

BUY | TP : IDR1,080
HMSP Stock Price Data

Last Price	:	IDR840
52wk High	:	IDR1,075
52wk Low	:	IDR835
Share Out	:	116.3 bn
Market Cap	:	IDR97.7 tn

HMSP Stock Price Performance

1-Day	:	-1.2%
1-Week	:	-1.8%
1-Month	:	-1.8%
3-Month	:	-6.7%
Year-to-Date	:	-6.1%

Shareholders

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

PT H.M. Sampoerna Tbk (HMSP IJ)
A Magnificent and Enduring Year Awaits
FY23 net profit met our estimates

HMSP maintained its growth momentum in-line with our expectations. 4Q23 revenues amounted to IDR28.7 tn (+3.1% YoY), bringing the cumulative FY23 to IDR116.0 tn (+4.3% YoY). These figures reflect 100.7%/98.7% of our/consensus targets in FY23E. We attribute this growth to the increase in blended ASP by +8.8% YoY. Meanwhile, 4Q23 net profit accumulated to IDR1.9 tn (+33.1% YoY), translating into FY23 net profit of IDR8.1 tn (+28.0% YoY). These figures are in-line with our/consensus estimates, reflecting 100.5%/98.7% of the FY23 target. The rise in net profit was propelled by the aggressive ASP adjustment, thereby improving margins. We note that FY23 GPM grew by +124 bps YoY to 16.7% (vs 15.4% in FY22).

Perfect steps taken to dance with the storm; manifesting through SKT segments

The notable increase in excise-tax has resulted in decreased domestic cigarette production and sales volume. We note that the blended production of domestic cigarettes in FY23 went down by -2.0% YoY to 318.1 bn sticks (5Y CAGR: -0.9%). Meanwhile, domestic sales volume in FY23 accumulated to 291.6 bn sticks (-4.1% YoY), which is in-line with our estimate (run-rates: 100.3%). However, we believe that the hand-rolled clove cigarettes (SKT) segment still has positive prospects due to its affordable pricing advantage.

In Mar-24, HMSP strengthened its partnership by adding hand-rolled clove cigarette (SKT) production facilities in Karanganyar, Central Java. This expansion brings the total new SKT manufacturing facilities to five, following previous expansions by HMSP in Cilacap, Purwodadi, Kebumen, and Bojonegoro. We believe the addition of SKT facilities can serve as a buffer for revenue streamlining, given the tendency toward affordable selling prices, amidst the pressure of massive excise-tax increases since FY20. We note that the SKT segment has recorded considerable growth with a CAGR 5Y of +12.8% to IDR35.9 tn in FY23 (accounting for 31.0% of turnover vs. 18.6% in FY19), outperforming the machine-made clove cigarettes (SKM) segment with a CAGR 5Y of -1.5%. We also anticipate that the political momentum in FY24 will spur nationwide cigarette production; as of 2M24, the production was up by +9.3% YoY.

Awaiting delightful yield at approx. 8%

As a dividend player, HMSP will hold its AGMS on 23-Apr'24, with one of the agenda items being the use of FY23 retained earnings (i.e. dividend). Historically, the 5Y avg. payout ratio was 100.9%. Assuming a payout ratio of 100%-101%, the anticipated DPS is IDR69.6-70.3/share, giving a possible div. yield of 8.3%-8.4% based on current prices. Meanwhile, the avg. div. yield over 5Y was +5.4%. We believe that HMSP has a sturdy balance sheet, with the cash conversion cycle improving to 55.5 days in FY23 (vs 67.7 days in FY2019).

Recommendation: BUY HMSP with a TP of IDR1,080

We recommend BUY for HMSP with a TP of IDR1,080/share, implying PE/PBV of 15.0x/4.3x in FY24E. We project revenue/net profit growth in FY24E to be +2.1% YoY/+3.2% YoY, respectively. We anticipate that this will be backed by a +7.0% YoY rise in the SKT segments, as well as ASP adjustments to sustain profits. It should be noted that, throughout 1Q24, the avg. ASP adjustment was +4.6% YTD. HMSP is currently trading below the level -1x STD PE Ratio (5Y avg.) of 12.0x. Downside risks include: 1) slow-moving price adjustments; 2) a decline in the performance of the SKT segment.

