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2024



Healthcare Quick Diagnostic: Accelerated outside-in view of business, operational capabilities, competition and value creation

Product overview



- Deep-dive on the target's operations, service offerings, and growth strategy to build a view on what we like vs. what gives us a pause about the target asset
- Secondary research to develop insights on the target via a comparative analysis, highlighting distinctive capabilities and potential challenges
- Identifying potential drivers across commercial, operational, and strategic areas that can be employed for maximum value creation

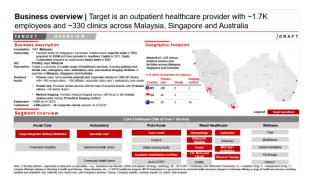
BCN deliverable(s)



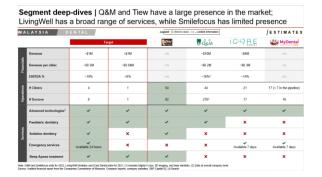
- Key areas of focus for the target across core business and adjacencies to gain market share and improve competitive positioning across business segments by capitalizing on emerging market trends
- Slides covering company and market overview, trends, competitive positioning, and value creation opportunities

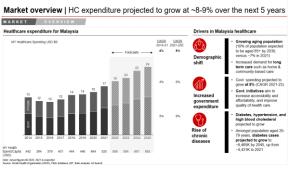
Sample previews











Timeline / Fees*

Live case billed @ \$3.1K per day for ~2-3 days | CD @ \$1.2K per day for ~2-3 days

SAMPLE

Summary | Early 'outside-in' perspectives on Target 1 and Target 2

What we like

- 1 Offerings in specialized areas Target 1 has a clear focus on women and children healthcare providing services across 7 specializations spanning obstetric and gynecological health, women's health, and pediatric care; Target 2 focuses on providing affordable services in rural areas across focus segments such as orthopedics, medical rehab, neonatal intensive care etc.
- Presence across multiple locations Target 1 and Target 2 combined have 8 hospitals and 2 clinics (800+ beds total) across 3 prominent locations DKI Jakarta, Banten and Jawa Barat
- **3 Focus on infrastructure expansion** Both hospital chains have steadily grown their presence over the years; Target 2 raised funds from PT Indonesia Infrastructure Finance (IIF) in 2021 via a senior term loan for business expansion
- 4 Expanding services and facilities to a wider audience —Target 1 is also catering to customers enrolled in the BPJS program, in addition to patients availing their private hospitalization services; it recently launched 'Target 1 Menstrual Center' to offer comprehensive care for women; also actively pursuing partnerships most recently partnered with 'Halodoc', a telehealth company, making it more accessible for patients to avail services and take medical tests

What gives us pause / what we need to test further

- A Limited reporting on historical financial performance; however, Target 2 is still in its growth phase with single-digit million EBITDA while Target 1 has a revenue of only \$40M
- B Lack of clarity on **financial stability** to be able **to service their debt obligations**; for e.g., possible cash flow issues resulting in financial burden from the senior term debt raised for expansion
- C Limited reporting on operational KPIs such as bed occupancy rate, average length of stay etc.
- Operational improvement initiatives remains unclear, with limited information around partnerships and efforts to improve operational efficiencies; for e.g., possible improvements in procurement practices (such as streamlining suppliers across sites), an integrated hospital management system, etc.

Business overview | Target 1 specializes in women and child health care with ~200 employees; Target 2 aims at serving rural areas with ~100 employees

TARGET

OVERVIEW

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Business description

Foundation: Target 1 - 2006, Target 2 - 2018

Ownership: Target 1 – Majority stake owned by FHP: Altrui Investment Management and TEA Healthcare

Partners hold minor stakes

Target 2 – Majority stake (>75%) owned by FHP

HQ: Jakarta

Description: Target 1 provides medical services through general hospitals offering services across 7

specializations with focus in obstetric and gynecological health, women's health, and pediatric care

Target 2 is a general hospital chain serving communities in rural areas by bringing in

methodologies that are available in bigger cities and making them more affordable; focus areas include orthopedics, medical rehab, neonatal intensive care etc.

