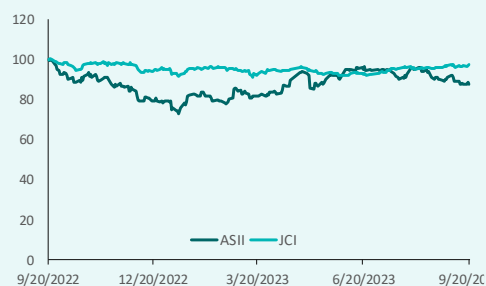


Buy
(From Hold)

Sector	Conglomerate
Ticker	ASII.IJ / ASII. JK
TP	IDR 7,100
Market Cap	IDR 255,046.4B
Price	IDR 6,300

Share Price Performance



	YTD	M-1	M-3	M-12
JCI	2.4	2.2	5.3	-2.6
ASII	10.5	-3.4	-7.4	-12.2
Out (Under)	8.2	-5.7	-12.6	-9.6

Astra International

Still the top 4W player

ASII reported 4W sales growth of 5.6% in 8M23, beating the industry's sales growth of 2.6%, thanks to the wide variety of its models and variants (primarily MPV and LCGC). While EV adoption may become a threat for ASII, considering its limited EV offering by its principals, the low number of EV charging stations available in Indonesia today and the TKDN regulation may help keep LCGC one of Indonesians' favorite car categories. We maintain our forecast and TP at IDR 7,100 (SOTP). Upgrade to Buy.

Moderate 4W sales in Aug 23

Domestic 4W sales grew by 10.5% mom in Aug 23 to 88.9K units; however, its cumulative growth actually went down to 2.6% yoy, from 4.5% in 7M23. The decelerating growth indicated that 4W sales momentum has normalized, though we suspect GIIAS 2023 may cause buyers to delay purchases, and the sales booked during the event will appear from Sep 23 onwards. Hence, we maintain our domestic 4W sales growth projection at 3.5% yoy. LCGC sales growth also fell to 26.2% in 8M23, though its share went up to 20.9% in Aug 23, contributing to the increase in sales volume, but with lower sales value.

ASII leads the pack, but consumers are open for non Japanese brands

ASII sold 50.8K 4W units in Aug 23 with 4.5% mom sales growth, bringing its cumulative 8M23 sales figure to 377.4 units (+5.6% yoy). ASII's sales growth was better than most of its peers, except Honda and Hyundai, which booked 16.1% and 21.6% yoy sales growth in 8M23. The strong sales by Hyundai show the opportunity for non-Japanese brands to penetrate the Indonesian market. As one-third of ASII sales came from LCGC, backed by its various LCGC models, ASII has the best position to capture the market potential.

The current EV incentives may not be enough to boost sales

The government plans to provide more incentives to boost EV sales. Currently, the government provides a 10% VAT discount, but a larger incentive is being considered to attract new investments in EV. With the cheapest EV model available today priced around IDR 160M in China (BYD Seagull), a larger fiscal incentive may boost EV sales and affect LCGC sales in the future, as LCGCs are currently priced around IDR 120-IDR 190M. Hence, the emergence of low-priced EVs may intensify competition in the low-priced 4W segment. Nevertheless, the 40% domestic component level (TKDN) regulation for EVs may give more time for LCGC to remain one of Indonesians' favorite car categories. It also benefits the current 4W manufacturers that already have production facilities.

ASII maintains its dominance in the 4W market

ASII may still dominate the automotive market for the foreseeable future, backed by its supply chain in the auto industry and its ecosystem. At the same time, strict regulation in the automotive industry may help delay a large-scale EV adoption in Indonesia, as it will be difficult for new brands to enter the Indonesian market. Furthermore, ASII can attract new EV brands and act as their sole agent or manufacturer of their 4Ws in Indonesia. We maintain our forecast and TP at IDR 7,100 (SOTP), implying 8.9x FY23F PE. ASII stock is trading at 7.9x FY23F PE, below its historical average. Upgrade to Buy.

