

Monday, 24 June 2019

BUY
Maintain

Last price (IDR) 7,450
Target Price (IDR) 8,800
Upside/Downside +18.1%
Previous Target Price (IDR) 8,800

Stock Statistics

Sector Automotive
Bloomberg Ticker ASII IJ
No of Shrs (mn) 40,484
Mkt. Cap (IDRbn/USDmn) 301,600/21,693
Avg. daily T/O (IDRbn/USDmn) 287.2/20.2

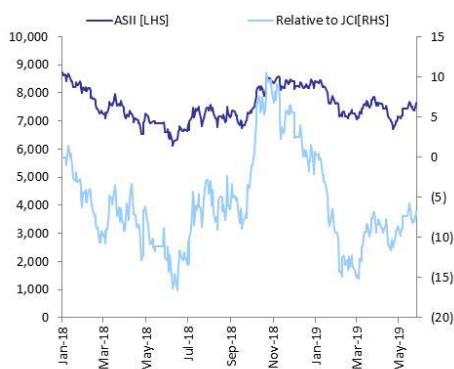
Major shareholders (%)

Jardine Cycle & Carriage 50.1
Estimated free float 49.9

EPS Consensus (IDR)

	2019F	2020F	2021F
Danareksa	586.6	628.1	671.2
Consensus	586.8	624.1	666.8
Danareksa/Cons	0.0	0.6	0.7

ASII relative to JCI Index



Source : Bloomberg



Stefanus Darmagiri

(62-21) 29 555 831

stefanus.darmagiri@danareksa.com

Astra International (ASII IJ)

Flattish domestic car sales in May 2019

Based on the latest data from Gaikindo, domestic car sales reached 84,146 units in May 2019 (+0.1% mom, -16.3% yoy). Cumulatively, sales fell by 14.7% yoy to 422,038 units in 5M19, reined in by the high interest rates environment, a lack of new model launches and volatility in commodity prices. The 5M19 sales number is below our full year forecast (36.4%). Nonetheless, Astra International (ASII) still managed to maintain solid market share of 53.8% in 5M19. Maintain BUY with a TP of IDR8,800 (based on SOTP valuation).

Flattish monthly domestic car sales in May 2019. Domestic car sales were flattish at 84,146 units in May 2019 (April 2019: 84,029 units). Cumulatively, the sales volume dropped by 14.7% yoy to 422,038 units in 5M19 with sales of the major car brands posting declines, mainly reflecting: a) the high interest rates environment with only modest economic growth, b) the lack of new model launches in the popular segments and c) muted commodity prices.

ASII maintained solid market share above 50% in 5M19. Although ASII's car sales declined by 6.1% yoy in 5M19, the company still managed to improve its market share to 53.8% (5M18: 48.8%) as sales of Toyota and Daihatsu declined in only single digits (-4.9% yoy and -8.2% yoy respectively vs. double digit negative growth for other major brands). We believe that ASII's sales were supported by sales of Rush and Terios and new facelift versions of the Avanza and Xenia. All in all, we maintain our conservative car market share assumption for ASII at around 50% for 2019.

Expect better car sales in 2H19. We expect seasonally weak car sales in June 2019 given the one-week Idul-Fitri holidays. Thereafter, with more working days in 2H19 and the upcoming Gaikindo motor show in Jul 2019, we believe that car sales will be higher in 2H19 than in 1H19. Nonetheless, for 2019, we expect flattish growth in domestic car sales of 1.16mn units.

Maintain BUY on ASII with a target price of IDR8,800 (based on the SOTP valuation). While we expect tight competition in the domestic car market to persist, we believe that ASII will be able to maintain its market share above 50% thanks to new facelift versions of the Avanza and Xenia and solid sales of its Rush and Terios models. The stock is trading at an undemanding valuation at -1.5SD. Our target price implies 15.0x 2019F PE.

