

Mark Dynamics Indonesia Tbk (MARK IJ)

Molding the Future, Riding the Momentum!

MARK is a leading glove mold manufacturer based in Medan, holding 36% Market Share of Global Glove Former makers. With an outstanding performance in 1Q24, Mark recorded a significant revenue growth of 63% (YoY) to IDR 212 billion from IDR 130 billion in 1Q23. Net profit also grew by triple-digits at 137% (YoY) to IDR 72 billion.

Increasing Global Demand

By 2023, the demand recorded to reach more than 320 billion pairs of gloves used worldwide. The industry is predicted to grow at 8.4% CAGR until 2030. The increase in demand is primarily caused by stock expiry, where aggressive glove production in 2021 and 2022 resulted in a global oversupply. These stockpiled gloves are estimated to expire in the first half of 2024, requiring it to be disposed, especially since the life cycle of latex-based gloves is only 2 years and nitrile-based gloves is 3 years. Moreover, another thing added to the sentiment is the increasing Global Manufacturing Index (PMI) above 50 points, the post-pandemic recovery, and the widespread adoption of Personal Protective Equipment (PPE).

Growth in Sales Volume and Prediction

It is projected that in the second half of 2024, MARK will be able to produce a total of 1-1.1 million products with a utilization rate of more than 50% in the 2 factories owned by MARK (Dalu 1 and Dalu 2), this production level has exceeded the early days of the pandemic although it has not yet reached its peak in 2021 of 1.5 million products per month. In 2023, MARK's Average Selling Price (ASP) for glove molds normalized due to various factors, including slower demand as the COVID-19 subsides. However, in 2024, there will be an upward push of the average selling price although not as high as 2021, because the production capacity is much larger (2,000,000 pcs/month) as well as the glove price which is a client product in the market is also at a normal level, therefore the company will be more focused and prioritize on increasing production volume rather than increasing the selling price.

Strong Capital Structure

Looking at its capital structure, MARK's assets in 2023 are financed mostly by equity of 88.3% with the remaining liabilities of 11.7%. This can be seen in the net debt over the past 4 years which has decreased, where in 2023 MARK's net debt was recorded at IDR 57.4 billion (-64.7%) from 2020 net debt of IDR 162.6 billion. The decline was accompanied by an increase in its equity in 2023 which grew 105% to Rp 840 billion from Rp 409.4 billion in 2020. With a net debt to equity ratio of 6.8% in 2023.

Overweight Recommendation with TP at IDR 1010

We give an overweight recommendation for MARK at IDR 1010/share, which has an upside potential of +14.1%, reflecting a P/E of 20.8x or equivalent to (+1 Standard Deviation 5-Years Forward PE). This recommendation is based on our view although MARK's business is mature enough, we see that there is still room for growth that can be well appreciated by the the market, Especially for 2024F revenue which we project to grow 13.7% YoY and 19.3% YoY for net profit. The risk of our recommendation is the decline in global product demand and intense competition that may affect market share.

PT Mark Dynamics Indonesia Tbk | Summary (IDR Bn)

In IDR Bn	2023A	2024F	2025F	2026F
Revenues	559	636	678	725
Revenues growth	-32.1%	13.7%	6.6%	7.0%
Net profit	156	186	196	214
Growth	-35.8%	19.3%	5.4%	9.0%
EPS (IDR)	41	49	52	56
P/E	14.9x	20.6x	20.1x	19.3x
P/BV	2.8x	4.3x	4.2x	4.1x
EV/EBITDA	10.5x	15.0x	16.9x	15.9x
ROE	18.6%	21.0%	20.7%	21.1%
DER	7%	6%	4%	3%
ROA	16.4%	18.8%	18.6%	19.0%

Source: Company Data, Bloomberg, NHKSI Research
Please consider the rating criteria & important disclaimer



Initiation Report | 7 Jun 2024

Overweight

Target Price	1010
Consensus Price (IDR)	1,060
TP to Consensus Price	-4.7%
vs. Last Price	14.1%

Shares data

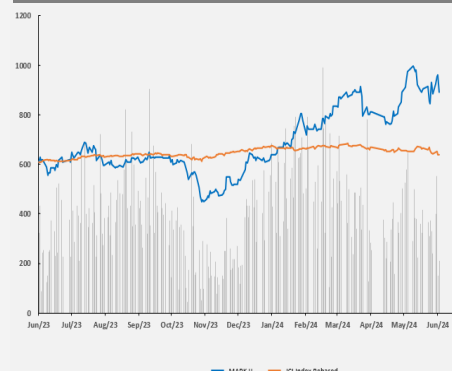
Last Price (IDR)	885
Price Date as of	6-Jun-24
52 wk Range (Hi/Lo)	436/1000
Free Float (%)	33.3
Outstanding sh.(mn)	3,800
Market Cap (IDR bn)	3,363
Market Cap (USD mn)	207
Avg. Trd Vol - 3M (mn)	23
Avg. Trd Val - 3M (bn)	20.15
Foreign Ownership (%)	18.16

Industrials

Industrial Products

Bloomberg	MARK IJ
Reuters	MARK JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	43.9%	-2.7%	1.7%	40.5%
Rel. Ret.	48.9%	-0.2%	6.8%	35.4%

