

**BUY | TP : IDR820**
**Stock Price Data**

Last Price	:	IDR705
52wk High	:	IDR780
52wk Low	:	IDR478
Share Out	:	30.0bn
Market Cap	:	IDR21.2 tn

**Stock Price Performance**

1-Day	:	+0.7%
1-Week	:	-2.8%
1-Month	:	-9.0%
3-Month	:	-2.8%
Year-to-Date	:	+34.3%

**Shareholders**

PT Hotel Candi Baru (P)	:	77.6%
Public	:	22.4%

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

### Continued Underlying Momentum: La Nina 2H24

**2Q24: NPM hits all-time-high (excluding covid-19)**

- SIDO reported outstanding performance in 2Q24, with revenue coming in at IDR843.1 bn (-20.0% QoQ/+12.9% YoY). The QoQ decrease was due to seasonality, while the YoY growth was driven by higher volume across all segments. Segment-wise, Herbal, the largest contributor (57.7%), exhibited an +8.1% YoY growth, while FnB (38.0%) grew by +21.2% YoY and Pharmacy (17.6%) advanced by +12.3% YoY. Cumulatively, 1H24 revenue grew by +14.7% YoY to IDR1.9 tn, or slightly in-line with our/cons estimates, reaching 48.1%/48.0% of the full-year target.
- Bottom-line performance was equally impressive. 2Q24 net profit surged to IDR218.0 bn (-44.2% QoQ/+47.5% YoY), translating to an NPM of 25.9% (vs 19.8% in 2Q23), hitting an all-time high (ATH) if we exclude the covid-19 period. The 2Q24 net profit was mainly supported by margin increases due to lower raw material costs. Cumulatively, 1H24 net profit rose by +35.8% YoY to IDR608.5 bn, slightly above our/cons estimates, achieving 53.7%/52.6% of full-year target.

**Looming La Nina to Boost Herbal Segment**

We anticipate the potential La Nina phenomenon in 2H24 and beyond to sustain robust volume growth within the Herbal segment. NOAA's recent update on 11-Jul increased the probability of La Nina onset to 70% for Aug-Oct'24, from a previous estimate of 55% for Jun-Aug'24. We are confident that La Nina will commence in Aug-24, given the unusually short 12-mo. duration of the previous El Nino (ending in Apr-24). This was significantly shorter than the 18-mo. and 19-mo. periods of the two preceding strong El Nino events in FY18 and FY14. **The accelerated La Nina cycle is expected to amplify demand for the "Tolak Angin" product, a key driver of Herbal segment growth.** Moreover, the strong El Nino in FY23 may lead to a strong La Nina in FY24 ([Exhibit 02](#)). With the increasing consumer health concerns to boost immunity (especially during the rainy season and La Nina towards the end of the year), we believe this will drive growth for both the top and bottom lines. Interestingly, we found a correlation between stock prices and sea surface temperatures (SST) as a proxy for the El Nino-La Nina cycle ([Exhibit 03](#)).

**Robust Export Sales Fueled by Malaysia and the Philippines**

Export sales rebounded strongly in 1H24, contributing 8% to the top-line (vs 5-6% in 1H23) and growing by +73% YoY, driven by Malaysia and the Philippines. Sales in Malaysia climbed up ~80% YoY, contributing about 4% of total turnover, supported by pent-up demand for energy drinks (Kukubima) given the heatwave and increased construction activities. Management targets a 10-15% export contribution within the next 3-5 years, with growth potential from Malaysia in the plantation areas (Sarawak and Sabah). Additionally, there is potential for sales recovery in Nigeria due to increased salary wages to boost purchasing power, despite the currently uncertain economic conditions.

**Valuation and Recommendation : BUY with a TP of IDR820**

We maintain our call for SIDO with **BUY at a TP of IDR820/share**, implying PE/PBV of 21.7x/6.8x in FY24E and 19.5x/6.4x in FY25F. We maintain our forecast for both of revenue and net profit by +10.5% YoY/+19.3% YoY in FY24E. We anticipate the impending La Nina, coupled with new export opportunities in Vietnam and enhanced distribution partnerships with Alfamart and Indomaret, will drive higher revenue streamline and improved margins. Downside risks include: 1) escalating diminishment of spending power; 2) higher-than-anticipated raw material cost.


