

BUY | TP : IDR1,250
HMSP Stock Price Data

Last Price	:	IDR945
52wk High	:	IDR1,235
52wk Low	:	IDR780
Share Out	:	116.3bn
Market Cap	:	IDR109.9tn

HMSP Stock Price Performance

1-Day	:	-3.1%
1-Week	:	-4.1%
1-Month	:	-8.6%
3-Month	:	+5.0%
Year-to-Date	:	+12.5%

Shareholders

Philip Morris Indonesia (P)	:	92.5%
Public	:	7.5%

PT H.M. Sampoerna Tbk (HMSP IJ)
Gearing Up into FY24F
9M23; net profit slightly above our target

The 3Q23 revenue reached IDR31.1tn, a flourishing +6.7% QoQ/+4.2% YoY, translating to 9M23 revenue of IDR87.3tn, or grew by +4.7% YoY (vs IDR83.4tn in 9M22). This is in-line with our/cons estimates, reflecting 75.8%/75.0% of the FY23E target. SKT/SPT segments supported revenue growth, which rose by +30.5% YoY/+27.1% YoY, respectively. Meanwhile, 3Q23 net profit came at IDR2.5tn, up +54.4% QoQ/+32.4% YoY, leading to 9M23 net profit of IDR6.2tn, or went up +26.6% YoY (vs IDR4.9tn in 9M22). These figures are slightly above with our/cons estimates, achieving 77.0%/78.6% of the FY23E target. Thanks to ASP adjustment of ~9% YTD which bolstered the margins against rising CHT in FY23E. We note GPM/NPM increased to 16.5%/7.1% (vs 15.0%/5.9% in 9M22).

SKT segments as a buffer for profitability

The govt. will continue to raise excise tax in FY24F; SKM by +11.8%, SPM by +12.0%, and SKT by +4.8%. Therefore, we take into account and projected the prices for various retail products by the end of FY24F. If HMSP maintains its profitability, we estimate flagship products like Sampoerna A Mild'16 to be IDR35,700-36,200/pack (+11%), Marlboro Red'20 at IDR46,400-47,600 (+13%), and Dji Sam Soe Kretek'16 at IDR30,300-31,700 (+13%). We anticipate consumers' loyalty and purchasing power to be compromised as the consequences of these price hikes. However, we see SKT and SPT segments continuing to act as buffers for future profitability, benefiting from favorable excise tax rates. These segments contribute to approx. 30% of revenue (vs GGRM SKT: ~8%). Dji Sam Soe Kretek'16 has a total specific tax, excise, and VAT/price ratio of ~38%, lower than Sampoerna A Mild'16 (~70%). Furthermore, as the ongoing hike in cigarette prices pressurize purchasing power, consumers are likely to downgrade to cheaper options like SKT.

Market share stayed tough

HMSP's sales volume in 9M23 accumulated to 63.1bn sticks, declining by -3.8% YoY, aligning with our estimates and achieving a run-rate of 75.7% of the FY23E target. This decrease is in line with the industry, which contracted by -5.0% YoY to 219.1bn sticks in 9M23 (achieving 77.9% of our estimate). These changes are attributed to downtrading behavior. However, this solidifies HMSP's market share at 28.8% in 9M23 (vs 28.4% in 9M22). With a solid market share, supported by the resilient SKM segment, we moderately expect revenue/net profit to grow by +0.4% YoY/+30.0% YoY in 4Q23. Furthermore, we projected revenue/net profit in FY24F to grow by +6.8% YoY/+9.2% YoY, reaching IDR123.1tn/IDR8.8tn.

Untapping berry market flavor

In the SKM LTLN segment, HMSP has introduced its latest product, Sampoerna Splash Royal, with a mixed berry flavor. This product complements the existing Splash line, including Sunny (lemon flavor) and Tropical (watermelon flavor), launched in FY19. In our view, Splash Royal's presence not only complements the Splash line (fruit flavors) but also taps into the potential market for berry-flavored cigarettes with a cool sensation, typically favored by millennials and women. Our channel checks found this cigarette to be priced at IDR28,000 for a pack of 16 sticks. However, Splash Royal will compete with other products in its class such as Camel Option Purple'16 (IDR23,400), LA Ice Purple Boost'16 (IDR30,000), and Esse Berry Pop'16 (IDR32,800). In Jakarta, the percentage of smokers aged 15-24 in FY22 increased to 11.5% (vs 10.6% at pre-pandemic levels). On the same period, the percentage of nationwide female smokers <18Y is recorded at 0.16% (vs 0.15% at pre-pandemic levels).

Recommendation: BUY HMSP with a TP of IDR1,250

We maintain our BUY recommendation for HMSP with a TP of IDR1,250, implying PE/PBV of 18.1x/5.0x in FY23E and 16.5x/5.0x in FY24F. We favor HMSP due to its resilient and sizable SKT segment, we believed SKU improvements could provide a higher market share in the future. Despite the contribution of IQOS is still low (<5%), we assess HMSP is creating a new ecosystem for its consumers, relying solely on its own products. This establishes a solid revenue stream for the future. Currently, HMSP is trading at a level of -1.0 STD PE ratio (5-year average) of 14.7x. Downside risks include: 1) lower-than-expected sales volume; 2) slow-moving price adjustments; 3) a decline in the performance of the SKT segment.

