

# Kalbe Farma



BATAVIA  
PROSPERINDO  
SEKURITAS

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## A Glass Half Full

### • Expansion set to continue

In the prescription division, the new production facility in Cikarang received certification from BPOM last December and is expected to start production very soon. It can increase the generic medicine capacity by 50%. Meanwhile in the distribution division, the addition of a new principle, named Abbott Indonesia, shall add around Rp 800 bn to Rp 1 tn of sales. However, the change in business mix with the addition of Abbott will result in slightly lower margin in this division, by approximately 2%, according to the company's estimate. Following the successful launch of Extra Joss in Philippines, the company plans to launch Diabetasol in the same country in order to strengthen its presence in ASEAN.

### • No M&A activity yet

After the last press release regarding forming of M&A team, the company has no update to announce yet. Given the strong cash position of almost Rp 2 tn and Treasury stocks worth more than Rp 2.5 tn, as per September 2011, the company should have enough ammunition for acquisition.

### • Slight upward forecast revision

We revise our forecast following the company's plan and estimates. The reduction of gross margin in distribution division and the increasing portion of that division will lead to decrease in overall gross margin. However, as the business mix returns to normal, gross margin shall return to normal as well. The intense competition results in limited ability to increase selling price. We forecast rupiah to be relatively stable in this year and hence does not significantly impact gross margin. Overall we are optimistic with the company's performance in this year.

### • BUY with TP of Rp 4,000

Based on the above revision, we obtain 2012 target price from our DCF model. We change the CAPM assumption due to mainly the reduction of risk-free rate, resulting in WACC reduction from 11.6% to 10.6%. We upgrade this stock to BUY with target price of Rp 4,000 (at 20.1x 2012 PE). This reflects potential upside of 14%. Besides, with dividend payout ratio of 50%, this stock is attractive for dividend play.

#### KLBF Financial Highlights

(Rp Bn)	2009A	2010A	2011F	2012F	2013F
Net Sales	9,087	10,227	11,413	13,493	15,300
Gross Profit	4,512	5,166	5,857	6,790	7,792
EBIT	1,566	1,791	2,053	2,532	2,970
Net Income	929	1,286	1,513	1,868	2,196
EPS (Rp)	99	137	161	199	234
BVS (Rp)	460	573	662	781	915

#### Key Ratios

	2009A	2010A	2011F	2012F	2013F
PE (x)	35.6	25.7	21.8	17.7	15.0
PBV (x)	7.7	6.1	5.3	4.5	3.9
ROA	14.3%	18.3%	18.8%	20.0%	20.4%
ROE	21.6%	23.9%	24.4%	25.5%	25.6%

#### Key Assumptions

	2009A	2010A	2011F	2012F	2013F
Sales Growth	15.4%	12.5%	11.6%	18.2%	13.4%
Gross Profit Margin	49.7%	50.5%	51.3%	50.3%	50.9%

Source : Company, Batavia Prosperindo Sekuritas

#### Stock Data

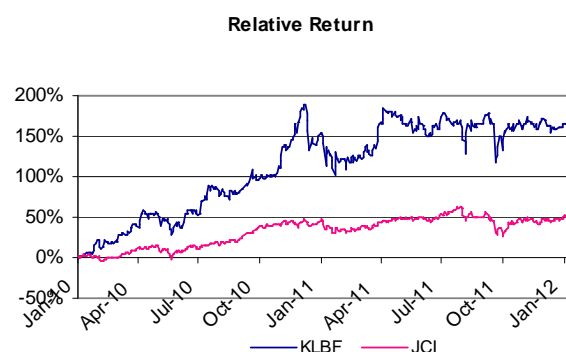
Price Rp	3,525
Target Rp	4,000
Recommendation	BUY
52-weeks range Rp	2,275 – 4,100
Market Cap (Rp bn)	36,307
Outstanding shares (mn shares)	10,156
Daily average volume ('000 shares)	12,184
Daily average value (Rp mn)	41,947

#### Major Shareholder

(as per 30 Sept 2011)

Bina Artha Charisma	8.7%
Gira Sole Prima	10.2%
Ladang Ira Panen	9.2%
Lucasta Murni Cemerlang	9.5%
Diptanala Bahana	9.5%
Santa Seha Sanadi	9.6%
Public	43.4%

