

## Astra International (ASII)

Expecting Resilient Performance

6 April 2023



ASII IJ	BUY
Sector	Automotive
Price at 5 April 2023 (IDR)	5,975
Price target (IDR)	7,350
Potential Upside/Downside (%)	23.0

## 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)	240,880
Shares outstanding (mn)	40,484
52w range (IDR)	5,200-7,700
3M average daily vol. ('000)	42,427
3M average daily val. (IDR mn)	245,374

## Shareholders (%)

Jardine Cycle & Carriage I	50.1
Public	49.9

## Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	(3.9)	(8.2)	(12.0)

## Analyst(s)

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We expect the solid auto segment to persist and will underpin Astra's performance. Using the simulation of historical 1Q contribution to FY figures, ASII's 1Q23 earnings might continue to record positive yoy growth. Solid demand and continuing promotion from car loan financing as well as dealer in such competitive market will become as the affordability safeguard. Maintain BUY with target price of IDR7,350 on the back of undemanding valuation (8.9x '23F P/E or below its -1SD 10-year historical mean) and chunky dividend yield.

## Strong Feb '23 to support 1Q23

Feb '23 domestic 4W sales came in at 86,954 units (7.4% yoy) bringing the industry car sales to 181,077 unit in 2M23, or grew by 9.6% yoy. Of the total Astra continue to lead the competition with total volume sales at 97,319 unit (11.4% yoy) or equal to 54% of market share, while the remaining sales of non astra which grew by 7.6% yoy driven mainly by the growth from Honda and Hyundai sales. Worth noting that Toyota remain taking the largest portion of the total sales at 56,386 unit (17.9% yoy).

## 1Q23 sales volume to remain solid

Aside from our expectation on solid 1Q23 car sales volume, we believe the holy month of Ramadhan will make another significant contribution to overall cumulative sales, as historically proven so. The pre and post month of the Iedul Fitri contributes an average of around 22.4% to full year figures. That said, ceteris paribus, our '23F for car sales in Mar-May '23F period is likely to arrive at 217,822 units and around more than 10 bps higher contribution at 22.5%. Our simulation for longer period also revealed that half year contributes equal to at an average of around 46.8%, while for 1H23F it could underpin 47.5% to '23F industry sales, or 73 bps higher.

## Expect in-line 1Q23 earnings

While waiting for 1Q23 results, we try to measure the impact of yearly first quarter to full year earnings. In the past 5 years, 1Q contributes at an average of around 26.9% to full years result. However, we do aware that such high contribution was primarily caused by the high based effect of the recovery momentum in 1Q20 of 46.8%. Hence, we are taking more conservative outlook by averaging that period with 1Q21 whereas growth start to normalized. Using this hypothesis, ASII 1Q23 PATMI could remain grew positive and reach IDR7.05 tn (+2.9% yoy) versus 1Q22 at IDR6.85 tn. Of the total, automotive segment will likely remain as the backbone, while we also expect HEMCE segment to continue solid, aside from its financial arms.

## Unmuted demand and continuing promotion as a cushion

Despite the transmission of policy rates hike to car loan yield, as of Jan '23 appetite for 4W loan demand remain strong, reached IDR117.29 tn or grew by 15% yoy. The figure was notably 140bps higher compared to FY22 growth at 13.6% yoy. Nonetheless, we might see higher vehicle loan yield going forward. On the flip of coin, we expect solid business activity in 1H23 and unmuted car sales demand could become as shield to the potential higher car loan yield. As of Jan '23 consumer loans interest rate has adjusted slightly to policy rate hikes trend by 6bps to 10.38% or grew by the same rate in Jan '23 at 10.36%, whereas 4W sales recorded 11.9% yoy higher. We also view, continuing promotion from car loan financing and car loan dealer to maintain market share could overall support the growth.

