

Astra International

HOLD (unchanged)

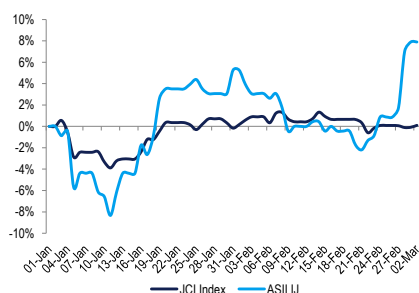
Company Update | Automotive | ASII IJ | 2 March 2023

Stock Data

Target price	Rp5,900
Prior TP	Rp5,900
Current price	Rp6,150
Upside/downside	-4%
Shares outstanding (mn)	40,484
Market cap (Rp bn)	248,974
Free float	47%
Avg. 6m daily T/O (Rp bn)	277

Price Performance

	3M	6M	12M
Absolute	1.7%	-11.8%	11.3%
Relative to JCI	4.8%	-7.4%	11.5%
52w low/high (Rp)	5,225 – 7,575		



Major Shareholders

Jardine Cycle & Carriage Ltd	50.1%
Capital Group Companies Inc	3.2%
Blackrock Inc	2.6%

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IIMS 2023: Chinese 4W brands are turning more aggressive

- IIMS 2023 transaction value was 6% higher vs. pre-COVID, but was largely driven by ASP (+21%) and not sales volume (-14%).
- Chinese brands were more aggressive compared to their Japanese counterpart, with higher discounts, longer warranty, and other benefits.
- We continue to expect soft 4W volume. Competition is also likely to remain intense, especially in the LSUV segment. Maintain Hold on ASII.

The first fully-offline IIMS since 2019; sales were mainly driven by ASP

Last week, we visited the IIMS 2023 (16-26 Feb23). Total transaction value reached Rp5.3tr (+55% yoy), and notably was 6% higher than IIMS 2019 (pre-COVID). However, we note that it was largely driven by higher ASP (+21% vs. IIMS 2019), as sales volume declined by c.14% vs. IIMS 2019. Below, we share our key observations and discussions that we had with sales representatives (please see overleaf for details).

Key observations during our visit:

- The all-new Toyota Agya was available for pre-orders, although the official prices were not disclosed (Rp160-180mn rumored). Delivery to start this month, with 1-2 months of backlog. Interests on Innova Zenix were high (as evident by the 12-month backlog for the Q hybrid model), but Avanza/Veloz was the best-selling Toyota model at the IIMS 2023.
- Mitsubishi unveiled the XFC (an LSUV) that will likely be launched at end-2023/2024. Xpander was its best-selling model at the IIMS 2023. Meanwhile, Honda/Hyundai's best-selling models were Honda Brio/Hyundai Stargazer.
- Xpander and Stargazer were the top-two best-selling models at IIMS 2023 (109%/45% higher than Avanza/Veloz). In the LSUV segment, Creta and Omoda 5 booked higher sales volume (+96%/+86%) than Raize. This highlights our concerns regarding competition for ASII.
- Wuling introduced the brand-new Alvez (an LSUV; Rp209-295mn), with 2-5 months backlog. However, Air EV was its best-selling model. Of note, Wuling gave out letters for each sold Air EV, which guarantee buyers to receive cashback post-incentives announcement from the government.
- Chery plans to rollout 100 dealerships by end-2023. It also offers extended warranty (6 years) and complimentary home service. The brand-new Omoda 5 (an LSUV) was launched and >400 units were sold.
- While most 4W brands offered higher discounts than dealer discounts that we observed in Feb23, the IIMS special discounts were generally only Rp1-2mn higher. However, financing terms were better, with lower down-payments, better rates, instalment holidays, and/or cashbacks.
- Honda and Yamaha displayed a few E2W concept models, but pricing and release dates were not disclosed. Based on our observations, the E2W generally has range of 35-150km (vs. 190-455km for 2W).
- Despite some eye-catching "Rp7mn" banners, we noted that no brands offered guarantee letters for cashback (like Air EV). Thus, we believe that E2W sales is unlikely to pick up until further clarity on incentives.

Maintain Hold, with an unchanged TP of Rp5,900

We continue to expect soft industry 4W volume. Competition is also likely to remain intense with aggressive offerings from new players, especially in the LSUV segment. Maintain Hold on ASII, with an unchanged TP of Rp5,900.

