



PT Avia Avian Tbk (AVIA)
Q2 2025 Earnings Call Q&A Summary
Friday, 1st of August 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 Amanda Lai, Avanda Investment Management

What drove the higher raw material costs?

Answer:

When calculating raw material usage, it is more accurate to include work-in-progress and finished goods inventories. A more detailed breakdown is available in our financial report, specifically in Note 27. The primary driver of the increase was the US dollar exchange rate against the rupiah. Using this approach, the impact on raw material costs as a percentage of sales was less than 1%.

2. Questions from Lydia, SKIM Research

Do you have any plans to expand M&A (Merger & Acquisition) to any other companies/industries moving forward?

Answer:

Since becoming a publicly listed company, we have consistently explored potential M&A opportunities with companies that offer strong synergies with our ecosystem. We remain very selective in this process and do not pursue acquisitions that fall outside our strategic fit. Other than Dextone, we are actively engaging with a few other companies that align well with our business. However, no additional deals have been finalized to date. We also maintain a disciplined approach to scope. Adjacent sectors, such as ceramic tiles, are not under consideration, as we prefer to stay focused on our core business and avoid unrelated diversification.

3. Questions from Yvette Sun, Sumitomo Mitsui DS Asset Management

- 1) How do you see the gross margin for the second half, if we assume the oil price to remain at the current level, and taking into account the price hike?
- 2) Could you share the approximate average selling price (ASP) range by product category? Is the slower blended ASP related to a higher contribution from the wall segment?
- 3) For guarantee-buyback product sales, how is the accounting treatment handled? Is revenue recognized upon delivery, or is the inventory retained until the buyback period ends?

Answer:

- 1) Oil prices do not have a direct one-to-one impact on our raw material costs, which are more influenced by supply and demand dynamics. As we continue to operate in a tough and highly competitive market environment, we have decided to maintain aggressive promotional and marketing initiatives aimed at accelerating market share



gains. While these initiatives have supported volume growth, they have also put some pressure on margins. Nonetheless, we are fully committed to optimizing spending and strengthening our cost control measures. Our focus remains on maintaining healthy profitability over the long term, with a net profit margin target of ~21%.

- 2) Lower ASP is driven by a higher contribution from the wall segment. The ASP per liter in the wall segment is significantly lower compared to other segments, such as waterproofing or wood & metal. The company continues to gain market share and strengthen its position in this segment.
- 3) Revenue is recognized when goods are shipped to the distributor. The buyback only applies in cases where the distributor discontinues their relationship with us and returns unsold inventory. In such cases, we process it as a sales return in our books.

4. Questions from Felix J, Verdhana

- 1) What is your earnings growth target for this year?
- 2) How is the integration scheme for Dextone's products? Do you purchase the products from them first and then distribute through your own channels, or is there a different scheme?

Answer:

- 1) Please refer to Question 3 from Yvette Sun, Sumitomo Mitsui DS Asset Management.
- 2) Currently, since we hold a 16.67% stake in Dextone, the arrangement follows a straightforward model. We purchase products from Dextone and distribute them through our wholly-owned distribution network. Within the first two to three months, more than 30,000 customers have purchased Dextone products through our channels. We are confident that Dextone will continue to gain strong traction across our network.

5. Questions from Daffa Ichzandi, Sinarmas

What is causing the decrease in margin?

Answer:

As previously highlighted in Question 3, we are operating in a challenging market environment and have chosen to maintain aggressive promotional and marketing measures to grow market share. This initiative had impacted our margins in the second quarter. Please note that we continue to strengthen our cost control measures to improve margin performance. In addition, our recent price increase is expected to support margin recovery in the coming quarters.

6. Questions from Danif Esfandiari, Mandiri Sekuritas

- 1) Will future product launches be driven by market needs or tailored to consumer purchasing power?
- 2) Have Dextone products contributed to Q2 growth, and what is the future projection for this product segment?
- 3) What are management's expectations regarding the impact of the global economic slowdown and geopolitical tensions on performance in H2 2025?

