

**Higher than expected excise hike in 2021.** Ministry of Finance (MoF), Sri Mulyani, announced that FY21 excise tax will increase by 12.5% on average and will be effective on Feb-21. 2021's excise hike is driven by higher SKM (+16.9% for SKM tier-1) and SPM (+18.4% for SPM tier-1) excise hike, **which is higher than our expectation.** Meanwhile, MoF maintains SKT excise at 0% growth, in line with government importance to protect labor forces. To note, SKT segment contributes 75% of tobacco's labor force. For minimum retail price (HJE), government has yet to set the HJE but we expect that HJE will increase along with the excise hike. In addition, the government also set FY21 tax revenue target from tobacco excise collection at IDR 172.7tn (+4.7% YoY). Using these assumptions (12.5% excise hike and 4.7% increase in tobacco tax revenue), **we expect that government is targeting tobacco volume to decline by 6.9%.**

**Expect another higher excise hike for following years onwards.** MoF has made a clear message that they will focus on controlling cigarette consumption, which we believe that it will turn tobacco outlook into very negative as higher excise tax will persist in FY22F onwards. Our thesis is supported by government action on 2021's excise hike despite soft economic environment. As a result, **we are now expecting the blended excise hike will be at range of 16-18% onwards.** Keep in mind, we assume 17%/10%/19% SKM/SKT/SPM excise hike in FY22F onwards.

**Weak cigarette consumption recovery ahead.** With cigarette price could potentially lift up by 17% in 2021, we believe that it may slow down tobacco consumption recovery as consumer purchasing power hasn't fully recovered from the Covid-19 outbreaks. We see several other factors that may influence on weaker purchasing power on cigarette consumption in FY21F, including 1) adjustment of BPJS Kesehatan premium on class 3 (effective on Jan-21) due to subsidy cuts from government, and 2) lower minimum wage growth (UMP) as only few governors (5 regions) will increase their UMP at a range of 2-6% in 2021 (vs. 8.34% in 2020). Worth noting, we think that tobacco industry growth is more driven by low to middle-income classes. As a result, we are of the view that the down-trading trend will continue to persist onwards. Hence, we estimate 4%/3% industry volume decline in FY21/22F.

**Less aggressive price adjustment.** Historically, tobacco players always passed on excise tax hike to consumers. However, given the weak consumer's purchasing power in 2020, tobacco players haven't fully passed the excise hike to customers. This evidence was supported by weaker margin on HMSP and GGRM in 9M20. Heading into 2021, we expect that tobacco players will not aggressively increase its ASP; thus, margin will continue to be on a downtrend in 2021.

**We downgrade our recommendation to UNDERWEIGHT call on tobacco sector following the 2021 excise tax announcement.** We are of the view that tobacco sector outlook has turned highly challenging as government has raised excise tax even during unfavorable economic environment. In addition, we view that tighter competition amid shrinking industry will give another pressure on margin and earnings. **We have SELL/REDUCE rating on HMSP/GGRM with target price of IDR 1,200/37,100.** Hence, we expect there will be a significant correction on both stocks in the short term due to lower earnings estimate paired with valuation derating. Upside risks to our call are lower excise tax hike onwards and stronger purchasing power recovery.

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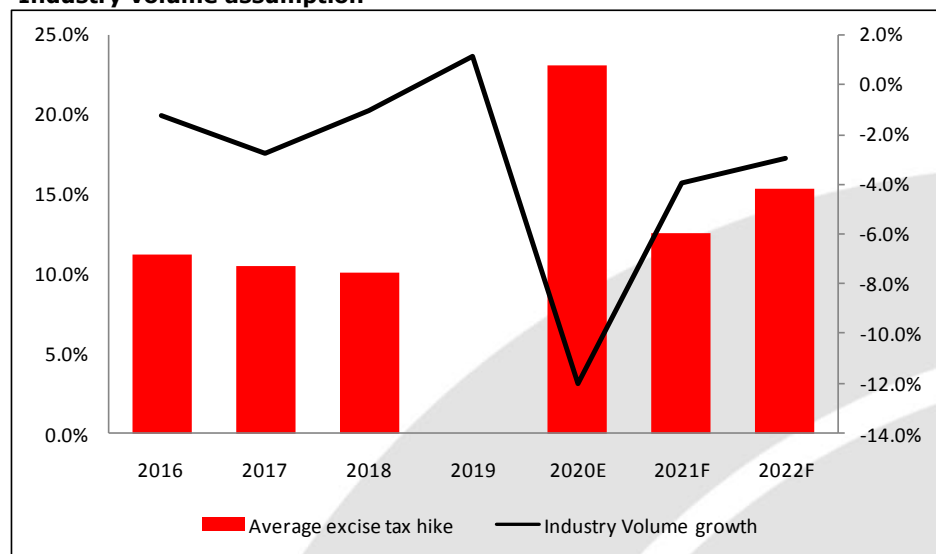
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### Excise hike on 2021

