

PT. GUDANG GARAM Tbk.

HOLD

Investment Consideration

Sales Increased

- GGRM sales increased +5% YoY or +11% QoQ to IDR 32.4 trillion inline with an increase in total domestic cigarette sales of +6.6% in 2Q2022. For 1H2022, GGRM booked +2% sales growth to IDR 61.6 trillion.
- GGRM's export sales increased +4.2% YoY or +27% QoQ to IDR 441 billion after a decrease in 1Q2022. GGRM's domestic sales also increased +5% YoY or +10% QoQ to IDR 31.9 trillion in 2Q2022.
- Machine-made clove cigarettes sales increased +5% YoY or +11.7% QoQ to IDR 29.8 trillion, hand-rolled clove cigarettes sales also increased +5% YoY or +4.2% QoQ to IDR 2.13 trillion in 2Q2022.
- With better-than-expected GGRM sales in 2Q2022, we expect GGRM will maintain positive sales growth of 9.5% YoY to IDR 136.8 trillion.

2Q2022 Results: But bottom line was a loss

- Despite positive sales growth, GGRM booked a loss in 2Q2022 of IDR -122 billion after a net profit of IDR 1 trillion in 1Q2022. For 1H2022, GGRM still booked a net profit of IDR 955 billion, but that's a drop of -59% YoY.
- The margins continued to decline in 2Q2022, with a negative NPM of -0,4%, and decreased to 1.5% in 1H2022.
- Operating expenses continue to increase +2% YoY to IDR 1.94 trillion, resulting in an operating loss of IDR -72 billion with a negative OPM of -0.2% in 2Q2022.
- The excise/sales ratio also become bigger at 93% in 2Q2022, while in 1H2022 it reached 82.2% compared to 75.6% 1H2021. This resulted in an increase of GGRM's cost of sales, +17% YoY and a drop in gross profit of -29% YoY or -43% QoQ to IDR 1.86 trillion, inline with a lower gross profit margin of 5.8% from 11.2% in 1Q2022.
- With the lower-than-expected GGRM bottom line profit, we revise down our GGRM 2022F bottom line profit target to IDR 2.9 trillion or a -47% decrease.

Valuation: HOLD, TP 29,530

- We are targeting GGRM to trade at a 17X PE within a year. Target Price is IDR 29,530 which represents 16% upside. We maintained our recommendation to hold.

Financial Highlights	2018A	2019A	2020A	2021A	2022F	2023F
Sales (In IDR Bn)	95.707	110.524	114.477	124.881	136.794	150.005
Net Profit (In IDR Bn)	7.791	10.881	7.648	5.605	2.955	3.240
EPS (IDR)	4.049	5.655	3.975	2.913	1.536	1.684
GPM (%)	19,5%	20,6%	15,2%	11,4%	9,0%	9,0%
OPM (%)	11,7%	13,6%	8,8%	5,9%	3,0%	3,0%
NPM (%)	8,1%	9,8%	6,7%	4,5%	2,2%	2,2%
Net debt/ equity (x)	0,4	0,3	0,1	0,2	0,1	0,1

Source: Company and Binaartha

11 August 2022
Non Cyclical - Tobacco

Price	IDR	25,400
Target Price	IDR	29,530
JKSE Index		7,086.236



Stock Information

Bloomberg Code	GGRM IJ
Market Cap (IDR bn)	48,871
52-week high (IDR)	36,050
52-week low (IDR)	25,025
Shares issued (mn)	1,924.1
6-m avg. daily Val (IDR)	30,530
Free float	24.45%

Major share holders

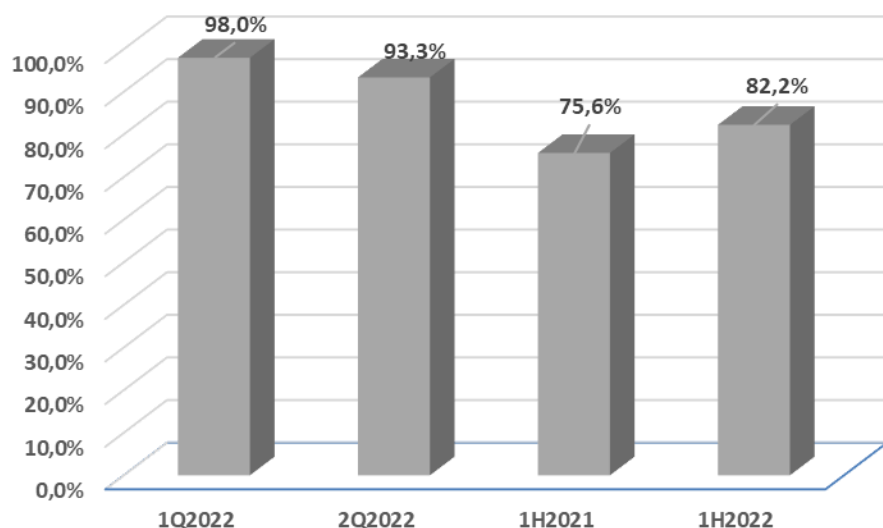
PT Suryaduta Investama	69.29%
PT Suryamitra Kusuma	6.26%
Public	24.45%

