

Friday, 16 October 2020

BUY
Maintain

Last price (IDR) 4,740
Target Price (IDR) 6,700
Upside/Downside +41.4%
Previous Target Price (IDR) 6,700

Stock Statistics

Sector Automotive
Bloomberg Ticker ASII IJ
No of Shrs (mn) 40,484
Mkt. Cap (IDRbn/USDmn) 191,892/13,063
Avg. daily T/O (IDRbn/USDmn) 203.6/13.9

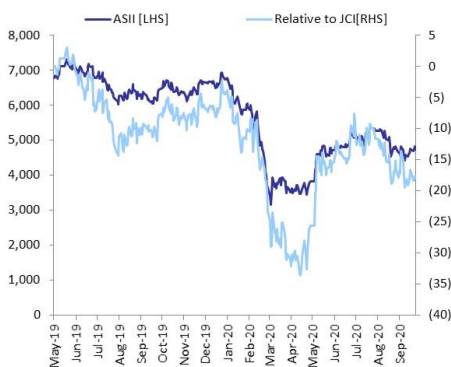
Major shareholders (%)

Jardine Cycle & Carriage 50.1
Estimated free float 49.9

EPS Consensus (IDR)

	2020F	2021F	2022F
Danareksa	399.6	433.5	496.2
Consensus	368.9	428.9	512.3
Danareksa/Cons	8.3	1.1	(3.1)

ASII relative to JCI Index



Source : Bloomberg



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Astra International (ASII IJ)

Solid quarterly improvement on the cards

Domestic car sales volume (wholesales) jumped 30.2% mom to 48,554 units in Sep20 amid the re-imposition of one-month large-scale social distancing restrictions (PSBB) in Jakarta. Astra International (ASII) saw its car sales volume surge 53.8% mom boosting its market share to 53.1% in Sep20. In 9M20, the domestic car sales volume was down by 50.7% yoy to 372,046 units, slightly below expectations. Our TP of IDR6,700 is based on the SOTP.

Slightly surprising wholesales number amid reinstatement of PSBB. Surprisingly, domestic car sales volume (wholesales) continued its recovery by 30.2% mom to 48,554 units in Sep20 with retail car sales volume up by 15.2% mom to 43,362 units amid reinstatement of one-month large-scale social distancing restrictions (PSBB) in Jakarta. In 9M20, cumulative domestic car sales volume declined 46.4% yoy to 372,046 units. The wholesales number is slightly below expectations at 62% of our forecast.

Car tax incentive overhang to impact car sales volume in Oct20. The lower car retail sales volume than wholesales volume in Sep20 reflected the tendency of consumers to withhold making car purchases given the proposal by the Ministry of Industry to give tax incentives for the purchase of new cars. We believe that with consumers awaiting tax incentives for new cars, wholesales volume will likely be impacted in Oct20.

Solid sales volume improved Astra's market share. Astra reported strong car sales volume (+53.8% mom in Sep20), which translated into higher market share of 53.0% in Sep20. Although Astra reported a slight decline in its market share to 51.7% in 9M20 (9M19: 52.5%), the company still managed to maintain solid market share above 50%. Yesterday, Astra launched a minor facelift for the popular Toyota Kijang Innova in the MPV segment and Fortuner in the SUV market with IDR11.6-19.5mn higher selling prices compared to the previous models. Coupled with previously newly-launched models, we expect Astra's market share to reach around 53% in 2020.

3Q20 earnings preview: in recuperation mode. We foresee a quarterly earnings improvement for Astra in 3Q20 given: a) Astra's strong car sales volume (+440% qoq to 52,712 units in 3Q20) to improve automotive earnings, b) the spillover impact from strong car sales volume on its auto-related finance business, and c) a recovery in Komatsu sales volume.

