

# Astra International (ASII)

## Back to its core business

### A benign automotive outlook in 2023

The Indonesian automotive industry will once again experience a good year in 2022. The sound economic recovery and increased mobility have both been linked to pent-up demand in automotive. When it comes to industry growth in 2023, we become more cautious due to the weak economic outlook that could hurt consumers' purchasing power and discretionary spending. As a result, we only book 4%/2% growth in domestic 4W and 2W sales respectively.

### The beginning of EV race

Both the 4W and 2W EV markets in Indonesia are still in the early stages and will keep expanding onwards. Due to considerations like price and fewer manufacturing expertise needs, we think 2W EV will take the lead. Meanwhile, there are further obstacles to rapid 4W EV development, particularly those related to affordability and infrastructure. However, we believe that automakers need to establish their footprint right away in order to have a competitive advantage in the future EV market.

### Normalizing commodity-related businesses

In 2022, ASII's performance is greatly supported by its commodity-related business, UNTR. This is due to the soaring global coal price on geopolitical tensions which remains elevated to date. As a result, UNTR should record a brilliant performance, becoming ASII's backbone in 2022. However, in line with the expectation that commodity prices should normalize next year, we view the attention will be back to ASII's automotive performance. In addition to our view of modest automotive growth next year, we also observe that growing competition may put pressure on ASII's market share in the near future.

### Venturing into new businesses given huge net cash position

In addition to optimizing its existing business portfolio, ASII has been aggressively pursuing new ventures in recent years. ASII has finished a number of inorganic expansions YTD in several sectors, including digital, healthcare, logistics and mobility, financial, renewable energy, etc. Diversification and the creation of a strong business ecosystem, in our opinion, are the key objectives. It can take some time before they have a significant, lucrative impact on ASII's performance.

### Re-initiate coverage with HOLD and TP of IDR 6,800

We have a HOLD recommendation on ASII with TP of IDR 6,800, derived from SOTP valuation. Our TP implies 11.2x FY23F, which is fair given the modest outlook and potential lower earnings in 2023. Upside risks to our call include better-than-expected automotive sales and robust commodity prices.

|                    | 2020A   | 2021A   | 2022F    | 2023F    | 2024F    |
|--------------------|---------|---------|----------|----------|----------|
| Sales (IDR bn)     | 175,046 | 233,485 | 285,923  | 271,939  | 267,701  |
| GP (IDR bn)        | 38,778  | 51,033  | 66,722   | 56,672   | 56,145   |
| OP (IDR bn)        | 13,090  | 25,533  | 39,247   | 29,078   | 27,924   |
| Core NP (IDR bn)   | 10,283  | 20,196  | 29,068   | 24,724   | 25,055   |
| EBITDA (IDR bn)    | 24,871  | 36,118  | 49,639   | 40,064   | 39,502   |
| Net debt (IDR bn)  | 30,290  | 7,257   | (11,837) | (19,539) | (29,405) |
| EBITDA margin (%)  | 14.2    | 15.5    | 17.4     | 14.7     | 14.8     |
| ROE (%)            | 6.8     | 12.3    | 16.0     | 12.6     | 12.0     |
| Dividend yield (%) | 1.7     | 3.6     | 5.2      | 4.4      | 4.5      |
| Core EPS (IDR)     | 254     | 499     | 718      | 611      | 619      |
| chg. (% YoY)       | (52.6)  | 96.4    | 43.9     | (14.9)   | 1.3      |
| BPS (IDR)          | 3,845   | 4,250   | 4,721    | 4,997    | 5,323    |
| DPS (IDR)          | 114     | 239     | 344      | 293      | 297      |
| PE (x)             | 26.0    | 13.2    | 9.2      | 10.8     | 10.6     |
| PB (x)             | 1.7     | 1.6     | 1.4      | 1.3      | 1.2      |
| EV/EBITDA (x)      | 12.0    | 7.6     | 5.1      | 6.2      | 6.0      |

12M rating **HOLD (Re-Initiate)**

12M TP **IDR 6,800**

Upside **3.6%**

#### Stock Data

|                                 |               |
|---------------------------------|---------------|
| JCI (Nov 1)                     | 7,052         |
| Stock price (Nov 1, IDR)        | 6,575         |
| Market cap (IDR bn)             | 266,179       |
| Shares outstanding (mn)         | 40,484        |
| 52-week high/low (IDR)          | 5,250 / 7,700 |
| 6M avg. daily turnover (IDR bn) | 314.3         |
| Free float (%)                  | 47.1          |

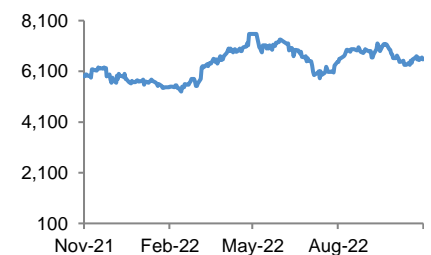
#### Major shareholders (%)

|                                      |      |
|--------------------------------------|------|
| Jardine Cycle & Carriage Limited (P) | 50.1 |
|--------------------------------------|------|

#### Performance

|                      | 1M    | 6M     | 12M  |
|----------------------|-------|--------|------|
| Absolute (%)         | 1.8   | (8.5)  | 15.0 |
| Relative to JCI (%p) | (0.9) | (11.0) | 1.4  |

#### ASII stock price (IDR)



Source: Bloomberg

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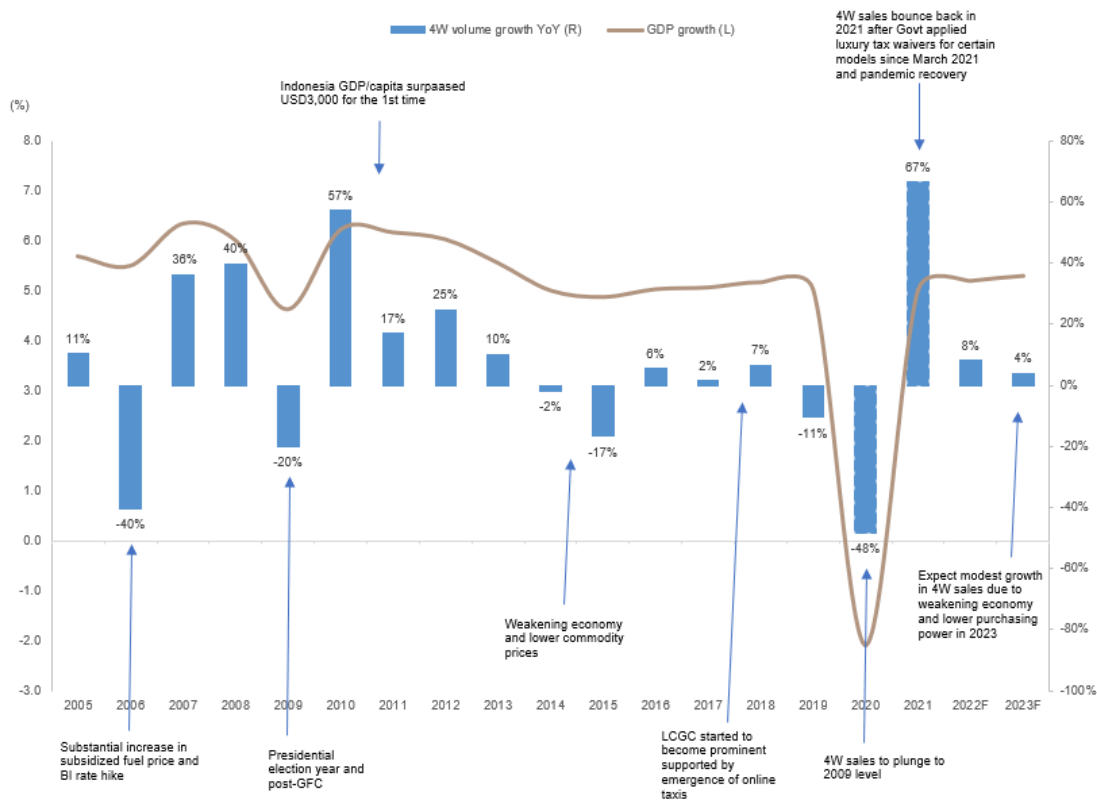
## I. A benign automotive outlook in 2023

