

Kalbe Farma Tbk (KLBF IJ)

Great Results as Expected

KLBF closed 1H21 with encouraging results on the back of decent performance from all segments. To capture growing demand in healthy products and services, the company has provided preventive and curative products along with Covid-19 test services into its business portfolio.

Encouraging 1H21 results

- KLBF reported sales of IDR6.3tn in 2Q21 (+9.4% YoY, +5.6% QoQ) and IDR12.3tn cumulatively in 1H21. The result was supported by decent performance in all segments.
- In detail, distribution logistic (c. 35% of total sales) and consumer health booked 1H21 sales of IDR4.3tn (+15.6% YoY) and IDR2.0tn (+3.1% YoY).
- Nutritional division posted sales of IDR3.3tn (-0.5% YoY), along with GPM declining to 51.6%. We suspect the lower margin was due to KLBF's strategy to offer affordable products.
- Prescription drugs reported sales of IDR2.7tn (+5.4% YoY), thanks to its specialty product (oncology and biologic) and Covid-19 test services.
- Cumulatively, KLBF booked a 1H21 net profit of IDR1.5tn (+7.9% YoY), at 49%/51% of our and consensus estimate.
- We also witnessed higher profitability margins all across the board with GPM, OPM, NPM measured at 45.3%, 14.9%, 12.1% in 1H21 (vs. 1H20: 43.6%, 14.8%, 12.0%).
- Operating expenses to sales ratio declined to 28.7%, indicating that KLBF has managed to run its business efficiently.
- Meanwhile, R&D expenses has accelerated by around 10%, due to vaccine development, immunology drug and other new product development.
- In our view, KLBF shall benefit from rising health awareness amid second wave covid-19, which lead to better sales outlook.

Strong momentum expected to carryover

- Since we expected this momentum to carry over into the second half of the year, our sales forecast for FY21 has been slightly increased, in-line with an upward revision from the company's FY21 guidance at 7-10% sales growth.
- Meanwhile, the company is increasingly focused on Covid-19 preventive and curative products.
- Recently, KLBF introduced Pulmosol – milk specifically formulated to meet the nutritional needs against respiratory disorders.
- KLBF export sales now account for 4.4% of total sales in 1H21 (vs. 5.0% in 1H20). Additionally, KLBF expect export sales to grow 6%-8%, as the company obtained a new factory in Myanmar which is targeted to operate in 4Q21.

Valuation

- Although underperforming (-11.5% YTD), we maintain BUY call on KLBF, as it is a defensive player with higher sales forecast and strong net cash position.
- Key Risk : Rupiah depreciation, soft consumption, and tightening competition landscape.

Kalbe Farma Tbk | Summary (IDR Bn)

	2020A	2021E	2022F	2023F
Net Sales	23,113	24,778	27,093	29,712
Growth	2.1%	7.2%	9.3%	9.7%
Net Profit	2,733	3,003	3,307	3,663
Growth	9.0%	9.9%	10.1%	10.8%
EPS (IDR)	58	64	71	78
P/E	25.4x	27.3x	24.8x	22.4x
P/BV	3.8x	3.9x	3.6x	3.3x
EV/EBITDA	15.8x	17.9x	16.6x	14.8x
ROE	15.0%	14.4%	14.5%	14.7%
DER	6.3%	5.5%	4.8%	4.2%
Dividend Yield	1.8%	1.6%	1.8%	1.9%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

NH Korindo Sekuritas Indonesia

Company Update | Aug, 12 2021

BUY

Target Price (IDR)	1,750
Consensus Price (IDR)	1,750
TP to Consensus Price	0.0%
Potential Upside	34.1%

Shares data

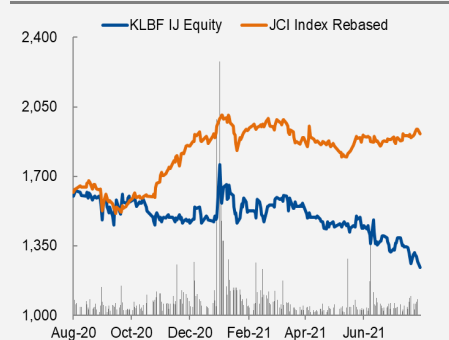
Last Price (IDR)	1,305
Price date as of	10-Aug-21
52 wk range (Hi/Lo)	1760/1240
Free float (%)	42.2
Outstanding sh.(mn)	46,875
Market Cap (IDR bn)	61,172
Market Cap (USD mn)	4,255
Avg. Trd Vol - 3M (mn)	33.70
Avg. Trd Val - 3M (bn)	46.83
Foreign Ownership	17.2%

