

MINUTES OF THE PUBLIC EXPOSE
PT Industri Jamu Dan Farmasi Sido Muncul Tbk.

Day/Date	: Monday, 27 August 2018
Time	: 13:10 to 14:05 Western Indonesia Time (WIB)
Attendance List	: See attached

PT Industri Jamu Dan Farmasi Sido Muncul Tbk. (the "Company") Public Expose was held at Ruang Seminar 2 Lantai 2, Gedung Bursa Efek Indonesia, Jakarta and was attended by:

- Mr David Hidayat (President Director)
- Mr Irwan Hidayat (Director)
- Mr Leonard (Director)
- Mr Gerry Mustika (Director)
- Mdm. Tiur Simamora (Corporate Secretary)

The presentation was opened at 13:10 WIB by the moderator, Mr Aditya Chandra of the Indonesia Stock Exchange (*Bursa Efek Indonesia*, BEI). The Company's Director delivered a presentation on the company overview, its business, and its financial performance as at the end of the first half of 2018. Materials of the presentation have been submitted beforehand to the BEI.

DIRECTOR'S PRESENTATION

The presentation was delivered by Mr Leonard, the Company's Independent Director.

Items presented in the Public Expose are: Company Overview, Company's Business, and Company's Financial Performance as at the first half of 2018.

The presentation mentioned the following:

The Company's sales in the first half of 2018 increased by 5.4% to Rp1.274 trillion from Rp1.209 trillion in the same period in 2017.

The largest sales contributor was the Herbal and Supplement with which recorded a 7.4% growth, followed by Healthy Food and Beverage which recorded a 0.4% growth. The Pharmaceutical segment grew by 10.9%.

The Company's operating profit increased by 20.4% or by Rp62 billion due to the following:

- Gross profit margin increased by 6% (YoY) due to increased production efficiency and capacity at the new extraction facility (Semarang Herbal Indo Plant, SHI). The facility improved the production rate of raw materials for *jamu*.
- Discontinuation of royalty fees since February 2018
- Increase in the average selling price in the Herbal and Supplement segment as well as in the Healthy Food and Beverage segment.

The Company's cash position is solid and its average dividend pay-out ratio is above 80%:

- The Company's cash position is solid. Its cash and cash equivalents have usually been above Rp1 trillion from 2014 to June 2018. As at June 2018, the Company has Rp1.059 trillion in cash and cash equivalents.
- The Company's average dividend pay-out ratio from 2014 to 2017 was above 80%. For the 2017 financial year, the dividend pay-out ratio was 81% at Rp29 per share.
- The Company's capex as at June 2018 was Rp163 billion from a total capital expenditure budget of Rp300 billion for 2018.

As at 16 August 2018, SIDO's share price increased by 48.6% during the current year despite sluggish performance of the Indonesia Composite Index (*Indeks Harga Saham Gabungan, IHSG*) in the current year.

Question and Answer:

1. Ahmad Hidayat / Afung (Indo Premier Sekuritas)

- a. What is the financial forecast for 2019 after the Liquid Herbal (*Cairan Obat Dalam*) facility starts operating in December 2018?
- b. How much is the capex for 2019?
- c. Will there be any corporate actions, such as business expansions or introduction of new products?

Answer

- a. Production capacity in 2018 was about 70 million to 80 million sachets per month. The increase in production capacity in December 2018 allows us to produce about 100 million sachets per month (95% of production capacity). Consequently, there will be an increase in sales in 2019 but the figures are being discussed by the management. Looking at previous years, sales should increase by at least 10%.
- b. SIDO's capex for 2017 and 2018 was more than Rp300 billion. The capex in 2017 was Rp300 billion and as at June 2018 is Rp165 billion. We expect the figure at the end of 2018 to be Rp300 billion. For 2019, we will minimise new capex and leverage on previous capex that has been completed/achieved in order to improve sales.
- c. Following the business expansion to the Philippines and Nigeria, we expect to channel the increase in production capacity in December 2018 to export/overseas market. In addition, SIDO is also preparing to introduce all of its previous *jamu* products in liquid form.

