

Kalbe Farma Tbk (KLBF IJ)

Growth Remains on Track

KLBF reported 1Q21 results in line with market expectation. Meanwhile, we view KLBF is still attractive for a long-term investment due to its solid financial position and solid business plans.

1Q21 earnings inline with market expectation

- KLBF reported earnings of IDR716bn (+7.0% YoY; +10.3% QoQ), in line with the company's historical performance, forming 24.6% of our FY21 forecast.
- GPM stood at 44% in 1Q21 from 45.2% in 1Q20, which we believe is caused by higher raw material price due to weakening exchange rates.
- Meanwhile, operating margin and net margin were up to be 14.5% and 11.9% in 1Q21 (vs. 1Q20: 14.1% and 11.5%). This growth in 1Q21 was attributable to operating expense efficiency.
- Despite optimism over demand recovery, KLBF recorded soft performance with revenue slightly up by 3.8% YoY to IDR6.0tn.
- Based on 1Q21 sales breakdown, all segments grew, except nutritional food and pharma which recorded flat growth.

Solid Business Plans

- The management sets a more conservative revenue growth target of 5-6% this year, considering gradual recovery in consumer purchasing power and unfavourable situation. It is in line with our revenue estimation for FY21F.
- Management allocated capex budget of IDR1.0tn for this year to increase production, develop digital health application, and new products development.
- Nonetheless, we estimate KLBF could have brighter long-term outlook supported by solid business strategies from management.
- First, KLBF has launched saliva-based Covid-19 diagnostic test kit which will be priced at IDR488.000/kit. We see that it will be in high demand as Indonesia is still battling with the Covid-19 outbreak along with fears of second-wave.
- Second, KLBF's subsidiary, Kalbe Genexine Biologics (KGBio) signed a license agreement with Genexine South Korea to develop and commercialize an immuno-oncology drug GX-17. Currently, GX-17 is still in second phase clinical trial.
- Third, KLBF's subsidiary, Enseval Putra Megatrading (EPMT) has been assigned to distribute Govt's Covid-19 vaccines to 7 provinces, mostly in Sumatra and Kalimantan.
- Fourth, KLBF's GX-19 vaccine is currently entering second phase clinical trial and is expected to be commercialized by the fourth quarter. We see that with a permit from the government, private Covid-19 vaccination scheme should benefit KLBF going forward.

Reiterate BUY

- In line with the 1Q21 results, we maintain our BUY call on KLBF with unchanged TP of IDR1,750/share (based on a target P/E of 26.3x).
- We remain bullish on the company's prospect, on the back of cost efficiency, strong cash positions and robust operating cash flow.
- Key Risk: Rupiah depreciation, longer-than-expected vaccine development, and soft consumption level.

Kalbe Farma Tbk | Summary (IDR Bn)

	2020A	2021E	2022F	2023F
Net Sales	23,113	24,419	26,333	28,447
Growth	2.1%	5.7%	7.8%	8.0%
Net Profit	2,733	2,897	3,120	3,418
Growth	9.0%	6.0%	7.7%	9.6%
EPS (IDR)	58	62	67	73
P/E	25.4x	28.3x	26.3x	24.0x
P/BV	3.8x	4.1x	3.8x	3.5x
EV/EBITDA	15.8x	18.4x	17.2x	15.5x
ROE	15.0%	14.5%	14.4%	14.5%
DER	6.3%	5.5%	4.5%	4.3%
Dividend Yield	1.8%	1.6%	1.7%	1.9%

Source: Company Data, Bloomberg, NHHKI Research

Please consider the rating criteria & important disclaimer

NH Korindo Sekuritas Indonesia

Company Update | May, 07 2021

BUY

Target Price (IDR)	1,750
Consensus Price (IDR)	1,794
TP to Consensus Price	-2.5%
vs. Last Price	+19.9%

Shares data

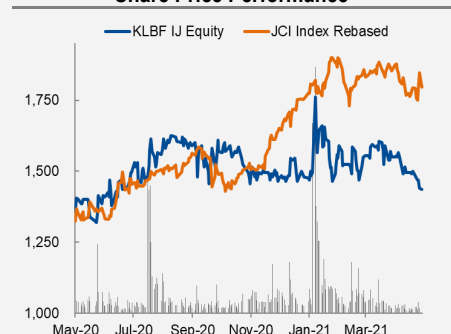
Last Price (IDR)	1,460
Price date as of	May 06, 2021
52 wk range (Hi/Low)	1,760/ 1,100
Free float (%)	42.6
Outstanding sh.(mn)	46,875
Market Cap (IDR bn)	68,906
Market Cap (USD mn)	4,775
Avg. Trd Vol - 3M (mn)	35.61
Avg. Trd Val - 3M (bn)	54.98
Foreign Ownership	17.2%