Healthcare

Pharmaceutical & Nutritional Products

Bloomberg	KLBF IJ
Reuters	KLBF.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-11.5%	-2.2%	-9.7%	-18.4%
Rel. Ret.	-11.2%	-2.4%	-12.2%	-35.7%

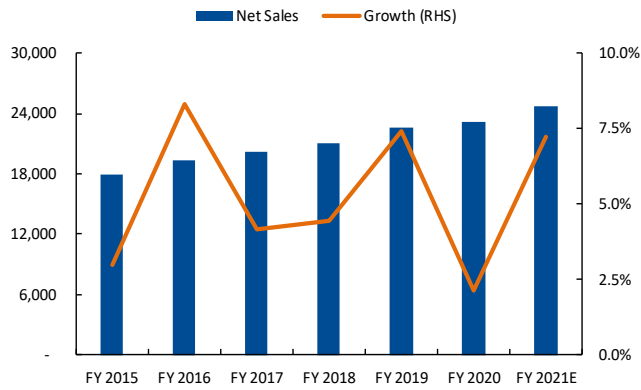
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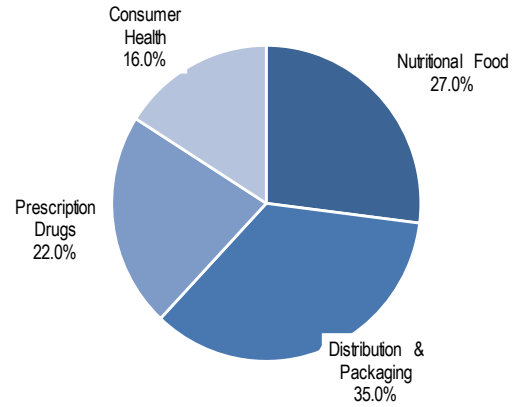
Performance Highlights

KLBF's FY15A—FY21E Revenues



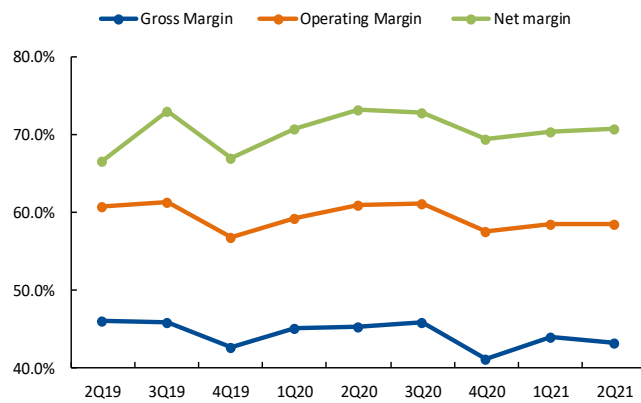
Source: Company Data, NHKSI Research

KLBF's Revenue Breakdown



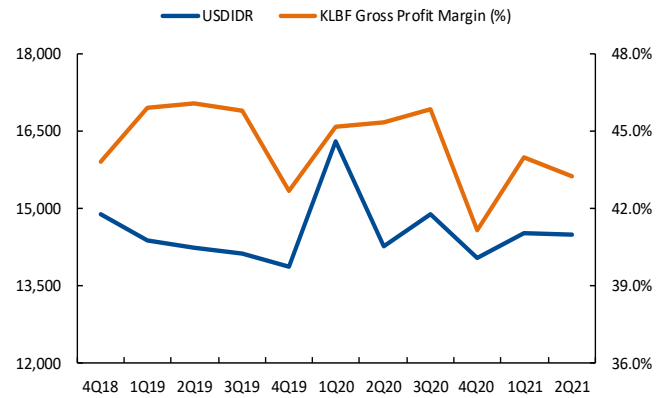
Source: Company Data, NHKSI Research

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	4,255	1,620	1,657	197	7.85%	11.9%	16.6%	21.5x	3.4x
Kimia Farma	958	1,261	681	1	N/A!	0.1%	0.1%	2075.0x	2.0x
Sido Muncul	1,670	276	245	71	20.64%	29.0%	32.8%	23.3x	7.5x
India									
Laurus Labs Ltd	5,088	786	636	133	285.31%	20.8%	45.0%	38.3x	14.5x
Wockhardt Ltd	713	1,062	364	92	N/A	25.4%	22.7%	N/A	1.6x
South Korea									
Hugel Inc	2,463	878	220	48	37.65%	22.0%	7.4%	51.7x	3.7x
Bukwang Pharmaceutical Co	1,303	368	146	(8)	14.31%	-5.6%	-3.7%	N/A	5.8x
Daewoong Co Ltd	1,886	1,688	1,259	83	104.31%	6.6%	13.4%	16.6x	2.4x
Sam Chun Dang Pharm Co	1,135	291	142	(6)	N/A	-3.9%	-3.8%	N/A	7.0x

