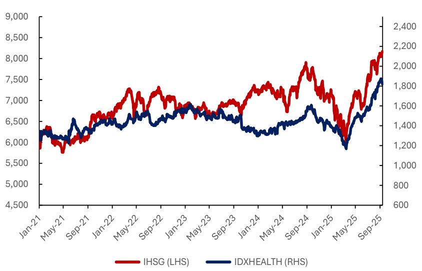
Healthcare Sector: Pharmaceuticals

Overweight

Index (Oct 9th, 25)	1,823
Number of companies	38
Market Cap	367.62 T
52w Lo/Hi	1,137 / 1,880
6 Months Changes	+49.45%
YTD Changes	+25.11%

Source : IDX | Phintraco Sekuritas Research | as of Oct 9th, 2025

IHSG vs IDXHEALTH



Source : IDX

Stock	Fair Value	Potential Upside
KLBF	1,640	+51.15%
SIDO	635	+22.12%

as of Oct 9th, 2025

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Towards National Health Independence and Resilience

Gross Domestic Product (GDP) of the chemical, pharmaceutical, and traditional medicine industries continues a positive trend in 2Q25. Based on data from the Central Bureau of Statistics (BPS), the contribution of the chemical, pharmaceutical, and traditional medicine industries to GDP has continued to increase from year to year. Despite experiencing a slowdown after Covid-19, GDP growth in this industry has fluctuated with a tendency to increase since early 2024. Until 2Q25, GDP growth in this industry reached 11.60% YoY, marking a continued recovery after experiencing pressure after the Covid-19 pandemic in the 2022-2023 period. This condition showed that this industry still has quite a stable growth potential in the long term.

Prompt Manufacturing Index (PMI) for the chemical, pharmaceutical, and traditional medicine industries remained in the expansive zone in 2Q25. Based on data from Bank Indonesia, from 2024 to 2Q25, manufacturing activity in the chemical, pharmaceutical, and traditional medicine industries tended to be stable in the expansion zone, indicating that the industry has entered a normalization phase after the Covid-19 pandemic, with a more controlled growth rate. Until 2Q25, the PMI for the chemical, pharmaceutical, and traditional medicine industries stood at 50.31. Despite being lower than 1Q25 and 2Q24, the PMI for this industry remained in the expansion zone, indicating that manufacturing activity in this industry is still quite strong.

The pharmaceutical industry is dependent on imported raw materials. Based on data from the Ministry of Industry, the value of imports in the pharmaceutical, chemical medicine, and traditional medicine industries reached US$246.35 million in July 2025. Meanwhile, the value of exports was only US$90.50 million. This means that there was a deficit of US$155.85 million, indicating that this industry still has a high dependence on raw materials from global suppliers. However, the government has implemented various initiatives to reduce this dependence, followed by various initiatives from pharmaceutical issuers.

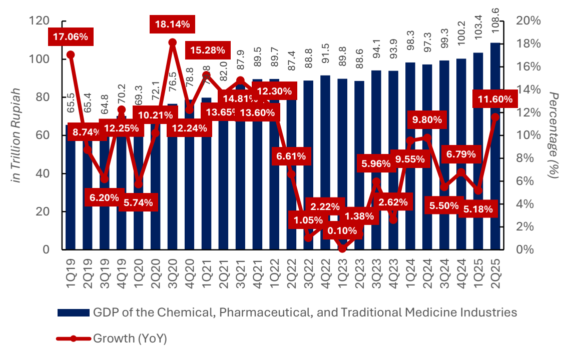
The performance of issuers in our coverage tends to mix. KLBF booked revenue growth of 4.60% YoY to IDR17.08 trillion in 6M25, while SIDO experienced a decrease in revenue of 3.57% YoY to IDR1.83 trillion in 6M25. On the bottom line, KLBF experienced an increase in net profit of 10.78% YoY to IDR2.03 trillion, while SIDO booked a limited decrease in net profit of 1.32% YoY to IDR600 billion in 6M25. However, both issuers experienced an increase in NPM in 6M25. KLBF's NPM increased to 11.87% in 6M25 (vs. 11.21% in 6M24) and SIDO's NPM increased to 32.84% in 6M25 (vs. 32.09% in 6M24).

Overweight rating on the pharmaceutical sector. With the various catalysts above, we give an overweight rating to the pharmaceutical sector. The pharmaceutical issuers in our coverage are SIDO, with an estimated fair value of IDR635 *(full report)*, and KLBF, with an estimated fair value of IDR1,640 *(full report)*.

