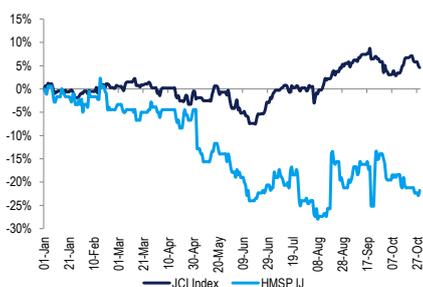


Stock Data

Target price	Rp750
Prior TP	Rp680
Current price	Rp700
Upside/downside	+7%
Shares outstanding (mn)	116,318
Market cap (Rp bn)	81,423
Free float	8%
Avg. 6m daily T/O (Rp bn)	29

Price Performance

	3M	6M	12M
Absolute	2.9%	-17.2%	-23.9%
vs. JCI	-1.4%	-23.5%	-36.8%
52w low/high	645 – 995		



Major Shareholders

Phillip Morris Indonesia	92%
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3Q24 results: miss from steep volume decline amidst down-trading

- HMSP’s 9M24 net profit of Rp5.2tr (-15.8% yoy), missing consensus estimate at 67% but in-line with ours at 79% vs. 5yr avg of 77%.
- PMI data reveals HMSP’s 3Q24 volume declined by -8.8% yoy, deeper than industry’s -3.3% yoy.
- We adjust our FY25F earnings forecast by +13% on FY25F zero tobacco excise hike assumption. Maintain HOLD with higher TP of Rp750.

9M24 profits came below consensus estimates; but in-line with ours’

HMSP booked 9M24 net profit of Rp5.2tr (-15.8% yoy) and this was below consensus estimates at 67% vs. 5yr avg. of 77%, but in-line with ours at 79%. Flattish revenue of Rp88.5tr (+1.3% yoy) was in-line with estimates. GPM declined to 15.6% (-99 bps yoy). Meanwhile, stable opex to sales ratio of 8.6% (vs. 9M23’s 8.4%) led to EBIT margin of 5.9% (-127bps yoy).

3Q24 profit fell -22% yoy amid lower GPM and higher opex

3Q24 net profit of Rp1.9tr (-22.3% yoy) was attributed from slightly lower GPM of 16.5% (-15bps yoy) along with higher opex/sales ratio. A&P and management services as % of sales rose +40/+18bps yoy.

3Q24 saw deeper volume decline for HMSP than industry’s

Based on PMI disclosure, 3Q24 HMSP’s volume declined by -8.8% yoy, worse than industry’s decline of -3.3% yoy. Segmentally, 3Q24 SKM/SPM sales declined -7.9/-21.6% yoy, while SKT/others (include IQOS) grew 7.8/73.2% yoy. In 3Q24, export sales (1.6% of sales) registered a sharp increase of +190% yoy, reflecting higher utilization of heat-not-burn manufacturing facilities aimed for international market.

FY25F earnings adjustment by +13% on zero FY25F excise hike

Following our recent tobacco report ([link](#)), we adjust HMSP’s FY25F earnings by +13% on the assumption of zero FY25F tobacco excise hike. Nonetheless, as discussed, we are not very upbeat on the tobacco names given that tier-1 players may struggle to raise ASP amidst the down-trading trend to more affordable alternatives. Further, in the previous zero tobacco excise hike scenario during 2019, tobacco excise rose significantly in the following year by 23% in FY20.

Maintain HOLD with higher TP of Rp750

In light of the above, we maintain our HOLD call with higher TP of Rp750 rolled forward based on 11.0x FY25F PE (-1.5 s.d. from its 3yr avg). Although HMSP remains our preferred name within tobacco sector, we do not expect a near term major catalyst for the sector.

Financial Summary (Rp bn)	2022A	2023A	2024F	2025F	2026F
Revenue	111,211	115,983	116,490	119,792	126,963
EBITDA	8,860	10,074	8,773	10,528	10,234
Net profit	6,324	8,097	6,601	7,933	7,659
EPS (Rp)	54	70	57	68	66
EPS growth	-10.9%	28.0%	-18.5%	20.2%	-3.5%
ROE	22.0%	27.9%	22.9%	28.0%	26.6%
PER (x)	12.9	10.1	12.3	10.3	10.6
Dividend yield	9.0%	7.8%	10.0%	8.2%	9.8%
Forecast change			0%	3%	5%
IPS vs. consensus			77%	84%	75%

