

HM Sampoerna Tbk (HMSP)

Market Share Stable in 2Q22

During 6M22, HMSP's top line grew 12.3% YoY to IDR53.5 trillion. The increase in production costs caused gross profit, operating profit, and net profit to contract by 9.7% YoY, 22.8% YoY, and 26.3% YoY, respectively. Meanwhile, in 2Q22 HMSP's sales volume was recorded at 21.4 billion units and market share was stable at 27.8% (vs 1Q22: 27.8%).

Almost All Segments Grow

- During 6M22, HMSP recorded sales of IDR53.5 trillion or grew 12.3% YoY. Meanwhile, for 2Q22 sales were recorded at IDR27.3 trillion (+13.6% YoY; +4.5% QoQ).
- Domestic sales grew 12.3% YoY to IDR53.4 trillion (vs 6M21: IDR47.5 trillion), supported by growth in almost all segments. Meanwhile, export sales grew 40.2% YoY to IDR103.5 billion (vs 6M21: IDR73.9 billion).
- Production costs during 6M22 rose 5.5% YoY to IDR7.5 trillion driven by an increase in raw materials by 7.9% YoY to IDR4.1 trillion. Meanwhile, excise tax bands also increased (28.0% YoY) to IDR34.1 trillion (vs 6M21: IDR26.7 trillion).

All Profits Contracted

- The increase in COGS by 17.4% YoY in 6M22 caused gross profit to contract 9.7% YoY to IDR8.0 trillion (vs 6M21: IDR8.8 trillion). Meanwhile in 2Q22, gross profit was recorded at IDR3.7 trillion (-2.0% YoY; -12.7% YoY).
- Operating profit contracted 22.8% YoY in 6M22 to IDR3.8 trillion while operating expenses rose to IDR4.2 trillion (vs 6M21: IDR3.9 trillion). Meanwhile for 2Q22, operating profit declined to IDR1.4 trillion (vs 2Q21: IDR1.8 trillion).
- Net profit in 6M22 was recorded at IDR3.0 trillion (-26.3% YoY) while for 2Q22 net profit was recorded at IDR1.1 trillion (-26.8% YoY; -40.8% QoQ). Meanwhile, margins in 2Q22 were recorded lower with GPM, OPM, and NPM booked at 13.6%, 5.3% and 4.1% respectively (vs 2Q21 GPM: 15.8%, OPM: 7.4% , and NPM: 6.4%).

Expansion Through the HEETS

- HMSP sales volume in 2Q22 was 21.4 billion units (+2.2% QoQ; +6.2% YoY), driven by growth in SKM (+2.7% QoQ) and KLM (+409.0% QoQ) products to 13.9 billion units (vs 1Q22: 13.5 billion units) and 397 million units (vs 1Q22: 78 million units).
- HMSP market share in 2Q22 was stable at 27.8% (vs 1Q22: 27.8%). In terms of QoQ, products that have increased market share include Marlboro and others. Sampoerna A and Sampoerna Kretek products declined, while Dji Sam Soe's products were stable.
- HMSP is also known to be expanding the construction of the IQOS tobacco stem production facility under the HEETS brand and is expected to start operating in 4Q22. This factory was built to meet both domestic and export demand in the Asia Pacific Region.
- Meanwhile, IQOS club members in 2021 was booked at 65,000 adults (vs. 2020: 30,000 adults) and the number of outlets has also increased to 78 outlets (vs. 2020: 14 outlets).

Recommends Hold with TP of IDR950

- We recommend HOLD for HMSP with a target price of IDR950/share and a potential increase of 4.4%. The risks of our recommendation are government policies related to cigarette excise, downtrading, and a decrease in product demand.

