

BUY | TP : IDR560
HRTA Stock Price Data

Last Price	:	IDR470
52wk High	:	IDR500
52wk Low	:	IDR200
Share Out	:	4.61bn
Market Cap	:	IDR1.7tn

HRTA Stock Price Performance

1-Day	:	-2.98%
1-Week	:	-0.87%
1-Month	:	+5.53%
3-Month	:	+27.22%
Year-to-Date	:	+126.73%

Shareholders

PT Terang Anugrah Abadi	:	71.00%
Public (<5%)	:	29.00%

**PT Hartadinata Abadi Tbk (HRTA IJ)
Outstanding First-Half Growth Secured**
HRTA scored a touch down within FY23E's first half...

- HRTA booked a remarkable revenue of IDR6.1tn in 1H23 with a growth of +91.9% YoY (vs IDR3.2tn in 1H22), reflecting a run-rate of 50.3% from MNCS's FY23E forecast. This massive growth was primarily driven by HRTA export activity, which impacted the company's pure gold sales volume (+71.9% YoY) and ASP (+12.5% YoY).
- The gross profit and operating profit for 1H23 came in at IDR504bn/IDR386bn, each reflecting a 53.3%/56.9% run-rate, also recorded an improvement compared 1H22's (+37.5%/35.7% YoY growth, respectively).
- Overall, HRTA's net profit came in at IDR185.5bn in 1H23, up by 39.3% YoY and surpassed their previous performance in 1H22 (IDR133.2bn) as well as exceeded our run-rate by 54.2%.
- Upon solid first-half growth, HRTA's profitability margins softened; GPM/OPM/NPM in 1H23 recorded at 8.2%/6.3%/3% compared to 1H22's 11.4%/8.9%/4.2%, which was in-line as the export sales came in with a trade-off of lower margins.

...with 2H23's growth to kick in from robust domestic demand

- The company has greatly benefited from the export contracts to the three Indian entities (Kundan Care Product Ltd, Bright Metal Refiners, and LP Commodities Pvt. Ltd. However, the Indian government had imposed a ban on certain gold jewellery imports, believed to have been caused by the duty-free gold imports from Indian bullion dealers.
- As a result HRTA's export deals would be put to a halt, but they've cunningly managed to secure 44% of the exports earnings potential based on our previous estimate of IDR3.5tn in just a span of 4 months during 1H23.
- The company still faces growth opportunities from robust domestic market demands, of particular interest is the retail segment which still contains aplenty of untapped serviceable available market (the retail segment revenue shot up +176% YoY in 1H23). Moreover, the 2H23 domestic sales are to surpass that of the first-half from a seasonality standpoint, which brings us to the FY23E revenue projection to grow a solid 78.5% YoY.
- We slightly up-revise this year's revenue projection to IDR12.4tn (previously IDR12.3tn), while acknowledging increased projected finance costs (+31% YoY) to soften the bottom-line; rendering a base case of a hefty +33.1% YoY bottom line growth to IDR337bn, implying an NPM of 2.7%.

BUY Recommendation for HRTA

Our recommendation remains **BUY** for HRTA with a target price (TP) of IDR560 (19% upside), implying a PE of 7.6x/5.8x and PBV of 1.3x/1.1x for FY23E/FY24F. HRTA's growth engine will now be refocused on the domestic market, whilst still open to other overseas market penetration opportunities. Risks to our call include: 1) prolonged higher for longer interest rates, 2) gold/raw materials supply constraints and 3) lower-than-expected domestic demand.

Key Financial Highlights	FY20	FY21	FY22	FY23E	FY24F
Revenue (IDR bn)	4,138.63	5,237.91	6,918.45	12,350.52	14,820.62
EBITDA (IDR bn)	368.46	439.29	563.40	733.92	872.14
Net Income (IDR Bn)	171.17	193.98	253.73	337.63	444.45
ROA (%)	6.05	5.58	6.59	6.91	8.47
ROE (%)	12.60	12.80	14.73	17.13	19.18
PE (x)	5.54	4.89	3.74	6.41	4.87
PBV (x)	0.70	0.63	0.55	1.10	0.93
EPS (IDR)	37.17	42.12	55.10	73.31	96.51

