# PT Avia Avian Tbk

## Investor Presentation
## Q3 2022 Results

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# Avian Brands team

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# Avian Brands Q3 2022 snapshot

| SALES | GROSS PROFIT | EBITDA | NET PROFIT |
|---|---|---|---|
| **IDR 1.58 T** | **IDR 594 B** | **IDR 360 B** | **IDR 303 B** |
| ( US$ 106 m ) | ( US$ 40 m ) | ( US$ 24 m ) | ( US$ 20 m ) |
| | **37.6%** | **22.8%** | **19.2%** |

| EMPLOYEES | DISTRIBUTION CENTERS | COVERAGE | CUSTOMERS |
|---|---|---|---|
| **8,000+** | **140** | **37 Provinces**<br>**98 Cities** | **54,500+**<br>**Retail shops** |

Convenience translation from IDR based on average IDR/USD exchange rate of 14,915.

# Business update

- The impact of inflation in Indonesia has severely hampered growth in the building materials industry, including paints.
- The government's recent decision to reduce fuel subsidies has further weakened purchasing power
- Nonetheless, Avian Brands continues to pursue various strategies to better position the company when economic condition returns to normal. Actions taken include:
    - Multiple new product launches
    - Distribution centers expansions
    - Multiple internal improvements in ESG, operations, internal audit, supply chain, and other miscellaneous
    - Sales & marketing activities
- We continue to monitor the activities of our competitors. Based on numerous actions we have taken to date and management's view, we believe the company has gained market share, despite our underperformance this year

Indonesia Inflation Rate(1)


(1) Bank Indonesia: https://www.bi.go.id/id/statistik/indikator/data-inflasi.aspx
(2) IMF : https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD/IDN

# New product launched

- No Drop Anti Panas waterproofing paint was launched on 1 July, 2022
- In addition to being a waterproofing paint, this product can reduce the indoor temperature by up to 7°Celcius
- The price is 34.8% more expensive than No Drop waterproofing paint
- This product is Green Label Singapore certified
- More than 9,300 retail shops have participated in Q3
- This product is currently only available as a ready-mix. The tinting format will be launched in Q1 2023
- This product is becoming increasingly popular for use on edible bird's nest houses

# New product launched

- Avitex Gold wall paint was launched on 12 September, 2022
- The pricing is 20.3% more expensive than Avitex wall paint
- This product is Green Label Singapore certified
- In the first 19 days after its launch, more than 5,800 retail shops have participated
- Although market conditions are very challenging, the response from retail shops to this product has been incredibly positive.
- This product is available in both ready mix and tinting format

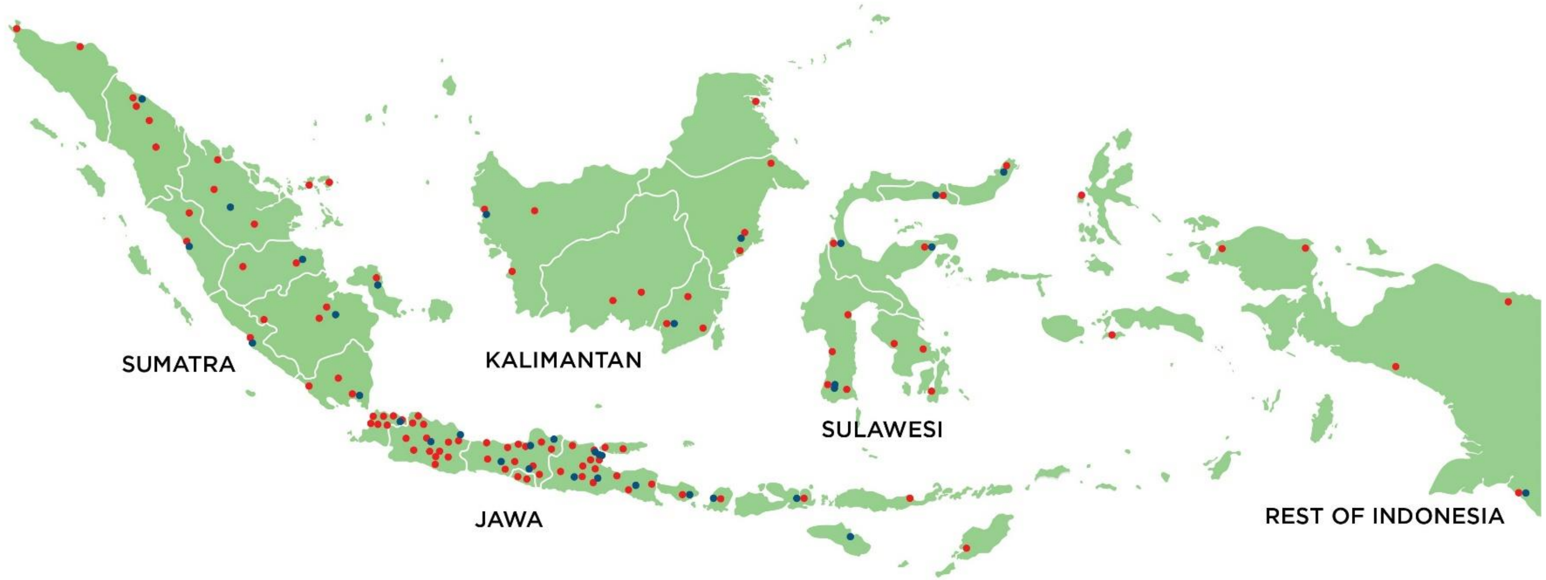
# New brand ambassador


- Press conference to appoint Cinta Laura as the new brand ambassador for Supersilk Anti Noda premium interior wall paint was held on 23 September, 2022
- Cinta's appointment is intended to accelerate consumers brand awareness of this premium interior wall paint
- Various cooperation activities are intensified to maximize the brand ambassador's presence, including:
    - In store branding in modern retail outlets as well as in traditional retail outlets
    - Digital activation for Instagram, YouTube, etc.
    - TV advertising
    - CSR activities

# Distribution centers expansion

140 Distribution centers spread across the nation:

● 105 wholly owned DC and ● 35 third-party DC




Benefits from continued expansion of distribution centers:

- Improve product penetration and provide superior quality of service
- Maximize 1-day delivery service for retail shops
- Improve inventory management and minimize loss opportunity

By 2026, we will have 140 wholly owned DC and more than 40 third party DC

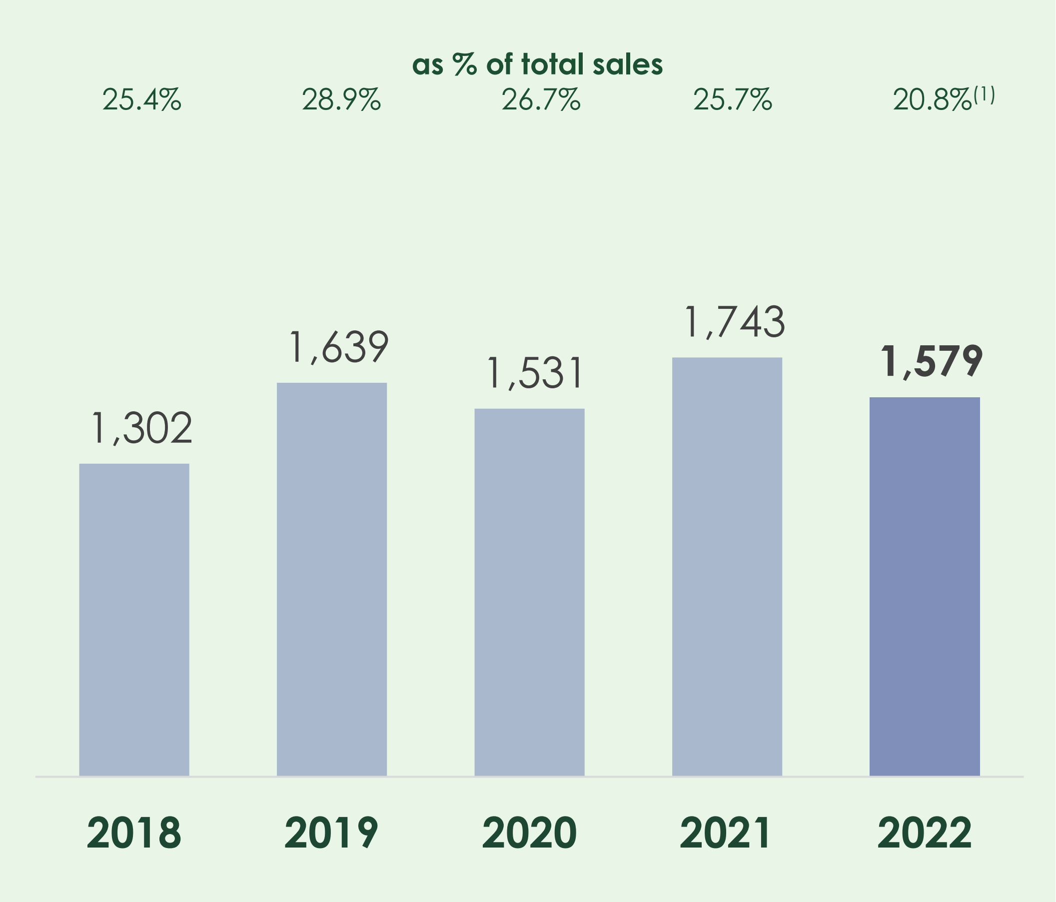
**Wholly owned DC logistics & delivery fleet**

- 566 trucks
- ~1,700,000 total deliveries (~9,200 deliveries per day)
- High touch deliveries assisted by tablet to improve productivity and accuracy
- 91%* 1-day delivery service fulfilment