#### Stock Price Chart



Source : Bloomberg, Batavia Prosperindo Sekuritas

**Interim Result**

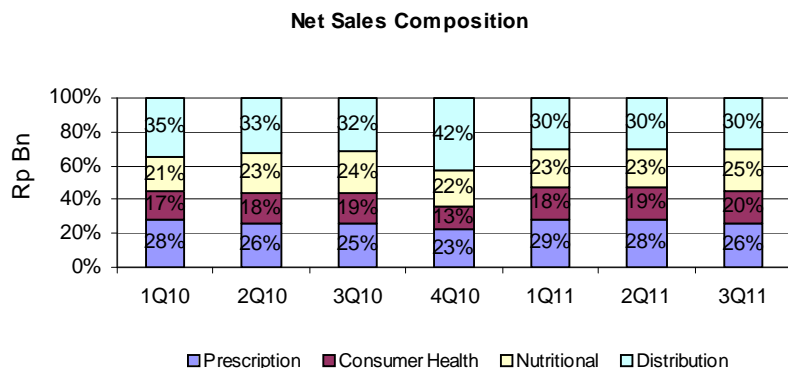
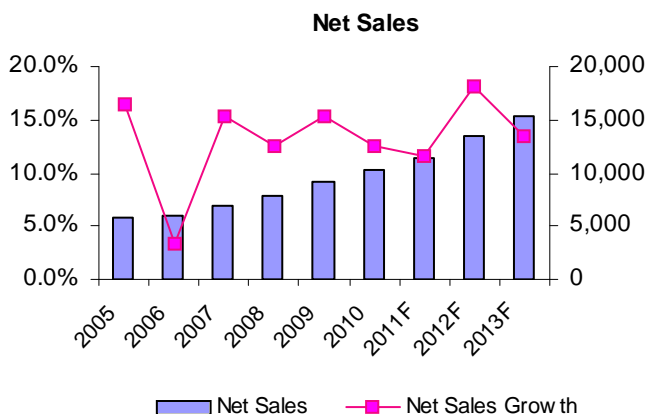
(Rp Bn)	2Q11	3Q11	%Chg qoq	9M10	9M11	%Chg yoy	FY11	% Acc
<b>Net Sales</b>	<b>2,596</b>	<b>2,743</b>	<b>6%</b>	<b>7,272</b>	<b>7,692</b>	<b>6%</b>	<b>11,413</b>	<b>67%</b>
Prescription	715	704	-2%	1,909	2,090	10%	3,005	70%
Consumer Health	504	537	7%	1,306	1,469	13%	1,920	77%
Nutritional	592	677	14%	1,654	1,808	9%	2,714	67%
Distribution	785	825	5%	2,403	2,324	-3%	3,774	62%
<b>COGS</b>	<b>1,235</b>	<b>1,337</b>	<b>8%</b>	<b>3,545</b>	<b>3,705</b>	<b>5%</b>	<b>5,557</b>	<b>67%</b>
Prescription	245	246	0%	631	716	13%	1,019	70%
Consumer Health	228	239	5%	569	648	14%	842	77%
Nutritional	236	268	14%	652	714	10%	1,071	67%
Distribution	526	584	11%	1,693	1,627	-4%	2,625	62%
<b>Gross Profit</b>	<b>1,361</b>	<b>1,406</b>	<b>3%</b>	<b>3,727</b>	<b>3,987</b>	<b>7%</b>	<b>5,857</b>	<b>68%</b>
<b>EBIT</b>	<b>462</b>	<b>526</b>	<b>14%</b>	<b>1,288</b>	<b>1,404</b>	<b>9%</b>	<b>2,053</b>	<b>68%</b>
<b>Net Income</b>	<b>359</b>	<b>390</b>	<b>8%</b>	<b>902</b>	<b>1,065</b>	<b>18%</b>	<b>1,513</b>	<b>70%</b>
<b>GPM</b>	<b>52%</b>	<b>51%</b>		<b>51%</b>	<b>52%</b>		<b>51%</b>	
Prescription	66%	65%		67%	66%		66%	
Consumer Health	55%	55%		56%	56%		56%	
Nutritional	60%	60%		61%	60%		61%	
Distribution	33%	29%		30%	30%		30%	
<b>EBIT Margin</b>	<b>18%</b>	<b>19%</b>		<b>18%</b>	<b>18%</b>		<b>18%</b>	
<b>NPM</b>	<b>14%</b>	<b>14%</b>		<b>12%</b>	<b>14%</b>		<b>13%</b>	

Source : Company, Batavia Prosperindo Sekuritas

**Financial Forecast Revision**

	2011F			2012F		
	Old	New	Chg	Old	New	Chg
Net Sales	11413	11,413	0%	13199	13,493	2%
Gross Profit	5857	5,857	0%	6778	6,790	0%
EBIT	2053	2,053	0%	2521	2,532	0%
Net Income	1513	1,513	0%	1860	1,868	0%

