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
i. Increasing health awareness post COVID-19;	Change in working capital	(143)	389	(96)	(88)	(136)
ii. Higher revenue contribution from esoteric tests;	Cash flow from operations	508	771	348	445	506
iii. Continued innovation (launch of new tests) and nationwide expansion;	Capex	(88)	(124)	(309)	(187)	(203)
iv. Potential partnerships with global healthcare players;	Cash flow from investing activities	(137)	(308)	(364)	(242)	(281)
v. Undemanding valuation.	Dividends paid	(161)	(373)	(164)	(201)	(245)
	Cash flow from financing activities	(128)	(373)	(151)	(193)	(232)
	Cash at beginning of period	365	608	698	531	541
	Net change in cash	243	91	(167)	10	(7)
	Ending balance cash	608	698	531	541	534
Key risks	Balance sheet (IDRb)	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
i. Thin liquidity profile;	Total cash and equivalents	608	698	531	541	534
ii. Intensifying competition;	Tangible fixed assets	596	684	887	959	1,037
iii. Slower traffic recovery.	Total assets	2,702	2,670	2,880	3,127	3,441
	Short-term debt	3	2	9	6	6
	Total long-term debt	2	0	0	0	0
	Total liabilities	392	358	407	450	516
	Total equity	2,310	2,311	2,474	2,678	2,926
	Total liabilities & equity	2,702	2,670	2,880	3,127	3,441
Company Profile	Key metrics	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
Established in 1973, Prodia Widyahusada is a pioneer in the industry, and has emerged as among the leading clinical laboratories in Indonesia. The company has maintained its dominance with 37.9% market share for independent clinical labs in 2021 – the largest among its peers. PRDA remains the top preference among consumers with its extensive range of clinical tests, which allow it to cater to a wide variety of customer types and needs.	Revenue growth (%)	41.6	(17.7)	9.0	12.5	16.8
	Recurrent EPS growth (%)	151.1	(42.2)	(12.3)	20.7	23.1
	Gross margin (%)	61.6	60.8	59.5	60.0	61.1
	Operating EBITDA margin (%)	30.8	21.7	20.5	21.5	22.1
	Net profit margin (%)	23.5	17.0	13.8	15.0	15.7
	Capex/sales (%)	3.3	5.7	13.0	7.0	6.5

Source: Company data, RHB

Key Beneficiary Of Rising Health Awareness

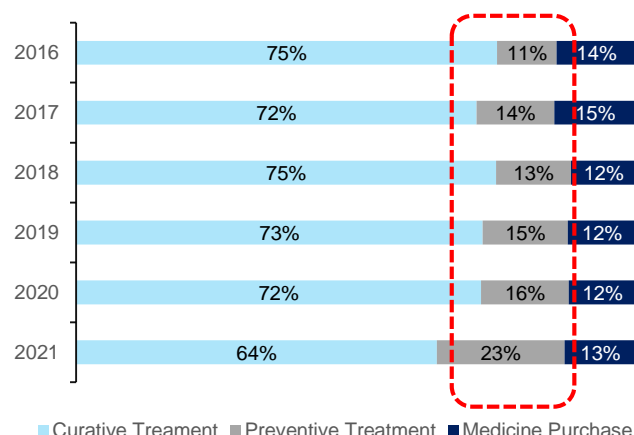
We saw an increase in healthcare awareness even prior to the pandemic, with average monthly healthcare expenditure per capita growing at a 9-10% CAGR from 2016-2019. Expenditure on preventive treatment grew by a 23-24% CAGR during the same period, making up c.15% of the total average monthly healthcare expenditure per capita in 2019 (2016: 11%). We note that the increase was more prevalent during the pandemic, when there was a substantial increase in average monthly healthcare expenditure per capita. We believe the increasing health awareness trend will continue, and this should have a positive impact on demand for health testing – especially preventive tests. The average monthly healthcare expenditure per capita for medical check-ups rose by a 20-21% CAGR between 2016 and 2019.

Figure 1: Average monthly healthcare expenditure per capita (IDR)



Source: Statistics Indonesia (BPS), RHB

Figure 2: Breakdown of average monthly healthcare expenditure per capita



Source: BPS, RHB

We believe the trend has continued, especially in the mid- to high-income segment. This is reflected in the higher number of tests per visit recorded by PRDA, with its customers also seeking a wider range of tests, especially since the pandemic. We believe consumers also seeking more advanced types of tests, as PRDA is also seeing higher revenue per visit. We note that these two indicators have continue to show as increase, and are even higher than pre-pandemic levels (Figure 3 and 4).

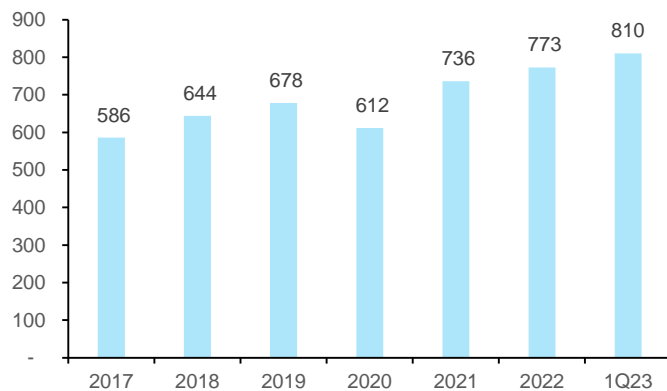
We also note that esoteric tests – which are considered relatively more advanced than routine tests – recorded higher revenue and volume contribution in 1Q23 compared to 2019 and the previous years. Increasing contribution from esoteric tests is a positive sign, as its revenue per test is 5-6x higher than routine tests. This should also translate to higher margins moving forward. The company aims to introduce more new tests, with a target of launching a minimum of 10 new tests per year. PRDA has developed 57 new tests between 2019 and 2022, and launched four new tests in 1Q23. It aims to increase the revenue contribution from esoteric testing to >25% of the total, over the next few years (1Q23: c.22%). Its long-standing partnership with National University Hospital Singapore and Quest Diagnostic US should help PRDA fortify its capabilities to provide more comprehensive types of testing.

This should also bode well for genomic testing, which is a type of advanced esoteric test. Since its launch, genomic tests have seen strong growth. In 1Q23, the company saw genomic test revenue rise by 17% YoY. Genomic test revenue contribution expanded from 2.5% in 1Q22 to 3.2% in 1Q23. Looking ahead, PRDA aims to launch more genomic tests. This strategy should help PRDA secure its long-term growth by staying ahead of its competitors. We also think this initiative will bolster its profitability, given the higher price points, and should lead to higher margins. Strong health awareness, along with higher affordability in the expanding middle-income segment, should support demand for genomic tests, in our view.

27 June 2023

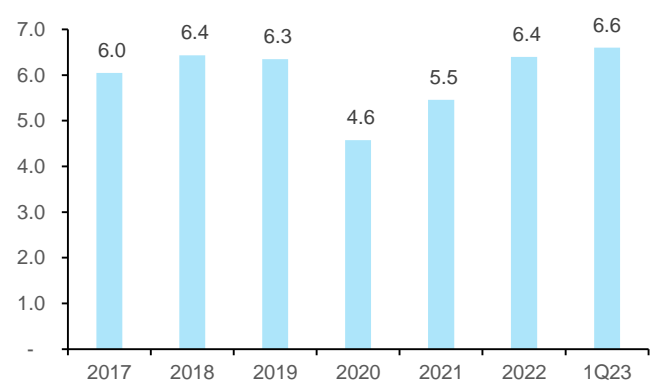
Consumer Non-cyclical | Healthcare

Figure 3: Revenue per visit (IDR '000)



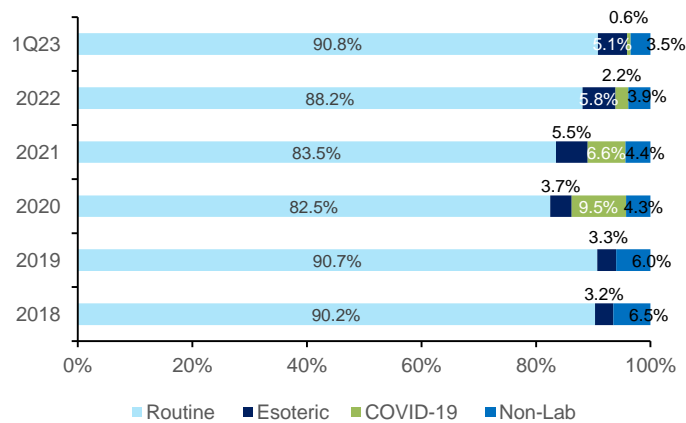
Source: Company

Figure 4: Number of tests per visit



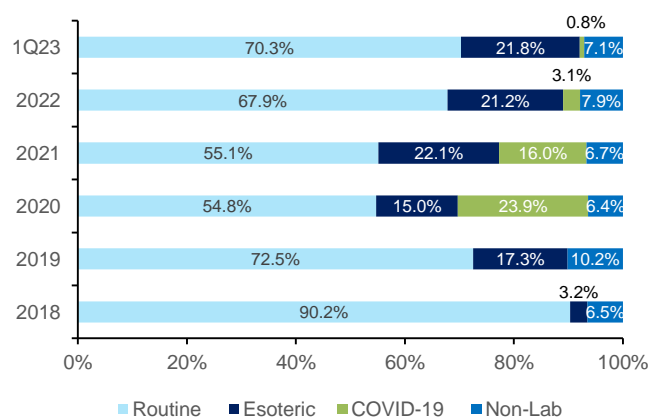
Source: Company

Figure 5: Revenue contribution by types of tests



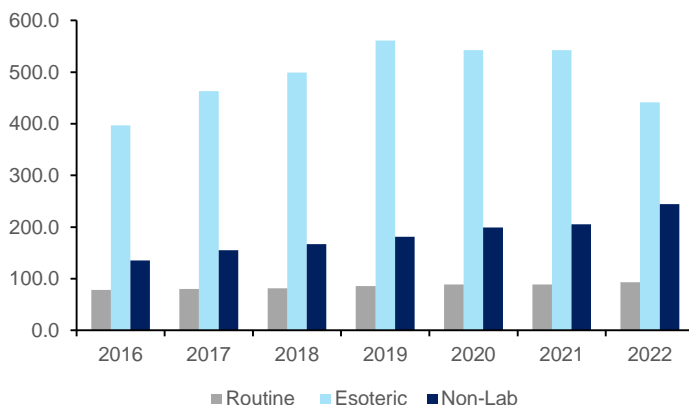
Source: Company

Figure 6: Portion of test volumes by types of tests



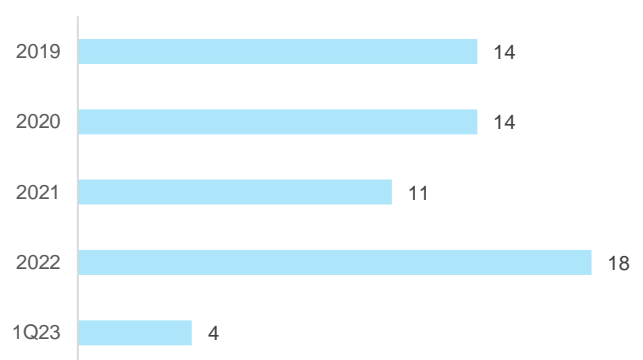
Source: Company

Figure 7: Revenue per type of test (IDR '000)



