

Sido Muncul Tbk (SIDO IJ)

6M23 Performance Overshadowed by Soft Demand

Throughout 6M23, SIDO managed to record a 3% YoY increase in sales to IDR 1.7 trillion, with Tolak Angin still became the market leader (6M23 market share: 73%). SIDO experienced an unrealized foreign exchange loss in 6M23, amounting to IDR 37 billion. This loss was contributed by the Nigerian Naira, which depreciated by more than 70% compared to global currencies, bringing 6M23 net profit to IDR 448 billion or grew by 1% YoY.

Managed to Record a Steady Growth

- Throughout 6M23, SIDO managed to record a 3% YoY increase in sales to IDR 1.7 trillion (vs. 6M22: IDR 1.6 trillion), with Tolak Angin still being the market leader (6M23 market share: 73% vs. 6M22: 71%). SIDO experienced unrealized foreign exchange loss in 6M23, amounting to IDR 37 billion. This loss was contributed by the Nigerian Naira, which depreciated by more than 70%, compared to global currencies, bringing 6M23 net profit to IDR 448 billion or grew 1% YoY. On a quarterly basis, SIDO's sales in 2Q23 were recorded at IDR 746 billion (-18% QoQ; +2.0% YoY), with net profit was recorded at IDR 148 billion (-51% QoQ; -2% YoY).
- Amidst the decrease in cost of sales in 2Q23 at 1% YoY, 2Q23 GPM was able to record higher at 53% (vs 2Q22: 51%) followed by 2Q23 OPM which also increased to 30% (vs 2Q22: 26%) due to the decrease in general and administrative expenses. However, in 2Q23, NPM failed to record any improvement or declined to 20% (vs 2Q22: 21%).

Stable Raw Material Prices Reflected in Gross Margin of Each Segment

- The Herbal and Supplement segment recorded sales growth of 2% YoY with GPM remaining stable at 67% in 6M23 driven by stable raw material prices. In this segment, Esemag recorded strong growth with 6M23 sales growing 125% YoY.
- From the Food and Beverage segment, 6M23 sales grew 9% YoY followed by GPM which slightly increased to 31% due to lower raw material prices. This segment was supported by sales growth from Ready To Drink (RTD) products, as well as high demand for Kuku Bima Energi outside Java.
- However, the Pharmaceuticals segment recorded a decline in sales for 6M23 by 30% YoY, along with a decline in GPM to 32% (vs 6M22: 40%). Most of the syrup SKUs were redistributed in May and mid-June, while there are 5 more SKUs awaiting BPOM test results.
- The Company sees that the main challenge for the domestic market in 2H23 is the change in customer behavior and weak consumer purchasing power. In addition, exchange rate instability in Nigeria had a negative impact on 2H23 export performance. It should be noted that the situation in Nigeria has a significant impact on export revenue, as exports to Nigeria accounted for 30% of total exports.
- On the other hand, the Company will also continue to carry out its long-term strategies, such as focusing on branding for some of its new products (RTD and Esemag) through increased investment and product education. Furthermore, the addition of a new distributor in the Philippines has started operations since May 2023 and is expected to fully operate in 2H23. Moreover, the essential oil business is currently exploring opportunities in the domestic market to expand its client portfolio.

OVERWEIGHT Recommendation with a TP of IDR 700

- We provide an Overweight recommendation for SIDO by lowering the target price to IDR 700/share. This TP implies a P/E of 18.4x (P/E -1 STD), with an upside potential of 9.4%. However, the risk of our recommendation is a decline in product demand due to changes in consumer behavior and weak purchasing power.

PT Sido Muncul Tbk | Summary (IDR Bn)

	2022A	2023F	2024F	2025F
Sales	3,866	3,920	4,311	4,483
Growth	-3.9%	1.4%	10.0%	4.0%
Net Profit	1,105	1,107	1,285	1,318
Growth	-12.4%	0.2%	16.0%	2.6%
EPS (IDR)	37	37	43	44
P/E	20.5x	19.0x	16.3x	15.9x
P/BV	6.5x	6.0x	5.6x	5.3x
EV/EBITDA	14.7x	12.9x	11.5x	11.2x
ROE	31.5%	31.5%	34.1%	33.5%
ROA	27.1%	26.2%	29.1%	28.7%
Dividend Yield	4.8%	5.2%	5.0%	5.5%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

