INDOPREMIER

Gudang Garam

BUY *(upgrade)*

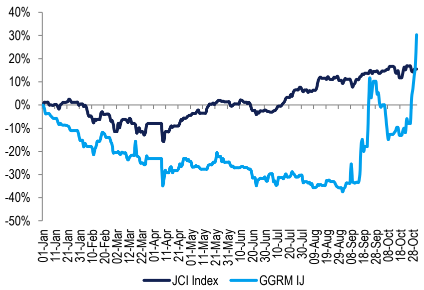
Company Update | Tobacco | GGRM IJ | 31 October 2025

Stock Data

Target price	**Rp20,700**
Prior TP	*Rp5,700*
Current price	Rp17,100
Upside/downside	*21.1%*
Shares outstanding (mn)	1,924
Market cap (Rp bn)	29,823
Free float	24%
Avg. 6m daily T/O (Rp bn)	36

Price Performance

	3M	6M	12M
Absolute	96.0%	72.6%	26.3%
vs. JCI	86.8%	51.7%	17.3%
52w low/high (Rp)			8,300 – 17,300



Major Shareholders

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

Robust 3Q25 earnings recovery underpins our EPS upgrade

- 9M25 net profit of Rp1.1tr (+11.5% yoy) was above our/consensus estimate at 100/172% (vs. 5yr avg of 77%). 9M25 revenue was in-line.
- Strong 3Q25 earnings recovery was driven by GPM improvement of +153bps yoy and opex-to-sales improvement of +244bps yoy.
- Upgrade to BUY with a higher TP of Rp20,700/sh following our FY25/26F earnings upgrade of +82/100%.

9M25 earnings was above our and consensus estimate

GGRM posted 9M25 net profit of Rp1.1tr (+11.5% yoy), above our/consensus estimate at 100%/172% (vs. 5yr avg of 77%), supported by margin improvement at both gross profit and opex levels. 9M25 revenue of Rp67.3tr (-8.9% yoy) was in-line with our/consensus estimates at 76% (vs. 5yr avg of 75%). GPM declined to 9.4% (-54bps yoy), while opex-to-sales improved to 7.1% (-56bps yoy), resulting in a stable EBIT margin of 2.2% (+2bps yoy).

3Q25 revenue decline driven by weaker SKM and SKT sales

3Q25 revenue declined to Rp22.9tr (-3.8% yoy), attributed to soft SKM and SKT sales (-11.3%/-5.3% yoy). We estimate the revenue decline was volume-driven, as our channel checks indicate 3Q25 SKM ASP only increased +4.3% yoy. 3Q25 GPM improved to 11.0% (+153bps yoy), amid SKM ASP hikes (+4.3% yoy) and stable excise tax. Opex-to-sales improved to 6.1% (-244bps yoy), mainly from lower A&P-to-sales ratio of 1.4% (-172bps yoy). Consequently, EBIT margin rose to 4.8% (+391bps yoy), driving a sharp rebound in net profit to Rp990bn (+1,384% yoy) with an NPM of 4.3% (vs. 0.3% in 3Q24).

FY25/26F earnings revised up by 82/100%

With the government maintaining a flat excise tax in FY26F (link to note), we expect GGRM's 3Q25 GPM of 11% to be sustained through FY26F. Continued opex efficiency is also expected, supported by a lower workforce (Fig. 3), as salary-to-sales dropped to 2.3% in 9M25 (vs. 2.6% in FY24). In sum, we raised our FY25/26F earnings forecasts by 82%/100% to reflect robust 3Q25 results..

Upgrade to BUY with TP of Rp20,700/sh

We upgrade GGRM to BUY with a TP of Rp20,700/sh, based on 11.0x FY26F PE (-0.5 s.d. from its 3yr mean). We also see sector upside as the Ministry of Finance intensifies enforcement against illegal cigarettes. Key risks to our call: softer sales volume than expected and higher penetration of illegal cigarettes.

Financial Summary (Rp bn)	2023A	2024A	2025F	2026F	2027F
Revenue	118,953	98,655	88,209	92,617	99,115
EBITDA	10,362	4,684	5,589	7,896	8,916
EBITDA growth	51.7%	-54.8%	19.3%	41.3%	12.9%
Net profit	5,325	981	2,019	3,620	4,331
EPS (Rp)	2,767	510	1,049	1,881	2,251
EPS growth	91.5%	-81.6%	105.9%	79.3%	19.7%
ROE	9.0%	1.6%	3.2%	5.5%	6.2%
PER (x)	6.3	33.9	16.5	9.2	7.7
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
Forecast change			82%	100%	83%
IPS vs. consensus			314%	302%	209%

