

'23F auto sales likely to beat expectation

10 October 2023

OVERWEIGHT

(Maintain)

TOP PICK

Company	Ticker	Rec	Share	Target
			Price (IDR)	Price (IDR)
Astra	ASII	Buy	6,075	7,350

Auto sales volume recorded another solid growth figures at 10.5% mom (4W) and 12.4% mom (2W) in Aug '23. This solid result should make FY23 auto sales achievement potentially beat ours and market expectations. We also like latest data (Jul '23) from Bank Indonesia which revealed that auto loan demand appetite remains intact. We expect loan yield repricing to be limited and thus should make positive impact to both 2W and 4W volumes in the remaining months of this year. Worth noting that various catalyst such as low-down payment, continuing huge discounts, longer instalment period as well as another auto show event series in 4Q23 will serves as additional catalyst in our view. Maintain our Overweight call on the auto industry and BUY for ASII with SOTP TP of IDR7,350/share (10.9x '23F PE), while currently trades at 9.0x 2023F P/E, still below -1SD of 10-yr hist. mean of 9.7x.

Solid 4W sales volume in 8M23

Aug '23 4W sales volume of 88,876 units grew strongly by 10.5% mom, bringing the cumulative 8M23 sales to 675,287 units or 2.6% yoy and far above '23F Gaikindo's growth expectation of -4.6% yoy or around 1mn unit. Retail sales booked around 260bps higher at 13.1% to 86,361unit and 185bps better in cumulative basis of 665,254 unit. Wholesales 8M23 result was around 69.9%/67.5% of ours and Gaikindo's '23F sales or surpassing (KBVs) and in line with Gaikindo expectation by 5.2% and 2.9%, compared to the 10yr hist. run-rate of 64.6% (Covid year inc, 5yr hist run-rate at: 63.1%).

Surprising motorcycle sales achievement

Continuing recovery momentum has brought spending normalized and impacting the 2W sales volume which saw 12.4% mom growth in Aug '23 to 534,379 units and bringing cumulative sales in 8M23 reaching 4.2mn units. This figure formed around 72.9% of our '23F for motorcycle sales of 5.78 mn units. Indonesia motorcycle association (AISI) has revised up its '23F 2W sales to 5.6-5.8mn units and closer to our figure, from around 5.4-5.6mn units previously. 8M23 sales achievement was surpassing both ours and AISI by 7.9%/7.6% compared to 5yr historical run-rate of 65%.

2023 sales volume effortlessly will beat ours and association forecasts

With such solid 8M23 result, we believe both 2W and 4W sales in 2023 likely to arrive above KBVs and Gaikindo / AISI expectation. Assuming Sept '23 car sales growth of 2.1% mom (Jan-Aug '23 average), and Oct-Dec '23 using the average growth in FY19 and FY20 where Covid hit the industry and made sales volume free fall by an average of -29.4%, then FY23 4W sales will reach 1.05mn units (FY22: 1,048,040) and beating association's and KBVs '23F by 8.4%/4.8%. Likewise for motorcycle solid 8M23 sales volume, whereas using the same assumption of when Covid hammered the 2W sales by an average of -21% yoy, then FY23 motorcycles sales volume will reach 6,2mn units, grew by 19% yoy and way above ours and AISI's '23F estimation for 2W total sales.

Auto loan demand appetite remains

Aside from the strong Aug '23 sales volume achievement, worth noting that the auto loan demand appetite also recorded another solid growth. Total households were 9.16% yoy higher to IDR1,907tn, whereas auto loan which formed around 6.6% of the consumer loans grew even stronger at 16.1% yoy to IDR125.3tn. With the expectation of loan repricing adjustment likely to soften in the following quarters, we believe demand on auto loan will remain intact. We also view that as a result of stiffer competition, continuing promotions, huge discount, low down payment (as low as 0%), longer instalment period (up to 96 months, whereas historically in pre-Covid era mostly 60 months) as well as autoshow series in the remaining month of this year should translates as catalysts in 2023.

Maintain OW for Auto sector and BUY ASII with SOTP TP of IDR7,350

Ceteris paribus, we might see vehicles loan demand to resist and expecting continuing solid sales volume in the following months both for 2W and 4W. Maintain our Overweight stance on automotive sector and BUY for ASII with an SOTP TP of IDR7,350/share (10.9x '23F PE), which currently trades at 9.0x '23F P/E, below its -1SD of 10-year historical mean of 9.7x. Risks to our call includes: a) lower-than-expected 2W and 4W sales b) higher and faster than expected rising policy rate transmission c) higher inflation, slowing economic activity, d) deteriorating spending confidence.

