

## 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

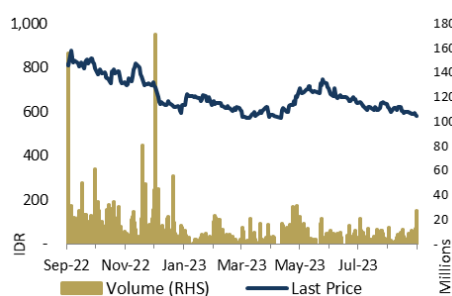
Archipelagi Inv Pte Ltd (%) 6.3

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

Didirikan pada tahun 1978, PT Avia Avian Tbk (AVIA) adalah produsen cat asal Indonesia. AVIA memiliki kapasitas produksi 286.416 metrik ton/tahun, dengan lebih dari 30 jenis produk.

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## Colorful Prospect

Performa AVIA pada 2Q23 sedikit di bawah ekspektasi kami dan konsensus; kedua segmen bisnisnya mencatat pendapatan yang lebih rendah dibandingkan 2Q22 (lihat Tabel 1) akibat penurunan volume penjualan. Meski demikian, kami cukup yakin terhadap potensi kinerja AVIA di 2H23, berkat normalisasi harga bahan baku dan strategi pengembangan bisnis perseroan (termasuk peluncuran produk baru dan penambahan distribution center). Kami memperkirakan AVIA dapat membukukan pertumbuhan EPS sebesar +9.7% di FY23F, dan kami mengupgrade rating kami menjadi BUY (dari HOLD) dengan TP baru sebesar IDR 730, menyiratkan 21.2x P/E FY24F.

**Apa selanjutnya?** Di 2Q23, AVIA meluncurkan tiga produk mid-tier baru: Admiral Wood Filler Epoxy, Admiral Cat Kapal, dan Aries Bling. AVIA memutuskan untuk fokus pada produk mid-tier mengingatnya lemahnya pertumbuhan daya beli masyarakat. Pada 2H23, AVIA berencana meluncurkan tujuh produk baru, mulai dari cat tembok hingga cat kayu dan logam. Selain meluncurkan produk baru, AVIA juga memperluas jaringan distribusinya untuk membantu mencapai target 95% layanan pengiriman 1 hari; pada 1H23, perusahaan membuka lima pusat distribusi (DC) baru milik sendiri dan sembilan DC mini baru. Kami yakin strategi ini akan membantu meningkatkan penjualan AVIA di masa depan, yang mendorong kami memproyeksikan pendapatan sebesar IDR 7.4tn di FY23F (+10.1% YoY) dan IDR 7.9tn di FY24F (+7.5% YoY). Selain itu, penurunan harga bahan baku akan membantu AVIA meningkatkan margin laba kotor menjadi 42.2% di FY23F (vs 40.6% di FY22), yang akan mendorong laba bersih FY23F menjadi IDR 1.5tn (+10.2% YoY) dengan NPM sebesar 20.9%.

**Update terkait pabrik baru.** Salah satu highlight AVIA tahun ini adalah pembangunan pabrik barunya di Cirebon, yang direncanakan mulai beroperasi pada tahun 2025, yang akan memberikan kapasitas produksi tambahan sebesar +225 kTon. Proyek tersebut saat ini berjalan sesuai rencana, dan perseroan memproyeksikan pabrik tersebut akan mulai berproduksi pada 2H25, dengan kapasitas produksi +100 kTon pada tahun pertama sebelum mencapai kapasitas penuh pada tahun 2026, sehingga total kapasitas produksi perseroan akan menjadi 511 kTon. Kami memperkirakan penambahan kapasitas ini akan membantu meningkatkan volume penjualan AVIA menjadi 228 kTon pada tahun 2025 dan 317 kTon pada tahun 2026.

