

Hartadinata Abadi Tbk. (HRTA)

“Shining, Shimmering & Splendid”

HRTA is one of Indonesian company that engaged in the gold jewelry industry, which has an integrated ecosystem ranging from factories to gold retail (Shop Unit and Gold Pawn Shop). Apart from being the first IPO jewelry company in Indonesia, HRTA has scored attractive performance growth after the COVID-19 pandemic. This can be seen from the company's consistent market share growth, development of retail store units, and gold pawn shop, as well as opening a new segment, namely the export market.

Shining Performance, Brilliant Net Profit

- Revenue in 1H23 increased 91.96% YoY to IDR 6.175 trillion, from IDR 3.217 trillion in 1H22. HRTA's performance in this period was quite impressive, as shown by the fantastic growth in exports as well as the outstanding growth from the retail store segment.

Jewelry Store and Gold Pawn Segments May Become HRTA's Future Growth Engine

- HRTA's Retail Stores Segment revenue posted fantastic growth on an annual and quarterly basis, with a +175% YoY growth to IDR 780.35B in 1H23 (1H22: IDR 283.26B). On a quarter-on-quarter basis, it posted a fantastic growth of 358.2% QoQ to IDR 640.5B in 2Q23 (1Q23: IDR 139.7B). HRTA's focus on expanding the number of retail store units is commendable. With the growth of HRTA's retail stores, it is expected that HRTA will reduce its dependency on other wholesalers, which will lead to an increase in HRTA's profit margin.

Buy Recommendation with TP at IDR 590 (+38.5% Upside Potential)

- NHKS Research recommends BUY rating for HRTA, with a target price of IDR 590 (+38.5% upside potential, implying 7.1x F-PE 2024). This is driven by the prediction of better performance shown through HRTA's steady and sustainable expansion, both domestically (development of gold retail stores and gold pawn shops) and globally (export markets).
- HRTA is currently trading at an attractive valuation, which is quite discounted when compared to its regional peers and its historical PE. As a proxy of the gold sector and the instability of the global geopolitical situation, which is quite influential and sensitive to the price of gold, HRTA is quite interesting to look at as an alternative gold-related stock.

Hartadinata Abadi Tbk | Summary (IDR bn)

In IDR Bn	2022A	2023E	2024F	2025F
Revenues	6,918	11,812	13,198	14,779
Revenues growth	32.1%	70.7%	11.7%	12.0%
Net profit	254	332	387	440
Growth	30.7%	31.1%	16.5%	13.6%
EPS (IDR)	55	72	84	96
P/E	7.7x	8.2x	7.6x	7.1x
P/BV	1.1x	1.4x	1.3x	1.2x
EV/EBITDA	6.8x	6.2x	7.1x	6.2x
ROE	15.66%	17.86%	17.84%	17.45%
DER	1.2x	1.4x	1.2x	1.0x
Dividend yield	3.1%	2.8%	3.1%	3.5%
BVPS (IDR)	374	434	508	587
EBITDA margin	8.4%	6.5%	5.9%	5.8%
NPM	3.7%	2.8%	2.9%	3.0%
ROA	7.3%	7.6%	7.7%	8.2%
DPS (IDR)	13.1	16.4	19.8	23.9
EBITDA	578	764	783	856

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer



Initiation Report | October. 20 - 2023

Buy

Target Price (IDR)	590
Consensus Price (IDR)	560
TP to Consensus Price	+5.4%
Potential Upside	+38.5%

Shares data

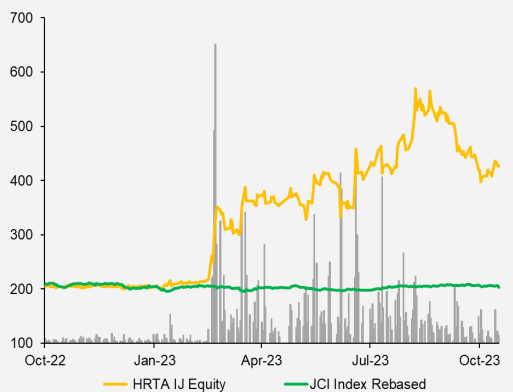
Last Price (IDR)	426
Price date as of	Oktober 19, 2023
52 wk range (Hi/Lo)	570 / 270
Free float (%)	28.21
Outstanding sh. (mn)	4,605
Market Cap (IDR bn)	1,953
Market Cap (USD mn)	123
Avg. Trd Vol - 3M (mn)	27.13
Avg. Trd Val - 3M (bn)	13.06
Foreign Ownership	8.00%

Financial Services

Banking

Bloomberg	HRTA IJ
Reuters	HRTA.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	111.8%	-6.9%	0.5%	111.8%
Rel. Ret.	110.6%	-7.0%	-1.4%	110.9%

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Jewelry and Gold Jewelry Industry Outlook

The global jewelry market was valued at USD 340.69 billion in 2022, according to Grand View Research, the jewelry market will still grow at a CAGR of 4.6% from 2023 to 2030. Shifting lifestyles and the perception of jewelry as a symbol of one's status is one of the factors for the increasing growth of the jewelry market. In addition, the potential market for men's jewelry (such as cuff links, signet rings, etc.) is also a growth driver for the jewelry market.

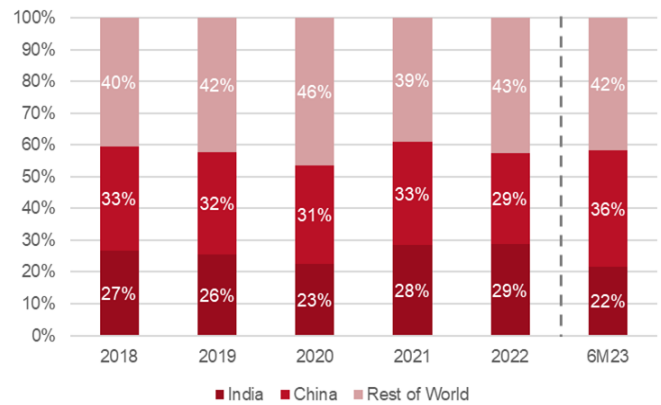
Currently, the largest gold market is in Asia Pacific, with a market share of more than 60% by 2022. The countries that becomes a support to the jewelry market are China and India. This is due to the high purchasing power of people towards jewelry in these two countries, since China and India are the first and second countries with the largest population.

The high demand for gold jewelry in India is due to the tradition of religious ceremonies, such as Makar Sankranti, Bihu, Pongal, Onam, Diwali, and wedding celebrations that require a lot of jewelry, leading to a significant effect on the jewelry market in India.

Total jewelry demand in H1 also increased slightly compared to 2022, mainly due to China's recovery from COVID-19 lockdown in 2022. In the context of high gold prices, jewelry demand has been very resilient throughout this year. China's recovery from a deep consumption slump in 2022 may explain this increase, as well as investment motives helping to drive purchases in high-carat markets including Turkey and India.

On the supply side, the total global gold supply in 6M23 increased by 5% yoy to 2,460.1 tons. The increase in supply was supported by supply from gold mining, which increased in 6M23 by 3.1% yoy. The largest gold producers in 6M23 were South Africa, Ghana, the United States, and Russia. Apart from gold mining, gold supply can also come from gold recycling, which increased by 9.1%.

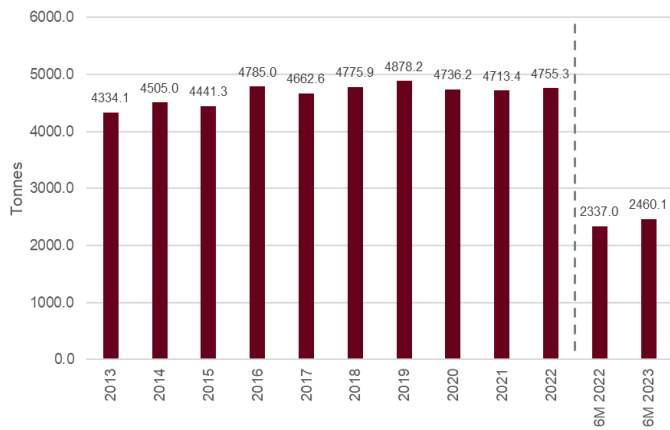
Image 1. Jewelry Market Share of India & China



Source: World Gold Council, NHKSI Research

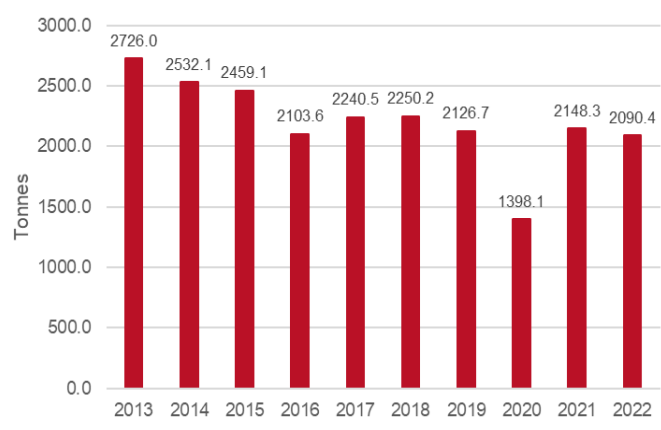
China's recovery from a deep consumption slump in 2022 may explain this increase, as well as investment motives helping to drive purchases in high-carat markets including Turkey and India.

