

Compelling Forward Outlook

BUY (TP: IDR 900)

11 February 2021

FY20 results, above estimate. SIDO recorded FY20 revenue at IDR 3.3 tn (+8.7% YoY), forming 103.8% of our estimate. SIDO has proven its resilient performance amidst the pandemic, supported by its Herbal and F&B segment growth of 7.6% YoY and 13.5% YoY, respectively. Meanwhile, Pharmacy segment dropped 7.5% YoY. GPM rose to 55.1% (vs. 54.8% in FY19) due to higher contribution from herbal. During the pandemic, cost-cutting initiatives have brought A&P to 9.8% to total sales (vs. 11.7% in FY19). In all, SIDO's FY20 net profit came in at 934 bn (+15.6% YoY), above our estimate.

Outstanding 4Q20 performance. SIDO's 4Q20 revenue came in at 1.1 tn (+14.9% YoY, +35.2% QoQ), exceeding our estimate by 12.9%. In 4Q20, demand for Tolak Angin as pre-cold drugs was higher with the start of the rainy season. Moreover, we see that GT sales have started to pick up as mobility gradually recovers, leading to a 50.1% QoQ growth in the herbal segment. Not to mention, F&B segment also showed a solid performance with a 12% QoQ increase driven by herbal powdered and vitamin drinks. On the other hand, pharmacy segment declined by 38.8% QoQ due to softer demand.

2021 strategies. SIDO still sees strong growth potentials to unlock after a successful penetration in East Indonesia. In 2020, Eastern area posted the largest growth in domestic side, reaching 23% of total FY20 sales (vs. <20% in 2018) with top-line CAGR of 13% over FY18-20. Management aims to strengthen its MT channel contribution up to 15%, with total outlet coverage expected to expand from 100k to 120k in 2021. Looking into the export market, company plans to enter new business with essential oils that are commonly used for aromatherapy and perfume. SIDO is currently preparing to tap into new areas (Vietnam, China, and Middle East), targeting higher export sales contribution from 2-3% to 5% in FY21. Margin wise, we expect that GPM will continue to improve as herbal segment shall contribute more going forward. With all these strategies, we upgrade our initial FY21E/FY22F earnings forecast by 11.6%/15.9%.

We upgrade our rating to BUY on SIDO with a higher TP of IDR 900, implying 26.1x FY21F P/E (+1SD from its 3-yr avg). We believe that SIDO is poised to grow to greater heights driven by increasing demand for herbal products and its initiatives to expand its export sales. Balance sheet side, SIDO also remains attractive for its zero leverage and rich cash position. Downside risks: weak purchasing power and aggressive competition.

Highlights (IDR Bn)	2019	2020	2021E	2022F	2023F
Revenue	3,067	3,335	3,760	4,095	4,514
% growth	11.0%	8.7%	12.7%	8.9%	10.2%
Gross Profit	1,681	1,839	2,074	2,269	2,528
Net Profit	808	934	1,035	1,158	1,308
% growth	21.7%	15.6%	10.8%	11.9%	13.0%
Gross Margin (%)	54.8%	55.1%	55.2%	55.4%	56.0%
Net Margin (%)	26.3%	28.0%	27.5%	28.3%	29.0%
Return on Equity (%)	26.8%	29.7%	31.3%	33.1%	35.3%
Return on Assets (%)	21.9%	24.0%	25.3%	26.5%	29.1%
EPS (IDR)	27	31	35	39	44

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Sector	Consumer
Bloomberg Ticker	SIDO IJ
Market Cap. (IDR tn)	24.0
Share Out./Float (mn)	30,000/5,700
Current Price	770
FY21F Target Price	900
Upside	16.9%

