

# Hanjaya Mandala Sampoerna Tbk (HMSP)

## Harapan Rebound pada Laba 2018

### Peningkatan Penjualan Sebesar 3,8%

HMSP mencatat pertumbuhan penjualan sebesar 3,8% dari Rp95,4 triliun pada 2016 menjadi Rp99 triliun pada 2017. Peningkatan penjualan ini lebih **ditopang oleh kenaikan harga jual** dibandingkan volume penjualan.

Diperkirakan total volume penjualan rokok di Indonesia turun sebesar 2,6% dari 315 miliar batang pada 2016 menjadi 307,4 miliar batang pada 2017. Volume penjualan HMSP juga mengalami penurunan sebesar 4% dari 105,5 miliar batang pada 2016 menjadi 101,3 miliar batang pada 2017. Karena penurunan penjualan HMSP lebih besar dibandingkan pasar, *market share* HMSP juga turun dari 33,4% pada 2016 menjadi 33,0% pada 2017.

### Penurunan Tipis Laba Sebesar 0,7%

Meskipun tren volume penjualan rokok mengalami penurunan sejak 2016, HMSP berhasil mempertahankan pertumbuhan penjualan yang ditopang oleh kenaikan harga jual.

Namun dikarenakan inflasi Indonesia pada tahun 2017 relatif stabil dan rendah, HMSP **tidak dapat meningkatkan ASP hingga di atas 10%** untuk mengimbangi kenaikan pita cukai (ekuivalen dengan 57% dari penjualan) yang konsisten selalu di atas 10% sejak 2015. Alhasil laba HMSP turun tipis 0,7% dari Rp12,7 triliun pada 2016 menjadi Rp12,6 triliun pada 2017.

### Target Harga Rp5.025

Kami menggunakan estimasi *forward P/E* sebesar 42,4x (+2SD dari rata-rata 3 tahun sebesar 35,2x) untuk memperoleh target harga pada Desember 2018. Target harga ini mengimplikasikan P/E 2018/E sebesar 45,1x. Saat ini, HMSP diperdagangkan pada P/E 2018E sebesar 38,7x.

### HM Sampoerna Tbk | Summary (IDR bn)

	2016/12A	2017/12A	2018/12E	2019/12E
Sales	95,467	99,091	105,411	112,794
<i>Sales growth</i>	7.2%	3.8%	6.4%	7.0%
EBITDA	16,745	16,693	17,095	18,288
Net profit	12,762	12,671	12,951	13,860
EPS (IDR)	110	109	111	119
<i>EPS growth</i>	23.1%	-0.7%	2.2%	7.0%
BVPS (IDR)	294	293	298	307
EBITDA margin	17.5%	16.8%	16.2%	16.2%
NPM	13.4%	12.8%	12.3%	12.3%
ROE	37.3%	37.1%	37.4%	38.8%
ROA	30.0%	29.4%	30.1%	31.0%
ROIC	35.1%	35.0%	35.5%	36.8%
P/E	34.9x	43.4x	38.7x	36.2x
P/BV	13.0x	16.1x	14.5x	14.0x
EV/EBITDA	26.3x	32.5x	28.9x	27.0x
DPS (IDR)	89	108	107	109
<i>Dividend yield</i>	2.3%	2.3%	2.5%	2.5%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Company Report | Mar 16, 2018

## Buy

<b>Dec 2018 TP (IDR)</b>	<b>5,025</b>
Consensus Price (IDR)	4,552
TP to Consensus Price	+10.4%
vs. Last Price	+16.6%

### Shares data

Last Price (IDR)	4,310
Price date as of	Mar 14, 2018
52 wk range (Hi/Lo)	5,500/3,370
Free float (%)	7.5
Outstanding sh.(mn)	116,318
Market Cap (IDR bn)	495,515
Market Cap (USD mn)	36,045
Avg. Trd Vol - 3M (mn)	19.90
Avg. Trd Val - 3M (bn)	94.11
Foreign Ownership	2.10%

### Consumer Staples

#### Cigarette

Bloomberg

HMSP IJ

Reuters

HMSP.JK

### Joni Wintarja

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### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-11.0%	-13.2%	-3.2%	4.5%
Rel. Ret.	-11.9%	-10.7%	-9.1%	-14.1%

### Stabilnya Market Share: Penopang Pertumbuhan Laba

Kami memperkirakan bahwa penjualan HMSP akan meningkat 6,4% pada 2018 yang ditopang oleh **stabilnya pangsa pasar HMSP sebesar 33,0%**. Dengan asumsi konservatif yakni **kenaikan ASP masih dibawah 10%, maka laba bersih akan tumbuh 2,2%** pada 2018. Jika HMSP mampu secara agresif meningkatkan ASP hingga 11,5% seperti pada 2016 dan tetap menjaga posisi market share, maka laba bersih diperkirakan mampu tumbuh hingga 5,2% pada 2018.