Answer:

- 1) It is a combination of both. We consistently monitor existing products in the market and aim to develop improved versions with better quality before launching. At the same time, we also explore unmet needs by conducting regular market studies to identify



potential product opportunities in the market. Our approach is always to ensure that any new product we introduce either outperforms what is already available or fills a market gap with clear relevance to consumer needs and purchasing power.

- 2) Dextone's contribution to Q2 growth was still minimal, as sales only began in May, and the initial rollout faced challenges related to pricing structure and system integration. The previous lack of standardized pricing across regions required significant adjustments. Since then, the company has implemented a proper pricing framework and completed ERP integration at both the factory and distribution levels, enabling tighter control over pricing and discounts. With these foundations now in place, performance is expected to improve starting in August, with stronger contributions anticipated through the remainder of the year.
- 3) Management remains confident in sustaining growth for the rest of the year, despite global economic and geopolitical uncertainties. The positive customer response to the recent price adjustment reinforces our confidence in continued growth momentum through the third and fourth quarters. Overall, management does not expect external tensions to significantly impact the company's performance.

7. Questions from Jame Osman, Manulife Investment Management

- 1) While market share and volume growth improved in H1 2025, inventory days also increased. What is driving the higher inventory levels?
- 2) With the government rolling out the Village Co-op program, does Avian see this as a meaningful near-term demand opportunity, and how is the company positioning to capture it?
- 3) The tariff issue should primarily affect exports to the US rather than imports to Indonesia. Could you clarify how Avian would be affected by the US tariffs?
- 4) What is driving revenue growth in the trading goods segment at a faster rate than architectural solutions? Is it volume or price driven, and mainly from pipe products? How should we think about growth in H2 25?
- 5) Should we expect more ASP pressure going forward as we work through the inventory?

Answer:

- 1) The increase in inventory days is a strategic decision. In light of global uncertainties around supply chains, including earlier concerns sparked by trade tensions during the Trump administration, we chose to proactively increase inventory levels across all distribution centers. This approach ensures better service quality and product availability for customers, especially as we continue to gain market share.
- 2) Government initiatives often take time to materialize, and their actual impact can be uncertain. While we continue to engage with relevant government entities, we do not rely on such programs as a primary driver of growth. Instead, our focus remains on gaining market share from smaller competitors, especially in the wall segment. If the government program gains traction, it will be a bonus considering our wide product availability and market reach, which puts us in a strong position to serve that demand when it materializes.
- 3) In short, we are not directly affected, as we do not import raw materials from the US. Most of our sourcing comes from within Asia, primarily China, India, and Korea. The initial announcement of US tariffs raised broader concerns about potential disruptions in the



Indonesian supply chain. As a precaution, we decided to increase inventory levels across our distribution centers to mitigate any unforeseen logistical or cost-related issues, especially given Indonesia's geographical complexity as an archipelago. Maintaining higher inventory positions ensures we can continue to serve the market effectively, regardless of external uncertainties.

- 4) The faster growth in the trading goods segment, particularly from PVC pipes, is primarily driven by a more favorable competitive landscape. Similar to the architectural solutions segment, we pursue sustainable growth by capturing market share from other players. This segment has a strong synergy within our customer network, as the number of transacting customers in the trading goods segment accounts for ~82% of our total consolidated customers. Looking ahead to the second half of 2025, our focus remains on expanding market share, particularly in the retail channel, and further strengthening our position in this segment.
- 5) We do not expect ASP pressure to result from inventory clearance. Instead, it is more related to product mix as previously explained in Question 3 from Yvette Sun, Sumitomo Mitsui DS Asset Management.

8. Questions from Kevin Halim, Maybank Sekuritas

Any colour on the Q2 2025 QoQ volume decline, considering promotion cost was slightly higher than in Q1 2025? Was it driven by seasonality or softer market conditions?

Answer:

The QoQ volume decline in the second quarter was primarily due to seasonality, specifically the timing shift of the Lebaran holiday compared to the previous year. Despite this condition, overall market sentiment in the second quarter was slightly better than in the first quarter.