Sources : Bloomberg, MNCS Research


Research Analyst

Alif Ihsanario

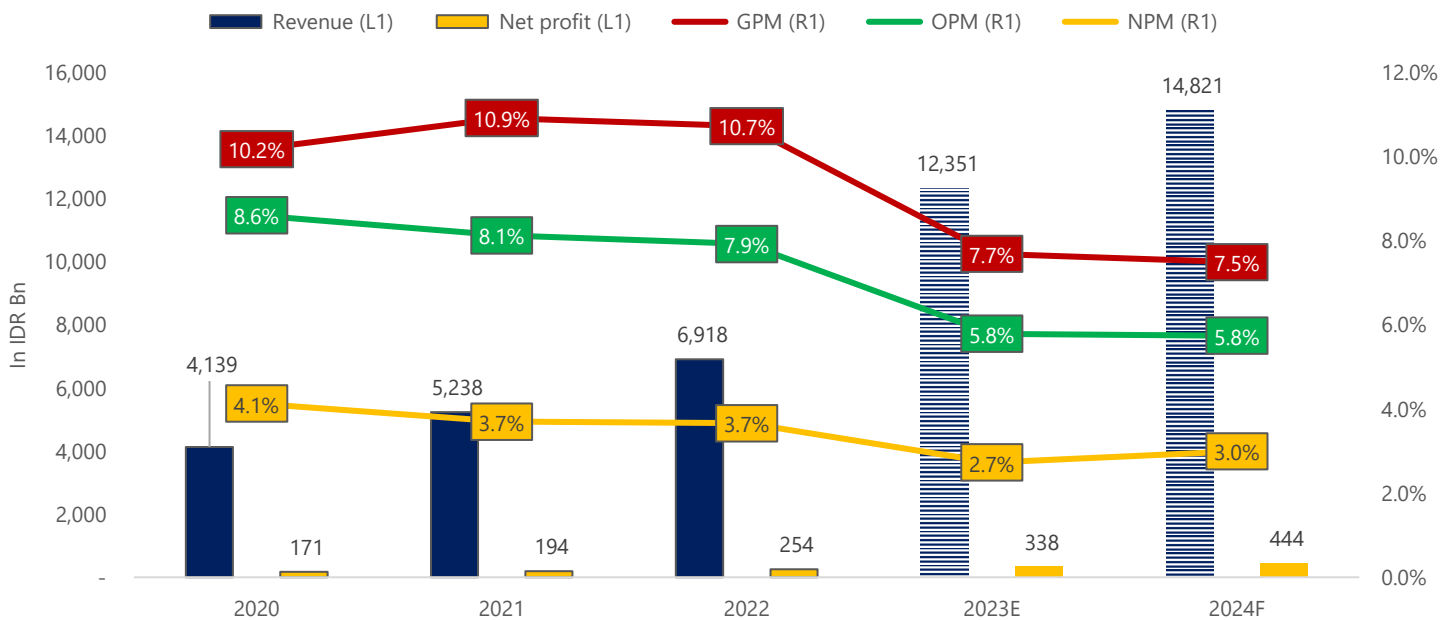
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Exhibit 01. HRTA's 1H23 performance surpassed our expectation

in Billion IDR	2Q23	1Q23	% QoQ	1H23	1H22	% YoY	Prev. FY23E	% FY23E
Revenue	4,057.03	2,118.23	91.5%	6,175.26	3216.99	92.0%	12,276.11	50.3%
COGS	(3,758.19)	(1,913.07)		(5,671.26)	(2,850.50)			
Gross Profit	298.85	205.15	45.7%	504.00	366.49	37.5%		
Gross Margin	7.4%	9.7%		8.2%	11.4%			
Operating Profit	230.42	156.07	47.6%	386.49	284.76	35.7%	678.88	56.9%
Operating Margin	5.7%	7.4%		6.3%	8.9%			
Pre-Tax Profit	149.54	90.79		240.33	179.07			
Net Profit	111.69	69.84	65.7%	185.53	133.24	39.2%	342.05	54.2%
Net Margin	2.9%	3.3%		3.0%	4.1%			