GDP of the chemical, pharmaceutical, and traditional medicine industries continues a positive trend in 2Q25

Based on data from the Central Bureau of Statistics (BPS), the contribution of the chemical, pharmaceutical, and traditional medicine industries to GDP has continued to increase from year to year. In the early period of the Covid-19 pandemic in 2020-2021, this industry experienced a surge in annual growth, indicating a significant increase in demand for chemical, pharmaceutical, and traditional medicine products aligned with public health needs. However, after the Covid-19 pandemic, the growth of this industry tended to slow down until 4Q23, indicating a normalization of demand for chemical, pharmaceutical, and traditional medicine products. From early 2024 to 2Q25, the growth of this industry fluctuated, with a tendency to increase, indicating a recovery in demand along with a shift in people's lifestyles that care more about health. Until 2Q25, GDP growth in this industry reached 11.60% YoY, marking a continued recovery after experiencing pressure after the Covid-19 pandemic in the 2022-2023 period. This condition showed that this industry still has quite a stable growth potential in the long term.

Figure 1. GDP of the Chemical, Pharmaceutical, and Traditional Medecine Industries

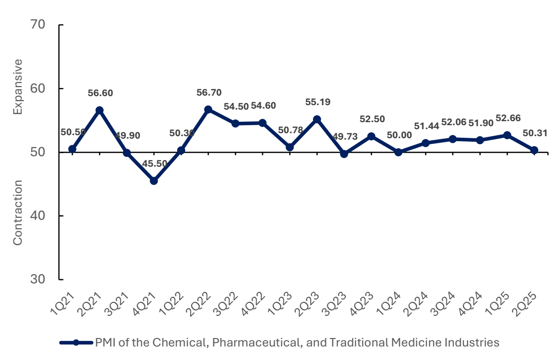


Source : BPS | Phintraco Sekuritas Research

The PMI for the chemical, pharmaceutical, and traditional medicine industries remained in the expansive zone in 2Q25

Based on data from Bank Indonesia, the PMI for the chemical, pharmaceutical, and traditional medicine industries experienced fluctuating movements in the 2021-2023 period and was in the contraction zone for several quarters. The industry's fall into the contraction zone in 4Q21 was caused by global supply chain disruptions during the Covid-19 pandemic. From 2024 to 2Q25, manufacturing activity in the chemical, pharmaceutical, and traditional medicine industries has remained stable in the expansion zone, indicating that the industry has entered a normalization phase after the Covid-19 pandemic, with a more controlled growth rate. This means that the industry didn't experience a significant surge like during the pandemic period, but its growth rate is more stable with minimal risk of sharp contraction. Until 2Q25, the PMI for the chemical, pharmaceutical, and traditional medicine industries stood at 50.31. Despite being lower than 1Q25 and 2Q24, the PMI for this industry remained in the expansion zone, indicating that manufacturing activity in this industry is still quite strong. Looking forward, we assess that this industry still has room to continue growing, with raw material independence, production efficiency, and export market expansion as drivers of long-term growth.

Figure 2. PMI of the Chemical, Pharmaceutical, and Traditional Medicine Industries

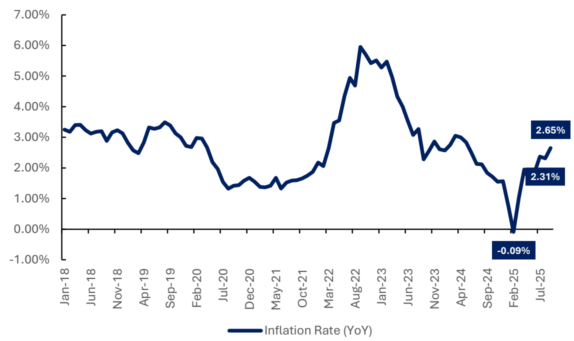


Source : BI | Phintraco Sekuritas Research

Domestic inflation increased in September 2025

Based on data from the Central Statistics Agency (BPS), domestic inflation increased to 2.65% YoY in September 2025. This condition indicates that prices of goods and services tend to increase, but remain controlled. In September 2025, the food, beverage, and tobacco expenditure group experienced an inflation increase of 5.01% YoY, indicating price pressures on this group that can potentially reduce people's purchasing power, especially for the lower-middle class. Price increases in the basic necessities group, such as food, can increase people's living costs, therefore reducing consumption of non-food goods and services. However, the government has officially launched the economic stimulus package for 2025, which includes one of the programs to continue food assistance by distributing 10 kg of rice in October and November, with a budget of IDR7 trillion. We assess that this program can potentially maintain people's purchasing power, therefore boosting economic growth.