Analyst(s)

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Exhibit 1: Indonesia automotive related peers comparison

Ticker	Closing	Target	Upside	P/E		P/B		ROE		Dividend Yield	
	Price (IDR)	Price (IDR)	Potential (%)	2023F (x)	2024F	2023F (x)	2024F	2023F (x)	2024F	2023F (x)	2024F
ASII IJ Equity	6,075	7,350	21.0	9.0	8.5	0.9	0.8	10.0	9.9	5.7	6.0
AUTO IJ Equity	2,870	3,645	27.0	8.9	8.1	1.0	1.0	12.1	12.3	3.7	4.3
DRMA IJ Equity	1,420	1,830	28.9	11.2	10.0	3.7	2.9	35.9	30.2	2.5	3.1
IMAS IJ Equity	1,625	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Average				9.7	8.9	1.9	1.6	19.3	17.5	4.0	4.5

Source: Company, Bloomberg, KB Valbury Sekuritas

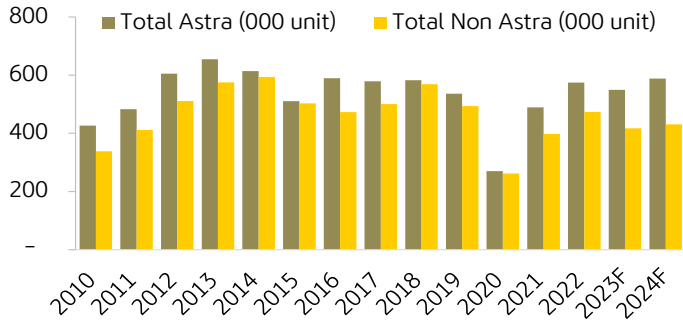
Exhibit 2: Indonesia 4W sales volume (unit)

4W 2023	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Total	8M23 YoY (%)	Aug23 YoY (%)	Jul23 MoM (%)
Astra												
Toyota and Lexus	28,996	27,390	29,642	21,818	28,528	25,074	30,148	30,385	221,981	5.5	(1.7)	0.8
Daihatsu	18,194	16,263	19,884	10,778	16,009	18,112	15,821	17,481	132,542	9.0	14.0	10.5
Izusu	3,338	2,707	2,936	2,026	2,169	2,978	2,486	2,800	21,440	(10.4)	(19.1)	12.6
UD Trucks	212	184	189	76	146	150	152	136	1,245	5.0	(15.5)	(10.5)
Peugeot	15	20	36	19	21	14	11	14	150	(56.9)	(60.0)	27.3
LCGC Astra	14,206	11,550	14,093	9,376	14,002	14,190	12,740	13,378	103,535	24.2	(0.6)	5.0
Total Astra	50,755	46,564	52,687	34,717	46,873	46,328	48,618	50,816	377,358	5.6	1.8	4.5
Total Astra incl. LCGC	64,961	58,114	66,780	44,093	60,875	60,518	61,358	64,194	480,893	9.1	1.3	4.6
M/S	53.9%	53.5%	52.1%	58.9%	57.1%	56.1%	60.5%	57.2%	55.9%	17.3%	0.1	(0.0)
Non Astra												
Honda	15,781	14,375	16,871	4,955	11,158	11,552	10,626	11,778	97,096	16.1	3.1	10.8
Suzuki	6,584	7,422	8,430	4,668	6,377	7,840	5,845	6,872	54,038	(5.1)	(14.8)	17.6
Mitsubishi	12,214	10,190	11,093	7,649	7,637	7,606	7,803	9,827	74,019	(20.1)	(28.8)	25.9
Hyundai	4,067	3,022	3,342	2,241	3,030	2,709	1,654	3,337	23,402	21.6	(41.5)	101.8
Wuling	586	1,216	3,000	1,171	2,119	1,650	1,642	1,095	12,479	(19.9)	(61.2)	(33.3)
Nissan	140	169	188	160	152	116	128	190	1,243	(29.5)	(0.5)	48.4
Others	4,080	4,022	5,591	3,350	4,758	4,780	4,110	4,961	35,652	15.1	(1.6)	20.7
LCGC Non Astra	6,495	4,716	6,598	611	2,489	4,582	4,863	5,169	35,523	32.4	52.2	6.3
Total Non Astra	43,452	40,416	48,515	24,194	35,231	36,253	31,808	38,060	297,929	(1.0)	(19.1)	19.7
Total Non Astra inc. LCGC	49,947	45,132	55,113	24,805	37,720	40,835	36,671	43,229	333,452	1.8	(14.3)	17.9
M/S	46.1%	46.5%	47.9%	41.1%	42.9%	43.9%	39.5%	42.8%	44.1%	(0.2)	(0.1)	0.0
Total LCGC Industry	20,701	16,266	20,691	9,987	16,491	18,772	17,603	18,547	139,058	26.2	10.0	5.4
Total Industry 4W	94,207	86,980	101,202	58,911	82,104	82,581	80,426	88,876	675,287	2.6	(8.3)	10.5
Total Industry inc. LCGC	114,908	103,246	121,893	68,898	98,595	101,353	98,029	107,423	814,345	6.0	(5.6)	9.6

