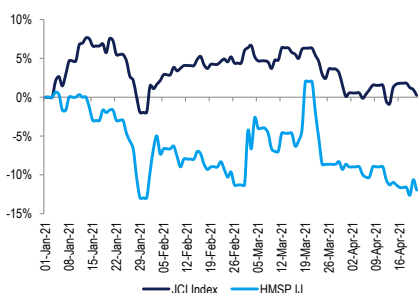


Stock Data

Target price	Rp1,300
Prior TP	Rp1,250
Current price	Rp1,325
Upside/downside	-2%
Shares outstanding (mn)	116,318
Market cap (Rp bn)	154,121
Free float	7%
Avg. 6m daily T/O (Rp bn)	154

Price Performance

	3M	6M	12M
Absolute	-10.2%	-6.4%	-15.6%
vs. JCI	-5.0%	-23.9%	-48.7%
52w low/high	1,310 – 1,940		



Major Shareholders

Phillip Morris Indonesia	93%
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Apparent volume improvement yet margin outlook may remain bleak

- 1Q21 industry volume grew above expectations, albeit driven by 'below Tier-1' segment. SKT cigarettes also saw double-digit growth.
- HMSP's 1Q20 volume saw a drop of 2.5% yoy attributed to downtrading, resulting from contraction in market share to 28.1% from 30.4% in 1Q20.
- We slightly raise our FY21F industry volume outlook following better than expected 1Q21 growth. Maintain Sell with slightly higher TP of Rp1,300.

1Q21 industry volume grew above expectations (+5% yoy); albeit mainly driven by 'below Tier-1' segment

Total industry volume increased by 5% yoy, although according to PMI it was mainly driven by 'below Tier-1' segment. This implies downtrading trend continues amidst widening price gap between 'Tier 1' and 'below Tier 1' segment (currently excise tax/HJE gap at around 30/60% respectively). At the same time, SKT cigarettes booked double-digit volume growth.

HMSP's volume was down by 2.5% yoy as market share fell further

As a result of downtrading, HMSP's volume still declined by 2.5% yoy, as market share continued to shrink to 28.1% (-20bps qoq/-330bps yoy). Worth noting that HMSP's market share has already dropped significantly since 2Q last year, so should HMSP be able to maintain its market share on par with 1Q21 level, FY21F market share will only decline by 70bps yoy.

The premium Sampoerna A's volume grew; signs of early purchasing power recovery in the mid-upper segment?

Sampoerna A volume increased by 1.8% yoy (albeit down by 4.0% qoq on seasonality) driven by A Mild. This perhaps reflected improving mobility in urban areas and faster purchasing power recovery in the mid-upper segment, in our view. Meanwhile, DSS Magnum Mild and Sampoerna U continued to be a drag towards overall volume.

Fine-tuning our FY21F industry volume growth to -3%; maintain Sell

We think there is still risk that industry volume growth may not be sustainable in the upcoming quarters, especially as producers gradually increase its pricing to reflect increase in the excise tax. In 1Q21, price changes have been minimum despite the new excise duty has been applied since 1 Feb. Yet we fine-tuned our industry volume growth assumption to -3% yoy (from -6% yoy) and increased HMSP's FY21/22F earnings by c.5%. Yet as industry outlook remains bleak (especially for Tier-1 producers) especially on both volume and margin, we maintain our Sell call with slightly higher TP of Rp1,300. HMSP will hold its AGM on 27 May. Assuming its usual 100% payout, dividend yield will be at 5.7%. Upside risk is better than expected dividend amidst its solid net cash position.

Financial Summary (Rp bn)	2019A	2020A	2021F	2022F	2023F
Revenue	106,055	92,425	90,667	92,722	95,227
EBITDA	18,452	11,730	10,074	9,604	8,464
Net profit	13,722	8,581	7,298	7,023	5,634
EPS growth	1.7%	-37.3%	-15.2%	-3.8%	-19.8%
ROE	38.6%	26.0%	25.0%	25.1%	20.8%
PER (x)	11.2	17.9	21.1	21.9	27.4
EV/EBITDA (x)	7.3	11.8	13.8	14.5	16.6
Dividend yield	8.8%	9.0%	5.7%	4.8%	4.6%
Forecast change			5%	5%	24%
IPS vs. consensus			83%	76%	60%

Source: Company, Indo Premier

Share price closing as of: 21 April 2021

Fig. 1: PMI's 1Q20 sales volume indication

	1Q21	1Q20	% YoY	4Q20	% QoQ
HSMP volume (bn sticks)	19.9	20.4	-2.5%	21.2	-6.1%
Industry volume (bn sticks)	70.8	67.2	5.4%	74.8	-5.3%
HSMP market share (%)	28.1%	30.4%	-2.3%	28.3%	-0.7%
By brand					
Sampoerna A	8,698	8,548	1.8%	9,061	-4.0%
Dji Sam Soe	5,704	6,175	-7.6%	6,410	-11.0%

