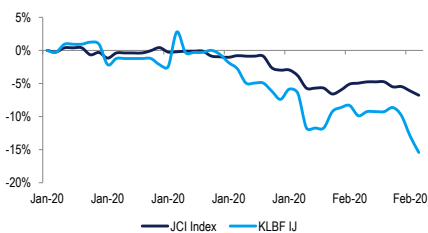


Stock Data

Target price	Rp1,800
Prior TP	Rp1,800
Current price	Rp1,370
Upside/downside	+31%
Shares outstanding (mn)	46,875
Market cap (Rp bn)	64,688
Free float	43%
Avg. 6m daily T/O (Rp bn)	39.6

Price Performance

	3M	6M	12M
Absolute	-9.9%	-7.4%	-12.7%
Relative to JCI	-5.5%	-1.1%	-4.2%
52w low/high (Rp)	Rp1,260 - Rp1,690		



Major Shareholders

PT Gira Sole Prima	10.2%
PT Santa Seha Sanadi	9.8%
PT Diptanala Bahana	9.5%

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Coronavirus impact may be alleviated by strengthening Rupiah; maintain Buy

- KLBF's share price fell by 7% in the past week, likely due to continuous negative news flow on corona virus.
- We estimate 20% of KLBF's total COGS is imported from China which may result in higher imported goods price (c.-160bp impact to margin).
- Strengthening rupiah may offset the negative impact from coronavirus (c.+150bp impact to margin). Reiterate Buy on weakness.

Assessing the impact of coronavirus

According to Indonesia Pharma Association, Indonesian pharmaceutical companies imported 60-63% of its raw materials (mainly active pharmaceutical ingredients, or APIs) from China, hence current disruption due to coronavirus may negatively impact KLBF especially if it's prolonged for more than 2-3 months (as its stock may need to be replenished by then). KLBF's total prescription pharmaceuticals and consumer health COGS is around 33% combined; hence assuming around 60% are imported from China, it will sum up to less than 20% of KLBF's total COGS.

KLBF's economies of scale will mitigate it from worst-case scenario

In addition, while it was also reported that pharmaceutical raw materials may see 50-100% increase in price, we believe that the increase may not be as severe for KLBF, given its economies of scale and thus bargaining power. Currently KLBF is actively searching for an alternative API procurement source outside of the infected areas, which may include India. We estimate if API price is to increase by 30% (less than 50% amidst its size and scale) for the next 2 quarters, it will cause KLBF's GPM to fall by around 160bps.

Strengthening Rupiah is a saving grace for KLBF

We estimate that for every 1% of stronger Rupiah from our base case of Rp14,200/US\$ for 2020F, it may lift KLBF's GPM by around 30bps. Hence, assuming Rupiah to further appreciate to an average of Rp13,500/US\$ in FY20F (5% from our base case), it will lift KLBF's FY20F GPM by around 150bps offsetting the negatives.

The storm will pass; maintain Buy and Rp1,800 TP

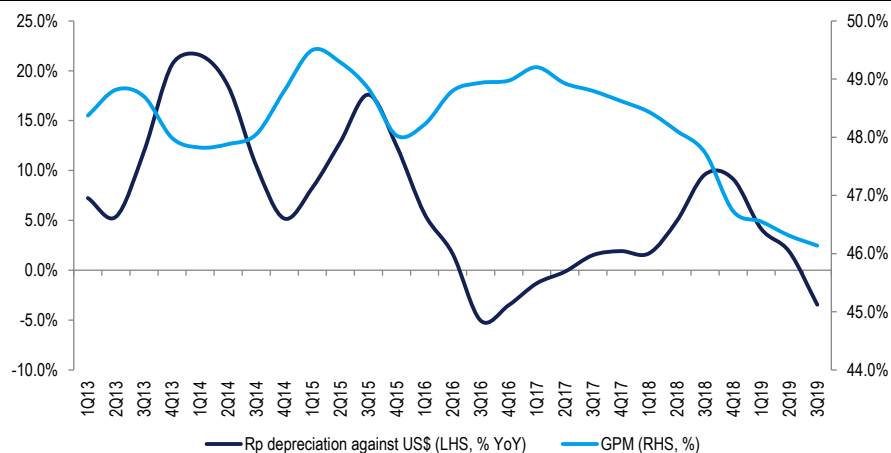
KLBF has dropped by 7% in the past week largely due to this concern but with strengthening currency and solid earnings recovery of 6.5% CAGR in 2019-21F (vs. 5.2% CAGR in 2014-19F), we maintain our Buy call. It's currently trading at 24.7x 12M forward P/E (vs. 5-year mean of 29.3x). Risk is higher import costs.

