

26 April 2024

Consumer Non-cyclical | Healthcare

Sido Muncul (SIDO IJ)

Neutral (Maintained)

KTA: Solid 1Q24 Results

- **Stay NEUTRAL, with new IDR800 TP from IDR730, 10% upside.** Sido Muncul's 1Q24 net income came at IDR390bn (+7.3% QoQ and +30.0% YoY) – above our (35.1%) and Street's (37.9%) forecasts. This is mainly driven by solid operating efficiency – opex-to-revenue only came at 12.7%, the lowest since 1Q16. That said, we lift our 2024F-2026F earnings by c.11-12% for SIDO's share price has risen by 42.2% YTD, with the stock currently trading at c.20x 2024F P/E, or around its 5-year mean.
- **1Q24 revenue came in line with our (at 25.5%),** but was slightly above Street's estimates at 28% as it reached IDR1.05trn (-12.6% QoQ and +16.1% YoY). Growth mostly came from volume since it only increased ASP marginally for the herbal and supplement segment in early 2024. Its F&B segment sales booked the highest growth of +40.6% QoQ and +19.8% YoY, making up 38% to the total sales in 1Q24 (vs 23% in 4Q23 and 35.4% in 1Q23). We also see a strong recovery in pharmaceutical products, which grew at +0.5% QoQ and +30.6% YoY post Indonesian Food and Drug Authority or BPOM approval in Dec 2023.
- **Seeing potential in export market.** During 1Q24, SIDO's export revenue reached 7% in 1Q24 (vs 5.6% in 1Q23, 6.5% in 4Q23) with strong growth from key export countries such as Malaysia, the Philippines and Nigeria. The company plans to explore other countries such as Vietnam in 2H24. It also plans to introduce new products to the export market (ie candies). SIDO targets to raise overseas sales to >10% of group sales over the next 2-3 years.
- **Other updates.** New products (Esemag and Alang Sari Cool) are seeing positive traction with a 2% revenue contribution currently. It just launched Tolak Angin Batuk and Vitamin C-500 – still available in the general trade (GT) and online official store channels. It plans to roll these products out to the modern trade (MT) channel later. The company sees the importance of digital marketing and has allocated a higher budget for digital channels, at about 12-15% from its advertising & promotion spending (vs last two years at c.5%). Growth based on distribution channels in 1Q24 is as follows: Online (c.4% of sales), MT (c.16% of sales) and GT (c.80% of sales). New CFO Budiyanto Salim will assume the position after SIDO's AGMS on 15 May 2024. He previously worked at Taman Safari Indonesia and PWC.
- **Outlook and ESG.** Despite the strong results, management is maintaining its guidance of >10% topline and bottomline in 2024. It remains hopeful on margin as most raw material prices are trending down, but is cautious on sugar and coffee prices. April's run rate is slightly better than 2Q23 but lower than 1Q24 given the *Lebaran* festivities. We apply an 8% premium to our TP since SIDO has an ESG score of 3.4, above our country median of 3.0.

Target Price (Return):	IDR800 (+10%)
Price (Market Cap):	IDR725 (USD1,346m)
ESG score:	3.4 (out of 4)
Avg Daily Turnover (IDR/USD)	24,458m/1.48m

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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	38.1	16.9	43.6	22.9	(9.4)
Relative	39.5	19.7	43.7	17.9	(14.6)
52-wk Price low/high (IDR)					486 – 810

Industri Jamu dan Farmasi Sido Muncul (SIDO IJ)



