Kalbe Farma Tbk (KLBF IJ)

All Segments Performance Equally Grows

NH KORINDO SEKURITAS INDONESIA

Company Update | Nov 29, 2022

Throughout 9M22, KLBF managed to record sales of 10.9% YoY to IDR21.2 trillion. All segments equally experienced growth, with the Distribution and Logistic Segments leading the growth by 13.8% YoY. Furthermore, 9M22's net profit grew 8.6% YoY to IDR2.5 trillion. Additionally, in 3Q22, KLBF did not record margin growth due to higher raw material prices and product mix.

Margins Are Not Yet Able to Grow

- Throughout 9M22, KLBF managed to record sales of 10.9% YoY to IDR21.2 trillion. All segments equally experienced growth in 9M22, with the Distribution and Logistics Segment leading the growth by 13.8% YoY. Additionally, in 3Q22, KLBF sales were recorded at IDR7.3 trillion (+6.5% QoQ; 8.6% YoY).
- The cost of raw materials increased by 32.9% YoY in 9M22, causing the rose in Cost of Goods Sold to IDR12.4 trillion (+15.0% YoY), yet gross profit throughout 9M22 was able to record a growth of 5.5% YoY to IDR8.7 trillion. However, in 3Q22, the company recorded a gross profit of IDR2.9 trillion (+2.3% QoQ; +1.9% YoY).
- Despite increasing operating expenses, KLBF's operating profit grew 8.2% YoY to IDR3.1 trillion. Thus, net profit rose 8.6% YoY to IDR2.5 trillion throughout 9M22. On a quarterly basis, the company recorded a 3Q22 operating profit of IDR1.1 trillion (+8.0% QoQ; +3.6% YoY) and a 3Q22 net profit of IDR848.6 billion (+5.8% QoQ; +7.4% YoY).
- In 3Q22, KLBF has not been able to record margin growth. GPM, OPM, and NPM in 3Q22 recorded lower margins of 40.2%, 14.6%, and 11.6%, respectively (vs. 3Q21 GPM: 42.8%; OPM: 15.3%; and NPM: 11.7%). Additionally, the company's lower GPM is due to mix business and higher raw material prices.

ASP Hike On Preferred Products

- The increase in raw material prices and the presence of mix products caused the GPM of all segments throughout 9M22 to decrease. The Distribution and Logistic segment (the largest contribution to sales at 36.8%) recorded a GPM of 23.3% (vs. 9M21: 24.7%)
- The GPM of Nutrition, Prescription Medicines, and Health Products segments also recorded lower GPM, which were at 49.9%, 50.6%, and 56.1%, respectively (vs. vs. 9M21 GPM Nutrition: 51.6%; GPM of prescription drugs: 52.9%; and Health Products GPM: 58.7%)
- To improve its performance, the Distribution and Logistics Segment continues to expand its infrastructure and distribution network by expanding to new regions in Indonesia, upgrading branch facilities, collaborating with sub-distributors, and expanding warehouse capacity.
- The Nutrition, Prescription Medicines, and Health Products segment increased the average selling price of its selected products by 3%-5%. Additionally, the Nutrition Segment continues to strive to offer more affordable products and expansion into plant-based products.
- For the Prescription Drugs segment, KLBF provides health access through an unbranded generic program (BPJS program) and expands health access to the National Health Insurance Program. Additionally, KLBF also expands cooperation with strategic partners by strengthening portfolios focused on therapeutic classes such as Diabetes and Cardiovascular.

An OVERWEIGHT Recommendation with a TP of IDR2,300

- We maintain our OVERWEIGHT recommendation with a target price of IDR2,300/share (P/E 26.4x or +2 STD) and a potential increase of 8.5%. As for the main risks of our recommendation 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	29,113	31,803	34,814
Growth	*13.6%*	*10.9%*	*9.2%*	*9.5%*
Net Profit	3,184	3,397	4,003	4,590
Growth	*16.5%*	*6.7%*	*17.8%*	*14.7%*
EPS (IDR)	68	72	85	98
P/E	23.8x	31.7x	26.9x	23.5x
P/BV	3.6x	4.8x	4.4x	3.9x
EV/EBITDA	15.3x	20.9x	18.5x	15.8x
ROE	15.0%	15.3%	16.2%	16.8%
ROA	12.4%	12.4%	13.3%	13.8%
Dividend Yield	1.7%	1.5%	1.6%	1.9%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

