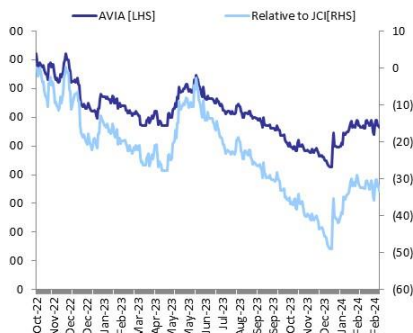


# Buy

(Maintained)

Last Price (Rp)	570
Target Price (Rp)	660 ▲
Previous Target Price (Rp)	620
Upside/Downside	+16.8%
No. of Shares (mn)	61,954
Mkt Cap (Rpbn/US\$mn)	35,004/2,230
Avg, Daily T/O (Rpbn/US\$mn)	14.9/0.9
Free Float (%)	25.2
Major Shareholder (%)	
Tancorp Surya Sentosa	36.6
Wahana Lancar Rejeki	32.5
EPS Consensus (Rp)	
	2024F 2025F 2026F
BRIDS	27.1 28.9 31.4
Consensus	27.0 29.7 31.1
BRIDS/Cons (%)	0.3 (2.7) 0.8

## AVIA relative to JCI Index



Source: Bloomberg

# Avia Avian Tbk (AVIA JJ)

## Cautiously optimistic FY24 outlook

- The management's latest guidance is cautiously optimistic with FY24 volume growth of 4-8% yoy for 6-10% top line growth.
- 2M24 sales depict a mixed view. We revise up our forecast of FY24-25F net profit forecast by 5.6% and 5.8% due to higher gross margins
- Soft sales volume may pose risk to our forecast. Maintain BUY with a higher TP of Rp660, implying FY24F PE of 24.4x.

### FY24 revenue guidance of 6-10% yoy, supported by product launches

AVIA's management targets FY24 revenue growth of 6-10% yoy (higher vs FY23: 4-6%) with volume growth of 4-8% yoy (FY23: minus -1% to 1%). In 2Q23 and 3Q23, the company launched 14 new products across various categories. In 4Q23, AVIA reported robust volume growth of 13.3% yoy and +15.6% qoq, partially as the result of greater acceptance of new products launched in the previous quarters. The positive volume and sales trend continued in Jan24. However, Feb24 sales volume looks soft, and thus, the company maintains its cautious view for FY24.

### FY23-26F net profit CAGR of 5.8%, supported by higher margins

We expect the volume growth to be maintained at a moderate level and thus, forecast 3.6%-4.6% yoy volume growth and 2% ASP adjustments in FY24-25F. For FY24, AVIA estimates gross margins ranging from 43-45% (vs. FY22-23's 41-45%). We forecast FY24-25F gross margins of 44.4% and 44.5% (higher vs our previous forecast of 43.5%) due to stable input cost (i.e crude oil) despite our expectation of continued high BTL(Below-the-line promotion) to support sales. On the operating front, we maintain opex/revenue at around 21% in FY24-25F (vs. FY22-23's 19-21%) given the company's plan to continue pushing promotions amid soft purchasing power and new product launches. This leads to our projected FY24-25F net profit of Rp1.68tr (+2% yoy) and Rp1.79tr (+6.7% yoy) with 2023-26F CAGR of 5.8%. We raised our FY24-25F net profit by 5.6% and 5.8%, respectively, supported by higher gross margins.

### Maintain BUY with a higher TP of Rp660

At the current share price, AVIA trades at FY24F PE of 20.9x, below -1SD avg 2y PE of 22.2x and a 15.8% premium to global peers. Taking into account our new forecast, we maintain our BUY rating with a higher TP of Rp660 with implied FY24F PE of 24.4x. Key risk to our view is soft volume in 2Q23 onward post Ramadan which may pose downside to our 3.6% yoy volume growth estimate for FY24. This may be balanced by upside risks from higher gross margins if oil prices turn out to be stable, and an extensive product mix to tap the downtrading market.

### Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Revenue (Rpbn)	6,694	7,017	7,419	7,918	8,569
EBITDA (Rpbn)	1,659	1,922	1,967	2,107	2,299
EBITDA Growth (%)	(13.9)	15.9	2.4	7.1	9.1
Net Profit (Rpbn)	1,400	1,644	1,677	1,789	1,945
EPS (Rp)	22.6	26.5	27.1	28.9	31.4
EPS Growth (%)	(2.4)	17.4	2.0	6.7	8.7
BVPS (Rp)	154.5	160.0	163.9	179.2	197.8
DPS (Rp)	18.0	22.0	23.2	13.5	12.8
PER (x)	25.0	21.3	20.9	19.6	18.0
PBV (x)	3.7	3.5	3.4	3.2	2.9
Dividend yield (%)	3.2	3.9	4.1	2.4	2.3
EV/EBITDA	17.5	15.1	15.0	13.6	12.1

Source: AVIA, BRIDS Estimates

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## Cautiously optimistic

### Summary of the 4Q23/FY23 result

AVIA reported 4Q23 net profit of Rp501bn (+56.5% yoy and +49%qoq), leading to a FY23 bottom line of Rp1.65tr (+17.3% yoy). The FY23 net profit is 107.6% of our FY23 forecast and 107.9% of the consensus, i.e., above.

In 4Q23, the revenue of Architectural Solutions (AS – including wall paints and other paints) grew +3.8% yoy and 11.3% qoq\* while Trading Goods (TG) reported strong growth of +18% yoy and +14% qoq. 4Q23 volume also showed strong growth of 13.3% yoy and 15.6% qoq, partially supported by repeat orders of AVIA's new products launched in 2Q23 and 3Q23.

Accounting reclassification of some BTL expenses and lower raw material prices led to increased FY23 gross margins to 45.4%. Stripping out the reclassification impact, we estimate a FY23 gross margin of 44% (vs FY22: 40.6%).

AVIA reported FY23 higher opex/revenue of 20.9% (FY22: 18.5%) following higher salary expenses (more openings of distribution centers) and higher promotions/advertising spending (2.8% vs FY22: 0.9%).

#### Exhibit 1. 4Q23 result

AVIA	4Q22	3Q23	4Q23	yoy	qoq	FY22	FY23	yoy	2023F	A/F	A/C
Revenue - IDR bn	1,736	1,656	1,853	6.7%	11.9%	6,694	7,017	4.8%	7,015	100.0%	100.1%
COGS	1,000	958	951	-4.8%	-0.8%	3,977	3,834	-3.6%	3,958		
Gross profit	737	697	825	12.0%	18.3%	2,717	3,183	17.1%	3,057	104.1%	104.4%
Opex	403	343	453	12.2%	32.0%	1,258	1,474	17.2%	1,392		
Operating profit	333	354	449	34.8%	26.8%	1,459	1,709	17.1%	1,665	102.6%	101.8%
Pretax profit	419	425	525	25.3%	23.5%	1,745	1,992	14.1%	1,964		
Net profit	320	336	447	39.6%	32.9%	1,400	1,644	17.4%	1,528	107.6%	107.9%
Gross margin	42.4%	42.1%	44.5%			40.6%	45.4%		43.6%		
Opex to revenue	23.2%	20.7%	24.4%			18.8%	21.0%		19.8%		
Operating margin	19.2%	21.4%	24.2%			21.8%	24.4%		23.7%		
Pretax margin	24.1%	25.7%	28.3%			26.1%	28.4%		28.0%		
Net margin	18.4%	20.3%	24.1%			20.9%	23.4%		21.8%		
By divisions											
	4Q22	3Q23	4Q23	yoy	qoq	FY22	FY23	yoy			
Revenue (IDR bn)											
Architectural solution	1,385	1,292	1,438	3.8%	11.3%	5,384	5,618	4.3%			
Trading goods	351	364	415	18.2%	14.0%	1,310	1,399	6.8%			
Gross margin											
Architectural solution	49.3%	49.1%	65.4%			46.3%	52.2%				
Trading goods	15.2%	17.4%	18.3%			17.3%	17.9%				

Source: Company, BRIDS Estimates

### FY24 revenue guidance of 6-10% yoy, supported by product launches

AVIA's management targets FY24 revenue growth of 6-10% yoy (higher vs FY23: 4-6%) with volume growth of 4-8% yoy (FY23: minus -1% to 1%). This is expected to be supported by new product launches in various segments to expand its consumer base for greater growth opportunities, more tinting machines in retail outlets and distribution network expansion with express delivery (within 2 hours).