Financial performance:

Target 1 reported a revenue of ~\$40M¹ and an EBITDA margin of ~25%, with capacity of

existing sites to go upto \$20M

Target 2, still in the growth phase, reported a single digit million EBIDTA

Capacity: 400+ beds each across the Target 1 and Target 2 networks

Employees: ~300 (Target 1 - ~200; Target 2 - ~100)

Geographic footprint

	Targ	jet 1	Target 2		
Region	# of hosp.	# of clinics	# of hosp.	# of clinics	
Banten	1	0	1	0	
DKI Jakarta	3	1	0	0	
Jawa Barat	1	1	2	0	

■ Target 1 clinics Provide services across specializations with focus on Target 1 hospitals

obstetric and gynecological health, women's health, and pediatric care

■ Target 2 hospitals

General hospital chain serving communities in rural area through modern settings

Target 1 operations

Target 2 operations

Target 1 and Target 2 operations

Segment overview

_						
Care Continuum (Site of Care + Service)						
Acute Care	Ambulatory	Post-Acute	Retail H	ealthcare	Wellness	
Large Integrated Delivery Networks	Specialty care*	Home health	Dermatology	Optometry	Yoga	
		Hospice	Diagnostic Imaging	Veterinary	Mindfulness	
Community hospitals	Behavioral health clinics	Skilled nursing facility	Dental	Med Spa / Aesthetics	Guided meditation	
		Inpatient rehabilitation facilities	Ear, Nose and Throat	Physical Therapy	Pet therapy	
	Community health clinics	AL/IL/CCRC#	Fertility	,	Fitness^	

Note: (*) Broadly defined – opportunity to deep-dive on specialties – e.g., Substance use disorder, ESRD and dialysis, oncology, cardiology, etc.; (#) CCRC = Continuing Care Retirement Community, AL = Assisted Living, IL = Independent Living; (^) Includes offerings catering to Slimming & health sport therapy, Sleep disorders, etc.; (1) BPJS healthcare program (BPJS Kesehatan) is a government-run universal health insurance program in Indonesia offering a range of healthcare services, including inpatient and outpatient care, maternity care, dental care, and emergency services; (1) Data for 5 sites of Target 1 Hospitals, revenue figures not available for Target 2 | Source: Company website, company reports, Lit. search, Bain analysis

Business overview | Since inception in 2006 and 2018 respectively, Target 1 and Target 2 have organically grown to ~10 hospitals/clinics by 2023



TARGET

BUSINESS HISTORY

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Business Timeline

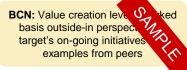
2006	•	Started operations as Target 1 Women & Children Hospital in Antasari South Jakarta
2011	•	Target 1 Hospital Tangerang commenced operations in Tangerang City and offers specialties such as minimum invasive surgery procedures, urology, fertility, trauma centre etc.
2013	•	Target 1 Clinic K commenced operations in South Jakarta to offer physiotherapy, dental care, psychology etc.
2018	•	Target 2 was established as an entity to serve the rural population; currently operating three hospitals - RS SWC, RS Target 2 SB, and RSIA SM
2019	•	Target 1 Hospital S commenced operations to focus on specialities such as oncology, endoscopy etc.; a centre for heartlogy also opened in the hospital with investments from Attrui and TEA
2021	•	PT Indonesia Infrastructure Finance ("IIF") signed senior term loan agreement with Target 2 Hospitals Group to fund hospital expansion and rehabilitation
2022	•	Target 1 Hospital S begins to support BPJS program; Target 1 Hospital D plans to expand into new offerings such as laparoscopy, endoscopy etc.; launched 'Integrated Menstrual Disorders and Endometriosis Service Center' in Hospital A to offer menstrual care and treatment for women
2023	•	Target 1 Hospital D partnered with Halodoc, a tele-heath company, to offer telemedication services to its patients

