

Expecting 3M23 4W sales growth to sustain

10 March 2023

OVERWEIGHT (Maintain)

TOP PICK

Company	Ticker	Rec	Share Price (IDR)	Target Price (IDR)
Astra International	ASII	Buy	5,975	7,350

Solid Jan '23 4W sales (+11.8% yoy) and bookings during IIMS event is indicating resilient domestic auto demand. Despite we might see slower Feb '23 sales (as historical seasonality has proven so), both car sales in Feb '23F and 2M23F growth are likely to remain healthy. Continuing positive catalysts on EV development will also boost mood demand. In all, we view growth will normalize this year and rising policy rate transmission pace to car loan yield will become the main key, aside from purchasing power and car loan appetite demand. Maintain OW on Auto sector and BUY on ASII with SOTP target price of IDR7,350 (10.2x '23F P/E) which now trading at below -1SD 10-yr hist mean.

Feb '23 sales growth will remain healthy despite lower mom

After reporting better-than-expected FY22 sales, Jan '23 4W sales continue to book solid growth at 11.8% yoy. While we believe this is triggered more by inventory sales discounts rather than additional demand, this should be translated as a solid foundation to starting 2023. We acknowledge that February sales is cyclically proven to be lower mom. With the assumption of 5 years average Feb sales of -2.8% mom, Feb '23 sales could arrive at 91,491 units and this still mark a 13.0% yoy growth. Even assuming the cyclical declining Feb sales at -7.0% mom (the worst monthly Feb sales growth in 10 years), Feb '23 sales growth will remain healthy at 8.03% yoy or equal to 87,495 units and bringing 2M23 sales to 181,582 units (+10.0% yoy).

3M23 contribution to FY could be higher, while 6M23 will be similar with 6M22

Historically, total 3M sales to full year contributes an average of 28%. Using the same hypothesis whereas Feb '23 sales drop by -2.8% yoy and Mar '23 sales will flat mom, cumulative total car sales in 3M23 will equal to around 277,069 units or contributes around 28.7% to our 2023F car sales (excluding car sold in IIMS event) and this is still 3.5% higher compared to 3M22 contribution to FY22 of 25.2%. We also make another simulation to measure the continuing concern over the negative impact on rising car loan yield to car sales and found that for longer period (1H23), total 4W sales could come in surprise and contributes approximately 44.8% to FY23 or slightly similar to that in 1H22 which contributes 45.3% to FY22.

Various catalyst to offset car loan yield re-pricing

While car loan yield re-pricing might somewhat jeopardize demand, we think continuing promotion (free spare parts and services up to 5 years), huge discount, low down payment (as low as 0%) and lengthened installment period (up to 96 months, whereas in pre-Covid era mostly 60 months) will be able to offset the negative impact on demand and help total car sales to arrive at similar figures with FY22. Additionally, car loan growth has been growing at healthy level at 6.7% yoy and 2.4% mom for 2W, while for 4W grew by 13.6% yoy and 2.2% yoy in Dec '22 which already reflect the loan yield re-pricing as consumer loan rate in Dec '22 stood at 10.3%, only 60bps below pre-Covid level of 10.9%.

Uninterrupted effort to accelerate EV industry development

We like the government's commitment to support EV (Electric Vehicle) penetration through incentive that will be implemented on 20 March 2023. With the requirement of having local content (TKDN) of 40% and more, the subsidy of IDR7 mn will be given to 2W buyer. Yet, for this year it is limited to only 200,000 units of new electric motor cycle and 50,000 units of conversion. For electric car, despite it came in the form of tax cut (VAT cut to 0% vs conventional car at a minimum of 15%) and certificate of vehicle ownership (BBNKB) to 0% from up to 90%, the overall benefit from tax incentives for electric car is equal to 32% from its price tag (2W is around 18%). We also think the latest continuing effort to accelerate the development of EV industry in Indonesia and its supporting ecosystem would underpin growth and could boost better demand, going forward.

Expecting positive impact to Astra auto segment

Resilient automotive industry will play important role in supporting Astra auto segment. Despite we expect softer earnings due to muted CPO outlook and lower coal price expectation, we view the above simulation should impact positively to Astra auto segment. We expect 1Q23F auto segment will contribute around 21.4% to FY23, while on 1H23F portion which around 44.6% to FY23 (1H22 at 44.2%) or IDR4.48tn, equal to 4.9% yoy growth.

Maintain Overweight

Ceteris paribus, we might see vehicles loan demand to withstand and overall 4W sales growth could arrive at above 5-year historical CAGR prior Covid of 0.4%. Maintain our OW stance on the sector and BUY ASII with an SOTP TP of IDR7,350/share (10.9x '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.

