

Outstanding FY19 achievements. SIDO managed to obtain IDR 3.1 tn (+11.0% YoY) revenue in FY19. As the company raised ASP according to the inflation rate, volume growth was driven by notable expansion in exports market, higher sales contribution from MT channel, and increasing penetration in Eastern Area. In addition to that, GPM increased significantly by 320bps to 54.8% as of FY19 supported by operational efficiency, lower raw material prices, as well as ASP increase for a number of products. On the other hand, A&P rose by 25% YoY as the company expanded its penetration in exports market which reached 5% net revenue contribution in FY19 (vs 2% in FY18). Bottom-line, as a result, came in 3%/2% above our and consensus' estimates at IDR 807.7 bn (+21.7% YoY).

Exciting growth across all business segments. We expect the company would continue posing a high single digit growth in FY20F considering SIDO's extensive focus to improve its products availability both in domestic and export markets. Measures include increasing the number of active outlets by ~30%, offering daily/weekly incentives for salesmen, strengthening sales in MT, and enhancing BTL marketing strategy. Nevertheless, as the company targets sales contribution from exports to increase to 6-7% level, we expect that A&P would remain high at around 12% to revenue given the needs for raising brand awareness and product knowledge as well as building product availability. While the company is preparing to tap into more areas, Philippines, Malaysia, and Nigeria remain the key focus countries in which SIDO plans to introduce more SKUs.

New product launchings. After launching a new variant of SIDO's Susu Jahe, SIDO would also launch new types of Tolak Angin and Tolak Linu in form of soft capsules. Management ensures that margins for the new variant would relatively equal the existing ones. This year, the company expects to launch a couple of products and/or variants in order to cater wider needs and preferences.

We reiterate our ADD rating on PT Industri Jamu dan Farmasi Sido Muncul Tbk (SIDO) with 52-week target price of IDR 1,400. Our TP represents 9.8% potential upside, deriving from FY20 PE of 23.9x (+1.5SD from its 3-year historical average PE). We think that the growth outlook is still positive for SIDO as the company focuses to acquire much wider products coverage. That being said, we anticipate intensifying marketing expenses considering its robust expansion efforts. Downside risks to our call: weak purchasing power and aggressive competition.

Highlights (IDR Bn)	2018	2019	2020E	2021F	2022F
Revenue	2,763	3,067	3,336	3,601	3,848
% growth	7.4%	11.0%	8.8%	7.9%	6.9%
Gross Profit	1,424	1,681	1,827	1,971	2,108
Net Profit	664	808	876	943	1,007
% growth	24.4%	21.7%	8.5%	7.6%	6.7%
Gross Margin (%)	51.5%	54.8%	54.8%	54.7%	54.8%
Net Margin (%)	24.0%	26.3%	26.3%	26.2%	26.2%
Return on Equity (%)	22.9%	27.1%	27.6%	27.7%	27.6%
Return on Assets (%)	20.4%	23.5%	24.1%	24.2%	24.0%
EPS (IDR)	45	54	59	63	68

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Sector	Consumer
Bloomberg Ticker	SIDO IJ
Market Cap. (IDR tn)	19.1
Share Out./Float (mn)	15.0
Current Price	1,275
FY20F Target Price	1,400
Upside	9.8%

Share Price Performance

52W High (12/02/19)	1,355
52W Low (05/27/19)	900
52W Beta	0.5
YTD Change	0.0%

Relative Valuations

Trailing P/E	23.5
Forward P/E	21.6
P/BV	6.3

SIDO 4Q19 Earnings Summary

(IDR Bn)	4Q18	3Q19	4Q19	YoY	QoQ	12M18	12M19	YoY	%Est	%Cons
Revenue	819	719	939	14.6%	30.7%	2,763	3,067	11.0%	102.9%	101.4%
Gross Profit	437	400	522	19.4%	30.5%	1,424	1,681	18.0%		
Operating Profit	229	253	298	30.0%	17.7%	808	1,018	26.0%		
Net Profit	184	204	229	24.8%	12.2%	664	808	21.7%	101.6%	103.0%
Opex to Sales	25.4%	20.5%	23.9%			21.0%	20.6%			
Gross Margin	53.4%	55.7%	55.6%			51.5%	54.8%			
Operating Margin	28.0%	35.2%	31.7%			29.2%	33.2%			
Net Margin	22.4%	28.4%	24.4%			24.0%	26.3%			

