

BUY (Maintain)

Target Price (IDR) 2,100 (From 2,400)
Potential Upside (%) 23.2

Price Comparison

Cons. Target Price (IDR)	2,191
SSI vs. Cons. (%)	95.9

Stock Information

Last Price (IDR)	1,705
Shares Issued (Mn)	46,875
Market Cap. (IDR Bn)	79,922
52-Weeks High/Low (IDR)	2,360/1,660
3M Avg. Daily Value (IDR Bn)	71.6
Free Float (%)	40.4

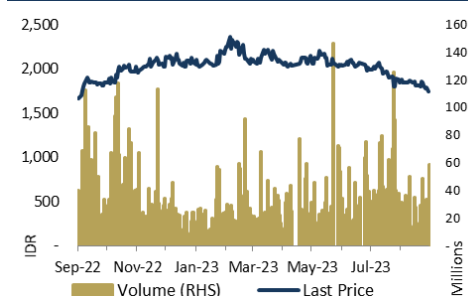
Shareholder Structure:

Gira Sole Prima (%)	10.29
Santa Seha Sanadi (%)	10.06
Ladang Ira Panen (%)	9.78
Dipatanala Bahana (%)	9.50
Lucasta Murni Cemerlang (%)	9.47
Bina Artha Charisma (%)	8.5
Public (%)	42.39

Stock Performance

(%)	YTD	1M	3M	12M
Absolute	(18.4)	(8.1)	(16.4)	2.4
JCI Return	1.5	1.3	4.3	(3.8)
Relative	(19.9)	(9.3)	(20.7)	6.2

Stock Price & Volumes, 12M



Company Background

PT Kalbe Farma Tbk was established in 1966 and became a public company in 1991. Currently the company is engaged in development, manufacturing, and trading of various health products, including medicines.

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Embracing Growth Opportunities

FY23F projection: High-single-digit growth

We expect to see positive growth in the sales numbers of most KLBF's business segments throughout the rest of 2023, which should help boost its full-year consolidated figure (projected revenue growth: +8.2% YoY). The prescription medicine segment is projected to experience the largest sales growth (FY23F projection: +24.8% YoY), especially after the acquisition of Sanofi Indonesia, which should help increase the segment's contribution to the company's consolidated sales (FY23F: 24.5% of KLBF sales, FY22: 21.3%). The only segment projected to see weaker sales is consumer health, mainly due to the decline in demand for vitamins and supplements amid an inflation-driven purchasing power slump (in 1H23, KLBF's consumer health sales fell -4.2% YoY). Considering these factors, as well as the company's latest FY23F sales growth guidance (8-10%), we forecast KLBF to book high-single-digit sales growth (+8.2% YoY) in FY23F.

FY24F projection: Double-digit bottom line growth

Although we project KLBF's GPM to fall slightly this year (FY23F projection: 40.1%, FY22: 40.5%), mainly due to raw material surges and changes in product mix, we believe that it will rebound in FY24F (SSI's projection: 41.0%), supported by the decline in the price of skim milk powder (which has started to drop since Apr-22, but its impact isn't immediate, mainly due to long inventory days [> one year], and is expected to be apparent in FY24F) and the new Health Law, which makes it easier for young doctors to obtain their licenses (which should help increase the sales volume of licensed & branded generic drugs, which offer higher GPMs than many KLBF's products). Regarding its net profit, although we expect its full-year figure to be somewhat flat in FY23F (+0.5% YoY), mainly due to (1) Covid-19-related inventory provision (1H23: IDR 50.6 billion), and (2) forex loss (1H23: IDR 60.6 billion), we believe KLBF can post double-digit net profit growth in the following year (projection: +15.0% YoY), thanks to stable exchange rate and no inventory provision.

