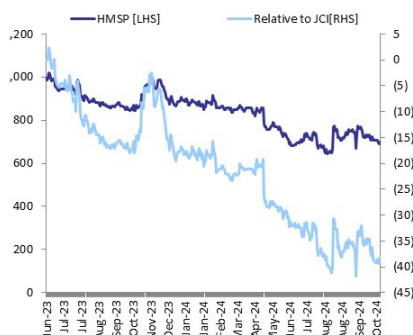


Hold

(Maintained)

Last Price (Rp)	690
Target Price (Rp)	730
Previous Target Price (Rp)	730
Upside/Downside	+5.8%
No. of Shares (mn)	116,318
Mkt Cap (Rpbn/US\$mn)	81,423/5,166
Avg, Daily T/O (Rpbn/US\$mn)	24.1/1.5
Free Float (%)	7.6
Major Shareholder (%)	
PHILIP MORRIS INDONESIA	92.5
VONTOBEL HOLDING AG	0.4
EPS Consensus (Rp)	
	2024F 2025F 2026F
BRIDS	61.6 65.5 68.7
Consensus	64.7 69.6 75.4
BRIDS/Cons (%)	(4.8) (5.9) (8.9)

HMSP relative to JCI Index



Source: Bloomberg

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HM Sampoerna (HMSP IJ)

Trimming FY24F post weak 3Q24 earnings; expect modest FY25 growth outlook

- Following weak 9M24 results, we have trimmed our FY24F NP by 12.7%, with lower volume and ASP assumptions.
- FY25F offers a better outlook, with projected NP growth of 6.3% yoy and vol. growth of 2% yoy (assuming no excise tax increase).
- Maintain our Hold rating with an unchanged TP of Rp730 (FY25F PE of 11x) as we see uncertainty remains until the MOF regulation is released.

Weak 9M24 result; FY24F Net Profit revised down by 12.7%.

Following the release of 9M24 results, we have trimmed our FY24F vol. to -4.2% yoy (+0.3% yoy prev.) and reduced our ASP growth expectation to 5.8% (+11.8% yoy prev.). Downtrading pressures have continued to weigh on 9M24 HMSP's sales vol. (-4.6% yoy, with 3Q24: -8.9% yoy), limiting the company's ability to further increase ASP. We do not anticipate any ASP adjustments in 4Q24 as we expect the government to keep excise tax tariffs unchanged for FY25. Consequently, we do not expect any forestalling impact to support 4Q24 sales vol. (our 4Q24 vol. projection: +1.4% yoy, -2% qoq). We estimate that FY24 GPM will remain at 15.7%, with opex-to-revenue decreasing to 8.7% (vs 8.9% in FY23). As a result, we have lowered our FY24F net profit estimate by 12.7% to Rp7.2tr (down 11.5% yoy).

FY25F net profit growth of 6.3% yoy, supported by 2% yoy vol. growth.

Assuming no excise tax increase in 2025, we project 2.1% yoy vol. growth with 2.7% yoy ASP adjustment, supporting FY25F rev. growth of 4.9% yoy. We expect positive vol. and modest ASP adjustment to lead to a 20bps GPM improvement, translating to FY25 net profit of Rp7.6tr, +6.3% yoy. If the government implements a 5% excise tax increase in FY25 (lower than previous years of 10% on average), we estimate HMSP will offset the tax hike with a 4% ASP increase. Under this scenario, with zero vol. growth, we project modest EPS growth of 4% yoy. However, if HMSP can achieve a 5% ASP increase alongside 3% yoy vol. growth, FY25F EPS growth could reach a stronger 10.7% yoy (exhibit 2).

Maintain Hold rating as uncertainly persists.

The waiting period for the 2025 excise tax regulation adds uncertainty for cigarette companies. While the plan on maintaining the FY25 excise tax tariff is positive for the industry, pressures on the new government to boost purchasing power, manage rising layoffs, and finance new initiatives may put pressure on tax revenue targets. Therefore, we believe the official MOF regulation is required before we can have better visibility on the sector's outlook. We maintain our Hold rating with an unchanged target price of Rp730, implying an FY25F PE of 11.1x, approximately -1.5 standard deviations below the 3-year average PE.

