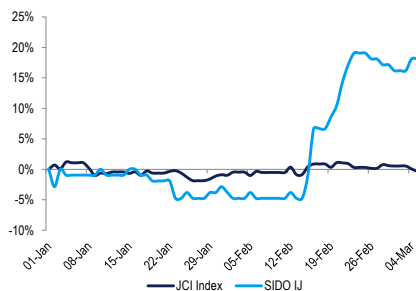


Stock Data

Target price	Rp700
Prior TP	Rp640
Current price	Rp620
Upside/downside	+16%
Shares outstanding (mn)	30,227
Market cap (Rp bn)	18,600
Free float	22%
Avg. 6m daily T/O (Rp bn)	20

Price Performance

	3M	6M	12M
Absolute	17.0%	0.8%	-31.1%
Relative to JCI	14.8%	-2.8%	-37.6%
52w low/high (Rp)	486 – 900		



Major Shareholders

PT Hotel Candi Baru	60%
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Lukito Supriadi

PT Indo Premier Sekuritas
lukito.supriadi@ipc.co.id
+62 21 5088 7168 ext. 716

Andrianto Saputra

PT Indo Premier Sekuritas
andrianto.saputra@ipc.co.id
+62 21 5088 7168 ext. 712

Recovery has yet to be fully priced-in; reiterate BUY

- Promising outlook from export initiatives and low FY23 base effect underpin our FY24F +8% yoy sales growth expectation.
- Stable GPM on the back of manageable RM cost and normalization of one-off expense shall drive FY24F earnings growth of +16.2% yoy.
- We revise our FY24/25F earnings by +7.7/7.8% and reiterate our BUY call for SIDO with higher TP of Rp700.

Robust growth outlook from export initiatives & recent product launches

SIDO's export initiatives in FY24F look promising due to improved distribution in both Malaysia and Philippines (Fig 1). We expect export revenue to grow >25% yoy, reaching c.8% of sales in FY24F. Recent product launches are expected to grow strongly given its low base (Fig 2), but note that exports/recent product launches contribute only c.6/2% of SIDO's FY23 revenue.

Domestic Tolak Angin demand is still the key for FY24F revenue growth

We do not see any structural concern for Tolak Angin's demand and attributes the 3Q23 weakness as a function of lower demand; note that SIDO's market share remains dominant at 72% in FY23 (Fig. 3). Additionally, management shared that Tolak Angin's consumers are predominantly mid-upper class segment (c.80%). Hence, buying power may not be a very significant concern and weather normalization shall lead to higher demand for Tolak Angin in FY24F. As such, we pencil-in 8% yoy revenue growth for SIDO's herbal segment and a total revenue growth of 8.6% yoy. In all, this is slightly lower than company's guidance of >10% yoy growth as we factor in a more moderate price adjustment.

Normalization of one-off costs shall boost FY24F net profit margin

We expect SIDO's EBIT margin to be largely stable with slight room for margin improvement from declining raw material prices for the F&B segment and some cost efficiencies. Additionally, normalization expectation of one-off expenses (forex and allowance for credit loss) in FY23 amounting to Rp78bn led to our net profit growth forecast of +16.2% yoy in FY24F as net profit margin expands +188bps yoy to 28.5%. With this, we upgrade our earnings forecast for SIDO's FY24/25F by +7.7/7.8% from previously.

Reiterate our BUY call with higher TP of Rp700

Consequently, we reiterate our BUY call for SIDO with higher TP of Rp700 based on 19.0x FY24F PE (-0.5s.d. from its 5yr mean). Among investors' concerns, Affinity's potential exit is one of the key issues. Nonetheless, our recent discussion with management suggested that Affinity is unlikely to place out to the market as it targets strategic investors for future divestment of its c.17% stake. Key risk is reduced health-related awareness and weather anomaly impacting Tolak Angin demand.

Financial Summary (Rp bn)	2022A	2023A	2024F	2025F	2026F
Revenue	3,866	3,566	3,871	4,181	4,515
EBITDA	1,470	1,347	1,478	1,598	1,728
Net profit	1,105	951	1,105	1,192	1,286
EPS (Rp)	37	32	37	40	43
EPS growth	-12.4%	-13.9%	16.2%	7.9%	7.9%
ROE	31.3%	28.8%	32.4%	35.1%	38.4%
PER (x)	16.8	19.6	16.8	15.6	14.5
Dividend yield	5.8%	5.7%	5.7%	6.7%	7.2%
Forecast change			8%	8%	8%
IPS vs. consensus			108%	108%	101%

Source: Company, Indo Premier

Share price closing as of: 05 March 2024

Robust growth from export initiatives and recent product launches

SIDO's export initiatives in FY24F look promising as distribution in Malaysia (c.40% of exports) is expanding to Sabah and Sarawak with expectation of 30-40% yoy growth; while in the Philippines, further channel penetration through a new distribution since 3Q23 has borne fruits. Tolak Angin is now present in c.20k outlet out of the new distributor's 50k channel penetration, implying ample room for future growth – export to the Philippines is expected to grow +50% yoy. Additionally, recent product launches are also expected to grow strongly given its low base (Fig 2), but we note that exports and recent product launches contribute only c.6/2% of SIDO's overall revenue.