Year end Dec	2021A	2022A	2023F	2024F	2025F
Revenue (IDR B)	233,485	301,379	318,506	325,218	339,726
Net Profit (IDR B)	20,196	28,944	32,337	32,399	29,578
EPS (IDR)	499	715	799	800	731
EPS Growth (%)	24.9	43.3	11.7	0.2	(8.7)
P/E (x)	12.6	8.8	7.9	7.9	8.6
P/B (x)	1.3	1.2	1.1	1.0	1.0
P/CF (x)	6.4	11.1	5.2	6.5	8.1
EV/EBITDA (x)	5.9	4.1	3.9	3.8	4.0
Dividend Yield (%)	2.9	3.2	11.5	6.5	6.5
ROE (%)	12.3	15.9	16.6	15.6	13.2
Net Debt/Equity (%)	4.6	4.8	1.2	Net Cash	Net Cash

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8M23 4W Wholesale Sales

	8M22	8M23	YoY	Aug 2022	Jul 2023	Aug 2023	YoY	MoM	Mkt Shr 8M23
Toyota	210,353	221,981	5.5	30,909	30,148	30,385	(1.7)	0.8	32.9
Daihatsu	121,617	132,542	9.0	15,339	15,821	17,481	14.0	10.5	19.6
Isuzu	23,938	21,440	(10.4)	3,463	2,486	2,800	(19.1)	12.6	3.2
UD Trucks	1,186	1,245	5.0	161	152	136	(15.5)	(10.5)	0.2
Peugeot	348	150	(56.9)	35	11	14	(60.0)	27.3	0.0
Subtotal for Astra	357,442	377,358	5.6	49,907	48,618	50,816	1.8	4.5	55.9
Mitsubishi	92,654	74,019	(20.1)	13,805	7,803	9,827	(28.8)	25.9	11.0
Honda	83,611	97,096	16.1	11,427	10,626	11,778	3.1	10.8	14.4
Suzuki	56,944	54,038	(5.1)	8,064	5,845	6,872	(14.8)	17.6	8.0
Hyundai	19,245	23,402	21.6	5,700	1,654	3,337	(41.5)	101.8	3.5
Wuling	15,588	12,479	(19.9)	2,821	1,642	1,095	(61.2)	(33.3)	1.8
Nissan	1,764	1,243	(29.5)	191	128	190	(0.5)	48.4	0.2
Other	30,983	35,652	15.1	5,041	4,110	4,961	(1.6)	20.7	5.3
Subtotal Non Astra	300,789	297,929	(1.0)	47,049	31,808	38,060	(19.1)	19.7	44.1
TOTAL DOMESTIC	658,231	675,287	2.6	96,956	80,426	88,876	(8.3)	10.5	100.0
ASTRA LCGC	83,362	103,535	24.2	13,465	12,740	13,378	(0.6)	5.0	15.3
Non Astra LCGC	26,833	35,523	32.4	3,397	4,863	5,169	52.2	6.3	5.3
Total LCGC	110,195	139,058	26.2	16,862	17,603	18,547	10.0	5.4	20.6

