

Hanjaya Mandala Sampoerna Tbk (HMSP)

Wait-and-See Cukai Rokok

Company Report | Sep 04, 2018

Hold

Dec 2018 TP (IDR)	4,300
Consensus Price (IDR)	4,098
TP to Consensus Price	+4.9%
vs. Last Price	+13.5%

Shares data

Last Price (IDR)	3,790
Price date as of	Sep 03, 2018
52 wk range (Hi/Lo)	5,500/3,280
Free float (%)	7.5
Outstanding sh.(mn)	116,318
Market Cap (IDR bn)	439,682
Market Cap (USD mn)	29,524
Avg. Trd Vol - 3M (mn)	17.98
Avg. Trd Val - 3M (bn)	66.56
Foreign Ownership	1.55%

Consumer Staples

Cigarette

Bloomberg	HMSP IJ
Reuters	HMSP.JK

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Penjualan HMSP Meningkat 8,4%

Penjualan HMSP meningkat 8,4% dari Rp24 triliun pada 2Q17 menjadi Rp26 triliun pada 2Q18. Pertumbuhan penjualan ini ditopang oleh **divisi sigaret kretek mesin (SKM) yang tumbuh 14,5%** dari Rp15,9 triliun pada 2Q17 menjadi Rp18,3 pada 2Q18. Divisi sigaret putih mesin (SPM) menjadi pemberat dengan penurunan sebesar 16% dari Rp3,2 triliun pada 2Q17 menjadi Rp2,7 triliun pada 2Q18. Hal ini senada dengan kecenderungan perokok Indonesia yang semakin **menggemari rokok tipe SKM**.

Laba Bersih 2Q18 Tumbuh 12%

Laba bersih HMSP tumbuh 12% dari Rp2,75 triliun pada 2Q17 menjadi Rp3,0 triliun pada 2Q18. Namun, laba bersih HMSP secara semesteran hanya tumbuh 1% dari Rp6,04 triliun pada 1H17 menjadi Rp6,1 triliun pada 1H18. Hal ini disebabkan oleh **penurunan margin EBITDA HMSP dari 17,2% pada 1H17 menjadi 16,4% pada 1H18**. Kami memperkirakan bahwa pendapatan HMSP di luar cukai **tertekan oleh kenaikan harga cukai rokok yang melebihi inflasi**.

Menantikan Besaran Cukai Rokok 2019

Kami memperkirakan bahwa EBITDA HMSP pada 2018 sebesar 16,1%. Menggunakan asumsi konservatif, kami memperkirakan bahwa EBITDA HMSP pada 2019 sebesar 16,0%. Kami menantikan **keputusan pemerintah pada Oktober 2018 dalam menentukan besaran cukai rokok untuk 2019**.

Target Harga Rp4.300

Kami menggunakan estimasi *forward* P/E sebesar 35,2x (rata-rata 3 tahun) untuk memperoleh target harga pada Desember 2018. Target harga ini mengimplikasikan P/E 2018/E sebesar 37,3x. Saat ini, HMSP diperdagangkan pada P/E 2018/E sebesar 32,9x.

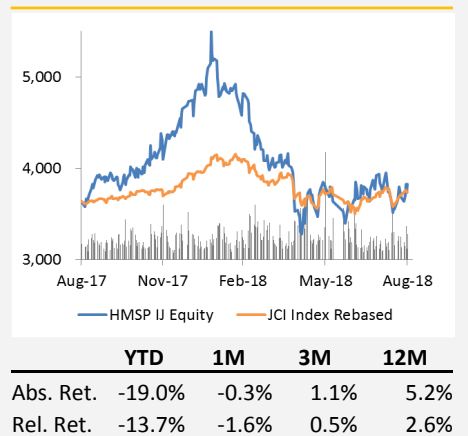
HM Sampoerna Tbk | Summary (IDR bn)

	2016/12A	2017/12A	2018/12E	2019/12E
Sales	95,467	99,091	105,413	112,742
<i>Sales growth</i>	7.2%	3.8%	6.4%	7.0%
EBITDA	16,745	16,696	17,525	18,710
Net profit	12,762	12,671	13,414	14,263
EPS (IDR)	110	109	115	123
<i>EPS growth</i>	23.1%	-0.7%	5.9%	6.3%
BVPS (IDR)	294	293	301	310
EBITDA margin	17.5%	16.8%	16.6%	16.6%
NPM	13.4%	12.8%	12.7%	12.7%
ROE	37.3%	37.1%	38.3%	39.5%
ROA	30.0%	29.4%	30.9%	31.7%
ROIC	35.1%	34.8%	36.3%	37.6%
P/E	34.9x	43.4x	32.9x	30.9x
P/BV	13.0x	16.1x	12.6x	12.2x
EV/EBITDA	26.3x	32.5x	24.7x	23.2x
DPS (IDR)	89	108	107	114
<i>Dividend yield</i>	2.3%	2.3%	2.8%	3.0%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Share Price Performance



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.