Source: Company, Indo Premier

Share price closing as of: 29 October 2024

Fig. 1: HMSP 3Q24 result summary

(Rp bn)	3Q24	3Q23	% YoY	2Q24	%QoQ	9M24	9M23	% YoY	IPS. FY24F	% IPS	Cons. FY24F	% Cons	5yr avg
Net sales	30,651	31,142	-1.6%	28,710	6.8%	88,468	87,297	1.3%	116,490	76%	121,967	73%	74%
COGS	(25,580)	(25,942)		(24,777)		(74,709)	(72,856)	2.5%					
Gross profit	5,071	5,200	-2.5%	3,933	28.9%	13,759	14,441	-4.7%					
Opex	(2,668)	(2,475)		(2,794)		(7,649)	(7,307)	4.7%					
EBIT	2,403	2,725	-11.8%	1,139	111.0%	6,110	7,134	-14.4%	7,587	81%	9,054	67%	78%
Other income (charges)	(121)	134		57		52	246	-79.0%					
PBT	2,447	3,047	-19.7%	1,358	80.2%	6,672	7,855	-15.1%					
Tax benefit (expense)	(539)	(592)		(289)		(1,448)	(1,650)	-12.3%					
Net profit	1,908	2,455	-22.3%	1,070	78.3%	5,224	6,205	-15.8%	6,601	79%	7,793	67%	77%
Margins													
Gross margin	16.5%	16.7%		13.7%		15.6%	16.5%						
EBIT margin	7.8%	8.8%		4.0%		6.9%	8.2%						
Net margin	6.2%	7.9%		3.7%		5.9%	7.1%						
Opex to sales	-8.7%	-7.9%		-9.7%		-8.6%	-8.4%						
Revenue breakdown													
SKM	16,630	18,063	-7.9%	16,598	0.2%	50,515	53,400	-5.4%					
SKT	11,074	10,273	7.8%	9,289	19.2%	29,468	25,663	14.8%					
SPM	1,581	2,018	-21.6%	1,797	-12.0%	5,239	6,125	-14.5%					
Others (include SPT)	1,366	789	73.2%	1,026	33.1%	3,246	2,109	53.9%					
Revenue contribution by segment													
SKM	54.3%	58.0%		57.8%		57.1%	61.2%						
SKT	36.1%	33.0%		32.4%		33.3%	29.4%						
SPM	5.2%	6.5%		6.3%		5.9%	7.0%						
Others	4.5%	2.5%		3.6%		3.7%	2.4%						
Export	474.8	164.0	189.5%	194.3	144.3%	970.3	401.2	141.9%					

Source: Company, Indo Premier

Fig. 2: HMSP Earnings changes

	Previous			Current			Changes		
	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F
Assumption									
Blended ASP growth	8.1%	8.0%	7.1%	8.1%	3.0%	7.1%	0.0%	-5.0%	0.0%
Blended volume growth	-3.4%	-1.0%	-0.3%	-3.4%	-0.3%	-0.1%	0.0%	0.7%	0.2%
Financial Perform. (Rp bn)									
Net sales	116,490	123,494	129,899	116,490	119,792	126,963	0.0%	-3.0%	-2.3%
Gross profit	18,561	20,338	21,569	18,561	21,329	21,387	0.0%	4.9%	-0.8%
EBIT	7,587	8,091	8,468	7,587	9,279	8,922	0.0%	14.7%	5.4%
Net profit	6,601	7,003	7,304	6,601	7,933	7,659	0.0%	13.3%	4.9%
EPS (Rp)	57	60	63	57	68	66	0.0%	13.3%	4.9%
Profitability (%)									
Gross margin	15.9%	16.5%	16.6%	15.9%	17.8%	16.8%	0.0%	1.3%	0.2%
EBIT margin	6.5%	6.6%	6.5%	6.5%	7.7%	7.0%	0.0%	1.2%	0.5%
Net profit margin	5.7%	5.7%	5.6%	5.7%	6.6%	6.0%	0.0%	1.0%	0.4%

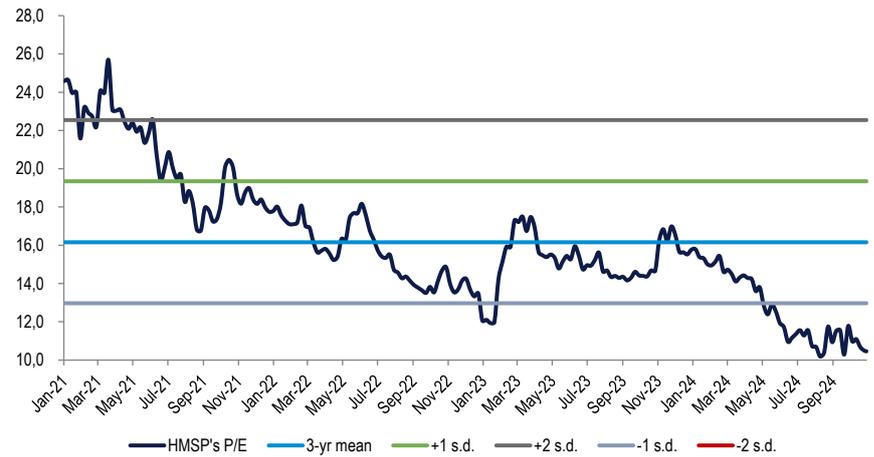
Source: Company, Indo Premier

Fig. 3: PMI volume

	3Q24	3Q23	% YoY	2Q24	% QoQ	9M24	9M23	% YoY
HSMP volume (bn sticks)	20.7	22.7	-8.8%	19.6	5.6%	60.5	63.5	-4.7%
Industry volume (bn sticks)	75.5	78.1	-3.3%	71.9	5.0%	221.4	219.5	0.9%
HSMP market share (%)	27.4%	29.1%		27.3%		27.3%	28.9%	

