

PT. GUDANG GARAM Tbk.

BUY

Investment Consideration

Stable sales

- GGRM booked lower sales volume amid a decline in domestic cigarettes sales volume by -6.5% YoY. Sales value increased +1.5% YoY but was lower -3.4% QoQ at IDR 29.7 trillion in 1Q2023 due to the effects of a higher ASP.
- GGRM's export sales increased +12% YoY or +25% QoQ to IDR 388 billion in 1Q2023, while GGRM's domestic sales slightly increased +1.4% YoY but were lower -3.6% QoQ at IDR 29.3 trillion in 1Q2023.
- Machine-made clove cigarettes sales maintained positive growth of +1.2% YoY to IDR 27 trillion, hand-rolled clove cigarettes sales increased at a faster rate of +9.7% YoY to IDR 2.24 trillion in 1Q2023.
- We expect GGRM will maintain positive sales growth of 4.7% YoY to reach IDR 137 trillion in 2023F because of higher prices and stable sales volumes.

1Q2023 Results: Margin improvement

- After a price hike earlier this year, GGRM had a significant improvement in margins.
- GGRM booked a net profit of IDR 1.02 trillion which is +82% YoY or 53% QoQ growth in 1Q2023. The net profit margin improved to 6.6% from 3.7% last year.
- Operating expenses were lower -6% YoY from cost efficiency with lower transportation, freight, advertising and promotion expenses by -18% YoY, resulting in an operating profit of IDR 2.6 trillion with a higher OPM of 8.9% in 1Q2023.
- GGRM's cost of sales was lower by -2% YoY or -7% QoQ from lower excise tax expenses which fell by -14% YoY, resulting in a higher gross profit of +28% QoQ or +33% YoY to IDR 4.35 trillion.
- We revise up our forecast for GGRM 2023F bottom line profit to IDR 5.19 trillion because of the higher ASP in 1Q2023 and as we are expecting further demand recovery.

Valuation: BUY, TP 35,500

- As we have revised up our forecasts for GGRM in 2023F, we maintain our recommendation to BUY. We are targeting GGRM to trade at a 13X PE within a year. Target Price is IDR 35,500 which represents 22% upside.

Financial Highlights	2020A	2021A	2022A	2023F	2024F
Sales (In IDR Bn)	114.477	124.881	124.683	130.571	136.810
Net Profit (In IDR Bn)	7.648	5.605	2.780	5.194	5.442
EPS (IDR)	3.975	2.913	1.445	2.700	2.829
GPM (%)	15,2%	11,4%	8,9%	11,0%	11,0%
OPM (%)	8,8%	5,9%	3,1%	5,3%	5,3%
NPM (%)	6,7%	4,5%	2,2%	4,0%	4,0%
PER (x)	10,3	10,5	12,5	13,2	12,6
PBV (x)	1,3	1,0	0,6	1,1	1,1
Net debt/ equity (x)	0,1	0,2	0,2	0,2	0,2

Source: Company and Binaartha

16 May 2023

Non Cyclical - Tobacco

Price IDR 29,000

Target Price IDR 35,500

JKSE Index 6,711.740



Stock Information

Bloomberg Code	GGRM JI
Market Cap (IDR bn)	55,798
52-week high (IDR)	32,125
52-week low (IDR)	16,500
Shares issued (mn)	1,924.1
Free float	24.45%

Major share holders

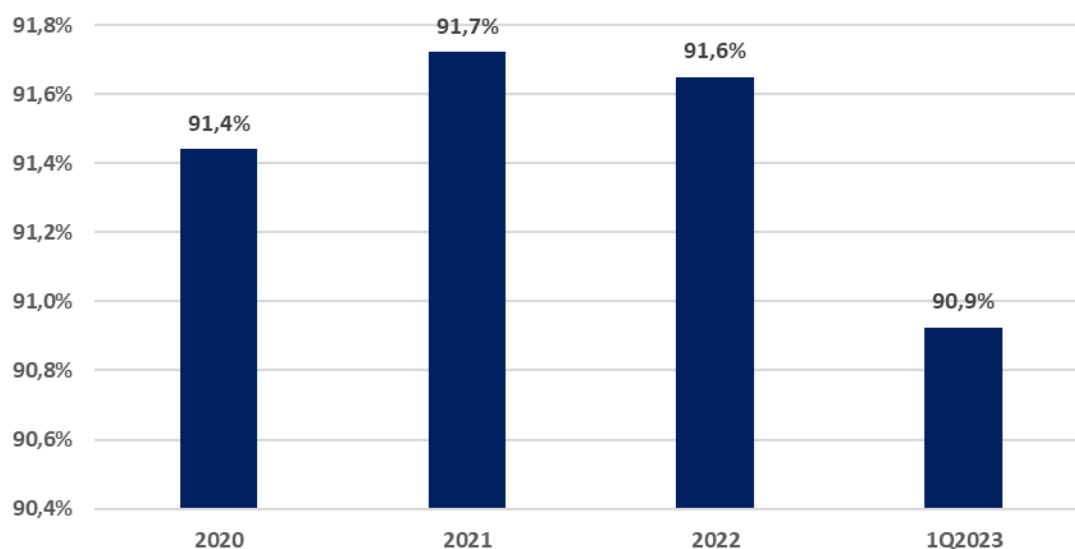
PT Suryaduta Investama	69.29%
PT Suryamitra Kusuma	6.26%
Public	24.45%

