



PT HM SAMPOERNA Tbk.

# Public Expose

Jakarta

July 29, 2024

# Forward-Looking and Cautionary Statements

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- HMS’ business risks include: excise tax increases and discriminatory tax structures; increasing marketing and regulatory restrictions that could reduce our competitiveness, eliminate our ability to communicate with adult consumers, or ban certain of our products in certain markets or countries; health concerns relating to the use of tobacco and other nicotine-containing products and exposure to environmental tobacco smoke; litigation related to tobacco use and intellectual property; intense competition; the effects of global and individual country economic, regulatory and political developments, natural disasters and conflicts; the impact and consequences of Russia's invasion of Ukraine; changes in adult smoker behavior; the impact of COVID-19 on HMS’ business; lost revenues as a result of counterfeiting, contraband and cross-border purchases; governmental investigations; unfavorable currency exchange rates and currency devaluations, and limitations on the ability to repatriate funds; adverse changes in applicable corporate tax laws; adverse changes in the cost, availability, and quality of tobacco and other agricultural products and raw materials, as well as components and materials for our electronic devices; and the integrity of its information systems and effectiveness of its data privacy policies. HMS’ future profitability may also be adversely affected should it be unsuccessful in its attempts to produce and commercialize reduced-risk products or if regulation or taxation do not differentiate between such products and cigarettes; if it is unable to successfully introduce new products, promote brand equity, enter new markets or improve its margins through increased prices and productivity gains; if it is unable to expand its brand portfolio internally or through acquisitions and the development of strategic business relationships; if it is unable to attract and retain the best global talent, including women or diverse candidates; or if it is unable to successfully integrate and realize the expected benefits from recent transactions and acquisitions. Future results are also subject to the lower predictability of our reduced-risk product category's performance.
- HMS cautions that the foregoing list of important factors is not a complete discussion of all potential risks and uncertainties. HMS does not undertake to update any forward-looking statement that it may make from time to time, except in the normal course of its public disclosure obligations.



  
Pesta Rakyat  
**UMKM**  
untuk  
**Indonesia**  
KOLABORASI  
 | 

22 July 2024

Konsisten Mendukung UMKM,  
Memperkuat Pengembangan SDM  
dan Ekonomi Kerakyatan,  
bagi Indonesia Maju!

Senin, 22 Juli 2024 Assembly Hall, Jakarta Convention Center



**#SelarasMenembusBatas**

**#BanggaSampoerna**





# Agenda

External Environment

Sampoerna Business Performance,  
Strategy and Initiatives

Sampoerna Untuk Indonesia

Wrap up



# Agenda

## External Environment

Sampoerna Business Performance,  
Strategy and Initiatives

Sampoerna Untuk Indonesia

Wrap up

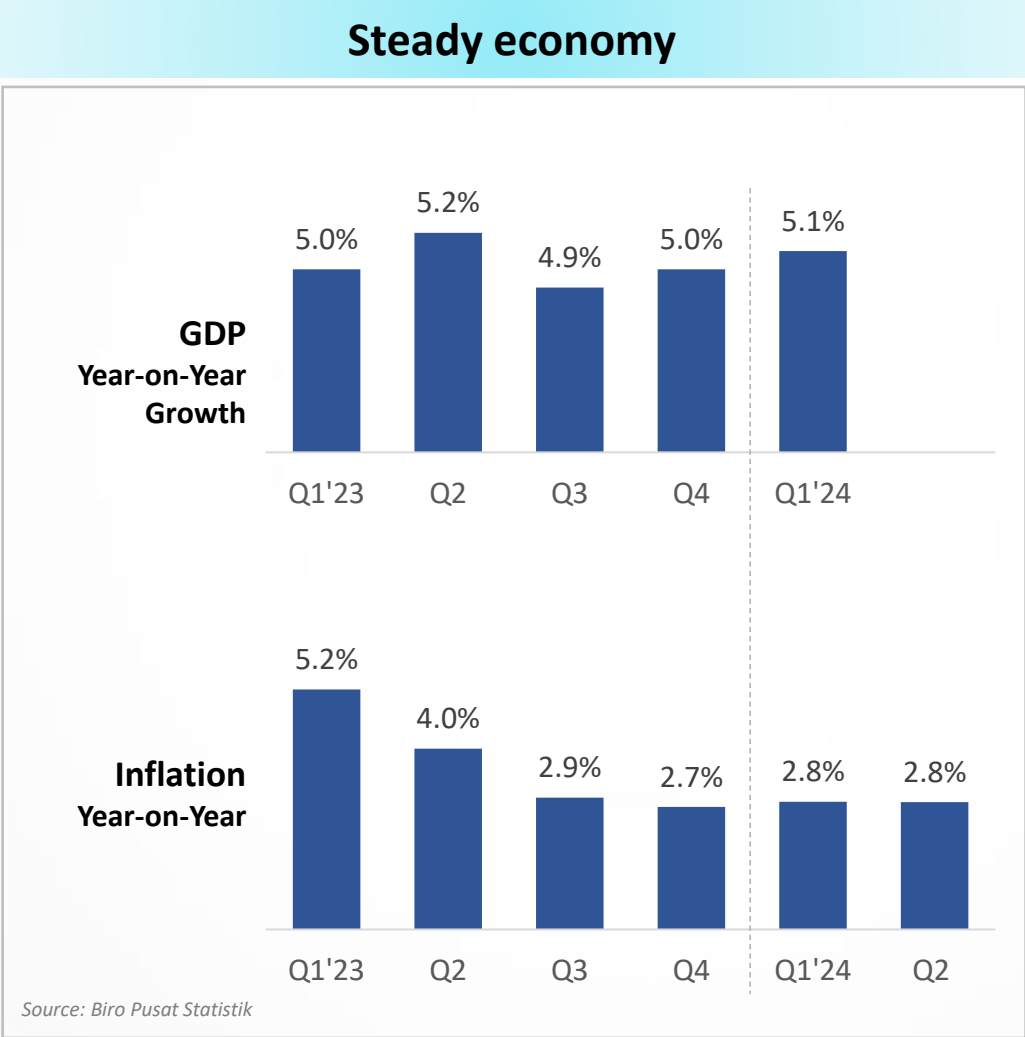
# Steady economic growth in the shadow of **weakening purchasing power**



