

**PT. HM SAMPOERNA Tbk.**

**HOLD**

**Investment Consideration**

**Higher Sales Volume**

- In 1Q2022 HMSP's sales increased +11% YoY to IDR 26.16 trillion, with higher sales volume, up by +5.2% YoY to 20.9 billion cigarettes, plus a price hike.
- The growth is primarily reflecting a stronger overall market, which offset a lower market share due to adult smokers down-trading to the cheaper tier one cigarettes which have a significantly lower retail price. For the total domestic cigarette market, sales volume increased +5.8% YoY to 75.1 billion sticks.
- For HMSP, hand-rolled white cigarettes (SPT) recorded the fastest growth of +421% YoY sales growth to IDR 191 billion, while the biggest contributor to sales is still machine-made clove cigarettes (SKM) with a 66.3% contribution of IDR 17.34 trillion, up +10.6% YoY in 1Q2022.
- Hand-rolled Kretek (SKT) sales grew +14.2% YoY to IDR 6.08 trillion, while Machine-Made White (SPM) cigarettes decreased slightly -1.2% to IDR 2.29 trillion.
- With higher prices and higher sales volume, we expect better growth in 2022F inline with a recovery in domestic consumption.

**Higher margins**

- The rising trend of higher quarterly margins continued in 1Q2022 in line with higher volumes and ASPs.
- HMSP NPM was 7.3% in 1Q2022, up from 6% in the 4Q2021. Net profit still decreased by -26% YoY but grew +21% QoQ to IDR 1.91 trillion. The decrease is due to higher excise tax +21.6% YoY to IDR 17.6 trillion.
- This resulted in a higher cost of sales up by +18.3% YoY to IDR 21.9 trillion in 1Q2022. This resulted in a lower gross profit -15.42% YoY but +1.8% QoQ to IDR 4.28 trillion with a slightly higher gross profit margin of 16.3% from 15.9% in 4Q2021.
- Profit before tax decreased by -25% YoY but was higher +21.6% QoQ to IDR 2.48 trillion.
- We expect margins will continue to increase with the recovery in sales volume, and we expect HMSP's sales will grow +8% YoY to reach IDR 107 trillion in 2022F with slightly faster bottom line growth of +5% YoY to give a net profit of IDR 7.5 trillion.

**Valuation: TP 1,165 HOLD**

- We are targeting HMSP to trade at a 17x 2023F PE within a year. Target Price is IDR 1,165 which represents 10% upside. We maintain our recommendation to HOLD.

Financial Highlights	2018A	2019A	2020A	2021A	2022F	2023F
Revenue (IDR Mn)	106.741.891	106.055.176	92.425.210	98.874.784	107.155.343	116.203.339
EBITDA (IDR Mn)	18.944.751	19.687.317	12.186.746	9.821.619	10.560.824	11.251.928
Net Profit (IDR Mn)	13.538.418	13.721.513	8.581.378	7.137.097	7.508.375	7.963.415
EPS (IDR)	116	118	74	61	65	68
GPM (%)	23,9%	24,6%	20,3%	17,1%	16,0%	16,0%
OPM (%)	15,8%	16,1%	11,3%	8,8%	8,7%	8,5%
ROE (%)	38,3%	38,5%	28,4%	24,4%	24,4%	24,6%
ROA (%)	35,8%	32,9%	20,9%	17,3%	16,7%	16,9%

Source: Company and Binaartha

25 May 2022  
Non Cyclical - Tobacco

Price	IDR	1,070
Target Price	IDR	1,165
JKSE Index		6,883.504



**Stock Information**

<b>Bloomberg Code</b>	<b>HMSP IJ</b>
Market Cap (IDR bn)	107.010
52-week high (IDR)	1,405
52-week low (IDR)	900
Shares issued (mn)	116,318
6-m avg. daily Val (IDR)	1,110
Free float	7.50%

