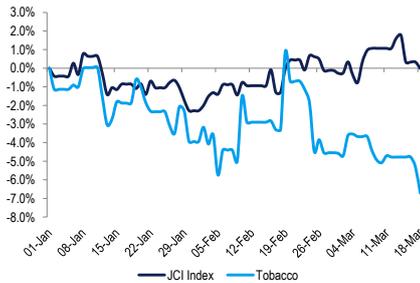


Sector Index Performance

| | 3M | 6M | 12M |
|-----------------|--------|--------|--------|
| Absolute | -6.9% | -7.2% | -25.7% |
| Relative to JCI | -10.1% | -12.5% | -36.9% |



Summary Valuation Metrics

| P/E (x) | 2023F | 2024F | 2025F |
|----------------------|--------------|--------------|--------------|
| GGRM IJ | 6.9 | 8.4 | 7.9 |
| HMSP IJ | 12.0 | 11.6 | 11.2 |
| EV/EBITDA (x) | 2023F | 2024F | 2025F |
| GGRM IJ | 3.7 | 3.7 | 3.4 |
| HMSP IJ | 9.4 | 8.6 | 8.2 |
| Div. Yield | 2023F | 2024F | 2025F |
| GGRM IJ | 6.1% | 7.2% | 6.0% |
| HMSP IJ | 6.6% | 8.4% | 8.6% |

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FY24F: lack of positive catalysts and benign price adjustment underpin D/G

- Soft buying power and indications of more benign price hike between 4Q23-2M24 lead to lower our FY24F ASP forecasts for HMSP/GGRM to 8.2/7.1% from previously 9.4/8.7%.
- HMSP is our preferred tobacco pick given its resilient hand-rolled segment and promising heat-not-burn outlook in the medium term.
- Lack of positive catalysts underpins our sector downgrade to Neutral.

Sustained soft buying power may inhibit meaningful price hike and volume growth in FY24F

The current soft buying power backdrop is likely to inhibit cigarette producers from implementing significant price hikes, especially after 2023’s significant price hike (SKM – HMSP/GGRM at 21/33% yoy). Our channel checks on cigarette price hikes for 4Q23-2M24 indicated benign price hikes compared to the same period in the previous year (Fig 2) – with GGRM’s being the most benign. As such, we adjust FY24F price hike assumption for both HMSP/GGRM from previously 9.4/8.7% to 8.2/7.1%. It is worth noting that excise hike for SKM tier-1/SKT tier-1 in FY24F is similar compared to FY23’s at 11.5/5.0% yoy – and we estimate that tier-1 cigarette players would have to adjust prices by c.9/3% for SKM/SKT to fully pass on the excise increment. Separately, we also observed that household spending on cigarette as a percentage of minimum wages has been consistent at c.3% between FY15-22 (Fig 3). Given the faster pace of excise growth (CAGR FY15-22: 13.1%) compared to minimum wage (CAGR FY15-22: 7.0%), we expect cigarette volume to continue to decline by -2% for the industry in FY24F.

Heat-not-burn tobacco and hand-rolled tobacco may continue to benefit due to favorable excise differentials – HMSP is the clear beneficiary

Behind the 10% FY24F blended excise increment, excise hike for SKT/heat-not-burn (HNB) tobacco categories are more benign at 5.0/6.5% yoy compared to SKM/SPM categories at 11.5/12% yoy. This has led to a much improved segmental FY23 revenue growth for HMSP SKT segments of 32% yoy compared to SKM/SPM’s -5/-13% decline yoy (GGRM’s 9M23 SKM sales declined by -14% yoy); we expect this trend to sustain well into FY24F. Additionally, HNB products may also benefit from improving affordability relative to tier-1 SKM/SPM – albeit likely at the expense of existing SPM/SKM volumes. On the segmental standpoint, HMSP emerges as the clear beneficiary and is our preferred pick its growing SKT segment which contributed 31% to overall FY23 revenue (vs. GGRM’s 9M23 8.4%).

Downgrade sector to Neutral on lack of positive catalyst

Despite cheap valuations, we downgrade the sector to Neutral as the sector lacks positive catalysts. We may turn more positive on the sector if the new government administration adopts a more dovish stance towards cigarette excise, although there is no such imminent indication.

Fig. 1: Indonesia tobacco summary

| Ticker | Rating | Current Target | | Earnings yoy growth | | P/E | | ROE | |
|-----------------------|--------|----------------|------------|---------------------|-------------|-------------|------------|--------------|--------------|
| | | price (Rp) | price (Rp) | 2024F | 2025F | 2024F | 2025F | 2024F | 2025F |
| HMSP | BUY | 835 | 1,150 | 3.0% | 3.8% | 11.6 | 11.2 | 28.1% | 29.3% |
| GGRM | HOLD | 19,750 | 20,800 | -17.1% | 5.5% | 8.4 | 7.9 | 7.3% | 7.5% |
| Simple average | | | | -7.1% | 4.7% | 10.0 | 9.6 | 17.7% | 18.4% |

