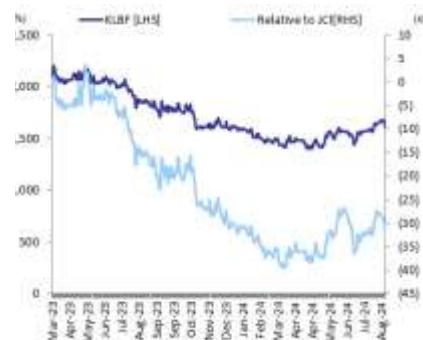


Buy

(Maintained)

Last Price (Rp)	1,610
Target Price (Rp)	1,800
Previous Target Price (Rp)	1,600
Upside/Downside	+11.8%
No. of Shares (mn)	46,875
Mkt Cap (Rpbn/US\$mn)	75,469/4,852
Avg, Daily T/O (Rpbn/US\$mn)	52.1/3.4
Free Float (%)	36.4
Major Shareholder (%)	
PT Gira Sole Prima	10.3
PT Santa Seha Sanadi	9.9
EPS Consensus (Rp)	
	2024F 2025F 2026F
BRIDS	69.7 74.8 79.9
Consensus	67.5 74.2 81.6
BRIDS/Cons (%)	3.2 0.8 (2.1)

KLBF relative to JCI Index



Source: Bloomberg

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Kalbe Farma (KLBF IJ)

Improving growth outlook from higher margins and steady revenue; reiterate Buy rating

- We see catalysts from steady 2H24 revenue (+8.8% yoy), improved margins, & potential FDA approvals for high-margin specialty products.
- We estimate higher GPM and lower opex, which translate to 14.7%/13.7% upward revision in FY24-25F core profit.
- We maintain our Buy rating on improving earnings growth outlook and raise our TP to Rp1,800.

Specialty products to drive the future growth

KLBF reported solid 1H24 core profit, driven by +7.6% yoy growth in 1H24 revenue, operational efficiencies, and normalizing inventory (i.e., no further Covid-related inventory write-offs). In the prescription segment, Unbranded Generic's revenue grew +21% yoy, continuing its trend of outpacing the Branded (-3% yoy) and License segments (+16% yoy). KLBF expects revenue from Specialty products (~ 3% of 1H24 revenue), such as oncology and biosimilars, to gradually increase in the future. This is bolstered by the recent approval of Zerpidio (HLX10 for Lung Cancer) for commercialization by Thailand's FDA. KLBF plans to also seek FDA approval in South Korea for Efesa GXE4 (for chronic kidney disease) and to expand into other Southeast Asian countries, the Middle East and Australia for its approved novel Biologics products, in collaboration with Genexine (South Korea) and Henlius (China).

13.7/14.7% increase in FY24/25F core profit driven by higher GPM and lower opex

Following 1H24 results, we have revised up our FY24-25F gross margin (GPM) assumptions by 70/50bps to 39.4%/39.3% as we expect the company to benefit from lower API costs. As KLBF also continued to reduce its opex (1H24: 25.5% vs 1H23: 27.3% to rev.), we have also lowered our Opex/rev estimate by 90/100bps for FY24-25F. These adjustments translate to our 14.7%/ 13.7% higher FY24-25F core profit of ~Rp3.2tr/3.5tr, reflecting 12.3%/8.5% yoy growth.

Maintain Buy with a higher TP of Rp1,800

We maintain our Buy rating on KLBF on improving earnings outlook. We raise our TP to Rp1,800 to reflect our higher earnings estimates, still based on a FY25F PE of 24x. The key positive catalysts for KLBF include 1) expected sustainable quarterly revenue growth at 8-9% yoy 2) margin recovery (from a low base in FY23) and 3) additional FDA approvals for specialty products, which generate higher margins. However, downside risk includes product mix that could hinder the projected margin improvement.

Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Revenue (Rpbn)	28,934	30,449	32,937	35,691	38,561
EBITDA (Rpbn)	4,869	4,429	5,153	5,556	5,950
EBITDA Growth (%)	5.2	(9.0)	16.4	7.8	7.1
Net Profit (Rpbn)	3,382	2,767	3,266	3,507	3,744
EPS (Rp)	72.2	59.0	69.7	74.8	79.9
EPS Growth (%)	6.2	(18.2)	18.0	7.4	6.8
BVPS (Rp)	434.9	456.9	495.5	533.6	574.1
DPS (Rp)	35.0	38.0	31.1	36.7	39.4
PER (x)	22.3	27.3	23.1	21.5	20.2
PBV (x)	3.7	3.5	3.2	3.0	2.8
Dividend yield (%)	2.2	2.4	1.9	2.3	2.4
EV/EBITDA	14.9	16.5	14.1	13.0	12.0

Source: KLBF, BRIDS Estimates

Buy rating reaffirmed as KLBF eyes higher margins and FDA approvals

New JV and share acquisitions to sustain growth ahead

At the end of Jul24, KLBF's subsidiary, Global Chemindo Megatrading, and Lian SGP Holding Pte.Ltd (a wholly owned subsidiary of Livzon Pharmaceuticals Group.Inc), signed a shareholder agreement to form a joint venture, PT Livzon Pharma Indonesia, in Jakarta. The JV will focus on manufacturing Active Pharmaceutical Ingredients (API) with an initial investment of Rp650bn. The ownership structure will consist of 80% owned by Lian SGP and 20% owned by GCM. In a recent meeting, KLBF disclosed that the new JV will primarily produce APIs for the export market, with potential opportunities in the domestic market as well.

Additionally, KLBF's subsidiary, Kalbe International Pte.Ltd (Kalbe International) acquired 49% of Alliance Pharma's shares to expand its pharmaceutical business in Thailand, thereby increasing market penetration and availability of Kalbe's products in Southeast Asia Region.

2Q24 earnings: In line with consensus' estimates

In 2Q24, KLBF reported revenue growth of -4.8%qoq/+9% yoy with net profit growth of -11.5% qoq/+25.8% yoy. This resulted in 1H24 revenue growth of +7.6% yoy (50% of BRIDS/Cons FY24F) and net profit increase of +18% yoy (63%/58% of BRIDS/Cons FY24F). The 1H24 result were broadly in line with consensus estimates but exceeded our FY24F.

Prescription revenue in 1H24 grew by +7.6% yoy, driven primarily by unbranded generics (+21% yoy with 27% contribution to 1H24 rev). In contrast, License and Branded products grew by only 3% yoy. Distribution revenue, which accounts for 33% of 1H24 rev. and generally yields lower margins than other segments, continued to show robust growth of 17% yoy, driven by a new principal introduced in early 2024. In 1H24, CH and Nutrition segments experienced modest growth in 1H24, with revenue increasing by 0.5% and 1.3% yoy, respectively. Certain categories, such as Health Supplements - including Extrajoss and Hydro Coco in Nutrition segment, reported solid performance. However, we anticipate that these 2 segments will recover slowly due to ongoing pressure on consumer purchasing power.

KLBF's 1H24 gross margin declined by 110bps, primarily due to lower margins in the prescription division, likely driven by unbranded generics. Meanwhile, the gross margin of the Nutrition and OTC divisions improved yoy, benefiting from lower raw material prices. In 1H24, KLBF increased the ASP of several products across segment within the range of 3-5%. This partially improved 1H24 gross margin improvement by 80bps vs FY23 of 38.8%, inline with the company's guidance of +1% GPM improvement this year. The lower opex (especially A&P and Salary) resulted in a solid 1H24 net profit growth. 1H24 core profit increased by 12% yoy, supported by a forex gain (Rp23bn vs 1H23 Forex loss Rp61bn) and the absence of Covid-related written-off inventory (1H23: Rp56bn).

