

Wednesday, 18 July 2018

BUY
Maintain

Last price (IDR) 6,625
Target Price (IDR) 8,600
Upside/Downside +29.8%
Previous Target Price (IDR) 9,100

Stock Statistics

Sector Automotive
Bloomberg Ticker ASII IJ
No of Shrs (mn) 40,484
Mkt. Cap (IDRbn/USDmn) 268,204/18,654
Avg. daily T/O (IDRbn/USDmn) 237.3/16.5

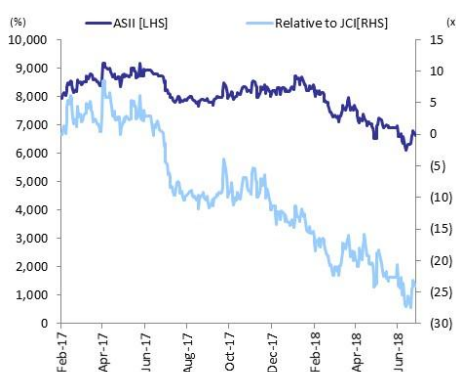
Major shareholders (%)

Jardine Cycle & Carriage 50.1
Estimated free float 49.9

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	487.3	531.5	571.0
Consensus	515.3	565.5	611.4
Danareksa/Cons	(5.4)	(6.0)	(6.6)

ASII relative to JCI Index



Source : Bloomberg



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Astra International (ASII IJ)

Decent upside following the correction

The tight competition in the domestic car market, marked by the launch of several models in popular segments, pushed down the market share of Astra International (ASII) to 48.5% in 1H18 from 53.6% in 2017. As we lower our estimate for ASII's market share in the 4W market to 49% in 2018 (from 50%), whilst also assigning lower PE multiples to the automotive division, we cut our target price to IDR8,600 (based on SOTP valuation). Given the share price correction of 20.2% ytd, the stock now trades at an undemanding valuation of -1.5SD offering 29.8% upside to our new target price. **Maintain BUY.**

Solid domestic car sales in 1H18. The fewer working days as a result of the Lebaran holidays is reflected in the lower domestic car sales in June 2018 of 58,837 units (-41.4% mom, -11.4% yoy). Nonetheless, in 1H18, domestic car sales remained solid with growth of 3.8% yoy to 553,757 units. The strong sales in 1H18 were underpinned by the launch of new models in the popular segments and strong commodity prices which boosted car sales in the commercial segments.

Tighter competition reduced ASII's 4W market share. While domestic car sales went up by 3.8% yoy overall, car sales under ASII (Toyota, Daihatsu, Isuzu and Peugeot) actually declined by 10.1% yoy in 1H18. As a result, ASII's market share slipped to 48.5% in 1H18 from 55.9% in 1H17. The recent launch of the Rush and Terios duo in the LSUV market helped to avert a further decline in ASII's market share. In 2018, we expect ASII's market share to reach around 49% or down from 54% in 2017. Thereafter, we expect ASII's market share to improve to 50% in 2019.

Lower ASII car sales to impact on the 2Q18 earnings from the auto business. Owing to fewer working days in 2Q18, ASII's car sales fell by 10.9% qoq. However, better quarterly motorcycle sales (+9.1% qoq) should help to avert a further decline in earnings from ASII's automotive division. In addition, ASII's earnings in 2Q18 should also be supported by solid expected performance of its heavy equipment and mining divisions.

Maintain BUY. Owing to the tight competition in the 4W market, we lower our market share assumption for ASII in the 4W market. As we also assigned lower PE multiples to the automotive division, we cut our target price to IDR8,600 (based on SOTP valuation). However, we maintain our BUY call as: a) the hefty share price correction of 20.2% ytd provides upside of 29.8% to our new target price and b) the stock trades at an undemanding valuation of -1.5SD and c) the heavy equipment and mining business should help to sustain earnings.

