BINA ARTHA SEKURITAS

Equity Research

PT. HM SAMPOERNA Tbk.

2 August 2024
Non Cyclical - Tobacco

Price	**IDR**	**675**
Target Price	**IDR**	**815**
JKSE Index		**7,325.985**



Stock Information

Bloomberg Code	**HMSP IJ**
Market Cap (IDR bn)	78,514.7
52-week high (IDR)	1,005
52-week low (IDR)	660
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)	16,016

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BUY

Investment Consideration

Volume decreased in 2Q2024

- HMSP record lower sales volume following domestic market declines due to higher average selling prices in 2Q2024. The domestic market recorded slightly lower sales volume of 71.9 billion sticks in 2Q2024, while HMSP with higher price increases recorded a -5.7% YoY decline to 19.7 billion sticks, with lower market share of 27.3% compared to 29.1% in 2Q2023. For 1H2024, domestic sales volume increased +3.1% YoY to 145.8 billion sticks, while HMSP's sales volume decreased by -2% to 39.9 billion sticks.
- The higher prices of cigarettes & lower volumes is in response to higher excise taxes, while consumers keep downgrading to lower-priced cigarettes, this has led to a surge in third-party manufacturing in Indonesia. Based on Phillip Morris International's own research, Illicit cigarettes have increased almost 50% since 2020, and growth was 6.9% in 2023.
- Due to the impact of lower sales volume, HMSP's sales decreased by -1.6% YoY or -1.4% QoQ to IDR 28.7 trillion.
- HMSP's hand-rolled clove cigarettes (SKT) was the only segment which recorded positive-growth at +14.5% YoY to IDR 9.028 trillion. While hand-rolled white cigarettes (SPT) declined -9.7% YoY to IDR 212.5 billion. Machine-made clove (SKM) sales also decreased by -9.4% QoQ to IDR 16.6 trillion, while Machine-Made White (SPM) cigarettes declined by -14.2% YoY to IDR 1.8 trillion.
- In terms of heated tobacco products (HTU), HMSP sold 0.5 billion units in 1H2024 providing 1.25% of total sales volume, with market share up to 0.3%. For 2Q2024, HMSP sold 0.3 billion units which is growth of +89% YoY and market share reached 0.4% in the total market and 4.5% in Jakarta.

2Q2024 Results: negative YoY performance

- HMSP's net profit decreased by -33% YoY or -52% QoQ to IDR 1.07 trillion, with a lower net profit margin (NPM) of 3.7% in 2Q2024, which is down from 7.7% in 1Q2024 due to price hikes in 2Q2024.
- Despite higher raw material costs in 2Q2024, the cost of sales slightly decreased by -0.1% YoY to IDR 24.7 trillion. Excise tax costs also increased by +13% YoY. As a result, HMSP gross profit margin was lower at 13.7% in 2Q2024.
- We expect demand will improve along with margins in the 2H2024 as the market adjusts to the price hikes in 1H2024.

Valuation: Lower TP at 815, But still A BUY

- We are targeting HMSP to trade at a 11x 2025F PE within a year. The resulting target price is IDR 815. As this represents 21% 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	119.720.700	125.706.735
EBITDA (IDR Mn)	9.821.619	9.117.591	11.463.323	11.495.887	12.139.892
Net Profit (IDR Mn)	7.137.097	6.323.744	8.096.811	8.174.681	8.583.415
EPS (IDR)	61	54	70	70	74
GPM (%)	17,1%	15,4%	16,7%	16,1%	16,1%
OPM (%)	8,8%	7,4%	8,4%	8,1%	8,1%
PER (x)	15,7	15,5	12,9	11,6	11,0
PBV (x)	3,8	3,5	3,7	3,2	3,0
ROE (%)	24,4%	22,4%	28,9%	27,6%	27,4%
ROA (%)	17,3%	15,3%	19,7%	20,3%	20,1%

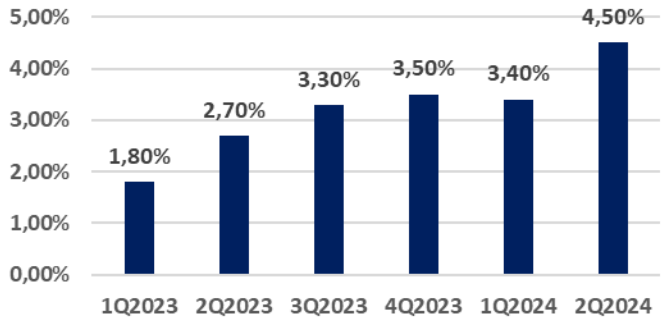
Source: Company and Binaartha

Cigarettes Sales Market Share YoY

Billion Units	2Q2023	2Q2024	%	1H2023	1H2024	%
Indonesia	72,2	71,9	-0,4%	141,4	145,8	3,1%
HMSP	20,9	19,7	-5,7%	40,7	39,9	-2,0%
HTU Product	0,1	0,3	200,0%	0,2	0,5	150,0%

