Equity Research

# PT. HM SAMPOERNA Tbk.

**13 November 2024**
**Non Cyclical - Tobacco**

| | | |
|---|---|---|
| **Price** | **IDR** | **680** |
| **Target Price** | **IDR** | **840** |
| **JKSE Index** | | **7,321.986** |



**BUY**

## Investment Considerations

### Declining volume trend continues

- HMSP reported lower sales volume, in line with the domestic market decline, driven by weak consumer purchasing power and higher average selling prices in 3Q2024.
- The domestic market recorded a slight decrease of 3.3% in sales volume, totaling 75.5 billion sticks in 3Q2024, while HMSP experienced a sharper decline of 9.2% YoY to 20.6 billion sticks, resulting in a lower market share of 27.9%, down from 29.0% in 3Q2023. For the first nine months of 2024, domestic sales volume increased by 0.86% YoY to 221.4 billion sticks, but HMSP's volume fell by 5.4% to 60.1 billion sticks.
- The decrease in cigarette sales volume is attributed to rising cigarette prices and consumers shifting to lower-priced alternatives. This trend has also led to the growth of third-party manufacturing in Indonesia.
- Consequently, HMSP's sales dropped by 1.6% YoY but rose by 6.8% QoQ to IDR 30.65 trillion.
- HMSP's hand-rolled clove cigarettes (SKT) showed positive growth, up 7.8% YoY and 21.7% QoQ to IDR 11.07 trillion. Conversely, sales of hand-rolled white cigarettes (SPT) fell by 19.7% YoY to IDR 217.9 billion, and machine-made clove (SKM) sales declined by 7.9% QoQ to IDR 16.6 trillion. Machine-made white (SPM) cigarettes also saw a significant drop of 21.6% YoY to IDR 1.58 trillion.
- In the heated tobacco unit (HTU) segment, HMSP posted substantial growth, up 99.9% to 0.3 billion units in 3Q2024, and 100% YoY to 0.8 billion units for 9M2024.

### 3Q2024 Results: Improved quarterly Performance

- HMSP's net profit fell by 22.3% YoY but increased by 78.3% QoQ to IDR 1.9 trillion, with an improved net profit margin of 6.2%, up from 3.7% in 2Q2024.
- Despite a 20% YoY increase in raw material costs, the cost of sales decreased slightly by 1.4% YoY to IDR 25.58 trillion, and excise tax costs dropped by 2.9% YoY. Consequently, HMSP's gross profit margin improved to 16.5% in 3Q2024 from 13.7% in 2Q2024.
- Advertising and promotion expenses increased by 20.7% in 3Q2024 to IDR 671 billion. Operating expenses rose by 27% YoY but decreased by 6% QoQ, leading to a 20% YoY drop in operating income to IDR 2.59 trillion, with an operating profit margin of 8.5%.
- With a new government administration, the latest tobacco excise regulation has yet to be officially decided. Speculation about tobacco excise tax remaining unchanged or not increasing in 2024 presents a positive outlook for the cigarette sector.

### Valuation: Maintain BUY TP 840

- We are targeting HMSP to trade at 11x 2025F PE within a year, with a target price of IDR 840, representing a 24% upside. We maintain our recommendation to BUY.

| Financial Highlights | 2021A | 2022A | 2023A | 2024F | 2025F |
|---|---|---|---|---|---|
| Revenue (IDR Mn) | 98.874.784 | 111.211.321 | 115.983.384 | 117.854.208 | 123.746.918 |
| EBITDA (IDR Mn) | 9.821.619 | 9.117.591 | 11.463.323 | 11.150.462 | 12.734.028 |
| Net Profit (IDR Mn) | 7.137.097 | 6.323.744 | 8.096.811 | 7.669.399 | 8.923.386 |
| EPS (IDR) | 61 | 54 | 70 | 66 | 77 |
| GPM (%) | 17,1% | 15,4% | 16,7% | 15,8% | 16,7% |
| OPM (%) | 8,8% | 7,4% | 8,4% | 7,8% | 8,7% |
| PER (x) | 15,7 | 15,5 | 12,9 | 12,7 | 10,9 |
| PBV (x) | 3,8 | 3,5 | 3,7 | 3,3 | 3,1 |
| ROE (%) | 24,4% | 22,4% | 28,9% | 26,0% | 28,5% |
| ROA (%) | 17,3% | 15,3% | 19,7% | 19,4% | 21,2% |

