

Not Rated

Stock Price Data

Last Price	:	IDR550
52wk High	:	IDR760
52wk Low	:	IDR422
Share Out	:	62.0bn
Market Cap	:	IDR34.1tn

Stock Price Performance

1-Day	:	+4.8%
1-Week	:	-0.9%
1-Month	:	-4.3%
3-Month	:	+29.1%
Year-to-Date	:	+10.0%

Shareholders

PT Tancorp Surya Sentosa (P)	:	36.6%
PT Wahana Lancar Rezeki (P)	:	32.5%
Archipelago Investment Private Limited	:	6.3%
Public	:	24.1%
Treasury	:	0.5%

PT Avia Avian Tbk (AVIA IJ)

Flying Colors, Chasing Momentum

Upbeat FY23 performances

AVIA booked 4Q23 revenue of IDR1.9 tn, or climbed up by +11.9% QoQ, bringing FY23 revenue to IDR7.0 tn (+4.8% YoY). These figures are in-line with Bloomberg consensus estimates, implying 100.1% achievement in FY23. Solid performance in 4Q23 was driven by the architectural solution/trading goods segments, which grew by +11.3% QoQ/+14.0% QoQ, respectively. Cumulatively, architectural solution/trading goods experienced an increase by +4.3% YoY/+6.8% YoY, respectively. Meanwhile, AVIA's 4Q23 net profit accumulated to IDR501.9 bn, growing by +50.4% QoQ, thus leading to double-digit growth for FY23 by +17.3% YoY to IDR1.6 tn. FY23 net profit exceeded consensus expectations, achieving 107.8% of the FY23 target. The higher-than-expected net profit in FY23 was mainly driven by lower input costs, translating into FY23 GPM of 45.4% (the highest in the last 5Y). It is worth noting that accounting reclassification in below-the-line expenses contributed to a 1.4% increase in GPM.

Delivering on-track guidance, and improved product mix to support sales

- We hosted the MNC Sekuritas Corporate Forum 2024, during which AVIA sees a 6%-10% YoY rise in sales value and a 4%-8% improvement in volume for FY24E. AVIA also typically adjusts their ASP by 1%-2% annually. As of 2M24, volume growth remains on track at around mid-single digits. Looking forward, we foresee a plausible path to continued growth, aided by post-election uncertainty abatement. Additionally, despite recent fluctuations in oil prices, GPM for 2M24 is estimated to remain robust similar to 4Q23 (~45%), whereby most of the raw materials' supply would be fueled through AVIA's vertical business integration.
- In terms of Capex, approx. IDR450 bn or 5% per sales will be allocated as expansion Capex (Construction of the Cirebon plant), and 2% per sales as routine Capex. AVIA also aims to add 8 wholly-owned DCs in FY24E and enhance express delivery services at 100 DCs. It is noted that in FY23, AVIA had 118 wholly-owned DCs, 14 wholly-owned mini, and 40 third-party DCs. We believe that express delivery can enhance service quality and positively impact market share.
- We like AVIA's initiative to bring more product diversification, thereby meeting a wider variety of consumer demand circumstances. In FY23, AVIA released 14 new products, with 5 of them being economic products. We note that 2 economic products, namely Avitex Wizz and Aries Bling, come from the wall paint segment (~23% of turnover), which we anticipate can serve as a buffer in the segment. Furthermore, the roll-out of new products has been positively received, with penetration in outlets exceeding 28k, or more than >50% of AVIA's wholesales outlet distribution network of 56k.

Potential upside risk given lowering inflation as well as festive season

We see potential upside risk for AVIA in 1H24. Notably, BPS reported that inflation in residential building material prices, as well as household equipment and routine maintenance continues to decline, reaching +0.7% YoY/+1.1% YoY, respectively in Feb-2024 ([exhibit 03](#)). This should bode well for AVIA, especially with the festive Eid momentum in 2Q24 where consumer appetite to repaint their houses is expected to increase. We expect 1H24 volume growth to be in-line with the FY guidance at 4%-8%.

Expect div. yield at ~3.8-4.0%

On April 4, 2024, AVIA will conduct an AGMS with one of the agendas being the utilization of net profit (i.e. dividend). Over the last two years, the average DPR reached 85% annually. If we assume that the minimum DPS remains unchanged as the FY22 (IDR21-22/shares), AVIA will offer a dividend yield of approximately 3.8% – 4.0% on an annual basis (interim in FY23: IDR11/shares).

