

Thursday, 31 October 2019

BUY
Maintain

Last price (IDR) 6,950
Target Price (IDR) 8,000
Upside/Downside +15.1%
Previous Target Price (IDR) 8,000

Stock Statistics

Sector Automotive
Bloomberg Ticker ASII IJ
No of Shrs (mn) 40,484
Mkt. Cap (IDRbn/USDmn) 281,361/20,036
Avg. daily T/O (IDRbn/USDmn) 202.1/14.4

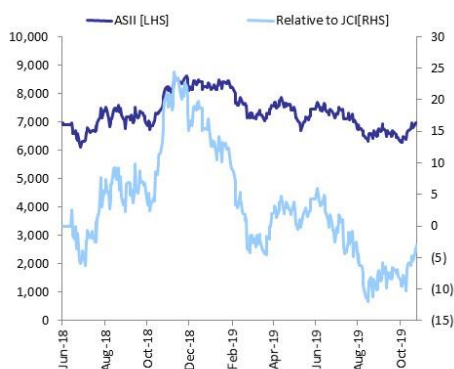
Major shareholders (%)

Jardine Cycle & Carriage 50.1
Estimated free float 49.9
Estimated free float 49.9

EPS Consensus (IDR)

	2019F	2020F	2021F
Danareksa	510.0	542.0	575.6
Consensus	531.6	574.8	616.6
Danareksa/Cons	(4.1)	(5.7)	(6.7)

ASII relative to JCI Index



Source : Bloomberg



Stefanus Darmagiri

(62-21) 5091 4100 ext. 3530

stefanus.darmagiri@danareksa.co.id

Astra International (ASII IJ)

3Q19: Better quarterly results

Astra International (ASII) posted net profits of IDR6.1tn in 3Q19 (+32.2% qoq, but -9.3% yoy). In 9M19, net profits declined by 7.1% yoy to IDR15.9tn. The results are within our expectations (77%) and the consensus (74%). While competition remains fierce in the domestic car market, we maintain our BUY recommendation given that recent BI rate cuts may help to recover car sales volume and keep ASII's market share stable at above 50%. Maintain BUY with a target price of IDR8,000 (based on SOTP valuation).

Solid qoq earnings from automotive, financial and heavy equipment. Net profits improved by 32.2% qoq to IDR6.1tn with solid net profits in most businesses, such as: a) the automotive business thanks to rising ASII car sales volume by 20.0% qoq and recovery in the automotive EBIT margin to 0.7% in 3Q19 (2Q19: 0.1%), b) heavy equipment (+20.2% qoq) from better coal production and gold volume, c) financial services (+4.9% qoq), d) infrastructure and logistics, e) agribusiness and f) IT. However, the property business reported lower qoq profits.

Financial services and infrastructure logistics cushioned the net profits decline. The company reported lower net profits by 7.1% yoy to IDR15.9tn in 9M19. This was mainly due to weak profits from a) the automotive business (-13.6% yoy) on lower car sales volume (-7% yoy), a decline in the automotive margin to 0.9% in 9M19 (9M18: 1.3%) and higher manufacturing costs, b) heavy equipment (-5.3% yoy) and c) other business in agribusiness, IT and property. However, strong profits in financial services (+24.7% yoy) thanks to a larger loans portfolio and improvements in the NPLs and infrastructure logistics helped to cushion further declines in net profits.

Expect steady market share of 50% in 2019. Despite soft sales volume, ASII managed to improve its domestic car market share to 52.6% in 9M19 (9M18: 49.6%) as the sales volume for the brands Toyota and Daihatsu only declined by 5.0% yoy and 9.8% yoy, respectively. All in all, we expect solid market share for ASII of above 50% (or around 51%) in 2019 and 2020.

Maintain BUY. Although stiff competition in the domestic car market is expected to persist, the recent 100bps cuts in the BI rate as well as relaxation on the LTV for automotive purchases with 5 – 10ppt lower down payments may help to improve domestic car sales volume next year, which is expected to increase by 3% yoy to 1.08mn units.