Sources: Company, Indo Premier *Share price closing as of: 31 October 2025*

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Fig. 1: GGRM's 3Q25 results

(Rp bn)	3Q25	3Q24	% YoY	2Q25	%QoQ	9M25	9M24	% YoY	IPS FY25F	% IPS	Cons FY25F	% Cons	5yr avg
Total sales	**22,958**	**23,875**	**-3.8%**	**21,302**	**7.8%**	**67,327**	**73,893**	**-8.9%**	**88,209**	**76%**	**88,904**	**76%**	**75%**
Total COGS	(20,442)	(21,622)	-5.5%	(19,520)	4.7%	(61,022)	(66,573)	-8.3%					
Gross profit	**2,517**	**2,252**	**11.7%**	**1,782**	**41.2%**	**6,304**	**7,321**	**-13.9%**					
Opex	(1,395)	(2,031)	-31.3%	(1,611)	-13.4%	(4,813)	(5,694)	-15.5%					
EBIT	**1,122**	**222**	**406.0%**	**171**	**556.0%**	**1,491**	**1,627**	**-8.3%**	**1,687**	**88%**	**1,200**	**124%**	**76%**
Other income (charges)	243	(1)	N/A	39	**527.4%**	390	208	87.5%					
PBT	**1,327**	**126**	**949.4%**	**99**	**1236.9%**	**1,621**	**1,377**	**17.7%**					
Tax benefit (expense)	(337)	(60)	464.4%	(87)	289.9%	(511)	(385)	32.8%					
Net profit	**990**	**67**	**1384.0%**	**13**	**7672.6%**	**1,107**	**992**	**11.5%**	**1,110**	**100%**	**643**	**172%**	**77%**
Margins													
Gross margin	11.0%	9.4%	1.53%	8.4%	2.59%	9.4%	9.9%	-0.54%					
EBIT margin	4.9%	0.9%	3.97%	0.8%	4.09%	2.2%	2.2%	0.02%					
Net margin	4.3%	0.3%	4.04%	0.1%	4.26%	1.7%	1.3%	0.31%					
***Based on cigarette sales*													
Segment information													
Revenue breakdown													
SKM	20,263	21,386	-5.3%	19,110	6.0%	60,002	65,917	-9.0%					
SKT	2,009	2,264	-11.3%	1,840	9.2%	5,956	7,169	-16.9%					
Others	687	225	204.7%	352	95%	1,370	807	69.7%					
Revenue contribution													
SKM	88.3%	89.6%		89.7%		89.1%	89.2%						
SKT	8.7%	9.5%		8.6%		8.8%	9.7%						
Others	3.0%	0.9%		1.7%		2.0%	1.1%						

Sources: Company, Bloomberg, Indo Premier

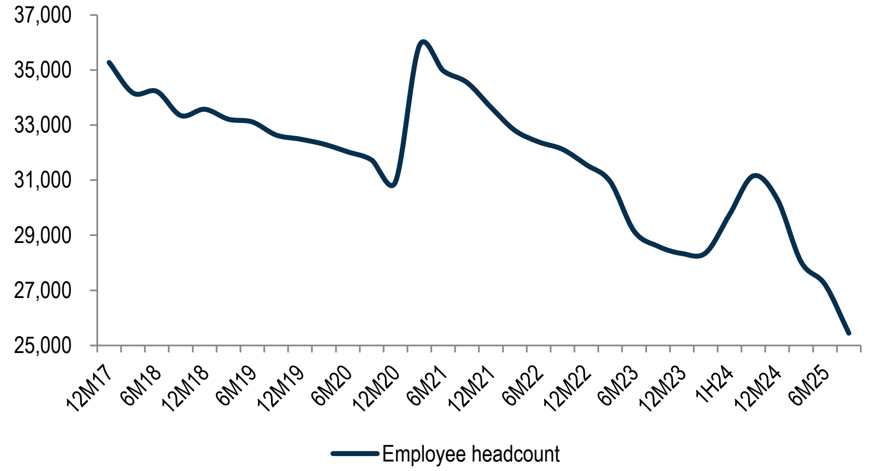
**Indo Premier Estimate*

Fig. 2: GGRM earnings changes

	Previous		Current		Changes	
	2025F	2026F	2025F	2026F	2025F	2026F
Financial Perform. (Rp bn)						
Net sales	88,209	92,564	88,209	92,617	0.0%	0.1%
Gross profit	9,036	10,025	9,036	11,201	0.0%	11.7%
EBIT	1,687	2,303	2,580	4,778	52.9%	107.5%
EBITDA	4,696	5,809	5,589	7,896	19.0%	35.9%
Net profit	1,110	1,521	2,019	3,620	81.9%	138.0%
EPS (Rp)	577	942	1,049	1,881	81.9%	99.7%
Profitability (%)						
Gross margin	10.2%	10.8%	10.2%	12.1%	0.0%	1.3%
EBIT margin	1.9%	2.5%	2.9%	5.2%	1.0%	2.7%
Net profit margin	1.3%	1.6%	2.3%	3.9%	1.0%	2.3%

