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Company Update

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ARWANA CITRAMULIA

BUY

Anti-dumping on the horizon

Estimated (Dec)	2023A	2024F	2025F	2026F
Revenue (Rp bn)	2,447	2,608	2,922	3,156
Net Income (Rp bn)	445	441	516	610
EPS (Rp)	61	61	71	84
EPS Change (YoY)	-22.7%	-0.9%	16.8%	18.2%
PE (x)	10.9	11.0	9.4	7.9
EV/EBITDA (x)	6.9	6.9	5.9	4.9
P/BV (x)	2.6	2.5	2.3	2.1
ROE	24.0%	23.3%	24.8%	26.0%
ROIC	28.1%	26.4%	27.4%	31.4%
Dividend Yield	8.3%	6.5%	6.4%	7.5%

Stock Data

Bloomberg Ticker:	ARNA IJ
Last Price:	Rp625
Target Price (Upside):	Rp880 (+40.8%)
52-Week Range:	Rp565-Rp925
Market Capitalization:	Rp5tn
Shares Outstanding (bn):	7.34
6M Avg Trading Value:	Rp2.7bn

All figures are in local currency (Indonesian Rupiah) except where otherwise stated.

Historical 5-Yr Key Performance (2019-2023):

Revenue growth	13.74%	ROE	26.23%
Earnings growth	106.60%	ROIC	25.20%
FCF Growth	-55.72%	Dividend yield	4.16%
5-Yr PE	14.49	Operating Margin	21.92%
5-Yr EV/Ebitda	8.79	Net Gearing	-0.27

ARNA Share Price vs. Intrinsic Value



EPS Consensus (Rp)

	2024F	2025F	2026F
Sucor estimates	61.3	70.9	83.4
Consensus	66.0	N/A	N/A
Sucor/Consensus	92%	N/A	N/A

What's new?

Exciting news just arrived for domestic ceramic industry. In our [ceramic sector report](#), we note that Komite Anti Dumping Indonesia (KADI) began its investigation regarding ceramic dumping practices in Indonesia in March 2023 and it seems like it has reached light at the end of the tunnel. Recently, KADI released the anti-dumping investigation report, concluding that dumping did indeed occur in the import of ceramic tile products from Chinese companies. This practice caused substantial material losses to Indonesia's ceramic manufacturers, reflected in lower utilization rates, earnings, and ROI. Consequently, KADI has recommended the implementation of Anti-Dumping Duties (BMAD) for each Chinese ceramic producer under investigation, with tariffs ranging from 100% to 199%. However, the final anti-dumping margin is still subject to the official policy from the Ministry of Finance, which we will monitor closely.

Anticipating positive impacts for local producers

As Chinese ceramic producers primarily export white body ceramic products, we anticipate that the potential implementation of Anti-Dumping Duties (BMAD) will positively impact domestic manufacturers with exposure to white body products, such as ARNA, Platinum, and Romans. The BMAD will create a much healthier competitive landscape, allowing domestic white body tile manufacturers to either increase their ASP to match Chinese product prices and/or boost their sales volumes, making local products more attractive to consumers.

For ARNA specifically, the full benefits of BMAD implementation will be realized in 2025-26, as the current white body utilization rate for ARNA has already reached 110%. The commencement of Plant 4C, expected in 1Q25, will add approximately 4 million sqm/year to its white body production capacity. Following this, Plant 6 is expected to start operations in Q4 2025, adding an additional 6 million sqm/year. With increased volume and potentially higher ASP, ARNA is poised to see higher sales contributions from its white body products.