Figure 3. Inflation Rate (YoY)

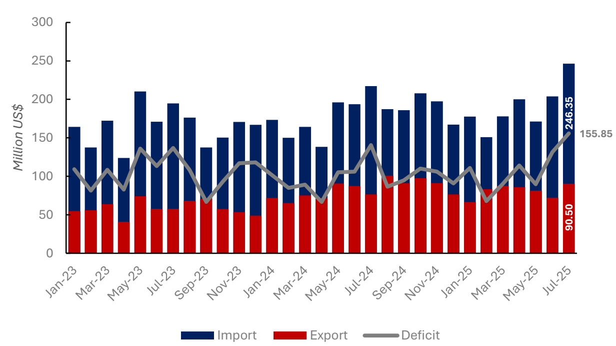


Source : BPS | Phintraco Sekuritas Research

The pharmaceutical industry is dependent on imported raw materials

Based on data from the Ministry of Industry, the value of imports in the pharmaceutical, chemical medicine, and traditional medicine industries has always been higher than the value of exports. From January 2023 to July 2025, the value of imports in this industry ranged from US$120 million to US$250 million. Meanwhile, the value of exports tended to be stable, ranging from US$40 million to US$100 million, with insignificant growth. As of July 2025, the import value of the pharmaceutical, chemical medicine, and traditional medicine industries had reached US$246.35 million. Meanwhile, the export value was only US$90.50 million. This means that there was a deficit of US$155.85 million between the import and export values in this industry. The deficit value in July 2025 was the highest since early 2023. This condition indicates that the pharmaceutical, chemical medicine, and traditional medicine industries still have a high dependence on global raw material supplies to fulfill domestic production needs. This will cause the pharmaceutical, chemical medicine, and traditional medicine industries to be affected by exchange rate fluctuations, increases in raw material prices, and global supply disruptions, which can burden production costs. To reduce this dependence, the government, through the Ministry of Health, has implemented various programs, such as providing incentives to business players, conducting research and development on medicinal raw materials, and the Local Content Requirements (TKDN) policy.

Figure 4. Import - Export of Pharmaceutical, Chemical Medicine Product, & Traditional Medicine

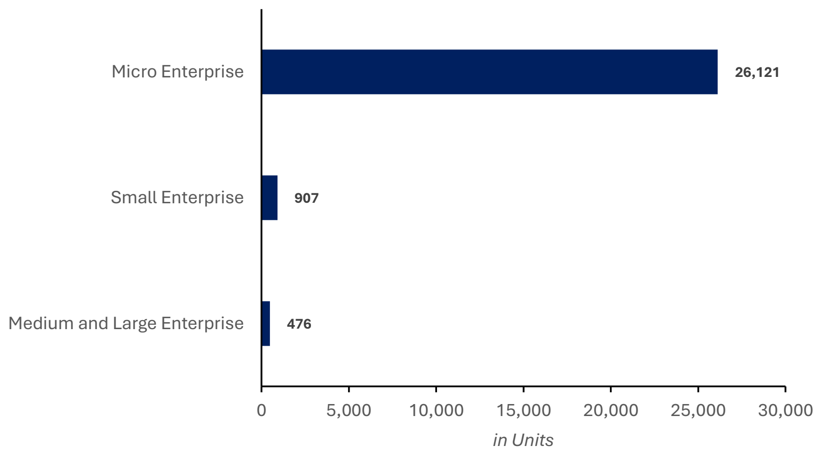


Source : Kemenperin | Phintraco Sekuritas Research

CPOB-certified medicine production facilities are still limited and centered in Java

