

PT. HM SAMPOERNA Tbk.

19 October 2023
Non Cyclical - Tobacco

Price	IDR	845
Target Price	IDR	1,200
JKSE Index		6,927.906



Stock Information

Bloomberg Code	HMSP IJ
Market Cap (IDR bn)	99,452.06
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)	15,543

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Investment Consideration

Maintaining growth in market share

- HMSP's sales volume continued to decline in 2Q2023 by -2.8% YoY to 20.8 billion sticks, in line with lower domestic cigarette sales volume, which dropped by -4.8%. For 1H2023, HMSP's sales volume still declined -4.3% YoY to 40.5 billion sticks, while domestic sales volume also decreased by -5.6%. The lower cigarette sales volume is due to higher prices of cigarettes in response to higher excise taxes, while consumers keep downgrading to lower-priced cigarettes.
- Despite the lower sales volume, HMSP's market share expanded from 28.3% to 28.7% in 1H2023 due to the price hike being lower compared to competitors.
- As the cigarette prices were raised early in the year, HMSP's sales increased by +6.7% YoY or +8.2% QoQ to IDR 29.18 trillion.
- HMSP's hand-rolled white cigarettes (SPT) maintained the fastest growth at +41.4% YoY to IDR 235 billion, followed by the hand-rolled clove cigarettes (SKT) with +32.5% YoY growth to IDR 8.11 trillion.
- Machine-made clove (SKM) sales remained stable YoY but increased by +7.8% QoQ to IDR 18.33 trillion, while Machine-Made White (SPM) cigarettes declined by -9.5% YoY to IDR 2.09 trillion.

2Q2023 Results: Better YoY performance

- HMSP recorded a net profit margin (NPM) of 5.4% in 2Q2023, which contracted from 8% in 1Q2023 but increased from 4.1% in 2Q2022 due to a price hike in 1Q2023, while volume continued to decline in 2Q2023. Net profit increased by +40% YoY but declined by -26.4% QoQ to IDR 1.59 trillion.
- In line with higher sales, the cost of sales slightly increased by +5% YoY or +12.2% QoQ to IDR 24.8 trillion in 2Q2022. This increase was due to higher raw material costs by +8.5% YoY, while excise tax costs decreased by -10.8% YoY.
- As a result, gross profit decreased by -9.7% QoQ but still grew by +17.9% YoY to IDR 4.38 trillion, with the gross profit margin improving to 15% in 2Q2023 from 13.6% in 2Q2022.
- Operating profit also decreased by -34.6% QoQ but increased by +21% YoY to IDR 1.73 trillion, resulting in a higher operating profit margin (OPM) of 5.9% in 2Q2023.
- We expect better demand in 2H2023 as the election period will likely boost consumption. We expect HMSP's sales to grow by a single digit, +4% YoY, reaching IDR 116 trillion in 2023 with a bottom-line profit of IDR 7.24 trillion.

Valuation: TP 1,200 BUY

- We are targeting HMSP to trade at a 17x 2024F PE within a year. The target price is IDR 1,200, which represents 42% upside. We maintain our recommendation to BUY.

Financial Highlights	2020A	2021A	2022A	2023F	2024F
Revenue (IDR Mn)	92.425.210	98.874.784	111.211.321	116.076.799	123.815.312
EBITDA (IDR Mn)	12.186.746	9.821.619	9.117.591	10.151.255	10.991.310
Net Profit (IDR Mn)	8.581.378	7.137.097	6.323.744	7.243.192	8.208.956
EPS (IDR)	74	61	54	62	71
GPM (%)	20,3%	17,1%	15,4%	16,0%	16,5%
OPM (%)	11,3%	8,8%	7,4%	7,0%	7,5%
PER (x)	20,4	15,7	15,5	19,3	17,0
PBV (x)	5,8	3,8	3,5	4,7	4,5
ROE (%)	28,4%	24,4%	22,4%	24,4%	26,2%
ROA (%)	20,9%	17,3%	15,3%	20,2%	21,4%

Source: Company and Binaartha

BUY

Table: Cigarettes Sales and Market Share YoY

Billion Units	1H2021	1H2022	1H2023	%	2Q2021	2Q2022	2Q2023	%
Indonesia	143	150	141	-5,6%	72	76	72	-4,8%
PMI	40	42	41	-4,3%	20	21	21	-2,8%