Unit: IDR bn, %, X

Source: Bloomberg, NHKSI Research

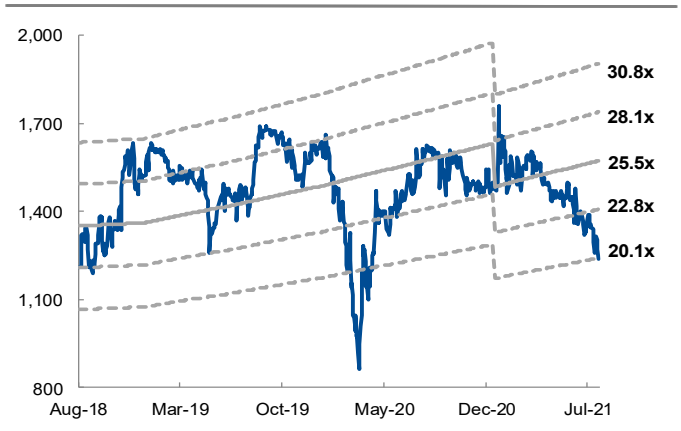
Valuation highlights in charts

3-year forward P/E band



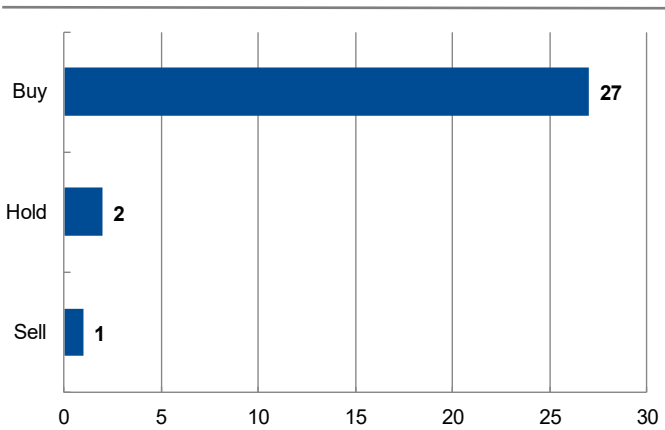
Source: Company Data, NHKSI Research

3-year dynamic forward P/E band



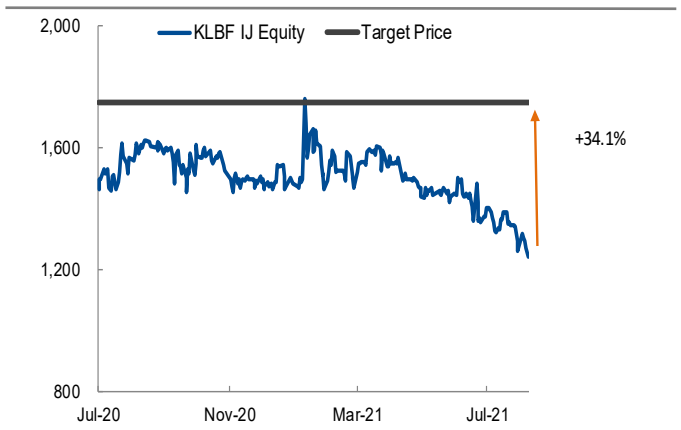
Source: Company Data, NHKSI Research

Consensus of analyst recommendation



Source: Bloomberg, NHKSI Research

Closing and Target Price Update



Source: Company Data, NHKSI Research

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					PROFITABILITY & STABILITY				
(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E	2020/12A	2021/12E	2022/12E	2023/12E	
Net Sales	23,113	24,778	27,093	29,712	ROE	15.0%	14.4%	14.5%	14.7%
<i>Growth</i>	2.1%	7.2%	9.3%	9.7%	ROA	12.1%	11.7%	12.2%	12.4%
COGS	(12,866)	(13,764)	(15,130)	(16,557)	Inventory Turnover	3.5x	3.7x	3.9x	3.8x
Gross Profit	10,246	11,014	11,963	13,155	Receivable Turnover	6.6x	6.6x	7.8x	7.8x
<i>Gross Margin</i>	44.3%	44.5%	44.2%	44.3%	Payables Turnover	10.5x	9.1x	10.4x	10.4x
Operating Expenses	(6,691)	(7,296)	(7,857)	(8,617)	Dividend Yield	1.8%	1.6%	1.8%	1.9%
EBIT	3,555	3,718	4,106	4,539	Payout Ratio	48.6%	48.0%	48.0%	48.0%
<i>EBIT Margin</i>	15.4%	15.0%	15.2%	15.3%	DER	6.3%	5.5%	4.8%	4.2%
Depreciation	627	657	535	616	Net Gearing	6.6%	5.7%	5.0%	0.0%
EBITDA	4,182	4,375	4,641	5,155	Equity Ratio	81.0%	81.2%	83.7%	84.2%
<i>EBITDA Margin</i>	18.1%	17.7%	17.1%	17.3%	Debt Ratio	0.1x	0.0x	0.0x	0.0x
Interest Expenses	(76)	(25)	(82)	(79)	Financial Leverage	1.0x	1.0x	1.0x	1.0x
EBT	3,668	3,922	4,274	4,734	Current Ratio	4.1x	4.1x	4.7x	4.8x
Income Tax	(868)	(871)	(915)	(1,013)	Quick Ratio	3.0x	3.1x	3.6x	3.6x
Minority Interest	(66)	(48)	(52)	(58)	Par Value (IDR)	10	10	10	10
Net Profit	2,733	3,003	3,307	3,663	Total Shares (mn)	46,875	46,875	46,875	46,875
<i>Growth</i>	9.0%	9.9%	10.1%	10.8%	Share Price (IDR)	1,480	1,750	1,750	1,750
