

Gudang Garam Tbk (GGRM)

Meski Beban Naik, Laba Tetap Kokoh

Company Report | Jul 11, 2018

Buy

Dec 2018 TP (IDR)	88,650
Consensus Price (IDR)	85,741
TP to Consensus Price	+3.4%
vs. Last Price	+24.9%

Shares data

Last Price (IDR)	70,975
Price date as of	Jul 10, 2018
52 wk range (Hi/Lo)	85,275/60,150
Free float (%)	23.8
Outstanding sh.(mn)	1,924
Market Cap (IDR bn)	136,562
Market Cap (USD mn)	9,496
Avg. Trd Vol - 3M (mn)	0.91
Avg. Trd Val - 3M (bn)	63.83
Foreign Ownership	8.2%

Consumer Goods

Cigarettes

Bloomberg
Reuters

GGRM IJ
GGRM.JK

Joni Wintarja

+62 21 797 6202, ext:138
Joni.wintarja@nhsec.co.id

Peningkatan Pertumbuhan Penjualan

GGRM berhasil mencatatkan pertumbuhan penjualan sebesar 10,1% dari Rp19,97 triliun pada 1Q17 menjadi Rp21,98 triliun pada 1Q18. Kinerja ini terbilang memuaskan dibandingkan dengan kompetitornya, yaitu HMSP yang hanya berhasil mencatatkan pertumbuhan sebesar 2,5% y-y pada 1Q18. Kinerja GGRM ditopang oleh divisi Sigaret Kretek Mesin (SKM) (berkontribusi 90% terhadap total penjualan) yang berhasil tumbuh 10,1% dari Rp17,94 triliun pada 1Q17 menjadi Rp19,76 triliun pada 1Q18.

Kenaikan COGS : Penggerus Pertumbuhan Laba

Meskipun *top line* tumbuh 10,1%, laba bersih GGRM hanya meningkat 0,1% dari Rp1,890 triliun pada 1Q17 menjadi Rp1,892 triliun pada 1Q18. Hal ini disebabkan margin kotor GGRM mengalami tekanan dari 22% pada 1Q17 menjadi 20% pada 1Q18. Kenaikan beban berasal dari penggunaan persediaan barang jadi/dagangan yang meningkat sebesar 3,8% y-y pada 1Q18.

Divisi SKM : Penopang Utama Pertumbuhan Penjualan

Kami memperkirakan bahwa penjualan GGRM akan meningkat sebesar 9,3% pada 2018 yang ditopang oleh divisi SKM dengan volume penjualan sebesar 70 miliar batang rokok serta kenaikan ASP sebesar 7% di luar beban kenaikan pita cukai.

Target Harga Rp88.650

Kami menggunakan estimasi *forward* P/E sebesar 18,0x (1SD di atas rata-rata 3 tahun sebesar 16,3x) sebagai basis metode valuasi untuk memperoleh target harga. Target harga ini mengimplikasikan P/E 2018E sebesar 19,7x. Saat ini, GGRM diperdagangkan di P/E 2018E sebesar 15,8x.

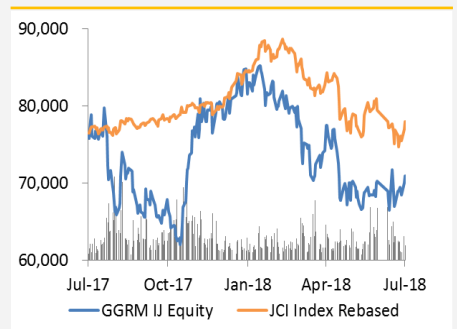
Gudang Garam Tbk | Summary (IDR bn)