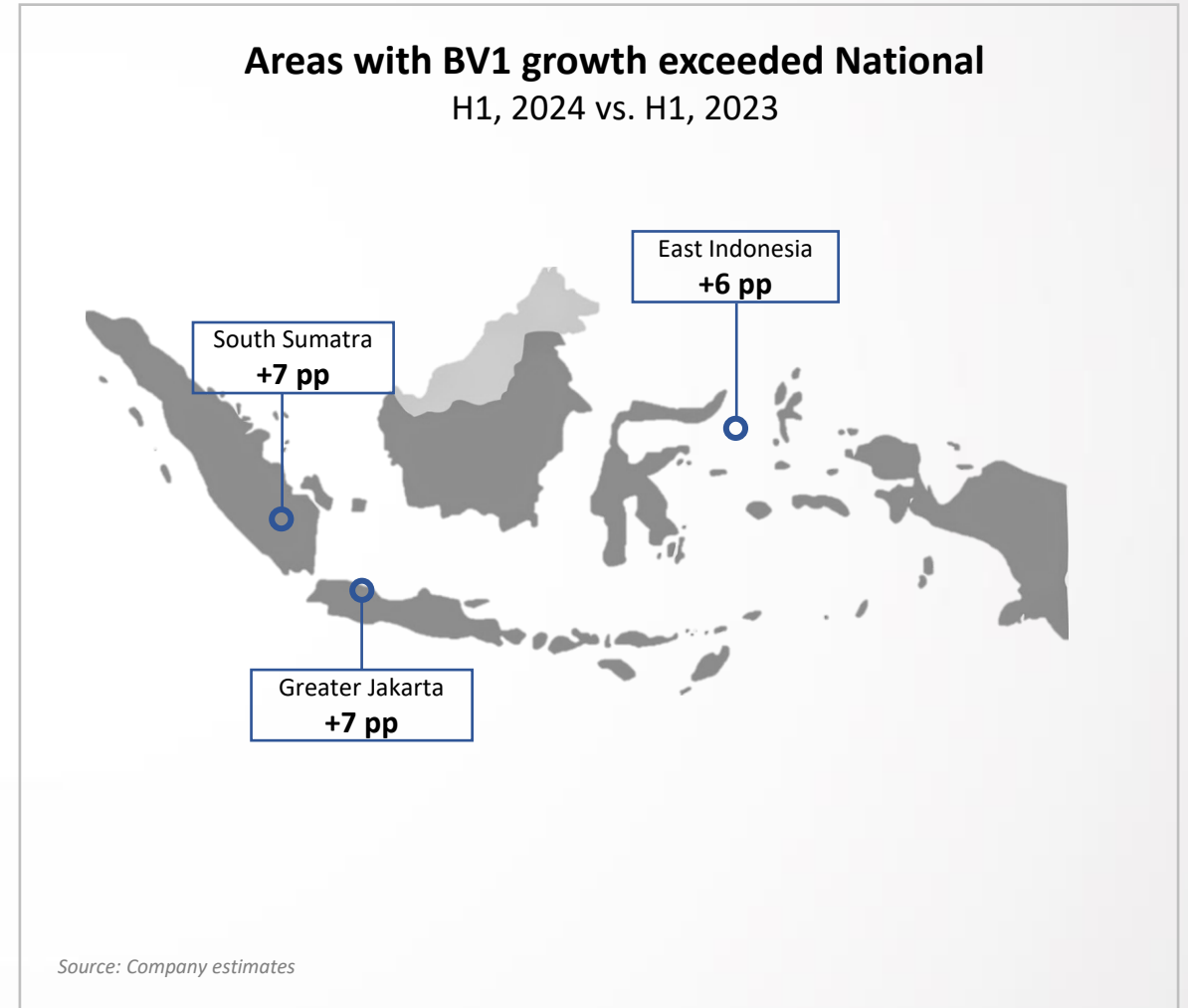
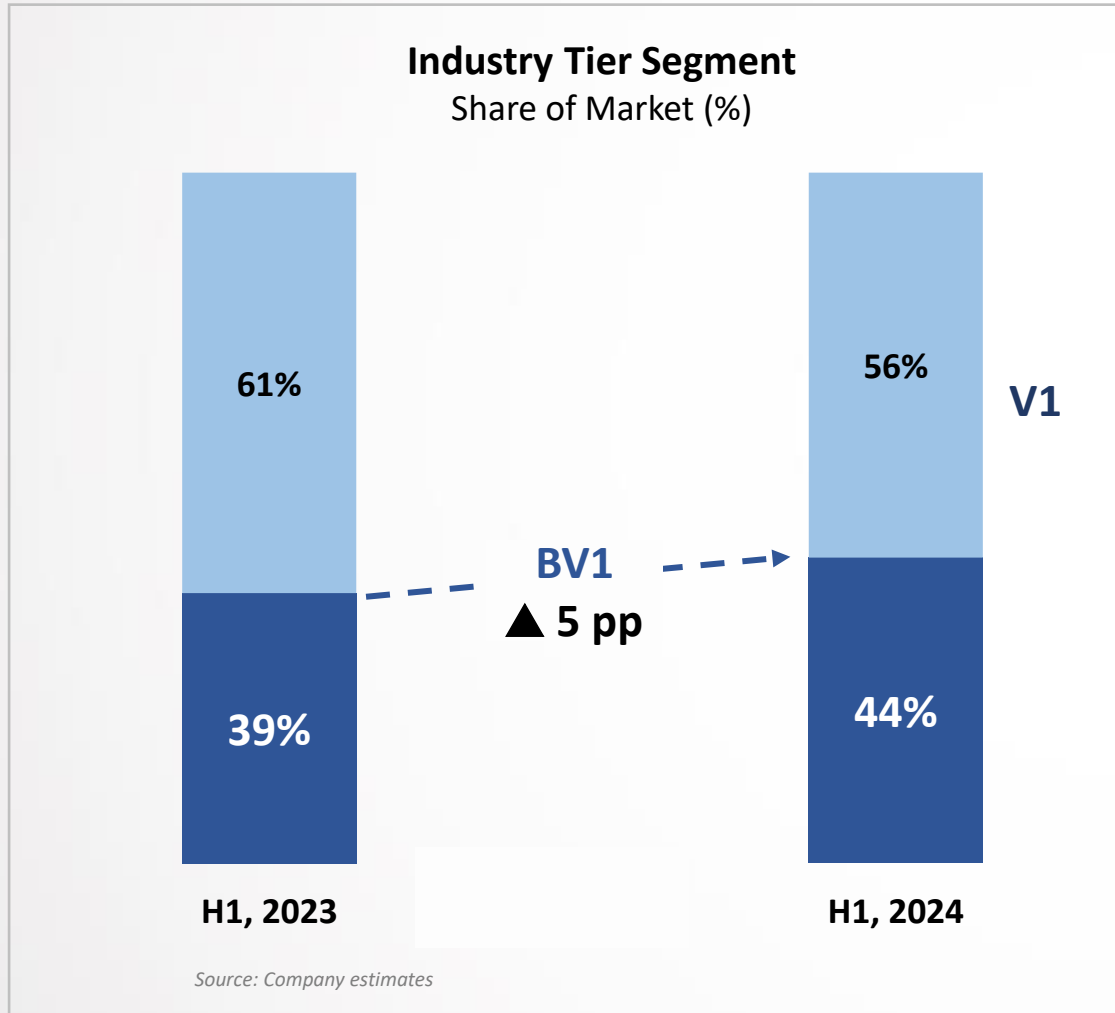
**WORLD BANK GROUP**

