PT Avia Avian Tbk (AVIA)
Q3 2026 Earnings Call Q&A Summary
Friday, 30th October 2026

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 Robin Sutanto — Mandiri Sekuritas**
   1) What is your outlook for sell-in, sell-out, and consumer purchasing power developing in 4Q26?
   2) Are there plans to expand into the B2B segment, such as cooling wall paint, water pipes for data centers, military housing, or other areas?

   Answer:
   1) As discussed in our previous earnings call, demand in Q2 was exceptionally strong driven by two last-bite moments (purchases ahead of price increases), which led to a normalization in Q3 this year. Looking ahead to the fourth quarter, we believe retailers' inventory levels have normalized. We therefore expect demand to pick up again, and we remain confident of meeting our full-year 2026 guidance for both volume and value.
   2) Expansion into the B2B segment, including cooling wall paint, water pipes and other applications such as data centers, is part of our strategy, driven by our innovation centers. We are actively studying cooling wall paint solutions, including those recently featured in the Singapore media, to assess how they can be adapted to Indonesia's climate. We are also exploring water pipes for data centers as part of the expansion of our trading goods segment, including the product quality requirements and how they differ from our existing offerings.

2. **Questions from Cheong Cohen, Private Investors**
   Following AVIA's earlier indications of interest in acquiring AkzoNobel's Indonesian business, AkzoNobel has announced the sale of its business to Nippon Paint. What preventive measures does the Company plan to take to secure its market share and profitability against the threat of the combined AkzoNobel and Nippon Paint businesses?

   Answer:
   We have put significant effort into pursuing AkzoNobel's business in Indonesia. However, our interest was limited to Indonesia alone, rather than the whole of Southeast Asia. This is the key difference from Nippon Paint, which submitted a bid for the entire five-country perimeter, including Indonesia. We believe this was one of the reasons AkzoNobel took the broader scope into consideration in its decision.

   Before 2017, Avian Brands was the number two paint company in Indonesia, and we have been the market leader since 2017. Following the completion of the merger next year, competition in the market is expected to intensify. We therefore intend to maintain our aggressive stance, and we have a number of strategies in place to defend and strengthen our market leadership. Beyond that, we will stay committed to the strategies that have worked for us, namely innovation, superior service quality, and the expansion of our distribution center network.

3. **Questions from Satya Anggara, PT Abhitech Matra Indah**
   What is the Company's current plan for inventories, given that inventories rose significantly from IDR 1.679 trillion in December 2025 to IDR 2.233 trillion in September 2026?

   Answer:
   We increased our inventory levels in anticipation of rising raw material costs. That said, what matters most to us is monitoring overall working capital, which remains at a reasonable level of around 30% of total sales.

4. **Questions from Rindy, SMJ**
   Following the acquisition of Dulux by Nippon Paint, will there be any change in AVIA's approach going forward? Will Mr. Oscar's position on the Board be retained in the future?

   Answer:
   We have a very good relationship with Mr. Oscar, which is why we invited him to join our Board. We maintain routine dialogue with him, and his engagement with the Company is not limited to the AkzoNobel M&A process. Even without this transaction, Mr. Oscar will continue to guide and advise us on many other matters, drawing on more than 35 years of experience working at multinational companies, the longest of which was with AkzoNobel.

5. **Questions from Joseph Eugene Lumoindong, DBS Vickers**
   1) Regarding margin pressure in 3Q 2026, how much of the higher-cost inventory has already been reflected in earnings? Do you expect further margin compression in 4Q 2026, and what is your margin outlook for 2027?
   2) Following the outcome of the AkzoNobel bid, what is the plan for the Company's current cash? Should we expect a higher payout or a restart of share buybacks, or is the Company still looking at other acquisitions?
   3) Following Nippon Paint's acquisition of AkzoNobel's Indonesian business, which segments and price tiers do you expect to overlap most with AVIA's range? Are you seeing any changes in competitors' pricing or promotions going forward?

   Answer:
   1) Our gross margin and EBITDA margin moderated in Q3 as higher raw material costs began to flow through. Q3 sales were also softer, as retail shelves were still carrying elevated inventory following earlier purchases ahead of the April and May price adjustments. We expect sales to pick up in Q4, supported by normalized retail inventory levels. Based on our current monitoring of product-level gross margins, we do not see a need for a third price increase at this stage, although we remain agile. We will continue to manage costs closely and aim for a Q4 margin at least in line with Q3, and we remain confident in delivering a healthy full-year margin. We also have several measures in place to maintain margins, including pricing power, which allows us to adjust prices when necessary; procurement management, by building raw material buffers during favorable price windows to smooth out spot-market spikes; value engineering by our R&D team to optimize formulas without compromising product quality; and ongoing operational efficiency. Our goal is to balance margin stability with long-term volume growth.
   2) We are still looking at other acquisitions, although there are not many companies that fit our criteria. There are a few that we remain hopeful will one day be open to being acquired. In the meantime, we remain committed to distributing at least 50% of our net profit as dividends. As we have almost completed our expansion capex, and when

there are no other capex plans, we will seek to maximize dividend payouts, as we have done over the past few years.