### Sekilas tentang HMSP

HMSP memproduksi sejumlah merek rokok kretek yang dikenal luas di Indonesia, yaitu Sampoerna A, Sampoerna kretek, Sampoerna U, serta “Raja Kretek” yang legendaris Dji Sam Soe. HMSP merupakan afiliasi dari Philip Morris Internasional Inc., perusahaan rokok tembakau internasional terkemuka di dunia.

Pada akhir 2017, HMSP memimpin pasar rokok di Indonesia dengan pangsa pasar sebesar 33%. HMSP menjual dan mendistribusikan rokok melalui 104 kantor area penjualan di seluruh Indonesia.

### Daya Saing HMSP di Asia Pasifik

Untuk perusahaan rokok dengan kapitalisasi pasar diatas USD10 miliar, **HMSP memiliki ROE yang paling tinggi** yakni sebesar 37,1%, kemudian diikuti oleh ITC Ltd di India sebesar 23,1%. Laba bersih HMSP mengalami penurunan tipis sebesar 0,7% pada 2017, dan hal yang senada juga dialami oleh perusahaan dengan kapitalisasi pasar yang relatif sama, seperti Japan Tobacco yang labanya turun hingga sebesar 6,9%.

Valuasi P/E HMSP yang sangat tinggi hingga sebesar 43,4x menjadikan HMSP sebagai emiten dengan valuasi paling mahal di Asia Pasifik. Namun dengan *free floating* yang hanya 7,5%, valuasi yang mahal ini menunjukkan **minat investor pada HMSP yang cukup tinggi**.

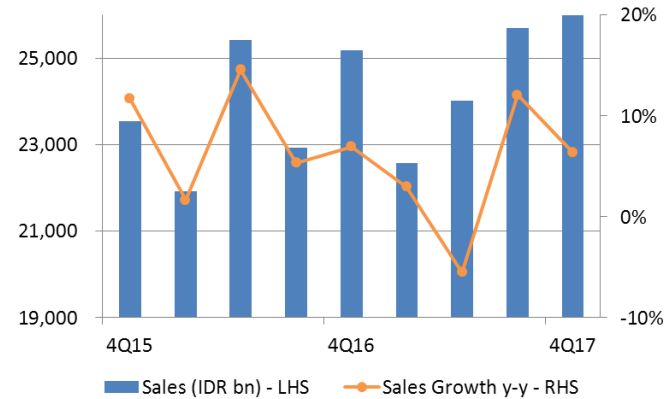
#### Asia Pacific Cigarette Company

Company	Market Cap (USD mn)	Total Asset (USD mn)	Net Profit Growth	Net Profit Margin	ROE	P/E	P/BV	Dividend Yield
HMSP	36,045	3,175	-0.7%	12.8%	37.1%	43.4x	16.1x	2.3%
GGRM	10,886	4,649	8.1%	8.8%	19.4%	20.0x	3.8x	3.3%
<b>India</b>								
ITC Ltd	48,770	8,625	10.1%	24.3%	23.1%	30.7x	6.8x	1.8%
VST Industries Ltd	699	123	9.2%	17.7%	36.9%	27.2x	8.5x	2.5%
Godfrey Phillips India Ltd	645	340	-19.3%	6.0%	8.5%	30.7x	2.5x	1.0%
<b>Malaysia</b>								
British American Tobacco Bhd	1,936	257	-31.7%	16.4%	99.0%	15.4x	19.8x	9.4%
<b>Japan</b>								
Japan Tobacco Inc	55,837	46,380	-6.9%	18.3%	15.0%	13.6x	1.9x	4.7%
<b>South Korea</b>								
KT&G Corp	12,635	9,346	-5.4%	24.9%	15.7%	10.7x	1.6x	4.1%
<b>Sri Lanka</b>								
Ceylon Tobacco Co Plc	1,277	162	16.2%	10.5%	362.2%	13.6x	43.4x	6.2%