Consumer Health

Pharmaceutical & Nutritional Products

Bloomberg	KLBF IJ
Reuters	KLBF.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-2.7%	-7.4%	-9.7%	4.0%
Rel. Ret.	-0.2%	-7.1%	-6.5%	-22.2%

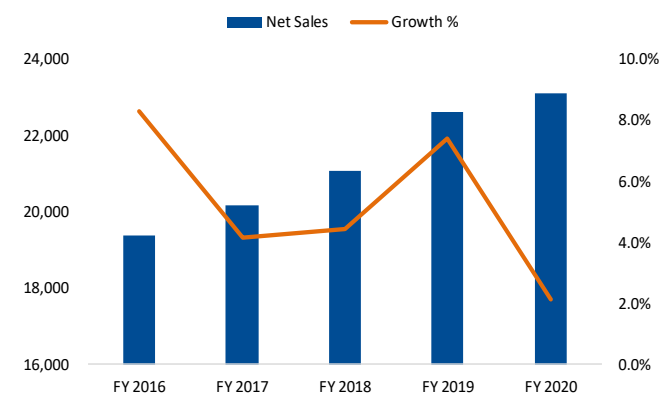
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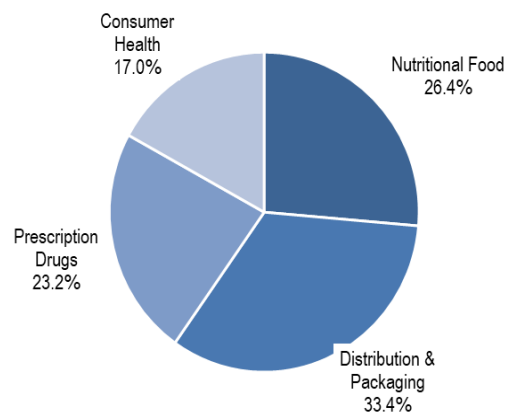
Performance Highlights

KLBF's FY17A—FY20A Revenues



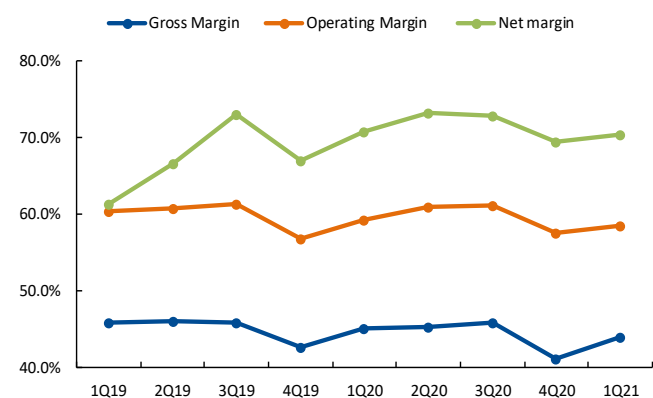
Source: Company Data, NHKSI Research

KLBF's Revenue Breakdown



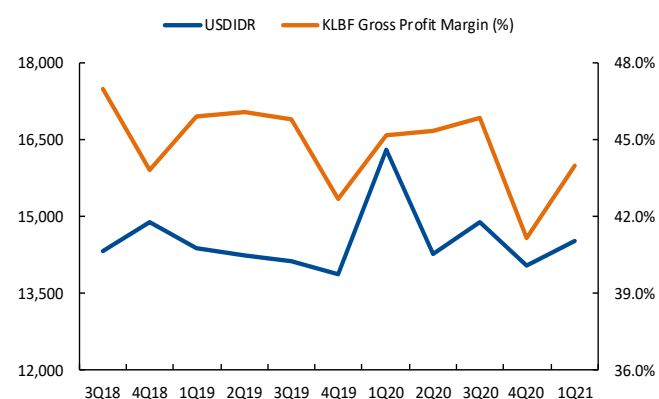
Source: Company Data, NHKSI Research

KLBF's Margin Ratios



Source: Company Data, NHKSI Research

KLBF's Gross Margin



Source: Company Data, NHKSI Research

Company Overview



- PT Kalbe Farma Tbk (KLBF), founded in 1966, is a leading pharmaceutical company in Indonesia.
- KLBF expands and transforms its businesses into an integrated healthcare solution embodied in its four well-diversified business divisions: Prescription Pharmaceutical (23% contribution), Consumer Health (17% contribution), Nutritionals (30% contribution), and Distribution & Logistics (30% contribution). All four divisions manage comprehensive portfolios of prescription pharmaceuticals and OTC drugs, energy drink and nutrition products, and a robust distribution business serving more than one million outlets across Indonesia's archipelago.
- It has key subsidiaries, i.e. Bintang Toedjoe, Saka Farma, Enseval Putera Megatrading (EPMT IJ), Kalbe Morinaga, Sanghiang Perkasa, Kalbe Blackmores Nutrition, and Kalbe International Pte. Ltd.