OVERWEIGHT

Price Target (IDR)	700
Consensus Price (IDR)	761
TP to Consensus Price	-8.1%
Potential Upside	9.4%

Shares data

Last Price (IDR)	640
Price Date as of	August 1, 2023
52 wk Range (Hi/Lo)	915/630
Free Float (%)	22.4
Outstanding sh.(mn)	30,000
Market Cap (IDR bn)	19,200
Market Cap (USD mn)	1,270
Avg. Trd Vol - 3M (mn)	30.1
Avg. Trd Val - 3M (bn)	21.6
Foreign Ownership (%)	26.1

Healthcare

Pharmaceutical

Bloomberg	SIDO IJ
Reuters	SIDO.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-15.2%	-11.7%	-19.5%	-19.0%
Rel. Ret.	-15.8%	-14.6%	-19.8%	-17.5%

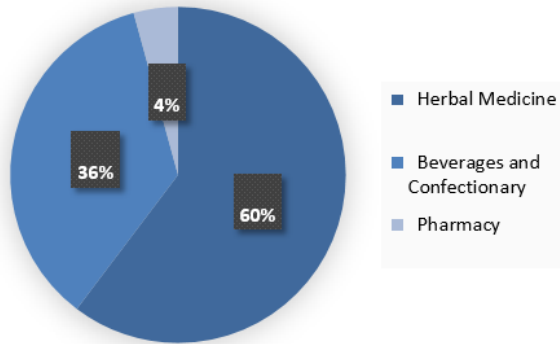
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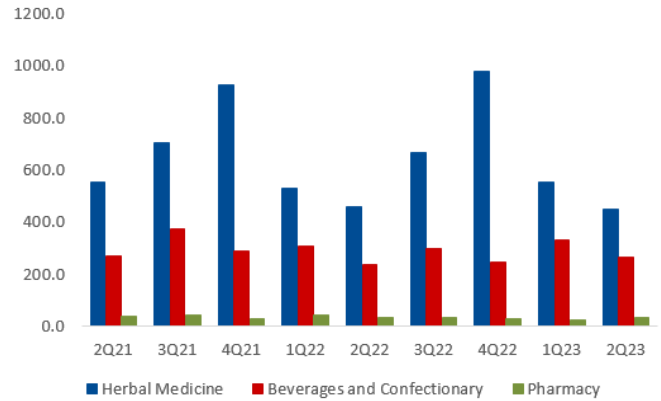
Performance Highlights

SIDO's Revenue Breakdown (2Q23)



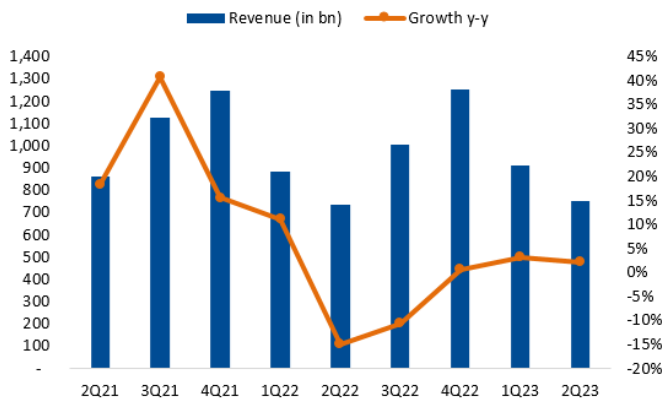
Source: Company Data, NHKSI Research

SIDO's Revenue by Segments (IDR Bn)