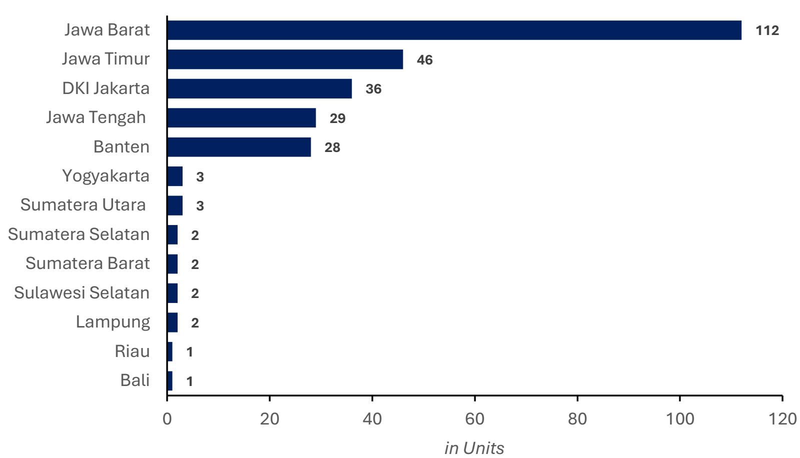
The number of pharmaceutical, chemical medicine, and traditional medicine companies continues to increase in 2024. Based on data from the Central Bureau of Statistics (BPS), the number of companies in this industry has reached 27,503 units, with 26,121 micro-scale companies, 907 small-scale companies, and 475 medium and large-scale companies. The dominance of micro-scale companies indicates that this industry still has a low capacity to produce high-quality medicines on a large scale. This condition is also reflected in the limited number of medicine production facilities that have Good Manufacturing Practices (GMP) certification from the National Agency of Drug and Food Control (BPOM). Based on data from BPOM, only 267 medicine production facilities have GMP certification. In addition, approximately 95% of these production facilities are still located in Java, indicating a disparity in the production of high-quality medicines. This disparity has the potential to create difficulties for areas outside Java in providing high-quality medicines, therefore, depending on the distribution of medicines from Java, which can put pressure on logistics costs and the risk of delays in medicine distribution. This condition poses a challenge for the industry in providing quality and safe medicines that can reach various regions, especially outside Java, so that the equitable distribution of certified production facilities outside Java is urgently needed in the future to provide equal access to quality medicines.

Figure 5. Number of Companies Pharmacy, Chemical Medicine, and Traditional Medicine Industries



Source : BPS | Phintraco Sekuritas Research

Figure 6. Number of CPOB-Certified Medicine Production Fasilities in Indonesia

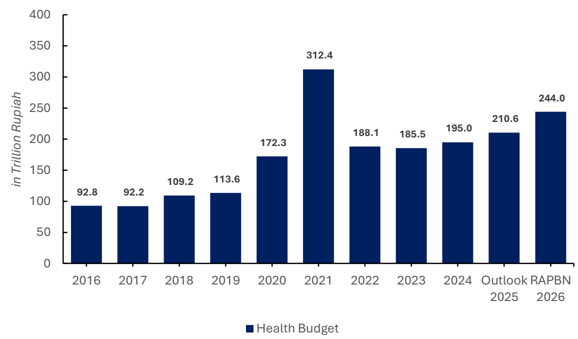


Source : BPOM | Phintraco Sekuritas Research

Health budgets increased after Covid-19

Based on data from the Ministry of Finance, the health budget has continued to increase since 2016 and reached its highest level of IDR312.4 trillion in 2021, aligned with the Covid-19 pandemic. In 2022, the health budget began to decrease, aligned with the normalization after Covid-19, and has tended to increase annually since 2022. In the Draft State Budget (RAPBN) for 2026, the health budget reached IDR244 trillion, an increase compared to the State Budget (APBN) for 2025 of IDR210.6 trillion. This indicates the government's commitment to providing quality health services. Most of the government's health budget is allocated to the National Health Insurance (JKN) program, so demand for pharmaceutical products, vaccines, medical devices, and generic medicines can potentially increase. This condition can be a positive sentiment for issuers in the pharmaceutical sector, such as KLBF and SIDO, along with the potential increase in demand for pharmaceutical products, such as generic medicines and herbal products.

Figure 7. Health Budget



Source : Kemenkeu | Phintraco Sekuritas Research

Issuers in the pharmaceutical sector are trying to reduce dependence on imports

The pharmaceutical industry still has a high dependence on imported raw materials. To reduce this dependence, pharmaceutical companies such as KLBF are undertaking various initiatives to support the government in boosting health resilience and the independence of the national health industry. Some of the initiatives undertaken by KLBF include building a radiopharmaceutical production plant to increase access to affordable cancer treatment. Furthermore, KLBF has partnered with GE HealthCare to establish a CT-SCAN production facility in Indonesia that has high international quality and safety standards. This partnership is expected to accelerate the technology transfer process to improve national competence in producing medical devices locally. In addition, KLBF has also established a joint venture company called PT Livzon Pharma Indonesia, which has started to build an active pharmaceutical ingredients (API) factory that is expected to reduce dependence on imported raw materials in the long term. Meanwhile, SIDO is committed to maximizing the use of local raw materials, especially herbal plants, through collaboration with domestic farmers and supplier partners.

