

Astra International (ASII)

Resilient Performance Could Persist

3 March 2023



ASII IJ	BUY
Sector	Automotive
Price at 2 March 2023 (IDR)	6,150
Price target (IDR)	7,350
Upside/Downside (%)	19.5

Stock Information

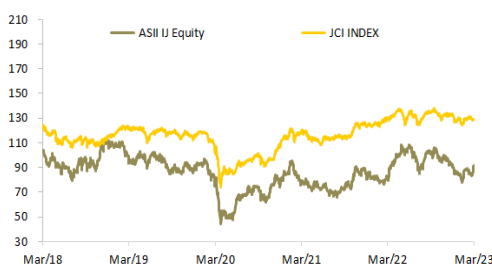
Astra International is the largest diversified conglomerate company in Indonesia focusing on 7 business segments, namely: automotive, financial services, heavy equipment & mining, agribusiness, infrastructure & logistics, IT, as well as property. The company is the leader in automotive industry for 2W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

Market cap (IDR bn)	248,974
Shares outstanding (mn)	40,484
52w range (IDR)	5,200-7,700
3M average daily vol. ('000)	47,385
3M average daily val. (IDR mn)	271,796

Shareholders (%)

Jardine Cycle & Carriage I	50.1
Public	49.9

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	(5.1)	(10.0)	(20.5)

Analyst(s)

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ASII's resilient performance is likely to persist despite a challenging macro backdrop in 2023. Normalized growth is acceptable while lingering concern over muted CPO outlook seems tolerable. Auto sector will play a vital role and is likely to contribute around 34% to Astra's earnings, while the HEMCE segment should be more defensive when commodity price softens. ASII looks appealing trading at 9.1x 2023F P/E or below its -1SD 10-year hist. mean, aside from its astonishing payout ratio of 85%. Maintain BUY, with target price of IDR7,350 (10.9x 2023F P/E).

Solid 2022 results, yet softened in 2023

Astra reporting solid FY22 earnings growth at 51% yoy, backed by recovery momentum, high commodity price and strong 4W car sales which grew by 17% yoy and healthy motorcycle 2W sales growth at 2% yoy. FY22 PATMI of IDR28.9 tn was in line with KBVs and street estimates at 99%/98%. Across the net profit segmentation, UT noted as the main driver and saw the highest growth among others at 107% yoy, while automotive grew by 33%yoy to IDR9.7 tn. This year, we expect earnings to normalize and lesser tailwinds could put more pressure to Astra earnings. Our '23F PATMI forecast for ASII of IDR27.3 tn is slightly below street estimates.

Auto segment to play important role for 2023 earnings

Aside from muted CPO outlook which could derail Astra agribusiness arms, our coal analyst viewed that UNTR is in much better position compared to other coal miners as it mining contracting and heavy equipment sales are more sensitive towards coal production volume rather than the coal price. On the flip side, we remain positive on Astra auto segment amid car loan repricing as a result of policy rate hikes. Resilient domestic economy coupled with potential unmuted car loan demand as a result of better purchasing power should overall underpinned this year growth, in our view. We expect auto earnings segment growth at 3.5% yoy and contributes around 34.3% to total earnings, while its HEMCE business at 41.1% followed by financial segment at 18.9%.

Solid FY22 4W sales, with strong Jan '23 car sales

The solid car sales growth of 18.1% yoy in FY22 should become as a solid foundation for 2023, while Jan '23 4W sales growth of 11.8% yoy is another prove of resilient demand. A slight contraction on Feb '23 car sales is acceptable, as we think strong Jan '23 is primarily supported by inventory sales discount. However, we believe that continuing promotion such as huge discount and minimal down payment that could be as low as 0% should underpin the overall growth. Our channel check even found an installment period offer up to 96 months (in pre-Covid era mostly 60 months). This year, we forecast car sales to reach 966,753 units or largely in-line with Indonesia Automotive Industry Association projection.

Holiday allowance to boost sales

Holiday allowance (Tunjangan Hari Raya-THR) is the most awaited thing by workers. The additional 1 time paid monthly salary provides more room to spend and this has historically proven underpinned 4W sales post ledul Fitri period. The pre and post month of the ledul Fitri contributes an average of around 22.4% to full year figures. Ceteris paribus, our '23F for car sales in that period (Mar-May '23F) is likely to arrives at 217,822 units and around more than 10 bps higher contribution at 22.5%. We also make simulation for longer period (1H of every year) whereas the contribution is at an average of 46.8%, while for '23F is 73 bps higher 47.5%.

Maintain BUY with target price of IDR7,350.