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	4,130	4,567	4,955
Recurring net profit (IDRb)	1,090	992	1,234	1,362	1,481
Recurring net profit growth (%)	(12.6)	(9.0)	24.4	10.4	8.7
Recurring P/E (x)	19.95	21.93	17.62	15.97	14.69
P/B (x)	6.2	6.4	5.9	5.6	5.4
P/CF (x)	19.85	20.99	16.84	14.72	14.45
Dividend Yield (%)	5.0	4.9	4.3	5.6	6.2
EV/EBITDA (x)	15.15	16.82	13.06	11.78	10.86
Return on average equity (%)	31.7	27.6	35.2	36.5	38.1
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	41.14	45.41	49.36
Consumer Non-cyclical	DPS	36.20	35.60	31.05	40.80	44.96
Sido Muncul	BVPS	116.85	112.86	123.36	128.35	133.10
SIDO IJ	Return on average equity (%)	31.7	27.6	35.2	36.5	38.1
Neutral						
	Valuation metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Valuation basis	Recurring P/E (x)	19.95	21.93	17.62	15.97	14.69
10-year DCF	P/B (x)	6.2	6.4	5.9	5.6	5.4
	FCF Yield (%)	4.1	3.7	4.9	5.2	5.5
Key drivers	Dividend Yield (%)	5.0	4.9	4.3	5.6	6.2
i. Dominant presence in growing herbal remedy products;	EV/EBITDA (x)	15.15	16.82	13.06	11.78	10.86
ii. Solid margin profile;	EV/EBIT (x)	15.15	16.82	13.06	11.78	10.86
iii. Increasing healthcare awareness post COVID-19;						
iv. Continuous product development, especially in catering mid to up segment						
v. High ROE profile.						
	Income statement (IDRb)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Key risks	Total turnover	3,866	3,566	4,130	4,567	4,955
Downside risks	Gross profit	2,169	2,019	2,349	2,599	2,824
i. Lower-than-expected purchasing power, particularly post <i>Lebaran</i> festivities;	EBITDA	1,375	1,244	1,583	1,751	1,904
ii. Intensifying competition;	Operating profit	1,375	1,244	1,583	1,751	1,904
iii. Slow ramp-up from new products.	Net interest	27	29	8	4	5
	Pre-tax profit	1,420	1,220	1,609	1,774	1,925
Upside risks	Taxation	(315)	(269)	(360)	(397)	(431)
i. Better-than-expected spending power;	Reported net profit	1,105	951	1,249	1,376	1,494
ii. Longer-than-expected rainy season given the potential <i>La Nina</i> occurrence in 3Q24.	Recurring net profit	1,090	992	1,234	1,362	1,481
	Cash flow (IDRb)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Company Profile	Change in working capital	(98)	(14)	(42)	25	(81)
Sido Muncul has become one of the key healthcare players, particularly in herbal products manufacture and production. The company has secured a sizeable market share from its well-known Tolak Angin products. Also, it engages in the producing and selling of F&B, energy drink and pharmaceutical products.	Cash flow from operations	1,096	1,036	1,291	1,477	1,506
	Capex	(209)	(221)	(234)	(337)	(316)
	Cash flow from investing activities	(178)	(48)	(149)	(267)	(260)
	Dividends paid	(1,086)	(1,068)	(932)	(1,224)	(1,349)
	Cash flow from financing activities	(1,077)	(1,081)	(882)	(1,195)	(1,327)
	Cash at beginning of period	1,082	923	830	1,084	1,123
	Net change in cash	(159)	(93)	260	15	(82)
	Ending balance cash	923	830	1,090	1,099	1,041
	Balance sheet (IDRb)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Total cash and equivalents	923	830	1,084	1,123	1,069
	Tangible fixed assets	1,611	1,555	1,584	1,722	1,848
	Total assets	4,081	3,891	4,282	4,497	4,692
	Total liabilities	576	505	582	647	699
	Total equity	3,505	3,386	3,701	3,851	3,993
	Total liabilities & equity	4,081	3,891	4,282	4,497	4,692
	Key metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Revenue growth (%)	(3.9)	(7.8)	15.8	10.6	8.5
	Recurrent EPS growth (%)	(12.6)	(9.0)	24.4	10.4	8.7
	Gross margin (%)	56.1	56.6	56.9	56.9	57.0
	Operating EBITDA margin (%)	35.6	34.9	38.3	38.4	38.4
	Net profit margin (%)	28.6	26.7	30.2	30.1	30.2
	Dividend payout ratio (%)	98.3	112.3	74.6	88.9	90.3
	Capex/sales (%)	5.4	6.2	5.7	7.4	6.4
	Interest cover (x)	1,762	1,826	2,213	2,248	2,241

Source: Company data, RHB

Figure 1: Results summary

SIDO (IDRbn)	1Q23	4Q23	1Q24	QoQ (%)	YoY (%)	FY24/RHB	FY24/ Cons
Sales	907	1,205	1,053	(12.6)	16.1	25.5%	28.0%
COGS	424	454	428	(5.6)	1.0		
Gross profit	483	751	625	(16.7)	29.4	26.6%	29.7%
Selling expenses	77	204	95	(53.6)	23.8		
G&A expenses	44	41	39	(4.8)	(12.7)		
Operating expenses	121	245	133	(45.5)	10.4		
Operating profit	362	506	492	(2.9)	35.7	33.8%	37.8%
Net interest income/(expense)	11	9	11	22.1	4.0		
Interest income	11	9	12	27.0	8.9		
Interest expense	(0)	(0)	(1)	303.7	465.2		
Other income/ (expense)	7	(51)	(0)	(99.6)	nm		
Total other income (costs)	18	(41)	11	nm	(39.2)		
Pretax profit	380	465	503	8.2	32.2	35.2%	38.0%
Taxation	(80)	(101)	(112)	11.5	40.2		
Net profit	300	364	390	7.3	30.0	35.1%	37.9%
Margin (%)							
Gross margin (%)	53.3	62.3	59.3				
Operating margin (%)	39.9	42.0	46.7				
Pretax margin (%)	41.9	38.6	47.7				
Net margin (%)	33.1	30.2	37.1				
Turnover days							
Inventory Days	114	94	95				
Receivable Days	63	55	68				
Payable Days	37	39	37				
CCC days	139	110	127				
Balance Sheet Highlights							
Total cash	1,104	830	1,102				
Total debt	-	-	-				
Net gearing (%)	nc	nc	nc				
Equity	3,117	3,386	3,792				

