INDOPREMIER

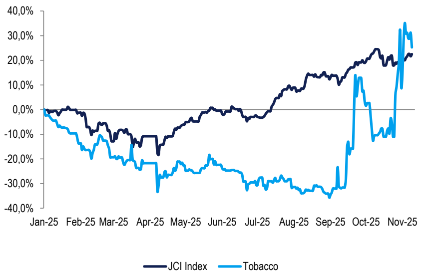
Tobacco

Overweight *(upgrade)*

Sector Update | Tobacco | 10 November 2025

Sector Index Performance

	3M	6M	12M
Absolute	81.7%	60.8%	20.0%
Relative to JCI	74.4%	36.0%	-6.2%



Summary Valuation Metrics

P/E (x)	2025F	2026F	2027F
GGRM IJ	15.6	8.7	6.0
HMSP IJ	14.2	11.2	10.4

EV/EBITDA (x)	2025F	2026F	2027F
GGRM IJ	5.7	3.4	2.0
HMSP IJ	9.0	7.7	7.0

Div. Yield	2025F	2026F	2027F
GGRM IJ	0.0%	0.0%	0.0%
HMSP IJ	6.7%	7.0%	8.9%

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Rosy earnings growth outlook along with attractive valuation

- Overall 3Q25 profit came above consensus estimate amid robust GPM improvement coupled with low expectation from consensus.
- With flat excise hike in FY26F, we foresee GPM trend to sustain. We expect HMSP/GGRM's FY26F earnings to grow by 26.2/79.3% yoy.
- We upgrade to Overweight rating for the sector with HMSP as our top pick due to attractive dividend yield and superior ROE.

3Q25 profit was a beat on the back of robust GPM improvement

3Q25 cigarette revenue declined by -5.5% yoy but was in-line with consensus estimate. Noteably, 9M25 cigarette GPM improved by +264bps yoy to 16.1%, driven by a flat excise hike and SKM ASP hike of +4.8% yoy. With the government maintains a flat excise policy for FY26F, we expect the 9M25 GPM trend to sustain in FY26F. Overall, 3Q25 cigarette net profit was above FY25F consensus estimate (at 77.2% - Fig. 5).

Muted ASP adjustment eases volume pressure

Our price survey shows that HMSP/GGRM's 9M25 SKM price hike stood at +2.7/+2.9% YTD (vs. 3yr avg of +5.6/4.7% YTD), reflecting a muted price adjustment following the absence of excise hike in FY25. On the other hand, 9M25 HMSP sales volume declined by -1.8% yoy (vs. 9M24's -4.7% yoy), much better vs. GGRM's sales volume drop of -11.8% yoy (vs. 9M24's -11.0%), suggesting that the downtrading trend remains more pronounced in GGRM's market segment. Given the unchanged FY26F HJE and current HMSP/GGRM's retail price already 14.0/15.7% above 85% HJE threshold, we expect a limited room for further ASP hike in FY26F, aligning with the flat excise outlook. Our sensitivity analysis for HMSP/GGRM suggests 8.5/18.7% FY26F earnings changes for every 1% in ASP adjustment (Fig. 7).

Illegal cigarette crackdown presents upside risk for the sector

Our discussion with companies indicated that illegal cigarette market share was at c.20%, equivalent to c.59bn sticks. This suggests a potential upside risk for the industry if the government successfully crackdown on illegal cigarette circulation. Our sensitivity analysis showed that every 5% sales volume increase may increase HMSP/GGRM's FY26F earnings by 5.4/9.3% (Fig. 6). With a higher sales volume, it may provide a positive operating leverage for the companies.

Upgrade sector to Overweight from Neutral

In sum, we upgrade our rating to OW for the cigarette sector amid improving fundamental, more favourable policy environment and attractive valuation (sector now trades at 11.0x P/E vs. its 3yr average of 13.5x). In addition, we expect HMSP/GGRM's FY26F earnings to grow by 26.2/79.3% yoy, following earnings upgrade post 3Q25 result (link to HMSP and GGRM note). We prefer HMSP given its attractive FY26F dividend yield of 7% and ROE improvement from 24.9% in FY25F to 30.5% in FY26F – Fig. 9.

