

SIDO IJ • Pharmaceuticals

# Industri Jamu dan Farmasi Sido Muncul

## Margin expansion supported our upgrade

(Upgrade)  
**Trading Buy**

Target price  
**IDR830 ▲**

Upside  
**14.5%**

Current price (7/30/24)  
**IDR725**

JCI Index	7,242	Market cap (IDRbn)	21,750	Shares outstanding (mn)	30,000	Free Float (%)	5.3
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### Report summary

#### Solid performance driven by volume growth and lower costs

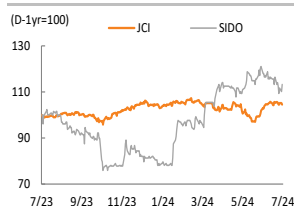
SIDO exhibited remarkable resilience in its business performance, showcasing solid YoY growth in revenue and net profit, with strong margin expansion. Revenue and net profit in 2Q24 jumped to IDR843bn (+12.9% YoY) and IDR218bn (+47.5% YoY), while GPM and NPM expanded by +3.9ppt YoY to 56.8% and +6.1ppt YoY to 25.9%. Notably, this GPM is the highest second-quarter level since 2013. Cumulative revenue and net profit for 1H24 reached IDR1.9tr (+14.7% YoY) and IDR 608bn (+35.8% YoY), representing 46%/48% and 51%/53% of our and the street's revenue projections and earnings estimates, respectively.

#### Valuation, recommendation, and risks

We revised our assumptions following the strong 1H24 results and management's outlook for the rest of the year. We maintain our revenue assumptions for FY24 due to high uncertainty in purchasing power driven by challenging macroeconomic conditions. However, we revised up revenue projections for FY25 to anticipate higher revenue from modern trade and export markets. We also raised net profit projections for FY24 and FY25 on the back of lower raw material prices and cost efficiencies. In short, we upgrade the rating to Trading Buy with a higher TP of IDR830 as we raise the target multiple to five-year mean P/E. Downside risks to our call include higher-than-expected raw material prices and a lower-than-expected impact on revenue from modern trade channels and export markets.

### Key data

#### Price performance



(%)	1M	6M	12M
Absolute	-6.5	42.2	13.3
Relative	-9.0	41.7	8.8

#### Earnings and valuation metrics

(FY Dec. 31)	2021	2022	2023	2024F	2025F
Revenue (IDRbn)	4,021	3,866	3,566	4,664	5,126
Operating profit (IDRbn)	1,577	1,393	1,244	1,539	1,706
Net profit (IDRbn)	1,261	1,105	951	1,243	1,381
EPS (IDR)	42.0	36.8	31.7	41.4	46.0
BPS (IDR)	116	117	113	124	130
P/E (x)	17.2	19.7	22.9	17.5	15.8
EV/EBITDA (x)	13.7	15.5	17.0	13.9	12.6
ROE (%)	37.7	31.7	27.6	35.0	36.2
Dividend yield (%)	4.7	5.0	4.9	4.2	5.5

Note: Net profit is attributable to owners of the parent

Source: Company data, Mirae Asset Sekuritas Indonesia Research estimates

## 1H24 earnings result review and our take

### Solid performance driven by volume growth and lower costs

SIDO exhibited resilience in its business performance, showcasing solid YoY growth in revenue and net profit, with strong margin expansion. Despite QoQ declines and margin contraction, which we attribute to seasonality, revenue and net profit in 2Q24 jumped to IDR843bn (+12.9% YoY) and IDR218bn (+47.5% YoY), respectively. On profitability, gross profit margin (GPM) and net profit margin (NPM) expanded by +3.9ppt YoY to 56.8% and +6.1ppt YoY to 25.9%. Notably, this GPM is the highest second-quarter level since 2013.

Cumulative revenue and net profit for 1H24 reached IDR1.9tr (+14.7% YoY) and IDR608bn (+35.8% YoY), representing 46%/48% and 51%/53% of our and the street's revenue projections and earnings estimates, respectively. This performance exceeded our and market expectations, given the average run rate for the past five years is 44% for both top and bottom lines.

