

Sido Muncul Tbk (SIDO IJ)

Growth Remains Intact

Going into 2021, we still prefer SIDO simply because it has a better margin among its peers, a healthy balance sheet, and relatively stable raw materials. All in all, SIDO booked positive performance in 1Q21 and we believe the company will be able to maintain it.

Good Results in 1Q21 with Margin Expanded

- SIDO recorded net sales of IDR739bn (+8.6% YoY, -26.4% QoQ), slightly below market expectation.
- In line with the revenue, net earnings of 1Q21 was stronger than the previous quarter at IDR269bn (+16.2% YoY, -8.2% QoQ), largely due to strong sales and lower operating expenses (-6.9% YoY).
- A&P spending was at 7% of sales in 1Q21, the same level as the previous year. Historically, the Ramadhan and holiday season usually brought A&P spending up as we believe the company wants to capture more sales.
- Meanwhile, SIDO managed to expand its margin, as 1Q21 net margin and operating margin were recorded at 33.9% YoY and 41.6% YoY respectively (vs. 1Q20: 31.7% & 38.5%).

New product launch should help company to boost sales

- On February 4, SIDO welcomed Affinity Equity Partners as a shareholder. Through its affiliate, Concordant Investment Pte Ltd, Affinity holds a 21% shareholding in the company.
- F&B segment delivered strong revenue growth of 30.2% YoY or IDR257bn, as export demand recovery remained intact.
- However, herbal medicine remained flat YoY in 1Q21 affected by high base impact related to panic buying. Pharmacy sales growth also remained negative.
- As of 1Q, export contribution was around 3% of total sales, slightly below company guidance of 4-5%. Yet, it still showed improvement compared to last year as Malaysia and Nigeria have shown signs of recovery.
- SIDO recently launched several new products in 1Q21 such as *Tejamu* (Herbal Powdered Drink), *Kapsul JSH Strip Package* (Herbal Supplement), *Fish Oil1000mg & Sambiloto* (soft gel Capsule).
- SIDO's soft gel herbal supplement launched recently is expected to greatly contribute to sales and profit margin growth. SIDO offered relatively premium retail prices for the targeted middle-high income segments, which are different from its primary market.
- Meanwhile, MT channels has shown increased contribution to 15% of total sales (vs. FY20: 13%), we believe it is likely to continue the increase as people tend to choose convenience store.

Valuations

- We maintain our BUY call with unchanged TP of IDR930 (based on target P/E of 23.7x) as we expect SIDO's key growth driver – herbal segment, will increase by CAGR of 14% over the next 3 years, supported by stable raw materials and healthy balance sheet.
- In addition, we note that SIDO has been consistently having a higher dividend payout ratio at 80%-100%, with dividend yield of 3-5%.
- Risks to our call include 1) higher raw materials for pharmacy segment 2) lower-than expected economic recovery 3) less demand for new product

PT Sido Muncul Tbk | Summary (IDR Bn)

	2019A	2020A	2021F	2022F
Sales	3,335	3,657	4,042	4,488
Growth	8.7%	9.6%	10.5%	11.0%
Net Profit	934	1,059	1,180	1,313
Growth	15.6%	13.3%	11.5%	11.3%
EPS (IDR)	31	35	39	44
P/E	25.9x	26.4x	23.6x	21.3x
P/BV	7.5x	7.5x	7.1x	6.6x
EV/EBITDA	18.4x	18.5x	16.5x	14.3x
ROE	29.0%	28.5%	29.9%	31.3%
DER	0.0x	0.0x	0.0x	0.0x
Dividend Yield	3.2%	3.8%	3.9%	4.3%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

BUY

Price Target (IDR)	930
Consensus Price (IDR)	922
TP to Consensus Price vs. Last Price	0.9% 20.0%

