

Astra International

HOLD (unchanged)

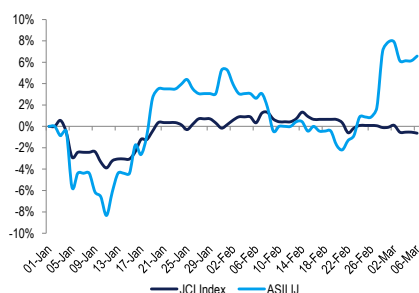
Company Update | Automotive | ASII IJ | 6 March 2023

Stock Data

Target price	Rp5,900
Prior TP	Rp5,900
Current price	Rp6,0750
Upside/downside	-3%
Shares outstanding (mn)	40,484
Market cap (Rp bn)	245,938
Free float	47%
Avg. 6m daily T/O (Rp bn)	270

Price Performance

	3M	6M	12M
Absolute	-0.8%	-12.3%	8.0%
Relative to JCI	2.2%	-7.1%	9.8%
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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Announcement of E2W incentive but muted impact to ASII overall

- The Rp7mn/unit E2W incentives will be provided for 250k units in FY23F.
- We see a relatively limited impact from E2W incentives on ASII's market share.
- Still, we have ongoing concerns on soft 4W volumes and competition, especially in the LSUV segment. Maintain Hold on ASII.

E2W incentives of Rp7mn/unit was announced by the government

Earlier today, the government announced the long-awaited E2W (electric 2-wheelers) incentives. The details are still being ironed-out, but it expects the incentive program to be officially in-effect by 20th Mar 2023. Given the incentive amount of Rp7mn/unit, we estimate the total incentives to reach Rp1.8tr in FY23. Concurrently, it also briefly mentioned incentive programs for 4W BEV/battery electric vehicle (but no mention of 4W hybrid) and the nickel industry, both of which will be disclosed in due course.

The incentive is for 250k units in FY23 (c.5% of FY23F 2W sales)

The incentives will be provided for 250k E2W units in FY23, including the purchase of new E2W (200k units) and conversion of existing 2W petrol to E2W (50k units). This incentive program comes with some caveats: first, the new E2W purchase quota is only for locally-produced E2W with minimum local content/TKDN of 40%. We note that among >40 local E2W micro-brands, only Gesits, Volta, and Selis that are currently in compliance with this TKDN threshold. The combined annual production capacity of these brands is 230k units (vs. 200k units quota for new E2W sales), on our estimates. Second, conversion to E2W can only be done at authorized dealers, and will be prioritized for SMEs (i.e., those who receive KUR and BPUM). Please refer to Figs. 6-9 for incentive details.

Could potentially help to increase E2W penetration...

We believe this incentive program could help to increase E2W penetration in Indonesia (from <1% of 2W sales last year to c.5% in FY23F), as it increases its affordability (from c.41% premium to Honda/Yamaha's most-affordable 2W petrol models, to c.2% discount) and reduces the cost of ownership (government estimates annual savings of Rp2.4mn/year for each E2W user).

...but the overall impact on ASII is likely to be limited

Still, we see limited downside risks to ASII's 2W market share, as: 1) E2W incentives are currently only applicable for micro-brands (Gesits, Volta, and Selis), which have limited brand equity and production capacity; 2) their current models have limited driving range (average of c.53km vs. 266km for 2W petrol from Honda/Yamaha); 3) supporting infrastructure is insufficient (with the lack of battery-swap facilities being a particular concern due to the limited driving range); and 4) ASII plans to introduce E2W motorcycles in FY24F. The impact on ASII's bottom line is also likely to be limited; based on our sensitivity analysis, all else being equal, for every 1ppt 2W market share loss, ASII's FY23F overall net profit will be impacted by only c.-0.1%.

Maintain Hold, with an unchanged TP of Rp5,900 as 4W is a bigger concern for us instead of 2W

Although we see a relatively limited impact from E2W incentives on ASII, we have ongoing concerns on soft industry 4W volume and competition (among 4W petrol) that seems 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.

Fig. 1: TKDN score

	TKDN score
2W	
Selis E-Max	53.7%
Selis Agats	53.4%
Volta 401	47.4%
Gesits G1 A/T	46.7%
4W	
Hyundai Ioniq 5	40.0%
Wuling Air EV	40.0%

Sources: tkdn.kemenperin.go.id, Indo Premier

Fig. 2: Production capacity

	Production capacity (in k units/yr)
2W	
Selis	120
Volta	100
Gesits	10
Total 2W	230
4W	
Hyundai Ioniq	2
Wuling Air EV	10
Total 4W	12

