

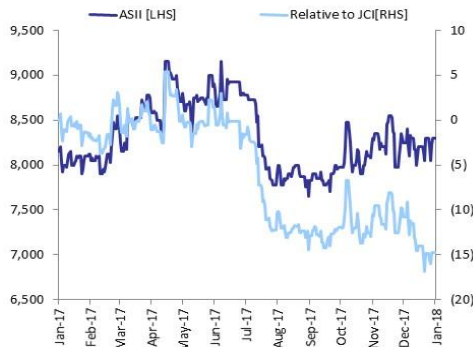
Wednesday, 10 January 2018

NEUTRAL

Automotive

Motorcycle sales set to recover in 2018

ASII relative to JCI Index



Source : Bloomberg

The Indonesian Motorcycles Industry Association (AISI) said that motorcycle sales reached 415,996 units (-24.4% mom, -5.0% yoy) in December 2017. Cumulatively, sales slipped 0.8% yoy to 5.89mn units in 2017. In 2018, AISI is anticipating a recovery in motorcycles sales of 2 – 3% yoy to 6.0 – 6.1mn units. We maintain our Neutral stance on the automotive sector given the intensifying competition in the 4W market.

Seasonally weak motorcycle sales in December 2017. Based on data from the Indonesian Motorcycles Industry Association (AISI), motorcycle sales fell to 415,996 units (-24.4% mom, -5.0% yoy) in December 2017. The monthly decline was mainly due to seasonality as sales at the end of the year typically weaken.

Slight decline in motorcycle sales in 2017. Motorcycle sales dipped 0.8% yoy to 5.89mn units in 2017. This was mainly attributable to weak sales in the first semester of 2017 following the implementation of government policies which increased electricity tariffs and the administrative fees for the issuance of motorcycle licenses. Nonetheless, the performance of motorcycle sales was still better than in 2016 when they declined 8.4% yoy. The motorcycle sales figure of 5.89mn units in 2017 is within our expectations.

Honda Motorcycle is still the biggest player. Only two brands reported growth in their sales volume. Suzuki Motorcycle reported the highest growth of 27.0% yoy to 72,191 units, followed by Honda Motorcycle whose sales edged up by 0.11% yoy. Sales of the other three brands, Yamaha, Kawasaki and TVS, all declined. Honda still has the largest market share at about 74.5% of the total market, followed by Yamaha with market share of 22.9%.

2018: Motorcycle sales set to recover. We expect a recovery in motorcycle sales of 5.0% yoy to 6.19mn units in 2018. Our estimate is slightly higher than the number from the association (AISI) which forecasts growth of 2 – 3% yoy to 6.0 – 6.1mn units in 2018. Optimism in higher motorcycle sales is grounded in the belief that the government will not raise either electricity tariffs or fuel prices.

Maintain Neutral on the automotive sector given that stiffer competition is expected from the launch of new models in the popular segments: LMPV and LSUV. In turn, this will increase the marketing expenses of automakers, which will diminish profitability. Our top pick in the sector is Astra International (ASII).



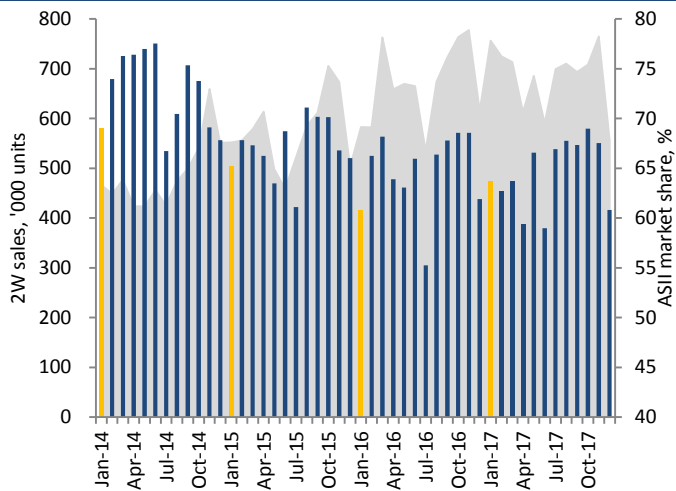
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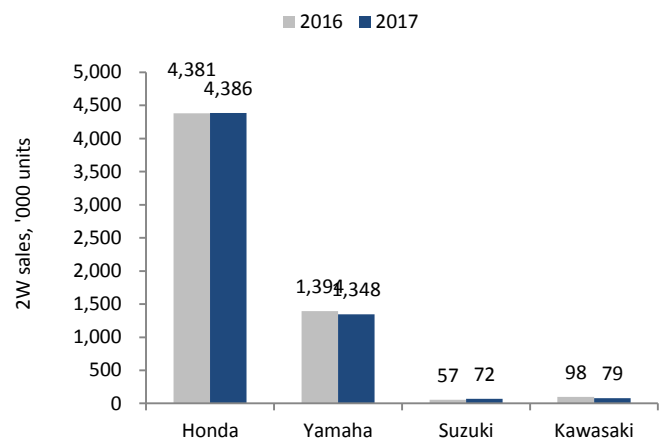
Company	Ticker	Rec	Target Price	Market Cap.	P/E (x)		P/BV (x)		ROE (%)
			(Rp)	(RpBn)	2017F	2018F	2017F	2018F	2018F
Astra	ASII IJ	BUY	9,200	336,013.5	17.8	16.0	2.7	2.5	16.3

Exhibit 1. Domestic Motorcycle Market



Source: AISI

Exhibit 2. Motorcycle Sales Volume by Brand



Source: AISI

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