

BUY | TP : IDR560
HRTA Stock Price Data

Last Price	:	IDR398
52wk High	:	IDR580
52wk Low	:	IDR284
Share Out	:	4.61bn
Market Cap	:	IDR1.83tn

HRTA Stock Price Performance

1-Day	:	+2.05%
1-Week	:	-2.93%
1-Month	:	+10.56%
3-Month	:	+15.70%
Year-to-Date	:	+14.37%

Shareholders

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

PT Hartadinata Abadi Tbk (HRTA IJ) Commendable Feat Achieved in FY23

2023 was ended on a high note

The company managed to secure a stellar +20.6% YoY bottom-line growth in FY23, reaching IDR305.8bn, exceeding our expectations of IDR289.3bn (reflects 105.7% of MNCS estimate). This was backed by an impressive feat of a +85.8% YoY sales growth to reach IDR12,276.1bn (reflects 104.7% of MNCS estimate). The sales growth was propelled by the jump in sales volume by +66.9% YoY, reaching 12.9 tons. Growth in sales were seen in most segments; the wholesaler segment grew +73.9% YoY, credits due to the debut export deals initiated in FY23. The stores segment and the partners segment also saw a considerable +256.3% YoY/+39.5% YoY growth, respectively, reflecting solid demand for gold driven by growing base of market penetration, product innovation (ARDORE), as well as the rising affinity for gold as a tangible investment instrument amid uncertainty. The pawn segment, on the other hand, was the only exception with a -11.9% YoY moderation which was understandable due to the considerably higher interest-rate environment which likely curbed high-interest loans on the already fragile purchasing power. The company also booked a new revenue segment, the refining services segment, which raked in IDR1.6bn of revenue.

Balancing between high growth and margin stabilization

Margin-wise, due to the growth acceleration primarily attributable to the export wholesales (of a low-margin nature; wholesales margin, as a result, slid to 6.1% from 10.1% in FY22), the overall NPM slid to 2.4% (vs 3.7% in FY22). The robust prospects of the margin-buffering segments (4-yr average margins from the store, partners and pawn segments stands at 11.2%, 26.0% and 48.0%, respectively) should assist in counteracting margin declines going forward amid the continuation of the search for more export market aside from India. To pull this counterbalancing act, HRTA is planning to open up ~20 new stores to secure the margin-buffering segments, and spread the penetration of their jewelry products tailored to appeal to the younger cohort and encompass the mid-high income bracket market.

Severely undervalued

Looking at a broader perspective, we view that HRTA is still undervalued compared to its peers considering its earnings performance and the historical multiples valuation. HRTA secured a 4-yr mean sales growth of +43.1% (FY19-FY23), which is well way above its notable peers average of +23.8% over the same time period (Chow Tai Fook at +11.4%, Titan Co Ltd at +19.4% and Phu Nhuan Jewelry +21.4%). This is in-line with the fact that HRTA is still at its expansive phase, with budding market penetration potentially greater than its more established global counterparts (exhibit 3), albeit still at a trade off in the growth of its bottom-line due to the predomination of the lower-margin wholesale. The company's prospect has yet, however, been reflected in its valuations (exhibit 4), where its array of multiples is still at an alluring discount opposed to its peers (for instance its TTM EV/Sales and EV/EBITDA stands at 0.3x/5.8x vs mean of 2.6x/24.7x).

BUY Recommendation for HRTA

HRTA should be looking at a ~12% YoY earnings growth in FY24E based on its robust top-line growth potential, especially now that golds price is likely to remain above the newly founded USD2,000/oz floor on increasing central bank purchases (likely to continue based on Gold Council survey of central banks, especially PBoC as the top buyer and its apparent deloading of UST positions). We call **BUY** for HRTA to rebound to its fundamental target price (TP) of IDR560 (41% upside), implying a PE of 7.5x and PBV of 1.2x for FY24E. Risks include subdued jewelry demand on sharp gold price advances, FFR pivoting overhang and a renewed USD strength.

