

Sido Muncul Tbk (SIDO IJ)

Strong Performance in 4Q23

The recovery was evident in SIDO's 4Q23 performance, where QoQ sales were able to increase higher by 70% to IDR 1.2 trillion (vs. 3Q23: IDR 707.5 billion), supported by better demand, especially in the Herbal Medicine and Supplement segment. SIDO's exports posted a strong performance, with a 39.5% YoY increase in 4Q23, supported by exports of Tolak Angin to the Philippines, energy drinks to Malaysia, and growth in essential oil exports. On the bottom line, net profit managed to increase significantly by 163% QoQ to IDR 364.1 billion (vs. 3Q23: IDR 138.5 billion), with NPM also recorded higher at 30%.

Positive Growth Recovery on QoQ Basis

- Throughout 2023, SIDO posted a decline in sales by 8% YoY to IDR 3.6 trillion (vs. 2022: IDR 3.9 trillion). However, a recovery was seen in 4Q23, where QoQ sales were able to increase higher by 70% to IDR 1.2 trillion (vs. 3Q23: IDR 707.5 billion), supported by better demand within the domestic and export side, particularly demand in the Herbal Medicine and Supplements segment due to the rainy season. Meanwhile, throughout 2023, SIDO was able to maintain its market share, especially for Tolak Angin at 72%, which was having an increase of 1.1% YoY.
- 4Q23 gross profit recorded a QoQ growth of 92% to IDR 750.8 billion (vs. 3Q23: IDR 390.4 billion), bringing the full year gross profit to IDR 2.0 trillion (-7% YoY). Operating profit also increased significantly by 164% QoQ in 4Q23 to IDR 455.5 billion amidst the Company's vigorous marketing campaign, with advertising and promotion expenses increasing by 33%. Meanwhile, in 2023, operating profit was recorded at IDR 1.2 trillion (-15%), with Opex per sales around 22%. Net profit also increased significantly by 163% QoQ to IDR 364.1 billion (vs. 3Q23: IDR 138.5 billion) and brought 2023 net profit to IDR 950.6 billion (-14% YoY).
- On the other hand, the foreign exchange loss of IDR43 billion caused by the depreciation of the Naira against world currencies, leading the company to initiate business transactions to Nigeria in 2024 will be in USD and shipments to Nigeria will be facilitated after receiving advance payment. In terms of margin in 4Q23, GPM was able to record higher than the previous quarter at 62% (vs. 3Q23: 55%), followed by OPM which rose to 39% (vs. 3Q23: 24%), and NPM which also recorded higher at 30% (vs 3Q23: 20%).

Impressive Performance Across All Segments

- SIDO's exports posted a strong performance with a 39.5% YoY increase in 4Q23. This increase was supported by exports of Tolak Angin to the Philippines, energy drinks to Malaysia, and growth in essential oil exports. In developing its exports, SIDO will add more distributors including GT and MT channels in the Philippines and Malaysia, new export products (candy, ginger tea, and coconut sugar), Malaysia expansion (Sabah, Sarawak, Mamak restaurant), and Expansion to the Philippines (Tolak Angin Care and new distributors).
- On a QoQ basis, sales of each of its segments were solidly up in 4Q23 led by the Herbal Medicine and Supplement segment which grew 97% QoQ despite weak demand for Tolak Angin but other SKUs such as Esemag still posted positive growth, while its GPM was recorded higher at 71% (vs. 3Q23: 67%). F&B segment sales grew 25% QoQ on the back of growth in sales of energy drinks and ready-to-drink (RTD) products and was able to bring an increase in its GPM to 39% (vs. 3Q23: 34%) which was also supported by lower raw material prices. The pharmacy segment was flat on a QoQ basis, with lower GPM at 33% (vs 3Q23: 36%), as all liquid medicine products have passed the BPOM test and can be redistributed.
- SIDO's strategies for this year include innovation through the development and diversification of new products to capture a wider market both domestically and exports, increasing the effectiveness of promotional and marketing programs to maintain market share and increase sales, expanding the implementation of MY Sido Muncul application and increasing market penetration through an omnichannel approach, managing business risks specifically in Nigeria, and to expand the client portfolio, the essential oil business is actively exploring opportunities in the domestic market.

OVERWEIGHT Recommendation with a TP at IDR 700

- We initiate an Overweight recommendation for SIDO by raising the target price to IDR700/share, which implies a P/E of 20.6x with an upside potential of 12.9%. The risk of our recommendation is a decline in product demand due to changes in consumer behavior and weak purchasing power. Meanwhile, we project revenue and net profit for 2024F at IDR3.8 trillion and IDR1.1 trillion, respectively.

