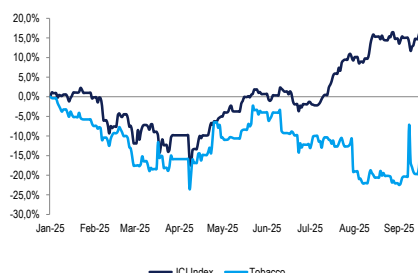


Sector Index Performance

	3M	6M	12M
Absolute	9.3%	17.5%	-8.1%
Relative to JCI	-6.0%	-12.8%	-18.3%



Summary Valuation Metrics

P/E (x)	2025F	2026F	2027F
GGRM IJ	19.0	13.9	11.7
HMSP IJ	12.7	12.2	12.8
EV/EBITDA (x)	2025F	2026F	2027F
GGRM IJ	4.7	3.6	2.8
HMSP IJ	8.1	8.6	8.9
Div. Yield	2025F	2026F	2027F
GGRM IJ	0.0%	0.0%	0.0%
HMSP IJ	8.5%	7.8%	8.1%

Andrianto Saputra

PT Indo Premier Sekuritas
andrianto.saputra@ipc.co.id
+62 21 5088 7168 ext. 712

Nicholas Bryan

PT Indo Premier Sekuritas
nicholas.bryan@ipc.co.id
+62 21 5088 7168 ext. 722

Possibility of lower FY26F excise hike is a tailwind for the sector

- We expect FY26F cigarette excise tariff hike to be at low-single digit yoy amid FY26F excise tax revenue growth of -1% yoy.
- Our sensitivity analysis showed that every 2% excise tax decrease to lift HMSP/GGRM FY26F profit by 29/111%.
- We maintain Neutral for the sector as we wait for clarity on the policy.

We view a potential low-single digit cigarette excise hike in FY26F

Minister of Finance (MoF) has yet to announce cigarette excise tariff in FY26F as it is still awaiting the final field study. In addition, MoF mentioned if the government can effectively curb illegal cigarettes, there is a possibility for FY26F excise tariff to remain flat yoy. Based on our conversation with cigarette players, they have urged the government to align the FY26F cigarette excise hike with the inflation rate as sharp hikes risk driving further migration to illegal cigarettes. Given FY26F excise tax revenue growth of -1% yoy (vs. 5yr avg of +5% yoy), according to RAPBN 2026, we view potential low single digit cigarette excise hike in FY26F (vs. 5yr avg of +9% yoy).

Upside risk from lesser illegal cigarette players

Based on our conversation with cigarette player, illegal cigarettes is the biggest hurdle for tobacco industry as it accounted 20-30% of total Indonesia' cigarette. In addition, we view that an aggressive excise hike would benefit illegal cigarettes as the price gap between legal and illegal cigarettes will widen. Thus, we view a less aggressive cigarette excise hike as a solution to reduce downtrading towards illegal cigarettes. In addition, Directorate General of Customs and Excise forms Special Task Force (Satgas) to eradicate illegal cigarette in Jul25, and we see Satgas has already taken action against small-scale illegal cigarette players in East Java. In sum, we view easing pressure from illegal cigarettes as an upside risk for the sector.

Tobacco player to benefit from less aggressive excise hike

Given a lower cigarette excise hike in FY26F, we view this may give an earnings upside for tobacco players. Our sensitivity analysis showed that for every 2% decrease in excise tax shall increase HMSP/GGRM's FY26F earnings by 29.4/111.4% respectively (Fig. 2). To note, GGRM's earnings is more sensitive due to thin FY26F NPM of 1.4%.

Maintain Neutral

In terms of fund positioning, most of local and foreign funds have UW tobacco sectors (Fig. 6-9) amid unfavourable government policy. With a positive expectation on government policy, we view the tobacco sector will re-rate. We maintain our Neutral sector for now as we wait for clarity on the policy from the government. Key risks include soft buying power preventing companies from raising prices.

