



**SIDOMUNCUL**

**HOLD**

**Target Price : IDR780**

## Stock Data

Current Price : 765  
 52w Range H-L : 740-1,070  
 Share Outstanding : 30.00 Bn  
 Free Float : 22.32%  
 Mkt Capitalization : IDR22.95tn

## Major Shareholders

PT Hotel Candi Baru : 60.46%  
 Concordant Investments Pte. Ltd. : 17.14%  
 Public : 22.40%



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## PT Industri Jamu dan Farmasi Sido Muncul Tbk.

Pharmaceuticals

### Unexpectedly Declined

#### 1H22: Surprisingly Upset, Below Estimate

- SIDO IJ booked a revenue of IDR1.61tn in 1H22, dropped -2.58% YoY (vs IDR1.65tn in 1H21), implying 34.40%/35.19% of ours and consensus estimates, respectively.
- The unexpected fall of revenue in 1H22 was largely caused by the declined of Herbal segments which -6.85% YoY to IDR989.73bn (contributed: 61.33% of its 1H22 revenue). Conversely, F&B and Pharmacy continued its growth by +3.53% YoY/+17.07% YoY, with the contribution of total sales to be 33.80%/4.87% (vs 31.80%/4.05% in 1H21).
- Gross profit tumbled -8.13% YoY to IDR854.49bn (vs IDR930.08bn in 1H21) due to high raw material prices. GPM lower to 53.00% (vs 56.21% in 1H21).
- Moreover, operating profit recorded at IDR558.61bn or fell -10.01% YoY (vs IDR620.74bn in 1H21), which translates to the lower OPM to 34.65% (vs 37.51% in 1H21).
- Net profit slipped -11.24% YoY to IDR445.60bn (vs IDR502.00bn in 1H21), implying 30.77%/30.94% of ours and consensus estimates, while NPM stood at 27.64% (vs 30.34% in 1H21).

#### A Strategy to Recovery

- In our view, the extra AMP (advertising, marketing and promotion) allocation can uplift SIDO's sales. Whereby in 1H22, AMP cost stood at IDR118.04bn or lower -22.65% YoY compared to its 1H21. Historically, we see a positive correlation between AMP and revenue growth in 1Q13-2Q22 ([exhibit 04](#)). Moreover, the management plans to escalate its promotions through digital platforms that efficient to maintain the margins to stay elevated.
- In addition, the management decided to boost its digital frequency on B2C & B2B channels which we anticipate will attract the more customers attentiveness. We see an effective approach to the bundle's product on marketplaces which could raise customer attraction and encourage of new products launched ([exhibit 06](#)).
- The international trade expansion into untapped market countries continued its positive results (+80% YoY in 1H22), as the contribution of export sales 1H22 climb up to 6% from 4% in FY21 driven by exports to Nigeria and Malaysia. In FY22E, management targets a 5-7% contribution from international trade on the back of expansion to Africa & China in 2H22. Note, Kuku Bima Energ-G's export sales reached 16% of total sales in 1H22.
- Moreover, SIDO will expands its domestic market by targeting to open retailer by +4,000 outlets (135,000 in FY21) given the allocation capex of ~IDR210bn, along with the ever-increasing mobility mainly post-pandemic and increasing CCI (Jun-22 at 128.16 poin).

#### Weak Performance due to Inflation Push

A stubborn inflation hike was a pressure regarding 1H22's performance. Note that, Jul-22 inflation hit +4.94% YoY or highest since FY15. Given that concern, the customers tend to allocate their spendings along the rising staples product prices. We see a similar scenario in FY14-FY15, where SIDO's revenue declined on the back of the rising inflation at pace +8% YoY ([exhibit 05](#)). Yet, we projected that inflation in FY22E stood at 4.44% YoY mainly by: 1) adjustment of BI7DRR; 2) trade balance surplus.

#### We Favor Fine-Tuning ASP

We see that it is necessary to adjust ASP for Herbal segments particularly along with the lower demand occurred. We are confident of SIDO's market share remaining solid. In the past FY11-FY12, SIDO had managed to maintain its revenue growth (+17.77% YoY/+8.80% YoY) alongside the inflation hikes by +4% YoY, by increasing its ASP by 5%-15%. We revised our figures regarding the outlooks and strategy as well as estimated SIDO's top-bottom line in FY22 to fall by -13.19% YoY/-28.23% YoY.