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	181,084	206,057	213,821	230,406	243,687
EBITDA (IDRbn)	24,219	27,371	29,099	31,747	34,644
EBITDA Growth (%)	(1.1)	13.0	6.3	9.1	9.1
Net profit (IDRbn)	15,156	18,881	19,727	21,517	23,114
EPS (IDR)	374.4	466.4	487.3	531.5	571.0
EPS growth (%)	4.8	24.6	4.5	9.1	7.4
BVPS (IDR)	2,765.3	3,054.2	3,308.3	3,596.2	3,901.4
DPS (IDR)	168.0	168.0	233.2	243.6	265.8
PER (x)	17.7	14.2	13.6	12.5	11.6
PBV (x)	2.4	2.2	2.0	1.8	1.7
Dividend yield (%)	2.5	2.5	3.5	3.7	4.0
EV/EBITDA (x)	12.8	11.4	10.3	9.4	8.5

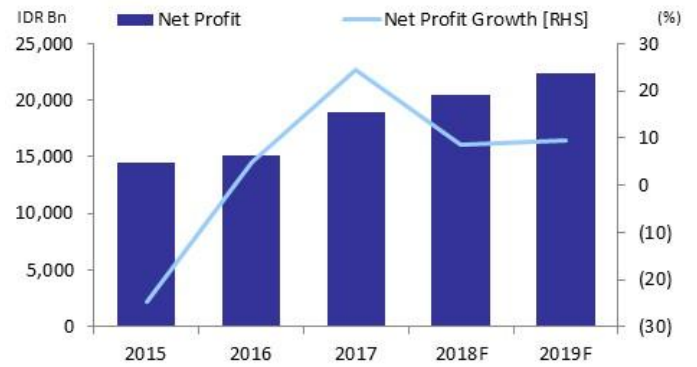
Source : ASII, Danareksa Estimates

Exhibit 1. Revenues and Growth



Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth



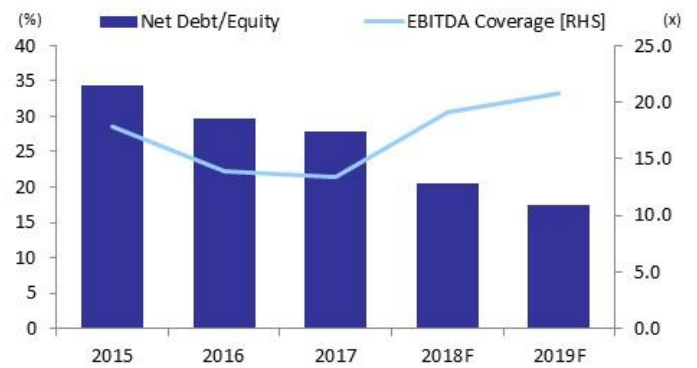
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins



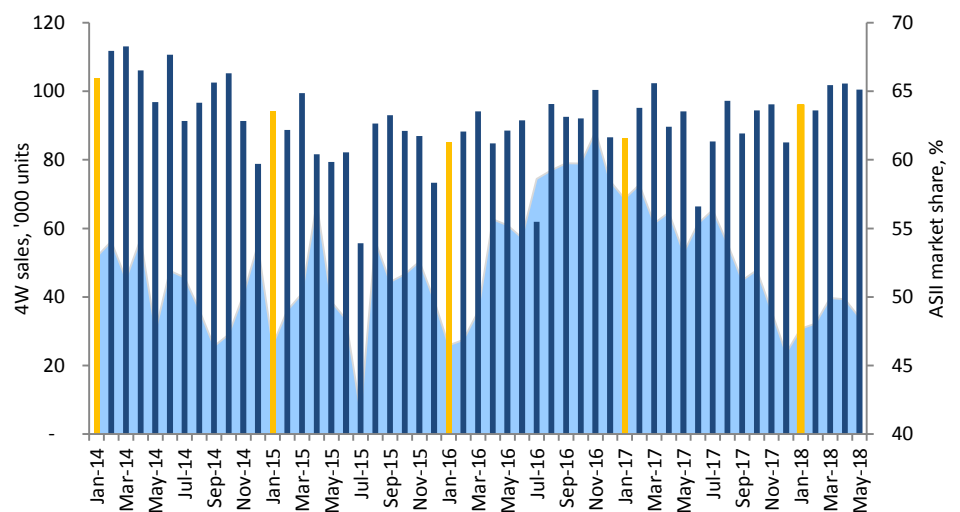
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Gearing Level



