

Sido Muncul Tbk (SIDO IJ)

Satisfactory 4Q20 Result

SIDO is our top pick in the healthcare sector given its resilience performance amid the unfavorable economic condition, with the healthiest balance sheet among peers, and benefited from rising health awareness. We believe key initiatives from management will accelerate the performance this year.

Robust performance and margin expansion across the board

- SIDO 4Q20 results looked solid as revenue and net profit came in slightly above expectations at IDR 1.07tn (+14.8% YoY) and IDR 293bn (+27.9% YoY).
- Its cumulative 12M20 net profit reached IDR934bn, forming 106% of our net profit FY20 target.
- During this year, SIDO's management has improved efficiency by slashing A&P spending and capex, resulting in margin expansion across the board.
- This also can be seen in A&P to sales at 10.8% in FY20 (vs. 11.6% in FY19), leading operating profit to surge by 12.5% YoY to IDR1.15tn.
- On margins side, GPM in 4Q20 increased by 200bps YoY to 57.7% (vs. 4Q19: 55.6%), which also led to an improved OPM (290bps YoY) and NPM (280bps YoY).

Impressive growth in herbal segment

- Herbal segment grew at its quickest pace in 4Q20, on the back of rising demand for herbal products (i.e. Tolak Angin) since rainy season started along with increased distributor inventory levels.
- F&B segment delivered strong results and booked sales of IDR283 bn (+1.9% YoY; +12.0% QoQ), supported by demand for healthy drink products, while pharmaceutical segment reported a steep 37.4% YoY decline in sales on account of less favorable product mix.
- Export sales are still on track for recovery, particularly the Philippines and Nigeria, while Malaysia maintained its growth recovery momentum. The new export destination—Saudi Arabia, is expected to delivered strong numbers once the number of umrah pilgrimage returns to normal.
- MT has contributed at 13% of total sales in FY20, as we expect, most people are concerned with health protocols. As such, we also expected MT contribution to rise ~17-18% of total sales in FY21 amid a prolonged pandemic.

Maintain BUY

- We increase our earnings forecast for FY21F/FY22F in line with company guidance, on the back of solid performance from major revenue contributor, improvement from its export destination and maintained healthy balance sheet.
- We maintain BUY recommendation with TP to IDR930, implying FY21F PE of 26.1x
- Key initiatives from the management to accelerate the top line growth includes increasing utilization rate for herbal production (~50% in FY20), targeting new wholesalers & retailers, and expanding market penetration in East Indonesia.

PT Sido Muncul Tbk | Summary (IDR Bn)

	2019A	2020A	2021F	2022F
Sales	3,067	3,335	3,672	4,059
Growth	11.0%	8.7%	10.1%	10.6%
Net Profit	808	934	1,078	1,239
Growth	21.7%	15.6%	15.4%	14.9%
EPS (IDR)	27	31	36	41
P/E	23.7x	25.9x	22.4x	19.5x
P/BV	6.0x	7.3x	6.8x	6.3x
EV/EBITDA	16.3x	18.5x	16.5x	14.3x
ROE	25.5%	28.3%	30.4%	32.5%
DER	0.0x	0.0x	0.0x	0.0x
Dividend Yield	3.3%	3.2%	3.5%	4.0%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

BUY

Price Target (IDR)	930
Consensus Price (IDR)	915
TP to Consensus Price	1.6%
vs. Last Price	20.0%

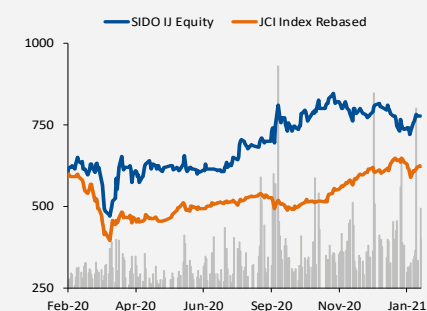
Shares data

Last Price (IDR)	775
Price Date as of	09-Feb-21
52 wk Range (Hi/Lo)	845/470
Free Float (%)	42.5
Outstanding sh.(mn)	46,875
Market Cap (IDR bn)	71,016
Market Cap (USD mn)	5,085
Avg. Trd Vol - 3M (mn)	86.61
Avg. Trd Val - 3M (bn)	138.81
Foreign Ownership	3.3%

