July 2024

Notes from the Road: HK/China, Taiwan, Korea, Philippines and Indonesia Takeaways

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Executive Summary

- Over the course of three weeks in May 2024, we met with 72 companies and conducted 35 site visits in China, Hong Kong, Taiwan, Korea, Philippines and Indonesia, attended the Macquarie Asia Conference, the Samsung Korea Conference, and Macquarie's Asia Consumer Tour.

- We find many exciting opportunities across Asia, with our top picks coming from sectors of datacenters in Taiwan and Korea, Home Improvement retailers seeing a turn in housing markets in SE Asia, hospital chains in SE Asia, consumer branded companies in Philippines, China and Indonesia, and leading edge semiconductor technology companies in Korea and Taiwan benefitting from the growth AI.

- In Korea and Taiwan there was excitement around recent technology trends, especially driven by the growth in AI, High Bandwidth Memory (HBM) and servers driving new order growth. We believe the most exciting opportunities were companies with unique IP, and those at the leading edge (EUV and below 10nm) are strong beneficiaries.

- Korea's "Value Up" initiative was much talked about by companies and speakers, with the goal of emulating Japan and unlocking the "Korea discount" through better governance, independence, tax breaks and dividends, but we are still at the early stages of implementation.

- China / HK has undergone an evident pickup in interest from foreign investors compared to last year, but the overall tone was still cautious and waiting for policy support. Greenshoots were noted in strong Chinese New Year travel data, China PMI rising above 50, and stronger growth in 2H of the year. Things are still weak, but there are greenshoots of recovery emerging.

- In the Philippines, the tone was cautiously optimistic, they are coming out of a period of high inflation and currency depreciation, but growth is returning, especially around sectors of BPO, infrastructure, and rising consumer spending.

- In Indonesia, coming out of the recent election, companies and consumers had held off spending, but is beginning to return. Indonesia has seen a lot of investment and solid growth over the past decade and while GDP growth and FDI have improved, in many cases company valuations and stock returns haven't fully reflected these. We find many attractive opportunities in Indonesia of quality businesses with long-term growth trajectories.

- All six of these markets feel under-owned and inexpensive to various degrees. Indonesia and SE Asia offer a good combination of growth at reasonable valuations. China / HK feels especially cheap and under-owned right now, but growth has been sluggish albeit with some greenshoots emerging. Korea and Taiwan have rallied in the tech sectors, but we find strong moats and attractive future growth opportunities and some very well-run companies. Overall, we think it's an exciting time to be investing in Asia.

James, Benjamin and Tim in Hong Kong

Korea: Excitement around Tech and Value-Up Initiatives

JAMES FLETCHER, CFA
Founder & Portfolio Manager

Takeaways:

I've been traveling to Korea for 20 years now. Even though the country was "developed" decades ago, every time I visit Korea they are always moving forward with new brands, tech, and initiatives. Korea is a distinctly successful country within EM, a global leader in auto brands, K-Pop, Cosmetics, Semiconductors and Smartphones.

A couple of things stood out to me this visit:

AI Semiconductor Leadership - Korea is a global leader in high bandwidth memory for AI chips, which is resulting in strong flow through across many Korean tech value chains. In my meetings with Korean tech companies, they were revising outlook upwards especially driven by the growth in AI, High Bandwidth Memory (HBM) and servers driving new order growth. The most exciting opportunities were companies with unique IP, and those at the leading edge (EUV and below 10nm) are the clearest beneficiaries.

"Value Up" Initiative - Korea wants to emulate Japan's recent successes and there is much talk about unlocking the "Korea discount" through better governance, independence and dividends. At the Samsung Korea Conference, which I attended, there were three different panels (out of 8) talking about the "Value Up" Initiative and ways to unlock the Korea discount. From the company side, there seems to be some hesitancy to make major changes until tax regimes change, but there was definitely rising interest given the possibility of re-rating in terms of valuations and the increasing number of questions from investors. For example, in our meeting with KINX, we talked about the ways to improve dividend payouts and board governance and disclosures, to meet industry best practices.

- "China + 1" Beneficiary - Korea is gaining global export market share at the expense of China, in sectors such as pharmaceutical CRO, batteries, and high tech manufacturing. This was seen on multiple occasions as it seems Korean exports are seen as "safer" with regards to geopolitical risks, but still strong IP and good supply chains. We believe these market share gains in global exports can continue to be a positive tailwind for Korea.

With low valuations (Korea's P/Book is only 1.1x, compared to MSCI EM at 1.7x and MSCI US at 4.9x, as of 5/31/24), tech leadership and an increased focus on governance, we believe that Korea has many attractive opportunities right now.

