

Kimia Farma Tbk (KAEF)

Ekspansi Agresif

Company Report | Oct 22, 2018

Buy

Dec 2019 TP (IDR) 2,890

Consensus Price (IDR) 2,170
 TP to Consensus Price +33.2%
 vs. Last Price +15.1%

Shares data

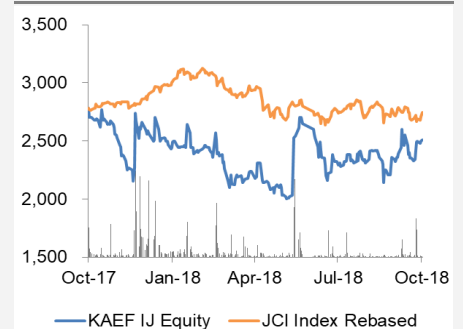
Last Price (IDR) 2,510
 Price date as of Oct 17, 2018
 52 wk range (Hi/Lo) 2,770 / 2,000
 Free float (%) 5.5
 Outstanding sh.(mn) 5,554
 Market Cap (IDR bn) 13,885
 Market Cap (USD mn) 914
 Avg. Trd Vol - 3M (mn) 0.39
 Avg. Trd Val - 3M (bn) 0.95
 Foreign Ownership 1.1%

Health Care

Pharmaceuticals

Bloomberg **KAEF IJ**
 Reuters **KAEF.JK**

Share Price Performance



| | YTD | 1M | 3M | 12M |
|-----------|-------|------|------|-------|
| Abs. Ret. | -3.5% | 7.3% | 9.6% | -9.7% |
| Rel. Ret. | 4.0% | 6.5% | 9.5% | -8.4% |

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Penjualan KAEF, Meningkat 20,2%

Penjualan KAEF diperkirakan mampu tumbuh hingga 20,2% dari Rp6,12 triliun pada 2017 menjadi Rp7,36 triliun pada 2018. Pertumbuhan ini ditopang oleh **divisi retail farmasi yang berhasil tumbuh 24% y-y pada 1Q18 dan 33% y-y pada 2Q18**. Divisi retail farmasi berkontribusi sebesar 56% terhadap total penjualan KAEF.

Laba Bersih, Tertekan Beban Bunga

Laba bersih KAEF berhasil tumbuh 29% dari Rp66 miliar pada 2Q17 menjadi Rp85 miliar pada 2Q18. Namun kami memperkirakan bahwa **laba bersih KAEF akan turun sebesar 9,5%** dari Rp327 miliar pada 2017 menjadi Rp296 miliar pada 2018. Meskipun EBITDA KAEF mampu tumbuh 26% dari Rp623 miliar pada 2017 menjadi Rp783 miliar pada 2018, **beban bunga diperkirakan akan meningkat 125%** dari Rp86 miliar pada 2017 menjadi Rp194 miliar pada 2018. Hal ini menyebabkan laba margin bersih turun pada 2018.

Menantikan Lonjakan Penjualan dengan Utilisasi Pabrik Baru

Berdasarkan *pipeline* capex KAEF yang meningkat drastis dari Rp2,2 triliun pada 2017 menjadi Rp4,4 triliun pada 2018, KAEF diperkirakan akan mengalami **peningkatan beban bunga yang akan mempengaruhi kinerja sebelum pabrik Banjaran beroperasi secara penuh**. EBT dapat stabil setelah pabrik Banjaran beroperasi secara penuh.

Target Harga Rp2.890

Kami menggunakan estimasi forward P/E sebesar 51,8x (1 SD di atas rata-rata 3 tahun sebesar 39,5x) untuk memperoleh target harga pada Desember 2019. Target harga ini mengimplikasikan P/E 2019E sebesar 67,3x. Saat ini, KAEF diperdagangkan pada P/E 2018E sebesar 47,1x.

