



PT Avia Avian Tbk (AVIA)
Q1 2025 Earnings Call Q&A Summary
Wednesday, 30th of April 2025

Panelists:

Mr. Ruslan Tanoko	: Vice President Director
Mr. Robert Christian Tanoko	: Operations & Development Director
Mr. Kurnia Hadi Sinanto	: Finance Director
Mr. Andreas Timothy Hadikrisno	: Head of Investor Relations

1. Questions from Felix J, Verdhana

- 1) Why is the performance of trading goods so strong? Are there any catalysts, possibly in the pipe segment or elsewhere?
- 2) How much USD/IDR exposure does AVIA have?

Answer:

- 1) The trading goods segment, especially in pipes, operates in a less competitive environment compared to the paint segment. This makes the market easier to navigate and contributes to stronger performance.
- 2) Around 70% of raw materials are affected by the USD, 35% are directly imported, while the rest are sourced locally, but the pricing is tied to the USD. Raw materials account for around 50% of total COGS, translating to roughly 25–26% of sales being exposed to USD/IDR fluctuations.

2. Questions from David Gan, Eight Capital Advisors

- 1) Would you consider a further ASP increase to offset the FX impact?
- 2) Could you share with us if there is any progress with regards to the 3 million housing program?

Answer:

- 1) Yes, we would consider further ASP increases if the Rupiah continues to weaken. Fortunately, the Rupiah has recently strengthened to a certain level, which is still within the range we anticipated when setting the February price adjustment.
- 2) We have not seen significant progress since the program was first announced. However, we continue to engage with various government agencies, inviting them to our RDI center to build awareness of our products and capabilities. Our goal is to position Avian Brands as a reliable partner, supported by the company's nationwide distribution network of 140 locations across Indonesia.

3. Questions from Handiman S, Mirae Asset Sekuritas

How can AVIA achieve and maintain much higher margins compared to other global paint companies? How would AVIA respond if competitors could achieve the same margins and initiate more aggressive price wars?

Answer:

The Indonesian paint industry is relatively mature, and high margins are not unique to Avian. Other paint companies also report similar profitability, and there is a high tendency among the top players to maintain these margins. For instance, during the challenging COVID period, all major players decided to implement multiple price hikes. Even in 2024, some



competitors raised their prices while Avian Brands chose not to participate. Price-based strategies tend to be ineffective in the Indonesian paint market, as consumers prioritize brand trust over low prices.

4. Questions from Samir Mehta, JOHCM

- 1) Who are the main competitors, and what are the market share trends?
- 2) How are the pricing and discounts by competitors?
- 3) How is our positioning across premium, mid, and low-end paints, and how do we stand vs our biggest competitors?
- 4) If macro conditions in Indonesia do not change much, what can we do to accelerate growth on our own?

Answer:

- 1) According to the 2020 market study by Frost & Sullivan, Avian Brands held the leading market share in Indonesia. Since then, aside from Avian and the number two player, most other competitors have seen limited growth, resulting in minimal changes in the overall market share.
- 2) The top 5 players in the market remain focused on maintaining high margins. While there is some promotional activity, significant price wars have never occurred.
- 3) Avian Brands maintains strong leadership in the mass market, including the low-end and the mid-tier segments. The premium segment is more challenging due to strong brand loyalty. The company entered this segment only about 20 years ago, and continues to strengthen its position in this segment.
- 4) Given the challenging market, Avian Brands focuses on gaining market share from other competitors. The key strategy involves continuous product innovation. In the past few years, the company has launched new products at a faster pace, targeting specific segments to improve our positioning. For example, the launch of Avitex Top was specifically designed to directly compete with the big players in the segment. In addition, the Boyo Wood Stain 2 in 1 targets a competitor who holds a strong position in the premium wood stain segment. By offering superior products with added value, Avian Brands aims to capture market share from these players.

5. Questions from Danif Esfandiari, Mandiri Sekuritas

Which component of raw material saw the largest increase?