Separately, we also expect pharmaceutical segment to rebound strongly +25% yoy as FY23 was plagued by the industry's requirement to get cough syrups' re-approval from BPOM for re-distribution – leading to FY23's pharma sales decline of -27.5% yoy. The issue has been fully resolved in FY23 and all liquid medicines have cleared BPOM testing and can be re-distributed again. Discussion with management indicates that current run-rate is similar to that of FY22's level.

Fig. 1: SIDO's export sales contribution was at 6% in FY23

Country	FY23's revenue contribution to total export sales	FY 24F Growth expectation	Remarks
Philippine	20%	>50%	New distributor since 3Q23
Malaysia	40%	30-40%	Aim to expand distribution to Sabah, Sarawak and Mamak restaurants (food courts)
Nigeria	20%	N/A	Despite US\$ and upfront payment prior to shipping, demand remains relatively stable
Others	20%	N/A	
Total export	100%	c.26%	

Source: Company, Indo Premier

Fig. 2: SIDO' new product launches

No.	Product	FY23 growth	FY23' revenue contribution
1	Esemag	>90%	0.7%
2	Total RTD business	42%	3-4%

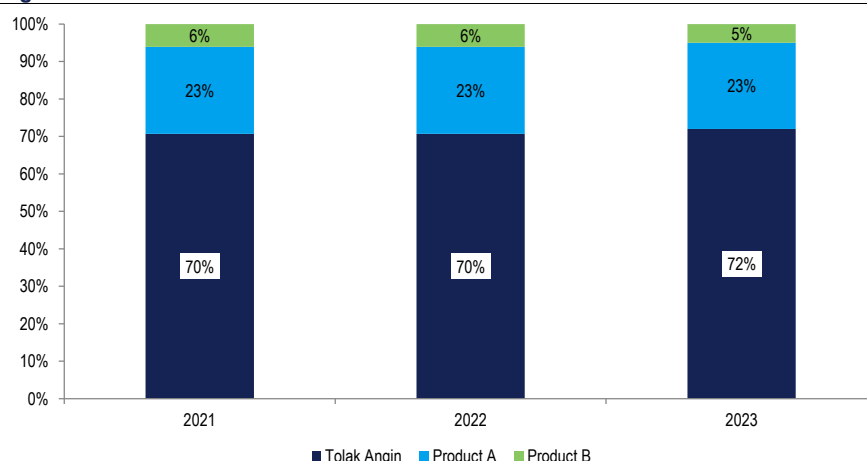
Source: Company, Indo Premier

Domestic Tolak Angin demand is still the key for FY24F revenue growth

Stripping the impact of the pandemic in FY20-22, we estimate that the volume growth of the herbal segment between 2019 and 2023 is merely c.3%. This implies that FY23 reflects a low base due to the prolonged unfavourable weather and full adjustment without any Covid-19 effect. We do not see any structural concern for Tolak Angin's demand and attributes the 3Q23 weakness as a function of lower demand due to the weather as SIDO's market share remains dominant at 72% in FY23.

Additionally, management shared that Tolak Angin's consumers are predominantly mid-upper class segment (c.80%). Hence, buying power may not be a very significant concern; and weather normalization (shorter dry season) shall lead to higher demand for Tolak Angin products in FY24F. As such, we pencil-in 8% revenue growth for SIDO's herbal segment and a total revenue growth of c.5% yoy. In all, this is slightly lower than company's guidance of >10% yoy growth as we factor in a less aggressive price adjustment.

Fig. 3: SIDO' market share



Source: Company, Indo Premier

Disclosure of information pertaining to stillage sales to related party

Recently, SIDO announced a disclosure of information pertaining to a sales and purchase agreement between its subsidiary PT. Semarang Herbal Indo Plant (SHIP) with a related party PT. Sido Muncul Pupuk Nusantara (SMPN). SHIP has initiated a project on bioethanol production that is required as feedstock for certain products and for sanitization purpose. SMPN agreed to buy the stillage, which is the by-product from bioethanol production at a price of Rp500/liter with annual transaction expected to reach Rp13bn (starting FY24F) – to be recorded as other income. Capex for this is estimated to be Rp45-50bn.

Although the transaction nominal is not material (c.1.3% of FY24F NPAT), we view the disclosure of information as a reflection of the company's transparency and good corporate governance.