	2016/12A	2017/12A	2018/12E	2019/12E
Sales	76,274	83,306	91,075	99,626
<i>Sales growth</i>	8.4%	9.2%	9.3%	9.4%
EBITDA	12,113	13,122	14,425	15,959
Net profit	6,677	7,754	8,643	9,551
EPS (IDR)	3,470	4,030	4,492	4,964
<i>EPS growth</i>	3.8%	16.1%	11.5%	10.5%
BVPS (IDR)	20,563	21,926	23,818	26,182
EBITDA margin	15.9%	15.8%	15.8%	16.0%
NPM	8.8%	9.3%	9.5%	9.6%
ROE	17.2%	19.0%	19.6%	19.9%
ROA	10.6%	12.0%	12.7%	13.3%
ROIC	12.7%	13.7%	14.5%	15.5%
P/E	18.4x	20.8x	15.8x	14.3x
P/BV	3.1x	3.8x	3.0x	2.7x
EV/EBITDA	11.7x	13.7x	10.6x	9.5x
DPS (IDR)	2,600	2,600	2,600	2,600
<i>Dividend yield</i>	4.1%	3.1%	3.7%	3.7%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-12.9%	1.0%	-8.4%	-7.2%
Rel. Ret.	-5.7%	2.9%	-1.4%	-9.1%

Sekilas tentang GGRM

GGRM adalah produsen rokok kretek terkemuka yang identik dengan Indonesia. Memiliki total penduduk sekitar 250 juta jiwa, Indonesia merupakan pasar konsumen yang besar dan beragam dengan persentase perokok dewasa yang signifikan—67% laki-laki dewasa di Indonesia adalah perokok. GGRM memiliki pangsa pasar rokok dalam negeri sekitar 20,8% dengan produk-produk yang sudah dikenal luas oleh masyarakat di seluruh Nusantara. GGRM memiliki 67 kantor area dengan 279 titik distribusi di seluruh Indonesia dan armada penjualan lebih dari 7.000 kendaraan, termasuk sepeda motor untuk melayani pasar.

Gudang Garam memiliki fasilitas produksi rokok kretek di dua lokasi. Pertama, Kediri, yang memiliki jumlah penduduk 249 ribu jiwa, merupakan pusat perdagangan regional sekaligus lokasi kantor pusat. Fasilitas produksi kedua berlokasi di Gempol, Jawa Timur yang berjarak 50 kilometer dari Surabaya. Dua fasilitas produksi ini memungkinkan GGRM memenuhi permintaan produk rokok.

Daya Saing GGRM di Asia Pasifik

Dalam kategori perusahaan rokok dengan kapitalisasi pasar di atas USD9 miliar, GGRM memiliki P/E termurah ketiga setelah KT&G Corp dan Japan Tobacco. Namun, GGRM memiliki potensi pertumbuhan laba lebih tinggi serta ROE sebesar 19,6% menjadi pilihan yang menarik.

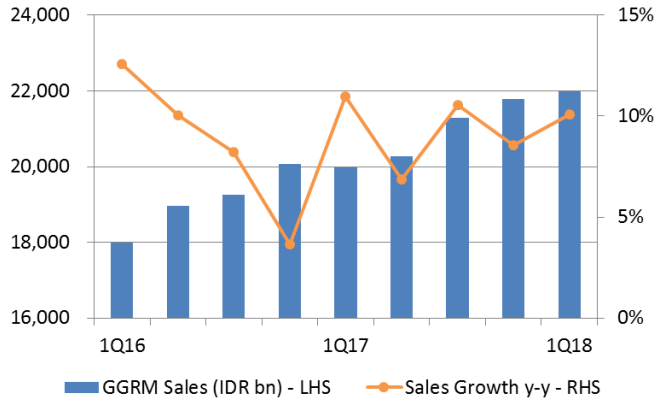
Asia Pacific Cigarette Company

Company	Market Cap (USD mn)	Total Asset (USD mn)	Net Profit Growth	Net Profit Margin	ROE	P/E	P/BV	Dividend Yield
GGRM	9,357	4,913	11.5%	9.5%	19.6%	15.8x	3.0x	3.7%
HMSP	30,589	3,175	1.9%	12.1%	37.3%	34.7x	12.9x	2.8%
India								
ITC Ltd	49,409	9,869	9.5%	26.1%	22.8%	30.1x	6.5x	1.8%
VST Industries Ltd	636	163	8.8%	19.2%	32.5%	24.1x	7.5x	2.6%
Godfrey Phillips India Ltd	554	379	16.2%	6.9%	9.2%	24.0x	2.1x	1.1%
Malaysia								
British American Tobacco Bhd	2,383	257	-29.3%	16.4%	128.5%	20.4x	27.0x	4.8%
Japan								
Japan Tobacco Inc	53,676	46,380	2.4%	18.3%	15.5%	13.6x	2.0x	4.9%
South Korea								
KT&G Corp	13,052	9,346	-0.2%	24.9%	16.5%	11.4x	1.8x	3.8%
Sri Lanka								
Ceylon Tobacco Co Plc	1,316	162	19.1%	46.1%	201.2%	13.9x	25.2x	5.8%

