PT Avia Avian Tbk

Investor Presentation
Q3 2023 Results

Mewarnai Indonesia

Disclaimer

All investments are highly speculative in nature and involve substantial risk of loss. We encourage our investors to invest very carefully. We also encourage investors to get personal advice from your professional investment advisor and to make independent investigations before acting on information that we publish. Much of our information is derived directly from information published by companies or submitted to governmental agencies on which we believe are reliable but are without our independent verification. Therefore, we cannot assure you that the information is accurate or complete. We do not in any way whatsoever warrant or guarantee the success of any action you take in reliance on our statements or recommendations.

Past performance is not necessarily indicative of future results. All investments carry significant risk and all investment decisions of an individual remain the specific responsibility of that individual. There is no guarantee that systems, indicators, or signals will result in profits or that they will not result in a full loss or losses. All investors are advised to fully understand all risks associated with any kind of investing they choose to do.

Various statements contained in this presentation, including those that express a belief, expectation or intention, as well as those that are not statements of historical fact, are forward-looking statements. These forward-looking statements may include projections and estimates concerning the timing and success of strategies, plans or intentions. We have based these forward-looking statements on our current expectations and assumptions about future events. These assumptions include, among others, our projections and expectations regarding: market trends litigation, our ability to create an opportunity with attractive current yields and upside. While we consider these expectations and assumptions to be somewhat reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control and could cause actual results to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. Investors should not place undue reliance on these forward-looking statements. We undertake no obligation to update any forward-looking statements to conform to actual results or changes in our expectations, unless required by applicable law.

Avian Brands team

Ruslan Tanoko

Vice President Director

ruslan.tanoko@avianbrands.com

Robert Tanoko

Operations & Development Director

robert.tanoko@avianbrands.com

Kurnia Hadi

Finance Director

kurnia.hadi@avianbrands.com

Andreas Hadikrisno

Head of Investor Relations

investor.relations@avianbrands.com

Avian Brands Q3 2023 snapshot

SALES	GROSS PROFIT	EBITDA	NET PROFIT
IDR 1.7 T (US$ 109 m)	**IDR 697 B** (US$ 46 m) **42.1%**	**IDR 410 B** (US$ 27 m) **24.8%**	**IDR 334 B** (US$ 22 m) **20.2%**

EMPLOYEES	DISTRIBUTION CENTERS	COVERAGE	CUSTOMERS
8,000+	**156**	**38 Provinces** **99 Cities**	**56,000+** **Retail outlets**

Convenience translation from IDR based on the average IDR/USD exchange rate in Q3 2023 of 15,201

Q3 financial performance highlights

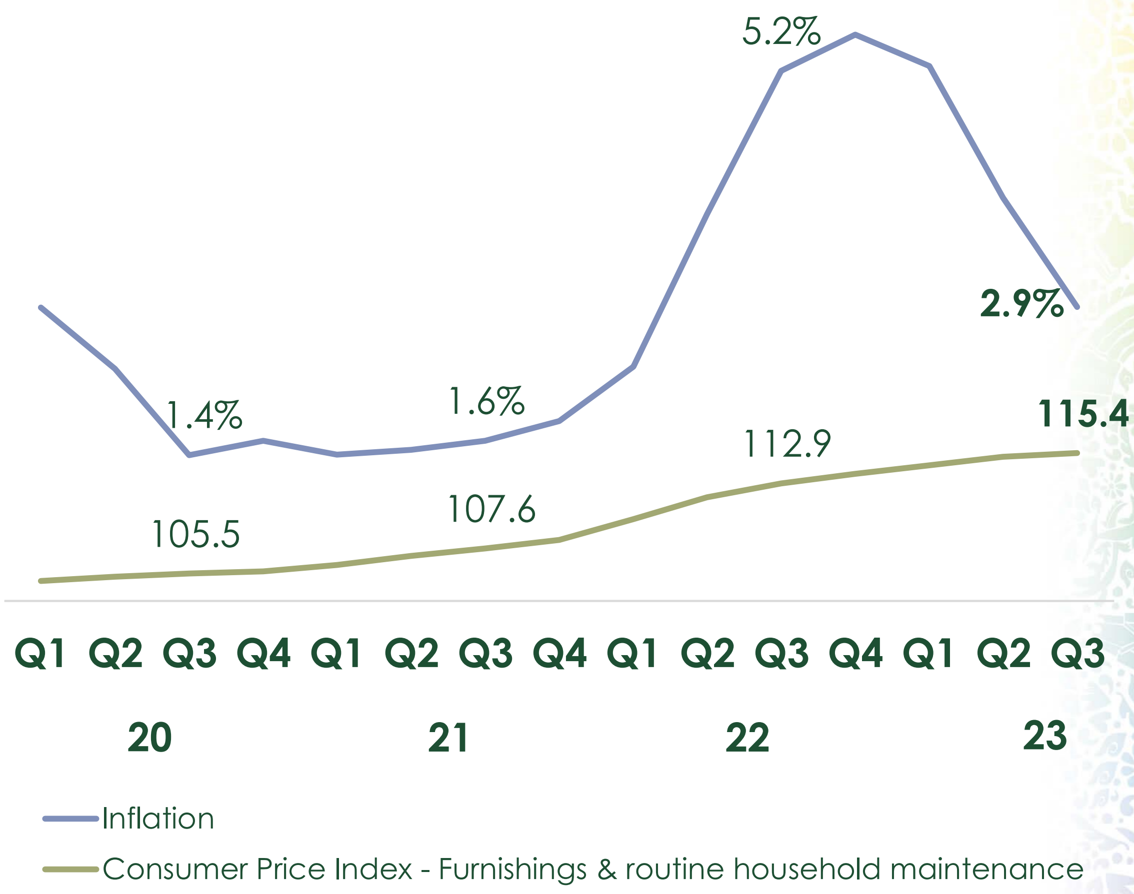
In IDR billion (except per share data)	Q3 2023	Q3 2022	Change
Consolidated sales	**1,656**	**1,579**	**4.9%**
Architectural solutions	1,292	1,230	5.1%
Trading goods	364	349	4.3%
Gross profit	**697**	**594**	**17.5%**
Architectural solutions	634	544	16.6%
Trading goods	63	50	27.5%
Gross margin	**42.1%**	**37.6%**	**4.5%**
Architectural solutions	49.1%	44.2%	4.9%
Trading goods	17.4%	14.2%	3.2%
EBITDA	**410**	**360**	**14.0%**
EBITDA margin	**24.8%**	**22.8%**	**2.0%**
Net income	**334**	**303**	**10.2%**
Net income margin	**20.2%**	**19.2%**	**1.0%**
EPS	**5.4**	**4.9**	**10.2%**

- Consolidated sales went up by 4.9% in comparison to the same quarter last year.
- Growth was led by our architectural solutions segment, which was up by 5.1%. The trading goods segment was close behind, with sales up by 4.3%.
- Gross margin for the architectural solutions segment increased to 49.1%, marking a 4.9% improvement compared to the same quarter last year.
- Gross margin for the trading goods segment was recorded at 17.4%, which is within the range we've been targeting for this segment.
- The improvement in EBITDA margin was attributable to the gross margin improvement.