Source: ASII, Gaikindo, Aldira

ASII's Car launched in 2023

Models Launched	Launching Period	Engine Capacity	Prices (Rp mn) - on the road
Toyota Corolla Cross GR Sport (NEW)	Feb'23	1,800cc	602.1 – 607.1
Toyota Corolla Cross HV	Feb'23	1,800cc	561.9 – 564.9
Toyota All New Agya (NEW)	Feb'23	1,200cc	167.9 – 256.0
Lexus All New RX (NEW)	Feb'23	2,400cc	1,658 – 1,872
BMW X7 xDrive40i M Sport	Feb'23	3,000cc	2,417*
Daihatsu All New Ayla (NEW)	Mar'23	1,000cc	135.8 – 171.7
BMW 320i Sport (NEW)	Mar'23	2,000cc	947*
BMW 530i Touring M Sport Pro	Mar'23	2,000cc	1,757*
BMW Z4 sDrive30i M Sport	Mar'23	2,000cc	1,447*
BMW Z4 M40i	Mar'23	3,000cc	1,727*
Toyota New Yaris GR Sport	May'23	1,500cc	326-349
Toyota All New Yaris Cross (NEW)	May'23	1,500cc	351.0-454.9
Lexus RZ 450e (NEW)	Jun'23	BEV	2,287
Lexus RX 500h (NEW)	Jun'23	2,400cc	1,975
Daihatsu New Terios (NEW)	Jun'23	1,500cc	238.5-305.7
BMW 735i M Sport (NEW)	Jun'23	3,000cc	2,287*
BMW i7 xDrive60 Gran Lusso (NEW)	Jun'23	BEV	3,407*

*Off the road price

**) ASII also launched Toyota Alphard hybrid and II New RAV4 GR Sport PHEV launched in Aug 23

Source: ASII, Bloomberg, Aldira

Forecast Assumptions

	2023F	2024F	2025F	2026F	2027F
Car sales vol.					
ASII	588,461	600,393	609,705	624,948	640,571
<i>Growth</i>	2.5%	2.0%	1.6%	2.5%	
Domestic	1,084,721	1,111,839	1,139,635	1,168,126	1,197,329
<i>Growth</i>	3.5%	2.5%	2.5%	2.5%	
Market share	54.3%	54.0%	53.5%	53.5%	53.5%
Motorcycle sales vol.					
ASII	4,908,154	4,873,643	4,922,380	4,811,229	4,859,341
<i>Growth</i>	17.1%	-0.7%	1.0%	-2.3%	
Domestic	6,135,192	6,288,572	6,351,458	6,414,972	6,479,122
<i>Growth</i>	17.5%	2.5%	1.0%	1.0%	
Market share	80.0%	77.5%	77.5%	75.0%	75.0%
Revenue (IDR B)					
Automotive	132,182	137,668	143,316	148,553	155,109
Heavy equipment	127,747	126,908	133,253	136,584	139,999
Financial services	28,833	30,879	33,032	35,291	37,659
Agribusiness	21,159	20,779	20,907	26,804	27,608
Other	8,586	8,985	9,218	9,435	9712.577083
Total Revenue	318,506	325,218	339,726	356,668	370,087
Gross Profit Margin					
Automotive - elimination	11.6%	11.2%	10.8%	10.8%	10.8%
Heavy equipment	28.3%	27.8%	23.0%	23.0%	23.0%
Financial services	56.0%	57.0%	57.5%	57.5%	57.5%
Agribusiness	14.1%	15.2%	17.9%	16.4%	15.0%
Other	39.5%	37.4%	38.6%	38.9%	39.1%
Average Gross Profit Margin	23.2%	23.0%	21.3%	21.2%	21.2%

Source: Aldira

FINANCIAL SUMMARY

Earning Forecast (IDR bn)

Year end Dec	2021A	2022A	2023F	2024F	2025F
Revenue	233,485	301,379	318,506	325,218	339,726
% growth	32.4	37.3	5.6	1.1	-3.3
COGS	-182,452	-231,291	-244,513	-250,395	-267,342
Gross Profit	51,033	70,088	73,993	74,824	72,384
Opr Profit	25,533	42,201	44,154	43,493	40,113
EBITDA	39,236	56,789	57,934	56,929	53,297
% growth	51	45	2	-2	-6
Net int inc/ (exp)	265	428	501	793	400
Gain/ (loss) forex	57	188	313	275	0
Other inc/ (exp)	0	0	0	0	0
Pre-tax Profit	32,350	50,390	54,622	54,494	51,026
Tax	-6,764	-9,970	-10,791	-10,663	-9,744
Minority Int.	-5,390	-11,476	-11,494	-11,432	-11,703
Extra. Items	0	0	0	0	0
Net Profit	20,196	28,944	32,337	32,399	29,578
% growth	24.9	43.3	11.7	0.2	-8.7