Source: Bloomberg, NHKS research

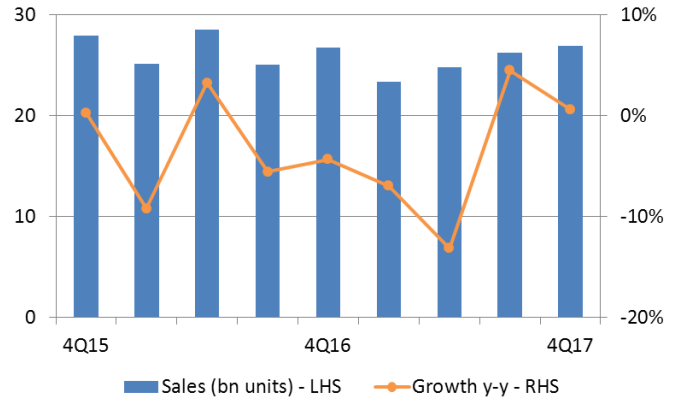
## Performance Highlights

HMSP Quarterly Sales | 2015 - 2017



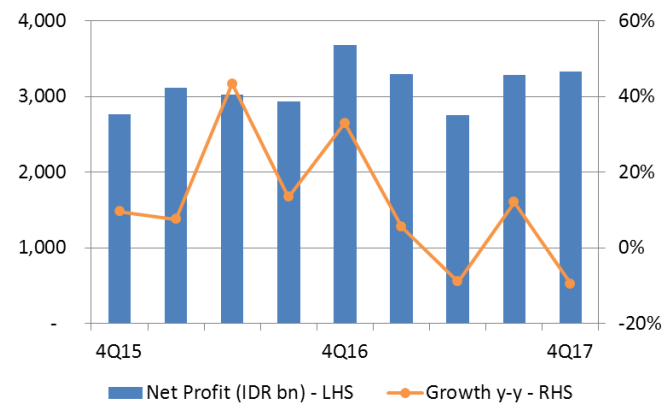
Source: Company, NHKS Research

HMSP Quarterly Sales by Volume | 2015 - 2017



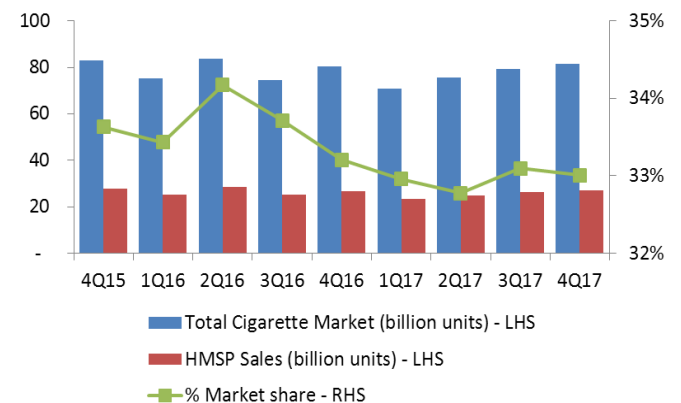
Source: Company, NHKS Research

HMSP Quarterly Net Profit | 2015 - 2017



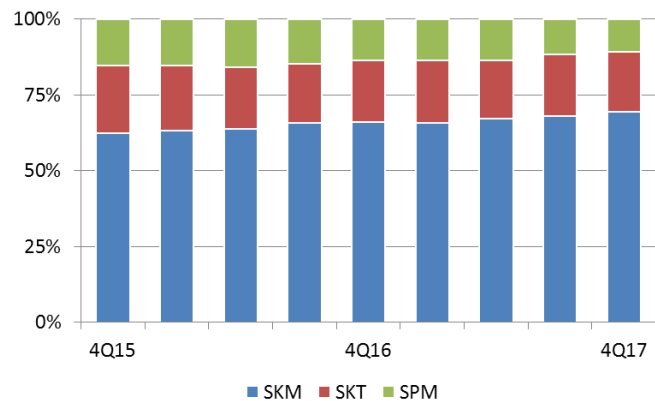
Source: Company, NHKS Research

Indonesia SKM-SKT Market Share | FY2014 - FY2017E



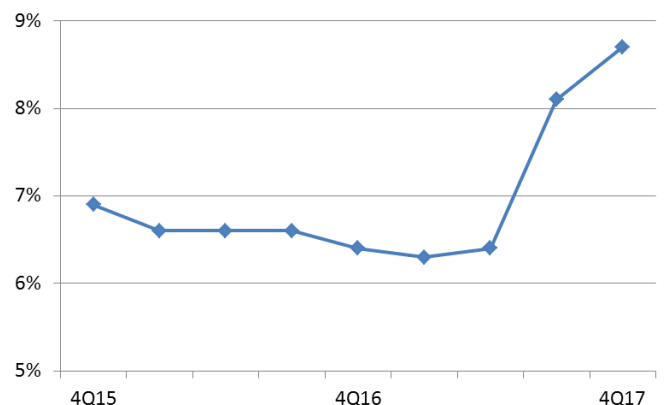
Source: Company, NHKS Research

HMSP Sales Breakdown by Segment | 2015 - 2017



Source: Company, NHKS Research

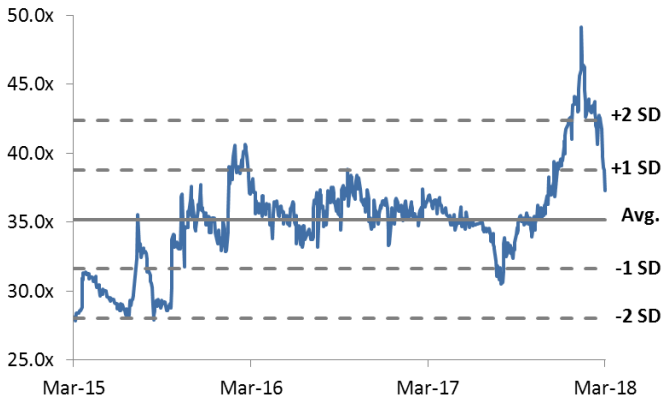