**Steady growth with downside risks from global economy**

Source: World Bank, Indonesia Economic Prospects, June 2024



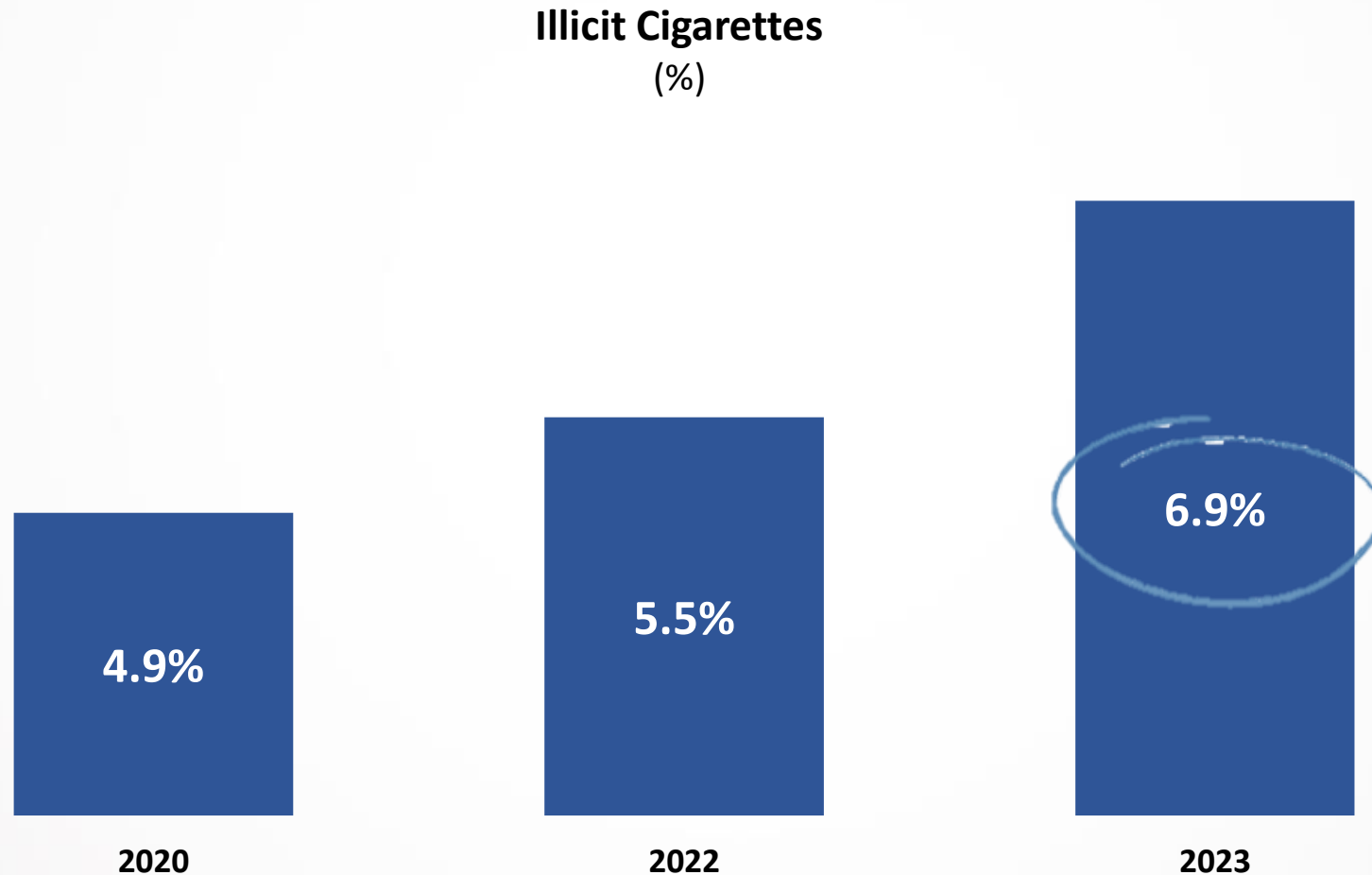
# Tobacco industry is impacted by **downtrading**