OVERWEIGHT

Target Price (IDR)	2,300
Consensus Price (IDR)	2,097
TP to Consensus Price	9.7%
Potential Upside	8.5%

Shares data

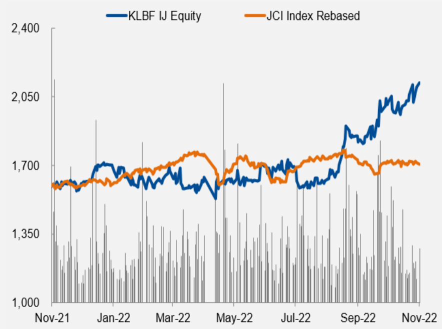
Last Price (IDR)	2,120
Price date as of	Nov 28, 2022
52 wk range (Hi/Lo)	2,150/1,520
Free float (%)	41.7
Outstanding sh.(mn)	46,875
Market Cap (IDR bn)	99,375
Market Cap (USD mn)	6,320
Avg. Trd Vol - 3M (mn)	44.11
Avg. Trd Val - 3M (bn)	83.23
Foreign Ownership	20.8%

Healthcare

Pharmaceutical & Nutritional Products

Bloomberg	**KLBF IJ**
Reuters	**KLBF.JK**

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	30.9%	5.0%	30.1%	32.1%
Rel. Ret.	25.6%	5.5%	31.7%	25.9%

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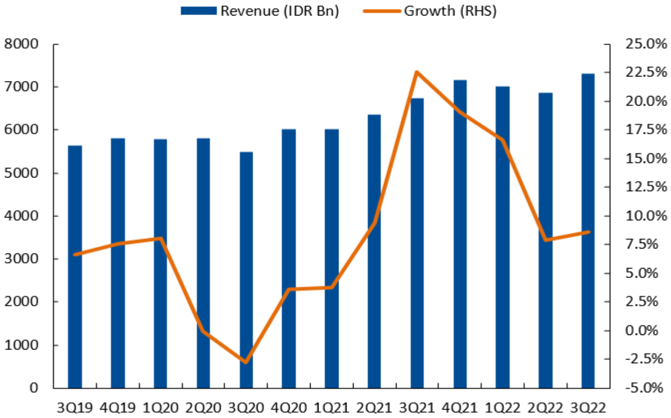
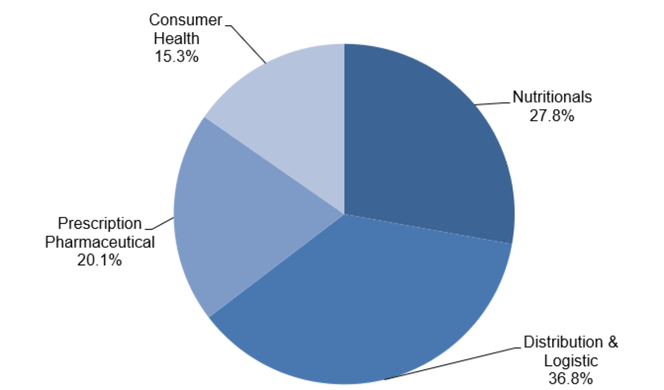
Performance Highlights

