

### Indonesia 2Q17 cigarette market data

According to Phillip Morris International, Indonesia total cigarette market saw a decrease of 8.8% YoY to 146.6bn units in 1H17, while HMSP recorded volumes of 48.2bn units (-10.2% YoY). For 2Q17 alone, HMSP's volume was at 24.8bn sticks (-13.1% YoY; +6% QoQ) while the industry saw a mixed growth of -11.6% YoY or 6.6% QoQ to 75.7bn units.

For the overall industry, the shifting from hand-rolled kretek (SKT) to machine-rolled kretek (SKM) has continued. In 2Q17, SKM dominated the industry with 77.1% of total market (+80bps from 1Q17) which was contributed from the declining share of SKT segment.

HMSP's 2Q17 market share stood at 32.8%, still showing further decline from 33% from the previous quarter. This then translated to 1H17 market share at 32.9% (-50bps from 1H16). While Sampoerna A and Dji Sam Soe showed slightly better performances in 2Q17 (both gained 0.1% from 1Q17), Sampoerna U showed the opposite. Sampoerna U recorded market share of 4.7% in 2Q17, down by 30bps from 1Q17.

**Our view: We maintain our NEUTRAL outlook for the tobacco sector on the back of weaker than expected volume. The decline in both industry and HMSP's volume were expected to be on several factors: the weak purchasing power conditions, the cigarettes-discouraging Ramadhan festive to the impact from excise driven ASP increases. Currently, we assume the industry volume to be flat for full year, while a 1% - 2% decline will be seen in HMSP's volume. For now, we recommend to wait and see for HMSP considering the weaker than expected volume, while waiting for its 1H17 earnings release.**

### Wilbert

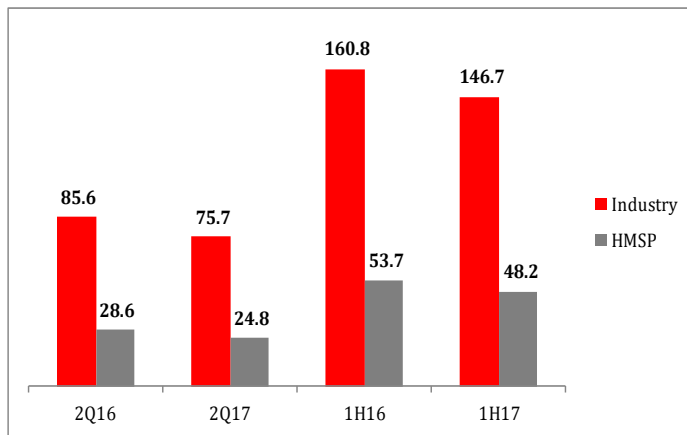
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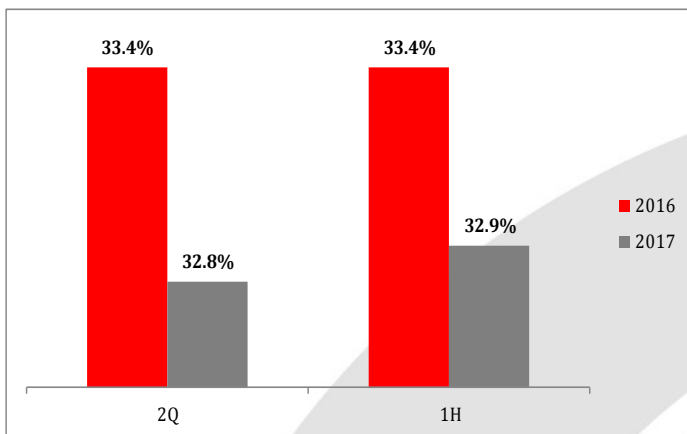


## Industry and HMSP volume



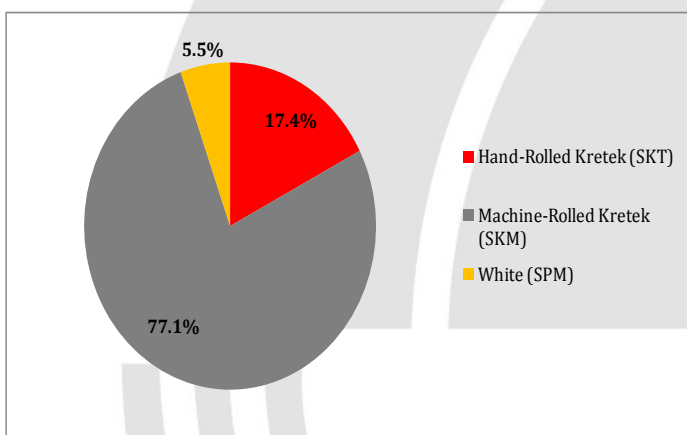
Source: PMI, Sinarmas Investment Research

## HMSP Market Share



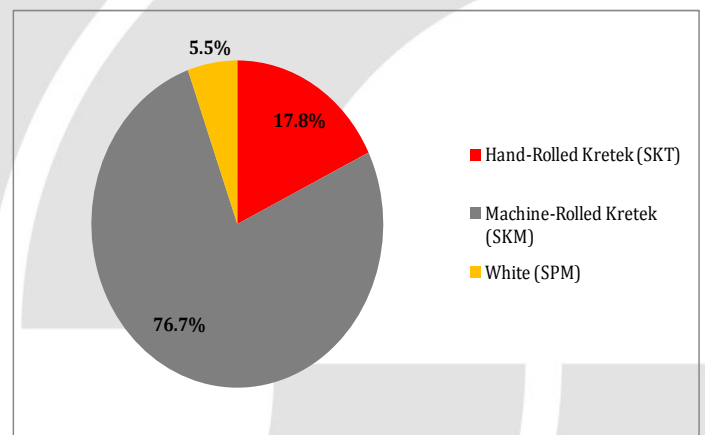
Source: PMI, Sinarmas Investment Research

## Cigarette segmentation data (2Q17)



Source: PMI, Sinarmas Investment Research

## Cigarette segmentation data (1H17)



Source: PMI, Sinarmas Investment Research

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