

Expects a brighter '24F, after a weak '23F

20 March 2024



KLBF IJ	BUY
Sector	Healthcare
Price at 18 Mar 2024 (IDR)	1,415
Price target (IDR)	1,740
Upside/Downside (%)	22.9

Stock Information

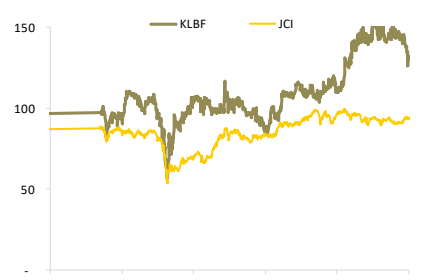
Kalbe Farma (KLBF) is one of leading pharmaceutical company in Indonesia that offers an integrated healthcare solution through its 4 business divisions: the Prescription Pharmaceutical Division, Consumer Health Division, Nutritionals Division and Distribution & Logistics.

Market cap (IDR bn)	65,452
Shares outstanding (mn)	46,256
52-week range (IDR)	1,405-2,350
3M average daily vol. ('000)	42,828
3M average daily val. (IDR mn)	65,329

Shareholders (%)

Ladang Ira Panen	10.5
Gira Sole Prima	10.3
Santa Seha Sanadi	10.1
Diptanala Bahana	9.5
Lucasta Murni Cemerlang	9.5
Bina Artha Charisma	8.2
Treasury Stock	1.3
Public	40.7

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	(3.4)	(14.5)	(36.0)

Analyst

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Kalbe Farma (KLBF) shared their FY23F' indicative results with a 5.2% yoy topline growth, but its earnings could decline by 18.2% yoy due to higher costs pressure yoy, which could be below ours' and consensus' expectations. Albeit FY23F' indicative results, we still like KLBF due to its continuous efforts to grow its business and innovative product developments. Thus, we expect KLBF to grow its '24F revenue by around 7% yoy on the back of higher average selling price (ASP) and higher sales volume. All in all, we expect KLBF' earnings could grow by 15% yoy in '24F due to higher sales, better product mix and better costs management. Maintain BUY on KLBF with TP IDR1,740, which implies 25.7x '24F PE.

Continuous efforts to grow its business

KLBF has prepared several strategies for each of its business segment in 2024. To grow further its distribution & logistics business, KLBF will continue to establish good relationship with new potential principals and also continue to expand its cold-chain distribution business (under JV Mitra Ananda Megadistrindo). For its pharmaceuticals, KLBF will continue to expand its vaccine business and also continue to launch new products in 2024. Thus, we expect KLBF could grow its '24F revenue from pharmaceuticals and distribution & logistics by around 9% yoy and 7% yoy, respectively.

Expects a 7% yoy revenue growth in '24F

Although KLBF' consumer health segment could face a lower performance in FY23F, KLBF will still continue to expand its consumer health' products portfolio (energy drinks and herbal products, etc) and the company already started to distribute its promag, as to capture the opportunity from 2024' Ramadan and Eid. Moreover, based on KLBF' info that the segment has experienced better performance in the first two months of 2024 as the retailers are more boldly in stocking up its promag, which is to capture the seasonality. At the same time, KLBF plans to expand its nutritionals' products portfolio as to develop products with more affordable prices. Thus, we expect KLBF to be able to grow its '24F revenue from consumer health and nutritionals by around 6% yoy, respectively. KLBF will also continue to grow its medical devices' business and export market. As a result, we expect a 7% yoy revenue growth by KLBF in '24F.

Earnings to grow by 15% yoy with margin expansion in FY24F

Thanks to its wide-range products portfolio that enables KLBF to have better product mix, along with expectations on better raw material prices, we expect KLBF' gross profit could grow by 9.8% yoy in '24F with around a 100bps yoy gross margin expansion. All in all, we expect KLBF able to grow its '24F earnings by 15% yoy with around 70bps yoy net margin expansion due to combination of ASP increase, higher sales, better costs inputs and costs management, yoy.

