

PT. HM SAMPOERNA Tbk.

HOLD

Investment Consideration

Single digit sales growth

- Domestic cigarettes sales grew by 6.2% YoY in 1H2022 to 152 billion units. For 2Q2022, sales were up by 6.6% YoY to 76.8 billion units. HMSP sales volume in 2Q2022 reached 21.4 billion units, up by +6.2% YoY with market share stable at 27.8%. For 1H2022, sales volume increased +5.7% YoY to 42.3 billion units.
- In 2Q2022 HMSP's sales increased +13.6% YoY or +4.5% QQ to IDR 27.34 trillion from the higher sales volume. For 1H2022, sales reached IDR 53.5 trillion up by 12.3% YoY.
- HMSP's hand-rolled white cigarettes (SPT) had the fastest growth of +62.5% YoY to IDR 166.4 billion, while the biggest contributor to sales is still the machine-made clove cigarettes (SKM) with a 67% contribution worth IDR 18.3 trillion, up +13.3% YoY or +5.7% QoQ in 2Q2022.
- Hand-rolled Kretek (SKT) sales grew +16.9% YoY to IDR 6.12 trillion, while Machine-Made White (SPM) cigarettes decreased slightly -2.3% to IDR 2.3 trillion.
- With higher prices and higher sales volume, we expect better growth in 2022F inline with a recovery in domestic consumption.

2Q2022 Results: Margins resume decline

- Despite higher sales volume in 2Q2022, HMSP's margins declined after an increase in 1Q2022.
- HMSP NPM was 4.1% in 2Q2022, down from 7.3% in the 1Q2022. Netprofit decreased by -41% QoQ or -26.8% YoY to IDR 1.12 trillion.
- Cost of sales were up by +23% YoY to IDR 23.6 trillion in 2Q2022, boosted by higher raw materials (+10% YoY) and excise tax (+29% YoY). This resulted in a lower gross profit -2% YoY or -12.7% QoQ to IDR 3.7 trillion with a lower gross profit margin of 13.6% in 2Q2022 from 16.3% in 1Q2022.
- Profit before tax decreased by -39.5% QoQ or -23.46% YoY to IDR 1.5 trillion.
- Because of the lower-than-expected 2Q2022 results, we revise down our forecast for HMSP's bottom line but maintain HMSP's top line 2022 forecast. We expect HMSP's sales will grow +12% YoY to reach IDR 110.7 trillion in 2022F with lower bottom line growth of -8% YoY to give a net profit of IDR 6.5 trillion.

Valuation: TP 1,075 HOLD

- We are targeting HMSP to trade at a 17x 2023F PE within a year. Target Price is ID 1,075 which represents 17% 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	110.748.214	124.133.752
EBITDA (IDR Mn)	18.944.751	19.687.317	12.186.746	9.821.619	9.560.671	10.720.624
Net Profit (IDR Mn)	13.538.418	13.721.513	8.581.378	7.137.097	6.561.832	7.354.925
EPS (IDR)	116	118	74	61	56	63
GPM (%)	23,9%	24,6%	20,3%	17,1%	15,0%	15,0%
OPM (%)	15,8%	16,1%	11,3%	8,8%	7,5%	7,5%
ROE (%)	38,3%	38,5%	28,4%	24,4%	21,5%	22,9%
ROA (%)	35,8%	32,9%	20,9%	17,3%	17,9%	18,6%

Source: Company and Binaartha

2 August 2022
Non Cyclical - Tobacco

Price	IDR	920
Target Price	IDR	1,075
JKSE Index		6,968.783



Stock Information

Bloomberg Code	HMSP IJ
Market Cap (IDR bn)	105.849
52-week high (IDR)	1,195
52-week low (IDR)	885
Shares issued (mn)	116,318
6-m avg. daily Val (IDR)	974
Free float	7.50%

Major share holders

PT Philip Morris Indonesia	92.50%
Public	7.50%

USD/ IDR – YE (IDR)

2021	14,310
2022F (6m-avg)	14,545

Analyst
eka.rahmah@binaartha.com

Table: Cigarettes Sales QoQ & YoY

Billion Units	1H2021	1H2022	%	2Q2021	2Q2022	%
Indonesia	143	152	6,2%	72	77	6,5%
PMI	40	42	5,7%	20	21	6,5%

Source: Philip Morris International Inc (PMI)

