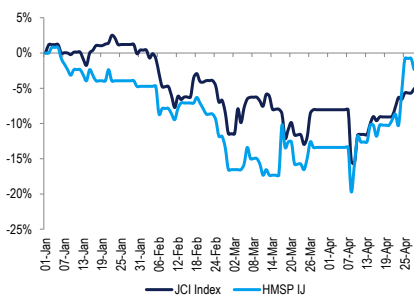


Stock Data

Target price	Rp610
Prior TP	Rp610
Current price	Rp625
Upside/downside	-2.4%
Shares outstanding (mn)	116,318
Market cap (Rp bn)	72,699
Free float	8%
Avg. 6m daily T/O (Rp bn)	11

Price Performance

	3M	6M	12M
Absolute	2.5%	-9.4%	-26.9%
vs. JCI	8.3%	2.2%	-20.2%
52w low/high	510 – 855		



Major Shareholders

Phillip Morris Indonesia	93%
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## Soft 1Q25 earnings on the back of opex spike

- 1Q25 net profit of Rp1.9tr (-14.6% yoy), coming below ours/consensus estimate at 25/24% vs. 5yr average of 33%. 1Q25 revenue was inline.
- HMSP experienced negative operating leverage as its opex cost increased by 19.9% yoy, while sales declined by -1.1% yoy.
- Maintain HOLD with TP of Rp610/sh.

### 1Q25 net profit came below estimates

HSMP booked 1Q25 net profit of Rp1.9tr (-14.6% yoy) and this was below our/consensus estimate at 25/24% (vs. 5yr avg of 33%). 1Q25 revenue of Rp28.8tr (-1.1% yoy) was in-line with our/consensus estimate at 25/24% (vs. 5yr avg of 24%). We note that 1Q25 revenue decline of -1.1% yoy was driven by soft SKM sales growth of -9.2% yoy, while SKT's +8.0% yoy, indicating a downtrading from SKM to SKT.

### GPM improvement has fully offset by negative operating leverage

1Q25 GPM improved to 17.4% (+111bps yoy) as this was driven by flat FY25F excise hike. On the other hand, HMSP experienced negative operating leverage as its opex cost increased by +19.9% yoy, while sales declined by -1.1% yoy, resulting in higher opex to sales ratio of 9.1% (+159bps yoy). To note, higher opex was attributed by the increased on A&P/management services cost of +51.2/+29.0% yoy. Below the operating line, finance income decreased to Rp94.9bn (-50.4% yoy). In sum, NPM dropped to 6.7% (-106bps yoy).

### Muted price adjustment in FY25F

Based on PMI disclosure, 1Q25 HMSP's volume grew by +1.0% yoy, worse than industry's growth of +3.1% yoy, likely driven by lower tiered cigarette's volume, in our view. Hence, HMSP's market share dropped to 26.8% in 1Q25 (vs. 28.0% in 1Q24). Based on our channel check, HMSP only increased its SKM price by 2.3% YTD (vs. 3yr avg of 5.7%). Moreover, we note that most of HMSP's product has fulfilled 85% FY25F minimum retail price (HJE) with 15.2% above HJE. Combined with market share deterioration in 1Q25, we view a muted price hike in FY25F.

### Maintain HOLD with TP of Rp610

In sum, we maintain our HOLD call with an unchanged TP of Rp610/sh based on 9.0x FY25F PE (-2.0 s.d. from its 3yr avg). Key risks to our call includes soft purchasing power preventing the company to raise its price.

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Financial Summary (Rp bn)	2023A	2024A	2025F	2026F	2027F
Revenue	115,983	117,880	116,421	119,258	122,264
EBITDA	10,074	8,880	10,241	9,751	9,640
EBITDA growth	13.7%	-11.9%	15.3%	-4.8%	-1.1%
Net profit	8,097	6,646	7,682	7,266	7,141
EPS (Rp)	70	57	66	62	61
EPS growth	28.0%	-17.9%	15.6%	-5.4%	-1.7%
ROE	27.9%	22.8%	26.9%	25.4%	25.2%
PER (x)	9.0	10.9	9.5	10.0	10.2
Dividend yield	8.8%	11.1%	9.1%	10.5%	10.0%
Forecast change			0%	0%	0%
IPS vs. consensus			98%	81%	71%

