

25 July 2024

Consumer Non-cyclical | Healthcare

Sido Muncul (SIDO IJ)

Buy (Maintained)

Healthy Improvement Persists; Keep BUY

- **Keep BUY, new IDR860 TP from IDR800, 19% upside.** We adjust up our 2024-2026F earnings by c.7% on average following Sido Muncul's strong 2Q24 results. During this period, SIDO booked IDR218bn in net profit (-44.2% QoQ, +47.5% YoY), bringing 1H24 net earnings to IDR608bn (+35.8% YoY) – higher-than expected – at c.48.7% and 52.6% of our and Street's targets (average 6M16-2023: c.45%). We expect this positive trend to persist onwards [as El Nino ends after which La Nina emerges in 2H24](#).
- **Solid revenue growth in 2Q24** at IDR843bn (-20% QoQ, +12.9% YoY), bringing 1H24 revenue up 14.7% YoY to IDR1.9trn – in line with our estimate at 45.9% but slightly higher than consensus' 48% forecast (average 6M16-2023: c.45%). The F&B segment's robust growth was driven by strong demand for energy drinks locally and overseas. This growth was primarily fuelled by extreme hot weather conditions lately and several ongoing construction projects, particularly in Malaysia. Pharmaceutical (pharma) sales have improved – primarily due to a recovery in sales post the National Agency of Drug and Food Control or BPOM lifting restrictions on syrup-based medication. Meanwhile, herbal sales remain sturdy, stemming from the growth of Tolak Angin and Esemaj products, as well as soft capsules.
- **SIDO is eyeing to fortify its overseas foothold**, with export sales contributing to 8% of total sales in 1H24 (1Q24: c.+7%) – a 73% YoY growth. During 1H24, Malaysia contributed c.4% to total sales whilst the Philippines and Nigeria made up each at c.2% and 1-2% of SIDO's total revenue. The company is aiming to achieve 10-15% of sales from export markets within the next 3-5 years. A/R days came in at 81 days in 2Q24 vs 68 and 73 days in 1Q23 and 2Q23 – the highest since 1Q16. The hike in AR days was partly attributable to the increase in export sales. SIDO has comfortable A/R days of 67-70 days, with the assumption of export revenue portion still <10%.
- **Several pipeline improvements are in progress.** The company has embarked on direct supply agreements for Tolak Angin products with Alfamart (started 1 May) and Indomaret (started 1 Jul). SIDO has seen a 5% increment in sales improvement from Alfamart from this initiative. During 1H24, the general trade channel contributed 80% of total sales, with the modern trade and e-commerce channels making up 16% and 4%. SIDO expects margin improvements of c.3-5ppts from this initiative. It expects the herbal and supplement segment to be stronger in 2H24 by targeting a revenue mix of 60-70%, 35-38%, and the balance from the herbal, F&B, and pharma segments for FY24 vs 59%, 38%, and 3% currently. Advertising & promotions to revenue is expected to be maintained at c.10-13%, ie 14.4% in 2Q24 and 9.5% in 1H24.
- **We apply an 8% ESG premium to our TP**, given SIDO's 3.4 ESG score vs the 3.0 country median.

Target Price (Return):	IDR860 (19.4%)
Price (Market Cap):	IDR720 (USD1,332m)
ESG score:	3.4 (out of 4)
Avg Daily Turnover (IDR/USD)	21,315m/1.31m

Analysts

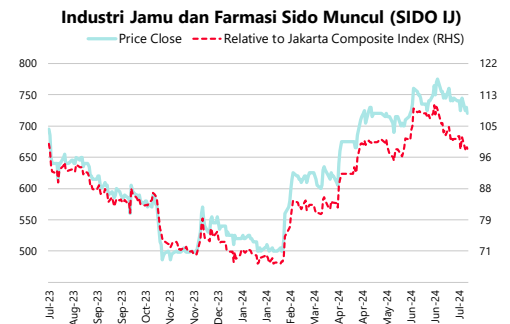
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	37.1	(4.0)	0.0	44.0	2.9
Relative	37.2	(9.4)	(1.2)	43.5	(2.4)
52-wk Price low/high (IDR)	486 – 775				



Source: Bloomberg

Overall ESG Score: 3.4 (out of 4)

E: EXCELLENT

The company is committed to reducing the impact of its operations on the environment as much as possible via clean production, environmental management with the highest compliance standards, and efficient use of resources.

S: GOOD

SIDO is committed to creating a safe and comfortable work environment so employees can work optimally. Employees also have opportunities to upskill. SIDO has also initiated community empowerment programmes to produce sustainably benefit the welfare of communities. In the meantime, it continues to strive to maintain product quality and create various innovations to provide safe and quality products, to meet public health needs.