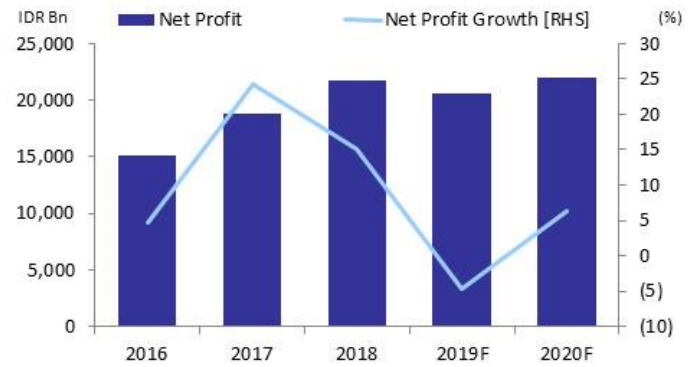
Key Financials

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Revenue (IDRbn)	206,057	239,205	235,730	246,160	257,066
EBITDA (IDRbn)	27,371	35,527	36,276	38,943	40,708
EBITDA Growth (%)	13.0	29.8	2.1	7.4	4.5
Net profit (IDRbn)	18,847	21,673	20,646	21,942	23,302
EPS (IDR)	465.5	535.4	510.0	542.0	575.6
EPS growth (%)	24.4	15.0	(4.7)	6.3	6.2
BVPS (IDR)	3,057.5	3,382.8	3,625.1	3,912.1	4,216.7
DPS (IDR)	168.0	190.0	267.7	255.0	271.0
PER (x)	14.9	13.0	13.6	12.8	12.1
PBV (x)	2.3	2.1	1.9	1.8	1.6
Dividend yield (%)	2.4	2.7	3.9	3.7	3.9
EV/EBITDA (x)	11.9	9.6	9.3	8.6	8.1

Source : ASII, Danareksa Estimates

Exhibit 1. Revenues and Growth

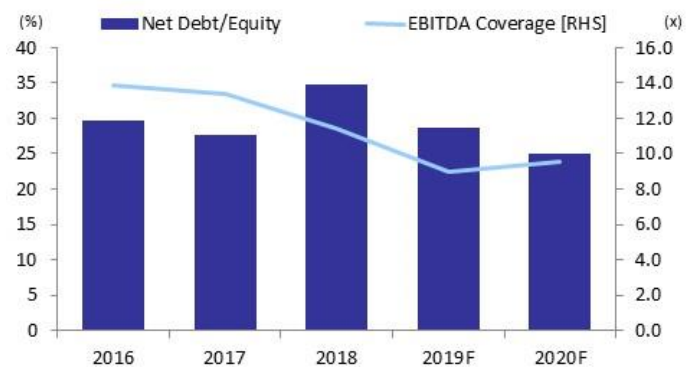

Source: Company, Danareksa Sekuritas estimates

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. 9M19 Results – Within Expectation
Profit & Loss, IDRbn

(in IDRbn)	3Q18	2Q19	3Q19	QoQ, %	YoY, %	9M18	9M19	YoY, %	FY2019	A/F, %
Revenue	62,327	56,575	60,862	7.6	(2.4)	174,881	177,044	1.2	235,730	75
Gross profit	13,446	11,856	12,905	8.8	(4.0)	36,702	37,373	1.8	51,739	72
Operating income	7,737	5,848	6,802	16.3	(12.1)	20,202	19,564	(3.2)	26,600	74
EBITDA	9,758	8,687	9,275	6.8	(4.9)	26,013	26,704	2.7	36,276	74
Other income (expenses)	561	173	222	28.3	(60.4)	1,702	233	(86.3)	(401)	(58)
Equity income	2,253	1,358	2,271	67.2	0.8	5,281	5,194	(1.6)	6,584	79
Net income	6,689	4,588	6,065	32.2	(9.3)	17,073	15,868	(7.1)	20,646	77

Margins, %

Gross margin	21.6	21.0	21.2			21.0	21.1		21.9	
Operating margin	12.4	10.3	11.2			11.6	11.1		11.3	
EBITDA margin	15.7	15.4	15.2			14.9	15.1		15.4	
Net margin	10.7	8.1	10.0			9.8	9.0		8.8	

Revenue Breakdown, IDRbn

(in IDRbn)	3Q18	2Q19	3Q19	QoQ, %	YoY, %	9M18	9M19	YoY, %	FY2019	A/F, %
Automotive	28,263	24,438	27,009	10.5	(4.4)	79,574	77,393	(2.7)	105,375	73
Financial services	4,874	5,109	5,198	1.7	6.6	14,470	15,240	5.3	21,678	70
Agribusiness	4,741	4,293	3,860	(10.1)	(18.6)	13,762	12,386	(10.0)	17,054	73
Information Technology	1,002	828	1,191	43.8	18.9	2,673	2,749	2.8	4,114	67
Heavy equipment	22,181	20,698	22,289	7.7	0.5	61,125	65,608	7.3	83,583	78
Infrastructure and logistic	1,912	1,865	2,203	18.1	15.2	5,409	5,841	8.0	7,430	79
Property	22	96	66	(31.3)	200.0	53	304	473.6	200	152
%										
Automotive	44.9	42.6	43.7			44.9	43.1		44.0	
Financial services	7.7	8.9	8.4			8.2	8.5		9.1	
Agribusiness	7.5	7.5	6.2			7.8	6.9		7.1	
Information Technology	1.6	1.4	1.9			1.5	1.5		1.7	
Heavy equipment	35.2	36.1	36.1			34.5	36.5		34.9	
Infrastructure and logistic	3.0	3.3	3.6			3.1	3.3		3.1	
Property	0.0	0.2	0.1			0.0	0.2		0.1	