### 4W: expecting modest growth of 4% YoY in 2023

The Indonesian automotive industry has continued to grow strongly throughout this year after a solid +66.7% YoY recovery back in 2021. According to Gabungan Asosiasi Industri Kendaraan Bermotor Indonesia (GAIKINDO), the 4-wheeler (4W) wholesales statistics reached 758,218 units (+20.8% YoY) in 9M22 and remains on track to meet its projection of 960,000 units due to the growing optimism following the robust 9M22 figures. **We believe that the sound economic recovery coupled with higher mobility has contributed to the pent-up demand for 4W amid this year's semiconductor shortage issue.**

This year, Indonesian domestic car sales should be able to reach 960,000 units (+8% YoY), however, we turn more cautious in 2023. **Our conservative 4% YoY growth is on the back of:** 1) a potential economic downturn with weaker purchasing power (due to higher living costs); 2) a potential shift to public transportation on higher fuel prices and 3) a higher interest rate (an estimation of 60%-70% of 4W purchase are through car loans, according to GAIKINDO). All of the aforementioned factors may impact one's decision to purchase car in 2023. In addition, the global semiconductor and chips shortage issues may need to be further observed, as it may hamper automotive production and sales in 2023. Most global analysts believe the issues have begun to ease, although are unlikely to be fully resolved in the near-term.

Fig 1. Historical 4W sales growth and GDP growth

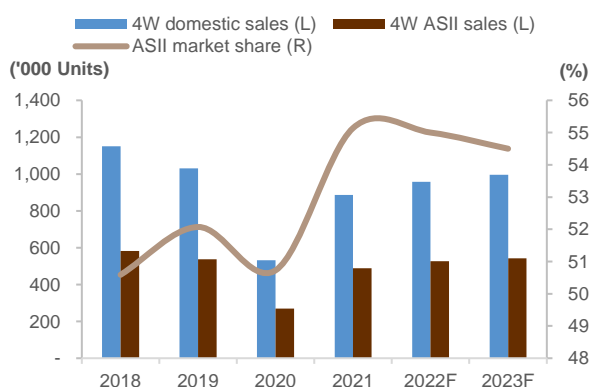


Source: GAIKINDO, Bloomberg, KISI

As of 9M22, ASII recorded a solid performance with 413,465 units of car sales through its multiple brands (Toyota, Daihatsu, Isuzu), representing a 20.3% YoY growth and 54.5% market share (down 0.7% from FY21). We are aware that the industry is becoming more competitive. Competitors like Mitsubishi, Hyundai, Wuling, and others have been actively introducing new products to draw in car buyers. For instance, Hyundai has begun to establish its presence in Indonesia with Hyundai Creta launch in Nov 2021. Hyundai Stargazer was also introduced as its latest 4W lineup in GIIAS 2022, which then has become a strong contender in the MPV market. As a result, non-ASII 4W brands have recently experienced strong sales growth. **We think that innovation, whether in facelifts or new models, remains as the key driver to boost automakers' sales in the upcoming years.** For the time being, we anticipate ASII to maintain its market share at ~54% in the next few years, although we do not completely rule out the risk of losing market share if competition heats up.

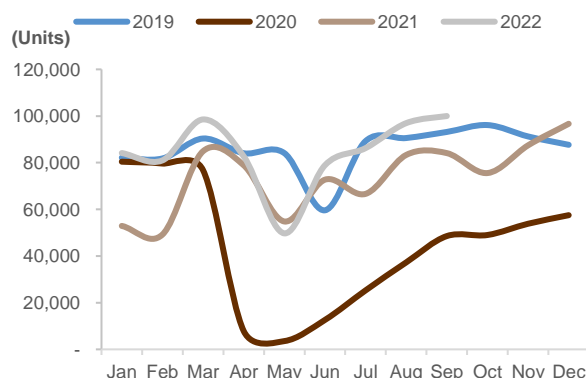
As of 9M22, Hyundai has been able to grab a market share of 3.2% (from 0.4% in FY21), mainly from Hyundai Creta. In addition, Hyundai Stargazer has also enjoyed a significant uptake since its launch, reaching 7,300 unit sales in just three months. In the MVP segment, despite ASII's Toyota brands (Avanza and Veloz) remain stable, however we observe its Daihatsu brands (Xenio and Terios) may seem to be challenged by the newcomers.

