INDOPREMIER

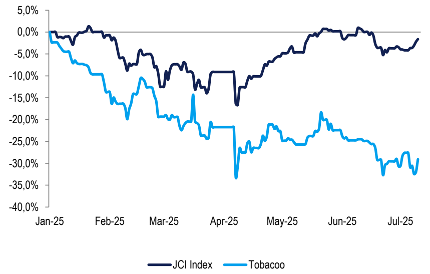
Tobacco

NEUTRAL *(unchanged)*

Sector Update | Tobacco | 11 July 2025

Sector Index Performance

	3M	6M	12M
Absolute	-2.2%	-25.8%	-44.8%
Relative to JCI	-14.7%	-25.2%	-42.4%



Summary Valuation Metrics

P/E (x)	2025F	2026F	2027F
GGRM IJ	7.9	9.5	10.9
HMSP IJ	8.9	9.4	9.6

EV/EBITDA (x)	2025F	2026F	2027F
GGRM IJ	3.1	2.9	2.5
HMSP IJ	6.2	6.5	6.5

Div. Yield	2025F	2026F	2027F
GGRM IJ	0.0%	0.0%	0.0%
HMSP IJ	9.2%	11.2%	10.6%

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2Q25F preview: HMSP shall benefit from flat excise

- We expect HMSP's 2Q25F earnings to be in-line with consensus, while GGRM's below.
- With the absence of excise hike in FY25, we expect a double excise hike rate in FY26F which HMSP/GGRM may not able to pass-on.
- We maintain Neutral for the sector due to lack of pricing power.

HMSP/GGRM's 2Q25F revenue growth was in-line with consensus

Based on our conversation with WIIM management, its 2Q25F cigarette sales volume to grow by c.20% or similar to 1Q25's and this was new products launch on flavour products (vs. WIIM's existing product growth of -8% yoy). We estimate HMSP/GGRM's 2Q25F sales volume trend may similar to 1Q25's trend (HMSP/GGRM 1Q25's sales volume: -1.1/-12.2% yoy). In sum, we estimate HMSP/GGRM 2Q25F revenue to decline by -2.8/-8.2% yoy to Rp27.9/21.8tr and this will be in-line with consensus estimate (Fig. 2).

We expect HMSP's earnings to be in-line; GGRM's below

Based on our price survey, HMSP/GGRM has increased its 2Q25F SKM ASP by 1.3/0.3% qoq. However, we conservatively estimate HMSP/GGRM's GPM to be flat qoq at 17.4/9.2% (+375/-130bps yoy) as we have taken into account higher fixed cost due to lower qoq sales growth. We estimate HMSP 2Q25F earnings to reach Rp1.9tr (+80.8% yoy) as yoy improvement was due to a low base effect in 2Q24 from 10% excise hike. In contrast, GGRM 2Q25F earnings to decline by -69% yoy amid negative operating leverage. In sum, we estimate HMSP's 2Q25F earnings to be in-line with consensus, while GGRM's below (Fig. 5).

Limited price hike in 2H25F is expected amid soft sales volume growth

Based on price survey, HMSP/GGRM has increased their cigarette price by 3/0.6% YTD in Jun25 (vs. 3yr avg of 8/7.1%). We view the muted price hike in 1H25 was due to the absence of excise hike coupled with soft purchasing power. Given Tier-1 cigaratte products retail price at 11.8% above the 85% HJE threshold, we view the ASP hike will remain subdued in 2H25F.

We expect a double excise tax hike in FY26F

Historically, government tends to implement a double excise tax hike following a year without an excise hike (Fig. 6). With the absence of excise hike in FY25, we estimate a steeper than usual increase is likely to happen in FY26F. Moreover, we observed that both HMSP/GGRM couldn't pass on normal rate of excise hike in FY20-24 as evidenced by declining GPM (Fig. 6). Given the persistent soft purchasing power, we expect similar scenario to repeat in FY26F.

Maintain Neutral as the sector is lacking catalyst

Despite attractive valuation, we maintain our Neutral sector amid lack of pricing power coupled with potential double excise hike rate in FY26F. Key risks include soft buying power preventing companies from raising prices.

