

**PT. HM SAMPOERNA Tbk.**

**BUY**

**Investment Consideration**

**Lower volume with higher market share**

- HMSP sales volume declined in 1Q2023 by -5.7% YoY to 19.7 billion sticks in line with lower domestic cigarettes sales volume, -6.5%. Lower cigarettes sales volume is due to higher prices of cigarettes in line with higher excise tax.
- Despite lower sales volume, HMSP market share still expanded from 28.3% to 28.5% in 1Q2023 in line with lower domestic sales volume.
- Despite the lower volume, HMSP's sales increased +3.1% YoY but slightly declined -3% QoQ to IDR 26.9 trillion.
- HMSP's hand-rolled white cigarettes (SPT) maintained the fastest growth of +36.5% YoY to IDR 260.7 billion, followed by the hand-rolled clove cigarettes (SKT) with +19.6% YoY growth to IDR 7.27 trillion.
- Machine-made clove (SKM) sales declined -1.9% YoY or -2.8% QoQ to IDR 17 trillion, while Machine-Made White (SPM) cigarettes declined by -12.3% YoY or -11% QoQ to IDR 2.01 trillion.

**1Q2023 Results: Margins continue to improved**

- HMSP recorded a higher NPM of 8% in 1Q2023, an increase from 4Q2022's 5.1% and 7.3% in 1Q2022, from higher prices. Net profit continued to increase at a double digit rate to IDR 2.16 trillion, +52% QoQ or +12.8% YoY.
- In line with higher sales, cost of sales were slightly up by +1% YoY but declined -4.5% QoQ to IDR 22.1 trillion in 1Q2022. In detail, raw material costs increased +10.7% YoY and excise tax +1.2% YoY, the increases are at a slower rate compared to before. Gross profit had faster growth of +14% YoY or +4.4% QoQ to IDR 4.85 trillion with an improvement in the gross profit margin to 18% in 1Q2023 from 16.3% in 1Q2022.
- Operating profit also increased +10.3% YoY to IDR 2.65 trillion, resulting in a higher OPM of 9.8% in 1Q2023.
- With more stable costs and a higher ASP, we expect HMSP's sales will grow +10% YoY to reach IDR 121 trillion in 2023F with a bottom line profit of IDR 8.3 trillion.

**Valuation: TP 1,375 BUY**

- With an improved performance from HMSP, we upgrade our recommendation to BUY from HOLD. We are targeting HMSP to trade at a 17x 2024F PE within a year. Target Price is ID 1,375 which represents 35% upside.

Financial Highlights	2020A	2021A	2022A	2023F	2024F
Revenue (IDR Mn)	92.425.210	98.874.784	111.211.321	121.886.898	136.729.794
EBITDA (IDR Mn)	12.186.746	9.821.619	9.117.591	11.960.190	12.917.123
Net Profit (IDR Mn)	8.581.378	7.137.097	6.323.744	8.374.239	9.394.021
EPS (IDR)	74	61	54	72	81
GPM (%)	20,3%	17,1%	15,4%	16,0%	16,0%
OPM (%)	11,3%	8,8%	7,4%	8,5%	8,5%
PER (x)	20,4	15,7	15,5	19,0	17,0
PBV (x)	5,8	3,8	3,5	5,3	5,0
ROE (%)	28,4%	24,4%	22,4%	28,0%	29,5%
ROA (%)	20,9%	17,3%	15,3%	19,6%	20,1%

Source: Company and Binaartha

8 May 2023  
Non Cyclical - Tobacco

Price	IDR	1,015
Target Price	IDR	1,375
JKSE Index		6,769.631



HMSP RG

**Stock Information**

<b>Bloomberg Code</b>	<b>HMSP IJ</b>
Market Cap (IDR bn)	118.06
52-week high (IDR)	1,235
52-week low (IDR)	780
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)**

2022	15,592
2023F (6m-avg)	15,268

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Table: Cigarettes Sales and Market Share in 1Q2023 YoY

Billion Units	1Q2022	1Q2023	%	Market Share	PMI
Indonesia	73,9	69,1	-6,5%	1Q2022	28.3%
PMI	20,9	19,7	-5,7%	1Q2023	28.5%

Source: Philip Morris International Inc (PMI)

Table: Income Statement In IDR Mn QoQ &amp; YoY

Income Statement (IDR Mn)	1Q2022	1Q2023	YoY	4Q2022	QoQ
Net Sales	26.161.078	26.965.628	3,1%	27.813.181	-3,0%
Cost of Goods Sold	-21.900.916	-22.109.892	1,0%	-23.160.705	-4,5%
Gross Profit	4.260.162	4.855.736	14,0%	4.652.476	4,4%
Operating Expense	-1.859.807	-2.207.684	18,7%	-2.484.486	-11,1%
Operating Income	2.400.355	2.648.052	10,3%	2.167.990	22,1%
Other Income	83.730	137.945	64,7%	-294.716	-146,8%
PBT	2.484.085	2.785.997	12,2%	1.873.274	48,7%
Taxes	-569.119	-625.954	10,0%	-451.584	38,6%
PAT	1.914.966	2.160.043	12,8%	1.421.690	51,9%
Non-controlling interest	0	0		0	
Net Profit	1.914.966	2.160.043	12,8%	1.421.690	51,9%
EPS	16	19	12,8%	12	51,9%
GPM (%)	16,3%	18,0%		16,7%	
OPM (%)	9,2%	9,8%		7,8%	
NPM (%)	7,3%	8,0%		5,1%	

