Avian BRANDS

PT Avia Avian Tbk

Investor Presentation
Q1 2023 Results

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Avian Brands Q1 2023 snapshot

SALES	GROSS PROFIT	EBITDA	NET PROFIT
IDR 1.8 T (US$ 117 m)	**IDR 807 B** (US$ 53 m) **45.3%**	**IDR 519 B** (US$ 34 m) **29.1%**	**IDR 417 B** (US$ 27 m) **23.4%**

EMPLOYEES	DISTRIBUTION CENTERS	COVERAGE	CUSTOMERS
8,000+	**150**	**37 Provinces** **98 Cities**	**56,000+** **Retail outlets**

Convenience translation from IDR based on average IDR/USD exchange rate in Q1 2023 of 15,193.

Q1 financial performance highlights

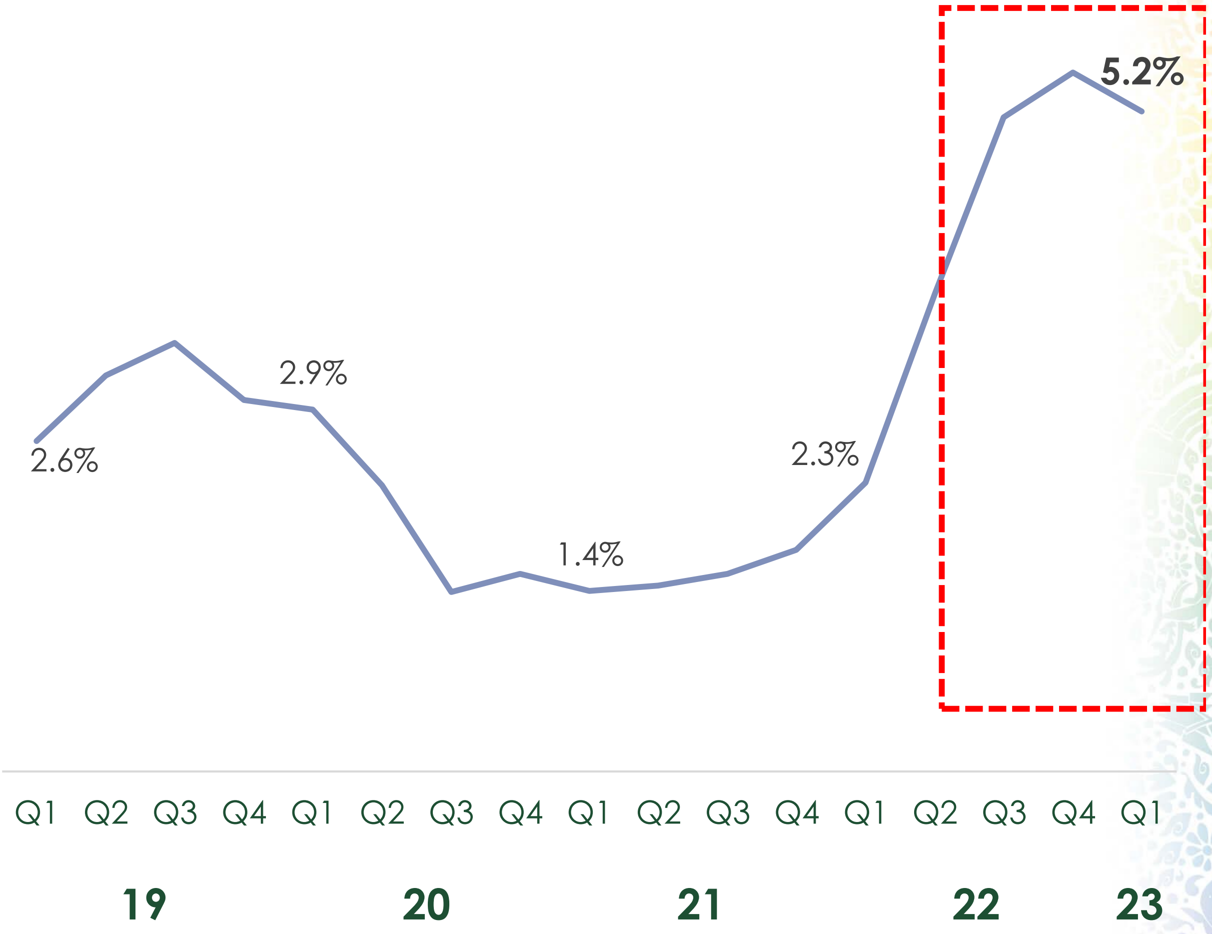
In IDR billion (except per share data)	Q1 2023	Q1 2022	Change
Consolidated sales	**1,782**	**1,639**	**8.7%**
Architectural solutions	1,491	1,341	11.2%
Trading goods	290	298	-2.5%
Gross profit	**807**	**669**	**20.6%**
Architectural solutions	754	604	24.8%
Trading goods	53	64	-18.3%
Gross margin	**45.3%**	**40.8%**	**4.5%**
Architectural solutions	50.6%	45.1%	5.5%
Trading goods	18.1%	21.6%	-3.5%
EBITDA	**519**	**458**	**13.5%**
EBITDA margin	**29.1%**	**27.9%**	**1.2%**
Net income	**417**	**385**	**8.3%**
Net income margin	**23.4%**	**23.5%**	**-0.1%**
EPS	**6.7**	**6.2**	**8.3%**

- Consolidated sales increased 8.7%, driven by growth in the architectural solutions segment.
- Architectural solutions segment grew by 11.2%, driven by double-digit growth in the wall, waterproofing and wood & metal categories.
- The trading goods segment, particularly PVC pipes category, continues to face pressure from intensifying competition. Nevertheless, we continue to make progress and believe that our performance will improve this year.
- In the architectural solutions segment, most raw material prices have remained fairly stable. This led to a significant improvement in gross margin.
- The EBITDA margin improved due to sales growth combined with the improvement in the gross margin.

Business update in Q1

- The impact of high inflation continued in the first quarter, affecting various industries in Indonesia. Nevertheless, the trend is starting to decline as the Bank of Indonesia expects lower inflation this year.
- Total minimum wage increases since 2021 continue to lag behind building materials price inflation. There is still a gap of around 10%.
- A quick comparison with other sectors, namely the ceramic tile, consumer goods and agri-food industries, shows weaknesses in Q1 demand.
- In terms of input costs, raw material prices have remained stable in first quarter of this year. Nevertheless, there are always unpredictable external influences such as the war between the Ukraine and Russia, as well as the tensions between China and the US.

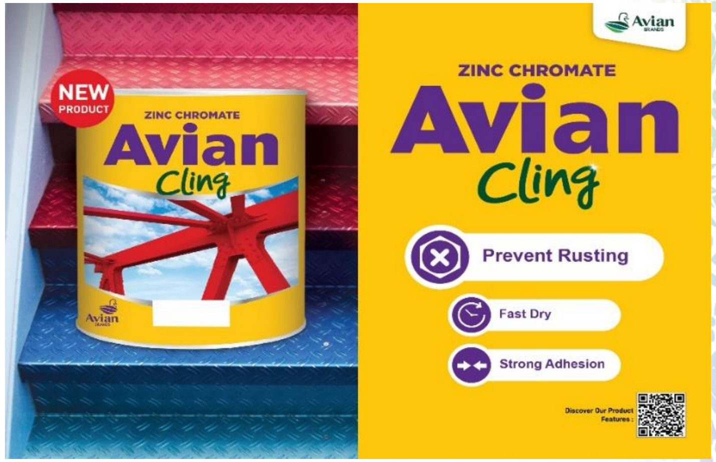
Indonesia Inflation Rate[1]



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

New product launched in Q1

Marine & protective	Wall	Wood & metal
▪ **Admiral Anti Fouling** and **Admiral Thinner Serbaguna** were launched on January 19, 2023. These products were introduced to strengthen our position in the budget marine segment. ▪ More than 760 and 470 retail outlets participated in Q1, respectively.	▪ **Brilliant Interior** and **Brilliant Exterior** were launched on February 1, 2023. Both products are Singapore Green Label certified. ▪ These products are offered to select customers only. More than 380 retail outlets took part in this limited product launch during Q1.	▪ **Avian Cling Zinc Chromate** was launched on February 8, 2023. In addition to preventing rust, this product has fast drying and strong adhesive properties. ▪ More than 1,300 retail outlets have participated in less than 2 months after its launch.



