



MARK IJ	BUY
Sector	Industrial
Price at 24 June 2024 (IDR)	885
Price target (IDR)	1,250
Upside/Downside (%)	41.2

Stock Information

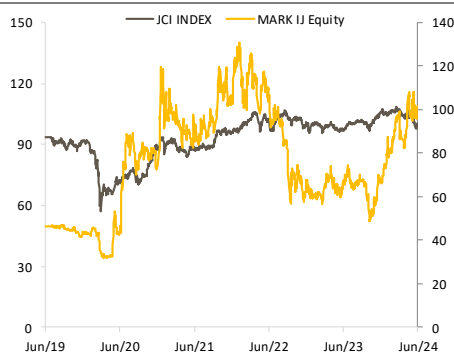
PT. Mark Dynamics Indonesia Tbk manufactures and develops all types of hand formers. The Company offers hand formers for surgical, household, and custom applications. Mark Dynamics Indonesia serves customers in Asia.

Market cap (IDR bn)	3,363
Shares outstanding (mn)	3,800
52-week range (IDR)	436 – 1,000
3M average daily vol. ('000)	21,922
3M average daily val. (IDR mn)	19,204

Shareholders (%)

Tecable (HK) Co Limited	43.8
Dyna Capital Indo	21.2
Mark Capital Indo	15.4
Public (less than 5%)	19.6

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	(2.8)	(3.8)	39.7

Analyst

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In 2024, global demand for disposable gloves is expected to surpass supply due to inventory cuts, driven by growing medical needs from ageing populations and increased surgeries. Grand View Research projects an 8.4% annual growth in global demand for gloves through 2030, while the Malaysian Rubber Glove Association anticipates a supply shortage in 2024. MARK stands to benefit from impending U.S. tariff hikes on Chinese gloves. Assuming conservative glove former volume growth of 7.3% annually (below industry growth rate of 8.4%), we expect MARK to generate strong earnings growth with a 14.8% CAGR from 2024–30. We initiate coverage on MARK with a BUY recommendation and a target price of IDR1,250.

In 2024, the global demand is expected to offset the industry supply due to inventory cuts

In 2024, the global demand is expected to offset the industry supply due to inventory cuts. Furthermore, the target population for the usage of gloves is increasing drastically due to various factors like the rapidly ageing population, the number of people undergoing various voluntary surgeries, and more. These processes demand the usage of gloves by physicians and nurses routinely. With the rising incidence/prevalence of various acute and chronic diseases, the number of surgeries performed to treat such diseases is also increasing rapidly worldwide. Grand View Research projects an 8.4% CAGR in global demand for disposable gloves from 2024 to 2030. Concurrently, the Malaysian Rubber Glove Association forecasts a supply shortage in 2024.

Winner in both scenarios

North America dominated the global disposable gloves market as the biggest rubber glove importer in 2023 with 37% of revenue share. The impending tariff increases on Chinese products imposed by the US will significantly impact the disposable glove industry. Specifically, tariffs on rubber gloves for medical and surgical use will rise from 7.5% to 25% in 2026. This rise in tariffs on Chinese gloves is expected to enhance MARK's market position. We foresee two possible scenarios: 1) Chinese companies might establish new production hubs in countries like Vietnam and Indonesia to avoid the U.S. tariffs; 2) demand from customers in Malaysia and Thailand may surge. Both scenarios are likely to lead to an increase in MARK's sales volume and market share.

Expect earnings to grow at a CAGR of 14.8% from 2024–30

MARK's sales volume is expected to increase at a CAGR of 7.3% during the same period, which is slightly below the industry growth rate of 8.4%. Additionally, we anticipate an annual ASP increase of 3.5% from 2025 to 2030 (stagnate ASP in 2024). Consequently, revenue is projected to grow at a CAGR of 12.9% from 2024–30, while net profit is expected to grow at a CAGR of 14.8%. Additionally, we have conservatively estimated a 5% growth rate from 2024–30 for the house and agricultural equipment sector, contributing around 19.4% to MARK's revenue in 2023.