Key Financials

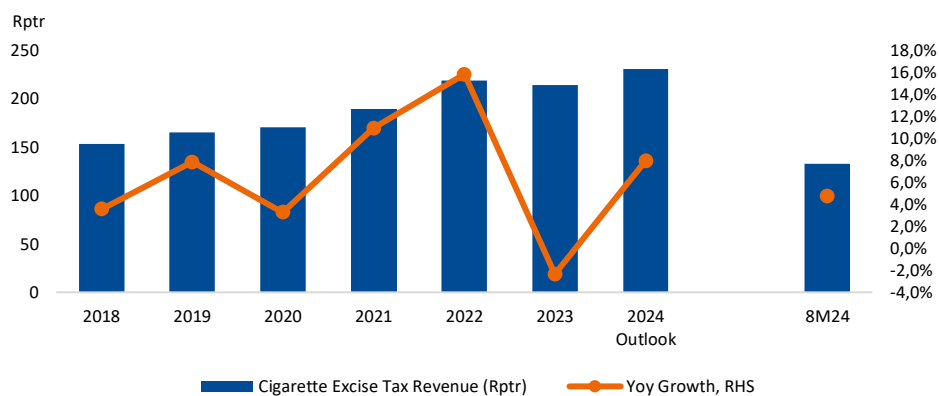
Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Revenue (Rpbn)	111,211	115,983	117,597	123,355	138,114
EBITDA (Rpbn)	8,860	10,074	9,326	9,938	11,201
EBITDA Growth (%)	(9.0)	13.7	(7.4)	6.6	12.7
Net Profit (Rpbn)	6,324	8,097	7,167	7,622	8,518
EPS (Rp)	54.4	69.6	61.6	65.5	73.2
EPS Growth (%)	(11.4)	28.0	(11.5)	6.3	11.8
BVPS (Rp)	242.2	256.8	249.1	253.3	261.3
DPS (Rp)	63.3	54.7	69.3	61.3	65.2
PER (x)	12.9	10.1	11.2	10.5	9.4
PBV (x)	2.9	2.7	2.8	2.7	2.6
Dividend yield (%)	9.0	7.8	10.0	8.9	9.5
EV/EBITDA	8.8	7.8	8.3	7.8	6.9

Source: HMSP, BRIDS Estimates

Taking a breather: no excise growth in 2025

The government has set a target for FY25 excise revenue of Rp230.4tr (+5.3% yoy). However, in the official FY25 state budget set by the end of Sep24, Mr. Askolani, Director General of Customs and Taxation at the Ministry of Finance, announced that the government would maintain the 2025 excise tax tariff. Additionally, the government will evaluate alternative policies, including adjustments to retail prices and narrowing the tariff gap between categories within the current excise tax structure to address downtrading trends. In light of this, we have revised our FY25F excise tax growth forecast to 0% (prev. 11-12%).

Exhibit 1. Excise Tax Revenue, 2018-8M24



Source: Ministry of Finance

Exhibit 2. Scenario Analysis with Different Excise Tax Growth, Volume and ASP

Scenario	Base	Moderate	Good
2025 excise tax growth	0%	5%	5%
ASP growth	2.70%	4.0%	5.0%
Volume growth	2.10%	0%	3%
FY25 EPS	65.5	64.1	68.2
Yoy growth	6.3%	4.0%	10.7%
FY25F PE	10.7	10.9	10.3

Source: Ministry of Finance

3Q24 results: Below Expectation on Soft Revenue and Lower Margins

HMSP posted 3Q24 net profit of Rp1.9tr (down 22% yoy but +78% qoq), leading to 9M24 net profit of Rp5.2tr, down 16% yoy. This accounted for 64% of our FY24F and 69% of consensus estimates, i.e., below. HMSP reported 9M24 revenue growth of +1.3% yoy, driven by a 5.7% yoy higher ASP while vol. declined by 4% yoy. The higher ASP supported a slight improvement in 9M24 GPM to 15.6% (1H24: 15% but lower vs FY23 of 16.7%). By segment, SKT revenue grew 15% yoy in 9M24, while SPM and SKM revenue declined by 14% and 5% yoy, respectively. Additionally, revenue from the HTU segment increased to a 1.8% contribution in 9M24 (from 1.2% in FY23).

