

HM Sampoerna Tbk (HMSP)

Profit Decline Amid Sales Increase

HMSP booked 2021 sales of IDR98.9 trillion (+7.0% YoY), boosted by machine-rolled clove cigarettes (SKM). Gross profit declined 9.9% from last year, amid the increase of 2021 COGS to IDR81.9 trillion. Meanwhile, excise tax increase also impacted on the decline of 2021 net profit by 16.8% to IDR7.1 trillion (vs 2020 IDR8.6 trillion).

SKM Segment Boost Sales

- In 4Q21, HMSP booked sales of IDR26.4 trillion or up 5.9% QoQ. Overall, sales in 2021 grew 7.0% YoY to IDR98.9 trillion (vs 2020 IDR92.4 trillion), contributed by the sales of SKM that reached IDR65.2 trillion.
- Sales of every segment also booked YoY increases with hand-rolled white (SPT) sales booking the highest jump of IDR545 billion (vs 2020 IDR17 billion), followed by others, hand-rolled clove cigarettes (SKT), machine-rolled clove cigarettes (SKM), and machine-rolled white (SPM) which booked YoY increases of 8.5%, 6.6%, 6.6%, and 5.6%.
- Meanwhile, HMSP export sales fell by 29.7% to IDR154 billion compared to the same period last year of IDR219 billion.
- COGS in 2021 jumped 11.3% YoY to IDR81.9 trillion (vs 2020 IDR73.6 trillion), mostly due to the excise ribbon of IDR57.4 trillion (+9.9% YoY). This increase caused a decline of gross profit in 2021 by 9.9% YoY to IDR16.9 trillion compared to IDR18.8 trillion in 2020.

Profitability Ratio Not Able to Grow Yet

- HMSP net profit in 4Q21 grew 11.4% to IDR1.6 trillion (vs 3Q21 IDR1.4 trillion). However, throughout 2021, HMSP booked a decline of 16.8% YoY to IDR7.1 trillion compared to IDR8.6 trillion in 2020, due to the increase in excise tax.
- Meanwhile, profitability ratio including Gross Profit Margin, Operating Profit Margin, and Net Profit Margin for 2021 was recorded lower than last year at 17.1%, 8.7%, 7.2 (vs 2020 20.3%, 11.3%, 9.3%).

Market Share Declines

- In 2021, HMSP's sales volume was booked at 82.8 billion units or up 4.3% YoY (vs 2020 79.5 billion units). SKM sales contributed the highest to sales volume in 2021 at 53.5 billion units, followed by SKT, SPM, and SPT.
- HMSP's market share in 2021 declined to 28.0% compared to last year's 28.8%. The market shares of Dji Sam Soe and Marlboro fell to 7.6% and 4.0%, while market share of Sampoerna A, Sampoerna Kretek, and others jumped to 12.7%, 3.0%, and 0.7%.

Maintain Overweight Recommendation with TP of IDR1,000

- We maintain our Overweight recommendation for HMSP with the same target price of IDR1,000/share. This TP has a potential upside of 8.1%. Meanwhile, the main risks are the still unstable purchasing power, and the government's excise tax policy.

HM Sampoerna Tbk | Summary (IDR bn)

	2021A	2022F	2023F	2024F
Sales	98,875	106,332	111,820	118,177
Growth	7.0%	7.5%	5.2%	5.7%
Net Profit	7,137	7,988	8,884	9,680
Growth	-16.8%	11.9%	11.2%	9.0%
EPS (IDR)	61	69	76	83
P/E	16.3x	14.6x	13.1x	12.0x
P/BV	3.5x	3.3x	3.2x	3.2x
EV/EBITDA	12.2x	9.9x	9.1x	8.5x
ROE	21.7%	22.8%	24.8%	26.6%
Debt Ratio	0.4%	0.5%	0.4%	0.4%
Dividend Yield	7.3%	6.6%	7.0%	8.0%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

