

Tuesday, 03 December 2019

BUY

Maintain

Last price (IDR)	1,295
Target Price (IDR)	1,470
Upside/Downside	+13.5%
Previous Target Price (IDR)	1,250

Stock Statistics

Sector	CONSUMER
Bloomberg Ticker	SIDO IJ
No of Shrs (mn)	14,884
Mkt. Cap (IDRbn/USDmn)	19,275/1,365
Avg. daily T/O (IDRbn/USDmn)	4.3/0.3

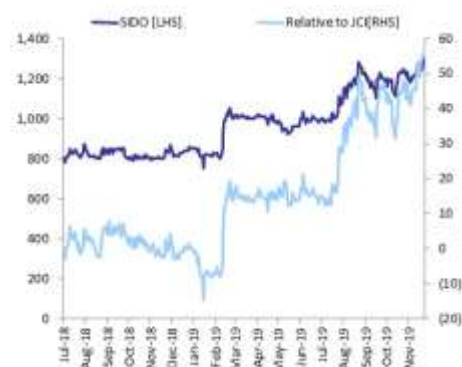
Major shareholders (%)

Hotel Candi Baru	81.6
Estimated free float	19.0

EPS Consensus (IDR)

	2019F	2020F	2021F
Danareksa	54.0	60.1	67.2
Consensus	52.4	59.0	66.2
Danareksa/Cons	2.9	1.9	1.4

SIDO relative to JCI Index



Source : Bloomberg



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Sido Muncul (SIDO IJ)

Solid performance

SIDO reported strong earnings growth in 2019, mostly supported by gross margins expansion whilst also reporting decent top line growth. For 2020, we see less room for margins improvement, leaving top line growth as the driver to push earnings growth. We roll over our valuation to 2020 and maintain our BUY recommendation.

FY19 earnings growth estimated at 21% yoy. For 2019, we estimate solid top line growth of 9.8% yoy to IDR3tn, driven by herbal products (mostly Tolak Angin) at +12% yoy and pharmacy products at +17% yoy (despite its low 4% contribution to total revenues). For beverages, exports to Nigeria helped to underpin growth. As such, we estimate 4% yoy top line growth for beverages. This year the company has benefitted from the full impact of its new extraction plant. Combined with lower expenses in the absence of royalty expenses, we expect SIDO to book an improved gross margin of 54% this year. With our assumption of maintained opex/revenues, we estimate FY19 net profits of IDR803bn, +21% yoy.

FY20 earnings estimated to grow by +11.5% yoy, driven by top line growth. With less social protection budget (post the elections) and the government planning to cut electricity subsidies for 6.9mn 900kva households, we expect purchasing power to be maintained at best. It is also worth noting that Tolak Angin – SIDO's backbone product - is currently trading at a price premium of 26% (to Antangin) and 39% (to Bintang Toedjoe Masuk Angin) in modern trade. As such, we expect a slight improvement in the FY20 top line growth to 11% yoy. We foresee stronger growth in herbal revenues at 14% yoy (FY19: 12% yoy) - coming from both sales volume and ASP growth. For F&B and Pharmacy, meanwhile, we estimate 4% and 8% yoy revenues growth, respectively. We also expect the gross margin to stabilize at 54%. In turn, this is expected to filter through to 11.5% yoy bottom line growth to IDR895bn.

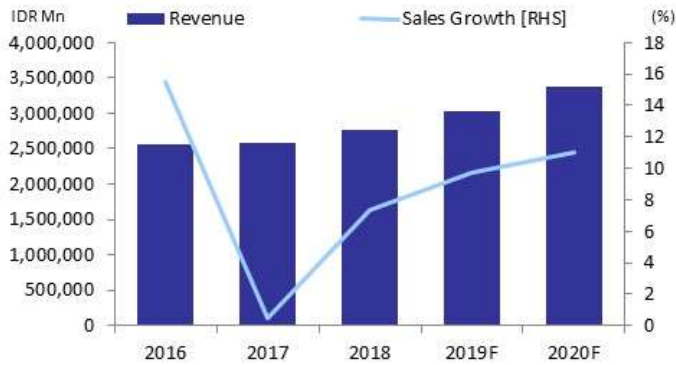
Maintain BUY with higher TP. Better sales growth in the outer islands should pave the way for stronger volume growth ahead – given the ample capacity following the full operation of the company's new COD II this year. At the current share price, SIDO is trading at FY20F PE of 21.5x. We roll over our valuation to 2020 and obtain a new TP of IDR1,470 (FY20F PE of 24.4x). With 13.5% upside potential to our TP, we maintain our BUY recommendation.