Modern retail outlets expansion

Avian BRANDS

- Avian Brands has succeeded in making a breakthrough in Ace Hardware's modern retail outlets.
- For the full year 2022, Ace Hardware has more than 220 retail outlets across the country.
- No Drop Anti Panas and No Drop waterproofing products were offered in 30 Ace Hardware’s outlets in February 2023. In March 2023, additional 20 outlets decided to carry our products.
- This is an important step for us to increase our brand presence in the largest modern retail outlets in the country.

Distribution centers expansion

Benefits from continued expansion of distribution centers:

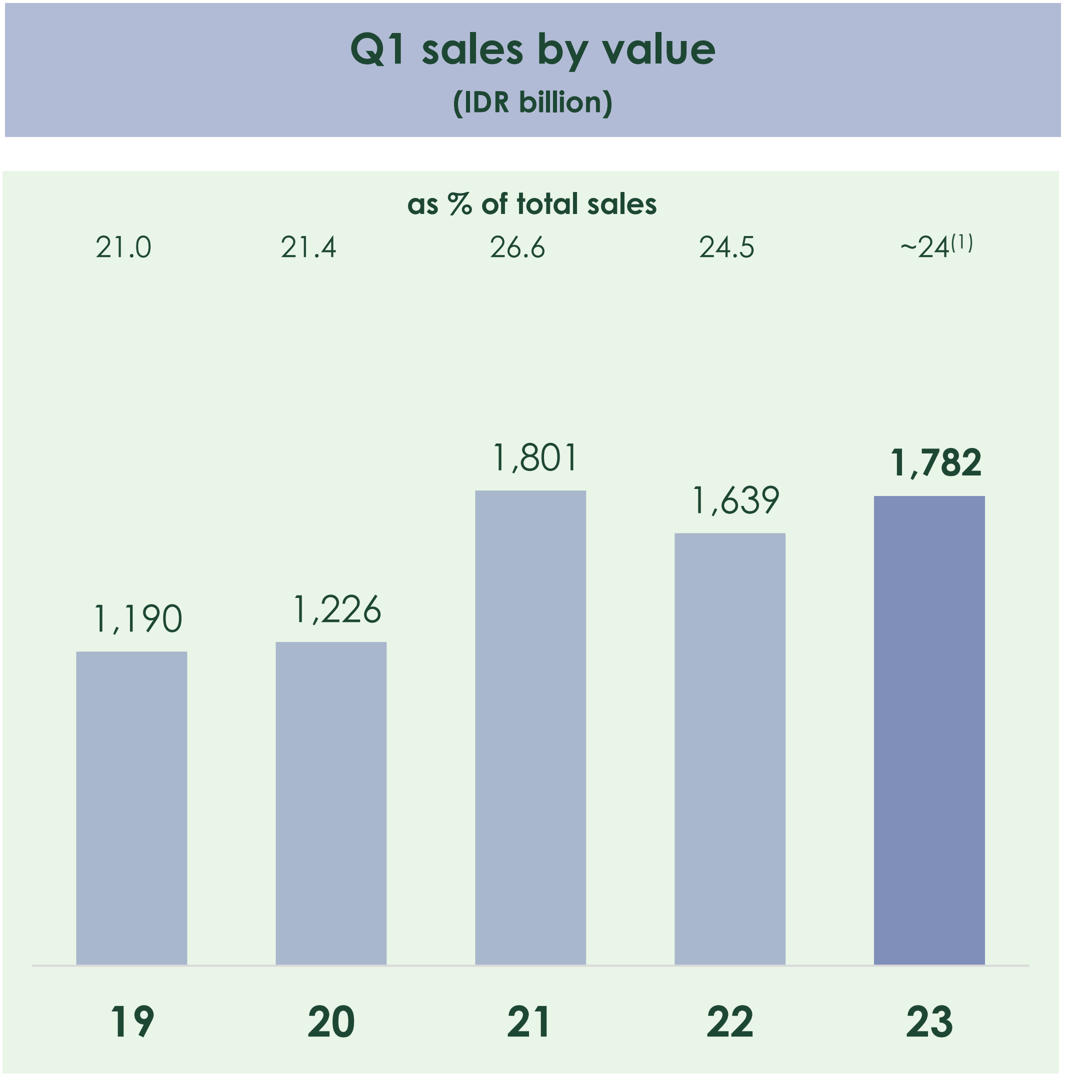
- Improve product penetration and provide superior quality of service.
- Enhance customer relationships.
- Increase inventory management and minimize loss opportunity.

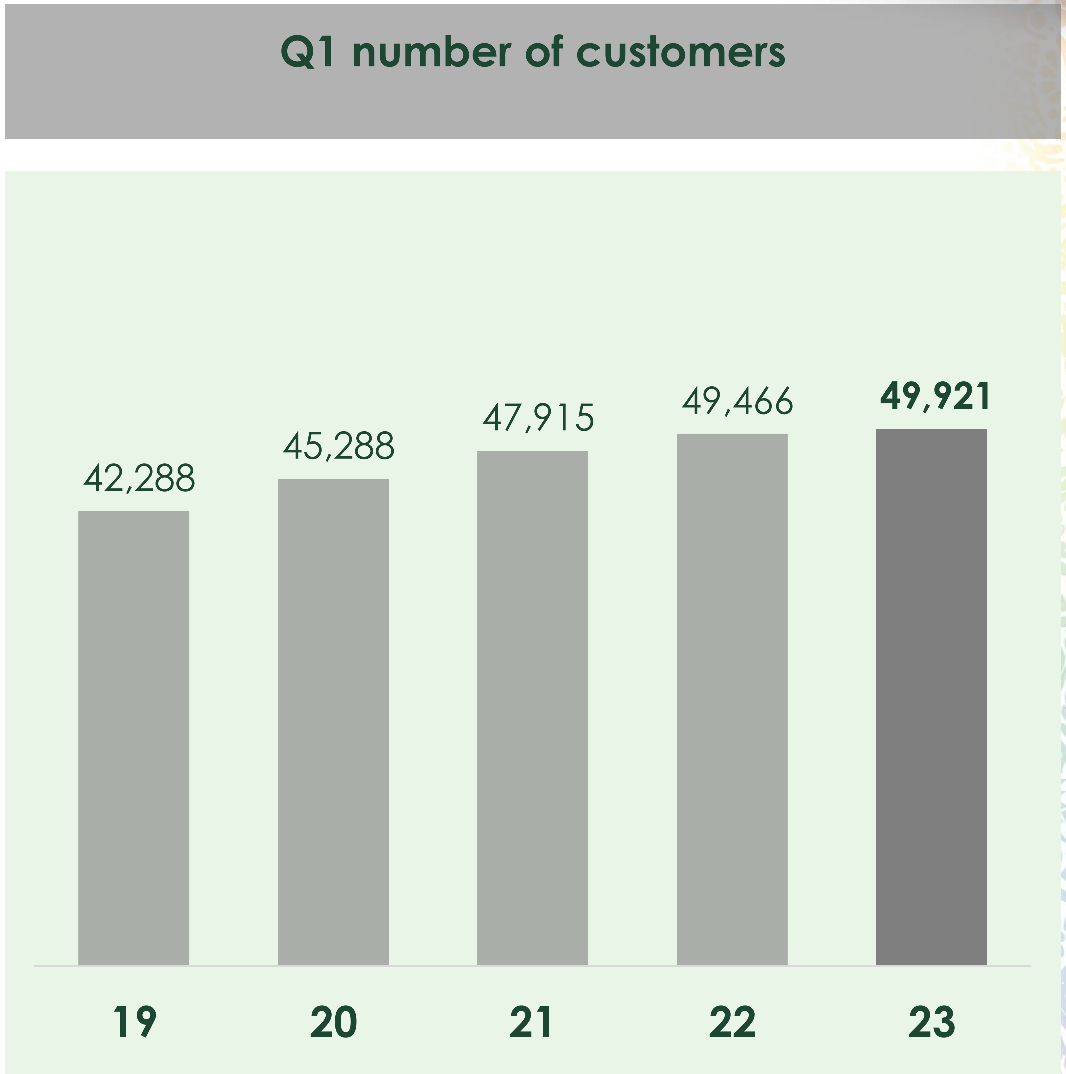
Wholly owned DC logistics & delivery fleet

- In Q1 2023, we opened 4 wholly-owned DCs and 6 new mini DCs.
- We own and operate 597 delivery trucks that allow us to make ~10,000 deliveries per day.
- We focus to streamline our delivery process with logistics automation that improves real-time process, visibility and data accuracy, creating lean and efficient processes without redundancies, waste and errors in deliveries. This led to 97%* 1-day delivery service fulfilment.

