

## Avia Avian Tbk. (AVIA)

### Remain Colorful in 3Q24: Paint Sales Volume Recovery & NPM Contracted due to Aggressive Marketing Costs

AVIA experienced a net profit growth of +1.62% YoY to IDR 1.16 T in 9M24 (9M23: IDR 1.14 T, QoQ growth: -2.7% QoQ, 3Q24: IDR 352B). AVIA's sales revenue across all segments still grew +4.67% YoY to IDR 5.4 T in 9M24 (9M23: IDR 5.16T, QoQ growth: +4.0% QoQ, 3Q24: IDR 1.78T). The paints and coatings industry, which includes non-primary goods, is currently still quite contracted given the ongoing trend of weakening consumption activity. Despite relatively stable COGS costs, AVIA's net profit performance on a quarterly basis weakened due to a significant increase in promotion and marketing costs. This was triggered by the activities of competitors in the paint and coating industry who carried out more aggressive and intensive marketing promotions.

#### AVIA's 3Q24 Performance: Paint's ASP Experience Weakness & Trading Goods Segment Moderately Boosts Performance

- Seeing its 3Q24 performance, AVIA's revenue still grew quarterly by +4% QoQ to IDR 1.78T (2Q24: IDR 1.72 T). AVIA's revenue growth was contributed by architectural solutions segment growth (Paintings and coatings), which grew +2.4% QoQ to IDR 1.35 T in 3Q24 (2Q24: IDR 1.32 T), as well as strong sales growth of Trading Goods segment that increased by +9.4% QoQ to IDR 432 B (2Q24: IDR 395B). In the last two quarters, this segment helped to deliver attractive revenue growth amidst the slightly sluggish sales of paints and coatings in the last two quarters.
- Speaking about architectural segment growth, the sales volume as of 3Q24 experienced strong volume recovery growth, as it went upward by +12.1% YoY and +14.7% QoQ to 42,552 MT (3Q23: 37,955 MT & 2Q24: 42,552 MT). However, from the sales perspective, it did not grow significantly, as the ASP appears to have contracted on a QoQ basis. The reason for this is the strong sales growth in the wall paint segment that reached double digits, while other segments such as waterproofing, wood and iron paint only grew in single digits. In addition, the ASP per liter for wall paint tends to be lower than that of waterproofing, wood and iron paints. This explains the gap between the relatively flat growth of paint sales value in 3Q24 and the strengthening of paint volume in the quarter.
- Unlike the previous quarter (2Q24) where no new products were released, AVIA launched 4 new products in 3Q24 across several segmentation types. These products include: Superslik Semi Gloss (wall paint segment), No Drop Concrete & Natural Stone (leak-proof coating paint segment), Avian Non Sag Save (epoxy, Glue & adhesive segment) and GM385 (instant cement segment).

#### Net Profit Margin (NPM) Contracts Due to Sharp Trend of Marketing Cost Increase

- One of the factors that considerably eroded AVIA's NPM figure was the sharp upward trend in operating costs, particularly marketing costs. On a 9M24 basis, marketing costs increased +16.45% YoY to IDR 980B (9M23: IDR 842B). On a quarterly basis, the growth in marketing costs in 3Q24 was quite sharp, with an increase of +24.2% QoQ & +22.5% YoY to IDR 359B in this period (2Q24: IDR 289B & 3Q23: IDR 293B). Several competitors in the paint and coatings industry conducted aggressive promotional and marketing activities which spurred AVIA to increase similar marketing intensity to respond to the intense marketing competition.

#### Buy Recommendation with Lower TP at IDR 620 (Upside Potential +29.2%)

- NHKS Research maintains BUY rating recommendation for AVIA, but with target price at IDR 620 (+29.2% upside potential, implying 20.5x Forward-PE 2024). Despite AVIA's relatively stagnant performance in 3Q24 amidst the intensity of competition and still-recovering consumer spending, AVIA's valuation is still quite attractive given its position as a market leader in Indonesia's paint and coatings industry, as well as having a strong balance sheet if it wants to expand inorganically.
- Risks for AVIA include: rupiah depreciation which could lead to an increase in some raw material prices, weak purchasing power due to food inflation and unfavorable macro-economic situation.

