PT Avia Avian Tbk (AVIA)
Q2 2026 Earnings Call Q&A Summary
Wednesday, 19th August 2026

Panelists:

Mr. Ruslan Tanoko	: Vice President Director
Mr. Robert Christian Tanoko	: Operations & Development Director
Mr. Kurnia Hadi Sinanto	: Finance Director
Mr. Andreas Timothy Hadikrisno	: Head of Investor Relations

1. **Questions from Yuan Long Loh, Avanda**
   1) What is the outlook for volume growth for the remainder of the year, given the increasingly challenging macroeconomic environment?
   2) What can you share regarding potential M&A activity, Lots of noise on AkzoNobel's assets?
   3) What progress has been made on the Company's current strategies, particularly the adjustments to salesforce incentives?

   Answer:
   1) We expect volume growth to remain modest for the remainder of the year and are maintaining our original guidance. The operating environment continues to be challenging. Significant price increases across the building material segments have pushed retailers' inventory values to record levels. At the same time, weaker consumer purchasing power is affecting demand, with consumers increasingly postponing purchases or shifting toward more affordable products. Despite these headwinds, we remain committed to achieving our forecast. Supported by our strong market position and competitive capabilities, we believe we are well-positioned to continue gaining market share amid evolving consumer behavior in Indonesia.
   2) We have participated in the process and continue to view AkzoNobel's Indonesian assets as highly attractive. We understand that the process has drawn interest from a number of strategic and financial investors. We believe a potential combination with Avian Brands would offer compelling and differentiated synergies. These would be supported by the strength of our nationwide distribution network, our extensive customer reach, and the market positioning that AkzoNobel has established in Indonesia. Accordingly, we believe the potential value creation from combining the two businesses could be significant. However, given that the process remains ongoing, this is the extent of the information we can share at this stage.
   3) We continue to closely monitor and refine our sales incentive programs, recognizing that our frontline sales teams play a critical role in driving the Company's performance. We regularly evaluate sales performance and incentive outcomes to ensure that targets remain appropriately challenging yet achievable. Adjustments are made when necessary to maintain the right balance between motivating employees, enabling them to earn attractive commissions, and delivering sustainable growth for the Company. Our objective is to maintain a performance-based incentive structure that aligns the interests of our salesforce with the Company's goals, creating a win-win outcome for both employees and Avian Brands.

PT AVIA AVIAN Tbk.
Gedung Avian Brands Lt. 9-10
Jl. Ahmad Yani 317
Surabaya 60234 - Indonesia
P +6231 9985 0500 | 9985 0600 (hunting)
www.avianbrands.com

Sidoarjo Factory
Jl. Raya Surabaya-Sidoarjo Km. 19
Desa Wadungasih, Kec. Buduran,
Sidoarjo 61252 - Indonesia
P +6231 896 8000 | 896 9000 (hunting)

Serang Factory
Jl. Raya Serang Km. 60
Kawasan Pancatama V Kav. 50
Desa Leuwi Limus Kec. Cikande
Serang 42186 - Indonesia
P +62254 402 655

2. **Questions from Robin Sutanto, Mandiri Sekuritas**
    1) How has sales volume performed in July and August, and what is your assessment of customers' inventory levels?
    2) How are costs expected to develop in the second half of 2026, and should we anticipate lower margins?
    3) Are there any pro forma estimates for the potential increase in revenue and EBITDA following an AkzoNobel transaction?
    4) Avian Brands has gained approximately three percentage points of market share over the past two years. Have any major brands exited the market, and how are other leading competitors performing?

