

Kimia Farma Tbk (KAEF)

Melaju Lebih Kencang

Company Report | Jan 31, 2018

Buy

Dec 2018 TP (IDR)	3,280
Consensus Price (IDR)	1,940
TP to Consensus Price	+69.1%
vs. Last Price	+33.3%

Shares data

Last Price (IDR)	2,460
Price date as of	Jan 30, 2018
52 wk range (Hi/Lo)	3,280/1,635
Free float (%)	10.0
Outstanding sh.(mn)	5,554
Market Cap (IDR bn)	13,718
Market Cap (USD mn)	1,023
Avg. Trd Vol - 3M (mn)	1.53
Avg. Trd Val - 3M (bn)	3.97
Foreign Ownership	1.2%

Health Care

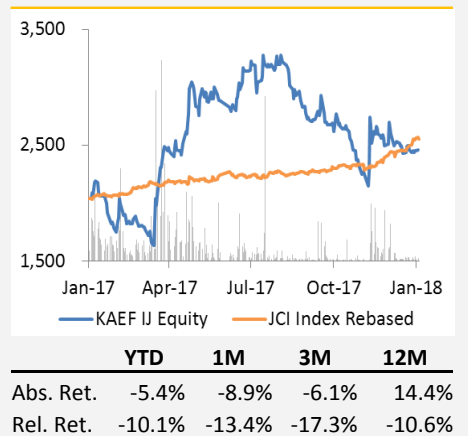
Pharmaceuticals

Bloomberg	KAEF.IJ
Reuters	KAEF.JK

Joni Wintarja

+62 21 797 6202, ext:138
joni.wintarja@nhsec.co.id

Share Price Performance



Konsistensi Akselerasi Pertumbuhan Penjualan

KAEF mencatatkan pertumbuhan berkelanjutan sepanjang 3 kuartal pertama pada 2017. Pada 1Q17, penjualan KAEF meningkat 5% y-y, dan menjadi 6% y-y pada 2Q17, serta mencapai 13% y-y pada 3Q17. Peningkatan pertumbuhan penjualan ini **ditopang oleh divisi obat resep dan divisi OTC** yang masing-masing membukukan peningkatan penjualan 36% y-y, dan 23% y-y pada 3Q17.

Peningkatan Margin Keuntungan

KAEF tidak hanya mencatatkan pertumbuhan penjualan yang fantastis, tetapi juga membukukan peningkatan margin laba kotor dari 32% pada 9M2016 menjadi 35% pada 9M2017. Peningkatan margin kotor ditopang oleh keberhasilannya dalam menerapkan efisiensi dan **menurunkan porsi biaya pembelian barang jadi terhadap penjualan** dari 55% pada 9M2016 menjadi 53% pada 9M2017.

Ekspektasi pada 2018

KAEF menargetkan pertumbuhan sebesar 20% pada 2018. Kami memperkirakan bahwa pertumbuhan terbesar akan ditopang oleh divisi obat resep yang mampu membukukan peningkatan penjualan hingga Rp4 triliun pada 2018E. Selain itu, kami memperkirakan bahwa **30 juta alat test kesehatan (Rapid Test) yang akan mulai diproduksi** pada Februari 2018 akan menghasilkan penjualan sebesar Rp100 miliar per tahun.

Target Harga Rp3.280

Kami menggunakan estimasi *forward* P/E sebesar 39,1x (+0,7 SD di atas rata-rata 3 tahun sebesar 31,4x) untuk memperoleh target harga pada Desember 2018. Target harga ini mengimplikasikan P/E 2018E sebesar 47,6x. Saat ini, KAEF diperdagangkan pada P/E 2018E sebesar 35,7x.