Source: Company

Figure 8: Number of new tests launched



Source: Company

We think PRDA will remain a major beneficiary of rising health awareness post-COVID-19, given its comprehensive test offerings (>3,000 types of tests) and unrivalled network (285 outlets nationwide in 1Q23). Its expansion plans remain intact, with the company aiming to open new outlets every year. This should help PRDA to remain ahead of its competitors and strengthen its footprint. We believe the impact of its expansion strategy will be more prevalent outside of Java, given the lack of competitors with similar scale and capabilities in these areas. Note that areas outside Java saw strong growth, especially Kalimantan. PRDA should become a top preference for consumers, given its undisputable quality. The company is the first and only clinical independent lab with a College of American

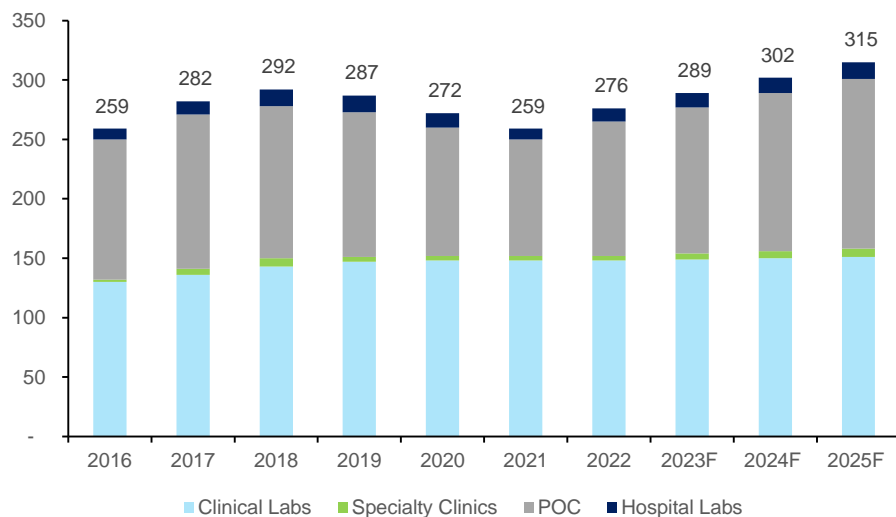
27 June 2023

Consumer Non-cyclical | Healthcare

Pathologists (CAP) accreditation in Indonesia since 2012 – a testament to its solid service quality.

We estimate that PRDA will open one clinical lab, 10 Point of Care (POC) outlets, one specialty clinic, and one hospital lab in 2023 – bringing the number of outlets to 289 by the year-end. Our assumptions are largely in line with the company's guidance, except for POCs – PRDA aims to open 20 new outlets in 2023. It also plans to upgrade its existing clinical labs to provide a wider range of tests and services to fuel future growth and revenue. So far, PRDA has upgraded 70-80 outlets and plans to do the same for 10-15 more outlets.

Figure 9: The number of PRDA's outlets over the years

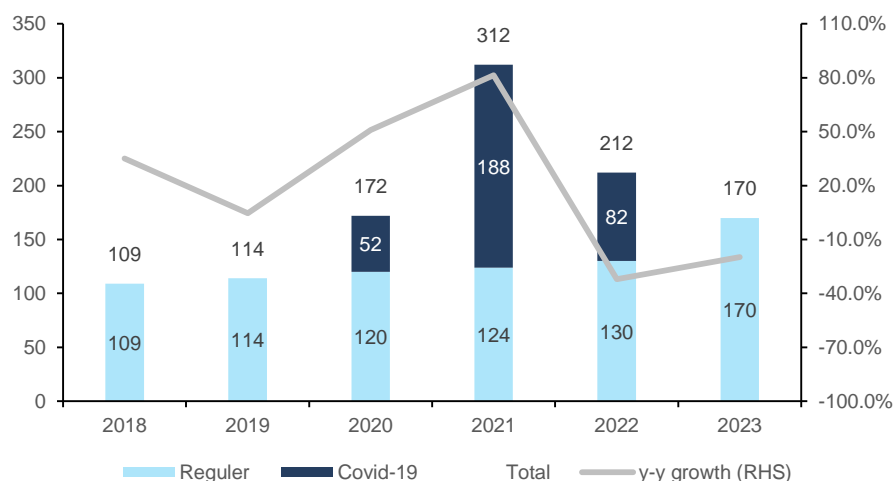


Source: Company, RHB

A More Supportive Regulatory Environment

Government spending continues to play an integral role in the healthcare industry. In 2023, the Government plans to spend IDR170trn on healthcare. Although the amount is 20% lower YoY, it is still higher than the regular healthcare budget for 2022, and prior to the pandemic (in 2019). Given the decreasing number of COVID-19 cases, the Ministry of Health has focused its budget allocation on improving the quality of healthcare services (47.8% or c.IDR85.5trn of the total healthcare budget).

Figure 10: The Government's healthcare budget (IDRtrn)



♦ Although the healthcare budget has decreased by about 20.2% YoY in 2023, it is still higher than 2022's regular healthcare budget and the healthcare allocation prior to the pandemic (in 2019).

Source: Ministry of Finance, RHB

The next catalyst for PRDA may come from the improvements in the BPJS scheme. Universal Health Coverage or UHC was launched in 2014 with the intention of gradually providing healthcare security for the entire population. As of Dec 2022, 91-92% of the population has already been enlisted in this programme, which has been delegated to BPJS *Kesehatan* (Healthcare BPJS), which is tasked with managing the cross-subsidy mechanism between the state budget allocation of subsidies – which provides health insurance subsidies for the poor and near-poor in a non-contributory health programme (PBI) – and contributors of monthly payments, or the non-PBI group.

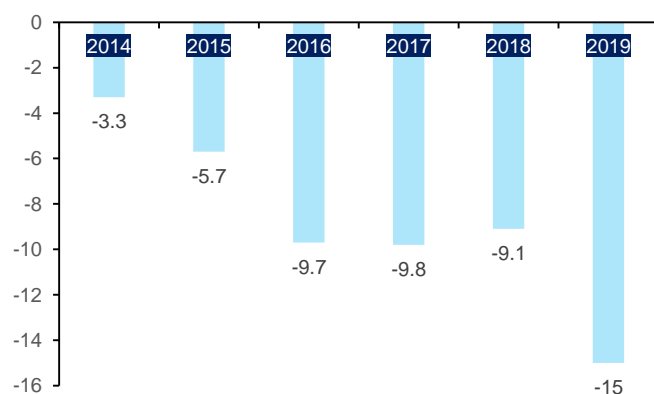
As the PBI group makes up the majority of the members (60-61% of total members in Dec 2022), there was a widening deficit arising from a claims ratio mismatch (the ratio of claims expenses to subscription revenue). After six consecutive years of a deficit, BPJS began booking a surplus in 2020, and this continued in 2021. We think this is partly attributed to the lower BPJS patient traffic during the pandemic, as well as an increase in premiums charged to members since 2020.

Figure 11: Number of BPJS members (m)



Source: BPJS Health, RHB

Figure 12: BPJS deficit/surplus (IDRtrn)



Source: BPJS Health, Databoks, RHB

Figure 13: Reforms to premiums in 2020 to alleviate the BPJS deficit

(IDR/month)	2016-2019	1Q20	2Q20	3Q20-4Q20	2021 onwards
Subsidised (PBI)	23,000	42,000	42,000	42,000	42,000
Voluntary members					
Class I	80,000	160,000	80,000	150,000	150,000
Class II	51,000	110,000	51,000	100,000	100,000
Class III	25,500	42,000	25,000	42,000	42,000
Paid by member	25,500	42,000	25,000	25,500	35,000
Paid by the Government (subsidy)				16,500	7,000
Format worker (PPU)					
Premium % Income	5%	5%	5%	5%	5%
Ceiling Income	8,000,000	12,000,000	12,000,000	12,000,000	12,000,000

Source: BPJS Kesehatan, Company data, RHB

The Government will implement a standardised 2-class service system at healthcare facilities this year (from a 3-class system currently) to ensure the continuity of the programme. Adjustments of premiums and hospital reimbursement tariffs have been implemented. We believe the reforms on premiums and merger of classes will help address the BPJS deficit. The Government believes that Healthcare BPJS may be able to book a surplus until 2024. Therefore, the Government is placing more focus on its chronic disease management programme, which should translate to wider and improved services for patients under BPJS.

PRDA has benefitted from this situation by working with primary healthcare facilities (such as Puskesmas) and hospitals to serve BPJS patients' needs for more testing, especially under the *Prolanis* programme. The portion of revenue from BPJS patients doubled from 4.4% in 1Q22 to 8.4% in 1Q23, and is expected to reach 8-10% this year on the back of a more favourable government programme (allowing more tests to be included under the BPJS scheme and more frequent testing). For example, BPJS currently allows the test for diabetes to be done twice a year. PRDA expects the Government to lift this to four times a year. BPJS provides margins that are lower than walk-in customers but higher than corporate clients. PRDA is able to negotiate with its suppliers, given its higher volume of orders, and the absence of maintenance and overtime costs. PRDA notes that the higher contribution from BPJS patients may be due to the soft purchasing power situation (leading to middle-income patients opting for the BPJS scheme instead of paying out of their own pockets).

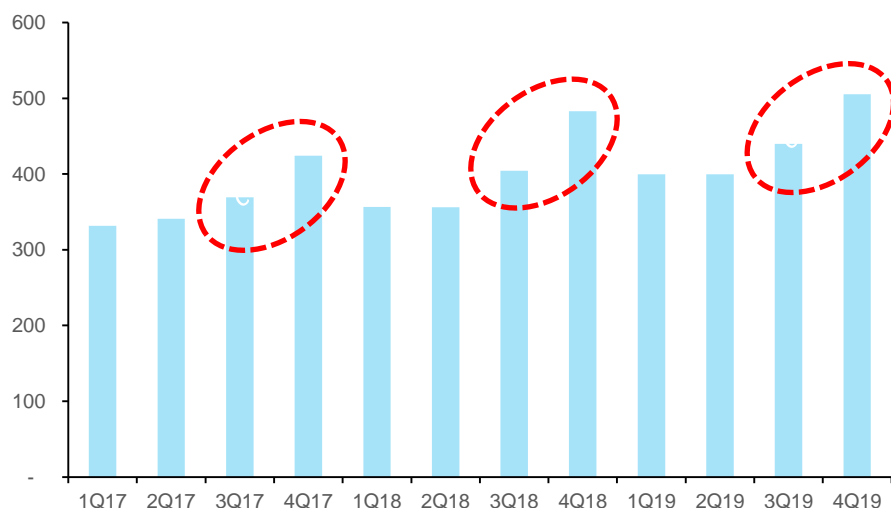
PRDA has also formed a partnership with IHH Healthcare (IHH MK, BUY, TP: MYR7.07). While the revenue portion from this partnership is still small, we like this strategy as it allows the company to expand its foothold and ride the medical tourism recovery wave. PRDA noted that enquiries for this service are mainly from consumers seeking medical check-ups and IVF treatments in Malaysia. Potential regulations that allow domestic labs to receive test samples from overseas would also benefit PRDA. The company said the Ministry of Health already allows domestic clinical labs to receive samples from overseas, but the ministry is still in talks with the tax/excise bureau on the matter. If PRDA is able to receive samples from overseas, it would help increase its test volumes. Greater scale should also boost its efficiency and fortify its capabilities.

