

Softer excise and selling costs drive FY25 earnings beat

9 April 2026



<b>GGRM IJ</b>	<b>BUY</b>
Sector	Cigarette
Price at 8 April 2026 (IDR)	14,625
Price target (IDR)	16,410
Upside/Downside (%)	12.2

**Stock Information**

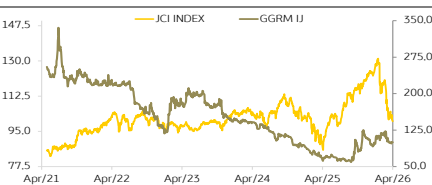
PT Gudang Garam Tbk is a major player in the tobacco industry, handling everything from the manufacturing to the distribution of cigarettes. While tobacco is their bread and butter, they've also branched out into the paper industry through their various subsidiary companies.

Market cap (IDR bn)	27,226
Shares outstanding (mn)	1,924
52-week range (IDR)	8,300-17,825
3M average daily vol. ('000)	1,223
3M average daily val. (IDR mn)	19,221

**Shareholders (%)**

Suryaduta Investama	69.3
Suryamitra Kusuma	6.3
Public	24.5

**Stock Performance**



Source: Bloomberg

	<b>1M</b>	<b>3M</b>	<b>12M</b>
Performance	(7.7)	0.0	38.0

**Analyst**

**Akhmad Nurcahyadi**  
akhmad.nurcahyadi@kbvalbury.com

FY25 top line came in line with ours and consensus at 99.2%/97.4%. A sharp drop in the cost of revenue brought GGRM's earnings to 4.17%, beating our forecast, yet still below consensus. The softer cost input turned 4Q25 to a net profit from a net loss in 4Q24. Margin expansion was noted from top to bottom. On a segmentation basis, cigarettes' margin saw significant improvement to 3.9% vs. 2.5% in FY24. We might witness another mild '26F top line. Nonetheless, we anticipate another steady margin improvement in the absence of higher excise tax expenses. We also expect another round of softer operating expenses as an additional EBIT growth catalyst. Solid brand equity and strategic ASP will act as a crucial cushion for '26F earnings pressure due to fading low-income purchasing power and weakening overall industry demand. Maintain a buy with a DCF-based TP of IDR16,410 per share (16.5x '26F P/E), currently at 14.7x '26F P/E, or slightly above -1SD of 11.1x '26F P/E.

**Cost input sharp decline, lifted earnings (58.7% yoy); above**

Despite a sharp decline (9.4% yoy), GGRM FY25 net revenue of IDR89.37 tn arrives in line with our '25F sales for the company of IDR90.08 tn at a run rate of 99.2%. Amid the absence of higher excise tax costs, cost inputs deteriorated by 10% yoy, bringing gross profit to IDR8.89 tn and also coming in line with our expectation at 102.6%. The sharp drop in selling expenses (32.0% yoy) made total operating expenses weakened by 13.8% yoy and boosted operating income growth to 48.8% yoy, equal to IDR2.83 tn vs. IDR1.90 tn in the same period last year. Likewise, the profit before tax level grew sturdily (82.3% yoy) to IDR2.55 tn on the back of sharp falling interest costs by 44.7% yoy to IDR278.21 bn. In all, GGRM FY25 earnings grew by 58.7% yoy to IDR1.55 tn, beating our '25F earnings for the company (IDR1.49 tn) by around 4.17%.

**Excise cost drop turned 4Q25 to profit vs net loss in 4Q24**

Milder excise duty, ribbon, VAT, and cigarette tax costs of 12.0% yoy have really made a meaningful effect not only on the cumulative result but also on a quarterly basis. This 80.6% cost input to the total cost of revenue has made EBIT in 4Q25 skyrocket from IDR84.7 bn to IDR940.0 bn, resulting in a massive jump from loss profit in 4Q24 to net profit of IDR446.7 bn in 4Q25.