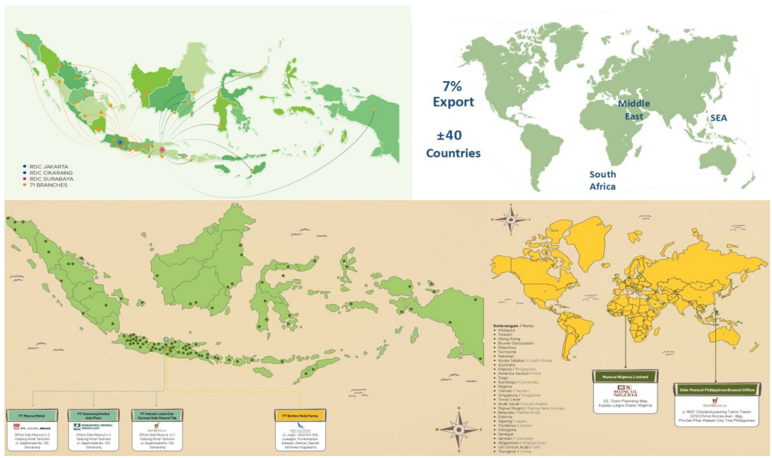
Figure 8. Various Initiatives of Pharmaceutical Issuers

Source : Various Source

Market expansion and wide distribution network

The pharmaceutical issuers in our coverage have a wide distribution network across Indonesia. KLBF has three distribution centers located in Jakarta, Cikarang, and Surabaya, which can reach every hospital and pharmacy in 33 provinces and serve more than 200,000 outlets in Indonesia. Meanwhile, SIDO has 109 sub-representatives and distributors, 7 sub-distributors, and several branches and sub-representatives in various provinces, districts/cities, and sub-districts from Sabang to Merauke. SIDO has a wide distribution network with access to more than 188,000 wholesalers, retailers, and more than 2.5 million points of sale. The wide distribution network of pharmaceutical issuers allows their products to be easily accessed by consumers, therefore maximizing sales. Besides having a wide distribution network in the domestic market, the pharmaceutical issuers in our coverage are expanding into the international market. Currently, KLBF products have reached more than 30 countries, with export sales contribution reaching 7% of total revenue in 6M25. Meanwhile, SIDO products have reached around 30 countries, with export sales contribution reaching 9.7% of total revenue in 6M25.

Figure 9. KLBF & SIDO's Distribution Network and International Markets

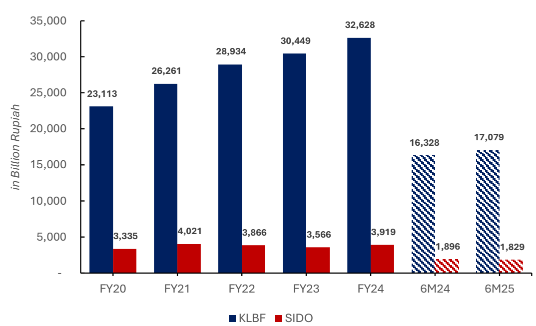


Source : Company

The performance of issuers in our coverage tends to mix

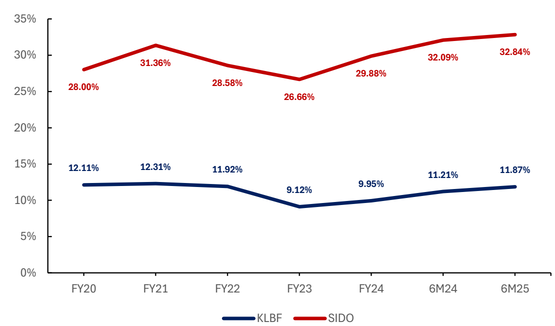
KLBF booked revenue growth of 4.60% YoY to IDR17.08 trillion in 6M25, aligned with increased sales in almost all business segments, except for the nutrition segment, which decreased by 3.26% YoY. On the bottom line, KLBF experienced an increase in net profit of 10.78% YoY to IDR IDR2.03 trillion in 6M25 with a Net Profit Margin (NPM) of 11.87%, better than 11.21% in 6M24. Meanwhile, SIDO experienced a decrease in revenue of 3.57% YoY to IDR1.83 trillion in 6M25. On the bottom line, SIDO booked a limited decrease in net profit of 1.32% YoY to IDR600 billion in 6M25. However, SIDO's Net Profit Margin (NPM) increased to 32.84% (vs. 32.09% in 6M24), indicating operational efficiency, mainly due to lower advertising and promotion costs in 6M25.