G: EXCELLENT

It consistently implements good corporate governance (GCG) practices to maintain accountability, spur business growth, create value for stakeholders, and strengthen fundamentals. Employees are committed to implementing GCG principles in the accordance with laws, regulations, and best practices. Periodically, it evaluates the implementation of GCG and improves the GCG soft structure and infrastructure as well as standard operating procedures.

Forecasts and Valuation	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Total turnover (IDRb)	3,866	3,566	4,185	4,747	5,164
Recurring net profit (IDRb)	1,090	992	1,294	1,475	1,607
Recurring net profit growth (%)	(12.6)	(9.0)	30.5	14.0	9.0
Recurring P/E (x)	19.81	21.78	16.69	14.65	13.44
P/B (x)	6.2	6.4	5.7	5.4	5.2
P/CF (x)	19.71	20.85	15.46	13.32	12.86
Dividend Yield (%)	5.0	4.9	4.3	5.9	6.8
EV/EBITDA (x)	15.04	16.70	12.33	10.81	9.95
Return on average equity (%)	31.7	27.6	36.6	38.5	40.1
Net debt to equity (%)	net cash	net cash	net cash	net cash	net cash

Source: Company data, RHB

Financial Exhibits

Asia	Financial summary (IDR)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Indonesia	Recurring EPS	36.35	33.06	43.13	49.16	53.57
Consumer Non-cyclical	DPS	36.20	35.60	31.05	42.74	48.64
Sido Muncul	BVPS	116.85	112.86	125.35	132.15	137.43
SIDO IJ	Return on average equity (%)	31.7	27.6	36.6	38.5	40.1
Buy						
	Valuation metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Valuation basis	Recurring P/E (x)	19.81	21.78	16.69	14.65	13.44
10yr DCF	P/B (x)	6.2	6.4	5.7	5.4	5.2
	FCF Yield (%)	4.1	3.7	5.3	5.9	6.3
	Dividend Yield (%)	5.0	4.9	4.3	5.9	6.8
Key drivers	EV/EBITDA (x)	15.04	16.70	12.33	10.81	9.95
i. Dominant presence in growing herbal remedy products;	EV/EBIT (x)	15.04	16.70	12.33	10.81	9.95
ii. Solid margin profile;						
iii. Increasing healthcare awareness post COVID-19;						
iv. Continuous product development, especially in catering mid to up segment;						
v. High ROE profile;						
vi. Expanding overseas footprint.						
	Income statement (IDRb)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Key risks	Total turnover	3,866	3,566	4,185	4,747	5,164
i. Slower-than-expected purchasing power recovery;	Gross profit	2,169	2,019	2,436	2,767	3,014
ii. Intensifying competition;	EBITDA	1,375	1,244	1,659	1,887	2,055
iii. Increasing raw material prices;	Operating profit	1,375	1,244	1,659	1,887	2,055
iv. Slower-than-expected ramp-up of new products.	Net interest	27	29	8	4	5
	Pre-tax profit	1,420	1,220	1,686	1,909	2,078
	Taxation	(315)	(269)	(378)	(420)	(457)
	Reported net profit	1,105	951	1,309	1,489	1,620
	Recurring net profit	1,090	992	1,294	1,475	1,607
	Cash flow (IDRb)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Company Profile	Change in working capital	(98)	(14)	(45)	(1)	(86)
SIDO become one of the key healthcare players in Indonesia, particularly in herbal products manufacture and production. The company has secured a sizeable market share via its well-known Tolak Angin products. SIDO also engages in the production and sales of F&B, energy drinks, and pharmaceutical products	Cash flow from operations	1,096	1,036	1,397	1,621	1,680
	Capex	(217)	(230)	(244)	(351)	(329)
	Cash flow from investing activities	(178)	(48)	(152)	(280)	(271)
	Dividends paid	(1,086)	(1,068)	(932)	(1,282)	(1,459)
	Cash flow from financing activities	(1,077)	(1,081)	(937)	(1,284)	(1,465)
	Cash at beginning of period	1,082	923	830	1,139	1,197
	Net change in cash	(159)	(93)	309	57	(56)
	Ending balance cash	923	830	1,139	1,196	1,140
	Balance sheet (IDRb)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Total cash and equivalents	923	830	1,139	1,197	1,144
	Tangible fixed assets	1,611	1,555	1,586	1,734	1,869
	Total assets	4,081	3,891	4,342	4,628	4,842
	Total liabilities	576	505	582	664	719
	Total equity	3,505	3,386	3,760	3,964	4,123
	Total liabilities & equity	4,081	3,891	4,342	4,628	4,842
	Key metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Revenue growth (%)	(3.9)	(7.8)	17.4	13.4	8.8
	Recurrent EPS growth (%)	(12.6)	(9.0)	30.5	14.0	9.0
	Gross margin (%)	56.1	56.6	58.2	58.3	58.4
	Operating EBITDA margin (%)	35.6	34.9	39.6	39.7	39.8
	Net profit margin (%)	28.6	26.7	31.3	31.4	31.4
	Dividend payout ratio (%)	98.3	112.3	71.2	86.1	90.0
	Capex/sales (%)	5.6	6.5	5.8	7.4	6.4
	Interest cover (x)	1,762	1,826	2,321	2,421	2,419