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	4,775	1,620	1,604	191	7.73%	11.9%	16.0%	24.8x	3.8x
Kimia Farma	1,047	1,261	688	1	N/A	0.2%	0.2%	856.6x	2.2x
Sido Muncul	1,611	276	234	67	17.00%	28.6%	31.2%	23.7x	7.9x
India									
Laurus Labs Ltd	3,570	786	648	133	285.40%	20.4%	45.1%	26.7x	10.1x
Wockhardt Ltd	776	1,085	401	(10)	64.42%	-2.4%	-2.6%	N/A	2.1x
South Korea									
Hugel Inc	2,020	878	179	36	-5.87%	19.9%	5.8%	54.3x	3.1x
Bukwang Pharmaceutical Co	1,305	368	144	(6)	2.82%	-4.2%	-2.5%	N/A	5.0x
Daewoong Co Ltd	1,714	1,688	1,151	84	59.98%	7.3%	15.1%	14.1x	2.0x
Sam Chun Dang Pharm Co	1,063	291	142	(1)	N/A	-0.6%	-0.6%	N/A	6.2x

Unit: IDR bn, %, X

Source: Bloomberg, NHKSI Research

Valuation highlights in charts

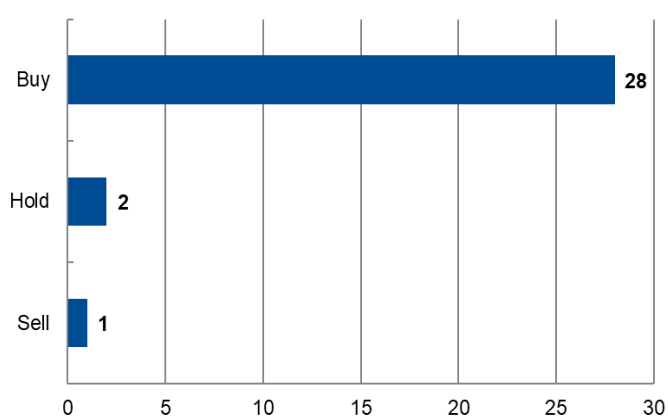
3-year forward P/E band



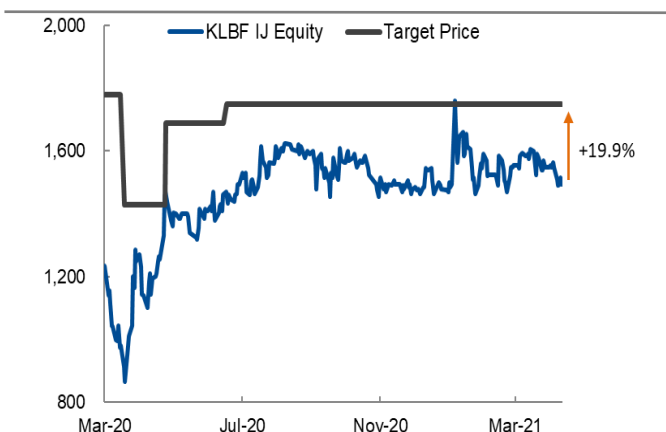
3-year dynamic forward P/E band



Consensus of analyst recommendation



Closing and Target Price Update



Rating and Target Price Update

Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
2020.03.06	Buy	IDR1,430 (12M)	IDR1,235	IDR1,587	+15.8%	-9.9%
2020.06.04	Buy	IDR1,630 (12M)	IDR1,410	IDR1,491	+15.6%	+9.3%
2020.08.10	Buy	IDR1,870 (12M)	IDR1,625	IDR1,683	+15.1%	+11.1%
2020.11.12	Buy	IDR1,750 (12M)	IDR1,515	IDR1,788	+15.5%	-2.1%