Class	2020	2021	
	Excise tax (IDR/stick)	Excise tax (IDR/stick)	Excise hike (%)
SKM I	740	865	16.9%
SKM IIA	470	535	13.8%
SKM IIB	455	525	15.4%
SPM I	790	935	18.4%
SPM IIA	485	565	16.5%
SPM IIB	470	555	18.1%
SKT IA	425	425	0.0%
SKT IB	330	330	0.0%
SKT II	200	200	0.0%
SKT III	110	110	0.0%

Source: Ministry of Finance, Sinarmas Investment Research

### Industry volume assumption



Source: Ministry of Finance, Sinarmas Investment Research

**Higher than expected excise hike in 2021.** Government has announced 16.9%/18.4% excise hike on SKM/SPM product, which will lift cigarette price for 2021. Although 2020's tobacco industry performance sets a low base (-9.5% YoY in 9M20), the extreme excise hike will give negative impact on tobacco industry. Hence, we expect the industry volume will decline by 4%/3% in FY21/22F.

**Expectation on 2021.** We are of the view that HMSP will face enormous challenges onwards. In recent years, HMSP have been struggling with sales volume growth as HMSP's flagship product, A Mild, continues to book a negative growth. This we believe caused by the down-trading trend that has changed consumer's preference to cheaper products. In 9M20, HMSP hasn't fully passed on the 2020's excise hike and we estimate HMSP will fully pass on the remaining hike in 4Q20. With higher excise hike in 2021 and recent ASP adjustment in 4Q20, we think that HMSP will be less aggressive to pass on the 2021's excise hike in the beginning of the year. Hence, we expect margin contraction will occur in 2021. We currently bake in 8.9%/7.7% sales volume decline with 13.4%/13.7% ASP hike in FY21/22F. In all, we forecast HMSP's revenue to grow by 3.9%/4.9% in FY21/22F. Meanwhile GPM will drop to 20.5%/20.7% in FY21/22F (vs 21.6% in FY20E), due to limitation on price hike paired with higher excise tax. As a result, we revised down our earnings by 17.0%/11.5% with NPM of 9.3%/9.4% in FY21/22F.

**Simplification excise hike will take time.** In Dec-20, Minister of Finance gave a signal for simplification on excise tax, which government plans to blend the excise tax for class IIA with IIB in 2021. However, government has yet to simplify the class I with class II anytime soon. Hence, we believe that the full implementation of this policy may take some times as the timeline of the strategic plan was guided from 2020 to 2024. Thus, we have not seen significant positive impact of this policy in 2021.

**We downgrade our recommendation for PT HM Sampoerna Tbk (HMSP) to SELL call with FY21F target price of IDR 1,200,** derived from FY21F 15.2x PE. In addition, we believe the recent stock performance currently priced in a high single-digit excise hike; thus, **we expect that the correction on HMSP's share will be prolonged in our opinion.** Given unsupportive government policy, we think it is quite challenging for HMSP to re-rate back to its past performance. Upside risks on our call are lower excise hike onwards, higher ASP hike, and higher sales volume.

