

1Q21 results review. KLBF recorded 1Q21 revenue at IDR 6 tn (+0% QoQ/+3.8% YoY), reaching 24.6%/24.2% of our/consensus estimate. 1Q21 net profit was IDR 716 bn (+1.5% QoQ/+7.1% YoY), achieving 25.3%/24.5% of our/consensus estimate. By segment, prescription drugs improved by 15.1% QoQ following recovery in hospital outpatient traffic, and consumer health rose by 38.3% QoQ from a low base in 4Q20. The solid growth within these two segments resulted in a higher revenue contribution of 23%/17% for prescription/consumer health, up from 20%/12% in 4Q20. Meanwhile, the remaining two segments, nutritionals and distribution, dropped by 12.4%/10.8% QoQ respectively.

Key revenue drivers. Based on the strong 1Q21 results in which prescription segment has bounced back with hospital traffic now reaching 75-80% back to pre-Covid level and steadily improving month over month, coupled with potential developed earnings from its oncology and biosimilar business unit, we believe that prescription segment will recover and should post 8.1% growth. Consumer health might reach 7.5% growth with more contribution from vitamin and supplement and herbal products. Nutritionals may post moderate growth of 4.4% YoY in relation to the downtrading trend in consumer behavior. On the distribution side, we expect this segment to grow by 7.1% driven by collaboration with new principles and distribution scope expansion to digital platform. Taking all into account, we forecast KLBF to post 6.6% revenue growth in FY21F.

Margin overview. 1Q21 GPM stood at 44% (vs. 41.1% in 4Q20) driven by favorable product mix and gross margin improvement across all segments other than distribution. OPM declined to 14.9% (vs. 16.6% in 4Q20), yet improved from 14.1% in 1Q20. The impact of opex efficiencies and lower tax rate resulted in a higher 1Q21 NPM of 11.9%, compared to 11.7%/11.5% in 4Q20/1Q20. Looking into the upcoming quarters, we see that gross margin might decline due to the downtrading trend and limited pricing power. However, we believe KLBF will maintain its bottom-line level by managing its marketing activities and monitoring its other operating costs.

We upgrade our ADD rating to BUY on PT Kalbe Farma (KLBF) with a higher 52-week TP of IDR 1,770. Our TP derived from 27.9x FY21F PE (-0.5SD from its 5-yr mean). Given its robust potential earnings growth and its ability to retain its attractive margin, we believe that KLBF remains a promising name for long-term play. Downside risks to our call: further IDR depreciation and weaker-than-expected purchasing power.

Highlights (IDR Bn)	2019	2020	2021E	2022F	2023F
Revenue	22,633	23,113	24,639	25,914	27,213
% growth	7.4%	2.1%	6.6%	5.2%	5.0%
Gross Profit	10,243	10,246	10,892	11,433	11,971
Net Profit	2,507	2,733	2,973	3,173	3,282
% growth	2.0%	9.0%	8.8%	6.7%	3.4%
Gross Margin (%)	45.3%	44.3%	44.2%	44.1%	44.0%
Net Margin (%)	11.1%	11.8%	12.1%	12.2%	12.1%
Return on Equity (%)	16.4%	16.4%	16.4%	16.1%	15.4%
Return on Assets (%)	11.7%	11.7%	11.9%	11.9%	11.8%
EPS (IDR)	53	58	63	68	70

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Sector	Consumer
Bloomberg Ticker	KLBF IJ
Market Cap. (IDR tn)	68.4
Share Out./Float (mn)	46,875/20.006
Current Price	1,460
FY21F Target Price	1,770
Upside	21.2%

Share Price Performance

52W High (07/21/20)	1,695
52W Low (03/26/20)	830
52W Beta	0.9
YTD Change	-1.4%

Relative Valuations

Trailing P/E	30.4x
Forward P/E	27.9x
P/BV	4.2x

KLBF 1Q21 Earnings Summary

IDR Bn	1Q20	4Q20	1Q21	%QoQ	%YoY	3M20	3M21	%YoY	%DH	%Cons
Revenue	5,796	6,017	6,015	0.0%	3.8%	5,796	6,015	3.8%	24.6%	24.2%
Gross Profit	2,617	2,475	2,647	7.0%	1.1%	2,617	2,647	1.1%		
Operating Profit	819	997	897	-10.1%	9.5%	819	897	9.5%		
Net Profit	669	706	716	1.5%	7.1%	669	716	7.1%	25.3%	24.5%
Gross Profit Margin	45.2%	41.1%	44.0%			45.2%	44.0%			
Operating Profit Margin	14.1%	16.6%	14.9%			14.1%	14.9%			
Net Profit Margin	11.5%	11.7%	11.9%			11.5%	11.9%			

Source: Company Data, Sinarmas Investment Research

Earnings Changes

(IDR Bn)	Old		New		Changes	
	FY21	FY22	FY21	FY22	FY21	FY22
Revenue	24,210	25,598	24,639	25,914	1.8%	1.2%
Gross Profit	10,901	11,582	10,891	11,434	-0.1%	-1.3%
Operating Profit	3,543	3,826	3,768	3,896	6.4%	1.8%
Net Profit	2,834	3,166	2,973	3,173	4.9%	0.2%
EPS (IDR)	60	67	63	68	5.2%	0.3%
Gross Margin	45.0%	45.2%	44.2%	44.1%		
Operating Margin	14.6%	14.9%	15.3%	15.0%		
Net Margin	11.7%	12.4%	12.1%	12.2%		