### Avia Avian Tbk. | Summary (IDR Billions)

In IDR Bn	2023A	2024E	2025F	2026F
Revenues	7,017	7,559	8,164	8,833
Revenues growth	4.8%	7.7%	8.0%	8.2%
Net profit	1,643	1,746	1,898	2,081
Growth	17.3%	6.3%	8.7%	9.6%
EPS (IDR)	27	28	31	34
P/E	18.1x	22.0x	21.1x	20.2x
P/BV	3.0x	3.8x	3.8x	3.9x
EV/EBITDA	12.3x	15.5x	15.2x	14.5x
ROE	16.6%	17.2%	18.1%	19.3%
Dividend yield	4.6%	3.9%	4.0%	4.2%
BVPS (IDR)	160	164	169	174
EBITDA margin	27.5%	27.2%	26.6%	27.5%
NPM	23.4%	23.1%	23.3%	23.6%
ROE	16.6%	17.2%	18.1%	19.3%
ROA	14.7%	14.5%	15.0%	16.0%
DPS (IDR)	22.0	24.0	26.0	28.5
EBITDA	1,928	2,057	2,175	2,426

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer



Company Report | 5 November 2024

## Buy

Target Price (IDR)	620
Consensus Price (IDR)	656
TP to Consensus Price	-5.5%
Potential Upside	+29.2%

#### Shares data

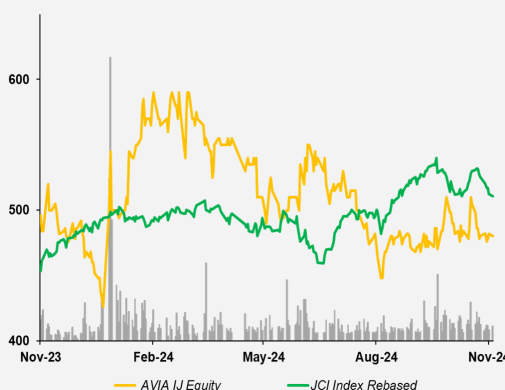
Last Price (IDR)	480
Price date as of	4 November, 2024
52 wk range (Hi/Low)	610 / 422
Free float (%)	24.36
Outstanding sh.(mn)	61,954
Market Cap (IDR bn)	29,738
Market Cap (USD mn)	1,887
Avg. Trd Vol - 3M (mn)	26
Avg. Trd Val - 3M (IDR bn)	12.29
Foreign Ownership	17.2%

#### Financial Services

##### Banking

Bloomberg	AVIA IJ
Reuters	AVIA.JK

#### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-4.0%	-0.4%	7.1%	-5.9%
Rel. Ret.	-6.1%	-0.2%	3.2%	-14.6%

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## Summary of 9M24 / 3Q24 AVIA Result

(In IDR Billion)	9M23	9M24	YoY Growth	3Q23	2Q24	3Q24	QoQ Growth	YoY Growth
<b>AVIA Income Statement 1H24</b>								
Revenue	IDR 5,164	IDR 5,405	4.67%	IDR 1,656	IDR 1,716	IDR 1,784	4.0%	7.8%
COGS	IDR (2,882)	IDR (3,000)	4.07%	IDR (958)	IDR (972)	IDR (1,009)	3.8%	5.2%
Gross Profit	IDR 2,281	IDR 2,405	5.42%	IDR 697	IDR 744	IDR 776	4.3%	11.2%
GPM	44.2%	44.5%		42.1%	43.3%	43.5%		
<b>Operating Expenses</b>								
Marketing Expenses	IDR (842)	IDR (980)	16.45%	IDR (293)	IDR (289)	IDR (359)	24.2%	22.5%
G&A Expenses	IDR (166)	IDR (186)	11.88%	IDR (53)	IDR (67)	IDR (61)	-8.7%	14.4%
Operating Profit	IDR 1,273	IDR 1,239	-2.72%	IDR 351	IDR 388	IDR 355	-8.4%	1.3%
OPM	24.7%	22.9%		21.2%	22.6%	19.9%		
Other Income	IDR (13)	IDR 7		IDR 4	IDR (2)	IDR 10		
Finance Income (Expenses)	IDR 210	IDR 214	2.20%	IDR 71	IDR 69	IDR 72	5.5%	1.5%
Finance Costs	IDR (2)	IDR (2)		IDR (1)	IDR (1)	IDR (1)	7.7%	-35.9%
Earning Before Tax	IDR 1,467	IDR 1,459	-0.58%	IDR 425	IDR 454	IDR 437	-3.7%	2.9%
Income Tax Expenses	IDR (326)	IDR (299)	-8.31%	IDR (91)	IDR (92)	IDR (85)	-7.4%	-6.2%
Net Profit	IDR 1,142	IDR 1,160	1.62%	IDR 334	IDR 362	IDR 352	-2.7%	5.4%
NPM	22.1%	21.5%		-23.9%	21.1%	19.7%	-6.5%	