Fig 2. Domestic and ASII 4W sales



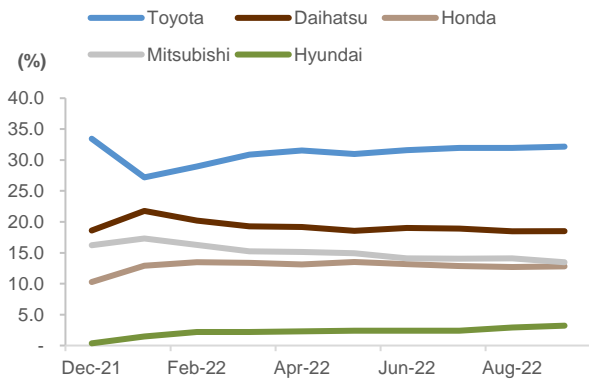
Source: GAIKINDO, KISI

Fig 3. 4W monthly sales



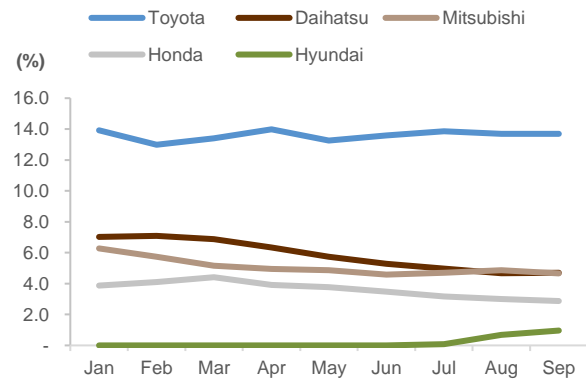
Source: GAIKINDO, KISI

Fig 4. Rising competition from Hyundai



Source: GAIKINDO, KISI

Fig 5. Competition in MPV segment



Source: GAIKINDO, KISI

Fig 6. Hyundai Stargazer as the new contender in MPV



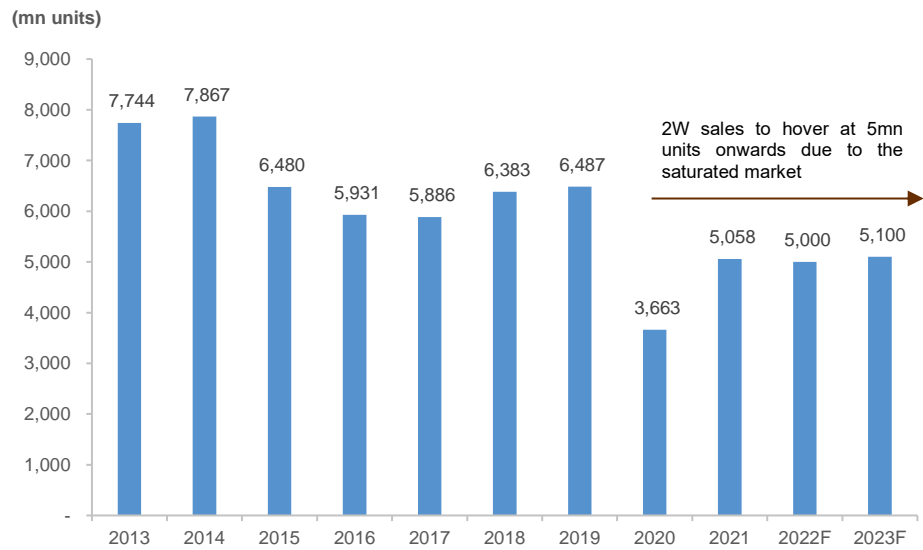
Source: Company

**2W: limited growth in a saturated market and rising competition from 2W EV**

Moving on to 2-wheeler (2W) segment, Asosiasi Industri Sepeda Motor Indonesia (AISI) reported motorcycle sales of 514,460 units in Sep 2022, totaling 3.6mn units in 9M22 (~70% to its FY22 target). For ASII, 2W sales were 2.7mn units (-8% YoY) in 9M22, indicating a market share decline of 3% to 74%, which was attributable to semiconductor shortages that had heavily impacted ASII's 2W production. The national 2W sales in Aug and Sep 2022, which surpassed 500,000 units per month, indicated that the production issue has been resolved, hence national 2W sales should come near to 5mn units this year (-1% yoy)

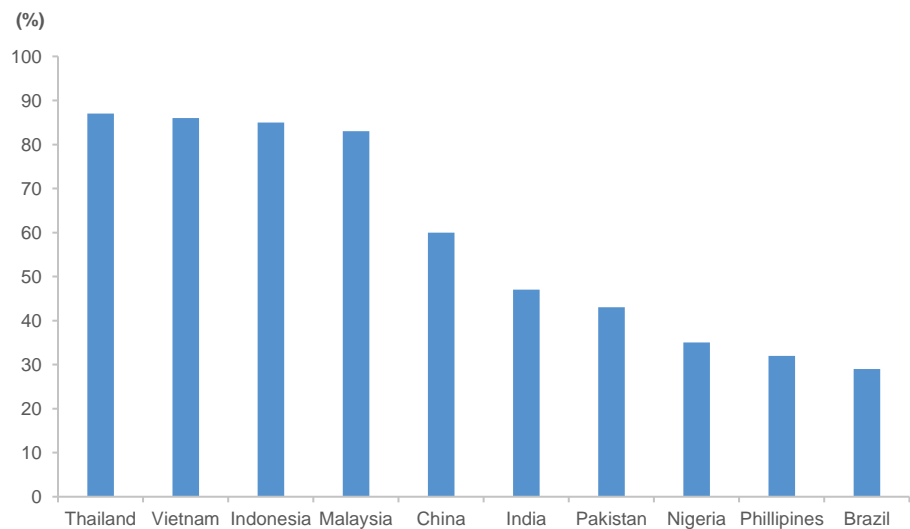
**We only assume a 2% YoY growth in 2W national sales for 2023 because of the following factors:** 1) the saturated market, with 123.7mn motorcycles registered as of Oct 2022 (means about 2 motorcycles per household in Indonesia); 2) lower purchasing power, which might lead to less discretionary spending; 3) recent drop in CPO price, which might have an adverse impact on 2W sales in CPO-based regions like Sumatra and Kalimantan. We still forecast ASII's 2W market share at 76% for FY22/23F, although the incumbents (i.e. Honda & Yamaha) may face a greater threat of losing market share in the future. The 2W competition landscape may have changed because of the recent rapid rise in electric 2W (EV-2W), but the incumbents have yet to begin taking part.

**Fig 7. Limited 2W sales growth due to a saturated market**



Source: AISI, KISI

**Fig 8. Percentage of household that owns motorbikes (2019)**



Source: World Atlas, KISI

## II. The beginning of EV race

Indonesian electric vehicle (EV) market, for both 4W and 2W, is still in the early stages and may take a lengthy road to reach its full potential. The shifting global trend from internal combustion engine (ICE) to EV is unavoidable, as more and more countries are moving towards decarbonization and CO<sub>2</sub> emission reduction campaigns. Since 2019, the Government of Indonesia (GoI) has been highly ambitious in voicing the acceleration of EV ecosystem development, including the battery component and infrastructure. As a result, a roadmap and numerous policies have been established, including incentives for both EV ecosystem producers and end users. One of them is the recently released presidential instruction on the use of EVs as operational services or individual vehicles for central and local government institutions. Even though there are now very few EVs on the road, GoI aims to see about 2mn EV population by 2025. According to Ministry of Transportation, 28,188 EVs have been registered as of Oct 2022, comprising 22,942 2W and 4,904 4W (both of which contributed around 0.02% of the 2W/4W registered in Indonesia).

Fig 9. Indonesian EV roadmap

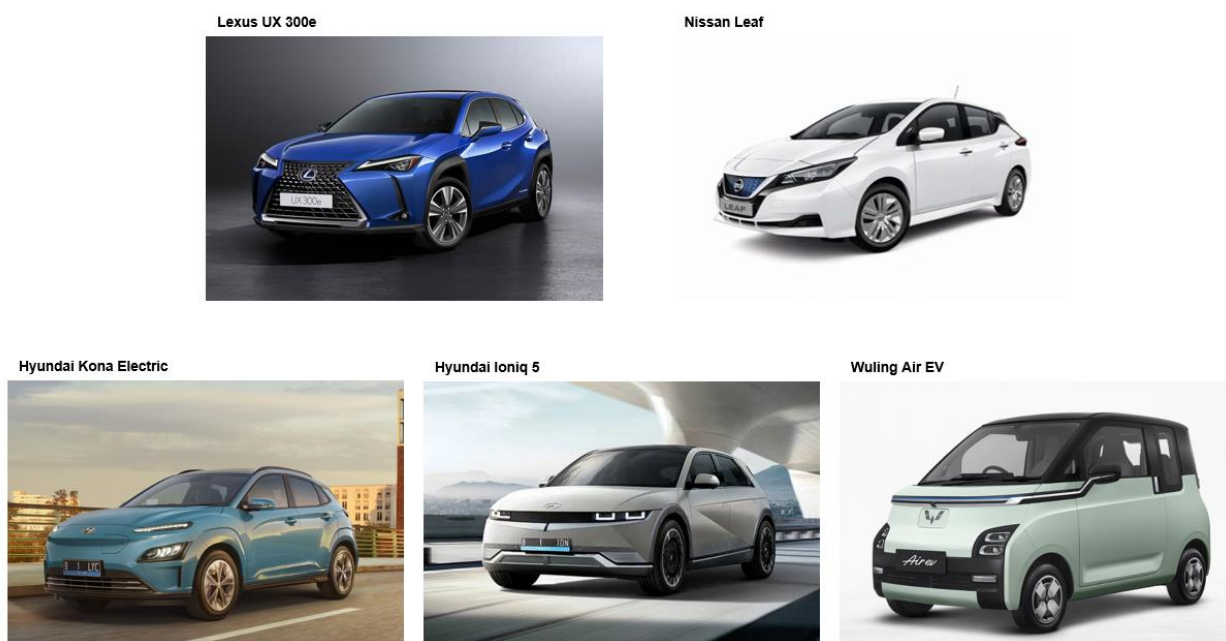
| ITEM          |            | 2020                               | 2025      | 2030      | 2035      |            |
|---------------|------------|------------------------------------|-----------|-----------|-----------|------------|
| MOTOR VEHICLE | Production | Total (Unit)                       | 1.500.000 | 2.000.000 | 3.000.000 | 4.000.000  |
|               |            | Percentage LCEV(%)                 | 10        | 20        | 25        | 30         |
|               |            | Percentage LCGC (%)                | 25        | 20        | 20        | 20         |
|               | Sales      | Total (unit)                       | 1.250.000 | 1.690.000 | 2.100.000 | 2.500.000  |
|               | Export     | Total (unit)                       | 250.000   | 310.000   | 900.000   | 1.500.000  |
| MOTOR CYCLE   | Production | Total (unit)                       | 7.500.000 | 8.800.000 | 9.800.000 | 10.750.000 |
|               |            | Percentage Electric Motorcycle (%) | 10        | 20        | 25        | 30         |
|               | Sales      | Total (unit)                       | 6.750.000 | 7.700.000 | 8.400.000 | 9.000.000  |
|               | Export     | Total (unit)                       | 750.000   | 1.100.000 | 1.400.000 | 1.750.000  |

