

Growth likely to continue

2 February 2023

OVERWEIGHT (Maintain)

TOP PICK

Company	Ticker	Rec	Share Price (IDR)	Target Price (IDR)
Astra International	ASII	Buy	5,875	7,350

2022 4W and 2W sales arrived above our and auto associations forecast. Yet, we believe growth will be normalized this year. Rising policy rate transmission pace to car loan yield will become the main key. We might see growth to remain arrive at above 5year historical CAGR (0.4%yoy) prior Covid-19. Key roles for the industry growth are: (1) policy rate hikes transmission rate pace (2) consumer spending confidence amid the uncertainty condition and (3) various promotion as well as continuing best deal installment from car loan provider. Maintain OW on the automotive industry and BUY for ASII with SOTP TP IDR7,350 at 10.2x '23F PE (currently trades at 8.1x '23F P/E, below its -1SD 10-year hist mean).

2022 4W sales above our and Gaikindo forecast

Retail 4W sales at 1,013,582 unit or 17.4% yoy in 2022, while wholesales reached 1,048,040 units or grew 18.1% yoy and arrived above our and Gaikindo expectation (9.6%/9.2%). Of the total, Toyota and Daihatsu account for 31.6% and 19.3% from total sales, while Astra as a whole continue dominating the industry competition landscape with 54.8% of market share amid stiffer car manufacturers rivalry. On Dec22 stand alone, wholesales at 105,354unit (8.9% yoy) and 15.4% mom from 96,673 units.

Soften 4W growth in 2023 and flattish 2W market

We believe, high base effect, recovery momentum and the end of low interest environment are become several headwind factors. Nonetheless, various new variant launched is likely to persist as manufacturers will attempt to continue gain market share. On this backdrop, we believe competition will get stricter and dealer as well as car loan provider likely to continue offering the best deal. The association guiding 2023F sales at 975K or 0.85% above our forecast at 966,753units. We expect Astra will continue ruling the competition with 56.8% of market share at 549,531units. On 2W market, sales at 5,221,470 units or inched up 3.2%yoy. AISI '23F sales at a range of 5.4mn-5.6mn units, while our forecast is lower at 4.901.657 (ASII market share 69.9%) as we view motorcycle buyer are more exposed to purchasing power and spending appetite in the uncertainty situation.

Impact to ASII

With better-than-expected 2022 sales, we expect auto division contribution to Astra consolidated net profit will be inched up by 1.2% to 35.1% compared to our '22F of 34.0%. This year auto segment will continue to play important role and we forecast the division to contribute around 36.6% to Astra total earnings, or around 1.04% higher vs 5yr historical average. Avanza and Xenia will continue to become as the backbone, aside from Raize and Astra's LCGC variant champ which will become as additional growth support. We also view new Innova Zenix will enrich overall Astra's MPV variant.

Various promotions and huge discount remain in place

Our channel check revealed that year to date, several manufacturers continue to offer huge discount ranging from IDR 15mn to IDR 42mn. On interest rate, car loan provider in average offering around 5.18% flat p.a for 5 years credit period, while for shorter period (0.6-1 year) several auto financing offers as low as 0% interest rate. Additionally, latest data showed that blended consumer loans from commercial banks interest rate remain at below prior covid level, stood at 10.38% in Nov22, while the amount of vehicle loans grew 16.5% yoy, 2.2% qoq, amounting IDR114.5tn.

Latest catalyst to stimulate the industry mood

Effort to developing EV and its supported ecosystem has been so intense. Government plan to provide subsidy at IDR80mn and IDR40mn for EV and Hybrid basis car, while for motorcycle is being planned to get subsidy IDR8mn for new motorcycle and IDR5mn for conversion. We expect to witness the conversion and lifestyle changes to be smoother by the time price of EV car become more affordable and supporting infrastructure has been well prepared. We also noted there will be 4 huge automotive event this year, including event which dedicated only for Electric Vehicle Show.