Analyst(s)

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PEER COMPARISON

Ticker	Rec	Price 7-Mar-23 (IDR)	Target Price (IDR)	Market Cap (IDR tn)	Price Earnings		Price to Book		Return on Equity		Dividend Yield	
					2023F (x)	2024F (x)	2023F (x)	2024F (x)	2023F (%)	2024F (%)	2023F (%)	2024F (%)
ASII	BUY	5,975	7,350	241,886	8.6	8.3	1.2	1.1	14.0	13.3	5.2	4.9
AUTO	NR	1,775	2,100	8,554	6.2	5.6	0.7	0.6	10.3	11.0	5.8	6.7
DRMA	NR	870	940	4,093	8.4	8.0	2.2	1.8	24.4	23.0	2.4	2.9
IMAS	NR	1,025	N/A	4,094	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Average				64,657	7.8	7.3	1.4	1.2	16.2	15.8	4.5	4.8

Source: Bloomberg, Company, KB Valbury Sekuritas

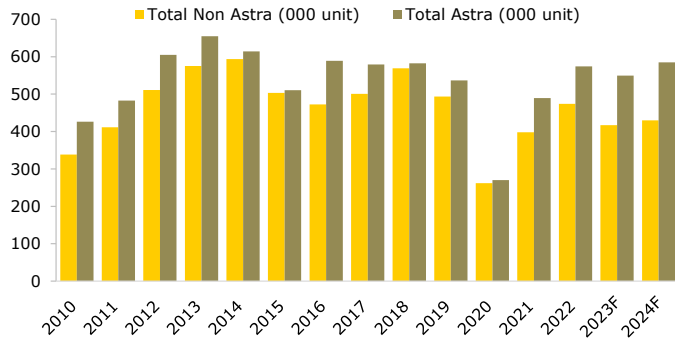
Automotive Indonesia

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

4W 2023	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Total
Astra													
Toyota and Lexus	22,886												
Daihatsu	18,319												
Izusu	2,828												
UD Trucks	225												
Peugeot	50												
LCGC Astra	8,728												
Total Astra	44,308												
Total Astra (including LCGC)	53,036												
M/S	52.7%												
Non Astra													
Honda	10,883												
Suzuki	7,017												
Mitsubishi	14,567												
Hyundai	1,220												
Wuling	2,501												
Nissan	313												
Others	3,340												
LCGC Non Astra	3,389												
Total Non Astra	39,841												
Total Non Astra (with LCGC)	43,230												
M/S	47.3%												
Total LCGC Industry	12,117												
Total Industry 4W	84,149												
Total Industry (with LCGC)	96,266												
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

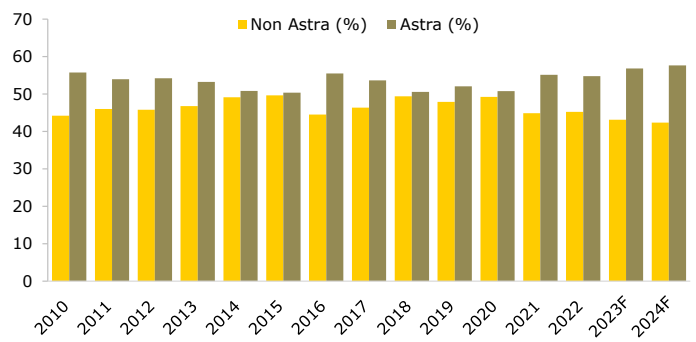
Source: Gaikindo, Company, KB Valbury Sekuritas

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



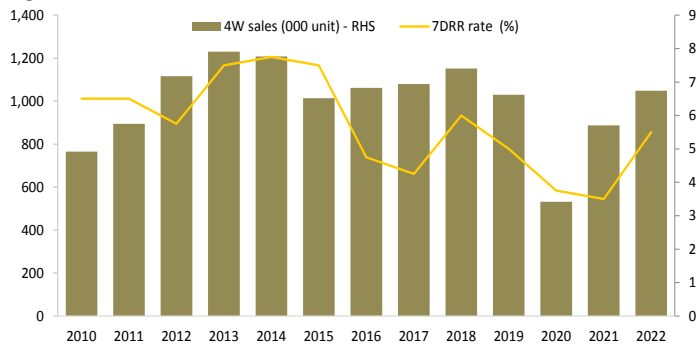
Source: Gaikindo, Company, KB Valbury Sekuritas

