PT Avia Avian Tbk

Investor Presentation
Q2 2023 Results

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Avian Brands Q2 2023 snapshot

SALES	GROSS PROFIT	EBITDA	NET PROFIT
IDR 1.7 T (US$ 116 m)	**IDR 777 B** (US$ 52 m) **45.0%**	**IDR 495 B** (US$ 33 m) **28.7%**	**IDR 390 B** (US$ 26 m) **22.6%**

EMPLOYEES	DISTRIBUTION CENTERS	COVERAGE	CUSTOMERS
8,000+	**151**	**38 Provinces** **99 Cities**	**56,000+** **Retail outlets**

Convenience translation from IDR based on average IDR/USD exchange rate in Q2 2023 of 14,838

Q2 financial performance highlights

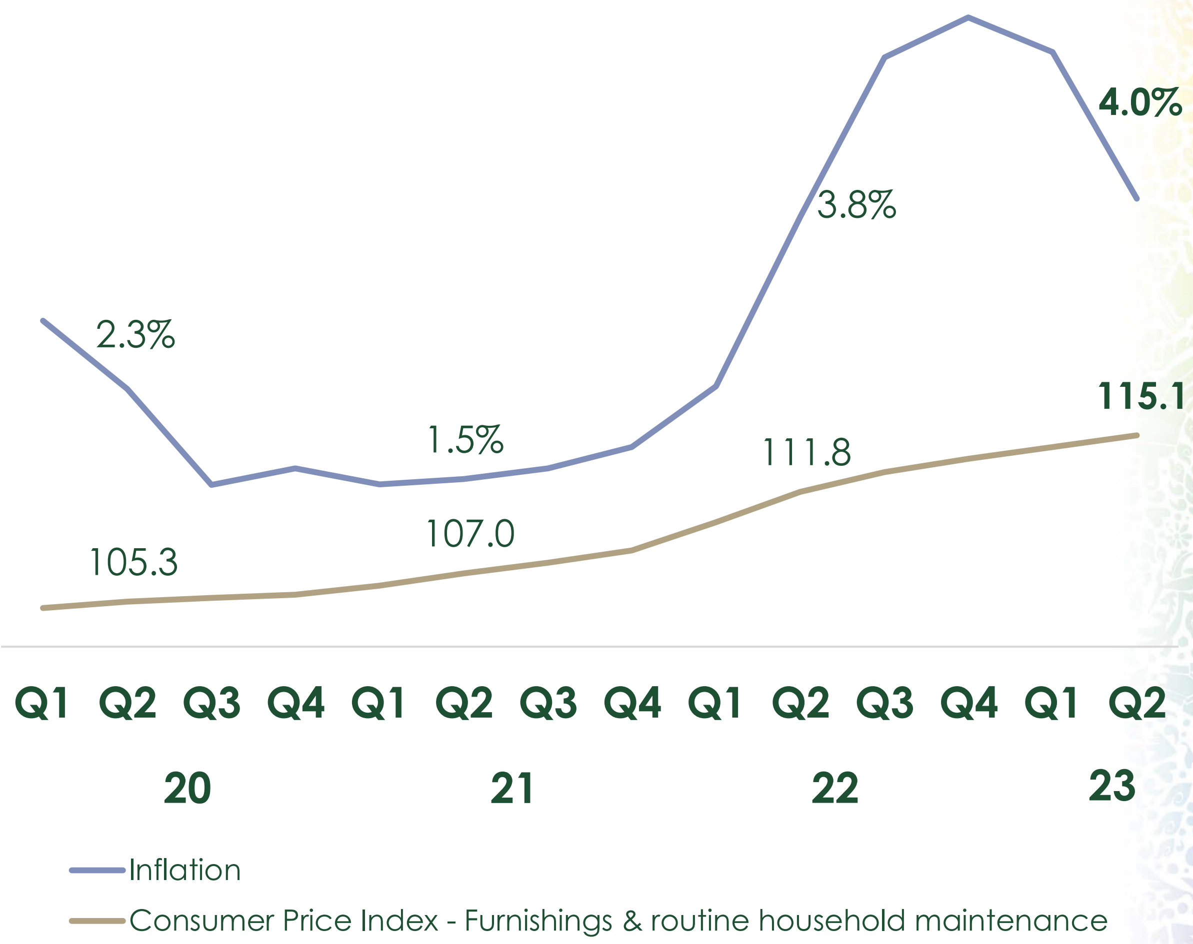
In IDR billion (except per share data)	Q2 2023	Q2 2022	Change
Consolidated sales	**1,726**	**1,740**	**-0.8%**
Architectural solutions	1,397	1,428	-2.2%
Trading goods	330	312	5.6%
Gross profit	**777**	**718**	**8.2%**
Architectural solutions	718	659	8.9%
Trading goods	59	59	-0.1%
Gross margin	**45.0%**	**41.3%**	**3.7%**
Architectural solutions	51.4%	46.2%	5.2%
Trading goods	17.9%	19.0%	-1.0%
EBITDA	**495**	**460**	**7.7%**
EBITDA margin	**28.7%**	**26.4%**	**2.3%**
Net income	**390**	**392**	**-0.3%**
Net income margin	**22.6%**	**22.5%**	**0.1%**
EPS	**6.3**	**6.3**	**-0.3%**

- Consolidated sales in Q2 were flat compared to last year. There was a last bite for the architectural solutions segment last year.
- The trading goods segment performed better than the architectural solutions segment, driven by double-digit growth in the PVC pipe category. Nevertheless, competition within the PVC pipe category remains intense.
- Gross margin for the architectural solutions segment improved in Q2 supported by stabilization of raw material prices.
- In the trading goods segment, gross margin continues to normalize since Q1 of this year.
- The EBITDA margin improved driven by the improvement in the gross margin.

Business update in Q2

- The inflation rate is declining for the first time since the beginning of 2022 and has touched the 4% mark.
- Price inflation impacting consumers' purchasing power is still evident in Q2, as shown by the high CPI for the furnishings & routine household maintenance category.
- The increase in minimum wages in Indonesia is still lagging behind the building material price inflation.
- In addition, increasing layoffs have further weakened the purchasing power of consumers, especially those in the lower income brackets, as shown by the increase in government unemployment insurance claims[2].
- The same weakness was seen in the consumer goods and ceramic tile segments, where two FMCG companies reported sales declines of 12% and 8%, respectively, and one ceramic tile company reported a decline of 8%.

Indonesia inflation rate & CPI[1]



(1) Bank Indonesia
(2) Employees Social Security System *(BPJS Ketenagakerjaan)*

New products launched in Q2

Marine

- **Admiral Wood Filler Epoxy** was launched on April 1, 2023.
- This is the first epoxy adhesive with sawdust in Indonesia.
- More than 900 retail outlets participated in Q2 for this product.

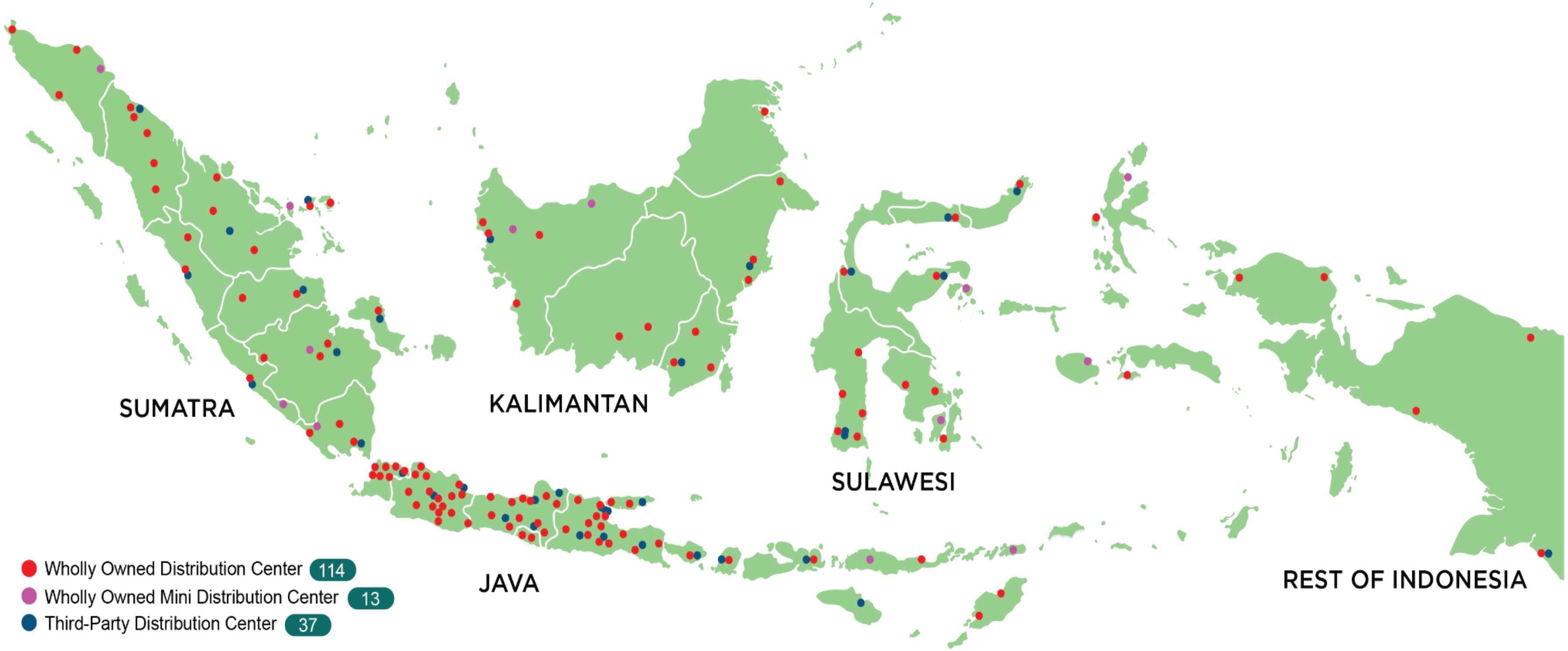
Marine

- **Admiral Cat Kapal** was launched on May 1, 2023.
- This product has been formulated to be highly resistant to seawater and suitable for fishing boats.
- Around 500 retail outlets took part in this product launch during Q2.

Wall

- **Aries Bling** was launched on May 22, 2023.
- We introduced this product to expand our product portfolio, especially in the budget wall category.
- In less than two months since its launch, more than 4,000 retail outlets have participated.

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.

