

Kalbe Farma Tbk (KLBF IJ)

Amid Shifting Consumption Shadow

Company Update | August 21, 2023

Throughout 6M23, KLBF managed to record IDR15.2 trillion sales, an increase of 9.4% YoY. This increase is supported by domestic sales (+7.8% YoY) and exports (+42.7% YoY). On the bottom line, net profit in 6M23 was recorded to decline by 6.6% YoY to IDR 1.5 trillion. The Prescription Pharmaceuticals segment led double-digit sales growth in 6M23, while the Consumer Health segment experienced a decline in sales due to changes in consumer spending.

Sales Supported by Domestic and Export

- Throughout 6M23, KLBF managed to record sales of IDR 15.2 trillion, an increase of 9.4% YoY, supported by domestic sales of IDR 14.3 trillion (+7.8% YoY) and export sales of IDR 921.5 billion (+42.7% YoY). On a quarterly basis, in 2Q23, KLBF's sales were recorded at IDR 7.3 trillion (-7.1% QoQ; +6.6% YoY).
- Due to the 7.3% YoY increase in raw material and packaging costs during 6M23, the cost of goods sold also rose by 11.5% YoY to Rp9.0 trillion. This increase did not make a gross profit contracted, instead, 6M23 gross profit managed to book an increase of Rp6.5% YoY to Rp6.2 trillion. On a quarterly basis, 2Q23 gross profit was recorded at IDR3.0 trillion (-8.2% QoQ; +3.0% YoY) with GPM recorded lower at 40.4% (vs 2Q22: 41.8%).
- 2Q23 operating profit was recorded at IDR866.0 billion (-22.7% QoQ; -12.4% YoY), with OPM recorded to decline to 11.8% (vs 2Q22: 14.4%) and cumulative 6M23 operating profit recorded to decline by 2.8% YoY to IDR2.0 trillion. In terms of bottom line, net profit in 6M23 was recorded down 6.6% YoY to Rp1.5 trillion. Meanwhile, 2Q23 net profit was recorded at IDR673.3 billion (-21.3% QoQ; -16.1% YoY) which also brought NPM down to 9.2% (vs 2Q22: 11.7%).

Prescription Pharmaceuticals Segment Leads Growth

- In 6M23, the Prescription Drugs segment led double-digit sales growth of 31.9% YoY to Rp3.9 trillion. The segment's GPM was lower at 49.7% in 6M23 (vs. 6M22: 51.8%) due to product mix and higher raw material prices. Meanwhile, the Prescription Pharmaceuticals segment increased the average selling price of its selected products (licensed and branded) by 3%-5%.
- Amid post-Covid-19 normalization, the Consumer Health segment experienced a decline in sales during 6M23 by 4.2% YoY to IDR2.1 trillion, indicating a change in consumer spending. The segment also increased the average selling price of its selected products by 3%-5%. The Consumer Health GPM edged up in 6M23 to 56.5% (vs. 6M22: 56.1%) amid stabilization in raw material prices.
- Nutritionals segment sales increased 5.7% YoY in 6M23 to IDR3.9 trillion with lower GPM of 47.8% (vs. 6M22: 50.6%) due to product mix and higher raw material prices. The segment also increased the average selling price of its selected products by 3%-5%.
- From Distribution and Logistics segment (managed by Enseval), 6M23 sales grew 4.8% YoY to IDR5.3 trillion, with GPM failing to increase or fell to 22.7% (vs 6M22: 23.5%) due to portfolio mix. Meanwhile, PT Enseval Putera Megatrading Tbk (Enseval) established a joint venture (JV Company) with PT Tri Investama Solusindo, PT Mitra Ananda Megadistrindo. The main business carried out is in the field of cold chain distribution and logistics for FMCG products. Both parties also agreed that Enseval will take 51% share ownership, while PT Tri Investama Solusindo will take 49%.

BUY Recommendation with a TP of IDR 2,200

- We give a BUY recommendation with a target price of IDR2,200/share (P/E 26.2x or +1 STD) and a potential upside of 19.2%. Meanwhile, the main risks of our recommendation include rising raw material prices, exchange rate depreciation, and changes in consumer spending.

Kalbe Farma Tbk | Summary (IDR Bn)

	2022A	2023E	2024E	2025E
Net Sales	28,934	31,622	34,698	38,132
Growth	10.2%	9.3%	9.7%	9.9%
Net Profit	3,382	3,459	4,027	4,422
Growth	6.2%	2.3%	16.4%	9.8%
EPS (IDR)	72	74	86	94
P/E	29.0x	29.8x	25.6x	23.3x
P/BV	4.4x	4.3x	4.0x	3.6x
EV/EBITDA	19.4x	19.8x	17.3x	15.5x
ROE	15.3%	14.6%	15.5%	15.6%
ROA	12.4%	11.8%	12.8%	12.9%
Dividend Yield	1.7%	1.7%	1.7%	2.0%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