Source: Bloomberg, NHKS research

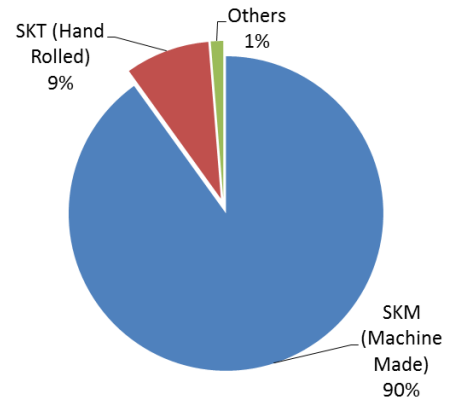
Performance Highlights

GGRM Sales Trend | 2016 - 2018



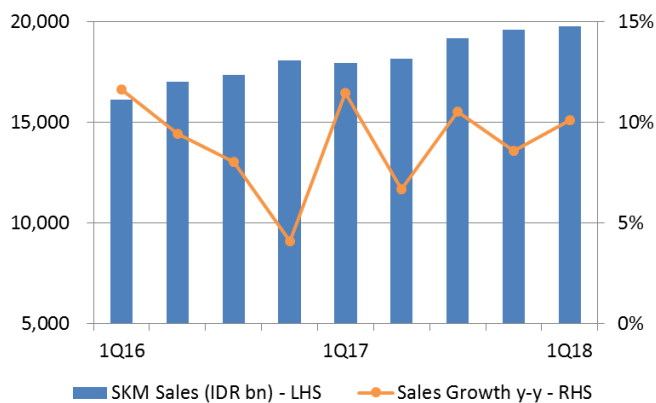
Source: Company, NHKS Research

GGRM Revenue Breakdown | FY 2018E



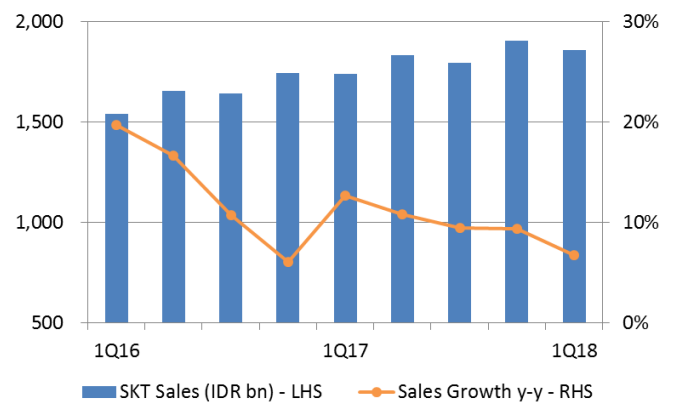
Source: Company, NHKS research

SKM (Machine Made) Sales Trend | 2016 - 2018



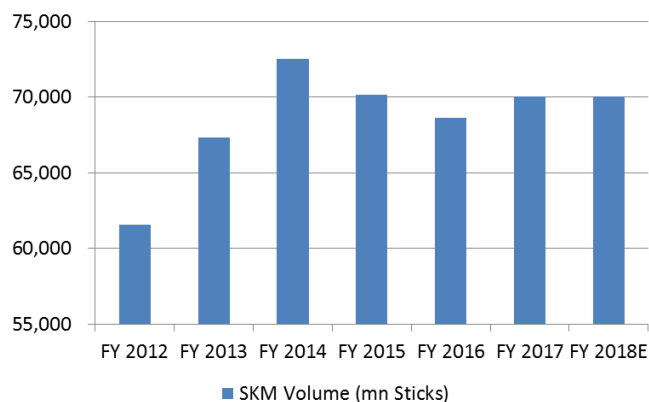
Source: Company, NHKS Research

SKT (Hand Rolled) Sales Trend | 2016 - 2018



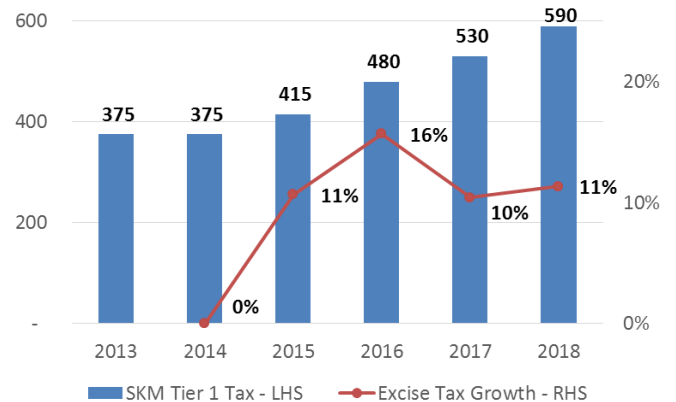
Source: Company, NHKS Research

GGRM SKM Volume (mn sticks) | FY2012 - FY2018E



Source: Company, NHKS research

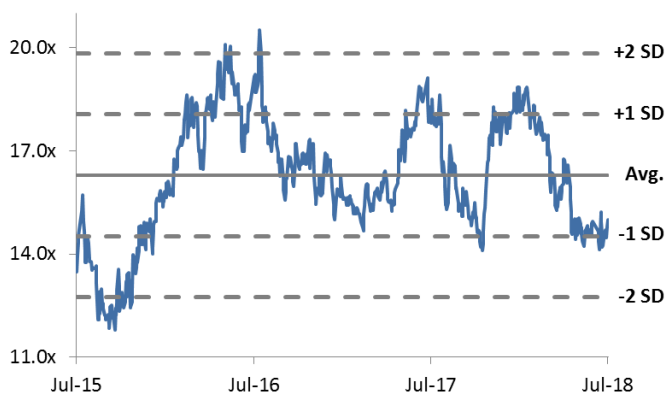
