

Tuesday, 02 August 2022

HOLD Downgrade

Last price (IDR)	845
Target Price (IDR)	800
Upside/Downside	-5.3%
Previous Target Price (IDR)	1,100

Stock Statistics

Sector	Pharmaceutical
Bloomberg Ticker	SIDO IJ
No of Shrs (mn)	14,884
Mkt. Cap (IDRbn/USDmn)	25,540/1,718
Avg. daily T/O (IDRbn/USDmn)	19.3/1.3

Major shareholders (%)

Hotel Candi Baru	60.0
Afinity Equity Partners	21.0
Estimated free float	18.9

EPS Consensus (IDR)

	2022F	2023F	2024F
Danareksa	35.9	37.6	42.5
Consensus	47.4	51.4	57.6
Danareksa/Cons	(24.4)	(26.7)	(26.2)

SIDO relative to JCI Index



Source : Bloomberg



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SIDO MUNCUL (SIDO IJ)

Challenges in volume, downgrade to HOLD

SIDO reported lower-than-expected 1H22 earnings on soft volume and lower margins. The company expects a stronger 2H22 following ASP adjustments especially from the FNB segment that will partially support margins. Taking into account the lower earnings, we revise down our FY22F earnings estimate by 25% with a lower TP of IDR800 (FY23F PE of 21.3x). Downgrade to HOLD.

1H22 top line down by 2.6% yoy. SIDO reported 2Q22 revenues of IDR732bn, down 15% yoy and 16.9% qoq, leading to a 1H22 top line of IDR1.6tn, down 2.6% yoy. Herbal medicines, which provided 61% of the 1H22 revenues, reported negative 6.9% yoy growth following unexpected soft volume in May and June 2022. F&B reported soft 3.5% yoy growth mostly supported by the exports market, while the domestic market reported weaker demand for Kuku Bima Energy Drink and Vitamin C. On the flip side, Pharmacy (which made a small contribution of 5% to 1H22 revenues) reported strong growth of 17% yoy given stable demand from covid-related supporting products. In 1H22, exports provided 6% of the total revenues (vs 4% in FY21) driven by exports of energy drink products especially to Malaysia and Nigeria.

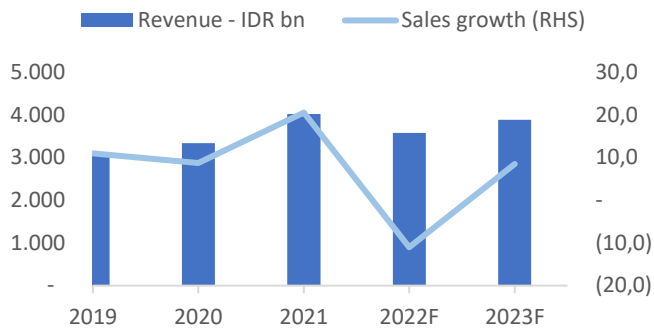
Tepid top line with lower margins put pressure on 1H22 earnings. SIDO reported a lower gross margin of 50.9% in 2Q22 (1Q22: 54.7%), leading to a 1H22 gross margin of 53%. By segment, Herbal reported a lower 1H22 gross margin of 66.4% (1H21: 67.4%) given lower volume in 2Q22. F&B also booked a lower 1H22 gross margin (30.6% vs 36.2% in the same period last year) given higher raw material prices. The company maintained opex efficiencies, resulting in opex/revenues of 19.5% with lower A&P/revenues at 7.3% (1H21: 9.2%). Nonetheless, the tepid top line with lower gross margins put pressures on 1H22 earnings. In turn, this filtered through to a 1H22 bottom line of IDR446bn, down 11% yoy, with a net margin of 27.6%. The 1H22 net profits are 31% of our initial FY22 forecast and consensus estimates, i.e. below.

Downgrade to HOLD. Following the lower-than-expected 1H22 result, we revise down our FY22 earnings estimate by 25%. With soft May and June sales, we foresee stronger sales in 4Q22. Taking into account our new forecast and rolling over our valuation to 2023, we have a target price of IDR800 based on DCF valuation (WACC of 9% and Terminal Growth of 4%) with an implied FY23F PE of 21.3x – at par with its consumer peers. At the current share price, SIDO is trading at FY23F PE of 22.4x. With 5.3% downside to our TP, we downgrade our recommendation to HOLD.

