

Sido Muncul Tbk (SIDO IJ)

Solid Result with Strong Expansion Plans

SIDO closed 2Q21 with stellar performance. We expect SIDO's top line to grow even stronger in the upcoming quarters supported by increasing demand in herbal segment, strong export growth, and its strong expansion plan to increase penetration levels in second and third tier cities.

Strong sales performance

- SIDO recorded earnings of IDR233bn in 2Q21 (+27.8% YoY, -13.4% QoQ) and IDR502bn cumulatively in 1H21 (+21.3% YoY), forming 46% of both ours and consensus estimates.
- SIDO's margin also improved all across the board with gross, operating and net margin stood at 56.0%, 33.7%, and 27.0%, respectively.
- Operating expense were up by 29% YoY. But it was still well manageable as it sits at around the same level (20% of total sales) compared to last year.
- A&P expenses was at 11% of sales in 2Q21, which we deem reasonable in the period of market expansion and festive season.
- All in all, 2Q21 revenue was reported at IDR861bn (+18.2% YoY, +8.6% QoQ) an impressive growth backed by its herbal supplement (+31.4% YoY), led by Tolak Angin (TA) with higher sales volume.
- At the same time, non-herbal segment such as beverages segment was reported at IDR268bn (-1% YoY) and pharmacy segment at IDR36.9bn (+7% YoY).

Pursuing growth beyond top tier cities

- As of 1H21, export contribution was around 3% of total sales. This was attributed to strong growing demand for energy drink from Nigeria. In light of that, management decided to add new distributor and new warehouse.
- Going forward, SIDO is planning to export its essential oil such as patchouli, ginger & citronella to Europe as their first export destination.
- To improve the penetration rate, SIDO has increased the number of outlets, mostly in Eastern Indonesia. Currently, its domestic outlet has reached 125k, outpacing their initial expansion FY21 target at 120k.
- We view this as positive strategy as it will enable SIDO to improve penetration levels in second-tier and third-tier cities.
- On another positive note, new product introduced within the last two years has contributed 3% to total sales. The company has recently launched *Sido Muncul CoQ10*, *Jamu Heritage*, and *Vitamin C1000mg+Zinc* in order to expand its portfolio.

Maintain BUY SIDO

- We maintain our BUY call on SIDO with TP remains unchanged at IDR930 implying FY21F P/E of 22.3x, justified by a relatively more positive outlook in 2021.
- Moreover, we view product launching and strong expansion plan as an upside for SIDO to capture growth opportunities.
- The company also maintained its strong competitive margin and financial performance which benefited from health awareness spurred by the pandemic.

PT Sido Muncul Tbk | Summary (IDR Bn)

	2020A	2021F	2022F	2023F
Sales	3,335	3,657	4,162	4,760
Growth	8.7%	9.6%	13.8%	14.4%
Net Profit	934	1,085	1,262	1,475
Growth	15.6%	16.1%	16.3%	16.9%
EPS (IDR)	31	36	42	49
P/E	25.9x	25.7x	22.1x	18.9x
P/BV	7.5x	8.3x	7.8x	7.4x
EV/EBITDA	18.4x	18.5x	15.7x	13.4x
ROE	29.0%	32.2%	35.4%	38.9%
DER	0.0x	0.0x	0.0x	0.0x
Dividend Yield	3.2%	3.8%	3.8%	4.5%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

BUY

Price Target (IDR)	930
Consensus Price (IDR)	938
TP to Consensus Price	-0.9%
Potential Upside	16.3%

Shares data

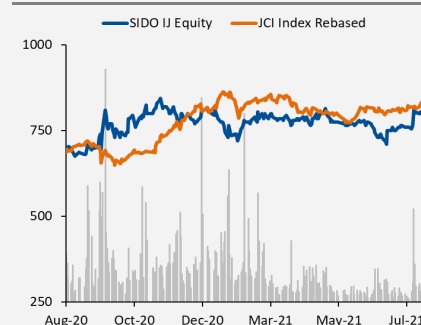
Last Price (IDR)	800
Price Date as of	5-Aug-21
52 wk Range (Hi/Lo)	845/675
Free Float (%)	18.9
Outstanding sh.(mn)	30,000
Market Cap (IDR bn)	24,000
Market Cap (USD mn)	1,673
Avg. Trd Vol - 3M (mn)	8.20
Avg. Trd Val - 3M (bn)	6.29
Foreign Ownership	3.3%