Kimia Farma Tbk | Summary (IDR bn)

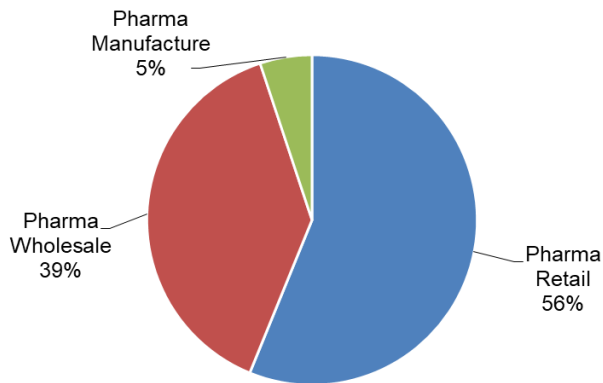
| | 2017 | 2018E | 2019F | 2020F |
|-----------------------|-------|-------|--------|--------|
| Sales | 6,127 | 7,366 | 8,968 | 10,936 |
| <i>Sales growth</i> | 5.4% | 20.2% | 21.7% | 21.9% |
| EBITDA | 623 | 783 | 958 | 1,161 |
| Net Profit | 327 | 296 | 238 | 311 |
| EPS (IDR) | 59 | 53 | 43 | 56 |
| <i>EPS growth</i> | 22.2% | -9.5% | -19.4% | 30.4% |
| BVPS (IDR) | 463 | 513 | 540 | 583 |
| EBITDA margin | 10.2% | 10.6% | 10.7% | 10.6% |
| NPM | 5.3% | 4.0% | 2.7% | 2.8% |
| ROE | 12.7% | 10.4% | 8.0% | 9.6% |
| ROA | 5.4% | 3.7% | 2.7% | 3.1% |
| ROIC | 8.1% | 7.1% | 8.5% | 9.2% |
| P/E | 45.9x | 47.1x | 58.5x | 44.8x |
| P/BV | 5.8x | 4.9x | 4.7x | 4.3x |
| EV/EBITDA | 26.0x | 21.0x | 17.8x | 15.2x |
| DPS (IDR) | 18 | 16 | 13 | 17 |
| <i>Dividend yield</i> | 3.6% | 3.5% | 2.9% | 3.7% |

