Kalbe Farma Tbk (KLBF IJ)

Stronger than the Storm

Kami melihat strategi defensif KLBF pada akhir 2018 akan memacu angka pertumbuhan *top line* dan kinerja margin ke depannya. Strategi ini terbukti mampu menjaga margin *bottom line*, sekaligus mengimbangi tekanan depresiasi rupiah. Kami prediksikan selain dari stabilnya USDIDR sepanjang 2019, tren peningkatan kesadaran masyarakat akan gaya hidup sehat dan keanggotaan BPJS Kesehatan juga akan memperbesar ruang pertumbuhan KLBF pada 2019.

4Q18: Keberhasilan strategi defensif

Di tengah volatilitas rupiah, KLBF mampu menutup 2018 dengan mencatatkan kinerja pertumbuhan yang stabil. Pendapatan dan laba bersih pada 4Q18 tercatat tumbuh menjadi Rp5,4 triliun (+6,0% y-y) dan Rp653 miliar (+4,6% y-y). Pencapaian ini sekaligus meningkatkan pendapatan FY18 sebesar 4,4% y-y (vs. FY17 growth: 4,2%). Kinerja segmen distribusi & logistik meningkat 6,8% y-y pada FY18, sekaligus kembali menjadi kontributor terbesar pendapatan KLBF.

Meski demikian, kuatnya tekanan depresiasi rupiah menurunkan margin laba kotor KLBF hingga mencapai 43,8% pada 4Q18. Adapun upaya efisiensi KLBF, khususnya pada kegiatan promosi dan *market research* mampu mengimbangi tekanan *top line* dan menjaga kinerja margin *bottom line* pada 4Q18. Seiring dengan stabilnya USDIDR sepanjang awal 2019, kami melihat strategi defensif ini mampu memacu laju pertumbuhan kinerja margin KLBF ke depannya.

Konsistensi peningkatan pertumbuhan *top line*

Pertumbuhan pendapatan FY18 juga ditopang oleh pertumbuhan segmen distribusi & logistik dan obat resep yang sempat melambat pada akhir 2017-awal 2018. Kami melihat kesuksesan strategi KLBF dalam memacu pertumbuhan kedua segmen ini akan menopang angka pertumbuhan *top line* ke depannya. Kami meyakini target pemerintah untuk meningkatkan cakupan program BPJS hingga 100% populasi Indonesia pada 2019 akan menjadi katalis positif bagi segmen obat resep seiring dengan meningkatnya kesadaran masyarakat akan layanan kesehatan yang layak.

Dua pabrik baru untuk mendorong segmen produk kesehatan

Tren peningkatan kesadaran masyarakat ini juga dimanfaatkan KLBF utnuk meningkatkan produksi segmen produk kesehatan. Pada 2019, KLBF mengalokasikan belanja modal sebesar Rp1 triliun untuk pembangunan dua pabrik milik anak usaha Bintang Toedjoe dan Saka Farma. Selain itu, kami menilai langkah KLBF untuk menjajaki segmen obat biologis melalui eritropoietin akan semakin memperkuat presensi pasar KLBF.

Rekomendasikan untuk BELI

Dengan ekspektasi peningkatan margin seiring dengan stabilnya nilai tukar rupiah, kami merekomendasikan BELI, dengan target harga Rp1.760 berdasarkan valuasi rasio P/E *forward* sebesar 29,2x dengan potensi *upside* imbal hasil sebesar 15,4% dari level harga saham saat ini.

Risiko target harga

Risiko kunci target harga kami: 1) Anjloknya nilai tukar rupiah; 2) Dihentikannnya program BPJS; 3) Penurunan daya beli masyarakat.