Source: Company, Indo Premier

Share price closing as of: 29 April 2025

Fig. 1: HMSP 1Q25 result summary

(Rp bn)	1Q25	1Q24	% YoY	4Q24	%QoQ	IPS. FY25F	% IPS	Cons. FY25F	% Cons	5yr avg
<b>Net sales</b>	<b>28,789</b>	<b>29,107</b>	<b>-1.1%</b>	<b>29,412</b>	<b>-2.1%</b>	<b>116,421</b>	<b>25%</b>	<b>119,941</b>	<b>24%</b>	<b>24%</b>
COGS	(23,766)	(24,352)	-2.4%	(24,638)	-3.5%					
<b>Gross profit</b>	<b>5,022</b>	<b>4,756</b>	<b>5.6%</b>	<b>4,774</b>	<b>5.2%</b>					
Opex	(2,622)	(2,187)	19.9%	(3,187)	-17.8%					
<b>EBIT</b>	<b>2,401</b>	<b>2,569</b>	<b>-6.5%</b>	<b>1,587</b>	<b>51.3%</b>	<b>9,055</b>	<b>27%</b>	<b>9,258</b>	<b>26%</b>	<b>34%</b>
Other income (charges)	71	115	-38.8%	251	-71.8%					
<b>PBT</b>	<b>2,558</b>	<b>2,867</b>	<b>-10.8%</b>	<b>2,014</b>	<b>27.1%</b>					
Tax benefit (expense)	(640)	(620)	3.2%	(592)	8.1%					
<b>Net profit</b>	<b>1,918</b>	<b>2,247</b>	<b>-14.6%</b>	<b>1,421</b>	<b>35.0%</b>	<b>7,682</b>	<b>25%</b>	<b>7,873</b>	<b>24%</b>	<b>33%</b>
	-0.25017	-0.21624								
<b>Margins</b>										
Gross margin	17.4%	16.3%	1.11%	16.2%	1.21%					
EBIT margin	8.3%	8.8%	-0.49%	5.4%	2.94%					
Net margin	6.7%	7.7%	-1.06%	4.8%	1.83%					
Opex to sales	-9.1%	-7.5%	-1.59%	-10.8%	1.73%					
<b>Revenue breakdown</b>										
SKM	15,693	17,287	-9.2%	15,729	-0.2%					
SKT	9,833	9,105	8.0%	10,756	-8.6%					
SPM	1,766	1,861	-5.1%	1,596	10.6%					
Others (include SPT)	1,497	854	75.3%	1,330	12.5%					
<b>Revenue contribution by segment</b>										
SKM	54.5%	59.4%		53.5%						
SKT	34.2%	31.3%		36.6%						
SPM	6.1%	6.4%		5.4%						
Others	5.2%	2.9%		4.5%						
Export	558.6	205.6	171.7%	404.3	38.2%					

Source: Company, Indo Premier

Fig. 2: PMI volume

	1Q25	1Q24	% YoY	4Q24	% QoQ
HSMP volume (bn sticks)	20.4	20.2	1.0%	20.3	0.5%
Industry volume (bn sticks)	75.9	73.6	3.1%	74.1	2.4%
HSMP market share (%)	26.9%	27.4%		27.4%	

Source: PMI, Indo Premier

**Fig. 3: HMSP is currently trading at 9.7x fwd. 12M P/E, or around 1.3 s.d. below its 3-year mean**



Source: Company, Indo Premier

Income Statement (Rp bn)	2023A	2024A	2025F	2026F	2027F
Net revenue	115,983	117,880	116,421	119,258	122,264
Cost of sales	(96,653)	(99,346)	(96,292)	(98,704)	(101,387)
<b>Gross profit</b>	<b>19,330</b>	<b>18,534</b>	<b>20,129</b>	<b>20,554</b>	<b>20,877</b>
SG&A Expenses	(10,366)	(10,837)	(11,074)	(12,050)	(12,544)
<b>Operating profit</b>	<b>8,964</b>	<b>7,697</b>	<b>9,055</b>	<b>8,504</b>	<b>8,333</b>
Net interest	699	681	681	681	681
Forex gain (loss)	0	0	0	0	0
Others	649	307	303	311	319
<b>Pre-tax income</b>	<b>10,311</b>	<b>8,686</b>	<b>10,040</b>	<b>9,496</b>	<b>9,333</b>
Income tax	(2,214)	(2,040)	(2,358)	(2,230)	(2,192)
Minority interest	0	0	0	0	0
<b>Net income</b>	<b>8,097</b>	<b>6,646</b>	<b>7,682</b>	<b>7,266</b>	<b>7,141</b>

