

**PT. HM SAMPOERNA Tbk.**

**HOLD**

4 November 2021  
Non Cyclical - Tobacco

Price IDR 1,000

Target Price IDR 1,105

JKSE Index 6,586.443



**Stock Information**

<b>Bloomberg Code</b>	<b>HMSP JJ</b>
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)	1,110
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

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**Investment Consideration**

**Positive Sales Growth**

- With higher volume in 3Q2021, HMSP's sales increased +8% YoY or 3.4% QoQ to IDR 24.87 trillion. In 9M2021, sales increased 7% YoY to IDR 72.5 trillion.
- Export sales improved with 23% YoY growth but are still below earlier quarters as the global market remains challenging.
- HMSP maintained positive-growth for domestic sales with +8% YoY growth to IDR 24.8 trillion in 3Q2021.
- Machine-Made Kretek (SKM) had the fastest growth of 10% YoY to IDR 16.3 trillion in 3Q2021. Hand-rolled Kretek (SKT) sales grew a small +0.6% YoY but were higher by 12.5% QoQ to IDR 5.89 trillion and Machine-Made White (SPM) increased +4.2% to IDR 2.32 trillion.
- The sales volume growth continues in 3Q2021, and we expect more growth in the next quarters inline with a recovery in domestic consumption.

**3Q2021: Margin downtrend**

- HMSP margins continue to decrease QoQ. The increases in excise tax and the government plans to increase excise tax next year are still weighing on the sector.
- Despite single-digit-growth in sales in 3Q2021, HMSP net profit decreased by -30% YoY or -8% QoQ to IDR 1.42 trillion. As a result, HMSP net profit margin declined to 6% from 11% in 1Q2021.
- For 9M2021, net profit declined by -20% YoY to IDR 5.55 trillion.
- HMSP's cost of sales increased +13% YoY or +3.5% QoQ to IDR 20.9 trillion in 3Q2021. This resulted in a lower gross profit -13.2% YoY to IDR 3.89 trillion with a lower gross profit margin of 16% from 20%.
- Profit before tax decreased by -30% YoY to IDR 1.8 trillion.
- With the recovery in sales volume, we expect HMSP's sales will grow +7% YoY to reach IDR 99 trillion.
- However with negative sentiment from higher excise tax and no improvement in margins, we expect a lower net profit -14% of IDR 7.42 trillion.

**Valuation: TP 1,105 HOLD**

- We are targeting HMSP to trade at a 16x 2022F PE within a year. Target Price is IDR 1,105 which represents 11% 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	99.352.128	107.691.223
EBITDA (IDR Mn)	17.785.191	18.944.751	19.687.317	12.539.654	10.825.169	11.946.361
Net Profit (IDR Mn)	12.670.534	13.538.418	13.721.513	8.581.378	7.420.610	8.043.458
EPS (IDR)	109	116	118	74	64	69
GPM (%)	24,4%	23,9%	24,6%	20,3%	18,0%	18,0%
OPM (%)	16,3%	15,8%	16,1%	11,3%	9,0%	9,0%
ROE (%)	37,1%	38,3%	38,5%	28,4%	23,3%	24,0%
ROA (%)	37,1%	35,8%	32,9%	20,9%	16,7%	17,2%

Source: Company and Binaartha

## 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	2Q2021	3Q2021	QoQ	9M2020	9M2021	YoY
<b>Net Sales</b>	<b>23.558.050</b>	<b>24.070.071</b>	<b>24.891.139</b>	<b>3,4%</b>	<b>67.778.710</b>	<b>72.519.260</b>	<b>7,0%</b>
Cost of Goods Sold	-18.520.712	-20.272.254	-20.991.216	3,5%	-53.544.696	-59.784.182	11,7%
<b>Gross Profit</b>	<b>5.037.338</b>	<b>3.797.817</b>	<b>3.899.923</b>	<b>2,7%</b>	<b>14.234.014</b>	<b>12.735.078</b>	<b>-10,5%</b>
Operating Expense	-1.850.690	-1.946.904	-2.162.125	11,1%	-5.835.840	-5.959.719	2,1%
<b>Operating Income</b>	<b>3.186.648</b>	<b>1.850.913</b>	<b>1.737.798</b>	<b>-6,1%</b>	<b>8.398.174</b>	<b>6.775.359</b>	<b>-19,3%</b>
Other Income	125.796	111.658	95.686	-14,3%	580.763	333.140	-42,6%
<b>PBT</b>	<b>3.312.444</b>	<b>1.962.571</b>	<b>1.833.484</b>	<b>-6,6%</b>	<b>8.978.937</b>	<b>7.108.499</b>	<b>-20,8%</b>
Taxes	-726.160	-414.874	-413.001	-0,5%	-2.068.137	-1.554.035	-24,9%
<b>PAT</b>	<b>2.586.284</b>	<b>1.547.697</b>	<b>1.420.483</b>	<b>-8,2%</b>	<b>6.910.800</b>	<b>5.554.464</b>	<b>-19,6%</b>
Non-controlling interest	0	0	0		0	0	
<b>Net Profit</b>	<b>2.586.284</b>	<b>1.547.697</b>	<b>1.420.483</b>	<b>-8,2%</b>	<b>6.910.800</b>	<b>5.554.464</b>	<b>-19,6%</b>
EPS	22	13	12	-8,2%	59	48	-19,6%

