

Astra International (ASII)

Solid based to enter 2H23

3 August 2023



ASII IJ	BUY
Sector	Automotive
Price at 2 August 2023 (IDR)	6,850
Price target (IDR)	7,350
Potential Upside/Downside (%)	7.3

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)	277,312
Shares outstanding (mn)	40,484
52w range (IDR)	5,200-7,300
3M average daily vol. ('000)	48,470
3M average daily val. (IDR mn)	320,327

Shareholders (%)

Jardine Cycle & Carriage I	50.1
Public	49.9

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	1.1	2.6	5.8

Analyst(s)

Akhmad Nurcahyadi
akhmad.nurcahyadi@kbvalbury.com

1H23 earnings beat ours and street's expectation, backed by solid growth across the business boards. We expect to see continuing solid results in the following quarters driven by better auto sales growth, continuing solid financial services demand and HEMCE solid business in 2H23. Astra 1H23 solid result has made ours and streets '23F earnings for Astra now looks more conservatives and hence we expect FY23 earnings will likely to continue arrives above KBVS and consensus expectation. Maintain BUY with SOTP target price of IDR7,350, equal to 10.9 '23F P/E (far below average mean), while currently trading at 10.1x '23F P/E or slightly above its -1SD 10-year historical mean of 9.7x.

1H23 beats ours and street expectation

ASII 1H23 revenue grew by 13% yoy to IDR 162.4tn, with core earnings stood at IDR17.3tn or 20% yoy higher and came better than anticipated vs ours and street expectation at 64%/58%. Adding the FV adjustment on ASII investment (IDR3.7tn in 1H22 and IDRO.1tn in 1H23), PATMI dropped by 4% yoy (KBVS '23F for ASII: -5.6% yoy). In all, we like 1H23 net profit achievement which mainly driven by business as usual. In another word, assuming the declining FV will persist and EBIT growth will continue to solid, FY23 earnings likely could continue arrives within our and consensus expectation. Additionally, on the scenario of the adjustment number will get higher, then '23F PATMI could arrives much higher, ceteris paribus.

Solid growth across business segment

On the segmentation basis, Astra saw solid growth across the business board with auto segment noted the highest growth of 33.3% yoy and accounted around 32.9% of total 1H23 earnings, thanks to better sales volume. HEMCE business, taking the largest chunk of Astra earnings (39.8%) and grew 11.2% yoy. Its financial arms recorded 31.8% yoy of growth underpinned by the continuing industry recovery momentum, bringing the portion to total earnings equal to 22.1%, or 200bps higher year on year. We believe '23F earnings will continue to be driven by its three major growth drivers, which will contribute around 34%, 19% and 41% for its auto, financial and HEMCE segment.

'23F PATMI at IDR27.3 tn looks more conservative

Better than anticipated 1H23 earnings results have made both of ours and cons. '23F earnings figure for ASII looks more conservative. Assuming 2H23 PATMI will arrives at the same amount, then '23A earnings will arrives far above '23F. Even assuming 2H23 earnings squeezed by 25.5% yoy (happened in FY20 PATMI, when covid strikes), '23A earnings still arrive above our '23F and will come in-line with '23F street expectation. We maintain our '23F earnings for Astra and have incorporated weakening agribusiness segment, stable HEMCE business growth and continuing auto demand as well as steady consumer demand loan appetite.

Expect continuing solid 2H23 results from 3 major growth drivers

We expect cash spending on 4W will continue backed by continuing discount and others promotion as competition among brand getting stiffer, while limited loan repricing should benefit and likely to maintain auto loan demand in 2H23. Worth noting that Jun23 auto sales at 505,985 units has reached 52.3% (Gaikindo 48.2%) of our '23F for 4W total volume sales. We believe Astra will maintain its position as market leader with '23F market shares of 54.5% (1H23 Astra commanding the landscape competition with market shares of 54.9%). On its financial arms, we believe growth on consumer financing will remain intact and likewise for its insurance business and likewise for its HEMCE segment which we expect will continue to book solid MC business, with resilient coal volume as well as benefiting from higher coal ASP. Our main concern remains lies on its agribusiness segment which we expect will continue to get pressures from lower CPO prices.

