

Thursday, 13 December 2018

BUY Maintain

Last price (IDR)	810
Target Price (IDR)	1,000
Upside/Downside	+23.5%
Previous Target Price (IDR)	NA

Stock Statistics

Sector	CONSUMER
Bloomberg Ticker	SIDO JJ
No of Shrs (mn)	14,884
Mkt. Cap (IDRbn/USDmn)	12,056/826
Avg. daily T/O (IDRbn/USDmn)	2.7/0.2

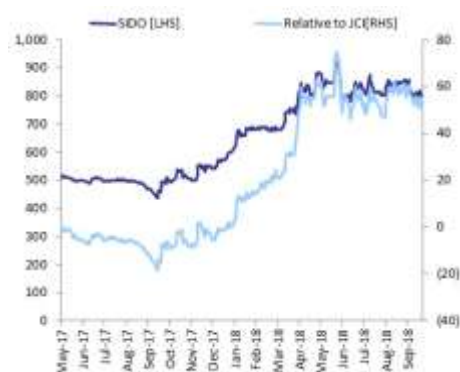
Major shareholders (%)

Hotel Candi Baru	81.6
Public	18.4
Estimated free float	19.0

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	45.7	54.1	61.3
Consensus	41.3	46.4	53.5
Danareksa/Cons	10.6	16.5	14.6

SIDO relative to JCI Index



Source : Bloomberg



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Sido Muncul (SIDO JJ)

Healthy growth ahead

Sido Muncul is on track to book solid earnings growth in FY18-20F given: (1) additional production capacity and (2) the full commercialization of its expanded extraction plant which will support higher margins. The plan to improve distribution and penetrate export markets will also drive growth. Maintain BUY with a TP of IDR1,000.

Strong 11M18 sales; on track to achieve 9.2% yoy FY18F revenues growth. In a recent conversation with the company we learnt that the new factory in Semarang - which will provide additional capacity of 100mn sachets/month - is on track to commence operations by the end of 2018. This will raise the total capacity to around 180mn sachets/month. In addition, the company also reported strong sales in November 2018 in line with the 4Q18 seasonality. As such, we remain confident that SIDO is on track to meet our FY18F revenues growth estimate of 9.2% yoy.

Solid earnings growth forecast in FY19F of 18%. We estimate revenues growth of 14.9% yoy in 2019, supported by the additional capacity and the continued improvement in SIDO's sales force with a greater focus on Modern Trade (around 90% of revenues are still from General Trade). The soft oil price and full commercialization of its expanded extraction plant will improve the gross margin to 52%. Combined with manageable opex, we estimate FY19F earnings of IDR 805bn, +18.3% yoy.

Maintain BUY. In November 2018, the company already started to supply more goods to Philippines' modern trade (MT) channel. Going forward, product availability should increase in 2019 with a more extensive MT network. Combined with the improvement in the national distribution system, the way should be paved for the company to record higher growth ahead. We estimate FY18-20F earnings CAGR of 19.6% with additional capacity supporting sales in the coming years. We view favorably the company's shift from its F&B product Kuku Bima to its herbal product Tolak Angin, noting the latter's higher margins which should underpin earnings growth going forward. At the current share price, SIDO is trading at FY19F PE of 14.8x. Maintain BUY with TP IDR1,000 (FY19F PE of 18.5x).