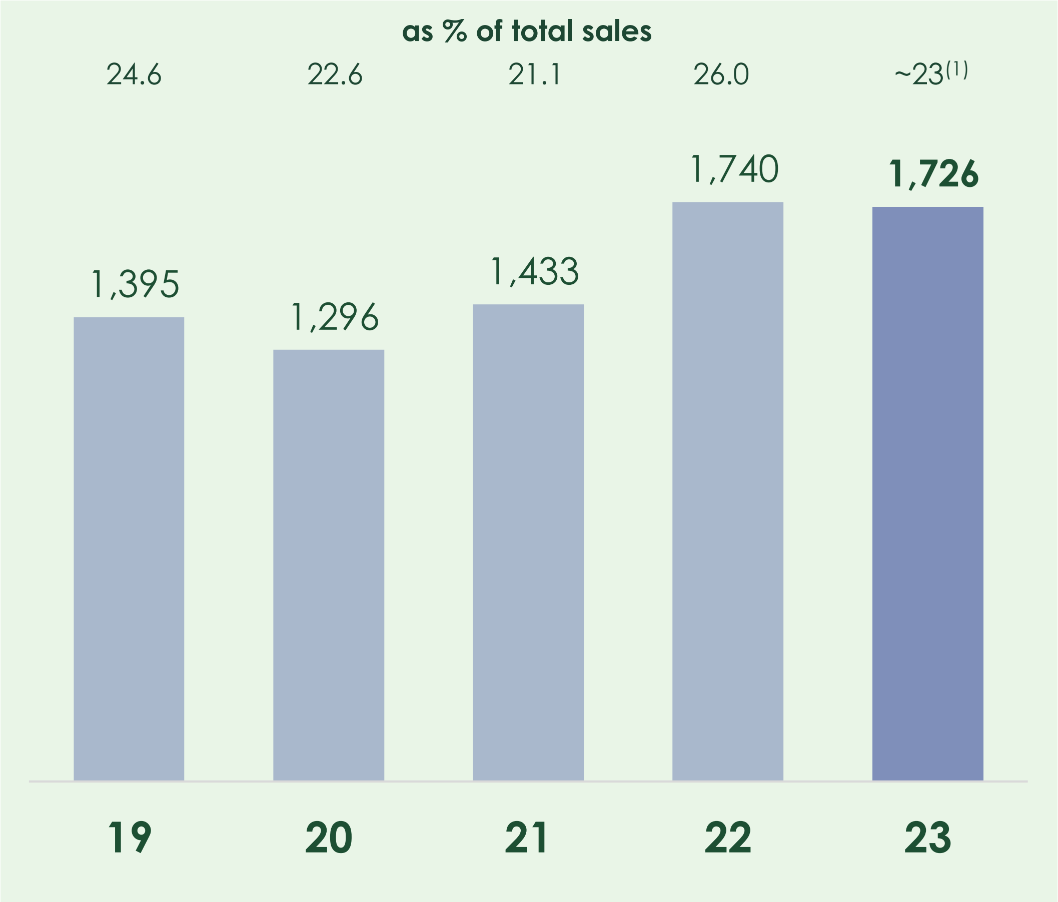
Wholly owned DC logistics & delivery fleet

- In Q2 2023, we opened 1 wholly-owned DCs and 3 new mini DCs.
- We own and operate 599 delivery trucks that allow us to make ~10,000 deliveries per day.
- Streamline delivery processes by automating logistics for a lean & efficient system.
- 95%(1) 1-day delivery service fulfilment.

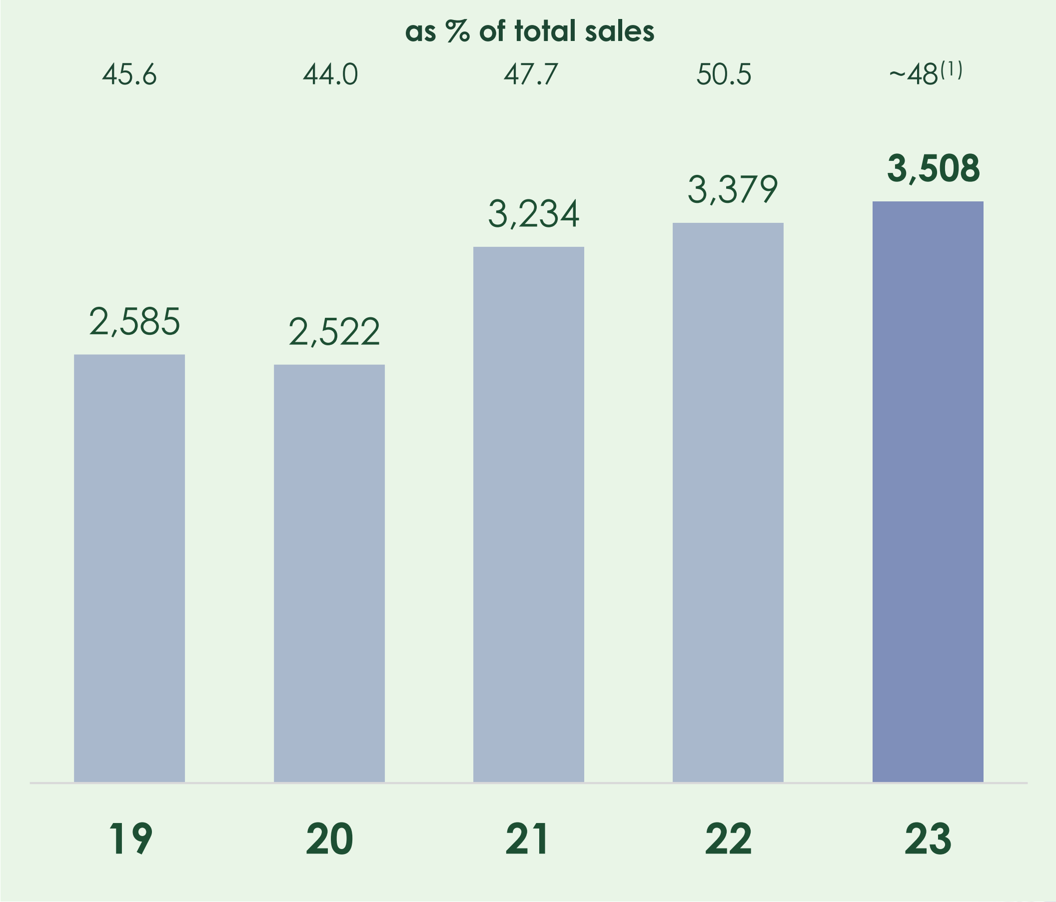
(1) For retail outlets within 50 km radius from a wholly-owned DC

Consolidated business segment - sales

Q2 sales by value
(IDR billion)