IIMS 2023: Higher transaction value was driven by higher ASP

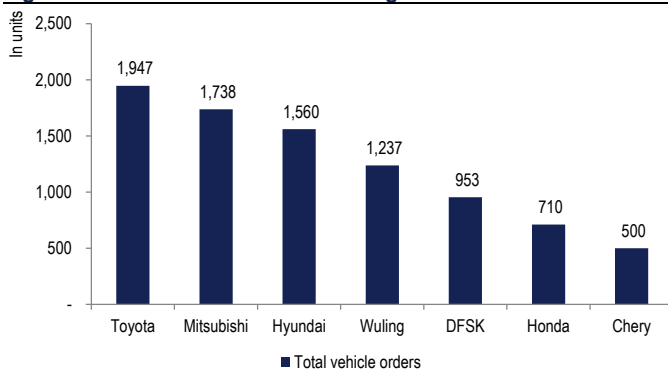
Last week, we visited the Indonesia International Motor Show (IIMS) 2023, which was held at JIExpo Kemayoran, Jakarta on February 16-26, 2023. It was the first fully-offline IIMS since 2019 (pre-COVID). In total, 21 4W brands, 12 2W brands, and 11 E2W brands participated in the motor show. More than 15 new cars were launched during the event.

Total transaction value reached Rp5.3tr (+55% yoy), with higher sales volume (+45% yoy) and number of visitors (+24% yoy). This beats the initial transaction value target of Rp3.8tr by c.39%, and is also 6% higher than IIMS 2019 transaction value. However, we note that this high transaction value was largely driven by higher ASP (at Rp380mn or +21% vs. IIMS 2019 ASP), as sales volume dropped by c.14% compared to the IIMS 2019. Anecdotally, this means that the bulk of the vehicle sales came from the high affluent segment, which is not the key market of ASII. All in all, we continue to remain conservative and still expect industry 4W sales volume to decline by 4% yoy this year (vs. +18% yoy in FY22).

It is also worth noting that in the LMPV segment, Mitsubishi Xpander and Hyundai Stargazer saw better sales figures than Toyota Avanza/Veloz. Meanwhile, in the LSUV segment, Hyundai Creta and Chery Omoda 5 booked higher sales volume than Toyota Raize. This, we believe, highlights our ongoing concerns regarding competition for ASII.

Below, we share our key observations and discussions that we had with sales representatives.

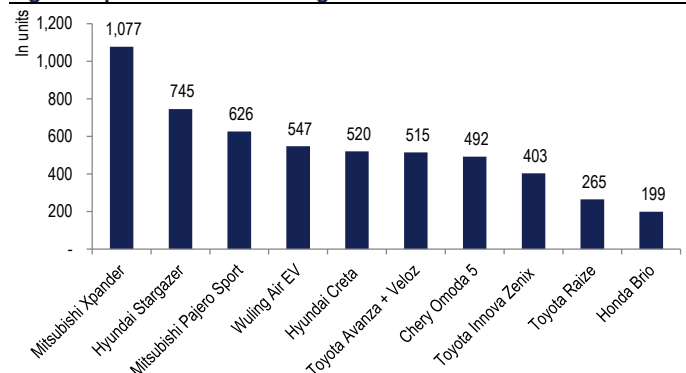
Fig. 1: Total orders from brands during IIMS 2023



Source: Various news, Indo Premier

Note: This data is non-exhaustive, as some brands have yet to disclose their sales figures

Fig. 2: Top 10 car orders during IIMS 2023



Source: Various news, Indo Premier

Note: This data is non-exhaustive, as some brands have yet to disclose their sales figures

Fig. 3: Chinese and Korean 4W brands are offering better after-sales service value proposition than their Japanese counterparts

In years	Chery	Wuling	Toyota	Hyundai
Machine warranty	6	5	3	4
Vehicle warranty	4	3	3	4
Free maintenance	4	4	3	5
Free spare parts	4		3	4

Source: Indo Premier

4W: aggressive new launches and promotions from Chinese brands; LSUV competition continues to intensify

Toyota

Toyota introduced the all-new Agya and the hybrid variant of Corolla Cross (dubbed Corolla Cross Hybrid GR Sport). The all-new Toyota Agya was only displayed on the opening day of IIMS 2023, but was available for pre-orders, though the official prices were not disclosed (Rp160-180mn rumored). Delivery is expected to start this month, with backlog of 1-2 months. Toyota offered an Rp11mn discount (including an Rp1mn IIMS special discount) for the all-new Agya.

