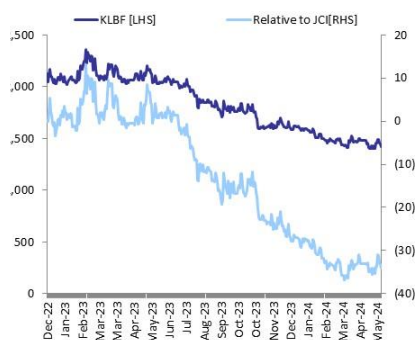


Buy

(Upgraded)

Last Price (Rp)	1,425
Target Price (Rp)	1,600
Previous Target Price (Rp)	1,600
Upside/Downside	+12.3%
No. of Shares (mn)	46,875
Mkt Cap (Rpbn/US\$mn)	66,563/4,148
Avg, Daily T/O (Rpbn/US\$mn)	58.6/3.7
Free Float (%)	40.4
Major Shareholder (%)	
PT Gira Sole Prima	10.3
PT Santa Seha Sanadi	9.9
EPS Consensus (Rp)	
	2024F 2025F 2026F
BRIDS	60.8 65.8 74.8
Consensus	68.7 75.7 84.4
BRIDS/Cons (%)	(11.6) (13.1) (11.3)

KLBF relative to JCI Index



Source: Bloomberg

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Kalbe Farma (KLBF IJ)

Resilient growth outlook at reasonable valuation

- Unbranded Generic and distribution to drive FY24F top line, while CH and Nutrition revenue normalized
- We raised FY24-25F NP by 4.5-2.9%, driven by the absence of covid inventory provision and forex gain
- We upgrade KLBF to Buy (from Hold prev.) on its resilient growth profile, attractive valuation and light positioning

Solid revenue growth outlook, though mainly driven by Unbranded Generic KLBF's revenue grew at a decent +6.3% yoy in 1Q24 (vs 12.2% yoy in 1Q23 but off a low base, and +1.8% yoy in 4Q23), albeit supported by the low margin divisions: Distribution (+14.9% yoy) and Unbranded (UB) Generics (+21% yoy), while the Eid seasonality also sustained the sales of OTC products (+0.9% yoy). We expect revenue in the coming quarters to remain solid, especially in the Pharma division and normalized revenue from CH and Nutrition to 3.5% and 5.1% yoy respectively. We expect UB will continue to drive Pharma's FY24 revenue at 12.9% yoy growth.

We raised FY24-25F NP by 4.5-2.9%, but maintained core profit

Post 1Q24 result, we raised our FY24-25F net profit est. by 4.5-2.9% driven by the absence of Covid inventory provision (Rp55bn in FY23) and anticipated forex gain (net cash USD50-60mn). The management expects continued soft price of Active Pharmaceutical Ingredients (API) will increase FY24 gross margin. However, with around 50% of total raw materials are USD-linked, we see risk from currency weakening and thus, maintain our gross margin assumptions for now. We also maintain our FY24-25F opex assumption. The decline in 1Q24 inventory days to 117 days, nearing the pre-pandemic average of 112 days, suggests improved inventory management. This better efficiency should ultimately help to contribute to better profitability.

Upgrade to Buy on resilient growth and reasonable valuation

KLBF trades at FY24F PE of 23.4x, close to -1SD avg 5-y PE, with projected net profit growth of +3% yoy in FY24 (Core -2% yoy) vs Consumer sector's peers' 14% yoy). Further expected recovery, especially in the CH and Nutrition segments in 2H24, shall support both profitability and share price performance. At end of Apr24, domestic fund positioning was relatively low at 0.4% overweight (vs ICBP at 1.2%). We raised our rating to Buy with an unchanged TP of Rp1,600 supported by attractive valuation and potential improvement ahead. Downside risks to our call include further Rupiah depreciation and soft consumer purchasing power.

Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Revenue (Rpbn)	28,934	30,449	32,425	35,057	38,230
EBITDA (Rpbn)	4,869	4,429	4,527	4,903	5,526
EBITDA Growth (%)	5.2	(9.0)	2.2	8.3	12.7
Net Profit (Rpbn)	3,382	2,767	2,850	3,085	3,508
EPS (Rp)	72.2	59.0	60.8	65.8	74.8
EPS Growth (%)	6.2	(18.2)	3.0	8.3	13.7
BVPS (Rp)	434.9	456.9	486.6	520.4	560.6
DPS (Rp)	35.0	38.0	31.1	32.0	34.7
PER (x)	19.7	24.1	23.4	21.7	19.0
PBV (x)	3.3	3.1	2.9	2.7	2.5
Dividen yield (%)	2.5	2.7	2.2	2.2	2.4
EV/EBITDA	13.1	14.5	14.2	13.1	11.5

Source: KLBF, BRIDS Estimates

KLBF 1Q24 result summary

In 1Q24, KLBF's revenue grew 6.3% yoy, driven by distribution (+14.9% yoy), prescription (+4% yoy) and Nutrition (+1.9% yoy). The Oncology/Biosimilar products posted modest 1Q24 growth of 4% yoy (10% contribution to Pharma's revenue in 1Q24 vs. 8% in FY20-22, 10% in FY23, or around 2.6% to KLBF's 1Q24 revenue).

