

Weak FY23 results with a 13.9% yoy lower earnings

27 February 2024



Industri Jamu dan Farmasi Sido Muncul (SIDO) reported weak FY23 results with 13.9% yoy lower earnings, due to lower sales yoy, unrealized forex loss (IDR42.8 bn) and loss on impairment (IDR35.8 bn). SIDO' FY23 revenue declined by 7.8% yoy to IDR3.57 tn, despite better sales in 4Q23 at IDR1.21 tn (-3.8% yoy/+70.3% qoq) due to the unpredictable weather' changes and the increasing awareness of health as new covid cases was higher qoq. Yet, we still expect SIDO '24F revenue and earnings to grow by around 10% yoy, with a stable net margin at 26.7%. Thus, we re-initiate our coverage on SIDO with a HOLD and TP of IDR665 (19x '24F P/E) as it offers a limited upside (+7.26%).

| | |
|----------------------------|------------|
| SIDO IJ | HOLD |
| Sector | Healthcare |
| Price at 26 Feb 2024 (IDR) | 620 |
| Price target (IDR) | 665 |
| Upside/Downside (%) | 7.26 |

Stock Information

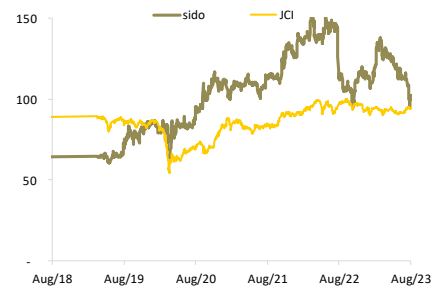
Industri Jamu dan Farmasi Sido Muncul Tbk (SIDO) is one of pharmaceutical and consumer health companies in Indonesia, which sells herbal drinks and meds, such as Tolak Angin, etc

| | |
|--------------------------------|---------|
| Market cap (IDR bn) | 18,600 |
| Shares outstanding (mn) | 30,000 |
| 52-week range (IDR) | 478-915 |
| 3M average daily vol. ('000) | 32,595 |
| 3M average daily val. (IDR mn) | 17,634 |

Shareholders (%)

| | |
|--------------------------|-------|
| PT Hotel Candi Baru | 60.46 |
| Concordant Inv Pte. Ltd. | 17.14 |
| Public | 22.40 |

Stock Performance



Source: Bloomberg

| | | | |
|-----------------|------|------|--------|
| | 1M | 3M | 12M |
| Performance (%) | 25.0 | 25.5 | (28.9) |

A 7.8% yoy lower sales yoy in 4Q23

SIDO' revenue reached IDR1.21 tn (-3.8% yoy/+70.3% qoq) in 4Q23, mainly due to the unpredictable weather' changes and the increasing awareness of health as new covid cases was higher qoq. Yet, SIDO' FY23 revenue declined by 7.8% yoy to IDR3.57 tn. Note that, historically, SIDO' 4Q sales was always higher than 3Q' and the significant sales growth qoq in 4Q23 was mainly due to a much lower 3Q23' sales than expected (became a low base for 4Q23). While from SIDO' business segments, its herbal segment remained as the biggest revenue contributor with 74.1% revenue contribution. Followed by its F&B and Pharmacy with 23.4% and 2.5%, revenue contribution respectively.

Earnings fell 13.9% yoy in 2023

SIDO' net profit reached IDR364 bn (-5.3% yoy/+162.9% qoq) in 4Q23. As a result, SIDO' FY23 net profit declined by 13.9% yoy, mainly due to lower sales yoy, unrealized forex loss (IDR42.8 bn) and loss on impairment (IDR35.8 bn). Fortunately, SIDO had better product mix and cost management in 4Q23. Thus, SIDO' gross and EBIT margin expanded yoy and qoq in 4Q23. Also thanks to higher ASP and better product mix in 2023, SIDO' FY23 gross margin expanded by 50bps yoy. Yet, SIDO' FY23 EBIT and net margins still contracted by 70bps and 190bps yoy, respectively, due to much lower 3Q23' margin than expected.

