INDOPREMIER

Astra International

HOLD *(unchanged)*

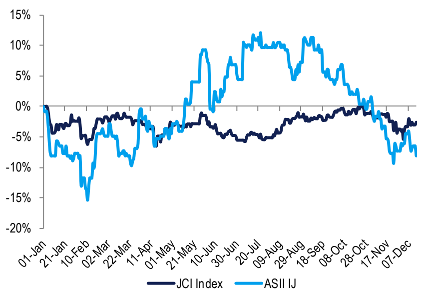
Company Update | Automotive | ASII IJ | 15 December 2023

Stock Data

Target price	**Rp5,800**
Prior TP	*Rp6,800*
Current price	R5,625
Upside/downside	*+3.1%*
Shares outstanding (mn)	40,484
Market cap (Rp bn)	228,732
Free float	42%
Avg. 6m daily T/O (Rp bn)	276

Price Performance

	3M	6M	12M
Absolute	-15.9%	-8.8%	-12.0%
Relative to JCI	-15.3%	-10.8%	-8.5%
52w low/high (Rp)			5,225 – 6,925



Major Shareholders

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

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Lacking positive imminent catalysts, but valuation remains a strong support

- We expect the soft 4W sales trend to continue in FY24F (-4% yoy), considering rising global and domestic macro uncertainties.
- ASII's overall net margin should also decline to 10% next year (-70bps yoy on lower auto and UNTR margins.
- Recent share price deterioration (-16% from peak) suggests limited downside. Given the lack of catalysts, however, we reaffirm our Hold call.

National 4W sales volume could potentially decline further in FY24F

As we had expected previously, industry's 4W sales volume momentum has been slowing down in recent months (80-82k in May-Jul23 and Sep-Oct23 vs. 87-101k in Jan-Mar23). Sales volume improved by +6% mom in Nov23 on seasonal factors (i.e. higher discounts), but was still weaker in comparison to 1Q23 trend. Cumulatively, 11M23 wholesale 4W sales volume reached 921k units (-2% yoy) and was broadly in-line with our FY23F at 91% of run-rate (vs. 3yr-avg. of 92% in FY17-19 pre-COVID), but below Gaikindo's target (1.05mn units) at 88% run-rate. Despite the seasonally higher discounts in Dec23, we believe that it seems unlikely for the sales figure to meet Gaikindo's FY23F sales target. We expect the soft 4W sales trend to continue in FY24F (-4% yoy), considering rising macro uncertainties amidst the election. Moreover, we believe that rising concerns on deteriorating 4W/2W asset quality may also exacerbate the pressure on sales volume.

Margins are likely to contract on lower auto and UNTR margins

We believe that auto and UNTR margins likely to have peaked. For FY24F, we expect ASII's auto net margin to decline by -50bps yoy, due to: 1) lower 4W domestic sales volume (-4% yoy); and 2) lower 4W ASP (-2% yoy). Meanwhile, we project flattish 2W and lower components margins. UNTR's net margin should also contract further by 130bps yoy amid drop in coal price to US$120/t in FY24F (-29% yoy). All in, we expect ASII's overall net margin to decline from 10.8% in FY23F to 10.1% next year (-70bps yoy).

Most of the concerns are likely already largely priced-in at current valuation, but we see limited upside amidst lack of catalysts

Based on our observation of ASII's previous 4W volume-driven share price deterioration in FY19-20 (election and COVID-19), its share price bottomed-out when its P/E reached 7.3x. Thus, considering that ASII's share price has fallen by c.16% since its Jul23 peak (when 4W sales momentum started to falter) and it currently trades at 7.3x FY25F P/E, we believe that most of the concerns have been priced-in. That being said, we continue to see limited positive near-term catalysts for ASII.

Reaffirm Hold on ASII, with a lower TP of Rp5,800

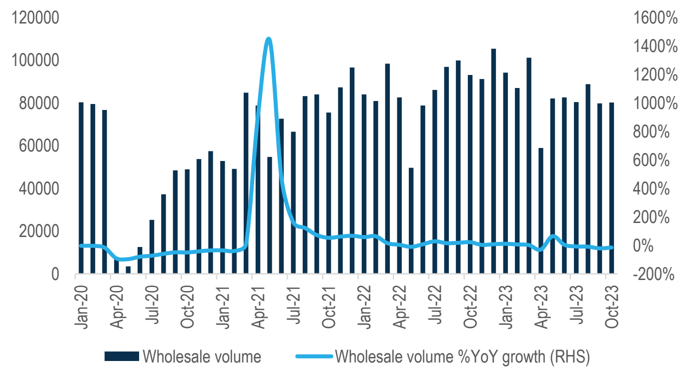
We expect 4W sales volume to decline by 4% next year. Given that ASII's share price is also highly correlated with 4W sales volume, its share price seems unlikely to outperform the index. Furthermore, 4W/2W market shares likely to have peaked, while margins could potentially contract, mainly on lower auto and UNTR margins. We lower our SOTP in UNTR from Rp28,000 to Rp24,000 (see our previous note) and trim our FY23-25F earnings by 1-9% to factor-in 9M23 data points as well as lower margins, and thus reaffirm our Hold call on ASII, with a lower SOTP-based TP of Rp5,800/share (from Rp6,800). Upside/downside risks: 1) higher/lower-than-expected 4W/2W volumes; and 2) higher/lower-than-expected commodity prices.

National 4W sales volume could potentially decline further in FY24F

FY23F 4W sales figure should meet our estimates, but could potentially fall short of Gaikindo's

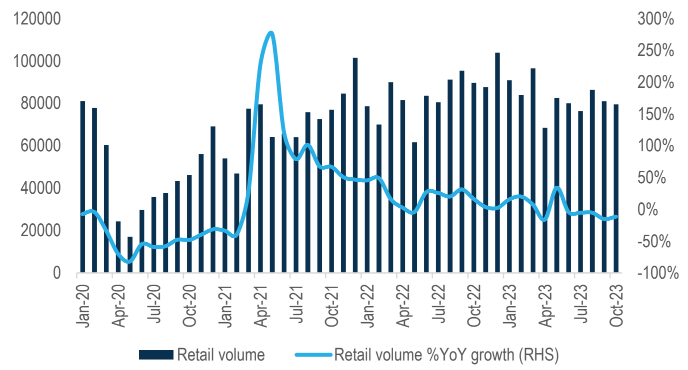
As we had expected previously, industry's 4W sales volume momentum has been slowing down in recent months (80-82k in May-Jul23 and Sep-Oct23 vs. 87-101k in Jan-Mar23). Sales volume improved by +6% mom in Nov23 on seasonal factors (i.e. higher discounts), but was still weaker in comparison to 1Q23 trend. Cumulatively, 11M23 wholesale 4W sales volume reached 921k units (-2% yoy) and was broadly in-line with our FY23F at 91% of run-rate (vs. 3yr-avg. of 92% in FY17-19 pre-COVID), but below Gaikindo's target (1.05mn units) at 88% run-rate. Despite the seasonally higher discounts in Dec23, we believe that it seems unlikely for the sales figure to meet Gaikindo's sales target, as sales in Dec23 need to reach c.129k units, c.52% higher than Nov23 sales and c.54% higher than the monthly average in 11M23. We expect the soft 4W sales trend to continue until FY24F.

Fig. 1: Monthly 4W wholesale volume trend



Source: Company, Indo Premier

Fig. 2: Monthly 4W retail volume trend

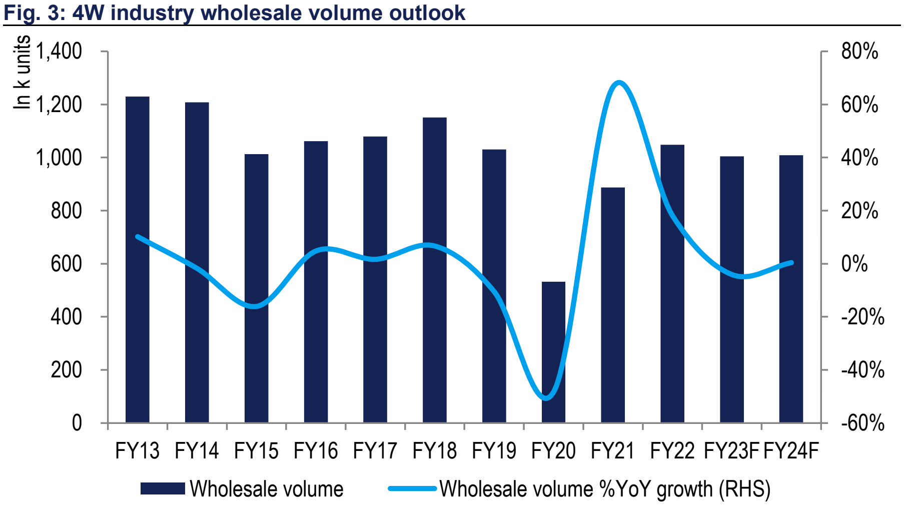


Source: Company, Indo Premier

4W sales volume is likely to decline by -4% yoy in FY24F

We expect the 4W industry's wholesale volume to decline to 976k units (-4% yoy) in FY24F, considering rising global and domestic macro uncertainties. Moreover, we believe that rising concerns on deteriorating asset quality in 4W/2W loan may potentially hamper loan disbursement.

