

# H.M. Sampoerna

**BUY** (unchanged)

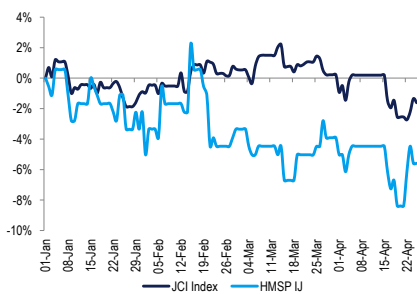
Company Update | Tobacco | HMSP IJ | 25 April 2024

## Stock Data

Target price	Rp1,150
Prior TP	Rp1,150
Current price	Rp845
Upside/downside	+36%
Shares outstanding (mn)	116,318
Market cap (Rp bn)	98,289
Free float	7%
Avg. 6m daily T/O (Rp bn)	15

## Price Performance

	3M	6M	12M
Absolute	-4.5%	-2.3%	-16.7%
vs. JCI	-3.5%	-7.0%	-20.3%
52w low/high	820 – 1,025		



## Major Shareholders

Phillip Morris Indonesia	93%
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## 1Q24 results: miss in net profit from lower gross profit margin

- HMSP printed 1Q24 net profit of Rp2.2tr (+4.0% yoy), coming below ours/consensus estimate at 27/25% vs. 5yr average of 31%.
- Despite the robust 1Q24 sales growth of 7.9% yoy (+2.3% volume), GPM declined by -167bps yoy as excise hike is not fully passed on.
- SKT continues to be the fastest growing segment, an indication of sustained down trading. Maintain Buy with unchanged TP of Rp1,150.

### 1Q24 net profit came below estimates

HMSP booked 1Q24 net profit of Rp2.2tr (+4.0% yoy), which came below ours/consensus estimates at 27/25% vs. 5yr average of 31%. Top-line actually delivered 7.9% yoy growth (in-line) to record Rp29.1tr of sales that is driven by SKT's segment sales growing +25.1% yoy while SKM/SPM registered +1.6/-7.6% yoy sales growth. Overall HMSP market share in Indonesia declined slightly to 27.5% in 1Q24 vs. 1Q23's 28.6% as industry volume grew +6.4% yoy, likely driven by lower tiered cigarette's volume, in our view. On the other hand, GPM declined -167bps yoy to 16.3% reflecting that excise hike is not fully passed on. Separately, opex discipline is observed as opex declined -3.3% yoy resulting in lower opex/sales ratio of 7.5% (vs. 1Q23's 8.4%). This helped to mitigate the decline in GPM as NPM declined to 7.7% (vs. 1Q23's 8.0%).

### Recent ASP adjustments are far more benign vs. last year's

Based on our channel checks, the recent ASP price trend for HMSP and industry (Fig 3) are far more benign compared to the same period last year as discussed in our recent tobacco note, where we downgrade the sector outlook to Neutral ([link](#)). 4Q23-1Q24 price adjustment for SKM registered only +3.8/0.5/0.5% change for HMSP/GGRM/Djarum, compared to +6.4/10.4/8.3% the previous year. HMSP remained relatively superior in terms of pricing power and we expect HMSP's GPM to be more resilient, compared to peers.

### Maintain Buy with lower TP of Rp1,150

In sum, HMSP remains our preferred pick within the tobacco space. Looking forward, we note limited upside for cigarette consumption and the tier-1 players like HMSP and GGRM may not benefit from the sustained down-trading trend, but HMSP may be an attractive dividend play with 8.3% dividend yield expectation in FY24F (based on FY23's earnings). We maintain BUY with unchanged TP of Rp1,150 based on FY24F P/E of 16.0x PE (3yr mean). Key risks are soft purchasing power and inability to fully pass on excise hike for the rest of the year.

Financial Summary (Rp bn)	2022A	2023A	2024F	2025F	2026F
Revenue	111,211	115,983	120,694	127,584	134,132
EBITDA	8,860	10,074	10,980	11,444	12,350
Net profit	6,324	8,097	8,338	8,659	9,326
EPS (Rp)	54	70	72	74	80
EPS growth	-10.9%	28.0%	3.0%	3.8%	7.7%
ROE	22.0%	27.9%	28.1%	29.3%	31.1%
PER (x)	15.5	12.1	11.8	11.4	10.5
Dividend yield	7.5%	6.5%	8.3%	8.5%	8.9%
Forecast change			0%	0%	0%
IPS vs. consensus			93%	86%	70%

