

Kalbe Farma Tbk (KLBF)

Berlanjutnya Potensi Pertumbuhan

Company Report | Dec 15, 2017

Buy

Dec 2018 TP (IDR)	2,020
Consensus Price (IDR)	1,711
TP to Consensus Price	+18.0%
vs. Last Price	+19.2%

Shares data

Last Price (IDR)	1,695
Price date as of	Dec 14, 2017
52 wk range (Hi/Lo)	1,775/1,430
Free float (%)	43.3
Outstanding sh.(mn)	46,875
Market Cap (IDR bn)	78,750
Market Cap (USD mn)	5,800
Avg. Trd Vol - 3M (mn)	21.49
Avg. Trd Val - 3M (bn)	35.44
Foreign Ownership	18.1%

Consumer Specialty

Pharmaceutical & Nutritional Product

Bloomberg	KLBF.IJ
Reuters	KLBF.JK

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Pertumbuhan Penjualan 4,2%

Penjualan KLBF meningkat 4,2% dari Rp4,82 triliun pada 3Q16 menjadi Rp5,02 triliun pada 3Q17. **Penopang pertumbuhan penjualan berasal dari penjualan divisi nutrisi** yang tumbuh 9% dan penjualan **divisi obat resep** yang tumbuh 8%. Pemberat pertumbuhan KLBF berasal dari divisi kesehatan konsumen yang mengalami penurunan penjualan 7% pada 3Q17.

Pertumbuhan Laba Bersih 1,2%

Labanya bersih KLBF meningkat 1,2% dari Rp556 miliar pada 3Q16 menjadi Rp563 miliar pada 3Q17. KLBF **berhasil menjaga stabilnya margin laba kotor untuk keempat divisi usahanya**. Divisi nutrisi, divisi obat resep dan divisi kesehatan konsumen memiliki margin laba kotor di kisaran 56%, sedangkan divisi distribusi memiliki margin laba kotor di kisaran 30%.

Optimis pada 2018

Pertumbuhan penjualan KLBF untuk tahun-tahun mendatang akan ditopang oleh **kekuatan daya beli dan pertumbuhan segmen kelas menengah** di Indonesia. Kami memperkirakan bahwa pada 2018 penjualan KLBF akan meningkat 7,4% menjadi Rp21,8 triliun.

Target Harga Rp2.020

Kami menggunakan estimasi *forward* P/E sebesar 34,3x (+0,5SD di atas rata-rata selama 3 tahun sebesar 32,3x) sebagai basis metode valuasi untuk memperoleh target harga pada Desember 2018. Target harga ini mengimplikasikan P/E 2018/E sebesar 37,0x. Saat ini, KLBF diperdagangkan secara diskon pada P/E 2017/E sebesar 33,2x.

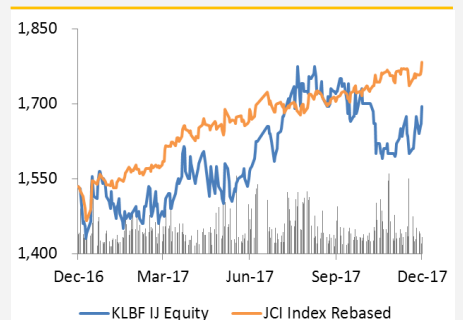
Kalbe Farma, Tbk | Summary (IDR bn)

	2016/12A	2017/12E	2018/12E	2019/12E
Sales	19,374	20,348	21,849	23,565
<i>Sales growth</i>	8.3%	5.0%	7.4%	7.9%
EBITDA	3,382	3,560	3,780	4,097
Net profit	2,300	2,396	2,559	2,765
EPS (IDR)	49	51	55	59
<i>EPS growth</i>	14.7%	4.2%	6.8%	8.0%
BVPS (IDR)	266	296	328	362
EBITDA margin	17.5%	17.5%	17.3%	17.4%
NPM	11.9%	11.8%	11.7%	11.7%
ROE	19.7%	18.2%	17.5%	17.1%
ROA	15.9%	14.8%	14.2%	14.0%
ROIC	18.8%	17.5%	16.9%	17.4%
P/E	30.9x	33.2x	31.1x	28.7x
P/BV	5.7x	5.7x	5.2x	4.7x
EV/EBITDA	20.4x	21.5x	20.2x	18.5x
DPS (IDR)	19	22	23	24
<i>Dividend yield</i>	1.3%	1.3%	1.4%	1.4%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Share Price Performance