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

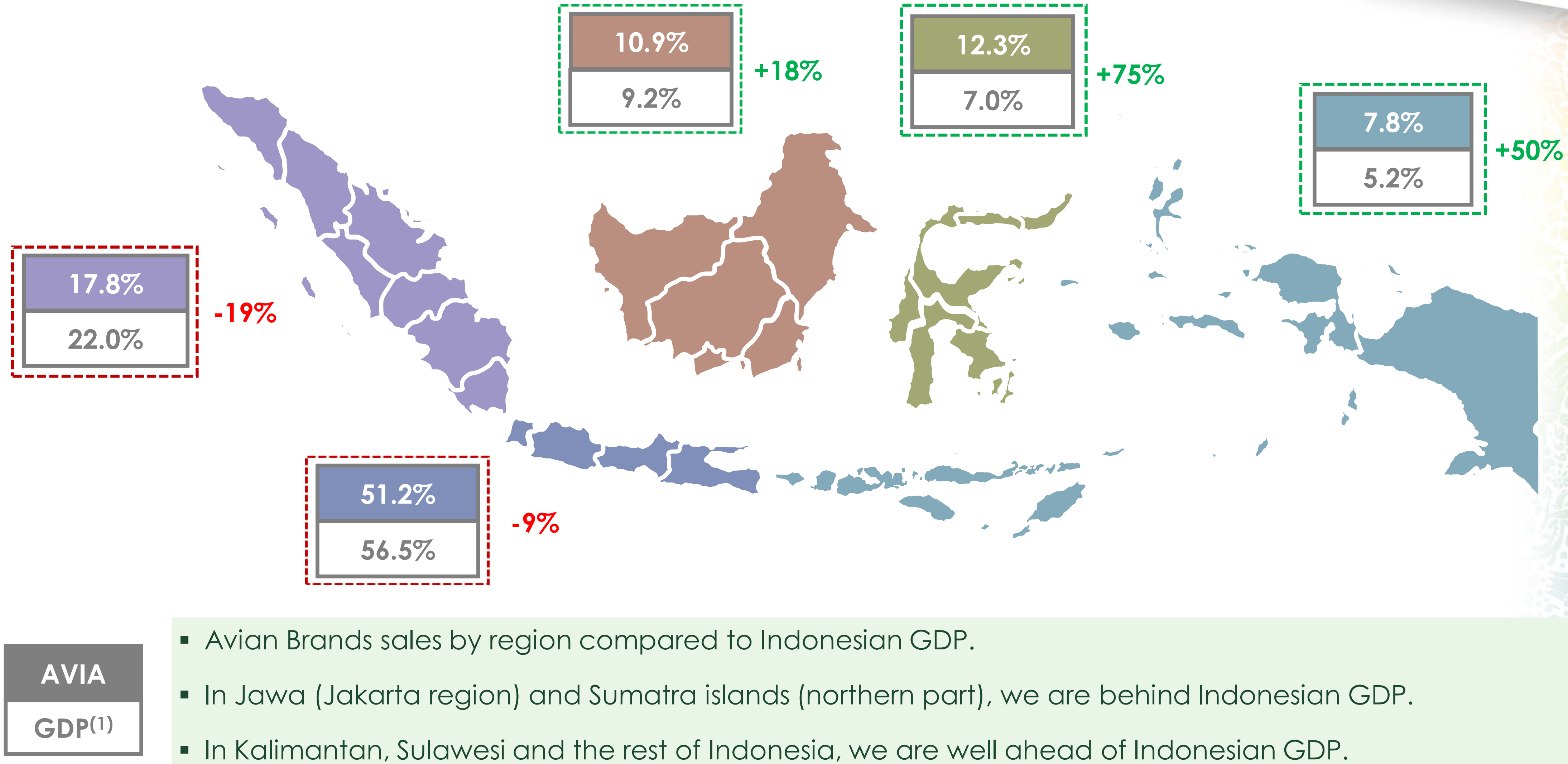
Consolidated business segment





(1) based on management estimation

Q1 sales split by regions

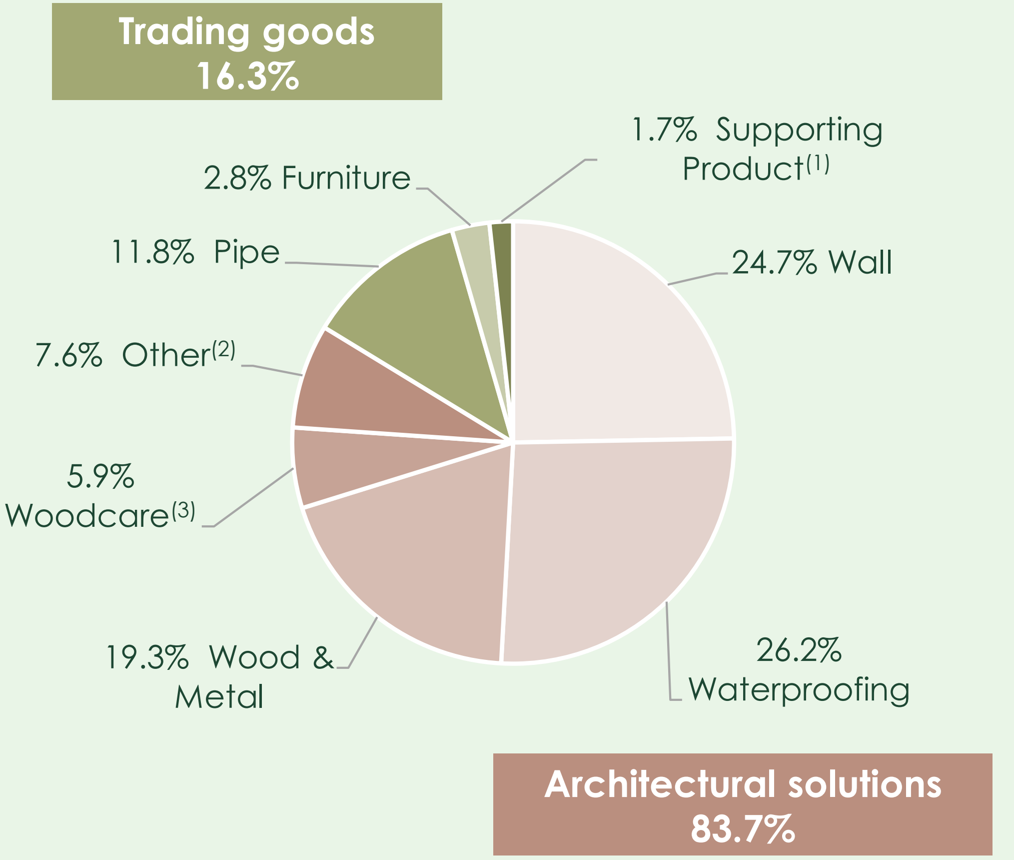


- Avian Brands sales by region compared to Indonesian GDP.
- In Jawa (Jakarta region) and Sumatra islands (northern part), we are behind Indonesian GDP.
- In Kalimantan, Sulawesi and the rest of Indonesia, we are well ahead of Indonesian GDP.

