

BUY | TP : IDR1,080
HMSP Stock Price Data

Last Price	:	IDR755
52wk High	:	IDR1,030
52wk Low	:	IDR750
Share Out	:	116.3 bn
Market Cap	:	IDR87.8 tn

HMSP Stock Price Performance

1-Day	:	-1.9%
1-Week	:	-11.7%
1-Month	:	-11.7%
3-Month	:	-13.7%
Year-to-Date	:	-15.6%

Shareholders

Philip Morris Indonesia (P)	:	92.5%
Public	:	7.5%

PT H.M. Sampoerna Tbk (HMSP IJ)
2024 Off To A Good Start
1Q24 Result: Bottom Line Resilient Amidst Margin Challenges

- HMSP delivered a 1Q24 performance that was mostly in-line with our estimates. 1Q24 revenue came in at IDR29.1 tn, or grew nicely by +1.5% QoQ/+18.8% YoY. This is in line with our estimates, with a run-rate of 24.6% of the FY24E target but slightly below consensus estimates of 23.5%. The upturn in 1Q24 revenue was primarily propelled by a rise in blended ASP (including HTU) by +2.0% QoQ/+5.8% YoY to IDR1,441 per stick, despite a mixed total volume (-1.5% QoQ and +1.5% YoY) reaching 20.2 bn sticks.
- However, 1Q24 gross profit slipped -2.7% QoQ/-2.1% YoY to IDR4.8 tn. This led to a decrease in GPM for 1Q24 to 16.3%. We noted an increase in raw materials by +12.1% YoY and beginning balance of finished goods by +23.5% YoY, amid a decrease in excise tax by -5.3% YoY.
- The bottom-line remained solid, with 1Q24 net profit experiencing growth of +18.8% QoQ/+4.0% YoY to IDR2.2 tn. This figure is slightly above our estimates with a run-rate of 26.9% of FY24E targets and in line with consensus estimates of 25.2%. 1Q24 net profit was underpinned by narrowing OPEX by -3.3% YoY, higher other income by +122.8% YoY, and a favorable tax rate. NPM recorded at 7.7%, representing a decrease of -0.3 ppt YoY (vs 8.0% in 1Q23).

Strong pricing power on SKM, IQOS user sprout and "Kretek" flavor launch

- What we found notable in the 1Q24 performance extended to the SKM segment as well. SKM sales in 1Q24 increased by +11.4% QoQ/+1.6% YoY to IDR17.3 tn, marking a rebound after two consecutive quarters of negative growth. Going forward, we believe the SKM segment is likely to continue its positive growth trajectory, underpinned by strong pricing power amidst the momentum of regional elections in 4Q24. In our previous report ([Gearing Up into FY24F](#)), we estimated ASP for flagship products post the implementation of a 10% excise tax hike in FY24. As of 4M24, Sampoerna A Mild'16 has reached 95%-97% of the target, while Marlboro Red'20 (SPM) is at 97%-99%, and Dji Sam Soe Kretek'16 (SKT) stands at 88%-92%. With the realization of this ASP increase, we anticipate it will serve as a cushion for margins to sustain profitability in the future.
- We also want to highlight the development of IQOS, despite its small contribution. In 1Q24, the offtake shares were recorded at 3.4%, slightly down from 4Q23 by -0.1 ppt QoQ but up by +1.6 ppt YoY compared to 1Q23. We attribute the QoQ decrease to an increase in the estimated total market volume. Nevertheless, the total number of IQOS users in 1Q24 reached 150k, an increase compared to FY21 which was 65k. We believe IQOS cannibalization tends to be minimal and can even be complementary. In Nov-23, HMSP introduced Terea with an additional Clove (Kretek) flavor, which we believe targets the adult segment aged over >40. This is based on our channel check, where IQOS users are still limited to millennials.

Time to take a look post-correction?

HMSP yielded -15.6% YTD, with the recent downturn primarily linked to the post-cum dividend date (-11.7%). However, we note that this has resulted in a TTM PE of 10.7x, the lowest since the pandemic hit in Mar-20. Moreover, HMSP is currently trading near at -2.0 STD PE level (5-year-mean).

Valuation and Recommendation: BUY HMSP with a TP of IDR1,080

We maintain our BUY call for HMSP with a TP of IDR1,080/share, implying a PE/PBV of 15.0x/4.3x in FY24E. We assess HMSP's current valuation as attractive, trading near at -2.0 STD PE level and with a TTM PE of 10.7x, supported by strong pricing in the SKM segment to maintain its growth and a solid SKT segment amidst limited consumer spending. Downside risks include: 1) slow-moving price adjustments; 2) a decline in the performance of the SKT segment.

