

Kalbe Farma Tbk (KLBF IJ)

Consumption Changes Still Looming

KLBF booked 3Q23 sales of Rp7.4 trillion and cumulative 9M23 sales managed to increase 6.5% YoY driven by growing domestic and export sales. Amidst the change in consumer spending, the Consumer Health segment experienced a decline in sales of 12.1% YoY followed by its gross profit which declined by 14.0% YoY, bringing its GPM lower at 54.9% (vs 9M22: 56.1%).

Sales Increase; Net Profit Remains Struggling

- KLBF booked 3Q23 sales of IDR 7.4 trillion (+1.0% QoQ; +1.0% YoY), with a cumulative 9M23 sales increasing by 6.5% YoY to IDR 22.6 trillion driven by rising domestic sales (+5.4% YoY), as well as exports (+26.6% YoY).
- 9M23 gross profit was recorded at IDR8.9 trillion or a slight growth of 2.0% YoY from its cost of goods sold which rose to IDR13.7 trillion (+9.7% YoY), bringing GPM lower at 39.5% (vs 9M22: 41.2%) due to the impact of business mix as well as higher raw material prices.
- The 9.7% YoY increase in operating expenses was driven by higher selling expenses (+8.4% YoY), G&A (+13.8% YoY), and R&D (+16.0% YoY), causing operating profit to contract by 15.3% YoY to IDR2.6 trillion. This was reflected in the higher Opex to Sales Ratio of 27.4% (vs 9M22: 26.6%) while OPM was lower at 11.7% (vs 9M22: 14.7%).
- The decline was also seen in 9M23 net profit at 16.9% YoY to IDR 2.1 trillion (vs. 9M22: IDR 2.5 trillion), causing NPM to record a downside of 9.2% (vs. 9M22: 11.7%). As of 3Q23, KLBF booked gross profit of IDR 2.7 trillion (-7.6% QoQ; -7.0% YoY), operating profit of IDR648.4 billion (-25.1% QoQ; -39.3% YoY), and net profit of IDR535.9 billion (-20.4% QoQ; -36.8% YoY).

GPM of Each Segment Recorded Lower

- During 9M23, Prescription Pharmaceutical recorded a double-digit growth in sales of 31.4% YoY to IDR 5.8 trillion. Gross profit for this segment experience an increase of 26.0% YoY to IDR 2.8 trillion, yet on the contrary, GPM recorded lower to 48.5% (vs. 9M22: 50.6%) due to product mix and higher raw material prices.
- Amidst the shift in consumer spending, the Consumer Health segment was the only one to experience a 12.1% YoY decline in sales to IDR2.9 trillion. Its gross profit led a 14.0% YoY decline to IDR1.6 trillion, bringing its GPM to a lower 54.9% (vs 9M22: 56.1%) due to higher raw material costs and product mix.
- From the Nutritionals segment, amidst challenging market conditions, sales grew 2.5% YoY to IDR5.9 trillion while gross profit fell 1.7% YoY to IDR2.8 trillion. This decline resulted in a lower GPM of 47.8% (vs 9M22: 49.9%) due to higher raw material prices and product mix.
- For the Distribution and Logistics segment (which contributes 35% of sales), its sales in 9M23 grew 3.2% YoY to IDR8.0 trillion but its gross profit contracted 5.6% YoY to IDR1.7 trillion. Meanwhile, due to portfolio mix, its GPM was recorded to be lower at 21.3% (vs 9M22: 23.3%).

OVERWEIGHT Recommendation with TP IDR1,800

- We give an OVERWEIGHT recommendation by lowering the target price to IDR1,800/share or implying a P/E of 22.2x, this recommendation has an upside potential of 13.2%. 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	31,062	33,908	36,949
Growth	10.2%	7.4%	9.2%	9.0%
Net Profit	3,382	3,322	3,822	4,210
Growth	6.2%	-1.8%	15.0%	10.2%
EPS (IDR)	72	71	82	90
P/E	29.0x	25.4x	22.1x	20.0x
P/BV	4.4x	3.6x	3.3x	3.0x
EV/EBITDA	19.4x	16.6x	14.7x	13.3x
ROE	15.3%	14.1%	14.9%	15.1%
ROA	12.4%	11.5%	12.5%	13.2%
Dividend Yield	1.7%	2.1%	2.0%	2.4%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

Company Update | Nov. 13, 2023

OVERWEIGHT

Target Price (IDR)	1,800
Consensus Price (IDR)	1,980
TP to Consensus Price	-9.1%
Potential Upside	13.2%

