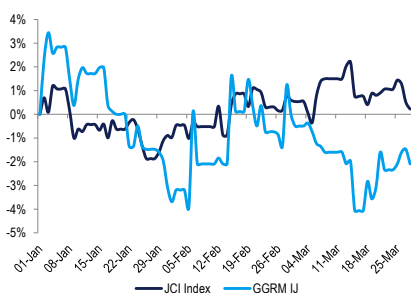


Stock Data

Target price	Rp20,800
Prior TP	Rp20,800
Current price	Rp19,900
Upside/downside	4.5%
Shares outstanding (mn)	1,924
Market cap (Rp bn)	38,289
Free float	24%
Avg. 6m daily T/O (Rp bn)	17

Price Performance

	3M	6M	12M
Absolute	-0.5%	-18.1%	-24.8%
vs. JCI	-1.1%	-23.2%	-31.3%
52w low/high (Rp)	19,500 – 29,800		



Major Shareholders

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

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4Q23 earnings was a consensus' miss amid significant volume decline

- GGRM's FY23 net profit of Rp5.3tr (+91.5% yoy) came below consensus estimate at 91% and in-line with ours at 97%.
- 4Q23 net profit declined -32.4% yoy on the back of soft sales which dropped -19.4% yoy as volume declined -25% yoy.
- Despite the attractive valuation, we maintain our HOLD call with unchanged TP of Rp20,800 on more challenging FY24F outlook and our expectation of -14.6% yoy earnings decline.

FY23 earnings miss due to soft 4Q23 earnings

GGRM's FY23 net profit of Rp5.3tr (+91.5% yoy) was below consensus estimate at 91% but in-line with ours at 97%. FY23 total sales reached Rp118.9tr (-4.6% yoy) which was boosted by construction sales booked in Rp12.4tr in 4Q23. Adjusting for this, FY23 cigarette sales stood at Rp106.5tr (-14.6% yoy) amid FY23 volume decline of -25% yoy (similar to 9M23's). The sales attainment was below consensus' estimate at 93%, but in-line with ours at 98%. In terms of profitability, our estimate on cigarette GPM expanded +482bps yoy to reach 13.7% while NPM more than doubled yoy to 5.0% vs. FY22's 2.2%. Segmentally, SKM recorded -16.0% yoy revenue growth, while SKT proved to be more resilient at +6.1% yoy.

4Q23 cigarette revenue decline on continued soft volume

4Q23 net profit declined to Rp867bn (-32.4% yoy/-25.8% qoq) as sales declined -19.4% yoy (-4.3% qoq). Inferred GPM of 12.9% was +182bps yoy higher on the back of price adjustments in 1Q23, but -56bps lower qoq. Excluding construction revenue, 4Q23 cigarette revenue declined to Rp24.8tr (-19.4% yoy due to volume decline and -4.3% qoq due to mix changes).

A more cautious outlook in FY24F

As discussed in our recent tobacco report (link [here](#)), the soft buying power may inhibit meaningful price hike in FY24F with the backdrop of similar excise hike of 11.5% for SKM (tier-1). Moreover, the much more benign price adjustments by GGRM thus far is an indication that GGRM may not be able to fully pass-on FY24F excise hike, in our view. As such, we expect GPM to be under pressure in FY24F and net profit to decline by -14.6% yoy.

Maintain HOLD with unchanged TP of Rp20,800

Despite the attractive valuation FY24F P/E of 8.4x, we view that GGRM's commitments on further capital injection for its infrastructure projects (airport and toll-roads) may weigh on FY24F's dividend payout ratio to 50% from FY23's 83%. We maintain our HOLD call with unchanged TP of Rp20,800 pegged to -1.5SD forward 12M P/E of 9.0x.

