

# Astra International Tbk (ASII)

## Subsidiary Divestment Strengthens Liquidity

ASII income decreased by 9.4% in 1Q20, driven by the increase selling expenses and foreign exchange loss each by (18.3% YoY, 243.0% YoY). Nationally, car sales are still sluggish as the effect of large-scale social restrictions (PSBB) caused some of ASII's factories to stop productions, which dampens the car sales in the second quarter of 2020. However, during the pandemic, ASII managed to close the divestment of its subsidiary BNLI valued at IDR16.83 tn to strengthen its cash position. We estimate an FY20 income of approximately IDR211.6 trillion with ratio of P/E Forward on level 15.3x and based on that we recommend Hold with target price of IDR5,350.

**Performance Slump in 1Q20.** ASII recorded an income of IDR54.0 trillion with net profit of IDR4.8 trillion. The increase of selling expenses and exchange loss trigger a decrease in company income and net profit by 44.0% and 33.9%. On the other hand, the automotive and heavy mining equipment, and energy construction segments are still the biggest contributors to the company income at 44.0% and 33.9%. The second quarter substantially strains the company in the midst of COVID-19 pandemic, with some segments directly affected by the effects such as the automotive and financials that are impacted by the large-scale social restrictions (PSBB). We estimate that the 2Q20 income will decrease by 10.8% YoY.

**Car Sales still Sluggish.** Nationally, car sales are continuing the downward trend in May 2020 with wholesale sales number of 3,551 units (-54.6% MoM) and retails of 17,083 units (-29.6% MoM). Specifically for the Astra Group, the closure of some dealers during the pandemic is a factor in the wholesale sales decrease in May to 1,102 units compared to the previous month's 3,804 units. On the production side, ASII also stopped productions in some factories which reduces the Toyota car production to plummet by -84.2% to 1,357 units, while Daihatsu have completely stopped production. We see that the decrease in car sales and production has reached the lowest point in 2Q20. The transition period marked by the reopening of economic activities will slowly restore the performance of ASII automotive segment.

**BNLI Sale Strengthens Liquidity.** In May 2020, ASII has completed the sale of its 44.56% stakes in PT Bank Permata Tbk (BNLI) with a total value of IDR16.83 trillion. The fresh funds received from this divestment is a positive element for ASII to strengthen its cash position, especially during the strenuous period of the pandemic. We calculate that the Net Debt/Equity will improve from 0.37x position at the end of 1Q20 to 0.20x after the sale of BNLI stakes.

### Astra International Tbk | Summary (IDR bn)

	2018	2019	2020 F	2021 F
Sales	239,205	237,166	211,646	224,392
<i>Sales growth</i>	16.1%	-0.9%	-10.8%	6.0%
EBITDA	36,290	39,636	30,638	35,624
Net profit	21,673	21,707	14,123	17,832
EPS (IDR)	535	536	349	440
<i>EPS growth</i>	15.0%	0.2%	-34.9%	26.3%
BVPS (IDR)	4,307	4,613	5,228	5,559
EBITDA margin	15.2%	16.7%	14.5%	15.9%
NPM	9.1%	9.2%	6.7%	7.9%
ROE	13.1%	12.0%	7.1%	8.2%
ROA	6.8%	6.2%	3.9%	4.6%
ROIC	8.9%	8.5%	5.9%	7.0%
P/E	15.4x	10.8x	15.3x	12.1x
P/BV	1.9x	1.3x	1.0x	1.0x
EV/EBITDA	11.9x	8.6x	9.0x	7.9x
DPS (IDR)	190	211	211	138
<i>Dividend yield</i>	2.3%	3.6%	4.0%	2.6%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

NH Korindo Sekuritas Indonesia



Company Report | June 23, 2020

## Hold

<b>Dec 2020 TP (IDR)</b>	<b>5,350</b>
Consensus Price (IDR)	5,123
TP to Consensus Price	+4.4%
vs. Last Price	+9.4%

### Shares data

Last Price (IDR)	4,890
Price date as of	June 22, 2020
52 wk range (Hi/Lo)	7,650 / 3,220
Free float	49.8%
Outstanding sh.(mn)	40,484
Market Cap (IDR bn)	196,345
Market Cap (USD mn)	13,854
Avg. Trd Vol - 3M (mn)	67.4
Avg. Trd Val - 3M (bn)	272.3
Foreign Ownership	99.1%