Answer:

The largest impact on raw materials has been from the weakening of the IDR against the USD. Specifically, the resin category has been most affected, with price increases in monomers and soybean oil (used in solvent-based resins). However, prices are expected to normalize in the next quarter. Other materials, like titanium dioxide (TiO₂) pigments, have remained stable.

6. Questions from Kevin Halim, Maybank Sekuritas

- 1) Can you share the cost outlook for upcoming quarters? Will lower commodity prices, especially oil prices, impact your margin positively?
- 2) Can you share what the paint volume looks like in the month of April?
- 3) Any particular reason why your wall paint segment has been growing the fastest?



Answer:

- 1) The oil prices have an indirect impact on our margin. If oil prices continue to be stable in the medium to long term, it would certainly be beneficial for us, especially for materials directly impacted by oil, such as plastic packaging. However, other products are not immediately affected by oil prices and usually experience a delayed impact over a few months.
- 2) Compared to March, April saw a stronger performance due to fewer holidays. Volume growth for April is in the high teens. It is worth noting that sales during the Eid period this year were relatively soft, reflecting continued weakness in the market.
- 3) Over the years, the wall segment has been an area for improvement for the company. While Avian Brands holds strong market leadership in wood & metal and waterproofing, the wall segment presented a challenge. To address this, Avian Brands launched more products specifically targeting local paint companies in specific areas. This focus has contributed to the faster growth of the wall segment.

7. Questions from Daffa Ichzandi, Sinarmas

During Q1 2025, which product segment under trading goods saw the highest growth? If possible, could you also share the growth percentage and your outlook for the rest of the year?

Answer:

The strongest growth in our trading goods segment during Q1 2025 came from PVC pipes. This is mainly due to the more favorable competitive landscape in the pipe industry compared to the paint sector. We are confident that this segment can sustain double-digit growth over the next periods. In addition to pipes, paint accessories also experienced strong growth, despite contributing from a smaller revenue base. The company continues to expand its product offerings in this category.

8. Questions from Farrell Agung, Majoris Asset Management

- 1) Could you elaborate on the planned growth capital expenditures (CapEx) for this year and the foreseeable future? Specifically, what percentage of current production capacity utilization is prompting these investments?
- 2) Considering the current market dynamics and the company's operational performance, do you believe this is the optimal time to proceed with the planned growth CapEx, or would a more conservative approach be advisable?

Answer:

- 1) Our growth CapEx is part of a long-term strategy. The third factory in Cirebon has been in planning for many years and is designed to support our growth over the following decades. Our existing utilization rate for water-based production has already exceeded the optimal level, and the construction of the Cirebon factory is currently focusing on the water-based production facility to support the strong growth in the wall and waterproofing segments. While we recognize the current economic challenges, we believe it remains prudent to proceed with this investment.
- 2) We believe this challenging market is the right time to continue our strategic investments that strengthen the company's long-term positioning, such as the deployment of tinting machines. This strategy differentiates us from smaller players, as it requires significant capital and operational commitment. Our revenue per tinting





machine has continued to grow while we have been adding more machines to the market.

9. Questions from Theodorus Melvin, Stockbit

- 1) Could you provide some insights into the sales trend for Q2 2025, particularly in light of the Lebaran seasonality shift?
- 2) Can you explain the quarter-over-quarter ASP increase despite weakening consumer purchasing power?

Answer:

- 1) Sales were impacted by weaker Lebaran seasonality this year. Feedback from retailers suggests that there was no noticeable pickup in traffic or spending ahead of the holiday, which aligns with our expectations. Overall, consumer purchasing power remains weak.
- 2) Q1 2025 ASP slightly decreased compared to the same quarter last year. However, compared to FY 2024, our ASP increased, driven by the price adjustment in February. Throughout 2024, the ASP tends to decline in the third and fourth quarters due to the stronger sales growth from lower-ASP categories like the wall segment.