**Major share holders**

PT Philip Morris Indonesia	92.50%
Public	7.50%

**USD/ IDR – YE (IDR)**

2021	14,300
2022F (6m-avg)	14,381

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## Company Profile

PT HM Sampoerna Tbk. business activities are manufacturing, trading (including transportation/distributing and warehousing as well as other supporting services activities) in the tobacco products industry. The company's shares have been traded on the Indonesia Stock Exchange since 1990 with the ticker HMSP. HMSP's portfolio offers a wide range of products 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	1Q2022	YoY	4Q2021	QoQ
Net Sales	23.558.050	26.161.078	11,0%	26.355.524	-0,7%
Cost of Goods Sold	-18.520.712	-21.900.916	18,3%	-22.170.831	-1,2%
Gross Profit	5.037.338	4.260.162	-15,4%	4.184.693	1,8%
Operating Expense	-1.850.690	-1.859.807	0,5%	-2.242.898	-17,1%
Operating Income	3.186.648	2.400.355	-24,7%	1.941.795	23,6%
Other Income	125.796	83.730	-33,4%	101.872	-17,8%
PBT	3.312.444	2.484.085	-25,0%	2.043.667	21,6%
Taxes	-726.160	-569.119	-21,6%	-461.034	23,4%
PAT	2.586.284	1.914.966	-26,0%	1.582.633	21,0%
Non-controlling interest	0	0		0	
Net Profit	2.586.284	1.914.966	-26,0%	1.582.633	21,0%
EPS	22	16	-26,0%	14	21,0%
GPM (%)	21,4%	16,3%		15,9%	
OPM (%)	13,5%	9,2%		7,4%	
NPM (%)	11,0%	7,3%		6,0%	

Source: Company

Table: Income Statement in IDR Million YoY

Income Statement (IDR Mn)	2017A	2018A	2019A	2020A	2021A	2022F	2023F
<b>Net Sales</b>	<b>99.091.484</b>	<b>106.741.891</b>	<b>106.055.176</b>	<b>92.425.210</b>	<b>98.874.784</b>	<b>107.155.343</b>	<b>116.203.339</b>
Cost of Goods Sold	-74.875.642	-81.251.100	-79.932.195	-73.653.975	-81.955.013	-90.010.488	-97.610.805
<b>Gross Profit</b>	<b>24.215.842</b>	<b>25.490.791</b>	<b>26.122.981</b>	<b>18.771.235</b>	<b>16.919.771</b>	<b>17.144.855</b>	<b>18.592.534</b>
Operating Expense	-8.104.497	-8.608.863	-9.045.894	-8.328.881	-8.202.617	-7.822.340	-8.715.250
<b>Operating Income</b>	<b>16.111.345</b>	<b>16.881.928</b>	<b>17.077.087</b>	<b>10.442.354</b>	<b>8.717.154</b>	<b>9.322.515</b>	<b>9.877.284</b>
Other Income	783.461	1.079.341	1.182.336	719.112	435.012	428.621	464.813
<b>PBT</b>	<b>16.894.806</b>	<b>17.961.269</b>	<b>18.259.423</b>	<b>11.161.466</b>	<b>9.152.166</b>	<b>9.751.136</b>	<b>10.342.097</b>
Taxes	-4.224.272	-4.422.851	-4.537.910	-2.580.088	-2.015.069	-2.242.761	-2.378.682
<b>PAT</b>	<b>12.670.534</b>	<b>13.538.418</b>	<b>13.721.513</b>	<b>8.581.378</b>	<b>7.137.097</b>	<b>7.508.375</b>	<b>7.963.415</b>
Non-controlling interest	0	0	0	0	0	0	0
<b>Net Profit</b>	<b>12.670.534</b>	<b>13.538.418</b>	<b>13.721.513</b>	<b>8.581.378</b>	<b>7.137.097</b>	<b>7.508.375</b>	<b>7.963.415</b>
EPS	109	116	118	74	61	65	68
<b>EBITDA</b>	<b>17.785.191</b>	<b>18.944.751</b>	<b>19.687.317</b>	<b>12.186.746</b>	<b>9.821.619</b>	<b>10.560.824</b>	<b>11.251.928</b>

