

Astra International

BUY (unchanged)

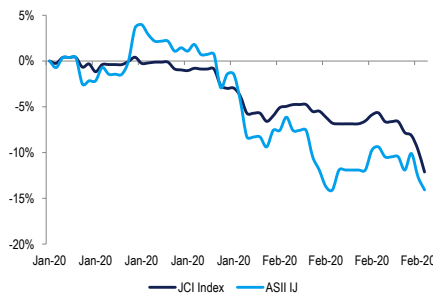
Company Update | Automotive | ASII IJ | 27 February 2020

Stock Data

Target price	Rp7,700
Prior TP	Rp8,200
Current price	Rp5,950
Upside/downside	+29%
Shares outstanding (mn)	40,484
Market cap (Rp bn)	240,877
Free float	50%
Avg. 6m daily T/O (Rp bn)	179.7

Price Performance

	3M	6M	12M
Absolute	-7.4%	-7.8%	-21.7%
Relative to JCI	0.7%	4.1%	-6.5%
52w low/high (Rp)		5,950 - 7,850	



Major Shareholders

Jardine Cycle & Carriage Ltd	50.1%
Blackrock Inc	2.2%
Vanguard Group Inc	1.8%

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4Q19 results: in-line results, expected weakness in auto was offset by FS

- ASII posted FY19 net profit of Rp21.7tr (flat yoy/-4% qoq), in-line with our/consensus estimates.
- As expected ([link to our preview](#)), auto division was relatively weak in 4Q while financial services saw some rebound.
- Maintain Buy with lower TP as we tone down our 4W sales and UNTR's HE equipment assumptions. Risk is further slowdown in 4W sales.

Weak auto segment in 4Q19

ASII posted FY19 net profit of Rp21.7tr (flat yoy/-4% qoq), in-line at 103%/102% of ours/consensus estimate. Weakness from auto (-1% yoy/-10% qoq) and agri (-85% yoy/+46% qoq) was offset by robust growth from financial services (+22% yoy/+5% qoq). UNTR (+1% yoy/-13% qoq) saw relatively muted EPS growth in FY19 amid weak volumes from HE/PAMA.

Poor results from the auto segment

Auto segment revenues dropped 2% yoy (+2% qoq) as sluggish 4W (-8% yoy/-2% qoq) volume was partly offset by slight increase in 2W volume (+3% yoy/7% qoq). Auto EBIT grew 29% in FY19 (-65% qoq), though excluding one-off items in 4Q18, we estimate that it still dropped 17-23% yoy in FY19. Concurrently, auto EBIT margin stood at 0.7% in FY19 vs. 0.5% in FY18 (0.2% in 4Q19 vs. -1.6% in 4Q18/0.7% in 3Q19).

Financial services was the bright spot

Financial services net profit grew 22% yoy (+5% qoq). Revenues grew 5% yoy (flat qoq), while EBIT rose 10% yoy (+8% qoq) – this was mostly driven by a positive NIM trend in 4Q for most of its subsidiaries (i.e. Astra Sedaya, Toyota Astra Finance, FIF, and Bank Permata – Fig 7-10), as well as benign provisions (especially Toyota Astra Finance and Astra Sedaya – Fig 11).

Mixed results from commodity business

UNTR's net profit stood at Rp11.3tr (+2% yoy/-13% qoq), as weak HE/PAMA volume was offset by contribution of gold mining revenues ([link to our note](#)). AALI's FY19 net profit of Rp211bn (-85% yoy/+48% qoq) – flat ASP yoy (+30% qoq) but production was lower (-15% yoy/-4% qoq).

Maintain BUY

Maintain BUY with a lower SOTP-based TP of Rp7,700 as we lower our earnings assumption for UNTR and pencil in a more conservative 4W market share assumption for ASII. It has underperformed JCI by 2% YTD, now trading at 8.4x 2020F P/E vs. 10Y-average of 15x. Risk is slower 4W sales.