Kimia Farma, Tbk | Summary (IDR bn)

	2016/12A	2017/12E	2018/12E	2019/12E
Sales	5,812	6,211	7,459	8,863
<i>Sales growth</i>	19.6%	6.9%	20.1%	18.8%
EBITDA	436	520	667	837
Net profit	267	324	382	467
EPS (IDR)	48	58	69	84
<i>EPS growth</i>	7.6%	21.2%	18.0%	22.2%
BVPS (IDR)	409	460	516	587
EBITDA margin	7.5%	8.4%	8.9%	9.4%
NPM	4.6%	5.2%	5.1%	5.3%
ROE	11.8%	12.7%	13.3%	14.3%
ROA	5.8%	5.8%	5.5%	6.4%
ROIC	8.7%	7.6%	7.2%	8.3%
P/E	57.1x	42.2x	35.7x	29.2x
P/BV	6.7x	5.3x	4.8x	4.2x
EV/EBITDA	35.6x	27.7x	23.2x	18.4x
DPS (IDR)	9	10	12	14
<i>Dividend yield</i>	0.3%	0.4%	0.5%	0.6%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Sekilas tentang KAEF

KAEF sebagai **perusahaan farmasi terbesar milik negara** memfokuskan kegiatan usahanya di bidang produksi obat, perdagangan, distribusi, dan ritel.

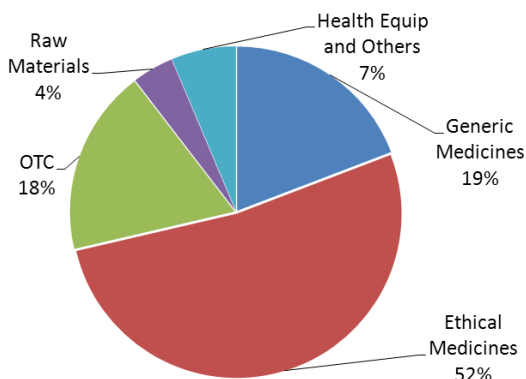
Kegiatan perdagangan dan distribusi obat dijalankan oleh salah satu anak perusahaan KAEF, yaitu PT Kimia Farma Trading and Distribution (KFTD) yang memiliki 47 cabang nasional. Sementara itu, kegiatan ritel dijalankan oleh anak perusahaan lainnya, yaitu PT Kimia Farma Apotek (KFA) yang **mengelola 1000 apotek**, 454 klinik kesehatan, 47 klinik laboratorium dan 10 optik.

KAEF memiliki **6 fasilitas produksi** yang berlokasi di Jakarta, Bandung (sedang proses relokasi ke Banjarn), Semarang, Watudakon, Medan, Bali dan menghasilkan beberapa jenis produk, yaitu obat generik, obat *ethical* bermerek, obat **anti-retroviral**, narkotika, produk kesehatan konsumen, kontrasepsi, dan bahan baku obat.

KAEF membukukan kemajuan yang dinamis di industri farmasi Indonesia. Meskipun banyaknya pemain di industri farmasi menyebabkan kompetisi yang semakin tinggi, KAEF dapat **meningkatkan pangsa pasar produknya** dari 2,0% pada 2015 menjadi 2,4% pada 2017.

