

PT. HM SAMPOERNA Tbk.

HOLD

Investment Consideration

2Q2021 Positive Sales Growth

- HMSP booked positive sales growth after a decline in 1Q2021 YoY, driven by higher volume and a ASP hike in 2Q2021. HMSP's sales jumped +14.4% YoY and +2.2% QoQ in 2Q2021 to IDR 24.07 trillion.
- Machine-Made Kretek (SKM) had higher growth of 15.8% YoY and is the largest contributor (67%) to total sales in 2Q2021. Hand-rolled Kretek (SKT) followed with a 21.7% contribution to total sales and Machine-Made White (SPM) was 9.8% of total sales.
- For 1H2021 HMSP booked sales of IDR 47.6 trillion, an increase of 6.5% YoY.
- HMSP's domestic sales grew +14.4% YoY to IDR 24.03 trillion in 2Q2021, the global markets remain challenging and export sales declined -13.5% YoY or -9.8% QoQ to IDR 38.65 billion in 2Q2021.
- We expect the positive sales growth will continue in the next quarters inline with a recovery in domestic consumption.

2Q2021: Margins Decline

- Despite higher sales in 2Q2021, HMSP net profit decreased by -1.2% YoY or -40% QoQ to IDR 1.55 trillion. The increases in ASP and volume has not been enough to cover the decline in the bottom line. But the decrease is better than peers.
- As a result, HMSP net profit margin declined to 6% from 11% in 1Q2021.
- For 1H2021, net profit declined by -15.4% YoY to IDR 4.13 trillion.
- HMSP's cost of sales increased +18% YoY or +9.5% QoQ to IDR 20.27 trillion in 2Q2021.
- For 1H2021 cost of sales also increased +11% to IDR 38 trillion, this resulted in a lower gross profit -9% YoY to IDR 8.8 trillion with a lower gross profit margin of 19 % from 22%.
- Profit before tax decreased by -17% YoY to IDR 5.27 trillion from higher advertising and promotion expenses +47% YoY in 1H2021.
- We expect HMSP's sales will still grow +5% YoY to reach IDR 97 trillion but with a lower net profit -7% of IDR 7.99 trillion.

Valuation: TP 1,115 HOLD

- We are targeting HMSP to trade at a 15x 2022F PE within a year. Target Price is IDR 1,115 which represents 14% upside. Our recommendation is HOLD.

Financial Highlights	2017A	2018A	2019A	2020A	2021F	2022F
Revenue (IDR Mn)	99.091.484	106.741.891	106.055.176	92.425.210	97.002.978	105.055.939
EBITDA (IDR Mn)	17.785.191	18.944.751	19.687.317	12.539.654	11.569.898	12.744.007
Net Profit (IDR Mn)	12.670.534	13.538.418	13.721.513	8.581.378	7.992.075	8.655.560
EPS (IDR)	109	116	118	74	69	74
GPM (%)	24,4%	23,9%	24,6%	20,3%	19,0%	19,0%
OPM (%)	16,3%	15,8%	16,1%	11,3%	10,0%	10,0%
ROE (%)	37,1%	38,3%	38,5%	28,4%	25,0%	25,7%
ROA (%)	37,1%	35,8%	32,9%	20,9%	19,2%	19,8%

24 August 2021
Non Cyclical - Tobacco

Price	IDR	975
Target Price	IDR	1,115
JKSE Index		6,109.828



Stock Information

Bloomberg Code	HMSP IJ
Market Cap (IDR bn)	113,410
52-week high (IDR)	1,915
52-week low (IDR)	950
Shares issued (mn)	116,318
6-m avg. daily Val (IDR)	1,251
Free float	7.50%

Major share holders

PT Philip Morris Indonesia	92.50%
Public	7.50%

USD/ IDR – YE (IDR)

2020	14,175
2021F (6m-avg)	14,285

Analyst
eka.rahmah@binaartha.com

Company Profile

PT HM Sampoerna Tbk. business activities are manufacturing, trading (including transportation/distributing and warehousing as well as other supporting services activities) and operating in the tobacco products industry. The company's share have been traded on the Indonesia Stock Exchange since 1990 with ticker HMSP. HMSP's portfolio offers a wide range of product across Machine-Made Kretek Higher Tar (SKM HT), Machine-Made Kretek Low Tar (SKM LT), Hand-rolled Kretek (SKT), Machine-Made White (SPM) and Hand-rolled White (SPT) categories. HMSP's cigarette brands are Dji Sam Soe, Sampoerna Kretek, Sampoerna A, Sampoerna U, Philip Morris, and Marlboro.