Market Share	PMI
1H2022	28,3%
1H2023	28,7%

Source: Philip Morris International Inc (PMI)

Table: Income Statement In IDR Mn QoQ & YoY

Income Statement (IDR Mn)	1Q2023	2Q2023	QoQ	2Q2022	YoY	1H2022	1H2023	YoY
Net Sales	26.965.628	29.188.998	8,2%	27.344.396	6,7%	53.505.474	56.154.626	5,0%
Cost of Goods Sold	-22.109.892	24.803.262	12,2%	-23.623.271	5,0%	-45.524.187	-46.913.154	3,1%
Gross Profit	4.855.736	4.385.736	-9,7%	3.721.125	17,9%	7.981.287	9.241.472	15,8%
Operating Expense	-2.207.684	-2.653.460	20,2%	-2.286.075	16,1%	-4.145.882	-4.861.144	17,3%
Operating Income	2.648.052	1.732.276	-34,6%	1.435.050	20,7%	3.835.405	4.380.328	14,2%
Other Income	137.945	289.873	110,1%	68.389	323,9%	152.119	427.818	181,2%
PBT	2.785.997	2.022.149	-27,4%	1.503.439	34,5%	3.987.524	4.808.146	20,6%
Taxes	-625.954	-432.148	-31,0%	-370.264	16,7%	-939.383	-1.058.102	12,6%
PAT	2.160.043	1.590.001	-26,4%	1.133.175	40,3%	3.048.141	3.750.044	23,0%
Non-controlling interest	0	0		0		0	0	
Net Profit	2.160.043	1.590.001	-26,4%	1.133.175	40,3%	3.048.141	3.750.044	23,0%
EPS	19	14	-26,4%	10	40,3%	26	32	23,0%
GPM (%)	18,0%	15,0%		13,6%		14,9%	16,5%	
OPM (%)	9,8%	5,9%		5,2%		7,2%	7,8%	
NPM (%)	8,0%	5,4%		4,1%		5,7%	6,7%	

Source: Company

Table: Income Statement in IDR Million YoY

Income Statement (IDR Mn)	2019A	2020A	2021A	2022A	2023F	2024F
Net Sales	106.055.176	92.425.210	98.874.784	111.211.321	116.076.799	123.815.312
Cost of Goods Sold	-79.932.195	-73.653.975	-81.955.013	-94.053.123	-97.504.512	-103.385.785
Gross Profit	26.122.981	18.771.235	16.919.771	17.158.198	18.572.288	20.429.526
Operating Expense	-9.045.894	-8.328.881	-8.202.617	-8.941.117	-10.446.912	-11.143.378
Operating Income	17.077.087	10.442.354	8.717.154	8.217.081	8.125.376	9.286.148
Other Income	1.182.336	719.112	435.012	55.978	1.160.768	1.238.153
PBT	18.259.423	11.161.466	9.152.166	8.273.059	9.286.144	10.524.301
Taxes	-4.537.910	-2.580.088	-2.015.069	-1.949.315	-2.042.952	-2.315.346
PAT	13.721.513	8.581.378	7.137.097	6.323.744	7.243.192	8.208.955
Non-controlling interest	0	0	0	0	0	1
Net Profit	13.721.513	8.581.378	7.137.097	6.323.744	7.243.192	8.208.956
EPS	118	74	61	54	62	71
EBITDA	19.687.317	12.186.746	9.821.619	9.117.591	10.151.255	10.991.310

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	7.243.192	8.208.956
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	1.504.445	-589.087
Cash From Operating Activities	18.468.354	11.161.824	14.778.327	-4.900.869	9.545.390	8.013.015
Change in Non-current Assets	-1.809.294	-351.898	-3.797.856	-2.451.154	-3.176.714	-1.120.113
Cash From Investing Activities	-1.809.294	-351.898	-3.797.856	-2.451.154	-3.176.714	-1.120.113
Employee benefits liabilities	-72.878	310.722	-706.676	-13.834	21.486	116.078
Others Noncurrent Liabilities	118.110	-117.352	-47.331	150.301	-22.574	2.856
Equity	-13.400.036	-14.019.682	-8.187.117	-7.344.982	-5.748.807	-6.518.964
Cash From Financing Activities	-13.354.804	-13.826.312	-8.941.124	-7.208.515	-5.749.895	-6.400.030
Net Changes in Cash	3.304.256	-3.016.386	2.039.347	-14.560.538	618.781	492.872
Beginning Balance	15.516.439	18.820.695	15.804.309	17.843.656	3.283.118	3.901.899
Ending Balance	18.820.695	15.804.309	17.843.656	3.283.118	3.901.899	4.394.771