Healthcare

Pharmaceutical

Bloomberg	SIDO IJ
Reuters	SIDO.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	0.6%	6.7%	2.6%	16.3%
Rel. Ret.	-1.0%	3.3%	-1.3%	-4.8%

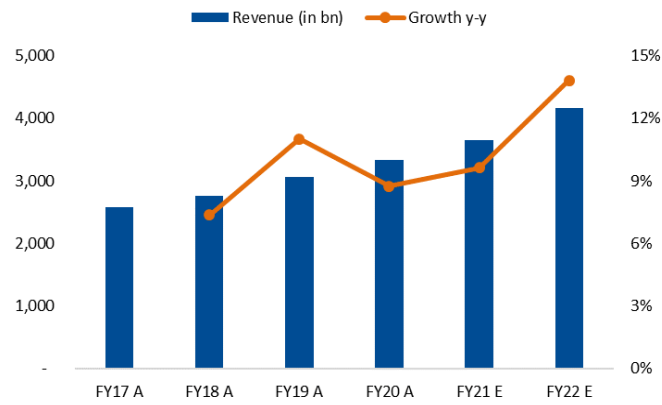
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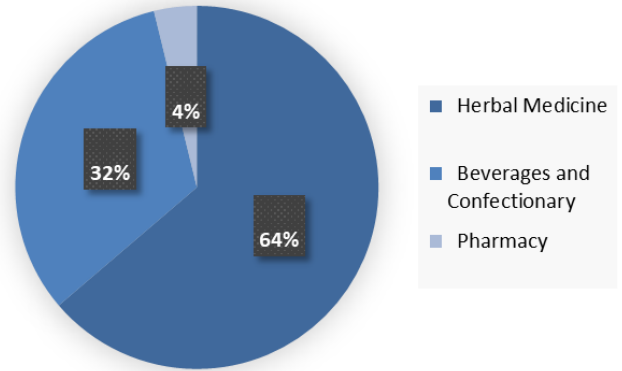
Performance Highlights