Source: Company

Table: Income Statement In IDR Mn QoQ & YoY

Income Statement (IDR Mn)	1Q2021	2Q21	QoQ	1H2020	1H2021	YoY
Net Sales	23.558.050	24.070.071	2,2%	44.733.058	47.628.121	6,5%
Cost of Goods Sold	-18.520.712	-20.272.254	9,5%	-34.993.520	-38.792.966	10,9%
Gross Profit	5.037.338	3.797.817	-24,6%	9.739.538	8.835.155	-9,3%
Operating Expense	-1.850.690	-1.946.904	5,2%	-3.890.962	-3.797.594	-2,4%
Operating Income	3.186.648	1.850.913	-41,9%	5.848.576	5.037.561	-13,9%
Other Income	125.796	111.658	-11,2%	499.864	237.454	-52,5%
PBT	3.312.444	1.962.571	-40,8%	6.348.440	5.275.015	-16,9%
Taxes	-726.160	-414.874	-42,9%	-1.459.895	-1.141.034	-21,8%
PAT	2.586.284	1.547.697	-40,2%	4.888.545	4.133.981	-15,4%
Non-controlling interest	0	0		0	0	
Net Profit	2.586.284	1.547.697	-40,2%	4.888.545	4.133.981	-15,4%
EPS	22	13	-40,2%	42	36	-15,4%

Source: Company

Table: Income Statement in IDR Million YoY

Income Statement (IDR Mn)	2017A	2018A	2019A	2020A	2021F	2022F
Net Sales	99.091.484	106.741.891	106.055.176	92.425.210	97.002.978	105.055.939
Cost of Goods Sold	-74.875.642	-81.251.100	-79.932.195	-73.653.975	-78.572.412	-85.095.311
Gross Profit	24.215.842	25.490.791	26.122.981	18.771.235	18.430.566	19.960.628
Operating Expense	-8.104.497	-8.608.863	-9.045.894	-8.328.881	-8.730.268	-9.455.035
Operating Income	16.111.345	16.881.928	17.077.087	10.442.354	9.700.298	10.505.594
Other Income	783.461	1.079.341	1.182.336	719.112	679.021	735.392
PBT	16.894.806	17.961.269	18.259.423	11.161.466	10.379.319	11.240.986
Taxes	-4.224.272	-4.422.851	-4.537.910	-2.580.088	-2.387.243	-2.585.427
PAT	12.670.534	13.538.418	13.721.513	8.581.378	7.992.075	8.655.559
Non-controlling interest	0	0	0	0	0	1
Net Profit	12.670.534	13.538.418	13.721.513	8.581.378	7.992.075	8.655.560
EPS	109	116	118	74	69	74
EBITDA	17.785.191	18.944.751	19.687.317	12.539.654	11.569.898	12.744.007

Source: Company and Binaartha

Table: Cash Flow in IDR Million YoY

Cash Flow (In IDR Mn)	2017A	2018A	2019A	2020A	2021F	2022F
Net Income	12.670.534	13.538.418	13.721.513	8.581.378	7.992.075	8.655.560
Depreciation	864.852	952.987	1.374.440	1.328.205	1.142.897	1.451.713
Change in WC	1.967.188	6.674.602	3.372.401	1.605.149	1.921.892	383.876
Cash From Operating Activities	15.502.574	21.166.007	18.468.354	11.514.732	11.056.865	10.491.149
Capex	-964.781	-763.214	-1.809.294	-704.806	-2.095.748	-2.993.796
Cash From Investing Activities	-964.781	-763.214	-1.809.294	-704.806	-2.095.748	-2.993.796
Employee benefits liabilities	432.476	-36.908	-72.878	310.722	-264.632	176.141
Others Noncurrent Liabilities	207.848	-58.033	118.110	-117.352	12.313	31.981
Equity	-12.732.563	-12.293.150	-13.400.036	-14.019.682	-6.322.959	-6.873.996
Cash From Financing Activities	-12.092.239	-12.388.091	-13.354.804	-13.826.312	-6.575.279	-6.665.873
Net Changes in Cash	2.445.554	8.014.702	3.304.256	-3.016.386	2.385.837	831.479
Beginning Balance	5.056.183	7.501.737	15.516.439	18.820.695	15.804.309	18.190.146
Ending Balance	7.501.737	15.516.439	18.820.695	15.804.309	18.190.146	19.021.625

