

Industri Jamu dan Farmasi Sido Muncul

A slump in energy drinks business

INDONESIA | PHARMACIES | UPDATE

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- Net revenue booked a negative growth of -2.04% yoy to IDR 509 bn.
- Herbal medicine remained the single largest growth contributor with 13.3 % yoy growth.
- Energy drinks and beverages products declined by 29 and 17 percent yoy, respectively.
- Profit margins improved slightly due to higher herbal medicine's contribution to total revenue.
- We downgraded Sido to "Reduce" with revised price target of IDR 458 per share due to a huge slump in energy drinks business.

What is the news?

SIDO released its 1Q15 on April 30. Net revenue for the first quarter recorded at IDR 509 bn (-2.04% yoy). Energy drink segment once again took a big hit with sales dropped 29 percent yoy amid the fierce competition in the market and eroding market share. Beverages & confectionaries business also fell 17 percent yoy. Herbal medicine business, being the largest contributor, grew 13.3 percent yoy to IDR 273 bn. Gross profit decreased slightly to IDR 194.6 bn (-0.76% yoy) and net profit climbed 1.82 percent yoy to IDR 118 bn contributed by a deep cut in sales and marketing expenses.

Results at a glance

	1Q14	1Q15	Yoy (%)	Comments
Revenue	520	509	-2.04	A slump in energy drink and beverages & confectionaires business; herbal drink segment seen a firm growth.
Gross Profit	196	195	-0.76	
Operating Profit	119	138	15.85	Lower sales and marketing expenses by 37.12% yoy boosted operating income.
Net Profit	116	118	1.82	

Source: Company data, PSI Research

How do we view this?

Gross profit margin in 1Q15 improved slightly to 38.2 percent vs. 37.7 percent in 1Q14. Changes in business mix brought a positive impact to the company's profitability as the herbal medicine segment, which by far have the highest profit margins, took bigger proportion in the revenue pie chart. Both operating profit and net profit margin also increased accordingly with the support from lower sales and marketing expenses to promote efficiency.

Reduce (Downgraded from Accumulate)
CMP IDR 490
TARGET IDR 458 (-6.53%)
PREVIOUS TARGET IDR 580

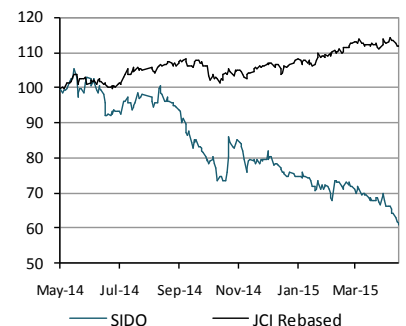
COMPANY DATA

O/S SHARES (BN) :	15.00
MARKET CAP (IDR TN) :	7.35
MARKET CAP (USDBN) :	0.52
52 - WK HI/LO (IDR) :	865/474
3M AVG. VOLUME (MN SHARES):	5.68
PAR VALUE (IDR) :	100

MAJOR SHAREHOLDERS, %

Hidayat Family	81.0%
Norges Bank Investment Management	1.44%
Bank of New York Mellon Corp	0.29%
Schroder Investment Management	0.23%
Schroder Investment Mgmt Ltd	0.19%
Blackrock, Inc.	0.10%
AIG Investment Corp	0.09%

PRICE VS. JCI



Source: Phillip Securities Indonesia Research

KEY FINANCIALS

IDR bn	FY14	FY15F	FY16F	FY17F
Revenue	2,198	2,261	2,526	2,890
EBIT	441	526	594	833
Net Profit	415	416	461	635
EPS, IDR	28	28	31	42
PER, x	22.00	16.53	14.90	10.82
P/BV, x	3.47	2.42	2.24	2.03
ROE, %	15.8	14.6	15.0	18.7

Source: Phillip Securities Indonesia Research Est.

Valuation Method: Residual Income Method

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Given the horrifying slowdown in energy drink business, we decided to reduce our growth target further. We expect energy drink business to drop 20 percent by the end of the year while herbal medicine is expected to maintain its 15 percent growth this year. In overall, net revenue for this year is expected to be stagnant while the bottom-line could probably see slight increase if the company manage to successfully control its costs.

Investment Actions

We **downgraded our "Accumulate" rating to "Reduce"** with a **revised price target of IDR 458 per share** from IDR 580 per share previously. **FY15's EPS is expected at IDR 28 per share and PER at 16.53x.** We certainly hope that herbal medicine could maintain its solid growth towards the year end and a steep decline in energy drink segment this quarter will not continue.

Key Financial Summary

	FY13	FY14	FY15F	FY16F	FY17F
Revenue (IDR bn)	2,372	2,198	2,261	2,526	2,890
Net Income (IDR bn)	406	415	416	461	635
EPS, adj. (IDR)	27	28	28	31	42
P/E (x)	25.87	22.04	16.53	14.90	10.82
BV (IDR)	175	176	189	205	226
PBV (x)	4.00	3.47	2.42	2.24	2.03
DPS (IDR)	10	27	14	15	21
Div. Yield (%)	1.4	4.4	3.0	3.4	4.6

Source: Company Data, PSI Research Est.

* Forward multiples and yields are based on current price and historical yields are based on historical price.