Source: Company

Table: Income Statement in IDR Million YoY

Income Statement (IDR Mn)	2019A	2020A	2021A	2022A	2023F	2024F
<b>Net Sales</b>	<b>106.055.176</b>	<b>92.425.210</b>	<b>98.874.784</b>	<b>111.211.321</b>	<b>121.886.898</b>	<b>136.729.794</b>
Cost of Goods Sold	-79.932.195	-73.653.975	-81.955.013	-94.053.123	-102.384.994	-114.853.027
<b>Gross Profit</b>	<b>26.122.981</b>	<b>18.771.235</b>	<b>16.919.771</b>	<b>17.158.198</b>	<b>19.501.904</b>	<b>21.876.767</b>
Operating Expense	-9.045.894	-8.328.881	-8.202.617	-8.941.117	-9.141.517	-10.254.735
<b>Operating Income</b>	<b>17.077.087</b>	<b>10.442.354</b>	<b>8.717.154</b>	<b>8.217.081</b>	<b>10.360.386</b>	<b>11.622.032</b>
Other Income	1.182.336	719.112	435.012	55.978	731.321	820.379
<b>PBT</b>	<b>18.259.423</b>	<b>11.161.466</b>	<b>9.152.166</b>	<b>8.273.059</b>	<b>11.091.708</b>	<b>12.442.411</b>
Taxes	-4.537.910	-2.580.088	-2.015.069	-1.949.315	-2.717.468	-3.048.391
<b>PAT</b>	<b>13.721.513</b>	<b>8.581.378</b>	<b>7.137.097</b>	<b>6.323.744</b>	<b>8.374.239</b>	<b>9.394.020</b>
Non-controlling interest	0	0	0	0	0	1
<b>Net Profit</b>	<b>13.721.513</b>	<b>8.581.378</b>	<b>7.137.097</b>	<b>6.323.744</b>	<b>8.374.239</b>	<b>9.394.021</b>
EPS	118	74	61	54	72	81
<b>EBITDA</b>	<b>19.687.317</b>	<b>12.186.746</b>	<b>9.821.619</b>	<b>9.117.591</b>	<b>11.960.190</b>	<b>12.917.123</b>

Source: Company and Binaartha

Table: Cash Flow in IDR Million YoY

Cash Flow (In IDR Mn)	2019A	2020A	2021A	2022A	2023F	2024F
Net Income	13.721.513	8.581.378	7.137.097	6.323.744	8.374.239	9.394.021
Depreciation	1.374.440	975.297	612.925	794.483	797.753	393.146
Change in WC	3.372.401	1.605.149	7.028.305	-12.019.096	119.917	-611.296
<b>Cash From Operating Activities</b>	<b>18.468.354</b>	<b>11.161.824</b>	<b>14.778.327</b>	<b>-4.900.869</b>	<b>9.291.909</b>	<b>9.175.872</b>
Change in Non-current Assets	-1.809.294	-351.898	-3.797.856	-2.451.154	-2.309.608	-2.020.883
<b>Cash From Investing Activities</b>	<b>-1.809.294</b>	<b>-351.898</b>	<b>-3.797.856</b>	<b>-2.451.154</b>	<b>-2.309.608</b>	<b>-2.020.883</b>
Employee benefits liabilities	-72.878	310.722	-706.676	-13.834	108.637	222.643
Others Noncurrent Liabilities	118.110	-117.352	-47.331	150.301	-6.107	21.002
Equity	-13.400.036	-14.019.682	-8.187.117	-7.344.982	-6.653.644	-7.467.017
<b>Cash From Financing Activities</b>	<b>-13.354.804</b>	<b>-13.826.312</b>	<b>-8.941.124</b>	<b>-7.208.515</b>	<b>-6.551.114</b>	<b>-7.223.371</b>
Net Changes in Cash	3.304.256	-3.016.386	2.039.347	-14.560.538	431.188	-68.382
<b>Beginning Balance</b>	<b>15.516.439</b>	<b>18.820.695</b>	<b>15.804.309</b>	<b>17.843.656</b>	<b>3.283.118</b>	<b>3.714.306</b>
<b>Ending Balance</b>	<b>18.820.695</b>	<b>15.804.309</b>	<b>17.843.656</b>	<b>3.283.118</b>	<b>3.714.306</b>	<b>3.645.924</b>