SIDO's FY17A—FY22E Revenues



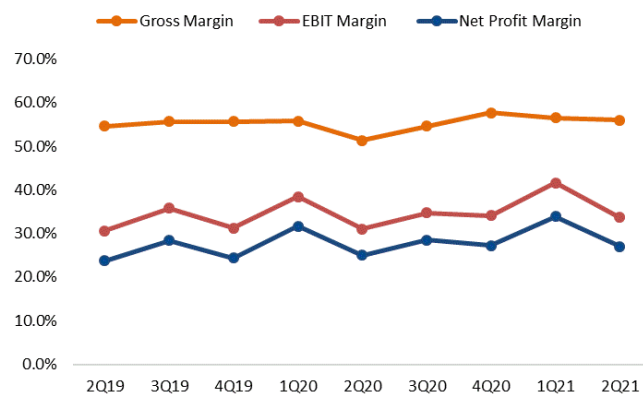
Source: Company Data, NHKSI Research

SIDO's Revenue Breakdown



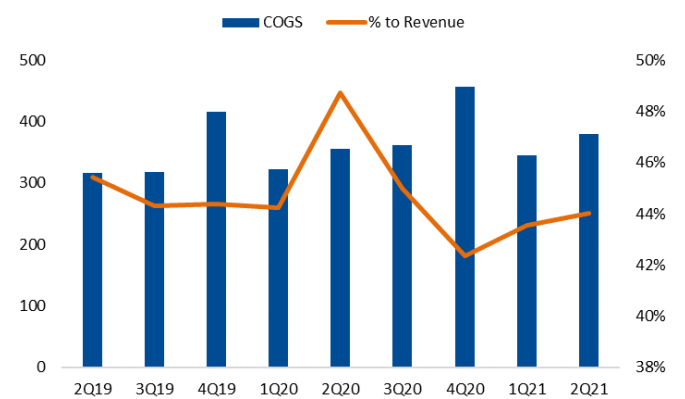
Source: Company Data, NHKSI Research

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	4,232	1,620	1,657	197	7.85%	11.9%	16.6%	21.3x	3.4x
Kalbe Farma	987	1,261	681	1	N/A	0.1%	0.1%	2133.6x	2.0x
Kimia Farma Persero	1,673	276	245	71	20.64%	29.0%	32.8%	23.3x	7.5x
India									
Wockhard Ltd	768	1,062	364	92	N/A	25.4%	22.7%	N/A	1.7x
Laurus Labs Ltd	4,863	786	636	133	285.31%	20.8%	45.0%	36.6x	13.9x
South Korea									
Hugel Inc	2,540	878	202	47	48.35%	23.4%	7.4%	53.3x	3.8x
Daewoong Co Ltd	1,979	1,688	1,259	83	104.31%	6.6%	13.4%	17.2x	2.4x
Sam Chun Dang Pharm Co Ltd	1,124	291	142	(6)	N/A	-3.9%	-3.8%	N/A	6.8x
Bukwang Pharmaceutical Co	1,318	368	146	(8)	14.31%	-5.6%	-3.7%	N/A	5.8x
Taiwan									
Obi Pharma Inc	761	190	5	(47)	10.17%	-947.8%	-31.1%	N/A	5.2x
Center Laboratories Inc	1,166	992	20	197	4035.86%	1004.8%	33.8%	5.6x	1.6x

Unit: USD mn, %, X

Source: Bloomberg, NHKSI research

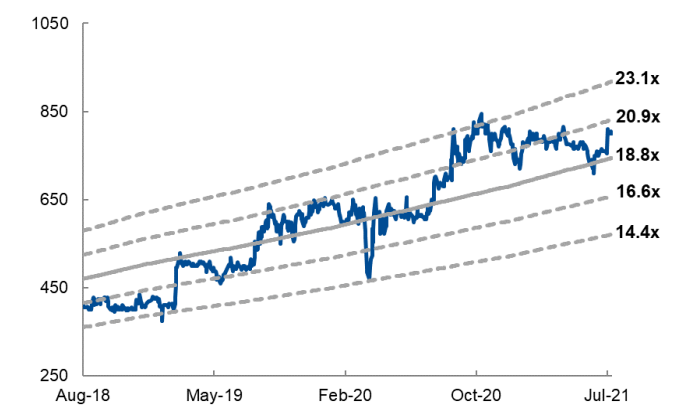
Valuation Highlight in Charts

Forward P/E band | Last 3 years



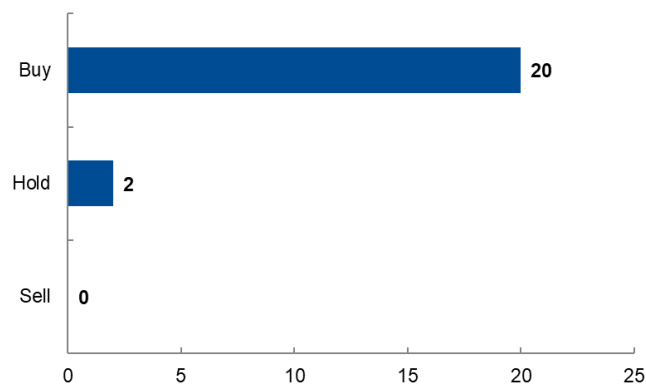
Source: NHKSI research

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	Potential Upside	vs Consensus
11/02/2020	Buy	930 (Dec 2021)	795	813	+17.0%	+14.4%

