

Tuesday, 16 April 2019

NEUTRAL
Maintain

Automotive

Impressive Domestic Car Sales in Mar 2019

ASII relative to JCI Index



Source : Bloomberg

Gaikindo reported domestic car sales of 90,189 units in March 2019 (+10.4% mom, but -11.4% yoy). However, due to weak domestic car sales in the first two months of 2019, sales dropped by 13.1% yoy to 253,863 units in 1Q19. The 1Q19 sales are slightly below our estimate as they are only 21.9% of our full year forecast. All in all, we expect flattish car sales of around 1.16mn units in 2019 given high interest rates and uncertainty surrounding the outlook for commodity prices.

Improvement in domestic car sales in March 2019. Based on the latest Gaikindo data, domestic car sales reached 90,189 units in March 2019 (+10.4% mom, but -11.4% yoy). However, as a result of weak car sales in the first two months of 2019, the cumulative domestic car sales fell by 13.1% yoy to 253,863 units in 1Q19. Most car brands recorded lower car sales, such as Toyota (-8.6% yoy), Daihatsu (-1.8% yoy), Mitsubishi (-14.8% yoy), and Honda (-20.4% yoy). Nissan, by contrast, recorded 1.0% yoy higher sales thanks to the launch of Livina in mid-Feb 2019. The 1Q19 sales are slightly below our estimate as they are only 21.9% of our full year forecast. For April 2019, we expect car sales to remain robust in anticipation of better car sales prior to Ramadhan period.

ASII maintained market share above 50% amid weak sales in 1Q19. Given the lower decline in the domestic car sales volume of Astra International (ASII IJ) of 5.4% yoy to 134,287 units in 1Q19 (vs. the industry decline of 13.1% yoy), the company managed to improve its market share to 52.9% in 1Q19 from 48.6% in 1Q18. ASII's better performance reflects solid sales of: a) Avanza and Xenia following another facelift at the beginning of 2019 and b) Rush and Terios (+12.2% yoy) following higher production capacity in 2H18. Nonetheless, we maintain our conservative forecast on ASII's market share at around 50% for 2019.

Expect flattish domestic car sales in 2019. We expect flattish domestic car sales of 1.16mn units in 2019 given: a) the impact of high interest rates, b) uncertainty surrounding the outlook for commodity prices (in 1Q19, sales in the commercial car segment fell 13.2% yoy), and c) a lack of new launches in the popular segment. In 1Q19, sales in the lower-end passenger car segment were down by 13.0% yoy hit by both the lack of new launches and sentiment over the upcoming elections.

Maintain Neutral as we only expect flattish growth in domestic car sales volume in 2019 given: a) moderate economic growth of 5.1 – 5.2% yoy in 2019 (2018: 5.17% yoy), b) heightened competition and c) the risks associated with higher interest rates which will indirectly impact domestic car sales. Our top pick in the market is Astra International (ASII IJ.BUY.TP:IDR8,800) which, we believe, can maintain market share above 50% in 2019 despite the tight competition in the domestic car market.