Financial summary (Rp bn)	2018A	2019A	2020F	2021F	2022F
Revenue	239,205	237,166	235,355	248,583	262,620
EBITDA	36,290	35,860	36,068	37,183	38,677
Net profit	21,673	21,707	28,831	24,855	26,202
EPS (Rp)	535	536	712	614	647
EPS growth (%)	14.8%	0.2%	32.8%	-13.8%	5.4%
ROE	13.1%	11.8%	14.1%	11.0%	10.6%
PER	11.1	11.1	8.4	9.7	9.2
EV/EBITDA	8.3	8.3	7.9	7.6	7.1
Dividend yield	3.1%	3.6%	3.6%	4.8%	4.1%
Forecast changes			36%	-4%	N/A
IPS vs. consensus			125%	101%	N/A

Sources: Company, IndoPremier

Share Price Closing as of: 27 February 2020

Fig. 1: ASII's FY19 results summary

ASII 4Q19 results (Rp bn)	FY19	FY18	yoy %	4Q19	4Q18	yoy %	3Q19	qoq %	IPS FY19	% of IPS	Cons FY19	% of cons
Revenue	237,166	239,205	-1%	60,122	64,324	-7%	60,862	-1%	238,799	99%	239,204	99%
COGS	186,927	188,436	-1%	47,256	50,257	-6%	47,957	-1%	(189,700)	-99%	(188,316)	99%
Gross profit	50,239	50,769	-1%	12,866	14,067	-9%	12,905	0%	49,099	102%	50,888	99%
Gross profit margin (%)	21%	21%		21%	22%		21%		21%		21%	
Opex	24,055	23,901	1%	6,246	7,401	-16%	6,103	2%	(24,523)	-98%	(25,195)	95%
EBIT	26,184	26,868	-3%	6,620	6,666	-1%	6,802	-3%	24,576	107%	25,693	102%
Interest income	1,953	1,859	5%	534	525	2%	489	9%	2,100	93%		
Interest expenses	(4,382)	(3,105)	41%	(1,087)	(985)	10%	(1,123)	-3%	(3,342)	131%		
Associates' contribution	7,087	7,036	1%	1,893	1,755	8%	2,271	-17%	8,028	88%		
Others	3,212	2,337	37%	1,103	(151)	830%	856	29%	2,627	122%		
Operating profit	34,054	34,995	-3%	9,063	7,810	16%	9,295	-2%	33,988	100%	33,847	101%
Operating profit margin (%)	14%	15%		15%	12%		15%		14%		14%	
Tax	(7,433)	(7,623)	-2%	(2,070)	(1,955)	6%	(1,968)	5%	(7,137)	104%		
Tax rate (%)	22%	22%		23%	25%		21%		21%			
Minority interests	(4,914)	(5,699)	-14%	(1,154)	(1,255)	-8%	(1,262)	-9%	(5,689)	86%		
Net profit	21,707	21,673	0%	5,839	4,600	27%	6,065	-4%	21,161	103%	21,310	102%
Net profit margin (%)	9%	9%		10%	7%		10%		9%		9%	
Core net profit	21,752	21,741	0%	4,988	4,713	6%	5,390	-7%	21,161	103%	21,310	102%

Sources: Company, IndoPremier

Fig. 2: ASII's FY19 revenue summary by segment

Revenues	FY19	FY18	yoy%	4Q19	4Q18	yoy%	3Q19	qoq%
Auto	104,843	107,322	-2%	27,450	27,748	-1%	27,009	2%
Financial services	20,437	19,446	5%	5,197	4,976	4%	5,198	0%
Heavy equipment	84,431	84,625	0%	18,823	23,500	-20%	22,289	-16%
Agribusiness	17,453	19,084	-9%	5,067	5,322	-5%	3,860	31%
Technology and others	13,324	11,700	14%	4,430	3,565	24%	3,460	28%
Total	240,488	242,177	-1%	60,967	65,111	-6%	61,816	-1%