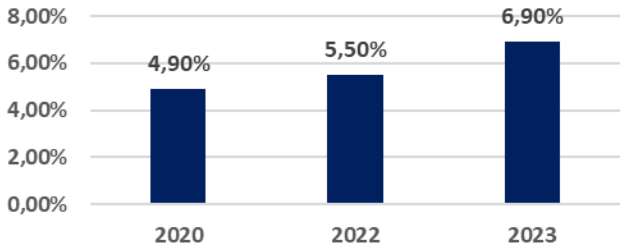
Source: Philip Morris International Inc (PMI)

HTU Market Share in Urban Jakarta



Source: Philip Morris International Inc (PMI)

Illicit Cigarettes (%)



Source: Philip Morris International Inc (PMI)

Income Statement in IDR Million QoQ & YoY

Income Statement (IDR Mn)	1Q2024	2Q2024	QoQ	2Q2023	YoY	1H2023	1H2024	YoY
Net Sales	**29.107.163**	**28.709.817**	**-1,4%**	**29.188.998**	**-1,6%**	**56.154.626**	**57.816.980**	**3,0%**
Cost of Goods Sold	-24.351.546	-24.776.665	1,7%	-24.803.262	-0,1%	-46.913.154	-49.128.211	4,7%
Gross Profit	**4.755.617**	**3.933.152**	**-17,3%**	**4.385.736**	**-10,3%**	**9.241.472**	**8.688.769**	**-6,0%**
Operating Expense	-2.005.739	-2.633.940	31,3%	-2.653.460	-0,7%	-4.861.144	-4.639.679	-4,6%
Operating Income	**2.749.878**	**1.299.212**	**-52,8%**	**1.732.276**	**-25,0%**	**4.380.328**	**4.049.090**	**-7,6%**
Other Income	117.141	58.986	-49,6%	289.873	-79,7%	427.818	176.127	-58,8%
PBT	**2.867.019**	**1.358.198**	**-52,6%**	**2.022.149**	**-32,8%**	**4.808.146**	**4.225.217**	**-12,1%**
Taxes	-619.974	-288.514	-53,5%	-432.148	-33,2%	-1.058.102	-908.488	-14,1%
PAT	**2.247.045**	**1.069.684**	**-52,4%**	**1.590.001**	**-32,7%**	**3.750.044**	**3.316.729**	**-11,6%**
Non-controlling interest	0	0		0		0	0	
Net Profit	**2.247.045**	**1.069.684**	**-52,4%**	**1.590.001**	**-32,7%**	**3.750.044**	**3.316.729**	**-11,6%**
EPS	**19**	**9**	**-52,4%**	**14**	**-32,7%**	**32**	**29**	**-11,6%**
GPM (%)	**16,3%**	**13,7%**		**15,0%**		**16,5%**	**15,0%**	
OPM (%)	**9,4%**	**4,5%**		**5,9%**		**7,8%**	**7,0%**	
NPM (%)	**7,7%**	**3,7%**		**5,4%**		**6,7%**	**5,7%**	

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**	**119.720.700**	**125.706.735**
Cost of Goods Sold	-81.955.013	-94.053.123	-96.652.987	-100.393.950	-105.413.648
Gross Profit	**16.919.771**	**17.158.198**	**19.330.397**	**19.326.750**	**20.293.087**
Operating Expense	-8.202.617	-8.941.117	-9.625.943	-9.577.656	-10.056.539
Operating Income	**8.717.154**	**8.217.081**	**9.704.454**	**9.749.094**	**10.236.548**
Other Income	435.012	55.978	606.759	598.604	628.534
PBT	**9.152.166**	**8.273.059**	**10.311.213**	**10.347.697**	**10.865.082**
Taxes	-2.015.069	-1.949.315	-2.214.402	-2.173.016	-2.281.667
PAT	**7.137.097**	**6.323.744**	**8.096.811**	**8.174.681**	**8.583.415**
Non-controlling interest	0	0	0	0	0
Net Profit	**7.137.097**	**6.323.744**	**8.096.811**	**8.174.681**	**8.583.415**
EPS	61	54	70	70	74
EBITDA	**9.821.619**	**9.117.591**	**11.463.323**	**11.495.887**	**12.139.892**