HMSP memimpin pasar rokok di Indonesia dengan pangsa pasar sebesar 33,2%. 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 melampaui USD10 miliar, HMSP memiliki ROE yang paling tinggi, yakni sebesar 38,3%, kemudian diikuti oleh ITC Ltd di India sebesar 22,8%. Ditopang oleh pangsa pasar yang semakin luas dengan efisiensi biaya yang semakin baik, laba bersih HMSP diperkirakan akan meningkat sebesar 5,9% pada 2018.

Valuasi P/E HMSP yang sangat tinggi hingga sebesar 32,9x menjadikan HMSP sebagai emiten dengan valuasi yang tinggi di Asia Pasifik. Namun dengan *free floating* yang hanya 7,5%, valuasi yang mahal ini menunjukkan minat investor pada HMSP yang cukup tinggi.

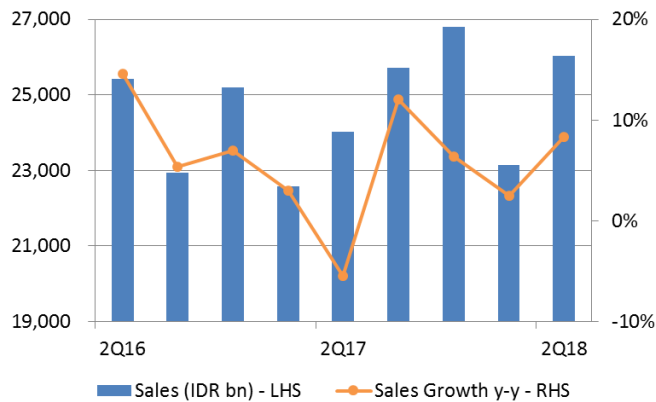
Asia Pacific Cigarette Company

Company	Market Cap (USD mn)	Total Asset (USD mn)	Net Profit Growth	Net Profit Margin	ROE	P/E	P/BV	Dividend Yield
HMSP	29,638	3,175	5.9%	12.7%	38.3%	32.9x	12.6x	2.8x
GGRM	9,270	4,913	18.1%	9.3%	20.9%	16.8x	3.4x	3.6%
India								
ITC Ltd	53,750	9,869	9.5%	26.1%	22.8%	33.8x	7.3x	1.6%
Godfrey Phillips India Ltd	638	379	15.9%	6.9%	9.2%	28.6x	2.5x	0.9%
Malaysia								
British American Tobacco Bhd	2,312	257	-43.3%	16.4%	110.9%	22.1x	25.5x	4.6%
Japan								
Japan Tobacco Inc	52,691	46,380	-4.3%	18.3%	14.5%	13.7x	2.0x	5.0%
South Korea								
KT&G Corp	12,268	9,346	0.0%	24.9%	15.8%	10.7x	1.6x	4.0%
Sri Lanka								
Ceylon Tobacco Co Plc	1,555	162	31.1%	46.1%	256.9%	15.2x	35.5x	4.9%

