

PT Kalbe Farma Tbk.

1H19 Result

KLBF's net sales increased by +7.69% YoY to IDR 11.2 trillion in 1H19, driven by sales volume (IDR 5.8 trillion in 2Q19 vs IDR 5.4 trillion in 1Q19). Gross profit was up by +3.7% to IDR 5.1 trillion 1H19. Whilst in the bottom line, net income grew by +3.48% to IDR 1.2 trillion. We set KLBF price target at IDR 1,600, which the price target reflects PER'20E 28.17x.

In line 1H19 Revenue. KLBF's net sales increased by +7.69% yoy to IDR 11.2 trillion in 1H19 (IDR 5.8 trillion in 2Q19 vs IDR 5.4 trillion in 1Q19), in line with our estimate, representing 49.4% of our full year forecast. Sales growth was mostly driven by sales volume. Logistics segment grew by +11.6% YoY, Prescription grew by +7.7% YoY, Consumer Health grew by +5.6% and Nutritionals grew by +5%.

KLBF's Income Up by 3.48% YoY in 1H19. Gross profit was up by +3.7% to IDR 5.1 trillion 1H19. Whilst in the bottom line, net income grew by +3.48% to IDR 1.2 trillion (IDR 663 billion in 2Q19 vs IDR 595 billion in 1Q19), achieving 49.6% of our full year forecast.

Outlook. As the fourth most populous country in the world, Indonesia is considered as one of the largest consumer base for healthcare products and services. Meanwhile, spending on healthcare is very low in comparison to neighboring countries. Spending for nutritional products is also below other ASEAN countries, which creates plenty of market growth opportunities. The healthcare market is also supported by Indonesia's favorable demographics. Increased health awareness and rising personal incomes in the fast growing higher-end segment will lift demands for services beyond those provided through the JKN scheme. This higher-end segment will also drive higher consumer spending on nutritional products and food supplements.

VALUATION & RECOMMENDATION

We set **KLBF price target at IDR 1,600**, where the price target reflects PER'20E 28.17x. Comparing the closing price of KLBF on Monday (12/08) at the level of IDR 1,450, where there is still an upside potential of 10.3%, **we recommend Buy for KLBF.**

Exhibit 01– Key Metrics

	2014A	2015A	2016A	2017A	2018A	2019E	2020E
Revenue (bn IDR)	17,369	17,887	19,374	20,182	21,074	22,627	24,326
COGS (bn IDR)	8,893	9,296	9,886	10,370	11,226	12,281	13,334
Gross Profit (bn IDR)	8,476	8,592	9,488	9,812	9,848	10,346	10,992
Net Income (bn IDR)	2,065	2,004	2,303	2,404	2,451	2,537	2,663
EPS (IDR)	44	43	49	51	52	54	57
Revenue Growth	8.54%	2.99%	8.31%	4.17%	4.42%	7.37%	7.51%
EPS Growth	7.32%	-2.82%	14.73%	4.53%	1.96%	3.51%	4.96%
ROA	16.60%	14.63%	15.12%	14.47%	13.51%	12.92%	12.59%
ROE	21.15%	18.32%	18.48%	17.30%	16.02%	15.36%	14.97%
PE Ratio	36.36	37.42	32.61	31.20	30.60	29.56	28.17
PBV	8.82	7.68	6.86	6.02	5.40	4.90	4.54

Source : Company, Bloomberg, MCS Research

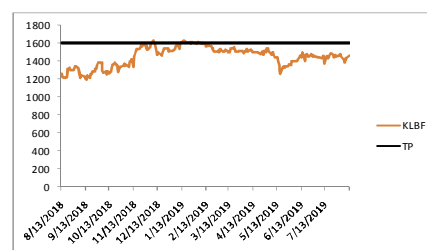
13 August 2019

Buy (+10.3%)

Price (12/08) IDR 1,450
 Target Price **IDR 1,600**
 Ticker KLBF
 Industry Consumer Goods

Helen

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Company Description

PT Kalbe Farma Tbk (KLBF) is Indonesia's and Southeast Asia's largest listed pharmaceutical company. KLBF has four business divisions: Prescription Pharmaceutical Division, Consumer Health Division, Nutritionals Division and Distribution and Logistics Division.

Stock Data

52-week Range (IDR) 1,190 | 1,645
 Mkt Cap (IDR tn) 68.4
 JCI Weight 0.97%
 Shares O/S (mn) 46,875
 YTD Change -3.9%

Shareholders:

PT Gira Sole Prima 10.17%
 PT Santa Seha Sanadi 9.71%
 PT Diptanala Bahana 9.49%
 PT Lucasta Murni Cemerlang 9.47%
 PT Ladang Ira Panen 9.21%
 PT Bina Arta Charisma 8.66%
 Public 43.29%

Exhibit 02– 1H19 Financial Summary

(in bn IDR)	1H18	1H19	YoY	1Q19	2Q19	QoQ	FY19E	%
Revenue	10,381	11,179	7.69%	5,366	5,813	8.34%	22,627	49.40%
- Cost of Revenue	5,387	6,002	11.42%	2,868	3,134	9.28%	12,281	48.87%
Gross Profit	4,994	5,177	3.66%	2,498	2,679	7.26%	10,346	50.04%
Operating Income	1,551	1,622	4.59%	764	858	12.22%	3,288	49.33%
Net Income	1,216	1,258	3.48%	595	663	11.43%	2,537	49.60%
Basic Earnings per Share (IDR)	26	27	3.48%	13	14	11.47%	54	49.59%
Margin								
Gross Margin	48.1%	46.3%		46.6%	46.1%		45.7%	
Operating Margin	14.9%	14.5%		14.2%	14.8%		14.5%	
Profit Margin	11.7%	11.3%		11.1%	11.4%		11.2%	
Sales								
	1H18	1H19	YoY					
Prescription Pharmaceuticals	2,487	2,679	7.7%					
Consumer Health	1,842	1,945	5.6%					
Nutritionals	2,995	3,145	5.0%					
Distribution & Logistics	3,056	3,410	11.6%					
Consolidated Sales	10,381	11,179	7.7%					

Source : Company, Bloomberg, MCS Research

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