

# Sido Muncul

**HOLD** (unchanged)

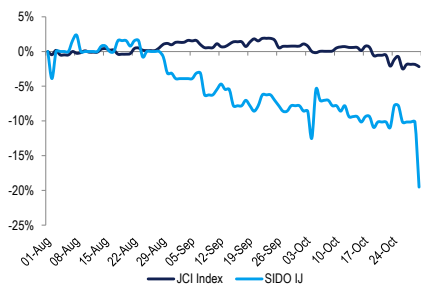
Company Update | Consumer Staples | SDO IJ | 30 October 2023

## Stock Data

Target price	Rp500
Prior TP	Rp650
Current price	Rp515
Upside/downside	-3.0%
Shares outstanding (mn)	30,227
Market cap (Rp bn)	15,450
Free float	22%
Avg. 6m daily T/O (Rp bn)	21

## Price Performance

	3M	6M	12M
Absolute	-19.5%	-34.8%	-30.4%
Relative to JCI	-17.1%	-32.2%	-25.9%
52w low/high (Rp)	515 – 910		



## Major Shareholders

PT Hotel Candi Baru	60%
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## 3Q23 results: miss across the board from weak sales trend

- SDO's 9M23 net profit of Rp587bn (-18.6% yoy) was below at 59/56% of our/consensus FY23F estimate (vs. 5yr avg of 69%)
- 3Q23 sales/net profit declined -5/-6% qoq (-29/-50% yoy due to high base) due to shift in consumer spending and affordability mismatch.
- We downgrade SDO's FY23/24F net profit by -20%, but maintain our HOLD call (TP of Rp500) as stock price has dropped -20% in 3M.

### 9M23 net profit was below our/consensus FY23F estimate

SIDO printed 9M23 net profit of Rp587bn (-18.6% yoy) and this came significantly below at 59/56% of our/consensus FY23F estimate (vs. 5yr avg of 69%). There was forex loss of Rp34bn arising from Nigeria business as Naira depreciated 42% vs. US\$ and 41% vs. IDR YTD. 9M23 sales reached merely Rp2.3tr (-9.7% yoy) – at 66% of our estimates, as its core herbal segment declined -12.1% yoy. GPM improved slightly to 53.7% in 9M23, as raw materials normalized for the F&B segment (except sugar). Overall, this came below company's revised guidance of -10% yoy for both top and bottom line. Taking cues from SDO's market share in Tolak Angin which remained dominant at 73% as of 9M23 (vs. 71% in 9M22); this implies that the overall herbal supplement industry declines significantly (c.-15% yoy).

### Soft 3Q23 result on the back -29% yoy sales contraction

3Q23 net profit booked a decline of -49.6% yoy (-6.3% qoq), noting 3Q22's high base effect. 3Q23 top line dropped by -5.2% qoq (-29.4% yoy) despite higher A&P spend (17% of sales vs. 6M23's 6.4%) is a reflection of the soft purchasing power, exacerbated by rising rice price. As such, spending on consumer-health products is further displaced in terms of priority for the mass market. We view the current affordability mismatch may limit SDO's ability to raise prices significantly for the medium term. Recent product launches continue to gain traction but contribution to total sales is still not significant – Alang Sari and Vitamin C&D contributing to 4% of F&B segment, while Esemag now contributes c.1% to herbal segment sales. We expect a slight qoq (low teens) sales recovery in 4Q23F from potential trade promos.

### Maintain HOLD call with lower TP of Rp500 as weakness is priced-in

In light of 3Q23 results, we downgrade our FY23/24F net profit forecast for SDO by -19.7/-20.4%. Nonetheless, we maintain our HOLD call with lower TP of Rp500, based on FY24F P/E of 17.0x (-0.5 s.d. from its 5-year average P/E). Key risk is soft purchasing power delaying FY24F sales recovery.