Source: Bloomberg, NHKS research

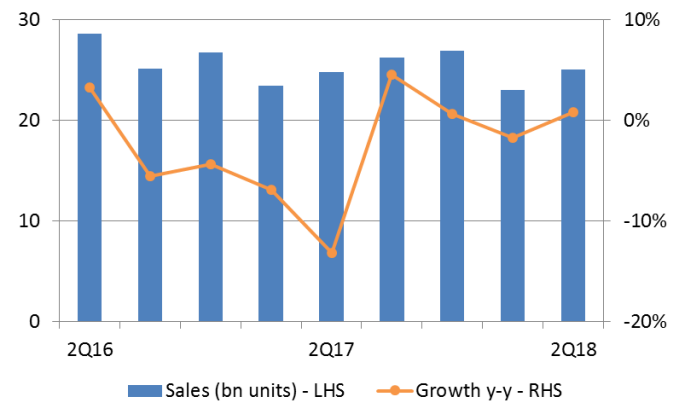
Performance Highlights

HMSP Quarterly Sales | 2016 - 2018



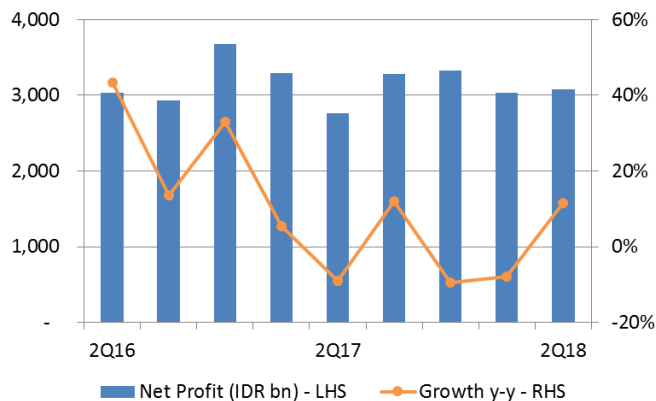
Source: Company, NHKS Research

HMSP Quarterly Sales by Volume | 2016 - 2018



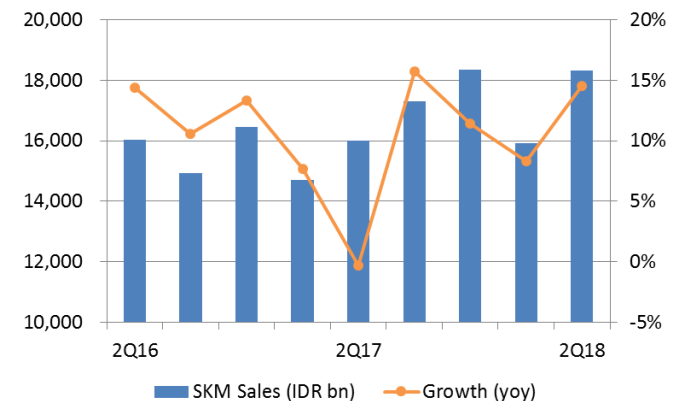
Source: Company, NHKS Research

HMSP Quarterly Net Profit | 2016 - 2018



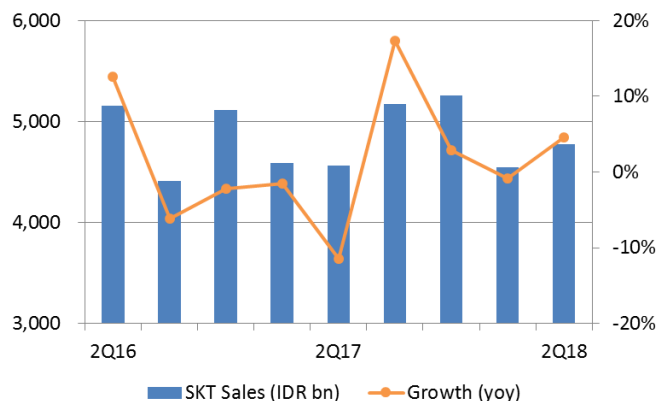
Source: Company, NHKS Research

Machine-made Clove Cigarettes Sales Growth | 2016 - 2018



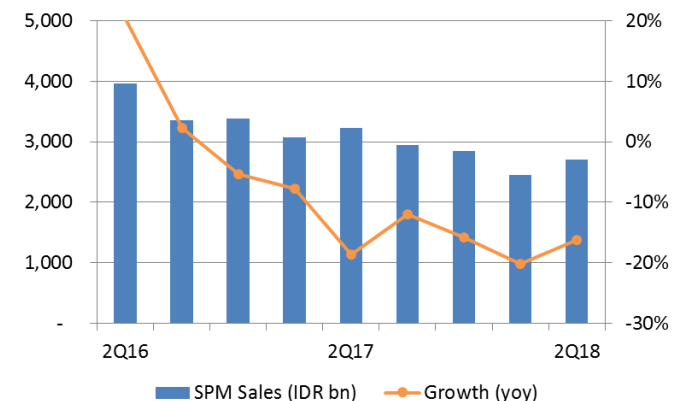
Source: Company, NHKS Research

Hand-rolled Clove Cigarettes Sales Growth | 2016 - 2018



Source: Company, NHKS Research

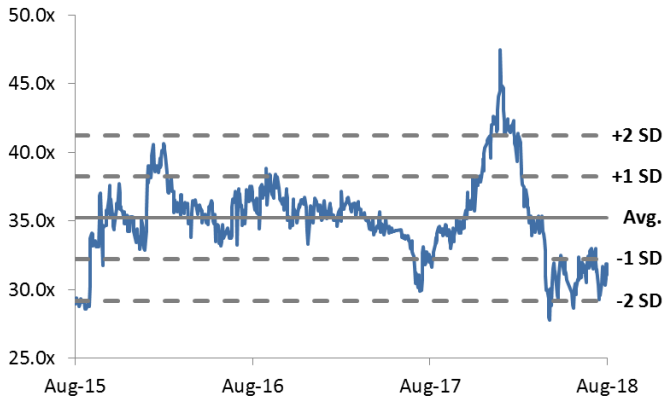
White Cigarettes Sales Growth | 2016 - 2018



