BUY I TP : IDR850

Stock Price Data

Last Price	:	IDR705
52wk High	:	IDR920
52wk Low	:	IDR496
Share Out	:	116.3bn
Market Cap	:	IDR82.0 tn

Stock Price Performance

1-Day	:	-0.70%
1-Week	:	-14.0%
1-Month	:	+27.0%
3-Month	:	+14.6%
Year-to-Date	:	+11.0%

Shareholders

PT Philip Morris Indonesia (P)	:	92.4%
Public <5%	:	7.6%

PT HM Sampoerna Tbk (HMSP IJ)

Policy Tailwinds Set the Stage for Soft Recovery

1H25 Results: Margin Holds Amid Softer Volumes

- HMSP posted 1H25 revenue of IDR55.2 tn (-4.6% YoY) slightly below our/consensus FY25E estimates at 47.0%/46.9%, mainly driven by softer stick sales. By revenue segment, SKM (-11.3% YoY) and SPM (-17.6% YoY) continued to decline due to down-trading and affordability pressures, while SKT remained relatively resilient (+2.9% YoY) and smoke-free products (HTU) maintained strong growth momentum (+63.5% YoY), albeit from a low base.
- COGS declined by -7.3% YoY to IDR45.5tn in 1H25 (vs IDR49.1tn in 1H24), supported by steadier tobacco excise absorption. As a result, gross profit grew +11.0% YoY to IDR9.7tn in 1H25 (vs IDR8.7 tn in 1H24), with GPM improving to 17.5% in 1H25 (vs 15.0% in 1H24).
- Operating profit rose by +8.0% YoY to IDR4.0 tn in 1H25 (vs IDR3.7 tn in 1H24), translating into a higher OPM at 7.3% in 1H25 (vs 6.4% in 1H24). However, a sharp increase in other expenses to IDR553.6 bn in 1H25 (vs IDR46.5 bn in 1H24) coupled with one-off income tax charge +79.1% YoY to IDR1.6 tn in 1H25 (vs IDR908.5 bn in 1H24) weighed on the bottom line. Consequently, net profit declined -35.8% YoY to IDR2.1tn in 1H25 (vs IDR3.3 tn in 1H24), missing our/consensus FY25E estimates at 37.3%/30.1%, with NPM contracting to 3.9% in 1H25 (vs 5.7% in 1H24).

Volumes & Market Share Resilience in a Tough Tape

Against an industry that remained under pressure in 2Q25, HMSP's cigarette volume declined -2.0% YoY to 38.6bn sticks in 1H25 (vs 39.4bn in 1H24), outperforming the broader industry's -13.2% YoY contraction in 1H25. This relative strength translated into notable share gains, with HMSP's market share reaching 36.6% in 2Q25 (vs 26.5% in 1Q25).

Policy Tailwinds: 2026 Tobacco Excise Freeze and Illicit Crackdown

- The Finance Ministry continues to freeze tobacco excise tariffs in 2026, potentially restoring pricing visibility after several tight years of aggressive hikes. This gives manufacturers more clarity in executing price and margin strategies, and reduces the near-term risk of disruptive pass-through to consumers.
- On-ground enforcement against illicit trade has also picked up momentum. During a Oct 03, 2025 visit to the Kudus APHT area, the Finance Minister publicly highlighted Bea Cukai's seizure of millions of illicit sticks and production equipment, signaling a more assertive push to clean up the market. The nationwide crackdown, which began on Oct 01, 2025, includes both physical raids and online platform removals, and is set to continue through 4Q25 and beyond.
- The combination of a 2026 tobacco excise freeze and active enforcement efforts should re-channel demand to legal players, narrow price gaps to HJE (minimum retail price), and reduce reliance on implicit promotions. This is expected to support volume normalization, pricing discipline, and ultimately improve pass-through quality. We view these policy developments as structural tailwinds. HMSP as a fully compliant player with a broad distribution footprint, stands to benefit disproportionately as the playing field becomes more regulated. The cleanup efforts could enable incremental share gains and volume stabilization through 4Q25 and into FY26F.
- As calculated, tobacco excise sensitivity remains high for tobacco players, with VAT and tobacco excise collectively accounting for ~45%–55% of HMSP's revenue and 60%–70% of total COGS. Based on our sensitivity analysis, a +1% increase in blended tobacco excise tariffs (assuming all other cost and revenue items remain constant – ceteris paribus) would reduce HMSP's net profit by approximately -7.9%. We estimate that net income could grow at a double-digit rate in FY26F, supported not only by the tobacco excise freeze and ongoing illicit crackdown, but also by a series of fiscal stimulus introduced by the newly appointed Finance Minister who appears to favor pro-industry and pro-consumption policies. These populist government programs are expected to lift overall economic sentiment and support purchasing power recovery, which remains a key catalyst for a sustained volume rebound in the year ahead.

