

Tuesday, 17 December 2019

BUY
Maintain

Last price (IDR) 6,975
Target Price (IDR) 8,000
Upside/Downside +14.7%
Previous Target Price (IDR) 8,000

Stock Statistics

Sector Automotive
Bloomberg Ticker ASII IJ
No of Shrs (mn) 40,484
Mkt. Cap (IDRbn/USDmn) 282,373/20,155
Avg. daily T/O (IDRbn/USDmn) 189.4/13.5

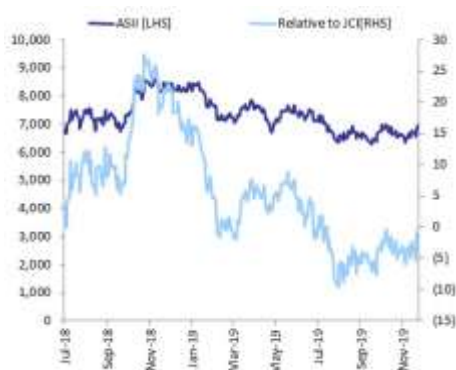
Major shareholders (%)

Jardine Cycle & Carriage 50.1
Estimated free float 49.9

EPS Consensus (IDR)

	2019F	2020F	2021F
Danareksa	510.0	542.0	575.6
Consensus	538.8	575.4	619.6
Danareksa/Cons	(5.3)	(5.8)	(7.1)

ASII relative to JCI Index



Source : Bloomberg



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Astra International (ASII IJ)

Solid market share above 50% in November 2019

Based on data from Gaikindo, domestic car sales reached 90,798 units (-5.4% mom, -9.9% yoy) in November 2019. In 11M19, car sales declined by 11.6% yoy to 940,362 units due to the impact of the general elections in April 2019 as well as weak commodity prices. The 11M19 sales figure is slightly below our expectation (89.6%). Nonetheless, Astra International (ASII) managed to maintain market share of around 52.7% in 11M19 (11M18: 50.5%). Maintain BUY with a target price of IDR8,000 (based on SOTP valuation).

Lower car sales in November 2019. Domestic car sales were down by 5.4% mom to 90,798 units in November 2019 after posting a strong number in October 2019. In December 2019, we expect seasonally soft car sales of around 75,000 – 80,000 units. Cumulatively, domestic car sales dropped 11.6% yoy to 940,362 units in 11M19 owing to the impact of the general elections in April 2019 and weak commodity prices. The 11M19 car sales are slightly below our expectations (89.6% of our forecast).

ASII's market share was stable at 52.7% in 11M19. ASII reported higher market share of 52.7% in 11M19 (11M18: 50.5%) despite soft sales (-7.8% yoy) with the sales under ASII (Toyota and Daihatsu) falling by 6.4% yoy and 10.7% yoy respectively. Meanwhile, its competitors, such as Honda, Suzuki and Mitsubishi reported further declines in sales volume of between 16.1% and 18.4% in 11M19. ASII's market share of 52.7% in 11M19 was higher than our expectation of only 51% for 2019.

2020: Expect recovery in domestic car sales. The high interest rate environment, weak commodity prices and tepid economic growth of around 5.1% yoy will be reflected in 8.8% yoy lower domestic car sales of 1.05mn units in 2019. Although weak commodity prices are expected to persist, we foresee a recovery in domestic car sales of 3% yoy to 1.08mn units in 2020 supported by moderate economic growth of around 5.08 – 5.18% yoy. We also believe sales will be supported by 100bps cuts in the BI rate in 2019 and relaxation on the LTV for automotive purchases with 5 – 10ppt lower down payments.

Maintain BUY as we believe the impact of lower interest rates following BI rate cuts of 100bps in total and relaxation on the LTV policy will sustain domestic car sales amidst soft commodity prices and stiff competition in the car market. Our TP is IDR8,000 based on SOTP valuation. We foresee potential upside of up to 37% for our 2020 net profits (with the assumption of a final tax of 1%) when ASII completes the sale of its entire stake in Bank Permata to Bangkok Bank in 2020. 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)	15.0	13.0	13.7	12.9	12.1
PBV (x)	2.3	2.1	1.9	1.8	1.7
Dividend yield (%)	2.4	2.7	3.8	3.7	3.9
EV/EBITDA (x)	11.9	9.7	9.3	8.6	8.2