Fig. 1: Indonesia tobacco summary

Ticker	Rating	Current price (Rp)	Target price (Rp)	Earnings yoy growth		P/E		ROE	
				2025F	2026F	2025F	2026F	2025F	2026F
HMSP	HOLD	615	610	21.0%	-5.5%	8.9	9.4	28.0%	26.2%
GGRM	SELL	9,125	6,900	125.7%	-16.6%	7.9	9.5	3.5%	2.8%

Sources: Indo Premier

Fig. 2: Indonesia' tobacco 2Q25F net revenue preview

Ticker	2Q25F	2Q24	% YoY	1Q25	%QoQ	1H25F	1H24	% YoY	IPS. FY25F	% IPS	Cons. FY25F	% Cons	5yr avg
HMSP	27,908	28,710	-2.8%	28,789	-3.1%	56,697	57,817	-1.9%	116,421	49.0%	120,151	47.0%	48.0%
GGRM	21,802	23,754	-8.2%	23,066	-5.5%	44,868	50,019	-10.3%	93,928	48.0%	92,408	48.0%	49.0%
Indo's Tobacco	**49,710**	**52,464**	**-5.2%**	**51,855**	**-4.1%**	**101,565**	**107,836**	**-5.8%**	**210,349**	**48.3%**	**212,559**	**47.8%**	

Source: Company, Bloomberg, Indo Premier

Fig. 3: Indonesia' tobacco 2Q25F GPM preview

Ticker	2Q25F	2Q24	% YoY	1Q25	%QoQ	1H25F	1H24	% YoY
HMSP	17.4%	13.7%	375 bps	17.4%	1 bps	17.4%	15.0%	242 bps
GGRM	9.2%	10.5%	-130 bps	9.2%	0 bps	8.7%	10.1%	-144 bps
Indo's Tobacco	**13.6%**	**11.8%**	**178 bps**	**13.6%**	**6 bps**	**13.6%**	**12.8%**	**83 bps**

Source: Company, Indo Premier

Fig. 4: Indonesia' tobacco 2Q25F EBIT margin preview

Ticker	2Q25F	2Q24	% YoY	1Q25	%QoQ	1H25F	1H24	% YoY
HMSP	8.3%	4.0%	437 bps	8.3%	-1 bps	8.3%	6.4%	193 bps
GGRM	1.2%	2.0%	-85 bps	0.9%	34 bps	1.0%	2.8%	-179 bps
Indo's Tobacco	**5.2%**	**3.1%**	**211 bps**	**5.0%**	**19 bps**	**5.1%**	**4.7%**	**37 bps**

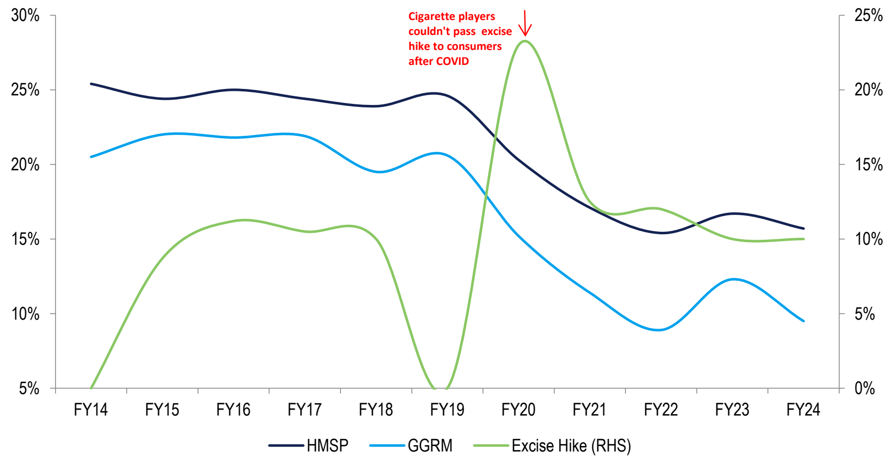
Source: Company, Indo Premier

Fig. 5: Indonesia' tobacco 2Q25F net profit preview

Ticker	2Q25F	2Q24	% YoY	1Q25	%QoQ	1H25F	1H24	% YoY	IPS. FY25F	% IPS	Cons. FY25F	% Cons	5yr avg
HMSP	1,935	1,070	80.8%	1,918	0.8%	3,853	3,317	16.2%	7,682	50.0%	7,718	50.0%	52.0%
GGRM	101	330	-69.4%	104	-3.4%	205	926	-77.8%	2,214	9.0%	1,708	12.0%	56.0%
Indo's Tobacco	**2,036**	**1,400**	**45.4%**	**2,022**	**0.7%**	**4,058**	**4,243**	**-4.4%**	**9,896**	**41.0%**	**9,426**	**43.1%**	

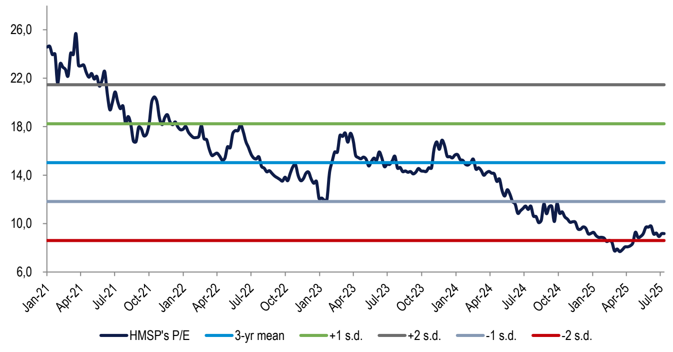
Source: Company, Bloomberg, Indo Premier