Shares data

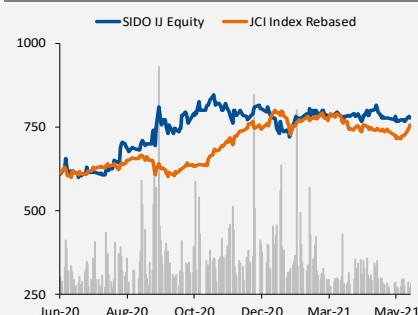
Last Price (IDR)	775
Price Date as of	10-Jun-21
52 wk Range (Hi/Lo)	845/598
Free Float (%)	18.9
Outstanding sh.(mn)	30,000
Market Cap (IDR bn)	23,100
Market Cap (USD mn)	1,619
Avg. Trd Vol - 3M (mn)	10.57
Avg. Trd Val - 3M (bn)	8.28
Foreign Ownership	3.5%

Healthcare

Pharmaceutical

Bloomberg	SIDO IJ
Reuters	SIDO.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-2.5%	-1.3%	-3.1%	26.4%
Rel. Ret.	-2.3%	-3.6%	1.3%	3.1%

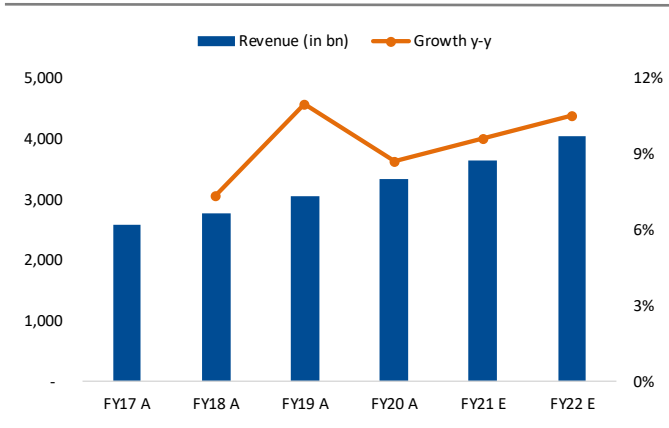
Putu Chantika Putri D.