Kalbe Farma Tbk | Summary

	2017	2018	2019E	2020E
Net Sales	20,182	21,074	22,110	23,267
Growth	4.2	4.4	4.9	5.2
EBITDA	3,608	3,676	3,785	4,078
Net Profit	2,404	2,457	2,638	2,826
EPS (IDR)	51	52	56	60
Growth	4.2	2.2	7.4	7.1
P/E	33.0	29.0	26.6	24.8
P/BV	5.7	4.7	4.2	3.8
EV/EBITDA	21.5	18.8	18.3	16.9
ROE	17.3	16.1	15.7	15.4
Debt/equity	2.3	2.3	2.2	1.7
Net debt	-2,466	-2,796	-2,962	-3,450

Unit: IDR bn, %, x

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

NH KORINDO SEKURITAS

Company Update | Apr 16, 2019

Buy

Dec 2019 TP (IDR)	**1,730**
Consensus Price (IDR)	1,544
TP to Consensus Price	+12.1%
vs. Last Price	+15.7%

Shares data

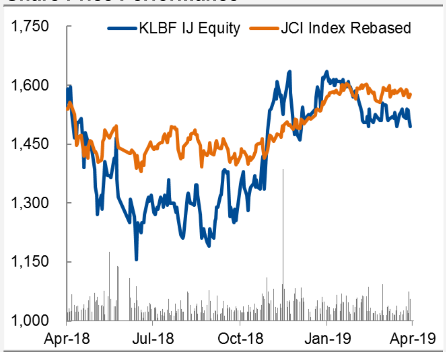
Last Price (IDR)	1,495
Price date as of	Apr 15, 2019
52 wk range (Hi/Lo)	1,635 / 1,155
Free float (%)	43.0
Outstanding sh.(mn)	46,785
Market Cap (IDR bn)	69.844
Market Cap (USD mn)	4,963
Avg. Trd Vol - 3M (mn)	19.25
Avg. Trd Val - 3M (bn)	29.88
Foreign Ownership	19.9%

Consumer Health

Pharmaceutical & Nutritional Products

Bloomberg	**KLBF IJ**
Reuters	**KLBF.JK**

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-1.6%	-3.9%	-8.6%	-2.9%
Rel. Ret.	-5.5%	-3.5%	-9.0%	-5.3%

Michael Tjahjadi, Analyst

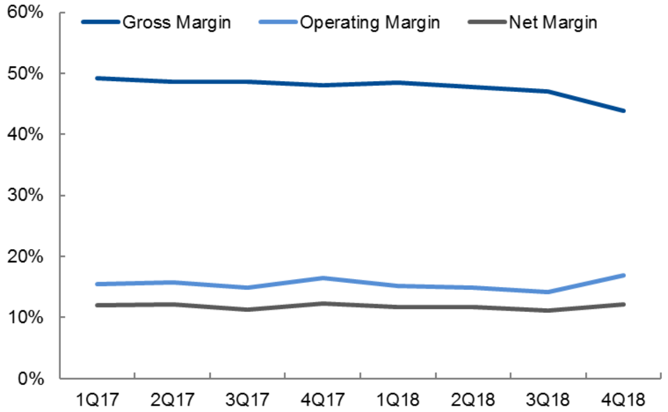
(021)797-6202, ext:114, michael@nhsec.co.id

Performance highlights in chart

Steady USDIDR will minimize pressure on gross margin

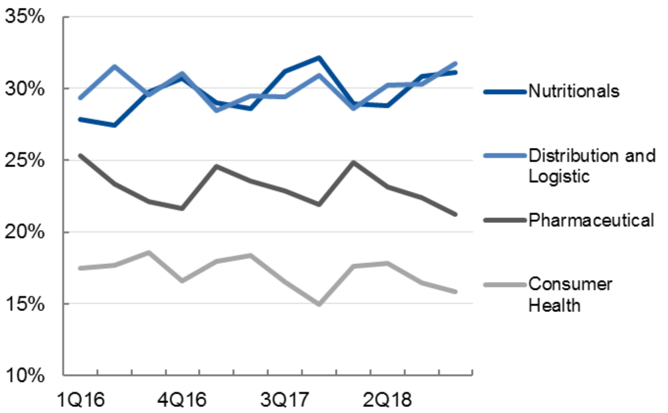
Source: JPMorgan, Bloomberg, NHKS Research

