

PT Kalbe Farma Tbk.

1H20 Result

KLBF's net sales increased by +3.8% yoy to IDR 11.6 trillion in 1H20. Prescription division's sales decreased by -4.3% YoY, Consumer health division's sales grew by +6.5% YoY, Nutritionals division's sales grew by +2.2% YoY and Distribution & Logistic division grew by +10.1% YoY. In the bottom line, net income increased +10.3% to IDR 1.39 trillion due to increased efficiency in operating costs. We set KLBF fair price at IDR 1,725, where the price reflects PER'21E 29.1x.

In line 1Q20 Revenue. KLBF's net sales increased by +3.81% yoy to IDR 11.6 trillion in 1H20, in line with our estimate, representing 47.7% of our full year forecast. The increase in sales was supported by Distribution & Logistics division which grew by +10.1% YoY to IDR 3.7 trillion (32% contribution of total net sales). Consumer Health Division achieved an increase in sales of +6.5% YoY to IDR 2.1 trillion (18% contribution) and Nutrition Division's net sales stood at IDR 3.2 trillion, growing +2.2% YoY (28% contribution). Meanwhile Prescription Pharmaceutical division sales decreased by -4.3% YoY to IDR 2.5 trillion (22% contribution to total net sales).

KLBF's Income Up by +10.3% YoY. Despite the challenging situation in 2Q20 due to Covid-19 pandemic, KLBF recorded net income of IDR 718 billion in 2Q20, +7.32% QoQ. Cumulatively, in 1H20, net income increased +10.3% YoY to IDR 1.39 trillion, achieving 53.3% of our full year forecast, due to increased efficiency in operating costs, foreign exchange gain and lower tax rate.

Update. KLBF revised its full year 2020 net sales target growth of 4% to 6% with projected net profit growth of around 8% to 10%. Meanwhile KLBF maintained a capital expenditure budget of IDR 1.0 trillion, which will be used to expand production and distribution capacity

VALUATION & RECOMMENDATION

We set **KLBF fair price at IDR 1,725**, where the price reflects PER'21E 29.1x. Comparing the closing price of KLBF on Monday (03/08) at the level of IDR 1,560, where there is still an upside potential of 10.6%, **we recommend Buy for KLBF.**

Exhibit 01—Key Metrics

	2014A	2015A	2016A	2017A	2018A	2019A	2020E
Revenue (bn IDR)	17,369	17,887	19,374	20,182	21,074	22,633	24,351
COGS (bn IDR)	8,893	9,296	9,886	10,370	11,226	12,390	13,393
Gross Profit (bn IDR)	8,476	8,592	9,488	9,812	9,848	10,243	10,958
Net Income (bn IDR)	2,065	2,004	2,303	2,404	2,451	2,505	2,602
EPS (IDR)	44	43	49	51	52	53	56
Revenue Growth	8.54%	2.99%	8.31%	4.17%	4.42%	7.40%	7.59%
EPS Growth	7.32%	-2.82%	14.73%	4.53%	1.96%	2.21%	3.89%
ROA	16.60%	14.63%	15.12%	14.47%	13.51%	12.36%	12.24%
ROE	21.15%	18.32%	18.48%	17.30%	16.02%	15.00%	14.49%
PE Ratio	39.20	40.34	35.16	33.64	32.99	32.28	31.07
PBV	9.51	8.28	7.39	6.49	5.82	5.29	4.84

04 August 2020

Buy (+10.6%)

Price (03/08)	IDR 1,560
Fair Value	IDR 1,725
Ticker	KLBF
Industry	Consumer Goods

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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)	830—1,690
Mkt Cap (IDR tn)	71.5
JCI Weight	1.63%
Shares O/S (mn)	46,875
YTD Change	-5.86%

PT Gira Sole Prima	10.19%
PT Santa Seha Sanadi	9.89%
PT Diptanala Bahana	9.50%
PT Lucasta Murni Cemerlang	9.47%
PT Ladang Ira Panen	9.36%
PT Bina Arta Charisma	8.61%
Public	42.98%

Source : Company, Bloomberg, MCS Research

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Exhibit 02– Financial Summary

(in bn IDR)	1H19	1H20	YoY	1Q20	2Q20	QoQ	FY20E	%
Revenue	11,179	11,605	3.81%	5,796	5,809	0.23%	24,351	47.66%
- Cost of Revenue	6,002	6,352	5.83%	3,178	3,174	-0.15%	13,393	47.43%
Gross Profit	5,177	5,253	1.47%	2,617	2,635	0.69%	10,958	47.93%
Operating Income	1,622	1,718	5.93%	816	902	10.45%	3,485	49.31%
Net Income	1,258	1,388	10.28%	669	718	7.32%	2,602	53.32%
Basic Earnings per Share (IDR)	27	30	10.31%	14	15	7.31%	56	53.32%
Margin								
Gross Margin	46.3%	45.3%		45.2%	45.4%		45.0%	
Operating Margin	14.5%	14.8%		14.1%	15.5%		14.3%	
Profit Margin	11.3%	12.0%		11.5%	12.4%		10.7%	
Sales								
	1H19	1H20	YoY					
Prescription Pharmaceuticals	2,679	2,565	-4.3%					
Consumer Health	1,945	2,072	6.5%					
Nutritionals	3,145	3,213	2.2%					
Distribution & Logistics	3,410	3,755	10.1%					
Consolidated Sales	11,179	11,605	3.8%					

Source : Company, Bloomberg, MCS Research

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