

PT. Kalbe Farma Tbk.

BUY

Investment Consideration

2019FY Result: Slight Increase

- In 2019FY, KLBF net sales increased 7.4% YoY to IDR 22.63 trillion. Distribution & logistics grew 15.7%, higher than the other segments, and was 33% of total sales with IDR 7.37 trillion. Nutrition was 29% of total sales at IDR 6,62 trillion, prescription IDR 5.16 trillion and the consumer health segment recorded sales of IDR 3.47 trillion, lower by -2.8% YoY.
- Gross profit increased slightly +4% YoY to IDR 10.24 trillion, profit before tax was +2.9% YoY at IDR 3.4 trillion and net income grew +2.0 % YoY to IDR 2.5 trillion

Conservative for 2020

- Amid the covid-19 outbreak and currency weakness which impacts costs, we are conservative on KLBF's performances outlook in 2020. KLBF's healthcare products are likely to be in demand because of the situation, but we also see weaker purchasing power and disruptions to the supply chain.
- Rupiah depreciation will increase costs as most of KLBF's raw materials are imported.
- Positive sentiment can come from the government policy (Perppu No.1 2020) to help boost the economy and financial system. One of the policies is import duty exemption for products related to Covid-19 treatment. KLBF targets sales growth in the range of 6-8% YoY, and in line with that we expect 2020F net sales will reach IDR 24.03 trillion or 6.2% YoY growth. We are also expecting stable to lower margins from higher costs.

Valuation: BUY TP 1,415 with 24% upside

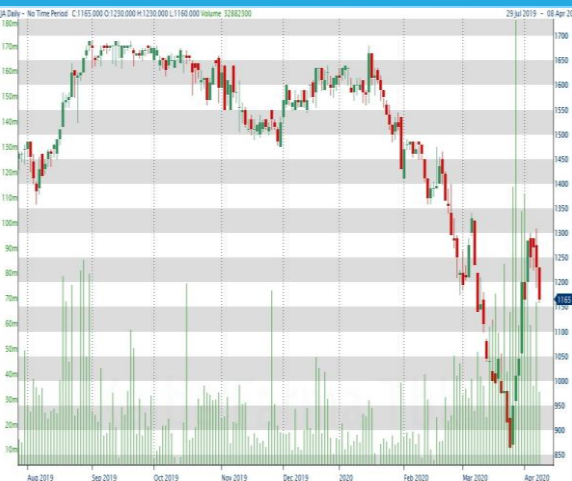
- We are targeting KLBF to trade at 25x PE within a year. Target Price is IDR 1,415 which represents 24% upside. BUY

Financial Highlights	2015 A	2016A	2017A	2018A	2019A	2020F	2021F
Revenue (In IDR Bn)	17.887	19.374	20.182	21.074	22.633	24.028	25.519
Gross Profit (In IDR Bn)	8.592	9.488	9.812	9.848	10.243	10.813	11.483
Operating Profit (In IDR Bn)	2.515	3.161	3.312	3.410	3.408	3.604	3.828
EBITDA (In IDR Bn)	3.029	3.516	3.681	3.762	3.906	4.155	4.398
Net Profit (In IDR Bn)	2.004	2.300	2.404	2.457	2.507	2.655	2.857
EPS (In IDR)	43	49	51	52	53	57	61
GPM (%)	48,0%	49,0%	48,6%	46,7%	45,3%	45,0%	45,0%
OPM (%)	14,1%	16,3%	16,4%	16,2%	15,1%	15,0%	15,0%
NPM (%)	11,2%	11,9%	11,9%	11,7%	11,1%	11,0%	11,2%
EBITDA Margin (%)	16,9%	18,1%	18,2%	17,9%	17,3%	17,3%	17,2%
ROE (%)	19,1%	19,3%	18,1%	16,8%	15,8%	15,7%	15,9%
Tot. debt / equity (x)	0,26	0,23	0,20	0,20	0,22	0,21	0,20
Current Ratio (x)	3,70	4,13	4,51	4,66	4,35	4,29	3,94