4W 2022	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Total
Astra									
Toyota and Lexus	22,886	24,936	33,514	27,892	13,412	27,374	29,430	30,909	332,443
Daihatsu	18,319	15,036	17,465	15,617	6,981	16,925	15,935	15,339	202,665
Izusu	2,828	2,800	3,420	2,854	2,740	2,594	3,239	3,463	36,646
UD Trucks	225	219	248	89	139	69	36	161	1,993
Peugeot	50	32	65	46	46	34	40	35	451
LCGC Astra	8,728	8,806	9,182	8,953	6,442	14,045	13,741	13,465	139,845
Total Astra	44,308	43,023	54,712	46,498	23,318	46,996	48,680	49,907	574,198
Total Astra incl. LCGC	53,036	51,829	63,894	55,451	29,760	61,041	62,421	63,372	714,043
M/S	52.7%	53.1%	55.5%	56.2%	46.9%	59.6%	56.4%	51.5%	54.8%
Non Astra									
Honda	10,883	11,407	12,975	10,149	8,114	9,057	9,599	11,427	131,280
Suzuki	7,017	6,750	8,604	5,801	6,026	7,215	7,467	8,064	90,408
Mitsubishi	14,567	12,308	13,289	12,327	6,721	7,883	11,754	13,805	136,637
Hyundai	1,220	2,401	2,150	2,175	1,532	1,805	2,262	5,700	31,966
Wuling	2,501	2,008	2,500	2,201	815	1,236	1,506	2,821	29,989
Nissan	313	340	338	158	116	160	148	191	2,413
Others	3,340	2,758	3,967	3,422	3,068	4,558	4,829	5,041	51,149
LCGC Non Astra	3,389	4,114	2,523	3,723	3,195	3,702	2,790	3,397	46,804
Total Non Astra	39,841	37,972	43,823	36,233	26,392	31,914	37,565	47,049	473,842
Total Non Astra inc. LCGC	43,230	42,086	46,346	39,956	29,587	35,616	40,355	50,446	520,646
M/S	47.3%	46.9%	44.5%	43.8%	53.1%	40.4%	43.6%	48.5%	45.2%
Total LCGC Industry	12,117	12,920	11,705	12,676	9,637	17,747	16,531	16,862	186,649
Total Industry 4W	84,149	80,995	98,535	82,731	49,710	78,910	86,245	96,956	1,048,040
Total Industry inc. LCGC	96,266	93,915	110,240	95,407	59,347	96,657	102,776	113,818	1,234,689

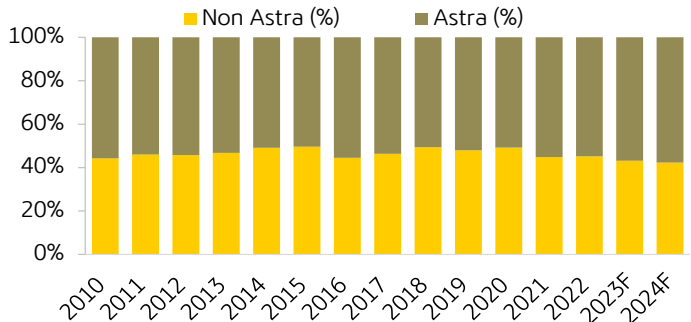
Source: Gaikindo, Company, KB Valbury Sekuritas

Exhibit 3: Astra and Non-Astra 4W sales volume (000 units)



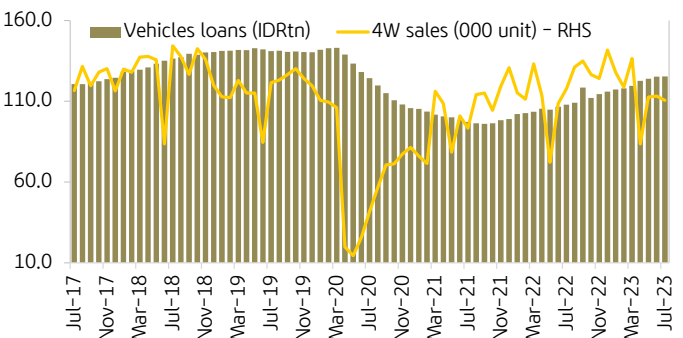
Source: ASII, KBVS Research

Exhibit 4: Astra and Non-Astra 4W market share (%)