Business update in Q3

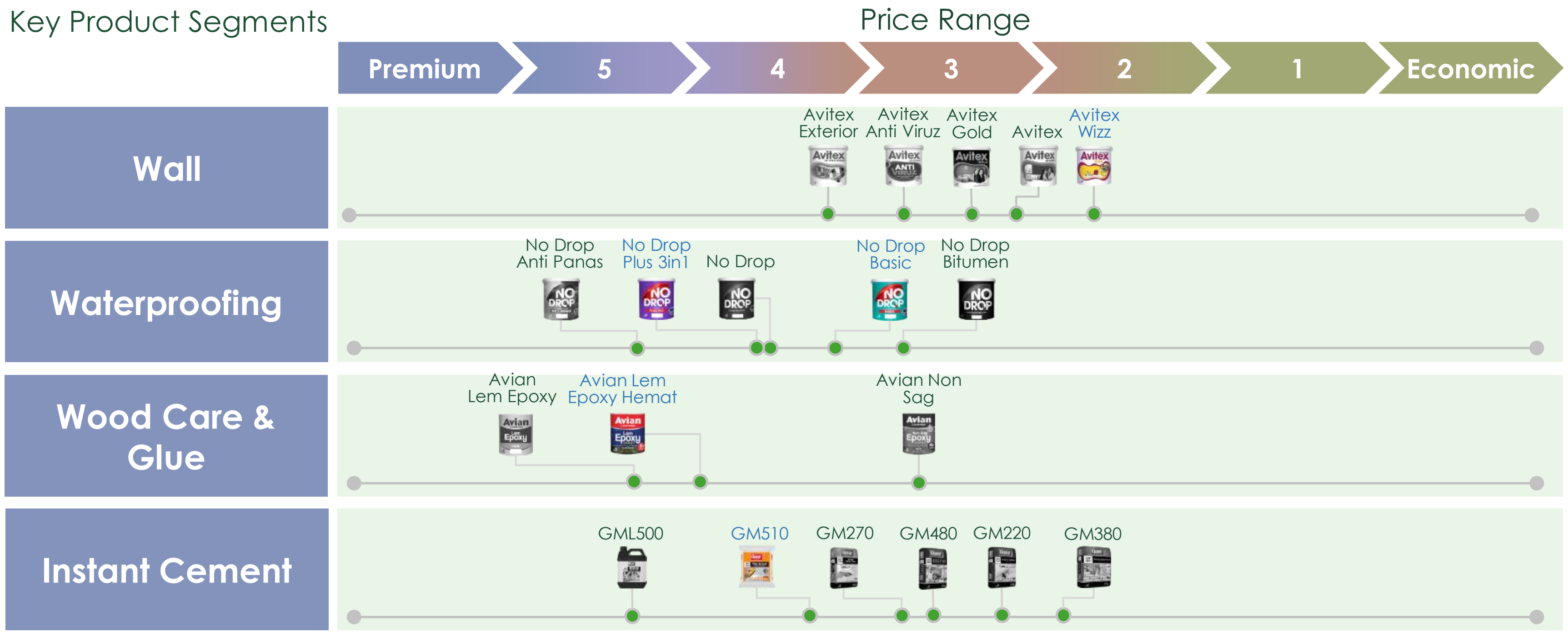
- The decline in the inflation rate was mainly due to the high base effect caused by the increase in fuel prices in 2022.
- Price inflation is still evident in the primary goods category, holding back the recovery in paint demand.
- It is also worth noting that the CPI for furnishing and routine household maintenance is still on the rise, reflecting the tangible effects of inflation.
- The minimum wage's increase in the past three years continues to lag building material inflation by around 10%.
- A similar weakness was observed in other sectors, including ceramic tiles and FMCG, as demonstrated by the weak sales performance in Q3.
- Despite weaker consumer purchasing power, we have been strategically positioned to strengthen our market share owing to our wide range of economical-priced products.

Indonesia inflation rate & CPI(1)



(1) Bank Indonesia

New products launched in Q3



- Our research, development, and innovation (RDI) division is dedicated to creating products suitable for Indonesian consumers at every income level and tailored to the current market conditions.
- In this quarter, we launched 5 new products across various categories. Avitex Wizz, No Drop Basic, and Avian Lem Epoxy Hemat belong to the more economical-priced segments.

Distribution centers expansion

Benefits from the continued expansion of distribution centers:

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

Wholly owned DC logistics & delivery fleet

- In Q3 2023, we opened 2 wholly-owned DCs, 1 new mini DC, and 3 third-party DCs.
- We own and operate 607 delivery trucks that allow us to make ~10,300 deliveries per day.
- Streamline delivery processes by automating logistics for a lean & and efficient system.
- 96%[1] 1-day delivery service fulfilment.

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

Providing unmatched service quality

~2 hours
Delivery time

~50% lower
Delivery cost

30,000+
Retail outlets

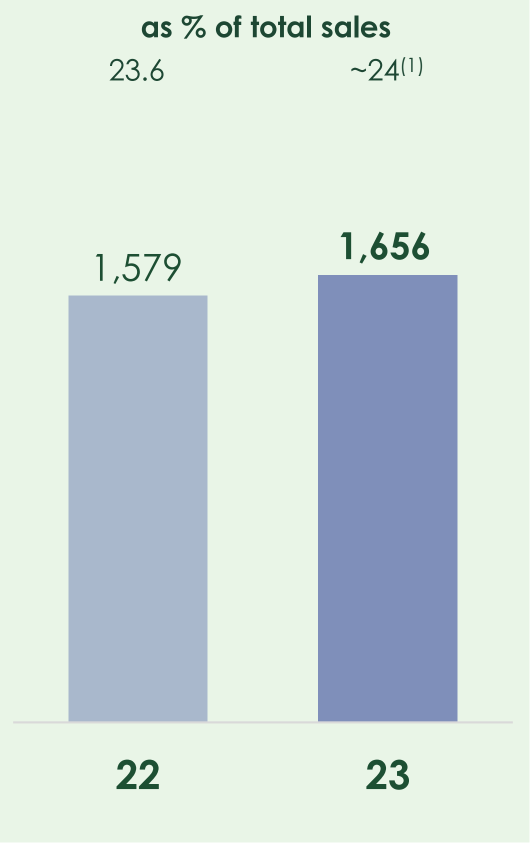
100+
Distribution centres

The implementation of express delivery has been introduced to elevate various aspects of the business, including:

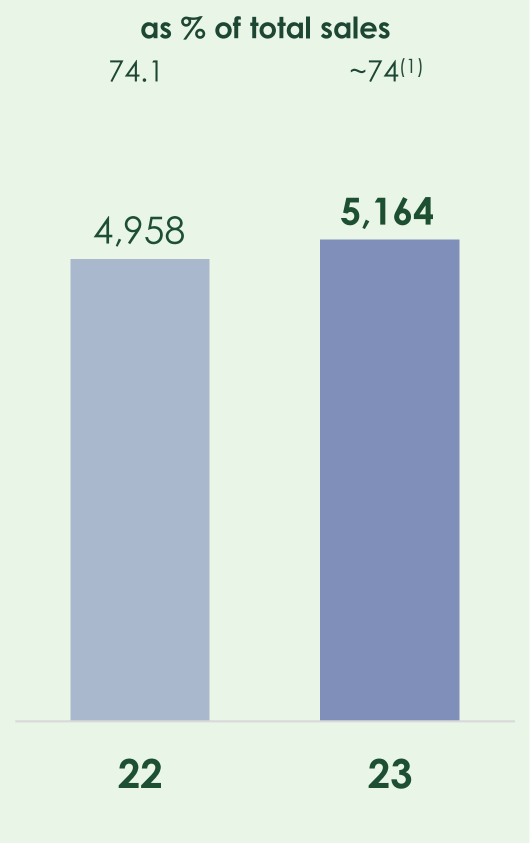
- Incentivize shops to sell more products without increasing stock, leading to profit improvements.
- Provide outstanding value to Avian Brands' customers by offering the best and unmatched level of service.
- Improve efficiency by streamlining the delivery process and reducing fuel costs and surcharges.
- Maintain a competitive edge and stay ahead of the competition, opening an excellent way for Avian Brands to stand out from its close competitors.

Consolidated business – sales & customers

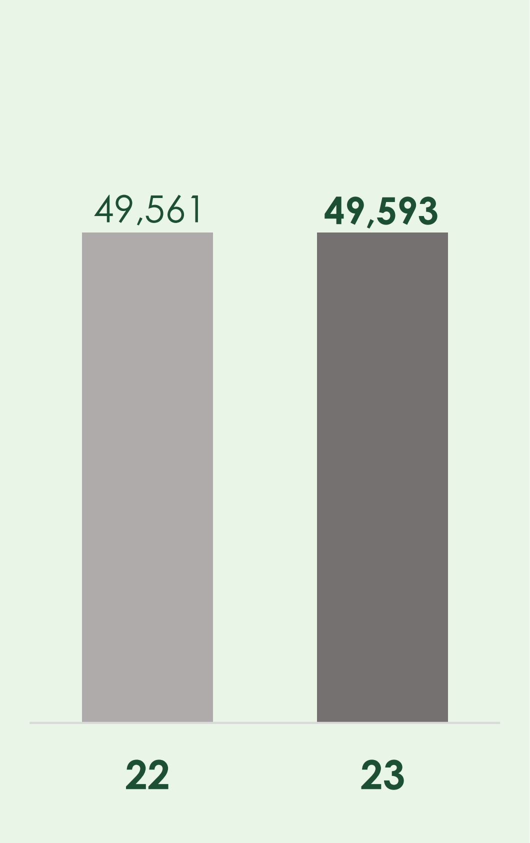
Q3 sales by value
(IDR billion)



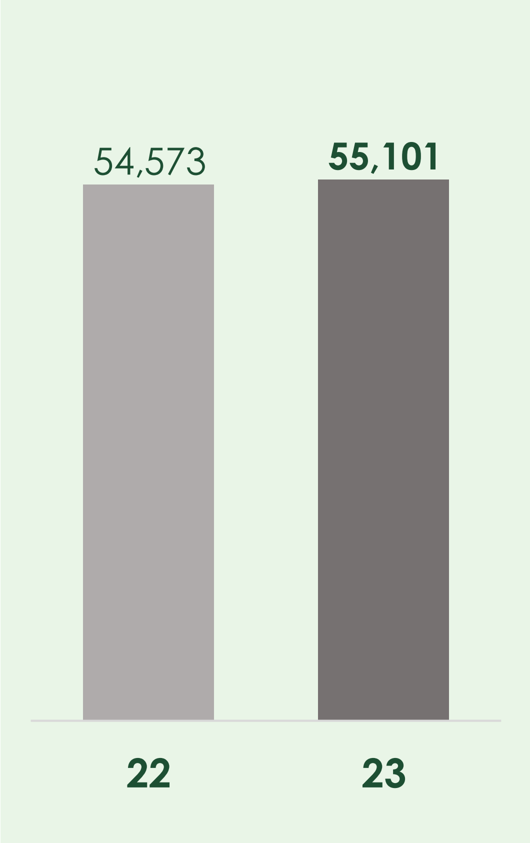
YTD Q3 sales by value
(IDR billion)