Company Highlight: Park Systems

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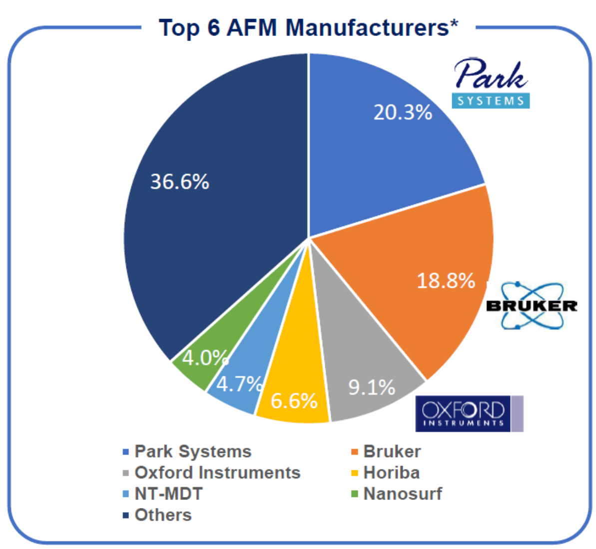
We were able to visit with Jackey Chung, VP of Finance at Park Systems. Park Systems is a global leader in the development, manufacture and distribution of nano measurement equipment including atomic force microscopes (AFMs). AFMS allow for the measurement of micro/nano-structures in high resolution images, and Park Systems has unique competitive advantages in the semiconductor industry, where for leading-edge EUV processes they are the global monopoly with nearly 100% market share. The company has two business segments for its measurement solutions: Research (30% of sales) and Industrial (65% of sales). Their overall AFM market share globally across segments is 20.3%, compared to #2 Bruker at 18.8%.

During our visit, we were encouraged to learn that new orders have been picking up significantly (up 20% YoY compared to the same period last year) as semiconductor CAPEX has begun to ramp up. New demand is coming primarily from TSMC (Taiwan), US, Chinese capacity building, and new orders in Europe. The launch of NX Mask ($2.5M ASP) compared to NX Wafer ($1.5M ASP) is improving product mix, and TSMC is ramping up new orders of NX Mask which is a key milestone.

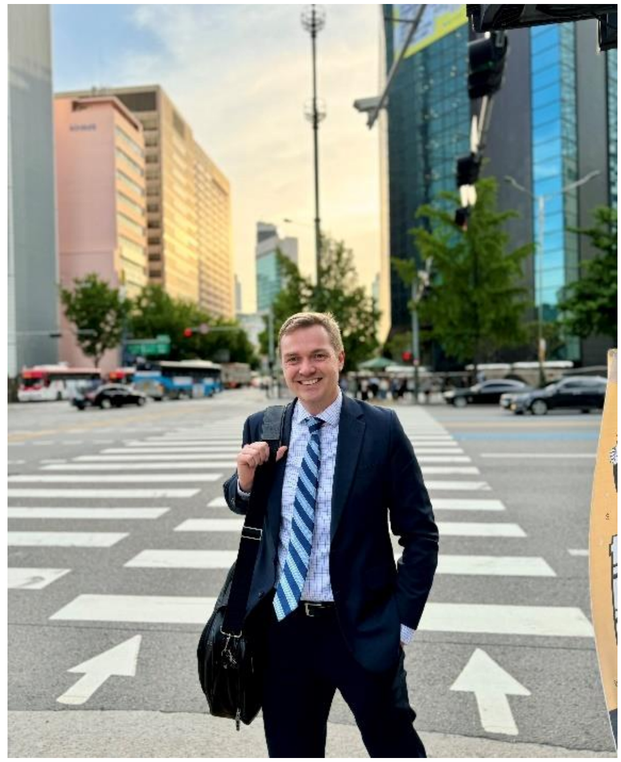
We've seen some recent pressures on SG&A costs, but Park Systems explained that it was due to the ramp up of R&D engineers, due to increased demand, which is positive for long-term profit growth. New products launch of Hybrid DLI, would given them the high speed of an optical microscope with the high resolution of an atomic force microscope, and would further increase their ASP.

They are also in the process of doubling their manufacturing capacity, which would allow them to reach their target of W400B of revenue by 2027 (compared to W145B in 2023).

Overall,we found it to be a very promising outlook and productive visit to the headquarters of Park Systems in Korea.



Pictured: James Fletcher with Park Systems VP of Finance, Jackey Chung, Pie Chart as of 3/31/2024



Pictured: James Fletcher with KINX and in Seoul, Korea

China / HK: Investor interest is rising, but further fundamental and policy support is needed

TIM ZHANG, CFA
Research Analyst

Takeaways:

In May 2024, Macquarie hosted its prestigious Asia Conference, drawing in influential leaders from various industries and fostering thought-provoking dialogues. Our research team, including James Fletcher, Tim Zhang, and Benjamin Sain, had the opportunity to attend and engage with management teams from our portfolio and watchlist companies as well as some Asia investors. This event provided valuable perspectives and networking opportunities that will undoubtedly benefit our market understanding and investment strategy moving forward. Following the Macquarie conference, Tim embarked on a two-day consumer and education tour in Beijing, engaged with executives from listed companies in these sectors. These corporate meetings provide us with on-the-ground color on China's economic situation.