Key Financials

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Revenue (IDRmn)	2,573,840	2,763,292	3,032,785	3,367,398	3,721,323
EBITDA (IDRmn)	565,202	745,634	906,477	1,014,678	1,145,619
EBITDA Growth (%)	11.7	31.9	21.6	11.9	12.9
Net profit (IDRmn)	533,799	663,849	803,022	895,052	1,000,319
EPS (IDR)	35.9	44.6	54.0	60.1	67.2
EPS growth (%)	11.1	24.4	21.0	11.5	11.8
BVPS (IDR)	194.6	195.0	206.2	218.3	231.9
DPS (IDR)	29.0	35.7	42.7	48.1	53.6
PER (x)	36.1	29.0	24.0	21.5	19.3
PBV (x)	6.7	6.6	6.3	5.9	5.6
Dividend yield (%)	2.2	2.8	3.3	3.7	4.1
EV/EBITDA (x)	32.5	24.8	20.3	18.0	15.9

Source : SIDO, Danareksa Estimates

Exhibit 1. Revenues and Growth



Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth



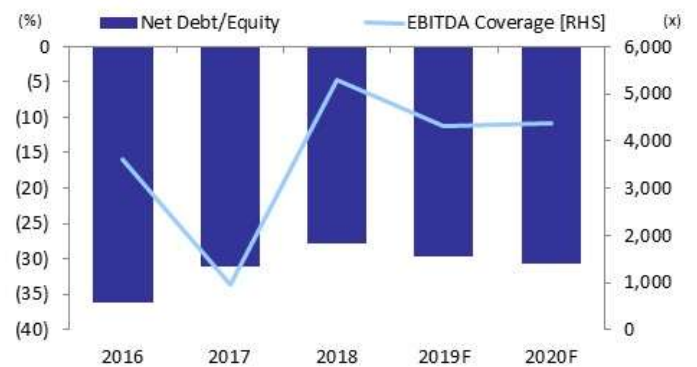
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins



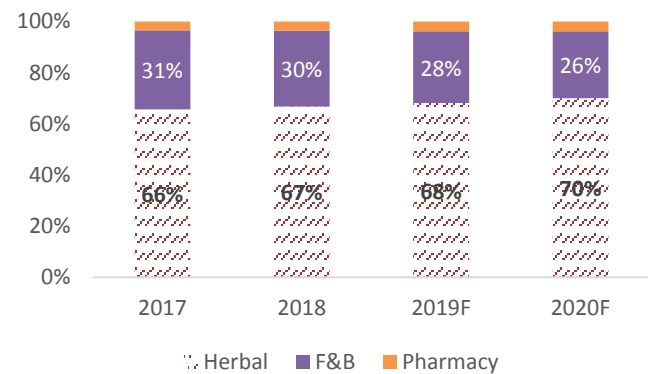
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Gearing Level



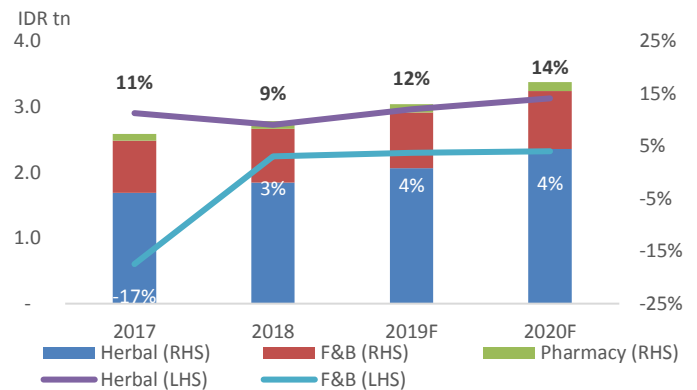
Source: Company, Danareksa Sekuritas estimates