Several factors supported the higher-than-expected revenue are volume growth in all business segments which was driven by higher business activities due to commodity price surge, construction activities in Malaysia, heatwave and hot temperatures in Southeast Asia. These last two factors significantly boosted export revenue to IDR152bn in 1H24 (+72.4% YoY), accounting for 8% of consolidated revenue (+2.7ppt YoY). Lower raw material prices, coupled with efficiency in employee costs and substantial investment in Advertising and Promotion (A&P) further supported net profit growth and NPM expansion.

### A Closer look at 2Q results

The 2Q24 revenue is still primarily driven by the herbal segment that recorded revenue of IDR487bn (+8.1% YoY but -22.4% QoQ), contributing 57.7% of revenue (-2.6ppt YoY and -1.8ppt QoQ). The F&B segment posted the strongest growth in 2Q24, with revenue of IDR321bn (+21.2% YoY but -19.1% QoQ), contributing 38% of revenue (+2.6ppt YoY and +0.4ppt QoQ). Cumulatively, the former booked IDR1.11tr (+11% YoY) and the latter jumped to IDR717bn (+20.4% YoY). Tolak Angin Group and Esemag are the main drivers for the Herbal segment revenue, while energy drink, healthy drink and vitamin C supported the F&B revenue.

GPM reached 56.8% in 2Q24 (+3.9ppt YoY but -2.6ppt QoQ), with the yearly expansions was mainly supported by lower raw material prices, especially in the F&B segment such as taurine, aspartame, citric acid, creamer, etc. All segments reported yearly margin expansions, led by the F&B segment by +7.8ppt YoY to 39.6%, followed by the Herbal segment by +3ppt YoY to 69.4%, and the pharmaceuticals segment by +2ppt YoY to 38.3%. Cumulatively, GPM expanded by +5.1ppt YoY to 58.2%, the highest 1H GPM ever, with raw material to revenue falling to 32.8% (-0.8ppt YoY).

EBITDA reached IDR297bn in 2Q24 (+33.9% YoY but -42.9% QoQ) with EBITDA margin of 35.2% (+5.5ppt YoY but -14.1% QoQ), on the back of higher SGA, which inched up to 25.9% of revenue (+1.2ppt YoY and +13.2ppt QoQ). The efficiency in employee costs, which fell to IDR60bn (-17.4% YoY but +59.2% QoQ) and represented 7.2% of revenue (-

2.6ppt YoY but +3.6ppt QoQ), offset the substantial investment in A&P that rose to 14.4% of revenue (+4.7ppt YoY and +8.7ppt QoQ). Management attributed the surge in A&P to their participation in a Philippine local TV show and a lot of TV ads. Meanwhile, labor cost efficiencies initiated at the end of last year have shown positive results, and management expects the trend to continue in 2H24.

Cumulatively, EBITDA grew by +31.8% YoY to IDR817bn, with EBITDA margin expanded by +5.6ppt YoY to 43.1%, and SGA to revenue stable at 18.5%. During 1H24, management spent IDR181bn on A&P (+70% YoY), equivalent to 9.5% of revenue (+3.1 ppt YoY), while simultaneously reducing employee costs to IDR98bn (-20% YoY), equivalent to 5.2% of revenue (-2.2ppt YoY).

Balance sheet remains strong, debt-free with cash of IDR720bn in 1H24, compared to IDR830bn in FY23 and IDR451bn in the same period last year. Cash conversion cycle (CCC) also improved YoY to 168 days in 2Q24, from 183 days in 2Q23, attributed to shorter receivable days and longer payable days. On a quarterly basis, however, the CCC was 44 days higher compared to 1Q24 due to export sales growth with longer credit terms and higher inventory to maximize the lower raw material prices.