FY23F' indicative results: topline and bottomline

KLBF shared its FY23F' indicative results with its revenue that could grow 1.8% yoy/6.9% qoq and 5.2% yoy, respectively in 4Q23F and FY23F, on higher sales amidst the unpredictable weather' changes and the rise of new covid cases in 4Q23. KLBF' distribution & logistics could remain as the biggest revenue contributor for KLBF in 4Q23F with a 40% revenue contribution. Followed by KLBF' Nutritional segment, pharmaceutical segment and consumer health segment, that could contribute around 26%, 23% and 11%, of KLBF' 4Q23F revenue, respectively. Yet, KLBF' net profit could decline by 21.7% yoy (+31.0% qoq) and 18.2% yoy, respectively in 4Q23F and FY23F, mainly due to high cost pressures yoy. Note that, around 70% of KLBF' raw materials are imported and the USD has remained superior vs IDR since early 2023.

Maintain BUY with TP of IDR1,740

Yet, we still maintain BUY on KLBF with lower TP of IDR 1,740/share, which implies 25.7x '24 P/E or at its 5 years mean P/E. With continuous efforts to grow its business and innovative product developments, we expect KLBF' performance to recover this year, especially after weak a performance in 2023 due to the normalization from pandemic level. We also adjusted down our '24F forecast due to the possibility of KLBF' lower earnings yoy in FY23F. Risks to our call includes: a) higher raw material prices, b) IDR depreciation vs USD, and c) higher costs than expected. Currently, KLBF is trading at 20.8x '24F P/E or still below its 5 years mean P/E.

Exhibit 1: Key Statistics

Year end Dec	2021A	2022A	2023F	2024F	2025F
Revenue (IDR bn)	26,261	28,934	30,451	32,596	35,570
EBITDA (IDR bn)	4,371	4,586	4,088	4,497	5,090
Net profit (IDR bn)	3,184	3,382	2,906	3,183	3,652
EPS (IDR)	68	72	59	68	78
EPS growth (%)	16.5	6.2	(18.2)	15.0	14.7
ROE (%)	15.0	15.3	12.5	12.8	13.5
ROA (%)	12.5	12.5	10.7	10.7	11.5
PER (x)	20.8	19.6	24.0	20.8	18.2
PBV (x)	3.4	3.3	3.1	2.9	2.6
EV/EBITDA (x)	13.9	13.8	15.5	13.9	12.1
Div Yield (%)	2.0	2.5	2.7	2.2	2.5

Source: Company, KBVS Research

Exhibit 2: KLBF' indicative results in 4Q23F and FY23F

KLBF Indicative Results (IDR bn)	FY23F	FY22	YoY	4Q23F	4Q22	YoY	3Q23	QoQ	2023F % to '23F	Cons' % to Cons'
Revenue	30,451	28,934	5.2%	7,890	7,752	1.8%	7,382	6.9%	30,716	99.1%
COGS	(18,641)	(17,231)	8.2%	(4,987)	(4,784)	4.2%	(4,651)	7.2%		
Gross profit	11,810	11,703	0.9%	2,903	2,968	-2.2%	2,731	6.3%	12,143	97.3%
Operating expenses	(8,130)	(7,465)	8.9%	(1,938)	(1,821)	6.5%	(2,044)	-5.2%		
Operating profit	3,680	4,238	-13.2%	965	1,148	-15.9%	687	40.4%	3,724	98.8%
Net profit	2,767	3,382	-18.2%	702	896	-21.7%	536	31.0%	2,900	95.4%

Margins (%)

Gross margin	38.8%	40.4%	36.8%	38.3%	37.0%	39.5%	39.4%
Operating margin	12.1%	14.6%	12.2%	14.8%	9.3%	12.1%	12.3%
Net margin	9.1%	11.7%	8.9%	11.6%	7.3%	9.4%	9.4%

Source: Company, KBVS Research

Exhibit 3: Earnings adjustment

Revisions	New		Old		Diff (%)	
	2023F	2024F	2023F	2024F	2023F	2024F
Revenue	30,451	32,596	30,716	34,982	-0.9%	-6.8%
Gross profit	11,810	12,968	12,143	13,912	-2.7%	-6.8%
Operating profit	3,680	4,061	3,724	4,339	-1.2%	-6.4%
Net Profit	2,767	3,183	2,900	3,394	-4.6%	-6.2%