Image 2. World Gold Supply



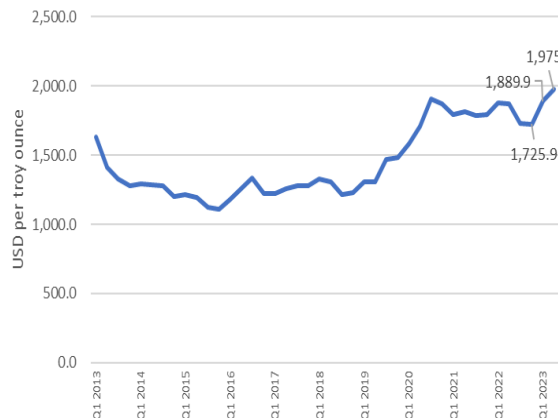
Source: World Gold Council, NHKSI Research

Image 3. World Jewelry Demand



Source: World Gold Council, NHKSI Research

Image 4. Global Gold Price



Global Gold Price

The global gold price has shown an increasing trend in the last 10 years. As of September 2023, the global gold price reached USD 1,975.9/troy ounce.

In general, the macro catalysts that drive the increase in gold prices are geopolitical crises and fears of stagflation risk. When a geopolitical crisis occurs, investors will tend to choose gold as an instrument that acts as a hedge as well as a safe haven.

In the last week period, the geopolitical crisis that occurred in the Middle East region, namely between Israel and Palestine, was one of the triggers for gold prices to rebound.

Source: World Gold Council, NHKSI Research

Indonesia Gold-Jewelry Industry Outlook

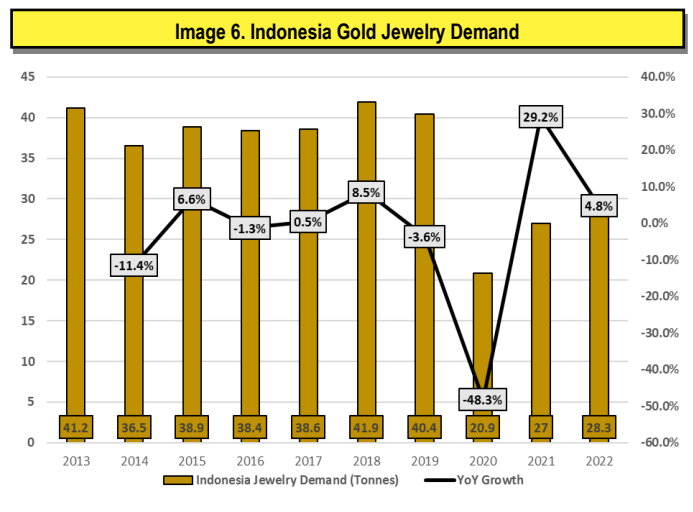
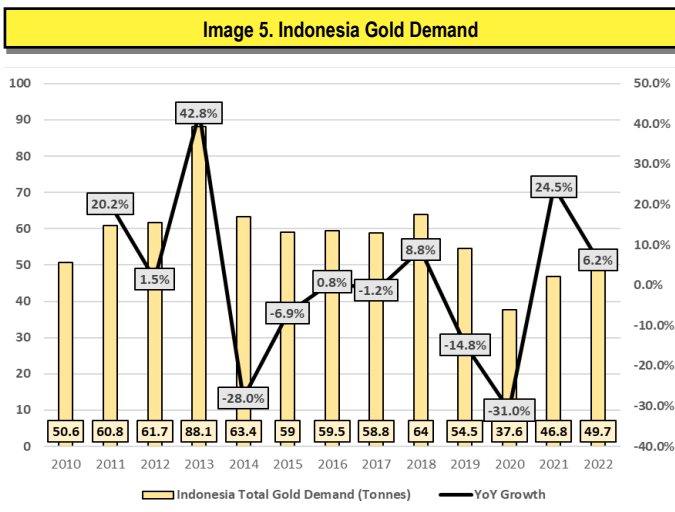
In Indonesia, jewelry demand during 2013 to 2019 only showed a sideways trend, with an average jewelry demand of 35 tons/year. Meanwhile, worldwide jewelry demand experienced a downward trend during the period. This shows that the jewelry market in Indonesia is still quite good, amidst the decline in jewelry demand worldwide. In 2020, jewelry demand in Indonesia dropped by 48% to only 20.9 tons/year due to COVID-19 pandemic. However, along with the economic recovery after COVID-19, jewelry demand in Indonesia also gradually recovered.

Indonesia experienced gold jewelry consumption decline by 11% YoY in Q2 to less than 5 tons. Despite the weakening, gold jewelry demand in Indonesia proved to be more resilient compared to neighboring countries, and was slightly higher on a year-on-year basis in the first half of 2023, thanks to strong demand in 1Q23. One of the other factors is that the high price of jewelry in the higher karat segment became a deterrent for consumers to be more discerning towards the lower karat jewelry segment. Government regulations that aimed at increasing transparency have also tightened the supply chain. The new regulation requires all B2B transactions to be recorded centrally, which has created bottlenecks and reduced the supply of gold jewelry in the domestic market.

The gold jewelry industry in Indonesia also has seasonal factors that affect industry sales. One of the seasonality factors in the gold jewelry business type is the occurrence of "Hari Raya Lebaran", which generally occurs in the second quarter of each year, driving higher sales and growth. Generally, the market trend of gold jewelry and gold bars in terms of demand and sales is influenced by two things. For the gold jewelry segment, the influential factor is the purchasing power, where if the economy experiences a decline, it will generally affect the purchasing power. The interesting thing is, when the economy experiences turbulence, the increase in demand will actually boost the gold bar segment as an investment instrument.

Indonesia Gold-Investment Industry Outlook

In general, the gold market for investment moderately declined in ASEAN in a year-on-year basis during this 2Q23 period. Demand for gold bars and coins in Vietnam fell 5% YoY to 9 tons. Investment was again hampered by the liquidity restrictions, as investors holding stocks and real estate were quite underperforming. Those buying gold as one of the investment alternatives favored "Chi Ring" (simple gold ring, used for investment purposes) as the premium of SJC gold per tael remain high. Investment in Thailand fell 10% YoY to 6 tons. Investors refrained from buying at high price levels in the hope that prices would fall and offer opportunities to increase holdings at lower price levels. The conditions in the Thailand and Vietnam were similar to Indonesia, where many Indonesian investors were patiently waiting for a deeper price correction before returning to the market. Demand for bars and coins was 10% lower to less than 4 tons.



Source: HRTA, NHKSI Research

Source: World Gold Council, NHKSI Research



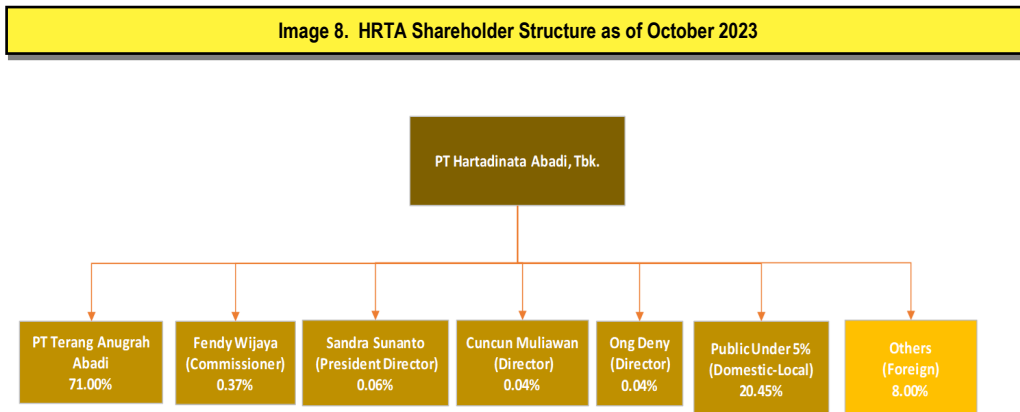
Source: World Gold Council, HRTA, NHKSI Research

A Glimpse of Hartadinata Abadi’s History

Feriyadi Hartadinata (Pendiri PT Hartadinata Abadi Tbk.) began his gold jewelry business in 1989 by focusing on sales in the jewelry market in West Java. Since 1995, he has started his own jewelry production with a capacity (625,000 gr/month). He then established PT Hartadinata Abadi on March 29, 2004. Later, he opened the first modern outlet under the name “Claudia Perfect Jewellery” and the second factory for casting products (capacity 500,000 gr/month) in 2004.