Table 1. SIDO - earnings results 2Q24

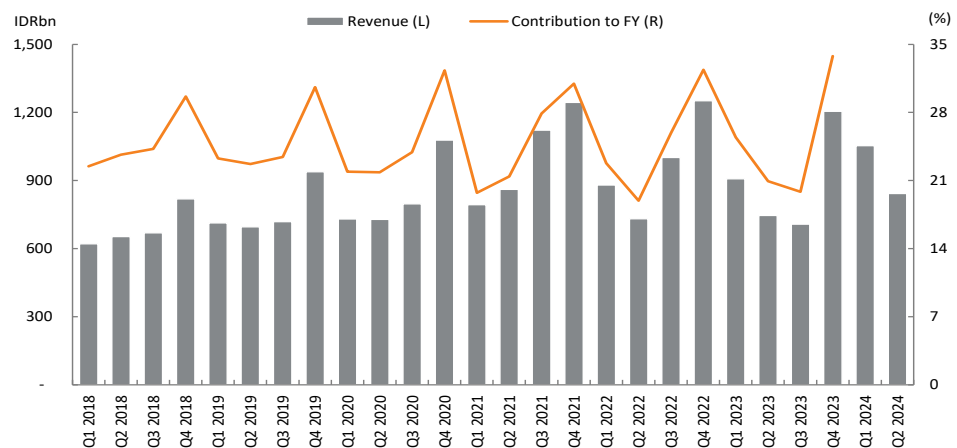
	2Q23	1Q24	2Q24	YoY (%)	QoQ (%)	1H23	1H24	YoY (%)	Mirae Asset		Market	
									2024F	Run rate (%)	2024F	Run rate (%)
Sales	746	1,053	843	12.9	(20.0)	1,654	1,896	14.7	4,095	46.3	3,950	48.0
Gross Profit	394	625	478	21.3	(23.5)	878	1,104	25.8				
Operating Income	193	491	268	38.6	(45.5)	563	759	34.9				
PATMI	148	390	218	47.5	(44.2)	448	608	35.8	1,185	51.4	1,157	52.6
EBITDA	222	520	297	33.9	(42.9)	620	817	31.8				

	2Q23	1Q24	2Q24	YoY (ppt)	QoQ (ppt)	1H23	1H24	YoY (ppt)
GPM	52.8	59.3	56.8	3.9	-2.6	53.1	58.2	5.1
OPM	25.9	46.7	31.8	5.9	-14.9	34.0	40.0	6.0
NPM	19.8	37.1	25.9	6.1	-11.2	27.1	32.1	5.0
EBITDAM	29.7	49.4	35.2	5.5	-14.1	37.5	43.1	5.6

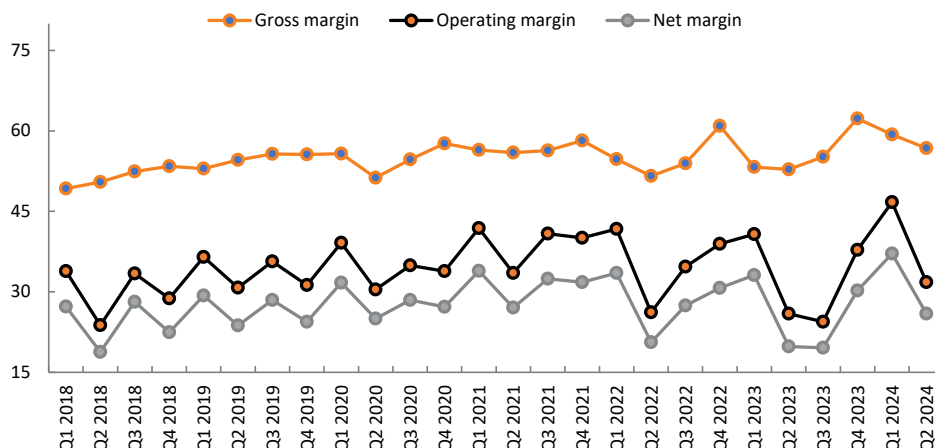
Source: Company data, Mirae Asset Sekuritas Indonesia Research