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

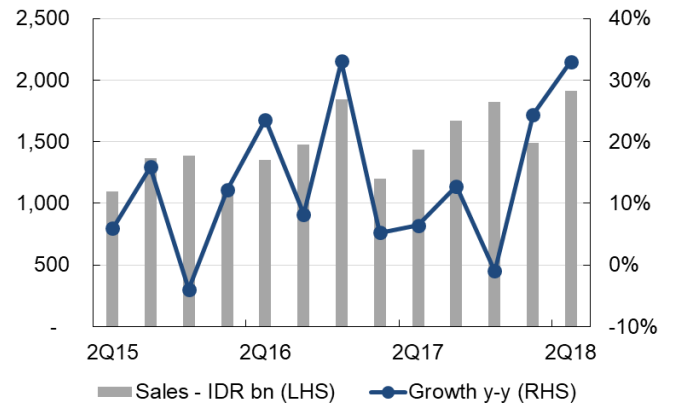
Performance Highlights

KAEF Sales Breakdown | FY2018E



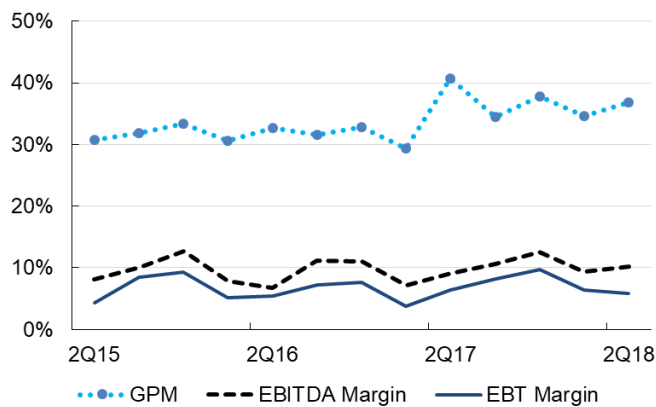
Source: Company, NHKS Research

KAEF Quarterly Sales Growth | 2Q15 - 2Q18



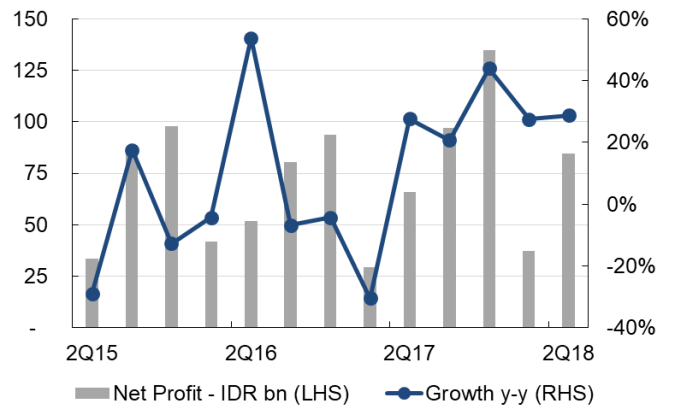
Source: Company, NHKS Research

KAEF Margin | 2Q15 - 2Q18



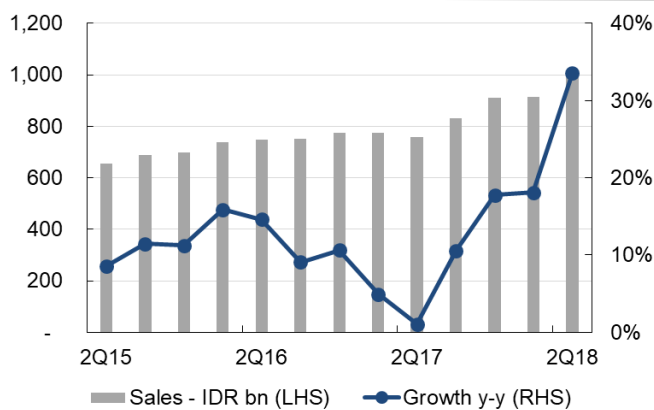
Source: Company, NHKS Research

KAEF Quarterly Profit Growth | 2Q15 - 2Q18



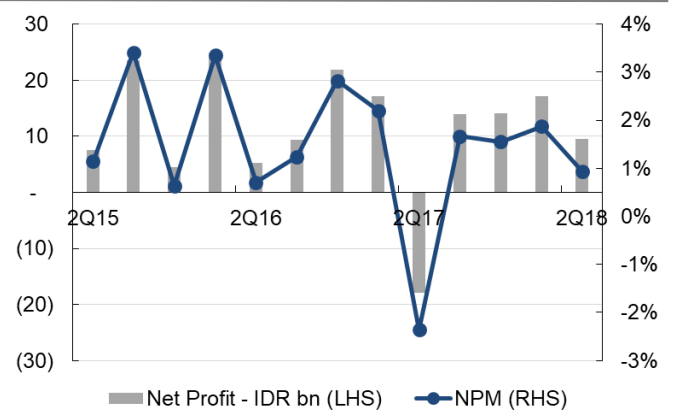
Source: Company, NHKS Research

Pharma Retail Division Sales Growth | 2Q15 - 2Q18



Source: Company, NHKS Research

Pharma Retail Division Net Profit | 2Q15 - 2Q18



Source: Company, NHKS Research

2Q18 review (IDR bn)