Source: Company data, RHB

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Figure 1: SIDO's 2Q24 financial result summary

SIDO	2Q23	1Q24	2Q24	QoQ (%)	YoY (%)	6M23	6M24	YoY (%)	FY24/2024F	FY24/Cons
Sales	746	1,053	843	(20.0)	12.9	1,654	1,896	14.7	45.9%	48.0%
COGS	352	428	365	(14.9)	3.5	776	793	2.1		
Gross profit	394	625	478	(23.5)	21.3	878	1,104	25.8	47.0%	47.9%
Selling exp	121	95	165	73.8	35.9	198	260	31.2		
G&A exp	63	39	53	38.2	(15.2)	107	92	(14.1)		
Operating expenses	184	133	218	63.5	18.4	305	352	15.3		
Operating profit	210	492	260	(47.1)	23.9	572	752	31.4	47.5%	50.9%
Net interest income/(expense)	4	11	11	(0.8)	148.6	15	22	46.4		
Interest income	5	12	11	(7.5)	138.6	15	23	47.4		
Interest expense	(0)	(1)	0	nm	nm	(0)	(1)	110.7		
Other income/ (expense)	(17)	(0)	8	nm	nm	(10)	7	nm		
Total other income (costs)	(12)	11	19	72.0	nm	6	30	431.6		
Pretax profit	198	503	279	(44.5)	41.1	578	782	35.2	48.6%	52.2%
Taxation	(50)	(112)	(61)	(45.6)	22.2	(130)	(173)	33.2		
Minority interest	-	-	-			-	-			
Net profit	148	390	218	(44.2)	47.5	448	608	35.8	48.7%	52.6%
Margin (%)										
Gross margin (%)	52.8	59.3	56.8			53.1	58.2			
Operating margin (%)	28.1	46.7	30.9			34.6	39.6			
Pretax margin (%)	26.5	47.7	33.1			34.9	41.2			
Net margin (%)	19.8	37.1	25.9			27.1	32.1			
Turnover days										
Inventory Days	143	95	121			129	111			
Receivable Days	73	68	81			66	72			
Payable Days	36	37	32			32	29			
CCC days	180	127	169			163	153			
Balance Sheet Highlights										
Total cash	451	1,102	720			451	720			
Total debt	-	-	-			-	-			
Net gearing (%)	nc	nc	nc			nc	nc			
Equity	3,266	3,386	3,469			3,266	3,469			

Source: Company data, Bloomberg, RHB

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Figure 2: SIDO's 2Q24 segment breakdown

SIDO IDRbn	2Q23	1Q24	2Q24	QoQ (%)	YoY (%)	6M23	6M24	YoY (%)
Sales								
Herbal medicine and supplement	450	627	487	(22.4)	8.1	1,003	1,114	11.0
Food and Beverage	264	396	321	(19.1)	21.2	595	717	20.4
Pharmacy	32	30	36	17.6	12.3	55	66	20.0
Sales Contribution								
Herbal medicine and supplement	60.3%	59.5%	57.7%			60.7%	58.7%	
Food and Beverage	35.4%	37.6%	38.0%			36.0%	37.8%	
Pharmacy	4.3%	2.9%	4.2%			3.3%	3.5%	
Gross Profit								
Herbal medicine and supplement	299	448	338	(24.6)	13.1	673	786	16.8
Food and Beverage	84	166	127	(23.4)	51.2	187	293	56.3
Pharmacy	12	11	14	19.3	18.3	17	25	44.9
Gross Margin								
Herbal medicine and supplement	66.4%	71.5%	69.4%			67.1%	70.6%	
Food and Beverage	31.7%	41.8%	39.6%			31.4%	40.8%	
Pharmacy	36.4%	37.8%	38.3%			31.5%	38.1%	

Source: Company data, Bloomberg, RHB

Figure 3: RHB's changes in estimates

	New			Old			% Change		
	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F
Income Statement (IDRbn)									
Total Turnover	4,185	4,747	5,164	4,130	4,567	4,955	1.3	4.0	4.2
Gross Profit	2,436	2,767	3,014	2,349	2,599	2,824	3.7	6.5	6.7
EBIT	1,659	1,887	2,055	1,583	1,751	1,904	4.9	7.7	8.0
EBITDA	1,770	2,010	2,192	1,693	1,874	2,039	4.5	7.2	7.5
Pretax Profit	1,686	1,909	2,078	1,609	1,774	1,925	4.8	7.6	7.9
Net Profit	1,309	1,489	1,620	1,249	1,376	1,494	4.8	8.2	8.5
Key Metrics									
EPS (IDR)	44	50	54	42	46	50	4.8	8.2	8.5
Revenue Growth (%)	17.4	13.4	8.8	15.8	10.6	8.5			
EPS Growth (%)	37.6	13.8	8.8	31.4	10.2	8.6			
Gross Margin (%)	58.2	58.3	58.4	56.9	56.9	57.0			
EBITDA Margin (%)	42.3	42.3	42.4	41.0	41.0	41.1			
Net Profit Margin (%)	31.3	31.4	31.4	30.2	30.1	30.2			