Valuation and recommendation: BUY with a TP of IDR850/share

We set a **BUY recommendation** on HMSP with a **TP of IDR850/share,** implying a PE/PBV of 17.3x/3.7x in FY25E and 12.2x/3.4x in FY26F. Downside risks include: 1) Prolonged low purchasing power; 2) Enforcement inconsistency in the crackdown on illicit trade; 3) Stricter-than-expected implementation of tobacco excise-related policies ahead; 4) Intensified price competition.

Research Analyst
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Key Financial Highlight	FY22	FY23	FY24	FY25E	FY26F
Revenue (IDR Bn)	111,211.3	115,983.4	117,880.0	117,327.7	122,110.1
Gross Profit (IDR Bn)	17,158.2	19,330.4	18,533.8	19,139.8	21,816.6
Gross Profit Margin (%)	15.4	16.7	15.7	16.3	17.9
Net Profit (IDR Bn)	6,323.7	8,096.8	6,645.8	5,713.7	8,078.2
ROA (%)	11.5	14.6	12.2	10.9	15.0
ROE (%)	22.4	27.1	23.4	21.3	27.7
PE (x)	13.6	10.6	13.0	15.1	10.7
PBV (x)	3.1	2.9	3.0	3.2	2.9

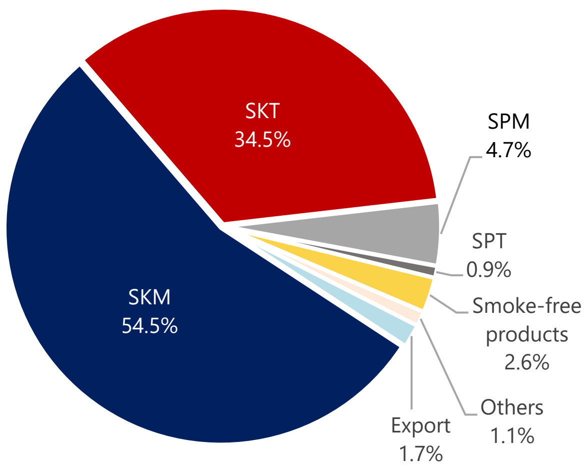
Sources : Company, MNCS Research

Exhibit 01. HMSP results in 1H25 missed estimates

IDR Bn	2Q24	1Q25	2Q25	QoQ	YoY	1H24	1H25	YoY	FY25E Cons	FY25E MNCS	% Cons	% MNCS
Revenues	**28,709.8**	**28,788.9**	**26,384.5**	**-8.4%**	**-8.1%**	**57,817.0**	**55,173.3**	**-4.6%**	**117,571.5**	**117,327.7**	**46.9%**	**47.0%**
COGS	(24,776.7)	(23,766.5)	(21,759.6)	-8.4%	-12.2%	(49,128.2)	(45,526.1)	-7.3%	(97,162.7)	(98,187.9)		
Gross Profit	**3,933.2**	**5,022.4**	**4,624.8**	**-7.9%**	**17.6%**	**8,688.8**	**9,647.2**	**11.0%**	**20,408.8**	**19,139.8**	**47.3%**	**50.4%**
Operating Profit	**1,138.9**	**2,400.8**	**1,603.7**	**-33.2%**	**40.8%**	**3,707.5**	**4,004.5**	**8.0%**	**8,848.3**	**8,107.7**	**45.3%**	**49.4%**
OPM	4.0%	8.3%	6.1%			6.4%	7.3%		7.5%	6.9%		
Net Profit	**1,069.7**	**1,918.3**	**210.1**	**-89.0%**	**-80.4%**	**3,316.7**	**2,128.4**	**-35.8%**	**7,076.2**	**5,713.7**	**30.1%**	**37.3%**
NPM	3.7%	6.7%	0.8%			5.7%	3.9%		6.0%	4.9%		

