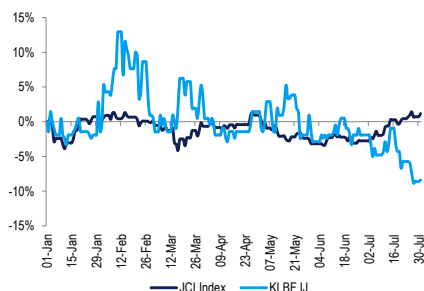


StockData

Target price	Rp2,400
Prior TP	Rp2,400
Current price	Rp1,915
Upside/downside	+25%
Shares outstanding (mn)	46,875
Marketcap (Rpbn)	89,766
Free float	40%
Avg. 6m daily T/O (Rpbn)	76

Price Performance

	3M	6M	12M
Absolute	-9.7%	-6.6%	18.2%
Relative to JCI	-9.9%	-7.1%	18.5%
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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2Q23 miss due to weak non-pharma segments

- KLBF's 1H23 net profit stood at Rp1.5tr (-6.6% yoy), coming below at 39/40% of our/consensus estimate vs. 5yr average of 49%
- 1H23 Pharma remained the sales growth driver with +31.9% yoy (> co. guidance of 21-24%) but ex-pharma segments grew only by +3.4% yoy.
- We're reviewing our forecast for KLBF and maintain our HOLD rating with unchanged TP of Rp2,400.

1H23 results: miss in earnings from weaker than expected revenue and non-core expenses

KLBF's 1H23 net profit booked Rp1.5tr (-6.6% yoy), and came below at 39/40% of our/consensus estimate vs. 5yr average of 49%. 1H23 revenue grew at +9.4% yoy, reaching Rp15.2tr and is slightly below our/consensus estimate at 46% vs. 5yr average of 49%. We noted other non-core expenses amounting to Rp102bn, among which are contributed by i) Covid-19 medicine write off (1H23/2Q23: Rp50/16bn); and ii) forex losses (1H23/2Q23: Rp60/26bn). That aside, blended GPM declined to 40.7% in 1H23 from 41.8% in 1H22 as key APIs for pharma and OTC remained elevated, while gum-based raw material for nutritional's milk products were also on the rise, offsetting milk powder's price decline. Opex/sales remained stable at 27.3%.

Pharma segment overshadowed by weakness from non-pharma segments

Continuing the trend in 1Q23, pharmaceutical segment continued to outperform in 2Q23 with sales growth of +32.7%, much higher than consumer health/nutrionals/distribution sales growth of -16.2/+5.1/+1.0% yoy. Drivers within pharmaceutical segment include addition of Kalventis business (Sanofi, acquired in Dec22) primarily, revamped BPJS procurement e-catalogue; and development of 2 biosimilar products Ezelyn and Rituxikal (see previous [note](#)). On the other hand, the sharp decline in consumer health was attributed to the seasonal shift in OTC (such as Promag) stocking up partly in 1Q23, with a general backdrop of changing consumer focus away from health-conscious products such as vitamins and health supplements, to travelling and leisure. Separately, the distribution business of Kalventis pharma is now handled by KLBF's own distribution arm (Enseval) starting Jul 23.

Maintain Hold with unchanged TP of Rp2,400

We are reviewing our forecast and maintain our HOLD rating for KLBF with unchanged TP of Rp2,400 based on 28.8x FY23F PE (+1s.d. from its 5Y mean). Downside risks are sustained softness in non-pharma segments, depreciating rupiah and fluctuation in raw material costs.

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)	28.1	27.6	22.8	19.6	17.3
EV/EBITDA (x)	18.0	23.9	14.2	12.3	10.8
Dividend yield	1.5%	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: 31 July 2023

Fig. 1: KLBF's 2Q23 result

(Rp bn)	2Q23	2Q22	% YoY	1Q23	% QoQ	6M23	6M22	% YoY	IPS FY23F	% IPS	Cons FY23F	% Cons	5yr avg.
Net sales	7,310	6,859	6.6%	7,869	-7.1%	15,179	13,875	9.4%	32,972	46%	32,662	46%	49%
COGS	(4,353)	(3,989)		(4,650)		(9,003)	(8,076)						
Gross profit	2,956	2,869	3.0%	3,219	-8.2%	6,176	5,798	6.5%					
Operating cost	(2,079)	(1,896)		(2,069)		(4,148)	(3,774)						
EBIT	878	973	-9.8%	1,150	-23.7%	2,027	2,024	0.2%	5,126	40%	4,856	42%	48%
Others	(38)	43		(64)		(102)	58						
PBT	843	1,043	-19.2%	1,096	-23.0%	1,939	2,136	-9.2%					
Tax	(181)	(223)		(242)		(423)	(463)						
Minorities	10	(18)		2		12	(36)						
Net profit	673	802	-16.1%	856	-21.3%	1,529	1,637	-6.6%	3,932	39%	3,778	40%	49%
Margin (%)													
Gross margin	40.4%	41.8%		40.9%		40.7%	41.8%						
EBIT margin	12.0%	14.2%		14.6%		13.4%	14.6%						
Net margin	9.2%	11.7%		10.9%		10.1%	11.8%						
Segment information													
Revenue breakdown													
Pharmaceuticals	1,929	1,411	36.7%	1,949	-1.0%	3,879	2,941	31.9%					
Consumer Health	953	1,137	-16.2%	1,102	-13.6%	2,055	2,146	-4.2%					
Nutritionals	1,927	1,833	5.1%	2,007	-4.0%	3,934	3,720	5.7%					
Distribution	2,501	2,477	1.0%	2,810	-11.0%	5,312	5,068	4.8%					
Gross profit													
Pharmaceuticals	957	721	32.7%	969	-1.3%	1,926	1,524	26.3%					
Consumer Health	513	637	-19.4%	647	-20.7%	1,160	1,203	-3.6%					
Nutritionals	922	914	0.9%	960	-3.9%	1,881	1,882	0.0%					
Distribution	565	598	-5.6%	643	-12.2%	1,208	1,189	1.6%					
GPM													
Pharmaceuticals	49.6%	51.1%		49.7%		49.7%	51.8%						
Consumer Health	53.9%	56.0%		58.7%		56.5%	56.1%						
Nutritionals	47.8%	49.8%		47.8%		47.8%	50.6%						
Distribution	22.6%	24.1%		22.9%		22.7%	23.5%						

Source: Company, Indo Premier

Fig. 2: KLBF is currently trading at 20.8x 12M forward P/E, or around 1.2 s.d. below its historical 5-year 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	140.0	128.3
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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