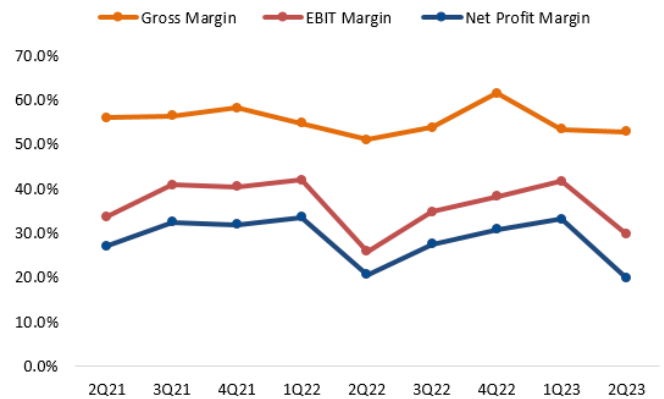
Source: Company Data, NHKSI Research

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	3,920	4,311	4,483
Growth	-3.9%	1.4%	10.0%	4.0%
COGS	(1,703)	(1,762)	(1,881)	(1,957)
Gross Profit	2,163	2,157	2,430	2,526
Gross Margin	55.9%	55.0%	56.4%	56.4%
Operating Expenses	(779)	(731)	(821)	(876)
EBIT	1,384	1,426	1,610	1,650
EBIT Margin	35.8%	36.4%	37.3%	36.8%
Depreciation	95	103	103	107
EBITDA	1,479	1,529	1,713	1,757
EBITDA Margin	38.3%	39.0%	39.7%	39.2%
Interest Expenses	-	-	-	-
EBT	1,420	1,423	1,648	1,691
Income Tax	(315)	(316)	(363)	(374)
Minority Interest	-	-	-	-
Net Profit	1,105	1,107	1,285	1,318
Growth	-12.4%	0.2%	16.0%	2.6%
Net Profit Margin	28.6%	28.3%	29.8%	29.4%

PROFITABILITY & STABILITY

	2022/12A	2023/12E	2024/12E	2025/12E
ROE	31.5%	31.5%	34.1%	33.5%
ROA	27.1%	26.2%	29.1%	28.7%
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%	5.2%	5.0%	5.5%
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%	83.1%	85.3%	85.5%
Debt Ratio	0.1%	0.2%	0.2%	0.2%
Financial Leverage	104.7%	100.1%	96.6%	100.2%
Current Ratio	4.1x	3.5x	4.2x	4.3x
Quick Ratio	3.1x	2.7x	3.5x	3.6x
Par Value (IDR)	10	10	10	10
Total Shares (mn)	30,000	30,000	30,000	30,001
Share Price (IDR)	755	700	700	700
Market Cap (IDR tn)	22.7	21.0	21.0	21.0

BALANCE SHEET

(IDR bn)	2022/12A	2023/12E	2024/12E	2025/12E
Cash	923	1,240	1,331	1,374
Receivables	687	551	753	783
Inventories	543	531	383	450
Total Current Assets	2,194	2,372	2,513	2,655
Net Fixed Assets	1,616	1,611	1,657	1,683
Other Non Current Assets	271	243	246	254
Total Non Current Asset	1,887	1,855	1,903	1,937
Total Assets	4,081	4,227	4,416	4,592
Payables	209	149	220	221
ST Bank Loan	2	3	2	2
Total Current Liabilities	541	671	603	621
LT Debt	-	5	5	5
Total Liabilities	576	713	649	664
Capital Stock & APIC	2,152	2,152	2,152	2,152
Retained Earnings	1,354	1,362	1,615	1,777
Shareholders' Equity	3,505	3,513	3,767	3,928

CASH FLOW STATEMENT

(IDR bn)	2022/12A	2023/12E	2024/12E	2025/12E
Operating Cash Flow	1,107	1,505	1,271	1,343
Investing Cash Flow	(180)	(91)	(128)	(144)
Financing Cash Flow	(1,088)	(1,098)	(1,052)	(1,156)
Net Changes in Cash	(159)	317	91	43

Source: Company Data, NHKSI Research

VALUATION INDEX

	2022/12A	2023/12E	2024/12E	2025/12E
Price /Earnings	20.5x	19.0x	16.3x	15.9x
Price /Book Value	6.5x	6.0x	5.6x	5.3x
PE/EPS Growth	-1.7x	76.4x	1.0x	6.2x
EV/EBITDA	14.7x	12.9x	11.5x	11.2x
EV/EBIT	15.7x	13.9x	12.2x	11.9x
EV (IDR bn)	21,729	19,768	19,676	19,634
Sales CAGR (3-Yr)	13.3%	8.0%	5.5%	2.4%
Net Income CAGR (3-Yr)	23.8%	11.0%	5.8%	0.6%
Basic EPS (IDR)	37	37	43	44
BVPS (IDR)	117	117	126	131
DPS (IDR)	36	36	35	39

OWNERSHIP

Shareholders	%
PT HOTEL CANDI BARU	60.5
CONCORDANT INVESTMENTS LP	17.1
PT Schroder Investment Management Indonesia	1.3
Blackrock Inc	0.6
By Geography	%
Unknown	92.9
Indonesia	1.9
United States	1.7
Luxembourg	1.1

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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