Maintain Overweight

Ceteris paribus, we might see vehicles loan demand to remain stable and witnessing overall 4W sales growth at above 5year historical CAGR prior Covid at 0.4%. Maintain our OW stance on the sector and BUY ASII with SOTP TP 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 1-Feb -23 (IDR)	Target Price (IDR)	Market Cap (IDR tn)	Price Earnings 2023F (x)	Price Earnings 2024F (x)	Price to Book 2023F (x)	Price to Book 2024F (x)	Return on Equity 2023F (%)	Return on Equity 2024F (%)	Dividend Yield 2023F (%)	Dividend Yield 2024F (%)
ASII	BUY	6,000	7,350	242,901	8.6	8.0	0.9	0.9	11.2	12.1	5.2	5.4
AUTO	NR	1,360	1,870	6,555	5.3	4.6	0.5	0.5	10.3	11.0	7.6	8.7
DRMA	NR	585	790	2,753	6.3	5.6	1.6	1.3	26.8	24.0	N/A	N/A
IMAS	NR	900	N/A	3,595	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Average				63,951	6.7	6.1	1.0	0.9	16.1	15.7	6.4	7.1

Sector Report

Automotive Indonesia

Source: Bloomberg, Company, KB Valbury Sekuritas

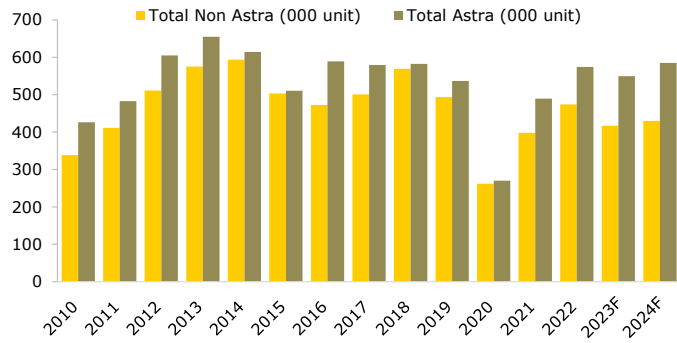
Figure 1: Indonesia monthly 2022 4W sales and YoY (%) growth

