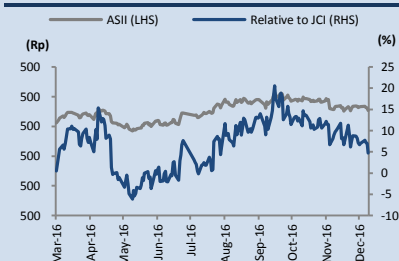


Monday, December 19, 2016

NEUTRAL**ASII relative to JCI Index**

Automotive Sector

November 2016: The highest monthly car sales in 2016

Domestic car sales reached 99,935 units in November 2016, the highest monthly sales volume in 2016, up from 91,990 units in October 2016. Hence, on a cumulative basis, domestic car sales posted a 3.7% yoy increase to 974,780 units in 11M16. The increase in sales mainly owed to the launch of new popular car models during 8M16 which helped to offset the decline in the commercial car segment owing to the impact of lackluster commodity prices. The 11M16 sales figure is 91.6% of our full year forecast, i.e. in-line. We retain our Neutral stance on the automotive sector.

November 2016: higher domestic car sales

While there was a slight decline in consumer confidence in November (Danareksa Research Institute (DRI)'s consumer confidence index dipped to 99.3 from 99.5 in October), domestic monthly car sales nonetheless rose by 8.6% mom to 99,935 units in November 2016, the highest monthly car sales in 2016. Thanks to the launch of new popular car models during 8M16, the impact of weak commodity prices on the commercial car segment was mitigated. As a result, overall, domestic car sales managed to improve by 3.7% yoy to 974,780 units in 11M16 - or 91.6% of our full year forecast, i.e. in-line.

Honda reported the briskest car sales growth

While Honda's monthly car sales fell by 3.4% mom to 16,501 units in November 2016, they were up by 25.8% yoy at 185,438 units on a cumulative basis in 11M16, the highest growth in the industry. Honda's strong sales came on the back of the launch of Honda BR-V in addition to solid sales of Honda HR-V (+18.5% yoy) and Brio Satya (+15.3% yoy). As a result, Honda's market share improved to 19.0% in 11M16 from 15.7% in 11M15.

Toyota reported the second-highest car sales growth

On the back of the aggressive launch of popular car models in the period from November 2015 to August 2016 - including Kijang Innova, Fortuner, Sienta and Calya (the 7-seater LCGC) - Toyota managed to record the second-highest car sales growth in 11M16 at 16.6% yoy. As a result, Toyota's market share rose to 36.0% in 11M16 from 32.0% in 11M15.

ASII's market share also improved

As Daihatsu's sales climbed 11.9% yoy thanks to the launch of the 7-seater LCGC Daihatsu Siga, Daihatsu's market share increased to 17.8% in 11M16 from 16.5% in 11M15. Including Toyota, ASII's market share increased to 55.4% in 11M16 from 50.4% in 11M15, with ASII's share of the LCGC market rising to 68.5% in 11M16 from 55.9% in 11M15.

Motorcycle sales slump 7.8% yoy in 11M16

Domestic motorcycle sales were flat in November 2016, reaching 570,923 units. However, on a cumulative basis, domestic motorcycle sales still fell by 7.8% yoy to 5.5mn units in 11M16 given weak purchasing power. The 11M16 sales figure is 88.6% of our full year forecast of 6.2mn units - i.e. slightly below our expectation. Honda remains the market leader in the domestic motorcycle market with market share of 74% in 11M16, up from 69% in 11M15.

We remain Neutral on the automotive sector

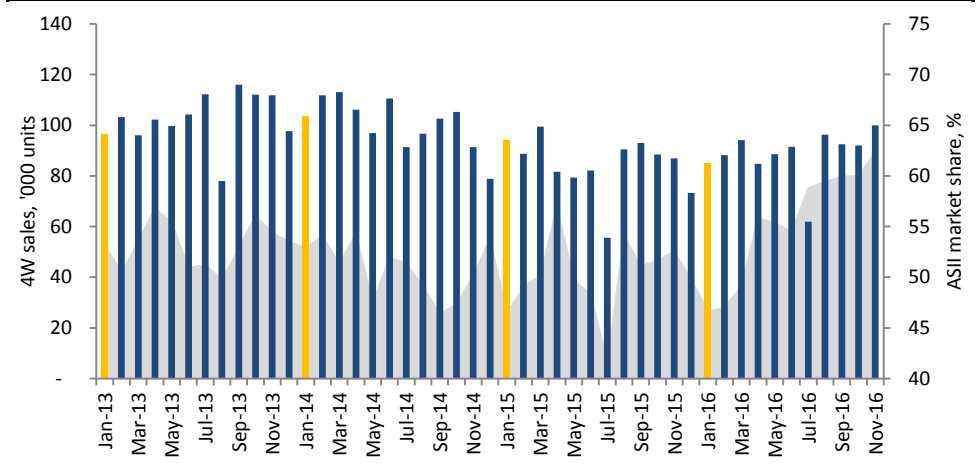
We maintain our Neutral recommendation on the automotive sector even though the recent uptick in commodity prices may give a timely boost to domestic car and motorcycle sales. For 2017, we maintain our conservative sales volume growth estimate of only 5% yoy given that moderate economic growth will likely limit further growth in domestic car sales.

