

PT Industri Jamu dan Farmasi Sido Muncul Tbk

BUY

Investment Considerations

Pharmacy sales rebound

- SIDO's sales increased by 2% YoY but declined by -17.7% QoQ to IDR 746 billion due to softer demand after Ramadan. However, for 1H2023, SIDO maintained a 2.6% YoY growth, with total sales reaching IDR 1.65 trillion.
- The pharmaceutical segment showed significant improvement, with a 37% QoQ growth to IDR 31.8 billion in 2Q2023. Most of the syrup medicine products were distributed again as of May 2023, leading to a quarterly improvement in the pharmaceutical gross profit margin (GPM) to 36.4%.
- Herbal & supplement sales decreased by -2.1% YoY or -18.6% QoQ to IDR 450.2 billion. Tolak Angin experienced soft sales post Ramadhan, and a lower market share than last year but still maintained its market leadership position. Stable raw material prices in 2Q2023 resulted in a higher herbal and supplement GPM at 66.4%, compared to 64.2% last year.
- F&B sales increased by 12% YoY but declined by -20% QoQ to IDR 264.4 billion in 2Q2023 due to significant growth in the Ready to Drink (RDT) product, which showed over 350% YoY growth. F&B margins continued to improve, reaching 31.7% in 2Q2023 helped by a decline in several raw material prices.

2Q2023 Result: Margin drop

- SIDO's 2Q2023 bottom line profit dropped by -1.8% YoY or -50.8% QoQ to IDR 147.8 billion, with a lower net profit margin (NPM) at 19.8% due to an unrealized loss on foreign exchange of IDR 37 billion from depreciation of the Nigerian currency. This is lower than the 33% NPM recorded in 1Q2023.
- As of 1H2023, SIDO's net profit was IDR 448.1 billion, a slight increase of 0.6% YoY, with a slightly lower NPM of 27.1%.
- Operating income was IDR 193.7 billion, a slight increase of 1% YoY, but it declined by -47.7% QoQ with a lower margin at 25.6%.

2023F Guidance and Valuation:

- The management has reversed their 2023F guidance from +10% growth to -10% in the worst-case scenario due to softened demand and changes in customer behavior in the domestic market for 2H2023. Additionally, the instability of the exchange rate in Nigeria has negatively impacted SIDO's export sales in 2H2023.
- However, despite the challenges, our recommendation for SIDO remains a BUY. The expectation is that purchasing power will normalize in the next year. The target price (TP) is IDR 855, representing a 32% upside, with a 21x PE valuation within one year.

Financial Highlights	2020A	2021A	2022A	2023F	2024F
Revenue (IDR Mn)	3.335.411	4.020.980	3.865.523	3.696.771	4.066.448
EBITDA (IDR Mn)	1.296.946	1.708.037	1.516.060	1.494.050	1.636.958
Net Profit (IDR Mn)	934.016	1.260.898	1.104.714	1.109.771	1.220.749
EPS (IDR)	31	42	37	37	41
NPM (%)	28,0%	31,4%	28,6%	30,0%	30,0%
PER (x)	25,9	20,6	23,5	23,1	21,0
P/BV (x)	7,5	7,5	7,4	7,0	6,7
ROA (%)	45,5%	56,2%	50,3%	47,2%	48,5%

Source: Company and Binaartha

Consumer Goods, Pharmaceutical
2 August 2023

Price	IDR.	640
Target	IDR.	855
JKSE Index		6,886.496



Stock code

Bloomberg code	SIDO IJ
Market cap (in Bn)	19,200.0
52-week high	990
52-week low	630
Shares Out (in Mn)	30,000
Free Float (%)	19.00%

Major Share Holders (%)

PT Hotel Candi Baru	81.00%
Public	19.00%

USD/IDR-YE

2022	15,350
2023F (6m-avg)	15,032

Analyst:

Eka Rahmawati Rahman

Chart: SIDO Business Segment GPM QoQ & YoY

	4Q2022	1Q2023	2Q2023	1H2022	1H2023	2Q2022
Herbal and supplement	70,2%	67,6%	66,4%	66,4%	67,1%	64,2%
Food and beverages	30,6%	31,2%	31,7%	30,6%	31,4%	26,9%
Pharmacy	27,7%	24,9%	36,4%	39,5%	31,5%	39,1%