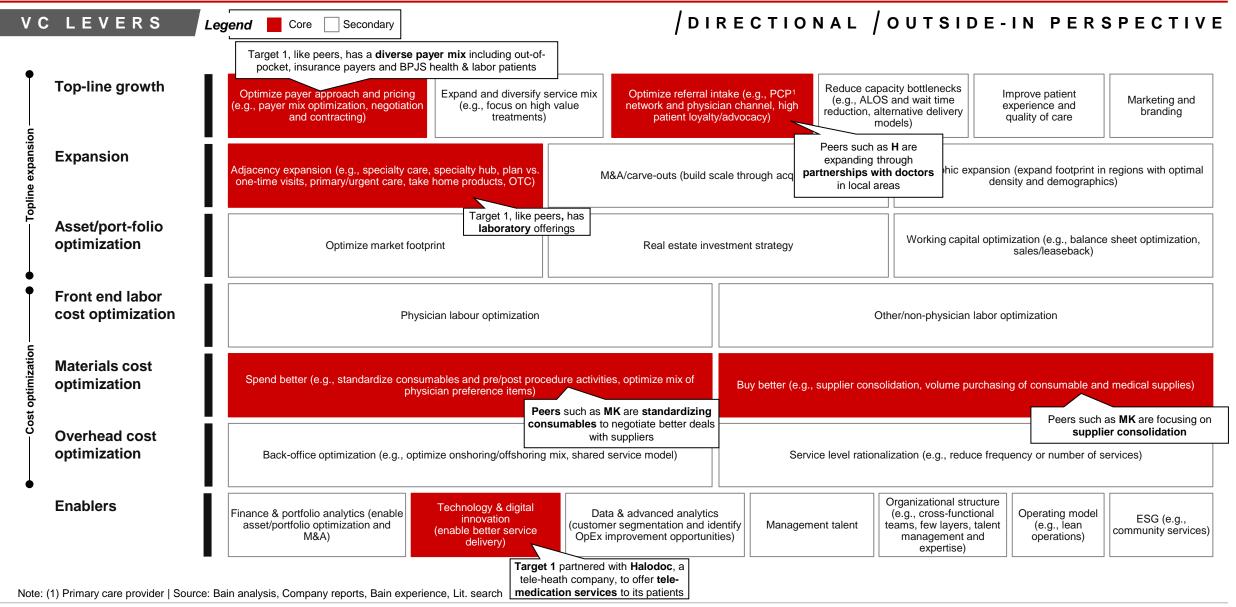
List of Hospitals

Brand	Hospital	Year est.
	Target 1 Clinic K	2013
	Target 1 Hospital A	2006
	Target 1 Hospital D	2007
Target 1	Target 1 Clinic B	2010
	Target 1 Hospital D	2018
	Target 1 Hospital S	2019
	Target 1 Hospital T	2011
12	RS Target 2 SB	2010
Target 2	RS SWC	2015
	RSIA SM	2018

Source: Company website, lit. search

Value creation | Opportunity to grow by focusing on payer approach, referencess, adjacency expansion, cost optimization, and digital innovation





Market overview | ~\$7B hospital market in Indonesia; ~85% population covered under National Health Insurance

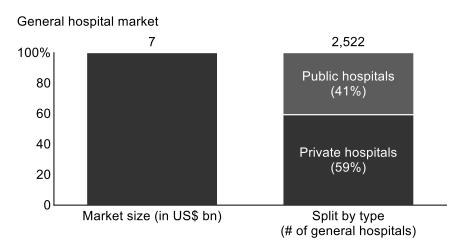


MARKET

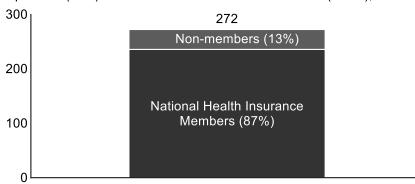
SIZE AND LANDSCAPE

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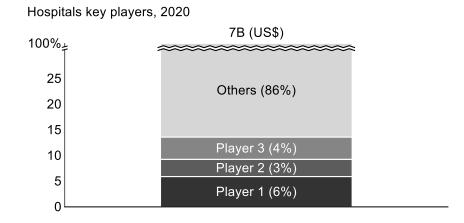
Healthcare market, 2021