**Solid margin expansion from top to bottom**

Despite the continuing top-line pressure due to sustained industry-weakening demand, GGRM's profitability saw a stronger figure from top to bottom, with 55 bps tougher to 10.1% at the GPM level and 124 bps higher from 1.9% to 3.2% at the OPM level. NP margin also noted a stronger figure by 75bps. On a quarterly basis, the margin expansion was reported at a higher number with a GP margin at 12.2% in 4Q25 compared to 8.3% in 4Q24. What's more, in terms of segmentation basis, total cigarette margin is also seeing a significant improvement to 3.9% vs 3.6% in the previous cumulative quarter and is 137bps higher vs last year of 2.5%.

**'26F margin likely steady on static cost of revenue**

We like the overall margin growth in FY25. This year we expect the '26F profitability figure should remain intact, buoyed by the motionless excise tax hike, which will impact the static cost of revenue. Nevertheless, we might still see another mild '26F top-line number due to the potential steady weakening of purchasing power and steady industry stagnation demand, which potentially could lead to a shift from premium cigarettes to a low-end product.

**Solid brand equity and strategic pricing play crucial role**

While heightened health awareness and persistent anti-smoking campaigns present ongoing structural headwinds for the tobacco industry, the sector is seeing a pivotal shift. The migration of the consumer base toward electric smoking and evolving lifestyle preferences is providing a stabilizing floor for smoke-free demand. However, we also believe that the market size is only taking a small chunk of total cigarette demand, and the majority of the demand came from the middle-up class. GGRM, with its solid brand equity and known as the king of kretek, will continue to benefit from its premium-quality products for both SKM and SKT. That said, in the current landscape, the synergy of SKM volume and strategic pricing remains the most viable path for GGRM to secure its '26F earnings result margin expansion, in our view. While we are optimistic about the "smoke-free" future, the traditional "backbone" still carries the weight of the traditional cigarette.

**Maintain BUY**

We have revisited our GGRM model and made some adjustments to several assumptions to accommodate the better-than-expected FY25 earnings and continuing '26F industry demand volume pressure, yet kept the valuation years range unchanged. This has brought our TP more conservatively. Yet, the 3.3% softer fair value was still far below its average historical mean. Maintain a buy with a DCF-based TP of IDR16,410 per share (16.5x '26F P/E), currently at 14.7x '26F P/E, or slightly above -1SD of 11.1x '26F P/E. Risks to our call: a) lower-than-expected sales volume, b) softer-than-expected average selling price adjustment, and c) higher-than-expected input costs. Potential upside catalysts: a) better sales volume coupled with well-managed ASP adjustment, b) new tier-1 product line, c) stable mounting smoke-free contribution, d) manageable SKM volume growth tied with steady solid SKT demand.

**Exhibit 1: Key Statistics**

Year end Dec (IDR bn)	2024A	2025A	2026F	2027F	2028F
Revenue	98,655	89,370	90,177	91,281	92,641
Operating profit	1,903	2,832	3,205	3,548	3,891
Net profit	981	1,557	1,915	2,131	2,305
EPS (IDR)	510	809	995	1,107	1,198
EPS growth (%)	(81.6)	58.7	23.1	11.2	8.2
ROE (%)	1.6	2.5	3.0	3.3	3.5
ROA (%)	1.1	1.9	2.5	2.7	2.9
PER (x)	27.9	17.6	14.3	12.8	11.9
PBV (x)	3.0	0.4	0.4	0.4	0.4
EV/EBITDA (x)	5.1	7.4	5.9	4.7	3.9
Div Yield (%)	3.5	2.8	4.2	5.5	6.7

