

12 November 2014

# Industri Jamu dan Farmasi Sido Muncul

A Challenging Year & Future Prospect

INDONESIA | PHARMACY | COMPANY RESULTS



Rating:

**Accumulate**

Upgrade to Accumulate from Neutral

Target Price (IDR)	745
Forecast Dividend (IDR)	12
Closing Price (IDR)	635
Potential Upside	19.3%

**Company Description**

PT. Industri Jamu dan Farmasi Sido Muncul Tbk is an Indonesia-based company engaged in herbal medicine and pharmacy industry. The company's products consist of herbal candy, health drink, raw herbal products including turmeric, ginger, guava leaf and others, food supplements, and Indonesia traditional herbal drink, Jamu, in both traditional and instant types. These products are under the company's two brands, Kuku Bima and Tolak Angin.

- SIDO reported lower sales, dropped from IDR 1,743 billion to IDR 1,594 billion (-8.5%), for the first 9 months of the year.
- Both gross profit margin and operating profit margin dropped to 35.2% and 19.6% yoy respectively. EBITDA went from IDR 402.1 billion to IDR 353.1 billion (-12.2%).
- Net profit margin, however, managed to increase by 13.6% yoy thanks to its financial income that held net profit intact.
- SIDO plans to increase its herbal medicine segment and pulls back from energy drink market.

**What is the news?**

SIDO 3Q14 booked revenue of IDR 1,594 billion (-8.5% yoy) and EBITDA of IDR 353.14 billion (-12.2% yoy). Sales and marketing expenses seen lower by -29.3% yoy mostly due to lower advertising and promotion expenses as well as bonus outlet expenses. General and admin expenses increased by +22.4% which caused by higher taxation and tax penalty expenses.

Both financial expenses and other operating expenses were recorded lower by -92.3% and -93.7% yoy, respectively. Finance income rose significantly from IDR 2.2 billion to IDR 87.1 billion supported by an increase in its interest on time deposits and interest income which contributed to a growth in net profit of +3.9% yoy to IDR 314.48 billion.

**Results at a glance**

IDR (bn)	3Q14	3Q13	yoy (%)	Comments
Revenue	1,593.97	1,742.85	-8.5%	lower sales in energy drink segment
Gross Profit	561.65	677.54	-17.1%	
EBITDA	353.14	402.09	-12.2%	higher operating expenses
PATMI	314.48	302.71	3.9%	significant increase in finance income

Source: Company Data, PSI Research Est.

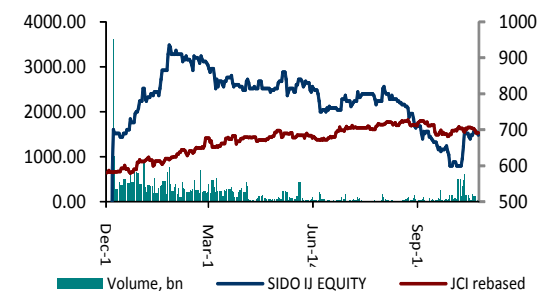
**How we view this**

As of september, the company only managed to bring in IDR 1.59 trillion in sales. This is far below its FY14 sales target of IDR 2.8 trillion (+18% yoy). The decline in sales came after a sizeable drop in its energy drink and beverage - confectionery segments which dropped by -22.96% and -24.22% yoy, respectively. The downturn in sales growth mainly was due to higher and more intense competition from energy drink and beverage – confectionery segments. Herbal medicine, on the other hand, managed to increase by +6.89% yoy. Gross profit, consequently, declined from IDR 677.5 billion to IDR 561.7 billion (-17.1% yoy) pointing to an increase in cost of goods sold.

3Q14 net sales has reached 73.3% of our full-year forecasted revenue while gross profit only accounted for 70% of our forecasted gross profit for the year. Net profit, however, has claimed up to 85% which vastly contributed by finance income.

**Company Data**

Raw Beta (Past 2yrs weekly data)	0.69
Market Cap. (USD mn / SGD mn)	780 / 1008
Ent. Value (USD mn / SGD mn)	-
3M Average Daily T/O (mn)	8.63
Closing Px in 52 wk range	580.00   955



**Major Shareholders**

	(%)
1. Hidayat Family	81.0
2. Public	19.0

**Valuation Method**

DCF (WACC: 10.32%; terminal g: 5%)

**Analyst**

Phillip Research Team  
+65 65311240  
research@phillip.com.sg

### Investment Action

With SIDO's 3Q14 report that came out relatively disappointing, we have to admit that this is a challenging year for the company and company's growth target will hardly be achieved. However, our view remains positive for the company going forward and we believe that SIDO will deliver better performance. By the mid 2015, SIDO's newly-built plant will commence its production and doubling the production capacity to 150 million sachet /month from current 70-80 sachet /month. This plant will be dedicated to produce *Tolak Angin* products, the company's flagship, which reportedly has the highest profit margins.

