

## Astra International

BUY (unchanged)

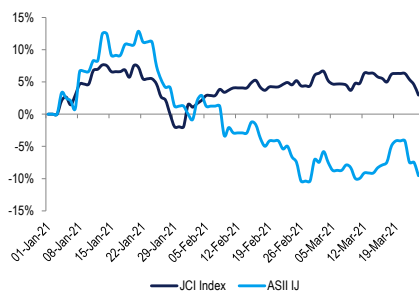
Company Update | Automotive | ASII IJ | 24 March 2021

## Stock Data

Target price	Rp6,600
Prior TP	Rp6,600
Current price	Rp5,450
Upside/downside	+21%
Shares outstanding (mn)	40,484
Market cap (Rp bn)	220,635
Free float	50%
Avg. 6m daily T/O (Rp bn)	333

## Price Performance

	3M	6M	12M
Absolute	-10.3%	16.7%	66.2%
Relative to JCI	-12.5%	-8.1%	9.8%
52w low/high (Rp)	3,280 – 6,800		



## Major Shareholders

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

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## Robust volume from recent stimulus; supply is manageable for now

- MTD 4W volume is up by 60-100% mom amid recent PPnBM relaxation. Assuming stable run-rate, we see Mar volume at +25% yoy/+72% mom.
- TAM guides for higher wholesale volume of 22k/month in Mar-May, which shall be enough to cover incremental demand from <1500cc.
- We see 15-21%/3-5% upside to ASII's auto/consolidated FY21F net profit as a result of higher volume. Maintain Buy with unchanged TP.

## A jump in ASII's Mar21 4W volume amid luxury tax relaxation

Our discussion with ASII revealed that Toyota/Daihatsu's month-to-date (MTD) volume was up by 60-100% vs. the same period in Feb, largely driven by a jump in demand for LMPV/sedan segment amid the luxury tax relaxation which was effective starting Mar21 ([link to our previous note here](#)). Assuming current run-rate is maintained for the remainder of the month, this shall bring ASII's 4W volume growth to +25% yoy/+72% mom in Mar21 (note that Mar20 was a low base) and -23% yoy in 1Q21.

## Manageable supply for now, especially for Toyota

ASII indicated that supply remains manageable for now, with Toyota inventory level at 6 weeks (still at normal level of 6-8 weeks) though Daihatsu is much tighter at <2 weeks (vs. normal of 3 weeks). TAM indicated higher Toyota production volume of 22k per month in Mar-May21 (vs. 16k per month in Jan-Feb21) in response to the relaxation. We think this shall be sufficient to accommodate the incremental demand from the luxury tax relaxation for <1500cc cars, however higher demand from the 1500-2500cc has not yet been accounted as further increase in production activities shall be contingent on 1) further relaxation on factory operations (number of staff currently capped at 50%), and 2) easing global port/container supply constraint (which has been causing delays to raw material shipment).

## Potential 15-21% upside to FY21F auto net profit

Our analysis suggests that the luxury tax relaxation for cars <1500cc (starting Mar21) and >1500-2500cc (starting Apr21) shall translate to additional 30-46k units (+8-12%) and 11-17k units (+3-5%) for ASII, respectively. Assuming production is able to meet all these incremental demand, we see 21/5% upside to its auto/consolidated FY21F net profit; conservatively, we expect 15/3% upside to auto/consolidated FY21F net profit shall it only meet the incremental demand from <1500cc segment (Fig 4).

## Maintain Buy

Maintain Buy with an unchanged TP as we expect robust 4W demand from Mar onwards on the back of the relaxation. ASII is now trades at 12x FY21F P/E vs. 10Y avg of 15x P/E. Risk is worsening macro.