Dji Sam Soe Brand Market Share | 2015 - 2017



Source: Company, NHKS Research

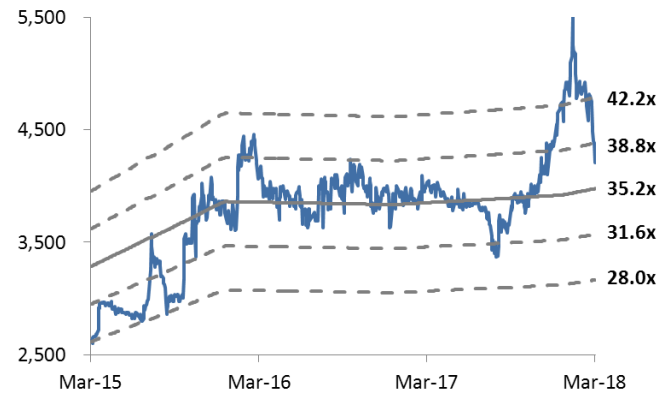
## Multiple Valuation

Forward P/E band | Last 3 Years



Source: NHKS research

Dynamic Forward P/E band | Last 3 Years



Source: NHKS research

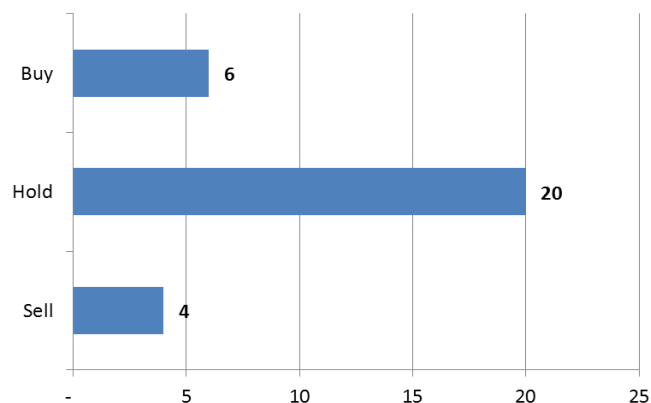
## Rating and target price update

Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
03/20/2017	Hold	4,520 (Dec 2017)	4,050	4,172	+11.6%	+8.3%
06/05/2017	Buy	4,620 (Dec 2017)	3,850	4,148	+20.0%	+11.4%
08/07/2017	Hold	3,780 (Dec 2017)	3,470	4,080	+8.9%	-7.4%
11/15/2017	Buy	4,690 (Dec 2018)	4,050	4,144	+15.8%	+13.2%
03/16/2018	Buy	5,025 (Dec 2018)	4,310	4,552	+16.6%	+10.4%