Key Financial Highlight	FY21	FY22	FY23	FY24E	FY25F
Revenue (IDR Bn)	98,874.8	111,211.3	115,983.4	118,464.1	120,878.0
EBITDA (IDR Bn)	9,763.5	8,881.3	10,095.5	11,416.0	11,438.3
EBITDA Margin (%)	9.9	8.0	8.7	9.6	9.5
Net Profit (IDR Bn)	7,137.1	6,323.7	8,096.8	8,353.8	8,495.2
ROA (%)	13.4	11.5	14.6	15.1	15.2
ROE (%)	24.4	22.4	27.1	28.3	28.6
PE (x)	12.3	13.9	10.8	10.5	10.3
PBV (x)	3.0	3.1	2.9	3.0	3.0

Sources : Company, MNCS


Research Analyst

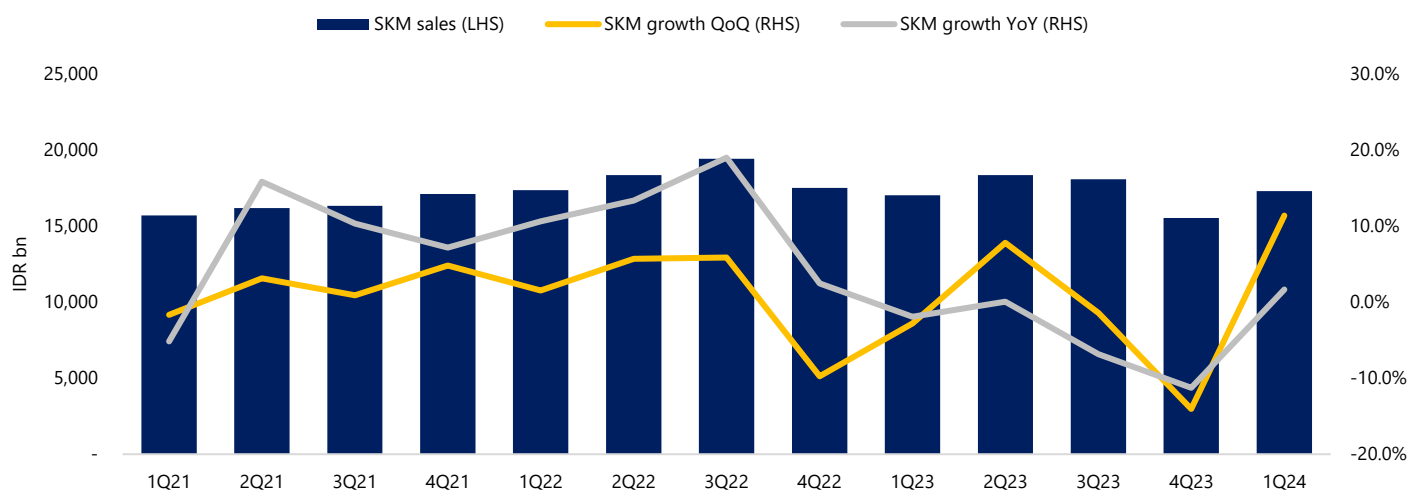
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Exhibit 01. 1Q24 net profit beats our estimates

IDR bn	4Q23	1Q24	QoQ	1Q23	1Q24	YoY	FY24E Cons	FY24 MNCS	% Cons	% MNCS
Revenues	28,686.5	29,107.2	1.5%	26,965.6	29,107.2	7.9%	123,837.2	118,464.1	23.5%	24.6%
COGS	23,797.5	24,351.5	2.3%	22,109.9	24,351.5	10.1%	102,497.2	98,295.5		
Operating Profit	1,829.8	2,568.7	40.4%	2,594.9	2,568.7	-1.0%	10,519.5	9,734.8	24.4%	26.4%
Operating Profit Margin	6.4%	8.8%		9.6%	8.8%					
PBT	2,455.8	2,867.0	16.7%	2,786.0	2,867.0	2.9%	11,394.5	10,638.4	25.2%	26.9%
Net Profit	1,891.6	2,247.0	18.8%	2,160.0	2,247.0	4.0%	8,912.2	8,353.8	25.2%	26.9%
Net Margin	6.6%	7.7%		8.0%	7.7%					

