Steady as She Goes: Margins Anchor the Outlook

9 July 2025

PT. MARK DYNAMICS INDONESIA Tbk

MARK IJ	BUY
Sector	Rubber & Plastic
Price at 8 July 2025 (IDR)	665
Price target (IDR)	900
Upside (%)	+35.3

Stock Information

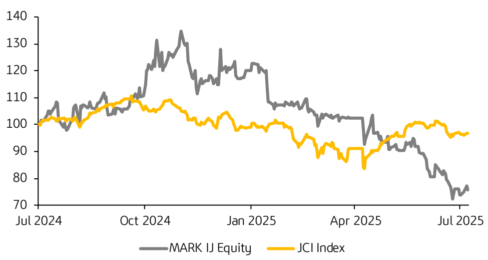
PT Mark Dynamics Tbk. (MARK) is a leading glove former manufacturer based in North Sumatra, producing hand formers for surgical, household, and industrial gloves, with a 40% global market share.

Market cap (IDR bn)	2,470
Shares outstanding (mn)	3,800
52-week range (IDR)	1,210 – 630
3M average daily vol. ('000)	19,818
3M average daily val. (IDR bn)	17.5

Shareholders (%)

Tecable (HK) Co Limited	43.4
PT Dyna Capital Indo	20.7
PT Mark Capital Indo	15.4
Public (<5%)	19.7

Stock Performance



Source: Bloomberg

	YTD	1M	3M	12M
Absolute	(38.4)	(8.5)	(20.2)	(29.7)
JCI Return	(2.2)	(2.7)	16.0	(4.8)
Relative	(36.2)	(5.8)	(36.3)	(25.0)

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Posting a slight revenue miss in 1Q25 at IDR203 bn (-4.2% qoq/yoy), pressured by weak Agricultural Equipment sales. However, the company is entering a normalization phase with structural margin gains, following a high based in 2024, which underpins continued investment appeal. MARK still delivered margin recovery with GPM improving to 52.2% on shorter inventory cycles and lower raw material costs. Net profit rose +13.6% qoq to IDR70bn, although still below estimates. With steady capacity at 19.2 mn pcs and utilization set to reach 75% in 2025F. Earnings are expected to normalize as input costs ease and structural margin improvement takes hold (GPM >50%, NPM >30%). Despite lowering our TP to IDR900/share (from IDR1,250) on more grounded assumptions, we reiterate our BUY call, reflecting 31% upside potential, healthy cash flows, low leverage (DER <0.1x), and attractive yield outlook of over 12% by 2027F. Valuation is also remains attractive at 11.7x PE, trading near -1 SD from its 5-year average of 14.8x, offering a compelling re-rating opportunity as margins stabilize

Misses Estimates, But Margins Rebound on Supply Chain Gains. MARK booked lower-than-expected revenue of IDR 203bn in 1Q25 (-4.2% qoq, -4.2% yoy), missing both our estimate (19.3%) and consensus (18%), mainly due to a sharp decline in Agricultural Equipment sales (8.2% of revenue; -36.4% qoq, -20.4% yoy), as softer US exports of rubber fertilizer products reflected broader industry weakness amid ongoing trade disruptions. Meanwhile, the Glove Mould segment (85.6% of revenue) remained relatively stable, supported by customer diversification despite a drop in China's contribution (from 15% to 10%). On a brighter note, GPM improved to 52.2% (vs. 39.8% in 4Q24; 54.1% in 1Q24), aided by supply chain improvements, particularly a new supplier that helped shorten inventory holding periods from six to four months, easing raw material cost pressures, which typically account for ~47% of COGS. Net profit reached IDR 70bn (+13.6% qoq, -3.1% yoy), still falling short of our estimate (22.5%) and consensus (20.7%).

Delivering Stability with Strong Margins and 12% Yield Outlook. We revise our forecast in line with management's latest guidance, factoring in steady capacity at 19.2 mn pcs and a gradual utilization ramp up to 75% in 2025F. Despite a softer 2025F topline due to lower ASP and export linked pricing pressures, volume recovery and easing alumina costs (-22.9% qoq) support margin resilience, with GPM >50% and NPM >30%. We also factor in Malaysia PPI linked ASP growth, stable utility and labor costs, and alumina price stabilization amid China's ongoing surplus. While earnings are revised down 10-19% on more grounded assumptions, we expect EPS to grow +6.1% yoy in 2025F (+2.8% CAGR 25-27F), backed by strong cash flow, minimal leverage with DER under 0.1x, and a consistently high dividend payout above 85%, offering yields of over 12% by 2027F.