Valuation

AVIA share price is yielding +10% by YTD, with the rise due to upbeat performance in FY23 along with buyback actions since early Dec-23. Looking ahead, we see a favorable outlook as inflation pressure on construction materials decrease and uncertainty has diminished post-election. Management targets a sales value growth of 6%-10% YoY and a volume growth of 4%-8% YoY in FY24E. This will be further aided by: 1) expansion of 8 wholly-owned DCs; 2) express delivery to maintain market share; 3) better product mix. Using Bloomberg consensus, AVIA is currently trading at 20.7x/3.3x PER/PBV.

Key Financial Highlight	FY19	FY20	FY21	FY22	FY23
Revenue (IDR bn)	5,669.7	5,731.3	6,779.6	6,694.2	7,016.9
EBITDA (IDR bn)	1,395.4	1,624.3	1,989.8	1,664.2	1,927.9
Net Income (IDR bn)	959.4	1,136.1	1,434.6	1,400.6	1,642.2
Net Income Margin (%)	16.9	19.8	21.2	20.9	23.4
ROE (%)	22.7	24.3	15.2	14.6	16.6
PE (x)	35.5	30.0	23.8	24.3	20.7
PBV (x)	8.1	7.3	3.6	3.6	3.4
EPS (IDR)	15.5	18.3	23.2	22.6	26.5