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Company Profile

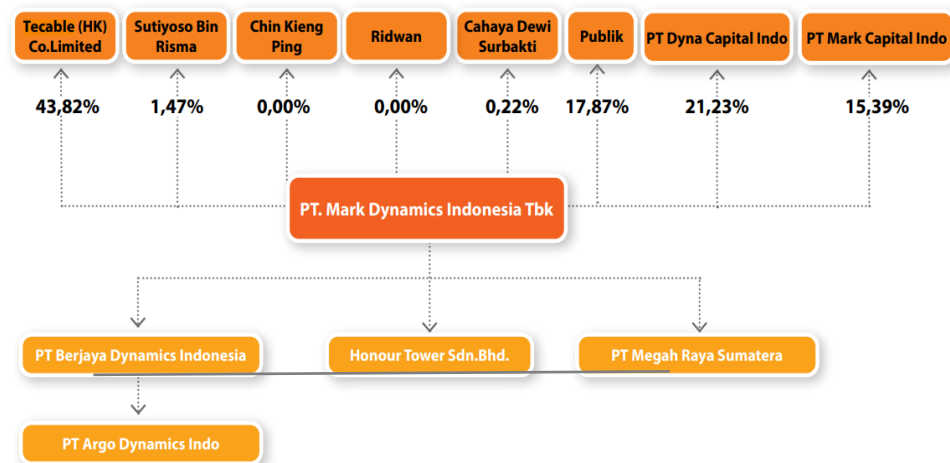
PT. Mark Dynamics Indonesia (Perseroan) is a leading global glove mold manufacturer in Indonesia. Established on April 10, 2002, the Company is currently located in North Sumatra, Indonesia. The Company's main product is in rubber glove mold making with various usage purposes for gloves, such as: industrial trials, medical, household, and even custom by order. The Company conducted an Initial Public Offering in 2017 and listed its shares on the Indonesia Stock Exchange.

PT Mark Dynamics Indonesia Tbk.



Source: Company Data

MARK's Corporate Structure



Source: Company Data

MARK Business Portfolio

Besides Glove Former as MARK's main product, the company also has product diversification through subsidiaries, such as:

- Berjaya Dynamics Indonesia (BDI) 99.90%, engaged in the import and distribution of building materials and agricultural goods.
- Through PT Agro Dynamics Indo (ADI) (Indirect Ownership through BDI), engaged in the distribution of agricultural products (sprayers, herbicides, pesticides, fertilizers, etc.).

MARK's Primary Product (Glove Former)



Source: Company Data, NHKSI Research

Melalui PT Megah

MARK's Other Product Via Subsidiary



Source: Company Data, NHKSI Research

Raya Sumatera

Company Profile

The Company has factories for its business activities, the main factory is located in Medan Star Industrial Estate, Tanjung Morawa, Deli Serdang, North Sumatra with an area of $\pm 15,000$ m². Another factory is located at Jalan utama Desa Dalu Sepuluh A, Tanjung Morawa, Deli Serdang with an area of ± 10 Hectares purchased in 2018 in Tanjung Morawa has been operating since 2021.

The Company's long journey began with producing only 50,000 units per month in 2003. Since then, the Company has gradually increased its production capacity, and is currently capable of producing 2,000,000 units per month.

MARK's Primary Facility (Dalu 1 & 2)



Source: Company Data, NHKSI Research

MARK's Other Facility (Kimstar) - Sanitary Product



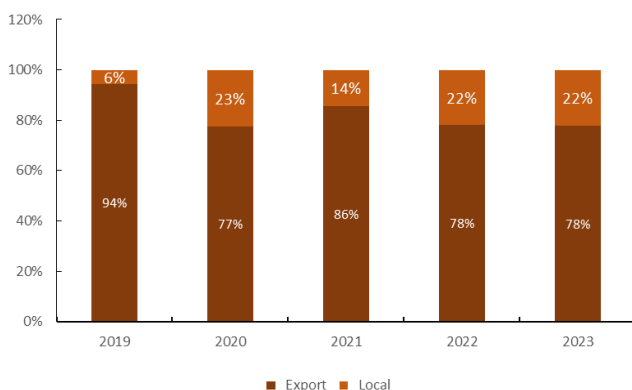
Source: Company Data, NHKSI Research

MARK's Location



Source: Company Data, NHKSI Research

MARK's Sales Segmentation



Source: Company Data, NHKSI Research

MARK's Top Client



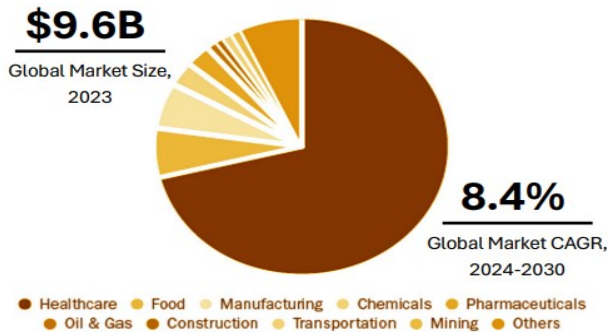
Source: Company Data, NHKSI Research

Industry Overview

Disposable Glove Industry at a Glance

The rubber glove industry has seen its ups and downs in recent years, but the long-term outlook remains positive. With a focus on efficiency, market expansion, and fulfilling growing global demand, the industry is predicted to continue growing in the coming years.

