

21 May 2025

Consumer Non-cyclical | Tobacco

Hanjaya Mandala Sampoerna (HMSP IJ)

Buy (Maintained)

Margin Improvement, Albeit Slightly; KEEP BUY

Target Price (Return): IDR730 (+16%)
Price (Market Cap): IDR630 (USD4,465m)
ESG score: 3.3 (out of 4)
Avg Daily Turnover (IDR/USD) 9,455m/0.57m

Analyst

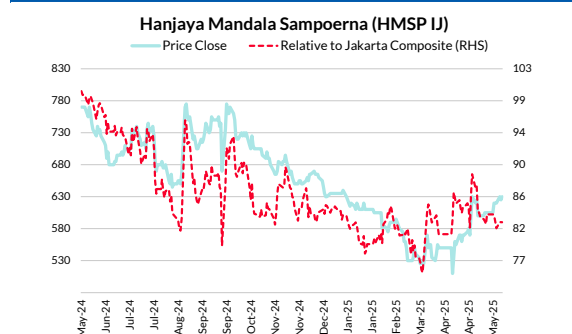
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- **Maintain BUY, with new IDR730 TP from IDR970, 16% upside and c.9% yield.** We cut 2025F-2026F earnings by 35.9% and 43.6% on flattish sales volume growth and weak purchasing power, limiting Hanjaya Mandala Sampoerna's ability to increase prices. The zero-excise tax increase in 2025 should only enable sales volume to grow flat. Our TP, which includes a 6% ESG premium, is based on a 12x P/E – a 29% premium to peer average as HMSP offers a consistent 100% payout ratio.
- **Continued weak purchasing power and growing illicit cigarettes should result in flat volume growth in 2025.** The same two factors caused sales volume to drop 3.7% YoY in 2024. Persistent weakening purchasing power will likely encourage consumers to opt for cheaper cigarettes such as below Tier-2, hand rolled kretek cigarettes (SKT) and illicit cigarettes. We anticipate HMSP's machine-rolled cigarettes (SKM) brand, Sampoerna Mild's volume to contract in 2025, but the cheaper SKT, Sampoerna Kretek, should see some growth, hence supporting HMSP's flattish YoY total sales volume.
- **Slight margin improvement to support low single-digit earnings growth.** With the zero-excise tax hike 2025, we should expect GPM to slightly improve on decent price increases. Note that HMSP has raised prices of some of its brands YTD ie 2.5% for Marlboro Red, 2.4% for Sampoerna Kretek, 1.7% for A Mild, 0.3% for A Ultra Mild and 0.5% for Marlboro Filter. However, given the weakening purchasing power, we expect no price hikes going forward. We estimate GPM to slightly improve to 16% from 15.7% in 2024.
- **Zero-excise tax increase and soft price hike to support GPM improvement in 2Q25.** While 2Q historically should be the weakest quarter for tobacco players as the annual excise tax hike starts to kick in, we believe in 2Q25, GPM should see a slight improvement supported by a soft price hike and zero-excise tax increase. Additionally, sales volume should slightly improve as cigarette consumption normalises post fasting month. Therefore, we expect 2Q25 results to post QoQ and YoY growth.
- **No catalysts in sight.** In light of the factors mentioned above, we cut our 2025F-2026F earnings by 35.9% and 43.6%, resulting in our TP falling to IDR730.
- **Key risks to our call:** i) Tight competition, ii) cut in fuel subsidies, and iii) weak consumer purchasing power.

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(0.8)	9.6	8.6	(3.8)	(18.2)
Relative	(1.7)	(1.2)	3.6	(3.8)	(17.6)
52-wk Price low/high (IDR)					510 – 775



Source: Bloomberg

Forecasts and Valuation	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover (IDRb)	115,983	117,880	120,300	126,306	132,683
Recurring net profit (IDRb)	7,591	6,415	6,526	6,994	7,784
Recurring net profit growth (%)	21.5	(15.5)	1.7	7.2	11.3
Recurring P/E (x)	9.65	11.42	11.23	10.48	9.41
P/B (x)	2.5	2.6	2.6	2.5	2.5
P/CF (x)	9.02	8.40	9.06	9.77	8.68
Dividend Yield (%)	8.7	11.0	8.9	9.1	9.8
EV/EBITDA (x)	3.75	3.91	3.72	3.53	3.26
Return on average equity (%)	27.9	22.8	23.8	25.3	27.5
Net debt to equity (%)	net cash	net cash	net cash	net cash	net cash

Source: Company data, RHB

Overall ESG Score: 3.3 (out of 4)

E Score: 3.5 (EXCELLENT)

S Score: 3.0 (GOOD)

G Score: 3.0 (GOOD)

Please refer to the ESG analysis on the next page

Emissions And ESG

Trend analysis	Emissions (tCO2e)	Dec-22	Dec-23	Dec-24	Dec-25
In FY24, Scope 1 emissions decreased to 9,824 tCO2e from 12,591 tCO2e in 2023	Scope 1	11,630	12,591	9,824	na
	Scope 2	-	na	na	na
	Scope 3	na	na	na	na
	Total emissions	11,630	12,591	9,824	na

Source: Company data, RHB

Latest ESG-Related Developments

In 2024, HMSP achieved an energy consumption intensity of 5.44 GJ per million cigarettes (GJ/MioCig), marking a 5% reduction from the previous year. The company is on track to achieve carbon neutrality in its production facilities by 2025.