Q3 number of customers



YTD Q3 number of customers

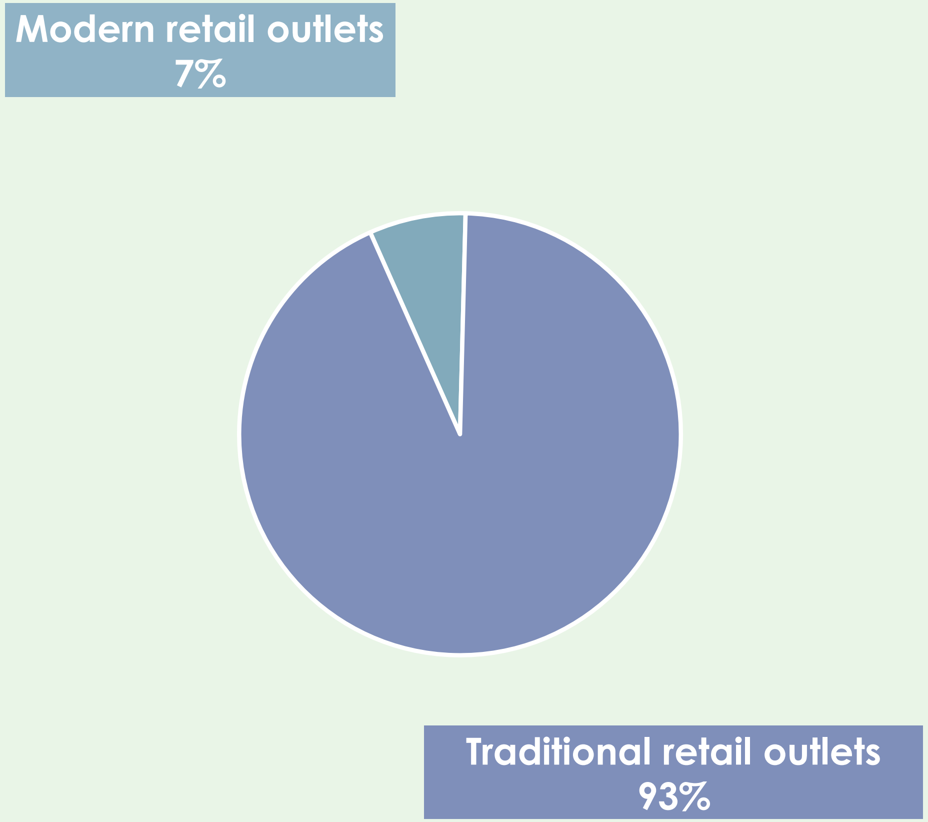


(1) Based on management estimation

Consolidated business

YTD Q3 sales by segment

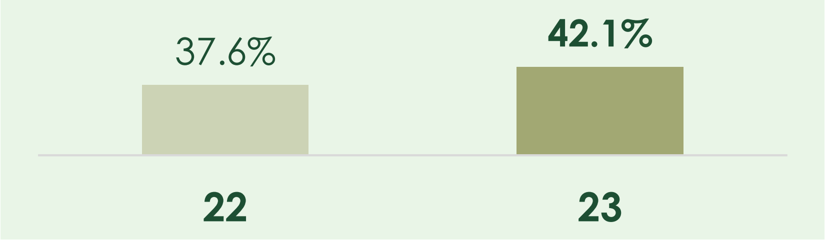
YTD Q3 sales by customers



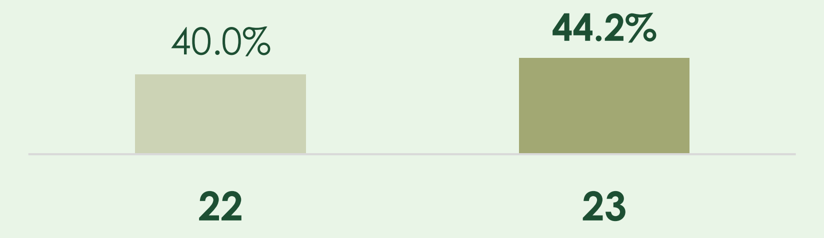
(1) Includes roof paint, instant cement, automotive refinish and others
(2) Includes woodcare and glue

