

# Sido Muncul Tbk (SIDO IJ)

## New Products Contribute to Sales Growth

SIDO closed 3Q21 with an impressive sales performance, supported by higher demand in herbal segment and supplements. We continue to prefer SIDO as they have strong brand awareness and an extensive portfolio, enabling them to tap into the various market segmentation.

### Impressive 3Q Sales Growth

- After several quarters of consistent sales growth, SIDO posted revenue of IDR1.1tn, (+40.6% YoY) in 3Q21. This was bolstered by higher demand for immunity-boosting supplements.
- This resulted SIDO's net profit to jump by 60.1% YoY to IDR363bn. Cumulatively, SIDO achieved net profit of IDR865bn, forming 71% of our estimate.
- In details, Tolak Angin (TA) and vitamin C as top contributors of total sales booked revenue of IDR707bn (+36.1% YoY) and IDR373bn (+47.4% YoY).
- SIDO usually delivered higher 4Q21 sales due to higher demand for herbal medicine as the rainy season approaches. Thus, the company experienced higher purchases of raw materials.
- We expect market share to stay high despite the company's plan to implement slight ASP increase for selected products in early next year.
- A&P expense to sales ratio and opex to sales ratio was stable at 9% and 18% respectively, as the company maintains its efficiency. However, we expect the company to allocate more A&P spending to support sales in 4Q.
- We also witnessed higher profitability margins all across the board with GPM, OPM, and NPM measured at 56.3%, 40.8%, 32.4% in 3Q21 (vs. 3Q20: 54.7%, 34.7%, 28.5%).

### New Product Demand grew at Faster Pace

- SIDO may still see potential revenue growth, as the new product line (NPD) have been well received without compromising the existing products in the market. Furthermore, these products delivered impressive 51% CAGR over the last 3 years.
- Besides, the company saw a substantial quarterly growth increase, driven by strong sales of new flavor of Vitamin C1000, Ready to Drink (RTD) variants, and new supplement product.
- Meanwhile, SIDO has also stepped up its effort to increase brand awareness and new products by collaborating with >20 marketplaces in Indonesia.
- As data shows, herbal supplements are the largest contributor to online sales. In our view, this is mainly attributed to the increased health awareness among the population.
- In the midst of challenging time, SIDO's expansion plan is still on track. As of 9M21, the outlet coverage has reached around 131k wholesalers (vs. 113k in FY20).

### Valuation

- We upgrade our sales and earnings forecast and raise our TP to IDR1,030/share (based on a target forward P/E of 22.2x), inline with company's guidance.
- We continue to prefer SIDO due to its margin improvement and solid earnings growth. Another positive catalyst stems from the new products as they are well-positioned in the market and enable it to tap into various market segmentation.
- The key risk for our call includes 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)

	2020A	2021F	2022F	2023F
Sales	3,335	3,885	4,503	5,247
Growth	8.7%	16.5%	15.9%	16.5%
Net Profit	934	1,216	1,405	1,649
Growth	15.6%	30.1%	15.6%	17.3%
EPS (IDR)	31	40	46	54
P/E	25.9x	25.6x	22.2x	19.0x
P/BV	7.5x	9.1x	8.5x	8.0x
EV/EBITDA	18.4x	18.6x	16.0x	13.8x
ROE	29.0%	35.6%	38.4%	42.0%
DER	0.0x	0.0x	0.0x	0.0x
Dividend Yield	3.2%	3.4%	3.7%	4.5%

Source: Company Data, Bloomberg, NHKSI Research  
Please consider the rating criteria & important disclaimer

## BUY

Price Target (IDR)	1030
Consensus Price (IDR)	973
TP to Consensus Price	5.9%
Potential Upside	24.1%