2. Antionius (Investor)

- a. Is the discussion with Affinity Equity Partners still on-going? What are the current developments? Will the shares be acquired through market placement or from shares held by PT Hotel Candi Baru?
- b. If the deal goes through, what is Affinity's added value for Sido Muncul?
- c. Will the older factories be phased out or remain in use?
- d. Are there any significant competitors for products marketed in the Philippines?
- e. Why is it that Sido Muncul's products are frequently out-of-stock in several modern outlets in Malang and take some time to be re-stocked?

Answer:

- a. The deal with Affinity has been concluded and shares will be acquired from the holding company. However, the shares are not yet transferred.
- b. Affinity's an added-value for SIDO is placement of its professionals, i.e. Independent Director and Independent Commissioner, in our management. Furthermore, SIDO can use Affinity's network as a multinational company to market its products.
- c. Older factories will be repaired and used for back-up.
- d. There is no significant competition for products marketed in the Philippines, in particular Tolak Angin.
- e. SIDO does not decrease its distribution to any modern outlets. SIDO looks to maintain its market share by distributing its products to retail shops and modern pharmacy chains so that they are always available. As such, consumers can find our products at both modern outlets and other retail shops in their area.

3. Indra (Investor)

- a. What is the purpose of expanding the business to Nigeria, given its geographical distance from Indonesia?
- b. Pharmaceutical and other products are subject to royalties. As a pharmaceutical company, why does the Company choose to pay royalties instead of developing its products in-house, since products with expired patents can be copied freely?

Answer:

- a. SIDO has been exporting to Nigeria in the last 2 years. SIDO is currently setting-up a company in the country. Nigeria has a population of about 190 million and Kuku Bima is the second-most known product there. We hope that it will become the best-known product in Nigeria.
- b. In the past, SIDO paid annual royalties to the Hidayat family for their *jamu* recipes. We then bought the recipes so that we no longer have to pay such annual royalties (royalty payments have stopped since February 2018).

4. Natalia (Dana Reksa)

- a. What is the Company's market share in the Energy Drink segment? By volume, it does not look good.
- b. Please describe the margin for Food & Beverage, including Kuku Bima, since its gross profit has increased significantly.
- c. For this year, is there been any increase in the price of core products and how much is that increase?

Answer:

- a. Kuku Bima is in the Top 3 in the Indonesian energy drink segment.
- b. Similar to the Herbal and Supplement segment, the margin for the Food & Beverage segment, especially energy drinks, increased due to efficiencies in the production facilities as well as the effect from the stopping of royalty payments for a number of products.
- c. This matter has been addressed in the presentation.

5. Arif (Bolasalju.com)

- a. What is Tolak Angin's market share?

- b. What is the management's expected revenue contribution from the overseas market, in terms of percentage of the Company's overall revenue and target in years?
- c. Among its peers, does Sido Muncul have the ability to raise its prices first? What is the average increase of the prices of its products?

Answer:

- a. SIDO currently holds the largest market share.
- b. Revenue contribution from the overseas market is still low at less than 2%. This is because SIDO's production capacity is mainly aimed for the Indonesian and Asian markets. Nonetheless, there is a possibility that SIDO will further expand to other countries.
- c. SIDO is currently the market leader in Indonesia. If SIDO raised its prices, other will follow suit.

6. Robertus (Krisna Sekuritas)

- a. By volume or by value, which product segment currently contributed the largest sales and what is the projection for the next three or five years?
- b. What currently is the Company's largest distribution channel?

Answer:

- a. Products in the liquid herbal segment contribute the largest sales by volume and value. In relation to sales projections, the Indonesian public tend to favour herbal medicines compared with chemical medicines – for which SIDO is widely known for its *jamu* recipes. SIDO is looking to apply modern innovations in *jamu* products, such that those innovations can contribute to profit growth for the next five years.
- b. General trade (GT) is the SIDO's largest distribution channel. In time to come, we will continue to develop a better distribution pattern.

7. Indra (Henan Putirai Sekuritas)

- a. Please describe the Company's marketing strategy for the next five years.
- b. Has Sido Muncul matured all of its products such that it focuses on the overseas market?

Answer:

- a. In terms of strategy, we remain focused on the domestic market but for different types of products given Indonesia's population and number of products yet to be developed.
- b. There is no link between the increased focus in export and the mature product market in Indonesia. We took advantage of the available market opportunity.