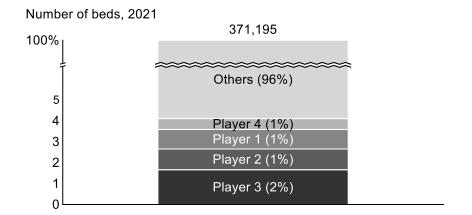


Population (in M) enrolled for National Health Insurance(BPJS), 2021



Healthcare market, 2020/21





Outlook

Indonesia:

- Healthcare spending in Indonesia accounted for ~3% of GDP in 2022
- The Hospitals market in Indonesia is poised to grow at ~12.5% CAGR over 2020-25, due to increasing government healthcare spending and growing population
- Profitability in the sector tends to be in the range of 10% to 25%
- The number of public & private hospitals is **growing** at a rate of 3% and 6% respectively
- As of 2021, there was a 6% YoY growth in members registered for the National Health Insurance (BPJS), from 2020
- PE/VC investors in the space –
 GIC, CVC, Quadria Capital

Note: (*) Calculated basis number of beds, average revenue per bed in public and private hospitals; (^) TMG revenue calculated basis geographic split in proportion of segment-wise split of overall revenue; Source: Statista, Lit. search, Bain analysis

Market overview | BPJS is strengthening social and health security in Indonesia through universal healthcare



MARKET

REGULATION - BPJS

DRAFT

JKN¹ was launched in 2014 by BPJS² to implement universal health coverage in Indonesia



Year est.: 2014



Goal: To provide health insurance coverage and ensure affordable, acceptable, available and accessible health care services for all citizens of Indonesia



Private providers: Hospitals allocate some of their capacity to BPJS patients and maintain available space for other private patients

Seek

treatment

Cashless

patient

iourney

Government is looking to replace the current 3 ward class system with KRIS³; trials in progress

Submit

claims for

reimburse-

ment

Class		s in Self-funded oom premium	
I	2-3	~US\$11 per month	
II	3-6	~US\$7 per month	
Ш	>6	~US\$3 per month	

- By 2025, the 3-tier system will be replaced by the standard inpatient class (KRIS) scheme
- KRIS aims to provide equal health facilities and services to BPJS patients
- With KRIS, maximum room capacity to be 4 patients, with air-conditioning and at least one bathroom

Patients pay premiums to BPJS for a cashless patient journey



Patients (covered under BPJS)

- Employees: Premiums mostly covered by employers (5% of monthly salary, with a salary cap of IDR 12M)
 - **Private**: 4% by employer, 1% by employee
 - Govt.: 3% by govt., 2% by employee
- Self-funded: For workers who are selfemployed or in the informal sector, option to pay for their own BPJS
- Govt-sponsored: For poorer demographics completely covered by the government



Providers

Primary care (i.e., clinics)

Puskesmas: Public

clinics which must refer patients to
Class C/D hospitals for further treatment

Private clinics: Can also treat BPJS patients and refer to Class C/D hospitals

Secondary/Tertiary care (i.e., hospitals)

Public hospitals

- All govt. owned hospitals must serve BPJS patients
- Patients must first visit a Class C/D hospital after being referred; patients are only referred to Class B hospitals if treatment cannot be provided at Class C/D hospital

Private hospitals

- Opt-in to serve BPJS patients, requiring a lengthy application process (up to 2 years) to receive BPJS accreditation
- Similar referral pathway as public hospitals

BPJS

Core functions:

- Collect premiums from employers, self-funded and portion covered by govt.
- **Manages BPJS budget** provided by the govt. to supplement premiums
- Reviews providers and approve BPJS accreditation
- Adjudicates claims by providers (both primary and secondary/tertiary care)
- Reimburse hospitals based on preagreed tariffs

