

## BUY (From HOLD)

Target Price (IDR) **730 (from 790)**

Potential Upside (%) **25.9**

### Price Comparison

Cons. Target Price (IDR) 808

SSI vs. Cons. (%) 90.3

### Stock Information

Last Price (IDR) 580

Shares Issued (Mn) 61,954

Market Cap. (IDR Bn) 35,623

52-Weeks High/Low (IDR) 875/565

3M Avg. Daily Value (IDR Bn) 4.7

Free Float (%) 25.2

### Shareholder Structure:

PT Tancorp Surya Sentosa (%) 36.6

PT Wahana Lancar Rejeki (%) 32.5

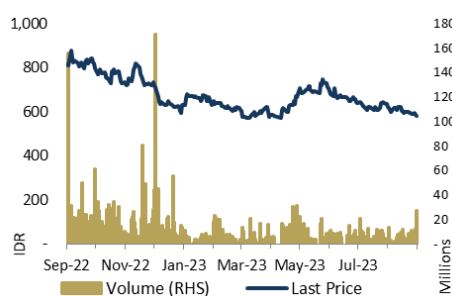
Archipelagi Inv Pte Ltd (%) 6.3

Public (%) 24.6

### Stock Performance

(%)	YTD	1M	3M	12M
Absolute	(8.7)	(7.3)	(17.3)	(29.4)
JCI Return	1.4	0.5	3.7	(4.5)
Relative	(10.1)	(7.8)	(21.0)	(24.9)

### Stock Price & Volumes, 12M



### Company Background

Established in 1978, PT Avia Avian Tbk (AVIA) is an Indonesian paint manufacturer. AVIA has a production capacity of 286.416 metric tons/year, with more than 30 types of products.

Daniel Widjaja

+62 21 2854 8322

[Daniel.aditya@samuel.co.id](mailto:Daniel.aditya@samuel.co.id)

Yosua Zisokhi

+62 21 2854 8387

[Yosua.zisokhi@samuel.co.id](mailto:Yosua.zisokhi@samuel.co.id)

## Colorful Prospect

AVIA's 2Q23 operational numbers were a bit under ours and cons, with both of its business segments recording lower revenue than in 2Q22 (see Table 1), mainly due to the decline in sales volume. Despite this, we see a glimpse of hope for AVIA in 2H23, thanks to the normalization of raw material prices and the company's business development strategy (opening new distribution centers and launching new products, among others). We project the company to book EPS growth of +9.7% YoY in FY23F, and we upgrade our rating to BUY (from HOLD) with a new TP of IDR 730, implying 21.2x FY24F P/E.

**What's next?** In 2Q23, AVIA launched three new mid-tier products: Admiral Wood Filler Epoxy, Admiral Cat Kapal, and Aries Bling. The company decided to focus on mid-tier products after considering the relatively weak growth in public purchasing power. In 2H23, AVIA plans to launch seven new products, ranging from wall paint to wood and metal paint. Aside from launching new products, AVIA also expands its distribution network to help achieve its goal of 95% 1-day delivery service; in 1H23, the company opened five new wholly-owned distribution centers (DC) and nine new mini DCs. We believe these strategies will help boost its future sales, prompting us to project the company to book revenues of IDR 7.4tn in FY23F (+10.1% YoY) and IDR 7.9tn in FY24F (+7.5% YoY). Also, lower raw material prices should help AVIA to increase its gross profit margin to 42.2% in FY23F (vs 40.6% in FY22), lifting its FY23F net profit to IDR 1.5tn (+10.2% YoY) with an NPM of 20.9%.

**Updates on the new factory.** One of AVIA's highlights this year is the construction of its new factory in Cirebon, which is expected to commence operations in 2025, adding +225 kTon of production capacity. The project is going as planned, and the company projects the factory to start production in 2H25, with a production capacity of +100 kTon in the first year before reaching its full capacity in 2026, bringing the company's total production capacity to 511 kTon. We expect the additional capacity to help boost AVIA's sales volume to 228 kTon in 2025 and 317 kTon in 2026.

**BUY, TP IDR 730 (21.2x FY24F P/E).** We believe that AVIA's current strategies (offering new products, expanding distribution network, and increasing production capacity) will help the company boost its performance. Also, AVIA's share price has dropped considerably (-32.4% lower than its IPO price), and we see this as a good opportunity to invest, considering the ample room for growth for the company. Therefore, we decided to upgrade our rating to BUY from HOLD with a TP of IDR 730, implying 21.2x FY24F P/E. **Main risks:** 1) Higher raw material prices, 2) Lower-than-expected demand for wall paints.