Source: Company, Indo Premier

Share price closing as of: 25 April 2024

Fig. 1: HMSP 1Q24 result summary

(Rp bn)	1Q24	1Q23	% YoY	4Q23	%QoQ	IPS. FY24F	% IPS	Cons. FY24F	% Cons	5yr avg
<b>Net sales</b>	<b>29,107</b>	<b>26,966</b>	<b>7.9%</b>	<b>28,686</b>	<b>1.5%</b>	<b>120,694</b>	<b>24%</b>	<b>123,023</b>	<b>24%</b>	<b>24%</b>
COGS	(24,352)	(22,110)		(23,797)						
<b>Gross profit</b>	<b>4,756</b>	<b>4,856</b>	<b>-2.1%</b>	<b>4,889</b>	<b>-2.7%</b>					
Opex	(2,187)	(2,261)		(3,059)						
<b>EBIT</b>	<b>2,569</b>	<b>2,595</b>	<b>-1.0%</b>	<b>1,830</b>	<b>40.4%</b>	<b>9,794</b>	<b>26%</b>	<b>10,399</b>	<b>25%</b>	<b>31%</b>
Other income (charges)	115	53		397						
<b>PBT</b>	<b>2,867</b>	<b>2,786</b>	<b>2.9%</b>	<b>2,456</b>	<b>16.7%</b>					
Tax benefit (expense)	(620)	(626)		(564)						
<b>Net profit</b>	<b>2,247</b>	<b>2,160</b>	<b>4.0%</b>	<b>1,892</b>	<b>18.8%</b>	<b>8,338</b>	<b>27%</b>	<b>8,862</b>	<b>25%</b>	<b>31%</b>
<b>Margins</b>										
Gross margin	16.3%	18.0%		17.0%						
EBIT margin	8.8%	9.6%		6.4%						
Net margin	7.7%	8.0%		6.6%						
Opex to sales	-7.5%	-8.4%		-10.7%						
<b>Revenue breakdown</b>										
SKM	17,287	17,007	1.6%	15,525	11.4%					
SKT	9,105	7,277	25.1%	10,280	-11.4%					
SPM	1,861	2,013	-7.6%	1,942	-4.2%					
Others (include SPT)	854	668	27.9%	939	-9.1%					
<b>Revenue contribution by segment</b>										
SKM	59.4%	63.1%		54.1%						
SKT	31.3%	27.0%		35.8%						
SPM	6.4%	7.5%		6.8%						
Others	2.9%	2.5%		3.3%						
Export	301.2	127.3	136.6%	304.9	-1.2%					

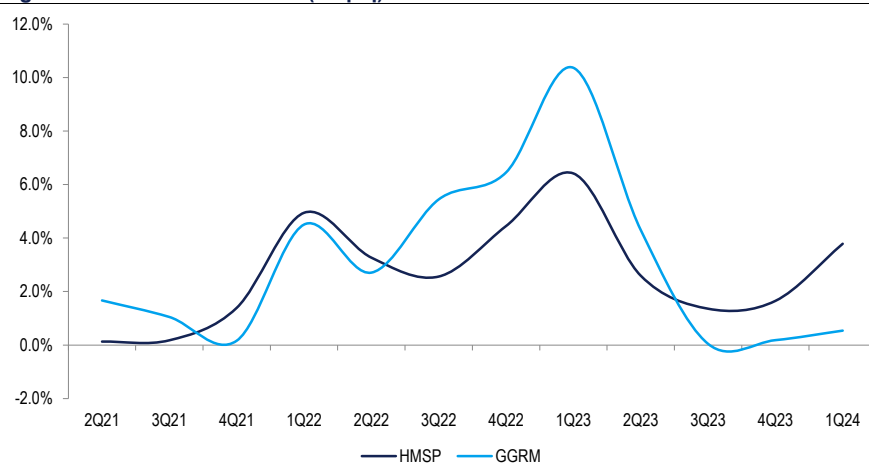
Source: Company, Indo Premier

Fig. 2: PMI volume

	1Q24	1Q23	% YoY	4Q23	% QoQ
HSMP volume (bn sticks)	20.2	19.7	2.5%	20.3	-0.5%
Industry volume (bn sticks)	73.6	69.1	6.5%	72.5	1.5%
HMSP market share (%)	27.4%	28.5%		28.0%	