Sources : Bloomberg, Company, MNCS

Exhibit 02. SKM sales managed to rebound in 1Q24


Sources : Company, MNCS

Exhibit 03. % price realization from our estimated increase

Cigarettes	Price (4M24)	Est. Price for FY24E	% Realization until 4M24
Sampoerna A Mild'16	IDR34,500/pack	IDR35,700-36,200/pack	97%-95%
Marlboro Red'20	IDR46,000/pack	IDR46,400-47,600/pack	99%-97%
Dji Sam Soe Kretek'16	IDR28,000/pack	IDR30,300-31,700/pack	92%-88%

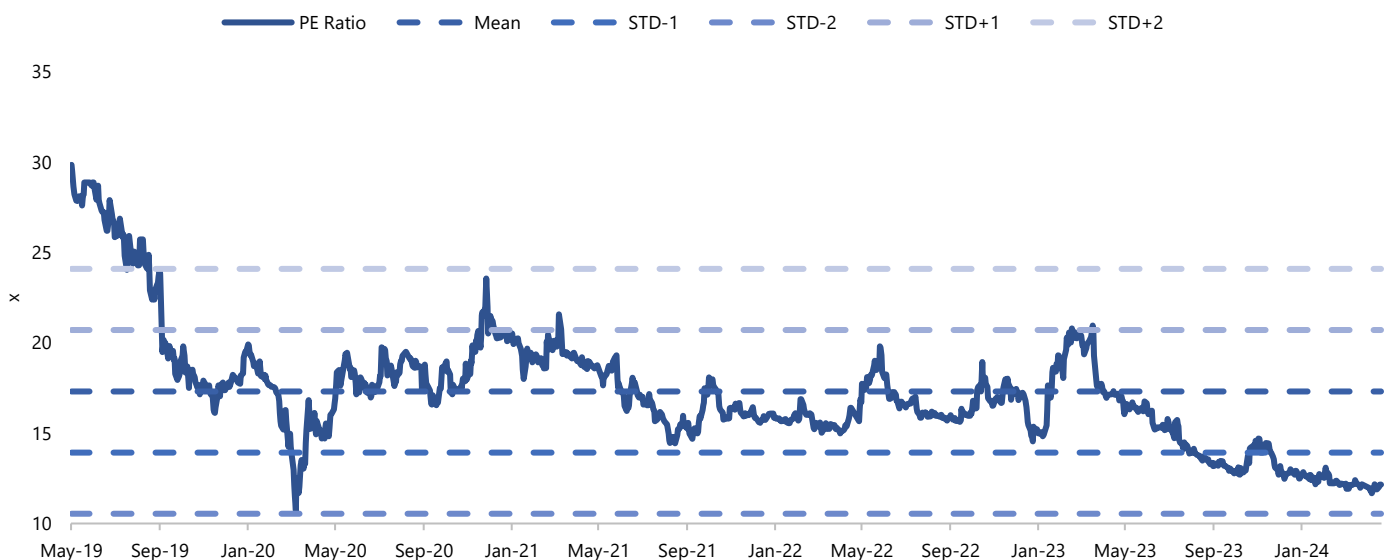
Sources : MNCS

Exhibit 04. YoY growth of Sampoerna products; Splash and Marlboro hit double-digit increases