Exhibit 1. KLBF's 2Q24 earnings summary

KLBF	1H23	1H24	yoy	2Q23	1Q24	2Q24	yoy	qoq	2024F	A/F	A/C
Revenue - Rpbn	15,179	16,328	7.6%	7,310	8,363	7,965	9.0%	-4.8%	32,425	50.4%	50.1%
Gross profit	6,173	6,464	4.7%	2,954	3,321	3,143	6.4%	-5.4%	12,549	51.5%	50.3%
Opex	4,146	4,171	0.6%	2,076	2,101	2,070	-0.3%	-1.5%	8,853		
Operating profit	2,027	2,293	13.1%	878	1,220	1,073	22.2%	-12.0%	3,696	62.0%	56.7%
Net profit	1,529	1,805	18.1%	674	958	848	25.8%	-11.5%	2,850	63.3%	57.6%
Core profit	1,640	1,782	8.6%	716	946	836	16.7%	-11.7%			
Gross margin	40.7%	39.6%		40.4%	39.7%	39.5%			38.7%		
Opex to revenue	27.3%	25.5%		28.4%	25.1%	26.0%			27.3%		
Operating margin	13.4%	14.0%		12.0%	14.6%	13.5%			11.4%		
Net margin	10.1%	11.1%		9.2%	11.4%	10.6%			8.8%		
By divisions											
	1H23	1H24	yoy	2Q23	1Q24	2Q24	yoy	qoq			
Revenue (Rpbn)											
Prescription	4,196	4,516	7.6%	2,084	2,196	2,320	11.3%	5.6%			
Nutrition	4,120	4,139	0.5%	2,014	2,146	1,993	-1.0%	-7.1%			
Consumer Health	2,293	2,322	1.3%	1,057	1,247	1,075	1.7%	-13.7%			
Distribution	4,569	5,351	17.1%	2,155	2,774	2,577	19.6%	-7.1%			
Gross margin											
Prescription	53.5%	52.4%		53.3%	52.4%	52.4%					
Nutrition	50.2%	51.4%		50.1%	51.2%	51.6%					
Consumer Health	61.0%	61.8%		58.4%	63.6%	59.7%					
Distribution	10.2%	10.1%		10.1%	10.1%	10.0%					

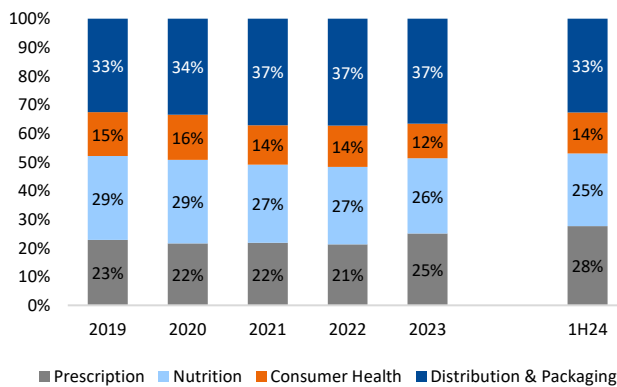
Source: Company, BRIDS Estimates

Exhibit 2. KLBF's Estimates Revision

	Previous			New			Changes		
	2024F	2025F	2026F	2024F	2025F	2026F	2024	2025	2026
Revenue	32,425	35,057	38,230	32,937	35,691	38,561	1.6%	1.8%	0.9%
Gross profit	12,549	13,611	14,909	12,986	14,029	15,129	3.5%	3.1%	1.5%
Operating profit	3,696	4,005	4,548	4,285	4,601	4,904	15.9%	14.9%	7.8%
Net profit	2,850	3,085	3,508	3,266	3,507	3,744	14.6%	13.7%	6.7%
Core profit	2,817	3,085	3,508	3,233	3,507	3,744	14.7%	13.7%	6.7%
Gross margin	38.7%	38.8%	39.0%	39.4%	39.3%	39.2%			
Operating margin	11.4%	11.4%	11.9%	13.0%	12.9%	12.7%			
Net margin	8.8%	8.8%	9.2%	9.9%	9.8%	9.7%			
Assumption									
ASP	1.0%	1.2%	1.3%	1.0%	1.2%	1.2%			
Volume	3.1%	4.0%	4.6%	3.0%	3.3%	3.4%			
Opex/revenue	27.3%	27.4%	27.1%	26.4%	26.4%	26.5%			
A&P/revenue	7.3%	7.3%	7.0%	6.6%	6.6%	6.6%			