Source: NHKS research, Bloomberg

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKS research

### NH Korindo Sekuritas Indonesia (NHKS) stock ratings

- Period: End of year target price
- Rating system based on a stock's absolute return from the date of publication
  - Buy : Greater than +15%
  - Hold : -15% to +15%
  - Sell : Less than -15%

## Summary of Financials

### HMSP Summary

Last Price (IDR)	March 14, 2018	4,310
Target Price (IDR)	Dec 2018	5,025
Analyst: Joni Wintarja	Rating:	Buy

### INCOME STATEMENT

in IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Sales	95,467	99,091	105,411	112,794
Growth (% y/y)	7.2%	3.8%	6.4%	7.0%
COGS	(71,612)	(74,876)	(80,333)	(85,958)
<b>Gross Profit</b>	<b>23,855</b>	<b>24,216</b>	<b>25,078</b>	<b>26,836</b>
Gross Margin	25.0%	24.4%	23.8%	23.8%
Operating Expenses	(7,834)	(8,121)	(8,618)	(9,222)
<b>EBIT</b>	<b>16,020</b>	<b>16,095</b>	<b>16,460</b>	<b>17,614</b>
EBIT Margin	16.8%	16.2%	15.6%	15.6%
Depreciation	724	598	635	674
<b>EBITDA</b>	<b>16,745</b>	<b>16,693</b>	<b>17,095</b>	<b>18,288</b>
EBITDA Margin	17.5%	16.8%	16.2%	16.2%
Interest Expenses	(22)	(9)	(12)	(15)
<b>EBT</b>	<b>17,011</b>	<b>16,895</b>	<b>17,269</b>	<b>18,481</b>
Income Tax	(4,249)	(4,224)	(4,317)	(4,621)
Minority Interest	-	-	-	-
<b>Net Profit</b>	<b>12,762</b>	<b>12,671</b>	<b>12,951</b>	<b>13,860</b>
Growth (% y/y)	23.1%	-0.7%	2.2%	7.0%
Net Profit Margin	13.4%	12.8%	12.3%	12.3%

### BALANCE SHEET

in IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Cash	5,056	7,502	6,936	7,321
Receivables	3,323	3,598	3,827	4,095
Inventories	19,442	18,023	19,337	19,513
Other Current Assets	5,827	5,057	3,919	4,488
<b>Total Current Assets</b>	<b>33,647</b>	<b>34,180</b>	<b>34,019</b>	<b>35,418</b>
Net Fixed Assets	6,895	7,005	7,127	7,314
Other Non Current Assets	1,965	1,956	1,860	1,908
<b>Total Assets</b>	<b>42,508</b>	<b>43,141</b>	<b>43,006</b>	<b>44,640</b>
Payables	3,871	3,666	3,934	3,974
ST Debt	21	29	54	42
Other Current Liab.	2,537	2,788	2,163	2,475
LT Debt	66	81	82	77
Other Non Current Liab.	1,839	2,465	2,151	2,308
<b>Total Liabilities</b>	<b>8,333</b>	<b>9,028</b>	<b>8,384</b>	<b>8,876</b>
<b>Shareholders' Equity</b>	<b>34,175</b>	<b>34,113</b>	<b>34,622</b>	<b>35,764</b>

### CASH FLOW STATEMENT

in IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Net Income	12,762	12,671	12,951	13,860
Deprec & Amortization	724	598	635	674
Chg. In Working Capital	590	2,113	(762)	(661)
<b>CFO</b>	<b>14,077</b>	<b>15,382</b>	<b>12,824</b>	<b>13,873</b>
Capex	(1,348)	(708)	(757)	(861)
<b>CFI</b>	<b>(362)</b>	<b>(386)</b>	<b>(974)</b>	<b>(753)</b>
Dividends Paid	(10,352)	(12,527)	(12,442)	(12,718)
Net Borrowing (PMT)	25	23	27	(17)
<b>CFF</b>	<b>(10,377)</b>	<b>(12,550)</b>	<b>(12,416)</b>	<b>(12,735)</b>
<b>Net Changes in Cash</b>	<b>3,337</b>	<b>2,446</b>	<b>(566)</b>	<b>385</b>