<i>Net Profit Margin</i>	11.8%	12.1%	12.2%	12.3%	Market Cap (IDR tn)	69.4	82.0	82.0	82.0

BALANCE SHEET					VALUATION INDEX				
(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E	2020/12A	2021/12E	2022/12E	2023/12E	
Cash	5,396	6,697	7,866	8,570	Price /Earnings	25.4x	27.3x	24.8x	22.4x
Receivables	3,477	3,990	3,489	3,826	Price /Book Value	3.8x	3.9x	3.6x	3.3x
Inventories	3,600	3,942	3,896	4,309	PE/EPS Growth	2.8x	2.8x	2.5x	2.1x
Total Current Assets	13,075	15,273	15,927	17,418	EV/EBITDA	15.8x	17.9x	16.6x	14.8x
Net Fixed Assets	8,310	8,783	9,467	10,217	EV/EBIT	18.6x	21.1x	18.8x	16.8x
Other Non Current Assets	1,179	1,584	1,787	1,888	EV (IDR bn)	66,103	78,302	77,079	76,327
Total Non Current Assets	9,489	10,367	11,254	12,106	Sales CAGR (3-Yr)	4.6%	5.5%	6.2%	8.7%
Total Assets	22,564	25,640	27,181	29,523	Net Income CAGR (3-Yr)	4.4%	6.9%	9.7%	10.3%
Payables	1,240	1,776	1,451	1,588	Basic EPS (IDR)	58	64	71	78
ST Bank Loan	369	353	338	324	BVPS (IDR)	390	444	485	530
Total Current Liabilities	3,177	3,696	3,361	3,635	DPS (IDR)	26	28	31	34
LT Debt	789	793	754	721					
Total Liabilities	4,288	4,809	4,435	4,676					
Capital Stock & APIC	435	435	435	435					
Retained Earnings	16,876	18,574	20,490	22,592					
Shareholders' Equity	18,276	20,830	22,746	24,848					

CASH FLOW STATEMENT					OWNERSHIP					
(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E						
Operating Cash Flow	4,280	3,302	4,087	3,808	Shareholders					%
Investing Cash Flow	(1,706)	(1,469)	(1,422)	(1,468)	Gira Sole Prima					10.2
Financing Cash Flow	(758)	(469)	(1,496)	(1,636)	Santa Seha Sanadi					10.0
Net Changes in Cash	1,817	1,364	1,169	704	Ladang Ira Panen PT					9.7
					Diptanala Bahana PT					9.5
					By Geography					%
					Indonesia					82.1
					United States					8.5
					Canada					2.4
					Luxembourg					1.8

Source: Company Data, NHKSI Research

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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