

PT Avia Avian Tbk

Investor Presentation
FY 2022 Results



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Avian Brands FY 2022 snapshot



FY SALES

IDR 6.69 T
(US\$ 456 m)

FY GROSS PROFIT

IDR 2,717 B
(US\$ 185 m)
40.6%

FY EBITDA

IDR 1,664 B
(US\$ 113 m)
24.9 %

FY NET PROFIT

IDR 1,400 B
(US\$ 95 m)
20.9%



EMPLOYEES

8,000+

DISTRIBUTION CENTERS

146

COVERAGE

37 Provinces
98 Cities

CUSTOMERS

56,000+
Retail shops

FY 2022 financial performance highlights

In IDR billion (except per share data)	2022	2021	Change
Consolidated Sales	6,694	6,780	-1.3%
Architectural Solutions	5,384	5,306	1.5%
Trading Goods	1,310	1,474	-11.1%
Gross Profit	2,717	2,826	-3.8%
Architectural Solutions	2,491	2,538	-1.9%
Trading Goods	227	288	-21.2%
Gross margin	40.6%	41.7%	-1.1%
Architectural Solutions	46.3%	47.8%	-1.6%
Trading Goods	17.3%	19.5%	-2.2%
EBITDA	1,664	1,990	-16.4%
EBITDA Margin	24.9%	29.3%	-4.5%
Net Income	1,400	1,435	-2.4%
Net Income Margin	20.9%	21.2%	-0.2%
EPS⁽¹⁾	22.6	25.5	-11.4%

- The Architectural Solutions segment outperformed the Trading Goods segment supported by growth in wall paints and waterproofing.
- In the Architectural Solutions segment, pressure from raw materials has eased. Raw material prices are relatively stable, but the pressure is still there, especially for solvent-based products.
- Trading Goods segment experienced a sharp decline due to the impact of downtrading in the PVC pipes segment. In response, a lower-cost variant of PVC pipes was launched in November 2022.
- A decline in EBITDA was attributable to gross margin compression as well as normalization of operating expenses.

(1) Calculated based on weighted average number of shares in 2021 of 56.2 billion shares (in 2022, the number of shares increased to 62.0 billion shares)

Business update in FY 2022

- Inflation proved to be a major headwind in 2022. Weak consumer demand due to high inflation affected various industries, including paints and building materials.
- The government's decision to cut fuel subsidies in September 2022 further weakened consumer purchasing power.
- Pressure from raw material prices continued in the first quarter through the third quarter. Towards the fourth quarter, prices for some materials stabilized.
- In response to the cost inflation, Avian Brands has implemented several price hikes. Other strategic actions, including:
 - Continued expansion of distribution centers.
 - Launch of new products.
 - Prudent sales and marketing activities.
 - Continue to implement the latest technology to improve last-mile delivery at distribution centers.
 - Various ESG advancements.



(1) Bank Indonesia: <https://www.bi.go.id/id/statistik/indikator/data-inflasi.aspx>

New product launched in FY 2022



- In 2022, we launched 12 new products. We expanded our products in the following segments: wall, waterproofing, wood & metal, and wood care.
- Supported by more than 70 qualified chemists, we continue to develop innovative products that meet market conditions.
- We always pay attention to our inventory management to ensure that raw materials as well as finished goods are well maintained.



Wall paints



Waterproofing

Wood care



Wood & metal



Others



Distribution centers expansion



Wholly owned DC
logistics & delivery
fleet

- In FY 2022, we opened 8 wholly-owned DCs and 4 new mini DCs.
- We own and operate 580 delivery trucks that allow us to make ~8,800 deliveries per day.
- High-touch deliveries with tablet support to improve productivity and accuracy.
- 93%* 1-day delivery service fulfilment.

* For retail shops within 50 km radius from a wholly owned DC

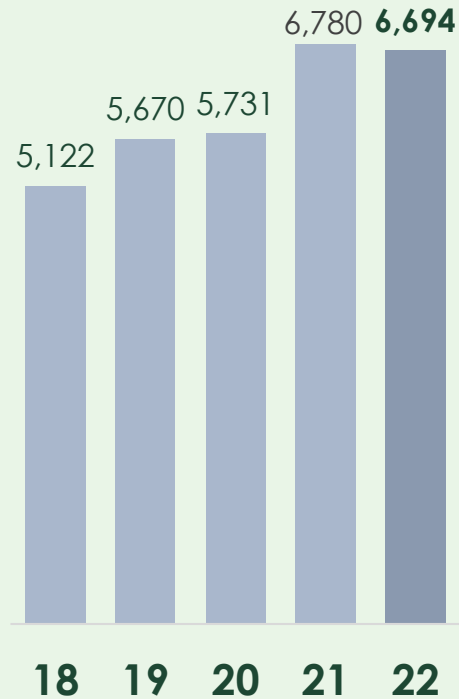
Benefits from continued expansion of distribution centers:

- Improve product penetration and provide superior quality of service.
- Enhance customer relationships.
- Increase inventory management and minimize loss opportunity.

