

25 October 2024

Consumer Non-cyclical | Healthcare

Sido Muncul (SIDO IJ)

Neutral (from Buy)

Coping With Challenges; Downgrade To NEUTRAL

- **D/G to NEUTRAL from Buy, new IDR620 TP (from IDR860), 1% downside.** We trim Sido Muncul's FY24-26F earnings by 16.6%, 22.4%, and 24.8% and roll forward our valuation base to next year. We also cut our long-term growth assumption from 3% to 2% due to the weak 3Q24 results. Although SIDO is trading at c.14x FY25F P/E (c.-2SD), we think the share price should range bound at the current level since the persisting weak purchasing power environment will limit its recovery.
- **Weak bottomline growth due to lacklustre sales performance...** 3Q24 net income of IDR170bn (-22.2% QoQ, +22.5% YoY) brought the 9M24 figure to IDR778trn (+32.7% YoY) – below estimates at 59.4% and 65.0% of our and consensus' forecasts. 3Q24 revenue of IDR730bn (-13.4% QoQ, +3.2% YoY) brought 9M24 revenue to IDR2.6trn (+11.2% YoY), also below our and Streets' estimates at 62.8% and 65.3%. Herbal segment revenue fell 11.3% QoQ and 4.5% YoY in 3Q24 due to weaker purchasing power and the delayed onset of the rainy season, resulting in lower sales volumes. The F&B segment's 3Q24 revenue fell 16.0% QoQ but rose 19.6% YoY. SIDO maintained its market share, with 72% in the herbal segment and 50% in the energy drink segment.
- **... mainly from the general trade (GT) channel** - accounted for 80% of total sales, while Modern Trade (MT) contributed 16%, and e-commerce made up 4%. In 3Q24, GT sales fell 3% YoY due to low purchasing power, while MT sales rose 15% YoY, partly due to the 25% YoY sales increase in SIDO's two biggest minimarkets, where it recently commenced the direct supply method for its *Tolak Angin* product. Overall, domestic market sales grew c.2% in 3Q24, while exports rose by c.40%.
- **4Q24F.** There may be some QoQ improvements due to seasonal factors, "last bite" promotions, and regional elections. SIDO is in the process of obtaining the required licences to tap into the Vietnam and Cambodia markets in 4Q24. We remain concerned on the company's 4Q24 prospects due to its 4Q23 high base for its herbal segment, as well as the soft purchasing power situation. According to news [reports](#), the chances of a La Niña event occurring in the coming months have diminished, and this would limit the recovery in SIDO's herbal and supplement product sales. While SIDO is maintaining its FY24 guidance of double-digit growth (>10%) for its topline and bottomline, we think this will be challenging to achieve. The company has not shared much details on its October run rates.
- **Outlook and ESG.** While SIDO has not decided on whether there will be price increments in early 2025, it expects to raise prices of selected products, albeit at a smaller magnitude than previous years. The company is still awaiting further details on the implementation of the sugar tax. Our TP includes an 8% ESG premium.

Target Price (Return):	IDR620 (-0.8%)
Price (Market Cap):	IDR625 (USD1,200m)
ESG score:	3.4 (out of 4)
Avg Daily Turnover (IDR/USD)	22,132m/1.37m