Sources : Company, MNCS

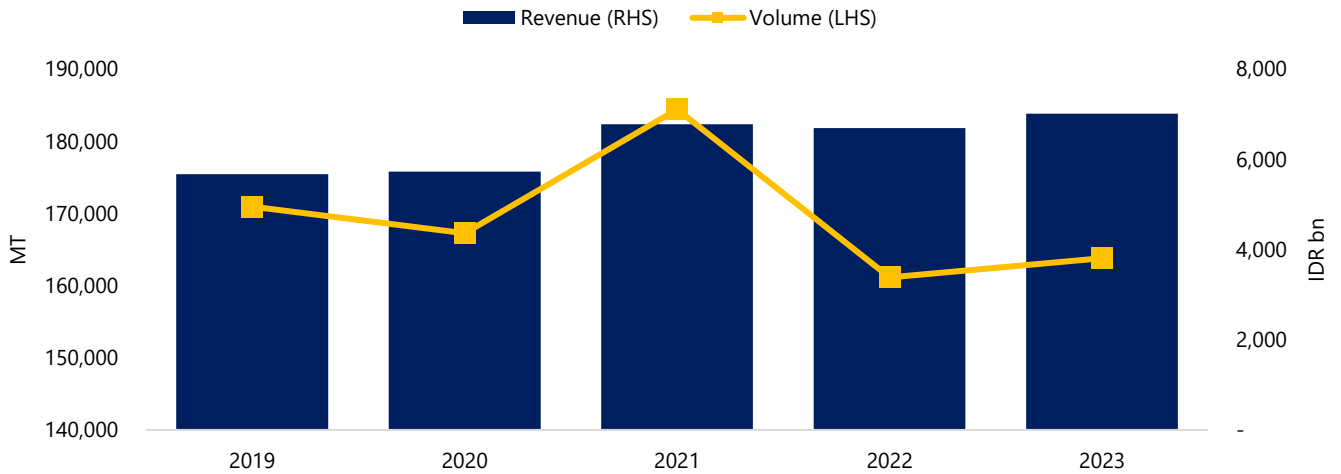


Research Analyst

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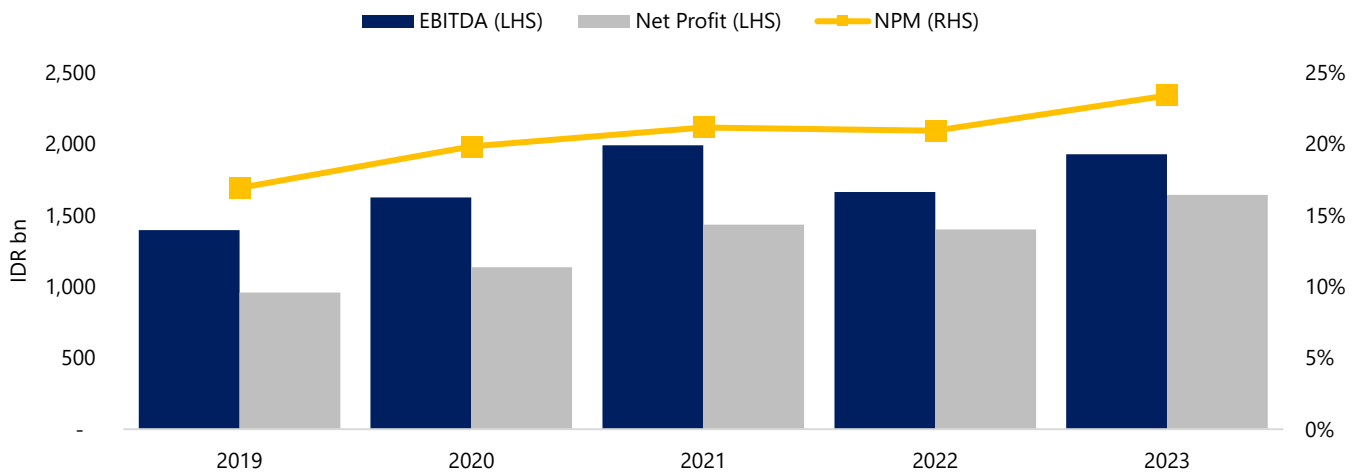
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Exhibit 01. Higher revenue in FY23 thanks to volume improved



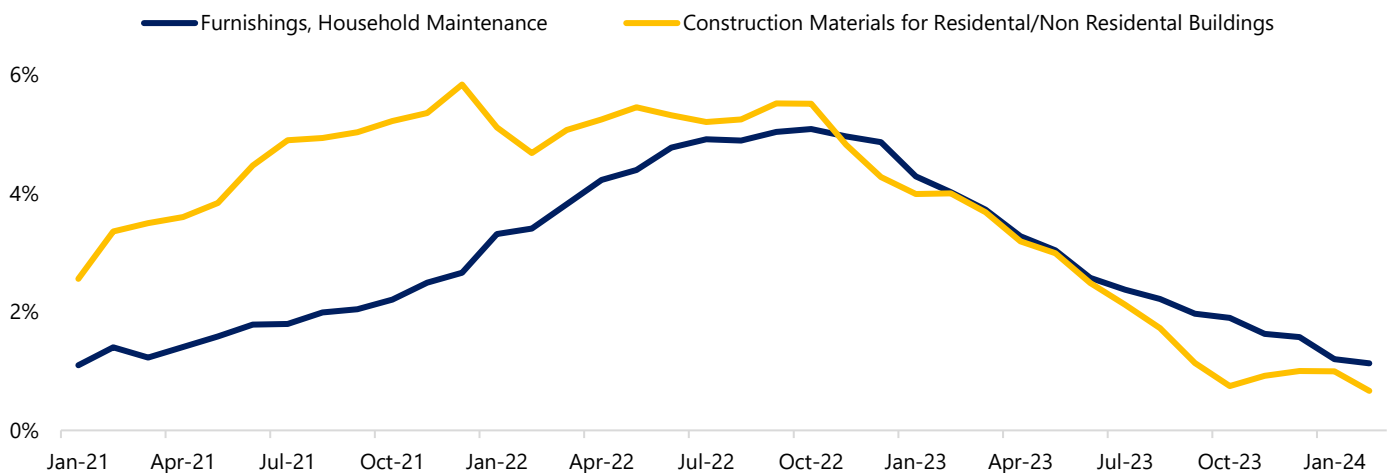
Sources : Company, MNCS

Exhibit 02. AVIA FY23 NPM was the highest in the last 5Y, backed by lower input cost



