



PT. HARTADINATA ABADI, Tbk
- JEWELLERY MANUFACTURER -

BUY

Target Price : IDR560

Stock Data

Current Price	: 354
52wk Range H-L	: 406 - 199
Share Outstanding	: 4,605 mn
Free Float	: 22.06%
Mkt Capitalization (IDR tn)	: 1.70

Major Shareholders

PT Terang Anugrah Abadi	: 70.84%
Asabri	: 5.46%
Public <5%	: 23.70%

PT Hartadinata Abadi Tbk (HRTA IJ)

Jewelry Manufacturer Sector

Undying Growth Momentum

Splendor FY22 performance

- In FY22, HRTA managed to secure a revenue of IDR6.9tn, surging +32.1% YoY (vs IDR5.2tn in FY21), reflecting 104.5%/106.1% of consensus'/MNCS's estimates. The growth was propped up by gains from all segments; wholesaler sales soared 32.1% YoY, sales from own stores rose 26.4% YoY, sales from franchise picked up 30.4% YoY and the pawn business contributed a 32.1% YoY growth.
- On a QoQ basis the revenue slipped -3.8%, followed by a -20.4% contraction in gross profit, as well as a decline of -22.3%/-35.3% in operating profit/net profit, respectively. This was expected, however, due to the seasonality feature that has been displayed consistently over the previous years.
- All in all, the net profit came in at a staggering IDR254.1bn or grew 30.7% YoY (vs IDR194.4tn in FY21), accompanied by solid operating margin/net profit margin of 7.9%/3.7%.

Striving towards better operations

- Following upon the previous cash conversion cycle (CCC) that HRTA was able to manage in FY21 (201.2 days vs industry's average of 307.3), HRTA has once again proven their adeptness in the gold business by thinning down the CCC to 173.9 days in FY22, which is still below the peers' average and the closest global proxy, Chow Tai Fook (CCC of 247.9). They managed to trim the account receivable days/inventory days by -40.9%/-5.4% YoY.
- This progress had been by large catalyzed by HRTA's unique business model in which the cash they and their business affiliates accept from transactions are immediately converted into gold, therefore replenishing their inventories promptly. We also take note that most of the sales growth is derived from the pure gold (99.9%) sales that has catapulted since its introduction back in FY20, growing +52% YoY in FY22 and contributed 43.3% to the revenue mix.
- This feat, as we see it, had been aided by the rampant expansions HRTA had been orchestrating, supported by an increasing appetite for gold among investors and the general population as a safe investment amid bleak global economic trajectories, coupled with HRTA's fitting strategy of releasing micro golds for penetrating the low-to-middle-class market.
- As a result, HRTA recorded its first positive operating cash flow amounting to IDR31.2bn.

Selective expansions to propagate higher penetration and returns

- The previously planned expansions framework had been put into action, and we reiterate our favor towards HRTA's strategic alliance with the civil pension fund (Taspen) and the two sharia banks (BRIS and BJBR) in their congregated program of promoting gold installments as an investment instrument. This allows HRTA to tap into a wider customer base and with it lurks potential sizable recurring incomes, supported by the trend of increasing numbers of civil pensioners and the affinity towards gold as a safe haven for their future.
- Going forward, HRTA remains committed in expanding their domestic market outreach by opening new branches whilst incorporating their selective expansion framework, in that they will only expand to locations where the returns are worth the investment.
- Unsatisfied solely by the domestic gold market dominion, however, HRTA is also on the lookout for overseas opportunity, reflected on the lucrative deal that they have just secured in Mar-23 with Kundan Refinery, the largest gold refinery business based in India. It was estimated that based on the latest agreement, HRTA is poised to stack up an additional IDR400bn into their cashflow on a monthly basis from supplying their 91.6% gold jewelry to the Kundan Group.

The macroeconomic impetus

While the gold price rally had halted post-hawkish remarks from the Fed last week, the market will be on the edge of their seats in awaiting the Fed Rate pivoting that is bound to happen in Sep-23. We predict the rally to resume once the rate hikes has priced in, which is to HRTA's advantage as their sales performance seasonally spikes up in 2Q and 3Q of the year. With the accommodative drivers in place for this year, HRTA is well positioned to reap a 31% growth in revenue (c. IDR9tn), and with prudent cost management could secure a net profit of c. IDR329bn.