Compared to the widespread pessimism among investors when attending the JPM China Summit last year, this year it was evident that foreign interest and even foreign capital have at least returned to a neutral stance towards Chinese assets, attempting to find structural opportunities amidst the economic recovery. However, it is worth mentioning that after conversing with a number of corporate management teams and investors, the challenges facing China in the short to medium term remain, and the market's confidence in economic recovery and policy stability still requires more time. Overall, throughout our meetings in Hong Kong and Beijing and conversations with institutional investors during the trip, we came away with the following general observations:

Lowered growth expectations amid macro pressure, but long-term confidence remains. For short-term performance, company management generally maintains a conservative outlook, citing continued pressure from weak consumer demand and a slowing economy. However, they remain confident in their long-term growth prospects and are making various efforts to drive growth.

Limited impact of real estate policies: a call for consumer support. Since the second half of last year, supportive policies have been primarily focused on the real estate sector. These include easing home purchase restrictions, lowering down payment ratios, and cutting mortgage rates. Yet, their impact has been insignificant. These supply-side focused policies are not enough; the market seeks more support for households and consumer demand to stabilize the housing market and enhance spending.

Oversupply Challenges are Real. Excess supply across various industries, including new energy vehicles, photovoltaics, and some traditional sectors, presents a genuine challenge. This situation has significantly intensified market competition and eroded corporate earnings. In response, the market favors businesses with innovative products, international expansion, and enhanced operational efficiency. In our investment research, we vigilantly monitor any competitive shifts and exercise more prudence in valuation.

Growing investor demand for enhanced shareholder returns. Amid a backdrop of slowing economic and corporate growth, investors urge listed firms to bolster shareholder returns. In our meetings with corporate executives, capital allocation is an important topic, with calls for prudent spending and expansion. Investors also push for increased buybacks and dividends. Anticipating further interest rate cuts, core assets in China with excellent shareholder returns are likely to remain in demand.

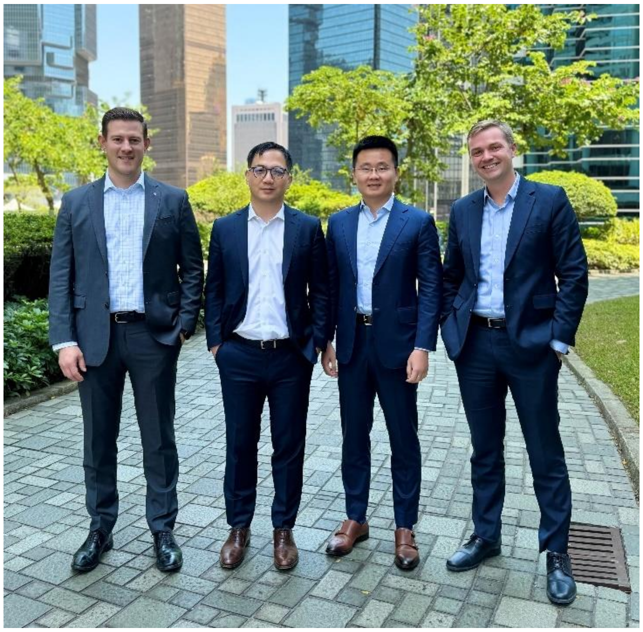
Future policymaking to mitigate impact on capital markets. Chinese leaders have acknowledged the unintended harms of past policies to capital markets, including those in real estate, education, and tech sectors that aimed at public welfare. A special task force has been formed to review new policies, ensuring they are crafted with careful consideration for their impact on market confidence. The upcoming Central Committee 3rd Plenary Session in July is key, with investors eyeing policy shifts and genuine commitment from the leadership to support market stability.

Company Highlight: Centre Testing

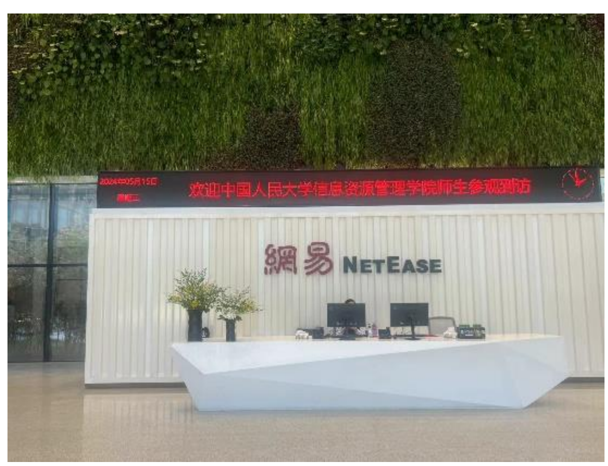
FY23 results were impacted by the loss of Covid-related revenues, but without those, revenue growth would have been 15% (reported 9%). The consumer and industrial segments grew by 20%. The trade segment’s growth was limited by reduced demand for airport disinfection services but would have been 10% otherwise. In 1Q24, Life Science grew robustly by 20%, and the food segment also saw a strong recovery. The industrial segment continued its solid growth. Despite challenges in the medical segment, new projects are promising. The company targets 15% revenue growth for the year, driven by Life Science and Industrial segments, and plans to expand capacity in existing labs to enhance operating leverage.