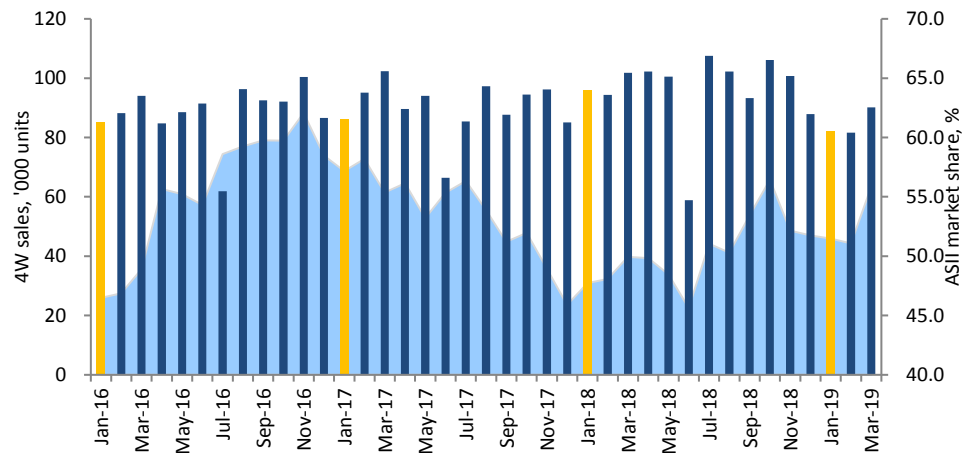
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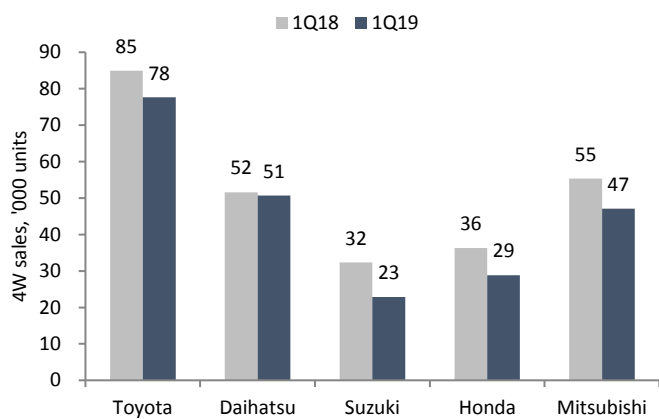
| Company | Ticker | Rec | Target Price (Rp) | Market Cap. (RpBn) | P/E (x) | | P/BV (x) | | ROE (%) |
|---------|---------|-----|-------------------|--------------------|---------|-------|----------|-------|---------|
| | | | | | 2019F | 2020F | 2019F | 2020F | |
| Astra | ASII IJ | BUY | 8,800 | 307,675.0 | 13.0 | 12.1 | 2.1 | 1.9 | 16.2 |