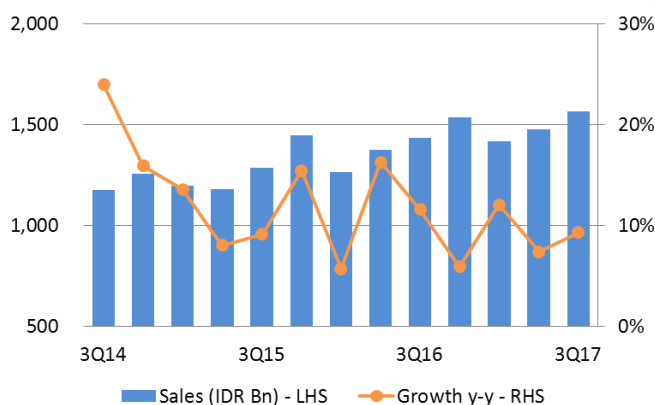
	YTD	1M	3M	12M
Abs. Ret.	12.3%	5.9%	-1.7%	10.4%
Rel. Ret.	-3.6%	3.8%	-6.2%	-5.7%

Stabilnya Pertumbuhan Divisi Nutrisi

KLBF memiliki 4 divisi usaha yang terdiversifikasi dengan seimbang. Divisi nutrisi memiliki kontribusi 30,2% terhadap total penjualan. Selama 2 tahun terakhir, **divisi nutrisi memberikan pertumbuhan yang stabil di sekitar 10% y-y**. Divisi nutrisi mencatat pertumbuhan penjualan 9% dari Rp1,43 triliun pada 3Q16 menjadi Rp1,56 triliun pada 3Q17.

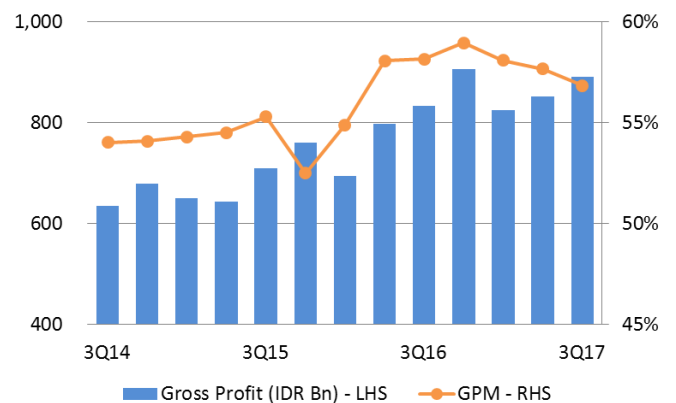
Margin laba kotor divisi nutrisi juga dapat dijaga stabil di tingkat 57% yang ditopang oleh penurunan harga susu dunia sebesar 37% dari USD2.725/MT pada Desember 2016 menjadi USD1.720/MT pada Desember 2017.