Expects higher revenue by launching new innovative products in '24F

We expects SIDO '24F revenue to grow by 10% yoy to IDR3.9 tn mainly due to higher sales on the unpredictable weather changes nowadays along with this year' festivities. We also expect SIDO to continue to grow its Tolak Angin' market share as their no.1 brand through continuous advertising efforts and to continue to grow its market outside Indonesia (Nigeria, etc). Note that, its export market' sales contribution grew to 6% in FY23 from a 4% contribution in FY22. Moreover, our revenue expectation is also in-line with the company' guidance as we also have anticipated for the rising prices of basic needs, such as; rice, corn, etc, which could make the consumers to change their spending' priority.

A 10.1% yoy earnings growth in '24F with stable margin

With higher revenue yoy in '24F, we also expect SIDO' gross margin to expand by 10bps in '24F due to better product mix and higher ASP. Yet, we have also anticipated for higher operating expense yoy on higher advertisement expense and salary cost yoy. All in all, SIDO' net profit in '24F could grow by 10.1% yoy with a stable net margin at 26.7% in '24F, mainly due to higher sales with ASP increase yoy.

Re-initiate HOLD with TP of IDR665

We re-initiate coverage on SIDO with a HOLD and TP of IDR 665/share, which implies 19x '24 P/E or at its 5 years mean P/E. Despite our HOLD recommendation, we still think SIDO is a good company with a 10.1% yoy earnings growth expectations and a 29.4% ROE in '24F. Risks to our call includes: a) Weak purchasing power, b) IDR depreciation vs USD, and c) higher costs than expected. Currently, SIDO is trading at 17.7x '24F P/E or still below its 5 years mean P/E.

Exhibit 1: Key Statistics

| Year end Dec | 2022A | 2023A | 2024F | 2025F | 2026F |
|---------------------|--------|--------|-------|-------|-------|
| Revenue (IDR bn) | 3,866 | 3,566 | 3,923 | 4,341 | 4,832 |
| EBITDA (IDR bn) | 1,470 | 1,347 | 1,454 | 1,614 | 1,804 |
| Net profit (IDR bn) | 1,105 | 951 | 1,047 | 1,161 | 1,310 |
| EPS (IDR) | 37 | 32 | 35 | 39 | 44 |
| EPS growth (%) | (12.4) | (13.9) | 10.1 | 10.9 | 12.8 |
| ROE (%) | 31.5 | 28.1 | 29.4 | 31.1 | 33.3 |
| ROA (%) | 27.1 | 24.4 | 25.2 | 26.5 | 28.2 |
| PER (x) | 16.8 | 19.6 | 17.8 | 16.0 | 14.2 |
| PBV (x) | 5.3 | 5.5 | 5.2 | 5.0 | 4.7 |
| EV/EBITDA (x) | 12.0 | 13.2 | 12.5 | 11.2 | 10.1 |
| Div Yield (%) | 5.8 | 5.7 | 4.8 | 5.3 | 6.0 |

Source: Company, KBVS Research

Analyst

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Exhibit 2: SIDO FY23 & 4Q23 results

| SIDO FY23 Results (IDRbn) | FY23 | FY22 | YoY | 4Q23 | 4Q22 | YoY | 3Q23 | QoQ | Cons' | % to Cons' |
|---------------------------|---------|---------|--------|-------|-------|--------|-------|--------|-------|------------|
| Revenue | 3,566 | 3,866 | -7.8% | 1,205 | 1,252 | -3.8% | 708 | 70.3% | 3,366 | 105.9% |
| COGS | (1,547) | (1,697) | -8.8% | (454) | (477) | -4.8% | (317) | 43.1% | | |
| Gross profit | 2,019 | 2,169 | -6.9% | 751 | 775 | -3.1% | 390 | 92.3% | 1,840 | 109.7% |
| Operating expenses | (775) | (794) | -2.4% | (245) | (282) | -13.3% | (225) | 8.7% | | |
| EBIT | 1,244 | 1,375 | -9.5% | 506 | 493 | 2.7% | 165 | 206.3% | 1,093 | 113.8% |
| Profit before tax | 1,220 | 1,420 | -14.1% | 465 | 495 | -6.1% | 177 | 162.5% | 1,131 | 107.8% |
| Tax expense | (269) | (315) | -14.7% | (101) | (110) | -9.0% | (39) | 161.1% | | |
| Minority interest | - | - | - | - | - | - | - | | | |
| Net profit | 951 | 1,105 | -13.9% | 364 | 384 | -5.3% | 138 | 162.9% | 883 | 107.7% |

