

Sido Muncul Tbk (SIDO IJ)

Performance Drop as a result of High Base Effect

The Herbal Medicine and Supplements industry is experiencing a decline in demand due to high inflation, which pressures people's purchasing power. This can be seen within SIDO's Herbal Medicine & Supplements segment sales in 3Q22, which decreased by 5.5% YoY. The revenue and net profit in 3Q22 has been contracted due to the high base in 3Q21, which was IDR1.0 trillion and IDR274.8 billion, respectively.

Performance facing Contraction in 9M22

- SIDO recorded their sales in 9M22 of IDR2.6 trillion, or down 5.9% YoY (vs. 9M21: IDR2.8 trillion). Gross profit, operating profit, and net profit decreased throughout 9M22 to IDR1.4 trillion (-10.8% YoY), IDR905.9 billion (-16.0% YoY), and IDR720.4 billion (-16.8% YoY), respectively.
- On a quarterly basis, the top line and bottom line in 3Q22 decreased (compared to 3Q21) due to the high base effect where demand in 3Q21 was recorded to be very high as a result of the Covid-19 delta variant virus spread. However, compared to the period before Covid-19 (3Q19), SIDO's performance in 3Q22 recorded a better performance.
- In detail, they recorded 3Q22 sales at IDR1.0 trillion (+36.9% QoQ; -10.7% YoY). The increase in the cost of goods sold, led by an increase in cost of goods sold within the Food and Beverage segment, resulted in a contraction of 3Q22 gross profit by 14.7% YoY to IDR549.0 billion.
- Operating profit in 3Q22 decreased by 24.1% YoY to IDR347.3 billion due to an increase in Advertising and Promotion Costs by 12.8% YoY. Therefore, the selling expenses increased by 9.7%. Additionally, net profit in 3Q22 also contracted by 24.4% YoY to IDR 274.8 billion.

Demand Falling Amid High Inflation

- Currently, the Herbal Medicine and Supplements industry is experiencing a decline in demand due to high inflation which weakens people's purchasing power. This can be seen within the Herbal Medicine & Supplements segment sale in 3Q22 which decreased by 5.5% YoY.
- Amid the rise of material prices, the Food and Beverages segment led to sales declines by 20.2% YoY in 3Q22. However, Kuku Bima Energy's sales still recorded double-digit growth in domestic and export markets. Additionally, the pharmaceutical segment sales decreased by 13.7% YoY due to the high base in 3Q21.
- Gross margins in 3Q22 have not returned to normal levels, while the GPM in all segments recorded lower number. The GPM of the Herbal and Supplements segment was recorded at 66.6% (cs. 3Q21: 67.9%), the GPM of the Food and Beverage segment at 27.0% (vs. 3Q21: 36.4%), and the GPM of the Pharmaceutical segment at 38.0% (3Q21: 38.7%).
- Throughout 9M22, SIDO's online sales grew >150% YoY. As for outlet coverage, it has exceeded this year's target. In 9M22, SIDO outlets were recorded at 151 thousand (vs. 2021: 135 thousand). Other than that, SIDO has launched its new products including Alang Sari Cool (Ready to Drink), SM Prosta (Soft Capsule) and Tolak Angin Balm in 3Q22.
- To boost sales performance, SIDO intensively drives its marketing activities, which causes a higher A&P cost. Additionally, the company recorded the opex to sales ratio in 9M22 at 19.6%.

OVERWEIGHT recommendation with TP IDR800

- We recommend Overweight for SIDO with a target price of IDR800/share. This TP implies a P/E of 21.3x with an upside potential of 8.1%. We expect the revenue and net profit for 2022F to be lower by YoY, at IDR3.8 trillion and IDR1.0 trillion, respectively. As for the risks of our recommendations are the increase in raw material prices, consumer purchasing power, and a decrease in product demand.