Source: Ministry of Industry

Only a small number of 4W EVs have now been released on the market. Hyundai, is one of battery electric vehicle (BEV) pioneers in Indonesia, offering models such as Hyundai Kona Electric and Hyundai Ioniq 5. Then, Wuling also just introduced Wuling Air EV, which is gaining popularity. Since GIIAS 2022 exhibition to mid-Oct 2022, it is expected to have achieved roughly 3,000 purchase orders. On the other hand, ASII as the incumbent has only entered the BEV market through its high-end product, the Lexus Ux 300e. Toyota (ASII's main brand in the domestic market with 32% market share) appears to favor Hybrid EV (HEV) at the moment. In order to complement its EV lineups, it will soon launch Toyota Innova Hybrid. We believe ASII wishes to hold off on entering the BEV market until the EV infrastructure is more ready, which may be a bit behind of its competitors.

We view that there are a number of challenges for the Indonesian EV industry to unleash its potential in the short to medium term. **First, model availability and affordability.** Currently, the number of EV models available on the market is limited with a fairly high price point. For instance, Hyundai Kona Electric and Ioniq 5 are priced between IDR 700-800mn. Meanwhile, the compact Wuling Air EV are priced from IDR 238-311mn, with different standards and ranges (mainly on battery power and mileage). Additionally, we assess that the price gap between ICE and HEV is still sizable. Lower prices should encourage more consumers to adopt EVs, one of which may be accomplished by reducing the battery component cost. Being the country with large nickel reserves, Indonesia currently pushes the development of EV battery factories that may lead to cheaper battery costs in the future. In addition, government fiscal incentives may contribute to lower EV prices.

Fig 10. Limited BEV models on the market



Source: Lexus, Nissan, Hyundai, Wuling

**Second, extensive EV infrastructure.** The readiness of EV charging stations (SPKLU) or battery swap stations for EV-2W (SPBKLU) is important to encourage people to switch to EVs. The Ministry of Energy and Mineral Resources (ESDM) states that there are currently 332 SPKLU and 369 SPBKLU, and the addition of this EV-supporting infrastructure will be carried out in the upcoming years.

**Third, sustained policy support and incentives.** Observing several countries with strong EV uptake, government incentives, whether in the form of purchase subsidies or tax waivers, are one important factor to drive EV sales. According to International Energy Agency (IEA), government spending on EV worldwide continued to increase, even doubling to nearly USD 30bn in 2021. It is also stated that the lowest global government spending per unit EV is around USD 3,000. In Indonesia, the government has actually provided a number of incentives for EV buyers, mostly in tax waivers or reductions, such as *Pajak Penjualan Barang*

Mewah (PPnBM), Pajak Kendaraan Bermotor (PKB), and Bea Balik Nama Kendaraan Bermotor (BBNKB). Other incentives include 0% loan to value (LTV) as well as discounts for household electricity power upgrades.

For illustration, the PKB for Ioniq 5 Signature is only IDR 1.08mn per annum while for HRV, one should spend range between IDR 3.6-6.4mn per annum. We anticipate stronger fiscal incentives from the government to maintain people's interest in EVs going forward because, despite all the incentives, EV prices remain high at the moment.

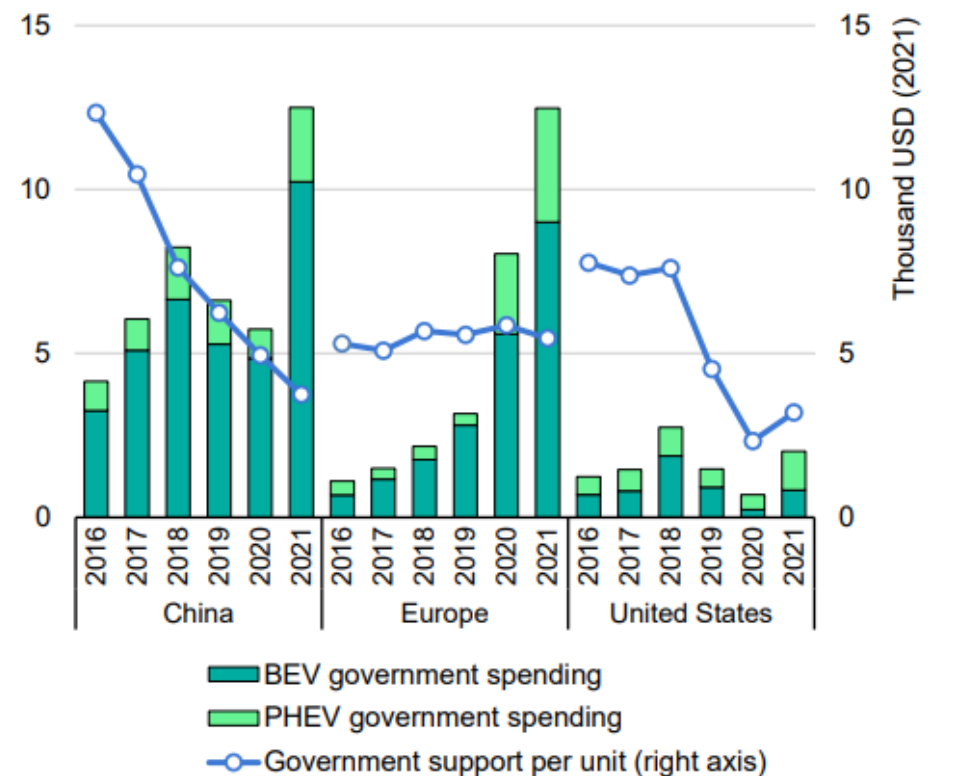
Fig 11. Current incentives for BEV

| Tax   | BEV                  | ICE          |
|-------|----------------------|--------------|
| PPNBM | 0%                   | start at 15% |
| BBNKB | 0%*                  | ~12.5%       |
| PKB   | 10% of normal tariff | ~2%          |

\*depend on province regulation (Jakarta currently has implemented 0% BBNKB for BEV)

Source: Various regulations

Fig 12. Global government spending on EV incentives



Source: International Energy Agency (IEA)



Contrary to the 4W, EV development has been strongly visible in 2W. We come across a wide range of participants, from well-known names (Volta, Gesits, Alva, etc.) to some unfamiliar brands (Rakata Motor, DAVIGO, etc.). The fact that not much expertise is required, fewer part counts in 2W EV, and the possibility to import EV parts has made the 2W segment less of a barrier to entry. Conversely, Honda, as the market leader, has not unveiled 2W EV so far.

