

### PT. Kalbe Farma Tbk.

## BUY

#### Investment Consideration

##### Positive Growth Maintained

- KLBF maintained positive growth in 2Q2022 with sales of IDR 7.16 trillion, up +7.9% YoY but lower -2.2% QoQ. For 1H2022, KLBF net sales increased +7% YoY to IDR 13.8 trillion.
- Most of KLBF's businesses recorded positive growth in 2Q2022 compared to last year, while for 1H2022, nutrition sales slightly decreased -1% YoY.
- Consumer health grew +16.2% YoY to IDR 1.14 trillion but recorded a GPM decrease to 52% from 61% in 2Q2021. Consumer health's GPM was affected by higher commodity and raw material prices such that cost of revenue increased by +42% YoY.
- Distribution & logistics recorded growth of +6.4% YoY to IDR 2.47 trillion while the GPM decreased to 20% from 25%.
- Pharmaceuticals sales grew +8% YoY growth to IDR 1.41 trillion while the GPM declined to 45% from 53% due to changes in the product mix as well as higher raw material prices.
- Nutrition recorded positive growth of +5.3% to IDR 1.88 trillion while the GPM declined to 51% from 41% due to raw material price increases.
- We expect KLBF will maintain positive sales growth, and expect 2022F sales to reach IDR 29.1 trillion or +11% growth.

##### 2Q2022: Lower Margin

- Despite positive growth in sales, KLBF recorded lower margins quarterly and yearly due to higher raw material and commodity prices.
- In 2Q2022, KLBF net profit was up +3% YoY but -4% QoQ to IDR 802 billion with a lower NPM of 11.7%. For 1H2022, KLBF recorded a net profit increase of +9% YoY to IDR 1.64 trillion with a lower NPM of 11.8%.
- KLBF gross profit increased +4% YoY but was lower by -2% QoQ in 2Q2022 to IDR 2.87 trillion with COGS increasing +11% YoY due to higher commodity prices and raw material costs. This resulted in a lower gross profit margin of 41.8%.
- Operating profit also decreased -4% QoQ but was higher +4% YoY at IDR 1.04 trillion with a lower operating profit margin of 15.2%.
- We are forecasting KLBF 2022F net profit will grow +8% YoY to reach IDR 3.45 trillion.

##### Valuation: BUY TP 1,970 with 23% upside

- We are targeting KLBF to trade at 24x PE within a year. Target Price is IDR 1,970 which represents 23% upside. We maintain our recommendation to BUY.

Financial Highlights	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Revenue (In IDR Bn)	20.182	21.074	22.633	23.113	26.261	29.171	32.566
Gross Profit (In IDR Bn)	9.812	9.848	10.243	10.246	11.284	12.398	13.841
EBITDA (In IDR Bn)	3.681	3.762	3.906	4.270	4.628	5.108	5.664
Net Profit (In IDR Bn)	2.404	2.457	2.507	2.733	3.184	3.454	3.856
EPS (In IDR)	51	52	53	58	68	74	82
GPM (%)	49%	47%	45%	44%	43%	43%	43%
OPM (%)	16%	16%	15%	16%	16%	16%	16%
NPM (%)	12%	12%	11%	12%	12%	12%	12%
EBITDA Margin (%)	18%	18%	17%	18%	18%	18%	17%
ROE (%)	18%	17%	16%	16%	16%	17%	17%
Tot. debt / equity (x)	0,20	0,20	0,22	0,25	0,22	0,20	0,20
Current Ratio (x)	4,51	4,66	4,35	4,12	4,45	4,12	4,02

Source: Company and Binaartha

16 August 2022  
Consumer Goods

Price IDR 1,595

Target Price IDR 1,970

JKSE Index 7,093.276



#### Stock Information

<b>Bloomberg Code</b>	<b>KLBF IJ</b>
Market Cap (IDR bn)	74,765
52-week high (IDR)	1,735
52-week low (IDR)	1,240
Shares issued (mn)	46,875.1
6-m avg. daily Val (IDR)	1,630
Free float	43.02%

