

Domestic demand boosted by 2nd Covid-19 outbreak. SIDO reported an excellent quarter, with its 3Q21 revenue reaching IDR 1.1 tn (+30.2% QoQ/+40.6% YoY). All segments supported the growth, with herbal/F&B/pharmacy posting YoY growth of 36.1%/47.4%/64.6%. Tolak Angin remained the major growth driver for herbal segment with a YoY growth of more than 40%, as the second wave of Covid-19 in Jul-Aug 2021 has resulted in huge demand for health-related products. F&B segment also performed well, mainly driven by healthy drinks products, particularly vitamin C drinks. The contribution of healthy drinks to the entire F&B category now has increased to 52-53%, surpassing the contribution of energy drinks.

New initiatives in export market. Export sales has started to pick up, mostly from Nigeria (NI) and Malaysia (MY). Meanwhile, Philippines (PH) continues to lag behind pre-Covid level. As of 9M21, SIDO's export sales contribution was 2.6% with NI and MY contributing 65% of total export sales, while PH contributing only 15% (vs. 50% in 2019). Going forward, SIDO sees more potential in NI and MY, therefore they will be more cautious in PH market. SIDO expects to increase its export sales to 3%-4% by the end of 2021, coming from: (1) continued recovery in NI and MY markets, and (2) SIDO's essential oil shipment has begun in Oct-21, with France as the initial target. The European market will be the primary aim for essential oils.

Strong margin from stable RM prices. Despite the rising global commodity prices (wheat, sugar, CPO, etc) that keep pressuring its peers' margin, SIDO's 3Q21 GPM came in strong at 56.3%. Management said its RM costs were relatively stable thanks to SIDO's warehouse facility where it may store its RM for up to six months. Opex to sales dropped to 15.8% (vs. 2Q21: 22.3%) due to robust sales increase and operational efficiency. In all, SIDO's net profit came in at IDR 363 bn (+56% QoQ/+60.1% YoY), bringing its 9M21 net profit to IDR 865 bn (+35.1% YoY), forming 83.6%/80.2% of our/cons' estimate.

We slightly tone down our BUY call to ADD on Industri Jamu dan Farmasi Sido Muncul Tbk. (SIDO) with a higher TP of 950, derived from 21.4x FY22 P/E. SIDO raised its FY21 sales/NPAT growth estimate to 15%/25%, up from 10%/15% before. For FY22, management gave guidance of >15% for both top and bottom line growth. SIDO will continue to concentrate on expanding its product availability. Its domestic outlet coverage reached 131k as of Sep-21 (vs. FY20: 113k), with East Indonesia accounting for more than half of the additional outlets. We believe that this, coupled with higher consumer health awareness among the consumer, will drive sales growth in FY22F.

| Highlights (IDR Bn) | 2019 | 2020 | 2021E | 2022F | 2023F |
|----------------------|-------|-------|-------|-------|-------|
| Revenue | 3,067 | 3,335 | 3,891 | 4,539 | 4,986 |
| % growth | 11.0% | 8.7% | 16.7% | 16.7% | 9.8% |
| Gross Profit | 1,681 | 1,839 | 2,158 | 2,527 | 2,794 |
| Net Profit | 808 | 934 | 1,162 | 1,334 | 1,509 |
| % growth | 21.7% | 15.6% | 24.4% | 14.8% | 13.1% |
| Gross Margin (%) | 54.8% | 55.1% | 55.5% | 55.7% | 56.0% |
| Net Margin (%) | 26.3% | 28.0% | 29.9% | 29.4% | 30.3% |
| Return on Equity (%) | 26.8% | 29.7% | 34.7% | 37.1% | 39.3% |
| Return on Assets (%) | 21.9% | 23.7% | 27.5% | 29.2% | 32.0% |
| EPS (IDR) | 27 | 31 | 39 | 44 | 50 |

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| | |
|-----------------------|--------------|
| Sector | Consumer |
| Bloomberg Ticker | SIDO IJ |
| Market Cap. (IDR tn) | 25.1 |
| Share Out./Float (mn) | 30,229/5,901 |
| Current Price | 830 |
| FY21F Target Price | 950 |
| Upside | 14.5% |

Share Price Performance

| | |
|---------------------|------|
| 52W High (10/19/21) | 900 |
| 52W Low (07/01/21) | 699 |
| 52W Beta | 0.6 |
| YTD Change | 6.4% |

Relative Valuations

| | |
|--------------|-------|
| Trailing P/E | 21.4x |
| Forward P/E | 18.2x |
| P/BV | 7.2x |