**We think that affordability is one of the reasons why 2W EV is growing and may have a better chance of competing with conventional 2W in the near future.** The lowest pricing point for a 2W EV may start at IDR 10mn/12mn, quite similar to the conventional 2W, yet offering a better cost advantage. The mileage is one issue for 2W EVs, though. Most brands come out with ~60km mileage, which would not be sufficient for a round trip in Jabodetabek. Adding an extra battery may be an option, though may cost up to half of the 2W EV price. From this point of view, the infrastructure, such as charging stations and battery swap stations, has become crucial to support future shifts to 2W EVs. **The first mover with a strong infrastructure may have a greater chance to win the race given its non-universal battery amongst brands.**

Fig 13. Numerous participants in 2W EV



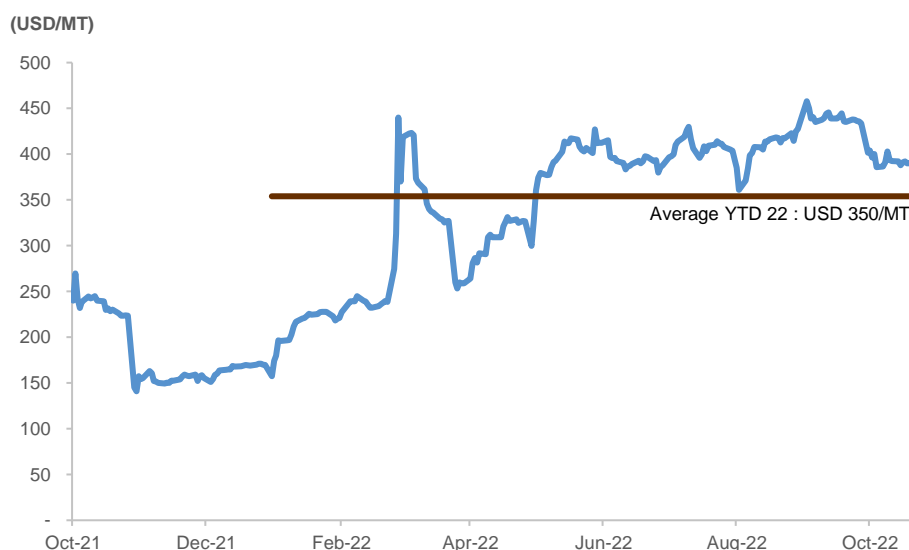
Source: Volta, United, Gesit website

To sum up, we believe that the Indonesian EV market will continue to grow, with 2W taking the lead. As numerous issues including pricing, infrastructure, and incentives may need to be resolved first to sustain growth in the future, 4W may rise at a slower rate. **Nevertheless, we believe it is critical for automakers to build a presence from the start to remain competitive in the future.** ASII itself is expected to announce its EV roadmap for Indonesia soon.

### III. Normalizing commodity-related businesses

The ongoing Russia – Ukraine war since early 2022 has led to disruption in global commodities trade flows, consequently translating to most commodity prices rallying. However, coal prices are the only key commodities for Indonesia that have not pulled back to its pre-pandemic level, which currently stands at USD 356/MT, more than double the price back at the beginning of 2022. As a result, UNTR has shown brilliant performances this year. As of 9M22, UNTR posted revenue of IDR 91.5tn (+58% YoY) and NPAT of IDR 15.9tn (+103% YoY), making it the backbone of ASII's performance this year. In the same period, UNTR contributed 41.4%/40.9% to ASII's revenue, and NPAT, overtook the automotive's at 39.6%/29.1%.

**Fig 14. Surging coal price has benefited UNTR**

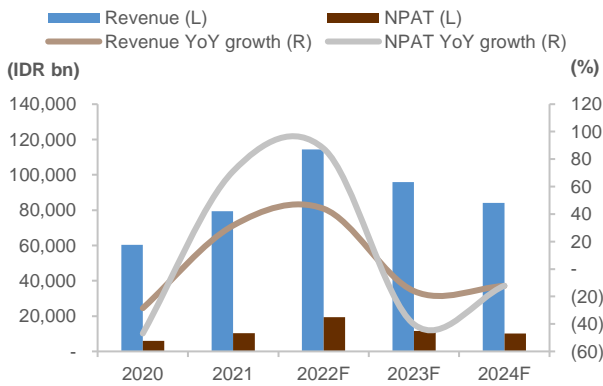


Source: Bloomberg, KISI

**However, things will be different as commodity prices return to normal in 2023.** Using our conservative average coal price FY23F at USD 150 per MT (-53.8% YoY) coupled with weaker heavy equipment sales, we foresee UNTR to book revenue/NPAT at IDR 95.9tn/12.1tn, representing a significant drop of 16.1% YoY/40.1% YoY respectively. Another weakness may come from AALI as we expect average CPO price to drop to MYR 3,500 in FY23F (-30% YoY), as a result of unexciting global demand-supply dynamics for vegetable oils. This will lead to AALI's revenue and NPAT at IDR 18.8tn/1.5tn, implying a decline of 15% YoY/+1.3% YoY respectively.

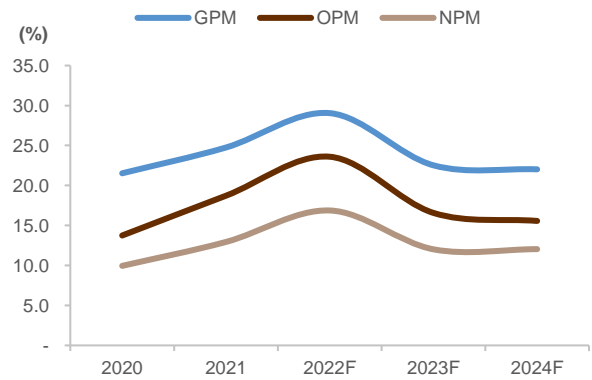
**In all, we believe all eyes will be back on ASII's automotive business next year.** As we turn cautious on the automotive outlook in 2023, we view the mediocre growth in automotive (including financial services) will not be able to offset the weakness in commodity-related segments. Consequently, we are seeing ASII's revenue and core NPAT at IDR 271.9tn/24.7tn (-4.9% YoY/-14.9% YoY). The upside risk to our projection is if global uncertainty and geopolitical risk remain unsolved, hence will lead to longer-lasting commodity prices.