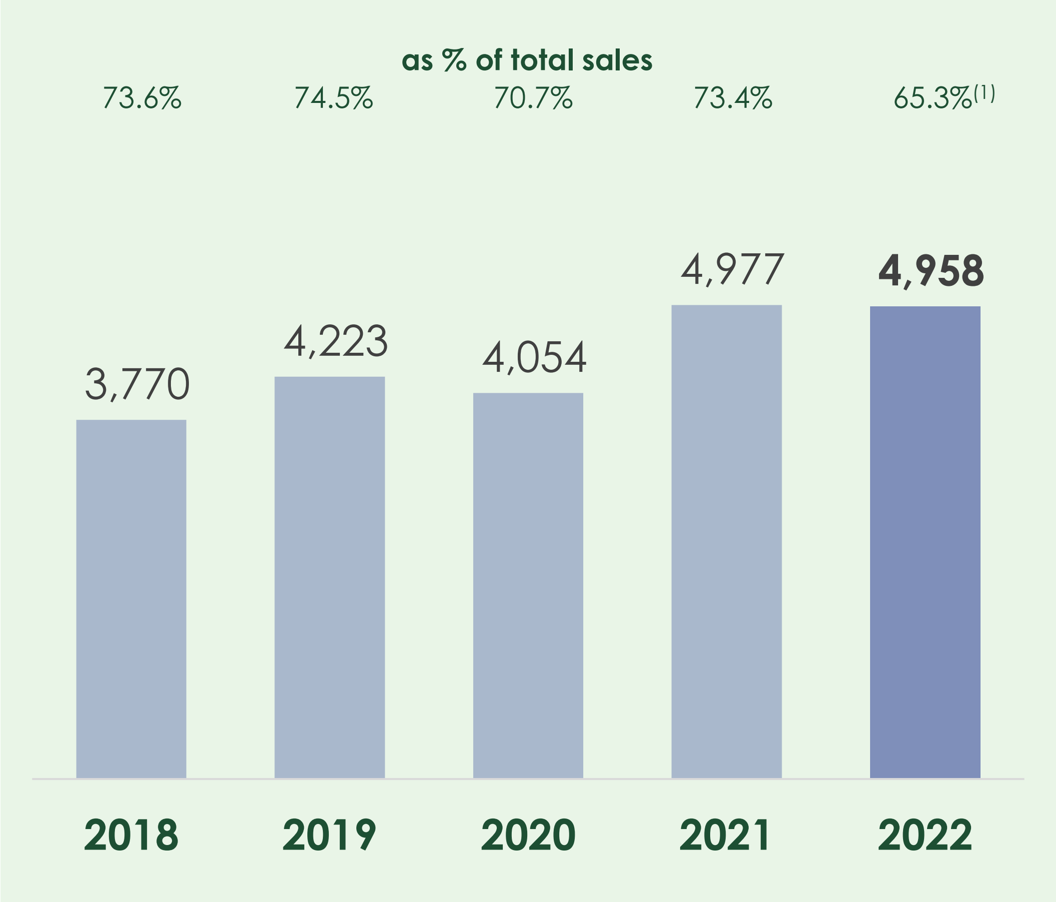

* For retail shops within 50 km radius from a wholly owned DC

# Consolidated business segment - sales

## Q3 sales by value
(IDR billion)



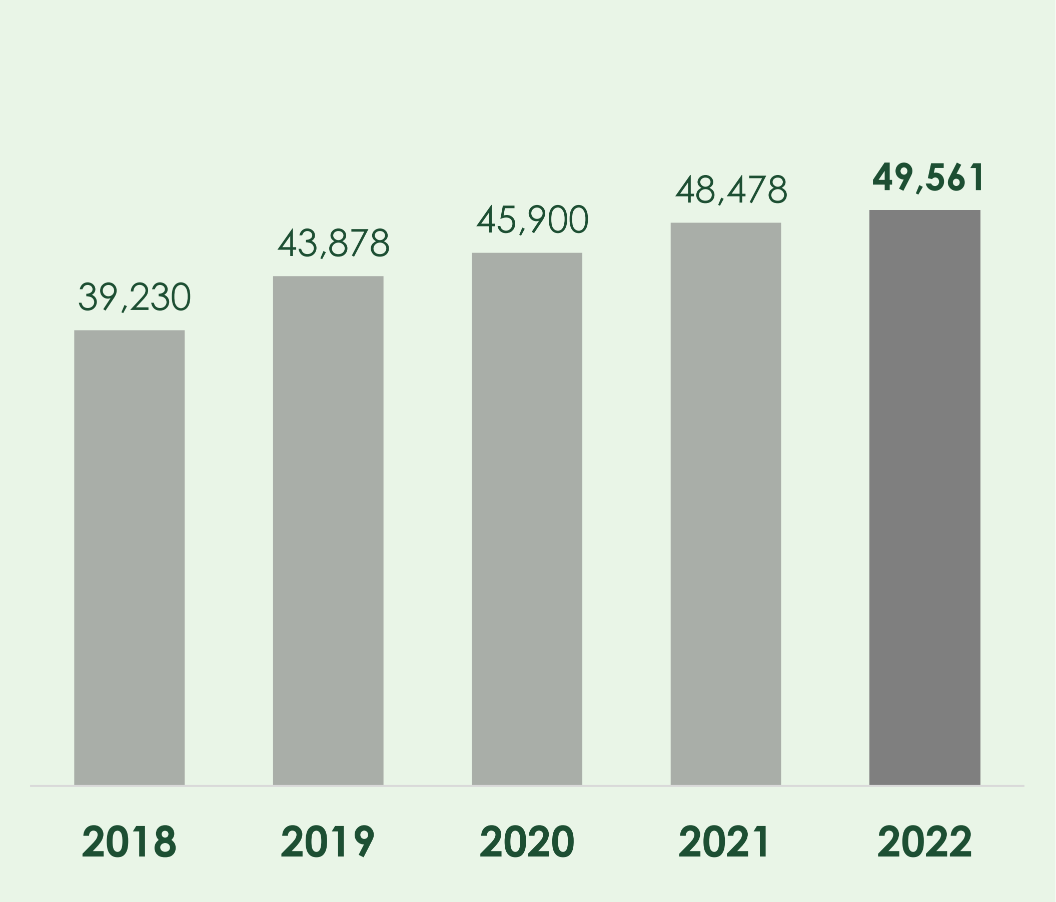

## YTD Q3 sales by value
(IDR billion)



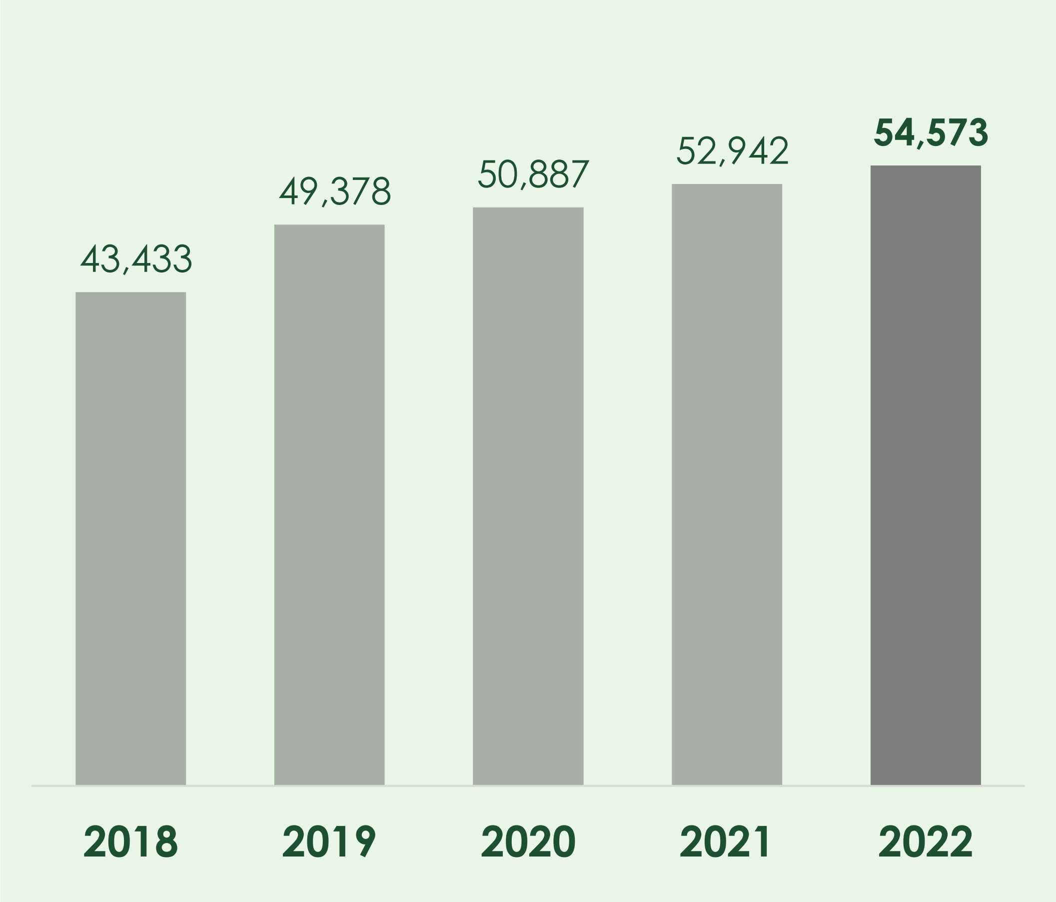

(1) based on management estimation

# Consolidated business segment - customers

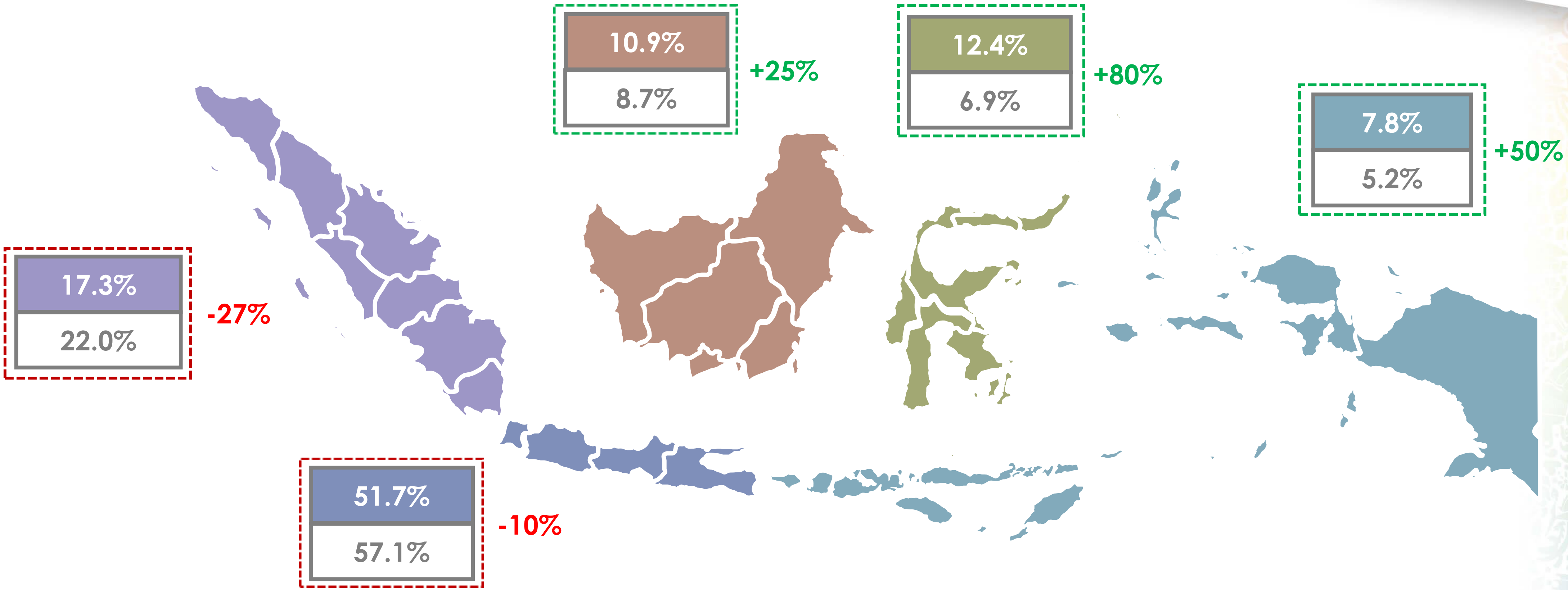
## Q3 number of customers




## YTD Q3 number of customers



# YTD Q3 2022 sales split by regions



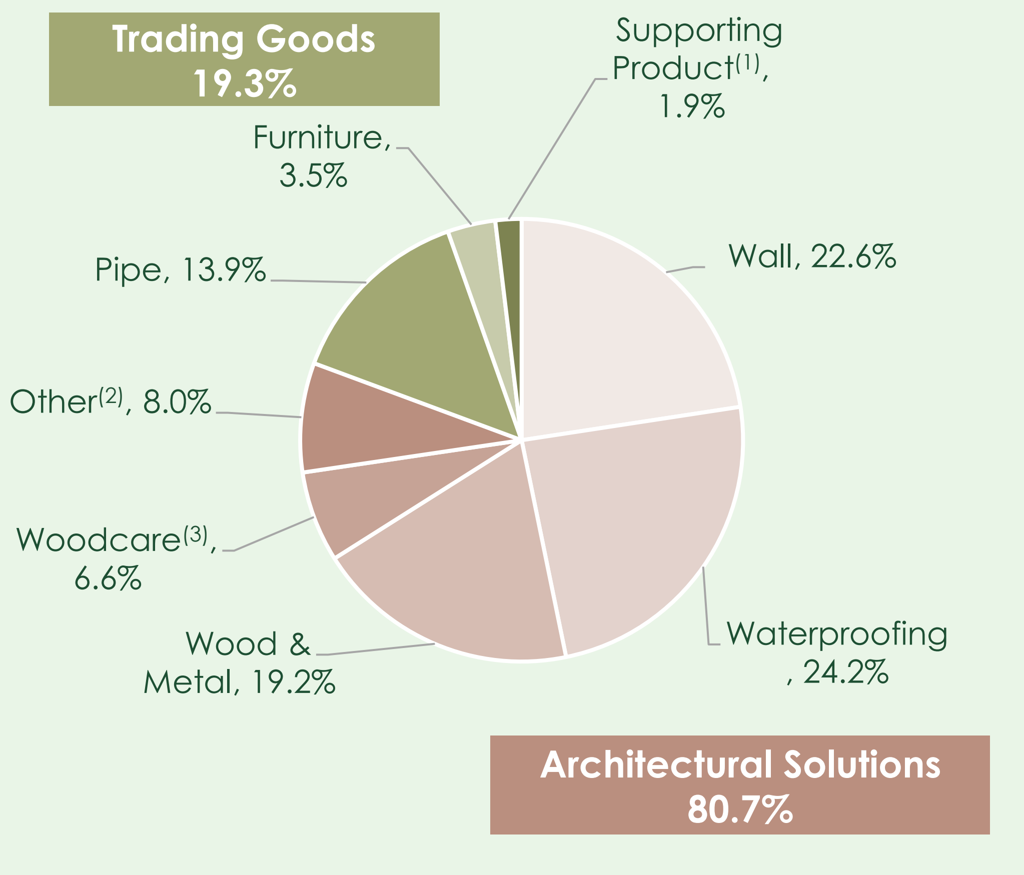

| AVIA |