Operational efficiency conserves bottom line margin



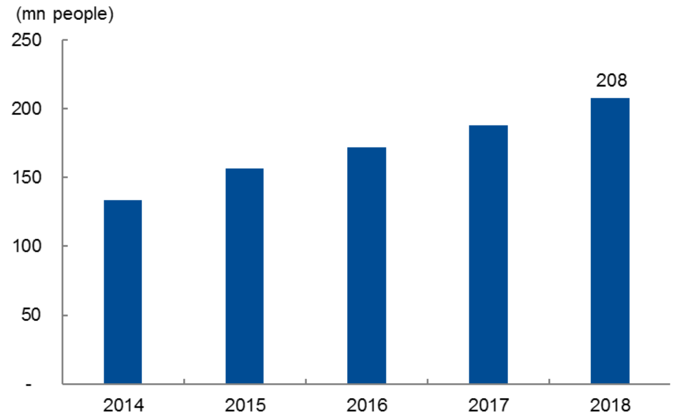
Source: Company Data, NHKS Research

Increasing nutritionals and distribution segments contribution



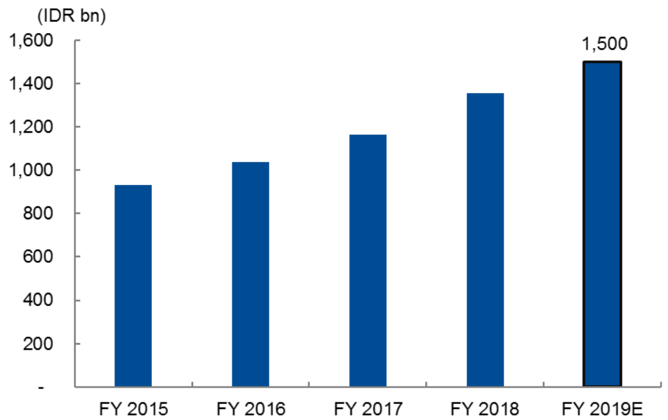
Source: Company Data, NHKS Research

BPJS Kesehatan program coverage



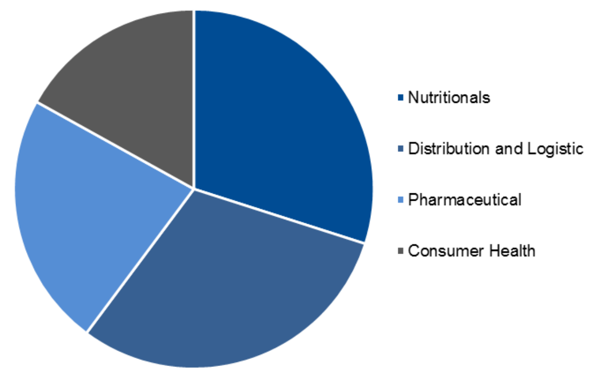
Source: Company Data, NHKS Research

Upward trend of KLBF capital expenditure



Source: Company Data, NHKS Research

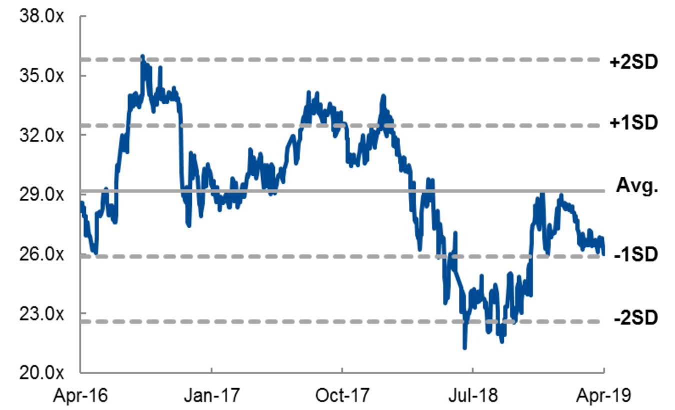
FY 2018 revenue breakdown



Source: Company Data, NHKS Research

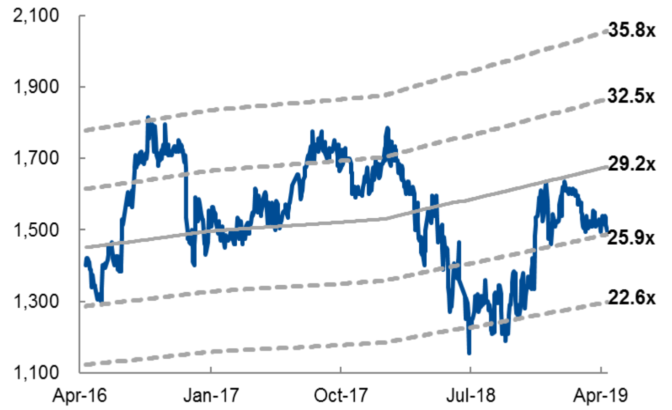
Valuation highlights in chart

3-year forward P/E band



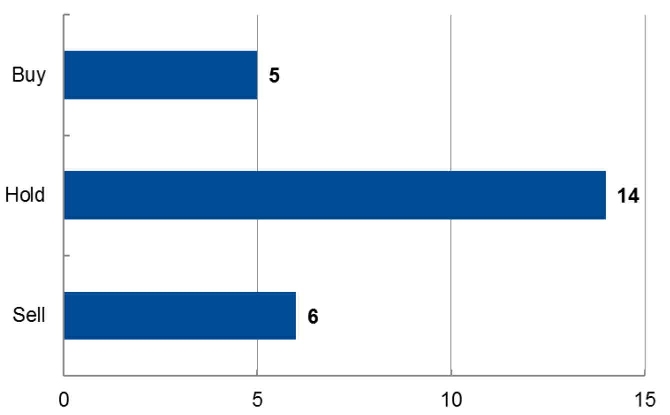
Source: Company Data, NHKS Research

3-year dynamic forward P/E band



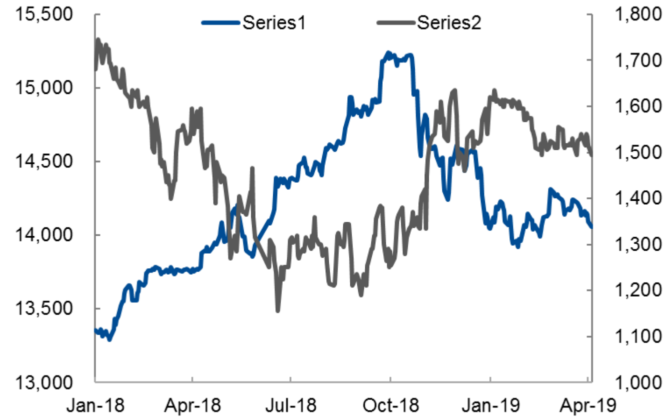
Source: Company Data, NHKS Research