Sources: Company, IndoPremier

Fig. 3: ASII's FY19 EBIT summary by segment

EBIT	FY19	FY18	yoy%	4Q19	4Q18	yoy%	3Q19	qoq%
Auto	732	569	29%	62	(432)	-114%	176	-65%
Financial services	5,474	4,987	10%	1,478	1,412	5%	1,370	8%
Heavy equipment	16,605	16,735	-1%	3,703	4,429	-16%	4,473	-17%
Agribusiness	961	2,326	-59%	611	555	10%	207	195%
Technology and others	1,777	1,649	8%	605	555	9%	420	44%
Total	25,549	26,266	-3%	6,459	6,519	-1%	6,646	-3%

Sources: Company, IndoPremier

Fig. 4: ASII's FY19 net profit summary by segment

Net profit	FY19	FY18	yoy%	4Q19	4Q18	yoy%	3Q19	qoq%
Auto	8,396	8,518	-1%	2,336	1,505	55%	2,602	-10%
Financial services	5,864	4,815	22%	1,558	1,363	14%	1,487	5%
Heavy equipment	6,711	6,630	1%	1,571	1,202	31%	1,808	-13%
Agribusiness	168	1,146	-85%	79	250	-68%	54	46%
Technology and others	568	564	1%	295	280	5%	114	159%
Total	21,707	21,673	0%	5,839	4,600	27%	6,065	-4%

Sources: Company, IndoPremier

Fig. 5: ASII's FY19 EBIT margin summary by segment

EBIT margin	FY19	FY18	yoy%	4Q19	4Q18	yoy%	3Q19	qoq%
Auto	0.7%	0.5%	17	0.2%	-1.6%	178	0.7%	(43)
Financial services	26.8%	25.6%	114	28.4%	28.4%	6	26.4%	208
Heavy equipment	19.7%	19.8%	(11)	19.7%	18.8%	83	20.1%	(40)
Agribusiness	5.5%	12.2%	(668)	12.1%	10.4%	163	5.4%	670
Technology and others	13.3%	14.1%	(76)	13.7%	15.6%	(191)	12.1%	152
Total	10.6%	10.8%	(22)	10.6%	10.0%	58	10.8%	(16)

Sources: Company, IndoPremier

Fig. 6: ASII's FY19 net profit margin summary by segment

Net profit margin	FY19	FY18	yoy%	4Q19	4Q18	yoy%	3Q19	qoq%
Auto	8.0%	7.9%	7	8.5%	5.4%	309	9.6%	(112)
Financial services	28.7%	24.8%	393	30.0%	27.4%	259	28.6%	137
Heavy equipment	7.9%	7.8%	11	8.3%	5.1%	323	8.1%	23
Agribusiness	1.0%	6.0%	(504)	1.6%	4.7%	(314)	1.4%	16
Technology and others	4.3%	4.8%	(56)	6.7%	7.9%	(119)	3.3%	336
Total	9.0%	8.9%	8	9.6%	7.1%	251	9.8%	(23)

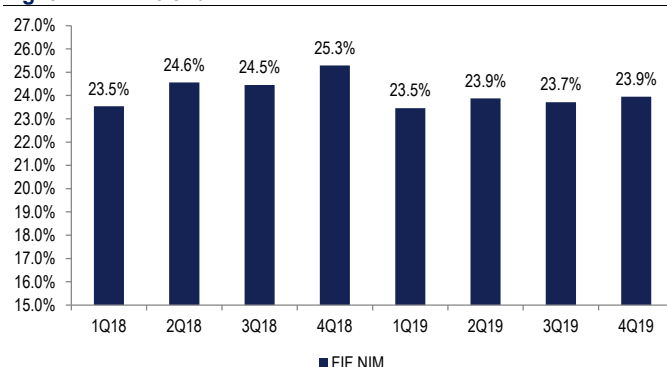
Sources: Company, IndoPremier

Fig. 7: Astra Sedaya (ACC) NIM trend



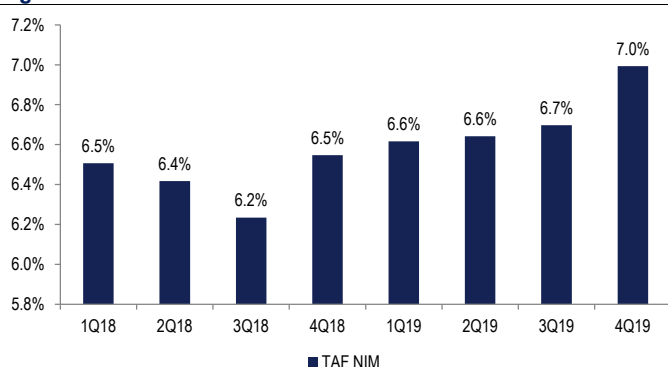
Sources: Bloomberg, Company, IndoPremier