| | 2Q17 | 3Q17 | 4Q17 | 1Q18 | 2Q18 | | | | | 3Q18E |
|----------------------|-----------|-----------|------------|-----------|-----------|-----------|--------------|---------------|-------------|-----------|
| | | | | | Actual | Estimate | y-y | q-q | surprise | |
| Sales | 1,438 | 1,666 | 1,826 | 1,490 | 1,912 | 1,598 | 33.0% | 28.3% | 19.6% | 1,892 |
| Gross Profit | 585 | 576 | 689 | 516 | 705 | 541 | 20.6% | 36.5% | 30.4% | 654 |
| <i>Gross Margin</i> | 40.7% | 34.5% | 37.8% | 34.7% | 36.9% | 33.8% | -3.8% | 2.2% | 3.0% | 34.5% |
| EBIT | 109 | 155 | 199 | 96 | 149 | 122 | 36.9% | 55.2% | 22.9% | 176 |
| <i>EBIT Margin</i> | 7.6% | 9.3% | 10.9% | 6.5% | 7.8% | 7.6% | 0.2% | 1.4% | 0.2% | 9.3% |
| EBITDA | 131 | 177 | 229 | 140 | 194 | 144 | 47.6% | 38.3% | 35.0% | 199 |
| <i>EBITDA Margin</i> | 9.1% | 10.6% | 12.5% | 9.4% | 10.2% | 9.0% | 1.0% | 0.7% | 1.2% | 10.5% |
| Net Profit | 66 | 97 | 135 | 37 | 85 | 78 | 28.7% | 127.9% | 8.3% | 69 |
| <i>Net Margin</i> | 4.6% | 5.8% | 7.4% | 2.5% | 4.4% | 4.9% | -0.1% | 1.9% | -0.5% | 3.6% |

Source: Bloomberg, NHKS research

Earnings revision (IDR bn)

| | | 2018E | 2019F | 2020F |
|-------------------|-----------|--------|--------|--------|
| Sales | -Revised | 7,366 | 8,968 | 10,936 |
| | -Previous | 6,879 | 7,531 | 8,205 |
| | -Change | 7.1% | 19.1% | 33.3% |
| Gross Profit | -Revised | 2,658 | 3,235 | 3,945 |
| | -Previous | 2,474 | 2,623 | 2,945 |
| | -Change | 7.4% | 23.4% | 33.9% |
| Gross Margin | -Revised | 36.1% | 36.1% | 36.1% |
| | -Previous | 36.0% | 34.8% | 35.9% |
| EBIT | -Revised | 648 | 789 | 962 |
| | -Previous | 533 | 498 | 630 |
| | -Change | 21.4% | 58.3% | 52.6% |
| EBIT Margin | -Revised | 8.8% | 8.8% | 8.8% |
| | -Previous | 7.8% | 6.6% | 7.7% |
| EBITDA | -Revised | 783 | 958 | 1,161 |
| | -Previous | 632 | 655 | 630 |
| | -Change | 23.9% | 46.4% | 84.1% |
| EBITDA Margin | -Revised | 10.6% | 10.7% | 10.6% |
| | -Previous | 9.2% | 8.7% | 7.7% |
| Net Profit | -Revised | 296 | 238 | 311 |
| | -Previous | 357 | 337 | 523 |
| | -Change | -17.0% | -29.2% | -40.5% |
| Net Margin | -Revised | 4.0% | 2.7% | 2.8% |
| | -Previous | 5.2% | 4.5% | 6.4% |

Source: NHKS research

Sekilas Tentang KAEF

Didirikan oleh Pemerintah Hindia Belanda pada 1817, Kimia Farma adalah perusahaan industri farmasi pertama di Indonesia. Nama perusahaan ini pada awalnya adalah NV Chemicalien Handle Rathkamp & Co. Berdasarkan kebijaksanaan nasionalisasi atas bekas perusahaan Belanda di masa awal kemerdekaan, pada 1958, Pemerintah Republik Indonesia melakukan peleburan sejumlah perusahaan farmasi menjadi PNF (Perusahaan Negara Farmasi) Bhinneka Kimia Farma. Kemudian pada 16 Agustus 1971, bentuk badan hukum PNF diubah menjadi Perseroan Terbatas sehingga nama perusahaan berubah menjadi PT Kimia Farma (Persero).