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Sector	Tobacco
Bloomberg Ticker	HMSP IJ
Market Cap. (IDR tn)	187.27
Share Out./Float (mn)	116.3/8.7
Current Price	1,610
FY21F Target Price	1,200
Downside	25.5%

**Share Price Performance**

52W High (01/14/20)	2,350
52W Low (03/20/20)	1,085
52W Beta	1.0
YTD Change	-23.3%

**Relative Valuations**

Trailing P/E	17.8x
Forward P/E	15.2x
P/BV	4.5x

Highlights (IDR Bn)	2018	2019	2020E	2021F	2022F
Revenue	106,742	106,055	95,833	99,014	103,855
% growth	7.7%	-0.6%	-9.6%	3.3%	4.9%
Gross Profit	25,491	26,123	20,699	20,331	21,525
Net Profit	13,538	13,722	10,217	9,205	9,787
% growth	6.8%	1.4%	-25.5%	-9.9%	6.3%
Gross Margin (%)	23.9%	24.6%	21.6%	20.5%	20.7%
Net Margin (%)	12.7%	12.9%	10.7%	9.3%	9.4%
Return on Equity (%)	39.0%	38.6%	30.2%	29.2%	31.3%
Return on Assets (%)	30.2%	28.1%	22.4%	23.0%	24.4%
EPS (IDR)	116	118	88	79	84

### Earnings changes

(IDR Bn)	Old		New		Changes	
	FY21F	FY22F	FY21F	FY22F	FY21F	FY22F
Revenue	106,766	113,103	99,014	103,855	-7.3%	-8.2%
Gross Profit	22,582	23,682	20,331	21,525	-10.0%	-9.1%
Operating Profit	13,055	13,562	11,426	12,207	-12.5%	-10.0%
Net Profit	11,087	11,056	9,205	9,787	-17.0%	-11.5%
EPS (IDR)	95	95	79	84	-17.0%	-11.5%
Gross Margin	21.2%	20.9%	20.5%	20.7%		
Operating Margin	12.2%	12.0%	11.5%	11.8%		
Net Margin	10.4%	9.8%	9.3%	9.4%		

Source: Sinarmas Investment Research

### Key Assumption changes

	Old		New		New	
	FY21F	FY22F	FY21F	FY22F	FY21F	FY22F
Blended ASP Est.	1,171	1,338	1,328	1,510	13.4%	12.8%
Sales Volume	81.1	79.1	73.9	68.2	-8.9%	-13.8%
Market share	29.4%	28.7%	28.5%	27.1%		

Source: Sinarmas Investment Research

<b>Income Statement (IDR Bn)</b>	<b>2018</b>	<b>2019</b>	<b>2020E</b>	<b>2021F</b>	<b>2022F</b>	<b>2023F</b>
<b>Revenue</b>	<b>106,742</b>	<b>106,055</b>	<b>95,833</b>	<b>99,014</b>	<b>103,855</b>	<b>109,683</b>
Cost of Good Sold	(81,251)	(79,932)	(75,134)	(78,683)	(82,330)	(86,524)
<b>Gross Profit</b>	<b>25,491</b>	<b>26,123</b>	<b>20,699</b>	<b>20,331</b>	<b>21,525</b>	<b>23,159</b>
Operating Expenses	(8,609)	(9,046)	(8,503)	(8,905)	(9,317)	(9,792)
Opex to Sales (%)	8.1%	8.5%	8.9%	9.0%	9.0%	8.9%
Other Income (Expenses)	106	37	0	0	0	0
<b>EBIT</b>	<b>16,988</b>	<b>17,114</b>	<b>12,196</b>	<b>11,426</b>	<b>12,207</b>	<b>13,367</b>
<b>EBITDA</b>	<b>17,962</b>	<b>18,510</b>	<b>13,008</b>	<b>12,314</b>	<b>13,172</b>	<b>14,446</b>
Net Financing Income (Expenses)	973	1,145	903	375	340	352
<b>EBT</b>	<b>17,961</b>	<b>18,259</b>	<b>13,099</b>	<b>11,801</b>	<b>12,547</b>	<b>13,719</b>
Tax Expenses	(4,423)	(4,538)	(2,882)	(2,596)	(2,760)	(3,018)
<b>Net Income</b>	<b>13,538</b>	<b>13,722</b>	<b>10,217</b>	<b>9,205</b>	<b>9,787</b>	<b>10,701</b>
<b>EPS (IDR)</b>	<b>116</b>	<b>118</b>	<b>88</b>	<b>79</b>	<b>84</b>	<b>92</b>