Net Income, IDRbn

(in IDRbn)	3Q18	2Q19	3Q19	QoQ, %	YoY, %	9M18	9M19	YoY, %
Automotive	2,798	1,553	2,602	67.5	(7.0)	7,013	6,060	(13.6)
Financial services	1,310	1,418	1,487	4.9	13.5	3,452	4,306	24.7
Agribusiness	271	5	54	980.0	(80.1)	896	89	(90.1)
Information Technology	38	24	33	37.5	(13.2)	106	77	(27.4)
Heavy equipment	2,146	1,504	1,808	20.2	(15.8)	5,428	5,140	(5.3)
Infrastructure and logistic	108	67	72	7.5	(33.3)	112	155	38.4
Property	18	17	9	(47.1)	(50.0)	66	41	(37.9)
%								
Automotive	41.8	33.8	42.9			41.1	38.2	
Financial services	19.6	30.9	24.5			20.2	27.1	
Agribusiness	4.1	0.1	0.9			5.2	0.6	
Information Technology	0.6	0.5	0.5			0.6	0.5	
Heavy equipment	32.1	32.8	29.8			31.8	32.4	
Infrastructure and logistic	1.6	1.5	1.2			0.7	1.0	
Property	0.3	0.4	0.1			0.4	0.3	

Source: Company, Danareksa Sekuritas estimates

Exhibit 6. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Revenue	206,057	239,205	235,730	246,160	257,066
COGS	(163,689)	(188,436)	(183,991)	(190,956)	(199,022)
Gross profit	42,368	50,769	51,739	55,204	58,044
EBITDA	27,371	35,527	36,276	38,943	40,708
Oper. profit	20,326	26,868	26,600	28,415	29,246
Interest income	1,982	1,859	1,408	1,207	1,354
Interest expense	(2,042)	(3,105)	(4,042)	(4,092)	(4,112)
Forex Gain/(Loss)	(9)	(87)	293	696	1,180
Income From Assoc. Co's	6,694	7,036	6,584	6,534	7,009
Other Income (Expenses)	2,186	2,424	1,939	1,939	1,939
Pre-tax profit	29,137	34,995	32,783	34,699	36,616
Income tax	(6,016)	(7,623)	(6,557)	(6,940)	(7,323)
Minority interest	(4,274)	(5,699)	(5,580)	(5,818)	(5,991)
Net profit	18,847	21,673	20,646	21,942	23,302
Core Net Profit	18,856	21,760	20,353	21,246	22,121

Exhibit 7. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Cash & cash equivalent	31,574	25,193	21,593	24,216	26,407
Receivables	61,472	69,984	66,865	70,890	75,569
Inventory	19,504	26,505	19,006	19,726	20,559
Other Curr. Asset	8,673	11,336	5,741	5,995	6,261
Fixed assets - Net	76,488	96,558	101,057	106,122	111,010
Other non-curr.asset	97,814	114,544	121,353	127,579	134,468
Total asset	295,830	344,711	336,207	355,118	374,865
ST Debt	43,584	45,529	41,039	39,992	38,961
Payables	39,281	50,330	34,754	36,069	37,593
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	145,073	146,548	147,972
Shareholder's Funds	123,780	136,947	146,757	158,375	170,706
Minority interests	32,725	37,416	44,377	50,195	56,186
Total Equity & Liabilities	295,830	344,711	336,207	355,118	374,865

Exhibit 8. Cash Flow

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Net income	18,847	21,673	20,646	21,942	23,302
Depreciation and Amort.	5,610	8,835	9,677	10,528	11,462
Change in Working Capital	2,971	(2,662)	636	(3,683)	(4,254)
Other Oper. Cash Flow	(5,501)	(9,772)	(100)	391	(270)
Operating Cash Flow	21,927	18,074	30,859	29,179	30,240
Capex	(15,403)	(28,905)	(14,176)	(15,593)	(16,350)
Others Inv. Cash Flow	(5,514)	(3,853)	(2,668)	(2,525)	(2,507)
Investing Cash Flow	(20,917)	(32,758)	(16,844)	(18,118)	(18,858)
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)	(10,323)	(10,971)
Other Fin. Cash Flow	3,940	5,059	2,920	1,726	1,880
Financing Cash Flow	1,207	8,303	(17,615)	(8,439)	(9,191)
Net Change in Cash	2,217	(6,381)	(3,600)	2,622	2,192
Cash - begin of the year	29,357	31,574	25,193	21,593	24,216
Cash - end of the year	31,574	25,193	21,593	24,216	26,407

Exhibit 9. Key Ratios

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Growth (%)					
Sales	13.8	16.1	(1.5)	4.4	4.4
EBITDA	13.0	29.8	2.1	7.4	4.5
Operating profit	15.9	32.2	(1.0)	6.8	2.9
Net profit	24.4	15.0	(4.7)	6.3	6.2
Profitability (%)					
Gross margin	20.6	21.2	21.9	22.4	22.6
EBITDA margin	13.3	14.9	15.4	15.8	15.8
Operating margin	9.9	11.2	11.3	11.5	11.4
Net margin	9.1	9.1	8.8	8.9	9.1
ROAA	6.8	6.8	6.1	6.3	6.4
ROAE	16.0	16.6	14.6	14.4	14.2
Leverage					
Net Gearing (x)	0.3	0.3	0.3	0.3	0.2
Interest Coverage (x)	10.0	8.7	6.6	6.9	7.1

Source : ASII, Danareksa Estimates

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