

Friday, 15 November 2019

**BUY**  
**Maintain**

Last price (IDR) 6,575  
Target Price (IDR) 8,000  
Upside/Downside +21.7%  
Previous Target Price (IDR) 8,000

**Stock Statistics**

Sector Automotive  
Bloomberg Ticker ASII IJ  
No of Shrs (mn) 40,484  
Mkt. Cap (IDRbn/USDmn) 266,179/18,894  
Avg. daily T/O (IDRbn/USDmn) 198.7/14.1

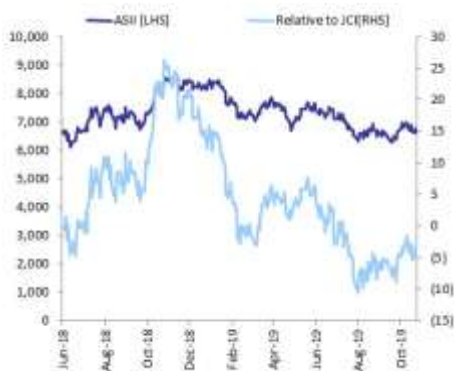
**Major shareholders (%)**

Jardine Cycle & Carriage 50.1  
Estimated free float 49.9

**EPS Consensus (IDR)**

|                | 2019F | 2020F | 2021F |
|----------------|-------|-------|-------|
| Danareksa      | 510.0 | 542.0 | 575.6 |
| Consensus      | 533.9 | 575.3 | 617.6 |
| Danareksa/Cons | (4.5) | (5.8) | (6.8) |

**ASII relative to JCI Index**



Source : Bloomberg



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# Astra International (ASII IJ)

## Market share is buoyant at 53% in 10M19

**Wholesale domestic car sales volume reached 96,030 units (+3.3% mom, but -9.5% yoy) in October 2019. Cumulatively, car sales volume declined by 11.8% yoy to 849,609 units in 10M19 reined in by soft commodity prices and the general elections in April 2019. The October 2019 sales figure is within our expectations. Astra International (ASII), nonetheless, still managed to increase its market share to 52.7% in 10M19 (10M18: 50.3%). Maintain BUY with a target price of IDR8,000 (based on SOTP valuation).**

**Slight monthly improvement in car sales volume.** Monthly domestic car sales volume continued to trend higher to 96,030 units in October 2019 (+3.3% mom, but -9.5% yoy). While we expect the car sales volume in November to remain buoyant, we also predict seasonally soft car sales in December. Cumulatively, domestic car sales declined by 11.8% yoy to 849,609 units in 10M19 hit by the impact of soft commodity prices (mainly coal), the high interest rates environment in 1H19 and the general elections in April 2019. The October 2019 sales figure is within our expectations (81% of our full year forecast).

**Solid market share for Astra at 52.7% in 10M19.** Although ASII's car sales volume dropped 7.7% yoy, its market share remained buoyant at 52.7% in 10M19 (10M18: 50.3%) as the decline in sales of car brands under ASII, namely Toyota and Daihatsu, only fell by 6.1% yoy and 10.7% yoy, respectively, compared to Honda, Mitsubishi and Suzuki which posted sales declines of 16.1-19.5% yoy. We maintain our forecast on ASII's market share at around 51% in 2019 and 2020.

**Recovery in domestic car sales expected in 2020.** We expect a recovery in car sales by 3% yoy to 1.08mn units in 2020 owing to: a) modest economic growth of 5.2% in 2020 vs this year's expectation of 5.10% and b) the recent BI rate cuts by 100bps to 5.00% during 2019 which will lower financing costs and improve the purchasing power of consumers.