<b>Balance Sheet (IDR Bn)</b>	<b>2018</b>	<b>2019</b>	<b>2020E</b>	<b>2021F</b>	<b>2022F</b>	<b>2023F</b>
Cash & Equivalents	15,516	18,821	8,001	6,006	5,911	5,613
Trade Receivables	3,815	3,786	3,742	3,803	3,925	4,250
Inventories	15,183	16,376	15,597	16,497	17,101	18,167
Other Current Assets	3,317	2,714	3,662	3,754	3,911	4,176
<b>Total Current Assets</b>	<b>37,831</b>	<b>41,697</b>	<b>31,002</b>	<b>30,061</b>	<b>30,847</b>	<b>32,206</b>
Fixed Assets	7,288	7,298	6,743	6,989	7,171	7,250
Other Non Current Assets	1,483	1,908	2,632	2,622	2,654	2,693
<b>Total Assets</b>	<b>46,602</b>	<b>50,903</b>	<b>40,376</b>	<b>39,672</b>	<b>40,672</b>	<b>42,150</b>
Short Term Debt	0	0	0	0	0	0
Trade Payables	3,450	3,802	3,300	3,516	3,647	3,850
Taxes Payable	1,688	2,390	1,518	1,367	1,454	1,589
Other Current Liabilities	3,656	6,536	1,070	1,136	1,194	1,253
<b>Total Current Liabilities</b>	<b>8,794</b>	<b>12,728</b>	<b>5,888</b>	<b>6,019</b>	<b>6,295</b>	<b>6,693</b>
Other Non Current Liabilities	2,450	2,495	2,495	2,651	2,775	2,922
<b>Total Liabilities</b>	<b>11,244</b>	<b>15,223</b>	<b>8,383</b>	<b>8,671</b>	<b>9,070</b>	<b>9,615</b>
Share & APIC	21,011	21,033	21,033	21,033	21,033	21,033
Retained Earnings	13,731	14,030	10,343	9,351	9,952	10,885
Others	616	616	617	616	616	616
<b>Total Equity</b>	<b>35,358</b>	<b>35,680</b>	<b>31,993</b>	<b>31,001</b>	<b>31,601</b>	<b>32,535</b>
<b>Total Liabilities &amp; Equity</b>	<b>46,602</b>	<b>50,903</b>	<b>40,376</b>	<b>39,672</b>	<b>40,672</b>	<b>42,150</b>

Source: Company data, Sinarmas Investment Research

Cash Flow (IDR bn)	2018	2019	2020E	2021F	2022F	2023F
<b>Net Income</b>	<b>7,792</b>	<b>10,881</b>	<b>8,577</b>	<b>7,605</b>	<b>8,435</b>	<b>9,262</b>
Depreciation & Adjustments	2,202	2,543	2,513	2,594	2,759	2,807
Change in Working Capital	(855)	1,898	6,398	3,059	2,921	3,085
<b>Operating Cash Flow</b>	<b>10,837</b>	<b>11,305</b>	<b>4,693</b>	<b>7,140</b>	<b>8,273</b>	<b>8,984</b>
Capital Expenditure	(4,037)	(5,167)	(2,000)	(6,000)	(5,000)	(4,000)
Change in LT Assets	(533)	138	394	(116)	153	135
Others	481	230	(0)	-	-	-
<b>Investing Cash Flow</b>	<b>(3,024)</b>	<b>(5,075)</b>	<b>(2,394)</b>	<b>(5,884)</b>	<b>(5,153)</b>	<b>(4,135)</b>
Change in Debts	(3,278)	(106)	500	1,000	-	-
Dividends Paid	(5,003)	(5,003)	-	-	(5,003)	(5,003)
Others	(1)	497	29	224	244	266
<b>Financing Cash Flow</b>	<b>(4,010)</b>	<b>(8,108)</b>	<b>(4,692)</b>	<b>609</b>	<b>1,224</b>	<b>(4,759)</b>
Change in Cash	734	(295)	1,538	2,908	2,480	(1,639)
Beginning Cash	1,595	2,329	2,034	3,572	6,480	8,960
<b>Ending Cash</b>	<b>2,329</b>	<b>2,034</b>	<b>3,572</b>	<b>6,480</b>	<b>8,960</b>	<b>7,321</b>