Source: Company, NHKS Research

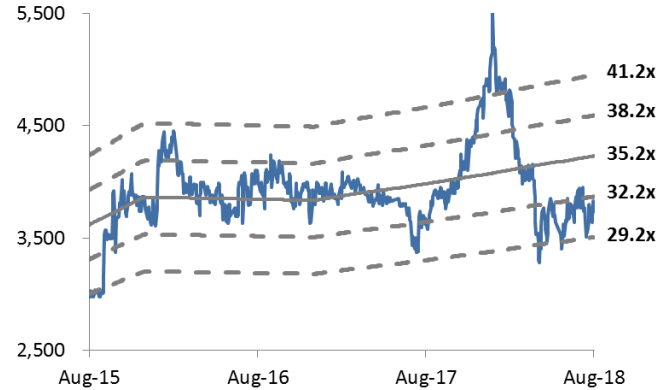
Multiple Valuation

Forward P/E band | Last 3 Years



Source: NHKS research

Dynamic Forward P/E band | Last 3 Years



Source: NHKS research

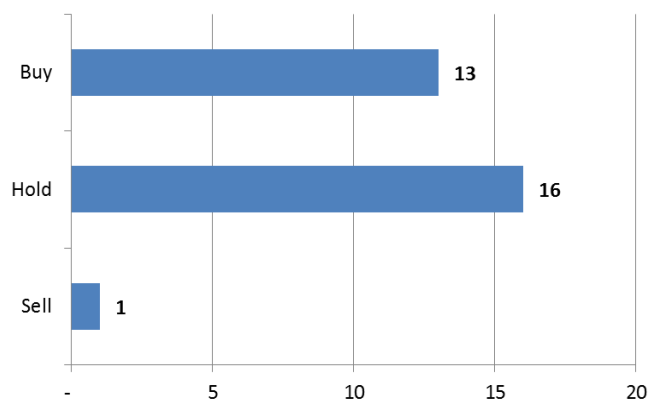
Rating and target price update

Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
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%
05/31/2018	Buy	4,575 (Dec 2018)	3,850	4,311	+18.8%	+6.1%
09/04/2018	Hold	4,300 (Dec 2018)	3,790	4,098	+13.5%	+4.9%

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)	September 3, 2018	3,790
Target Price (IDR)	Dec 2018	4,300
Analyst: Joni Wintarja	Rating:	Hold

INCOME STATEMENT

in IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Sales	95,467	99,091	105,413	112,742
Growth (% y/y)	7.2%	3.8%	6.4%	7.0%
COGS	(71,612)	(74,876)	(80,027)	(85,618)
Gross Profit	23,855	24,216	25,387	27,125
Gross Margin	25.0%	24.4%	24.1%	24.1%
Operating Expenses	(7,834)	(8,119)	(8,452)	(9,040)
EBIT	16,020	16,097	16,935	18,085
EBIT Margin	16.8%	16.2%	16.1%	16.0%
Depreciation	724	598	591	625
EBITDA	16,745	16,696	17,525	18,710
EBITDA Margin	17.5%	16.8%	16.6%	16.6%
Interest Expenses	(22)	(9)	(11)	(13)
EBT	17,011	16,895	17,795	18,970
Income Tax	(4,249)	(4,224)	(4,382)	(4,707)
Minority Interest	-	-	-	-
Net Profit	12,762	12,671	13,414	14,263
Growth (% y/y)	23.1%	-0.7%	5.9%	6.3%
Net Profit Margin	13.4%	12.8%	12.7%	12.7%

BALANCE SHEET

in IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Cash	5,056	7,502	7,334	7,670
Receivables	3,323	3,598	3,827	4,094
Inventories	19,442	18,023	19,263	19,436
Other Current Assets	5,827	5,057	3,953	4,505
Total Current Assets	33,647	34,180	34,378	35,705
Net Fixed Assets	6,895	7,005	7,123	7,304
Other Non Current Assets	1,965	1,956	1,892	1,924
Total Assets	42,508	43,141	43,392	44,933
Payables	3,871	3,666	3,919	3,958
ST Debt	21	29	39	36
Other Current Liab.	2,537	2,788	1,904	2,346
LT Debt	66	81	89	81
Other Non Current Liab.	1,839	2,465	2,423	2,444
Total Liabilities	8,333	9,028	8,373	8,864
Shareholders' Equity	34,175	34,113	35,019	36,069