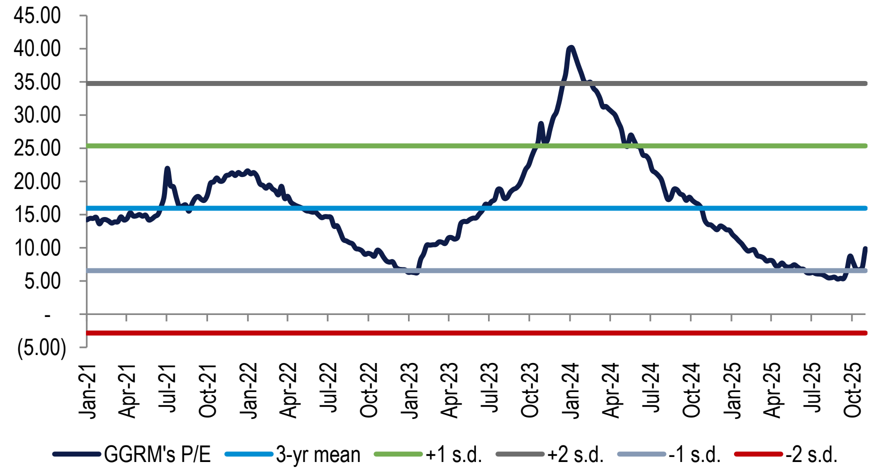
Sources: Bloomberg, Indo Premier

Fig. 3: GGRM employee headcount trend



Sources: Bloomberg, Indo Premier

Fig. 4: GGRM is traded at 9.9x 12M forward P/E, (-0.6 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	88,209	92,617	99,115
Cost of sales	(104,357)	(89,276)	(79,173)	(81,416)	(86,907)
Gross profit	**14,596**	**9,380**	**9,036**	**11,201**	**12,208**
SG&A Expenses	(7,335)	(7,690)	(6,456)	(6,423)	(6,517)
Operating profit	**7,261**	**1,689**	**2,580**	**4,778**	**5,691**
Net interest	(579)	(503)	(388)	(388)	(388)
Forex gain (loss)	6	33	0	0	0
Others	173	181	500	250	250
Pre-tax income	**6,861**	**1,401**	**2,692**	**4,641**	**5,553**
Income tax	(1,536)	(420)	(673)	(1,021)	(1,222)
Minority interest	(0)	(0)	(0)	(0)	(0)
Net income	**5,325**	**981**	**2,019**	**3,620**	**4,331**

Balance Sheet (Rp bn)	2023A	2024A	2025F	2026F	2027F
Cash & equivalent	4,256	3,706	8,075	13,266	18,161
Receivable	1,952	1,841	1,696	1,780	1,905
Inventory	46,486	40,426	37,454	37,399	38,731
Other current assets	1,421	1,618	1,485	1,541	1,624
Total current assets	**54,115**	**47,591**	**48,709**	**53,987**	**60,422**
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**	**85,048**	**89,208**	**94,418**
ST loans	13,396	9,375	8,396	8,396	8,396
Payable	1,065	1,127	972	1,000	1,067
Other payables	433	209	187	197	210
Current portion of LT loans	0	0	0	0	0
Total current liab.	**29,536**	**20,824**	**19,051**	**19,519**	**20,292**
Long term loans	0	0	0	0	0
Other LT liab.	2,052	2,198	2,028	2,100	2,206
Total liabilities	**31,588**	**23,023**	**21,079**	**21,619**	**22,498**
Equity	1,016	1,016	1,016	1,016	1,016
Retained earnings	59,880	60,934	62,953	66,573	70,904
Minority interest	0	0	0	0	0
Total SHE + minority int.	**60,863**	**61,917**	**63,969**	**67,589**	**71,920**
Total liabilities & equity	**92,451**	**84,939**	**85,048**	**89,208**	**94,418**

Sources: Company, Indo Premier

Cash Flow Statement (Rp bn)	2023A	2024A	2025F	2026F	2027F
EBIT	7,261	1,689	2,580	4,778	5,691
Depr. & amortization	3,101	2,995	3,010	3,118	3,226
Changes in working capital	(1,757)	1,282	2,457	382	(767)
Others	(4,196)	561	(561)	(1,158)	(1,359)
Cash flow from operating	**4,409**	**6,527**	**7,485**	**7,119**	**6,790**
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)	0	0
Equity	0	0	0	0	0
Dividends	(2,309)	(2,309)	0	0	0
Others	0	(4,753)	(137)	72	106
Cash flow from financing	**1,003**	**(3,750)**	**(1,116)**	**72**	**106**
Changes in cash	**(99)**	**(280)**	**4,369**	**5,191**	**4,895**

Key Ratios	2023A	2024A	2025F	2026F	2027F
Gross margin	12.3%	9.5%	10.2%	12.1%	12.3%
Operating margin	6.1%	1.7%	2.9%	5.2%	5.7%
Pre-tax margin	5.8%	1.4%	3.1%	5.0%	5.6%
Net margin	4.5%	1.0%	2.3%	3.9%	4.4%
ROA	5.9%	1.1%	2.4%	4.2%	4.7%
ROE	9.0%	1.6%	3.2%	5.5%	6.2%
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%	12.4%	11.7%
Interest coverage ratio (x)	12.5	3.4	6.7	12.3	14.7
Net gearing	15.0%	9.2%	0.5%	-7.2%	-13.6%

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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