Envisioning a Stronger Future

We note that test volumes and visit numbers have declined on a YoY basis – this remains our main concern. However, we believe this was mainly due to a high base during the pandemic. Although PRDA's 1Q23 revenue, its number of visits, and test volumes dropped 7%, 18%, and 2% YoY, we note that topline was c.30% higher than 1Q19's numbers – this also applied to the number of visits and test volumes, which were each 5% and 21% higher than the comparative numbers in 1Q19. While we think PRDA's performance will be impacted in 2Q23 – due to seasonal factors and a larger number of public holidays during this period – its performance should accelerate after this period, especially in the last quarter of this year.

The company guided that corporate client and external referral numbers have picked up strongly despite traffic from walk-in consumers remaining slow. We think the reason for this was a spending reallocation to other sectors aside from healthcare, coupled with purchasing power pressures from the current hyperinflationary situation. However, we are of the view that margins may be only slightly impacted, as higher volumes should help prop up profitability. Also, the last quarter of any given year is historically the time when PRDA's corporate clients undertake expansions – hence, we believe 4Q margins will be the company's highest every year.

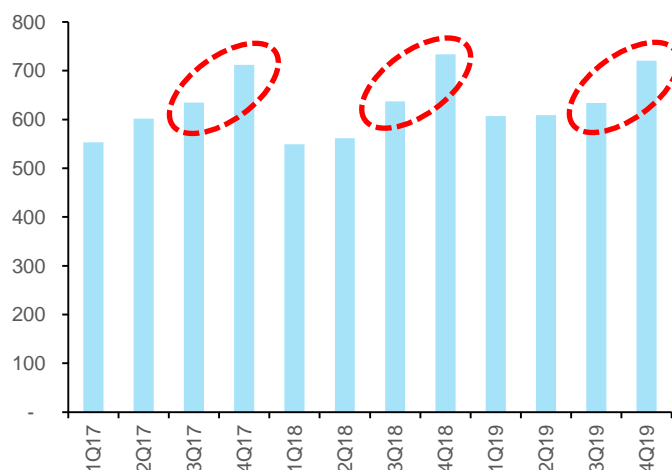
Figure 14: PRDA's quarterly revenue (before the pandemic)



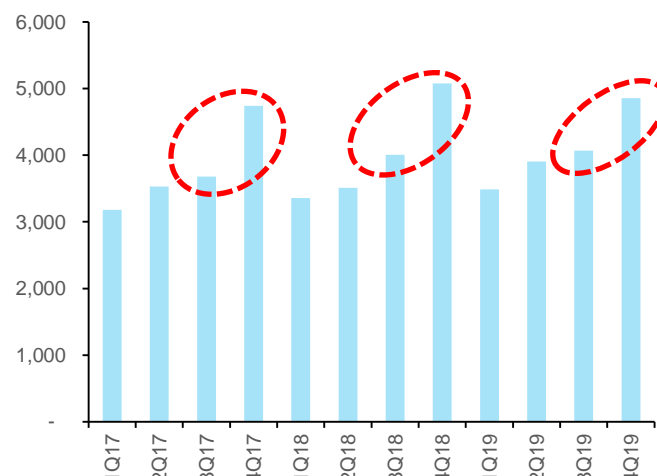
- ◆ We believe revenue will accelerate during 2H23, with 4Q23 becoming the strongest quarter for 2023
- ◆ Similar patterns have been observed in terms of the number of visits and test volumes during any given year

Source: Company data, RHB

Figure 15: PRDA's number of visits ('000) – before the pandemic **Figure 16: PRDA's test volumes ('000) – before the pandemic**

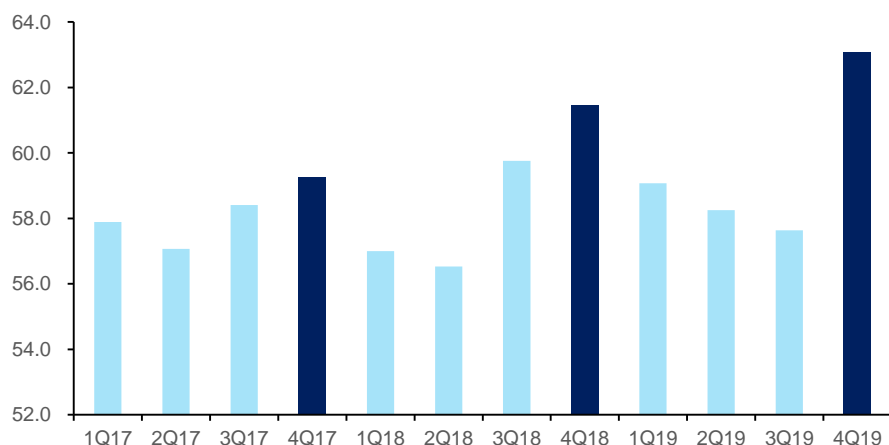


Source: Company data, RHB



Source: Company data, RHB

Figure 17: PRDA's quarterly gross margins (percentage) before the pandemic



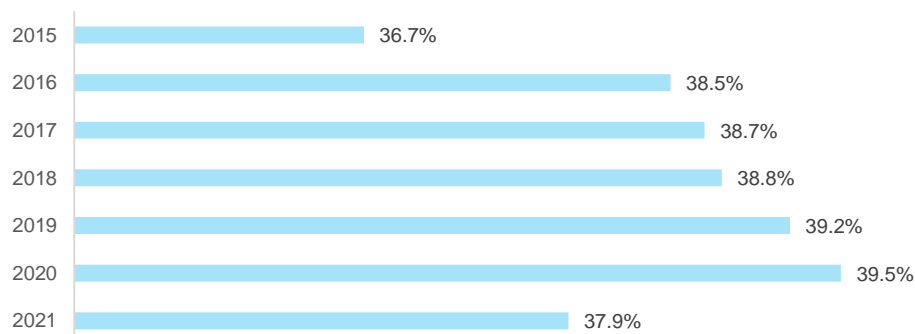
Source: Company data, RHB

- ◆ Despite an increasing portion from corporate clients – as they approach their year-end requirements to fulfil their medical check-up obligations – we believe annual gross margins will reach their peak during the final quarter of any given year
- ◆ Higher volumes translate into greater economies of scale, which help to offset the impact of lower price points for corporate clients

We think a potential post-COVID-19 consolidation of the clinical labs market will benefit PRDA, given that the strong growth of the independent clinical labs industry in 2021 was primarily due to pandemic testing. We are of the view that this market segment will see a dip going forward. According to data and analysis by PRDA itself and IQVIA Institute, the 2021 independent clinical lab market posted a 48.2% YoY growth to IDR7.3trn – mostly driven by COVID-19 testing, which accounted for more than 50% of all tests. The numbers also indicate that pandemic testing in 2022 is expected to decline by around 25-35%.

While we note that PRDA's market share fell to 37.9% in 2021 vs 39.5% in 2020, we believe its wider footprint – along with an increasing number of test offerings (especially on the esoteric types) – should help the company to regain its dominant foothold. Management guided that PRDA is targeting for an eventual return to its pre-pandemic market share of c.38-39% from this year onwards.

Figure 18: PRDA's market share



Source: Company data, RHB

On the competition front, there are market concerns over aggressive initiatives by the hospital players to build their own testing lab businesses. Despite this, we are of the view that PRDA should be able to remain competitive by focusing more on advanced testing offerings, which should allow it to stand out. The move by the hospital operators should also pose a minimal issue, given that the company operates its labs in only 11 hospitals. In fact, in terms of Social Insurance Administration Organisation or BPJS patients, referrals from hospitals only accounted for c.1% of PRDA's revenue in 1Q23.

Additionally, despite strong interest from foreign companies looking to venture into Indonesia's clinical labs market, PRDA remains optimistic on its prospects. The company believes most of these foreign players will focus on business-to-business or B2B clients (corporate clients) who are price-sensitive. PRDA thinks it will be challenging for such operators to secure walk-in customers, which are its key consumer base.

Digitalisation Strategy To Fortify Its Distinctive Leadership

PRDA aims to place a greater focus on strengthening its digital platform to sustain business growth, as the company is aware that digital transformation is inevitable and has even accelerated thanks to the pandemic. We too are of the view that the country's healthtech industry is still at its early stages, with the growth potential still intact. We believe Indonesia's huge population and complex geography pose logistical challenges in the quest to provide consistent healthcare services nationwide. Hence, healthtech represents an efficient tool – one of many – to deal with such conundrums, making them critical drivers for the growth of telehealth. This assumption is backed by Statista's estimates – it forecasts that Indonesia's digital healthcare market will grow c.62-63% pa between 2023 and 2025.

With digitalisation, residents of rural and remote areas will be able to receive online diagnoses and access digital resources that can rapidly address their healthcare needs – saving on travel costs and the need to forego paid work, something many travelling from remote areas must endure in order to seek medical assistance. Additionally, as the country's affluent and middle class numbers swell, we believe there will be increasing demand for access to better healthcare. Arguably, digital technologies can fill in the gaps and further help Indonesia overcome the issues highlighted above – at least, we believe this to be so.

