

## Automotive Indonesia

Moderating growth, yet opportunity remains

16 December 2022

OVERWEIGHT  
(Maintain)

## TOP PICK

Company	Ticker	Rec	Share Price (IDR)	Target Price (IDR)
Astra International	ASII	Buy	5,800	7,350

Due to the high-base effect, rising policy rate trend, and concern over global economic uncertainty, auto industry sales growth is expected to soften in 2023. However, we might see growth potentially to arrive at above 5 years pre-pandemic historical CAGR of 0.4% yoy. Key variables for the industry growth are: (1) interest rate transmission pace (2) consumer spending appetite and (3) 0% down payment, various promotion and installment gimmick from car lease provider. On this backdrop, we maintain Overweight on the auto industry with a BUY rating for ASII at SOTP-based TP of IDR7,350/share, pegged at 10.2x '23F PE (vs. current 8.6x '23F P/E, below its -1SD 10-year hist mean).

**4W sales could reached closed to pre Covid level**

This year, 4W sales is likely to arrive above KBVS and Gaikindo's expectation as in 11M22, total 4W sales grew by 19.2% yoy at 942,949 units, or already reached 98.5%/98.2% to KBV's/Gaikindo's 2022F. On monthly basis, sales inched down -2.3% mom, yet remain positive at 4.2% yoy, which helped by Honda and Daihatsu solid growths at 62.4% and 30.7% yoy, respectively. Assuming Dec '22 4W sales will reach at this year's monthly average of around 85,681 unit, 12M22 4W sales will reach 1,028,181 units, or 7.5%/7.1% surpassing KBV's/Gaikindo's 2022F and already similar with sales figure prior the Covid-19 pandemic which brought 4W sales plunged 48.4% yoy to 532,027 units in 2019.

**Flattish 2W market**

From 2W market, Nov '22 sales was at 4.73mn units and grew 1.5% yoy, much better compared to 10M22 negative growth figure of -1.3% yoy. AISI forecasts 2022 2W sales to arrive within the range of 5.1mn-5.4mn units and slightly increased to 5.4mn-5.6mn units in 2023. We expect 2022F sales at 5.098.988 units, while our 2023F numbers is around 10% below AISI's at 4.901.657 units as we think 2W consumers are more vulnerable to purchasing power and spending behavior during uncertain situation. ASII will continue to dominate 2W landscape competition with 3.48mn units in 2022F and 3.42mn units in 2023F or equal to around 68.4% and 69.9% of market shares.

**Expecting slower 4W sales in 2023**

Despite the ongoing doubt over the strong continuing economic recovery momentum, we think manufacturers will likely to continue launch various new variants to win market share. That said, we think stiffer competition will persist and make dealer as well as car loan provider to continue offering their best deal which eventually become the catalyst for sales in 2023. Gaikindo is guiding 2023F sales at 975k units or 0.85% above our conservative forecast at 966,753 units. Of the total sales, Astra will continue ruling the industry with 56.8% of market share at 549,531 units. While waiting for the 12M22 released, we still maintain our 2022F car sales unchanged, as historically showed Dec mom sales are usually lower mom. However, should any surprise arrived and Dec '22 car sales will be higher mom, we still maintain our 2023F car sales growth at 1.1% yoy.

**0% down payment has been extended**

Government has extended zero percent down payment policy to support 2023 auto demand which become a major benefit to industry growth. Nevertheless, key on demand will likely come more from purchasing power and spending confidence which we think might changes on the uncertainty concern that persist recently. Moreover, trend on the ongoing new model launched and promotion from car loan provider should become as a cushion, while transmission on rising policy rate to car loan rate which historically lagged by 3-6 months could provide the industry enough room to book stable sales in 1H23.