Global Disposable Gloves Market (Share, by End-use 2023)



Source: grandviewresearch

Largest Market of Rubber Glove



Source: grandviewresearch

Surging Rubber Gloves Demand: From Pandemic Peak to Sustainable Growth

Demand for rubber gloves surged drastically during the COVID-19 pandemic and peaked in 2021. Although currently the demand is seen to be slightly declining as it enters the normalization stage, the industry is predicted to grow at 8.4% CAGR until 2030. This growth is driven by several factors in the healthcare sector: 1). Increased health awareness: People are increasingly aware of the importance of hygiene and health, driving the use of rubber gloves in various sectors, 2). Regulatory mandates: Some countries are enacting regulations that mandate the use of rubber gloves in certain industries, such as medical and food. 3). Market expansion: The rubber glove market in developing countries with low per capita consumption and high GDP growth shows great potential.

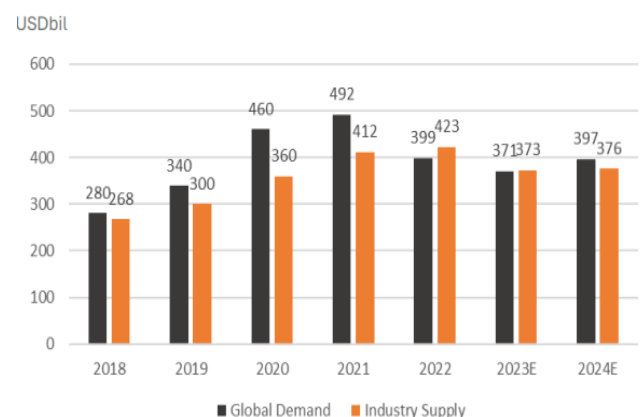
However, the industry is also facing challenges, such as Oversupply, where excessive production capacity during the pandemic and a pile up of large old stocks that will expire, as well as raw material price volatility. Despite the aforementioned challenges, the long-term outlook for the rubber glove industry remains positive. Continued demand growth, coupled with cost efficiency efforts and market expansion, will drive industry growth in the coming year.

The trend for the industry in 2024 onwards is that glove-producing companies are expected to shift to a strategy that prioritizes increasing production volume over increasing selling prices.

Coupled with an increase in the Global Manufacturing Index (PMI) above 50 points, post-pandemic recovery, and widespread adoption of Personal Protective Equipment (PPE). Rising global manufacturing activity, indicated by PMI above 50 points, increases demand for various goods, including PPE such as disposable gloves. The post-pandemic recovery of the global economy is also driving increased consumption and activity in various sectors, which in turn increases the need for disposable gloves.

Aforementioned factors signify a bright outlook for the disposable glove industry in the future. Increased global economic activity, as well as higher public awareness of hygiene, and wider implementation of PPE will create promising business opportunities for glove manufacturers.

Global Supply & Demand Rubber Glove Trend



Source: Malaysian Rubber Glove Manufacturers Association

Industry Overview

Glove Former Industry (Key Driver)

As mentioned, companies that make disposable gloves are the main customers of the Glove Former company, after the peak demand in 2021, the demand for disposable gloves reaches a normalization point and in 2022-2023 there will be a surge in demand again which can benefit the Glove Former company due to several factors, such as:

Increased demand due to stock expiry, aggressive glove production in 2021 and 2022 resulted in global oversupply. These stockpiled gloves are estimated to expire in **the first half of 2024**, requiring it to be disposed, especially since the life cycle of latex-based gloves is only 2 years and nitrile-based gloves is 3 years. This will trigger new demand for producing replacement gloves, which in turn will drive demand for glove molds as manufactured by MARK.

The life cycle of a glove mold is only about 6-8 months, where 1 mold can make as many as 10,000 gloves. This therefore creates a steady stream of recurring revenue for the glove maker, and the need for periodic mold replacement ensures consistent demand for the company's products.

Glove Maker's COGS analysis shows that the glove former is a relatively small component, of about 3% of the total, so that the Glove Maker company can focus on allocating its funds to reduce and efficiency on larger costs such as overhead and others, which is beneficial for the Glove Former company in its existence and in obtaining stable revenue.

A company similar to MARK, which controls more than 35% of the market share, has a strong position so that it can take advantage of these opportunities to achieve optimal growth.