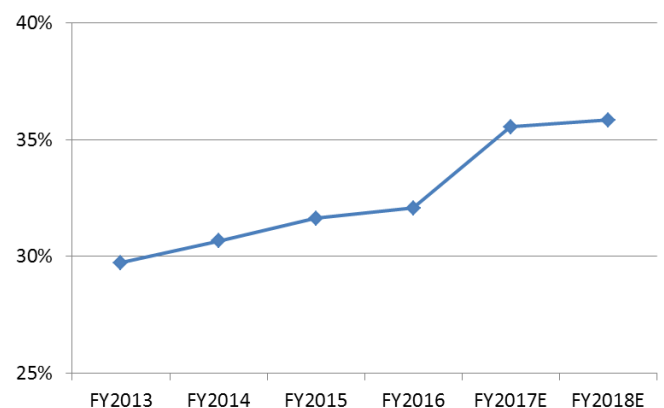
Performance Highlights

Sales Composition by Type | FY 2017E



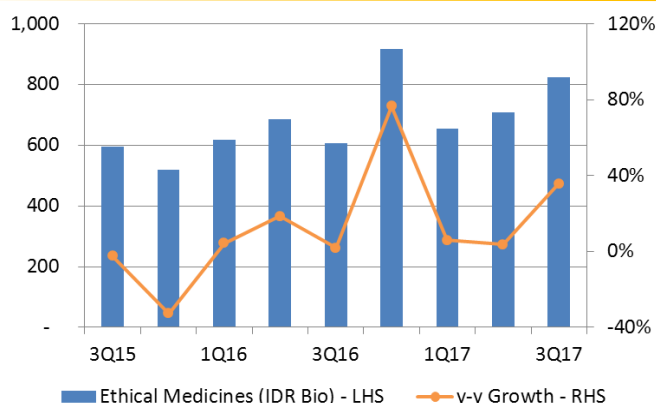
Source: Company, NHKS research

KAEF Gross Profit Margin | FY2013 - FY2018E



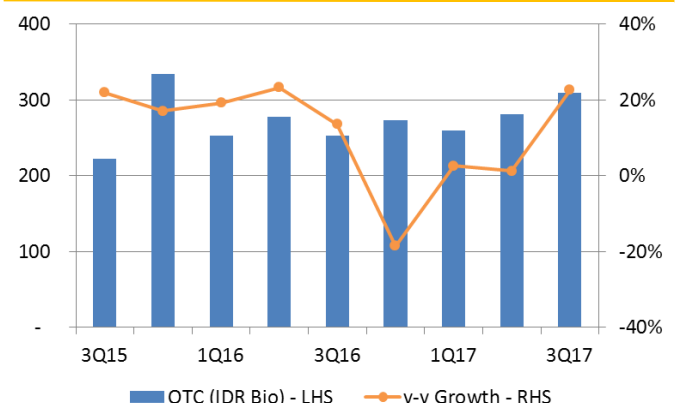
Source: Company, NHKS research

Ethical Medicines Sales Trend | 2015 - 2017



Source: Company, NHKS research

OTC Medicines Sales Trend | 2015 - 2017



Source: Company, NHKS research

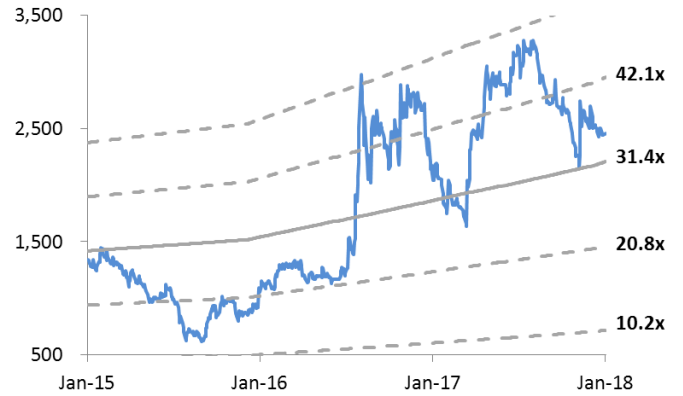
Multiple Valuation

Forward P/E | Last 3 year



Source: NHKS research

Dynamic Forward P/E band | Last 3 year



Source: NHKS research

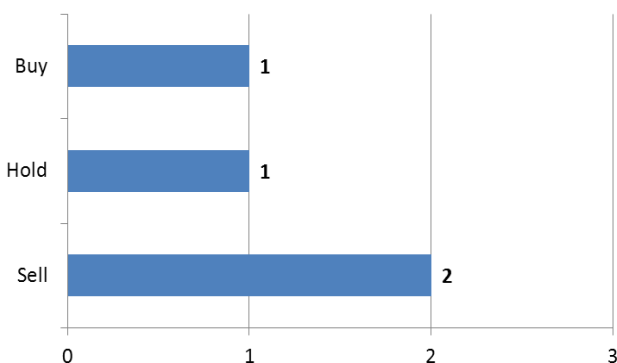
Rating and target price update

Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
12/15/2016	Buy	3,280 (Dec 2017)	2,690	1,787	+21.9%	+83.5%
03/22/2017	Buy	2,440 (Dec 2017)	1,885	2,003	+29.4%	+21.8%
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%