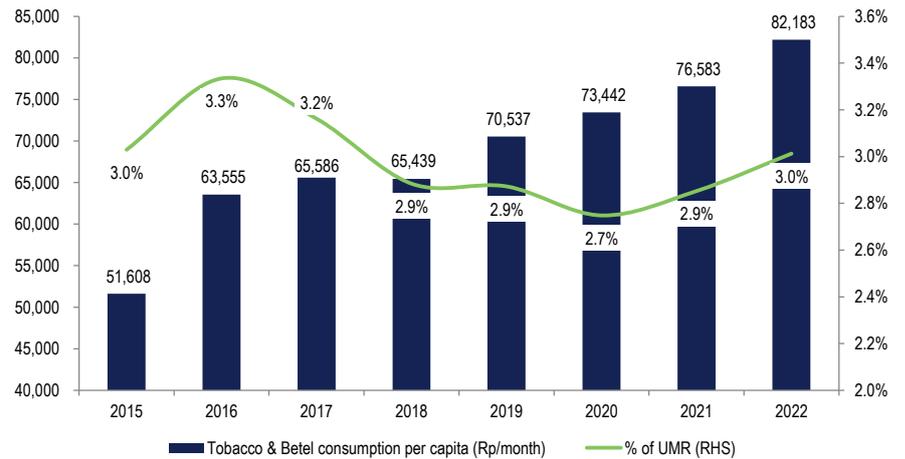
Source: Company, Indo Premier

Fig. 2: Cigarette' retail price (in Rp) at Modern Trade channels

| | 4Q22 | 1Q23 | 2Q23 | 3Q23 | 4Q23 | Feb-24 YTD | %qtd chg |
|-------------------------------------|--------|--------|--------|--------|--------|------------|-------------|
| H.M. Sampoerna | | | | | | | |
| A Mild 16 | 29,750 | 32,000 | 32,000 | 32,000 | 32,500 | 33,500 | 3.1% |
| A Mild 12 | 23,750 | 24,600 | 24,600 | 24,600 | 25,300 | 25,950 | 2.6% |
| Magnum Filter 12 | 21,950 | 23,200 | 24,400 | 25,050 | 25,050 | 25,550 | 2.0% |
| Marlboro Filter Black 12 | 21,100 | 22,050 | 22,550 | 23,000 | 23,000 | 23,550 | 2.4% |
| SKM's simple average | | | | | | | 2.5% |
| Dji Sam Soe Kretek 12 | 19,600 | 19,550 | 19,500 | 19,500 | 20,500 | 20,500 | 0.0% |
| Kretek Hijau 12 | 15,150 | 15,450 | 15,600 | 15,700 | 15,600 | 15,600 | 0.0% |
| SKT's simple average | | | | | | | 0.0% |
| Marlboro Red 20 | 38,850 | 40,050 | 42,045 | 43,145 | 43,195 | 45,545 | 5.4% |
| Marlboro Ice Burst 20 | 38,850 | 40,050 | 42,045 | 43,145 | 43,195 | 45,545 | 5.4% |
| Marlboro Light 20 | 38,850 | 40,050 | 42,045 | 43,145 | 43,195 | 45,545 | 5.4% |
| SPM's simple average | | | | | | | 5.4% |
| Gudang Garam | | | | | | | |
| Surya 16 | 30,600 | 33,700 | 33,700 | 33,700 | 33,800 | 33,800 | 0.0% |
| Surya PRO 16 | 28,700 | 31,500 | 32,400 | 32,400 | 32,400 | 32,400 | 0.0% |
| Surya PRO Mild 16 | 28,600 | 31,500 | 32,100 | 32,400 | 32,400 | 32,400 | 0.0% |
| GG International Merah 12 | 23,600 | 25,100 | 25,400 | 25,400 | 25,400 | 25,400 | 0.0% |
| GG Mild Shiver 16 | 29,050 | 32,800 | 32,800 | 33,000 | 33,000 | 33,000 | 0.0% |
| GG Signature Mild (blue) 16 | 28,800 | 32,800 | 32,800 | 33,000 | 33,000 | 33,000 | 0.0% |
| GG Kretek Move 12 | 21,600 | 23,700 | 24,300 | 24,500 | 24,500 | 24,500 | 0.0% |
| SKM's simple average | | | | | | | 0.0% |
| Djarum | | | | | | | |
| Djarum Super 16 | 30,900 | 34,250 | 34,300 | 34,400 | 34,400 | 34,400 | 0.0% |
| Djarum Super Mild Black 16 | 30,000 | 32,850 | 32,850 | 32,850 | 32,850 | 33,250 | 1.2% |
| Djarum Coklat Filter 12 | 21,700 | 25,250 | 24,050 | 24,200 | 24,200 | 23,250 | -3.9% |
| Djarum Kretek Coklat 12 | 15,200 | 15,300 | 15,250 | 15,200 | 15,300 | 16,200 | 5.9% |
| Simple average | | | | | | | 0.8% |
| Other brands | | | | | | | |
| Lucky Strike Filters 20 | 29,900 | 29,850 | 30,900 | 30,050 | 30,050 | 31,100 | 3.5% |
| Dunhill Fine Cut Filter 16 | 26,500 | 26,350 | 28,350 | 30,400 | 30,500 | 30,900 | 1.3% |
| Clas Mild 16 | 26,750 | 27,000 | 28,050 | 29,000 | 29,350 | 29,850 | 1.7% |
| Clas Mild Silver 16 | 23,900 | 24,600 | 25,700 | 25,700 | 26,500 | 27,000 | 1.9% |
| Wismilak Rokok Filter Diplomat 12'S | 23,100 | 24,400 | 25,300 | 25,800 | 25,800 | 26,050 | 1.0% |
| Simple average | | | | | | | 1.9% |