Consolidated business - margin

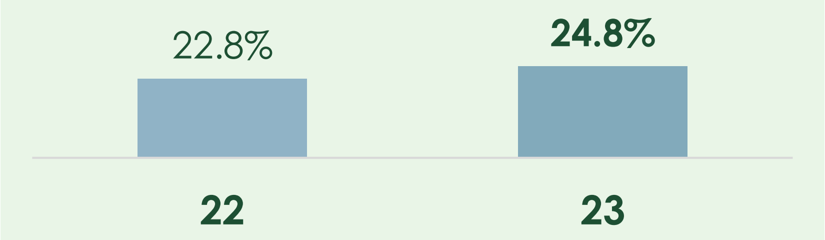
Gross margin – Q3



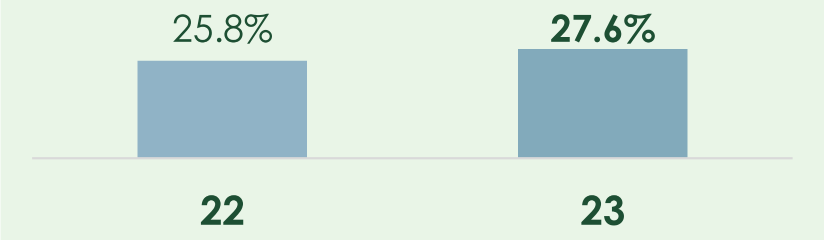
Gross margin – YTD Q3



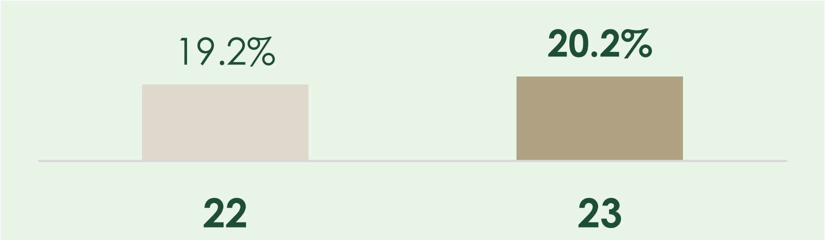
EBITDA margin – Q3



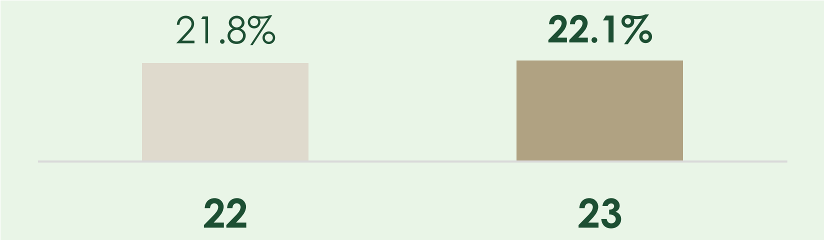
EBITDA margin – YTD Q3



Net income margin – Q3



Net income margin – YTD Q3

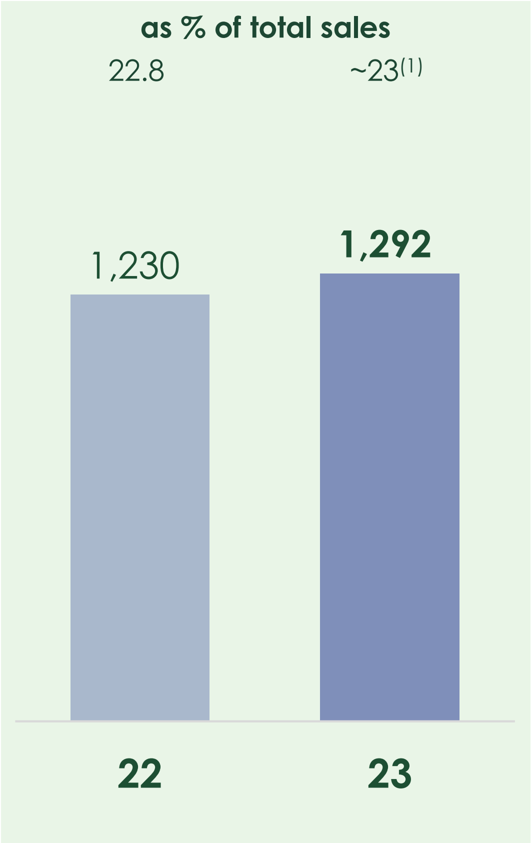


- Gross margin for the architectural solutions segment improved in Q3, compared to the same period last year, supported by raw material stabilization.

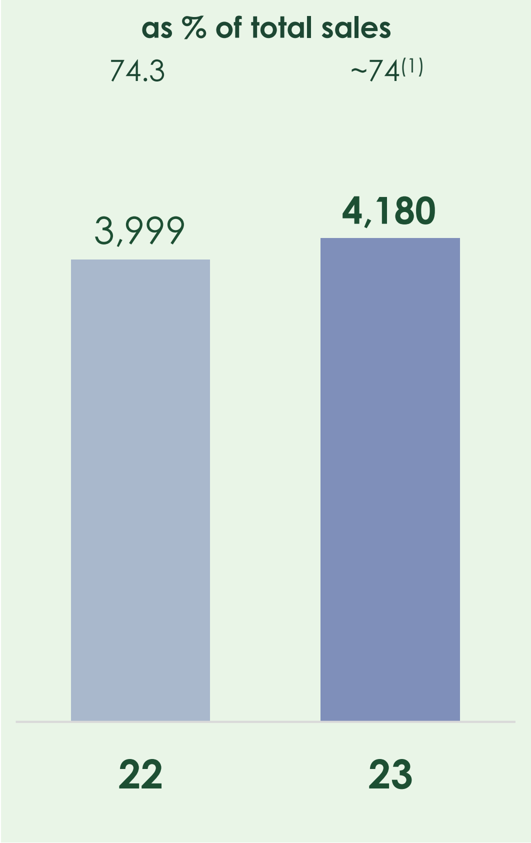
- The improvement in gross margin has further led to the improvement in EBITDA margin.

Architectural solutions - sales

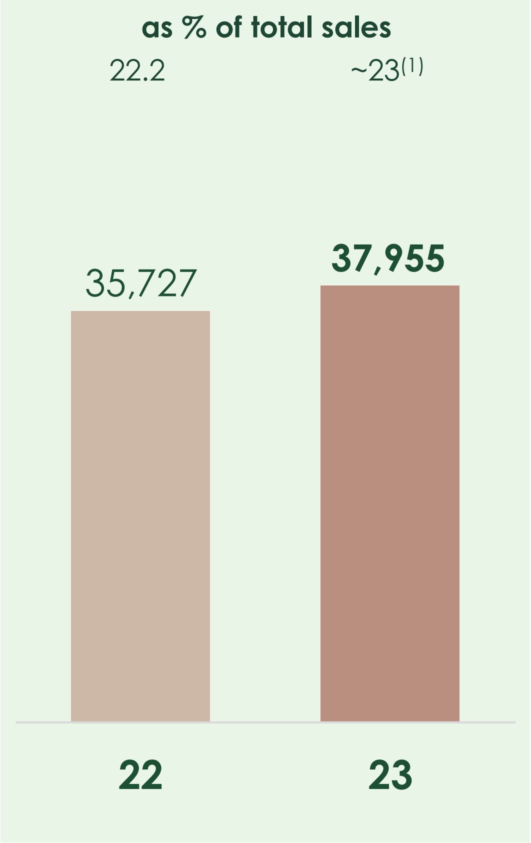
Q3 sales by value
(IDR billion)



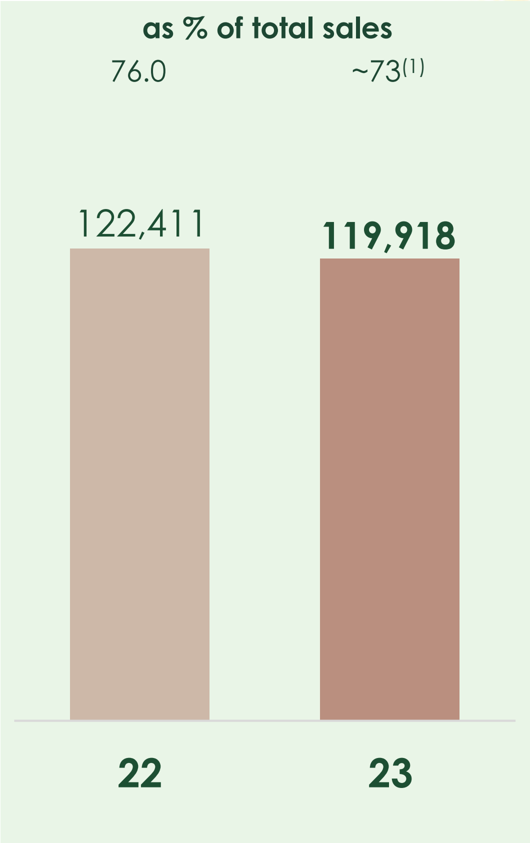
YTD Q3 sales by value
(IDR billion)



Q3 sales by volume[2]
(metric ton)