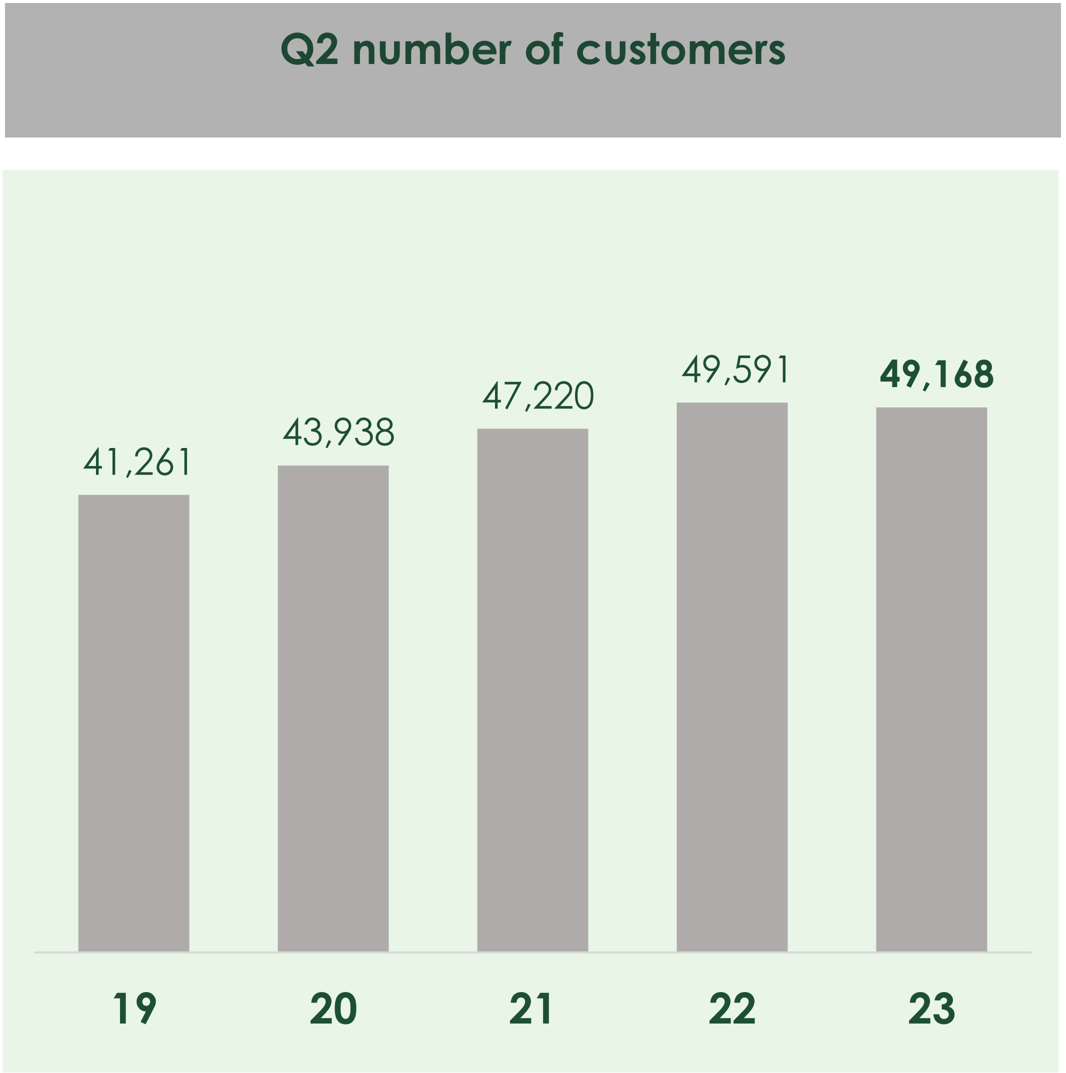


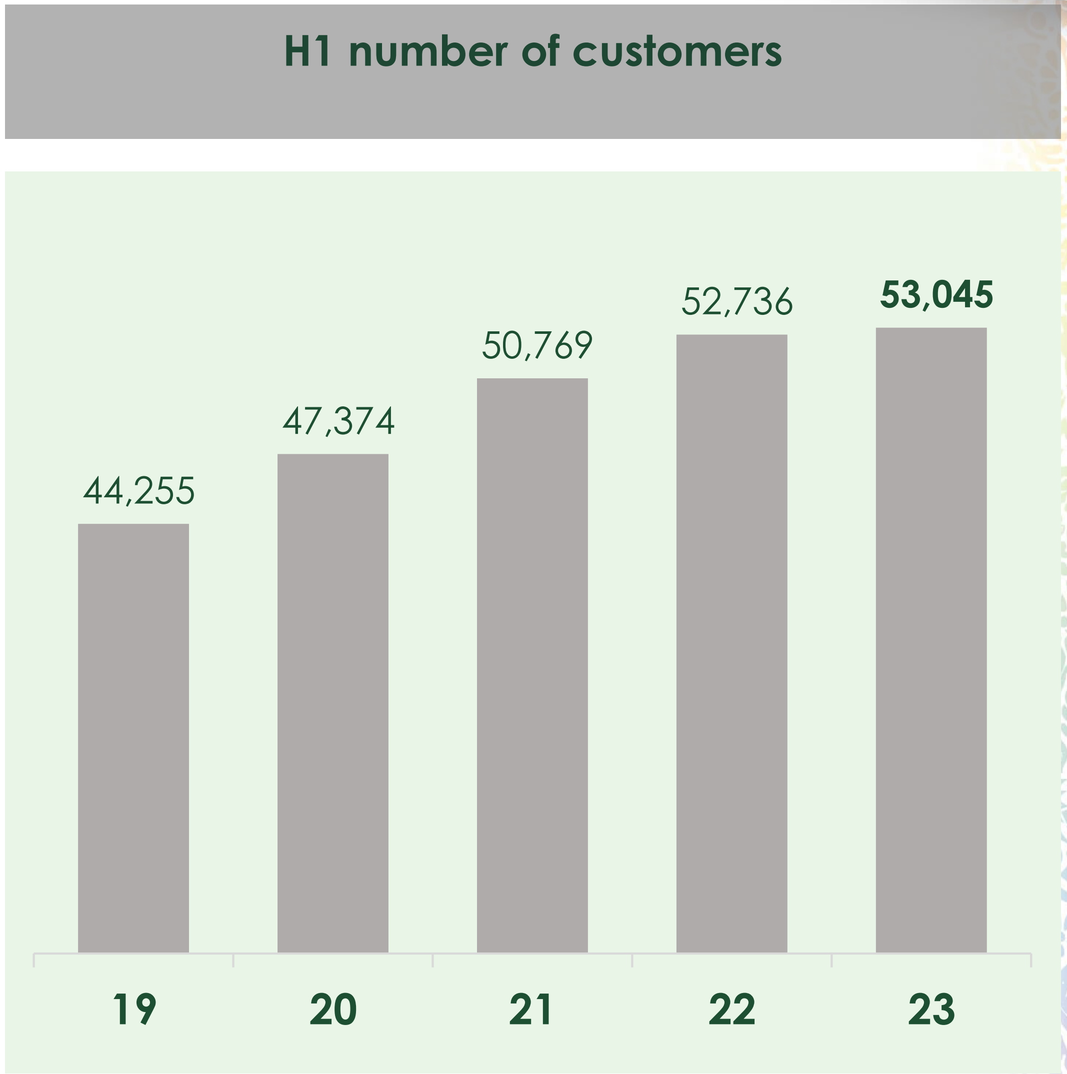
H1 sales by value
(IDR billion)



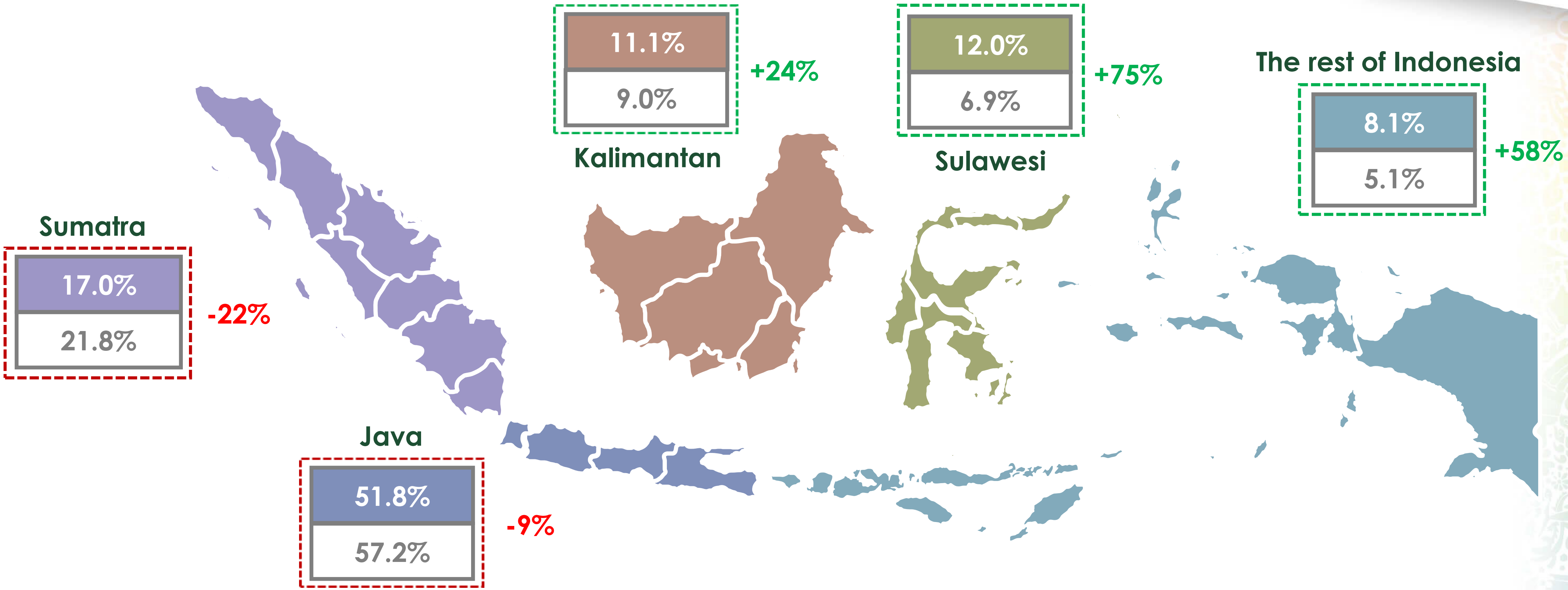
(1) Based on management estimation

Consolidated business segment - customers





H1 sales split by regions



AVIA

GDP(1)

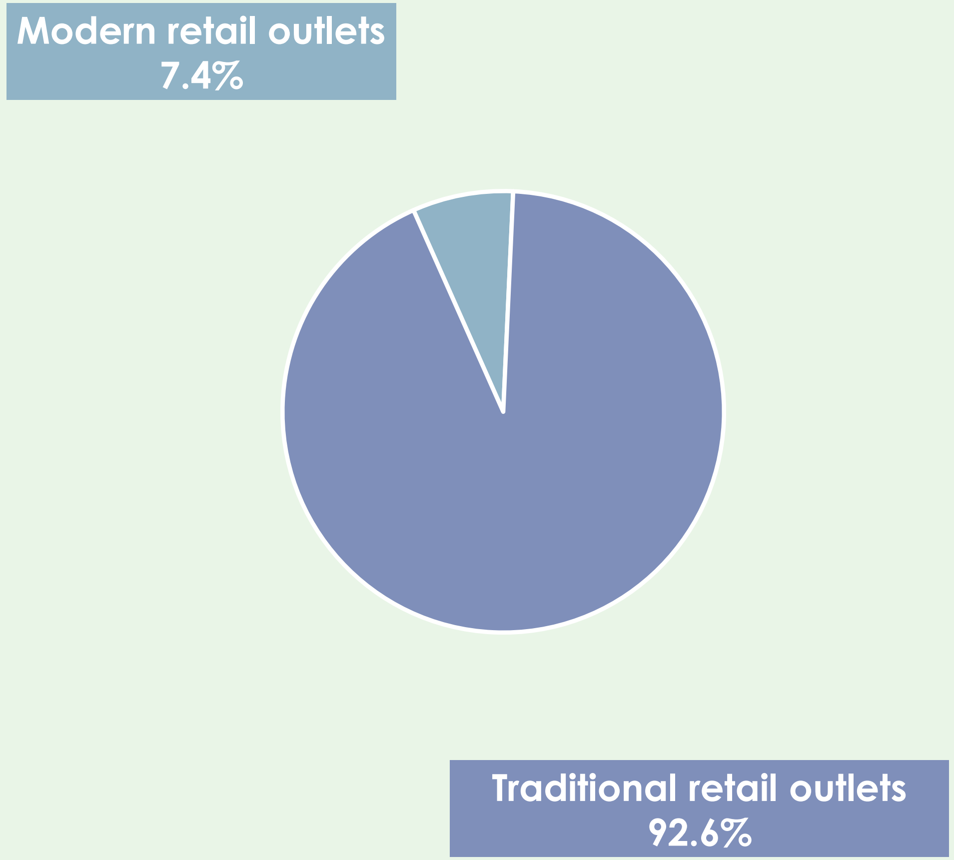
- In Java (Jakarta region) and Sumatra islands (northern part), we are behind Indonesian GDP.
- The island of Sumatra experienced headwinds from the downward trend in commodity prices.
- In Kalimantan, Sulawesi and the rest of Indonesia, we are well ahead of Indonesian GDP.