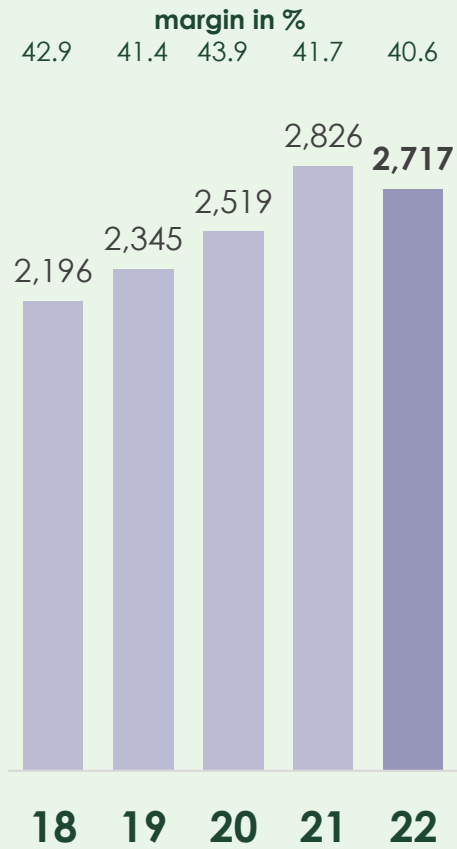


Financial highlights for the last 5 years

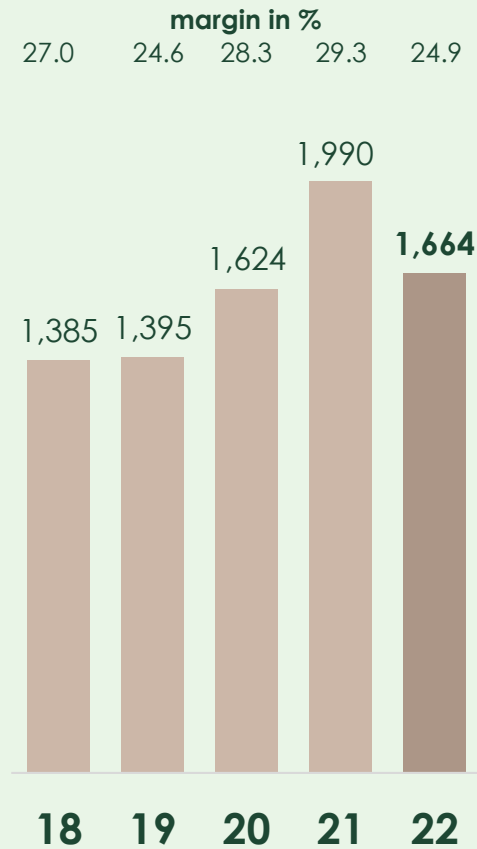
Sales (IDR billion)



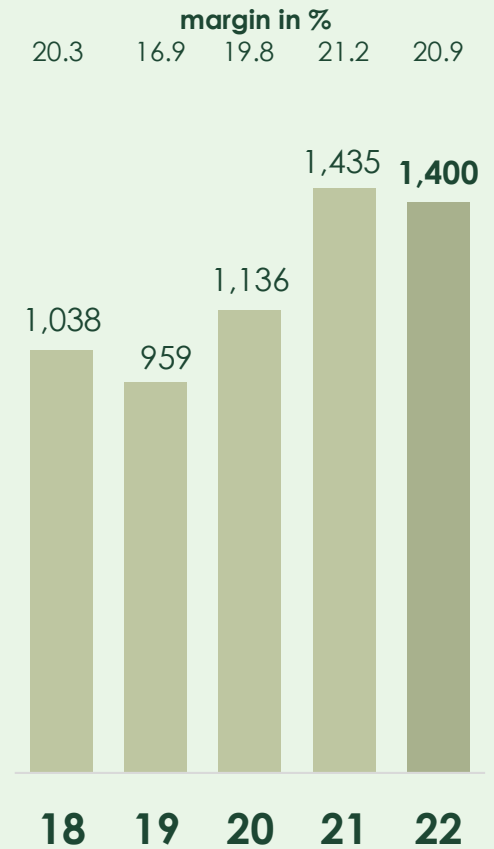
Gross profit (IDR billion)



EBITDA (IDR billion)



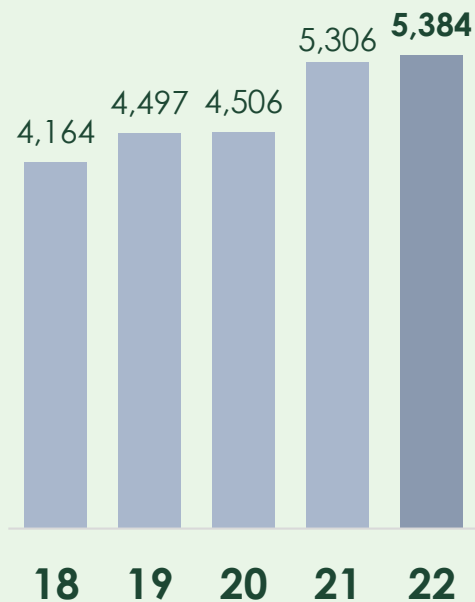
Net profit (IDR billion)



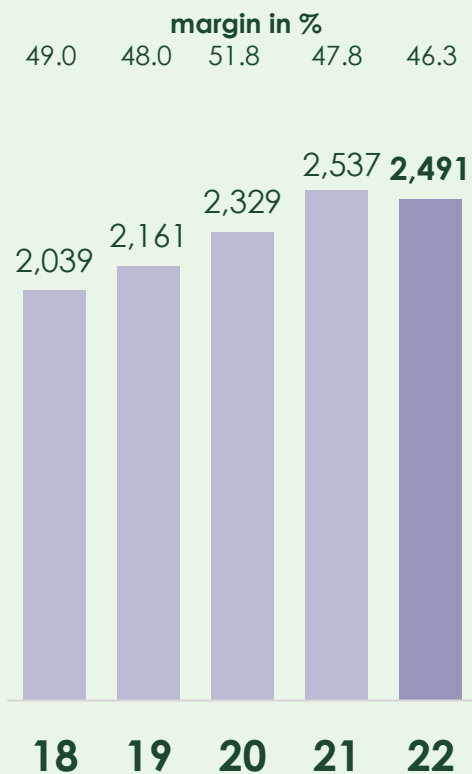
Sales and gross profit for the last 5 years

Architectural Solutions

Sales (IDR billion)

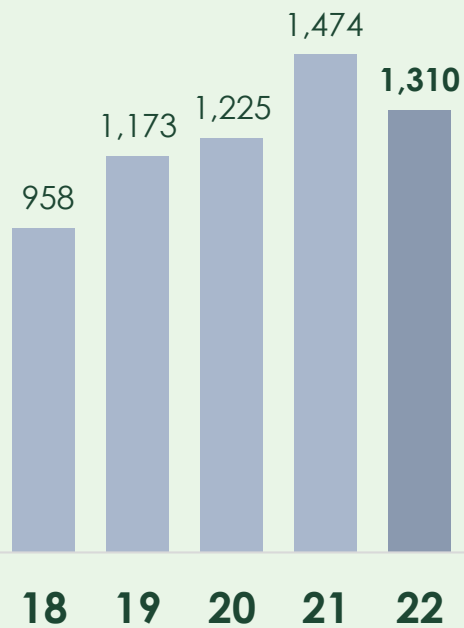


Gross profit (IDR billion)