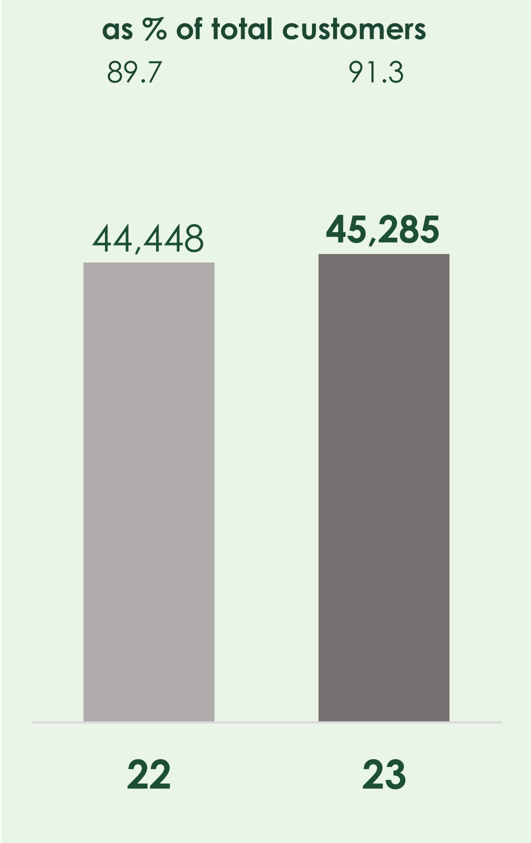
YTD Q3 sales by volume[2]
(metric ton)



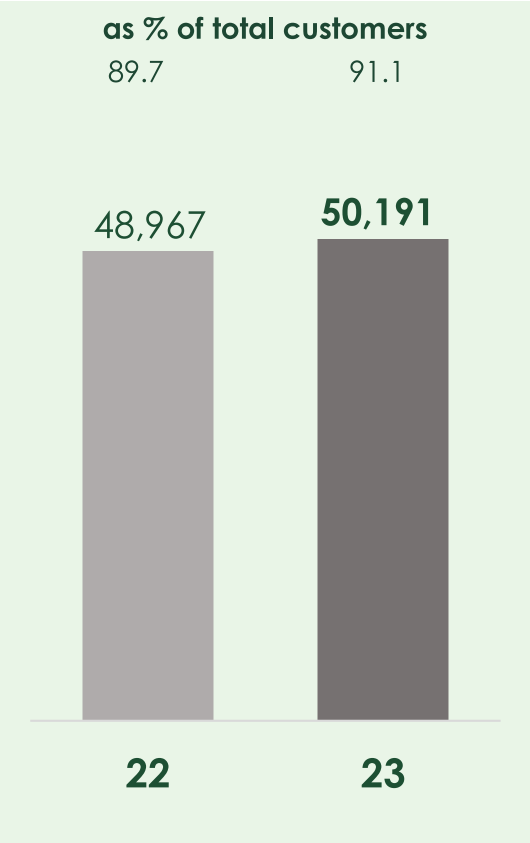
(1) Based on management estimation
(2) Excluding instant cement

Architectural solutions - customers

Q3 number of customers



YTD Q3 number of customers

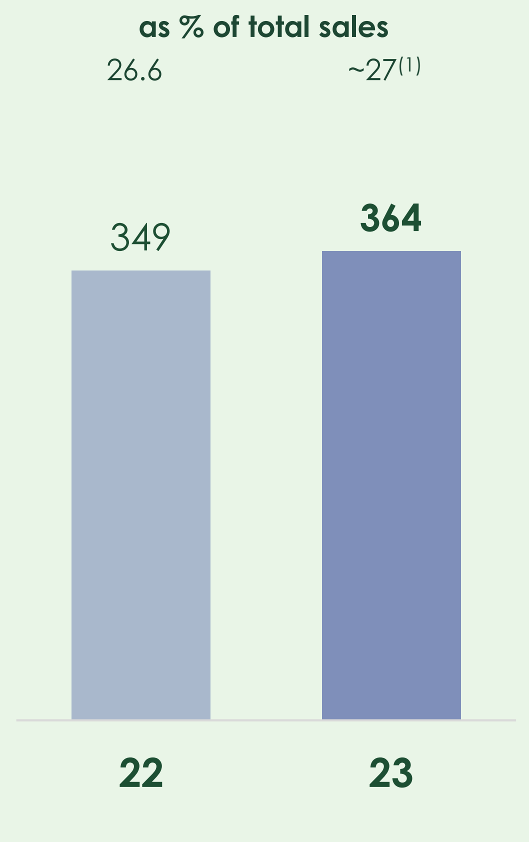


Avian Brands customer gathering, Sukabumi

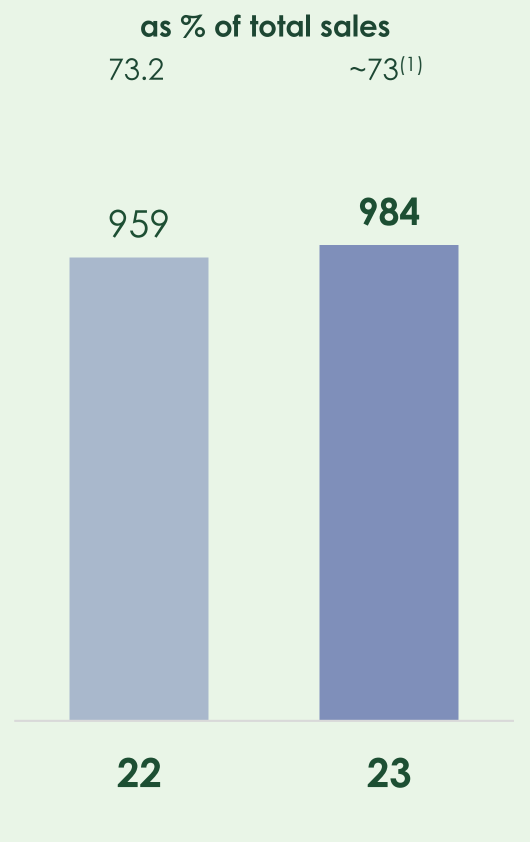
Avian Brands customer gathering, Cianjur

Trading goods – sales & customers

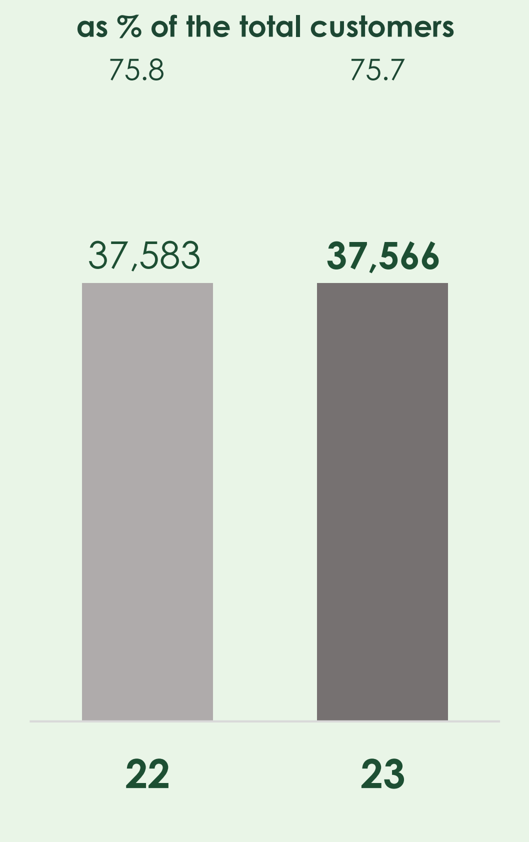
Q3 sales by value
(IDR billion)