Exhibit 3. HMSP 9M24/3Q24 Earnings Result

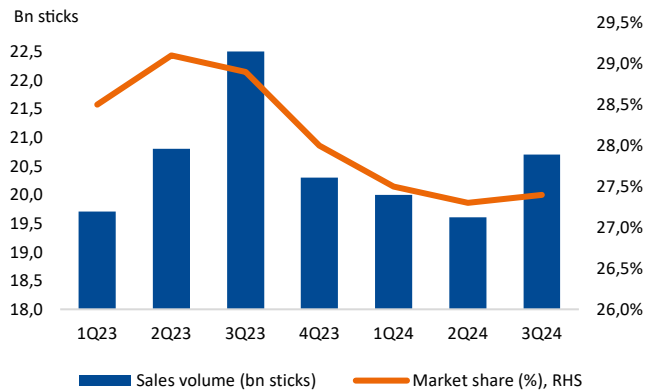
HMSP IJ (Rpbn)	9M23	9M24	yoy	3Q23	2Q24	3Q24	yoy	qoq	2024F	A/F	A/Cons
Revenue	87,297	88,468	1%	31,142	28,710	30,651	-1.6%	6.8%	117,597	75%	73%
Gross profit	14,441	13,759	-5%	5,200	3,933	5,071	-2.5%	28.9%	18,477	74%	69%
Op profit	7,134	6,110	-14%	2,725	1,139	2,403	-11.8%	111.0%	8,364	73%	69%
Pretax profit	7,855	6,672	-15%	3,047	1,358	2,447	-19.7%	80.2%	9,127		
Net profit	6,205	5,224	-16%	2,455	1,070	1,908	-22.3%	78.3%	7,167	73%	69%
GPM	16.5%	15.6%		16.7%	13.7%	16.5%			15.7%		
OPM	8.2%	6.9%		8.7%	4.0%	7.8%			7.1%		
Pretax margin	9.0%	7.5%		9.8%	4.7%	8.0%			7.8%		
Net margin	7.1%	5.9%		7.9%	3.7%	6.2%			6.1%		
Revenue segment											
SKM - Rp bn	53,400	50,515	-5%	18,063	16,598	16,630	-7.9%	0.2%			
SKT - Rp bn	25,663	29,468	15%	10,273	9,289	11,074	7.8%	19.2%			
SPM - Rp bn	6,125	5,239	-14%	2,018	1,797	1,581	-21.6%	-12.0%			

Source: Company, BRIDS Estimates

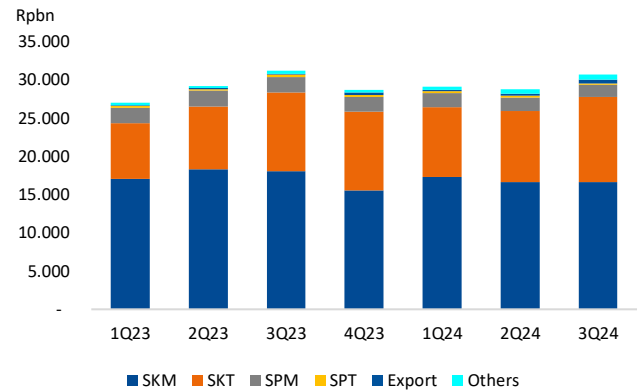
Exhibit 4. HMSP Earnings Estimate Revision

Rpbn	Previous			New			Changes		
	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F
Revenue	128,941	141,298	158,430	117,597	123,355	138,114	-8.8%	-12.7%	-12.8%
Gross profit	21,221	23,337	26,259	18,477	19,667	22,113	-12.9%	-15.7%	-15.8%
Operating profit	10,132	11,044	12,317	8,364	8,935	10,097	-17.5%	-19.1%	-18.0%
Net profit	8,215	8,902	9,741	7,167	7,622	8,518	-12.8%	-14.4%	-12.6%
Gross margin	16.5%	16.5%	16.6%	15.7%	15.9%	16.0%			
Operating margin	7.9%	7.8%	7.8%	7.1%	7.2%	7.3%			
Net margin	6.4%	6.3%	6.1%	6.1%	6.2%	6.2%			
Key assumptions									
Volume	0.3%	1.5%	3.7%	-4.2%	2.1%	3.5%			
ASP Blended	11.8%	8.2%	8.9%	5.8%	2.7%	8.2%			
Excise/stick growth									
SKM	11.8%	11.8%	11.8%	11.8%	0.0%	11.8%			
SKT	5.0%	5.0%	5.0%	5.0%	0.0%	5.0%			
SPM	12.0%	12.0%	12.0%	12.0%	0.0%	12.0%			