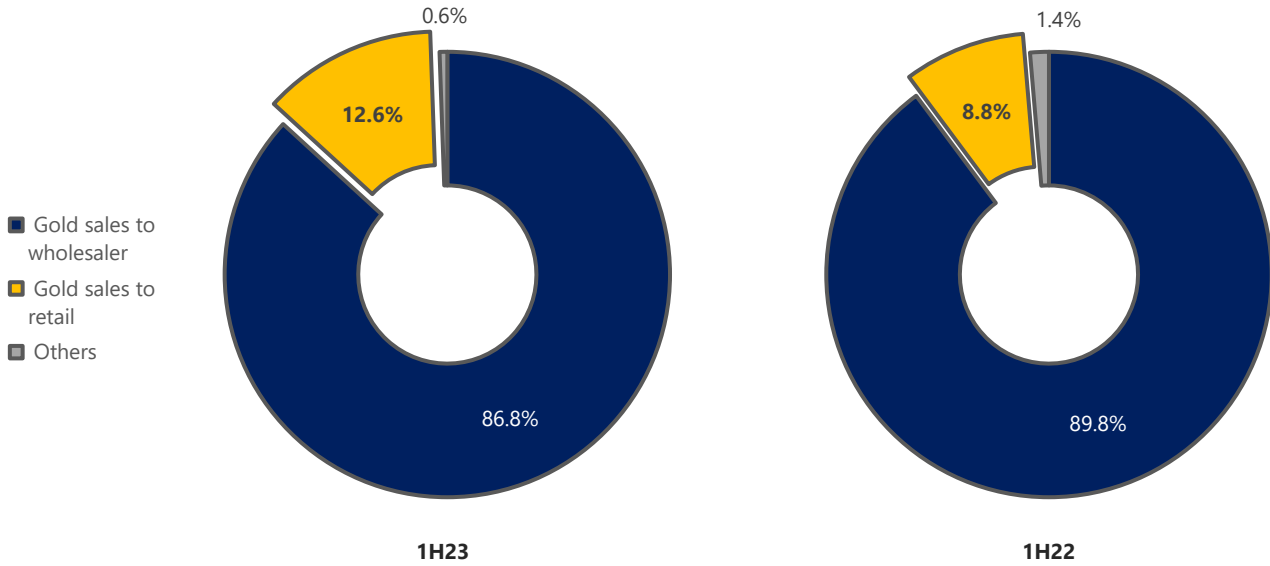
Sources : Company, MNCS Research

Exhibit 02. HRTA's earnings are set to grow accompanied by manageable margins



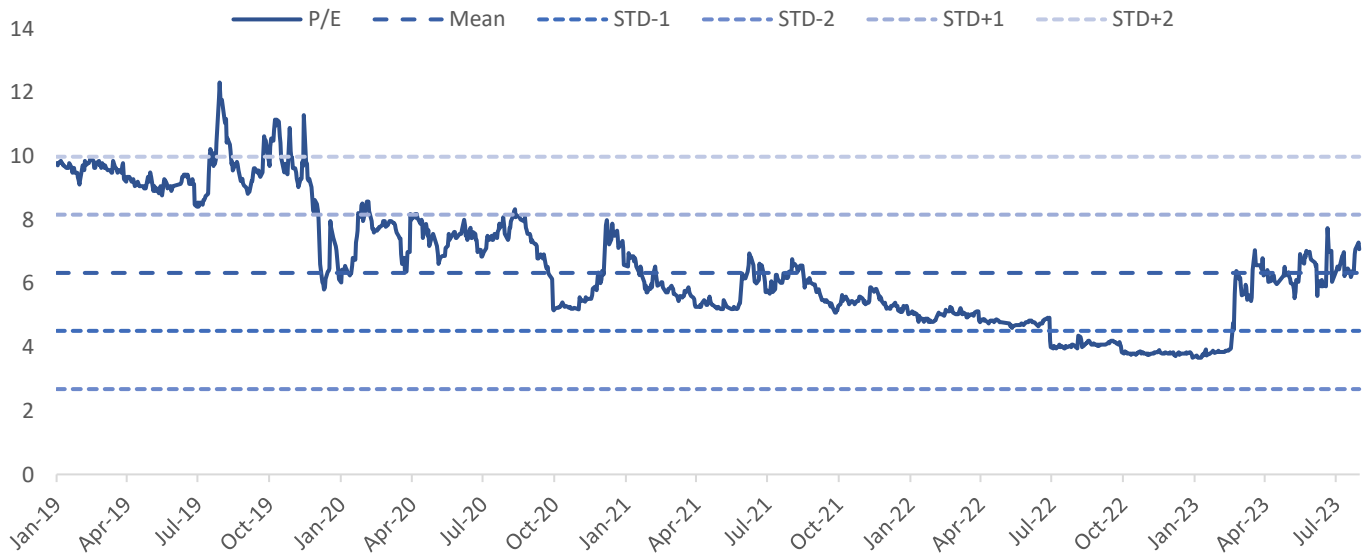
Sources : Company, MNCS Research

Exhibit 03. The retail segment propelled to comprise 12.6% of the revenue in 1H23, indicating its potency for further growth