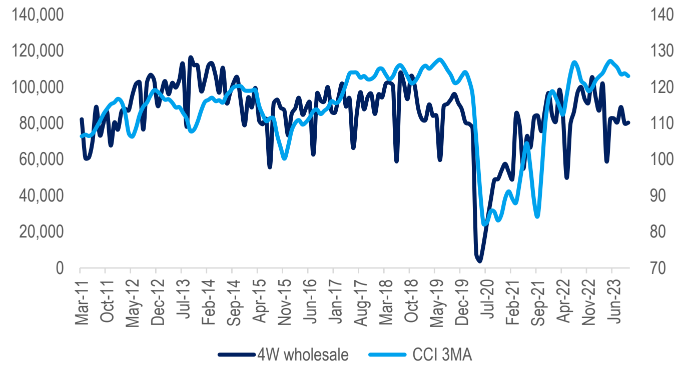
Fig. 3: 4W industry wholesale volume outlook



Source: Company, Indo Premier

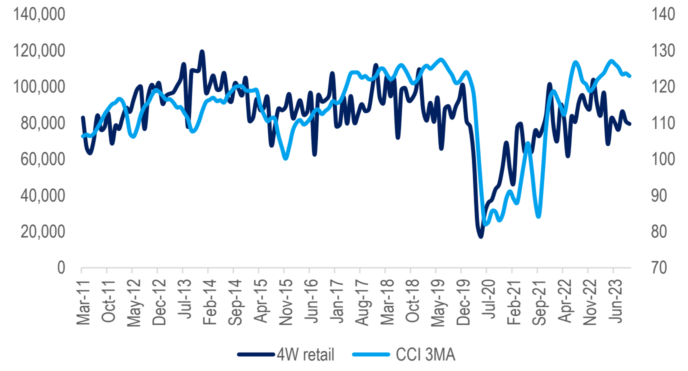
Given that 4W vehicles are big-ticket purchases that are easily deferrable, the industry is cyclical and reflective of macro conditions, in our view. Indeed, buyers must be willing to take on debt (c.70% of 4W buyers in Indonesia use auto loan), meaning that confidence in the overall economy (including the outlook on GDP, inflation, and the Rupiah), income/financing security (including the employment/wage growth outlook, access to financing, interest rates, and financing-to-value/FTV requirements), and maintenance costs (including fuel prices) are critical factors in sustaining demand. Indeed, we observed a strong correlation between 4W wholesale and retail sales with the consumer confidence index. Also, recall that 4W sales volumes typically declined during election years (-2/11% yoy in FY14/19; see Fig. 3), likely due to delay in purchase of big-ticket items (somewhat similar to slower property sales figures during political year).

Fig. 4: 4W wholesale 3MA vs. CCI 3MA



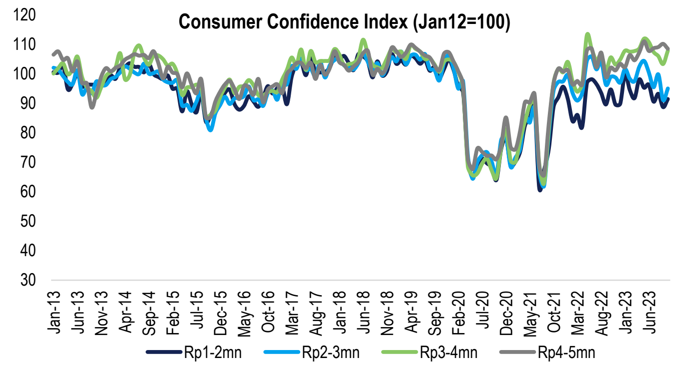
Source: Company, Indo Premier

Fig. 5: 4W retail 3MA vs. CCI 3MA



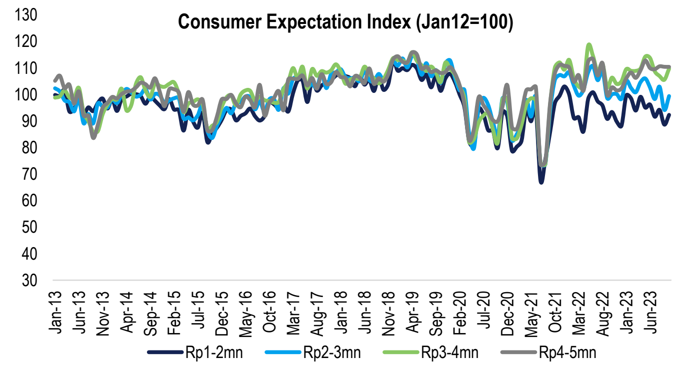
Source: Company, Indo Premier

Fig. 6: Consumer confidence has noticeably declined since 2H22



Source: Company, Indo Premier

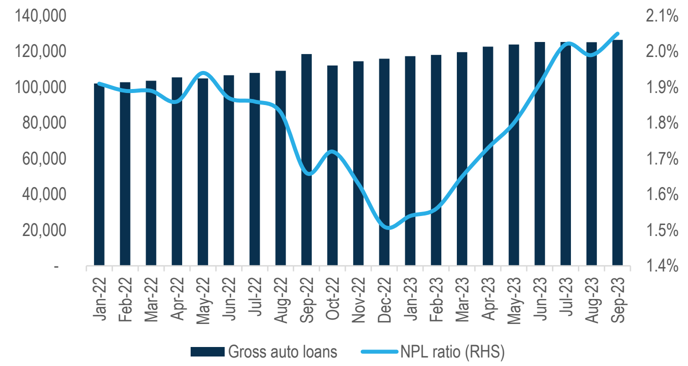
Fig. 7: Consumer expectation index



Source: Company, Indo Premier

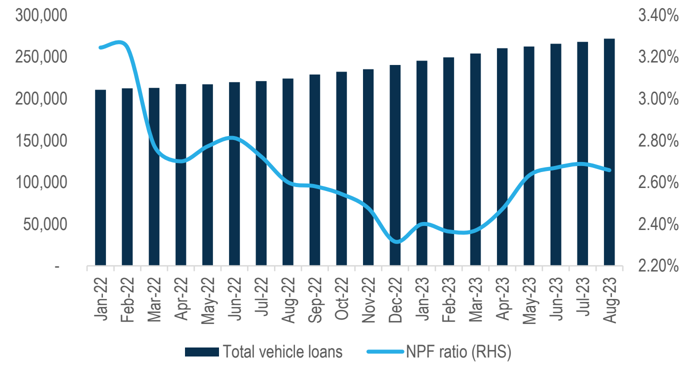
Moreover, based on our channel checks, banks/fincos seem to have rising concerns on deteriorating asset quality, which we believe could potentially hamper loan/financing disbursement. Indeed, based on the latest data from OJK, auto multi-finance and bank loans NPF and NPL for auto financing/loans appears to be trending up since May23 (from c.2.4/1.6% to 2.7/2.1%). At the same time, auto financing/loans outstanding also started to see slower mom growth since May23 (flat-1% mom in May-Sep23; vs. c.2-3% mom in Jan-Apr23).