|---|
| GDP(1) |

- 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

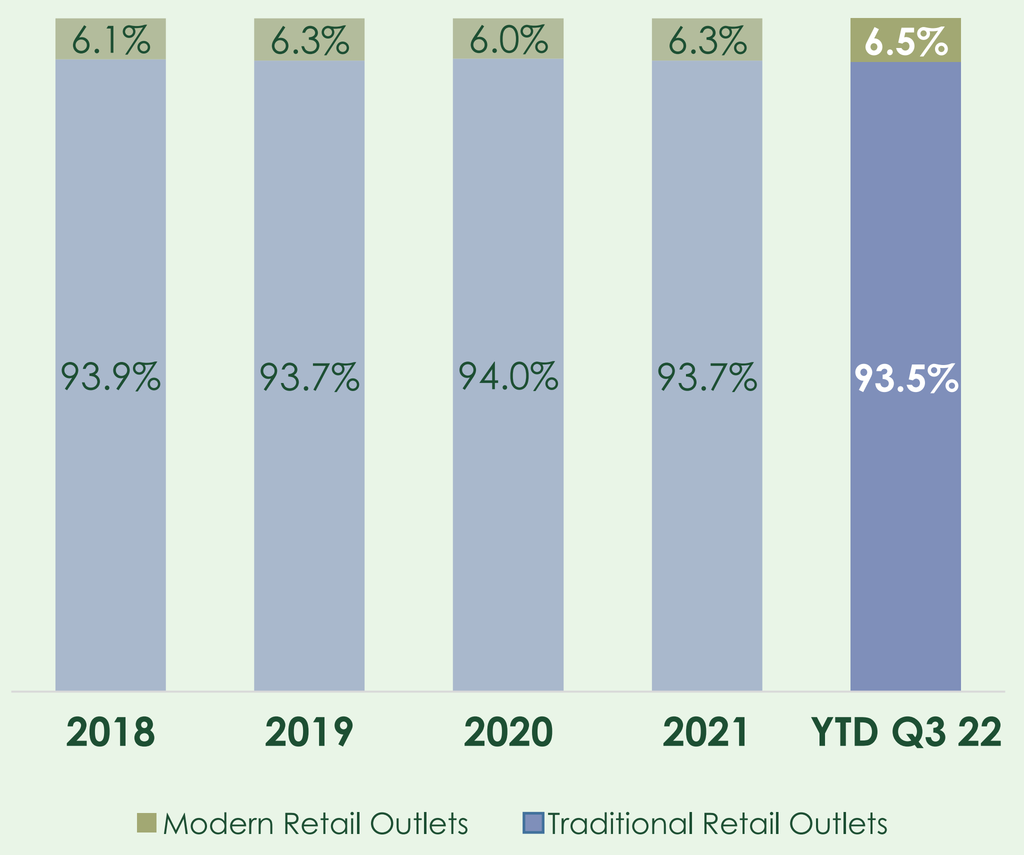
(1) Berita Resmi Statistik – Pertumbuhan Ekonomi Indonesia Triwulan I & II 2022; management calculation

# Consolidated business segment

## YTD Q3 2022 sales by segment



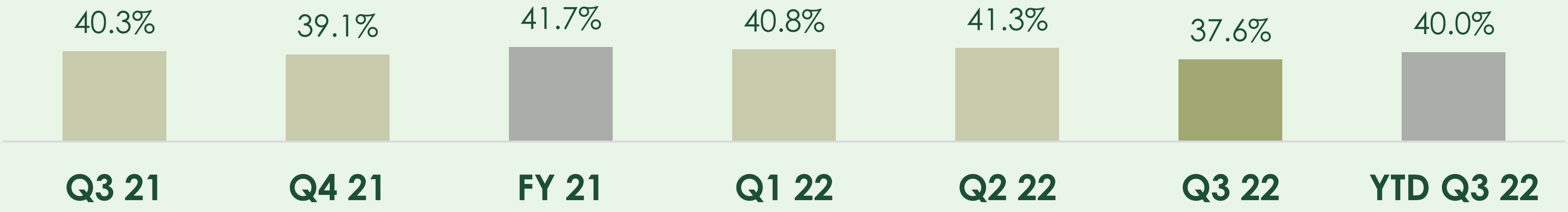

## YTD Q3 2022 Sales by customers



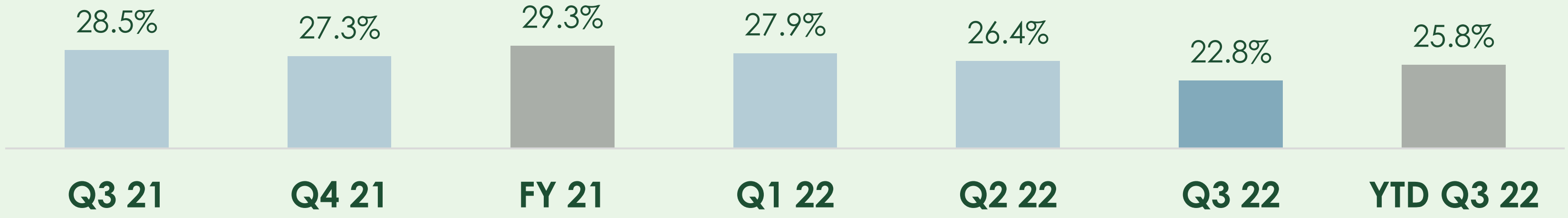

(1) includes paint-rollers, paint brushes, seal tape, sandpaper and others
(2) includes Roof Paint, Instant Cement, Automotive Refinish and Other
(3) includes Wood Care and Glue