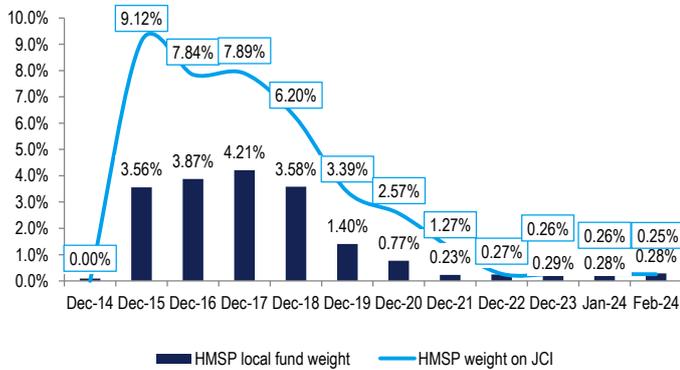
Source: Alfacift, Klikindomaret, Indo Premier

Fig. 3: Tobacco consumption per capita (Rp/month) and ratio vs. minimum wage



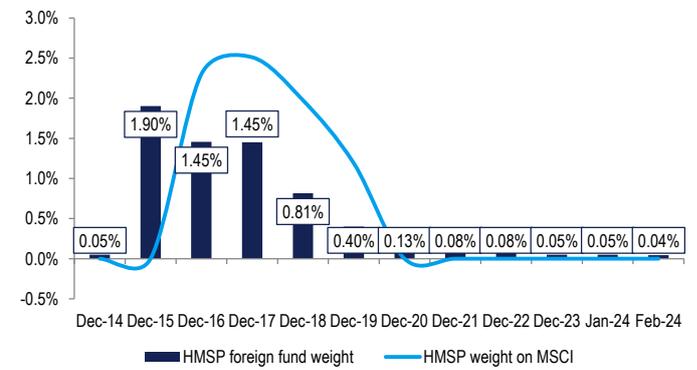
Sources: CEIC, Indo Premier

Fig. 4: HMSP's local fund weight vs. JCI



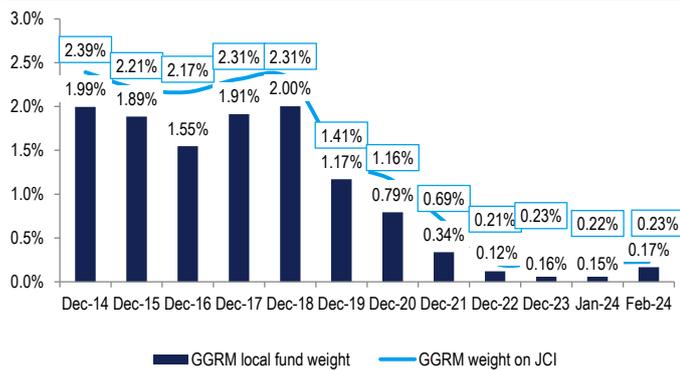
Source: KSEI, Indo Premier

Fig. 5: HMSP's foreign fund weight vs. MSCI



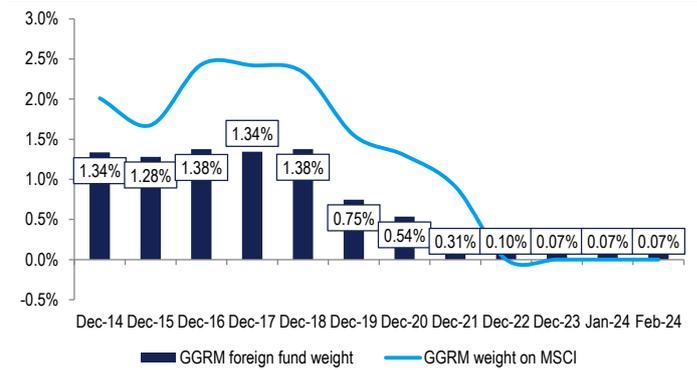
Source: KSEI, Indo Premier

Fig. 6: GGRM's local fund weight vs. JCI



Source: KSEI, Indo Premier

Fig. 7: GGRM's foreign fund weight vs. MSCI



Source: KSEI, Indo Premier

HM Sampoerna

BUY (unchanged)

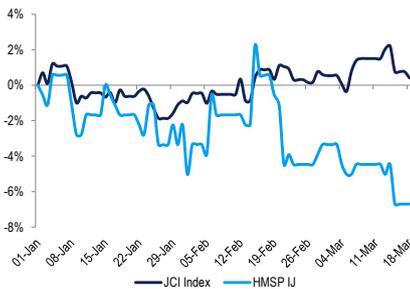
Company Update | Tobacco | HMSP IJ | 19 March 2024

Stock Data

| | |
|---------------------------|---------|
| Target price | Rp1,150 |
| Prior TP | Rp1,150 |
| Current price | Rp835 |
| Upside/downside | +41% |
| Shares outstanding (mn) | 116,318 |
| Market cap (Rp bn) | 97,126 |
| Free float | 7% |
| Avg. 6m daily T/O (Rp bn) | 17 |

Price Performance

| | 3M | 6M | 12M |
|-------------------|-------------|-------|--------|
| Absolute | -6.7% | -3.5% | -25.4% |
| Relative to JCI | -8.3% | -8.0% | -34.8% |
| 52w low/high (Rp) | 835 – 1,220 | | |



