

Gudang Garam

SELL (downgrade)

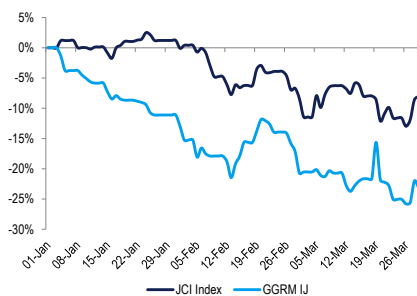
Company Update | Tobacco | GGRM IJ | 29 March 2025

Stock Data

Target price	Rp6,900
Prior TP	Rp14,400
Current price	Rp10,200
Upside/downside	-32.3%
Shares outstanding (mn)	1,924
Market cap (Rp bn)	19,914
Free float	24%
Avg. 6m daily T/O (Rp bn)	5

Price Performance

	3M	6M	12M
Absolute	-22.3%	-36.5%	-48.7%
vs. JCI	-14.4%	-20.7%	-38.1%
52w low/high (Rp)	9,850 – 20,025		



Major Shareholders

PT. Suryaduta Investama	69.3%
PT. Suryamitra Kusuma	6.26%

Andrianto Saputra

PT Indo Premier Sekuritas
andrianto.saputra@ipc.co.id
+62 21 5088 7168 ext. 712

Nicholas Bryan

PT Indo Premier Sekuritas
nicholas.bryan@ipc.co.id
+62 21 5088 7168 ext. 722

4Q24 result: miss from soft top-line growth and margin pressure

- FY24 net profit of Rp981bn (-82% yoy) was below consensus estimate at 34%. FY24 cigarette sales of Rp97.1tr (-8.9% yoy) also came below.
- 4Q24 net loss of -Rp11bn (vs. +Rp867bn in 4Q23) was driven by higher opex to sales ratio of +205bps yoy amid negative operating leverage.
- We cut our FY25/26F earnings by -29/-32% and downgrade to SELL.

FY24 earnings significantly miss our/consensus estimate

FY24 net profit of Rp981bn (-81.6% yoy) significantly missed our/consensus estimate at 69/34%. FY24 revenue declined to Rp98.7tr (-17.1% yoy), largely due to a sharp decline in construction sales which fell to Rp1.6tr (-87.4% yoy). Adjusting for this, FY24 cigarette sales stood at Rp97.1tr (-8.9% yoy). Based on our channel check, GGRM only increased ASP by +2.2% in FY24, implying a volume drop of -11% (vs. FY23's -25.6%). Overall, FY24 cigarette sales was below consensus estimate at 95%; but slightly above our estimate at 103%. FY24 GPM dropped significantly 9.9% (-378bps yoy), suggesting that GGRM struggles to pass on excise hike.

4Q24 net loss amid negative operating leverage

4Q24 cigarette sales declined to Rp23.2tr (-6.4% yoy), underperforming its peer HMSP (+2.5% yoy); driven by drop in volume at -8% yoy (vs. HMSP's -1.0% yoy) from persistent downtrading. 4Q24 GPM dropped to 10% (-285bps yoy). Opex to sales ratio increased to 9.8% (+205bps yoy) amid higher opex growth of +5.3% yoy (vs. cigarette sales decline of -6.4% yoy) and also leading to negative operating leverage. In sum, GGRM booked net loss of -Rp11bn (vs. Rp867/67bn in 4Q23/3Q24).

We expect a modest ASP adjustment in FY25F

Our latest cigarette price survey shows that GGRM has increased 1Q25F SKM price by 1.7% YTD (vs. +4.6% in 1Q24). Given the current price development, most of GGRM's products have met 85% FY25F minimum retail price (HJE) with 4.2% above HJE (Fig. 3). Note that GGRM's products are highly elastic, as evidenced in FY23 when a 15% yoy ASP hike led to -25.6% yoy decline in sales volume. As a result, we expect a modest ASP hike amid soft purchasing power.

Downgrade to SELL with TP of Rp6,900/sh

We revised down our FY25/26F earnings by -29/-32% to incorporate weak FY24 result and downgrading our rating from HOLD to SELL with TP of Rp6,900/sh based on 6x FY25F PE (-1.5 s.d. from its 3yr mean). We view FY25F earnings growth of +125.7% yoy, driven by flat FY25F excise tax is sustainable i.e. previous zero excise hike in FY19 was followed by significant increase in the following year (23% hike in FY20).