Table: Income Statement In IDR Mn QoQ & YoY

Income Statement (IDR Mn)	1Q2022	2Q2022	QoQ	1H2021	1H2022	YoY	2Q2021	YoY
Net Sales	26.161.078	27.344.396	4,5%	47.628.121	53.505.474	12,3%	24.070.071	13,6%
Cost of Goods Sold	-21.900.916	-23.623.271	7,9%	-38.792.966	-45.524.187	17,4%	-20.272.254	16,5%
Gross Profit	4.260.162	3.721.125	-12,7%	8.835.155	7.981.287	-9,7%	3.797.817	-2,0%
Operating Expense	-1.859.807	-2.286.075	22,9%	-3.797.594	-4.145.882	9,2%	-1.946.904	17,4%
Operating Income	2.400.355	1.435.050	-40,2%	5.037.561	3.835.405	-23,9%	1.850.913	-22,5%
Other Income	83.730	68.389	-18,3%	237.454	152.119	-35,9%	111.658	-38,8%
PBT	2.484.085	1.503.439	-39,5%	5.275.015	3.987.524	-24,4%	1.962.571	-23,4%
Taxes	-569.119	-370.264	-34,9%	-1.141.034	-939.383	-17,7%	-414.874	-10,8%
PAT	1.914.966	1.133.175	-40,8%	4.133.981	3.048.141	-26,3%	1.547.697	-26,8%
Non-controlling interest	0	0		0	0		0	
Net Profit	1.914.966	1.133.175	-40,8%	4.133.981	3.048.141	-26,3%	1.547.697	-26,8%
EPS	16	10	-40,8%	36	26	-26,3%	13	-26,8%
GPM (%)	16,3%	13,6%		18,6%	14,9%		15,8%	
OPM (%)	9,2%	5,2%		10,6%	7,2%		7,7%	
NPM (%)	7,3%	4,1%		8,7%	5,7%		6,4%	

Source: Company

Table: Income Statement in IDR Million YoY

Income Statement (IDR Mn)	2018A	2019A	2020A	2021A	2022F	2023F
Net Sales	106.741.891	106.055.176	92.425.210	98.874.784	110.748.214	124.133.752
Cost of Goods Sold	-81.251.100	-79.932.195	-73.653.975	-81.955.013	-94.135.982	-105.513.689
Gross Profit	25.490.791	26.122.981	18.771.235	16.919.771	16.612.232	18.620.063
Operating Expense	-8.608.863	-9.045.894	-8.328.881	-8.202.617	-8.306.116	-9.310.031
Operating Income	16.881.928	17.077.087	10.442.354	8.717.154	8.306.116	9.310.031
Other Income	1.079.341	1.182.336	719.112	435.012	442.993	496.535
PBT	17.961.269	18.259.423	11.161.466	9.152.166	8.749.109	9.806.566
Taxes	-4.422.851	-4.537.910	-2.580.088	-2.015.069	-2.187.277	-2.451.642
PAT	13.538.418	13.721.513	8.581.378	7.137.097	6.561.832	7.354.925
Non-controlling interest	0	0	0	0	0	0
Net Profit	13.538.418	13.721.513	8.581.378	7.137.097	6.561.832	7.354.925
EPS	116	118	74	61	56	63
EBITDA	18.944.751	19.687.317	12.186.746	9.821.619	9.560.671	10.720.624

Source: Company and Binaartha

Table: Cash Flow in IDR Million YoY

Cash Flow (In IDR Mn)	2018A	2019A	2020A	2021A	2022F	2023F
Net Income	13.538.418	13.721.513	8.581.378	7.137.097	6.561.832	7.354.925
Depreciation	952.987	1.374.440	975.297	612.925	753.800	847.896
Change in WC	6.674.602	3.372.401	1.605.149	7.028.305	-8.156.462	-594.305
Cash From Operating Activities	21.166.007	18.468.354	11.161.824	14.778.327	-840.830	7.608.516
Change in Non-current Assets	-763.214	-1.809.294	-351.898	-3.797.856	-1.384.009	-2.373.249
Cash From Investing Activities	-763.214	-1.809.294	-351.898	-3.797.856	-1.384.009	-2.373.249
Employee benefits liabilities	-36.908	-72.878	310.722	-706.676	259.968	240.940
Others Noncurrent Liabilities	-58.033	118.110	-117.352	-47.331	89.384	44.519
Equity	-12.293.150	-13.400.036	-14.019.682	-8.187.117	-5.198.982	-5.838.043
Cash From Financing Activities	-12.388.091	-13.354.804	-13.826.312	-8.941.124	-4.849.630	-5.552.585
Net Changes in Cash	8.014.702	3.304.256	-3.016.386	2.039.347	-7.074.470	-317.318
Beginning Balance	7.501.737	15.516.439	18.820.695	15.804.309	17.843.656	10.769.186
Ending Balance	15.516.439	18.820.695	15.804.309	17.843.656	10.769.186	10.451.868

