

## PT. Kalbe Farma Tbk.

**BUY**

### Investment Consideration

#### Covid-19 vaccine

- As part of their contribution to the fight against the Covid-10 pandemic in Indonesia, KLBF has signed an MoU with Genexine, Inc to develop a Covid-19 vaccine. Kalbe and Genexine have agreed to conduct GX-19 clinical trials in Indonesia. This will be one of the new DNA vaccines against corona viruses and KLBF is working together with a consortium of Genexine, Binex, the International Vaccine Institute (IVI), GenNBio, the Korea Advanced Institute of Science & Technology (KAIST), and Pohang University of Science & Technology (POSTECH). The Covid-19 vaccine clinical trials started in June 2020 and KLBF estimates this product will be commercially available in August 2021.
- To date, there are 4 international collaborations include KLBFs which will potentially produce a Covid-19 vaccine.
- This news has boosted sentiment towards KLBF's shares which have surged +21% in three months.

#### Double-digit profit Growth

- In 1H2020, KLBF recorded single digit net sales growth of 3.8% YoY to IDR 11.6 trillion, with the largest contribution coming from distribution and logistics with 32% of sales and growth of +10% YoY to IDR 3.75 trillion.
- Nutrition was 28% of total sales with IDR 3.2 trillion, prescription IDR 2.56 trillion and the consumer health segment recorded sales of IDR 2.1 trillion, up by +6.5% YoY.
- Gross profit increased slightly +1.47% YoY to IDR 5.25 trillion, with a slightly lower GPM of 45.3% from 46.3% in 1H2019.
- Profit before tax grew +7.2% YoY to IDR 1.81 trillion, mostly due to lower operating expenses and forex gains.
- This led to a higher net income margin of 12% and net income growth of a double digit +10.3% YoY to IDR 1.38 trillion.
- We maintain our 2020F sales forecast of IDR 24.4 trillion or growth of +8% YoY and a bottom line forecast of IDR 2.7 trillion.

#### Valuation: BUY TP 1,880 with 21% upside

- We are targeting KLBF to trade at 30x PE within a year. Target Price is IDR 1,880 which represents 21% upside. BUY

Financial Highlights	2016A	2017A	2018A	2019A	2020F	2021F
Revenue (In IDR Bn)	19.374	20.182	21.074	22.633	24.445	26.472
Gross Profit (In IDR Bn)	9.488	9.812	9.848	10.243	11.000	11.912
EBITDA (In IDR Bn)	3.516	3.681	3.762	3.906	4.259	4.569
Net Profit (In IDR Bn)	2.300	2.404	2.457	2.507	2.701	2.964
EPS (In IDR)	49	51	52	53	58	63
GPM (%)	49%	49%	47%	45%	45%	45%
OPM (%)	16%	16%	16%	15%	15%	15%
NPM (%)	12%	12%	12%	11%	11%	11%
EBITDA Margin (%)	18%	18%	18%	17%	17%	17%
ROE (%)	19%	18%	17%	16%	16%	16%
Tot. debt / equity (x)	0,23	0,20	0,20	0,22	0,27	0,30
Current Ratio (x)	4,13	4,51	4,66	4,35	3,61	3,17

Source: Company and Binaartha

1 August 2020  
Consumer Goods

Price IDR 1,560

Target Price IDR 1,880

JKSE Index 5,149.627



### Stock Information

<b>Bloomberg Code</b>	<b>KLBF IJ</b>
Market Cap (IDR bn)	73,360
52-week high (IDR)	1,695
52-week low (IDR)	830
Shares issued (mn)	46,875.1
6-m avg. daily Val (IDR)	1,343
Free float	43,02%

### Major share holders

PT Gira Sole Prima	10.19%
PT Santa Seha Sanadi	9.87%
PT Diptanala Bahana	9.50%
PT Lucasta Murni Cemerlang	9.47%
PT Ladang Ira Panen	9.34%
PT Bina Arta Charisma	8.61%
Public	43,02%

### USD/ IDR – YE (IDR)

2019	14,375
2020F (6m-avg)	14,222

Analyst  
eka.rahmah@binaartha.com

Pictures: Covid-19 Update

Clinical Trial on Herbal Products

Tested Products :



In Collaboration with:



Clinical trial location:

RS. Wisma Atlet



DNA Vaccine advantages :