Pada 4 Juli 2001, PT Kimia Farma (Persero) kembali mengubah statusnya menjadi perusahaan publik, PT Kimia Farma (Persero) Tbk. Bersamaan dengan perubahan tersebut, KAEF telah dicatatkan pada Bursa Efek Indonesia. Berbekal pengalaman selama puluhan tahun, KAEF telah berkembang menjadi perusahaan dengan pelayanan kesehatan terintegrasi di Indonesia.

Daya Saing KAEF di Asia Pasifik

Sebagai emiten farmasi dengan kapitalisasi pasar nomor dua di Indonesia, KAEF memiliki P/E yang relatif lebih tinggi dibandingkan kompetitornya. Namun, KAEF masih memiliki potensi pertumbuhan *double digit* dengan ROE LTM 14,9%.

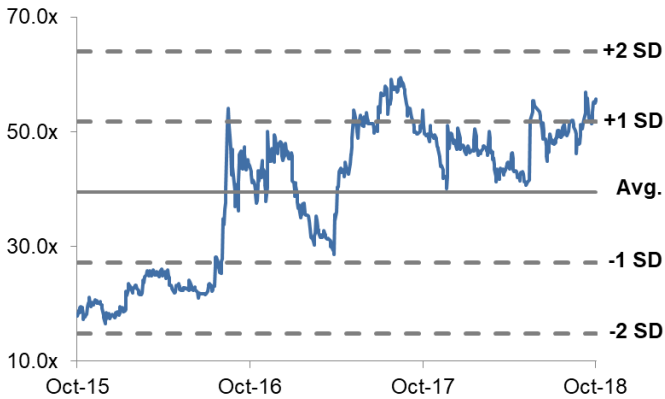
Asia Pacific Cigarette Company

| Company | Market Cap (USD mn) | Asset (USD mn) | Sales LTM (USD mn) | Net Profit LTM (USD mn) | Net Profit Growth LTM | Net Margin | ROE LTM | P/E LTM | P/BV |
|---------------------------|---------------------|----------------|--------------------|-------------------------|-----------------------|------------|---------|---------|-------|
| Indonesia | | | | | | | | | |
| Kimia Farma | 914 | 449 | 507 | 26 | 31.54% | 5.1% | 14.9% | 39.3x | 5.5x |
| Kalbe Farma | 4,133 | 1,223 | 1,507 | 177 | 1.41% | 11.7% | 18.9% | 26.1x | 4.7x |
| Indofarma | 907 | 113 | 115 | 1 | N/A | 0.5% | 1.4% | 1838.1x | 26.2x |
| Tempo Scan Pacific | 412 | 547 | 719 | 40 | 1.76% | 5.6% | 11.3% | 11.5x | 1.3x |
| Merck | 156 | 62 | 85 | 10 | -14.70% | 11.6% | 23.4% | 17.6x | 4.0x |
| Darya Varia Laboratoria | 141 | 121 | 117 | 11 | -21.22% | 9.4% | 13.2% | 14.4x | 1.9x |
| Millennium Pharmacon Intl | 8 | 69 | 163 | 1 | 92.83% | 0.8% | 9.4% | 5.1x | 0.6x |
| Pyridam Farma | 7 | 12 | 18 | 1 | 103.90% | 3.2% | 7.0% | 13.4x | 0.9x |
| India | | | | | | | | | |
| Merck Ltd | 633 | 155 | 165 | 14 | 18.68% | 8.8% | 13.4% | 49.5x | 6.9x |
| Laurus Labs | 554 | 463 | 310 | 26 | -11.91% | 8.4% | 11.9% | 24.3x | 2.7x |
| South Korea | | | | | | | | | |
| Dongkook Pharmaceutical | 484 | 350 | 345 | 39 | 7.19% | 11.3% | 16.2% | 12.7x | 1.9x |
| Hugel Inc | 1,211 | 769 | 164 | 64 | 11.05% | 38.8% | 13.6% | 18.0x | 1.9x |
| CMG Pharmaceutical | 500 | 106 | 42 | 1 | -79.93% | 1.2% | 0.5% | 1039.2x | 5.6x |
| Daewoong | 826 | 1,451 | 1,067 | 62 | 39.07% | 5.8% | 12.8% | 10.2x | 1.2x |
| Sam Chun Dang Pharm | 789 | 220 | 150 | 14 | 67.04% | 9.2% | 10.6% | 57.4x | 5.7x |
| Bukwang Pharmaceutical | 1,055 | 221 | 140 | 9 | 133.59% | 6.2% | 4.2% | 116.9x | 4.8x |
| Taiwan | | | | | | | | | |
| Center Laboratories | 660 | 1,291 | 802 | 29 | 869.66% | 3.7% | 13.1% | 23.3x | 2.9x |
| TTY Biopharm | 651 | 320 | 142 | 55 | 59.50% | 38.5% | 32.9% | 12.3x | 3.9x |

