

PT. GUDANG GARAM Tbk.

HOLD

4 August 2021
Non Cyclical - Tobacco

Price	IDR	33,050
Target Price	IDR	38,000
JKSE Index		6,130.571



Stock Information

Bloomberg Code	GGRM IJ
Market Cap (IDR bn)	63,590
52-week high (IDR)	55,000
52-week low (IDR)	32,260
Shares issued (mn)	1,924.1
6-m avg. daily Val (IDR)	36,776
Free float	24.45%

Major share holders

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

USD/ IDR – YE (IDR)

2020	14,175
2021F (6m-avg)	14,285

Investment Consideration

Positive Sales Growth

- GGRM maintained positive sales growth driven by higher volume in 2Q2021. GGRM recorded +16.8% YoY and +3.7% QoQ growth in 2Q2021 to IDR 30.84 trillion. For 1H2021 GGRM booked sales of IDR 60.58 trillion, an increase of 13% YoY.
- As global markets remain challenging, export sales decreased -5.7% YoY or -3.3% QoQ to IDR 423.4 billion in 2Q2021. But domestic sales grew +17.2% YoY or +3.8% QoQ to IDR 30.4 trillion.
- Machine-made clove cigarettes are still the biggest contributor with 92.2% of total sales, followed by Hand-rolled clove cigarettes at 6.6% of total sales.
- Despite the new cigarette tax, GGRM is managing to maintain positive growth and we expect this will continue throughout 2021.

But Margins Decline

- Despite higher sales in 2Q2021, GGRM net profit decreased by -59% YoY or -68% QoQ to IDR 562 billion. The increases in ASP due to the increase in excise has not been able to cover the decline in the bottom line.
- As a result, GGRM net profit margin declined to 1.8% from 5.9% in 1Q2021.
- For 1H2021, net profit decreased by -40% YoY to IDR 2.3 trillion. GGRM's cost of sales increased +24% YoY or +9% QoQ to IDR 28.2 trillion in 2Q2021. For 1H2021 cost of sales also increased +20% to IDR 54 trillion in line with an increase in raw materials +15% YoY. This resulted in lower gross profit -24% YoY to IDR 6.54 trillion with a lower gross profit margin of 16.1 % from 10.8%.
- Operating profit decreased by -43% YoY to IDR 2.9 trillion in line with a lower operating profit margin, of 4.9% from 9.7%.
- Due to the weak performance in 2Q2021, we revise our GGRM 2021 forecasts. We expect GGRM's sales will still grow +12% YoY to reach IDR 128.4 trillion but with a lower net profit of IDR 3.48 trillion.

Valuation: TP 38,000 HOLD

- We are targeting GGRM to trade at a 9.6x 2022F PE within a year. Target Price is IDR 38,000 which represents 15% upside. We downgrade our recommendation to HOLD.

Financial Highlights	2017A	2018A	2019A	2020A	2021F	2022F
Sales (In IDR Bn)	83.305	95.707	110.524	114.477	128.457	144.307
Net Profit (In IDR Bn)	4.029	4.049	5.655	3.975	3.489	3.920
EPS (IDR)	4.029	4.049	5.655	3.975	3.489	3.920
GPM (%)	21,9%	19,5%	20,6%	15,2%	13,0%	13,0%
OPM (%)	13,5%	11,7%	13,6%	8,8%	7,0%	7,0%
NPM (%)	9,3%	8,1%	9,8%	6,7%	5,2%	5,2%
Net debt/ equity (x)	0,5	0,4	0,3	0,1	0,0	0,0

Company Profile

PT Gudang Garam Tbk. (GGRM) produces a wide range of kretek cigarettes including low tar nicotine variants, as well as traditional hand-rolled kretek. The company has increased market share to 26.6% of the domestic cigarette market as at the end of 2020. GGRM operates production facilities at two main sites, Kediri and Gempol, East Java. GGRM also operates an in-house printing facility and seven subsidiaries engaged in commercial operations. GGRM listed on the Indonesia Stock Exchanges in 1990.