SIDO 3Q21 Earnings Summary

| IDR Bn | 3Q20 | 2Q21 | 3Q21 | %QoQ | %YoY | 9M20 | 9M21 | %YoY | %DH | %Cons |
|-------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Revenue | 798 | 861 | 1,122 | 30.2% | 40.6% | 2,257 | 2,776 | 23.0% | 73.8% | 74.2% |
| Gross Profit | 436 | 482 | 632 | 31.1% | 45.0% | 1,217 | 1,562 | 28.3% | | |
| Operating Profit | 275 | 290 | 454 | 56.8% | 65.2% | 778 | 1,062 | 36.6% | | |
| Net Profit | 227 | 233 | 363 | 56.0% | 60.1% | 641 | 865 | 35.1% | 83.6% | 80.2% |
| Gross Profit Margin | 54.7% | 56.0% | 56.3% | 0.4% | 1.7% | 53.9% | 56.3% | | | |
| Operating Profit Margin | 34.5% | 33.6% | 40.5% | 6.9% | 6.0% | 34.4% | 38.2% | | | |
| Net Profit Margin | 28.5% | 27.0% | 32.4% | 5.4% | 3.9% | 28.4% | 31.2% | | | |

Revenue by segment

| | | | | | | | | | | |
|----------|-----|-----|-----|-------|-------|-------|-------|-------|--|--|
| Herbal | 519 | 556 | 707 | 27.2% | 36.1% | 1,442 | 1,768 | 22.6% | | |
| F&B | 253 | 269 | 373 | 38.8% | 47.4% | 722 | 899 | 24.5% | | |
| Pharmacy | 25 | 37 | 42 | 13.7% | 64.6% | 93 | 109 | 17.5% | | |

GPM by segment

| | | | | | | | | | | |
|----------|-------|-------|-------|-------|------|-------|-------|--|--|--|
| Herbal | 65.2% | 66.9% | 67.9% | 1.0% | 2.7% | 65.3% | 67.6% | | | |
| F&B | 35.3% | 35.7% | 36.4% | 0.8% | 1.1% | 34.1% | 36.3% | | | |
| Pharmacy | 31.1% | 39.3% | 38.7% | -0.6% | 7.6% | 31.9% | 37.3% | | | |

Source: Company Data, Sinarmas Investment Research

Earnings Changes

| (IDR Bn) | Old | | New | | Changes | |
|------------------|-------|-------|-------|-------|---------|-------|
| | FY21 | FY22 | FY21 | FY22 | FY21 | FY22 |
| Revenue | 3,760 | 4,095 | 3,891 | 4,539 | 3.5% | 10.8% |
| Gross Profit | 2,073 | 2,269 | 2,158 | 2,527 | 4.1% | 11.4% |
| EBIT | 1,273 | 1,392 | 1,434 | 1,652 | 12.6% | 18.7% |
| Net Profit | 1,035 | 1,158 | 1,162 | 1,334 | 12.3% | 15.2% |
| EPS (IDR) | 35 | 39 | 39 | 44 | 12.3% | 15.2% |
| Gross Margin | 55.1% | 55.4% | 55.5% | 55.7% | | |
| Operating Margin | 33.9% | 34.0% | 36.9% | 36.4% | | |
| Net Margin | 27.5% | 28.3% | 29.9% | 29.4% | | |

Source: Sinarmas Investment Research

| Income Statement (IDR Bn) | 2019 | 2020 | 2021E | 2022F | 2023F |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|
| Revenue | 3,067 | 3,335 | 3,891 | 4,539 | 4,986 |
| % growth | 11.0% | 8.7% | 16.7% | 16.7% | 9.8% |
| Cost of Good Sold | (1,387) | (1,497) | (1,733) | (2,012) | (2,191) |
| Gross Profit | 1,680 | 1,838 | 2,158 | 2,527 | 2,795 |
| % growth | 18.0% | 9.4% | 17.4% | 17.1% | 10.6% |
| Operating Expenses | (663) | (693) | (731) | (884) | (979) |
| Opex to Sales (%) | 21.6% | 20.8% | 18.8% | 19.5% | 19.6% |
| Other Income (Expenses) | 7 | 5 | 7 | 9 | 9 |
| EBIT | 1,024 | 1,150 | 1,434 | 1,652 | 1,825 |
| % growth | 24.3% | 12.3% | 24.7% | 15.2% | 10.5% |
| EBITDA | 1,108 | 1,230 | 1,518 | 1,748 | 1,926 |
| % growth | 25.2% | 11.0% | 23.4% | 15.2% | 10.2% |
| Net Financing Income (Expenses) | 50 | 49 | 55 | 58 | 61 |
| EBT | 1,074 | 1,199 | 1,489 | 1,710 | 1,886 |
| Tax Expenses | (266) | (265) | (327) | (376) | (377) |
| Net Income | 808 | 934 | 1,162 | 1,334 | 1,509 |
| % growth | 21.7% | 15.6% | 24.4% | 14.8% | 13.1% |
| EPS (IDR) | 27 | 31 | 39 | 44 | 50 |