The company stated that it had increased the ASP of select products by 3-5% across business segments. 1Q24 domestic revenue grew 8% yoy supported by prescription (+7.6% yoy) and Consumer Health (+6.8% yoy). Meanwhile, the 1Q24 revenue from exports dropped 23% due to challenges in some countries including Myanmar (political instability with import restrictions especially affecting the Pharma division) and South Africa (weak purchasing power). Nonetheless, OTC exports to 40 countries will help drive growth going forward.

In terms of revenue by segment, KLBF restated revenue allocations (including in 1Q23 for yoy comparisons) to include distribution fees to the Pharma, CH and Nutrition divisions, taking this from the distribution revenue. This did not change the total revenue figure but post the adjustment, KLBF reported a higher gross margin for the Pharma, CH and Nutrition divisions, while Distribution reported a lower margin.

Based on the 4Q23 restatement of revenue allocation (provided by the company – please see table), KLBF reported 1Q24 gross margin improvements vs 4Q23 due to seasonality (Idul Fitri) and changes in the product mix. However, for Pharma, the gross margin is still lower yoy due to a higher contribution from Unbranded Generics. On opex, KLBF continued its efficiency efforts especially by trimming Advertising spending (6.8% to 1Q24 revenue vs 7.8% in 1Q23). Below the operating line, the absence of forex losses (Rp34.5bn in 1Q23) and inventory written-off from covid related products (1Q23: Rp34bn) helped support a stronger 1Q24 bottom line of Rp958bn, +12% yoy. The 1Q24 net profit is 34% of our FY24F and 30% of consensus estimates, i.e. above.

Exhibit 1. 1Q24 result

KLBF	1Q23	4Q23	1Q24	yoy	qoq	2024F	A/F	A/F *	A/C
Revenue - IDR bn	7,869	7,888	8,363	6.3%	6.0%	32,425	25.8%	26.0%	25.7%
COGS	4,650	4,972	5,042	8.4%	1.4%	19,876			
Gross profit	3,219	2,916	3,321	3.2%	13.9%	12,549	26.5%	26.7%	26.0%
Opex	2,070	1,937	2,101	1.5%	8.5%	8,853			
Operating profit	1,149	979	1,220	6.1%	24.6%	3,696	33.0%	33.2%	29.4%
Net profit	855	576	958	12.0%	66.2%	2,850	33.6%	34.5%	29.6%
Gross margin	40.9%	37.0%	39.7%			38.7%			
Opex to revenue	26.3%	24.6%	25.1%			27.3%			
Operating margin	14.6%	12.4%	14.6%			11.4%			
Net margin	10.9%	7.3%	11.4%			8.8%			
By divisions									
	1Q23	4Q23	1Q24	yoy	qoq				
Revenue (IDR bn)									
Prescription	2,112	1,980	2,196	4.0%	10.9%				
Nutrition	2,106	2,201	2,146	1.9%	-2.5%				
Consumer Health	1,236	891	1,247	0.9%	39.9%				
Distribution	2,415	2,816	2,774	14.9%	-1.5%				
Gross margin									
Prescription	53.6%	51.0%	52.4%						
Nutrition	50.3%	50.7%	51.2%						
Consumer Health	63.2%	54.6%	63.6%						
Distribution	10.3%	10.8%	10.1%						

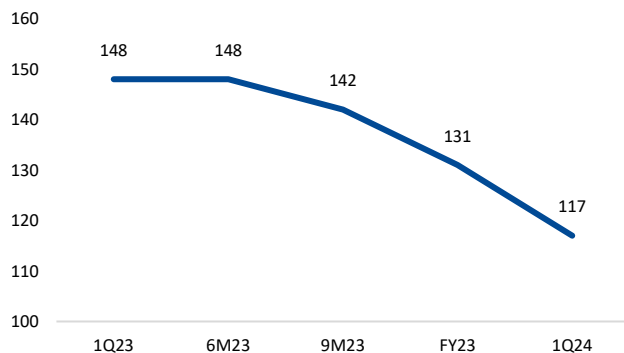
Source: Company, BRIDS Estimates *Previous forecast