Financial Summary (Rp bn)	2019A	2020A	2021F	2022F	2023F
Revenue	237,166	175,046	190,743	221,761	241,742
EBITDA	39,636	20,677	28,602	33,009	36,119
Net profit	21,707	16,164	18,066	22,348	26,081
EPS growth	0.2%	-25.5%	11.8%	23.7%	16.7%
ROE	12.0%	8.4%	8.9%	10.2%	10.9%
PER (x)	10.2	13.6	12.2	9.9	8.5
EV/EBITDA (x)	7.3	13.0	9.2	8.0	7.0
Dividend yield	3.9%	3.9%	2.9%	3.3%	4.1%
IPS vs. consensus			101%	103%	113%

Source: Company, Indo Premier

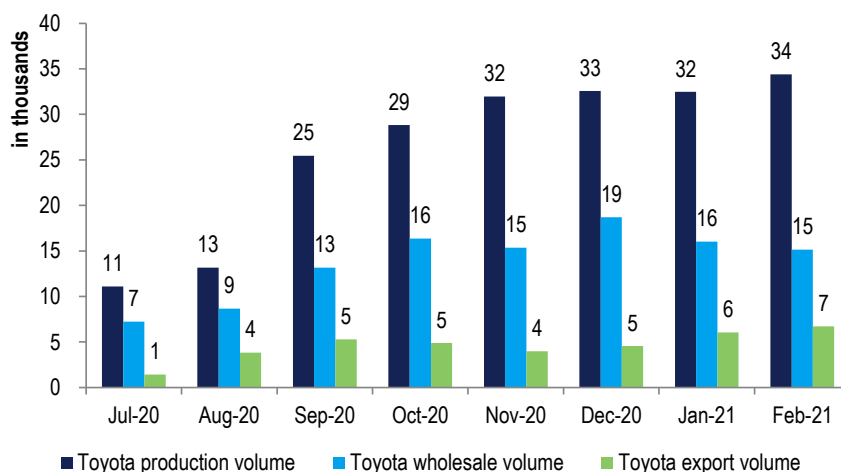
Share price closing as of: 24 March 2021

**Fig. 1: Our checks revealed that ASII's month-to-date volume rose 60-100% mom vs. same period in Feb – assuming the current run-rate is maintained, we expect ASII's 4W volume to grow 25% yoy/+72% mom in Mar and -23% yoy in 1Q21**

Retail 4W volume	1Q21	1Q20	yoy%	Mar-21	Mar-20	yoy%	Feb-21	mom%
Toyota	50,396	66,599	-24%	22,567	17,787	27%	12,537	80%
Daihatsu	31,404	39,186	-20%	13,462	10,946	23%	8,414	60%
<b>Subtotal</b>	<b>81,800</b>	<b>105,785</b>	<b>-23%</b>	<b>36,029</b>	<b>28,733</b>	<b>25%</b>	<b>20,951</b>	<b>72%</b>

Source: Gaikindo, Company, Indo Premier

**Fig. 2: TAM guides for higher wholesale volume of 22k/month in Mar-May21 vs. 15-16k/month in Jan-Feb21; on top of this, we believe the production surplus since Sep20 should alleviate pressure on supply from Mar21 onwards**



Source: Gaikindo, Indo Premier

**Fig. 3: ASII volume simulation – we expect 8-12% volume upside from luxury tax relaxation for <1500cc cars and another 3-5% upside from 1500-2500cc segment**

ASII volume simulation	Case 1	Case 2
ASII base case 4W volume FY21	381	381
Estimated incremental volume from LMPV segment	30	46
% upside vs. base case	8%	12%
Estimated incremental volume from Innova/Fortuner segment	11	17
% upside vs. base case	3%	5%
<b>ASII adjusted FY21F 4W volume</b>	<b>423</b>	<b>444</b>
% upside vs. base case	11%	17%

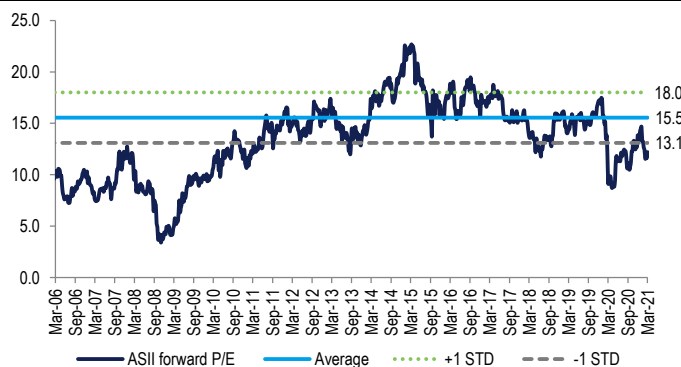
Source: Company, Indo Premier

**Fig. 4: ASII profit simulation – assuming production is able to fully meet the incremental demand, we expect 21%/5% upside to auto/consolidated FY21F net profit; under a conservative scenario of only incremental demand from <1500cc segment is met, we see 15%/3% upside to FY21F auto/consolidated net profit**