Reiterate BUY with Revised TP of IDR 900/Share, Supported by Resilient Margins and Attractive Valuation. We reiterate our BUY rating with a revised target price of IDR900/share, offering +35.3% upside from the current level. At this level, MARK would trade at 11.7x FY25F P/E near its 5-year average -1 SD of 14.8x signaling an undemanding valuation. This reflects a more conservative stance compared to our previous TP of IDR1,250/share, driven by moderated assumptions on volume growth and input costs. Our DCF-derived equity value of IDR3.3 tn is based on a 5-year forecast horizon, assuming 75-85% utilization, 2.8% ASP CAGR, and 8.4% COGS growth. Using a 9.4% WACC and 1.0% terminal growth rate, we project average annual free cash flow of IDR270-295 bn, supported by low capex and stable working capital. Risks rely on: 1) slower ramp-up in utilization, 2) unexpected rise in alumina (or other raw material) costs, 3) shift in dividend commitment, 4) external macroeconomic or currency volatility that may impact export-driven growth.

Exhibit 1: Forecasts and Valuations (at closing price IDR665/ sh)

Y/E Dec	23A	24A	25F	26F	27F
Revenue (IDR Bn)	559	910	867	1,004	1,025
EBITDA (IDR Bn)	223	391	413	466	464
EV/EBITDA (x)	10.4	65.6	43.2	33.0	40.3
Net Profit (IDR Bn)	144	275	292	332	331
EPS (IDR)	37.8	72.4	76.8	87.3	87.1
EPS Growth (%)	(40.9)	91.4	6.1	13.7	(0.3)
P/E Ratio (x)	16.1	14.6	8.5	7.5	7.5
BVPS (IDR)	221	227	238	247	251
P/BV Ratio (x)	2.8	4.7	2.8	2.7	2.6
DPS (IDR)	40	70	65	79	83
Dividend Yield (%)	6.6	6.6	10.0	12.0	12.6
ROAE (%)	17.1	32.3	33.1	36.0	35.0
ROAA (%)	17.1	32.3	33.1	36.0	35.0
Interest Coverage (x)	59.6	207.8	276.0	129.3	94.3
Net Gearing (x)	0.0	(0.1)	(0.0)	(0.1)	(0.0)

Exhibit 2: Financial Summary

(IDR Bn)	1Q24	4Q24	1Q25	qoq (%)	yoy (%)	3M24	3M25	yoy (%)	3M25/ KBVS (%)	3M25/ Cons (%)
Revenue	212	212	203	-4.2	-4.2	212	203	-4.2	19.3	18.0
Gross Profit	115	84	106	+25.8	-7.4	84	106	-7.4	19.2	20.0
Operating Income	87	65	85	+32.3	-2.3	65	85	-2.3	20.9	19.4
EBITDA	95	72	93	+29.1	-2.3	72	93	-2.3	20.9	19.7
Net Income	72	62	70	+13.6	-3.1	62	70	-3.1	22.5	20.7
GPM (%)	54.1	39.8	52.2			39.8	52.2			
OPM (%)	41.3	30.5	42.1			30.5	42.1			
EBITDA Margin (%)	44.9	34.0	45.8			34.0	45.8			
NPM (%)	34.1	29.1	34.5			29.1	34.5			

Source: Company, KBVS Research

MARK posted a softer 1Q25 revenue of IDR203 bn (-4.2% qoq/yoy), missing estimates due to weak agricultural equipment sales (8.2% of revenue; -36.4% qoq, -20.4% yoy) from softer US rubber fertilizer exports, while glove mould remained stable despite lower China contribution. Margins improved as new supplier helped reduced inventory holding from six to four months, easing raw material cost pressure (~47% of total COGS). Net profit reached IDR70bn (+13.6% qoq, -3.1% yoy), also below estimates.

