

Not rated

TP: N/A

Phapros

Focus on higher margin products in 2023

Initiatives to improve gross margin

Phapros (PEHA) has more than one raw material suppliers for each product, with more than one alternatives, the company may choose the most reasonable price. Raw materials become very important in determining gross margins, as it contributes more than 50% of COGS (54.2% as of 9M22). In terms of raw materials purchase, the company purchases the raw materials by using contract to lock the price, then, the suppliers will send the raw materials in several times, rather than one time shipment, this helps the company to manage their inventory level as well. The company also uses more than 80% of local contents (TKDN) for the packaging which cost less expensive rather than import materials. We see these as a strategy to improve gross margins, other than increasing ASP. For the generic products, the company is not going to increase ASP, as it aims for the e-catalogue market. For branded and OTC products the company also has limitations to increase ASP, as they want to remain competitive in the industry and maintain its market share.

Better product mix in 2023

In 2023, the company plans to focus on ethical branded products (c.25-30% to revenue), and OTC products (c.12-15%), which generates higher margins compared to generic products (c.45-48%), this mainly for government products, the company targets 40-45% sales contribution from generic products in 2023. The company will not reduce the production for generic products, as currently the company runs at the maximum utilization rate of 96%, with Lucas Djaja (90.2% ownership) facilities that focus on OEM (toll manufacturing). The company plans to launch 12 new products in 2023, and mostly focus on ethical and OTC products. In 2022, the company has launched 6 out of 8 new products, which mainly consist of ethical branded products. We believe, better product mix will generate higher gross margins, and help the company to minimize operating leverage.

Antimo is still the main product on OTC segment

PEHA has strong brand in Antiemtic & Anti-Nausea treatment through Antimo, which has been able to maintain their market share dominance at 70%. This was also confirmed as Antimo booked a 100% YoY sales growth in 1H22 and grew by above 130% in 9M22. Furthermore, the management plans to penetrate millennial market and strengthen brand identity by the rejuvenation of product packaging given its contributing 10%-11% to total PEHA's sales. We believe Antimo will support the PEHA's sales growth in 4Q22 and 2Q23 on the back of mobility improvement during year-end holiday and lebaran.

Stock valuation set to improve going forward

We believe the company's financial performance would improve in 2023, due to margins expansion from better product mix, also higher sales volume due to higher demand from government program. Currently, the stock trades at 25.7x 2022 annualized PER. Using 2022 annualized revenue of Rp1.1 tn, while assuming revenue only grow by 7% YoY in 2023, and 5% NPM in 2023, or at around 2020 level, PEHA would trade at 9.3x 2023F PER. This is lower compared to KLBF 2023F PER of 25.6x. Investment Risk: Rupiah depreciation and lower than expected volume.

Exhibit 1 : Financial Highlights

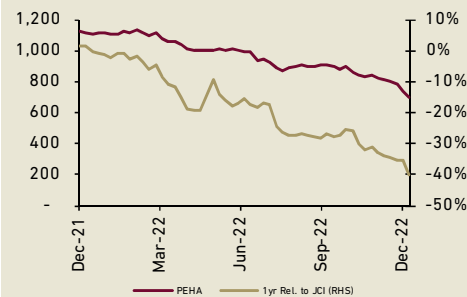
Year to 31 Dec	2019A	2020A	2021A	9M21	9M22
Revenue (Rp bn)	1,105	981	1,051	767	876
Operating profit (Rp bn)	171	90	90	69	64
Net profit (Rp bn)	102	48	11	11	17
EPS (Rp)	121	58	13	13	20
EPS growth (%)	-23.4	-52.0	-77.6	-78.3	53.8
EV/EBITDA (x)	7.0	10.9	10.1	-	-
PER (x)	5.7	12.0	53.5	-	-
PBV (x)	0.7	0.8	0.8	-	-
Dividend yield (%)	12.2	3.3	1.1	-	-
ROE (%)	13.0	6.4	1.5	-	-