# Consolidated business segment - margin

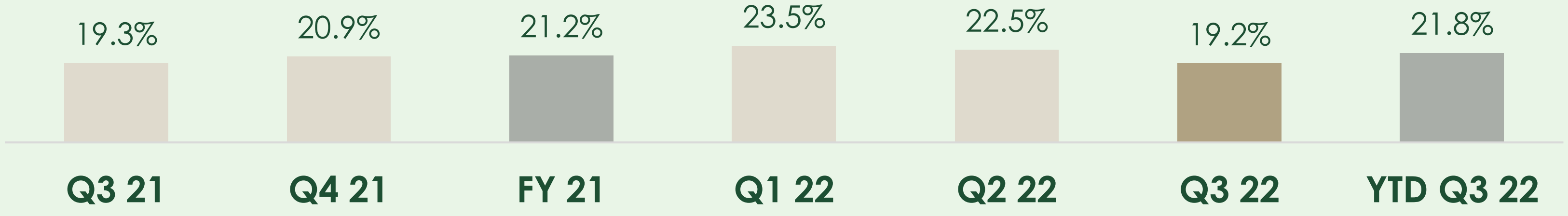
## Quarterly Gross margin




## Quarterly EBITDA margin

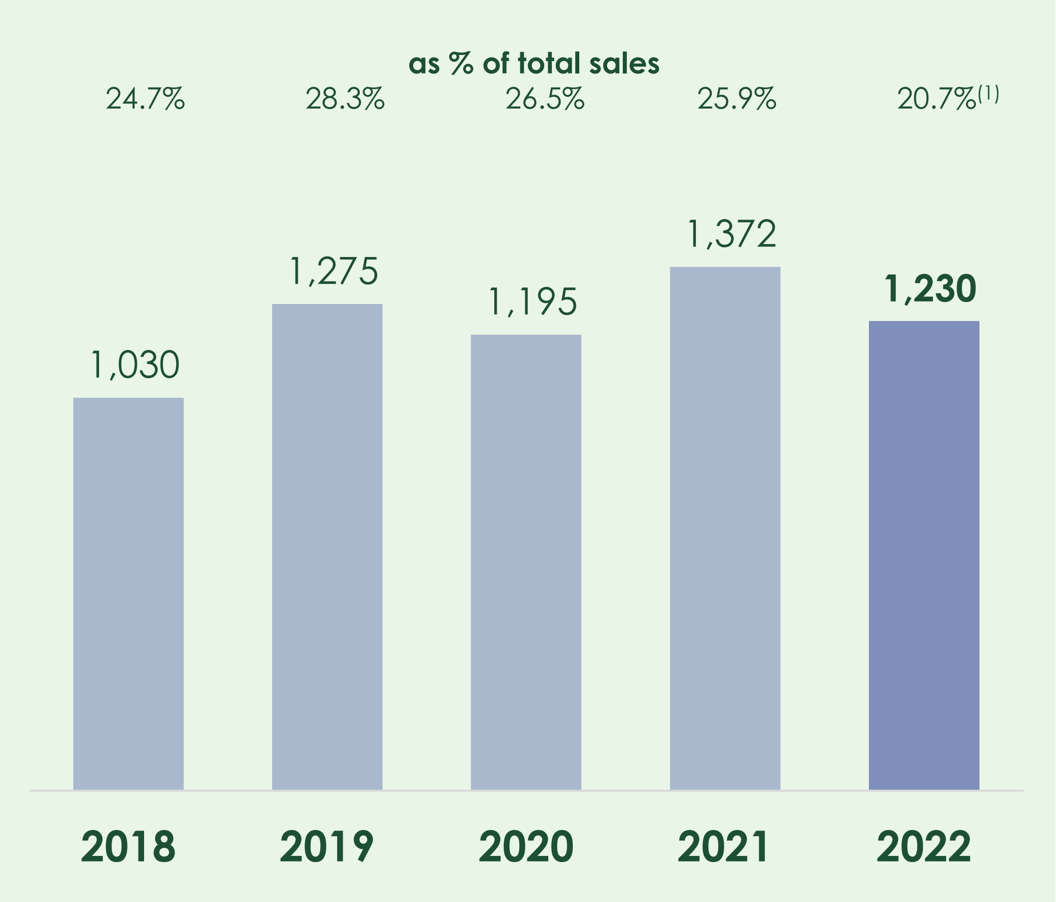



## Quarterly Net income margin

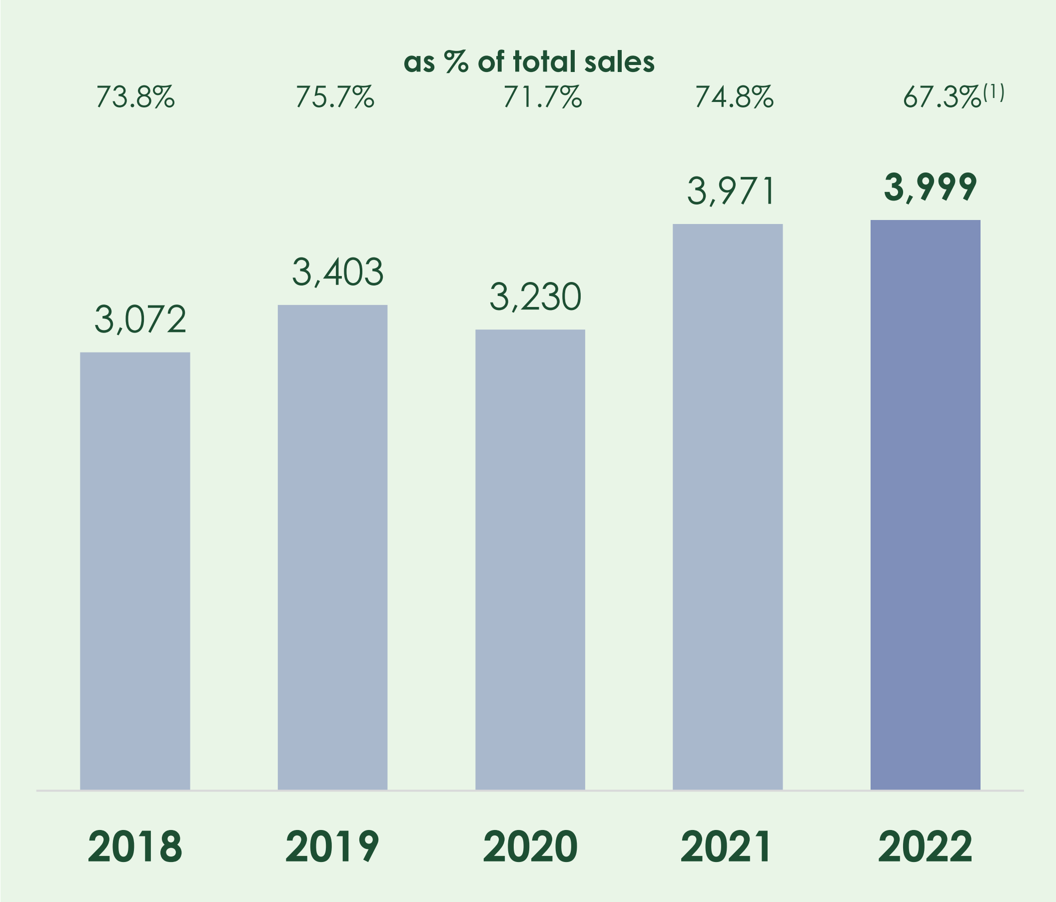



# Architectural solutions segment - sales

## Q3 sales by value
(IDR billion)



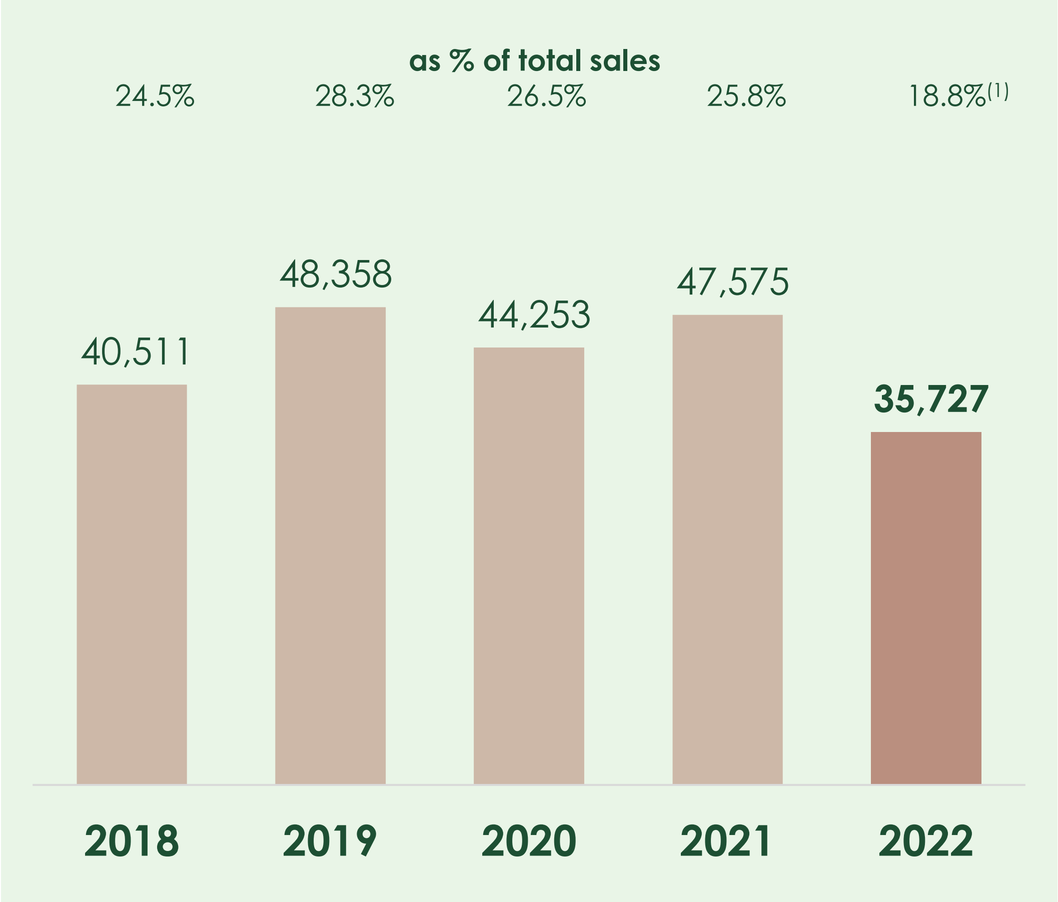

## YTD Q3 sales by value
(IDR billion)



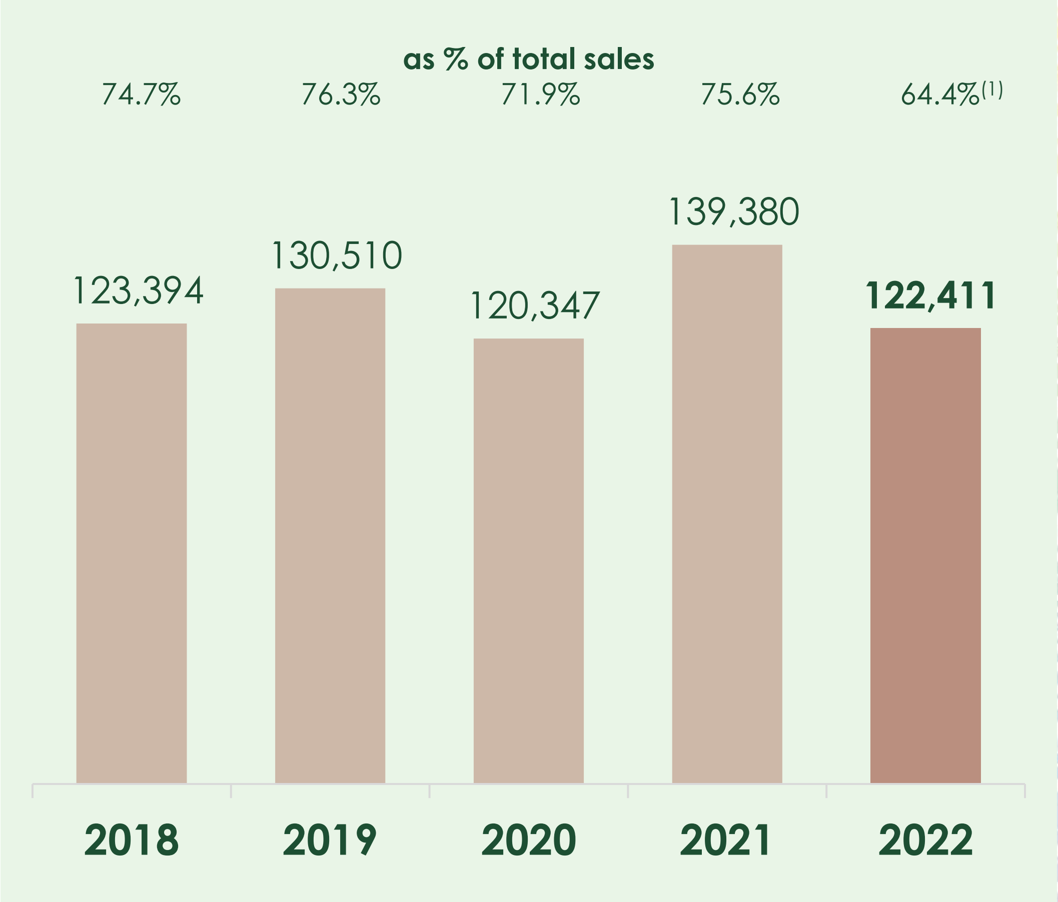

(1) based on management estimation

# Architectural solutions segment - volume

## Q3 sales by volume[2]
(metric ton)



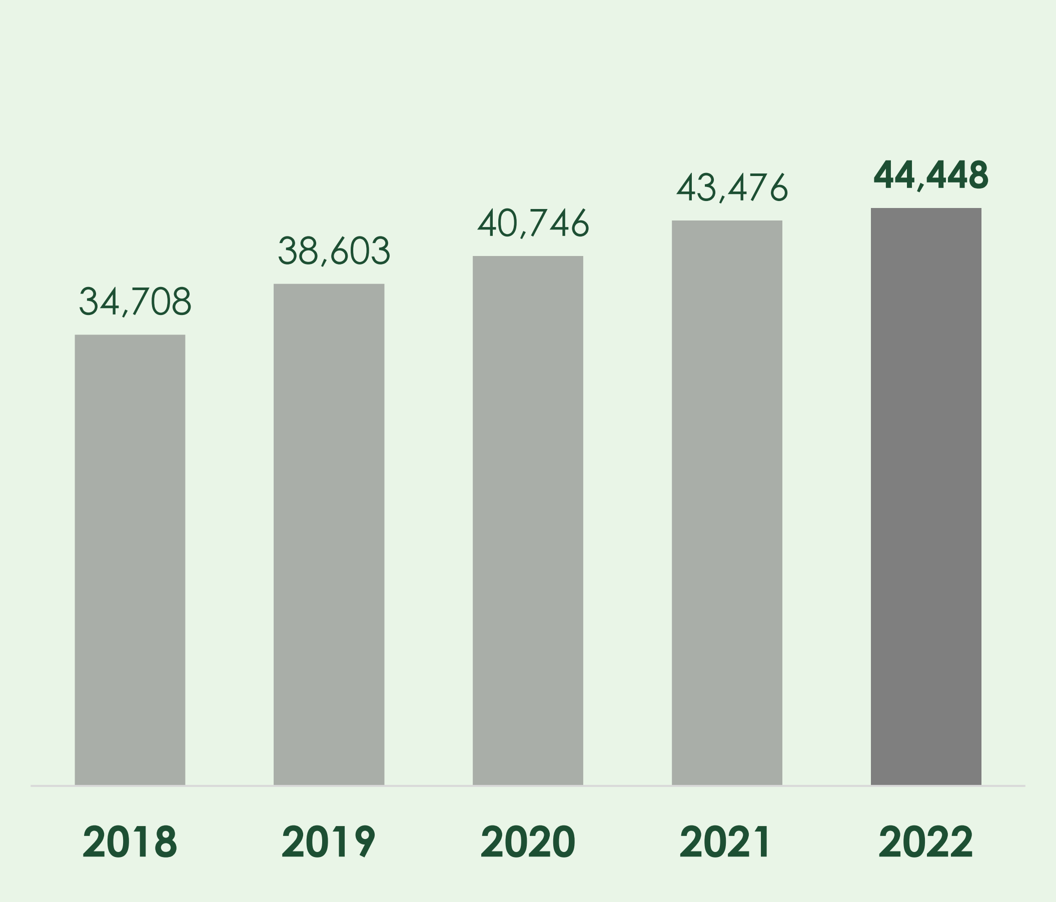

## YTD Q3 sales by volume[2]
(metric ton)



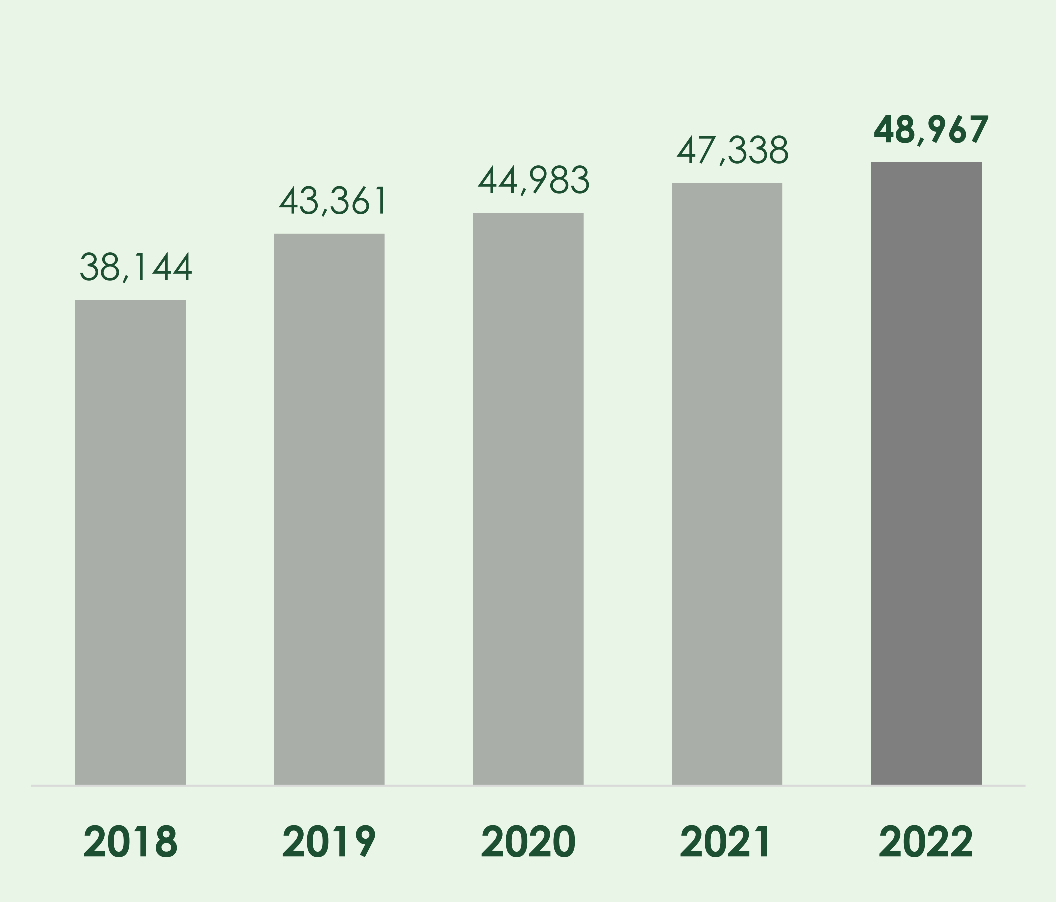

(1) based on management estimation