3) Nippon Paint and Avian Brands have many similarities. Both companies offer price categories from premium through to economy. Following its acquisition of Dulux in Indonesia, Nippon Paint's premium wall paint offering will be strengthened, and this is an area where we will place even greater focus than before. At the end of the day, we still have one of the best business models in the country, with our distribution network and our customer relationships being among the strongest.

6. Questions from Hamdan Mustameer, Retail Investor

1) With more than 60,000 GT stores, how does the Company keep street prices consistent and prevent price wars among GT stores?

2) Why did the Company build one large plant in Cirebon at a cost of IDR 750 billion, instead of regional plants, given that Indonesia has many islands? Is the Cirebon plant owned or leased?

3) Sales grew by 16.7% while volume grew by 3.5%. Following the two price increases, are you seeing store destocking, or customers trading down to economy brands? If material prices decline in 2027, will you hold prices or give some back to customers?

4) In regions where AVIA is not yet the leading brand, what has been most effective in turning a newly stocked retailer into one that actively recommends AVIA and consistently reorders?

5) Looking back at AVIA's expansion, which decision accelerated growth but later proved costly, and what early warning signs would you watch for today? Which marketing spending creates additional profit? How do you protect premium pricing while serving price-sensitive customers? And which sales incentives create healthy growth?

Answer:

1) With more than 60,000 customers, a clear approach is needed to avoid price wars. This is where the Avian Brands app helps us mitigate price wars. Because rewards are given as points rather than direct cash rebates, customers may value each point differently depending on what they choose to redeem it for, such as a phone, gold or a motorcycle. A cash rebate, by contrast, has the same value for every shop, so we believe the points system is one way to mitigate price wars. More importantly, we avoid giving discounts, especially on products that already hold the number one position in the market, so that our customers do not redistribute products to other shops. Redistribution is undesirable for us because we have our own distribution network, and we do not want our GT customers to compete with us by selling the same products.

2) For a paint company, the most efficient way to operate is from one large location rather than several smaller ones. We are a vertically integrated company and manufacture some of our key raw materials, such as resin and packaging, in-house, so scattering plants across multiple areas would create inefficiencies. In addition, our transport cost is very low because paint is a relatively high-value product. Compared with other building materials such as cement, which has a much lower price per kilogram, our products carry a considerably higher value per shipment. As a result, the contribution of transport cost to our product cost is far smaller.

   The Cirebon plant is owned by the Company, including the land and all facilities.

3) As mentioned earlier, many of our customers increased their inventory levels ahead of the two price increases in April and May, in the second quarter. This led to a correction

in the third quarter, and we are seeing both destocking and some customers trading down. However, we have products that fulfill every level of demand, with offerings across all price ranges in each category. If customers move to lower-priced brands because of limited purchasing power, we are also able to capture that demand. The margin difference between our products is also in the low single digits, so even if customers trade down, the impact on our margin is not significant.

In our 48-year history, we have never reduced the price of our paint, and none of the paint companies in Indonesia has done so. Prices of commodity products such as thinners and solvents can go both up and down, but paint prices do not go down. If raw material prices decline next year, we would expect promotional activity to intensify as companies compete for market share, while list prices remain unchanged.

4) Supported by our nationwide distribution network, we aim to offer the best service level in the country, including same-day or next-day delivery. This strategy has proven successful, and even in the few cities where we are not yet the market leader, our name is consistently mentioned when retailers are asked who provides the best service. It gives retailers the confidence to push more of our products, as they do not need to hold a lot of inventory. We also recently added a digital price lookup feature to the Avian Brands app, which allows retailers to search for products and prices in seconds instead of going through thick physical price lists. We believe this makes life easier for our customers and makes it more likely that they will push our products and reorder.

5) We continuously review our past decisions and put measures in place to avoid repeating mistakes. For example, we used to provide branding at retail outlets on request, but the expected sales did not always follow, which made it costly. Today, branding support is linked to purchase commitments from the retailer, and the scope is adjusted accordingly.

   On marketing and profitability, our expansion into trading goods, such as PVC pipes, paint accessories, was driven by the synergies with paint through the same retail network. When assessing new products, we look for those that can be distributed through our existing network, are not bulky given our limited warehouse space, and have manageable transport and handling costs. This helps protect our margins.

   To protect premium pricing while serving price-sensitive customers, we offer a tiered portfolio in each category, covering premium, mid-tier and economy products. This allows us to capture different customer needs without compromising our premium positioning.

   On sales incentives, we aim to balance below-the-line spending for customers with commissions and incentives for our internal sales team. We believe it is healthier to motivate our own team, so we focus on helping them earn more. Through the quarterly performance report on their tablets, salespeople can see their commissions, and when the numbers decline, we hold guidance sessions to help them improve.

