

4 June 2013

PT DARYA-VARIA LABORATORIA Tbk

THE PARTY IS STILL ON

BUY

Since early May, DVLA has risen spectacularly (as shown in Figure 2), almost catching up with the average P/E of Indonesian healthcare industry. Although the price have reached an all-time high, we believed that the stock is still having an upside potential as most peers have also risen in the past months. Rising income per capita and recent government policy to increase the healthcare insurance have elevated the industry to become one of the prominent sector in Indonesia. Hence, we upgrade our target price to 4,300, which reflects 31x trailing 12 months PE and 25x 2013E PE.

Rising Price Is Backed Up by Fundamental Factors

Although the stock price has soared by more than 50% during May, it still has very attractive valuations. The price-to-earnings ratio is just 27x, while other competitors have much higher ratio with an average of 31x (as shown in Figure 1). It seems that movement can be attributed partly to the lagged stock price over the years. Within that reason, the price hike in recent month was seemed reasonable. Nevertheless, we stay on positive stance regarding the stock future prospect on the back of BPJS implementation next year.

Top Holders

Blue Sphere Singapore Pte Ltd	92.66%
Others	7.34%

Tkr & Exch	Mkt Cap	Current Price	P/E	ROE	Gross Margin	EBIT MARGIN	Profit Margin	Rev. Growth	EPS Growth
Average	21,899		31	22	46	17	14	17	25
DVLA IJ	4,116	3,650	27	19	62	20	15	4	18
KLBF IJ	72,108	1,420	37	25	48	16	13	16	10
MERK IJ	5,230	235,000	35	32	49	30	23	52	110
TSPC IJ	20,137	4,475	31	19	40	15	15	3	6
KAEF IJ	5,054	910	25	15	29	3	3	13	(20)

Source: Bloomberg , Sinarmas Investment Research



Christandi Rheza Mihardja

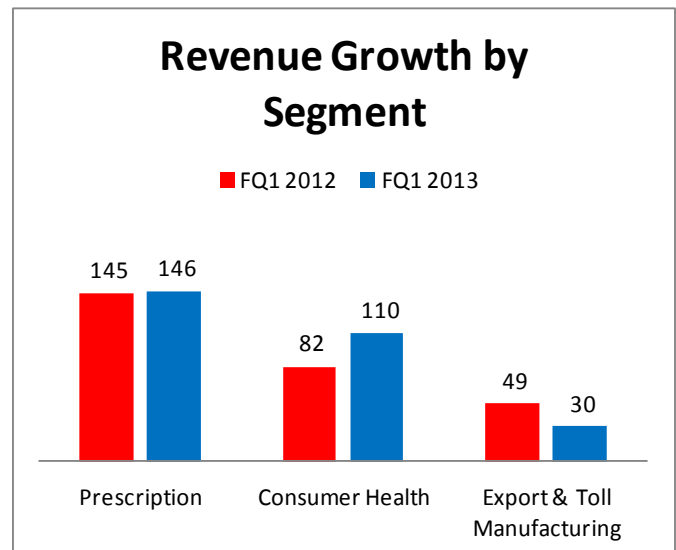
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Stock Data

Sector	Pharmaceuticals
Price	3,650
12-month Target Price 2013	4,300
12-month Rating	Buy
Prior	Buy
Ticker	DVLA.IJ (BBG)
Market Cap	IDR 4,116 Bn
Shares Outstanding	1.120bn

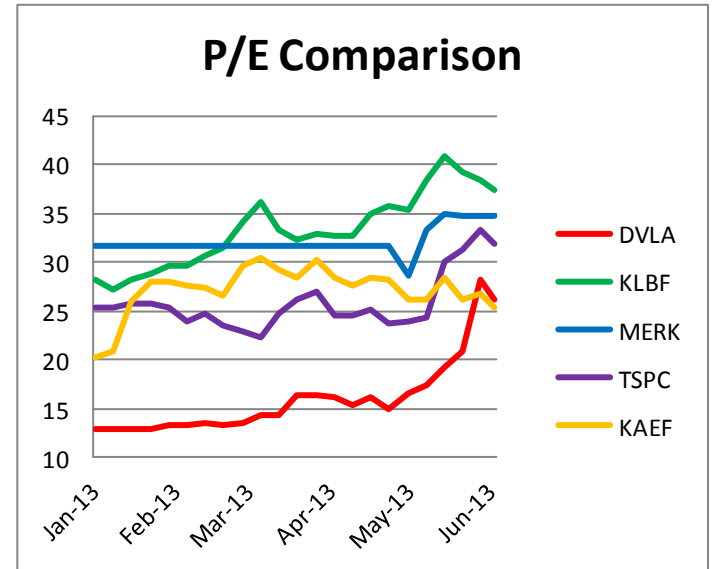
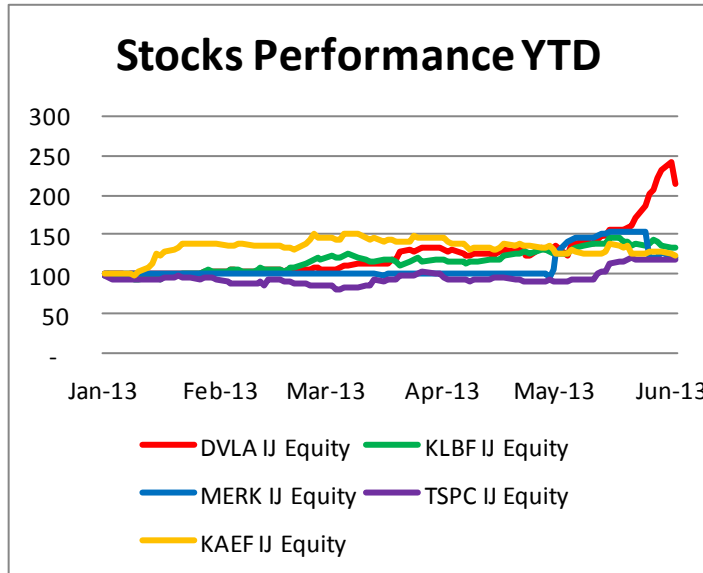
Figure 3. Despite the prescription and export& toll manufacturing sales has suffered a slowdown, the consumer health segment scored an impressive growth.