Exhibit 5. Revenue contribution by division



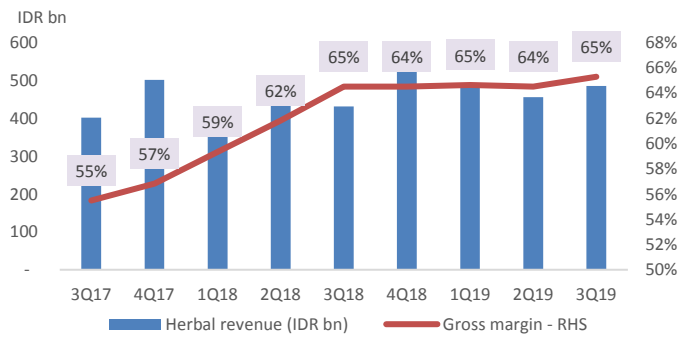
Source: Company, Danareksa Sekuritas estimates

Exhibit 6. Revenue growth by divisions



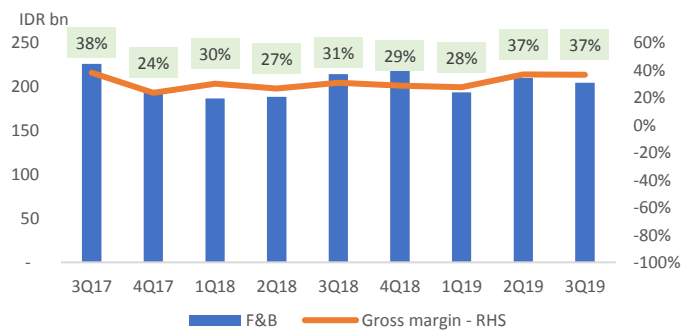
Source: Company, Danareksa Sekuritas estimates

Exhibit 7. Herbal revenue vs gross margin



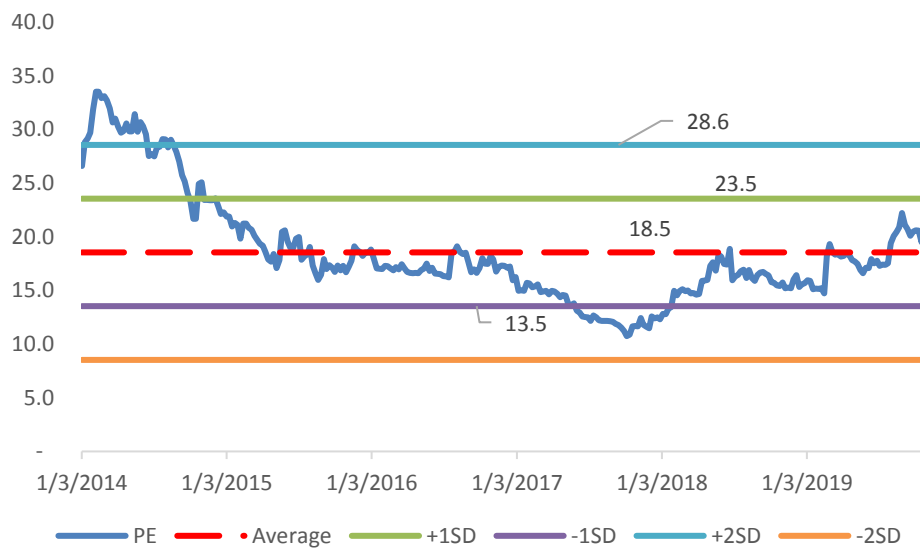
Source: Company

Exhibit 8. F&B revenue and gross margin



Source: Company

Exhibit 9. PE Band



Source: Company, Danareksa Sekuritas estimates

Exhibit 10. Income Statement

Year to 31 Dec (IDRmn)	2017A	2018A	2019F	2020F	2021F
Revenue	2,573,840	2,763,292	3,032,785	3,367,398	3,721,323
COGS	(1,389,139)	(1,338,901)	(1,393,967)	(1,551,523)	(1,697,773)
Gross profit	1,184,701	1,424,391	1,638,818	1,815,875	2,023,550
EBITDA	565,202	745,634	906,477	1,014,678	1,145,619
Oper. profit	625,738	807,635	1,000,674	1,112,287	1,246,785
Interest income	42,241	43,647	49,218	53,956	59,343
Interest expense	(588)	(141)	(209)	(233)	(257)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	14,498	16,696	21,014	27,392	27,887
Pre-tax profit	681,889	867,837	1,070,696	1,193,402	1,333,759
Income tax	(148,090)	(203,988)	(267,674)	(298,351)	(333,440)
Minority interest	0	0	0	0	0
Net profit	533,799	663,849	803,022	895,052	1,000,319
Core Net Profit	533,799	663,849	803,022	895,052	1,000,319

