

## Astra International (ASII)

## Riding the momentum of recovery

9 May 2022



ASII IJ	BUY
Sector	Automotive
Price at 28 April 2022 (Rp)	7,575
Price target (Rp)	8,500
Upside/Downside (%)	12.2

## Stock Information

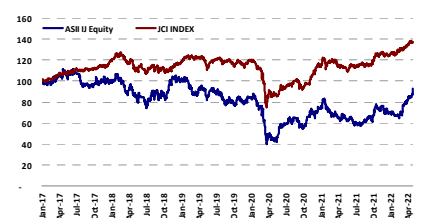
Astra International is the largest diversified conglomerate company in Indonesia focusing on 7 business segments, namely: automotive, financial services, heavy equipment & mining, agribusiness, infrastructure & logistics, IT, as well as property. The company is the leader in automotive industry for 2W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

Market cap (Rp bn)	306,663
Shares outstanding (mn)	40,484
52-week range (Rp)	7,700-4,640
3M average daily vol. ('000)	53,961
3M average daily val. (Rp mn)	332,095

## Shareholders (%)

Jardine Cycle & Carriage	50.1
Public	49.9

## Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	13.1	38.4	41.6

- ASII's 1Q22 net profit surged 84.0% YoY to Rp6.86tn, representing 30.5% of our FY forecast
- We expect domestic 4W and 2W sales of 960K units and 5.2mn units, respectively in 2022, amid increasing purchasing power, low interest rates, and tax waiver. ASII has raised selling prices amid inflationary pressures. Higher amount financed and asset quality will improve financial services, while soaring coal and CPO prices will boost HEMCE and agribusiness
- Reiterate BUY with 12.2% upside potential on a 12-month view, backed by 1) economic recovery; 2) well-accepted products; 3) strong commodity prices; 4) infrastructure development; 5) diversification; and 6) robust balance sheet

## Above expectations

ASII's net profit jumped 84.0% YoY to Rp6.86tn in 1Q22, accounting for 30.5%/28.7% of our/consensus FY estimates. The robust result was mainly driven by stellar performance of heavy equipment, mining, construction and energy (HEMCE), automotive, financial services, as well as agribusiness. Net profit of automotive rose 55.7% YoY to Rp2.23tn in 1Q22 as Astra's 4W sales increased 43.7% YoY amid luxury-goods sales tax incentives, while 2W sales declined 6% YoY. For financial services, net profit grew 49.5% YoY to Rp1.47tn in 1Q22 on the back of higher contribution from consumer finance. Furthermore, net profit of HEMCE skyrocketed 137.6% YoY to Rp2.59tn in 1Q22, boosted by Komatsu sales, mining contracting, and coal mining amid soaring coal prices. In terms of agribusiness, net profit escalated 198.4% YoY to Rp385bn in 1Q22, supported by surging average CPO price by 53% YoY to Rp14,912/kg. Moreover, net profit of infrastructure and logistics went up 181.0% YoY to Rp118bn in 1Q22 due to an improvement in toll road business.

## Signs of automotive sector revival

ASII's 4W sales rose 43.7% YoY to 142,039 units, while domestic 4W sales increased 41.1% YoY to 263,822 units in 1Q22. As a result, Astra's market share went up from 52.9% in 1Q21 to 53.8% in 1Q22. We revise up our 4W sales assumption to 960K units this year, supported by 1) economic recovery in line with eased restrictions; 2) low interest rates; and 3) extension of luxury-goods sales tax exemption. To maintain market share of over 50%, the company has launched new models that are well accepted such as Avanza, Xenia, Raize, Rocky, Voxy, and others eligible for tax incentives, as well as electric vehicles (EV). However, we see that competition will remain intense following the launches of LMPV models from other players. To anticipate inflationary pressure in raw materials, ASII has raised selling prices, while conducting cost management optimization. Astra utilizes multisourcing approach in the midst of semiconductor shortage. Meanwhile, ASII's 2W sales declined 6% YoY to 952K units, while domestic 2W sales decreased 2% YoY to 1.26mn units in 1Q22. We expect 2W sales nationwide to reach 5.2mn units this year, driven by improving purchasing power, soaring commodity prices, and support from financing companies.