(1) Berita Resmi Statistik – Pertumbuhan Ekonomi Indonesia Triwulan I 2023; management calculation

Consolidated business segment

H1 sales by segment

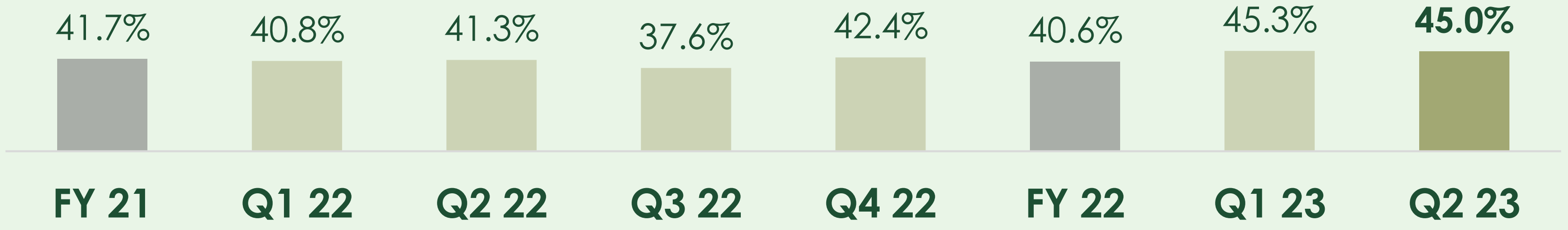
H1 sales by customers



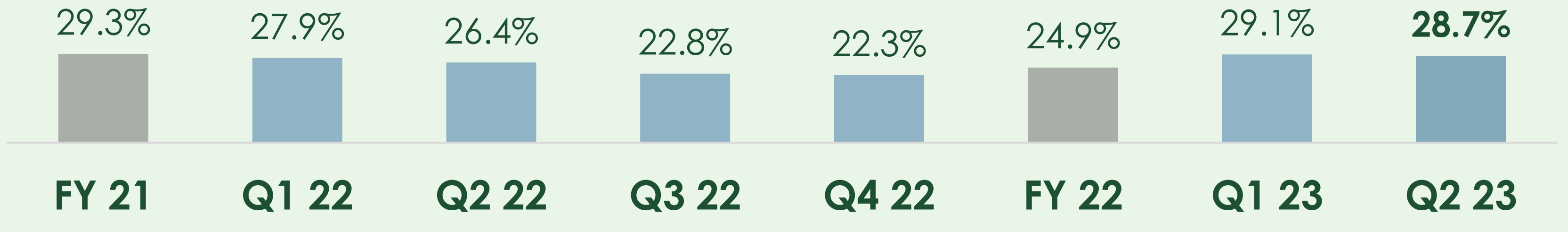
(1) Includes paint-rollers, paint brushes, seal tape, sandpaper and others
(2) Includes roof paint, instant cement, automotive refinish and others
(3) Includes woodcare and glue

Consolidated business segment – margin

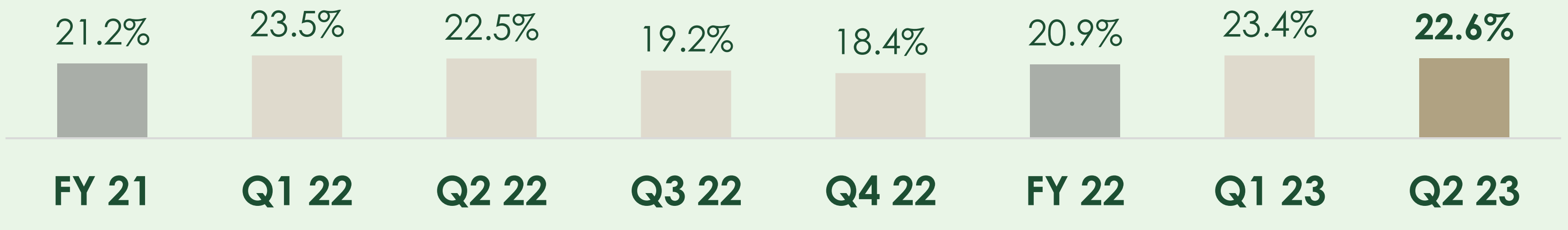
Quarterly Gross margin



Quarterly EBITDA margin



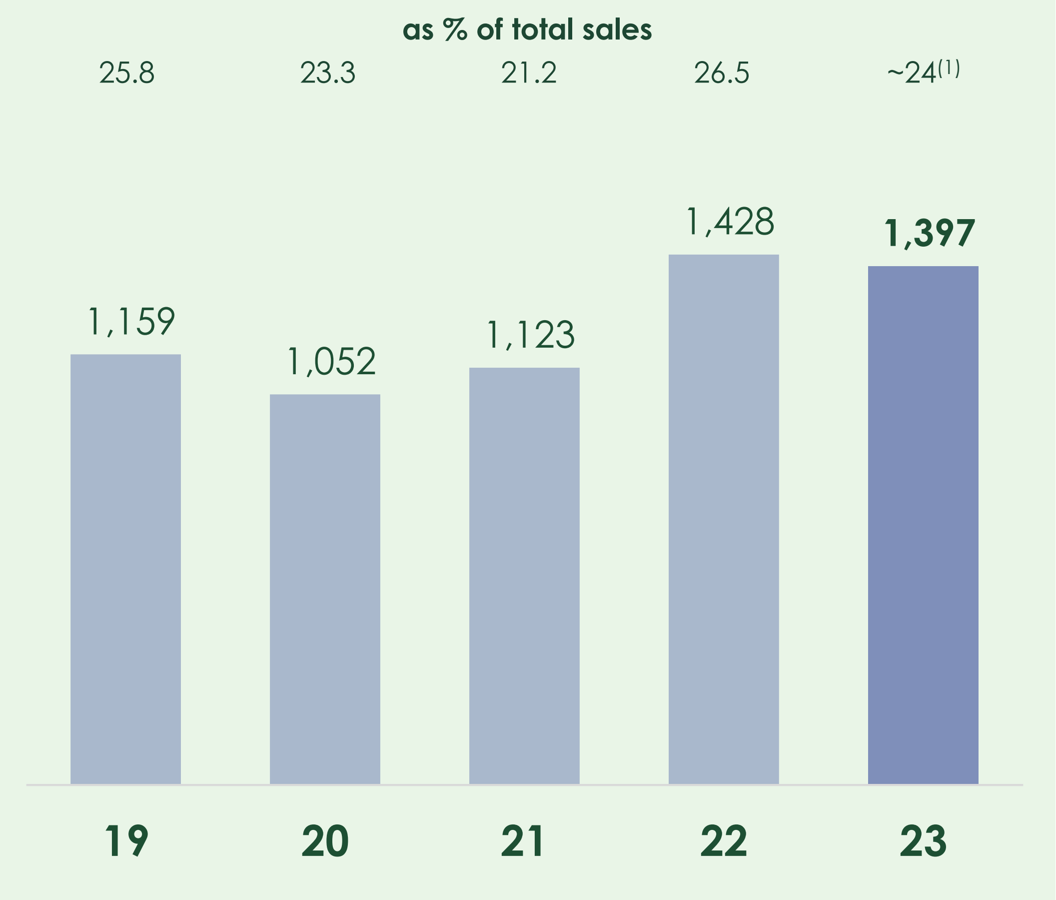
Quarterly Net income margin



Architectural solutions segment - sales

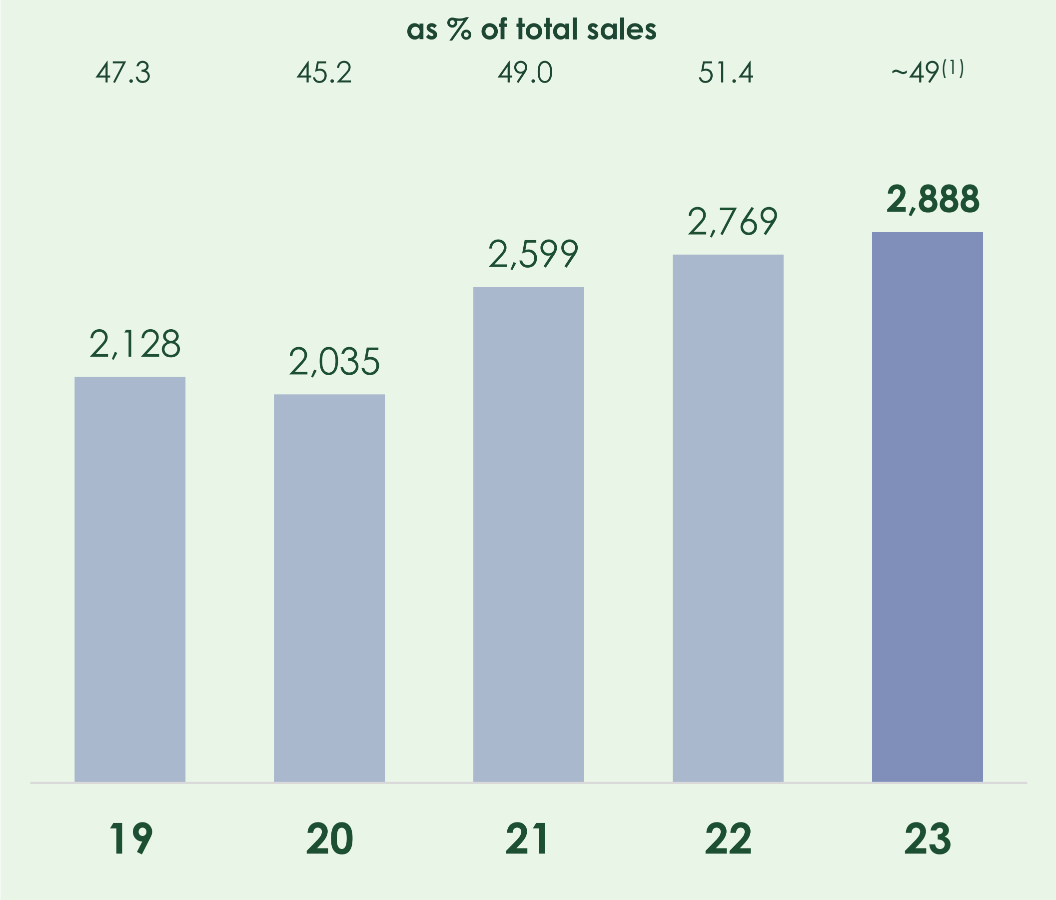
Q2 sales by value

(IDR billion)