Cash Flow (IDRbn)

Year end Dec	2021A	2022A	2023F	2024F	2025F
Pre-tax income	32,350	50,390	54,622	54,494	51,026
Depreciation	13,703	14,588	13,780	13,436	13,185
Net increase in WC	4,741	-12,063	-16,781	-15,650	-20,649
Others	15,493	32,707	8,473	17,945	15,827
CF's from oprs	35,301	20,208	43,148	34,335	27,734
Capex	-2,844	-12,031	-10,000	-10,000	-10,000
Others	669	166	1,818	1,341	892
CF's from investing	-2,175	-11,865	-8,182	-8,659	-9,108
Net change in debt	-6,995	-1,765	-30,773	1	-4,023
Others	-12,025	-11,337	-30,544	-17,648	-17,565
CF's from financing	-19,020	-13,102	-61,317	-17,647	-21,588
Net cash flow	14,106	-4,759	-26,351	8,029	-2,962
Cash at BoY	47,553	63,947	61,295	37,261	46,839
Cash at EoY	61,659	59,188	34,944	45,291	43,877
Free Cashflow	19,558	8,911	-2,978	-8,966	96,252

Balance Sheet (IDR bn)

Year end Dec	2021A	2022A	2023F	2024F	2025F
Cash & Deposits	64,598	61,581	37,547	47,125	45,655
Other curr asset	95,664	118,237	130,519	142,762	158,028
Net fixed asset	55,349	59,536	60,141	60,146	59,551
Other asset	151,700	173,943	174,705	188,133	203,406
Total asset	367,311	413,297	402,913	438,166	466,640
ST debt	38,667	34,669	13,889	11,652	10,629
Other curr liab	65,111	84,529	86,694	92,355	97,830
LT debt	33,819	36,052	26,059	28,297	25,297
Other LT Liabs	14,099	14,327	14,629	14,940	15,260
Minority interest	43,562	51,578	63,072	74,504	86,208
Total Liabilities	195,258	221,155	204,344	221,749	235,224
Shareholders Equity	172,053	192,142	198,570	216,417	231,416
Net debt / (cash)	7,888	9,140	2,401	-7,175	-9,729
Total cap empl	244,539	262,863	238,518	256,367	267,342
Working capital	56,484	60,620	67,484	85,879	95,224

Key Ratio Analysis

Year end Dec	2021A	2022A	2023F	2024F	2025F
Profitability					
Gross Margins (%)	22.0	21.9	23.3	23.2	23.0
Opr Margins (%)	7.4	10.9	14.0	13.9	13.4
EBITDA Margins (%)	14.8	16.8	18.8	18.2	17.5
Net Margins (%)	9.2	8.6	9.6	10.2	10.0
ROAE (%)	10.7	12.3	15.9	16.6	15.6
ROAA (%)	4.7	5.7	7.4	7.9	7.7
Stability					
Current ratio (x)	1.5	1.5	1.5	1.7	1.8
Net. Debt/Equity (x)	0.2	0.0	0.0	0.0	0.0
Int. Coverage (x)	3.8	11.2	20.0	19.1	28.1
Growth (%)					
Revenue growth	33.4	29.1	5.7	2.1	4.5
Gross profit growth	32.4	37.3	5.6	1.1	-3.3
Net profit growth	24.9	43.3	11.7	0.2	-8.7
Efficiency					
Debtors t.o. (days)	88.0	80.3	88.3	97.1	106.8
Creditors t.o. (days)	50.3	59.4	59.4	59.4	59.4
Inventory t.o. (days)	43.6	51.0	51.0	51.0	51.0



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Recommendation ratings

Rating	Buy	Hold	Sell
Classification	$\geq 10\%$	$> -10\%$ or $< 10\%$	$\leq -10\%$

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