

19 June 2025

Consumer Non-cyclical | Pharmaceuticals

Kalbe Farma (KLBF IJ)

Buy (Maintained)

Standing Firm, Moving Forward; Stay BUY

| | |
|------------------------------|----------------------|
| Target Price (Return): | IDR1,830 (+18%) |
| Price (Market Cap): | IDR1,550 (USD4,448m) |
| ESG score: | 3.3 (out of 4) |
| Avg Daily Turnover (IDR/USD) | 52,733m/3.20m |

Analyst

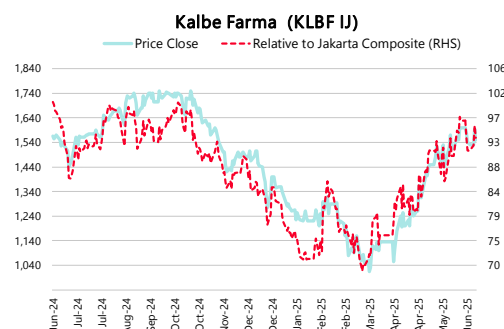
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- **Maintain BUY and TP of IDR1,830, 18% upside with c.2% FY25F yield.** We adjust our earnings estimates for FY25-27 by -2.6%, -0.1%, and +0.5%. We expect Kalbe Farma to maintain its strength in pharmaceutical and consumer health products, which should help it mitigate challenges from companies selling nutritional products, due to the weak purchasing power of consumers. Our outlook for KLBF is upbeat. It remains poised to seize marketing opportunities in a still-underpenetrated healthcare market in Indonesia, due to a wide range of items offered and continuous product innovation.
- **Strengthening its presence in pharmaceutical (pharma) products.** KLBF should chalk stronger numbers ahead compared to hospital companies, because its products cater to a wider range of customers. In 1Q25, its pharma division booked 13% YoY revenue growth, vs flat growth for the hospital players due to soft patient volume. Management believes that the impact on its receivable days should be under control, despite concerns over the BPJS deficit. In the meantime, KLBF's efforts to innovate biologic, oncology-supportive, and vaccine products may underpin sales domestically as well as across the region.
- **Bringing new energy to consumer health.** After a strong 1Q25, we believe this division's numbers may moderate in 2Q25 on seasonality. Nonetheless, our outlook remains positive, as its consumer health business still books the highest margins. This is due to its constant product innovations, as well as the recent initiative to revamp its legacy products via new packaging, tweaking its marketing strategies, and fresh advertising campaigns. Such efforts may help it strengthen its market position among younger consumers – which would help sustain sales going forward.
- **Safeguarding its nutritional product portfolio while preparing for future opportunities.** Challenges remain in its milk products segment. The low levels of consumer purchasing power has increased downtrading activities. That said, KLBF is moving along with the tide by launching more affordable products, and revamping its legacy products (just like what it is doing for its consumer health segment). It is also streamlining several overlapping products, and focusing on innovating specialty health products other than milk powder for children, which is also a less competitive segment of the overall health food market.
- **Financial outlook and ESG.** KLBF still expects topline and earnings to grow by 8-10% YoY this year, which is in line with our forecast. The recent appreciation of the USD/IDR rate and the still-stable raw material prices should support earnings, but we will continue to monitor international geopolitical tensions, which may affect oil prices. It also does not expect to see a major impact from government budget cuts. Our TP includes a 6% ESG premium.

Share Performance (%)

| | YTD | 1m | 3m | 6m | 12m |
|----------------------------|------|-----|------|-------|--------|
| Absolute | 14.0 | 3.0 | 52.7 | 12.3 | (1.0) |
| Relative | 13.6 | 3.0 | 38.5 | 12.3 | (6.5) |
| 52-wk Price low/high (IDR) | | | | 1,015 | –1,750 |