**Maintain our Overweight stance**

Our main concern lies more on the potential global economic uncertainty. Aside from the above concern, historically data also showed that rising policy rate does not strongly linearly correlate to a decreasing demand or suddenly impacting to lower sales within the same period. Ceteris paribus, we might see 2023 4W sales remain in a stable mood and expect to witness growth at above the 5 year pre-pandemic historical CAGR of 0.4%. Maintain our Overweight stance on the sector and BUY ASII with SOTP-based TP of IDR7,350/share (10.2x '23F PE). Risks to our call includes: a) lower-than-expected 2W and 4W sales growth b) higher and faster than expected rising policy rate transmission c) higher inflation, slowing economic activity and d) deteriorating spending confidence.

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## PEER COMPARISON

Ticker	Rec	Price	Target	Market Cap (IDR tn)	Price Earnings		Price to Book		Return on Equity		Dividend Yield	
		15-Dec -22 (IDR)	Price (IDR)		2022F (x)	2023F (x)	2022F (x)	2023F (x)	2022F (%)	2023F (%)	2022F (%)	2023F (%)
ASII	BUY	5,800	7,350	234,805	8.0	8.4	1.0	0.9	11.2	11.2	4.8	5.2
AUTO	NR	1,415	1,885	6,820	6.2	5.4	0.6	0.5	9.7	10.3	6.4	7.3
DRMA	NR	605	827	2,847	8.6	7.5	2.0	1.6	28.1	24.8	N/A	N/A
IMAS	NR	895	N/A	3,595	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Average				61,511	7.7	7.1	1.3	1.1	17.7	16.5	5.6	6.2

Source: Bloomberg, Company, KB Valbury Sekuritas

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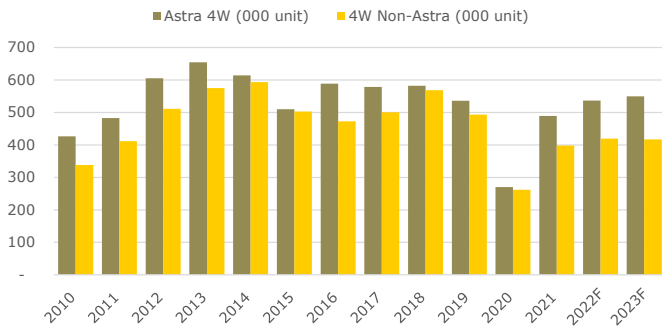
Exhibit 1: Indonesia monthly 2022 4W sales and YoY (%) growth

