

PT. Kalbe Farma Tbk.

BUY
Investment Consideration
4Q2020: Record Sales

- As of 4Q2020, KLBF recorded record net sales of IDR 6.02 trillion, up 3.6% YoY and 9.5% QoQ. Full year net sales slightly increased 2.1% YoY to IDR 23.1 trillion in 2020.
- Distribution and logistics is the largest contributor with 37% of total sales, IDR 2.25 trillion, up +8.8% YoY.
- Nutrition is next with a 30% contribution at IDR 1.81 trillion up 1.7% YoY. Pharmaceutical contributed 20% of total sales with IDR 1.21 trillion and Consumer health contributed 12% with IDR 739.9 billion.
- Consumer health gross profit margin increased to 57% in 2020FY from 55% in 2019, but distribution and logistic GPM decreased to 25% from 27%. Other segments maintained their GPMs
- As consumers become more aware about health, the demand for consumer health and nutrition products keeps growing.
- With the positive results, we are targeting single digit growth for KLBF sales in 2021 to reach IDR 23.7 trillion.

Margin continue to Improve

- KLBF maintained margins due to efficiency at the operating level.
- Amid single digit sales growth, cost of revenue increased +6.2% YoY in 4Q2020 which resulted in a slightly lower gross profit -0.2% YoY to IDR 2.47 with a lower gross profit margin (GPM) of 41.1% in 4Q2020. For 2020, gross profit increased slightly to IDR 10.25 trillion with a lower GPM of 44.3% vs 45.3% in 2019.
- KLBF maintained their operating margins with lower selling expenses, down by -6% YoY in 2020. Operating profit increased by +6.6% YoY to IDR 3.63 trillion with a higher operating profit margin (OPM) of 15.7% vs 15% in 2019, in line with a higher OPM in 4Q2020 up from 14.3% to 15.6%.
- The net profit margin also increased slightly to 11.8% and net income grew by a single digit +9% YoY to IDR 2.73 trillion in 2020. The net profit achievement was higher than we expected, so that for 2021.
- We are forecasting KLBF net profit will reach IDR 3.05 trillion, growth of +12% YoY. KLBF still maintained their margin due to efficiency at the operating level.

Valuation: BUY TP 1,920 with 24% upside

- We are targeting KLBF to trade at 28x PE within a year. Target Price is IDR 1,920 which represents 24% upside. BUY

Financial Highlights	2016A	2017A	2018A	2019A	2020A	2021F	2022F
Revenue (In IDR Bn)	19.374	20.182	21.074	22.633	23.113	23.698	24.346
Gross Profit (In IDR Bn)	9.488	9.812	9.848	10.243	10.246	10.664	10.956
EBITDA (In IDR Bn)	3.516	3.681	3.762	3.906	4.270	4.651	4.903
Net Profit (In IDR Bn)	2.300	2.404	2.457	2.507	2.733	3.055	3.232
EPS (In IDR)	49	51	52	53	58	65	69
GPM (%)	49%	49%	47%	45%	44%	45%	45%
OPM (%)	16%	16%	16%	15%	16%	17%	18%
NPM (%)	12%	12%	12%	11%	12%	13%	13%
EBITDA Margin (%)	18%	18%	18%	17%	18%	20%	20%
ROE (%)	19%	18%	17%	16%	16%	16%	16%
Tot. debt / equity (x)	0,23	0,20	0,20	0,22	0,25	0,22	0,17
Current Ratio (x)	4,13	4,51	4,66	4,35	4,12	3,95	4,22

Source: Company and Binaartha

 6 April 2021
 Consumer Goods

Price	IDR	1,550
Target Price	IDR	1,920
JKSE Index		5,970.280


Stock Information

Bloomberg Code	KLBF IJ
Market Cap (IDR bn)	72,656
52-week high (IDR)	1,960
52-week low (IDR)	1,085
Shares issued (mn)	46,875.1
6-m avg. daily Val (IDR)	1,538
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)

2020	14,175
2021F (6m-avg)	14,585

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Chart: Revenue Breakdown by Segment in 4Q2020