Source: Bloomberg

| Forecasts and Valuation | Dec-23 | Dec-24 | Dec-25F | Dec-26F | Dec-27F |
|---------------------------------|----------|----------|----------|----------|----------|
| Total turnover (IDRb) | 30,449 | 32,628 | 35,070 | 37,582 | 40,272 |
| Recurring net profit (IDRb) | 2,829 | 3,287 | 3,614 | 3,946 | 4,294 |
| Recurring net profit growth (%) | (12.3) | 16.2 | 9.9 | 9.2 | 8.8 |
| Recurring P/E (x) | 25.70 | 22.11 | 20.11 | 18.42 | 16.93 |
| P/B (x) | 3.3 | 3.1 | 2.9 | 2.7 | 2.5 |
| P/CF (x) | 26.47 | 14.10 | 20.35 | 17.67 | 16.59 |
| Dividend Yield (%) | 2.5 | 2.0 | 2.3 | 2.8 | 3.2 |
| EV/EBITDA (x) | 16.46 | 14.48 | 12.59 | 11.47 | 10.49 |
| Return on average equity (%) | 12.9 | 14.2 | 14.6 | 14.9 | 15.1 |
| Net debt to equity (%) | net cash | net cash | net cash | net cash | net cash |

Source: Company data, RHB

Overall ESG Score: 3.3 (out of 4)

E Score: 3.0 (GOOD)

S Score: 3.3 (EXCELLENT)

G Score: 4.0 (EXCELLENT)

Please refer to the ESG analysis on the next page

Emissions And ESG

| Trend analysis | Emissions (tCO2e) | Dec-22 | Dec-23 | Dec-24 | Dec-25 |
|--|---------------------------|---------|--------|---------|--------|
| KLBF's emissions intensity remained relatively stable on a YoY basis in 2024 | Scope 1 | 24,392 | 18,485 | 19,895 | na |
| | Scope 2 | 97,935 | 75,530 | 82,970 | na |
| | Scope 3 | na | na | na | na |
| | Total emissions | 122,327 | 94,015 | 102,865 | na |
| | Source: Company data, RHB | | | | |

Latest ESG-Related Developments

KLBF is reducing its total emissions by partly converting its distribution transportation fleet to electric motorcycles. It also supports energy efficiency by installing solar panels at its new production facilities.

On the Social front, it supports nutrition for mothers and children, and has entered into partnerships with the National Population & Family Planning Board or BKKBN and YARSI University. KLBF's increased participation in e-catalogue platforms helps to widen its access to healthcare, and meet local content requirements. KLBF uplifted the Wonogiri community by helping to provide two villages with access to clean water – this covers 200 households – and encouraging eco-friendly waste management and economic empowerment.

ESG Unbundled

Overall ESG Score: 3.3 (out of 4)

Last Updated: 6 Feb 2025

E Score: 3.0 (GOOD)

KLBF is actively engaged in improving environmental conditions. It shares information on its biodiversity, supplier selection, and water management. From its sustainability report, we note that the company has highlighted the quantitative measurements it uses to improve the environmental aspects of its business.

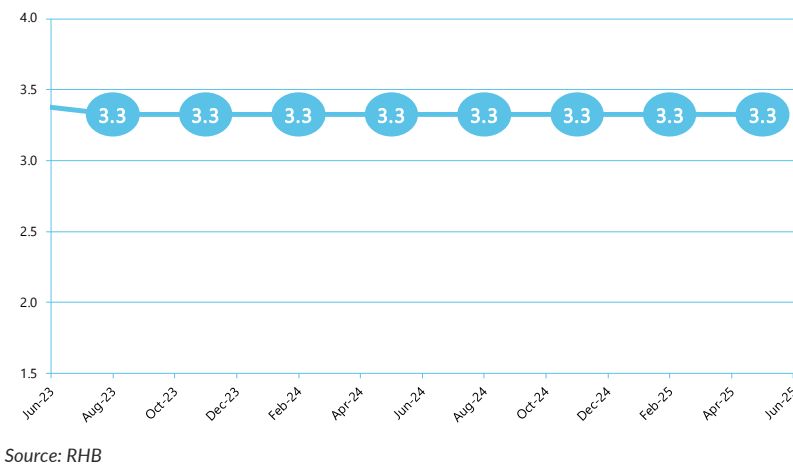
S Score: 3.3 (EXCELLENT)

It aims to bring a positive impact across all stakeholder and business aspects. KLBF has been actively engaging in activities to enhance the quality of life for society in general. We have not seen major issues between the company and its employees.

