



PT HM SAMPOERNA Tbk.

## BUY

**Target Price : IDR1,250**

### Stock Data

Current Price : IDR1,015  
 52w Range H-L : 1,235-780  
 Share Outstanding : 116.3bn  
 Free Float : 7.50%  
 Mkt Capitalization : IDR118.06tn

### Major Shareholders

PT. Philip Morris Indonesia (P) : 92.50%  
 Public : 7.50%



**Research Analyst**  
 Raka Junico W.  
 raka.widyaman@mncgroup.com

## PT H.M. Sampoerna Tbk (HMSP IJ)

Cigarettes

### Ensuring Recovery on Course

#### 1Q23 Results: Net Profit Above Expectations

- HMSP posted a revenue of IDR27.0tn in 1Q23, or increased +3.1% YoY (vs IDR26.2tn in 1Q22), slightly below consensus/ours estimates, reflecting 22.6%/23.4% of FY23E target. The revenue was supported by higher blended ASP +9.4% YoY which partly offsets the decrease in sales volume of -5.7% YoY.
- SKT's sales grew +19.6% YoY, we see that robust growth due to favorable excise tax which absorbs downtrading behavior. Meanwhile, SKM & SPM sales dropped -1.9% YoY/-12.3% YoY, respectively.
- HMSP managed to deliver a strong net profit which came in at IDR2.2tn, or soared +12.8% YoY (vs IDR1.9tn in 1Q22), which is above consensus/ours estimates, reflecting 26.3%/26.8%, with NPM of 8.0% (vs 7.3% in 1Q22).
- Gross profit stood at IDR4.9tn with gross margin recovered by +172 bps YoY and +128 bps QoQ to 18.0% mainly due to aggressive price adjustments.

#### Solid Market Share amidst a Downtrend in Industry

- The ongoing increase in weighted-averaged-excise-tax of 10% annually through FY23-FY24 potentially curbs recovery in purchasing power of cigarettes products and inevitably lead to downtrading behavior.
- Notably, PMI estimated a decline of -6.5% YoY in domestic cigarette sales volume in 1Q23 to 69.1bn sticks (vs 73.9bn sticks in 1Q22). On the other hand, we anticipated domestic cigarettes sales volume in FY23E to drop to 281.4bn sticks (-9.1% YoY).
- However, we expect a manageable decline in HMSP's volume of -4.3% YoY in FY23E, supported by its product mix. In 1Q23, sales volume only fell by -5.8% YoY, or 19.7 billion sticks (vs 20.9 billion sticks in 1Q22), which kept its market share solid at 28.5% (vs 28.3% in 1Q22).
- We favor HMSP due to its product mix and niche market, which makes it more resilient. HMSP's domestic market share of SKT products is estimated at ~7%, accounting for about 24% of total sales, higher than its competitors.

#### Aggressive Price Adjustment to Drive Future Profitability

HMSP's net profit margin shrank to 5.7% in FY22, or almost half of its 10-year average, which was mainly due to aggressive excise tax increase in FY20-FY22 (~15.8%) that was not offset by price increases. Nevertheless, we noted that HMSP has raised its retail prices significantly by approximately 3.2%-9.2% YTD, which we view as a pass-on measure to counter the impact of weighted-average-excise-tax increase in FY23-FY24. We take into account and compared the price differential between the total excise and its retail prices through PMK 191 2022, whereas the Sampoerna A Mild'16 margin widened to 30% (previously 29%) ([exhibit 05](#)). Therefore, we expect margins to turnaround thus driving a future profitability improvement.

#### We expect bottom line to grow by +27.4% YoY in FY23E

A solid market share coupled with aggressive price adjustments should be the right steps towards profitability recovery. We project revenue to grow by +3.6% YoY to IDR115.2tn in FY23E, driven by higher blended ASP (+7.9% YoY) amidst lower sales volume. In the meantime, we project the net profit to climb +27.4% YoY to IDR8.1tn, bringing the NPM to 7.0% (vs 5.7% in FY22), on the back of margin expansions through price adjustments. HMSP have also launched a new smoke-free tobacco product, the IQOS Iluma series, in Feb-23. Along with more than 100k members in the IQOS club spread across 10 cities, we view this as positive for future revenue streams.