Source : Bloomberg

Sector	Pharmaceutical
Bloomberg Ticker	PEHA IJ

Share Price Performance

Last price (Rp)	695		
Avg. daily T/O (Rpbn/USDmn)	0.2/0.0		
	3m	6m	12m
Absolute (%)	-22.8	-29.4	-37.1
Relative to JCI (%)	-17.5	-26.1	-40.6
52w High/Low price	1,145/690		



Outstanding shrs (mn)	840.0
Mkt. Cap (Rpbn/USDmn)	583,8/37.4
Estimated free float (%)	33.2

Major shareholders

PT Kimia Farma	56.8%
Public	43.2%

EPS Consensus

	Ciptadana	Cons.	% Diff
2022F	n/a	n/a	n/a
2023F	n/a	n/a	n/a
2024F	n/a	n/a	n/a

Robert Sebastian

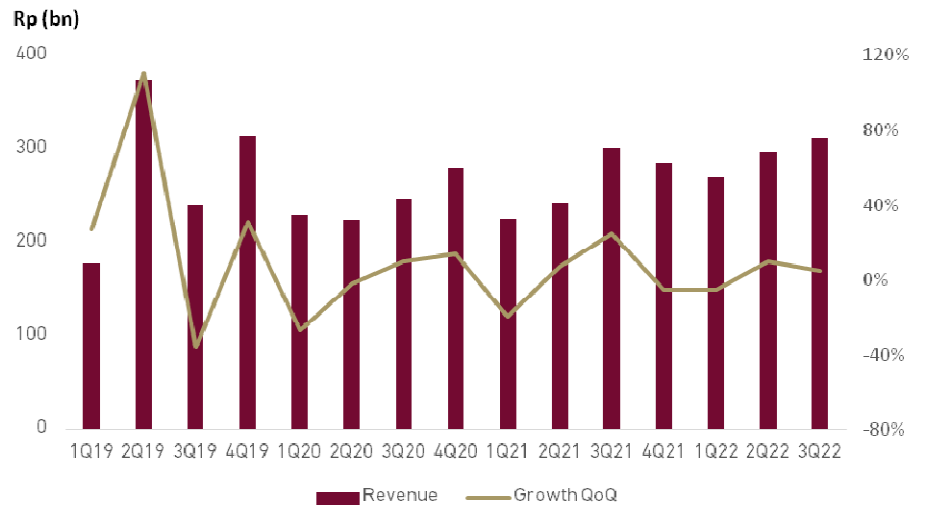
+62 21 2557 4800 ext. 760
sebastianrobert@ciptadana.com

