

Equity Research

COMPANY UPDATES

Hartadinata Abadi

Bound for remarkable 2023F performance

April 10th 2023

HRTA reported a strong earnings growth in 2022, driven by a 32% increase in top-line revenue from higher volumes. The company targets another remarkable top-line growth this year through increased placements of larger inventory for wholesale/retail partner, with potential for further revenue upside from export expansion. We expect HRTA to continue posting strong earnings growth of 37% yoy to IDR346 bn in 2023. We reiterate our BUY rating with a TP of IDR580/share.

Strong earnings growth in 2022

In line with estimates, HRTA's 2022 net profit was recorded at IDR254 bn (+31% yoy), driven by strong top line growth of 32% to IDR6.9 tn from higher volume (+27% yoy). In 2022, HRTA generated positive operating cash flow of IDR31.2 bn due to higher income from gold bar products, which are usually settled on cash basis instead of scrap gold as with jewelry product sales. Gold bar revenue accounts for 43.3% of total (vs 36% in 2021).

Expect another remarkable performance in 2023F

HRTA is targeting the top-line to grow to IDR 9.5-10 tn, from IDR6.9 tn in the previous year. The key driver for this is increased placements of larger inventory for wholesale/retail partners. It's worth noting that the number of wholesalers jumped significantly from 35 to 80 in FY2021-22 while retailer partners grew from 600 to 900 in the same period.

Meanwhile, additional income potential is also present from the contribution of partners, newly fine-gold product launched, retail own-store expansion, and export (which, conservatively, has

yet to be accounted into 2023F target). We estimate earnings to grow 37% yoy to IDR346 bn in 2023.

More revenue upside from export

Since Mar '23, HRTA has been exporting the 22 carat jewelry to Kundan, one of the largest gold manufacturers in India. The company targets to sell 400-500 kg of jewelry per month, which could translate into an additional revenue of IDR4.5 tn/year. The potential gross margin will be lower compared to margin on selling gold bar with high mass of 4-5%. However, the trade-off will improve cash flow, taking into consideration that payment uses cash (paid upfront).

Reiterate BUY with TP of IDR580

We maintain our BUY rating for HRTA with TP of IDR580/share based on 7.8x 2023F PE. HRTA still trades at undemanding 4.8x 2023F PE, a huge discount to its regional peers. We also like HRTA as we expect the company to post a strong earnings growth in 2023 and ample & liquid inventory in gold which will appreciate when the gold price soars.

BUY

Current Price	358
Price Target	580
Upside/Downside	+62.0%

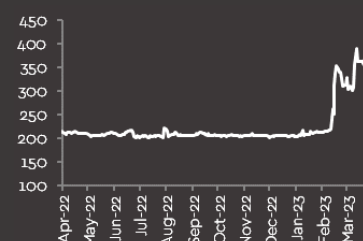
INDONESIA

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Stock Data

Bloomberg Ticker	HRTA JJ
Outs. Share (bn)	4.6
Mkt Cap (IDR bn)	1,648.7
52 Week Range (IDR)	199 - 406
6M Avg Val (IDR bn)	7.1
YTD Returns (%)	77.2
Beta (x)	0.7

Share Price Performance (IDR/Share)

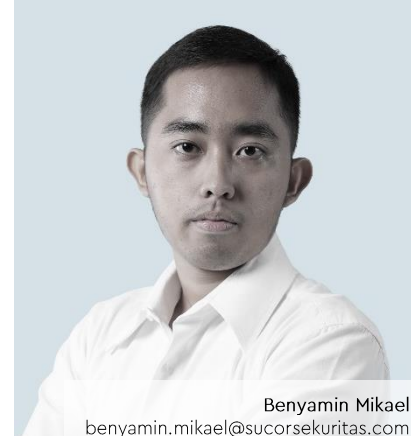


Share Performance (%)