Financial Summary (Rp bn)	2023A	2024A	2025F	2026F	2027F
Revenue	118,953	98,655	93,928	98,569	103,443
EBITDA	10,362	4,684	6,081	5,793	5,752
Net profit	5,325	981	2,214	1,847	1,616
EPS (Rp)	2,767	510	1,151	960	840
EPS growth	91.5%	-81.6%	125.7%	-16.6%	-12.5%
ROE	9.0%	1.6%	3.5%	2.8%	2.4%
PER (x)	3.7	20.0	8.9	10.6	12.1
Dividend yield	22.1%	22.1%	0.0%	0.0%	0.0%
Forecast change			-29%	-32%	N/A
IPS vs. consensus			66%	43%	N/A

Sources: Company, Indo Premier

Share price closing as of: 29 March 2025

Fig. 1: GGRM's 4Q24 results

(Rp bn)	4Q24	4Q23	% YoY	3Q24	%QoQ	12M24	12M23	% YoY	IPS FY24F	% IPS	Cons FY24F	% Cons
Total sales	24,762	37,204	-33.4%	23,875	3.7%	98,655	118,953	-17.1%				
Cigarette sales	23,192	24,787	-6.4%	23,875	-2.9%	97,085	106,535	-8.9%	94,337	103%	101,851	95%
Construction sales	1,570	12,418	-87.4%	-	N/A	1,570	12,418	-87.4%				
Total COGS	(22,703)	(34,027)	-33.3%	(21,622)	5.0%	(89,276)	(104,357)	-14.5%				
Gross profit	2,059	3,178	-35.2%	2,252	-8.6%	9,380	14,596	-35.7%				
Cigarette GP	2,329	3,195	-27.1%	2,252	3.4%	9,649	14,613	-34.0%				
Construction GP*	(270)	(18)	N/A	-	N/A	(270)	(18)	N/A				
Opex	(1,996)	(1,896)	5.3%	(2,031)	-1.7%	(7,690)	(7,335)	4.9%				
EBIT	63	1,282	-95.1%	222	-71.8%	1,689	7,261	-76.7%	2,356	72%	2,811	60%
Other income (charges)	(26)	(27)	-3.3%	(1)	NA	181	173	5.0%				
PBT	23	1,109	-97.9%	126	-81.7%	1,401	6,861	-79.6%				
Tax benefit (expense)	(35)	(242)	-85.7%	(60)	-42.2%	(420)	(1,536)	-72.7%				
Net profit	(11)	867	-101.3%	67	-117.1%	981	5,325	-81.6%	1,418	69%	2,875	34%
Margins												
Gross margin	10.0%	12.9%		9.4%		9.9%	13.7%					
EBIT margin	0.3%	5.2%		0.9%		1.7%	6.8%					
Net margin	0.0%	3.5%		0.3%		1.0%	5.0%					
**Based on cigarette sales												
Segment information												
Revenue breakdown												
SKM	20,704	22,123	-6.4%	21,386	-3.2%	86,621	96,022	-9.8%				
SKT	2,197	2,404	-8.6%	2,264	-2.9%	9,366	9,302	0.7%				
Others	1,861	12,678	-85.3%	225	725%	2,668	13,629	-80.4%				
Revenue contribution												
SKM	83.6%	59.5%		89.6%		87.8%	80.7%					
SKT	8.9%	6.5%		9.5%		9.5%	7.8%					
Others	7.5%	34.1%		0.9%		2.7%	11.5%					

Sources: Company, Bloomberg, Indo Premier

Fig. 2: GGRM Forecast Changes

	Previous		Current		Changes	
	2025F	2026F	2025F	2026F	2025F	2026F
Financial Perform. (Rp bn)						
Net sales	93,863	98,495	93,928	98,569	0.1%	0.1%
Gross profit	11,779	11,325	10,626	10,043	-9.8%	-11.3%
EBIT	4,434	3,951	3,072	2,153	-30.7%	-45.5%
EBITDA	7,542	7,470	6,081	5,271	-19.4%	-29.4%
Net profit	3,136	2,701	2,214	1,440	-29.4%	-46.7%
EPS (Rp)	1,630	1,404	1,151	748	-29.4%	-46.7%
Profitability (%)						
Gross margin	12.5%	11.5%	11.3%	10.2%	-1.2%	-1.3%
EBIT margin	4.7%	4.0%	3.3%	2.2%	-1.5%	-1.8%
Net profit margin	3.3%	2.7%	2.4%	1.5%	-1.0%	-1.3%

Sources: Indo Premier

Fig. 3: Most of GGRM's product is higher than 85% FY25F HJE

No.	Brand	Type	Tier	Price/Stick (Rp)	85% HJE (Rp)	Price different with 85% HJE
1	Surya	SKM	1	2,283	2,019	13.1%
2	Surya Pro	SKM	1	2,034	2,019	0.8%
3	Surya Pro Mild	SKM	1	2,009	2,019	-0.5%
4	GG Mild Shiver	SKM	1	2,084	2,019	3.3%
5	GG Signature Mi	SKM	1	2,106	2,019	4.3%
Average				2,104	2,019	4.2%