Fig. 1: Indonesia tobacco summary

Ticker	Rating	Current price	Target price	Earnings yoy growth		P/E		ROE	
		(Rp)	(Rp)	2025F	2026F	2025F	2026F	2025F	2026F
HMSP	HOLD	670	550	-7.6%	3.8%	12.7	12.2	22.1%	23.3%
GGRM	SELL	10,950	5,700	13.2%	36.9%	19.0	13.9	1.8%	2.4%

Sources: Indo Premier

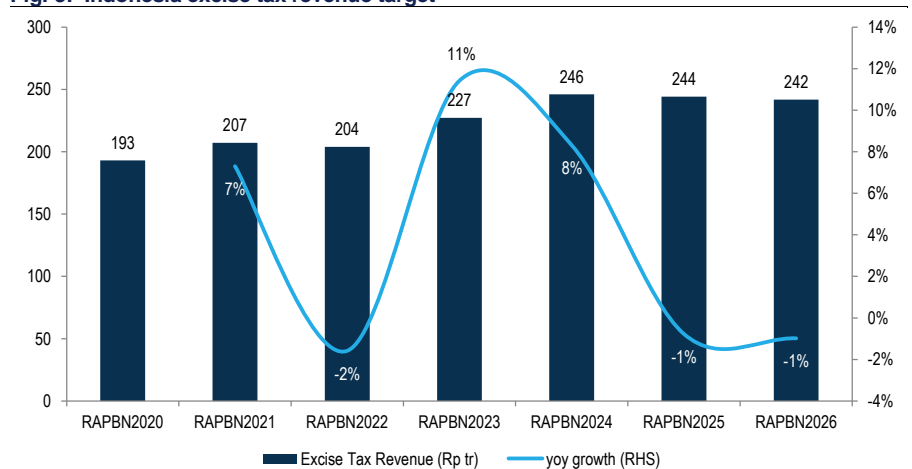
Fig. 2: Sensitivity analysis on excise hike

	Excise Hike				
	6%	8%	10%*	12%	14%
HMSP					
FY26F Net Profit	10,129	8,254	6,379	4,503	2,628
chg from base case	58.8%	29.4%	0.0%	-29.4%	-58.8%
GGRM					
FY26F Net Profit	4,909	3,215	1,521	-173	-1,867
chg from base case	222.8%	111.4%	0.0%	-111.4%	-222.8%

*Our Assumption

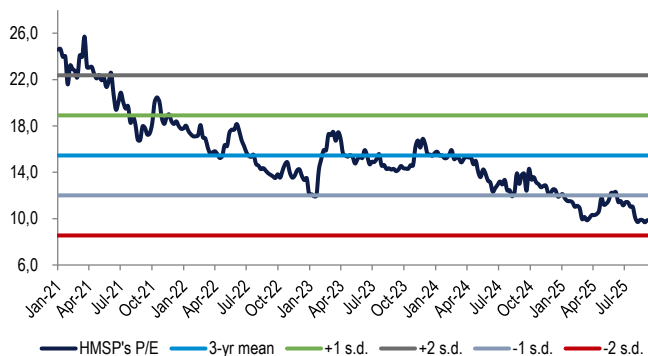
Sources: Indo Premier

Fig. 3: Indonesia excise tax revenue target



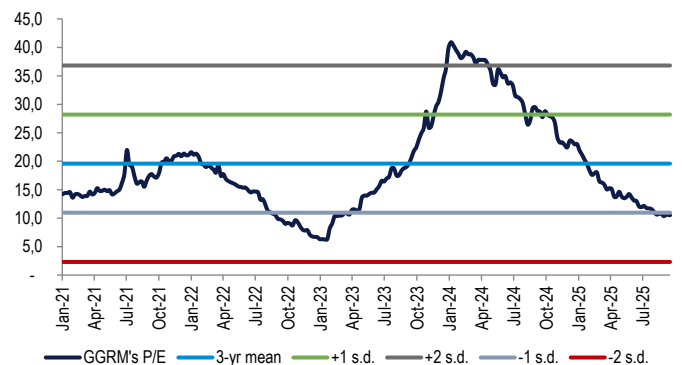
Sources: Minister of Finance, Indo Premier

Fig. 4: HMSP is traded at 9.9x fwd. 12M PE (-1.7s.d. from its 5yr mean)



