

Kalbe Farma Tbk (KLBF IJ)

Performance Overshadowed by Increasing Raw Material Prices

Distribution and Logistics Segment grew 28.9% YoY in 1Q22, pushing sales in 1Q22 up to IDR7.0 trillion (+16.6% YoY), and net profit of 1Q22 jumped 16.5% YoY to IDR834.9 billion. In facing the increase of raw material prices, KLBF suppress raw material imports and pushes for herbal raw materials. Meanwhile, 1Q22 GPM was booked lower at 41.7% (vs 1Q21: 44.0%).

Distribution and Logistics Segment Books Highest Growth

- KLBF booked 1Q22 sales of IDR7.0 trillion, or up 16.6% YoY (vs 1Q21: IDR6.0 trillion) on the back of growth in most segments.
- Distribution and Logistics Segment booked the highest growth at 28.9% YoY, followed by Nutritionals (+13.8% YoY), Prescription Pharmaceuticals (+9.5% YoY), and Health Products (+6.0% YoY).
- Export sales jumped 43.3% YoY, supported by Health Products (+65.3% YoY), and domestic sales went up 15.4% YoY with the support of the Distribution and Logistics segment (+29.0% YoY).
- Throughout 1Q22, KLBF booked an increase in gross profit, operating profit, as well as net profit to IDR2.9 trillion (+10.6% YoY), IDR1.1 trillion (+23.2% YoY), and IDR834.9 billion (+16.5% YoY).
- Gross Profit Margin 1Q22 was lower at 41.7% (vs 1Q21: 44.0%) due to business mix and higher raw material costs. EBIT Margin 1Q22 was booked higher at 15.4% (vs 1Q21: 14.5%), while Net Profit Margin 1Q22 was stable at 11.9%.

Pushes for Herbal Raw Material

- Prescription Pharmaceuticals, Nutritionals, as well as Distribution and Logistics booked a lower GPM due to product portfolio mix, at 52.5%, 51.3%, and 22.8% (vs 1Q21: 53.0%, 52.0%, and 25.3%), respectively. Meanwhile, GPM for the Health Product segment was relatively stable at 56.2% (vs 1Q21: 56.4%).
- The risk of rising raw material prices due to the depreciation of the rupiah has forced KLBF to suppress imports of raw materials. In fact, imports reached 60% - 70%. One of the strategies carried out by KLBF is to encourage the use of raw materials from herbal products.
- The strategy in the Prescription Pharmaceuticals segment is to strengthen the presence of specialty products, such as oncology and biologics. The Nutrition segment offers more affordable products to serve market needs (Zee & Chill Go Powder).
- Meanwhile, strategy carried out by the Health Products Segment is to strengthen vitamin and supplement products that are supported by scientific information and focus on the use of herbal raw materials.
- KLBF through its subsidiary, Kalbe International, formed JV Kalbe Ecosential International Inc which will focus on marketing non-prescription KLBF products for the Philippine market. This is expected to be able to boost export sales, which contributed 5.4% to sales.

OVERWEIGHT Recommendation with TP of IDR1,800

- We maintain our OVERWEIGHT recommendation for KLBF with a target price of IDR1,800/share (P/E 25.8x or +1 STD) with a potential upside of 10.1%. The main risks are rising raw material prices, exchange rate depreciation, and product competition.

Kalbe Farma Tbk | Summary (IDR Bn)

	2021A	2022E	2023E	2024E
Net Sales	26,261	28,961	31,656	34,690
Growth	13.6%	10.3%	9.3%	9.6%
Net Profit	3,184	3,445	3,700	4,161
Growth	16.5%	8.2%	7.4%	12.5%
EPS (IDR)	68	74	79	89
P/E	23.8x	24.5x	22.8x	20.3x
P/BV	3.6x	3.7x	3.4x	3.1x
EV/EBITDA	15.3x	15.7x	14.8x	13.0x
ROE	15.0%	15.1%	14.9%	15.3%
ROA	12.4%	12.5%	12.4%	12.8%
Dividend Yield	1.7%	1.9%	2.0%	2.1%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