CASH FLOW STATEMENT

in IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Net Income	12,762	12,671	13,414	14,263
Deprec & Amortization	724	598	591	625
Chg. In Working Capital	590	2,113	(997)	(510)
CFO	14,077	15,382	13,008	14,377
Capex	(1,348)	(708)	(709)	(806)
CFI	(362)	(386)	(686)	(817)
Dividends Paid	(10,352)	(12,527)	(12,481)	(13,213)
Net Borrowing (PMT)	25	23	18	(11)
CFF	(10,377)	(12,550)	(12,489)	(13,224)
Net Changes in Cash	3,337	2,446	(168)	336

OWNERSHIP

By Geography	% Shareholders	%	
Indonesia	98.5	Philip Morris Ind.	92.5
United States	0.8	Schroder Investment	0.4
Canada	0.2	Blackrock	0.3
Luxembourg	0.2	Vanguard Group	0.3

PROFITABILITY & STABILITY

	2016/12A	2017/12A	2018/12E	2019/12E
ROE	37.3%	37.1%	38.3%	39.5%
ROA	30.0%	29.4%	30.9%	31.7%
ROIC	35.1%	34.8%	36.3%	37.6%
EBITDA/Equity	49.0%	48.9%	50.0%	51.9%
EBITDA/Assets	39.4%	38.7%	40.4%	41.6%
Cash Dividend (IDR bn)	10,352	12,527	12,481	13,213
Dividend Yield (%)	2.3%	2.3%	2.8%	3.0%
Payout Ratio (%)	99.9%	98.2%	98.5%	98.5%
DER	0.3%	0.3%	0.4%	0.3%
Net Gearing	0.7%	0.8%	0.9%	0.8%
LT Debt to Equity	0.2%	0.2%	0.3%	0.2%
Capitalization Ratio	0.3%	0.3%	0.4%	0.3%
Equity Ratio	80.4%	79.1%	80.7%	80.3%
Debt Ratio	0.2%	0.3%	0.3%	0.3%
Financial Leverage	124.4%	126.5%	123.9%	124.6%
Current Ratio	523.4%	527.2%	586.5%	563.2%
Quick Ratio	130.3%	171.2%	190.4%	185.6%
Cash Ratio	78.7%	115.7%	125.1%	121.0%
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	3,790	3,790
Market Cap (IDR tn)	445.5	550.2	440.8	440.8

VALUATION INDEX

	2016/12A	2017/12A	2018/12E	2019/12E
Price /Earnings	34.9x	43.4x	32.9x	30.9x
Price /Book Value	13.0x	16.1x	12.6x	12.2x
Price/Sales	4.7x	5.6x	4.2x	3.9x
PE/EPS Growth	1.5x	-60.4x	5.6x	4.9x
EV/EBITDA	26.3x	32.5x	24.7x	23.2x
EV/EBIT	27.5x	33.7x	25.6x	24.0x
EV (IDR bn)	440,529	542,792	433,635	433,288
Sales CAGR (3-Yr)	8.4%	7.1%	5.8%	5.7%
EPS CAGR (3-Yr)	5.7%	7.6%	9.0%	3.8%
Basic EPS (IDR)	110	109	115	123
Diluted EPS (IDR)	110	109	115	123
BVPS (IDR)	294	293	301	310
Sales PS (IDR)	821	852	906	969
DPS (IDR)	89	108	107	114

DCF, RIM & EVA

	2016/12A	2017/12A	2018/12E	2019/12E
DCF (IDR bn)				
NOPAT	12,019	12,072	12,765	13,598
+Depr./Amor.	724	598	591	625
-CAPEX	(1,348)	(708)	(709)	(806)
-Incr. (Decr.) in Working Cap.	590	2,113	(997)	(510)
(Unlevered) FCFF	11,985	14,076	11,650	12,906
WACC				
Cost of Debt (Tax Adj.)	7.7%	6.6%	6.5%	11.4%
Cost of Equity (COE)	9.0%	11.5%	11.9%	11.9%
WACC (%)	9.0%	11.5%	11.9%	11.9%
RIM				
Spread (FROE-COE) (%)	28.4%	25.7%	26.4%	27.6%
Residual Income (IDR bn)	9,690	8,751	9,233	9,956
Equity Charge	3,072	3,920	4,181	4,306
EVA				
Invested Capital (IDR bn)	34,262	34,222	35,147	36,186
ROI-C-WACC (%)	26.1%	23.8%	24.4%	25.6%
EVA (USD mn)	8,939	8,140	8,569	9,277

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