#### Major share holders

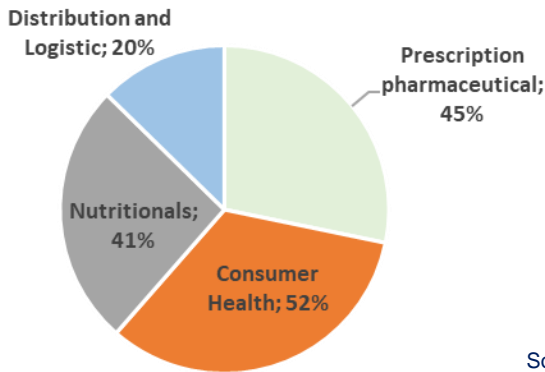
PT Gira Sole Prima	10.29%
PT Santa Seha Sanadi	10.06%
PT Diptanala Bahana	9.50%
PT Lucasta Murni Cemerlang	9.47%
PT Ladang Ira Panen	10.09%
PT Bina Arta Charisma	8.43%
Public	42.16%

#### USD/ IDR – YE (IDR)

2021	14,310
2022F (6m-avg)	14,550

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Chart: Revenue Breakdown by Segment in 2021FY



Source: Company

Table: Income Statement in IDR Billion QoQ & YoY

Income Statement (IDR.Bn)	1Q2022	2Q2022	QoQ	1H2021	1H2022	YoY	2Q2021	YoY
<b>Revenues</b>	<b>7.016</b>	<b>6.859</b>	<b>-2%</b>	<b>12.370</b>	<b>13.875</b>	<b>12%</b>	<b>6.355</b>	<b>8%</b>
Cost of revenues	-4.087	-3.989	-2%	-6.973	-8.076	16%	-3.605	11%
<b>Gross Profit</b>	<b>2.929</b>	<b>2.869</b>	<b>-2%</b>	<b>5.397</b>	<b>5.798</b>	<b>7%</b>	<b>2.750</b>	<b>4%</b>
Operating expense	-1.837	-1.826	-1%	-3.470	-3.663	6%	-1.748	4%
<b>Pretax income(PBT)</b>	<b>1.092</b>	<b>1.043</b>	<b>-4%</b>	<b>1.928</b>	<b>2.136</b>	<b>11%</b>	<b>1.002</b>	<b>4%</b>
Taxes	-240	-223	-7%	-416	-463	11%	-214	4%
<b>NPAT</b>	<b>853</b>	<b>820</b>	<b>-4%</b>	<b>1.512</b>	<b>1.673</b>	<b>11%</b>	<b>788</b>	<b>4%</b>
Minority interest	-18	-18	1%	-14	-36	148%	-7	157%
<b>Net Profit</b>	<b>835</b>	<b>802</b>	<b>-4%</b>	<b>1.497</b>	<b>1.637</b>	<b>9%</b>	<b>781</b>	<b>3%</b>
EPS (In IDR)	<b>18</b>	<b>17</b>	<b>-4%</b>	<b>32</b>	<b>35</b>	<b>9%</b>	<b>17</b>	<b>3%</b>
<b>GPM</b>	<b>41,7%</b>	<b>41,8%</b>		<b>43,6%</b>	<b>41,8%</b>		<b>43,3%</b>	
<b>OPM</b>	<b>15,6%</b>	<b>15,2%</b>		<b>15,6%</b>	<b>15,4%</b>		<b>15,8%</b>	
<b>NPM</b>	<b>11,9%</b>	<b>11,7%</b>		<b>12,1%</b>	<b>11,8%</b>		<b>12,3%</b>	