		Luxury tax relaxation <1500cc		Luxury tax relation <1500cc + 1500-2500cc	
ASII FY21 profit simulation	Base case	Case 1	Case 2	Case 1	Case 2
ASII 4W volume	381	411	427	423	444
vs. base case		8%	12%	11%	17%
4W revenues	44,802	48,888	51,133	50,544	53,342
vs. base case		9%	14%	13%	19%
4W net profit	1,240	1,924	1,999	1,979	2,280
vs. base case		55%	61%	60%	84%
4W net profit margin	2.8%	3.9%	3.9%	3.9%	4.3%
Auto revenues	72,250	76,631	79,038	78,407	81,406
vs. base case		6%	9%	9%	13%
Auto net profit	4,590	5,287	5,368	5,347	5,548
vs. base case		15%	17%	17%	21%
Auto net profit margin	6.4%	6.9%	6.8%	6.8%	6.8%
Consolidated net profit	18,066	18,586	18,627	18,616	18,878
vs. base case		2.9%	3.1%	3.0%	4.5%

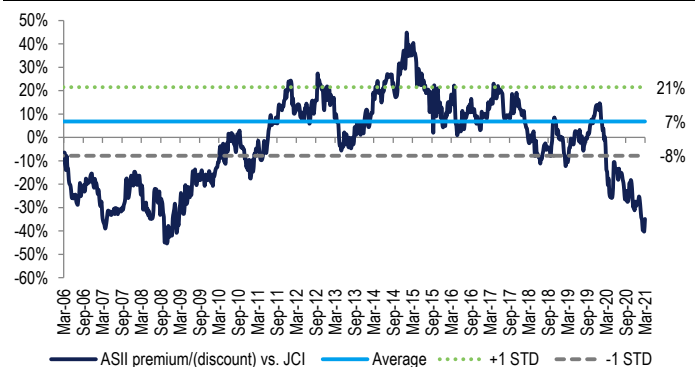
Source: Company, Indo Premier

**Fig. 5: ASII's forward P/E – now trading at 12.2x FY22F P/E vs. 10-year average of 15.5x P/E**



Source: Bloomberg, Company, Indo Premier

**Fig. 6: ASII's forward P/E now trades at a 35% discount to JCI's forward P/E vs. 10-year average premium of 7%**



Source: Bloomberg, Company, Indo Premier

Income Statement (Rp bn)	2019A	2020A	2021F	2022F	2023F
Net revenue	237,166	175,046	190,743	221,761	241,742
Cost of sales	(186,927)	(136,488)	(147,809)	(173,884)	(189,203)
<b>Gross profit</b>	<b>50,239</b>	<b>38,558</b>	<b>42,934</b>	<b>47,876</b>	<b>52,539</b>
SG&A Expenses	(24,055)	(25,688)	(22,780)	(24,175)	(26,458)
<b>Operating profit</b>	<b>26,184</b>	<b>12,870</b>	<b>20,154</b>	<b>23,701</b>	<b>26,082</b>
Net interest	(2,429)	(1,066)	(975)	(639)	41
Forex gain (loss)	(57)	0	0	0	0
Others	10,356	9,937	6,363	8,292	10,179
<b>Pre-tax income</b>	<b>34,054</b>	<b>21,741</b>	<b>25,542</b>	<b>31,354</b>	<b>36,302</b>
Income tax	(7,433)	(3,170)	(4,853)	(5,957)	(6,897)
Minority interest	(4,914)	(2,407)	(2,623)	(3,049)	(3,324)
<b>Net income</b>	<b>21,707</b>	<b>16,164</b>	<b>18,066</b>	<b>22,348</b>	<b>26,081</b>