Attractively valued, maintain BUY with TP of Rp880

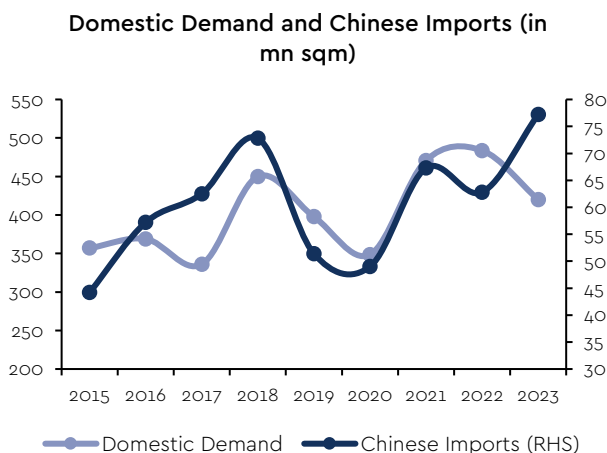
We continue to view ARNA as a proxy for the positive effects of anti-dumping regulation for its strategic expansion to the white body tiles segment. We also continue to like its robust balance sheet and steady dividend payout ratio of ~70%, potentially yielding 6.9% in 2025F at the current price. We still maintain our base-case earnings estimates for 2024-25F to reach Rp441bn and Rp516bn, respectively, implying -1% and 17% yoy growth. The stock currently trades at 10x 2024F PE. Maintain BUY with DCF-based TP of Rp880.

Fig. 1: KADI's recommended BMAD tariffs for each ceramic producer

No	Ceramic Producers	Recommended Tariffs (%)	Specific (USD/SQM)
1	Foshan Sunny Ceramics, Co., Ltd.	132,17	2,92
2	Guandong Haosen Ceramics Co., Ltd.		
3	Guandong Leader Marble Ceramics Co., Ltd.		
4	Guangxi Chunyi Ceramics Co., Ltd.	158,78	3,51
5	Zhaoqing Chunyi Ceramics Co., Ltd		
6	Qingyuan Ouya Ceramic Co., Ltd	131,32	6,95
7	Zhaoqing Jin'ouya Ceramics Co., Ltd.		
8	Jiangxi Ouya Ceramics Co., Ltd		
9	Guangdong Romantic Ceramics Co., Ltd.	150,82	7,98
10	Pingxiang Dacheng Ceramic Technology Co., Ltd.		
11	Zhaoqing Guoshi Corporation Mingjia Ceramics Co., Ltd	128,25	4,18
12	Enping Xianying Ceramics Co., Ltd.	150,93	3,33
13	Zhaoqing Aomilong Building Materials Co., Ltd.	131,34	3,32
14	Guangdong Tianbi Ceramics Co., Ltd.	140,71	7,45
15	Qingyuan Gani Ceramics Co., Ltd.	100,12	19,44
16	Guangdong Gani (Group) Ceramics Co., Ltd.		
17	Guangdong Jiabin Ceramics Co., Ltd.	123,09	6,51
18	Zhaoqing City, Gao Yao District Jinshajiang Ceramic Co	124,53	2,75
19	Zhaoqing Zhenpeng Ceramic Co., Ltd.	157,63	3,48
20	Guandong Yonghang New Material Industry Co., Ltd.	116,28	6,15
21	Dongguan City Wonderful Ceramics Industrial Park Co.,	154,56	8,18
22	Guangdong Jiamei Ceramics Co., Ltd.		
23	Weder International Development Co., Ltd.		
24	Qingyuan Qiangbiao Ceramics Co., Ltd.	108,22	5,73
25	Zhaoqing Langfeng Ceramics Co., Ltd.	118,52	6,27
26	Guangdong Homeway Ceramics Industry Co., Ltd.	107,44	10,10
27	Guandong Xinruncheng Ceramics Co., Ltd.	103,65	3,29
28	Newpearl (Guangdong) New Materials Co., Ltd.	141,02	7,46
29	Foshan Sanshui Huiwanjia Ceramics Co., Ltd.,		
30	Foshan Sanshui Newpearl Building Ceramics Industrial C		
31	Foshan Newpearl Trade Co., Ltd.		
32	Other Companies	199,88	21,86