Consensus of analyst recommendation



Source: Bloomberg, NHKS Research

KLBF stock price negatively correlated with USDIDR movement



Source: Company Data, Bloomberg, NHKS Research

Quarterly review

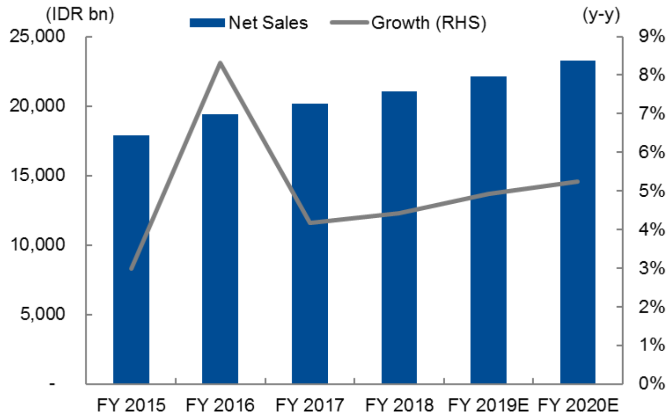
	4Q17	1Q18	2Q18	3Q18	4Q18					1Q19E
					Actual	Estimate	Y-Y	Q-Q	Surprise	
Income statement										
Net Sales	5,092	5,015	5,366	5,298	5,396		6.0	1.9		5,245
Gross Profit	2,448	2,428	2,566	2,490	2,364		-3.4	-5.1		2,516
EBIT	836	758	799	747	908		8.6	21.5		790
EBITDA	953	871	915	867	1,024		7.4	18.1		875
Net Profit	624	589	626	589	653		4.6	10.9		609
Margin										
Gross Margin	48.1	48.4	47.6	47.0	43.8		-4.3	-3.2		48.0
EBIT Margin	16.4	15.1	14.9	14.1	16.8		0.4	2.7		15.1
EBITDA Margin	18.7	17.4	17.0	16.4	19.0		0.3	2.6		16.7
Net Profit Margin	12.3	11.8	11.7	111.1	12.1		-0.2	1.0		11.6

Unit: IDR bn, %, USD/ton