Source: Company and Binaartha

## Stock Information

| | |
|---|---|
| **Bloomberg Code** | **HMSP IJ** |
| Market Cap (IDR bn) | 79,096.3 |
| 52-week high (IDR) | 1,005 |
| 52-week low (IDR) | 640 |
| 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) | 15,870 |

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## Income Statement in IDR Million QoQ & YoY

| Income Statement (IDR Mn) | 1Q2024 | 2Q2024 | 3Q2024 | QoQ | 3Q2023 | YoY | 9M2023 | 9M2024 | YoY |
|---|---|---|---|---|---|---|---|---|---|
| **Net Sales** | **29.107.163** | **28.709.817** | **30.651.101** | **6,8%** | **31.142.271** | **-1,6%** | **87.296.897** | **88.468.081** | **1,3%** |
| Cost of Goods Sold | -24.351.546 | -24.776.665 | -25.580.469 | 3,2% | **-25.942.362** | **-1,4%** | **-72.855.516** | **-74.708.680** | 2,5% |
| **Gross Profit** | **4.755.617** | **3.933.152** | **5.070.632** | **28,9%** | **5.199.909** | **-2,5%** | **14.441.381** | **13.759.401** | **-4,7%** |
| Operating Expense | -2.005.739 | -2.633.940 | -2.476.551 | -6,0% | -1.944.524 | 27,4% | -6.805.668 | -7.116.230 | 4,6% |
| **Operating Income** | **2.749.878** | **1.299.212** | **2.594.081** | **99,7%** | **3.255.385** | **-20,3%** | **7.635.713** | **6.643.171** | **-13,0%** |
| Other Income | 117.141 | 58.986 | -147.246 | -349,6% | -208.120 | -29,2% | 219.698 | 28.881 | -86,9% |
| **PBT** | **2.867.019** | **1.358.198** | **2.446.835** | **80,2%** | **3.047.265** | **-19,7%** | **7.855.411** | **6.672.052** | **-15,1%** |
| Taxes | -619.974 | -288.514 | -539.117 | 86,9% | -592.137 | -9,0% | -1.650.239 | -1.447.605 | -12,3% |
| **PAT** | **2.247.045** | **1.069.684** | **1.907.718** | **78,3%** | **2.455.128** | **-22,3%** | **6.205.172** | **5.224.447** | **-15,8%** |
| Non-controlling interest | 0 | 0 | 0 | | 0 | | 0 | 0 | |
| **Net Profit** | **2.247.045** | **1.069.684** | **1.907.719** | **78,3%** | **2.455.128** | **-22,3%** | **6.205.172** | **5.224.447** | **-15,8%** |
| **EPS** | **19** | **9** | **16** | **78,3%** | **21** | **-22,3%** | **53** | **45** | **-15,8%** |
| | | | | | | | | | |
| **Sales Breakdown** | | | | | | | | | |
| Sigaret kretek mesin / SKM (machine-made) | 17.286.637 | 16.598.121 | 16.630.069 | 0,2% | 18.062.985 | -7,9% | 53.400.243 | 50.514.827 | -5,4% |
| Sigaret kretek tangan / SKT (hand-rolled) | 9.105.466 | 9.288.954 | 11.073.673 | 19,2% | 10.272.634 | 7,8% | 25.663.070 | 29.468.093 | 14,8% |
| Sigaret putih mesin / SPM (white) | 1.860.932 | 1.796.587 | 1.581.253 | -12,0% | 2.018.090 | -21,6% | 6.124.602 | 5.238.772 | -14,5% |
| Sigaret putih tangan / SPT (hand-rolled) | 217.619 | 212.497 | 217.917 | 2,6% | 217.917 | 0,0% | 767.330 | 648.033 | -15,5% |
| | | | | | | | | | |
| **Sales Volume (Billion Units)** | | | | | | | | | |
| Industry | 73,9 | 71,9 | 75,5 | 5,0% | 78,1 | -3,3% | 219,5 | 221,4 | 0,9% |
| HMSP | 20,0 | 19,7 | 20,6 | 4,6% | 22,7 | -9,3% | 63,5 | 60,1 | -5,4% |
| HMSP Market Share (%) | 27,1% | 27,4% | 27,3% | -0,4% | 29,1% | -6,1% | 28,9% | 27,1% | -6,2% |
| | | | | | | | | | |
| **GPM (%)** | **16,3%** | **13,7%** | **16,5%** | | **16,7%** | | **16,5%** | **15,6%** | |
| **OPM (%)** | **9,4%** | **4,5%** | **8,5%** | | **10,5%** | | **8,7%** | **7,5%** | |
| **NPM (%)** | **7,7%** | **3,7%** | **6,2%** | | **7,9%** | | **7,1%** | **5,9%** | |