Glove Former Production

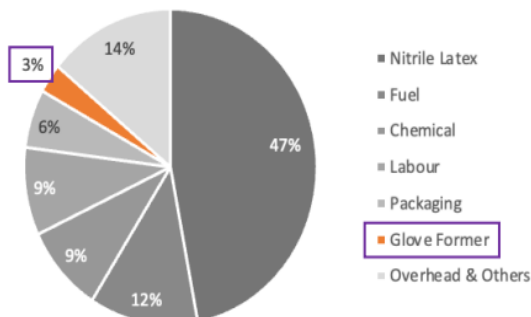


Source: MARK, NHKSI Research



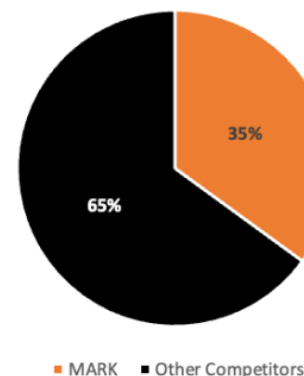
Source: MARK, NHKSI Research

Glove Maker's COGS Breakdown



Source: Top Glove, MARK

Global Market Share of Glove Former



Source: IDNFinance, MARK

Investment Thesis

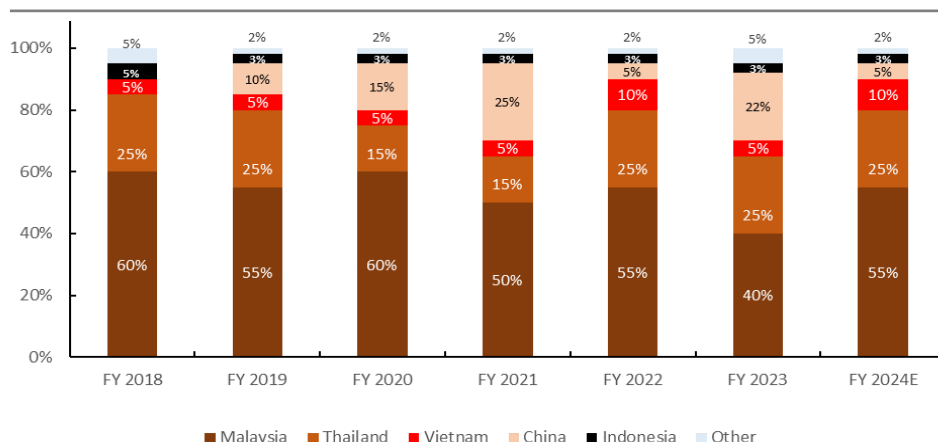
A Potential Catalyst

Over the last few years, MARK's export contribution to China's revenue has increased to 22%. These Chinese manufacturers are new players disrupting the global glove market (such as INTCO, Zhonghong Pulin) as China has cheaper labor costs compared to Malaysia, which is a significant factor in labor-intensive industries such as disposable glove production as China is able to sell higher quality products at the same price. However, a challenge for Chinese players is that the United States has imposed a 25% import tariff on industrial products from China.

Potential Positive Impacts, starting from production shifts. Higher tariffs could encourage glove manufacturers in China to move production facilities to countries outside the US-China trade war zone, such as Indonesia or Vietnam. This could benefit MARK if these players move and set up factories in Indonesia as MARK holds 36% market share of the Glove Former Industry.

Malaysia can increase Market Share of the Glove Market, within a short term, Malaysia can dominate the glove market due to the import tariffs, which is beneficial to MARK where MARK's revenue is dominated by 50% of exports to Malaysia. With MARK's strategic location (Medan) that is near to Malaysia, MARK is ready to fulfill the needs if there is an explosion of demand from glove industry players in Malaysia.

MARK's Revenue Projected By Country 24E



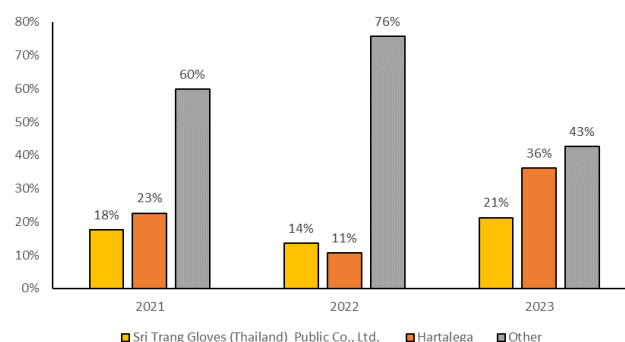
Source: Company Data, NHKSI Research

MARK's Top Customer (Malaysia)



Source: MARK, NHKSI Research

MARK's Customer Contribution >10% of Sales



Source: NHKSI Research

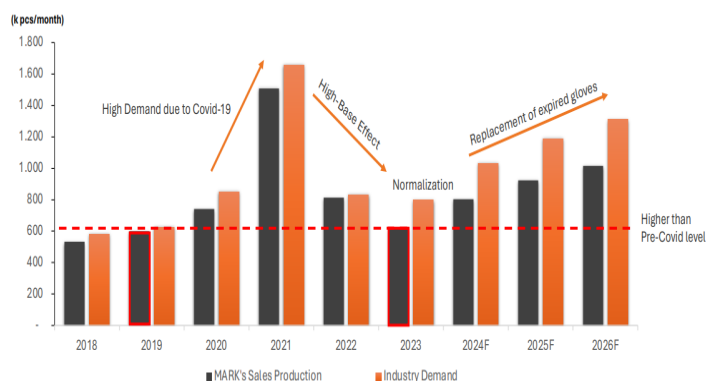
Investment Thesis

MARK's Sales Volume and Average Selling Price

It is projected that in the second half of 2024, MARK will be able to produce a total of 1-1.1 million products with a utilization rate of more than 50% in the 2 factories owned by MARK (Dalu 1 and Dalu 2), this production level has exceeded the early days of the pandemic even though it has not reached its peak in 2021 of 1.5 million products per month. However, during this period, MARK has produced more than its competitors, as the competitors are still producing approximately 200 thousand products per month. One of MARK's competitors, which is a publicly listed company, is ES Ceramics Technology.

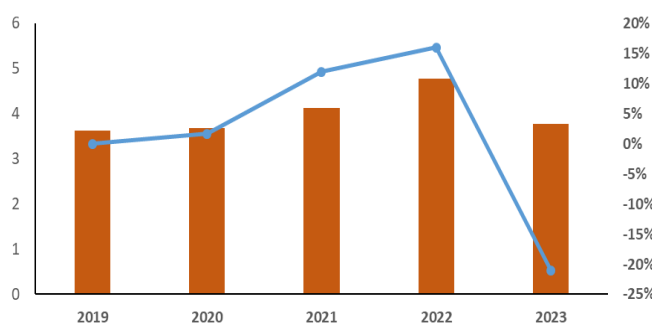
In 2023, MARK's Average Selling Price (ASP) for glove molds normalized due to several factors, starting from slower demand as the COVID-19 effect subsided. However, in 2024 there will be an upward push of the average selling price, though not as high as 2021, since the production capacity is greater and also the client's glove prices in the market have normalized, therefore the company will be more oriented and prioritize increasing production volume rather than increasing selling prices.