Source: Company, KBVS Research

**Exhibit 2: GGRM FY25 results – selected profit and loss statement**

Profit and Loss (IDRbn)	12M24	12M25	YoY (%)	4Q24	4Q25	YoY (%)	3Q25	QoQ (%)	KBVS '25F	% to KBVS	Cons '25F	% to cons.
Sales	98,655	89,370	(9.4)	24,762	22,043	(11.0)	22,958	(4.0)	90,081	99.2	91,779	97.4
Cost Of Sales	(89,276)	(80,385)	(10.0)	(22,703)	(19,363)	(14.7)	(20,442)	(5.3)	(81,326)	98.8	(82,454)	97.5
Gross Profit	9,380	8,984	(4.2)	2,059	2,680	30.2	2,517	6.5	8,755	102.6	9,325	96.4
Selling Expense	(4,387)	(2,982)	(32.0)	(959)	(471)	(50.9)	(684)	(31.1)				
G&A expense	(3,304)	(3,646)	10.4	(1,037)	(1,344)	29.6	(711)	89.1	0		0	
Operating Profit	1,903	2,832	48.8	85	940	n/a	1,378	(31.8)	2,832	100.0	2,423	116.9
EBITDA	6,433	3,287	(48.9)	6,433	(3,146)	n/a	6,433	n/a	3,287	100.0	5,652	58.2
Other Income	186	468	150.9	(25)	75	n/a	245	(69.5)				
Other expenses	(5)	(4)	(16.6)	(2)	(1)	(54.2)	(1)	(39.1)				
Forex loss	33	12	(63.9)	49	1	(97.8)	13	(91.5)				
Interest expense	(503)	(278)	(44.7)	(61)	(8)	(87.3)	(51)	(84.7)				
Total other income (expenses)	(289)	197	n/a	(39)	67	n/a	205	(67.2)				
Profit before tax	1,401	2,554	82.3	23	932	n/a	1,327	(29.7)				
Tax	(420)	(994)	136.8	(35)	(483)	n/a	(337)	43.0				
Net Income	981	1,557	58.7	(11)	447	n/a	990	(54.9)	1,494	104.2	1,838	84.7

Source: Company, KBVS Research

**Exhibit 3: GGRM margin, geographic sales and contribution**

Margin (%)	12M24	12M25	YoY (%)	4Q24	4Q25	YoY (%)	3Q25	QoQ (%)
GPM	9.5	10.1	0.5	8.3	12.2	3.8	11.0	1.2
OPM	1.9	3.2	1.2	0.3	4.3	3.9	6.0	(1.7)
PBTM	1.4	2.9	1.4	0.1	4.2	4.1	5.8	(1.6)
NPM	1.0	1.7	0.7	(0.0)	2.0	2.1	4.3	(2.3)
Cigarettes EBIT margin	2.5	3.9	1.4	1.1	4.7	3.6	6.6	(1.9)