Source: Company Data, NHKS Research

Company Overview

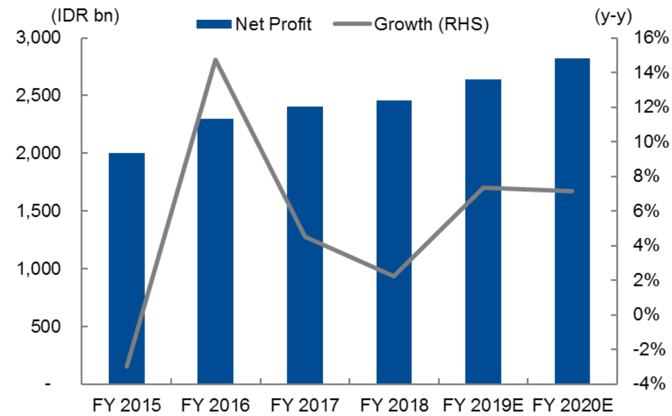
- PT. Kalbe Farma Tbk (KLBF IJ) adalah perusahaan swasta Indonesia yang bergerak di industri farmasi sejak didirikan pada tahun 1966.
- Pendapatan KLBF dikontribusikan oleh 4 segmen, yakni obat resep, produk kesehatan, nutrisi, serta distribusi dan logistik.
- Beberapa anak KLBF yang cukup dikenal seperti: Bintang Toedjoe, Saka Farma, Enseval Putera Megatrading (EPMT IJ), Kalbe Morinaga, Sanghiang Perkasa, Kalbe Blackmores Nutrition, Kalbe International Pte. Ltd.
- Di luar ekspansi pembangunan dua pabrik baru, pada awal 2019, KLBF juga mendorong pengembangan ekosistem di bidang kesehatan. KLBF menggandeng Grab Indonesia untuk mendukung sinergi antara layanan-layanan berbasis digital milik KLBF, seperti Kalbe Home Delivery, klikdokter.com, dan kalbestore.com.