Nutritionals Division y-y Growth | 2014 - 2017



Source: Company, NHKS Research

Nutritionals Gross Profit Margin | 2014 - 2017



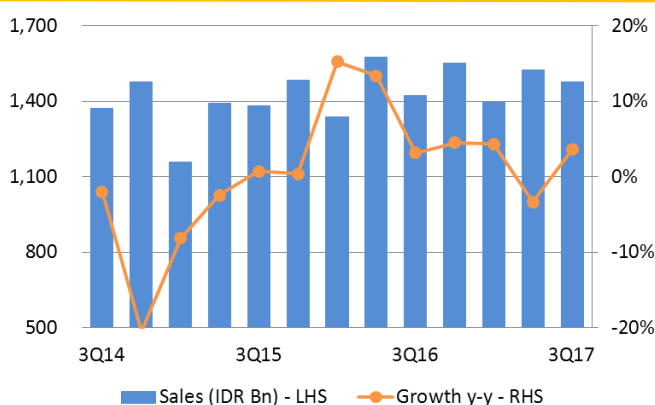
Source: Company, NHKS Research

Divisi Distribusi: Penjaga Stabilitas Margin

Divisi distribusi yang berkontribusi 29,3% terhadap total penjualan KLBF mengalami rebound penjualan 4% y-y pada 3Q17 setelah mengalami penurunan penjualan 3% y-y pada 2Q17. Kami memperkirakan bahwa divisi distribusi akan tumbuh 2% pada 4Q17 sehingga total penjualan divisi distribusi akan meningkat 1% pada 2017.

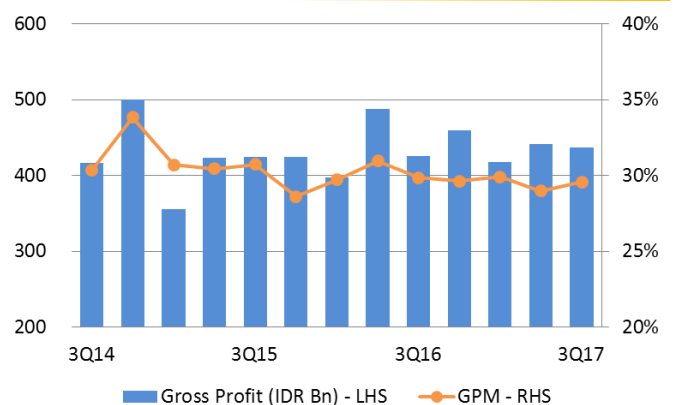
Margin laba kotor divisi distribusi selalu dapat dijaga stabil di kisaran 30%. Hal ini menandakan bahwa divisi distribusi dapat dengan baik **menjalinkan kerjasama** untuk memasarkan produk pihak ketiga dan **tidak ikut serta dalam perang harga**.

Distribution Division y-y Growth | 2014 - 2017



Source: Company, NHKS Research

Distribution Gross Profit Margin | 2014 - 2017



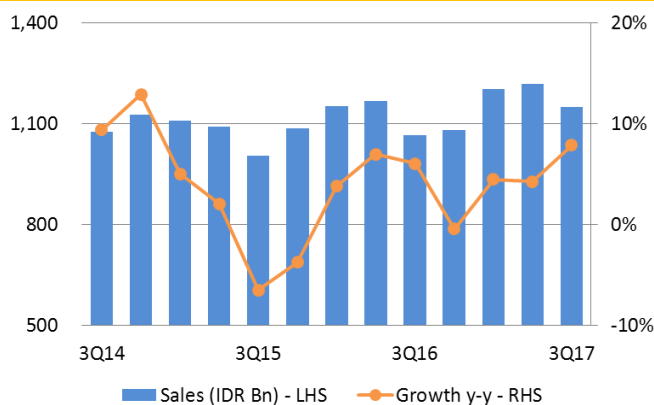
Source: Company, NHKS Research

Konsistensi Pertumbuhan Penjualan Divisi Obat Resep

Divisi obat resep terus mencatatkan pertumbuhan penjualan secara konsisten sejak 3Q15. Pada 3Q17 divisi obat resep mencatat pertumbuhan penjualan sebesar 8% dari Rp1,06 triliun pada 3Q16 menjadi Rp1,15 triliun pada 3Q17.