In 2Q23 and 3Q23, the company launched 14 new products across various categories. In 4Q23, AVIA reported robust volume growth of 13.3% yoy and +15.6% qoq, partially as the result of greater acceptance of new products launched in the previous quarters. The positive volume and sales trend continued in Jan24. However, Feb24 sales volume looks soft, and thus, the company maintains its cautious view for FY24.

### Exhibit 2. Earnings revision

IDR bn	Previous			New			Changes		
	2023F	2024F	2025F	2023A	2024F	2025F	2023	2024	2025
Revenue	7,015	7,417	7,916	7,017	7,419	7,918	0.0%	0.0%	0.0%
Gross profit	3,057	3,224	3,441	3,183	3,297	3,523	4.1%	2.3%	2.4%
Operating profit	1,665	1,749	1,868	1,709	1,740	1,883	2.6%	-0.6%	0.8%
Net profit	1,528	1,588	1,692	1,644	1,677	1,789	7.6%	5.6%	5.8%
Gross margin	43.6%	43.5%	43.5%	45.4%	44.4%	44.5%			
Operating margin	23.7%	23.6%	23.6%	24.4%	23.4%	23.8%			
Net margin	21.8%	21.4%	21.4%	23.4%	22.6%	22.6%			
<b>Key assumptions</b>									
Volume - Architectural solution	0.0%	3.6%	4.6%	1.6%	3.6%	4.6%			
ASP	4.6%	2.1%	2.1%	2.7%	2.1%	2.1%			
Trading goods - revenue growth	5.7%	5.7%	6.5%	6.8%	5.7%	6.5%			

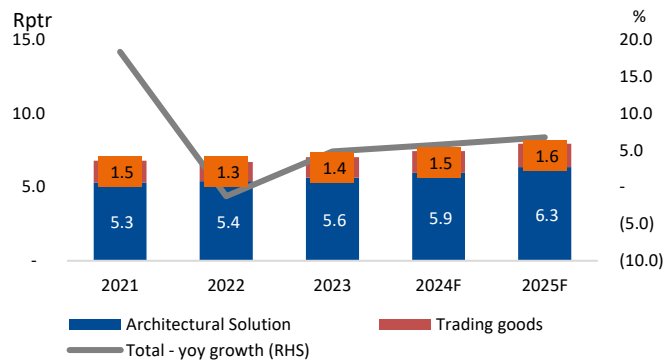
Source: Company, BRIDS Estimates

### Exhibit 3. Peer comparison

Company	Country	Market cap (USD Mn)	PE			ROE			Ebit Margin		
			2022	2023F	2024F	2022	2023F	2024F	2022	2023F	2024F
Avia Avian Indonesia	Indonesia	2,246	27.86	23.35	21.51	14.76	15.57	15.89	22.6%	25.2%	26.6%
Sherwin-Williams	United states	83,892	30.20	31.95	28.93	72.94	73.18	78.00	12.8%	15.6%	12.8%
PPG Industries, Inc	United states	33,049	22.92	18.43	16.55	15.93	24.14	24.07	12.8%	12.9%	10.3%
RPM International, Inc	United states	14,717	23.82	26.90	23.01	26.19	25.93	27.73	8.0%	9.3%	11.8%
Axalta Coating Systems Ltd	United states	7,150	16.69	20.47	17.25	13.01	21.68	21.53	10.9%	8.2%	10.5%
Akzo Nobel N.V	Netherlands	12,593	30.22	19.46	15.82	7.21	13.06	15.41	9.1%	11.3%	11.7%
Nippon Paint Holdings Co Ltd	Japan	17,740	30.72	22.03	21.17	7.53	10.17	9.80	11.3%	11.3%	8.8%
Kansai Paint Co., Ltd	Japan	3,470	19.11	22.83	7.25	8.74	7.75	20.61	7.6%	7.7%	8.6%
Average			24.8	23.2	18.6	21.7	25.1	28.2	10.3%	10.9%	10.6%

