

Thursday, 22 April 2021

BUY
Maintain

Last price (IDR) 5,225
Target Price (IDR) 7,500
Upside/Downside +43.5%
Previous Target Price (IDR) 7,500

Stock Statistics

Sector Automotive
Bloomberg Ticker ASII IJ
No of Shrs (mn) 40,484
Mkt. Cap (IDRbn/USDmn) 211,527/14,558
Avg. daily T/O (IDRbn/USDmn) 346.3/23.8

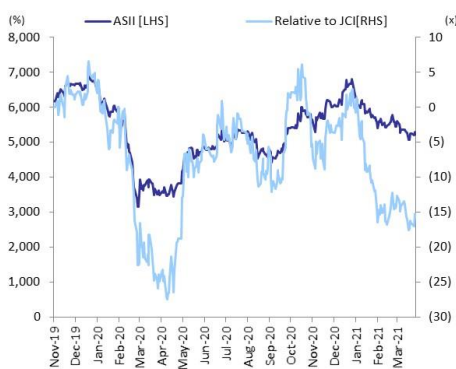
Major shareholders (%)

Jardine Cycle & Carriage 50.1
Estimated free float 49.9

EPS Consensus (IDR)

	2021F	2022F	2023F
Danareksa	424.1	486.1	531.3
Consensus	437.9	521.9	571.4
Danareksa/Cons	(3.2)	(6.8)	(7.0)

ASII relative to JCI Index



Source : Bloomberg



Stefanus Darmagiri

(62-21) 5091 4100 ext. 3530

stefanus.darmagiri@danareksa.co.id

Astra International (ASII IJ)

Quarterly improvement

Astra International (ASII) reported net profits of IDR3.7tn (+75.4% qoq, but -22.5% yoy) in 1Q21. The result is slightly below our estimate (22%) and the consensus (21%). While there will be a slowdown in car delivery in Apr and May 2021 due to Ramadhan, we expect strong earnings to continue in 2Q21 with expansion of the luxury car tax incentives to help improve the profitability of the company's automotive division. Maintain BUY.

Better quarterly net profits from the automotive, financial and mining divisions. ASII reported 75.4% qoq better earnings of IDR3.7tn in 1Q21 mainly due to strong earnings in: a) the automotive division (+57.8% qoq) with 27.0% qoq higher car sales volume and an improvement in the automotive EBIT margin of 0.5% in 1Q21 (vs. a negative EBIT margin in 4Q20), b) financial services (+78.8% qoq), c) the mining division (+216.3% qoq) thanks to solid coal prices which lifted Komatsu sales and coal sales volume and rising gold sales volume and d) the property division (+600% yoy). The Agri business and infrastructure and logistics reported 35.5% qoq and 59.6% qoq lower quarterly net profits, respectively.

Lower net profits from the automotive, financial and agribusiness divisions.

Net profits were 22.5% yoy lower due to weak earnings from: a) the automotive division (-25.7% yoy) with 24% yoy lower ASII car sales volume, b) financial services (-30.5% yoy) with higher provisions and a reduction in the loans portfolio in the consumer-focused finance businesses, and c) agribusiness (-56.4% qoq) with lower CPO and derivative product sales. Nonetheless, net profits from the mining division rose by 3.4% yoy thanks to higher Komatsu volume and better coal and gold prices. The result is slightly below our estimate (22%) and the consensus (21%).

Expect economic recovery to improve car volume and profitability in 2021.

We expect better earnings for ASII in 2021 which will be attributable to strong car sales volume: we forecast domestic car sales volume to recover by 46.6% yoy to 780k units supported by economic recovery and luxury car tax incentives (PPnBM). These two factors are expected to help boost the profitability of ASII's automotive division. In 2021, we expect the company to book a positive automotive EBIT margin of 0.5%.