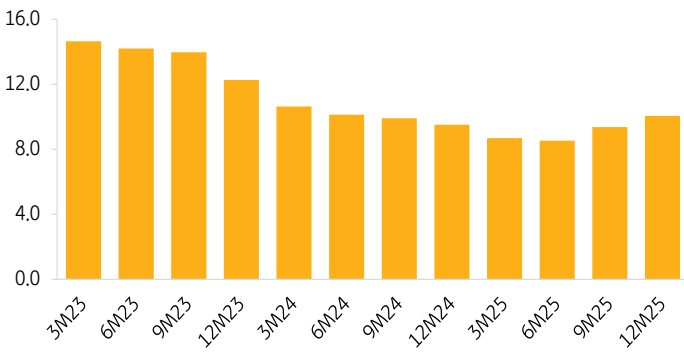
Source: Company, KBVS Research

**Exhibit 4: GGRM segmentation sales and ebit**

Profit and Loss (IDRbn)	12M24	12M25	YoY (%)	4Q24	4Q25	YoY (%)	3Q25	QoQ (%)
<b>Export</b>								
Machine-made clove cigarettes	1,196	1,054	(11.9)	163	166	2.1	374	(55.6)
Hand-rolled clove cigarettes	3	1	(81.6)	3	0	(100.0)	0	n/a
Paperboard	80	82	2.8	26	25	(3.6)	18	40.4
Others	38	7	(81.8)	13	1	(91.0)	2	(48.4)
Total export	1,317	1,144	(13.1)	205	192	(6.0)	394	(51.2)
<b>Domestic</b>								
Machine-made clove cigarettes	85,425	78,358	(8.3)	20,541	19,244	(6.3)	19,888	(3.2)
Hand-rolled clove cigarettes	9,363	7,935	(15.2)	2,195	1,980	(9.8)	2,009	(1.4)
Klobot (corn silk) clove cigarettes	10	8	(22.5)	2	2	(27.4)	2	(19.1)
Paperboard	796	716	(10.1)	177	173	(2.2)	180	(3.7)
Construction revenue (note 28)	1,570	821	(47.7)	1,570	345	(78.0)	230	49.8
Others	174	388	123.3	72	106	46.8	255	(58.3)
Total domestic	97,338	88,226	(9.4)	24,557	21,851	(11.0)	22,564	(3.2)
<b>Total</b>								
Machine-made clove cigarettes	86,621	79,412	(8.3)	20,704	19,410	(6.2)	20,263	(4.2)
Hand-rolled clove cigarettes	9,366	7,936	(15.3)	2,197	1,980	(9.9)	2,009	(1.4)
Klobot (corn silk) clove cigarettes	10	8	(22.5)	2	2	(27.4)	2	(19.1)
Paperboard	876	798	(8.9)	203	198	(2.4)	198	0.3
Construction revenue (note 28)	1,570	821	(47.7)	1,570	345	(78.0)	230	49.8
Others	212	395	86.8	86	107	25.4	257	(58.2)
Total dexport and domestic	98,655	89,370	(9.4)	24,762	22,043	(11.0)	22,958	(4.0)
<b>Segmentation EBIT</b>								
Cigarettes	2,398	3,386	41.2	256	1,010	293.9	1,486	(32.0)
Paperboard	(104)	(96)	(7.7)	(55)	(36)	(34.3)	(28)	30.6
Infrastructure	(377)	(443)	17.3	(118)	(28)	(75.9)	(82)	(65.3)
Others	(10)	(19)	92.1	(3)	(7)	170.7	(3)	113.2
Elimination	(4)	4	(202.3)	4	2	(53.0)	5	(58.5)
EBIT	1,903	2,832	48.8	85	940	1,010.3	1,378	(31.8)

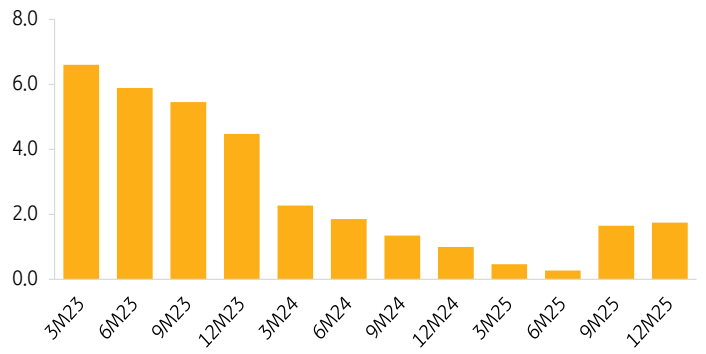
Source: Company, KBVS Research

Exhibit 5: Expecting higher GPM on softer cost input



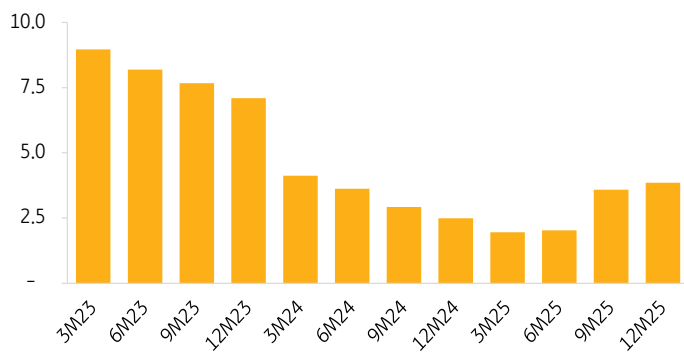
Source: Company, KBVS Research

Exhibit 6: Better bottom line margin, yet unlikely to significantly strengthened (%)