Exhibit 3: Forecast Changes

(IDR Bn)	New forecast 25F	26F	27F	Old forecast 25F	26F	27F	Forecast change (%) 25F	26F	27F
Revenue	867	1,004	1,025	1,126	1,265	1,422	-15.4	-10.8	-19.0
Gross Profit	442	519	519	529	595	671	-14.8	-1.8	-12.8
Operating Profit	375	427	425	440	498	566	-11.7	-2.8	-14.6
EBITDA	413	466	464	471	537	612	-11.0	-1.1	-13.5
Net Profit	292	331	331	339	386	441	-11.8	-2.2	-14.4
Growth yoy (%)									
Revenue	-4.7	+15.8	+2.1	+23.8	+12.3	+12.4			
Gross Profit	+0.1	+17.5	-0.1	+19.8	+12.5	+12.8			
Operating Profit	+6.2	+13.9	-0.6	+24.4	+13.2	+13.7			
EBITDA	+5.8	+12.8	-0.4	+20.6	+14.0	+14.0			
Net Profit	+6.1	+13.4	-0.0	+23.1	+14.1	+14.1			
Margins (%)									
GPM	51.0	51.7	50.6	47.0	47.0	47.2			
OPM	43.3	42.6	41.4	39.0	39.3	39.8			
EBITDA Margin	47.7	46.4	45.3	41.8	42.5	43.1			
NPM	33.7	33.0	32.3	30.1	30.5	31.0			

Source: KBVS Research

We revise our forecast to align with management's latest operational guidance, particularly on production capacity and utilization outlook. The company currently operates at 19.2 mn pcs with no expansion plans ahead. With 1Q25 utilization rate reaching 71.5%, we assume a gradual ramp-up to 75% in 2025F and 85% by 2027F. We also incorporate ASP growth in line with Malaysia's PPI, reflecting its ~40% export exposure. On the cost side, lower alumina prices (15% of Raw Materials), drive our revised margin assumption, following a -22.9% QoQ drop due to oversupply. As a result, our 25-27F earnings are revised down by 10-19%, mainly on more grounded volume and pricing assumptions.

Exhibit 4: Valuation

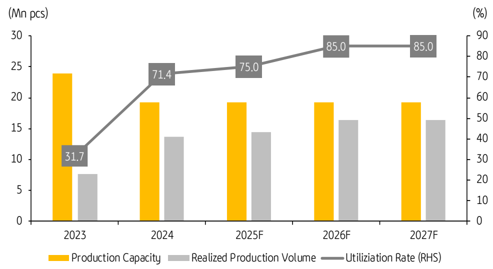
DCF Valuation Summary		Cost of Capital Assumption	
Enterprise Value	IDR3,296 bn	Risk Free Rate	5.8%
Net Debt	IDR39 bn	Equity Risk Premium	6.9%
Equity Value	**IDR3,335 bn**	Levered Beta	0.6
Shares Out.	3,800 mn	**Cost of Equity**	**9.8%**
Fair Value/ Share	**IDR900/ share**	Proportion of Equity	94.3%
WACC	**9.4%**		
Forecast Horizon	5 years	Cost of Debt	3.8%
Utilization Rate	75-85%	Tax Rate	23.0%
ASP Growth	+2.8% CAGR	**After tax Cost of Debt**	**3.0%**
COGS Growth	+8.4% CAGR	Proportion of Debt	5.7%
		WACC	9.4%
		Terminal Growth	1.0%

	2025F	2026F	2027F	2028F	2029F
EBIT (1-T)	289	329	327	329	331
D&A	21	24	25	25	26
Chg. In WC	(74)	(12)	(35)	(11)	(12)
Capex	(40)	(47)	(48)	(49)	(50)
Net FCF	196	295	270	295	296
PV of FCFF	179	246	206	206	189
Enterprise Value	*3,296*				

Source: KBVS Research

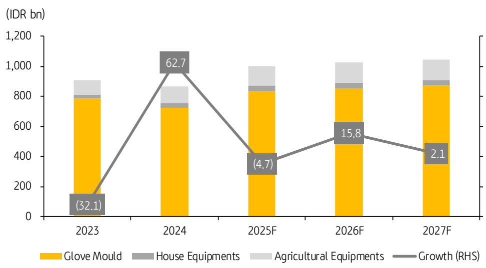
We reiterate a BUY rating with a revised target price of IDR900/share, implying +35.3% upside from the current share price. This marks a downward adjustment from our previous TP of IDR1,250/share, reflecting more conservative assumptions on volume growth and input costs. Our DCF-derived equity value of IDR3.3 tn is based on 5-year projection period, incorporating 75-85% utilization, 2.9% ASP CAGR, and 8.4% COGS growth. Using a 9.4% WACC and 1% terminal growth, we estimate average annual free cash flow of IDR270-295 bn, supported by minimal capex and stable working capital requirement.