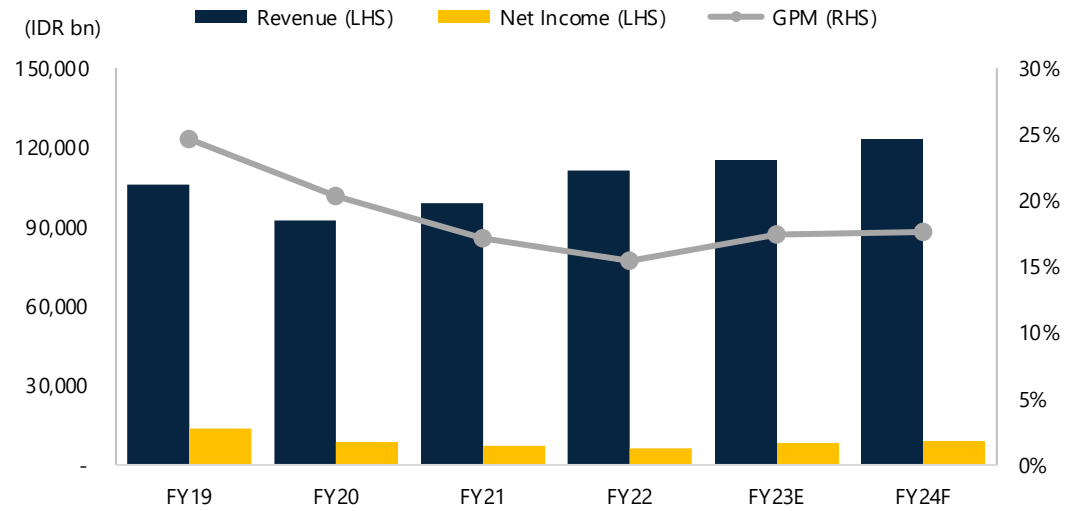
#### Valuation and Recommendation: BUY HMSP with a Target Price IDR1,250

We recommend **BUY** for **HMSP at a TP of IDR1,250**, implying PE/PBV of 18.1x/5.4x in FY23E. HMSP is currently trading slightly below the 5 years mean. Downside risks include: 1) lower-than-expected sales volume; 2) slow-moving price adjustments; 3) unexpected raw material price increases.

Key Financial Highlight	FY20	FY21	FY22	FY23E	FY24F
Revenue (IDR Bn)	92,425.21	98,874.78	111,211.32	115,212.88	123,078.40
EBITDA (IDR Bn)	11,377.45	9,196.28	8,547.67	10,662.59	11,677.18
EBITDA Margin (%)	12.31	9.30	7.69	9.25	9.49
Net Income (IDR Bn)	8,581.38	7,137.10	6,323.74	8,053.57	8,750.98
ROA (%)	17.28	13.44	11.54	14.99	15.95
ROE (%)	28.38	24.45	22.45	29.69	32.79
PE (x)	13.76	16.54	18.67	14.66	13.49
PBV (x)	3.90	4.04	4.19	4.35	4.42