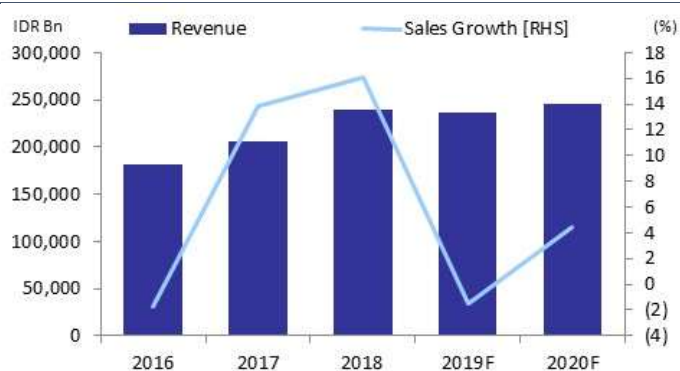
**Maintain BUY.** We expect the stiff competition in the domestic car market to persist. The recent launch by the competitor of ASII on Mitsubishi Xpander Cross with 20mm higher ground clearance and a price range of IDR268 – 287mn compared to IDR210 – 265mn for its current Xpander will further add to the competition in the low-end SUV market. Nonetheless, the recent 100bps cuts in the BI rate and relaxation on the LTV for automotive purchases with 5 – 10ppt lower down payments should help to lift domestic car sales next year (by 3% yoy to 1.08mn units, in our estimate). The stock is currently trading at below -1SD. Our TP implies 14.8x 2020F PE.

**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)            | 14.1    | 12.3    | 12.9    | 12.1    | 11.4    |
| PBV (x)            | 2.2     | 1.9     | 1.8     | 1.7     | 1.6     |
| Dividend yield (%) | 2.6     | 2.9     | 4.1     | 3.9     | 4.1     |
| EV/EBITDA (x)      | 11.3    | 9.2     | 8.8     | 8.2     | 7.8     |

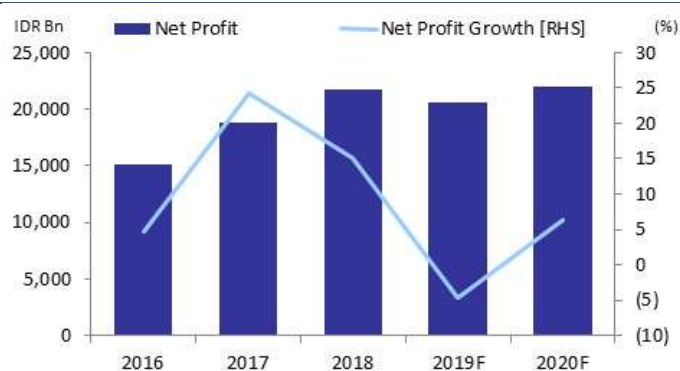
Source : ASII, Danareksa Estimates

**Exhibit 1. Revenues and Growth**



Source: Company, Danareksa Sekuritas estimates

**Exhibit 2. Net Profits and Growth**



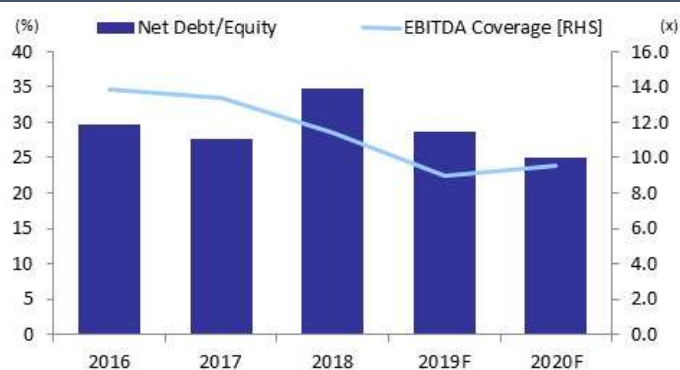
Source: Company, Danareksa Sekuritas estimates