Financial Summary	2017A	2018A	2019F	2020F	2021F
Revenue (Rp bn)	20,182	21,074	22,518	23,882	25,279
EBITDA (Rp bn)	3,671	3,784	3,978	4,307	4,613
EBITDA growth	5.0%	3.1%	5.1%	8.3%	7.1%
Net profit (Rp bn)	2,403	2,457	2,604	2,770	2,953
EPS (Rp)	51	52	56	59	63
EPS growth	4.7%	2.2%	6.0%	6.4%	6.6%
ROE	18.2%	16.8%	16.3%	16.1%	15.9%
PER (x)	26.7	26.1	24.7	23.2	21.7
EV/EBITDA (x)	16.8	16.2	15.6	14.3	13.2
Dividend yield	1.6%	1.9%	1.9%	2.2%	2.6%
Forecast change			N/A	N/A	N/A
IPS vs. consensus			100%	98%	97%

Sources: Company, IndoPremier

Share price closing as of: 13 February 2020

Fig. 1: Strengthening rupiah (currently at around Rp13,700) towards US\$ will positively impact KLBF as 60-65% of Kalbe's COGS is linked to US\$



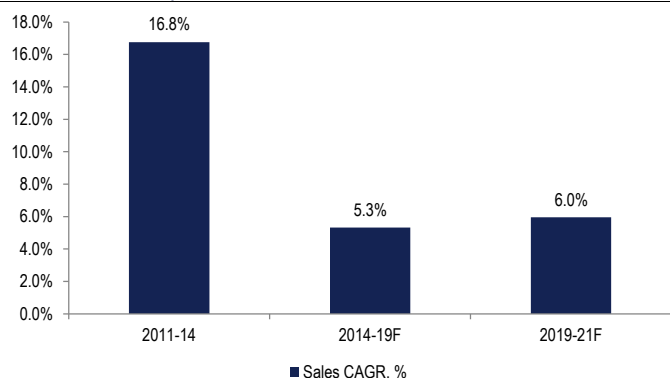
Sources: Bloomberg, IndoPremier

Fig. 2: We estimate that for every 1% rupiah appreciation against the US\$ from our base case of Rp14,200 per US\$ will lead to a 30bps GPM increase in 2020F

Average US\$ to Rp	% chg from base scenario	GPM, %
13,916	-2.0%	46.5%
14,058	-1.0%	46.2%
14,200	0.0%	45.9%
14,342	1.0%	45.6%
14,484	2.0%	45.3%

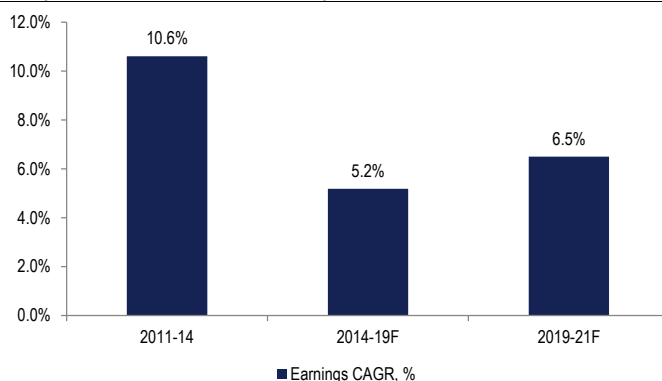
Sources: IndoPremier

Fig. 3: We estimate sales CAGR to improve to 6.0% in 2019-21F (vs. 5.3% in 2014-19F)



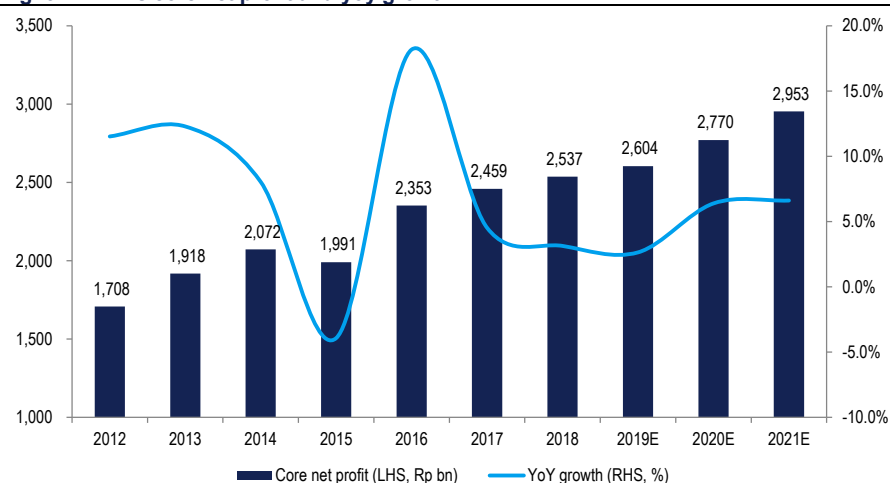
Sources: Company, IndoPremier

Fig. 4: We estimate core earnings CAGR to improve to 6.5% in 2019-21F (vs. 5.2% CAGR in 2014-19F)



Sources: Company, IndoPremier

Fig. 5: KLBF's core net profit and yoy growth



Sources: Company, IndoPremier

Fig. 6: KLBF is currently trading at 24.7x 12M forward P/E, around 1 s.d. below its historical 5-year mean of 29.3x