Figure 1. Quarterly Revenue and Contribution



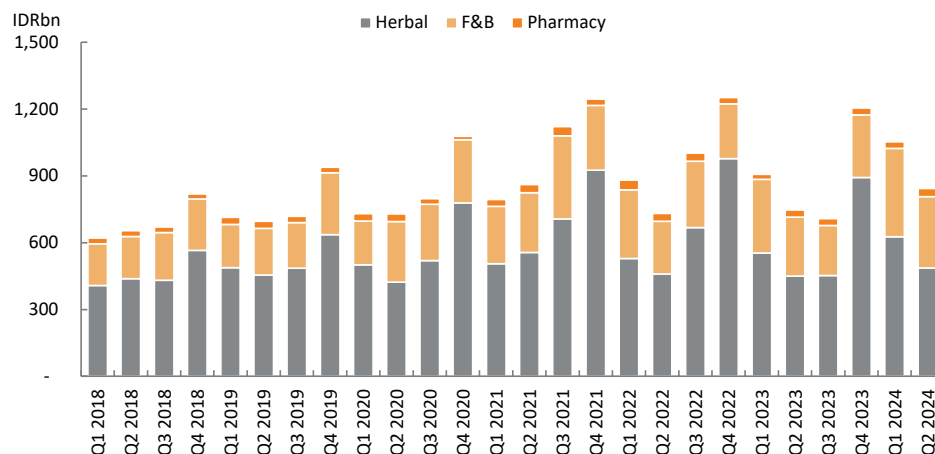
Source: Mirae Asset Sekuritas Indonesia Research

Figure 2. Quarterly margins



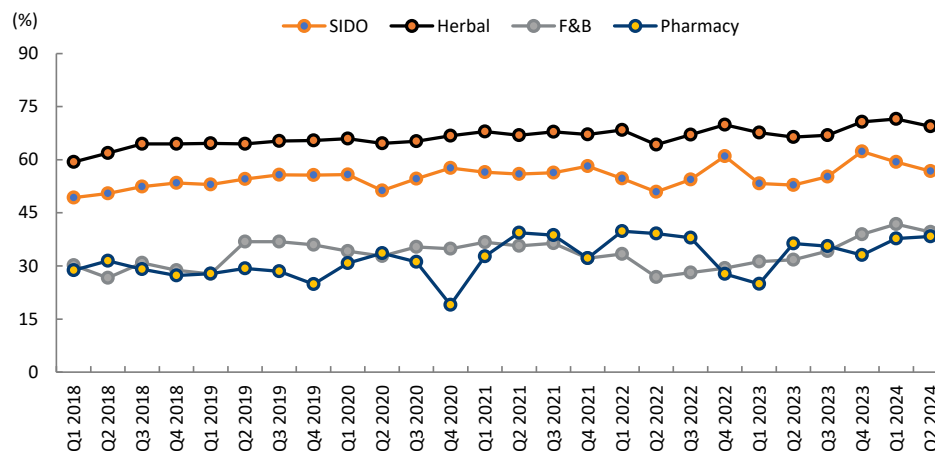
Source: Mirae Asset Sekuritas Indonesia Research