HM Sampoerna Tbk | Summary (IDR bn)

	2021A	2022F	2023F	2024F
Sales	98,875	108,107	114,312	122,814
Growth	7.0%	9.3%	5.7%	7.4%
Net Profit	7,137	6,268	7,797	8,309
Growth	-16.8%	-12.2%	24.4%	6.6%
EPS (IDR)	61	54	67	71
P/E	15.7x	17.6x	14.2x	13.3x
P/BV	3.4x	3.8x	3.8x	4.0x
EV/EBITDA	11.7x	12.9x	9.9x	9.5x
ROE	21.7%	21.4%	27.0%	29.7%
Debt Ratio	0.4%	0.7%	0.7%	0.7%
Dividend Yield	7.6%	6.7%	7.3%	8.3%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

Hold

Target Price (IDR)	950
Consensus Price (IDR)	978
TP to Consensus Price	-2.9%
vs. Last Price	+4.4%

Shares data

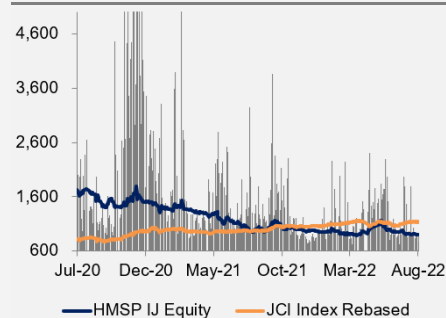
Last Price (IDR)	910
Price date as of	Aug 30, 2022
52 wk range (Hi/Low)	885 / 1,195
Free float (%)	7.5
Outstanding sh.(mn)	116,318
Market Cap (IDR bn)	105,849
Market Cap (USD mn)	7,131
Avg. Trd Vol - 3M (mn)	23.70
Avg. Trd Val - 3M (bn)	23.77
Foreign Ownership	0.6%

Consumer Staples

Cigarette

Bloomberg	HMSP IJ
Reuters	HMSP.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-7.1%	-2.2%	-18.4%	-9.0%
Rel. Ret.	-14.6%	-5.1%	-18.5%	-25.4%

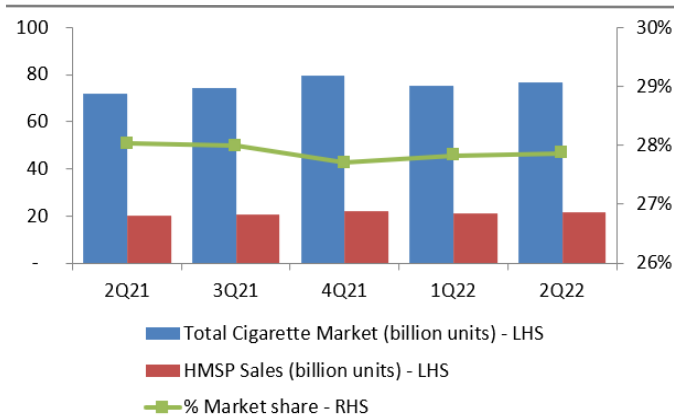
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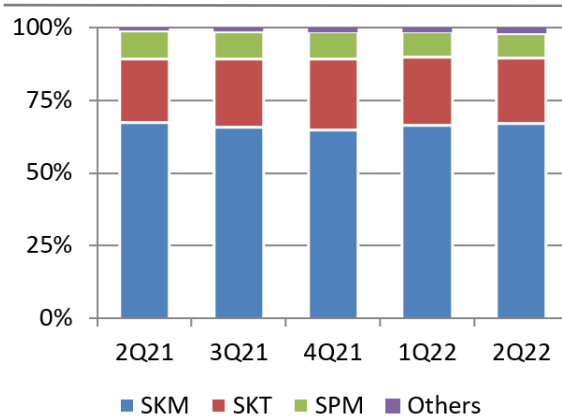
Performance Highlights in Charts