Major Shareholders

| | |
|--------------------------|-----|
| Phillip Morris Indonesia | 93% |
|--------------------------|-----|

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Preferred pick due to resilient SKT & promising heat-not-burn segments

- Our channel checks suggest HMSP has raised ASP by 2.5% for SKM products between 4Q23-2M24, compared to 4Q22-1Q23's 5.3%
- We expect SKT to continue its outperformance in FY24 given favorable excise differentials; while HNB offers promising outlook in the mid term
- Re-iterate our BUY rating for HMSP with a decent dividend yield of c.8% assuming full dividend payout ratio

Superior pricing power to translate to relatively robust GPM outlook

Based on our channel checks on cigarette pricing, HMSP has raised SKM prices by 2.5%, between 4Q23 and 2M24. Although this is slightly lower compared to the adjustments in the previous year (4Q22 and 1Q23 of 5.3%), we note that HMSP's recent price adjustments are far more meaningful compared to GGRM/Djarum's flat/0.8%. As such, we expect HMSP's superior pricing power shall translate to more robust GPM outlook in FY24F.

Favorable excise differential in SKT and heat-not-burn (HNB) products

As discussed earlier, SKT/HNB products' FY24F excise hike of 5.0/6.5% is less benign compared to SKM (I)'s 11.5%. Given SKT's growing contribution to revenue at 31% in FY23 (vs. 24.5% in FY22), the segment shall provide a meaningful margin buffer and volume growth for HMSP. In FY24F, we expect SKT volume to continue growing 8% yoy, whilst assuming volume declines of -7/-15% yoy for SKM/SPM respectively. Additionally, HNB's lower excise to SKM shall also lead to relatively more affordable HNB products to incentivize conversion.

Clear intent from PMI to promote heat-not-burn products

Based on PMI's disclosure during FY23 Investor Day, PMI aims to convert 10% of Indonesian's cigarette consumption of c.300bn sticks to HNB products in the mid-term. HMSP's US\$186mn HNB production facility with an annual production capacity of 15.5bn based on Ministry of Trade data is near completion and we expect full commercialization in FY24F. HMSP's success in domestic conversion to HNB products would be contingent on its ability to replicate well-loved flavors such as SKM Kretek with clove. Their effort in introducing lower priced heating device (latest at c.Rp350k) is also integral to bridge HNB adoption with the mass market. For now, we are still assessing HNB's potential financial impact for HMSP.

Maintain BUY with TP of Rp1,150

In sum, we maintain BUY with TP of Rp1,150 based on 16.0x FY24F PE (3yr mean). We can expect a decent dividend yield of 8.4% based on FY23 net profit attainment. Risk is slower adoption of HNB products.

| Financial Summary (Rp bn) | 2022A | 2023A | 2024F | 2025F | 2026F |
|---------------------------|---------|---------|---------|---------|---------|
| Revenue | 111,211 | 115,983 | 120,694 | 127,584 | 134,132 |
| EBITDA | 8,860 | 10,074 | 10,980 | 11,444 | 12,350 |
| Net profit | 6,324 | 8,097 | 8,338 | 8,659 | 9,326 |
| EPS (Rp) | 54 | 70 | 72 | 74 | 80 |
| EPS growth | -10.9% | 28.0% | 3.0% | 3.8% | 7.7% |
| ROE | 22.0% | 27.9% | 28.1% | 29.3% | 31.1% |
| PER (x) | 15.4 | 12.0 | 11.6 | 11.2 | 10.4 |
| Dividend yield | 7.6% | 6.6% | 8.4% | 8.6% | 9.0% |
| Forecast change | | | 0% | 0% | 0% |
| IPS vs. consensus | | | 93% | 86% | 70% |

Source: Company, Indo Premier

Share price closing as of: 18 March 2024

Fig. 8: HMSP is traded at 15.1x fwd. 12M PE (at 0.4 s.d. below its 3Y mean)



Source: Company, Bloomberg, Indo Premier

| Income Statement (Rp bn) | 2022A | 2023A | 2024F | 2025F | 2026F |
|--------------------------|---------------|---------------|---------------|---------------|---------------|
| Net revenue | 111,211 | 115,983 | 120,694 | 127,584 | 134,132 |
| Cost of sales | (94,053) | (96,653) | (99,878) | (105,274) | (110,291) |
| Gross profit | 17,158 | 19,330 | 20,816 | 22,309 | 23,842 |
| SG&A Expenses | (9,405) | (10,366) | (11,022) | (12,114) | (12,803) |
| Operating profit | 7,753 | 8,964 | 9,794 | 10,195 | 11,039 |
| Net interest | 414 | 699 | 699 | 699 | 699 |
| Forex gain (loss) | 0 | 0 | 0 | 0 | 0 |
| Others | 106 | 649 | 126 | 133 | 140 |
| Pre-tax income | 8,273 | 10,311 | 10,618 | 11,027 | 11,877 |
| Income tax | (1,949) | (2,214) | (2,280) | (2,368) | (2,551) |
| Minority interest | 0 | 0 | 0 | 0 | 0 |
| Net income | 6,324 | 8,097 | 8,338 | 8,659 | 9,326 |