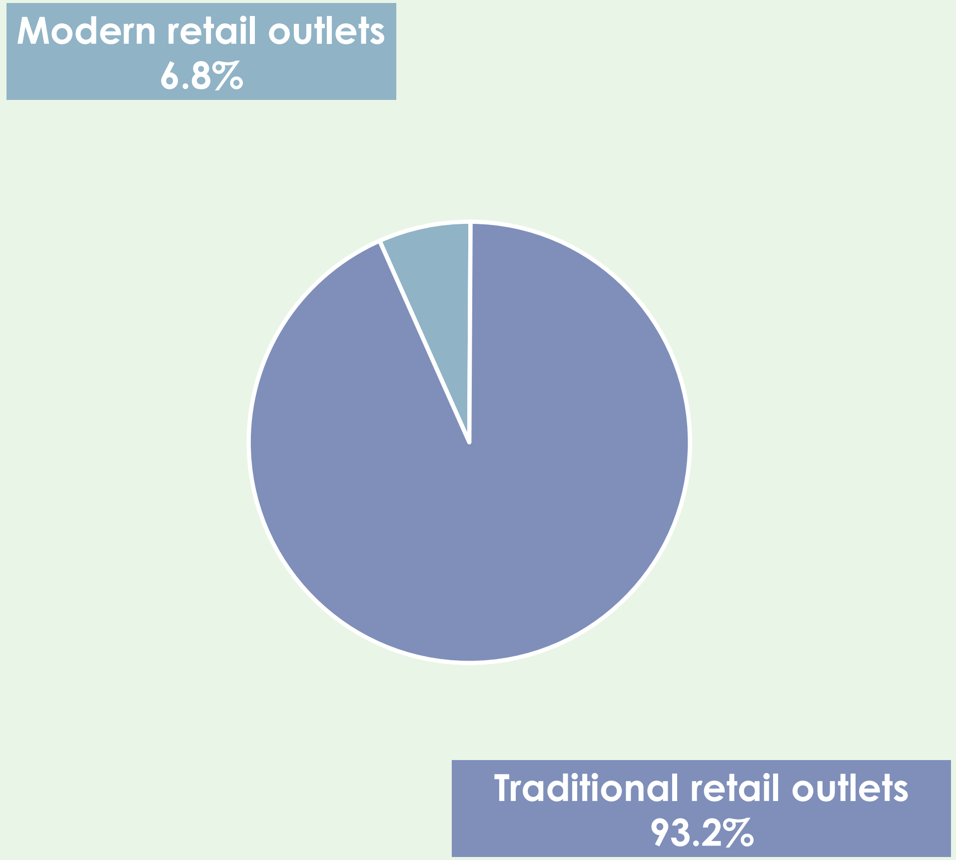
(1) Berita Resmi Statistik – Pertumbuhan Ekonomi Indonesia Tahun 2022; management calculation

Consolidated business segment

Q1 sales by segment



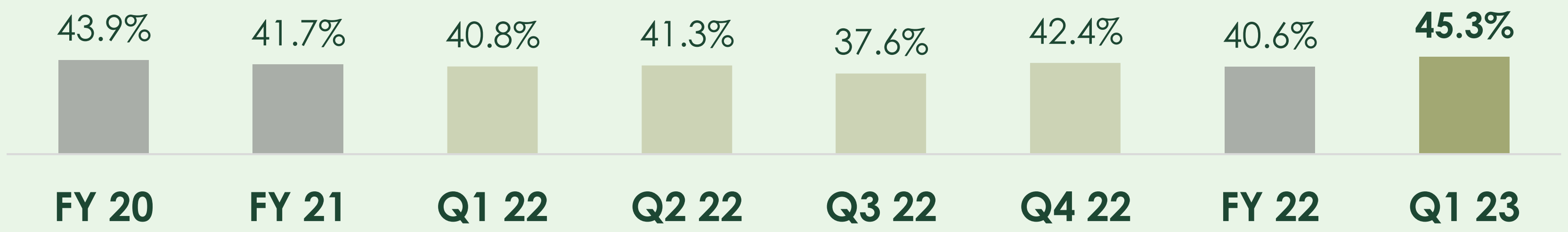
Q1 sales by customers



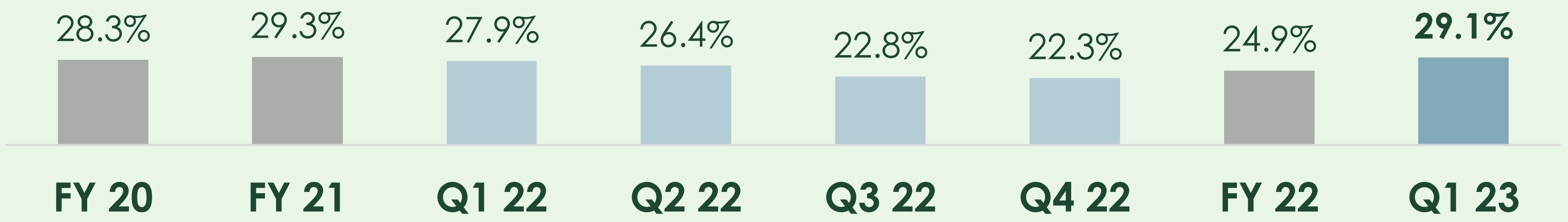
(1) Includes paint-rollers, paint brushes, seal tape, sandpaper and others
(2) Includes roof paint, instant cement, automotive refinish and others
(3) Includes wood care and glue

