

Astra International

HOLD (unchanged)

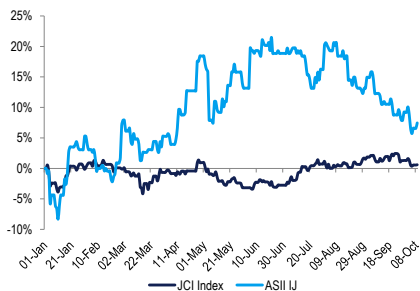
Company Update | Automotive | ASII IJ | 9 October 2023

Stock Data

Target price	Rp6,800
Prior TP	Rp6,800
Current price	Rp6,125
Upside/downside	+11%
Shares outstanding (mn)	40,484
Market cap (Rp bn)	247,962
Free float	42%
Avg. 6m daily T/O (Rp bn)	243

Price Performance

	3M	6M	12M
Absolute	-10.3%	3.4%	-5.4%
Relative to JCI	-12.9%	1.9%	-3.5%
52w low/high (Rp)	5,225 – 6,925		



Major Shareholders

Jardine Cycle & Carriage Ltd	50.1%
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ASII KTA: volume growth and market share should remain intact

- We recently hosted a concall with ASII to get an update on the company's 4W/2W agenda and business outlook.
- FY23F 4W target of 1.05mn units is attainable; BEV/E2W competition should remain manageable, as ASII plans to introduce more models.
- Dividend payout is likely to normalize in FY24F onwards. We maintain our Hold rating, based on our view of intensifying 4W competition.

4W: on-track to achieve sales target; BEV competition is manageable

Industry's 4W sales volume momentum has started to slowdown in recent months (80-82k in May-Jul23 vs. 87-101k in Jan-Mar23), while the pick-up in Aug23 was largely driven by GIIAS 2023. ASII suspects that it could be due to higher macro uncertainties and higher fuel prices. Nonetheless, it believes that Gaikindo's FY23F target of 1.05mn units (flat yoy) is attainable, given the seasonally higher dealers discounts towards year-end. Despite intensifying competition with BEV, it believes that its market share can likely be sustained at >50%, as: 1) HEV sales (where ASII has c.72% market share) is likely to continue to outperform BEV in the near/mid-term; 2) Toyota plans to launch 10 new BEV models in Indonesia within the next 3 years; and 3) Toyota-Daihatsu are likely to be open to produce BEV (or at least invest in the BEV supply chain) in Indonesia to ensure competitive BEV pricing in the long-term.

2W: minimal impact from eSAF issues; more E2W products soon

While eSAF issues temporarily affected sales in Tier-1 cities in the beginning of Sep23, it has recovered in recent weeks and ASII expects sales volume to fully normalize by Oct23. On a separate note, ASII noted that Honda EM1e (its newly launched E2W) sales volume is likely to remain negligible, as: 1) it is a moped (not a motorcycle); and 2) it is priced at a steep premium over its peers' products (c.55%). Its local content is currently under assessment, and ASII believes that it could potentially have >40% TKDN, which could allow it to receive E2W incentives. Note that ASII plans to introduce real E2W products in FY24F (two electric mopeds this year, but no electric motorcycle).

Dividend payout is likely to normalize in FY24F onwards

The company stated that it plans to continue to diversify and invest in companies that have the potential to generate synergies with its core businesses. Hence, ASII plans to revert its capital allocation back towards business diversification. Note that ASII's payout ratio was historically stable at c.40%, which implies 5.6% yield at current valuation, on our estimates.

Maintain Hold, with an unchanged TP of Rp6,800

Despite our positive takeaways from the call, we reaffirm our Hold rating on ASII (given our lingering concerns on 4W competition and structurally lower ROE), with TP of Rp6,800. Risks: 1) higher/lower-than-expected volume growth; and 2) higher/lower-than-expected commodity prices.