(2) Excluding instant cement

# Architectural solutions segment - customers

**Q3 number of customers**

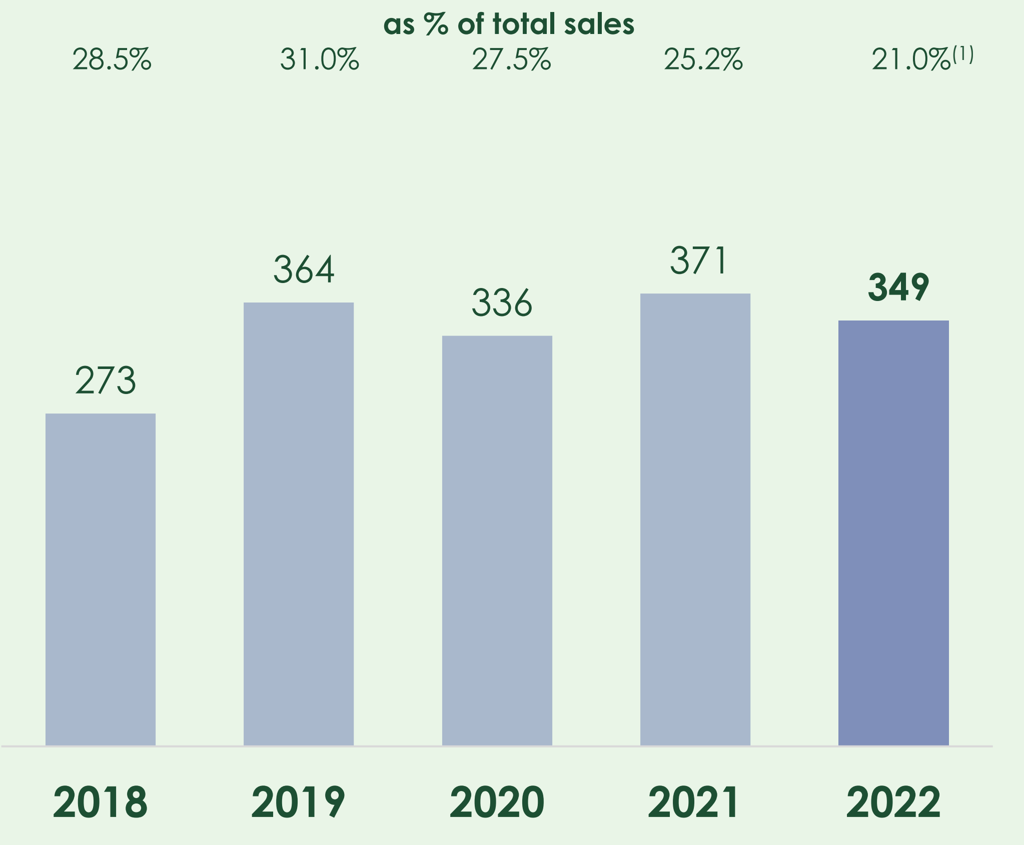



**YTD Q3 number of customers**

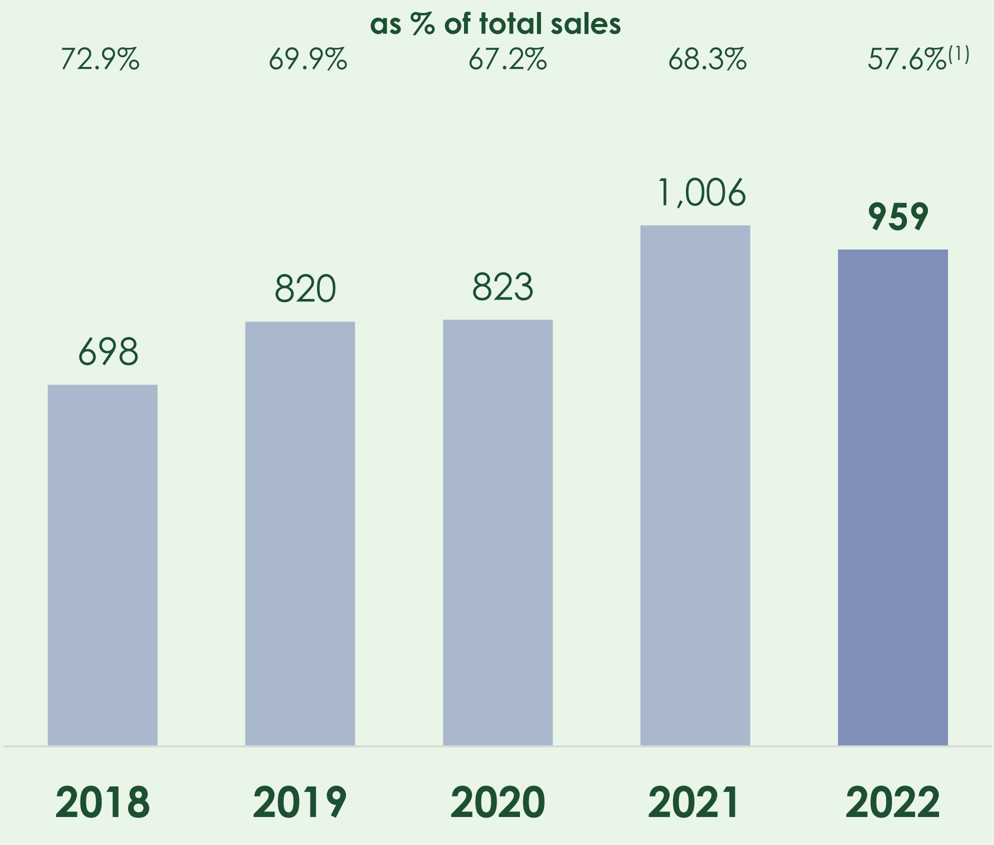


# Trading goods segment - sales

## Q3 sales by value
(IDR billion)



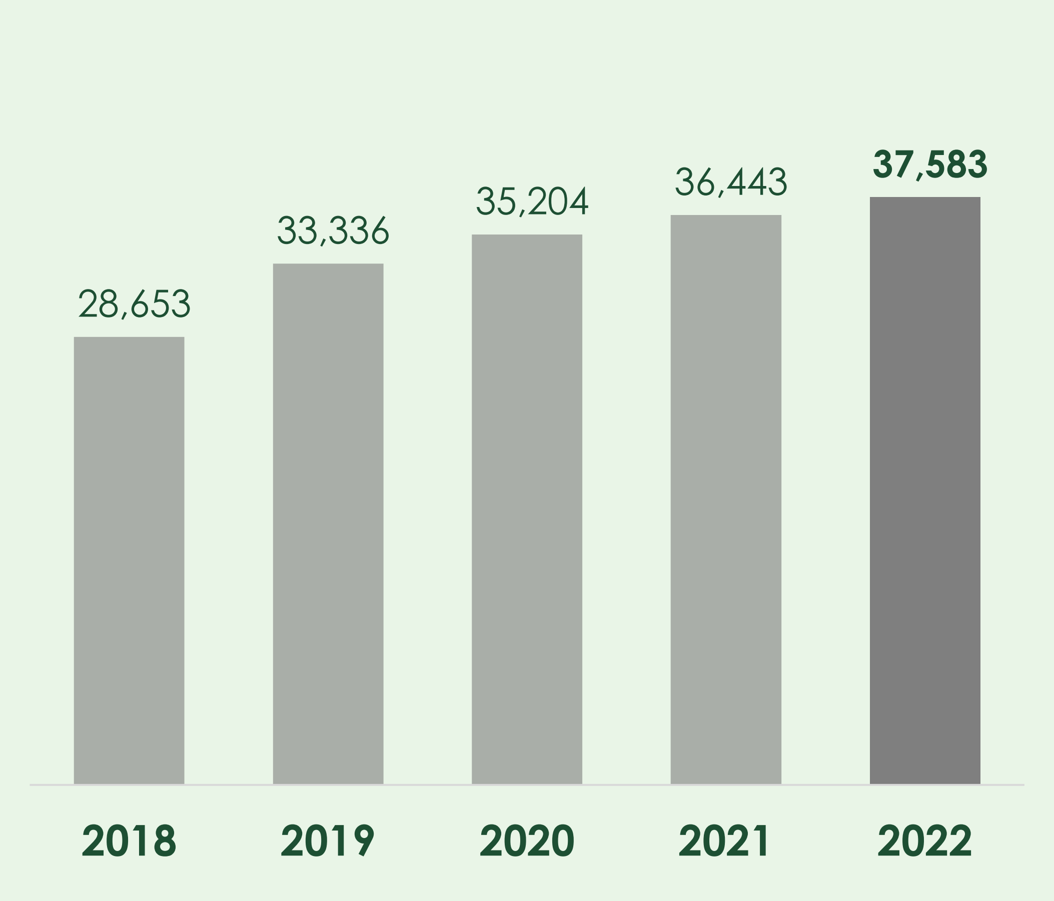

## YTD Q3 sales by value
(IDR billion)



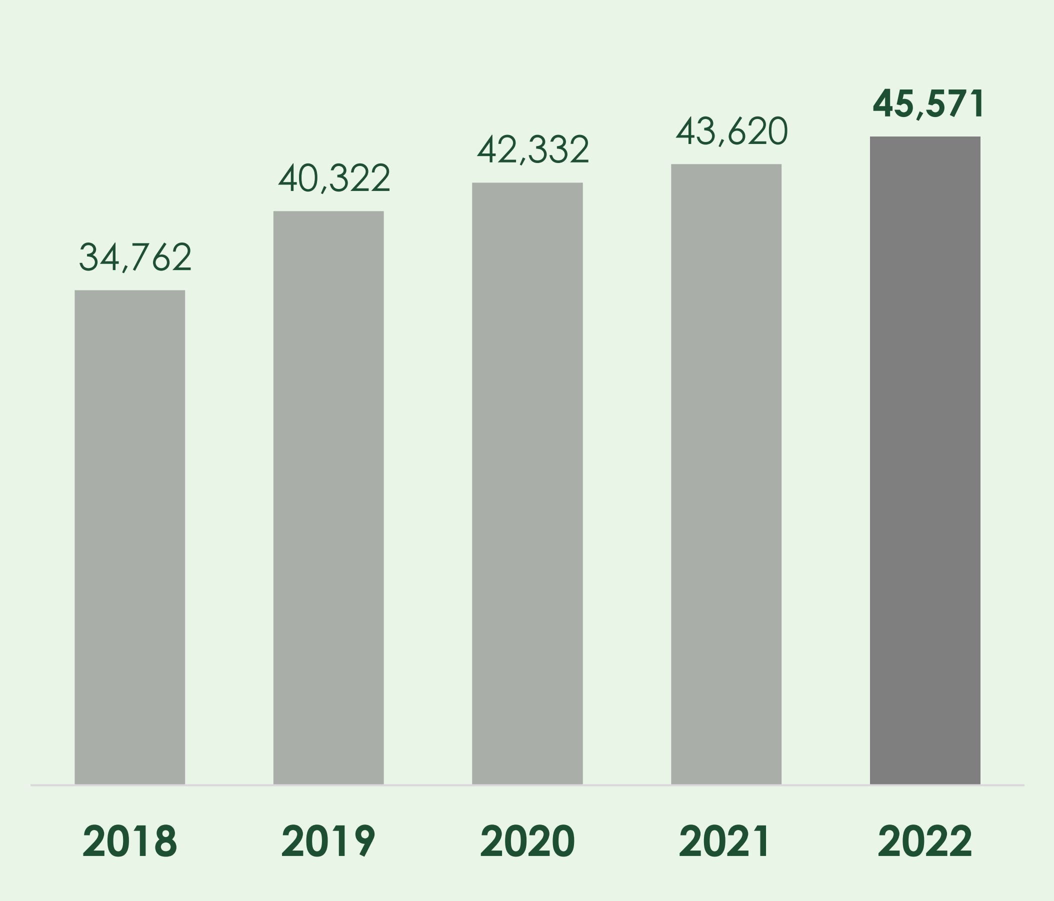

(1) based on management estimation

# Trading goods segment - customers

## Q3 number of customers

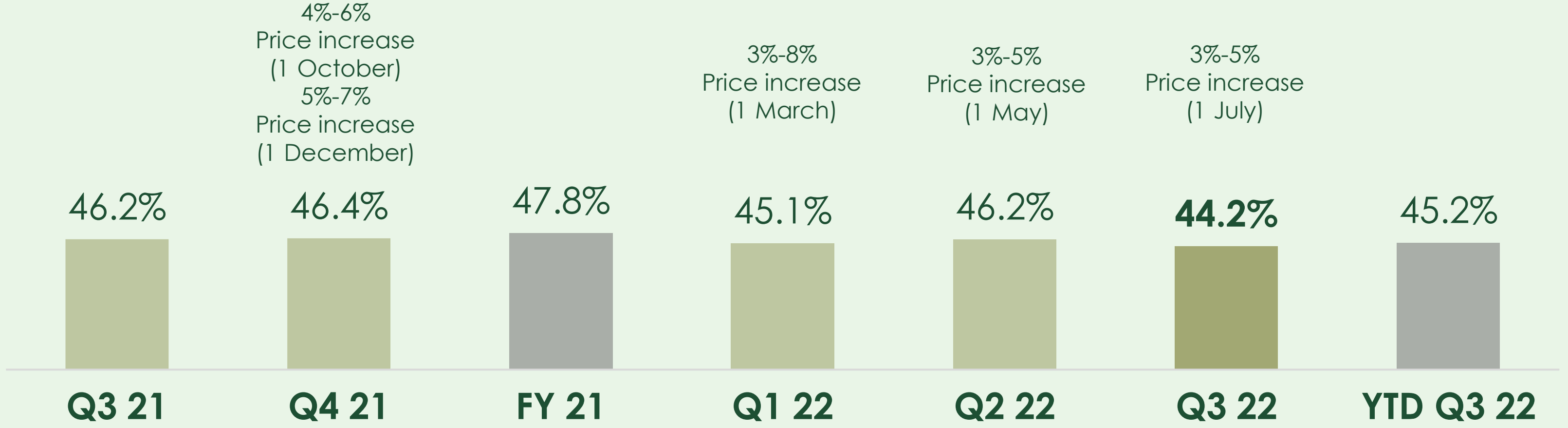



## YTD Q3 number of customers

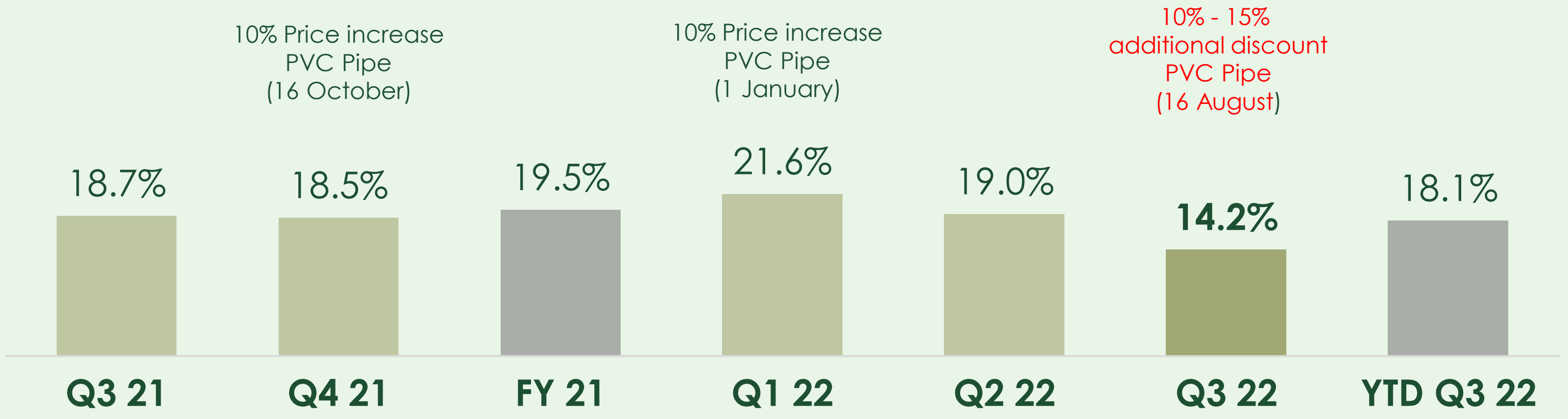


# Quarterly gross margin

## Architectural solutions segment




## Trading goods segment




# Well-managed cost structure

**Cost Breakdown (as % of sales)**

| | 2018 | 2019 | 2020 | 2021 | YTD Q3 22 |