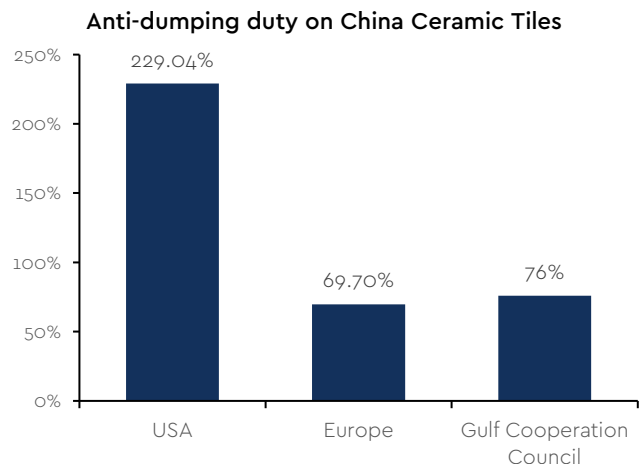
Source: KADI, Sucor Sekuritas

Fig. 2: Domestic ceramic demand and Chinese import volume



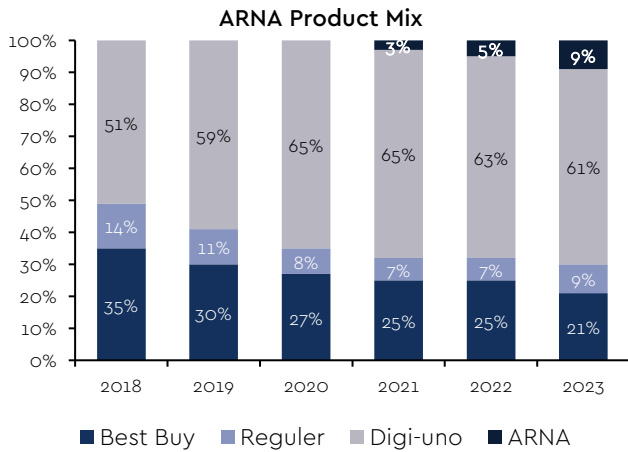
Source: Ceramic World Review, Sucor Sekuritas

Fig. 3: Anti-dumping duty on China ceramic tiles imports



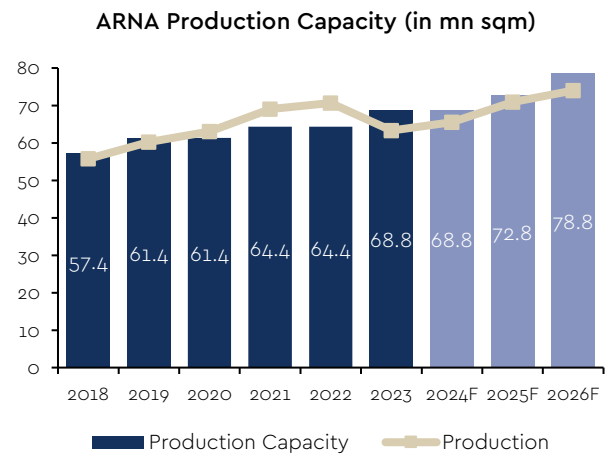
Source: Global Trade Alert, Sucor Sekuritas

Fig. 4: ARNA product mix



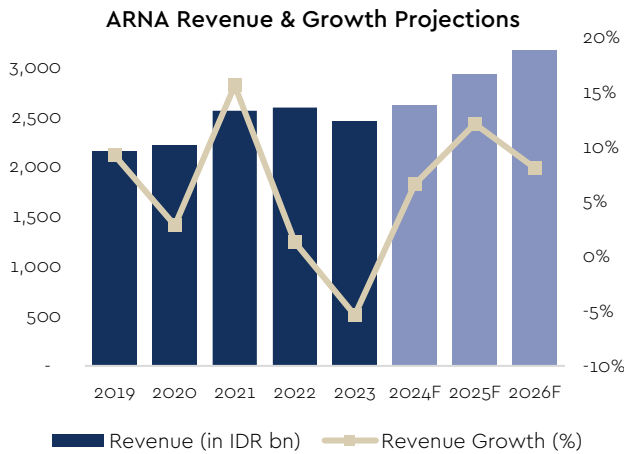
Source: Company, Sucor Sekuritas

Fig. 5: ARNA production capacity and total production (in mn sqm)



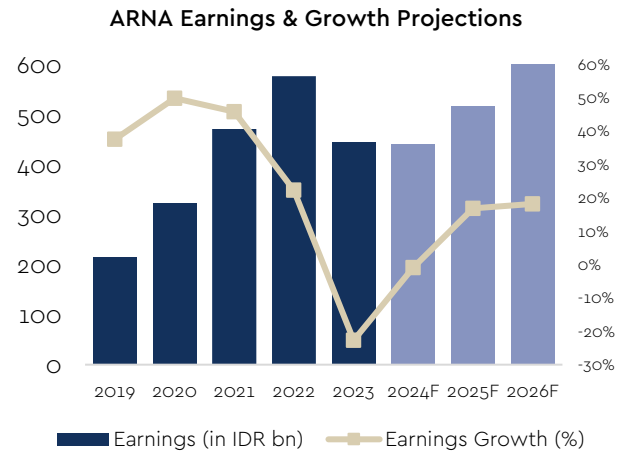
Source: Company, Sucor Sekuritas

Fig. 6: ARNA's revenue and growth projections (2019-26F)