| Balance Sheet (Rp bn) | 2022A | 2023A | 2024F | 2025F | 2026F |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Cash & equivalent | 3,283 | 2,695 | 2,587 | 3,091 | 4,014 |
| Receivable | 3,394 | 3,612 | 3,645 | 3,853 | 4,051 |
| Inventory | 18,375 | 19,014 | 19,318 | 20,362 | 21,332 |
| Other current assets | 16,311 | 14,745 | 15,064 | 15,269 | 15,464 |
| Total current assets | 41,363 | 40,066 | 40,615 | 42,575 | 44,861 |
| Fixed assets | 6,697 | 9,253 | 9,067 | 8,818 | 8,507 |
| Other non-current assets | 60 | 60 | 60 | 60 | 60 |
| Total non-current assets | 13,424 | 15,250 | 15,064 | 14,815 | 14,504 |
| Total assets | 54,787 | 55,316 | 55,678 | 57,390 | 59,365 |
| ST loans | 0 | 0 | 0 | 0 | 0 |
| Payable | 8,547 | 6,844 | 7,952 | 8,382 | 8,781 |
| Other payables | 14,619 | 13,015 | 13,498 | 14,268 | 14,999 |
| Current portion of LT loans | 0 | 0 | 0 | 0 | 0 |
| Total current liab. | 24,546 | 23,303 | 24,015 | 25,347 | 26,603 |
| Long term loans | 0 | 0 | 0 | 0 | 0 |
| Other LT liab. | 2,071 | 2,144 | 2,219 | 2,329 | 2,433 |
| Total liabilities | 26,617 | 25,446 | 26,233 | 27,676 | 29,036 |
| Equity | 21,088 | 21,087 | 21,087 | 21,087 | 21,087 |
| Retained earnings | 6,465 | 8,167 | 8,358 | 8,628 | 9,242 |
| Minority interest | 0 | 0 | 0 | 0 | 0 |
| Total SHE + minority int. | 28,170 | 29,870 | 29,445 | 29,715 | 30,329 |
| Total liabilities & equity | 54,787 | 55,316 | 55,678 | 57,390 | 59,365 |

Source: Company, Indo Premier

| Cash Flow Statement (Rp bn) | 2022A | 2023A | 2024F | 2025F | 2026F |
|---------------------------------|-----------------|----------------|----------------|----------------|----------------|
| Net income | 7,753 | 8,964 | 9,794 | 10,195 | 11,039 |
| Depr. & amortization | 0 | 0 | 1,186 | 1,249 | 1,311 |
| Changes in working capital | (12,019) | (534) | 55 | (124) | (107) |
| Others | 11,621 | (2,148) | (1,456) | (1,536) | (1,712) |
| Cash flow from operating | 7,355 | 6,282 | 9,579 | 9,783 | 10,531 |
| Capital expenditure | (899) | (1,072) | (1,000) | (1,000) | (1,000) |
| Others | (13,376) | 744 | 0 | 0 | 0 |
| Cash flow from investing | (14,275) | (328) | (1,000) | (1,000) | (1,000) |
| Loans | 0 | 0 | 0 | 0 | 0 |
| Equity | 0 | 0 | 0 | 0 | 0 |
| Dividends | (7,363) | (6,363) | (8,147) | (8,389) | (8,712) |
| Others | (278) | (179) | (541) | 110 | 104 |
| Cash flow from financing | (7,641) | (6,542) | (8,688) | (8,279) | (8,608) |
| Changes in cash | (14,561) | (588) | (108) | 504 | 923 |

| Key Ratios | 2022A | 2023A | 2024F | 2025F | 2026F |
|-------------------------------------|--------|-------|-------|--------|--------|
| Gross margin | 15.4% | 16.7% | 17.2% | 17.5% | 17.8% |
| Operating margin | 7.0% | 7.7% | 8.1% | 8.0% | 8.2% |
| Pre-tax margin | 7.4% | 8.9% | 8.8% | 8.6% | 8.9% |
| Net margin | 5.7% | 7.0% | 6.9% | 6.8% | 7.0% |
| ROA | 11.7% | 14.7% | 15.0% | 15.3% | 16.0% |
| ROE | 22.0% | 27.9% | 28.1% | 29.3% | 31.1% |
| Acct. receivables TO (days) | 10.3 | 11.0 | 11.0 | 11.0 | 11.0 |
| Acct. receivables - other TO (days) | | | | | |
| Inventory TO (days) | 70.2 | 70.6 | 70.6 | 70.6 | 70.6 |
| Payable TO (days) | 27.8 | 29.1 | 29.1 | 29.1 | 29.1 |
| Acct. payables - other TO (days) | | | | | |
| Debt to equity | | | | | |
| Interest coverage ratio (x) | 154.9 | 214.7 | 234.6 | 244.2 | 264.4 |
| Net gearing | -11.7% | -9.0% | -8.8% | -10.4% | -13.2% |

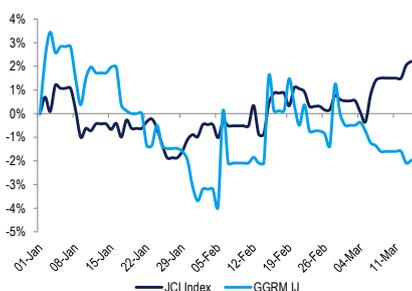
Source: Company, Indo Premier

Stock Data

| | |
|---------------------------|----------|
| Target price | Rp20,800 |
| Prior TP | Rp27,900 |
| Current price | Rp19,750 |
| Upside/downside | +5% |
| Shares outstanding (mn) | 1,924 |
| Market cap (Rp bn) | 38,001 |
| Free float | 24% |
| Avg. 6m daily T/O (Rp bn) | 17 |