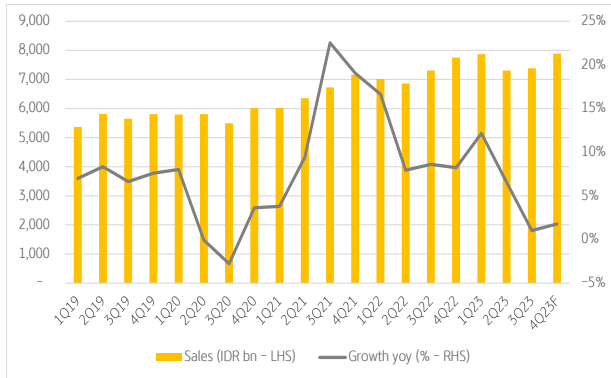
Source: Company, KBVS Research

Exhibit 4: KLBF PE Band



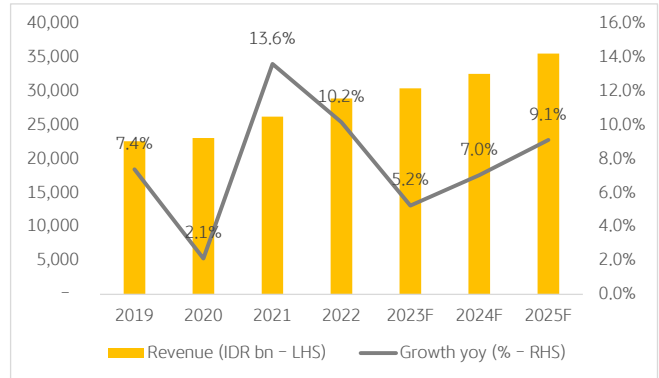
Source: Company, KBVS Research

Exhibit 5: Revenue and growth yoy in each quarter



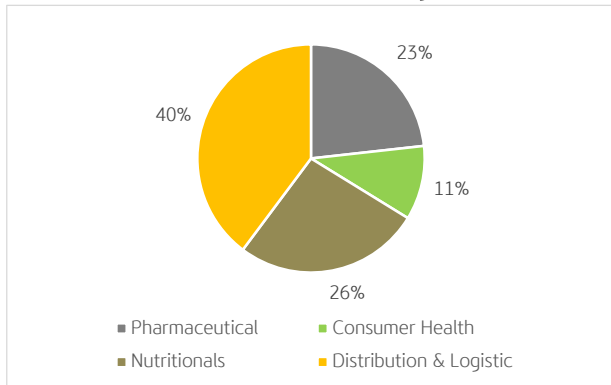
Source: Company, KBVS Research

Exhibit 6: KLBF' revenue and growth yoy



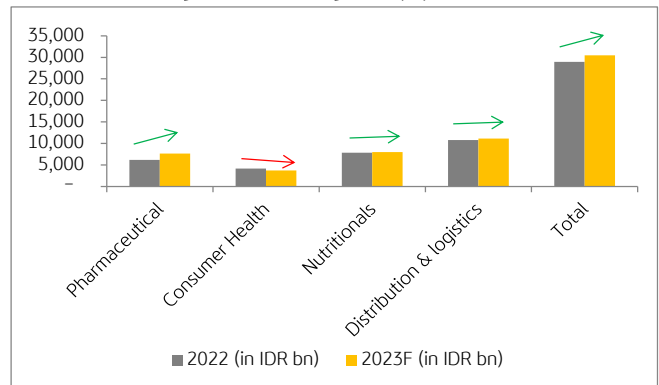
Source: Company, KBVS Research

Exhibit 7: Revenue contribution from KLBF' segments in 4Q23F



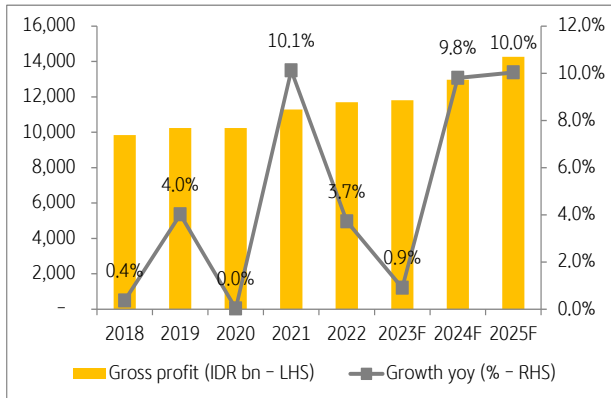
Source: Company, KBVS Research

Exhibit 8: KLBF' segments revenue growth yoy



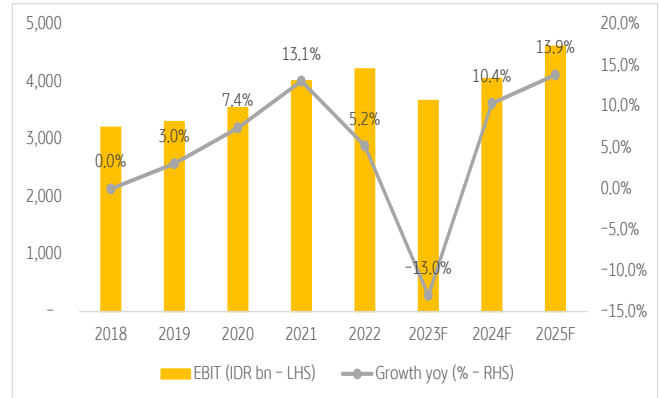
Source: Company, KBVS Research

Exhibit 9: Gross profit & growth yoy



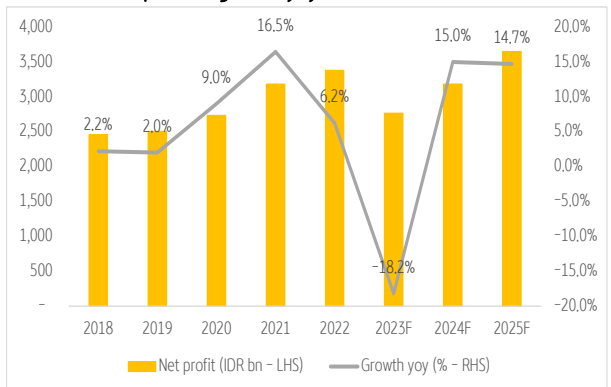