Source: Company and Binaartha

Table: Statement of Financial Position in IDR Million YoY

ASSETS	2019A	2020A	2021A	2022A	2023F	2024F
<b>CURRENT ASSETS</b>						
Cash and Cash Equivalents	18.820.695	15.804.309	17.843.656	3.283.118	3.714.306	3.645.925
Trade Accounts Receivable	3.254.954	3.648.322	2.896.599	2.945.727	3.656.607	3.418.245
Inventories	16.376.231	18.093.707	17.781.747	18.375.217	20.720.773	23.244.065
Others Current Assets	3.245.135	3.545.300	2.801.103	16.758.936	14.626.428	16.407.575
<b>Total Current Assets</b>	<b>41.697.015</b>	<b>41.091.638</b>	<b>41.323.105</b>	<b>41.362.998</b>	<b>42.718.113</b>	<b>46.715.810</b>
<b>NONCURRENT ASSETS</b>						
Fixed Assets	7.297.912	6.582.808	6.038.643	7.977.528	8.775.281	9.652.809
Goodwill	60.423	60.423	60.423	60.423	66.223	74.288
Other Noncurrent Assets	1.847.456	1.939.161	5.668.257	5.386.043	6.094.345	6.836.490
<b>Total Noncurrent Assets</b>	<b>9.205.791</b>	<b>8.582.392</b>	<b>11.767.323</b>	<b>13.423.994</b>	<b>14.935.849</b>	<b>16.563.586</b>
<b>TOTAL ASSETS</b>	<b>50.902.806</b>	<b>49.674.030</b>	<b>53.090.428</b>	<b>54.786.992</b>	<b>57.653.962</b>	<b>63.279.396</b>
<b>LIABILITIES AND EQUITY</b>						
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES</b>						
Trade Account Payable	3.802.004	3.467.567	4.244.097	5.538.570	5.651.053	6.574.331
Excise Tax Payable	5.423.392	9.547.748	14.835.154	14.373.931	15.544.278	17.437.198
Others Current Liabilities	3.502.280	3.728.519	2.885.008	4.633.093	4.394.107	5.032.692
<b>Total Current Liabilities</b>	<b>12.727.676</b>	<b>16.743.834</b>	<b>21.964.259</b>	<b>24.545.594</b>	<b>25.589.439</b>	<b>29.044.221</b>
<b>NONCURRENT LIABILITIES</b>						
Employee benefits liabilities	2.129.454	2.440.176	1.733.500	1.719.666	1.828.303	2.050.947
Others Noncurrent Liabilities	365.946	248.594	201.263	351.564	345.457	366.459
<b>Total Noncurrent Liabilities</b>	<b>2.495.400</b>	<b>2.688.770</b>	<b>1.934.763</b>	<b>2.071.230</b>	<b>2.173.760</b>	<b>2.417.406</b>
<b>TOTAL LIABILITIES</b>	<b>15.223.076</b>	<b>19.432.604</b>	<b>23.899.022</b>	<b>26.616.824</b>	<b>27.763.199</b>	<b>31.461.627</b>
Non-controlling interest	0	0	0	0	0	0
<b>EQUITY</b>	<b>35.679.730</b>	<b>30.241.426</b>	<b>29.191.406</b>	<b>28.170.168</b>	<b>29.890.763</b>	<b>31.817.768</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>50.902.806</b>	<b>49.674.030</b>	<b>53.090.428</b>	<b>54.786.992</b>	<b>57.653.962</b>	<b>63.279.395</b>

Source: Company and Binaartha

Table: Ratio Highlights YoY

	2019A	2020A	2021A	2022A	2023F	2024F
<b>Growth (% YoY)</b>						
Revenue	-1%	-13%	7%	12%	10%	12%
OP	1%	-39%	-17%	-6%	26%	12%
EBITDA	4%	-38%	-19%	-7%	31%	8%
NP	1%	-37%	-17%	-11%	32%	12%
EPS	4%	-38%	-19%	-7%	31%	8%
<b>Profitability</b>						
Gross Profit Margin (%)	25%	20%	17%	15%	16%	16%
Operating Margin(%)	16%	11%	9%	7%	9%	9%
EBITDA margin(%)	19%	13%	10%	8%	10%	9%
NET Profit margin(%)	13%	9%	7%	6%	7%	7%
ROA(%)	33%	21%	17%	15%	20%	20%
ROE(%)	38%	28%	24%	22%	28%	30%
<b>Stability</b>						
Int. Coverage (x)	257	172	126	126	118	115
Current Ratio (X)	3	2	2	2	2	2
<b>Per Share data</b>						
EPS (IDR)	118	74	61	54	72	81
Price (IDR)	2.100	1.505	965	840	1.370	1.370
PER (x)	18	20	16	15	19	17
PBV (x)	7	6	4	3	5	5
EBITDA/share	169	105	84	78	103	111

Source: Company and Binaartha

**Stock Ratings:**

- Buy : a recommendation to purchase the security with upside potential of **20% or greater**
- Hold : a recommendation to neither buy nor sell a security with upside potential of **0-19%**.
- Sel : a recommendation to close out a long position in a security with upside potential **below 0% or negative**.

**RESEARCH TEAM**  
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