Consolidated business segment - margin

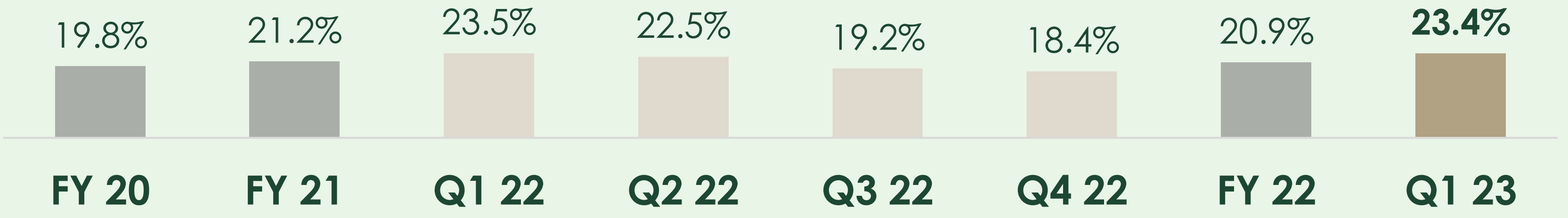
Quarterly Gross margin



Quarterly EBITDA margin

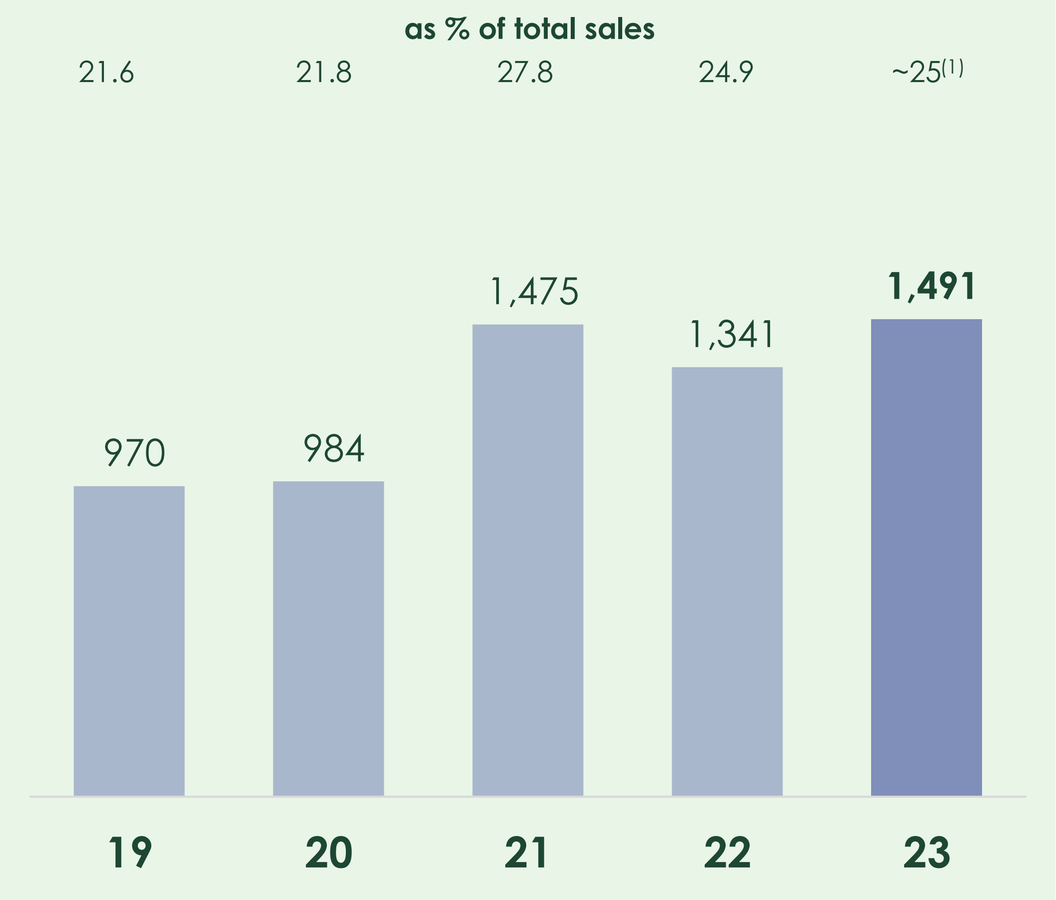


Quarterly Net income margin

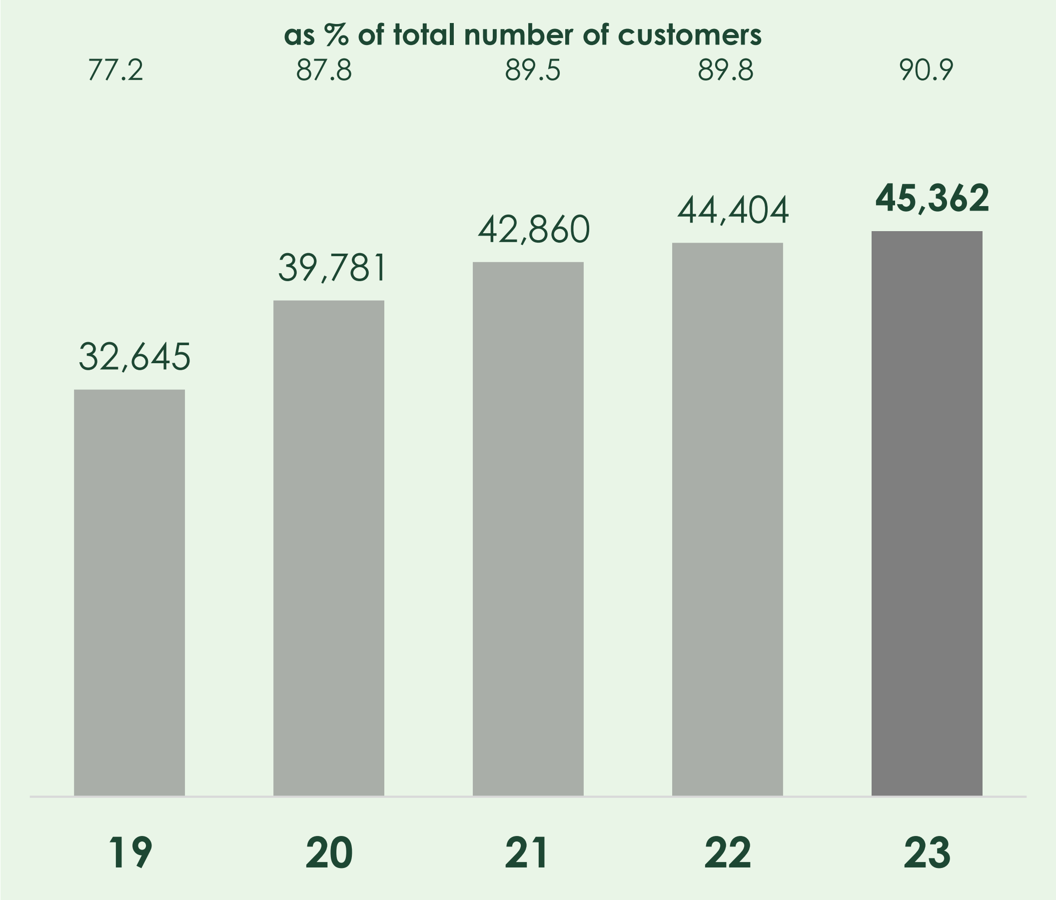


Architectural solutions segment

Q1 sales by value
(IDR billion)



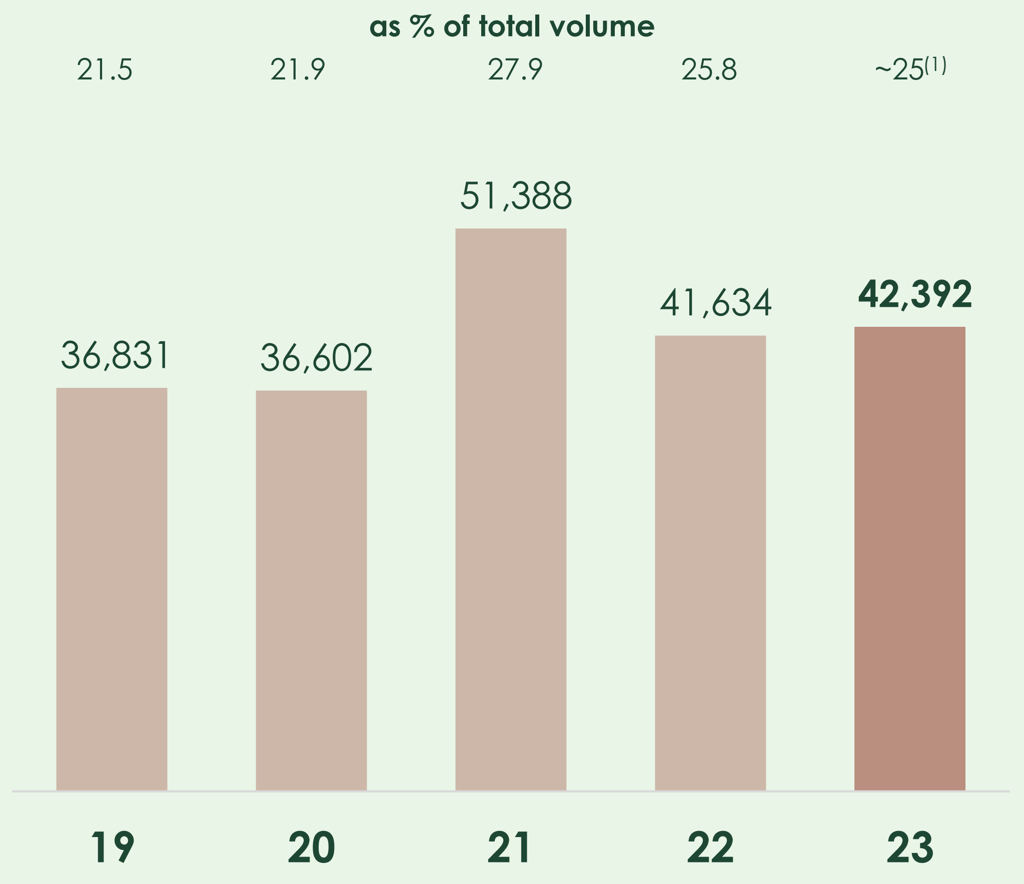
Q1 number of customers



(1) based on management estimation

Architectural solutions segment - volume

Q1 sales by volume(2)
(metric ton)