Fig. 1: Indonesia tobacco summary

Ticker	Rating	Current price (Rp)	Target price (Rp)	Earnings yoy growth 2025F	Earnings yoy growth 2026F	P/E 2025F	P/E 2026F	ROE 2025F	ROE 2026F
HMSP	BUY	855	1,150	5.7%	26.2%	14.2	11.2	24.9%	30.5%
GGRM	BUY	16,350	20,700	105.9%	79.3%	15.6	8.7	3.2%	5.5%

Sources: Indo Premier

Fig. 2: Indonesia' tobacco 3Q25 net revenue recap

Ticker	3Q25	3Q24	% YoY	2Q25	%QoQ	9M25	9M24	% YoY	IPS. FY25F	% IPS	Cons. FY25F	% Cons	5yr avg
HMSP	28,570	30,651	-6.8%	26,384	8.3%	83,743	88,468	-5.3%	116,886	71.6%	117,242	71.4%	74.4%
GGRM	22,958	23,875	-3.8%	21,302	7.8%	67,327	73,893	-8.9%	88,209	76.3%	88,904	75.7%	74.6%
Indo's Tobacco	**51,528**	**54,526**	**-5.5%**	**47,687**	**8.1%**	**151,070**	**162,361**	**-7.0%**	**205,095**	**73.7%**	**206,146**	**73.3%**	

Source: Company, Bloomberg, Indo Premier

Fig. 3: Indonesia' tobacco 3Q25 GPM recap

Ticker	3Q25	3Q24	% YoY	2Q25	%QoQ	9M25	9M24	% YoY
HMSP	20.2%	16.5%	364 bps	17.5%	265 bps	18.4%	15.6%	285 bps
GGRM	11.0%	9.4%	153 bps	8.4%	260 bps	9.4%	9.9%	-55 bps
Indo's Tobacco	**16.1%**	**13.4%**	**264 bps**	**13.4%**	**264 bps**	**14.4%**	**13.0%**	**140 bps**

Source: Company, Indo Premier

Fig. 4: Indonesia' tobacco 3Q25 EBIT margin recap

Ticker	3Q25	3Q24	% YoY	2Q25	%QoQ	9M25	9M24	% YoY
HMSP	10.4%	7.8%	253 bps	6.1%	429 bps	8.3%	6.9%	142 bps
GGRM	4.9%	0.9%	396 bps	0.8%	409 bps	2.2%	2.2%	2 bps
Indo's Tobacco	**7.9%**	**4.8%**	**312 bps**	**3.7%**	**421 bps**	**5.6%**	**4.8%**	**84 bps**

Source: Company, Indo Premier

Fig. 5: Indonesia' tobacco 3Q25 net profit recap

Ticker	3Q25	3Q24	% YoY	2Q25	%QoQ	9M25	9M24	% YoY	IPS. FY25F	% IPS	Cons. FY25F	% Cons	5yr avg
HMSP	2,383	1,908	24.9%	210	1033.9%	4,511	5,224	-13.7%	6,143	73.4%	6,633	68.0%	78.2%
GGRM	990	67	1384.0%	13	7672.6%	1,107	992	11.5%	1,110	99.7%	643	172.1%	77.3%
Indo's Tobacco	**3,372**	**1,974**	**70.8%**	**223**	**1413.2%**	**5,618**	**6,217**	**-9.6%**	**7,253**	**77.5%**	**7,276**	**77.2%**	77.2%

Source: Company, Bloomberg, Indo Premier

Fig. 6: Sensitivity analysis on sales volume growth against FY26F earnings

	Sales volume growth				
Rp bn	-7%	-2%	Base Case (+3%)	+8%	+13%
GGRM FY26F Earnings	**2,754**	**3,246**	**3,620**	**3,956**	**4,357**
chg from our assumption	*-23.9%*	*-10.3%*	*0.0%*	*9.3%*	*20.4%*

	Sales volume growth				
Rp bn	-11%	-6%	Base Case (+1%)	+6%	+11%
HMSP FY26F Earnings	**7,563**	**8,141**	**8,861**	**9,336**	**9,769**
chg from our assumption	*-14.6%*	*-8.1%*	*0.0%*	*5.4%*	*10.2%*

Sources: Company, Indo Premier

Fig. 7: Sensitivity analysis on FY26F earnings from 1% ASP hike

FY26F earnings	1% ASP hike
HMSP	8.5%
GGRM	18.7%

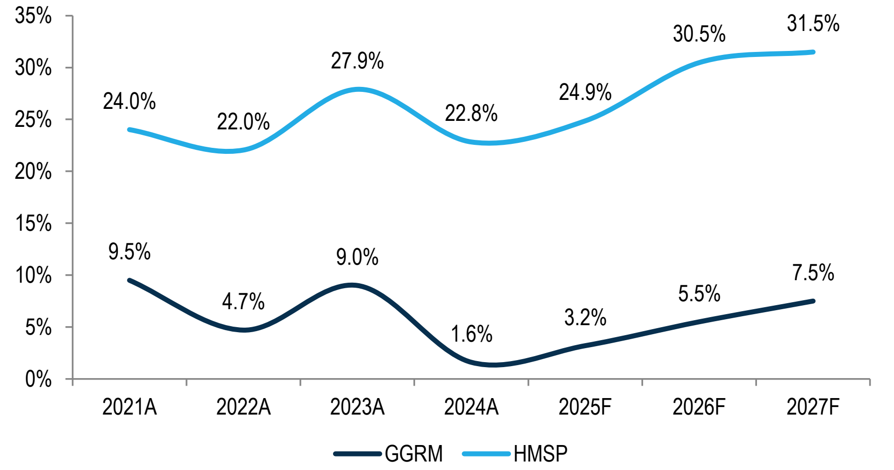
Sources: Company, Indo Premier

Fig. 8: 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	2,158	2,019	6.9%
4	Surya	SKM	1	2,385	2,019	18.1%
5	Surya Pro	SKM	1	2,288	2,019	13.3%
	Average			**2,316**	**2,019**	**14.7%**