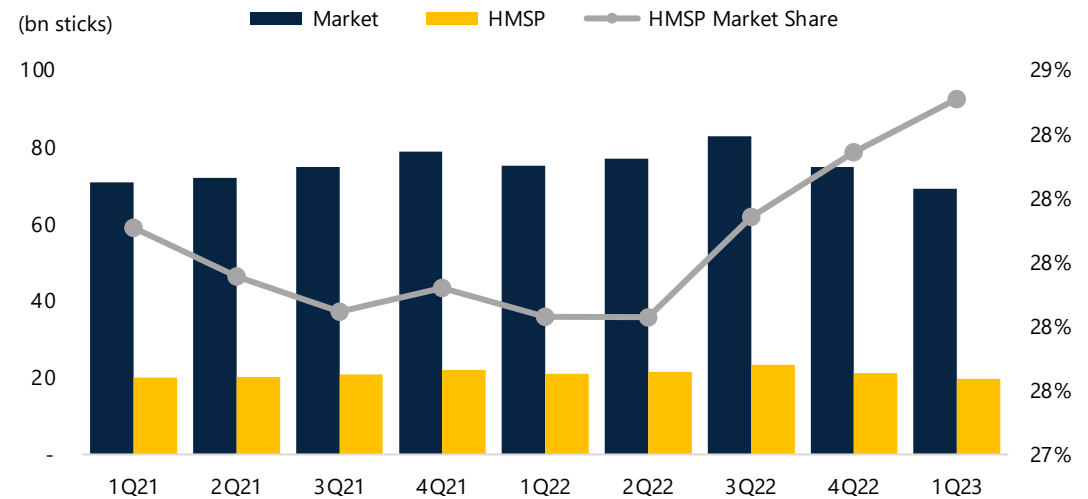
Source: Company, MNCS

Exhibit 01. HMSP's Revenue, Net Income and GPM Projection in FY23E-FY24F



Sources : Company, MNCS

Exhibit 02. HMSP's Market Share Continued to Elevate Amidst a Decline in Volume in Industry



Sources : PMI, MNCS

**HMSP's market share hovered at 28.5% in 1Q23, which we believe was mainly driven by the increase in SKT volume due to its favorable excise tariffs.**

Exhibit 03. New HTU Products Called IQOS ILUMA is Set to Potentially Boost Revenue Onwards

**A new generation of tobacco-heating devices, addressing the feedback of adult IQOS users around the world**

**IQOS 3 DUOS**

Powered by: HeatControl™ Technology

Specially designed and patented technology that monitors and controls the temperature of the IQOS heating blade. The heating blade is made of ceramic incorporating platinum, gold, and silver tracks.

**IQOS ILUMA**

Powered by: SMARTCORE INDUCTION SYSTEM™

The heart of the new bladeless SMARTCORE INDUCTION SYSTEM™ heats the tobacco from within.

**AUTO-START** detects the insertion of TEREA SMARTCORE STICKS™ and automatically starts the preheating.

**Improved draw and stick-by-stick taste consistency, no tobacco residue, and no cleaning needed.**

**It does not burn tobacco. No fire, no ash, no smoke.**

Smoke-free products are not risk-free and are specifically intended for adult smokers who decide to continue using tobacco or other nicotine products. This is intended for information purposes and not intended for promotion.

Source : Company

Exhibit 04. Cigarettes ASP in Retail (IDR/pack)

Company	Item	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	YTD % growth
RMBA	Dunhill Black'12	19,800	19,800	19,800	19,800	19,800	19,800	19,800	20,100	2%
Djarum	Djarum Super'16	29,000	28,000	29,000	29,000	31,000	32,500	32,500	34,600	19%
GGRM	Gudang Filter'12	22,000	22,000	23,200	23,200	23,700	24,400	24,500	25,200	9%
<b>HMSP</b>	<b>Sampoerna A Mild'16</b>	<b>28,500</b>	<b>28,500</b>	<b>29,500</b>	<b>29,500</b>	<b>30,600</b>	<b>32,000</b>	<b>32,000</b>	<b>32,200</b>	<b>9%</b>
<b>HMSP</b>	<b>Marlboro Red'20 (SE)</b>	<b>35,000</b>	<b>36,000</b>	<b>37,000</b>	<b>37,000</b>	<b>37,000</b>	<b>38,000</b>	<b>38,000</b>	<b>38,200</b>	<b>3%</b>
WIIM	Diplomat Evo'16	19,500	19,500	19,500	19,500	20,500	21,500	21,500	22,800	17%
Djarum	Djarum Super'12	N/A	22,000	22,500	22,500	23,700	24,500	24,500	24,900	11%
<b>HMSP</b>	<b>SampoernaA Mild'12</b>	<b>N/A</b>	<b>22,500</b>	<b>23,000</b>	<b>23,000</b>	<b>22,900</b>	<b>24,600</b>	<b>24,600</b>	<b>24,800</b>	<b>8%</b>