USD/ IDR – YE (IDR)

2021	14,310
2022F (6m-avg)	14,555

Analyst
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Chart: GGRM excise/sales ratio QoQ



Source: Company

Table: Income Statement In IDR Bn QoQ & YoY

Income Statement (IDR Bn)	1Q2022	2Q2022	QoQ	1H2021	1H2022	YoY	2Q2021	YoY
Revenue	29.291	32.382	11%	60.587	61.673	2%	30.840	5%
Cost of Sales	-26.018	-30.518	17%	-54.045	-56.536	5%	-28.207	8%
Gross Profit	3.273	1.864	-43%	6.543	5.137	-21%	2.634	-29%
Operating Expense	-1.805	-1.936	7%	-3.556	-3.741	5%	-1.905	2%
Operating Profit	1.468	-72		2.987	1.396	-53%	728	
Other Expenses	-94	-72	-24%	-33	-166	408%	-3	2112%
Profit Before Tax	1.374	-144		2.954	1.230	-58%	725	
Tax	-297	24		-644	-274	-57%	-161	
Profit After Tax	1.077	-120		2.310	957	-59%	564	
Non-controlling Interest	0	-2		-2	-2	0%	-2	0%
Net Profit	1.077	-122		2.308	955	-59%	562	
EPS	560	-63		1.200	496	-59%	292	
GPM	11,2%	5,8%		10,8%	8,3%		8,5%	
OPM	5,0%	-0,2%		4,9%	2,3%		2,4%	
NPM	3,7%	-0,4%		3,8%	1,5%		1,8%	

Source: Company

Table: Income Statement in IDR Billion YoY

Income Statement (IDR Bn)	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Revenue	83.305	95.707	110.524	114.477	124.881	136.794	150.005
Cost of Sales	-65.084	-77.063	-87.741	-97.089	-110.609	-124.483	-136.504
Gross Profit	18.221	18.644	22.783	17.388	14.273	12.311	13.500
Operating Expense	-6.984	-7.488	-7.710	-7.342	-6.911	-8.208	-9.000
Operating Profit	11.237	11.156	15.073	10.046	7.362	4.104	4.500
Other Expenses	-801	-678	-585	-383	-75	-410	-450
Profit Before Tax	10.436	10.479	14.488	9.663	7.287	3.693	4.050
Tax	-2.681	-2.686	-3.607	-2.015	-1.682	-739	-810
Profit After Tax	7.755	7.793	10.881	7.648	5.605	2.955	3.240
Non-controlling Interest	-2	-1	0	0	0	0	0
Net Profit	7.753	7.791	10.881	7.648	5.605	2.955	3.240
EPS	4.029	4.049	5.655	3.975	2.913	1.536	1.684
EBITDA	13.481	13.421	17.602	12.621	9.949	6.334	6.988

Source: Company and Binaartha

Table: Cash Flow in IDR Billion YoY

Cash Flow (In IDR Bn)	2018A	2019A	2020A	2021A	2022F	2023F
Net Income	7.791	10.881	7.648	5.605	2.955	3.240
Depreciation	2.265	2.529	2.575	2.588	2.588	2.881
Change in WC	-2.423	-2.304	-4.203	980	1.044	1.698
Cash From Operating Activities	7.633	11.106	6.019	9.173	6.587	7.820
Change in Non-current Asset	-3.082	-5.283	-4.662	-4.586	-5.534	-5.881
Cash From Investing Activities	-3.082	-5.283	-4.662	-4.586	-5.534	-5.881
Long-term liabilities	-68	433	210	-491	134	173
Others Noncurrent Liabilities	67	65	-9	139	4	67
Equity	-4.846	-5.083	-56	-4.839	-1.477	-1.619
Cash From Financing Activities	-4.847	-4.586	145	-5.192	-1.339	-1.379
Net Changes in Cash	-296	1.238	1.502	-604	-287	560
Beginning Balance	2.329	2.034	3.272	4.774	4.170	3.882
Ending Balance	2.034	3.272	4.774	4.170	3.882	4.442