Month	Absolute	Relative
3m	77.2	74.4
6m	73.8	81.5
12m	77.2	77.2

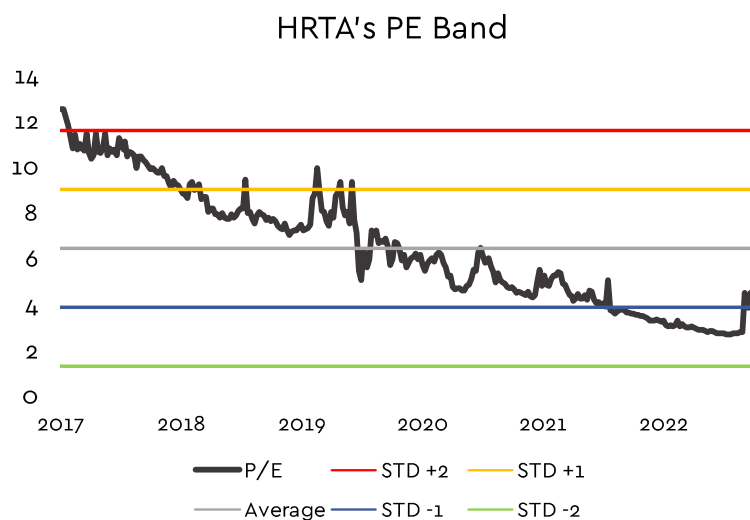
FINANCIAL HIGHLIGHTS

IDR bn	2021	2022	2023F	2024F	2025F
Revenue	5,238	6,918	9,229	10,227	11,274
EBITDA	440	564	778	878	956
PATMI	194	254	346	403	498
EPS Growth (%)	13.6	30.7	37.4	16.6	23.4
PER (x)	8.5	6.5	4.8	4.1	3.3
PBV (x)	1.1	1.0	0.8	0.7	0.6
EV/EBITDA (x)	7.9	6.4	5.6	4.9	4.2
Dividend yield (%)	2.2	2.8	3.7	5.1	5.9
Gearing (x)	1.2	1.1	1.4	1.1	0.9



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Fig. 2: HRTA's PE Band



Source: Bloomberg, Sucor Research

Fig. 3: HRTA's peers comparison

Company	PE		P/B		EV/EBITDA		ROE		Div. Yield
	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F	2023F
	(x)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)
Hartadinata Abadi	4.8	4.1	0.8	0.7	5.6	4.9	17.2	17.3	3.7
Lao Feng Xiang	13.9	12.6	2.5	2.2	5.3	4.8	18.0	17.6	3.3
Luk Fook Holdings Intl	10.7	8.9	1.2	1.1	6.0	5.3	11.9	13.1	4.4
Chow Tai Fook Jewellery Group	21.4	17.5	4.0	3.6	14.1	11.8	18.9	21.6	3.4
Chow Tai Seng Jewellery	11.4	9.8	2.2	1.9	8.4	7.5	19.9	20.0	3.7
Phu Nhuan Jewelry	13.0	10.8	2.5	2.2	9.4	7.9	22.8	22.9	2.6
Average	12.5	10.6	2.2	2.0	8.1	7.0	18.1	18.7	3.5