The company also offered an Rp15mn discount for Avanza, Rp10mn for 2022 Toyota Innova Zenix (petrol variant; no discounts for 2023 petrol and hybrid variants), and Rp15-20mn discounts for Rush and Raize. During the 11-day event, Toyota sold 1,947 units, with Avanza and Veloz as the key contributors (26%), followed by Innova Zenix (21%).

Fig. 4: Toyota booth at IIMS 2023



Source: Indo Premier

Fig. 5: All-new Toyota Agya



Source: In-Indonesia, Indo Premier

Fig. 6: Toyota Corolla Cross



Source: Indo Premier

Fig. 7: Toyota BZ4x



Source: Indo Premier

Daihatsu

The forthcoming all-new Daihatsu Ayla was not displayed at IIMS 2023. Its official launch schedule is also yet to be disclosed, but based on our discussions with a sales representative, it is likely to be launched alongside the official launching of the all-new Toyota Agya (likely sometime this month) or during GIIAS 2023 (in Aug23). Daihatsu displayed Xenia, Terios, Sigr, and Rocky at the event. Daihatsu offered special IIMS discounts on certain models, like Xenia (Rp23mn for the 2022 stock vs. 16mn regular dealer discounts), Rocky (Rp18mn for the 2022 stock and Rp9mn for the 2023 stock), Terios (Rp12mn for the 2023 stock; 2022 stocks were already depleted), and Ayla (Rp9mn for 2022 stock and Rp8mn for 2023 stock). According to a sales representative, Xenia and Terios were the most popular models in the IIMS 2023.

Fig. 8: Daihatsu booth at IIMS 2023



Source: Indo Premier

Mitsubishi

Mitsubishi unveiled the concept car of Mitsubishi XFC, its forthcoming LSUV model. Although the launch schedule is yet to be announced, according to a sales representative, it is likely to be launched at end-2023 or 2024. Based on our discussions with a sales representative, the Ultimate and Cross variants (the two most premium Xpander variant) were more popular during the motor show. Mitsubishi offered Rp15-20mn discounts for the 2022 Xpander units and an Rp5mn discounts for the 2023 units, with no backlog. During the IIMS 2023, Mitsubishi sold 1,738 units, of which Xpander and Pajero Sport accounted for 62% and 36% from total sales, respectively.

Fig. 9: Mitsubishi XFC concept



Source: Indo Premier

Honda

Honda showcased its brand-new WR-V (an LSUV), which was previously launched in Nov22. Based on our discussions with sales representatives: 1) there is currently no discounts for the WR-V and it is unlikely to see any discounts until a year after its debut; 2) the most popular WR-V model is its cheapest variant (i.e., the E-type), as the key difference with the more-premium models is only Honda Sensing (tech-based safety features); and 3) the WR-V has c.1-2 months backlog, as Honda's current production capacity for WR-V is at 1.5k units/month.

Separately, Honda offered discounts on all of its models (except WR-V), with discounts reaching Rp5-7mn for the Honda HR-V, Rp15mn for the Honda BR-V, and Rp15mn for the Honda City Hatchback. However, we note that there was no IIMS special discount, and thus, these discounts were similar to the level of dealer discounts that we observed in Feb23.

As deal sweeteners, Honda offered lucky dips and better financing terms (lower down-payment requirements and/or lower interest rates). During IIMS 2023, Honda sold 710 units, the majority of which came from the Brio/HR-V/WR-V (c.20-28% contribution for each), followed by the BR-V (c.10-15% contribution).

Fig. 10: Honda booth at IIMS 2023



Source: Indo Premier

Fig. 11: Honda WR-V



Source: Jatimpedia, Indo Premier

Suzuki

The debut of the all-new Grand Vitara (Rp360-390mn) was the key highlight from Suzuki at the IIMS 2023. The product was available for pre-order with 2 months backlog. No discounts for the Grand Vitara, but all buyers will receive a complimentary Rp1mn e-money credit. Meanwhile, Suzuki offered Rp25-27mn/Rp30mn discounts on petrol/hybrid variants of the Ertiga, as well as Rp1mn e-money credit, and also gave a discount of Rp27mn on the Suzuki XL-7. According to a sales representative, the all-new Grand Vitara saw a good number of pre-orders, but the bulk of Suzuki sales during IIMS 2023 came from Ertiga and XL-7.