(021) 5088 9129

putu.chantika@nhsec.co.id

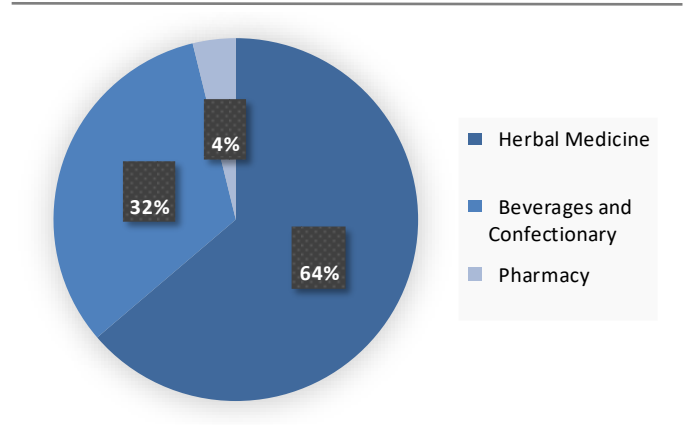
Performance Highlights

SIDO's FY17A—FY22E Revenues



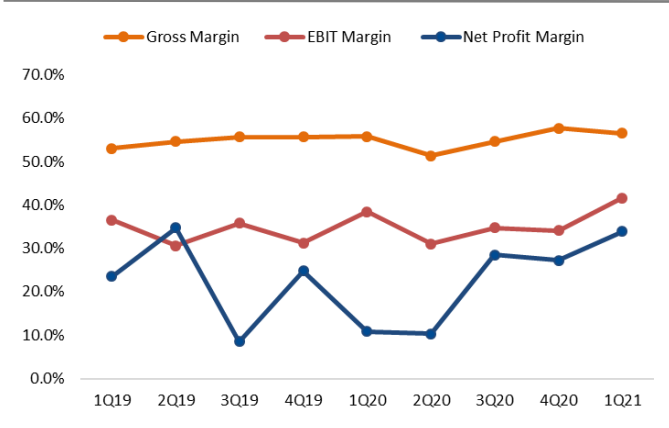
Source: Company Data, NHKSI Research

SIDO's Revenue Breakdown



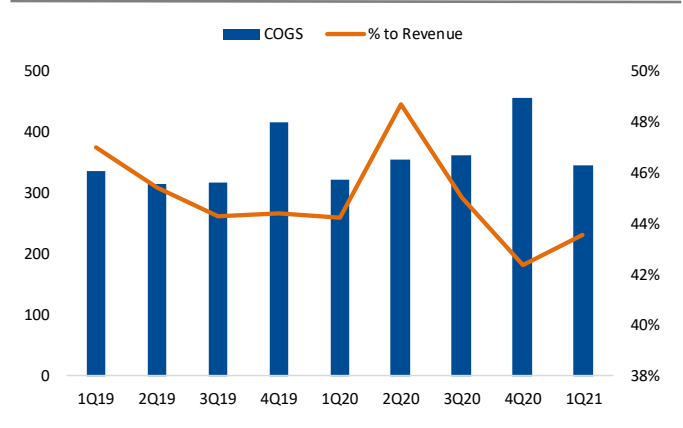
Source: Company Data, NHKSI Research

SIDO's Margin Ratios



Source: Company Data, NHKSI Research

SIDO's COGS



Source: Company Data, NHKSI Research

Company Background



Beginning as a home industry in Yogyakarta, currently Sido Muncul is the first herbal medicine industry company to be listed on the Indonesia Stock Exchange (IDX). In 1951, Sido Muncul first established its first herbal medicine factory in Semarang with Jamu Tolak Angin as its main product. As time goes, Sido Muncul built another factory that was inaugurated in 2000, and also received two certificates, How to Make Better Traditional Medicine (CPOTB), equivalent to pharmaceuticals. Both certificates made Sido Muncul the only herbal medicine factory to be the only pharmacy standardized.

Sido Muncul has two subsidiaries, PT Semarang Herbal Indo Plat and PT Muncul Mekar. In 2014, SIDO acquired the PT Berlico Mulia Farma that has started operation in 1976. This acquisition is a real step for Sido Muncul in realizing its long-term plan to expand into the pharmaceutical industry. In 2018, Sido Muncul established a subsidiary in Nigeria called Sido Muncul Nigeria Limited.

Previously in 2013, PT Sido Muncul Tbk. Herbal Medicine and Pharmacy Industry. (SIDO) officially listed its shares on the Indonesia Stock Exchange and set an initial share price (IPO) in the range of Rp580 per share with 1.5 billion new shares released to the public, or 10% of the investment capital placed and fully paid after IPO.

Consumer Companies Peers Analysis

Company	Market Cap (USD mn)	Asset (USD mn)	Sales LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Growth LTM	Net Margin	ROE LTM	P/E LTM	P/BV
Indonesia									
Sido Muncul	1,620	276	234	67	17.00%	28.6%	31.2%	23.6x	7.8x
Kalbe Farma	4,766	1,620	1,604	191	7.73%	11.9%	16.0%	24.4x	3.7x
Kimia Farma Persero	942	1,261	681	1	N/A	0.1%	0.1%	N/A	1.9x
India									
Wockhard Ltd	988	1,062	365	92	N/A	25.3%	22.7%	N/A	2.1x
Laurus Labs Ltd	4,526	786	648	133	285.31%	20.4%	45.0%	33.5x	12.7x
South Korea									
Hugel Inc	2,464	878	202	47	48.35%	23.4%	7.4%	50.5x	3.6x
Daewoong Co Ltd	1,961	1,688	1,188	74	31.31%	6.3%	13.4%	18.2x	2.4x
Sam Chun Dang Pharm Co Ltd	1,075	291	142	(6)	N/A	-3.9%	-3.8%	N/A	6.4x
Bukwang Pharmaceutical Co	1,356	368	146	(8)	14.31%	-5.6%	-3.7%	N/A	5.9x
Taiwan									
Obi Pharma Inc	842	190	5	(47)	10.17%	N/A	-31.1%	N/A	5.8x
Center Laboratories Inc	1,207	992	20	197	N/A	N/A	33.8%	5.8x	1.7x