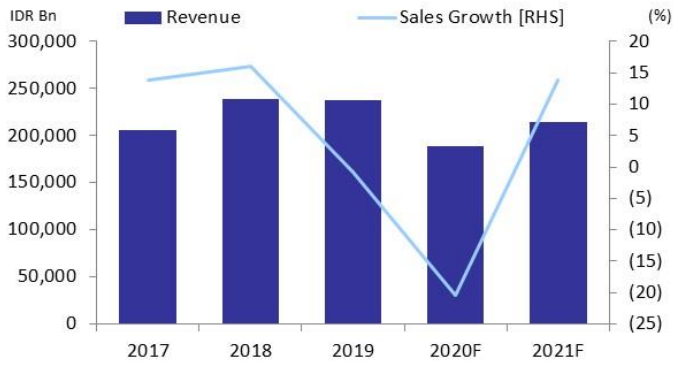
Maintain BUY with a TP of IDR6,700 (based on SOTP valuation). While short-term domestic car sales will be adversely impacted by the overhang from the tax incentive for new cars, we continue to like Astra given expectations of a further recovery in domestic car sales volume in 2021. The stock is currently trading at -2.0SD. Our TP implies 15.5x 2021F PE.

Key Financials

Year to 31 Dec	2018A	2019A	2020F	2021F	2022F
Revenue (IDRbn)	239,205	237,166	188,668	214,713	233,087
EBITDA (IDRbn)	35,527	37,786	27,995	32,949	35,936
EBITDA Growth (%)	29.8	6.4	(25.9)	17.7	9.1
Net profit (IDRbn)	21,673	21,707	16,177	17,551	20,088
EPS (IDR)	535.4	536.2	399.6	433.5	496.2
EPS growth (%)	15.0	0.2	(25.5)	8.5	14.4
BVPS (IDR)	3,382.8	3,652.0	3,783.5	4,017.3	4,296.7
DPS (IDR)	190.0	211.1	268.1	199.8	216.8
PER (x)	8.9	8.8	11.9	10.9	9.6
PBV (x)	1.4	1.3	1.3	1.2	1.1
Dividend yield (%)	4.0	4.5	5.7	4.2	4.6
EV/EBITDA (x)	7.1	6.9	8.5	7.0	6.2

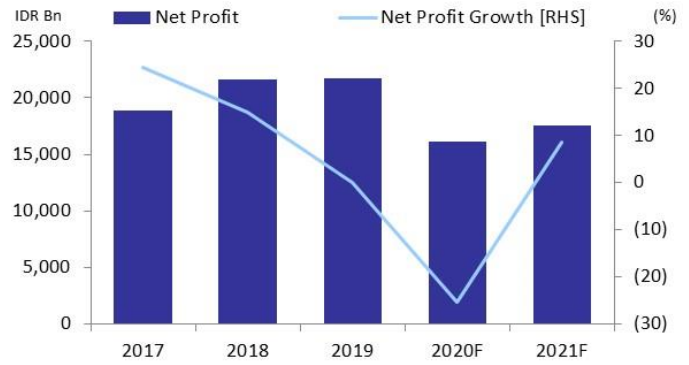
Source : ASII, Danareksa Estimates

Exhibit 1. Revenues and Growth



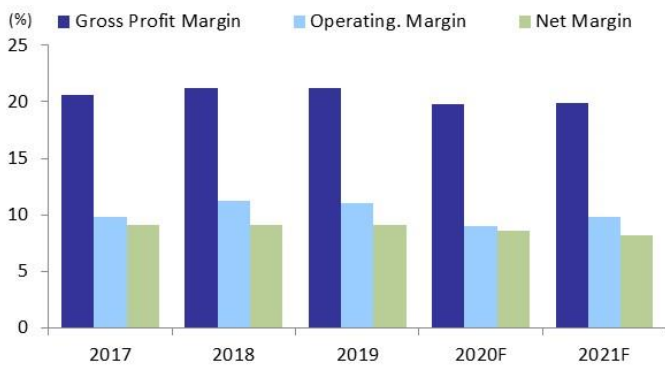
Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth



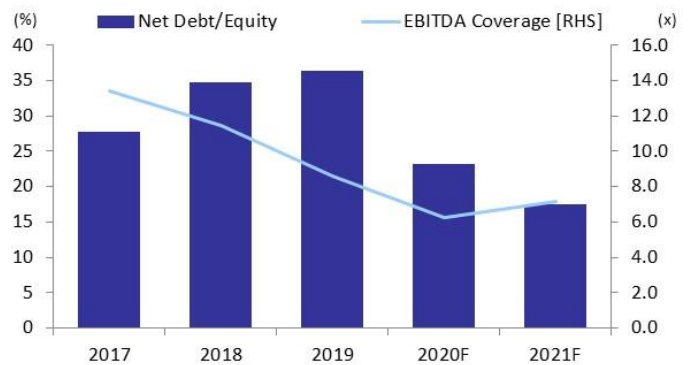
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins



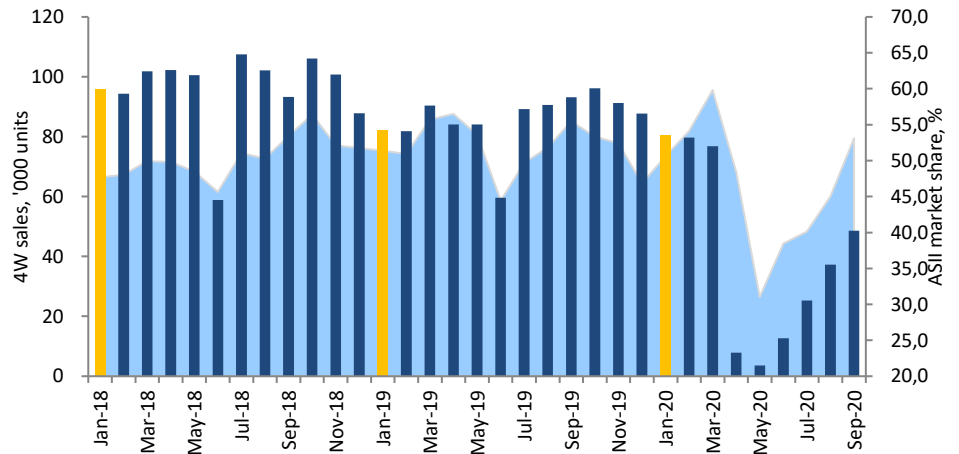
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Gearing Level



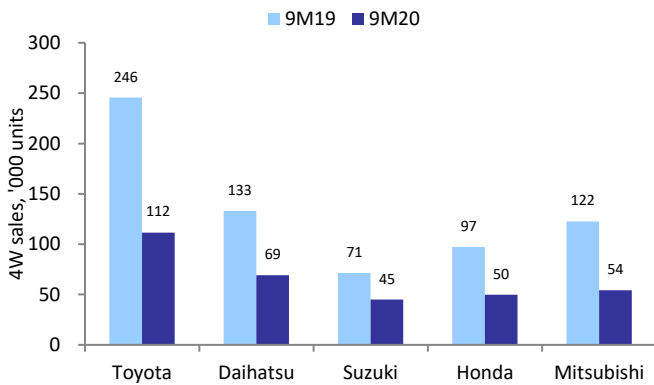
Source: Company, Danareksa Sekuritas estimates

