

Astra International (ASII)

Expecting Manageable Headwind

21 November 2022



ASII IJ	BUY
Sector	Automotive
Price at 18 Nov 2022 (IDR)	6,225
Price target (IDR)	7,350
Upside/Downside (%)	18.1

Stock Information

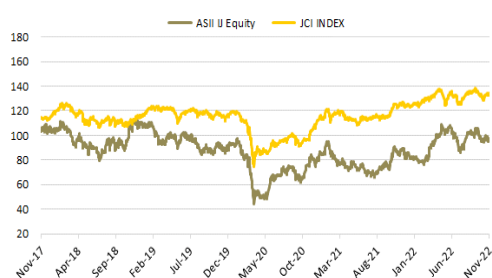
Astra International is the largest diversified conglomerate company in Indonesia focusing on 7 business segments, namely: automotive, financial services, heavy equipment & mining, agribusiness, infrastructure & logistics, IT, as well as property. The company is the leader in automotive industry for 2W and 4W, heavy equipment, as well as mining contracting.

Market cap (IDR bn)	255,010
Shares outstanding (mn)	40,484
52w range (Rp)	5,250-7,700
3M average daily vol. ('000)	41,619
3M average daily val. (Rp mn)	278,739

Shareholders (%)

Jardine Cycle & Carriage	50.1
Public	49.9

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	(4.2)	(9.7)	1.2

Analyst(s)

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ASII's earnings growth in 2022 is likely to remain solid and arrive at least within street expectations. Yet, it could slower in 2023 as we expect headwinds on Astra financial, agribusiness and Heavy Equipment and Mining Contracting (HEMCE) segments. Pressures on auto segment could arise when macro uncertainty worsen, resulting spending attitude changes which could hampered car loan demand. We adjust '22F/'23F earnings by 6.2% and 1.8% amid slower auto and agribusiness earnings expectation. However, ASII still look attractive, trading at 8.6x 2023F P/E, or below its -1SD 10-year historical mean. Maintain BUY, with a target price of IDR7,350 (10.2x 2023F P/E).

Solid 2022 4W sales to continue, yet slower in 2023

As of 10M22, 4W sales came in at 851,413 units (21.1%yoy), with Astra's sales volume at 419,696 units or 21.5%yoy higher compared to 385,566 units in 10M21 and noted higher market share to 55%. We believe 2022 auto sales will remain solid at 956,658 unit (Gaikindo projection 900K-960K). Nevertheless, we view softer tailwinds in 2023 as concern over the uncertainty still in place. In 2023 we forecast car sales at 966.753 units or 1% below Gaikindo which guiding 4W sales volume at 975.000 units. ASII should remain dominating the competition landscape next year with 55.2% of market share (549,531 units). On 2W, AISI project motorcycle sales at 5.6mn. Using the historical average market share, ASII could record 3.92mn units of 2W sales.

Pressures on financial and agribusiness segment with flattish HEMCE business

Our CPO analyst view that pressures on demand could continue on the back of fears over recession. We also project that China's demand would take time to recover in 2023. This could jeopardize CPO price to recover and sustain at 2022 level (ytd average at MYR5,200/tonne). Likewise, our coal analyst expects lower demand and price normalization which gradually take place in 2023 could derail HEMCE segment. On financial arms, lower financing demand and transmission on higher policy rate to loan yield could dragged down Astra's financial business.

Playing key role for 2023 earnings

We expect Astra auto segment become as the key driver for 2023 earnings. We believe manufacturers will likely to continue launch various new variants to win market share and thus, will resulting to a stiffer competition and make dealer and car loan provider to continue offering the best deal. Government also has extended 0% down payment policy as an incentive to support sales in 2023. Key to auto sales in 2023 would be on the transmission pace of higher policy rate to auto loan rate in our view, which historically recorded a lag around one quarter. Our 2023F divisional net income growth for auto segment was much better compared to Astra other arms (see table).

Expecting slower earnings

We revised down '22F/'23F earnings forecast by 6.2%/1.8% to accommodate with the uncertainty over global economic activity, spiking inflation and the end of low interest rate environment. Our new net profit estimation for Astra in 2022 and 2023 at IDR29.2 tn and IDR28.1 tn (see table).

Maintain BUY with lower target price of IDR7,350 (IDR8,500 previously).

