

PT Industri Jamu dan Farmasi Sido Muncul Tbk

Consumer Goods, Pharmaceutical
24 February 2020

Price **IDR. 1,275**
Target **IDR. 1,570**
JKSE Index **5,882.255**



Stock code
Bloomberg code **SIDO IJ**
Market cap (in Bn) **18,450.0**
52-week high **1,355**
52-week low **800**
6-m avg.dail.val (IDR) **1,220**
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) **14,228**

Analyst:
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BUY

Investment Considerations

2019FY: Double digit growth

- In 2019FY SIDO recorded double digit growth. Net sales was higher by 11% yoy to IDR 3.07 trillion, led by strong performances from all business segments and both domestic sales and exports.
- Gross profit increased by +18% to IDR 1.68 trillion led by margin improvements in the Food & Beverage (F&B) and Herbal segments.
- Operating profit increased by +24.3% yoy to IDR 1.02 trillion and net profit grew +21.7% yoy to IDR 808 billion in 2019FY.
- In 2020, we expect SIDO's bottom line will grow at a double digit rate to reach IDR 933 billion, with a stable margin.

Margin improvement

- Each business segment of SIDO showed an improvement in profit margin as the cost of raw materials declined while ASPs of several products increased.
- Herbal & supplements segment is still the biggest contributor to 2019FY SIDO revenue, at 67% of the revenue, which is slightly higher than the contribution in the previous year (i.e. 66% of revenue). F&B and Pharmaceuticals came in next with their contributions to 2019FY revenue at 29% and 4%, respectively.
- Herbal & supplements posted +12% yoy revenue growth to IDR 2.06 trillion. Revenues from the F&B and pharmaceuticals segments were IDR 886 billion (+8.1% yoy) and IDR 117 billion (+17% yoy), respectively.
- Herbal & supplement product gross profit margins in 2019FY improved to 65% from 63% in 2018 due to operational efficiencies. F&B margin increased from 29% in 2018 to 35% in 2019, while the pharmaceutical margin was stable at 28%.
- We expect a stable margin in the future.

Increasing Exports Revenue

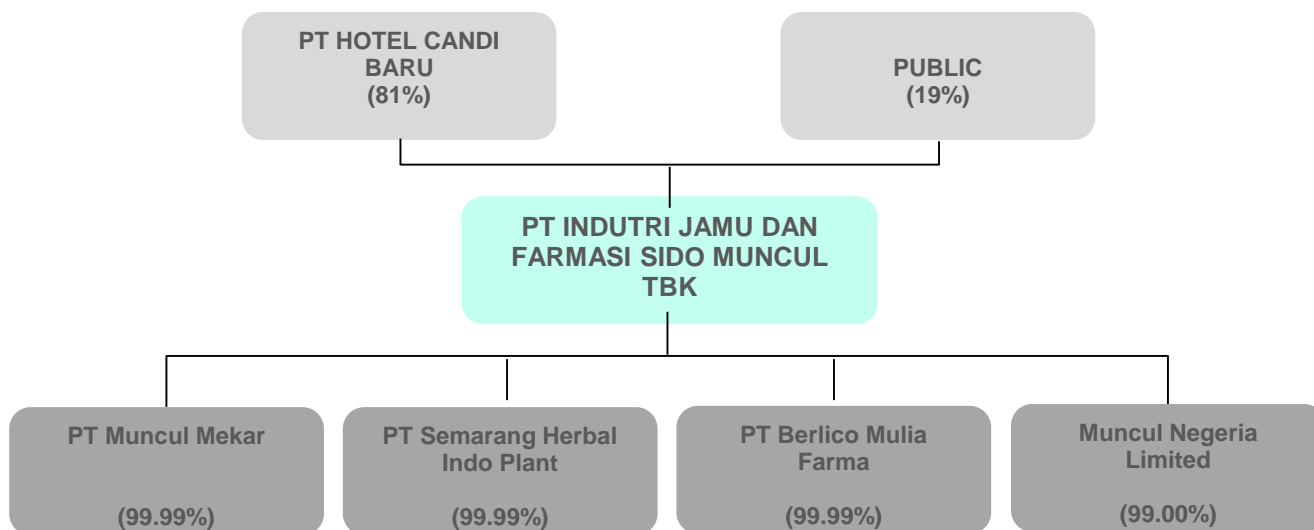
- In 2020, SIDO is targeting a 6%-7% revenue contribution from exports, focusing on the Philippines, Malaysia, and Nigeria while also entering new markets. In 2019FY, the export contribution was 5% of net sales, an increase from less than 2% in 2018.
- In the Philippines, SIDO market share has reached 23% despite the fact that SIDO has only been in the market for one year. We expect the Company's market share in the Philippine will keep growing as they increase marketing and because there is only a small price difference with competitors.
- SIDO will also maintain their domestic market share by increasing product supply to eastern Indonesia.
- SIDO is also planning to launch 2-3 new products in 2020.