Exhibit 5: Production Capacity and Utilization



Source: Company, KBVS Research

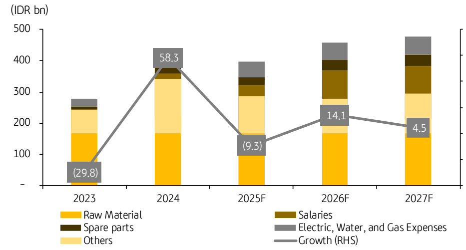
Exhibit 6: Revenue Mix and Growth



Source: Company, KBVS Research

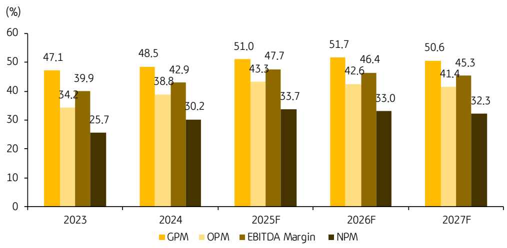
Production is projected to gradually ramp up to a normalized level of 85% by 2026F-2027F, while capacity remains unchanged (19.2 mn pcs). This volume recovery supports a rebound in revenue, particularly from the glove mould segment (~84% of revenue). Revenue declined in 2025F due to lower ASP assumptions, in line with 1Q25 realization and soft PPI trends from Malaysia, a key export market. We expect moderate growth to resume in 2026F, supported by improved utilization, despite no planned capacity expansion.

Exhibit 7: COGS Composition and Growth



Source: Company, KBVS Research

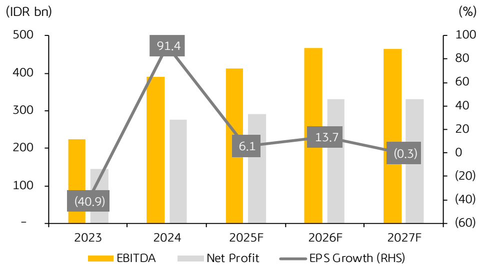
Exhibit 8: Profitability Margins



Source: Company, KBVS Research

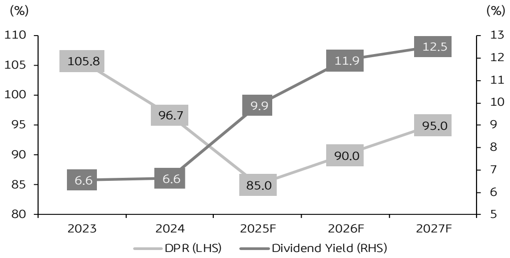
COGS is expected to normalize post-2024, led by easing raw material costs (~50% COGS), especially alumina. With stable utility and labor expense, margins are set to recover. GPM projected at ~50% from 2025F and NPM steady above 30%, despite topline volatility.

Exhibit 9: EBITDA and Earnings



Source: Company, KBVS Research

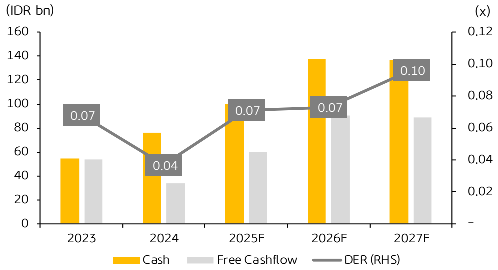
Exhibit 10: DPR and Dividend Yield



Source: Company, KBVS Research

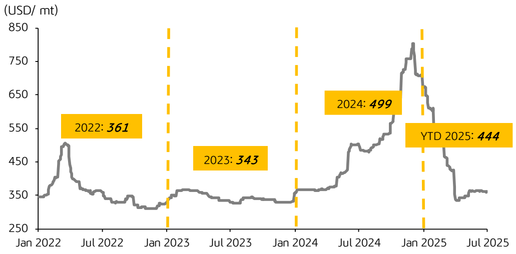
EBITDA and net profit are expected to stabilize from 2025F after a strong 2024 rebound, with earnings holding at IDR331 bn through 2027F. While EPS growth normalizes, the company maintains a high payout (>85%), driving yields to over 12% by 2027F.

