

MINUTES OF THE PUBLIC EXPOSE 2020
PT Industri Jamu Dan Farmasi Sido Muncul Tbk.

Day/Date	: Monday, 27 August 2020
Time	: 15:00 to 16:00 Western Indonesia Time (WIB)
Attendance List	: See attached

PT Industri Jamu Dan Farmasi Sido Muncul Tbk. (the “**Company**”) Public Expose was held online using the Zoom application and was attended by:

- Mr Leonard (Director)
- Mr Darmaji Sidik (Director)
- Mdm. Tiur Simamora (Corporate Secretary)

The presentation was opened at 15:00 WIB by the moderator, Mr Teguh of the Indonesia Stock Exchange (*Bursa Efek Indonesia*, “**BEI**”). The Company's Director delivered a presentation on the company overview, its business performance, and its financial performance in the 1H-2020. Materials of the presentation have been submitted beforehand to the BEI.

DIRECTOR'S PRESENTATION

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

Items presented in the Public Expose are: Company Overview, Company's Business Performance, and Company's Financial Performance in 1H-2020.

In his presentation, the Director discussed the following:

At the start of Q2-2020, a number of regions in Indonesia imposed large scale social restrictions (*pembatasan sosial skala besar*, “**PSBB**”), particularly in major cities that drive the national economy. As a result of the restrictions, the public, especially those in the low to middle bracket, suffered from economic effects, which in turn reduced consumer buying power.

Data in the Retail Sales Survey conducted by Bank Indonesia found a contraction i.e. negative growth, in retail sales in the last 3 months. The findings are consistent with the Indonesia Consumer Confidence Index that fell below 100, well into the pessimistic zone.

In early June 2020, restrictions in major cities, particularly Jakarta, have been eased through the New Normal Protocol that allows business activities to resume. SIDO expects that consumer purchasing power will recover in the next 3 (three) months, provided that the COVID-19 Pandemic is well-managed and the large-scale restrictions are not re-imposed.

In Q2-2020, the Company has launched 14 new products or variants, including 7 softgel herbal supplements launched in Q1-2020. All of SIDO's newly launched products can be purchased through online marketplaces, such as Tokopedia and Shopee, and from the sidomunculstore.com.

The Company has launched key initiatives to mitigate risks that may affect its operations, as follows:

1. The Company's production facilities continued to operate as normal before and after the PSBB.
2. In Q2-2020, SIDO pre-empted risks to its supply chain by increasing its inventory stockpiles, especially raw materials and packaging materials.
3. Implemented strict health and safety protocols in every work area. The Company also installed thermal scanners to detect irregular body temperature and sterilised the factory floor. In effect, employees and visitors entering the Company's premises and production facilities must have their temperatures checked and pass through a sterilisation chamber.
4. Improved product availability for Modern Trade (MT) channels. Our analysis showed that business activities in the General Trade (GT) channels have slowed down during the PSBB. During this time, most consumers preferred to purchase their groceries through MT channels as it is perceived to be more hygienic and less crowded. In addition, consumer buying power in the MT channels remained high.
5. Optimised sales through the Company's online store (sidomunculstore.com), online marketplaces (Tokopedia, Shopee, etc.), and through direct sales via social media (Instagram, WhatsApp, etc.).
6. Adopted a marketing strategy that highlights the benefits of SIDO's products, i.e. improving and maintaining the immune system.

In 1H-2020, the Company's net sales grew by 4% on the back of domestic sales. Domestic demand has increased significantly for products in SIDO's Healthy Beverage segment, which includes the Vit C1000 powdered drink and ginger-based beverages, such as Susu Jahe, Kopi Jahe, and Jahe Wangi.

On the other hand, sales of Herbal & Supplement products have decreased due to a decline in Tolak Angin sales in the Philippines. Contribution from export sales in 1H-2020 was 2%, relatively stable vis-à-vis Q1-2020. Per segment sales growth in 1H-2020 on a Year-on-Year (YoY) basis is as follows:

- Herbal & Supplements : -2%
- Food & Beverage : +16%
- Pharmaceuticals : +6%

Operating profit in 1H-2020 grew by 7% following a 4.5% reduction in operating expense ("OPEX") enabled by cost efficiency measures. The ratio of advertising and promotional spending ("A&P Ratio") was at 8% of sales, below the 13% cap. Performance improvements in the Food & Beverage segment and cost efficiency measures have enabled the Company to book an 11% increase in net profit on a YoY basis.

The Company's initiatives and strategy in 2H-2020 will be relatively similar to that in 1H-2020. SIDO will continue to be efficient with its OPEX and will reduce its A&P Ratio to 10% of sales. Accordingly, the Company targets its net profit to grow by at least 10% in 2020.

In the fight against COVID-19, the Company has pledged a total of Rp15 billion, which will be used to provide medical care, equipment for medical workers, and social assistance. The Company is also working with the Indonesian Red Cross Society (PMI), BenihBaik.com, Indonesian Medical Association (IDI), Rumah Perubahan, and KitaBisa.com to distribute aid to medical workers and the public.