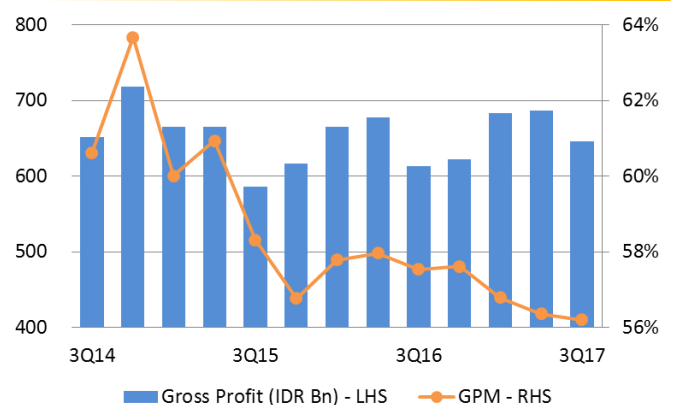
Meskipun penjualan divisi obat resep mengalami pertumbuhan yang konsisten, margin laba kotor secara konsisten mengalami tekanan sejak 1Q15. Namun, saat ini **margin laba kotor divisi obat resep telah stabil di kisaran 56%** dan kami memperkirakan bahwa tidak terdapat tekanan margin lagi untuk kedepannya setelah kebijakan BPJS Kesehatan tercapai.

Prescription Drugs Division y-y Growth | 2014 - 2017



Source: Company, NHKS Research

Prescription Drugs Gross Profit Margin | 2014 - 2017



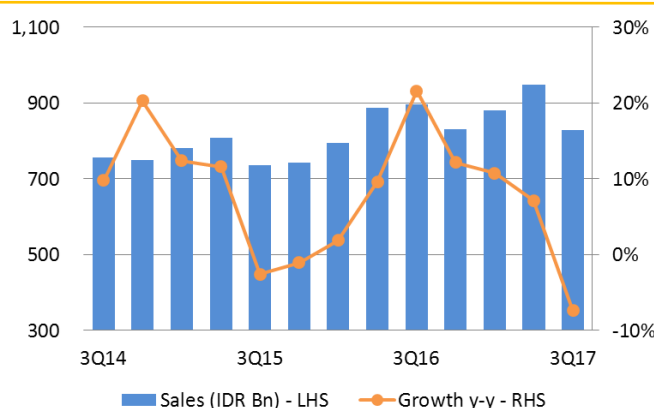
Source: Company, NHKS Research

Perlambatan Penjualan Divisi Kesehatan Konsumen

Divisi kesehatan konsumen sedang mengalami perlambatan pertumbuhan penjualan. Pada 3Q17, divisi kesehatan konsumen mengalami penurunan penjualan 7% y-y dari Rp895 miliar menjadi Rp829 miliar. Divisi kesehatan konsumen terdiri dari tiga produk, yakni over the counter (OTC), minuman energy, dan minuman kesehatan.

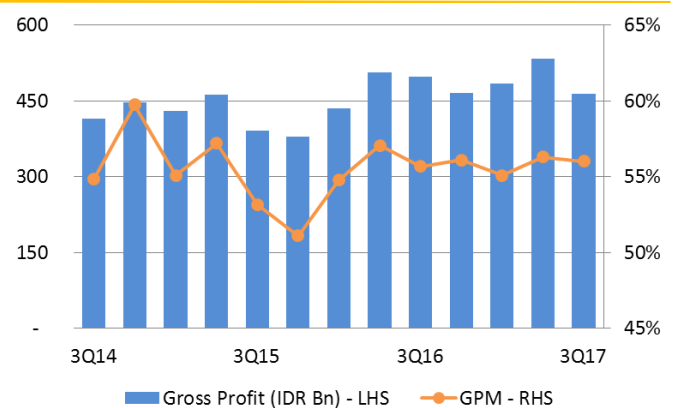
Sepanjang 3Q17, penjualan minuman energi dan minuman kesehatan mengalami kontraksi penjualan akibat **pergeseran puncak penjualan di musim lebaran**. Selain itu, penjualan OTC juga mengalami perlambatan akibat lemahnya pertumbuhan sektor ini di Indonesia. Meskipun penjualan melambat, KLBF **tetap dapat menjaga stabilitas margin laba kotor di kisaran 56%**.