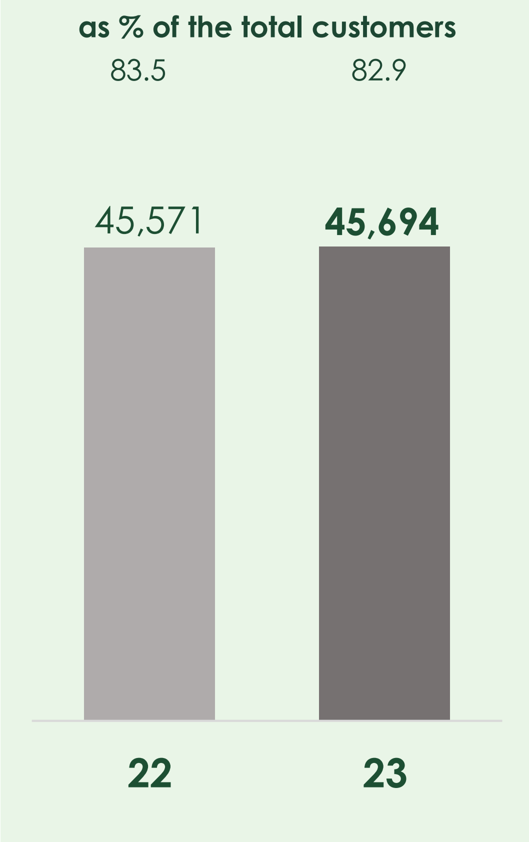
YTD Q3 sales by value
(IDR billion)



Q3 number of customers



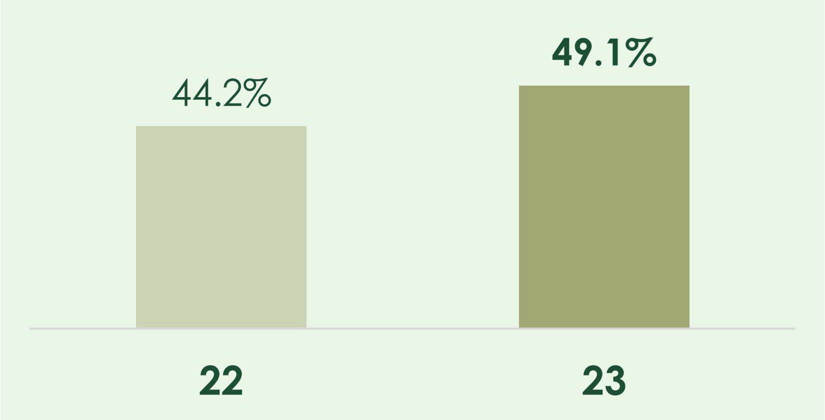
YTD Q3 number of customers



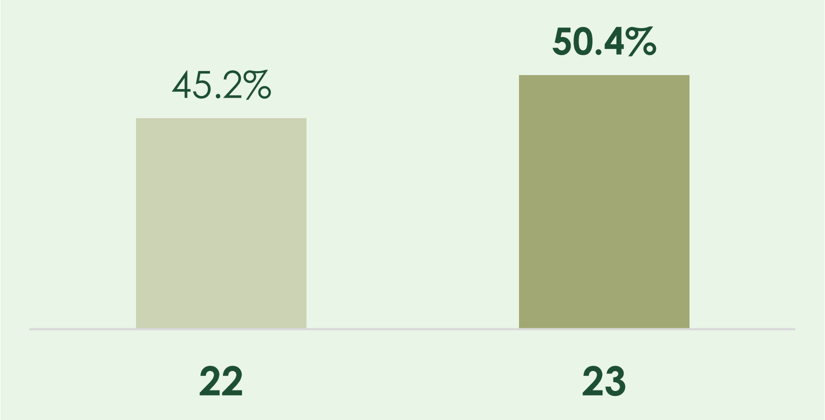
(1) Based on management estimation

Gross margin

Architectural solutions - Q3

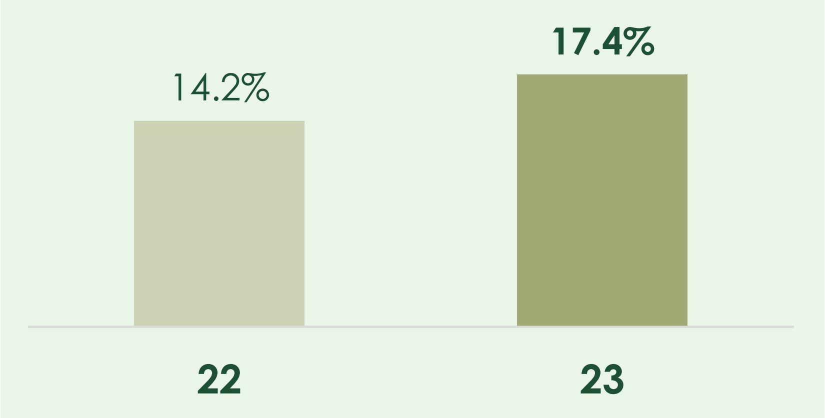


Architectural solutions – YTD Q3

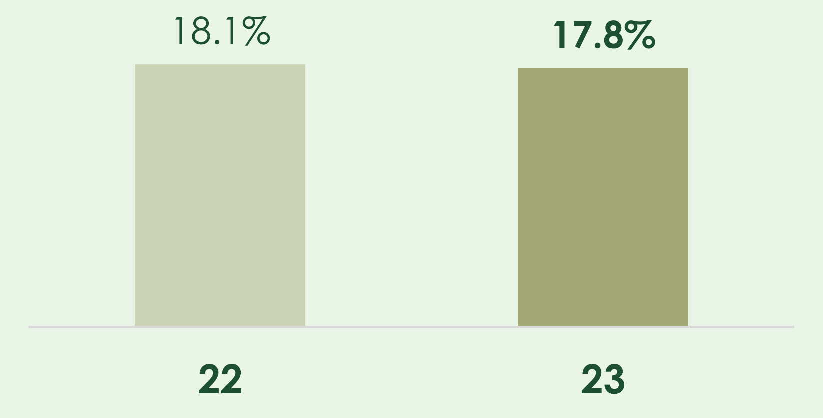


- Gross margin for the architectural solutions segment improved, driven by the stabilization of raw material prices.

