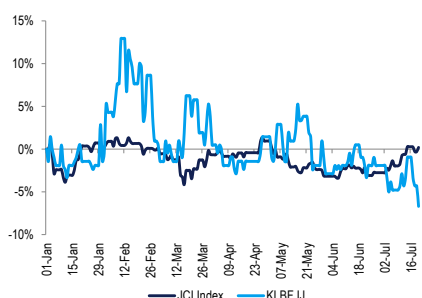


StockData

Target price	Rp2,400
Prior TP	Rp2,400
Current price	Rp1,950
Upside/downside	+23.1%
Shares outstanding (mn)	46,875
Marketcap (Rpbn)	91,406
Free float	40%
Avg. 6m dailyT/O (Rpbn)	75

Price Performance

	3M	6M	12M
Absolute	-5.3%	-6.7%	15.4%
Relative to JCI	-6.0%	-8.2%	15.9%
52w low/high (Rp)	1,530 – 2,360		



Major Shareholders

PT Ladang Ira Panen	10.5%
PT Gira Sole Prima	10.3%
PT Santa Seha Sanadi	10.1%
PT Diptanala Bahana	9.5%
PT Lucasta Murni Cemerlang	9.5%
PT Bina Arta Charisma	8.2%

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Pharma tailwinds may not offset softness in cons. health & nutritional

- We expect Sanofi acquisition, new biosimilar products and revamped BPJS e-catalogue to drive 25% yoy pharma segment growth in FY23F.
- On the contrary, a change in consumer behavior post pandemic results in softness in nutritional, potentially lower than our FY23F initial growth expectations of 10% yoy for the segment.
- We maintain HOLD rating with unchanged TP of Rp2,400

Multiple drivers to support pharma segment's FY23F's growth

Following the INA-CBG tariff adjustment of 9.5% in Jan23, the procurement within BPJS e-catalogue for pharmaceutical products has been revamped. The notable changes include the removal of a single tender winner previously based on lowest price and now the e-catalogue is more similar to online marketplaces where buyers can enquire the availability of the product and negotiate pricing before placing the order. The removal of the price capping mechanism in the process is aimed at reducing product un-fulfilment, leading to potential uplift in volume as well. KLBF's management sees room for the company to raise unbranded generic products' ASP by 5-10% as a result of the revamped BPJS e-catalogue. Besides this, the pharmaceutical segment is also driven primarily by the acquisition of Aventis Pharma (Sanofi) in Dec22, and the production of biosimilar products Ezelyn and Rituxikal in 1Q23. In sum, we expect KLBF's pharmaceutical segment to grow by +25% yoy, spearheading KLBF's consolidated sales in FY23F (+14.0% yoy).

Soft expectations for non-pharma segments

On the other hand, we found consumer behaviour and spending are generally more geared towards travel, leisure and dining out post pandemic. Coupled with the observation that consumers are less health conscious, consumption of health-related products such as vitamins, supplements including herbal supplements is expected to be soft. Hence, contrary to the robust outlook of the pharmaceutical segment, we view that KLBF's other segments (especially nutritional) may miss the company's initial FY23F guidance of 9-12% yoy growth. Sustained down trading for formula milk powder may also be a reflection of generally weak purchasing power.

Maintain Hold with unchanged TP of Rp2,400

Factoring the above, we are reviewing our forecast while awaiting 2Q23 results with potential forecast downgrade arising from KLBF's non-pharma segments. For now, we maintain our HOLD rating for KLBF with unchanged TP of Rp2,400 based on 28.8x FY23F PE (+1s.d. from its 5Y mean). Previous overhang on Covid-19 medicine write-offs has been addressed and is unlikely to resurface in 2Q/3Q23 in a material manner (if any).

Financial Summary (Rp bn)	2021A	2022A	2023F	2024F	2025F
Revenue	26,261	28,934	32,972	36,641	40,733
EBITDA	4,648	3,631	5,807	6,609	7,446
EBITDA growth	12.8%	-21.9%	59.9%	13.8%	12.7%
Net profit	3,184	3,382	3,932	4,581	5,193
EPS	68	69	84	98	111
EPS growth	16.4%	1.9%	20.8%	16.5%	13.4%
ROE	16.1%	15.6%	16.8%	17.5%	18.1%
PER (x)	28.6	28.1	23.2	20.0	17.6
Dividend yield	1.4%	1.9%	1.9%	2.3%	2.7%
Forecast change			0%	0%	0%
IPS vs. consensus			104%	107%	109%