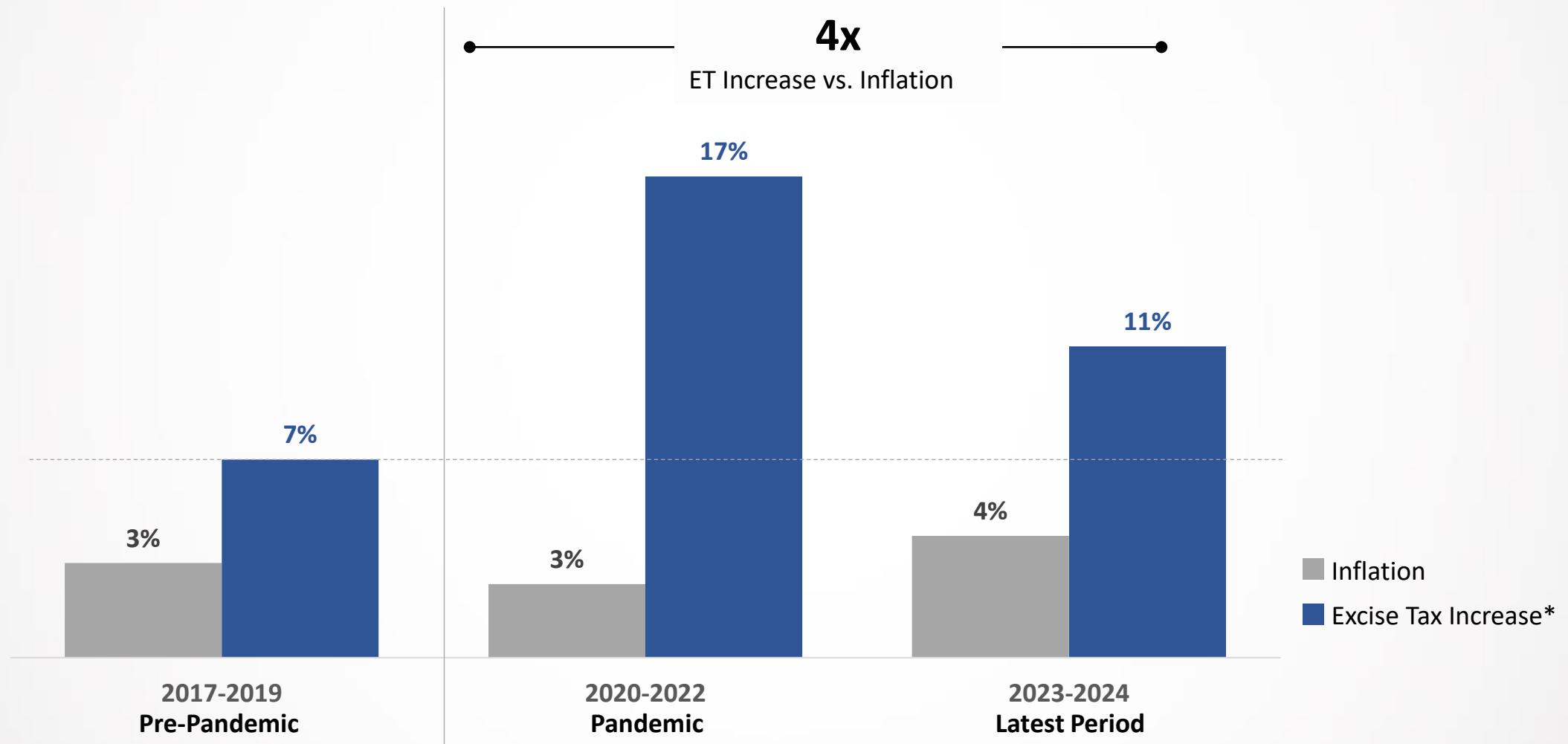
Note:  
“V1” stands for Volume Tax Tier 1 defined as annual production volume per cigarette category of more than 3 billion units (for Machine-made kretek or SKM and Machine-made White or SPM) and 2 billion units (for Hand-rolled Kretek or SKT) for total company and affiliated companies  
“BV1 or Below-V1” stands for Below-Volume Tier 1 defined as annual production volume per cigarette category of less than 3 billion units (for Machine-made kretek or SKM and Machine-made White or SPM) and 2 billion units (for Hand-rolled Kretek or SKT) for total company and affiliated companies