Consumer Goods Industry Pharmaceutical

Bloomberg	SIDO IJ
Reuters	SIDO.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-2.5%	-1.3%	-7.7%	29.6%
Rel. Ret.	-3.8%	-0.1%	-23.2%	25.7%

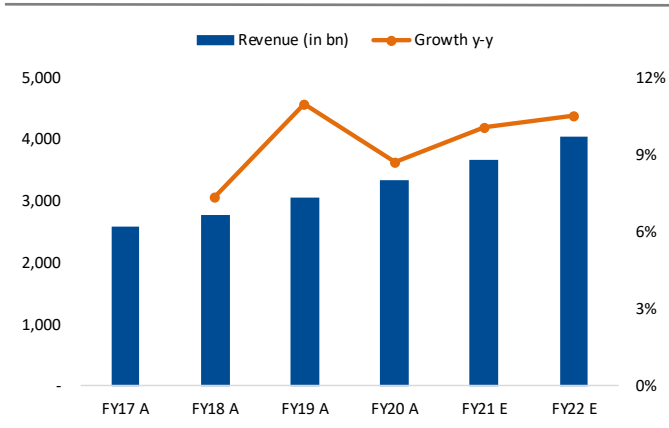
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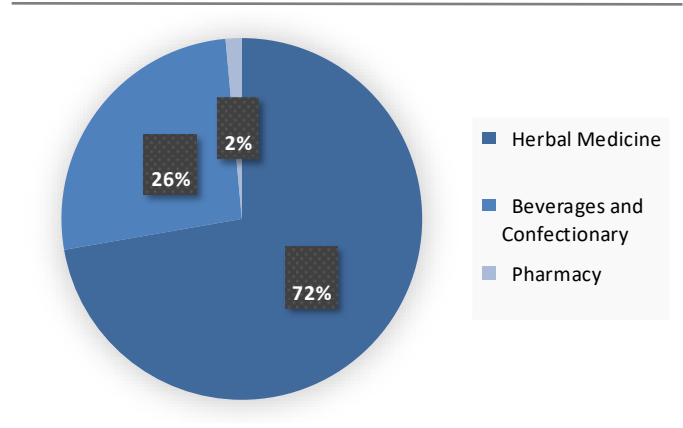
Performance Highlights