Source: Company, IndoPremier

Share price closing as of: 20 July 2023

Fig. 1: KLBF is traded at 21.3x fwd. 12M PE (-1.1s.d. from its 5yr mean)



Source: Bloomberg, Indo Premier

Income Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Net Revenue	26,261	28,934	32,972	36,641	40,733
Cost of Sales	(14,977)	(17,229)	(19,412)	(21,446)	(23,729)
Gross Profit	11,284	11,704	13,561	15,195	17,004
SG&A Expenses	(7,262)	(7,473)	(8,434)	(9,324)	(10,351)
Operating Profit	4,021	4,231	5,126	5,871	6,653
Net Interest	53	27	6	100	109
Forex Gain (Loss)	0	0	0	0	0
Others-Net	(12)	165	0	0	0
Pre-Tax Income	4,143	4,459	5,169	6,008	6,799
Income Tax	(911)	(1,009)	(1,169)	(1,359)	(1,538)
Minorities	(48)	(68)	(68)	(68)	(68)
Net Income	3,184	3,382	3,932	4,581	5,193

Balance Sheet (Rp bn)	2021A	2022A	2023F	2024F	2025F
Cash & Equivalent	6,475	3,950	7,953	6,386	8,188
Receivable	3,545	4,614	4,649	5,166	5,743
Inventory	5,087	7,027	5,048	8,226	8,343
Other Current Assets	605	1,119	1,139	1,192	1,252
Total Current Assets	15,712	16,710	18,789	20,970	23,526
Fixed Assets - Net	7,994	7,957	8,195	8,497	8,748
Goodwill	0	0	0	0	0
Non-Current Assets	9,954	10,531	11,225	11,981	12,680
Total Assets	25,667	27,241	30,014	32,951	36,206

ST Loans	0	706	0	0	0
Payable	2,379	2,681	2,850	3,149	3,484
Other Payables	552	446	562	621	687
Current Portion of LT Loans	94	150	0	0	0
Total Current Liab.	3,535	4,431	3,952	4,367	4,832
Long Term Loans	490	287	811	811	811
Other LT Liab.	376	426	426	426	426
Total Liabilities	4,401	5,144	5,189	5,603	6,068

Equity	469	469	469	469	469
Retained Earnings	18,747	20,498	22,596	25,051	27,772
Minority Interest	1,686	1,712	1,780	1,848	1,916
Total SHE + Minority Int.	21,266	22,097	24,844	27,367	30,157
Total Liabilities & Equity	25,667	27,241	30,033	32,971	36,225

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
EBIT	4,021	4,231	5,126	5,871	6,653
Depr. & Amortization	626	160	681	737	794
Changes in Working Capital	(924)	(3,389)	2,302	(3,334)	(288)
Others	(898)	(781)	(1,127)	(1,222)	(1,392)
Cash Flow From Operating	2,826	221	6,982	2,052	5,766
Capital Expenditure	(504)	(488)	(1,000)	(1,000)	(1,000)
Others	(552)	(689)	(395)	(493)	(493)
Cash Flow From Investing	(1,056)	(1,177)	(1,395)	(1,493)	(1,493)
Loans	(221)	559	(332)	0	0
Equity	0	0	0	0	0
Dividends	(1,373)	(1,718)	(1,834)	(2,126)	(2,471)
Others	848	(895)	581	0	0
Cash Flow From Financing	(745)	(2,054)	(1,585)	(2,126)	(2,471)
Changes in Cash	1,008	(3,010)	4,003	(1,567)	1,802

Key Ratios	2021A	2022A	2023F	2024F	2025F
Gross Margin	43.0%	40.5%	41.1%	41.5%	41.7%
Operating Margin	15.3%	14.6%	15.5%	16.0%	16.3%
Pre-Tax Margin	15.8%	15.4%	15.7%	16.4%	16.7%
Net Margin	12.1%	11.7%	11.9%	12.5%	12.7%
ROA	13.2%	12.8%	13.7%	14.6%	15.0%
ROE	16.1%	15.6%	16.8%	17.5%	18.1%
Acct. Receivables TO (days)	49.6	38.1	51.5	51.5	51.5
Inventory TO (days)	105.9	94.9	94.9	94.9	94.9
Payable TO (days)	52.1	39.6	53.6	53.6	53.6
Debt to Equity	2.7%	5.2%	3.3%	3.0%	2.7%
Interest Coverage Ratio (x)	70.1	76.8	89.7	102.7	116.4
Net Gearing	-27.7%	-12.7%	-28.7%	-20.4%	-24.5%

Source: Company, Indo Premier

INVESTMENT RATINGS

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

ANALYSTS CERTIFICATION

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

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