SKM Tier 1 Excise Tax (IDR) | FY 2013 - FY 2018



Source: Ministry of Finance, NHKS research

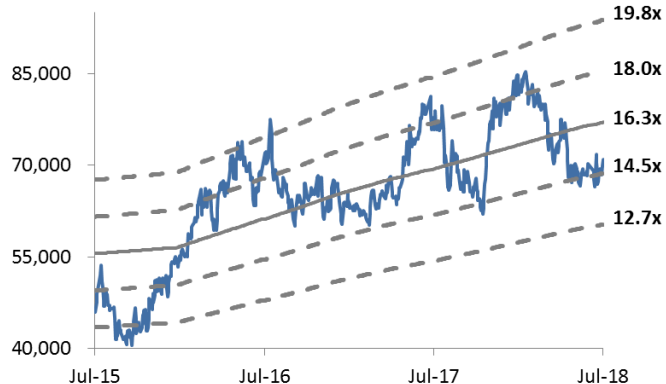
Multiple Valuation

Forward P/E band | Last 3 years



Source: NHKS research

Dynamic Forward P/E band | Last 3 years



Source: NHKS research

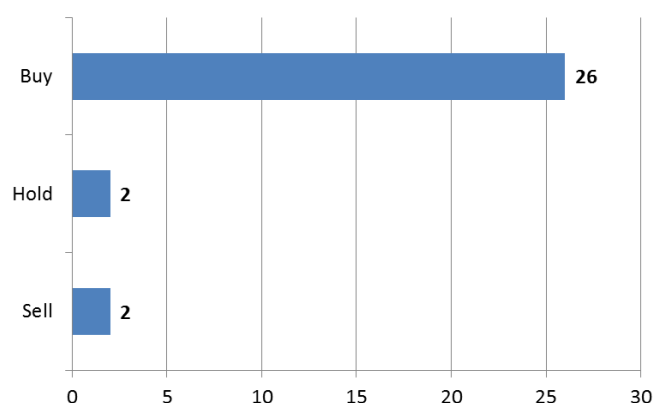
Rating and target price update

Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
09/07/2017	Buy	83,550 (Dec 2018)	66,700	77,479	+25.3%	+7.8%
11/22/2017	Buy	97,825 (Dec 2018)	80,375	80,375	+21.7%	+18.5%
04/13/2018	Buy	88,650 (Dec 2018)	74,200	88,527	+19.5%	+0.1%
07/11/2018	Buy	88,650 (Dec 2018)	70,975	85,741	+24.9%	+3.4%