Unit: USD mn, %, X

Source: Bloomberg, NHKSI research

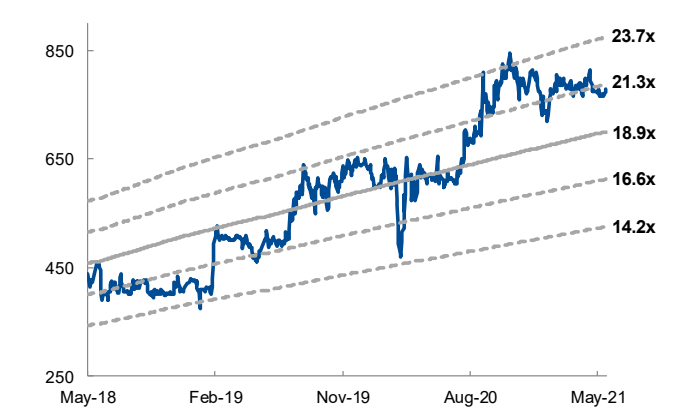
Valuation Highlight in Charts

Forward P/E band | Last 3 years



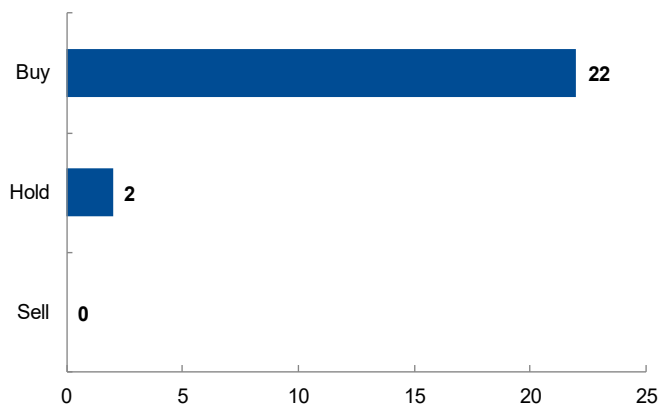
Source: NHKSI research

Dynamic Forward P/E band | Last 3 years



Source: NHKSI research

Recommendation by Analyst



Source: Bloomberg

Closing and Target Price Update



Source: NHKSI research

Rating and Target Price Update

Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
11/02/2020	Buy	930 (Dec 2021)	795	813	+17.0%	+14.4%

Source: NHKSI research, Bloomberg

Summary of Financials

INCOME STATEMENT					PROFITABILITY & STABILITY				
(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E		2020/12A	2021/12E	2022/12E	2023/12E
Net Sales	3,335	3,657	4,042	4,488	ROE	29.0%	28.5%	29.9%	31.3%
<i>Growth</i>	8.7%	9.6%	10.5%	11.0%	ROA	24.3%	22.7%	24.3%	25.1%
COGS	(1,497)	(1,637)	(1,795)	(1,990)	Inventory Turnover	4.9x	5.1x	5.2x	5.2x
Gross Profit	1,839	2,020	2,247	2,498	Receivable Turnover	5.6x	6.6x	8.1x	8.1x
<i>Gross Margin</i>	55.1%	55.2%	55.6%	55.7%	Payables Turnover	8.5x	9.7x	9.7x	9.7x
Operating Expenses	(687)	(715)	(792)	(880)	Dividend Yield	3.2%	3.8%	3.9%	4.3%
EBIT	1,152	1,304	1,454	1,618	Payout Ratio	82.9%	100.0%	91.5%	91.4%
<i>EBIT Margin</i>	34.5%	35.7%	36.0%	36.1%	DER	0.0x	0.0x	0.0x	0.0x
Depreciation	97	90	97	96	Net Gearing	0.0x	0.0x	0.0x	0.0x
EBITDA	1,249	1,394	1,552	1,714	Equity Ratio	83.7%	79.9%	81.1%	80.2%
<i>EBITDA Margin</i>	37.4%	38.1%	38.4%	38.2%	Debt Ratio	0.2%	0.0%	0.0%	0.0%
Interest Expenses	-	-	-	-	Financial Leverage	100.6%	94.5%	114.0%	98.3%
EBT	1,200	1,350	1,504	1,674	Current Ratio	3.7x	3.3x	3.6x	3.5x
Income Tax	(266)	(291)	(324)	(361)	Quick Ratio	4.9x	3.5x	4.1x	4.0x
Minority Interest	-	-	-	-	Par Value (IDR)	10	10	10	10
Net Profit	934	1,059	1,180	1,313	Total Shares (mn)	30,000	30,000	30,000	30,000
<i>Growth</i>	15.6%	13.3%	11.5%	11.3%	Share Price (IDR)	805	930	930	930
<i>Net Profit Margin</i>	28.0%	28.9%	29.2%	29.2%	Market Cap (IDR tn)	24.2	27.9	27.9	27.9