Fig 15. UNTR performance



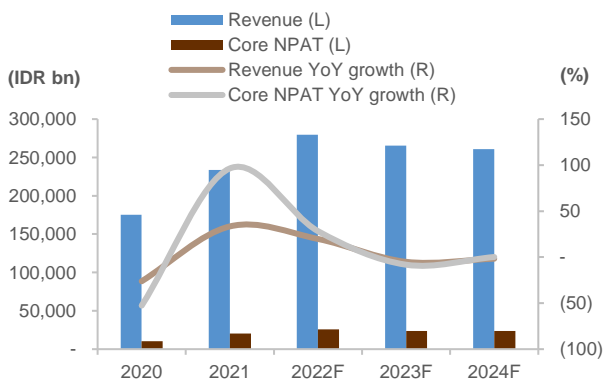
Source: Company, KISI

Fig 16. UNTR margins



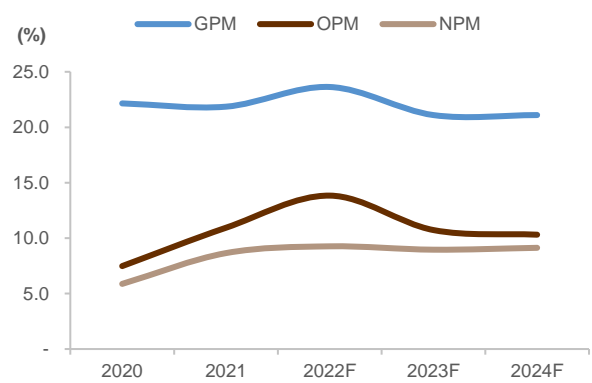
Source: Company, KISI

Fig 17. ASII performance



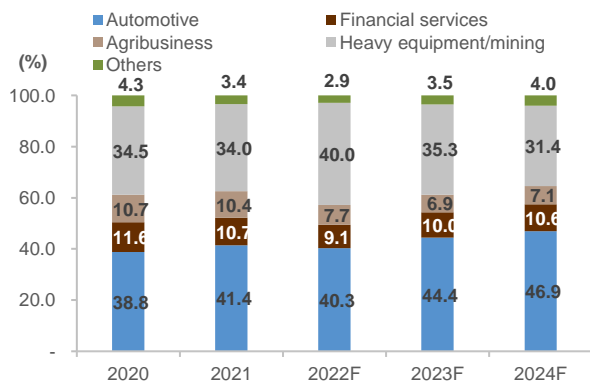
Source: Company, KISI

Fig 18. ASII margins



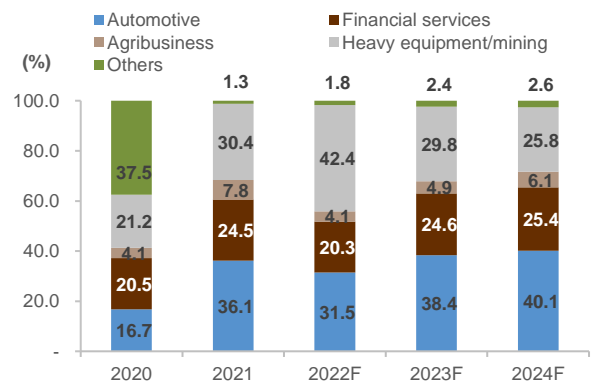
Source: Company, KISI

Fig 19. ASII's revenue contribution



Source: Company, KISI

Fig 20. ASII's NPAT contribution



Source: Company, KISI

## IV. Venturing into new businesses given abundance of net cash

Aside from optimizing its existing business portfolio, ASII has aggressively pursued inorganic expansion steps that still fit its roadmap in recent years. One of the initial investments was in PT GoTo Gojek Tokopedia Tbk (GOTO), amounting to USD 250mn back in 2018-2019. Throughout 2022, ASII has actively completed a series of corporate actions in several sectors, namely digital, healthcare, logistics & mobility, financial, renewable energy, etc. The latest M&A was a 49.5% stake acquisition of Bank Jasa Jakarta (BJJ) alongside with WeLab Sky Limited, with plans to turn BJJ into an innovative digital bank in the future. We think the idea is to diversify and build a solid business ecosystem with the goal to secure future growth. Even so, these investments may take some time to generate a material impact on ASII's performance. Concerns on these investments include: 1) valuation and 2) Accretive value to ASII.

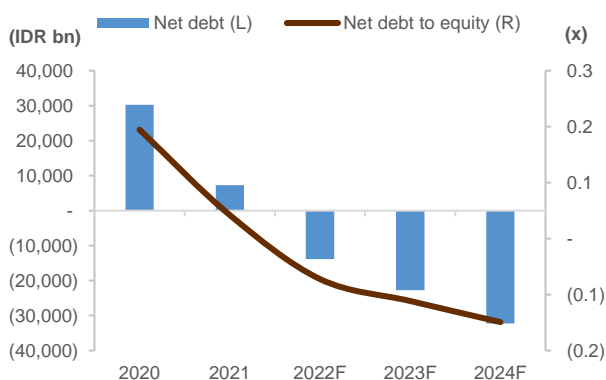
Despite its aggressive actions in exploring new businesses, ASII manages to keep its balance sheet healthy. ASII remains a net cash company with IDR 20tn cash as of 1H22, with debt to equity ratio (DER) at 0.5x. Free cash flow remains strong which will support its financial condition.

Fig 21. ASII corporate actions throughout 2022

| Time             | Corporate actions  |
|------------------|--|
| February'22      | Joint venture (JV) with LOGOS - modern logistics warehouse   |
| March - April'22 | Investment in Sayurbox (total USD 13.6mn)<br>Investment in Mapan, a digital community-based social commerce platform (total USD 5.4mn)                             |
| June'22          | Purchased a 5.4% stake in PT Medikaloka Hermina Tbk (HEAL) and currently owns 7.44% of HEAL<br>Funding Paxel, a technology-based logistics business, of USD 14.5mn |
| July'22          | 50:50 Joint venture (JV) with Toyota Motor Asia Pacific Pte Ltd - full service commercial vehicle rental   |
| August'22        | Acquired 31.49% stake in PT Arkora Hydro Tbk, engaging in hydro-based energy power generation  |
| September'22     | Completed the acquisition of Bank Jasa Jakarta (49.56% stake at IDR 3.87tn)  |

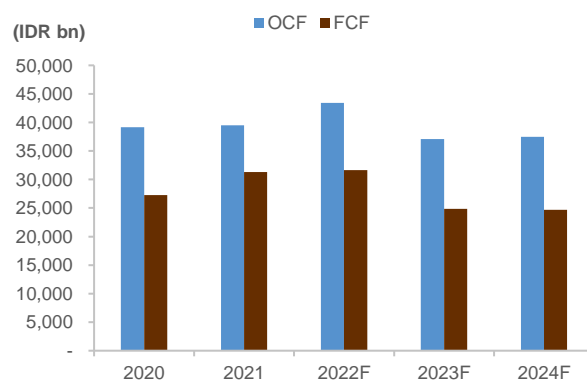
Source: Company, KISI

Fig 22. ASII balance sheet remains healthy



Source: Company, KISI

Fig 23. Solid cash flow



Source: Company, KISI

## V. Re-initiate with HOLD and TP of IDR 6,800

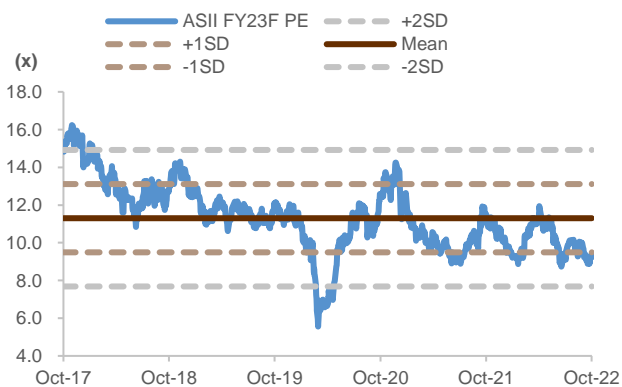
Given ASII's diversified business portfolio, we believe that the sum-of-the-parts (SOTP) valuation is the most appropriate. **Our SOTP valuation arrives at ASII's fair value of IDR 6,800/share (+3.4% upside from current price), implying 11.2x FY23F PE.** We believe our target PE is fair as we turn more cautious on automotive industry next year while expecting lower earnings from normalizing commodity-related businesses. Rising competition remains a threat to ASII's dominance in the automotive industry.