Answer:

1) Sales volume in July and August to date remains on track with our guidance. At the same time, we believe building-material retailers are carrying historically high inventory levels. Against this backdrop, achieving our growth targets will require us to continue gaining market share from competitors. With Avian Brands currently holding ~26% of the market, we see significant headroom for further expansion, even if the overall paint market remains under pressure. We are reinforcing this market-share mindset across our sales organization while continuing to expand the distribution and availability of our products. This is particularly important for new products developed by our R&D team, as innovation must be supported by strong commercial execution to ensure that these products successfully reach retailers and end consumers.
2) We remain cautiously optimistic about our margin outlook for the second half of 2026. Potential pressures may arise from higher raw-material costs and foreign-exchange movements, particularly if geopolitical developments lead to rising commodity prices or further depreciation of the Indonesian rupiah. Nevertheless, we have several measures in place to mitigate these risks. Pricing remains an important lever, and our historical price adjustments have generally been well accepted by the market. Paint typically represents a relatively small proportion of total renovation costs and is purchased infrequently, which supports our pricing ability. This has also been demonstrated in the current environment, with margins remaining relatively stable through June despite cost pressures. Going forward, we will closely monitor raw-material prices and foreign-exchange movements while maintaining pricing discipline, optimizing procurement and inventory management, and pursuing further operational efficiencies. Although we remain vigilant regarding potential cost volatility, we believe our margin profile remains resilient and expect to maintain healthy margins.
3) At this stage, we prefer not to provide specific pro forma estimates or quantify the potential synergies before completing a more detailed assessment. Nevertheless, we believe a potential combination could generate both revenue and cost synergies. The most tangible opportunities would be expected to come from leveraging our distribution capabilities and improving operational efficiency.
4) Competition in Indonesia's paint market remains intense, with increasing interest from Chinese companies alongside established domestic and multinational players. This continued interest reflects Indonesia's attractive long-term growth potential, despite near-term challenges such as weaker consumer purchasing power and regulatory uncertainty. Other than Asian Paints, which has decided to exit the Indonesian market, we have not seen any similar decisions from other major multinational players. At the same time, several competitors appear to have adopted a more defensive approach, with relatively limited product innovation and commercial activity. In contrast, Avian Brands continues to invest in new products, strengthen its distribution capabilities, and execute proactive market initiatives. We believe periods of market uncertainty provide

an opportunity for well-positioned and agile companies to accelerate market-share gains.

3. Questions from Axel Bramantyo, Retail Investor

1) Will the merger between Axalta and AkzoNobel disrupt the acquisition process for AkzoNobel's Indonesian business?
2) Besides AkzoNobel's Indonesian business, are there any other acquisition opportunities in Avian Brands' pipeline?
3) Avian Brands has consistently expanded its distribution network. Is there still room to open additional distribution centers without creating cannibalization among existing locations?
4) With the economic slowdown leaving many retailers with excess inventory, is Avian Brands' marketing strategy still focused on trade promotions, or is the Company placing greater emphasis on above-the-line activities to support sell-through?
5) Is there still room for growth in the waterproofing segment, currently Avian Brands' largest revenue contributor, or is the market approaching saturation?

Answer:

1) We do not expect the merger between Axalta and AkzoNobel to disrupt the proposed sale of AkzoNobel's businesses in Indonesia and the rest of Southeast Asia. Based on our current understanding, the divestment process remains on track and is proceeding as planned.
2) At present, we do not have any other material acquisition opportunities in the pipeline. We remain highly selective and focus on businesses that offer a strong strategic fit with our existing ecosystem. Following the acquisition of Dextone last year, the potential acquisition of AkzoNobel's Indonesian business would represent our largest and most significant transaction to date. We are therefore conducting a thorough assessment of the potential revenue and cost synergies, as well as the resulting improvement to the combined business's EBITDA.
3) We believe there remains considerable room to expand our distribution network, and we are not overly concerned about cannibalization. Before opening a new distribution center, we carefully evaluate key performance indicators, customer coverage, market potential, and the possible impact on existing locations. Although we are not disclosing the total number of distribution centers in our pipeline, we expect to continue adding new locations next year and beyond. This expansion supports our commitment to providing excellent service by positioning inventory closer to customers and enabling reliable next-day product delivery, including for products that retailers are trying for the first time. Given Indonesia's size and geographic complexity, strategically located distribution centers are essential to maintaining service quality. At the same time, we will remain disciplined in selecting new locations, with each new distribution center expected to achieve positive EBITDA within 12 months of opening.
4) We are taking a targeted and selective approach to marketing expenditure. Industry-wide television advertising has declined significantly this year, while digital advertising remains more difficult to measure consistently. Against this backdrop, we are selectively investing in digital channels that offer the strongest relevance and engagement with our target consumers. At the retail level, where inventory of existing products is already high, our strategy includes introducing innovative products that address unmet consumer needs and are not yet stocked by retailers. This enables stores to broaden their product offerings without adding further inventory to categories in which they are already overstocked. We believe the combination of targeted digital marketing,