### OWNERSHIP

By Geography	% Shareholders	%	
Indonesia	97.9	Philip Morris Ind.	92.5
United States	1.1	Vantobel Holding AG	0.4
Luxembourg	0.4	Blackrock	0.3
Canada	0.2	Vanguard Group	0.3

### PROFITABILITY & STABILITY

	2016/12A	2017/12A	2018/12E	2019/12E
ROE	37.3%	37.1%	37.4%	38.8%
ROA	30.0%	29.4%	30.1%	31.0%
ROIC	35.1%	35.0%	35.5%	36.8%
EBITDA/Equity	49.0%	48.9%	49.4%	51.1%
EBITDA/Assets	39.4%	38.7%	39.7%	41.0%
Cash Dividend (IDR bn)	10,352	12,527	12,442	12,718
Dividend Yield (%)	2.3%	2.3%	2.5%	2.5%
Payout Ratio (%)	99.9%	98.2%	98.2%	98.2%
DER	0.3%	0.3%	0.4%	0.3%
Net Gearing	0.7%	0.8%	1.0%	0.8%
LT Debt to Equity	0.2%	0.2%	0.2%	0.2%
Capitalization Ratio	0.3%	0.3%	0.4%	0.3%
Equity Ratio	80.4%	79.1%	80.5%	80.1%
Debt Ratio	0.2%	0.3%	0.3%	0.3%
Financial Leverage	124.4%	126.5%	124.2%	124.8%
Current Ratio	523.4%	527.2%	553.1%	545.7%
Quick Ratio	130.3%	171.2%	175.0%	175.9%
Cash Ratio	78.7%	115.7%	112.8%	112.8%
Cash Conversion Cycle	92.1	83.2	83.2	79.2
Par Value (IDR)	4	4	4	4
Total Shares (mn)	116,318	116,318	116,318	116,318
Share Price (IDR)	3,830	4,730	4,310	4,310
Market Cap (IDR tn)	445.5	550.2	501.3	501.3

### VALUATION INDEX

	2016/12A	2017/12A	2018/12E	2019/12E
Price /Earnings	34.9x	43.4x	38.7x	36.2x
Price /Book Value	13.0x	16.1x	14.5x	14.0x
Price/Sales	4.7x	5.6x	4.8x	4.4x
PE/EPS Growth	1.5x	-60.4x	17.5x	5.2x
EV/EBITDA	26.3x	32.5x	28.9x	27.0x
EV/EBIT	27.5x	33.7x	30.0x	28.1x
EV (IDR bn)	440,529	542,792	494,527	494,125
Sales CAGR (3-Yr)	8.4%	7.1%	5.8%	5.7%
EPS CAGR (3-Yr)	5.7%	7.6%	7.7%	2.8%
Basic EPS (IDR)	110	109	111	119
Diluted EPS (IDR)	110	109	111	119
BVPS (IDR)	294	293	298	307
Sales PS (IDR)	821	852	906	970
DPS (IDR)	89	108	107	109

### DCF, RIM & EVA

	2016/12A	2017/12A	2018/12E	2019/12E
<b>DCF (IDR bn)</b>				
NOPAT	12,019	12,070	12,345	13,210
+Depr./Amor.	724	598	635	674
-CAPEX	(1,348)	(708)	(757)	(861)
-Incr. (Decr.) in Working Cap.	590	2,113	(762)	(661)
(Unlevered) FCFF	11,985	14,074	11,461	12,362
<b>WACC</b>				
Cost of Debt (Tax Adj.)	7.7%	6.6%	6.4%	11.3%
Cost of Equity (COE)	9.0%	11.5%	11.9%	11.9%
WACC (%)	9.0%	11.5%	11.9%	11.9%
<b>RIM</b>				
Spread (FROE-COE) (%)	28.4%	25.7%	25.5%	26.8%
Residual Income (IDR bn)	9,690	8,751	8,818	9,590
Equity Charge	3,072	3,920	4,134	4,270
<b>EVA</b>				
Invested Capital (IDR bn)	34,262	34,222	34,758	35,883
ROI-C-WACC (%)	26.1%	23.8%	23.6%	24.9%
EVA (USD mn)	8,939	8,139	8,195	8,926

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