Fig 24. ASII SOTP valuation

| Division                         | Unit         | Equity value (IDR bn) | Equity value adjusted to ownership (IDR bn) |
|----------------------------------|--------------|-----------------------|---|
| Automotive (incl. equity income) | 11x PE       | 104,442               | 104,442                                     |
| Heavy equipment / mining         | DCF          | 153,692               | 91,447                                      |
| Agribusiness                     | DCF          | 15,450                | 12,314                                      |
| Financial services               | 1.5x PBV     | 61,217                | 61,217                                      |
| Information technology           | Market value | 1,210                 | 1,210                                       |
| Others                           | 10x PE       | 5,175                 | 5,175                                       |
| <b>Total</b>                     |              |                       | <b>275,804</b>                              |
| Shares                           |              |                       | 40,484                                      |
| <b>Equity value per share</b>    |              |                       | <b>6,800</b>                                |

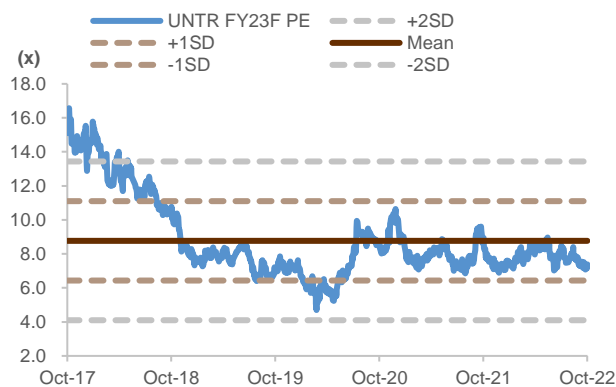
Source: KISI

Fig 25. ASII forward PE band



Source: Bloomberg, KISI

Fig 26. UNTR forward PE band



Source: Bloomberg, KISI

Fig 27. Peers comparison

| Company                      | Bloomberg<br>ticker | Market Cap<br>(US\$m) | PE (x)     |            | PB (x)     |            | EV/EBITDA (x) |            | EPS growth (%) |             | ROE (%)     |             | Dividend yield (%) |            |
|------------------------------|---------------------|-----------------------|------------|------------|------------|------------|---------------|------------|----------------|-------------|-------------|-------------|--------------------|------------|
|                              |                     |                       | FY22F      | FY23F      | FY22F      | FY23F      | FY22F         | FY23F      | FY22F          | FY23F       | FY22F       | FY23F       | FY22F              | FY23F      |
| ASTRA INTERNATIONAL TBK PT   | ASII IJ             | 17,037                | 9.3        | 9.4        | 1.4        | 1.3        | 6.2           | 6.5        | 42.0           | (10)        | 15.6        | 14.4        | 3.8                | 4.4        |
| TOYOTA MOTOR CORP            | 7203 JP             | 223,165               | 11.2       | 9.4        | 1.0        | 0.9        | 13.7          | 12.6       | (27.2)         | 19.1        | 10.9        | 10.8        | 2.7                | 3.6        |
| HONDA MOTOR CO LTD           | 7267 JP             | 41,713                | 8.4        | 6.8        | 0.5        | 0.5        | 8.5           | 7.4        | (12.5)         | 24.4        | 7.0         | 7.4         | 3.6                | 3.7        |
| NISSAN MOTOR CO LTD          | 7201 JP             | 13,570                | 9.5        | 5.6        | 0.4        | 0.4        | 1.8           | 1.4        | 62.4           | 69.7        | 5.1         | 6.1         | 1.8                | 3.9        |
| MITSUBISHI MOTORS CORP       | 7211 JP             | 5,087                 | 6.6        | 6.9        | 1.1        | 0.9        | 4.2           | 3.1        | 577.0          | (3.6)       | 16.1        | 15.0        | 0.5                | 2.0        |
| GEELY AUTOMOBILE HOLDINGS LT | 175 HK              | 11,557                | 15.6       | 10.2       | 1.2        | 1.1        | 6.3           | 4.8        | 10.4           | 52.0        | 7.1         | 11.0        | 1.9                | 3.2        |
| GUANGZHOU AUTOMOBILE GROUP-H | 2238 HK             | 13,854                | 4.5        | 4.0        | 0.5        | 0.4        | 58.7          | 14.1       | 39.6           | 12.4        | 10.9        | 11.2        | 6.3                | 6.5        |
| HYUNDAI MOTOR CO             | 005380 KS           | 24,787                | 5.1        | 4.9        | 0.5        | 0.5        | 8.7           | 8.4        | 40.4           | 2.5         | 10.3        | 9.5         | 3.3                | 3.4        |
| KIA CORP                     | 000270 KS           | 18,953                | 4.8        | 4.3        | 0.7        | 0.6        | 1.7           | 1.6        | 18.5           | 11.5        | 15.1        | 15.0        | 5.0                | 5.0        |
| <b>Simple average</b>        |                     |                       | <b>8.3</b> | <b>6.8</b> | <b>0.8</b> | <b>0.7</b> | <b>12.2</b>   | <b>6.7</b> | <b>83.4</b>    | <b>20.8</b> | <b>10.9</b> | <b>11.2</b> | <b>3.2</b>         | <b>4.0</b> |

Source: Bloomberg, KISI

## Company Overview

PT Astra International Tbk was established in 1957 in Jakarta as a general trading company. Along with its business growth and its expansion plans at that time, the company conducted an initial public offering on the Indonesia Stock Exchange in 1990.

Astra Group had expanded its business by implementing a business model based on synergies and diversification within seven business segments, consisting of: 1) Automotive, 2) Financial Services, 3) Heavy Equipment, Mining, Construction and Energy, 4) Agribusiness, 5) Infrastructure and Logistics, 6) Information Technology, and 7) Property.

Fig 27. ASII company structure



Source: Company

**Balance sheet (IDR bn)**

| FY-ending Dec.                  | 2020A          | 2021A          | 2022F          | 2023F          | 2024F          |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>Current assets</b>           |                |                |                |                |                |
| Cash & cash equivalent          | 47,553         | 63,947         | 70,299         | 69,164         | 70,194         |
| Accounts & other receivables    | 54,307         | 60,761         | 61,573         | 61,815         | 62,856         |
| Inventories                     | 17,929         | 21,815         | 24,188         | 23,668         | 23,166         |
| Others                          | 12,519         | 13,739         | 13,739         | 13,739         | 13,739         |
| <b>Non-current assets</b>       |                |                |                |                |                |
| Fixed assets                    | 59,230         | 55,349         | 56,739         | 58,262         | 59,801         |
| Other non-current assets        | 146,665        | 151,700        | 152,938        | 157,119        | 161,177        |
| <b>Total assets</b>             | <b>338,203</b> | <b>367,311</b> | <b>379,476</b> | <b>383,767</b> | <b>390,934</b> |
| <b>Current liabilities</b>      |                |                |                |                |                |
| Accounts & other payables       | 30,053         | 41,307         | 41,523         | 40,977         | 40,451         |
| ST debt & bond                  | 6,500          | 3,812          | 3,812          | 3,812          | 3,812          |
| Current portion of LT debt      | 29,760         | 34,147         | 27,701         | 25,161         | 18,785         |
| Others                          | 19,423         | 24,512         | 24,512         | 24,512         | 24,512         |
| <b>Non-current liabilities</b>  |                |                |                |                |                |
| LT debt & financial liabilities | 41,583         | 33,245         | 26,949         | 20,652         | 18,192         |
| Deferred tax liabilities        | 3,972          | 4,102          | 4,102          | 4,102          | 4,102          |
| Other non-current liabilities   | 11,458         | 10,571         | 10,571         | 10,571         | 10,571         |
| <b>Total liabilities</b>        | <b>142,749</b> | <b>151,696</b> | <b>139,170</b> | <b>129,788</b> | <b>120,425</b> |
| <b>Controlling interest</b>     |                |                |                |                |                |
| Capital stock                   | 2,024          | 2,024          | 2,024          | 2,024          | 2,024          |
| Additional paid-in capital      | 1,139          | 1,139          | 1,139          | 1,139          | 1,139          |
| Other Reserves                  | 3,431          | 5,090          | 5,090          | 5,090          | 5,090          |
| Retained earnings               | 149,068        | 163,800        | 182,868        | 194,058        | 207,238        |
| Minority interest               | 39,792         | 43,562         | 49,184         | 51,668         | 55,017         |
| <b>Shareholders' equity</b>     | <b>155,662</b> | <b>172,053</b> | <b>191,121</b> | <b>202,311</b> | <b>215,491</b> |