Fig. 8: Auto bank loan growth monthly and NPL



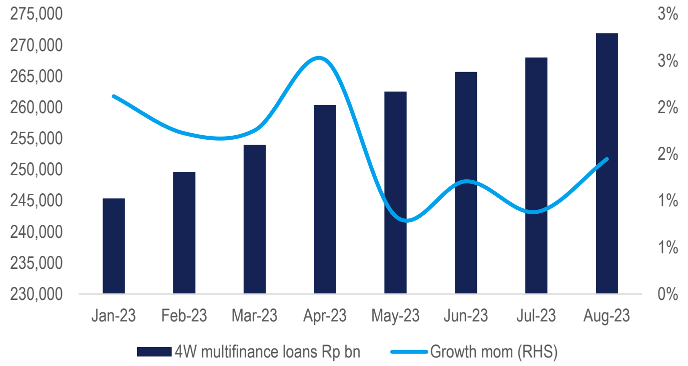
Source: OJK, Indo Premier

Fig. 9: Multi-finance loan growth monthly and NPF



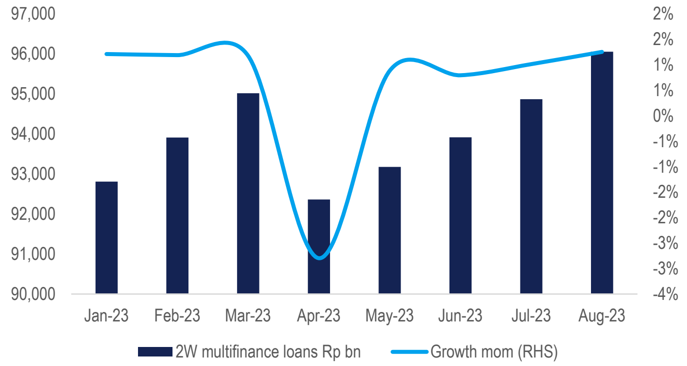
Source: OJK, Indo Premier

Fig. 10: 4W multi-finance loan growth



Source: OJK, Indo Premier

Fig. 11: 2W multi-finance loan growth



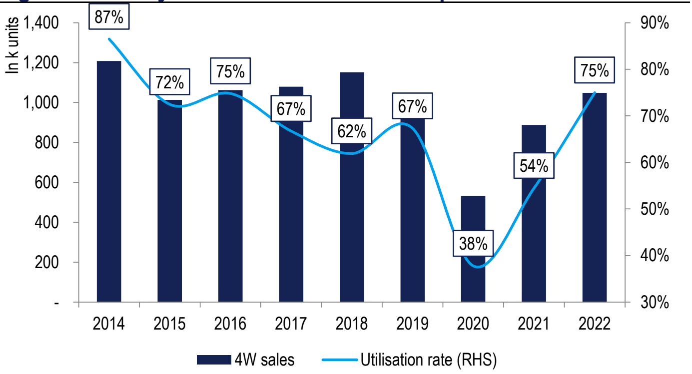
Source: OJK, Indo Premier

Margins are likely to contract on lower auto and UNTR margins

ASII's overall net margin to contract on lower auto and UNTR margins
We believe that auto and UNTR margins likely to have peaked. For FY24F, we expect ASII's auto net margin to decline by -50bps yoy, due to: 1) lower 4W domestic sales volume (-4% yoy); and 2) product mix deterioration (4W blended ASP -2% yoy). Meanwhile, we also project lower components margins, but flattish 2W margins. UNTR's net margin should also contract further by 110bps yoy amid lower coal price assumption of US$120/t in FY24F (-29% yoy). In sum, we expect ASII's overall net margin to decline from 10.8% in FY23F to 10.1% next year (-70bps yoy).

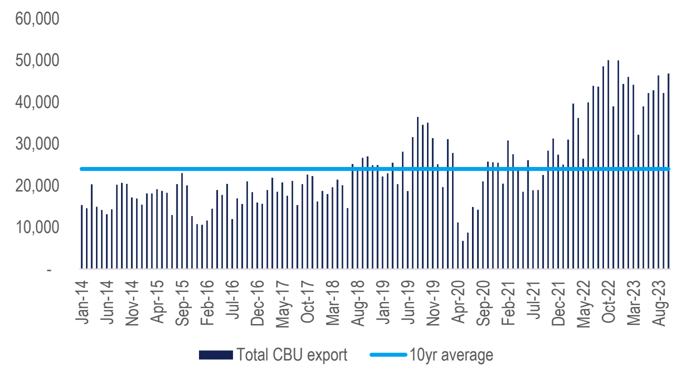
Auto margin to decline from 9.2% in FY23F to 8.7% in FY24F, mainly on lower 4W margin
In 9M23, ASII's auto net margin improved to 9.2% (vs. 7.9% in FY22), driven by higher margins across all segments (i.e. 4W, 2W, and components). This was driven by a combination of price hikes, better product mix, and higher sales volumes (which in turn, translated to higher utilization), in our view. In the auto industry, the fundamental issues driving profitability are utilization rates and demand. Thus, we believe that discounts are merely a reflection of underlying problems in these areas. Better utilization rates should translate into healthier inventory levels and less discounting, which, in turn, should lead to better profitability.

Fig. 12: Industry utilization continued to improve…



Source: Gaikindo, Indo Premier

Fig. 13: …partly driven by higher CBU export

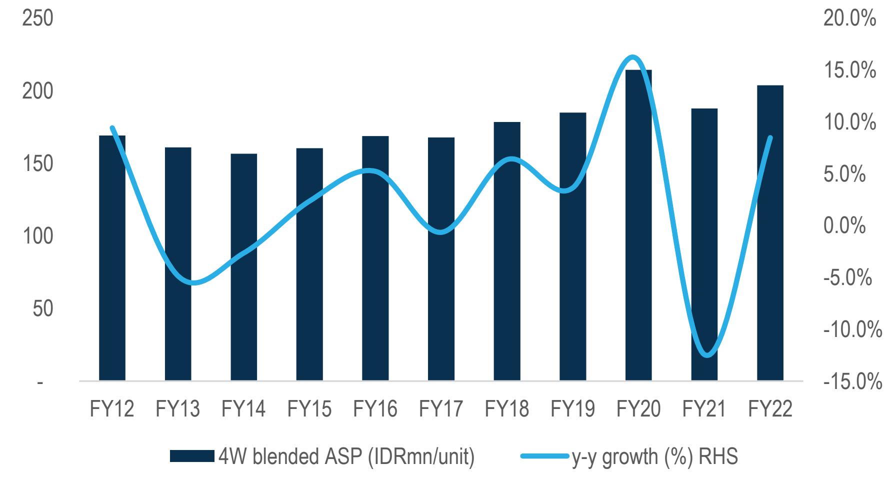


Source: Gaikindo, Indo Premier

For FY24F, we expect ASII's auto margin to decline by 50bps yoy, mainly due to lower 4W margin on the back of: 1) lower 4W domestic sales volume (-4% yoy); and 2) 4W product mix deterioration (4W blended ASP to decline by -2% yoy). Components margin should also decrease by 50bps yoy. These will be partly offset by flattish 2W margin.

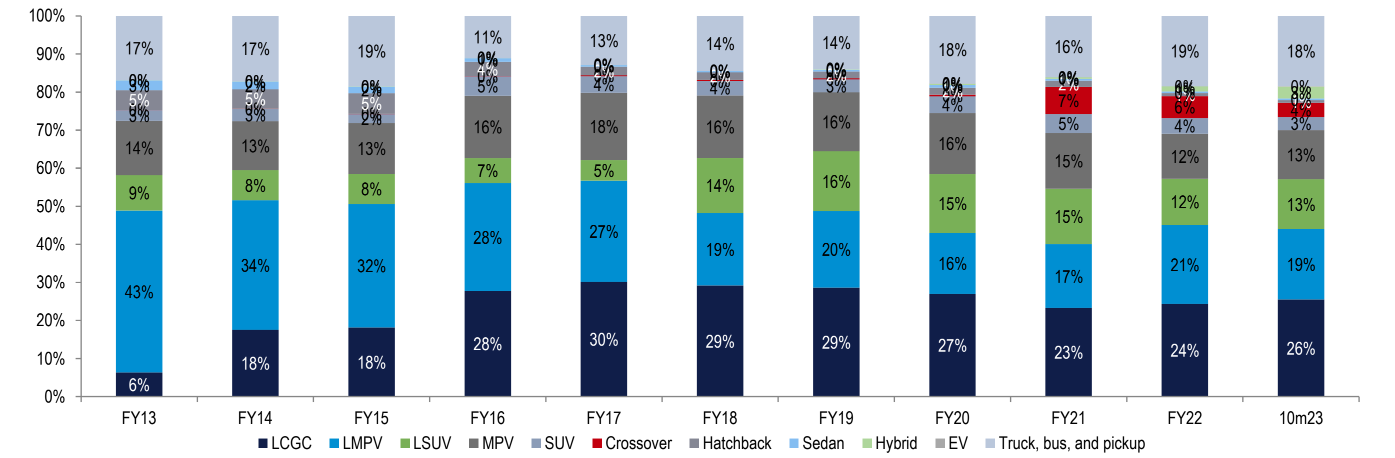
First, as aforementioned (page 2), we anticipate national 4W volume to decline by -4% yoy in FY24F on the back of rising global and domestic macro uncertainties. Based on our channel checks, banks/fincos also seem to have rising concerns on deteriorating asset quality, which we believe could potentially hamper loan disbursement.