HAND MADE SIGARET KRETEK TANGAN (SKT)



Klobot



Sriwedari



Djaja



Patra

MACHINE MADE SIGARET KRETEK MESIN (SKM)



Gudang Garam Series

LOW TAR NICOTINE RENDAH TAR NIKOTIN (LTN)



Gudang Garam Signature Mild

Source: Company

Table: Income Statement In IDR Bn QoQ & YoY

Income Statement (IDR Bn)	1Q2021	2Q2021	QoQ	1H2020	1H2021	YoY
Revenue	29.747	30.840	4%	53.655	60.587	13%
Cost of Sales	-25.838	-28.207	9%	-44.993	-54.045	20%
Gross Profit	3.909	2.634	-33%	8.661	6.543	-24%
Operating Expense	-1.651	-1.905	15%	-3.443	-3.556	3%
Operating Profit	2.259	728	-68%	5.218	2.987	-43%
Other Expenses	-29	-3	-89%	-280	-33	-88%
Profit Before Tax	2.229	725	-67%	4.938	2.954	-40%
Tax	-483	-161	-67%	-1.117	-644	-42%
Profit After Tax	1.746	564	-68%	3.821	2.310	-40%
Non-controlling Interest	0	-2	0%	-1	-2	100%
Net Profit	1.746	562	-68%	3.820	2.308	-40%
EPS	908	292	-68%	1.985	1.200	-40%
EBITDA	2.956	1.434	-51%	6.545	4.390	-33%

Source: Company

Table: Income Statement in IDR Billion YoY

Income Statement (IDR Bn)	2017A	2018A	2019A	2020A	2021F	2022F
Revenue	83.305	95.707	110.524	114.477	128.457	144.307
Cost of Sales	-65.084	-77.063	-87.741	-97.089	-111.757	-125.547
Gross Profit	18.221	18.644	22.783	17.388	16.699	18.760
Operating Expense	-6.984	-7.488	-7.710	-7.342	-7.707	-8.658
Operating Profit	11.237	11.156	15.073	10.046	8.992	10.102
Other Expenses	-801	-678	-585	-383	-385	-433
Profit Before Tax	10.436	10.479	14.488	9.663	8.607	9.669
Tax	-2.681	-2.686	-3.607	-2.015	-1.893	-2.127
Profit After Tax	7.755	7.793	10.881	7.648	6.713	7.542
Non-controlling Interest	-2	-1	0	0	0	0
Net Profit	7.753	7.791	10.881	7.648	6.713	7.542
EPS	4.029	4.049	5.655	3.975	3.489	3.920
EBITDA	13.481	13.421	17.602	12.799	11.369	12.709

Source: Company and Binaartha

Table: Cash Flow in IDR Billion YoY

Cash Flow (In IDR Bn)	2018A	2019A	2020A	2021F	2022F
Net Income	7.791	10.881	7.648	6.713	7.542
Depreciation	2.265	2.529	2.753	2.750	3.026
Change in WC	-2.423	-2.304	-4.203	-1.499	-1.642
Cash From Operating Activities	7.633	11.106	6.197	7.965	8.925
Capex	-3.082	-5.283	-4.840	-5.608	-6.194
Cash From Investing Activities	-3.082	-5.283	-4.840	-5.608	-6.194
Long-term liabilities	-68	433	210	144	305
Others Noncurrent Liabilities	67	65	-9	84	68
Equity	-4.846	-5.083	-56	-3.357	-3.771
Cash From Financing Activities	-4.847	-4.586	145	-3.128	-3.398
Net Changes in Cash	-296	1.238	1.502	-772	-667
Beginning Balance	2.329	2.034	3.272	4.774	4.002
Ending Balance	2.034	3.272	4.774	4.002	3.335