Initiate coverage with BUY recommendation (TP: IDR1,250)

We initiate coverage on MARK with a BUY recommendation and a TP of IDR1,250, using DCF-based TP with WACC of 11.5% and LTG of 3%. Our TP implies 16.3x '24F PE, which is slightly above 5-year mean P/E. Downside risks to our call are: 1) lower than expected global disposable market demand, 2) intensifying competition from other glove former producers, and 3) technology disruption.

Exhibit 1 : Key Statistics

Year end Dec (IDR bn)	2022	2023	2024F	2025F
Revenue	824	559	979	1,126
EBITDA	347	221	410	471
Net income	243	156	291	339
EPS growth (%)	(38.0)	(35.8)	86.7	16.2
PER (x)	13.8	21.6	11.5	9.9
PBV (x)	4.0	4.0	3.4	3.0
EV/EBITDA (x)	9.9	15.2	7.9	6.7
Dividend yield (%)	5.6	4.5	4.0	6.1
Gearing (x)	8.3	0.3	(10.3)	(16.7)

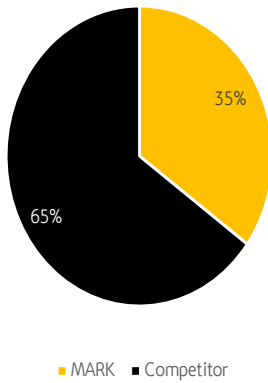
Source: Company, KBVS Research

Company Profile

Mark Dynamics Indonesia Tbk (MARK IJ) is a leading global manufacturer of glove-former based in North Sumatra, Indonesia. MARK plays a crucial role in producing nitrile gloves for various purposes including testing, industrial use, medical applications, household use, and custom manufacturing. With its position as the largest producer of nitrile hand formers in the world with 18 mn pieces production capacity per year, the Company has had a surge in demand, after a decline in 4Q22 due to the oversupply condition at the global market after the Covid-19 pandemic. The produced hand formers can be used to print rubber, nitrile, and household gloves, but not plastic gloves. MARK serves as the sole supplier to its customers; the company holds a 35% market share in the global glove mold manufacturing industry. MARK's client portfolio by country is now well diversified compared to previous years, as the contribution of Malaysia now is under 50% while China contribution has grown.

Initially, the Company started production in 2003, with 50,000 units of production capacity per month. The Company continues to increase their production capacity by adding to its own facilities in North Sumatra. To date, the Company owns a factory that supports its business activities, the main factory is located in the Medan Star Industrial Area, Tanjung Morawa, Deli Serdang, North Sumatra with ±15,000 m2 area. Furthermore, the factory on the main road of Dalu Sepuluh A Village, Tanjung Morawa, Deli Serdang with ±10 ha area hectares was purchased in 2018 in Tanjung Morawa and has been operating since 2021.

Exhibit 2: MARK's Market Share (2023)



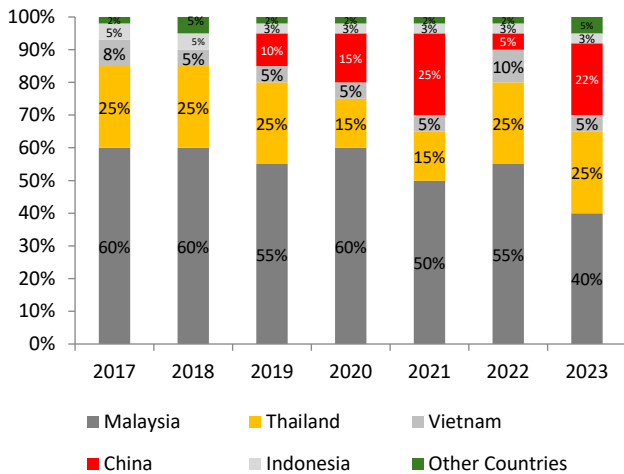
Source: KBVS Research

Exhibit 3: MARK's Production Sites



Source: KBVS Research

Exhibit 4: MARK's Market Share (2023)



Source: KBVS Research

Exhibit 5: MARK's Client



Source: KBVS Research

MARK has 2 major subsidiaries:

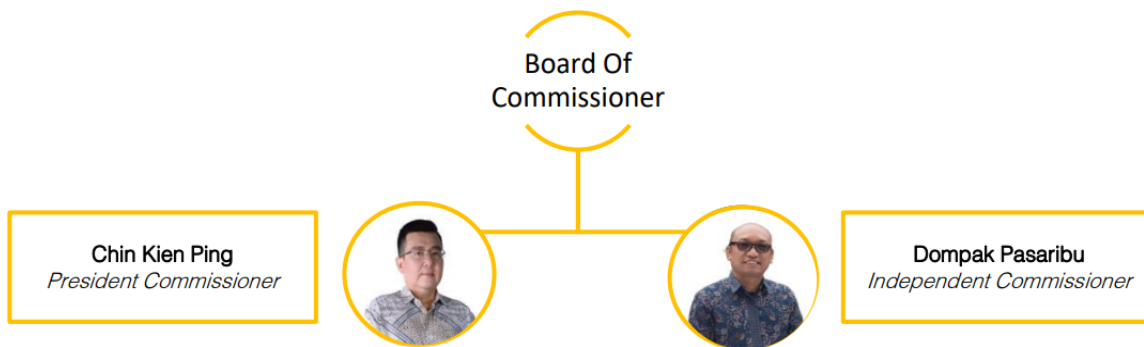
Berjaya Dynamics Indonesia

Established in 2010, Berjaya Dynamics Indonesia boasts over 12 years of market experience in Sumatra. The company specializes in sanitary industrial production, utilizing waste material from glove former production. It has a profound and detailed understanding of production distribution across Sumatra and Indonesia. Berjaya Dynamics Indonesia serves as the sales support and distribution line for PT. Megah Raya Sumatera. Additionally, the company has a subsidiary, PT Agro Dynamics Indo, which focuses on the distribution of agricultural products.

PT Agro Dynamics Indo

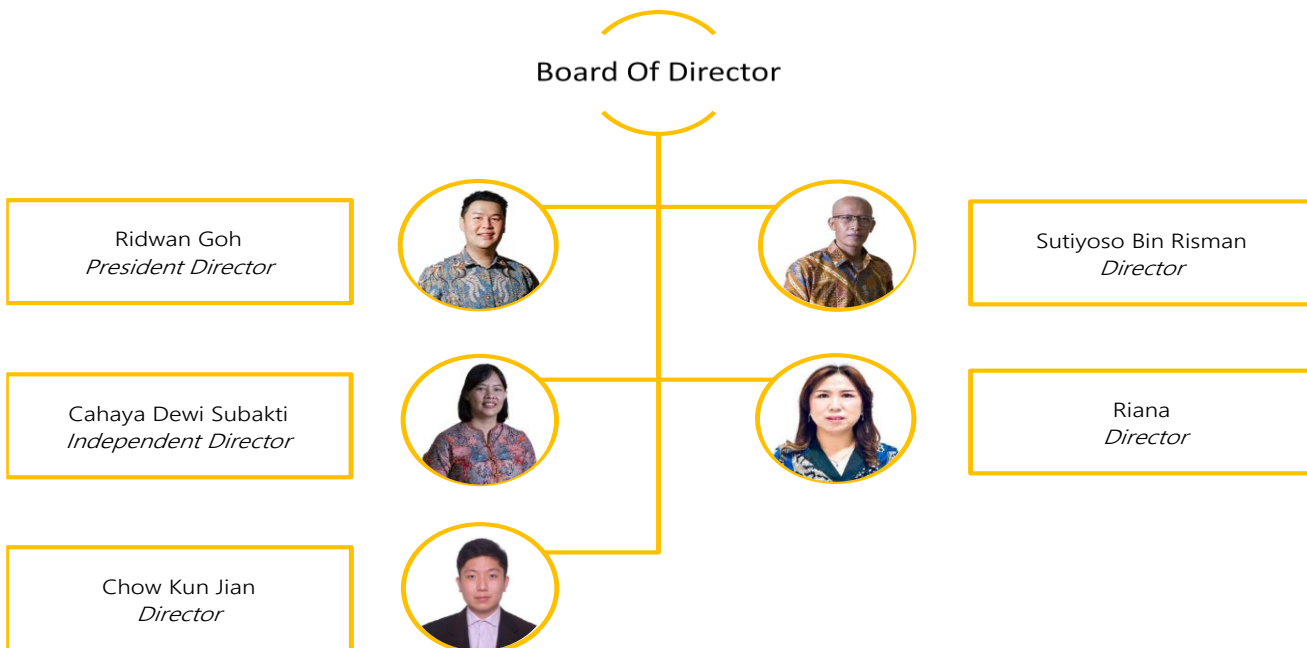
Founded in 2005, PT Agro Dynamics Indo has over 15 years of market experience. The company specializes in supporting the chemical and pesticide industries, providing essential equipment. Given that agriculture is a primary industry in Indonesia, PT Agro Dynamics Indo has secured a significant position in the market, achieving a 20% market share in Indonesia.