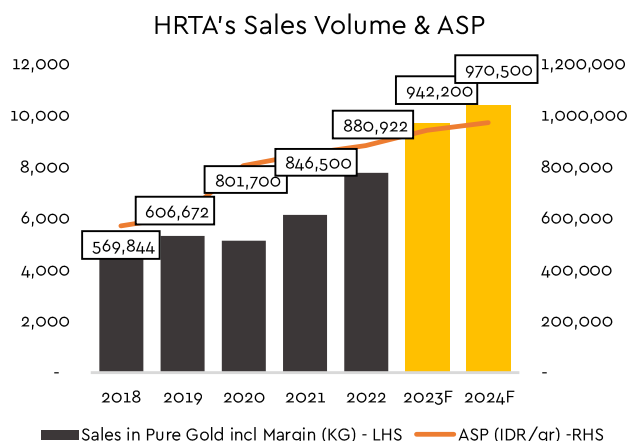
Source: Bloomberg, Sucor Research

Fig. 4: HRTA's 2022 financial result

(IDR bn)	FY22	FY21	YoY(%)	4Q22	4Q21	YoY (%)	QoQ (%)
Revenue	6,918	5,238	32.1%	1,815	1,332	36.2%	-3.8%
Cost of Revenue	(6,176)	(4,665)	32.4%	(1,648)	(1,143)	44.2%	-1.7%
Gross Profit	743	573	29.7%	166.8	189.7	-12.1%	-20.4%
Selling Expense	(23)	(12)	100.2%	(5)	(3)	94.7%	-39.4%
G&A	(172)	(135)	26.8%	(47)	(78)	-40.6%	-10.4%
Operating Profit	548	426	28.7%	114.8	108.6	5.7%	-22.8%
Interest Income	2	1	170.6%	0.6	0.3	117.8%	-7.9%
Interest Expense	(217)	(151)	43.9%	(47)	(24)	95.5%	-15.4%
Others	(8)	(28)	-71.0%	(8)	(28)	-71.0%	n.a
Other Income	1	0	126.9%	1	(0)	n.a	536.1%
PBT	326	248	31.4%	61.0	56.7	7.6%	-34.9%
Income tax exp.	(72)	(54)	34.1%	(14)	(15)	-11.0%	-33.5%
Minority Interest	(1)	(0)	32.9%	(0)	(0)	n.a	-39.9%
Net Profit	254	194	30.7%	47.2	41.2	14.7%	-35.3%
Margin (%)			Bp (Chg)			Bp (Chg)	Bp (Chg)
GPM (%)	10.7%	10.9%	(19)	9.2%	14.2%	(505)	(192)
OPM (%)	7.9%	8.1%	(21)	6.3%	8.2%	(183)	(156)
NPM (%)	3.7%	3.7%	(4)	2.6%	3.1%	(49)	(127)

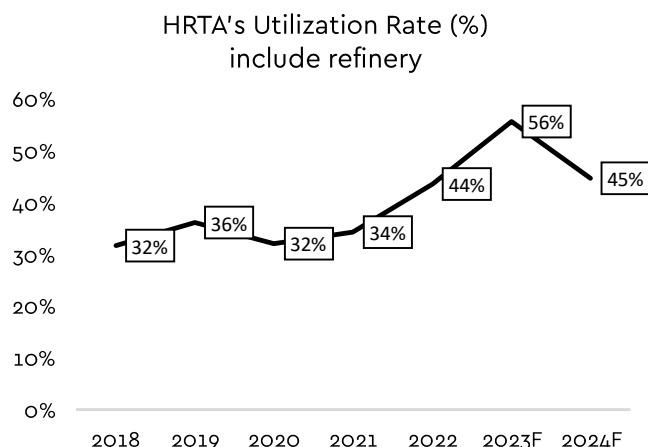
Source: Company, Sucor Research

Fig. 5: HRTA's sales volume & ASP



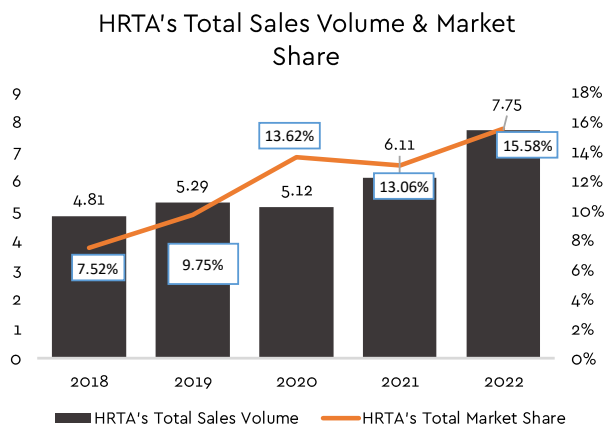
Source: Company, Sucor Research

Fig. 6: HRTA's utilization rate (%)



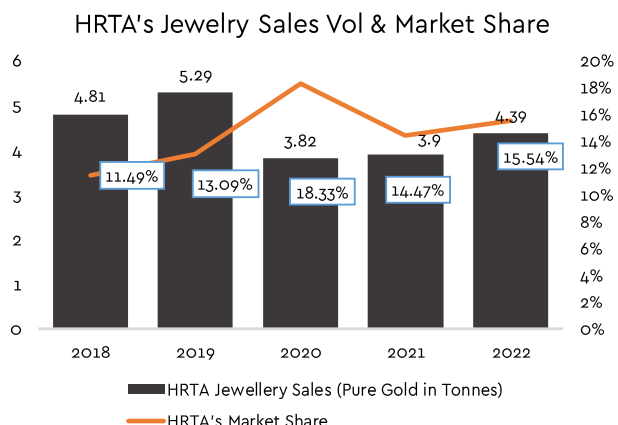
Source: Company, Sucor Research, Notes: Decline in 2024F due to refinery capacity addition by 20 tonne