Source: Sinarmas Investment Research

Income Statement (IDR Bn)	2019	2020	2021E	2022F	2023F
Revenue	22,633	23,113	24,639	25,914	27,213
% growth	7.4%	2.1%	6.6%	5.2%	5.0%
Cost of Good Sold	(12,390)	(12,866)	(13,748)	(14,480)	(15,242)
Gross Profit	10,243	10,247	10,891	11,434	11,971
% growth	4.0%	0.0%	6.3%	5.0%	4.7%
Operating Expenses	(6,933)	(6,691)	(7,123)	(7,538)	(7,961)
Opex to Sales (%)	30.6%	28.9%	28.9%	29.1%	29.3%
EBIT	3,310	3,556	3,768	3,896	4,010
% growth	-0.1%	7.4%	6.0%	3.4%	2.9%
EBITDA	3,674	4,032	4,235	4,396	4,558
% growth	0.5%	9.7%	5.0%	3.8%	3.7%
Net Financing Income (Expenses)	92	72	136	167	192
EBT	3,402	3,628	3,904	4,063	4,202
Tax Expenses	(864)	(829)	(859)	(813)	(840)
Minority Interest	(31)	(66)	(72)	(77)	(80)
Net Income	2,507	2,733	2,973	3,173	3,282
% growth	2.0%	9.0%	8.8%	6.7%	3.4%
EPS (IDR)	53	58	63	68	70

Balance Sheet (IDR Bn)	2019	2020	2021E	2022F	2023F
Cash & Equivalents	3,041	5,206	5,721	6,398	7,245
Trade Receivables	3,698	3,595	3,813	4,048	4,252
Inventories	3,738	3,600	4,069	4,209	4,428
Other Current Assets	746	673	563	584	614
Total Current Assets	11,223	13,074	14,166	15,239	16,539
Fixed Assets	7,666	8,310	8,967	9,597	10,185
Other Non Current Assets	1,376	1,179	882	950	998
Total Assets	20,265	22,563	24,015	25,786	27,722
Short Term Debt	169	369	542	546	568
Trade Payables	1,712	1,897	1,885	1,981	2,092
Other Current Liabilities	696	911	676	750	818
Total Current Liabilities	2,577	3,177	3,103	3,277	3,478
Long Term Debt	648	789	723	644	630
Other Non Current Liabilities	335	320	353	364	387
Total Liabilities	3,560	4,286	4,179	4,285	4,495
Share & APIC	435	435	435	435	435
Retained Earnings	15,361	16,876	18,392	20,011	21,689
Minority Interest	812	871	914	960	1,008
Others	97	95	95	95	95
Total Equity	16,705	18,277	19,836	21,501	23,227
Total Liabilities & Equity	20,265	22,563	24,015	25,786	27,722

Source: Company Data, Sinarmas Investment Research

Cash Flow (IDR Bn)	2019	2020	2021E	2022F	2023F
Net Income	2,507	2,733	2,973	3,173	3,282
Dep. & Amortization	364	476	467	500	548
Chg. In NWC	(469)	713	(824)	(225)	(274)
CF from Operating	2,402	3,922	2,616	3,448	3,556
Capital Expenditure	(1,778)	(1,120)	(1,123)	(1,130)	(1,136)
Chg. in LT Assets	(131)	197	297	(68)	(47)
Chg. in LT Liabs	30	(12)	30	11	22
CF from Investing	(1,879)	(935)	(796)	(1,187)	(1,161)
Chg. in Share & APIC	-	-	-	-	-
Chg. in Debt	461	341	108	(76)	8
Dividends Paid	(1,219)	(1,219)	(1,457)	(1,554)	(1,604)
Others	123	56	44	46	48
CF from Financing	(635)	(822)	(1,305)	(1,584)	(1,548)
Chg. in Cash	(112)	2,165	515	677	847
Beginning Cash	3,153	3,041	5,206	5,721	6,398
Ending Cash	3,041	5,206	5,721	6,398	7,245

Financial Ratio & Key Assumption	2019	2020	2021E	2022F	2023F
Profitability					
Return on Equity	16.4%	16.4%	16.4%	16.1%	15.4%
Return on Assets	11.7%	11.7%	11.9%	11.9%	11.8%
Gross Margin	45.3%	44.3%	44.2%	44.1%	44.0%
Operating Margin	14.6%	15.4%	15.3%	15.0%	14.7%
EBITDA Margin	16.2%	17.4%	17.2%	17.0%	16.7%
Net Margin	11.1%	11.8%	12.1%	12.2%	12.1%
Liquidity					
Current Ratio (x)	4.4	4.1	4.6	4.7	4.8
Quick Ratio (x)	2.6	2.8	3.1	3.2	3.3
Solvency					
Debt to Equity (x)	0.0	0.1	0.1	0.1	0.1
Debt to Assets (x)	0.0	0.1	0.1	0.0	0.0
Interest Cov. (x)	81.9	39.7	55.5	61.8	63.1
Valuation					
Price to Earnings (x)	33.1	30.4	27.9	26.1	25.3
Price to Book (x)	24.8	4.5	4.2	3.9	3.6

Source: Company Data, Sinarmas Investment Research

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