disciplined trade support, and a strong pipeline of relevant new products will help our retail partners drive sell-through while supporting Avian Brands' continued market-share gains.

5) We believe the waterproofing segment remains at an early stage of development and is far from saturated. Among our three principal market segments—waterproofing, wall paint, and wood and metal coatings—we expect waterproofing to deliver the highest market growth over the coming years. Over the past two years, we have significantly broadened our waterproofing portfolio by leveraging the strength of our No Drop brand and introducing products that address a wider range of consumer needs and applications. We intend to continue expanding this offering, as we see substantial opportunities for further product innovation and market penetration. Accordingly, we remain confident in the segment's long-term prospects and expect waterproofing to continue delivering strong growth.

4. Questions from Joseph Eugene Lumoindong, DBS Vickers Sekuritas Indonesia

1) Second-quarter 2026 gross margin was resilient, partly supported by older, lower-cost inventory. How much of this buffer remained in August, and what should we expect for gross margin in 3Q26 and 2H26 amid continued pressure from solvent and resin costs?
2) Following the volume weakness in 2Q26, how much consumer downtrading do you expect in 2H26, and is there room for another price increase?
3) How do you expect competition to evolve in 2H26, and does Avian Brands plan to expand further into the premium segment?
4) Regarding the potential acquisition, can management provide any indication of the valuation or transaction multiple and explain how the deal may be funded? What is AkzoNobel's estimated Indonesian market share, and could the transaction affect Avian Brands' dividend or share buyback capacity?

Answer:

1) Raw-material prices and foreign-exchange movements remain important variables for our margin outlook. Nevertheless, we have a strong track record of passing through cost increases when necessary and believe we retain sufficient levers to mitigate potential margin pressure. These include pricing discipline, procurement and inventory optimization, and continued improvements in operational efficiency. Accordingly, while remaining mindful of cost volatility, we believe our margin profile remains resilient.

2) We are already seeing evidence of downtrading in our PVC-pipe business, where the mass-market range is growing faster than the premium range. We believe a similar trend could occur in paint as consumers respond to weaker purchasing power. Avian Brands is well positioned to manage this shift because our portfolio covers the full spectrum, from premium to economy products. Moreover, the gross-margin difference between adjacent price tiers is relatively limited—typically around one to two percentage points—helping to reduce the impact of changes in the product mix. Regarding pricing, input costs are currently relatively stable. Assuming there is no material increase in raw-material costs or adverse foreign-exchange movement arising from geopolitical developments, we do not currently anticipate another price increase during the remainder of 2026.

3) We intend to strengthen our position not only in the premium segment but across all market segments. Competitive dynamics differ at each price tier, with multinational brands generally more prominent in the premium segment and a different group of competitors operating in the mass-market and economy categories. Our broad product portfolio allows us to compete effectively across these price points. This is further supported by our extensive distribution network and large customer base, which

are particularly important competitive advantages in a geographically diverse market such as Indonesia.

4) We are not currently in a position to comment on the potential valuation or transaction multiple, given the ongoing discussions and applicable confidentiality requirements. We currently expect that a potential acquisition would be financed through a combination of internal cash and bank financing. Given our strong balance sheet and cash-generation capacity, we believe we have sufficient flexibility to assume a prudent level of debt while continuing to support our regular capital allocation priorities. We estimate that AkzoNobel holds ~7-8% of the Indonesian paint market. We view the potential acquisition as strategically important to Avian Brands' long-term growth.

