Kalbe Farma (KLBF IJ)

Bottom Line Stays Positive Amid Margin Pressure

Highlights

- 9M26 net profit grew 4% yoy (above expectations), as solid sales and opex control offset margin pressure. With API costs stabilising, 2026 profit growth should stay positive.
- Product innovation across segments should sustain volume growth. The company also has a strong balance sheet and an ongoing Rp500b buyback.
- Maintain BUY with a lower target price of Rp1,000 (from Rp1,100), based on 11.0x 2027F PE (-1SD below its three-year forward average).

Analysis

- **Bottom line to stay positive despite margin pressure.** Kalbe Farma's (KLBF) 9M26 net profit rose 4% yoy to Rp2.74t, slightly above expectations (79%/80% of our/consensus 2026 forecasts respectively), on 11.5% yoy revenue growth to Rp29t, largely volume-driven, as ASP hikes (3-5%) were limited to selected consumer health products. Gross margin fell to 37.6% (9M25: 40.6%) on higher oil-linked active pharmaceutical ingredients (API) costs (~15% of COGS), a weaker rupiah and a generics-heavy prescription mix (gross margin of 46% vs 51%). Lower promotion and G&A spending cut opex-to-sales to 25.7% (9M25: 27.9%), cushioning the margin squeeze. On a positive note, management noted that API costs have stabilised from their 2Q26 peak, supporting a gross margin recovery to 37.8% in 3Q26 (2Q26: 36.8%), with margins expected to remain stable in 4Q26. This should keep positive earnings growth in 2026 achievable, in line with guidance. A more meaningful recovery in 2027 hinges on rupiah stability and oil prices.
- **Leading defensive pharma, more resilient in a challenging market.** KLBF's scale, own distribution network and strong net cash position place it in a better position than most to absorb higher raw material costs and a weaker rupiah. Its pharma market share has risen to about 14% from ~11% in 2022. This was supported by continued gains in unbranded generics, which was the fastest-growing category in 3Q26, as BPJS and private hospitals shift away from branded products. In consumer health, KLBF's brands also lead with 30-70% market share across key over-the-counter (OTC) categories.
- **Innovation and expansion continue across segments.** In pharma, KLBF is moving into biologics, including Efesa for kidney disease and Zerpidio for oncology, with local insulin and GLP-1 production next. In 9M26, nutritionals revenue returned to growth (+4.1% yoy) as its shift toward lifestyle and ready-to-drink products like Hydrococo gained traction.

Key Financials

Year to 31 Dec (Rpb)	2024	2025	2026F	2027F	2028F
Net turnover	32,628	35,325	39,039	42,405	45,355
EBITDA	4,783	5,228	5,420	5,936	6,477
Operating profit	4,170	4,638	4,766	5,240	5,750
Net profit	3,241	3,665	3,743	4,108	4,492
EPS (Rp)	70.5	80.9	83.0	91.1	99.6
PE (x)	10.7	9.3	9.1	8.3	7.6
P/B (x)	1.5	1.5	1.3	1.2	1.1
EV/EBITDA (x)	6.3	5.7	5.2	4.6	4.0
Dividend yield (%)	4.3	4.8	2.8	5.5	6.0
Net margin (%)	9.9	10.4	9.6	9.7	9.9
Net debt/(cash) to equity (x)	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)
Interest cover (x)	60.2	91.3	105.2	110.6	116.0
ROE (%)	14.2	15.7	14.4	14.6	14.7
UOBKH/Consensus (x)	-	-	1.02	1.01	1.02

Source: KLBF, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	Rp755
Target Price	Rp1,000
Upside	+32.5%
Previous TP	Rp1,100

Stock Data

Sector	Health Care
Bloomberg ticker	KLBF IJ
Shares issued (m)	46,813
Market cap (Rpb)	35,344
Market cap (US$m)	1,952
3-mth avg daily t'over (US$m)	2.8

Price Performance (%)

52-week high/low				Rp1,310/Rp630
1mth	3mth	6mth	1yr	YTD
0.0	(4.4)	(12.7)	(42.8)	(37.3)

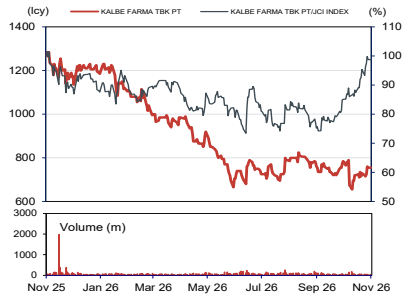
Major Shareholders (%)

Ladang Ira Panen	10.5
Gira Sole Prima	10.3
Santa Sena Sanadi	10.1
Diptanala Bahana	9.5
Lucasta Murni Cemerlang	9.5
Bina Artha Charisma	8.2

Balance Sheet Metrics

FY26 NAV/Share (Rp)	576
FY26 Net Cash/Share (Rp)	130

Price Chart



Source: Bloomberg

Company Description

Kalbe Farma is Indonesia's largest pharmaceutical company, with businesses in prescription pharmaceuticals, consumer health, nutritionals, and distribution & logistics.