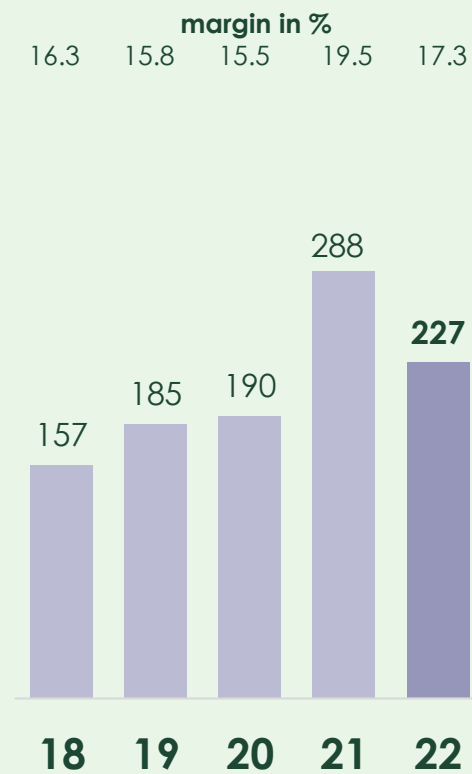


Trading Goods

Sales (IDR billion)

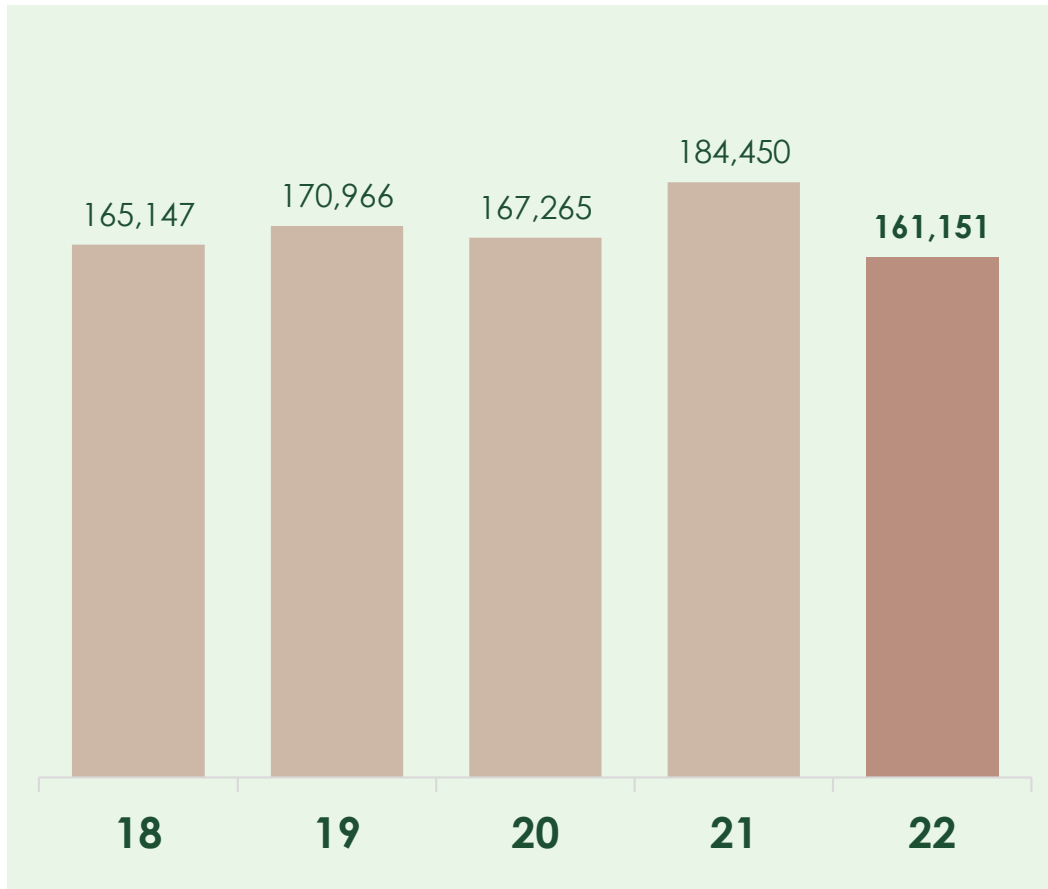


Gross profit (IDR billion)



Architectural solutions volume for the last 5 years

Volume⁽¹⁾
(metric ton)

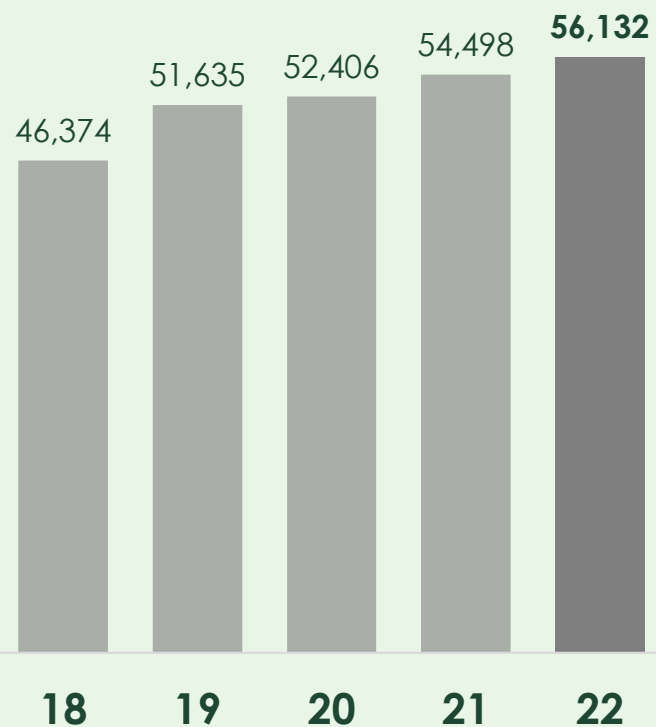


- Architectural Solutions' volume declined by 12.6% compared to last year.
- Volume grew 10.3% in 2021, the highest in the last five years, due to pent-up demand following the Covid-19 outbreak in 2020.
- Faced with multiple price increases that resulted in difficult volume growth, the company had to make the following adjustments:
 - We should have brought more economical-priced products more quickly so that consumers with weaker purchasing power could buy our products.
 - We need to be extremely aggressive in the wall paint category to grow our volume faster.
 - We should have had a stronger presence in the project departments to take maximum advantage of our network of distribution centers.