Putu Chantika Putri

+62 21 2557 4800 ext. 740
putriputu@ciptadana.com

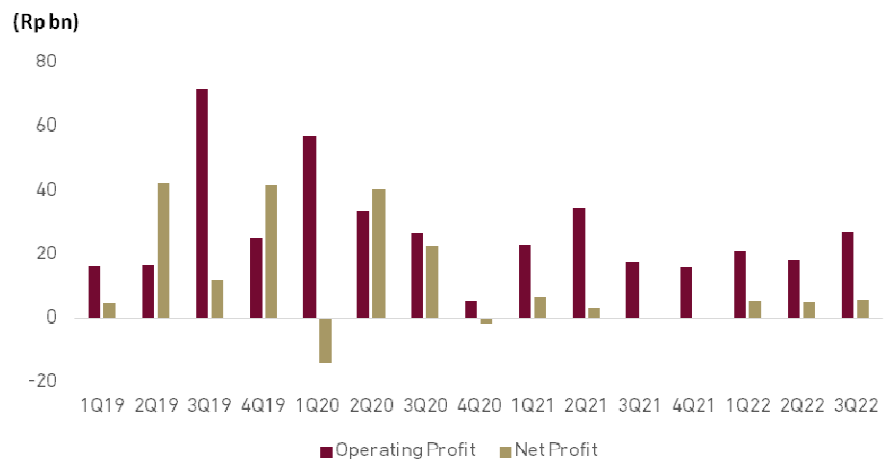
<http://www.ciptadana.com>

Exhibit 2 : PEHA quarterly revenue



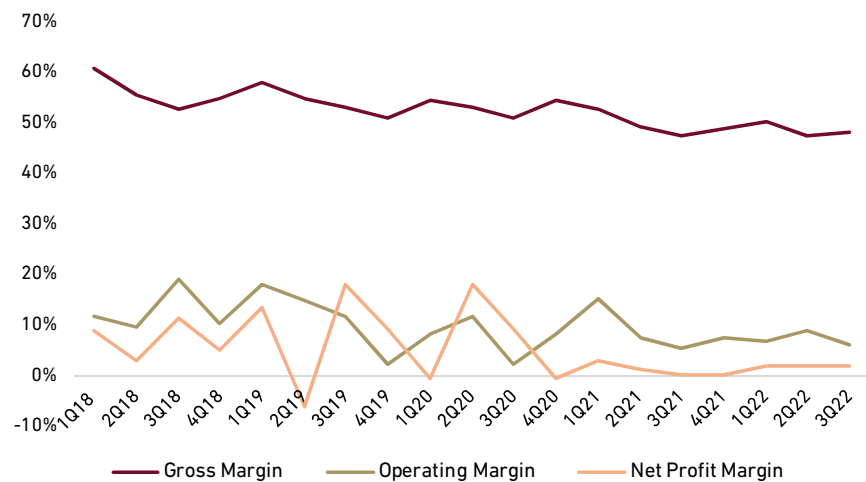
Source: Company

Exhibit 3 : PEHA quarterly EBIT & Net Profit



Source: Company, Ciptadana Sekuritas Asia

Exhibit 4 : PEHA quarterly margins



Source: Company, Ciptadana Sekuritas Asia

Exhibit 5 : PEHA main products

Pareto Products

ANTIMO	BECEFORT	TABLET TAMBAH DARAH	PEHACAIN
			
<ul style="list-style-type: none"> Indications : Nausea and vomiting during travelling by motor vehicles (car, bus), ships, and aircraft Ingredients : Dimenhydrinate tablet 50 mg Packing : 1 strip @ 10 tablets 	<ul style="list-style-type: none"> Indications : Vitamin supplement of vitamin C, B, and Calcium deficiency i.e growth step, healing step, malnutrition, pregnancy and nursing women. Ingredients : Vit-B1, Vit-B2, Vit-B6, Vit-B12, Vit-C, Vit-E, Calcium Packing : 1 strip @ 4 caplets 	<ul style="list-style-type: none"> Indications : For Iron Deficiency and to reduce megaloblastic anemia Ingredients : Ferrous Fumarate 180mg, Folic Acid 400mg Packing : 3 strips @ 10 tablets 	<ul style="list-style-type: none"> Indications : local anesthesia for dental procedures Ingredients : Lidocaine HCl 20mg, Epinephrine 0,0125mg Packing : 20 Ampoules @ 20ml
DEXTAMINE	PRO TB	PANTOPRAZOLE	RANITIDINE
			
<ul style="list-style-type: none"> Indications : Corticosteroid Therapy and to relieve symptoms of allergies Ingredients : Dexamethasone 0,5mg, Dexchlorpheniramine maleate 	<ul style="list-style-type: none"> Indications : Treatment for TB Disease Ingredients : Rifampicin, Isoniazide, Pyrazinamide, Ethambutol Packing : 1 blister @ 28 film coated 	<ul style="list-style-type: none"> Indications : Duodenal ulcer, gastric ulcer, reflux esophagitis Ingredients : Pantoprazole Sodium 124mg/Pantoprazole 40mg 	<ul style="list-style-type: none"> Indications : Hypersecretory conditions Ingredients : Ranitidine 25 mg Packing : 25 Ampoules @ 2ml

