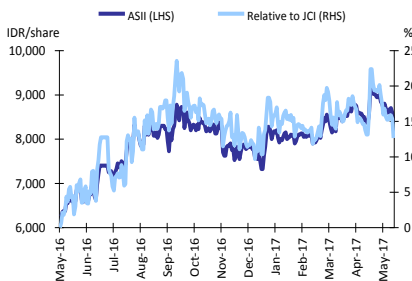


Thursday, 18 May 2017

ASII relative to JCI Index



## Automotive Sector

### April 2017: Weak monthly car sales

Gaikindo reported domestic car sales of 89,588 units in April 2017 (-12.5% mom, but +5.6% yoy). Cumulatively, domestic car sales rose by 6.1% yoy to 373,407 units in 4M17 with the LCGC segment posting the strongest growth of 52% yoy to 84,087 units. The April sales figure is within our expectation. With moderate economic growth, we expect mild growth in domestic car sales of 5% yoy in 2017. We remain Neutral on the automotive sector.

**April 2017: Fewer working days led to lower monthly sales.** Domestic car sales dropped by 12.5% mom to 89,588 units in April. The decline owed to fewer working days. The lower sales were also in-line with the weaker consumer confidence (Danareksa Research Institute's consumer confidence index fell to 97.6 in April 2017 from 98.3 in the previous month). Cumulatively, however, domestic car sales improved by 6.1% yoy to 373,407 units in 4M17 with the LCGC segment posting the strongest growth of 52.2% yoy to 84,087 units. Following the recent motor show, where 11,604 cars and motorcycles were sold, coupled with positive sentiment ahead of Lebaran, we expect better monthly car sales in May 2016.

**LCGC to boost Toyota and Daihatsu sales.** Toyota reported the highest car sales growth of 26.3% yoy to 141,051 units in 4M16. Sales were boosted by the launch of the 7-seater LCGC car, Toyota Calya, as well as the aggressive launching of other Toyota models in 2016. As such, Toyota managed to improve its market share to 37.8% in 4M17 from 31.7% in 4M16. Meanwhile, Daihatsu sales rose by 14.8% yoy to 65,265 units, supported by the launch of the 7-seater LCGC Daihatsu Siga. With ASII's LCGC sales almost doubling (+94.2% yoy), ASII's market share increased to 56.7% in 4M17 from 49.4% in 4M16. In 2017, we expect ASII's market share to improve slightly to around 56% from 55% in 2016.

**Lower non-Astra sales.** Non-Astra domestic car sales declined by 9.1% yoy in 4M17 with three non-Astra leading brands - Honda, Suzuki and Mitsubishi - recording lower sales of 7.0% yoy, 6.3% yoy and 4.7% yoy, respectively. Although Honda's market share dropped to 18.1% in 4M17 from 20.7% in 4M16, the brand still has the second-largest market share after Toyota.

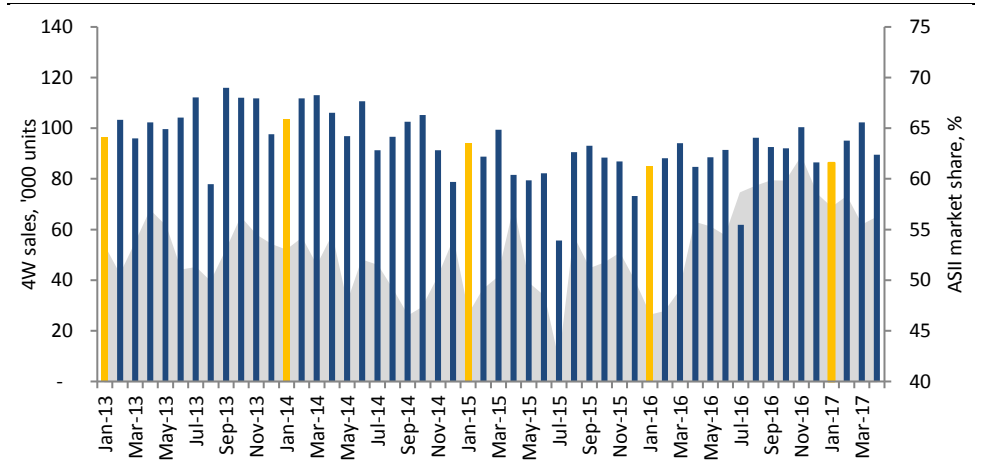
**Motorcycle sales remain weak.** Domestic motorcycle sales declined by 18.1% mom to 388,045 units in April 2017. With higher administrative fees for vehicle licenses and lower discounts, on a cumulative basis, motorcycle sales declined by 9.7% yoy to 1.79mn units in 4M17. Also, weaker consumer confidence has hit low-income consumers. Honda motorcycles remain the market leader with 75.3% market share. With consumer purchasing power remaining lackluster, domestic motorcycle sales are expected to remain weak in 2017.