7. Questions from Parvin Mamedov, Equinox Partners

1) What drove the drop in gross margin? Which parts will reverse in Q4?
2) 9M volume is up 3.5%, but Q3 volume fell YoY. Is that weaker demand, destocking by retailers, or giving up volume to protect price? What did October look like?
3) Inventory rose significantly. Is this to come down before year-end?
4) What options are you considering for the significant cash position, outside of M&A?
5) Given your distribution reach, are you considering adding other non-paint products?

Answer:

1) We did not feel the full effect of the raw material price increases earlier in the year because of our inventory buffer, and the price increases during that period also provided some additional cushion. In Q3, the more expensive inventory began to flow through to our COGS. We continue to monitor our margins closely and expect our Q4 margin to be at least in line with Q3.

2) The decline was driven by destocking by retailers. The price increases in Q2 happened not only in the paint industry but across building materials and other categories such as FMCG. The last time prices rose so broadly was during the Asian financial crisis, but that was driven by a weaker rupiah, whereas this time it was driven by rising raw material prices. October has been very strong, with high growth, and we expect November to be strong as well. We remain confident of achieving our full-year guidance for both value and volume.

3) Our overall working capital, which stood at around 30% of total sales, remains reasonable relative to historical levels. In addition, we launched several new products over the past nine months. Each launch requires buffer stock at our distribution centers so that products are ready when customers order, which also contributed to the slightly higher inventory.

4) We will continue to distribute as much dividend as possible, as we have done in the past five years. As usual, we expect to pay an interim dividend in December, which we will announce closer to the date.

5) Over the past few years, trading goods have contributed around 20% to 22% of our sales. We have been careful in adding products, but we will continue to add more, as long as they can be distributed through our existing retail network. Any further expansion will need to stay close to our current products. For example, you will not see us selling ceramic tiles, as that category is too far from our current business. Instead, we look at what else our customers sell, such as paint brushes or rollers, and whether they would prefer to consolidate their purchases through our distribution network, given our service quality. If the answer is yes, we will look into those products as part of our product expansion strategy.

8. Questions from Shereen, Private Investors

Is there any plan to increase paint prices, considering that material costs are fluctuating?

Answer:

In the short term, we do not expect to increase prices, as overall consumer demand for building materials is not going to be as strong. We remain confident of meeting our target and guidance this year, as we have been gaining market share from competitors, particularly smaller players that have been less active in promotions and innovation. Should our gross margin come under pressure from rising raw material costs, our first step would not be to raise prices, but to adjust our promotions.

9. Questions from Avinash Baskar, Finamily

1) In this tough demand environment, how are smaller paint players reacting? Are they offering higher credit, increasing prices, or losing market share? If the current tough environment persists, is there a possibility that many smaller players may go out of business over time?

2) The news flow from Indonesia appears concerning. Can you give a broad view of what is happening with typical Indonesian consumers? Do you see demand being suppressed today that could rebound in three to five years, as happened after COVID?

Answer:

1) Over the past two decades, smaller competitors have typically taken a wait-and-see approach. They know that weak demand and high raw material prices cannot last forever, but many of them rely on just one or two products that have sustained them for decades, and they have been less active in innovation, market and store penetration, and digital capabilities. Many also continue to rely on third-party independent distributors, and consumer demand for some of their product categories has declined over time. At the same time, the older generation of retailers is gradually being replaced by younger owners who are more technology-savvy. This is why we launched the Avian Brands app earlier this year, and we will continue to improve it to suit the next generation of retailers. We do not see smaller competitors as a significant threat. We will continue to gain market share, and we believe some of them may start to disappear over time.

2) We recognize that Indonesia is currently facing a number of challenges, which have also affected sentiment among consumers and businesses. However, we remain positive about Indonesia's long-term prospects. With a population of almost 300 million, the country has a strong foundation for sustained growth, and we believe conditions will improve over time. In the meantime, we are focused on preparing the Company so that we are in a stronger position than our competitors when the market recovers. We will continue to execute our strategy of expanding our distribution center network, installing tinting machines, and launching product innovations.

10. Questions from Calvin Kurniawan, Maven Securities

With the combined Nippon Paint and AkzoNobel entity potentially overtaking AVIA in both tinting machine density and overall distribution reach, how does management plan to defend its retail shelf space? What specific strategy will AVIA deploy to counter this competitive pressure?

Answer:

On tinting machine density, the combined Nippon Paint and AkzoNobel entity is expected to be higher than ours. However, we will continue to have the best distribution reach in the country, as AkzoNobel has historically had more limited distribution penetration. To defend and grow our shelf space, our innovation center will continue to play a critical role. We have launched several new products over the past nine months as we continue to identify market areas where we do not yet have a presence. One example is a waterproofing cement additive, a category in which we previously had no product, but which has been well accepted in other markets. We believe participating in this category helps us not only to defend our shelf space but also to gain more of it across categories and distribution reach. Our best-in-class service quality also supports our efforts to secure more shelf space at retail outlets.