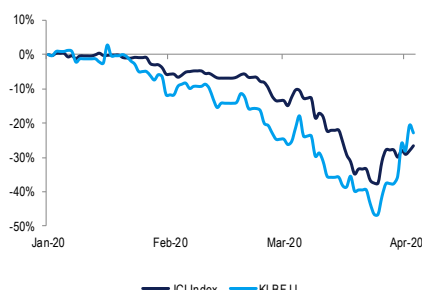


Stock Data

Target price	Rp1,400
Prior TP	Rp1,500
Current price	Rp1,250
Upside/downside	+12%
Shares outstanding (mn)	46,875
Market cap (Rp bn)	58,594
Free float	43%
Avg. 6m daily T/O (Rp bn)	39

Price Performance

	3M	6M	12M
Absolute	-22.6%	-24.2%	-18.6%
Relative to JCI	3.8%	-0.8%	10.2%
52w low/high (Rp)	865 – 1,690		



Major Shareholders

PT Gira Sole Prima	10.2%
PT Santa Seha Sanadi	9.9%
PT Diptanala Bahana	9.5%

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Finding a cure

- Adjusting to latest development (Covid-19 and exchange rate), we cut our FY20/21F sales estimates by -1 to -2% and earnings estimates by -6 to -7%.
- While KLBFIJ may benefit from higher consumer health products sales, it may be offset by weaker purchasing power across other segments.
- KLBFIJ has dropped by 23% YTD which we think has priced-in Rupiah depreciation and EPS risks. Maintain Buy with slightly lower TP.

Audited FY19 results were in-line with indicative results

KLBFIJ's audited FY19 results were in-line with its indicative results posted on 27 Feb (link [here](#)). It posted -0.9% yoy core EPS drop despite solid revenue growth of 7.4% yoy but mostly from lower margin business which resulted in lower GPM(-140bps yoy due to changes in product mix). Receivables day worsened to 57 days in FY19 (vs. 60 days in 3Q19 and 55 days in FY18), which we think will remain in FY20 due to the cancellation of increase in healthcare premium.

What has changed from our latest scenario?

Since Indonesia has reported the first case of Covid-19 on 2 Mar, shopping pattern has changed. Increase in consumer health products sales (i.e. multivitamins, OTC products – paracetamol, flu and cough remedies) is largely expected following rising health concern. However, prolonged Covid-19 may lead to a weak purchasing power and disrupting supply chain. We slightly trimmed down our FY20F yoy sales growth estimates to 4.8% from previously 6.4%, now below KLBFIJ's 6-8% target.

Margin to suffer larger hit from Covid-19 and rupiah depreciation

Logistics for the import of API from China have improved and hence the risk of disrupted production has somewhat subsided, though rising API prices is inevitable, in our view. At the same time, rupiah has depreciated by almost 20% YTD to currently around Rp16,600. Using a base case of this year average of Rp15,500 per US\$ (from previously Rp13,700), we now estimate a -146 bps yoy GPM contraction in FY20F (5Y low of 45.3%). Low oil price (currently <US\$35/bbl) is the only positive thus far.

KLBFIJ shall remain relatively defensive; maintain Buy

Adjusting for the impact of Covid-19, we revised down our FY20/21F EPS by 6-7%. Nonetheless, KLBFIJ's share price has de-rated by 22.8% YTD; currently trading at 24.1x 12M fwd. P/E and hence, our unchanged Buy call with slightly lower TP of Rp1,400 - pegged to 25.6x FY21F P/E (or at -1 s.d. below 5-year mean). While we estimate FY20F core earnings to decrease by 3% yoy, we expect FY21-22F core earnings to rebound by 6-7% yoy.

