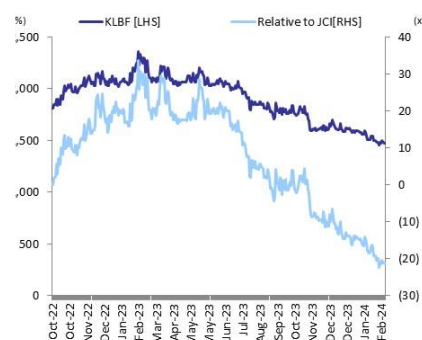


Hold

(Maintained)

| | |
|------------------------------|---------------------|
| Last Price (Rp) | 1,470 |
| Target Price (Rp) | 1,600 |
| Previous Target Price (Rp) | 1,600 |
| Upside/Downside | +8.8% |
| No. of Shares (mn) | 46,875 |
| Mkt Cap (Rpbn/US\$mn) | 68,906/4,409 |
| Avg, Daily T/O (Rpbn/US\$mn) | 60.5/3.9 |
| Free Float (%) | 40.4 |
| Major Shareholder (%) | |
| PT Gira Sole Prima | 10.3 |
| PT Santa Seha Sanadi | 9.9 |
| EPS Consensus (Rp) | |
| | 2023F 2024F 2025F |
| BRIDS | 56.5 58.2 63.9 |
| Consensus | 62.3 71.6 79.7 |
| BRIDS/Cons (%) | (9.3) (18.8) (19.7) |

KLBF relative to JCI Index



Source: Bloomberg

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Kalbe Farma (KLBF IJ)

Retaining our conservative FY24 view as soft purchasing power may limit revenue recovery

- Post FY23 earnings (broadly in-line vs our est.), KLBF guides for further improvements in FY24F revenues/ EPS growth at 6-7% and 13-15% yoy.
- Despite the management's guidance, we see limited catalysts for revenue growth to improve beyond 2Q24 amid soft purchasing power.
- We keep our FY24-25F EPS growth forecast (3-10% yoy) and DCF-based TP of Rp1,600, with a Hold rating on the unexciting growth outlook.

Management FY24 guidance: expect margins and volume to improve.

KLBF management guides for 6-7% yoy top line growth in FY24, driven by Medical Devices (MD) (+13-15% yoy) and Pharma (+8-9% yoy) which combined with around +100bps expected higher gross margins (supported by lower API) to translate to around EPS growth ranging from 13-15% yoy. Meanwhile, it also guides for FY24 revenues of CH and Nutrition to be at +5-6% yoy, likely hinging on improvements in purchasing power. The management also expects a higher contribution from Biosimilar products of around 2.5% of FY24 revenue (vs. 1.3% in FY23) as more FDA approval in Indonesia and Southeast Asian countries (in 2023) should pave way for greater commercialization in 2Q24.

Our view: limited catalysts to support revenue beyond 2Q24

KLBF's guidance of 13-15% yoy EPS growth in FY24 is higher than our FY24F growth forecast (+2.9% yoy) but lower than consensus estimates (+17.7% yoy). On a positive note, KLBF indicated better monthly revenue up to Jan-24, higher than the average revenue in 3Q23, with the trend expected to continue approaching the upcoming festivities. However, with consumers' purchasing power lacking visibility post 1Q24 and still mainly dependent on social assistance, we see limited catalysts for KLBF's revenue growth to sustain in 2Q24 onwards.

Waiting for further catalysts: Maintain HOLD

We maintain our FY24F-25F EPS growth forecast of 3-10% yoy and topline growth forecast of 5.8-7.4% yoy, respectively, mainly driven by volume (3-4% yoy). Based on the latest meeting, the management provides guidance of double-digit revenue growth for exports, biosimilar/oncology and MD, which in total only provide around 12-15% of total revenue. KLBF trades at 25.3x PE, reflecting a 6% discount to the 5Y historical average, but with slower net profit 2019-24F CAGR of 1.7% (vs 2013-19: 5%). Upside risks to our view are a robust 1Q24 and onward margins improvement and continued strong volume in 2Q24 while downside risks are lower-than-expected volume growth with lower margins. Maintain Hold with an unchanged TP of Rp1,600.