Source: Company

Table: Income Statement in IDR Million YoY

Income Statement (IDR Mn)	2017A	2018A	2019A	2020A	2021F	2022F
<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>99.352.128</b>	<b>107.691.223</b>
Cost of Goods Sold	-74.875.642	-81.251.100	-79.932.195	-73.653.975	-81.468.745	-88.306.803
<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>17.883.383</b>	<b>19.384.420</b>
Operating Expense	-8.104.497	-8.608.863	-9.045.894	-8.328.881	-8.941.692	-9.692.210
<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>8.941.692</b>	<b>9.692.210</b>
Other Income	783.461	1.079.341	1.182.336	719.112	695.465	753.839
<b>PBT</b>	<b>16.894.806</b>	<b>17.961.269</b>	<b>18.259.423</b>	<b>11.161.466</b>	<b>9.637.156</b>	<b>10.446.049</b>
Taxes	-4.224.272	-4.422.851	-4.537.910	-2.580.088	-2.216.546	-2.402.591
<b>PAT</b>	<b>12.670.534</b>	<b>13.538.418</b>	<b>13.721.513</b>	<b>8.581.378</b>	<b>7.420.610</b>	<b>8.043.457</b>
Non-controlling interest	0	0	0	0	0	1
<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>7.420.610</b>	<b>8.043.458</b>
EPS	109	116	118	74	64	69
<b>EBITDA</b>	<b>17.785.191</b>	<b>18.944.751</b>	<b>19.687.317</b>	<b>12.539.654</b>	<b>10.825.169</b>	<b>11.946.361</b>

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	7.420.610	8.043.458
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	5.719.079	680.211
<b>Cash From Operating Activities</b>	<b>15.502.574</b>	<b>21.166.007</b>	<b>18.468.354</b>	<b>11.514.732</b>	<b>14.282.587</b>	<b>10.175.383</b>
Capex	-964.781	-763.214	-1.809.294	-704.806	-2.139.570	-2.997.633
<b>Cash From Investing Activities</b>	<b>-964.781</b>	<b>-763.214</b>	<b>-1.809.294</b>	<b>-704.806</b>	<b>-2.139.570</b>	<b>-2.997.633</b>
Employee benefits liabilities	432.476	-36.908	-72.878	310.722	-651.838	150.104
Others Noncurrent Liabilities	207.848	-58.033	118.110	-117.352	18.631	33.010
Equity	-12.732.563	-12.293.150	-13.400.036	-14.019.682	-5.865.787	-6.384.315
<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>-6.498.994</b>	<b>-6.201.201</b>
Net Changes in Cash	2.445.554	8.014.702	3.304.256	-3.016.386	5.644.022	976.549
<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>21.448.331</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>21.448.331</b>	<b>22.424.880</b>

Source: Company and Binaartha

Table: Statement of Financial Position in IDR Million YoY

ASSETS	2017A	2018A	2019A	2020A	2021F	2022F
<b>CURRENT ASSETS</b>						
Cash and Cash Equivalents	7.501.737	15.516.439	18.820.695	15.804.309	21.448.331	22.424.880
Trade Accounts Receivable	3.597.922	3.507.601	3.254.954	3.648.322	2.483.803	2.692.281
Inventories	18.023.238	15.183.197	16.376.231	18.093.707	16.748.416	17.795.888
Others Current Assets	5.057.456	3.624.246	3.245.135	3.545.300	3.823.784	3.806.822
<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>44.504.335</b>	<b>46.719.871</b>
<b>NONCURRENT ASSETS</b>						
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	64.951	70.403
Other Noncurrent Assets	2.009.537	1.422.079	1.847.456	1.939.161	1.788.409	1.877.164
<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>9.579.065</b>	<b>11.124.985</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>54.083.400</b>	<b>57.844.856</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	3.544.115	3.805.827
Excise Tax Payable	0	0	5.423.392	9.547.748	12.915.777	13.999.859
Others Current Liabilities	2.816.528	5.343.929	3.502.280	3.728.519	3.771.696	4.345.100
<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>20.231.588</b>	<b>22.150.786</b>
<b>NONCURRENT LIABILITIES</b>						
Employee benefits liabilities	2.239.240	2.202.332	2.129.454	2.440.176	1.788.338	1.938.442
Others Noncurrent Liabilities	305.869	247.836	365.946	248.594	267.225	300.235
<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>2.055.563</b>	<b>2.238.677</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>22.287.151</b>	<b>24.389.464</b>
Non-controlling interest	0	0	0	0	0	0
<b>EQUITY</b>	<b>34.112.985</b>	<b>35.358.253</b>	<b>35.679.730</b>	<b>30.241.426</b>	<b>31.796.249</b>	<b>33.455.393</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>54.083.400</b>	<b>57.844.856</b>

Source: Company and Binaartha

Table: Ratio Highlights YoY

	2017A	2018A	2019A	2020A	2021F	2022F
<b>Growth (% YoY)</b>						
Revenue	4%	8%	-1%	-13%	7%	8%
OP	1%	5%	1%	-39%	-14%	8%
EBITDA	0%	7%	4%	-36%	-14%	10%
NP	-1%	7%	1%	-37%	-14%	8%
EPS	0%	7%	4%	-36%	-14%	10%
<b>Profitability</b>						
Gross Profit Margin (%)	24%	24%	25%	20%	18%	18%
Operating Margin(%)	16%	16%	16%	11%	9%	9%
EBITDA margin(%)	18%	18%	19%	14%	11%	11%
NET Profit margin(%)	13%	13%	13%	9%	7%	7%
ROA(%)	37%	36%	33%	21%	17%	17%
ROE(%)	37%	38%	38%	28%	23%	24%
<b>Stability</b>						
Int. Coverage (x)	496	444	257	172	164	166
Current Ratio (X)	5	4	3	2	2	2
<b>Per Share data (IDR)</b>						
EPS	109	116	118	74	64	69
EBITDA/share	153	163	169	108	93	103

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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