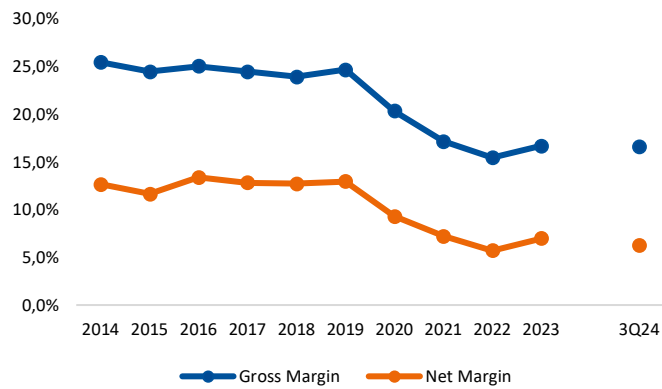
Source: BRIDS Estimates

Exhibit 5. HMSP's Sales Vol & Market Share, 1Q23 – 3Q24


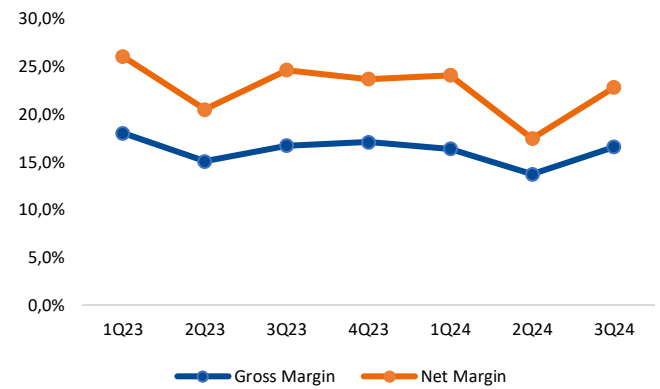
Source: Company, BRIDS

Exhibit 6. HMSP's Revenue Contribution by Segment


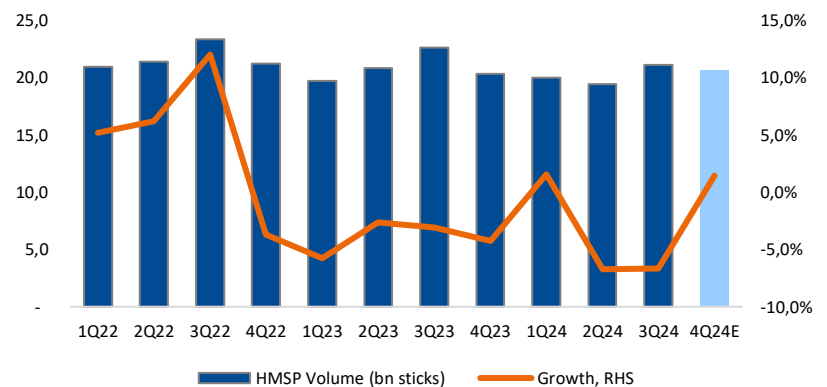
Source: Company, BRIDS

Exhibit 7. HMSP's Gross and Net Margin, 2014 – 3Q24


Source: Company

Exhibit 8. HMSP's Gross and Net Margin 1Q23 – 3Q24


Source: Company

Exhibit 9. HMSP Quarterly Volume and Growth, 1Q22 – 3Q24


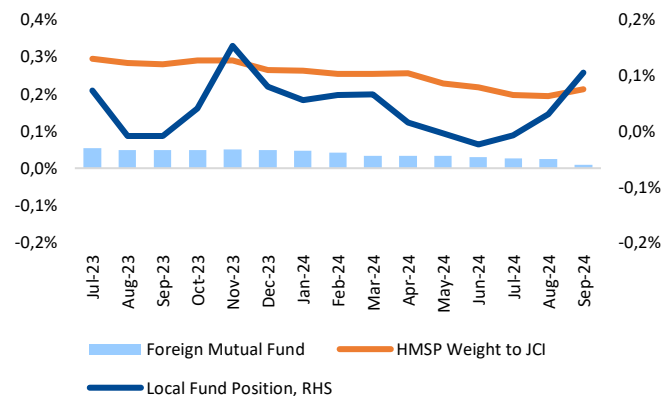
Source: Company, BRIDS Estimates

Exhibit 10. HMSP's Monthly ASP

Product Name	Retail Price / Pack (Rp)															ASP (yoy)	ASP (ytd)
	Dec-21	Dec-22	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24		
A Mild 16s	27,000	29,500	32,000	33,000	32,800	33,500	33,500	33,500	33,900	34,500	34,500	34,500	35,000	36,000	36,000	12.5%	7.5%
A Mild merah 12s	20,700	23,500	24,600	25,100	25,100	25,100	25,900	25,900	26,500	26,500	27,000	27,000	27,000	27,000	27,000	9.8%	4.2%
Dji Sam Soe 12s	18,300	19,600	19,500	20,500	20,500	20,500	20,500	20,500	21,000	21,000	21,000	21,000	21,000	21,000	21,000	7.7%	2.4%
Dji Sam Soe Super Premium 12	20,000	20,000	21,000	21,000	21,500	21,000	20,800	20,500	21,900	26,800	21,000	22,000	22,300	22,000	22,000	4.8%	7.3%
Marlboro red 20s	34,700	38,800	42,200	42,200	40,000	40,000	44,500	42,000	44,000	44,000	47,300	45,000	46,500	50,000	51,900	23.0%	23.6%
Sampoerna Kretek Hijau 12s	14,400	15,000	15,700	15,700	15,700	15,700	15,700	15,500	15,900	15,700	15,000	16,500	16,400	16,400	16,400	4.5%	5.8%