Although water intensity increased slightly from 0.0026 to 0.0028 megaliters per million cigarettes, HMSP has taken significant steps to improve water management. The company established a new wastewater treatment facility with a capacity of up to 600 cubic meters per day, enabling the recycling of up to 80% of wastewater into high-quality water.

In 2024, 92% of air conditioners in HMSP's offices utilised non-HCFC refrigerants, aligning with global environmental standards. Additionally, 100% of the electricity supply at its production facilities came from clean energy sources, including solar power and renewable energy certificates purchased from the State Electricity Company (PLN). All production facilities are ISO 45001 certified, ensuring a commitment to occupational health and safety.

ESG Unbundled

Overall ESG Score: 3.3 (out of 4)

Last Updated: 21 May 2025

E Score: 3.5 (EXCELLENT)

HMSP constantly reduces its carbon footprint across its entire operations, including shifting towards sustainable energy sources and making a strong commitment to reducing and recycling waste.

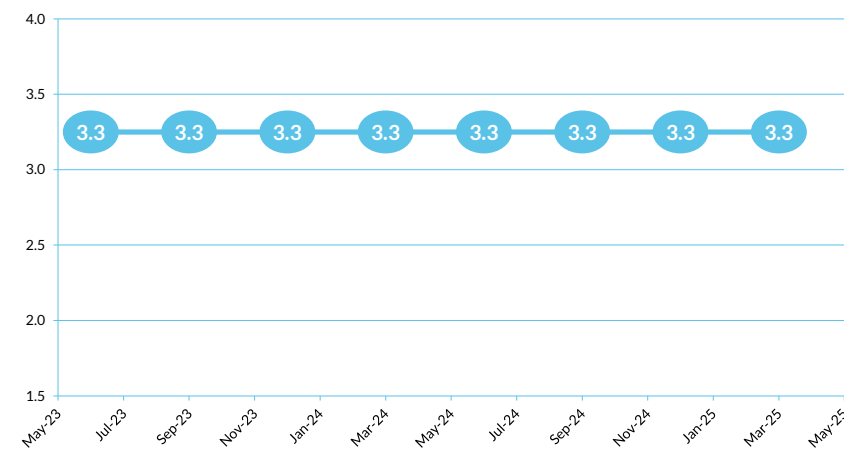
S Score: 3.0 (GOOD)

It ensures that the socio-economic wellbeing within the supply chain and communities it operates in remain intact, and promotes a healthy and fair working environment.

G Score: 3.0 (GOOD)

HMSP is committed to respecting human rights, and adhering to sustainable supply chain management and business integrity.