Exhibit 2. Earnings estimate revision

	Previous			New			Changes		
	2024F	2025F	2026F	2024F	2025F	2026F	2024	2025	2026
Revenue	32,154	34,542	37,666	32,425	35,057	38,230	0.8%	1.5%	1.5%
Gross profit	12,447	13,435	14,915	12,549	13,611	14,909	0.8%	1.3%	0.0%
Operating profit	3,670	3,971	4,408	3,696	4,005	4,548	0.7%	0.8%	3.2%
Net profit	2,727	2,998	3,359	2,850	3,085	3,508	4.5%	2.9%	4.4%
Core profit	2,747	2,998	3,359	2,817	3,085	3,508	2.6%	2.9%	4.4%
Gross margin	38.7%	38.9%	39.6%	38.7%	38.8%	39.0%			
Operating margin	11.4%	11.5%	11.7%	11.4%	11.4%	11.9%			
Net margin	8.5%	8.7%	8.9%	8.8%	8.8%	9.2%			
Assumption									
	2024	2025	2026	2024F	2025F	2026F			
GDP growth	5.10%	5.10%	5.10%	5.1%	5.1%	5.1%			
Inflation	3.00%	3.00%	3.00%	3.0%	3.0%	3.0%			
USD IDR - average	15,300	15,300	15,300	15,875	15,875	15,875			
ASP	1.0%	1.2%	1.3%	1.0%	1.2%	1.3%			
Volume	3.1%	4.0%	4.6%	3.1%	4.0%	4.6%			
Opex/revenue	27.3%	27.4%	27.0%	27.3%	27.4%	27.1%			
A&P/revenue	7.3%	7.3%	7.0%	7.3%	7.3%	7.0%			

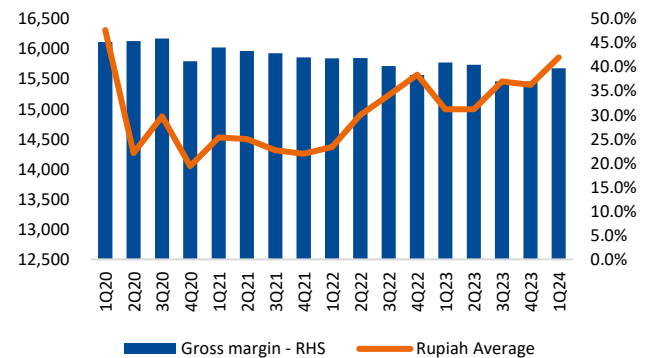
Source: Company, BRIDS Estimates

Exhibit 3. Inventory days



Source: Company, BRIDS Estimates

Exhibit 4. Rupiah average vs gross margin



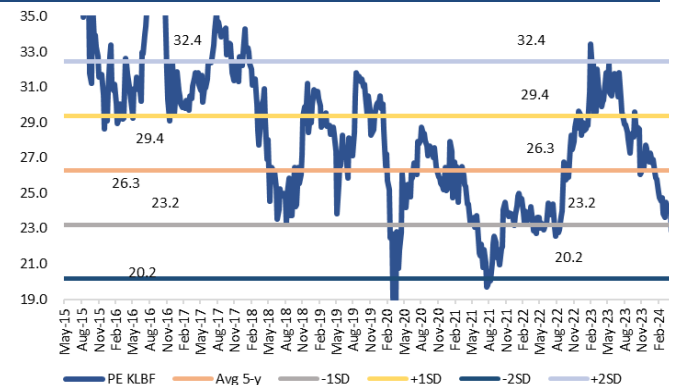
Source: Company, Bloombergs

Exhibit 5. Local Fund Positioning and Foreign Flows

	Local Fund Position (Apr24)	Foreign Flow (8 May24)
KLBF	0.45%	(8.63)
ICBP	1.19%	(9.16)
UNVR	-0.07%	2.73
Total	1.57%	(15.06)