4W 2022	Jan'22	Feb'22	Mar'22	Apr'22	May'22	Jun'22	Jul'22	Aug'22	Sep'22	Oct'22	Nov'22	Dec'22	Total
<b>Astra</b>													
Toyota and Lexus	22,886	24,936	33,514	27,892	13,412	27,374	29,430	30,909	33,530	33,827	26,513	-	304,223
Daihatsu	18,319	15,036	17,465	15,617	6,981	16,925	15,935	15,339	18,781	17,489	20,963	-	178,850
Izusu	2,828	2,800	3,420	2,854	2,740	2,594	3,239	3,463	3,450	3,262	3,091	-	33,741
UD Trucks	225	219	248	89	139	69	36	161	221	217	214	-	1,838
Peugeot	50	32	65	46	46	34	40	35	40	31	14	-	433
LCGC Astra	8,728	8,806	9,182	8,953	6,442	14,045	13,741	13,465	13,643	13,593	14,007	-	124,605
Total Astra	44,308	43,023	54,712	46,498	23,318	46,996	48,680	49,907	56,022	54,826	50,795	-	519,085
<b>Total Astra (including LCGC)</b>	<b>53,036</b>	<b>51,829</b>	<b>63,894</b>	<b>55,451</b>	<b>29,760</b>	<b>61,041</b>	<b>62,421</b>	<b>63,372</b>	<b>69,665</b>	<b>68,419</b>	<b>64,802</b>	-	<b>643,690</b>
M/S	52.7%	53.1%	55.5%	56.2%	46.9%	59.6%	56.4%	51.5%	56.0%	58.8%	55.8%	-	55.1%
<b>Non Astra</b>													
Honda	10,883	11,407	12,975	10,149	8,114	9,057	9,599	11,427	13,374	9,962	11,691	-	118,638
Suzuki	7,017	6,750	8,604	5,801	6,026	7,215	7,467	8,064	7,651	7,663	8,160	-	80,418
Mitsubishi	14,567	12,308	13,289	12,327	6,721	7,883	11,754	13,805	9,457	9,183	10,694	-	121,988
Hyundai	1,220	2,401	2,150	2,175	1,532	1,805	2,262	5,700	5,126	3,505	2,000	-	29,876
Wuling	2,501	2,008	2,500	2,201	815	1,236	1,506	2,821	3,000	2,957	3,094	-	24,639
Nissan	313	340	338	158	116	160	148	191	137	186	162	-	2,249
Others	3,340	2,758	3,967	3,420	3,069	4,559	4,828	5,041	5,219	4,915	4,490	-	45,606
LCGC Non Astra	3,389	4,114	2,523	3,723	3,195	3,702	2,790	3,397	4,826	4,469	6,162	-	42,290
Total Non Astra	39,841	37,972	43,823	36,231	26,393	31,915	37,564	47,049	43,964	38,371	40,291	-	423,414
<b>Total Non Astra (with LCGC)</b>	<b>43,230</b>	<b>42,086</b>	<b>46,346</b>	<b>39,954</b>	<b>29,588</b>	<b>35,617</b>	<b>40,354</b>	<b>50,446</b>	<b>48,790</b>	<b>42,840</b>	<b>46,453</b>	-	<b>465,704</b>
M/S	47.3%	46.9%	44.5%	43.8%	53.1%	40.4%	43.6%	48.5%	44.0%	41.2%	44.2%	-	44.9%
Total LCGC Industry	12,117	12,920	11,705	12,676	9,637	17,747	16,531	16,862	18,469	18,062	20,169	-	166,895
Total Industry 4W	84,149	80,995	98,535	82,729	49,711	78,911	86,244	96,956	99,986	93,197	91,086	-	942,499
<b>Total Industry 4W (with LCGC)</b>	<b>96,266</b>	<b>93,915</b>	<b>110,240</b>	<b>95,405</b>	<b>59,348</b>	<b>96,658</b>	<b>102,775</b>	<b>113,818</b>	<b>118,455</b>	<b>111,259</b>	<b>111,255</b>	-	<b>1,109,394</b>
<b>4W 2022 YoY (%)</b>													
<b>Astra</b>													
Toyota and Lexus	42.6	63.6	27.1	19.2	26.5	17.0	34.8	3.1	1.7	55.2	21.0	-	15.2
Daihatsu	103.7	59.8	4.1	1.5	16.0	9.3	71.6	6.5	7.1	2.8	30.7	-	19.9
Izusu	61.0	52.8	45.0	21.1	56.4	28.6	77.4	51.6	30.3	17.4	28.0	-	40.4
UD Trucks	N/A	N/A	1,140.0	122.5	321.2	392.9	28.6	198.1	1,200.0	128.4	33.8	-	298.7
Peugeot	47.1	68.4	364.3	318.2	84.0	209.1	900.0	775.0	233.3	18.4	74.1	-	91.6
LCGC Astra	21.6	8.6	33.5	24.2	10.9	96.6	147.0	10.4	1.1	30.4	57.4	-	19.3
Total Astra	65.1	62.3	20.2	11.6	17.8	14.9	47.7	6.8	3.1	31.4	2.7	-	18.6
<b>Total Astra (including LCGC)</b>	<b>55.9</b>	<b>49.8</b>	<b>7.7</b>	<b>3.7</b>	<b>12.9</b>	<b>27.0</b>	<b>62.0</b>	<b>7.6</b>	<b>2.7</b>	<b>31.2</b>	<b>6.0</b>	-	<b>18.7</b>
M/S													
<b>Non Astra</b>													
Honda	50.5	67.5	14.3	19.8	39.1	3.1	6.3	55.7	287.3	70.0	62.4	-	45.8
Suzuki	9.6	46.7	-0.7	-28.4	12.8	-19.5	19.0	-19.5	1.8	0.5	-4.1	-	-2.0
Mitsubishi	59.9	62.7	1.5	-10.8	-33.8	-4.8	-12.6	0.6	-22.5	-29.9	-6.3	-	-3.1
Hyundai	876.0	1279.9	756.6	610.8	714.9	520.3	815.8	2367.5	1339.9	904.3	420.8	-	929.5
Wuling	209.5	276.0	6.9	-12.3	-67.6	-45.5	-26.1	84.4	30.4	7.7	3.0	-	9.1
Nissan	213.0	1600.0	297.6	125.7	2.7	-49.7	-51.5	-49.1	-73.6	-69.3	-56.9	-	-22.1
Others	44.8	-7.9	9.8	-13.4	34.0	56.7	107.7	49.3	51.6	39.2	3.9	-	30.1
LCGC Non Astra	31.1	8.7	42.1	5.8	64.3	18.2	2.6	85.1	909.6	155.8	169.6	-	46.7
Total Non Astra	52.8	67.3	11.2	2.7	0.2	0.3	11.6	28.6	47.6	13.4	14.4	-	20.0
<b>Total Non Astra (with LCGC)</b>	<b>50.8</b>	<b>58.9</b>	<b>5.9</b>	<b>3.0</b>	<b>4.2</b>	<b>1.9</b>	<b>10.9</b>	<b>31.3</b>	<b>61.2</b>	<b>20.4</b>	<b>23.9</b>	-	<b>22.1</b>
M/S													
Total LCGC Industry	24.1	8.7	35.6	19.6	24.3	72.7	99.6	20.2	32.1	48.4	80.3	-	13.9
Total Industry 4W	59.0	64.6	16.0	4.8	9.3	8.5	29.4	16.4	18.9	23.3	4.2	-	19.2
<b>Total Industry 4W (with LCGC)</b>	<b>53.6</b>	<b>53.7</b>	<b>6.9</b>	<b>0.8</b>	<b>5.1</b>	<b>16.5</b>	<b>37.2</b>	<b>16.9</b>	<b>20.8</b>	<b>26.8</b>	<b>12.8</b>	-	<b>18.4</b>