Source: Bloomberg

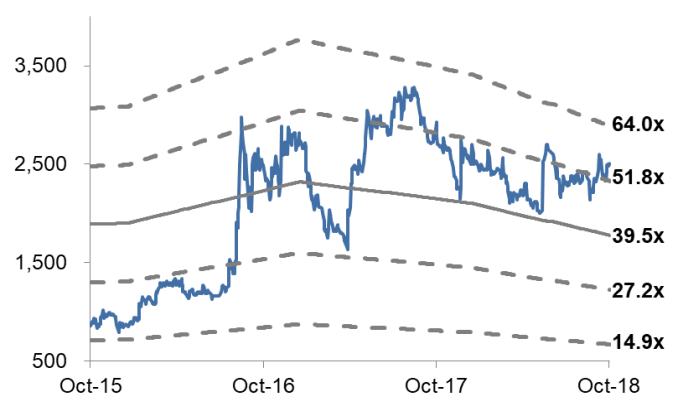
Multiple Valuation

Forward P/E band | Last 3 years



Source: NHKS research

Dynamic Forward P/E band | Last 3 years



Source: NHKS research

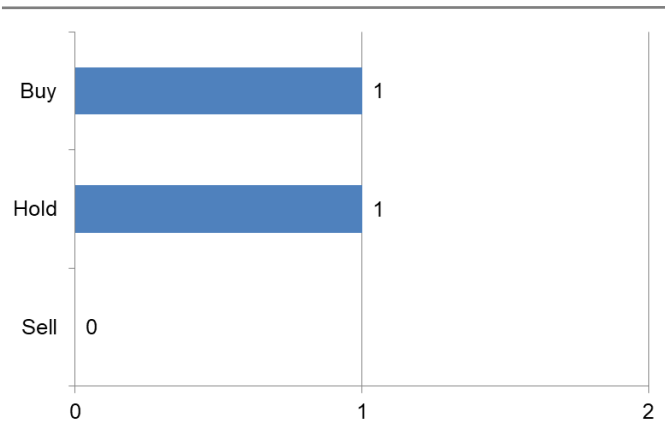
Rating and Target Price Update

Target Price Revision

| Date | Rating | Target Price | Last Price | Consensus | vs Last Price | vs Consensus |
|------------|--------|------------------|------------|-----------|---------------|--------------|
| 07/05/2017 | Buy | 3,280 (Dec 2017) | 2,830 | 2,600 | +15.9% | +26.1% |
| 10/03/2017 | Buy | 3,280 (Dec 2018) | 2,720 | 2,726 | +20.6% | +20.3% |
| 01/31/2018 | Buy | 3,280 (Dec 2018) | 2,460 | 1,940 | +33.3% | +69.1% |
| 10/22/2018 | Buy | 2,890 (Dec 2019) | 2,510 | 2,170 | +15.1% | +33.2% |