Exhibit 5: MARK's Board of Commissioner



Source: MARK, KBVS Research

Exhibit 5: MARK's Board of Director



Source: MARK, KBVS Research

Exhibit 5: Company Milestone



Source: MARK, KBVS Research

Industry Outlook

Glove formers is a recurring revenue as it's lifecycle is within 6-8 months of usage, but the aggressive glove production in 2021 and 2022 resulted in a global oversupply of gloves. A disposable glove, commonly made from natural or synthetic rubber, covers the whole hand and can be used to protect the wearer against harmful environmental influences. The most common raw materials used are:

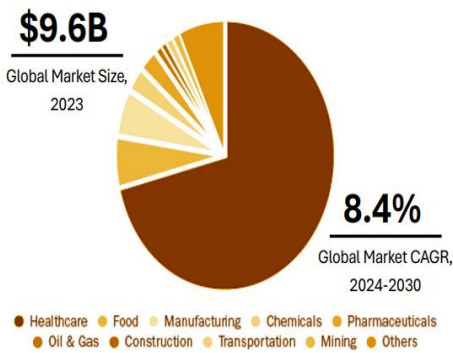
- Natural rubber latex (NR),
- Nitrile butadiene latex (NBR) and
- PVC/softener paste (vinyl).

Global Disposable Gloves Market mostly still led by healthcare industry. The Global Disposable Medical Gloves Market is a thriving sector that plays a critical role in ensuring hygiene, safety, and infection control in the healthcare industry. With the rising prevalence of infectious diseases, including the recent global COVID-19 pandemic, the need for stringent infection control practices has become paramount. Disposable medical gloves serve as a vital line of defense, preventing the spread of pathogens and maintaining a safe healthcare environment. The growing awareness about infection control and the importance of hand hygiene has significantly increased the demand for disposable medical gloves. Additionally, the rising global healthcare expenditure and the growing number of healthcare facilities worldwide contribute to market growth. Furthermore, the implementation of stringent regulations and guidelines by regulatory bodies and healthcare organizations further fuels the adoption of disposable medical gloves.

Exhibit 6: Global Glove Market Usage

Global Disposable Gloves Market

Share, by End-use, 2023 (%)