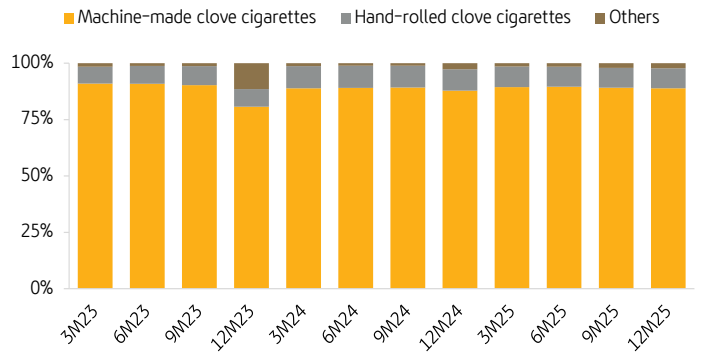
Source: Company, KBVS Research

Exhibit 7: Cigarettes EBIT margin will remain supported by milder opex (%)



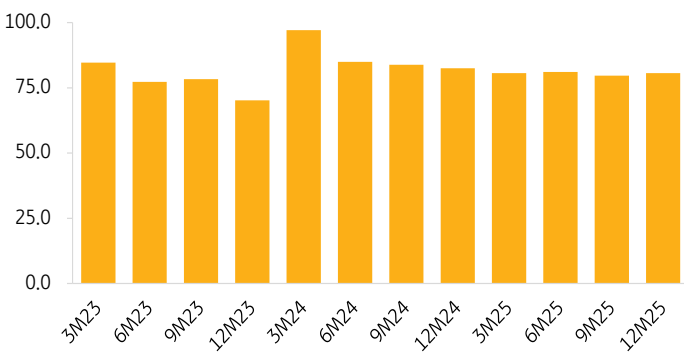
Source: Company, KBVS Research

Exhibit 8: Machine-made clove cigarettes remain as the revenue back bone



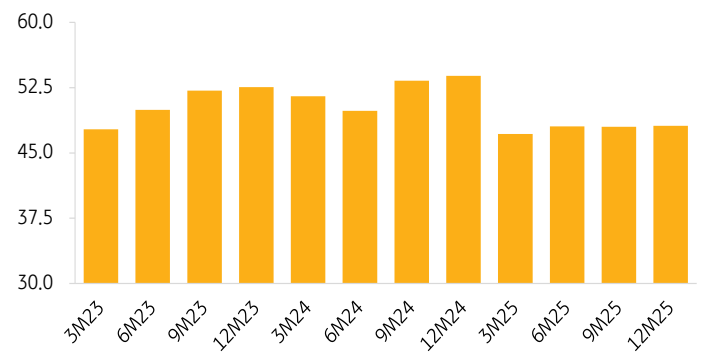
Source: Company, KBVS Research

Exhibit 9: Expect the absence of excise tax cost hike to sustain (%)



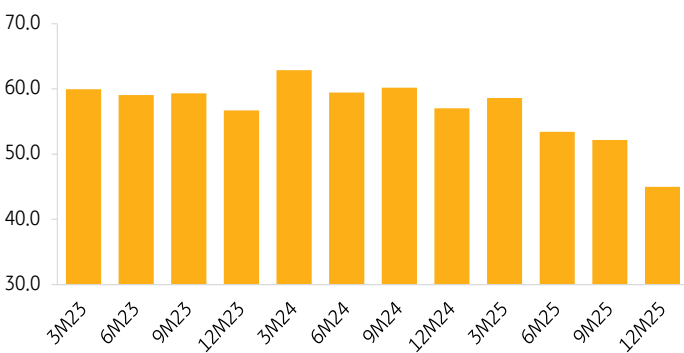
Source: Company, KBVS Research

Exhibit 10: Expect softer Adex on sustain strong brand equity (%)