**Research Analyst**

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Key Financial Highlight	FY21	FY22	FY23	FY24E	FY25F
Revenue (IDR bn)	4,021.0	3,865.5	3,565.9	3,942.0	4,326.3
EBITDA (IDR bn)	1,673.6	1,488.5	1,294.6	1,538.4	1,707.4
Net Income (IDR bn)	1,260.9	1,104.7	950.6	1,133.8	1,258.8
ROA (%)	31.0	27.1	24.4	27.3	28.3
ROE (%)	36.3	31.5	28.1	31.4	32.7
PE (x)	16.8	19.1	22.2	18.7	16.8
PBV (x)	6.1	6.0	6.2	5.9	5.5
Dividend Yield (%)	4.8	5.1	5.0	4.3	4.8

Sources : Company, MNCS

## Exhibit 01. 1H24 net profit slightly above our/cons estimates

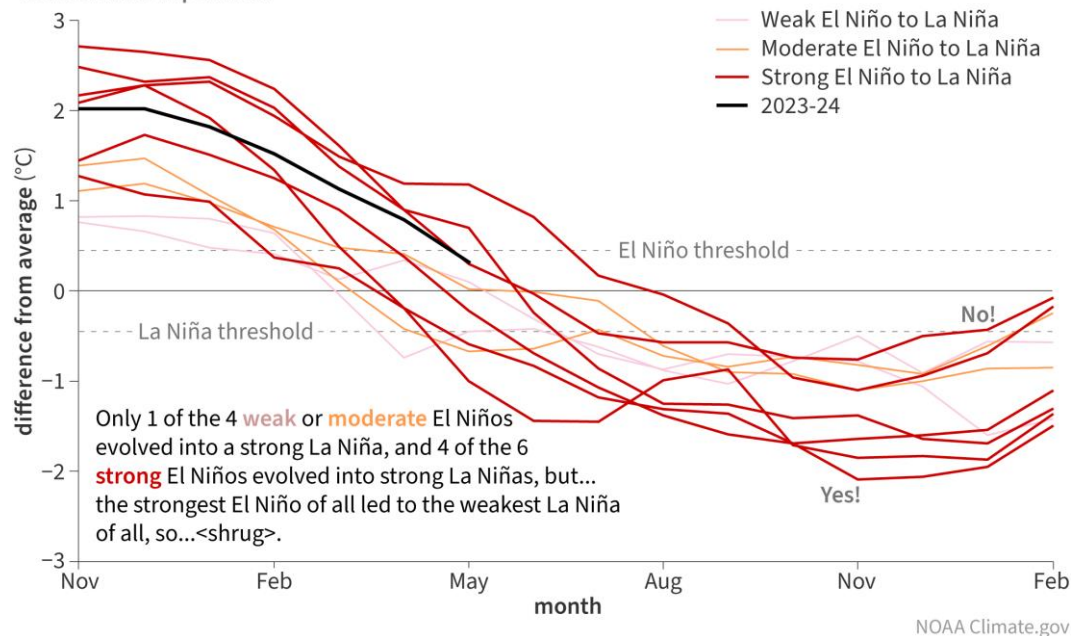
IDR Bn	1Q24	2Q24	QoQ	1H23	1H24	YoY	FY24E Cons	FY24E MNCS	% Cons	% MNCS
<b>Revenues</b>	<b>1,053.4</b>	<b>843.1</b>	<b>-20.0%</b>	<b>1,653.8</b>	<b>1,896.5</b>	<b>14.7%</b>	<b>3,950.2</b>	<b>3,942.0</b>	<b>48.0%</b>	<b>48.1%</b>
COGS	428.3	364.6	-14.9%	776.3	792.9	2.1%				
<b>Operating Profit</b>	<b>491.4</b>	<b>268.0</b>	<b>-45.5%</b>	<b>562.9</b>	<b>759.4</b>	<b>34.9%</b>	<b>1,476.4</b>	<b>1,436.8</b>	<b>51.4%</b>	<b>52.9%</b>
Operating Profit Margin	46.7%	31.8%		34.0%	40.0%					
PBT	502.5	279.0	-44.5%	578.0	781.5	<b>35.2%</b>	1,498.1	1,454.5	<b>52.2%</b>	<b>53.7%</b>
<b>Net Profit</b>	<b>390.5</b>	<b>218.0</b>	<b>-44.2%</b>	<b>448.1</b>	<b>608.5</b>	<b>35.8%</b>	<b>1,157.5</b>	<b>1,133.8</b>	<b>52.6%</b>	<b>53.7%</b>
Net Margin	37.1%	25.9%		27.1%	32.1%					