Source: Grand View Research; KBVS Research

Exhibit 7: Glove Importer by Countries

Top Rubber Glove Importers

Trend, by Region, 2024-2030



Source: Grand View Research; KBVS Research

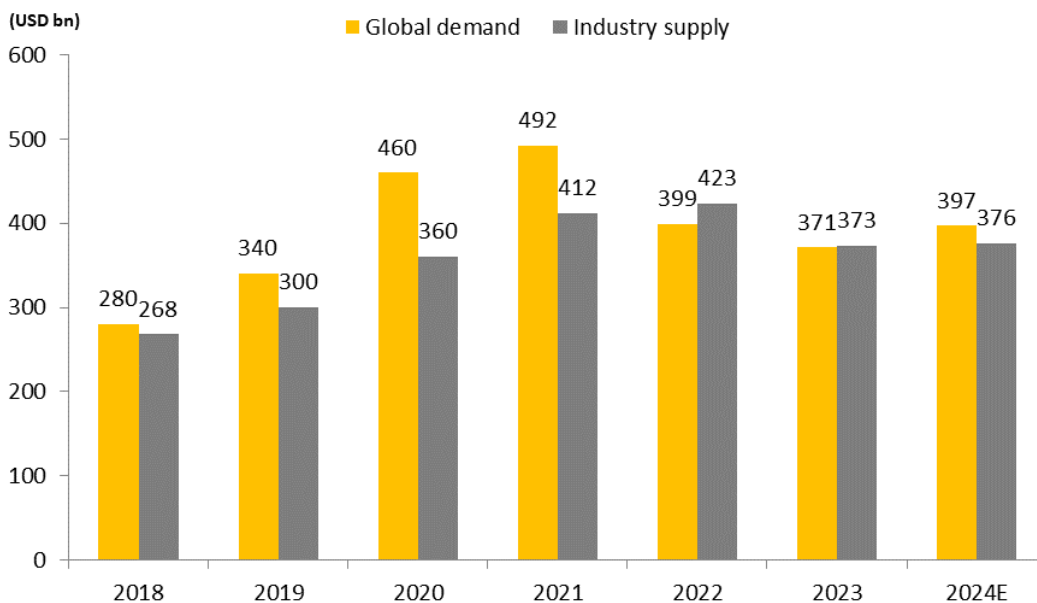
In 2024, the global demand is expected to offset the industry supply due to inventory cuts. Furthermore, the target population for the usage of gloves is increasing drastically due to various factors like the rapidly ageing population, the number of people undergoing various voluntary surgeries, and more. These processes demand the usage of gloves by physicians and nurses routinely. With the rising incidence/prevalence of various acute and chronic diseases, the number of surgeries performed to treat such diseases is also increasing rapidly world wide. Grand view research expects 8.4% global market CAGR for disposable gloves demand from 2024-2030, while the Malaysian Rubber Glove Association expects on supply deficit on 2024F.

Additionally, there is an increasing trend of double-glove among professionals since there is widespread non-compliance among healthcare workers regarding hand hygiene. Research has recently confirmed that when glove integrity is compromised through tearing, splitting, or piercing with a sharp object, there is potential for pathogens to transfer bi-directionally between healthcare workers and anything or anybody that their hands touch. Many professional organizations are also insisting that physicians should start using double gloves. This double-glove trend will increase the demand for disposable gloves and create opportunities for market growth.

North America dominated the global disposable gloves market as the biggest rubber glove importer in 2023. The region boasts a robust healthcare infrastructure, stringent regulatory standards, and a high level of awareness regarding infection control. Moreover, the increased focus on patient safety and infection prevention measures in healthcare facilities further drives the demand for disposable medical gloves. Asia Pacific is the fastest-growing region in the global disposable medical gloves market, showcasing remarkable market expansion. The region is witnessing a surge in healthcare expenditure, a growing population and an increasing prevalence of infectious diseases. The rapid growth of healthcare infrastructure, particularly in countries like China and India, fuels the demand for disposable medical gloves. Additionally, the outbreak of the COVID-19 pandemic has led to a significant spike in glove demand, driving market growth in the region.

Winner in both scenarios. The impending tariff increases on Chinese products imposed by the United States will significantly impact the disposable glove industry. Specifically, tariffs on rubber gloves for medical and surgical use will rise from 7.5% to 25% in 2026. This rise in tariffs on Chinese gloves is expected to enhance MARK’s market position. We foresee two possible scenarios: 1) Chinese companies might establish new production hubs in countries like Vietnam and Indonesia to avoid the U.S. tariffs; 2) demand from customers in Malaysia and Thailand may surge. Both scenarios are likely to lead to an increase in MARK’s sales volume and market share.