Fig. 7: HRTA's total sales volume & market share



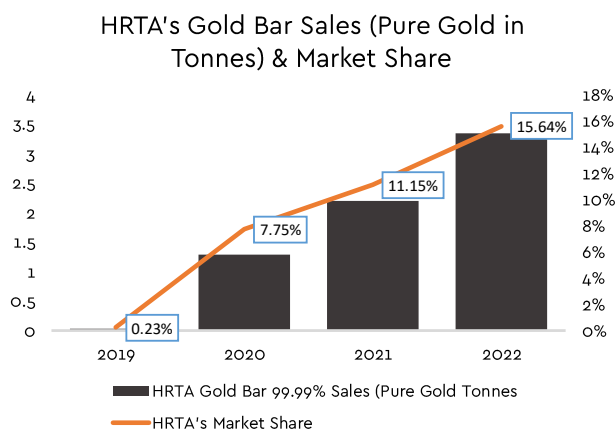
Source: Company, Sucor Research

Fig. 8: HRTA's jewelry sales volume & market share



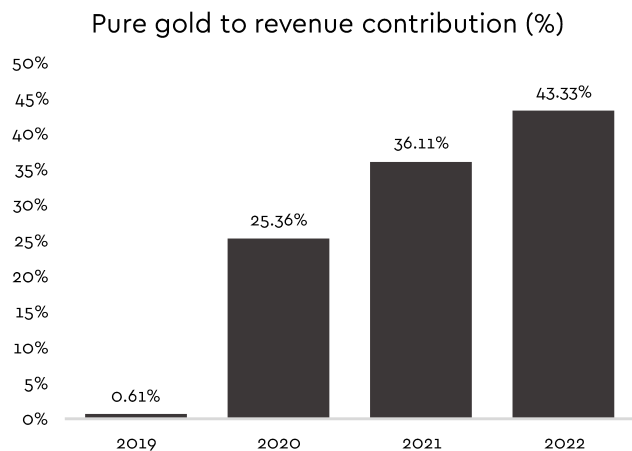
Source: Company, Sucor Research

Fig. 9: HRTA's gold bar sales volume & market share



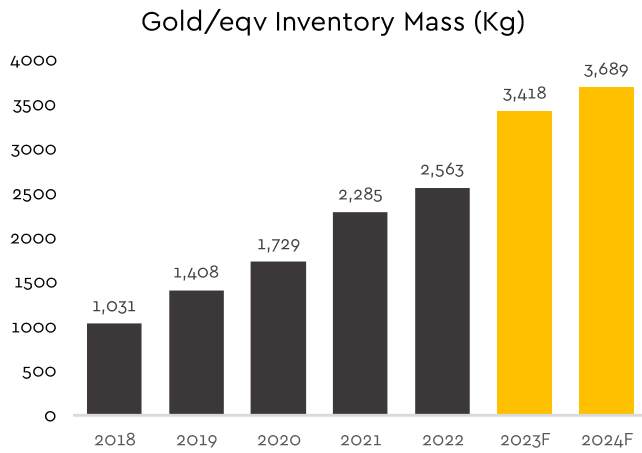
Source: Company, Sucor Research

Fig. 10: Growing pure gold contribution to revenue (%)



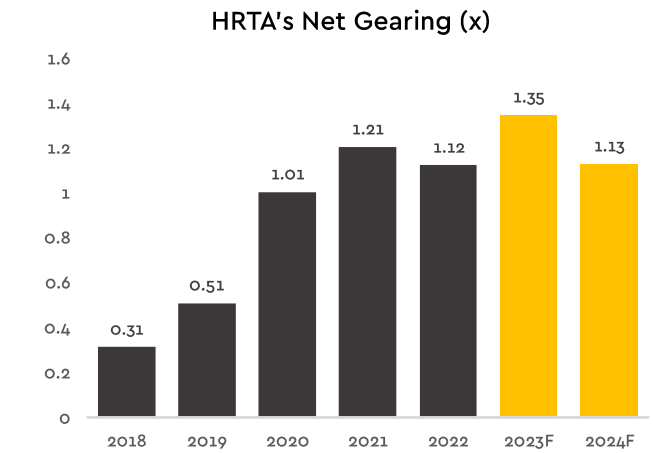
Source: Company, Sucor Research

Fig. 11: HRTA's gold inventory mass



Source: Company, Sucor Research

Fig. 12: HRTA's gearing ratio (x)