5. Questions from Daffa Ichzandi, Sinarmas

1) What have been the main drivers of Avian Brands' growth so far this year?
2) Could you provide an update on Dextone's performance since Avian Brands increased its ownership and began expanding its distribution?
3) Following the recent developments involving Oriental Yuhong and Aquaproof, how do you expect Indonesia's waterproofing market to evolve? What strategic initiatives is Avian Brands considering to strengthen and sustain its position?

Answer:

1) The principal driver has been our proactive approach to gaining market share rather than waiting for the broader market or economy to recover. This strategy is supported by targeted product innovation, particularly the introduction of products that address specific and emerging market needs. One example is Avitex Texture, which has generated encouraging demand since its launch. Its performance demonstrates the importance of our R&D capabilities in identifying new growth opportunities and continuously expanding our product portfolio. Commercial execution has been equally important. We have refined our salesforce incentives and provided ongoing coaching on product positioning and customer engagement for more than a year. These initiatives have strengthened our team's ability to sell a broader range of products and capture market share despite subdued consumer demand.

2) Dextone has delivered highly encouraging results since Avian Brands began distributing its products approximately 15–16 months ago. The business has achieved growth of more than 50% over this period, supported by the expansion of its products through our distribution network. Dextone also plans to develop additional products that address evolving market needs. The acquisition remains strongly aligned with our M&A strategy of investing in businesses that can benefit from our distribution capabilities while complementing and strengthening our existing portfolio.

3) We are unable to confirm the current status of the proposed transaction. Nevertheless, the interest shown by Chinese companies indicates that Indonesia's waterproofing and coatings market remains attractive. New entrants, however, will need more than capital and products to succeed. Indonesia's geographic complexity makes brand recognition, customer relationships, and effective distribution critical to achieving sustainable market penetration. Our experience indicates that relying heavily on third-party distributors can make it difficult to introduce new products and build market share. We are therefore continuing to strengthen our wholly-owned distribution network. We are not pursuing any specific defensive initiative in response to the potential transaction. Our strategy remains focused on expanding No Drop's product portfolio into categories and applications where we are not yet present, supported by continued product innovation and the strength of our distribution network. We believe

this approach will enable us to reinforce our leadership and capture further growth in the segment.

6. Questions from David Gan, Eight Capital Advisors

1) Have other industry players matched both of Avian Brands' recent price increases?
2) Apart from market disruption, have Avian Brands' market-share gains been driven primarily by consumer downtrading, and could this trend reverse when spending conditions improve?
3) Have container conditions normalized?

Answer:

1) The five largest industry players generally matched both price increases. However, many smaller competitors have undertaken only one adjustment, potentially reflecting concerns that further price increases could weaken demand and place additional pressure on their market positions.
2) Downtrading is currently evident as consumers respond to weaker purchasing power. However, we believe this trend is cyclical and could reverse as economic conditions and consumer spending recover. Paint and application costs represent only a small proportion of a property's total value, while repainting is also an infrequent expense. Consequently, when purchasing power improves, homeowners are likely to become more willing to select higher-quality and more premium products. Our broad portfolio enables us to serve consumers across price points and respond effectively as purchasing preferences evolve.
3) Yes, supply conditions for plastic paint containers have normalized. The disruption experienced in April and May was caused by a nationwide shortage of plastic pellets used to manufacture packaging. As a vertically integrated company with in-house packaging capabilities, Avian Brands maintained a greater supply buffer than many competitors. Consequently, the impact of the shortage on our operations was relatively limited compared with the broader market.