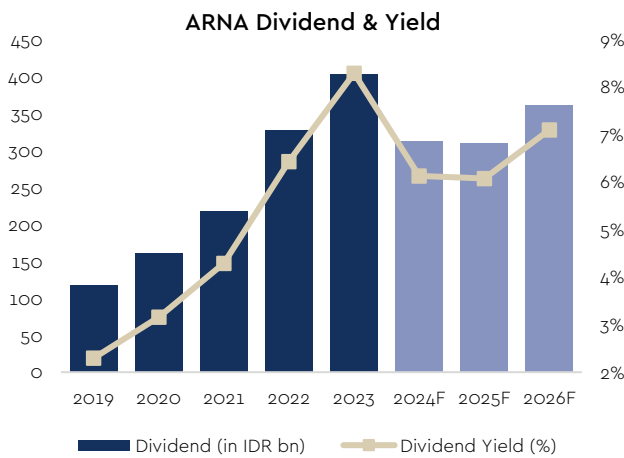
Source: Company, Sucor Sekuritas

Fig. 7: ARNA's earnings and growth projections (2019-26F)



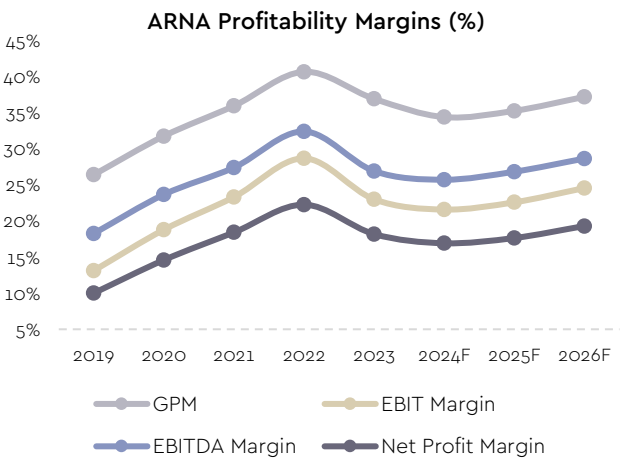
Source: Company, Sucor Sekuritas

Fig. 8: ARNA's dividend and yield (2019-26F)



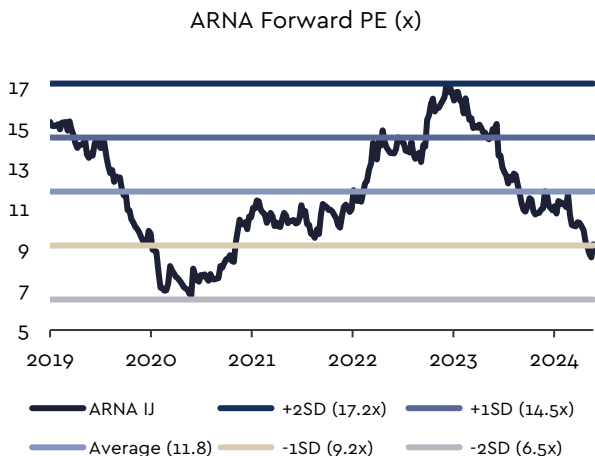
Source: Company, Sucor Sekuritas

Fig. 9: ARNA's profitability margins (2019-26F)