### Valuations (at closing price IDR 580 per share)

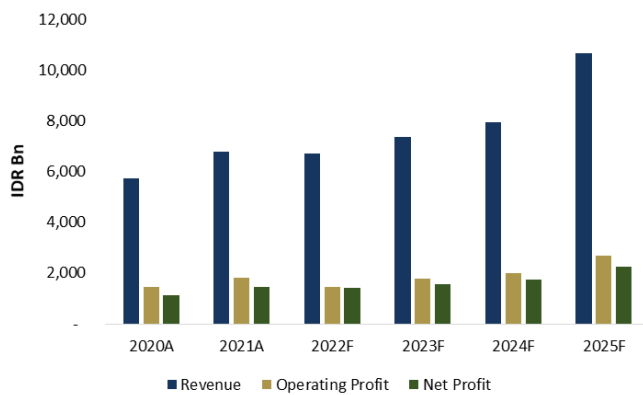
Y/E Dec	21A	22A	23F	24F	25F
Revenue (IDR Bn)	6,780	6,694	7,370	7,925	10,652
EBITDA (IDR Bn)	1,928	1,590	1,916	2,167	2,877
EV/EBITDA (x)	18.0	21.3	17.7	15.7	11.4
Net Profit (IDR Bn)	1,435	1,400	1,536	1,695	2,223
EPS (IDR)	23	23	25	27	36
EPS Growth (%)	13.6	(2.4)	9.7	10.4	31.1
P/E Ratio (x)	25.0	25.7	23.4	21.2	16.2
BVPS (IDR)	152	154	158	167	182
P/BV Ratio (x)	3.8	3.8	3.7	3.5	3.2
DPS (IDR)	38	18	21	19	21
Dividend Yield (%)	6.5	3.1	3.6	3.2	3.5
ROAE (%)	12.2	9.8	10.5	11.1	13.5
Interest Coverage (x)	48.6	225.8	273.7	387.6	1,294.4
Net Gearing (x)	N.C	N.C	N.C	N.C	N.C

Table 1. 6M23 Results

AVIA (IDR Bn)	2Q22	1Q23	2Q23	QoQ (%)	YoY (%)	1H22	1H23	YoY (%)
<b>Revenue</b>	1,740	1,782	1,726	-3.1	-0.8	3,379	3,508	3.8
<b>Gross Profit</b>	718	807	777	-3.7	8.2	1,387	1,584	14.2
<b>Operating Profit</b>	431	487	436	-10.5	1.1	833	923	10.7
<b>EBITDA</b>	463	521	470	-9.8	1.4	896	991	10.6
<b>Net Profit</b>	392	417	390	-6.5	-0.5	777	807	3.8
<b>Gross Margin</b>	41.3%	45.3%	45.0%	-0.3%	3.7%	41.0%	45.2%	4.1%
<b>Operating Margin</b>	24.8%	27.3%	25.2%	-2.1%	0.5%	24.7%	26.3%	1.6%
<b>EBITDA Margin</b>	26.6%	29.2%	27.2%	-2.0%	0.6%	26.5%	28.2%	1.7%
<b>Net Margin</b>	22.5%	23.4%	22.6%	-0.8%	0.1%	23.0%	23.0%	0.0%
Operation Data	2Q22	1Q23	2Q23	QoQ (%)	YoY (%)	1H22	1H23	YoY (%)
<b>Architectural</b>	1,428	1,491	1,397	-6.3	-2.2	2,769	2,888	4.3
Volume (mTon)	45,050	42,392	39,571	-6.7	-12.2	86,684	81,963	(5.4)
ASP (IDR/kg)	31,698	35,172	35,304	0.4	11.4	31,944	35,235	10.3
<b>Trading Goods</b>	312	290	330	13.8	5.8	610	620	1.6