H1 sales by value

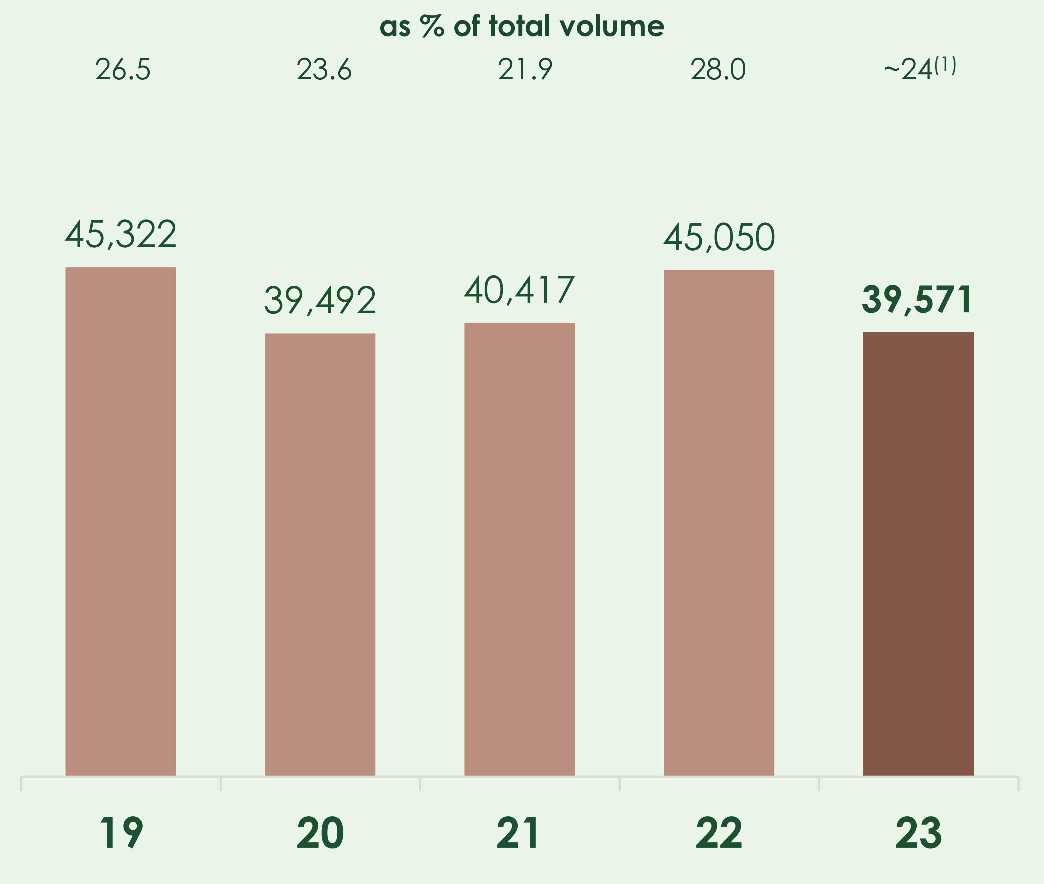
(IDR billion)



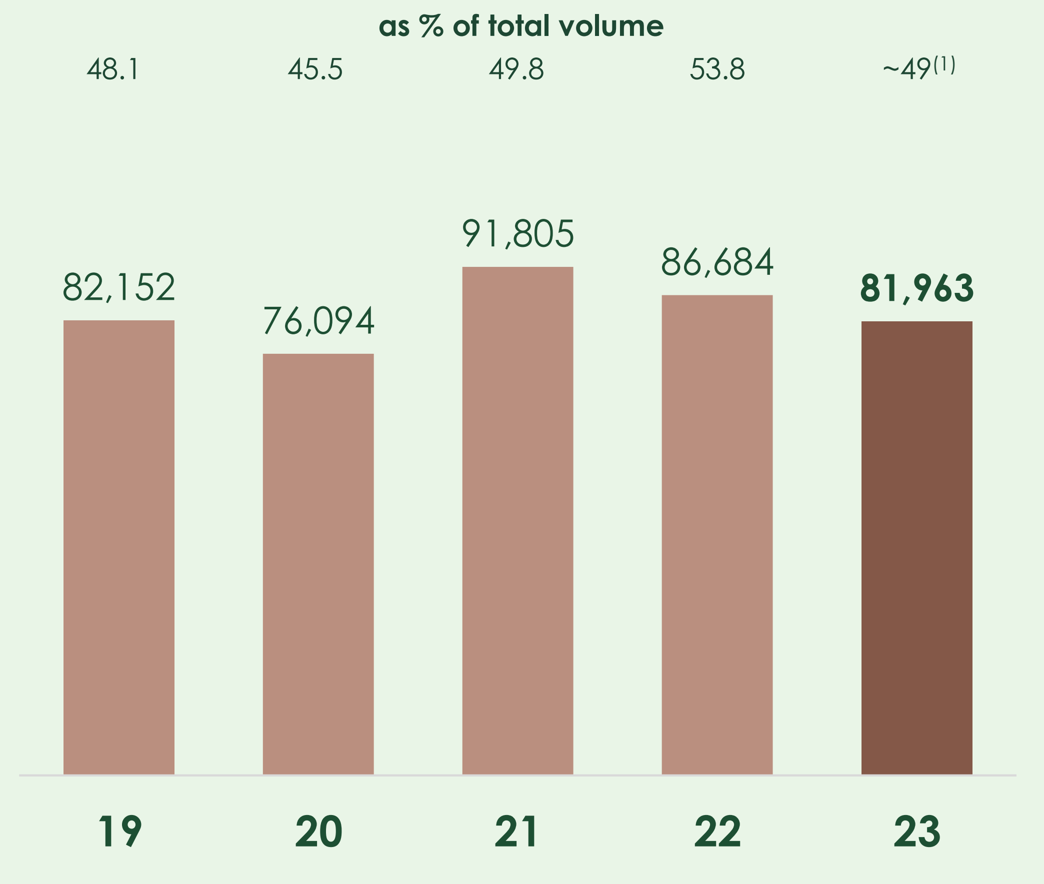
(1) Based on management estimation

Architectural solutions segment - volume

Q2 sales by volume[2]
(metric ton)



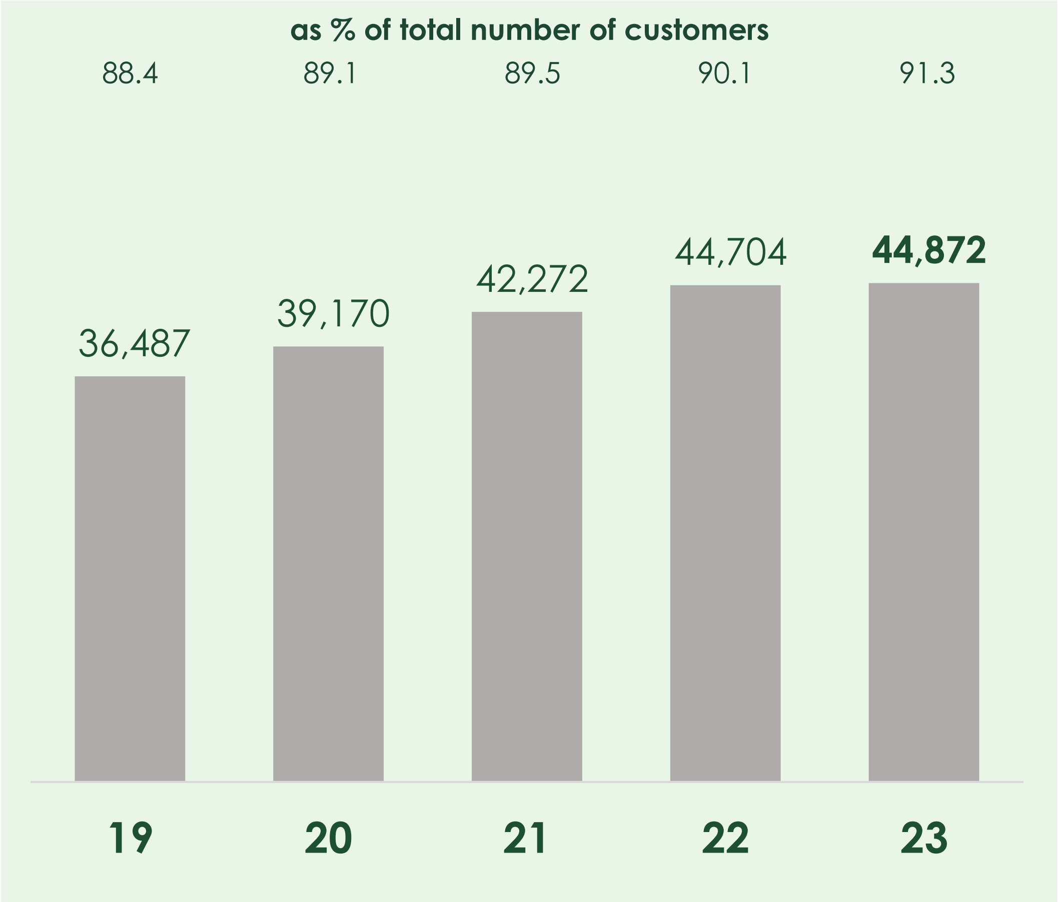
H1 sales by volume[2]
(metric ton)



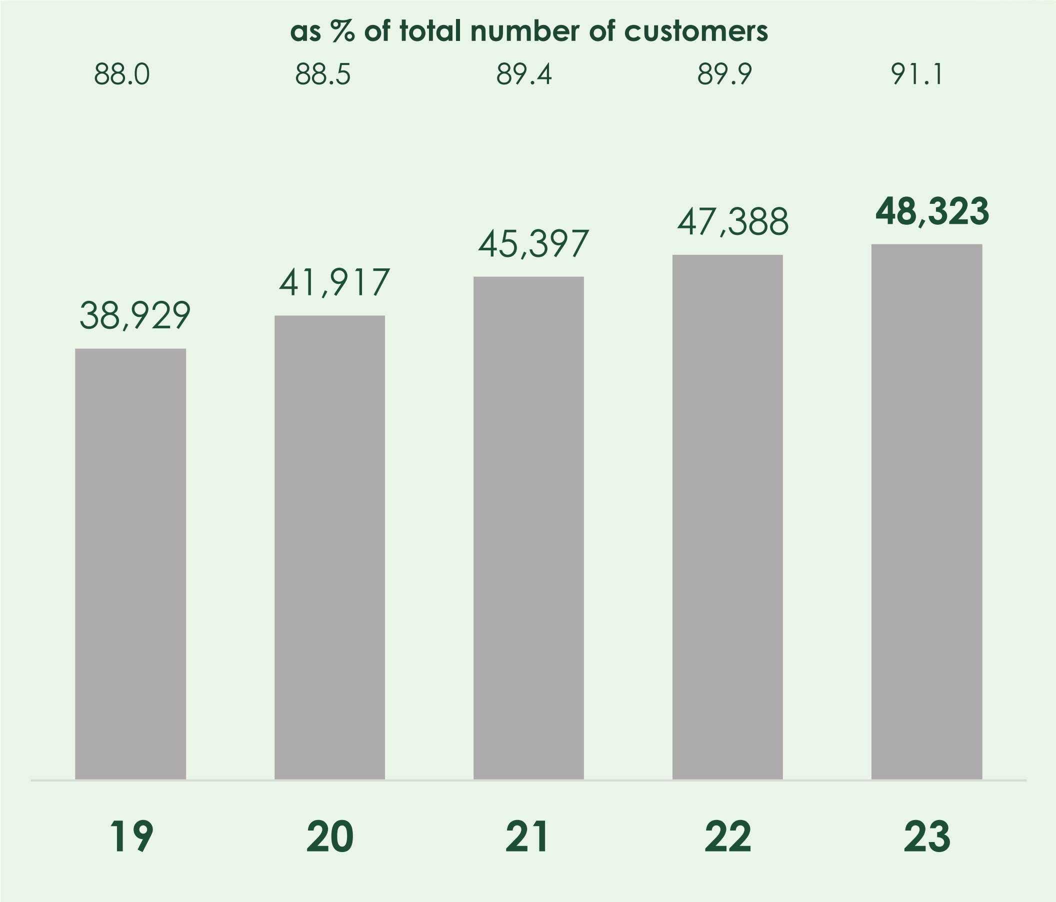
(1) Based on management estimation
(2) Excluding instant cement