## Huge dividend and capex

As a conglomerate, we do really like ASII generosity which will request for an approval on its AGM in April '23 to disbursed dividend final of IDR552/share, or equal to IDR22.34 tn which recorded as the highest (excluding interim dividend of IDR88/share). Amidst all the headwinds, we also like ASII spirit to facing the 2023 challenges by allocating a massive Capex of IDR40 tn, whereas around 60% of the amount will be dedicated for its HEMCE business.

## Maintain BUY with target price of IDR7,350

Our intrinsic value for ASII at IDR7,350 is derived from SOTP. Currently ASII traded at 8.9x 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.

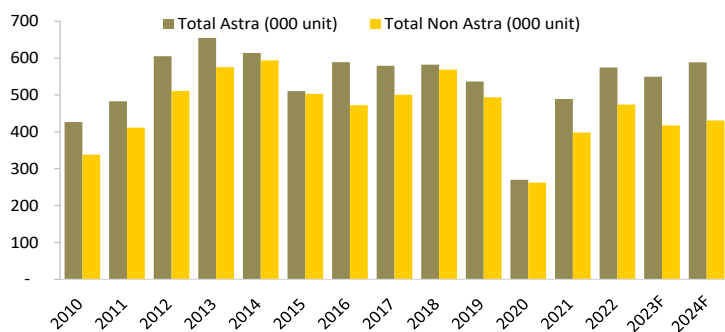
## Key Statistics

	2021A	2022A	2023F	2024F	2025F
Year-end Dec					
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)	12.0	8.4	8.8	8.4	7.3
PBV (x)	1.1	1.0	0.9	0.8	0.8
EV/EBITDA (x)	9.7	6.7	4.5	4.7	4.5
Div Yield (%)	4.0	5.7	5.8	6.1	5.3

Source: Company, KB Valbury Sekuritas

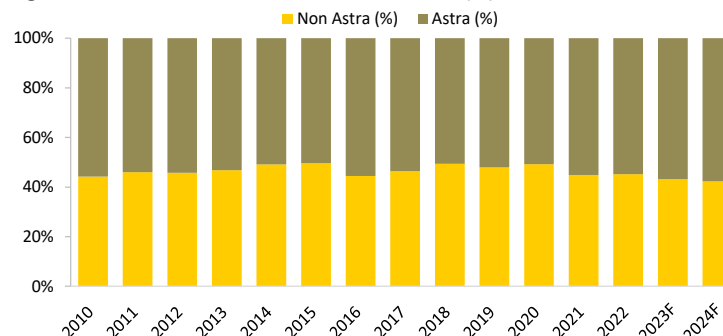
# Astra International (ASII)

Figure 1: Astra and Non-Astra 4W sales (000 units)



Source: Company, KB Valbury Sekuritas

Figure 2: Astra and Non-Astra 4W market share (%)



Source: Company, KB Valbury Sekuritas

Figure 3: 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%

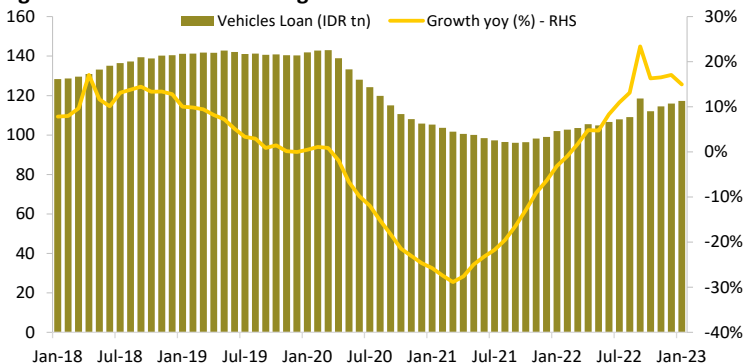
Source: Company, KB Valbury Sekuritas

Figure 4: 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 5: Car loan demand and growth