Source: PMI, Indo Premier

**Fig. 3: HMSP/GGRM ASP hike (% qoq)**



Source: PMI, Indo Premier

**Fig. 4: HMSP is currently trading at 11.6x fwd. 12M P/E, or around 1.3 s.d. below its 3-year mean**



Source: Company, Indo Premier

Income Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
Net revenue	111,211	115,983	120,694	127,584	134,132
Cost of sales	(94,053)	(96,653)	(99,878)	(105,274)	(110,291)
<b>Gross profit</b>	<b>17,158</b>	<b>19,330</b>	<b>20,816</b>	<b>22,309</b>	<b>23,842</b>
SG&A Expenses	(9,405)	(10,366)	(11,022)	(12,114)	(12,803)
<b>Operating profit</b>	<b>7,753</b>	<b>8,964</b>	<b>9,794</b>	<b>10,195</b>	<b>11,039</b>
Net interest	414	699	699	699	699
Forex gain (loss)	0	0	0	0	0
Others	106	649	126	133	140
<b>Pre-tax income</b>	<b>8,273</b>	<b>10,311</b>	<b>10,618</b>	<b>11,027</b>	<b>11,877</b>
Income tax	(1,949)	(2,214)	(2,280)	(2,368)	(2,551)
Minority interest	0	0	0	0	0
<b>Net income</b>	<b>6,324</b>	<b>8,097</b>	<b>8,338</b>	<b>8,659</b>	<b>9,326</b>

Balance Sheet (Rp bn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent	3,283	2,695	2,587	3,091	4,014
Receivable	3,394	3,612	3,645	3,853	4,051
Inventory	18,375	19,014	19,318	20,362	21,332
Other current assets	16,311	14,745	15,064	15,269	15,464
<b>Total current assets</b>	<b>41,363</b>	<b>40,066</b>	<b>40,615</b>	<b>42,575</b>	<b>44,861</b>
Fixed assets	6,697	9,253	9,067	8,818	8,507
Other non-current assets	60	60	60	60	60
<b>Total non-current assets</b>	<b>13,424</b>	<b>15,250</b>	<b>15,064</b>	<b>14,815</b>	<b>14,504</b>
<b>Total assets</b>	<b>54,787</b>	<b>55,316</b>	<b>55,678</b>	<b>57,390</b>	<b>59,365</b>
ST loans	0	0	0	0	0
Payable	8,547	6,844	7,952	8,382	8,781
Other payables	14,619	13,015	13,498	14,268	14,999
Current portion of LT loans	0	0	0	0	0
<b>Total current liab.</b>	<b>24,546</b>	<b>23,303</b>	<b>24,015</b>	<b>25,347</b>	<b>26,603</b>
Long term loans	0	0	0	0	0
Other LT liab.	2,071	2,144	2,219	2,329	2,433
<b>Total liabilities</b>	<b>26,617</b>	<b>25,446</b>	<b>26,233</b>	<b>27,676</b>	<b>29,036</b>
Equity	21,088	21,087	21,087	21,087	21,087
Retained earnings	6,465	8,167	8,358	8,628	9,242
Minority interest	0	0	0	0	0
<b>Total SHE + minority int.</b>	<b>28,170</b>	<b>29,870</b>	<b>29,445</b>	<b>29,715</b>	<b>30,329</b>
<b>Total liabilities &amp; equity</b>	<b>54,787</b>	<b>55,316</b>	<b>55,678</b>	<b>57,390</b>	<b>59,365</b>

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
EBIT	7,753	8,964	9,794	10,195	11,039
Depr. & amortization	0	0	1,186	1,249	1,311
Changes in working capital	(12,019)	(534)	55	(124)	(107)
Others	11,621	(2,148)	(1,456)	(1,536)	(1,712)
<b>Cash flow from operating</b>	<b>7,355</b>	<b>6,282</b>	<b>9,579</b>	<b>9,783</b>	<b>10,531</b>
Capital expenditure	(899)	(1,072)	(1,000)	(1,000)	(1,000)
Others	(13,376)	744	0	0	0
<b>Cash flow from investing</b>	<b>(14,275)</b>	<b>(328)</b>	<b>(1,000)</b>	<b>(1,000)</b>	<b>(1,000)</b>
Loans	0	0	0	0	0
Equity	0	0	0	0	0
Dividends	(7,363)	(6,363)	(8,147)	(8,389)	(8,712)
Others	(278)	(179)	(541)	110	104
<b>Cash flow from financing</b>	<b>(7,641)</b>	<b>(6,542)</b>	<b>(8,688)</b>	<b>(8,279)</b>	<b>(8,608)</b>
<b>Changes in cash</b>	<b>(14,561)</b>	<b>(588)</b>	<b>(108)</b>	<b>504</b>	<b>923</b>

Key Ratios	2022A	2023A	2024F	2025F	2026F
Gross margin	15.4%	16.7%	17.2%	17.5%	17.8%
Operating margin	7.0%	7.7%	8.1%	8.0%	8.2%
Pre-tax margin	7.4%	8.9%	8.8%	8.6%	8.9%
Net margin	5.7%	7.0%	6.9%	6.8%	7.0%
ROA	11.7%	14.7%	15.0%	15.3%	16.0%
ROE	22.0%	27.9%	28.1%	29.3%	31.1%
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	234.6	244.2	264.4
Net gearing	-11.7%	-9.0%	-8.8%	-10.4%	-13.2%

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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