Revenue and growth movement



Source: Company Data, NHKS Research

Earnings and growth movement



Source: Company Data, NHKS Research

Asia pharmaceutical companies peers analysis

Company	Market Cap	Asset	Sales	Net Profit LTM	Net Profit Growth LTM	Net Profit Margin	ROE	P/E LTM	P/BV
Indonesia									
Kalbe Farma	4,963	1,258	1,482	173	2.2	11.7	17.6	28.4	4.8
Kimia Farma	1,342	656	524	29	27.3	5.6	14.6	45.4	5.9
India									
Merck Ltd	937	252	124	123	793.1	98.8	73.8	64.0	4.2
Wockhardt Ltd	722	1,253	611	(94)	-210.8	-15.5	-19.7	N/A	1.8
South Korea									
Hugel Inc	1,524	825	166	63	-4.2	38.2	10.6	21.8	2.3
Bukwang Pharmaceutical Co	1,037	443	177	132	1213.5	75.0	46.6	8.1	2.9
Daewoong Co Ltd	1,059	1,430	1,119	27	54.9	2.4	5.4	30.0	1.6
Sam Chun Dang Pharm Co Ltd	924	235	146	9	-29.8	6.2	6.9	102.4	6.8
Taiwan									
Center Laboratories Inc.	919	1,291	718	202	2333.5	28.1	31.8	4.6	3.2
Obi Pharma Inc.	898	175	0	(41)	11.4	-9162.9	23.4	N/A	5.9
Bangladesh									
Renata Ltd	1,103	255	242	41	17.3	16.7	22.4	28.2	5.6

Unit: IDR bn, %, X
Source: Bloomberg, NHKS Research

Summary of Financials

INCOME STATEMENT

(IDR bn)	2017/12A	2018/12E	2019/12E	2020/12E
Net Sales	**20,182**	**21,074**	**22,110**	**23,267**
Growth	*4.2%*	*4.4%*	*4.9%*	*5.2%*
COGS	(10,370)	(11,226)	(11,672)	(12,245)
Gross Profit	**9,812**	**9,848**	**10,439**	**11,022**
Gross Margin	*48.6%*	*46.7%*	*47.2%*	*47.4%*
Operating Expenses	(6,653)	(6,635)	(7,015)	(7,352)
EBIT	**3,159**	**3,213**	**3,423**	**3,670**
EBIT Margin	*15.7%*	*15.2%*	*15.5%*	*15.8%*
Depreciation	449	463	361	409
EBITDA	**3,608**	**3,676**	**3,785**	**4,078**
EBITDA Margin	17.9%	17.4%	17.1%	17.5%
Interest Expenses	(26)	(20)	(24)	(25)
EBT	**3,241**	**3,306**	**3,524**	**3,776**
Income Tax	(788)	(809)	(841)	(901)
Minority Interest	(50)	(40)	(45)	(49)
Net Profit	**2,404**	**2,457**	**2,638**	**2,826**
Growth	*4.5%*	*2.2%*	*7.4%*	*7.1%*
Net Profit Margin	*11.9%*	*11.7%*	*11.9%*	*12.1%*

PROFITABILITY & STABILITY

	2017/12A	2018/12E	2019/12E	2020/12E
ROE	17.3%	16.1%	15.7%	15.4%
ROA	14.5%	13.5%	13.5%	13.2%
ROIC	16.8%	15.5%	15.2%	15.0%
Cash Dividend (IDR bn)	1,172	1,198	1,286	1,378
Dividend Yield	1.5%	1.7%	1.8%	2.0%
Payout Ratio	48.8%	48.8%	48.8%	48.8%
DER	2.3%	2.3%	2.2%	1.7%
Net Gearing	2.4%	2.5%	2.3%	1.8%
LT Debt to Equity	1.0%	1.7%	1.6%	1.3%
Capitalization Ratio	2.2%	2.3%	2.2%	1.7%
Equity Ratio	83.6%	84.3%	85.7%	85.5%
Debt Ratio	1.9%	2.0%	1.9%	1.5%
Financial Leverage	115.5%	113.9%	113.2%	111.6%
Current Ratio	450.9%	465.8%	501.6%	471.2%
Par Value (IDR)	10	10	10	10
Total Shares (mn)	46,875	46,875	46,875	46,875
Share Price (IDR)	1,690	1,520	1,495	1,495
Market Cap (IDR tn)	79.2	71.3	70.1	70.1