Source : Batavia Prosperindo Sekuritas



Source : Company, Batavia Prosperindo Sekuritas

Source : Company, Batavia Prosperindo Sekuritas

**Financial Forecast**

(Rp Bn)	FY08	FY09	FY10	2011F	2012F	2013F
<b><u>Income Statement</u></b>						
<b>Net Sales</b>	<b>7,877</b>	<b>9,087</b>	<b>10,227</b>	<b>11,413</b>	<b>13,493</b>	<b>15,300</b>
COGS	4,074	4,575	5,061	5,557	6,703	7,508
<b>Gross Profit</b>	<b>3,804</b>	<b>4,512</b>	<b>5,166</b>	<b>5,857</b>	<b>6,790</b>	<b>7,792</b>
Total Operating Expenses	2,661	2,946	3,375	3,804	4,257	4,822
<b>EBIT</b>	<b>1,143</b>	<b>1,566</b>	<b>1,791</b>	<b>2,053</b>	<b>2,532</b>	<b>2,970</b>
Non-Operating Income	35	(95)	(20)	29	39	52
<b>Pre-tax Income</b>	<b>1,178</b>	<b>1,471</b>	<b>1,770</b>	<b>2,082</b>	<b>2,571</b>	<b>3,022</b>
Tax Expenses	353	421	427	502	619	728
Minority Interests	(119)	(121)	(58)	(68)	(83)	(98)
<b>Net Income</b>	<b>707</b>	<b>929</b>	<b>1,286</b>	<b>1,513</b>	<b>1,868</b>	<b>2,196</b>
<b><u>Balance Sheet</u></b>						
<b>Current Assets</b>	<b>4,168</b>	<b>4,702</b>	<b>5,037</b>	<b>5,802</b>	<b>6,851</b>	<b>8,070</b>
Cash and Equivalents	1,322	1,563	1,902	2,194	2,585	3,290
Short-term Investments, Net	125	63	5	5	5	5
Receivables, Net	1,001	1,318	1,364	1,703	2,014	2,284
Inventories, Net	1,606	1,561	1,551	1,684	2,031	2,275
Other Current Assets	114	197	215	215	215	215
<b>Non-current Assets</b>	<b>1,536</b>	<b>1,781</b>	<b>1,995</b>	<b>2,232</b>	<b>2,489</b>	<b>2,686</b>
Property, Plant and Equipment	1,327	1,398	1,605	1,842	2,099	2,296
Other Non-current Assets	208	382	390	390	390	390
<b>Total Assets</b>	<b>5,704</b>	<b>6,482</b>	<b>7,032</b>	<b>8,034</b>	<b>9,340</b>	<b>10,756</b>
<b>Current Liabilities</b>	<b>1,250</b>	<b>1,574</b>	<b>1,147</b>	<b>1,262</b>	<b>1,450</b>	<b>1,598</b>
Short-term Loans	146	339	24	24	24	24
Payables	398	601	627	703	848	950
Accrued Expenses & Tax Payables	447	633	495	535	577	624
Current Maturities of LT Debt	259	1	0	0	0	0
Others	0	0	0	0	0	0
<b>Non-current Liabilities</b>	<b>109</b>	<b>117</b>	<b>114</b>	<b>119</b>	<b>125</b>	<b>131</b>
LT Debt	0	1	1	0	0	0
Other Non-current Liabilities	109	117	113	119	125	131
<b>Total Liabilities</b>	<b>1,358</b>	<b>1,692</b>	<b>1,260</b>	<b>1,381</b>	<b>1,575</b>	<b>1,729</b>
<b>Negative Goodwill</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Minority Interests</b>	<b>722</b>	<b>480</b>	<b>398</b>	<b>445</b>	<b>445</b>	<b>445</b>
<b>Shareholders' Equity</b>	<b>3,622</b>	<b>4,310</b>	<b>5,374</b>	<b>6,208</b>	<b>7,320</b>	<b>8,582</b>
Capital	510	510	512	512	512	512
Retained Earnings	3,718	4,529	5,581	6,383	7,495	8,757
Treasury Stocks	(570)	(689)	(687)	(687)	(687)	(687)
Others	(36)	(41)	(32)	0	0	0
<b><u>Cash Flows Statement</u></b>						
<b>CFO</b>	<b>808</b>	<b>1,364</b>	<b>1,254</b>	<b>1,371</b>	<b>1,644</b>	<b>2,109</b>
Net Income	707	929	1,286	1,513	1,868	2,196
Depreciation	156	198	197	209	240	273
Changes in Working Capital	(68)	96	(109)	(357)	(470)	(366)
Others	13	141	(121)	6	6	6
<b>CFI</b>	<b>(186)</b>	<b>(645)</b>	<b>(232)</b>	<b>(446)</b>	<b>(496)</b>	<b>(470)</b>
Proceeds from Treasury Stocks	(351)	(119)	1	0	0	0
Capex	(279)	(230)	(215)	(446)	(496)	(470)
Others	444	(297)	(18)	0	0	0
<b>CFF</b>	<b>(440)</b>	<b>(391)</b>	<b>(575)</b>	<b>(633)</b>	<b>(756)</b>	<b>(934)</b>
Changes in Debt	(9)	(257)	(0)	(1)	0	0
Short-term Borrowing	102	193	(315)	0	0	0
Equity Issuance	0	0	2	0	0	0
Dividend	(123)	(117)	(234)	(711)	(756)	(934)
Adjustment and Others	(410)	(210)	(27)	79	0	0
<b>Changes in Cash</b>	<b>182</b>	<b>327</b>	<b>447</b>	<b>292</b>	<b>391</b>	<b>705</b>
<b>Forex Effect and Other Adj.</b>	<b>24</b>	<b>(87)</b>	<b>(108)</b>	<b>0</b>	<b>0</b>	<b>0</b>



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