

Sido Muncul Tbk (SIDO IJ)

Moderate Growth in 2023

In 1Q23, SIDO managed to book growth on the Top and Bottom Lines. Sales grew 3% YoY, led by the Food and Beverage segment, which increased 7% YoY. Net profit recorded a 2% YoY increase, bringing NPM to a higher number than the previous quarter at 33% (vs 4Q22: 31%). Sales in the domestic market grew 4%, while the international business grew 11%, driven by strong sales in energy drinks.

Profitability Improvement (NPM and OPM) Seen in 1Q23

- In 1Q23, SIDO managed to book growth on its Top and Bottom Lines. Sales grew 3% YoY to IDR 907 billion, buoyed by the Food and Beverages segment, which grew 7% YoY. An increase in Net Profit is also seen, causing the Net Profit to record a 2% YoY increase to IDR 300 billion. This increase has brought the NPM to a higher number, at 33%, higher than the previous quarter (4Q22: 31%).
- GPM was recorded lower in 1Q23, at 53% (vs 4Q22: 61%), as gross profit slightly declined to IDR 483 billion amid higher cost of sales at IDR 424 billion. Operating profit slightly increased by 1% YoY to IDR 370 billion amid lower advertising and marketing costs, resulting in lower selling and marketing expenses. The increase in operating profit during 1Q23 caused OPM to be recorded higher than the previous quarter at 42% (vs 4Q22: 38%).

Performance Growth Supported by Domestic and International Markets

- The Company has launched a new product variant, ESEMAG (Esemag Tablet variant for gastritis relief). Since its launch, Esemag has grown by more than 200% and will continue to grow. In addition, Esemag also occupies the sixth position in the herbal digestion market category.
- GPM for the Herbal and Supplement segment in 1Q23 was slightly lower at 68% (vs 4Q22: 70%) due to higher prices of raw materials, such as packaging, sugar, some herbal ingredients, etc. Tolak Angin still became the main driver of this segment's sales, along with strong growth in its new product, Esemag.
- Excluding Vit C1000, Food and Beverage segment grew 11%-13% YoY, fueled by Kuku Bima Energi sales and a positive response to Alang Sari Cool RTD. GPM in this segment remains stable at 31% in 1Q23 (vs 4Q22: 31%).
- Pharmaceuticals segment GPM was lower in 1Q23, at 25% (vs 4Q22: 28%) as sales declined considerably (-46% YoY). This was due to the EG and DEG cases in syrup in Indonesia, which required syrup products to undergo BPOM testing.
- In the Pharmaceutical segment, 7 out of 16 SKUs were authorized for redistribution at the end of March and were effectively sold in April. In the near future, aside from waiting for the BPOM test results, this segment will focus on different product formats, such as tablets or other variants within the same brand.
- Sales in the domestic market grew by 4%, while the international business grew by 11%. The increase in international business was fueled by strong sales of energy drinks, mainly in Malaysia and Nigeria. Export sales, excluding essential oils, grew 14%-15%. Moreover, the demand for essential oils showed a slowdown since 4Q22 due to the weak economy in the European Union.
- Meanwhile, to strengthen its distribution network and reactive outlets, SIDO will add a new distributor in the Philippines to distribute its products in the second quarter.

BUY Recommendation with a TP of IDR 1,000

- We suggest a Buy recommendation for SIDO by raising the target price to IDR 1,000/share. This implies a P/E of 21.6x with a potential upside of 24.2%. The risks of our recommendation are declining product demand, rising raw material costs, and weak purchasing power.

PT Sido Muncul Tbk | Summary (IDR Bn)

	2022A	2023F	2024F	2025F
Sales	3,866	4,246	4,713	5,316
Growth	-3.9%	9.8%	11.0%	12.8%
Net Profit	1,105	1,270	1,408	1,558
Growth	-12.4%	14.9%	10.9%	10.7%
EPS (IDR)	37	42	47	52
P/E	20.5x	23.6x	21.3x	19.3x
P/BV	6.5x	8.1x	7.7x	7.1x
EV/EBITDA	14.7x	16.7x	15.3x	13.8x
ROE	31.5%	34.5%	35.9%	37.0%
ROA	27.1%	26.5%	30.5%	31.3%
Dividend Yield	4.8%	3.6%	4.0%	4.2%

Source: Company Data, Bloomberg, NIKSI Research

Please consider the rating criteria & important disclaimer

Company Report | May 9, 2023

BUY

Price Target (IDR)	1,000
Consensus Price (IDR)	969
TP to Consensus Price	3.2%
Potential Upside	24.2%