Financial Summary (Rp bn)	2022A	2023A	2024F	2025F	2026F
Revenue	124,683	118,953	109,245	115,321	126,288
EBITDA	6,832	10,362	10,348	10,946	10,451
Net profit	2,780	5,325	4,548	4,798	4,195
EPS (Rp)	1,445	2,767	2,364	2,493	2,180
EPS growth	-50.4%	91.5%	-17.1%	5.5%	-12.6%
ROE	4.7%	9.0%	7.3%	7.5%	6.3%
PER (x)	13.8	7.2	8.4	8.0	9.1
Dividend yield	11.3%	11.3%	7.2%	5.9%	6.3%
Forecast change			0%	0%	0%
IPS vs. consensus			77%	75%	53%

Sources: Company, Indo Premier

Share price closing as of: 28 March 2024

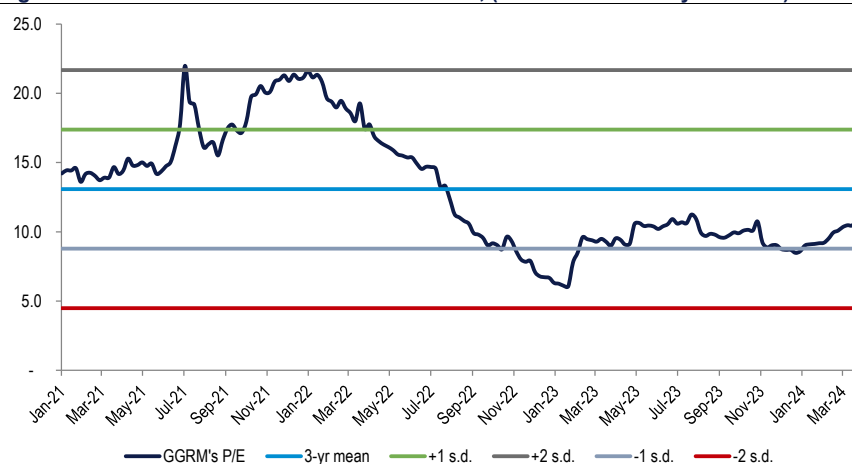
Fig. 1: GGRM's 4Q23 results

(Rp bn)	4Q23	4Q22	% YoY	3Q23	%QoQ	12M23	12M22	% YoY	IPS FY23F	% IPS	Cons FY23F	% Cons	Comment
Total sales	37,204	30,763	20.9%	25,897	43.7%	118,953	124,683	-4.6%					
Cigarette sales	24,787	30,763	-19.4%	25,897	-4.3%	106,535	124,683	-14.6%	108,759	98%	114,672	93%	Below
Construction sales	12,418	-	N/A	-	N/A	12,418	-	N/A					
Total COGS	(34,027)	(27,357)	24.4%	(22,413)	51.8%	(104,357)	(113,587)	-8.1%					
Gross profit	3,178	3,406	-6.7%	3,485	-8.8%	14,596	11,096	31.5%					
Cigarette GP	3,195	3,406	-6.2%	3,485	-8.3%	14,613	11,096	31.7%					
Construction GP*	(18)	0	N/A	0	N/A	(18)	0	N/A					
Opex	(1,896)	(1,589)	19.3%	(1,868)	1.5%	(7,335)	(7,325)	0.1%					
EBIT	1,282	1,817	-29.4%	1,617	-20.7%	7,261	3,771	92.6%	7,636	95%	7,885	92%	Below
Other income (charges)	(27)	(20)	35.6%	35	-177.7%	173	147	17.2%					
PBT	1,109	1,703	-34.9%	1,540	-28.0%	6,861	3,647	88.1%					
Tax benefit (expense)	(242)	(421)	-42.5%	(371)	-34.9%	(1,536)	(867)	77.2%					
Net profit	867	1,282	-32.4%	1,169	-25.8%	5,325	2,780	91.5%	5,486	97%	5,880	91%	Below
Margins													
Gross margin	12.9%	11.1%	1.82%	13.5%	-0.56%	13.7%	8.9%	4.82%					
EBIT margin	5.2%	5.9%	-0.73%	6.2%	-1.07%	6.8%	3.0%	3.79%					
Net margin	3.5%	4.2%	-0.67%	4.5%	-1.01%	5.0%	2.2%	2.77%					
**Based on cigarette sales													
Segment information													
Revenue breakdown													
SKM	22,123	28,254	-21.7%	23,150	-4.4%	96,022	114,271	-16.0%					
SKT	2,404	2,205	9.0%	2,489	-3.4%	9,302	8,767	6.1%					
Others	12,678	305	4055.8%	258	4815%	13,629	1,645	728.5%					
Revenue contribution													
SKM	59.5%	91.8%		89.4%		80.7%	91.6%						
SKT	6.5%	7.2%		9.6%		7.8%	7.0%						
Others	34.1%	1.0%		1.0%		11.5%	1.3%						