Maintain BUY with target price of IDR7,350

Our intrinsic value for ASII is IDR7,350 which derived from SOTP. Currently ASII traded at 10.1x '23F P/E or slightly above -1SD 10-year historical mean of 9.7x. Risks to our call: a) lower-than-expected 4W sales, consumer financing growth and coal sales volume, b) lower-than-expected HEMCE segment performance, and c) 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)	13.7	9.6	10.1	9.6	8.3
PBV (x)	1.3	1.1	1.0	1.0	0.9
EV/EBITDA (x)	11.1	7.6	5.1	5.4	5.3
Div Yield (%)	3.5	5.0	5.1	5.4	4.7

Source: Company, KB Valbury Sekuritas

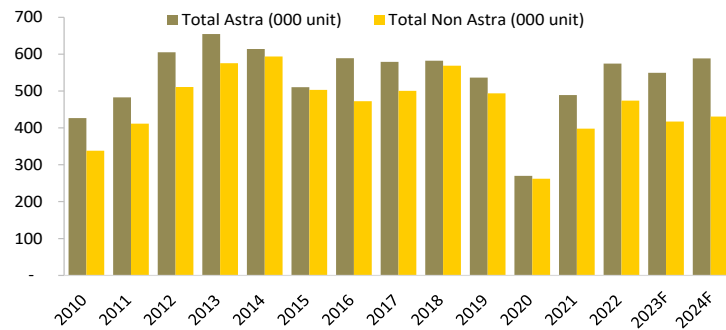
Astra International (ASII)

Figure 1: ASII 6M23 financial results

ASII 6M23 Results (IDRbn)	6M22	6M23	YoY (%)	2Q22	2Q23	YoY (%)	1Q23	QoQ (%)	KBV's '23F	% to '23F	Cons' '23F	% of Cons'
Revenue	143,692	162,393	13.0	71,821	79,413	10.6	82,980	(4.3)	289,821	56.0	305,841	53.1
COGS	(110,141)	(125,760)	14.2	(54,009)	(60,494)	12.0	(65,266)	(7.3)				
Gross Profit	33,551	36,633	9.2	17,812	18,919	6.2	17,714	6.8				
Opex	(13,032)	(13,907)	6.7	(6,433)	(6,979)	8.5	(6,928)	0.7				
EBIT	20,519	22,726	10.8	11,379	11,940	4.9	10,786	10.7	37,283	61.0	38,447	59.1
Other income (exp.)	1,075	1,277	18.8	583	492	(15.6)	785	N/A				
Gain sales inv & FV adjustment	3,712	130	N/A	3,712	13	N/A	117	N/A				
Share of results of JV and associates	3,496	4,615	32.0	1,670	2,136	27.9	2,479	(13.8)				
Pretax	28,802	28,748	(0.2)	17,344	14,581	(15.9)	14,167	2.9				
Net Income	18,174	17,449	(4.0)	11,315	8,730	(22.8)	8,719	0.1	27,333	64	30,303	58
Margin (%)												
Gross profit	23.3	22.6	(0.8)	24.8	23.8	(1.0)	21.3	2.5				
EBIT	14.3	14.0	(0.3)	15.8	15.0	(0.8)	13.0	2.0				
EBITDA	16.6	16.2	(0.4)	15.8	15.0	(0.8)	13.0	2.0				
Net profit	12.6	10.7	(1.9)	15.8	11.0	(4.8)	10.5	0.5				

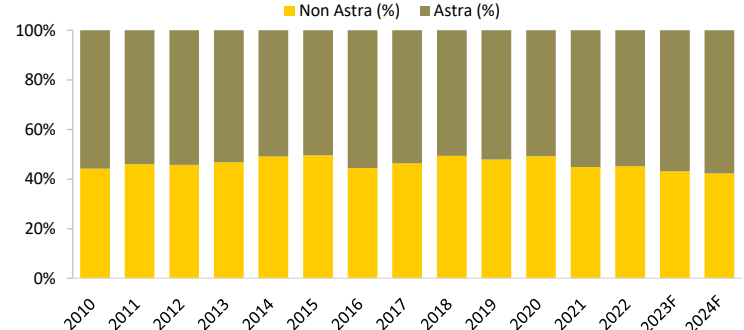
Source : Companies, KB Valbury Sekuritas