Figure 3. Revenue per segment - quarterly



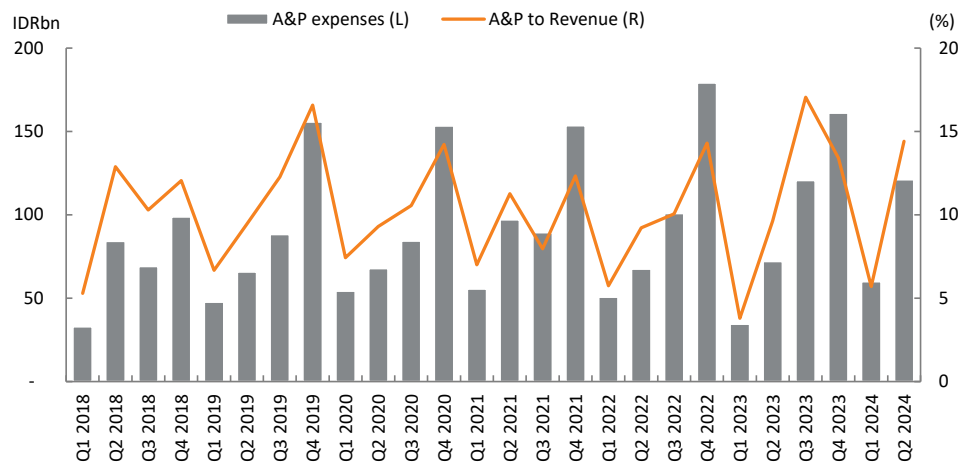
Source: Source: Mirae Asset Sekuritas Indonesia Research

Figure 4. Gross profit margin per segment - quarterly



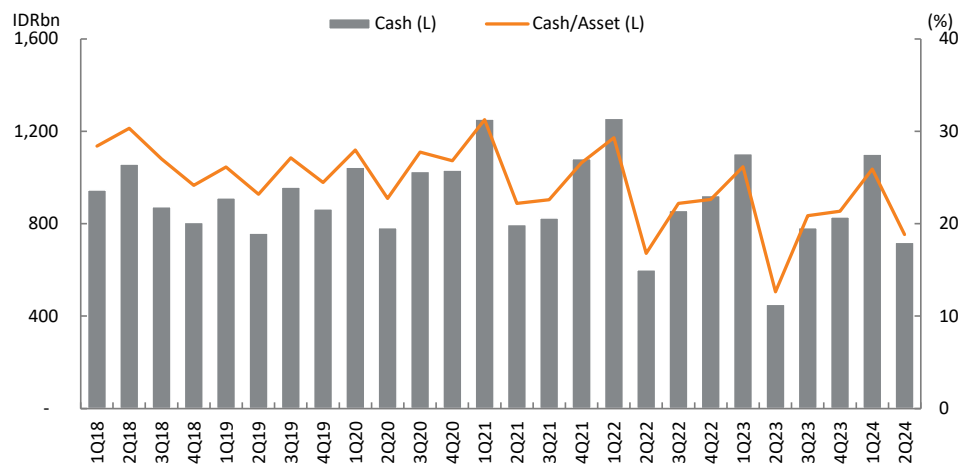
Source: Mirae Asset Sekuritas Indonesia Research

**Figure 5. Advertising and Promotion Expenses - Quarterly**



Source: Mirae Asset Sekuritas Indonesia Research

**Figure 6. Cash and cash to total assets**



Source: Mirae Asset Sekuritas Indonesia Research

## Outlook, valuation and recommendations

### Management is maintaining their guidance despite solid 1H24

Management has opted to maintain a conservative outlook, keeping their guidance of above 10% of revenue and net profit growth in FY24, despite a strong 1H24 performance. The decision was taken due to the possibility of soft purchasing power in 2H24 on the back of challenging macroeconomic conditions and waiting for the inauguration of the new government.

SIDO expects La Niña in 2H24 to support herbal sales, that will result revenue contribution of the herbal segment to reach 60-63% (stable YoY), from currently at 59%. In the international market, SIDO will continue their penetration in the Philippine and Malaysia and expand to Vietnamese market in 2H24. To support these targets, management allocates 10-13% of revenue for A&P costs and is open to maximizing this budget if A&P effectively drives top-line growth.

Management also announced the direct distribution of their products to Alfamart (effective on May 1) and Indomaret (effective on July 1). Previously, SIDO distributed their product through related-party sub-distributors. Management expects to see a margin improvement by 3-5ppt from cost savings through this program and volume growth of around 5% due to increased product availability in these modern trade channels. Revenue contribution from Alfamart and Indomaret currently is less than 10%.