..and **illicit cigarettes** have increased almost 50% since 2020

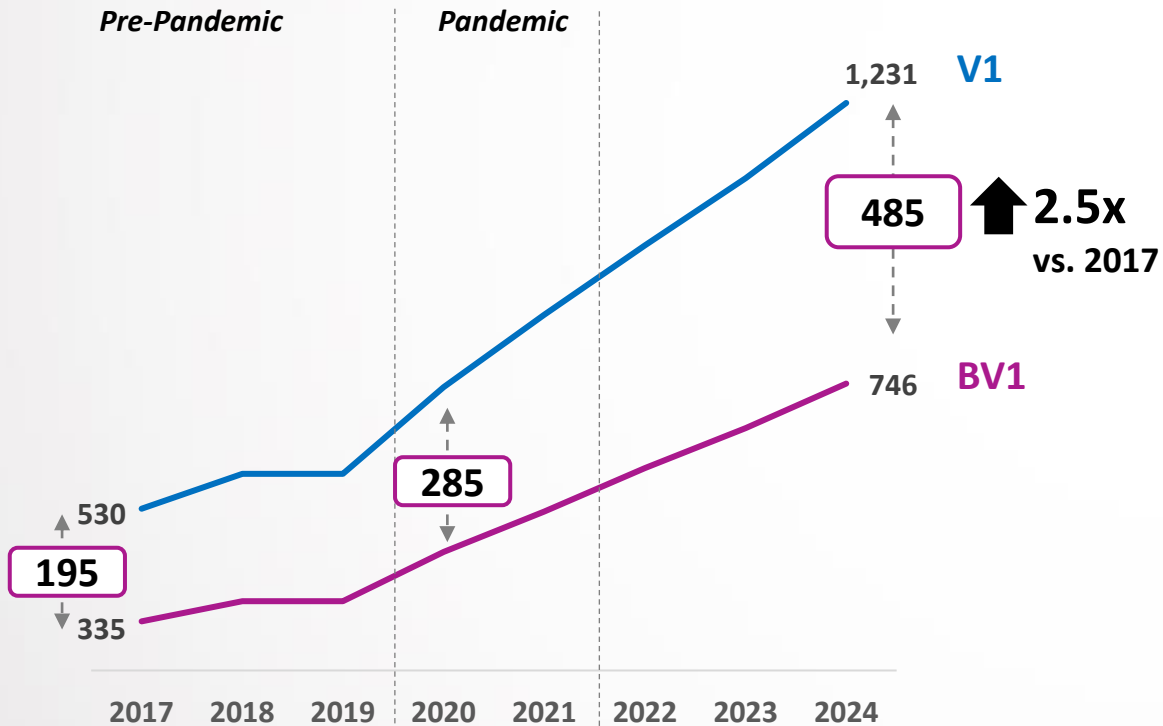


... impacted by **double-digit excise tax increases** beyond inflation



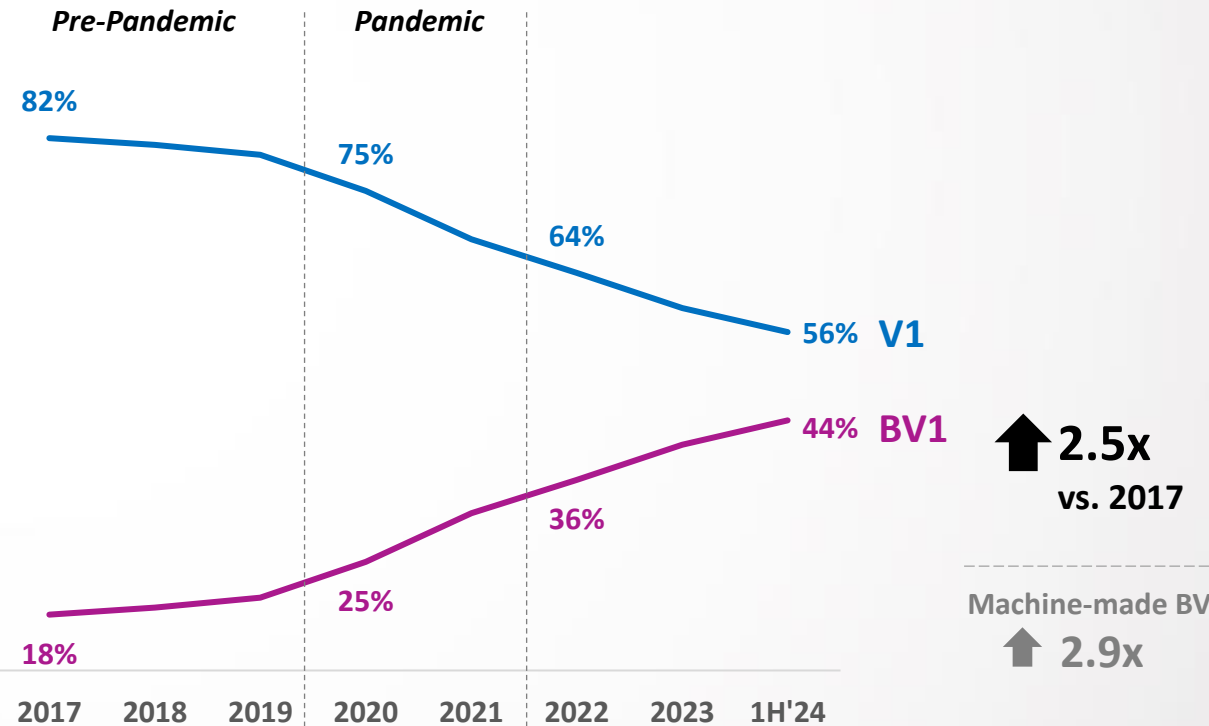
# ..and **widening excise tax gap** between Volume Tier 1 (V1) and Below Volume Tier 1 (BV1) segments

**Excise Tax Rate SKM**  
(IDR/stick)



Source: Ministry of Finance Regulations on Tobacco Excise Tax Rate

**Industry Tier Segment**  
Share of Market (%)



Source: Company estimates



# Agenda

External Environment

**Sampoerna Business Performance,  
Strategy and Initiatives**

Sampoerna Untuk Indonesia

Wrap up

**Sampoerna #1 player** in the Indonesian tobacco industry with 27% share of market in H1 2024; however performance was unfavorably impacted by industry dynamics

	<u>H1, 2024</u>	<u>Variance Year-on-Year</u>
Volume <i>(Billion units)</i>	<b>39.9</b>	<b>-3%</b>
Net Revenues <i>(IDR Trillion)</i>	<b>57.8</b>	<b>+3.0%</b>
Net Profit <i>(IDR Trillion)</i>	<b>3.3</b>	<b>-11.6%</b>
Taxes* <i>(IDR Trillion)</i>	<b>40.0</b>	<b>-8.2%</b>

# Key strategy and initiatives to drive growth

## Multi-category with solid portfolio across segment and continuous innovation

- Gaining share of segment in V1
  - Leading in machine-made kretek low tar (SKM LT) and machine-made white (SPM) cigarette segments
  - Expanding in machine-made kretek high tar (SKM HT) cigarette segment
  - Growing labor-intensive hand-rolled kretek (SKT) cigarette segment
- Accelerating our smoke-free product journey