Financial Summary (Rp bn)	2021A	2022A	2023F	2024F	2025F
Revenue	233,485	301,379	307,661	314,143	333,249
EBIT	25,533	42,201	47,015	44,069	44,037
EBIT growth	95.1%	65.3%	11.4%	-6.3%	-0.1%
Net profit	20,196	28,944	34,550	33,705	34,376
EPS growth	24.9%	43.3%	19.4%	-2.4%	2.0%
ROE	9.8%	13.0%	13.8%	12.7%	11.9%
PER (x)	12.3	8.6	7.2	7.4	7.2
Dividend yield	2.2%	4.6%	9.9%	5.6%	5.4%
IPS vs. consensus			110%	105%	105%

Source: Company, Indo Premier

Share price closing as of: 9 October 2023

Income Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Net revenue	233,485	301,379	307,661	314,143	333,249
Cost of sales	(182,452)	(231,291)	(231,808)	(240,189)	(257,606)
Gross profit	51,033	70,088	75,853	73,954	75,644
SG&A Expenses	(25,500)	(27,887)	(28,838)	(29,885)	(31,607)
Operating profit	25,533	42,201	47,015	44,069	44,037
Net interest	265	428	512	680	513
Forex gain (loss)	57	188	31	31	33
Others	6,495	7,573	9,138	9,930	10,845
Pre-tax income	32,350	50,390	56,695	54,711	55,428
Income tax	(6,764)	(9,970)	(11,849)	(10,942)	(11,086)
Minority interest	(5,390)	(11,476)	(10,296)	(10,064)	(9,967)
Net income	20,196	28,944	34,550	33,705	34,376

Balance Sheet (Rp bn)	2021A	2022A	2023F	2024F	2025F
Cash & equivalents	63,947	61,295	65,349	69,741	73,806
Receivables	60,761	71,839	67,433	68,853	73,041
Other current assets	35,554	46,684	41,201	43,699	47,345
Total current assets	160,262	179,818	173,983	182,293	194,193
Fixed assets	90,450	94,697	83,506	79,227	74,891
Other non-current assets	116,599	138,782	152,660	167,926	193,115
Total non-current assets	207,049	233,479	236,166	247,154	268,007
Total assets	367,311	413,297	410,149	429,447	462,199

Payables	25,149	37,644	31,755	32,903	35,288
Other payables	39,962	46,885	45,478	44,114	42,791
Current portion of LT loans	38,667	34,669	31,902	31,128	35,907
Total current liab.	103,778	119,198	109,135	108,145	113,987
Long term loans	33,819	36,052	31,902	31,128	35,907
Other LT liab.	14,099	14,327	13,897	13,480	13,076
Total liabilities	151,696	169,577	154,934	152,753	162,970

Equity	8,253	10,619	10,619	10,619	10,619
Retained earnings	163,800	181,523	191,471	211,356	232,249
Minority interest	43,562	51,578	53,125	54,719	56,361
Total SHE + minority int.	215,615	243,720	255,215	276,694	299,229
Total liabilities & equity	367,311	413,297	410,149	429,447	462,199

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Net profit	20,196	28,944	34,550	33,705	34,376
Depr. & amortization	14,148	12,326	12,778	12,930	13,766
Changes in working capital	4,951	(2,790)	2,594	(4,135)	(6,772)
Others	(1,011)	(10,479)	(4,012)	(5,619)	(15,627)
Cash flow from operating	38,284	28,001	45,909	36,881	25,743
Capital expenditure	(9,470)	(16,573)	(1,587)	(8,651)	(9,430)
Others	-	-	-	-	-
Cash flow from investing	(9,470)	(16,573)	(1,587)	(8,651)	(9,430)
Loans	(6,995)	(1,765)	(6,917)	(1,548)	9,559
Equity	39	(1,094)	(8,749)	(8,470)	(8,325)
Dividends	(5,344)	(11,416)	(24,602)	(13,820)	(13,482)
Others	-	-	-	-	-
Cash flow from financing	(12,300)	(14,275)	(40,268)	(23,838)	(12,248)
Changes in cash	16,394	(2,652)	4,054	4,392	4,065

Key Ratios	2021A	2022A	2023F	2024F	2025F
Gross margin	21.9%	23.3%	24.7%	23.5%	22.7%
Operating margin	10.9%	14.0%	15.3%	14.0%	13.2%
Pre-tax margin	13.9%	16.7%	18.4%	17.4%	16.6%
Net margin	8.6%	9.6%	11.2%	10.7%	10.3%
ROA	5.7%	7.7%	8.4%	8.0%	7.7%
ROE	9.8%	13.0%	13.8%	12.7%	11.9%
ROIC	8.9%	12.5%	13.6%	12.9%	12.1%

Acct. receivables TO (days)	90	80	80	80	80
Acct. payables - other TO (days)	42	50	50	50	50

Gross debt-to-equity (x)	0.3	0.3	0.3	0.2	0.2
Net debt-to-equity (x)	0.0	0.0	(0.0)	(0.0)	(0.0)
Interest coverage (x)	11.2	20.0	21.1	20.2	17.5

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

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