### Miscellaneous Industry

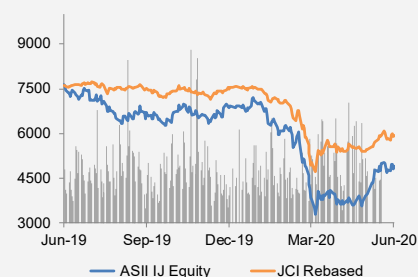
#### Automotive and Components

Bloomberg	ASII IJ
Reuters	ASII.JK

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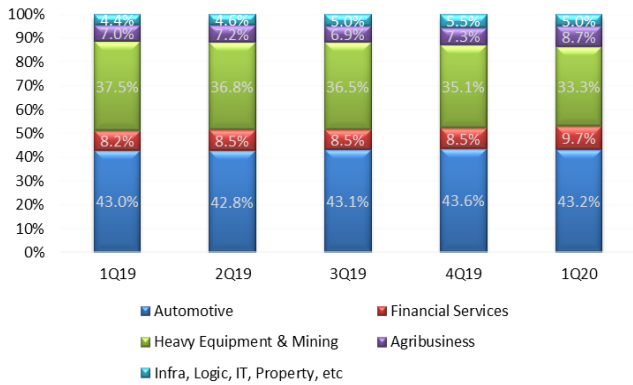
### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret	-29.4%	23.8%	26.7%	-36.1%
Rel. Ret	-7.8%	15.1%	6.3%	-14.0%