The company further strengthened its existence by listing on the Indonesia Stock Exchange on June 21, 2017, as a public company and officialy established PT Hartadinata Abadi Tbk, with “HRTA” as the ticker symbol and sold 1,105,260,000 shares at IDR 300 per share. HRTA became the first company in the Indonesian gold jewelry industry to go public/IPO. The total funds raised from this offering amounted to IDR 331.57 billion.

The following is the structure of HRTA's shareholders:



Source: HRTA, Bloomberg, HKSJ Research

Currently, the interesting thing about HRTA's shareholding is the recent increase in foreign ownership, as foreign institutional have begun to emerge in HRTA. Previously, foreign ownership in HRTA was very weak and quite minor.

Hartadinata Abadi (HRTA) In A Glance

Hartadinata Abadi Tbk. (HRTA) is one of the companies in Indonesia that engaged in gold jewelry and gold bullion, with more than 30 years track record. HRTA has the most integrated ecosystem, from midstream to downstream segments (HRTA's portfolio includes gold jewelry production, distribution network both offline and e-commerce stores, and gold pawn business)

HRTA is currently positioning its product for all age groups, where the jewelry products targeted for woman in particular. HRTA continues to do a new repositioning and innovate its jewelry products. This is because the jewelry market is also changing, which is influenced by several factors, such as changing lifestyles and generational differences (millennials, Z, etc.). As a result, the demand for the character of the jewelry is varied, from the design, grammar, and others.

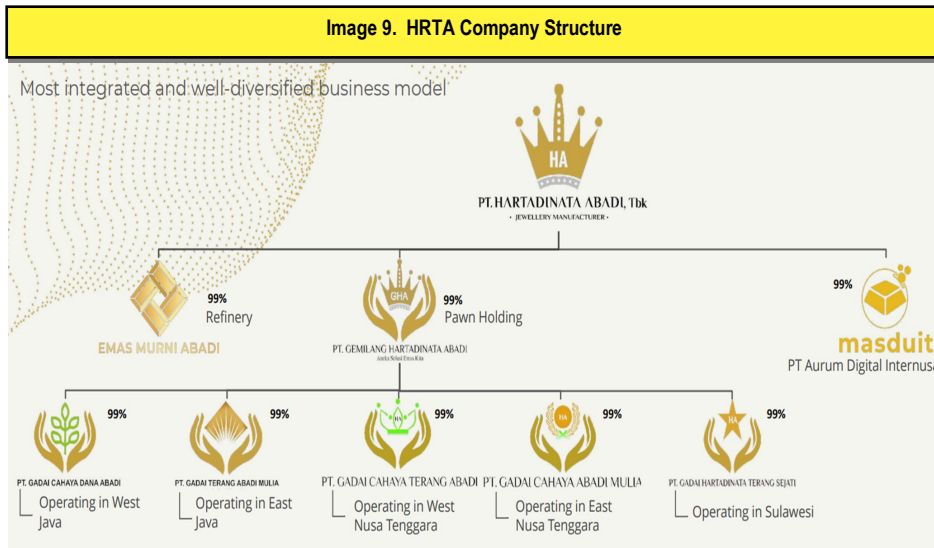
In the future, Hartadinata's product, especially jewelry, will have quite different characteristics for each segment—for example, the consumer age categories combined with psychographic characteristics, such as lifestyle, their purpose in using the jewelry and so on. In addition, HRTA has varied and innovative products that can reach all market segments, such as 0.1 gram micro gold, etc.

Currently, HRTA is creating a strategic partnership with ANTM's subsidiary, PT Emas Antam Indonesia (EAI) in 2021, with micro gold products and the first 24 carat (99.99%) gold bars and jewelry in Indonesia.

Company Structure of Hartadinata Abadi Tbk. (HRTA)

Hartadinata Abadi Tbk (HRTA) currently has three subsidiaries, namely PT Aurum Digital Internusa (ADI), PT Gemilang Hartadinata Abadi (GHA), and PT Emas Murni Abadi (EMA). The following is an explanation of HRTA's subsidiaries:

- a. PT ADI ADI focuses on gold trading activities, including gold trading through their e-commerce and third parties.
- b. PT GHA as the pawn holding company focuses on the gold pawn business through its 6 subsidiaries (indirect ownership of HRTA through PT GHA) which operate in West Java, East Java, West Nusa Tenggara,
- c. PT EMA, focuses on gold refining activities.



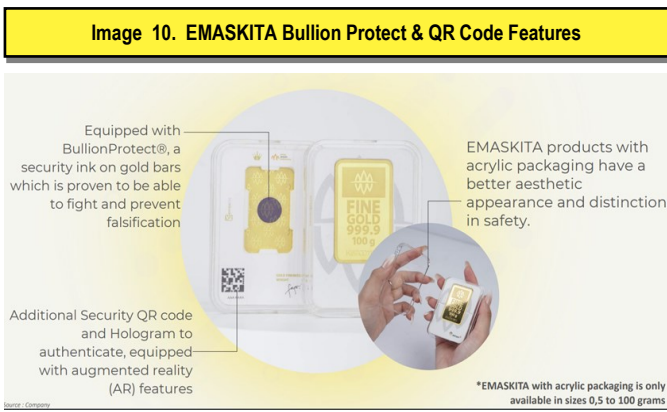
Source: HRTA, NHKSI Research

Hartadinata Abadi Tbk. (HRTA) Product

For the types of gold bullion, HRTA has two types of products, namely EmaskITA and EMASKU.

A. EmaskITA

PT Hartadinata Abadi, Tbk. and PT Emas Antam Indonesia collaborated to develop gold bullion products under the EmaskITA brand. EmaskITA comes in gram variants, from 0.1 to 100 grams, which has 2 series, namely premium & gift. Currently, EmaskITA starting from 0.5 gram denominations already has the first BullionProtect® feature in Indonesia and even the world that provides direct protection on the surface of gold, reducing the risk of gold bullion counterfeiting. With this feature, consumers can now hold gold bars starting from 0.5 grams without fear of the price dropping if the gold bar packaging is opened, because the protection is not only limited to the packaging but also to the surface of the gold. This technology is the result of joint development with SICPA, a global leader in manufacturing high-tech inks with advanced security systems in Switzerland.



Source: HRTA, NHKSI Research



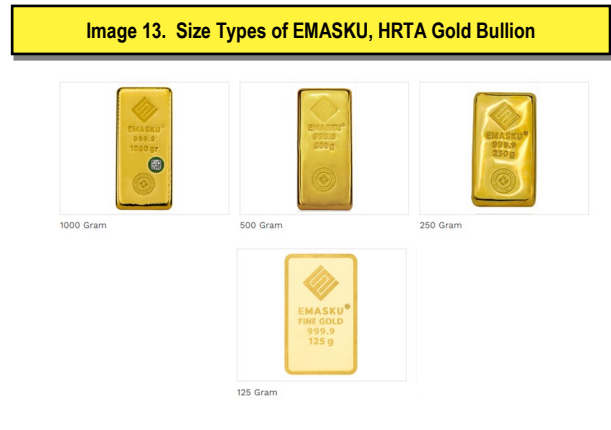
Source: HRTA, NHKSI Research

B. EMASKU.

EMASKU Pure Gold Products are produced with quality processes and materials following the International Standards Organization (ISO 9001: 2015) and Indonesian National Standards (SNI), thereby minimizing the risk of quality defects. Testing the level of purity with high accuracy, through Inductive Coupled Plasma method testing according to SNI 8880: 2020 to ensure the purity of EMASKU Pure Gold Products is 99.99%. The certificate of authenticity obtained when purchasing EMASKU products explains the weight, purity level, gold serial number, and hologram sticker. There is a gold code in the form of a special serial number engraved on each physical product. The code or stamp characterizes the authenticity of EMASKU Pure Gold products.



Source: HRTA, NHKSI Research



Source: HRTA, NHKSI Research

EMASKU Pure Gold products present security innovations with support from SICPA, namely BullionProtect® where this technology eliminates the possibility of counterfeiting and other fraudulent acts. In EMASKU BullionProtect® is equipped with an additional feature where the QR Code integrated with BullionProtect® can be scanned and displays the same gold code as the gold code engraved on physical gold bars. EMASKU Pure Gold products add smaller gram variants of 125 grams and larger gram variants of 250 grams, 500 grams, and 1000 grams.