NH Korindo Sekuritas Indonesia

BUY

Target Price (IDR)	2,200
Consensus Price (IDR)	2,237
TP to Consensus Price	-1.6%
Potential Upside	19.2%

Shares data

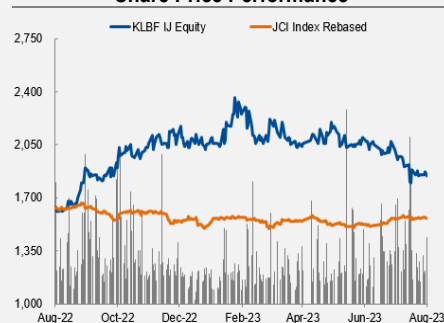
Last Price (IDR)	1,845
Price date as of	August 18, 2023
52 wk range (Hi/Lo)	2,360/1,590
Free float (%)	40.45
Outstanding sh.(mn)	46,875
Market Cap (IDR bn)	86,489
Market Cap (USD mn)	5,644
Avg. Trd Vol - 3M (mn)	40.31
Avg. Trd Val - 3M (bn)	79.95
Foreign Ownership	17.4%

Healthcare

Pharmaceutical & Nutritional Products

Bloomberg	KLBF IJ
Reuters	KLBF.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-10.4%	-7.8%	-15.0%	12.8%
Rel. Ret.	-10.6%	-8.2%	-17.4%	17.4%

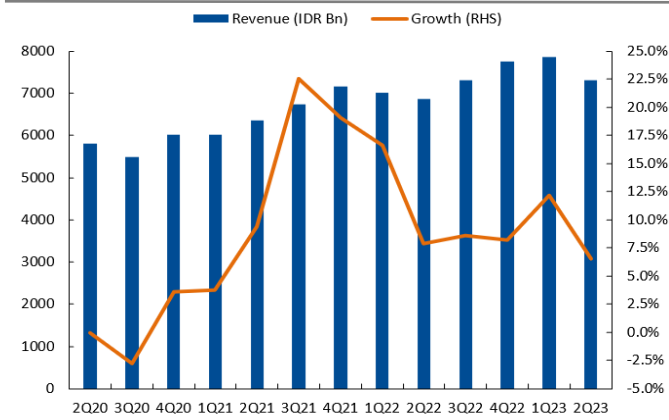
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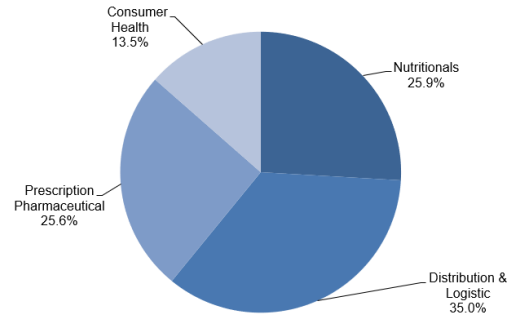
Performance Highlights