Sources: Bloomberg, IndoPremier

Income Statement (Rp bn)	2017A	2018A	2019F	2020F	2021F
Net Revenue	20,182	21,074	22,518	23,882	25,279
Cost of Sales	(10,369)	(11,226)	(12,133)	(12,915)	(13,673)
Gross Profit	9,813	9,848	10,385	10,968	11,605
SG&A Expenses	(6,597)	(6,534)	(6,944)	(7,305)	(7,716)
Operating Profit	3,216	3,314	3,440	3,662	3,889
Net Interest	98	96	84	84	102
Forex Gain (Loss)	0	0	0	0	0
Others-Net	(73)	(103)	0	0	0
Pre-Tax Income	3,241	3,306	3,525	3,747	3,991
Income Tax	(788)	(809)	(881)	(937)	(998)
Minorities	(50)	(40)	(40)	(40)	(40)
Net Income	2,403	2,457	2,604	2,770	2,953

Balance Sheet (RpBn)	2017A	2018A	2019F	2020F	2021F
Cash & Equivalent	2,971	3,332	2,901	3,230	3,582
Receivable	2,968	3,374	3,548	3,488	3,441
Inventory	3,557	3,475	3,800	4,045	4,282
Other Current Assets	546	468	486	498	511
Total Current Assets	10,043	10,648	10,734	11,262	11,816
Fixed Assets - Net	5,343	6,253	7,762	8,666	9,492
Goodwill	0	0	0	0	0
Non-Current Assets	6,574	7,498	8,993	9,881	10,689
Total Assets	16,616	18,146	19,727	21,143	22,505
ST Loans	169	69	53	37	20
Payable	1,398	1,700	1,674	1,782	1,887
Other Payables	290	448	399	424	449
Current Portion of LT Loans	5	28	72	72	72
Total Current Liab.	2,227	2,286	2,418	2,549	2,676
Long Term Loans	146	260	430	358	286
Other LT Liab.	349	306	306	306	306
Total Liabilities	2,722	2,852	3,153	3,213	3,268
Equity	435	435	435	435	435
Retained Earnings	12,788	14,073	15,428	16,744	18,011
Minority Interest	613	671	711	751	792
Total SHE + Minority Int.	13,894	15,295	16,574	17,930	19,237
Total Liabilities & Equity	16,616	18,146	19,727	21,143	22,505

Sources: Company, IndoPremier

Cash Flow Statement (RpBn)	2017A	2018A	2019F	2020F	2021F
Net Income	3,216	3,314	3,440	3,662	3,889
Depr. & Amortization	455	471	538	644	724
Changes in Working Capital	(688)	(110)	(414)	(50)	(60)
Others	(975)	(904)	(797)	(852)	(896)
Cash Flow From Operating	2,008	2,771	2,768	3,404	3,658
Capital Expenditure	(1,164)	(1,307)	(2,000)	(1,500)	(1,500)
Others	50	17	(32)	(32)	(32)
Cash Flow From Investing	(1,114)	(1,290)	(2,032)	(1,532)	(1,532)
Loans	38	(126)	198	(88)	(88)
Equity	0	0	0	0	0
Dividends	(1,047)	(1,191)	(1,249)	(1,454)	(1,686)
Others	33	177	(116)	0	0
Cash Flow From Financing	(976)	(1,140)	(1,167)	(1,542)	(1,774)
Changes in Cash	(73)	368	(431)	330	351

Key Ratios	2017A	2018A	2019F	2020F	2021F
Gross Margin	48.6%	46.7%	46.1%	45.9%	45.9%
Operating Margin	15.9%	15.7%	15.3%	15.3%	15.4%
Pre-Tax Margin	16.1%	15.7%	15.7%	15.7%	15.8%
Net Margin	11.9%	11.7%	11.6%	11.6%	11.7%
ROA	15.1%	14.1%	13.7%	13.6%	13.5%
ROE	18.2%	16.8%	16.3%	16.1%	15.9%
ROIC	19.7%	18.1%	17.4%	17.0%	16.9%
Acct. Receivables TO (days)	51.5	54.9	57.5	53.3	49.7
Inventory TO (days)	121.5	114.3	114.3	114.3	114.3
Payable TO (days)	52.4	50.4	50.4	50.4	50.4
Debt to Equity	2.3%	2.3%	3.3%	2.6%	2.0%
Interest Coverage Ratio (x)	89.3	111.4	100.7	137.8	176.9
Net Gearing	-19.1%	-19.5%	-14.2%	-15.4%	-16.7%

Sources: Company, IndoPremier

INVESTMENT RATINGS

BUY	: Expected total return of 10% or more within a 12-month period
HOLD	: Expected total return between -10% and 10% within a 12-month period
SELL	: Expected total return of -10% or worse within a 12-month period

ANALYSTS CERTIFICATION

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