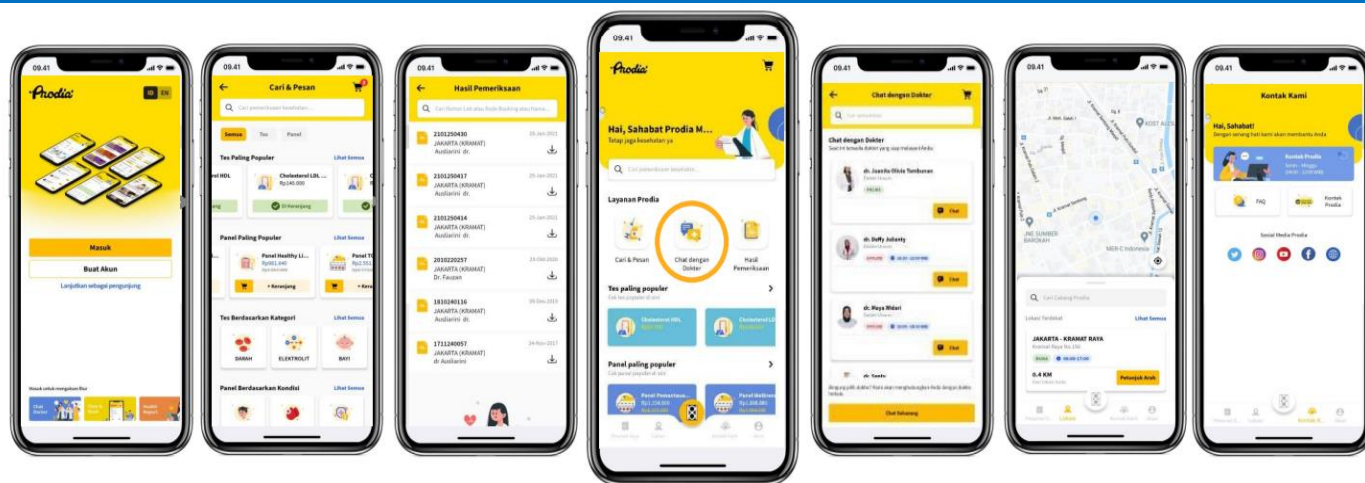
To tap into this segment, PRDA has launched mobile apps for end-customers, home care services, and doctor partners. It also collaborated with other telehealth app providers, eg Halodoc, Alodokter, Grab Health, Traveloka, and Tiket.com – mainly to broaden access channels for its customers and generate more traffic volumes, especially from the tech-savvy millennial segment of the population. PRDA targets its digital division's revenue to grow by c.20% YoY pa (1Q23: +36% YoY) with contributions to total revenue of more than 25% (1Q23: 26-28%).

The company recently improved its mobile apps for business-to-consumer (B2C) customers to replace older apps launched in 2017 – this includes providing home care services, which was introduced to allow PRDA to get closer to its consumer base. It also has a Prodia Mobile for Doctor app, which assists doctors in creating testing referrals to all Prodia Referral Lab Services – this app also provides live chats and can manage a patient's online health reports. We believe this might help PRDA improve its services across all consumer segments.

The company is of the view that the results so far have been fruitful. It also sees minimal overlap between the home services and digital platforms – together these two platforms made up 26-28% of 1Q23 revenue. We have seen topline and visits on its digital platforms growing by around 30-35% YoY in 1Q23. Of the visits to the digital channel, c.24% consisted of new customers. Concurrently, revenues per visit came in c.18% higher vs regular customers.

More importantly, PRDA sees strong traction from the tech-savvy younger generation. All in, we remain positive on this strategy, which should also help develop data and analytics to enhance business value and operating efficiencies.

Figure 19: Prodia Mobile apps provide online registrations/bookings, online payments, online results, chats with doctors, and home services bookings



Source: Company data

27 June 2023

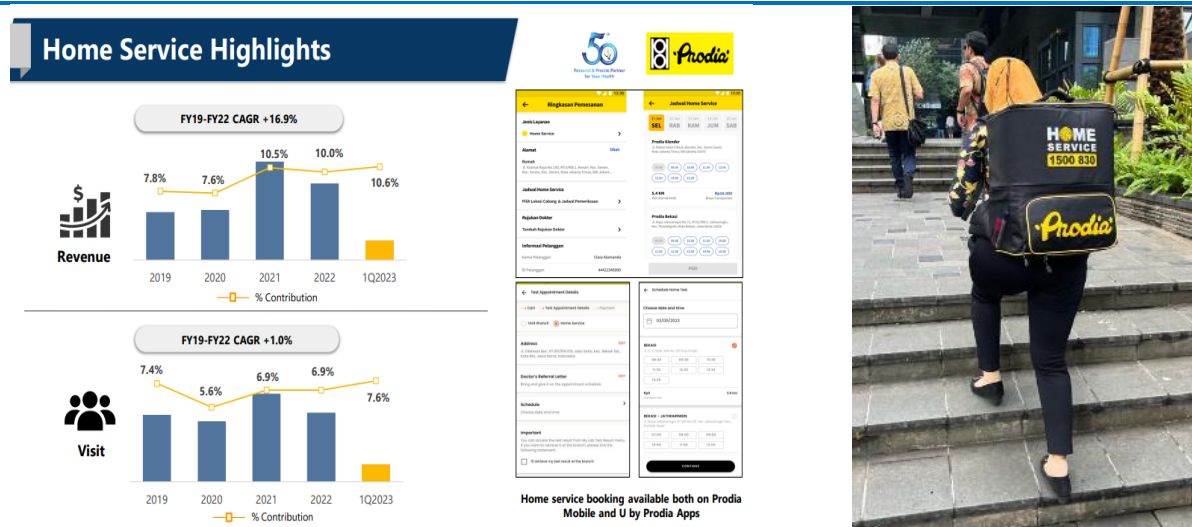
Consumer Non-cyclical | Healthcare

Figure 20: The Prodia Mobile for Doctor app assists doctors to create testing referrals to all of PRDA's lab services, provides live chats with patients, and manages a patient's online health report



Source: Company data

Figure 21: Strong traction for home services



Source: Company data

PRDA aims to integrate all services offered into a healthcare super-app called U by Prodia, which is expected to be fully operational by end 2024. The company will migrate its B2C mobile apps into this super-app in 2023 and followed by doctors' referrals next year. This platform will not only integrate all its previous individual apps, but also provide more services. Currently, U by Prodia has health scores, lab tests, home services, and limited health shop products (others can only be purchased over the counter). PRDA may add other features such as health consultations, vaccinations, personalised health programmes, and lifestyle challenges to the app as well.

We believe the company will be able to thrive against the other healthtech players, given its strong offline presence and captive consumer base. Apps developed by PRDA should do better than those developed by aggregators, as the company better understands consumers' pain points and can provide seamless end-to-end services. These apps can help the company understand more about customer behaviour and help bring in higher traffic for direct treatments, ie when treatment can only be provided in person at clinical lab facilities.

From several news reports, we gather that online pharmacy start-up PharmEasy has acquired a majority stake in diagnostics chain Thyrocare Technologies (Thyrocare) as it looks to diversify and bolster its testing business. This was when PharmEasy parent API Holdings signed a definitive agreement to acquire a 66.1% stake in Thyrocare – the first acquisition of a listed company by an Indian unicorn. Despite India having more flexible

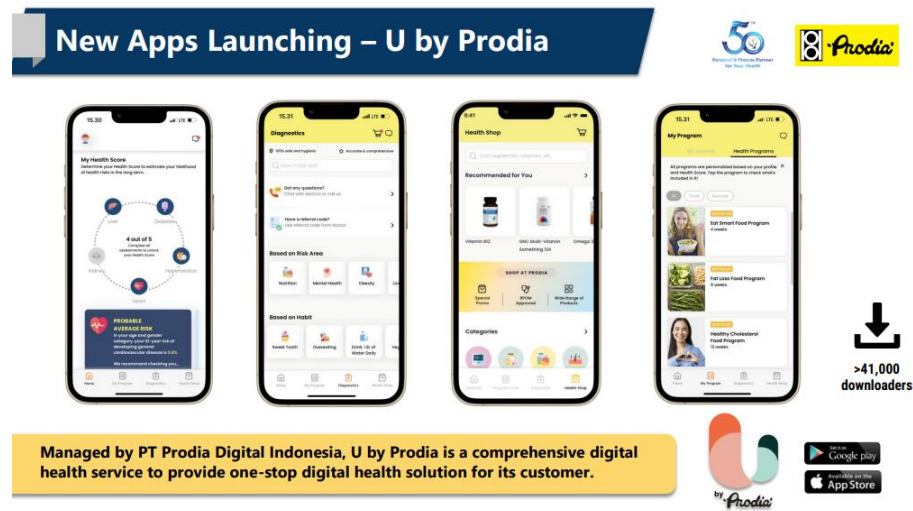
27 June 2023

Consumer Non-cyclical | Healthcare

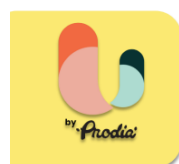
clinical lab regulations – eg clinical lab testing companies in India can build many points of care or POCs without having to be attached to any healthcare facilities – we believe the integration of online and offline businesses are still key critical points to succeeding in this business.

We believe the advent of this digital strategy provides PRDA with the chance to expand its presence and open more channels for additional revenue streams ahead. A greater rollout of these digital initiatives support the strategy to solidify toeholds outside Java while boosting traffic, in our view, while improving efficiency levels – which may broaden the company's reach over the long run. We remain positive on the strategy to help develop data and analytics to enhance business value and operating efficiencies. Additionally, we are of the view that the launch of such apps will help boost walk-in traffic and doctor referrals, which have better cash flows and margin profiles.

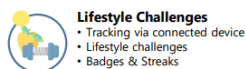
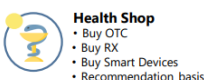
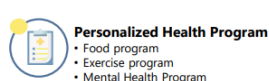
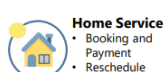
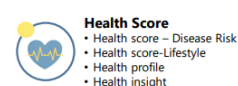
Figure 22: U by Prodia app



19

**Your Personal Health & Wellness Companion**

- 1 Get personalized recommendations based on your health condition and medical history
- 2 Assess your risk of developing certain chronic diseases in less than 5 minutes
- 3 Discover and book various personalized lab test based on daily habits at your fingertips
- 4 Purchase a wide range of health products for your medical needs, delivered to your doorstep

Prioritized feature launched in February 2023

20

Source: Company data

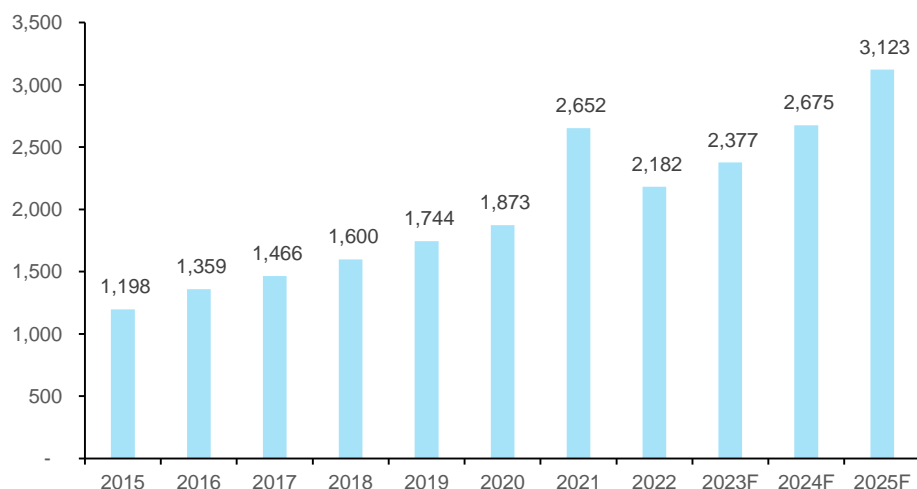
Financial Outlook

We expect PRDA to book around 9% revenue growth in 2023, in line with management's guidance. Revenue still declined by around 6-7% YoY in 1Q23, but we believe this was affected by seasonality, a high base from the COVID-19 Omicron variant's impact in 1Q22, the fasting period in March, and increased promotional campaigns in Mar 2022 (which boosted revenue at the time). Topline contributions from COVID-19 testing was at 0.8% in 1Q23 (1Q22: 6.8%). Meanwhile, volume contributions from such tests stood at 0.6% in 1Q23 vs 1Q22's 4.9%.