Source: Company

Table: Income Statement in IDR Billion YoY

Income Statement (IDR.Bn)	2016A	2017A	2018A	2019A	2020A	2021A	2022F	2023F
<b>Revenues</b>	<b>19.374</b>	<b>20.182</b>	<b>21.074</b>	<b>22.633</b>	<b>23.113</b>	<b>26.261</b>	<b>29.171</b>	<b>32.566</b>
Cost of revenues	(9.886)	(10.370)	(11.226)	(12.390)	(12.866)	(14.977)	(16.773)	(18.726)
<b>Gross Profit</b>	<b>9.488</b>	<b>9.812</b>	<b>9.848</b>	<b>10.243</b>	<b>10.246</b>	<b>11.284</b>	<b>12.398</b>	<b>13.841</b>
Operating expense	(6.397)	(6.571)	(6.542)	(6.841)	(6.619)	(7.141)	(7.876)	(8.793)
<b>Pretax income(PBT)</b>	<b>3.091</b>	<b>3.241</b>	<b>3.306</b>	<b>3.403</b>	<b>3.627</b>	<b>4.143</b>	<b>4.521</b>	<b>5.048</b>
Taxes	(740)	(788)	(809)	(865)	(828)	(911)	(995)	(1.111)
<b>NPAT</b>	<b>2.351</b>	<b>2.453</b>	<b>2.497</b>	<b>2.538</b>	<b>2.799</b>	<b>3.232</b>	<b>3.527</b>	<b>3.937</b>
Minority interest	(51)	(50)	(40)	(31)	(66)	(48)	(73)	(81)
<b>Net Profit</b>	<b>2.300</b>	<b>2.404</b>	<b>2.457</b>	<b>2.507</b>	<b>2.733</b>	<b>3.184</b>	<b>3.454</b>	<b>3.856</b>
EPS (In IDR)	49	51	52	53	58	68	74	82
<b>EBITDA</b>	<b>3.516</b>	<b>3.681</b>	<b>3.762</b>	<b>3.906</b>	<b>4.270</b>	<b>4.628</b>	<b>5.108</b>	<b>5.664</b>

Source: Company and Binaartha

Table: Statement of Financial Position in IDR Billion YoY

Statement of Financial Position (IDR. Billion)	2016A	2017A	2018A	2019A	2020A	2021A	2022F	2023F
<b>Current Assets</b>								
Cash and cash equivalents	2.896	2.785	3.153	3.040	5.208	6.216	5.149	5.983
Trade receivables	2.726	2.968	3.374	3.698	3.595	3.545	3.938	4.234
Inventory	3.344	3.557	3.475	3.738	3.600	5.087	5.105	5.211
Other current assets	607	734	647	746	673	864	875	977
<b>Total Current Assets</b>	<b>9.573</b>	<b>10.044</b>	<b>10.648</b>	<b>11.222</b>	<b>13.075</b>	<b>15.712</b>	<b>15.067</b>	<b>16.405</b>
<b>Non-Current Assets</b>								
Fixed assets	4.556	5.343	6.253	7.666	8.158	7.994	8.554	9.152
Other non-current assets	1.098	1.230	1.245	1.376	1.331	1.960	1.896	1.954
<b>Total Non-current Assets</b>	<b>5.653</b>	<b>6.572</b>	<b>7.498</b>	<b>9.042</b>	<b>9.489</b>	<b>9.954</b>	<b>10.450</b>	<b>11.106</b>
<b>Total Assets</b>	<b>15.226</b>	<b>16.616</b>	<b>18.146</b>	<b>20.265</b>	<b>22.564</b>	<b>25.667</b>	<b>25.517</b>	<b>27.511</b>
<b>Liabilities</b>								
<b>Current Liabilities</b>								
Trade payables	1.947	1.831	1.959	1.712	1.897	2.378	2.414	2.695
Short-term bank loan	135	169	96	150	344	70	78	87
Other current liabilities	370	396	231	716	936	1.086	1.167	1.303
<b>Total Current Liabilities</b>	<b>2.317</b>	<b>2.227</b>	<b>2.286</b>	<b>2.577</b>	<b>3.177</b>	<b>3.535</b>	<b>3.659</b>	<b>4.085</b>
<b>Non-current Liabilities</b>								
Long-term Debt Bank Loan	132	144	260	648	723	490	189	89
Others non-current liabilities	313	351	306	334	389	376	233	261
<b>Total Non-current Liabilities</b>	<b>445</b>	<b>495</b>	<b>565</b>	<b>982</b>	<b>1.111</b>	<b>866</b>	<b>423</b>	<b>350</b>
<b>Total Liabilities</b>	<b>2.762</b>	<b>2.722</b>	<b>2.852</b>	<b>3.559</b>	<b>4.288</b>	<b>4.401</b>	<b>4.081</b>	<b>4.434</b>
<b>Equity</b>	<b>11.909</b>	<b>13.281</b>	<b>14.623</b>	<b>15.893</b>	<b>17.406</b>	<b>19.580</b>	<b>20.563</b>	<b>22.105</b>
Minority Interest	555	613	671	812	871	1.686	873	971
<b>Total Liabilities &amp; Equity</b>	<b>15.226</b>	<b>16.616</b>	<b>18.146</b>	<b>20.265</b>	<b>22.564</b>	<b>25.667</b>	<b>25.517</b>	<b>27.511</b>