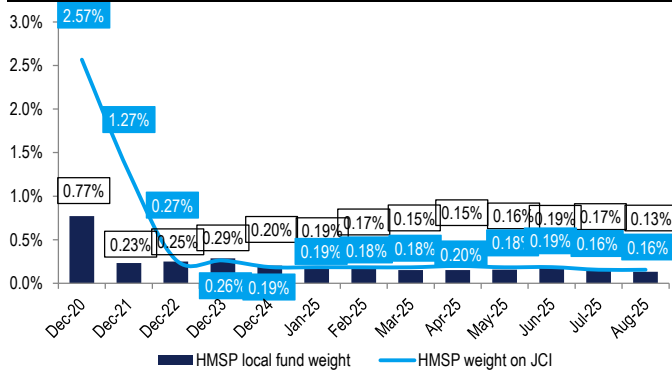
Source: Bloomberg, Indo Premier

Fig. 5: GGRM is traded at 10.5x fwd. 12M PE (-1.0s.d. from its 5yr mean)



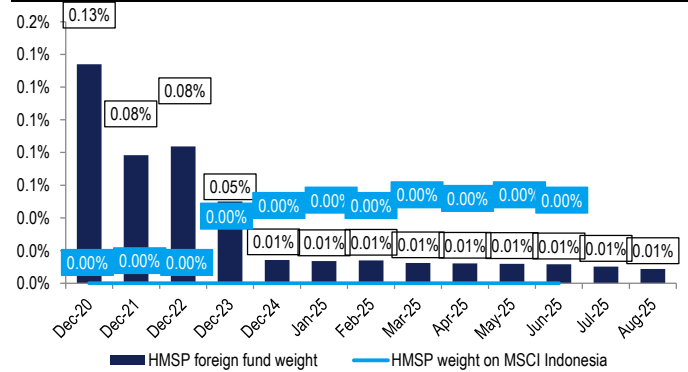
Source: Bloomberg, Indo Premier

Fig. 6: HMSP local fund weight vs. its JCI



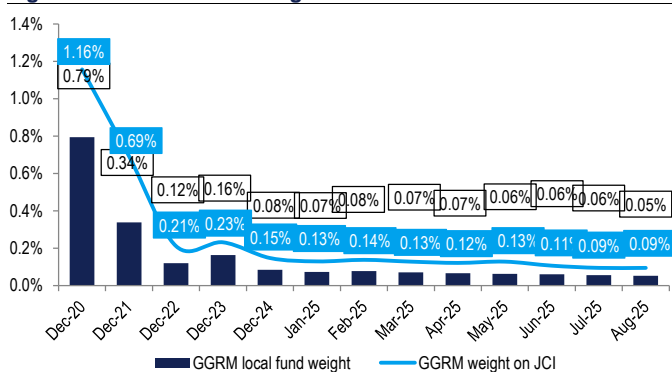
Source: KSEI, Indo Premier

Fig. 7: HMSP foreign fund weight



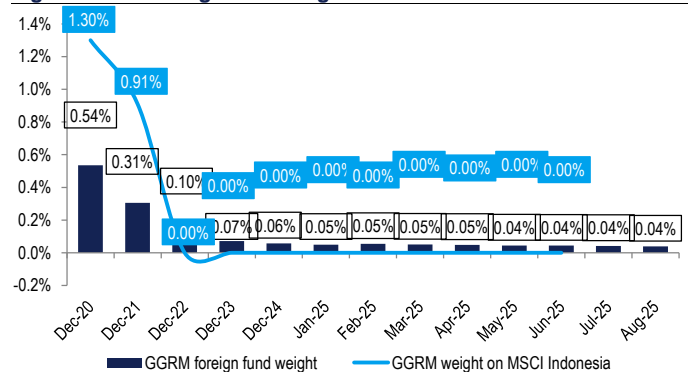
Source: KSEI, Indo Premier

Fig. 8: GGRM local fund weight vs. its JCI



Source: KSEI, Indo Premier

Fig. 9: GGRM foreign fund weight



Source: KSEI, Indo Premier

INDOPREMIER

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

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

DISCLAIMERS

This research is based on information obtained from sources believed to be reliable, but we do not make any representation or warranty nor accept any responsibility or liability as to its accuracy, completeness or correctness. Opinions expressed are subject to change without notice. This document is prepared for general circulation. Any recommendations contained in this document do not have any regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is not and should not be construed as an offer or a solicitation of an offer to purchase or subscribe or sell any securities. PT Indo Premier Sekuritas or its affiliates may seek or will seek investment banking or other business relationships with the companies in this report.