Source: KSEI, IDX, BRIDS, Bloomberg

Exhibit 6. PE band



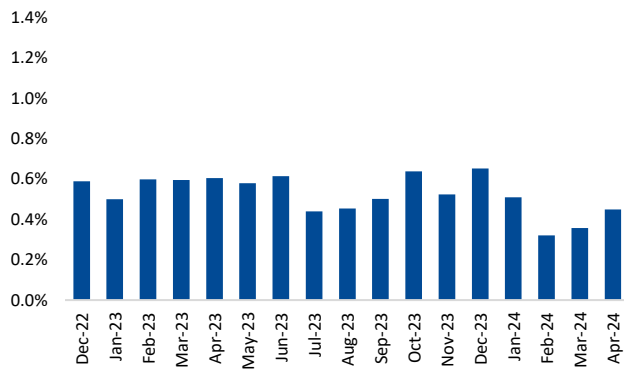
Source: Company, BRIDS Estimates

Exhibit 7. Peer comparison

Ticker	Rec	Target	Market Cap	P/E (x)		P/BV (x)		ROE (%)	Dividend yield (%)	EPS growth (%)		Core profit growth (%)	
		(Rp)	(RpBn)	2024F	2025F	2024F	2025F	2024F	2024F	2024F	2025F	2024F	2025F
UNVR IJ	Sell	2,300	101,098	22.3	22.0	29.7	29.6	133.8	4.5	(5.5)	1.1	(5.5)	1.1
ICBP IJ	Buy	12,900	120,117	12.2	11.0	2.5	2.2	22.3	3.9	40.3	11.7	8.3	8.8
KLBF IJ	Buy	1,600	66,797	23.4	21.7	2.9	2.7	12.9	2.2	3.0	8.3	(2.1)	9.5
INDF IJ	Buy	8,000	53,560	5.5	5.0	0.8	0.7	15.5	5.4	19.0	11.4	19.3	6.3
MYOR IJ	Buy	3,200	51,872	16.1	14.7	3.1	2.7	20.3	3.1	0.6	10.1	(5.0)	11.5
SIDO IJ	Hold	710	21,450	19.6	18.1	6.2	6.0	31.8	4.7	15.0	8.5	9.4	8.8
ROTI IJ	Buy	1,700	6,959	16.8	14.2	2.5	2.4	15.3	5.2	14.7	18.3	14.7	18.3
Sector - weighted				16.5	15.4	9.2	8.9	19.4	3.9	14.1	8.3	3.3	7.2