Source: Company and Binaartha

Table: Statement of Financial Position in IDR Billion YoY

	2018A	2019A	2020A	2021A	2022F	2023F
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	2.034	3.272	4.774	4.170	3.882	4.442
Trade Accounts Receivable	1.726	1.876	2.556	2.774	2.720	1.800
Inventories	38.560	42.847	39.895	47.456	45.142	46.501
Others Current Assets	2.965	4.086	2.313	4.913	1.368	1.200
Total Current Assets	45.285	52.081	49.538	59.313	53.113	53.944
NONCURRENT ASSETS						
Fixed Assets	22.759	25.374	27.605	29.780	32.368	35.249
Other Noncurrent Assets	1.054	1.192	1.048	872	1.231	1.350
Total Noncurrent Assets	23.813	26.566	28.653	30.652	33.599	36.599
TOTAL ASSETS	69.097	78.647	78.191	89.964	86.712	90.543
LIABILITIES AND EQUITY						
LIABILITIES						
CURRENT LIABILITIES						
Short-term Bank Loans	17.322	17.216	6.009	9.980	7.113	7.500
Trade Account Payable	1.130	1.297	1.124	1.002	1.341	1.470
Excise duty, VAT and Cigarettes tax payables	2.699	5.085	9.059	16.103	10.944	12.000
Others Current Liabilities	853	1.660	818	1.284	4.104	4.500
Total Current Liabilities	22.004	25.259	17.010	28.369	23.501	25.471
NONCURRENT LIABILITIES						
Long-term liabilities	1.510	1.766	1.996	1.539	1.685	1.848
Long-term Bank loan	0	177	157	123	109	120
Others Noncurrent Liabilities	450	515	506	646	650	717
Total Noncurrent Liabilities	1.960	2.458	2.659	2.307	2.445	2.685
TOTAL LIABILITIES	23.964	27.716	19.669	30.676	25.946	28.156
Non-controlling interest	0	0	0	0	0	0
EQUITY	45.133	50.931	58.522	59.288	60.766	62.387
TOTAL LIABILITIES & EQUITY	69.097	78.647	78.191	89.964	86.712	90.543

Source: Company and Binaartha

Table: Ratio Highlights YoY

	2018A	2019A	2020A	2021A	2022F	2023F
Growth (% YoY)						
Sales	14,9%	15,5%	3,6%	9,1%	9,5%	9,7%
OP	-0,7%	35,1%	-33,4%	-26,7%	-44,3%	9,7%
EBITDA	-0,4%	31,1%	-28,3%	-21,2%	-36,3%	10,3%
NP	0,5%	39,7%	-29,7%	-26,7%	-47,3%	9,7%
EPS	0,5%	39,7%	-29,7%	-26,7%	-47,3%	9,7%
Profitability (%)						
Gross Margin	19,5%	20,6%	15,2%	11,4%	9,0%	9,0%
Operating Margin	11,7%	13,6%	8,8%	5,9%	3,0%	3,0%
EBITDA margin	14,0%	15,9%	11,0%	8,0%	4,6%	4,7%
NET Profit margin	8,1%	9,8%	6,7%	4,5%	2,2%	2,2%
ROA	11,3%	13,8%	9,8%	6,2%	3,4%	3,6%
ROE	32,5%	39,3%	38,9%	18,3%	11,4%	11,5%
Solvability (x)						
Net debt/ equity	0,4	0,3	0,1	0,2	0,1	0,1
Tot. debt/ Tot.equity	0,5	0,5	0,3	0,5	0,4	0,5
Debt Ratio	0,3	0,4	0,3	0,3	0,3	0,3
Int. Coverage	19,8	30,1	33,0	132,8	118,3	123,7
Liquidity (x)						
Current Ratio	2,1	2,1	2,9	2,1	2,3	2,1
Cash Ratio	0,3	0,4	0,6	0,4	0,3	0,3
Per Share data (IDR)						
EPS	4.049	5.655	3.975	2.913	1.536	1.684
EBITDA/share	6.975	9.148	6.559	5.171	3.292	3.632

Source: Company and Binaartha

Stock Ratings:

- Buy : a recommendation to purchase the security with upside potential of **20% or greater**
- Hold : a recommendation to neither buy nor sell a security with upside potential of **0-19%**.
- Sel : a recommendation to close out a long position in a security with upside potential **below 0% or negative**.

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