Shares data

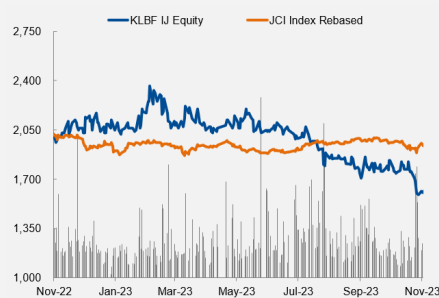
Last Price (IDR)	1,590
Price date as of	Nov. 10, 2023
52 wk range (Hi/Lo)	2,360/1,550
Free float (%)	40.45
Outstanding sh.(mn)	46,875
Market Cap (IDR bn)	74,531
Market Cap (USD mn)	4,748
Avg. Trd Vol - 3M (mn)	29.79
Avg. Trd Val - 3M (bn)	52.51
Foreign Ownership	19.6%

Healthcare

Pharmaceutical & Nutritional Products

Bloomberg	KLBF IJ
Reuters	KLBF.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-22.8%	-9.4%	-13.8%	-19.7%
Rel. Ret.	-22.2%	-7.8%	-12.6%	-17.4%

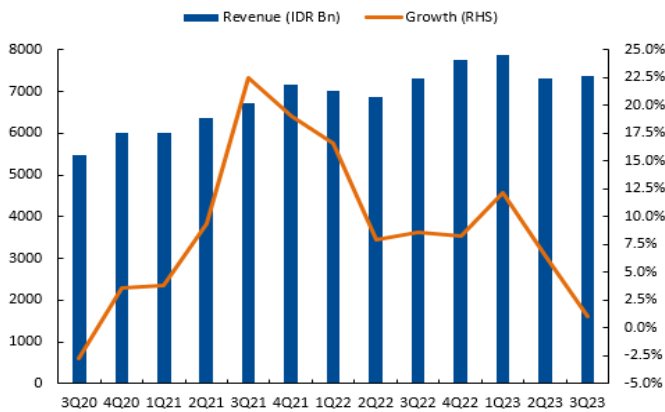
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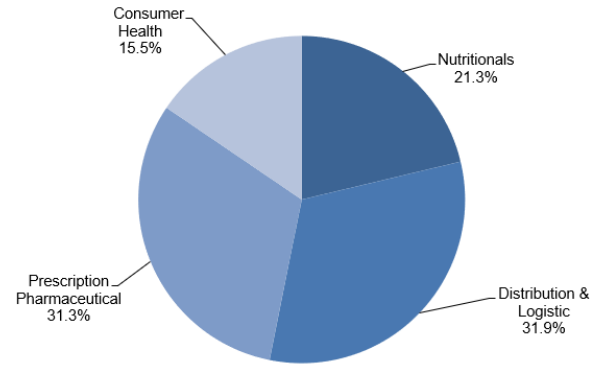
Performance Highlights

KLBF's 3Q20—3Q23 Revenues



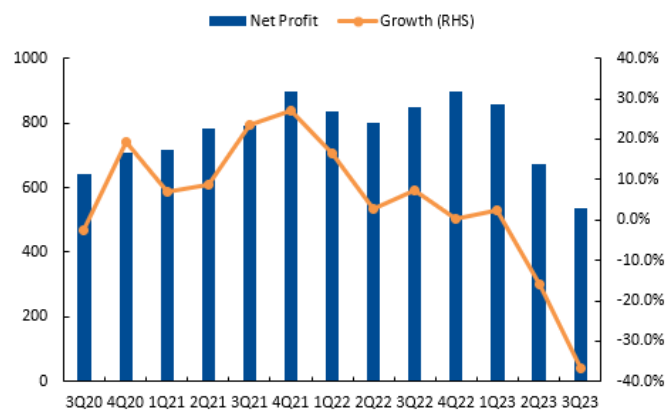
Source: Company Data, NHKSI Research

KLBF's Revenue Breakdown (9M23)



