

BUY | TP : IDR710
Stock Price Data

Last Price	:	IDR620
52wk High	:	IDR910
52wk Low	:	IDR478
Share Out	:	30.0bn
Market Cap	:	IDR18.6tn

Stock Price Performance

1-Day	:	+0.8%
1-Week	:	+0.0%
1-Month	:	+24.0%
3-Month	:	+17.0%
Year-to-Date	:	+18.1%

Shareholders

PT Hotel Candi Baru (P)	:	60.5%
Concordant Investments Pte. Ltd.	:	17.1%
Public	:	22.4%

PT Industri Jamu dan Farmasi Sido Muncul Tbk (SIDO IJ)

Consider Turning Point

Extraordinary end of year performance delivered, although displaying lackluster figures for the full year

SIDO reported better-than-expected 4Q23 revenues of IDR1.2tn (+62.3% QoQ), driven by the herbal segment (accounting for 74.1%), which saw a remarkable +97.5% QoQ surge. Despite a -7.8% YoY downturn in FY23 revenue, this is in-line with our/cons, achieving 105.9%/106.2% of the FY23 target. The lower FY23 revenue is primarily attributed to the weak 2Q-3Q23 figures given food inflation spikes. Moreover, 4Q23 net profit significantly increased by +162.9% QoQ, aided by better efficiency as OPEX/revenue hovered at 20.3% in 4Q23 (vs 22.1% in 4Q22), thus bringing 4Q23 NPM to 30.2%. This translates into FY23 net profit of IDR950.6bn, or down -13.9% YoY, beating our/cons estimates and achieving 109.2%/107.8% of the FY23 target. On the flip side, FY23 NPM stood at 26.7% (vs 28.6% in FY22).

Solid market share, promising growth for export, and new product

Product-wise, Tolak Angin's market share increased to 72% in FY23 (vs 70% in FY22). This further solidified the brand as a top-of-mind cold-symptom herbal remedy. Based on channel checks in Modern-Trade (MT), the Tolak Angin brand experienced a 4%-5% price increase in Jan-24, while competitors' prices remained unchanged (but offered discounts). We believe this could offset volume risks amid weak buying power in 1H24. Management revealed improvements in Jan-2024. In terms of new product development, the ready-to-drink (RTD) business (Alang Sari Cool and Vitamin C+D) grew by +42% YoY in FY23. Meanwhile, Esemag (a potential main product) increased by +90% YoY. In the long run, Esemag is targeted to capture 22-30% of the total addressable market share of IDR2tn. Furthermore, export contributions increased to 6% of total turnover in FY23 (vs 4% in FY22). SIDO will expand coverage in modern trade (MT) and general trade (GT) in the Philippines and Malaysia, as well as diversifying its export product range with Candies, Ginger Tea, and Coconut Sugar.

55% chance of La Nina to bring more demand

On February 8, NOAA (National Oceanic and Atmospheric Administration) reported the transition from El-Nino to ENSO-neutral is likely to occur in Apr'24-Jun'24 with 79% chance, while the potential for La Nina (producing wet conditions) in Jun'24-Aug'24 at 55% chance. We foresee these as favorable circumstances in 2H24 that could drive demand for SIDO's main product. Additionally, we also anticipate a more manageable inflation rate (~2.5%), acting as a buffer for buying power in 2H24.

We fine-tuned our figures in FY24E

With the aforementioned factors, we raised our revenue estimates by +7.0% to IDR3.7tn (prev. IDR3.4tn), reflecting a +2.9% YoY increase in FY24E. We also lifted net profit estimates by +11.8% to IDR1.0tn (prev. IDR987.6bn), reflecting a +4.2% YoY growth in FY24E. We expect greater efficiency through improved productivity per store, where SIDO has launched the My Sido Muncul Apps (total download ~10k), providing updated product information, promotional programs, and omnichannel access. We consider this strategy as ideal and capable of driving efficiency, considering the relatively weak buying power, negating the need for store expansions.