Watchlist Company Highlight: Poya International

We had the opportunity to meet with the CEO and the Finance Director of a Taiwanese cosmetic beauty retail chain that had been on our watchlist. Following the meeting, we decided to officially initiate coverage on the company. We were impressed by their long track record of store growth and high profitability, guidance to grow same-store sales by 4% and achieve double-digit earnings growth this year, the significant headroom for future store expansion, as well as their robust competitive position in the local market for beauty products. Additionally, we appreciate the company's exploration of new store formats to drive growth and continuous focus on enhancing operating efficiency.



Pictures: Company Visits - Beijing Education and Consumer Tour

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联合丽格第二医疗美容医院
Second BCC Plastic Surgery Hospital


TAL 好未来


TAL 好未来
学而思国际


luckin coffee


STARBUCKS COFFEE
星巴克咖啡

Philippines: Cautiously Optimistic

BENJAMIN SAIN
Senior Research Analyst

Takeaways:

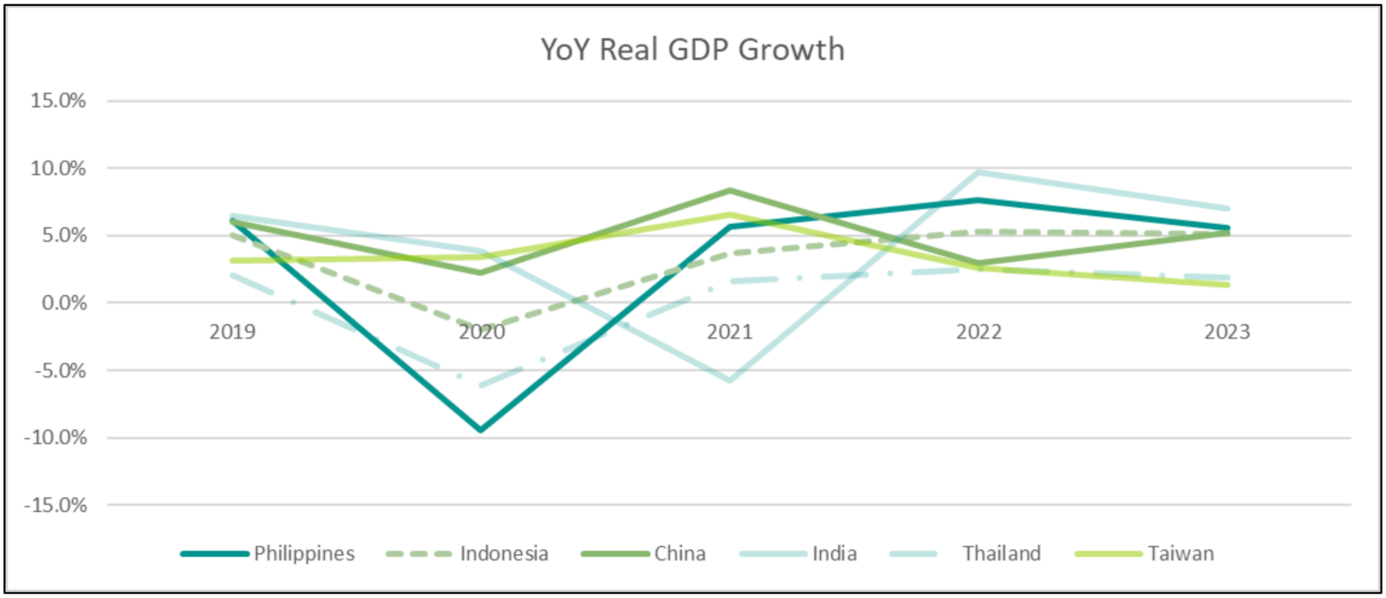
As part of a broader SE Asia tour, our travel took us to the Philippines. While our visit was short due to various restrictions and logistics with other countries, our team managed to accomplish a lot; company meetings, site visits, trade shows, and even met a company that hasn't spoken to investors since 1998. For some members of the team, the country was very familiar but for others, this was a first and insightful experience.

We believe the best way to describe the overall feeling in the Philippines, based on interactions with companies and locals, is Cautiously Optimistic. The country is dealing with high inflation, a weakening currency, and a growing fiscal deficit. The impact of the currency was particularly apparent as foreigners in everyday food and transportation services. However, coming out of the global pandemic, real GDP growth has been positive (seeing one of the highest rebounds in EMs), and remittances have remained resilient. Unemployment has continued to fall and while corporations face increasing competition from abroad, many expressed confidence in their positioning.

Our time in the Philippines was limited to the city of Manila, and one of the country's issues that was freshly experienced by our team was congestion. The two main ports in Manila are at full capacity. Transportation is one of the biggest expenses for companies here, and during one of our trips, it took our team nearly 90min to travel 5 miles. While this issue isn't new, we highlight the limiting factor it will be for the economy's development, and while the country's current administration is continuing the pace of investment set by his predecessor's "Build, Build, Build" plan, this pace of spending only brings the country in line with that of regional peers. Given the decades of under-investment, more may be needed.