Fig. 12: All-new Suzuki Grand Vitara



Source: Indo Premier

Hyundai

Hyundai Stargazer (LMPV) and Creta (LSUV) stole the spotlight at Hyundai's IIMS 2023 booth. Hyundai offered various IIMS-exclusive financing (lower down-payment requirement, lower rates, and 3-month instalment holidays) maintenance promotions, as well as other perks (including free fuel up to Rp15mn, free insurance up to two years, trade-in cash back up to Rp15mn, and lucky dips).

Hyundai provided discounts of up to Rp25mn for the Stargazer and Creta, but no discounts for the Palisade and Ioniq 5 were not eligible for a discount. Based on our discussions with sales representatives: 1) Stargazer and Creta were both readily available, but the Palisade and Ioniq 5 have a 12-month backlog, as some of their parts are still imported from Korea; and 2) Hyundai's best-selling models at the IIMS 2023 were Stargazer and Creta.

Fig. 13: Hyundai booth at IIMS 2023



Source: Indo Premier

Wuling

Wuling introduced the brand-new Alvez (an LSUV; Rp209-295mn), with no discounts and 2 months backlog (5 months for the cheapest variant). However, Air EV was its best-selling model (almost half of its IIMS sales, which reached 1,237 units), followed by Alvez (163 units). Although Air EV received no discounts, the product was readily available and Wuling also gave out letters, which guarantee buyers to receive cashback in accordance with the government incentives. This letter is valid until Aug23 and the cashback will be received after government's official announcement.

Wuling provided special discounts for its older models, including a discount of Rp29mn for Contero, Rp25mn for Cortez, and Rp55/70/10mn for Almaz Ex/Pro/Hybrid. It is worth noting that the Rp55-70mn discounts for Almaz was the highest discounts among all cars displayed at IIMS 2023. During the event, Wuling sold 1,237 units, with Air EV (547 units) as the biggest contributor, followed by Alvez (163 units).

Fig. 14: Wuling booth at IIMS 2023



Source: Indo Premier

Fig. 15: Brand-new Wuling Alvez



Source: Insertlive, Indo Premier

Chery

Chery introduced the brand-new Chery Omoda 5 during the event, which arguably was a huge success, considering that it received over 400 orders (c.80% of total Chery sales during IIMS of c.500 units), which beats its internal target of 200 units, and became the second-best selling LSUV at IIMS 2023, behind the Hyundai Creta (520 units). Chery offered an Rp5mn discounts for Omoda 5. According to a sales representative, only 200 units of Omoda 5 are currently ready for its first delivery in Apr23, with the next batch of delivery is likely to start in May23. Separately, he also added that Chery's second-coming to the Indonesian market is likely to be more successful, as it plans to follow Wuling and Hyundai's blueprint by improving after-sales services. It plans to rollout 100 dealerships by end-2023 and also offers a 6-year warranty as well as complimentary home services.

Fig. 16: Chery booth at IIMS 2023



Source: Indo Premier

Fig. 17: Brand-new Chery Omoda 5



Source: Otomotifnet, Indo Premier

DFSK

At the IIMS 2023, DFSK sold 953 units, of which c.55% were electric vehicles (EV) and c.45% were conventional vehicles. DFSK introduced a brand-new mini-EV that would compete with the Wuling Air EV. It is likely to be officially launched in Jun23, but it is already opened for pre-orders. According to a sales representative, the DFSK mini EV will likely be available in two models (200km and 300km ranges) and priced between Rp180-220mn (vs. Wuling Air EV price of c.Rp243-300mn).

Fig. 18: DFSK booth at IIMS 2023



Source: Indo Premier

Morris Garage (MG)

Morris Garage (MG) debuted the brand-new MG4 EV at IIMS 2023. Even though the official price is yet to be disclosed, MG managed to sell 330 MG4 EVs within less than ten days of the event (vs. internal target of 100 units). Furthermore, the new variant of MG ZS (dubbed Dark Midnight Edition) also surpassed internal expectations (>100 units sold vs. internal target of 100 units). Based on our conversation with a sales representative, MG's IIMS 2023 sales volume beat its internal target by about 50%.