The consumer health segment continued to refresh its portfolio with launches such as Extra Joss Ultimate amid rising health awareness, lifting gross margin to 64.9% (9M25: 64.4%). Distribution grew fastest (+21.6% yoy) on principals added last year, notably Bayer Pharma, though growth should normalise as the base effect fades.

- **Buyback execution.** KLBF is executing a share buyback programme of up to Rp500b (17 Sep-17 Dec 26), equivalent to ~3.7% of its free float shares. It had repurchased 166.6m shares as of end-Oct 26, accounting for around 25% of the programme (implied average price of ~Rp750/share). Treasury shares stood at 1.7b shares (3.70% of total shares) as of Oct 26, which management said can be held until 2028.
- **Strong balance sheet; dividend payout to normalise.** KLBF remains in a solid net cash position of Rp5.3t (net gearing: -0.21x), providing ample flexibility for M&A, which management is actively exploring. Around 50% of cash is now USD-denominated, turning its net forex position into a Rp2.3t net asset, providing a natural hedge given its ~90% imported raw materials. Meanwhile, inventory days remain elevated at 124 (target: 110-115) as KLBF built up stock to secure raw material supply. This contributed to a lower 2025 dividend payout of Rp20/share, implying a ~26% payout ratio (2025: 52%). However, management remains committed to its 50-60% payout policy, implying a potential 2027 dividend yield of ~5.5% at a 50% payout.

3Q26 Results

Year to 31 Dec (Rpb)	3Q25	2Q26	3Q26	qoq (%)	yoy (%)	9M26	yoy (%)
Revenue	8,909	9,800	9,495	-3.1	6.6	28,974	11.5
Gross profit	3,532	3,610	3,587	-0.6	1.6	10,904	3.3
GP margin (%)	39.6	36.8	37.8			37.6	
Op. profit	861	1,165	980	-15.8	13.9	3,458	4.6
Op. margin (%)	9.7	11.9	10.3			11.9	
Pre-tax profit	865	1,183	1,109	-6.2	28.3	3,644	4.8
Pre-tax margin (%)	9.7	12.1	11.7			12.6	
Net profit	657	891	817	-8.2	24.5	2,737	4.0
Net margin (%)	7.4	9.1	8.6			9.4	

Source: KLBF, UOB Kay Hian

Earnings Revision/Risk

- **We raise our 2026-27 net profit forecasts by 8.0% and 1.9% respectively** on the back of higher revenue (+2.4%/+2.7%) and lower opex from more efficient promotion spending. We keep our 2026 gross margin broadly unchanged at 37.7%, but lower 2027 gross margin forecast to 37.8% (from 38.6%), as we expect only a gradual recovery, with a more meaningful improvement dependent on the rupiah and oil prices.
- **Key risks include:** a) further rupiah depreciation and oil-linked raw material cost increases, b) weak purchasing power, c) pricing pressure in unbranded generics, and d) regulatory changes.

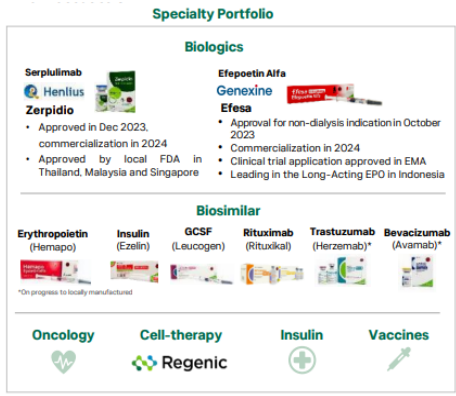
Valuation/Recommendation

- **Maintain BUY with a lower target price of Rp1,000 (from Rp1,100),** based on 11x 2027F PE (-1SD below its three-year forward average), as we roll over our valuation to 2027. Although we raise our 2026-27 net profit forecasts, we lower our target multiple from 15x PE to reflect higher country risk and margin uncertainty from oil-linked raw material costs and rupiah depreciation. KLBF's share price has fallen by 37.3% ytd and now trades at an undemanding 8.3x 2027F PE (-1.7SD below its three-year forward average).