Exhibit 8: Glove Industry Supply-Demand



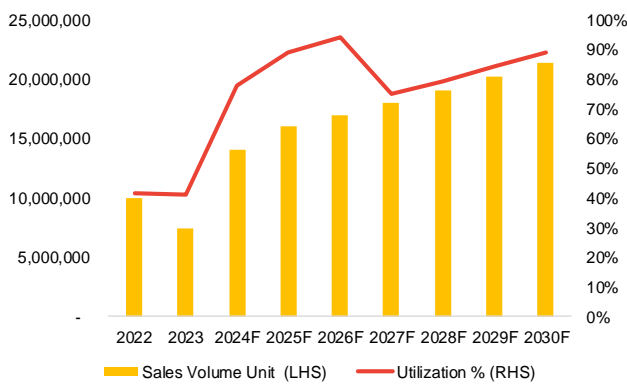
Source: Malaysian Rubber Glove Manufacturers Association (MARGMA); KBVS Research

Financial Outlook

Expect earnings to grow at a CAGR of 14.8% from 2024–30. MARK’s sales volume is expected to increase at a CAGR of 7.3% during the same period, which is slightly below the industry growth rate of 8.4%. Additionally, we anticipate an annual ASP increase of 3.5% from 2025 to 2030 (stagnate ASP in 2024). Consequently, revenue is projected to grow at a CAGR of 12.9% from 2024 to 2030, while net profit is expected to grow at a CAGR of 14.8%. Additionally, we have conservatively estimated a 5% growth rate from 2024–30 for the house and agricultural equipment sector, contributing around 19.4% to MARK’s revenue in 2023.

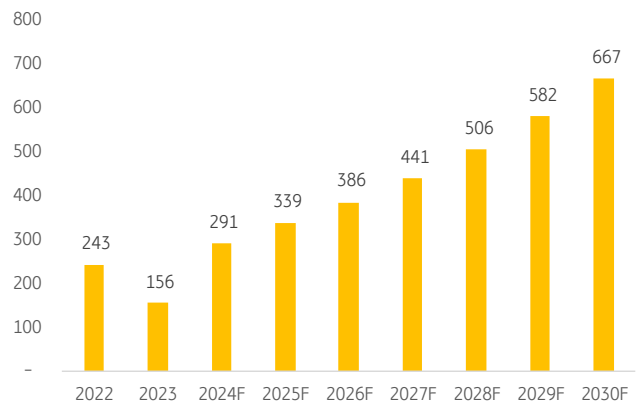
High utilization rate. With the industry recovery, we expect MARK’s utilization rate to peak at 94.2% in 2025. As a result, MARK will need to build another plant with a capacity of 500,000 pieces per month. The company plans to construct new plant in 2026 (Dalu 3), with operations expected to commence in early 2027, at a capital expenditure of IDR180–200 bn. Upon completion, MARK’s total production capacity will increase to 2mn pieces per month, with an anticipated utilization rate of 89.2% by 2030.

Exhibit 9: MARK’s Sales Volume & Utilization Rate



Source: Company; KBVS Research

Exhibit 10: MARK’s Net Profit Growth (IDR bn)

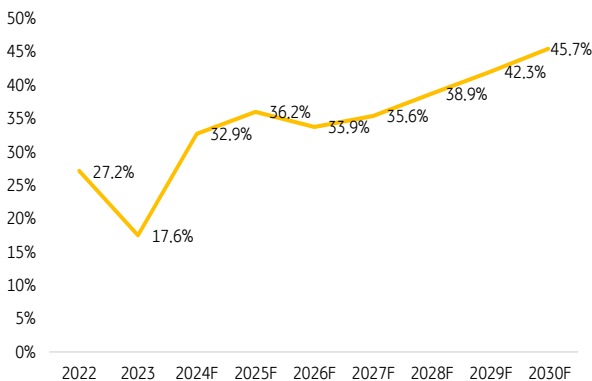


Source: Company; KBVS Research

High-value creation for the shareholders. Due to strong operational efficiency and a higher ASP compared to peers due to its strong reputation, MARK can generate a return on invested capital (ROIC) of over 15% even in adverse business conditions. Over the next six years, we expect MARK to achieve an average annual ROIC of 38.8%.