Source: Company and Binaartha

Table: Statement of Financial Position in IDR Million YoY

ASSETS	2019A	2020A	2021A	2022A	2023F	2024F
CURRENT ASSETS						
Cash and Cash Equivalents	18.820.695	15.804.309	17.843.656	3.283.118	3.901.899	4.394.771
Trade Accounts Receivable	3.254.954	3.648.322	2.896.599	2.945.727	4.062.688	4.333.536
Inventories	16.376.231	18.093.707	17.781.747	18.375.217	17.411.520	18.572.297
Others Current Assets	3.245.135	3.545.300	2.801.103	16.758.936	10.446.912	11.143.378
Total Current Assets	41.697.015	41.091.638	41.323.105	41.362.998	35.823.018	38.443.982
NONCURRENT ASSETS						
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	63.066	67.271
Other Noncurrent Assets	1.847.456	1.939.161	5.668.257	5.386.043	6.964.608	6.809.842
Total Noncurrent Assets	9.205.791	8.582.392	11.767.323	13.423.994	15.802.955	16.529.922
TOTAL ASSETS	50.902.806	49.674.030	53.090.428	54.786.992	51.625.974	54.973.903
LIABILITIES AND EQUITY						
LIABILITIES						
CURRENT LIABILITIES						
Trade Account Payable	3.802.004	3.467.567	4.244.097	5.538.570	5.381.679	5.953.368
Excise Tax Payable	5.423.392	9.547.748	14.835.154	14.373.931	11.607.680	12.381.531
Others Current Liabilities	3.502.280	3.728.519	2.885.008	4.633.093	2.901.920	3.095.383
Total Current Liabilities	12.727.676	16.743.834	21.964.259	24.545.594	19.891.279	21.430.282
NONCURRENT LIABILITIES						
Employee benefits liabilities	2.129.454	2.440.176	1.733.500	1.719.666	1.741.152	1.857.230
Others Noncurrent Liabilities	365.946	248.594	201.263	351.564	328.990	331.846
Total Noncurrent Liabilities	2.495.400	2.688.770	1.934.763	2.071.230	2.070.142	2.189.076
TOTAL LIABILITIES	15.223.076	19.432.604	23.899.022	26.616.824	21.961.420	23.619.358
Non-controlling interest	0	0	0	0	0	0
EQUITY	35.679.730	30.241.426	29.191.406	28.170.168	29.664.554	31.354.546
TOTAL LIABILITIES & EQUITY	50.902.806	49.674.030	53.090.428	54.786.992	51.625.974	54.973.903

Source: Company and Binaartha

Table: Ratio Highlights YoY

	2019A	2020A	2021A	2022A	2023F	2024F
Growth (% YoY)						
Revenue	-1%	-13%	7%	12%	4%	7%
OP	1%	-39%	-17%	-6%	-1%	14%
EBITDA	4%	-38%	-19%	-7%	11%	8%
NP	1%	-37%	-17%	-11%	15%	13%
EPS	4%	-38%	-19%	-7%	11%	8%
Profitability						
Gross Profit Margin (%)	25%	20%	17%	15%	16%	17%
Operating Margin(%)	16%	11%	9%	7%	7%	8%
EBITDA margin(%)	19%	13%	10%	8%	9%	9%
NET Profit margin(%)	13%	9%	7%	6%	6%	7%
ROA(%)	33%	21%	17%	15%	20%	21%
ROE(%)	38%	28%	24%	22%	24%	26%
Stability						
Int. Coverage (x)	257	172	126	126	108	111
Current Ratio (X)	3	2	2	2	2	2
Per Share data						
EPS (IDR)	118	74	61	54	62	71
Price (IDR)	2.100	1.505	965	840	1.200	1.200
PER (x)	18	20	16	15	19	17
PBV (x)	7	6	4	3	5	4
EBITDA/share	169	105	84	78	87	94

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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