	9M23	9M24	YoY Growth	3Q23	1Q24	2Q24	3Q24	QoQ Growth	YoY Growth
<b>AVIA Segment Breakdown</b>									
<b>Revenue (In IDR Billion)</b>									
Architectural Solution	IDR 4,180	IDR 4,247	1.60%	IDR 1,292	IDR 1,574	IDR 1,320	IDR 1,352	2.4%	4.64%
Trading Goods	IDR 984	IDR 1,158	17.68%	IDR 364	IDR 331	IDR 395	IDR 432	9.4%	18.68%

	9M23	9M24	YoY Growth	3Q23	1Q24	2Q24	3Q24
<b>Gross Profit Margin Per Segment</b>							
Architectural Solution	50.4%	50.8%		49.1%	52.4%	51.0%	48.1%
Trading Goods	17.8%	21.3%		17.4%	18.4%	17.8%	26.7%

Source: Company Data, Bloomberg, NHKSI Research

## AVIA Global—Asian Peers Comparison

Ticker Name	Country	Market Cap (IDR Bn)	Net Profit LTM (IDR Bn)	ROE (LTM)	Dividend Yield (%)
Sherwin-Williams	United States	1,420,587	36,397	64.5%	0.8
RPM International Inc.	United States	256,395	9,151	24.9%	1.5
Nippon Paint Holdings Co. Ltd	Japan	279,415	12,865	8.4%	1.3
Kansai Paint Co. Ltd.	Japan	47,293	7,127	13.5%	1.8
Asian Paints Ltd.	India	523,871	10,121	31.5%	1.1
Berger Paints India Ltd.	India	114,552	2,164	23.7%	0.7
Akzo Nobel N.V	Netherlands	173,801	7,282	12.5%	3.3
			<b>Average</b>	<b>25.6%</b>	<b>1.5</b>
Avia Avian Tbk.	Indonesia	29,738	1,642	16.9%	4.6

Ticker Name	Country	P/E Ratio			P/B Ratio			Gross Profit Margin (%)			EBITDA Margin (%)			Net Profit Margin (%)		
		2022	2023	2024F	2022	2023	2024F	2022	2023	2024F	2022	2023	2024F	2022	2023	2024F
Sherwin-Williams	United States	30.2x	32.4x	26.0x	19.8x	21.4x	18.2x	42.1%	46.7%	48.1%	18.4%	20.5%	19.2%	9.1%	10.4%	11.7%
RPM International Inc.	United States	23.8x	17.0x	22.3x	5.7x	4.8x	5.7x	36.3%	37.9%	41.2%	13.7%	13.8%	15.2%	7.3%	6.6%	8.6%
Nippon Paint Holdings Co. Ltd	Japan	30.7x	22.6x	19.3x	2.1x	2.0x	1.7x	37.2%	39.9%	41.6%	12.1%	15.3%	15.3%	6.1%	8.2%	8.3%
Kansai Paint Co. Ltd.	Japan	19.1x	17.1x	7.3x	1.6x	1.4x	1.5x	29.8%	26.9%	30.8%	11.5%	10.2%	13.2%	6.3%	4.9%	11.9%
Asian Paints Ltd.	India	97.5x	64.5x	50.0x	21.4x	16.6x	14.6x	37.8%	38.3%	42.5%	16.6%	18.2%	21.4%	10.5%	11.9%	15.4%
Berger Paints India Ltd.	India	81.6x	65.7x	57.2x	17.3x	12.6x	12.4x	38.7%	36.2%	40.7%	15.7%	14.5%	16.6%	9.8%	8.3%	10.4%
Akzo Nobel N.V	Netherlands	30.2x	28.6x	15.7x	2.5x	3.0x	2.3x	36.2%	39.7%	41.0%	9.9%	13.0%	14.4%	3.2%	4.1%	6.3%
		<b>Average</b>	<b>44.7x</b>	<b>35.4x</b>	<b>28.3x</b>	<b>10.1x</b>	<b>8.8x</b>	<b>36.9%</b>	<b>37.9%</b>	<b>40.8%</b>	<b>14.0%</b>	<b>15.1%</b>	<b>16.5%</b>	<b>7.5%</b>	<b>7.8%</b>	<b>10.4%</b>
Avia Avian Tbk.	Indonesia	27.9x	18.9x	20.5x	4.1x	3.1x	3.8x	40.6%	45.4%	43.9%	25.0%	27.5%	27.2%	20.9%	23.4%	23.1%