Fig. 8: FIF NIM trend



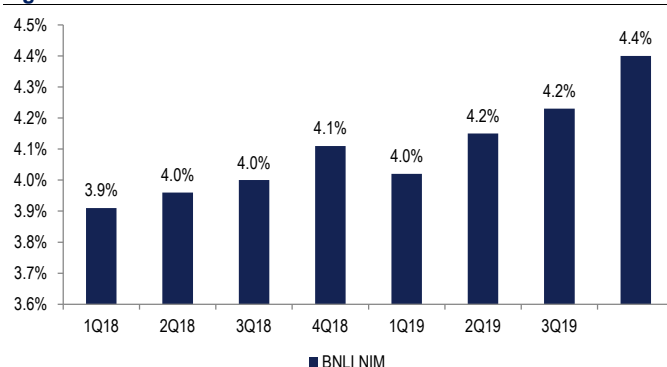
Sources: Bloomberg, Company, IndoPremier

Fig. 9: TAF NIM trend



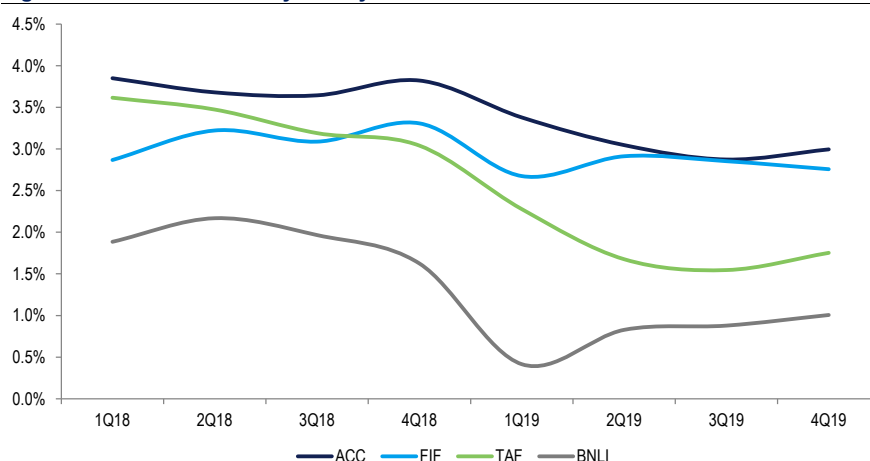
Sources: Bloomberg, Company, IndoPremier