Some of HRTA's product brands included in the jewelry segment are **Kencana** and **Ardore®**,

Kencana 24K + is a pioneer and the only gold jewelry in Indonesia that has the advantage of 24-carat purity, which is designed attractively and artistically, giving confidence to its wearers. In comparison, gold jewelry generally has a purity level that ranges from 8-18 carats, so Kencana provides a higher buyback price. Kencana products consist of various types such as bracelets, earrings, necklaces, and rings.

Ardore® is one of the new brands launched by Hartadinata Abadi to expand to the Millennial Generation and Generation Z. It is hoped that with a more attractive and catchy design, **Ardore®** can expand its existence in the market share for Millennials and Generation Z.

Image 14. Kencana Product Samples



Source: HRTA, NHKSI Research

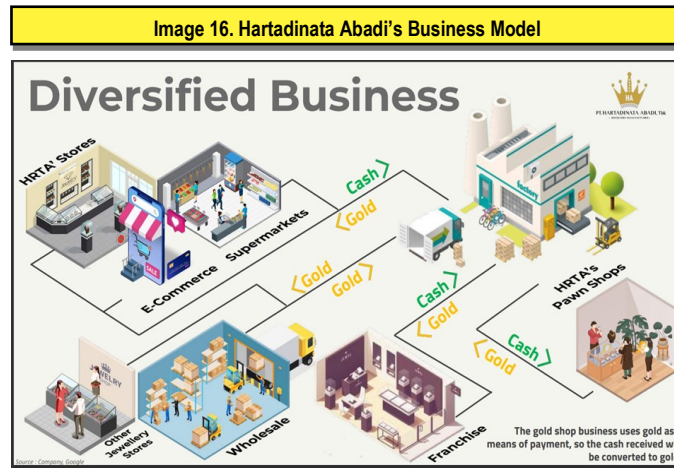
Image 15. Ardore®, Hartadinata Abadi's New Brand



Source: HRTA, NHKSI Research

Bisnis Model HRTA : Integrated Production and Distribution

HRTA has an integrated business model, from production to distribution. As a gold jewelry manufacturer, HRTA has four factories with a total production capacity of 30 tons per year. As of the first quarter of 2023, only 4.8% of the total production capacity has been utilized. This shows that HRTA still has enough room to expand its market. In terms of distribution, the jewelry products are distributed to wholesalers and retail stores (both owned and non-owned stores, as well as strategic alliances with financial institutions and convenience stores). Owned retail stores, including "Aurum Collection Center" for the lower middle segment; "Celine Jewellery" and "Claudia Perfect Jewellery" for the upper middle segment; and "Hartadinata Abadi Store" in partnership with EmasKita and Kencana. HRTA plans to increase the number of its retail stores to 125 stores by 2025 from 85 stores (as of May 2023).



Source: HRTA, NHKSI Research

Image 17. Hartadinata Abadi Tbk's Factories

Factory Name	Capacity (Ton/Year)	Utilization Rate (%)	Used Capacity	Products
Sukamenak 1	7.5	56.4	4.23	30-75% Gold Jewellery
Sukamenak 2	6	49.6	2.98	75% Gold Jewellery
Sukamenak 5	4.5	50.9	2.29	70-75% Jewellery
Sapphire	12	29.6	3.55	99.99% Gold Jewellery & Fine Gold Bar
Total Capacity	30	43.50%	13.05	
Refinery	30			

Source: HRTA, NHKSI Research

Distribution Units of Hartadinata Abadi Tbk.

Image 18. Types of Hartadinata Abadi Store Brands



Source: HRTA, NHKSI Research

Image 19. Hartadinata Abadi Store in Puri Indah Mall, Jakarta Barat



Source: HRTA, NHKSI Research

HRTA's distribution units are already spread across several regions in Indonesia. As of 2022, HRTA has 78 units of retail stores. For 2023, HRTA plans to build retail stores up to 100 units in 2023. As for the gold pawn business segment (Pawn Gold Shop), HRTA as of March 2023 already has 86 pawn units, where the target in 2025 will increase to 100 pawn units.

In addition to its network, HRTA also works with 80 wholesalers and more than 900 retail stores across Indonesia. This integrated production and distribution unit provides added value to HRTA. HRTA's business model is quite unique, where HRTA's customers, especially wholesalers and retailers, have a unique transaction flow in the form of its hedging strategy, which uses gold as the currency or exchange rate of payment. Therefore, HRTA will receive additional gold inventory, and margin as payment.

As of 1H23, sales of HRTA products to wholesale units have contributed to 86.8% of HRTA's total revenue (1H22: 89.83%; 1Q23: 92.54% and 2Q23: 83.8%). In addition, HRTA's store outlets posted growth generating revenue of IDR 780.35 billion (+175.16% YoY), contributing 12.64% of total revenue in 1H23. (1Q23: IDR 139.79 billion, 2Q23: IDR 640.55 billion, QoQ Growth: +358.2% QoQ).

Going forward, HRTA will continue to actively expand its distribution units aka its market reach by opening new outlets, both retail store units and gold pawn shop units. This market expansion will also be carried out through digital-based sales, both through the HRTA platform and the existing e-commerce platforms.

Future expansion of its retail store unit is expected to contribute significantly to HRTA's performance. This is because the development of new stores will gradually reduce HRTA's high dependency on wholesalers and is expected to result in a healthier working capital cycle.

Pawn Business Unit

Through its subsidiary, since 2018 PT Gemilang Hartadinata Abadi (GHA), HRTA runs a gold pawn business unit. PT GHA runs the gold pawn business through its 6 subsidiaries, each operating in West Java, East Java, West Nusa Tenggara, East Nusa Tenggara, Sulawesi, and Jakarta. As of March 2023, HRTA has 86 pawn unit branches and plans to increase the number of its pawn shops to 105 by 2025.

HRTA's main gold pawn products include "Regular Pawn" with a maximum loan period of 120 days and "Option Pawn" with a maximum loan period of 30 days. The "Regular Pawn" product has a fairly competitive loan interest rate of 0.9% per 15 days. As a comparison, PT Pegadaian's "Regular Gold Pawn" product has a loan interest rate ranging from 1-1.1% per 15 days.

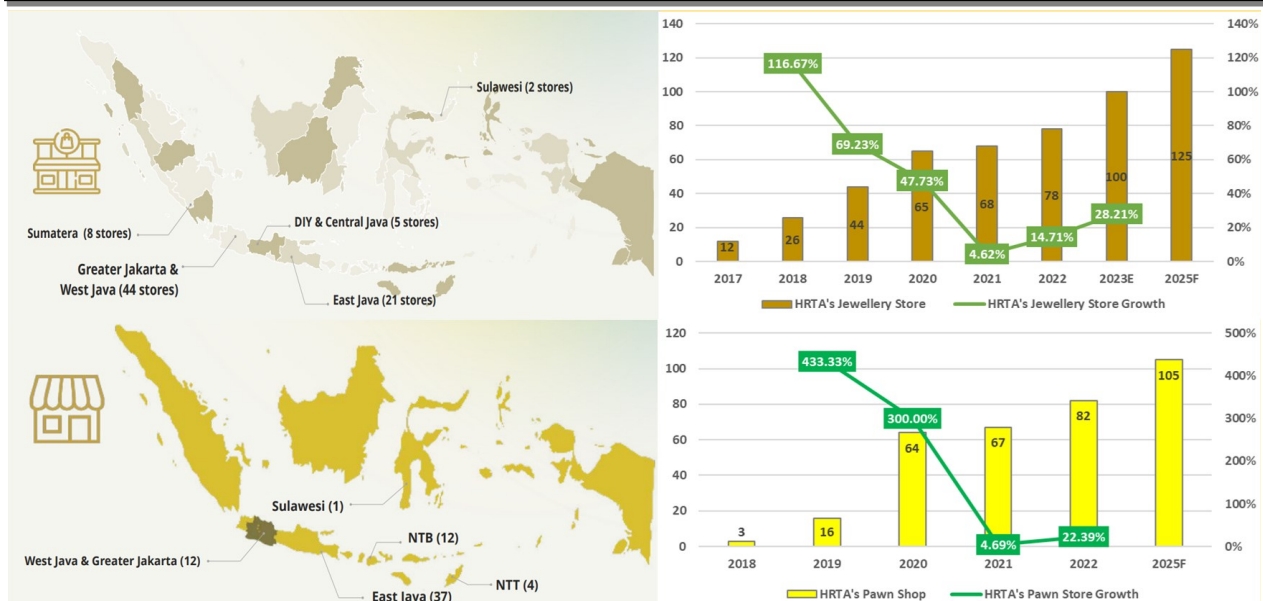
As of 1H23, HRTA's Gold Pawn segment generated IDR 29.65 billion and contributed 0.48% of HRTA's total revenue (1H22: IDR 35.380 billion, contributed 1.1% of total revenue).