G Score: 4.0 (EXCELLENT)

KLBF engages big-4 auditors, is in a net cash position, and has sound management strategies. It also provides easy access to management – the most transparent among pharmaceutical companies. It sets up calls with management twice a year. It also complies with current regulations, such as regularly conducting shareholder meetings and ensuring equal distribution of public information to all investors.

ESG Rating History



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Consumer Non-cyclical | Pharmaceuticals

Financial Exhibits

| | | | | | | |
|--|-------------------------------------|---------------|---------------|----------------|----------------|----------------|
| Asia Indonesia Consumer Non-cyclical Kalbe Farma KLBF IJ Buy | Financial summary (IDR) | Dec-23 | Dec-24 | Dec-25F | Dec-26F | Dec-27F |
| | Recurring EPS | 60.32 | 70.09 | 77.06 | 84.15 | 91.56 |
| | DPS | 37.98 | 30.98 | 36.25 | 44.14 | 48.92 |
| | BVPS | 467.83 | 506.46 | 538.56 | 577.70 | 619.38 |
| | Return on average equity (%) | 12.9 | 14.2 | 14.6 | 14.9 | 15.1 |
| Valuation basis Our 12M TP is based on a 10-year DCF valuation | Valuation metrics | Dec-23 | Dec-24 | Dec-25F | Dec-26F | Dec-27F |
| | Recurring P/E (x) | 25.70 | 22.11 | 20.11 | 18.42 | 16.93 |
| | P/B (x) | 3.3 | 3.1 | 2.9 | 2.7 | 2.5 |
| | FCF Yield (%) | 3.0 | 5.8 | 3.5 | 4.2 | 4.6 |
| | Dividend Yield (%) | 2.5 | 2.0 | 2.3 | 2.8 | 3.2 |
| Key drivers i. Margin expansion from declining commodity price; ii. More favourable government support from better e-catalogue pricing management and increasing local content; iii. Higher contribution from licensed drugs | EV/EBITDA (x) | 16.46 | 14.48 | 12.59 | 11.47 | 10.49 |
| | EV/EBIT (x) | 19.39 | 16.82 | 14.44 | 13.07 | 11.87 |
| | Income statement (IDRb) | Dec-23 | Dec-24 | Dec-25F | Dec-26F | Dec-27F |
| | Total turnover | 30,449 | 32,628 | 35,070 | 37,582 | 40,272 |
| | Gross profit | 11,823 | 12,957 | 13,993 | 15,093 | 16,238 |
| Key risks i. USD appreciating against the IDR, and increasing costs; ii. Unfavourable regulations; iii. Lower-than-expected consumer purchasing power. | EBITDA | 4,350 | 4,844 | 5,417 | 5,877 | 6,347 |
| | Depreciation and amortisation | (657) | (675) | (696) | (718) | (739) |
| | Operating profit | 3,694 | 4,170 | 4,721 | 5,158 | 5,607 |
| | Net interest | (7) | 110 | 50 | 51 | 61 |
| | Pre-tax profit | 3,606 | 4,219 | 4,723 | 5,157 | 5,610 |
| Company Profile Kalbe Farma produces and develops pharmaceutical products. The company's product offerings include medicine, capsules, syrup, and medicines for eyecare, animal health, and nutritional uses. | Taxation | (828) | (972) | (1,058) | (1,155) | (1,257) |
| | Reported net profit | 2,767 | 3,241 | 3,577 | 3,906 | 4,249 |
| | Recurring net profit | 2,829 | 3,287 | 3,614 | 3,946 | 4,294 |
| | Cash flow (IDRb) | Dec-23 | Dec-24 | Dec-25F | Dec-26F | Dec-27F |
| | Change in working capital | (460) | 992 | (439) | (461) | (565) |
| | Cash flow from operations | 2,746 | 5,157 | 3,573 | 4,115 | 4,382 |
| | Capex | (573) | (905) | (1,052) | (1,090) | (1,047) |
| | Cash flow from investing activities | (1,160) | (1,716) | (1,238) | (1,390) | (1,370) |
| | Dividends paid | (1,781) | (1,453) | (1,700) | (2,070) | (2,294) |
| | Cash flow from financing activities | (2,304) | (1,951) | (129) | (2,035) | (2,279) |
| | Cash at beginning of period | 3,950 | 3,232 | 4,723 | 6,929 | 7,620 |
| | Net change in cash | (717) | 1,491 | 2,206 | 689 | 734 |
| | Ending balance cash | 3,232 | 4,723 | 6,929 | 7,619 | 8,353 |
| | Balance sheet (IDRb) | Dec-23 | Dec-24 | Dec-25F | Dec-26F | Dec-27F |
| | Total cash and equivalents | 3,232 | 4,723 | 6,929 | 7,620 | 8,354 |
| | Tangible fixed assets | 7,978 | 8,269 | 8,625 | 8,997 | 9,305 |
| | Total assets | 27,058 | 29,430 | 33,178 | 35,288 | 37,516 |
| | Short-term debt | 121 | 269 | 503 | 529 | 559 |
| | Total long-term debt | 319 | 91 | 213 | 201 | 176 |
| | Total liabilities | 3,938 | 4,839 | 5,832 | 6,202 | 6,580 |
| | Total equity | 23,120 | 24,590 | 27,346 | 29,086 | 30,936 |
| | Total liabilities & equity | 27,058 | 29,430 | 33,178 | 35,288 | 37,516 |
| | Key metrics | Dec-23 | Dec-24 | Dec-25F | Dec-26F | Dec-27F |
| | Revenue growth (%) | 5.2 | 7.2 | 7.5 | 7.2 | 7.2 |
| | Recurrent EPS growth (%) | (12.3) | 16.2 | 9.9 | 9.2 | 8.8 |
| | Gross margin (%) | 38.8 | 39.7 | 39.9 | 40.2 | 40.3 |
| | Operating EBITDA margin (%) | 14.3 | 14.8 | 15.4 | 15.6 | 15.8 |
| | Net profit margin (%) | 9.1 | 9.9 | 10.2 | 10.4 | 10.6 |
| | Dividend payout ratio (%) | 64.4 | 44.8 | 47.5 | 53.0 | 54.0 |
| | Capex/sales (%) | 1.9 | 2.8 | 3.0 | 2.9 | 2.6 |
| | Interest cover (x) | 38.8 | 60.2 | 105.0 | 112.1 | 121.9 |