Price Performance

| | 3M | 6M | 12M |
|-------------------|-----------------|--------|--------|
| Absolute | -4.7% | -19.1% | -22.5% |
| Relative to JCI | -6.3% | -23.7% | -31.9% |
| 52w low/high (Rp) | 19,500 – 29,800 | | |



Major Shareholders

| | |
|------------------------|-------|
| PT Suryaduta Investama | 69.3% |
| PT Suryamitra Kusuma | 6.26% |

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Softer margin outlook on more benign ASP hike; downgrade to HOLD

- GGRM has raised only 4% for SKM products in Mar24 (flat in 4Q23), far more benign compared to 4Q22-1Q23's 10.4%
- We cut FY24F earnings by -25.9% on the back of lower ASP adjustment, leading to lower GPM of 13% (-126 bps from previously)
- GGRM's commitment on infrastructure spend (est. c.10tr) may limit FY24-25F dividend payout ratio; Potential FY24F earnings decline of -17.1% underpin our ratings downgrade to HOLD with TP of Rp20,800

4Q23-2M24 benign ASP adjustments and soft buying power backdrop likely to inhibit meaningful price hike in FY24F

GGRM only raised prices by 4% in Mar24 for SKM segment, far more benign than 4Q22-1Q23's 10.4%. Prior to Mar24, the previous ASP adjustment dated back to May23. Additionally, the soft buying power backdrop as inferred from other consumer companies' revenue trend in FY23 and GGRM's deep volume decline (1H23/9M23's -22/-25% yoy) suggest GGRM may not be able to fully pass on excise in FY24F. We estimate that GGRM may need to raise prices by 9.8% for SKM segment to fully pass on excise, but expect only 7.1% ASP hike in FY24F, lowered from previously 8.7%.

Earnings cut from lower margin expectation with potential airport depreciation cost to weigh on opex

Consequently, we expect GPM to decline to 13.0% (-88bps yoy). Additionally, the airport commercialization may incur an additional operating expense with a more meaningful potential addition to depreciation costs (est. additional Rp550bn). As such, we cut FY24/25F earnings by -25.9/-27.3% while FY23 earnings cut of -8.1% was on the back of deeper than expected volume decline and muted price adjustment in 2H23.

Infrastructure commitments may limit dividend payout ratio

Based on company disclosures, GGRM still has yet to inject Rp7-8tr for its infrastructure projects – details in Fig 11. This may limit GGRM's payout ratio from 83% in FY23 (based on FY22's earnings) to 50% in FY24/25F, in our view. Based on news articles, GGRM's Dhoho Kediri International airport may start flight operations in the near future. However, GGRM's toll roads are still in the land acquisition process with phase I (Kabupaten Kediri-Kota Kediri) reaching 58% and phase II's (Kediri-Tulungagung) still in very early stage. The airport's acces and traffic is depending on the completion of the tollroads, which may require a few years' time for completion at the earliest.

Downgrade GGRM to HOLD with TP of Rp20,800

In sum, the lack of positive catalysts for GGRM and weak earnings expectation of -24.3% yoy in FY24F underpin our rating downgrade to HOLD with TP of Rp20,800, based on 8.8x FY24F PE (-1s.d. from its 3yr mean).

| Financial Summary (Rp bn) | 2021A | 2022A | 2023F | 2024F | 2025F |
|---------------------------|---------|---------|---------|---------|---------|
| Revenue | 124,881 | 124,683 | 108,759 | 109,245 | 115,321 |
| EBITDA | 10,009 | 6,832 | 10,994 | 10,348 | 10,946 |
| Net profit | 5,605 | 2,780 | 5,486 | 4,548 | 4,798 |
| EPS (Rp) | 2,913 | 1,445 | 2,851 | 2,364 | 2,493 |
| EPS growth | -26.7% | -50.4% | 97.4% | -17.1% | 5.5% |
| ROE | 9.5% | 4.7% | 9.2% | 7.3% | 7.5% |
| PER (x) | 6.8 | 13.7 | 6.9 | 8.4 | 7.9 |
| Dividend yield | 13.2% | 11.4% | 6.1% | 7.2% | 6.0% |
| Forecast change | | | -8% | -26% | -27% |
| IPS vs. consensus | | | 93% | 77% | 75% |