Source: NHKSI research, Bloomberg

Summary of Financials

INCOME STATEMENT				
(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Net Sales	23,113	24,419	26,333	28,447
Growth	2.1%	5.7%	7.8%	8.0%
COGS	(12,866)	(13,506)	(14,768)	(15,907)
Gross Profit	10,246	10,913	11,564	12,541
Gross Margin	44.3%	44.7%	43.9%	44.1%
Operating Expenses	(6,691)	(7,326)	(7,636)	(8,250)
EBIT	3,555	3,588	3,928	4,291
EBIT Margin	15.4%	14.7%	14.9%	15.1%
Depreciation	627	637	531	610
EBITDA	4,182	4,225	4,459	4,901
EBITDA Margin	18.1%	17.3%	16.9%	17.2%
Interest Expenses	(76)	(13)	(79)	(70)
EBT	3,668	3,818	4,112	4,505
Income Tax	(868)	(867)	(933)	(1,023)
Minority Interest	(66)	(54)	(59)	(64)
Net Profit	2,733	2,897	3,120	3,418
Growth	9.0%	6.0%	7.7%	9.6%
Net Profit Margin	11.8%	11.9%	11.8%	12.0%

BALANCE SHEET				
(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Cash	5,396	6,414	7,226	8,019
Receivables	3,477	3,427	3,391	3,663
Inventories	3,600	3,653	3,803	4,140
Total Current Assets	13,075	14,137	15,095	16,534
Net Fixed Assets	8,310	8,693	9,347	10,046
Other Non Current Assets	1,179	1,375	1,473	1,522
Total Non Current Assets	9,489	10,068	10,820	11,567
Total Assets	22,564	24,205	25,915	28,102
Payables	1,240	1,298	1,416	1,525
ST Bank Loan	369	338	302	315
Total Current Liabilities	3,177	3,203	3,246	3,490
LT Debt	789	759	674	701
Total Liabilities	4,288	4,275	4,233	4,504
Capital Stock & APIC	435	435	435	435
Retained Earnings	16,876	18,433	20,185	22,100
Shareholders' Equity	18,276	19,930	21,682	23,597

CASH FLOW STATEMENT				
(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Operating Cash Flow	4,280	3,551	3,634	3,641
Investing Cash Flow	(1,706)	(1,173)	(1,283)	(1,358)
Financing Cash Flow	(758)	(1,304)	(1,540)	(1,490)
Net Changes in Cash	1,817	1,073	811	794

Source: Company Data, NHKSI Research

PROFITABILITY & STABILITY				
	2020/12A	2021/12E	2022/12E	2023/12E
ROE	15.0%	14.5%	14.4%	14.5%
ROA	12.1%	12.0%	12.0%	12.2%
Inventory Turnover	3.5x	3.7x	3.9x	3.8x
Receivable Turnover	6.6x	7.1x	7.8x	7.8x
Payables Turnover	10.5x	10.6x	10.4x	10.4x
Dividend Yield	1.8%	1.6%	1.7%	1.9%
Payout Ratio	48.6%	49.0%	49.0%	49.0%
DER	6.3%	5.5%	4.5%	4.3%
Net Gearing	6.3%	6.3%	5.2%	4.9%
Equity Ratio	81.0%	82.3%	83.7%	84.0%
Debt Ratio	0.1x	0.0x	0.0x	0.0x
Financial Leverage	1.0x	1.0x	1.0x	1.0x
Current Ratio	4.1x	4.4x	4.7x	4.7x
Quick Ratio	3.0x	3.3x	3.5x	3.6x
Par Value (IDR)	10	10	10	10
Total Shares (mn)	46,875	46,875	46,875	46,875
Share Price (IDR)	1,480	1,750	1,750	1,750
Market Cap (IDR tn)	69.4	82.0	82.0	82.0

VALUATION INDEX				
	2020/12A	2021/12E	2022/12E	2023/12E
Price /Earnings	25.4x	28.3x	26.3x	24.0x
Price /Book Value	3.8x	4.1x	3.8x	3.5x
PE/EPS Growth	2.8x	4.7x	3.4x	2.5x
EV/EBITDA	15.8x	18.4x	17.2x	15.5x
EV/EBIT	18.6x	21.7x	19.6x	17.7x
EV (IDR bn)	66,103	77,776	76,845	76,090
Sales CAGR (3-Yr)	4.6%	5.0%	5.2%	7.2%
Net Income CAGR (3-Yr)	4.4%	5.6%	7.6%	7.7%
Basic EPS (IDR)	58	62	67	73
BVPS (IDR)	390	425	463	503
DPS (IDR)	26	29	30	33

OWNERSHIP	
Shareholders	%
Gira Sole Prima	10.2
Santa Seha Sanadi	10.0
Diptanala Bahana	9.5
Lucasta Mumi Cemerlang	9.5
By Geography	%
Indonesia	82.8
United States	7.5
Canada	2.7
Luxembourg	1.9

NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
 - Buy : Greater than +15%
 - Overweight : +5% to 15%
 - Hold : -5% to +5%
 - Underweight : -5% to -15%
 - Sell : Less than -15%

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