Key Financial Highlights	FY21	FY22	FY23	FY24E	FY25F
Revenue (IDR bn)	4,138.63	5,237.91	12,857.03	16,411.65	18,356.76
EBITDA (IDR bn)	368.46	439.29	727.10	860.68	936.74
Net Income (IDR Bn)	171.17	193.98	305.80	344.41	389.94
ROA (%)	6.05	5.58	6.08	6.50	6.91
ROE (%)	12.60	12.80	15.50	15.31	15.18
PE (x)	4.89	3.74	5.99	5.32	4.70
PBV (x)	0.63	0.55	0.93	0.81	0.71
EPS (IDR)	37.17	42.12	66.40	74.79	84.67

Sources : Bloomberg, MNCS Research


Research Analyst

Alif Ihsanario

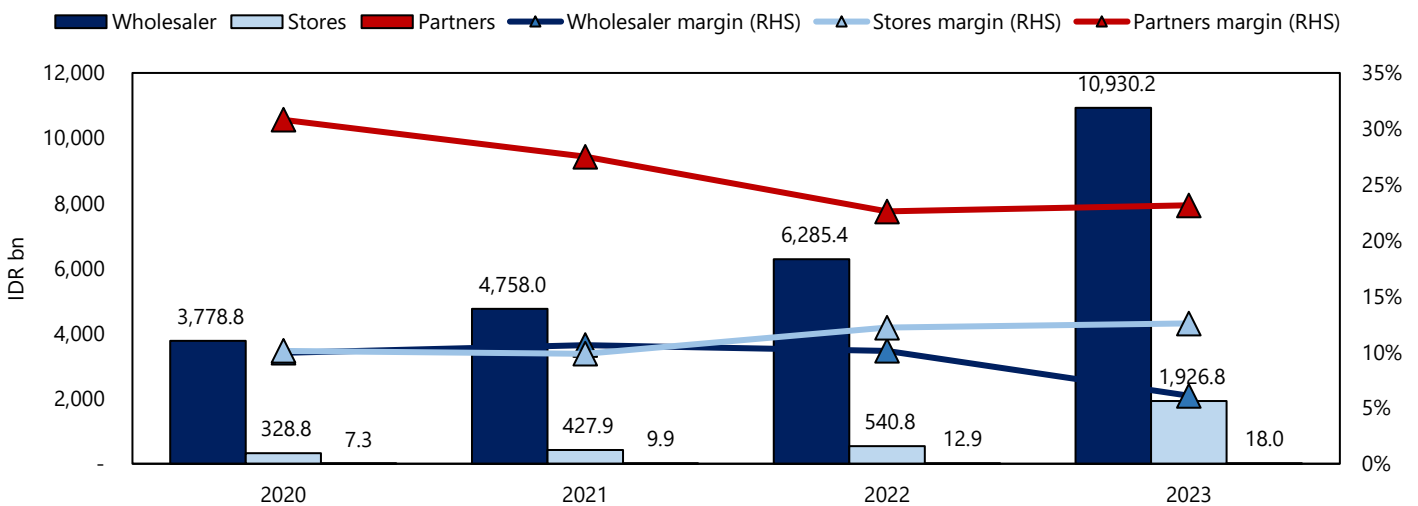
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Exhibit 1. A recap on HRTA’s earnings achievement in FY23

in Billion IDR	4Q23	3Q23	% QoQ	FY23	FY22	% YoY	% MNCS
Revenue	3,526.0	3,155.8	11.7%	12,857.0	6,918.5	85.8%	104.7%
COGS	3,321.3	2,917.7	13.8%	11,910.3	6,175.6	92.9%	
Gross Profit	204.7	238.0	-14.0%	946.7	742.8	27.5%	
Gross Margin	5.8%	7.5%		7.4%	10.7%		
Operating Profit	142.2	174.5	-18.5%	707.7	548.1	29.1%	104.2%
Operating Margin	4.0%	5.5%		5.5%	7.9%		
Pre-Tax Profit	60.3	95.5	-36.9%	396.2	326.2	21.5%	
Net Profit	46.0	74.3	-38.0%	305.8	253.5	20.6%	105.7%
Net Margin	1.3%	2.4%		2.4%	3.7%		