NH Korindo Sekuritas Indonesia

Company Update | July 05, 2022

OVERWEIGHT

Target Price (IDR)	1,800
Consensus Price (IDR)	1,889
TP to Consensus Price	-4.7%
Potential Upside	10.1%

Shares data

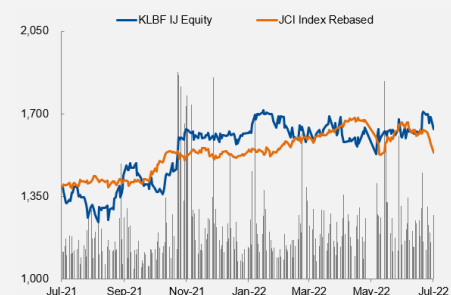
Last Price (IDR)	1,635
Price date as of	July 04, 2022
52 wk range (Hi/Lo)	1,730/1,240
Free float (%)	41.9
Outstanding sh.(mn)	46,875
Market Cap (IDR bn)	76,640
Market Cap (USD mn)	5,112
Avg. Trd Vol - 3M (mn)	46.88
Avg. Trd Val - 3M (bn)	76.01
Foreign Ownership	20.8%

Healthcare

Pharmaceutical & Nutritional Products

Bloomberg	KLBF IJ
Reuters	KLBF.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	0.9%	-0.3%	-3.0%	17.6%
Rel. Ret.	1.3%	6.1%	3.7%	7.1%

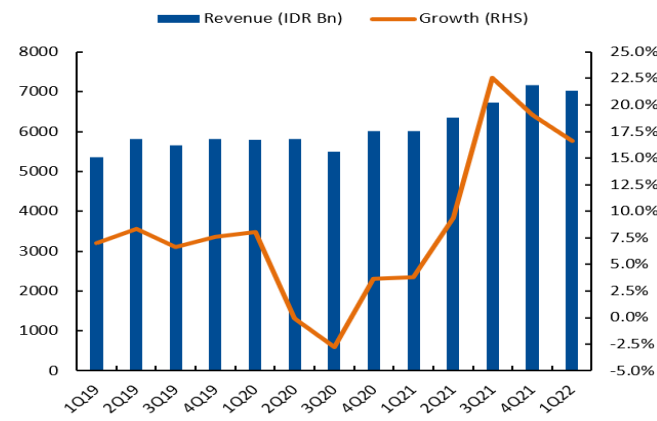
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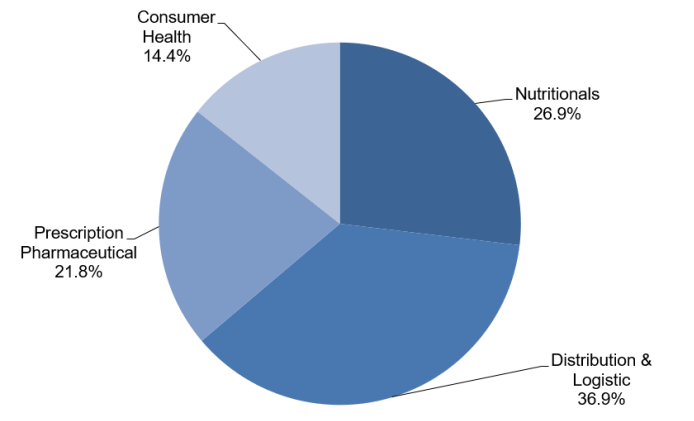
Performance Highlights