Source: Bloomberg, NHKSI Research

## Summary of Financials

### INCOME STATEMENT

(IDR bn)	2023/12A	2024/12E	2025/12F	2026/12F
Revenues	7,017	7,559	8,164	8,833
Growth (% y/y)	4.8%	7.7%	8.0%	8.2%
Cost of Revenues	(3,834)	(4,239)	(4,537)	(4,906)
Gross Profit	3,183	3,320	3,627	3,927
Gross Margin	45.4%	43.9%	44.4%	44.5%
Operating Expenses	(1,475)	(1,464)	(1,633)	(1,745)
EBIT	1,709	1,856	1,994	2,183
EBIT Margin	24.4%	24.6%	24.4%	24.7%
Depreciation	219	201	181	243
EBITDA	1,928	2,057	2,175	2,426
EBITDA Margin	27.5%	27.2%	26.6%	27.5%
Interest Expenses	284	360	408	451
EBT	1,992	2,216	2,402	2,633
Income Tax	(349)	(470)	(504)	(553)
Net Profit	1,643	1,746	1,898	2,081
Growth (% y/y)	17.3%	6.3%	8.7%	9.6%
Net Profit Margin	23.4%	23.1%	23.3%	23.6%

### PROFITABILITY & STABILITY

	2023/12A	2024/12E	2025/12F	2026/12F
ROE	16.6%	17.2%	18.1%	19.3%
ROA	14.7%	14.5%	15.0%	16.0%
Inventory Turnover	2.52x	2.71x	2.68x	2.66x
Receivables Turnover	5.64x	5.74x	5.92x	5.91x
Payables Turnover	0.01x	0.01x	0.01x	0.01x
Dividend Yield	4.6%	3.9%	3.9%	3.9%
Dividend Payout Ratio	83.0%	85.0%	85.0%	85.0%
DER	0.00x	0.01x	0.01x	0.01x
Equity Ratio	88.8%	84.6%	82.7%	82.8%
Debt Ratio	0.00x	0.01x	0.00x	0.00x
Financial Leverage	112.6%	115.4%	119.6%	120.9%
Current Ratio	762.2%	554.7%	484.2%	475.7%
Quick Ratio	633.0%	462.6%	415.5%	403.4%
Par Value (IDR)	10	10	10	10
Total Shares (mn)	61,954	61,954	61,954	61,954
Share Price (IDR)	480	620	670	730
Market Cap (IDR tn)	29.7	38.4	41.5	45.2