Key Financial Highlight	FY21	FY22	FY23	FY24F	FY25F
Revenue (IDR Bn)	98,874.8	111,211.3	115,983.4	118,464.1	120,878.0
EBITDA (IDR Bn)	9,763.5	8,881.3	10,095.5	11,416.0	11,438.3
EBITDA Margin (%)	9.9	8.0	8.7	9.6	9.5
Net Profit (IDR Bn)	7,137.1	6,323.7	8,096.8	8,353.8	8,492.9
ROA (%)	13.4	11.5	14.6	15.1	15.2
ROE (%)	24.4	22.4	27.1	28.4	28.8
PE (x)	13.9	15.6	12.2	11.8	11.6
PBV (x)	3.4	3.5	3.3	3.4	3.4

Sources : Company, MNCS


Research Analyst

Raka Junico W.

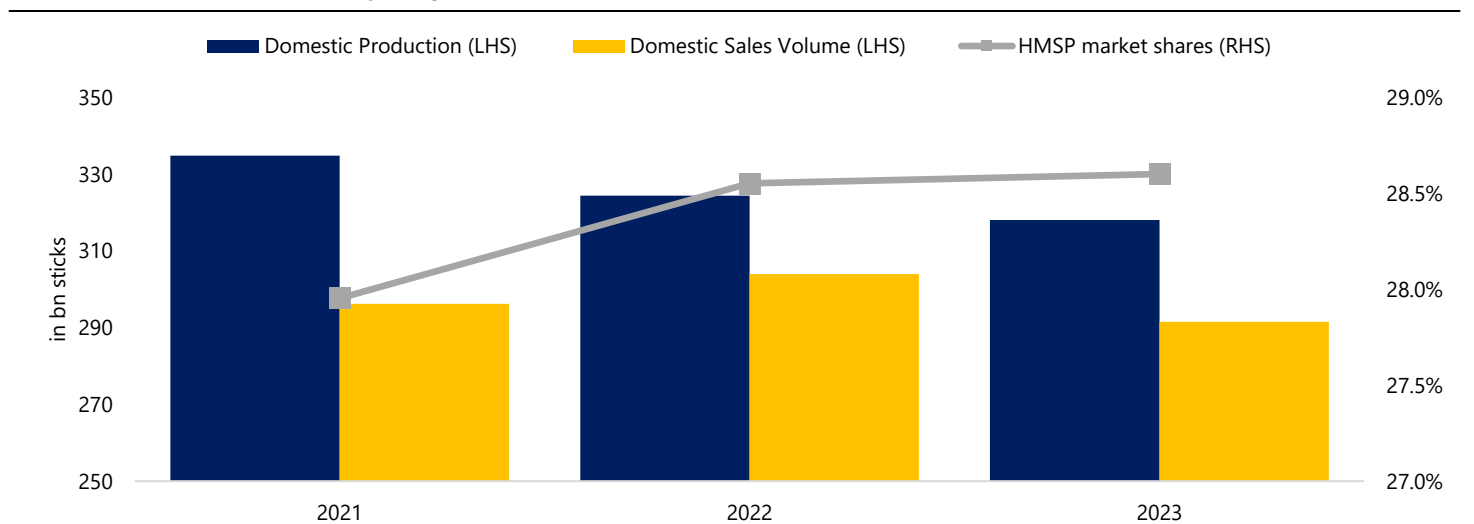
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Exhibit 01. FY23 figures largely in-line with our estimates, driven by SKT segments which grew by +32.1% YoY

IDR bn	3Q23	4Q23	QoQ	FY22	FY23	YoY	FY23E Cons	FY23E MNCS	% Cons	% MNCS
Revenues	31,142.3	28,686.5	-7.9%	111,211.3	115,983.4	4.3%	117,542.6	115,212.9	98.7%	100.7%
COGS	25,942.4	23,797.5	-8.3%	94,053.1	96,653.0	2.8%	97,700.4	95,142.8		
Operating Profit	2,725.2	1,829.8	-32.9%	7,753.2	8,964.1	15.6%	9,726.7	10,016.6	92.2%	89.5%
Operating Profit Margin	8.8%	6.4%		7.0%	7.7%					
PBT	3,047.3	2,455.8	-19.4%	8,273.1	10,311.2	24.6%	10,493.6	10,536.1	98.3%	97.9%
Net Profit	2,455.1	1,891.6	-23.0%	6,323.7	8,096.8	28.0%	8,200.4	8,053.6	98.7%	100.5%
Net Margin	7.9%	6.6%		5.7%	7.0%					