|---|---|---|---|---|---|
| G & A[1] | 3.0% | 3.5% | 2.8% | 2.7% | 3.2% |
| Sales & Marketing[2] | 15.1% | 15.8% | 16.0% | 13.1% | 14.6% |
| COGS[3] | 57.1% | 58.6% | 56.1% | 58.3% | 60.0% |
| **Total** | **74.4%** | **75.2%** | **77.9%** | **74.9%** | **77.9%** |

**Cost Breakdown (IDR billion)**

| | 2018 | 2019 | 2020 | 2021 | YTD Q3 22 |
|---|---|---|---|---|---|
| G & A[1] | 152 | 197 | 163 | 182 | 159 |
| Sales & Marketing[2] | 772 | 898 | 918 | 889 | 724 |
| COGS[3] | 2,926 | 3,324 | 3,213 | 3,954 | 2,977 |
| **Total** | **3,850** | **4,419** | **4,294** | **5,025** | **3,861** |

SG&A expenses increase as a result in DC expansion related cost

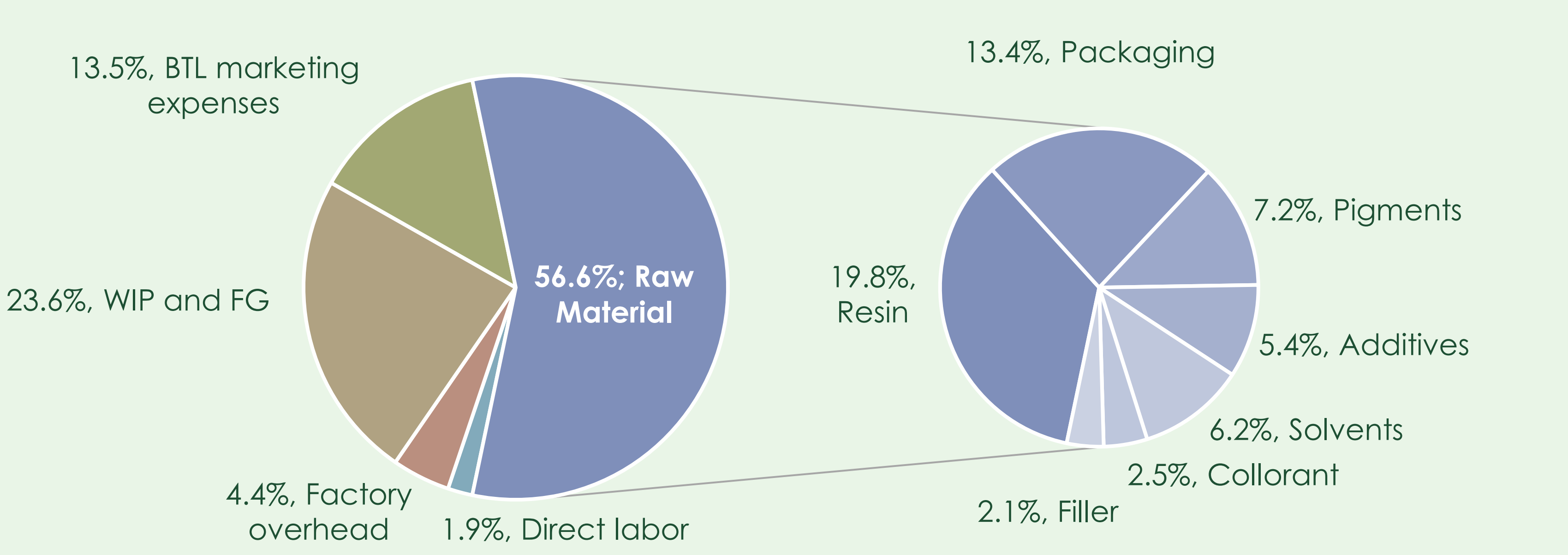