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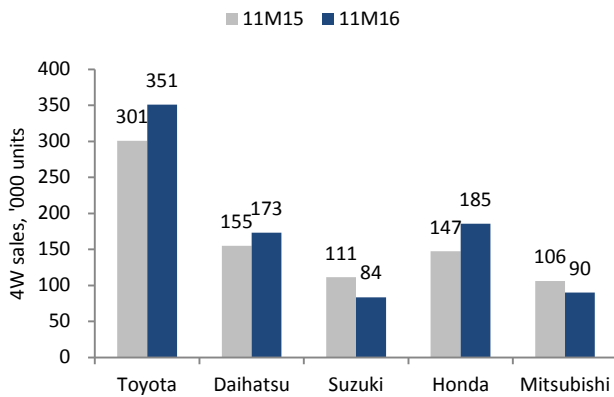
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Exhibit 1. Sturdy monthly automotive sales volume



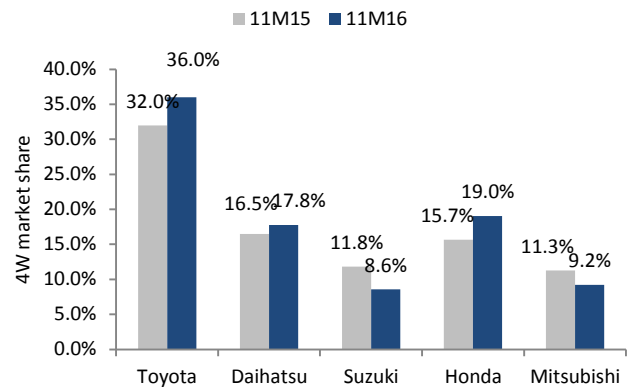
Source: Gaikindo, Astra International

Exhibit 2. Car sales volume by brand



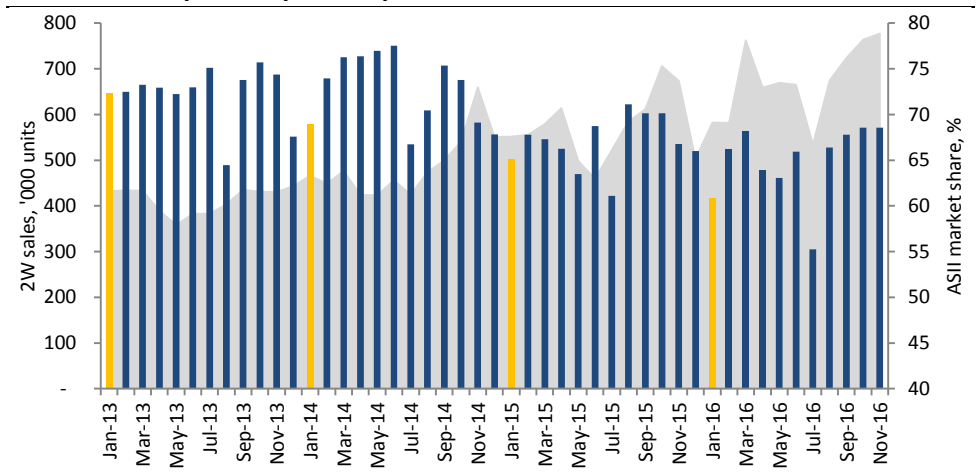
Source: Gaikindo, Astra International

Exhibit 3. Market share by brand



Source: Gaikindo, Astra International

Exhibit 4. Steady monthly motorcycle sales volume in November 2016



Source: AISI, Astra International

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