

PT. HM SAMPOERNA Tbk.

4 April 2024
Non Cyclical - Tobacco

Price	IDR	840
Target Price	IDR	1,150
JKSE Index		7,166.844



Stock Information

Bloomberg Code	HMSP IJ
Market Cap (IDR bn)	99,452.06
52-week high (IDR)	1,235
52-week low (IDR)	780
Shares issued (mn)	116,318
Free float	7.50%

Major share holders

PT Philip Morris Indonesia	92.50%
Public	7.50%

USD/ IDR – YE (IDR)

2023	15,439
2024F (6m-avg)	15,493

Analyst
eka.rahmah@binaartha.com

Investment Consideration

BUY

Maintaining a stable market share

- Due to an increase in third-party manufacturing in Indonesia, HMSP witnessed a -4.2% year-on-year (YoY) decline in sales volume to 20.3 billion sticks in Q4 2023, mirroring a decrease in the domestic cigarette sales volume, which fell by -1.2% to 72.5 billion sticks. Throughout 2023, HMSP's sales volume experienced a -3.9% YoY decline to 83.4 billion sticks, while the domestic sales volume also saw a reduction of -4.1%. Despite these decreases, the market share remained stable at 28.6% in 2023.
- The decline in cigarette sales volume can be attributed to higher cigarette prices in response to increased excise taxes. Concurrently, consumers shifted towards lower-priced cigarettes, significantly impacting the growth and expansion of third-party manufacturing in Indonesia.
- Following a price increase at the beginning of the year, HMSP's sales rose by 5.5% YoY but saw a -10.7% quarter-on-quarter (QoQ) decline to IDR 27.8 trillion.
- HMSP's hand-rolled clove cigarettes (SKT) recorded the fastest growth at 17.7% YoY to IDR 7.5 trillion, followed by hand-rolled white cigarettes (SPT) with a 13% YoY increase to IDR 248 billion. Sales of machine-made clove cigarettes (SKM) remained stable YoY but rose by 2.4% QoQ to IDR 17.5 trillion, whereas Machine-Made White (SPM) cigarettes declined by -6.3% YoY to IDR 2.25 trillion.
- Amid a global decline in cigarette volumes, HMSP's IQOS club member program, which markets the IQOS brand of heated tobacco, targets the high-consumption Indonesian market. With annual cigarette consumption in Indonesia reaching 300 billion sticks, this presents a significant market opportunity for IQOS. PMI has set a target for HMSP to sell 30 billion sticks by 2030.

4Q2023 Results: Improved YoY performance

- HMSP's net profit rose by 33% YoY but fell by -23% QoQ to IDR 1.89 trillion, resulting in a net profit margin (NPM) of 6.6% in Q4 2023. This NPM contracted from 7.9% in Q3 2023 but improved from 5.1% in Q4 2022, buoyed by early-year price increases.
- Alongside higher sales, the cost of sales increased marginally by 2.7% YoY to IDR 23.7 trillion in Q4 2023, driven by a 26.9% YoY rise in raw material costs, while excise tax costs decreased by -7.8% YoY. Consequently, HMSP's gross profit margin reached 17% in Q4 2023, showing an improvement both YoY and QoQ.
- Anticipating enhanced demand in the first half of 2024, particularly due to the election period potentially boosting consumption, we forecast HMSP's sales to grow by 7% YoY, reaching IDR 124 trillion in 2024F, with a bottom-line profit of IDR 8.83 trillion.

Valuation: TP 1,150 BUY

- We project HMSP to trade at a 14x forward P/E ratio within a year. Our target price is IDR 1,150, indicating 37% upside potential. We reaffirm our BUY recommendation.