Our target price of IDR7,350 is derived from SOTP. Currently ASII traded at 9.1x 2023F P/E or below its -1SD 10-year historical mean which already looks undemanding despite several headwinds on its commodity-related business. Risks to our call: a) lower-than-expected car, CPO and Coal sales volume and b) higher than expected auto loan yield affecting demand.

Key Statistics

Year-end Dec	2021A	2022A	2023F	2024F	2025F
Revenue (Rp bn)	233,485	301,379	289,821	295,876	318,771
Operating profit (Rp bn)	25,533	42,201	37,283	36,296	41,775
Net profit (Rp bn)	20,196	28,944	27,333	28,873	33,326
EPS (Rp)	499	715	675	713	823
EPS growth (%)	24.9	43.3	(5.6)	5.6	15.4
ROA (%)	5.5	7.0	6.4	6.5	7.1
ROE (%)	9.4	11.9	10.0	9.9	10.7
PER (x)	12.3	8.6	9.1	8.6	7.5
PBV (x)	1.2	1.0	0.9	0.9	0.8
EV/EBITDA (x)	10.0	6.9	4.6	4.8	4.7
Div Yield (%)	3.9	5.6	5.7	6.0	5.2

Source: Company, KB Valbury Sekuritas

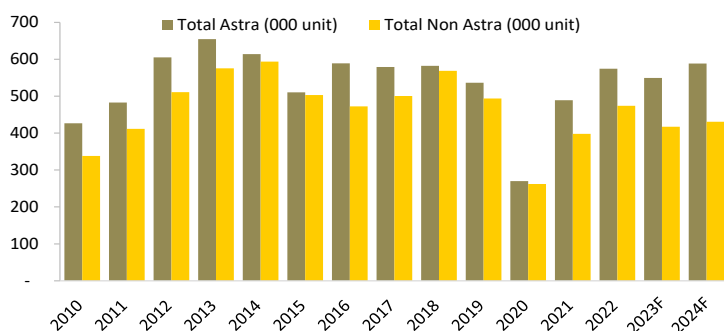
Figure 1: ASII FY22 results

ASII 12M22 Results (IDRbn)	12M21	12M22	YoY (%)	4Q21	4Q22	QoQ (%)	YoY (%)	3Q22	2022F % to '22F	Cons'	% of Cons'	
Revenue	233,485	301,379	29.1	66,083	80,025	3.0	21.1	77,662	289,921	104	286,604	105
COGS	(182,452)	(231,291)		(51,304)	(61,216)			(59,934)	(225,776)		(220,820)	
Gross Profit	51,033	70,088	37.3	14,779	18,809	6.1	27.3	17,728	64,145	109	65,784	107
Opex	(25,500)	(27,887)		(7,532)	(7,433)			(7,422)			(25,425)	
EBIT	25,533	42,201	65.3	7,247	11,376	10.4	57.0	10,306	40,862	103	40,359	105
EBITDA	39,681	56,102	41.4	11,112	14,760	(29.1)	32.8	20,823	53,104	106	58,015	97
Other income (exp.)	353	1,502		(417)	(86)			513				
FV adjustment	0	(1,544)		0	(2,625)			(2,631)				
Share of results of JV and associates	6,464	8,231		1,837	2,255			2,480				
Pretax	32,350	50,390	55.8	8,667	10,920	2.4	26.0	10,668	51,187	98	48,711	103
Net Income	20,196	28,944	43.3	5,219	5,614	8.9	7.6	5,156	29,288	99	29,390	98

Margins (%)	12M21	12M22	YoY (%)	4Q21	4Q22	QoQ (%)	YoY (%)	3Q22	2022F % to '22F	Cons'	% of Cons'
Gross Margin	21.9	23.3	1.4	22.4	23.5	0.7	1.1	22.8	22.1	23.0	
EBIT Margin	10.9	14.0	3.1	11.0	14.2	0.9	3.2	13.3	14.1	14.1	
EBITDA Margin	17.0	18.6	1.6	16.8	18.4	(8.4)	1.6	26.8	18.3	20.2	
Net Margin	8.6	9.6	1.0	7.9	7.0	0.4	(0.9)	6.6	10.1	10.3	