Source: Company and Binaartha

Table: Statement of Financial Position in IDR Million YoY

ASSETS	2018A	2019A	2020A	2021A	2022F	2023F
CURRENT ASSETS						
Cash and Cash Equivalents	15.516.439	18.820.695	15.804.309	17.843.656	10.769.186	10.451.868
Trade Accounts Receivable	3.507.601	3.254.954	3.648.322	2.896.599	2.768.705	3.103.344
Inventories	15.183.197	16.376.231	18.093.707	17.781.747	19.566.233	21.931.098
Others Current Assets	3.624.246	3.245.135	3.545.300	2.801.103	3.633.657	4.037.358
Total Current Assets	37.831.483	41.697.015	41.091.638	41.323.105	36.737.782	39.523.667
NONCURRENT ASSETS						
Fixed Assets	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	67.679	75.859
Other Noncurrent Assets	1.422.079	1.847.456	1.939.161	5.668.257	5.537.411	6.206.688
Total Noncurrent Assets	8.770.937	9.205.791	8.582.392	11.767.323	12.397.532	13.922.885
TOTAL ASSETS	46.602.420	50.902.806	49.674.030	53.090.428	49.135.314	53.446.553
LIABILITIES AND EQUITY						
LIABILITIES						
CURRENT LIABILITIES						
Trade Account Payable	3.450.070	3.802.004	3.467.567	4.244.097	4.114.640	4.761.892
Excise Tax Payable	0	5.423.392	9.547.748	14.835.154	8.859.857	9.930.700
Others Current Liabilities	5.343.929	3.502.280	3.728.519	2.885.008	3.322.446	4.113.250
Total Current Liabilities	8.793.999	12.727.676	16.743.834	21.964.259	16.296.943	18.805.842
NONCURRENT LIABILITIES						
Employee benefits liabilities	2.202.332	2.129.454	2.440.176	1.733.500	1.993.468	2.234.408
Others Noncurrent Liabilities	247.836	365.946	248.594	201.263	290.647	335.165
Total Noncurrent Liabilities	2.450.168	2.495.400	2.688.770	1.934.763	2.284.114	2.569.573
TOTAL LIABILITIES	11.244.167	15.223.076	19.432.604	23.899.022	18.581.058	21.375.415
Non-controlling interest	0	0	0	0	0	0
EQUITY	35.358.253	35.679.730	30.241.426	29.191.406	30.554.256	32.071.138
TOTAL LIABILITIES & EQUITY	46.602.420	50.902.806	49.674.030	53.090.428	49.135.314	53.446.553

Source: Company and Binaartha

Table: Ratio Highlights YoY

	2018A	2019A	2020A	2021A	2022F	2023F
Growth (% YoY)						
Revenue	8%	-1%	-13%	7%	12%	12%
OP	5%	1%	-39%	-17%	-5%	12%
EBITDA	7%	4%	-38%	-19%	-3%	12%
NP	7%	1%	-37%	-17%	-8%	12%
EPS	7%	4%	-38%	-19%	-3%	12%
Profitability						
Gross Profit Margin (%)	24%	25%	20%	17%	15%	15%
Operating Margin(%)	16%	16%	11%	9%	8%	8%
EBITDA margin(%)	18%	19%	13%	10%	9%	9%
NET Profit margin(%)	13%	13%	9%	7%	6%	6%
ROA(%)	36%	33%	21%	17%	18%	19%
ROE(%)	38%	38%	28%	24%	21%	23%
Stability						
Int. Coverage (x)	444	257	172	126	114	111
Current Ratio (X)	4	3	2	2	2	2
Per Share data (IDR)						
EPS	116	118	74	61	56	63
EBITDA/share	163	169	105	84	82	92

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

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