**BUY, TP IDR 730 (21.2x P/E FY24F).** Kami meyakini bahwa strategi AVIA saat ini (meluncurkan produk baru, memperluas jaringan distribusi, dan meningkatkan kapasitas produksi) akan membantu perseroan meningkatkan kinerjanya. Selain itu, harga saham AVIA telah turun drastis (-32.4% lebih rendah dari harga IPO), dan kami melihat ini sebagai titik masuk yang baik untuk berinvestasi, mengingat masih banyaknya ruang pertumbuhan bagi AVIA. Karenanya, kami memutuskan untuk mengupgrade rating kami menjadi BUY (dari HOLD) dengan TP sebesar IDR 730, mengimplikasikan P/E FY24F sebesar 21.2x. **Risiko:** 1) Kenaikan harga bahan baku yang lebih tinggi, 2) Permintaan cat tembok yang lebih rendah dari perkiraan.

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

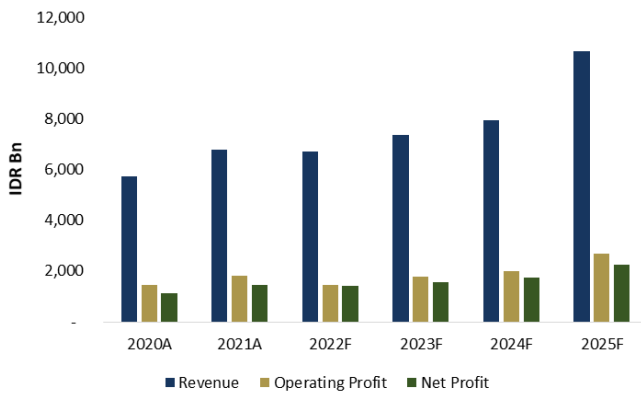
Y/E Dec	21A	22A	23F	24F	25F
Revenue (IDR Bn)	6,780	6,694	7,370	7,925	10,652
EBITDA (IDR Bn)	1,928	1,590	1,916	2,167	2,877
EV/EBITDA (x)	18.0	21.3	17.7	15.7	11.4
Net Profit (IDR Bn)	1,435	1,400	1,536	1,695	2,223
EPS (IDR)	23	23	25	27	36
EPS Growth (%)	13.6	(2.4)	9.7	10.4	31.1
P/E Ratio (x)	25.0	25.7	23.4	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

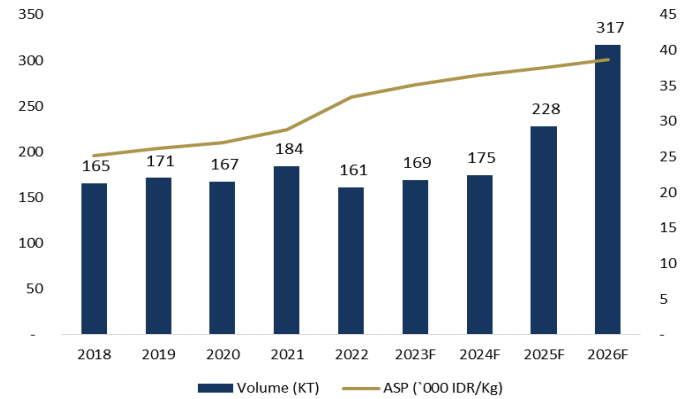
Source: Company, SSI Research

**Figure 1. Financial Performance Trajectory**



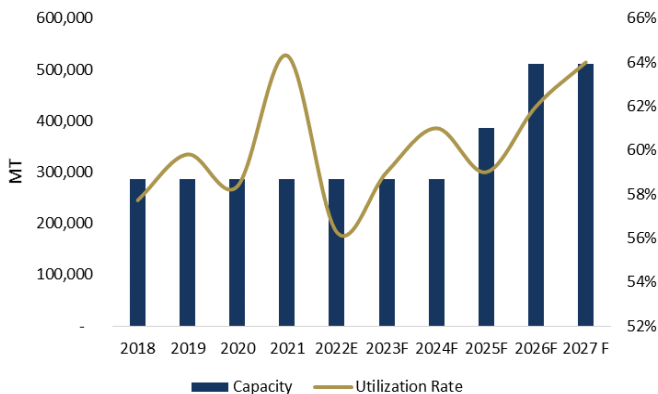
Source: Company, SSI Research

**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

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