### Upgrade to Trading Buy with higher TP of IDR830

We revised our assumptions following the strong 1H24 results and management's view regarding the outlook for the rest of the year. We maintain our revenue assumptions in FY24 due to high uncertainty in the purchasing power driven by challenging macroeconomic conditions. Nevertheless, we revised up revenue in FY25 to anticipate higher revenue from MT and export market. We estimate that SIDO will benefit from lower raw material prices until the end of this year, supported by favorable prices and their decision to restock raw materials. Consequently, we project revenue and net profit to reach IDR4.09tr/IDR4.51tr and IDR1.24tr/IDR1.38tr in FY24/FY25.

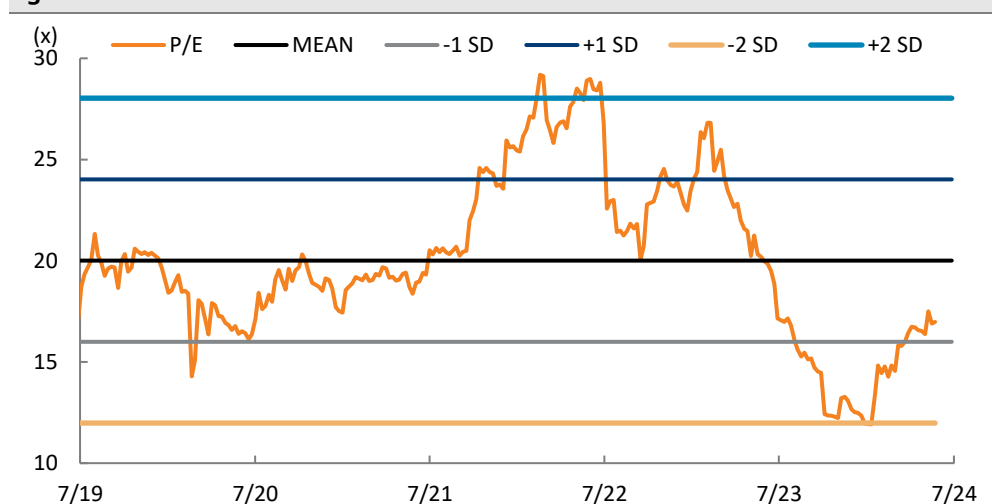
In addition to revising the financial projections for FY24-25, we also raised the target multiple to the five-year average P/E, from previously at 0.5SD below its five-year mean, on the back of positive outlook going forward. As we revised up our estimate and target multiple, we upgraded the rating for SIDO to Trading Buy, from previously Hold, with TP of IDR830, from previously IDR655. The downside risks to our call include higher than expected raw material prices, lower than expected impact from MT and export market. SIDO currently trades at 17.5x 24F P/E, 0.6SD below its five-year average.

**Table 1. Changes in forecasts** (IDRbn)

	Current forecasts		Previous forecasts		Change (% , ppt)	
	FY24F	FY25F	FY24F	FY25F	FY24F	FY25F
Revenue	4,095	4,510	4,095	4,039	0.0	11.7
Gross profit	2,420	2,626	2,118	2,292	14.2	14.6
Operating profit	1,539	1,706	1,320	1,440	16.6	18.5
EBITDA	1,635	1,806	1,575	1,539	3.8	17.4
Net profit	1,243	1,381	1,185	1,157	4.9	19.3
GPM (%)	59.1	58.2	51.7	56.7	7.4	1.5
OPM (%)	37.6	37.8	32.2	35.7	5.3	2.2
NPM (%)	30.4	30.6	28.9	28.6	1.4	2.0