Source: Company, Indo Premier

Share price closing as of: 18 March 2024

Fig. 9: Forecast changes

| | Previous | | | Current | | | Changes | | |
|-----------------------------------|----------|---------|---------|---------|---------|---------|---------|--------|--------|
| | 2023F | 2024F | 2025F | 2023F | 2024F | 2025F | 2023F | 2024F | 2025F |
| Assumption | | | | | | | | | |
| Blended ASP growth | 14.0% | 8.7% | 9.0% | 13.8% | 7.1% | 9.2% | -0.2% | -1.6% | 0.3% |
| Blended volume growth | -20.4% | -6.2% | -2.5% | -23.5% | -6.2% | -3.3% | -3.1% | 0.0% | -0.8% |
| Financial Perform. (Rp bn) | | | | | | | | | |
| Net sales | 113,390 | 115,548 | 122,715 | 108,759 | 109,245 | 115,321 | -4.1% | -5.5% | -6.0% |
| Gross profit | 15,894 | 16,482 | 17,577 | 15,103 | 14,205 | 14,984 | -5.0% | -13.8% | -14.8% |
| EBIT | 8,252 | 8,473 | 9,067 | 7,636 | 6,434 | 6,754 | -7.5% | -24.1% | -25.5% |
| EBITDA | 11,610 | 12,387 | 13,259 | 10,994 | 10,348 | 10,946 | -5.3% | -16.5% | -17.4% |
| Net profit | 5,967 | 6,138 | 6,602 | 5,486 | 4,548 | 4,798 | -8.1% | -25.9% | -27.3% |
| EPS (Rp) | 3,101 | 3,190 | 3,431 | 2,851 | 2,364 | 2,493 | -8.1% | -25.9% | -27.3% |
| Profitability (%) | | | | | | | | | |
| Gross margin | 14.0% | 14.3% | 14.3% | 13.9% | 13.0% | 13.0% | -0.1% | -1.3% | -1.3% |
| EBIT margin | 7.3% | 7.3% | 7.4% | 7.0% | 5.9% | 5.9% | -0.3% | -1.4% | -1.5% |
| Net profit margin | 5.3% | 5.3% | 5.4% | 5.0% | 4.2% | 4.2% | -0.2% | -1.1% | -1.2% |

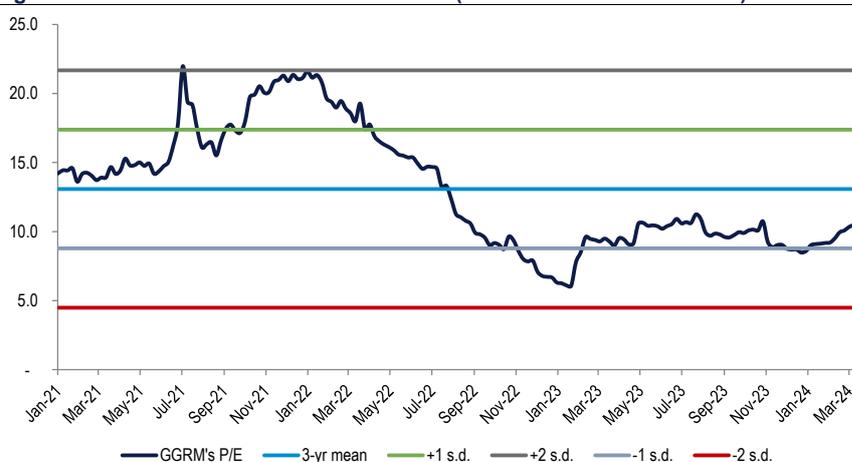
Source: Company, Indo Premier

Fig. 10: GGRM' infrastructure project estimate

| | 2021 | 2022 | Mar-23 | Jun-23 | Sep-23 | Feb-24 | Total estimated project cost |
|--------------------------|--------------|---------------|---------------|---------------|---------------|---------------|------------------------------|
| Airport | | | | | | | |
| PT Surya Dhoho Investama | 6,046 | 8,938 | 10,209 | 10,938 | 12,100 | 12,100 | 13,000 |
| Toll road | | | | | | | |
| PT Surya Kerta Agung | 1,020 | 1,035 | 1,138 | 1,141 | 1,144 | 1,144 | 10,250 |
| PT Surya Kertaagung Toll | 200 | 313 | 313 | 514 | 541 | 541 | |
| PT Surya Sapta Agung Tol | | | | | | 2,000 | |
| Total | 7,266 | 10,286 | 11,660 | 12,593 | 13,786 | 15,786 | 23,250 |

Source: Company, local news, Indo Premier

Fig. 11: GGRM is traded at 10.9x fwd. 12M PE (or 0.5s.d. below its 3Y mean)



Source: Company, Bloomberg, Indo Premier

| Income Statement (Rp bn) | 2021A | 2022A | 2023F | 2024F | 2025F |
|--------------------------|---------------|---------------|---------------|---------------|---------------|
| Net revenue | 124,881 | 124,683 | 108,759 | 109,245 | 115,321 |
| Cost of sales | (110,609) | (113,587) | (93,656) | (95,040) | (100,337) |
| Gross profit | 14,273 | 11,096 | 15,103 | 14,205 | 14,984 |
| SG&A Expenses | (7,160) | (7,325) | (7,467) | (7,771) | (8,231) |
| Operating profit | 7,113 | 3,771 | 7,636 | 6,434 | 6,754 |
| Net interest | (75) | (262) | (603) | (603) | (603) |
| Forex gain (loss) | 17 | (9) | 0 | 0 | 0 |
| Others | 232 | 147 | 0 | 0 | 0 |
| Pre-tax income | 7,287 | 3,647 | 7,033 | 5,831 | 6,151 |
| Income tax | (1,682) | (867) | (1,547) | (1,283) | (1,353) |
| Minority interest | (0) | (0) | (0) | (0) | (0) |
| Net income | 5,605 | 2,780 | 5,486 | 4,548 | 4,798 |