## Strong route to market powered by digital

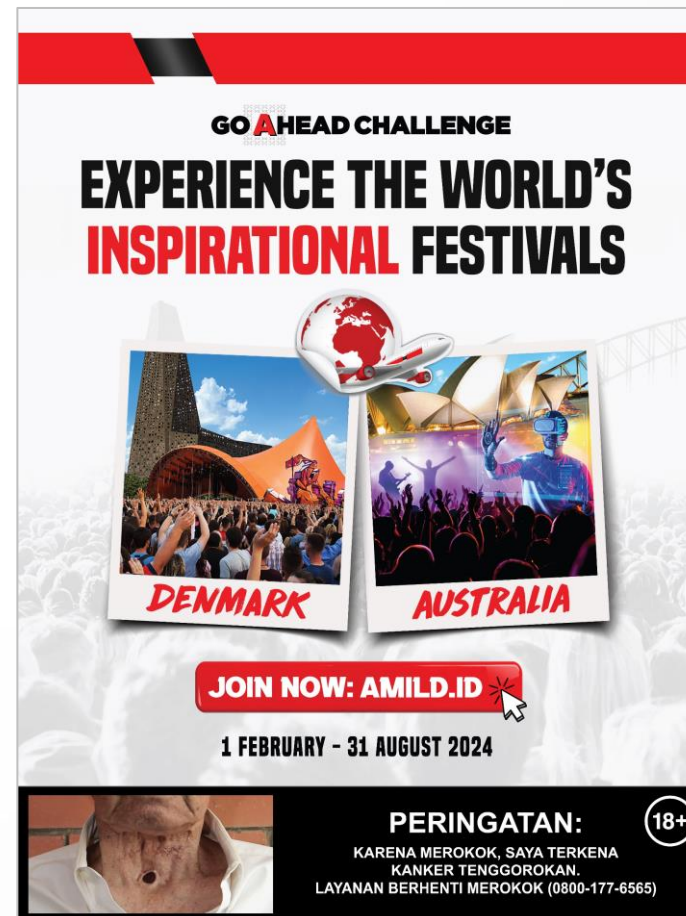
# Leading in SKM LT and SPM segments

## Driving equity in machine-made portfolio

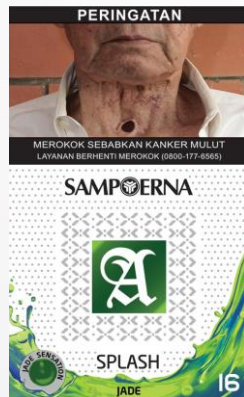
### Campaign



### Activation



### Portfolio



New Product Launch

June 2024

# Expanding in SKM HT segment

## Campaign



## Activation





Growing labor-intensive SKT segment  
Leading in SKT with our heritage brand



**PERINGATAN:**  
KARENA MEROKOK, SAYA TERKENA KANKER TENGGOROKAN. LAYANAN BERHENTI MEROKOK (0800-177-6565)



# Growing labor-intensive SKT segment

## Portfolio

### New SKT products



## Campaign

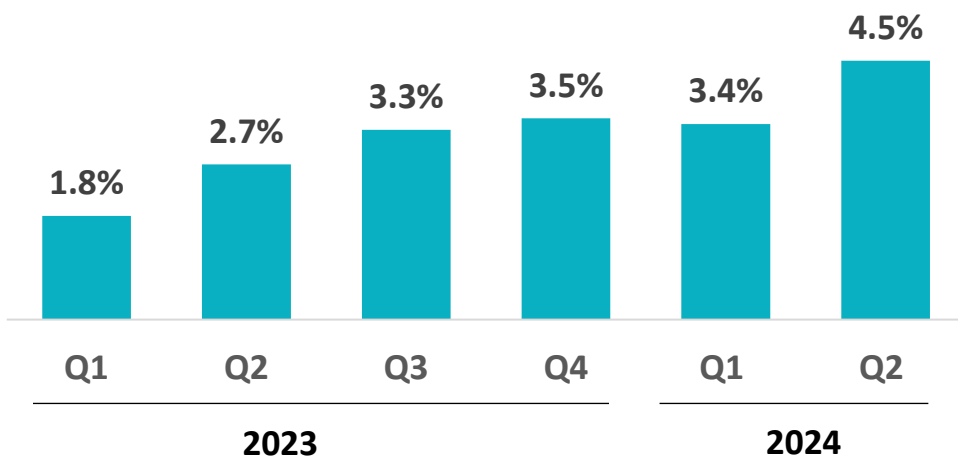


# Delivering smoke-free products growth through innovation and expansion

- Expanded commercialization to targeted areas in new cities
- Over 200,000 estimated IQOS legal age users (18+)
- Strong underlying momentum in Urban Jakarta



Share of Market in Urban Jakarta



Source: Company estimates. Note: Urban Jakarta represents West, Central and South Jakarta which include an estimated 1.5 million Legal Age Nicotine Users

Note: IQOS legal age users (18+) as of Q2'2024

These material are not intended for marketing or commercial communication



# Our Smoke-free Products journey : *Terea with Clove*

**NEW**

## TEREA EDITION

Diproduksi oleh **SAMPORNA**

### Kejutan penuh rasa dengan cengkeh Indonesia.

Curious? Discover more on [IQOS.COM](https://www.iqos.com)

**IQOS**  
STAY CURIOUS

Jangan gunakan IQOS ILUMA™ dan sika TEREATM dengan perangkat IQOS generasi sebelumnya, hal ini dapat menyebabkan kerusakan pada perangkat Anda. Jangan merokok atau membongkar sika TEREATM. Perapat sika tetap di dalam produk yang dapat menyebabkan cedera jika tertelan. Jauhkan dari jangkauan anak-anak. Informasi lebih lanjut kunjungi [IQOS.com](https://www.iqos.com)

**18+** Produk ini tidak bebas risiko dan mengandung nikotin yang menyebabkan ketergantungan. Hanya diperuntukkan bagi pengguna dewasa (18+).

New offerings (Feb'24)		NEW		
<p><b>GOLDEN EDITION</b> Mellow &amp; Warm Sensasi tembakau halus dengan cengkeh Indonesia. Aroma note: Plum</p>	<p><b>EMERALD EDITION</b> Fresh Sensasi tembakau fresh dengan cengkeh Indonesia. Aroma note: Green Apple</p>	<p><b>MULINT EDITION</b> Cooling &amp; Fruity Sensasi tembakau cooling &amp; fruity dengan cengkeh Indonesia. Aroma note: Mulberry</p>	<p><b>AUBURN EDITION</b> Balanced &amp; Fruity Sensasi tembakau balanced &amp; fruity dengan cengkeh Indonesia. Aroma note: Vanilla &amp; Apricot</p>	<p><b>BERRINE EDITION</b> Cooling &amp; Floral Sensasi tembakau cooling &amp; floral dengan cengkeh Indonesia. Aroma note: Floral with Pear</p>

**18+** Produk ini tidak bebas risiko dan mengandung nikotin yang menyebabkan ketergantungan. Hanya diperuntukkan bagi pengguna dewasa (18+).

# Our Smoke-free Products journey : **continuous innovation**

## Capsule Innovation

**NEW**  
**TEREA OASIS PEARL**  
Sensasi tembakau fresh dengan kapsul rasa buah tropis.  
Curious? Discover more on [IQOS.COM](http://IQOS.COM)

**NEW**  
**TEREA SUN PEARL**  
Sensasi tembakau dengan kapsul rasa buah eksotis.  
Curious? Discover more on [IQOS.COM](http://IQOS.COM)  
**IQOS**  
STAY CURIOUS

**18+** Produk ini tidak bebas risiko dan mengandung nikotin yang menyebabkan ketergantungan.

**18+** Produk ini tidak bebas risiko dan mengandung nikotin yang menyebabkan ketergantungan. Hanya diperuntukkan bagi pengguna dewasa (18+).

**18+** Produk ini tidak bebas risiko dan mengandung nikotin yang menyebabkan ketergantungan. Hanya diperuntukkan bagi pengguna dewasa (18+).

## New Segment Offering

**VEEV one**  
POD SYSTEM

**NEW**

**VEEV now**  
DISPOSABLE

**VEEV**

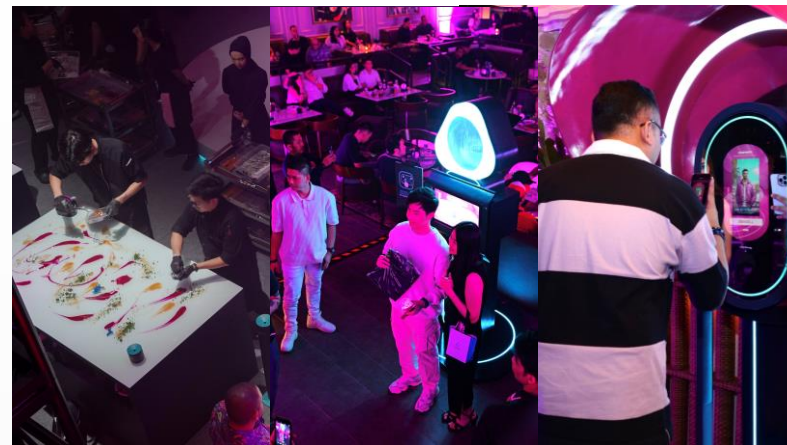
VAPING MADE RIGHT<sup>™</sup>

SAMPORNA

\*Right in quality

**18+** Produk ini tidak bebas risiko dan mengandung nikotin yang menyebabkan ketergantungan. Hanya diperuntukkan bagi pengguna dewasa (18+).