MARK's Sales Volume (Forecast)



Source: Company Data, NHKSI Research

MARK's Average Selling Price / ASP (USD)



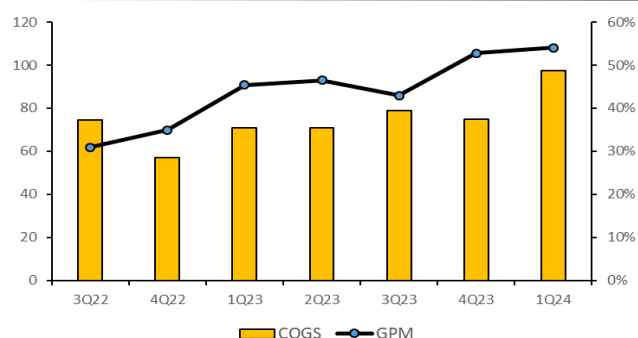
Source: Company Data, NHKSI Research

Solid Capacity and Margin

MARK's production capacity from 2018 grew by 270%, from only being able to produce 540,000 products per month to reaching 2 million products per month. The increase in production can help MARK to achieve economies of scale, thereby lowering production costs per unit and increasing profitability.

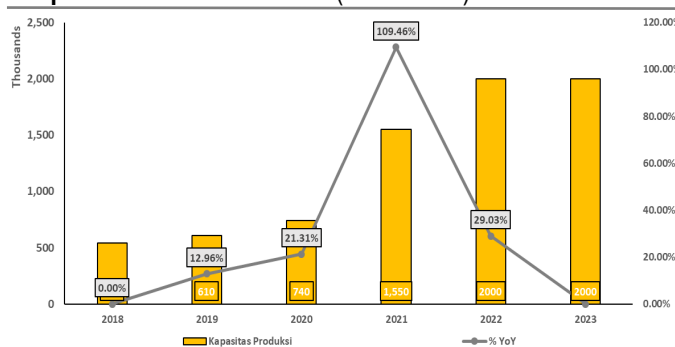
As for gross profit margin, it can be maintained since the main raw material of glove former is calcine alumina (which is a derivative of bauxite, not yet aluminum) so it has no direct relation to the highly volatile aluminum price. This raw material has a relatively stable price over the last 10 years which helps MARK to have a better estimate of the production cost, making financial planning and pricing easier.

MARK's Gross Profit (Billion IDR)



Source: NHKSI Research

Kapasitas Produksi MARK (Thousands)



Source: NHKSI Research

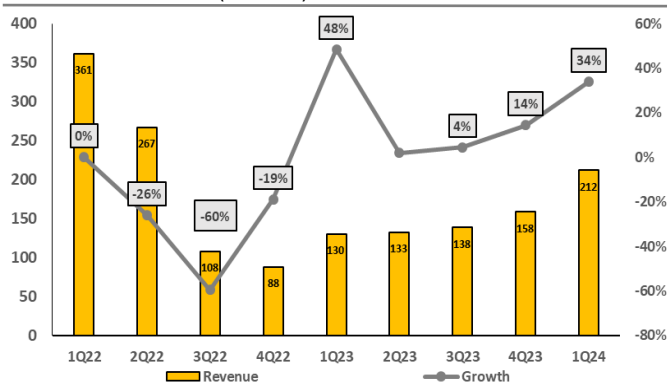
Investment Thesis

Revenue Turnaround & Outlook

After passing through the normalization period of 2022-2023, MARK's revenue fell 32.1% on a full year basis in 2023 to Rp 559.5 billion compared to the previous period in full year 2022 of Rp 823.7 billion, but MARK managed to pull off a turn-around with an outstanding performance in 1Q24, by recording a significant revenue growth of **63% year on year (YoY) to Rp 212 billion from Rp 130 billion in Q1-2023**. We project that MARK in its core business will continue to grow over the next year, with double-digit guidance on full year 2024 revenue to Rp 635.9 billion.

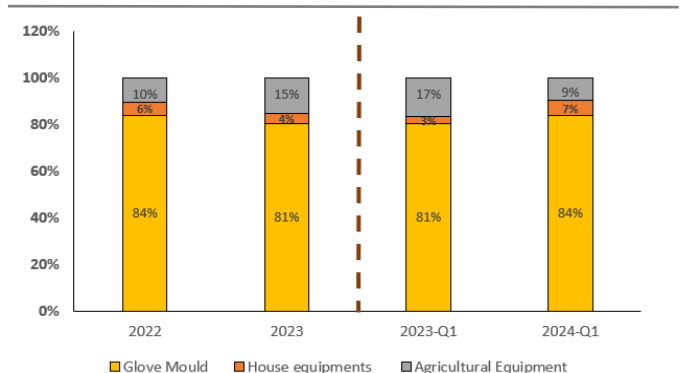
Considering MARK is quite mature in terms of its main business, we see that the catalyst and growth for the next 2 years is the subsidiary segment which will be the main driver for growth. In which the subsidiary is engaged in the agricultural equipment business (sprayers, herbicides, pesticides, fertilizers, etc.) that is also one of PTPN's vendors, as well as home appliances, and sanitary products such as toilets. Looking at the contribution of subsidiaries to revenue, the trend is increasing from several years ago, especially in 2022-2023 with the total accumulated contribution of subsidiaries growing from 16% to 20% in 2023.