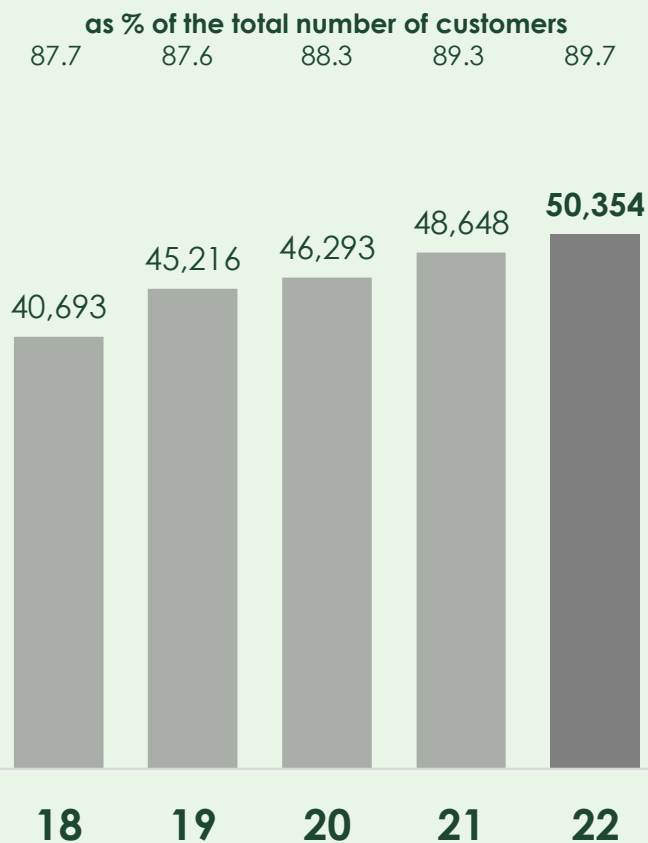
(1) Excluding instant cement

Number of customers for the last 5 years

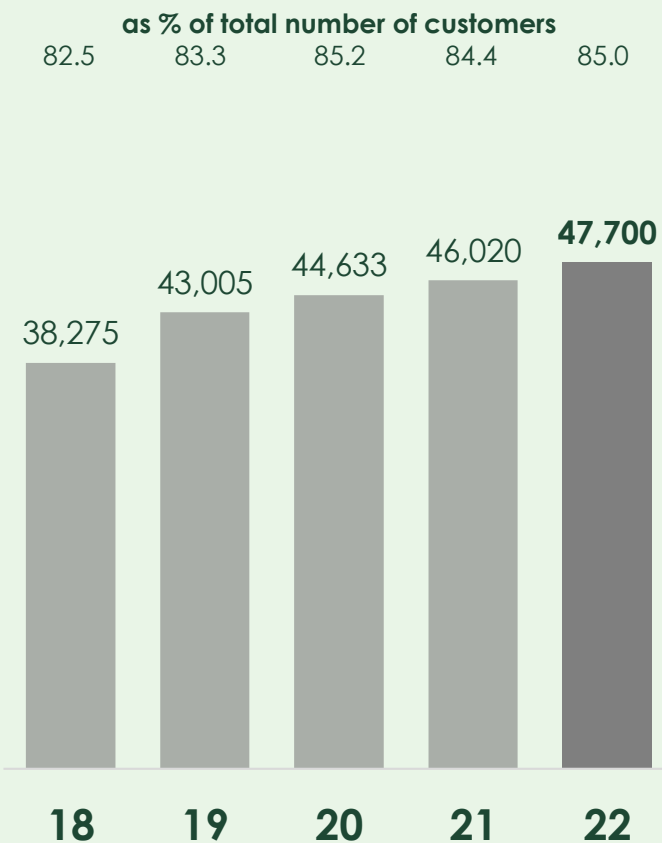
Consolidated



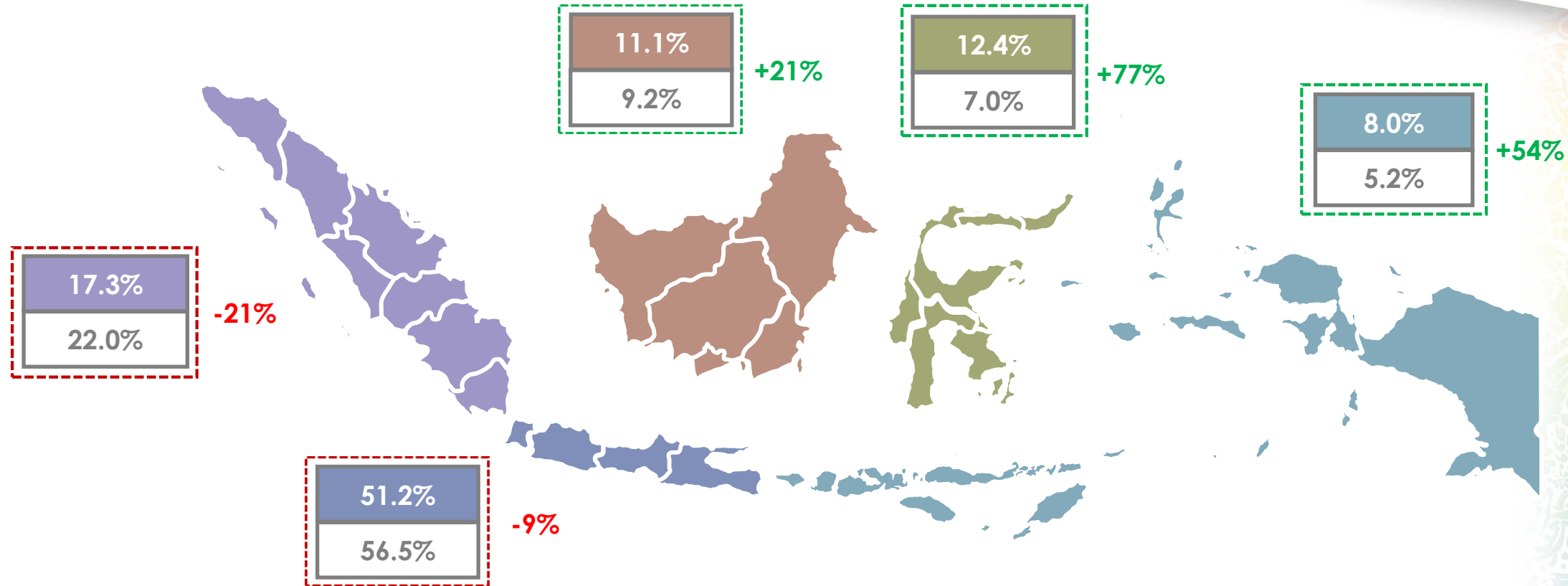
Architectural Solutions



Trading Goods



FY 2022 sales split by regions

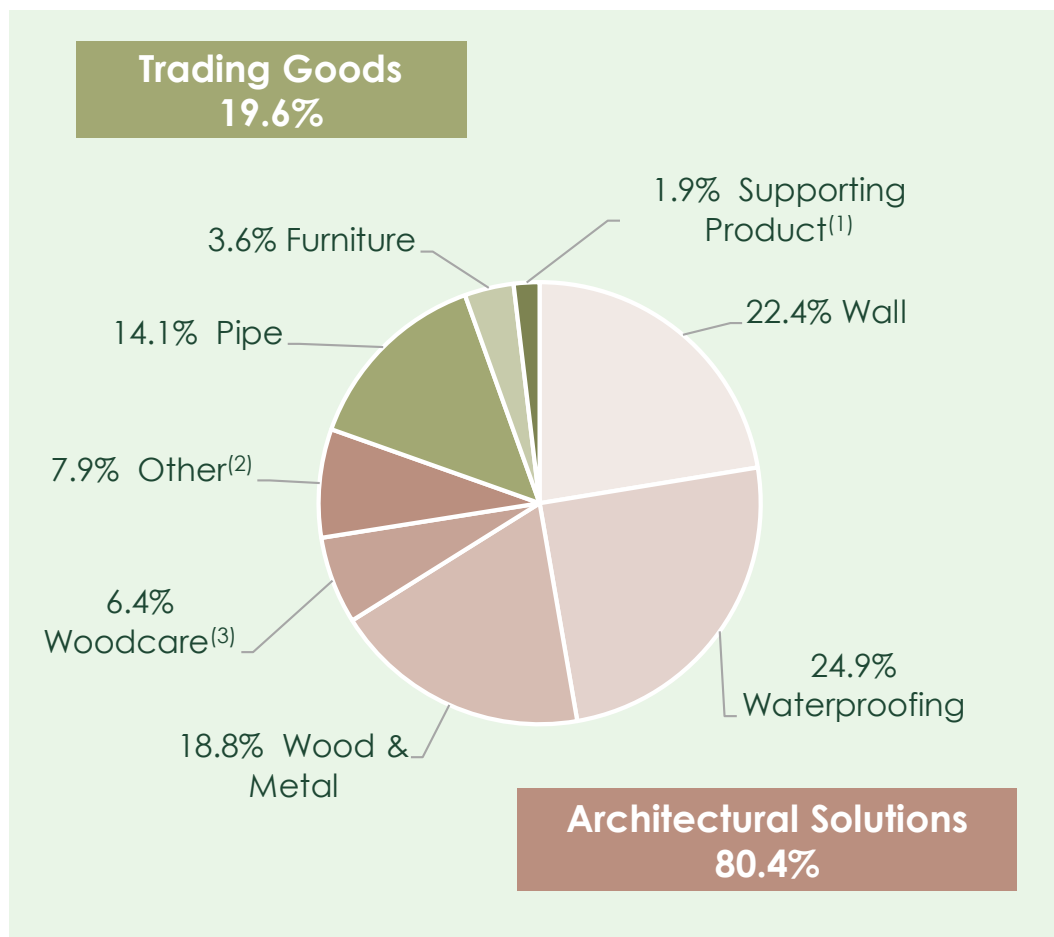


AVIA
GDP⁽¹⁾

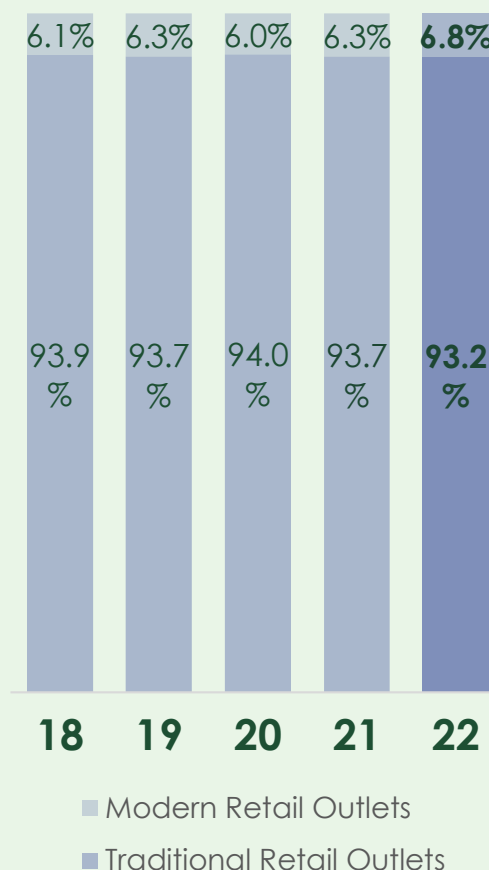
- Avian Brands sales split by regions vs. Indonesia GDP.
- We are trailing Indonesia GDP in Jawa (Jakarta area) and Sumatra islands (northern part).