Source : ASII, Danareksa Estimates

Exhibit 1. Revenues and Growth



Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth



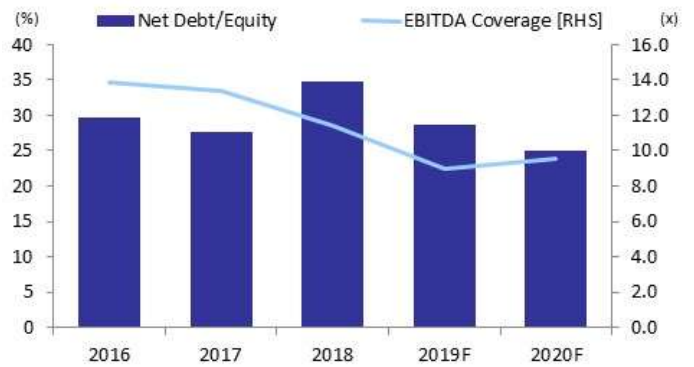
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins



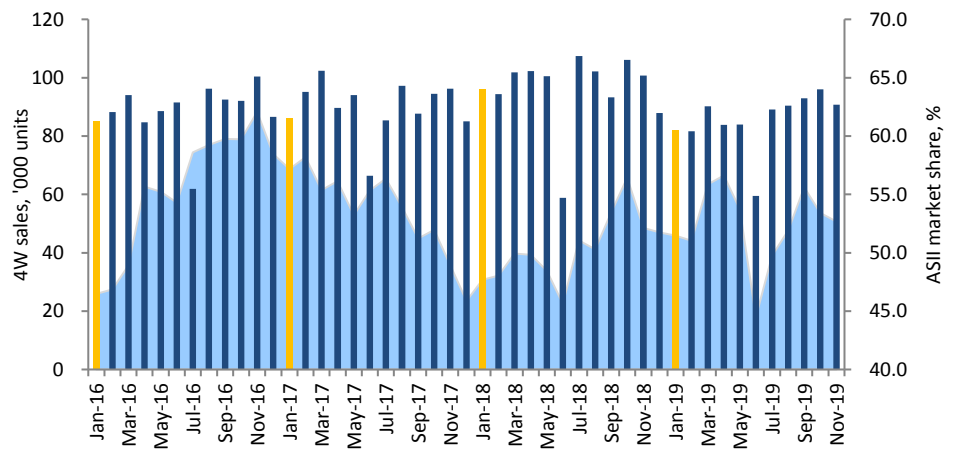
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Gearing Level



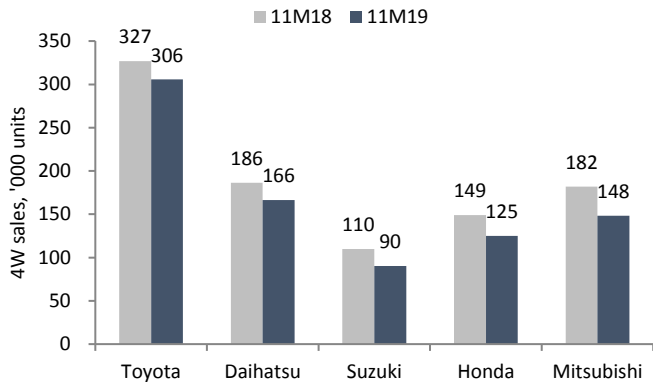
Source: Company, Danareksa Sekuritas estimates

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



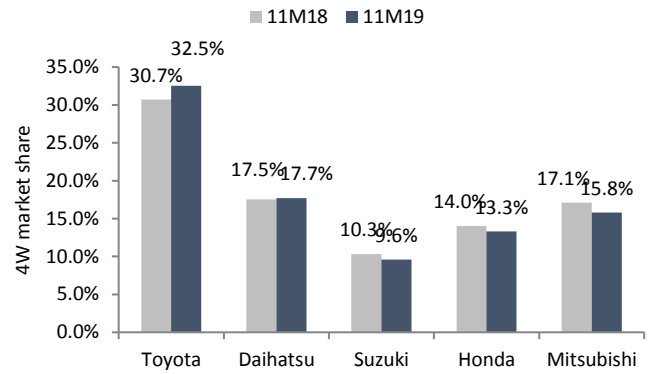
Source: Gaikindo, Company

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 is trading at below -1SD



Source: Bloomberg

Exhibit 9. 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 10. 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 11. 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 12. 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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