Figure 10. Revenue Performance



Source : Company | Phintraco Sekuritas Research

Figure 11. Net Profit Margin



Source : Company | Phintraco Sekuritas Research

Overweight rating on the pharmaceutical sector

With various catalysts, such as positive industry GDP trends, the PMI industry remaining in the expansion zone, health budgets tended to increase after Covid-19, and various initiatives from pharmaceutical issuers to reduce dependence on imported raw materials, we give an overweight rating to the pharmaceutical sector. We assess that the pharmaceutical sector still has fairly positive potential in the long term, considering that this sector has an important role in the economy. In addition, the government's commitment to boost health resilience and the independence of the national health industry can potentially strengthen the pharmaceutical industry in the long term. The pharmaceutical issuers in our coverage are SIDO, with an estimated fair value of IDR635 *(full report)*, and KLBF, with an estimated fair value of IDR1,640 *(full report)*.

Financial Performance

(in Billion Rupiah)

Financial Performance		FY22	FY23	FY24	6M25	FY25F	FY26F
Revenue	KLBF	28,934	30,449	32,628	17,079	35,081	37,772
	SIDO	3,866	3,566	3,919	1,829	4,014	4,223
Cost of Goods Sold	KLBF	(16,907)	(18,288)	(19,332)	(9,880)	(20,523)	(21,868)
	SIDO	(1,608)	(1,453)	(1,523)	(739)	(1,627)	(1,708)
Gross Profit	KLBF	12,026	12,162	13,295	7,200	14,557	15,904
	SIDO	2,258	2,113	2,396	1,090	2,386	2,515
EBIT	KLBF	4,396	3,586	4,081	2,507	4,422	4,991
	SIDO	1,393	1,191	1,471	746	1,455	1,535
Net Profit	KLBF	3,450	2,778	3,247	2,028	3,505	3,952
	SIDO	1,105	951	1,171	600	1,174	1,239

Source : Company | Phintraco Sekuritas Research

Financial Ratio

Financial Ratio		FY22	FY23	FY24	6M25	FY25F	FY26F
GPM	KLBF	41.56%	39.94%	40.75%	42.15%	41.50%	42.11%
	SIDO	58.40%	59.25%	61.13%	59.59%	59.45%	59.56%
OPM	KLBF	15.19%	11.78%	12.51%	14.68%	12.60%	13.21%
	SIDO	36.04%	33.40%	37.55%	40.80%	36.24%	36.35%
NPM	KLBF	11.92%	9.12%	9.95%	11.87%	9.99%	10.46%
	SIDO	28.58%	26.66%	29.88%	32.84%	29.25%	29.33%
ROA	KLBF	12.66%	10.27%	11.03%	6.87%	11.28%	11.83%
	SIDO	27.07%	24.43%	29.72%	16.45%	30.75%	31.44%
ROE	KLBF	15.61%	12.02%	13.20%	8.38%	13.65%	14.28%
	SIDO	31.51%	28.08%	33.57%	17.99%	35.64%	36.52%
DER (X)	KLBF	0.05	0.03	0.02	0.02	0.02	0.02
	SIDO	0.00	0.00	0.00	0.00	0.00	0.00
DPR	KLBF	50.95%	51.61%	50.95%	0.00%	51.07%	51.14%
	SIDO	99.12%	96.57%	99.91%	0.00%	90.94%	92.10%

Source : Company | Phintraco Sekuritas Research

Glossarium

BPOM	: *Badan Pengawas Obat dan Makanan*
CPOB	: *Cara Pembuatan Obat yang Baik*
DER	: *Debt to Equity Ratio*
DPR	: *Dividend Payout Ratio*
EBIT	: *Earning Before Interest & Tax*
GDP	: *Gross Domestic Product*
GPM	: *Gross Profit Margin*
NPM	: *Net Profit Margin*
OPM	: *Operating Profit Margin*
PMI	: *Prompt Manufacturing Index*
ROA	: *Return on Asset*
ROE	: *Return on Equity*

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Rating for Sectors :

Overweight : The sector is expected to do better than the market.

Equal Weight : The sector is expected to do an average performance compared to the market.

Underweight : The sector is expected to do worse than the market.

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Kantor Cabang & Mitra GI BEI