- We are significantly ahead of Indonesia GDP contribution in Kalimantan, Sulawesi, and the rest of Indonesia.

Consolidated business segment

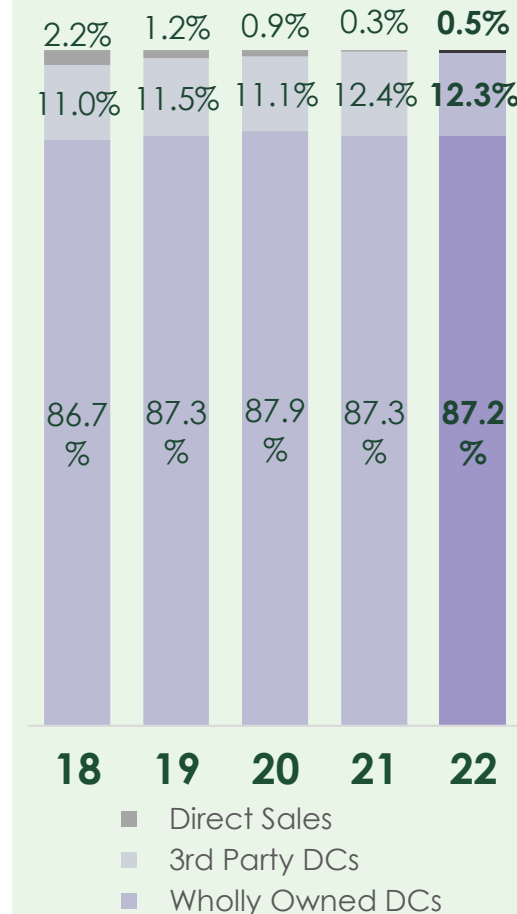
FY 2022 sales by segment



Sales by customers



Sales by distribution networks



(1) Includes paint-rollers, paint brushes, seal tape, sandpaper and others

(2) Includes roof paint, instant cement, automotive refinish and others

(3) Includes wood care and glue

Well-managed cost structure

Cost Breakdown (as % of sales)