Source: Company and Binaartha

Table: Cash Flow in IDR Million YoY

Cash Flow (In IDR Mn)	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Net Income	12.670.534	13.538.418	13.721.513	8.581.378	7.137.097	7.508.375	7.963.415
Depreciation	864.852	952.987	1.374.440	975.297	612.925	753.800	847.896
Change in WC	1.967.188	6.674.602	3.372.401	1.605.149	7.028.305	531.669	-255.539
<b>Cash From Operating Activities</b>	<b>15.502.574</b>	<b>21.166.007</b>	<b>18.468.354</b>	<b>11.161.824</b>	<b>14.778.327</b>	<b>8.793.844</b>	<b>8.555.772</b>
Change in Non-current Assets	-964.781	-763.214	-1.809.294	-351.898	-3.797.856	-1.202.170	-2.153.721
<b>Cash From Investing Activities</b>	<b>-964.781</b>	<b>-763.214</b>	<b>-1.809.294</b>	<b>-351.898</b>	<b>-3.797.856</b>	<b>-1.202.170</b>	<b>-2.153.721</b>
Employee benefits liabilities	432.476	-36.908	-72.878	310.722	-706.676	195.296	162.864
Others Noncurrent Liabilities	207.848	-58.033	118.110	-117.352	-47.331	79.954	32.535
Equity	-12.732.563	-12.293.150	-13.400.036	-14.019.682	-8.187.117	-5.956.216	-6.324.835
<b>Cash From Financing Activities</b>	<b>-12.092.239</b>	<b>-12.388.091</b>	<b>-13.354.804</b>	<b>-13.826.312</b>	<b>-8.941.124</b>	<b>-5.680.965</b>	<b>-6.129.436</b>
Net Changes in Cash	2.445.554	8.014.702	3.304.256	-3.016.386	2.039.347	1.910.709	272.614
<b>Beginning Balance</b>	<b>5.056.183</b>	<b>7.501.737</b>	<b>15.516.439</b>	<b>18.820.695</b>	<b>15.804.309</b>	<b>17.843.656</b>	<b>19.754.365</b>
<b>Ending Balance</b>	<b>7.501.737</b>	<b>15.516.439</b>	<b>18.820.695</b>	<b>15.804.309</b>	<b>17.843.656</b>	<b>19.754.365</b>	<b>20.026.979</b>