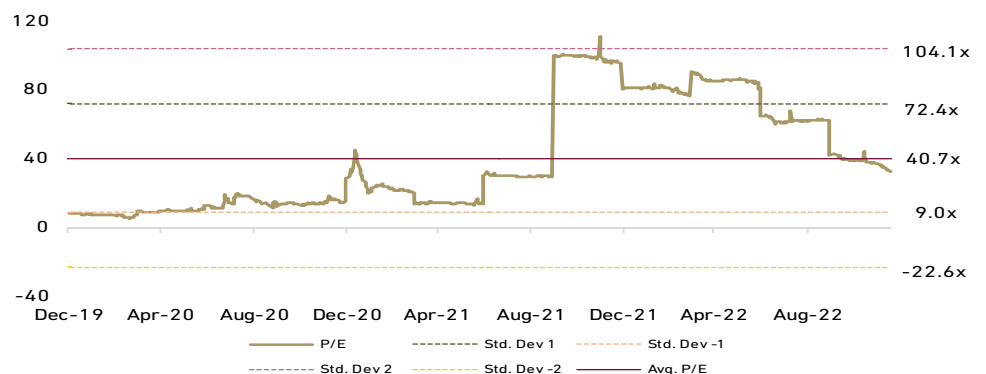
Source: Company Presentation

Exhibit 6 : PEHA segment breakdown

(In Rp bn)	FY18 % cont	FY19 % cont	FY20 % cont	FY21 % cont
Revenue	1,023 100%	1,105 100%	981 100%	1,051 100%
OGB	537 53%	583 53%	535 55%	538 51%
Ethical	258 25%	290 26%	223 23%	317 30%
OTC	182 18%	213 19%	202 21%	173 16%
Toll-In	46 4%	20 2%	21 2%	24 2%
Cost of Revenue	430 100%	496 100%	457 100%	532 100%
OGB	310 72%	342 69%	311 68%	366 69%
Ethical	54 13%	65 13%	55 12%	84 16%
OTC	63 15%	81 16%	84 18%	73 14%
Toll-In	3 1%	7 1%	7 1%	9 2%
Gross Profit	560 100%	609 100%	523 100%	520 100%
Ethical	204 36%	225 37%	168 32%	233 45%
OGB	227 41%	240 39%	224 43%	172 33%
OTC	119 21%	132 22%	118 22%	100 19%
Toll-In	33 6%	13 2%	14 3%	15 3%
GPM				
Ethical	79%	77%	75%	73%
OGB	42%	41%	42%	32%
OTC	65%	62%	58%	58%
Toll-In	72%	64%	67%	63%

Source: Bloomberg

Exhibit 7 : PEHA PER band



Source: Bloomberg

Exhibit 8 - Income Statement

Year to 31 Dec (Rp bn)	2017A	2018A	2019A	2020A	2021A
Revenue	1,002	1,023	1,105	981	1,051
COGS	-437	-440	-496	-457	-532
Gross profit	565	583	609	524	519
Oper. expenses	-378	-389	-438	-434	-429
Oper. profit	187	194	171	90	90
EBITDA	205	220	213	133	136
Interest income	1	1	1	2	2
Interest expense	-17	-40	-63	-94	-80
Other income (exp.)	0	23	21	66	1
Pre-tax profit	171	178	130	64	13
Income tax	-46	-46	-28	-16	-2
Minority interest	0	1	0	0	0
Net profit	125	132	102	48	11

Exhibit 9 - Balance Sheet

Year to 31 Dec (Rp bn)	2017A	2018A	2019A	2020A	2021A
Cash & cash equivalent	147	109	107	60	94
Acct, receivables	361	471	592	456	439
Inventory	159	320	362	385	339
Other curr, asset	99	108	138	82	76
Total current asset	766	1,008	1,199	984	949
Fixed assets - net	367	621	644	651	616
Other non-curr.asset	43	239	254	281	274
Total asset	1,176	1,869	2,097	1,916	1,839
ST debt + curr. maturity	24	570	1,016	900	605
Acct, payable	104	114	121	113	95
Advances received	0	0	0	0	0
Other curr. liab	57	288	47	31	32
Long term debt	9	21	0	0	253
Other non-curr, liab,	281	86	91	131	112
Total liabilities	475	1,079	1,275	1,175	1,098
Shareholder equity	701	769	801	720	719
Minority interest	0	21	21	21	21
Total liab + SHE	1,176	1,869	2,097	1,916	1,839