Patient traffic from walk-in customers and doctor referrals have been low, whilst patient traffic from external referrals and corporate clients have started to see a pick-up. PRDA believes soft purchasing power, start of *Lebaran* in March, and post-pandemic reallocation of spending to other sectors outside of healthcare were the main reasons for the drop in walk-in customer numbers. However, we do expect revenue contributions to accelerate in 2H23, given the promotional campaigns PRDA conducted in May, for which management expects topline for that month to jump 30% YoY. So far, the results of this campaign are within expectations. Note: Historical data also show that 54-55% of revenue contributions come from 2H in any given year.

We expect PRDA to book a revenue CAGR of c.14-15% between 2023 and 2025. Revenue growth ought to be stronger in the next few years, in our view, given improving purchasing power, growing contributions from esoteric testing, and increasing traffic from walk-in patients. We think such patient and doctor referral traffic will improve onwards post the integration of existing individual apps into U by Prodia. We forecast revenue growth to be mainly driven by volume in 2023, given that PRDA has only raised ASPs for esoteric testing by 5% and did 1-2% ASP adjustments for routine testing this year. Though operational indicators such as number of visits, test volumes, and revenue per visit only grew by less than 10% YoY in 2023, so far, they have grown by 15-20% when compared to 2019's numbers.

Figure 23: PRDA's revenue (IDRbn)

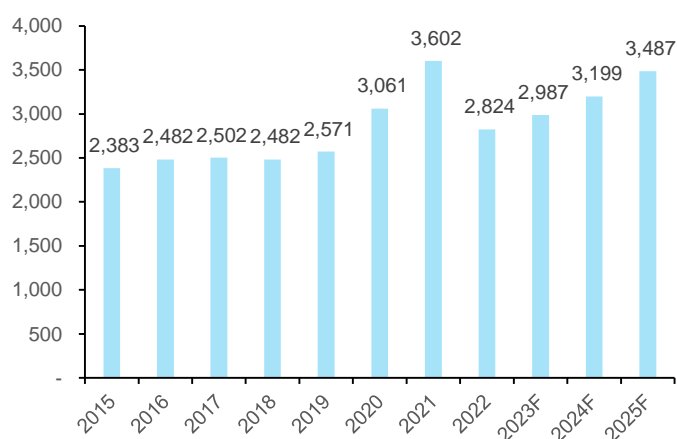


Source: Company data, RHB

27 June 2023

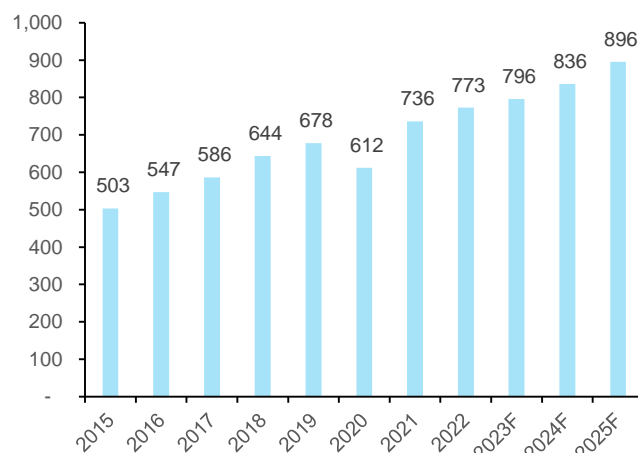
Consumer Non-cyclical | Healthcare

Figure 24: Number of visits ('000)



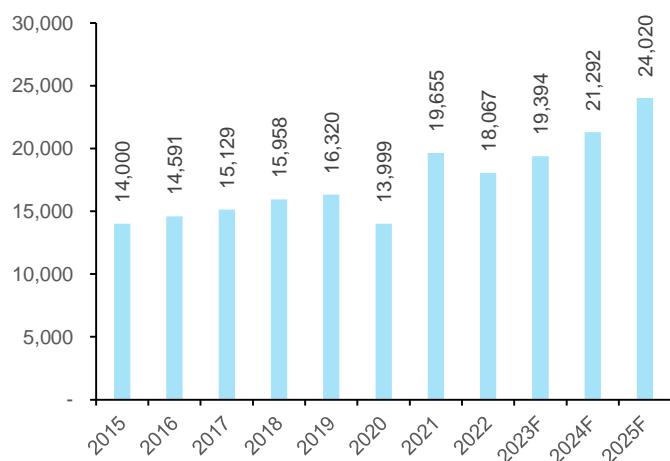
Source: Company data, RHB

Figure 25: Revenue per visit (IDR'000)



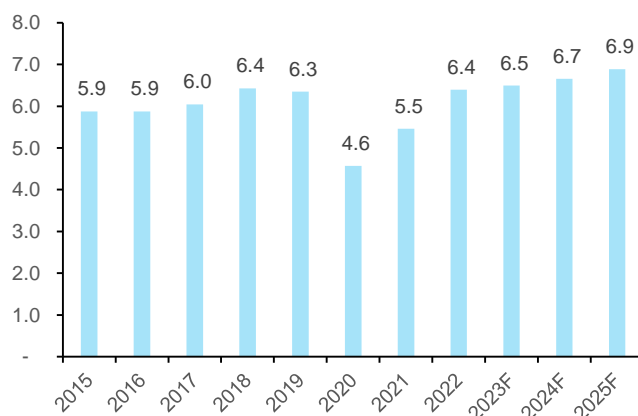
Source: Company data, RHB

Figure 26: Test volumes ('000)



Source: Company data, RHB

Figure 27: Test per visits

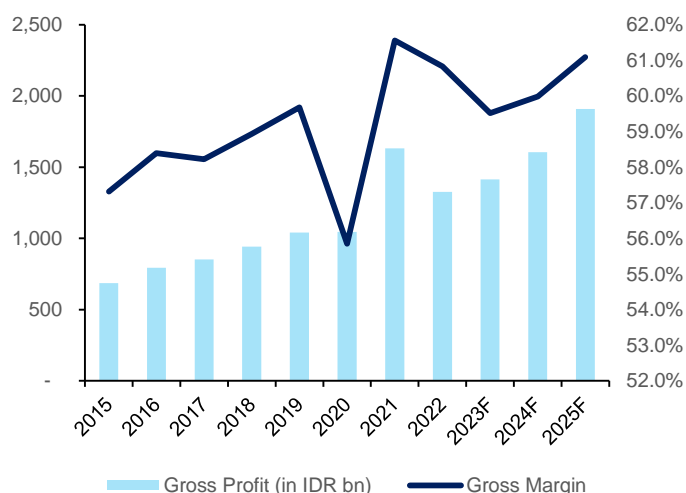


Source: Company data, RHB

On the margins side, we expect a slight pinch. We expect 2023 margins to remain at c.59-60% vs PRDA's guidance of more than 60%, as pick-up in visits are more driven by corporate and external referrals, which are more price-sensitive. We believe our estimates for this financial year are more conservative than the company's guidance. Expanding contributions from BPJS patients, which have lower margins than walk-ins, might also add some pressure to its margin in our view.

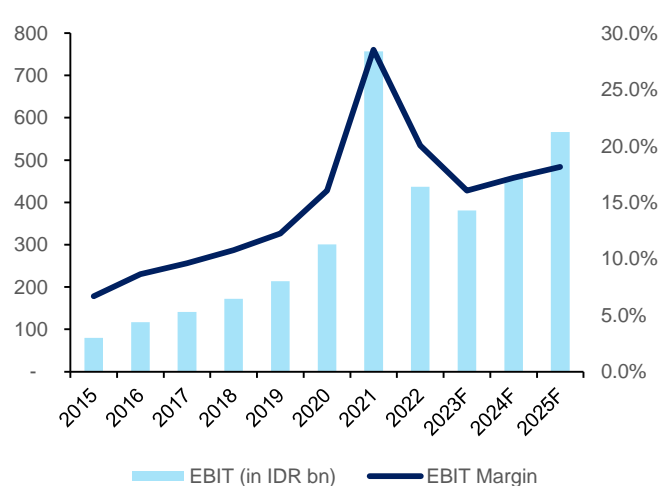
However, we think margins might improve from 2024 onwards given expected stronger traffic from walk-ins and doctor referrals as well as higher contribution from esoteric testing as the population's purchasing power improves. Also, we believe the continuous development of U by Prodia, which might have better features going forward, should boost traffic from walk-ins and doctor referrals as well as enhancing efficiencies. We expect margins to continue climbing in 2025 post the full development of the U by Prodia super-app along with stronger purchasing power post the 2024 elections.

Figure 28: PRDA's gross profit and GPM



Source: Company, RHB

Figure 29: EBIT and EBIT margins



Source: Company, RHB

We believe PRDA will record a healthy balance sheet profile ahead, and continue to be in a net cash position. Note that the company distributed 60% of 2022's net income as dividends. However, we expect PRDA to distribute c.50% of its income as dividends in 2024, as it has a substantial capex of IDR400-450bn for 2023 (vs IDR100-200bn in the last five years), of which 40-45% will be for digital development. We do not expect another major capex cycle in the near future, although this would not be a problem for the company, given its strong cash position. PRDA had c.IDR800bn of net cash in 1Q23.

Valuation

We initiate coverage with BUY and TP of IDR7,300, 36% upside. Our TP is based on a 10-year DCF with 16.9% WACC and 3% terminal growth. The company is trading at an attractive 9-10x 2023F EV/EBITDA, which is still at c.40% discount to the average domestic healthcare players and c.60% discount to regional peers. PRDA is currently trading at around its 5-year mean EV/EBITDA band. Key risks: Thin liquidity, intensifying competition, and slower traffic recovery.

We think PRDA's performance recovery will be limited in 2023, with softer earnings than its peers. We believe the challenging economic outlook, and the partial development of its U by Prodia health app pose challenges – especially in 1H23, due to seasonal factors. We expect the company to book a stronger recovery pace in 2024, and outperform other Indonesian healthcare and clinical lab players. Improvements in purchasing power, a greater nationwide foothold, stronger traction from esoteric testing, and the full integration to the U by Prodia app should help boost traffic from walk-in and doctor referral customers.