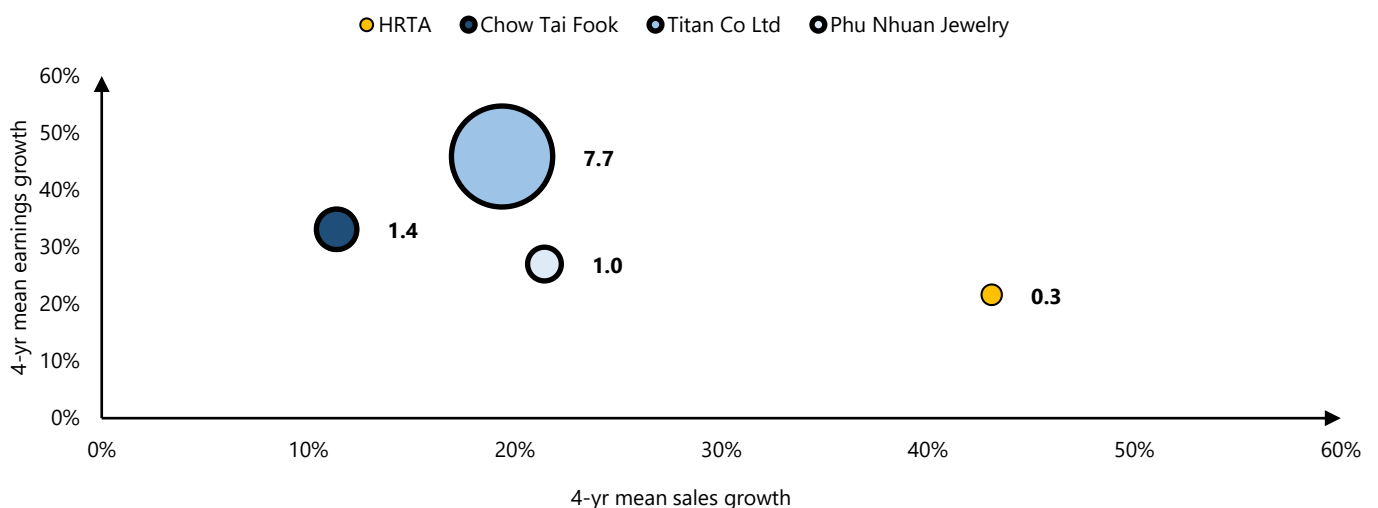
Sources : Bloomberg, MNCS

Exhibit 2. Segment contribution throughout the years



Sources : Company, MNCS Research

Exhibit 3. HRTA outperforming its notable peers in terms of sales growth despite its discounted EV/Sales (bubble size)



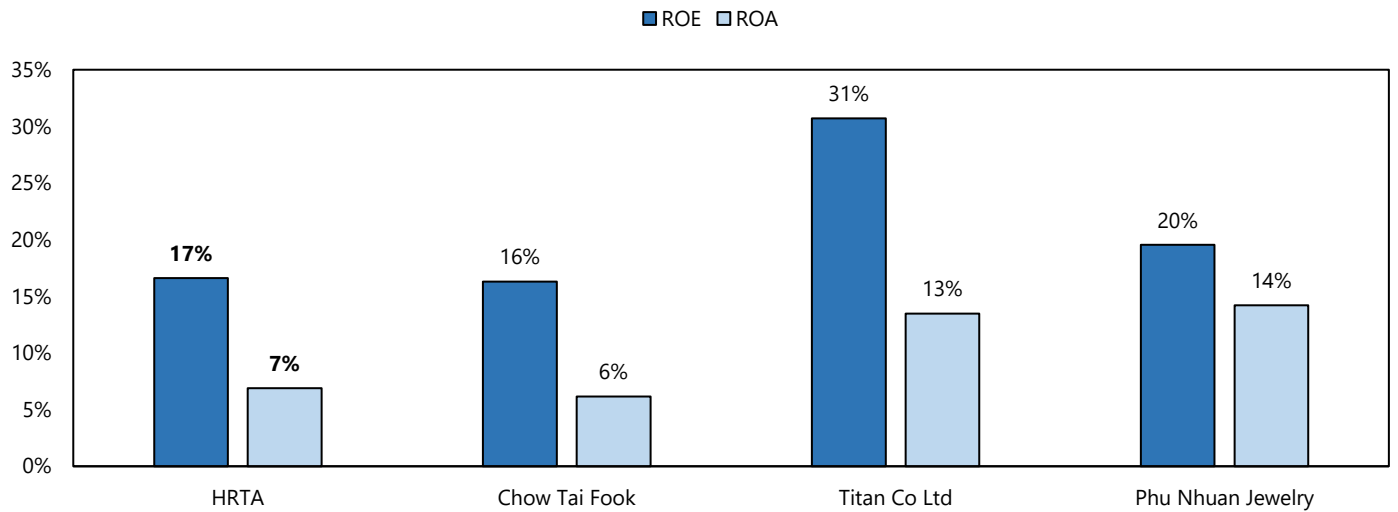
Sources : Bloomberg, MNCS Research

Exhibit 4. Against its notable peers, HRTA's multiples (TTM) is still at a considerable discount