Source: Company, Sucor Research

APPENDIX

Fig. 13: Income statement and balance sheet

Profit & Loss (IDR Bn)	2021	2022	2023F	2024F	2025F	Balance Sheet (IDR Bn)	2021	2022	2023F	2024F	2025F
Revenue	5,238	6,918	9,229	10,227	11,274	Cash and equivalents	62	106	157	133	200
Cost of revenue	(4,665)	(6,176)	(8,201)	(9,080)	(10,008)	Trade receivables	1,032	805	934	894	833
Gross profit	573	743	1,028	1,147	1,266	Inventories	1,916	2,340	3,291	3,644	3,919
G&A Expenses	(135)	(172)	(233)	(268)	(305)	Fixed Asset	141	204	211	210	214
Selling Expenses	(12)	(23)	(40)	(25)	(30)	Other assets	327	394	481	515	544
Operating profit	426	548	756	854	930	Total Assets	3,478	3,849	5,074	5,397	5,710
EBITDA	440	564	778	878	956	Trade payables	7	4	10	12	14
Other op. income/exp	0	1	1	1	1	Short-term debt + CMLTD	655	833	1,710	2,412	2,414
Finance income	1	2	1	2	2	Long-term debt	1,243	1,214	1,156	350	142
Finance expense	(179)	(225)	(315)	(339)	(295)	Other liabilities	58	75	192	298	414
Inc/loss from assoc.	-	-	-	-	-	Total Liabilities	1,963	2,127	3,068	3,071	2,984
Pre-tax profit	248	326	443	517	638	Minority interest	5	5	5	5	5
Tax expense	(54)	(72)	(98)	(114)	(140)	Paid capital	665	665	665	665	665
Minority interest	-	-	-	-	-	Retained earnings	847	1,053	1,337	1,657	2,058
Net income	194	254	346	403	498	Other equities	(1)	(1)	(1)	(1)	(1)
EPS (IDR)	42	55	75	88	108	Total Equity	1,516	1,723	2,006	2,326	2,727

Source: Company, Sucor Research

Fig. 14: Cash flow and key ratios

Cash Flow (IDR Bn)	2021	2022	2023F	2024F	2025F	Key Ratios (%)	2021	2022	2023F	2024F	2025F
Net income	194	254	346	403	498	Revenue growth	26.6	32.1	37.2	10.8	10.2
Depreciation & Amort.	13	15	22	24	26	EBIT growth	19.8	28.7	35.8	13.0	8.9
Change in working capi	(606)	(237)	(1,047)	(322)	(207)	EBITDA growth	19.2	28.3	35.3	12.8	8.9
Operating Cashflow	(399)	31	(678)	106	317	Net profit growth	13.6	30.7	37.4	16.6	23.4
Capex	(21)	(77)	(54)	(21)	(28)	Gross margin	10.9	10.7	11.1	11.2	11.2
Others	(3)	(7)	(1)	(1)	(1)	EBIT margin	8.1	7.9	8.2	8.3	8.2
Investing Cashflow	(24)	(85)	(55)	(22)	(29)	EBITDA margin	8.4	8.2	8.4	8.6	8.5
Changes in debt	475	156	(367)	(208)	(208)	Net margin	3.7	3.7	3.7	3.9	4.4
Changes in equity	0	0	-	-	-	ROA	5.6	6.6	6.8	7.5	8.7
Dividends paid	(37)	(46)	(61)	(83)	(97)	ROE	12.8	14.8	17.2	17.3	18.3
Others	(4)	(13)	1,210	185	85	Net gearing (x)	1.2	1.1	1.4	1.1	0.9
Financing Cashflow	435	97	782	(107)	(221)	Net debt/EBITDA (x)	4.2	3.4	3.5	3.0	2.5
Net Cash Flow	12	44	49	(24)	67	Interest coverage ratio (x)	2.5	2.5	2.5	2.6	3.2

Source: Company, Sucor Research

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- Overweight : We expect the industry to perform better than the primary market index (JCI) over the next 12 months.
- Neutral : We expect the industry to perform in line with the primary market index (JCI) over the next 12 months.
- Underweight : We expect the industry to underperform the primary market index (JCI) over the next 12 months

Ratings for Stocks

- Buy : We expect this stock to give return (excluding dividend) of above 10% over the next 12 months.
- Hold : We expect this stock to give return of between -10% and 10% over the next 12 months.
- Sell : We expect this stock to give return of -10% or lower over the next 12 months

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