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Financial Summary (Rp bn)	2021A	2022A	2023F	2024F	2025F
Revenue	4,021	3,866	3,150	3,382	3,653
EBITDA	1,654	1,375	1,125	1,210	1,306
EBITDA growth	33%	-17%	-18%	7%	8%
Net profit	1,261	1,105	805	887	954
EPS (Rp)	42	37	27	30	32
EPS growth	34.2%	-12.6%	-23.6%	6.4%	7.6%
ROE	37.3%	31.3%	24.8%	27.1%	28.4%
PER (x)	12.3	14.0	19.2	17.4	16.2
Dividend yield	6.6%	7.0%	7.0%	5.1%	5.6%
Forecast change			-20%	-20%	-21%
IPS vs. consensus			76%	77%	78%

Source: Company, Indo Premier

Share price closing as of: 30 October 2023

Fig. 1: SIDO 3Q23 result summary

(Rp bn)	3Q23	3Q22	% YoY	2Q23	% QoQ	9M23	9M22	% YoY	IPS FY23F	% IPS	Cons FY23F	% Cons	5Yr avg.	Comment
<b>Net sales</b>	<b>708</b>	<b>1,002</b>	<b>-29.4%</b>	<b>746</b>	<b>-5.2%</b>	<b>2,361</b>	<b>2,614</b>	<b>-9.7%</b>	<b>3,577</b>	<b>66%</b>	<b>3,775</b>	<b>63%</b>	<b>69%</b>	<b>Below</b>
COGS	(317)	(463)		(352)		(1,093)	(1,220)							
<b>Gross profit</b>	<b>390</b>	<b>539</b>	<b>-27.6%</b>	<b>394</b>	<b>-1.0%</b>	<b>1,268</b>	<b>1,394</b>	<b>-9.0%</b>						
Operating cost	(225)	(197)		(184)		(530)	(512)							
<b>EBIT</b>	<b>165</b>	<b>342</b>	<b>-51.7%</b>	<b>210</b>	<b>-21.4%</b>	<b>738</b>	<b>882</b>	<b>-16.3%</b>	<b>1,279</b>	<b>58%</b>	<b>1,336</b>	<b>55%</b>	<b>68%</b>	<b>Below</b>
Others	12	10		(12)		17	43							
<b>PBT</b>	<b>177</b>	<b>352</b>	<b>-49.8%</b>	<b>198</b>	<b>-10.5%</b>	<b>755</b>	<b>925</b>	<b>-18.4%</b>						
Tax	(39)	(77)		(50)		(168)	(205)							
<b>Net profit</b>	<b>138</b>	<b>275</b>	<b>-49.6%</b>	<b>148</b>	<b>-6.3%</b>	<b>587</b>	<b>720</b>	<b>-18.6%</b>	<b>1,002</b>	<b>59%</b>	<b>1,053</b>	<b>56%</b>	<b>69%</b>	<b>Below</b>
<b>Margin (%)</b>														
Gross margin	55.2%	53.8%	1.4%	52.8%	2.3%	53.7%	53.3%	0.4%						
EBIT margin	23.4%	34.2%	-10.8%	28.1%	-4.8%	31.2%	33.7%	-2.5%						
Net margin	19.6%	27.4%	-7.9%	19.8%	-0.2%	24.8%	27.6%	-2.7%						
Core net margin	18.8%	27.1%	-8.3%	21.6%	-2.8%	24.9%	26.8%	-1.9%						
<b>Segment information</b>														
<b>Revenue</b>														
Herbal medicine and supplement	452	668	-32.3%	450	0.4%	1,455	1,656	-12.1%						
Food and beverages	225	298	-24.4%	264	-14.8%	820	843	-2.6%						
Pharmacy	30	36	-16.4%	32	-5.0%	85	115	-25.6%						
<b>Gross profit</b>														
Herbal medicine and supplement	303	445	-32.0%	299	1.3%	976	1,102	-11.4%						
Food and beverages	77	80	-4.4%	84	-8.3%	264	247	6.9%						
Pharmacy	11	14	-21.6%	12	-7.0%	28	45	-37.1%						
<b>GPM</b>														
Herbal medicine and supplement	66.9%	66.6%	0.3%	66.4%	0.6%	67.0%	66.5%	0.5%						
Food and beverages	34.2%	27.0%	7.2%	31.7%	2.4%	32.2%	29.3%	2.9%						
Pharmacy	35.6%	38.0%	-2.4%	36.4%	-0.7%	33.0%	39.0%	-6.1%						