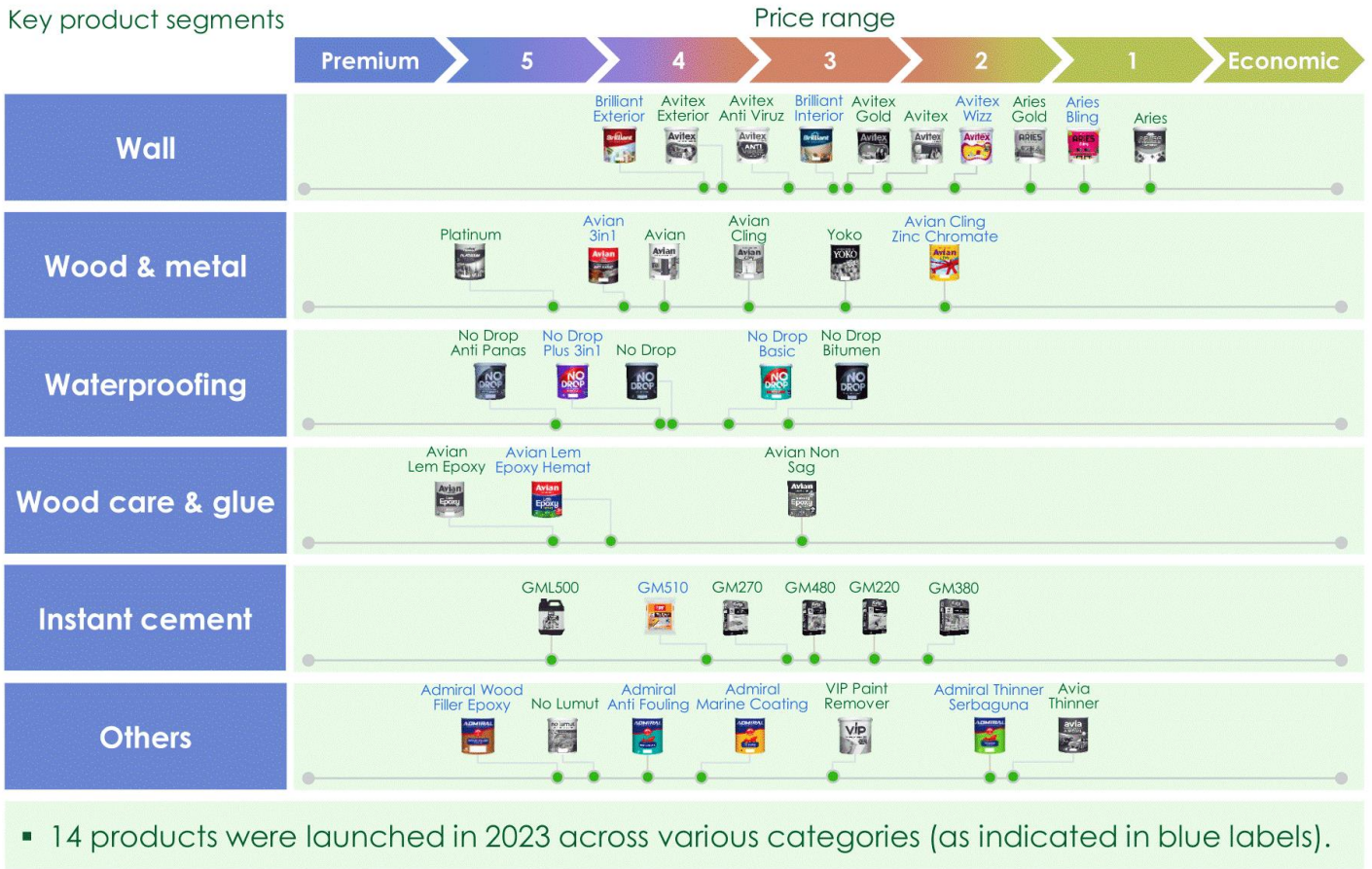
Sources : Company, MNCS

Exhibit 03. Downward inflation in construction materials and household maintenance should bolster purchasing power