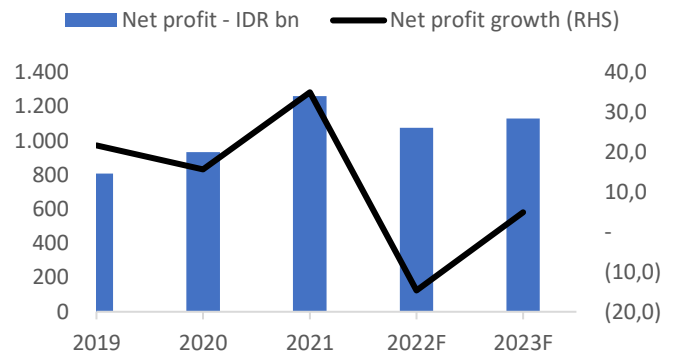
Key Financials

Year to 31 Dec	2020A	2021A	2022F	2023F	2024F
Revenue (IDRbn)	3,335	4,021	3,578	3,884	4,239
EBITDA (IDRbn)	1,049	1,466	1,220	1,303	1,480
EBITDA Growth (%)	12.7	39.8	(16.8)	6.8	13.6
Net profit (IDRbn)	934	1,261	1,076	1,129	1,275
EPS (IDR)	31.1	42.0	35.9	37.6	42.5
EPS growth (%)	15.6	35.0	(14.7)	5.0	12.9
BVPS (IDR)	107.4	115.7	119.2	121.7	125.4
DPS (IDR)	31.2	37.9	32.3	35.2	38.8
PER (x)	27.1	20.1	23.6	22.4	19.9
PBV (x)	7.9	7.3	7.1	6.9	6.7
Dividend yield (%)	3.7	4.5	3.8	4.2	4.6
EV/EBITDA (x)	23.2	16.6	19.8	18.5	16.3

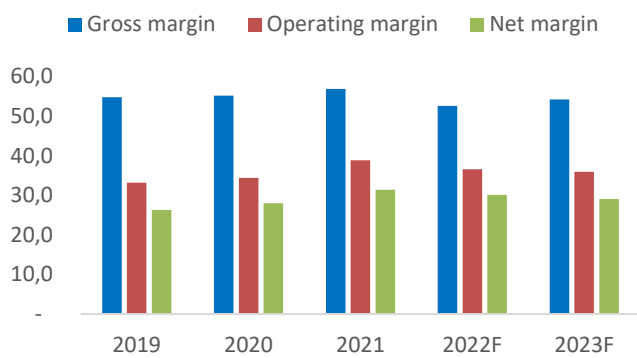
Source : SIDO, BRI Danareksa Estimates

Exhibit 1. Revenues and growth


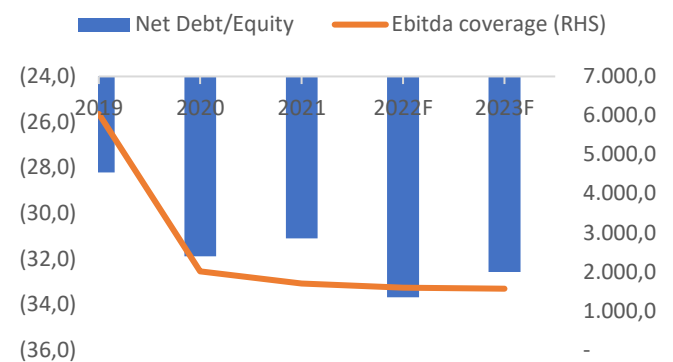
Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 2. Net Profits and growth


Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 3. Margins


Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 4. Gearing Level


Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 5. Earnings revision

IDR mn	Old		New		Changes	
	2022F	2023F	2022F	2023F	2022F	2023F
Revenue	4,607,899	5,157,977	3,578,205	3,883,743	-22.3%	-24.7%
Gross profit	2,619,644	2,927,341	1,882,407	2,103,002	-28.1%	-28.2%
Operating profit	1,785,173	2,005,568	1,308,171	1,396,089	-26.7%	-30.4%
Net profit	1,437,735	1,602,282	1,075,954	1,129,277	-25.2%	-29.5%
Gross margin	56.9%	56.8%	52.6%	54.1%		
Operating margin	38.7%	38.9%	36.6%	35.9%		
Net margin	31.2%	31.1%	30.1%	29.1%		
Changes in assumption						
Volume - Herbal	12.5%	10.4%	-20.8%	6.2%		
ASP growth - Herbal	3.0%	2.5%	3.0%	3.0%		
Revenue growth - F&B	12.6%	8.6%	3.5%	6.0%		
A&P/revenue	9.9%	9.7%	7.5%	9.7%		