**Exhibit 3. Margins**



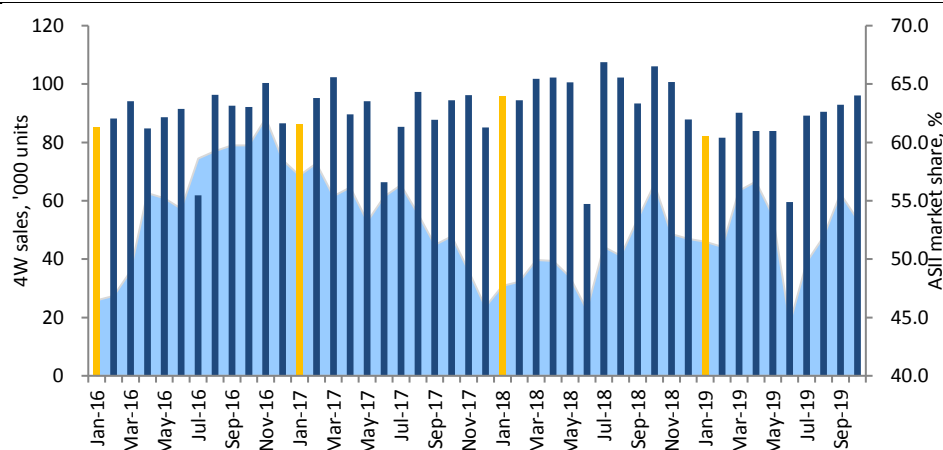
Source: Company, Danareksa Sekuritas estimates

**Exhibit 4. Gearing Level**



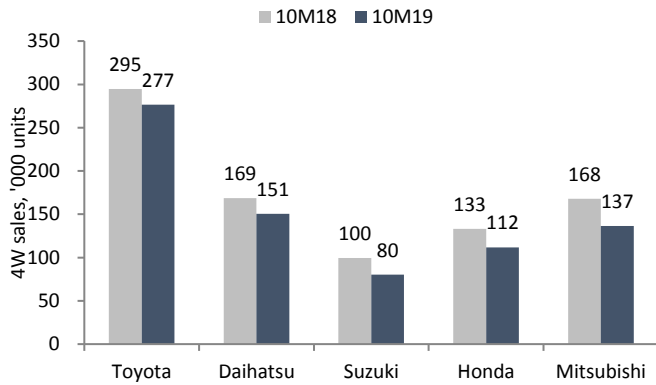
Source: Company, Danareksa Sekuritas estimates