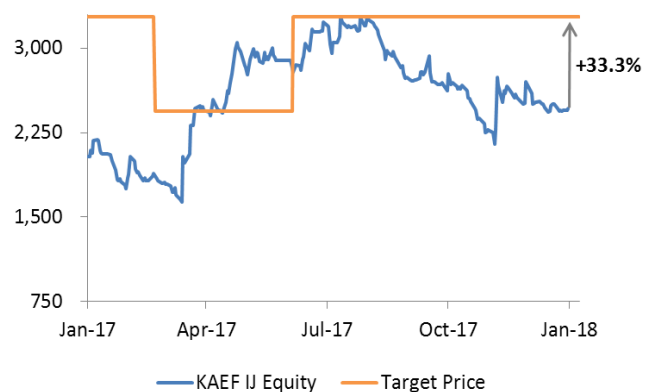
Source: NHKS research, Bloomberg

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

KAEF Summary		
Last Price (IDR)	January 30, 2018	2,460
Target Price (IDR)	Dec 2018	3,280
Analyst: Joni Wintarja	Rating:	Buy

INCOME STATEMENT

In IDR bn	2016/12A	2017/12E	2018/12E	2019/12E
Sales	5,812	6,211	7,459	8,863
Growth (% y/y)	19.6%	6.9%	20.1%	18.8%
COGS	(3,948)	(4,003)	(4,786)	(5,687)
Gross Profit	1,864	2,208	2,673	3,176
Gross Margin	32.1%	35.5%	35.8%	35.8%
Operating Expenses	(1,480)	(1,752)	(2,104)	(2,501)
EBIT	384	456	568	675
EBIT Margin	6.6%	7.3%	7.6%	7.6%
Depreciation	51	65	99	161
EBITDA	436	520	667	837
EBITDA Margin	7.5%	8.4%	8.9%	9.4%
Interest Expense	(64)	(89)	(121)	(116)
EBT	383	453	519	634
Income Tax	(111)	(122)	(130)	(159)
Minority Interest	(4)	(7)	(7)	(8)
Net Profit	267	324	382	467
Growth (% y/y)	7.6%	21.2%	18.0%	22.2%
Net Profit Margin	4.6%	5.2%	5.1%	5.3%

BALANCE SHEET

In IDR bn	2016/12A	2017/12E	2018/12E	2019/12E
Cash	648	1,027	731	704
Receivables	710	725	830	938
Inventories	967	918	1,045	1,148
Total Current Assets	2,907	3,171	3,147	3,310
Fixed Assets	1,007	1,746	3,147	3,340
Other Non Current Assets	699	710	694	703
Total Assets	4,613	5,626	6,988	7,353
Payables	895	840	1,031	1,241
ST Bank Loan	443	570	1,000	900
Curr Maturities of LT Debt	-	300	-	400
LT Debt	375	850	1,450	1,050
Other Non Current Liab.	270	307	288	298
Total Liabilities	2,341	3,070	4,120	4,092
Shareholders' Equity	2,271	2,556	2,868	3,262

CASH FLOW STATEMENT

In IDR bn	2016/12A	2017/12E	2018/12E	2019/12E
Net Income	267	324	382	467
Deprec & Amortization	118	65	99	161
Chg. In Working Capital	(134)	(95)	66	(128)
CFO	213	294	547	501
Capex	(370)	(805)	(1,500)	(355)
CFI	(494)	(779)	(1,503)	(354)
Dividends Paid	(50)	(53)	(65)	(76)
Net Borrowing (PMT)	497	902	730	(100)
CCF	468	839	660	(174)
Net Changes in Cash	187	354	(296)	(27)