BUY, TP IDR 2,100 (25.2x FY24F PE)

In light of the factors outlined above, as well as its healthy balance sheet (net cash), we decided to reiterate our BUY rating on KLBF, albeit with a lower TP of IDR 2,100 (from IDR 2,400), as we revised our KLBF's net profit projections for FY23F/FY24F to IDR 3.4 trillion/ IDR 3.9 trillion (12.4%/9.8% lower than our previous projections), while also taking into account KLBF's FY23F net profit growth guidance, which was revised to 0-1% from 13-15%. Our TP implies 25.2x FY24F PE (-0.5SD below its 5-year PE average).

Forecasts and Valuations (at closing price IDR 1,705 per share)

Y/E Dec	20A	21A	22A	23F	24F
Revenue (IDR Bn)	23,113	26,261	28,934	31,305	33,321
EBITDA (IDR Bn)	3,986	4,449	4,955	5,586	6,122
EV/EBITDA (x)	19.0	16.7	15.6	13.7	12.3
Net Profit (IDR Bn)	2,733	3,184	3,382	3,399	3,908
EPS (IDR)	58.3	67.9	72.2	72.5	83.4
EPS Growth (%)	9.0	16.5	6.2	0.5	15.0
P/E Ratio (x)	29.2	25.1	23.6	23.5	20.4
P/BV Ratio (x)	4.6	4.1	3.9	3.6	3.3

Business development initiatives

Another factor that might help support KLBFI's future performance is its business development initiatives, including launching new biologic drugs and developing domestic production facilities for several biosimilar drugs and medical devices. KLBFI plans to launch two new biological drug products in 2H24: HLX10 (PD1), a lung cancer drug (with Henlin, a Chinese company) and GXE4, an anemia therapy drug for chronic kidney failure patients (with Genexin, a Korean company). The two drugs will extend KLBFI's biologic drug list, which includes Rituxikal (the first lymphoma cancer drug produced domestically), Ezelin (Insulin for diabetics), Leucogen (GCSF, a post-chemotherapy drug), and Hemapo (Erythropoietin, chronic kidney failure drug). In addition, KLBFI also plans to domestically produce two other cancer drugs, Bevacizumab and Trastuzumab, next year (it is worth noting that biosimilar drugs offer higher GPMs than chemical drugs). Not only drugs, KLBFI also plans to start producing medical devices domestically within the next 1-2 years, and KLBFI is currently working on technology transfer to support the plan.

Table 1. KLBFI 1H23 Results

(IDR Bn)	2Q22	1Q23	2Q23	QoQ	YoY	1H22	1H23	YoY
Revenue	6,859	7,869	7,310	-7.1%	6.6%	13,875	15,179	9.4%
Gross Profit	2,869	3,219	2,956	-8.2%	3.0%	5,798	6,176	6.5%
Operating Profit	973	1,150	878	-23.7%	-9.8%	2,024	2,027	0.2%
Net Profit	802	856	673	-21.3%	-16.1%	1,637	1,529	-6.6%
Gross Profit Margin	41.8%	40.9%	40.4%	-47 bps	-139 bps	41.8%	40.7%	-110 bps
Operating Margin	14.2%	14.6%	12.0%	-261 bps	-218 bps	14.6%	13.4%	-123 bps
Net Margin	11.7%	10.9%	9.2%	-166 bps	-248 bps	11.8%	10.1%	-173 bps

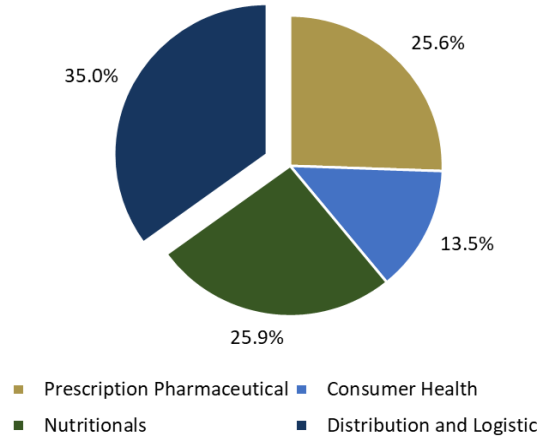
Source: Company, SSI Research

Table 2. KLBFI 1H23 Results (by Segment)