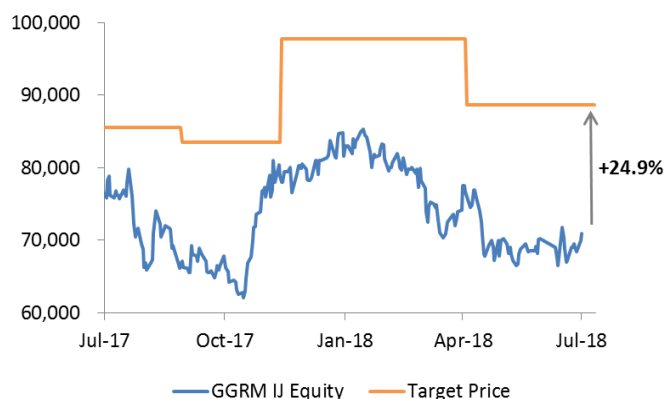
Source: NHKS research, Bloomberg

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKS research

NH Korindo Sekuritas Indonesia (NHKS) stock ratings

- Period: End of year target price
- Rating system based on a stock's absolute return from the date of publication
 - Buy : Greater than +15%
 - Hold : -15% to +15%
 - Sell : Less than -15%

Summary of Financials

GGRM Summary			
Last Price (IDR)	July 10, 2018		70,975
Target Price (IDR)	Dec 2018		88,650
Analyst: Joni Wintarja	Rating:		Buy

INCOME STATEMENT

in IDR Bn	2016/12A	2017/12A	2018/12E	2019/12E
Sales	76,274	83,306	91,075	99,626
Growth (% y/y)	8.4%	9.2%	9.3%	9.4%
Cost of Sales	(59,657)	(65,084)	(71,129)	(77,808)
Gross Profit	16,617	18,222	19,945	21,818
Gross Margin	21.8%	21.9%	21.9%	21.9%
Operating Expenses	(6,589)	(6,970)	(7,548)	(8,257)
EBIT	10,028	11,252	12,397	13,562
EBIT Margin	13.1%	13.5%	13.6%	13.6%
Depreciation	2,086	1,870	2,028	2,398
EBITDA	12,113	13,122	14,425	15,959
EBITDA Margin	15.9%	15.8%	15.8%	16.0%
Interest Expenses	(1,191)	(801)	(858)	(817)
EBT	8,931	10,437	11,534	12,738
Income Tax	(2,258)	(2,681)	(2,889)	(3,184)
Minority Interest	4	(2)	(2)	(2)
Net Profit	6,677	7,754	8,643	9,551
Growth (% y/y)	3.8%	16.1%	11.5%	10.5%
Net Profit Margin	8.8%	9.3%	9.5%	9.6%

BALANCE SHEET

in IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Cash	1,595	2,329	2,635	3,234
Receivables	2,090	2,229	2,437	2,666
Inventories	37,545	37,920	37,930	37,867
Total Current Assets	41,933	43,764	44,186	45,002
Net Fixed Assets	20,499	21,409	23,755	27,335
Other Non Current Assets	520	1,587	1,555	1,555
Total Assets	62,952	66,760	69,497	73,892
Payables	1,118	1,214	1,326	1,451
Total Debt	19,753	20,600	19,628	19,057
Other Current Liab.	767	797	862	943
Other Non Current Liab.	1,749	1,961	1,852	2,064
Total Liabilities	23,387	24,572	23,668	23,515
Shareholders' Equity	39,564	42,188	45,828	50,377

CASH FLOW STATEMENT

in IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Net Income	6,677	7,754	8,643	9,551
Deprec & Amortization	2,086	2,244	2,028	2,398
Chg. In Working Capital	(1,825)	(1,793)	62	(12)
CFO	6,938	8,205	10,732	11,937
Capex	(2,335)	(3,396)	(4,358)	(5,978)
CFI	(2,226)	(3,240)	(4,435)	(5,765)
Dividends Paid	(5,003)	(5,003)	(5,003)	(5,003)
Net Borrowing (PMT)	(808)	847	(972)	(571)
CFF	(5,842)	(4,232)	(5,974)	(5,573)
Net Changes in Cash	(1,130)	733	323	599