Source: Company data, RHB

Figure 1: Changes to our forecasts

| | New | | | Old | | | New/Old (%) | | |
|---------------------------------|--------|--------|--------|--------|--------|--------|-------------|-------|-------|
| | 2025F | 2026F | 2027F | 2025F | 2026F | 2027F | 2025F | 2026F | 2027F |
| Income Statement (IDRbn) | | | | | | | | | |
| Total Turnover | 35,070 | 37,582 | 40,272 | 35,134 | 37,850 | 40,420 | (0.2) | (0.7) | (0.4) |
| Gross Profit | 13,993 | 15,093 | 16,238 | 14,285 | 15,425 | 16,524 | (2.0) | (2.2) | (1.7) |
| Operating Profit | 4,721 | 5,158 | 5,607 | 4,871 | 5,167 | 5,583 | (3.1) | (0.2) | 0.4 |
| EBITDA | 5,417 | 5,877 | 6,347 | 5,567 | 5,886 | 6,323 | (2.7) | (0.2) | 0.4 |
| Pretax Profit | 4,723 | 5,161 | 5,614 | 4,850 | 5,165 | 5,584 | (2.6) | (0.1) | 0.5 |
| Net Profit | 3,577 | 3,909 | 4,252 | 3,673 | 3,912 | 4,229 | (2.6) | (0.1) | 0.5 |
| Key Metrics | | | | | | | | | |
| EPS (IDR) | 76 | 83 | 91 | 78 | 83 | 90 | (2.6) | (0.1) | 0.5 |
| Revenue Growth (%) | 7.5 | 7.2 | 7.2 | 7.7 | 7.7 | 6.8 | | | |
| EPS Growth (%) | 10.4 | 9.3 | 8.8 | 13.3 | 6.5 | 8.1 | | | |
| EBITDA Margin (%) | 15.4 | 15.6 | 15.8 | 15.8 | 15.6 | 15.6 | | | |
| Net Profit Margin (%) | 10.2 | 10.4 | 10.6 | 10.5 | 10.3 | 10.5 | | | |
| Return on average equity (%) | 14.7 | 14.5 | 14.8 | 15.2 | 14.8 | 14.9 | | | |