	2018	2019	2020	2021	2022
G & A ⁽¹⁾	3.0%	3.5%	2.8%	2.7%	3.2%
Sales & Marketing ⁽²⁾	15.1%	15.8%	16.0%	13.1%	15.3%
COGS ⁽³⁾	57.1%	58.6%	56.1%	58.3%	59.4%
Total	75.2%	77.9%	74.9%	74.1%	77.9%

SG&A expenses increase as a result in DC expansion related cost, travelling cost, salary & wages, and transport cost.

Within the architectural solutions segment, the pressure on raw materials has eased.

Declining PVC resin prices put tremendous pressure on the trading goods segment.

Cost Breakdown (IDR billion)

	2018	2019	2020	2021	2022
G & A ⁽¹⁾	152	197	163	182	215
Sales & Marketing ⁽²⁾	772	898	918	889	1,027
COGS ⁽³⁾	2,926	3,324	3,213	3,954	3,977
Total	3,850	4,419	4,294	5,025	5,219

(1) G&A includes depreciation and amortization

(2) Sales and Marketing includes depreciation and amortization

(3) COGS includes depreciation and amortization

COGS breakdown

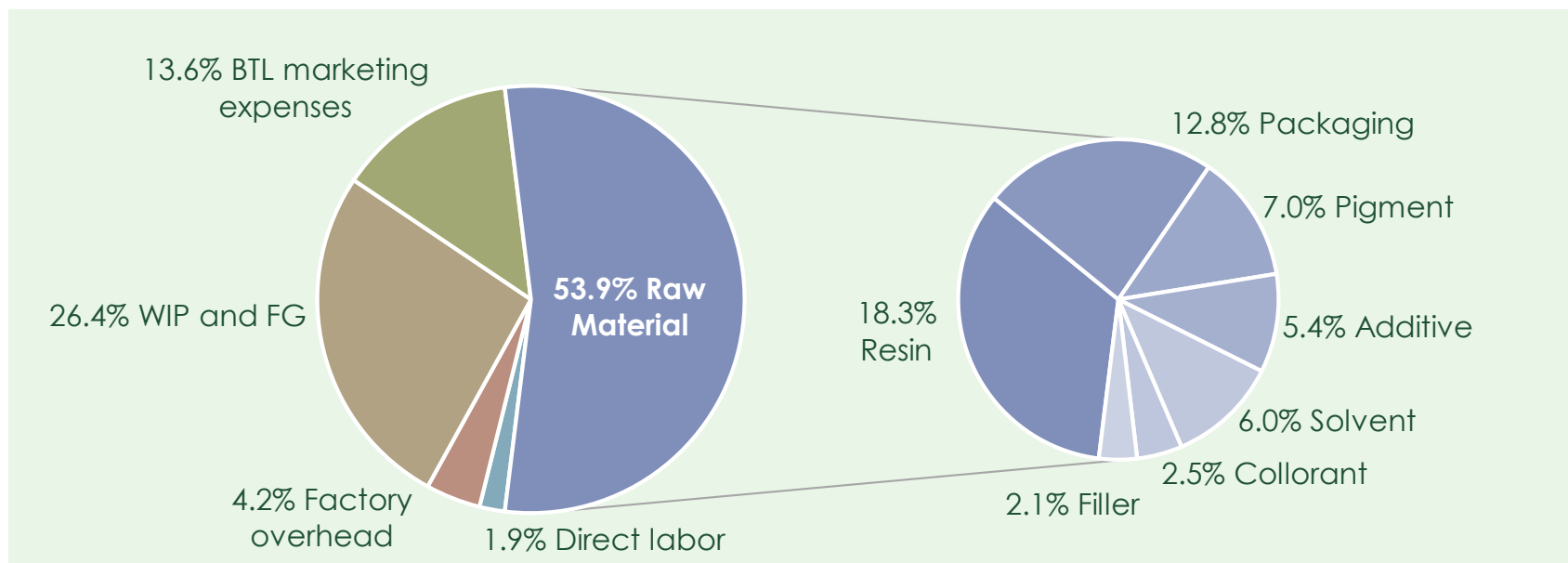
	2018	2019	2020	2021	2022
Raw materials	61.2%	51.8%	47.5%	58.2%	53.9%
Direct labor	1.9%	1.9%	2.1%	1.9%	1.9%
Factory overhead	4.2%	3.7%	4.2%	4.2%	4.2%
WIP and FG	21.9%	31.1%	33.8%	24.8%	26.4%
BTL ⁽¹⁾ marketing expenses	10.8%	11.4%	12.4%	11.0%	13.6%

Increase of BTL as a result of more aggressive marketing activities in response to the actions of competitors.

Direct labor and factory overheads as % of COGS relatively stable over the years.

Resin, packaging and solvent are linked to oil price.

~ 35% of raw materials are imported.