### Shares data

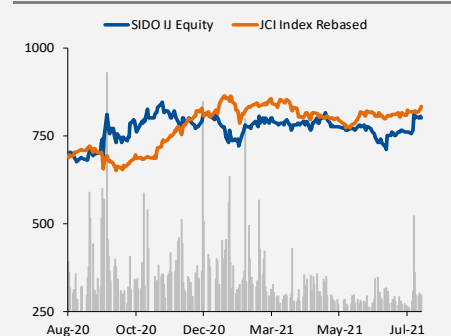
Last Price (IDR)	830
Price Date as of	22-Oct-21
52 wk Range (Hi/Lo)	860/710
Free Float (%)	18.9
Outstanding sh.(mn)	30,229
Market Cap (IDR bn)	24,000
Market Cap (USD mn)	1,673
Avg. Trd Vol - 3M (mn)	8.20
Avg. Trd Val - 3M (bn)	6.29
Foreign Ownership	3.3%

### Healthcare

#### Pharmaceutical

Bloomberg	SIDO IJ
Reuters	SIDO.JK

### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	4.4%	5.9%	7.1%	4.4%
Rel. Ret.	-4.4%	-3.5%	-1.9%	-26.1%

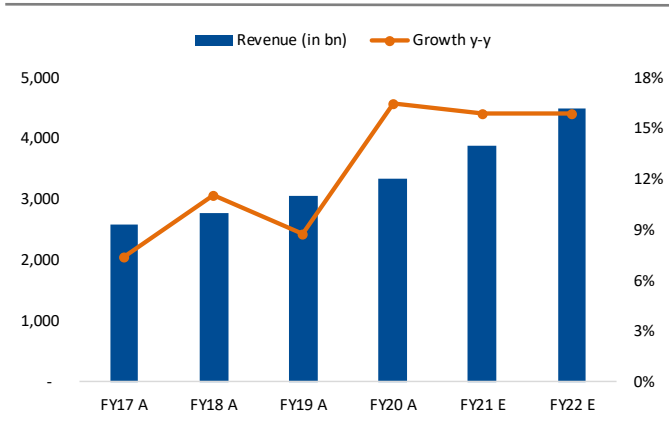
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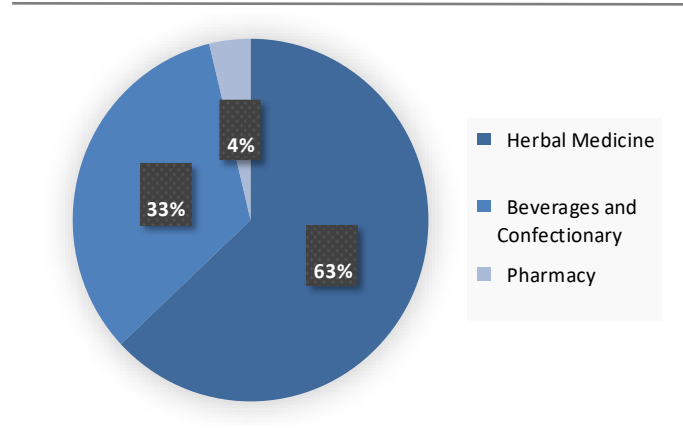
## Performance Highlights