Key Financials

| Year to 31 Dec | 2021A | 2022A | 2023F | 2024F | 2025F |
|--------------------|--------|--------|--------|--------|--------|
| Revenue (Rpbn) | 26,261 | 28,934 | 30,389 | 32,154 | 34,542 |
| EBITDA (Rpbn) | 4,628 | 4,869 | 4,235 | 4,440 | 4,797 |
| EBITDA Growth (%) | 12.6 | 5.2 | (13.0) | 4.8 | 8.0 |
| Net Profit (Rpbn) | 3,184 | 3,382 | 2,650 | 2,727 | 2,998 |
| EPS (Rp) | 67.9 | 72.2 | 56.5 | 58.2 | 63.9 |
| EPS Growth (%) | 16.5 | 6.2 | (21.7) | 2.9 | 9.9 |
| BVPS (Rp) | 417.7 | 434.9 | 462.5 | 498.1 | 538.8 |
| DPS (Rp) | 27.7 | 27.2 | 28.9 | 22.6 | 23.3 |
| PER (x) | 21.6 | 20.4 | 26.0 | 25.3 | 23.0 |
| PBV (x) | 3.5 | 3.4 | 3.2 | 3.0 | 2.7 |
| Dividend yield (%) | 1.9 | 1.8 | 2.0 | 1.5 | 1.6 |
| EV/EBITDA | 13.7 | 13.6 | 15.5 | 14.7 | 12.8 |

Source: KLBF, BRIDS Estimates

Summary of 4Q23/ FY23 performance

4Q23: better performance on a flat top line qoq and lower opex/revenue.

KLBF reported an 18.2% yoy lower FY23 net profit of Rp2.8tn. The FY23 net profit is 104% of our FY23F (broadly inline) and 97% of the consensus (slightly below).

FY23 revenue growth (unaudited) of 5.2% yoy to Rp30.4tr was driven by Pharma (+24% yoy), Distribution (+3.2% yoy) and Nutrition (2%) while Consumer Health (CH) revenues declined 11% yoy. In 4Q23, revenues rose 7% yoy (+1.8% qoq) driven by prescription drugs (+5.3% yoy) and distribution (+3% yoy).

On the margins front, despite a 20bps lower gross margin (vs 3Q23), lower opex/revenue helped lift the 4Q23 net profit to Rp702bn, +31% yoy (down 21% qoq). KLBF reported a lower FY23 gross margin of 38.8% (FY22: 40.5%) as its product mix was more skewed toward value products which carry lower margins.

Exhibit 1. 4Q23 unaudited numbers

| KLBF | 4Q22 | 3Q23 | 4Q23 | yoy | qoq | FY22 | FY23 | yoy | 2023F | A/F | A/C |
|------------------|-------|-------|-------|--------|-------|--------|--------|--------|--------|--------|-------|
| Revenue - IDR bn | 7,752 | 7,382 | 7,890 | 1.8% | 6.9% | 28,934 | 30,451 | 5.2% | 30,389 | 100.2% | 99.8% |
| COGS | 4,782 | 4,651 | 4,987 | 4.3% | 7.2% | 17,229 | 18,641 | 8.2% | 18,612 | | |
| Gross profit | 2,970 | 2,731 | 2,903 | -2.2% | 6.3% | 11,704 | 11,810 | 0.9% | 11,776 | 100.3% | 98.1% |
| Opex | 1,840 | 2,044 | 1,938 | 5.4% | -5.2% | 7,473 | 8,130 | 8.8% | 8,265 | | |
| Operating profit | 1,130 | 687 | 965 | -14.6% | 40.4% | 4,231 | 3,680 | -13.0% | 3,512 | 104.8% | 98.5% |
| Net profit | 886 | 536 | 702 | -20.8% | 31.0% | 3,382 | 2,767 | -18.2% | 2,650 | 104.4% | 96.6% |
| | | | | | | | | | | | |
| Gross margin | 38.3% | 37.0% | 36.8% | | | 40.5% | 38.8% | | 38.8% | | |
| Opex to revenue | 23.7% | 27.7% | 24.6% | | | 25.8% | 26.7% | | 27.2% | | |
| Operating margin | 14.6% | 9.3% | 12.2% | | | 14.6% | 12.1% | | 11.6% | | |
| Net margin | 11.4% | 7.3% | 8.9% | | | 11.7% | 9.1% | | 8.7% | | |
| | | | | | | | | | | | |
| By divisions | | | | | | | | | | | |
| | 4Q22 | 3Q23 | 4Q23 | yoy | qoq | FY22 | FY23 | yoy | | | |
| Revenue (IDR bn) | | | | | | | | | | | |
| Prescription | 1,742 | 1,913 | 1,834 | 5.3% | -4.1% | 6,149 | 7,625 | 24.0% | | | |
| Nutrition | 2,078 | 1,962 | 2,090 | 0.6% | 6.5% | 7,831 | 7,985 | 2.0% | | | |
| Consumer Health | 888 | 813 | 829 | -6.6% | 2.0% | 4,153 | 3,698 | -11.0% | | | |
| Distribution | 3,044 | 2,694 | 3,137 | 3.1% | 16.4% | 10,801 | 11,143 | 3.2% | | | |