Consumer Health Division y-y Growth | 2014 - 2017



Source: Company, NHKS Research

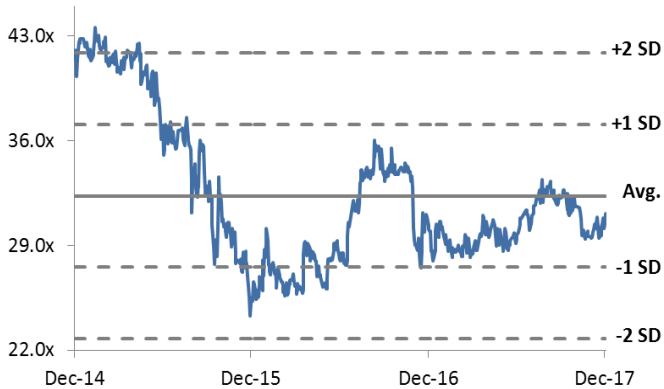
Consumer Health Gross Profit Margin | 2014 - 2017



Source: Company, NHKS Research

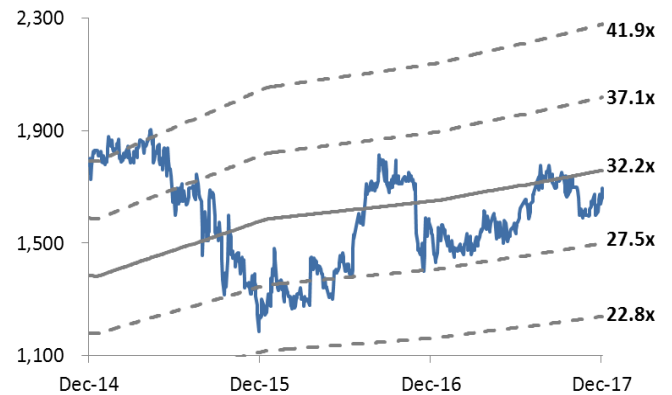
Multiple Valuation

Forward P/E band | Last 3 years



Source: NHKS research

Dynamic Forward P/E band | Last 3 years



Source: NHKS research

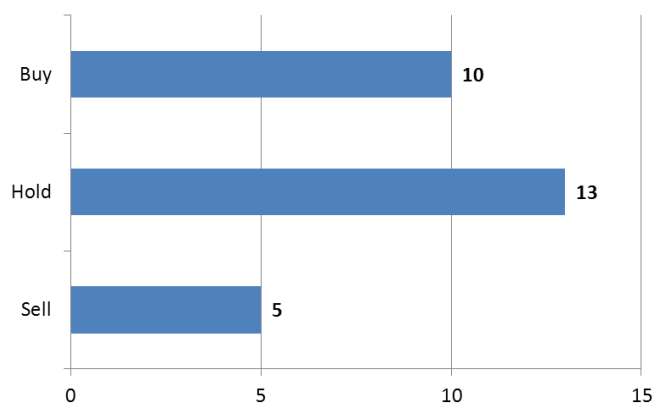
Rating and target price update

Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
02/06/2017	Buy	1,970 (Dec 2017)	1,470	1,742	+34.0%	+13.1%
05/10/2017	Buy	1,860 (Dec 2017)	1,515	1,695	+22.8%	+9.7%
09/18/2017	Buy	2,020 (Dec 2018)	1,725	1,812	+17.1%	+11.5%
12/15/2017	Buy	2,020 (Dec 2018)	1,695	1,711	+19.2%	+18.0%