Valuation and Recommendation : BUY with a TP of IDR710

We upgrade our call for SIDO to BUY with a TP of IDR710/share, implying PE/PBV of 21.5x/6.1x in FY24E. We expect favorable circumstances in 2H24 to be a turnaround, and we also anticipate a better margin on the back of strategic movement in My Sido Muncul Apps. Downside risks include: 1) longer-than-anticipated El Nino; 2) escalating diminishment of buying power.

Key Financial Highlight	FY21	FY22	FY23	FY24E	FY25F
Revenue (IDR bn)	4,021.0	3,865.5	3,565.9	3,668.1	3,787.9
EBITDA (IDR bn)	1,673.6	1,488.5	1,294.6	1,354.7	1,420.4
Net Income (IDR bn)	1,260.9	1,104.7	950.6	990.9	1,036.7
ROA (%)	31.0	27.1	24.4	24.7	25.0
ROE (%)	36.3	31.5	28.1	28.6	28.7
PE (x)	14.5	16.6	19.3	18.5	17.7
PBV (x)	5.3	5.2	5.4	5.3	5.1
Dividend Yield (%)	5.6	5.9	5.8	5.0	4.9

Sources : Company, MNCS


Research Analyst

Raka Junico W.

raka.widyaman@mncgroup.com

Exhibit 01. Superb performance in 4Q23 yielded FY23 numbers that beat our/cons estimates

IDR bn	3Q23	4Q23	QoQ	FY22	FY23	YoY	FY23E Cons	FY23E MNCS	%Cons	%MNCS
Revenues	707.5	1,204.6	70.3%	3,865.5	3,565.9	-7.8%	3,356.9	3,367.1	106.2%	105.9%
COGS	317.1	453.8	43.1%	1,696.8	1,547.2	-8.8%				
Operating Profit	172.5	455.5	164.0%	1,393.1	1,190.9	-14.5%	1,090.1	1,094.5	109.2%	108.8%
Operating Profit Margin	24.4%	37.8%		36.0%	33.4%					
PBT	177.0	464.6	162.5%	1,419.9	1,219.5	-14.1%	1,130.4	1,119.3	107.9%	109.0%
Net Profit	138.5	364.1	162.9%	1,104.7	950.6	-13.9%	882.2	870.8	107.8%	109.2%
Net Margin	19.6%	30.2%		28.6%	26.7%					

Sources : Bloomberg, Company, MNCS

Exhibit 02. We lifted up our figures for FY24E/FY25F

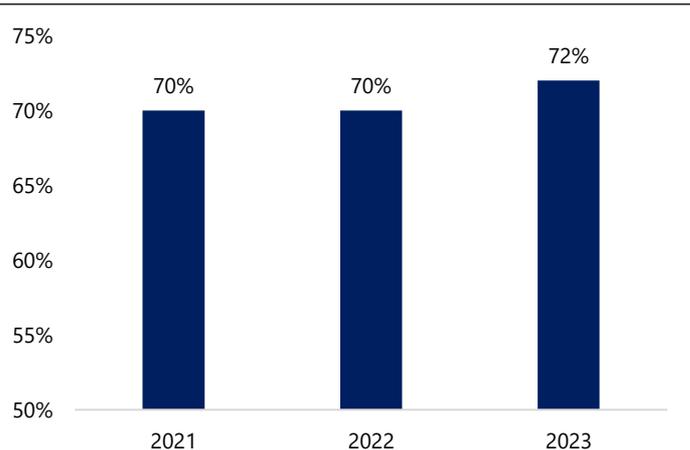
	FY24E			FY25F		
	Revised	Old	Change	Revised	Old	Change
Revenue (IDR bn)	3,668.1	3,429.3	7.0%	3,787.9	3,663.5	3.4%
Gross Profit (IDR bn)	1,993.4	1,928.1	3.4%	2,107.5	2,052.2	2.7%
Operating Profit (IDR bn)	1,253.4	1,119.8	11.9%	1,313.1	1,254.3	4.7%
Net Income (IDR bn)	990.9	886.6	11.8%	1,036.7	987.6	5.0%
GPM (%)	54.3	56.2	-188 bps	55.6	56.0	-38 bps
OPM (%)	34.2	32.7	152 bps	34.7	34.2	42 bps
NPM (%)	27.0	25.9	116 bps	27.4	27.0	41 bps