	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	Growth YoY
SKM based														8.3%
Sampoerna A Mild'16	32,200	32,000	32,000	32,000	32,000	32,000	32,000	32,500	32,500	33,500	33,500	33,900	34,500	7.1%
Sampoerna A Mild'12	24,800	24,600	24,600	24,600	24,600	24,600	24,600	25,100	25,100	25,900	25,900	26,500	26,500	6.9%
Sampoerna Ultramild'16	30,800	30,500	30,500	30,500	30,500	30,500	30,500	30,500	30,500	30,500	31,000	31,700	31,700	2.9%
Sampoerna Ultramild'12	20,400	20,400	20,400	20,400	21,500	21,500	21,500	21,500	21,500	22,000	22,500	22,500	22,500	10.3%
Sampoerna Splash Sunny'16	27,300	27,300	27,400	27,400	28,400	28,400	28,400	28,400	28,400	29,500	29,500	30,000	30,500	11.7%
Sampoerna Splash Sunny'12	20,100	20,100	20,100	20,100	21,000	21,000	21,000	21,000	21,000	21,500	22,000	22,500	22,500	11.9%
Sampoerna Splash Tropical'16	27,200	27,300	27,400	27,400	28,400	28,400	28,400	28,400	28,400	29,500	29,500	30,000	30,500	12.1%
Sampoerna Splash Tropical'12	20,300	20,100	20,100	20,100	21,000	21,000	21,000	21,000	21,000	21,500	22,000	22,500	22,500	10.8%
Sampoerna Mild Menthol'16	32,300	32,500	32,500	32,500	32,500	32,500	32,500	33,200	33,200	34,000	34,000	34,700	35,500	9.9%
DjiSamSoe Magnum Mild'16	30,700	30,400	30,400	30,400	30,400	30,400	30,400	30,400	30,400	30,400	30,400	30,400	30,400	-1.0%
DjiSamSoe Magnum Premium'12	24,000	23,700	23,700	24,300	24,300	25,000	25,000	25,000	25,000	25,500	25,500	26,000	26,800	11.7%
Marlboro Filter Black'20	36,700	36,500	36,600	37,500	37,500	37,500	38,500	38,500	38,500	39,500	39,500	40,000	39,000	6.3%
Marlboro Filter Black'12	22,800	22,500	22,500	22,500	22,500	22,500	23,000	23,000	23,000	23,600	23,600	24,100	24,300	6.6%
SKT based														4.6%
Dji Sam Soe Kretek'16	27,400	27,100	27,100	27,100	27,100	27,100	27,100	27,500	27,500	27,500	27,500	28,100	28,000	2.2%
Dji Sam Soe Kretek'12	19,700	19,500	19,500	19,500	19,500	19,500	20,500	20,500	20,500	20,500	20,500	21,000	21,000	6.6%
Dji Sam Soe Super Premium'12	20,000	20,000	20,000	20,000	20,000	20,000	21,000	21,000	21,000	21,000	21,500	21,000	21,000	5.0%
SPM based														13.4%
Marlboro Red'20 (special edition)	38,200	39,000	39,000	39,000	40,000	40,000	40,000	40,000	40,000	42,000	42,000	42,900	44,000	15.2%
Marlboro Red'20	40,200	41,000	41,000	41,000	42,200	42,200	42,200	42,200	42,200	44,500	44,500	44,900	46,000	14.4%
Marlboro Ice Burst'20	40,200	41,000	41,000	41,000	42,200	42,200	42,200	42,200	42,200	44,500	44,500	44,900	46,000	14.4%
Marlboro Light'20	40,200	39,000	39,000	39,000	40,000	40,000	40,000	40,000	40,000	42,000	42,000	42,900	44,000	9.5%
SPT based														24.0%
Marlboro Rokok Kretek Red'12	10,000	11,000	11,000	11,000	11,500	11,500	11,000	11,000	11,000	11,000	11,000	11,300	12,400	24.0%

Source : MNCS

Exhibit 05. HMSP's currently trading near at -2.0 STD PE ratio (5-year-mean) of 10.7x