7. Questions from Gerald Hugo, Verdhana Sekuritas

1) Given the high inventory levels among customers, what is Avian Brands doing to help retailers increase sell-through and replenish their inventories?
2) What are the signposts/milestones for the AkzoNobel M&A and the timeline?
3) Will this be a direct acquisition or what kind of structure and ownership should we expect?
4) What was AkzoNobel's market share and revenue trend in the past 3 years?

Answer:

1) Our ability to stimulate retailer sales is partly dependent on consumer traffic and underlying demand. Nevertheless, we continue to support customers through our service quality and product-return policy, which we believe are among our key differentiators in the Indonesian paint market. These capabilities become particularly important during periods of market uncertainty, as retailers are more cautious about holding inventory and prefer suppliers that can help manage product-related issues and inventory risks. By remaining a reliable and responsive partner, we aim to strengthen retailer confidence, support sell-through, and position Avian Brands to capture further market share.

2) To the best of our knowledge, the deadline for submitting non-binding offers is September 4, 2026. Given the ongoing nature of the process and applicable confidentiality requirements, we are unable to provide further details at this stage.

3) The transaction would be undertaken as a direct acquisition by PT Avia Avian Tbk. We are not currently considering an alternative acquisition structure. If successfully completed, Avian Brands would directly own 100% of AkzoNobel's Indonesian business.

4) Based on our internal estimates, AkzoNobel holds ~7–8% of the Indonesian paint market. Its portfolio in Indonesia is predominantly concentrated in water-based products. We do not have access to detailed historical revenue figures. However, based on our assessment, its performance in Indonesia has been relatively subdued over the past several years. For Avian Brands, however, the Indonesian business remains strategically attractive because of its established brands, premium-market presence, and potential synergies with our distribution network.

8. Question from Hyeonjun Yang, Parkway Capital

Just a quick clarification on the AkzoNobel process. We had previously gathered that they were looking for a single regional buyer. Now that you've confirmed your participation in the local bidding, does this confirm they are open to country-by-country sales, safely limiting your exposure to just the assets you want?

Answer:

AkzoNobel's Southeast Asian businesses are currently being offered in two separate packages: the Indonesian business and the Southeast Asian businesses excluding Indonesia. Accordingly, our participation can be focused specifically on the Indonesian assets. We understand that this structure reflects the different ownership arrangements. AkzoNobel wholly owns its businesses in the rest of Southeast Asia. In Indonesia, however, a local partner holds a 45% minority stake in the business. Separating the Indonesian business, therefore, allows the interests of the local minority shareholder and the value of its stake to be appropriately considered.

9. Questions from Calvin Kurniawan, Maven Investment Partners Ltd

1) With the free float approaching 15%, potentially limiting the size of future share buybacks, does Avian Brands plan to increase its dividend payout ratio? How would potential M&A affect its capital-allocation priorities?
2) If input costs decline materially, does Avian Brands intend to reduce its average selling prices?
3) What caused the decline in the one-day delivery fulfilment rate?

Answer:

1) Our capital-allocation strategy remains focused on maximizing long-term shareholder returns, including through dividend distributions. At the same time, we must retain sufficient financial flexibility to pursue value-accretive opportunities, including potential acquisitions that could generate sustainable long-term benefits for shareholders. Accordingly, dividend decisions will continue to be assessed alongside the Company's funding requirements and potential M&A opportunities. We will seek to maintain an appropriate balance between shareholder distributions and investments that support long-term value creation.

2) Throughout our operating history, we have not reduced our average selling prices, and we do not currently anticipate doing so. If input costs decline and margins improve across the industry, we expect competition to increase primarily through additional below-the-line marketing activities, including trade promotions, rather than through

reductions in headline selling prices. This approach enables us to maintain price discipline while selectively deploying additional promotional support to strengthen demand and market competitiveness.

3) The decline was primarily caused by high order volumes during the last-bite periods preceding our price adjustments. Normally, customers are given approximately one month to place orders at the old prices. However, amid rapidly rising input costs and supply uncertainties, we decided to shorten the last-bite windows to six days in April and ten days in May. The concentration of customer orders within these shorter periods temporarily constrained our ability to complete all deliveries within one day, causing the fulfilment rate to decrease to 83%. As operating conditions normalized, the rate has recovered to 88% in July. Our objective remains to increase the one-day delivery fulfilment rate to above 90%.