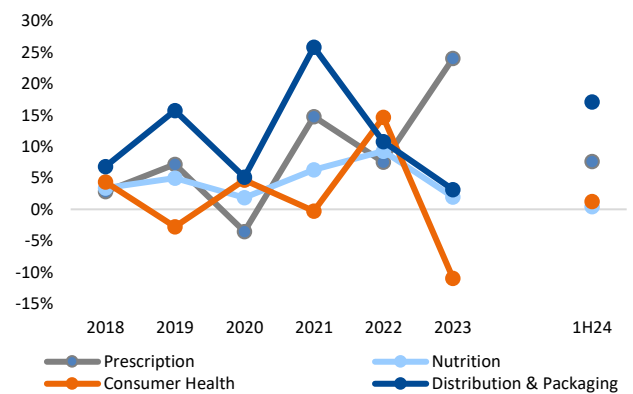
Source: BRIDS Estimates

Exhibit 3. Revenue Contribution by Segment, FY19- 1H24



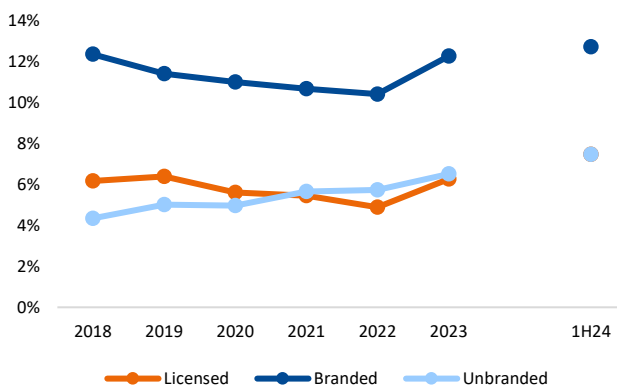
Source: Company, BRIDS

Exhibit 4. Revenue Growth (Yoy) by Segment FY18-1H24



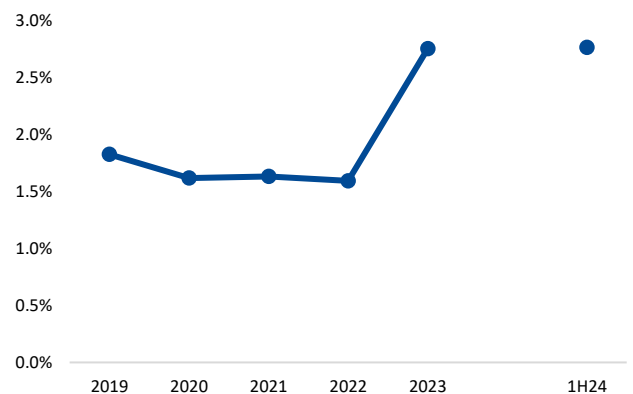
Source: Company, BRIDS Estimates

Exhibit 5. Contribution of Ubranded vs License and Branded, FY18- 1H24



Source: Company, BRIDS

Exhibit 6. Specialty products, % to Revenue, FY19-1H24



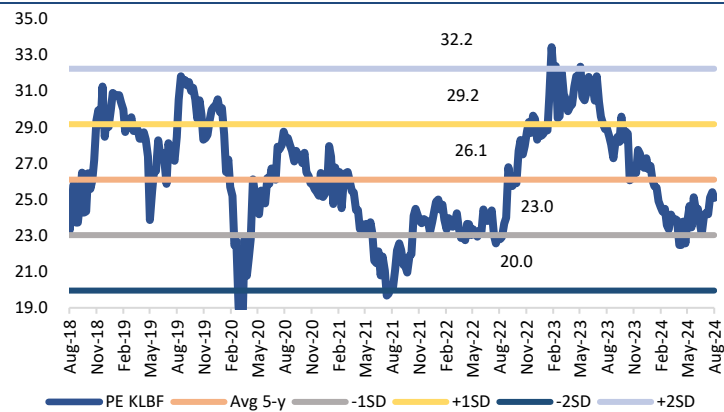
Source: Company, BRIDS

Exhibit 7. KLBF Peers Comparison

Ticker	Rec	Target	Market Cap	P/E (x)		P/BV (x)		ROE (%)	Dividend yield (%)	EPS growth (%)		Core profit growth (%)		Net profit CAGR
		(Rp)	(Rpbn)	2024F	2025F	2024F	2025F	2024F	2024F	2024F	2025F	2024F	2025F	2023-26F