KLBF's 3Q19—3Q22 Revenues



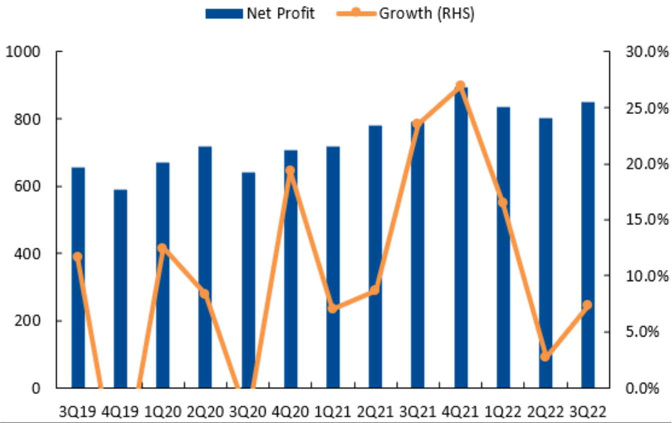
Source: Company Data, NHKSI Research

KLBF's Revenue Breakdown



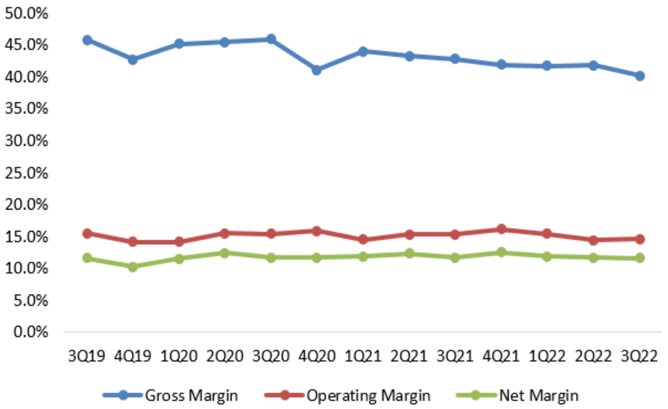
Source: Company Data, NHKSI Research

KLBF's 3Q19—3Q22 Net Profit



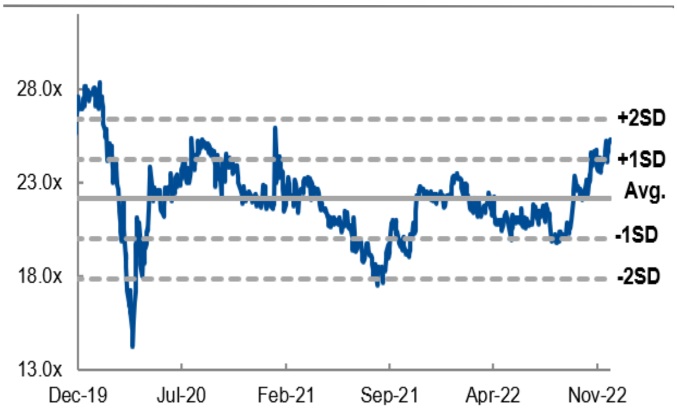
Source: Company Data, NHKSI Research

KLBF's Margin Ratio



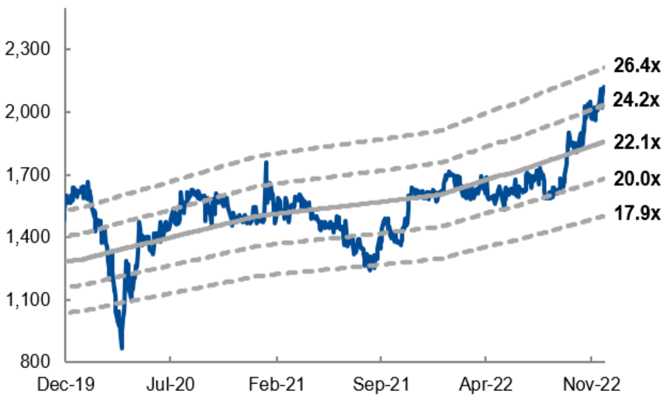
Source: Company Data, NHKSI Research

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

(IDR bn)	2021/12A	2022/12E	2023/12E	2024/12E
Net Sales	**26,261**	**29,113**	**31,803**	**34,814**
Growth	*13.6%*	*10.9%*	*9.2%*	*9.5%*
COGS	(14,977)	(17,098)	(17,912)	(19,766)
Gross Profit	**11,284**	**12,015**	**13,891**	**15,048**
Gross Margin	*43.0%*	*41.3%*	*43.7%*	*43.2%*
Operating Expenses	(7,254)	(7,730)	(8,831)	(9,243)
EBIT	**4,030**	**4,285**	**5,060**	**5,805**
EBIT Margin	*15.3%*	*14.7%*	*15.9%*	*16.7%*
Depreciation	689	679	462	482
EBITDA	**4,719**	**4,964**	**5,522**	**6,287**
EBITDA Margin	*18.0%*	*17.1%*	*17.4%*	*18.1%*
Interest Expenses	(45)	(39)	(42)	(40)
EBT	**4,143**	**4,418**	**5,206**	**5,970**
Income Tax	(911)	(959)	(1,130)	(1,296)
Minority Interest	(48)	(62)	(73)	(84)
Net Profit	**3,184**	**3,397**	**4,003**	**4,590**
Growth	*16.5%*	*6.7%*	*17.8%*	*14.7%*
Net Profit Margin	*12.1%*	*11.7%*	*12.6%*	*13.2%*