OWNERSHIP

By Geography	% Shareholders	%	
Indonesia	98.85	Republic of Indonesia	90.0
United States	1.12	Wasatch Advisor Inc	0.9
Thailand	0.02	Indo Premier Securities	0.2
		Brinker Capital Inc	0.2

PROFITABILITY & STABILITY

	2016/12A	2017/12E	2018/12E	2019/12E
ROE	11.8%	12.7%	13.3%	14.3%
ROA	5.8%	5.8%	5.5%	6.4%
ROIC	8.7%	7.6%	7.2%	8.3%
EBITDA/Equity	19.2%	20.4%	23.2%	25.7%
EBITDA/Assets	9.4%	9.3%	9.5%	11.4%
Cash Dividend (IDR bn)	50	53	65	76
Dividend Yield (%)	0.3%	0.4%	0.5%	0.6%
Payout Ratio (%)	20.0%	20.0%	20.0%	20.0%
DER	36.0%	67.3%	85.4%	72.0%
Net Gearing	36.7%	68.8%	87.0%	73.3%
LT Debt to Equity	16.5%	33.2%	50.5%	32.2%
Capitalization Ratio	26.5%	40.2%	46.1%	41.9%
Equity Ratio	49.2%	45.4%	41.0%	44.4%
Debt Ratio	17.7%	30.6%	35.1%	32.0%
Financial Leverage	203.1%	220.1%	243.6%	225.4%
Current Ratio	171.4%	165.7%	132.1%	120.6%
Quick Ratio	80.0%	91.6%	65.6%	59.8%
Cash Ratio	38.2%	53.7%	30.7%	25.6%
Cash Conversion Cycle	51.3	49.7	41.7	32.7
Par Value (IDR)	100	100	100	100
Total Shares (mn)	5,554	5,554	5,554	5,554
Share Price (IDR)	2,750	2,460	2,460	2,460
Market Cap (IDR tn)	15.3	13.7	13.7	13.7

VALUATION INDEX

	2016/12A	2017/12E	2018/12E	2019/12E
Price /Earnings	57.1x	42.2x	35.7x	29.2x
Price /Book Value	6.7x	5.3x	4.8x	4.2x
Price/Sales	2.6x	2.2x	1.8x	1.5x
PE/EPS Growth	7.6x	2.0x	2.0x	1.3x
EV/EBITDA	35.6x	27.7x	23.2x	18.4x
EV/EBIT	40.3x	31.6x	27.2x	22.8x
EV (IDR bn)	15,495	14,417	15,437	15,367
Sales CAGR (3-Yr)	10.2%	11.2%	15.3%	15.1%
EPS CAGR (3-Yr)	7.6%	11.4%	15.4%	20.4%
Basic EPS (IDR)	48	58	69	84
Diluted EPS (IDR)	48	58	69	84
BVPS (IDR)	409	460	516	587
Sales PS (IDR)	1,046	1,118	1,343	1,596
DPS (IDR)	9.0	9.6	11.7	13.8

DCF, RIM & EVA

	2016/12A	2017/12E	2018/12E	2019/12E
DCF (IDR bn)				
NOPAT	272	333	426	506
+Depr./Amor.	118	65	99	161
-CAPEX	(370)	(805)	(1,500)	(355)
-Incr. (Decr.) in Working Cap.	(134)	(95)	66	(128)
(Unlevered) FCFF	(114)	(502)	(909)	185
WACC				
Cost of Debt (Tax Adj.)	8.5%	8.8%	9.3%	9.0%
Cost of Equity (COE)	10.5%	12.7%	12.7%	12.7%
WACC (%)	10.4%	12.3%	12.2%	12.2%
RIM				
Spread (FROE-COE) (%)	3.8%	1.5%	2.2%	3.5%
Residual Income (IDR)	72	34	56	102
Equity Charge	196	290	326	366
EVA				
Invested Capital (IDR bn)	3,090	4,276	5,318	5,612
ROIC-WACC (%)	-1.8%	-4.7%	-5.0%	-3.9%
EVA (IDR bn)	(54)	(202)	(267)	(217)

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