Source: Mirae Asset Sekuritas Indonesia Research estimates

**Figure 7. P/E Band**



Source: Company data, Mirae Asset Sekuritas Indonesia Research

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

## Income Statement (Summarized)

(IDRbn)	12/22	12/23	12/24F	12/25F
<b>Revenue</b>	<b>3,866</b>	<b>3,566</b>	<b>4,095</b>	<b>4,510</b>
COGS	-1,703	-1,547	-1,675	-1,884
<b>Gross profit</b>	<b>2,163</b>	<b>2,019</b>	<b>2,420</b>	<b>2,626</b>
Opex	-788	-775	-881	-920
<b>EBIT</b>	<b>1,375</b>	<b>1,244</b>	<b>1,539</b>	<b>1,706</b>
Other income / (expenses)	18	-53	10	15
Finance income	28	29	46	50
Finance cost	-1	-1	-1	-1
<b>Profit before income tax</b>	<b>1,420</b>	<b>1,220</b>	<b>1,594</b>	<b>1,770</b>
Income tax expenses	-315	-269	-351	-389
Non-controlling interest	0	0	0	0
<b>Net profit</b>	<b>1,105</b>	<b>951</b>	<b>1,243</b>	<b>1,381</b>
<b>EBITDA</b>	<b>1,467</b>	<b>1,346</b>	<b>1,635</b>	<b>1,806</b>
<b>Margin (%)</b>	<b>12/22</b>	<b>12/23F</b>	<b>12/24F</b>	<b>12/25F</b>
Gross profit	55.9	56.6	59.1	58.2
Operating profit	35.6	34.9	37.6	37.8
Net profit	28.6	26.7	30.4	30.6
EBITDA	28.6	26.7	39.9	40.0
<b>Growth (% YoY)</b>	<b>12/22</b>	<b>12/23F</b>	<b>12/24F</b>	<b>12/25F</b>
Revenue	-3.9	-7.8	14.8	10.1
Operating profit	-11.9	-9.5	23.7	10.8
EPS	-12.4	-13.9	30.8	11.0
EBITDA	-11.2	-8.3	21.4	10.5

## Cash Flows (Summarized)

(IDRbn)	12/22	12/23	12/24F	12/25F
<b>Cash Flows from Op. Activities</b>	<b>1,086</b>	<b>1,008</b>	<b>1,204</b>	<b>1,340</b>
Net profit	1,105	951	1,243	1,381
Depreciation & amortization	92	102	96	100
Change in working capital	-76	10	-123	-132
Others	-35	-55	-12	-8
<b>Cash Flows from Inv. Activities</b>	<b>-175</b>	<b>-31</b>	<b>-124</b>	<b>-137</b>
Capex	-115	-46	-122	-134
Others	-60	15	-2	-2
<b>Cash Flows from Fin. Activities</b>	<b>-1,070</b>	<b>-1,070</b>	<b>-911</b>	<b>-1,195</b>
Change in liabilities	0	0	0	0
Change in equity	4	0	0	0
Dividends paid	-1,086	-1,068	-922	-1,206
Others	12	-2	11	11
<b>Increase (decrease) in cash</b>	<b>-159</b>	<b>-93</b>	<b>168</b>	<b>8</b>
Beginning balance	1,082	923	830	998
<b>Ending balance</b>	<b>924</b>	<b>830</b>	<b>998</b>	<b>1,007</b>

Note: Net profit refers to net profit attributable to controlling interests

Source: Company data, Mirae Asset Sekuritas Indonesia Research estimates

## Balance sheet (Summarized)

(IDRbn)	12/22	12/23	12/24F	12/25F
<b>Current assets</b>				
Cash & equivalents	923	830	998	1,007
Receivables	687	789	830	915
Inventories	543	408	521	592
Others	42	39	40	40
<b>Total current assets</b>	<b>2,194</b>	<b>2,067</b>	<b>2,390</b>	<b>2,553</b>
<b>Non-current assets</b>				
Fixed assets - net	1,611	1,555	1,581	1,615
Others	276	269	272	275
<b>Total non-current assets</b>	<b>1,887</b>	<b>1,824</b>	<b>1,853</b>	<b>1,890</b>
<b>Total assets</b>	<b>4,081</b>	<b>3,891</b>	<b>4,243</b>	<b>4,443</b>
<b>Current liabilities</b>				
ST bank loans	0	0	0	0
Account payables	209	187	219	241
Other current liabilities	332	275	263	255
<b>Total current liabilities</b>	<b>541</b>	<b>462</b>	<b>482</b>	<b>496</b>
<b>Non-current liabilities</b>				
Long-term financial liabilities	0	0	0	0
Others non-current liabilities	35	43	44	44
Total non-current liabilities	35	43	44	44
<b>Total liabilities</b>	<b>576</b>	<b>505</b>	<b>525</b>	<b>540</b>
Shareholders' equity	3,505	3,386	3,718	3,903
Non-controlling interests	0	0	0	0
<b>Total liabilities and equity</b>	<b>4,081</b>	<b>3,891</b>	<b>4,243</b>	<b>4,443</b>