Moreover, with a strong cash position, SIDO is set to be in a good position to grow the company through Mergers and Acquisition (M&A). For instance, SIDO, recently, has just acquired a profitable pharmaceutical company, PT. Berlico Mulia Farma, for reportedly IDR 150 billion.

On top of that, SIDO is committed to launch a wide range of new innovative products throughout the year which will contribute to its long-term growth and increase its market exposure. While to widen its margins and capturing the growing middle income class, SIDO will do premiumisation for several product categories.

**We upgrade our rating on SIDO from Neutral to Accumulate with an adjusted 52-week price target of IDR 745, from IDR 785.** FY15F PE ratio at 26x and PBV at 4x. Our main concerns are towards the intense competition in the energy drink segment to drive down energy drink's sales and higher cost of production arising from higher raw material prices.

### Key Financial Summary

FYE Dec	2013	2014F	2015F	2016F	2017F
Revenue (IDR bn)	2,372.36	2,174.79	2,324.44	2,617.58	3,093.68
Net Income (IDR bn)	405.94	370.54	435.86	534.17	638.50
EPS, adj (IDR)	27	25	29	36	43
P/E (X)	31	26	26	21	18
BV (IDR)	175	173	189	210	235
P/BV (X)	5	4	4	4	3
DPS (IDR)	133,009*	27	12	15	18

Source: Company, PSI Research Est.

### Valuation

(IDR bn)	2014	2015	2016	2017	2018	2019
CF from Ops	271	463	529	588	690	836
Less : Capex	(308)	(129)	(115)	(124)	(133)	(143)
+ Div'd Assoc, JV, Invmt - D	-	-	-	-	-	-
<b>FCF to Firm</b>	<b>(38)</b>	<b>334</b>	<b>414</b>	<b>464</b>	<b>557</b>	<b>693</b>
PV of FCF (growth + terminal)	11,206	<b>WACC Components</b>				
FV per share (IDR)	747	Risk Free (Rf)		8.01%		
2015 EPS (IDR)	29	Beta		0.69		
Target PER (x)	26	Required Return (Re)		11.36%		
		Equity Risk Premium		3.35%		
		<b>WACC</b>		<b>10.32%</b>		

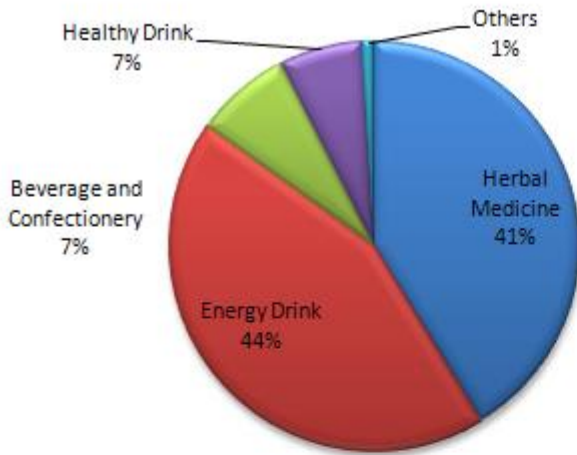
Source: Company, PSI Research Est.

Income Statement (IDR bn)	FY13	FY14F	FY15F	FY16F	FY17F
Revenue	2,372	2,175	2,324	2,615	3,094
EBITDA	563	499	583	713	850
Depreciation & Amortization	47	64	70	76	81
EBIT	461	448	526	652	785
Net Finance Income	121	52	57	62	69
Associates & JVs	-	-	-	-	-
Profit Before Tax	583	499	583	714	854
Taxation	177	129	147	180	215
Profit After Tax	406	371	436	534	638
Non-controlling Interest	-	-	-	-	-
<b>PATMI</b>	<b>406</b>	<b>371</b>	<b>436</b>	<b>534</b>	<b>638</b>