Growth expectations remain high. The Philippine economy was hit hard during the global pandemic with the country's GDP falling -9.5% in real terms – the most of any EM country in the region (see chart below)[1] s such the rebound has also been strong, and some economic forecasts have GDP reaching $1tn USD by 2030.

[1] Bloomberg



Source: Bloomberg

Wages have also experienced strong growth with average wages rising from around $1,000 USD in the early 2000s to around $3,500 in 2022, a rate of ~5.9% annually which is expected to increase over the next 8 years.

We believe the country's growing IT-BPO industry should help support this growth. One thing that sets the Philippines apart vs. other EM countries is their fluency in English. We've long held the assumption that IT Service companies would do well building a presence here given the country's well-educated workforce, relatively young work force and English capabilities. In one of our meetings with a major developer and real estate operator, we learned that their commercial property portfolio has actually been very resilient in spite of global trends of lower demand due to the growth of remote work culture. The main reason for this was the growth they've seen from BPO clients. These clients tend to take more office space and now represent roughly 75-80% of the company's GLA (gross leasable area).

Foreign competition but local leaders maintaining share. Competition and its changing dynamics is one of the central discussions we have with our companies. We also keep an eye out for evidence that can be seen or heard as we travel to and from meetings. In our meeting with RFM Corp, a leading local manufacturer in the food and beverage space which owns the country's leading Ice Cream brand Selecta, it was interesting to hear how the ice cream industry of Indonesia had been heavily disrupted by a company out of Singapore. The company has taken significant market share with sharp pricing discounts and a catchy slogan, "Have an ICE day". With RFM Corp themselves aiming to be a "democratizer of global brands", the company has been able to fend off competition and maintain market share by replicating global brands and offering similar products for much less. With their current scale, we believe it would be difficult and costly for other competitors to enter the market and try to copy RFM's strategy.

Another highlight of the trip was our meeting with Wilcon Depot – a local leader in home improvement retail. The company has been focused on the middle- and upper-income levels within the country. They've also successfully managed the growth in both in-house and exclusive brands, leading to a gross margin of close to 40%. Currently, the company aims to enhance their current offering with a concept that focuses on smaller stores closer to the homeowner. While still early stages, these stores, branded “Do-it-Wilcon” offer strong unit economics and put the company into more direct competition with the traditional retail channel. This could be a significant opportunity for Wilcon as this retail channel is highly fragmented and does not have the same sourcing and operational capabilities. We don’t think it would take much for Wilcon to significantly take market share away from this segment of mom & pop peers.

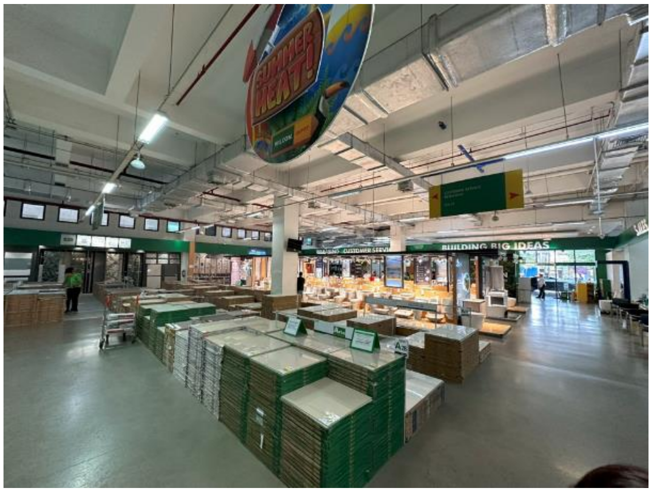
Sometimes, the best companies are those that don’t want to speak with investors. We came across a company called Asian Terminals Inc. (ATI) some time back as we were screening for companies. ATI operates ports in the Philippines, a great business with extremely high barriers to entry (intense capital requirements, economies of scale, geographic constraints). We were intrigued by the business and their fundamental performance. However, every attempt we made to contact the company was met with radio silence. In speaking with one of our brokers, we were informed that the last time ATI spoke with them was back in 1998 – almost 3 decades ago!

While not the best corporate governance practice, we have found that some of the best run companies are those that don’t like meeting with investors. Often, this is because they don’t need capital and are just focused on operating their business. In ATI’s case, the company has a net-cash balance sheet and has grown earnings at a 14% CAGR over the past 10 years. They generate an 18% FCF yield and a payout of roughly 50%. We took the gamble of heading to their HQ on a Saturday but managed our way in and were fortunate to meet with one of their senior managers. We were able to have a brief meeting in which the manager shared that their current port in Manila was at 100% capacity and struggled with transportation costs due to the cities congestion but that they also have a port in Batangas which is located in the southwest part of Luzon. Here, they currently operate 250k tons of cargo but have the capacity to expand to 1.2million (same as their Manila capacity) over time. They also have a great partner in DP World a major international logistics company based out of the UAE. This partnership has given ATI access to greater technical capabilities, global connections, and a strong capital partner.