Source: Company and Binaartha

Table: Statement of Financial Position in IDR Million YoY

ASSETS	2017A	2018A	2019A	2020A	2021A	2022F	2023F
<b>CURRENT ASSETS</b>							
Cash and Cash Equivalents	7.501.737	15.516.439	18.820.695	15.804.309	17.843.656	19.754.365	20.026.979
Trade Accounts Receivable	3.597.922	3.507.601	3.254.954	3.648.322	2.896.599	2.678.884	2.905.083
Inventories	18.023.238	15.183.197	16.376.231	18.093.707	17.781.747	18.931.469	20.530.007
Others Current Assets	5.057.456	3.624.246	3.245.135	3.545.300	2.801.103	3.515.775	3.779.427
<b>Total Current Assets</b>	<b>34.180.353</b>	<b>37.831.483</b>	<b>41.697.015</b>	<b>41.091.638</b>	<b>41.323.105</b>	<b>44.880.492</b>	<b>47.241.496</b>
<b>NONCURRENT ASSETS</b>							
Fixed Assets	6.890.750	7.288.435	7.297.912	6.582.808	6.038.643	6.792.443	7.640.339
Goodwill	60.423	60.423	60.423	60.423	60.423	65.483	71.013
Other Noncurrent Assets	2.009.537	1.422.079	1.847.456	1.939.161	5.668.257	5.357.767	5.810.167
<b>Total Noncurrent Assets</b>	<b>8.960.710</b>	<b>8.770.937</b>	<b>9.205.791</b>	<b>8.582.392</b>	<b>11.767.323</b>	<b>12.215.693</b>	<b>13.521.518</b>
<b>TOTAL ASSETS</b>	<b>43.141.063</b>	<b>46.602.420</b>	<b>50.902.806</b>	<b>49.674.030</b>	<b>53.090.428</b>	<b>57.096.185</b>	<b>60.763.014</b>
<b>LIABILITIES AND EQUITY</b>							
<b>LIABILITIES</b>							
<b>CURRENT LIABILITIES</b>							
Trade Account Payable	3.666.441	3.450.070	3.802.004	3.467.567	4.244.097	3.981.154	4.457.674
Excise Tax Payable	0	0	5.423.392	9.547.748	14.835.154	16.073.301	17.430.501
Others Current Liabilities	2.816.528	5.343.929	3.502.280	3.728.519	2.885.008	4.088.152	4.087.283
<b>Total Current Liabilities</b>	<b>6.482.969</b>	<b>8.793.999</b>	<b>12.727.676</b>	<b>16.743.834</b>	<b>21.964.259</b>	<b>24.142.607</b>	<b>25.975.457</b>
<b>NONCURRENT LIABILITIES</b>							
Employee benefits liabilities	2.239.240	2.202.332	2.129.454	2.440.176	1.733.500	1.928.796	2.091.660
Others Noncurrent Liabilities	305.869	247.836	365.946	248.594	201.263	281.217	313.753
<b>Total Noncurrent Liabilities</b>	<b>2.545.109</b>	<b>2.450.168</b>	<b>2.495.400</b>	<b>2.688.770</b>	<b>1.934.763</b>	<b>2.210.014</b>	<b>2.405.413</b>
<b>TOTAL LIABILITIES</b>	<b>9.028.078</b>	<b>11.244.167</b>	<b>15.223.076</b>	<b>19.432.604</b>	<b>23.899.022</b>	<b>26.352.620</b>	<b>28.380.870</b>
<b>Non-controlling interest</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>EQUITY</b>	<b>34.112.985</b>	<b>35.358.253</b>	<b>35.679.730</b>	<b>30.241.426</b>	<b>29.191.406</b>	<b>30.743.565</b>	<b>32.382.144</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>43.141.063</b>	<b>46.602.420</b>	<b>50.902.806</b>	<b>49.674.030</b>	<b>53.090.428</b>	<b>57.096.185</b>	<b>60.763.014</b>

Source: Company and Binaartha

Table: Ratio Highlights YoY

	2018A	2019A	2020A	2021A	2022F	2023F
<b>Growth (% YoY)</b>						
Revenue	8%	-1%	-13%	7%	8%	8%
OP	5%	1%	-39%	-17%	7%	6%
EBITDA	7%	4%	-38%	-19%	8%	7%
NP	7%	1%	-37%	-17%	5%	6%
EPS	7%	4%	-38%	-19%	8%	7%
<b>Profitability</b>						
Gross Profit Margin (%)	24%	25%	20%	17%	16%	16%
Operating Margin(%)	16%	16%	11%	9%	9%	9%
EBITDA margin(%)	18%	19%	13%	10%	10%	10%
NET Profit margin(%)	13%	13%	9%	7%	7%	7%
ROA(%)	36%	33%	21%	17%	17%	17%
ROE(%)	38%	38%	28%	24%	24%	25%
<b>Stability</b>						
Int. Coverage (x)	444	257	172	126	134	129
Current Ratio (X)	4	3	2	2	2	2
<b>Per Share data (IDR)</b>						
EPS	116	118	74	61	65	68
EBITDA/share	163	169	105	84	91	97

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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