SIDO's FY17A—FY22E Revenues



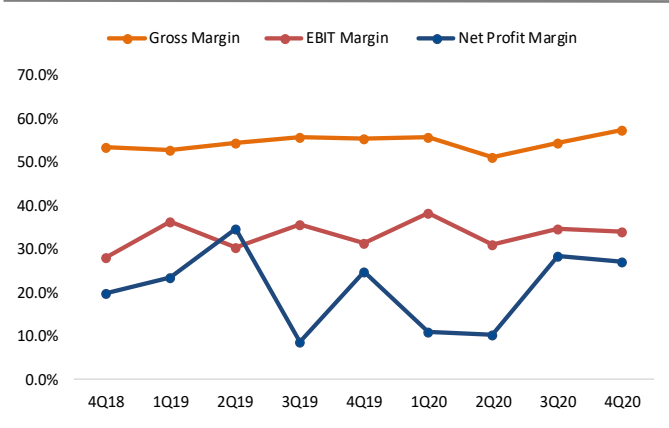
Source: Company Data, NHKSI Research

SIDO's Revenue Breakdown



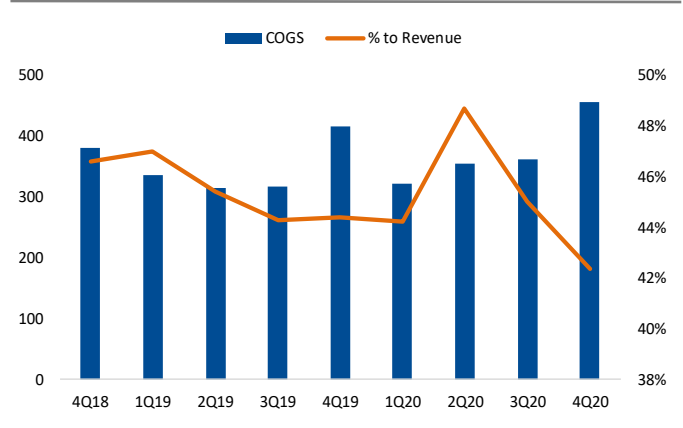
Source: Company Data, NHKSI Research

SIDO's Margin Ratios



Source: Company Data, NHKSI Research

SIDO's COGS



Source: Company Data, NHKSI Research

Company Background



Beginning as a home industry in Yogyakarta, currently Sido Muncul is the first herbal medicine industry company to be listed on the Indonesia Stock Exchange (IDX). In 1951, Sido Muncul first established its first herbal medicine factory in Semarang with Jamu Tolak Angin as its main product. As time goes, Sido Muncul built another factory that was inaugurated in 2000, and also received two certificates, How to Make Better Traditional Medicine (CPOTB), equivalent to pharmaceuticals. Both certificates made Sido Muncul the only herbal medicine factory to be the only pharmacy standardized.

Sido Muncul has two subsidiaries, PT Semarang Herbal Indo Plat and PT Muncul Mekar. In 2014, SIDO acquired the PT Berlico Mulia Farma that has started operation in 1976. This acquisition is a real step for Sido Muncul in realizing its long-term plan to expand into the pharmaceutical industry. In 2018, Sido Muncul established a subsidiary in Nigeria called Sido Muncul Nigeria Limited.

Previously in 2013, PT Sido Muncul Tbk. Herbal Medicine and Pharmacy Industry. (SIDO) officially listed its shares on the Indonesia Stock Exchange and set an initial share price (IPO) in the range of Rp580 per share with 1.5 billion new shares released to the public, or 10% of the investment capital placed and fully paid after IPO.

Consumer Companies Peers Analysis

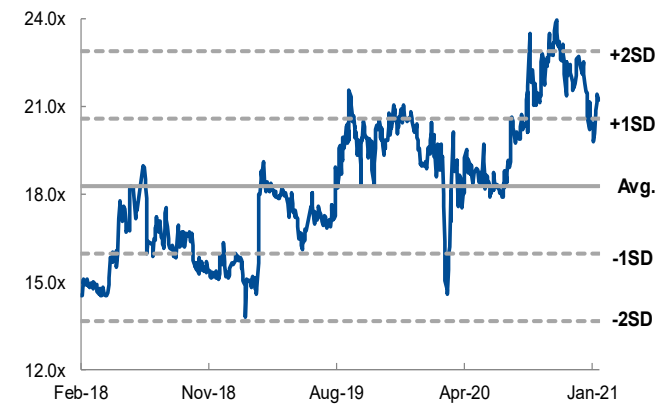
Company	Market Cap (USD mn)	Asset (USD mn)	Sales LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Growth LTM	Net Margin	ROE LTM	P/E LTM	P/BV
Indonesia									
Sido Muncul	5,085	1,463	1,583	181	1.97%	11.4%	16.2%	27.1x	4.2x
Kalbe Farma	1,455	1,325	661	(1)	N/A	-0.2%	-0.2%	N/A	3.0x
Kimia Farma Persero	1,665	276	229	64	15.64%	28.0%	29.7%	28.1x	7.2x
India									
Wockhard Ltd	791	1,085	401	(10)	64.42%	-2.4%	-2.6%	N/A	2.2x
Laurus Labs Ltd	2,699	498	389	36	172.25%	9.3%	15.3%	76.5x	11.1x
South Korea									
Hugel Inc	2,153	775	179	44	16.27%	24.6%	5.5%	46.2x	3.2x
Daewoong Co Ltd	2,286	1,444	1,142	42	20.84%	3.7%	8.1%	36.4x	2.8x
Sam Chun Dang Pharm Co Ltd	1,291	251	142	(7)	N/A	-5.1%	-5.1%	N/A	7.6x
Bukwang Pharmaceutical Co	1,474	336	144	0	N/A	0.1%	-0.1%	N/A	5.7x
Taiwan									
Obi Pharma Inc	829	189	2	(51)	-16.81%	-2477.5%	-31.2%	N/A	5.3x
Center Laboratories Inc	1,010	764	31	76	-39.63%	246.3%	15.8%	11.8x	1.7x