PT Sido Muncul Tbk | Summary (IDR Bn)

	2021A	2022F	2023F	2024F
Sales	4,021	3,795	4,095	4,515
Growth	20.6%	-5.6%	7.9%	10.3%
Net Profit	1,261	1,001	1,152	1,313
Growth	35.0%	-20.6%	15.1%	14.0%
EPS (IDR)	38	33	38	44
P/E	22.8x	24.0x	20.8x	18.3x
P/BV	7.5x	6.6x	6.5x	6.3x
EV/EBITDA	14.8x	16.6x	14.7x	12.9x
ROE	36.3%	27.7%	31.4%	34.7%
ROA	31.0%	23.5%	26.5%	29.2%
Dividend Yield	3.9%	4.3%	4.5%	5.0%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

Company Report | October 31, 2022

OVERWEIGHT

Price Target (IDR)	800
Consensus Price (IDR)	848
TP to Consensus Price	-5.7%
Potential Upside	8.1%

Shares data

Last Price (IDR)	740
Price Date as of	October 28, 2022
52 wk Range (Hi/Lo)	1,070/630
Free Float (%)	22.3
Outstanding sh.(mn)	30,000
Market Cap (IDR bn)	22,200
Market Cap (USD mn)	1,426
Avg. Trd Vol - 3M (mn)	51.1
Avg. Trd Val - 3M (bn)	38.1
Foreign Ownership (%)	10.0

Healthcare

Pharmaceutical

Bloomberg	SIDO IJ
Reuters	SIDO.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-14.9%	4.2%	-23.7%	-9.8%
Rel. Ret.	-20.8%	4.5%	-25.1%	-17.9%

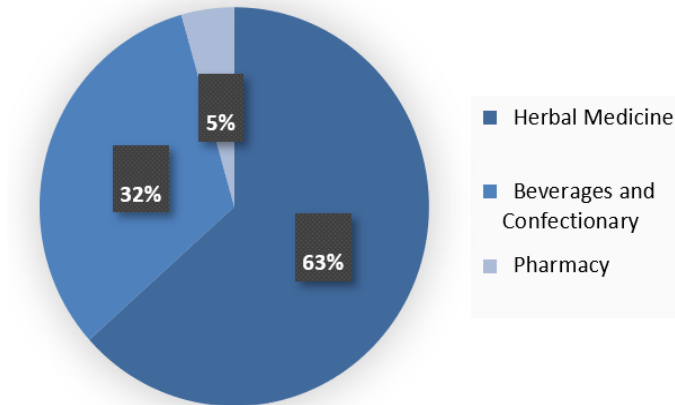
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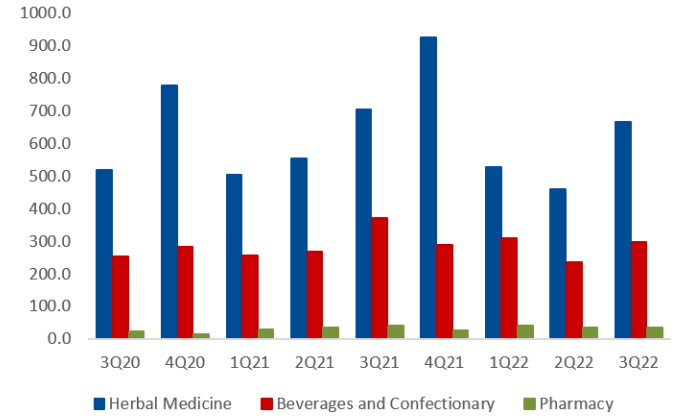
Performance Highlights

SIDO's Revenue Breakdown (9M22)



