

PT Industri Jamu dan Farmasi Sido Muncul Tbk

BUY

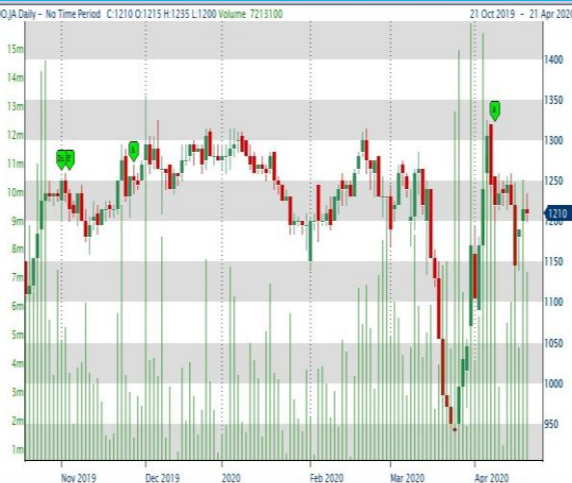
Consumer Goods, Pharmaceutical
23 April 2020

Price	IDR.	1,180
Target	IDR.	1,540
JKSE Index		4,567.562

Investment Considerations

Positive Performance amid Covid-19 Outbreak

- In 1Q2020, SIDO recorded single digit growth in net sales. Net sales grew by 2.4% yoy to IDR 731 trillion, with domestic sales growing at a higher single digit rate. SIDO Modern Trade (MT) distribution remains strong, while SIDO General Trade (GT) has slowed down due to the social-distancing and local quarantine in some areas which resulted from appeals by the Government in early March 2020. The covid-19 outbreak impact can also be seen in the decline of export sales but this was netted off by higher domestic sales. Most of SIDO export destinations like the Philippines, Myanmar and Nigeria have imposed lockdowns causing shipment and logistic constraints. Export sales declined to a 2% contribution to sales in 1Q2020, half the 4% contribution in 2019FY.
- As for the segments, Herbal & Supplement sales had a higher contributor to revenue at 68% with 2.5% growth, followed by Food & Beverage sales which contributed 27% with 2.1% growth and Pharmacy sales which contributed 4% with 2.4% growth.
- Management has lowered their 2020 revenue target to flattish growth and bottom line growth to mid single-digits because of covid-19 leading to weaker purchasing power.



1Q2020: Double Digit Growth and New Products

- SIDO recorded double digit bottom line growth of +10.9% YoY to IDR 232 billion in 1Q2020. The growth was driven by operational production efficiencies and a lower effective tax-rate.
- Operating profit grew +9.7% YoY to IDR 286 billion, in line with a +7.8% YoY growth in gross profit to IDR 408 billion.
- As a result, SIDO margins increased in 1Q2020, with the gross profit margin at 56%, Operating margin at 39% and the Net profit margin at 32%.
- Meanwhile in February 2020, SIDO launched a new product "Sido Muncul Natural – a Soft-Gel Capsule" with 7 varieties: Tolak Angin, Tolak Linu, VCO and Vitamin.
- Because of the impact of Covid-19, we lower our SIDO sales target in 2020F to IDR 3.2 trillion but keep a higher bottom line target as we expect SIDO's strategy to improve operational efficiency and reduce the tax rate will continue to have an impact throughout 2020.

Valuation: Maintain BUY with TP 1,540

- We are targeting SIDO to reach IDR 1,540 or 30% upside, which is a 22x PE valuation within one year. Maintain BUY.

Stock code

Bloomberg code	SIDO IJ
Market cap (in Bn)	17,700.0
52-week high	1,420
52-week low	900
6-m avg.dail.val (IDR)	1,221
Free Float (%)	19.00%

Major Share Holders (%)