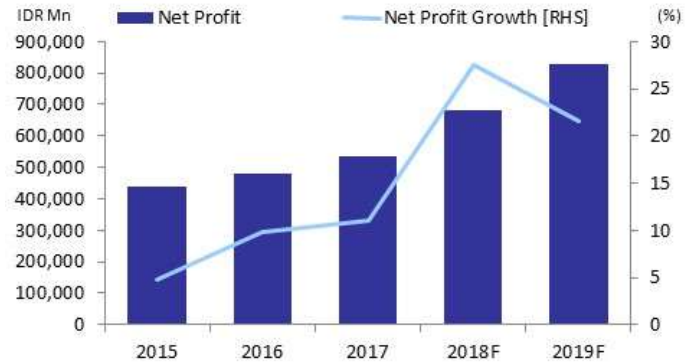
Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRmn)	2,561,806	2,573,840	2,810,520	3,230,021	3,733,452
EBITDA (IDRmn)	506,092	565,202	745,915	895,238	1,023,760
EBITDA Growth (%)	23.7	11.7	32.0	20.0	14.4
Net profit (IDRmn)	480,525	533,799	680,406	805,114	912,525
EPS (IDR)	32.3	35.9	45.7	54.1	61.3
EPS growth (%)	9.8	11.1	27.5	18.3	13.3
BVPS (IDR)	185.3	194.6	203.7	215.0	227.3
DPS (IDR)	24.8	29.0	36.5	42.8	49.0
PER (x)	24.8	22.3	17.5	14.8	13.0
PBV (x)	4.3	4.1	3.9	3.7	3.5
Dividend yield (%)	3.1	3.6	4.6	5.4	6.1
EV/EBITDA (x)	21.6	19.5	14.9	12.5	11.0

Source : SIDO, Danareksa Estimates

Exhibit 1. Revenues and Growth

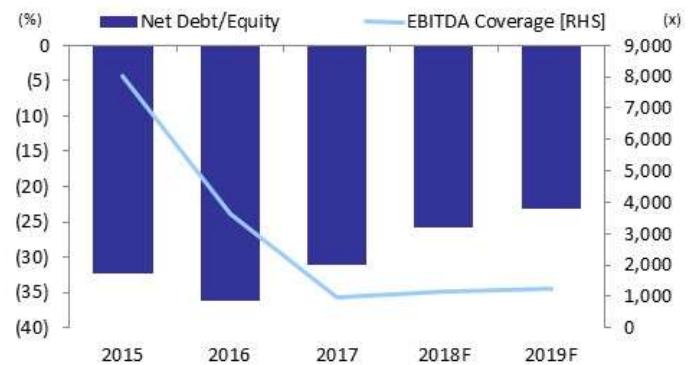

Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth


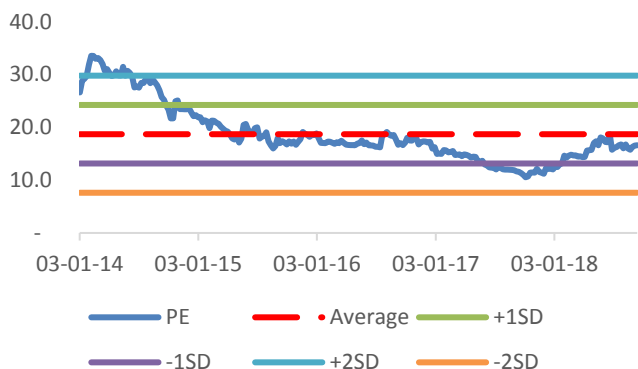
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins

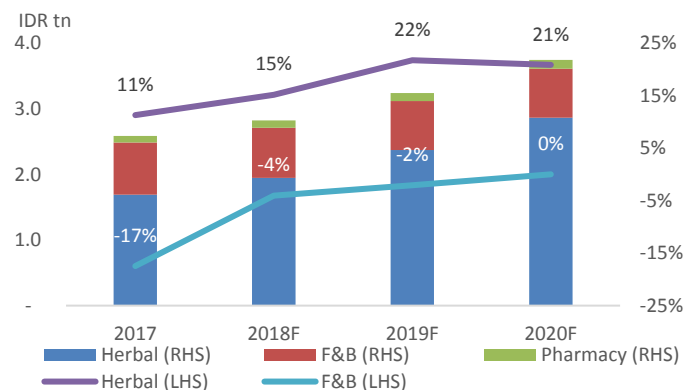

Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Gearing Level


Source: Company, Danareksa Sekuritas estimates

Exhibit 5. PE Band


Source: Company, Danareksa Sekuritas estimates

Exhibit 6. Revenues growth for each division


Source: Company, Danareksa Sekuritas estimates

Exhibit 7. Income Statement

Year to 31 Dec (IDRmn)	2016A	2017A	2018F	2019F	2020F
Revenue	2,561,806	2,573,840	2,810,520	3,230,021	3,733,452
COGS	(1,494,142)	(1,411,881)	(1,396,616)	(1,543,109)	(1,798,192)
Gross profit	1,067,664	1,161,959	1,413,903	1,686,912	1,935,260
EBITDA	506,092	565,202	745,915	895,238	1,023,760
Oper. profit	559,443	625,738	813,281	969,266	1,105,762
Interest income	50,945	42,241	36,516	34,548	31,017
Interest expense	(140)	(588)	(642)	(738)	(853)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	18,834	14,498	20,014	25,398	29,758
Pre-tax profit	629,082	681,889	869,168	1,028,474	1,165,684
Income tax	(148,557)	(148,090)	(188,763)	(223,360)	(253,159)
Minority interest	0	0	0	0	0
Net profit	480,525	533,799	680,406	805,114	912,525
Core Net Profit	480,525	533,799	680,406	805,114	912,525

Exhibit 8. Balance Sheet

Year to 31 Dec (IDRmn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	997,135	902,852	780,478	738,432	662,961
Receivables	387,218	431,502	471,181	541,510	625,910
Inventory	317,082	267,915	265,018	292,816	341,220
Other Curr. Asset	87,690	26,632	29,081	33,422	38,631
Fixed assets - Net	1,051,227	1,215,176	1,390,483	1,496,215	1,621,991
Other non-curr.asset	142,262	314,121	368,558	404,864	448,434
Total asset	2,987,614	3,158,198	3,304,799	3,507,259	3,739,147
ST Debt	0	0	0	0	0
Payables	183,323	135,991	134,521	148,631	173,200
Other Curr. Liabilities	32,363	72,516	79,184	91,003	105,187
Long Term Debt	0	0	0	0	0
Other LT. Liabilities	14,043	53,826	58,776	67,549	78,077
Total Liabilities	229,729	262,333	272,481	307,183	356,464
Shareholder's Funds	2,757,878	2,895,858	3,032,311	3,200,069	3,382,676
Minority interests	7	7	7	7	7
Total Equity & Liabilities	2,987,614	3,158,198	3,304,799	3,507,259	3,739,147

Exhibit 9. Cash Flow

Year to 31 Dec (IDRmn)	2016A	2017A	2018F	2019F	2020F
Net income	480,525	533,799	680,406	805,114	912,525
Depreciation and Amort.	0	0	0	0	0
Change in Working Capital	0	0	0	0	0
Other Oper. Cash Flow	(50,805)	(41,653)	(35,874)	(33,810)	(30,165)
Operating Cash Flow	429,720	492,146	644,532	771,304	882,361
Capex	0	0	0	0	0
Others Inv. Cash Flow	50,945	42,241	36,516	34,548	31,017
Investing Cash Flow	50,945	42,241	36,516	34,548	31,017
Net change in debt	0	0	0	0	0
New Capital	0	0	0	0	0
Dividend payment	0	0	0	0	0
Other Fin. Cash Flow	(140)	(588)	(642)	(738)	(853)
Financing Cash Flow	(140)	(588)	(642)	(738)	(853)
Net Change in Cash	480,525	533,799	680,406	805,114	912,525
Cash - begin of the year	836,975	997,135	902,852	780,478	738,432
Cash - end of the year	997,135	902,852	780,478	738,432	662,961

Exhibit 10. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	15.5	0.5	9.2	14.9	15.6
EBITDA	23.7	11.7	32.0	20.0	14.4
Operating profit	16.9	11.9	30.0	19.2	14.1
Net profit	9.8	11.1	27.5	18.3	13.3
Profitability (%)					
Gross margin	41.7	45.1	50.3	52.2	51.8
EBITDA margin	19.8	22.0	26.5	27.7	27.4
Operating margin	21.8	24.3	28.9	30.0	29.6
Net margin	18.8	20.7	24.2	24.9	24.4
ROAA	16.6	17.4	21.1	23.6	25.2
ROAE	17.9	18.9	23.0	25.8	27.7
Leverage					
Net Gearing (x)	(0.4)	(0.3)	(0.3)	(0.2)	(0.2)
Interest Coverage (x)	3,996.0	1,064.2	1,266.7	1,313.5	1,296.4

Source : SIDO, Danareksa Estimates

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