Source: Company, Indo Premier

Fig. 2: Forecast changes

	Previous			New			Changes		
	2021F	2022F	2023F	2021F	2022F	2023F	2021F	2022F	2023F
Financial Perform. (Rp bn)									
Net sales	87,745	89,778	91,092	90,667	92,722	95,227	3.3%	3.3%	4.5%
Gross profit	16,320	16,009	13,972	16,977	16,657	15,692	4.0%	4.0%	12.3%
EBIT	8,241	7,684	5,454	8,674	8,107	6,869	5.3%	5.5%	25.9%
EBITDA	9,640	9,181	7,049	10,074	9,604	8,464	4.5%	4.6%	20.1%
Core profit	6,909	6,630	4,502	7,250	6,975	5,582	4.9%	5.2%	24.0%
Core EPS (Rp)	59	57	39	62	60	48	4.9%	5.2%	24.0%
Profitability (%)									
Gross margin	18.6%	17.8%	15.3%	18.7%	18.0%	16.5%	0.1%	0.1%	1.1%
EBIT margin	9.4%	8.6%	6.0%	9.6%	8.7%	7.2%	0.2%	0.2%	1.2%
Core profit margin	7.9%	7.4%	4.9%	8.0%	7.5%	5.9%	0.1%	0.1%	0.9%

Source: Indo Premier

Fig. 3: HSMP is currently trading at 26.1x 12M forward P/E, or around 1 s.d. below its 5-year mean of 31.4x



Source: Bloomberg, Indo Premier

Income Statement (Rp bn)	2019A	2020A	2021F	2022F	2023F
Net revenue	106,055	92,425	90,667	92,722	95,227
Cost of sales	(79,932)	(73,654)	(73,690)	(76,065)	(79,536)
Gross profit	26,123	18,771	16,977	16,657	15,692
SG&A Expenses	(9,046)	(8,369)	(8,302)	(8,549)	(8,823)
Operating profit	17,077	10,402	8,674	8,107	6,869
Net interest	1,145	716	640	628	598
Forex gain (loss)	0	0	0	0	0
Others	37	44	43	44	45
Pre-tax income	18,259	11,161	9,357	8,779	7,512
Income tax	(4,538)	(2,580)	(2,059)	(1,756)	(1,878)
Minority interest	0	0	0	0	0
Net income	13,722	8,581	7,298	7,023	5,634

Balance Sheet (Rp bn)	2019A	2020A	2021F	2022F	2023F
Cash & equivalent	18,821	15,804	15,382	15,277	14,027
Receivable	3,786	4,102	3,869	3,957	4,063
Inventory	16,376	18,094	17,244	17,799	18,611
Other current assets	2,714	3,092	2,799	2,862	2,939
Total current assets	41,697	41,092	39,293	39,894	39,640
Fixed assets	7,298	6,583	6,184	5,687	5,092
Goodwill	60	60	60	60	60
Total non-current assets	9,206	8,582	8,183	7,686	7,091
Total assets	50,903	49,674	47,476	47,580	46,732
ST loans	0	0	0	0	0
Payable	6,192	5,995	6,097	6,293	6,580
Other payables	5,613	9,789	9,582	9,801	10,070
Current portion of LT loans	0	0	0	0	0
Total current liab.	12,728	16,744	16,623	17,058	17,639
Long term loans	0	0	0	0	0
Other LT liab.	2,495	2,689	2,641	2,697	2,764
Total liabilities	15,223	19,433	19,265	19,755	20,403
Equity	21,033	21,052	21,052	21,052	21,052
Retained earnings	14,030	8,574	7,160	6,773	5,277
Minority interest	0	0	0	0	0
Total SHE + minority int.	35,680	30,241	28,211	27,825	26,329
Total liabilities & equity	50,903	49,674	47,476	47,580	46,732

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2019A	2020A	2021F	2022F	2023F
EBIT	17,077	10,402	8,674	8,107	6,869
Depr. & amortization	1,374	1,328	1,399	1,497	1,595
Changes in working capital	114	(27)	12	12	13
Others	(1,420)	249	(132)	(1,368)	(1,663)
Cash flow from operating	17,146	11,953	9,953	8,249	6,813
Capital expenditure	(960)	(567)	(1,000)	(1,000)	(1,000)
Others	903	(297)	0	0	0
Cash flow from investing	(57)	(864)	(1,000)	(1,000)	(1,000)
Loans	0	0	0	0	0
Equity	0	0	0	0	0
Dividends	(13,632)	(13,935)	(8,712)	(7,410)	(7,130)
Others	(153)	(171)	(664)	55	68
Cash flow from financing	(13,785)	(14,106)	(9,376)	(7,354)	(7,063)
Changes in cash	3,304	(3,016)	(423)	(105)	(1,250)

Key Ratios	2019A	2020A	2021F	2022F	2023F
Gross margin	24.6%	20.3%	18.7%	18.0%	16.5%
Operating margin	16.1%	11.3%	9.6%	8.7%	7.2%
Pre-tax margin	17.2%	12.1%	10.3%	9.5%	7.9%
Net margin	12.9%	9.3%	8.0%	7.6%	5.9%
ROA	28.1%	17.1%	15.0%	14.8%	11.9%
ROE	38.6%	26.0%	25.0%	25.1%	20.8%
Acct. receivables TO (days)	13.1	15.6	15.6	15.6	15.6
Inventory TO (days)	72.1	85.4	85.4	85.4	85.4
Payable TO (days)	25.9	30.2	30.2	30.2	30.2
Debt to equity	N/A	N/A	N/A	N/A	N/A
Interest coverage ratio (x)	319.5	208.1	173.5	162.2	137.4
Net gearing	-52.7%	-52.3%	-54.5%	-54.9%	-53.3%

Source: Company, Indo Premier

INVESTMENT RATINGS

BUY	: Expected total return of 10% or more within a 12-month period
HOLD	: Expected total return between -10% and 10% within a 12-month period
SELL	: Expected total return of -10% or worse within a 12-month period

ANALYSTS CERTIFICATION

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