## Solid non-auto segments outlook

We believe financial services to improve this year following higher amount financed in line with growing vehicle sales coupled with better asset quality. Amid potential rate hikes, Astra will manage CoF by diversifying source of funding from domestic and overseas, while maintaining prudent approach in provisioning. For HEMCE, we expect that surging coal prices will boost performance of construction machinery, mining contracting, and coal mining. Furthermore, its diversification to gold mining and infrastructure will help create a more balanced portfolio. In terms of agribusiness, we remain optimistic on its outlook due to strong CPO prices on the back of global recovery, supply constraint, rising oil prices, and biodiesel policy. With regard to infrastructure, ASII will continue investing in toll roads mainly Trans Java following improving traffics, interconnectivity, and infrastructure development. For property, Astra is expanding into warehousing business in line with lucrative outlook of e-commerce and FMCG. Meanwhile, ASII has implemented strategic initiatives, namely 1) maintaining leadership position; 2) expanding core business while accelerating digitalization by investing in startups; 3) diversifying into new segments that synergize with existing businesses and ESG-compliant. Astra is exploring new business opportunities in digital and technology, financial services, healthcare, logistics, renewable energy, as well as non-coal mining.

## Reiterate BUY on the back of economic recovery and diversification

We maintain our BUY recommendation with a higher DCF-based price target of Rp8,500 per share. The stock is currently traded at a 2022 PER of 12.4x and PBV of 1.6x. We are buoyant with ASII's outlook, driven by 1) economic recovery along with fiscal stimulus; 2) innovative and well-accepted products; 3) soaring commodity prices; 4) infrastructure acceleration; 5) continued investments in gold mining and digitalization; as well as 6) solid balance sheet to finance expansions. However, we note several downside risks to our call, namely 1) stiff competition in automotive market that may result in margin pressures; 2) risks of interest rate hikes, Rupiah depreciation, and asset quality deterioration; as well as 3) lower-than-expected coal and CPO prices.

## Key Statistics

Year end Dec	2020A	2021A	2022F	2023F	2024F
Revenue (Rp bn)	175,046	233,485	272,565	287,553	300,468
Operating profit (Rp bn)	13,090	25,533	32,507	34,784	36,770
Net profit (Rp bn)	16,164	20,196	24,667	26,516	28,202
EPS (Rp)	399	499	609	655	697
EPS growth (%)	(25.5)	24.9	22.1	7.5	6.4
ROAA (%)	4.7	5.7	6.5	6.7	6.9
ROAE (%)	10.7	12.3	13.7	13.6	13.4
PER (x)	19.0	15.2	12.4	11.6	10.9
PBV (x)	2.0	1.8	1.6	1.5	1.4
EV/EBITDA (x)	12.8	8.3	6.9	6.4	5.9
Div Yield (%)	2.4	1.7	3.2	3.5	3.7

## Analyst(s)

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## Astra International (ASII)

## ASII's Financial Overview

Consolidated Statements of Profit or Loss (Rp bn)	1Q21	1Q22	YoY Change	4Q21	1Q22	QoQ Change
<b>Net revenue</b>	<b>51,700</b>	<b>71,871</b>	<b>39.0%</b>	<b>66,083</b>	<b>71,871</b>	<b>8.8%</b>
Cost of revenue	(41,102)	(56,132)		(51,304)	(56,132)	
<b>Gross profit</b>	<b>10,598</b>	<b>15,739</b>	<b>48.5%</b>	<b>14,779</b>	<b>15,739</b>	<b>6.5%</b>
Gross profit margin	20.5%	21.9%		22.4%	21.9%	
Operating expenses	(6,072)	(6,599)		(7,532)	(6,599)	
<b>Operating profit</b>	<b>4,526</b>	<b>9,140</b>	<b>101.9%</b>	<b>7,247</b>	<b>9,140</b>	<b>26.1%</b>
Operating profit margin	8.8%	12.7%		11.0%	12.7%	
Other income/(expenses)	(25)	492		(417)	492	
Share of results of JV & associates	1,276	1,826		1,837	1,826	
<b>Profit before income tax</b>	<b>5,777</b>	<b>11,458</b>	<b>98.3%</b>	<b>8,667</b>	<b>11,458</b>	<b>32.2%</b>
Income tax expenses	(1,120)	(2,186)		(2,099)	(2,186)	
<b>Profit before minority interests</b>	<b>4,657</b>	<b>9,272</b>	<b>99.1%</b>	<b>6,568</b>	<b>9,272</b>	<b>41.2%</b>
Minority interests	(929)	(2,413)		(1,349)	(2,413)	
<b>Net profit</b>	<b>3,728</b>	<b>6,859</b>	<b>84.0%</b>	<b>5,219</b>	<b>6,859</b>	<b>31.4%</b>
Net profit margin	7.2%	9.5%		7.9%	9.5%	

Source: Company, KB Valbury Sekuritas

Divisional Net Profit (Rp bn)	1Q21	1Q22	YoY Change	4Q21	1Q22	QoQ Change
Automotive	1,434	2,233	55.7%	1,780	2,233	25.4%
Financial services	985	1,473	49.5%	1,563	1,473	(5.8%)
Heavy equipment & mining	1,088	2,585	137.6%	1,480	2,585	74.7%
Agribusiness	129	385	198.4%	400	385	(3.8%)
Infrastructure & logistics	42	118	181.0%	(29)	118	506.9%
Information technology	1	12	1,100.0%	39	12	(69.2%)
Property	49	53	8.2%	(14)	53	478.6%
<b>Total</b>	<b>3,728</b>	<b>6,859</b>	<b>84.0%</b>	<b>5,219</b>	<b>6,859</b>	<b>31.4%</b>