Financial Ratios	2018	2019	2020E	2021F	2022F	2023F
<b>Liquidity</b>						
Current Ratio	2.06	2.06	2.62	2.71	2.77	2.87
<b>Profitability</b>						
Gross Profit Margin	19.5%	20.6%	17.0%	15.0%	15.3%	15.5%
EBIT Margin	11.7%	13.6%	10.3%	8.8%	9.2%	9.4%
EBITDA Margin	14.0%	15.9%	12.6%	11.0%	11.4%	11.5%
Net Profit Margin	8.1%	9.8%	7.6%	6.5%	6.7%	6.9%
<b>Solvency</b>						
Debt to Equity	0.38	0.34	0.30	0.28	0.27	0.25
Interest Coverage	0.06	0.04	0.05	0.06	0.06	0.05
<b>Valuation</b>						
Price to Earnings (PE)	9.16	6.56	8.32	9.39	8.46	7.71
Price to Book (PBV)	1.58	1.40	1.20	1.06	1.01	0.95
<b>Key assumptions</b>						
Volume (Bn Sticks)	85.2	95.9	89.1	81.6	75.6	70.1
% growth	8.3%	12.6%	-7.2%	-8.4%	-7.3%	-7.3%
Blended ASP Est.	1,103	1,138	1,247	1,429	1,639	1,884
% growth	5.6%	3.2%	9.5%	14.6%	14.7%	15.0%

Source: Company data, Sinarmas Investment Research

**Higher than expected excise hike in 2021.** Government announced 16.9%/18.4% excise hike on SKM/SPM product, which will lift cigarette price for next year. Although 2020's tobacco industry performance sets a low base (-9.5% YoY in 9M20), the extreme excise hike will give negative impact on tobacco industry. Hence, we expect the industry volume will decline by 4%/3% in FY21/22F.

**Expectation on 2021.** In 9M20, GGRM hasn't fully passed the 2020's excise hike and we estimate GGRM will fully pass on the remaining hike in 4Q20. Despite GGRM has strong positioning in SKM-FF, with 16.9% excise hike on SKM product, we view that GGRM will not be able to fully pass on the 2021's excise hike to consumer. If GGRM does, GGRM's products will not longer be categorized as value-for-money products, resulting in a loss of market share. With recent ASP adjustment and higher excise tax, we expect that margin contraction will persist onwards. As a result, we estimate 8.4%/7.3% sales volume decline with 14.6%/14.7% ASP hike in FY21/22F. All these factors should translate GGRM's revenue to grow by 4.9%/6.3% in FY21/22F. On margin side, we estimate GGRM's GPM to drop 15.0%/15.3% (vs. 16.9% in FY20E), driven by limitation on ASP hike paired with higher excise tax. Thus, we revised down our earnings by 18.7%/23.4% in FY21/22F with NPM of 6.5%/6.7% (vs. 7.6% in FY20E).

**Dividend expectation.** In Nov-20, GGRM has expanded its business to infrastructure business as GGRM has injected as much as IDR 1.2tn to PT. Surya Kerta Agung. With such projects, we estimate high capital expenditure requirement in years ahead, resulting in our believe that company might not distribute any dividend in FY21F. As a result, we expect the GGRM's share will continue to be traded at a discount to its peers.

**We downgrade our recommendation for Gudang Garam Tbk (GGRM) to REDUCE call with FY21F target price of IDR 37,100 (from IDR 52,850),** derived from FY21F 9.4x PE. We believe the recent stock performance has priced in a high single-digit excise hike; thus, **we expect that the correction on GGRM's share price will be prolonged in our opinion.** Although GGRM has strong positioning on SKM-FF products, we think it will be challenging for GGRM to maintain its margin due to unsupportive government policy. Upside risks on our call are lower excise hike onwards, higher ASP hike, and higher sales volume.