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
Astra													
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	28,220	332,443
Daihatsu	18,319	15,036	17,465	15,617	6,981	16,925	15,935	15,339	18,781	17,489	20,963	23,815	202,665
Izusu	2,828	2,800	3,420	2,854	2,740	2,594	3,239	3,463	3,450	3,262	3,091	2,905	36,646
UD Trucks	225	219	248	89	139	69	36	161	221	217	214	155	1,993
Peugeot	50	32	65	46	46	34	40	35	40	31	14	18	451
LCGC Astra	8,728	8,806	9,182	8,953	6,442	14,045	13,741	13,465	13,643	13,593	14,007	15,240	139,845
Total Astra	44,308	43,023	54,712	46,498	23,318	46,996	48,680	49,907	56,022	54,826	50,795	55,113	574,198
Total Astra (including LCGC)	53,036	51,829	63,894	55,451	29,760	61,041	62,421	63,372	69,665	68,419	64,802	70,353	714,043
M/S	52.7%	53.1%	55.5%	56.2%	46.9%	59.6%	56.4%	51.5%	56.0%	58.8%	55.7%	52.3%	54.8%
Non Astra													
Honda	10,883	11,407	12,975	10,149	8,114	9,057	9,599	11,427	13,374	9,962	11,691	12,642	131,280
Suzuki	7,017	6,750	8,604	5,801	6,026	7,215	7,467	8,064	7,651	7,663	8,160	9,990	90,408
Mitsubishi	14,567	12,308	13,289	12,327	6,721	7,883	11,754	13,805	9,457	9,183	10,694	14,649	136,637
Hyundai	1,220	2,401	2,150	2,175	1,532	1,805	2,262	5,700	5,126	3,505	2,000	2,090	31,966
Wuling	2,501	2,008	2,500	2,201	815	1,236	1,506	2,821	3,000	2,955	3,094	5,352	29,989
Nissan	313	340	338	158	116	160	148	191	137	186	162	164	2,413
Others	3,340	2,758	3,967	3,422	3,068	4,559	4,828	5,041	5,219	4,914	4,679	5,354	51,149
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	4,514	46,804
Total Non Astra	39,841	37,972	43,823	36,233	26,392	31,915	37,564	47,049	43,964	38,368	40,480	50,241	473,842
Total Non Astra (with LCGC)	43,230	42,086	46,346	39,956	29,587	35,617	40,354	50,446	48,790	42,837	46,642	54,755	520,646
M/S	47.3%	46.9%	44.5%	43.8%	53.1%	40.4%	43.6%	48.5%	44.0%	41.2%	44.3%	47.7%	45.2%
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	19,754	186,649
Total Industry 4W	84,149	80,995	98,535	82,731	49,710	78,911	86,244	96,956	99,986	93,194	91,275	105,354	1,048,040
Total Industry 4W (with LCGC)	96,266	93,915	110,240	95,407	59,347	96,658	102,775	113,818	118,455	111,256	111,444	125,108	1,234,689
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
4W 2022 YoY (%)													
Astra													
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)	(13.9)	12.0
Daihatsu	103.7	59.8	4.1	(1.5)	(16.0)	9.3	71.6	6.5	7.1	2.8	30.7	50.8	22.9
Izusu	61.0	52.8	45.0	21.1	56.4	28.6	77.4	51.6	30.3	17.4	28.0	11.3	37.6
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	(22.1)	202.0
Peugeot	47.1	68.4	364.3	318.2	84.0	209.1	900.0	775.0	233.3	(18.4)	(74.1)	(53.8)	70.2
LCGC Astra	21.6	8.6	(33.5)	(24.2)	10.9	96.6	147.0	10.4	1.1	30.4	57.4	58.8	22.6
Total Astra	65.1	62.3	20.2	11.6	(17.8)	14.9	47.7	6.8	3.1	31.4	(2.7)	7.2	17.4
Total Astra (including LCGC)	55.9	49.8	7.7	3.7	(12.9)	27.0	62.0	7.6	2.7	31.2	6.0	15.3	18.4
M/S	1.9%	-0.7%	1.9%	3.4%	-4.9%	3.3%	7.0%	-4.6%	-8.6%	3.6%	-4.1%	-0.9%	-0.4%
Non Astra													
Honda	50.5	67.5	14.3	19.8	39.1	3.1	6.3	55.7	287.3	70.0	62.4	29.5	44.1
Suzuki	9.6	46.7	(0.7)	(28.4)	12.8	(19.5)	19.0	(19.5)	1.8	0.5	(4.1)	2.2	(1.5)
Mitsubishi	59.9	62.7	1.5	(10.8)	(33.8)	(4.8)	(12.6)	0.6	(22.5)	(29.9)	(6.3)	(19.6)	(5.2)
Hyundai	876.0	1,279.9	756.6	610.8	714.9	520.3	815.8	2,367.5	1,339.9	904.3	420.8	697.7	910.3
Wuling	209.5	276.0	6.9	(12.3)	(67.6)	(45.5)	(26.1)	84.4	30.4	7.7	3.0	79.8	17.3
Nissan	213.0	1,600.0	297.6	125.7	2.7	(49.7)	(51.5)	(49.1)	(73.6)	(69.3)	(56.9)	(43.6)	(24.0)
Others	44.8	(7.9)	9.8	(13.4)	34.0	56.7	107.7	49.3	51.6	39.1	8.3	34.3	31.0
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	23.1	44.1
Total Non Astra	52.8	67.3	11.2	(2.7)	(0.2)	0.3	11.6	28.6	47.6	13.4	15.0	11.0	19.1
Total Non Astra (with LCGC)	50.8	58.9	5.9	(3.0)	4.2	1.9	10.9	31.3	61.2	20.4	24.4	11.9	20.9
M/S	-1.9%	0.7%	-1.9%	-3.4%	4.9%	-3.3%	-7.0%	4.6%	8.6%	-3.6%	4.1%	0.9%	0.4%
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	49.0	27.4
Total Industry 4W	59.0	64.6	16.0	4.8	(9.3)	8.5	29.4	16.4	18.9	23.3	4.4	9.0	18.1
Total Industry 4W (with LCGC)	53.6	53.7	6.9	0.8	(5.1)	16.5	37.2	16.9	20.8	26.8	13.0	13.8	19.4

Source: Gaikindo, Company, KB Valbury Sekuritas

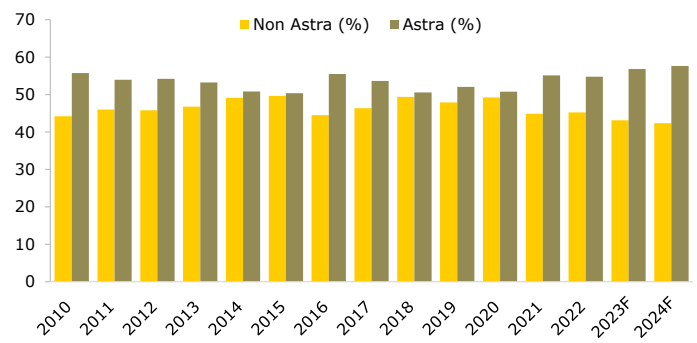
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Figure 2: Astra and Non-Astra 4W sales (000 units)