Exhibit 11: Cash Flow Position and Leverage



Source: Company, KBVS Research

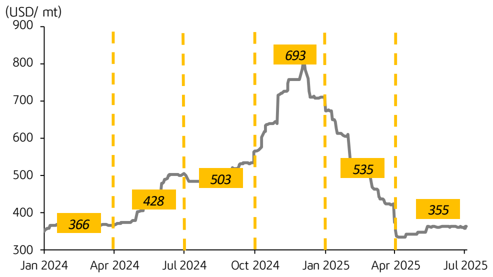
Exhibit 12: Alumina Prices (2022-YTD 2025)



Source: Company, KBVS Research

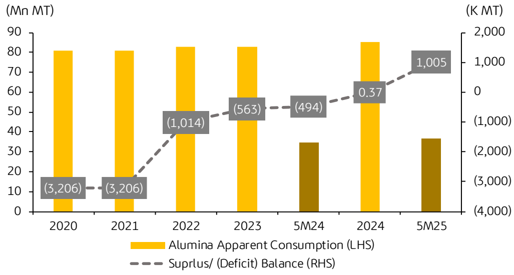
Cash and free cash flow remain healthy through 2027F, while leverage stays low with DER under 0.1x, reflecting strong financial stability.

Exhibit 13: Alumina Price Quarterly Average (2024 - Mid 2025)



Source: Company, KBVS Research

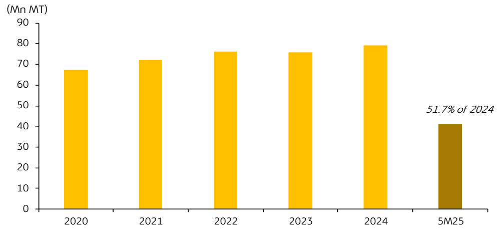
Exhibit 14: China Alumina Apparent Consumption and Balance Trend



Source: Company, KBVS Research

Alumina prices surged to a peak of USD693/mt in late 2024 before correcting to USD444 YTD 2025F driven by oversupply pressures. China's market, which heavily influences global pricing, shifted from a large deficit of (3.2) mn MT in 2020-2021 to a surplus of +1.0 mn MT by 5M25, reflecting strong supply additions outpacing demand. With current prices stabilizing at USD355/mt in 2Q25, we project near-term price moderation to persist before rebounding alongside improved global balance.

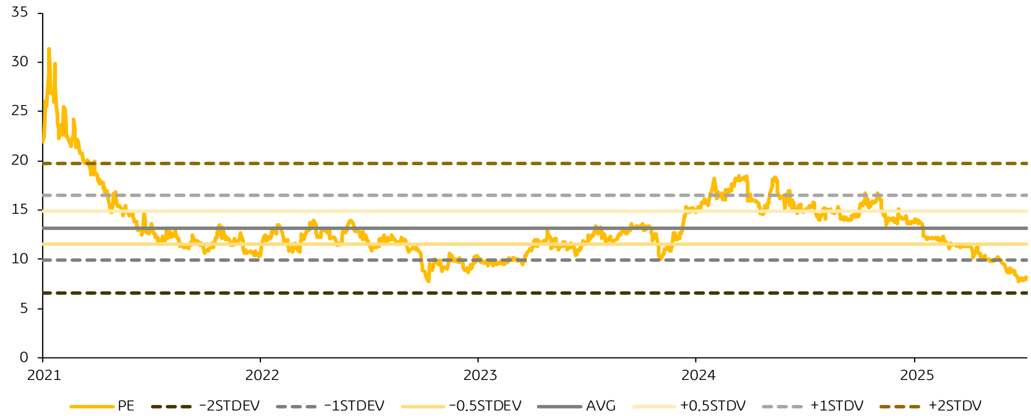
Exhibit 15: China Alumina Production Trend



Source: Company, KBVS Research

Despite a notable price correction, China's alumina production remains strong, with output in 5M25 already reaching 51.7% of 2024's total, indicating sustained high run-rates. This continued supply momentum, combined with moderated demand growth, reinforces the surplus environment and supports our view that alumina prices may stay soft in the near term before gradually recovering.