Financial Highlights	2020A	2021A	2022A	2023A	2024F	2025F
Revenue (IDR Mn)	92.425.210	98.874.784	111.211.321	115.983.384	124.233.938	133.563.886
EBITDA (IDR Mn)	12.186.746	9.821.619	9.117.591	11.463.323	12.336.786	13.325.029
Net Profit (IDR Mn)	8.581.378	7.137.097	6.323.744	8.096.811	8.833.034	9.496.394
EPS (IDR)	74	61	54	70	76	82
GPM (%)	20,3%	17,1%	15,4%	16,7%	17,0%	17,0%
OPM (%)	11,3%	8,8%	7,4%	8,4%	8,0%	8,0%
PER (x)	20,4	15,7	15,5	12,8	15,1	14,1
PBV (x)	5,8	3,8	3,5	3,7	4,5	4,2
ROE (%)	28,4%	24,4%	22,4%	28,9%	29,7%	30,0%
ROA (%)	20,9%	17,3%	15,3%	19,7%	20,6%	20,6%

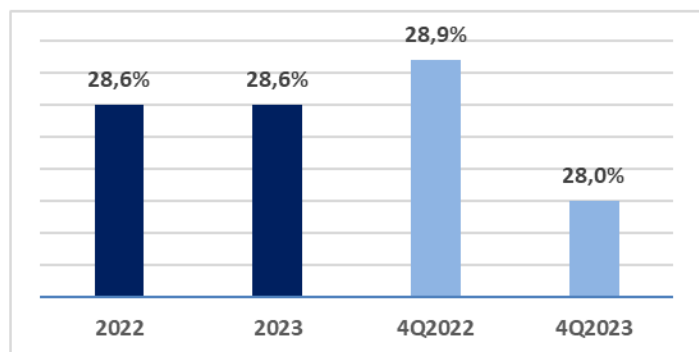
Source: Company and Binaartha

Cigarettes Sales Market Share YoY

Billion Units	4Q2022	4Q2023	%	2022	2023	%
Indonesia	73,4	72,5	-1,2%	304,0	291,6	-4,1%
PMI	21,2	20,3	-4,2%	86,8	83,4	-3,9%

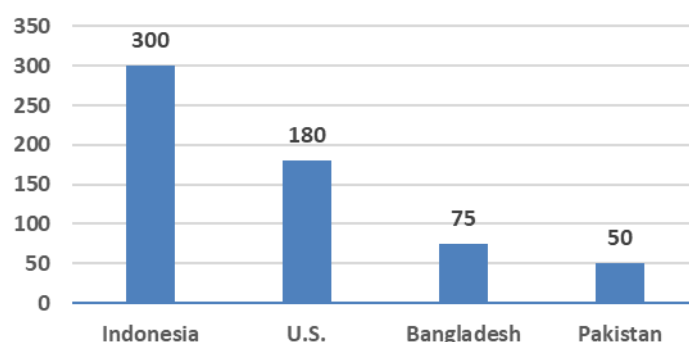
Source: Philip Morris International Inc (PMI)

HMSP Market Share YoY



Source: Philip Morris International Inc (PMI)

Top Cigarette Markets



Source: Philip Morris International Inc (PMI)

Income Statement in IDR Million QoQ & YoY

Income Statement (IDR Mn)	1Q2023	2Q2023	3Q2023	4Q2023	QoQ	4Q2022	YoY	2022	2023	YoY
Net Sales	26.965.628	29.188.998	31.142.271	28.686.487	-7,9%	27.813.181	3,1%	111.211.321	115.983.384	4,3%
Cost of Goods Sold	-22.109.892	-24.803.262	-25.942.362	-23.797.471	-8,3%	-23.160.705	2,7%	-94.053.123	-96.652.987	2,8%
Gross Profit	4.855.736	4.385.736	5.199.909	4.889.016	-6,0%	4.652.476	5,1%	17.158.198	19.330.397	12,7%
Operating Expense	-2.207.684	-2.653.460	-1.944.524	-2.820.275	45,0%	-2.484.486	13,5%	-8.941.117	-9.625.943	7,7%
Operating Income	2.648.052	1.732.276	3.255.385	2.068.741	-36,5%	2.167.990	-4,6%	8.217.081	9.704.454	18,1%
Other Income	137.945	289.873	-208.120	387.061	-286,0%	-294.716	-231,3%	55.978	606.759	983,9%
PBT	2.785.997	2.022.149	3.047.265	2.455.802	-19,4%	1.873.274	31,1%	8.273.059	10.311.213	24,6%
Taxes	-625.954	-432.148	-592.137	-564.163	-4,7%	-451.584	24,9%	-1.949.315	-2.214.402	13,6%
PAT	2.160.043	1.590.001	2.455.128	1.891.639	-23,0%	1.421.690	33,1%	6.323.744	8.096.811	28,0%
Non-controlling interest	0	0	0	0		0		0	0	
Net Profit	2.160.043	1.590.001	2.455.128	1.891.639	-23,0%	1.421.690	33,1%	6.323.744	8.096.811	28,0%
EPS	19	14	21	16	-23,0%	12	33,1%	54	70	28,0%
GPM (%)	18,0%	15,0%	16,7%	17,0%		16,7%		15,4%	16,7%	
OPM (%)	9,8%	5,9%	10,5%	7,2%		7,8%		7,4%	8,4%	
NPM (%)	8,0%	5,4%	7,9%	6,6%		5,1%		5,7%	7,0%	