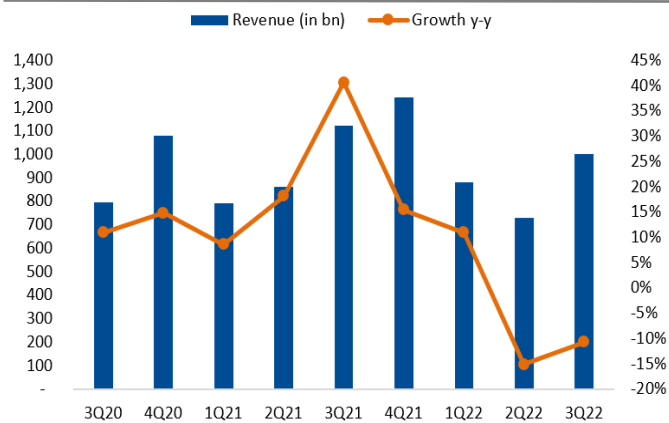
Source: Company Data, NHKSI Research

SIDO's Revenue by Segments (IDR Bn)



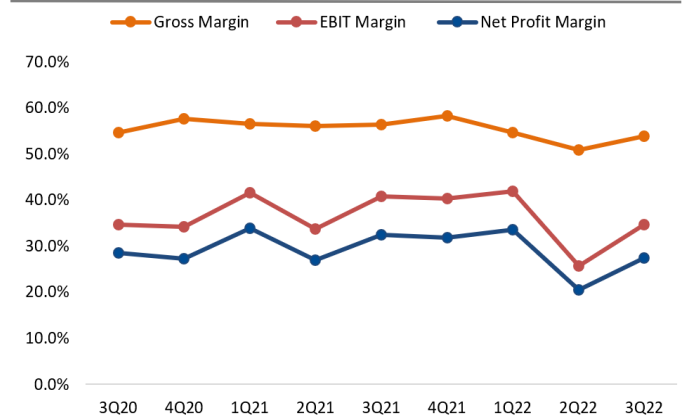
Source: Company Data, NHKSI Research

SIDO's Revenue Growth



Source: Company Data, NHKSI Research

SIDO's Margin Ratio



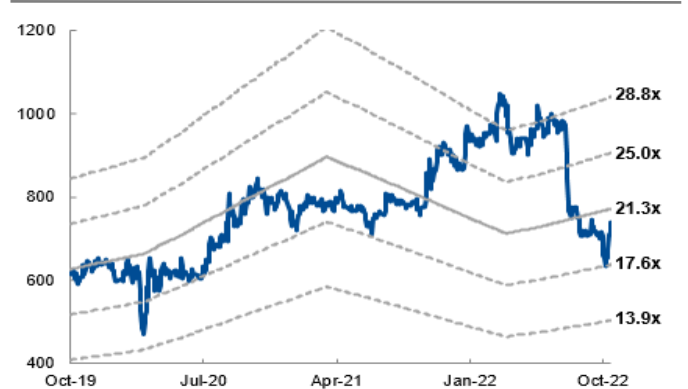
Source: Company Data, NHKSI Research

Forward P/E Band (Last 3 Years)



Source: Company Data, NHKSI Research

Dynamic Forward P/E Band (Last 3 Years)