Balance Sheet (IDR bn)	FY13	FY14F	FY15F	FY16F	FY17F
PPE	556	782	814	825	836
Intangibles	-	-	-	-	-
Associates & JVs	-	-	-	-	-
Investments	60	60	60	60	60
Others	28	206	44	39	43
<b>Total non-current assets</b>	<b>585</b>	<b>988</b>	<b>858</b>	<b>864</b>	<b>880</b>
Inventories	288	370	395	444	526
Account Receivables	462	500	535	601	712
Investments	62	-	-	-	-
Cash	1,549	1,017	1,356	1,588	1,814
Others	6	7	7	9	10
<b>Total Current Assets</b>	<b>2,367</b>	<b>1,894</b>	<b>2,293</b>	<b>2,642</b>	<b>3,061</b>
<b>Total Assets</b>	<b>2,952</b>	<b>2,882</b>	<b>3,151</b>	<b>3,506</b>	<b>3,941</b>
Short Term Loans	-	-	-	-	-
Account Payables	190	192	195	210	247
Others	135	98	114	136	162
<b>Total Current Liabilities</b>	<b>325</b>	<b>290</b>	<b>309</b>	<b>347</b>	<b>410</b>
Long Term Loans	-	-	-	-	-
Others	1	2	2	3	3
<b>Total non-current Liabilities</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>3</b>
Non Controlling Interest	2	2	2	2	2
<b>Shareholder's Equity</b>	<b>2,625</b>	<b>2,590</b>	<b>2,841</b>	<b>3,157</b>	<b>3,528</b>

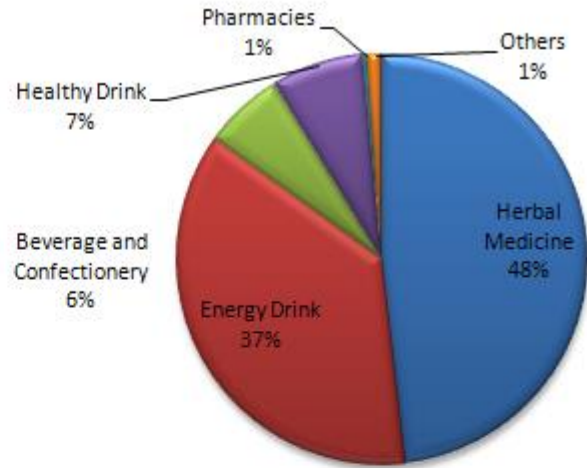
Cashflow Statements (IDR bn)	FY13	FY14F	FY15F	FY16F	FY17F
<b>CFO</b>					
Net Income	406	371	436	534	638
Adjustments	(1,501)	311	(343)	(297)	(388)
WC Changes	1,295	(439)	381	310	357
Cash generated from ops	200	243	474	547	607
Taxes paid	(141)	(28)	11	18	19
Cashflow from ops	<b>341</b>	<b>271</b>	<b>463</b>	<b>529</b>	<b>588</b>
<b>CFI</b>					
Capex, net	(188)	(308)	(129)	(115)	(124)
Others	(123)	108	190	35	29
Cashflow from Investments	<b>(311)</b>	<b>(201)</b>	<b>61</b>	<b>(80)</b>	<b>(95)</b>
<b>CFF</b>					
Share Issuance	370	-	-	-	-
Loans, net of repayments	(7)	0	0	1	1
Dividends	(150)	(405)	(185)	(218)	(267)
Others	695	(1)	-	-	-
Cashflow from financing	<b>908</b>	<b>(406)</b>	<b>(185)</b>	<b>(217)</b>	<b>(266)</b>
Net change in cash	938	(336)	339	231	226
CCE, end	<b>1,349</b>	<b>1,013</b>	<b>1,352</b>	<b>1,584</b>	<b>1,810</b>