Unit: USD mn, %, X

Source: Bloomberg, NHKSI research

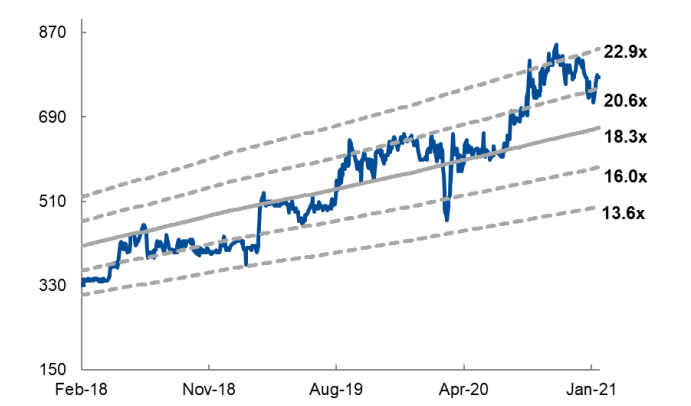
Valuation Highlight in Charts

Forward P/E band | Last 3 years



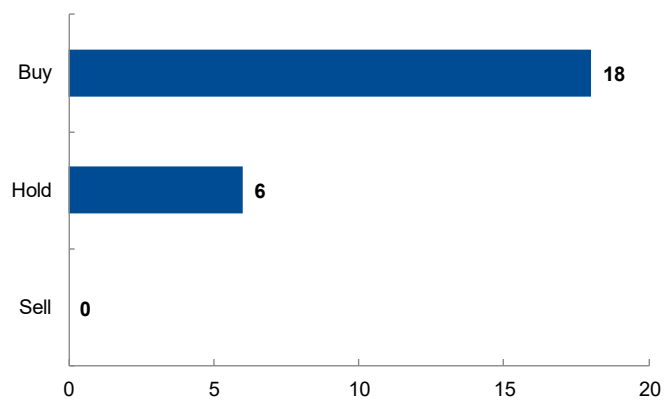
Source: NHKSI research

Dynamic Forward P/E band | Last 3 years



Source: NHKSI research

Recommendation by Analyst



Source: Bloomberg

Closing and Target Price Update



Source: NHKSI research

Rating and Target Price Update

Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
11/02/2020	Buy	930 (Dec 2021)	795	813	+17.0%	+14.4%