Source: Company Data, Sinarmas Investment Research

Income Statement (IDR Bn)	2018	2019	2020E	2021F	2022F
Revenue	2,763	3,067	3,336	3,601	3,848
Cost of Good Sold	(1,339)	(1,387)	(1,509)	(1,630)	(1,740)
Gross Profit	1,424	1,681	1,827	1,971	2,108
Operating Expenses	(617)	(663)	(731)	(790)	(846)
Opex to Sales (%)	-22.3%	-21.6%	-21.9%	-21.9%	-22.0%
Other Income (Expenses)	17	7	15	15	14
EBIT	824	1,024	1,111	1,196	1,276
EBITDA	726	895	969	1,037	1,102
Net Financing Income (Expenses)	44	50	53	58	62
EBT	868	1,074	1,165	1,254	1,338
Tax Expenses	(204)	(266)	(289)	(311)	(332)
Net Income	664	808	876	943	1,007
EPS (IDR)	45	54	59	63	68

Balance Sheet (IDR Bn)	2018	2019	2020E	2021F	2022F
Cash & Equivalents	806	865	879	1,054	1,150
Trade Receivables	415	537	517	556	596
Inventories	311	299	365	390	421
Other Current Assets	16	15	23	21	23
Total Current Assets	1,548	1,716	1,784	2,021	2,190
Fixed Assets	1,553	1,593	1,667	1,752	1,849
Other Non Current Assets	237	228	295	281	294
Total Assets	3,338	3,537	3,747	4,055	4,334
Short Term Debt	-	-	-	-	-
Trade Payables	189	165	183	201	216
Other Current Liabilities	179	251	204	252	270
Total Current Liabilities	368	416	387	453	486
Long Term Debt	-	-	-	-	-
Other Non Current Liabilities	67	56	70	76	78
Total Liabilities	435	472	458	530	563
Share & APIC	2,206	2,206	2,206	2,206	2,206
Retained Earnings	755	918	1,142	1,378	1,623
Others	(59)	(59)	(59)	(59)	(59)
Total Equity	2,903	3,065	3,289	3,525	3,770
Total Liabilities & Equity	3,338	3,537	3,747	4,055	4,334

Source: Company Data, Sinarmas Investment Research

Cash Flow (IDR Bn)	2018	2019	2020E	2021F	2022F
Net Income	664	808	876	943	1,007
Dep. & Amortization	62	87	93	94	96
Chg. In NWC	144	(62)	(83)	4	(40)
CF from Operating	870	833	886	1,042	1,062
Capital Expenditure	(400)	(127)	(167)	(180)	(192)
Chg. in LT Assets	78	9	(68)	14	(13)
Chg. in LT Liabs	13	(11)	14	6	1
CF from Investing	(310)	(128)	(220)	(160)	(204)
Chg. in Share & APIC	450	-	-	-	-
Chg. in Debt	-	-	-	-	-
Dividends Paid	(432)	(536)	(652)	(707)	(761)
Others	(226)	(110)	-	-	-
CF from Financing	(657)	(646)	(652)	(707)	(761)
Chg. in Cash	(97)	59	14	175	97
Beginning Cash	903	806	865	879	1,054
Ending Cash	806	865	879	1,054	1,150

Financial Ratio & Key Assumptions	2018	2019	2020E	2021F	2022F
Profitability					
Return on Equity	22.9%	27.1%	27.6%	27.7%	27.6%
Return on Assets	20.4%	23.5%	24.1%	24.2%	24.0%
Gross Margin	51.5%	54.8%	54.8%	54.7%	54.8%
Operating Margin	29.8%	33.4%	33.3%	33.2%	33.2%
EBITDA Margin	26.3%	29.2%	29.1%	28.8%	28.6%
Net Margin	24.0%	26.3%	26.3%	26.2%	26.2%
Liquidity					
Current Ratio (x)	4.2	4.1	4.6	4.5	4.5
Quick Ratio (x)	3.3	3.4	3.6	3.6	3.6
Solvency					
Debt to Equity (x)	0.0	0.0	0.0	0.0	0.0
Debt to Assets (x)	0.0	0.0	0.0	0.0	0.0
Interest Cov. (x)	na	na	na	na	na
Valuation					
Price to Earnings (x)	31.6	26.0	23.9	22.2	20.8
Price to Book (x)	7.2	6.8	6.4	5.9	5.6

Source: Company Data, Sinarmas Investment Research

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