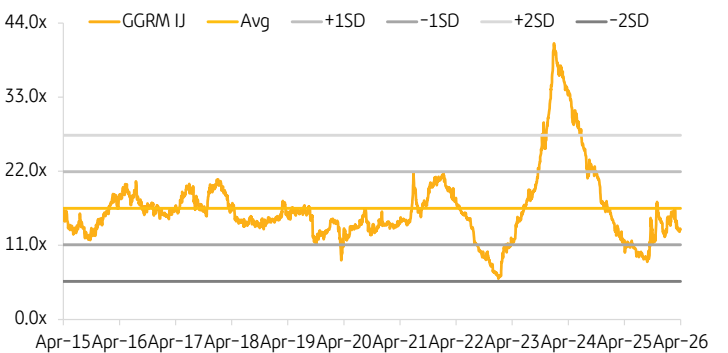
Source: Company, KBVS Research

Exhibit 11: Selling expenses to total expenses (%)



Source: Company, KBVS Research

Exhibit 12: Currently at 16.5x '26F P/E, or slightly above -1SD of 14.7x '26F P/E.



Source: Company, KBVS Research

FINANCIAL TABLES

Exhibit 13: Profit & Loss

Year End Dec (IDR bn)	2024A	2025A	2026F	2027F	2028F
<b>Revenues</b>	<b>98,655</b>	<b>89,370</b>	<b>90,177</b>	<b>91,281</b>	<b>92,641</b>
Cost of revenues	89,276	80,385	81,170	82,108	83,173
<b>Gross profit</b>	<b>9,380</b>	<b>8,984</b>	<b>9,007</b>	<b>9,173</b>	<b>9,468</b>
Operating expenses	(7,476)	(6,153)	(5,802)	(5,626)	(5,577)
<b>Operating income</b>	<b>1,903</b>	<b>2,832</b>	<b>3,205</b>	<b>3,548</b>	<b>3,891</b>
<b>EBITDA</b>	<b>6,433</b>	<b>3,287</b>	<b>4,240</b>	<b>5,132</b>	<b>6,064</b>
Finance expenses	(503)	(278)	(68)	(57)	(46)
<b>Pretax profit</b>	<b>1,401</b>	<b>2,554</b>	<b>3,138</b>	<b>3,491</b>	<b>3,845</b>
Tax expenses	(420)	(994)	(1,221)	(1,359)	(1,538)
<b>Net profit</b>	<b>981</b>	<b>1,557</b>	<b>1,915</b>	<b>2,131</b>	<b>2,305</b>

Source: Company, KBVS Research

Exhibit 14: Balance Sheet

Year End Dec (IDR bn)	2024A	2025A	2026F	2027F	2028F
Cash	3,706	3,613	3,185	3,262	3,392
Receivables	1,841	1,923	2,104	2,311	2,406
Inventories	40,426	33,389	39,492	40,173	40,466
Other current assets	1,618	513	1,070	1,053	1,047
<b>Total current assets</b>	<b>47,591</b>	<b>39,438</b>	<b>45,850</b>	<b>46,798</b>	<b>47,310</b>
Fixed Asset - net	22,058	20,209	20,198	17,810	16,308
Intangible assets	14,330	14,902	11,858	15,134	15,934
Right used of assets	64	49	57	57	59
Deferred tax asset	414	409	221	250	287
Prepaid income tax	145	52	57	66	80
Other non-current assets	337	192	331	302	294
<b>Total non-current assets</b>	<b>37,348</b>	<b>35,813</b>	<b>32,722</b>	<b>33,621</b>	<b>32,963</b>
<b>Total assets</b>	<b>84,939</b>	<b>75,252</b>	<b>78,572</b>	<b>80,420</b>	<b>80,274</b>
Short term loans	9,375	762	902	1,141	926
Trade Payable	1,127	683	958	947	972
Taxes Payable	209	528	629	711	798
Exercise duty and VAT	8,407	7,862	8,619	9,174	9,668
Accrued expense	0	0	0	0	0
Other current liabilities	1,705	890	902	1,369	463
LT loan - portion curr maturities	0	0	0	0	0
<b>Total current liabilities</b>	<b>20,824</b>	<b>10,725</b>	<b>12,009</b>	<b>13,342</b>	<b>12,828</b>
Employee benefit obligation	1,344	1,093	1,391	1,304	1,211
Deferred tax liabilities	264	272	265	228	228
Other non current liabilities	590	590	590	590	590
<b>Total non-current liabilities</b>	<b>2,198</b>	<b>1,956</b>	<b>2,247</b>	<b>2,122</b>	<b>2,029</b>
<b>Shareholder's equity</b>	<b>61,917</b>	<b>62,571</b>	<b>64,316</b>	<b>64,955</b>	<b>65,416</b>
<b>Total liabilities and equity</b>	<b>84,939</b>	<b>75,252</b>	<b>78,572</b>	<b>80,420</b>	<b>80,274</b>