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



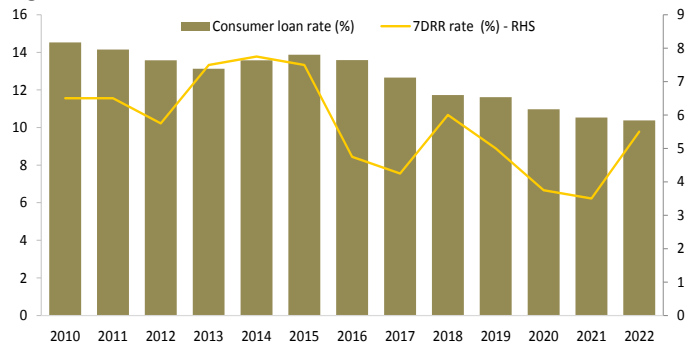
Source: Gaikindo, Company, KB Valbury Sekuritas

Figure 4: 4W sales and 7DRRR benchmark rates



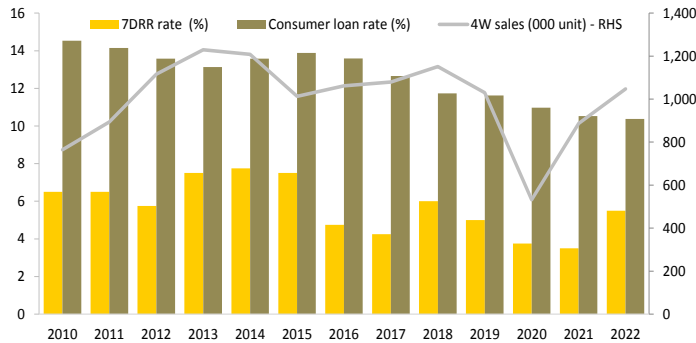
Source: Company, BI, Financial Services Authority

Figure 5: Consumer loan rate and 7DRRR benchmark rate



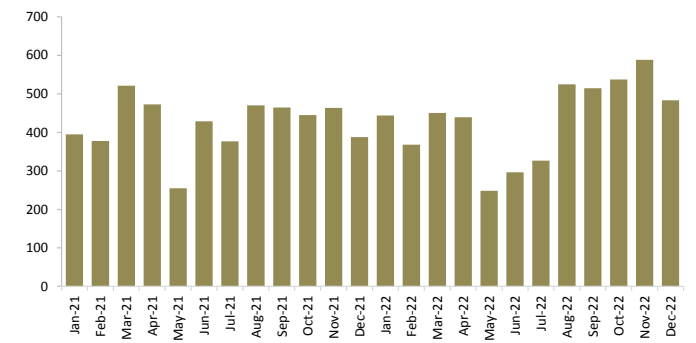
Source: Company, BI, Financial Services Authority

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



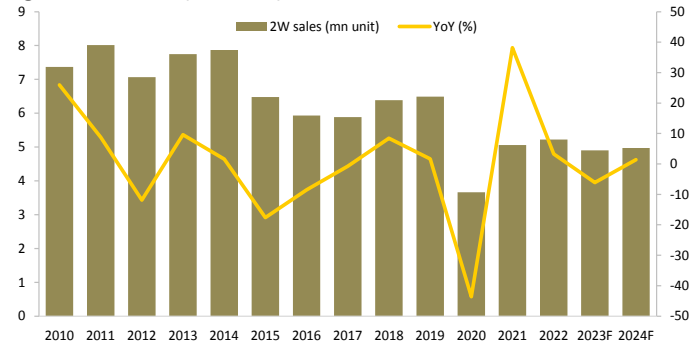
Source: Company, BI, Financial Services Authority, KB Valbury Sekuritas

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



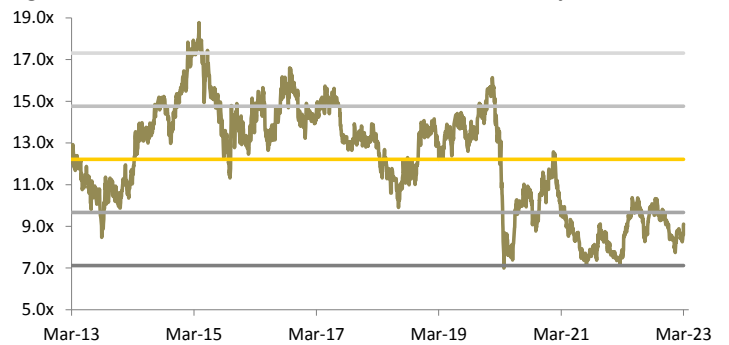
Source: AISI, KB Valbury Sekuritas

Figure 8: 2W sales (000 units)



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

Figure 7: Traded at 9.1x 2023 P/E, or below its -1SD 10-year hist. mean



Source: KB Valbury Sekuritas

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