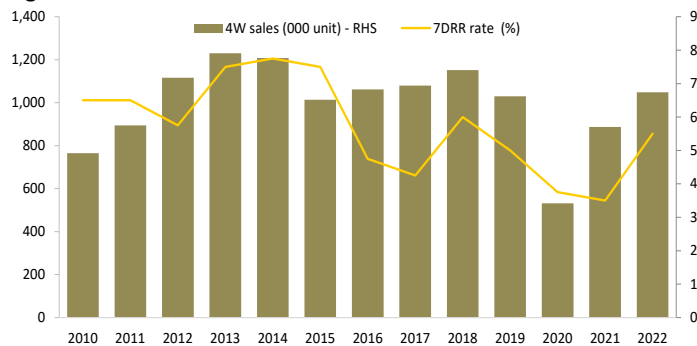
Source: Gaikindo, Company, KB Valbury Sekuritas

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



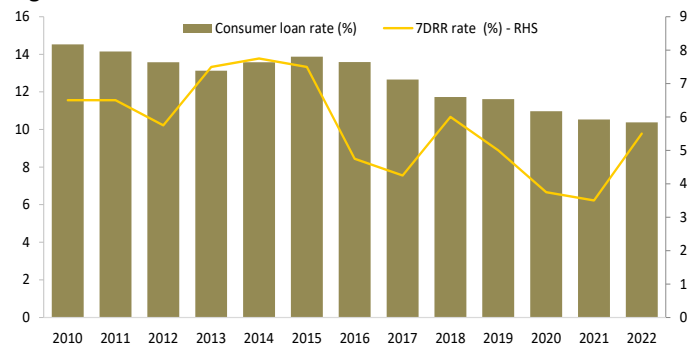
Source: Gaikindo, Company, KB Valbury Sekuritas

Figure 4: 4W sales and 7DRRR benchmark rates



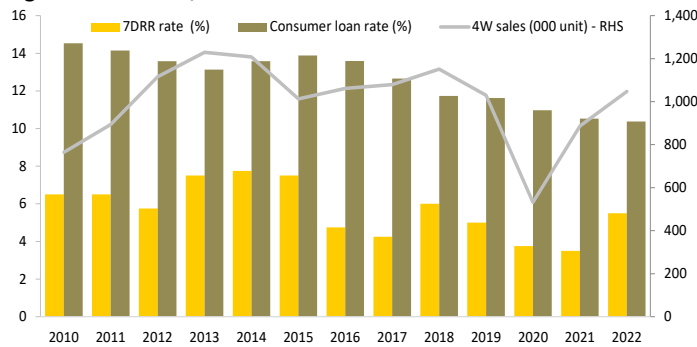
Source: Company, BI, Financial Services Authority

Figure 5: Consumer loan rate and 7DRRR benchmark rate



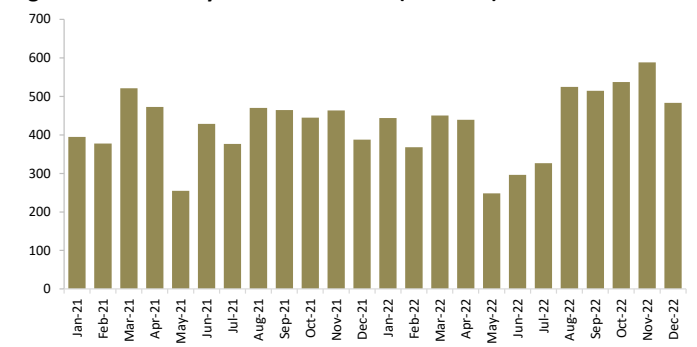
Source: Company, BI, Financial Services Authority

Figure 6: 7DRRR rate, consumer loans rate and 4W sales



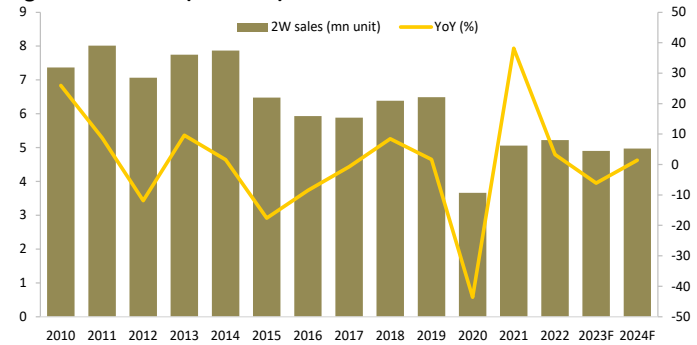
Source: Company, BI, Financial Services Authority, KB Valbury Sekuritas

Figure 7: 2W monthly sales Jan21-Dec22 (000 units)



Source: AISI, KB Valbury Sekuritas

Figure 8: 2W sales (000 units)



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

Figure 9: ASII Traded at 8.3x 2023 P/E, below its -1SD 10-yr hist. mean



Source: KB Valbury Sekuritas

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