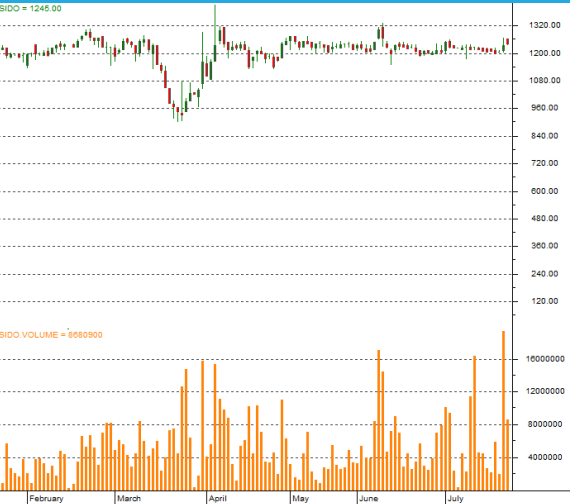


PT Industri Jamu dan Farmasi Sido Muncul Tbk

BUY

Consumer Goods, Pharmaceutical
24 July 2020

Price IDR. 1,270
Target IDR. 1,570
JKSE Index 5,142.011



Stock code
Bloomberg code SIDO IJ
Market cap (in Bn) 17,700.0
52-week high 1,420
52-week low 905
6-m avg.dail.val (IDR) 1,210
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

Investment Considerations

Stable Sales despite Covid-19

- In the 1H2020, SIDO sales grew +3.5% YoY to IDR 1.46 trillion. Domestic sales was the driver with a 98% contribution while exports contributed 2%.
- 2Q2020 domestic demand increased for SIDO's health drink products such as Vit C1000 powder drink and ginger drinks such as milky ginger, coffee ginger, etc.
- Export sales were stable while the Herbal & Supplement sector was dragged by a decline in the Philippine market as well as weak Tolak Angin sales.
- The Herbal & Supplement sector declined -2.1% to IDR 923 billion with a 63% sales contribution, followed by F&B with a 32% contribution and +16.5% growth to IDR 469 billion. Pharmaceutical sales grew +6% YoY to IDR 67 billion, 5% of net sales.
- Amid the covid-19 outbreak and physical distancing, SIDO has launched 14 new products, most related to enhancing the immune system.
- As SIDO was able to maintain their sales in 2Q2020 while almost all economic and business activities stopped, we now expect SIDO sales in the 2nd semester of 2020 will grow faster.

Maintain double-digit bottom line growth

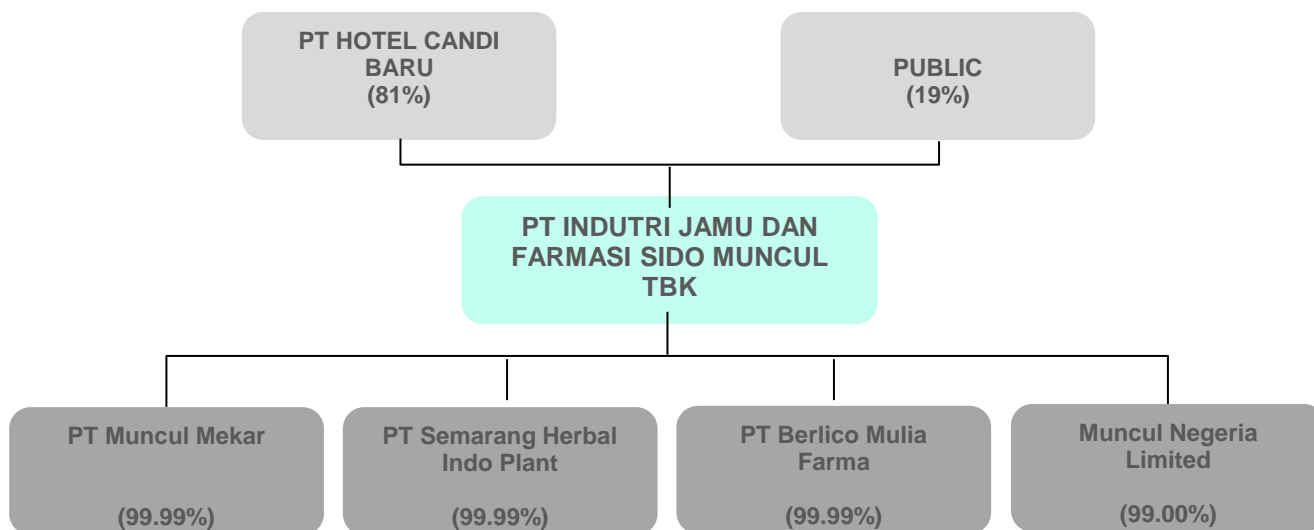
- Because of lower operating expenses due to the implementation of cost efficiencies, SIDO maintained their double-digit bottom line growth of +11% YoY to IDR 414 billion in the 1H2020.
- Operating profit grew +7% YoY to IDR 508 billion with a slight increase in operating profit margin from 34% to 35%. Net profit margin also increased from 27% to 28% .
- Gross profit grew +3% to IDR 781 billion and the gross profit margin was stable at 54%.
- We expect SIDO sales in 2020F to reach IDR 3.2 trillion which is single digit growth but we keep a double-digit bottom line growth target as we expect SIDO's strategy to improve operational efficiency will continue to have an impact throughout 2020.