Easy and rapid development



Simple and cost effective manufacturing



Highly stable and easy to handle



No risk for infection



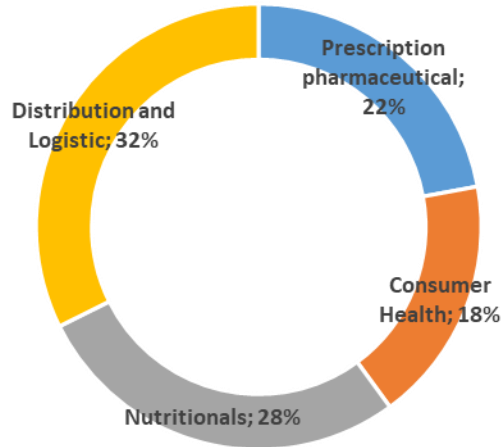
Induce protective humoral and cellular immunity



Easily adaptable for new targets and mutations

Source: Company

Chart: Revenue Breakdown by Segment in 1H2020



Source: Company

Table: Income Statement in IDR Billion YoY

Income Statement (IDR.Bn)	2014A	2016A	2017A	2018A	2019A	2020F	2021F
<b>Revenues</b>	<b>17.369</b>	<b>19.374</b>	<b>20.182</b>	<b>21.074</b>	<b>22.633</b>	<b>24.445</b>	<b>26.472</b>
Cost of revenues	(8.893)	(9.886)	(10.370)	(11.226)	(12.390)	(13.444)	(14.559)
<b>Gross Profit</b>	<b>8.476</b>	<b>9.488</b>	<b>9.812</b>	<b>9.848</b>	<b>10.243</b>	<b>11.000</b>	<b>11.912</b>
Operating expense	(5.864)	(6.327)	(6.500)	(6.438)	(6.836)	(7.333)	(7.941)
<b>Operating Profit</b>	<b>2.612</b>	<b>3.161</b>	<b>3.312</b>	<b>3.410</b>	<b>3.408</b>	<b>3.667</b>	<b>3.971</b>
Other income	152	(70)	(71)	(103)	(5)	(7)	(8)
<b>Pretax income(PBT)</b>	<b>2.764</b>	<b>3.091</b>	<b>3.241</b>	<b>3.306</b>	<b>3.403</b>	<b>3.659</b>	<b>3.963</b>
Taxes	(643)	(740)	(788)	(809)	(865)	(915)	(951)
<b>NPAT</b>	<b>2.121</b>	<b>2.351</b>	<b>2.453</b>	<b>2.497</b>	<b>2.538</b>	<b>2.745</b>	<b>3.012</b>
Minority interest	(56)	(51)	(50)	(40)	(31)	(44)	(48)
<b>Net Profit</b>	<b>2.065</b>	<b>2.300</b>	<b>2.404</b>	<b>2.457</b>	<b>2.507</b>	<b>2.701</b>	<b>2.964</b>
EPS (In IDR)	44	49	51	52	53	58	63
<b>EBITDA</b>	<b>3.062</b>	<b>3.516</b>	<b>3.681</b>	<b>3.762</b>	<b>3.906</b>	<b>4.259</b>	<b>4.569</b>

Source: Company and Binaartha

Table: Statement of Financial Position in IDR Billion YoY

Statement of Financial Position (IDR. Billion)	2016A	2017A	2018A	2019A	2020F	2021F
<b>Current Assets</b>						
Cash and cash equivalents	2.896	2.785	3.153	3.040	4.252	5.238
Trade receivables	2.726	2.968	3.374	3.698	3.577	3.923
Inventory	3.344	3.557	3.475	3.738	3.667	4.171
Other current assets	607	734	647	746	806	873
<b>Total Current Assets</b>	<b>9.573</b>	<b>10.044</b>	<b>10.648</b>	<b>11.222</b>	<b>12.302</b>	<b>14.205</b>
<b>Non-Current Assets</b>						
Fixed assets	4.556	5.343	6.253	7.666	8.159	8.683
Other non-current assets	1.098	1.230	1.245	1.376	1.638	1.324
<b>Total Non-current Assets</b>	<b>5.653</b>	<b>6.572</b>	<b>7.498</b>	<b>9.042</b>	<b>9.797</b>	<b>10.007</b>
<b>Total Assets</b>	<b>15.226</b>	<b>16.616</b>	<b>18.146</b>	<b>20.265</b>	<b>22.098</b>	<b>24.211</b>
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Trade payables	1.947	1.831	1.959	1.712	1.980	2.252
Short-term bank loan	135	169	96	150	448	634
Other current liabilities	370	396	231	716	978	1.588
<b>Total Current Liabilities</b>	<b>2.317</b>	<b>2.227</b>	<b>2.286</b>	<b>2.577</b>	<b>3.406</b>	<b>4.474</b>
<b>Non-current Liabilities</b>						
Long-term Debt Bank Loan	132	144	260	648	623	227
Others non-current liabilities	313	351	306	334	489	662
<b>Total Non-current Liabilities</b>	<b>445</b>	<b>495</b>	<b>565</b>	<b>982</b>	<b>1.112</b>	<b>889</b>
<b>Total Liabilities</b>	<b>2.762</b>	<b>2.722</b>	<b>2.852</b>	<b>3.559</b>	<b>4.518</b>	<b>5.363</b>
<b>Equity</b>	<b>11.909</b>	<b>13.281</b>	<b>14.623</b>	<b>15.893</b>	<b>16.876</b>	<b>18.062</b>
Minority Interest	555	613	671	812	705	786
<b>Total Liabilities &amp; Equity</b>	<b>15.226</b>	<b>16.616</b>	<b>18.146</b>	<b>20.265</b>	<b>22.098</b>	<b>24.211</b>