Source: PMI, Indo Premier

Fig. 4: HSMP is currently trading at 10.5x fwd. 12M P/E, or around 1.7 s.d. below its 3-year mean



Source: Bloomberg, Indo Premier

Income Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
Net revenue	111,211	115,983	116,490	119,792	126,963
Cost of sales	(94,053)	(96,653)	(97,928)	(98,463)	(105,576)
Gross profit	17,158	19,330	18,561	21,329	21,387
SG&A Expenses	(9,405)	(10,366)	(10,975)	(12,050)	(12,465)
Operating profit	7,753	8,964	7,587	9,279	8,922
Net interest	414	699	699	699	699
Forex gain (loss)	0	0	0	0	0
Others	106	649	121	125	132
Pre-tax income	8,273	10,311	8,407	10,103	9,753
Income tax	(1,949)	(2,214)	(1,805)	(2,170)	(2,095)
Minority interest	0	0	0	0	0
Net income	6,324	8,097	6,601	7,933	7,659

Balance Sheet (Rp bn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent	3,283	2,695	729	2,460	2,289
Receivable	3,394	3,612	3,518	3,618	3,834
Inventory	18,375	19,014	18,941	19,045	20,421
Other current assets	16,311	14,745	14,939	15,037	15,251
Total current assets	41,363	40,066	38,128	40,161	41,795
Fixed assets	6,697	9,253	9,067	8,818	8,507
Other non-current assets	60	60	60	60	60
Total non-current assets	13,424	15,250	15,064	14,815	14,504
Total assets	54,787	55,316	53,192	54,975	56,299
ST loans	0	0	0	0	0
Payable	8,547	6,844	7,797	7,840	8,406
Other payables	14,619	13,015	13,032	13,395	14,201
Current portion of LT loans	0	0	0	0	0
Total current liab.	24,546	23,303	23,332	23,772	25,303
Long term loans	0	0	0	0	0
Other LT liab.	2,071	2,144	2,152	2,204	2,319
Total liabilities	26,617	25,446	25,484	25,976	27,622
Equity	21,088	21,087	21,087	21,087	21,087
Retained earnings	6,465	8,167	6,622	7,913	7,590
Minority interest	0	0	0	0	0
Total SHE + minority int.	28,170	29,870	27,708	28,999	28,676
Total liabilities & equity	54,787	55,316	53,192	54,975	56,299

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
EBIT	7,753	8,964	7,587	9,279	8,922
Depr. & amortization	0	0	1,186	1,249	1,311
Changes in working capital	(12,019)	(534)	1	138	(274)
Others	11,621	(2,148)	(985)	(1,346)	(1,264)
Cash flow from operating	7,355	6,282	7,789	9,320	8,696
Capital expenditure	(899)	(1,072)	(1,000)	(1,000)	(1,000)
Others	(13,376)	744	0	0	0
Cash flow from investing	(14,275)	(328)	(1,000)	(1,000)	(1,000)
Loans	0	0	0	0	0
Equity	0	0	0	0	0
Dividends	(7,363)	(6,363)	(8,147)	(6,642)	(7,982)
Others	(278)	(179)	(608)	53	114
Cash flow from financing	(7,641)	(6,542)	(8,755)	(6,589)	(7,867)
Changes in cash	(14,561)	(588)	(1,966)	1,731	(171)

Key Ratios	2022A	2023A	2024F	2025F	2026F
Gross margin	15.4%	16.7%	15.9%	17.8%	16.8%
Operating margin	7.0%	7.7%	6.5%	7.7%	7.0%
Pre-tax margin	7.4%	8.9%	7.2%	8.4%	7.7%
Net margin	5.7%	7.0%	5.7%	6.6%	6.0%
ROA	11.7%	14.7%	12.2%	14.7%	13.8%
ROE	22.0%	27.9%	22.9%	28.0%	26.6%
Acct. receivables TO (days)	10.3	11.0	11.0	11.0	11.0
Inventory TO (days)	70.2	70.6	70.6	70.6	70.6
Payable TO (days)	27.8	29.1	29.1	29.1	29.1
Debt to equity	N/A	N/A	N/A	N/A	N/A
Interest coverage ratio (x)	154.9	214.7	181.7	222.3	213.7
Net gearing	-11.7%	-9.0%	-2.6%	-8.5%	-8.0%

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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