Fig. 14: ASII's 4W blended ASP (FY12-22)



Source: Company, Indo Premier

Fig. 15: ASII's segment breakdown (FY12-22)



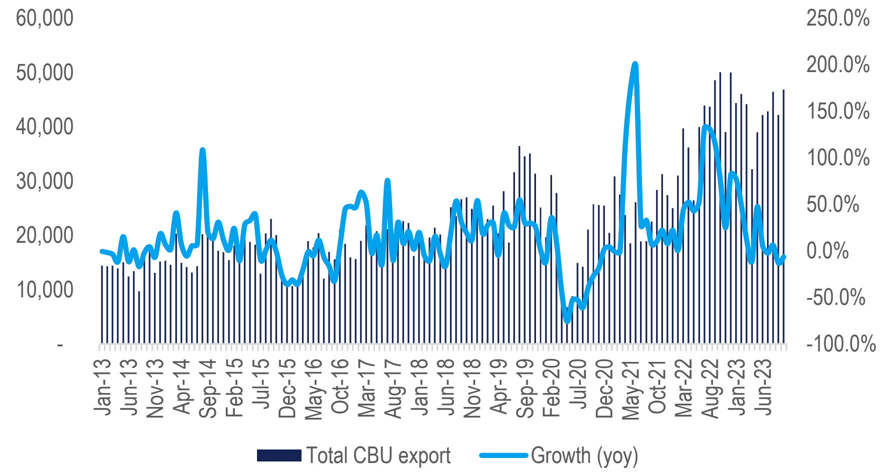
Source: Company, Indo Premier

Second, we believe that ASII'S 4W product mix could potentially deteriorate in FY24F, as mid/high affluent segment seems more likely to defer 4W purchases (relative to the mid-low segment) given the macro uncertainties. Of note, based on our estimates, ASII's 4W blended ASP declined by 3% yoy in FY14 (-5% in FY13) and only grew by 4% yoy in FY19 (vs. +6% yoy in FY18). This will likely be partly offset by the launchings of more hybrid variants (which command higher margins) and/or price hikes.

Higher 4W export is a key upside risk

We also expect export sales volume to grow further in FY24F, likely at a mid-single digit rate (10M23: +11% yoy), as most brands are likely to continue to expand their export destinations and models. Toyota, for instance, plans to export c.750-900 units of the brand-new Yaris Cross per month (50% of total production). We believe that higher 4W export sales volume is a key upside risk to our FY24F 4W margin forecasts, as higher demand translates to healthy utilization rates.

Fig. 16: Indonesia's CBU export (FY13-Nov23)



Source: Gaikindo, Indo Premier

Flattish 2W and lower components margins

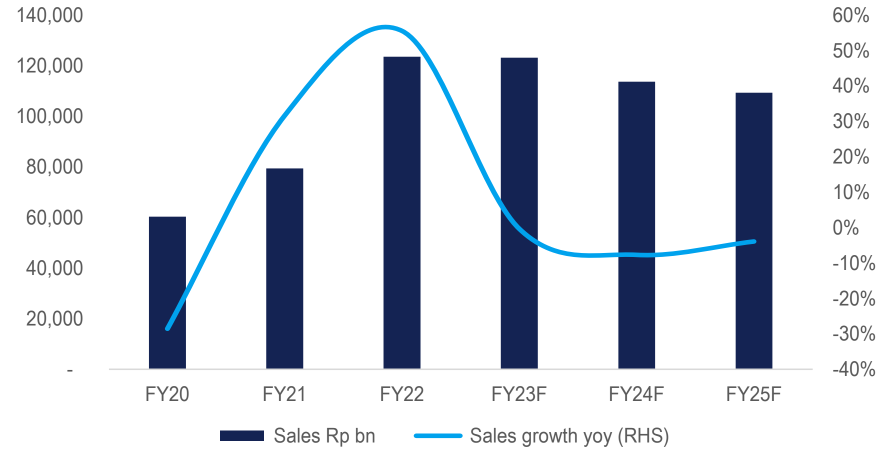
In contrast to domestic 4W sales volume, we expect domestic 2W sales volume to continue to increase next year, albeit slower than FY23F growth. We project national 2W volume to grow by +3% yoy in FY24F (vs. +18% yoy in FY23F). This is partly due to the high-base this year (likely supported by the tail-end of pent-up demand, given 2W semi-conductor issues in FY22). It is also worth noting that historically, in the year prior to the Presidential election, industry's 2W sales growth tended to be better than sales in the election year, which we believe could be partly attributable to higher money circulation preceding election. We project ASII's 2W market share to decline marginally from 78% in FY23F to 77% next year, while net margin should remain largely flattish yoy at 4.2%.

Meanwhile, components' (Astra Otoparts/AUTO; Not rated) net margin improved from 7.1% in FY22 to 10.8% in 3Q23 due to: 1) better operating leverage (driven by stable 4W volumes and 2W volumes recovery in 9M23); 2) lower raw material prices; and 3) cost efficiency programs. Given our expectations of lower 4W sales volumes in FY24F, we believe that component's net margin is likely to decline by 50bps next year.

Lower coal prices may drag down UNTR's margins

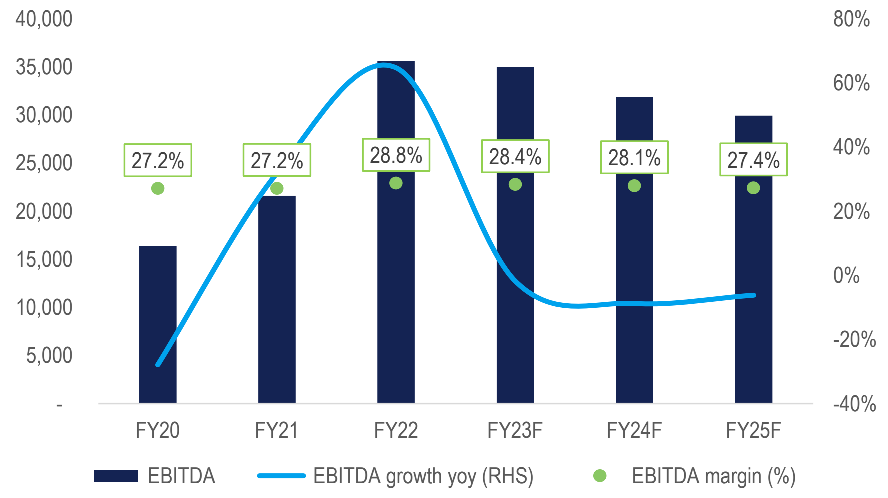
United Tractors (UNTR; Hold/TP: Rp24,000 – covered by Reggie Parengkuan and Ryan Winipta; see our previous note) also seems likely to see lower margins in FY24F. We expect UNTR net margin to slightly decline from c.16% in FY23F to 15% in FY24F (-130bps) to mainly reflect lower coal price assumption of US$120/t in FY24F (-29% yoy).