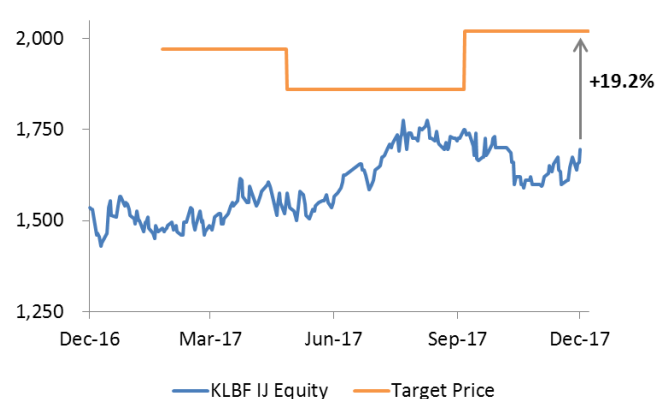
Source: NHKS research, Bloomberg

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKS research

NH Korindo Sekuritas Indonesia (NHKS) stock ratings

Period: End of year target price

Rating system based on a stock's absolute return from the date of publication

- Buy : Greater than +15%
- Hold : -15% to +15%
- Sell : Less than -15%

Summary of Financials

KLBF Summary		
Last Price (IDR)	December 14, 2017	1,695
Target Price (IDR)	Dec 2018	2,020
Analyst: Joni Wintarja	Rating:	Buy

INCOME STATEMENT

in IDR Bn	2016/12A	2017/12E	2018/12E	2019/12E
Sales	19,374	20,348	21,849	23,565
Growth (% y/y)	8.3%	5.0%	7.4%	7.9%
COGS	(9,886)	(10,427)	(11,196)	(12,076)
Gross Profit	9,488	9,921	10,652	11,489
Gross Margin	49.0%	48.8%	48.8%	48.8%
Operating Expenses	(6,503)	(6,791)	(7,292)	(7,864)
EBIT	2,985	3,130	3,361	3,625
EBIT Margin	15.4%	15.4%	15.4%	15.4%
Depreciation	397	430	419	472
EBITDA	3,382	3,560	3,780	4,097
EBITDA Margin	17.5%	17.5%	17.3%	17.4%
Interest Expenses	(18)	(29)	(49)	(47)
EBT	3,091	3,211	3,429	3,705
Income Tax	(740)	(771)	(823)	(889)
Minority Interest	(51)	(44)	(47)	(51)
Net Profit	2,300	2,396	2,559	2,765
Growth (% y/y)	14.7%	4.2%	6.8%	8.0%
Net Profit Margin	11.9%	11.8%	11.7%	11.7%

BALANCE SHEET

in IDR bn	2016/12A	2017/12E	2018/12E	2019/12E
Cash	2,896	3,898	4,349	4,938
Receivables	2,631	2,652	3,021	3,097
Inventories	3,344	3,458	3,846	4,032
Total Current Assets	9,573	10,882	12,004	12,899
Net Fixed Assets	4,556	5,086	5,668	6,275
Other Non Current Assets	1,098	1,181	1,281	1,381
Total Assets	15,226	17,149	18,953	20,554
Payables	1,127	1,081	1,348	1,240
ST Bank Loan	149	339	281	277
Other Current Liab.	1,041	1,382	1,483	1,600
LT Debt	134	145	178	145
Other Non Current Liab.	311	323	298	311
Total Liabilities	2,762	3,269	3,588	3,573
Shareholders' Equity	12,464	13,880	15,364	16,981

CASH FLOW STATEMENT

in IDR bn	2016/12A	2017/12E	2018/12E	2019/12E
Net Income	2,300	2,396	2,559	2,765
Deprec & Amortization	397	427	419	472
Chg. In Working Capital	(463)	32	(301)	(297)
CFO	2,233	2,855	2,676	2,939
Capex	(1,099)	(1,003)	(1,001)	(1,079)
CFI	(1,121)	(1,041)	(1,125)	(1,167)
Dividends Paid	(891)	(1,031)	(1,074)	(1,147)
Net Borrowing (PMT)	(94)	178	(25)	(37)
CFF	(916)	(833)	(1,099)	(1,184)
Net Changes in Cash	196	981	452	589

OWNERSHIP

By Geography	% Shareholders	%
Indonesia	81.9	Gira Sole Prima, PT 10.2
United States	7.2	Santa Seha Sanadi, PT 9.7
Britain	2.8	Diptanala Bahana, PT 9.5
Luxembourg	2.8	Lucasta Murni C. 9.5