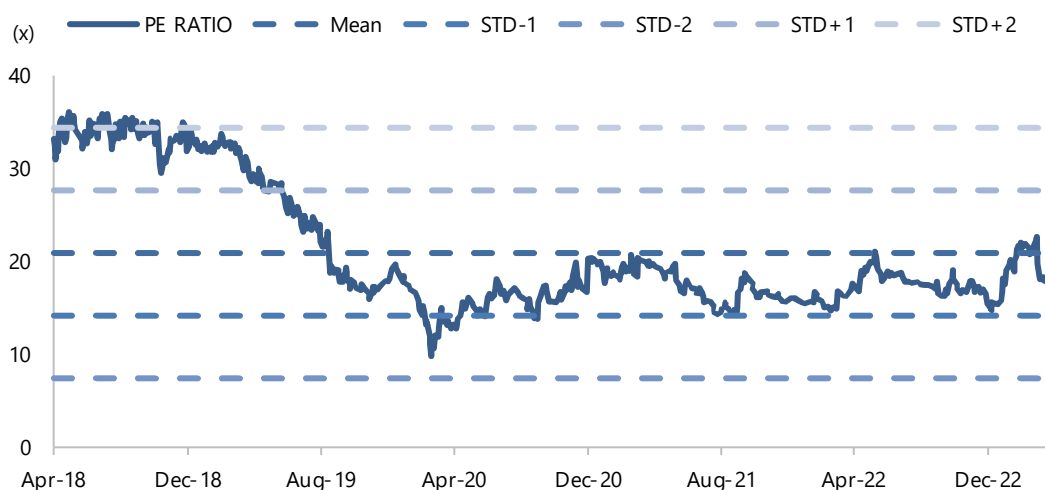
Source : MNCS

Exhibit 05. Margin is Shown to Increase as Price Jumped Significantly to Offset the Excise Tax Soar

Cigarette	HJE	Excise	HJE per pack	Excise	PDRD 10%	PPn 9.9%	Total Excise	Price	diff	Margin	Increase
<b>FY23</b>	<b>PMK19122</b>							Apr-23			
Sampoerna A Mild'16	2,055	1,101	32,880	17,616	1,762	3,255	<b>22,633</b>	32,200	<b>9,567</b>	<b>30%</b>	17%
Marlboro Red'20 (SE)	2,165	1,193	24,660	23,860	2,386	4,287	<b>30,533</b>	38,200	<b>7,667</b>	<b>20%</b>	1%
<b>FY22</b>	<b>PMK10922</b>							Sep-22			
Sampoerna A Mild'16	1,905	985	30,480	15,760	1,576	3,018	<b>20,354</b>	28,500	<b>8,146</b>	<b>29%</b>	
Marlboro Red'20 (SE)	2,005	1,065	40,100	21,300	2,130	3,970	<b>27,400</b>	35,000	<b>7,600</b>	<b>22%</b>	

Source : MNCS

Exhibit 6. HMSP is currently trading slightly below the 5 years mean of 18.01x PE