Source: Company

Table: Income Statement in IDR. Million YoY & QoQ

Income Statement (IDR Mn)	1Q2023	2Q2023	QoQ	2Q2022	YoY	1H2022	1H2023	YoY
Net Sales	907.302	746.492	-17,7%	731.606	2,0%	1.612.099	1.653.794	2,6%
Cost of Goods Sold	-424.109	-352.141	-17,0%	-358.941	-1,9%	-757.611	-776.250	2,5%
Gross Profit	483.193	394.351	-18,4%	372.665	5,8%	854.488	877.544	2,7%
Operating Expense	-113.654	-201.026	76,9%	-181.166	11,0%	-295.874	-314.680	6,4%
Operating Income	369.539	193.325	-47,7%	191.499	1,0%	558.614	562.864	0,8%
Other Income	10.682	4.433	-58,5%	4.208	5,3%	14.290	15.115	5,8%
PBT	380.221	197.758	-48,0%	195.707	1,0%	572.904	577.979	0,9%
Taxes	-79.942	-49.930	-37,5%	-45.147	10,6%	-127.305	-129.872	2,0%
PAT	300.279	147.828	-50,8%	150.560	-1,8%	445.599	448.107	0,6%
Non-controlling interest	0	1		0		0	1	
Net Profit	300.279	147.829	-50,8%	150.560	-1,8%	445.599	448.108	0,6%
EPS	10	5	-50,8%	5	-1,8%	15	15	0,6%
GPM (%)	53,3%	52,8%		50,9%		53,0%	53,1%	
OPM (%)	40,7%	25,9%		26,2%		34,7%	34,0%	
NPM (%)	33,1%	19,8%		20,6%		27,6%	27,1%	

Source: Company

Table: Income Statement in IDR. Million YoY

Income Statement (IDR Mn)	2019A	2020A	2021A	2022A	2023F	2024F
Net Sales	3.067.434	3.335.411	4.020.980	3.865.523	3.696.771	4.066.448
Cost of Goods Sold	-1.386.870	-1.496.628	-1.734.948	-1.702.910	-1.737.483	-1.911.231
Gross Profit	1.680.564	1.838.783	2.286.032	2.162.613	1.959.289	2.155.218
Operating Expense	-656.320	-687.758	-709.340	-769.547	-591.483	-650.632
Operating Income	1.024.244	1.151.025	1.576.692	1.393.066	1.367.805	1.504.586
Other Income	49.591	48.523	36.539	26.786	36.968	40.664
PBT	1.073.835	1.199.548	1.613.231	1.419.852	1.404.773	1.545.250
Taxes	-266.146	-265.532	-352.333	-315.138	-295.002	-324.503
PAT	807.689	934.016	1.260.898	1.104.714	1.109.771	1.220.748
Non-controlling interest	0	0	0	0	0	1
Net Profit	807.689	934.016	1.260.898	1.104.714	1.109.771	1.220.749
EPS	54	31	42	37	37	41

Source: Company & Binaartha

Table: Cash Flow in IDR. Million YoY

Cash Flow (In IDR Mn)	2019A	2020A	2021A	2022A	2023F	2024F
Net Income	807.689	934.016	1.260.898	1.104.714	1.109.771	1.220.749
Depreciation	86.994	96.876	93.944	95.428	88.497	90.927
Change in WC	-61.747	-24.884	-159.034	-111.029	45.093	-70.247
Cash From Operating Activities	832.936	1.006.008	1.195.808	1.089.113	1.243.360	1.241.430
Change in Non-current Asset	-117.695	-73.648	-120.772	-158.365	-58.651	-147.482
Cash From Investing Activities	-117.695	-73.648	-120.772	-158.365	-58.651	-147.482
Employee benefits liabilities	-13.249	11.879	-16.894	-13.376	12.556	3.697
Deferred tax liabilities	2.595	-126	3.576	-6.120	-459	1.005
Equity	-645.596	-776.983	-1.011.453	-1.070.424	-959.046	-1.049.844
Cash From Financing Activities	-656.250	-765.230	-1.024.771	-1.089.920	-946.949	-1.045.142
Net Changes in Cash	58.991	167.130	50.265	-159.172	237.760	48.806
Beginning Balance	805.833	864.824	1.031.954	1.082.219	923.047	1.160.807
Ending Balance	864.824	1.031.954	1.082.219	923.047	1.160.807	1.209.613