Fig. 10: BNLI NIM trend



Sources: Bloomberg, Company, IndoPremier

Fig. 11: Credit cost summary for key financial services subsidiaries



Sources: Company, IndoPremier

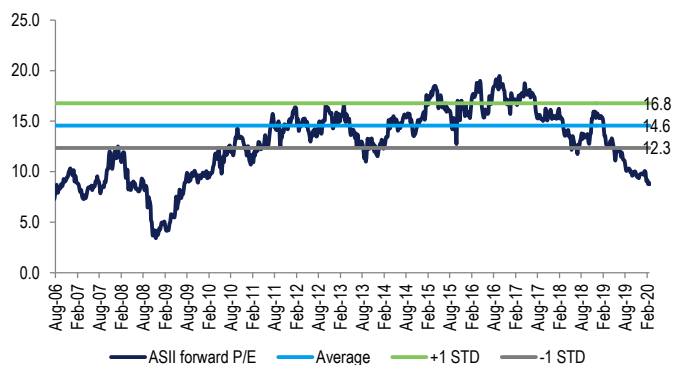
Fig. 12: Summary of forecast changes

Income Statement (Rp bn)	New			Previous			Changes		
	2020F	2021F	2022F	2020F	2021F	2022F	2020F	2021F	2022F
Net Revenue	235,355	248,583	262,620	238,799	248,997		-1%	0%	
Cost of Sales	(184,583)	(195,522)	(206,115)	(189,700)	(195,550)		-3%	0%	
Gross Profit	50,772	53,061	56,505	49,099	53,447		3%	-1%	
SG&A Expenses	(24,189)	(25,633)	(28,121)	(24,523)	(25,574)		-1%	0%	
Operating Profit	26,583	27,428	28,383	24,576	27,874		8%	-2%	
Net Interest	(1,172)	(1,041)	(901)	(1,242)	(1,082)		-6%	-4%	
Others-Net *	17,528	11,837	12,828	10,655	13,642		65%	-13%	
Pre-Tax Income	42,939	38,224	40,310	33,988	40,434		26%	-5%	
Income Tax	(9,232)	(8,218)	(8,667)	(7,137)	(8,491)		29%	-3%	
Minorities	(4,876)	(5,151)	(5,441)	(5,689)	(5,932)		-14%	-13%	
Net Income	28,831	24,855	26,202	21,161	26,010		36%	-4%	

* change in others is as we assume BNLI's sale to be completed in one transaction in 2020

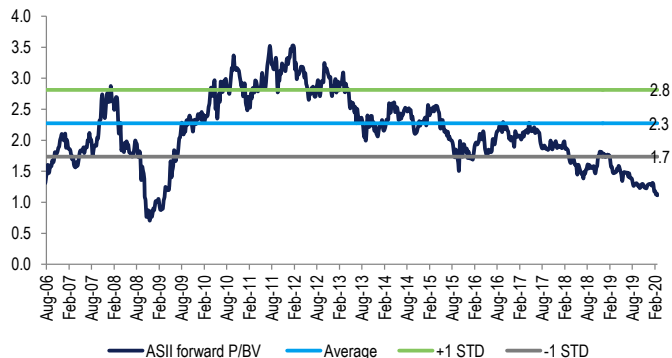
Sources: Company, IndoPremier

Fig. 13: ASII's forward P/E – now trading c.8.4x 2020 P/E vs. 10-year average of c.15x P/E



Sources: Bloomberg, Company, IndoPremier

Fig. 14: ASII's forward P/BV – now trading 1.1x 2020 P/BV vs. 10-year average of 2.3x P/BV



Sources: Bloomberg, Company, IndoPremier

Fig. 15: ASII's forward P/E now trades at a 33% discount to JCI's forward P/E (10-year low) vs. 10-year average of par



Sources: Bloomberg, Company, IndoPremier

Fig. 16: At this price, we estimate that the auto business is valued par to the non-auto business (10-yr avg: 28% premium)



Sources: Bloomberg, Company, IndoPremier

Income Statement (Rp bn)	2018A	2019A	2020F	2021F	2022F
Net Revenue	239,205	237,166	235,355	248,583	262,620
Cost of Sales	(188,436)	(186,927)	(184,583)	(195,522)	(206,115)
Gross Profit	50,769	50,239	50,772	53,061	56,505
SG&A Expenses	(23,901)	(24,055)	(24,189)	(25,633)	(28,121)
Operating Profit	26,868	26,184	26,583	27,428	28,383
Net Interest	(1,246)	(2,429)	(1,172)	(1,041)	(901)
Forex Gain (Loss)	(87)	(57)	0	0	0
Others-Net	9,460	10,356	17,528	11,837	12,828
Pre-Tax Income	34,995	34,054	42,939	38,224	40,310
Income Tax	(7,623)	(7,433)	(9,232)	(8,218)	(8,667)
Minorities	(5,699)	(4,914)	(4,876)	(5,151)	(5,441)
Net Income	21,673	21,707	28,831	24,855	26,202