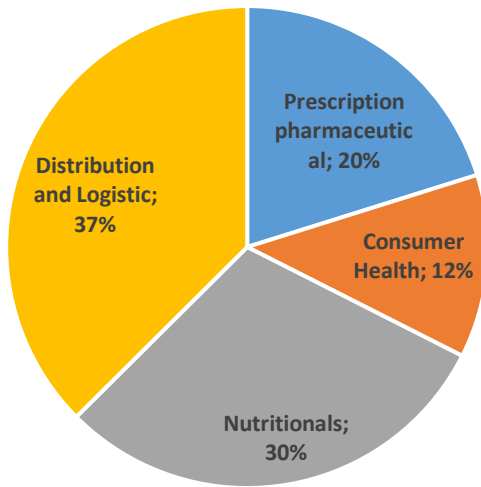
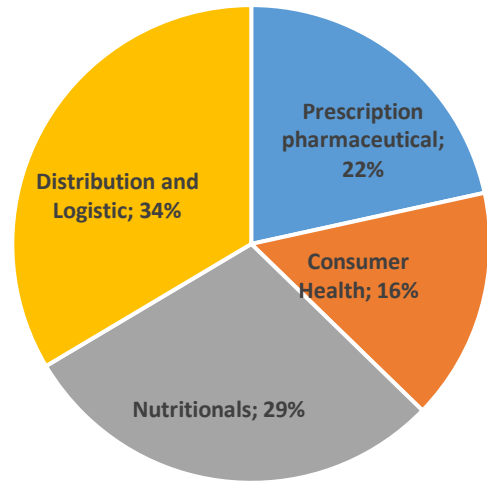


Chart: Revenue Breakdown by Segment in 2020FY



Source: Company

Table: Income Statement in IDR Billion YoY

Income Statement (IDR.Bn)	2016A	2017A	2018A	2019A	2020A	2021F	2022F
Revenues	19.374	20.182	21.074	22.633	23.113	23.698	24.346
Cost of revenues	(9.886)	(10.370)	(11.226)	(12.390)	(12.866)	(13.034)	(13.390)
Gross Profit	9.488	9.812	9.848	10.243	10.246	10.664	10.956
Operating expense	(6.397)	(6.571)	(6.542)	(6.841)	(6.619)	(6.636)	(6.695)
Pretax income(PBT)	3.091	3.241	3.306	3.403	3.627	4.029	4.261
Taxes	(740)	(788)	(809)	(865)	(828)	(927)	(980)
NPAT	2.351	2.453	2.497	2.538	2.799	3.102	3.281
Minority interest	(51)	(50)	(40)	(31)	(66)	(47)	(49)
Net Profit	2.300	2.404	2.457	2.507	2.733	3.055	3.232
EPS (In IDR)	49	51	52	53	58	65	69
EBITDA	3.516	3.681	3.762	3.906	4.270	4.651	4.903

Source: Company and Binaartha

Table: Statement of Financial Position in IDR Billion YoY

Statement of Financial Position (IDR. Billion)	2016A	2017A	2018A	2019A	2020A	2021F	2022F
Current Assets							
Cash and cash equivalents	2.896	2.785	3.153	3.040	5.208	5.288	5.699
Trade receivables	2.726	2.968	3.374	3.698	3.595	3.548	3.408
Inventory	3.344	3.557	3.475	3.738	3.600	3.802	3.652
Other current assets	607	734	647	746	673	711	609
Total Current Assets	9.573	10.044	10.648	11.222	13.075	13.350	13.368
Non-Current Assets							
Fixed assets	4.556	5.343	6.253	7.666	8.158	8.693	9.302
Other non-current assets	1.098	1.230	1.245	1.376	1.331	1.303	1.339
Total Non-current Assets	5.653	6.572	7.498	9.042	9.489	9.997	10.641
Total Assets	15.226	16.616	18.146	20.265	22.564	23.346	24.009
Liabilities							
Current Liabilities							
Trade payables	1.947	1.831	1.959	1.712	1.897	1.896	1.948
Short-term bank loan	135	169	96	150	344	534	250
Other current liabilities	370	396	231	716	936	948	974
Total Current Liabilities	2.317	2.227	2.286	2.577	3.177	3.377	3.172
Non-current Liabilities							
Long-term Debt Bank Loan	132	144	260	648	723	377	89
Others non-current liabilities	313	351	306	334	389	355	195
Total Non-current Liabilities	445	495	565	982	1.111	733	284
Total Liabilities	2.762	2.722	2.852	3.559	4.288	4.110	3.456
Equity							
Minority Interest	555	613	671	812	871	704	728
Total Liabilities & Equity	15.226	16.616	18.146	20.265	22.564	23.346	24.009