Source: Company, KB Valbury Sekuritas

Gross Margin Before Elimination (%)	1Q21	1Q22	YoY Change	4Q21	1Q22	QoQ Change
Automotive	11.2	11.4	0.2	10.3	11.4	1.0
Financial services	51.7	58.0	6.3	53.5	58.0	4.5
Heavy equipment & mining	19.2	25.2	5.9	28.4	25.2	(3.2)
Agribusiness	18.5	15.1	(3.4)	19.3	15.1	(4.2)
Infrastructure & logistics	34.0	32.4	(1.6)	36.5	32.4	(4.0)
Information technology	19.3	21.4	2.1	12.6	21.4	8.7
Property	50.0	36.6	(13.4)	37.0	36.6	(0.3)

Source: Company, KB Valbury Sekuritas

# Astra International (ASII)

## FINANCIAL TABLES

### CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Year End Dec (Rp bn)	2020A	2021A	2022F	2023F	2024F
<b>Net revenue</b>	<b>175,046</b>	<b>233,485</b>	<b>272,565</b>	<b>287,553</b>	<b>300,468</b>
Revenue growth YoY	(26.2%)	33.4%	16.7%	5.5%	4.5%
Cost of revenue	(136,268)	(182,452)	(213,241)	(224,082)	(233,417)
<b>Gross profit</b>	<b>38,778</b>	<b>51,033</b>	<b>59,324</b>	<b>63,471</b>	<b>67,051</b>
Operating expenses	(25,688)	(25,500)	(26,817)	(28,686)	(30,281)
<b>Operating profit</b>	<b>13,090</b>	<b>25,533</b>	<b>32,507</b>	<b>34,784</b>	<b>36,770</b>
Operating profit growth YoY	(50.0%)	95.1%	27.3%	7.0%	5.7%
<b>EBITDA</b>	<b>26,488</b>	<b>37,828</b>	<b>44,563</b>	<b>47,352</b>	<b>50,054</b>
EBITDA growth YoY	(29.9%)	42.8%	17.8%	6.3%	5.7%
Other income/(expenses)	5,568	353	1,865	2,078	2,277
Share of results of JV & associates	3,083	6,464	6,981	7,330	7,697
<b>Profit before income tax</b>	<b>21,741</b>	<b>32,350</b>	<b>41,353</b>	<b>44,192</b>	<b>46,744</b>
Income tax expenses	(3,170)	(6,764)	(8,646)	(9,240)	(9,774)
<b>Profit before minority interests</b>	<b>18,571</b>	<b>25,586</b>	<b>32,706</b>	<b>34,952</b>	<b>36,970</b>
Minority interests	(2,407)	(5,390)	(8,039)	(8,436)	(8,768)
<b>Net profit</b>	<b>16,164</b>	<b>20,196</b>	<b>24,667</b>	<b>26,516</b>	<b>28,202</b>

Source: Company, KB Valbury Sekuritas

### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Year End Dec (Rp bn)	2020A	2021A	2022F	2023F	2024F
<b>Current assets</b>					
Cash and cash equivalents	47,553	63,947	65,956	63,155	61,588
Trade receivables	17,031	21,830	25,998	27,468	28,684
Financing receivables	32,379	34,458	36,991	38,876	40,857
Inventories	17,929	21,815	23,975	25,279	26,348
Other current assets	17,416	18,212	20,287	20,680	21,018
<b>Total current assets</b>	<b>132,308</b>	<b>160,262</b>	<b>173,207</b>	<b>175,458</b>	<b>178,496</b>
<b>Non-current assets</b>					
Financing receivables	30,167	31,242	32,029	33,661	35,376
Investments in JV and associates	33,483	37,794	38,196	41,252	43,315
Fixed assets	59,230	55,349	57,009	59,860	62,853
Mining properties	12,960	11,925	12,104	13,738	15,593
Other non-current assets	70,055	70,739	74,561	76,468	77,897
<b>Total non-current assets</b>	<b>205,895</b>	<b>207,049</b>	<b>213,900</b>	<b>224,979</b>	<b>235,033</b>
<b>Total assets</b>	<b>338,203</b>	<b>367,311</b>	<b>387,106</b>	<b>400,437</b>	<b>413,530</b>
<b>Current liabilities</b>					
Trade payables	16,529	25,149	28,816	30,281	31,543
Short-term debts	37,136	38,667	34,628	30,346	25,616
Other current liabilities	32,071	39,962	44,364	45,701	46,881
<b>Total current liabilities</b>	<b>85,736</b>	<b>103,778</b>	<b>107,809</b>	<b>106,328</b>	<b>104,041</b>
<b>Non-current liabilities</b>					
Long-term debts	42,345	33,819	31,647	28,103	24,188
Other non-current liabilities	14,668	14,099	14,702	15,251	15,817
<b>Total non-current liabilities</b>	<b>57,013</b>	<b>47,918</b>	<b>46,349</b>	<b>43,354</b>	<b>40,005</b>
Minority interests	39,792	43,562	46,095	47,992	49,800
<b>Shareholders' equity</b>	<b>155,662</b>	<b>172,053</b>	<b>186,853</b>	<b>202,763</b>	<b>219,684</b>
<b>Total liabilities and equity</b>	<b>338,203</b>	<b>367,311</b>	<b>387,106</b>	<b>400,437</b>	<b>413,530</b>