KLBF's 1Q19—1Q22 Revenues



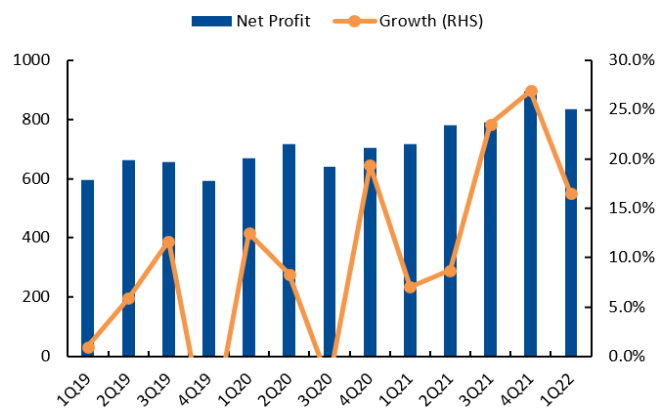
Source: Company Data, NHKSI Research

KLBF's Revenue Breakdown



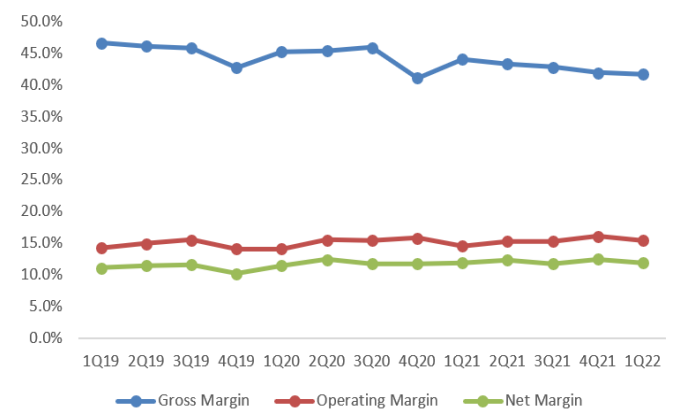
Source: Company Data, NHKSI Research

KLBF's 1Q19—1Q22 Net Profit



Source: Company Data, NHKSI Research

KLBF's Margin Ratio



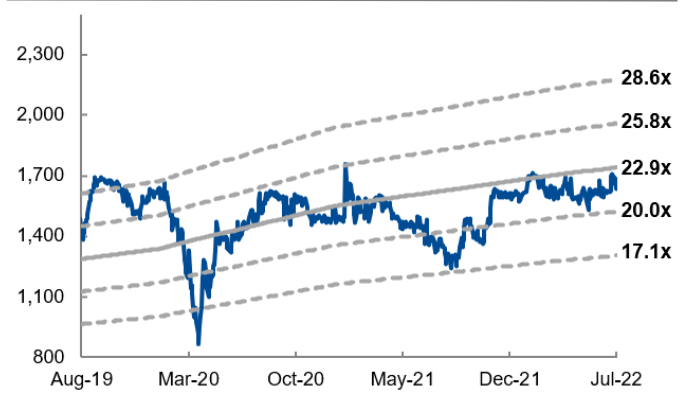
Source: Company Data, NHKSI Research

3-Year Forward P/E Band



Source: Company Data, NHKSI Research

3-Year Dynamic Forward P/E Band



Source: Company Data, NHKSI Research

Summary of Financials

INCOME STATEMENT					PROFITABILITY & STABILITY				
(IDR bn)	2021/12A	2022/12E	2023/12E	2024/12E		2021/12A	2022/12E	2023/12E	2024/12E
Net Sales	26,261	28,961	31,656	34,690	ROE	15.0%	15.1%	14.9%	15.3%
<i>Growth</i>	13.6%	10.3%	9.3%	9.6%	ROA	12.4%	12.5%	12.4%	12.8%
COGS	(14,977)	(16,708)	(18,031)	(19,978)	Inventory Turnover	3.4x	3.5x	3.5x	3.5x
Gross Profit	11,284	12,254	13,625	14,712	Receivable Turnover	7.6x	7.5x	7.0x	7.0x
<i>Gross Margin</i>	43.0%	42.3%	43.0%	42.4%	Payables Turnover	10.3x	10.2x	10.3x	10.2x
Operating Expenses	(7,254)	(7,772)	(8,820)	(9,309)	Dividend Yield	1.7%	1.9%	2.0%	2.1%
EBIT	4,030	4,482	4,805	5,403	Payout Ratio	48.0%	51.5%	48.0%	48.0%
<i>EBIT Margin</i>	15.3%	15.5%	15.2%	15.6%	DER	2.9%	3.5%	3.5%	3.5%
Depreciation	689	595	462	481	Net Gearing	4.1%	4.1%	4.1%	0.0%
EBITDA	4,719	5,077	5,267	5,885	Equity Ratio	82.9%	83.3%	83.3%	83.3%
<i>EBITDA Margin</i>	18.0%	17.5%	16.6%	17.0%	Debt Ratio	0.0x	0.0x	0.0x	0.0x
Interest Expenses	(45)	(50)	(48)	(49)	Financial Leverage	1.0x	1.0x	1.0x	1.0x
EBT	4,143	4,568	4,906	5,518	Current Ratio	4.4x	4.6x	4.9x	5.0x
Income Tax	(911)	(1,055)	(1,134)	(1,275)	Quick Ratio	3.0x	3.4x	3.6x	3.7x
Minority Interest	(48)	(67)	(72)	(81)	Par Value (IDR)	10	10	10	10
Net Profit	3,184	3,445	3,700	4,161	Total Shares (mn)	46,875	46,875	46,875	46,875
<i>Growth</i>	16.5%	8.2%	7.4%	12.5%	Share Price (IDR)	1,615	1,800	1,800	1,800
<i>Net Profit Margin</i>	12.1%	11.9%	11.7%	12.0%	Market Cap (IDR tn)	75.7	84.4	84.4	84.4

