

15 MAY 2020

COMPANY UPDATE

BUY

STOCK INFORMATION

Bloomberg Code	KLBF IJ
Sector	Consumer
Current Price	Rp1,400
Target Price	Rp1,600
Prev. Target Price	Rp1,800
Upside/Downside	14%
Share Out (bn shares)	46.9
Market Cap (Rp bn)	65,63
52 – w range (low-high)	Rp 830– Rp1,690
52 – w average daily	Rp1,462

PRICE CHART



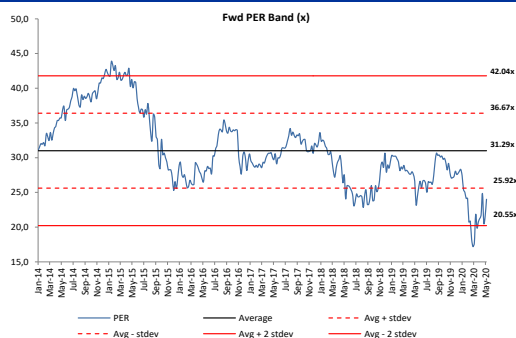
Source: Bloomberg

SHAREHOLDERS INFORMATION

PT Gira Sole Prima	10.2%
PT Santa Seha Sanadi	9.7%
PT Diptanala Bahana	9.5%
PT Lucasta Murni Cemerlang	9.4%
PT Ladang Ira Panen	9.2%
PT Bina Arta Charisma	8.5%
Public (below 5%)	43.5%

Source: Company data

P/E BAND



Source: Bloomberg

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PT KALBE FARMA TBK

STEADY GROWTH DESPITE UNCERTAINTIES

KLBF 1Q20 sales/ net profit of Rp 5,7tn (+8% YoY)/ Rp 669 mn (+12,4% YoY) came in-line as expected, made up to 26,8% of FY20 Rp 2,49 tn our forecast. GPM remained stable at 45% YoY. However, the economic slowdown largely impact consumer shopping pattern and puts pressure for earnings growth this year. We continue to believe long-term positive growth for KLBF as sizeable liquidity for good company healthcare. We maintain BUY recommendation with lower TP of Rp 1,600/share (vs Rp 1,800/share) this implies PER and EV/EBITDA 2020F of 22.7x and 15.3x, respectively.

Earnings broadly in-line due one off gain

KLBF booked 1Q20 revenue remained somewhat stable of IDR5.7tn (-0.2% QoQ, +8.0% YoY) which is in-line with our and consensus estimates at 26% of full year forecast. Segment-wise; 1) Nutritional's revenue grew +5.4% YoY (vs. 5% in FY19). GPM also stable at 54% in 1Q20. We estimates KLBF's various product innovations in the premium segment managed to nudge growth. 2) Pharmaceutical's revenue sales grew 5.3% YoY (vs. 7.1% in FY19). We see that unbranded generics and licensed drugs to contribute to the growth, meanwhile branded generics was flat YoY. GPM flat at 54% in 1Q20, as KLBF has stocked up raw material inventory in Jan'20. 3) Consumer health grew 6.9% YoY, followed the gradual improvement on pharmacy, as well as pantry-stocking amid Covid-19 outbreak. KLBF highlighted that several OTC products performed well in 1Q20 that boost ASP. GPM inched up 100bps to 56.1%. In bottom-line company's booked 1Q20 net profit of IDR669bn (+13.2% QoQ, +12.5% YoY), made up to 26,8% of FY20 estimates. Nevertheless the strong earnings growth was driven by operating income of IDR57.9bn, includes a one-off net forex gain of IDR48.8bn in 1Q20.

Decent growth guidance due Covid-19 outbreak

The Covid-19 pandemic having a severe impact of consumer shopping pattern. Increasing in consumer health products sales largely expected following rising health concern (i.e OTC products, multivitamins, and home care). However, the prolonged Covid-19 lead to weak purchasing power and disrupting supply chain. We conservatively estimate a lower FY20 GPM to 45,3% (vs FY19: 46,7%) and trimmed down our net profit FY20 forecasts to IDR 2,49 tn (+5,3%) or below KLBF management guidance (6-8%).

BUY with lower TP Rp 1.600/share

We continue to believe long-term positive growth for KLBF as sizeable liquidity for good company healthcare and higher demand for prescription products to serve the social security programme (BPJS). Consequently, we also see a positvif outlook for KLBF to secure Active Pharmaceutical Ingredients (API) from China contracts until June, despite the possibility of higher prices due to Rupiah depreciation. KLBF's continued its discipline in managing costs by reducing certain ineffective promotional expenses. While the result is still on track, but higher risk we maintain buy recommendation with a lower TP of Rp 1.600/share. This implies PER and EV/EBITDA 2020F of 22.7x and 15.3x, respectively. Based on yesterday's closing price, KLBF was traded at a valuation of 27.4x PER and 18.7x EV/EBITDA 2020F.