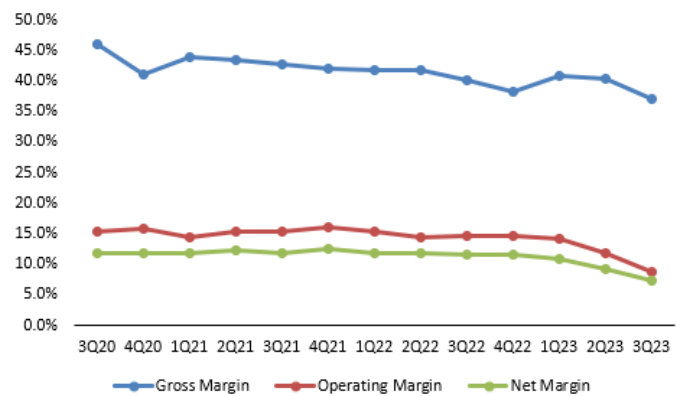
Source: Company Data, NHKSI Research

KLBF's 3Q20—3Q23 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)	2022/12A	2023/12E	2024/12E	2025/12E		2022/12A	2023/12E	2024/12E	2025/12E
Net Sales	28,934	31,062	33,908	36,949	ROE	15.3%	14.1%	14.9%	15.1%
<i>Growth</i>	10.2%	7.4%	9.2%	9.0%	ROA	12.4%	11.5%	12.5%	13.2%
COGS	(17,229)	(18,509)	(19,983)	(21,794)	Inventory Turnover	2.8x	2.5x	2.9x	2.8x
Gross Profit	11,704	12,553	13,925	15,155	Receivable Turnover	7.2x	6.3x	6.2x	6.7x
<i>Gross Margin</i>	40.5%	40.4%	41.1%	41.0%	Payables Turnover	9.4x	9.5x	12.2x	14.6x
Operating Expenses	(7,464)	(8,227)	(8,981)	(9,702)	Dividend Yield	1.7%	2.1%	2.0%	2.4%
EBIT	4,240	4,325	4,944	5,453	Payout Ratio	51.2%	52.0%	52.0%	52.0%
<i>EBIT Margin</i>	14.7%	13.9%	14.6%	14.8%	DER	5.3%	5.6%	5.6%	5.6%
Depreciation	715	664	618	651	Net Gearing	5.6%	5.8%	5.8%	5.8%
EBITDA	4,955	4,989	5,562	6,104	Equity Ratio	81.1%	81.7%	84.1%	87.9%
<i>EBITDA Margin</i>	17.1%	16.1%	16.4%	16.5%	Debt Ratio	0.0x	0.0x	0.0x	0.0x
Interest Expenses	(41)	(91)	(66)	(79)	Financial Leverage	1.0x	1.0x	1.0x	1.0x
EBT	4,459	4,351	5,005	5,513	Current Ratio	3.8x	3.9x	4.7x	6.5x
Income Tax	(1,009)	(999)	(1,150)	(1,266)	Quick Ratio	2.2x	2.3x	2.8x	4.0x
Minority Interest	(68)	(29)	(34)	(37)	Par Value (IDR)	10	10	10	10
Net Profit	3,382	3,322	3,822	4,210	Total Shares (mn)	46,875	46,875	46,875	46,875
<i>Growth</i>	6.2%	-1.8%	15.0%	10.2%	Share Price (IDR)	2,090	1,800	1,800	1,800
<i>Net Profit Margin</i>	11.7%	10.7%	11.3%	11.4%	Market Cap (IDR tn)	98.0	84.4	84.4	84.4
BALANCE SHEET					VALUATION INDEX				
(IDR bn)	2022/12A	2023/12E	2024/12E	2025/12E		2022/12A	2023/12E	2024/12E	2025/12E
Cash	3,950	3,948	5,017	5,748	Price /Earnings	29.0x	25.4x	22.1x	20.0x
Receivables	4,614	5,245	5,481	5,494	Price /Book Value	4.4x	3.6x	3.3x	3.0x
Inventories	7,027	7,550	7,701	7,855	PE/EPS Growth	4.6x	-14.3x	1.5x	2.0x
Total Current Assets	16,710	18,028	19,542	20,449	EV/EBITDA	19.4x	16.6x	14.7x	13.3x
Net Fixed Assets	8,055	8,085	8,207	8,432	EV/EBIT	22.7x	19.2x	16.6x	14.9x
Other Non Current Assets	2,476	2,780	2,836	2,893	EV (IDR bn)	96,352	82,858	81,909	81,301
Total Non Current Assets	10,531	10,865	11,043	11,325	Sales CAGR (3-Yr)	8.5%	10.4%	8.9%	8.5%
Total Assets	27,241	28,893	30,585	31,775	Net Income CAGR (3-Yr)	10.5%	6.7%	6.3%	7.6%
Payables	1,997	1,920	1,642	1,493	Basic EPS (IDR)	72	71	82	90
ST Bank Loan	856	1,082	1,180	1,281	BVPS (IDR)	471	503	549	596
Total Current Liabilities	4,431	4,632	4,179	3,143	DPS (IDR)	35	37	37	42
LT Debt	312	245	267	290					
Total Liabilities	5,144	5,292	4,854	3,845	OWNERSHIP				
Capital Stock & APIC	435	-	-	-	Shareholders				%
Retained Earnings	20,498	22,497	24,627	26,826	Ladang Ira Panen PT				10.5
Shareholders' Equity	22,097	23,600	25,731	27,930	Gira Sole Prima PT				10.3
					SANTA SEHA SANADI PT				10.1
					Diptanala Bahana PT				9.5
CASH FLOW STATEMENT					By Geography				%
(IDR bn)	2022/12A	2023/12E	2024/12E	2025/12E	Indonesia				80.4
Operating Cash Flow	1,285	2,576	3,479	3,523	United States				8.2
Investing Cash Flow	(1,437)	(1,015)	(803)	(929)	Ireland				3.1
Financing Cash Flow	(2,352)	(2,351)	(1,607)	(1,862)	Canada				2.0
Net Changes in Cash	(2,520)	(807)	1,069	731					

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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