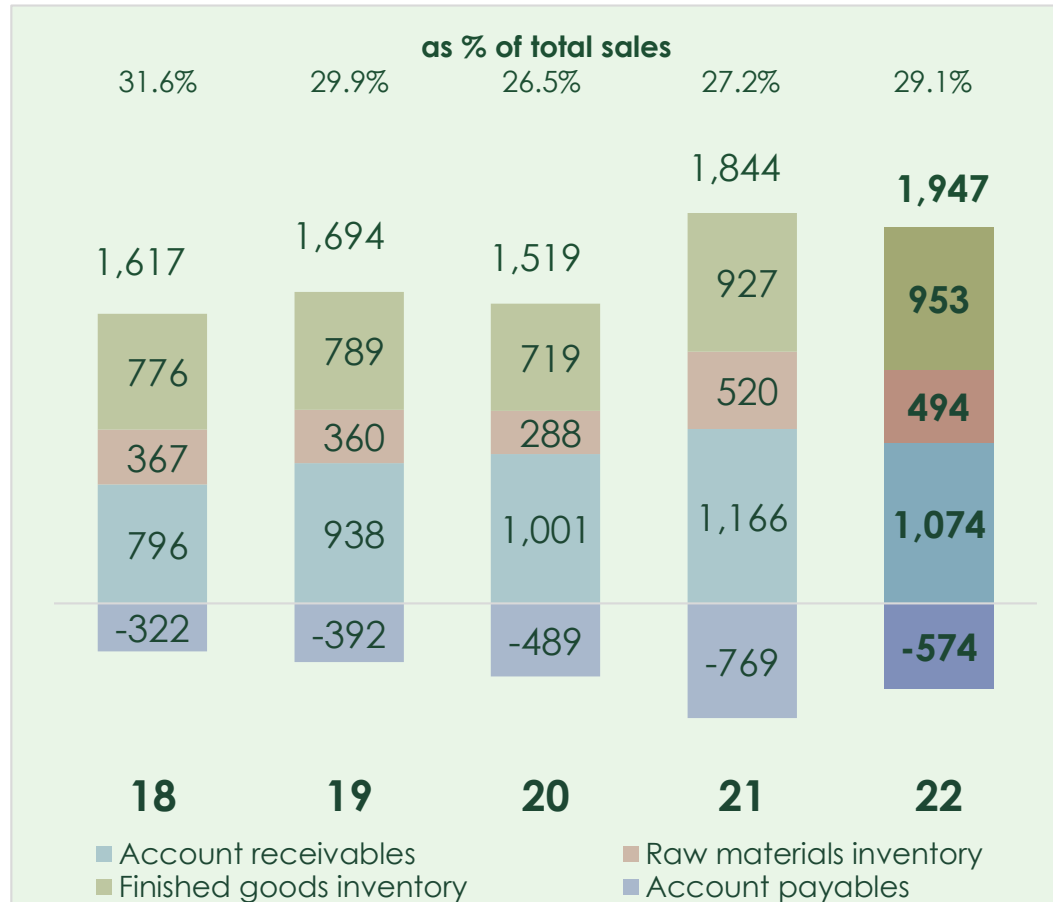


(1) Below the line marketing expenses are promotions for customers in the form of gold coins and others

Robust cash-flow generation

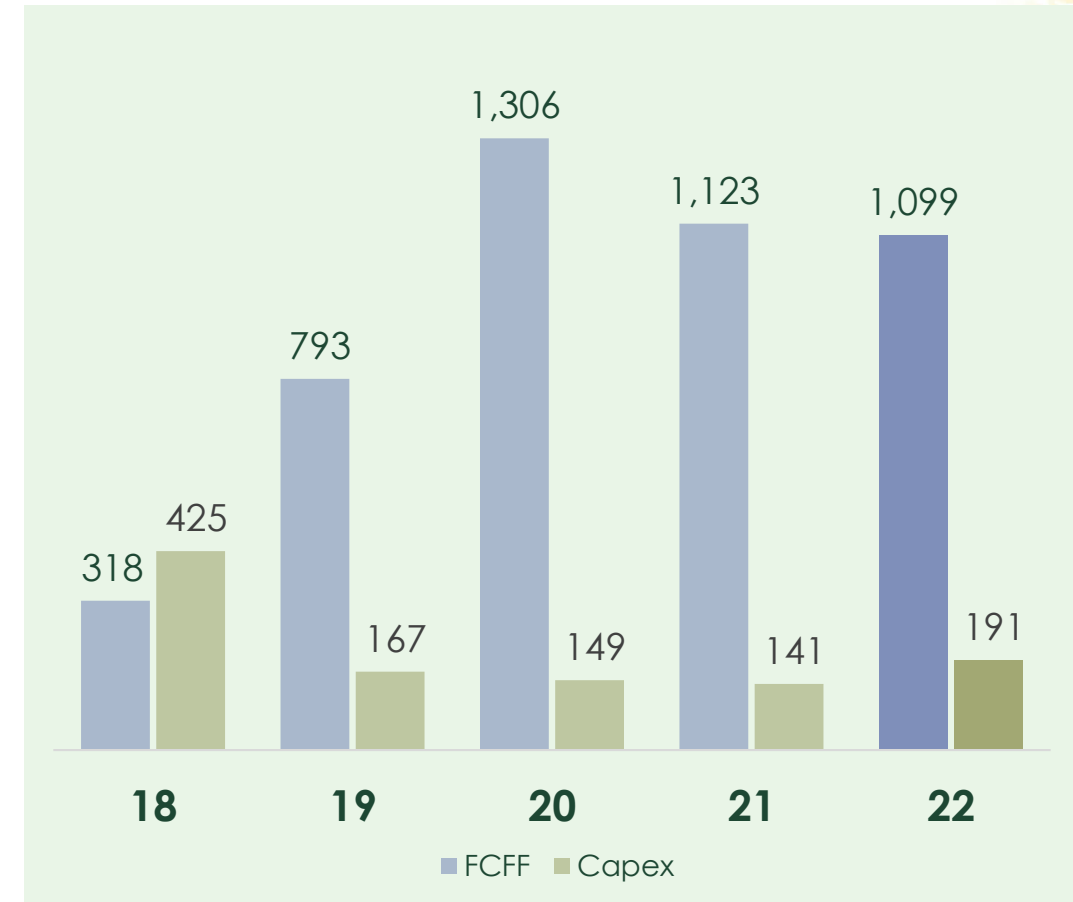
Trade working capital

(IDR billion)



Free cash flow and capex

(IDR billion)