Sources : Bloomberg, Company, MNCS

## Exhibit 02. We believe strong-El Nino in FY23 may lead to a strong-La Nina in FY24

### Do strong El Niños lead to strong La Niñas?

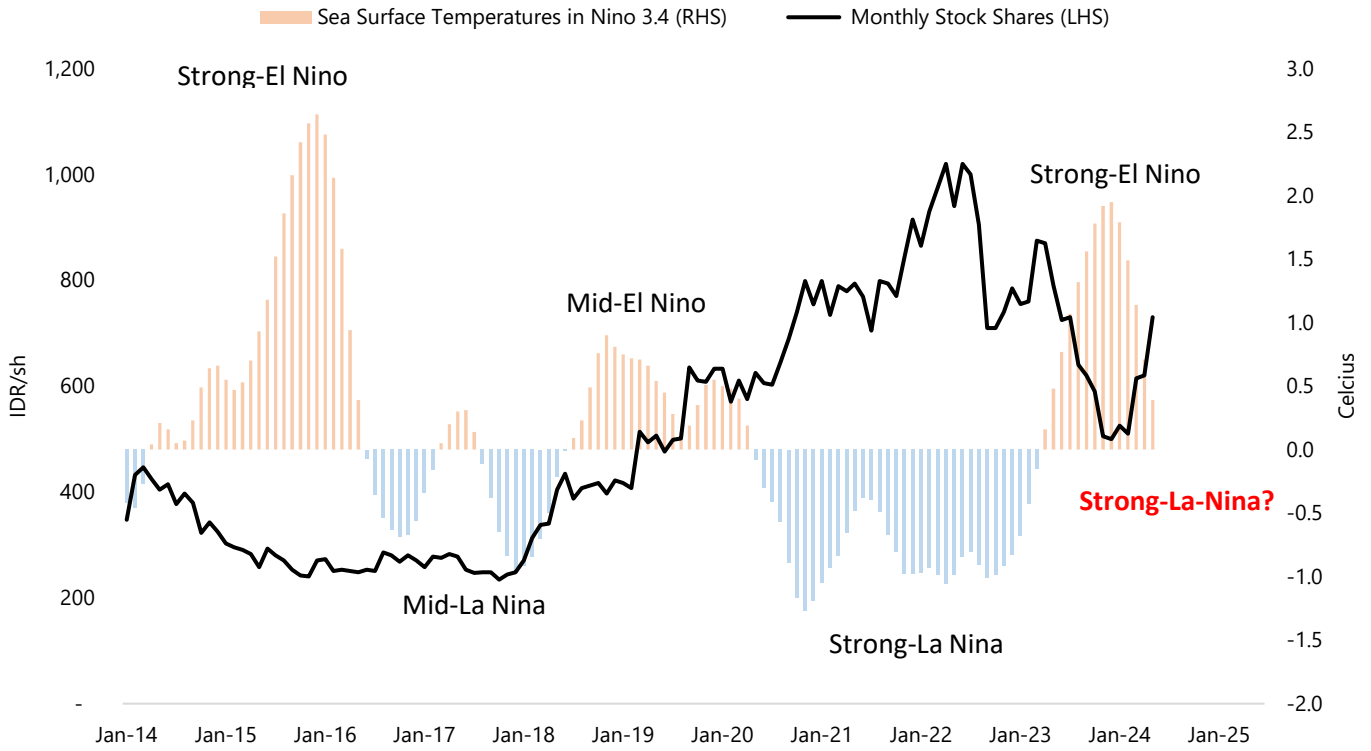
Yes. No. It's complicated.



Since 1950, there have been 10 cases in which the ENSO climate pattern flipped from El Niño to La Niña with no neutral winter in between. Each line on this graph shows the evolution of sea surface temperature anomalies in the Niño-3.4 region of the tropical Pacific (the key ENSO-monitoring region) through the switch. Many, but not all, of the strongest El Niños (red lines) evolved into strong La Niñas. NOAA Climate.gov image, based on analysis by Michelle L'Heureux.