Source: Gaikindo, Company, KB Valbury Sekuritas

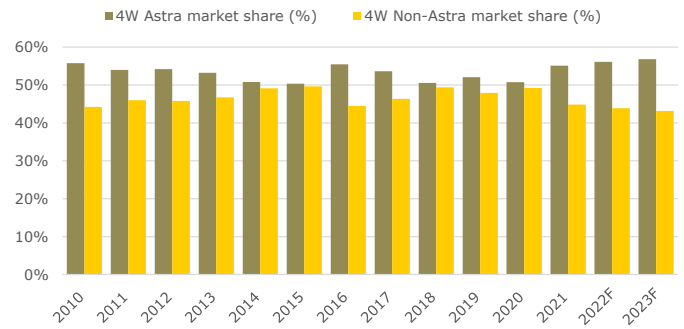
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**Exhibit 2: Astra and Non-Astra 4W sales (000 units)**



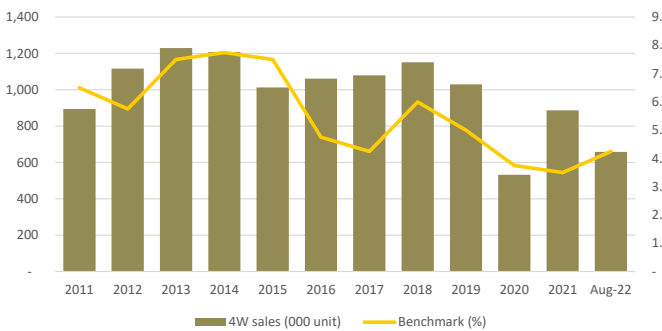
Source: Gaikindo, Company, KB Valbury Sekuritas