Source: Company and Binaartha

Table: Statement of Financial Position in IDR Billion YoY

	2017A	2018A	2019A	2020A	2021F	2022F
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	2.329	2.034	3.272	4.774	4.002	3.335
Trade Accounts Receivable	2.229	1.726	1.876	2.556	2.701	2.827
Inventories	37.920	38.560	42.847	39.895	38.537	41.849
Others Current Assets	1.286	2.965	4.086	2.313	2.569	2.886
Total Current Assets	43.764	45.285	52.081	49.538	47.809	50.898
NONCURRENT ASSETS						
Fixed Assets	21.409	22.759	25.374	27.605	30.355	33.381
Other Noncurrent Assets	1.587	1.054	1.192	1.048	1.156	1.299
Total Noncurrent Assets	22.995	23.813	26.566	28.653	31.511	34.680
TOTAL ASSETS	66.760	69.097	78.647	78.191	79.321	85.577
LIABILITIES AND EQUITY						
LIABILITIES						
CURRENT LIABILITIES						
Short-term Bank Loans	20.600	17.322	17.216	6.009	64	72
Trade Account Payable	1.214	1.130	1.297	1.124	1.259	1.732
Excise duty, VAT and Cigarettes tax payables	1	2.699	5.085	9.059	12.203	13.709
Others Current Liabilities	796	853	1.660	818	1.028	1.154
Total Current Liabilities	22.611	22.004	25.259	17.010	14.554	16.667
NONCURRENT LIABILITIES						
Long-term liabilities	1.578	1.510	1.766	1.996	2.106	2.396
Long-term Bank loan	0	0	177	157	191	206
Others Noncurrent Liabilities	384	450	515	506	590	658
Total Noncurrent Liabilities	1.961	1.960	2.458	2.659	2.887	3.260
TOTAL LIABILITIES	24.572	23.964	27.716	19.669	17.441	19.927
Non-controlling interest	17	0	0	0	0	0
EQUITY	42.172	45.133	50.931	58.522	61.879	65.650
TOTAL LIABILITIES & EQUITY	66.760	69.097	78.647	78.191	79.320	85.577

Source: Company and Binaartha

Table: Ratio Highlights YoY

	2017A	2018A	2019A	2020A	2021F	2022F
Growth (% YoY)						
Sales		14,9%	15,5%	3,6%	12,2%	12,3%
OP		-0,7%	35,1%	-33,4%	-10,5%	12,3%
EBITDA		-0,4%	31,1%	-27,3%	-11,2%	11,8%
NP		0,5%	39,7%	-29,7%	-12,2%	12,3%
EPS		0,5%	39,7%	-29,7%	-12,2%	12,3%
Profitability (%)						
Gross Margin	21,9%	19,5%	20,6%	15,2%	13,0%	13,0%
Operating Margin	13,5%	11,7%	13,6%	8,8%	7,0%	7,0%
EBITDA margin	16,2%	14,0%	15,9%	11,2%	8,9%	8,8%
NET Profit margin	9,3%	8,1%	9,8%	6,7%	5,2%	5,2%
ROA	11,6%	11,3%	13,8%	9,8%	8,5%	8,8%
ROE	31,6%	32,5%	39,3%	38,9%	38,5%	37,8%
Solvability (x)						
Net debt/ equity	0,5	0,4	0,3	0,1	0,0	0,0
Tot. debt/ Tot.equity	0,6	0,5	0,5	0,3	0,3	0,3
Debt Ratio	0,4	0,3	0,4	0,3	0,2	0,2
Int. Coverage	16,8	19,8	30,1	33,4	932,2	831,5
Liquidity (x)						
Current Ratio	1,9	2,1	2,1	2,9	3,3	3,1
Cash Ratio	0,3	0,3	0,4	0,6	0,6	0,5
Per Share data (IDR)						
EPS	4.029	4.049	5.655	3.975	3.489	3.920
EBITDA/share	7.006	6.975	9.148	6.652	5.909	6.605

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
(62 21) 520 6678 ext. 611

Disclaimer; PT Binaartha Sekuritas has compiled this report in good faith, using information believed to be reliable. PT Binaartha Sekuritas and its analysts take no responsibility for the accuracy of the information contained in this report. This report has been produced for distribution to clients of PT Binaartha Sekuritas only. This report is not an invitation to buy or sell any security. PT Binaartha Sekuritas may have used the information in this report prior to publication. The company or its clients may have positions in or may from time to time buy or sell the securities mentioned in this report or other related securities.