| Balance Sheet (IDR Bn) | 2019 | 2020 | 2021E | 2022F | 2023F |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Cash & Equivalents | 865 | 1,032 | 1,091 | 1,142 | 1,223 |
| Trade Receivables | 537 | 668 | 630 | 750 | 842 |
| Inventories | 299 | 309 | 369 | 426 | 459 |
| Other Current Assets | 15 | 43 | 20 | 25 | 29 |
| Total Current Assets | 1,716 | 2,052 | 2,110 | 2,343 | 2,553 |
| Fixed Assets | 1,593 | 1,568 | 1,679 | 1,803 | 1,893 |
| Other Non Current Assets | 228 | 229 | 247 | 266 | 273 |
| Total Assets | 3,537 | 3,849 | 4,036 | 4,412 | 4,719 |
| ST Lease Liabilities | - | 3 | 3 | 3 | 3 |
| Trade Payables | 165 | 214 | 225 | 261 | 286 |
| Other Current Liabilities | 251 | 343 | 252 | 334 | 371 |
| Total Current Liabilities | 416 | 560 | 480 | 598 | 660 |
| LT Lease Liabilities | - | 4 | 4 | 4 | 4 |
| Other Non Current Liabilities | 56 | 64 | 77 | 87 | 95 |
| Total Liabilities | 472 | 628 | 561 | 689 | 759 |
| Share & APIC | 2,206 | 2,207 | 2,207 | 2,207 | 2,207 |
| Retained Earnings | 918 | 1,073 | 1,297 | 1,516 | 1,753 |
| Others | (59) | (59) | (29) | - | - |
| Total Equity | 3,065 | 3,221 | 3,475 | 3,723 | 3,960 |
| Total Liabilities & Equity | 3,537 | 3,849 | 4,036 | 4,412 | 4,719 |

Source: Company Data, Sinarmas Investment Research

| Cash Flow (IDR Bn) | 2019 | 2020 | 2021E | 2022F | 2023F |
|---------------------------|--------------|--------------|--------------|----------------|----------------|
| Net Income | 808 | 934 | 1,162 | 1,334 | 1,509 |
| Dep. & Amortization | 84 | 80 | 84 | 96 | 101 |
| Chg. In NWC | (62) | (29) | (79) | (63) | (66) |
| CF from Operating | 830 | 985 | 1,167 | 1,367 | 1,544 |
| Capital Expenditure | (123) | (55) | (195) | (220) | (191) |
| Chg. in LT Assets | 9 | (2) | (17) | (19) | (8) |
| Chg. in LT Liabs | (11) | 9 | 13 | 9 | 7 |
| CF from Investing | (125) | (48) | (199) | (230) | (192) |
| Chg. in Share & APIC | - | 1 | - | - | - |
| Chg. in Lease Liabilities | - | 7 | - | - | - |
| Dividends Paid | (640) | (774) | (938) | (1,115) | (1,271) |
| Others | (6) | (4) | 29 | 29 | - |
| CF from Financing | (646) | (770) | (909) | (1,086) | (1,271) |
| Chg. in Cash | 59 | 167 | 59 | 51 | 81 |
| Beginning Cash | 806 | 865 | 1,032 | 1,091 | 1,142 |
| Ending Cash | 865 | 1,032 | 1,091 | 1,142 | 1,223 |

| Financial Ratio & Key Assumptions | 2019 | 2020 | 2021E | 2022F | 2023F |
|-----------------------------------|-------|-------|-------|-------|-------|
| Profitability | | | | | |
| Return on Equity | 26.8% | 29.7% | 34.7% | 37.1% | 39.3% |
| Return on Assets | 21.9% | 23.7% | 27.5% | 29.2% | 32.0% |
| Gross Margin | 54.8% | 55.1% | 55.5% | 55.7% | 56.0% |
| Operating Margin | 33.4% | 34.5% | 36.9% | 36.4% | 36.6% |
| EBITDA Margin | 36.1% | 36.9% | 39.0% | 38.5% | 38.6% |
| Net Margin | 26.3% | 28.0% | 29.9% | 29.4% | 30.3% |
| Liquidity | | | | | |
| Current Ratio (x) | 4.1 | 3.7 | 4.4 | 3.9 | 3.9 |
| Quick Ratio (x) | 3.4 | 3.0 | 3.6 | 3.2 | 3.1 |
| Solvency | | | | | |
| Debt to Equity (x) | - | - | - | - | - |
| Debt to Assets (x) | - | - | - | - | - |
| Valuation | | | | | |
| Price to Earnings (x) | 35.3 | 30.5 | 24.5 | 21.4 | 18.9 |
| Price to Book (x) | 9.3 | 8.8 | 8.2 | 7.7 | 7.2 |

Source: Company Data, Sinarmas Investment Research

SINARMAS SEKURITAS INVESTMENT RATINGS GUIDE

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ADD: Share price may range between 10% to 15% over the next 12 months.

NEUTRAL: Share price may range between -10% to +10% over the next 12 months.

REDUCE: Share price may range between -10% to -15% over the next 12 months.

SELL: Share price may fall by more than 15% over the next 12 months.

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