Pay premiums

Note: (1) JKN – Jaminan Kesehatan Nasional; (2) BPJS – Badan Penyelenggara Jaminan Sosial Kesehatan; (3) KRIS - Kartu Indonesia Sehat; Class D – Min. 50 beds, Class C – Min. 100 beds, Class B – Min. 200 beds, Class A – Min. 400 beds | Source: Lit. search, Bain analysis

Market overview | The Indonesian healthcare system is witnessing a revamped universal health coverage, re-alignment of profit pools, and digital transformation



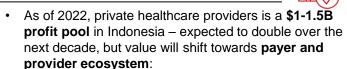
MARKET

Opportunities

Fhreats

TRENDS

Profit pools re-aligning



- Top private hospital chains expected to achieve 15-30% EBITDA margins in 2030 from inpatients (at a CAGR of ~15% over '22-'30) due to player consolidation and price increases, while outpatient provider segment profit pool expected to grow at a CAGR of ~20% over '22-'30, as hospital burden/cost will push for shift to home/on-site care
- Care is moving away from the hospital (e.g., via ambulatory care, telemedicine)

Player 1 Player 2

Player 3

- Partnership to launch a telemedicine feature called Dokter Leo (2020)
- Introduced a teleconsultation platform during the pandemic; offers home care services for e.g., newborn care
- Providers already consolidating to create larger health networks with economies of scale

Player 4

2nd largest private hospital network in Indonesia; expanded through a series of acquisitions

Universal health coverage

- Indonesia is shifting from private healthcare to universal coverage, aiming to provide affordable, quality services for all
- ~85% population is now covered under the BPJS³ National Health Insurance (launched in 2014)
- BPJS³ plans to implement standard classes (subsidized and non-subsidized) instead of Class I, II and III patients
- By forming relationships with local clinics, hospitals can increase patient volume as these clinics refer patients needing specialized care

Player 4

The chain may benefit from Class I and II members (basis current BPJS classification) becoming private patients after merging of classes

ŽE.

 Hospitals can influence patient flow by working with primary care providers to direct less-profitable patients/cases to other hospitals

DRAFT NON-EXHAUSTIVE

Digital transformation

- Growing support for digital health platforms, telemedicine, electronic medical records (EMRs) and mobile health apps, especially post COVID-19
- For e.g., MoH¹ launched Indonesia Health Services platform 'SATUSEHAT' to boost digital health transformation
- Telehealth adoption rate in Indonesia is expected to grow from ~25% in 2019 to ~70% in 2024
- Expanding reach to remote areas, and increasing patient engagement using telemedicine

Player 1

 An app 'RSPI Mobile' for patients to schedule doctor appointments

Player 2

- JKN² mobile app connected to 20K+ healthcare providers, making it easier to access healthcare services
- **Leveraging AI** (for e.g., EMRs, predictive analytics etc.) to manage and analyze data

Player 3

 Investing in artificial intelligence and advanced hospital information systems to capture individual patient records

 Traditional (hospital) profit engines facing competition from independent outpatient groups (e.g., diagnostics)

Player 5

Player 6

- Competition from smaller healthcare providers focusing on lab tests, imaging services etc. which may attract patients seeking affordable or specialized care
- Healthcare providers are paid by the government based on a package named INA-CBG⁴ (typically at a discount to a hospital's commercial rate), significantly affecting their profit margins
- Shift from out-of-pocket or corporate insurance to BPJS complicates timely payments due to red tape, potentially delaying doctors' salaries and discouraging them from joining hospitals with uncertain payment quarantees
- Risk of cyberattacks and data breaches due to lack of robust system of checks and balances
 - In 2021, data of ~6M patients in various Indonesian hospitals was breached and traded on dark web

Note: (1) Ministry of Health; (2) JKN – Jaminan Kesehatan Nasional; (3) BPJS healthcare program (BPJS Kesehatan) is a government-run universal health insurance program in Indonesia offering a range of healthcare services, including inpatient and outpatient care, maternity care, dental care, and emergency services; (4) Indonesia Case-Based Groups | Source: Statista, Lit. search, Bain analysis, Bain experience