Fig. 17: UNTR revenue outlook



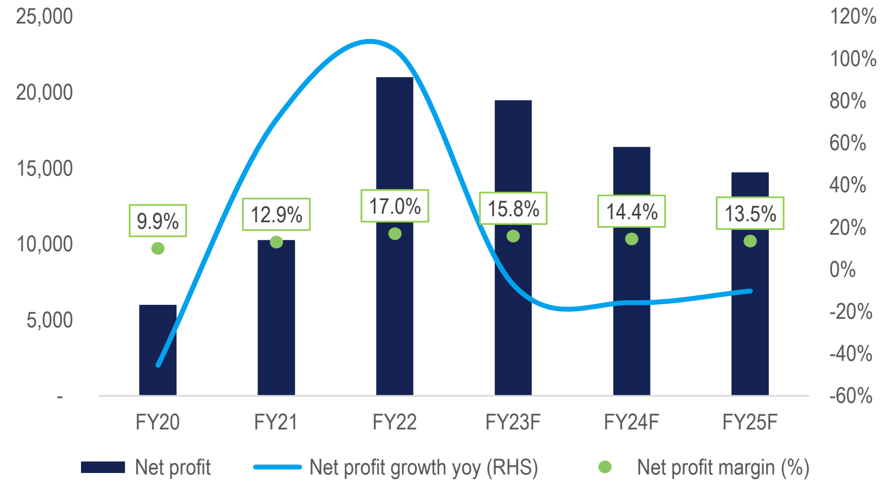
Source: Company, Indo Premier

Fig. 18: UNTR EBITDA outlook



Source: Company, Indo Premier

Fig. 19: UNTR Net Profit outlook



Source: Company, Indo Premier

ASII to maintain its 4W/2W market-leading position, but shares likely has peaked

ASII's market share to decline to 54% in FY24F given rising competitive pressures

ASII's 4W market shares stood at 55.7% in 11M23. As discussed previously (see our previous note), we see limited market share upside given its already-high shares of the 4W market and the current competitive landscape. On a more positive note, we are seeing a better-than-expected traction for its HEV models (including Zenix Hybrid and Yaris Cross). We also continue to believe that BEV sales contribution to total industry sales is likely to remain negligible in near-term, which should bode well for ASII, given its c.71% HEV market share in 11M23. We now forecast ASII's 4W markets share to decline from 56% in FY23F to 54% in FY24F (vs. 53% previously).

Fig. 20: New 4W product pipeline rumored for FY24F

Manufacturer	Model	Generation	Type	Powertrain	Estimated launch date	Estimated OTR price range (Rp mn)
BMW	i5 M60 xDrive	Brand new	Sedan	EV	1Q24	>1,350
Chery	Jaecoo J7	Brand new	SUV	Petrol	1Q24	>320
Chery	Omoda 5 EV	Brand new	SUV	EV	N/A	600
Chery	Tiggo 4 Pro	Brand new	LSUV	Petrol	N/A	300-330
Chery	Tiggo 8 Pro e+	New variant	SUV	PHEV	1Q24	>558
Daihatsu	Rocky	Facelift	LSUV	Petrol	N/A	N/A
DFSK	Glory i-Auto	Brand new	SUV	Petrol	N/A	N/A
DFSK	Glory E3	Brand new	SUV	EV	1Q24	N/A
DFSK	Mini EV	Brand new	Mini EV	EV	N/A	N/A
Haval	H6	Brand new	SUV	PHEV	1Q24	N/A
Hyundai	i20	All new	Hatchback	Petrol	N/A	N/A
Hyundai	Ioniq 7	Brand new	SUV	EV	N/A	N/A
Hyundai	Kona	All new	SUV	EV	N/A	N/A
Jaguar	XE 3.0L	New variant	Sedan	Petrol	1H24	N/A
Maserati	Levante	Brand new	SUV	Petrol	N/A	N/A
Mazda	MX-30	Brand new	SUV	Petrol	N/A	N/A
MG	Gloster	Brand new	SUV	Petrol	1H24	N/A
Mini Cooper	New Countryman JWC	All new	Hatchback	Petrol	1Q24	>1,520
Mitsubishi	KX	Brand new	Mini EV	EV	N/A	N/A
Mitsubishi	L100	Brand new	Minicab	EV	N/A	N/A
Mitsubishi	Minicab MiEV	Brand new	Mini EV	EV	1Q24	N/A
Mitsubishi	X-Force Hybrid	New variant	SUV	HEV	N/A	N/A
Mitsubishi	Xpander Hybrid	New variant	MPV	HEV	2Q24	N/A
Nissan	Ariya	Brand new	Crossover	EV	1Q24	>655
Nissan	Kicks	All new	SUV	HEV	N/A	N/A
Nissan	Note e-Power	Brand new	Hatchback	EV	N/A	N/A
Suzuki	eVX	Brand new	SUV	EV	4Q24	N/A
Suzuki	Vitara Brezza	New variant	LSUV	Petrol	1Q24	165
Toyota	Avanze Veloz Hybrid	New variant	LMPV	PHEV	1H24	N/A
Toyota	Fortuner	All new	SUV	Petrol	N/A	>560
Toyota	GR Corolla	New variant	Sedan	Petrol	N/A	N/A
Toyota	Prius Hybrid	New variant	Sedan	HEV	N/A	N/A
Toyota	Raize	Facelift	LSUV	Petrol	N/A	N/A
Toyota	Rush	All new	LSUV	Petrol	1H24	N/A
Toyota	500D	Brand new	SUV	Petrol	2H24	N/A
VinFast	VF 5	Brand new	SUV	EV	N/A	N/A
VinFast	VF 6	Brand new	Crossover	EV	1Q24	>433
VinFast	VF 7	New variant	Crossover	EV	N/A	N/A
VinFast	VF e34	Brand new	SUV	EV	N/A	N/A
Wuling	E100	Brand new	Mini EV	EV	1Q24	N/A
Wuling	E200	Brand new	Mini EV	EV	1Q24	N/A

Source: Company, Indo Premier

Dissecting ASII's market share trend across the key vehicle segments: LCGC and LMPV are its strongholds, but market share upside is likely to be limited; LSUV competition remains a concern

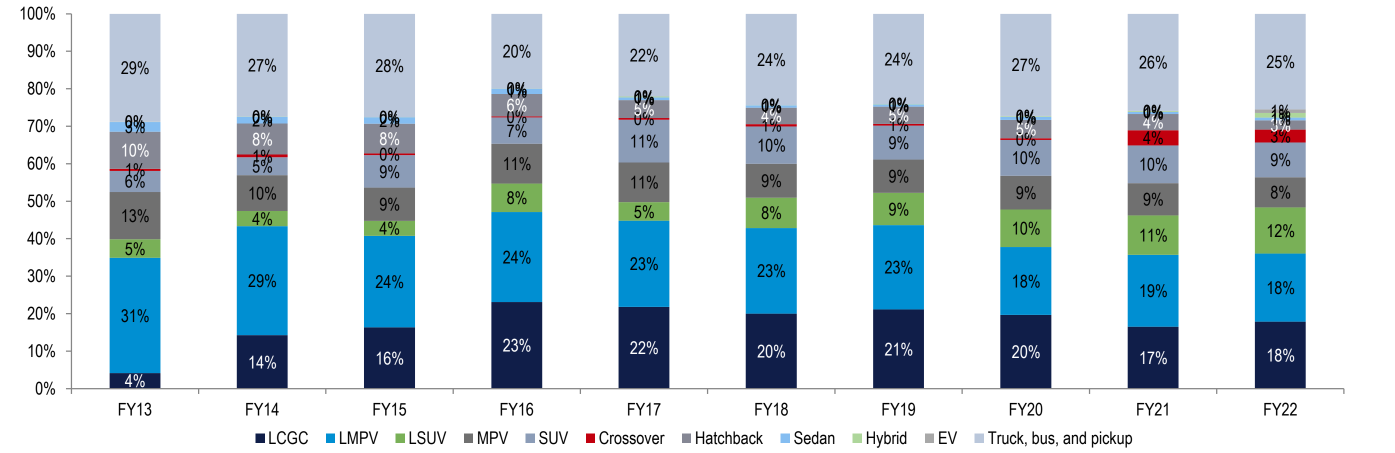
In order to better understand ASII's market share trend, we are taking a more-granular look at its market shares across the key segments. LCGC, LMPV, and LSUV combined, made up for c.52% of 4W national wholesales sales volume in 10M23 (or c.70% of total sales volumes ex. commercial vehicles). To summarize, we believe that: 1) the newly-launched all-new Agya and Ayla had a relatively limited impact on ASII's LCGC market share; 2) Avanza/Xenia are likely to maintain their dominance within the LMPV segment, but market share upside seems limited given the competition; and 3) we are witnessing a structural industry transition from LMPV to LSUV, where we believe that ASII's brand image is relatively weaker.