MARK's Revenue (IDR Bn)



Source: Company Data, NHKSI Research

MARK's Revenue Breakdown

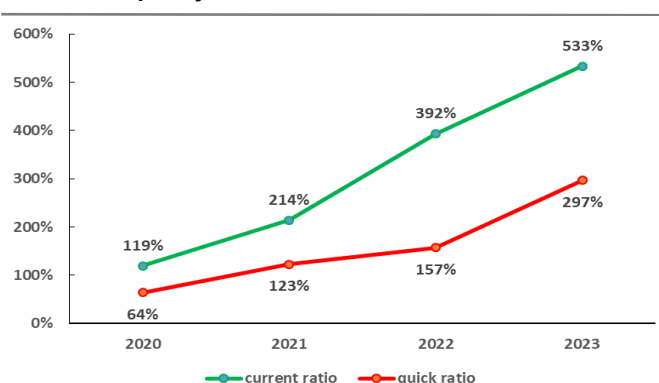


Source: Company Data, NHKSI Research

A Robust Balance Sheet Position

As seen from its capital structure, MARK's 2023 assets are financed mostly by equity of 88.3% with the remaining liabilities of 11.7%. This can be seen in the declining net debt over the past 4 years, where in 2023 MARK's net debt was recorded at **IDR 57.4 billion (-64.7%)** from 2020 net debt of IDR 162.6 billion. The decline was followed by an increase in its equity in 2023 which grew 105% to Rp 840 billion from Rp 409.4 billion in 2020. With its net debt to equity ratio of 6.8% in 2023, **this gives MARK enormous room for growth and expansion** in its core business as well as aggressive expansion in its subsidiaries, along with the increasing level of revenue contribution in its subsidiaries.

MARK's Liquidity Ratio



Source: Company Data, NHKSI Research

MARK's Net Debt to Equity (IDR Bn)



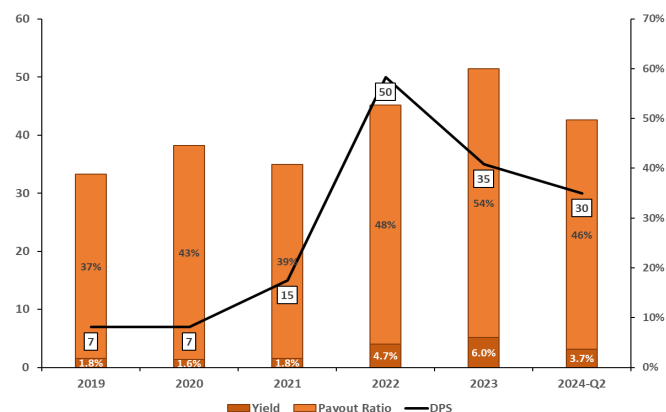
Source: Company Data, NHKSI Research

Investment Thesis

Dividend Play

MARK has paid out annual and interim dividends totaling Rp 607.6 billion as of Q2-24, which means MARK has consistently paid out dividends every year **for the past 5 years**. This amount even exceeds the company's valuation at IPO in 2017 of IDR 190 billion. This success makes MARK one of the most successful IPO companies in Indonesia. Going forward, we expect MARK to maintain an average dividend payout ratio of 45%. With a large and growing equity along with profitability, there will be opportunities for the company to consistently pay dividends to investors in the future.

MARK's Annual Dividend Only (Last 5 Years)

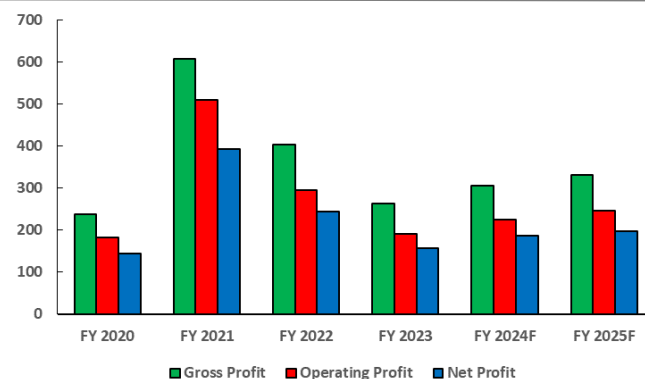


Source: Company Data, NHKSI Research

Valuation and Recommendation

We give an overweight recommendation for MARK at IDR 1010/share, which has an upside potential of +14.1%, reflecting a P/E of 20.8x or equivalent to (+1 Standard Deviation 5-Years Forward PE). This recommendation is based on our view although MARK's business is mature enough, we still see that there is still room for growth that can be well appreciated by the market, especially seeing the 2024F revenue that we project to grow by 13.7% YoY to IDR 635.9 billion and 2024F net profit to increase by 19.3% to IDR 186.1 billion. The risks of our recommendation include declining global product demand and intense competition that may affect market share.