Financial Summary (Rp bn)	2018A	2019A	2020F	2021F	2022F
Revenue	21,074	22,633	23,722	25,165	26,701
EBITDA	3,784	3,818	3,789	4,100	4,415
EBITDA growth	3.1%	0.9%	-0.8%	8.2%	7.7%
Net profit	2,457	2,507	2,433	2,590	2,765
EPS (Rp)	52	53	52	55	59
EPS growth	2.2%	2.0%	-3.0%	6.4%	6.8%
ROE	16.8%	15.7%	14.2%	14.2%	14.3%
PER (x)	23.8	23.4	24.1	22.6	21.2
EV/EBITDA (x)	14.7	14.7	14.9	13.8	12.8
Dividend yield	2.0%	2.1%	2.4%	2.5%	2.7%
Forecast change			-6.2%	-6.5%	N/A
IPS vs. consensus			92%	91%	94%

Source: Company, Indo Premier

Share price closing as of: 03 April 2020

Fig. 1: KLBF's 4Q/FY19 results: Earnings in line with our and consensus' estimates, as well as our indicative results

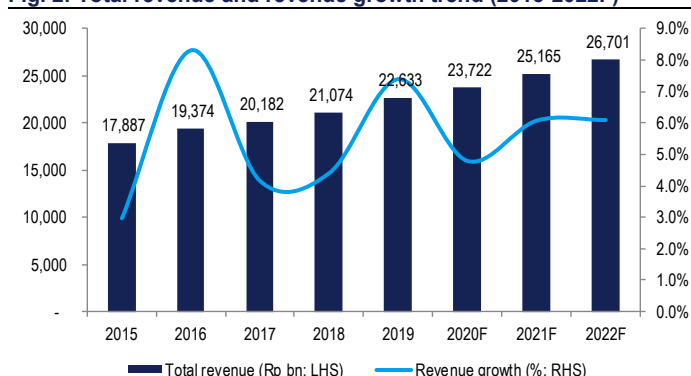
(Rp bn)	4Q19	4Q18	% YoY	3Q19	% QoQ	12M19	12M18	% YoY	Prev. FY19F	Comment
Net sales	5,807	5,396	7.6%	5,648	2.8%	22,633	21,074	7.4%	22,635	In line at 101%/100% of ours and consensus'
COGS	-3,326	-3,032	9.7%	-3,062	8.7%	-12,390	-11,226	10.4%		
Gross profit	2,480	2,364	4.9%	2,587	-4.1%	10,243	9,848	4.0%		
Operating cost	-1,663	-1,452	14.5%	-1,717	-3.1%	-6,933	-6,534	6.1%		
EBIT	817	912	-10.4%	870	-6.1%	3,310	3,314	-0.1%	3,265	In line at 101%/96% of ours and consensus'
Others	11	-21	-155.2%	17	-32.1%	92	-7	N/A		
PBT	828	891	-7.0%	887	-6.6%	3,403	3,306	2.9%		
Tax	-237	-227	4.1%	-219	7.8%	-865	-809	6.9%		
Minorities	0	-11	-95.7%	-10	-95.3%	-31	-40	-23.2%		
Net profit	591	653	-9.4%	657	-10.0%	2,507	2,457	2.0%	2,497	In line at 100%/98% of ours and consensus'
Core profit	599	688	-12.9%	655	-8.6%	2,514	2,537	-0.9%		

Margin (%)

Gross margin	42.7%	43.8%		45.8%		45.3%	46.7%
EBIT margin	14.1%	16.9%		15.4%		14.6%	15.7%
Net margin	10.2%	12.1%		11.6%		11.1%	11.7%
Core margin	10.3%	12.7%		11.6%		11.1%	12.0%

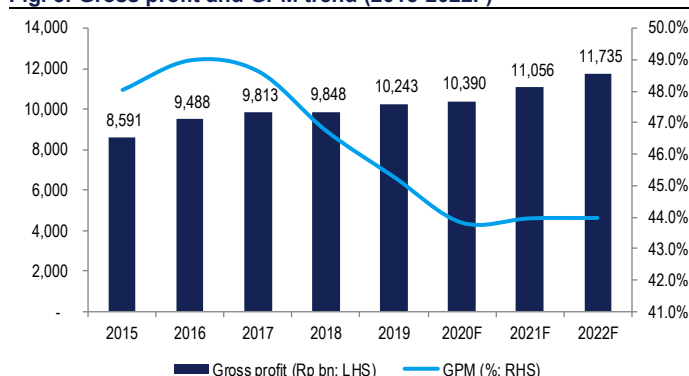
Source: Company, Indo Premier

Fig. 2: Total revenue and revenue growth trend (2015-2022F)