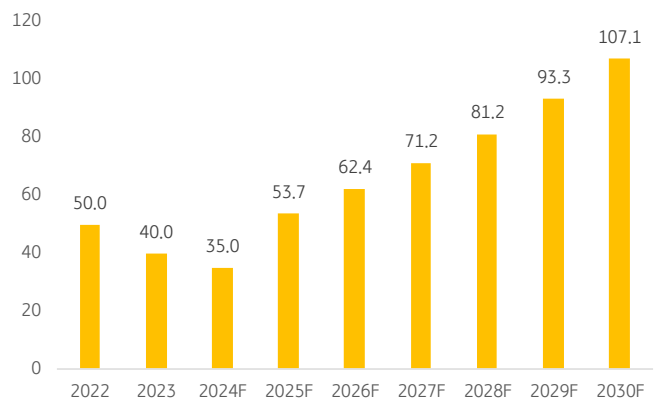
Low debt- enables it to maintain a high dividend payout ratio. With its current low debt, MARK has achieved an average payout ratio of 73.9% over the past two years. We expect MARK to maintain at least a 70% payout ratio, with a 20.5% CAGR in dividend growth from 2024 to 2030. Given its strong free cash flow generation, we also anticipate MARK to be a debt-free company by the end of 2026.

Exhibit 11: MARK’s ROIC (%)



Source: Company; KBVS Research

Exhibit 12: MARK’s Dividend Forecast (IDR/ share)



Source: Company; KBVS Research

Valuation

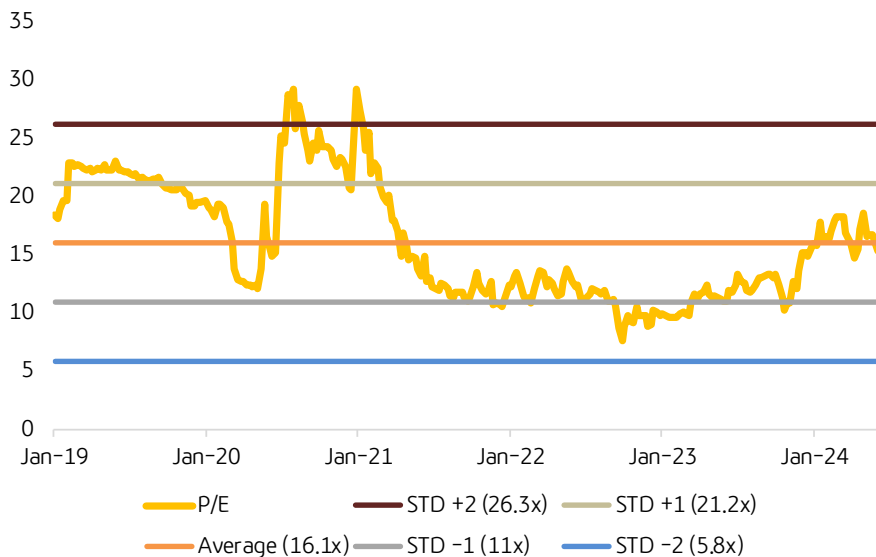
Initiate coverage with a BUY and TP of IDR1,250. We initiate coverage on MARK with a BUY recommendation and a TP of IDR1,250, using DCF-based TP with WACC of 11.5% and LTG of 3%. Our TP implies 16.3x '24F PE, which is slightly above 5-year mean P/E. Downside risks to our call are: 1) lower than expected global disposable market demand, 2) intensifying competition from other glove former producers, and 3) technology disruption.

Exhibit 13: MARK's DCF Valuation

DCF Valuation	2024	2025	2026	2027	2028
Net Income	291	339	386	441	506
Depreciation	31	32	39	46	48
NWC	(69)	(61)	(57)	(65)	(73)
Interest Expense (1-tax)	4	4	1	-	-
Capex	(20)	(21)	(180)	(80)	(40)
FCFF	237	292	190	342	442
Discount factor	1.0	1.1	1.2	1.4	1.5
Discounted Free Cash Flow	237	262	153	247	286
Terminal Value	5,371				
Discounted Terminal Value	3,479				
Enterprise Value	4,664				
Net debt	(103)				
Equity value	4,767				
Minority interest	(3)				
Fair value per share 2024F (IDR)	1,254				
Round down (IDR)	1,250				