**Exhibit 5. Steady market share of above 50% in 2019**



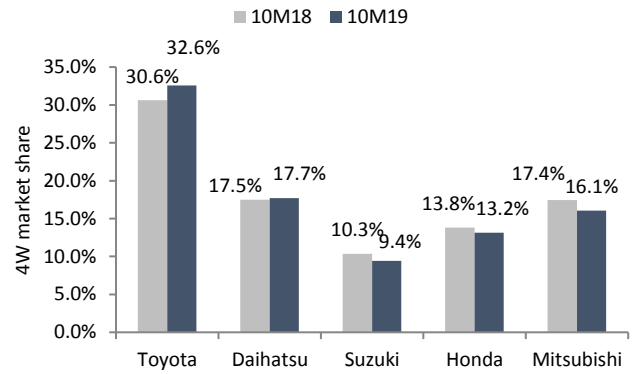
Source: Gaikindo, Company

**Exhibit 6. All major car brands experienced lower volume in 10M19**



Source: Gaikindo, Company

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



Source: Gaikindo, Company

**Exhibit 8. ASII's competitor launched New Mitsubishi Xpander Cross**



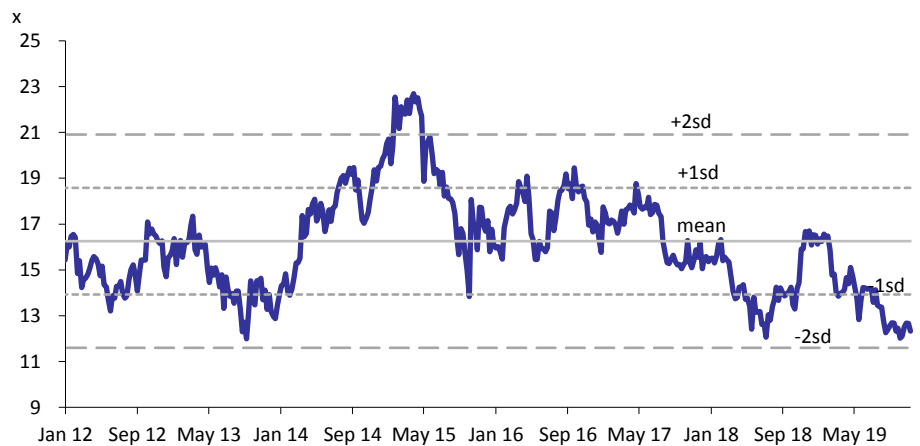
Source: Mitsubishi Motors

**Exhibit 9. Mitsubishi Expander**



Source: Mitsubishi Motors

**Exhibit 10. ASII is trading at below -1SD**



Source: Bloomberg

### Exhibit 11. Income Statement

| Year to 31 Dec (IDRbn)  | 2017A          | 2018A          | 2019F          | 2020F          | 2021F          |
|-------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>Revenue</b>          | <b>206,057</b> | <b>239,205</b> | <b>235,730</b> | <b>246,160</b> | <b>257,066</b> |
| COGS                    | (163,689)      | (188,436)      | (183,991)      | (190,956)      | (199,022)      |
| <b>Gross profit</b>     | <b>42,368</b>  | <b>50,769</b>  | <b>51,739</b>  | <b>55,204</b>  | <b>58,044</b>  |
| <b>EBITDA</b>           | <b>27,371</b>  | <b>35,527</b>  | <b>36,276</b>  | <b>38,943</b>  | <b>40,708</b>  |
| <b>Oper. profit</b>     | <b>20,326</b>  | <b>26,868</b>  | <b>26,600</b>  | <b>28,415</b>  | <b>29,246</b>  |
| 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          |
| <b>Pre-tax profit</b>   | <b>29,137</b>  | <b>34,995</b>  | <b>32,783</b>  | <b>34,699</b>  | <b>36,616</b>  |
| Income tax              | (6,016)        | (7,623)        | (6,557)        | (6,940)        | (7,323)        |
| Minority interest       | (4,274)        | (5,699)        | (5,580)        | (5,818)        | (5,991)        |
| <b>Net profit</b>       | <b>18,847</b>  | <b>21,673</b>  | <b>20,646</b>  | <b>21,942</b>  | <b>23,302</b>  |
| <b>Core Net Profit</b>  | <b>18,856</b>  | <b>21,760</b>  | <b>20,353</b>  | <b>21,246</b>  | <b>22,121</b>  |

### Exhibit 12. 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        |
| <b>Total asset</b>                    | <b>295,830</b> | <b>344,711</b> | <b>336,207</b> | <b>355,118</b> | <b>374,865</b> |
| 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         |
| <b>Total Liabilities</b>              | <b>139,325</b> | <b>170,348</b> | <b>145,073</b> | <b>146,548</b> | <b>147,972</b> |
| 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         |
| <b>Total Equity &amp; Liabilities</b> | <b>295,830</b> | <b>344,711</b> | <b>336,207</b> | <b>355,118</b> | <b>374,865</b> |

### Exhibit 13. 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)           |
| <b>Operating Cash Flow</b> | <b>21,927</b>   | <b>18,074</b>   | <b>30,859</b>   | <b>29,179</b>   | <b>30,240</b>   |
| 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)         |
| <b>Investing Cash Flow</b> | <b>(20,917)</b> | <b>(32,758)</b> | <b>(16,844)</b> | <b>(18,118)</b> | <b>(18,858)</b> |
| 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           |
| <b>Financing Cash Flow</b> | <b>1,207</b>    | <b>8,303</b>    | <b>(17,615)</b> | <b>(8,439)</b>  | <b>(9,191)</b>  |
| <b>Net Change in Cash</b>  | <b>2,217</b>    | <b>(6,381)</b>  | <b>(3,600)</b>  | <b>2,622</b>    | <b>2,192</b>    |
| 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 14. Key Ratios

| Year to 31 Dec           | 2017A | 2018A | 2019F | 2020F | 2021F |
|--------------------------|-------|-------|-------|-------|-------|
| <b>Growth (%)</b>        |       |       |       |       |       |
| 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   |
| <b>Profitability (%)</b> |       |       |       |       |       |
| 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  |
| <b>Leverage</b>          |       |       |       |       |       |
| 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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