### SIDO's FY17A—FY22E Revenues



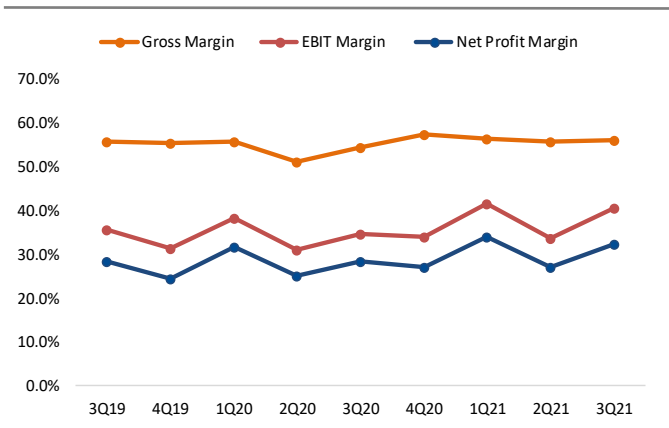
Source: Company Data, NHKSI Research

### SIDO's Revenue Breakdown



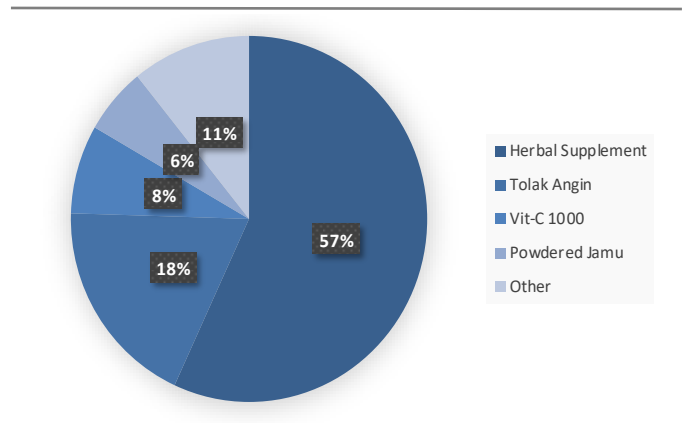
Source: Company Data, NHKSI Research

### SIDO's Margin Ratios



Source: Company Data, NHKSI Research

### SIDO's Best Selling Products via Online



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
<b>Indonesia</b>									
Sido Muncul	1,782	276	269	81	33.18%	30.1%	36.4%	21.6x	8.1x
Kalbe Farma	4,798	1,620	1,657	197	7.85%	11.9%	16.6%	23.9x	3.8x
Kimia Farma Persero	941	1,261	755	2	N/A	0.2%	0.4%	543.4x	1.9x
<b>India</b>									
Wockhard Ltd	681	1,062	364	92	N/A	25.4%	22.7%	N/A	1.5x
Laurus Labs Ltd	4,089	786	636	133	285.31%	20.8%	45.0%	31.0x	11.8x
<b>South Korea</b>									
Hugel Inc	1,963	878	220	48	37.66%	22.0%	7.3%	42.2x	2.9x
Daewoong Co Ltd	1,633	1,688	1,259	83	104.29%	6.6%	14.5%	14.7x	2.0x
Sam Chun Dang Pharm Co Ltd	937	291	143	(10)	N/A	-6.7%	-6.4%	N/A	5.9x
Bukwang Pharmaceutical Co	811	368	150	(10)	N/A	-6.6%	-4.3%	N/A	3.7x
<b>Taiwan</b>									
Obi Pharma Inc	758	190	3	(52)	1.87%	-1572.2%	-36.5%	N/A	5.9x
Center Laboratories Inc	1,067	992	21	199	316.99%	952.0%	31.7%	5.2x	1.4x