PT Hotel Candi Baru	81.00%
Public	19.00%

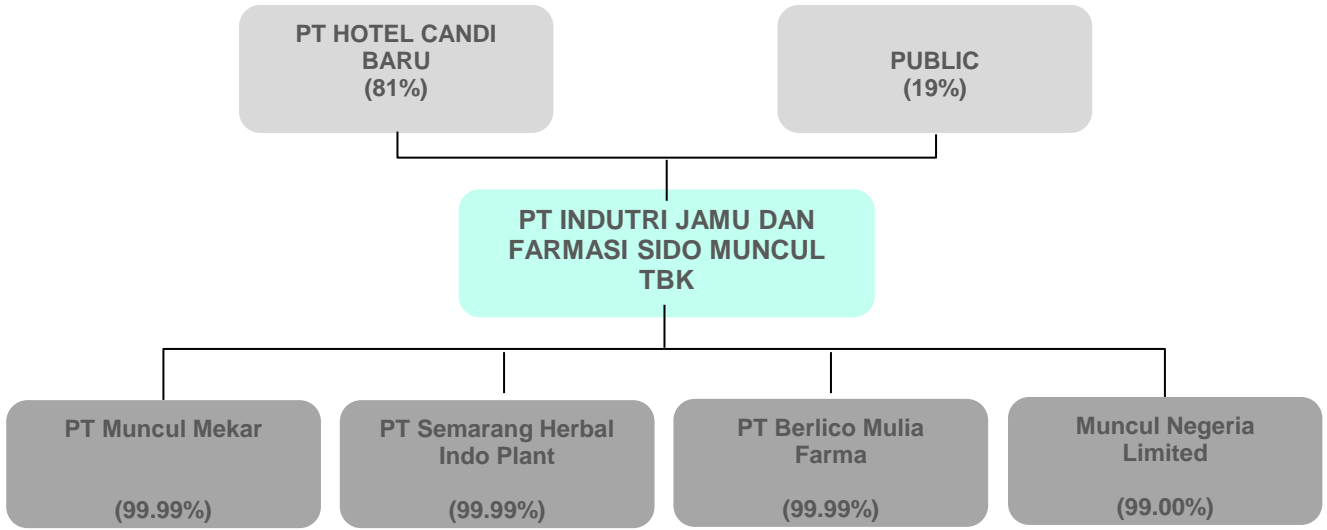
USD/IDR-YE

2019	14,390
2020F (6m-avg)	14,334

Analyst:
Eka Rahmawati Rahman

Financial Highlights	2016A	2017A	2018A	2019A	2020F	2021F
Revenue (IDR Mn)	2.561.806	2.573.840	2.763.292	3.067.434	3.220.806	3.381.846
EBITDA (IDR Mn)	682.573	743.013	929.979	1.160.983	1.307.149	1.449.188
Net Profit (IDR Mn)	480.525	533.799	663.849	807.689	935.064	1.040.932
EPS (IDR)	32	36	45	54	63	70
EBITDA Margin (%)	26,6%	28,9%	33,7%	37,8%	40,6%	42,9%
ROE (%)	17,4%	18,4%	22,9%	26,4%	29,3%	31,2%
ROA (%)	26,8%	32,8%	42,9%	47,1%	55,8%	59,2%

Chart: Company Structure



Source: Company

Pictures: SIDO new products in 1Q2020



Source: Company

Table: Income Statement in IDR. Million YoY

Income Statement (IDR Mn)	2016A	2017A	2018A	2019A	2020F	2021F
Net Sales	2.561.806	2.573.840	2.763.292	3.067.434	3.220.806	3.381.846
Cost of Goods Sold	-1.494.142	-1.389.139	-1.338.901	-1.386.870	-1.433.259	-1.504.921
Gross Profit	1.067.664	1.184.701	1.424.391	1.680.564	1.787.547	1.876.925
Operating Expense	-508.221	-544.465	-600.060	-656.320	-611.953	-574.914
Operating Income	559.443	640.236	824.331	1.024.244	1.175.594	1.302.011
Other Income	69.639	41.653	43.506	49.591	54.754	67.637
PBT	629.082	681.889	867.837	1.073.835	1.230.348	1.369.648
Taxes	-148.557	-148.090	-203.988	-266.146	-295.283	-328.715
PAT	480.525	533.799	663.849	807.689	935.064	1.040.932
Non-controlling interest	0	0	0	0	0	0
Net Profit	480.525	533.799	663.849	807.689	935.064	1.040.932
EPS	32	36	45	54	63	70
EBITDA	682.573	743.013	929.979	1.160.983	1.307.149	1.449.188