Source: Company Data, NHKSI Research

Summary of Financials

INCOME STATEMENT					PROFITABILITY & STABILITY				
(IDR bn)	2021/12A	2022/12E	2023/12E	2024/12E		2021/12A	2022/12E	2023/12E	2024/12E
Net Sales	4,021	3,795	4,095	4,515	ROE	36.3%	27.7%	31.4%	34.7%
<i>Growth</i>	20.6%	-5.6%	7.9%	10.3%	ROA	31.0%	23.5%	26.5%	29.2%
COGS	(1,735)	(1,856)	(1,883)	(2,083)	Inventory Turnover	4.5x	3.5x	4.4x	4.9x
Gross Profit	2,286	1,939	2,212	2,433	Receivable Turnover	6.1x	7.4x	7.4x	7.4x
<i>Gross Margin</i>	56.9%	51.1%	54.0%	53.9%	Payables Turnover	8.8x	8.6x	8.4x	8.6x
Operating Expenses	(705)	(677)	(764)	(813)	Dividend Yield	3.9%	4.3%	4.5%	5.0%
EBIT	1,581	1,262	1,438	1,647	Payout Ratio	89.3%	0.0%	0.0%	0.0%
<i>EBIT Margin</i>	39.3%	33.2%	35.1%	36.5%	DER	0.0x	0.0x	0.0x	0.0x
Depreciation	94	95	95	95	Net Gearing	0.0x	0.0x	0.0x	0.0x
EBITDA	1,675	1,357	1,534	1,742	Equity Ratio	85.3%	84.9%	84.6%	84.3%
<i>EBITDA Margin</i>	41.7%	35.7%	37.5%	38.6%	Debt Ratio	0.2%	0.0%	0.0%	0.0%
Interest Expenses	-	-	-	-	Financial Leverage	101.2%	101.5%	102.9%	99.0%
EBT	1,613	1,283	1,476	1,682	Current Ratio	4.1x	4.1x	4.1x	4.1x
Income Tax	(352)	(282)	(325)	(369)	Quick Ratio	3.3x	3.1x	3.4x	3.4x
Minority Interest	-	-	-	-	Par Value (IDR)	10	10	10	10
Net Profit	1,261	1,001	1,152	1,313	Total Shares (mn)	30,000	30,000	30,000	30,000
<i>Growth</i>	35.0%	-20.6%	15.1%	14.0%	Share Price (IDR)	865	800	800	800
<i>Net Profit Margin</i>	31.4%	26.4%	28.1%	29.1%	Market Cap (IDR tn)	26.0	24.0	24.0	24.0

BALANCE SHEET					VALUATION INDEX				
(IDR bn)	2021/12A	2022/12E	2023/12E	2024/12E		2021/12A	2022/12E	2023/12E	2024/12E
Cash	1,082	1,424	1,495	1,599	Price /Earnings	22.8x	24.0x	20.8x	18.3x
Receivables	664	368	557	614	Price /Book Value	7.5x	6.6x	6.5x	6.3x
Inventories	455	606	431	424	PE/EPS Growth	0.7x	-1.2x	1.4x	1.3x
Total Current Assets	2,245	2,444	2,528	2,681	EV/EBITDA	14.8x	16.6x	14.7x	12.9x
Net Fixed Assets	1,600	1,607	1,594	1,593	EV/EBIT	15.7x	17.9x	15.6x	13.6x
Other Non Current Assets	225	205	217	216	EV (IDR bn)	24,874	22,576	22,505	22,401
Total Non Current Asset	1,824	1,812	1,811	1,809	Sales CAGR (3-Yr)	9.0%	13.3%	7.4%	7.1%
Total Assets	4,069	4,256	4,339	4,490	Net Income CAGR (3-Yr)	20.5%	23.8%	7.4%	7.2%
Payables	189	243	223	241	Basic EPS (IDR)	38	33	38	44
ST Bank Loan	6	-	-	-	BVPS (IDR)	116	120	122	126
Total Current Liabilities	543	602	615	658	DPS (IDR)	34	35	36	40
LT Debt	2	-	-	-					
Total Liabilities	598	642	667	706					
Capital Stock & APIC	2,149	2,152	2,152	2,152					
Retained Earnings	1,323	1,462	1,519	1,630					
Shareholders' Equity	3,471	3,613	3,672	3,783					

CASH FLOW STATEMENT					OWNERSHIP				
(IDR bn)	2021/12A	2022/12E	2023/12E	2024/12E					
Operating Cash Flow	1,199	1,141	1,247	1,401	Shareholders				%
Investing Cash Flow	(124)	(115)	(86)	(97)	PT HOTEL CANDI BARU				60.5
Financing Cash Flow	(1,025)	(685)	(1,090)	(1,199)	CONCORDANT INVESTMENTS LP				17.1
Net Changes in Cash	50	341	71	104	Norges Bank				1.0
					BlackRock Inc				0.6
					By Geography				%
					Unknown				90.0
					Indonesia				3.2
					Luxembourg				1.7
					United States				1.5

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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