

## PT. Kalbe Farma Tbk.

**BUY**

### Investment Consideration

#### More covid-19 related products and vaccine update

- KLBF's covid-19 vaccine collab with Genexine, is now targeting commercialization in the middle or 3Q of 2021, after facing delays in stage 1 research.
- As of October 2020, the vaccine is still in stage 2 clinical trials which are being carried out in South Korea, as will stage 3. The clinical trials in Indonesia are expected to start in 4Q2020.
- KLBF has also launched Remdesivir treatment for Covid-19 in Indonesia.

#### 3Q2020 results bellow expectation

- As of 9M2020, KLBF recorded positive net sales growth of 1.6% YoY to IDR 17.1 trillion. In terms of QoQ growth, KLBF net sales decreased by -5.3% to IDR 5.49 trillion in 3Q2020.
- Consumer health decreased -23.7% QoQ to IDR 820.59 billion in 3Q2020 due to higher consumer health product demand earlier in the covid-19 outbreak in 2Q2020. Distribution and logistics also decreased by -10.7% QoQ to IDR 1.74 trillion in 3Q2020.
- Nutrition and Pharmaceutical sales still maintained a positive QoQ growth in 3Q2020. Nutrition recorded sales of IDR 1.72 trillion or growth of +6.8% QoQ and Pharmaceutical sales recoded +3.3% QoQ growth to IDR 1.2 trillion in 3Q2020.
- As KLBF's management has revised their sales target for 2020F, we revise our 2020F target to 4.7% growth, IDR 23.7 trillion.

#### Margin Improved

- Despite the 3Q2020 sales decrease, KLBF still maintained their margin due to price increases on selected products.
- Profit before tax grew +4.4% YoY to IDR 2.68 trillion, mostly due to lower operating expenses and forex gains. The margin slightly improved from 15.3% to 15.7% in 9M2020.
- The net income margin also increased slightly to 11.9% and net income grew by a single digit +5.8% YoY to IDR 2.02 trillion.
- We are expecting KLBF can at least maintain their margin in 2020F and the bottom line will reach IDR 2.69 trillion or growth of +8% YoY.

#### Valuation: BUY TP 1,890 with 28% upside

- We are targeting KLBF to trade at 30x PE within a year. Target Price is IDR 1,890 which represents 28% upside. BUY

Financial Highlights	2016A	2017A	2018A	2019A	2020F	2021F
Revenue (In IDR Bn)	19.374	20.182	21.074	22.633	23.703	25.682
Gross Profit (In IDR Bn)	9.488	9.812	9.848	10.243	10.666	11.557
EBITDA (In IDR Bn)	3.516	3.681	3.762	3.906	4.199	4.486
Net Profit (In IDR Bn)	2.300	2.404	2.457	2.507	2.695	2.920
EPS (In IDR)	49	51	52	53	57	62
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%	18%	17%
ROE (%)	19%	18%	17%	16%	16%	16%
Tot. debt / equity (x)	0,23	0,20	0,20	0,22	0,25	0,27
Current Ratio (x)	4,13	4,51	4,66	4,35	4,06	3,30

Source: Company and Binaartha

12 November 2020  
Consumer Goods

Price	IDR	1,470
Target Price	IDR	1,890
JKSE Index		5,509.513



### Stock Information

<b>Bloomberg Code</b>	<b>KLBF IJ</b>
Market Cap (IDR bn)	69,380
52-week high (IDR)	1,695
52-week low (IDR)	830
Shares issued (mn)	46,875.1
6-m avg. daily Val (IDR)	1,489
Free float	43,02%

### Major share holders

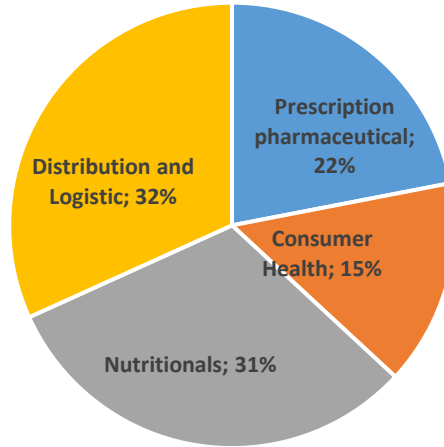
PT Gira Sole Prima	10.19%
PT Santa Seha Sanadi	9.87%
PT Diptanala Bahana	9.50%
PT Lucasta Murni Cemerlang	9.47%
PT Ladang Ira Panen	9.34%
PT Bina Arta Charisma	8.61%
Public	43,02%

### USD/ IDR – YE (IDR)

2019	13,970
2020F (6m-avg)	14,585

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Chart: Revenue Breakdown by Segment in 3Q2020