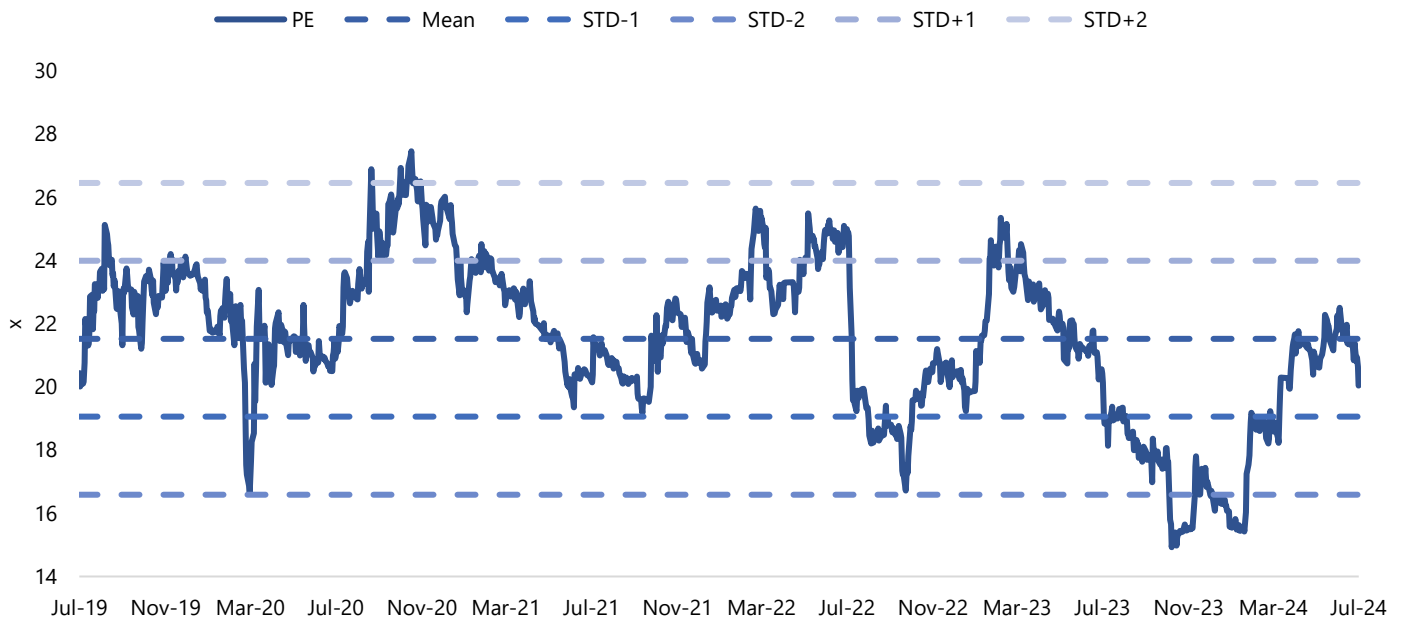
Source : NOAA

Exhibit 03. We observe a correlation between strong El Nino-La Nina cycles and stock prices, despite the covid-19 pandemic in FY20



Sources : NOAA, Bloomberg, MNCS

Exhibit 04. SIDO's currently trading close to its -1.0 STD (5-Year Average) at 20.0x PE