Fig. 4: SIDO earnings changes

	Previous						Changes		
	2024F	2025F	2026F	2024F	2025F	2026F	2023F	2024F	2025F
Financial Perform. (Rp bn)									
Net sales	3,785	4,088	4,415	3,871	4,181	4,515	2.3%	2.3%	2.3%
Gross profit	2,099	2,273	2,460	2,202	2,384	2,580	4.9%	4.9%	4.9%
EBIT	1,276	1,381	1,493	1,376	1,488	1,610	7.8%	7.8%	7.8%
EBITDA	1,385	1,497	1,618	1,478	1,598	1,728	6.7%	6.8%	6.8%
Net profit	1,026	1,106	1,193	1,105	1,192	1,286	7.7%	7.8%	7.8%
EPS (Rp)	34	37	40	37	40	43	7.7%	7.8%	7.8%
Profitability (%)									
Gross margin	55.5%	55.6%	55.7%	56.9%	57.0%	57.1%	1.4%	1.4%	1.4%
EBIT margin	33.7%	33.8%	33.8%	35.5%	35.6%	35.7%	1.8%	1.8%	1.8%
Net profit margin	27.1%	27.1%	27.0%	28.5%	28.5%	28.5%	1.4%	1.5%	1.5%
Sales breakdown									
Herbal medicine and supplement	2,494	2,693	2,909	2,536	2,739	2,958	1.7%	1.7%	1.7%
Food and beverages	1,164	1,258	1,358	1,190	1,285	1,388	2.2%	2.2%	2.2%
Pharmacy	127	137	148	145	156	169	14.1%	14.1%	14.1%

Source: Company, Indo Premier

Fig. 5: SIDO is currently trading at 16.6x 12M forward P/E, or around 1 s.d. below its historical 5-year mean



Source: Bloomberg, Company, Indo Premier

Income Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
Net revenue	3,866	3,566	3,871	4,181	4,515
Cost of sales	(1,697)	(1,547)	(1,669)	(1,797)	(1,935)
Gross profit	2,169	2,019	2,202	2,384	2,580
SG&A Expenses	(794)	(775)	(826)	(896)	(970)
Operating profit	1,375	1,244	1,376	1,488	1,610
Net interest	27	29	42	41	39
Others	18	(53)	0	0	0
Pre-tax income	1,420	1,220	1,417	1,529	1,649
Income tax	(315)	(269)	(313)	(337)	(364)
Net income	1,105	951	1,105	1,192	1,286

Balance Sheet (Rp bn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent	923	830	813	620	427
Receivable	689	791	803	867	936
Inventory	543	408	371	399	430
Other current assets	40	38	38	38	38
Total current assets	2,194	2,067	2,024	1,924	1,831
Fixed assets	1,611	1,555	1,659	1,748	1,830
Other non-current assets	91	91	91	91	91
Total non-current assets	1,887	1,824	1,928	2,018	2,100
Total assets	4,081	3,891	3,952	3,942	3,930
ST loans	0	0	0	0	0
Payable	209	187	214	230	248
Other payables	176	141	106	114	123
Current portion of LT loans	0	0	0	0	0
Total current liab.	541	462	485	522	563
Long term loans	0	0	0	0	0
Other LT liab.	35	43	44	46	47
Total liabilities	576	505	529	568	610
Equity	2,152	2,152	2,152	2,152	2,152
Retained earnings	1,354	1,234	1,273	1,224	1,171
Minority interest	0	0	0	0	0
Total SHE + minority int.	3,505	3,386	3,425	3,376	3,322
Total liabilities & equity	4,081	3,891	3,954	3,944	3,933

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
Net income	1,105	951	1,105	1,192	1,286
Depr. & amortization	185	287	100	110	118
Changes in working capital	(261)	(307)	48	(55)	(59)
Others	5	6	0	0	0
Cash flow from operating	1,033	937	1,253	1,247	1,345
Capital expenditure	(115)	(161)	(204)	(200)	(200)
Others	(60)	(45)	1	2	2
Cash flow from investing	(175)	(206)	(202)	(198)	(198)
Loans	0	0	0	0	0
Equity	3	3	0	0	0
Dividends	(1,086)	(1,068)	(1,068)	(1,241)	(1,339)
Others	13	31	0	0	0
Cash flow from financing	(1,070)	(1,034)	(1,068)	(1,241)	(1,339)
Changes in cash	(212)	(303)	(17)	(192)	(193)

Key Ratios	2022A	2023A	2024F	2025F	2026F
Gross margin	56.1%	56.6%	56.9%	57.0%	57.1%
Operating margin	35.6%	34.9%	35.5%	35.6%	35.7%
Pre-tax margin	36.7%	34.2%	36.6%	36.6%	36.5%
Net margin	28.6%	26.7%	28.5%	28.5%	28.5%
ROA	27.1%	23.8%	28.0%	30.2%	32.7%
ROE	31.3%	28.8%	32.4%	35.1%	38.4%
Acct. receivables TO (days)	33.6	34.7	34.7	34.7	34.7
Acct. receivables - other TO (days)	30.1	40.8	40.8	40.8	40.8
Inventory TO (days)	107.3	112.2	81.1	81.1	81.1
Payable TO (days)	42.8	46.8	46.8	46.8	46.8
Acct. payables - other TO (days)	2.6	2.2	2.2	2.2	2.2
Debt to equity	0.0%	0.0%	0.0%	0.0%	0.0%
Interest coverage ratio (x)	1762.4	1826.3	N/A	N/A	N/A
Net gearing	-26.3%	-24.5%	-23.7%	-18.4%	-12.9%

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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