Source : MNCS

Exhibit 03. SIDO raised its Tolak Angin prices in Jan-24 by 4%-5% (IDR)

Item	Size	Dec-23	Jan-24	Feb-24
Sido Muncul Tolak Angin	15ml	5,500	5,700	5,700
Sido Muncul Tolak Angin	5x15ml	22,200	23,300	23,300
Sido Muncul Tolak Angin Anak	10ml	4,300	4,500	4,500
Antangin JRG Sirup Herbal	15ml	4,700	4,700	4,700
Antangin Mint Sirup Herbal	15ml	4,600	4,600	4,600
Antangin Obat Masuk Angin	5x15ml	18,900	18,900	18,900
Antangin JRG Sirup Herbal	5x15ml	19,200	19,200	19,200
Bintang Toedjoe Jamu	6x15ml	19,700	19,700	19,700
BEJO Herbal Masuk Angin Jahe Merah	15ml	3,700	3,700	3,700

Sources : Various source, MNCS

Exhibit 04. Despite Tolak Angin's greater price tag relative to its competitors, its market share remains solid


Sources : Company, MNCS

Exhibit 05. We are confident that La-Nina could pick up the demand for Tolak Angin

Summary

ENSO Alert System Status: **El Niño Advisory** / **La Niña Watch**

El Niño conditions are observed.*

Equatorial sea surface temperatures (SSTs) are above average across the central and eastern Pacific Ocean.

The tropical Pacific atmospheric anomalies are consistent with El Niño.

A transition from El Niño to ENSO-neutral is likely by April-June 2024 (79% chance), with increasing odds of La Niña developing in June-August 2024 (55% chance).*

* Note: These statements are updated once a month (2nd Thursday of each month) in association with the ENSO Diagnostics Discussion, which can be found by clicking [here](#).