Exhibit 5. Gradual improvement in car sales volume (wholesales) in August 2020



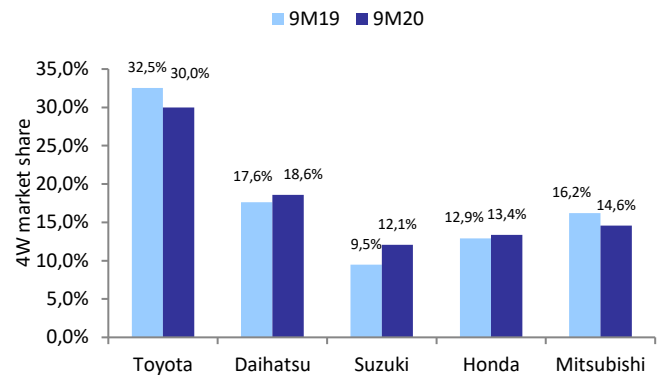
Source: Gaikindo, Company

Exhibit 6. All major brands experienced lower volume in 9M20



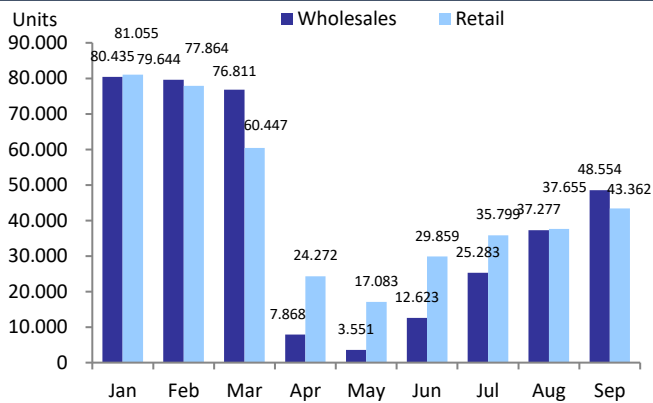
Source: Gaikindo, Company

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



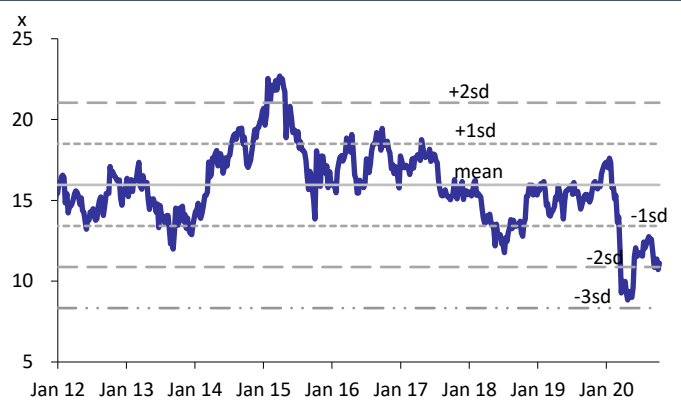
Source: Gaikindo, Company

Exhibit 8. Monthly wholesales and retail car market



Source: Gaikindo, various newspapers

Exhibit 9. ASII is currently trading at -2.0SD



Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 10. New Kijang Innova – minor facelift



IDRmn	Facelift	Prev. Models	Change
Price range	337.6 495.7	326.1 482.6	11.6 13.1

Source: Toyota Astra Motor

Exhibit 11. New Fortuner – minor facelift



IDRmn	Facelift	Prev. Models	Change
Price range	504.9 704.5	493.0 685.1	12.0 19.5

Source: Toyota Astra Motor

Exhibit 12. Income Statement

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Revenue	239,205	237,166	188,668	214,713	233,087
COGS	(188,436)	(186,927)	(151,399)	(172,010)	(186,437)
Gross profit	50,769	50,239	37,269	42,702	46,650
EBITDA	35,527	37,786	27,995	32,949	35,936
Oper. profit	26,868	26,184	16,920	21,164	23,366
Interest income	1,859	1,953	1,360	2,317	2,900
Interest expense	(3,105)	(4,382)	(4,487)	(4,591)	(4,678)
Forex Gain/(Loss)	(87)	(57)	(437)	0	0
Income From Assoc. Co's	7,036	7,087	3,342	5,408	6,110
Other Income (Expenses)	2,424	3,269	8,496	3,269	3,269
Pre-tax profit	34,995	34,054	25,194	27,566	30,967
Income tax	(7,623)	(7,433)	(4,743)	(5,190)	(5,830)
Minority interest	(5,699)	(4,914)	(4,274)	(4,825)	(5,049)
Net profit	21,673	21,707	16,177	17,551	20,088
Core Net Profit	21,760	21,764	16,614	17,551	20,088