Source: Company and Binaartha

Table: Cash Flow in IDR Billion YoY

Cash Flow (IDR. Billion)	2016A	2017A	2018A	2019A	2020F	2021F
<b>Cash Flow From Operating Activities</b>						
Net income	2.300	2.404	2.457	2.507	2.701	2.964
Depreciation expenses	397	403	426	463	493	524
Change in working capital	-696	-672	-177	-396	961	151
<b>Net Cash From Operating Activities</b>	<b>2.001</b>	<b>2.135</b>	<b>2.706</b>	<b>2.573</b>	<b>4.154</b>	<b>3.639</b>
<b>Cash Flow From Investing Activities</b>						
Capex	-1.014	-1.190	-1.336	-1.876	-985	-1.048
Other non-current assets	-88	-132	-15	-131	-262	314
<b>Net Cash Used in Investing Activities</b>	<b>-1.103</b>	<b>-1.322</b>	<b>-1.352</b>	<b>-2.007</b>	<b>-1.247</b>	<b>-734</b>
<b>Cash Flow From Financing Activities</b>						
Long-term debt	126	12	115	388	-25	-396
Other non-current liabilities	-73	38	-45	29	155	173
Equity	-774	-973	-1.057	-1.096	-1.826	-1.697
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>-721</b>	<b>-924</b>	<b>-986</b>	<b>-679</b>	<b>-1.696</b>	<b>-1.920</b>
Net Increase In Cash and Cash Equivalent	177	-111	369	-113	1.212	986
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>2.719</b>	<b>2.896</b>	<b>2.785</b>	<b>3.153</b>	<b>3.040</b>	<b>4.252</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>2.896</b>	<b>2.785</b>	<b>3.153</b>	<b>3.040</b>	<b>4.252</b>	<b>5.238</b>

Source: Company and Binaartha

Table: Ratio Highlights YoY

	2016A	2017A	2018A	2019A	2020F	2021F
<b>Growth (% YoY)</b>						
Sales	8,3%	4,2%	4,4%	7,4%	8,0%	8,3%
OP	25,7%	4,8%	2,9%	-0,1%	7,6%	8,3%
EBITDA	16,1%	4,7%	2,2%	3,8%	9,1%	7,3%
NP	14,7%	4,5%	2,2%	2,0%	7,7%	9,8%
EPS	14,7%	4,5%	2,2%	2,0%	7,7%	9,8%
<b>Profitability</b>						
Gross Profit Margin	49,0%	48,6%	46,7%	45,3%	45,0%	45,0%
Operating Margin	16,3%	16,4%	16,2%	15,1%	15,0%	15,0%
EBITDA margin	18,1%	18,2%	17,9%	17,3%	17,4%	17,3%
NET Profit margin	11,9%	11,9%	11,7%	11,1%	11,0%	11,2%
ROA	15,1%	14,5%	13,5%	12,4%	12,2%	12,2%
ROE	19,3%	18,1%	16,8%	15,8%	16,0%	16,4%
<b>Stability</b>						
Total debt/ equity (X)	0,23	0,20	0,20	0,22	0,27	0,30
Current ratio (X)	4,13	4,51	4,66	4,35	3,61	3,17
Int. Coverage (x)	109,82	89,06	111,18	84,18	34,01	48,33
<b>Per Share data (IDR)</b>						
EPS	49,1	51,3	52,4	53,5	57,6	63,2
BVS	254	283	312	339	360	385
SPS	382	413	431	450	483	521
EBITDA/share	65	75	79	80	83	91

Source: Company and Binaartha

**Stock Ratings:**

- Buy : a recommendation to purchase the security with upside potential of **20% or greater**
- Hold : a recommendation to neither buy nor sell a security with upside potential of **0-19%**.
- Sel : a recommendation to close out a long position in a security with upside potential **below 0% or negative**.

**RESEARCH TEAM**  
**(62 21) 520 6678 ext. 611**

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