PT Sido Muncul Tbk | Summary (IDR Bn)

	2023A	2024F	2025F	2026F
Sales	3,566	3,773	3,954	4,111
Growth	-7.8%	5.8%	4.8%	4.0%
Net Profit	951	1,076	1,092	1,129
Growth	-13.9%	13.2%	1.4%	3.4%
EPS (IDR)	32	36	36	38
P/E	16.6x	19.5x	19.2x	18.6x
P/BV	4.7x	5.9x	5.7x	5.5x
EV/EBITDA	11.2x	13.5x	13.3x	12.7x
ROE	28.1%	30.1%	29.5%	29.7%
ROA	24.4%	26.0%	25.6%	25.8%
Dividend Yield	6.8%	4.3%	4.6%	4.9%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

OVERWEIGHT

Price Target (IDR)	700
Consensus Price (IDR)	623
TP to Consensus Price	12.4%
Potential Upside	12.9%

Shares data

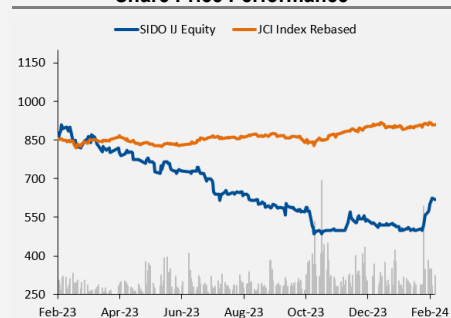
Last Price (IDR)	620
Price Date as of	February 26, 2024
52 wk Range (Hi/Lo)	915/478
Free Float (%)	22.4
Outstanding sh.(mn)	30,000
Market Cap (IDR bn)	18,600
Market Cap (USD mn)	1,189
Avg. Trd Vol - 3M (mn)	33.5
Avg. Trd Val - 3M (bn)	18.2
Foreign Ownership (%)	3.9

Healthcare

Pharmaceutical

Bloomberg	SIDO IJ
Reuters	SIDO.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	21.6%	24.0%	24.0%	-27.5%
Rel. Ret.	22.1%	21.9%	20.1%	-33.7%

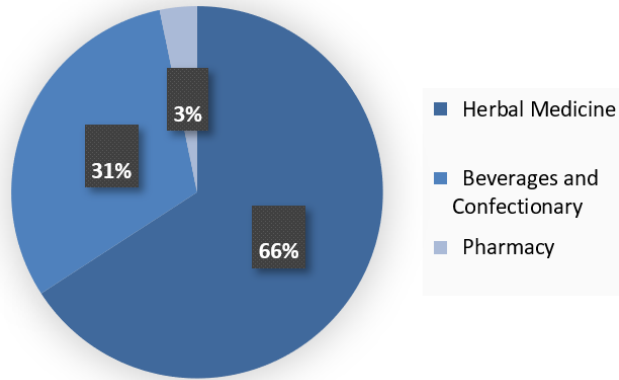
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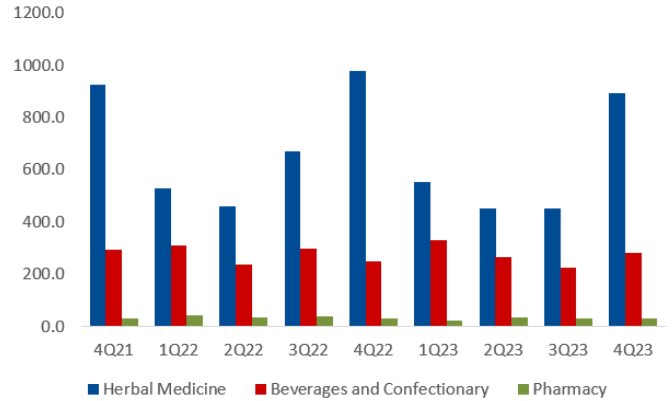
Performance Highlights

SIDO's Revenue Breakdown (2023)



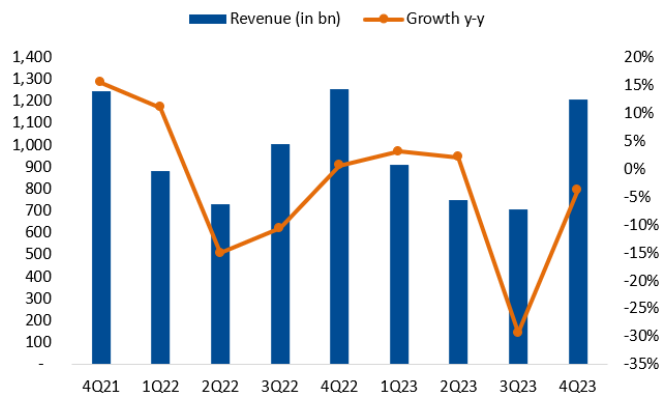
Source: Company Data, NHKSI Research

SIDO's Revenue by Segments (IDR Bn)