Conclusion:

We love the Philippines for its resilient companies and wonderful people. The country hasn’t performed as other EM countries of late and we find that valuations remain compelling. The growth outlook for the country is quite strong and we are hopeful that this growth will materialize. Unlike so many other EM economies, the Philippines have a young, educated, and large work force. However, we remain cautious. The country has limited natural resources and growth is highly dependent on consumption spending. We also worry about decades of underinvestment in infrastructure and if current budgets are enough to remedy the heavy congestion. These issues are not new and we believe have made the companies operating here more resilient.

Pictures: Company Visits – Manila, Philippines



Tiles and sanitary ware along with interactive product display. Wilcon boasts ~52% private label or exclusive brands.

PopCola – earlier RFM brand with dominant market share. Sold to Coka Cola. Jollibee, full on a Saturday.

James and Benjamin with RFM CFO Oliver Rey-Matias discussing the company's history

Pictured: Wilcon Depot Mgmt team and BYU Pathway students

Pictured: Attending a Supermarket Trade Show in Manila

Pictured: Store and Mall Visits in Philippines

Pictured: Asian Terminals company visit

ETHOS
Investment Management

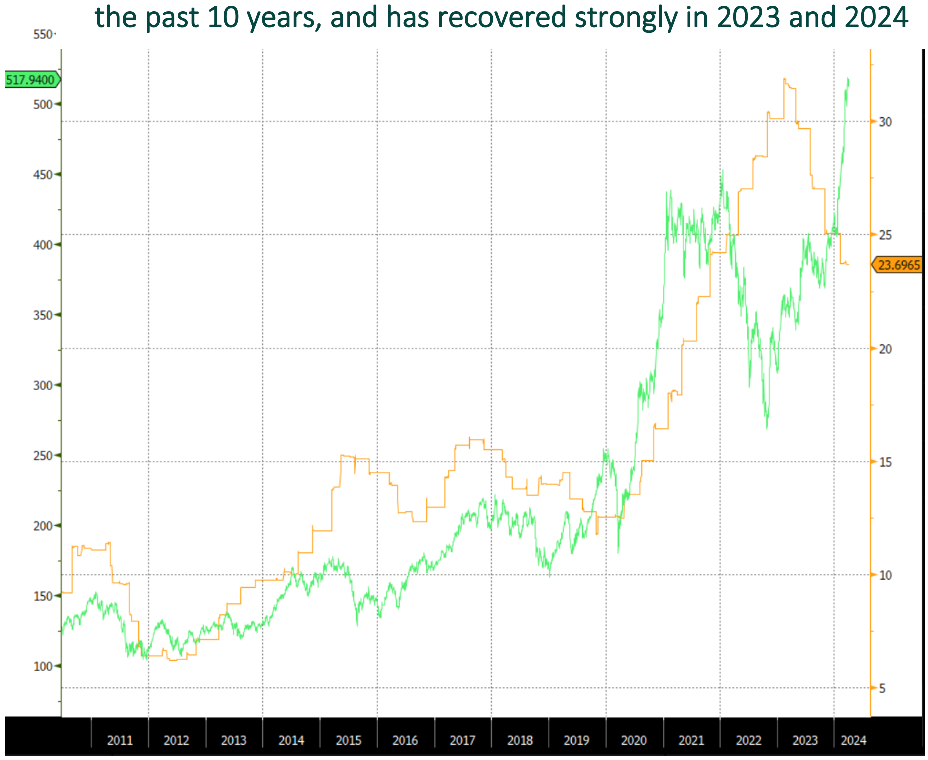
Taiwan: Excellent, well-run businesses in a changing world

JAMES FLETCHER, CFA
Founder & Portfolio Manager

Takeaways:

During our trip to Taiwan, we checked up on many of our existing holdings and met with some Watchlist companies. Overall, the corporate outlook seemed positive, especially around the tech sector. Taiwan's economy is driven by its strong tech sector ecosystem and entrepreneurial culture. It possesses some of the strongest management teams found within emerging markets. Geopolitical risks are now part of the conversation and companies are actively building capacity both inside and outside of greater China, to mitigate potential long-term threats.

Taiwan's Tech Industry has had a total return of 14.5% p.a. over the past 10 years, and has recovered strongly in 2023 and 2024



This trip reinforced our confidence in our Taiwanese holdings, with notable companies like Chief Telecom and Elite Materials showcasing strong market positions and expansion plans. Companies maintained their positive long-term outlook for our portfolio companies that continue to grow their earnings and cash flows. Our interactions with management teams highlighted their expertise, entrepreneurial spirit, and focus on shareholder returns (our Taiwanese companies prioritize shareholder returns, with an average dividend payout ratio exceeding 70% in fiscal year 2023). We anticipate this high level of cash generation and dividend payouts going forward.