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



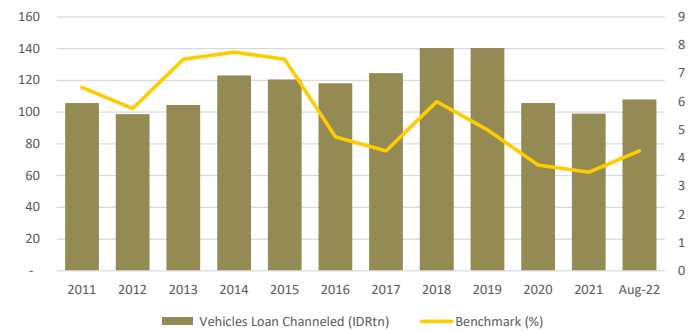
Source: Gaikindo, Company, KB Valbury Sekuritas

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



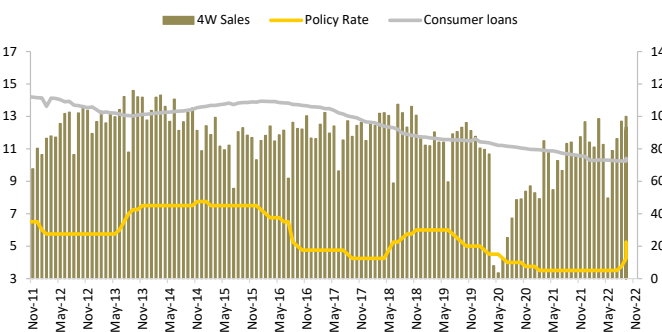
Source: Company, BI, Financial Services Authority

**Exhibit 5: Vehicles loan (IDRtn) and 7DRRR benchmark rate (%)**



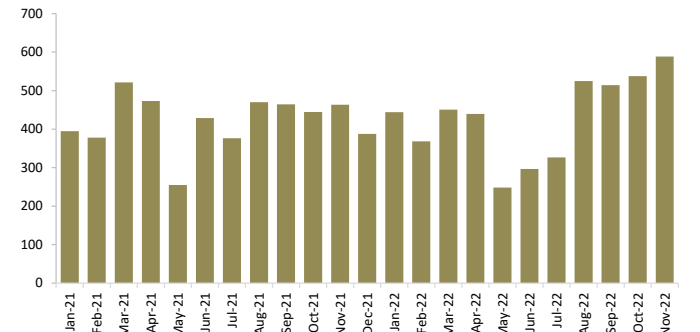
Source: Company, BI, Financial Services Authority

**Exhibit 6: Monthly figures of 4W Sales, Policy Rate and Consumer Loans**



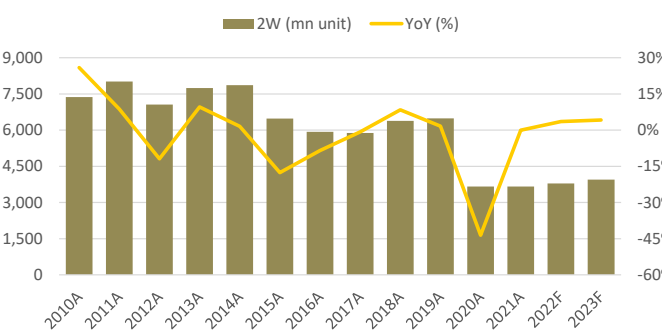
Source: Company, BI, Financial Services Authority

**Exhibit 7: 2W monthly sales Jan21-Nov22 (000 units)**



Source: AISI, BI, Financial Services Authority, KB Valbury Sekuritas

**Exhibit 8: 2W sales (000 units)**



Source: AISI, BI, Financial Services Authority, KB Valbury Sekuritas

**Exhibit 9: ASII at 8.5x 2023 P/E, below its -1SD 10-year hist mean**




Source: KB Valbury Sekuritas

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