Unit: USD mn, %, X

Source: Bloomberg, NHKSI research

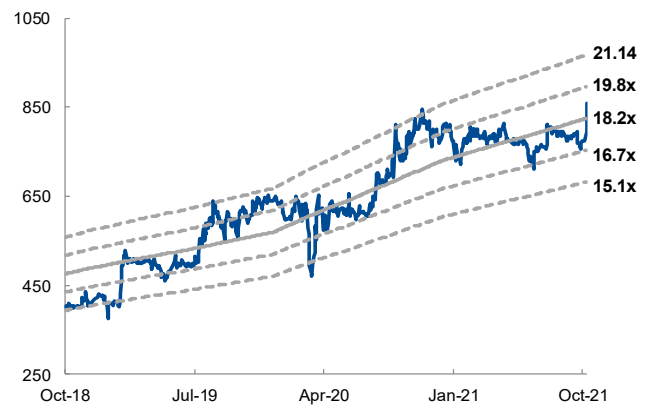
## Valuation Highlight in Charts

Forward P/E band | Last 3 years



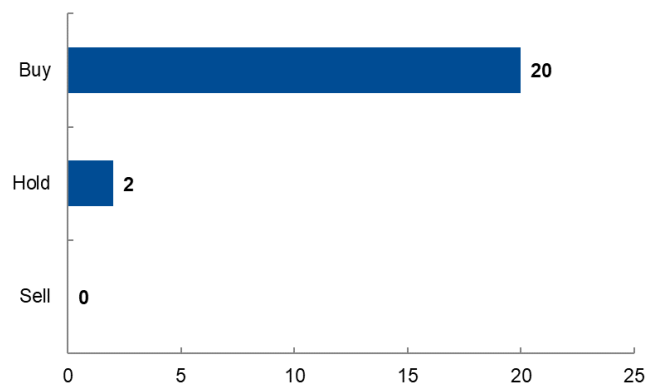
Source: NHKSI research

Dynamic Forward P/E band | Last 3 years



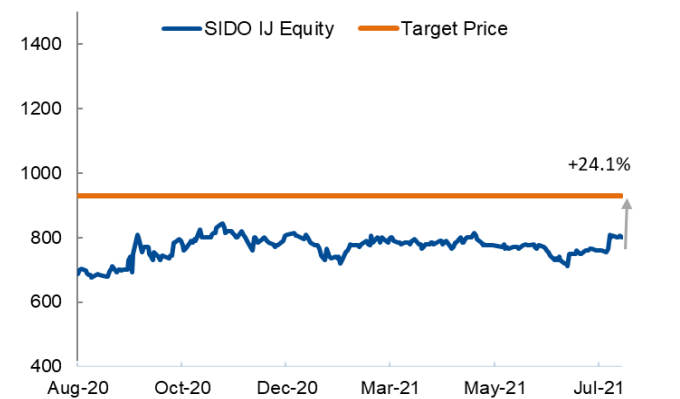
Source: NHKSI research

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	795	813	+17.0%	+14.4%
10/25/2021	Buy	1030	830	973	+24.1%	+5.9%

Source: NHKSI research, Bloomberg

## Summary of Financials

### INCOME STATEMENT

(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
<b>Net Sales</b>	<b>3,335</b>	<b>3,885</b>	<b>4,503</b>	<b>5,247</b>
<i>Growth</i>	8.7%	16.5%	15.9%	16.5%
COGS	(1,497)	(1,669)	(1,930)	(2,235)
<b>Gross Profit</b>	<b>1,839</b>	<b>2,216</b>	<b>2,573</b>	<b>3,012</b>
<i>Gross Margin</i>	55.1%	57.0%	57.1%	57.4%
Operating Expenses	(687)	(703)	(824)	(960)
<b>EBIT</b>	<b>1,152</b>	<b>1,513</b>	<b>1,749</b>	<b>2,052</b>
<i>EBIT Margin</i>	34.5%	38.9%	38.8%	39.1%
Depreciation	97	96	98	97
<b>EBITDA</b>	<b>1,249</b>	<b>1,609</b>	<b>1,846</b>	<b>2,148</b>
<i>EBITDA Margin</i>	37.4%	41.4%	41.0%	40.9%
Interest Expenses	-	-	-	-
<b>EBT</b>	<b>1,200</b>	<b>1,552</b>	<b>1,794</b>	<b>2,105</b>
Income Tax	(266)	(336)	(388)	(456)
Minority Interest	-	-	-	-
<b>Net Profit</b>	<b>934</b>	<b>1,216</b>	<b>1,405</b>	<b>1,649</b>
<i>Growth</i>	15.6%	30.1%	15.6%	17.3%
<i>Net Profit Margin</i>	28.0%	31.3%	31.2%	31.4%