Figure 30: DCF valuation

IDRbn	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F
EBIT	381	460	566	699	854	1,046	1,246	1,485	1,773	1,990	2,204
EBIT (1-t)	303	366	450	556	679	832	990	1,180	1,410	1,582	1,753
Depreciation & Amortisation	107	115	125	135	146	157	170	183	197	211	226
Change in working capital	(17)	(24)	(36)	(43)	(44)	(49)	(56)	(62)	(70)	(64)	(64)
Capex	(309)	(187)	(203)	(219)	(223)	(241)	(265)	(283)	(294)	(302)	(324)
Net free cash flow to firm	84	270	336	429	558	699	839	1,018	1,242	1,427	1,591
Terminal value											
PV	84	231	246	269	299	320	329	342	357	350	11,337
Total discounted firm value	6,002										3,175
Less: net debt	(465)										
Less: minority interest	-										
Equity value	6,467										
Number of shares (bn)	0.9										
Equity value per share (IDR)	6,898										
ESG Premium (Discount)	6%										
Target Price	7,311										
Assumptions											
Risk free rate	7%										
Beta	1.0										
Equity market premium	6%										
WACC	16.9%										
Terminal growth	3%										

Source: Company data, RHB

Figure 31: Indonesia healthcare companies' valuations

	Price (IDR)	Target (IDR)	Market cap (IDRbn)	P/E (x)		EPS growth (%)		EV/EBITDA		EBITDA growth (%)		P/BV (x)		Div yield (%)		ROAE (%)		Rec
				FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	
KLBF	2,050	2,100	96,094	25.0	22.4	13.6%	11.9%	17.1	15.1	13.8%	12.8%	4.3	3.9	2.0%	2.2%	17.6%	18.2%	Neutral
MIKA	2,650	3,200	37,753	30.9	26.3	21.2%	17.3%	21.0	18.0	18.0%	16.0%	5.4	4.8	1.1%	1.4%	18.6%	19.3%	Buy
HEAL	1,350	1,630	20,206	40.4	23.4	67.5%	72.8%	15.6	10.6	32.7%	46.6%	4.7	4.0	0.3%	0.6%	13.0%	18.6%	Buy
SILO	1,890	1,600	24,582	26.0	22.2	36.1%	17.1%	9.0	8.0	24.3%	11.3%	3.2	2.9	0.6%	1.2%	12.9%	13.6%	Neutral
Simple average				30.6	23.6	34.6%	29.8%	15.7	12.9	22.2%	21.7%	4.4	3.9	1.0%	1.3%	15.5%	17.4%	
Weighted average				28.1	23.3	24.4%	20.6%	16.7	14.2	18.3%	17.1%	4.4	4.0	1.4%	1.7%	16.6%	17.8%	

Source: Bloomberg, Company data, RHB

27 June 2023

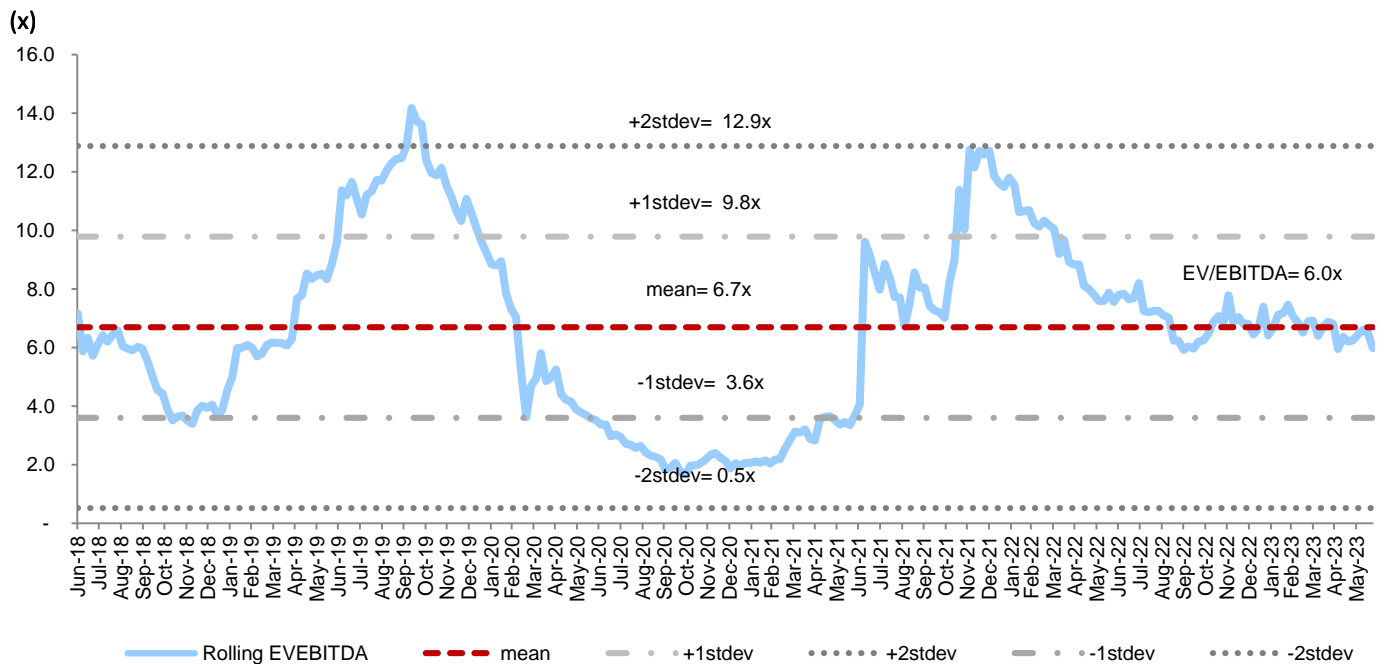
Consumer Non-cyclical | Healthcare

Figure 32: Regional clinical lab comparison

Company	Price (INR)	Target Price	Market cap (USDm)	P/E (x)		EPS growth (%)		EV/EBITDA		EBITDA growth (%)		P/BV (x)		Div yield (%)		ROE (%)		Rec
				FY23/24F	FY24/25F	FY23/24F	FY24/25F	FY23/24F	FY24/25F	FY23/24F	FY24/25F	FY23/24F	FY24/25F	FY23/24F	FY24/25F	FY23/24F	FY24/25F	
Dr Lal Pathlabs	2,110	NR	2,146	54.0	44.7	33.6%	20.8%	31.3	27.4	12.1%	14.1%	9.6	8.4	0.6%	0.7%	18.2%	19.3%	Not Rated
Metropolis Healthcare	1,386	NR	866	43.3	33.6	12.4%	29.0%	23.8	20.9	7.9%	13.8%	6.8	6.0	0.7%	0.8%	15.6%	17.5%	Not Rated
Thyrocare Technologies	492	NR	317	28.3	21.3	39.9%	32.4%	15.2	12.0	31.5%	25.9%	5.3	5.3	2.8%	4.1%	19.2%	25.6%	Not Rated
Simple average				41.8	33.2	28.6%	27.4%	23.4	20.1	17.2%	17.9%	7.2	6.6	1.4%	1.9%	17.7%	20.8%	
Weighted average				48.8	39.6	28.7%	24.0%	27.8	24.3	12.9%	15.1%	8.4	7.5	0.8%	1.1%	17.6%	19.4%	

Source: Bloomberg, Company data, RHB

Figure 33: PRDA's EV/EBITDA band



Source: Bloomberg, Company data, RHB

Figure 34: RHB vs consensus estimates

Income statement (IDRbn)	RHB			Street			RHB/Street (%)		
	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F
Net revenue	2,377	2,675	3,123	2,357	2,553	2,748	100.8	104.8	113.7
Gross profit	1,415	1,605	1,908	1,374	1,529	1,646	102.9	104.9	115.9
EBITDA	488	575	691	607	687	758	80.3	83.7	91.2
EBIT	381	460	566	463	530	588	82.4	86.8	96.3
Pre-tax profit	413	506	616	493	566	628	83.7	89.3	98.1
NPAT	329	402	490	394	461	512	83.4	87.2	95.7

Source: Bloomberg, Company data, RHB

Company Profile






Established in 1973, PRDA is a pioneer for clinical labs in Indonesia, emerging as one of the leaders in the industry. The company has maintained its formidable dominance by securing 37.9% market share for independent clinical labs in 2021 – the largest among its peers. PRDA also remains the top preference among consumers by providing an extensive range of clinical tests – allowing it to cater to a wide variety of customer types and needs.

Figure 35: Company's milestones

	Description
1973	Founded in Solo, Central Java
1975	Established in Jakarta and Bandung
1990	Partnerships with National University Hospital Singapore and Specialty Lab
1999	Became the first clinical lab in Indonesia to receive international certification (ISO 9002)
2001-2005	<ul style="list-style-type: none"> Established professional management team Scholarships given to employees for Masters and PhD programmes in biomedical sciences Received <i>Badan Nasional Sertifikasi Profesi</i> (BNSP) certification for lab technologist competency
2008-2010	<ul style="list-style-type: none"> Establishment of Prodia National Referral Lab, the first Indonesian lab clinic to receive SNI ISO 15189 international accreditation First Top Brand award Received service excellence award
2011	<ul style="list-style-type: none"> Established Prodia ChildLab Became the first lab in Indonesia to receive NGSP certification for HbA1c diagnostic services
2012	Became the first and only lab in Indonesia to received accreditation from the College of American Pathologists
2016	<ul style="list-style-type: none"> Received SMK3 accreditation and OHSAS 2015, along with the "Diagnostic Services Company of the Year 2015" award from Frost & Sullivan Opened Graha Prodia in Surabaya – the first green building used for labs in Indonesia
2018	Launched Next Generation Lab & Prodia Genomics Lab – research lab, evaluation lab, molecular diagnostic lab, mass spectrometry & separation science lab, anatomical pathology lab
2019	<ul style="list-style-type: none"> Applied lab automation technology Implemented lab automation system for autoimmune diseases Launched DIARisk, Nutrigenomic, VASCULARisk, TENSrisk, and IMMUNERisk
2020	<ul style="list-style-type: none"> The first private lab in Indonesia to use fully automated Cobia 6800 for RT-PCR Covid-19 testing Launched Immunohistochemical testing for lymphoma cancer Launched wellness genomics, bone, muscle & joint genomics, and skin and hair genomics Performed more than 1m COVID-19 tests (PCR and antibody testing) Launched teleconsultation services
2021	<ul style="list-style-type: none"> Launched quantitative antibody testing Launched New Prodia Mobile version 3 Launched neurogenomics, eyegenomics, and CardioPGx testing.
2022	<ul style="list-style-type: none"> Launched Prodia for doctors' application. Launched home service ordering via Prodia Mobile application. Signed MoU with IHH Healthcare Malaysia to support medical tourism