PROFITABILITY & STABILITY

	2021/12A	2022/12E	2023/12E	2024/12E
ROE	15.0%	15.3%	16.2%	16.8%
ROA	12.4%	12.4%	13.3%	13.8%
Inventory Turnover	3.4x	3.5x	2.9x	3.2x
Receivable Turnover	7.6x	7.1x	6.6x	6.9x
Payables Turnover	10.3x	10.2x	10.5x	10.3x
Dividend Yield	1.7%	1.5%	1.6%	1.9%
Payout Ratio	48.0%	51.2%	50.0%	50.0%
DER	2.9%	5.1%	5.1%	5.1%
Net Gearing	5.9%	6.1%	6.0%	0.0%
Equity Ratio	82.9%	81.5%	82.1%	82.2%
Debt Ratio	0.0x	0.0x	0.0x	0.0x
Financial Leverage	1.0x	1.0x	1.0x	1.0x
Current Ratio	4.4x	4.0x	4.5x	4.6x
Quick Ratio	3.0x	2.9x	3.1x	3.4x
Par Value (IDR)	10	10	10	10
Total Shares (mn)	46,875	46,875	46,875	46,875
Share Price (IDR)	1,615	2,300	2,300	2,300
Market Cap (IDR tn)	75.7	107.8	107.8	107.8

BALANCE SHEET

(IDR bn)	2021/12A	2022/12E	2023/12E	2024/12E
Cash	6,216	6,630	8,263	10,907
Receivables	3,431	4,736	4,851	5,067
Inventories	5,087	4,800	6,188	6,092
Total Current Assets	**15,712**	**17,222**	**20,243**	**23,057**
Net Fixed Assets	8,102	8,101	8,380	8,638
Other Non Current Assets	1,852	1,975	1,525	1,581
Total Non Current Assets	9,954	10,076	9,905	10,220
Total Assets	**25,667**	**27,298**	**30,149**	**33,277**
Payables	1,668	1,680	1,710	1,911
ST Bank Loan	94	688	766	846
Total Current Liabilities	3,535	4,254	4,536	5,012
LT Debt	533	453	504	557
Total Liabilities	**4,401**	**5,057**	**5,382**	**5,916**
Capital Stock & APIC	435	435	435	435
Retained Earnings	18,747	20,479	23,004	25,599
Shareholders' Equity	**21,266**	**22,242**	**24,766**	**27,361**

VALUATION INDEX

	2021/12A	2022/12E	2023/12E	2024/12E
Price /Earnings	23.8x	31.7x	26.9x	23.5x
Price /Book Value	3.6x	4.8x	4.4x	3.9x
PE/EPS Growth	1.4x	4.7x	1.5x	1.6x
EV/EBITDA	15.3x	20.9x	18.5x	15.8x
EV/EBIT	17.9x	24.2x	20.2x	17.2x
EV (IDR bn)	72,198	103,652	102,148	99,638
Sales CAGR (3-Yr)	7.6%	8.8%	11.2%	9.9%
Net Income CAGR (3-Yr)	9.0%	10.7%	13.6%	13.0%
Basic EPS (IDR)	68	72	85	98
BVPS (IDR)	454	474	528	584
DPS (IDR)	28	35	36	43

CASH FLOW STATEMENT

(IDR bn)	2021/12A	2022/12E	2023/12E	2024/12E
Operating Cash Flow	2,876	3,041	3,318	5,303
Investing Cash Flow	(1,172)	(749)	(116)	(792)
Financing Cash Flow	(1,042)	(2,047)	(1,569)	(1,868)
Net Changes in Cash	**646**	**245**	**1,634**	**2,643**

OWNERSHIP

Shareholders	**%**
Ladang Ira Panen PT	10.5
Gira Sole Prima PT	10.3
SANTA SEHA SANADI PT	10.1
Diptanala Bahana PT	9.5
By Geography	**%**
Indonesia	79.2
United States	9.1
Ireland	2.5
Canada	2.1

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