ICBP IJ	Buy	13,400	130,320	12.9	11.8	2.8	2.5	23.3	3.7	47.4	9.7	13.6	7.0	22.1
UNVR IJ	Sell	2,200	92,700	19.8	19.7	26.5	26.3	134.2	5.0	(5.2)	0.5	(5.2)	0.5	0.2
KLBF IJ	Buy	1,800	75,469	23.1	21.5	3.2	3.0	14.6	1.9	18.0	7.4	12.3	8.5	10.6
INDF IJ	Buy	8,000	53,560	5.8	5.2	0.9	0.8	15.5	5.1	19.0	11.4	19.3	6.3	14.6
MYOR IJ	Buy	3,350	55,230	17.9	16.1	3.6	3.1	20.9	2.7	4.3	11.3	(3.3)	14.7	8.7
SIDO IJ	Buy	810	22,050	17.8	16.2	6.1	5.9	34.8	5.2	25.9	10.0	9.4	8.8	14.5
Sector - weighted				16.2	15.1	7.9	7.7	44.6	3.8	20.6	7.9	7.7	7.0	12.4

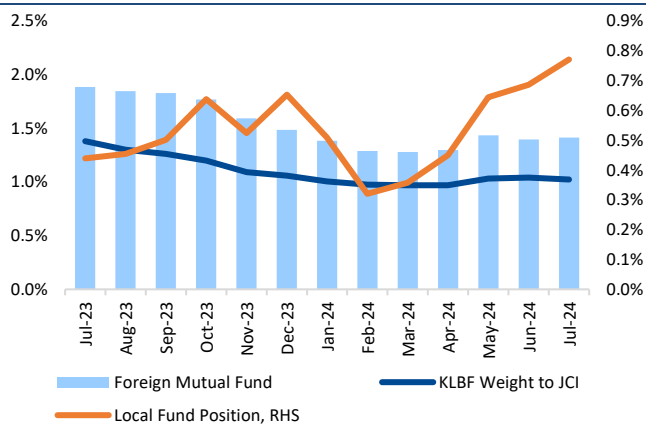
Source: Bloomberg, BRIDS Estimates

Exhibit 8. KLBF's PE Band



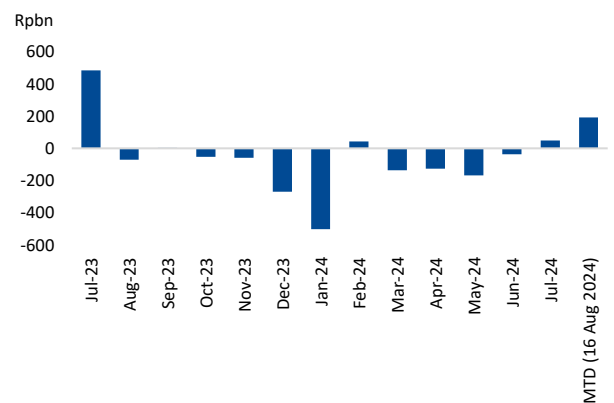
Source: Bloomberg, BRIDS Estimates

Exhibit 9. KLBF's Weighting and Fund Position



Source: IDX, BRIDS Estimates

Exhibit 10. KLBF's Historical Foreign Flows (as of 16 Aug 2024)