#### Valuation and Recommendation: HOLD SIDO with a Target Price IDR780

We transfer our coverage on SIDO IJ from Rifqi Ramadhan to Raka Junico. We recommend **HOLD with target price of IDR780**, implies PE/PBV of 25,86x/6,44x in FY22E. Currently, SIDO is below -2STD PE of its 3 year average. Key downside risk: 1) continued lower demand; 2) ineffective export market's penetration; 3) inflation hikes above expectation.

Key Financial Highlight	FY19	FY20	FY21	FY22E	FY23F
Revenue (IDR Bn)	3,067.43	3,335.41	4,020.98	3,490.63	3,787.07
EBITDA (IDR Bn)	1,111.24	1,244.97	1,673.57	1,198.15	1,506.84
Net Income (IDR Bn)	807.69	934.02	1,260.90	904.97	1,127.28
ROA (%)	22.88	24.26	30.99	21.50	25.97
ROE (%)	26.35	28.99	36.32	24.89	29.99
PE (x)	28.41	24.57	18.20	25.36	20.36
PBV (x)	7.49	7.12	6.61	6.31	6.10
EPS (IDR)	26.92	31.13	42.03	30.17	37.58

Source: Company, MNCS

Exhibit 01. SIDO's 1Q22 Result

1Q22 Results (IDR Bn)	2Q21	1Q22	2Q22	QoQ (%)	YoY (%)	1H21	1H22	YoY (%)
Revenue	861.38	880.49	731.61	-16.91	-15.07	1,654.80	1,612.10	-2.58
Gross Profit	482.15	481.82	372.67	-22.66	-22.71	930.08	854.49	-8.13
Operating Profit	288.70	367.12	191.50	-47.84	-33.67	620.74	558.61	-10.01
Net Profit	232.96	295.04	150.56	-48.97	-35.37	502.00	445.60	-11.24
EPS (Full Amount)	7.77	9.83	5.02	-48.97	-35.37	16.73	14.85	-11.24
Gross Margin (%)	55.97	54.72	50.94	-3.78%	-5.03%	56.21	53.00	-3.20%
Operating Margin (%)	33.52	41.69	26.18	-15.51%	-7.34%	37.51	34.65	-2.86%
Net Profit Margin (%)	27.04	33.51	20.58	-12.92%	-6.46%	30.34	27.64	-2.69%

Source : Company, MNCS

Exhibit 02. MNCS Profitability Comparison with Peers

IDR Bn	1Q22	2Q22	QoQ	1H21	1H22	YoY	FY22E Cons	FY22E MNCS	% Cons	% MNCS
<b>Revenues</b>	<b>880.49</b>	<b>731.61</b>	<b>-16.91%</b>	<b>1,654.80</b>	<b>1,612.10</b>	<b>-2.58%</b>	<b>4,581.57</b>	<b>4,685.84</b>	<b>35.19%</b>	<b>34.40%</b>
COGS	398.67	358.94	<b>-9.97%</b>	724.72	757.61	<b>4.54%</b>				
<b>Operating Profit</b>	<b>367.12</b>	<b>191.50</b>	<b>-47.84%</b>	<b>620.74</b>	<b>558.61</b>	<b>-10.01%</b>	<b>1,788.76</b>	<b>1,797.43</b>	<b>31.23%</b>	<b>31.08%</b>
Operating Profit Margin	41.69%	26.18%		37.51%	34.65%					
PBT	377.20	195.71	<b>-48.12%</b>	642.35	572.90	<b>-10.81%</b>	1,858.66	1,852.56	<b>30.82%</b>	<b>30.92%</b>
<b>Net Profit</b>	<b>295.04</b>	<b>150.56</b>	<b>-48.97%</b>	<b>502.00</b>	<b>445.60</b>	<b>-11.24%</b>	<b>1,440.35</b>	<b>1,447.96</b>	<b>30.94%</b>	<b>30.77%</b>
Net Margin	33.51%	20.58%		30.34%	27.64%					

