INDOPREMIER

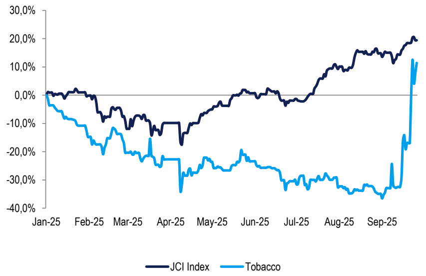
Tobacco

NEUTRAL *(unchanged)*

Sector Update | Tobacco | 29 September 2025

Sector Index Performance

	3M	6M	12M
Absolute	60.2%	44.2%	-8.0%
Relative to JCI	38.5%	11.8%	-23.7%



Summary Valuation Metrics

P/E (x)	2025F	2026F	2027F
GGRM IJ	25.3	18.5	15.7
HMSP IJ	16.6	13.4	12.1

EV/EBITDA (x)	2025F	2026F	2027F
GGRM IJ	6.3	4.9	4.0
HMSP IJ	10.6	9.6	8.5

Div. Yield	2025F	2026F	2027F
GGRM IJ	0.0%	0.0%	0.0%
HMSP IJ	6.5%	6.0%	7.5%

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Absence of FY26F tobacco excise hike has partly priced-in; maintain Neutral

- Ministry of Finance has announced a zero FY26F tobacco excise hike as this may give a tailwind for cigarettes player.
- Government's crackdown on illegal cigraettes could be positive for the sector if successfully enforced.
- We foresee HMSP/GGRM FY26F potential earnings upgrade of +21/86%; but has partly priced-in into share price. Maintain Neutral.

MoF announced zero FY26F tobacco excise hike

Ministry of Finance (MOF) announced a zero FY26F tobacco excise hike and this was in-line with Association of Indonesian Cigarette Manufacturers (GAPPRI)'s expectation. We view this as a sign of MOF more lenient stance on excise policy going forward which should benefit cigratte players as they will not need to aggressively raise ASP amid soft purchasing power.

Zero excise adjustment sensitivy analysis

The government has not yet announced FY26F minimum retail price (HJE). Our latest channel checks indicate HMSP/GGRM's SKM product is 14.4% above from FY25 HJE. We note that SKM FY25F Tier-1 HJE was increased by 5.1% yoy. If the FY26F HJE increase is similar to FY25F's, then HMSP/GGRM's SKM product has fulfill the HJE requirement, requiring no significant ASP adjustments. Based on our sensitivity analysis, every 1% ASP hike shall improve HMSP/GGRM's FY26F earnings by +10.3/+43.1%, while volume growth would impact earnings by 2.3/2.4%. It is worth noting that GGRM's higher sensitivity is due to low NPM of 1.6%.

Crackdown on illegal cigarette is a boon but hinges on execution

Although a flat FY25 cigarette excise hike has slowed down ASP increases (HMSP/GGRM's 1H25 ASP hike of only +3/+1% ytd), we note that HMSP/GGRM's 1H25 sales volume still declined by -1.5/-14.9% yoy due to significant downtrade to illegal cigraettes. Cracking down on illegal distribution remains a key MOF priority with restriction on GT/e-commerce channels; along with inspection teams being dispatched for enforcement. While we acknowledge the crackdown on illegal cigarettes might be challenging; however, if successful, it may greatly benefit the sector.

Maintain Neutral as earnings impact is somewhat limited

In sum, we expect HMSP/GGRM's FY26F net profit can potentially be upgraded by 20.6/86.2% amid zero cigarette excise hike and assumption of 2% ASP hike. However, we view HMSP/GGRM's FY26F potential earnings upgrade has partly priced-in as HMSP/GGRM's share px went up by 66.7/76.2% Mtd. As such, we expect a sector rerating may come from tangible evidence of reduced illegal cigarette circulation. We maintain our Neutral sector call for now. Key risks include soft purchasing 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	875	550	-7.6%	3.8%	16.6	13.4	22.1%	23.3%
GGRM	SELL	14,625	5,700	13.2%	36.9%	25.3	18.5	1.8%	2.4%

Sources: Indo Premier

Fig. 2: Sensitivity analysis towards FY26F earnings

	1% ASP Hike	1% sales volume growth
HMSP	10.3%	2.3%
GGRM	43.1%	2.4%

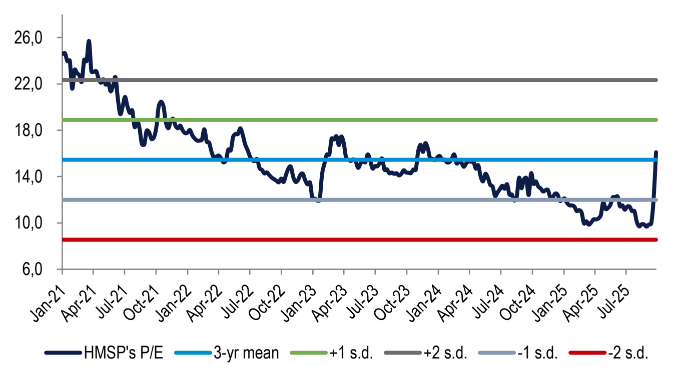
Sources: Indo Premier

Fig. 3: HMSP/GGRM' retail price was still above 85% HJE

No.	Brand	Type	Tier	Price/Stick (Rp)	85% HJE/Stick (Rp)	Price difference
1	A Mild	SKM	1	2,365	2,019	17.1%
2	Magnum Filter	SKM	1	2,383	2,019	18.1%
3	Marlboro Filter	SKM	1	2,196	2,019	8.8%
4	Surya	SKM	1	2,385	2,019	18.1%
5	Surya Pro	SKM	1	2,216	2,019	9.8%
	Average			**2,309**	**2,019**	**14.4%**

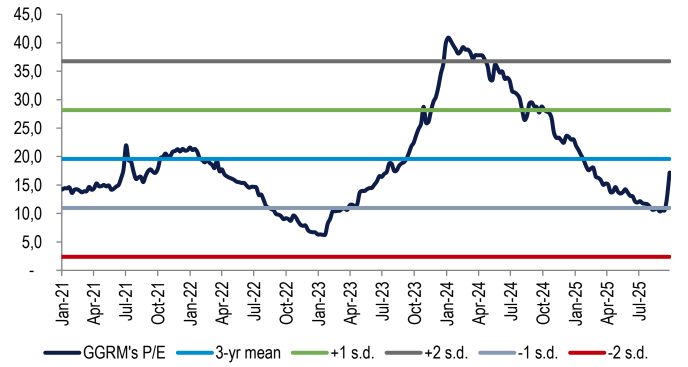
Sources: Alfagift, Klik Indomaret, Indo Premier

Fig. 4: HMSP is traded at 16.1x fwd. 12M PE (0.2s.d. from its 5yr mean)



Source: KSEI, Indo Premier

Fig. 5: GGRM is traded at 17.2x fwd. 12M PE (-0.3s.d. from its 5yr mean)



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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