**Sales Breakdown 3Q13**



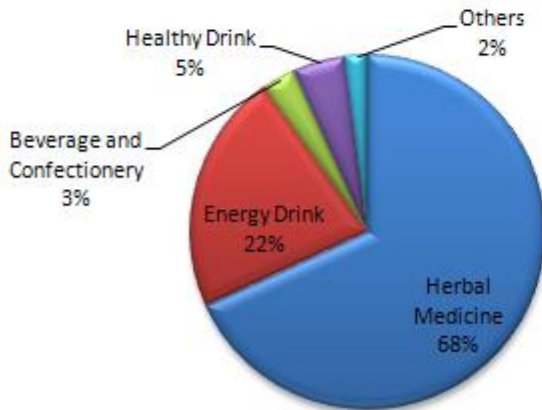
Source: Company, PSI Research

**Sales Breakdown 3Q14**



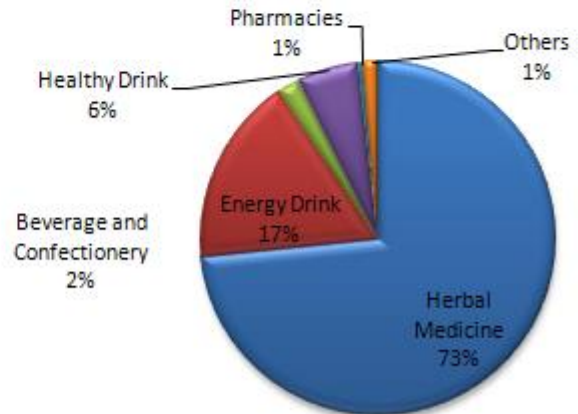
Source: Company, PSI Research

**Gross Profit Break down 3Q13**



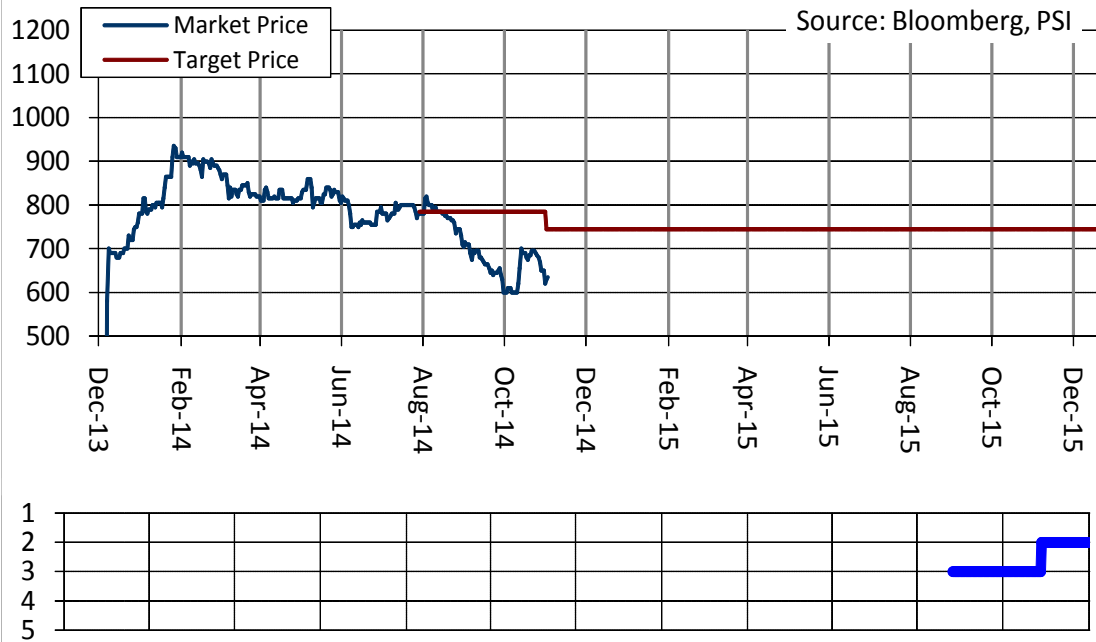
Source: Company, PSI Research

**Gross Profit Breakdown 3Q14**



Source: Company, PSI Research

**Ratings History**



**PSR Rating System**

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
< -20%	Sell	5

**Remarks**

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation.

**Important Information**

---

This publication is prepared by Phillip Securities Research Pte Ltd., 250 North Bridge Road, #06-00, Raffles City Tower, Singapore 179101 (Registration Number: 198803136N), which is regulated by the Monetary Authority of Singapore ("Phillip Securities Research"). By receiving or reading this publication, you agree to be bound by the terms and limitations set out below. This publication has been provided to you for personal use only and shall not be reproduced, distributed or published by you in whole or in part, for any purpose. If you have received this document by mistake, please delete or destroy it, and notify the sender immediately. Phillip Securities Research shall not be liable for any direct or consequential loss arising from any use of material contained in this publication.