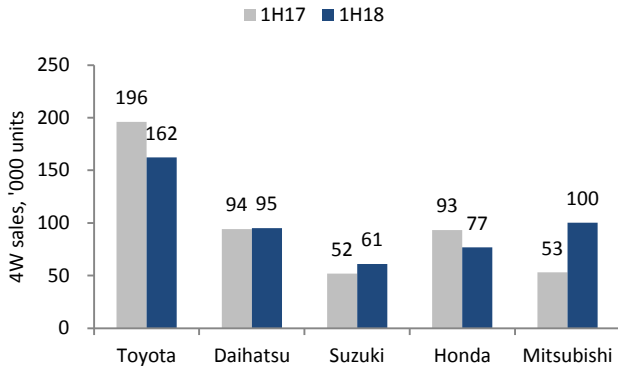
Source: Company, Danareksa Sekuritas estimates

Exhibit 5. Seasonally weak domestic car sales in June 2018



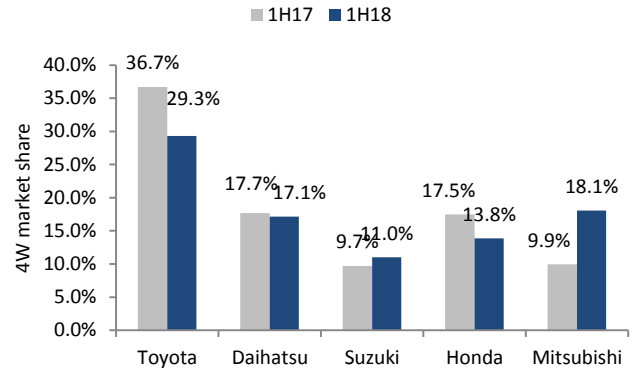
Source: Gaikindo, Company

Exhibit 6. Mitsubishi posted strongest growth in 1H18



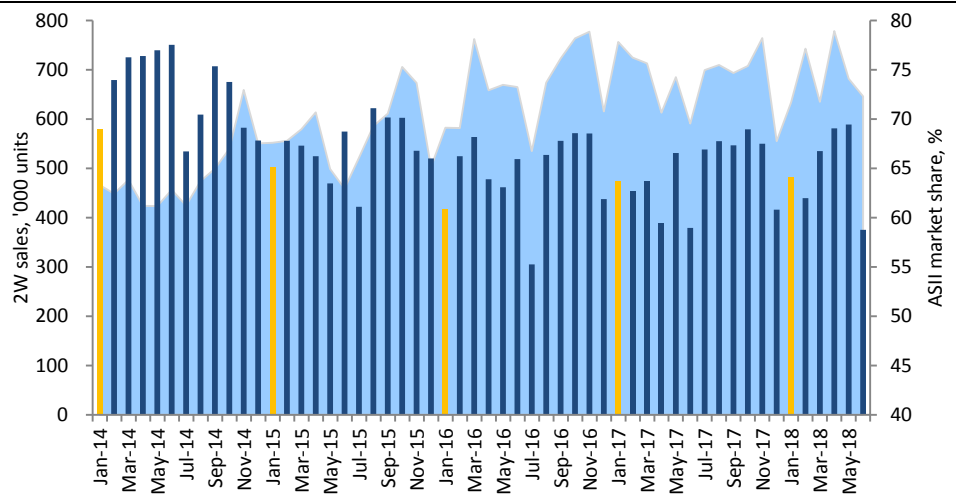
Source: Gaikindo, Company

Exhibit 7. Toyota still has the largest market share in 4W



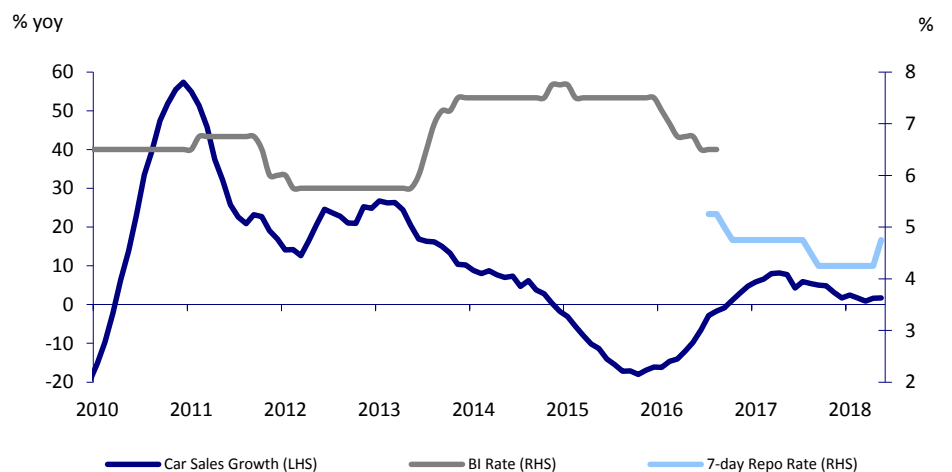
Source: Gaikindo, Company

Exhibit 8. Monthly motorcycle sales

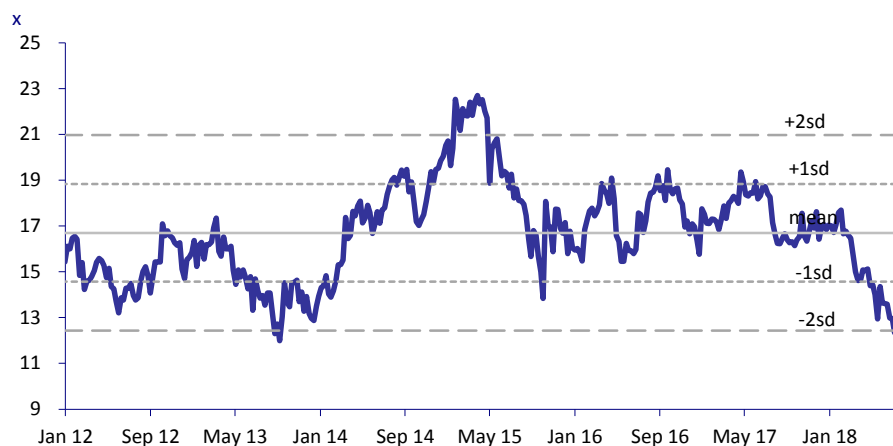


Source: AISI, Company

Exhibit 9. Rising interest rates may have an impact on domestic car sales



Source: Bloomberg

Exhibit 10. ASII is trading at -1.5SD


Source: Danareksa Sekuritas estimates

Exhibit 11. SOTP Valuation

Division	Equity value, Rp bn	Equity value attributed to ASII, Rp bn	Contribution to total value, %
Automotive			
Astra Parent Company	129,636	129,636	37.1
Astra Otoparts	6,441	5,153	1.5
Sub-total		134,789	38.6
Heavy equipment			
United Tractors	231,036	137,466	39.4
Sub-total		137,466	39.4
Agribusiness			
Astra Agro Lestari	22,711	18,096	5.2
Sub-total		18,096	5.2
Financial services			