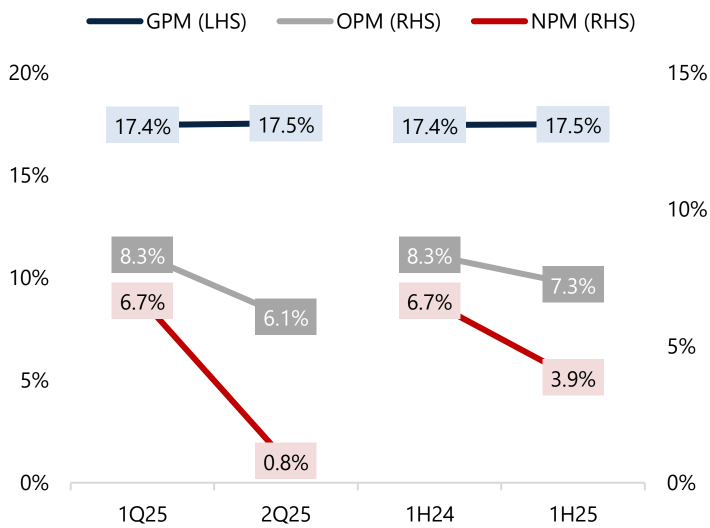
Sources : Company, MNCS Research

Exhibit 02. SKM contributed 54.5% of total turnover in 2Q25



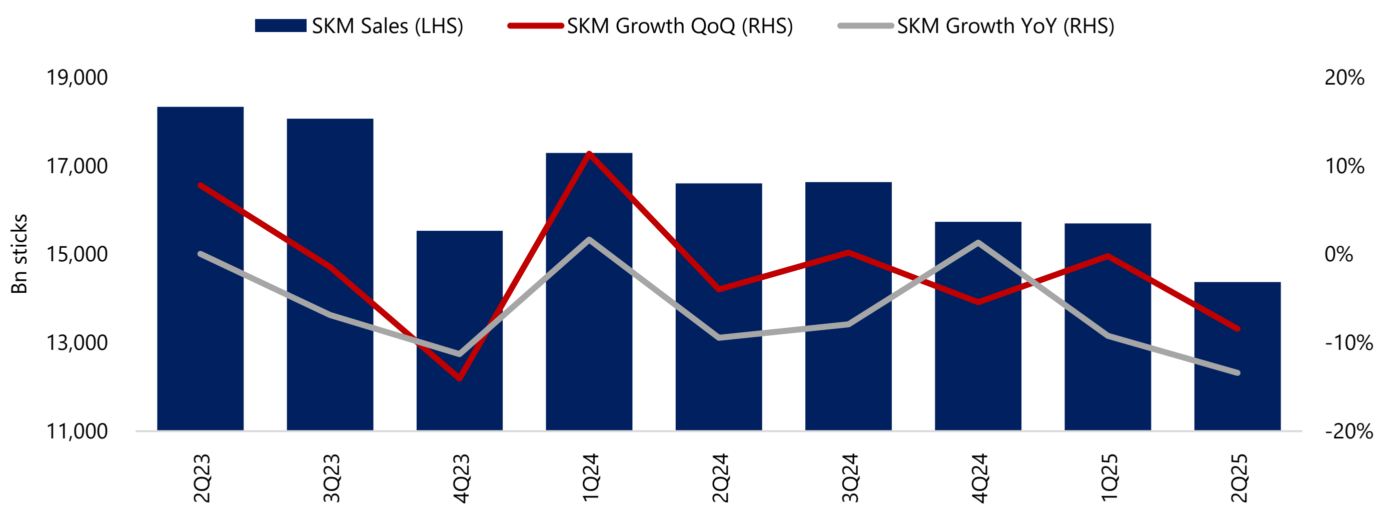
Sources : Company, MNCS Research

Exhibit 03. Margin pressed down in 2Q25



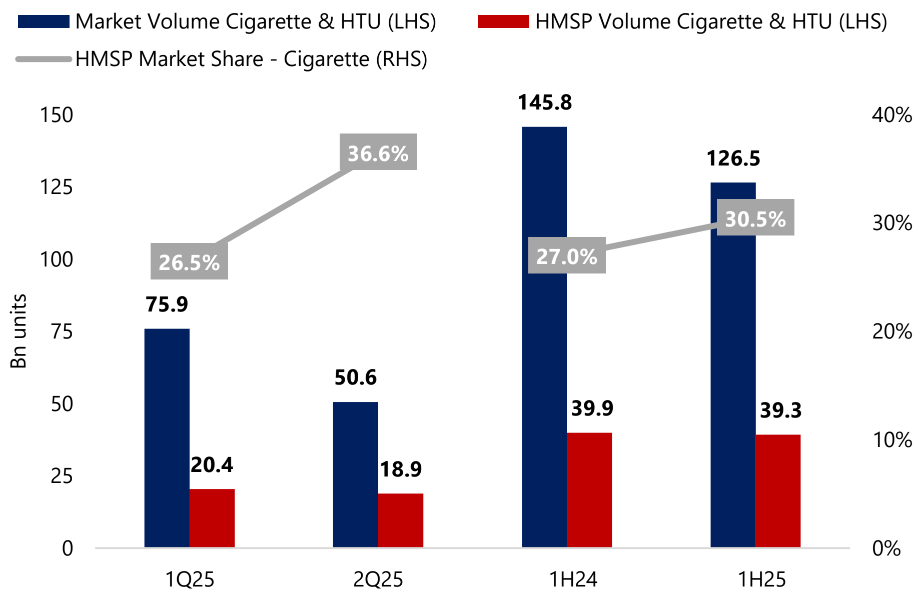
Sources : Company, MNCS Research

Exhibit 04. SKM sales continued to decline alongside with HMSP's conventional cigarette volume -2.0% YoY drop to 38.6 bn sticks



Sources : Company, MNCS Research

Exhibit 05. HMSP's cigarette volume declined -2.0% YoY to 38.6 bn sticks (vs 39.4 bn sticks in 1H24)



Sources : Philip Morris Indonesia, MNCS Research

HMSP's cigarette volume decline (-2.0% YoY) better than industry volume decline (-13.2% YoY). As a result, HMSP's market share increased to 36.6% in 2Q25 (vs 26.5% in 1Q25).