## TEREA Pearl Launch



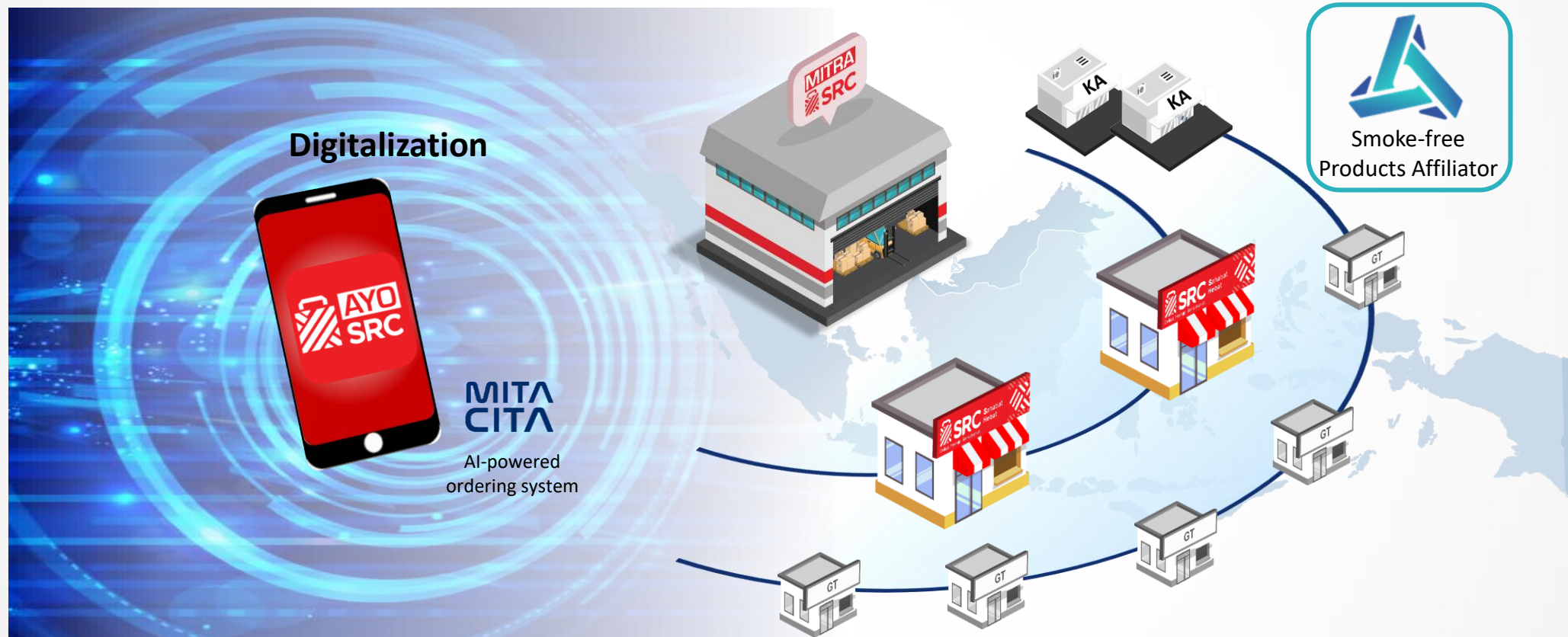


Partners with  
hundreds of local  
entrepreneurs



*These material are not intended for marketing or commercial communication*

# Strong **route to market** engines for multcategory, powered by digital ecosystem, with capable and energized commercial forces



Capable and Energized Commercial Forces as the Foundation



# Agenda

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**Sampoerna Untuk Indonesia**

Wrap up





SAMPOERNA  
untuk Indonesia

One of the public listed companies with **biggest employees** in Indonesia

**Multiplier effect** to hundreds of thousand employment through our indirect employment

# Sustainability at the core of Sampoerna



## Environmental

- Energy efficiency and emission reduction
- Water management
- Waste management

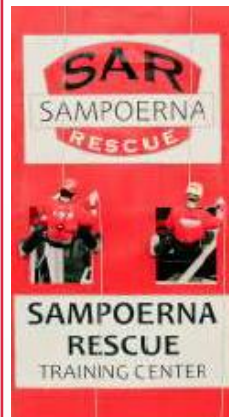


Inauguration 10,550 ground-mounted solar panels in Sukorejo Plant, 2023



## Social

- Sales, marketing, and adult consumers communications
- Product innovation for better alternative
- Socioeconomic well-being in our supply chain and communities
- Healthy and fair working environment



Dilarang mempromosikan dan menjual produk tembakau kepada anak di bawah usia 18 tahun



✓ Sesuai Peraturan Pemerintah No. 109/2012: Dilarang menjual dan mempromosikan produk tembakau kepada anak di bawah usia 18 tahun.

✓ Apabila ragu dengan usia konsumen yang menanyakan tentang atau ingin membeli produk tembakau, minta konsumen untuk menunjukkan KTP / SIM yang berlaku.



## Governance

- Business integrity
- Sustainable supply chain management
- Respect for human rights





## Youth Smoking Prevention Program

Providing information and material on preventing access to tobacco and nicotine products to children