Source: Company and Binaartha

Table: Cash Flow in IDR Billion YoY

Cash Flow (IDR. Billion)	2017A	2018A	2019A	2020A	2021A	2022F	2023F
<b>Cash Flow From Operating Activities</b>							
Net income	2.404	2.457	2.507	2.733	3.184	3.454	3.856
Depreciation expenses	403	426	463	553	427	560	599
Change in working capital	-672	-177	-396	914	-1.271	-298	-77
<b>Net Cash From Operating Activities</b>	<b>2.135</b>	<b>2.706</b>	<b>2.573</b>	<b>4.200</b>	<b>2.340</b>	<b>3.715</b>	<b>4.377</b>
<b>Cash Flow From Investing Activities</b>							
Change in Non-current Asset	-1.190	-1.336	-1.876	-1.044	-264	-1.119	-1.198
Other non-current assets	-132	-15	-131	45	-629	64	-58
<b>Net Cash Used in Investing Activities</b>	<b>-1.322</b>	<b>-1.352</b>	<b>-2.007</b>	<b>-1.000</b>	<b>-893</b>	<b>-1.055</b>	<b>-1.255</b>
<b>Cash Flow From Financing Activities</b>							
Long-term debt	12	115	388	75	-233	-301	-100
Other non-current liabilities	38	-45	29	54	-13	-142	27
Equity	-973	-1.057	-1.096	-1.162	-194	-3.284	-2.215
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>-924</b>	<b>-986</b>	<b>-679</b>	<b>-1.033</b>	<b>-439</b>	<b>-3.727</b>	<b>-2.288</b>
Net Increase In Cash and Cash Equivalent	-111	369	-113	2.167	1.008	-1.067	834
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>2.896</b>	<b>2.785</b>	<b>3.153</b>	<b>3.040</b>	<b>5.208</b>	<b>6.216</b>	<b>5.149</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>2.785</b>	<b>3.153</b>	<b>3.040</b>	<b>5.208</b>	<b>6.216</b>	<b>5.149</b>	<b>5.983</b>

Source: Company and Binaartha

Table: Ratio Highlights YoY

	2017A	2018A	2019A	2020A	2021A	2022F	2023F
<b>Growth (% YoY)</b>							
Sales	4,2%	4,4%	7,4%	2,1%	13,6%	11,1%	11,6%
OP	4,9%	2,0%	2,9%	6,6%	14,2%	9,1%	11,6%
EBITDA	4,7%	2,2%	3,8%	9,3%	8,4%	10,4%	10,9%
NP	4,5%	2,2%	2,0%	9,0%	16,5%	8,5%	11,6%
EPS	4,5%	2,2%	2,0%	9,0%	16,5%	8,5%	11,6%
<b>Profitability</b>							
Gross Profit Margin	48,6%	46,7%	45,3%	44,3%	43,0%	42,5%	42,5%
Operating Margin	16,1%	15,7%	15,0%	15,7%	15,8%	15,5%	15,5%
EBITDA margin	18,2%	17,9%	17,3%	18,5%	17,6%	17,5%	17,4%
NET Profit margin	11,9%	11,7%	11,1%	11,8%	12,1%	11,8%	11,8%
ROA	14,5%	13,5%	12,4%	12,1%	12,4%	13,5%	14,0%
ROE	18,1%	16,8%	15,8%	15,7%	16,3%	16,8%	17,4%
<b>Stability</b>							
Total debt/ equity (X)	0,20	0,20	0,22	0,25	0,22	0,20	0,20
Current ratio (X)	4,51	4,66	4,35	4,12	4,45	4,12	4,02
Int. Coverage (x)	89,06	111,18	84,18	40,49	72,20	170,77	291,57
<b>Per Share data (IDR)</b>							
EPS	51,3	52,4	53,5	58,3	67,9	73,7	82,3
BVS	283	312	339	371	418	439	472
SPS	413	431	450	483	493	560	622
EBITDA/share	75	79	80	83	91	99	109

Source: Company and Binaartha

**Stock Ratings:**

- Buy : a recommendation to purchase the security with upside potential of **20% or greater**
- Hold : a recommendation to neither buy nor sell a security with upside potential of **0-19%**.
- Sel : a recommendation to close out a long position in a security with upside potential **below 0% or negative**.

**RESEARCH TEAM**  
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