Overweight

Target Price (IDR)	1,000
Consensus Price (IDR)	1,033
TP to Consensus Price	-3.2%
vs. Last Price	+8.1%

Shares data

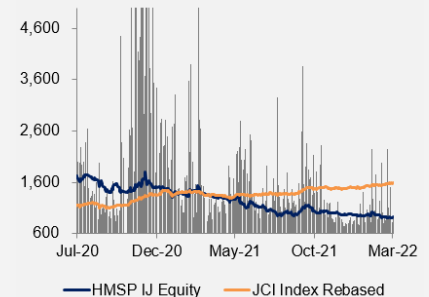
Last Price (IDR)	925
Price date as of	Mar 30, 2022
52 wk range (Hi/Lo)	1,415 / 900
Free float (%)	7.5
Outstanding sh.(mn)	116,318
Market Cap (IDR bn)	107,594
Market Cap (USD mn)	7,498
Avg. Trd Vol - 3M (mn)	19.38
Avg. Trd Val - 3M (bn)	18.51
Foreign Ownership	0.6%

Consumer Staples

Cigarette

Bloomberg	HMSP IJ
Reuters	HMSP.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-5.6%	-4.1%	-4.1%	-32.2%
Rel. Ret.	-11.4%	-6.0%	-11.3%	-48.4%

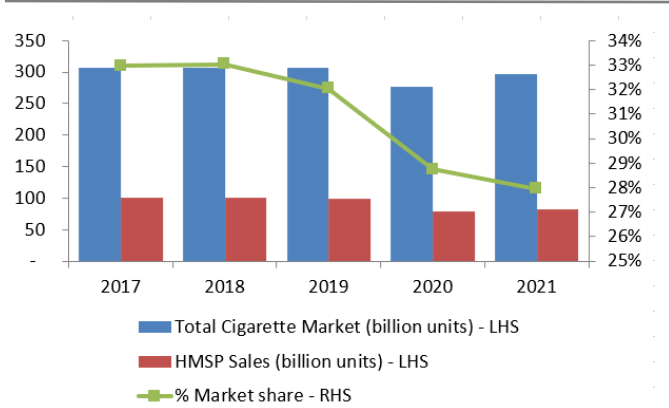
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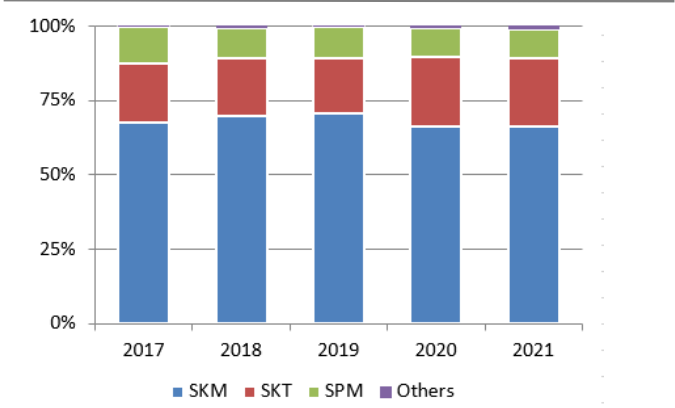
Performance Highlights in Charts