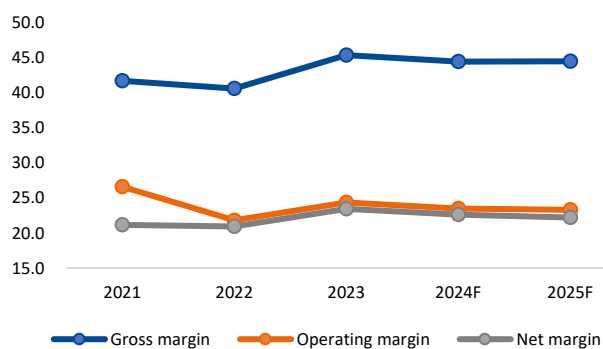
Source: Company, Bloomberg

Exhibit 4. Rev AS and TG and growth



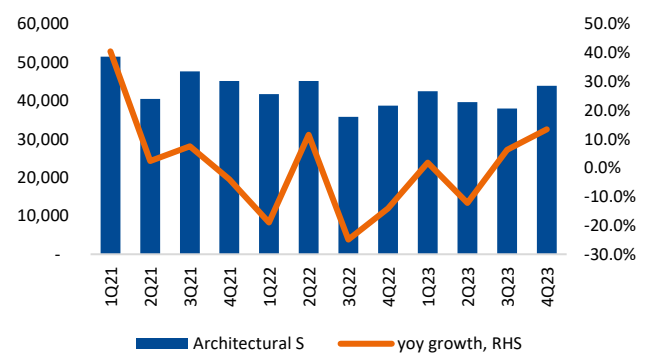
Source: Company, BRIDS Estimates

Exhibit 6. Margins, 2021-25F



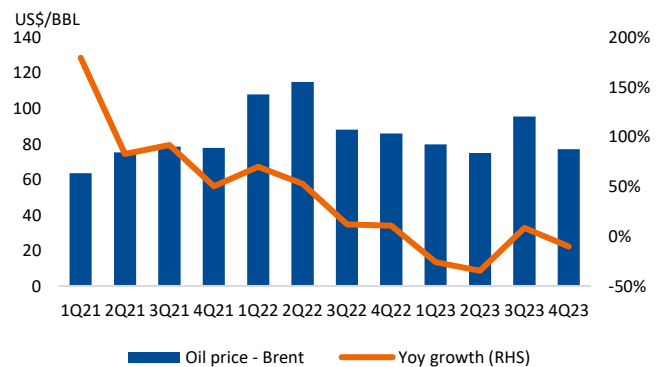
Source: Company, BRIDS Estimates

Exhibit 5. Quarterly volume, 1Q21-4Q23



Source: Company, BRIDS Estimates

Exhibit 7. Oil price, quarterly price and yoy (2021-23)



Source: Company, BRIDS Estimates

**Exhibit 8. Income Statement**

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
<b>Revenue</b>	<b>6,694</b>	<b>7,017</b>	<b>7,419</b>	<b>7,918</b>	<b>8,569</b>
COGS	(3,977)	(3,834)	(4,121)	(4,395)	(4,750)
<b>Gross profit</b>	<b>2,717</b>	<b>3,183</b>	<b>3,297</b>	<b>3,523</b>	<b>3,819</b>
<b>EBITDA</b>	<b>1,659</b>	<b>1,922</b>	<b>1,967</b>	<b>2,107</b>	<b>2,299</b>
<b>Oper. profit</b>	<b>1,459</b>	<b>1,709</b>	<b>1,740</b>	<b>1,883</b>	<b>2,032</b>
Interest income	294	286	295	287	337
Interest expense	(6)	(4)	(2)	(3)	(13)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	(1)	1	0	0	0
Other Income (Expenses)	0	0	0	0	0
<b>Pre-tax profit</b>	<b>1,745</b>	<b>1,992</b>	<b>2,032</b>	<b>2,168</b>	<b>2,356</b>
Income tax	(345)	(349)	(356)	(380)	(413)
Minority interest	0	1	1	1	1
<b>Net profit</b>	<b>1,400</b>	<b>1,644</b>	<b>1,677</b>	<b>1,789</b>	<b>1,945</b>
<b>Core Net Profit</b>	<b>1,400</b>	<b>1,644</b>	<b>1,677</b>	<b>1,789</b>	<b>1,945</b>