Source: Company data, Bloomberg, RHB

Figure 2: Segment breakdown

SIDO (IDRbn)	1Q23	4Q23	1Q24	QoQ (%)	YoY (%)
Sales					
Herbal medicine and supplement	553	893	627	(29.8)	13.3
Food and Beverage	331	282	396	40.6	19.8
Pharmacy	23	30	30	0.5	30.6
Sales Contribution					
Herbal medicine and supplement	61.0%	74.1%	59.5%		
Food and Beverage	36.5%	23.4%	37.6%		
Pharmacy	2.6%	2.5%	2.9%		
Gross Profit					
Herbal medicine and supplement	374	631	448	(29.0)	19.7
Food and Beverage	103	110	166	51.3	60.5
Pharmacy	6	10	11	14.8	97.7
Gross Margin					
Herbal medicine and supplement	67.6%	70.7%	71.5%		
Food and Beverage	31.2%	38.9%	41.8%		
Pharmacy	24.9%	33.1%	37.8%		

Source: Company data, RHB

Figure 3: Changes to estimates

Income Statement (IDRbn)	New			Old			% Change		
	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F
Total Turnover	4,130	4,567	4,955	4,130	4,567	4,955	0.0	(0.0)	0.0
Gross Profit	2,349	2,599	2,824	2,349	2,599	2,824	0.0	0.0	(0.0)
EBIT	1,583	1,751	1,904	1,454	1,614	1,755	8.8	8.5	8.5
EBITDA	1,693	1,874	2,039	1,565	1,737	1,890	8.2	7.9	7.9
Pretax Profit	1,609	1,774	1,925	1,428	1,584	1,725	12.7	12.0	11.6
Net Profit	1,249	1,376	1,494	1,114	1,236	1,346	12.1	11.3	11.0
Key Metrics									
EPS (IDR)	42	46	50	37	41	45			
Revenue Growth (%)	15.8	10.6	8.5	15.8	10.6	8.5			
EPS Growth (%)	31.4	10.2	8.6	17.2	10.9	8.9			
Gross Margin (%)	56.9	56.9	57.0	56.9	56.9	57.0			
EBITDA Margin (%)	41.0	41.0	41.1	37.9	38.0	38.1			
Net Profit Margin (%)	30.2	30.1	30.2	27.0	27.1	27.2			
Dividend Payout Ratio (%)	98.0	98.0	98.0	98.0	98.0	98.0			

Source: Company data, RHB

Figure 4: RHB vs Street estimates

Income Statement (IDRbn)	RHB			Street			RHB/Street (%)		
	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F
Revenue	4,130	4,567	4,955	3,765	4,027	4,419	109.7	113.4	112.1
Gross Profit	2,349	2,599	2,824	2,115	2,272	2,518	111.1	114.4	112.1
EBITDA	1,114	1,236	1,346	1,401	1,509	1,666	79.5	81.9	80.8
EBIT	1,454	1,614	1,755	1,307	1,411	1,580	111.3	114.4	111.1
Pre-tax Profit	1,428	1,584	1,725	1,330	1,438	1,608	107.4	110.2	107.3
NPAT	1,114	1,236	1,346	1,035	1,116	1,253	107.6	110.7	107.4