HMSP Cigs. Market Share vs Industry | FY17 - FY21



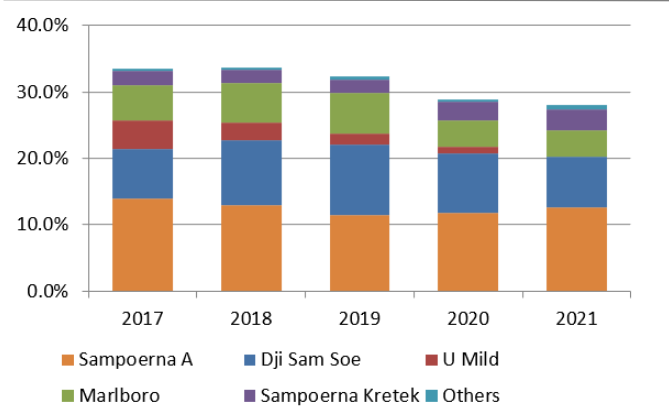
Source: Company Data, NHKSI Research

Revenue Breakdown by Segment | FY17 - FY21



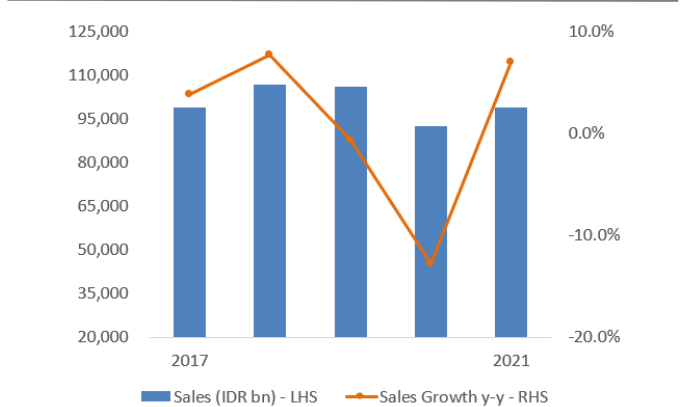
Source: Company Data, NHKSI Research

Market Share by Brand | FY17 - FY21



Source: Company Data, NHKSI Research

HMSP Quarterly Sales | FY17 - FY21



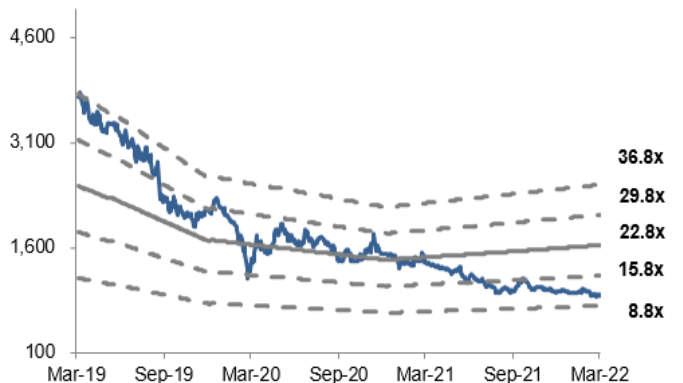
Source: Company Data, Bloomberg, NHKSI Research

Forward P/E Band | Last 3 Years



Source: Company Data, NHKSI Research

Dynamic Forward P/E Band | Last 3 Years



Source: Company Data, NHKSI Research

Summary of Financials

INCOME STATEMENT					PROFITABILITY & STABILITY				
(IDR bn)	2021/12A	2022/12E	2023/12E	2024/12E		2021/12A	2022/12E	2023/12E	2024/12E
Sales	98,875	106,332	111,820	118,177	ROE	21.7%	22.8%	24.8%	26.6%
<i>Growth</i>	7.0%	7.5%	5.2%	5.7%	ROA	15.5%	16.2%	17.8%	19.1%
COGS	(81,955)	(88,168)	(92,617)	(97,955)	Inventory Turnover	4.6x	4.5x	4.4x	4.5x
Gross Profit	16,920	18,163	19,204	20,223	Receivable Turnover	45.5x	32.6x	32.5x	36.0x
<i>Gross Margin</i>	17.1%	17.1%	17.2%	17.1%	Payables Turnover	26.6x	22.7x	23.3x	24.1x
Operating Expenses	(8,336)	(8,584)	(8,430)	(8,450)	Dividend Yield	7.6%	6.6%	7.0%	8.0%
EBIT	8,583	9,579	10,774	11,773	Payout Ratio	98.9%	107.1%	102.7%	104.5%
<i>EBIT Margin</i>	8.7%	9.0%	9.6%	10.0%	DER	0.0x	0.0x	0.0x	0.0x
Depreciation	(170)	844	667	447	Net Gearing	0.0x	0.0x	0.0x	0.0x
EBITDA	8,413	10,424	11,441	12,220	Equity Ratio	71.5%	71.0%	71.6%	71.6%
<i>EBITDA Margin</i>	8.5%	9.8%	10.2%	10.3%	Debt Ratio	0.4%	0.5%	0.4%	0.4%
Interest Expenses	(57)	(53)	(53)	(54)	Financial Leverage	139.8%	140.8%	139.6%	139.6%
EBT	9,152	10,243	11,392	12,413	Current Ratio	360.6%	341.9%	355.1%	353.2%
Income Tax	(2,015)	(2,255)	(2,508)	(2,733)	Quick Ratio	1.9x	1.9x	1.9x	1.9x
Minority Interest	-	-	-	-	Par Value (IDR)	4	4	4	4
Net Profit	7,137	7,988	8,884	9,680	Total Shares (mn)	116,318	116,318	116,318	116,318
<i>Growth</i>	-16.8%	11.9%	11.2%	9.0%	Share Price (IDR)	965	1,000	1,000	1,000
<i>Net Profit Margin</i>	7.2%	7.5%	7.9%	8.2%	Market Cap (IDR tn)	112.2	116.3	116.3	116.3