Financial Highlights	2018	2019	2020E	2021F	2022F
Revenue (IDR bn)	95,708	110,524	112,353	117,858	125,231
% growth	14.9%	15.5%	1.7%	4.9%	6.3%
Gross Profit (IDR bn)	18,644	22,783	19,124	17,655	19,136
Net Profit (IDR bn)	7,792	10,881	8,577	7,605	8,435
% growth	0.5%	39.6%	-21.2%	-11.3%	10.9%
Gross Margin (%)	19.5%	20.6%	17.0%	15.0%	15.3%
Net Margin (%)	8.1%	9.8%	7.6%	6.5%	6.7%
Return on Equity (%)	17.8%	22.7%	15.5%	12.0%	12.2%
Return on Assets (%)	11.5%	14.7%	10.5%	8.6%	8.9%
EPS (IDR)	4,050	5,655	4,458	3,953	4,384

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Sector	Tobacco
Bloomberg Ticker	GGRM IJ
Market Cap. (IDR tn)	81.2
Share Out./Float (mn)	1,924/470
Current Price	41,750
FY21F Target Price	37,100
Downside	11.1%

**Share Price Performance**

52W High (01/14/20)	59,075
52W Low (03/20/20)	30,625
52W Beta	0.9
YTD Change	-20.4%

**Relative Valuations**

Trailing P/E	8.7X
Forward P/E	9.4x
P/BV	1.4

### Earnings changes

(IDR Bn)	Old		New		Changes	
	FY21F	FY22F	FY21F	FY22F	FY21F	FY22F
Revenue	124,775	136,228	117,858	125,231	-5.5%	-8.1%
Gross Profit	19,909	22,517	17,655	19,136	-11.3%	-15.0%
Operating Profit	12,631	14,770	10,395	11,463	-17.7%	-22.4%
Net Profit	9,349	11,015	7,605	8,435	-18.7%	-23.4%
EPS (IDR)	4,859	5,725	3,953	4,384	-18.7%	-23.4%
Gross Margin	16.0%	16.5%	15.0%	15.3%		
Operating Margin	10.1%	10.8%	8.8%	9.2%		
Net Margin	7.5%	8.1%	6.5%	6.7%		

Source: Sinarmas Investment Research

### Key Assumption changes

	Old		New		Changes	
	FY21F	FY22F	FY21F	FY22F	FY21F	FY22F
Blended ASP Est.	1,377	1,510	1,429	1,639	3.7%	8.6%
Volume (bn Sticks)	89.6	89.4	81.6	75.6	-9.0%	-15.4%

Source: Sinarmas Investment Research



Balance Sheet (IDR bn)	2018	2019	2020E	2021F	2022F
Cash & Equivalents	2,034	3,572	6,480	8,960	7,321
Trade & Other Receivables	1,726	1,876	2,595	2,627	2,867
Inventories	38,560	42,847	46,088	49,338	51,973
Other Current Assets	2,965	3,786	2,433	2,796	2,668
<b>Total Current Assets</b>	<b>45,285</b>	<b>52,081</b>	<b>57,596</b>	<b>63,721</b>	<b>64,830</b>
Fixed Assets	22,759	25,374	24,861	28,267	30,508
Other Non Current Assets	1,054	1,192	1,586	1,470	1,623
<b>Total Assets</b>	<b>69,097</b>	<b>78,647</b>	<b>84,043</b>	<b>93,459</b>	<b>96,961</b>
Short Term Loans	17,322	17,216	17,716	18,716	18,716
Trade Payables	1,130	1,317	1,795	1,778	1,878
Other Current Liabilities	3,552	6,725	2,457	3,060	2,786
<b>Total Current Liabilities</b>	<b>22,004</b>	<b>25,259</b>	<b>21,968</b>	<b>23,554</b>	<b>23,380</b>
Other Non Current Liabilities	1,960	2,458	2,486	2,710	2,954
<b>Total Liabilities</b>	<b>23,964</b>	<b>27,717</b>	<b>24,455</b>	<b>26,264</b>	<b>26,334</b>
Share & APIC	1,016	1,016	1,016	1,016	1,016
Retained Earnings	43,951	49,748	58,406	66,012	69,445
<b>Total Equity</b>	<b>45,133</b>	<b>50,931</b>	<b>59,589</b>	<b>67,194</b>	<b>70,627</b>
<b>Total Equity &amp; Liabilities</b>	<b>69,097</b>	<b>78,647</b>	<b>84,043</b>	<b>93,459</b>	<b>96,961</b>