Source: Company, RHB

Figure 36: PRDA's board of commissioners

Name	Position	Description
<p>Andi Wijaya</p> 	Commissioner	Andi Wijaya is one of the company's founders, and served as the managing director since it was established in 1988 until 2003. He currently serves as the prime commissioner for PRDA and its affiliated companies – Prodia Diacro Laboratories (CRO), Prodia Pohii International (POHII), Prodia StemCell Indonesia (PROSTEM), Prodia Diagnostic Line (PROLINE), and Innovasi Diagnostika (INNODIA). He is also an active lecturer and scientific researcher.
<p>Gunawan Prawiro Soeharto</p> 	Commissioner	Gunawan Prawiro Soeharto is one of the company's founders. He began his career as a secretary of the Pharmacy Faculty of Atmajaya University, Solo (1967-1974) before joining PRDA in 2003 as the marketing director. He currently serves as the commissioner for PRDA and its affiliated companies – Prodia CRO, POHII, PROLINE, PROSTEM, and INNODIA.
<p>Endang Wahjuningtyas Hoyaranda</p> 	Commissioner	Endang Wahjuningtyas Hoyaranda began her career as a lecturer in the Department of Pharmacy, Faculty of Mathematics and Science, Bandung Institute of Technology, before joining PRDA as the research and development manager in 1990. She was the company's operational director from 2003-2009. Endang currently serves as the commissioner for PRDA and its affiliated companies – Prodia CRO, POHII, PROLINE, PROSTEM, and INNODIA.
<p>Keri Lestari Dandan</p> 	Independent Commissioner	Keri Lestari Dandan held the position of chair of the COVID-19 Task Force of the Indonesian Pharmacists Association, deputy chair for specialist pharmacists, advanced practice of the Central Board of the Indonesian Pharmacists Association, a member of the Board of Trustees of the Mobile West Java, and expert group member in the pharmaceutical education section of the Federation of Asian Pharmaceutical Association.
<p>Joseph Fellipus Peter Luhukay</p> 	Independent Commissioner	Joseph Fellipus Peter Luhukay is an expert in finance and management. He serves as a director and audit committee member at Applied UV in the United States and also as a partner at Arghajata Consulting. Currently, he remains active in providing consultation services – both personally and through consulting institutions in Indonesia.

Source: Company, RHB

Figure 37: PRDA's Board of Directors

Name	Position	Description
Dewi Muliaty 	President Director	Dewi Muliaty began her career with the company in 1988 – as the quality control lab's assistant technical manager until 1990 and then technical manager until 1994. She had also served as the research and development manager (1994-2003) and development director (2003-2009).
Liana Kuswandi 	Finance Director	Liana Kuswandi started off in Tarumanagara University as an accounting applications assistant lecturer (1995-96) and academic advisor of accounting students and lecturers (1997-2003). She had also served as an accounting lecturer in Pelita Harapan University (2001-2006) and then head of Accounting Programme (2003-2005).
Indriyanti Rafi Sukmawati 	Business & Marketing Director	Indriyanti Rafi Sukmawati started in the company in 1996 as the marketing division's assistant manager until 2001, and then its manager until 2008. She had also served as the head of PRN Lab (2008-2014).
Andri Hidayat 	Digital Service Transformation & IT Director	Andri Hidayat joined PRDA in 1997 as the assistant manager for Technical Quality Assurance Division. From 2002-2005, he was the manager of the division. He then served as the head of area for Prodia (Aceh and North Sumatra) until 2014. During the period, he had also temporarily taken up the post of IT project monitoring officer (2012-2013).
Ida Zuraida 	Human Capital & General Affairs Director	In April 2010, Ida Zuraida started her career at Prodia as human capital organisation development manager and served as assistant vice president of human capital division from Aug 2018 to 2021. She received several awards, including first rank for the Future HR Leader Award (2010), leading the company's human resource team to earn the second best rank in the Best People Development Company category of the HR Excellence Award 2015, as well as winning the AA (Excellence) HR Transformation category at Prodia, and the HR Excellence Award 2020 from SWA Magazine.

Source: Company, RHB

Recommendation Chart

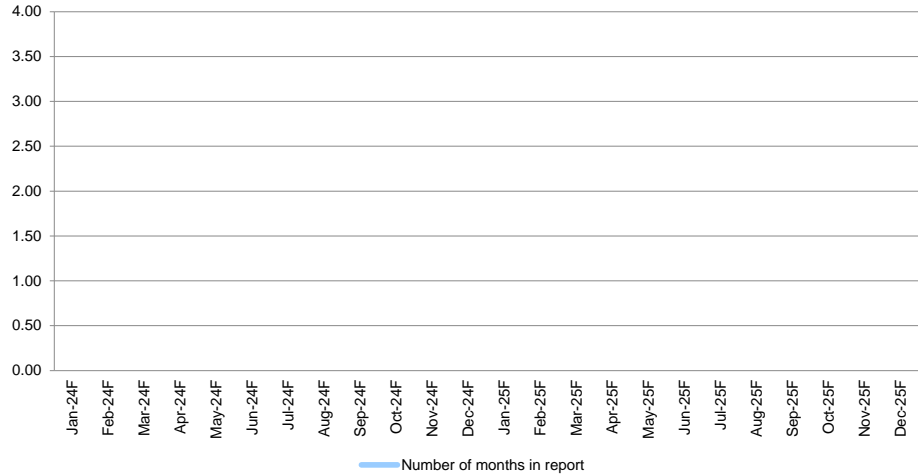


Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2023-02-06	Not Rated	na	5,325

Source: RHB, Bloomberg

ESG Rating History



Source: RHB

RHB Guide to Investment Ratings

Buy:	Share price may exceed 10% over the next 12 months
Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
Take Profit:	Target price has been attained. Look to accumulate at lower levels
Sell:	Share price may fall by more than 10% over the next 12 months
Not Rated:	Stock is not within regular research coverage

Investment Research Disclaimers

RHB has issued this report for information purposes only. This report is intended for circulation amongst RHB and its affiliates' clients generally or such persons as may be deemed eligible by RHB to receive this report and does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. This report is not intended, and should not under any circumstances be construed as, an offer or a solicitation of an offer to buy or sell the securities referred to herein or any related financial instruments.

This report may further consist of, whether in whole or in part, summaries, research, compilations, extracts or analysis that has been prepared by RHB's strategic, joint venture and/or business partners. No representation or warranty (express or implied) is given as to the accuracy or completeness of such information and accordingly investors should make their own informed decisions before relying on the same.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to the applicable laws or regulations. By accepting this report, the recipient hereof (i) represents and warrants that it is lawfully able to receive this document under the laws and regulations of the jurisdiction in which it is located or other applicable laws and (ii) acknowledges and agrees to be bound by the limitations contained herein. Any failure to comply with these limitations may constitute a violation of applicable laws.

All the information contained herein is based upon publicly available information and has been obtained from sources that RHB believes to be reliable and correct at the time of issue of this report. However, such sources have not been independently verified by RHB and/or its affiliates and this report does not purport to contain all information that a prospective investor may require. The opinions expressed herein are RHB's present opinions only and are subject to change without prior notice. RHB is not under any obligation to update or keep current the information and opinions expressed herein or to provide the recipient with access to any additional information. Consequently, RHB does not guarantee, represent or warrant, expressly or impliedly, as to the adequacy, accuracy, reliability, fairness or completeness of the information and opinion contained in this report. Neither RHB (including its officers, directors, associates, connected parties, and/or employees) nor does any of its agents accept any liability for any direct, indirect or consequential losses, loss of profits and/or damages that may arise from the use or reliance of this research report and/or further communications given in relation to this report. Any such responsibility or liability is hereby expressly disclaimed.

Whilst every effort is made to ensure that statement of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable and must not be construed as a representation that the matters referred to therein will occur. Different assumptions by RHB or any other source may yield substantially different results and recommendations contained on one type of research product may differ from recommendations contained in other types of research. The performance of currencies may affect the value of, or income from, the securities or any other financial instruments referenced in this report. Holders of depositary receipts backed by the securities discussed in this report assume currency risk. Past performance is not a guide to future performance. Income from investments may fluctuate. The price or value of the investments to which this report relates, either directly or indirectly, may fall or rise against the interest of investors.

This report may contain comments, estimates, projections, forecasts and expressions of opinion relating to macroeconomic research published by RHB economists of which should not be considered as investment ratings/advice and/or a recommendation by such economists on any securities discussed in this report.

This report does not purport to be comprehensive or to contain all the information that a prospective investor may need in order to make an investment decision. The recipient of this report is making its own independent assessment and decisions regarding any securities or financial instruments referenced herein. Any investment discussed or recommended in this report may be unsuitable for an investor depending on the investor's specific investment objectives and financial position. The material in this report is general information intended for recipients who understand the risks of investing in financial instruments. This report does not take into account whether an investment or course of action and any associated risks are suitable for the recipient. Any recommendations contained in this report must therefore not be relied upon as investment advice based on the recipient's personal circumstances. Investors should make their own independent evaluation of the information contained herein, consider their own investment objective, financial situation and particular needs and seek their own financial, business, legal, tax and other advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report.

This report may contain forward-looking statements which are often but not always identified by the use of words such as "believe", "estimate", "intend" and "expect" and statements that an event or result "may", "will" or "might" occur or be achieved and other similar expressions. Such forward-looking statements are based on assumptions made and information currently available to RHB and are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievement to be materially different from any future results, performance or achievement, expressed or implied by such forward-looking statements. Caution should be taken with respect to such statements and recipients of this report should not place undue reliance on any such forward-looking statements. RHB expressly disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

The use of any website to access this report electronically is done at the recipient's own risk, and it is the recipient's sole responsibility to take precautions to ensure that it is free from viruses or other items of a destructive nature. This report may also provide the addresses of, or contain hyperlinks to, websites. RHB takes no responsibility for the content contained therein. Such addresses or hyperlinks (including addresses or hyperlinks to RHB own website material) are provided solely for the recipient's convenience. The information and the content of the linked site do not in any way form part of this report. Accessing such website or following such link through the report or RHB website shall be at the recipient's own risk.

This report may contain information obtained from third parties. Third party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. Third party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Third party content providers shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of their content.

The research analysts responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously. The research analysts that authored this report are precluded by RHB in all circumstances from trading in the securities or other financial instruments referenced in the report, or from having an interest in the company(ies) that they cover.

The contents of this report is strictly confidential and may not be copied, reproduced, published, distributed, transmitted or passed, in whole or in part, to any other person without the prior express written consent of RHB and/or its affiliates. This report has been delivered to RHB and its affiliates' clients for information purposes only and upon the express understanding that such parties will use it only for the purposes set forth above. By electing to view or accepting a copy of this report, the recipients have agreed that they will not print, copy, videotape, record, hyperlink, download, or otherwise attempt to reproduce or re-transmit (in any form including hard copy or electronic distribution format) the contents of this report. RHB and/or its affiliates accepts no liability whatsoever for the actions of third parties in this respect.

The contents of this report are subject to copyright. Please refer to Restrictions on Distribution below for information regarding the distributors of this report. Recipients must not reproduce or disseminate any content or findings of this report without the express permission of RHB and the distributors.