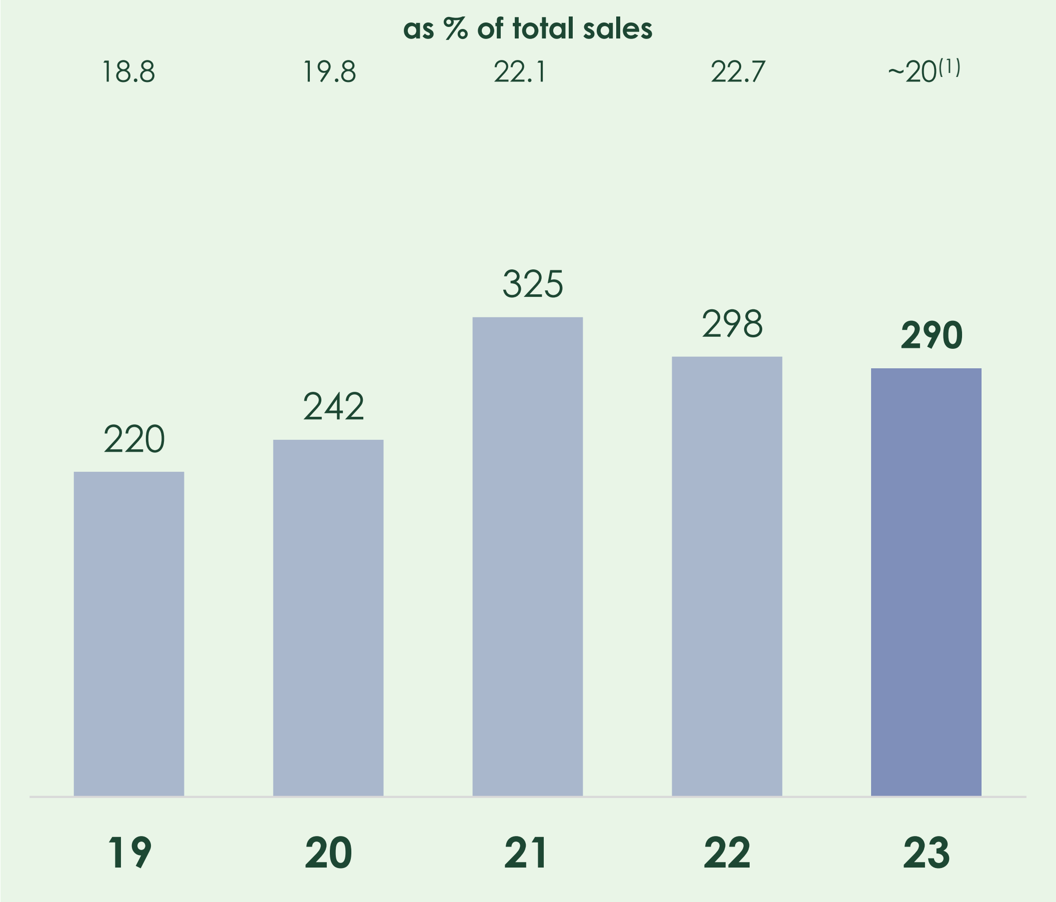


- Volume increased by 1.8% compared to the same quarter last year, driven by growth in the wall category.
- In mid-tier wall category, Avitex Gold sales trend was very robust.
- In economical-priced wood & metal category, Avian Cling has been well received in the market and has attracted customers affected by weaker purchasing power.
- In contrast to last year, there were no price increases in the first quarter of this year due to the stabilization of raw material prices. Solvent-based products continue to be under slight pressure from rising raw material prices.
- In order to grab new market and gain more volume in the architectural solutions segment, we decided to strengthen our project division in this quarter.

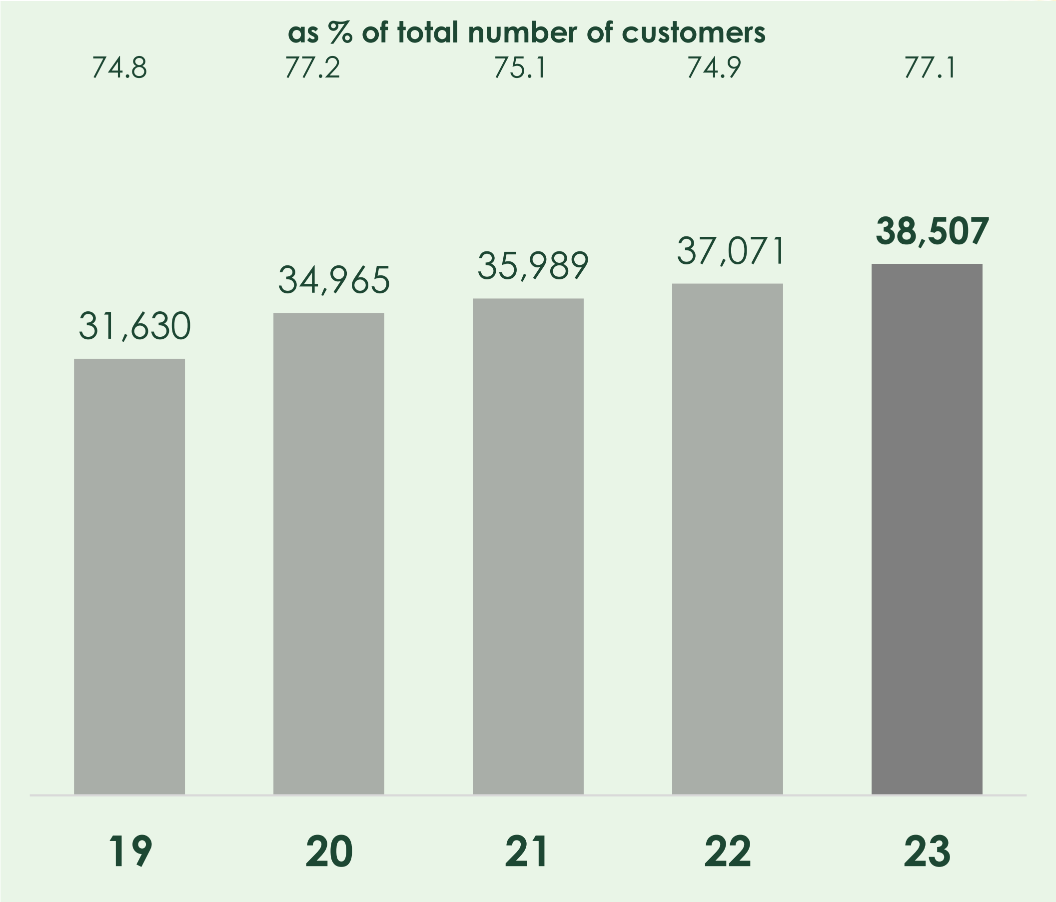
(1) based on management estimation
(2) Excluding instant cement

Trading goods segment

Q1 sales by value
(IDR billion)



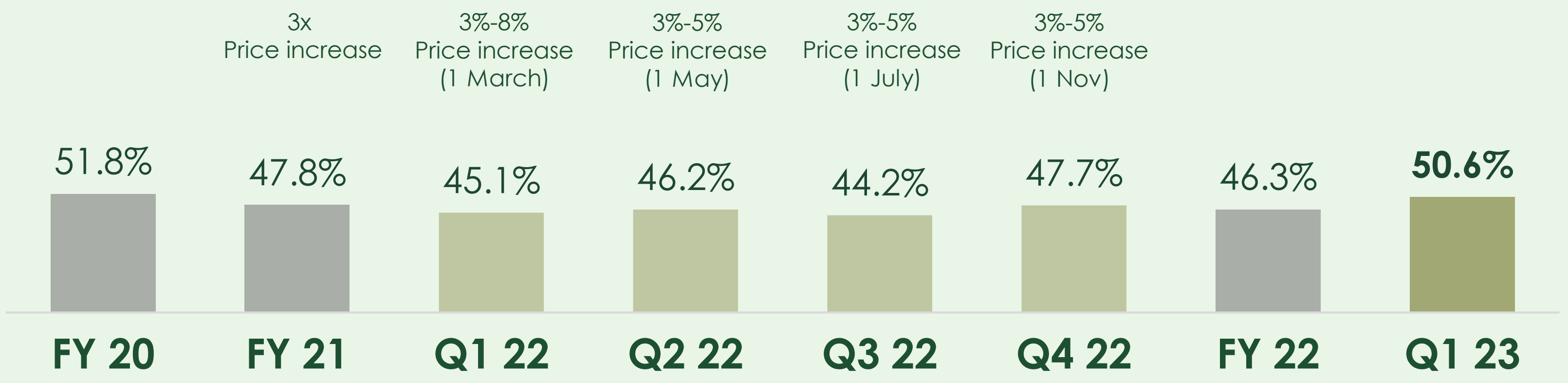
Q1 number of customers



(1) based on management estimation

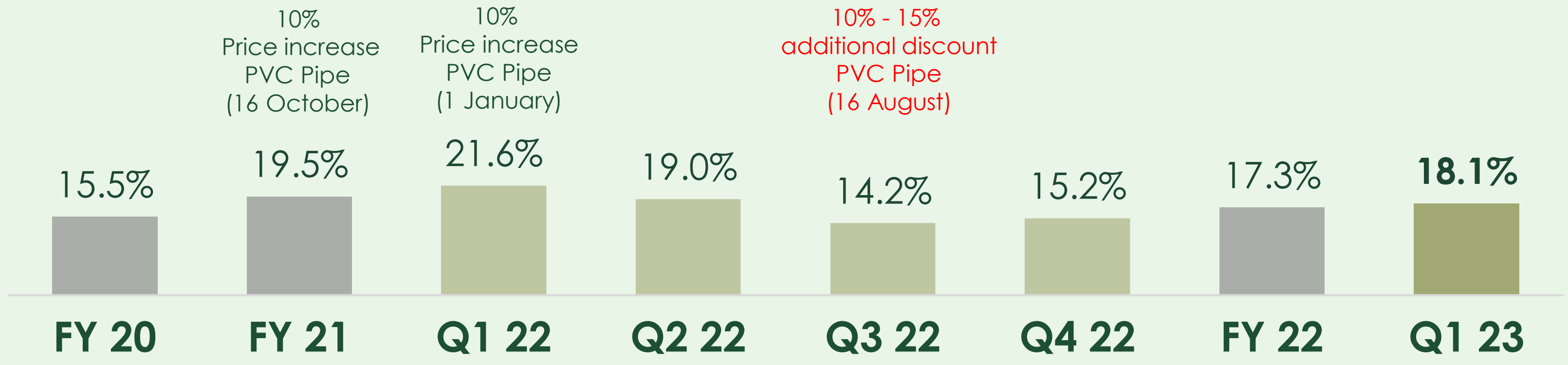
Quarterly gross margin

Architectural solutions segment



- Gross margin for the architectural solutions segment significantly improved in the first quarter.
- Prices for majority of our raw materials are quite stable.