Shares data

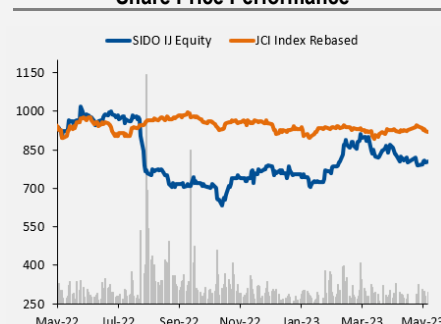
Last Price (IDR)	805
Price Date as of	May 8, 2023
52 wk Range (Hi/Low)	1,020/630
Free Float (%)	22.4
Outstanding sh.(mn)	30,000
Market Cap (IDR bn)	24,150
Market Cap (USD mn)	1,642
Avg. Trd Vol - 3M (mn)	20.6
Avg. Trd Val - 3M (bn)	17.5
Foreign Ownership (%)	97.5

Healthcare

Pharmaceutical

Bloomberg	SIDO IJ
Reuters	SIDO.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	6.6%	0.0%	1.9%	-14.4%
Rel. Ret.	7.8%	0.0%	4.4%	-12.3%

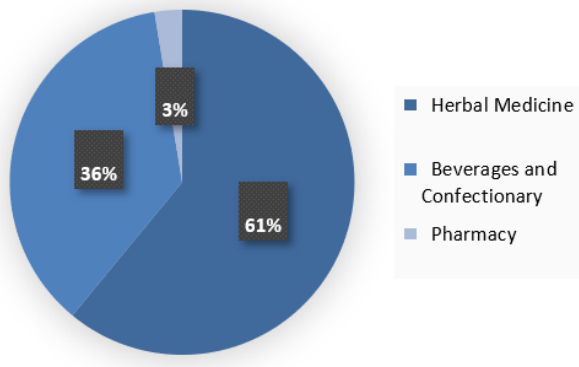
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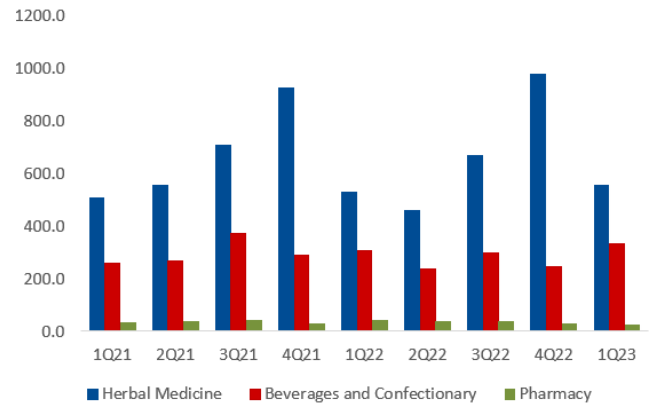
Performance Highlights

SIDO's Revenue Breakdown (1Q23)



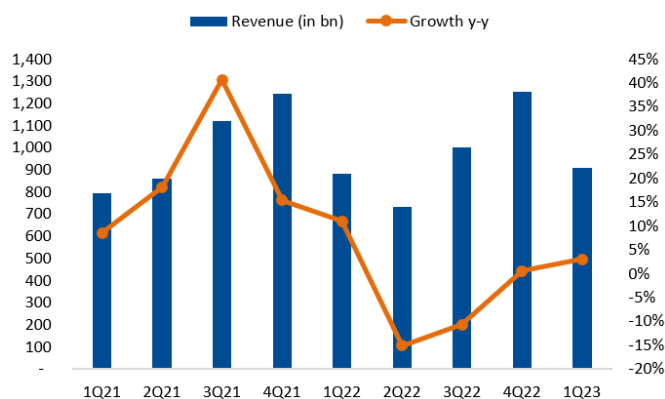
Source: Company Data, NHKSI Research

SIDO's Revenue by Segments (IDR Bn)