Source: Company, BRIDS Estimates and Bloomberg

Waiting for further catalysts to revise our FY24-25F estimates

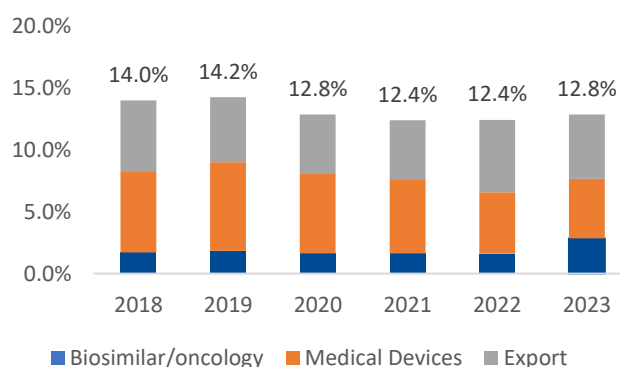
Despite the management's optimistic guidance, we maintain our FY24F-25F EPS growth forecast of 3-10% yoy. We forecast FY24-25F topline growth of 5.8% and 7.4% yoy, respectively, driven by prescription drugs (8.9% and 10%) and especially unbranded generic products (double digit growth). The FY24F top line will be driven mostly by volume (+3.1%) with minimum ASP adjustments (+1%) given a product mix increasingly focusing on value products/unbranded generics. Based on the latest meeting, the management provides guidance of double-digit revenue growth for exports, biosimilar/oncology and Medical Devices, which in total only provided around 12-15% of total revenues. While awaiting KLBF's audited FY23 result, we maintain our gross margin and opex assumptions.

Exhibit 2. Our FY24-25F and its assumptions

| | 2024F | 2025F | Yoy growth | |
|----------------------------------|--------|--------|------------|------|
| | | | 2024 | 2025 |
| Revenue | 32,154 | 34,542 | 5.8% | 7.4% |
| Gross profit | 12,447 | 13,435 | 5.7% | 7.9% |
| Operating profit | 3,670 | 3,971 | 4.5% | 8.2% |
| Net profit | 2,727 | 2,998 | 2.9% | 9.9% |
| Gross margin | 38.7% | 38.9% | | |
| Operating margin | 11.4% | 11.5% | | |
| Net margin | 8.5% | 8.7% | | |
| Assumption | | | | |
| | 2024F | 2025F | | |
| ASP | 1.0% | 1.2% | | |
| Volume | 3.1% | 4.0% | | |
| Opex/revenue | 27.3% | 27.4% | | |
| A&P/revenue | 7.3% | 7.3% | | |
| Revenue growth by segment | | | | |
| Prescription | 8.9% | 10.0% | | |
| Unbranded generic | 17.3% | 10.0% | | |
| Nutrition | 5.1% | 7.3% | | |
| Consumer Health | 4.5% | 6.1% | | |
| Distribution | 4.5% | 6.1% | | |