Sources: Various news, Indo Premier

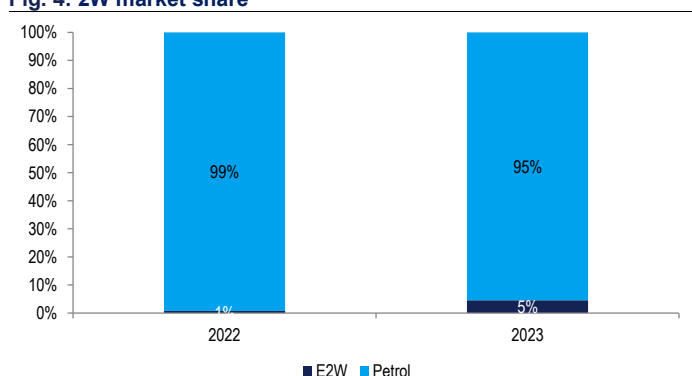
Fig. 3: Product price range

	Price range (in Rp mn)	Estimated price range post incentives (in Rp mn)
2W		
Selis E-Max SLA battery*	16	9
Selis E-Max single lithium battery*	28	21
Selis E-Max dual lithium battery*	22	15
Selis Agats	20	13
Volta 401	17	10
Gesits G1 A/T	29-45	22-38
4W		
Hyundai Ioniq	748-859	N/A
Wuling Air EV	243-300	N/A

Note: *original price range

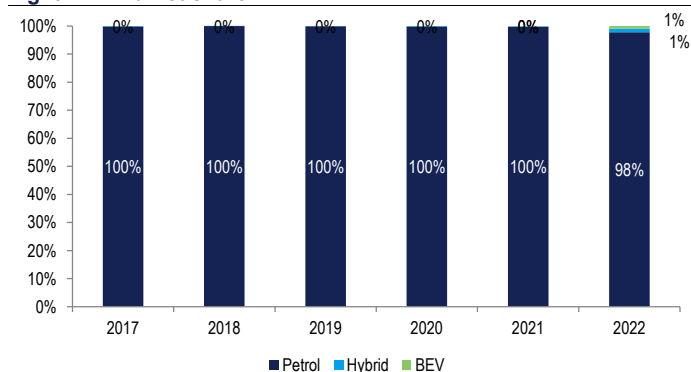
Sources: Company, Indo Premier

Fig. 4: 2W market share



Sources: Various news, Indo Premier

Fig. 5: 4W market share



Sources: Gaikindo, Indo Premier

Fig. 6: 2W market share

	No of units in 2023 (in k units)	Incentives amount (in Rp mn)	Total incentives amount (in Rp bn)
New 2W	200	7	1,400
Conversion of conventional motorcycles into electricity	50	7	350
Total incentives for 2W			1,750

Sources: Government, Indo Premier

Fig. 7: Incentives

Fig. 8: Requirements for the incentives regulation

7 fiscal incentives to push EV ecosystem in Indonesia

Tax holiday up to 2yrs in line with the investment value for the EV manufacturing industry and its main components
Supertax deduction up to 300% EV research and development
VAT exemption for mining goods include nickel which is the main component for EV battery
VAT exemption for import and cost of capital, facility machine equipment for EV industry
0% sales tax on luxury goods for EV
0% import duty for incompletely and completely knocked down (IKD) EV
Discount by up to 90% for transfer name fees for motor vehicles (BBNKB) and states motor vehicles tax (PKB)

Sources: Gaikindo, Indo Premier

Regulatory requirements

1 vehicle incentive for 1 person

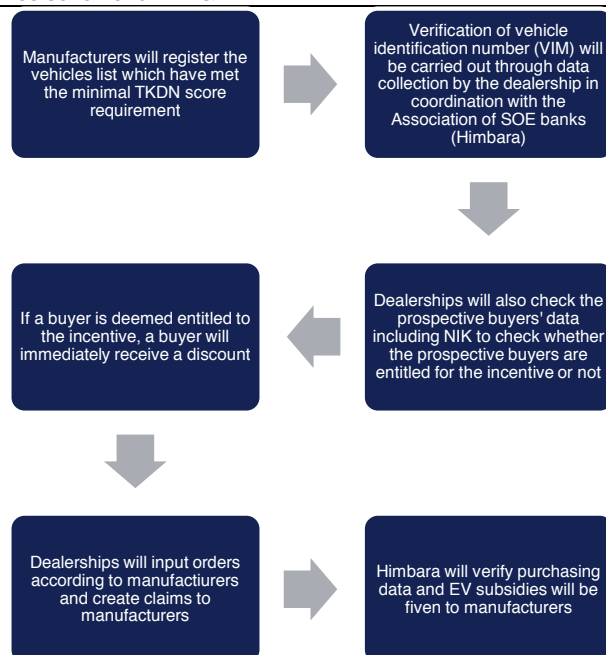
Minimum TKDN for vehicle is 40%

Producers couldn't increase selling prices during the incentive program

Note: for the conversion vehicles, the conversion may only be carried out in workshops that have been registered with the Ministry of Industry

Sources: Government, Indo Premier

Fig. 9: Incentives scheme for 2W & 4W



Source: Government, Indo Premier

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

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