Source: Bloomberg , Sinarmas Investment Research

Figure 2. Healthcare Stocks Performance YTD. DVLA's performance was beyond the others, yet the valuation is still the cheapest among other companies.

Figure 3. Healthcare Companies' P/E Movement as of 4 June 2013.



Source: Bloomberg, Sinarmas Investment Research

Source: Bloomberg, Sinarmas Investment Research

In bn IDR	FQ1 2011	FQ1 2012	FQ1 2013	FY 2011	FY 2012	TQ1 2013
Revenue	225	277	287	900	1,087	1,128
<i>growth</i>	<i>3%</i>	<i>23%</i>	<i>4%</i>	<i>-3%</i>	<i>21%</i>	<i>4%</i>
Cost of Revenue	77	109	108	349	436	424
Gross Profit	148	167	179	551	651	704
<i>gross margin</i>	<i>66%</i>	<i>60%</i>	<i>62%</i>	<i>61%</i>	<i>60%</i>	<i>62%</i>
Operating Expenses	117	143	123	408	464	
EBIT	31	49	56	143	187	221
<i>EBIT margin</i>	<i>14%</i>	<i>18%</i>	<i>20%</i>	<i>16%</i>	<i>17%</i>	<i>20%</i>
Depreciation	6	7	8	15	22	22
EBITDA	37	56	64	159	209	243
<i>EBITDA margin</i>	<i>17%</i>	<i>20%</i>	<i>22%</i>	<i>18%</i>	<i>19%</i>	<i>22%</i>
Interest Expense	-	-	-	-	-	-
Foreign Exchange Losses (Gains)	3	-	-	0	-	-
Net Non-Operating Losses (Gains)	(2)	(2)	(3)	(23)	(17)	(17)
Pretax Income	30	51	59	167	204	238
Income Tax Expense	8	14	16	45	56	60
Income Before XO Items	22	37	43	121	149	179
Minority Interests	-	-	-	-	-	-
Net Income	22	37	44	121	149	179
<i>net margin</i>	<i>10%</i>	<i>13%</i>	<i>15%</i>	<i>13%</i>	<i>14%</i>	<i>16%</i>
<i>growth</i>	<i>-13%</i>	<i>64%</i>	<i>19%</i>	<i>10%</i>	<i>23%</i>	<i>20%</i>

Source: Bloomberg, Sinarmas Investment Research

	2009	2010	2011	2012	2013F
Revenue	817	869	900	1,087	1,267
<i>growth</i>	<i>41%</i>	<i>6%</i>	<i>3%</i>	<i>21%</i>	<i>17%</i>
Product/Brand Segments	869	929	972	1,187	1,363
Ethical	436	508	509	617	617
<i>growth</i>	<i>40%</i>	<i>17%</i>	<i>0%</i>	<i>21%</i>	<i>0%</i>
Over the Counter	416	402	443	538	727
<i>growth</i>	<i>75%</i>	<i>-3%</i>	<i>10%</i>	<i>22%</i>	<i>35%</i>
Toll-Manufacturing	18	20	20	32	19
<i>growth</i>	<i>-39%</i>	<i>10%</i>	<i>4%</i>	<i>55%</i>	<i>-39%</i>
Sales Discount	(52)	(60)	(73)	(100)	(97)
<i>% of sales</i>	<i>-6.0%</i>	<i>-6.4%</i>	<i>-7.5%</i>	<i>-8.4%</i>	<i>-7.1%</i>
Cost of Revenue	333	342	349	436	489
Gross Profit	484	528	551	651	778
<i>gross margin</i>	<i>59%</i>	<i>61%</i>	<i>61%</i>	<i>60%</i>	<i>61%</i>
Operating Expenses	365	391	408	464	558
Operating Income	119	137	143	187	220
<i>EBIT margin</i>	<i>15%</i>	<i>16%</i>	<i>16%</i>	<i>17%</i>	<i>17%</i>
Interest Expense	-	-	0	0	-
Foreign Exchange Losses (Gains)	11	4	(1)	(6)	-
Net Non-Operating Losses (Gains)	(8)	(23)	(23)	(11)	(26)
<i>% of sales</i>	<i>-1%</i>	<i>-3%</i>	<i>-3%</i>	<i>-1%</i>	<i>-2%</i>
Pretax Income	114	154	166	204	246
Income Tax Expense	42	43	45	56	68
<i>% of tax</i>	<i>37%</i>	<i>28%</i>	<i>27%</i>	<i>27%</i>	<i>27%</i>
Income Before XO Items	72	111	121	149	178
Extraordinary Loss Net of Tax	-	-	-	-	-
Minority Interests	-	-	-	-	-
Net Income	72	111	121	149	178
<i>net margin</i>	<i>9%</i>	<i>13%</i>	<i>13%</i>	<i>14%</i>	<i>14%</i>
EPS	65	99	108	133	159
PE	62	40	37	30	25
Basic Weighted Avg Shares	1	1	1	1	1

Source: Bloomberg, Sinarmas Investment Research

Date	Coverage	Recommendation	Valuation
21 March 2013	Flash Note	BUY	3,450
7 May 2013	Flash Note	BUY	3,450
4 June 2013	Flash Note	BUY	4,300

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