Exhibit 06. YoY price growth of HMSP's products

Products	Oct-24 (IDR)	Oct-25 (IDR)	Growth YoY
SKM based			
Sampoerna A Mild'16	36,000	38,000	5.6%
Sampoerna A Mild'12	27,000	28,000	3.7%
Sampoerna Splash Tropical'16	31,700	34,200	7.9%
Sampoerna Mild Menthol'16	36,500	38,900	6.6%
Dji Sam Soe Magnum Premium'12	27,400	28,400	3.6%
Marlboro Filter Black '20	40,500	43,400	7.2%
Marlboro Filter Black '12	25,500	25,000	-2.0%
SKT based			
Dji Sam Soe Kretek'16	28,700	29,400	2.4%
Dji Sam Soe Kretek'12	21,000	21,900	4.3%
Dji Sam Soe Super Premium'12	22,300	23,900	7.2%
SPM based			
Marlboro Red'20 (special edition)	46,500	46,000	-1.1%
Marlboro Red'20	51,900	56,000	7.9%
Marlboro Ice Burst'20	51,900	56,000	7.9%
Marlboro Light'20	46,500	56,000	20.4%
SPT based			
Marlboro Rokok Kretek Red'12	12,400	12,500	0.8%

Source : MNCS Research

Exhibit 07. Financial projections

Income Statement

In Billion IDR	FY22	FY23	FY24	FY25E	FY26F
Revenue	**111,211.3**	**115,983.4**	**117,880.0**	**117,327.7**	**122,110.1**
COGS	(94,053.1)	(96,653.0)	(99,346.2)	(98,187.9)	(100,293.5)
Gross Profit	**17,158.2**	**19,330.4**	**18,533.8**	**19,139.8**	**21,816.6**
Selling Expense	(6,739.7)	(7,516.8)	(7,894.0)	(7,868.6)	(8,311.4)
G&A Expense	(2,665.3)	(2,849.6)	(2,942.6)	(3,163.5)	(3,304.6)
Operating Profit	**7,753.2**	**8,964.1**	**7,697.2**	**8,107.7**	**10,200.6**
Finance Income	463.9	740.4	720.7	239.0	209.4
Finance Cost	(50.0)	(41.7)	(39.6)	(40.5)	(32.7)
Other Income (Expense)	106.0	648.5	307.2	(370.6)	182.4
Profit Before Tax	**8,273.1**	**10,311.2**	**8,685.6**	**7,935.7**	**10,559.7**
Tax Income (Expense)	(1,949.3)	(2,214.4)	(2,039.8)	(2,222.0)	(2,481.5)
Net Profit	**6,323.7**	**8,096.8**	**6,645.8**	**5,713.7**	**8,078.2**
EPS (IDR)	54.4	69.6	57.1	49.1	69.4

Balance Sheet

In Billion IDR	FY22	FY23	FY24	FY25E	FY26F
Cash & Equivalents	15,779.1	14,073.0	9,560.7	8,374.7	10,351.8
Trade Receivables	2,945.7	3,284.7	3,501.1	3,001.6	2,815.0
Inventory	18,375.2	19,014.0	22,023.4	21,739.4	20,812.6
Other Current Assets	4,262.9	3,694.4	3,432.7	3,416.6	3,555.9
Total Current Asset	**41,363.0**	**40,066.0**	**38,517.9**	**36,532.3**	**37,535.3**
Fixed Assets – net	6,697.4	9,253.3	9,444.1	9,667.3	9,750.8
Other Non-Current Assets	6,726.6	5,996.9	6,328.7	6,279.5	6,498.7
Total Non-Current Assets	**13,424.0**	**15,250.2**	**15,772.8**	**15,946.7**	**16,249.5**
TOTAL ASSETS	**54,787.0**	**55,316.3**	**54,290.7**	**52,479.1**	**53,784.8**
Trade Payables	5,538.6	6,843.9	6,678.8	6,628.2	5,076.2
Short-Term Debt	147.5	155.8	146.7	135.1	121.2
Other Current Liabilities	18,859.5	16,303.0	16,844.4	16,671.2	17,092.6
Total Current Liabilities	**24,545.6**	**23,302.7**	**23,669.9**	**23,434.5**	**22,290.0**
Long-Term Debt	337.1	289.5	231.8	213.6	191.6
Other Non-Current Liabilities	1,734.1	1,854.2	2,032.6	2,023.1	2,105.5
Total Non-Current Liabilities	**2,071.2**	**2,143.7**	**2,264.4**	**2,236.7**	**2,297.1**
Total Equity	**28,170.2**	**29,869.9**	**28,356.4**	**26,807.9**	**29,197.7**
TOTAL LIABILITY AND EQUITY	**54,787.0**	**55,316.3**	**54,290.7**	**52,479.1**	**53,784.8**