Income Statement (IDR bn)	2018	2019	2020E	2021F	2022F
<b>Revenue</b>	<b>95,708</b>	<b>110,524</b>	<b>112,353</b>	<b>117,858</b>	<b>125,231</b>
Cost of Good Sold	(77,063)	(87,741)	(93,229)	(100,203)	(106,095)
<b>Gross Profit</b>	<b>18,644</b>	<b>22,783</b>	<b>19,124</b>	<b>17,655</b>	<b>19,136</b>
Operating Expenses	(7,551)	(7,993)	(7,726)	(7,492)	(7,950)
Other Income (Expenses)	29	303	216	233	277
<b>EBIT</b>	<b>11,157</b>	<b>15,073</b>	<b>11,614</b>	<b>10,395</b>	<b>11,463</b>
<b>EBITDA</b>	<b>13,358</b>	<b>17,616</b>	<b>14,128</b>	<b>12,989</b>	<b>14,222</b>
Interest Expenses	(678)	(585)	(618)	(644)	(649)
<b>EBT</b>	<b>10,479</b>	<b>14,488</b>	<b>10,997</b>	<b>9,751</b>	<b>10,815</b>
Tax	(2,686)	(3,607)	(2,419)	(2,145)	(2,379)
<b>Net Income</b>	<b>7,793</b>	<b>10,881</b>	<b>8,577</b>	<b>7,605</b>	<b>8,435</b>
EPS	4,050	5,655	4,458	3,953	4,384

Source: Company data, Sinarmas Investment Research

Cash Flow (IDR bn)	2018	2019	2020E	2021F	2022F
<b>Net Income</b>	<b>7,792</b>	<b>10,881</b>	<b>8,577</b>	<b>7,605</b>	<b>8,435</b>
Depreciation & Adjustments	2,202	2,543	2,513	2,594	2,759
Change in Working Capital	(855)	1,898	6,398	3,059	2,921
<b>Operating Cash Flow</b>	<b>10,837</b>	<b>11,305</b>	<b>4,693</b>	<b>7,140</b>	<b>8,273</b>
Capital Expenditure	(4,037)	(5,167)	(2,000)	(6,000)	(5,000)
Change in LT Assets	(533)	138	394	(116)	153
Others	481	230	(0)	-	-
<b>Investing Cash Flow</b>	<b>(3,024)</b>	<b>(5,075)</b>	<b>(2,394)</b>	<b>(5,884)</b>	<b>(5,153)</b>
Change in Debts	(3,278)	(106)	500	1,000	-
Dividends Paid	(5,003)	(5,003)	-	-	(5,003)
Others	(1)	497	29	224	244
<b>Financing Cash Flow</b>	<b>(4,010)</b>	<b>(8,108)</b>	<b>(4,692)</b>	<b>609</b>	<b>1,224</b>
Change in Cash	734	(295)	1,538	2,908	2,480
Beginning Cash	1,595	2,329	2,034	3,572	6,480
<b>Ending Cash</b>	<b>2,329</b>	<b>2,034</b>	<b>3,572</b>	<b>6,480</b>	<b>8,960</b>

Financial Ratios	2018	2019	2020E	2021F	2022F
<b>Liquidity</b>					
Current Ratio	2.06	2.06	2.62	2.71	2.77
<b>Profitability</b>					
Gross Profit Margin	19.5%	20.6%	17.0%	15.0%	15.3%
EBIT Margin	11.7%	13.6%	10.3%	8.8%	9.2%
EBITDA Margin	14.0%	15.9%	12.6%	11.0%	11.4%
Net Profit Margin	8.1%	9.8%	7.6%	6.5%	6.7%
<b>Solvency</b>					
Debt to Equity	0.38	0.34	0.30	0.28	0.27
Interest Coverage	0.06	0.04	0.05	0.06	0.06
<b>Valuation</b>					
Price to Earnings (PE)	9.16	6.56	8.32	9.39	8.46
Price to Book (PBV)	1.58	1.40	1.20	1.06	1.01
<b>Key assumptions</b>					
Volume (Bn Sticks)	85.2	95.9	89.1	81.6	75.6
% growth	8.3%	12.6%	-7.2%	-8.4%	-7.3%
Blended ASP Est.	1,103	1,138	1,247	1,429	1,639
% growth	5.6%	3.2%	9.5%	14.6%	14.7%

Source: Company data, Sinarmas Investment Research

## SINARMAS SEKURITAS INVESTMENT RATINGS GUIDE

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**ADD:** Share price may range between 10% to 15% over the next 12 months.

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