Source: Company and Binaartha

9 April 2020
Consumer Goods

Price	IDR	1,145
Target Price	IDR	1,415
JKSE Index		4,626.695



Stock Information

Bloomberg Code	KLBF IJ
Market Cap (IDR bn)	57,656.4
52-week high (IDR)	1,690
52-week low (IDR)	830
Shares issued (mn)	46,875.1
6-m avg. daily Val (IDR)	1,457
Free float	43,02%

Major share holders

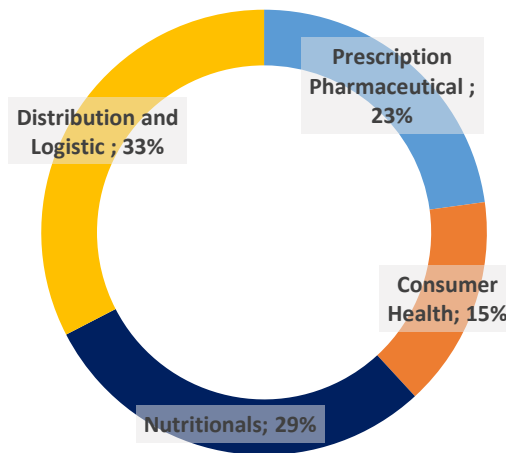
PT Gira Sole Prima	10.19%
PT Santa Seha Sanadi	9.87%
PT Diptanala Bahana	9.50%
PT Lucasta Murni Cemerlang	9.47%
PT Ladang Ira Panen	9.34%
PT Bina Arta Charisma	8.61%
Public	43,02%

USD/ IDR – YE (IDR)

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

Analyst
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Chart: Revenue Contribution 2019FY



Source: Company

Table: Income Statement in IDR Billion YoY

Income Statement (IDR.Bn)	2014A	2015A	2016A	2017A	2018A	2019A	2020F	2021F
Revenues	17.369	17.887	19.374	20.182	21.074	22.633	24.028	25.519
Cost of revenues	(8.893)	(9.296)	(9.886)	(10.370)	(11.226)	(12.390)	(13.216)	(14.035)
Gross Profit	8.476	8.592	9.488	9.812	9.848	10.243	10.813	11.483
Operating expense	(5.864)	(6.077)	(6.327)	(6.500)	(6.438)	(6.836)	(7.208)	(7.656)
Operating Profit	2.612	2.515	3.161	3.312	3.410	3.408	3.604	3.828
Other income	152	206	(70)	(71)	(103)	(5)	(7)	(8)
Pretax income(PBT)	2.764	2.721	3.091	3.241	3.306	3.403	3.597	3.820
Taxes	(643)	(663)	(740)	(788)	(809)	(865)	(899)	(917)
NPAT	2.121	2.058	2.351	2.453	2.497	2.538	2.698	2.903
Minority interest	(56)	(53)	(51)	(50)	(40)	(31)	(43)	(46)
Net Profit	2.065	2.004	2.300	2.404	2.457	2.507	2.655	2.857
EPS (In IDR)	44	43	49	51	52	53	57	61
EBITDA	3.062	3.029	3.516	3.681	3.762	3.906	4.155	4.398

Source: Company and Binaartha

Table: Statement of Financial Position in IDR Billion YoY

Statement of Financial Position (IDR. Billion)	2015A	2016A	2017A	2018A	2019A	2020F	2021F
Current Assets							
Cash and cash equivalents	2.719	2.896	2.785	3.153	3.040	3.239	3.290
Trade receivables	2.434	2.726	2.968	3.374	3.698	3.516	3.782
Inventory	3.003	3.344	3.557	3.475	3.738	3.965	4.213
Other current assets	593	607	734	647	746	792	842
Total Current Assets	8.748	9.573	10.044	10.648	11.222	11.512	12.126
Non-Current Assets							
Fixed assets	3.938	4.556	5.343	6.253	7.666	8.159	8.683
Other non-current assets	1.009	1.098	1.230	1.245	1.376	1.448	1.532
Total Non-current Assets	4.948	5.653	6.572	7.498	9.042	9.607	10.215
Total Assets	13.696	15.226	16.616	18.146	20.265	21.119	22.341
Liabilities							
Current Liabilities							
Trade payables	1.460	1.947	1.831	1.959	1.712	2.077	2.206
Short-term bank loan	266	135	169	96	150	118	434
Other current liabilities	906	370	396	231	716	489	440
Total Current Liabilities	2.366	2.317	2.227	2.286	2.577	2.684	3.080
Non-current Liabilities							
Long-term Debt Bank Loan	7	132	144	260	648	533	127
Others non-current liabilities	386	313	351	306	334	352	375
Total Non-current Liabilities	392	445	495	565	982	885	503
Total Liabilities	2.758	2.762	2.722	2.852	3.559	3.569	3.583
Equity							
Minority Interest	437	555	613	671	812	693	758
Total Liabilities & Equity	13.696	15.226	16.616	18.146	20.265	21.119	22.341