- **LCGC:** In 10M23, the LCGC segment contributed c.21% and c.28% to industry/ASII's total 4W sales volumes. Although ASII still maintains its LCGC market share leadership, its market share declined marginally from 75% in FY22 to 74% in 10M23 despite the launchings of the all-new Toyota Agya and Daihatsu Ayla. This, we believe, is partly attributable Honda's decision to launch the facelifted version of Honda Brio, which is Agya/Ayla key competitor. On a more positive note, considering the still-strong traction of its 7-seater LCGC products (i.e. Toyota Calya and Daihatsu Sigra), we still see market share upside if all-new models were to be launched in the future. Recall that Calya/Sigra last facelift was in FY22.

- **LMPV:** In 10M23, the LMPV segment contributed c.17% to industry/ASII's total 4W sales volumes. Unlike in pre-FY12, Avanza/Xenia are no longer the only players in the LMPV segment. ASII's key competitors now have similar product offerings (Mitsubishi Xpander, Honda Mobilio, Hyundai Stargazer, Suzuki Ertiga, and Wuling Confero/Cortez). Although we still expect Avanza/Xenia to maintain the dominance within this segment, we believe that the segment is already over-crowded and thus market share upside for ASII is limited in the long run, especially considering that the "pie" could get smaller, given the likely structural transition to LSUV. The Avanza/Xenia, for instance, saw its share of the LMPV market drop from 89% in FY11 to 59% in 10M23 (48% in FY21 before the release of the all-new Avanza/Xenia).

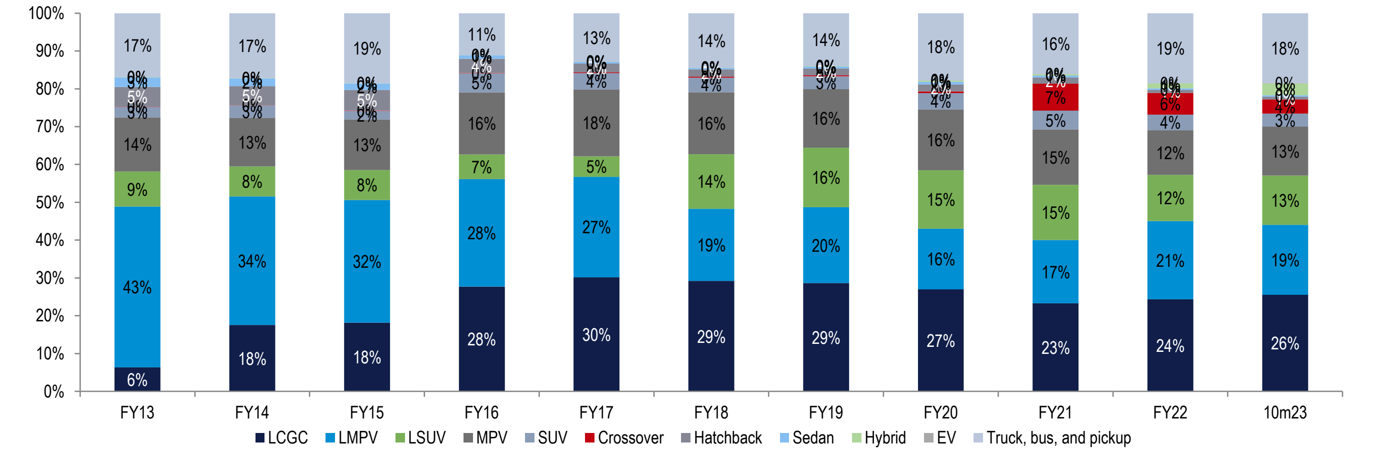
- **LSUV:** In 10M23, the LSUV segment contributed c.15% to industry/ASII's total 4W sales volumes. We believe that we are witnessing a structural industry transition from LMPV to LSUV, in-line with the rising popularity of the SUV model worldwide. We believe competition could continue to intensify in the LSUV segment given the flurry of models that were introduced by competitors (including Mitsubishi XForce, Wuling Alvez, Honda WR-V, Hyundai Creta, and Suzuki XL7 and soon Vitara Brezza) and the more fragmented nature of the LSUV market. It is worth noting that ASII's LSUV market share continued to decline in recent years, from 78-88% in FY18-21, to 62% in FY22, and 55% in 10M23. Despite the potential launchings of all-new Toyota Rush and Toyota Raize/Daihatsu Rocky Hybrid variants, we still believe that it is unlikely for ASII's share to return to FY18-21 level.

Fig. 21: 4W industry breakdown by segment; LSUV seems likely to continue to gain traction



Source: Gaikindo, Indo Premier

Fig. 22: ASII's 4W breakdown by segment



Source: Gaikindo, Indo Premier

BEV seems likely to remain in the background (for now)

Despite the newly ratified BEV incentives (PP 79/2023), we continue to believe that the contribution of BEV sales to total industry sales should remain negligible in FY24F, given: 1) BEV models' higher price points (double those of popular mass market cars, which are still in the sub-Rp300mn range); 2) limited models; and 3) inadequate infrastructure (only 332 charging stations in Indonesia as of July22). (see our previous note).

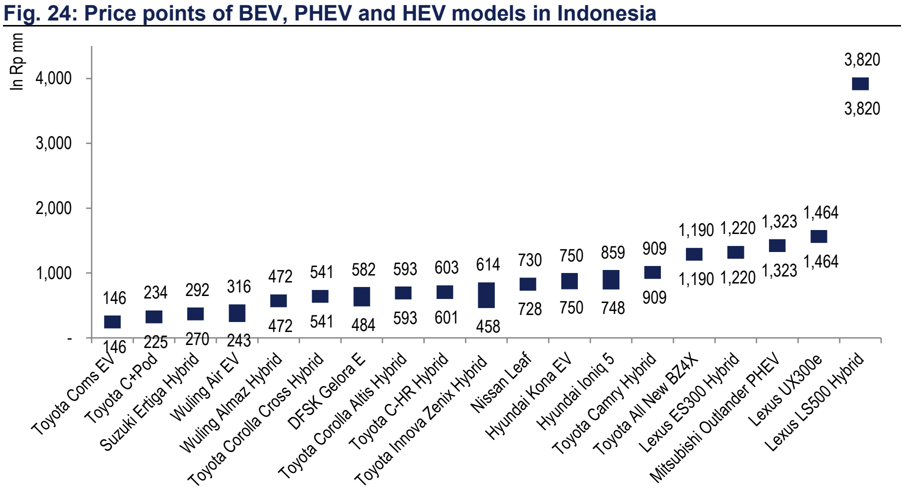
Given the aforementioned factors, we think the overall impact on ASII will be limited, especially considering that ASII's newly-launched HEV products (like Kijang Innova Zenix Hybrid and Yaris Cross Hybrid) are also seeing positive receptions from the market. Furthermore, we believe other affordable HEV models could also be in the pipeline (likely for the Raize/Rocky, Avanza/Xenia, and/or LCGC platform); ASII may release these models ahead of its expected launch of BEV models in FY24/25F (likely from Toyota's bZ lineup).

Fig. 23: Current and proposed BEV incentives

Benefits	Indonesia
Fiscal Policy	Financial incentive for E2W 20-40% (Rp7mn) and E4W 10% (Rp 80mn)
	Law No.1/2022: Tax exemption for BBNKB and PKB starting FY25F
	Vehicle title transfer fee (BBNKB) discount
	Varies for each province (10-30% discount)
	Government Reg. No. 74/2021: Battery electric vehicle (BEV) sales tax on luxury goods (PPnBM) to be reduced from 15% to 5%
	OJK circulation: RWA for EV financing (proudcing and buying) is reduced from 75% to 50%
	0% VAT tax (PPN) for imported electric vehicles
	Elimination of import duty for CBU vehicles from 50% to 0%
	Cumulative tax for BEV imports (CBU) declines form 76% to 5%
	Relaxation of local component (TKDN) requirement of 40% until FY26F, 60% FY27-29F, 80% FY30F onwards
Non Fiscal	Bus electrification
	Odd-Even traffic exemption (Jakarta only)
Proposed	EV zones/ sites
	Charging station obligation for buildings
	Government official vehicle

Source: Company, Indo Premier

Fig. 24: Price points of BEV, PHEV and HEV models in Indonesia



Source: Company, Indo Premier

Concerns are likely already priced-in at current valuation, but lacking catalysts

Reaffirm our Hold rating on ASII, with a lower TP of Rp5,800
We trim our FY23-25F earnings by 1-9% to factor-in 9M23 data points and:

- Lower auto margin in FY24F-25F: We maintain our FY23F auto margin estimates, as 9M23 data points met our expectations. Considering the current macro backdrop, however, we see downside risks to our previous 4W net margin forecasts in FY24-25F. As such, we cut our 4W sales volume forecast for ASII by 2-5% in FY23F-FY25F, assuming lower blended ASP (to reflect product mix deterioration), and higher discounts, which translates to lower auto net margin at 8.8/8.5% in FY24/25F (vs. 9.3% previously).