MARK's Profitability



Source: Company Data, NHKSI Research

VS Peers

Ticker Name	Code	Market Cap (IDR T)	Net Profit LTM (IDR Bn)	ROE (LTM)	P/E (x)	P/B (x)	Dividend Yield (%)
Mark Dynamics Indonesia Tbk	MARK IJ EQUITY	3,629	156	22.2%	18.4x	4.0x	6.28
ES Ceramics Technology BHD	ESC MK Equity	430	77	12.4%	5.0x	0.6x	2.70
Average		2029.6	116.6	17%	11.66x	2.31x	4.49

Source: Bloomberg, NHKSI Research

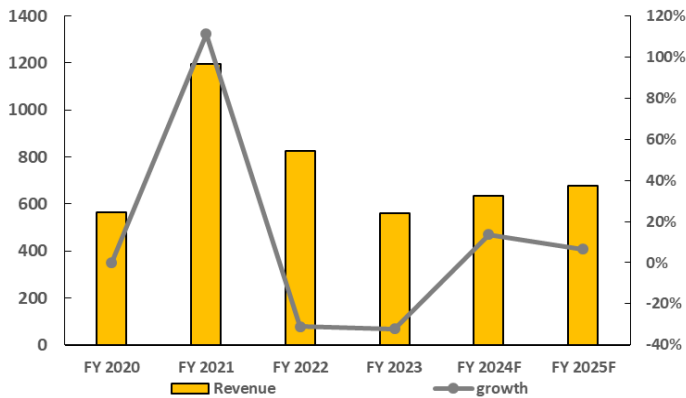
Forward P/E Band | Last 5 Years



Source: NHKSI Research

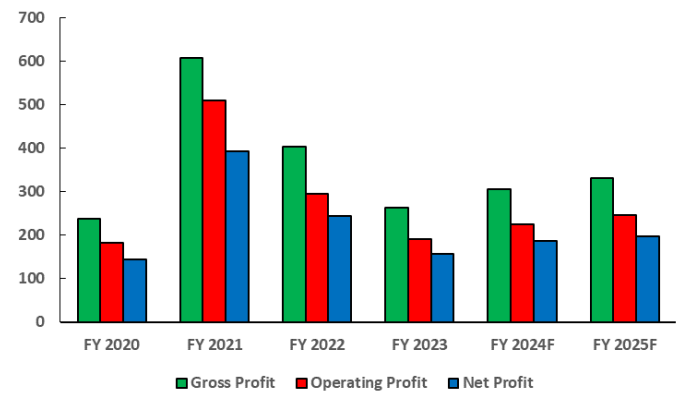
Key Charts

MARK's Revenue (IDR Bn)



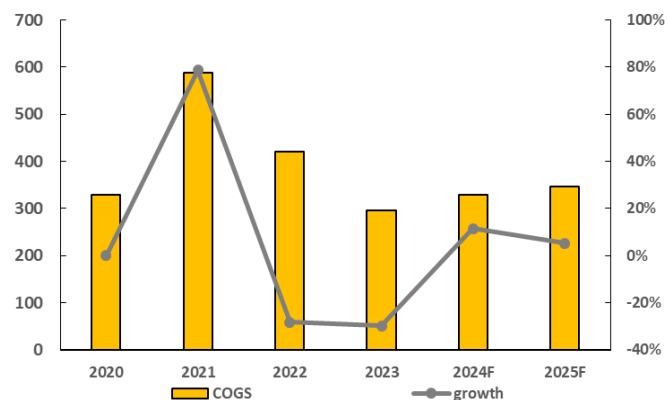
Source: Company Data, NHKSI Research

MARK's Profitability



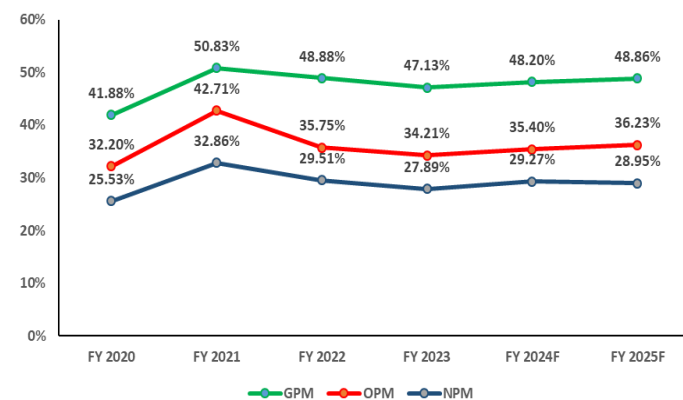
Source: Company Data, NHKSI Research

MARK's COGS (IDR Bn)