Sources: Minister of Finance, Indomaet, Alfagift, Indo Premier

Fig. 4: GGRM is traded at 8.9x 12M forward P/E, (-0.4 s.d. from its 5-year mean)



Sources: Bloomberg, Indo Premier

Income Statement (Rp bn)	2023A	2024A	2025F	2026F	2027F
Net revenue	118,953	98,655	93,928	98,569	103,443
Cost of sales	(104,357)	(89,276)	(83,302)	(88,004)	(92,804)
Gross profit	14,596	9,380	10,626	10,565	10,638
SG&A Expenses	(7,335)	(7,690)	(7,554)	(7,890)	(8,112)
Operating profit	7,261	1,689	3,072	2,675	2,527
Net interest	(579)	(503)	(415)	(489)	(637)
Forex gain (loss)	6	33	0	0	0
Others	173	181	181	181	181
Pre-tax income	6,861	1,401	2,839	2,368	2,071
Income tax	(1,536)	(420)	(624)	(521)	(456)
Minority interest	(0)	(0)	(0)	(0)	(0)
Net income	5,325	981	2,214	1,847	1,616

Balance Sheet (Rp bn)	2023A	2024A	2025F	2026F	2027F
Cash & equivalent	4,256	3,706	6,880	12,334	17,770
Receivable	1,952	1,841	1,806	1,895	1,988
Inventory	46,486	40,426	39,407	40,426	41,360
Other current assets	1,421	1,618	1,558	1,617	1,679
Total current assets	54,115	47,591	49,651	56,272	62,797
Fixed assets	24,551	22,058	21,048	19,931	18,705
Goodwill	13,008	14,330	14,330	14,330	14,330
Total non-current assets	38,336	37,348	36,339	35,221	33,996
Total assets	92,451	84,939	85,990	91,493	96,793
ST loans	13,396	9,375	8,396	11,396	14,396
Payable	1,065	1,127	1,023	1,080	1,139
Other payables	433	209	199	209	220
Current portion of LT loans	0	0	0	0	0
Total current liab.	29,536	20,824	19,704	23,285	26,889
Long term loans	0	0	0	0	0
Other LT liab.	2,052	2,198	2,121	2,197	2,277
Total liabilities	31,588	23,023	21,826	25,482	29,166
Equity	1,016	1,016	1,016	1,016	1,016
Retained earnings	59,880	60,934	63,148	64,995	66,611
Minority interest	0	0	0	0	0
Total SHE + minority int.	60,863	61,917	64,164	66,011	67,627
Total liabilities & equity	92,451	84,939	85,990	91,493	96,793

Sources: Company, Indo Premier

Cash Flow Statement (Rp bn)	2023A	2024A	2025F	2026F	2027F
EBIT	7,261	1,689	3,072	2,675	2,527
Depr. & amortization	3,101	2,995	3,010	3,118	3,226
Changes in working capital	(1,757)	1,282	974	(587)	(485)
Others	(4,196)	561	(858)	(828)	(911)
Cash flow from operating	4,409	6,527	6,198	4,378	4,356
Capital expenditure	(5,698)	(5,698)	(2,000)	(2,000)	(2,000)
Others	191	2,624	0	0	0
Cash flow from investing	(5,508)	(3,074)	(2,000)	(2,000)	(2,000)
Loans	3,312	3,312	(980)	3,000	3,000
Equity	0	0	0	0	0
Dividends	(2,309)	(2,309)	0	0	0
Others	0	(4,753)	(44)	76	79
Cash flow from financing	1,003	(3,750)	(1,023)	3,076	3,079
Changes in cash	(99)	(280)	3,175	5,453	5,436

Key Ratios	2023A	2024A	2025F	2026F	2027F
Gross margin	12.3%	9.5%	11.3%	10.7%	10.3%
Operating margin	6.1%	1.7%	3.3%	2.7%	2.4%
Pre-tax margin	5.8%	1.4%	3.0%	2.4%	2.0%
Net margin	4.5%	1.0%	2.4%	1.9%	1.6%
ROA	5.9%	1.1%	2.6%	2.1%	1.7%
ROE	9.0%	1.6%	3.5%	2.8%	2.4%
Acct. receivables TO (days)	6.3	7.0	7.0	7.0	7.0
Inventory TO (days)	164.6	177.7	172.7	167.7	162.7
Payable TO (days)	4.2	4.5	4.5	4.5	4.5
Debt to equity	22.0%	15.1%	13.1%	17.3%	21.3%
Interest coverage ratio (x)	12.5	3.4	7.4	5.5	4.0
Net gearing	15.0%	9.2%	2.4%	-1.4%	-5.0%

Sources: Company, Indo Premier

INVESTMENT 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

ANALYSTS CERTIFICATION

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