Exhibit 1. Improvement in domestic car sales volume in Mar 2019



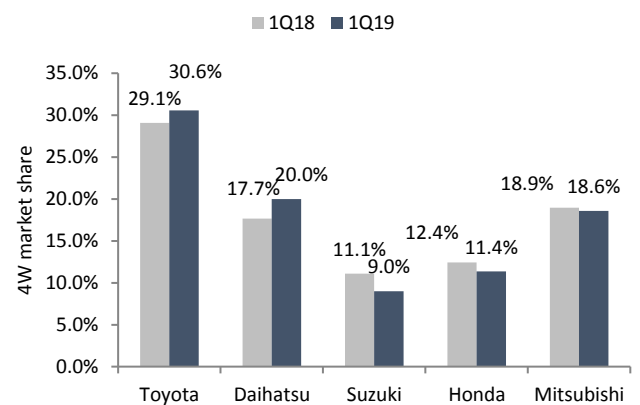
Source: Gaikindo

Exhibit 2. Most brands posted lower sales volume



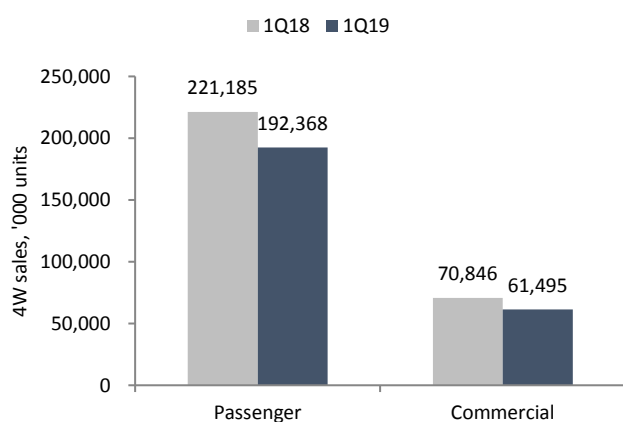
Source: Gaikindo

Exhibit 3. Toyota and Daihatsu managed to improve market share



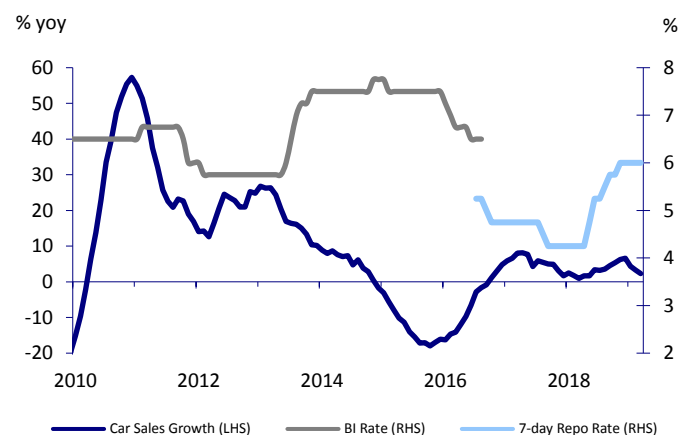
Source: Gaikindo

Exhibit 4. Lower Commercial and Passengers Car Sales



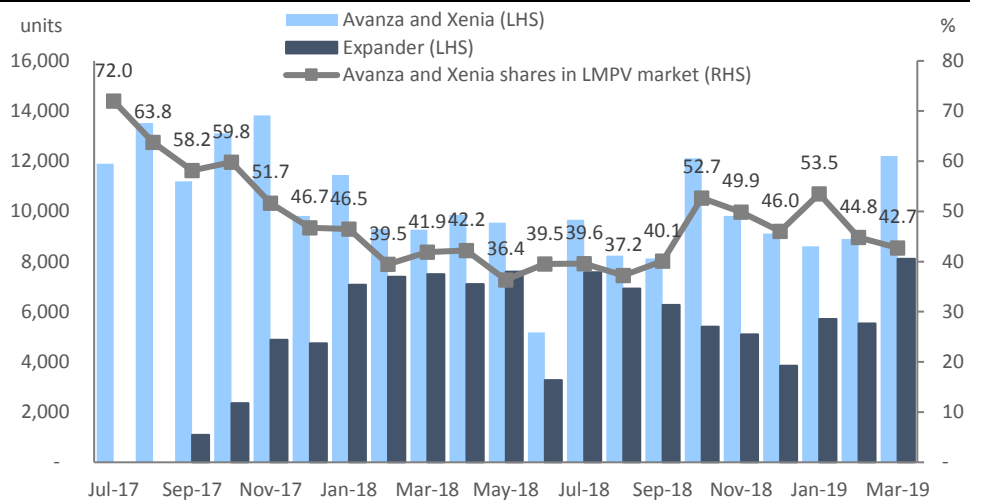
Source: Gaikindo

Exhibit 5. Higher interest rate to impact domestic car sales volume



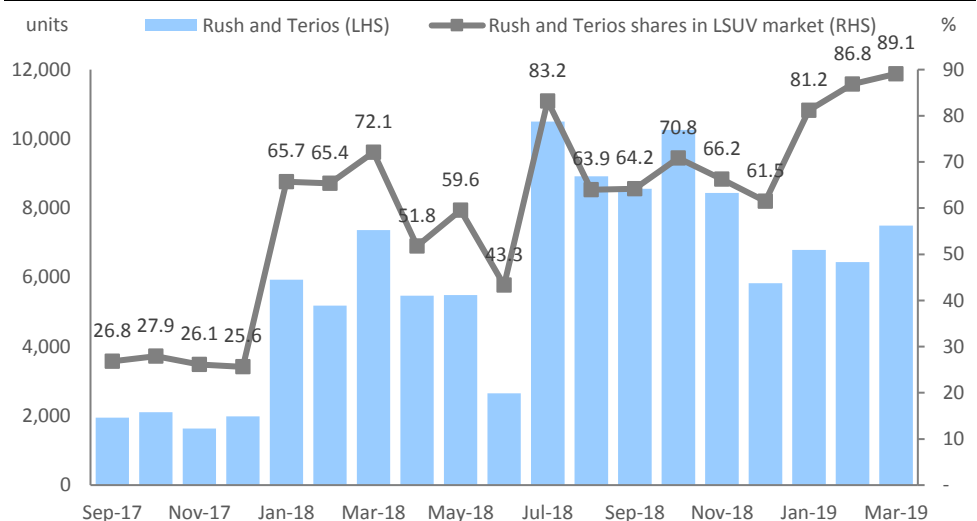
Source: Gaikindo, Bloomberg

Exhibit 6. The expectation of facelift of Avanza – Xenia to lower sales volume in December 2018



Source: Gaikindo

Exhibit 7. Rush and Terios regained market share in the LSUV market



Source: Gaikindo

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