Source: Company & Binaartha

Table: Statement of Financial Position in IDR. Million YoY

ASSETS	2019A	2020A	2021A	2022A	2023F	2024F
CURRENT ASSETS						
Cash and Cash Equivalents	864.824	1.031.954	1.082.219	923.047	1.160.807	1.209.613
Trade Accounts Receivable	537.104	667.647	664.058	686.662	633.600	696.960
Inventories	299.244	309.478	454.810	542.624	517.548	569.303
Others Current Assets	15.063	43.002	43.620	41.909	36.968	40.664
Total Current Assets	1.716.235	2.052.081	2.244.707	2.194.242	2.348.923	2.516.541
NONCURRENT ASSETS						
Fixed Assets	1.593.059	1.568.264	1.588.101	1.610.837	1.655.085	1.700.549
Goodwill	91.366	91.366	91.366	91.366	91.366	91.366
Other Noncurrent Assets	136.238	137.805	144.796	184.997	110.903	121.993
Total Noncurrent Assets	1.820.663	1.797.435	1.824.263	1.887.200	1.857.354	1.913.908
TOTAL ASSETS	3.536.898	3.849.516	4.068.970	4.081.442	4.206.278	4.430.449
LIABILITIES AND EQUITY						
LIABILITIES						
CURRENT LIABILITIES						
Trade Account Payable	165.459	213.942	188.668	221.033	207.320	226.311
Others Current Liabilities	250.752	346.101	354.702	320.015	295.742	325.316
Total Current Liabilities	416.211	560.043	543.370	541.048	503.062	551.627
NONCURRENT LIABILITIES						
Employee benefits liabilities	42.803	54.682	37.788	24.412	36.968	40.664
Deferred tax liabilities	13.177	13.051	16.627	10.507	10.048	11.053
Total Noncurrent Liabilities	55.980	67.733	54.415	34.919	47.016	51.718
TOTAL LIABILITIES	472.191	627.776	597.785	575.967	550.078	603.344
Non-controlling interest	7	7	7	7	7	7
EQUITY	3.064.700	3.221.733	3.471.178	3.505.468	3.656.193	3.827.098
TOTAL LIABILITIES & EQUITY	3.536.898	3.849.516	4.068.970	4.081.442	4.206.278	4.430.449

Source: Company & Binaartha

Table: Ratio Highlights YoY

	2019A	2020A	2021A	2022A	2023F	2024F
Growth (% YoY)						
Revenue	11%	9%	21%	-4%	-4%	10%
OP	24%	12%	37%	-12%	-2%	10%
EBITDA	25%	12%	32%	-11%	-1%	10%
NP	22%	16%	35%	-12%	0%	10%
EPS	25%	12%	32%	-11%	-1%	10%
Profitability						
Gross Profit Margin (%)	55%	55%	57%	56%	53%	53%
Operating Margin(%)	33%	35%	39%	36%	37%	37%
EBITDA margin(%)	38%	39%	42%	39%	40%	40%
NET Profit margin(%)	26%	28%	31%	29%	30%	30%
ROA(%)	47%	46%	56%	50%	47%	49%
ROE(%)	26%	29%	36%	32%	30%	32%
Stability						
Int. Coverage (x)	5.245	1.789	1.463	1.416	1.423	1.565
Current Ratio (X)	4	4	4	4	5	5
Per Share data						
EPS (IDR)	54	31	42	37	37	41
P/BV (x)	6	7	7	7	7	7
PER (x)	23	26	21	23	23	21
EBITDA/share	78	43	57	51	50	55

Source: Company & Binaartha

Stock Ratings:

Buy : a recommendation to purchase the security with upside potential of **20% or greater**

Hold : a recommendation to neither buy nor sell a security with upside potential of **0-19%**.

Sell : a recommendation to close out a long position in a security with upside potential **below 0% or negative**.

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