OWNERSHIP

By Geography	% Shareholders	%
Indonesia	91.8	Suryaduta Investama 69.3
United States	2.8	Suryamitra Kusuma 6.3
Luxembourg	2.3	Fil Limited 1.8
United Kingdom	0.8	Vanguard Group 0.9

PROFITABILITY & STABILITY

	2016/12A	2017/12A	2018/12E	2019/12E
ROE	17.2%	19.0%	19.6%	19.9%
ROA	10.6%	12.0%	12.7%	13.3%
ROIC	12.7%	13.7%	14.5%	15.5%
EBITDA/Equity	31.2%	32.1%	32.8%	33.2%
EBITDA/Assets	10.6%	12.0%	12.7%	13.3%
Cash Dividend IDR bn)	5,003	5,003	5,003	5,003
Dividend Yield (%)	4.1%	3.1%	3.7%	3.7%
Payout Ratio (%)	77.7%	74.9%	64.5%	57.9%
DER	49.9%	48.8%	42.8%	37.8%
Net Gearing	50.1%	48.9%	42.9%	37.9%
Capitalization Ratio	33.3%	32.8%	30.0%	27.4%
Equity Ratio	62.8%	62.2%	65.9%	68.2%
Debt Ratio	31.4%	30.9%	28.2%	25.8%
Financial Leverage	163.7%	154.0%	151.7%	144.5%
Current Ratio	193.8%	193.6%	202.5%	209.8%
Quick Ratio	17.0%	20.2%	23.3%	27.5%
Cash Ratio	7.4%	10.3%	12.1%	15.1%
Cash Conversion Cycle	232.9	215.6	197.6	180.6
Par Value (IDR)	500	500	500	500
Total Shares (mn)	1,924	1,924	1,924	1,924
Share Price (IDR)	63,900	83,800	70,975	70,975
Market Cap (IDR tn)	122.9	161.2	136.6	136.6

VALUATION INDEX

	2016/12A	2017/12A	2018/12E	2019/12E
Price /Earnings	18.4x	20.8x	15.8x	14.3x
Price /Book Value	3.1x	3.8x	3.0x	2.7x
Price/Sales	1.6x	1.9x	1.5x	1.4x
PE/EPS Growth	4.9x	1.3x	1.4x	1.4x
EV/EBITDA	11.7x	13.7x	10.6x	9.5x
EV/EBIT	14.1x	16.0x	12.4x	11.2x
EV (IDR bn)	141,168	179,495	153,541	152,371
Sales CAGR (3-Yr)	11.2%	8.5%	9.0%	9.3%
EPS CAGR (3-Yr)	15.5%	12.8%	10.3%	12.7%
Basic EPS (IDR)	3,470	4,030	4,492	4,964
Diluted EPS (IDR)	3,470	4,030	4,492	4,964
BVPS (IDR)	20,563	21,926	23,818	26,182
Sales PS (IDR)	39,642	43,296	47,334	51,778
DPS (IDR)	2,600	2,600	2,600	2,600

DCF, RIM & EVA

	2016/12A	2017/12A	2018/12E	2019/12E
DCF (IDR bn)				
NOPAT	7,492	8,361	9,292	10,171
+Depr./Amor.	2,086	2,244	2,028	2,398
-CAPEX	(2,335)	(3,396)	(4,358)	(5,978)
-Incr. (Decr.) in Working Cap.	(1,825)	(1,793)	62	(12)
(Unlevered) FCFF	5,417	5,416	7,024	6,580
WACC				
Cost of Debt (Tax Adj.)	8.1%	5.4%	5.5%	5.7%
Cost of Equity (COE)	9.5%	11.7%	12.1%	12.1%
WACC (%)	9.3%	11.0%	11.3%	11.3%
RIM				
Spread (FROE-COE) (%)	8.0%	7.9%	8.4%	8.8%
Residual Income (IDR bn)	3,054	3,111	3,546	4,015
Equity Charge	3,623	4,643	5,097	5,536
EVA				
Invested Capital (IDR bn)	58,569	59,317	62,788	65,456
ROIC-WACC (%)	3.5%	3.1%	3.5%	4.2%
EVA (IDR mn)	2,023	1,827	2,225	2,773

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