| Balance Sheet (Rp bn) | 2021A | 2022A | 2023F | 2024F | 2025F |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Cash & equivalent | 4,170 | 4,407 | 7,919 | 9,462 | 11,308 |
| Receivable | 2,774 | 2,181 | 2,012 | 2,021 | 2,134 |
| Inventory | 47,456 | 47,640 | 37,922 | 37,180 | 37,878 |
| Other current assets | 4,913 | 1,217 | 1,111 | 1,114 | 1,155 |
| Total current assets | 59,313 | 55,445 | 48,964 | 49,778 | 52,475 |
| Fixed assets | 29,780 | 32,426 | 39,069 | 40,154 | 40,962 |
| Other non-current assets | 0 | 0 | 0 | 0 | 0 |
| Total non-current assets | 30,652 | 33,117 | 39,760 | 40,846 | 41,653 |
| Total assets | 89,964 | 88,563 | 88,724 | 90,623 | 94,128 |
| ST loans | 9,948 | 10,048 | 10,048 | 10,048 | 10,048 |
| Payable | 1,002 | 1,309 | 825 | 837 | 883 |
| Other payables | 532 | 574 | 500 | 503 | 531 |
| Current portion of LT loans | 0 | 0 | 0 | 0 | 0 |
| Total current liab. | 28,369 | 29,125 | 26,268 | 26,356 | 27,263 |
| Long term loans | 123 | 65 | 65 | 65 | 65 |
| Other LT liab. | 2,184 | 1,516 | 1,323 | 1,329 | 1,402 |
| Total liabilities | 30,676 | 30,707 | 27,656 | 27,750 | 28,731 |
| Equity | 1,016 | 1,016 | 1,016 | 1,016 | 1,016 |
| Retained earnings | 58,306 | 56,874 | 60,052 | 61,858 | 64,381 |
| Minority interest | 0 | 0 | 0 | 0 | 0 |
| Total SHE + minority int. | 59,288 | 57,856 | 61,068 | 62,873 | 65,397 |
| Total liabilities & equity | 89,964 | 88,563 | 88,724 | 90,623 | 94,128 |

Source: Company, Indo Premier

| Cash Flow Statement (Rp bn) | 2021A | 2022A | 2023F | 2024F | 2025F |
|---------------------------------|----------------|----------------|-----------------|----------------|----------------|
| Net income | 7,113 | 3,771 | 7,636 | 6,434 | 6,754 |
| Depr. & amortization | 2,897 | 3,061 | 3,358 | 3,914 | 4,192 |
| Changes in working capital | (2,939) | 4,761 | 7,136 | 818 | 57 |
| Others | (1,745) | (1,724) | (2,150) | (1,886) | (1,956) |
| Cash flow from operating | 5,325 | 9,868 | 15,980 | 9,280 | 9,046 |
| Capital expenditure | (4,935) | (5,424) | (10,000) | (5,000) | (5,000) |
| Others | 90 | 74 | 0 | 0 | 0 |
| Cash flow from investing | (4,844) | (5,350) | (10,000) | (5,000) | (5,000) |
| Loans | (16,772) | (266) | 0 | 0 | 0 |
| Equity | 0 | 0 | 0 | 0 | 0 |
| Dividends | 0 | 0 | (2,307) | (2,743) | (2,274) |
| Others | 15,297 | (4,329) | (160) | 6 | 74 |
| Cash flow from financing | (1,475) | (4,595) | (2,467) | (2,737) | (2,200) |
| Changes in cash | (994) | (62) | 3,512 | 1,543 | 1,846 |

| Key Ratios | 2021A | 2022A | 2023F | 2024F | 2025F |
|-------------------------------------|-------|-------|-------|-------|-------|
| Gross margin | 11.4% | 8.9% | 13.9% | 13.0% | 13.0% |
| Operating margin | 5.7% | 3.0% | 7.0% | 5.9% | 5.9% |
| Pre-tax margin | 5.8% | 2.9% | 6.5% | 5.3% | 5.3% |
| Net margin | 4.5% | 2.2% | 5.0% | 4.2% | 4.2% |
| ROA | 6.7% | 3.1% | 6.2% | 5.1% | 5.2% |
| ROE | 9.5% | 4.7% | 9.2% | 7.3% | 7.5% |
| Acct. receivables TO (days) | 7.8 | 7.3 | 6.8 | 6.8 | 6.8 |
| Acct. receivables - other TO (days) | | | | | |
| Inventory TO (days) | 144.1 | 152.8 | 147.8 | 142.8 | 137.8 |
| Payable TO (days) | 3.5 | 3.7 | 3.2 | 3.2 | 3.2 |
| Acct. payables - other TO (days) | | | | | |
| Debt to equity | 17.0% | 17.5% | 16.6% | 16.1% | 15.5% |
| Interest coverage ratio (x) | 94.9 | 14.4 | 12.7 | 10.7 | 11.2 |
| Net gearing | 10.0% | 9.9% | 3.6% | 1.0% | -1.8% |

Source: Company, Indo Premier

INDOPREMIER

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- OVERWEIGHT** : An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation
- NEUTRAL** : A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation
- UNDERWEIGHT** : An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation

COMPANY RATINGS

- BUY** : Expected total return of 10% or more within a 12-month period
- HOLD** : Expected total return between -10% and 10% within a 12-month period
- SELL** : Expected total return of -10% or worse within a 12-month period

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