Fig. 19: Morris Garage booth at IIMS 2023



Source: Indo Premier

Fig. 20: Brand-new MG4 EV



Source: Bisnis Indonesia, Indo Premier

Fig. 21: All-new MG ZS Dark Midnight Edition



Source: Carvaganza, Indo Premier

2W: still awaiting government's E2W incentives

E2W exhibition was dominated by local brands; Honda and Yamaha seem unlikely to launch E2W motorcycles this year

Honda and Yamaha displayed a number of E2W, including the Yamaha NEO, the Yamaha E01, the Yamaha e-Vino, the Honda EM-1, and the Honda PCX Electric, but pricing and release dates were not disclosed. Honda is slated to launch 2 electric mopeds (not motorcycle) this year. In addition to various local E2W companies (like Gesits and Selis), a newcomer named Yadea (a Chinese E2W brand, distributed under the Indomobil Group) debuted three models of E2W motorcycles, priced between Rp21.5-29.4mn.

Based on our observations, the displayed E2W motorcycles generally have range of 35-150km (vs. 189-454km for conventional 2W) and maximum speed range of 40-90km/h (vs. 69-145km/h for conventional 2W).

E2W demand is unlikely to pick up until further incentive clarity from the government

Despite some eye-catching "Rp7mn incentive" banners and pamphlets all over the E2W exhibition areas, we noted that no products/brands have received the Rp7mn incentives from the government. Also, none of the brands offered guarantee letters for cashback post-incentives (like Wuling Air EV). As such, we believe that E2W sales seems unlikely to accelerate until further clarity from the government regarding the incentives.

Fig. 22: Yamaha E01



Source: Indo Premier

Fig. 23: Yamaha e-Vino



Source: Indo Premier

Fig. 24: Yamaha E01 charging station



Source: Indo Premier

Fig. 25: Yamaha E01 battery pack



Source: Indo Premier

Fig. 26: Yamaha's EV milestone



Source: Indo Premier

Fig. 27: Honda EM1



Source: Indo Premier

Fig. 28: Honda PCX Electric



Source: Kompas Otomotif, Indo Premier

Fig. 29: Yadea G6



Source: Indo Premier

Fig. 30: Yadea E8S Pro



Source: Indo Premier

Fig. 31: Selis booth at IIMS 2023



Source: Indo Premier

Fig. 32: Selis products



Source: Indo Premier

Fig. 33: Polytron booth at IIMS 2023



Source: Indo Premier

Fig. 34: Polytron products



Source: Indo Premier

Fig. 35: Alva One booth at IIMS 2023



Source: Indo Premier

Fig. 36: Gesits G1



Source: Indo Premier

Fig. 37: Gesits Raya



Source: Kompas Otomotif, Indo Premier

Fig. 38: E2W vs. 2W comparison table

EV		Conventional	
Brand	Estimated distance (in km)	Brand	Estimated distance (in km)
Viar	85	Honda Beat	246
Volta	60	Honda Genio	248
Gesits	50	Honda Scoopy	260
Smoot	60	Honda Vario 125	327
Gogoro	127.5	Honda Vario 160	258
Selis	72.5	Honda PCX	365
Alva One	70	Honda ADV150	342
Yadea	125	Honda Forza	454
Polytron	130	Yamaha Grand Filano	231
		Yamaha Fazzio Hybrid	263
		Yamaha Gear	197
		Yamaha Freego 125	189
		Yamaha X-Ride	206
		Yamaha Mio M3	210
		Yamaha Fino	200
Average	87	Average	266

Source: Various news, Indo Premier

Maintain HOLD on ASII

Total transaction value reached Rp5.3tr (+55% yoy), and notably was 6% higher than IIMS 2019. However, we note that it was largely driven by higher ASP (+21% vs. IIMS 2019), as sales volume declined by c.14% vs. IIMS 2019. Anecdotally, this means that the bulk of the vehicle sales came from the higher affluent segment, which is not the key market of ASII. All in all, we continue to remain conservative and still expect industry 4W sales volume to decline by 4% yoy this year (vs. +18% yoy in FY22).

Given aggressive new launches and promotions from Hyundai and Chinese brands, we also believe that competition is likely to remain intense, especially in the LSUV segment.

As such, we maintain our Hold rating on ASII, with an unchanged TP of Rp5,900.