Sources : IDX, Company, MNCS

Exhibit 06. Financial Projections

Income Statement						Balance Sheet					
In Billion IDR	FY21	FY22	FY23	FY24E	FY25F	In Billion IDR	FY21	FY22	FY23	FY24E	FY25F
Revenue	98,874.8	111,211.3	115,983.4	118,464.1	120,878.0	Cash & Equivalents	17,843.7	15,779.1	14,073.0	13,189.9	13,668.2
COGS	(81,955.0)	(94,053.1)	(96,653.0)	(98,295.5)	(100,054.6)	Trade Receivables	2,380.8	2,945.7	3,284.7	3,560.5	3,092.5
Gross Profit	16,919.8	17,158.2	19,330.4	20,168.7	20,823.4	Inventory	17,781.7	18,375.2	19,014.0	19,309.8	19,627.6
Selling Expense	(6,202.8)	(6,739.7)	(7,516.8)	(7,541.2)	(7,724.5)	Others Current Assets	3,316.9	4,262.9	3,694.4	3,742.6	3,817.7
G&A Expense	(2,133.6)	(2,665.3)	(2,849.6)	(2,892.7)	(3,193.4)	Total Current Assets	41,323.1	41,363.0	40,066.0	39,802.9	40,206.0
Operating Profit	8,583.4	7,753.2	8,964.1	9,734.8	9,905.5	Fixed Assets-net	6,038.6	6,697.4	9,253.3	9,405.5	9,549.4
Finance Income	483.6	463.9	740.4	351.8	329.7	Other Non-Current Assets	5,728.7	6,726.6	5,996.9	6,083.7	6,178.6
Finance Cost	(56.5)	(50.0)	(41.7)	(54.0)	(46.9)	Total Non-Current Assets	11,767.3	13,424.0	15,250.2	15,489.2	15,728.0
Other Income (Expense)	141.8	106.0	648.5	605.8	630.3	TOTAL ASSETS	53,090.4	54,787.0	55,316.3	55,292.1	55,934.0
Profit Before Tax	9,152.2	8,273.1	10,311.2	10,638.4	10,818.6	Trade Payables	4,244.1	5,538.6	6,843.9	6,987.5	7,140.4
Tax Income (Expense)	(2,015.1)	(1,949.3)	(2,214.4)	(2,284.7)	(2,323.4)	Short-term Debt	159.2	147.5	155.8	126.3	116.6
Net Profit	7,137.1	6,323.7	8,096.8	8,353.8	8,495.2	Other Current Liabilities	17,561.0	18,859.5	16,303.0	16,518.6	16,823.2
EPS (IDR)	61.4	54.4	69.6	71.8	73.0	Total Current Liabilities	21,964.3	24,545.6	23,302.7	23,632.4	24,080.2
						Long-term Debt	187.8	337.1	289.5	288.7	266.5
						Other Long-term Liabilities	1,747.0	1,734.1	1,854.2	1,854.2	1,892.0
						Total LT-Liabilities	1,934.8	2,071.2	2,143.7	2,142.9	2,158.5
						Total Equity	29,191.4	28,170.2	29,869.9	29,516.8	29,695.3
						TOTAL LIABILITY AND EQUITY	53,090.4	54,787.0	55,316.3	55,292.1	55,934.0
Cash Flow						Ratios					
In Billion IDR	FY21	FY22	FY23	FY24E	FY25F	FY21	FY22	FY23	FY24E	FY25F	
Net Profit	7,137.1	6,323.7	8,096.8	8,353.8	8,495.2	Revenue Growth (%)	7.0	12.5	4.3	2.1	2.0
D&A	1,180.2	1,128.1	1,131.4	1,681.3	1,532.8	Operating Profit Growth (%)	(17.5)	(9.7)	15.6	8.6	1.8
Changes in WC	2,356.0	136.1	327.6	(428.0)	303.1	Net Profit Growth (%)	(16.8)	(11.4)	28.0	3.2	1.7
Others	4,309.7	75.2	(2,533.6)	167.4	229.4	Current Ratio (%)	188.1	168.5	171.9	168.4	167.0
Operating CF	14,983.0	7,663.1	7,022.1	9,774.4	10,560.6	Quick Ratio (%)	107.2	93.7	90.3	86.7	85.5
Capex	(631.6)	(1,782.0)	(3,718.9)	(1,812.5)	(1,655.7)	Receivable Days (x)	8.7	9.5	10.2	10.8	9.2
Others	(3,186.1)	(690.2)	1,274.3	(107.8)	(115.9)	Inventory Days (x)	78.1	70.3	70.8	70.7	70.6
Investing CF	(3,817.7)	(2,472.2)	(2,444.6)	(1,920.3)	(1,771.6)	Payable Days (x)	18.6	21.2	25.5	25.6	25.7
Dividend Paid	(8,468.0)	(7,362.9)	(6,362.6)	(8,060.8)	(8,316.7)	Net Gearing Ratio (x)	(0.6)	(0.5)	(0.5)	(0.4)	(0.4)
Net Change in Debt	35.5	137.7	(39.3)	(30.3)	(31.8)	DER (x)	0.0	0.0	0.0	0.0	0.0
Equity Fund Raised	54.3	(17.4)	(1.8)	-	-	Dividend Yield (%)	9.6	8.4	7.2	9.2	9.5
Others	(747.7)	(12.8)	120.1	(646.0)	37.8	Gross Profit Margin (%)	17.1	15.4	16.7	17.0	17.2
Financing CF	(9,125.9)	(7,255.4)	(6,283.7)	(8,737.1)	(8,310.7)	Operating Profit Margin (%)	8.7	7.0	7.7	8.2	8.2
Cash at Beginning	15,804.3	17,843.7	15,779.1	14,073.0	13,189.9	EBITDA Margin (%)	9.9	8.0	8.7	9.6	9.5
Cash at Ending	17,843.7	15,779.1	14,073.0	13,189.9	13,668.2	Net Income Margin (%)	7.2	5.7	7.0	7.1	7.0
						BVPS (IDR)	251.0	242.2	256.8	253.8	255.3

Sources : Company, MNCS

MNC Research Industry Ratings Guidance

- **OVERWEIGHT** : Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months
- **NEUTRAL** : Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months
- **UNDERWEIGHT** : Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

MNC Research Investment Ratings Guidance

- **BUY** : Share price may exceed 10% over the next 12 months
- **HOLD** : Share price may fall within the range of +/- 10% of the next 12 months
 - **SELL** : Share price may fall by more than 10% over the next 12 months
 - **Not Rated** : Stock is not within regular research coverage

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