

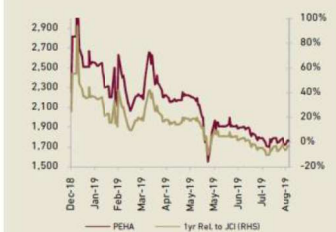
Not Rated

Sector Pharmaceutical
Bloomberg Ticker PEHA IJ

Share Price Performance

Last price (Rp) 1770

	3m	6m	12m
Absolute (%)	-12	22	37
Relative to JCI (%)	-13	-19	-38
52w High/Low price	3,650/1,500		



Outstanding shrs (mn)	840
Mkt. Cap (Rpbn/USDmn)	1,487/104
Estimated free float (%)	34%
Major shareholders	
PT Kimia Farma	56.8%
Syarif Masrizal A	9.0%
Public	34.2%

EPS Consensus

	Ciptadana	Cons.	% Diff
2018F	n/a	n/a	n/a
2019F	n/a	n/a	n/a
2020F	n/a	n/a	n/a

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Phapros

Key takeaways from company visit

Phapros in a glance

Phapros (PEHA) is a pharmaceutical company, based in Indonesia, since 1954. Phapros develops and produces OTC, ethical, generic medicines, and medical devices. 56.8% of its shares are owned by Kimia Farma (KAFF), 9% are owned by Mr. Syarif Masrizal, while the rest are owned by public.

Inorganic expansion

In the second semester of 2018, the company purchased shares at PT. Lucas Djaja (pharmaceuticals company), as part of their inorganic expansion, at the moment PEHA owns 90.2% of shares at PT. Lucas Djaja. This inorganic expansion may benefit PEHA due to more production capacity, product diversification, and strengthening export market. The acquisition was funded using bank loans and MTN, hence short term debt rose significantly in FY18 to Rp558.5 bn from Rp20 bn in FY17. However, we see this as a promising strategy as Lucas Djaja is strong at export market, export contributed around 50% of revenue, and hence the export contribution is expected to reach 5% of revenue from only 1-1.5%. We expect this to have positive impact for Phapros in 2019, due to potential additional revenue from Lucas Djaja.

Possible tax deduction for R&D

PEHA adopt open R&D concept in developing new products, meaning, another party do the R&D, while PEHA do the marketing and distribution process. One of the examples was Inashunt, a medical tool to remove liquid from the head of hydrocephalus patient; the R&D is done by Gajahmada University. In addition, government may impose up to 300% possible tax deduction for companies whose spend on R&D. This can be a positive catalyst if the regulation is fully implemented, PEHA Spend around Rp21bn of R&D expense in 2018, around 2% of revenue. However we still waiting for more specific details regarding the implementation to further see the impact on earnings.

Right Issue purpose

PEHA plans to raise around Rp1.1 tn, equal to 50% of issue and paid up capital through right issue, equivalent to 62mn shares. According to the management the progress for right issue is already 90%, just waiting for the extra ordinary shareholders meeting (RUPSLB) which going to be hold in 26th of August. The purpose of the right issue is for debt refinancing, working capital, and new products development.

Company strategy and positive sentiment going forward

Going forward, the company will be more selective in selecting e-catalog products, due to low margins, it is important as BPJS e-catalog products contributed around 52% to revenue. The company will also find alternative raw materials from China, which cost at lower price. To minimize foreign currency exposure, the company may does purchase by using other than USD currency, for example Yuan. Another positive tone, government is now under discussion to support the use of local medicines for hospitals, this may increase demand for local pharmaceutical products.

Exhibit 1 : Financial Highlights

Year to 31 Dec	2016A	2017A	2018A	3M18	3M19
Revenue (Rpbn)	816.1	1002.1	1022.9	177.8	140
Operating profit (Rpbn)	128.8	187.4	193.7	16.5	16.9
Net profit (Rpbn)	87	125.3	133.3	12.5	5.1
EPS (Rp)	518	746	158	74	6
EPS growth (%)	38	44	-78	n/a	n/a
EV/EBITDA (x)	9.6	7.6	9.8	n/m	n/m
PER (x)	3.4	2.4	11.2	n/m	n/m
PBV (x)	2.4	2.1	1.8	n/m	n/m
Dividend yield (%)	0.0	0.0	6.3	n/m	n/m
ROE (%)	13.9	17.8	16.7	n/m	n/m

Source : PEHA, Ciptadana Sekuritas Asia

Hasil Riset Analisis Ciptadana



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