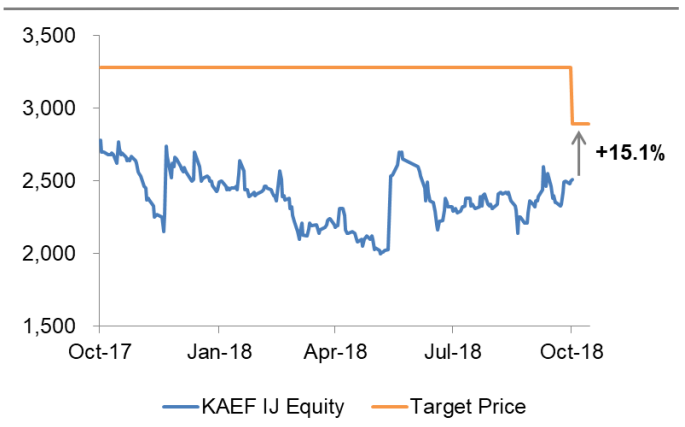
Source: NHKS research, Bloomberg

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKS research

NH Korindo Sekuritas Indonesia (NHKS) stock ratings

- Period: End of year target price
- Rating system based on a stock's absolute return from the date of publication
 - Buy : Greater than +15%
 - Hold : -15% to +15%
 - Sell : Less than -15%

Summary of Financials

| INCOME STATEMENT | | | | | PROFITABILITY & STABILITY | | | | |
|--------------------------|--------------|--------------|--------------|---------------|---------------------------|----------|----------|----------|----------|
| (IDR bn) | 2017/12A | 2018/12E | 2019/12E | 2020/12E | | 2017/12A | 2018/12E | 2019/12E | 2020/12E |
| Sales | 6,127 | 7,366 | 8,968 | 10,936 | ROE | 12.7% | 10.4% | 8.0% | 9.6% |
| <i>Growth</i> | 5.4% | 20.2% | 21.7% | 21.9% | ROA | 5.4% | 3.7% | 2.7% | 3.1% |
| COGS | (3,926) | (4,709) | (5,733) | (6,990) | ROIC | 8.1% | 7.1% | 8.5% | 9.2% |
| Gross Profit | 2,202 | 2,658 | 3,235 | 3,945 | Cash Dividend (IDR bn) | 98 | 89 | 72 | 93 |
| <i>Gross Margin</i> | 35.9% | 36.1% | 36.1% | 36.1% | Dividend Yield | 3.6% | 3.5% | 2.9% | 3.7% |
| Operating Expenses | (1,696) | (2,010) | (2,447) | (2,983) | Payout Ratio | 30.0% | 30.0% | 30.0% | 30.0% |
| EBIT | 506 | 648 | 789 | 962 | DER | 78.5% | 121.7% | 132.3% | 141.1% |
| <i>EBIT Margin</i> | 8.3% | 8.8% | 8.8% | 8.8% | Net Gearing | 80.7% | 128.4% | 139.2% | 147.8% |
| Depreciation | 117 | 135 | 170 | 199 | LT Debt to Equity | 34.5% | 60.0% | 60.3% | 68.2% |
| EBITDA | 623 | 783 | 958 | 1,161 | Capitalization Ratio | 44.0% | 54.9% | 57.0% | 58.5% |
| <i>EBITDA Margin</i> | 10.2% | 10.6% | 10.7% | 10.6% | Equity Ratio | 42.2% | 35.6% | 33.7% | 32.3% |
| Interest Expenses | (86) | (194) | (332) | (380) | Debt Ratio | 33.1% | 43.3% | 44.6% | 45.5% |
| EBT | 450 | 433 | 322 | 418 | Financial Leverage | 237.0% | 280.8% | 296.6% | 309.9% |
| Income Tax | (118) | (135) | (81) | (104) | Current Ratio | 154.6% | 144.6% | 132.5% | 131.5% |
| Minority Interest | (5) | (2) | (3) | (3) | Par Value (IDR) | 100 | 100 | 100 | 100 |
| Net Profit | 327 | 296 | 238 | 311 | Total Shares (mn) | 5,554 | 5,554 | 5,554 | 5,554 |
| <i>Growth</i> | 22.2% | -9.5% | -19.4% | 30.4% | Share Price (IDR) | 2,700 | 2,510 | 2,510 | 2,510 |
| <i>Net Profit Margin</i> | 5.3% | 4.0% | 2.7% | 2.8% | Market Cap (IDR tn) | 15.0 | 13.9 | 13.9 | 13.9 |