Our Taiwanese companies stand out from their deep industry expertise and a cautious approach to expansion, prioritizing returns, and profitability. They are committed to long-term growth despite short-term challenges, and are adaptable to building new capacity, innovating where necessary, and adapting store formats where necessary.

Company Highlight: Elite Material Co.

James with Robert Chuang, CFO of Elite Materials

Elite Material is a great example of what can make Taiwanese businesses special. They are entrepreneurial, adaptable, and world-class in terms of innovation and corporate governance. We met with CFO Robert Chuang and got a comprehensive update for the company.

Ten years ago, Elite Materials was a rather average manufacturer of copper clad laminate (CCL) substrate for semiconductor chips, trying to compete with Japanese powerhouses.

- They invested in R&D and moved up the technology curve, and now dominate every major sector (AI servers, smartphones, autos) in high end CCL with over 50% global share.

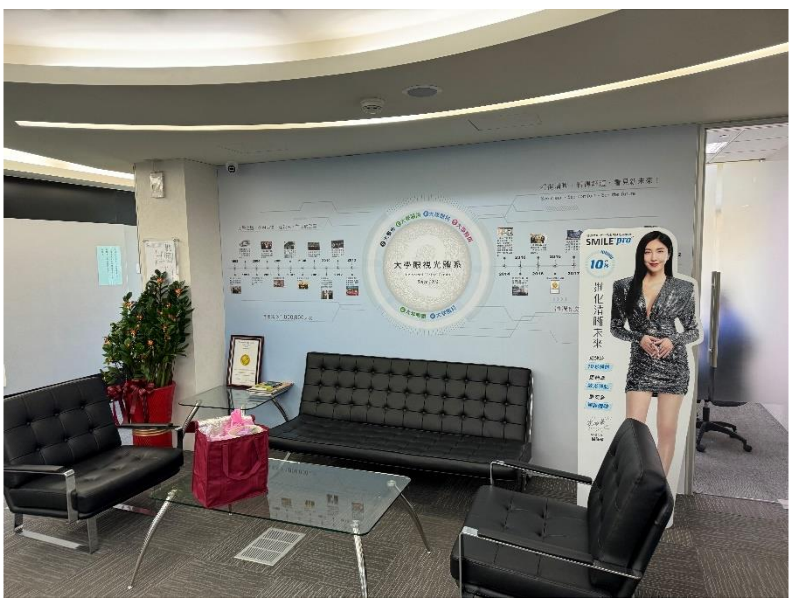
- They excelled in customer service, expanding capacity quickly to match customers demand with better prices.

- They were adaptable, building capacity where their customers requested in countries like Malaysia.

- They were exemplary with regards to governance, dividends, and shareholder treatment, paying out nearly 100% of free cash flow each year.

The result? Ten years later both profits and stock returns for EMC have grown more than 10x! And after our recent meeting, we believe the outlook is brighter than ever. They recently increased their CAPEX guidance for 2024 from NT5B to NT8.4B, because demand from customers has been stronger than expected, especially led by AI servers coming from NVIDIA, AMD, and Amazon.

Pictured: Chief Telecom mgmt. team, Universal Vision and store visits



Indonesia: Further Growth on the Horizon

BENJAMIN SAIN
Senior Research Analyst

Takeaways:

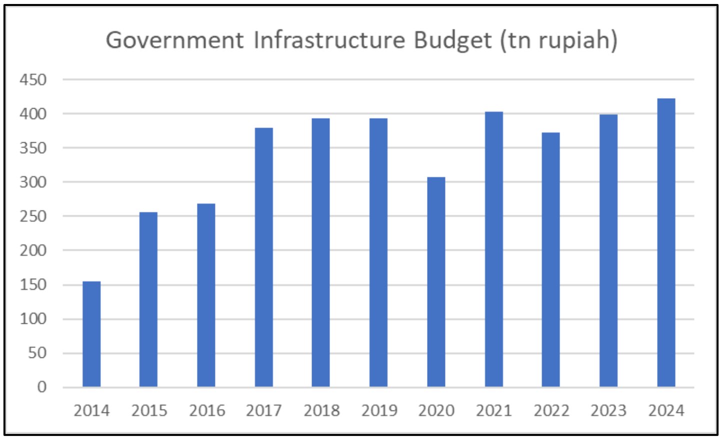
After time in Hong Kong, China, and the Philippines, our team made its way to Indonesia. The country is home to over 275 million people and in many ways feels more developed vs. SE Asia peers. During our time in the countrywe met with 15 companies and a number of local analysts, which gave us a great perspective in regards to the current economic landscape. Indonesia recently held their General Elections earlier in the year with the presidency seat shifting to a different party. Coming out of the global pandemic, while the country as a whole has seen solid economic growth, those of the lower income class have struggled. This is leading to raised levels of household debt and weak demand among this population subset. However, we remain optimistic regarding Indonesia. The country is replete with natural resources and we believe the past government's focus on infostructure and education should serve as a strong backdrop for future economic growth.