Sources : BPS, MNCS

Exhibit 04. A better product mix to meet the diverse demand



Source : Company presentation

Exhibit 05. Financial performances

Income Statement						Balance Sheet					
In Billion IDR	FY19	FY20	FY21	FY22	FY23	In Billion IDR	FY19	FY20	FY21	FY22	FY23
Revenue	5,669.7	5,731.3	6,779.6	6,694.2	7,016.9	Cash & Equivalents	855.5	1,361.2	1,288.2	2,170.7	1,230.5
COGS	(3,324.2)	(3,212.6)	(3,954.1)	(3,976.8)	(3,833.5)	Trade Receivables	979.1	1,046.3	1,274.3	1,177.2	1,348.9
Gross Profit	2,345.5	2,518.7	2,825.5	2,717.4	3,183.3	Inventory	1,148.5	1,007.2	1,446.4	1,447.2	1,519.5
Selling Expense	(897.9)	(918.0)	(889.1)	(1,027.0)	(1,240.2)	Others Current Assets	112.1	506.9	4,877.6	3,921.6	4,858.4
G&A Expense	(197.0)	(162.7)	(181.6)	(214.6)	(226.1)	Total Current Assets	3,095.1	3,921.5	8,886.4	8,716.7	8,957.4
Other Income (Expenses)	33.7	9.8	47.5	(16.3)	(7.9)	Fixed Assets-net	1,499.8	1,523.9	1,551.2	1,588.1	1,659.2
Operating Profit	1,284.3	1,447.8	1,802.4	1,459.4	1,709.1	Other Non-Current Assets	352.5	425.5	436.1	487.3	550.4
Finance income (Expenses)	51.0	43.3	43.6	287.3	282.2	Total Non-Current Assets	1,852.3	1,949.4	1,987.3	2,075.4	2,209.6
Other income (Expenses)	(3.9)	-	(1.3)	(1.4)	0.9	TOTAL ASSETS	4,947.4	5,870.9	10,873.8	10,792.1	11,167.0
Profit Before Tax	1,331.4	1,491.0	1,844.7	1,745.2	1,992.1	Trade Payables	429.8	519.2	824.4	586.8	681.2
Income Tax (Expenses)	(372.0)	(354.9)	(410.2)	(344.9)	(349.0)	Short-term Debt	-	27.7	25.2	57.6	16.2
Minority interest	(0.0)	(0.0)	0.1	0.2	(0.9)	Other Current Liabilities	204.2	475.7	490.0	463.7	477.7
Net Income	959.4	1,136.1	1,434.6	1,400.6	1,642.2	Total Current Liabilities	634.1	1,022.6	1,339.7	1,108.2	1,175.1
EPS (IDR)	15.5	18.3	23.2	22.6	26.5	Long-term Debt	-	73.4	44.8	23.1	15.7
						Other Long-term Liabilities	94.2	90.3	73.6	85.9	54.6
						Total LT-Liabilities	94.2	163.7	118.5	109.1	70.4
						Total Equity	4,219.1	4,684.6	9,415.6	9,574.9	9,921.5
						TOTAL LIABILITY AND EQUITY	4,947.4	5,870.9	10,873.8	10,792.1	11,167.0
Cash Flow						Ratios					
In Billion IDR	FY19	FY20	FY21	FY22	FY23	FY19	FY20	FY21	FY22	FY23	
Net Income	959.4	1,136.1	1,434.6	1,400.6	1,642.2	Revenue Growth (%)	10.7	1.1	18.3	(1.3)	4.8
D&A	111.1	176.5	187.4	199.5	212.6	Operating Profit Growth (%)	(1.3)	12.7	24.5	(19.0)	17.1
Changes in WC	(70.1)	163.5	(362.0)	(141.4)	(149.6)	Net Profit Growth (%)	(7.6)	18.4	26.3	(2.4)	17.3
Change in others	(79.8)	(141.4)	(4,383.1)	861.2	(1,135.1)	Receivable Days (x)	62.2	65.7	67.7	63.3	69.2
Operating CF	920.5	1,334.7	(3,123.1)	2,319.8	570.0	Inventory Days (x)	124.4	112.9	131.7	131.0	142.7
Capex	(167.1)	(339.4)	(186.2)	(265.5)	(252.8)	Payable Days (x)	46.6	58.2	75.1	53.1	64.0
Others	(49.3)	83.9	(12.3)	46.5	118.3	DER (x)	-	0.0	0.0	0.0	0.0
Investing CF	(216.3)	(255.5)	(198.6)	(219.0)	(134.5)	DAR (x)	-	0.0	0.0	0.0	0.0
Dividend Paid	(1,200.0)	(700.0)	(2,350.0)	(1,115.2)	(1,363.0)	Net Gearing (x)	(0.2)	(0.3)	(0.1)	(0.2)	(0.1)
Net Change in Debt	-	101.1	(31.0)	10.7	(48.9)	Dividend Yield (%)	2.1	6.9	3.3	4.0	-
Equity Fund Raised	-	-	5,646.6	-	-	Gross Profit Margin (%)	41.4	43.9	41.7	40.6	45.4
Others	57.5	25.4	(16.9)	(113.8)	36.1	Operating Profit Margin (%)	22.7	25.3	26.6	21.8	24.4
Financing CF	(1,142.5)	(573.5)	3,248.7	(1,218.3)	(1,375.7)	EBITDA Margin (%)	24.6	28.3	29.3	24.9	27.5
Cash at Beginning	1,293.8	855.5	1,361.2	1,288.2	2,170.7	Net Income Margin (%)	16.9	19.8	21.2	20.9	23.4
Cash at Ending	855.5	1,361.2	1,288.2	2,170.7	1,230.5	EPS (IDR)	15.5	18.3	23.2	22.6	26.5
						BVPS (IDR)	68.1	75.6	152.0	154.5	160.1

Sources : Company, MNCS

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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