Source: Company, Indo Premier

Fig. 2: SIDO earnings changes

	Previous			Current			Changes		
	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F
<b>Financial Perform. (Rp bn)</b>									
Net sales	3,577	3,890	4,203	3,150	3,382	3,653	-11.9%	-13.0%	-13.1%
Gross profit	1,972	2,147	2,325	1,715	1,846	1,999	-13.0%	-14.0%	-14.0%
EBIT	1,279	1,388	1,499	1,025	1,101	1,190	-19.8%	-20.6%	-20.6%
EBITDA	1,379	1,496	1,615	1,125	1,210	1,306	-18.4%	-19.1%	-19.1%
Net profit	1,002	1,115	1,201	805	887	954	-19.7%	-20.4%	-20.5%
Core profit	1,031	1,115	1,201	834	887	954	-19.1%	-20.4%	-20.5%
Core EPS (Rp)	33	37	40	27	30	32	-19.7%	-20.4%	-20.5%
<b>Profitability (%)</b>									
Gross margin	55.1%	55.2%	55.3%	54.4%	54.6%	54.7%	-0.7%	-0.6%	-0.6%
EBIT margin	35.7%	35.7%	35.7%	32.5%	32.6%	32.6%	-3.2%	-3.1%	-3.1%
Net profit margin	28.8%	28.7%	28.6%	26.5%	26.2%	26.1%	-2.4%	-2.4%	-2.4%
<b>Sales breakdown</b>									
Herbal medicine and supplement	2,265	2,446	2,642	2,001	2,142	2,313	-11.6%	-12.4%	-12.4%
Food and beverages	1,198	1,318	1,423	1,035	1,117	1,207	-13.6%	-15.2%	-15.2%
Pharmacy	114	126	138	114	124	133	0.0%	-1.8%	-3.6%
<b>GPM per segment</b>									
Herbal medicine and supplement	68.0%	68.1%	68.2%	67.0%	67.1%	67.2%	-1.0%	-1.0%	-1.0%
Food and beverages	32.6%	33.1%	33.3%	32.5%	33.0%	33.2%	-0.1%	-0.1%	-0.1%
Pharmacy	35.8%	35.8%	35.8%	33.0%	33.0%	33.0%	-2.8%	-2.8%	-2.8%

Source: Company, Indo Premier

Fig. 3: SIDO is currently trading at 17.7x 12M forward P/E, or around 0.4 s.d. below its historical 5-year mean of 19.6x



Source: Bloomberg, Company, Indo Premier

Income Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Net revenue	4,021	3,866	3,150	3,382	3,653
Cost of sales	(1,735)	(1,703)	(1,435)	(1,536)	(1,654)
<b>Gross profit</b>	<b>2,286</b>	<b>2,163</b>	<b>1,715</b>	<b>1,846</b>	<b>1,999</b>
SG&A Expenses	(726)	(788)	(690)	(745)	(809)
<b>Operating profit</b>	<b>1,560</b>	<b>1,375</b>	<b>1,025</b>	<b>1,101</b>	<b>1,190</b>
Net interest	37	27	46	38	37
Others	17	18	(37)	0	0
<b>Pre-tax income</b>	<b>1,613</b>	<b>1,420</b>	<b>1,034</b>	<b>1,140</b>	<b>1,227</b>
Income tax	(352)	(315)	(230)	(253)	(272)
<b>Net income</b>	<b>1,261</b>	<b>1,105</b>	<b>805</b>	<b>887</b>	<b>954</b>