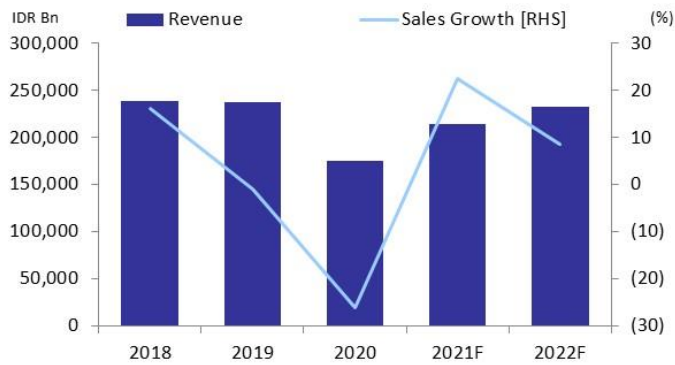
Maintain BUY with a TP of IDR7,500 (based on the SOTP valuation). We like Astra given that: a) the domestic economic recovery will boost its automotive and financial businesses, and b) solid coal prices will help to improve the demand for heavy equipment not only in the mining sector but also in the construction sector. Our TP implies 17.7x 2021F PE.

Key Financials

Year to 31 Dec	2019A	2020A	2021F	2022F	2023F
Revenue (IDRbn)	237,166	175,046	214,491	233,002	247,255
EBITDA (IDRbn)	35,834	24,651	31,806	35,316	38,095
EBITDA Growth (%)	0.9	(31.2)	29.0	11.0	7.9
Net profit (IDRbn)	21,707	16,164	17,169	19,681	21,507
EPS (IDR)	536.2	399.3	424.1	486.1	531.3
EPS growth (%)	0.2	(25.5)	6.2	14.6	9.3
BVPS (IDR)	3,652.0	3,845.1	4,069.5	4,343.6	4,631.8
DPS (IDR)	211.1	184.0	199.6	212.0	243.1
PER (x)	9.7	13.1	12.3	10.7	9.8
PBV (x)	1.4	1.4	1.3	1.2	1.1
Dividend yield (%)	4.0	3.5	3.8	4.1	4.7
EV/EBITDA (x)	7.8	9.9	7.5	6.5	5.9

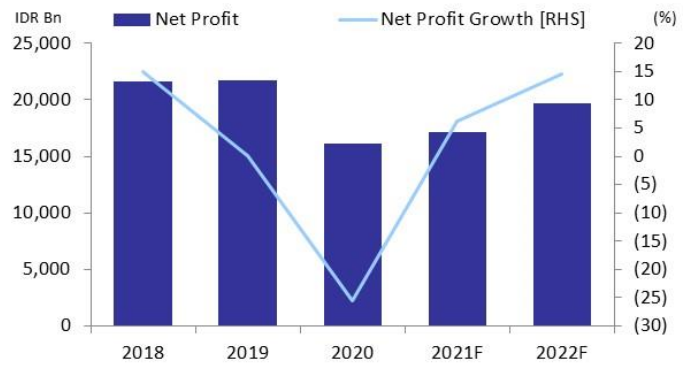
Source : ASII, BRI-Danareksa Estimates

Exhibit 1. Revenues and Growth



Source: Company, BRI-Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth



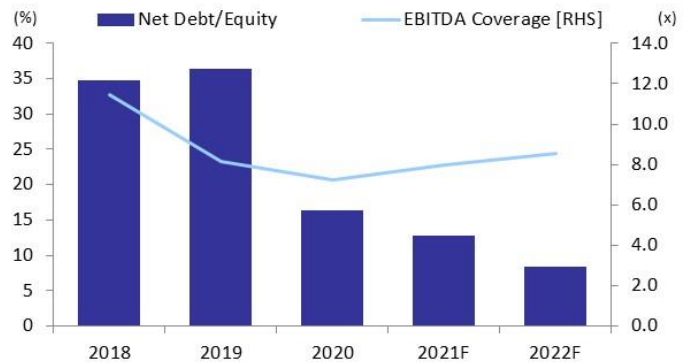
Source: Company, BRI-Danareksa Sekuritas estimates