Source: Bank Indonesia, various sources, KB Valbury Sekuritas

Figure 6: Traded at 8.9x 2023 P/E, or below its -1SD 10-year hist. mean



Source: Company, Bloomberg, KB Valbury Sekuritas

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
<b>Revenues</b>	<b>233,485</b>	<b>301,379</b>	<b>289,821</b>	<b>295,876</b>	<b>318,771</b>
Cost of revenues	(182,452)	(231,291)	(224,129)	(235,388)	(251,983)
<b>Gross profit</b>	<b>51,033</b>	<b>70,088</b>	<b>65,692</b>	<b>60,488</b>	<b>66,788</b>
Operating expenses	(25,500)	(27,887)	(28,409)	(24,192)	(25,013)
<b>Operating profit</b>	<b>25,533</b>	<b>42,201</b>	<b>37,283</b>	<b>36,296</b>	<b>41,775</b>
<b>EBITDA</b>	<b>37,708</b>	<b>53,481</b>	<b>48,952</b>	<b>47,512</b>	<b>52,539</b>
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
<b>Pretax profit</b>	<b>32,349</b>	<b>50,390</b>	<b>47,943</b>	<b>45,968</b>	<b>52,308</b>
Minorities interest	(5,389)	(11,476)	(10,506)	(8,641)	(9,183)
<b>Net profit</b>	<b>20,196</b>	<b>28,944</b>	<b>27,333</b>	<b>28,873</b>	<b>33,326</b>

Source: Company, KB Valbury Sekuritas

# Astra International (ASII)

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
<b>Current assets</b>					
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
<b>Total current assets</b>	<b>160,262</b>	<b>179,818</b>	<b>181,069</b>	<b>188,171</b>	<b>197,293</b>
<b>Non-current assets</b>					
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
<b>Total non-current assets</b>	<b>207,049</b>	<b>233,479</b>	<b>245,227</b>	<b>255,327</b>	<b>273,632</b>
<b>Total assets</b>	<b>367,311</b>	<b>413,297</b>	<b>426,296</b>	<b>443,498</b>	<b>470,926</b>
<b>Current liabilities</b>					
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
<b>Total current liabilities</b>	<b>103,778</b>	<b>119,198</b>	<b>111,262</b>	<b>117,572</b>	<b>129,459</b>
<b>Non-current liabilities</b>					
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
<b>Total non-current liabilities</b>	<b>47,918</b>	<b>50,379</b>	<b>41,595</b>	<b>34,779</b>	<b>29,854</b>
Minority interests	43,562	51,578	49,999	51,962	54,951
<b>Shareholder's Equity</b>	<b>215,615</b>	<b>243,720</b>	<b>273,439</b>	<b>291,147</b>	<b>311,612</b>
<b>Total liabilities and equity</b>	<b>367,311</b>	<b>413,297</b>	<b>426,296</b>	<b>443,498</b>	<b>470,926</b>

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
<b>CF from operating activities</b>	<b>38,252</b>	<b>37,342</b>	<b>34,344</b>	<b>45,017</b>	<b>54,703</b>
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
<b>CF from investing activities</b>	<b>(3,658)</b>	<b>(24,590)</b>	<b>(6,924)</b>	<b>(17,627)</b>	<b>(29,017)</b>
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)
<b>CF from financing activities</b>	<b>(18,200)</b>	<b>(15,404)</b>	<b>(28,355)</b>	<b>(26,729)</b>	<b>(23,749)</b>
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
<b>Cash at end of period</b>	<b>63,947</b>	<b>61,295</b>	<b>60,360</b>	<b>61,020</b>	<b>62,957</b>

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)	9.7	6.7	4.5	4.7	4.5
PER (x)	12.0	8.4	8.8	8.4	7.3
PBV (x)	1.1	1.0	0.9	0.8	0.8
Dividend Yield (%)	4.0	5.7	5.8	6.1	5.3

Source: Company, KB Valbury Sekuritas

## Astra International (ASII)

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