Source: Company; KBVS Research

Exhibit 15: MARK's Forward PE Band



Source: Company; KBVS Research

FINANCIAL TABLES

Exhibit 16: Profit & Loss summary

Profit & Loss (IDR bn)	2022	2023	2024F	2025F	2026F
Revenue	824	559	979	1,126	1,265
Cost of revenue	(421)	(296)	(516)	(597)	(670)
Gross profit	403	264	463	529	595
Selling expenses	(14)	(9)	(18)	(21)	(24)
G&A expenses	(64)	(63)	(66)	(68)	(74)
Operating profit	325	191	380	440	498
EBITDA	347	221	410	471	537
Other op. income/exp	(5)	12	-	-	-
Finance income	1	0	1	1	1
Finance expense	(4)	(3)	(6)	(5)	(2)
Inc/loss from assoc.	-	-	-	-	-
Pre-tax profit	317	201	375	436	497
Tax expense	(74)	(45)	(84)	(97)	(111)
Minority interest	-	-	-	-	-
Net profit	243	156	291	339	386
EPS (IDR)	64	41	77	89	102

Source: Company, KBVS Research

Exhibit 17: Balance sheet

Balance Sheet (IDR bn)	2022	2023	2024F	2025F	2026F
Cash and equivalents	51	55	203	239	142
Trade receivables	89	155	192	221	248
Inventories	263	188	245	282	317
Net- Fixed assets	561	514	516	506	646
Other assets	41	40	82	95	106
Total Assets	1,005	952	1,238	1,342	1,459
Trade payables	6	7	32	37	41
Short-term debt + CMLTD	80	36	50	-	-
Long-term debt	42	22	50	50	-
Other liabilities	34	47	95	109	123
Total Liabilities	162	111	227	196	164
Minority interest	3	3	3	3	3
Paid capital	85	85	85	85	85
Retained earnings	704	708	866	1,001	1,150
Other equities	52	45	45	45	45
Total Equity	844	840	998	1,133	1,282

Source: Company, KBVS Research

Exhibit 18: Profit & Loss summary

Cash Flow (IDR bn)	2022	2023	2024F	2025F	2026F
Net income	243	156	291	339	386
Depreciation & amortization	23	30	31	32	39
Change in working capital	(67)	24	(64)	(59)	(56)
Cash flow from operations	198	210	259	311	370
Capex	(44)	(17)	(20)	(21)	(180)
Others	(52)	21	-	-	-
Cash flow from investments	(96)	4	(20)	(21)	(180)
Changes in debt	(13)	(64)	43	(50)	(50)
Changes in equity	47	(8)	-	-	-
Dividends paid	(190)	(152)	(133)	(204)	(237)
Others	-	13	-	-	-
Cash flow from financing	(156)	(211)	(90)	(254)	(287)
Net Cash Flow	(53)	4	148	36	(97)

Source: Company, KBVS Research

Exhibit 19: Cash flow

Key Ratios (%)	2022	2023	2024F	2025F	2026F
Revenue growth	(31.0)	(32.1)	75.0	15.1	12.3
EBIT growth	(36.9)	(41.1)	98.4	15.8	13.2
EBITDA growth	(35.2)	(36.3)	85.5	14.8	14.0
Net profit growth	(38.0)	(35.8)	86.7	16.2	14.1
Gross margin	48.9	47.1	47.3	47.0	47.0
EBIT margin	39.4	34.2	38.8	39.0	39.3
EBITDA margin	42.2	39.5	41.9	41.8	42.5
Net margin	29.5	27.9	29.8	30.1	30.5
ROA	24.2	16.4	23.5	25.2	26.5
ROE	28.8	18.6	29.2	29.9	30.1
Net gearing (x)	8.3	0.3	(10.3)	(16.7)	(11.1)
Net debt/EBITDA (x)	35.0	25.9	24.4	10.6	-
Interest coverage ratio (x)	88.6	59.6	68.9	83.7	284.4


Source: Company, KBVS Research

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