Key Financials

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Revenue (IDRbn)	206,057	239,205	243,184	255,179	267,288
EBITDA (IDRbn)	27,371	35,527	37,046	40,240	42,588
EBITDA Growth (%)	13.0	29.8	4.3	8.6	5.8
Net profit (IDRbn)	18,847	21,673	23,749	25,429	27,174
EPS (IDR)	465.5	535.4	586.6	628.1	671.2
EPS growth (%)	24.4	15.0	9.6	7.1	6.9
BVPS (IDR)	3,057.5	3,382.8	3,701.7	4,036.6	4,393.7
DPS (IDR)	168.0	190.0	267.7	293.3	314.1
PER (x)	16.0	13.9	12.7	11.9	11.1
PBV (x)	2.4	2.2	2.0	1.9	1.7
Dividend yield (%)	2.2	2.5	3.5	3.9	4.1
EV/EBITDA (x)	12.8	10.4	9.7	8.9	8.3

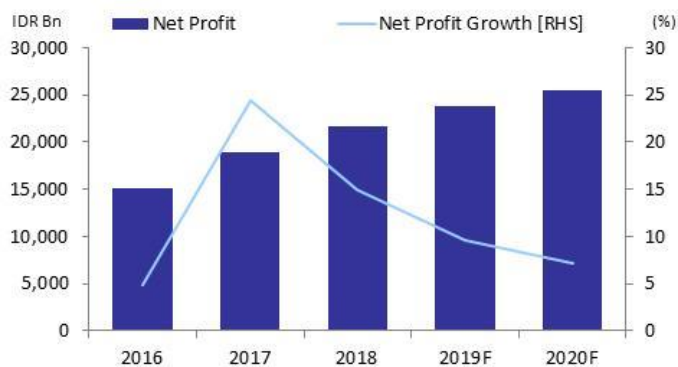
Source : ASII, Danareksa Estimates

Exhibit 1. Revenues and Growth



Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth



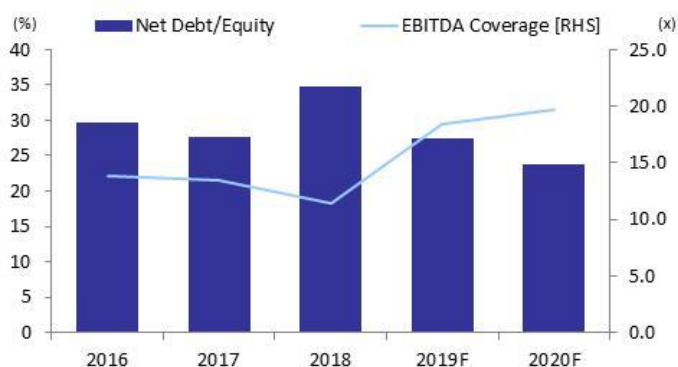
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins



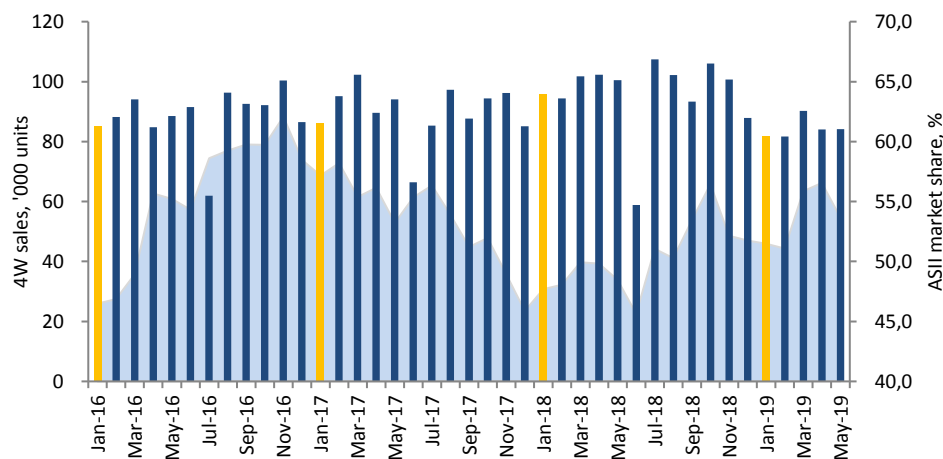
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Gearing Level



Source: Company, Danareksa Sekuritas estimates

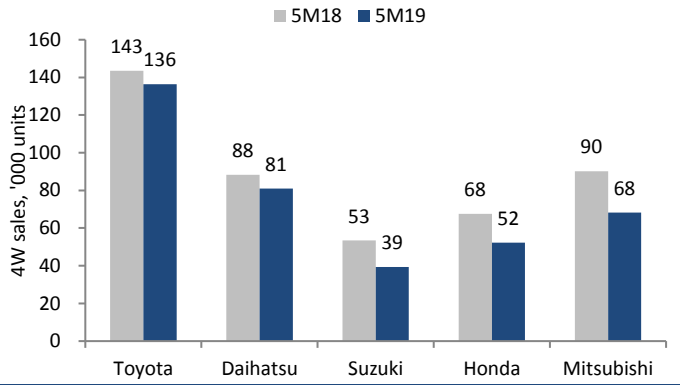
Exhibit 5. ASII maintained solid market share of above 50% amid weak 4W sales volume