FYE Dec	FY13	FY14	FY15F	FY16F	FY17F
Valuation Ratios					
P/E (X)	25.87	22.04	16.53	14.90	10.82
P/E (X). Adj	25.87	22.04	16.53	14.90	10.82
P/B (X)	4.00	3.47	2.42	2.24	2.03
EV/EBITDA (X), adj	18.65	16.17	12.69	10.96	7.83
Dividend Yield (%)	1.43	4.43	3.03	3.36	4.62
Per Share data (IDR)					
EPS, reported	27	28	28	31	42
EPS, adj.	27	28	28	31	42
DPS	10	27	14	15	21
BPS	175	176	189	205	226
Growth & Margins (%)					
Growth					
Revenue	-0.8%	-7.4%	2.9%	11.7%	14.4%
EBITDA	-9.1%	4.4%	22.1%	14.8%	36.4%
EBIT	16.2%	-24.9%	19.1%	12.9%	40.4%
Net Income, adj	4.7%	2.3%	0.1%	10.9%	37.8%
Margins					
EBITDA Margin	20.7%	23.3%	27.7%	28.4%	33.9%
EBIT Margin	24.8%	20.1%	23.3%	23.5%	28.8%
Net Profit Margin	17.1%	18.9%	18.4%	18.2%	22.0%
Key Ratios					
ROE (%)	15.5%	15.8%	14.6%	15.0%	18.7%
ROA (%)	13.8%	14.7%	13.6%	14.0%	17.5%
Net Debt (Cash)	(1,349)	(865)	(763)	(832)	(1,034)
Net Debt / Equity	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
Debt / Equity	0.0%	0.0%	0.0%	0.0%	0.0%
Income Statement (IDR bn)					
Revenue	2,372	2,198	2,261	2,526	2,890
EBITDA	491	512	625	718	980
Depreciation & Amortization	-47	-74	-100	-125	-146
EBIT	588	441	526	594	833
Net Finance (Expense) / Income	-5	104	29	21	14
Associates & JVs	0	0	0	0	0
Profit Before Tax	583	546	554	615	847
Taxation	-177	-130	-139	-154	-212
Profit After Tax	406	415	416	461	635
Non-controlling Interest	0	0	0	0	0
PATMI	406	415	416	461	635

Source: Company Data, PSI Research

FYE Dec	FY13	FY14	FY15F	FY16F	FY17F
Balance Sheet (IDR bn)					
PPE	556	791	1,191	1,417	1,571
Intangibles	0	91	91	91	91
Advance for purchase of PPE	26	60	91	72	58
Others	3	18	18	18	18
Total Non-Current Assets	585	961	1,392	1,598	1,738
Inventories	288	231	243	280	311
Account Receivables	462	334	335	379	431
Time Deposit	200	390	300	200	100
Cash	1,349	865	763	832	1,034
Others	68	41	21	14	18
Total Current Assets	2,367	1,860	1,662	1,705	1,894
Total Assets	2,952	2,821	3,053	3,303	3,632
Short Term Loans	0	0	0	0	0
Account Payables	190	150	168	181	184
Others	135	32	37	42	49
Total Current Liabilities	325	181	205	224	233
Long Term Loans	0	0	0	0	0
Others	1	5	6	6	9
Total Non-Current Liabilities	1	5	6	6	9
Non Controlling Interest	0	0	0	0	0
Shareholder's Equity	2,625	2,635	2,842	3,073	3,391
Cashflow Statements (IDR bn)					
CFO					
Net Income	406	415	416	461	635
WC Changes	1,295	(363)	(223)	25	180
Others	(1,096)	377	254	(81)	(255)
Cashflow from Operating	605	429	447	405	560
CFI					
Capex, net	(161)	(309)	(500)	(350)	(300)
Others	(123)	(197)	159	244	260
Cashflow from Investments	(284)	(506)	(341)	(106)	(40)
CFF					
Share Issuance	370	0	0	0	0
Loans, net of repayments	0	0	0	0	0
Dividens	(150)	(405)	(208)	(230)	(318)
Others	395	0	0	0	0
Cashflow from Financing	615	(405)	(208)	(230)	(318)
Net change in cash	936	(482)	(102)	68	202
CCE, end	1,347	865	763	832	1,034

Source: Company Data, PSI Research

Important Information

Rating for Sectors:

- Overweight** : We expect the industry to perform better than the primary market index (JCI) over the next 12 months.
- Neutral** : We expect the industry to perform in line with the primary market index (JCI) over the next 12 months.
- Underweight** : We expect the industry to under-perform the primary market index (JCI) over the next 12 months.

Rating for Stocks:

- Buy** : The stock is expected to give total return (price appreciation + dividend yield) of > +20% over the next 12 months.
- Accumulate** : The stock is expected to give total return (price appreciation + dividend yield) of +5% to +20% over the next 12 months.
- Neutral** : The stock is expected to give total return of between -5% and +5% over the next 12 months.
- Reduce** : The stock is expected to give total return of between -5% and -20% over the next 12 months.
- Sell** : The stock is expected to give total return of -20% or lower over the next 12 months.
- Outperform** : The stock is expected to do slightly better than the market return. Equal to “accumulate” or “moderate buy”
- Underperform** : The stock is expected to do slightly worse than the market return. Equal to “weak hold” or “moderate sell”

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