Recommendation of BUY for HRTA; TP: IDR560

We recommend **BUY for HRTA** with a revised target price (TP) of **IDR560** (58% upside), implying a PE of 2.9x/2.3x and PBV of 0.5x/0.4x for FY23E/FY24F. HRTA is currently traded at the 0-STD of its 5-year P/E band average. Risks to our call include: 1) delay in contract with Kundan Group, 2) higher than expected US inflation rate and 3) gold/raw materials supply constraints.

Key Financial Highlight

Billion IDR	FY20	FY21	FY22	FY23E	FY24F
Revenue (IDR Bn)	4,138.63	5,237.91	6,918.45	9,076.11	11,390.52
EBITDA (IDR Bn)	368.46	439.29	563.40	732.98	899.66
Net Income (IDR Bn)	171.17	193.98	253.73	328.81	410.04
ROA (%)	6.05	5.58	6.59	7.80	8.77
ROE (%)	12.60	12.80	14.73	16.74	17.95
PE (x)	5.54	4.89	3.74	2.89	2.31
PBV (x)	0.70	0.63	0.55	0.48	0.42
EPS (IDR)	37.17	42.12	55.10	71.40	89.04

Sources: Bloomberg, MNCS

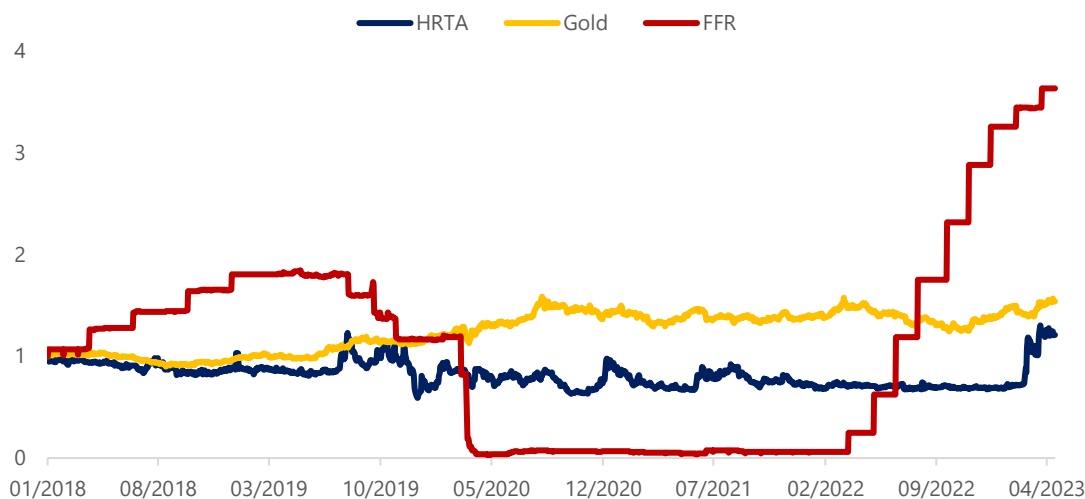
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Exhibit 1. FY22 Results vs Estimates

IDR bn	3Q22	4Q22	% QoQ	FY21	FY22	% YoY	% MNCS	% Consensus
Revenue	1886.56	1814.91	-3.80%	5237.91	6918.45	32.08%	106.10%	104.46%
COGS	1676.98	1648.16	-1.72%	4665.33	6175.63	32.37%		
Gross Profit	209.58	166.75	-20.44%	572.58	742.82	29.73%		
Gross Margin	11.11%	9.19%		10.93%	10.74%	-1.78%		
Operating Profit	148.82	115.64	-22.29%	426.22	549.22	28.86%	101.73%	100.13%
Operating Margin	7.89%	6.37%		8.14%	7.94%	-2.44%		
Pre-Tax Profit	93.73	61.00	-34.92%	248.17	326.18	31.44%		
Net Profit	73.04	47.25	-35.31%	193.98	254.13	31.01%	101.30%	101.07%
Net Margin	3.87%	2.60%		3.70%	3.67%	-0.81%		