Exhibit 10 - Per Share Data

Year to 31 Dec (Rp bn)	2017A	2018A	2019A	2020A	2021A
EPS		157.5	121.0	58.0	13.0
BVPS		915.4	952.9	856.7	856.5
DPS		110.2	85.0	23.0	7.9
FCF per share		-284.7	-113.2	165.4	119.7

Source : Bloomberg

Exhibit 11 - Cash Flow

Year to 31 Dec (Rp bn)	2017A	2018A	2019A	2020A	2021A
Net income	125	132	102	48	11
Depreciation	17	26	41	43	46
Chg in working cap.	0	-544	-22	-75	277
Other	-58	205	-186	149	-222
CF-Oper activities	84	-180	-65	166	112
Capital expenditure	-89	-59	-31	-27	-12
Others	0	-312	-0.7	0.3	-0.8
CF-Investing activities	-89	-371	-31	-27	-12
Net change in debt	-76	598	385	-116	-46
Net change in equity	0	0	0	0	0
Dividend payment	-43	-85	-91	-69	-20
Other financing	200	0	-200	0	0
CF-Financing activities	81	513	95	-185	-65
Net cash flow	76	-38	-2	-46	34
Cash - begin of the year	71	147	109	107	60
Cash - end of the year	147	109	107	60	94

Exhibit 12 - Key Ratios

Year to 31 Dec (Rp bn)	2017A	2018A	2019A	2020A	2021A
Growth					
Revenue (%)		2.1	8.1	-11.3	7.2
Operating profit (%)		3.4	-11.6	-47.6	0.3
Net profit (%)		5.6	-22.8	-52.4	-77.1
Profitability Ratios					
Gross margin (%)	56.4	56.9	55.1	53.3	49.4
Operating margin (%)	18.7	18.9	15.5	9.2	8.5
EBITDA margin (%)	20.4	21.4	19.2	13.5	12.9
Net margin (%)	12.5	12.9	9.2	4.9	1.0
ROA (%)	10.6	8.7	5.1	2.4	0.5
ROE (%)	17.8	18.0	13.0	6.4	1.5
Liquidity Ratios					
Current ratio (x)	4.1	1.0	1.0	0.9	1.3
Quick ratio (x)	2.8	0.6	0.6	0.5	0.7
Cash conversion cycle (days)	226.4	287.8	354.3	405.5	325.9
Activity Ratio					
Inventory turnover (days)	132.8	198.7	251.0	299.0	248.4
Receivable turnover (days)	131.5	148.5	175.6	195.7	155.4
Payable turnover (days)	37.9	59.4	72.3	89.3	78.0
Solvency Ratio					
Interest cover (x)	0.1	0.2	0.3	0.7	0.6
Debt to equity ratio (x)	0.3	1.0	1.2	1.2	1.2
Net debt to equity (x)	0.9	0.8	1.1	1.1	1.0

Source : Bloomberg

EQUITY RESEARCH

HEAD OF RESEARCH

Arief Budiman

Strategy, Automotive, Heavy Equipment,
Construction, Oil & Gas and Shipping
T +62 21 2557 4800 ext 819
E budimanarief@ciptadana.com