Source: BRI Danareksa estimates

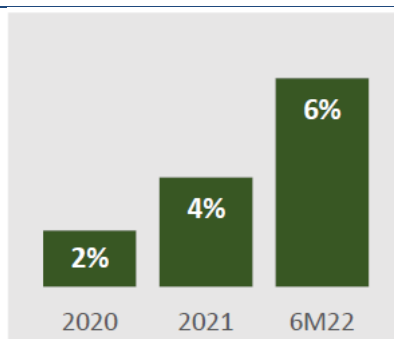
Exhibit 6. 2Q22 result

SIDO IJ	2Q21	1Q22	2Q22	yoy	qoq	1H21	1H22	yoy	2022F	A/F *	A/F	A/C
Revenue - IDR Bn	861	880	732	-15.1%	-16.9%	1,655	1,612	-2.6%	3,578	35.0%	45.1%	35.2%
COGS	379	399	359	-5.4%	-10.0%	725	758	4.5%	1,696			
Gross profit	482	482	373	-22.7%	-22.7%	930	854	-8.1%	1,882	32.6%	45.4%	32.9%
Opex	192	128	187	-2.6%	46.8%	323	315	-2.3%	574			
Operating profit	290	354	185	-36.1%	-47.7%	607	539	-11.2%	1,308	30.2%	41.2%	30.1%
Pretax profit	299	377	196	-34.5%	-48.1%	642	573	-10.8%	1,377			
Net profit	233	295	151	-35.4%	-49.0%	502	446	-11.2%	1,076	31.0%	41.4%	30.9%
Gross margin	56.0%	54.7%	50.9%			56.2%	53.0%		52.6%			
Opex to revenue	22.3%	14.5%	25.6%			19.5%	19.5%		16.0%			
Operating margin	33.6%	40.2%	25.3%			36.7%	33.5%		36.6%			
Pretax margin	34.7%	42.8%	26.8%			38.8%	35.5%		38.5%			
Net margin	27.0%	33.5%	20.6%			30.3%	27.6%		30.1%			

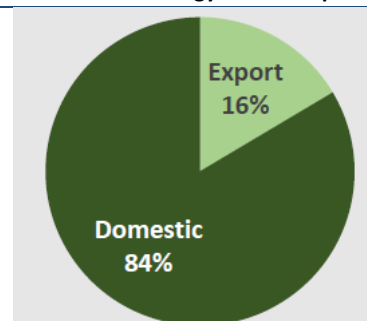
By divisions

	2Q21	1Q22	2Q22	yoy	qoq	1H21	1H22	yoy
Revenue (IDR bn)								
Herbal	556	529	460	-17.3%	-13.1%	1,061	989	-6.9%
F&B	269	309	236	-12.2%	-23.5%	526	545	3.5%
Pharmacy	37	43	36	-3.0%	-16.3%	67	79	17.1%
Gross margin								
Herbal	66.9%	68.4%	64.2%			67.4%	66.4%	
F&B	35.7%	33.4%	26.9%			36.2%	30.6%	
Pharmacy	39.3%	39.8%	39.1%			36.3%	39.5%	