Margins

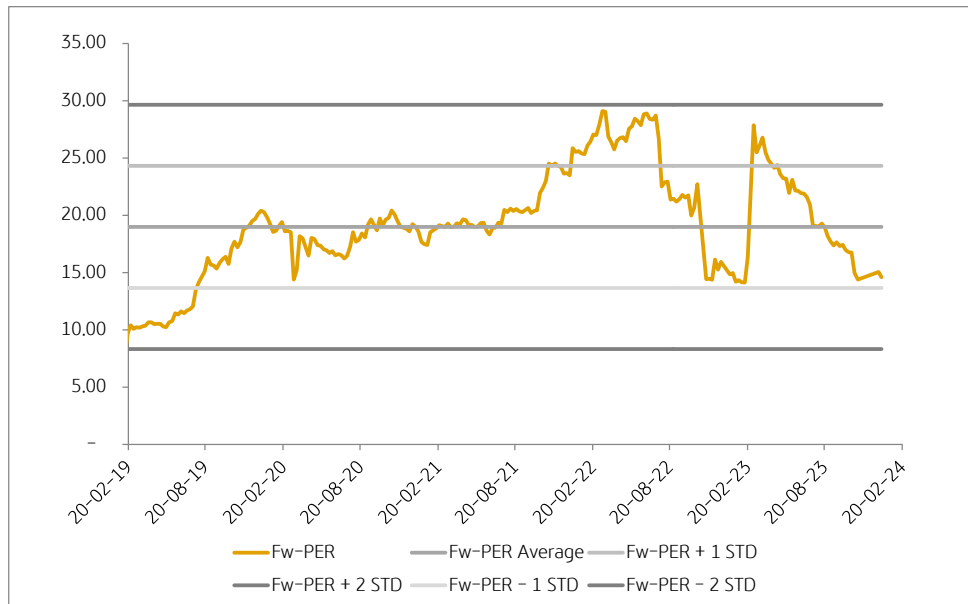
| | | | | | | | | | |
|---------------|-------|-------|--|-------|-------|--|-------|--|-------|
| Gross margin | 56.6% | 56.1% | | 62.3% | 61.9% | | 55.2% | | 54.7% |
| EBIT margin | 34.9% | 35.6% | | 42.0% | 39.4% | | 23.4% | | 32.5% |
| Pretax margin | 34.2% | 36.7% | | 38.6% | 39.5% | | 25.0% | | 33.6% |
| Net margin | 26.7% | 28.6% | | 30.2% | 30.7% | | 19.6% | | 26.2% |

SIDO FY23 Segment Results (IDRbn)

| | FY23 | FY22 | YoY | 4Q23 | 4Q22 | YoY | 3Q23 | QoQ |
|---|---------|---------|--------|---------|---------|-------|---------|--------|
| Herbal medicine & supplement | | | | | | | | |
| Revenue | 2,348.2 | 2,633.5 | -10.8% | 892.7 | 977.1 | -8.6% | 452.0 | 97.5% |
| COGS | (741.4) | (842.8) | -12.0% | (261.5) | (288.1) | -9.2% | (149.4) | 75.0% |
| Gross profit | 1,606.8 | 1,790.7 | -10.3% | 631.3 | 689.0 | -8.4% | 302.6 | 108.6% |
| Gross margin | 68.4% | 68.0% | | 70.7% | 70.5% | | 66.9% | |
| Food & Beverages | | | | | | | | |
| Revenue | 1,102.0 | 1,089.0 | 1.2% | 281.6 | 246.3 | 14.3% | 225.2 | 25.1% |
| COGS | (728.4) | (765.7) | -4.6% | (172.1) | (168.0) | 2.4% | (148.2) | 16.1% |
| Gross profit | 373.7 | 325.3 | 14.9% | 109.5 | 78.3 | 39.8% | 77.0 | 42.3% |
| Gross margin | 33.9% | 29.9% | | 38.9% | 31.8% | | 34.2% | |
| Pharmacy | | | | | | | | |
| Revenue | 115.7 | 143.0 | -19.1% | 30.3 | 28.3 | 6.9% | 30.3 | 0.0% |
| COGS | (77.5) | (90.4) | -14.3% | (20.3) | (20.5) | -1.0% | (19.5) | 4.0% |
| Gross profit | 38.2 | 52.6 | -27.5% | 10.0 | 7.9 | 27.4% | 10.8 | -7.1% |
| Gross margin | 33.0% | 36.8% | | 33.1% | 27.7% | | 35.6% | |