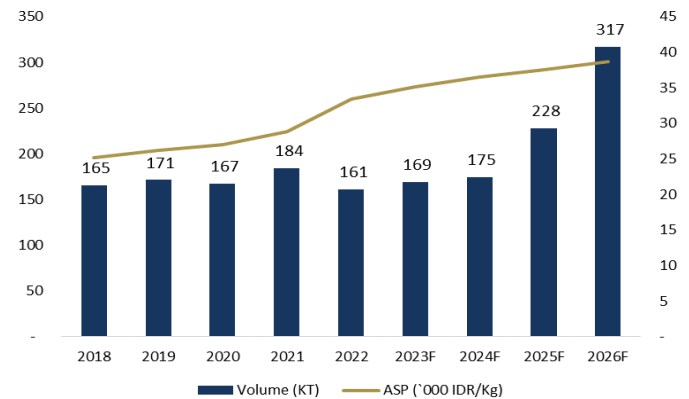
Source: Company, SSI Research

Figure 1. Financial Performance Trajectory



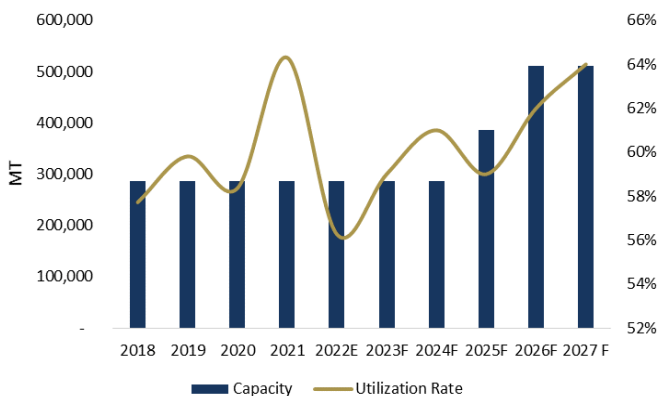
Source: Company, SSI Research

Figure 2. Volume and ASP Trajectory



Source: Company, SSI Research

Figure 3. Capacity and Utilization Rate



Source: Company, SSI Research

Figure 4. Forward P/E Band



Source: Bloomberg, Company, SSI Research

## Key Financial Figures

Profit and Loss					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Revenue	6,780	6,694	7,370	7,925	10,652
Cost of Revenue	(3,954)	(3,977)	(4,262)	(4,475)	(6,098)
Gross Profit	2,826	2,717	3,108	3,450	4,554
Operating Expense	(1,023)	(1,258)	(1,327)	(1,467)	(1,909)
G&A Expense	(889)	(1,027)	(1,069)	(1,169)	(1,563)
Selling & Marketing Expense	(182)	(215)	(241)	(282)	(329)
Other Income (Expense)	47	(16)	(16)	(16)	(16)
Operating Profit	1,802	1,459	1,781	1,983	2,645
EBITDA	1,928	1,590	1,916	2,167	2,877
Interest Income	81	294	141	137	129
Interest Expense	(37)	(6)	(7)	(5)	(2)
Share of JV	-	-	-	-	-
Other Income (Expense)	(1)	(1)	(1)	(1)	(1)
Pre-tax Profit	1,845	1,745	1,915	2,113	2,771
Taxes	(410)	(345)	(378)	(418)	(548)
Minority Interest	0	(0)	(0)	(0)	(0)
Net Profit	1,435	1,400	1,536	1,695	2,223

9.7%

Balance Sheet					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Cash	1,288	2,171	2,108	1,981	3,146
Receivables	1,274	1,177	1,296	1,394	1,479
Inventory	1,446	1,447	1,551	1,629	1,694
Others	4,878	3,922	3,922	3,922	3,922
Total Current Asset	8,886	8,717	8,877	8,925	10,241
Net Fixed Asset	1,551	1,588	2,169	2,728	2,725
Other Assets	436	487	487	487	487
Total Asset	10,874	10,792	11,534	12,141	13,453
Payables	824	587	1,088	1,169	1,572
ST. Debt and CMLTD	25	58	62	49	19
Other Current Liabilities	490	464	464	464	464
Current Liability	1,340	1,108	1,613	1,682	2,055
LT. Debt	45	23	25	20	8
Other LT. Liabilities	74	86	86	86	86
Total Liability	1,458	1,217	1,724	1,787	2,149
Minority Interest	3	5	5	4	4
Total Equity	9,416	9,575	9,810	10,353	11,305

Cash Flow					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Net Profit	1,435	1,400	1,536	1,695	2,223
D&A	99	62	66	116	232
Changes in Working Capital	(4,718)	716	278	(93)	252
Operating CF	(3,185)	2,179	1,881	1,719	2,707
Capital Expenditure	(137)	(151)	(648)	(675)	(229)
Others	-	-	-	-	-
Investing CF	(137)	(151)	(648)	(675)	(229)
Dividend Paid	(2,350)	(1,115)	(1,301)	(1,152)	(1,272)
Net Borrowing	(31)	11	6	(19)	(41)
Others	5,630	(114)	(0)	(0)	(0)
Financing CF	3,249	(1,218)	(1,295)	(1,171)	(1,313)
Net - Cash flow	(73)	810	(62)	(127)	1,165
Adjustment	-	72	-	-	-
Cash at Beginning	1,361	1,288	2,171	2,108	1,981
Cash at Ending	1,288	2,171	2,108	1,981	3,146