Source: BRI Danareksa estimates *Based on our previous forecast

Exhibit 7. Exports contribution to revenues


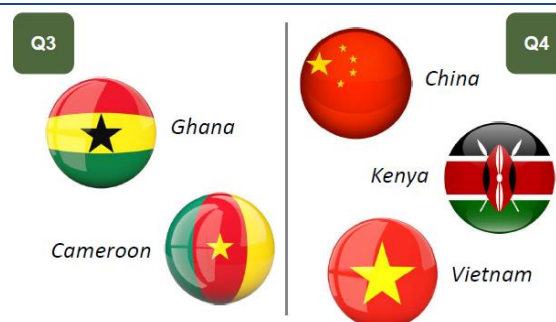
Source: Company

Exhibit 8. Sales of Kuku Bima Energy Drink – Exports vs Domestic


Source: Company

Exhibit 9. New products in the pipeline


Source: Company

Exhibit 10. New export markets in 3Q22 and 4Q22


Source: Company

Exhibit 11. Income Statement

Year to 31 Dec (IDRbn)	2020A	2021A	2022F	2023F	2024F
Revenue	3,335	4,021	3,578	3,884	4,239
COGS	(1,497)	(1,735)	(1,696)	(1,781)	(1,901)
Gross profit	1,839	2,286	1,882	2,103	2,337
EBITDA	1,049	1,466	1,220	1,303	1,480
Oper. profit	1,146	1,560	1,308	1,396	1,574
Interest income	49	37	42	41	40
Interest expense	(1)	(1)	(1)	(1)	(1)
Forex Gain/(Loss)	-	-	-	-	-
Income From Assoc. Co's	-	-	-	-	-
Other Income (Expenses)	5	17	27	8	17
Pre-tax profit	1,200	1,613	1,377	1,445	1,631
Income tax	(266)	(352)	(301)	(316)	(356)
Minority interest	-	-	-	-	-
Net profit	934	1,261	1,076	1,129	1,275
Core Net Profit	934	1,261	1,076	1,129	1,275

Exhibit 12. Balance Sheet

Year to 31 Dec (IDRbn)	2020A	2021A	2022F	2023F	2024F
Cash & cash equivalent	1,032	1,082	1,208	1,192	1,171
Receivables	668	667	594	644	703
Inventory	309	455	445	467	498
Other Curr. Asset	43	41	36	39	43
Fixed assets - Net	1,568	1,588	1,625	1,667	1,742
Other non-curr.asset	229	236	220	231	244
Total asset	3,850	4,069	4,127	4,241	4,401
ST Debt	-	-	-	-	-
Payables	214	201	196	206	220
Other Curr. Liabilities	346	342	305	331	361
Long Term Debt	4	2	2	2	3
Other LT. Liabilities	64	52	46	50	55
Total Liabilities	628	598	549	589	638
Shareholder's Funds	3,222	3,471	3,577	3,651	3,763
Minority interests	0	0	0	0	0
Total Equity & Liabilities	3,850	4,069	4,127	4,241	4,401

Exhibit 13. Cash Flow

Year to 31 Dec (IDRbn)	2020A	2021A	2022F	2023F	2024F
Net income	934	1,261	1,076	1,129	1,275
Depreciation and Amort.	80	92	89	94	95
Change in Working Capital	(85)	(158)	79	(63)	(77)
Other Oper. Cash Flow	14	(48)	(65)	(24)	(20)
Operating Cash Flow	943	1,147	1,178	1,136	1,273
Capex	(55)	(112)	(125)	(136)	(170)
Others Inv. Cash Flow	60	29	43	40	39
Investing Cash Flow	5	(83)	(82)	(96)	(130)
Net change in debt	4	(2)	(0)	0	0
New Capital	1	(1)	-	-	-
Dividend payment	(935)	(1,136)	(970)	(1,055)	(1,163)
Other Fin. Cash Flow	149	(1)	(1)	(1)	(1)
Financing Cash Flow	(781)	(1,140)	(971)	(1,056)	(1,164)
Net Change in Cash	167	(75)	125	(15)	(21)
Cash - begin of the year	865	1,032	1,082	1,208	1,192
Cash - end of the year	1,032	1,082	1,208	1,192	1,171

Exhibit 14. Key Ratios

Year to 31 Dec	2020A	2021A	2022F	2023F	2024F
Growth (%)					
Sales	8.7	20.6	(11.0)	8.5	9.1
EBITDA	12.7	39.8	(16.8)	6.8	13.6
Operating profit	12.6	36.2	(16.1)	6.7	12.8
Net profit	15.6	35.0	(14.7)	5.0	12.9
Profitability (%)					
Gross margin	55.1	56.9	52.6	54.1	55.1
EBITDA margin	31.4	36.5	34.1	33.5	34.9
Operating margin	34.4	38.8	36.6	35.9	37.1
Net margin	28.0	31.4	30.1	29.1	30.1
ROAA	25.3	31.8	26.3	27.0	29.5
ROAE	29.7	37.7	30.5	31.2	34.4
Leverage					
Net Gearing (x)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Interest Coverage (x)	2,195.0	1,809.8	1,705.4	1,676.8	1,732.7

Source : SIDO, BRI Danareksa Estimates

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