Key Risks: 1) Raw material costs fluctuation, 2.) USD and IDR volatility, and 3.) changing regulation from government

Financial Summary

(Rp billion)	2017A	2018A	2019A	2020F	2021F
Revenue	20.182	21.074	22.633	23.713	25.234
EBITDA	3.562	3.639	3.763	3.709	4.122
Net profit	2.404	2.457	2.507	2.644	2.955
EPS (Rp)	51	52	53	56	63
PER (x)	30,2	29,6	29,0	27,5	24,6
BVPS (Rp)	296	326	356	386	424
PBV (x)	5,2	4,8	4,3	4,0	3,7
EV/EBITDA (x)	19,7	19,2	18,7	18,9	16,8
Dividend yield (%)	1,4	1,6	1,6	1,7	1,7
RoE (%)	18,2	16,8	15,7	15,2	15,6

Source: Company data and LotusAndalan Research

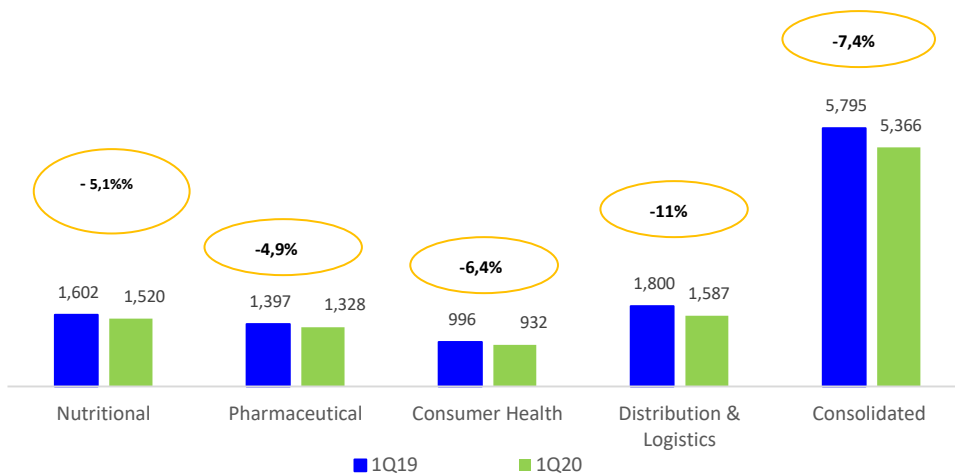
Please see important disclosures at the end of this report

Interim Financial Result

	1Q19	1Q20	YoY	FY20	Coverage	4Q19	1Q20	QoQ
P/L (In Rp billion)								
Revenue	5.366	5.796	8,0%	23.713	24,4%	5.806	5.796	-0,2%
Cost of revenue	2.868	3.178	10,8%	12.724	25,0%	3.326	3.178	-4,4%
Gross profit	2.498	2.617	4,8%	10.990	23,8%	2.480	2.617	5,5%
Operating Expense	1.739	1.798	3,4%	7.566	23,8%	1.663	1.798	8,1%
Operating profit	759	819	7,9%	3.423	23,9%	817	819	0,2%
Net Profit	595	669	12,4%	2.495	26,8%	591	669	13,2%
Profitability								
Gross margin	47%	45%		15%		43%	45%	
EBIT margin	14%	14%		11%		10%	0%	
Net margin	11%	12%		11%		10%	12%	

