

Kalbe Farma Tbk (KLBF IJ)

Increases ASP for Some Products



In 2Q22, KLBF posted sales of IDR6.9 trillion led by growth in the Nutrition segment (+9.8% YoY). Meanwhile, cumulatively 1H22 sales were recorded at IDR13.9 trillion (+12.2% YoY). Amid rising raw material prices in 1H22, both gross profit and net profit in 1H22 were able to grow by 7.4% YoY and 9.3% YoY, respectively. In addition, KLBF increases its ASP by 3% - 5% on certain products.

Profit Grows Amid Rising Raw Material Prices

- In 2Q22, KLBF posted sales of IDR6.9 trillion (-2.2% QoQ; +7.9% YoY). While cumulatively in 1H22, sales grew 12.2% YoY to IDR13.9 trillion.
- During 2Q22, all compact segments grew, led by the Nutrition segment which grew 9.8% YoY to IDR1.8 trillion. Meanwhile, the Health Products, Prescription Drugs, and Distribution and Logistics segments recorded sales of IDR1.1 trillion (+8.3% YoY), IDR1.4 trillion (+8.0% YoY), and IDR2.5 trillion, respectively (+6.4% YoY).
- Amid rising raw material prices in 1H22 (+13.1% YoY) to IDR3.0 trillion, KLBF's gross profit in 1H22 was able to grow 7.4% YoY to IDR5.8 trillion. In addition, operating profit and net profit during 1H22 were recorded at IDR2.0 trillion (+10.8% YoY) and IDR1.6 trillion (+9.3% YoY).
- On a quarterly basis, gross profit, operating profit and net profit in 2Q22 posted IDR2.9 trillion (+4.3% YoY), IDR989.0 billion (+2.0% YoY) and IDR802.1 billion (+2.7% YoY), respectively. However, profitability margins for 2Q22 were lower, with GPM, OPM and NPM at 41.8%, 14.4% and 11.7% respectively (vs 2Q21: GPM 43.3%, OPM 15, 3%, and NPM 12.3%).

GPM Booked Lower

- Amid the challenge of rising raw material prices, KLBF focuses on securing its raw material supply by building a trading hub in China. This is intended for KLBF's efficiency going forward. Meanwhile, China is known as a contributor to most of the raw materials for KLBF's pharmaceutical business.
- In 1H22 all segments recorded lower GPM due to product mix and rising raw material prices. The GPM of the Prescription Drug segment was recorded at 51.8% (vs 1H21: 53.0%), the Health Products segment was recorded at 56.1% (vs 1H21: 58.1%), the Nutrition segment was 50.6% (vs 1H21: 51, 6%), and the Distribution and Logistics segment was 23.5% (vs 1H21: 25.0%).
- KLBF increased ASP by 3% - 5% on certain products. The Health Products segment strengthens its product portfolio such as herbs, vitamins, and supplements. Meanwhile, the Nutrition segment offers more affordable products and expanding to plant-based products.
- KLBF will acquire 80% stake in PT Aventis Pharma or Sanofi Indonesia with the aim of strengthening access to healthcare in Indonesia through expansion of prescription diabetes drugs, cardio, vaccines, and branded generics. The acquisition is targeted for completion in October 2022.
- In addition, KLBF through its subsidiary Mostrans is collaborating with PT Samudera Indonesia Tbk (SMDR) to develop digital innovations in the logistics sector. Meanwhile, SMDR will invest 20% of ownership in Mostrans.

Recommend OVERWEIGHT with TP of IDR1,850

- We recommend OVERWEIGHT for KLBF with a target price of IDR1,850/share (P/E 25.3x or +1 STD) and a potential increase of 10.4%. Meanwhile, the main risks from our recommendation include rising raw material prices, exchange rate depreciation, and product competition.