HMSP Cigs. Market Share vs Industry | 2Q21 - 2Q22



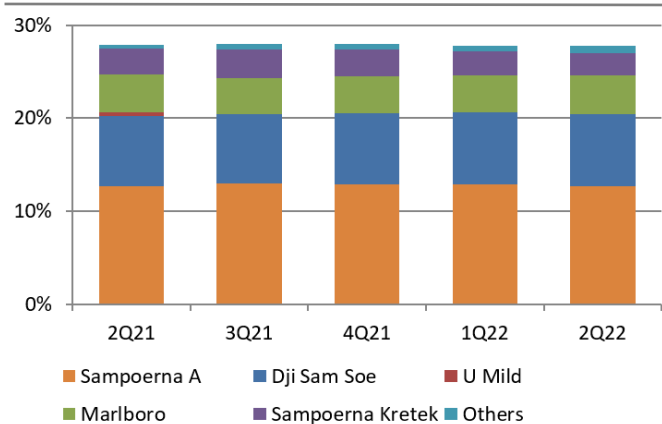
Source: Company Data, NHKSI Research

Revenue Breakdown by Segment | 2Q21 - 2Q22



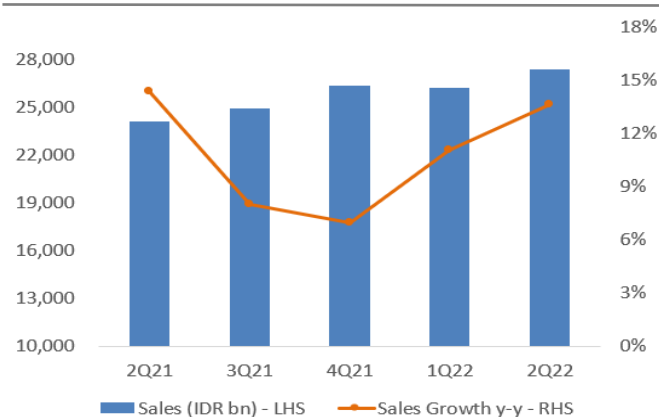
Source: Company Data, NHKSI Research

Market Share by Brand | 2Q21 - 2Q22



Source: Company Data, NHKSI Research

HMSP Quarterly Sales | 2Q21 - 2Q22



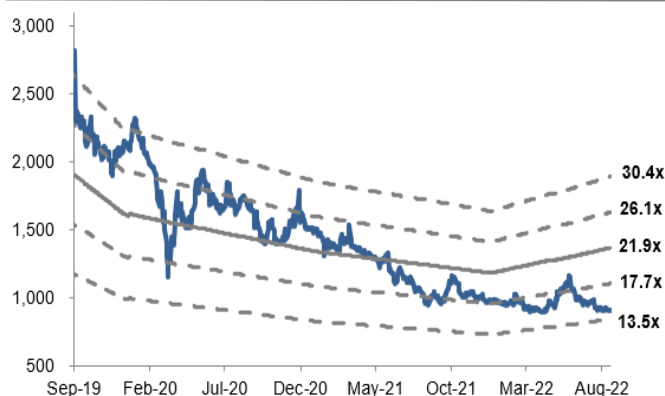
Source: Company Data, Bloomberg, NHKSI Research

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

(IDR bn)	2021/12A	2022/12E	2023/12E	2024/12E
Sales	98,875	108,107	114,312	122,814
Growth	7.0%	9.3%	5.7%	7.4%
COGS	(81,955)	(91,363)	(95,985)	(103,718)
Gross Profit	16,920	16,743	18,327	19,096
Gross Margin	17.1%	15.5%	16.0%	15.5%
Operating Expenses	(8,336)	(8,875)	(8,534)	(8,582)
EBIT	8,583	7,868	9,793	10,514
EBIT Margin	8.7%	7.3%	8.6%	8.6%
Depreciation	(170)	(40)	373	54
EBITDA	8,413	7,828	10,166	10,568
EBITDA Margin	8.5%	7.2%	8.9%	8.6%
Interest Expenses	(57)	(52)	(53)	(54)
EBT	9,152	8,259	10,274	10,949
Income Tax	(2,015)	(1,991)	(2,477)	(2,640)
Minority Interest	-	-	-	-
Net Profit	7,137	6,268	7,797	8,309
Growth	-16.8%	-12.2%	24.4%	6.6%
Net Profit Margin	7.2%	5.8%	6.8%	6.8%