Revenue (IDR Bn)	2Q22	1Q23	2Q23	QoQ	YoY	1H22	1H23	YoY
Obat Resep	1,411	1,949	1,929	-1.0%	36.7%	2,941	3,879	31.9%
Produk kesehatan	1,137	1,102	953	-13.6%	-16.2%	2,146	2,055	-4.2%
Nutrisi	1,833	2,007	1,927	-4.0%	5.1%	3,720	3,934	5.7%
Distribusi	2,477	2,810	2,501	-11.0%	1.0%	5,068	5,312	4.8%
Gross Profit (IDR Bn)	2Q22	1Q23	2Q23	QoQ	YoY	1H22	1H23	YoY
Obat Resep	721	969	957	-1.3%	32.7%	1,524	1,926	26.3%
Produk kesehatan	637	647	513	-20.7%	-19.4%	1,203	1,160	-3.6%
Nutrisi	914	960	922	-3.9%	0.9%	1,882	1,881	0.0%
Distribusi	598	643	565	-12.2%	-5.6%	1,189	1,208	1.6%

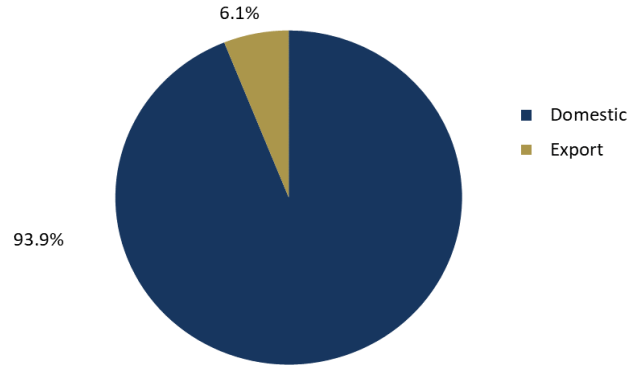
Source: Company, SSI Research

Figure 1. Revenue Mix 1H23 (Business Segments)



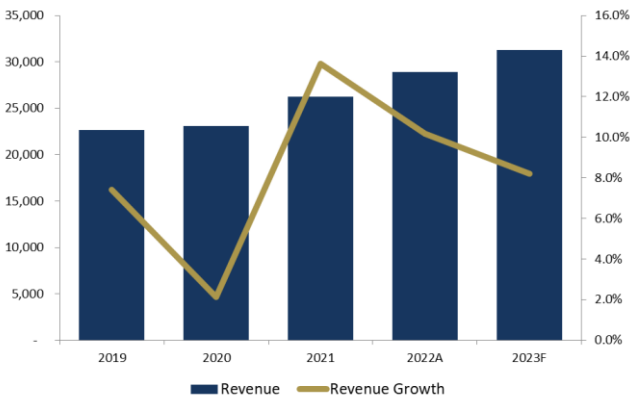
Source: Company, SSI Research

Figure 2. Revenue Mix 1H23 (Sales Destination)



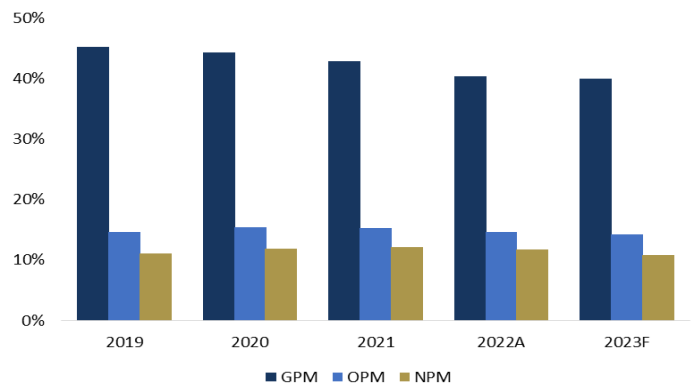
Source: Company, SSI Research

Figure 3. Revenue Growth



Source: Bloomberg, SSI Research

Figure 4. Profitability Margin



Source: Company, SSI Research

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