Kalbe Farma Tbk | Summary (IDR Bn)

	2021A	2022E	2023E	2024E
Net Sales	26,261	29,115	31,820	34,852
Growth	13.6%	10.9%	9.3%	9.5%
Net Profit	3,184	3,428	3,916	4,365
Growth	16.5%	7.7%	14.2%	11.5%
EPS (IDR)	68	73	84	93
P/E	23.8x	25.3x	22.1x	19.9x
P/BV	3.6x	3.8x	3.5x	3.2x
EV/EBITDA	15.3x	16.6x	14.8x	13.1x
ROE	15.0%	15.2%	15.8%	16.0%
ROA	12.4%	12.6%	13.2%	13.4%
Dividend Yield	1.7%	1.9%	2.0%	2.3%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

NH Korindo Sekuritas Indonesia

Company Update | Sep 05, 2022

OVERWEIGHT

Target Price (IDR)	1,850
Consensus Price (IDR)	1,914
TP to Consensus Price	-3.3%
Potential Upside	10.4%

Shares data

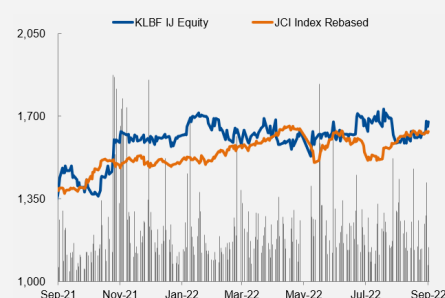
Last Price (IDR)	1,675
Price date as of	Sep 02, 2022
52 wk range (Hi/Low)	1,735/1,345
Free float (%)	41.9
Outstanding sh.(mn)	46,875
Market Cap (IDR bn)	78,516
Market Cap (USD mn)	5,284
Avg. Trd Vol - 3M (mn)	41.43
Avg. Trd Val - 3M (bn)	67.99
Foreign Ownership	20.8%

Healthcare

Pharmaceutical & Nutritional Products

Bloomberg	KLBF IJ
Reuters	KLBF.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	3.4%	5.3%	4.4%	20.9%
Rel. Ret.	-4.3%	2.6%	4.0%	2.9%