Key Ratios					
Y/E Dec	21A	22A	23F	24F	25F
Gross Profit Margin (%)	41.7	40.6	42.2	43.5	42.8
Operating Margin (%)	26.6	21.8	24.2	25.0	24.8
Pretax Margin (%)	27.2	26.1	26.0	26.7	26.0
Net Profit Margin (%)	21.2	20.9	20.8	21.4	20.9
Revenue Growth (%)	18.3	(1.3)	10.1	7.5	34.4
EBITDA Margin (%)	28.4	23.8	26.0	27.3	27.0
EBITDA Growth (%)	23.1	(17.5)	20.5	13.1	32.8
Debt to Equity (x)	0.0	0.0	0.0	0.0	0.0

Key Highlights					
Y/E Dec	21A	22A	23F	24F	25F
Volume Growth (%)	10.2	(12.5)	4.9	3.4	30.5
ASP Growth (%)	6.8	16.0	5.0	4.0	3.0
Capacity (kTon)	286	286	286	286	386
Utilization Rate (%)	64	56	59	61	59

## Peers Comparison

Company Ticker	Country	Company Ticker	Market Cap (USD Mn)	PER (x)		EV/EBITDA (x)		PBV (x)		ROE (%)	
				2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
ASIAN PAINTS LTD	IN	APNT IN	37,679	53.3	48.0	36.1	32.5	14.9	13.2	29.7	29.5
INDIGO PAINTS LT	IN	INDIGOPN IN	877	47.7	39.0	29.9	24.6	8.0	6.8	17.9	19.0
KANSAI NEROLAC P	IN	KNPL IN	3,236	33.3	31.9	24.0	21.3	4.8	4.4	16.2	15.2
BERGER PAINTS	IN	BRGR IN	8,332	55.5	49.8	35.1	31.9	13.1	11.2	25.4	24.2
NIPPON PAINT HOL	JP	4612 JP	18,888	24.7	22.5	15.5	14.4	2.3	2.2	9.6	10.0
KANSAI PAINT	JP	4613 JP	3,759	9.8	15.8	9.0	8.6	1.5	1.4	16.1	9.4
TOA PAINT THAILA	TH	TOA TB	1,438	21.1	18.9	12.3	11.0	3.6	3.3	17.8	18.2
AKZO NOBEL	NL	AKZA NA	13,158	18.9	15.0	11.7	10.3	2.7	2.5	14.2	17.4
BASF SE	DE	BAS GR	42,721	11.7	9.8	7.6	6.6	1.0	1.0	8.0	9.6
SHERWIN-WILLIAMS	US	SHW US	70,369	28.1	25.4	19.8	18.5	19.1	16.6	69.3	72.0
AXALTA COATING S	US	AXTA US	5,959	18.5	15.0	9.9	9.1	3.3	2.9	19.9	21.6
PPG INDS INC	US	PPG US	32,112	18.3	16.3	13.1	11.9	4.3	4.2	23.9	23.9
SEMEN INDONESIA	ID	SMGR IJ	3,101	16.9	14.1	7.4	6.8	1.0	1.0	6.3	7.3
INDOCEMENT TUNGG	ID	INTP IJ	2,595	18.8	16.5	10.3	9.3	1.9	1.8	10.0	11.0
AVIA AVIAN TBK P	ID	AVIA IJ	2,360	21.7	19.6	15.0	13.2	3.4	3.3	16.5	17.8
Weighted Average			246,584	27.3	24.4	18.4	16.8	9.5	8.4	32.6	33.8