Within the architectural solutions segment, the pressure on raw materials has eased

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

(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 | YTD Q3 22 |
|---|---|---|---|---|---|
| Raw materials | 61.2% | 51.8% | 47.5% | 58.2% | 56.6% |
| Direct labor | 1.9% | 1.9% | 2.1% | 1.9% | 1.9% |
| Factory overhead | 4.2% | 3.7% | 4.2% | 4.2% | 4.4% |
| WIP and FG | 21.9% | 31.1% | 33.8% | 24.8% | 23.6% |
| BTL marketing expenses | 10.8% | 11.4% | 12.4% | 11.0% | 13.5% |




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

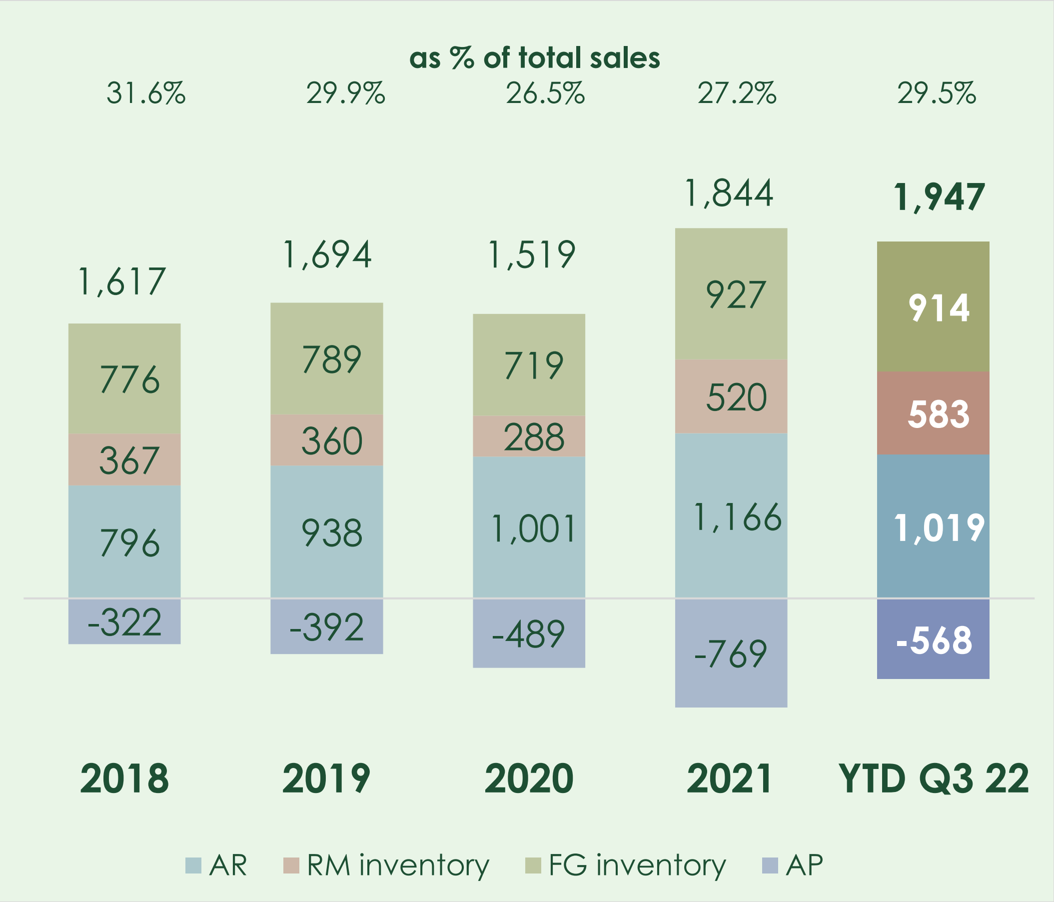
Direct labor and factory overheads as % of COGS relatively stable over the years

Resin, packaging and solvent are linked to oil price;