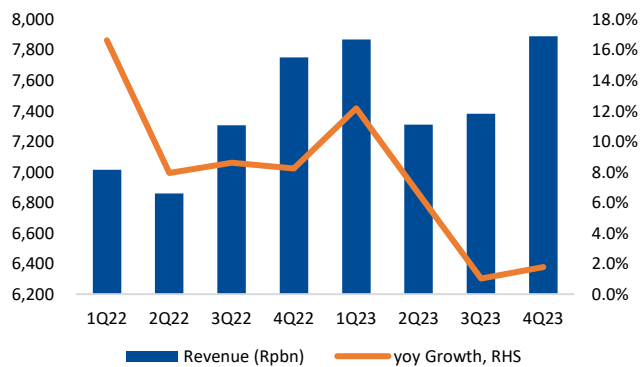
Source: BRIDS Estimates

Exhibit 3. Several segments that will book double digit growth in 2024



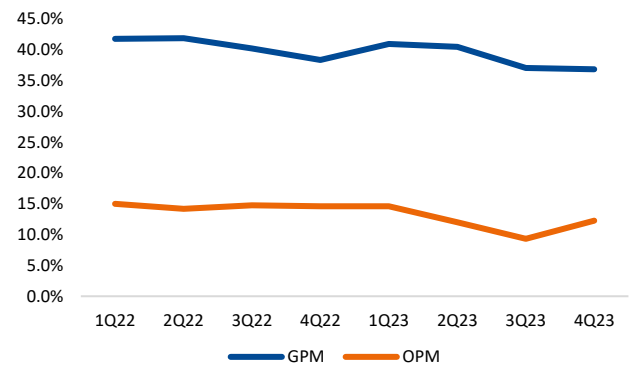
Source: Company

Exhibit 4. Quarterly revenue and yoy growth, 1Q22-4Q23



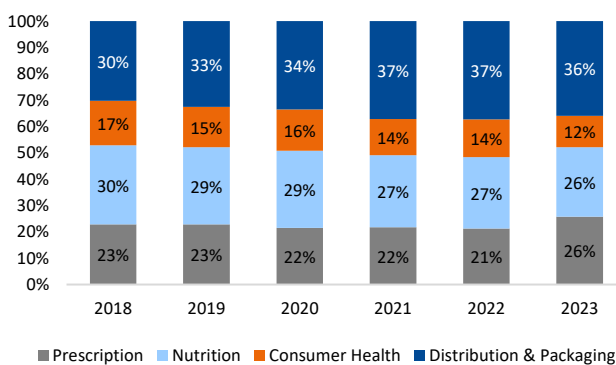
Source: Company

Exhibit 5. Quarterly Gross & Operating margin, 1Q22-4Q23



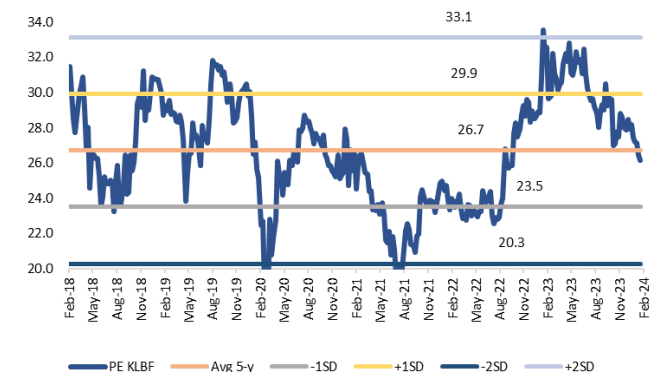
Source: Company

Exhibit 6. Revenue contribution by segment, 2018-23A



Source: Company

Exhibit 7. PE Band



Source: Bloombergs, BRIDS Estimates

Exhibit 8. Peers' comparison

| | | | Target | Market Cap | P/E (x) | | P/BV (x) | | ROE (%) | Dividend yield (%) | EPS growth (%) | | Core profit growth (%) | |
|---------------------------|-------------------|------|--------|------------|---------|-------|----------|-------|---------|-----------------------|-------------------|-------|---------------------------|-------|
| Company | Ticker | Rec | (Rp) | (RpBn) | 2024F | 2025F | 2024F | 2025F | 2024F | 2024F | 2024F | 2025F | 2024F | 2025F |
| Unilever Indonesia | UNVR IJ | Sell | 2,650 | 102,624 | 20.4 | 19.3 | 30.2 | 30.0 | 148.5 | 4.9 | 4.9 | 5.3 | 4.9 | 5.3 |
| Indofood CBP | ICBP IJ | Buy | 13,000 | 133,820 | 12.5 | 12.1 | 2.8 | 2.4 | 23.6 | 3.1 | 16.2 | 3.6 | 4.6 | 10.6 |
| Kalbe Farma | KLBF IJ | Hold | 1,600 | 69,844 | 25.1 | 22.8 | 3.0 | 2.7 | 12.2 | 1.6 | 2.8 | 9.9 | 4.0 | 9.1 |
| Indofood Sukses | INDF IJ | Buy | 8,000 | 57,951 | 5.8 | 5.3 | 0.9 | 0.8 | 15.6 | 5.0 | 11.3 | 8.8 | 2.0 | 13.3 |
| Mayora Indah | MYOR IJ | Buy | 3,500 | 52,096 | 16.8 | 14.5 | 3.3 | 2.9 | 20.5 | 3.1 | 8.3 | 16.0 | 14.3 | 12.2 |
| Sido Muncul | SIDO IJ | Hold | 600 | 18,000 | 16.9 | 15.6 | 5.2 | 5.0 | 31.0 | 5.4 | 12.0 | 8.5 | 6.6 | 8.8 |
| Nippon Indosari Corpora | ROTI IJ | Buy | 1,700 | 7,083 | 15.2 | 12.9 | 2.4 | 2.4 | 16.1 | 5.3 | 24.5 | 17.3 | 24.5 | 17.3 |
| Sector - weighted average | Sector - weighted | | | | 16.2 | 15.0 | 9.1 | 8.8 | 19.6 | 3.7 | 9.8 | 7.6 | 5.8 | 9.7 |

Source: Company, BRIDS Estimates and Bloomberg

Exhibit 9. Income Statement