Exhibit 3. Margins



Source: Company, BRI-Danareksa Sekuritas estimates

Exhibit 4. Gearing Level



Source: Company, BRI-Danareksa Sekuritas estimates

Exhibit 5. 1Q21 Results – Slightly below expectation
Profit & Loss, IDRbn

(in IDRbn)	4Q20	1Q21	QoQ, %	1Q20	1Q21	YoY, %	FY2021	A/F, %
Revenue	44,697	51,700	15.7	54,002	51,700	(4.3)	214,491	24
Gross profit	9,251	10,598	14.6	12,087	10,598	(12.3)	45,847	23
Operating income	2,164	4,526	109.1	5,732	4,526	(21.0)	20,079	23
EBITDA	5,249	7,329	39.6	9,186	7,329	(20.2)	31,806	23
Equity income	1,003	1,276	27.2	1,776	1,276	(28.2)	4,575	28
Net income	2,125	3,728	75.4	4,810	3,728	(22.5)	17,169	22

Margins, %

Gross margin	20.7	20.5		22.4	20.5		21.4	
Operating margin	4.8	8.8		10.6	8.8		9.4	
EBITDA margin	11.7	14.2		17.0	14.2		14.8	
Net margin	4.8	7.2		8.9	7.2		8.0	

Revenue Breakdown, IDRbn

(in IDRbn)	4Q20	1Q21	QoQ, %	1Q20	1Q21	YoY, %	FY2021	A/F, %
Automotive	18,324	20,859	13.8	23,756	20,859	(12.2)	96,917	22
Financial services	4,947	6,120	23.7	5,355	6,120	14.3	17,435	35
Agribusiness	5,483	5,035	(8.2)	4,796	5,035	5.0	20,363	25
Information Technology	1,001	617	(38.4)	710	617	(13.1)	4,186	15
Heavy equipment	13,881	17,898	28.9	18,314	17,898	(2.3)	71,199	25
Infrastructure and logistic	1,719	1,631	(5.1)	1,713	1,631	(4.8)	6,794	24
Property	172	230	33.7	305	230	(24.6)	1,200	19
%								
Automotive	40.2	39.8		43.2	39.8		44.4	
Financial services	10.9	11.7		9.7	11.7		8.0	
Agribusiness	12.0	9.6		8.7	9.6		9.3	
Information Technology	2.2	1.2		1.3	1.2		1.9	
Heavy equipment	30.5	34.2		33.3	34.2		32.6	
Infrastructure and logistic	3.8	3.1		3.1	3.1		3.1	
Property	0.4	0.4		0.6	0.4		0.6	

Net Income, IDRbn

(in IDRbn)	4Q20	1Q21	QoQ, %	1Q20	1Q21	YoY, %		
Automotive	909	1,434	57.8	1,930	1,434	(25.7)		
Financial services	551	985	78.8	1,417	985	(30.5)		
Agribusiness	200	129	(35.5)	296	129	(56.4)		
Information Technology	10	1	(90.0)	2	1	(50.0)		
Heavy equipment	344	1,088	216.3	1,052	1,088	3.4		
Infrastructure and logistic	104	42	(59.6)	73	42	(42.5)		
Property	7	49	600.0	40	49	22.5		
%								
Automotive	42.8	38.5		40.1	38.5			
Financial services	25.9	26.4		29.5	26.4			
Agribusiness	9.4	3.5		6.2	3.5			
Information Technology	0.5	0.0		0.0	0.0			
Heavy equipment	16.2	29.2		21.9	29.2			
Infrastructure and logistic	4.9	1.1		1.5	1.1			
Property	0.3	1.3		0.8	1.3			

Source: Company, BRI-Danareksa Sekuritas estimates

Exhibit 6. Income Statement

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Revenue	237,166	175,046	214,491	233,002	247,255
COGS	(186,927)	(136,488)	(168,644)	(182,437)	(192,481)
Gross profit	50,239	38,558	45,847	50,565	54,774
EBITDA	35,834	24,651	31,806	35,316	38,095
Oper. profit	26,184	12,870	20,079	22,823	24,792
Interest income	1,953	2,342	2,658	2,959	3,533
Interest expense	(4,382)	(3,408)	(3,987)	(4,145)	(4,285)
Forex Gain/(Loss)	(57)	(99)	160	0	0
Income From Assoc. Co's	7,087	3,083	4,575	5,175	5,461
Other Income (Expenses)	3,269	6,953	3,269	3,269	3,269
Pre-tax profit	34,054	21,741	26,753	30,080	32,770
Income tax	(7,433)	(3,170)	(4,816)	(5,264)	(5,735)
Minority interest	(4,914)	(2,407)	(4,768)	(5,135)	(5,528)
Net profit	21,707	16,164	17,169	19,681	21,507
Core Net Profit	21,764	16,263	17,009	19,681	21,507