Source: Company

## Income Statement in IDR Million QoQ & YoY

| Income Statement (IDR Mn) | 2021A | 2022A | 2023A | 2024F | 2025F |
|---|---|---|---|---|---|
| **Net Sales** | **98.874.784** | **111.211.321** | **115.983.384** | **117.854.208** | **123.746.918** |
| Cost of Goods Sold | -81.955.013 | -94.053.123 | -96.652.987 | -99.182.579 | -103.025.662 |
| **Gross Profit** | **16.919.771** | **17.158.198** | **19.330.397** | **18.671.629** | **20.721.257** |
| Operating Expense | -8.202.617 | -8.941.117 | -9.625.943 | -9.428.337 | -9.899.753 |
| **Operating Income** | **8.717.154** | **8.217.081** | **9.704.454** | **9.243.292** | **10.821.503** |
| Other Income | 435.012 | 55.978 | 606.759 | 589.271 | 618.735 |
| **PBT** | **9.152.166** | **8.273.059** | **10.311.213** | **9.832.563** | **11.440.238** |
| Taxes | -2.015.069 | -1.949.315 | -2.214.402 | -2.163.164 | -2.516.852 |
| **PAT** | **7.137.097** | **6.323.744** | **8.096.811** | **7.669.399** | **8.923.386** |
| Non-controlling interest | 0 | 0 | 0 | 0 | 0 |
| **Net Profit** | **7.137.097** | **6.323.744** | **8.096.811** | **7.669.399** | **8.923.386** |
| EPS | 61 | 54 | 70 | 66 | 77 |
| **EBITDA** | **9.821.619** | **9.117.591** | **11.463.323** | **11.150.462** | **12.734.028** |