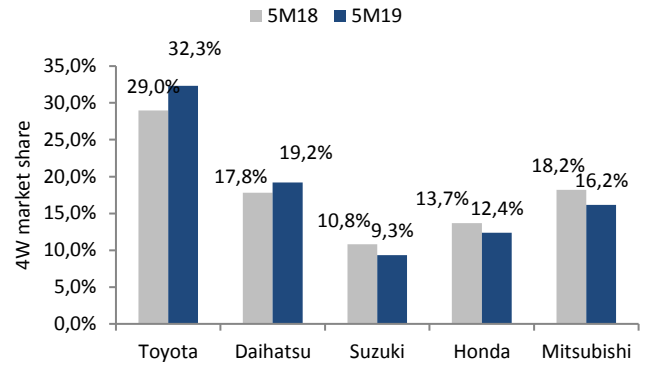
Source: Gaikindo, Company

Exhibit 6. All major brands experienced weak 4W volume

Exhibit 7. Solid market share of Toyota and Daihatsu

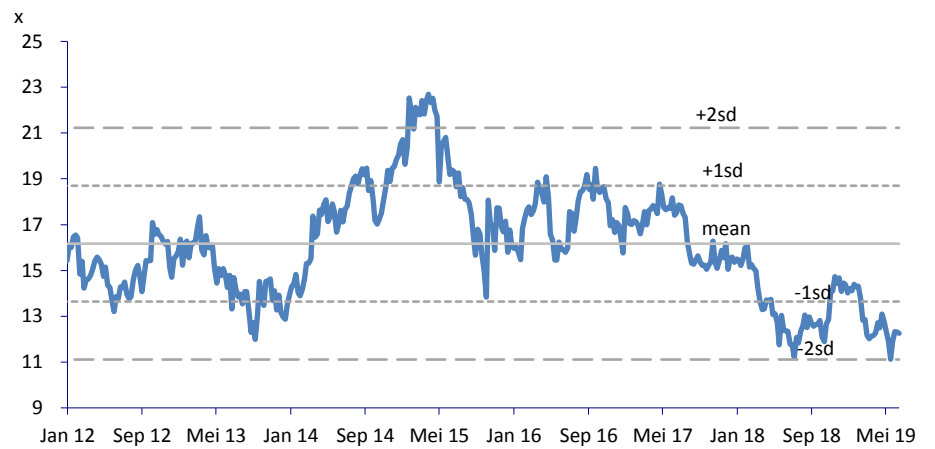


Source: Company, Danareksa Sekuritas estimates



Source: Company, Danareksa Sekuritas estimates

Exhibit 8. Undemanding valuation with -1.5 SD



Source: Gaikindo, Company

Exhibit 9. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Revenue	206,057	239,205	243,184	255,179	267,288
COGS	(163,689)	(188,436)	(189,671)	(197,617)	(206,443)
Gross profit	42,368	50,769	53,513	57,562	60,844
EBITDA	27,371	35,527	37,046	40,240	42,588
Oper. profit	20,326	26,868	27,356	29,669	31,048
Interest income	1,982	1,859	1,408	1,272	1,430
Interest expense	(2,042)	(3,105)	(2,013)	(2,047)	(2,076)
Forex Gain/(Loss)	(9)	(87)	293	696	1,180
Income From Assoc. Co's	6,694	7,036	7,562	7,546	8,049
Other Income (Expenses)	2,186	2,424	2,424	2,424	2,424
Pre-tax profit	29,137	34,995	37,030	39,560	42,056
Income tax	(6,016)	(7,623)	(7,406)	(7,912)	(8,411)
Minority interest	(4,274)	(5,699)	(5,875)	(6,219)	(6,471)
Net profit	18,847	21,673	23,749	25,429	27,174
Core Net Profit	18,856	21,760	23,456	24,733	25,994