Architectural solutions segment - customers

Q2 number of customers

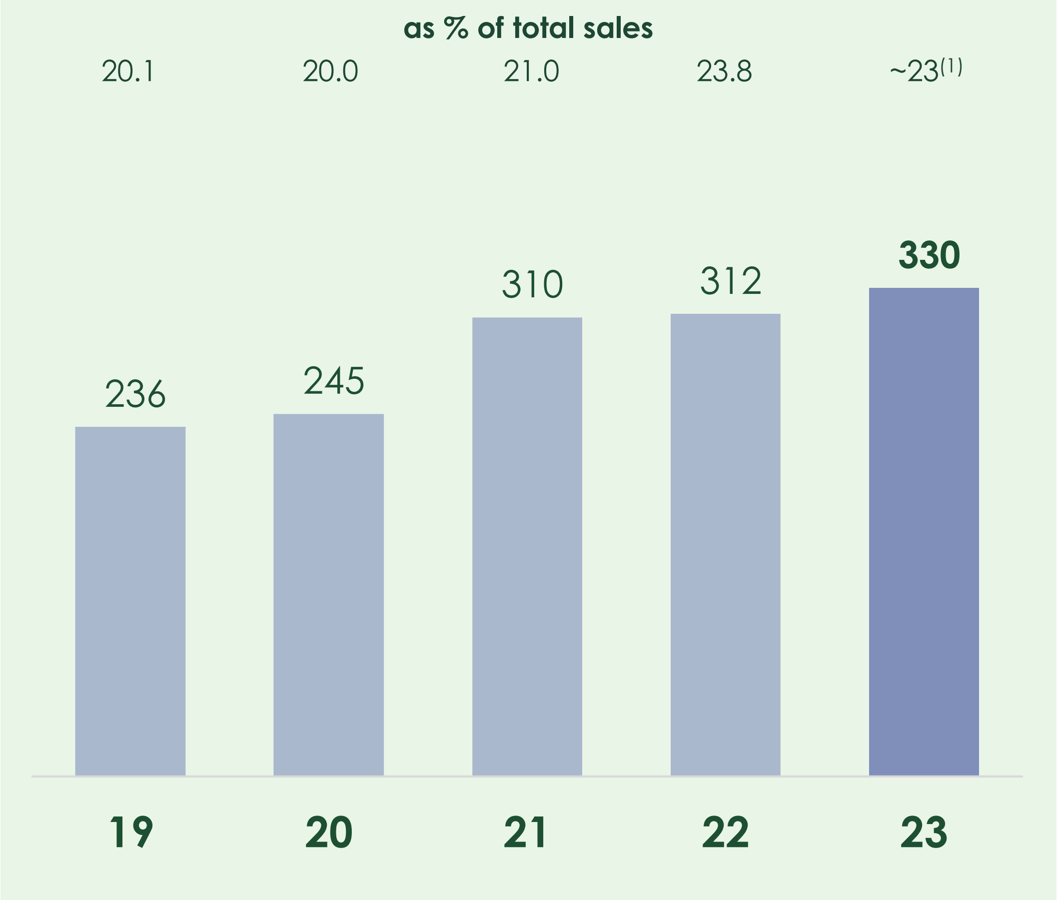


H1 number of customers

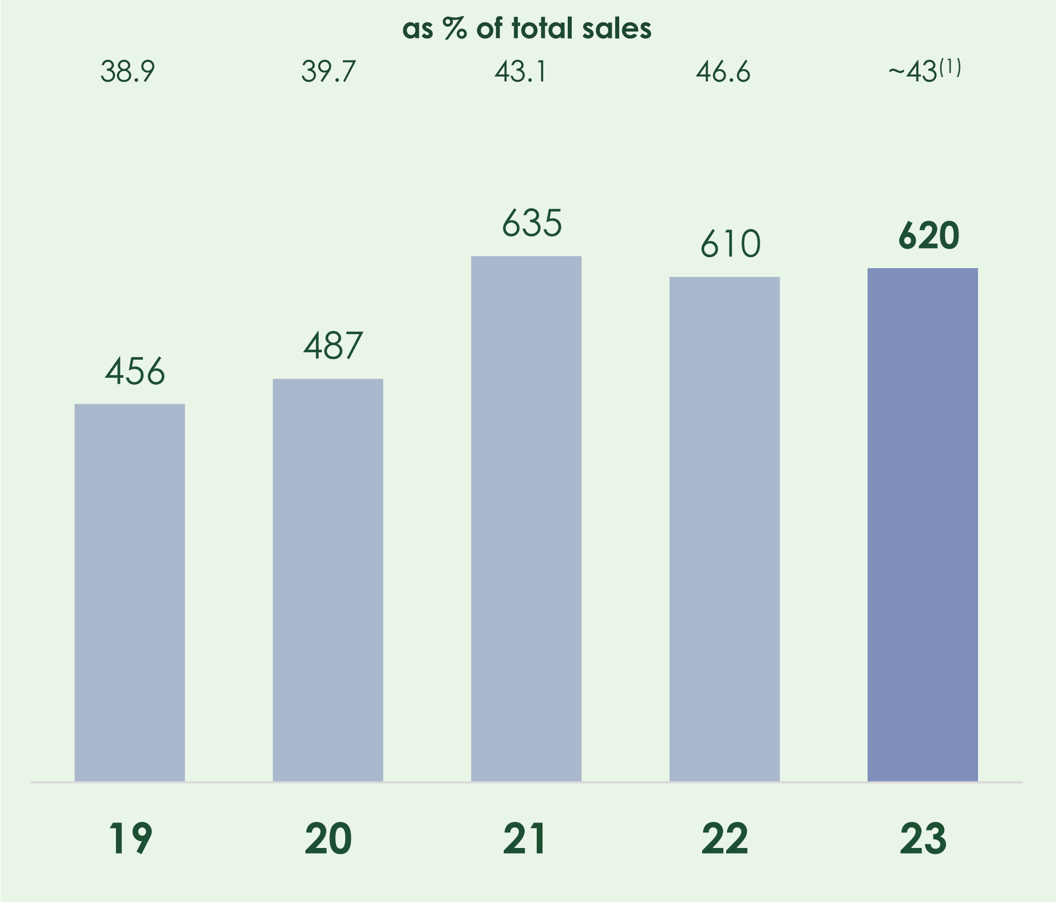


Trading goods segment - sales

Q2 sales by value
(IDR billion)



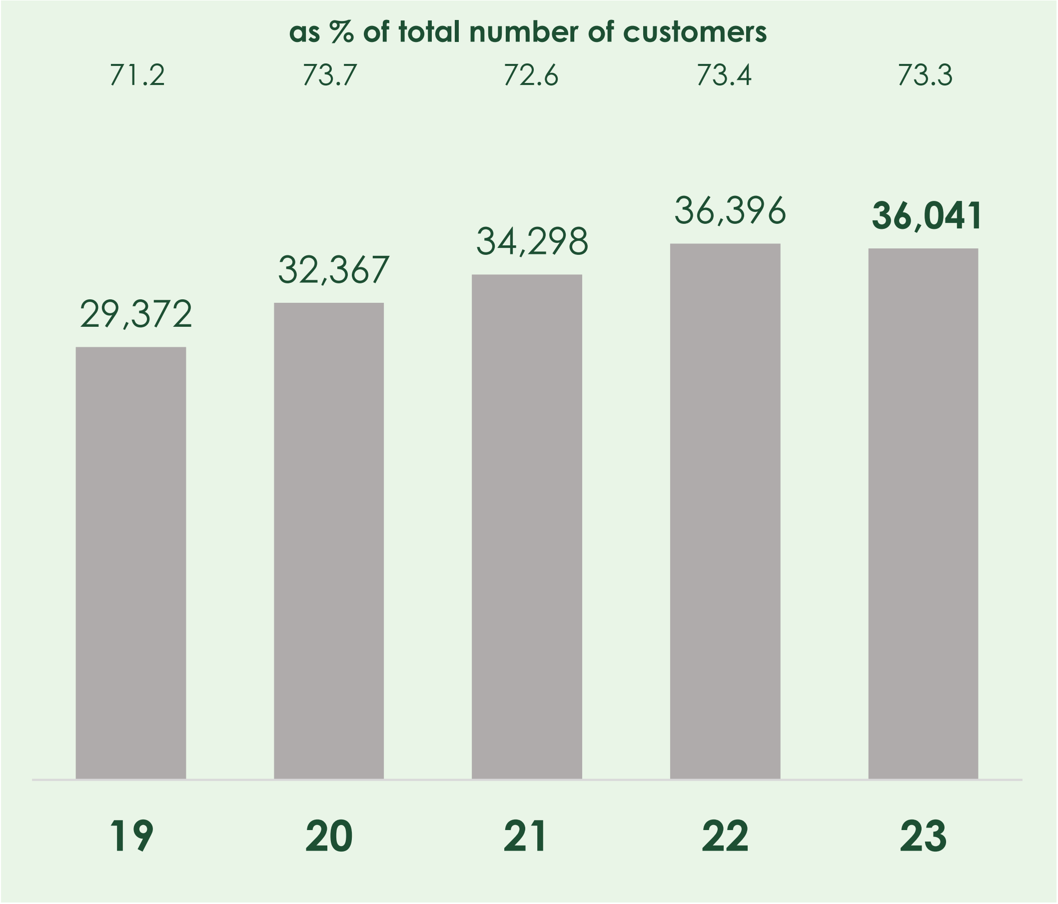
H1 sales by value
(IDR billion)