## Forecasts/Valuations (Summarized)

	12/22	12/23	12/24F	12/25F
P/E (x)	19.7	22.9	17.5	15.8
P/B (x)	6.2	6.4	5.9	5.6
EV/EBITDA (x)	15.5	17.0	13.9	12.6
EPS (IDR)	36.8	31.7	41.4	46.0
BPS (IDR)	116.8	112.9	123.9	130.1
DPS (IDR)	36.2	35.6	30.7	40.2
Payout ratio (%)	98.7	96.7	97.0	97.0
Dividend yield (%)	5.0	4.9	4.2	5.5
Accounts receivable turnover (x)	5.7	4.8	5.1	5.2
Inventory turnover (x)	3.4	3.3	3.6	3.4
Accounts payable turnover (x)	8.9	7.8	8.3	8.2
ROA (%)	27.1	23.8	30.6	31.8
ROE (%)	31.7	27.6	35.0	36.2
Current ratio (x)	405.6	447.4	496.2	514.9
Net gearing (x)	Net cash	Net cash	Net cash	Net cash
Interest coverage ratio (x)	1,762.4	1,826.3	1,539.0	1,706.0

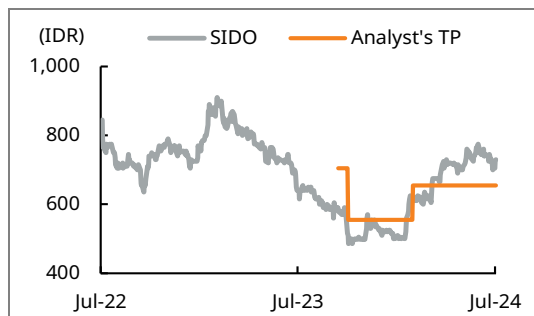


# Appendix 1

## Important disclosures and disclaimers

### Two-year rating and TP history

Company	Date	Rating	TP (IDR)
Industri Jamu dan Farmasi Sido Muncul (SIDO JJ)	7/31/2024	Trading Buy	830
	2/28/2024	Hold	655
	1/12/2024	Hold	555
	10/31/2023	Hold	555
	10/13/2023	Trading Buy	705
	4/28/2023	Buy	1,020



### Stock ratings

Buy	Expected 12-month performance: +20% or greater
Trading Buy	Expected 12-month performance: +10% to +20%
Hold	Expected 12-month performance: -10% to +10%
Sell	Expected 12-month performance: -10% or worse

### Sector ratings

Overweight	Expected to outperform the market over 12 months
Neutral	Expected to perform in line with the market over 12 months
Underweight	Expected to underperform the market over 12 months

Rating and TP history: Share price (—), TP (—), Not Rated (■), Buy (▲), Trading Buy (■), Hold (●), Sell (◆)

\* Our investment rating is a guide to the expected return of the stock over the next 12 months.

\* Outside of the official ratings of PT Mirae Asset Sekuritas Indonesia, analysts may call trading opportunities should technical or short-term material developments arise.

\* The TP was determined by the research analyst through valuation methods discussed in this report, in part based on estimates of future earnings.

\* TP achievement may be impeded by risks related to the subject securities and companies, as well as general market and economic conditions.

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