Sources : Company, MNCS Research

Exhibit 04. HRTA is currently trading near its 5-year P/E mean



Sources : Bloomberg, MNCS Research

Exhibit 05. Financial projections

Income Statement						Balance Sheet					
in Billion IDR	FY20	FY21	FY22	FY23E	FY24F	in Billion IDR	FY20	FY21	FY22	FY23E	FY24F
Revenue	4,138.63	5,237.91	6,918.45	12,350.52	14,820.62	Cash & Equivalents	50.40	62.48	106.02	741.26	475.12
COGS	(3,716.93)	(4,665.33)	(6,175.63)	(11,399.76)	(13,709.15)	Trade Receivables	941.33	1,032.28	806.35	1,151.57	1,381.89
Gross Profit	421.70	572.58	742.82	950.76	1,111.48	Inventory	1,482.24	1,915.56	2,339.72	2,245.60	2,531.50
Selling Expense	(13.27)	(11.55)	(23.12)	(16.82)	(22.25)	Others Current Assets	195.86	290.20	321.95	420.66	498.66
G&A Expense	(52.94)	(135.30)	(171.60)	(209.22)	(226.44)	Total Current Assets	2,669.84	3,300.52	3,574.04	4,559.09	4,887.17
Other Income (Expense)	1.00	0.49	0.72	(8.98)	(10.50)	Fixed Assets - net	133.75	141.37	203.96	221.78	241.92
Op. Profit	356.49	426.22	548.82	715.74	852.29	Other Non-Current Assets	27.10	36.19	71.09	104.30	119.40
Finance Income (Expense)	(110.33)	(150.10)	(214.92)	(282.32)	(281.74)	Total Non-Current Assets	160.85	177.56	275.04	326.08	361.32
Other Income (Expense)	(27.96)	(27.96)	(8.11)	-	-	TOTAL ASSETS	2,830.69	3,478.07	3,849.09	4,885.17	5,248.49
PBT	218.20	248.17	325.79	433.42	570.54	Trade Payables	5.47	6.66	4.28	9.37	13.52
Tax Income (expenses)	(47.12)	(53.73)	(72.06)	(95.79)	(126.09)	ST Debt	162.83	649.47	885.25	1,837.64	1,777.10
Minority Interest	0.09	(0.46)	-	-	-	Other Current Liabilities	40.98	52.23	61.95	84.22	94.34
Net Income	171.17	193.98	253.73	337.63	444.45	Total Current Liabilities	209.28	708.36	951.48	1,931.23	1,884.96
EPS (IDR)	37.17	42.12	55.10	73.31	96.51	LT Debt	1,254.80	1,243.25	1,163.35	962.48	1,021.23
						Other LT Liabilities	8.48	10.91	11.68	20.86	25.03
						Total LT-Liabilities	1,263.27	1,254.16	1,175.03	983.34	1,046.26
						Total Equity	1,358.13	1,515.55	1,722.57	1,970.60	2,317.28
						TOTAL LIABILITY & EQUITY	2,830.69	3,478.07	3,849.09	4,885.17	5,248.49
Cash Flow						Ratios					
in Billion IDR	FY20	FY21	FY22	FY23E	FY24F	FY20	FY21	FY22	FY23E	FY24F	
Net Income	171.17	193.98	253.73	328.81	410.04	Revenue Growth (%)	27.91	26.56	32.08	78.52	20.00
D&A	11.97	13.07	14.58	18.18	19.85	Operating Profit Growth (%)	38.17	19.56	28.77	30.41	16.90
Changes in WC	(661.20)	(523.07)	(200.61)	(220.35)	(310.00)	Net Profit Growth (%)	14.03	13.32	30.81	33.07	19.08
Others	(184.42)	(82.66)	(22.92)	(82.00)	(87.96)	Current Ratio (%)	1,275.72	465.94	375.63	236.07	259.27
Operating CF	(662.47)	(398.69)	44.78	44.64	31.93	Quick Ratio (%)	567.46	195.52	129.73	119.79	124.97
Capex	(49.48)	(20.69)	(77.19)	(36.00)	(40.00)	Receivable Days (x)	83.02	71.93	42.54	34.03	34.03
Others	(7.58)	(9.08)	(34.90)	(13.19)	(14.15)	Inventory Days (x)	145.56	149.87	138.28	71.90	67.40
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	1.42	1.21
Net Change in Debt	380.52	475.08	155.89	109.52	121.71	DAR (x)	0.50	0.54	0.53	0.57	0.53
Equity Fund Raised	3.96	0.39	0.43	(5.20)	-	Gross Profit Margin (%)	10.19	10.93	10.74	7.70	7.50
Others	2.93	1.90	0.79	3.64	3.91	Operating Profit Margin (%)	8.61	8.14	7.93	5.80	5.75
Financing CF	350.57	440.54	110.86	25.76	35.40	EBITDA (IDR Bn)	368.46	439.29	563.40	733.92	872.14
Cash at Beginning	419.37	50.40	62.48	106.02	127.23	EBITDA Margin (%)	8.90	8.39	8.14	5.94	5.88
Cash at Ending	50.40	62.48	106.02	127.23	140.42	Net Income Margin (%)	4.14	3.70	3.67	2.73	3.00
						BVPS (IDR)	294.91	329.09	374.04	427.90	503.18

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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