Exhibit 10. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Cash & cash equivalent	31,574	25,193	22,753	25,586	28,427
Receivables	61,472	69,984	67,930	72,454	77,493
Inventory	19,504	26,505	19,593	20,414	21,325
Other Curr. Asset	8,673	11,336	5,923	6,215	6,510
Fixed assets - Net	76,488	96,558	101,396	106,842	112,130
Other non-curr.asset	97,814	114,544	122,493	130,010	138,134
Total asset	295,830	344,711	340,678	362,111	384,610
ST Debt	43,584	45,529	41,039	39,992	38,961
Payables	39,281	50,330	35,827	37,328	38,995
Other Curr. Liabilities	15,857	20,608	20,608	20,608	20,608
Long Term Debt	31,394	40,385	35,177	36,383	37,315
Other LT. Liabilities	9,209	13,496	13,496	13,496	13,496
Total Liabilities	139,325	170,348	146,146	147,806	149,374
Shareholder's Funds	123,780	136,947	149,859	163,414	177,874
Minority interests	32,725	37,416	44,672	50,891	57,362
Total Equity & Liabilities	295,830	344,711	340,678	362,111	384,610

Exhibit 11. Cash Flow

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Net income	18,847	21,673	23,749	25,429	27,174
Depreciation and Amort.	5,610	8,835	9,690	10,571	11,539
Change in Working Capital	2,971	(2,662)	(123)	(4,136)	(4,579)
Other Oper. Cash Flow	(5,501)	(9,772)	(2,290)	(1,999)	(2,577)
Operating Cash Flow	21,927	18,074	31,026	29,865	31,558
Capex	(15,403)	(28,905)	(14,528)	(16,017)	(16,828)
Others Inv. Cash Flow	(5,514)	(3,853)	(3,646)	(3,472)	(3,471)
Investing Cash Flow	(20,917)	(32,758)	(18,174)	(19,488)	(20,299)
Net change in debt	4,068	10,936	(9,698)	159	(99)
New Capital	0	0	0	0	0
Dividend payment	(6,801)	(7,692)	(10,837)	(11,874)	(12,715)
Other Fin. Cash Flow	3,940	5,059	5,243	4,172	4,395
Financing Cash Flow	1,207	8,303	(15,292)	(7,543)	(8,419)
Net Change in Cash	2,217	(6,381)	(2,440)	2,833	2,840
Cash - begin of the year	29,357	31,574	25,193	22,753	25,586
Cash - end of the year	31,574	25,193	22,753	25,586	28,427

Exhibit 12. Key Ratios

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Growth (%)					
Sales	13.8	16.1	1.7	4.9	4.7
EBITDA	13.0	29.8	4.3	8.6	5.8
Operating profit	15.9	32.2	1.8	8.5	4.7
Net profit	24.4	15.0	9.6	7.1	6.9
Profitability (%)					
Gross margin	20.6	21.2	22.0	22.6	22.8
EBITDA margin	13.3	14.9	15.2	15.8	15.9
Operating margin	9.9	11.2	11.2	11.6	11.6
Net margin	9.1	9.1	9.8	10.0	10.2
ROAA	6.8	6.8	6.9	7.2	7.3
ROAE	16.0	16.6	16.6	16.2	15.9
Leverage					
Net Gearing (x)	0.3	0.3	0.3	0.2	0.2
Interest Coverage (x)	10.0	8.7	13.6	14.5	15.0

Source : ASII, Danareksa Estimates

DISCLAIMER

The information contained in this report has been taken from sources which we deem reliable. However, none of P.T. Danareksa Sekuritas and/or its affiliated companies and/or their respective employees and/or agents makes any representation or warranty (express or implied) or accepts any responsibility or liability as to, or in relation to, the accuracy or completeness of the information and opinions contained in this report or as to any information contained in this report or any other such information or opinions remaining unchanged after the issue thereof.

We expressly disclaim any responsibility or liability (express or implied) of P.T. Danareksa Sekuritas, its affiliated companies and their respective employees and agents whatsoever and howsoever arising (including, without limitation for any claims, proceedings, action, suits, losses, expenses, damages or costs) which may be brought against or suffered by any person as a result of acting in reliance upon the whole or any part of the contents of this report and neither P.T. Danareksa Sekuritas, its affiliated companies or their respective employees or agents accepts liability for any errors, omissions or mis-statements, negligent or otherwise, in the report and any liability in respect of the report or any inaccuracy therein or omission therefrom which might otherwise arise is hereby expressly disclaimed.

The information contained in this report is not to be taken as any recommendation made by P.T. Danareksa Sekuritas or any other person to enter into any agreement with regard to any investment mentioned in this document. This report is prepared for general circulation. It does not have regard to the specific person who may receive this report. In considering any investments you should make your own independent assessment and seek your own professional financial and legal advice.