Source: Company and Binaartha

Cash Flow in IDR Million YoY

Cash Flow (In IDR Mn)	2021A	2022A	2023A	2024F	2025F
Net Income	7.137.097	6.323.744	8.096.811	8.174.681	8.583.415
Depreciation	612.925	794.483	1.110.362	1.080.998	1.201.177
Change in WC	7.028.305	-12.019.096	1.977.125	2.576.975	535.768
Cash From Operating Activities	**14.778.327**	**-4.900.869**	**11.184.298**	**11.832.654**	**10.320.360**
Change in Non-current Assets	-3.797.856	-2.451.154	-2.325.901	-1.729.696	-2.704.775
Cash From Investing Activities	**-3.797.856**	**-2.451.154**	**-2.325.901**	**-1.729.696**	**-2.704.775**
Employee benefits liabilities	-706.676	-13.834	-15.253	-507.206	59.860
Others Noncurrent Liabilities	-47.331	150.301	-75.339	31.099	11.511
Equity	-8.187.117	-7.344.982	-8.269.808	-6.556.165	-6.882.709
Cash From Financing Activities	**-8.941.124**	**-7.208.515**	**-8.360.400**	**-7.032.272**	**-6.811.338**
Net Changes in Cash	2.039.347	-14.560.538	497.997	3.070.686	804.247
Beginning Balance	**15.804.309**	**17.843.656**	**3.283.118**	**3.781.115**	**6.851.801**
Ending Balance	**17.843.656**	**3.283.118**	**3.781.115**	**6.851.801**	**7.656.048**

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	6.851.801	7.656.048
Trade Accounts Receivable	2.896.599	2.945.727	3.491.750	3.417.186	3.557.579
Inventories	17.781.747	18.375.217	17.004.949	21.647.356	22.729.724
Others Current Assets	2.801.103	16.758.936	16.844.038	8.380.449	8.799.471
Total Current Assets	**41.323.105**	**41.362.998**	**41.121.852**	**40.296.792**	**42.742.823**
NONCURRENT ASSETS					
Fixed Assets	6.038.643	7.977.528	8.315.366	9.239.826	10.441.003
Goodwill	60.423	60.423	60.423	62.370	65.489
Other Noncurrent Assets	5.668.257	5.386.043	6.263.744	5.986.035	6.285.337
Total Noncurrent Assets	**11.767.323**	**13.423.994**	**14.639.533**	**15.288.231**	**16.791.829**
TOTAL ASSETS	**53.090.428**	**54.786.992**	**55.761.385**	**55.585.023**	**59.534.652**
LIABILITIES AND EQUITY					
LIABILITIES					
CURRENT LIABILITIES					
Trade Account Payable	4.244.097	5.538.570	6.659.949	5.908.098	6.529.280
Excise Tax Payable	14.835.154	14.373.931	15.858.165	15.563.691	16.341.876
Others Current Liabilities	2.885.008	4.633.093	3.265.462	2.993.018	3.771.202
Total Current Liabilities	**21.964.259**	**24.545.594**	**25.783.576**	**24.464.806**	**26.642.357**
NONCURRENT LIABILITIES					
Employee benefits liabilities	1.733.500	1.719.666	1.704.413	1.197.207	1.257.067
Others Noncurrent Liabilities	201.263	351.564	276.225	307.324	318.835
Total Noncurrent Liabilities	**1.934.763**	**2.071.230**	**1.980.638**	**1.504.531**	**1.575.902**
TOTAL LIABILITIES	**23.899.022**	**26.616.824**	**27.764.214**	**25.969.337**	**28.218.260**
Non-controlling interest	**0**	**0**	**0**	**0**	**0**
EQUITY	**29.191.406**	**28.170.168**	**27.997.171**	**29.615.686**	**31.316.392**
TOTAL LIABILITIES & EQUITY	**53.090.428**	**54.786.992**	**55.761.385**	**55.585.023**	**59.534.652**

Source: Company and Binaartha

Ratio Highlights YoY

	2021A	2022A	2023A	2024F	2025F
Growth (% YoY)					
Revenue	7%	12%	4%	3%	5%
OP	-17%	-6%	18%	0%	5%
EBITDA	-19%	-7%	26%	0%	6%
NP	-17%	-11%	28%	1%	5%
EPS	-19%	-7%	26%	0%	6%
Profitability					
Gross Profit Margin (%)	17%	15%	17%	16%	16%
Operating Margin(%)	9%	7%	8%	8%	8%
EBITDA margin(%)	10%	8%	10%	10%	10%
NET Profit margin(%)	7%	6%	7%	7%	7%
ROA(%)	17%	15%	20%	20%	20%
ROE(%)	24%	22%	29%	28%	27%
Stability					
Int. Coverage (x)	126	126	194	122	117
Current Ratio (X)	2	2	2	2	2
Per Share data					
EPS (IDR)	61	54	70	70	74
PER (x)	16	15	13	12	11
PBV (x)	4	3	4	3	3
EBITDA/share	84	78	99	99	104

Source: Company and Binaartha

Stock Ratings:
Buy : a recommendation to purchase the security with upside potential of **12.5% or greater**
Hold : a recommendation to neither buy nor sell a security with upside potential of **6.25%-12.49%.**
Sel : a recommendation to close out a long position in a security with upside potential **below 6.24% or negative.**

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