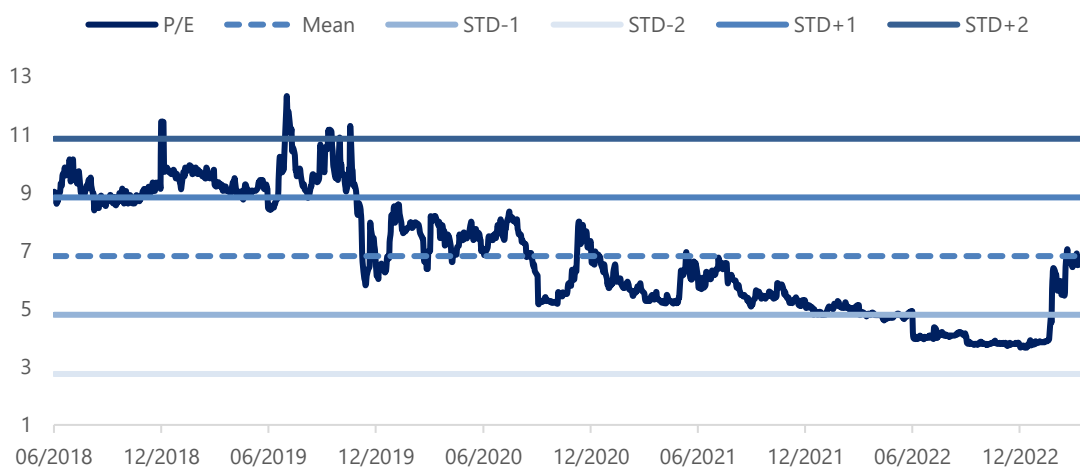
Sources : Company, Bloomberg, MNCS

Exhibit 2. Movement trends of HRTA, Gold and the FFR



Sources : Company, MNCS

Exhibit 3. HRTA is currently traded at the 0-STD of its 5-year P/E band average



Sources : Bloomberg, MNCS

Quantitative easing ratchets up gold’s value as investors seek hedge against inflation hikes. What we have seen so far in 2023 is gold’s appreciation in anticipation for the rate cuts – there is more bullish fuel for gold to come, and with it HRTA’s growth.

HRTA is currently attractive as it is currently edging at the 0-STD of its 5-year P/E band average mean.