	P/E (x)	P/BV (x)	EV/EBITDA (x)	P/S (x)	EV/Sales (x)
Hartadinata Abadi	5.2	0.8	5.8	0.1	0.3
Chow Tai Fook	29.0	29.0	11.6	1.6	1.4
Titan Co Ltd	68.7	68.7	68.5	5.9	7.6
Phu Nhuan Jewelry	15.8	15.8	12.9	0.9	1.0

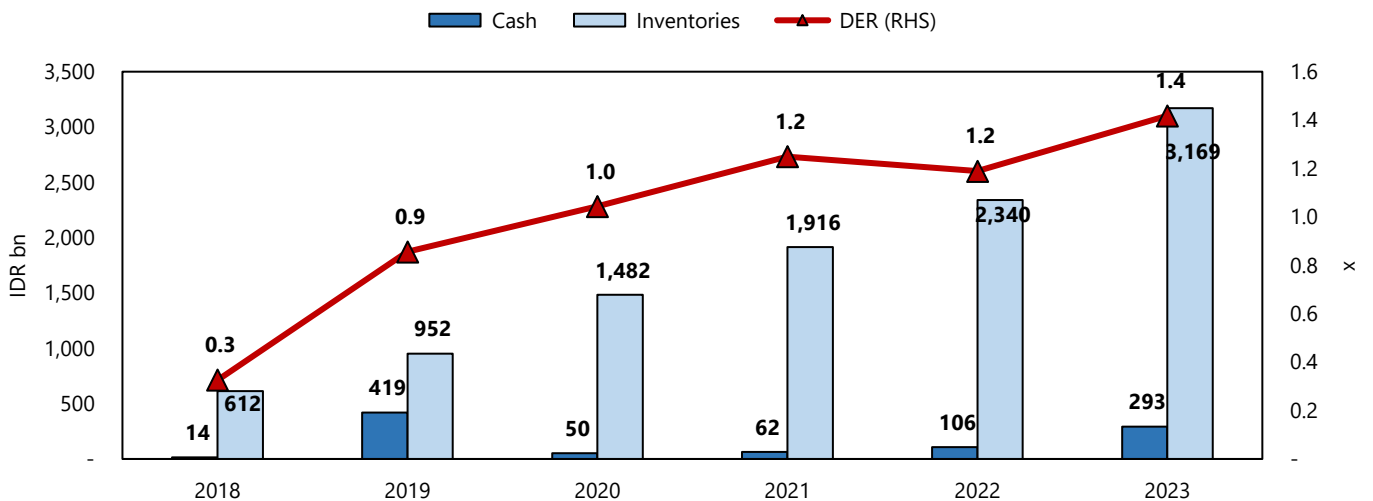
Sources : Company, MNCS Research

Exhibit 5. Its profitability ratios have overtaken Chow Tai Fook as of FY23's performance



Sources : Company, MNCS Research

Exhibit 6. The company still has room for leveraging for operations, whilst bearing solid foundation of liquid gold inventories