10.Question from Cheryl Lee, Albizia Capital

May we have an update on the progress of the Cirebon plant please?

Answer:

The Cirebon plant commenced initial commissioning in mid-June 2026. During July and August, we gradually ramped up production, and the facility is currently operating at approximately 20% of its first-phase capacity. Our current production focus is on water-based paints. We will continue increasing output progressively while improving operational efficiency and ensuring production stability. We expect the plant's capacity utilization to rise gradually through the remainder of 2026 and into 2027.

11.Questions from Theodorus Melvin, Stockbit

1) Is AkzoNobel Indonesia being offered from the AkzoNobel only (55%) or 100% (including with the local partner)?
2) Are you aiming to buy only 1 parcel (Indonesia only) or both (including SEA)?

Answer:

1) The transaction involves 100% of AkzoNobel Indonesia. The local minority shareholder has also agreed to sell its 45% interest. Therefore, if we successfully complete the acquisition, Avian Brands would own 100% of their Indonesian business.

2) We are focused exclusively on acquiring the Indonesian business. We believe Indonesia still offers substantial headroom for growth, particularly when compared with leading domestic paint manufacturers in other Asian markets that hold market shares of approximately 40–50% or more. Given this long runway, we prefer to remain focused on Indonesia, where we have extensive market knowledge and established capabilities, rather than expanding into Southeast Asian markets where we currently have limited operating experience.

12.Question from Justian Rama, Maybank

AkzoNobel acquisition means market consolidation, do you think this will translate to further ASP increase in the market? On the other hand, do you see any risk of dumping from Chinese players like what we see on ceramic sector in the past?

Answer:

We do not expect the potential transaction, by itself, to result in significant price increases. AkzoNobel Indonesia primarily serves the premium and mid-tier segments, where its products are already competitively priced. Therefore, we see limited scope for further price adjustments unless raw material and other input costs continue to rise. In the absence of additional cost pressure, we expect AkzoNobel's product prices to remain broadly stable.

We also believe the paint industry differs fundamentally from more commoditized sectors such as cement and ceramic tiles. Brand reputation, product quality, durability, and consumer trust play a much more important role in paint purchasing decisions. As a result, competing solely through aggressive price reductions is unlikely to be an effective long-term strategy, as very low prices may also create concerns about product quality. AkzoNobel has operated in Indonesia for more than 65 years and has established strong brand recognition, particularly in the premium segment. This would complement Avian Brands' strength in the mass-market and economy segments, creating a broader portfolio across different consumer categories. While we continue to monitor competition from new market entrants, we believe our established brands, distribution network, and comprehensive product portfolio provide strong protection against price-led competition.

13. **Question from Avinash Baskar, Finamily**

Can you provide an update on the adoption of the Mitra Avian app, including redemption patterns and the level of enthusiasm among painters?

Answer:

We currently operate two applications: one for painters and another for retail outlets. We plan to integrate both into a single Avian Brands application early next year. The integrated system will identify whether the user is a painter or retailer and display the relevant features accordingly. Our painter loyalty program, which was introduced more than five years ago, has continued to gain traction. The application has been downloaded more than one million times, with painters representing ~70% of downloads. Painters without smartphones can also redeem the coupons found inside paint cans directly through retail outlets. Painter engagement and redemption rates have continued to improve. The coupons have no expiry date, allowing painters to accumulate them and redeem their rewards at a convenient time. This flexibility has contributed to increasing awareness and participation in the program. The program took several years to build meaningful momentum, but adoption is now progressing strongly. By establishing direct relationships with painters—not only with retail outlets—we are strengthening end-user loyalty and creating a differentiated platform that would be difficult and time-consuming for competitors to replicate.