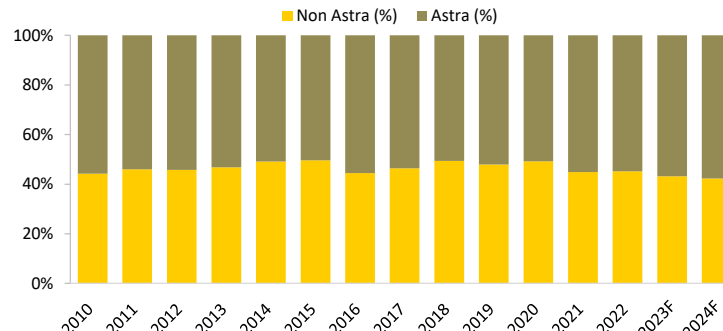
Source: Company, KB Valbury Sekuritas

Figure 2: Astra and Non-Astra 4W sales (000 units)



Source: Company, KB Valbury Sekuritas

Figure 3: Astra and Non-Astra 4W market share (%)



Source: Company, KB Valbury Sekuritas

Figure 4: ASII segmentation net income cumulative basis (%)

Net Income Segment (%)	3M21	6M21	9M21	12M21	3M22	6M22	9M22	12M22
Automotive	38.5%	37.5%	36.8%	36.1%	32.6%	29.5%	30.5%	31.7%
Financial	26.4%	24.2%	22.6%	24.5%	21.5%	20.1%	19.8%	19.8%
HEMCE	29.2%	30.4%	31.0%	30.4%	37.7%	42.8%	42.8%	41.6%
Agribusiness	3.5%	5.9%	7.8%	7.8%	5.6%	4.5%	4.4%	4.5%
Infra & log.	1.1%	1.0%	0.7%	0.3%	1.7%	2.4%	1.7%	1.7%
Inf. Tech.	0.0%	0.2%	0.2%	0.3%	0.2%	0.2%	0.2%	0.2%
Property	1.3%	0.9%	0.9%	0.6%	0.8%	0.5%	0.5%	0.4%

Source: Company, KB Valbury Sekuritas

Figure 5: ASII segmentation net income stand-alone quarter (%)

Net Income Segment (%)	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22
Automotive	38.5%	36.8%	35.9%	34.1%	32.6%	26.8%	32.3%	34.9%
Financial	26.4%	22.5%	20.3%	29.9%	21.5%	18.8%	19.4%	19.7%
HEMCE	29.2%	31.2%	32.0%	28.4%	37.7%	47.5%	42.9%	38.2%
Agribusiness	3.5%	7.6%	10.6%	7.7%	5.6%	3.4%	4.2%	4.9%
Infra & log.	1.1%	1.0%	0.1%	-0.6%	1.7%	3.1%	0.4%	1.7%
Inf. Tech.	0.0%	0.3%	0.2%	0.7%	0.2%	0.2%	0.3%	0.3%
Property	1.3%	0.7%	0.8%	-0.3%	0.8%	0.3%	0.5%	0.2%

Source: Company, KB Valbury Sekuritas

Figure 6: Pre and Post ledul Fitri contribution to FY 4W sales figure

Year	Total Pre and Post ledul Fitri (units)	% to FY	March (units)	April (units)	May (units)	June (units)	July (units)
2017	245,828	22.8%	102,335	89,624	94,085	66,389	85,354
2018	266,836	23.2%	101,813	102,258	100,520	58,842	107,474
2019	232,963	22.6%	90,368	84,056	84,109	59,600	89,254
2020	24,042	4.5%	76,811	7,868	3,551	12,623	25,283
2021	206,440	23.3%	84,915	78,908	54,812	72,720	66,639
2022	211,352	20.2%	98,535	82,731	49,710	78,911	86,244
2023	217,822	22.5%	69,598	71,320	76,904	79,611	83,219

Source: Company, various sources, KB Valbury Sekuritas

Figure 7: Traded at 9.1x 2023 P/E, or below its -1SD 10-year hist. mean



Source: Company, Bloomberg, KB Valbury Sekuritas

Astra International (ASII)

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Revenues	233,485	301,379	289,821	295,876	318,771
Cost of revenues	(182,452)	(231,291)	(224,129)	(235,388)	(251,983)
Gross profit	51,033	70,088	65,692	60,488	66,788
Operating expenses	(25,500)	(27,887)	(28,409)	(24,192)	(25,013)
Operating profit	25,533	42,201	37,283	36,296	41,775
EBITDA	37,708	53,481	48,952	47,512	52,539
Other income/(expenses)	353	1,083	3,137	1,361	4,660
Gain sales investment & FA adj.	0	(1,125)	(1,544)	(1,930)	(2,316)
Share of results of JV & associates	6,464	8,231	9,067	10,242	8,189
Pretax profit	32,349	50,390	47,943	45,968	52,308
Minorities interest	(5,389)	(11,476)	(10,506)	(8,641)	(9,183)
Net profit	20,196	28,944	27,333	28,873	33,326