Source: Company data, RHB

Figure 2: RHB vs Street estimates

| IDRbn | RHB | | | Consensus | | | RHB/Cons (%) | | |
|-------------------|--------|--------|--------|-----------|--------|--------|--------------|-------|-------|
| | 2025F | 2026F | 2027F | 2025F | 2026F | 2027F | 2025F | 2026F | 2027F |
| Net revenue | 35,070 | 37,582 | 40,272 | 34,820 | 37,305 | 39,775 | 100.7 | 100.7 | 101.3 |
| Gross profit | 13,993 | 15,093 | 16,238 | 13,781 | 14,870 | 15,870 | 101.5 | 101.5 | 102.3 |
| EBITDA | 5,417 | 5,877 | 6,347 | 5,242 | 5,681 | 6,063 | 103.3 | 103.4 | 104.7 |
| EBIT | 4,721 | 5,158 | 5,607 | 4,632 | 4,919 | 5,280 | 101.9 | 104.9 | 106.2 |
| Profit before tax | 4,723 | 5,161 | 5,614 | 4,591 | 4,958 | 5,343 | 102.9 | 104.1 | 105.1 |
| NPAT | 3,577 | 3,909 | 4,252 | 3,488 | 3,764 | 4,039 | 102.6 | 103.8 | 105.3 |

Source: Company data, RHB

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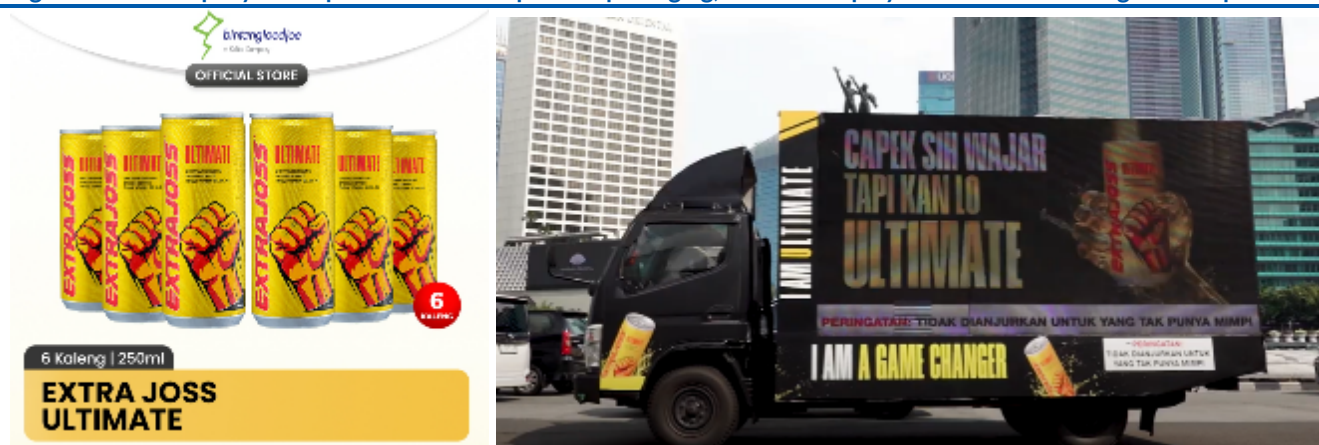
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Figure 3: DCF valuation