Source: Company data and LotusAndalan Research

Quarterly performance



FINANCIAL HIGHLIGHTS OF PT KALBE FARMA, TBK

In Rp Billion											
BALANCE SHEET						INCOME STATEMENT					
ASSETS	2017A	2018A	2019F	2020F	2021F	2017A	2018A	2019F	2020F	2021F	
Cash & cashequivalents	2,785	3.153	3.040	2.664	3.546	Revenue	21.074	22.633	23.713	25.234	26.722
Accountsreceivable	3,557	3.475	3.738	4.130	4.224	COGS	(11.226)	(12.390)	(12.724)	(13.413)	(14.164)
Inventories-net	825	765	871	909	946	Grossprofit	9.848	10.243	10.990	11.821	12.558
Othercurrentassets	10,044	10.648	11.223	11.341	12.656	Operatingexpenses	(6.635)	(6.944)	(7.566)	(8.009)	(8.550)
Totalcurrentassets	5,343	6.253	7.666	8.323	8.870	Operatingprofit	3.213	3.300	3.423	3.812	4.008
Fixedassets	1,230	1.245	1.376	1.429	1.515	EBITDA	3.639	3.763	3.709	4.122	4.347
Othernon-currentassets	6,572	7.498	9.042	9.752	10.385	Interestexpense	(30)	(40)	(18)	(9)	(7)
TotalNon-currentassets	16,616	18.146	20.265	21.093	23.041	Otherincome(expenses)	(3)	5	(6)	(1)	(0)
TOTALASSETS						Totalotherincome/(expenses)	(32)	(35)	(23)	(10)	(8)
LIABILITIES&EQUITY						Incomebeforetax	3.181	3.265	3.400	3.802	4.000
Shorttermloans	1,109	1.290	1.215	1.378	1.488	Taxexpense	(809)	(865)	(860)	(957)	(1.008)
Accountspayable	950	927	1.212	1.143	1.226	Netprofitbeforeminorityinterest	2.371	2.400	2.541	2.845	2.993
Otherpayables	2,227	2.286	2.577	2.564	2.753	Minorityinterest	(40)	(31)	(45)	(44)	(45)
TotalCurrentLiabilities	495	565	982	440	434	Netprofit	2.331	2.369	2.495	2.801	2.948
TotalNon-CurrentLiabilities	469	469	469	469	469	EPS(Rp)	52	53	56	63	66
CapitalStock	24	82	64	56	67						
Otheritems	613	671	812	776	845						
Non-controllinginterest	12,788	14.073	15.361	16.788	18.473						
RE	13,894	15.295	16.706	18.089	19.854						
TotalEquity	16,616	18.146	20.265	21.093	23.041						
TOTALLIABILITIES&EQUITY	2,785	3.153	3.040	2.664	3.546						
CASHFLOWSTATEMENT						KEYFINANCIALRATIOS					
Netprofit	2.457	2.507	2.644	2.955	3.113	Growth(%)					
Depreciation&Amortization	426	463	286	310	339	Revenue	4,2	4,4	7,4	4,8	6,4
ChangeinWC	(115)	(656)	(295)	(286)	(556)	Grossprofit	3,4	0,4	4,0	7,3	7,6
Others	38	179	(107)	46	47	OperatingProfit	5,6	1,7	2,7	3,7	11,4
NetOperatingCashFlow	2.806	2.492	2.528	3.025	2.943	EBITDA	5,1	2,2	3,4	(1,4)	11,1
Changeinfixedassets-net	(1.336)	(1.876)	(943)	(856)	(758)	NetProfit	4,5	2,2	2,0	5,5	11,8
Others	(15)	(131)	(53)	(86)	(98)	Profitability(%)					
NetInvestingCashFlow	(1.352)	(2.007)	(996)	(943)	(856)	Grossmargin	48,6	46,7	45,3	46,3	46,8
Changeinborrowings-net	16	468	(682)	(19)	(18)	Operatingmargin	15,7	15,2	14,6	14,4	15,1
Changeinequity	115	123	(44)	80	60	EBITDAmargin	17,7	17,3	16,6	15,6	16,3
Changeinotherliabilities	(45)	29	34	8	26	NetProfitmargin	11,9	11,7	11,1	11,1	11,7
Dividendpayment	(1.191)	(1.168)	(1.217)	(1.270)	(1.427)	ROAA	15,1	14,1	13,1	12,8	13,4
Adjustment	19	(50)	-	-	-	ROAE	18,2	16,8	15,7	15,2	15,6
NetFinancingCashFlow	(1.086)	(598)	(1.909)	(1.200)	(1.359)	Solvency(x)					
Changeincash	369	(113)	(376)	882	727	Currentratio	4,5	4,7	4,4	4,4	4,6
Cashatthebeginningperiod						Quickratio	2,9	3,1	2,9	2,8	3,1
Cashattheendingperiod	2.785	3.153	3.040	2.664	3.546	DER	0,0	0,0	0,0	0,0	0,0
						EBITDAcoverage	97,9	122,4	93,1	211,9	457,4

Source: Company data and LotusAndalanResearch

Notes:

The definitions of LotusAndalanResearch for Investment Ratings:

- **BUY** : +15% and above, over the next 12 months
- **Neutral** : -15% to +15%, over the next 12 months
- **SELL** : -15% and worse, over the next 12 months

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