Image 20. PT GHA Logo



Source: HRTA, NHKSI Research

Image 21. Location and Number of Expansions of HRTA's Jewelry Store and Gold Pawn Units

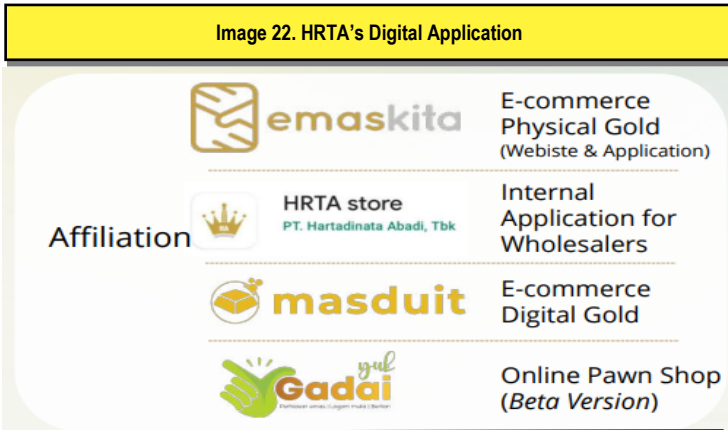


Source: HRTA, NHKSI Research

Venturing into e-Commerce

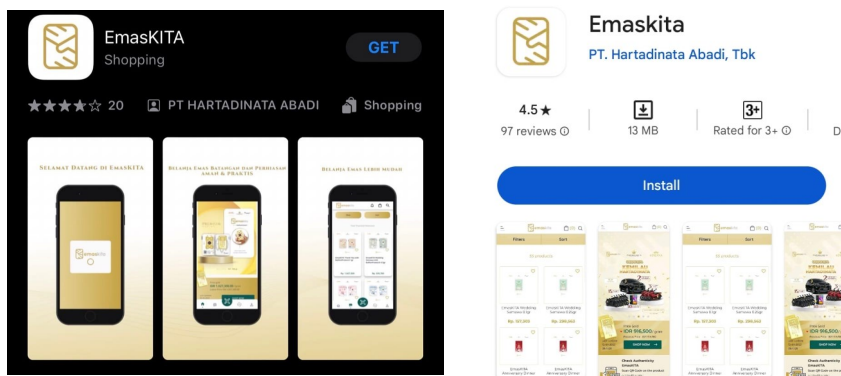
According to ecommerceDB, the e-commerce jewelry market in Indonesia is predicted to reach USD 18.2 million in 2023 and will still grow at a CAGR of 7.7% from 2023 to 2027, projected to reach USD 24.4 million in 2027.

In addition to offline sales through stores and other distribution units, HRTA itself has ventured into gold sales through their own e-commerce, namely "masduit" and "emaskita". In addition, HRTA also uses third-party e-commerce, namely Tokopedia, TikTtok, Shopee, and BliBli.



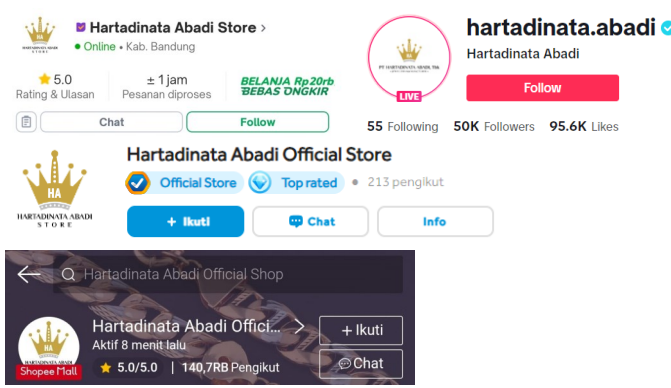
Source: HRTA, NHKSI Research

Image 23. "masduit" and "emaskita" App in IOS & Android



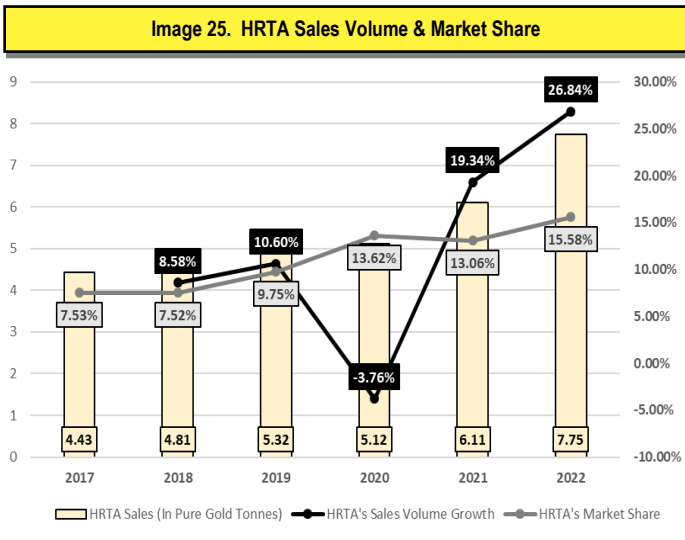
Source: HRTA, NHKSI Research

Image 24. Third Party e-commerce



Source: HRTA, NHKSI Research

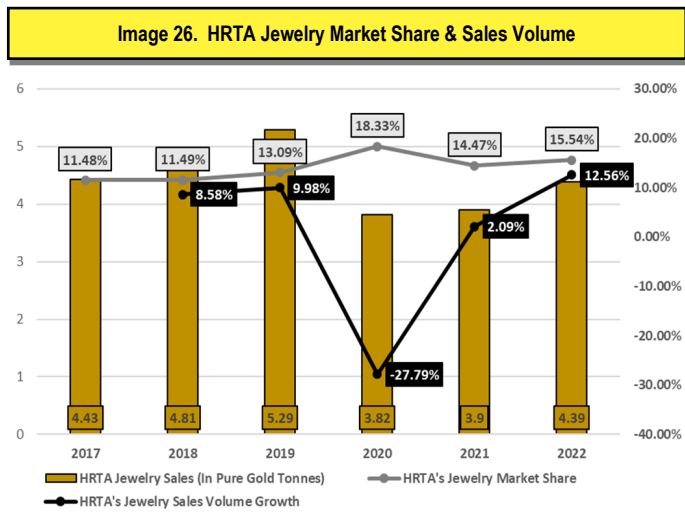
Growing Sales Volume & Market Share of Hartadinata Abadi Tbk (HRTA)



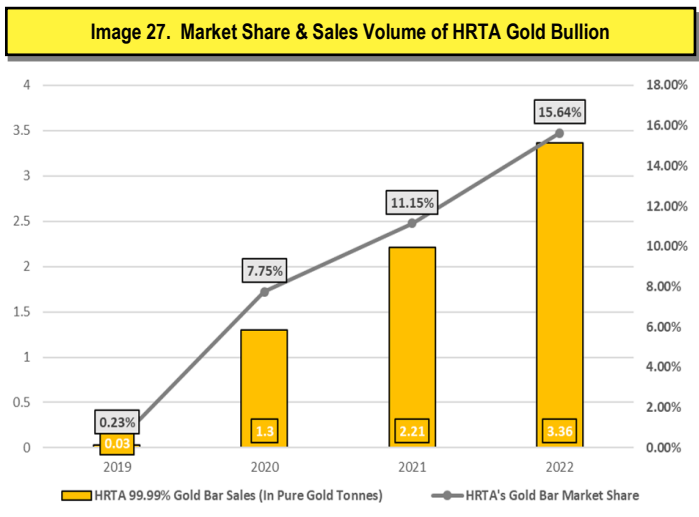
Since HRTA listed to the stock exchange, it is interesting to note how HRTA's sales growth has almost always been consistent to grow (slightly stalled in 2020 during the COVID-19 pandemic). HRTA scored an average sales growth CAGR from IPO to 2022 of 11.84%.

In addition, HRTA's sales growth is in line with HRTA's market share growth. Compared to the period in which HRTA proceeded its IPO (2017), HRTA's market share has grown 2x in 2022.

Source: HRTA, NHKSI Research



Source: HRTA, NHKSI Research



Source: HRTA, NHKSI Research

Based on the data in the Indonesia & ASEAN Jewelry Industry Outlook section, as we all know that the demand for gold jewelry in Indonesia covers approximately 55-60% of the demand for refined gold in Indonesia. Gold Jewelry sales are very sensitive to the economic situation, as seen during the COVID-19 pandemic, gold jewelry sales declined considerably due to low and depressed consumption and purchasing power. Comparatively, the sales growth of the gold jewelry segment by volume has been relatively stable since HRTA's IPO (CAGR 2017-2022: -0.17%). However, the interesting thing about the gold jewelry segment is that HRTA's market share has been consistently growing.