ESG Rating History



Source: RHB

Financial Exhibits

Asia	Financial summary (IDR)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Indonesia	Recurring EPS	65.26	55.15	56.11	60.13	66.92
Consumer Non-cyclical	DPS	54.70	69.30	56.13	57.34	61.64
Hanjaya Mandala Sampoerna	BVPS	257.05	244.04	245.27	249.59	256.71
HMSP IJ	Return on average equity (%)	27.9	22.8	23.8	25.3	27.5
Buy						
	Valuation metrics	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Valuation basis	Recurring P/E (x)	9.65	11.42	11.23	10.48	9.41
P/E	P/B (x)	2.5	2.6	2.6	2.5	2.5
	FCF Yield (%)	6.8	10.8	9.9	9.1	10.3
Key drivers	Dividend Yield (%)	8.7	11.0	8.9	9.1	9.8
i. Rising interest income;	EV/EBITDA (x)	3.75	3.91	3.72	3.53	3.26
ii. New products launched;	EV/EBIT (x)	7.82	9.16	8.82	8.20	7.27
iii. Stronger-than-expected consumer purchasing power.						
	Income statement (IDRb)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Key risks	Total turnover	115,983	117,880	120,300	126,306	132,683
i. Tight competition;	Gross profit	19,330	18,534	19,269	20,431	21,447
ii. Cut in fuel subsidies;	EBITDA	18,687	18,024	18,606	19,662	21,161
iii. Weak consumer purchasing power.	Depreciation and amortisation	(9,723)	(10,327)	(10,751)	(11,195)	(11,663)
	Operating profit	8,964	7,697	7,856	8,467	9,499
Company Profile	Net interest	699	681	669	669	669
Hanjaya Mandala Sampoerna has been a subsidiary of Philip Morris Indonesia and Philip Morris International (PMI) since 2005. PMI is a leading international tobacco company selling products in approximately 175 markets and employing approximately 79,800 people worldwide.	Pre-tax profit	10,311	8,686	8,869	9,523	10,602
	Taxation	(2,214)	(2,040)	(2,083)	(2,236)	(2,490)
	Reported net profit	8,097	6,646	6,786	7,286	8,112
	Recurring net profit	7,591	6,415	6,526	6,994	7,784
	Cash flow (IDRb)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
	Change in working capital	1,983	1,259	2,443	(798)	(876)
	Cash flow from operations	8,128	8,725	8,092	7,497	8,446
	Capex	(3,153)	(795)	(811)	(851)	(894)
	Cash flow from investing activities	(2,424)	(1,126)	(418)	(1,116)	(1,196)
	Dividends paid	(6,363)	(8,061)	(6,529)	(6,670)	(7,170)
	Cash flow from financing activities	(6,292)	(7,925)	(6,461)	(6,565)	(6,840)
	Cash at beginning of period	3,283	2,695	2,370	3,581	3,397
	Net change in cash	(588)	(326)	1,212	(184)	410
	Ending balance cash	2,695	2,370	3,581	3,397	3,807
	Balance sheet (IDRb)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
	Total cash and equivalents	2,750	2,370	3,581	3,397	3,807
	Tangible fixed assets	9,253	9,444	9,831	10,238	10,665
	Total investments	444	428	428	428	428
	Total assets	55,316	54,291	53,355	55,045	57,505
	Total liabilities	25,446	25,934	24,855	26,043	27,674
	Total equity	29,870	28,356	28,500	29,002	29,831
	Total liabilities & equity	55,316	54,291	53,355	55,045	57,505
	Key metrics	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
	Revenue growth (%)	4.3	1.6	2.1	5.0	5.0
	Recurrent EPS growth (%)	21.5	(15.5)	1.7	7.2	11.3
	Gross margin (%)	16.7	15.7	16.0	16.2	16.2
	Operating EBITDA margin (%)	16.1	15.3	15.5	15.6	15.9
	Net profit margin (%)	7.0	5.6	5.6	5.8	6.1
	Dividend payout ratio (%)	78.6	121.3	96.2	91.5	88.4
	Capex/sales (%)	2.7	0.7	0.7	0.7	0.7
	Interest cover (x)	215	195	151	162	182

Source: Company data, RHB

22 May 2025

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Figure 1: Changes to earnings estimates

	New			Old			New/old (%)		
	2025F	2026F	2027F	2025F	2026F	2027F	2025F	2026F	2027F
Income statement (IDRbn)									
Total turnover	120,300	126,306	-	132,596	142,831	-	(9.3)	(11.6)	-
Gross profit	19,269	20,431	-	23,760	27,333	-	(18.9)	(25.3)	-
EBIT	7,856	8,467	-	12,131	14,994	-	(35.2)	(43.5)	-
Net Profit	6,786	7,286	-	10,581	12,916	-	(35.9)	(43.6)	-
Key metrics									
Revenue growth (%)	2.1	5.0	-	12.5	7.7	-			
Gross margin (%)	16.0	16.2	-	17.9	19.1	-			
EBIT margin (%)	6.5	6.7	-	9.1	10.5	-			
Net profit margin (%)	5.6	5.8	-	8.0	9.0	-			

Source: Company data, RHB

Figure 2: RHB vs Street estimates

	RHB			Street			RHB/Street (%)		
	2025F	2026F	2027F	2025F	2026F	2027F	2025F	2026F	2027F
Income statement (IDRbn)									
Total turnover	120,300	126,306	-	119,729	126,612	-	100.5	99.8	-
Gross profit	19,269	20,431	-	20,634	22,472	-	93.4	90.9	-
EBIT	7,856	8,467	-	9,121	10,820	-	86.1	78.3	-
Net profit	6,786	7,286	-	7,735	8,857	-	87.7	82.3	-