Share Price Performance

52W High (10/26/20)	860
52W Low (03/23/20)	453
52W Beta	0.7
YTD Change	25.5%

Relative Valuations

Trailing P/E	28.9x
Forward P/E	26.1x
P/BV	7.9x

SIDO 4Q20 Earnings Summary

IDR Bn	4Q19	3Q20	4Q20	%QoQ	%YoY	12M19	12M20	%YoY	%DH	%Cons
Revenue	939	798	1,078	35.2%	14.8%	3,067	3,335	8.7%	103.8%	103.1%
Gross Profit	522	436	622	42.6%	19.0%	1,681	1,839	9.4%		
Operating Profit	298	275	368	33.9%	23.6%	1,018	1,146	12.6%		
Net Profit	229	227	293	29.2%	27.9%	808	934	15.6%	110.5%	104.7%
Gross Profit Margin	55.6%	54.7%	57.7%			54.8%	55.1%			
Operating Profit Margin	31.7%	34.5%	34.2%			33.2%	34.4%			
Net Profit Margin	24.4%	28.5%	27.2%			26.3%	28.0%			

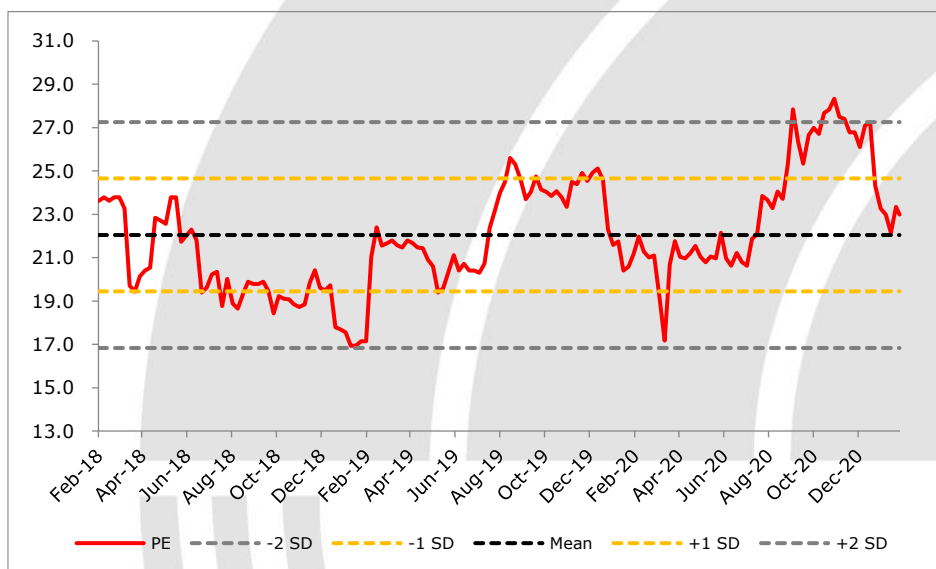
Source: Company Data, Sinarmas Investment Research

Earnings Changes

(IDR Bn)	Old		New		Changes	
	FY21	FY22	FY21	FY22	FY21	FY22
Revenue	3,511	3,774	3,760	4,095	7.1%	8.5%
Gross Profit	1,901	2,049	2,073	2,269	9.0%	10.7%
EBIT	1,140	1,228	1,273	1,392	11.6%	13.3%
Net Profit	927	999	1,035	1,158	11.6%	15.9%
EPS (IDR)	31	33	35	39	11.6%	15.9%
Gross Margin	54.2%	54.3%	55.1%	55.4%		
Operating Margin	32.5%	32.6%	33.9%	34.0%		
Net Margin	26.4%	26.5%	27.5%	28.3%		

Source: Sinarmas Investment Research

SIDO 5-Year P/E Band



Source: Bloomberg, Sinarmas Investment Research

Income Statement (IDR Bn)	2019	2020	2021E	2022F	2023F
Revenue	3,067	3,335	3,760	4,095	4,514
% growth	11.0%	8.7%	12.7%	8.9%	10.2%
Cost of Good Sold	(1,387)	(1,497)	(1,687)	(1,826)	(1,986)
Gross Profit	1,680	1,838	2,073	2,269	2,528
% growth	18.0%	9.4%	12.8%	9.5%	11.4%
Operating Expenses	(663)	(693)	(807)	(885)	(960)
Opex to Sales (%)	21.6%	20.8%	21.5%	21.6%	21.3%
Other Income (Expenses)	7	5	7	8	8
EBIT	1,024	1,150	1,273	1,392	1,576
% growth	24.3%	12.3%	10.7%	9.3%	13.2%
EBITDA	1,108	1,230	1,357	1,487	1,675
% growth	25.2%	11.0%	10.3%	9.6%	12.6%
Net Financing Income (Expenses)	50	49	54	56	59
EBT	1,074	1,199	1,327	1,448	1,635
Tax Expenses	(266)	(265)	(292)	(290)	(327)
Net Income	808	934	1,035	1,158	1,308
% growth	21.7%	15.6%	10.8%	11.9%	13.0%
EPS (IDR)	27	31	35	39	44