Source: Company and Binaartha

Table: Statement of Financial Position in IDR Million YoY

ASSETS	2017A	2018A	2019A	2020A	2021F	2022F
CURRENT ASSETS						
Cash and Cash Equivalents	7.501.737	15.516.439	18.820.695	15.804.309	18.190.146	19.021.625
Trade Accounts Receivable	3.597.922	3.507.601	3.254.954	3.648.322	3.378.954	3.620.713
Inventories	18.023.238	15.183.197	16.376.231	18.093.707	16.352.405	17.360.409
Others Current Assets	5.057.456	3.624.246	3.245.135	3.545.300	3.733.372	3.713.667
Total Current Assets	34.180.353	37.831.483	41.697.015	41.091.638	41.654.878	43.716.414
NONCURRENT ASSETS						
Fixed Assets	6.890.750	7.288.435	7.297.912	6.582.808	7.725.705	9.177.418
Goodwill	60.423	60.423	60.423	60.423	63.416	68.680
Other Noncurrent Assets	2.009.537	1.422.079	1.847.456	1.939.161	1.746.122	1.831.228
Total Noncurrent Assets	8.960.710	8.770.937	9.205.791	8.582.392	9.535.243	11.077.327
TOTAL ASSETS	43.141.063	46.602.420	50.902.806	49.674.030	51.190.121	54.793.741
LIABILITIES AND EQUITY						
LIABILITIES						
CURRENT LIABILITIES						
Trade Account Payable	3.666.441	3.450.070	3.802.004	3.467.567	3.460.315	3.712.696
Excise Tax Payable	0	0	5.423.392	9.547.748	9.700.298	10.505.594
Others Current Liabilities	2.816.528	5.343.929	3.502.280	3.728.519	3.682.516	4.238.772
Total Current Liabilities	6.482.969	8.793.999	12.727.676	16.743.834	16.843.129	18.457.062
NONCURRENT LIABILITIES						
Employee benefits liabilities	2.239.240	2.202.332	2.129.454	2.440.176	2.175.544	2.351.684
Others Noncurrent Liabilities	305.869	247.836	365.946	248.594	260.907	292.888
Total Noncurrent Liabilities	2.545.109	2.450.168	2.495.400	2.688.770	2.436.450	2.644.573
TOTAL LIABILITIES	9.028.078	11.244.167	15.223.076	19.432.604	19.279.579	21.101.635
Non-controlling interest	0	0	0	0	0	0
EQUITY	34.112.985	35.358.253	35.679.730	30.241.426	31.910.542	33.692.106
TOTAL LIABILITIES & EQUITY	43.141.063	46.602.420	50.902.806	49.674.030	51.190.121	54.793.741

Source: Company and Binaartha

Table: Ratio Highlights YoY

	2016A	2017A	2018A	2019A	2020A	2021F	2022F
Growth (% YoY)							
Revenue	7%	4%	8%	-1%	-13%	5%	8%
OP	14%	1%	5%	1%	-39%	-7%	8%
EBITDA	21%	0%	7%	4%	-36%	-8%	10%
NP	23%	-1%	7%	1%	-37%	-7%	8%
EPS	21%	0%	7%	4%	-36%	-8%	10%
Profitability							
Gross Profit Margin (%)	25%	24%	24%	25%	20%	19%	19%
Operating Margin(%)	17%	16%	16%	16%	11%	10%	10%
EBITDA margin(%)	19%	18%	18%	19%	14%	12%	12%
NET Profit margin(%)	13%	13%	13%	13%	9%	8%	8%
ROA(%)	38%	37%	36%	33%	21%	19%	20%
ROE(%)	37%	37%	38%	38%	28%	25%	26%
Stability							
Int. Coverage (x)	572	496	444	257	172	168	169
Current Ratio (X)	5	5	4	3	2	2	2
Per Share data (IDR)							
EPS	110	109	116	118	74	69	74
EBITDA/share	153	153	163	169	108	99	110

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
(62 21) 520 6678 ext. 611

Disclaimer; PT Binaartha Sekuritas has compiled this report in good faith, using information believed to be reliable. PT Binaartha Sekuritas and its analysts take no responsibility for the accuracy of the information contained in this report. This report has been produced for distribution to clients of PT Binaartha Sekuritas only. This report is not an invitation to buy or sell any security. PT Binaartha Sekuritas may have used the information in this report prior to publication. The company or its clients may have positions in or may from time to time buy or sell the securities mentioned in this report or other related securities.