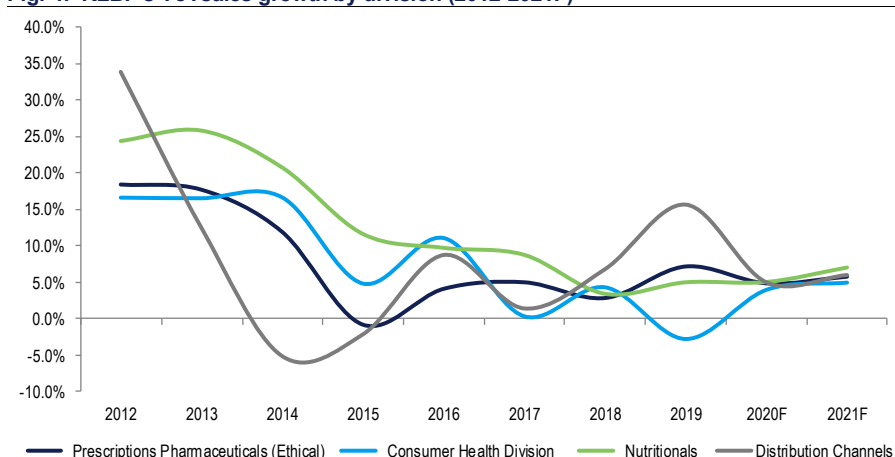
Source: Company, Indo Premier

Fig. 3: Gross profit and GPM trend (2015-2022F)



Source: Company, Indo Premier

Fig. 4: KLBF's YoYsales growth by division (2012-2021F)



Source: Company, Indo Premier

Fig. 5: We estimate that for every 1% Rupiah depreciation against the US\$ from our current base case of Rp15,500 per US\$ will lead to c.20bps GPM decrease in 2020F

Average US\$ to Rp	% chg from base scenario	GPM, %
15,190	-2.0%	44.2%
15,345	-1.0%	44.0%
15,500	0.0%	43.8%
15,655	1.0%	43.6%
15,810	2.0%	43.4%

Source: Indo Premier

Fig. 6: Forecast changes

	Previous		New		Changes	
	2020F	2021F	2020F	2021F	2020F	2021F
Financial Perform. (Rp bn)						
Net sales	24,083	25,614	23,722	25,165	-1.5%	-1.8%
Gross profit	10,786	11,459	10,390	11,056	-3.7%	-3.5%
EBIT	3,435	3,658	3,182	3,407	-7.4%	-6.9%
EBITDA	4,079	4,383	3,789	4,100	-7.1%	-6.5%
Core profit	2,593	2,770	2,433	2,590	-6.2%	-6.5%
Core EPS (Rp)	55	59	52	55	-6.2%	-6.5%
Profitability (%)						
Gross margin	44.8%	44.7%	43.8%	43.9%	-1.0%	-0.8%
EBIT margin	14.3%	14.3%	13.4%	13.5%	-0.8%	-0.7%
Core profit margin	10.8%	10.8%	10.3%	10.3%	-0.5%	-0.5%

Source: Indo Premier

Fig. 7: KLBF is currently trading at 24.1x 12M forward P/E, or close to 1s.d. below its historical 5-year mean of 29.3x