Sources: Alfagift, Klik Indomaret, Indo Premier

Fig. 9: HMSP vs GGRM ROE improvement



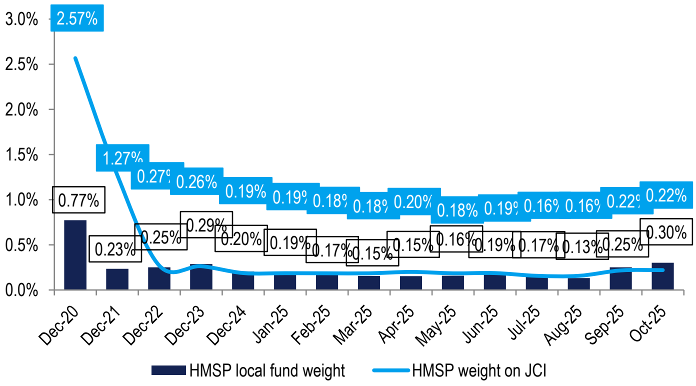
Sources: Company, Indo Premier

Fig. 10: Tobacco is traded at 11.0x fwd. 12M PE (-0.8 s.d. of its 5Y mean)

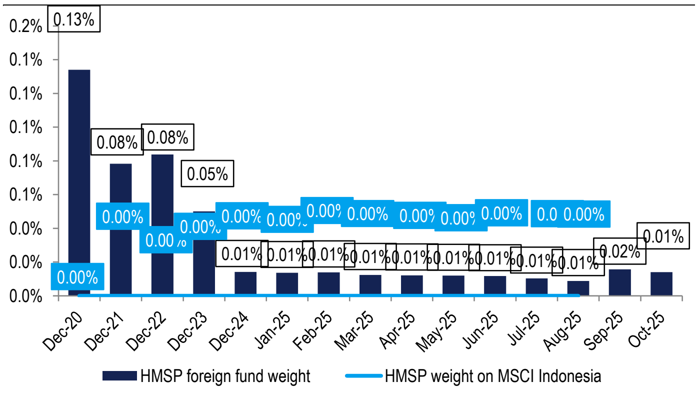
Sources: Company, Indo Premier

Fig. 11: HMSP' local fund weight vs. JCI

Fig. 12: HMSP' foreign fund weight vs. MSCI

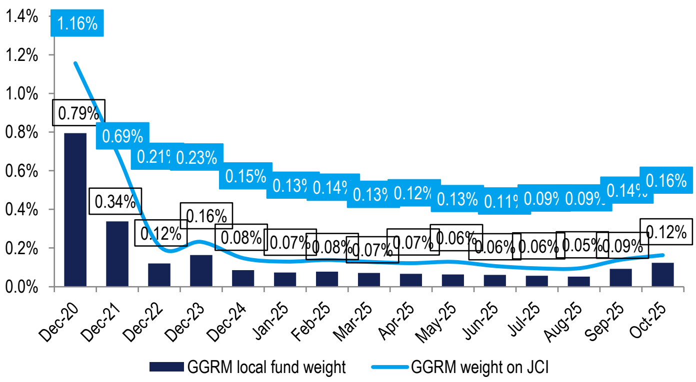


Source: KSEI, Indo Premier



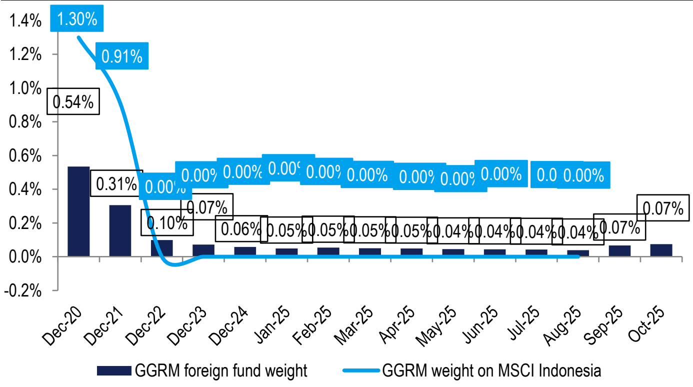
Source: MSCI, Indo Premier

Fig. 13: GGRM' local fund weight vs. JCI



Source: KSEI, Indo Premier

Fig. 14: GGRM' foreign fund weight vs. MSCI



Source: MSCI, 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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