The information contained in this publication has been obtained from public sources, which Phillip Securities Research has no reason to believe are unreliable and any analysis, forecasts, projections, expectations and opinions (collectively, the "Research") contained in this publication are based on such information and are expressions of belief of the individual author or the indicated source (as applicable) only. Phillip Securities Research has not verified this information and no representation or warranty, express or implied, is made that such information or Research is accurate, complete, appropriate or verified or should be relied upon as such. Any such information or Research contained in this publication is subject to change, and Phillip Securities Research shall not have any responsibility to maintain or update the information or Research made available or to supply any corrections, updates or releases in connection therewith. In no event will Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited its officers, directors, employees or persons involved in the preparation or issuance of this report, (i) be liable in any manner whatsoever for any consequences (including but not limited to any special, direct, indirect, incidental or consequential losses, loss of profits and damages) of any reliance or usage of this publication or (ii) accept any legal responsibility from any person who receives this publication, even if it has been advised of the possibility of such damages. You must make the final investment decision and accept all responsibility for your investment decision, including, but not limited to your reliance on the information, data and/or other materials presented in this publication.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this material are as of the date indicated and are subject to change at any time without prior notice. Past performance of any product referred to in this publication is not indicative of future results.

This report does not constitute, and should not be used as a substitute for, tax, legal or investment advice. This publication should not be relied upon exclusively or as authoritative, without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this publication has been made available constitutes neither a recommendation to enter into a particular transaction, nor a representation that any product described in this material is suitable or appropriate for the recipient. Recipients should be aware that many of the products, which may be described in this publication involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made, unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks. Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of any product. Any decision to purchase any product mentioned in this research should take into account existing public information, including any registered prospectus in respect of such product.

Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may provide an array of financial services to a large number of corporations in Singapore and worldwide, including but not limited to commercial / investment banking activities (including sponsorship, financial advisory or underwriting activities), brokerage or securities trading activities. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may have participated in or invested in transactions with the issuer(s) of the securities mentioned in this publication, and may have performed services for or solicited business from such issuers. Additionally, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may have provided advice or investment services to such companies and investments or related investments, as may be mentioned in this publication.

Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report may, from time to time maintain a long or short position in securities referred to herein, or in related futures or options, purchase or sell, make a market in, or engage in any other transaction involving such securities, and earn brokerage or other compensation in respect of the foregoing. Investments will be denominated in various currencies including US dollars and Euro and thus will be subject to any fluctuation in exchange rates between US dollars and Euro or foreign currencies and the currency of your own jurisdiction. Such fluctuations may have an adverse effect on the value, price or income return of the investment.

To the extent permitted by law, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may at any time engage in any of the above activities as set out above or otherwise hold a interest, whether material or not, in respect of companies and investments or related investments, which may be mentioned in this publication. Accordingly, information may be available to Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, which is not reflected in this material, and Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may, to the extent permitted by law, have acted upon or used the information prior to or immediately following its publication. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited its officers, directors, employees or persons involved in the preparation or issuance of this report, may have issued other material that is inconsistent with, or reach different conclusions from, the contents of this material.

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities Research to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction. Section 27 of the Financial Advisers Act (Cap. 110) of Singapore and the MAS Notice on Recommendations on Investment Products (FAA-N01) do not apply in respect of this publication.

This material is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this material may not be suitable for all investors and a person receiving or reading this material should seek advice from a professional and financial adviser regarding the legal, business, financial, tax and other aspects including the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

Please contact Phillip Securities Research at [65 65311240] in respect of any matters arising from, or in connection with, this document.  
This report is only for the purpose of distribution in Singapore.



**Contact Information (Singapore Research Team)**

**Management**

**Chan Wai Chee**  
(CEO, Research - Special Opportunities)  
**Joshua Tan**  
(Head, Research - Equities & Macro)

+65 6531 1231  
+65 6531 1249

**Research Operations Officer**

Jaelyn Chin +65 6531 1240

**Macro | Equities**

Soh Lin Sin +65 6531 1516  
Bakhteyar Osama +65 6531 1793

**Market Analyst | Equities**

Kenneth Koh +65 6531 1791

**US Equities**

Wong Yong Kai +65 6531 1685

**Finance | Offshore Marine**

Benjamin Ong +65 6531 1535

**Real Estate**

Caroline Tay +65 6531 1792

**Telecoms | Technology**

Colin Tan +65 6531 1221

**Transport & Logistics**

Richard Leow, CFTe +65 6531 1735

**Contact Information (Regional Member Companies)**

**SINGAPORE**

**Phillip Securities Pte Ltd**  
Raffles City Tower  
250, North Bridge Road #06-00  
Singapore 179101  
Tel +65 6533 6001  
Fax +65 6535 6631  
Website: [www.poems.com.sg](http://www.poems.com.sg)

**MALAYSIA**

**Phillip Capital Management Sdn Bhd**  
B-3-6 Block B Level 3 Megan Avenue II,  
No. 12, Jalan Yap Kwan Seng, 50450  
Kuala Lumpur  
Tel +603 2162 8841  
Fax +603 2166 5099  
Website: [www.poems.com.my](http://www.poems.com.my)