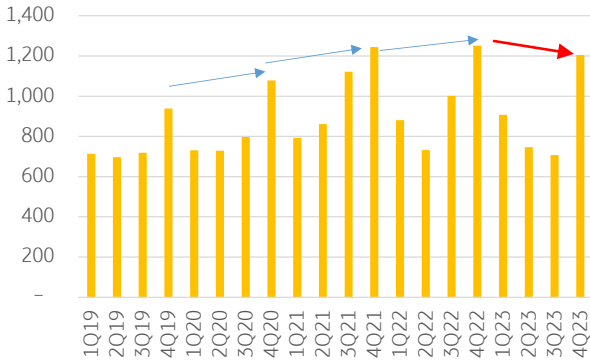
Source: Company, KBVS Research

Exhibit 3: SIDO PE Band



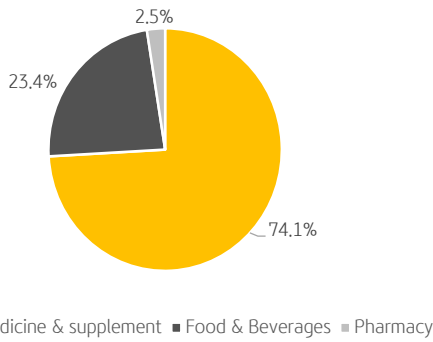
Source: Company, KBVS Research

Exhibit 4: Revenue in each quarter



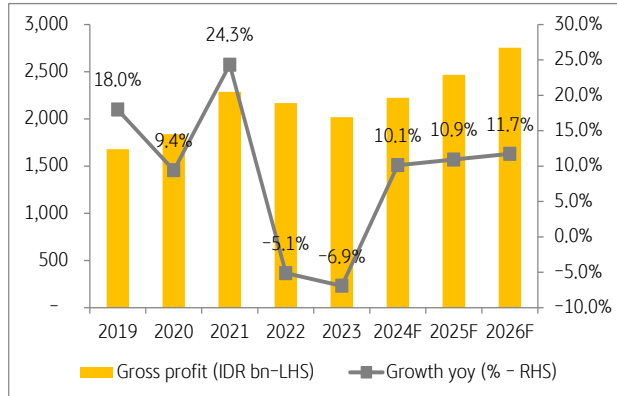
Source: Company, KBVS Research

Exhibit 6: Segment' contribution to SIDO' revenue



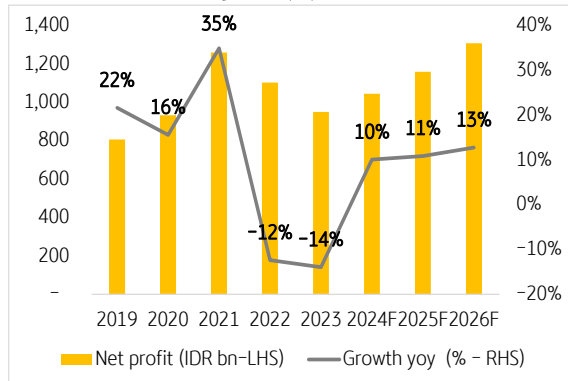
Source: Company, KBVS Research

Exhibit 8: Gross profit & growth yoy



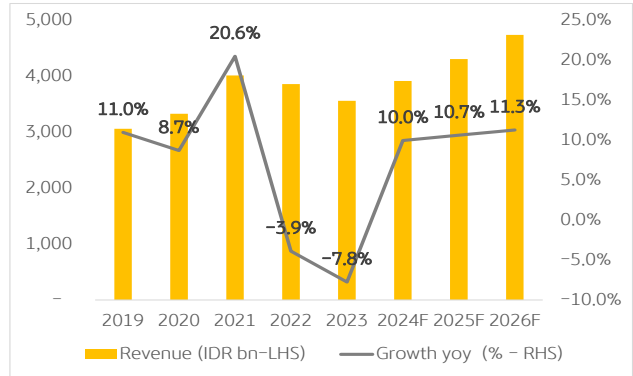
Source: Company, KBVS Research

Exhibit 10: Net profit & growth yoy



Source: Company, KBVS Research

Exhibit 5: SIDO' revenue and growth yoy



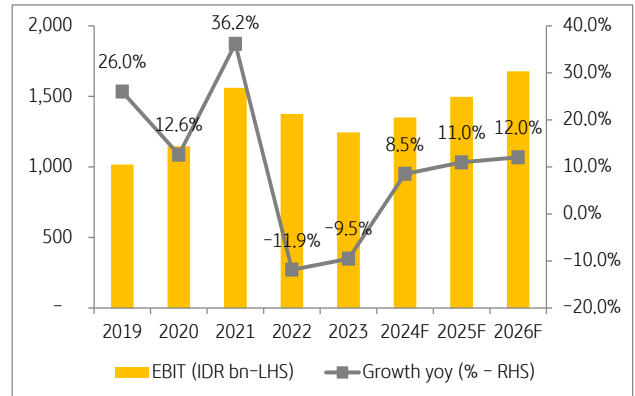
Source: Company, KBVS Research

Exhibit 7: Tolak Angin' market share



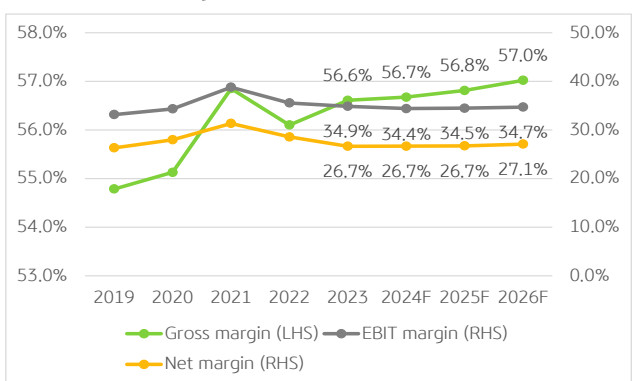
Source: Company, KBVS Research

Exhibit 9: EBIT & growth yoy



Source: Company, KBVS Research

Exhibit 11: SIDO' margins



Source: Company, KBVS Research

Exhibit 12: Profit & loss summary

| Year End Dec (IDR bn) | 2022A | 2023A | 2024F | 2025F | 2026F |
|-----------------------|--------------|--------------|--------------|--------------|--------------|
| Revenue | 3,866 | 3,566 | 3,923 | 4,341 | 4,832 |
| COGS | (1,697) | (1,547) | (1,699) | (1,875) | (2,077) |
| Gross profit | 2,169 | 2,019 | 2,223 | 2,466 | 2,755 |
| Operating expenses | (794) | (775) | (874) | (969) | (1,078) |
| EBIT | 1,375 | 1,244 | 1,350 | 1,497 | 1,678 |
| EBITDA | 1,470 | 1,347 | 1,454 | 1,614 | 1,804 |
| Pre-tax income | 1,420 | 1,220 | 1,359 | 1,508 | 1,690 |
| Net profit | 1,105 | 951 | 1,047 | 1,161 | 1,310 |
| EPS | 37 | 32 | 35 | 39 | 44 |
| EPS growth | -12% | -14% | 10% | 11% | 13% |