Source: Bloomberg, Indo Premier

Income Statement (Rp bn)	2018A	2019A	2020F	2021F	2022F
Net revenue	21,074	22,633	23,722	25,165	26,701
Cost of sales	(11,226)	(12,390)	(13,332)	(14,108)	(14,966)
Gross profit	9,848	10,243	10,390	11,056	11,735
SG&A Expenses	(6,534)	(6,933)	(7,208)	(7,649)	(8,098)
Operating profit	3,314	3,310	3,182	3,407	3,637
Net interest	96	98	93	77	80
Forex gain (loss)	0	0	0	0	0
Others	(103)	(10)	0	0	0
Pre-tax income	3,306	3,403	3,285	3,494	3,727
Income tax	(809)	(865)	(821)	(873)	(932)
Minority interest	(40)	(31)	(31)	(31)	(31)
Net income	2,457	2,507	2,433	2,590	2,765

Balance Sheet (Rp bn)	2018A	2019A	2020F	2021F	2022F
Cash & equivalent	3,332	3,236	2,461	2,409	2,148
Receivable	3,374	3,698	3,706	3,646	3,869
Inventory	3,475	3,738	3,880	4,106	4,356
Other current assets	468	551	537	551	565
Total current assets	10,648	11,222	10,584	10,712	10,938
Fixed assets	6,253	7,666	8,616	9,492	10,295
Other non-current assets	0	0	0	0	0
Total non-current assets	7,498	9,042	10,209	11,291	12,287
Total assets	18,146	20,265	20,793	22,003	23,225
ST loans	69	150	91	75	5
Payable	1,700	1,712	1,835	1,942	2,060
Other payables	448	416	465	492	522
Current portion of LT loans	28	20	36	65	0
Total current liab.	2,286	2,577	2,600	2,757	2,781
Long term loans	260	648	208	143	143
Other LT liab.	306	334	334	334	334
Total liabilities	2,852	3,559	3,142	3,234	3,259
Equity	435	435	435	435	435
Retained earnings	14,073	15,361	16,373	17,460	18,626
Minority interest	671	812	843	874	905
Total SHE + minority int.	15,295	16,706	17,651	18,769	19,966
Total liabilities & equity	18,146	20,265	20,793	22,003	23,225

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2018A	2019A	2020F	2021F	2022F
Net income	3,314	3,310	3,182	3,407	3,637
Depr. & amortization	471	508	607	693	778
Changes in working capital	(110)	(451)	(72)	(36)	(327)
Others	(904)	(864)	(718)	(787)	(841)
Cash flow from operating	2,771	2,503	2,999	3,277	3,246
Capital expenditure	(1,307)	(1,733)	(1,500)	(1,500)	(1,500)
Others	17	(167)	(274)	(274)	(274)
Cash flow from investing	(1,290)	(1,901)	(1,774)	(1,774)	(1,774)
Loans	10	377	(482)	(52)	(134)
Equity	0	0	0	0	0
Dividends	(1,191)	(1,253)	(1,421)	(1,503)	(1,598)
Others	41	169	(97)	0	0
Cash flow from financing	(1,140)	(707)	(2,000)	(1,555)	(1,733)
Changes in cash	368	(156)	(776)	(52)	(261)

Key Ratios	2018A	2019A	2020F	2021F	2022F
Gross margin	46.7%	45.3%	43.8%	43.9%	43.9%
Operating margin	15.7%	14.6%	13.4%	13.5%	13.6%
Pre-tax margin	15.7%	15.0%	13.8%	13.9%	14.0%
Net margin	11.7%	11.1%	10.3%	10.3%	10.4%
ROA	14.1%	13.1%	11.9%	12.1%	12.2%
ROE	16.8%	15.7%	14.2%	14.2%	14.3%
ROIC	18.1%	16.7%	15.2%	15.3%	15.3%
Acct. receivables TO (days)	54.9	57.0	57.0	52.9	52.9
Inventory TO (days)	114.3	106.2	106.2	106.2	106.2
Payable TO (days)	50.4	50.3	50.3	50.3	50.3
Debt to equity	2.3%	4.9%	1.9%	1.5%	0.7%
Interest coverage ratio (x)	111.4	81.9	86.5	172.7	264.3
Net gearing	-19.5%	-14.5%	-12.0%	-11.3%	-10.0%

Source: Company, Indo Premier

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

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

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