Source: Company, KB Valbury Sekuritas

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Current assets					
Cash and other investments	63,947	61,295	60,360	61,020	62,957
Receivables	56,288	71,839	71,850	74,161	77,280
Inventories	21,815	32,323	33,599	35,932	37,085
Other current assets	18,212	14,361	15,259	17,058	19,971
Total current assets	160,262	179,818	181,069	188,171	197,293
Non-current assets					
Receivables	34,114	39,672	40,242	42,704	44,262
Inventories	3,529	4,303	4,409	4,630	4,957
Prepaid taxes	2,237	2,858	3,038	3,309	3,884
Investments	61,750	73,037	74,583	79,100	85,540
Plantations	7,114	7,310	6,880	6,981	7,146
Fixed assets	55,349	59,536	72,001	74,516	78,944
Mining properties	11,925	11,905	8,550	8,137	8,799
Concessions	8,512	8,774	7,541	8,004	8,401
Other non-current assets	22,519	26,084	27,982	27,945	31,701
Total non-current assets	207,049	233,479	245,227	255,327	273,632
Total assets	367,311	413,297	426,296	443,498	470,926
Current liabilities					
Short-term debts	38,667	34,669	29,206	24,146	18,237
Payables	25,149	37,644	29,637	29,526	29,628
Other current liabilities	39,962	46,885	52,419	63,900	81,595
Total current liabilities	103,778	119,198	111,262	117,572	129,459
Non-current liabilities					
Long-term debts	33,819	36,052	28,870	22,764	19,010
Other non-current liabilities	14,099	14,327	12,725	12,015	10,844
Total non-current liabilities	47,918	50,379	41,595	34,779	29,854
Minority interests	43,562	51,578	49,999	51,962	54,951
Shareholder's Equity	215,615	243,720	273,439	291,147	311,612
Total liabilities and equity	367,311	413,297	426,296	443,498	470,926

Source: Company, KB Valbury Sekuritas

Astra International (ASII)

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year End Dec	2021A	2022A	2023F	2024F	2025F
Net profit	20,196	28,944	27,333	28,873	33,326
Depreciation & amortization	12,176	11,280	11,670	11,216	10,764
Changes in working capital	4,951	(2,790)	(4,658)	4,927	10,612
Others	929	(92)	0	0	1
CF from operating activities	38,252	37,342	34,344	45,017	54,703
Decr. (incr.) in fixed assets	(9,822)	(21,977)	(4,170)	(14,710)	(22,801)
Decr. (incr.) in non-current assets	564	(10,518)	(2,754)	(2,917)	(6,215)
Other investing activities	5,600	7,905	0	0	0
CF from investing activities	(3,658)	(24,590)	(6,924)	(17,627)	(29,017)
Net change in gross debt	(6,995)	(1,765)	(12,645)	(11,166)	(9,663)
Dividends paid	(9,676)	(13,867)	(14,108)	(14,854)	(12,914)
Other financing activities	(1,529)	228	(1,602)	(709)	(1,172)
CF from financing activities	(18,200)	(15,404)	(28,355)	(26,729)	(23,749)
Net Changes in Cash	16,394	(2,652)	(935)	660	1,937
Cash at beginning of period	47,553	63,947	61,295	60,360	61,020
Cash at end of period	63,947	61,295	60,360	61,020	62,957

Source: Company, KB Valbury Sekuritas

KEY RATIO

Year End Dec	2021A	2022A	2023F	2024F	2025F
Gross profit margin (%)	21.9	23.3	22.7	20.4	21.9
Operating profit margin (%)	10.9	14.0	12.9	12.3	10.9
EBITDA margin	16.2	17.7	16.9	16.1	16.2
Net profit margin (%)	8.6	9.6	9.4	9.8	8.6
ROA (%)	5.5	7.0	6.4	6.5	5.5
ROE (%)	9.4	11.9	10.0	9.9	9.4
DER (x)	33.6	29.0	21.2	16.1	33.6
Net (cash) gearing (x)	4.0	3.9	(0.8)	(4.8)	4.0
Interest coverage ratio (x)	11.2	20.0	18.1	17.0	11.2
EV/EBITDA (x)	10.0	6.9	4.6	4.8	10.0
PER (x)	12.3	8.6	9.1	8.6	12.3
PBV (x)	1.2	1.0	0.9	0.9	1.2
Dividend Yield (%)	3.9	5.6	5.7	6.0	3.9

Source: Company, KB Valbury Sekuritas

Astra International (ASII)

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