Sources: Company, Bloomberg, Indo Premier

*Indo Premier Estimate

Fig. 2: GGRM is traded at 11.2x 12M forward P/E, (-0.4 s.d. from its 5-year mean)



Sources: Bloomberg, Indo Premier

Income Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
Net revenue	124,683	118,953	109,245	115,321	126,288
Cost of sales	(113,587)	(104,357)	(95,040)	(100,337)	(111,420)
Gross profit	11,096	14,596	14,205	14,984	14,868
SG&A Expenses	(7,325)	(7,335)	(7,771)	(8,231)	(8,887)
Operating profit	3,771	7,261	6,434	6,754	5,981
Net interest	(262)	(579)	(603)	(603)	(603)
Forex gain (loss)	(9)	6	0	0	0
Others	147	173	0	0	0
Pre-tax income	3,647	6,861	5,831	6,151	5,378
Income tax	(867)	(1,536)	(1,283)	(1,353)	(1,183)
Minority interest	(0)	(0)	(0)	(0)	(0)
Net income	2,780	5,325	4,548	4,798	4,195

Balance Sheet (Rp bn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent	4,407	4,256	9,462	11,308	11,437
Receivable	2,181	1,952	2,021	2,134	2,337
Inventory	47,640	46,486	37,180	37,878	40,536
Other current assets	1,217	1,421	1,114	1,155	1,227
Total current assets	55,445	54,115	49,778	52,475	55,537
Fixed assets	32,426	37,559	40,154	40,962	41,492
Goodwill	0	0	0	0	0
Total non-current assets	33,117	38,336	40,846	41,653	42,183
Total assets	88,563	92,451	90,623	94,128	97,720
ST loans	10,048	13,396	10,048	10,048	10,048
Payable	1,309	1,065	837	883	981
Other payables	574	433	503	531	581
Current portion of LT loans	0	0	0	0	0
Total current liab.	29,125	29,536	26,356	27,263	28,926
Long term loans	65	0	65	65	65
Other LT liab.	1,516	1,461	1,329	1,402	1,536
Total liabilities	30,707	31,588	27,750	28,731	30,527
Equity	1,016	1,016	1,016	1,016	1,016
Retained earnings	56,874	59,880	61,858	64,381	66,177
Minority interest	0	0	0	0	0
Total SHE + minority int.	57,856	60,863	62,873	65,397	67,193
Total liabilities & equity	88,563	92,451	90,623	94,128	97,720

Sources: Company, Indo Premier

Cash Flow Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
EBIT	3,771	7,261	6,434	6,754	5,981
Depr. & amortization	3,061	3,101	3,914	4,192	4,470
Changes in working capital	4,761	(1,757)	818	57	(1,271)
Others	(1,724)	(4,196)	(1,886)	(1,956)	(1,786)
Cash flow from operating	9,868	4,409	9,280	9,046	7,394
Capital expenditure	(5,424)	(5,698)	(5,000)	(5,000)	(5,000)
Others	74	191	0	0	0
Cash flow from investing	(5,350)	(5,508)	(5,000)	(5,000)	(5,000)
Loans	(266)	3,312	0	0	0
Equity	0	0	0	0	0
Dividends	0	0	(2,743)	(2,274)	(2,399)
Others	(4,329)	(2,309)	6	74	133
Cash flow from financing	(4,595)	1,003	(2,737)	(2,200)	(2,265)
Changes in cash	(62)	(99)	1,543	1,846	129

Key Ratios	2022A	2023A	2024F	2025F	2026F
Gross margin	8.9%	12.3%	13.0%	13.0%	11.8%
Operating margin	3.0%	6.1%	5.9%	5.9%	4.7%
Pre-tax margin	2.9%	5.8%	5.3%	5.3%	4.3%
Net margin	2.2%	4.5%	4.2%	4.2%	3.3%
ROA	3.1%	5.9%	5.1%	5.2%	4.4%
ROE	4.7%	9.0%	7.3%	7.5%	6.3%
Acct. receivables TO (days)	7.3	6.3	6.8	6.8	6.8
Inventory TO (days)	152.8	164.6	142.8	137.8	132.8
Payable TO (days)	3.7	4.2	3.2	3.2	3.2
Debt to equity	17.5%	22.0%	16.1%	15.5%	15.1%
Interest coverage ratio (x)	14.4	12.5	10.7	11.2	9.9
Net gearing	9.9%	15.0%	1.0%	-1.8%	-2.0%

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

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

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