Trading goods segment



- The gross margin continued to normalize in the trading goods segment.
- Competition in the PVC pipes category remained extremely fierce.

Well-managed cost structure

Cost Breakdown (as % of sales)

	2019	2020	2021	2022	Q1 23
G & A(1)	3.5%	2.8%	2.7%	3.2%	2.9%
Sales & Marketing(2)	15.8%	16.0%	13.1%	15.3%	15.1%
COGS(3)	58.6%	56.1%	58.3%	59.4%	54.7%
Total	**77.9%**	**74.9%**	**74.1%**	**77.9%**	**72.7%**

Cost Breakdown (IDR billion)

	2019	2020	2021	2022	Q1 23
G & A(1)	197	163	182	215	52
Sales & Marketing(2)	898	918	889	1,027	268
COGS(3)	3,324	3,213	3,954	3,977	975
Total	**4,419**	**4,294**	**5,025**	**5,219**	**1,295**

- G&A expenses declined in the first quarter, supported by the top line growth.

- Sales & marketing costs fell slightly in the first quarter, although travel and other costs rose back to normal levels.

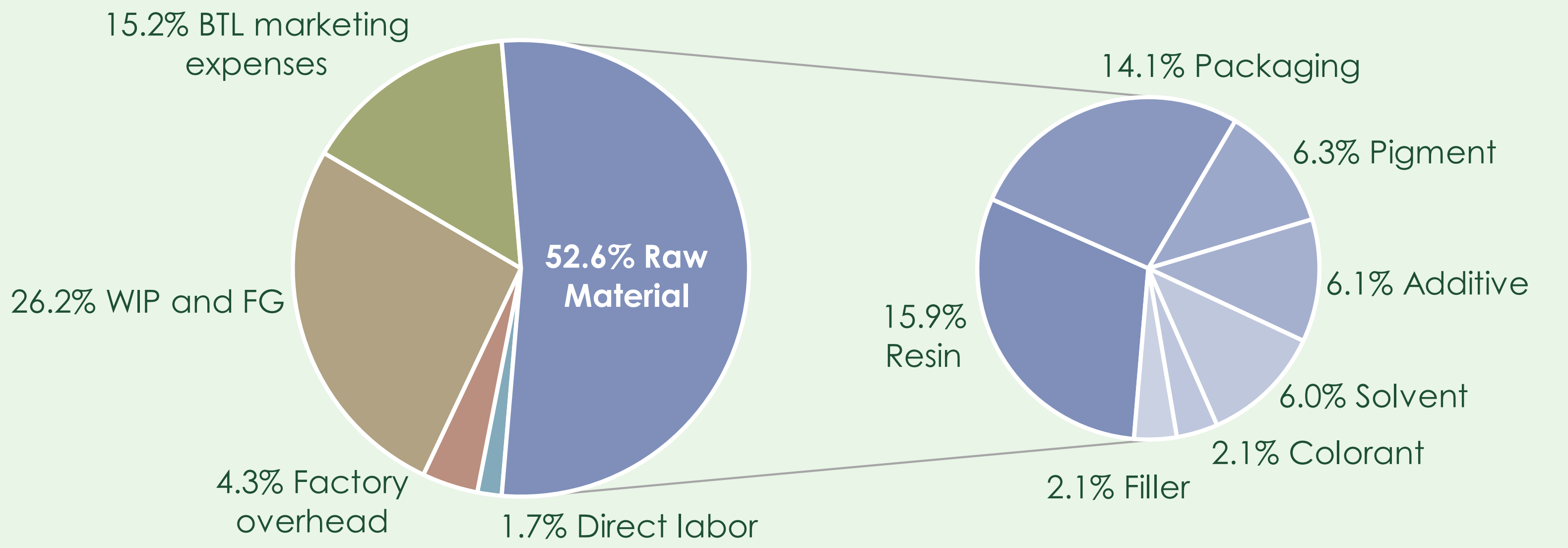
- Stabilization of raw material prices led to a decline in COGS as a % of sales.

(1) G&A includes depreciation and amortization
(2) Sales and Marketing includes depreciation and amortization
(3) COGS includes depreciation and amortization

COGS breakdown

	2019	2020	2021	2022	Q1 23
Raw materials	51.8%	47.5%	58.2%	53.9%	52.6%
Direct labor	1.9%	2.1%	1.9%	1.9%	1.7%
Factory overhead	3.7%	4.2%	4.2%	4.2%	4.3%
WIP and FG	31.1%	33.8%	24.8%	26.4%	26.2%
BTL[1] marketing expenses	11.4%	12.4%	11.0%	13.6%	15.2%[2]

- Raw materials and direct labor as a % of COGS declined due to improvement in the top line.

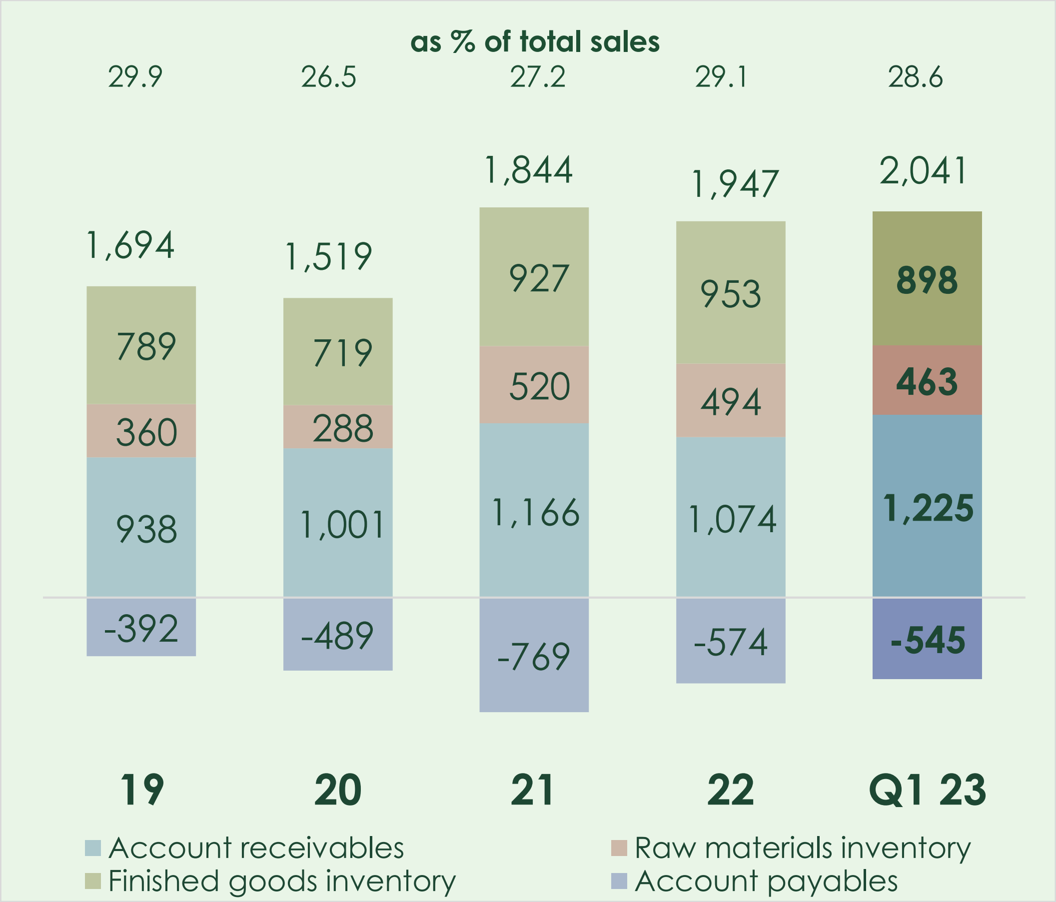


- BTL spending on the new mid-tier wall category (Avitex Gold) proved to be quite successful. We have gained market share in this segment.