**Cash flow (IDR bn)**

| FY-ending Dec.            | 2020A           | 2021A           | 2022F           | 2023F           | 2024F           |
|---------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>C/F from operating</b> | <b>39,184</b>   | <b>39,502</b>   | <b>42,114</b>   | <b>37,926</b>   | <b>38,916</b>   |
| Net profit                | 16,164          | 20,196          | 29,068          | 24,724          | 25,055          |
| Depreciation              | 11,781          | 10,585          | 10,392          | 10,986          | 11,578          |
| Net incr. in W/C          | 10,363          | 4,951           | (2,969)         | (267)           | (1,066)         |
| Others                    | 876             | 3,770           | 5,622           | 2,484           | 3,349           |
| <b>C/F from investing</b> | <b>5,208</b>    | <b>(12,308)</b> | <b>(13,020)</b> | <b>(16,690)</b> | <b>(17,176)</b> |
| CAPEX                     | (8,674)         | (6,704)         | (11,782)        | (12,509)        | (13,117)        |
| Others                    | 13,882          | (5,604)         | (1,238)         | (4,181)         | (4,058)         |
| <b>C/F from financing</b> | <b>(21,169)</b> | <b>(10,800)</b> | <b>(22,742)</b> | <b>(22,371)</b> | <b>(20,711)</b> |
| Chg. in equity            | -               | -               | -               | -               | -               |
| Chg. in debts             | (12,820)        | (6,995)         | (12,742)        | (8,837)         | (8,837)         |
| Dividends                 | (7,449)         | (5,344)         | (10,476)        | (13,534)        | (11,875)        |
| Others                    | (900)           | 1,539           | 476             | -               | -               |
| <b>Increase in cash</b>   | <b>23,223</b>   | <b>16,394</b>   | <b>6,352</b>    | <b>(1,134)</b>  | <b>1,030</b>    |

**Income statement (IDR bn)**

| FY-ending Dec.                                    | 2020A          | 2021A          | 2022F          | 2023F          | 2024F          |
|---|----------------|----------------|----------------|----------------|----------------|
| <b>Sales</b>                                      | <b>175,046</b> | <b>233,485</b> | <b>285,923</b> | <b>271,939</b> | <b>267,701</b> |
| COGS  | (136,268)      | (182,452)      | (219,200)      | (215,267)      | (211,556)      |
| <b>Gross profit</b>                               | <b>38,778</b>  | <b>51,033</b>  | <b>66,722</b>  | <b>56,672</b>  | <b>56,145</b>  |
| SG&A expense                                      | (25,688)       | (25,500)       | (27,475)       | (27,594)       | (28,221)       |
| <b>Operating profit</b>                           | <b>13,090</b>  | <b>25,533</b>  | <b>39,247</b>  | <b>29,078</b>  | <b>27,924</b>  |
| Interest Income                                   | 2,342          | 2,553          | 2,678          | 2,866          | 3,050          |
| Interest expense                                  | (3,408)        | (2,288)        | (2,233)        | (1,919)        | (1,919)        |
| Others  | 6,733          | 31             | 1,088          | 1,032          | 1,819          |
| Gains (Losses) in associates, subsidiaries and JV | 3,083          | 6,464          | 7,806          | 7,696          | 7,567          |
| Earnings before tax                               | 21,741         | 32,350         | 48,650         | 38,818         | 38,508         |
| Income taxes                                      | (3,170)        | (6,764)        | (9,511)        | (7,511)        | (7,326)        |
| Net profit  | 18,571         | 25,586         | 39,138         | 31,307         | 31,181         |
| Minority interest                                 | (2,407)        | (5,390)        | (10,070)       | (6,584)        | (6,126)        |
| <b>Net profit after MI</b>                        | <b>16,164</b>  | <b>20,196</b>  | <b>29,068</b>  | <b>24,724</b>  | <b>25,055</b>  |
| Core Net profit                                   | 10,283         | 20,196         | 29,068         | 24,724         | 25,055         |

**Key financial data**

| FY-ending Dec.               | 2020A  | 2021A | 2022F    | 2023F    | 2024F    |
|------------------------------|--------|-------|----------|----------|----------|
| <b>per share data (IDR)</b>  |        |       |          |          |          |
| Core EPS                     | 254    | 499   | 718      | 611      | 619      |
| BPS                          | 3,845  | 4,250 | 4,721    | 4,997    | 5,323    |
| DPS                          | 114    | 239   | 344      | 293      | 297      |
| <b>Growth (%)</b>            |        |       |          |          |          |
| Sales growth                 | (26.2) | 33.4  | 22.5     | (4.9)    | (1.6)    |
| OP growth                    | (50.0) | 95.1  | 53.7     | (25.9)   | (4.0)    |
| Core NP growth               | (52.6) | 96.4  | 43.9     | (14.9)   | 1.3      |
| EBITDA growth                | (30.6) | 45.2  | 37.4     | (19.3)   | (1.4)    |
| <b>Profitability (%)</b>     |        |       |          |          |          |
| OP margin                    | 7.5    | 10.9  | 13.7     | 10.7     | 10.4     |
| NP margin                    | 5.9    | 8.6   | 10.2     | 9.1      | 9.4      |
| EBITDA margin                | 14.2   | 15.5  | 17.4     | 14.7     | 14.8     |
| ROA                          | 3.0    | 5.7   | 7.8      | 6.5      | 6.5      |
| ROE                          | 6.8    | 12.3  | 16.0     | 12.6     | 12.0     |
| Dividend yield               | 1.7    | 3.6   | 5.2      | 4.4      | 4.5      |
| Dividend payout ratio        | 44.9   | 47.9  | 47.9     | 47.9     | 47.9     |
| <b>Stability</b>             |        |       |          |          |          |
| Net debt (IDR bn)            | 30,290 | 7,257 | (11,837) | (19,539) | (29,405) |
| Int.-bearing debt/equity (%) | 33.3   | 29.3  | 23.4     | 19.7     | 15.9     |
| <b>Valuation (x)</b>         |        |       |          |          |          |
| PE                           | 25.9   | 13.2  | 9.2      | 10.8     | 10.6     |
| PB                           | 1.7    | 1.5   | 1.4      | 1.3      | 1.2      |
| EV/EBITDA                    | 11.9   | 7.6   | 5.1      | 6.2      | 6.0      |



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