Source: Company, KBVS Research

Exhibit 10: EBIT & growth yoy



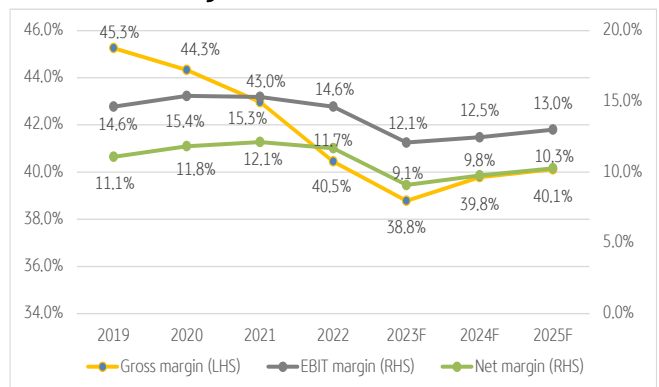
Source: Company, KBVS Research

Exhibit 11: Net profit & growth yoy



Source: Company, KBVS Research

Exhibit 12: KLBF' margins



Source: Company, KBVS Research

Exhibit 13: Profit & loss summary

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Revenue	26,261	28,934	30,451	32,596	35,570
COGS	(14,977)	(17,229)	(18,641)	(19,628)	(21,300)
Gross profit	11,284	11,704	11,810	12,968	14,270
Operating expenses	(7,262)	(7,473)	(8,130)	(8,907)	(9,645)
EBIT	4,021	4,231	3,680	4,061	4,624
EBITDA	4,371	4,586	4,088	4,497	5,090
Pre-tax income	4,143	4,459	3,759	4,132	4,727
Net profit	3,184	3,382	2,906	3,183	3,652
EPS	68	72	59	68	78
EPS growth	16%	6%	-18%	15%	15%