Source: Company, KB Valbury Sekuritas

## Astra International (ASII)

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Year End Dec (Rp bn)	2020A	2021A	2022F	2023F	2024F
Net profit	16,164	20,196	24,667	26,516	28,202
Depreciation & amortization	13,398	12,295	12,055	12,568	13,284
Changes in working capital	<u>10,363</u>	<u>4,951</u>	<u>(2,866)</u>	<u>(2,250)</u>	<u>(2,163)</u>
<b>CF from operating activities</b>	<b>39,925</b>	<b>37,442</b>	<b>33,857</b>	<b>36,833</b>	<b>39,323</b>
Investment in fixed assets	(8,674)	(6,704)	(12,040)	(13,647)	(14,329)
Investment in mining properties	(261)	(175)	(1,347)	(2,891)	(3,281)
Others	<u>12,542</u>	<u>(6,570)</u>	<u>(5,518)</u>	<u>(7,110)</u>	<u>(5,728)</u>
<b>CF from investing activities</b>	<b>3,607</b>	<b>(13,449)</b>	<b>(18,906)</b>	<b>(23,647)</b>	<b>(23,338)</b>
Debts raised/(repaid)	(12,820)	(6,995)	(6,210)	(7,827)	(8,645)
Dividends paid	(7,449)	(5,344)	(9,867)	(10,606)	(11,281)
Others	<u>(40)</u>	<u>4,740</u>	<u>3,136</u>	<u>2,446</u>	<u>2,374</u>
<b>CF from financing activities</b>	<b>(20,309)</b>	<b>(7,599)</b>	<b>(12,941)</b>	<b>(15,987)</b>	<b>(17,551)</b>
<b>Free cash flows</b>	<b>46,443</b>	<b>25,803</b>	<b>16,603</b>	<b>14,671</b>	<b>17,274</b>
<b>Net cash flows</b>	<b>23,223</b>	<b>16,394</b>	<b>2,009</b>	<b>(2,801)</b>	<b>(1,567)</b>
<b>Cash and cash equivalents, beginning</b>	<b><u>24,330</u></b>	<b><u>47,553</u></b>	<b><u>63,947</u></b>	<b><u>65,956</u></b>	<b><u>63,155</u></b>
<b>Cash and cash equivalents, ending</b>	<b>47,553</b>	<b>63,947</b>	<b>65,956</b>	<b>63,155</b>	<b>61,588</b>

Source: Company, KB Valbury Sekuritas

## RATIO ANALYSIS

Year End Dec	2020A	2021A	2022F	2023F	2024F
Gross profit margin (%)	22.2	21.9	21.8	22.1	22.3
Operating profit margin (%)	7.5	10.9	11.9	12.1	12.2
Net profit margin (%)	9.2	8.6	9.1	9.2	9.4
ROAE (%)	10.7	12.3	13.7	13.6	13.4
ROAA (%)	4.7	5.7	6.5	6.7	6.9
DER (x)	0.5	0.4	0.4	0.3	0.2
Net (cash) gearing (x)	0.2	0.0	(0.0)	(0.0)	(0.1)
Interest coverage ratio (x)	3.8	11.2	15.6	18.5	22.6
Sales/Assets (x)	0.5	0.7	0.7	0.7	0.7
Assets/Equity (x)	2.2	2.1	2.1	2.0	1.9
PER (x)	19.0	15.2	12.4	11.6	10.9
PBV (x)	2.0	1.8	1.6	1.5	1.4
EV/EBITDA (x)	12.8	8.3	6.9	6.4	5.9
Dividend Yield (%)	2.4	1.7	3.2	3.5	3.7

Source: Company, KB Valbury Sekuritas

# Astra International (ASII)

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