We view ASII should deserve higher valuation from its current position. Despite our expectation on Astra lower earnings growth in 2023, we put our main expectation more on the minor impact of new covid variant cases escalation which have shrink ASII shares way below its fair value in 2019. Our target price of IDR7,350 is derived from SOTP. Currently ASII traded at 8.6x 2023F P/E or below its -1SD 10-year historical mean. Risks to our call: a) lower-than-expected car sales, CPO and Coal sales volume and b) higher than expected auto loan yield which will hamper demand.

Key Statistics

Year-end Dec	2020A	2021A	2022F	2023F	2024F
Revenue (Rp bn)	175,046	233,485	289,921	291,080	294,030
Operating profit (Rp bn)	12,871	25,533	40,862	39,411	37,833
Net profit (Rp bn)	16,164	20,197	29,288	28,083	30,417
EPS (Rp)	399	499	723	694	751
EPS growth (%)	(25.5)	25.0	45.0	(4.1)	8.3
ROAA (%)	4.7	5.7	7.5	6.8	7.2
ROAE (%)	8.5	9.8	12.8	11.2	11.2
PER (x)	15.6	12.5	8.6	9.0	8.3
PBV (x)	1.3	1.2	1.0	1.0	0.9
EV/EBITDA (x)	11.0	6.9	4.7	4.6	4.5
Div Yield (%)	1.8	3.8	3.4	5.0	5.2

Source: Company, KB Valbury Sekuritas

Astra International (ASII)

Forecast changes	New		Old		Difference		Consensus		Difference with new	
	FY 2022E	FY 2023E	FY 2022E	FY 2023E	FY 2022E	FY 2023E	FY 2022E	FY 2023E	FY 2022E	FY 2023E
Sales	289,921	291,080	280,400	296,112	3.40	(1.70)	279,371	286,384	3.78	1.64
Gross Profit	64,145	63,192	63,440	66,816	1.11	(5.42)	63,752	64,236	0.62	(1.62)
Operating profit	40,862	39,411	37,663	39,437	8.49	(0.07)	37,475	35,350	9.04	11.49
Net income	29,288	28,083	31,220	28,605	(6.19)	(1.83)	29,046	27,788	0.83	1.06

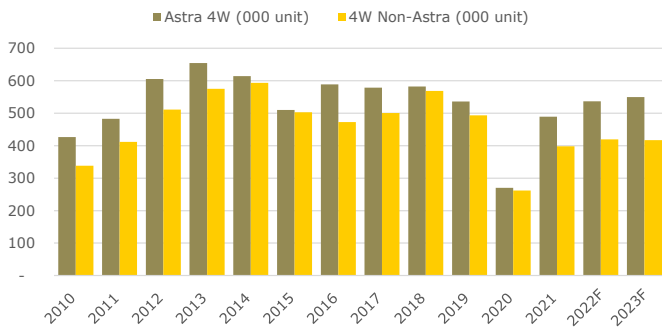
Source : Company, KB Valbury Sekuritas

Divisional revenue	2021	2022F	2023F	2024F	Divisional net income	2021	2022F	2023F	2024F
Automotive	41%	37%	39%	42%	Automotive	36%	34%	37%	50%
Financial	11%	9%	9%	9%	Financial	24%	18%	16%	16%
Machinery - HEMCE	34%	43%	43%	40%	Machinery - HE	30%	42%	41%	30%
Agriculture	10%	8%	7%	7%	Agriculture	8%	4%	4%	3%
Infra	3%	2%	2%	2%	Infra	0%	0%	0%	0%
IT	1%	1%	1%	1%	IT	0%	1%	1%	1%
Properti	0%	0%	0%	0%	Properti	1%	1%	0%	0%

Source : Company, KB Valbury Sekuritas

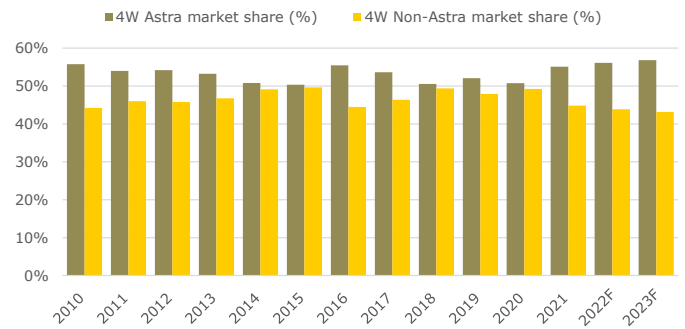
Source : Company, KB Valbury Sekuritas

Astra and Non-Astra 4W sales (000 units)