Source: Company, KBVS Research

**Exhibit 15: Cash Flow**

Year End Dec (IDR bn)	2024A	2025A	2026F	2027F	2028F
Net Income	981	1,557	1,915	2,131	2,305
Depreciation	4,529	455	1,035	1,584	2,173
Working Capital	6,011	6,829	(5,907)	(817)	(276)
Others	(4,729)	(254)	211	1,040	(406)
<b>CF from operating activities</b>	<b>6,792</b>	<b>8,586</b>	<b>(2,745)</b>	<b>3,937</b>	<b>3,796</b>
Fixed Asset	(2,037)	1,394	(1,024)	804	(671)
Other investing activities	(1,506)	(314)	3,080	(3,287)	(844)
<b>CF from investing activities</b>	<b>(3,542)</b>	<b>1,080</b>	<b>2,056</b>	<b>(2,483)</b>	<b>(1,515)</b>
Short term loans	(4,020)	(8,613)	140	239	(215)
Employee benefit obligation	21	(251)	298	(87)	(93)
Other financing activities	199	(894)	(177)	(1,529)	(1,843)
<b>CF from financing activities</b>	<b>(3,801)</b>	<b>(9,758)</b>	<b>261</b>	<b>(1,377)</b>	<b>(2,151)</b>
Net Changes in Cash	(551)	(92)	(429)	77	130
Cash at beginning of period	4,256	3,706	3,613	3,185	3,262
<b>Cash at end of period</b>	<b>3,706</b>	<b>3,613</b>	<b>3,185</b>	<b>3,262</b>	<b>3,392</b>

Source: Company, KBVS Research

**Exhibit 16: Key performance metrics**

Year End Dec (%)	2024A	2025A	2026F	2027F	2028F
Gross profit margin	9.5	10.1	10.0	10.0	10.2
Operating profit margin	1.9	3.2	3.6	3.9	4.2
Net profit margin	1.0	1.7	2.1	2.3	2.5
ROE	1.6	2.5	3.0	3.3	3.5
ROA	1.1	1.9	2.5	2.7	2.9
DER	9.2	-4.6	-3.5	-3.3	-3.8
Net gearing (x)	3.8	10.2	47.4	62.2	84.0
Interest coverage ratio (x)	27.9	17.6	14.3	12.8	11.9
PER (x)	0.4	0.4	0.4	0.4	0.4
PBV (x)	5.1	7.4	5.9	4.9	4.1
EV/EBITDA (x)	3.5	2.8	4.2	5.5	6.7
Dividend Yield	9.5	10.1	10.0	10.0	10.2

Source: Company, KBVS Research

## Disclaimer

This report is prepared by PT KB Valbury Sekuritas, a member of the Indonesia Stock Exchange, or its subsidiaries or its affiliates ("KBVS"). All the material presented in this report is under copyright to KBVS. None of the parts of this material, nor its contents, may be copied, photocopied, or duplicated in any form or by any means or altered in any way, or transmitted to, or distributed to any other party without the prior written consent of KBVS.

The research presented in this report is based on the information obtained by KBVS from sources believed to be reliable, however KBVS do not make representations as to their accuracy, completeness or correctness. KBVS accepts no liability for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from the use of the material presented in this report and further communication given or relied in relation to this document. The material in this report is not to be construed as an offer or a solicitation of an offer to buy or sell any securities or financial products. This report is not to be relied upon in substitution for the exercise of independent judgment. Past performance and no representation or warranty, express or implied, is made regarding future performance. Information, valuations, opinions, forecasts and estimates contained in this report reflects a judgement at its original date of publication by KBVS and are subject to change without notice, its accuracy is not guaranteed or it may be incomplete.