Sources : Company, MNCS Research

Exhibit 7. Financial projections

Income Statement						Balance Sheet					
in Billion IDR	FY21	FY22	FY23	FY24E	FY25F	in Billion IDR	FY21	FY22	FY23	FY24E	FY25F
Revenue	5,237.91	6,918.45	12,857.03	16,411.65	18,356.76	Cash & Equivalents	62.48	106.02	292.63	462.72	257.91
COGS	(4,665.33)	(6,175.63)	(11,910.29)	(15,266.12)	(17,101.08)	Trade Receivables	1,032.28	806.35	907.76	1,281.46	1,398.13
Gross Profit	572.58	742.82	946.74	1,145.53	1,255.68	Inventory	1,915.56	2,339.72	3,168.98	2,819.00	3,204.70
Selling Expense	(11.55)	(23.12)	(23.31)	(29.87)	(33.46)	Others Current Assets	290.20	321.95	351.07	367.20	369.29
G&A Expense	(135.30)	(171.60)	(215.77)	(276.57)	(309.81)	Total Current Assets	3,300.52	3,574.04	4,720.44	4,930.38	5,230.02
Op. Profit	425.73	548.10	707.66	839.09	912.40	Fixed Assets - net	141.37	203.96	232.94	276.59	316.09
Finance Income	0.82	2.22	2.32	2.96	3.31	Other Non-Current Assets	36.19	71.09	76.08	87.78	94.17
Finance Expense	(150.91)	(217.14)	(304.82)	(388.45)	(400.71)	Total Non-Current Assets	177.56	275.04	309.02	364.37	410.27
Other Income (Expense)	(27.46)	(7.00)	(9.00)	(10.89)	(11.94)	TOTAL ASSETS	3,478.07	3,849.09	5,029.46	5,294.75	5,640.29
PBT	248.17	326.18	396.16	442.71	503.07	Trade Payables	6.66	4.28	4.68	15.06	16.85
Tax Income (Expense)	(53.73)	(72.06)	(89.89)	(97.84)	(112.66)	ST Debt	649.47	885.25	1,892.64	1,983.62	2,001.64
Minority Interest	0.46	0.61	0.46	0.46	0.46	Other Current Liabilities	52.23	61.95	238.55	67.73	71.13
Net Income	193.98	253.52	305.80	344.41	389.94	Total Current Liabilities	708.36	951.48	2,135.87	2,066.41	2,089.62
EPS (IDR)	42.12	55.05	66.40	74.79	84.67	LT Debt	1,243.25	1,163.35	904.27	958.13	958.92
						Other LT Liabilities	10.91	11.68	16.73	21.36	23.89
						Total LT-Liabilities	1,254.16	1,175.03	921.00	979.49	982.82
						Total Equity	1,515.55	1,722.57	1,972.59	2,249.27	2,568.27
						TOTAL LIABILITY & EQUITY	3,478.07	3,849.09	5,029.46	5,295.17	5,640.71
Cash Flow						Ratios					
in Billion IDR	FY21	FY22	FY23	FY24E	FY25F	FY21	FY22	FY23	FY24E	FY25F	
Net Income	193.98	253.52	305.80	344.41	389.94	Revenue Growth (%)	26.56	32.08	85.84	27.65	11.85
D&A	13.07	14.58	19.44	22.01	24.75	Operating Profit Growth (%)	19.76	28.74	29.11	18.57	8.74
Changes in WC	(523.07)	(200.61)	(930.27)	(13.34)	(500.57)	Net Profit Growth (%)	13.32	30.70	20.62	12.62	13.22
Others	(82.66)	(22.92)	147.48	(186.94)	1.30	Current Ratio (%)	465.94	375.63	221.01	238.60	250.29
Operating CF	(398.69)	44.57	(457.55)	166.14	(84.58)	Quick Ratio (%)	195.52	129.73	72.64	102.18	96.92
Capex	(20.69)	(77.19)	(48.43)	(65.65)	(64.25)	Receivable Days (x)	71.93	42.54	25.77	28.50	27.80
Others	(9.08)	(34.67)	(5.63)	(11.69)	(6.40)	Inventory Days (x)	149.87	138.28	97.12	67.40	68.40
Investing CF	(29.78)	(111.86)	(54.06)	(77.34)	(70.65)	Payable Days (x)	0.52	0.25	0.14	0.36	0.36
Dividend Paid	(36.84)	(46.25)	(55.46)	(62.65)	(70.93)	DER (x)	1.25	1.19	1.42	1.31	1.15
Net Change in Debt	475.08	155.89	748.31	144.84	18.81	DAR (x)	0.54	0.53	0.56	0.56	0.52
Equity Fund Raised	0.39	0.43	0.31	(5.51)	-	Gross Profit Margin (%)	10.93	10.74	7.36	6.98	6.84
Others	1.90	0.77	5.05	4.63	2.53	Operating Profit Margin (%)	8.13	7.92	5.50	5.11	4.97
Financing CF	440.54	110.83	698.21	81.30	(49.59)	EBITDA (IDR Bn)	438.79	562.68	727.10	861.10	937.15
Cash at Beginning	50.40	62.48	106.02	292.63	462.72	EBITDA Margin (%)	8.38	8.13	5.66	5.25	5.11
Cash at Ending	62.48	106.02	292.63	462.72	257.91	Net Income Margin (%)	3.70	3.66	2.38	2.10	2.12
						BVPS (IDR)	329.09	374.04	428.33	488.41	557.68

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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