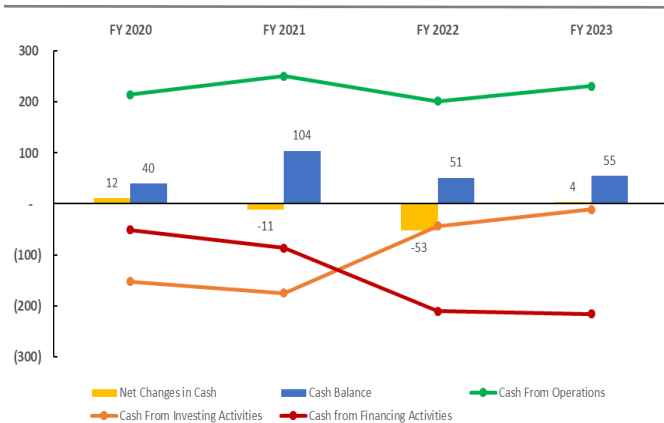
Source: Company Data, NHKSI Research

MARK's Margin Ratio



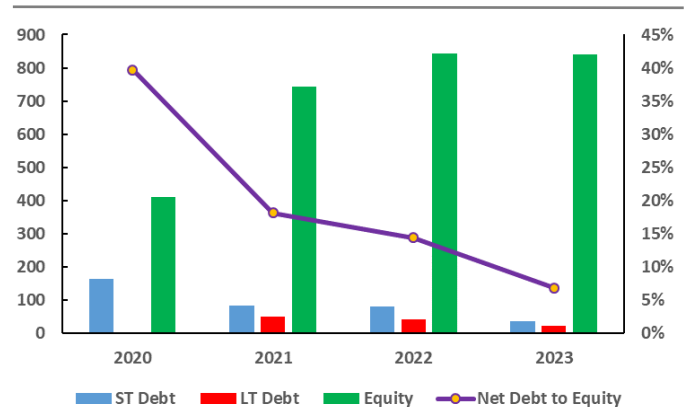
Source: Company Data, NHKSI Research

MARK's Cashflow (IDR Bn)



Source: Company Data, NHKSI Research

MARK's Net Debt to Equity (IDR Bn)



Source: Company Data, NHKSI Research

Summary of Financials

INCOME STATEMENT

(IDR bn)	2023/12A	2024/12F	2025/12F	2026/12F
Revenues	559	636	678	725
Growth (% y/y)	-32.1%	13.7%	6.6%	7.0%
Cost of Revenues	(296)	(329)	(347)	(369)
Gross Profit	264	307	331	357
Gross Margin	47.1%	48.2%	48.9%	49.2%
Operating Expenses	72	81	86	91
EBIT	191	225	246	266
EBIT Margin	34.2%	35.4%	36.2%	36.7%
Depreciation	30	30	(15)	(11)
EBITDA	221	255	230	256
EBITDA Margin	39.5%	40.1%	34.0%	35.3%
Interest Expenses	2	0	0	0
EBT	201	243	254	277
Income Tax	(45)	(57)	(58)	(63)
Net Profit	156	186	196	214
Growth (% y/y)	-35.8%	19.3%	5.4%	9.0%
Net Profit Margin	27.9%	29.3%	29.0%	29.5%

BALANCE SHEET

(IDR bn)	2023/12A	2024/12F	2025/12F	2026/12F
Cash	55	65	78	94
Receivables	155	112	98	93
Inventories	188	189	199	212
Other Current Assets	25	39	50	54
Total Current Assets	423	406	426	453
Net Fixed Assets	515	572	619	668
Other Non Current Assets	14	14	11	4
Total Non Current Assets	529	586	630	672
Total Assets	952	991	1,055	1,125
Payables	7	10	16	16
ST Debt	36	32	23	18
Total Current Liabilities	79	73	73	67
LT Debt	22	21	15	12
Total Non Current Liabilities	32	32	36	42
Total Liabilities	111	105	109	109
Capital Stock + APIC	85	85	85	85
Retained Earnings	708	750	809	873
Shareholders' Equity	840	886	947	1,016

CASH FLOW STATEMENT

(IDR bn)	2022/12A	2023/12E	2024/12F	2025/12F
Operating Cash Flow	231	186	241	258
Investing Cash Flow	(11)	(31)	(77)	(90)
Financing Cash Flow	(216)	(144)	(151)	(152)
Net Changes in Cash	4	10	13	15

PROFITABILITY & STABILITY

	2023/12A	2024/12F	2025/12F	2026/12F
ROE	18.6%	21.0%	20.7%	21.1%
ROA	16.4%	18.8%	18.6%	19.0%
Inventory Turnover	1.3x	1.7x	1.7x	1.7x
Receivables Turnover	4.6x	5.7x	6.9x	7.8x
Payables turnover	44.6x	32.4x	21.7x	22.7x
Dividend Yield	6.6%	3.8%	3.5%	3.6%
Payout Ratio	97.4%	73.4%	70.0%	70.0%
DER	0.07x	0.06x	0.04x	0.03x
Net Gearing	0.3%	-1.3%	-4.3%	-6.2%
Equity Ratio	88.3%	89.4%	89.7%	90.3%
DAR	0.06x	0.05x	0.04x	0.03x
Net Profit Margin	27.9%	29.3%	29.0%	29.5%
Current Ratio	533.5%	553.4%	585.4%	674.4%
Quick Ratio	296.8%	295.0%	311.3%	358.8%
Total Shares (mn)	3,800	3,800	3,800	3,800
Share Price (IDR)	610	1,010	1,037	1,084
Market Cap (IDR tn)	2.3	3.8	3.9	4.1

VALUATION INDEX

	2023/12A	2024/12F	2025/12F	2026/12F
Price /Earnings	14.9x	20.6x	20.1x	19.3x
Price /Book Value	2.8x	4.3x	4.2x	4.1x
EV/EBITDA	10.5x	15.0x	16.9x	15.9x
EV (IDR bn)	2,320	3,826	3,901	4,056
Basic EPS (IDR)	64	49	52	56
BVPS (IDR)	221	233	249	267
DPS (IDR)	40	38	36	39

OWNERSHIP

By Geography	%
Unknown□	99.98
Indonesia	0.02

Shareholders	%
TECABLE CO LTD	43.8
PT DYNA CAPITAL INDO	21.2
PT MARK CAPITAL INDO	15.4
Others	19.6

Source: Company Data, NHKSI Research, Bloomberg

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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