Key Financial Highlight	FY20	FY21	FY22	FY23E	FY24F
Revenue (IDR Bn)	92,425.2	98,874.8	111,211.3	115,212.9	123,078.4
EBITDA (IDR Bn)	11,377.5	9,196.3	8,547.7	10,662.6	11,677.2
EBITDA Margin (%)	12.3	9.3	7.7	9.3	9.5
Net Income (IDR Bn)	8,581.4	7,137.1	6,323.7	8,053.6	8,791.0
ROA (%)	17.3	13.4	11.5	14.4	15.4
ROE (%)	28.4	24.4	22.4	27.6	30.5
PE (x)	12.8	15.4	17.4	13.6	12.5
PBV (x)	3.6	3.8	3.9	3.8	3.8

Sources : Company, MNCS


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Exhibit 01. 9M23 net profit slightly above our target

IDR Bn	2Q23	3Q23	QoQ	9M22	9M23	YoY	FY23E Cons	FY23E MNCS	% Cons	% MNCS
Revenues	29,189.0	31,142.3	6.7%	83,398.1	87,296.9	4.7%	116,462.5	115,212.9	75.0%	75.8%
COGS	24,803.3	25,942.4	4.6%	70,892.4	72,855.5	2.8%	96,790.5	95,142.8		
Operating Profit	1,814.2	2,725.2	50.2%	6,098.8	7,134.3	17.0%	9,773.7	10,016.6	73.0%	71.2%
Operating Profit Margin	6.2%	8.8%		7.3%	8.2%					
PBT	2,022.1	3,047.3	50.7%	6,399.8	7,855.4	22.7%	10,427.4	10,536.1	75.3%	74.6%
Net Profit	1,590.0	2,455.1	54.4%	4,902.1	6,205.2	26.6%	7,896.1	8,053.6	78.6%	77.0%
Net Margin	5.4%	7.9%		5.9%	7.1%					

Sources : Bloomberg, MNCS

Exhibit 02. We estimates approx. 11%-15% price increase for several HMSP's flagship products

2023									
Cigarettes	SRP	Excise	SRP/pack	Excise/pack	Local Tax 10%	VAT 9.9%	Total Excise, VAT, etc.	Price Nov-2023	Margin
Sampoerna A Mild'16	2,055	1,101	32,880	17,616	1,762	3,255	22,633	32,500	30%
Marlboro Red'20	2,165	1,193	43,300	23,860	2,386	4,287	30,533	42,200	28%
Dji Sam Soe Kretek'16	1,800	461	28,800	7,376	738	2,851	10,965	27,500	60%
2024									
Cigarettes	SRP	Excise	SRP/pack	Excise/pack	Local Tax 10%	VAT 9.9%	Total Excise, VAT, etc.	Price est.	Margin
Sampoerna A Mild'16	2,260	1,231	36,160	19,696	1,970	3,580	25,245	IDR35,700-36,200	29%-30%
Marlboro Red'20	2,380	1,336	47,600	26,720	2,672	4,712	34,104	IDR46,400-47,600	26%-28%
Dji Sam Soe Kretek'16	1,980	483	31,680	7,728	773	3,136	11,637	IDR30,300-31,700	62%-63%

Source : MNCS

Exhibit 03. Our channel check for a new Splash product line-up, Sampoerna Splash Royal'16
a) Retail price for berry flavor market (IDR/pack)

Sampoerna Royal Splash'16	28,000
Camel Option Purple'16	23,400
LA Ice Purple Boost'16	30,000
Esse Berry Pop'16	32,800

b) Sampoerna Splash Royal'16


Source : MNCS

Exhibit 04. HMSP's currently trading at -1.0 STD PE ratio (5-year-average) of 14.7x