### BALANCE SHEET

(IDR bn)	2023/12A	2024/12E	2025/12F	2026/12F
Cash & Liquid Investments	5,987	6,519	6,996	6,811
Receivables	1,349	1,389	1,368	1,474
Inventories	1,519	1,611	1,437	1,556
Other Current Assets	102	180	330	391
Total Current Assets	8,957	9,698	10,132	10,232
Net Fixed Assets	1,754	1,953	2,134	2,378
Other Non Current Assets	455	377	396	409
Total Non Current Assets	2,210	2,330	2,530	2,787
Total Assets	11,167	12,028	12,662	13,019
Payables	1,036	1,436	1,513	1,661
ST Debt	16	34	37	30
Others Current Liab.	123	278	543	459
Total Current Liabilities	1,175	1,748	2,092	2,151
LT Debt	16	31	26	26
Others Non Current Liab.	55	71	71	66
Total Liabilities	1,245	1,850	2,189	2,242
Capital Stock + APIC	8,413	8,413	8,413	8,413
Retained Earnings	1,335	1,597	1,882	2,194
Shareholders' Equity	9,921	10,178	10,472	10,776

### CASH FLOW STATEMENT

(IDR bn)	2023/12A	2024/12E	2025/12F	2026/12F
Operating Cash Flow	1,586	2,347	2,377	2,174
Investing Cash Flow	(1,083)	(556)	(608)	(706)
Financing Cash Flow	(1,441)	(1,259)	(1,293)	(1,653)
Net Changes in Cash	(938)	532	477	(185)

Source: Company Data, Bloomberg, NHKSI Research

### VALUATION INDEX

	2023/12A	2024/12E	2025/12F	2026/12F
Price /Earnings	18.1x	22.0x	21.9x	21.7x
PE/EPS Growth	1.0x	3.5x	2.5x	2.3x
Price /Book Value	3.0x	3.8x	4.0x	4.2x
EV/EBITDA	12.3x	15.5x	15.9x	15.9x
EV (IDR bn)	23,783	31,956	34,576	38,471
Revenues CAGR (3-Yr)	-	3.7%	6.8%	8.0%
Net Income CAGR (3-Yr)	-	6.8%	10.7%	8.2%
Basic EPS (IDR)	27	28	31	34
BVPS (IDR)	160	164	169	174
DPS (IDR)	22.0	24.0	26.0	28.5

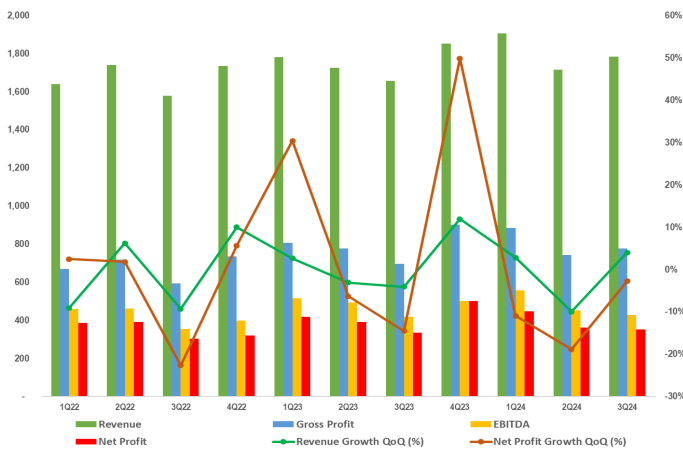
### OWNERSHIP

By Geography	%
Indonesia	82.8
Singapore	6.9
Ireland	2.9
Others	7.4

Shareholders	%
PT Tancorp Surya Sentosa	36.6
PT Wahana Lancar Rejeki	32.5
Archipelago Investment Private Ltd. (GIC Singapore)	6.3
Others	24.6