Valuation: Maintain BUY with TP 1,570

- We are targeting SIDO to reach IDR 1,570 or 24% upside, which is a 23x PE valuation within one year. Maintain BUY.

Financial Highlights	2016A	2017A	2018A	2019A	2020F	2021F
Revenue (IDR Mn)	2.561.806	2.573.840	2.763.292	3.067.434	3.220.806	3.381.846
EBITDA (IDR Mn)	682.573	743.013	929.979	1.160.983	1.274.940	1.415.369
Net Profit (IDR Mn)	480.525	533.799	663.849	807.689	910.586	1.015.230
EPS (IDR)	32	36	45	54	61	68
EBITDA Margin (%)	26,6%	28,9%	33,7%	37,8%	39,6%	41,9%
ROE (%)	17,4%	18,4%	22,9%	26,4%	28,5%	30,4%
ROA (%)	26,8%	32,8%	42,9%	47,1%	54,4%	58,0%

Chart: Company Structure



Source: Company

Pictures: SIDO new products in 1H2020



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	-1.465.467	-1.538.740
Gross Profit	1.067.664	1.184.701	1.424.391	1.680.564	1.755.339	1.843.106
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	1.143.386	1.268.192
Other Income	69.639	41.653	43.506	49.591	54.754	67.637
PBT	629.082	681.889	867.837	1.073.835	1.198.140	1.335.829
Taxes	-148.557	-148.090	-203.988	-266.146	-287.554	-320.599
PAT	480.525	533.799	663.849	807.689	910.586	1.015.230
Non-controlling interest	0	0	0	0	0	0
Net Profit	480.525	533.799	663.849	807.689	910.586	1.015.230
EPS	32	36	45	54	61	68
EBITDA	682.573	743.013	929.979	1.160.983	1.274.940	1.415.369

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	910.586	1.015.230
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	878.264	1.091.724
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	-783.104	-873.098
Cash From Financing Activities	-320.648	-356.036	-644.292	-656.250	-783.720	-860.431
Net Changes in Cash	160.160	-94.283	-97.019	58.991	-86.278	38.140
Beginning Balance	836.975	997.135	902.852	805.833	864.824	778.546
Ending Balance	997.135	902.852	805.833	864.824	778.546	816.685

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	778.546	816.685
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	1.672.335	1.751.442
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	3.597.173	3.790.047
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	3.192.182	3.334.314
TOTAL LIABILITIES & EQUITY	2.987.614	3.158.198	3.337.628	3.536.898	3.597.173	3.790.047

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%	12%	11%
EBITDA	8%	9%	25%	25%	10%	11%
NP	10%	11%	24%	22%	13%	11%
EPS	8%	9%	25%	25%	10%	11%
Profitability						
Gross Profit Margin (%)	42%	46%	52%	55%	55%	55%
Operating Margin(%)	22%	25%	30%	33%	36%	38%
EBITDA margin(%)	27%	29%	34%	38%	40%	42%
NET Profit margin(%)	19%	21%	24%	26%	28%	30%
ROA(%)	27%	33%	43%	47%	54%	58%
ROE(%)	17%	18%	23%	26%	29%	30%
Stability						
Int. Coverage (x)	3.432	908	4.708	5.245	5.913	6.592
Current Ratio (X)	8	8	4	4	5	5
Per Share data (IDR)						
EPS	32	36	45	54	61	68
EBITDA/share	46	50	63	78	86	95

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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