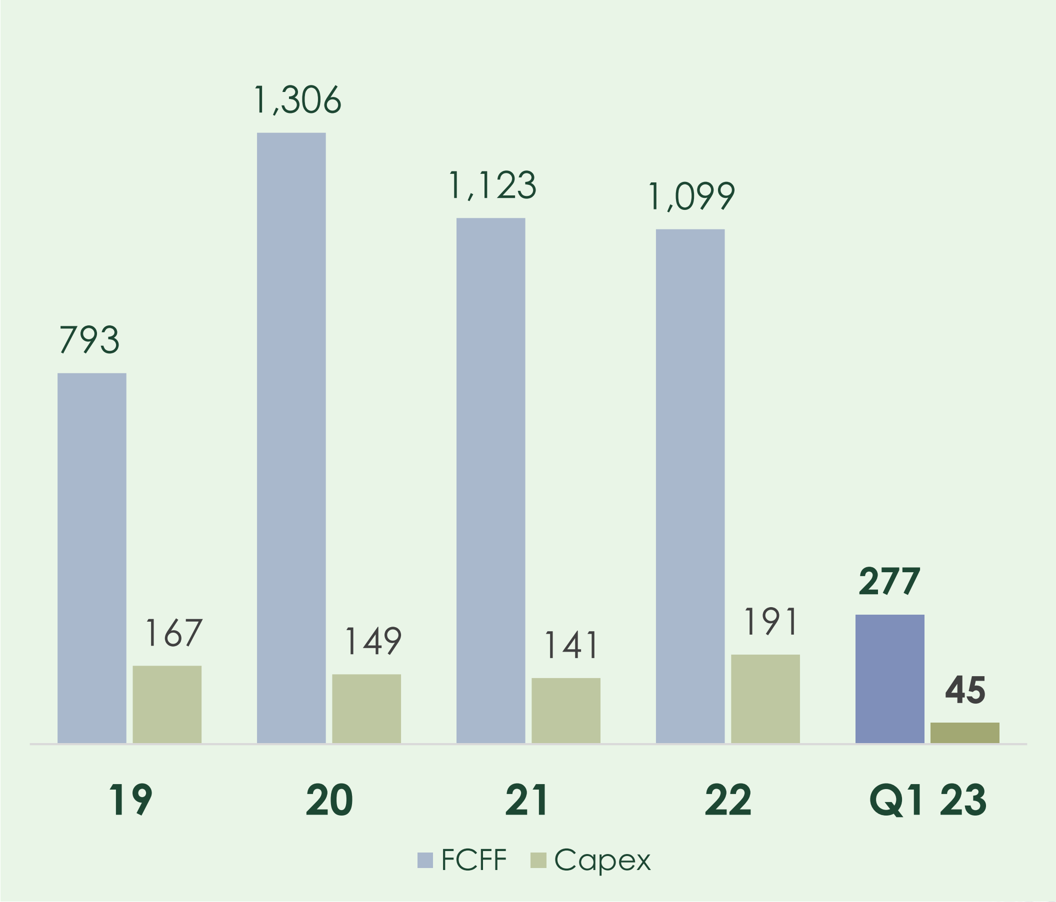
(1) Below the line marketing expenses are promotions for customers in the form of gold coins and others
(2) BTL for existing products dropped to ~13%. BTL for new wall paints account for ~2%

Robust cash-flow generation

Trade working capital
(IDR billion)

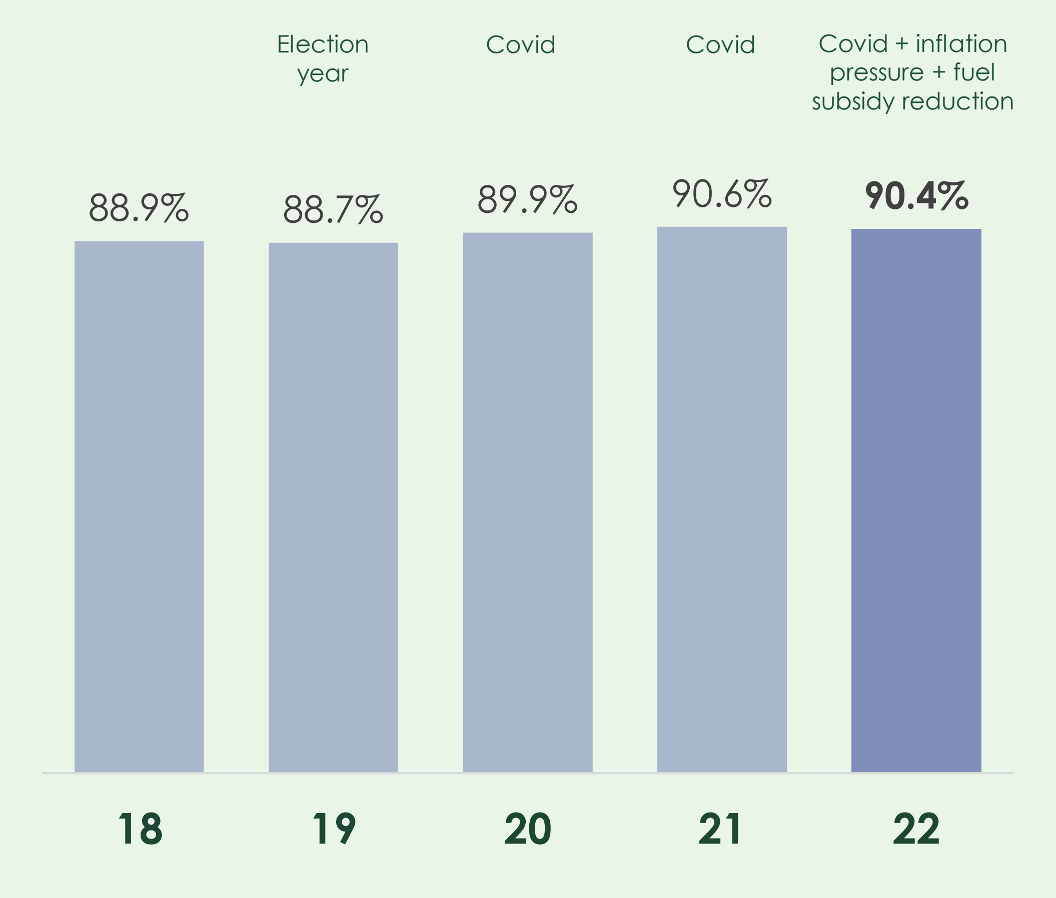


Free cash flow and capex
(IDR billion)



Management of account receivable & fraud

On-time collection



Uncollectible receivables & internal fraud (as % of sales)

	2018	2019	2020	2021	2022
Sales team	0.0020	0.0023	0.0000	0.0012	0.0000
Non-sales team	0.0004	0.0000	0.0000	0.0001	0.0000
Retail outlets	0.0000	0.0000	0.0000	0.0000	0.0000
Total	**0.0023**	**0.0024**	**0.0000**	**0.0013**	**0.0000**

Uncollectible receivables & internal fraud (IDR milion)

	2018	2019	2020	2021	2022
Sales team	102	132	1	80	0
Non-sales team	18	2	0	6	0
Retail outlets	0	0	0	0	0
Total	**120**	**134**	**1**	**86**	**0**

Guidance for 2023

Sales projection FY 2023:

- Value growth 8 – 12%.
- Volume growth 2 - 6%.

Planned actions in Q2 and Q3:

- In May, we will implement a price hike for most of our solvent-based products (wood & metal, wood care, and others) in responding to pressures from solvent-based related raw materials.
- Adding more tinting machines in retail outlets. As the Indonesian paint industry evolves into a more mature market, we want to be in the best position to take advantage of opportunities when market shifts occur.
- Expansion of distribution centres will continue.
- New product launches will take place as planned.
- Continue to increase contribution from project division as well as other subsidiaries.
- Numerous ESG improvements.