Balance Sheet (Rp bn)	2021A	2022A	2023F	2024F	2025F
Cash & equivalent	1,082	923	768	738	697
Receivable	667	689	552	593	640
Inventory	455	543	319	341	368
Other current assets	41	40	40	40	40
<b>Total current assets</b>	<b>2,245</b>	<b>2,194</b>	<b>1,679</b>	<b>1,712</b>	<b>1,745</b>
Fixed assets	1,588	1,611	1,711	1,803	1,886
Other non-current assets	91	91	91	91	91
<b>Total non-current assets</b>	<b>1,824</b>	<b>1,887</b>	<b>1,987</b>	<b>2,079</b>	<b>2,163</b>
<b>Total assets</b>	<b>4,069</b>	<b>4,081</b>	<b>3,666</b>	<b>3,791</b>	<b>3,907</b>
ST loans	0	0	0	0	0
Payable	189	209	168	179	193
Other payables	190	176	88	94	102
Current portion of LT loans	0	0	0	0	0
<b>Total current liab.</b>	<b>543</b>	<b>541</b>	<b>406</b>	<b>434</b>	<b>466</b>
Long term loans	0	0	0	0	0
Other LT liab.	54	35	36	37	39
<b>Total liabilities</b>	<b>598</b>	<b>576</b>	<b>442</b>	<b>471</b>	<b>505</b>
Equity	2,148	2,152	2,152	2,152	2,152
Retained earnings	1,323	1,354	1,072	1,168	1,251
Minority interest	0	0	0	0	0
<b>Total SHE + minority int.</b>	<b>3,471</b>	<b>3,505</b>	<b>3,224</b>	<b>3,320</b>	<b>3,403</b>
<b>Total liabilities &amp; equity</b>	<b>4,069</b>	<b>4,081</b>	<b>3,666</b>	<b>3,791</b>	<b>3,907</b>

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Net income	1,261	1,105	805	887	954
Depr. & amortization	92	185	100	108	116
Changes in working capital	(162)	(261)	225	(35)	(41)
Others	3	5	0	0	0
<b>Cash flow from operating</b>	<b>1,194</b>	<b>1,033</b>	<b>1,129</b>	<b>960</b>	<b>1,030</b>
Capital expenditure	(112)	(115)	(200)	(200)	(200)
Others	(20)	(60)	1	1	1
<b>Cash flow from investing</b>	<b>(132)</b>	<b>(175)</b>	<b>(199)</b>	<b>(199)</b>	<b>(199)</b>
Loans	0	0	0	0	0
Equity	(58)	3	0	0	0
Dividends	(1,018)	(1,086)	(1,086)	(791)	(872)
Others	65	13	0	0	0
<b>Cash flow from financing</b>	<b>(1,011)</b>	<b>(1,070)</b>	<b>(1,086)</b>	<b>(791)</b>	<b>(872)</b>
<b>Changes in cash</b>	<b>50</b>	<b>(212)</b>	<b>(155)</b>	<b>(30)</b>	<b>(41)</b>

Key Ratios	2021A	2022A	2023F	2024F	2025F
Gross margin	56.9%	55.9%	54.4%	54.6%	54.7%
Operating margin	38.8%	35.6%	32.5%	32.6%	32.6%
Pre-tax margin	40.1%	36.7%	32.8%	33.7%	33.6%
Net margin	31.4%	28.6%	25.5%	26.2%	26.1%
ROA	31.8%	27.1%	22.0%	23.4%	24.4%
ROE	37.3%	31.3%	24.8%	27.1%	28.4%
Acct. receivables TO (days)	30.5	33.6	33.6	33.6	33.6
Acct. receivables - other TO (days)	29.9	30.1	30.1	30.1	30.1
Inventory TO (days)	80.6	106.9	81.1	81.1	81.1
Payable TO (days)	41.4	42.7	42.7	42.7	42.7
Acct. payables - other TO (days)	80.6	106.9	81.1	81.1	81.1
Debt to equity	0.0%	0.0%	0.0%	0.0%	0.0%
Interest coverage ratio (x)	1809.8	1762.4	NA	NA	NA
Net gearing	-31.2%	-26.3%	-23.8%	-22.2%	-20.5%

Source: Company, Indo Premier

**INVESTMENT RATINGS**

BUY	: Expected total return of 10% or more within a 12-month period
HOLD	: Expected total return between -10% and 10% within a 12-month period
SELL	: Expected total return of -10% or worse within a 12-month period

**ANALYSTS CERTIFICATION**

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

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