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



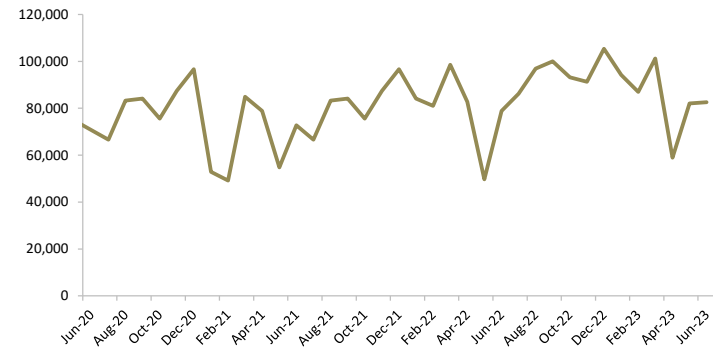
Source: Company, KB Valbury Sekuritas

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



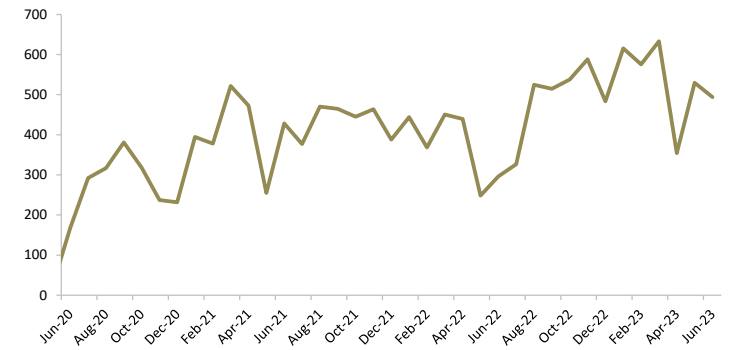
Source: Company, KB Valbury Sekuritas

Figure 4: Expecting 4W sales growth to remain intact (units)



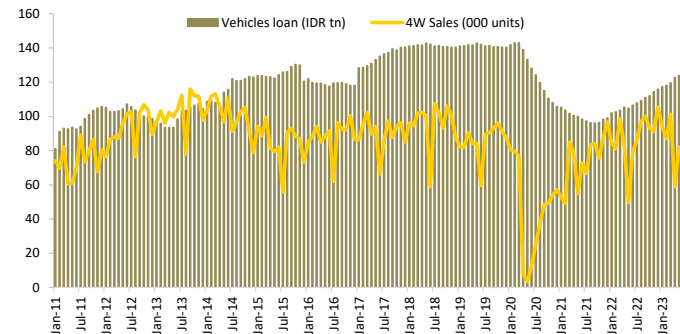
Source: Company, KB Valbury Sekuritas

Figure 5: ...likewise for 2W sales volume (units)



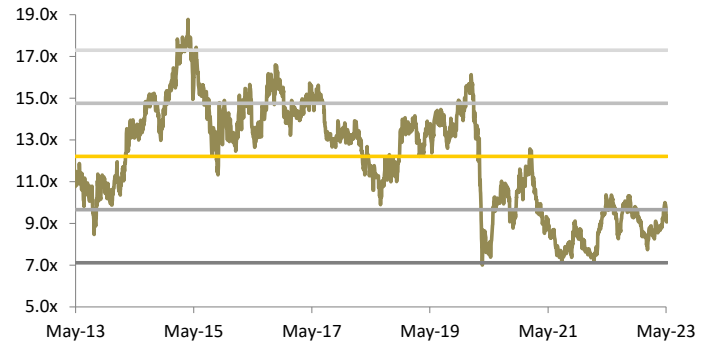
Source: Company, KB Valbury Sekuritas

Figure Vehicles loan demand (IDRtn) and car sales (000 units)



Source: Bank Indonesia, various sources, KB Valbury Sekuritas

Figure 7: Traded at 10.1x '23F P/E, slightly above -1SD 10-yr 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

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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	21.0
Operating profit margin (%)	10.9	14.0	12.9	12.3	13.1
EBITDA margin	16.2	17.7	16.9	16.1	16.5
Net profit margin (%)	8.6	9.6	9.4	9.8	10.5
ROA (%)	5.5	7.0	6.4	6.5	7.1
ROE (%)	9.4	11.9	10.0	9.9	10.7
DER (x)	33.6	29.0	21.2	16.1	12.0
Net (cash) gearing (x)	4.0	3.9	(0.8)	(4.8)	(8.3)
Interest coverage ratio (x)	11.2	20.0	18.1	17.0	20.0
EV/EBITDA (x)	11.1	7.6	5.1	5.4	5.3
PER (x)	13.7	9.6	10.1	9.6	8.3
PBV (x)	1.3	1.1	1.0	1.0	0.9
Dividend Yield (%)	3.5	5.0	5.1	5.4	4.7