Cash Flow

In Billion IDR	FY22	FY23	FY24	FY25E	FY26F
Net Income	6,323.7	8,096.8	6,645.8	5,713.7	8,078.2
Depreciation	1,128.1	1,131.4	1,204.2	1,373.7	1,327.4
Change in WC	136.1	327.6	(3,390.9)	732.9	(438.6)
Change in Others	75.2	(2,533.6)	108.9	(157.2)	282.1
CFO Total	**7,663.1**	**7,022.1**	**4,568.0**	**7,663.1**	**9,249.1**
Capital Expenditure	(1,782.0)	(3,718.9)	(1,457.6)	(1,575.4)	(1,389.6)
Change in Others	(690.2)	1,274.3	311.3	27.8	(240.6)
CFI Total	**(2,472.2)**	**(2,444.6)**	**(1,146.3)**	**(1,547.6)**	**(1,630.2)**
Dividend Payment	(7,362.9)	(6,362.6)	(8,060.8)	(6,616.3)	(5,688.3)
Net Change in Debt	137.7	(39.3)	(66.8)	(29.7)	(36.0)
Net Change in Equity	(17.4)	(1.8)	15.4	-	-
Others	(12.8)	120.1	178.4	(655.5)	82.5
CFF Total	**(7,255.4)**	**(6,283.7)**	**(7,933.9)**	**(7,301.5)**	**(5,641.8)**
Beginning Cash	17,843.7	15,779.1	14,073.0	9,560.7	8,374.7
Ending Cash	**15,779.1**	**14,073.0**	**9,560.7**	**8,374.7**	**10,351.8**

Ratios

	FY22	FY23	FY24	FY25E	FY26F
Revenue Growth (%)	12.5	4.3	1.6	(0.5)	4.1
Operating Profit Growth (%)	(9.7)	15.6	(14.1)	5.3	25.8
Net Profit Growth (%)	(11.4)	28.0	(17.9)	(14.0)	41.4
Current Ratio (%)	168.5	171.9	162.7	155.9	168.4
Quick Ratio (%)	93.7	90.3	69.7	63.1	75.0
Receivable Days (x)	9.5	10.2	10.7	9.2	8.3
Inventory Days (x)	70.3	70.8	79.8	79.7	74.7
Payable Days (x)	21.2	25.5	24.2	24.3	18.2
Net Gearing Ratio (x)	(0.5)	(0.5)	(0.3)	(0.3)	(0.3)
DER (x)	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	8.6	7.4	9.4	7.7	6.6
Gross Profit Margin (%)	15.4	16.7	15.7	16.3	17.9
Operating Profit Margin (%)	7.0	7.7	6.5	6.9	8.4
EBITDA Margin (%)	8.0	8.7	7.6	8.1	9.4
Net Income Margin (%)	5.7	7.0	5.6	4.9	6.6
BVPS (IDR)	242.2	256.8	243.8	230.5	251.0

Sources : Company, MNCS Research

MNC Research Industry Ratings Guidance

- **OVERWEIGHT :** Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months
- **NEUTRAL :** Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months
- **UNDERWEIGHT :** Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

MNC Research Investment Ratings Guidance

- **BUY** : Share price may exceed 10% over the next 12 months
- **HOLD** : Share price may fall within the range of +/- 10% of the next 12 months
- **SELL** : Share price may fall by more than 10% over the next 12 months
- **Not Rated** : Stock is not within regular research coverage

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