Sources : IDX, MNCS

**Exhibit 05. Financial Projections**

Income Statement						Balance Sheet					
In Billion IDR	FY21	FY22	FY23	FY24E	FY25F	In Billion IDR	FY21	FY22	FY23	FY24E	FY25F
<b>Revenue</b>	<b>4,021.0</b>	<b>3,865.5</b>	<b>3,565.9</b>	<b>3,942.0</b>	<b>4,326.3</b>	Cash & Equivalents	1,082.2	923.0	830.1	930.8	1,029.3
COGS	(1,734.9)	(1,696.8)	(1,547.2)	(1,694.2)	(1,846.6)	Trade Receivables	667.1	688.7	790.5	886.9	985.4
<b>Gross Profit</b>	<b>2,286.0</b>	<b>2,168.7</b>	<b>2,018.7</b>	<b>2,247.8</b>	<b>2,479.7</b>	Inventory	454.8	542.6	408.5	451.8	497.6
Selling Expense	(556.4)	(571.1)	(570.4)	(601.0)	(650.0)	Others Current Assets	40.6	39.9	37.7	41.2	44.9
G&A Expense	(169.6)	(222.9)	(204.6)	(220.6)	(236.5)	<b>Total Current Assets</b>	<b>2,244.7</b>	<b>2,194.2</b>	<b>2,066.8</b>	<b>2,310.8</b>	<b>2,557.2</b>
Other Income (Expense)	16.7	18.4	(52.8)	10.6	6.0	Fixed Assets-net	1,588.1	1,610.8	1,554.5	1,547.3	1,560.8
<b>Operating Income</b>	<b>1,576.7</b>	<b>1,393.1</b>	<b>1,190.9</b>	<b>1,436.8</b>	<b>1,599.2</b>	Other Non-Current Assets	236.2	276.4	269.4	297.8	326.8
Finance Cost	(0.9)	(0.8)	(0.7)	(0.6)	(0.6)	<b>Total Non-Current Assets</b>	<b>1,824.3</b>	<b>1,887.2</b>	<b>1,823.9</b>	<b>1,845.1</b>	<b>1,887.6</b>
Finance Income	37.4	27.6	29.3	18.4	16.3	<b>TOTAL ASSETS</b>	<b>4,069.0</b>	<b>4,081.4</b>	<b>3,890.7</b>	<b>4,155.9</b>	<b>4,444.8</b>
<b>Profit Before Tax</b>	<b>1,613.2</b>	<b>1,419.9</b>	<b>1,219.5</b>	<b>1,454.5</b>	<b>1,614.9</b>	Trade Payables	201.1	221.3	194.2	207.1	225.7
Income Tax (Expenses)	(352.3)	(315.1)	(268.9)	(320.7)	(356.1)	Short-term Debt	6.3	2.4	6.1	5.7	5.3
<b>Net Income</b>	<b>1,260.9</b>	<b>1,104.7</b>	<b>950.6</b>	<b>1,133.8</b>	<b>1,258.8</b>	Other Current Liabilities	336.0	317.3	261.7	289.3	317.5
EPS (IDR)	42.0	36.8	31.7	37.8	42.0	<b>Total Current Liabilities</b>	<b>543.4</b>	<b>541.0</b>	<b>462.0</b>	<b>502.0</b>	<b>548.5</b>
						Long-term Debt	2.4	-	3.3	3.1	2.9
						Other Long-term Liabilities	52.0	34.9	39.5	43.6	47.9
						<b>Total LT-Liabilities</b>	<b>54.4</b>	<b>34.9</b>	<b>42.8</b>	<b>46.7</b>	<b>50.8</b>
						<b>Total Equity</b>	<b>3,471.2</b>	<b>3,505.5</b>	<b>3,385.9</b>	<b>3,607.2</b>	<b>3,845.5</b>
						<b>TOTAL LIABILITY AND EQUITY</b>	<b>4,069.0</b>	<b>4,081.4</b>	<b>3,890.7</b>	<b>4,155.9</b>	<b>4,444.8</b>
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	1,133.8	1,258.8	Revenue Growth (%)	20.6	(3.9)	(7.8)	10.5	9.8
D&A	93.9	95.4	103.7	101.6	108.1	Operating Profit Growth (%)	37.0	(11.6)	(14.5)	20.6	11.3
Changes in WC	(157.6)	(89.2)	5.2	(126.9)	(125.6)	Net Profit Growth (%)	35.0	(12.4)	(13.9)	19.3	11.0
Change in others	0.8	(9.4)	(57.0)	24.0	24.6	Current Ratio (%)	413.1	405.6	447.4	460.3	466.2
<b>Operating CF</b>	<b>1,198.1</b>	<b>1,101.5</b>	<b>1,002.6</b>	<b>1,132.5</b>	<b>1,265.9</b>	Quick Ratio (%)	329.4	305.3	359.0	370.3	375.5
Capex	(114.5)	(118.2)	(50.2)	(94.3)	(121.7)	Receivable Days (x)	59.7	64.1	79.8	81.0	82.0
Others	(4.5)	(37.2)	11.1	(28.4)	(29.0)	Inventory Days (x)	94.4	115.1	95.0	96.0	97.0
<b>Investing CF</b>	<b>(119.0)</b>	<b>(155.4)</b>	<b>(39.1)</b>	<b>(122.7)</b>	<b>(150.7)</b>	Payable Days (x)	41.7	47.0	45.2	44.0	44.0
Dividend Paid	(1,018.1)	(1,086.0)	(1,068.0)	(912.6)	(1,020.5)	DER (x)	0.0	0.0	0.0	0.0	0.0
Net Change in Debt	1.5	(6.3)	7.0	(0.7)	(0.5)	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	57.0	57.3
Others	46.3	(16.0)	4.6	4.2	4.3	Operating Profit Margin (%)	39.2	36.0	33.4	36.4	37.0
<b>Financing CF</b>	<b>(1,028.8)</b>	<b>(1,105.3)</b>	<b>(1,056.4)</b>	<b>(909.1)</b>	<b>(1,016.7)</b>	EBITDA Margin (%)	41.6	38.5	36.3	39.0	39.5
Cash at Beginning	1,032.0	1,082.2	923.0	830.1	930.8	Net Income Margin (%)	31.4	28.6	26.7	28.8	29.1
<b>Cash at Ending</b>	<b>1,082.2</b>	<b>923.0</b>	<b>830.1</b>	<b>930.8</b>	<b>1,029.3</b>	EPS (IDR)	42.0	36.8	31.7	37.8	42.0
						BVPS (IDR)	115.7	116.8	112.9	120.2	128.2

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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