**We remain Neutral on the automotive sector** even though rising commodity prices are helping to improve demand for both cars and motorcycles. As such, we maintain our conservative domestic car sales volume growth target of only 5.0% yoy for 2017, noting that moderate economic growth of an estimated 5.1% yoy will have an impact on consumer purchasing power. This will restrict further growth in domestic car sales.

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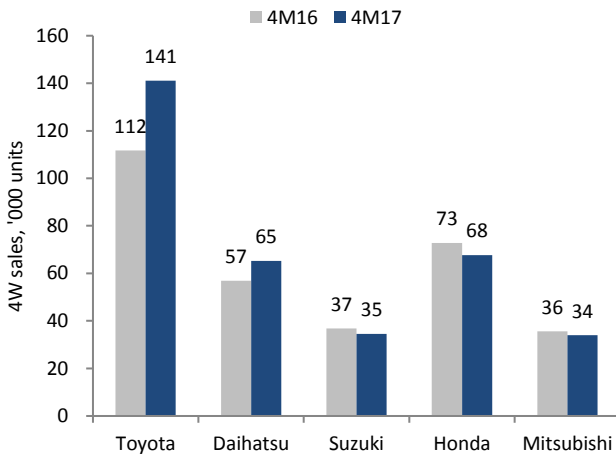
Company	Ticker	Rec	Price, Rp	Target Price, Rp	Market Cap, Rpbn	EPS Growth, %		P/E, x		P/B, x		EV/EBITDA, x		ROE, %
						2017F	2018F	2017F	2018F	2017F	2018F	2017F	2018F	
Astra International	ASII	HOLD	8,350	9,000	338,038	25.2	16.0	17.8	15.4	2.2	2.0	12.9	10.9	12.2

**Exhibit 1. Weak car sales in April 2017**



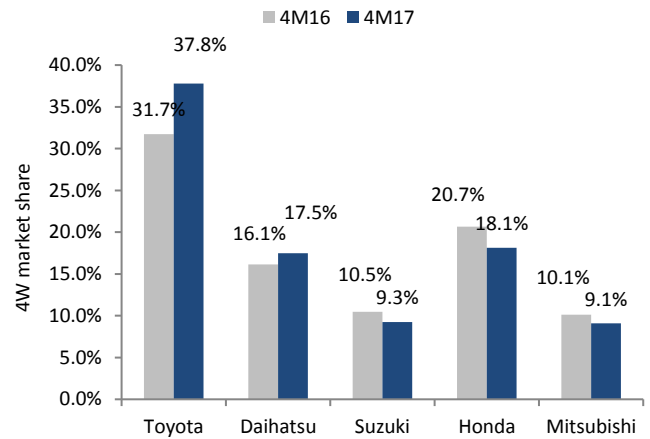
Source: Gaikindo, Astra International

**Exhibit 2. Car sales volume by brand**



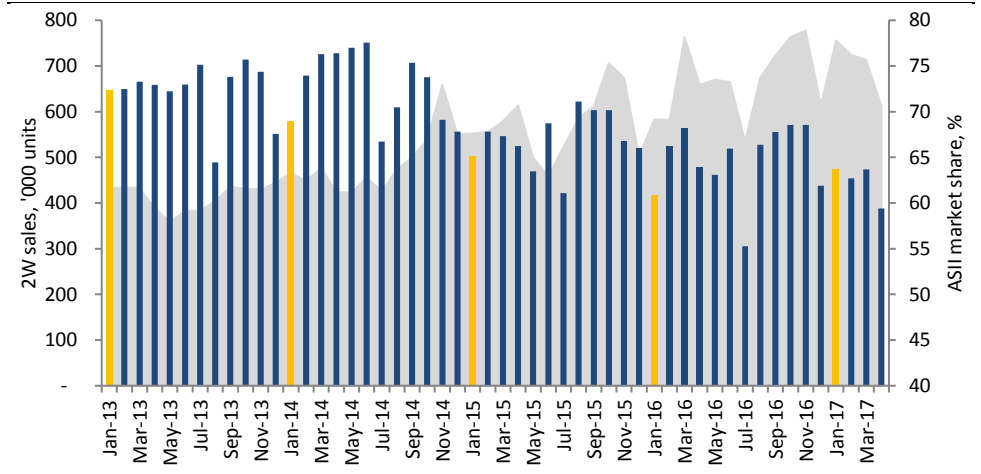
Source: Gaikindo, Astra International, Various sources

**Exhibit 3. Market share by brand**



Source: Gaikindo, Astra International, Various sources

**Exhibit 3. Domestic motorcycle sales volume**



Source: AISI, Astra International

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