BALANCE SHEET

(IDR bn)	2017/12A	2018/12E	2019/12E	2020/12E
Cash	2,785	3,153	3,335	3,767
Receivables	2,876	3,256	3,468	3,607
Inventories	3,557	3,475	3,445	3,815
Total Current Assets	**10,044**	**10,648**	**11,067**	**11,980**
Net Fixed Assets	5,343	6,253	7,129	8,056
Other Non Current Assets	1,230	1,245	1,362	1,362
Total Assets	**16,616**	**18,146**	**19,559**	**21,398**
Payables	1,109	1,290	1,108	1,408
ST Bank Loan	173	97	102	86
LT Debt	146	260	272	230
Total Liabilities	**2,722**	**2,852**	**2,797**	**3,097**
Capital Stock & APIC	435	435	435	435
Retained Earnings	12,788	14,073	15,513	17,053
Shareholders' Equity	**13,894**	**15,295**	**16,761**	**18,301**

VALUATION INDEX

	2017/12A	2018/12E	2019/12E	2020/12E
Price /Earnings	33.0x	29.0x	26.6x	24.8x
Price /Book Value	5.7x	4.7x	4.2x	3.8x
Price/Sales	3.9x	3.4x	3.2x	3.0x
PE/EPS Growth	7.3x	13.0x	3.6x	3.5x
EV/EBITDA	21.5x	18.8x	17.9x	16.5x
EV/EBIT	24.5x	21.6x	19.8x	18.4x
EV (IDR bn)	77,425	69,241	67,930	67,442
Sales CAGR (3-Yr)	5.1%	5.6%	4.5%	4.9%
EPS CAGR (3-Yr)	5.2%	7.0%	4.7%	5.5%
Basic EPS (IDR)	51	52	56	60
Diluted EPS (IDR)	51	52	56	60
BVPS (IDR)	296	326	358	390
Sales PS (IDR)	431	450	472	496
DPS (IDR)	25	26	27	29

CASH FLOW STATEMENT

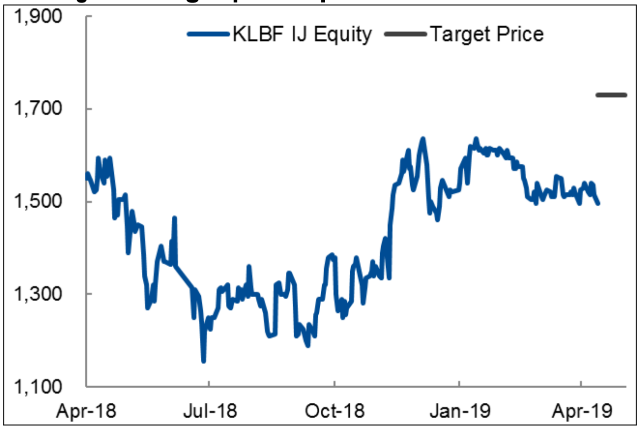
(IDR bn)	2017/12A	2018/12E	2019/12E	2020/12E
Operating Cash Flow	2,080	2,819	2,678	3,105
Investing Cash Flow	(1,221)	(1,309)	(1,341)	(1,330)
Financing Cash Flow	(932)	(1,018)	(1,155)	(1,343)
Net Changes in Cash	**(73)**	**492**	**182**	**431**

OWNERSHIP

By Geography	%	Shareholders	%
Indonesia	80.1	Gira Sole Prima	10.2
United States	7.3	Santa Seha Sanadi	9.7
United Kingdom	5.6	Diptanala Bahana	9.5
Canada	2.5	Ladang Ira Panen	9.5

Source: Company data, NHKS Research

Closing and target price update



Source: NHKS Research

Rating and target price update

Date	Rating	Target price	Consensus
2019.04.15	Buy	IDR1,730 (12M)	IDR1,543

Source: NHKS Research

NHKS stock ratings

- Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
- Buy: greater than +15%, Hold: -15% to +15%, Sell: less than -15%.
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