Balance Sheet (Rp bn)	2019A	2020A	2021F	2022F	2023F
Cash & equivalent	24,330	40,196	38,603	33,987	27,744
Receivable	29,367	24,493	26,371	32,765	31,700
Inventory	24,287	17,709	21,706	24,663	25,791
Other current assets	51,074	51,074	51,074	51,074	51,074
<b>Total current assets</b>	<b>129,058</b>	<b>133,472</b>	<b>137,755</b>	<b>142,489</b>	<b>136,310</b>
Fixed assets	99,140	99,215	101,457	104,859	107,731
Other non-current assets	123,760	114,845	120,629	128,779	138,830
<b>Total non-current assets</b>	<b>222,900</b>	<b>214,060</b>	<b>222,086</b>	<b>233,638</b>	<b>246,561</b>
<b>Total assets</b>	<b>351,958</b>	<b>347,532</b>	<b>359,841</b>	<b>376,127</b>	<b>382,871</b>
ST loans	15,427	15,346	15,346	15,346	15,346
Payable	30,087	19,545	25,935	27,568	30,648
Other payables	28,123	28,123	28,123	28,123	28,123
<b>Total current liabilities</b>	<b>73,637</b>	<b>63,014</b>	<b>69,404</b>	<b>71,037</b>	<b>74,117</b>
Long term loans	76,874	73,183	64,879	61,361	44,559
Other LT liabilities	14,684	14,684	14,684	14,684	14,684
<b>Total liabilities</b>	<b>165,195</b>	<b>150,881</b>	<b>148,966</b>	<b>147,082</b>	<b>133,360</b>
Equity	7,360	7,360	7,360	7,360	7,360
Retained earnings	140,487	147,968	159,569	174,690	191,832
Minority interest	38,916	41,323	43,946	46,995	50,319
<b>Total SHE + minority int.</b>	<b>186,763</b>	<b>196,651</b>	<b>210,875</b>	<b>229,045</b>	<b>249,511</b>
<b>Total liabilities &amp; equity</b>	<b>351,958</b>	<b>347,532</b>	<b>359,841</b>	<b>376,127</b>	<b>382,871</b>

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2019A	2020A	2021F	2022F	2023F
Net income	21,707	16,164	18,066	22,348	26,081
Depr. & amortization	13,452	7,807	8,448	9,308	10,038
Changes in working capital	(9,965)	1,822	(242)	(9,126)	1,452
Others	(6,019)	929	(1,270)	(2,779)	(4,296)
<b>Cash flow from operating</b>	<b>19,175</b>	<b>26,723</b>	<b>25,003</b>	<b>19,751</b>	<b>33,274</b>
Capital expenditure	(15,900)	1,598	(11,825)	(13,622)	(13,776)
Others	1,714	0	0	0	0
<b>Cash flow from investing</b>	<b>(14,186)</b>	<b>1,598</b>	<b>(11,825)</b>	<b>(13,622)</b>	<b>(13,776)</b>
Loans	6,387	(3,772)	(8,305)	(3,518)	(16,802)
Equity	0	0	0	0	0
Dividends	(8,669)	(8,683)	(6,466)	(7,227)	(8,939)
Others	(3,132)	0	0	0	0
<b>Cash flow from financing</b>	<b>(5,414)</b>	<b>(12,455)</b>	<b>(14,770)</b>	<b>(10,744)</b>	<b>(25,741)</b>
<b>Changes in cash</b>	<b>(425)</b>	<b>15,866</b>	<b>(1,592)</b>	<b>(4,616)</b>	<b>(6,243)</b>

Key Ratios	2019A	2020A	2021F	2022F	2023F
Gross margin	21.2%	22.0%	22.5%	21.6%	21.7%
Operating margin	11.0%	7.4%	10.6%	10.7%	10.8%
Pre-tax margin	14.4%	12.4%	13.4%	14.1%	15.0%
Net margin	9.2%	9.2%	9.5%	10.1%	10.8%
ROA	6.2%	4.6%	5.1%	6.1%	6.9%
ROE	12.0%	8.4%	8.9%	10.2%	10.9%
ROIC	7.8%	3.6%	5.6%	6.4%	6.8%
Acct. receivables TO (days)	46.6	56.2	48.7	48.7	48.7
Inventory TO (days)	49.6	56.2	48.7	48.7	48.7
Acct. payables - other TO (days)	70.6	66.4	56.2	56.2	56.2
Debt to equity	49%	45%	38%	33%	24%
Interest coverage ratio (x)	9.0	6.1	8.5	10.5	14.7
Net gearing	36%	25%	20%	19%	13%

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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