| IDRbn | 2025F | 2026F | 2027F | 2028F | 2029F | 2030F | 2031F | 2032F | 2033F | 2034F | 2035F |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| EBIT | 4,721 | 5,158 | 5,607 | 6,095 | 6,621 | 7,196 | 7,838 | 8,522 | 9,272 | 10,089 | 10,945 |
| EBIT (1-t) | 3,664 | 4,003 | 4,351 | 4,730 | 5,138 | 5,584 | 6,083 | 6,613 | 7,195 | 7,829 | 8,493 |
| Depreciation & Amortisation | 696 | 718 | 739 | 760 | 780 | 799 | 818 | 839 | 861 | 884 | 910 |
| Change in working capital | (587) | (512) | (610) | (768) | (806) | (850) | (908) | (978) | (1,115) | (1,135) | (1,243) |
| Capex | (1,052) | (1,090) | (1,047) | (1,034) | (1,013) | (984) | (999) | (1,068) | (1,142) | (1,222) | (1,310) |
| Net free cash flow to firm | 2,721 | 3,119 | 3,433 | 3,687 | 4,098 | 4,548 | 4,993 | 5,405 | 5,798 | 6,356 | 6,850 |
| Terminal Value | | | | | | | | | | | 111,029 |
| PV | 2,721 | 2,852 | 2,871 | 2,819 | 2,866 | 2,909 | 2,920 | 2,890 | 2,835 | 2,842 | 48,201 |
| Total discounted firm value | 76,726 | | | | | | | | | | |
| Less: net debt | (6,030) | | | | | | | | | | |
| Less: minority interest | 1,714 | | | | | | | | | | |
| Equity value | 81,043 | | | | | | | | | | |
| Number of shares (bn) | 47 | | | | | | | | | | |
| Equity value per share (IDR) | 1,728 | | | | | | | | | | |
| ESG Premium (Discount) | 6% | | | | | | | | | | |
| Target Price | 1,832 | | | | | | | | | | |
| Assumptions | | | | | | | | | | | |
| Risk free rate | 7.0% | | | | | | | | | | |
| Beta | 0.3 | | | | | | | | | | |
| Equity market premium | 6% | | | | | | | | | | |
| WACC | 9.4% | | | | | | | | | | |
| Terminal growth | 3% | | | | | | | | | | |

Source: Company data, Bloomberg, RHB

Figure 4: The company revamped its Extra Joss product packaging, and also employed creative marketing tools to push sales



Source: Company data, Shopee, Youtube, RHB

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Figure 5: KLBF has been aggressive in pushing the sales of its herbal liquid medicine, Bejo, in sachet form, by placing sales booths and assigning a salesperson at key modern convenience stores



Source: Company data, RHB

Recommendation Chart



Source: RHB, Bloomberg

| Date | Recommendation | Target Price | Price |
|------------|----------------|--------------|-------|
| 2025-02-06 | Buy | 1,830 | 1,300 |
| 2024-08-07 | Buy | 1,970 | 1,650 |
| 2024-06-20 | Buy | 1,850 | 1,560 |
| 2024-01-24 | Buy | 1,870 | 1,595 |
| 2023-11-24 | Buy | 1,930 | 1,595 |
| 2023-08-08 | Buy | 2,200 | 1,855 |
| 2023-04-16 | Neutral | 2,100 | 2,060 |
| 2022-12-15 | Neutral | 2,000 | 2,050 |
| 2022-08-18 | Neutral | 1,670 | 1,635 |
| 2022-05-08 | Neutral | 1,740 | 1,640 |
| 2022-02-22 | Neutral | 1,710 | 1,620 |
| 2021-11-23 | Neutral | 1,630 | 1,610 |
| 2021-09-09 | Buy | 1,680 | 1,490 |
| 2021-07-28 | Buy | 1,650 | 1,315 |
| 2021-04-08 | Neutral | 1,650 | 1,565 |

Source: RHB, Bloomberg

RHB Guide to Investment Ratings

| | |
|---------------------|--|
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