| Year to 31 Dec (Rpbn) | 2021A | 2022A | 2023F | 2024F | 2025F |
|-------------------------|---------------|---------------|---------------|---------------|---------------|
| Revenue | 26,261 | 28,934 | 30,389 | 32,154 | 34,542 |
| COGS | (14,977) | (17,229) | (18,612) | (19,707) | (21,108) |
| Gross profit | 11,284 | 11,704 | 11,776 | 12,447 | 13,435 |
| EBITDA | 4,628 | 4,869 | 4,235 | 4,440 | 4,797 |
| Oper. profit | 4,021 | 4,231 | 3,512 | 3,670 | 3,971 |
| Interest income | 111 | 82 | 65 | 72 | 108 |
| Interest expense | (57) | (55) | (101) | (101) | (101) |
| Forex Gain/(Loss) | 0 | 0 | 11 | (20) | 0 |
| Income From Assoc. Co's | 0 | 0 | 0 | 0 | 0 |
| Other Income (Expenses) | 68 | 201 | (7) | 0 | 0 |
| Pre-tax profit | 4,143 | 4,459 | 3,480 | 3,622 | 3,979 |
| Income tax | (911) | (1,009) | (759) | (819) | (900) |
| Minority interest | (48) | (68) | (71) | (75) | (81) |
| Net profit | 3,184 | 3,382 | 2,650 | 2,727 | 2,998 |
| Core Net Profit | 3,184 | 3,382 | 2,639 | 2,747 | 2,998 |

Exhibit 10. Balance Sheet

| Year to 31 Dec (Rpbn) | 2021A | 2022A | 2023F | 2024F | 2025F |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Cash & cash equivalent | 6,216 | 3,950 | 4,109 | 4,890 | 8,549 |
| Receivables | 3,543 | 4,788 | 4,980 | 5,270 | 5,661 |
| Inventory | 5,087 | 7,027 | 7,175 | 7,592 | 5,661 |
| Other Curr. Asset | 607 | 800 | 840 | 882 | 926 |
| Fixed assets - Net | 7,994 | 7,957 | 8,381 | 8,804 | 8,921 |
| Other non-curr.asset | 1,960 | 2,574 | 2,550 | 2,527 | 2,483 |
| Total asset | 25,667 | 27,241 | 28,181 | 30,110 | 32,347 |
| ST Debt | 94 | 856 | 732 | 732 | 732 |
| Payables | 2,378 | 2,680 | 2,338 | 2,468 | 2,644 |
| Other Curr. Liabilities | 1,063 | 895 | 932 | 977 | 1,038 |
| Long Term Debt | 533 | 312 | 302 | 302 | 302 |
| Other LT. Liabilities | 333 | 401 | 412 | 423 | 435 |
| Total Liabilities | 4,401 | 5,144 | 4,716 | 4,902 | 5,151 |
| Shareholder's Funds | 19,580 | 20,385 | 21,682 | 23,349 | 25,256 |
| Minority interests | 1,686 | 1,712 | 1,783 | 1,859 | 1,940 |
| Total Equity & Liabilities | 25,667 | 27,241 | 28,181 | 30,110 | 32,347 |