PROFITABILITY & STABILITY

	2021/12A	2022/12E	2023/12E	2024/12E
ROE	21.7%	21.4%	27.0%	29.7%
ROA	15.5%	12.9%	16.0%	17.2%
Inventory Turnover	4.6x	4.5x	4.5x	5.4x
Receivable Turnover	45.5x	44.2x	44.2x	45.6x
Payables Turnover	26.6x	23.0x	23.4x	21.5x
Dividend Yield	7.6%	6.7%	7.3%	8.3%
Payout Ratio	98.9%	103.2%	129.4%	118.2%
DER	0.0x	0.0x	0.0x	0.0x
Net Gearing	0.0x	0.0x	0.0x	0.0x
Equity Ratio	71.5%	60.3%	59.2%	57.8%
Debt Ratio	0.4%	0.7%	0.7%	0.7%
Financial Leverage	139.8%	165.8%	168.8%	172.9%
Current Ratio	360.6%	206.2%	215.7%	197.2%
Quick Ratio	1.9x	0.9x	0.9x	0.9x
Par Value (IDR)	4	4	4	4
Total Shares (mn)	116,318	116,318	116,318	116,318
Share Price (IDR)	965	950	950	950
Market Cap (IDR tn)	112.2	110.5	110.5	110.5

BALANCE SHEET

(IDR bn)	2021/12A	2022/12E	2023/12E	2024/12E
Cash	14,021	9,625	10,321	10,448
Receivables	2,173	2,447	2,588	2,692
Inventories	17,654	20,328	21,357	19,382
Total Current Assets	37,598	35,477	37,678	35,766
Net Fixed Assets	6,358	7,472	7,351	7,844
Other Non Current Assets	1,963	5,658	3,811	4,734
Total Non Current Asset	8,321	13,130	11,162	12,578
Total Assets	45,920	48,607	48,840	48,344
Payables	3,084	3,975	4,102	4,831
ST Bank Loan	8	10	22	21
Total Current Liabilities	10,426	17,204	17,470	18,133
LT Debt	175	340	333	323
Total Liabilities	13,072	19,297	19,915	20,389
Capital Stock & APIC	21,071	21,060	21,060	21,060
Retained Earnings	11,161	7,633	7,250	6,279
Shareholders' Equity	32,848	29,310	28,926	27,955

CASH FLOW STATEMENT

(IDR bn)	2021/12A	2022/12E	2023/12E	2024/12E
Operating Cash Flow	10,306	12	6,917	11,068
Investing Cash Flow	331	(898)	1,881	(1,717)
Financing Cash Flow	(8,598)	(7,255)	(8,102)	(9,224)
Net Changes in Cash	2,039	(8,141)	696	127

VALUATION INDEX

	2021/12A	2022/12E	2023/12E	2024/12E
Price /Earnings	15.7x	17.6x	14.2x	13.3x
Price /Book Value	3.4x	3.8x	3.8x	4.0x
PE/EPS Growth	-0.9x	-1.4x	0.6x	2.0x
EV/EBITDA	11.7x	12.9x	9.9x	9.5x
EV/EBIT	11.5x	12.9x	10.3x	9.5x
EV (IDR bn)	98,401	101,217	100,527	100,388
Sales CAGR (3-Yr)	-2.5%	0.6%	7.3%	7.5%
Net Profit CAGR (3-Yr)	-19.2%	-23.0%	-3.1%	5.2%
Basic EPS (IDR)	61	54	67	71
BVPS (IDR)	282	252	249	240
DPS (IDR)	73	63	70	79

OWNERSHIP

Shareholders	%
Philip Morris Ind.	92.5
Vanguard Group	0.3
Blackrock	0.1
Ironhorse LLC	0.0
By Geography	%
Indonesia	99.4
United States	0.5
Ireland	0.1
United Kingdom	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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