Benchmarking | Target 1 is a private healthcare provider in Indonesia, offering a range of services across the value chain with limited reporting across KPIs (1/2)



PEER BENCHMARKING

NON-EXHAUSTIVE

	Target 1 & Target 2	Player 1	Player 2	Player 3	Player 4
Headquarters	•	_	-	•	_
Geographical focus	•	•	•	•	•
Business description	 Target 1 specializes in obstetrics, gynecology, women's health, and pediatrics through general hospitals with 7 specializations Target 2 offers affordable healthcare in rural areas, focusing on orthopedics, medical rehab, and neonatal intensive care 	 Healthcare provider operating a network of hospitals & pharmacies, offering services for oncology, fertility, brain spine etc. Manages 20 MK hospitals and 9 KSH hospitals 	 Healthcare provider offering a range of medical services through its 40 hospitals Specializes in various fields, including general surgery, pediatrics & neurology 	 Healthcare provider focusing on the care of mothers and young children Provides online consultations for patients' convenience 	 Private hospital group catering to the middle and upper-class segments Offers a range of specialized centers, including mother & child, sports clinic & orthopedic centers
Ownership type	Private	Public	Public	Public	Public
Revenue (USD M)	~40¹	~270	~740	~330	~100
EBITDA margin (%)	25% ¹	37.50%	26.84%	23.20%	14.00%
Funding details	In 2021, Target 2 secured a senior term loan from PT Indonesia Infrastructure Finance (IIF) for business expansion	Publicly listed since 2015	 Raised post IPO equity from CVC Capital Partners in 2016² Publicly listed since 2013 	 In 2021, minority stake acquired by Quadria Capital² Publicly listed since 2018 	Released IPO in 2022
# employees	~300	~8.3K	~11.8K	~14.8K	~5.0K
M&A Activity (last 3 years)	Limited info	In 2020, acquired ABC for USD 2.3M	In 2021, participated in a USD 3M round of P	In 2020 & 2021, acquired hospitals in Salatiga & Ciledug respectively ²	Limited info

Note: Data for FY'22, unless specified otherwise; (1) Data for 5 sites of Target 1 Hospitals, revenue figures not available for Target 2; (2) Deal value undisclosed | Source: Lit. search; Company and competitor websites

Benchmarking | Target 1 is a private healthcare provider in Indonesia, offering a range of services across the value chain with limited reporting across KPIs (2/2)



Legend Performance Lagging Average Leading Best-in-class n/a Data not available NON-EXHAUSTIVE

Key Performance Indicators	Target 1	Player 1	Player 2	Player 3	Player 4
# of operational beds (K)	>0.81	3.47	3.78	6.16	1.93
# of patients (M)	n/a	2.89	3.39	7.12	1.39
# of inpatients (M)	n/a	0.26	0.24	0.48	0.28
# of outpatients (M)	n/a	2.63	3.15	6.64	1.11
Average length of stay – ALOS (days)	n/a	3.45 ²	4.10 ²	2.80	3.40
Bed occupancy rate (%)	n/a	57%²	59%	62%	37%
Average revenue per inpatient day (USD)	n/a	242	436	139	228
Average revenue per outpatient visit (USD)	n/a	35	80	20	26
% of full-time female employees	n/a	85%	79%²	76%	76%
Average training hours per employee	n/a	195.63 ²	n/a	3.28	n/a
Number of workplace fatalities	n/a	2 ²	n/a	0	n/a
Lost-time incident rate (per 1M hours worked)	n/a	9.20²	n/a	2.76	n/a
Number of recordable work-related injuries	n/a	147 ²	n/a	153	n/a
Customer Satisfaction Rate (%)	n/a	92%²	n/a	96%	93%

Note: Data for FY'22, unless specified otherwise; (1) Data for sites of Target 1 and Target 2 combined; (2) Data for FY'21 | Source: Lit. search; Company and competitor websites