Source: NHKSI research, Bloomberg

Summary of Financials

INCOME STATEMENT					PROFITABILITY & STABILITY				
(IDR bn)	2019/12A	2020/12A	2021/12E	2022/12E		2019/12A	2020/12A	2021/12E	2022/12E
Net Sales	3,067	3,335	3,672	4,059	ROE	25.5%	28.3%	30.4%	32.5%
<i>Growth</i>	11.0%	8.7%	10.1%	10.6%	ROA	22.8%	25.2%	27.0%	28.8%
COGS	(1,387)	(1,497)	(1,612)	(1,730)	Inventory Turnover	4.2x	4.2x	3.9x	3.6x
Gross Profit	1,681	1,839	2,059	2,329	Receivable Turnover	7.8x	7.7x	7.7x	7.7x
<i>Gross Margin</i>	54.8%	55.1%	56.1%	57.4%	Payables Turnover	7.8x	10.1x	10.1x	10.1x
Operating Expenses	(656)	(687)	(727)	(796)	Dividend Yield	3.3%	3.2%	3.0%	3.5%
EBIT	1,024	1,152	1,332	1,534	Payout Ratio	79.2%	82.9%	78.0%	78.3%
<i>EBIT Margin</i>	33.4%	34.5%	36.3%	37.8%	DER	0.0x	0.0x	0.0x	0.0x
Depreciation	87	97	54	52	Net Gearing	0.0x	0.0x	0.0x	0.0x
EBITDA	1,111	1,249	1,387	1,585	Equity Ratio	89.7%	89.3%	88.7%	88.5%
<i>EBITDA Margin</i>	36.2%	37.4%	37.8%	39.0%	Debt Ratio	0.0%	0.0%	0.0%	0.0%
Interest Expenses	-	-	-	-	Financial Leverage	97.0%	100.4%	100.7%	100.2%
EBT	1,074	1,200	1,385	1,591	Current Ratio	538.1%	588.7%	579.3%	590.3%
Income Tax	(266)	(266)	(266)	(307)	Quick Ratio	4.3x	4.8x	4.7x	4.8x
Minority Interest	-	-	-	-	Par Value (IDR)	10	10	10	10
Net Profit	808	934	1,078	1,239	Total Shares (mn)	30,000	30,000	30,000	30,000
<i>Growth</i>	21.7%	15.6%	15.4%	14.9%	Share Price (IDR)	638	805	930	930
<i>Net Profit Margin</i>	26.3%	28.0%	29.4%	30.5%	Market Cap (IDR tn)	19.1	24.2	27.9	27.9

BALANCE SHEET					VALUATION INDEX				
(IDR bn)	2019/12A	2020/12A	2021/12E	2022/12E		2019/12A	2020/12A	2021/12E	2022/12E
Cash	959	1,027	1,285	1,470	Price /Earnings	23.7x	25.9x	25.9x	22.5x
Receivables	373	492	476	526	Price /Book Value	6.0x	7.3x	7.9x	7.3x
Inventories	356	358	412	475	PE/EPS Growth	1.1x	1.7x	1.7x	1.5x
Total Current Assets	1,709	1,923	2,220	2,518	EV/EBITDA	16.3x	18.5x	19.2x	16.7x
Net Fixed Assets	1,601	1,537	1,534	1,547	EV/EBIT	17.7x	20.0x	19.9x	17.2x
Other Non Current Assets	225	240	240	240	EV (IDR bn)	18,167	23,088	26,581	26,395
Total Non Current Asset	1,826	1,776	1,774	1,787	Sales CAGR (3-Yr)		9.0%	9.9%	9.8%
Total Assets	3,535	3,700	3,994	4,306	Net Income CAGR (3-Yr)		20.5%	17.5%	15.3%
Payables	173	123	159	171	Basic EPS (IDR)	27	31	36	41
ST Bank Loan	-	-	-	-	BVPS (IDR)	106	110	118	127
Total Current Liabilities	318	327	383	427	DPS (IDR)	21	26	28	32
LT Debt	-	-	-	-					
Total Liabilities	365	395	452	495					
Capital Stock & APIC	2,206	2,206	2,206	2,206					
Retained Earnings	918	1,073	1,311	1,580					
Shareholders' Equity	3,170	3,305	3,542	3,811					

CASH FLOW STATEMENT					OWNERSHIP	
(IDR bn)	2019/12A	2020/12A	2021/12E	2022/12E		%
Operating Cash Flow	837	1,036	1,150	1,221	Shareholders	
Investing Cash Flow	(136)	(109)	(52)	(65)	Hotel Candi Baru	60.0
Financing Cash Flow	(640)	(640)	(841)	(970)	Concordant Investments PL	21.0
Net Changes in Cash	61	286	257	185	Schroder Investment	2.9
					Norges Bank	1.9
					By Geography	
					Unknown	94.1
					Indonesia	2.6
					Norway	1.7
					Luxembourg	0.4

Source: Company Data, NHKSI Research

NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
 - Buy : Greater than +15%
 - Overweight : +5% to 15%
 - Hold : -5% to +5%
 - Underweight : -5% to -15%
 - Sell : Less than -15%

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