Sources : Company, IDX, MNCS

Exhibit 05. Financial Projections

Income Statement						Balance Sheet					
in Billion IDR	FY20	FY21	FY22	FY23E	FY24F	in Billion IDR	FY20	FY21	FY22	FY23E	FY24F
Revenue	92,425.2	98,874.8	111,211.3	115,212.9	123,078.4	Cash & Equivalents	15,804.3	17,843.7	15,779.1	16,433.6	16,051.7
COGS	(73,654.0)	(81,955.0)	(94,053.1)	(95,142.8)	(101,407.0)	Trade Receivables	3,648.3	2,380.8	2,945.7	3,264.4	3,699.2
Gross Profit	18,771.2	16,919.8	17,158.2	20,070.1	21,671.4	Inventory	18,093.7	17,781.7	18,375.2	17,266.7	16,995.1
Selling Expense	(6,258.3)	(6,202.8)	(6,739.7)	(7,200.1)	(7,777.9)	Others Current Assets	3,545.3	3,316.9	4,262.9	4,360.0	4,550.9
G&A Expense	(2,110.7)	(2,133.6)	(2,665.3)	(2,853.4)	(2,925.1)	Total Current Assets	41,091.6	41,323.1	41,363.0	41,324.7	41,296.9
Operating Profit	10,402.2	8,583.4	7,753.2	10,016.6	10,968.4	Fixed Assets-net	6,582.8	6,038.6	6,697.4	7,563.4	8,370.0
Finance Income	765.6	483.6	463.9	394.5	410.8	Other Non-Current Assets	1,999.6	5,728.7	6,726.6	6,929.5	7,328.5
Finance Cost	(50.0)	(56.5)	(50.0)	(72.8)	(77.3)	Total Non-Current Assets	8,582.4	11,767.3	13,424.0	14,492.9	15,698.5
Other Income (Expense)	43.7	141.8	106.0	197.8	198.9	TOTAL ASSETS	49,674.0	53,090.4	54,787.0	55,817.6	56,995.3
Profit Before Tax	11,161.5	9,152.2	8,273.1	10,536.1	11,500.9	Trade Payables	3,467.6	4,244.1	5,538.6	5,317.7	5,913.2
Tax Income (Expense)	(2,580.1)	(2,015.1)	(1,949.3)	(2,482.5)	(2,709.9)	Short-term Debt	117.4	159.2	147.5	159.7	166.5
Net Income	8,581.4	7,137.1	6,323.7	8,053.6	8,791.0	Other Current Liabilities	13,158.9	17,561.0	18,859.5	19,026.0	19,983.4
EPS (IDR)	73.8	61.4	54.4	69.2	75.6	Total Current Liabilities	16,743.8	21,964.3	24,545.6	24,503.4	26,063.1
						Long-term Debt	194.1	187.8	337.1	364.9	380.5
						Other Long-term Liabilities	2,494.7	1,747.0	1,734.1	1,734.1	1,734.1
						Total LT-Liabilities	2,688.8	1,934.8	2,071.2	2,099.0	2,114.7
						Total Equity	30,241.4	29,191.4	28,170.2	29,215.1	28,817.6
						TOTAL LIABILITY AND EQUITY	49,674.0	53,090.4	54,787.0	55,817.6	56,995.3
Cash Flow						Ratios					
in Billion IDR	FY20	FY21	FY22	FY23E	FY24F		FY20	FY21	FY22	FY23E	FY24F
Net Income	8,581.4	7,137.1	6,323.7	8,053.6	8,791.0	Revenue Growth (%)	(12.9)	7.0	12.5	3.6	6.8
D&A	975.3	612.9	794.5	646.0	708.8	Operating Profit Growth (%)	(39.1)	(17.5)	(9.7)	29.2	9.5
Changes in WC	(2,445.3)	2,356.0	136.1	569.0	432.2	Net Profit Growth (%)	(37.5)	(16.8)	(11.4)	27.4	9.2
Others	3,990.8	4,857.1	387.8	69.4	766.5	Current Ratio (%)	245.4	188.1	168.5	168.6	158.4
Operating CF	11,102.2	14,963.1	7,642.1	9,338.0	10,698.5	Quick Ratio (%)	137.4	107.2	93.7	98.2	93.2
Capex	(260.2)	(68.8)	(1,453.3)	(1,511.9)	(1,515.4)	Receivable Days (x)	14.2	8.7	9.5	10.2	10.8
Others	(91.7)	(3,729.1)	(997.9)	(203.0)	(398.9)	Inventory Days (x)	88.4	78.1	70.3	65.3	60.3
Investing CF	(351.9)	(3,797.9)	(2,451.2)	(1,714.9)	(1,914.3)	Payable Days (x)	16.9	18.6	21.2	20.1	21.0
Dividend Paid	(13,934.9)	(8,468.0)	(7,362.9)	(6,362.6)	(9,188.5)	Net Gearing Ratio (x)	(0.5)	(0.6)	(0.5)	(0.5)	(0.5)
Net Change in Debt	(105.7)	35.5	137.7	40.0	22.5	DER (x)	0.0	0.0	0.0	0.0	0.0
Equity Fund Raised	18.3	54.3	(17.4)	-	-	Dividend Yield (%)	12.7	7.7	6.7	5.8	8.4
Others	255.6	(747.7)	(12.8)	(646.0)	-	Gross Profit Margin (%)	20.3	17.1	15.4	17.4	17.6
Financing CF	(13,766.7)	(9,125.9)	(7,255.4)	(6,968.6)	(9,166.1)	Operating Profit Margin (%)	11.3	8.7	7.0	8.7	8.9
Cash at Beginning	18,820.7	15,804.3	17,843.7	15,779.1	16,433.6	EBITDA Margin (%)	12.3	9.3	7.7	9.3	9.5
Cash at Ending	15,804.3	17,843.7	15,779.1	16,433.6	16,051.7	Net Income Margin (%)	9.3	7.2	5.7	7.0	7.1
						BVPS (IDR)	260.0	251.0	242.2	251.2	247.7

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

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- **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
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 - **Not Rated** : Stock is not within regular research coverage

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