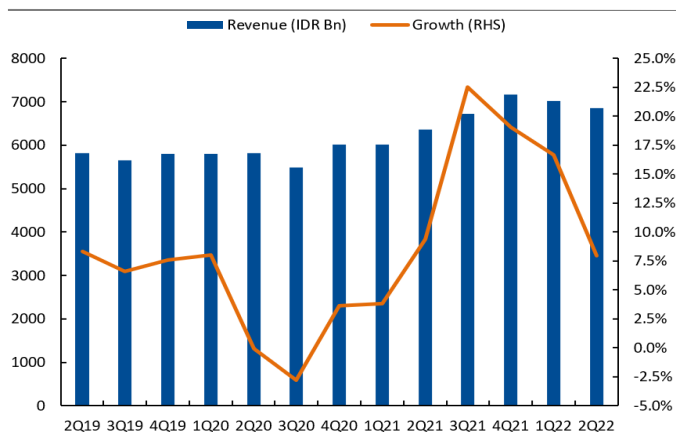
Cindy Alicia Ramadhania

(021) 5088 9129

cindy.alicia@nhsec.co.id

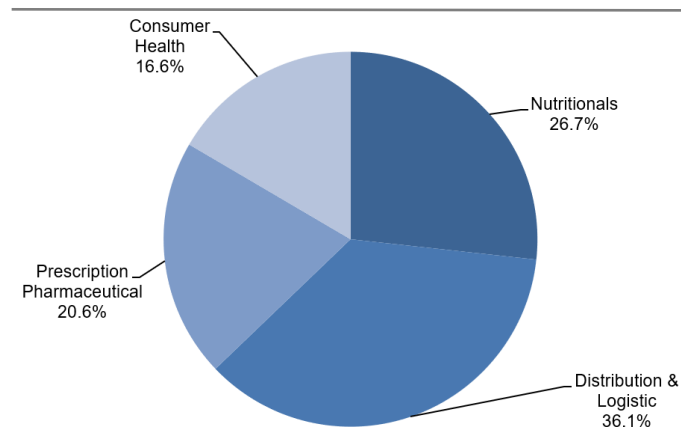
Performance Highlights

KLBF's 2Q19—2Q22 Revenues



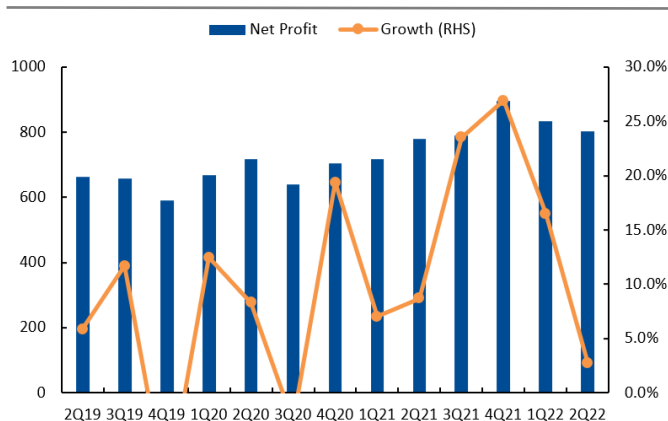
Source: Company Data, NHKSI Research

KLBF's Revenue Breakdown



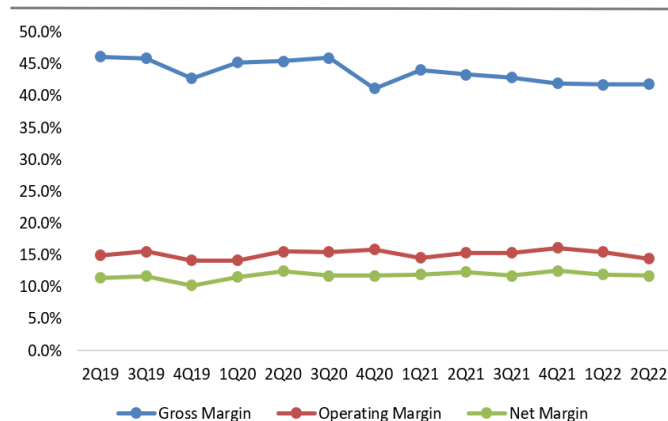
Source: Company Data, NHKSI Research

KLBF's 2Q19—2Q22 Net Profit



Source: Company Data, NHKSI Research

KLBF's Margin Ratio



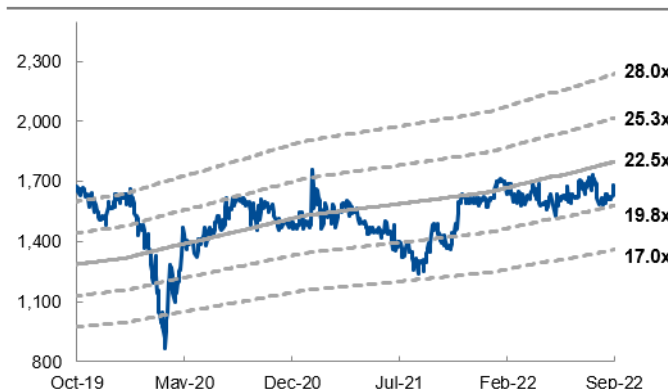
Source: Company Data, NHKSI Research

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	29,115	31,820	34,852	ROE	15.0%	15.2%	15.8%	16.0%
Growth	13.6%	10.9%	9.3%	9.5%	ROA	12.4%	12.6%	13.2%	13.4%
COGS	(14,977)	(16,861)	(17,966)	(19,852)	Inventory Turnover	3.4x	3.5x	3.5x	3.5x
Gross Profit	11,284	12,254	13,854	15,000	Receivable Turnover	7.6x	7.3x	7.0x	7.0x
Gross Margin	43.0%	42.1%	43.5%	43.0%	Payables Turnover	10.3x	10.2x	10.3x	10.2x
Operating Expenses	(7,254)	(7,924)	(8,906)	(9,486)	Dividend Yield	1.7%	1.9%	2.0%	2.3%
EBIT	4,030	4,330	4,948	5,514	Payout Ratio	48.0%	51.2%	50.0%	50.0%
EBIT Margin	15.3%	14.9%	15.6%	15.8%	DER	2.9%	3.0%	3.0%	3.0%
Depreciation	689	630	462	482	Net Gearing	3.5%	3.5%	3.5%	0.0%
EBITDA	4,719	4,960	5,410	5,996	Equity Ratio	82.9%	83.4%	83.7%	83.7%
EBITDA Margin	18.0%	17.0%	17.0%	17.2%	Debt Ratio	0.0x	0.0x	0.0x	0.0x
Interest Expenses	(45)	(45)	(45)	(45)	Financial Leverage	1.0x	1.0x	1.0x	1.0x
EBT	4,143	4,462	5,096	5,681	Current Ratio	4.4x	4.6x	5.0x	5.1x
Income Tax	(911)	(961)	(1,097)	(1,223)	Quick Ratio	3.0x	3.3x	3.7x	3.8x
Minority Interest	(48)	(73)	(83)	(93)	Par Value (IDR)	10	10	10	10
Net Profit	3,184	3,428	3,916	4,365	Total Shares (mn)	46,875	46,875	46,875	46,875
Growth	16.5%	7.7%	14.2%	11.5%	Share Price (IDR)	1,615	1,850	1,850	1,850
Net Profit Margin	12.1%	11.8%	12.3%	12.5%	Market Cap (IDR tn)	75.7	86.7	86.7	86.7