Valuation: BUY with TP 1,570

- With good 2019FY results and our double digit growth forecast for the bottom line, we are targeting SIDO to reach IDR 1,570 in 2020F or 23% upside, which is a 25x PE valuation within one year. BUY

Financial Highlights	2016A	2017A	2018A	2019A	2020F	2021F
Revenue (IDR Mn)	2,561,806	2,573,840	2,763,292	3,067,434	3,364,660	3,691,586
EBITDA (IDR Mn)	682,573	743,013	929,979	1,160,983	1,304,902	1,426,969
Net Profit (IDR Mn)	480,525	533,799	663,849	807,689	933,357	1,024,046
EPS (IDR)	32	36	45	54	63	69
EBITDA Margin (%)	26.6%	28.9%	33.7%	37.8%	38.8%	38.7%
ROE (%)	17.4%	18.4%	22.9%	26.4%	29.2%	30.7%
ROA (%)	26.8%	32.8%	42.9%	47.1%	55.3%	57.5%

Chart: Company Structure



Source: Company

Chart: Revenues contribution by Segment in 2019FY



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	3,364,660	3,691,586
Cost of Goods Sold	(1,494,142)	(1,389,139)	(1,338,901)	(1,386,870)	(1,520,826)	(1,668,597)
Gross Profit	1,067,664	1,184,701	1,424,391	1,680,564	1,843,834	2,022,989
Operating Expense	(508,221)	(544,465)	(600,060)	(656,320)	(672,932)	(738,317)
Operating Income	559,443	640,236	824,331	1,024,244	1,170,902	1,284,672
Other Income	69,639	41,653	43,506	49,591	57,199	62,757
PBT	629,082	681,889	867,837	1,073,835	1,228,101	1,347,429
Taxes	(148,557)	(148,090)	(203,988)	(266,146)	(294,744)	(323,383)
PAT	480,525	533,799	663,849	807,689	933,357	1,024,046
Non-controlling interest	0	0	0	0	0	0
Net Profit	480,525	533,799	663,849	807,689	933,357	1,024,046
EPS	32	36	45	54	63	69
EBITDA	682,573	743,013	929,979	1,160,983	1,304,902	1,426,969

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	933,357	1,024,046
Depreciation	53,351	60,536	62,001	86,994	76,647	79,386
Change in WC	105,100	63,762	144,089	(61,747)	(133,274)	(28,693)
Cash From Operating Activities	638,976	658,097	869,939	832,936	876,729	1,074,739
Capex	(158,168)	(396,344)	(322,666)	(117,695)	(188,136)	(203,986)
Cash From Investing Activities	(158,168)	(396,344)	(322,666)	(117,695)	(188,136)	(203,986)
Employee benefits liabilities	473	30,979	11,030	(13,249)	5,322	12,817
Deferred tax liabilities	(167)	8,804	1,778	2,595	(3,465)	3,608
Equity	(320,954)	(395,819)	(657,100)	(645,596)	(802,687)	(880,680)
Cash From Financing Activities	(320,648)	(356,036)	(644,292)	(656,250)	(800,830)	(864,255)
Net Changes in Cash	160,160	(94,283)	(97,019)	58,991	(112,237)	6,498
Beginning Balance	836,975	997,135	902,852	805,833	864,824	752,587
Ending Balance	997,135	902,852	805,833	864,824	752,587	759,085

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	752,587	759,085
Trade Accounts Receivable	387,218	431,502	414,903	537,104	541,749	603,489
Inventories	317,082	267,915	311,193	299,244	368,461	391,098
Others Current Assets	92,690	26,632	15,737	15,063	23,500	25,783
Total Current Assets	1,794,125	1,628,901	1,547,666	1,716,235	1,686,297	1,779,456
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	171,081	216,294
Total Noncurrent Assets	1,193,489	1,529,297	1,789,962	1,820,663	1,932,153	2,056,753
TOTAL ASSETS	2,987,614	3,158,198	3,337,628	3,536,898	3,618,449	3,836,208
LIABILITIES AND EQUITY						
LIABILITIES						
CURRENT LIABILITIES						
Trade Account Payable	183,323	135,991	189,279	165,459	207,628	218,710
Others Current Liabilities	32,363	72,516	179,101	250,752	157,607	204,493
Total Current Liabilities	215,686	208,507	368,380	416,211	365,236	423,203
NONCURRENT LIABILITIES						
Employee benefits liabilities	14,043	45,022	56,052	42,803	48,125	60,942
Deferred tax liabilities	0	8,804	10,582	13,177	9,712	13,320
Total Noncurrent Liabilities	14,043	53,826	66,634	55,980	57,837	74,262
TOTAL LIABILITIES	229,729	262,333	435,014	472,191	423,073	497,465
Non-controlling interest	7	7	7	7	7	7
EQUITY	2,757,878	2,895,858	2,902,607	3,064,700	3,195,370	3,338,736
TOTAL LIABILITIES & EQUITY	2,987,614	3,158,198	3,337,628	3,536,898	3,618,449	3,836,208

Source: Company & Binaartha

Table: Ratio Highlights YoY

	2016A	2017A	2018A	2019A	2020F	2021F
Growth (% YoY)						
Revenue	15%	0%	7%	11%	10%	10%
OP	17%	14%	29%	24%	14%	10%
EBITDA	8%	9%	25%	25%	12%	9%
NP	10%	11%	24%	22%	16%	10%
EPS	8%	9%	25%	25%	12%	9%
Profitability						
Gross Profit Margin (%)	42%	46%	52%	55%	55%	55%
Operating Margin(%)	22%	25%	30%	33%	35%	35%
EBITDA margin(%)	27%	29%	34%	38%	39%	39%
NET Profit margin(%)	19%	21%	24%	26%	28%	28%
ROA(%)	27%	33%	43%	47%	55%	58%
ROE(%)	17%	18%	23%	26%	29%	31%
Stability						
Int. Coverage (x)	3,432	908	4,708	5,245	6,061	6,650
Current Ratio (X)	8	8	4	4	5	4
Per Share data (IDR)						
EPS	32	36	45	54	63	69
EBITDA/share	46	50	63	78	88	96

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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