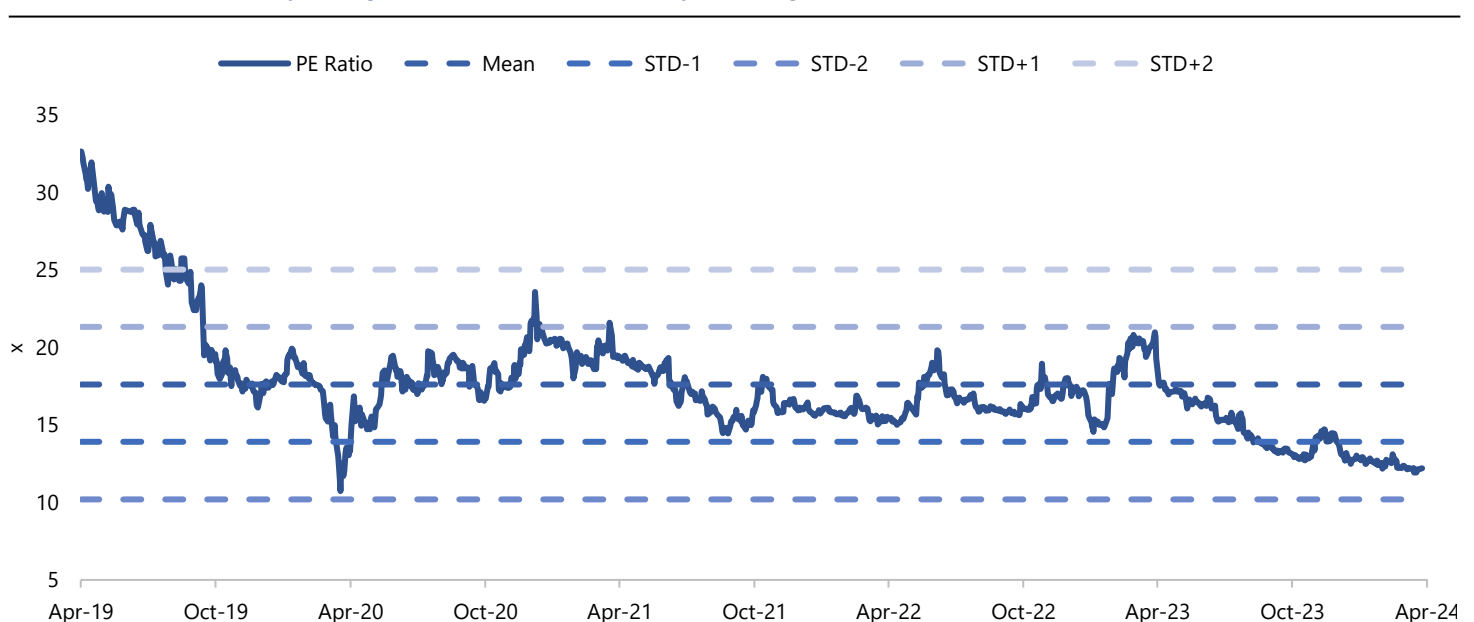
Sources : Bloomberg, Company, MNCS

Exhibit 02. HMSP market shares stayed high at 28.6% in FY23



Sources : Company, MNCS

Exhibit 03. HMSP's currently trading at below -1.0 STD PE ratio (5-year-average) of 12.0x