Source: Company and Binaartha

Table: Cash Flow in IDR Billion YoY

Cash Flow (IDR. Billion)	2016A	2017A	2018A	2019A	2020A	2021F	2022F
Cash Flow From Operating Activities							
Net income	2.300	2.404	2.457	2.507	2.733	3.055	3.232
Depreciation expenses	397	403	426	463	553	536	609
Change in working capital	-696	-672	-177	-396	914	6	187
Net Cash From Operating Activities	2.001	2.135	2.706	2.573	4.200	3.597	4.027
Cash Flow From Investing Activities							
Capex	-1.014	-1.190	-1.336	-1.876	-1.044	-1.071	-1.217
Other non-current assets	-88	-132	-15	-131	45	28	-36
Net Cash Used in Investing Activities	-1.103	-1.322	-1.352	-2.007	-1.000	-1.044	-1.253
Cash Flow From Financing Activities							
Long-term debt	126	12	115	388	75	-345	-288
Other non-current liabilities	-73	38	-45	29	54	-33	-161
Equity	-774	-973	-1.057	-1.096	-1.162	-2.095	-1.915
Net Cash Provided by (Used in) Financing Activities	-721	-924	-986	-679	-1.033	-2.473	-2.363
Net Increase In Cash and Cash Equivalent	177	-111	369	-113	2.167	80	411
Cash and Cash Equivalents at Beginning of Period	2.719	2.896	2.785	3.153	3.040	5.208	5.288
Cash and Cash Equivalents at End of Period	2.896	2.785	3.153	3.040	5.208	5.288	5.699

Source: Company and Binaartha

Table: Ratio Highlights YoY

	2016A	2017A	2018A	2019A	2020A	2021F	2022F
Growth (% YoY)							
Sales	8,3%	4,2%	4,4%	7,4%	2,1%	2,5%	2,7%
OP	13,6%	4,9%	2,0%	2,9%	6,6%	11,1%	5,8%
EBITDA	16,1%	4,7%	2,2%	3,8%	9,3%	8,9%	5,4%
NP	14,7%	4,5%	2,2%	2,0%	9,0%	11,8%	5,8%
EPS	14,7%	4,5%	2,2%	2,0%	9,0%	11,8%	5,8%
Profitability							
Gross Profit Margin	49,0%	48,6%	46,7%	45,3%	44,3%	45,0%	45,0%
Operating Margin	16,0%	16,1%	15,7%	15,0%	15,7%	17,0%	17,5%
EBITDA margin	18,1%	18,2%	17,9%	17,3%	18,5%	19,6%	20,1%
NET Profit margin	11,9%	11,9%	11,7%	11,1%	11,8%	12,9%	13,3%
ROA	15,1%	14,5%	13,5%	12,4%	12,1%	13,1%	13,5%
ROE	19,3%	18,1%	16,8%	15,8%	15,7%	16,5%	16,3%
Stability							
Total debt/ equity (X)	0,23	0,20	0,20	0,22	0,25	0,22	0,17
Current ratio (X)	4,13	4,51	4,66	4,35	4,12	3,95	4,22
Int. Coverage (x)	109,82	89,06	111,18	84,18	40,49	46,44	126,66
Per Share data (IDR)							
EPS	49,1	51,3	52,4	53,5	58,3	65,2	68,9
BVS	254	283	312	339	371	395	423
SPS	382	413	431	450	483	493	506
EBITDA/share	65	75	79	80	83	91	99

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**.

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