Source: Company & Binaartha

Table: Cash Flow in IDR. Million YoY

Cash Flow (In IDR Mn)	2016A	2017A	2018A	2019A	2020F	2021F
Net Income	480.525	533.799	663.849	807.689	935.064	1.040.932
Depreciation	53.351	60.536	62.001	86.994	76.647	79.386
Change in WC	105.100	63.762	144.089	-61.747	-108.969	-2.893
Cash From Operating Activities	638.976	658.097	869.939	832.936	902.742	1.117.426
Capex	-158.168	-396.344	-322.666	-117.695	-180.822	-193.153
Cash From Investing Activities	-158.168	-396.344	-322.666	-117.695	-180.822	-193.153
Employee benefits liabilities	473	30.979	11.030	-13.249	3.264	9.762
Deferred tax liabilities	-167	8.804	1.778	2.595	-3.880	2.905
Equity	-320.954	-395.819	-657.100	-645.596	-804.155	-895.202
Cash From Financing Activities	-320.648	-356.036	-644.292	-656.250	-804.771	-882.535
Net Changes in Cash	160.160	-94.283	-97.019	58.991	-82.851	41.738
Beginning Balance	836.975	997.135	902.852	805.833	864.824	781.973
Ending Balance	997.135	902.852	805.833	864.824	781.973	823.711

Source: Company & Binaartha

Table: Statement of Financial Position in IDR. Million YoY

ASSETS	2016A	2017A	2018A	2019A	2020F	2021F
CURRENT ASSETS						
Cash and Cash Equivalents	997.135	902.852	805.833	864.824	781.973	823.711
Trade Accounts Receivable	387.218	431.502	414.903	537.104	518.587	552.854
Inventories	317.082	267.915	311.193	299.244	352.707	358.283
Others Current Assets	92.690	26.632	15.737	15.063	22.495	23.620
Total Current Assets	1.794.125	1.628.901	1.547.666	1.716.235	1.675.762	1.758.467
NONCURRENT ASSETS						
Fixed Assets	1.051.227	1.215.176	1.553.362	1.593.059	1.669.706	1.749.092
Goodwill	91.366	91.366	91.366	91.366	91.366	91.366
Other Noncurrent Assets	50.896	222.755	145.234	136.238	163.766	198.146
Total Noncurrent Assets	1.193.489	1.529.297	1.789.962	1.820.663	1.924.838	2.038.604
TOTAL ASSETS	2.987.614	3.158.198	3.337.628	3.536.898	3.600.600	3.797.072
LIABILITIES AND EQUITY						
LIABILITIES						
CURRENT LIABILITIES						
Trade Account Payable	183.323	135.991	189.279	165.459	198.751	200.360
Others Current Liabilities	32.363	72.516	179.101	250.752	150.869	187.335
Total Current Liabilities	215.686	208.507	368.380	416.211	349.620	387.695
NONCURRENT LIABILITIES						
Employee benefits liabilities	14.043	45.022	56.052	42.803	46.067	55.829
Deferred tax liabilities	0	8.804	10.582	13.177	9.297	12.202
Total Noncurrent Liabilities	14.043	53.826	66.634	55.980	55.364	68.031
TOTAL LIABILITIES	229.729	262.333	435.014	472.191	404.984	455.725
Non-controlling interest	7	7	7	7	7	7
EQUITY	2.757.878	2.895.858	2.902.607	3.064.700	3.195.609	3.341.340
TOTAL LIABILITIES & EQUITY	2.987.614	3.158.198	3.337.628	3.536.898	3.600.600	3.797.072

Source: Company & Binaartha

Table: Ratio Highlights YoY

	2016A	2017A	2018A	2019A	2020F	2021F
Growth (% YoY)						
Revenue	15%	0%	7%	11%	5%	5%
OP	17%	14%	29%	24%	15%	11%
EBITDA	8%	9%	25%	25%	13%	11%
NP	10%	11%	24%	22%	16%	11%
EPS	8%	9%	25%	25%	13%	11%
Profitability						
Gross Profit Margin (%)	42%	46%	52%	55%	56%	56%
Operating Margin(%)	22%	25%	30%	33%	37%	39%
EBITDA margin(%)	27%	29%	34%	38%	41%	43%
NET Profit margin(%)	19%	21%	24%	26%	29%	31%
ROA(%)	27%	33%	43%	47%	56%	59%
ROE(%)	17%	18%	23%	26%	29%	31%
Stability						
Int. Coverage (x)	3.432	908	4.708	5.245	6.072	6.759
Current Ratio (X)	8	8	4	4	5	5
Per Share data (IDR)						
EPS	32	36	45	54	63	70
EBITDA/share	46	50	63	78	88	97

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**.

RESEARCH TEAM
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