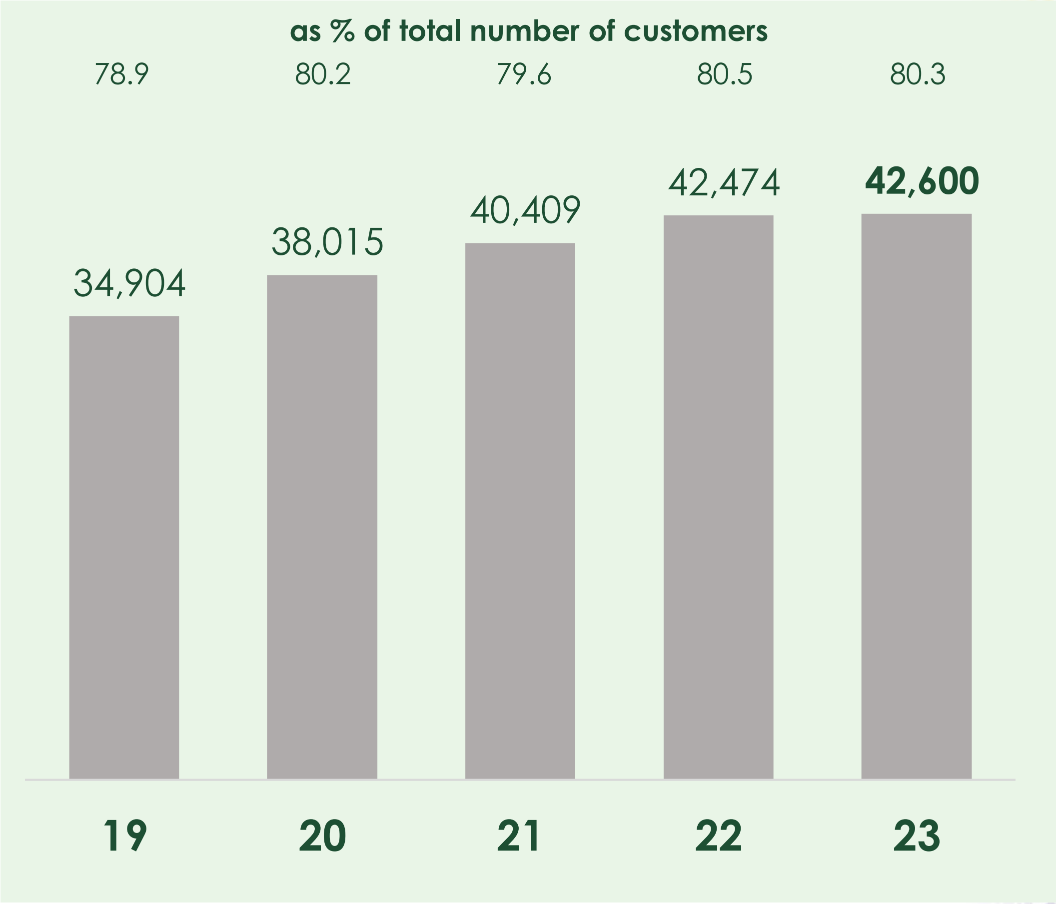
(1) Based on management estimation

Trading goods segment - customers

Q2 number of customers

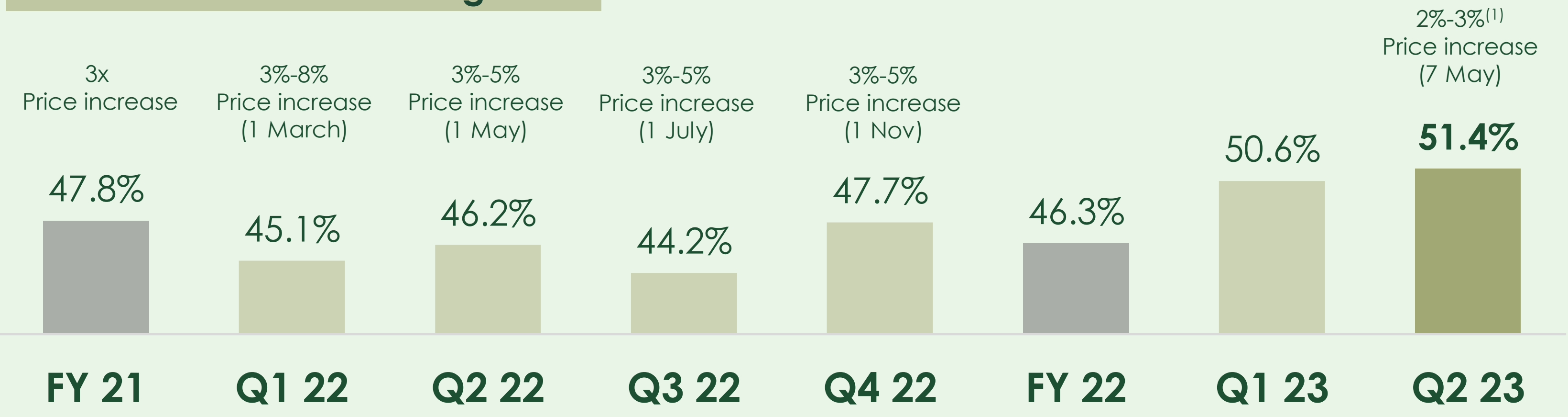


H1 number of customers



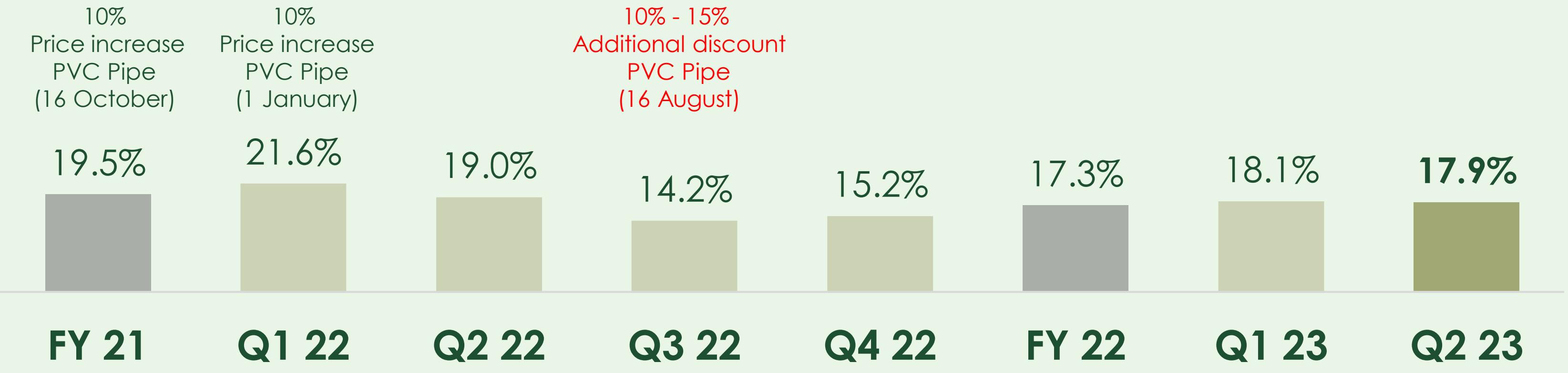
Quarterly gross margin

Architectural solutions segment



- Gross margin continues to improve due to stabilization of raw material prices.
- In May, another price hike took place only in the solvent-based products category.

Trading goods segment



- Gross margin for the trading goods segment resumes to normal level as there are no further price adjustments.

(1) Specifically for solvent-based products

Well-managed cost structure

Cost Breakdown (as % of sales)

	2019	2020	2021	2022	1H 23
G & A[1]	3.5%	2.8%	2.7%	3.2%	3.2%
Sales & Marketing[1][2]	15.8%	16.0%	13.1%	15.3%	15.6%
COGS[1]	58.6%	56.1%	58.3%	59.4%	54.8%
Total	**77.9%**	**74.9%**	**74.1%**	**77.9%**	**73.7%**

- The decline in COGS as a % of sales was attributable to the raw material stabilization.

COGS Breakdown (as % of sales)

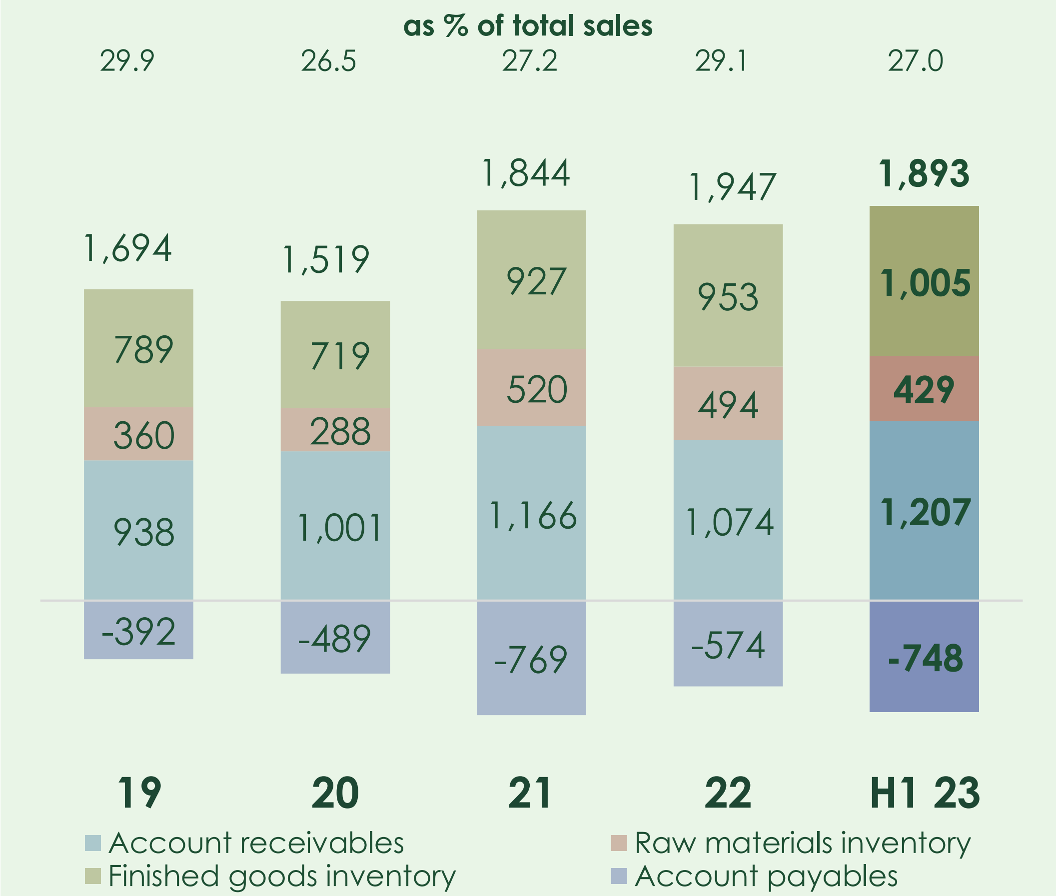
	2019	2020	2021	2022	1H 23
Raw material	30.4%	26.6%	33.9%	32.0%	30.9%
Direct labour	1.1%	1.2%	1.1%	1.1%	1.0%
Factory overhead	2.2%	2.4%	2.4%	2.5%	2.4%
WIP and FG	18.2%	18.9%	14.5%	15.7%	12.2%
BTL[3] marketing expenses	6.7%	7.0%	6.4%	8.1%	8.4%[4]
Total	**58.6%**	**56.1%**	**58.3%**	**59.4%**	**54.8%**

- Direct labour and factory overhead costs are quite stable.
- BTL marketing expenses increased slightly due to new product launches.