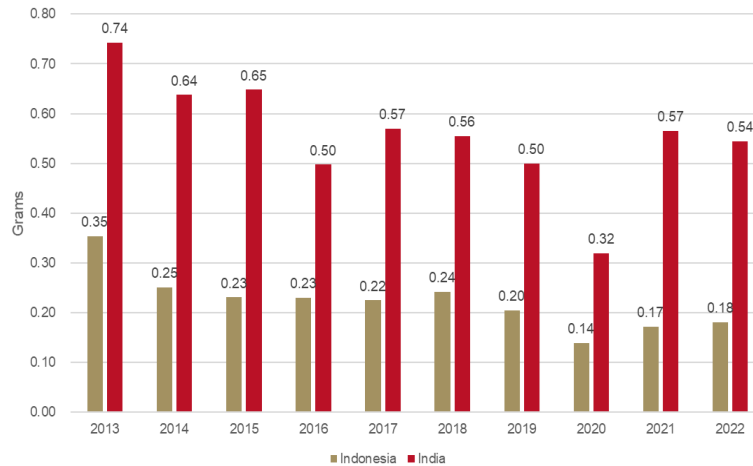
Sales volume of 99.99% pure gold bullion products since 2019 recorded an exponential growth in sales volume, which is very impressive. If we look back to 2019, the sales volume of gold bullion was only around 0.03 tons, but now HRTA's sales volume in 2022 will reach 3.36 tons with CAGR Sales volume of gold bullion reaching 368.57%. In addition, the interesting thing is that HRTA strengthened its position in the gold bullion segment as shown by the market share figure of the gold bullion segment which rose fantastically, where HRTA's market share in Gold Bullion reached 15.64% as of 2022.

The market share of the two segments, both jewelry and pure gold bars, is also supported by the high demand for gold due to increased public awareness to invest in gold commodities. Therefore, HRTA strives to meet customer needs by consistently innovating its products. In addition, it is expected that increased public awareness in investing and recovery in gold jewelry consumption is expected to increase the sales volume of HRTA.

Expanding Overseas & Tapping Export Markets

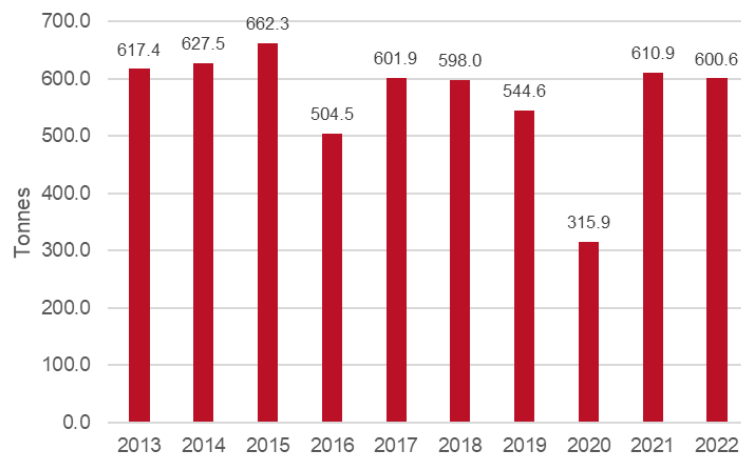
Apart from the domestic market, HRTA is also expanding its market expansion overseas, namely India. As explained in the previous page, India is the second-largest jewelry market in the world after China, driven by the tradition of wedding ceremonies and celebrations that require a lot of jewelry. This is in line with the large amount of gold consumption per capita each year. For comparison, the per capita gold consumption in Indonesia and India and the demand for gold jewelry from India are as follows:

Image 28. Comparison of Per Capita Gold Consumption of Indonesia & India



Source: World Gold Council, NHKSI Research

Image 29. India Jewelry Demand

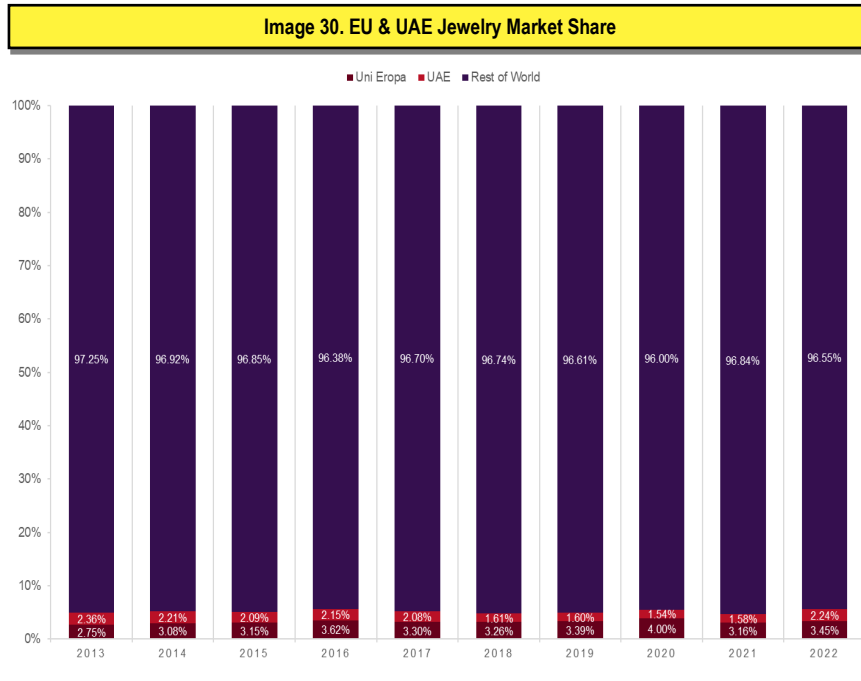


Source: World Gold Council, NHKSI Research

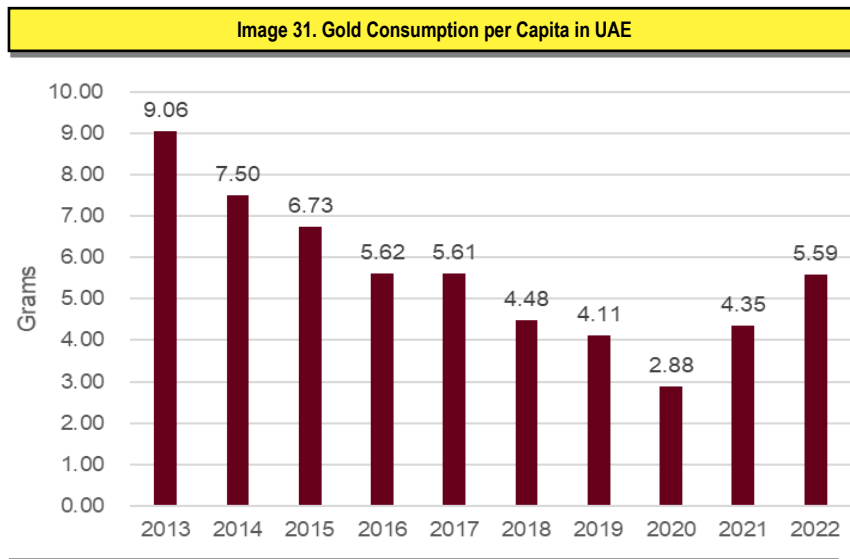
As of June 2023, based on HRTA's disclosure of information, it has signed 4 Memorandum of Understanding (MoU) related to the gold jewelry export cooperation agreement to India, including:

1. Export cooperation agreement with **Kundan Care Product Ltd** in February 2023, with an estimated order quantity of 400-500 kg per month and an estimated transaction value of USD 25 to 31 million per month. The Average Selling Price (ASP) for this transaction is approximately USD 62 to 77.5 million/gold ton.
2. Export cooperation agreement with **Bright Metal Refiners** in May 2023, with a minimum order amount of 2 tons of gold and an estimated transaction value of USD 123.66 million or equivalent to IDR 1.82 trillion. ASP on this transaction is approximately USD 61.8 million / ton of gold.
3. Export cooperation agreement with **L P Commodities Private Limited** in May 2023, with an order amount of 3 tons of gold at an estimated transaction value of USD 177.82 million or equivalent to IDR 2.66 trillion. This cooperation is valid for 3 months, until August 2023. The ASP on this transaction is approximately USD 59.3 million/ton of gold.
4. Export cooperation agreement with **Bright Metal Refiners** in June 2023 with a minimum order amount of 4.5 tons of gold at an estimated transaction value of USD 262.29 million or equivalent to IDR 3.93 trillion. The ASP on this transaction is approximately USD 58.3 million/ton of gold.