ANALYST

Erni Marsella Siahaan, CFA

Banking
T +62 21 2557 4800 ext 919
E siahaanerni@ciptadana.com

ANALYST

Yasmin Soulisha

Property, Plantations
T +62 21 2557 4800 ext 799
E soulisayasmin@ciptadana.com

ANALYST

Gani

Telco, Tower, Media
T +62 21 2557 4800 ext 734
E gani@ciptadana.com

ANALYST

Robert Sebastian

Retail, Healthcare
T +62 21 2557 4800 ext 760
E sebastianrobert@ciptadana.com

ANALYST

Thomas Radityo

Coal, Metal Mining
T +62 21 2557 4800 ext 795
E radityothomas@ciptadana.com

ANALYST

Putu Chantika Putri

Consumer, Cigarette
T +62 21 2557 4800 ext 740
E putriputu@ciptadana.com

TECHNICAL ANALYST

Asrul Husni

T +62 21 2557 4800 ext 780
E husniasrul@ciptadana.com

RESEARCH ASSISTANT

Sumarni

T +62 21 2557 4800 ext 920
E sumarni@ciptadana.com

EQUITY SALES

DIRECTOR OF INSTITUTIONAL EQUITY SALES

Dadang Mulyana

Plaza ASIA Office Park unit 2
Jl. Jend. Sudirman Kav. 59
Jakarta - 12190
T +62 21 2557 4800 ext 838
F +62 21 2557 4900
E mulyanadadang@ciptadana.com

BRANCH OFFICES

JAKARTA - MANGGA DUA

Komplek Harco Mangga Dua
Rukan Blok C No.10
Jl. Mangga Dua Raya
Jakarta - 10730
T +62 21 600 2850
F +62 21 612 1049

SURABAYA

Intiland Tower Surabaya
Ground Floor Suite 5 & 6
Jl. Panglima Sudirman 101-103
Surabaya - 60271
T +62 31 534 3938
F +62 31 534 3886

Analyst Certification

Each contributor to this report hereby certifies that all the views expressed accurately reflect his or her personal views about the companies, securities and all pertinent variables. It is also certified that the views and recommendations contained in this report are not and will not be influenced by any part or all of his or her compensation.

Disclaimer

This report does not constitute an offer to buy or sell any security/instrument, invitation to offer or recommendation to enter into any transaction. Nor are we acting in any other capacity as a fiduciary to you. When making an investment decision, you should determine, without reliance upon us or our affiliates, the economic risks and merits (and independently determine that you are able to assume these risks) as well as the legal, tax and accounting characterizations and consequences of any such transaction. In this regard, by accepting this report, you acknowledge that (a) we are not in the business of providing (and you are not relying on us for) legal, tax or accounting advice, (b) there may be legal, tax or accounting risks associated with any transaction, (c) you should receive (and rely on) separate and qualified legal, tax and accounting advice and (d) you should apprise senior management in your organization as to such legal, tax and accounting advice (and any risks associated with any transaction and our disclaimer as to these matters).

The information contained in this report is based on material we believe to be reliable; however, we do not represent that it is accurate, current, complete, or error free. Assumptions, estimates and opinions contained in this report constitute our judgment as of the date of the document and are subject to change without notice. Any projections are based on a number of assumptions as to market conditions and there can be no guarantee that any projected results will be achieved. Past performance is not a guarantee of future results. PT CIPTADANA SEKURITAS ASIA AND ITS AFFILIATES SPECIFICALLY DISCLAIMS ALL LIABILITY FOR ANY DIRECT, INDIRECT, CONSEQUENTIAL OR OTHER LOSSES OR DAMAGES INCLUDING LOSS OF PROFITS INCURRED BY YOU OR ANY THIRD PARTY THAT MAY ARISE FROM ANY RELIANCE ON THIS REPORT OR FOR THE RELIABILITY, ACCURACY, COMPLETENESS OR TIMELINESS THEREOF.

Disclaimer: This document is not intended to be an offer, or a solicitation of an offer, to buy or sell relevant securities (i.e. securities mentioned herein or of the same issuer and options, warrants or rights to or interest in any such securities). The information and opinions contained in this document have been compiled from or arrived at in good faith from sources believed to be reliable. No representation or warranty, expressed or implied, is made by PT CIPTADANA SEKURITAS ASIA or any other member of the Ciptadana Capital, including any other member of the Ciptadana Group of Companies from whom this document may be received, as to the accuracy or completeness of the information contained herein. All opinions and estimates in this report constitute our judgment as of this date and there can be no assurance that future results or events will be consistent with any such opinions, forecasts or estimates. The information in this document is subject to change without notice; its accuracy is not guaranteed; and it may be incomplete or condensed.