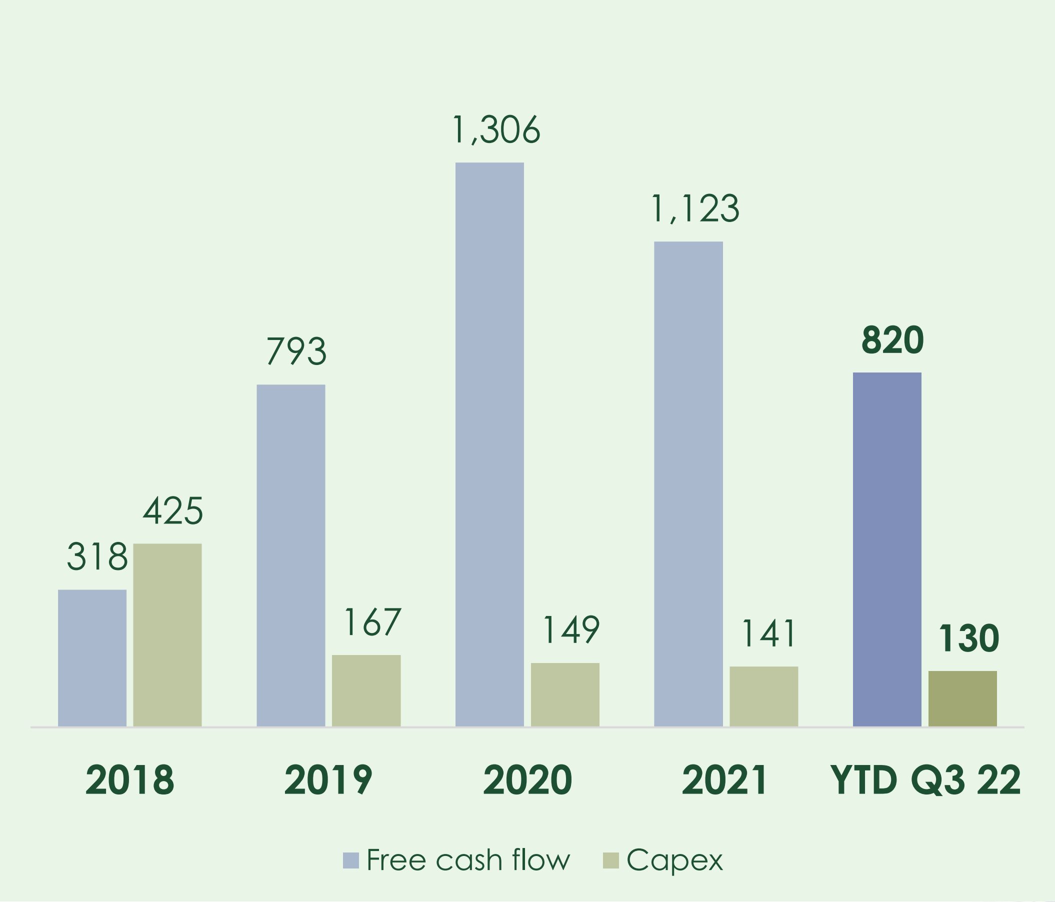
~ 35% of raw materials are imported

# Robust cash-flow generation

## Trade working capital
(IDR billion)



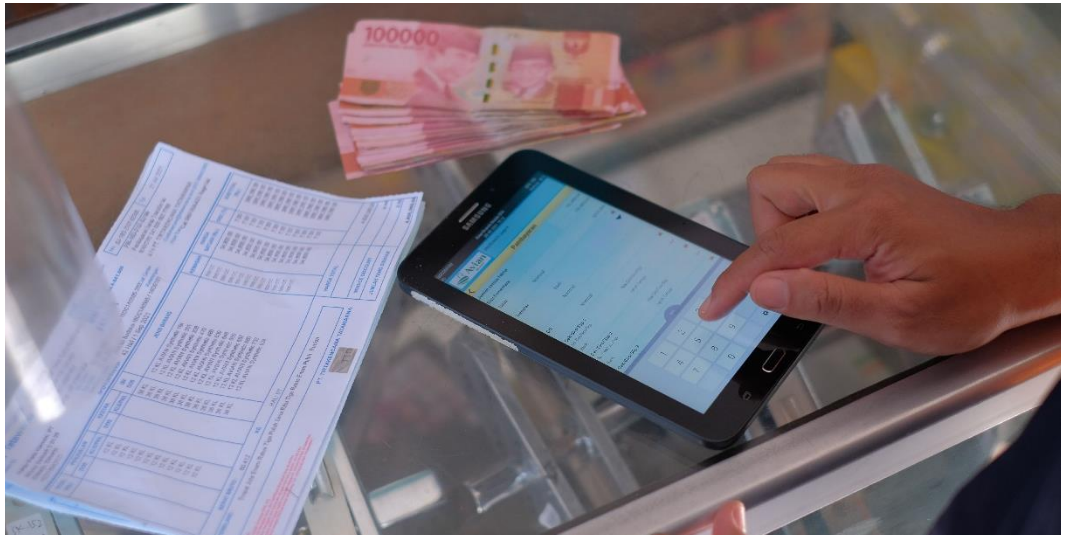

## Free cash flow and capex
(IDR billion)



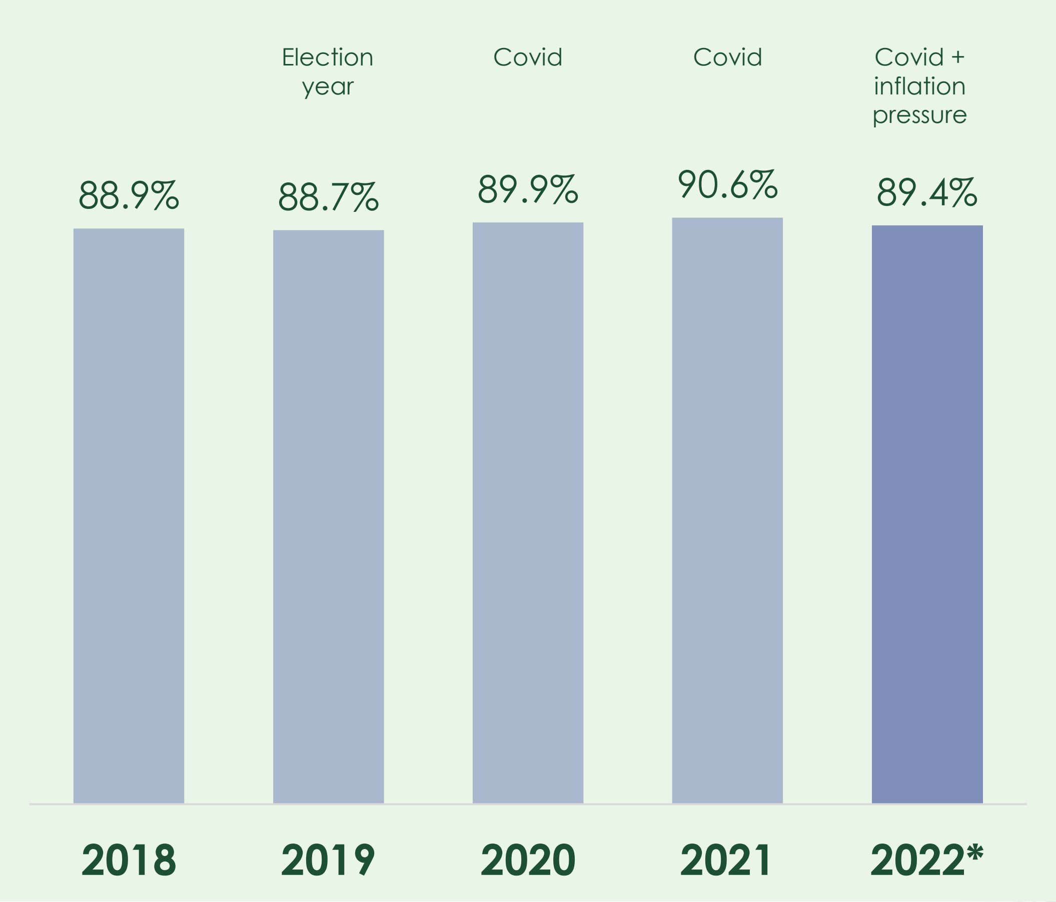

(1) annualized, measured against two times H1 revenue

# On-time account receivable collection

- Avian Brands has been able to achieve stable on-time account receivable (AR) collection over several challenging years
- This shows the quality of relationships with our customers across the nation.
- Even when our customers face liquidity problems due to weak purchasing power of consumers, we have been given priority over all our competitors



## On-time collection
(IDR billion)




*On time AR collection up to H1 2022

# Training programs for painters

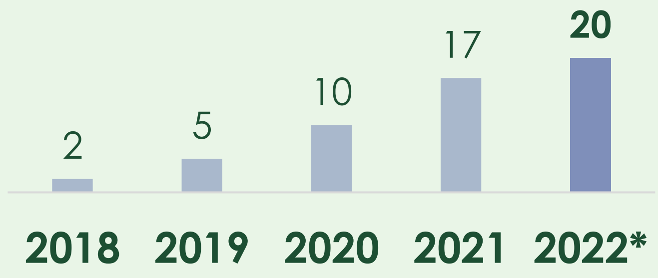
- Nationwide training program for painters was launched in April 2022
- To save costs, most training programs are conducted in distribution centers
- Around 40 painters take part in each training program
- Each session kicks off with the launch of Avian Brands' **Painter Loyalty Program**
- For the first 6 months, we have been training more than 35,000 painters across the nation


## Painters Loyalty Apps


# Notable ESG initiatives


- We recognise that conducting business in a responsible and sustainable manner is critical for us to gain and maintain the respect and trust of all stakeholders.
- We constantly monitor, measure and report on our ESG progress and results. Our goal is to improve on all the ESG metrics that we are committed to
- We are progressively adding more ESG metrics to keep pace with other world-class paint companies

**Product Stewardship**




- We continue our commitment to a gradual shift to more environmentally friendly products (Green Label certified & Indonesian National Standard certified)

**Environment**

- Continuous improvements in recycling and waste management (reuse of cleaning water in production, reduction of hazardous waste, reuseable materials)

**Governance**

- Appointment of the first female director
- Establishment of related party transaction commitee

# Guidance for 2022

**Sales projection FY 22**

- Value growth 1 – 5%
- Volume decline 10% - 15%

**Planned actions in Q4:**

- Expansion of 4 distribution centers will take place
- 1 last new product will be launched for the year 2022.
- Completion of permit for the Cirebon factory continues to be a challenge due to the uncertainty of numerous government agencies. We continue to do our best to achieve this
- We have identified several products for our collaboration with Saint Gobain. We will finalize the product quality and packaging design this quarter.
- We are very focused on strengthening our business model to be better positioned when the building materials market recovers. In the meantime, we have never stopped exploring various strategies to gain market share.