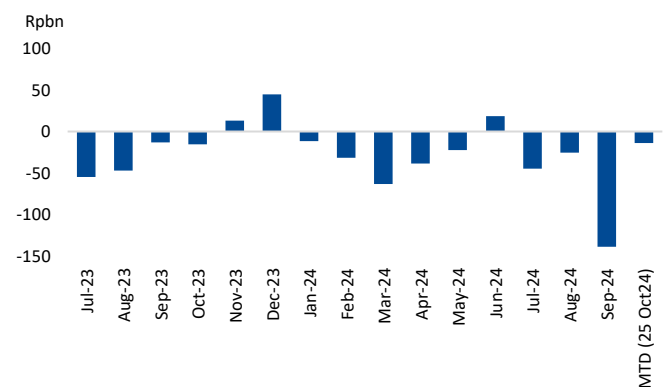
Source: BRIDS Survey

Exhibit 11. HMSP's Weighting and Fund Position



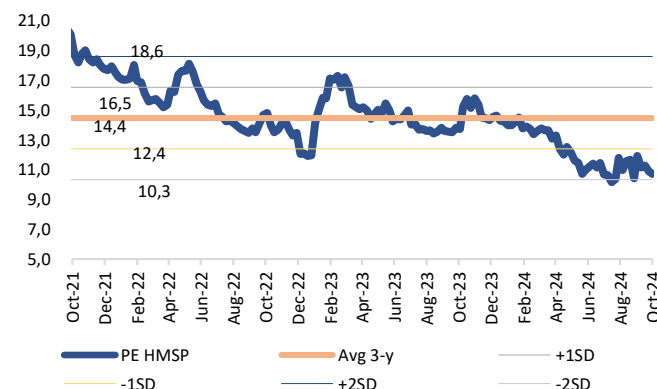
Source: KSEI, BRIDS

Exhibit 12. HMSP's Historical Foreign Flows



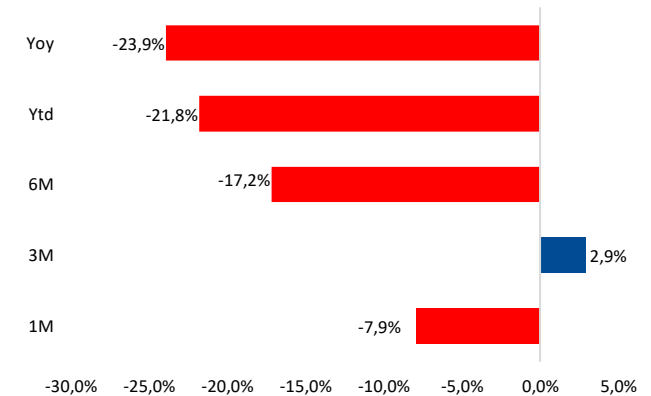
Source: KSEI, BRIDS

Exhibit 13. HMSP's PE Band



Source: Bloomberg, BRIDS Estimates

Exhibit 14. HMSP's Share Price Performance



Source: Bloomberg, BRIDS

Exhibit 15. Income Statement

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Revenue	111,211	115,983	117,597	123,355	138,114
COGS	(94,053)	(96,653)	(99,120)	(103,688)	(116,001)
Gross profit	17,158	19,330	18,477	19,667	22,113
EBITDA	8,860	10,074	9,326	9,938	11,201
Oper. profit	7,753	8,964	8,364	8,935	10,097
Interest income	464	740	697	701	673
Interest expense	(50)	(42)	(38)	(40)	(45)
Forex Gain/(Loss)	-	-	-	-	-
Income From Assoc. Co's	5	5	5	5	5
Other Income (Expenses)	102	644	100	105	117
Pre-tax profit	8,273	10,311	9,127	9,706	10,847
Income tax	(1,949)	(2,214)	(1,960)	(2,084)	(2,329)
Minority interest	-	-	-	-	-
Net profit	6,324	8,097	7,167	7,622	8,518
Core Net Profit	6,324	8,097	7,167	7,622	8,518

Exhibit 16. Balance Sheet

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Cash & cash equivalent	3,283	2,695	2,836	2,558	3,363
Receivables	3,394	3,612	3,662	3,841	4,301
Inventory	18,375	19,014	19,499	20,398	22,820
Other Curr. Asset	16,311	14,745	12,516	12,228	10,928
Fixed assets - Net	6,697	9,253	10,290	11,261	12,366
Other non-curr.asset	6,727	5,997	6,052	6,304	6,982
Total asset	54,787	55,316	54,856	56,590	60,760
ST Debt	-	-	-	-	-
Payables	5,539	6,844	7,019	7,342	8,214
Other Curr. Liabilities	18,010	15,288	15,500	16,259	18,205
Long Term Debt	-	-	-	-	-
Other LT. Liabilities	3,068	3,315	3,361	3,525	3,947
Total Liabilities	26,617	25,446	25,880	27,127	30,366