Elections, Policy, and Promises of Future Growth

The General Elections of 2024 were somewhat unique and caused some stagnation across many industries as companies awaited the outcome. Many of the companies we met with spoke of customers holding off on orders or weakening demand from consumers during these early parts of the year. The elections were a bit unique for a few reasons. First, the outgoing president, Joko Widodo, had served for two terms and is exiting his second term with an approval rating of nearly 80%. Adding to his populus appeal was his lack of political or military background, and perceived lack of corruption. Near the end of his tenure as president, however, he broke ties with his current political party by supporting former rival Prabowo Subianto, who eventually won the 2024 election.

Many see President's Widodo's tenure as a success which saw GDP growth maintain above 5% annually; infrastructure investment jump from roughly Rp 150bn to 400bn; and the country's current account surplus move positive.[2]

[2] Financial Times, Indonesia's Ministry of Finance



The rise in the current account has stemmed from bans on commodity exports which drove Foreign direct investment (FDI) and has helped Indonesia develop industrial supply chains for value added products. However, the overall stock market and currency have not reacted as favorably. Over Widodo's presidency, the Jakarta Composite Index has risen by about 3 percent annually while the Indonesian Rupiah has devalued vs. the US Dollar to the tune of about 28 percent.[3] The country's president-elect has vocally given support for his predecessor's policies and stated that he will continue investing into infrastructure and education. He's also stated that he will be looking to improve upon the country's economic growth, targeting an ambitious 8% over the next 5 years. We believe the investments made should help spur further FDI and could very well help the economy deliver on growth. Commodity pricing will play an impact but the move to develop the country's ability to drive investments and increase the value of their exports should help less this risk vs. years past and gives us excitement as the economic growth should lead to better market and currency performance.

The incoming president has also promised a renewed focus on low-income housing. In years past, the country's government has made promises of 1m new low-income housing per year. While some years may have reached a level of around 600-700k, in the two years running up to elections, the number has dropped significantly. The promise of 3m houses would help the country get back on track of addressing the low-income housing deficit and in our view should be a boon for local companies like PT Arwana Citramulia, a manufacturer of both high and low-income tile flooring. As the local market leader in "red-body" tile, Arwana should benefit from a pick-up in housing development. Our discussion with management also highlighted additional dynamics such as import tariffs against Chinese manufacturers; manufacturing expansion for high value-add products; and investments to modernize existing capacity which should further improve the company's competitive positioning.

Lower Income Segment Remains Weak

Our visit also helped to highlight some potential risks stemming from weakness in the country's lower-income consumer. Coming out of the global-pandemic, much of the growth has been driven by the middle and upper-middle classes. For those in lower-income tiers, shutdowns and high inflation have been a harder impact and indebtedness in this cohort has risen. Those catering to this economic segment have seen weakness in demand and in some cases, has caused the companies to make a shift in their strategy. PT Avia Avian, a local producer of paints and specialty coatings, found that they had to readdress their premiumization strategy. After an initial boost driven by people staying at home, the company experienced weakening sales. Instead of pushing higher into the premium end of the paints market, company has had

[3] Bloomberg

to reposition their strategy, adding more value-based products to their brands lines, PT BFI Finance also highlighted the weakening of the lower-income base as they've seen diminished demand, higher costs of credit both stemming from their view of an over-levered end-market over the past 18 months.

Conclusion:

Indonesia has seen a lot of investment and solid growth over the past decade and while GDP growth and FDI has improved, company valuations and the local currency haven't kept the same pace. We believe these improvements should continue to flow through the fundamentals of local businesses and help drive equity returns. Commentary from the new president has been complementary to his predecessor's policies which should lead to increased commerce as the local markets move past their election-driven pause. We find it concerning to hear about weakness in the lower-income population and hope that the new government takes the steps needed to address the rise of indebtedness. We were able to meet with some great companies and we're excited about the country's continued growth.

Pictures: Company Visits - Indonesia

Jakarta Traffic

Image from our car – unlike our recent experiences in the Philippines and India, traffic here was orderly. You can see the distinct lanes formed with scooters and passenger vehicles. Stoplights as well. While there was traffic, it flowed and had order. The buffer we added into our schedule to allow for traffic was serially overly estimated by 20-30min on average – we were early for every meeting!

Ace Hardware Visits

This is one of the three ACE Hardware stores we were able to visit. Unlike the Ace Hardware in the USA and other markets, Indonesia's is more focused on house-goods and very little on traditional DIY. Instead, investors should think more like a combination a Walmart (ex-groceries and clothing) combined with a Bed, Bath, and Beyond. While the company was slow to adopt an online/digital strategy, they have developed a very strong array of inhouse brands which constitute 70% of their sales.

Mr DIY – Indonesia

Often seen as a competitor for ACE Hardware, we found Mr. DIY stores to be much smaller in scale with little overlap of SKUs with ACE.

Selamat Sempurna

It was a pleasure meeting with Lidiana Widojo (IR) and Ang Pribadi (Director). The company specializes in automotive and industrial filters. Their business has directly been impacted by the geopolitical tensions with Russia and China due to currency restrictions, but continues to maintain a discipline for long-term value creation.

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