Source: Company, KBVS Research

Exhibit 14: Balance sheet

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Cash & cash equivalent	6,216	3,950	3,243	4,853	5,358
Accounts receivables	3,431	4,614	5,423	5,805	6,334
Inventories	5,087	7,027	6,384	6,453	7,003
Others	978	1,119	1,293	1,337	1,468
Total current assets	15,712	16,710	16,342	18,448	20,163
Fixed assets - Net	7,994	7,957	8,194	8,449	8,742
Others	1,960	2,574	2,710	2,864	3,125
Total non-current assets	9,954	10,531	10,905	11,313	11,868
Total assets	25,667	27,241	27,247	29,761	32,030
Accounts payable	1,668	1,997	1,736	1,828	1,984
ST borrowing	-	706	400	577	502
Others	1,867	1,729	1,690	1,743	1,877
Total current liabilities	3,535	4,431	3,827	4,148	4,364
Long-term bank loan	490	287	67	287	287
Others non-current liabilities	376	426	192	372	386
Total non-current liabilities	866	713	259	660	673
Total liabilities	4,401	5,144	4,085	4,808	5,037
Shareholders equity	469	469	469	469	469
Additional paid in capital	(34)	(34)	(34)	(34)	(34)
Others	398	(547)	(525)	(525)	(525)
Minority interests	1,686	1,712	1,747	1,796	1,840
Retained earnings	18,747	20,498	21,505	23,248	25,245
Total Equity	19,580	20,385	21,414	23,158	25,154
Total Liabilities & Equity	25,667	27,241	27,247	29,761	32,030

Source: Company, KBVS Research

Exhibit 15: Cash flow

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Net profit	3,184	3,382	2,767	3,183	3,652
D&A	483	790	742	791	843
Changes in working capital	(872)	(2,884)	(452)	(281)	(891)
Others	(123)	(246)	(145)	13	(29)
Operating cash flow	2,672	1,042	2,912	3,705	3,575
Capital expenditures	(264)	(686)	(914)	(978)	(1,067)
Others	(685)	(680)	(202)	(221)	(330)
Investing cash flow	(949)	(1,367)	(1,115)	(1,199)	(1,397)
Net change in Debt	(532)	542	(577)	318	(75)
Net change in Equity	1,127	(919)	35	48	44
Others	(0)	67	(201)	177	13
Cash dividends paid	(1,310)	(1,631)	(1,760)	(1,440)	(1,656)
Financing cash flow	(715)	(1,942)	(2,503)	(896)	(1,673)
Net change in cash	1,008	(2,266)	(707)	1,610	505
Cash in beginning of the year	5,208	6,216	3,950	3,243	4,853
Cash at the end of the year	6,216	3,950	3,243	4,853	5,358

Source: Company, KBVS Research

Exhibit 16: Ratio analysis

Year End Dec	2021A	2022A	2023F	2024F	2025F
Growth (%)					
Revenue	13.6	10.2	5.2	7.0	9.1
Gross profit	10.1	3.7	0.9	9.8	10.0
Operating profit	13.1	5.2	-13.0	10.4	13.9
EBITDA	12.4	4.9	-10.9	10.0	13.2
Net profit	16.5	6.2	-18.2	15.0	14.7
Profitability (%)					
Gross margin	43.0	40.5	38.8	39.8	40.1
Operating margin	15.3	14.6	12.1	12.5	13.0
EBITDA margin	16.6	15.9	13.4	13.8	14.3
Net margin	12.1	11.7	9.1	9.8	10.3
ROA	12.4	12.4	10.2	10.7	11.4
ROE	16.3	16.6	13.6	13.7	14.5
Solvency (x)					
Current ratio	4.4	3.8	4.3	4.4	4.6
Quick ratio	3.0	2.2	2.6	2.9	3.0
Debt to equity	0.0	0.0	0.0	0.0	0.0
Interest coverage	70.1	76.8	54.6	67.8	76.1
Net gearing	(0.3)	(0.1)	(0.1)	(0.2)	(0.2)

Source: Company, KBVS Research

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