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	6,592	9,050	10,575	Price /Earnings	23.8x	25.3x	22.1x	19.9x
Receivables	3,431	4,528	4,563	4,984	Price /Book Value	3.6x	3.8x	3.5x	3.2x
Inventories	5,087	4,663	5,179	5,740	PE/EPS Growth	1.4x	3.3x	1.6x	1.7x
Total Current Assets	15,712	16,872	19,746	22,305	EV/EBITDA	15.3x	16.6x	14.8x	13.1x
Net Fixed Assets	8,102	8,305	8,380	8,639	EV/EBIT	17.9x	19.0x	16.2x	14.3x
Other Non Current Assets	1,852	1,930	1,516	1,571	EV (IDR bn)	72,198	82,445	80,052	78,600
Total Non Current Assets	9,954	10,235	9,897	10,210	Sales CAGR (3-Yr)	7.6%	8.8%	11.2%	9.9%
Total Assets	25,667	27,107	29,643	32,515	Net Income CAGR (3-Yr)	9.0%	11.0%	12.7%	11.1%
Payables	1,668	1,633	1,751	1,939	Basic EPS (IDR)	68	73	84	93
ST Bank Loan	94	199	218	239	BVPS (IDR)	454	482	529	581
Total Current Liabilities	3,535	3,670	3,978	4,379	DPS (IDR)	28	35	37	42
LT Debt	533	480	526	578					
Total Liabilities	4,401	4,497	4,845	5,300					
Capital Stock & APIC	435	435	435	435					
Retained Earnings	18,747	20,536	22,724	25,141					
Shareholders' Equity	21,266	22,610	24,798	27,215					

CASH FLOW STATEMENT					OWNERSHIP	
(IDR bn)	2021/12A	2022/12E	2023/12E	2024/12E		%
Operating Cash Flow	2,876	3,215	4,257	4,201	Shareholders	
Investing Cash Flow	(1,172)	(858)	(150)	(791)	Gira Sole Prima PT	10.3
Financing Cash Flow	(1,042)	(2,084)	(1,648)	(1,885)	Ladang Ira Panen PT	10.1
Net Changes in Cash	646	273	2,459	1,524	SANTA SEHA SANADI PT	10.1
					Diptanala Bahana PT	9.5
					By Geography	%
					Indonesia	79.2
					United States	9.2
					Ireland	2.5
					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%

DISCLAIMER

This document is strictly confidential and is being supplied to you solely for your information. The recipients of this report must make their own independent decisions regarding any securities or financial instruments mentioned herein. This document may not be quoted, reproduced, exhibited, redistributed, transmitted, edited, translated, or published, in whole or in part, for any purpose without notice. Any failure to comply with this restriction may constitute a violation of civil or criminal laws.

This report and any electronic access hereto are restricted and intended only for the clients and related entities of PT NH Korindo Sekuritas Indonesia. This report is only for information and recipient use. It is not reproduced, copied, or made available for others. Under no circumstances is it considered as a selling offer or solicitation of securities buying. Any recommendation contained herein may not be suitable for all investors. Although the information hereof is obtained from reliable sources, its accuracy and completeness cannot be guaranteed. PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, and agents are held harmless from any responsibility and liability for claims, proceedings, action, losses, expenses, damages, or costs filed against or suffered by any person as a result of acting pursuant to the contents hereof. Neither is PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, nor agents are liable for errors, omissions, misstatements, negligence, inaccuracy contained herein. All rights reserved by PT NH Korindo Sekuritas Indonesia.