| BALANCE SHEET | | | | | VALUATION INDEX | | | | |
|-----------------------------|--------------|--------------|--------------|---------------|-------------------|----------|----------|----------|----------|
| (IDR bn) | 2017/12A | 2018/12E | 2019/12E | 2020/12E | | 2017/12A | 2018/12E | 2019/12E | 2020/12E |
| Cash | 990 | 1,127 | 1,007 | 898 | Price /Earnings | 45.9x | 47.1x | 58.5x | 44.8x |
| Receivables | 930 | 1,211 | 1,474 | 1,798 | Price /Book Value | 5.8x | 4.9x | 4.7x | 4.3x |
| Inventories | 1,192 | 1,524 | 1,856 | 2,263 | Price/Sales | 2.4x | 1.9x | 1.6x | 1.3x |
| Total Current Assets | 3,662 | 4,518 | 4,993 | 5,614 | PE/EPS Growth | 121.6x | -265.4x | -129.3x | 82.5x |
| Net Fixed Assets | 1,690 | 2,695 | 3,115 | 3,634 | EV/EBITDA | 26.0x | 21.0x | 17.8x | 15.2x |
| Other Non Current Asset | 744 | 781 | 781 | 781 | EV/EBIT | 32.0x | 25.4x | 21.6x | 18.3x |
| Total Assets | 6,096 | 7,994 | 8,889 | 10,029 | EV (IDR bn) | 16,192 | 16,445 | 17,065 | 17,608 |
| Payables | 879 | 1,126 | 1,370 | 1,671 | Sales CAGR (3-Yr) | 10.7% | 14.9% | 15.6% | 21.3% |
| ST Debt | 1,133 | 1,757 | 2,157 | 2,357 | EPS CAGR (3-Yr) | 8.5% | 4.2% | -3.8% | -1.6% |
| LT Debt | 887 | 1,708 | 1,808 | 2,208 | Basic EPS (IDR) | 59 | 53 | 43 | 56 |
| Total Liabilities | 3,524 | 5,147 | 5,892 | 6,792 | Diluted EPS (IDR) | 59 | 53 | 43 | 56 |
| Capital Stock & APIC | 623 | 623 | 623 | 623 | BVPS (IDR) | 463 | 513 | 540 | 583 |
| Retained Earnings | 1,946 | 2,144 | 2,293 | 2,533 | Sales PS (IDR) | 1,103 | 1,326 | 1,615 | 1,969 |
| Shareholders' Equity | 2,573 | 2,847 | 2,997 | 3,236 | DPS (IDR) | 18 | 16 | 13 | 17 |

| CASH FLOW STATEMENT | | | | | OWNERSHIP | | | |
|----------------------------|------------|------------|--------------|--------------|---------------|----------------|-----------------------|------|
| (IDR bn) | 2017/12A | 2018/12E | 2019/12E | 2020/12E | By Geography | % Shareholders | % | |
| Operating Cash Flow | 33 | (69) | 58 | 80 | Indonesia | 98.9 | Republic of Indonesia | 90.0 |
| Investing Cash Flow | (838) | (1,141) | (589) | (718) | United States | 1.1 | ASABRI | 4.5 |
| Financing Cash Flow | 1,147 | 1,347 | 411 | 528 | | | Wasatch Advisor Inc | 0.9 |
| Net Changes in Cash | 342 | 137 | (120) | (109) | | | Brinker Capital Inc | 0.2 |

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