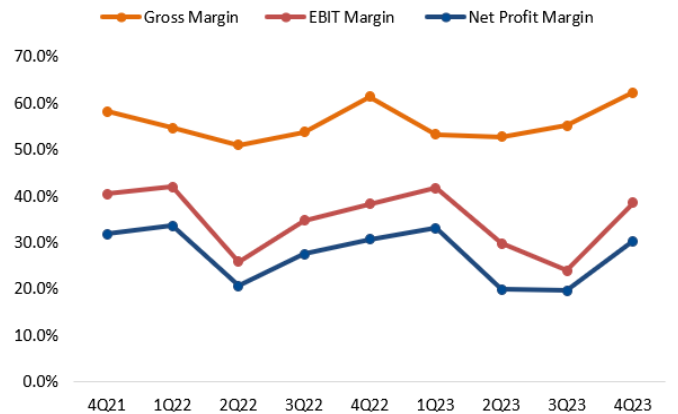
Source: Company Data, NHKSI Research

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)	2023/12A	2024/12E	2025/12E	2026/12E
Net Sales	3,566	3,773	3,954	4,111
Growth	-7.8%	5.8%	4.8%	4.0%
COGS	(1,547)	(1,659)	(1,748)	(1,810)
Gross Profit	2,019	2,115	2,206	2,301
Gross Margin	56.6%	56.0%	55.8%	56.0%
Operating Expenses	(785)	(751)	(818)	(858)
EBIT	1,234	1,364	1,388	1,443
EBIT Margin	34.6%	36.1%	35.1%	35.1%
Depreciation	104	98	97	96
EBITDA	1,337	1,462	1,485	1,540
EBITDA Margin	37.5%	38.7%	37.5%	37.5%
Interest Expenses	-	-	-	-
EBT	1,220	1,381	1,401	1,448
Income Tax	(269)	(304)	(310)	(319)
Minority Interest	-	-	-	-
Net Profit	951	1,076	1,092	1,129
Growth	-13.9%	13.2%	1.4%	3.4%
Net Profit Margin	26.7%	28.5%	27.6%	27.5%

BALANCE SHEET				
(IDR bn)	2023/12A	2024/12E	2025/12E	2026/12E
Cash	830	1,236	1,327	1,474
Receivables	789	781	818	850
Inventories	408	337	429	459
Total Current Assets	2,067	2,395	2,614	2,825
Net Fixed Assets	1,567	1,489	1,394	1,299
Other Non Current Assets	257	251	260	256
Total Non Current Asset	1,824	1,740	1,654	1,555
Total Assets	3,891	4,135	4,268	4,379
Payables	187	194	198	211
ST Bank Loan	6	2	2	-
Total Current Liabilities	462	508	520	539
LT Debt	3	3	3	3
Total Liabilities	505	553	562	582
Capital Stock & APIC	2,152	2,152	2,152	2,152
Retained Earnings	1,255	1,431	1,553	1,645
Shareholders' Equity	3,386	3,582	3,705	3,797

CASH FLOW STATEMENT				
(IDR bn)	2023/12A	2024/12E	2025/12E	2026/12E
Operating Cash Flow	1,055	1,302	1,072	1,183
Investing Cash Flow	(47)	8	(13)	4
Financing Cash Flow	(1,074)	(903)	(969)	(1,039)
Net Changes in Cash	(66)	406	90	148

Source: Company Data, NHKSI Research

PROFITABILITY & STABILITY				
	2023/12A	2024/12E	2025/12E	2026/12E
ROE	28.1%	30.1%	29.5%	29.7%
ROA	24.4%	26.0%	25.6%	25.8%
Inventory Turnover	3.3x	4.9x	4.1x	3.9x
Receivable Turnover	4.8x	4.8x	4.8x	4.8x
Payables Turnover	7.8x	8.5x	8.8x	8.6x
Dividend Yield	6.8%	4.3%	4.6%	4.9%
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	87.0%	86.6%	86.8%	86.7%
Debt Ratio	0.2%	0.1%	0.1%	0.1%
Financial Leverage	103.8%	90.1%	102.8%	100.7%
Current Ratio	4.5x	4.7x	5.0x	5.2x
Quick Ratio	3.6x	4.1x	4.2x	4.4x
Par Value (IDR)	10	10	10	10
Total Shares (mn)	30,000	30,000	30,000	30,000
Share Price (IDR)	525	700	700	700
Market Cap (IDR tn)	15.8	21.0	21.0	21.0

VALUATION INDEX				
	2023/12A	2024/12E	2025/12E	2026/12E
Price /Earnings	16.6x	19.5x	19.2x	18.6x
Price /Book Value	4.7x	5.9x	5.7x	5.5x
PE/EPS Growth	-1.2x	1.5x	13.7x	5.4x
EV/EBITDA	11.2x	13.5x	13.3x	12.7x
EV/EBIT	12.1x	14.5x	14.2x	13.5x
EV (IDR bn)	14,929	19,769	19,679	19,529
Sales CAGR (3-Yr)	8.0%	2.3%	-2.1%	0.8%
Net Income CAGR (3-Yr)	11.0%	0.6%	-5.1%	-0.4%
Basic EPS (IDR)	32	36	36	38
BVPS (IDR)	113	119	124	127
DPS (IDR)	36	30	32	35

OWNERSHIP	
Shareholders	%
PT HOTEL CANDI BARU	60.5
CONCORDANT INVESTMENTS LP	17.1
Schroders PLC	1.3
eQ Rahastoyhtio Oy	0.7
By Geography	%
Unknown	93.7
United States	2.2
Indonesia	1.7
Finland	0.8

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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