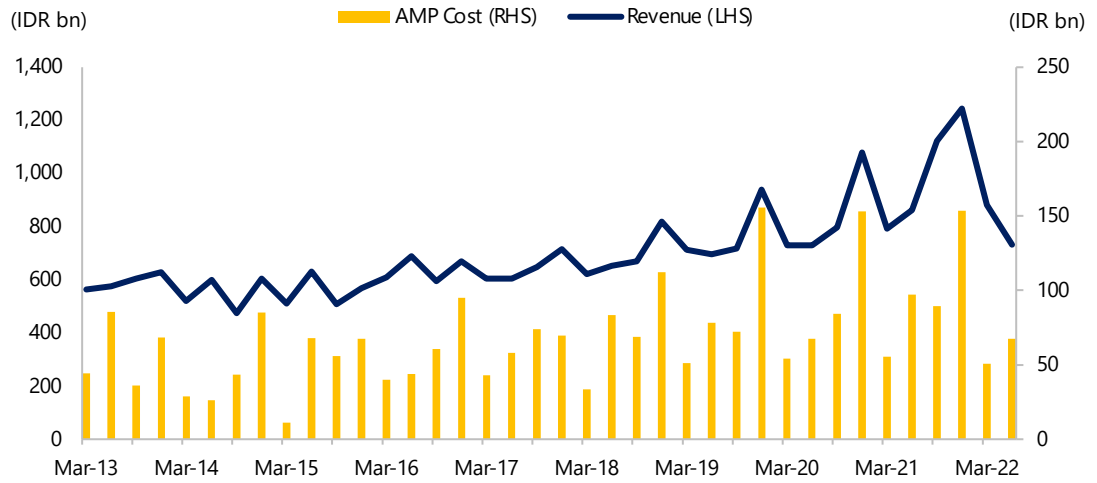
Source : Bloomberg, MNCS

Exhibit 03. Revised of Estimates FY22E-FY23F

	FY22E			FY23F		
	Revised	Old	Change	Revised	Old	Change
Revenue (IDR Bn)	3,490.63	4,685.84	-25.51%	3,787.07	5,050.14	-25.01%
Gross Profit (IDR Bn)	1,769.05	2,666.24	-33.65%	2,037.44	2,883.63	-29.34%
Operating Profit (IDR Bn)	1,102.70	1,797.43	-38.65%	1,392.98	1,974.25	-29.44%
Net Income (IDR Bn)	904.97	1,447.96	-37.50%	1,127.28	1,585.16	-28.89%
GPM (%)	50.68	56.90	-6.21%	53.80	57.10	-3.30%
OPM (%)	31.59	38.36	-6.76%	36.78	39.09	-2.31%
NPM (%)	25.93	30.90	-4.97%	29.77	31.39	-1.62%