**Exhibit 9. Balance Sheet**

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Cash & cash equivalent	6,049	5,987	5,586	6,261	7,099
Receivables	1,177	1,349	1,381	1,474	1,596
Inventory	1,447	1,520	1,595	1,701	1,838
Other Curr. Asset	43	102	107	113	121
Fixed assets - Net	2,006	2,045	2,603	2,750	2,895
Other non-curr.asset	69	165	173	184	198
<b>Total asset</b>	<b>10,792</b>	<b>11,167</b>	<b>11,446</b>	<b>12,483</b>	<b>13,746</b>
ST Debt	7	5	5	5	5
Payables	587	681	691	736	796
Other Curr. Liabilities	442	392	414	442	478
Long Term Debt	0	0	0	0	0
Other LT. Liabilities	181	167	177	189	204
<b>Total Liabilities</b>	<b>1,217</b>	<b>1,245</b>	<b>1,287</b>	<b>1,372</b>	<b>1,484</b>
Shareholder's Funds	9,570	9,914	10,152	11,104	12,256
Minority interests	5	7	7	7	7
<b>Total Equity &amp; Liabilities</b>	<b>10,792</b>	<b>11,167</b>	<b>11,446</b>	<b>12,483</b>	<b>13,747</b>

**Exhibit 10. Cash Flow**

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Net income	1,400	1,644	1,677	1,789	1,945
Depreciation and Amort.	199	213	228	224	267
Change in Working Capital	(141)	(150)	(98)	(153)	(199)
Other Oper. Cash Flow	(349)	(500)	(274)	(262)	(294)
<b>Operating Cash Flow</b>	<b>1,109</b>	<b>1,207</b>	<b>1,533</b>	<b>1,598</b>	<b>1,718</b>
Capex	(186)	(184)	(786)	(370)	(412)
Others Inv. Cash Flow	294	286	295	287	337
<b>Investing Cash Flow</b>	<b>108</b>	<b>102</b>	<b>(491)</b>	<b>(83)</b>	<b>(75)</b>
Net change in debt	7	(2)	0	0	0
New Capital	(127)	65	0	0	0
Dividend payment	(1,115)	(1,363)	(1,439)	(839)	(793)
Other Fin. Cash Flow	(60)	(2)	(2)	(3)	(13)
<b>Financing Cash Flow</b>	<b>(1,296)</b>	<b>(1,302)</b>	<b>(1,442)</b>	<b>(841)</b>	<b>(805)</b>
<b>Net Change in Cash</b>	<b>(80)</b>	<b>8</b>	<b>(400)</b>	<b>674</b>	<b>838</b>
Cash - begin of the year	6,129	6,049	5,987	5,586	6,261
Cash - end of the year	6,049	5,987	5,586	6,261	7,099

**Exhibit 11. Key Ratio**

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
<b>Growth (%)</b>					
Sales	(1.3)	4.8	5.7	6.7	8.2
EBITDA	(13.9)	15.9	2.4	7.1	9.1
Operating profit	(19.0)	17.1	1.8	8.3	7.9
Net profit	(2.4)	17.4	2.0	6.7	8.7
<b>Profitability (%)</b>					
Gross margin	40.6	45.4	44.4	44.5	44.6
EBITDA margin	24.8	27.4	26.5	26.6	26.8
Operating margin	21.8	24.4	23.4	23.8	23.7
Net margin	20.9	23.4	22.6	22.6	22.7
ROAA	12.9	15.0	14.8	15.0	14.8
ROAE	14.8	16.9	16.7	16.8	16.7
<b>Leverage</b>					
Net Gearing (x)	(0.6)	(0.6)	(0.5)	(0.6)	(0.6)
Interest Coverage (x)	225.8	419.2	718.8	736.5	157.2

Source: AVIA, BRIDS Estimates

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## INVESTMENT RATING

<b>BUY</b>	Expected total return of 10% or more within a 12-month period
<b>HOLD</b>	Expected total return between -10% and 10% within a 12-month period
<b>SELL</b>	Expected total return of -10% or worse within a 12-month period

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