Balance Sheet (Rp bn)	2018A	2019A	2020F	2021F	2022F
Cash & Equivalent	25,193	41,917	43,872	55,185	58,576
Receivable	31,220	24,869	30,792	27,997	34,111
Inventory	26,505	19,136	25,933	21,806	28,519
Other Current Assets	50,691	50,691	50,691	50,691	50,691
Total Current Assets	133,609	136,612	151,287	155,680	171,898
Fixed Assets - Net	96,558	100,466	103,623	106,844	110,029
Goodwill	114,544	124,862	134,614	144,856	155,982
Non-Current Assets	211,102	225,328	238,237	251,700	266,011
Total Assets	344,711	361,939	389,524	407,380	437,909

ST Loans	19,588	15,921	15,346	15,346	15,346
Payable	42,263	28,894	41,371	33,058	45,403
Other Payables	28,675	28,675	28,675	28,675	28,675
Total Current Liab.	90,526	73,490	85,392	77,079	89,424
Long Term Loans	66,326	82,525	73,183	80,879	77,361
Other LT Liab.	13,496	13,496	13,496	13,496	13,496
Non-Current Liab.	79,822	96,021	86,679	94,375	90,857
Total Liabilities	170,348	169,510	172,071	171,453	180,281

Equity	9,215	9,329	9,329	9,329	9,329
Retained Earnings	127,732	140,770	160,918	174,241	190,501
Minority Interest	37,416	42,330	47,206	52,357	57,798
Total SHE + Minority Int.	174,363	192,429	217,453	235,927	257,628
Total Liabilities & Equity	344,711	361,939	389,524	407,380	437,909

Sources: Company, IndoPremier

Cash Flow Statement (Rp bn)	2018A	2019A	2020F	2021F	2022F
Net Income	21,673	21,707	28,831	24,855	26,202
Depr. & Amortization	9,422	9,676	9,485	9,756	10,293
Changes in Working Capital	(11,562)	(2,879)	(1,779)	(3,029)	(2,194)
Others	8,159	(2,514)	(3,214)	(3,324)	(3,707)
Cash Flow From Operating	27,692	25,990	33,322	28,258	30,594
Capital Expenditure	(19,832)	(13,186)	(12,767)	(13,107)	(13,743)
Others	(9,899)	0	0	0	0
Cash Flow From Investing	(29,731)	(13,186)	(12,767)	(13,107)	(13,743)
Loans	10,936	12,532	(9,917)	7,695	(3,518)
Equity	0	0	0	0	0
Dividends	(7,489)	(8,669)	(8,683)	(11,532)	(9,942)
Others	(8,320)	0	0	0	0
Cash Flow From Financing	(4,873)	3,863	(18,600)	(3,837)	(13,460)
Changes in Cash	(6,912)	16,667	1,955	11,313	3,391

Key Ratios	2018A	2019A	2020F	2021F	2022F
Gross Margin	21.2%	21.2%	21.6%	21.3%	21.5%
Operating Margin	11.2%	11.0%	11.3%	11.0%	10.8%
Pre-Tax Margin	14.6%	14.4%	18.2%	15.4%	15.3%
Net Margin	9.1%	9.2%	12.2%	10.0%	10.0%
ROA	6.8%	6.1%	7.7%	6.2%	6.2%
ROE	13.1%	11.8%	14.1%	11.0%	10.6%
ROIC	8.7%	7.6%	7.1%	6.9%	6.7%
Acct. Receivables TO (days)	43.2	43.2	43.2	43.2	43.2
Inventory TO (days)	44.6	44.6	44.6	44.6	44.6
Payable TO (days)	69.5	69.5	69.5	69.5	69.5
Debt to Equity	49%	51%	41%	41%	36%
Interest Coverage Ratio (x)	11.7	8.2	11.0	11.8	11.4
Net Gearing	35%	29%	21%	17%	13%

Sources: Company, IndoPremier

INVESTMENT RATINGS

BUY	: Expected total return of 10% or more within a 12-month period
HOLD	: Expected total return between -10% and 10% within a 12-month period
SELL	: Expected total return of -10% or worse within a 12-month period

ANALYSTS CERTIFICATION

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