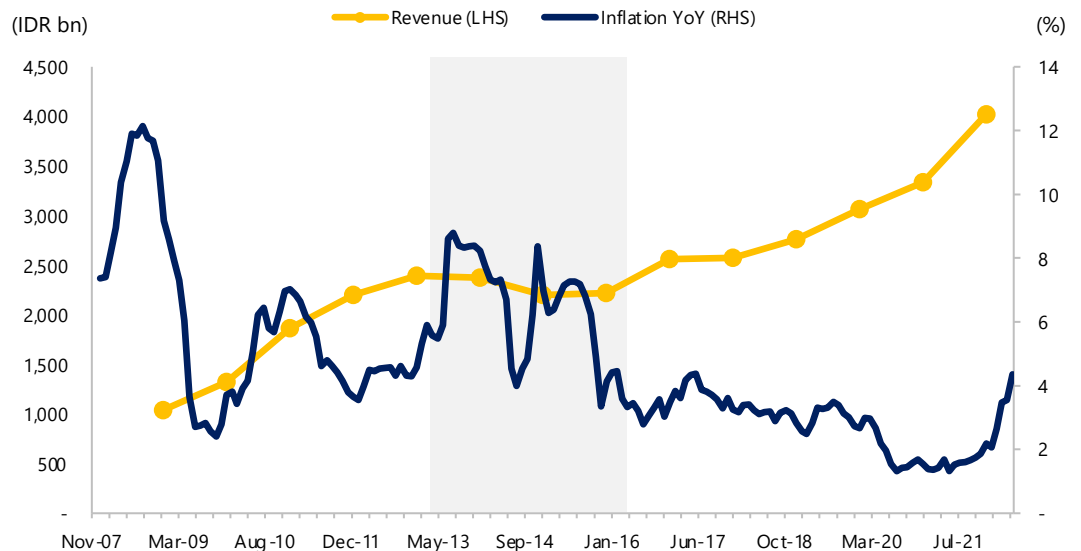
Source : Company, MNCS

Exhibit 04. SIDO's Revenue and AMP cost on Quarterly Basis 1Q13-2Q22



Source : Company, MNCS

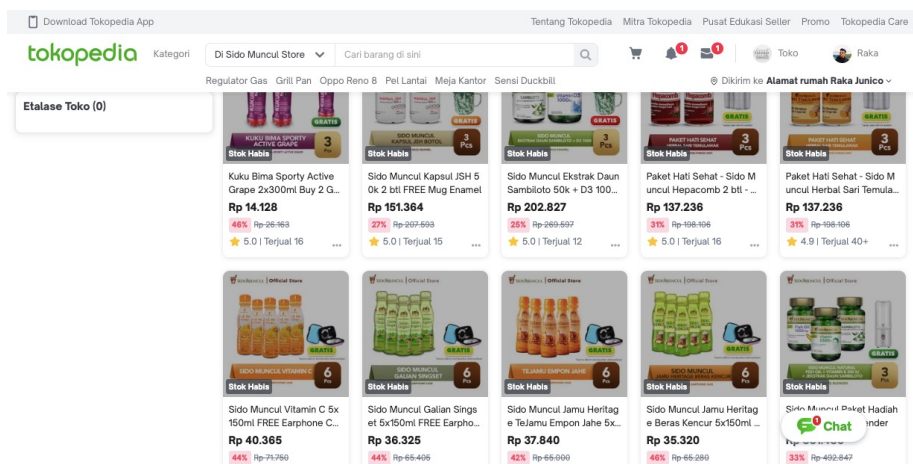
Exhibit 05. SIDO's Annual Revenue FY08-FY21 vs Inflation YoY



The decline in FY13 & FY14 revenues was on the back of stubbornly inflation hike.

Source : Company, SEKI Bank Indonesia, MNCS

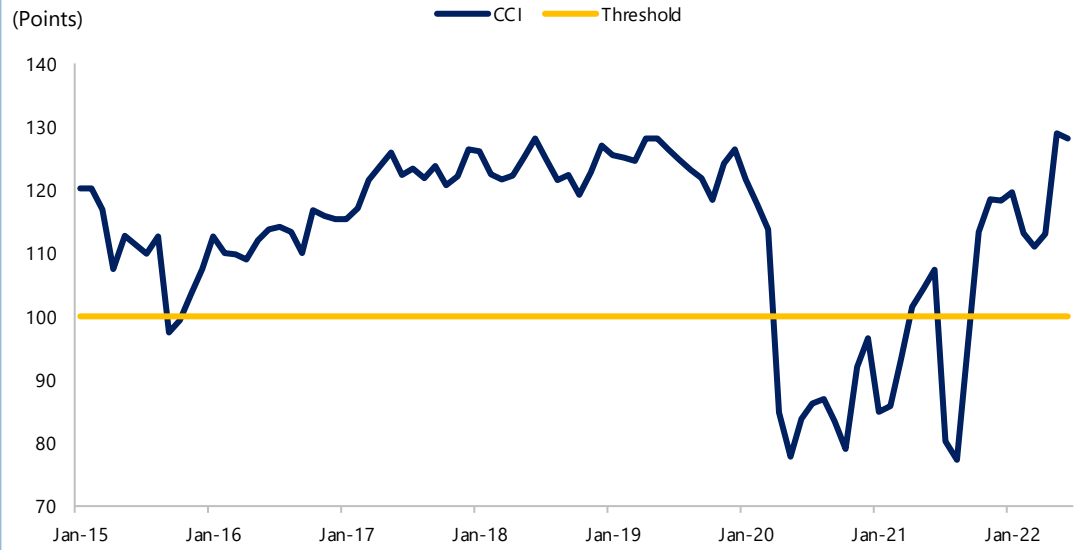
Exhibit 06. Sido Muncul Store at Marketplaces



SIDO had sold out some of their products by adding bundles to their products.