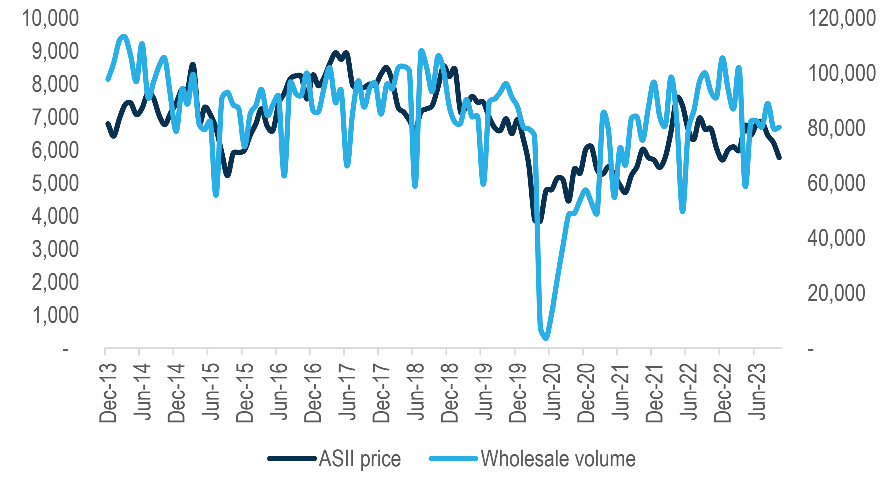
- Lower financial services/fincos net margin in FY23-25F: We reduce our fincos' FY23-25F net margin forecast by 50-75bps to take into account its 9M23 run-rate, slower financing disbursement, and lower NIM.

- Higher/lower UNTR earnings in FY23F/FY24-25F: Our UNTR analysts (Reggie Parengkuan and Ryan Winipta) revised their FY23/24/25F earnings estimates by +2/-3/-9% (see our previous note), mainly to reflect 9M23 data points, lower coal prices, and lower Komatsu volume (FY24F: -25% yoy).

Based on our observation of ASII's previous 4W volume-driven share price deterioration in FY19-20 (election and COVID-19), its share price bottomed-out when P/E reached 7.3x. Thus, considering that ASII's share price has fallen by c.16% since its YTD peak in Jul23 (when 4W sales momentum started to falter) and it currently trades at 7.3x FY25F P/E, we believe that most of the concerns have been priced-in. We also believe that even though ASII's market share likely to have peaked, the market share decline is likely to be gradual, as we do not expect BEV to gain significant traction in the near-term. That being said, we continue to see limited positive near-term catalysts for ASII.

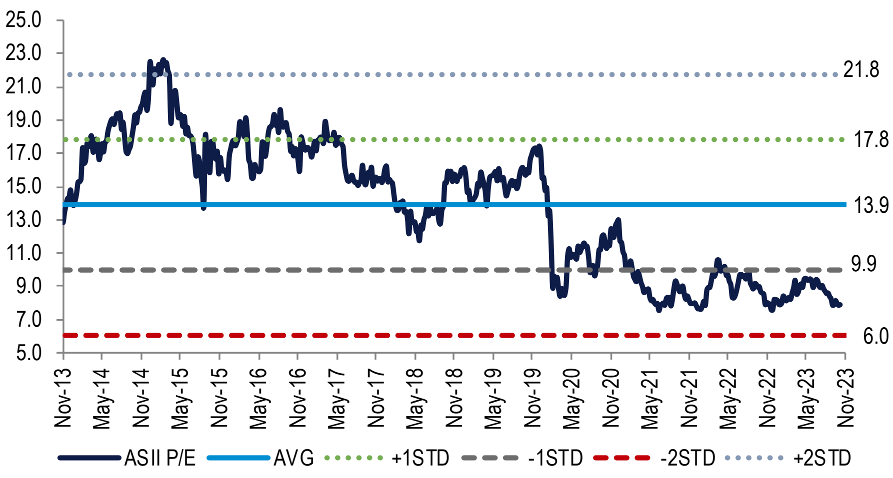
We expect 4W sales volume to decline by 4% next year. Given that ASII's share price is also highly correlated with 4W sales volume, its share price seems unlikely to outperform the index. Furthermore, 4W/2W market shares likely to have peaked, while margins could potentially contract, mainly on lower auto and UNTR margins. We lower our SOTP in UNTR from Rp28,000 to Rp24,000 (see our previous note) and trim our FY23-25F earnings by 1-9% to factor-in 9M23 data points as well as lower margins, and thus reaffirm our Hold call on ASII, with a lower SOTP-based TP of Rp5,800/share (from Rp6,800). Upside/downside risks: 1) higher/lower-than-expected 4W/2W volumes; and 2) higher/lower-than-expected commodity prices.