The Research Analyst(s) primarily responsible for the content of this research report, in part or as a whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The Analyst also certifies that no part of his/her compensation was, is or will be related to specific recommendation views expressed in this report. It also certifies that the views and recommendations expressed in this report do not and will not take into account client circumstances, objectives, needs and no intentions involved as a use for recommendations for sale or buy any securities or financial instruments.

## KB Valbury Sekuritas Head Office

Sahid Sudirman Center 41st Floor Unit A-C  
Jalan Jenderal Sudirman No. 80 Kuningan Karet Tengah,  
Kecamatan Tanah Abang, Jakarta Pusat 10220, Indonesia  
T: +62 21 - 250 98 300  
F: +62 21 - 255 33 778

## Branch Office

### Jakarta – Sudirman

Sahid Sudirman Center 41st Floor Unit A-C  
Jalan Jenderal Sudirman No. 80 Karet Tengah,  
Tanah Abang, Jakarta Pusat 10220  
T: (021) 25098300/301

### Jakarta – Kelapa Gading

Rukan Plaza Park  
Jl. Raya Boulevard Barat Blok A2 No. 30  
Jakarta Utara 11620  
T: (021) 29451577

### Jakarta – Puri Indah

Rukan Grand Aris Mega Blok E1 No. 10  
Jl. Taman Aris, Kembangan  
Jakarta Barat 13520  
T: (021) 22542590

### Jakarta – Pluit

Jl. Pluit Putra Raya No. 2  
Jakarta Utara 14450  
T: (021) 6682119

### Bandung

Jl. HCS Cibiruandito No. 82  
Bandung 40173  
T: (022) 87255800

### Malang

Jl. Pahlawan Tji No. 7  
Malang 65112  
T: (0341) 585888

### Banjarmasin

Jl. Gatot Subroto No. 35  
Banjarmasin 70235  
T: (0511) - 5263818

### Pekanbaru

Jl. Tuanku Tambusai, Komplek CMH  
Blok A No. 5 Pekanbaru 28298  
T: (0760) 879595

### Palembang

Komplek PTC Mall Blok 1 No. 7  
Jl. R. Sukanto  
Palembang 30134  
T: (0711) 5780281

### Surabaya

Pakuwon Center Lt. 21  
Jl. Embong Malang No. 1  
Surabaya 60261  
T: (031) 2955788

### Padang

Jl. Kampang Nias 8 No. 18,  
Padang 25211  
T: (0751) 8955787

### Yogyakarta

Jl. Magelang KM 5,5 No. 75  
Yogyakarta 55000  
T: (0274) 625111

### Semarang

Carat Plaza Building Lt. Dasar  
Jl. Sultan Agung No. 90-90A  
Semarang 50252  
T: (024) 8503122

### Makassar

Komplek RUMI Citraland City Lower  
Business Park, Blok B2 No. 09  
Jl. Citraland Boulevard Makassar 90111  
T: (0241) 3600818

### Medan

Komplek Jati Junction No. P5-5A  
Jl. Perintis Kemerdekaan  
Medan 20218  
T: (061) 88805222

### Denpasar

Jl. Teuku Umar No. 177  
Komplek Bin Stylos Hotel  
Denpasar Bali 80114  
T: (0361) 225229

## Investment Gallery

### Jakarta

Citra Garden 6 Pulo Sateh Avenue  
Blok 11A/18, Cempaleng  
Jakarta Barat 11600  
T: (021) 52290180

### Semarang

Jl. MT Haryono 677  
Semarang 50242  
T: (024) 8425195

### Salatiga

Jl. Diponegoro No. 68  
Salatiga 50711  
T: 0298 525800

### Solo

Jl. Ronggowalito No. 54  
Surabaya 57138  
T: (0271) 6766566