Analysts

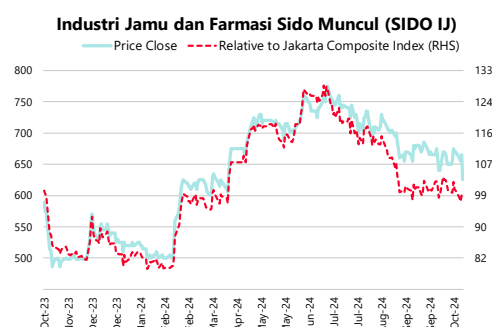
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	19.0	(6.7)	(13.2)	(13.2)	5.9
Relative	11.9	(6.8)	(20.4)	(21.7)	(8.5)
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 the 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	3,772	3,989	4,215
Recurring net profit (IDRb)	1,090	992	1,077	1,141	1,206
Recurring net profit growth (%)	(12.6)	(9.0)	8.6	5.9	5.7
Recurring P/E (x)	17.20	18.90	17.41	16.44	15.55
P/B (x)	5.3	5.5	5.3	5.2	5.1
P/CF (x)	17.11	18.10	14.96	14.07	14.33
Dividend Yield (%)	5.8	5.7	5.0	5.7	6.0
EV/EBITDA (x)	12.97	14.41	12.84	12.12	11.50
Return on average equity (%)	31.7	27.6	31.5	32.2	33.2
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	35.89	38.02	40.19
Consumer Non-cyclical	DPS	36.20	35.60	31.05	35.65	37.72
Sido Muncul	BVPS	116.85	112.86	118.11	120.86	123.69
SIDO IJ	Return on average equity (%)	31.7	27.6	31.5	32.2	33.2
Neutral						
	Valuation metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Valuation basis	Recurring P/E (x)	17.20	18.90	17.41	16.44	15.55
10-year DCF	P/B (x)	5.3	5.5	5.3	5.2	5.1
	FCF Yield (%)	4.9	4.5	5.3	5.8	5.9
Key drivers	Dividend Yield (%)	5.8	5.7	5.0	5.7	6.0
i. Dominant presence in growing herbal remedy products;	EV/EBITDA (x)	12.97	14.41	12.84	12.12	11.50
ii. Solid margin profile;	EV/EBIT (x)	12.97	14.41	12.84	12.12	11.50
iii. Increasing healthcare awareness post COVID-19;						
iv. Continuous product development, especially in catering mid- to high-end 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	3,772	3,989	4,215
i. Slower-than-expected purchasing power recovery;	Gross profit	2,169	2,019	2,137	2,260	2,389
ii. Intensifying competition;	EBITDA	1,375	1,244	1,380	1,458	1,541
iii. Increasing raw material prices;	Operating profit	1,375	1,244	1,380	1,458	1,541
iv. Slower-than-expected ramp-up of new products.	Net interest	27	29	8	4	4
	Pre-tax profit	1,420	1,220	1,406	1,480	1,563
	Taxation	(315)	(269)	(315)	(326)	(344)
	Reported net profit	1,105	951	1,091	1,155	1,219
	Recurring net profit	1,090	992	1,077	1,141	1,206
	Cash flow (IDRb)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Company Profile	Change in working capital	(98)	(14)	48	60	(47)
SIDO has become one of the key healthcare players particularly in the manufacturing and production of herbal products. The company has secured a sizeable market share with its well-known Tolak Angin products. It also produces and sells F&B products, energy drinks, and pharmaceutical products.	Cash flow from operations	1,096	1,036	1,253	1,332	1,309
	Capex	(179)	(188)	(268)	(249)	(208)
	Cash flow from investing activities	(140)	(5)	(176)	(177)	(150)
	Dividends paid	(1,086)	(1,068)	(932)	(1,070)	(1,132)
	Cash flow from financing activities	(1,077)	(1,081)	(937)	(1,072)	(1,138)
	Cash at beginning of period	1,082	923	830	1,029	1,067
	Net change in cash	(121)	(51)	140	84	21
	Ending balance cash	961	872	971	1,112	1,088
	Balance sheet (IDRb)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Total cash and equivalents	923	830	1,029	1,067	1,022
	Tangible fixed assets	1,611	1,555	1,573	1,680	1,771
	Total assets	4,081	3,891	4,086	4,204	4,320
	Total liabilities	576	505	543	578	609
	Total equity	3,505	3,386	3,543	3,626	3,711
	Total liabilities & equity	4,081	3,891	4,086	4,204	4,320
	Key metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Revenue growth (%)	(3.9)	(7.8)	5.8	5.8	5.7
	Recurrent EPS growth (%)	(12.6)	(9.0)	8.6	5.9	5.7
	Gross margin (%)	56.1	56.6	56.7	56.7	56.7
	Operating EBITDA margin (%)	35.6	34.9	36.6	36.6	36.6
	Net profit margin (%)	28.6	26.7	28.9	28.9	28.9
	Dividend payout ratio (%)	98.3	112.3	85.4	92.6	92.8
	Capex/sales (%)	4.6	5.3	7.1	6.2	4.9
	Interest cover (x)	1,762	1,826	1,929	1,872	1,815