Source: Company, KB Valbury Sekuritas

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KB Valbury Sekuritas

Headquarters

Menara Karya, 9th Floor
Jl. H.R. Rasuna Seld Blok X-5 Kav 1-2
Jakarta 12950, Indonesia
T +62 21 255 33 600
F +62 21 255 33 778

Branch Office

Jakarta - Kelapa Gading

Rukan Plaza Pacific
Jl. Raya Boulevard Barat Blok A1 No. 10
Jakarta 13620
T +62 21 - 29451577

Jakarta - Puri Indah

Rukan Grand Aries Niaga
Blok E.1 No. 1 V.J. Terra Aries, Kembangan,
Jakarta 14450
T +62 21 - 22542890
F +62 21 - 29264330

Jakarta - Pluit

Jl. Pluit Putra Raya No. 2
Jakarta 14240
T +62 21 - 29264300
F +62 21 - 22542391

Bandung

Jl. HOS Cotoreminoto No. 82
Bandung 40173
T +62 22 - 87258888
T +62 22 - 87258800
F +62 22 - 87258831

Semarang

Cardi Plaza Building Lt. Dasar
Jl. Sultan Agung No. 90-90A
Semarang 50252
T +62 24 - 8523888
T +62 24 - 8503122
F +62 24 - 8507450

Yogyakarta

Jl. Magelang KM 5.5 no. 75
Yogyakarta 55284
T +62 274 - 4469500
T +62 274 - 6251111
F +62 274 - 628222

Galeri Investasi

Padang

Jl. Kampung Nias II no. 18,
Kel. Belahang Pondok,
Kec. Padang Selatan
T +62 753 8955747

Manado

Kawasan Megamas, Ruko Megaport
Blok IF2 No. 38 Manado. 95254
T +62 431 7917 836
F +62 431 880 2129

Surabaya

Kawasan Center Tunggal Plaza Lantai 23
Jl. Embong Malang No.1
Surabaya 60161
T +62 31 - 2955777
T +62 31 - 2955798
F +62 31 - 2955736

Denpasar

Komplek Ibis Styles Hotel
Jl. Teuku Umar No. 177
Denpasar Bali 80134
T +62 361 - 254888
T +62 361 - 225229
F +62 361 - 225339

Banjarmasin

Jl. Gatot Subroto No.33 Kel. Keban Danga
Kec. Banjarmasin Timur
Kaltimantan Selatan 70235
T +62 511 - 826918
F +62 511 - 8253432

Solo

Jl. Srenggo Wanasito no. 34
Solo 57318
T +62 271 632888
F +62 271 656988

Makassar

Manulang Points 11. 3
Jl. Dr Sam Ratulangi No. 2 Korjungmas, Mariso
Makassar, Sulawesi Selatan 90125
T +62 431 8955999

Malang

Jl. Pahlawan Trip no. 7
Malang 65112
T +62 341 - 585888
F +62 341 - 560056

Solo

Jl. Ronggowardito No. 34
Surakarta 57318
T +62 271 - 642888

Palembang

Komp. PTC Mall Blok I No. 7 J. R. Sukanto Kel. 8 Ilir
Kec. Ilir Timur II Palembang 30114
T 07115700281

Medan

Komplek SATI Junction No. PS-5A
Jl. Perintis Kemerdekaan
Medan 20218
T +62 61 - 88816222
F 62 61 - 88815333

Pekanbaru

Jl. Tzanku Tambusi
Komplek CPM Blok A No.3 Pekanbaru 28221
T +62 763 - 839999
Galeri Investasi

Padang

Jl. Kampung Nias II no. 18,
Kel. Belahang Pondok,
Kec. Padang Selatan
T +62 753 8955747

Manado

Kawasan Megamas, Ruko Megaport
Blok IF2 No. 38 Manado. 95254
T +62 431 7917 836
F +62 431 880 2129

Solo

Jl. Ronggowardito No. 34
Surakarta 57318
T +62 271 - 632888

Palembang

Komp. PTC Mall Blok I No. 7 J. R. Sukanto Kel. 8 Ilir
Kec. Ilir Timur II Palembang 30114
T 07115700281

Galeri Investasi BFI - KBVS

Yogyakarta
Universitas Kristen Duta Wacana
T +62 274 - 544052

Manado

Universitas Prima Manado
T 0431 8800850

Jakarta

Universitas Gunadarma
T +62 21 - 8727541