BALANCE SHEET					VALUATION INDEX				
(IDR bn)	2021/12A	2022/12E	2023/12E	2024/12E		2021/12A	2022/12E	2023/12E	2024/12E
Cash	6,216	7,233	9,221	10,745	Price /Earnings	23.8x	24.5x	22.8x	20.3x
Receivables	3,431	4,340	4,524	4,940	Price /Book Value	3.6x	3.7x	3.4x	3.1x
Inventories	5,087	4,574	5,198	5,776	PE/EPS Growth	1.4x	3.0x	3.1x	1.6x
Total Current Assets	15,712	17,179	19,876	22,442	EV/EBITDA	15.3x	15.7x	14.8x	13.0x
Net Fixed Assets	8,102	8,390	8,374	8,629	EV/EBIT	17.9x	17.8x	16.2x	14.2x
Other Non Current Assets	1,852	1,887	1,508	1,561	EV (IDR bn)	72,198	79,921	77,999	76,558
Total Non Current Assets	9,954	10,278	9,882	10,190	Sales CAGR (3-Yr)	7.6%	8.6%	11.1%	9.7%
Total Assets	25,667	27,457	29,758	32,632	Net Income CAGR (3-Yr)	9.0%	11.2%	10.6%	9.3%
Payables	1,668	1,603	1,758	1,951	Basic EPS (IDR)	68	74	79	89
ST Bank Loan	94	242	262	288	BVPS (IDR)	454	488	529	580
Total Current Liabilities	3,535	3,700	4,047	4,460	DPS (IDR)	28	35	35	38
LT Debt	533	549	595	653					
Total Liabilities	4,401	4,591	4,980	5,453					
Capital Stock & APIC	435	435	435	435					
Retained Earnings	18,747	20,443	22,355	24,756					
Shareholders' Equity	21,266	22,865	24,778	27,178					

CASH FLOW STATEMENT					OWNERSHIP				
(IDR bn)	2021/12A	2022/12E	2023/12E	2024/12E					
Operating Cash Flow	2,876	3,595	3,756	4,005	Shareholders				%
Investing Cash Flow	(1,172)	(990)	(180)	(787)	Gira Sole Prima PT				10.3
Financing Cash Flow	(679)	(1,288)	(1,588)	(1,694)	Ladang Ira Panen PT				10.1
Net Changes in Cash	1,008	1,318	1,988	1,524	SANTA SEHA SANADI PT				10.1
					Diptanala Bahana PT				9.5
					By Geography				%
					Indonesia				79.2
					United States				9.1
					Ireland				2.4
					Canada				2.2

Source: Company Data, NHKSI Research

NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
 - Buy : Greater than +15%
 - Overweight : +5% to 15%
 - Hold : -5% to +5%
 - Underweight : -5% to -15%
 - Sell : Less than -15%

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