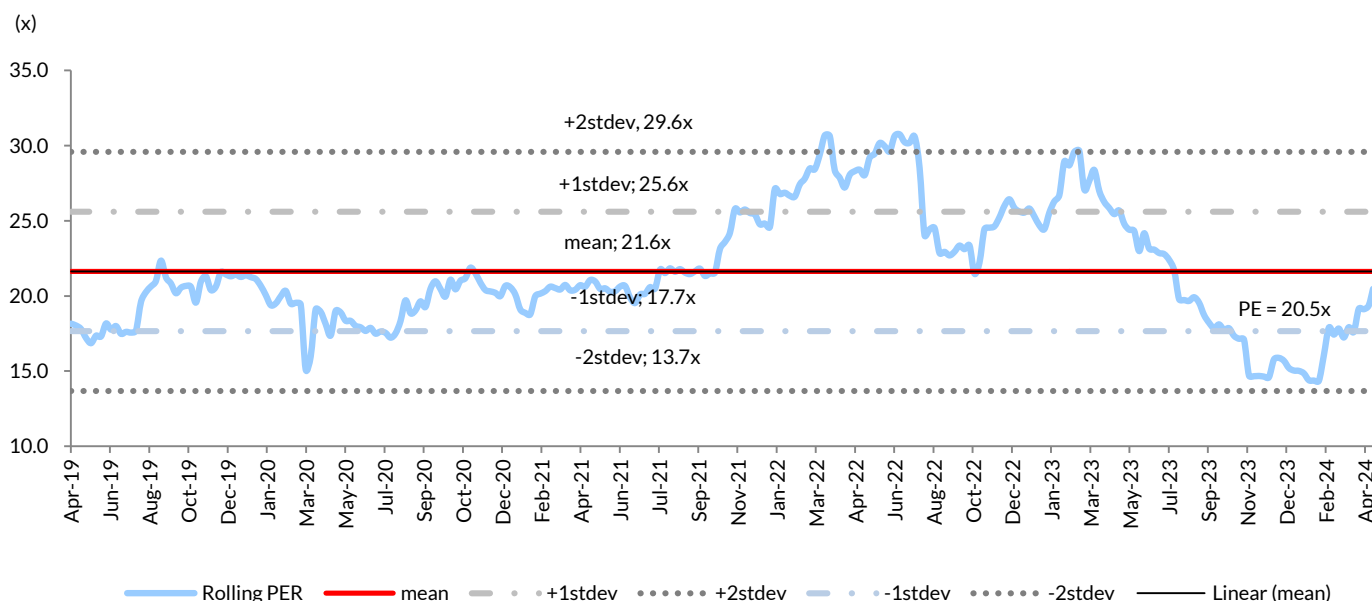
Source: Company data, Bloomberg, RHB

Figure 5: DCF valuation

IDRbn	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F
EBIT	1,583	1,751	1,904	2,047	2,187	2,331	2,475	2,619	2,766	2,922	3,080
EBIT (1-t)	1,234	1,359	1,477	1,589	1,697	1,809	1,921	2,033	2,146	2,267	2,390
Depreciation & Amortization	110	123	135	144	153	162	173	183	199	213	225
Change in working capital	9	44	(64)	(58)	(58)	(56)	(60)	(60)	(60)	(62)	(66)
Capex	(140)	(261)	(261)	(183)	(196)	(209)	(221)	(234)	(337)	(316)	(267)
Net free cash flow to firm	1,213	1,265	1,287	1,492	1,595	1,706	1,812	1,922	1,948	2,102	2,283
Terminal Value											27,269
PV	1,213	1,135	1,037	1,079	1,036	994	948	902	821	795	11,178
Total discounted firm value	21,138										
Less: net debt	(1,084)										
Less: minority interest	-										
Equity value	22,222										
Number of shares (bn)	30.0										
Equity value per share (IDR)	741										
ESG Premium (Discount)	8%										
Target Price	800										
Assumptions											
Risk free rate	6.6%										
Beta	1.0										
Equity market premium	6%										
WACC	11.4%										
Terminal growth	3%										

Source: Company data, Bloomberg, RHB

Figure 6: SIDO is trading at its 5-year mean



Source: Company data, Bloomberg, RHB

Emissions And ESG

Trend analysis

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

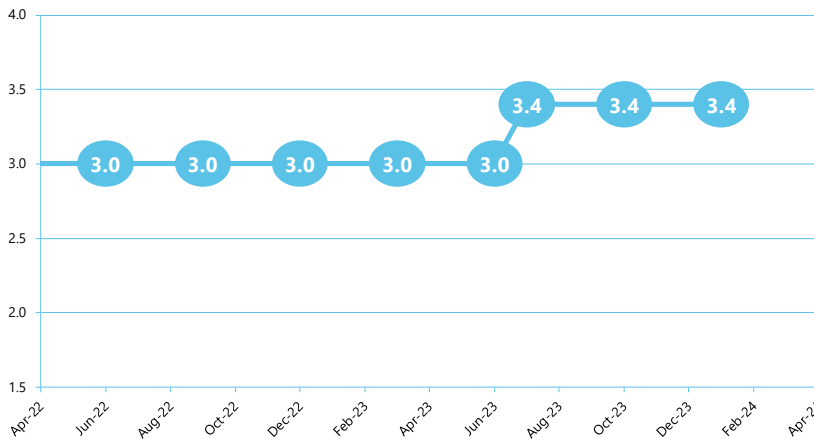
Emissions (tCO2e)	Dec-21	Dec-22	Dec-23
Scope 1	14,896	12,005	13,506
Scope 2	na	na	na
Scope 3	na	na	na
Total emissions	14,896	12,005	13,506

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



Date	Recommendation	Target Price	Price
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

Source: RHB, Bloomberg

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