BALANCE SHEET					VALUATION INDEX				
(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E		2020/12A	2021/12E	2022/12E	2023/12E
Cash	1,032	2,043	2,168	2,425	Price /Earnings	25.9x	26.4x	23.6x	21.3x
Receivables	664	439	498	553	Price /Book Value	7.5x	7.5x	7.1x	6.6x
Inventories	309	336	344	382	PE/EPS Growth	1.7x	2.0x	2.1x	1.9x
Total Current Assets	2,052	2,854	3,052	3,398	EV/EBITDA	18.4x	18.5x	16.5x	14.8x
Net Fixed Assets	1,576	1,580	1,595	1,616	EV/EBIT	20.0x	19.7x	17.6x	15.7x
Other Non Current Assets	221	220	218	217	EV (IDR bn)	23,007	25,740	25,615	25,358
Total Non Current Asset	1,797	1,799	1,813	1,833	Sales CAGR (3-Yr)		9.0%	9.8%	9.6%
Total Assets	3,850	4,654	4,865	5,231	Net Income CAGR (3-Yr)		20.5%	16.8%	13.5%
Payables	204	134	185	205	Basic EPS (IDR)	31	35	39	44
ST Bank Loan	3	-	-	-	BVPS (IDR)	107	124	132	140
Total Current Liabilities	353	726	659	754	DPS (IDR)	26	35	36	40
LT Debt	4	-	-	-					
Total Liabilities	628	935	919	1,034					
Capital Stock & APIC	2,207	2,207	2,207	2,207					
Retained Earnings	1,073	1,571	1,797	2,047					
Shareholders' Equity	3,222	3,719	3,945	4,196					

CASH FLOW STATEMENT					OWNERSHIP	
(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E		%
Operating Cash Flow	1,036	1,109	1,189	1,434	Shareholders	
Investing Cash Flow	(109)	(90)	(112)	(115)	Hotel Candi Baru	60.0
Financing Cash Flow	(640)	(935)	(953)	(1,062)	Concordant Investments PL	21.0
Net Changes in Cash	286	84	125	257	Schroder Investment	2.8
					Norges Bank	1.2
					By Geography	%
					Unknown	93.2
					Indonesia	3.2
					Norway	1.4
					United	0.4

Source: Company Data, NHKSI Research

NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
 - Buy : Greater than +15%
 - Overweight : +5% to 15%
 - Hold : -5% to +5%
 - Underweight : -5% to -15%
 - Sell : Less than -15%

DISCLAIMER

This document is strictly confidential and is being supplied to you solely for your information. The recipients of this report must make their own independent decisions regarding any securities or financial instruments mentioned herein. This document may not be quoted, reproduced, exhibited, redistributed, transmitted, edited, translated, or published, in whole or in part, for any purpose without notice. Any failure to comply with this restriction may constitute a violation of civil or criminal laws.

This report and any electronic access hereto are restricted and intended only for the clients and related entities of PT NH Korindo Sekuritas Indonesia. This report is only for information and recipient use. It is not reproduced, copied, or made available for others. Under no circumstances is it considered as a selling offer or solicitation of securities buying. Any recommendation contained herein may not be suitable for all investors. Although the information hereof is obtained from reliable sources, its accuracy and completeness cannot be guaranteed. PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, and agents are held harmless from any responsibility and liability for claims, proceedings, action, losses, expenses, damages, or costs filed against or suffered by any person as a result of acting pursuant to the contents hereof. Neither is PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, nor agents are liable for errors, omissions, misstatements, negligence, inaccuracy contained herein. All rights reserved by PT NH Korindo Sekuritas Indonesia.