covering

**1.5 million**

retail partners and points of sales across Indonesia



## Partnership with Tobacco and Clove Farmers with Good Agricultural Practice (GAP) Standards

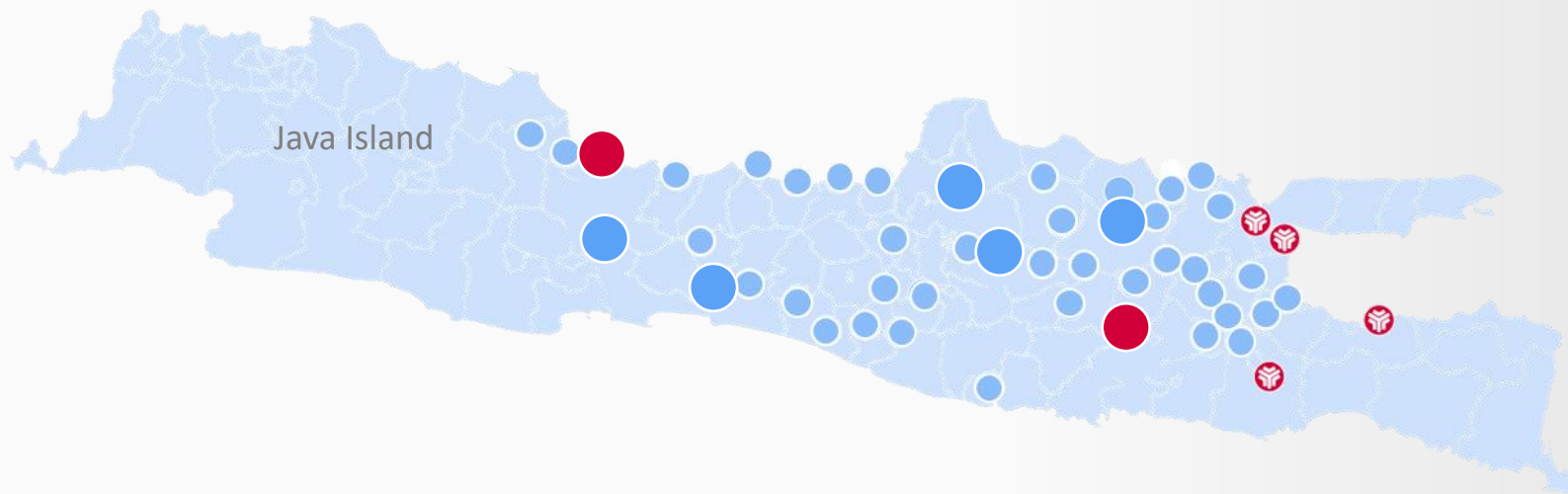
Child labor prevention, promoting safety in farm, waste bank, forest compensation

**>22,000 farmers**

# New SKT facilities in 2024 adding thousands of employment

**+5** Partnership with Local Entrepreneurs ●  
(as of June 2024)

**+2** Owned SKT Facilities ●  
(+1 facility in H1, 2024, +1 facility in H2, 2024\*)



**Total Employees >90,000**  
~90% in SKT facilities  
(direct and indirect)



\*PT HM Sampoerna Tbk.'s announcement November 2023

Note: total employees as of June 2024; direct employees of 20,578 (PT HM Sampoerna Tbk. Financial Statements for the period ended June 2024)

# Continuously supporting MSMEs for Indonesia



Sampoerna Retail Community

**>250,000**  
SRC Stores

**>6,300**  
Mitra SRC

## Impact for Indonesia

IDR **236** Trillion/year  
SRC Store Revenue

**11.36%**  
of GDP Retail Sector<sup>1)</sup>

## Impact on Local business

**+42%** Stores revenue

**77%** Stores have additional businesses

**90%** Stores have implemented digitalization

## Impact on Community

MSME product revenue at SRC "Pojoek Lokal"

IDR **5.65** Trillion/year  
**40%** higher vs. non-SRC stores

**51%** Stores have absorbed employment

Source: SRC Impact for Indonesia (2023) from Kompas Gramedia (KG) Media's Research. Note: <sup>1)</sup> GDP Retail Sector (Wholesale and Retail Trade, Non-Cars and Bicycles) in 2022: IDR2,077.43 Trillion



Sampoerna Entrepreneurship Training Center

**>72,000**  
Training participants

**>100** Cities/ regencies  
Training coverage





# Investment in Smoke-free Products Facilities

## January 2023

Inaugurated the **smoke-free products production facility** in Karawang, West Java for **domestic** and **export market**

## Q3 2023

**R&D Laboratory** facilities specifically for smoke-free products, creating highly specialized skilled employments

Total investment in smoke-free products  
~**USD 300 million**  
(up to 2023)

# Substantial footprint across the value chain and continuous investments in Indonesia inline with country's priority to enhance downstreaming

Period as of June 2024

## Owned Facilities

**6** hand-rolled facilities (SKT)

**2** machine-made facilities (SKM)

**1** Smoke-free products facility and R&D laboratory

## Partnership with Local Entrepreneurs

**43**

**>90,000** Employees  
(Direct\* & Indirect)

**~USD 6.4** billion  
Total Investment  
(2005 – 2023)

**~30**  
Export Destination



# We are recognized through **awards and certifications**



## CORPORATE

LinkedIn Top Company

Fortune 100

Indonesia Corporate Reputation Awards 2023

Most Valuable Company 2023 (Times Indonesia)

Indonesia Living Legend Awards 2024

Perusahaan Rokok Terbaik (Bisnis Indonesia)

## MSME

The Best Social Value Program in Traditional Retail Shop

Best Indonesia Company with MSMEs Development Program

Korporasi Peduli Kapasitas dan Mutu UMKM

Best Impact in Local Empowerment of the Year (Mata Lokal)

## PEOPLE

Equal Salary Certified

Top Employer Award 2024

HR Excellence Award

## INNOVATION

The Value Creation Awards

ASEAN Enterprise Innovation Award

Anugerah Bapeten

## COMMERCIAL, BRAND & DIGITAL

Indonesia Top Digital PR Award 2024

Sales Team Team Champions 2023 (SWA)

Indonesia Customer Experience Champions 2023 (SWA)

Best Digital Campaign: Entrepreneurship (Mata Lokal)

## ENVIRONMENT

Waste4Change Award

East Java Governor Award (Environment Report)



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**Wrap up**

# Ensure sustainability of legal tobacco industry

Alignment with government's agenda to support optimalization of state revenue from excise while ensuring the protection of employment, the sustainability of legal tobacco industry players, and promote innovation in the industry

- **Multi-year** excise tax policy with **moderate excise tax increase** based on clear economic parameters (such as inflation rate) and considering adult consumers purchasing power
- Continue current policy direction to **safeguard the labor intensive SKT** segment
- **Address continuous downtrading trend** to ensure optimum excise revenue and sustainability across tobacco players
- **Excise policy based on risk-profile** to promote innovation in tobacco industry



## **Strong fundamentals** for long term value in Indonesia

- Respected Company with 111 years of presence
- Retaining leadership in Indonesia tobacco industry
- Multi-category with solid portfolio across segment and continuous innovation
- Strong route to market and substantial footprint

Under ‘Sampoerna Untuk Indonesia’, we will continue to thrive with sustainability at the core of our business, creating value for the betterment of Indonesia



PT HM SAMPOERNA Tbk.

# Public Expose

Jakarta

July 29, 2024