Source: Company data, RHB

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Figure 1: Results summary

SIDO				QoQ	YoY			YoY	FY24/	FY24/
IDRbn	3Q23	2Q24	3Q24	(%)	(%)	9M23	9M24	(%)	2024F	Cons
Sales	708	843	730	(13.4)	3.2	2,361	2,627	11.2	62.8%	65.3%
COGS	317	365	346	(5.0)	9.2	1,093	1,139	4.2		
Gross profit	390	478	384	(19.8)	(1.7)	1,268	1,487	17.3	61.1%	63.5%
Selling exp	168	165	127	(22.8)	(24.4)	366	387	5.6		
G&A exp	57	53	40	(25.7)	(30.0)	164	132	(19.6)		
Operating expenses	225	218	167	(23.5)	(25.8)	530	519	(2.2)		
Operating profit	165	260	217	(16.7)	31.3	738	969	31.3	58.4%	64.8%
Net interest income/(expense)	4	11	7	(35.1)	60.4	20	29	49.6		
Interest income	5	11	7	(32.9)	54.1	20	30	49.0		
Interest expense	(0)	0	(0)	nm	(47.5)	(1)	(1)	26.2		
Other income/ (expense)	7	8	(7)	nm	nm	(2)	0	nm		
Total other income (costs)	12	19	(0)	nm	nm	17	30	70.9		
Pretax profit	177	279	217	(22.3)	22.5	755	998	32.2	59.2%	64.5%
Taxation	(39)	(61)	(47)	(22.6)	22.6	(168)	(220)	30.8		
Net profit	138	218	170	(22.2)	22.5	587	778	32.7	59.4%	65.0%
Margin (%)										
Gross margin (%)	55.2	56.8	52.6			53.7	56.6			
Operating margin (%)	23.4	30.9	29.7			31.2	36.9			
Pretax margin (%)	25.0	33.1	29.7			32.0	38.0			
Net margin (%)	19.6	25.9	23.2			24.8	29.6			
Turnover days										
Inventory Days	142	121	126			124	115			
Receivable Days	77	81	77			69	46			
Payable Days	40	32	41			35	37			
CCC days	179	169	162			158	124			
Balance Sheet Highlights										
Total cash	783	720	978			783	978			
Total debt	-	-	-			-	-			
Net gearing (%)	nc	nc	nc			nc	nc			
Equity	3,407	3,469	3,638			3,407	3,638			

Source: Company, Bloomberg, RHB

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Figure 2: Segmental breakdown

SIDO IDRbn	3Q23	2Q24	3Q24	QoQ (%)	YoY (%)	9M23	9M24	YoY (%)
Sales								
Herbal medicine and supplement	452	487	432	(11.3)	(4.5)	1,455	1,545	6.2
Food and Beverage	225	321	269	(16.0)	19.6	820	986	20.2
Pharmacy	30	36	29	(18.7)	(3.9)	85	95	11.6
Sales Contribution								
Herbal medicine and supplement	63.9%	57.7%	59.1%			61.6%	58.8%	
Food and Beverage	31.8%	38.0%	36.9%			34.7%	37.5%	
Pharmacy	4.3%	4.2%	4.0%			3.6%	3.6%	
Gross Profit								
Herbal medicine and supplement	303	338	280	(17.0)	(7.4)	976	1,066	9.3
Food and Beverage	77	127	92	(27.6)	19.3	264	384	45.5
Pharmacy	11	14	12	(14.6)	8.7	28	37	31.0
Gross Margin								
Herbal medicine and supplement	66.9%	69.4%	64.9%			67.0%	69.0%	
Food and Beverage	34.2%	39.6%	34.1%			32.2%	39.0%	
Pharmacy	35.6%	38.3%	40.3%			33.0%	38.7%	

Source: Company, RHB

Figure 3: Changes to estimates

	New			Old			% Change		
	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F
Income Statement (IDRbn)									
Total Turnover	3,772	3,989	4,215	4,185	4,747	5,164	(9.9)	(16.0)	(18.4)
Gross Profit	2,137	2,260	2,389	2,436	2,767	3,014	(12.3)	(18.3)	(20.7)
EBIT	1,380	1,458	1,541	1,659	1,887	2,055	(16.9)	(22.7)	(25.0)
EBITDA	1,489	1,579	1,673	1,770	2,010	2,192	(15.8)	(21.4)	(23.7)
Pretax Profit	1,406	1,480	1,563	1,686	1,909	2,078	(16.6)	(22.4)	(24.8)
Net Profit	1,091	1,155	1,219	1,309	1,489	1,620	(16.6)	(22.4)	(24.8)
Key Metrics									
EPS (IDR)	36	38	41	44	50	54	(16.6)	(22.4)	(24.8)
Revenue Growth (%)	5.8	5.8	5.7	17.4	13.4	8.8			
EPS Growth (%)	14.8	5.8	5.6	37.6	13.8	8.8			
Gross Margin (%)	56.7	56.7	56.7	58.2	58.3	58.4			
EBITDA Margin (%)	39.5	39.6	39.7	42.3	42.3	42.4			
Net Profit Margin (%)	28.9	28.9	28.9	31.3	31.4	31.4			
Dividend Payout Ratio (%)	98.0	98.0	98.0	98.0	98.0	98.0			