PROFITABILITY & STABILITY

	2016/12A	2017/12E	2018/12E	2019/12E
ROE	19.7%	18.2%	17.5%	17.1%
ROA	15.9%	14.8%	14.2%	14.0%
ROIC	18.8%	17.5%	16.9%	17.4%
EBITDA/Equity	28.9%	27.0%	25.9%	25.3%
EBITDA/Assets	15.9%	14.8%	14.2%	14.0%
Cash Dividend IDR bn)	891	1,031	1,074	1,147
Dividend Yield (%)	1.3%	1.3%	1.4%	1.4%
Payout Ratio (%)	44.4%	44.8%	44.8%	44.8%
DER	2.3%	3.5%	3.0%	2.5%
Net Gearing	2.4%	3.7%	3.1%	2.6%
LT Debt to Equity	1.1%	1.0%	1.2%	0.9%
Capitalization Ratio	2.2%	3.4%	2.9%	2.4%
Equity Ratio	81.9%	80.9%	81.1%	82.6%
Debt Ratio	1.9%	2.8%	2.4%	2.1%
Financial Leverage	117.1%	115.6%	117.3%	117.2%
Current Ratio	413.1%	388.5%	385.7%	413.8%
Quick Ratio	238.5%	233.8%	236.8%	257.8%
Cash Ratio	125.0%	139.1%	139.7%	158.4%
Cash Conversion Cycle	123.6	127.8	126.8	127.3
Par Value (IDR)	10	10	10	10
Total Shares (mn)	46,875	46,875	46,875	46,875
Share Price (IDR)	1,515	1,695	1,695	1,695
Market Cap (IDR tn)	71.0	79.5	79.5	79.5

VALUATION INDEX

	2016/12A	2017/12E	2018/12E	2019/12E
Price /Earnings	30.9x	33.2x	31.1x	28.7x
Price /Book Value	5.7x	5.7x	5.2x	4.7x
Price/Sales	3.7x	3.9x	3.6x	3.4x
PE/EPS Growth	2.1x	8.0x	4.6x	3.6x
EV/EBITDA	20.4x	21.5x	20.2x	18.5x
EV/EBIT	23.1x	24.5x	22.7x	20.9x
EV (IDR bn)	69,017	76,705	76,228	75,602
Sales CAGR (3-Yr)	6.6%	5.4%	6.9%	6.7%
EPS CAGR (3-Yr)	6.2%	5.1%	8.5%	6.3%
Basic EPS (IDR)	49	51	55	59
Diluted EPS (IDR)	49	51	55	59
BVPS (IDR)	266	296	328	362
Sales PS (IDR)	413	434	466	503
DPS (IDR)	19	22	23	24

DCF, RIM & EVA

	2016/12A	2017/12E	2018/12E	2019/12E
DCF (IDR bn)				
NOPAT	2,270	2,379	2,554	2,755
+Depr./Amor.	397	427	419	472
-CAPEX	(1,099)	(1,003)	(1,001)	(1,079)
-Incr. (Decr.) in Working Cap. (Unlevered) FCFF	(463)	32	(301)	(297)
WACC	1,105	1,836	1,671	1,851
Cost of Debt (Tax Adj.)	8.9%	8.4%	8.5%	8.4%
Cost of Equity (COE)	10.1%	12.6%	12.6%	12.6%
WACC (%)	10.1%	12.6%	12.6%	12.6%
RIM				
Spread (FROE-COE) (%)	11.0%	6.6%	5.8%	5.4%
Residual Income (IDR bn)	1,200	822	806	825
Equity Charge	1,100	1,574	1,753	1,940
EVA				
Invested Capital (IDR bn)	11,337	12,747	14,363	15,823
ROIC-WACC (%)	10.0%	6.1%	5.2%	4.8%
EVA (IDR mn)	1,130	773	744	760

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