Source: Bloomberg, Company, SSI Research

Research Team			
Prasetya Gunadi	Head of Equity Research, Strategy, Banking, Digital Banks	prasetya.gunadi@samuel.co.id	+6221 2854 8320
Lionel Priyadi	Macro Equity Strategist	lionel.priyadi@samuel.co.id	+6221 2854 8854
Muhamad Alfatih, CSA, CTA, CFTe	Senior Technical Analyst	m.alfatih@samuel.co.id	+6221 2854 8129
Yosua Zisokhi	Cement , Cigarette, Paper, Plantation,Telco Infra, Chemicals	yosua.zisokhi@samuel.co.id	+6221 2854 8387
M. Farras Farhan	Media, Poultry, Oil & Gas, Technology	farras.farhan@samuel.co.id	+6221 2854 8346
Pebe Peresia	Automotive, Consumer Staples, Retail	pebe.peresia@samuel.co.id	+6221 2854 8339
Juan Oktavianus Harahap	Coal, Metal Mining	juan.oktavianus@samuel.co.id	+6221 2854 8846
Jonathan Guyadi	Banking, Healthcare, Telco	jonathan.guyadi@samuel.co.id	+6221 2854 8321
Adolf Richardo	Editor	adolf.richardo@samuel.co.id	+6221 2864 8397
Ashalia Fitri Yuliana	Research Associate	ashalia.fitri@samuel.co.id	+6221 2854 8389
Daniel Aditya Widjaja	Research Associate	daniel.aditya@samuel.co.id	+6221 2854 8322
Laurencia Hiemas	Research Associate	laurencia.hiemas@samuel.co.id	+6221 2854 8392
Brandon Boedhiman	Research Associate	brandon.boedhiman@samuel.co.id	+6221 2854 8392
Haikal Putra	Research Associate	haikal.putra@samuel.co.id	+6221 2854 8353

Equity Institutional Team			
Benny Bambang Soebagjo	Head of Institutional Equity Sales	benny.soebagjo@samuel.co.id	+6221 2854 8312
Ronny Ardianto	Institutional Equity Sales	ronny.ardianto@samuel.co.id	+6221 2854 8399
Anthony Yunus	Institutional Equity Sales	anthony.yunus@samuel.co.id	+6221 2854 8314
Widya Meidrianto	Institutional Equity Sales	widya.meidrianto@samuel.co.id	+6221 2854 8317
Fachruly Fiater	Institutional Sales Trader	fachruly.fiater@samuel.co.id	+6221 2854 8325
Lucia Irawati	Institutional Sales Trader	lucia.irawati@samuel.co.id	+6221 2854 8173
Alexander Tayus	Institutional Equity Dealer	alexander.tayus@samuel.co.id	+6221 2854 8319
Leonardo Christian	Institutional Equity Dealer	leonardo.christian@samuel.co.id	+6221 2854 8147

Equity Retail Team			
Joseph Soegandhi	Head of Equity	joseph.soegandhi@samuel.co.id	+6221 2854 8872
Damargumilang	Head of Equity Retail	damargumilang@samuel.co.id	+6221 2854 8309
Clarice Wijana	Head of Equity Sales Support	clarice.wijana@samuel.co.id	+6221 2854 8395
Gitta Wahyu Retnani	Equity Sales & Trainer	gitta.wahyu@samuel.co.id	+6221 2854 8365
Vincentius Darren	Equity Sales	darren@samuel.co.id	+6221 2854 8348
Michael Alexander	Equity Sales	michael.alexander@samuel.co.id	+6221 2854 8369
Sylviawati	Equity Sales	sylviawati@samuel.co.id	+6221 2854 8112
Wandha Ahmad	Equity Sales	wandha.ahmad@samuel.co.id	+6221 2854 8316
Handa Sandiawan	Equity Sales	handa.sandiawan@samuel.co.id	+6221 2854 8302
Denzel Obaja	Equity Sales	denzel.obaja@samuel.co.id	+6221 2854 8342
Wahyudi Budiyo	Dealer	wahyudi.budiyo@samuel.co.id	+6221 2854 8152

Fixed Income Sales Team			
R. Virine Tresna Sundari	Head of Fixed Income	virine.sundari@samuel.co.id	+6221 2854 8170
Rudianto Nugroho	Fixed Income Sales	rudianto.nugroho@samuel.co.id	+6221 2854 8306
Sany Rizal Keliobas	Fixed Income Sales	sany.rizal@samuel.co.id	+6221 2854 8337
Safitri	Fixed Income Sales	safitri@samuel.co.id	+6221 2854 8376
Khairanni	Fixed Income Sales	khairanni@samuel.co.id	+6221 28548104
Saldy Achmad Yanuar	Fixed Income Sales	saldy.achmad@samuel.co.id	+6221 28548384
Nadya Attahira	Fixed Income Sales	nadya.attahira@samuel.co.id	+6221 2854 8305

**DISCLAIMER:** Analyst Certification: The views expressed in this research accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s) principally responsible for the preparation of this research has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations. This document is for information only and for the use of the recipient. It is not to be reproduced or copied or made available to others. Under no circumstances is it to be considered as an offer to sell or solicitation to buy any security. Any recommendation contained in this report may not be suitable for all investors. Moreover, although the information contained herein has been obtained from sources believed to be reliable, its accuracy, completeness and reliability cannot be guaranteed. All rights reserved by PT Samuel Sekuritas Indonesia.