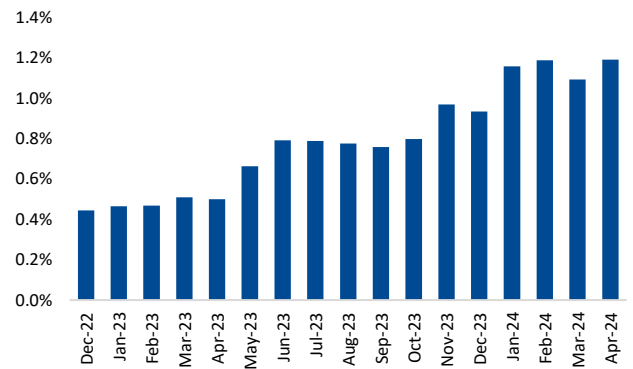
Source: Company, BRIDS Estimates

Exhibit 8. Domestic fund positioning – KLBF



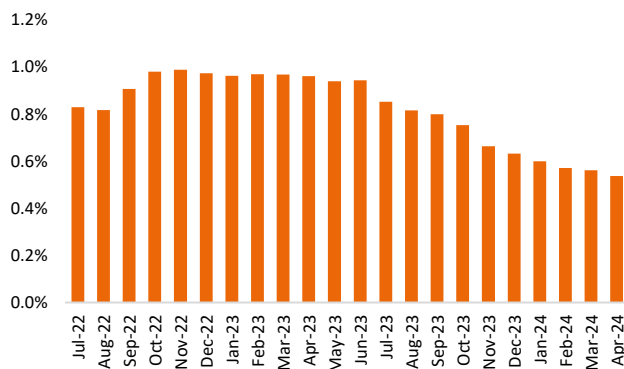
Source: KSEI, Bloombergs, BRIDS

Exhibit 9. Domestic fund positioning – ICBP



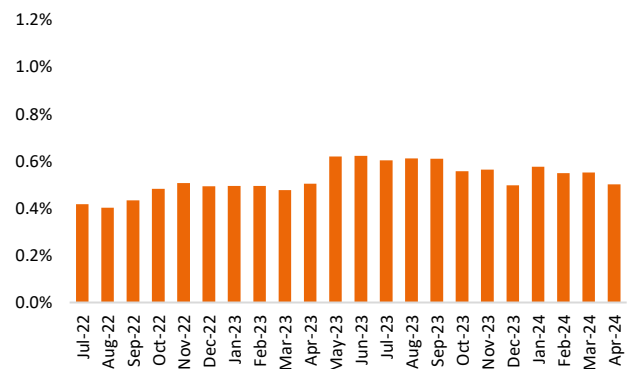
Source: KSEI, Bloombergs, BRIDS

Exhibit 10. Foreign fund positioning – KLBF



Source: KSEI, Bloombergs, BRIDS

Exhibit 11. Foreign fund positioning – ICBP



Source: KSEI, Bloombergs, BRIDS

Exhibit 12. Income Statement

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Revenue	28,934	30,449	32,425	35,057	38,230
COGS	(17,229)	(18,626)	(19,876)	(21,446)	(23,320)
Gross profit	11,704	11,823	12,549	13,611	14,909
EBITDA	4,869	4,429	4,527	4,903	5,526
Oper. profit	4,231	3,694	3,696	4,005	4,548
Interest income	82	88	76	74	82
Interest expense	(55)	(95)	(69)	(69)	(69)
Forex Gain/(Loss)	-	-	-	-	-
Income From Assoc. Co's	-	-	-	-	-
Other Income (Expenses)	201	(81)	11	11	10
Pre-tax profit	4,459	3,606	3,715	4,022	4,572
Income tax	(1,009)	(828)	(853)	(923)	(1,049)
Minority interest	(68)	(12)	(12)	(13)	(15)
Net profit	3,382	2,767	2,850	3,085	3,508
Core Net Profit	3,226	2,878	2,817	3,085	3,508

Exhibit 13. Balance Sheet

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Cash & cash equivalent	3,950	3,232	2,963	3,101	3,599
Receivables	4,788	4,820	5,224	5,745	6,265
Inventory	7,027	6,792	7,233	7,820	8,528
Other Curr. Asset	945	1,073	1,119	1,166	1,216
Fixed assets - Net	7,957	7,978	8,671	9,077	9,531
Other non-curr.asset	2,574	3,162	3,164	3,137	3,110
Total asset	27,241	27,058	28,374	30,047	32,249
ST Debt	856	300	142	142	142
Payables	2,680	2,600	2,762	2,784	3,027
Other Curr. Liabilities	895	343	375	418	469
Long Term Debt	312	319	184	184	184
Other LT. Liabilities	401	376	386	396	407
Total Liabilities	5,144	3,938	3,849	3,924	4,229
Shareholder's Funds	20,385	21,419	22,811	24,396	26,279
Minority interests	1,712	1,701	1,714	1,727	1,742
Total Equity & Liabilities	27,241	27,058	28,374	30,047	32,249

Exhibit 14. Cash Flow

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Net income	3,382	2,767	2,850	3,085	3,508
Depreciation and Amort.	769	580	632	675	721
Change in Working Capital	(2,883)	123	(683)	(1,087)	(985)
Other Oper. Cash Flow	(525)	(1,075)	(42)	(2)	(3)
Operating Cash Flow	743	2,395	2,758	2,671	3,241
Capex	(1,098)	(874)	(1,297)	(1,052)	(1,147)
Others Inv. Cash Flow	159	151	76	74	82
Investing Cash Flow	(939)	(723)	(1,221)	(977)	(1,065)
Net change in debt	544	(554)	(293)	-	-
New Capital	(945)	25	-	-	-
Dividend payment	1,641	1,781	1,457	1,501	1,625
Other Fin. Cash Flow	(29)	(106)	(56)	(55)	(54)
Financing Cash Flow	1,211	1,146	1,108	1,446	1,571
Net Change in Cash	1,015	2,817	2,645	3,140	3,747
Cash - begin of the year	6,216	3,950	3,232	2,963	3,101
Cash - end of the year	3,950	3,232	2,963	3,101	3,599

Exhibit 15 Key Ratio

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Growth (%)					
Sales	10.2	5.2	6.5	8.1	9.0
EBITDA	5.2	(9.0)	2.2	8.3	12.7
Operating profit	5.2	(12.7)	0.1	8.4	13.6
Net profit	6.2	(18.2)	3.0	8.3	13.7
Core profit	0.7	(10.8)	(2.1)	9.5	13.7
Profitability (%)					
Gross margin	40.5	38.8	38.7	38.8	39.0
EBITDA margin	16.8	14.5	14.0	14.0	14.5
Operating margin	14.6	12.1	11.4	11.4	11.9
Net margin	11.7	9.1	8.8	8.8	9.2
ROAA	12.8	10.2	10.3	10.6	11.3
ROAE	16.9	13.2	12.9	13.1	13.8
Leverage					
Net Gearing (x)	(12.6)	(11.3)	(10.8)	(10.6)	(11.7)
Interest Coverage (x)	76.8	38.8	53.9	58.4	66.4

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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