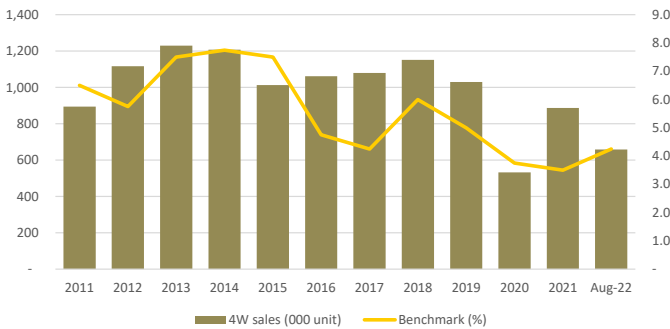
Source: Company, KB Valbury Sekuritas

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



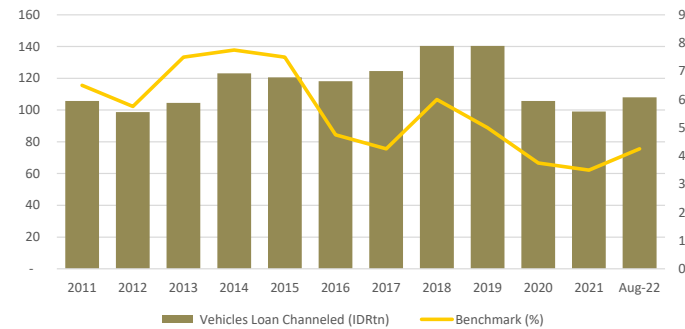
Source: Company, KB Valbury Sekuritas

4W sales (000 units and 7DRRR benchmark rate (%))



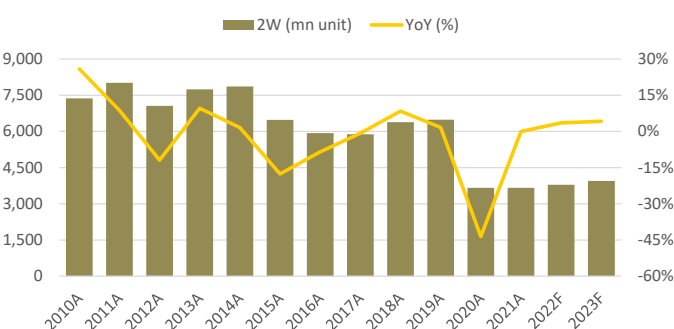
Source: Company, Bank Indonesia, KB Valbury Sekuritas

Vehicles loan (IDRtn) and 7DRRR benchmark rate (%)



Source: Company, Bank Indonesia, KB Valbury Sekuritas

2W sales (000 units)



Source: Company, KB Valbury Sekuritas

Traded at 8.5x 2023 P/E, or below its -1SD 10-year historical mean



Source: KB Valbury Sekuritas

Astra International (ASII)

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Year End Dec (IDR bn)	2020A	2021A	2022F	2023F	2024F
Revenues	175,046	233,485	289,921	291,080	294,030
Cost of revenues	136,488	182,452	225,776	227,888	233,914
Gross profit	38,557	51,033	64,145	63,192	60,116
Operating expenses	25,686	25,500	23,282	23,781	22,283
Operating profit	12,871	25,533	40,862	39,411	37,833
EBITDA	25,740	37,708	53,104	51,693	49,464
Other income/(expenses)	5,788	354	5,482	5,298	5,854
Share of results of JV & associates	3,083	6,464	4,843	4,134	4,484
Pretax profit	21,742	32,350	51,187	48,843	48,171
Tax Expenses	3,170	6,764	10,350	9,817	8,958
Minorities interest	2,408	5,389	11,548	10,943	8,796
Net profit	16,164	20,197	29,288	28,083	30,417