Source : NOAA

Exhibit 06. SIDO's currently trading at -1x STD (5-Year Average) at 19.1x PE



Sources : IDX, MNCS

Exhibit 07. Financial Projections

Income Statement						Balance Sheet					
In Billion IDR	FY21	FY22	FY23	FY24E	FY25F	In Billion IDR	FY21	FY22	FY23	FY24E	FY25F
Revenue	4,021.0	3,865.5	3,565.9	3,668.1	3,787.9	Cash & Equivalents	1,082.2	923.0	830.1	1,000.6	1,137.6
COGS	(1,734.9)	(1,696.8)	(1,547.2)	(1,674.7)	(1,680.5)	Trade Receivables	667.1	688.7	790.5	660.3	686.0
Gross Profit	2,286.0	2,168.7	2,018.7	1,993.4	2,107.5	Inventory	454.8	542.6	408.5	493.1	457.5
Selling Expense	(556.4)	(571.1)	(570.4)	(544.6)	(592.6)	Others Current Assets	40.6	39.9	37.7	38.6	39.8
G&A Expense	(169.6)	(222.9)	(204.6)	(205.3)	(207.1)	Total Current Assets	2,244.7	2,194.2	2,066.8	2,192.6	2,320.8
Other Income (Expense)	16.7	18.4	(52.8)	9.9	5.2	Fixed Assets-net	1,588.1	1,610.8	1,554.5	1,541.0	1,540.2
Operating Income	1,576.7	1,393.1	1,190.9	1,253.4	1,313.1	Other Non-Current Assets	236.2	276.4	269.4	277.1	286.2
Finance Cost	(0.9)	(0.8)	(0.7)	(0.6)	(0.6)	Total Non-Current Assets	1,824.3	1,887.2	1,823.9	1,818.1	1,826.4
Finance Income	37.4	27.6	29.3	18.4	17.5	TOTAL ASSETS	4,069.0	4,081.4	3,890.7	4,010.6	4,147.2
Profit Before Tax	1,613.2	1,419.9	1,219.5	1,271.2	1,330.0	Trade Payables	201.1	221.3	194.2	227.9	210.1
Income Tax (Expenses)	(352.3)	(315.1)	(268.9)	(280.3)	(293.2)	Short-term Debt	6.3	2.4	6.1	5.6	5.2
Minority Interest	-	-	-	-	-	Other Current Liabilities	336.0	317.3	261.7	269.2	278.0
Net Income	1,260.9	1,104.7	950.6	990.9	1,036.7	Total Current Liabilities	543.4	541.0	462.0	502.7	493.3
EPS (IDR)	42.0	36.8	31.7	33.0	34.6	Long-term Debt	2.4	-	3.3	3.1	2.8
						Other Long-term Liabilities	52.0	34.9	39.5	40.6	41.9
						Total LT-Liabilities	54.4	34.9	42.8	43.7	44.8
						Total Equity	3,471.2	3,505.5	3,385.9	3,464.2	3,609.2
						TOTAL LIABILITY AND EQUITY	4,069.0	4,081.4	3,890.7	4,010.6	4,147.2
Cash Flow						Ratios					
In Billion IDR	FY21	FY22	FY23	FY24E	FY25F	FY21	FY22	FY23	FY24E	FY25F	
Net Income	1,260.9	1,104.7	950.6	990.9	1,036.7	Revenue Growth (%)	20.6	(3.9)	(7.8)	2.9	3.3
D&A	93.9	95.4	103.7	101.3	107.3	Operating Profit Growth (%)	37.0	(11.6)	(14.5)	5.3	4.8
Changes in WC	(157.6)	(89.2)	5.2	79.3	(8.0)	Net Profit Growth (%)	35.0	(12.4)	(13.9)	4.2	4.6
Change in others	0.8	(9.4)	(57.0)	6.5	7.7	Current Ratio (%)	413.1	405.6	447.4	436.1	470.5
Operating CF	1,198.1	1,101.5	1,002.6	1,178.1	1,143.7	Quick Ratio (%)	329.4	305.3	359.0	338.0	377.8
Capex	(114.5)	(118.2)	(50.2)	(87.7)	(106.5)	Receivable Days (x)	59.7	64.1	79.8	64.8	65.2
Others	(4.5)	(37.2)	11.1	(7.7)	(9.1)	Inventory Days (x)	94.4	115.1	95.0	106.0	98.0
Investing CF	(119.0)	(155.4)	(39.1)	(95.5)	(115.6)	Payable Days (x)	41.7	47.0	45.2	49.0	45.0
Dividend Paid	(1,018.1)	(1,086.0)	(1,068.0)	(912.6)	(891.8)	DER (x)	0.0	0.0	0.0	0.0	0.0
Net Change in Debt	1.5	(6.3)	7.0	(0.7)	(0.6)	DAR (x)	0.0	0.0	0.0	0.0	0.0
Equity Fund Raised	(58.4)	2.9	-	-	-	Gross Profit Margin (%)	56.9	56.1	56.6	54.3	55.6
Others	46.3	(16.0)	4.6	1.1	1.3	Operating Profit Margin (%)	39.2	36.0	33.4	34.2	34.7
Financing CF	(1,028.8)	(1,105.3)	(1,056.4)	(912.2)	(891.1)	EBITDA Margin (%)	41.6	38.5	36.3	36.9	37.5
Cash at Beginning	1,032.0	1,082.2	923.0	830.1	1,000.6	Net Income Margin (%)	31.4	28.6	26.7	27.0	27.4
Cash at Ending	1,082.2	923.0	830.1	1,000.6	1,137.6	EPS (IDR)	42.0	36.8	31.7	33.0	34.6
						BVPS (IDR)	115.7	116.8	112.9	115.5	120.3

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

PT MNC SEKURITAS

MNC Bank Tower Lt. 16
Jl. Kebon Sirih No. 21 - 27, Jakarta Pusat 10340
Telp : (021) 2980 3111
Fax : (021) 3983 6899
Call Center : 1500 899

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