KLBF's 2Q20—2Q23 Revenues



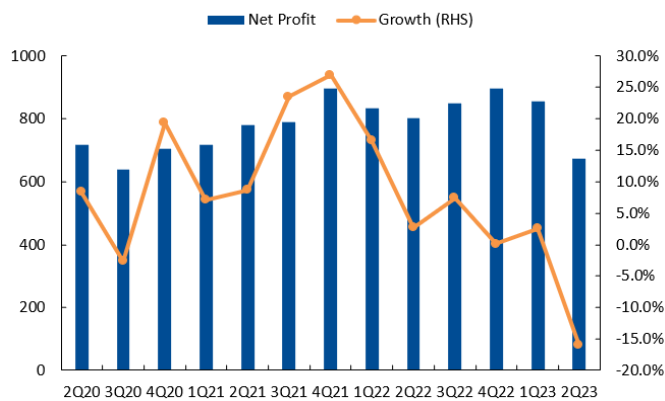
Source: Company Data, NHKSI Research

KLBF's Revenue Breakdown



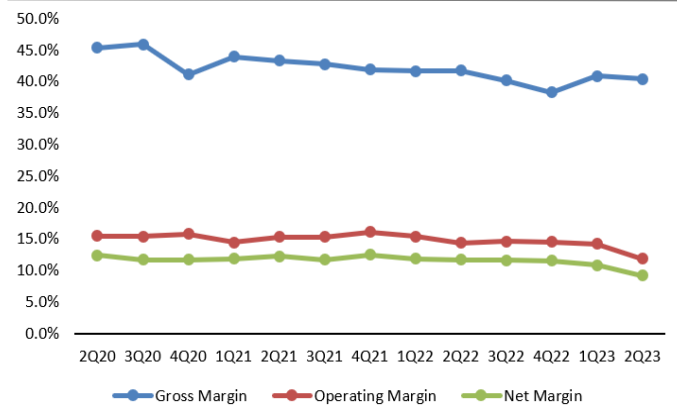
Source: Company Data, NHKSI Research

KLBF's 2Q20—2Q23 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)	2022/12A	2023/12E	2024/12E	2025/12E
Net Sales	28,934	31,622	34,698	38,132
Growth	10.2%	9.3%	9.7%	9.9%
COGS	(17,229)	(19,033)	(20,532)	(22,593)
Gross Profit	11,704	12,589	14,166	15,539
Gross Margin	40.5%	39.8%	40.8%	40.8%
Operating Expenses	(7,464)	(8,096)	(8,951)	(9,812)
EBIT	4,240	4,494	5,214	5,727
EBIT Margin	14.7%	14.2%	15.0%	15.0%
Depreciation	715	659	599	629
EBITDA	4,955	5,153	5,813	6,355
EBITDA Margin	17.1%	16.3%	16.8%	16.7%
Interest Expenses	(41)	(64)	(53)	(58)
EBT	4,459	4,510	5,250	5,766
Income Tax	(1,009)	(1,025)	(1,194)	(1,311)
Minority Interest	(68)	(26)	(30)	(33)
Net Profit	3,382	3,459	4,027	4,422
Growth	6.2%	2.3%	16.4%	9.8%
Net Profit Margin	11.7%	10.9%	11.6%	11.6%

PROFITABILITY & STABILITY

	2022/12A	2023/12E	2024/12E	2025/12E
ROE	15.3%	14.6%	15.5%	15.6%
ROA	12.4%	11.8%	12.8%	12.9%
Inventory Turnover	2.8x	2.5x	2.9x	2.7x
Receivable Turnover	7.2x	6.1x	6.1x	6.6x
Payables Turnover	9.4x	9.2x	11.4x	11.4x
Dividend Yield	1.7%	1.7%	1.7%	2.0%
Payout Ratio	51.2%	52.0%	52.0%	52.0%
DER	5.3%	5.8%	5.8%	5.8%
Net Gearing	5.6%	6.0%	6.0%	6.0%
Equity Ratio	81.1%	81.0%	82.4%	82.4%
Debt Ratio	0.0x	0.0x	0.0x	0.0x
Financial Leverage	1.0x	1.0x	1.0x	1.0x
Current Ratio	3.8x	3.7x	4.2x	4.3x
Quick Ratio	2.2x	2.1x	2.5x	2.7x
Par Value (IDR)	10	10	10	10
Total Shares (mn)	46,875	46,875	46,875	46,875
Share Price (IDR)	2,090	2,200	2,200	2,200
Market Cap (IDR tn)	98.0	103.1	103.1	103.1

BALANCE SHEET

(IDR bn)	2022/12A	2023/12E	2024/12E	2025/12E
Cash	3,950	3,385	5,340	7,630
Receivables	4,614	5,791	5,708	5,736
Inventories	7,027	8,167	8,330	8,497
Total Current Assets	16,710	18,586	20,670	23,139
Net Fixed Assets	8,055	7,986	8,078	8,353
Other Non Current Assets	2,476	2,721	2,776	2,831
Total Non Current Assets	10,531	10,708	10,853	11,184
Total Assets	27,241	29,294	31,523	34,324
Payables	1,997	2,126	1,800	1,981
ST Bank Loan	856	1,205	1,320	1,437
Total Current Liabilities	4,431	4,986	4,936	5,414
LT Debt	312	178	195	213
Total Liabilities	5,144	5,572	5,536	6,033
Capital Stock & APIC	435	-	-	-
Retained Earnings	20,498	22,634	24,899	27,204
Shareholders' Equity	22,097	23,722	25,987	28,292

VALUATION INDEX

	2022/12A	2023/12E	2024/12E	2025/12E
Price /Earnings	29.0x	29.8x	25.6x	23.3x
Price /Book Value	4.4x	4.3x	4.0x	3.6x
PE/EPS Growth	4.6x	13.1x	1.6x	2.4x
EV/EBITDA	19.4x	19.8x	17.3x	15.5x
EV/EBIT	22.7x	22.7x	19.3x	17.2x
EV (IDR bn)	96,352	102,212	100,389	98,234
Sales CAGR (3-Yr)	8.5%	11.0%	9.7%	9.6%
Net Income CAGR (3-Yr)	10.5%	8.2%	8.1%	9.3%
Basic EPS (IDR)	72	74	86	94
BVPS (IDR)	471	506	554	604
DPS (IDR)	35	37	38	45

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	82.6
United States	6.7
Ireland	2.5
Luxembourg	2.2

CASH FLOW STATEMENT

(IDR bn)	2022/12A	2023/12E	2024/12E	2025/12E
Operating Cash Flow	1,285	1,903	4,369	5,206
Investing Cash Flow	(1,437)	(823)	(748)	(958)
Financing Cash Flow	(2,352)	(2,351)	(1,666)	(1,958)
Net Changes in Cash	(2,520)	(1,288)	1,956	2,290

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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