### PROFITABILITY & STABILITY

	2020/12A	2021/12E	2022/12E	2023/12E
ROE	29.0%	35.6%	39.1%	43.2%
ROA	24.3%	31.3%	33.9%	36.9%
Inventory Turnover	4.9x	4.1x	5.2x	5.2x
Receivable Turnover	5.6x	7.6x	8.1x	8.1x
Payables Turnover	8.5x	9.6x	9.6x	9.6x
Dividend Yield	3.9%	3.8%	3.8%	4.6%
Payout Ratio	101.5%	102.6%	100.7%	101.7%
DER	0.0x	0.0x	0.0x	0.0x
Net Gearing	0.0x	0.0x	0.0x	0.0x
Equity Ratio	83.7%	87.8%	86.6%	85.3%
Debt Ratio	0.2%	0.0%	0.0%	0.0%
Financial Leverage	100.6%	102.9%	95.9%	100.6%
Current Ratio	3.7x	5.2x	4.8x	4.4x
Quick Ratio	3.1x	3.9x	4.0x	3.7x
Par Value (IDR)	10	10	10	10
Total Shares (mn)	30,000	30,229	30,229	30,229
Share Price (IDR)	805	1,030	1,030	1,030
Market Cap (IDR tn)	24.2	31.1	31.1	31.1

### BALANCE SHEET

(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Cash	1,032	1,175	1,360	1,498
Receivables	664	362	556	648
Inventories	309	514	370	429
<b>Total Current Assets</b>	<b>2,052</b>	<b>2,094</b>	<b>2,331</b>	<b>2,620</b>
Net Fixed Assets	1,576	1,579	1,607	1,647
Other Non Current Assets	221	216	211	207
<b>Total Non Current Asset</b>	<b>1,797</b>	<b>1,795</b>	<b>1,818</b>	<b>1,854</b>
<b>Total Assets</b>	<b>3,850</b>	<b>3,889</b>	<b>4,149</b>	<b>4,474</b>
Payables	204	143	201	232
ST Bank Loan	3	-	-	-
<b>Total Current Liabilities</b>	<b>560</b>	<b>405</b>	<b>484</b>	<b>589</b>
LT Debt	4	-	-	-
<b>Total Liabilities</b>	<b>628</b>	<b>475</b>	<b>554</b>	<b>659</b>
Capital Stock & APIC	2,207	2,200	2,200	2,200
Retained Earnings	1,073	1,273	1,454	1,673
<b>Shareholders' Equity</b>	<b>3,222</b>	<b>3,414</b>	<b>3,595</b>	<b>3,815</b>

### VALUATION INDEX

	2020/12A	2021/12E	2022/12E	2023/12E
Price /Earnings	25.9x	27.1x	22.2x	18.9x
Price /Book Value	7.5x	9.1x	8.7x	8.2x
PE/EPS Growth	1.7x	0.9x	1.4x	1.1x
EV/EBITDA	18.4x	18.6x	16.1x	13.7x
EV/EBIT	20.0x	19.7x	17.0x	14.4x
EV (IDR bn)	23,007	29,843	29,659	29,520
Sales CAGR (3-Yr)		9.0%	12.0%	13.6%
Net Income CAGR (3-Yr)		20.5%	22.3%	20.3%
Basic EPS (IDR)	31	38	46	55
BVPS (IDR)	107	113	119	126
DPS (IDR)	32	39	39	47

### CASH FLOW STATEMENT

(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Operating Cash Flow	1,036	1,285	1,530	1,701
Investing Cash Flow	(109)	(114)	(121)	(133)
Financing Cash Flow	(640)	(937)	(1,224)	(1,429)
<b>Net Changes in Cash</b>	<b>286</b>	<b>235</b>	<b>184</b>	<b>139</b>

### OWNERSHIP

Shareholders	%
Hotel Candi Baru	60.0
Concordant Investments PL	20.8
Schroder Investment	2.8
Norges Bank	1.2
<b>By Geography</b>	<b>%</b>
Indonesia	96.2
Norway	1.4
United States	0.7
Luxembourg	0.7

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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