Bank Permata	12,399	5,525	1.6
Astra Sedaya Finance	21,297	18,345	5.3
FIF	20,995	20,995	6.0
Sub-total		44,865	12.9
Others			
Astra Graphia	1,888	1,452	0.4
Others	12,350	12,350	3.5
Sub-total		13,801	4.0
Total equity value		351,388	100.0
Shares, mn		40,484	
NAV/share, Rp		8,600	

Source: Danareksa Sekuritas estimates

Exhibit 12. Change in our forecasts

	New			Previous			Change (%)		
	2018F	2019F	2020F	2018F	2019F	2020F	2018F	2019F	2020F
Domestic 4W sales (units)	1,123,081	1,156,774	1,203,045	1,134,000	1,190,700	1,250,100	(1.0)	(2.8)	(3.8)
Astra's 4W sales (units)	550,310	578,387	601,522	566,940	595,287	637,553	(2.9)	(2.8)	(5.7)
Astra's 4W Market share (%)	49	50	50	50	50	51	(1.0)	0.0	(2.0)
Domestic 2W sales (units)	6,180,408	6,489,429	6,813,900	6,180,408	6,489,429	6,813,900	0.0	0.0	0.0
Astra's 2W sales (units)	4,573,502	4,802,177	5,042,286	4,573,502	4,802,177	5,042,286	0.0	0.0	0.0
Astra's 2W Market share (%)	74	74	74	74	74	74	0.0	0.0	0.0
Revenue (IDRbn)	213,821	230,406	243,687	214,179	231,678	246,600	(0.2)	(0.5)	(1.2)
EBITDA (IDRbn)	29,099	31,747	34,644	29,810	32,928	35,780	(2.4)	(3.6)	(3.2)
Net Profit (IDRbn)	19,727	21,517	23,114	20,472	22,418	24,356	(3.6)	(4.0)	(5.1)