Source: Company

Income Statement in IDR Million QoQ & YoY

Income Statement (IDR Mn)	2020A	2021A	2022A	2023A	2024F	2025F
Net Sales	92.425.210	98.874.784	111.211.321	115.983.384	124.233.938	133.563.886
Cost of Goods Sold	-73.653.975	-81.955.013	-94.053.123	-96.652.987	-103.114.169	-110.858.026
Gross Profit	18.771.235	16.919.771	17.158.198	19.330.397	21.119.769	22.705.861
Operating Expense	-8.328.881	-8.202.617	-8.941.117	-9.625.943	-11.181.054	-12.020.750
Operating Income	10.442.354	8.717.154	8.217.081	9.704.454	9.938.715	10.685.111
Other Income	719.112	435.012	55.978	606.759	1.242.339	1.335.639
PBT	11.161.466	9.152.166	8.273.059	10.311.213	11.181.054	12.020.750
Taxes	-2.580.088	-2.015.069	-1.949.315	-2.214.402	-2.348.021	-2.524.357
PAT	8.581.378	7.137.097	6.323.744	8.096.811	8.833.033	9.496.392
Non-controlling interest	0	0	0	0	1	2
Net Profit	8.581.378	7.137.097	6.323.744	8.096.811	8.833.034	9.496.394
EPS	74	61	54	70	76	82
EBITDA	12.186.746	9.821.619	9.117.591	11.463.323	12.336.786	13.325.029

Source: Company and Binaartha

Cash Flow in IDR Million YoY

Cash Flow (In IDR Mn)	2020A	2021A	2022A	2023A	2024F	2025F
Net Income	8.581.378	7.137.097	6.323.744	8.096.811	8.833.034	9.496.394
Depreciation	975.297	612.925	794.483	1.110.362	1.080.998	1.221.527
Change in WC	1.605.149	7.028.305	-12.019.096	1.977.125	-417.513	22.941
Cash From Operating Activities	11.161.824	14.778.327	-4.900.869	11.184.298	9.496.519	10.740.863
Change in Non-current Assets	-351.898	-3.797.856	-2.451.154	-2.325.901	-2.114.246	-2.914.412
Cash From Investing Activities	-351.898	-3.797.856	-2.451.154	-2.325.901	-2.114.246	-2.914.412
Employee benefits liabilities	310.722	-706.676	-13.834	-15.253	-462.074	93.299
Others Noncurrent Liabilities	-117.352	-47.331	150.301	-75.339	42.684	19.854
Equity	-14.019.682	-8.187.117	-7.344.982	-8.269.808	-7.082.848	-7.613.092
Cash From Financing Activities	-13.826.312	-8.941.124	-7.208.515	-8.360.400	-7.502.237	-7.499.938
Net Changes in Cash	-3.016.386	2.039.347	-14.560.538	497.997	-119.965	326.512
Beginning Balance	18.820.695	15.804.309	17.843.656	3.283.118	3.781.115	3.661.150
Ending Balance	15.804.309	17.843.656	3.283.118	3.781.115	3.661.150	3.987.663