Sources : IDX, Company, MNCS

Exhibit 04. Financial Projections

Income Statement						Balance Sheet					
In Billion IDR	FY21	FY22	FY23	FY24F	FY25F	In Billion IDR	FY21	FY22	FY23	FY24F	FY25F
Revenue	98,874.8	111,211.3	115,983.4	118,464.1	120,878.0	Cash & Equivalents	17,843.7	15,779.1	14,073.0	13,073.0	13,428.3
COGS	(81,955.0)	(94,053.1)	(96,653.0)	(98,295.5)	(100,054.6)	Trade Receivables	2,380.8	2,945.7	3,284.7	3,560.5	3,092.5
Gross Profit	16,919.8	17,158.2	19,330.4	20,168.7	20,823.4	Inventory	17,781.7	18,375.2	19,014.0	19,309.8	19,627.6
Selling Expense	(6,202.8)	(6,739.7)	(7,516.8)	(7,541.2)	(7,724.5)	Others Current Assets	3,316.9	4,262.9	3,694.4	3,742.6	3,817.7
G&A Expense	(2,133.6)	(2,665.3)	(2,849.6)	(2,892.7)	(3,193.4)	Total Current Assets	41,323.1	41,363.0	40,066.0	39,685.9	39,966.2
Operating Profit	8,583.4	7,753.2	8,964.1	9,734.8	9,905.5	Fixed Assets-net	6,038.6	6,697.4	9,253.3	9,405.5	9,549.4
Finance Income	483.6	463.9	740.4	351.8	326.8	Other Non-Current Assets	5,728.7	6,726.6	5,996.9	6,083.7	6,178.6
Finance Cost	(56.5)	(50.0)	(41.7)	(54.0)	(46.9)	Total Non-Current Assets	11,767.3	13,424.0	15,250.2	15,489.2	15,728.0
Other Income (Expense)	141.8	106.0	648.5	605.8	630.3	TOTAL ASSETS	53,090.4	54,787.0	55,316.3	55,175.2	55,694.1
Profit Before Tax	9,152.2	8,273.1	10,311.2	10,638.4	10,815.7	Trade Payables	4,244.1	5,538.6	6,843.9	6,987.5	7,140.4
Tax Income (Expense)	(2,015.1)	(1,949.3)	(2,214.4)	(2,284.7)	(2,322.7)	Short-term Debt	159.2	147.5	155.8	126.3	116.6
Net Profit	7,137.1	6,323.7	8,096.8	8,353.8	8,492.9	Other Current Liabilities	17,561.0	18,859.5	16,303.0	16,518.6	16,823.2
EPS (IDR)	61.4	54.4	69.6	71.8	73.0	Total Current Liabilities	21,964.3	24,545.6	23,302.7	23,632.4	24,080.2
						Long-term Debt	187.8	337.1	289.5	288.7	266.5
						Other Long-term Liabilities	1,747.0	1,734.1	1,854.2	1,854.2	1,892.0
						Total LT-Liabilities	1,934.8	2,071.2	2,143.7	2,142.9	2,158.5
						Total Equity	29,191.4	28,170.2	29,869.9	29,399.8	29,455.5
						TOTAL LIABILITY AND EQUITY	53,090.4	54,787.0	55,316.3	55,175.2	55,694.1
Cash Flow						Ratios					
In Billion IDR	FY21	FY22	FY23	FY24F	FY25F		FY21	FY22	FY23	FY24F	FY25F
Net Profit	7,137.1	6,323.7	8,096.8	8,353.8	8,492.9	Revenue Growth (%)	7.0	12.5	4.3	2.1	2.0
D&A	1,180.2	1,128.1	1,131.4	1,681.3	1,532.8	Operating Profit Growth (%)	(17.5)	(9.7)	15.6	8.6	1.8
Changes in WC	2,356.0	136.1	327.6	(428.0)	303.1	Net Profit Growth (%)	(16.8)	(11.4)	28.0	3.2	1.7
Others	4,309.7	75.2	(2,533.6)	167.4	229.4	Current Ratio (%)	188.1	168.5	171.9	167.9	166.0
Operating CF	14,983.0	7,663.1	7,022.1	9,774.4	10,558.3	Quick Ratio (%)	107.2	93.7	90.3	86.2	84.5
Capex	(631.6)	(1,782.0)	(3,718.9)	(1,812.5)	(1,655.7)	Receivable Days (x)	8.7	9.5	10.2	10.8	9.2
Others	(3,186.1)	(690.2)	1,274.3	(107.8)	(115.9)	Inventory Days (x)	78.1	70.3	70.8	70.7	70.6
Investing CF	(3,817.7)	(2,472.2)	(2,444.6)	(1,920.3)	(1,771.6)	Payable Days (x)	18.6	21.2	25.5	25.6	25.7
Dividend Paid	(8,468.0)	(7,362.9)	(6,362.6)	(8,177.8)	(8,437.3)	Net Gearing Ratio (x)	(0.6)	(0.5)	(0.5)	(0.4)	(0.4)
Net Change in Debt	35.5	137.7	(39.3)	(30.3)	(31.8)	DER (x)	0.0	0.0	0.0	0.0	0.0
Equity Fund Raised	54.3	(17.4)	(1.8)	-	-	Dividend Yield (%)	8.6	7.4	6.4	8.3	8.5
Others	(747.7)	(12.8)	120.1	(646.0)	37.8	Gross Profit Margin (%)	17.1	15.4	16.7	17.0	17.2
Financing CF	(9,125.9)	(7,255.4)	(6,283.7)	(8,854.1)	(8,431.4)	Operating Profit Margin (%)	8.7	7.0	7.7	8.2	8.2
Cash at Beginning	15,804.3	17,843.7	15,779.1	14,073.0	13,073.0	EBITDA Margin (%)	9.9	8.0	8.7	9.6	9.5
Cash at Ending	17,843.7	15,779.1	14,073.0	13,073.0	13,428.3	Net Income Margin (%)	7.2	5.7	7.0	7.1	7.0
						BVPS (IDR)	251.0	242.2	256.8	252.8	253.2

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

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