Exhibit 13. Balance Sheet

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Cash & cash equivalent	25,193	24,330	41,441	51,886	58,956
Receivables	69,984	70,602	61,608	63,424	68,046
Inventory	26,505	24,287	20,569	23,369	25,329
Other Curr. Asset	11,336	12,707	10,109	11,504	12,488
Fixed assets - Net	96,558	99,140	98,591	100,846	102,317
Other non-curr.asset	114,544	120,492	119,278	120,006	124,505
Total asset	344,711	351,958	351,994	371,434	392,042
ST Debt	45,529	41,752	40,652	40,220	39,946
Payables	49,948	38,542	27,718	31,492	34,133
Other Curr. Liabilities	20,990	19,668	19,668	19,668	19,668
Long Term Debt	40,385	50,549	47,558	49,369	51,247
Other LT. Liabilities	13,496	14,684	14,684	14,684	14,684
Total Liabilities	170,348	165,195	150,280	155,432	159,679
Shareholder's Funds	136,947	147,847	153,171	162,634	173,945
Minority interests	37,416	38,916	48,543	53,368	58,417
Total Equity & Liabilities	344,711	351,958	351,994	371,434	392,042

Exhibit 14. Cash Flow

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Net income	21,673	21,707	16,177	17,551	20,088
Depreciation and Amort.	8,835	8,428	11,075	11,785	12,570
Change in Working Capital	(2,662)	(12,308)	4,487	(2,238)	(4,925)
Other Oper. Cash Flow	(9,772)	3,702	5,647	4,121	93
Operating Cash Flow	18,074	21,529	37,387	31,220	27,825
Capex	(28,905)	(11,010)	(10,526)	(14,040)	(14,041)
Others Inv. Cash Flow	(3,853)	(5,268)	54	(258)	86
Investing Cash Flow	(32,758)	(16,278)	(10,471)	(14,299)	(13,956)
Net change in debt	10,936	6,387	(4,091)	1,378	1,605
New Capital	0	0	0	0	0
Dividend payment	(7,692)	(8,547)	(10,854)	(8,089)	(8,776)
Other Fin. Cash Flow	5,059	(3,954)	5,140	234	371
Financing Cash Flow	8,303	(6,114)	(9,804)	(6,476)	(6,799)
Net Change in Cash	(6,381)	(863)	17,111	10,445	7,070
Cash - begin of the year	31,574	25,193	24,330	41,441	51,886
Cash - end of the year	25,193	24,330	41,441	51,886	58,956

Exhibit 15. Key Ratios

Year to 31 Dec	2018A	2019A	2020F	2021F	2022F
Growth (%)					
Sales	16.1	(0.9)	(20.4)	13.8	8.6
EBITDA	29.8	6.4	(25.9)	17.7	9.1
Operating profit	32.2	(2.5)	(35.4)	25.1	10.4
Net profit	15.0	0.2	(25.5)	8.5	14.4
Profitability (%)					
Gross margin	21.2	21.2	19.8	19.9	20.0
EBITDA margin	14.9	15.9	14.8	15.3	15.4
Operating margin	11.2	11.0	9.0	9.9	10.0
Net margin	9.1	9.2	8.6	8.2	8.6
ROAA	6.8	6.2	4.6	4.9	5.3
ROAE	16.6	15.2	10.7	11.1	11.9
Leverage					
Net Gearing (x)	0.3	0.4	0.2	0.2	0.1
Interest Coverage (x)	8.7	6.0	3.8	4.6	5.0

Source : ASII, Danareksa Estimates

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