Source: Company

Table: Income Statement in IDR Billion YoY

Income Statement (IDR.Bn)	2016A	2017A	2018A	2019A	2020F	2021F
<b>Revenues</b>	<b>19.374</b>	<b>20.182</b>	<b>21.074</b>	<b>22.633</b>	<b>23.703</b>	<b>25.682</b>
Cost of revenues	(9.886)	(10.370)	(11.226)	(12.390)	(13.037)	(14.125)
<b>Gross Profit</b>	<b>9.488</b>	<b>9.812</b>	<b>9.848</b>	<b>10.243</b>	<b>10.666</b>	<b>11.557</b>
Operating expense	(6.397)	(6.571)	(6.542)	(6.841)	(7.111)	(7.705)
<b>Pretax income(PBT)</b>	<b>3.091</b>	<b>3.241</b>	<b>3.306</b>	<b>3.403</b>	<b>3.555</b>	<b>3.852</b>
Taxes	(740)	(788)	(809)	(865)	(818)	(886)
<b>NPAT</b>	<b>2.351</b>	<b>2.453</b>	<b>2.497</b>	<b>2.538</b>	<b>2.738</b>	<b>2.966</b>
Minority interest	(51)	(50)	(40)	(31)	(43)	(46)
<b>Net Profit</b>	<b>2.300</b>	<b>2.404</b>	<b>2.457</b>	<b>2.507</b>	<b>2.695</b>	<b>2.920</b>
EPS (In IDR)	49	51	52	53	57	62
<b>EBITDA</b>	<b>3.516</b>	<b>3.681</b>	<b>3.762</b>	<b>3.906</b>	<b>4.199</b>	<b>4.486</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	3.626	4.609
Trade receivables	2.726	2.968	3.374	3.698	3.792	3.864
Inventory	3.344	3.557	3.475	3.738	4.195	4.394
Other current assets	607	734	647	746	782	848
<b>Total Current Assets</b>	<b>9.573</b>	<b>10.044</b>	<b>10.648</b>	<b>11.222</b>	<b>12.395</b>	<b>13.714</b>
<b>Non-Current Assets</b>						
Fixed assets	4.556	5.343	6.253	7.666	8.191	8.729
Other non-current assets	1.098	1.230	1.245	1.376	1.185	1.284
<b>Total Non-current Assets</b>	<b>5.653</b>	<b>6.572</b>	<b>7.498</b>	<b>9.042</b>	<b>9.377</b>	<b>10.013</b>
<b>Total Assets</b>	<b>15.226</b>	<b>16.616</b>	<b>18.146</b>	<b>20.265</b>	<b>21.772</b>	<b>23.728</b>
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Trade payables	1.947	1.831	1.959	1.712	1.185	1.986
Short-term bank loan	135	169	96	150	448	634
Other current liabilities	370	396	231	716	1.422	1.541
<b>Total Current Liabilities</b>	<b>2.317</b>	<b>2.227</b>	<b>2.286</b>	<b>2.577</b>	<b>3.055</b>	<b>4.161</b>
<b>Non-current Liabilities</b>						
Long-term Debt Bank Loan	132	144	260	648	733	377
Others non-current liabilities	313	351	306	334	427	385
<b>Total Non-current Liabilities</b>	<b>445</b>	<b>495</b>	<b>565</b>	<b>982</b>	<b>1.160</b>	<b>763</b>
<b>Total Liabilities</b>	<b>2.762</b>	<b>2.722</b>	<b>2.852</b>	<b>3.559</b>	<b>4.215</b>	<b>4.923</b>
<b>Equity</b>						
Minority Interest	555	613	671	812	683	763
<b>Total Liabilities &amp; Equity</b>	<b>15.226</b>	<b>16.616</b>	<b>18.146</b>	<b>20.265</b>	<b>21.772</b>	<b>23.728</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	2.695	2.920
Depreciation expenses	397	403	426	463	525	538
Change in working capital	-696	-672	-177	-396	-109	769
<b>Net Cash From Operating Activities</b>	<b>2.001</b>	<b>2.135</b>	<b>2.706</b>	<b>2.573</b>	<b>3.111</b>	<b>4.227</b>
<b>Cash Flow From Investing Activities</b>						
Capex	-1.014	-1.190	-1.336	-1.876	-1.050	-1.076
Other non-current assets	-88	-132	-15	-131	191	-99
<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>-860</b>	<b>-1.175</b>
<b>Cash Flow From Financing Activities</b>						
Long-term debt	126	12	115	388	85	-356
Other non-current liabilities	-73	38	-45	29	92	-41
Equity	-774	-973	-1.057	-1.096	-1.844	-1.672
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>-721</b>	<b>-924</b>	<b>-986</b>	<b>-679</b>	<b>-1.666</b>	<b>-2.070</b>
Net Increase In Cash and Cash Equivalent	177	-111	369	-113	585	983
<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>3.626</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>3.626</b>	<b>4.609</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%	4,7%	8,4%
OP	13,6%	4,9%	2,0%	2,9%	4,5%	8,4%
EBITDA	16,1%	4,7%	2,2%	3,8%	7,5%	6,8%
NP	14,7%	4,5%	2,2%	2,0%	7,5%	8,4%
EPS	14,7%	4,5%	2,2%	2,0%	7,5%	8,4%
<b>Profitability</b>						
Gross Profit Margin	49,0%	48,6%	46,7%	45,3%	45,0%	45,0%
Operating Margin	16,0%	16,1%	15,7%	15,0%	15,0%	15,0%
EBITDA margin	18,1%	18,2%	17,9%	17,3%	17,7%	17,5%
NET Profit margin	11,9%	11,9%	11,7%	11,1%	11,4%	11,4%
ROA	15,1%	14,5%	13,5%	12,4%	12,4%	12,3%
ROE	19,3%	18,1%	16,8%	15,8%	16,0%	16,2%
<b>Stability</b>						
Total debt/ equity (X)	0,23	0,20	0,20	0,22	0,25	0,27
Current ratio (X)	4,13	4,51	4,66	4,35	4,06	3,30
Int. Coverage (x)	109,82	89,06	111,18	84,18	29,96	40,02
<b>Per Share data (IDR)</b>						
EPS	49,1	51,3	52,4	53,5	57,5	62,3
BVS	254	283	312	339	360	385
SPS	382	413	431	450	483	506
EBITDA/share	65	75	79	80	83	90

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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