Shareholder's Funds	28,170	29,870	28,976	29,463	30,394
Minority interests	-	-	-	-	-
Total Equity & Liabilities	54,787	55,316	54,856	56,590	60,760

Exhibit 17. Cash Flow

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Net income	6,324	8,097	7,167	7,622	8,518
Depreciation and Amort.	(816)	(618)	(984)	(1,024)	(1,125)
Change in Working Capital	(12,292)	1,567	1,915	(299)	(281)
Other Oper. Cash Flow	(162)	(2,799)	(476)	(11)	1,038
Operating Cash Flow	(6,946)	6,246	7,622	6,287	8,150
Capex	(1,453)	(3,153)	(1,999)	(1,974)	(2,210)
Others Inv. Cash Flow	(534)	1,449	620	428	(26)
Investing Cash Flow	(1,987)	(1,704)	(1,379)	(1,545)	(2,236)
Net change in debt	-	-	-	-	-
New Capital	(17)	(2)	-	-	-
Dividend payment	(7,363)	(6,363)	(8,060)	(7,135)	(7,587)
Other Fin. Cash Flow	122	(2)	(8)	66	228
Financing Cash Flow	(7,259)	(6,366)	(8,069)	(7,068)	(7,359)
Net Change in Cash	(16,192)	(1,825)	(1,826)	(2,326)	(1,446)
Cash - begin of the year	17,844	3,283	2,695	2,836	2,558
Cash - end of the year	3,283	2,695	2,836	2,558	3,363

Exhibit 18. Key Ratios

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Growth (%)					
Sales	12.5	4.3	1.4	4.9	12.0
EBITDA	(9.0)	13.7	(7.4)	6.6	12.7
Operating profit	(9.7)	15.6	(6.7)	6.8	13.0
Net profit	(11.4)	28.0	(11.5)	6.3	11.8
Profitability (%)					
Gross margin	15.4	16.7	15.7	15.9	16.0
EBITDA margin	8.0	8.7	7.9	8.1	8.1
Operating margin	7.0	7.7	7.1	7.2	7.3
Net margin	5.7	7.0	6.1	6.2	6.2
ROAA	11.7	14.7	13.0	13.7	14.5
ROAE	22.0	27.9	24.4	26.1	28.5
Leverage					
Net Gearing (x)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Interest Coverage (x)	154.9	214.7	219.2	223.2	225.3

Source: HMSP, BRIDS Estimates

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INVESTMENT RATING

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

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