Source: Danareksa Sekuritas estimates

Exhibit 13. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	181,084	206,057	213,821	230,406	243,687
COGS	(144,652)	(163,689)	(170,420)	(182,696)	(191,748)
Gross profit	36,432	42,368	43,401	47,710	51,939
EBITDA	24,219	27,371	29,099	31,747	34,644
Oper. profit	17,534	20,326	21,308	23,358	25,582
Interest income	1,699	1,982	1,765	1,705	1,818
Interest expense	(1,745)	(2,042)	(1,601)	(1,690)	(1,732)
Forex Gain/(Loss)	(155)	(9)	(17)	373	566
Income From Assoc. Co's	3,349	6,694	6,806	7,352	7,257
Other Income (Expenses)	1,571	2,245	2,245	2,245	2,245
Pre-tax profit	22,253	29,196	30,507	33,342	35,735
Income tax	(3,951)	(6,031)	(6,101)	(6,668)	(7,147)
Minority interest	(3,146)	(4,284)	(4,679)	(5,157)	(5,474)
Net profit	15,156	18,881	19,727	21,517	23,114
Core Net Profit	15,311	18,890	19,743	21,144	22,548

Exhibit 14. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	29,357	31,574	30,495	32,519	36,149
Receivables	56,126	61,472	59,435	64,144	68,244
Inventory	17,771	19,504	17,604	18,872	19,808
Other Curr. Asset	6,250	8,438	5,207	5,611	5,935
Fixed assets - Net	66,695	76,488	75,065	78,950	83,237
Other non-curr.asset	84,757	97,865	101,526	108,845	115,584
Total asset	261,855	295,646	289,636	309,247	329,261
ST Debt	45,820	43,584	35,063	34,482	33,999
Payables	30,085	39,281	32,190	34,509	36,219
Other Curr. Liabilities	13,174	15,857	15,857	15,857	15,857
Long Term Debt	25,090	31,394	25,844	26,906	27,864
Other LT. Liabilities	7,780	9,201	9,201	9,201	9,201
Total Liabilities	121,949	139,317	118,155	120,955	123,140
Shareholder's Funds	111,951	123,645	133,931	145,585	157,941
Minority interests	27,955	32,684	37,550	42,707	48,181
Total Equity & Liabilities	261,855	295,646	289,636	309,247	329,261

Exhibit 15. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	15,156	18,881	19,727	21,517	23,114
Depreciation and Amort.	3,889	5,610	7,791	8,389	9,062
Change in Working Capital	232	3,206	77	(4,062)	(3,649)
Other Oper. Cash Flow	(1,076)	(5,552)	730	(2,467)	(2,344)
Operating Cash Flow	18,201	22,145	28,324	23,377	26,184
Capex	(8,546)	(15,403)	(6,368)	(12,275)	(13,349)
Others Inv. Cash Flow	(3,700)	(5,514)	(2,789)	(3,162)	(2,664)
Investing Cash Flow	(12,246)	(20,917)	(9,157)	(15,437)	(16,012)
Net change in debt	261	4,068	(14,071)	481	475
New Capital	0	0	0	0	0
Dividend payment	(6,801)	(6,801)	(9,441)	(9,863)	(10,759)
Other Fin. Cash Flow	2,840	3,722	3,265	3,467	3,742
Financing Cash Flow	(3,700)	989	(20,246)	(5,916)	(6,542)
Net Change in Cash	2,255	2,217	(1,079)	2,025	3,629
Cash - begin of the year	27,102	29,357	31,574	30,495	32,519
Cash - end of the year	29,357	31,574	30,495	32,519	36,149

Exhibit 16. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	(1.7)	13.8	3.8	7.8	5.8
EBITDA	(1.1)	13.0	6.3	9.1	9.1
Operating profit	1.9	15.9	4.8	9.6	9.5
Net profit	4.8	24.6	4.5	9.1	7.4
Profitability (%)					
Gross margin	20.1	20.6	20.3	20.7	21.3
EBITDA margin	13.4	13.3	13.6	13.8	14.2
Operating margin	9.7	9.9	10.0	10.1	10.5
Net margin	8.4	9.2	9.2	9.3	9.5
ROAA	6.0	6.8	6.7	7.2	7.2
ROAE	14.2	16.0	15.3	15.4	15.2
Leverage					
Net Gearing (x)	0.3	0.3	0.2	0.2	0.1
Interest Coverage (x)	10.0	10.0	13.3	13.8	14.8

Source : ASII, Danareksa Estimates

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