Source: Company and Binaartha

Statement of Financial Position in IDR Million YoY

ASSETS	2020A	2021A	2022A	2023A	2024F	2025F
CURRENT ASSETS						
Cash and Cash Equivalents	15.804.309	17.843.656	3.283.118	3.781.115	3.661.150	3.987.662
Trade Accounts Receivable	3.648.322	2.896.599	2.945.727	3.491.750	3.727.018	4.006.917
Inventories	18.093.707	17.781.747	18.375.217	17.004.949	18.013.921	19.366.764
Others Current Assets	3.545.300	2.801.103	16.758.936	16.844.038	17.392.751	18.698.944
Total Current Assets	41.091.638	41.323.105	41.362.998	41.121.852	42.794.841	46.060.286
NONCURRENT ASSETS						
Fixed Assets	6.582.808	6.038.643	7.977.528	8.315.366	9.396.364	10.617.891
Goodwill	60.423	60.423	60.423	60.423	64.721	69.582
Other Noncurrent Assets	1.939.161	5.668.257	5.386.043	6.263.744	6.211.697	6.678.194
Total Noncurrent Assets	8.582.392	11.767.323	13.423.994	14.639.533	15.672.782	17.365.667
TOTAL ASSETS	49.674.030	53.090.428	54.786.992	55.761.385	58.467.623	63.425.953
LIABILITIES AND EQUITY						
LIABILITIES						
CURRENT LIABILITIES						
Trade Account Payable	3.467.567	4.244.097	5.538.570	6.659.949	6.660.417	7.415.031
Excise Tax Payable	9.547.748	14.835.154	14.373.931	15.858.165	17.392.751	18.698.944
Others Current Liabilities	3.728.519	2.885.008	4.633.093	3.265.462	3.105.848	4.006.917
Total Current Liabilities	16.743.834	21.964.259	24.545.594	25.783.576	27.159.017	30.120.892
NONCURRENT LIABILITIES						
Employee benefits liabilities	2.440.176	1.733.500	1.719.666	1.704.413	1.242.339	1.335.639
Others Noncurrent Liabilities	248.594	201.263	351.564	276.225	318.909	338.763
Total Noncurrent Liabilities	2.688.770	1.934.763	2.071.230	1.980.638	1.561.249	1.674.402
TOTAL LIABILITIES	19.432.604	23.899.022	26.616.824	27.764.214	28.720.266	31.795.294
Non-controlling interest	0	0	0	0	0	0
EQUITY	30.241.426	29.191.406	28.170.168	27.997.171	29.747.357	31.630.659
TOTAL LIABILITIES & EQUITY	49.674.030	53.090.428	54.786.992	55.761.385	58.467.623	63.425.953

Source: Company and Binaartha

Ratio Highlights YoY

	2020A	2021A	2022A	2023A	2024F	2025F
Growth (% YoY)						
Revenue	-13%	7%	12%	4%	7%	8%
OP	-39%	-17%	-6%	18%	2%	8%
EBITDA	-38%	-19%	-7%	26%	8%	8%
NP	-37%	-17%	-11%	28%	9%	8%
EPS	-38%	-19%	-7%	26%	8%	8%
Profitability						
Gross Profit Margin (%)	20%	17%	15%	17%	17%	17%
Operating Margin(%)	11%	9%	7%	8%	8%	8%
EBITDA margin(%)	13%	10%	8%	10%	10%	10%
NET Profit margin(%)	9%	7%	6%	7%	7%	7%
ROA(%)	21%	17%	15%	20%	21%	21%
ROE(%)	28%	24%	22%	29%	30%	30%
Stability						
Int. Coverage (x)	172	126	126	194	118	115
Current Ratio (X)	2	2	2	2	2	2
Per Share data						
EPS (IDR)	74	61	54	70	76	82
PER (x)	20	16	15	13	15	14
PBV (x)	6	4	3	4	4	4
EBITDA/share	105	84	78	99	106	115

Source: Company and Binaartha

Stock Ratings:

- Buy : a recommendation to purchase the security with upside potential of **20% or greater**
- Hold : a recommendation to neither buy nor sell a security with upside potential of **0-19%**.
- Sel : a recommendation to close out a long position in a security with upside potential **below 0% or negative**.

RESEARCH TEAM
(62 21) 520 6678 ext. 611

Disclaimer; PT Binaartha Sekuritas has compiled this report in good faith, using information believed to be reliable. PT Binaartha Sekuritas and its analysts take no responsibility for the accuracy of the information contained in this report. This report has been produced for distribution to clients of PT Binaartha Sekuritas only. This report is not an invitation to buy or sell any security. PT Binaartha Sekuritas may have used the information in this report prior to publication. The company or its clients may have positions in or may from time to time buy or sell the securities mentioned in this report or other related securities.