Sources : Bloomberg, MNCS

Exhibit 07. Financial Summary

Income Statement						Balance Sheet					
in Billion IDR	FY20	FY21	FY22	FY23E	FY24F	in Billion IDR	FY20	FY21	FY22	FY23E	FY24F
<b>Revenue</b>	<b>92,425.21</b>	<b>98,874.78</b>	<b>111,211.32</b>	<b>115,212.88</b>	<b>123,078.40</b>	Cash & Equivalents	15,804.31	17,843.66	15,779.12	14,339.95	13,918.08
COGS	(73,653.98)	(81,955.01)	(94,053.12)	(95,142.77)	(101,407.02)	Trade Receivables	3,648.32	2,380.79	2,945.73	3,264.36	3,699.19
<b>Gross Profit</b>	<b>18,771.24</b>	<b>16,919.77</b>	<b>17,158.20</b>	<b>20,070.11</b>	<b>21,671.38</b>	Inventory	18,093.71	17,781.75	18,375.22	17,266.67	16,995.09
Selling Expense	(6,258.34)	(6,202.85)	(6,739.70)	(7,200.08)	(7,777.90)	Others Current Assets	3,545.30	3,316.91	4,262.94	4,360.03	4,550.87
G&A Expense	(2,110.74)	(2,133.56)	(2,665.31)	(2,853.39)	(2,925.11)	<b>Total Current Assets</b>	<b>41,091.64</b>	<b>41,323.11</b>	<b>41,363.00</b>	<b>39,231.01</b>	<b>39,163.23</b>
<b>Operating Profit</b>	<b>10,402.16</b>	<b>8,583.36</b>	<b>7,753.18</b>	<b>10,016.64</b>	<b>10,968.38</b>	Fixed Assets-net	6,582.81	6,038.64	6,697.43	7,563.41	8,369.99
Finance Income	765.56	483.58	463.90	394.48	358.50	Other Non-Current Assets	1,999.58	5,728.68	6,726.57	6,929.52	7,328.46
Finance Cost	(49.98)	(56.53)	(50.05)	(72.76)	(77.32)	<b>Total Non-Current Assets</b>	<b>8,582.39</b>	<b>11,767.32</b>	<b>13,423.99</b>	<b>14,492.94</b>	<b>15,698.45</b>
Other Income (Expense)	43.74	141.76	106.03	197.75	198.95	<b>TOTAL ASSETS</b>	<b>49,674.03</b>	<b>53,090.43</b>	<b>54,786.99</b>	<b>53,723.95</b>	<b>54,861.68</b>
<b>Profit Before Tax</b>	<b>11,161.47</b>	<b>9,152.17</b>	<b>8,273.06</b>	<b>10,536.11</b>	<b>11,448.50</b>	Trade Payables	3,467.57	4,244.10	5,538.57	5,317.69	5,913.16
Tax Income (Expense)	(2,580.09)	(2,015.07)	(1,949.32)	(2,482.54)	(2,697.52)	Short-term Debt	117.37	159.17	147.51	159.68	166.52
Minority Interest	-	-	-	-	-	Other Current Liabilities	13,158.89	17,561.00	18,859.51	19,026.04	19,983.39
<b>Net Income</b>	<b>8,581.38</b>	<b>7,137.10</b>	<b>6,323.74</b>	<b>8,053.57</b>	<b>8,750.98</b>	<b>Total Current Liabilities</b>	<b>16,743.83</b>	<b>21,964.26</b>	<b>24,545.59</b>	<b>24,503.41</b>	<b>26,063.06</b>
EPS (IDR)	73.78	61.36	54.37	69.24	75.23	Long-term Debt	194.12	187.79	337.12	364.92	380.55
						Other Long-term Liabilities	2,494.65	1,746.98	1,734.12	1,734.12	1,734.12
						<b>Total LT-Liabilities</b>	<b>2,688.77</b>	<b>1,934.76</b>	<b>2,071.23</b>	<b>2,099.04</b>	<b>2,114.66</b>
						<b>Total Equity</b>	<b>30,241.43</b>	<b>29,191.41</b>	<b>28,170.17</b>	<b>27,121.51</b>	<b>26,683.96</b>
						<b>TOTAL LIABILITY AND EQUITY</b>	<b>49,674.03</b>	<b>53,090.43</b>	<b>54,786.99</b>	<b>53,723.95</b>	<b>54,861.68</b>