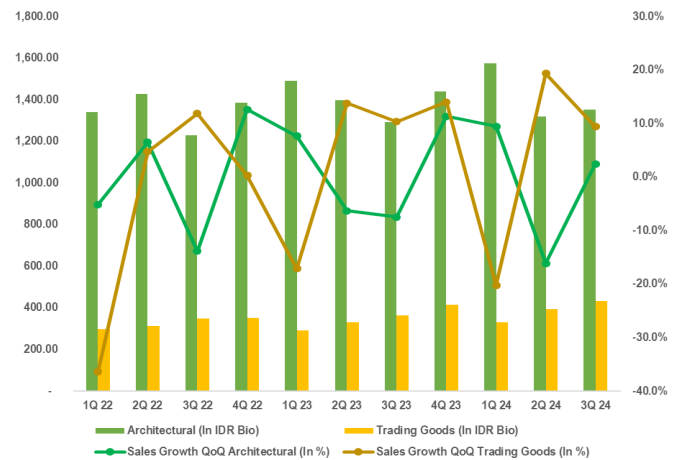
## Performance Highlight For AVIA

Fig 1. AVIA Performance Quarterly



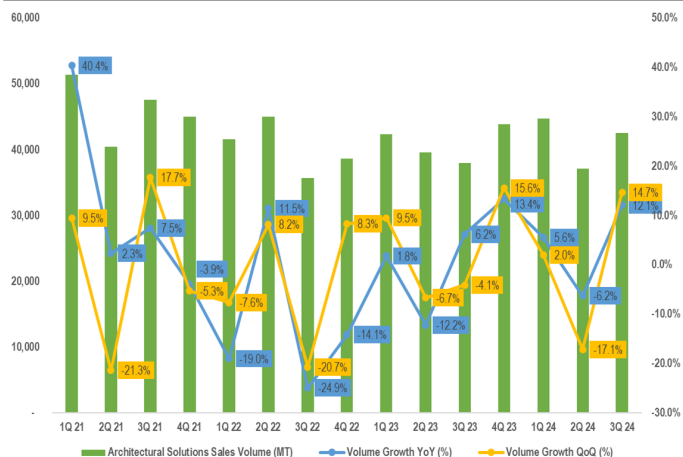
Source: AVIA, NHKSI Research

Fig 2. AVIA Sales Breakdown (Quarterly Basis)



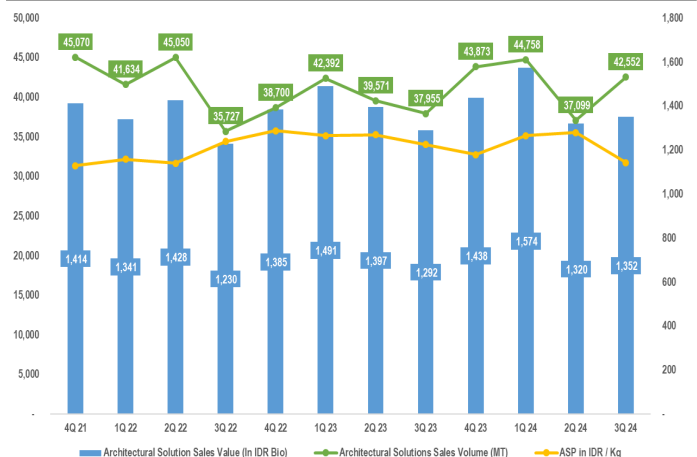
Source: AVIA, NHKSI Research

Fig 3. AVIA Architectural Solutions Sales Volume



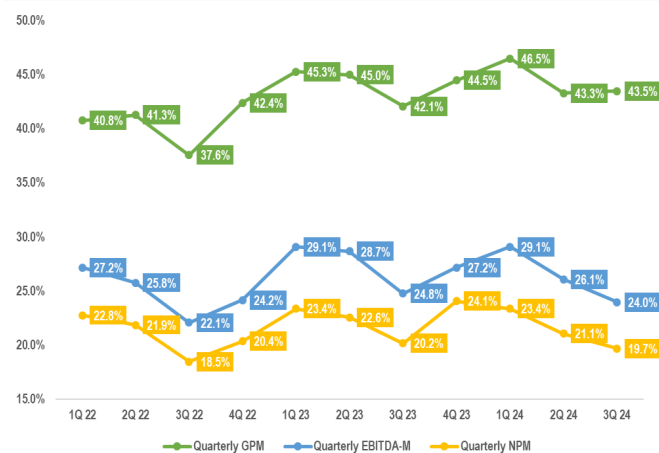
Source: AVIA, NHKSI Research

Fig 4. AVIA Quarterly Architectural Solutions ASP



Source: AVIA, NHKSI Research

Fig 5. AVIA Profitability Margin (Quarterly | In %)



Source: AVIA, NHKSI Research

Fig 6. AVIA Forward PE



Source: 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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