Source: Company data, Bloomberg, RHB

Figure 4: RHB vs Street's estimates

Income Statement (IDRbn)	RHB			Street			RHB/Street (%)		
	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F
Revenue	3,772	3,989	4,215	4,018	4,370	4,799	93.9	91.3	87.8
Gross Profit	2,137	2,260	2,389	2,336	2,529	2,783	91.5	89.4	85.8
EBITDA	1,091	1,155	1,219	1,598	1,735	1,881	68.3	66.6	64.8
EBIT	1,380	1,458	1,541	1,484	1,617	1,802	93.0	90.2	85.5
Pre-tax Profit	1,406	1,480	1,563	1,529	1,659	1,822	92.0	89.2	85.8
NPAT	1,091	1,155	1,219	1,185	1,287	1,430	92.1	89.7	85.3

Source: Company data, Bloomberg, RHB

Figure 5: DCF valuation

IDRbn	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F
EBIT	1,458	1,541	1,631	1,725	1,823	1,924	2,023	2,115	2,212	2,314	2,420
EBIT (1-t)	1,138	1,202	1,272	1,346	1,422	1,501	1,578	1,650	1,725	1,805	1,888
Depreciation & Amortisation	121	131	138	146	153	161	170	182	193	203	212
Change in working capital	70	(38)	(35)	(38)	(39)	(40)	(39)	(38)	(39)	(40)	(42)
Capex	(228)	(222)	(153)	(162)	(171)	(179)	(188)	(268)	(249)	(208)	(217)
Net free cash flow to firm	1,100	1,074	1,223	1,291	1,366	1,443	1,521	1,525	1,630	1,760	1,842
Terminal Value											19,294
PV	1,100	961	979	926	876	828	781	702	671	648	7,785
Total discounted firm value	16,259										
Less: net debt	(1,067)										
Less: minority interest	-										
Equity value	17,325										
Number of shares (bn)	30.0										
Equity value per share (IDR)	578										
ESG Premium (Discount)	8%										
TP	624										
Assumptions											
Risk free rate	7.0%										
Beta	1.0										
Equity market premium	6%										
WACC	11.7%										
Terminal growth	2%										

Source: Company data, Bloomberg, RHB

Emissions And ESG

Trend analysis
The company has carried out various initiatives that succeed to generate GHG emission reductions from year to year.

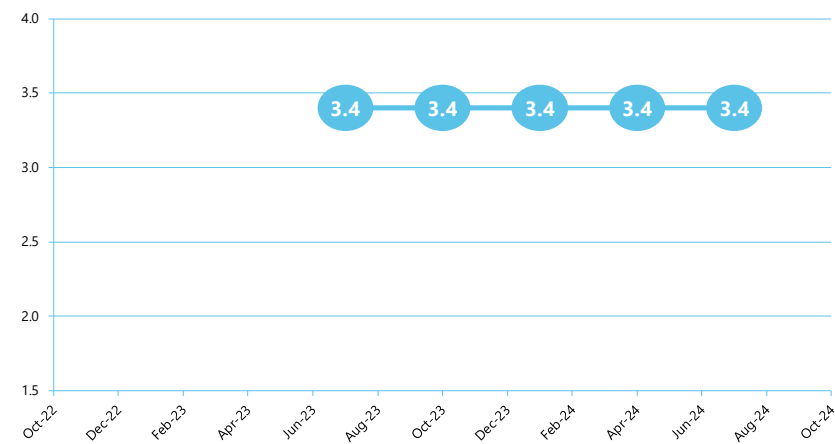
Emissions (tCO2e)	Dec-21	Dec-22	Dec-23
Scope 1	14,896	12,005	13,506
Scope 2	na	na	na
Scope 3	na	na	na
Total emissions	14,896	12,005	13,506

Source: Company data, RHB

Latest ESG-Related Developments

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

ESG Rating History



Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2024-07-25	Buy	860	700
2024-05-31	Buy	800	710
2024-04-26	Neutral	800	705
2024-04-16	Neutral	730	675
2024-02-21	Buy	690	600
2023-12-01	Buy	580	498
2023-07-28	Buy	725	640
2023-07-21	Buy	900	700

Source: RHB, Bloomberg

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Buy:	Share price may exceed 10% over the next 12 months
Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
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Take Profit:	Target price has been attained. Look to accumulate at lower levels
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Not Rated:	Stock is not within regular research coverage

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