Source: IDX, BRIDS Estimates

Exhibit 11. Income Statement

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Revenue	28,934	30,449	32,937	35,691	38,561
COGS	(17,229)	(18,626)	(19,951)	(21,662)	(23,432)
Gross profit	11,704	11,823	12,986	14,029	15,129
EBITDA	4,869	4,429	5,153	5,556	5,950
Oper. profit	4,231	3,694	4,285	4,601	4,904
Interest income	82	88	80	84	96
Interest expense	(55)	(95)	(69)	(69)	(69)
Forex Gain/(Loss)	-	-	-	-	-
Income From Assoc. Co's	-	-	-	-	-
Other Income (Expenses)	201	(81)	11	9	7
Pre-tax profit	4,459	3,606	4,307	4,626	4,939
Income tax	(1,009)	(828)	(989)	(1,062)	(1,134)
Minority interest	(68)	(12)	(53)	(57)	(62)
Net profit	3,382	2,767	3,266	3,507	3,744
Core Net Profit	3,226	2,879	3,233	3,507	3,744

Exhibit 12. Balance Sheet

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Cash & cash equivalent	3,950	3,232	3,262	3,598	4,246
Receivables	4,788	4,820	5,307	5,849	6,320
Inventory	7,027	6,792	7,347	7,961	8,601
Other Curr. Asset	945	1,073	1,119	1,166	1,216
Fixed assets - Net	7,957	7,978	8,691	9,114	9,576
Other non-curr.asset	2,574	3,162	3,164	3,137	3,110
Total asset	27,241	27,058	28,889	30,825	33,070
ST Debt	856	300	142	142	142
Payables	2,680	2,600	2,804	2,833	3,052
Other Curr. Liabilities	895	343	392	445	501
Long Term Debt	312	319	184	184	184
Other LT. Liabilities	401	376	386	396	407
Total Liabilities	5,144	3,938	3,908	4,000	4,286
Shareholder's Funds	20,385	21,419	23,228	25,014	26,911
Minority interests	1,712	1,701	1,754	1,811	1,873
Total Equity & Liabilities	27,241	27,058	28,889	30,826	33,070

Exhibit 13. Cash Flow

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Net income	3,382	2,767	3,266	3,507	3,744
Depreciation and Amort.	769	580	633	676	723
Change in Working Capital	(2,883)	123	(838)	(1,129)	(891)
Other Oper. Cash Flow	(525)	(1,075)	(29)	(1)	(12)
Operating Cash Flow	743	2,395	3,032	3,054	3,563
Capex	(1,098)	(874)	(1,317)	(1,071)	(1,157)
Others Inv. Cash Flow	159	151	80	84	96
Investing Cash Flow	(939)	(723)	(1,238)	(986)	(1,060)
Net change in debt	544	(554)	(293)	-	-
New Capital	(945)	25	-	-	-
Dividend payment	1,641	1,781	1,457	1,720	1,847
Other Fin. Cash Flow	(29)	(106)	(16)	(11)	(7)
Financing Cash Flow	1,211	1,146	1,149	1,709	1,840
Net Change in Cash	1,015	2,817	2,943	3,776	4,343
Cash - begin of the year	6,216	3,950	3,232	3,262	3,598
Cash - end of the year	3,950	3,232	3,262	3,598	4,246

Exhibit 14. Key Ratio

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Growth (%)					
Sales	10.2	5.2	8.2	8.4	8.0
EBITDA	5.2	(9.0)	16.4	7.8	7.1
Operating profit	5.2	(12.7)	16.0	7.4	6.6
Net profit	6.2	(18.2)	18.0	7.4	6.8
Core profit	0.7	(10.8)	12.3	8.5	6.8
Profitability (%)					
Gross margin	40.5	38.8	39.4	39.3	39.2
EBITDA margin	16.8	14.5	15.6	15.6	15.4
Operating margin	14.6	12.1	13.0	12.9	12.7
Net margin	11.7	9.1	9.9	9.8	9.7
ROAA	12.8	10.2	11.7	11.7	11.7
ROAE	16.9	13.2	14.6	14.5	14.4
Leverage					
Net Gearing (x)	(12.6)	(11.3)	(11.7)	(12.2)	(13.6)
Interest Coverage (x)	76.8	38.8	62.5	67.1	71.6

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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