Fig. 25: Industry 4W vol vs. ASII share price



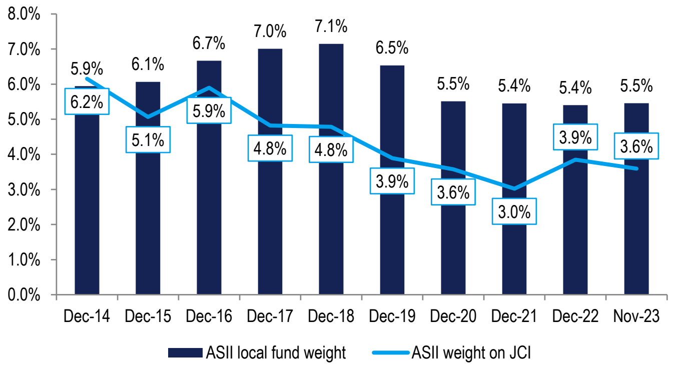
Source: Gaikindo, Indo Premier

Fig. 26: ASII P/E band



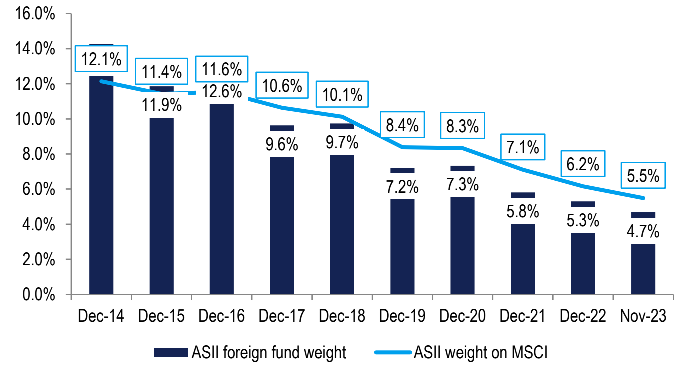
Source: Bloomberg, Indo Premier

Fig. 27: Local Fund weight vs JCI



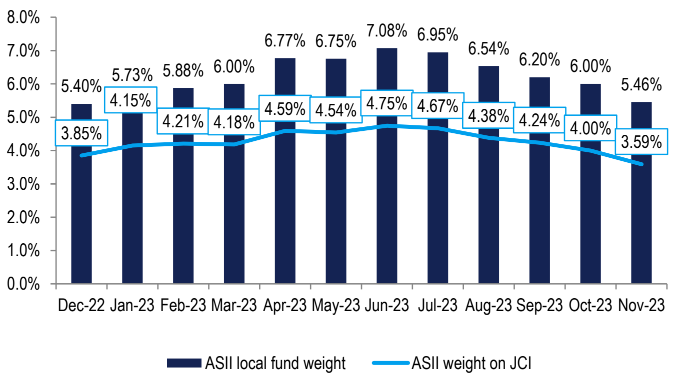
Source: KSEI, Indo Premier

Fig. 28: Foreign fund weight vs MSCI



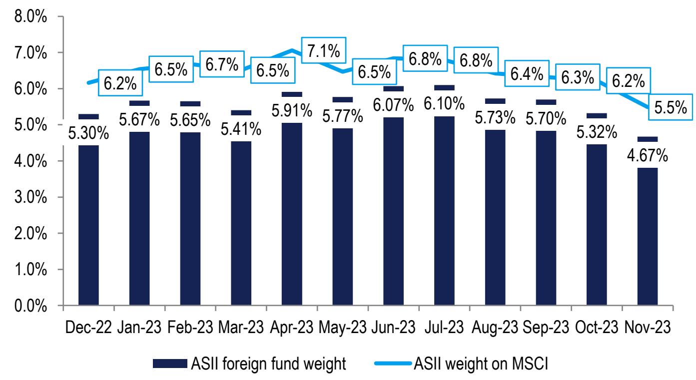
Source: KSEI, Indo Premier

Fig. 29: Local Fund weight vs JCI



Source: KSEI, Indo Premier

Fig. 30: Foreign fund weight vs MSCI



Source: KSEI, Indo Premier

Fig. 31: ASII peer comps

	Company name	ROE (%)		P/E (x)		Div. yield (%)	
		FY24F	FY25F	FY24F	FY25F	FY24F	FY25F
Indonesia							
ASII IJ	Astra International	15.1	14.1	8.4	7.0	6.1	6.1
Average		***15.1***	***14.1***	***8.4***	***7.0***	***6.1***	***6.1***
Japan							
7203 JP	Toyota Motor Corp	12.8	12.0	9.0	8.0	3.4	3.6
7267 JP	Honda Motor Co	9.3	8.8	6.8	5.8	4.7	5.1
7202 JP	Isuzu Motors Ltd	12.7	12.6	6.9	6.8	5.3	5.6
7269 JP	Suzuki Motor Corp	12.3	11.9	9.8	8.4	2.6	2.8
7270 JP	Subaru Corporation	13.4	12.1	6.9	5.6	4.4	4.5
7211 JP	Mitsubishi Motors	15.4	14.0	5.9	4.1	3.6	4.3
7261 JP	Mazda Motor Corp	12.3	11.0	5.5	4.5	4.9	5.1
7201 JP	Nissan Motor	8.3	8.2	5.9	4.5	4.8	5.6
Average		***12.1***	***11.3***	***7.1***	***6.0***	***4.2***	***4.6***
Korea							
005380 KS	Hyundai Motor Co	11.9	10.8	5.3	4.1	6.0	6.1
000270 KS	Kia Motors Corp	17.9	15.9	4.5	3.9	5.9	6.0
Average		***14.9***	***13.3***	***4.9***	***4.0***	***6.0***	***6.0***
India							
MSIL IN	Maruti SUZUKI	18.3	20.0	23.3	21.2	1.9	2.7
EIM IN	Eicher Motors	22.5	21.6	24.4	23.6	1.1	1.2
MM IN	Mahindra & Mahindra	13.1	NA	14.3	NA	1.3	1.4
BJAUT IN	Bajaj Auto	26.3	28.4	16.4	20.1	3.3	3.5
Average		***20.0***	***23.3***	***19.6***	***21.7***	***1.9***	***2.2***
China							
175 HK	Geely auto	8.3	9.8	13.9	8.1	3.3	4.3
1211 HK	BYD	24.0	24.1	28.1	10.6	1.2	1.4
Average		***16.2***	***17.0***	***21.0***	***9.4***	***2.3***	***2.8***

Source: Bloomberg, Indo Premier

Income Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Net revenue	233,485	301,379	316,863	316,436	327,301
Cost of sales	(182,452)	(231,291)	(245,067)	(247,920)	(259,379)
Gross profit	51,033	70,088	71,796	68,516	67,922
SG&A Expenses	(25,500)	(27,887)	(28,518)	(29,569)	(31,350)
Operating profit	25,533	42,201	43,278	38,948	36,573
Net interest	265	428	423	597	415
Forex gain (loss)	57	188	32	32	33
Others	6,495	7,573	9,464	9,706	10,324
Pre-tax income	32,350	50,390	53,196	49,282	47,344
Income tax	(6,764)	(9,970)	(9,841)	(9,117)	(8,759)
Minority interest	(5,390)	(11,476)	(9,209)	(8,188)	(7,693)
Net income	20,196	28,944	34,146	31,977	30,892

Balance Sheet (Rp bn)	2021A	2022A	2023F	2024F	2025F
Cash & equivalents	63,947	61,295	63,156	67,324	70,451
Receivables	60,761	71,839	69,449	69,356	71,737
Other current assets	35,554	46,684	42,654	44,546	47,540
Total current assets	160,262	179,818	175,259	181,226	189,728
Fixed assets	90,450	94,697	83,541	78,940	73,694
Other non-current assets	116,599	138,782	152,660	167,926	193,115
Total non-current assets	207,049	233,479	236,201	246,866	266,809
Total assets	367,311	413,297	411,460	428,092	456,537
Payables	25,149	37,644	33,571	33,962	35,531
Other payables	39,962	46,885	45,478	44,114	42,791
Current portion of LT loans	38,667	34,669	31,851	30,906	35,336
Total current liab.	103,778	119,198	110,901	108,982	113,658
Long term loans	33,819	36,052	31,851	30,906	35,336
Other LT liab.	14,099	14,327	13,897	13,480	13,076
Total liabilities	151,696	169,577	156,649	153,369	162,070
Equity	8,253	10,619	10,619	10,619	10,619
Retained earnings	163,800	181,523	191,067	209,385	227,487
Minority interest	43,562	51,578	53,125	54,719	56,361
Total SHE + minority int.	215,615	243,720	254,811	274,724	294,467
Total liabilities & equity	367,311	413,297	411,460	428,092	456,537

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Net profit	20,196	28,944	34,146	31,977	30,892
Depr. & amortization	14,148	12,326	12,838	12,500	12,509
Changes in working capital	4,951	(2,790)	940	(2,772)	(5,129)
Others	(1,011)	(10,479)	(5,099)	(7,495)	(17,900)
Cash flow from operating	38,284	28,001	42,825	34,209	20,373
Capital expenditure	(9,470)	(16,573)	(1,682)	(7,899)	(7,263)
Others	-	-	-	-	-
Cash flow from investing	(9,470)	(16,573)	(1,682)	(7,899)	(7,263)
Loans	(6,995)	(1,765)	(7,018)	(1,890)	8,859
Equity	39	(1,094)	(7,661)	(6,594)	(6,052)
Dividends	(5,344)	(11,416)	(24,602)	(13,658)	(12,791)
Others	-	-	-	-	-
Cash flow from financing	(12,300)	(14,275)	(39,282)	(22,142)	(9,983)
Changes in cash	16,394	(2,652)	1,861	4,168	3,126

Key Ratios	2021A	2022A	2023F	2024F	2025F
Gross margin	21.9%	23.3%	22.7%	21.7%	20.8%
Operating margin	10.9%	14.0%	13.7%	12.3%	11.2%
Pre-tax margin	13.9%	16.7%	16.8%	15.6%	14.5%
Net margin	8.6%	9.6%	10.8%	10.1%	9.4%
ROA	5.7%	7.7%	8.3%	7.6%	7.0%
ROE	9.8%	13.0%	13.7%	12.1%	10.8%
ROIC	8.9%	12.5%	13.4%	12.2%	10.9%
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	19.4	18.0	14.8

Source: Company, Indo Premier

Fig. 32: ASII forecast changes

ASII	Previous			Current			Changes (%)		
(Rp bn)	FY23F	FY24F	FY25F	FY23F	FY24F	FY25F	FY23F	FY24F	FY25F
Revenue	305,797	307,861	326,047	316,863	316,436	327,301	3.6	2.8	0.4
Op. profit	46,974	43,916	43,884	43,278	38,948	36,573	-7.9	-11.3	-16.7
Net profit	34,458	33,429	34,062	34,114	31,946	30,860	-1.0	-4.4	-9.4

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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