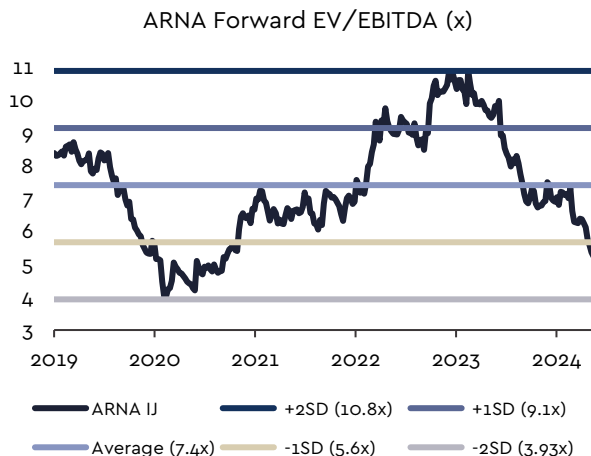
Source: Company, Sucor Sekuritas

Fig. 10: ARNA 5-year PE Band



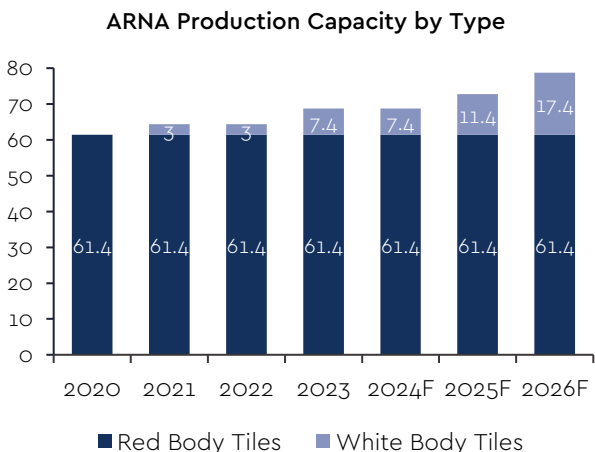
Source: Bloomberg, Sucor Sekuritas

Fig. 11: ARNA 5-year EV/EBITDA Band



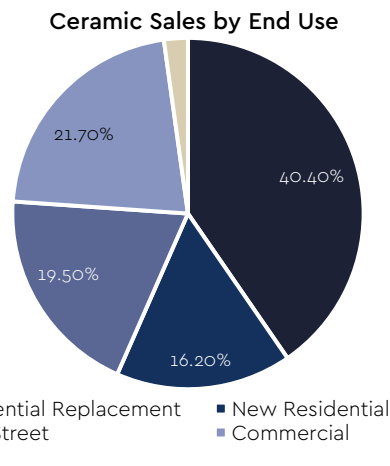
Source: Bloomberg, Sucor Sekuritas

Fig. 12: ARNA Production capacity by type (in mn sqm)



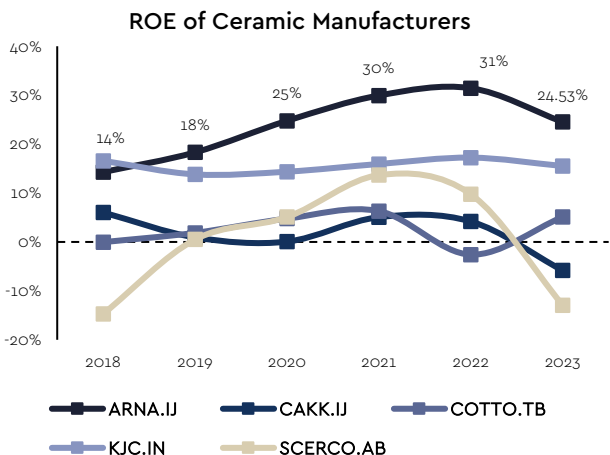
Source: Global Trade Alert, Sucor Sekuritas

Fig. 13: ARNA 5-year EV/EBITDA Band



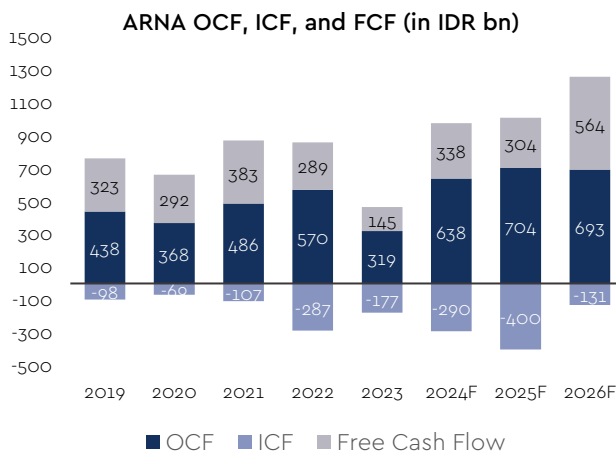
Source: Balai Besar Keramik, Sucor Sekuritas

