

PT. HM SAMPOERNA Tbk.

HOLD

Investment Consideration

Higher volume, higher market share

- HMSP recorded double-digit growth in 3Q2022 in line with domestic cigarettes sales volume growth. Domestic cigarettes sales grew by +11.6% YoY in 3Q2022 to 83 billion units. For 9M2022, sales were up by +8% YoY to 235 billion units.
- HMSP also booked higher sales volume in 3Q2022 which reached 23.3 billion units, up by +12% YoY with a higher market share of 28.2%. For 9M2022, sales volume increased +7.9% YoY to 65.6 billion units.
- With higher volumes, HMSP's sales increased +19.6% YoY or +8.8% QoQ to IDR 29.7 trillion.
- HMSP's hand-rolled white cigarettes (SPT) maintained the fastest growth of +34.7% YoY to IDR 246.4 billion, while the machine-made clove cigarettes (SKM) booked sales of IDR 19.4 trillion, up +18.9% YoY or +5.8% QoQ in 3Q2022.
- Hand-rolled Kretek (SKT) sales grew +26.5% YoY to IDR 7.4 trillion, while Machine-Made White (SPM) cigarettes increased slightly +3.9% to IDR 2.41 trillion.
- In terms of brands, Sampoerna A recorded +6.6% growth with higher sales volume of 29,3 billion units. While Dji San Soe grew +19.9% to 10.4 billion units in 9M2022.
- With higher prices and higher sales volumes, we expect better growth in 2022F in line with a recovery in domestic consumption.

3Q2022 Results: Margins improved

- HMSP recorded a NPM of 5.8% in 3Q2022, an increase from 2Q2022's 4.1%, from higher volumes and prices. Net profit increased at a double digit rate to IDR 1.72 trillion, +52.% QoQ or +21.4% YoY.
- In line with higher sales, cost of sales were up by +21% YoY or +7.4% QoQ to IDR 25.3 trillion in 3Q2022, boosted by higher raw material costs (+13% YoY) and excise tax (+16% YoY). Gross profit still booked growth of +12.7% YoY or +18% QoQ to IDR 4.4 trillion with an improvement in the gross profit margin to 14.8% in 3Q2022 from 13.6% in 2Q2022.
- Operating profit also increased +45.2% YoY to IDR 2.08 trillion, resulting in a higher OPM at 7.0% in 3Q2022.
- With higher volumes expected to continue in 4Q2022 as well as higher prices, we expect HMSP's sales will grow +12% YoY to reach IDR 110.7 trillion in 2022F with a bottom line profit of IDR 6.5 trillion.

Valuation: TP 1,150 HOLD

- We are targeting HMSP to trade at a 18x 2023F PE within a year. Target Price is ID 1,150 which represents 18% 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	6.605.577	7.403.958
EPS (IDR)	116	118	74	61	57	64
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%
PER (x)	31,9	17,8	20,4	15,7	20,3	18,1
PBV (x)	12,2	6,8	5,8	3,8	4,4	4,2
ROE (%)	38,3%	38,5%	28,4%	24,4%	21,6%	23,1%
ROA (%)	35,8%	32,9%	20,9%	17,3%	18,0%	18,7%

Source: Company and Binaartha

4 November 2022
Non Cyclical - Tobacco

Price	IDR	975
Target Price	IDR	1,150
JKSE Index		7,034.573



Stock Information

Bloomberg Code	HMSP IJ
Market Cap (IDR bn)	114.573
52-week high (IDR)	1,160
52-week low (IDR)	880
Shares issued (mn)	116,318
6-m avg. daily Val (IDR)	961
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)	15,433

Analyst
eka.rahmah@binaartha.com

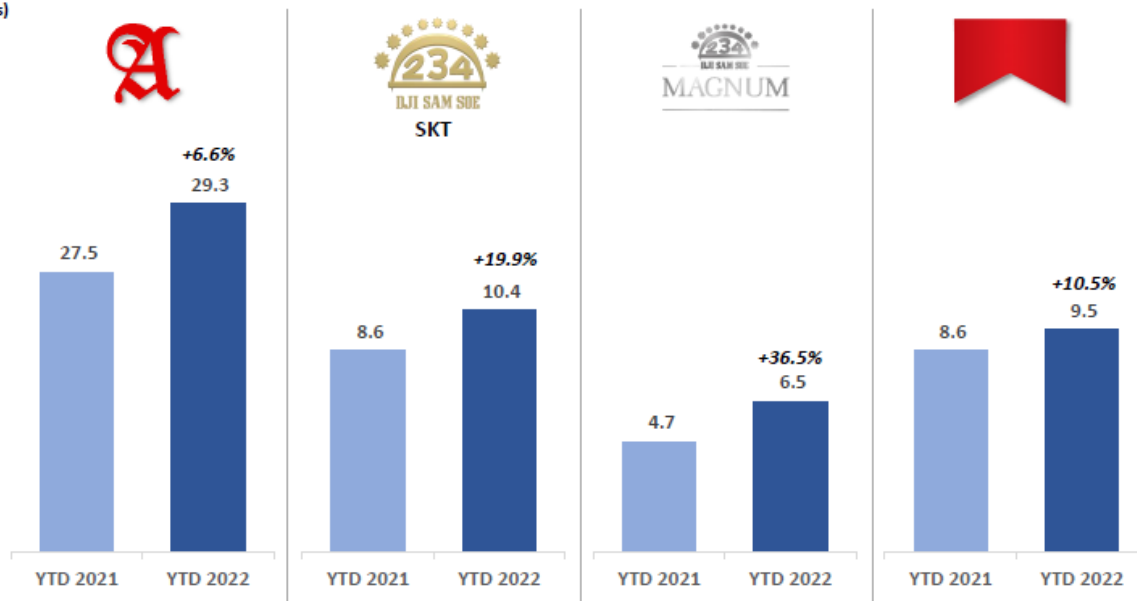
Table: Cigarettes Sales QoQ & YoY

Billion Units	9M2021	9M2022	%	3Q2021	3Q2022	%	2Q2021	2Q2022	%
Indonesia	217	235	8,0%	74	83	11,6%	72	77	6,5%
PMI	61	66	7,9%	21	23	12,0%	20	21	6,5%