**HONG KONG**

**Phillip Securities (HK) Ltd**  
11/F United Centre 95 Queensway  
Hong Kong  
Tel +852 2277 6600  
Fax +852 2868 5307  
Websites: [www.phillip.com.hk](http://www.phillip.com.hk)

**JAPAN**

**Phillip Securities Japan, Ltd.**  
4-2 Nihonbashi Kabuto-cho Chuo-ku,  
Tokyo 103-0026  
Tel +81-3 3666 2101  
Fax +81-3 3666 6090  
Website: [www.phillip.co.jp](http://www.phillip.co.jp)

**INDONESIA**

**PT Phillip Securities Indonesia**  
ANZ Tower Level 23B,  
Jl Jend Sudirman Kav 33A  
Jakarta 10220 – Indonesia  
Tel +62-21 5790 0800  
Fax +62-21 5790 0809  
Website: [www.phillip.co.id](http://www.phillip.co.id)

**CHINA**

**Phillip Financial Advisory (Shanghai) Co Ltd**  
No 550 Yan An East Road,  
Ocean Tower Unit 2318,  
Postal code 200001  
Tel +86-21 5169 9200  
Fax +86-21 6351 2940  
Website: [www.phillip.com.cn](http://www.phillip.com.cn)

**THAILAND**

**Phillip Securities (Thailand) Public Co. Ltd**  
15th Floor, Vorawat Building,  
849 Silom Road, Silom, Bangrak,  
Bangkok 10500 Thailand  
Tel +66-2 6351700 / 22680999  
Fax +66-2 22680921  
Website [www.phillip.co.th](http://www.phillip.co.th)

**FRANCE**

**King & Shaxson Capital Limited**  
3rd Floor, 35 Rue de la Bienfaisance 75008  
Paris France  
Tel +33-1 45633100  
Fax +33-1 45636017  
Website: [www.kingandshaxson.com](http://www.kingandshaxson.com)

**UNITED KINGDOM**

**King & Shaxson Capital Limited**  
6th Floor, Candlewick House,  
120 Cannon Street,  
London, EC4N 6AS  
Tel +44-20 7426 5950  
Fax +44-20 7626 1757  
Website: [www.kingandshaxson.com](http://www.kingandshaxson.com)

**UNITED STATES**

**Phillip Futures Inc**  
141 W Jackson Blvd Ste 3050  
The Chicago Board of Trade Building  
Chicago, IL 60604 USA  
Tel +1-312 356 9000  
Fax +1-312 356 9005  
Website: [www.phillipusa.com](http://www.phillipusa.com)

**AUSTRALIA**

**Phillip Capital Limited**  
Level 12, 15 William Street,  
Melbourne, Victoria 3000, Australia  
Tel +61-03 9629 8288  
Fax +61-03 9629 8882  
Website: [www.phillipcapital.com.au](http://www.phillipcapital.com.au)

**SRI LANKA**

**Asha Phillip Securities Limited**  
No-10 Prince Alfred Tower,  
Alfred House Gardens,  
Colombo 03, Sri Lanka  
Tel: (94) 11 2429 100  
Fax: (94) 11 2429 199  
Website: [www.ashaphillip.net](http://www.ashaphillip.net)

**INDIA**

**PhillipCapital (India) Private Limited**  
No.1, 18th Floor  
Urmi Estate  
95, Ganpatrao Kadam Marg  
Lower Parel West, Mumbai 400-013  
Maharashtra, India  
Tel: +91-22-2300 2999 / Fax: +91-22-2300 2969  
Website: [www.phillipcapital.in](http://www.phillipcapital.in)

**TURKEY**

**PhillipCapital Menkul Degerler**  
Dr. Cemil Bengü Cad. Hak Is Merkezi  
No. 2 Kat. 6A Caglayan  
34403 Istanbul, Turkey  
Tel: 0212 296 84 84  
Fax: 0212 233 69 29  
Website: [www.phillipcapital.com.tr](http://www.phillipcapital.com.tr)

**DUBAI**

**Phillip Futures DMCC**  
Member of the Dubai Gold and  
Commodities Exchange (DGEX)  
Unit No 601, Plot No 58, White Crown Bldg,  
Sheikh Zayed Road, P.O.Box 212291  
Dubai-UAE  
Tel: +971-4-3325052 / Fax: + 971-4-3328895  
Website: [www.phillipcapital.in](http://www.phillipcapital.in)