Exhibit 11. Balance Sheet

Year to 31 Dec (IDRmn)	2017A	2018A	2019F	2020F	2021F
Cash & cash equivalent	902,852	805,833	908,682	996,164	1,095,625
Receivables	431,502	414,903	455,367	505,608	558,750
Inventory	267,915	311,193	323,992	360,612	394,603
Other Curr. Asset	26,632	15,737	17,272	19,177	21,193
Fixed assets - Net	1,215,176	1,553,362	1,580,477	1,617,564	1,665,250
Other non-curr.asset	314,121	236,600	250,764	268,351	286,953
Total asset	3,158,198	3,337,628	3,536,553	3,767,476	4,022,374
ST Debt	0	0	0	0	0
Payables	135,991	189,279	197,064	219,337	240,012
Other Curr. Liabilities	72,516	179,101	196,568	218,256	241,195
Long Term Debt	0	0	0	0	0
Other LT. Liabilities	53,826	66,634	73,133	81,201	89,736
Total Liabilities	262,333	435,014	466,764	518,794	570,943
Shareholder's Funds	2,895,858	2,902,607	3,069,782	3,248,675	3,451,423
Minority interests	7	7	7	7	7
Total Equity & Liabilities	3,158,198	3,337,628	3,536,553	3,767,476	4,022,374

Exhibit 12. Cash Flow

Year to 31 Dec (IDRmn)	2017A	2018A	2019F	2020F	2021F
Net income	533,799	663,849	803,022	895,052	1,000,319
Depreciation and Amort.	58,288	61,276	94,196	97,609	101,167
Change in Working Capital	(42,449)	26,609	(45,478)	(64,588)	(66,458)
Other Oper. Cash Flow	56,404	5,771	(39,952)	(42,479)	(47,193)
Operating Cash Flow	606,042	757,505	811,788	885,594	987,835
Capex	(222,237)	(399,462)	(121,311)	(134,696)	(148,853)
Others Inv. Cash Flow	(81,681)	202,179	48,429	52,976	58,307
Investing Cash Flow	(303,918)	(197,283)	(72,883)	(81,720)	(90,546)
Net change in debt	0	0	0	0	0
New Capital	2,228	963	0	0	0
Dividend payment	(431,617)	(531,079)	(635,847)	(716,159)	(797,571)
Other Fin. Cash Flow	32,982	(127,125)	(209)	(233)	(257)
Financing Cash Flow	(396,407)	(657,241)	(636,056)	(716,392)	(797,828)
Net Change in Cash	(94,283)	(97,019)	102,849	87,482	99,461
Cash - begin of the year	997,135	902,852	805,833	908,682	996,164
Cash - end of the year	902,852	805,833	908,682	996,164	1,095,625

Exhibit 13. Key Ratios

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Growth (%)					
Sales	0.5	7.4	9.8	11.0	10.5
EBITDA	11.7	31.9	21.6	11.9	12.9
Operating profit	11.9	29.1	23.9	11.2	12.1
Net profit	11.1	24.4	21.0	11.5	11.8
Profitability (%)					
Gross margin	46.0	51.5	54.0	53.9	54.4
EBITDA margin	22.0	27.0	29.9	30.1	30.8
Operating margin	24.3	29.2	33.0	33.0	33.5
Net margin	20.7	24.0	26.5	26.6	26.9
ROAA	17.4	20.4	23.4	24.5	25.7
ROAE	18.9	22.9	26.9	28.3	29.9
Leverage					
Net Gearing (x)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Interest Coverage (x)	1,064.2	5,727.9	4,777.8	4,783.0	4,851.5

Source : SIDO, Danareksa Estimates

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