The securities mentioned in this publication may not be eligible for sale in some states or countries or certain categories of investors. The recipient of this report should have regard to the laws of the recipient's place of domicile when contemplating transactions in the securities or other financial instruments referred to herein. The securities discussed in this report may not have been registered in such jurisdiction. Without prejudice to the foregoing, the recipient is to note that additional disclaimers, warnings or qualifications may apply based on geographical location of the person or entity receiving this report.

The term "RHB" shall denote, where appropriate, the relevant entity distributing or disseminating the report in the particular jurisdiction referenced below, or, in every other case, RHB Investment Bank Berhad and its affiliates, subsidiaries and related companies.

RESTRICTIONS ON DISTRIBUTION

Malaysia

This report is issued and distributed in Malaysia by RHB Investment Bank Berhad ("RHBIB"). The views and opinions in this report are our own as of the date hereof and is subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Conduct Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. RHBIB has no obligation to update its opinion or the information in this report.

Thailand

This report is issued and distributed in the Kingdom of Thailand by RHB Securities (Thailand) PCL, a licensed securities company that is authorised by the Ministry of Finance, regulated by the Securities and Exchange Commission of Thailand and is a

member of the Stock Exchange of Thailand. The Thai Institute of Directors Association has disclosed the Corporate Governance Report of Thai Listed Companies made pursuant to the policy of the Securities and Exchange Commission of Thailand. RHB Securities (Thailand) PCL does not endorse, confirm nor certify the result of the Corporate Governance Report of Thai Listed Companies.

Indonesia

This report is issued and distributed in Indonesia by PT RHB Sekuritas Indonesia. This research does not constitute an offering document and it should not be construed as an offer of securities in Indonesia. Any securities offered or sold, directly or indirectly, in Indonesia or to any Indonesian citizen or corporation (wherever located) or to any Indonesian resident in a manner which constitutes a public offering under Indonesian laws and regulations must comply with the prevailing Indonesian laws and regulations.

Singapore

This report is issued and distributed in Singapore by RHB Bank Berhad (through its Singapore branch) which is an exempt capital markets services entity and an exempt financial adviser regulated by the Monetary Authority of Singapore. RHB Bank Berhad (through its Singapore branch) may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, RHB Bank Berhad (through its Singapore branch) accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact RHB Bank Berhad (through its Singapore branch) in respect of any matter arising from or in connection with the report.

United States

This report was prepared by RHB is meant for distribution solely and directly to "major" U.S. institutional investors as defined under, and pursuant to, the requirements of Rule 15a-6 under the U.S. Securities and Exchange Act of 1934, as amended (the "Exchange Act") via a registered U.S. broker-dealer as appointed by RHB from time to time. Accordingly, any access to this report via Bursa Marketplace or any other Electronic Services Provider is not intended for any party other than "major" US institutional investors (via a registered U.S. broker-dealer), nor shall be deemed as solicitation by RHB in any manner. RHB is not registered as a broker-dealer in the United States and currently has not appointed a U.S. broker-dealer. Additionally, RHB does not offer brokerage services to U.S. persons. Any order for the purchase or sale of all securities discussed herein must be placed with and through a registered U.S. broker-dealer as appointed by RHB from time to time as required by the Exchange Act Rule 15a-6. For avoidance of doubt, RHB reiterates that it has not appointed any U.S. broker-dealer during the issuance of this report. This report is confidential and not intended for distribution to, or use by, persons other than the recipient and its employees, agents and advisors, as applicable. Additionally, where research is distributed via Electronic Service Provider, the analysts whose names appear in this report are not registered or qualified as research analysts in the United States and are not associated persons of any registered U.S. broker-dealer as appointed by RHB from time to time and therefore may not be subject to any applicable restrictions under Financial Industry Regulatory Authority ("FINRA") rules on communications with a subject company, public appearances and personal trading. Investing in any non-U.S. securities or related financial instruments discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in the United States. The financial instruments discussed in this report may not be suitable for all investors. Transactions in foreign markets may be subject to regulations that differ from or offer less protection than those in the United States.

DISCLOSURE OF CONFLICTS OF INTEREST

RHB Investment Bank Berhad, its subsidiaries (including its regional offices) and associated companies, ("RHBIB Group") form a diversified financial group, undertaking various investment banking activities which include, amongst others, underwriting, securities trading, market making and corporate finance advisory.

As a result of the same, in the ordinary course of its business, any member of the RHBIB Group, may, from time to time, have business relationships with, hold any positions in the securities and/or capital market products (including but not limited to shares, warrants, and/or derivatives), trade or otherwise effect transactions for its own account or the account of its customers or perform and/or solicit investment, advisory or other services from any of the subject company(ies) covered in this research report.

While the RHBIB Group will ensure that there are sufficient information barriers and internal controls in place where necessary, to prevent/manage any conflicts of interest to ensure the independence of this report, investors should also be aware that such conflict of interest may exist in view of the investment banking activities undertaken by the RHBIB Group as mentioned above and should exercise their own judgement before making any investment decisions.

In Singapore, investment research activities are conducted under RHB Bank Berhad (through its Singapore branch), and the disclaimers above similarly apply.

Malaysia

Save as disclosed in the following link [RHB Research conflict disclosures - Jun 2023](#) and to the best of our knowledge, RHBIB hereby declares that:

1. RHBIB does not have a financial interest in the securities or other capital market products of the subject company(ies) covered in this report.
2. RHBIB is not a market maker in the securities or capital market products of the subject company(ies) covered in this report.
3. None of RHBIB's staff or associated person serve as a director or board member* of the subject company(ies) covered in this report
**For the avoidance of doubt, the confirmation is only limited to the staff of research department*
4. RHBIB did not receive compensation for investment banking or corporate finance services from the subject company in the past 12 months.
5. RHBIB did not receive compensation or benefit (including gift and special cost arrangement e.g. company/issuer-sponsored and paid trip) in relation to the production of this report.

Thailand

Save as disclosed in the following link [RHB Research conflict disclosures - Jun 2023](#) and to the best of our knowledge, RHB Securities (Thailand) PCL hereby declares that:

1. RHB Securities (Thailand) PCL does not have a financial interest in the securities or other capital market products of the subject company(ies) covered in this report.
2. RHB Securities (Thailand) PCL is not a market maker in the securities or capital market products of the subject company(ies) covered in this report.
3. None of RHB Securities (Thailand) PCL's staff or associated person serve as a director or board member* of the subject company(ies) covered in this report
**For the avoidance of doubt, the confirmation is only limited to the staff of research department*
4. RHB Securities (Thailand) PCL did not receive compensation for investment banking or corporate finance services from the subject company in the past 12 months.
5. RHB Securities (Thailand) PCL did not receive compensation or benefit (including gift and special cost arrangement e.g. company/issuer-sponsored and paid trip) in relation to the production of this report.

Indonesia

Save as disclosed in the following link [RHB Research conflict disclosures - Jun 2023](#) and to the best of our knowledge, PT RHB Sekuritas Indonesia hereby declares that:

1. PT RHB Sekuritas Indonesia and its investment analysts, does not have any interest in the securities of the subject company(ies) covered in this report.
For the avoidance of doubt, interest in securities include the following:
 - a) Holding directly or indirectly, individually or jointly own/hold securities or entitled for dividends, interest or proceeds from the sale or exercise of the subject company's securities covered in this report*;
 - b) Being bound by an agreement to purchase securities or has the right to transfer the securities or has the right to pre subscribe the securities*.
 - c) Being bound or required to buy the remaining securities that are not subscribed/placed out pursuant to an Initial Public Offering*.
 - d) Managing or jointly with other parties managing such parties as referred to in (a), (b) or (c) above.
2. PT RHB Sekuritas Indonesia is not a market maker in the securities or capital market products of the subject company(ies) covered in this report.
3. None of PT RHB Sekuritas Indonesia's staff** or associated person serve as a director or board member* of the subject company(ies) covered in this report.
4. PT RHB Sekuritas Indonesia did not receive compensation for investment banking or corporate finance services from the subject company in the past 12 months.
5. PT RHB Sekuritas Indonesia** did not receive compensation or benefit (including gift and special cost arrangement e.g. company/issuer-sponsored and paid trip) in relation to the production of this report:

Notes:

*The overall disclosure is limited to information pertaining to PT RHB Sekuritas Indonesia only.

**The disclosure is limited to Research staff of PT RHB Sekuritas Indonesia only.

Singapore

Save as disclosed in the following link [RHB Research conflict disclosures - Jun 2023](#) and to the best of our knowledge, the Singapore Research department of RHB Bank Berhad (through its Singapore branch) hereby declares that:

1. RHB Bank Berhad, its subsidiaries and/or associated companies do not make a market in any issuer covered by the Singapore research analysts in this report.
2. RHB Bank Berhad, its subsidiaries and/or its associated companies and its analysts do not have a financial interest (including a shareholding of 1% or more) in the issuer covered by the Singapore research analysts in this report.
3. RHB Bank Berhad's Singapore research staff or connected persons do not serve on the board or trustee positions of the issuer covered by the Singapore research analysts in this report.
4. RHB Bank Berhad, its subsidiaries and/or its associated companies do not have and have not within the last 12 months had any corporate finance advisory relationship with the issuer covered by the Singapore research analysts in this report or any other relationship that may create a potential conflict of interest.
5. RHB Bank Berhad's Singapore research analysts, or person associated or connected to it do not have any interest in the acquisition or disposal of, the securities, specified securities based derivatives contracts or units in a collective investment scheme covered by the Singapore research analysts in this report.
6. RHB Bank Berhad's Singapore research analysts do not receive any compensation or benefit in connection with the production of this research report or recommendation on the issuer covered by the Singapore research analysts.

Analyst Certification

The analyst(s) who prepared this report, and their associates hereby, certify that:

(1) they do not have any financial interest in the securities or other capital market products of the subject companies mentioned in this report, except for:

Analyst	Company
-	-

(2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.



KUALA LUMPUR

RHB Investment Bank Bhd
Level 3A, Tower One, RHB Centre
Jalan Tun Razak
Kuala Lumpur 50400
Malaysia
Tel : +603 9280 8888
Fax : +603 9200 2216

JAKARTA

PT RHB Sekuritas Indonesia
Revenue Tower, 11th Floor, District 8 - SCBD
Jl. Jendral Sudirman Kav 52-53
Jakarta 12190
Indonesia
Tel : +6221 509 39 888
Fax : +6221 509 39 777

BANGKOK

RHB Securities (Thailand) PCL
10th Floor, Sathorn Square Office Tower
98, North Sathorn Road, Silom
Bangrak, Bangkok 10500
Thailand
Tel: +66 2088 9999
Fax :+66 2088 9799

SINGAPORE

RHB Bank Berhad (Singapore branch)
90 Cecil Street
#04-00 RHB Bank Building
Singapore 069531
Fax: +65 6509 0470