The Company also provided a safe working environment to curb the virus transmission, as follows:

1. Scheduling work from home, especially for support departments.
2. Implementing health protocols and inspections at work areas. These include temperature checks at entrances, hand sanitizers in every corner, and routine disinfection sprays.

Questions and Answers:

1. Yoga Saputra

- a. Does the Company procure raw materials for production from self-managed plantations? If procured from external sources, what are the Company's strategies to ensure supply continuity of the raw materials?
- b. What is the share of sales from MT and GT channels up to August 2020?

Answers:

- a. The Company's raw materials consist of herbal and non-herbal products. Herbal products are procured from external sources since our goal is to allow farmers and the underprivileged to offer supplies to the Company. the Company has long-term relations with its vendors.
- b. Sales from MT is 14% to 15% while the remainder is from GT.

2. Welly Junior

Why did the Company exercise a stock split?

Answer:

The Company exercised the stock split to increase the trading liquidity of its shares, which was among the concerns of our investors. In addition, we expect the stock split can attract more investors to invest in SIDO.

3. Rinaldo Maharditama

- a. To my knowledge, SIDO has launched vitamin supplement products. What is the sales target for this product line?
- b. Are there going to be new beverage products that SIDO will launch in the future?

Answers:

- a. SIDO has indeed launched numerous vitamin and supplement products in softgel dosage forms. In the past, SIDO has also launched the Vitamin C 1000 product that has been widely known among consumers. Sales contribution from vitamin supplement products has increased in Q2-2020 compared with Q1-2020.
- b. New products are currently in development and their launch will be announced on a later date.

4. Alfarida

What are SIDO's business development strategies to ensure its business continuity during this pandemic?

Answer:

The Company's strategies are as follows:

- Adopting a marketing strategy that highlights Tolak Angin's benefits, i.e. improving and maintaining the immune system, making it suitable to consume during the COVID-19 Pandemic.
- Launching vitamin supplement products that ought to be consumed during the COVID-19 Pandemic.
- In terms of distribution, SIDO's products are available through MT and GT channels. Our products can also be purchased from sidomunculstore.com and online marketplaces such as Tokopedia and Shopee.

5. Filemon Agung Hadiwardoyo

- What are the key factors that enabled the Company to achieve its 1H-2020 results?
- What is the Company's projected income at the end of 2020?
- Online sales are part of the Company's current strategy. How much does it contribute to the Company's performance?
- How much is the capital expenditure allocated for this year? How much has been spent so far?

Answers:

- The Company achieved its 1H-2020 results owing to a 16% rise in the Food & Beverage segment compared with last year.
- Against the COVID-19 backdrop and provided the public continues to observe New Normal protocols, the Company expects to achieve at least single digit growth in this year. However, the Company is optimistic that its bottom line will grow by at least 10%.
- Sales from GT channels contributed to 80% of sales while MT contributed 15%. The remaining 5% is from online sales. Nonetheless, compared with the previous year, online sales grew by more than 100%.
- The capital expenditure for this year is Rp180 billion and was later revised to Rp135 billion due to the COVID-19 Pandemic. The Company's capital expenditure for this year is intended as maintenance capex.

6. Antonius Budianto

Please describe SIDO's exports to the Philippines and Nigeria during this pandemic.

Answer:

Exports to the Philippines and Nigeria have faced issues due to lockdowns. Nonetheless, Malaysia is a promising export destination because it is recovering from lockdown restrictions.

7. Rudi H.

What are the Company's plans to diversify its business lines and activities during this pandemic?

Answer:

Our workplan for 2020 are:

- Maximise utilisation of the Company's liquid herbal factory, which currently operates at 50% capacity. The Company is also looking to improve its service level availability in the MT channel.
- Ensure product accessibility across Indonesia.

8. Zerlynda Charlie

Does SIDO have any LEAP framework in place to manufacture traditional remedies that can be traded on international markets? For example, Korea, Japan, and China are able to promote their traditional remedies, such that tourists were interested to buy into their traditional remedies.

Answer:

SIDO has exported more than just Tolak Angin to 15 countries. For 2020, we are only focusing on 3 countries, namely the Philippines, Nigeria, and Malaysia, based on their potential interest to consume SIDO's products.

9. Stefanus Timotius

What are the Company's strategies to maintain or increase Tolak Angin's market share? What are the Company's plans for the Pharmaceutical segment going forward?

Answer:

In the Herbal & Supplements segment, customers do not tend to switch to other products, and it is relatively less difficult to maintain the market share. Currently, Tolak Angin's market share is 72%, up by 2% compared with 2019.

10. Harry Whelpton

What do you think is the reason for low sales growth? I would have expected strong product sales during the Pandemic.

Answer:

Our Tolak Angin product is mainly a preventive product, and most customers tend to be very loyal to our products. We control 72% of the market share in the Herbal & Supplements segment, thus it is easier to maintain the market share. We also have herbal products in the Food & Beverage segment, where its growth was 16%. Our customers believe products such as Kopi Jahe, Jahe Susu, and C1000 are able to improve and maintain the body's immune response, making it suitable to consume during the COVID-19 Pandemic.