Source : Tokopedia

Exhibit 07. Indonesia CCI Jan'15 – Jun'22



Source : Bank Indonesia, MNCS

Exhibit 08. SIDO's currently trading at level -2.29 STD (3 Year Average) at 19.38x PE



Source : Bloomberg, MNCS

Exhibit 09. Financial Summary

Income Statement						Balance Sheet					
in Billion IDR	FY19	FY20	FY21	FY22E	FY23F	in Billion IDR	FY19	FY20	FY21	FY22E	FY23F
<b>Revenue</b>	<b>3,067.43</b>	<b>3,335.41</b>	<b>4,020.98</b>	<b>3,490.63</b>	<b>3,787.07</b>	Cash & Equivalents	864.82	1,031.95	1,082.22	1,035.03	1,081.00
COGS	(1,386.87)	(1,496.63)	(1,734.95)	(1,721.58)	(1,749.63)	Trade Receivables	537.10	667.65	667.09	620.56	610.14
<b>Gross Profit</b>	<b>1,680.56</b>	<b>1,838.78</b>	<b>2,286.03</b>	<b>1,769.05</b>	<b>2,037.44</b>	Inventory	299.24	309.48	454.81	592.99	583.21
Selling Expense	(471.33)	(492.33)	(556.44)	(510.68)	(471.49)	Others Current Assets	15.06	43.00	40.59	35.68	38.42
G&A Expense	(191.69)	(200.66)	(169.56)	(179.07)	(187.84)	<b>Total Current Assets</b>	<b>1,716.24</b>	<b>2,052.08</b>	<b>2,244.71</b>	<b>2,284.25</b>	<b>2,312.77</b>
Other Income (Expense)	6.70	5.23	16.66	23.40	14.87	Fixed Assets-net	1,585.72	1,568.26	1,588.10	1,697.65	1,796.79
<b>Operating Income</b>	<b>1,024.24</b>	<b>1,151.03</b>	<b>1,576.69</b>	<b>1,102.70</b>	<b>1,392.98</b>	Other Non-Current Assets	227.60	229.17	236.16	226.52	231.91
Finance Cost	(0.15)	(0.52)	(0.86)	(0.66)	(0.56)	<b>Total Non-Current Assets</b>	<b>1,813.32</b>	<b>1,797.44</b>	<b>1,824.26</b>	<b>1,924.17</b>	<b>2,028.70</b>
Finance Income	<b>49.75</b>	<b>49.05</b>	<b>37.40</b>	<b>55.80</b>	<b>49.86</b>	<b>TOTAL ASSETS</b>	<b>3,529.56</b>	<b>3,849.52</b>	<b>4,068.97</b>	<b>4,208.42</b>	<b>4,341.47</b>
<b>Profit Before Tax</b>	<b>1,073.84</b>	<b>1,199.55</b>	<b>1,613.23</b>	<b>1,157.84</b>	<b>1,442.28</b>	Trade Payables	158.12	213.94	201.11	181.72	189.54
Income Tax (Expenses)	(266.15)	(265.53)	(352.33)	(252.88)	(315.00)	Short-term Debt	-	3	6	6	5
Minority Interest	-	-	-	-	-	Other Current Liabilities	250.75	343.13	335.97	333.57	334.91
<b>Net Income</b>	<b>807.69</b>	<b>934.02</b>	<b>1,260.90</b>	<b>904.97</b>	<b>1,127.28</b>	<b>Total Current Liabilities</b>	<b>408.87</b>	<b>560.04</b>	<b>543.37</b>	<b>520.90</b>	<b>529.22</b>
EPS (IDR)	26.92	31.13	42.03	30.17	37.58	Long-term Debt	-	4.22	2.39	2.13	1.81
						Other Long-term Liabilities	55.98	63.52	52.03	50.15	51.20
						<b>Total LT-Liabilities</b>	<b>55.98</b>	<b>67.73</b>	<b>54.42</b>	<b>52.28</b>	<b>53.01</b>
						<b>Total Equity</b>	<b>3,064.71</b>	<b>3,221.74</b>	<b>3,471.19</b>	<b>3,635.24</b>	<b>3,759.24</b>
						<b>TOTAL LIABILITY AND EQUITY</b>	<b>3,529.56</b>	<b>3,849.52</b>	<b>4,068.97</b>	<b>4,208.42</b>	<b>4,341.47</b>