Source: Company and Binaartha

Table: Cash Flow in IDR Billion YoY

Cash Flow (IDR. Billion)	2015A	2016A	2017A	2018A	2019A	2020F	2021F
Cash Flow From Operating Activities							
Net income	2.004	2.300	2.404	2.457	2.507	2.655	2.857
Depreciation expenses	284	397	403	426	463	493	524
Change in working capital	176	-696	-672	-177	-396	16	-167
Net Cash From Operating Activities	2.464	2.001	2.135	2.706	2.573	3.163	3.215
Cash Flow From Investing Activities							
Capex	-818	-1.014	-1.190	-1.336	-1.876	-985	-1.048
Other non-current assets	-110	-88	-132	-15	-131	-72	-84
Net Cash Used in Investing Activities	-928	-1.103	-1.322	-1.352	-2.007	-1.057	-1.133
Cash Flow From Financing Activities							
Long-term debt	-6	126	12	115	388	-115	-406
Other non-current liabilities	177	-73	38	-45	29	17	24
Equity	-883	-774	-973	-1.057	-1.096	-1.810	-1.649
Net Cash Provided by (Used in) Financing Activities	-713	-721	-924	-986	-679	-1.907	-2.031
Net Increase In Cash and Cash Equivalent	824	177	-111	369	-113	198	51
Cash and Cash Equivalents at Beginning of Period	1.895	2.719	2.896	2.785	3.153	3.040	3.239
Cash and Cash Equivalents at End of Period	2.719	2.896	2.785	3.153	3.040	3.239	3.290

Source: Company and Binaartha

Table: Ratio Highlights YoY

	2015 A	2016A	2017A	2018A	2019A	2020F	2021F
Growth (% YoY)							
Sales	3,0%	8,3%	4,2%	4,4%	7,4%	6,2%	6,2%
OP	-3,7%	25,7%	4,8%	2,9%	-0,1%	5,8%	6,2%
EBITDA	-1,1%	16,1%	4,7%	2,2%	3,8%	6,4%	5,8%
NP	-2,9%	14,7%	4,5%	2,2%	2,0%	5,9%	7,6%
EPS	-2,9%	14,7%	4,5%	2,2%	2,0%	5,9%	7,6%
Profitability							
Gross Profit Margin	48,0%	49,0%	48,6%	46,7%	45,3%	45,0%	45,0%
Operating Margin	14,1%	16,3%	16,4%	16,2%	15,1%	15,0%	15,0%
EBITDA margin	16,9%	18,1%	18,2%	17,9%	17,3%	17,3%	17,2%
NET Profit margin	11,2%	11,9%	11,9%	11,7%	11,1%	11,0%	11,2%
ROA	14,6%	15,1%	14,5%	13,5%	12,4%	12,6%	12,8%
ROE	19,1%	19,3%	18,1%	16,8%	15,8%	15,7%	15,9%
Stability							
Total debt/ equity (X)	0,26	0,23	0,20	0,20	0,22	0,21	0,20
Current ratio (X)	3,70	4,13	4,51	4,66	4,35	4,29	3,94
Int. Coverage (x)	113,76	109,82	89,06	111,18	84,18	54,99	71,51
Per Share data (IDR)							
EPS	42,8	49,1	51,3	52,4	53,5	56,6	61,0
BVS	224	254	283	312	339	360	384
SPS	371	382	413	431	450	483	513
EBITDA/share	65	65	75	79	80	83	89

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
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