USD/ IDR – YE (IDR)

2022	15,592
2023F (6m-avg)	14,730

Analyst
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Chart: Machine-made clove cigarettes (SKM) contribution to Sales YoY



Source: Company

Table: Income Statement In IDR Bn QoQ & YoY

Income Statement (IDR Bn)	1Q2022	1Q2023	YoY	4Q2022	QoQ
Revenue	29.291	29.731	2%	30.763	-3%
Cost of Sales	-26.018	-25.375	-2%	-27.357	-7%
Gross Profit	3.273	4.356	33%	3.406	28%
Operating Expense	-1.805	-1.700	-6%	-1.646	3%
Operating Profit	1.468	2.656	81%	1.760	51%
Other Expenses	-94	-156	67%	-58	172%
Profit Before Tax	1.374	2.499	82%	1.703	47%
Tax	-297	-536	80%	-421	27%
Profit After Tax	1.077	1.964	82%	1.282	53%
Non-controlling Interest	0	0		0	
Net Profit	1.077	1.964	82%	1.282	53%
EPS	560	1.020	82%	666	53%
GPM	11,2%	14,7%		11,1%	
OPM	5,0%	8,9%		5,7%	
NPM	3,7%	6,6%		4,2%	

Source: Company

Table: Income Statement in IDR Billion YoY

Income Statement (IDR Bn)	2019A	2020A	2021A	2022A	2023F	2024F
Revenue	110.524	114.477	124.881	124.683	130.571	136.810
Cost of Sales	-87.741	-97.089	-110.609	-113.587	-116.208	-121.761
Gross Profit	22.783	17.388	14.273	11.096	14.363	15.049
Operating Expense	-7.710	-7.342	-6.911	-7.187	-7.443	-7.798
Operating Profit	15.073	10.046	7.362	3.909	6.920	7.251
Other Expenses	-585	-383	-75	-262	-261	-274
Profit Before Tax	14.488	9.663	7.287	3.647	6.659	6.977
Tax	-3.607	-2.015	-1.682	-867	-1.465	-1.535
Profit After Tax	10.881	7.648	5.605	2.780	5.194	5.442
Non-controlling Interest	0	0	0	0	0	0
Net Profit	10.881	7.648	5.605	2.780	5.194	5.442
EPS	5.655	3.975	2.913	1.445	2.700	2.829
EBITDA	17.602	12.621	9.949	6.882	9.667	10.229

Source: Company and Binaartha

Table: Cash Flow in IDR Billion YoY

Cash Flow (In IDR Bn)	2019A	2020A	2021A	2022A	2023F	2024F
Net Income	10.881	7.648	5.605	2.780	5.194	5.442
Depreciation	2.529	2.575	2.588	2.973	2.938	3.173
Change in WC	-2.304	-4.203	980	4.860	417	-180
Cash From Operating Activities	11.106	6.019	9.173	10.613	8.549	8.435
Change in Non-current Asset	-5.283	-4.662	-4.586	-5.438	-5.909	-6.381
Cash From Investing Activities	-5.283	-4.662	-4.586	-5.438	-5.909	-6.381
Long-term liabilities	433	210	-491	-408	95	64
Others Noncurrent Liabilities	65	-9	139	-317	204	10
Equity	-5.083	-56	-4.839	-4.212	-2.596	-2.720
Cash From Financing Activities	-4.586	145	-5.192	-4.937	-2.297	-2.646
Net Changes in Cash	1.238	1.502	-604	237	343	-592
Beginning Balance	2.034	3.272	4.774	4.170	4.407	4.750
Ending Balance	3.272	4.774	4.170	4.407	4.750	4.158