Source: Company, KB Valbury Sekuritas

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Year End Dec (IDR bn)	2020A	2021A	2022F	2023F	2024F
Current assets					
Cash and other investments	48,405	64,598	65,414	64,457	65,784
Receivables	49,410	56,288	66,418	67,481	68,970
Inventories	17,929	21,815	25,209	26,069	27,400
Other current assets	16,564	17,561	21,806	21,893	22,115
Total current assets	132,308	160,262	178,847	179,900	184,268
Non-current assets					
Receivables	33,239	34,114	36,791	37,735	38,923
Inventories	3,705	3,529	3,919	3,956	4,060
Prepaid taxes	3,265	2,237	3,025	3,644	3,820
Investments	55,311	61,750	73,777	74,948	75,413
Plantations	7,006	7,114	6,505	8,842	8,049
Fixed assets	59,230	55,349	68,728	74,614	74,488
Mining properties	12,960	11,925	11,908	9,045	8,549
Concessions	8,425	8,512	7,849	7,455	10,162
Other non-current assets	22,754	22,519	19,386	19,463	19,660
Total non-current assets	205,895	207,049	231,886	239,702	243,126
Total assets	338,203	367,311	410,733	419,602	427,395
Current liabilities					
Short-term debts	37,136	38,667	32,837	27,145	21,870
Payables	16,529	25,149	25,876	25,421	24,954
Other current liabilities	32,071	39,962	61,798	69,409	80,433
Total current liabilities	85,736	103,778	120,512	121,975	127,258
Non-current liabilities					
Long-term debts	42,345	33,819	29,175	21,386	14,930
Other non-current liabilities	14,668	14,099	20,406	14,997	3,165
Total non-current liabilities	57,013	47,918	49,581	36,383	18,095
Minority interests	39,792	43,562	47,484	49,214	50,075
Shareholder's Equity	195,454	215,615	240,640	261,244	282,042
Total liabilities and equity	338,203	367,311	410,733	419,602	427,394

Source: Company, KB Valbury Sekuritas

Astra International (ASII)

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year End Dec	2020A	2021A	2022F	2023F	2024F
Net profit	16,164	20,197	29,288	28,083	30,417
Depreciation & amortization	12,869	12,176	12,242	12,282	11,631
Changes in working capital	8,649	5,879	4,794	5,146	7,515
CF from operating activities	37,683	38,252	46,325	45,511	49,563
Decr. (incr.) in fixed assets	3,413	(9,822)	(19,417)	(11,371)	(4,917)
Decr. (incr.) in non-current assets	2,373	564	(1,873)	(2,949)	(3,108)
Other investing activities	7,347	5,353	1,152	1,271	1,442
CF from investing activities	13,133	(3,905)	(20,138)	(13,050)	(6,583)
Net change in gross debt	(12,820)	(6,995)	(10,474)	(13,482)	(11,730)
Dividends paid	(4,615)	(9,676)	(8,553)	(12,527)	(13,090)
Other financing activities	(10,158)	(1,282)	(5,693)	(7,409)	(16,832)
CF from financing activities	(27,593)	(17,953)	(24,720)	(33,419)	(41,653)
Net Changes in Cash	23,223	16,394	1,467	(957)	1,327
Cash at beginning of period	24,330	47,553	63,947	65,414	64,457
Cash at end of period	47,553	63,947	65,414	64,457	65,784

Source: Company, KB Valbury Sekuritas

KEY RATIO

Year End Dec	2020A	2021A	2022F	2023F	2024F
Gross profit margin (%)	22.0	21.9	22.1	21.7	20.4
Operating profit margin (%)	7.4	10.9	14.6	14.1	14.9
EBITDA margin	14.7	16.2	18.8	18.4	18.8
Net profit margin (%)	9.2	8.7	10.1	9.6	10.3
ROAE (%)	8.5	9.8	12.8	11.2	11.2
ROAA (%)	4.7	5.7	7.5	6.8	7.2
DER (x)	40.7	33.6	25.8	18.6	13.0
Net (cash) gearing (x)	16.3	4.0	-1.4	-6.1	-10.3
Interest coverage ratio (x)	3.8	11.2	12.1	10.8	40.1
PER (x)	15.8	12.6	8.7	9.1	8.4
PBV (x)	1.3	1.2	1.1	1.0	0.9
EV/EBITDA (x)	11.1	7.0	4.6	4.5	4.1
Dividend Yield (%)	1.8	3.8	3.4	4.9	5.1

Source: Company, KB Valbury Sekuritas

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