Cash Flow						Ratios					
in Billion IDR	FY20	FY21	FY22	FY23E	FY24F		FY20	FY21	FY22	FY23E	FY24F
Net Income	8,581.38	7,137.10	6,323.74	8,053.57	8,750.98	Revenue Growth (%)	(12.85)	6.98	12.48	3.60	6.83
D&A	975.30	612.93	794.48	645.95	708.80	Operating Profit Growth (%)	(39.09)	(17.48)	(9.67)	29.19	9.50
Changes in WC	(2,445.28)	2,356.02	136.07	569.02	432.23	Net Profit Growth (%)	(37.46)	(16.83)	(11.40)	27.35	8.66
Others	3,990.80	4,857.07	387.76	69.44	766.51	Current Ratio (%)	245.41	188.14	168.51	160.10	150.26
<b>Operating CF</b>	<b>11,102.19</b>	<b>14,963.11</b>	<b>7,642.06</b>	<b>9,337.98</b>	<b>10,658.52</b>	Quick Ratio (%)	137.35	107.18	93.65	89.64	85.06
Capex	(260.19)	(68.76)	(1,453.27)	(1,511.94)	(1,515.38)	Receivable Days (x)	14.21	8.67	9.54	10.20	10.82
Others	(91.70)	(3,729.10)	(997.89)	(202.96)	(398.94)	Inventory Days (x)	88.44	78.11	70.33	65.33	60.33
<b>Investing CF</b>	<b>(351.90)</b>	<b>(3,797.86)</b>	<b>(2,451.15)</b>	<b>(1,714.90)</b>	<b>(1,914.32)</b>	Payable Days (x)	16.95	18.64	21.20	20.12	20.99
Dividend Paid	(13,935)	(8,468)	(7,363)	(8,456)	(9,189)	Net Gearing Ratio (x)	(0.51)	(0.60)	(0.54)	(0.51)	(0.50)
Net Change in Debt	(105.72)	35.46	137.67	39.97	22.46	DER (x)	0.01	0.01	0.02	0.02	0.02
Equity Fund Raised	18	54	(17)	-	-	Dividend Yield (%)	11.80	7.17	6.24	7.16	7.78
Others	255.65	(747.68)	(12.76)	(645.98)	-	Gross Profit Margin (%)	20.31	17.11	15.43	17.42	17.61
<b>Financing CF</b>	<b>(13,766.68)</b>	<b>(9,125.91)</b>	<b>(7,255.44)</b>	<b>(9,062.26)</b>	<b>(9,166.07)</b>	Operating Profit Margin (%)	11.25	8.68	6.97	8.69	8.91
Cash at Beginning	18,820.70	15,804.31	17,843.66	15,779.12	14,339.95	EBITDA Margin (%)	12.31	9.30	7.69	9.25	9.49
<b>Cash at Ending</b>	<b>15,804.31</b>	<b>17,843.66</b>	<b>15,779.12</b>	<b>14,339.95</b>	<b>13,918.08</b>	Net Income Margin (%)	9.28	7.22	5.69	6.99	7.11
						BVPS (IDR)	259.99	250.96	242.18	233.17	229.41

Sources : Company, MNCS

### 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

### PT MNC SEKURITAS

MNC Financial Center Lt. 14 – 16

Jl. Kebon Sirih No. 21 - 27, Jakarta Pusat 10340

Telp : (021) 2980 3111

Fax : (021) 3983 6899

Call Center : 1500 899

#### Disclaimer

*This research report has been issued by PT MNC Sekuritas, It may not be reproduced or further distributed or published, in whole or in part, for any purpose. PT MNC Sekuritas has based this document on information obtained from sources it believes to be reliable but which it has not independently verified; PT MNC Sekuritas makes no guarantee, representation or warranty and accepts no responsibility to liability as to its accuracy or completeness. Expression of opinion herein are those of the research department only and are subject to change without notice. This document is not and should not be construed as an offer or the solicitation of an offer to purchase or subscribe or sell any investment. PT MNC Sekuritas and its affiliates and/or their offices, director and employees may own or have positions in any investment mentioned herein or any investment related thereto and may from time to time add to or dispose of any such investment. PT MNC Sekuritas and its affiliates may act as market maker or have assumed an underwriting position in the securities of companies discussed herein (or investment related thereto) and may sell them to or buy them from customers on a principal basis and may also perform or seek to perform investment banking or underwriting services for or relating to those companies.*