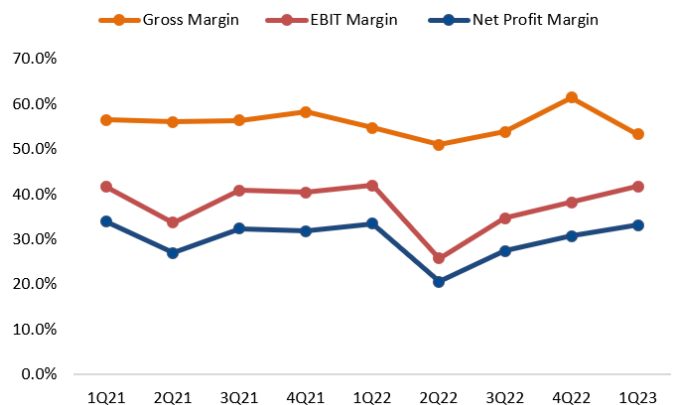
Source: Company Data, NHKSI Research

SIDO's Revenue Growth



Source: Company Data, NHKSI Research

SIDO's Margin Ratio



Source: Company Data, NHKSI Research

Forward P/E Band



Source: Company Data, NHKSI Research

Dynamic Forward P/E Band



Source: Company Data, NHKSI Research

Summary of Financials

INCOME STATEMENT

(IDR bn)	2022/12A	2023/12E	2024/12E	2025/12E
Net Sales	3,866	4,246	4,713	5,316
Growth	-3.9%	9.8%	11.0%	12.8%
COGS	(1,703)	(1,859)	(2,052)	(2,326)
Gross Profit	2,163	2,387	2,661	2,990
Gross Margin	55.9%	56.2%	56.5%	56.2%
Operating Expenses	(779)	(794)	(897)	(1,038)
EBIT	1,384	1,593	1,764	1,952
EBIT Margin	35.8%	37.5%	37.4%	36.7%
Depreciation	95	104	103	108
EBITDA	1,479	1,697	1,867	2,059
EBITDA Margin	38.3%	40.0%	39.6%	38.7%
Interest Expenses	-	-	-	-
EBT	1,420	1,624	1,806	2,000
Income Tax	(315)	(354)	(398)	(442)
Minority Interest	-	-	-	-
Net Profit	1,105	1,270	1,408	1,558
Growth	-12.4%	14.9%	10.9%	10.7%
Net Profit Margin	28.6%	29.9%	29.9%	29.3%

PROFITABILITY & STABILITY

	2022/12A	2023/12E	2024/12E	2025/12E
ROE	31.5%	34.5%	35.9%	37.0%
ROA	27.1%	26.5%	30.5%	31.3%
Inventory Turnover	3.4x	4.3x	4.9x	4.3x
Receivable Turnover	5.7x	5.7x	5.7x	5.7x
Payables Turnover	8.6x	8.4x	8.5x	8.8x
Dividend Yield	4.8%	3.6%	4.0%	4.2%
Payout Ratio	0.0%	0.0%	0.0%	0.0%
DER	0.0x	0.0x	0.0x	0.0x
Net Gearing	0.0x	0.0x	0.0x	0.0x
Equity Ratio	85.9%	76.7%	84.8%	84.4%
Debt Ratio	0.1%	0.0%	0.1%	0.0%
Financial Leverage	104.7%	95.5%	110.5%	89.6%
Current Ratio	4.1x	2.7x	4.1x	4.1x
Quick Ratio	3.1x	2.2x	3.5x	3.3x
Par Value (IDR)	10	10	10	10
Total Shares (mn)	30,000	30,000	30,000	30,001
Share Price (IDR)	755	1,000	1,000	1,000
Market Cap (IDR tn)	22.7	30.0	30.0	30.0

BALANCE SHEET

(IDR bn)	2022/12A	2023/12E	2024/12E	2025/12E
Cash	923	1,692	1,405	1,489
Receivables	687	644	824	929
Inventories	543	561	417	535
Total Current Assets	2,194	2,948	2,693	3,001
Net Fixed Assets	1,616	1,607	1,678	1,728
Other Non Current Assets	271	244	247	254
Total Non Current Asset	1,887	1,851	1,924	1,982
Total Assets	4,081	4,799	4,617	4,984
Payables	209	187	240	263
ST Bank Loan	2	2	2	2
Total Current Liabilities	541	1,078	658	737
LT Debt	-	-	-	-
Total Liabilities	576	1,117	700	775
Capital Stock & APIC	2,152	2,152	2,152	2,152
Retained Earnings	1,354	1,531	1,765	2,057
Shareholders' Equity	3,505	3,683	3,917	4,209

VALUATION INDEX

	2022/12A	2023/12E	2024/12E	2025/12E
Price /Earnings	20.5x	23.6x	21.3x	19.3x
Price /Book Value	6.5x	8.1x	7.7x	7.1x
PE/EPS Growth	-1.7x	1.6x	2.0x	1.8x
EV/EBITDA	14.7x	16.7x	15.3x	13.8x
EV/EBIT	15.7x	17.8x	16.2x	14.6x
EV (IDR bn)	21,729	28,309	28,597	28,515
Sales CAGR (3-Yr)	13.3%	8.0%	8.4%	5.4%
Net Income CAGR (3-Yr)	23.8%	11.0%	10.8%	3.7%
Basic EPS (IDR)	37	42	47	52
BVPS (IDR)	117	123	131	140
DPS (IDR)	36	36	40	42

OWNERSHIP

Shareholders	%
PT HOTEL CANDI BARU	60.5
CONCORDANT INVESTMENTS LP	17.1
PT Schroder Investment Management Indonesia	1.9
Blackrock Inc	0.7
By Geography	%
Unknown	91.3
Indonesia	2.5
United States	1.9
Luxembourg	1.5

CASH FLOW STATEMENT

(IDR bn)	2022/12A	2023/12E	2024/12E	2025/12E
Operating Cash Flow	1,107	1,258	1,059	1,519
Investing Cash Flow	(180)	(92)	(140)	(169)
Financing Cash Flow	(1,088)	(1,095)	(1,206)	(1,267)
Net Changes in Cash	(159)	71	(287)	83

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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