Fig. 6: GPM trend against excise hike



Sources: Company, Minister of Finance, Indo Premier

Fig. 7: HMSP is traded at 9.2x fwd. 12M PE (-1.4s.d. from its 5yr mean)

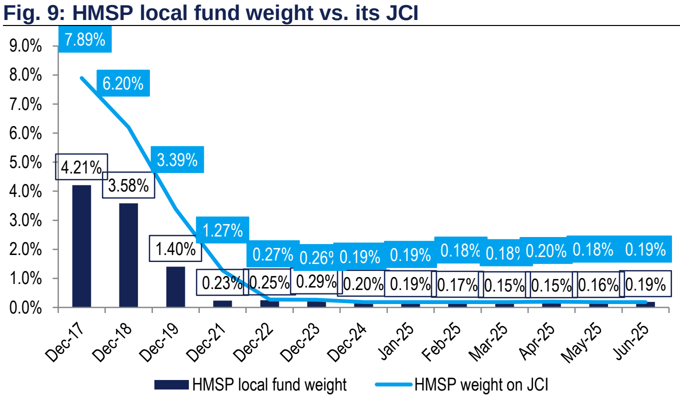


Source: Bloomberg, Indo Premier

Fig. 8: GGRM is traded at 8.7x fwd. 12M PE (-0.5s.d. from its 5yr mean)

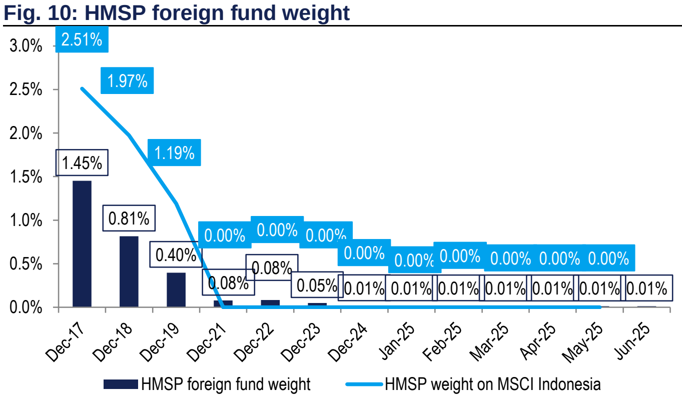
Source: Bloomberg, Indo Premier

Fig. 9: HMSP local fund weight vs. its JCI



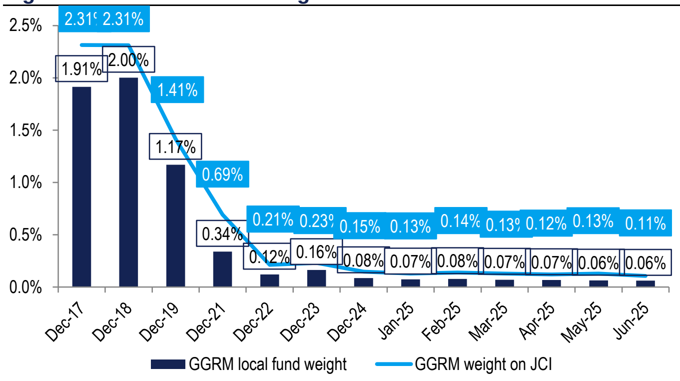
Source: KSEI, Indo Premier

Fig. 10: HMSP foreign fund weight



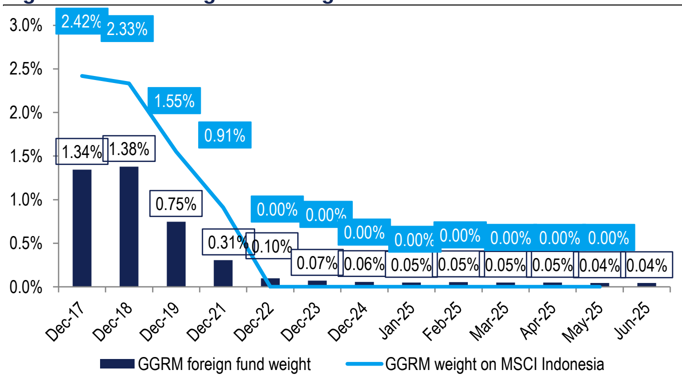
Source: KSEI, Indo Premier

Fig. 11: GGRM local fund weight vs. its JCI



Source: KSEI, Indo Premier

Fig. 12: GGRM foreign fund weight



Source: KSEI, Indo Premier

SECTOR RATINGS

OVERWEIGHT	:	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation
NEUTRAL	:	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation
UNDERWEIGHT	:	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation

COMPANY 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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