

PT HM Sampoerna Tbk.

FY 2018 Result

HMSP's revenue increased by 7.7% to IDR 106.7 trillion in FY18. The increase was driven by favorable pricing. HMSP posted a net profit of IDR 13.5 trillion in FY18, an increase of 6.8%. We set HMSP price target at IDR 4,300, which the price target reflects PER'20E 33.9x.

In line FY18 Revenue. HMSP's revenue increased by 7.7% to IDR 106.7 trillion in FY18. SKM segment grew +12% and SKT segment grew +5.2%. The number was in line with our expectation (101.5% of our FY18 revenue estimate). The revenue growth was driven by higher ASP since sales volume in FY18 merely grew +0.1% to 101.4 billion sticks, whilst market share was 33.1%.

HMSP's Income Up by 6.8% in 9M18. HMSP posted a net profit of IDR 13.5 trillion in FY18, an increase of 6.8% compared to the net profit in FY17 of IDR 12.7 trillion. HMSP's net income represented 101.1% of our income estimates.

Tobacco Excise Steady in 2019. Indonesia keep excise rates on tobacco products unchanged this year, making it the first year since 2014 that rates have not been hiked. This is a relief for HMSP and its peers in the industry as excise tax is a major cost component of any cigarettes company in Indonesia. However, the challenge remains on the timing of recovery of consumer spending and shifting consumer behavior.

VALUATION & RECOMMENDATION

We set **HMSP price target at IDR 4,300**, where the price target reflects PER'20E 33.9x. Comparing the closing price of HMSP on Thursday (28/03) at the level of IDR 3,780, where there is still an upside potential of 13.7%, **we recommend Buy for HMSP.**

Exhibit 01– Financial Summary

	2013A	2014A	2015A	2016A	2017A	2018	2019E
Revenue (bn IDR)	75,025	80,690	89,069	95,467	99,091	106,742	112,168
Operating Profit (bn IDR)	14,520	13,694	13,986	16,099	16,094	16,907	18,081
Net Income (bn IDR)	10,818	10,181	10,363	12,762	12,671	13,483	14,266
EPS (IDR)	98	92	93	110	109	116	123
Revenue Growth	12.61%	7.55%	10.38%	7.18%	3.80%	7.72%	5.08%
EPS Growth	8.77%	-5.88%	0.86%	18.23%	-0.91%	6.35%	5.81%
ROA	39%	36%	27%	30%	29%	29%	30%
ROE	76%	75%	32%	37%	37%	38%	40%
PE Ratio	43.88	46.61	46.22	39.09	39.45	37.10	35.06
PBV Ratio	35.33	37.05	15.62	14.64	14.66	14.15	14.03

Source : Company, MCS Research

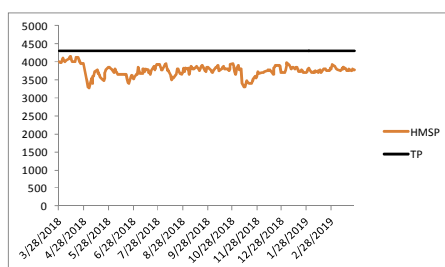
29 March 2019

Buy (+13.7%)

Price (28/03) IDR 3,780
Target Price **IDR 4,300**
 Ticker HMSP
 Industry Consumer Goods

Helen

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Company Description

PT Hanjaya Mandala Sampoerna Tbk. (HMSP) is Indonesia's largest tobacco company controlling about 33% of the Indonesian tobacco market. It is the producer of some of the most well-known *kretek* cigarette brands, such as Sampoerna Hijau, Sampoerna A Mild, and the legendary "King of Kretek" Dji Sam Soe.