Source: Company and Binaartha

## Cash Flow in IDR Million YoY

Source: Company and Binaartha

## Statement of Financial Position in IDR Million YoY

| ASSETS | 2021A | 2022A | 2023A | 2024F | 2025F |
|---|---|---|---|---|---|
| **CURRENT ASSETS** | | | | | |
| Cash and Cash Equivalents | 17.843.656 | 3.283.118 | 3.781.115 | 6.756.727 | 8.035.630 |
| Trade Accounts Receivable | 2.896.599 | 2.945.727 | 3.491.750 | 3.584.732 | 3.574.897 |
| Inventories | 17.781.747 | 18.375.217 | 17.004.949 | 19.854.364 | 20.623.672 |
| Others Current Assets | 2.801.103 | 16.758.936 | 16.844.038 | 9.428.337 | 9.899.753 |
| **Total Current Assets** | **41.323.105** | **41.362.998** | **41.121.852** | **39.624.160** | **42.133.952** |
| | | | | | |
| **NONCURRENT ASSETS** | | | | | |
| Fixed Assets | 6.038.643 | 7.977.528 | 8.315.366 | 9.382.051 | 10.601.717 |
| Goodwill | 60.423 | 60.423 | 60.423 | 61.398 | 64.468 |
| Other Noncurrent Assets | 5.668.257 | 5.386.043 | 6.263.744 | 6.481.981 | 6.434.840 |
| **Total Noncurrent Assets** | **11.767.323** | **13.423.994** | **14.639.533** | **15.925.430** | **17.101.025** |
| | | | | | |
| **TOTAL ASSETS** | **53.090.428** | **54.786.992** | **55.761.385** | **55.549.589** | **59.234.977** |
| | | | | | |
| **LIABILITIES AND EQUITY** | | | | | |
| **LIABILITIES** | | | | | |
| **CURRENT LIABILITIES** | | | | | |
| Trade Account Payable | 4.244.097 | 5.538.570 | 6.659.949 | 6.286.482 | 6.600.806 |
| Excise Tax Payable | 14.835.154 | 14.373.931 | 15.858.165 | 15.321.047 | 16.087.099 |
| Others Current Liabilities | 2.885.008 | 4.633.093 | 3.265.462 | 2.946.355 | 3.712.408 |
| **Total Current Liabilities** | **21.964.259** | **24.545.594** | **25.783.576** | **24.553.885** | **26.400.313** |
| | | | | | |
| **NONCURRENT LIABILITIES** | | | | | |
| Employee benefits liabilities | 1.733.500 | 1.719.666 | 1.704.413 | 1.178.542 | 1.237.469 |
| Others Noncurrent Liabilities | 201.263 | 351.564 | 276.225 | 302.533 | 313.864 |
| **Total Noncurrent Liabilities** | **1.934.763** | **2.071.230** | **1.980.638** | **1.481.075** | **1.551.333** |
| | | | | | |
| **TOTAL LIABILITIES** | **23.899.022** | **26.616.824** | **27.764.214** | **26.034.959** | **27.951.647** |
| **Non-controlling interest** | **0** | **0** | **0** | **0** | **0** |
| **EQUITY** | **29.191.406** | **28.170.168** | **27.997.171** | **29.514.630** | **31.283.330** |
| **TOTAL LIABILITIES & EQUITY** | **53.090.428** | **54.786.992** | **55.761.385** | **55.549.589** | **59.234.977** |

Source: Company and Binaartha

## Ratio Highlights YoY

| | 2021A | 2022A | 2023A | 2024F | 2025F |
|---|---|---|---|---|---|
| **Growth (% YoY)** | | | | | |
| Revenue | 7% | 12% | 4% | 2% | 5% |
| OP | -17% | -6% | 18% | -5% | 17% |
| EBITDA | -19% | -7% | 26% | -3% | 14% |
| NP | -17% | -11% | 28% | -5% | 16% |
| EPS | -19% | -7% | 26% | -3% | 14% |
| | | | | | |
| **Profitability** | | | | | |
| Gross Profit Margin (%) | 17% | 15% | 17% | 16% | 17% |
| Operating Margin(%) | 9% | 7% | 8% | 8% | 9% |
| EBITDA margin(%) | 10% | 8% | 10% | 9% | 10% |
| NET Profit margin(%) | 7% | 6% | 7% | 7% | 7% |
| ROA(%) | 17% | 15% | 20% | 19% | 21% |
| ROE(%) | 24% | 22% | 29% | 26% | 29% |
| | | | | | |
| **Stability** | | | | | |
| Int. Coverage (x) | 126 | 126 | 194 | 109 | 120 |
| Current Ratio (X) | 2 | 2 | 2 | 2 | 2 |
| | | | | | |
| **Per Share data** | | | | | |
| EPS (IDR) | 61 | 54 | 70 | 66 | 77 |
| PER (x) | 16 | 15 | 13 | 13 | 11 |
| PBV (x) | 4 | 3 | 4 | 3 | 3 |
| EBITDA/share | 84 | 78 | 99 | 96 | 109 |

Source: Company and Binaartha

**Stock Ratings:**
Buy : a recommendation to purchase the security with upside potential of **12.00% or greater**
Hold : a recommendation to neither buy nor sell a security with upside potential of **6.00%-11.99%.**
Sel : a recommendation to close out a long position in a security with upside potential **below 5.99% or negative.**

**RESEARCH TEAM**
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