Exhibit 7. Balance Sheet

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Cash & cash equivalent	24,330	47,553	52,926	63,205	70,543
Receivables	70,602	54,307	65,890	69,803	75,425
Inventory	24,287	17,929	26,081	28,214	29,767
Other Curr. Asset	12,707	14,932	18,297	19,876	21,092
Fixed assets - Net	99,140	95,128	96,322	96,717	97,436
Other non-curr.asset	120,492	107,502	107,488	110,728	116,103
Total asset	351,958	338,203	367,857	389,394	411,218
ST Debt	41,752	37,136	35,095	35,539	36,061
Payables	38,542	30,053	37,001	40,028	42,231
Other Curr. Liabilities	19,668	18,547	18,547	18,547	18,547
Long Term Debt	50,549	42,345	45,442	47,277	49,180
Other LT. Liabilities	14,684	14,668	14,668	14,668	14,668
Total Liabilities	165,195	142,749	150,753	156,059	160,687
Shareholder's Funds	147,847	155,662	164,749	175,846	187,512
Minority interests	38,916	39,792	52,354	57,490	63,018
Total Equity & Liabilities	351,958	338,203	367,857	389,394	411,218

Exhibit 8. Cash Flow

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Net income	21,707	16,164	17,169	19,681	21,507
Depreciation and Amort.	8,453	11,567	11,727	12,493	13,304
Change in Working Capital	(12,308)	10,366	(16,151)	(4,599)	(6,188)
Other Oper. Cash Flow	3,702	3,942	3,509	357	(2,220)
Operating Cash Flow	21,554	42,039	16,255	27,932	26,402
Capex	(11,035)	(7,555)	(12,922)	(12,888)	(14,022)
Others Inv. Cash Flow	(5,268)	12,456	492	548	1,131
Investing Cash Flow	(16,303)	4,901	(12,430)	(12,340)	(12,891)
Net change in debt	6,387	(12,820)	1,056	2,280	2,424
New Capital	0	0	0	0	0
Dividend payment	(8,547)	(7,449)	(8,082)	(8,585)	(9,841)
Other Fin. Cash Flow	(3,954)	(3,448)	8,575	991	1,243
Financing Cash Flow	(6,114)	(23,717)	1,549	(5,314)	(6,173)
Net Change in Cash	(863)	23,223	5,373	10,279	7,338
Cash - begin of the year	25,193	24,330	47,553	52,926	63,205
Cash - end of the year	24,330	47,553	52,926	63,205	70,543

Exhibit 9. Key Ratios

Year to 31 Dec	2019A	2020A	2021F	2022F	2023F
Growth (%)					
Sales	(0.9)	(26.2)	22.5	8.6	6.1
EBITDA	0.9	(31.2)	29.0	11.0	7.9
Operating profit	(2.5)	(50.8)	56.0	13.7	8.6
Net profit	0.2	(25.5)	6.2	14.6	9.3
Profitability (%)					
Gross margin	21.2	22.0	21.4	21.7	22.2
EBITDA margin	15.1	14.1	14.8	15.2	15.4
Operating margin	11.0	7.4	9.4	9.8	10.0
Net margin	9.2	9.2	8.0	8.4	8.7
ROAA	6.2	4.7	4.9	5.2	5.4
ROAE	15.2	10.7	10.7	11.6	11.8
Leverage					
Net Gearing (x)	0.4	0.2	0.1	0.1	0.1
Interest Coverage (x)	6.0	3.8	5.0	5.5	5.8

Source : ASII, BRI-Danareksa Estimates

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