BALANCE SHEET					VALUATION INDEX				
(IDR bn)	2021/12A	2022/12E	2023/12E	2024/12E		2021/12A	2022/12E	2023/12E	2024/12E
Cash	14,021	15,061	14,649	14,885	Price /Earnings	15.7x	14.6x	13.1x	12.0x
Receivables	2,173	3,266	3,435	3,286	Price /Book Value	3.4x	3.3x	3.2x	3.2x
Inventories	17,654	19,572	21,087	21,716	PE/EPS Growth	-0.9x	1.2x	1.2x	1.3x
Total Current Assets	37,598	41,546	42,871	43,560	EV/EBITDA	11.7x	9.9x	9.1x	8.5x
Net Fixed Assets	6,358	5,844	5,175	5,215	EV/EBIT	11.5x	10.8x	9.6x	8.8x
Other Non Current Assets	1,963	1,981	1,972	1,977	EV (IDR bn)	98,401	103,268	103,834	103,850
Total Non Current Asset	8,321	7,825	7,147	7,191	Sales CAGR (3-Yr)	-2.5%	0.1%	6.6%	6.1%
Total Assets	45,920	49,371	50,018	50,751	Net Profit CAGR (3-Yr)	-19.2%	-16.5%	1.2%	10.7%
Payables	3,084	3,888	3,976	4,070	Basic EPS (IDR)	61	69	76	83
ST Bank Loan	8	17	17	17	BVPS (IDR)	282	301	308	313
Total Current Liabilities	10,426	11,625	11,521	11,711	DPS (IDR)	73	66	70	80
LT Debt	175	206	200	208					
Total Liabilities	13,072	14,313	14,198	14,399					
Capital Stock & APIC	21,071	21,071	21,071	21,071					
Retained Earnings	11,161	13,371	14,133	14,665					
Shareholders' Equity	32,848	35,058	35,820	36,352					

CASH FLOW STATEMENT					OWNERSHIP				
(IDR bn)	2021/12A	2022/12E	2023/12E	2024/12E					
Operating Cash Flow	10,306	7,114	7,711	9,864	Shareholders				%
Investing Cash Flow	331	(268)	(77)	(592)	Philip Morris Ind.				92.5
Financing Cash Flow	(8,598)	(7,602)	(8,206)	(9,279)	Vanguard Group				0.3
Net Changes in Cash	2,039	(757)	(571)	(7)	Blackrock				0.2
					Schroder				0.1
					By Geography				%
					Indonesia				99.4
					United States				0.2
					Ireland				0.1
					Japan				0.0

Source: NHKSI research, Bloomberg

NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
 - Buy : Greater than +15%
 - Overweight : +5% to 15%
 - Hold : -5% to +5%
 - Underweight : -5% to -15%
 - Sell : Less than -15%

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