Exhibit 16: PE Band



Source: Company, KBVS Research

MARK's current valuation sits near the lower bound of its historical trading range, reflecting a rare opportunity for re-entry. Over the past five years, the stock has traded at an average P/E of 14.8x, with peaks above 19x.Today, at our TP of IDR900, the forward P/E stands at 11.7x, right around the -1 standard deviation line.

Exhibit 17: Financial Tabels

Profit and Loss (IDR Bn)	23A	24A	25F	26F	27F
Revenue	559	910	867	1,004	1,025
COGS	(296)	(468)	(425)	(485)	(507)
Gross Profit	264	442	442	519	519
Operating Expenses	(72)	(88)	(67)	(92)	(94)
Operating Profit	191	353	375	427	425
EBITDA	223	391	413	466	464
Net Interest Income	(3)	2	4	4	5
Pre-tax Profit	189	356	379	431	430
Income Taxes	(45)	(80)	(87)	(99)	(99)
Profit for Period	144	275	292	332	331
Minority Interest	0	0	0	0	0
Net Profit	144	275	292	332	331

Balance Sheet (IDR Bn)	23A	24A	25F	26F	27F
Cash and Cash Equivalent	55	76	100	137	137
Account Receivable	155	167	173	183	198
Inventories	188	134	212	216	235
Others	25	53	43	43	48
Total Current Assets	423	430	528	578	618
Fixed Assets	514	516	529	551	574
Other Non-Current Assets	14	9	9	9	9
Total Assets	952	956	1,066	1,139	1,201
ST Debt	40	25	50	53	73
Payables	30	34	37	38	41
Other ST Liabilities	14	21	18	18	20
Total Current Liabilities	83	81	105	110	134
LT Debt	18	6	12	13	17
Other LT Liabilities	10	8	8	8	8
Total Liabilities	111	95	125	131	160
Minority Interest	3	3	3	3	3
Total Equity	840	861	905	938	954

Cash Flow (IDR Bn)	23A	24A	25F	26F	27F
Net Profit	144	275	292	332	331
D&A	48	40	21	24	25
Changes in Working Capital	32	25	(74)	(12)	(35)
Operating Cash Flow	224	341	239	344	321
Capital Expenditure	(1)	(42)	(40)	(47)	(48)
Others	(9)	5	-	-	-
Investing Cash Flow	(11)	(37)	(40)	(47)	(48)
Net - Borrowing	(64)	(26)	30	5	24
Dividend Paid	(152)	(266)	(248)	(299)	(314)
Other Financing	7	10	44	33	17
Financing Cash Flow	(209)	(283)	(174)	(261)	(274)
Net - Cash Flow	4	21	25	37	(0)
Cash at Beginning	51	55	76	100	137
Cash at Ending	55	76	100	137	137

Key Ratios	23A	24A	25F	26F	27F
Gross Profit Margin (%)	47.1	48.5	51.0	51.7	50.6
Operating Profit Margin (%)	34.2	38.8	43.3	42.6	41.4
EBITDA Margin (%)	39.9	42.9	47.7	46.4	45.3
Pre-Tax Margin (%)	33.7	39.1	43.7	42.9	41.9
Net Profit Margin (%)	25.7	30.2	33.7	33.0	32.3
Debt to Equity (x)	0.07	0.04	0.07	0.07	0.10
Net Gearing (x)	0.00	(0.05)	(0.04)	(0.08)	(0.05)

Major Assumptions	23A	24A	25F	26F	27F
Production Capacity (Mn MT)	24.0	19.2	19.2	19.2	19.2
Utilization Rate (%)	31.7	71.4	75.0	85.0	85.0
ASP Growth (%)	(15.1)	(3.3)	(12.5)	2.2	2.1
Alumina Prices Growth (%)	(4.7)	45.1	(23.4)	(21.5)	-

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