Source: Company data, Bloomberg, RHB

Figure 4: RHB vs Street estimates

Income Statement (IDRbn)	RHB			Street			RHB/Street (%)		
	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F
Revenue	4,185	4,747	5,164	3,950	4,288	4,708	106.0	110.7	109.7
Gross Profit	2,436	2,767	3,014	2,303	2,494	2,768	105.8	111.0	108.9
EBITDA	1,309	1,489	1,620	1,585	1,714	1,912	82.6	86.9	84.8
EBIT	1,659	1,887	2,055	1,476	1,607	1,791	112.4	117.4	114.8
Pre-tax Profit	1,686	1,909	2,078	1,498	1,626	1,812	112.6	117.4	114.7
NPAT	1,309	1,489	1,620	1,157	1,259	1,412	113.1	118.3	114.8

Source: Company data, Bloomberg, RHB

Figure 5: DCF valuation

IDRbn	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
EBIT	1,659	1,887	2,055	2,215	2,371	2,527	2,682	2,838	2,995	3,162	3,333
EBIT (1-t)	1,294	1,464	1,603	1,728	1,849	1,971	2,092	2,213	2,336	2,467	2,599
Depreciation & Amortization	110	123	136	145	155	165	175	186	203	218	230
Change in working capital	9	23	(68)	(59)	(59)	(58)	(62)	(61)	(61)	(64)	(67)
Capex	(142)	(271)	(272)	(190)	(204)	(217)	(230)	(244)	(351)	(329)	(277)
Net free cash flow to firm	1,271	1,340	1,400	1,624	1,741	1,860	1,976	2,095	2,127	2,292	2,485
Terminal Value											29,494
PV	1,271	1,202	1,126	1,172	1,128	1,081	1,030	980	893	863	12,043
Total discounted firm value	22,790										
Less: net debt	(1,139)										
Less: minority interest	-										
Equity value	23,929										
Number of shares (bn)	30.0										
Equity value per share (IDR)	798										
ESG Premium (Discount)	8%										
Target Price	861										
Assumptions											
Risk free rate	7.0%										
Beta	1.0										
Equity market premium	6%										
WACC	11.5%										
Terminal growth	3%										

Source: Company data, Bloomberg, RHB

Emissions And ESG

Trend analysis

The company has carried out various initiatives that succeed to generate greenhouse gas (GHG) emission reductions from year to year.

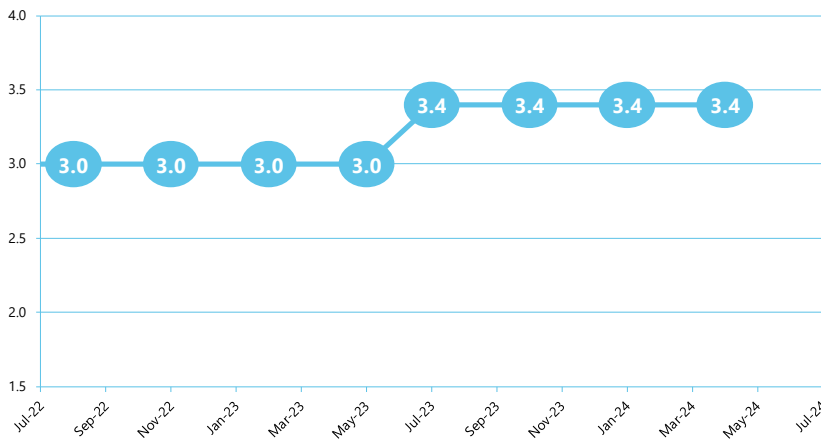
Emissions (tCO2e)	Dec-21	Dec-22	Dec-23
Scope 1	14,896	12,005	13,506
Scope 2	na	na	na
Scope 3	na	na	na
Total emissions	14,896	12,005	13,506

Source: Company data, RHB

Latest ESG-Related Developments

- One of the initiatives that has contributed to reducing indirect emissions is the installation of a 2,000KWp rooftop photovoltaic panels, which have the potential to reduce indirect GHG emissions by up to 1,980 tonnes per year and generate savings in electricity usage costs.

ESG Rating History



Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

Source: RHB, Bloomberg

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