Stock Data

52-week Range (IDR) 3,230 | 4,220
 Mkt Cap (IDR tn) 439.7
 JCI Weight 6.0%
 Shares O/S (mn) 116,318
 YTD Change 1.89%

Share Holders:

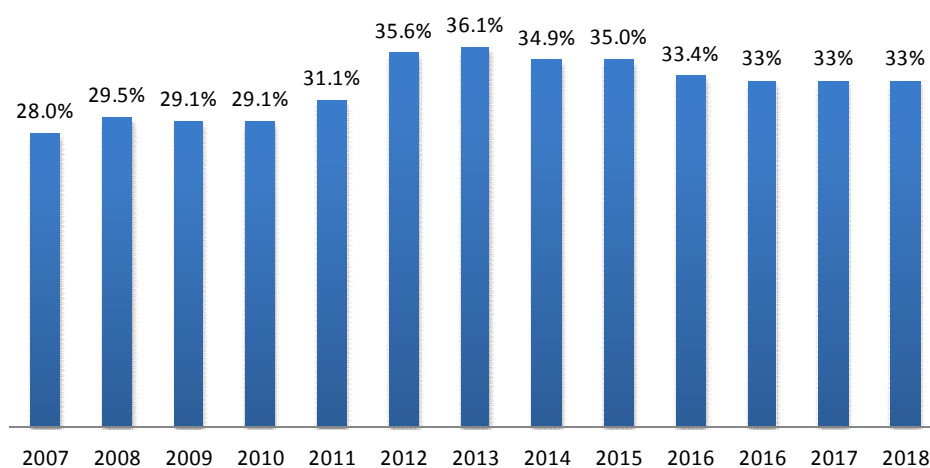
Philip Morris Indonesia 92.5%
 Public 7.5%

Exhibit 02– Financial Summary

In Billions of IDR	FY17	FY18	YoY	Q3 2018	Q4 2018	QoQ	FY18E	
Revenue	99,091.5	106,741.9	7.7%	28,377.3	29,207.1	2.9%	105,156	101.5%
- Cost of Revenue	74,875.6	81,251.1	8.5%	21,498.5	22,024.3	2.4%	79,508	102.2%
Gross Profit	24,215.8	25,490.8	5.3%	6,878.7	7,182.7	4.4%	25,648	99.4%
Operating Income	16,093.7	16,907.2	5.1%	4,537.9	4,749.6	4.7%	17,095	98.9%
Net Income	12,670.5	13,538.4	6.8%	3,577.4	3,848.1	7.6%	13,389	101.1%
EPS (IDR)	108.6	116.3	7.1%	30.8	33.1	7.6%	115	101.1%
GPM	24.4%	23.9%		24.2%	24.6%		24.4%	
OPM	16.2%	15.8%		16.0%	16.3%		16.3%	
NPM	12.8%	12.7%		12.6%	13.2%		12.7%	

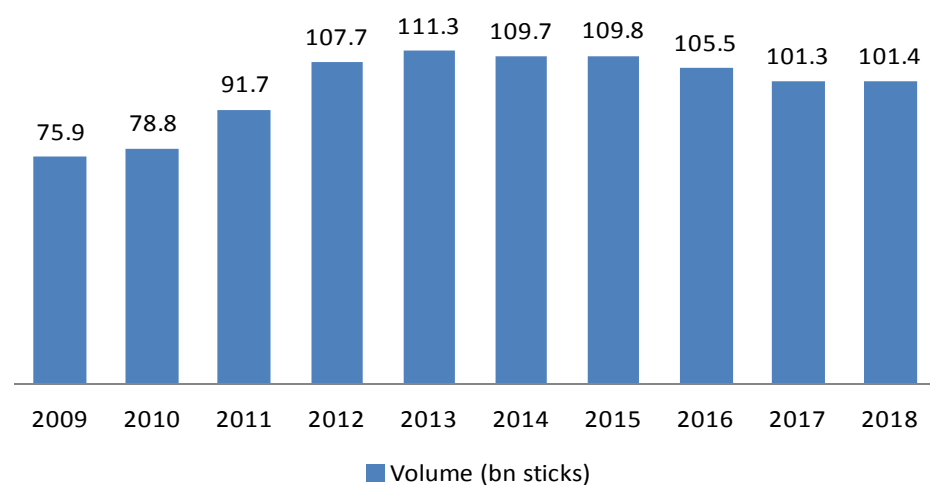
Source : Company, Bloomberg, MCS Research

Exhibit 03– Market Share (%)



Source : Company, MCS Research

Exhibit 04– Volume (bn unit)



Source : Company, MCS Research

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