Income Statement (Rp bn)	2020A	2021A	2022F	2023F	2024F
Net revenue	175,046	233,485	295,008	290,205	299,899
Cost of sales	(136,268)	(182,452)	(226,863)	(225,557)	(236,118)
Gross profit	38,778	51,033	68,145	64,648	63,782
SG&A Expenses	(25,688)	(25,500)	(27,429)	(27,599)	(28,335)
Operating profit	13,090	25,533	40,716	37,049	35,447
Net interest	(1,066)	265	249	286	324
Forex gain (loss)	(99)	57	68	29	30
Others	9,816	6,495	8,870	7,541	8,419
Pre-tax income	21,741	32,350	49,903	44,904	44,219
Income tax	(3,170)	(6,764)	(10,430)	(9,385)	(8,844)
Minority interest	(2,407)	(5,390)	(9,048)	(7,932)	(7,966)
Net income	16,164	20,196	30,425	27,587	27,410

Balance Sheet (Rp bn)	2020A	2021A	2022F	2023F	2024F
Cash & equivalents	47,553	63,947	61,602	60,139	60,485
Receivables	54,307	60,761	72,742	71,557	73,948
Other current assets	30,448	35,554	39,975	41,343	44,162
Total current assets	132,308	160,262	174,319	173,039	178,596
Fixed assets	95,128	90,450	87,016	82,737	78,118
Other non-current assets	110,767	116,599	128,259	141,085	155,193
Total non-current assets	205,895	207,049	215,275	223,821	233,311
Total assets	338,203	367,311	389,593	396,860	411,906

Payables	16,529	25,149	26,105	25,954	27,170
Other payables	32,071	39,962	38,763	37,600	36,472
Current portion of LT loans	37,136	38,667	35,890	32,004	30,802
Total current liab.	85,736	103,778	100,758	95,559	94,444
Long term loans	42,345	33,819	35,890	32,004	30,802
Other LT liab.	14,668	14,099	13,676	13,266	12,868
Total liabilities	142,749	151,696	150,325	140,828	138,113

Equity	6,594	8,253	8,253	8,253	8,253
Retained earnings	149,068	163,800	186,147	201,564	217,939
Minority interest	39,792	43,562	44,869	46,215	47,601
Total SHE + minority int.	195,454	215,615	239,269	256,032	273,793
Total liabilities & equity	338,203	367,311	389,593	396,860	411,906

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2020A	2021A	2022F	2023F	2024F
Net profit	16,164	20,196	30,425	27,587	27,410
Depr. & amortization	15,057	14,148	12,220	11,913	12,295
Changes in working capital	10,363	4,951	(16,644)	(1,497)	(5,123)
Others	15,384	(1,011)	(3,035)	(5,304)	(6,541)
Cash flow from operating	56,968	38,284	22,966	32,699	28,041
Capital expenditure	(11,045)	(9,470)	(8,786)	(7,634)	(7,676)
Others	-	-	-	-	-
Cash flow from investing	(11,045)	(9,470)	(8,786)	(7,634)	(7,676)
Loans	(12,820)	(6,995)	(705)	(7,773)	(2,405)
Equity	(2,297)	39	(7,741)	(6,586)	(6,579)
Dividends	(7,449)	(5,344)	(8,078)	(12,170)	(11,035)
Others	-	-	-	-	-
Cash flow from financing	(22,566)	(12,300)	(16,525)	(26,528)	(20,019)
Changes in cash	23,223	16,394	(2,345)	(1,463)	346

Key Ratios	2020A	2021A	2022F	2023F	2024F
Gross margin	22.2%	21.9%	23.1%	22.3%	21.3%
Operating margin	7.5%	10.9%	13.8%	12.8%	11.8%
Pre-tax margin	12.4%	13.9%	16.9%	15.5%	14.7%
Net margin	9.2%	8.6%	10.3%	9.5%	9.1%
ROA	3.0%	5.7%	8.0%	7.0%	6.8%
ROE	5.4%	9.8%	13.3%	11.1%	10.3%
ROIC	4.3%	8.9%	12.8%	10.8%	10.2%

Acct. receivables TO (days)	130	90	90	90	90
Acct. payables - other TO (days)	62	42	42	42	42

Gross debt-to-equity (x)	0.4	0.3	0.3	0.3	0.2
Net debt-to-equity (x)	0.2	0.0	0.0	0.0	0.0
Interest coverage (x)	3.8	11.2	18.9	16.5	16.4

Source: Company, Indo Premier

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

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

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