In addition to exports to India, HRTA is currently preparing to export gold jewelry to countries in the European Union and the United Arab Emirates (UAE). As an illustration, the average market share of the European Union in the last 10 years is 3.32% of the total jewelry demand in the world. In the EU itself, the UK and Italy are the countries with the largest jewelry demand. Meanwhile, the average market share of the UAE in the last 10 years is 1.95%. Although quite small, the amount of gold consumption per capita in the UAE is the largest in the world (average for the last 10 years).



Source: World Gold Council, NHKSI Research



Source: World Gold Council, NHKSI Research

Management Profile

Board of Directors



Sandra Sunanto

President Director

Warga Negara Indonesia berusia 49 tahun, pendidikan terakhir lulus sebagai Doktor bidang Manajemen - Erasmus Rotterdam University, Belanda (2013). Saat ini menjabat sebagai Direktur Utama Perseroan sekaligus Komisaris Utama PT Gadai Terang Abadi Mulia dan Komisaris PT Gadai Cahaya Abadi Mulia), serta Direktur PT Gadai Cahaya Dana Abadi.

Working Experience

- General Manager Business and Development PT Hartadinata Abadi (2014-2016)
- Business Development Consultant YOGYA GROUP (2012-2016)
- Business Development Consultant PT Kurnia Asta Surya (2014-2015)
- Trainer Market Research and Retail Management (2011-2016)
- Lecturer in Universitas Katolik Parahyangan (1997-2016)

Source: HRTA, NHKSI Research



Ong Deny

Chief Financial Officer

Indonesian citizen, 49 years old, graduated as Bachelor of Accounting from Xavier University "Ateneo de Cagayan", Cagayan de Oro City, Philippines (1995). Currently serves as the Company's Finance Director as well as Director of PT Gadai Hartadinata Terang Sejati and Commissioner of PT Gadai Jaya Raya Mulia.

Working Experience

- General Manager Finance PT Hartadinata Abadi (Sep-Nov 2016)
- General Manager Business Development PT Lembang Permata Recreation Estate (Jan-Juni 2016)
- Head of Finance, Dwimukti Group (2014-2015)
- Head of Finance and Accounting, PT Kertas Nusantara (2011-2013)
- Senior Manager Corporate Finance PT Plaza Indonesia Reality Tbk (1995-2011)

Source: HRTA, NHKSI Research



Cuncun Muliawan

Production & Operation Director

Indonesian citizen, 48 years old, graduated as Bachelor of Management from Maranatha Christian University (1999). Currently serves as Production & Operations Director of the Company as well as Director of PT Gemilang Hartadinata Abadi.

Working Experience

- Marketing Manager Perseroan PT Hartadinata Abadi (2012-2016)
- Marketing Manager Claudia Perfect Jewellery PT Hartadinata Abadi (2009-2012)
- Marketing Manager Toko Emas ACC PT Hartadinata Abadi (2003-2009)
- Computer Marketing CV Prisma Komputer (1993-1999)

Source: HRTA, NHKSI Research

Profil Manajemen

Board of Commissioners



Ferriyady Hartadinata

President Commissioner

Indonesian citizen, 50 years old, graduated as a Bachelor of Economics at Bandung Raya University in 1999. Currently serves as President Commissioner of the Company as well as Commissioner of PT Gemilang Hartadinata Abadi and Director of PT Gadai Cahaya Abadi Mulia.

Working Experience

- President Director - PT Hartadinata Abadi (2004-2016)
- Founder - PT Hartadinata Abadi (2003)

Source: HRTA, NHKSI Research



Fendy Wijaya

Commissioner

Indonesian citizen, 50 years old, graduated as Bachelor of Engineering from Maranatha Christian University (1997). Currently serves as Commissioner of the Company and concurrently serves as Commissioner of PT Gadai Cahaya Dana Abadi and PT Gadai Terang Abadi, as well as Director of PT Gadai Cahaya Terang Abadi.

Working Experience

- General Manager Production PT Hartadinata Abadi (2003-2016)
- Operations Manager PT La Senindo (2001-2002)
- Technical Supervisor Logic Art.Co di Taiwan (2000-2001)
- Marketing CV Gardindo (1996-1998)

Source: HRTA, NHKSI Research



Drs. Supriyadi Usman

Independent Commissioner

Indonesian citizen, 72 years old, graduated as Master of Management at Bhayangkara Jaya University (2000). Currently serves as Independent Commissioner of the Company.

Working Experience

- Deputy Chief of West Java Regional Police (2006)
- Regional Inspector (2004)
- Deputy Chief of Bengkulu (2003)
- Chief of SHRTAinda Major City Police (1993)
- Chief of Karawang Major City Police (1990)

Source: HRTA, NHKSI Research

Valuation of HRTA

We tried to shortlist some peers in the Asian region as a sample to be compared with HRTA. These companies are from China, Hong Kong, Vietnam and India.

The following peers can be seen in the data below:

Picture 32. Asian Jewelry Companies Peer Comparison

Ticker Name	Market Cap (IDR T)	Net Profit LTM (IDR Bn)	ROE (LTM)	P/E (x)	P/B (x)	Dividend Yield (%)
Hartadinata Abadi Tbk	1,953	254	17.8%	6.4x	1.1x	2.83
Kalyan Jewellers India Ltd	59,079	813	12.8%	71.4x	8.5x	0.17
Phu Nhuan Jewelry JSC	15,951	1,149	21.0%	13.9x	2.7x	3.20
Guangdong Chj Industry Co Ltd	11,476	440	7.3%	20.5x	1.5x	3.36
Lao Feng Xiang Co. Ltd. A	49,750	3,754	20.9%	14.4x	2.8x	2.55
Luk Fook Holdings Intl Ltd	23,467	2,470	10.6%	9.0x	0.9x	5.59
Chow Tai Seng Jewellery Co.	38,848	2,408	20.9%	14.1x	2.9x	5.51
Chow Tai Fook Jewellery Group Ltd	216,100	10,352	16.3%	19.7x	3.3x	11.47
Average			15.9%	21.2x	3.0x	4.33

Source: Bloomberg NHKSI Research

If we refer to the average peers above, HRTA's valuation in terms of P/E, PBV is very attractive and quite far below the average peers (PE 21.3x & PB 3.0x). Looking at its profitability level as depicted by ROE, HRTA has a profitability level that is still above average compared to peers. With the plan to expand its export market share, increase store expansion, and pawn shop, HRTA is expected to achieve much better margins and ROE.

Based on the PE Band of HRTA, we initiate this coverage with a target price of IDR 590, which implies a 7.1x Forward PE position with a position at the average PE Band in the last 5 years.

This valuation is quite conservative when compared to similar industries in Asia.

Picture 33. HRTA's PE Band



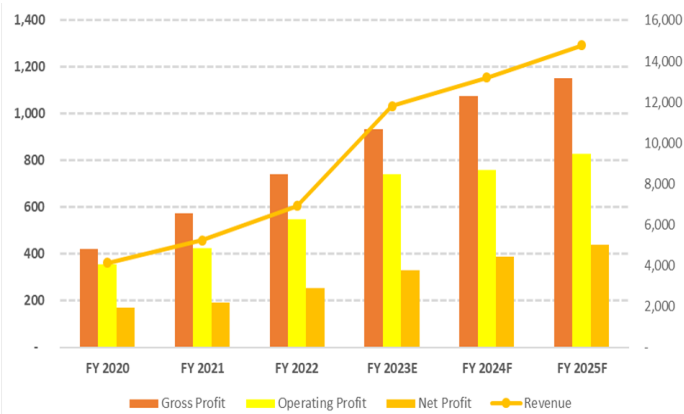
Source: Bloomberg NHKSI Research

The call for HRTA is supported by its robust performance growth and consistent increase in market share. Such performance can continue to be sustainable if aligned with solid and strong export growth, as well as consistent and sustainable expansion in HRTA's network of retail stores and gold pawn shops.

The risks of this call are less solid expansion and performance, a decline in the price of gold (ASP declining), and the issue of CCC (Cash Conversion Cycle) which is quite high as the usual characteristics of jewelry companies.