Exhibit 4. HRTA Financial Projections

Income Statement						Balance Sheet					
Billion IDR	2020	2021	2022	2023E	2024F	Billion IDR	2020	2021	2022	2023E	2024F
Revenue	4,138.63	5,237.91	6,918.45	9,076.11	11,390.52	Cash & Equivalents	50.40	62.48	106.02	127.23	140.42
COGS	(3,716.93)	(4,665.33)	(6,175.63)	(8,106.66)	(10,190.64)	Trade Receivables	941.33	1,032.28	806.35	1,014.54	1,029.83
Gross Profit	421.70	572.58	742.82	969.45	1,199.88	Inventory	1,482.24	1,915.56	2,339.72	2,354.26	2,652.36
Selling Expense	(13.27)	(11.55)	(23.12)	(30.33)	(38.07)	Others Current Assets	195.86	290.20	321.95	412.80	510.24
G&A Expense	(52.94)	(135.30)	(171.60)	(225.26)	(283.17)	Total Current Assets	2,669.84	3,300.52	3,574.04	3,908.83	4,332.85
Other Income (Expense)	1.00	0.49	0.72	0.94	1.17	Fixed Assets - net	133.75	141.37	203.96	221.78	241.92
Op. Profit	356.49	426.22	548.82	714.80	879.81	Other Non-Current Assets	27.10	36.19	71.09	84.28	98.43
Finance Income (Expense)	(110.33)	(150.10)	(214.92)	(282.12)	(340.32)	Total Non-Current Assets	160.85	177.56	275.04	306.06	340.35
Other Income (Expense)	(27.96)	(27.96)	(8.11)	(10.59)	(13.12)	TOTAL ASSETS	2,830.69	3,478.07	3,849.09	4,214.88	4,673.20
PBT	218.20	248.17	325.79	422.09	526.37	Trade Payables	5.47	6.66	4.28	6.66	10.05
Tax Income (expenses)	(47.12)	(53.73)	(72.06)	(93.28)	(116.33)	ST Debt	162.83	649.47	885.25	983.14	1,030.33
Minority Interest	0.09	(0.46)	-	-	-	Other Current Liabilities	40.98	52.23	61.95	70.79	80.28
Net Income	171.17	193.98	253.73	328.81	410.04	Total Current Liabilities	209.28	708.36	951.48	1,060.60	1,120.66
EPS (IDR)	37.17	42.12	55.10	71.40	89.04	LT Debt	1,254.80	1,243.25	1,163.35	1,174.98	1,249.49
						Other LT Liabilities	8.48	10.91	11.68	15.33	19.23
						Total LT-Liabilities	1,263.27	1,254.16	1,175.03	1,190.30	1,268.73
						Total Equity	1,358.13	1,515.55	1,722.57	1,963.98	2,283.81
						TOTAL LIABILITY & EQUITY	2,830.69	3,478.07	3,849.09	4,214.88	4,673.20
Cash Flow						Ratios					
Billion IDR	2020	2021	2022	2023E	2024F	Billion IDR	2020	2021	2022	2023E	2024F
Net Income	171.17	193.98	253.73	328.81	410.04	Revenue Growth (%)	27.91	26.56	32.08	31.19	25.50
D&A	11.97	13.07	14.58	18.18	19.85	Operating Profit Growth (%)	38.17	19.56	28.77	30.24	23.77
Changes in WC	(661.20)	(523.07)	(200.61)	(220.35)	(310.00)	Net Profit Growth (%)	14.03	13.32	30.81	29.59	23.08
Others	(184.42)	(82.66)	(22.92)	(82.00)	(87.96)	Current Ratio (%)	1,275.72	465.94	375.63	368.55	386.63
Operating CF	(662.47)	(398.69)	44.78	44.64	31.93	Quick Ratio (%)	567.46	195.52	129.73	146.57	149.95
Capex	(49.48)	(20.69)	(77.19)	(36.00)	(40.00)	Receivable Days (x)	83.02	71.93	42.54	40.80	33.00
Others	(7.58)	(9.08)	(34.90)	(13.19)	(14.15)	Inventory Days (x)	145.56	149.87	138.28	106.00	95.00
Investing CF	(57.06)	(29.78)	(112.09)	(49.19)	(54.15)	Payable Days (x)	0.54	0.52	0.25	0.30	0.36
Dividend Paid	(36.84)	(36.84)	(46.25)	(82.20)	(90.21)	DER (x)	1.04	1.25	1.19	1.10	1.00
Net Change in Debt	380.52	475.08	155.89	109.52	121.71	DAR (x)	0.50	0.54	0.53	0.51	0.49
Equity Fund Raised	3.96	0.39	0.43	(5.20)	-	Gross Profit Margin (%)	10.19	10.93	10.74	10.68	10.53
Others	2.93	1.90	0.79	3.64	3.91	Operating Profit Margin (%)	8.61	8.14	7.93	7.88	7.72
Financing CF	350.57	440.54	110.86	25.76	35.40	EBITDA (IDR Bn)	368.46	439.29	563.40	732.98	899.66
Cash at Beginning	419.37	50.40	62.48	106.02	127.23	EBITDA Margin (%)	8.90	8.39	8.14	8.08	7.90
Cash at Ending	50.40	62.48	106.02	127.23	140.42	Net Income Margin (%)	4.14	3.70	3.67	3.62	3.60
						BVPS (IDR)	294.91	329.09	374.04	426.46	495.91

Sources: Company, MNCS Research

MNC Research Industry Ratings Guidance

OVERWEIGHT: Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months

NEUTRAL: Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months

UNDERWEIGHT: Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

MNC Research Investment Ratings Guidance

BUY : Share price may exceed 10% over the next 12 months

HOLD : Share price may fall within the range of +/- 10% of the next 12 months

SELL : Share price may fall by more than 10% over the next 12 months

Not Rated : Stock is not within regular research coverage

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