Cash Flow						Ratios					
in Billion IDR	FY19	FY20	FY21	FY22E	FY23F		FY19	FY20	FY21	FY22E	FY23F
Net Income	807.69	934.02	1,260.90	904.97	1,127.28	Revenue Growth (%)	11.01	8.74	20.55	(13.19)	8.49
D&A	83.80	79.53	92.16	95.46	113.86	Operating Profit Growth (%)	24.25	12.38	36.98	(30.06)	26.32
Changes in WC	(140.52)	(84.95)	(157.61)	(111.03)	28.02	Net Profit Growth (%)	21.67	15.64	35.00	(28.23)	24.57
Change in others	61.79	60.18	2.63	2.50	(1.40)						
<b>Operating CF</b>	<b>812.76</b>	<b>988.77</b>	<b>1,198.08</b>	<b>891.89</b>	<b>1,267.76</b>	Current Ratio (%)	419.75	366.41	413.11	438.52	437.01
Capex	(116.16)	(62.07)	(111.99)	(205.00)	(213.00)	Quick Ratio (%)	346.56	311.16	329.41	324.68	326.81
Others	13.07	(1.57)	(6.99)	9.64	(5.39)	Receivable Days(x)	63.04	72.06	59.72	64.00	58.00
<b>Investing CF</b>	<b>(103.09)</b>	<b>(63.64)</b>	<b>(118.99)</b>	<b>(195.36)</b>	<b>(218.39)</b>	Inventory Days (x)	77.68	74.44	94.37	124.00	120.00
Dividend Paid	(640)	(774)	(1,018)	(742)	(1,003)	Payable Days (x)	41.04	51.46	41.73	38.00	39.00
Net Change in Debt	-	7.19	1.48	(0.93)	(1.17)	DER (x)	-	0.00	0.00	0.00	0.00
Equity Fund Raised	-	1	(58)	-	-	DAR (x)	-	0.00	0.00	0.00	0.00
Others	(10.65)	7.92	46.25	(0.72)	1.05	Gross Profit Margin (%)	54.79	55.13	56.85	50.68	53.80
<b>Financing CF</b>	<b>(650.68)</b>	<b>(758.00)</b>	<b>(1,028.83)</b>	<b>(743.72)</b>	<b>(1,003.40)</b>	Operating Profit Margin (%)	33.39	34.51	39.21	31.59	36.78
Cash at Beginning	805.83	864.82	1,031.95	1,082.22	1,035.03	EBITDA Margin (%)	36.23	37.33	41.62	34.32	39.79
<b>Cash at Ending</b>	<b>864.82</b>	<b>1,031.95</b>	<b>1,082.22</b>	<b>1,035.03</b>	<b>1,081.00</b>	Net Income Margin (%)	26.33	28.00	31.36	25.93	29.77
						EPS (IDR)	26.92	31.13	42.03	30.17	37.58
						BVPS (IDR)	102.16	107.39	115.71	121.17	125.31

Sources : Company, MNCS

### MNC Research Industry Ratings Guidance

**OVERWEIGHT:** Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months

**NEUTRAL:** Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months

**UNDERWEIGHT:** Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

### MNC Research Investment Ratings Guidance

**BUY :** Share price may exceed 10% over the next 12 months

**HOLD :** Share price may fall within the range of +/- 10% of the next 12 months

**SELL :** Share price may fall by more than 10% over the next 12 months

**Not Rated :** Stock is not within regular research coverage

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