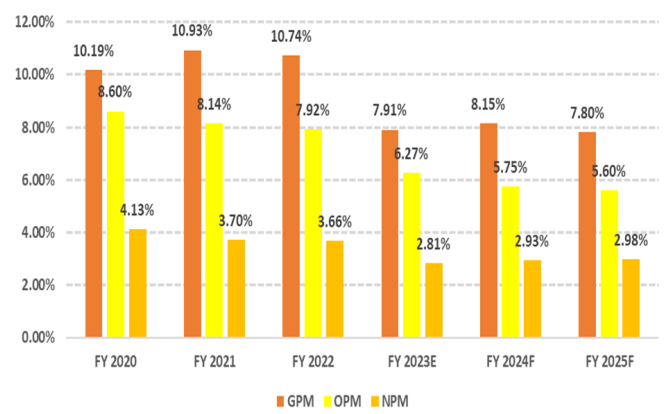
Performance Highlight For HRTA

Image 34. HRTA Financial Performance (IDR Billion)



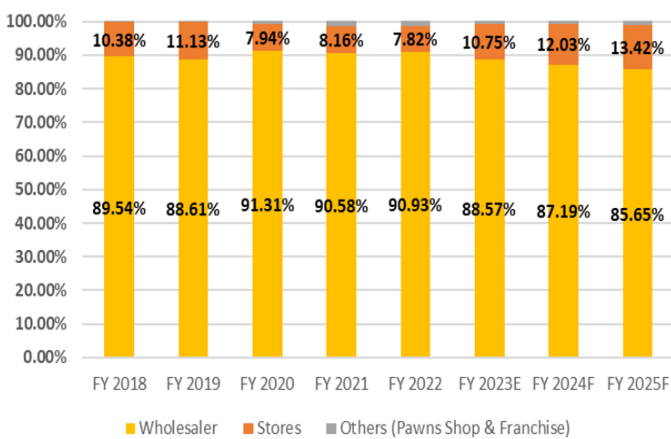
Source: HRTA, NHKSI Research

Image 35. HRTA Margin Ratios (%)



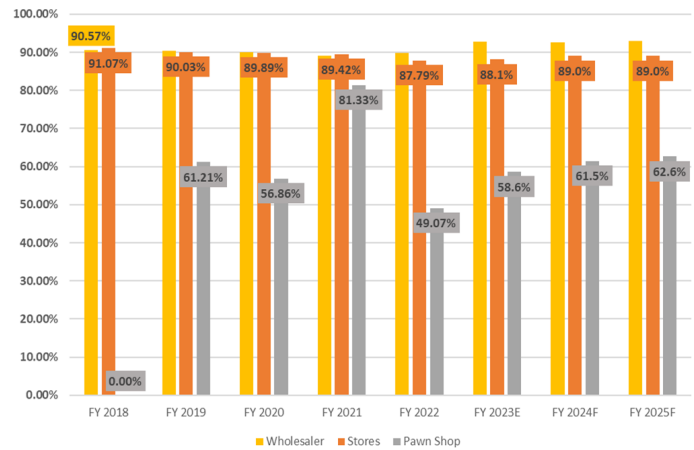
Source: HRTA, NHKSI Research

Image 36. HRTA Revenue Segment Contribution (%)



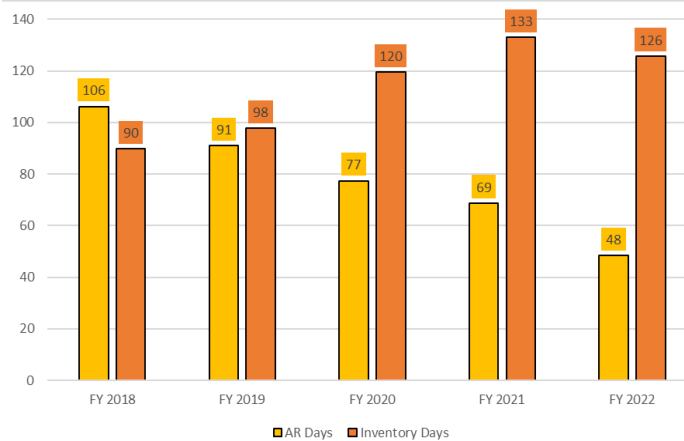
Source: HRTA, NHKSI Research

Image 37. HRTA Gross Profit Margin per Segment (%)



Source: HRTA, NHKSI Research

Image 38. HRTA AR & Inventory Days (Days)



Source: HRTA, NHKSI Research

Summary of Financials

INCOME STATEMENT

(IDR bn)	2022/12A	2023/12E	2024/12F	2025/12F
Revenues	6,918	11,812	13,198	14,779
<i>Growth (% y/y)</i>	32.1%	70.7%	11.7%	12.0%
Cost of Revenues	(6,176)	(10,878)	(12,122)	(13,625)
Gross Profit	743	934	1,076	1,153
<i>Gross Margin</i>	10.7%	7.9%	8.2%	7.8%
Operating Expenses	(195)	(193)	(317)	(325)
EBIT	548	740	759	828
<i>EBIT Margin</i>	7.9%	6.3%	5.8%	5.6%
Depreciation	30	23	24	28
EBITDA	578	764	783	856
<i>EBITDA Margin</i>	8.4%	6.5%	5.9%	5.8%
Interest Expenses	(225)	(313)	(266)	(266)
EBT	326	430	497	566
Income Tax	(72)	(97)	(109)	(125)
Net Profit	254	332	387	440
<i>Growth (% y/y)</i>	30.7%	31.1%	16.5%	13.6%
<i>Net Profit Margin</i>	3.7%	2.8%	2.9%	3.0%

BALANCE SHEET

(IDR bn)	2022/12A	2023/12E	2024/12F	2025/12F
Cash	106	699	210	575
Receivables	805	651	813	827
Inventories	2,340	2,903	3,364	3,302
Other Current Assets	323	351	391	438
Total Current Assets	3,574	4,604	4,778	5,142
Net Fixed Assets	226	261	330	376
Other Non Current Assets	49	49	41	46
Total Non Current Assets	275	310	371	423
Total Assets	3,849	4,914	5,149	5,564
Payables	66	176	267	187
ST Debt	885	1,693	1,686	1,621
Total Current Liabilities	951	1,869	1,672	1,770
LT Debt	1,175	1,046	1,135	1,093
Total Liabilities	2,127	2,915	2,808	2,862
Capital Stock + APIC	665	665	665	665
Retained Earnings	1,053	1,330	1,672	2,033
Shareholders' Equity	1,723	1,999	2,341	2,702

CASH FLOW STATEMENT

(IDR bn)	2022/12A	2023/12E	2024/12F	2025/12F
Operating Cash Flow	31	(314)	385	128
Investing Cash Flow	(85)	417	(455)	374
Financing Cash Flow	97	410	(420)	(137)
Net Changes in Cash	44	513	(489)	365

PROFITABILITY & STABILITY

	2022/12A	2023/12E	2024/12F	2025/12F
ROE	15.7%	17.9%	17.8%	17.4%
ROA	7.3%	7.6%	7.7%	8.2%
Inventory Turnover	2.9x	4.1x	3.2x	3.3x
Receivables Turnover	7.5x	16.2x	13.5x	13.5x
Payables turnover	98.8x	89.8x	59.6x	65.2x
Dividend Yield	3.1%	2.8%	3.1%	3.5%
Payout Ratio	23.7%	22.7%	23.5%	25.0%
DER	1.20x	1.37x	1.20x	1.00x
Net Gearing	113.5%	102.0%	111.5%	79.1%
Equity Ratio	44.8%	40.7%	45.5%	48.6%
Debt Ratio	0.54x	0.56x	0.55x	0.49x
Financial Leverage	226.3%	235.5%	231.8%	212.4%
Current Ratio	375.6%	246.3%	285.7%	290.5%
Quick Ratio	129.7%	91.0%	84.6%	104.0%
Par Value (IDR)	25	25	25	25
Total Shares (mn)	4,605	4,605	4,605	4,605
Share Price (IDR)	426	590	639	682
Market Cap (IDR tn)	2.0	2.7	2.9	3.1

VALUATION INDEX

	2022/12A	2023/12E	2024/12F	2025/12F
Price /Earnings	7.7x	8.2x	7.6x	7.1x
PE/EPS Growth	25.2x	26.3x	46.1x	52.4x
Price /Book Value	1.1x	1.4x	1.3x	1.2x
EV/EBITDA	6.8x	6.2x	7.1x	6.2x
EV (IDR bn)	3,916	4,757	5,552	5,280
Revenues CAGR (3-Yr)	28.8%	41.8%	36.1%	28.8%
Net Income CAGR (3-Yr)	19.1%	24.9%	25.9%	20.2%
Basic EPS (IDR)	55	72	84	96
BVPS (IDR)	374	434	508	587
DPS (IDR)	13	16	20	24

OWNERSHIP

By Geography	%
Indonesia	92.0
Finland	5.6
Germany	1.4
Others	1.0

Shareholders	%
PT Terang Anugerah Abadi	71.0
Evli Oyj Emerging Frontier Fund	4.3
Universal Investment Co LLC	1.1
Others	23.6

Source: Company Data, Bloomberg, NHKSI Research

NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
 - Buy : Greater than +15%
 - Overweight : +5% to 15%
 - Hold : -5% to +5%
 - Underweight : -5% to -15%
 - Sell : Less than -15%

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