Source: Philip Morris International Inc (PMI)

Chart: HMSP volume by brands

Year-to-date Sep'22
(billion units)



Source: Company

Table: Income Statement In IDR Mn QoQ & YoY

Income Statement (IDR Mn)	1Q2022	2Q2022	3Q2022	QoQ	9M2021	9M2022	YoY	3Q2021	YoY
Net Sales	26.161.078	27.344.396	29.762.837	8,8%	72.519.260	83.398.140	15,0%	24.891.139	19,6%
Cost of Goods Sold	-21.900.916	-23.623.271	-25.368.231	7,4%	-59.784.182	-70.892.418	18,6%	-20.991.216	20,9%
Gross Profit	4.260.162	3.721.125	4.394.606	18,1%	12.735.078	12.505.722	-1,8%	3.899.923	12,7%
Operating Expense	-1.859.807	-2.286.075	-2.310.749	1,1%	-5.959.719	-6.456.631	8,3%	-2.162.125	6,9%
Operating Income	2.400.355	1.435.050	2.083.857	45,2%	6.775.359	6.049.091	-10,7%	1.737.798	19,9%
Other Income	83.730	68.389	198.575	190,4%	333.140	350.694	5,3%	95.686	107,5%
PBT	2.484.085	1.503.439	2.282.432	51,8%	7.108.499	6.399.785	-10,0%	1.833.484	24,5%
Taxes	-569.119	-370.264	-558.348	50,8%	-1.554.035	-1.497.731	-3,6%	-413.001	35,2%
PAT	1.914.966	1.133.175	1.724.084	52,1%	5.554.464	4.902.054	-11,7%	1.420.483	21,4%
Non-controlling interest	0	0	0		0	0		0	
Net Profit	1.914.966	1.133.175	1.724.084	52,1%	5.554.464	4.902.054	-11,7%	1.420.483	21,4%
EPS	16	10	15	52,1%	48	42	-11,7%	12	21,4%

GPM (%)	16,3%	13,6%	14,8%		17,6%	15,0%		15,7%
OPM (%)	9,2%	5,2%	7,0%		9,3%	7,3%		7,0%
NPM (%)	7,3%	4,1%	5,8%		7,7%	5,9%		5,7%

Source: Company

Table: Income Statement in IDR Million YoY

Income Statement (IDR Mn)	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Net Sales	99.091.484	106.741.891	106.055.176	92.425.210	98.874.784	110.748.214	124.133.752
Cost of Goods Sold	-74.875.642	-81.251.100	-79.932.195	-73.653.975	-81.955.013	-94.135.982	-105.513.689
Gross Profit	24.215.842	25.490.791	26.122.981	18.771.235	16.919.771	16.612.232	18.620.063
Operating Expense	-8.104.497	-8.608.863	-9.045.894	-8.328.881	-8.202.617	-8.306.116	-9.310.031
Operating Income	16.111.345	16.881.928	17.077.087	10.442.354	8.717.154	8.306.116	9.310.031
Other Income	783.461	1.079.341	1.182.336	719.112	435.012	442.993	496.535
PBT	16.894.806	17.961.269	18.259.423	11.161.466	9.152.166	8.749.109	9.806.566
Taxes	-4.224.272	-4.422.851	-4.537.910	-2.580.088	-2.015.069	-2.143.532	-2.402.609
PAT	12.670.534	13.538.418	13.721.513	8.581.378	7.137.097	6.605.577	7.403.958
Non-controlling interest	0	0	0	0	0	0	0
Net Profit	12.670.534	13.538.418	13.721.513	8.581.378	7.137.097	6.605.577	7.403.958
EPS	109	116	118	74	61	57	64
EBITDA	17.785.191	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	6.605.577	7.403.958
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	-797.085	7.657.549
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	-5.233.978	-5.877.270
Cash From Financing Activities	-12.388.091	-13.354.804	-13.826.312	-8.941.124	-4.884.627	-5.591.811
Net Changes in Cash	8.014.702	3.304.256	-3.016.386	2.039.347	-7.065.721	-307.511
Beginning Balance	7.501.737	15.516.439	18.820.695	15.804.309	17.843.656	10.777.935
Ending Balance	15.516.439	18.820.695	15.804.309	17.843.656	10.777.935	10.470.424

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	10.777.935	10.470.424
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	36.746.531	39.542.223
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	49.144.063	53.465.108
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	30.563.005	32.089.693
TOTAL LIABILITIES & EQUITY	46.602.420	50.902.806	49.674.030	53.090.428	49.144.063	53.465.108

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%	-7%	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%	22%	23%
Stability						
Int. Coverage (x)	444	257	172	126	114	112
Current Ratio (X)	4	3	2	2	2	2
Per Share data						
EPS (IDR)	116	118	74	61	57	64
Price (IDR)	3.710	2.100	1.505	965	1.150	1.150
PER (x)	32	18	20	16	20	18
PBV (x)	12	7	6	4	4	4
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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