Trading goods – Q3



Trading goods – YTD Q3



- Gross margin for the trading goods segment remains relatively stable in the third quarter.

Well-managed cost structure

Cost Breakdown (as % of sales)

	2022	YTD Q3 2023
G & A[(1)]	3.2%	3.2%
Sales and marketing[(1)(2)]	15.3%	16.3%
COGS[(1)]	59.4%	55.8%
Total	**77.9%**	**75.3%**

- The company decided to be more aggressive in marketing activities and branding efforts in order to strengthen its brand perception across the nation.
- This led to a slight increase in sales and marketing expenses.

COGS Breakdown (as % of sales)

	2022	YTD Q3 2023
Raw material	32.0%	29.4%
Direct labour	1.1%	1.1%
Factory overhead	2.5%	2.5%
WIP and FG	15.7%	14.0%
BTL[(3)] marketing expenses	8.1%	8.9%[(4)]
Total	**59.4%**	**55.8%**

- Resin, packaging, and solvent are linked to the oil price.
- ~35% of raw materials are imported.
- As we are becoming more aggressive with our promotional activities, especially in support of new product innovations, we have observed a slight increase in BTL marketing expenses.

(1) Includes depreciation and amortization
(2) Includes salaries & benefits, freight, traveling, other selling expenses, and above-the-line (TV and digital) marketing expenses
(3) Below-the-line marketing expenses are promotions for customers in the form of gold coins and others
(4) BTL for new products accounts for ~1%

Escalating marketing activities to increase brand awareness

Indonesian celebrity sports tournament, Jakarta

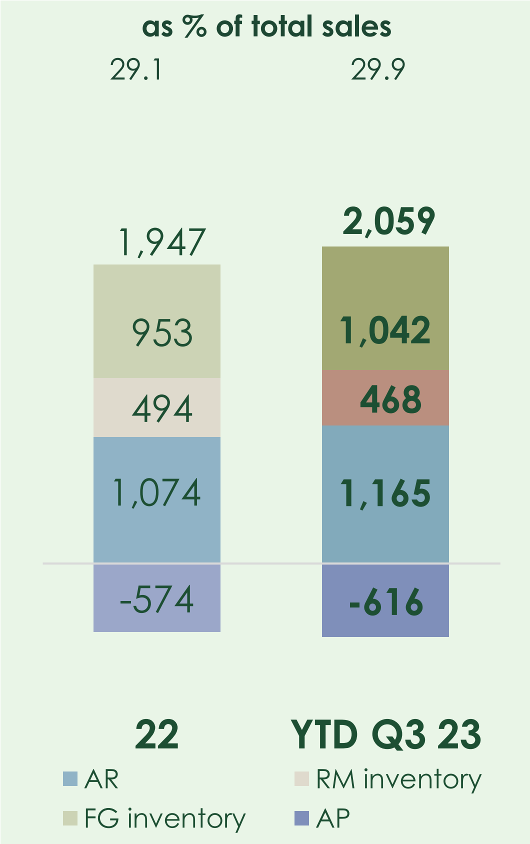
Homedec Expo, Tangerang

Avitex Gold painting competition, Jakarta

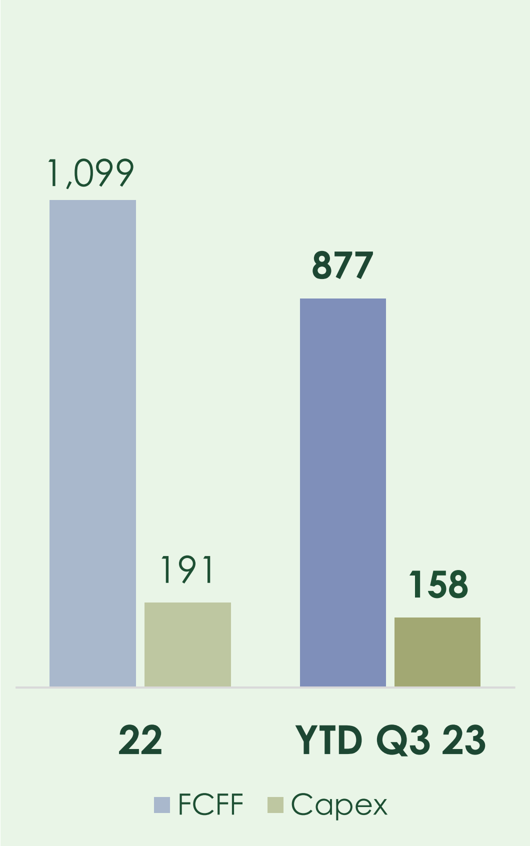
Paint Expo, Yogyakarta

Robust cash-flow generation & AR management

Trade working capital
(IDR billion)



Free cash flow and capex
(IDR billion)



On-time collection

Updates on the third factory in Cirebon

	2023	2024	2025
Capex (IDR Bil)(1)	~160	~450	~140
Capex (% of sales)	~2%	~5%	~2%

- The new manufacturing plant in Cirebon, which occupies an area of ~11 hectares of land, is currently in the final stage of landfilling process.
- The manufacturing facility is expected to be commissioned by 2025 with 225,000 tonnes per annum capacity.
- We would use the latest manufacturing technology to produce paints and intermediate raw materials in an environment-friendly manner.

(1) Excluding the company's routine Capex

Guidance for 2023

Adjustments on sales projection FY 2023:

- Value growth 8 - 12% ➡ 4% - 6%
- Volume growth 2 - 6% ➡ -1% - 1%

Planned actions in Q4:

- Product innovation remains an integral part of our business to address the unmet and evolving consumer needs.
- Accelerate tinting machine deployment in retail outlets to support our strategy of continuous product innovations.
- Expansion of distribution centres aimed to increase market penetration and provide superior service to our customers nationwide.
- Numerous improvements to internal processes and ESG in pursuit of sustainable and long-term business growth.
- The company plans to conduct a share buyback, which will require the approval of shareholders through EGMS, scheduled to be held on 7 December 2023.