Balance Sheet (Rp bn)	2023A	2024A	2025F	2026F	2027F
Cash & equivalent	2,695	2,370	5,266	5,097	5,259
Receivable	3,612	4,269	3,891	3,986	4,087
Inventory	19,014	22,023	19,888	20,386	20,940
Other current assets	14,745	9,856	9,829	9,893	9,960
<b>Total current assets</b>	<b>40,066</b>	<b>38,518</b>	<b>38,875</b>	<b>39,361</b>	<b>40,246</b>
Fixed assets	9,253	9,444	9,258	9,012	8,705
Other non-current assets	60	60	60	60	60
<b>Total non-current assets</b>	<b>15,250</b>	<b>15,773</b>	<b>15,586</b>	<b>15,340</b>	<b>15,034</b>
<b>Total assets</b>	<b>55,316</b>	<b>54,291</b>	<b>54,461</b>	<b>54,702</b>	<b>55,280</b>
ST loans	0	0	0	0	0
Payable	6,844	6,679	6,553	6,718	6,900
Other payables	13,015	13,935	13,715	14,049	14,404
Current portion of LT loans	0	0	0	0	0
<b>Total current liab.</b>	<b>23,303</b>	<b>23,670</b>	<b>23,416</b>	<b>23,989</b>	<b>24,609</b>
Long term loans	0	0	0	0	0
Other LT liab.	2,144	2,264	2,239	2,288	2,340
<b>Total liabilities</b>	<b>25,446</b>	<b>25,934</b>	<b>25,655</b>	<b>26,277</b>	<b>26,948</b>
Equity	21,087	21,102	21,102	21,102	21,102
Retained earnings	8,167	6,638	7,704	7,322	7,230
Minority interest	0	0	0	0	0
<b>Total SHE + minority int.</b>	<b>29,870</b>	<b>28,356</b>	<b>28,806</b>	<b>28,424</b>	<b>28,332</b>
<b>Total liabilities &amp; equity</b>	<b>55,316</b>	<b>54,291</b>	<b>54,461</b>	<b>54,702</b>	<b>55,280</b>

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2023A	2024A	2025F	2026F	2027F
EBIT	8,964	7,697	9,055	8,504	8,333
Depr. & amortization	0	0	1,186	1,246	1,306
Changes in working capital	(534)	1,590	2,286	(83)	(103)
Others	(2,148)	(9,287)	(1,373)	(1,238)	(1,192)
<b>Cash flow from operating</b>	<b>6,282</b>	<b>0</b>	<b>11,154</b>	<b>8,429</b>	<b>8,345</b>
Capital expenditure	(1,072)	0	(1,000)	(1,000)	(1,000)
Others	744	0	0	0	0
<b>Cash flow from investing</b>	<b>(328)</b>	<b>0</b>	<b>(1,000)</b>	<b>(1,000)</b>	<b>(1,000)</b>
Loans	0	0	0	0	0
Equity	0	0	0	0	0
Dividends	(6,363)	(8,061)	(6,616)	(7,648)	(7,234)
Others	(179)	8,061	(641)	49	52
<b>Cash flow from financing</b>	<b>(6,542)</b>	<b>0</b>	<b>(7,258)</b>	<b>(7,599)</b>	<b>(7,182)</b>
<b>Changes in cash</b>	<b>(588)</b>	<b>0</b>	<b>2,897</b>	<b>(170)</b>	<b>163</b>

Key Ratios	2023A	2024A	2025F	2026F	2027F
Gross margin	16.7%	15.7%	17.3%	17.2%	17.1%
Operating margin	7.7%	6.5%	7.8%	7.1%	6.8%
Pre-tax margin	8.9%	7.4%	8.6%	8.0%	7.6%
Net margin	7.0%	5.6%	6.6%	6.1%	5.8%
ROA	14.7%	12.1%	14.1%	13.3%	13.0%
ROE	27.9%	22.8%	26.9%	25.4%	25.2%
Acct. receivables TO (days)	11.0	12.2	12.2	12.2	12.2
Inventory TO (days)	70.6	75.4	75.4	75.4	75.4
Payable TO (days)	29.1	24.8	24.8	24.8	24.8
Debt to equity	N/A	N/A	N/A	N/A	N/A
Interest coverage ratio (x)	214.7	194.6	228.9	215.0	210.7
Net gearing	-9.0%	-8.4%	-18.3%	-17.9%	-18.6%

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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