Source: Company and Binaartha

Table: Statement of Financial Position in IDR Billion YoY

	2019A	2020A	2021A	2022A	2023F	2024F
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	3.272	4.774	4.170	4.407	4.750	4.158
Trade Accounts Receivable	1.876	2.556	2.774	2.181	2.285	2.394
Inventories	42.847	39.895	47.456	47.640	47.006	49.252
Others Current Assets	4.086	2.313	4.913	1.217	1.045	1.094
Total Current Assets	52.081	49.538	59.313	55.445	55.085	56.898
NONCURRENT ASSETS						
Fixed Assets	25.374	27.605	29.780	32.426	35.364	38.537
Other Noncurrent Assets	1.192	1.048	872	691	724	758
Total Noncurrent Assets	26.566	28.653	30.652	33.117	36.088	39.296
TOTAL ASSETS	78.647	78.191	89.964	88.563	91.173	96.194
LIABILITIES AND EQUITY						
LIABILITIES						
CURRENT LIABILITIES						
Short-term Bank Loans	17.216	6.009	9.980	10.071	9.279	10.569
Trade Account Payable	1.297	1.124	1.002	1.309	1.280	1.341
Excise duty, VAT and Cigarettes tax payables	5.085	9.059	16.103	16.266	16.974	17.785
Others Current Liabilities	1.660	818	1.284	1.479	1.306	1.368
Total Current Liabilities	25.259	17.010	28.369	29.125	28.838	31.063
NONCURRENT LIABILITIES						
Long-term liabilities	1.766	1.996	1.539	1.188	1.244	1.304
Long-term Bank loan	177	157	123	65	104	109
Others Noncurrent Liabilities	515	506	646	328	532	542
Total Noncurrent Liabilities	2.458	2.659	2.307	1.582	1.881	1.955
TOTAL LIABILITIES	27.716	19.669	30.676	30.707	30.719	33.018
Non-controlling interest	0	0	0	0	0	0
EQUITY	50.931	58.522	59.288	57.856	60.454	63.176
TOTAL LIABILITIES & EQUITY	78.647	78.191	89.964	88.563	91.173	96.194

Source: Company and Binaartha

Table: Ratio Highlights YoY

	2019A	2020A	2021A	2022A	2023F	2024F
Growth (% YoY)						
Sales	15,5%	3,6%	9,1%	-0,2%	4,7%	4,8%
OP	35,1%	-33,4%	-26,7%	-46,9%	77,0%	4,8%
EBITDA	31,1%	-28,3%	-21,2%	-30,8%	40,5%	5,8%
NP	39,7%	-29,7%	-26,7%	-50,4%	86,9%	4,8%
EPS	39,7%	-29,7%	-26,7%	-50,4%	86,9%	4,8%
Profitability (%)						
Gross Margin	20,6%	15,2%	11,4%	8,9%	11,0%	11,0%
Operating Margin	13,6%	8,8%	5,9%	3,1%	5,3%	5,3%
EBITDA margin	15,9%	11,0%	8,0%	5,5%	7,4%	7,5%
NET Profit margin	9,8%	6,7%	4,5%	2,2%	4,0%	4,0%
ROA	13,8%	9,8%	6,2%	3,1%	5,7%	5,7%
ROE	39,3%	38,9%	18,3%	9,1%	16,9%	16,5%
Solvability (x)						
Net debt/ equity	0,3	0,1	0,2	0,2	0,2	0,2
Tot. debt/ Tot.equity	0,5	0,3	0,5	0,5	0,5	0,5
Debt Ratio	0,4	0,3	0,3	0,3	0,3	0,3
Int. Coverage	30,1	33,0	132,8	26,2	139,0	129,2
Liquidity (x)						
Current Ratio	2,1	2,9	2,1	1,9	1,9	1,8
Cash Ratio	0,4	0,6	0,4	0,3	0,3	0,2
Per Share data (IDR)						
EPS	5.655	3.975	2.913	1.445	2.700	2.829
PER (x)	9	10	11	12	13	13
PBV (x)	2,0	1,3	1,0	0,6	1,1	1,1
EBITDA/share	9.148	6.559	5.171	3.577	5.024	5.317

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**.

RESEARCH TEAM
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