Fig. 14: ARNA ROE vs. peers



Source: Bloomberg, Sucor Sekuritas

Fig. 15: ARNA's OCF, ICF, and FCF (in IDR bn) (2019-2026F)



Source: Company, Sucor Sekuritas

Summary Financials

Fig. 16: ARNA Key Financial Highlights

Profit & Loss (Rp bn)						Balance Sheet (Rp bn)					
	2022	2023	2024F	2025F	2026F		2022	2023	2024F	2025F	2026F
Revenue	2,587	2,447	2,608	2,922	3,156	Cash and equivalents	438	441	265	240	458
Cost of revenue	(1,534)	(1,543)	(1,710)	(1,891)	(1,981)	Trade receivables	734	856	907	892	981
Gross profit	1,053	904	898	1,031	1,175	Inventories	258	255	245	300	308
Selling expenses	(216)	(249)	(244)	(267)	(287)	Net - Fixed assets	945	1,007	1,179	1,430	1,404
G&A expenses	(94)	(92)	(91)	(104)	(112)	Other assets	203	63	51	52	54
Operating profit	742	563	563	660	776	Total Assets	2,579	2,620	2,647	2,914	3,205
EBITDA	839	659	671	784	905	Trade payables	312	306	323	420	442
Other op. income/exp	(0)	8	5	5	5	Short-term debt + CMLTD	50	124	50	50	50
Finance income	12	15	7	7	12	Long-term debt	-	49	-	-	-
Finance expense	(8)	(11)	(4)	(4)	(4)	Other liabilities	383	287	378	360	364
Pre-tax profit	746	576	571	667	789	Total Liabilities	746	765	751	830	856
Tax expense	(165)	(127)	(126)	(147)	(174)	Minority interest	29	32	25	26	27
Minority interest	(5)	(4)	(4)	(5)	(6)	Paid capital	98	98	98	98	98
Net profit	576	445	441	516	610	Retained earnings	1,733	1,776	1,905	2,112	2,361
EPS (Rp)	79	61	61	71	84	Other equities	(26.50)	(49.65)	(131.77)	(151.82)	(136.82)
						Total Equity	1,833	1,855	1,896	2,084	2,349

Cash Flow (Rp bn)						Key Ratios (%)					
	2022	2023	2024F	2025F	2026F		2022	2023	2024F	2025F	2026F
Net profit	576	445	441	516	610	Revenue growth	1.2	(5.4)	6.6	12.0	8.0
Depreciation & amortization	96	113	129	149	155	EBIT growth	24.5	(24.1)	(0.0)	17.3	17.5
Change in working capital	(103)	(239)	68	39	(71)	EBITDA growth	19.7	(21.4)	1.8	16.9	15.3
Cash flow from operations	570	319	638	704	693	Net profit growth	22.4	(22.7)	(0.9)	16.8	18.2
Capex	(281)	(174)	(300)	(400)	(129)	Gross margin	40.7	36.9	34.4	35.3	37.2
Others	(6)	(3)	10	(0)	(2)	EBIT margin	28.7	23.0	21.6	22.6	24.6
Cash flow from investments	(287)	(177)	(290)	(400)	(131)	EBITDA margin	32.4	26.9	25.7	26.8	28.7
Changes in debt	31	122	(123)	-	-	Net margin	22.3	18.2	16.9	17.7	19.3
Changes in equity	-	(23)	(82)	(20)	15	ROA	23.0	17.1	16.9	18.0	19.4
Dividends paid	(327)	(403)	(312)	(309)	(361)	ROE	32.8	24.6	24.0	25.5	26.7
Others	(150)	164	(7)	1	1	Net gearing (x)	(0.2)	(0.1)	(0.1)	(0.1)	(0.2)
Cash flow from financing	(447)	(140)	(523)	(328)	(345)	Net Debt/EBITDA (x)	(0.5)	(0.4)	(0.3)	(0.2)	(0.5)
Net Cash Flow	(164)	2	(176)	(25)	217	Interest coverage ratio (x)	96.9	51.9	131.4	154.1	181.0

Source: Company, Sucor Sekuritas Estimates

**Sucor Sekuritas
rating definition,
analyst certification,
and important disclosure**

Ratings for Sectors

- 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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