Share Price Catalyst

- **Catalysts:** a) 4Q26 results, b) progress on insulin and GLP-1 production, c) execution of its share buyback, and d) oil price stabilisation.

Specialty Pharma Products



Source: KLBF

Consumer Health and Nutritionals Innovation





Source: KLBF

Earnings Revision

	New	Old	Chg (%)
(Rpb)	**2026F**	**2026F**	**2026F**
Revenue	39,039	38,125	2.4
Gross profit	14,705	14,283	3.0
GP margin (%)	37.7%	37.5%	
Op. profit	4,766	4,422	7.8
Pre-tax profit	4,969	4,545	9.3
Net profit	3,743	3,467	8.0
Net margin (%)	9.6%	9.1%	
(Rpb)	**2027F**	**2027F**	**2027F**
Revenue	42,405	41,295	2.7
Gross profit	16,032	15,953	0.5
GP margin (%)	37.8%	38.6%	
Op. profit	5,240	5,133	2.1
Pre-tax profit	5,449	5,270	3.4
Net profit	4,108	4,030	1.9
Net margin (%)	9.7%	9.8%	

Source: UOB Kay Hian

Profit & loss

Year to 31 Dec (Rpb)	2025	2026F	2027F	2028F
Net turnover	**35,325**	**39,039**	**42,405**	**45,355**
EBITDA	5,228	5,420	5,936	6,477
Deprec. & amort.	589	654	696	728
EBIT	4,638	4,766	5,240	5,750
Total other non-operating income/(expense)	12	101	86	58
Net interest income/(expense)	128	101	123	144
Pre-tax profit	**4,778**	**4,969**	**5,449**	**5,951**
Tax	(1,034)	(1,098)	(1,204)	(1,315)
Minorities	(79)	(128)	(137)	(144)
Net profit	**3,665**	**3,743**	**4,108**	**4,492**

Balance Sheet

Year to 31 Dec (Rpb)	2025	2026F	2027F	2028F
Fixed assets	8,333	8,654	8,976	9,292
Other LT assets	3,858	4,005	4,158	4,318
Cash/ST investment	4,331	6,012	6,815	8,183
Other current assets	14,177	15,745	16,948	18,025
Total assets	**30,699**	**34,417**	**36,898**	**39,818**
ST debt	134	141	148	156
Other current liabilities	5,202	6,156	6,288	6,652
LT debt	21	21	22	22
Other LT liabilities	614	645	677	711
Shareholders' equity	23,312	25,950	28,186	30,625
Minority interest	1,416	1,504	1,577	1,652
Total liabilities & equity	**30,699**	**34,417**	**36,898**	**39,818**

Cash flow

Year to 31 Dec (Rpb)	2025	2026F	2027F	2028F
Operating	**3,271**	**3,503**	**3,671**	**4,444**
Net profit	3,665	3,743	4,108	4,492
Deprec. & amort.	589	654	696	728
Working capital changes	(1,692)	(732)	(986)	(647)
Other operating cashflows	708	(162)	(147)	(129)
Investing	**(800)**	**(1,123)**	**(1,171)**	**(1,203)**
Capex (growth)	(653)	(976)	(1,018)	(1,043)
Investments	-	-	-	-
Others	(147)	(147)	(153)	(159)
Financing	**(2,863)**	**(699)**	**(1,697)**	**(1,874)**
Dividend payments	(1,635)	(936)	(1,871)	(2,054)
Proceeds & repay borrowings	(224)	7	7	8
Others	(1,004)	230	167	172
Net cash inflow (outflow)	**(392)**	**1,681**	**803**	**1,367**
Beginning cash & cash equivalent	**4,723**	**4,331**	**6,012**	**6,815**
Others	**0**	**0**	**0**	**0**
Ending cash & cash equivalent	**4,331**	**6,012**	**6,815**	**8,183**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	14.8	13.9	14.0	14.3
Pre-tax margin	13.5	12.7	12.9	13.1
Net margin	10.4	9.6	9.7	9.9
ROA	11.9	10.9	11.1	11.3
ROE	15.7	14.4	14.6	14.7
Growth				
Turnover	8.3	10.5	8.6	7.0
EBITDA	9.3	3.7	9.5	9.1
Pre-tax profit	13.3	4.0	9.7	9.2
Net profit	13.1	2.1	9.8	9.4
EPS	14.8	2.6	9.8	9.4
Leverage				
Debt to total capital (x)	0.01	0.00	0.00	0.00
Debt to equity (x)	0.01	0.01	0.01	0.01
Net debt/(cash) to equity (x)	(0.2)	(0.2)	(0.2)	(0.3)
Interest cover (x)	91.3	105.2	110.6	116.0

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