Source: Company, KBVS Research

Exhibit 13: Balance sheet

| Year End Dec (IDR bn) | 2022A | 2023A | 2024F | 2025F | 2026F |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Cash & cash equivalent | 923 | 830 | 494 | 454 | 415 |
| Accounts receivables | 687 | 789 | 811 | 898 | 1,000 |
| Inventories | 543 | 408 | 522 | 576 | 638 |
| Others | 42 | 39 | 45 | 50 | 55 |
| Total current assets | 2,194 | 2,067 | 1,873 | 1,977 | 2,108 |
| Fixed assets - Net | 1,611 | 1,555 | 1,999 | 2,113 | 2,231 |
| Others | 276 | 269 | 280 | 291 | 302 |
| Total non-current assets | 1,887 | 1,824 | 2,279 | 2,404 | 2,534 |
| Total assets | 4,081 | 3,891 | 4,152 | 4,381 | 4,642 |
| ST borrowing | - | - | - | - | - |
| Accounts payable | 209 | 187 | 218 | 240 | 266 |
| Others | 332 | 275 | 331 | 363 | 401 |
| Total current liabilities | 541 | 462 | 549 | 604 | 667 |
| Others non-current liabilities | 35 | 43 | 44 | 44 | 45 |
| Total non-current liabilities | 35 | 43 | 44 | 44 | 45 |
| Total liabilities | 576 | 505 | 592 | 648 | 712 |
| Shareholders equity | 2,152 | 2,152 | 2,152 | 2,152 | 2,152 |
| Minority interests | - | - | - | - | - |
| Retained earnings | 1,354 | 1,234 | 1,407 | 1,581 | 1,778 |
| Total Equity | 3,505 | 3,386 | 3,559 | 3,733 | 3,930 |
| Total Liabilities & Equity | 4,081 | 3,891 | 4,152 | 4,381 | 4,642 |

Source: Company, KBVS Research

Exhibit 14: Cash flow

| Year End Dec (IDR bn) | 2022A | 2023A | 2024F | 2025F | 2026F |
|------------------------------------|----------------|----------------|--------------|--------------|----------------|
| Net profit | 1,105 | 951 | 1,047 | 1,161 | 1,310 |
| D&A | 98 | 113 | 122 | 99 | 99 |
| Changes in working capital | (113) | (44) | (56) | (91) | (106) |
| Others | 17 | 36 | (151) | - | - |
| Operating cash flow | 1,107 | 1,055 | 962 | 1,169 | 1,302 |
| Capital expenditures | (170) | (38) | (209) | (222) | (228) |
| Others | (10) | (9) | (200) | - | - |
| Investing cash flow | (180) | (47) | (409) | (222) | (228) |
| Net change in Debt | (6) | (6) | - | - | - |
| Net change in Equity | 4 | - | - | - | - |
| Cash dividends paid | (1,086) | (1,068) | (890) | (987) | (1,113) |
| Others | - | - | - | - | - |
| Financing cash flow | (1,088) | (1,074) | (890) | (987) | (1,113) |
| Net change in cash | (161) | (66) | (336) | (40) | (38) |
| Cash in beginning of the year | 1,082 | 923 | 830 | 494 | 454 |
| Cash at the end of the year | 923 | 830 | 494 | 454 | 415 |

Source: Company, KBVS Research

Exhibit 15: Ratio analysis

| Year End Dec | 2022A | 2023A | 2024F | 2025F | 2026F |
|----------------------|--------|--------|-------|-------|-------|
| Growth | | | | | |
| Revenue | -3.9% | -7.8% | 10.0% | 10.7% | 11.3% |
| Gross profit | -5.1% | -6.9% | 10.1% | 10.9% | 11.7% |
| Operating profit | -11.6% | -14.5% | 14.2% | 10.9% | 12.1% |
| EBITDA | -11.1% | -8.3% | 7.9% | 11.0% | 11.8% |
| Net profit | -12.4% | -13.9% | 10.1% | 10.9% | 12.8% |
| Profitability | | | | | |
| Gross margin | 56.1% | 56.6% | 56.7% | 56.8% | 57.0% |
| Operating margin | 36.0% | 33.4% | 34.7% | 34.8% | 35.0% |
| EBITDA margin | 38.0% | 37.8% | 37.1% | 37.2% | 37.3% |
| Net margin | 28.6% | 26.7% | 26.7% | 26.7% | 27.1% |
| ROA | 27.1% | 24.4% | 25.2% | 26.5% | 28.2% |
| ROE | 31.5% | 28.1% | 29.4% | 31.1% | 33.3% |
| Solvency (x) | | | | | |
| Current ratio | 4.1 | 4.5 | 3.4 | 3.3 | 3.2 |
| Quick ratio | 3.1 | 3.6 | 2.5 | 2.3 | 2.2 |
| Debt to equity | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Interest coverage | 1,786 | 1,749 | 1,464 | 1,623 | 1,820 |
| Net gearing | (0.3) | (0.2) | (0.1) | (0.1) | (0.1) |

Source: Company, KBVS Research

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