Balance Sheet (IDR Bn)	2019	2020	2021E	2022F	2023F
Cash & Equivalents	865	1,032	1,038	1,111	1,182
Trade Receivables	537	668	609	677	762
Inventories	299	309	359	387	416
Other Current Assets	15	43	20	22	27
Total Current Assets	1,716	2,052	2,026	2,197	2,387
Fixed Assets	1,593	1,568	1,672	1,776	1,850
Other Non Current Assets	228	229	243	255	262
Total Assets	3,537	3,849	3,941	4,228	4,499
ST Lease Liabilities	-	3	3	3	3
Trade Payables	165	214	217	235	259
Other Current Liabilities	251	343	243	301	337
Total Current Liabilities	416	560	463	539	599
LT Lease Liabilities	-	4	4	4	4
Other Non Current Liabilities	56	64	74	80	85
Total Liabilities	472	628	541	623	688
Share & APIC	2,206	2,207	2,207	2,207	2,207
Retained Earnings	918	1,073	1,222	1,398	1,604
Others	(59)	(59)	(29)	-	-
Total Equity	3,065	3,221	3,400	3,605	3,811
Total Liabilities & Equity	3,537	3,849	3,941	4,228	4,499

Source: Company Data, Sinarmas Investment Research

Cash Flow (IDR Bn)	2019	2020	2021E	2022F	2023F
Net Income	808	934	1,035	1,158	1,308
Dep. & Amortization	84	80	84	95	99
Chg. In NWC	(62)	(29)	(64)	(21)	(60)
CF from Operating	830	985	1,055	1,232	1,347
Capital Expenditure	(123)	(55)	(188)	(199)	(173)
Chg. in LT Assets	9	(2)	(14)	(11)	(7)
Chg. in LT Liabs	(11)	9	11	3	7
CF from Investing	(125)	(48)	(191)	(207)	(173)
Chg. in Share & APIC	-	1	-	-	-
Chg. in Lease Liabilities	-	7	-	-	-
Dividends Paid	(640)	(774)	(887)	(981)	(1,103)
Others	(6)	(4)	29	29	-
CF from Financing	(646)	(770)	(858)	(952)	(1,103)
Chg. in Cash	59	167	6	73	71
Beginning Cash	806	865	1,032	1,038	1,111
Ending Cash	865	1,032	1,038	1,111	1,182

Financial Ratio & Key Assumptions	2019	2020	2021E	2022F	2023F
Profitability					
Return on Equity	26.8%	29.7%	31.3%	33.1%	35.3%
Return on Assets	21.9%	24.0%	25.3%	26.5%	29.1%
Gross Margin	54.8%	55.1%	55.2%	55.4%	56.0%
Operating Margin	33.4%	34.5%	33.9%	34.0%	34.9%
EBITDA Margin	36.1%	36.9%	36.1%	36.3%	37.1%
Net Margin	26.3%	28.0%	27.5%	28.3%	29.0%
Liquidity					
Current Ratio (x)	4.1	3.7	4.4	4.1	4.0
Quick Ratio (x)	3.4	3.0	3.6	3.3	3.2
Solvency					
Debt to Equity (x)	-	-	-	-	-
Debt to Assets (x)	-	-	-	-	-
Valuation					
Price to Earnings (x)	33.4	28.9	26.1	23.3	20.6
Price to Book (x)	8.8	8.4	7.9	7.5	7.1

Source: Company Data, Sinarmas Investment Research

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