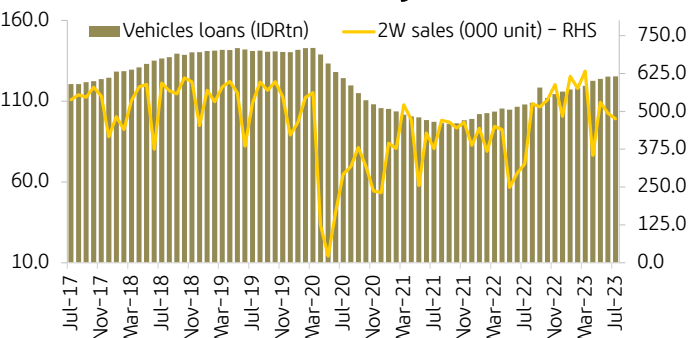
Source: ASII, KBVS Research

Exhibit 5: Vehicles loans (IDRtn) and car sales volume (000 unit)



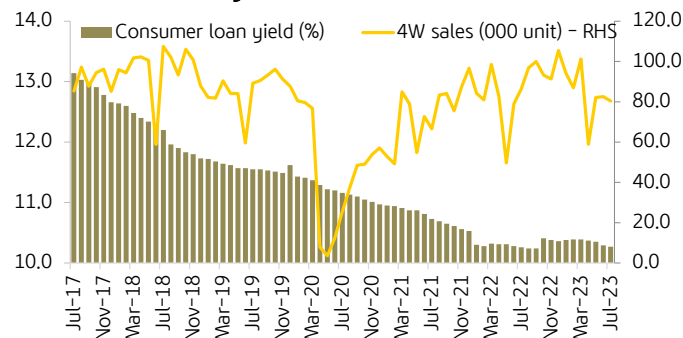
Source: Bank Indonesia, Financial Services Authority, ASII, KBVS Research

Exhibit 6: Vehicles loans (IDRtn) and motorcycle sales volume (000 unit)



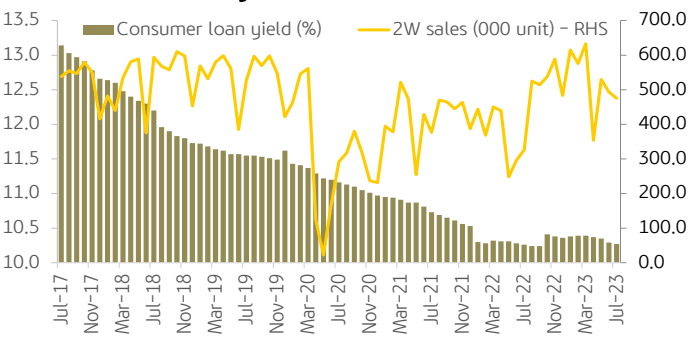
Source: Bank Indonesia, Financial Services Authority, ASII, KBVS Research

Exhibit 7: Consumer loan yield (%) and 4W sales (000 units)



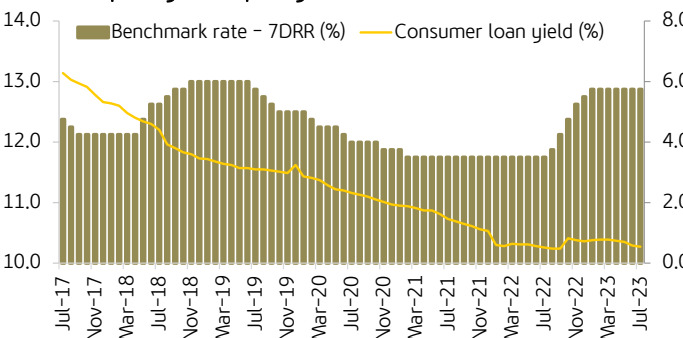
Source: Bank Indonesia, Financial Services Authority, ASII, KBVS Research

Exhibit 8: Consumer loan yield (%) and 2W sales (000 units)



Source: Bank Indonesia, Financial Services Authority, ASII, KBVS Research

Exhibit 9: Expecting loan repricing to softened



Source: Bank Indonesia, Financial Services Authority, KBVS Research

Exhibit 10: Currently traded at 9.0 '23F P/E, below -1SD 10-yr hist mean of 9.7x



Source: Company, Bloomberg, KBVS Research

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