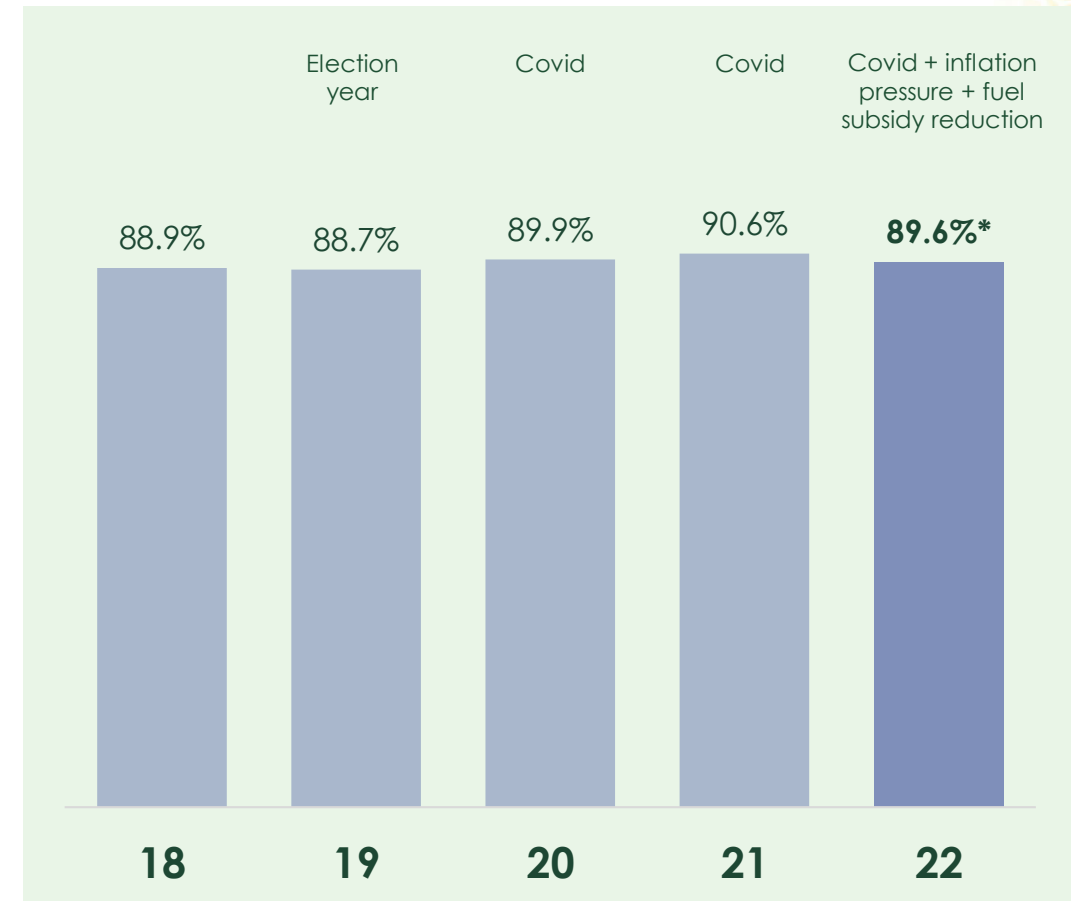


On-time account receivable collection

- Amid challenging market conditions impacted by Covid-19, inflationary pressures, as well as fuel subsidy reduction, Avian Brands has been able to achieve stable on-time account receivable (AR) collection.
- Although weak purchasing power created liquidity problems, Avian Brands has been given priority over all competitors in terms of payment.
- This is a testament to the quality of our relationships with customers across the country.



On-time collection



*On time account receivables collection up to YTD Q3 2022

Commitment in ESG - Environment



Improve energy management by obtaining ISO 50001 certification.



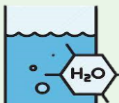
Achieve Green PROPER from Ministry of Environment and Forestry.



Achieve Green Industry Certificate from Ministry of Industry.



23.10% reduction in solid hazardous waste.



623,000 liters cleaning water waste are reused.



Planting 5,000 Acacia Curtis and Trembesi trees in Arjuno Mountain, East Java, estimated reduce emissions by 520 tonCO₂eq/year.



251,894 kWh from renewable energy with installation of solar panels.



Replace diesel forklifts with electric forklifts, Reduce emissions by 73 ton CO₂eq/year.



5.81% reduction total energy in production.



14.77% reduction of greenhouse gas emissions (scope 1 and 2).



Increase in recycle ratio of product by 142.40%.



Achieve Green Label Singapore from 16 products to 24 products.

Commitment in ESG - Social



16.25% reduction of total Recordable Injury Rate.



Achieve Certificate "PLATINUM" for handling and prevention Covid-19 from East Java Government.



Reduce Ergonomic Injuries by implementing technology that helps in manufacturing site.



Achieve Zero Accident Certificate from East Java Government.



Total 54,580 hours of training for employees in all level.



Implementing ISO 26000 to improve corporate governance.



Increase women in management roles by 20%.



Donated IDR 1.83 billions value worth of paints in CSR programs.

AVIA is listed in national and international indexes

Jakarta Islamic Index 70 (JII70)⁽¹⁾

- JII70 Index for the period of December 2022 – May 2023.
- JII70 was launched by Indonesian Stock Exchange in 2018.
- From 150 syariah companies with the largest market capitalization, 70 companies are selected based on the highest average daily transactions.

Kompas 100 Index⁽²⁾

- Kompas 100 Index for the period of February 2023 – July 2023.
- The Kompas 100 index includes 100 companies with the largest market capitalization and good liquidity performance.

IDX 80 Index⁽³⁾

- IDX80 Index for the period of February 2023 – July 2023.
- IDX80 is an index that measures the performance of 80 companies with the largest market capitalization, the highest liquidity, and good corporate fundamentals.

FTSE Global Equity Index Series APAC Ex Japan & China⁽⁴⁾

- FTSE Global Equity Index Series APAC Ex Japan & China effective as 19th of September 2022.
- AVIA was classified in the mid-cap segment.

(1) <https://doktersaham.com/saham/indeks-saham/jii70-desember-2022-mei-2023>

(2) <https://www.kontan.co.id/indeks-kompas100>

(3) <https://www.kontan.co.id/indeks-idx80>

(4) <https://pans.co.id/publikasi/ftse-global-equity-index-series-asia-pacific-ex-japan-ex-china>

Guidance for 2023

Full year 2023

- Value growth 8 – 12%.
- Volume growth 2 - 6%.
- Gross Margin and EBITDA improvements from FY 2022.
- Adding 9 new wholly owned DCs and 9 mini DCs.

Additional information

- Product expansion in wall paints, waterproofing, adhesives, sealants, instant cements, and others.
- Raw materials relatively stable.
- Routine Capex ~2% of sales.
- Expansion Capex ~2.5% of sales.
- Depreciation ~2% & amortization ~1%.
- Tax rate 22%.

Operating environment

Positives	Watching	Challenges
More disposable income through higher increase in minimum wages	National consumer spending	Higher interest rate
GDP growth projection of >5%	IDR / USD currency volatility	Weak consumer purchasing power
Organic & non-organic growth initiatives	Raw material prices fluctuations	Political tensions prior to presidential election