Exhibit 11. Cash Flow

| Year to 31 Dec (Rpbn) | 2021A | 2022A | 2023F | 2024F | 2025F |
|----------------------------|--------------|--------------|----------------|----------------|--------------|
| Net income | 3,184 | 3,382 | 2,650 | 2,727 | 2,998 |
| Depreciation and Amort. | 449 | 769 | 836 | 908 | 965 |
| Change in Working Capital | (997) | (2,883) | (683) | (576) | 1,715 |
| Other Oper. Cash Flow | (1) | (525) | 23 | 21 | 20 |
| Operating Cash Flow | 2,635 | 743 | 2,827 | 3,080 | 5,698 |
| Capex | (757) | (1,098) | (1,216) | (1,286) | (1,036) |
| Others Inv. Cash Flow | (86) | 159 | 65 | 72 | 108 |
| Investing Cash Flow | (843) | (939) | (1,151) | (1,214) | (928) |
| Net change in debt | (533) | 544 | (134) | 0 | 0 |
| New Capital | 303 | (945) | 0 | 0 | 0 |
| Dividend payment | 1,300 | 1,273 | 1,353 | 1,060 | 1,091 |
| Other Fin. Cash Flow | 758 | (29) | (29) | (25) | (20) |
| Financing Cash Flow | 1,828 | 843 | 1,189 | 1,035 | 1,071 |
| Net Change in Cash | 3,621 | 647 | 2,865 | 2,900 | 5,841 |
| Cash - begin of the year | 5,208 | 6,216 | 3,950 | 4,109 | 4,890 |
| Cash - end of the year | 6,216 | 3,950 | 4,109 | 4,890 | 8,549 |

Exhibit 12. Key Ratio

| Year to 31 Dec | 2021A | 2022A | 2023F | 2024F | 2025F |
|--------------------------|-------|-------|--------|-------|-------|
| Growth (%) | | | | | |
| Sales | 13.6 | 10.2 | 5.0 | 5.8 | 7.4 |
| EBITDA | 12.6 | 5.2 | (13.0) | 4.8 | 8.0 |
| Operating profit | 13.1 | 5.2 | (17.0) | 4.5 | 8.2 |
| Net profit | 16.5 | 6.2 | (21.7) | 2.9 | 9.9 |
| Profitability (%) | | | | | |
| Gross margin | 43.0 | 40.5 | 38.8 | 38.7 | 38.9 |
| EBITDA margin | 17.6 | 16.8 | 13.9 | 13.8 | 13.9 |
| Operating margin | 15.3 | 14.6 | 11.6 | 11.4 | 11.5 |
| Net margin | 12.1 | 11.7 | 8.7 | 8.5 | 8.7 |
| ROAA | 13.2 | 12.8 | 9.6 | 9.4 | 9.6 |
| ROAE | 17.2 | 16.9 | 12.6 | 12.1 | 12.3 |
| Leverage | | | | | |
| Net Gearing (x) | (0.3) | (0.1) | (0.1) | (0.2) | (0.3) |
| Interest Coverage (x) | 70.1 | 76.8 | 34.8 | 36.4 | 39.4 |

Source: KLBF, BRIDS Estimates

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INVESTMENT RATING

| | |
|-------------|---|
| BUY | Expected total return of 10% or more within a 12-month period |
| HOLD | Expected total return between -10% and 10% within a 12-month period |
| SELL | Expected total return of -10% or worse within a 12-month period |

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