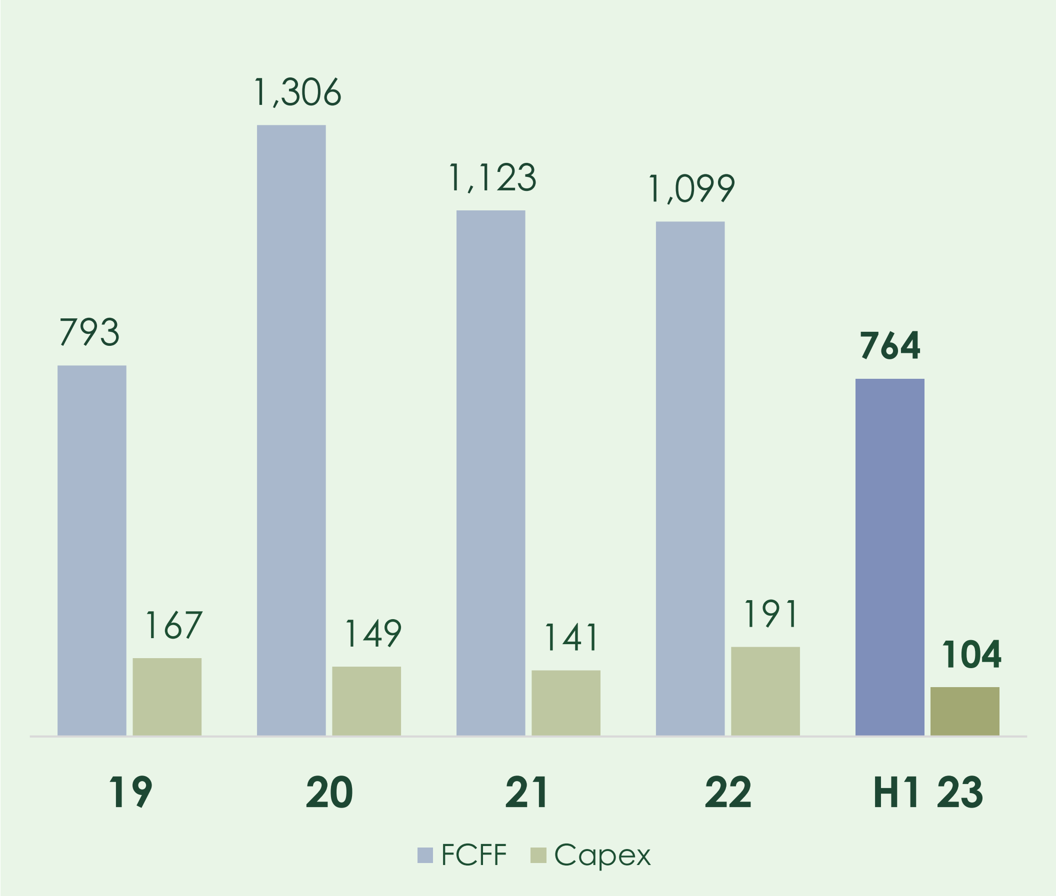
(1) Includes depreciation and amortization
(2) Includes salaries & benefit, freight, traveling, other selling expenses and above the line marketing expenses
(3) Below the line marketing expenses are promotions for customers in the form of gold coins and others
(4) BTL for existing products dropped to ~7%. BTL for new products account for ~1%

Robust cash-flow generation

Trade working capital
(IDR billion)

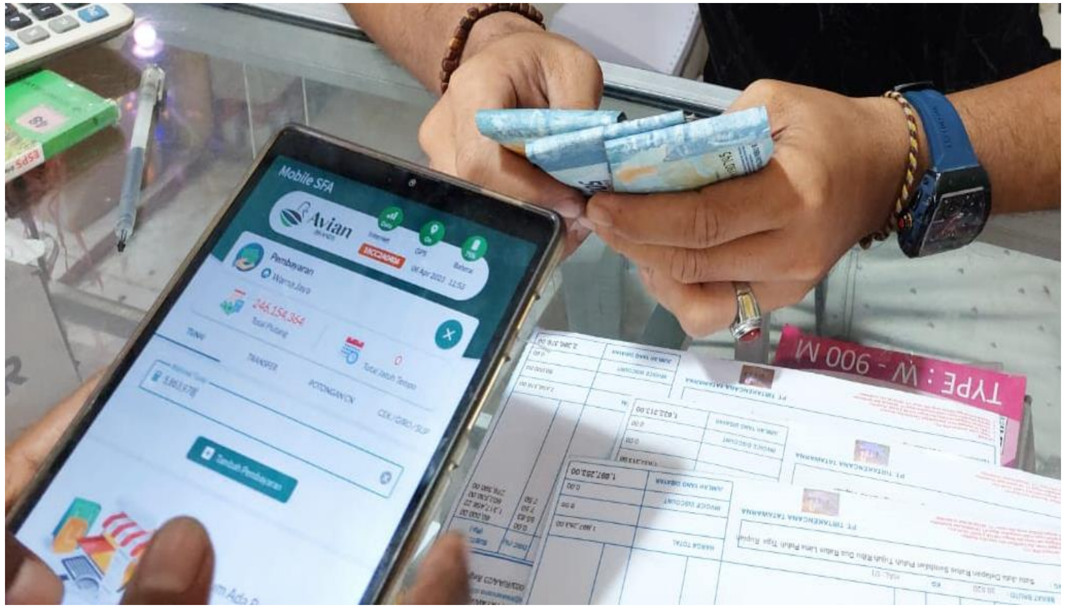


Free cash flow and capex
(IDR billion)

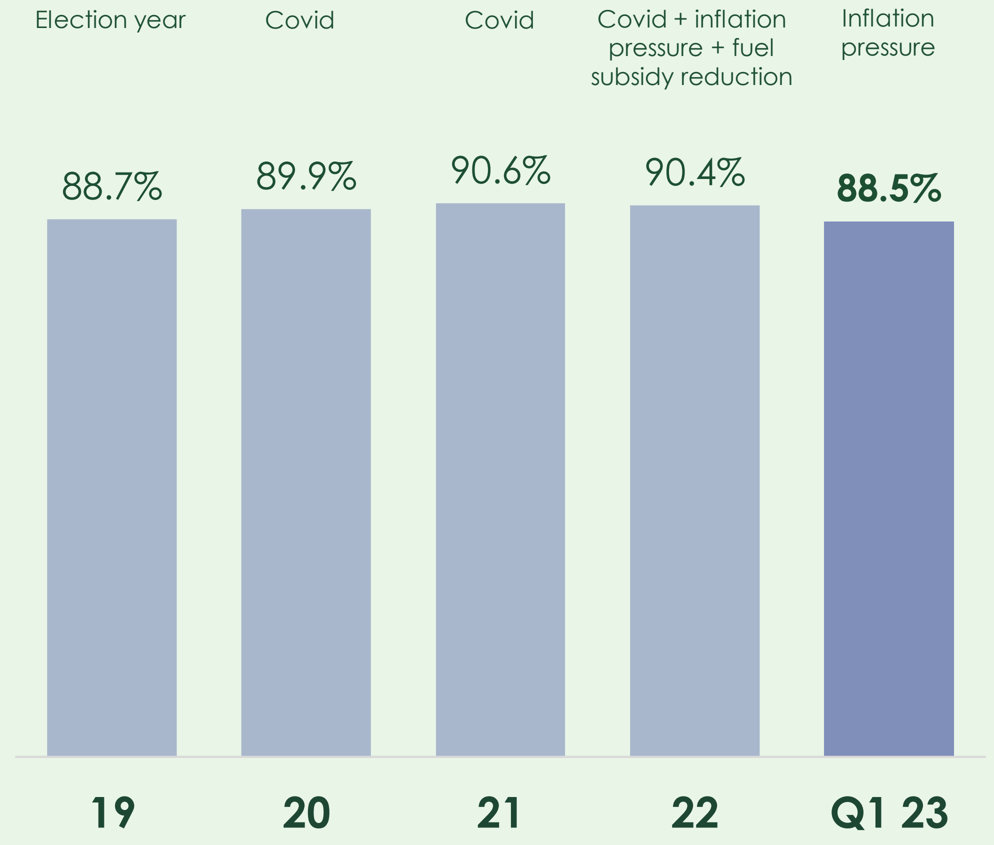


Management of account receivable

- We saw a slight decline in on-time collection in the first quarter, which we consider reasonable given the business dynamics in Indonesia, where many retail outlets are facing weaker market demand.
- Nonetheless, we maintain our strategy of fostering high-quality relationships with customers across the country. We believe that the priority given to us by retail outlets in terms of payment remains.



On-time collection



Guidance for 2023

Sales projection FY 2023:

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

Planned actions in Q3 and Q4:

- Innovation remains a key strategy to drive new product launches and ensure long-term viability.
- Expansion of distribution centres will continue to increase market penetration.
- Increasing the contribution of the project division as well as other subsidiaries.
- Multiple internal operational and ESG improvements for sustainable, long-term growth.
- Given our market-leading position and various strategies that will be deployed in the second half of the year, we remain cautious but optimistic. Weaker consumer demand continues to be the biggest headwind for our business.