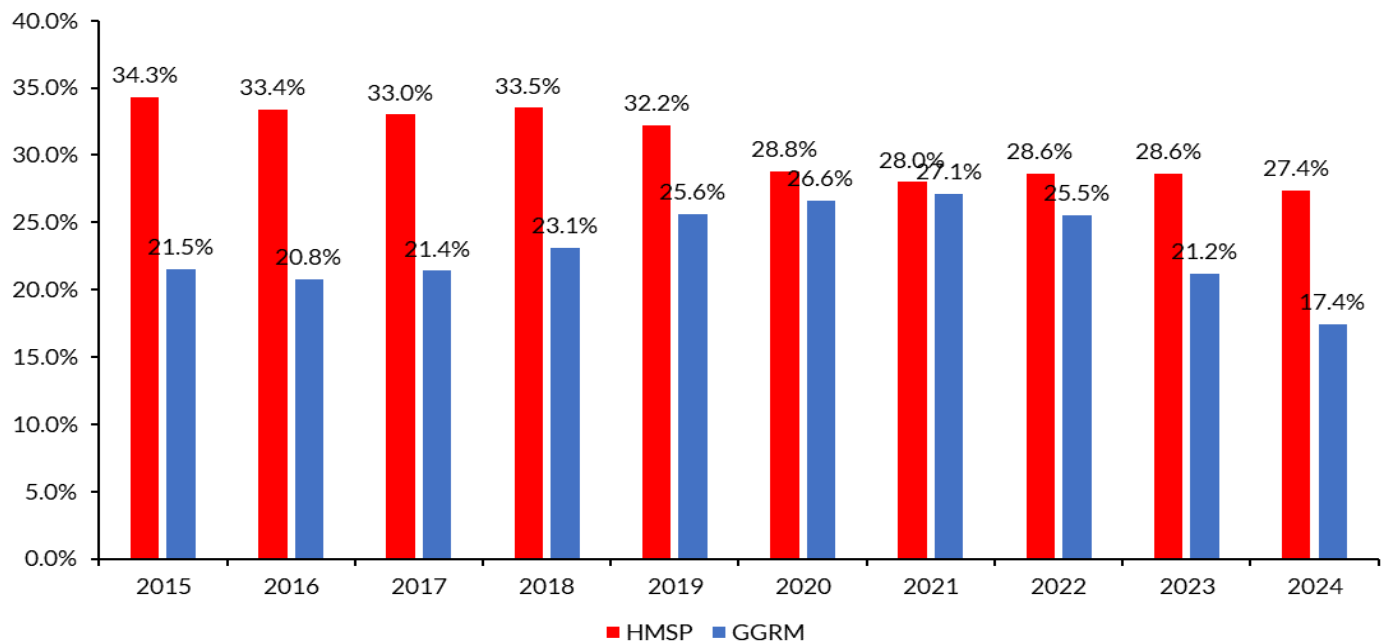
Source: Company data, Bloomberg, RHB

Figure 3: Peer comparison

Company	Ticker	Market cap (USDm)	P/E (x)	
			2025F	2026F
Hanjaya Mandala Sampoerna	HMSP IJ	4,469	9.5	8.6
Gudang Garam	GGRM IJ	1,182	8.9	7.8
Wismilak	WIIM IJ	113	5.5	4.3
Global weighted average		5,764	9.3	8.4

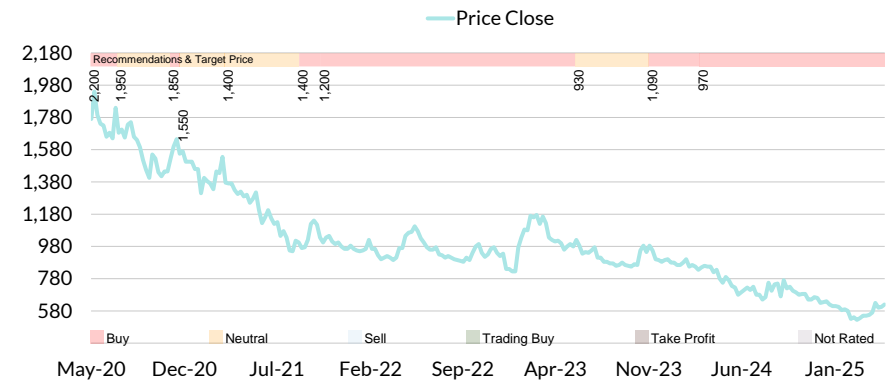
Source: Bloomberg, RHB

Figure 4: HMSP's vs GGRM's market share (2015-2024)



Source: Company data, RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2024-03-18	Buy	970	835
2024-01-04	Buy	1,090	900
2023-11-22	Buy	1,090	950
2023-10-31	Neutral	930	910
2023-06-06	Neutral	930	995
2021-10-31	Buy	1,200	1,035
2021-09-12	Buy	1,400	1,005
2021-04-29	Neutral	1,400	1,310
2021-03-24	Neutral	1,400	1,375
2020-12-11	Neutral	1,550	1,555
2020-11-19	Buy	1,850	1,560
2020-07-24	Neutral	1,950	1,685
2020-07-22	Neutral	1,950	1,780
2020-04-22	Buy	2,200	1,575
2020-03-31	Buy	2,200	1,425

Source: RHB, Bloomberg

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Analyst	Company
-	-

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