Source: NHKSI research, Bloomberg

Summary of Financials

INCOME STATEMENT				
(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Net Sales	3,335	3,657	4,162	4,760
<i>Growth</i>	8.7%	9.6%	13.8%	14.4%
COGS	(1,497)	(1,594)	(1,787)	(2,005)
Gross Profit	1,839	2,063	2,375	2,756
<i>Gross Margin</i>	55.1%	56.4%	57.1%	57.9%
Operating Expenses	(687)	(724)	(816)	(933)
EBIT	1,152	1,339	1,559	1,823
<i>EBIT Margin</i>	34.5%	36.6%	37.5%	38.3%
Depreciation	97	88	97	96
EBITDA	1,249	1,427	1,656	1,919
<i>EBITDA Margin</i>	37.4%	39.0%	39.8%	40.3%
Interest Expenses	-	-	-	-
EBT	1,200	1,380	1,605	1,876
Income Tax	(266)	(295)	(344)	(401)
Minority Interest	-	-	-	-
Net Profit	934	1,085	1,262	1,475
<i>Growth</i>	15.6%	16.1%	16.3%	16.9%
<i>Net Profit Margin</i>	28.0%	29.7%	30.3%	31.0%

PROFITABILITY & STABILITY				
	2020/12A	2021/12E	2022/12E	2023/12E
ROE	29.0%	32.2%	35.4%	38.9%
ROA	24.3%	28.4%	28.1%	30.3%
Inventory Turnover	4.9x	5.1x	5.2x	5.2x
Receivable Turnover	5.6x	7.6x	8.1x	8.1x
Payables Turnover	8.5x	9.9x	9.9x	9.9x
Dividend Yield	3.2%	3.8%	3.8%	4.5%
Payout Ratio	82.9%	97.6%	98.7%	98.7%
DER	0.0x	0.0x	0.0x	0.0x
Net Gearing	0.0x	0.0x	0.0x	0.0x
Equity Ratio	83.7%	88.3%	79.2%	77.9%
Debt Ratio	0.2%	0.0%	0.0%	0.0%
Financial Leverage	100.6%	104.1%	94.0%	110.6%
Current Ratio	3.7x	5.5x	3.1x	3.0x
Quick Ratio	4.9x	6.7x	3.5x	3.3x
Par Value (IDR)	10	10	10	10
Total Shares (mn)	30,000	30,000	30,000	30,000
Share Price (IDR)	805	930	930	930
Market Cap (IDR tn)	24.2	27.9	27.9	27.9

BALANCE SHEET				
(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Cash	1,032	1,379	1,799	2,034
Receivables	664	300	514	588
Inventories	309	319	343	384
Total Current Assets	2,052	2,035	2,697	3,046
Net Fixed Assets	1,576	1,571	1,589	1,617
Other Non Current Assets	221	216	211	207
Total Non Current Asset	1,797	1,787	1,800	1,824
Total Assets	3,850	3,822	4,498	4,870
Payables	204	118	181	203
ST Bank Loan	3	-	-	-
Total Current Liabilities	353	254	678	800
LT Debt	4	-	-	-
Total Liabilities	628	448	934	1,078
Capital Stock & APIC	2,207	2,207	2,207	2,207
Retained Earnings	1,073	1,225	1,415	1,643
Shareholders' Equity	3,222	3,374	3,563	3,792

VALUATION INDEX				
	2020/12A	2021/12E	2022/12E	2023/12E
Price /Earnings	25.9x	25.7x	22.1x	18.9x
Price /Book Value	7.5x	8.3x	7.8x	7.4x
PE/EPS Growth	1.7x	1.6x	1.4x	1.1x
EV/EBITDA	18.4x	18.5x	15.7x	13.4x
EV/EBIT	20.0x	19.7x	16.7x	14.1x
EV (IDR bn)	23,007	26,403	25,983	25,748
Sales CAGR (3-Yr)		9.0%	9.8%	10.7%
Net Income CAGR (3-Yr)		20.5%	17.8%	16.0%
Basic EPS (IDR)	31	36	42	49
BVPS (IDR)	107	112	119	126
DPS (IDR)	26	35	36	42

CASH FLOW STATEMENT				
(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Operating Cash Flow	1,036	1,381	1,602	1,601
Investing Cash Flow	(109)	(90)	(112)	(120)
Financing Cash Flow	(640)	(941)	(1,071)	(1,246)
Net Changes in Cash	286	350	420	235

OWNERSHIP	
Shareholders	%
Hotel Candi Baru	60.0
Concordant Investments PL	21.0
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%

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