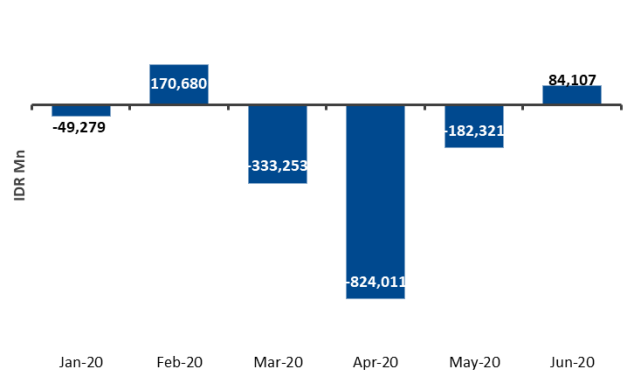
# Performance Highlights

## Revenue Contribution 1Q19 - 1Q20



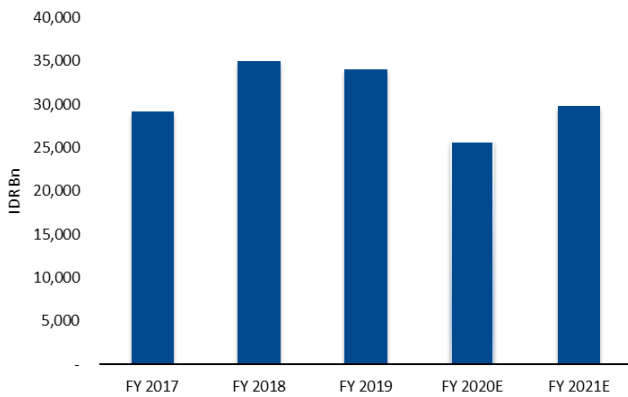
Source: Company, NHKSI Research

## Net Foreign Flow



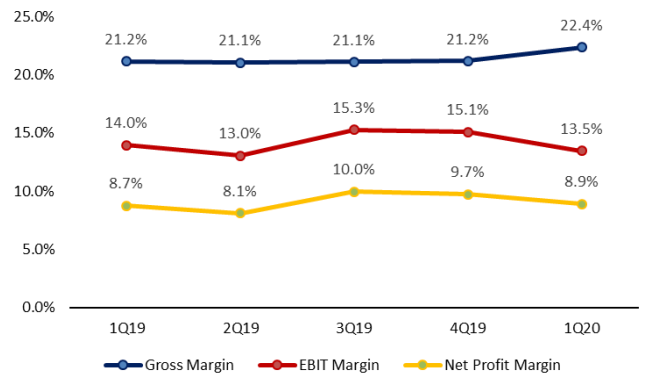
Source: Bloomberg, NHKSI Research

## EBIT Contribution 2017 - 2021E



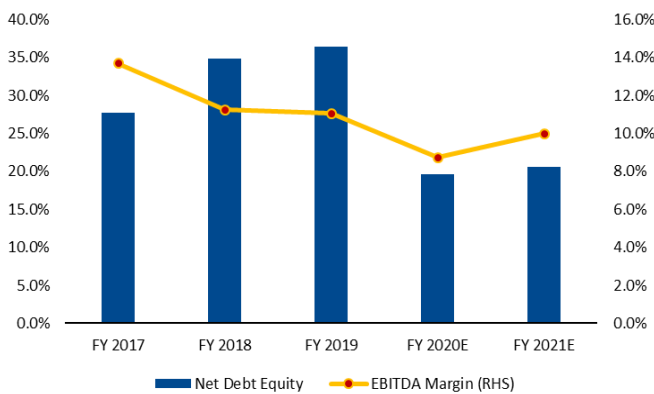
Source: Company, NHKSI Research

## ASII Margins Contribution 1Q19 - 1Q20



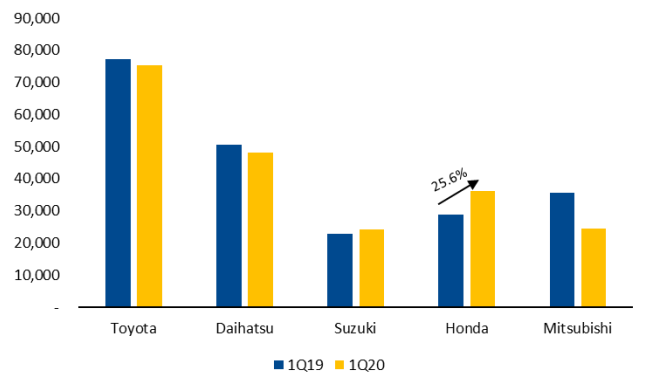
Source: Company, NHKSI Research

## Gearing Level



Source: Company, NHKSI Research

## Honda Posted Strongest Growth in 1Q20 (Units)



Source: Company, NHKSI Research



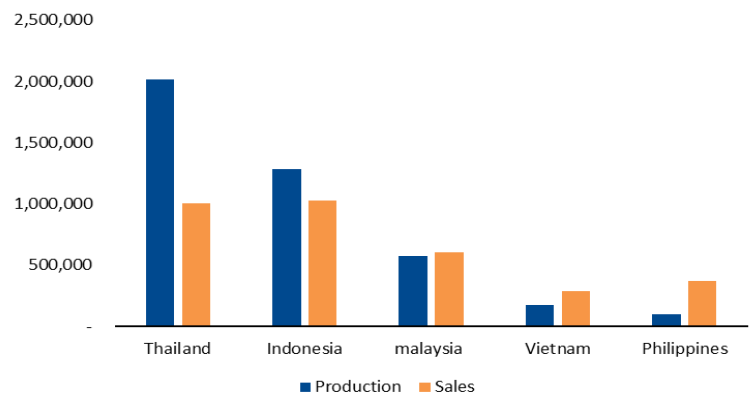
**ASII Overview**

ASII is a company with seven business lines: Automotive; Financial Services; Heavy Equipment, Mining, Construction and Energy; Agribusiness; Infrastructure and Logistics; Information Technology, and Property. So far, the automotive segment has given the biggest contribution to ASII income, recorded that until 1Q20, the automotive sector contributed as much as 44.0%. Currently, ASII’s operations are managed by 237 subsidiaries, joint venture, and associates all over Indonesia.

**Indonesian Automotive Industry in ASEAN**

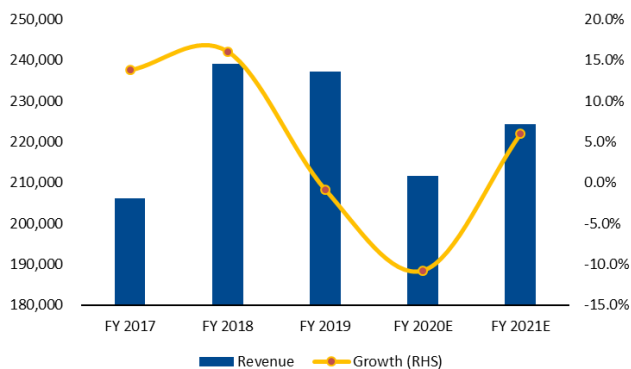
Indonesia has the biggest population number in ASEAN with a very high automotive sales potential. Based on data from ASEAN Automotive Federation (AAF), Indonesia recorded the highest sales in 2019 with more than 1 million 4W units sold. The COVID-19 pandemic in the beginning of 2020 puts pressure on the automotive industry, as many factories stop productions to stop the spread of the virus. The New Normal condition that will be implemented in Indonesia will be a great chance for the automotive sales to rebound in the third quarter of 2020.

**ASEAN Automotive 4W | 2019 (Units)**



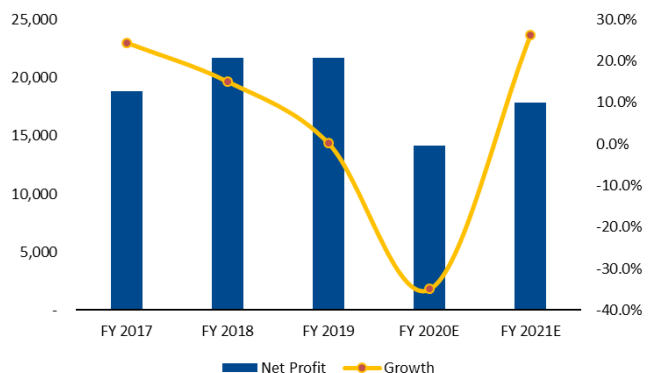
Source: AAF

**Revenues and Growth (IDR Bn)**



Source: Company, NHKSI Research

**Net Profits and Growth (IDR Bn)**



Source: Company, NHKSI Research

**NH Korindo Sekuritas Indonesia (NHKSI) stock ratings**

1. Period: End of year target price
2. Rating system based on a stock’s absolute return from the date of publication
  - Buy : Greater than +15%
  - Hold : -15% to +15%
  - Sell : Less than -15%

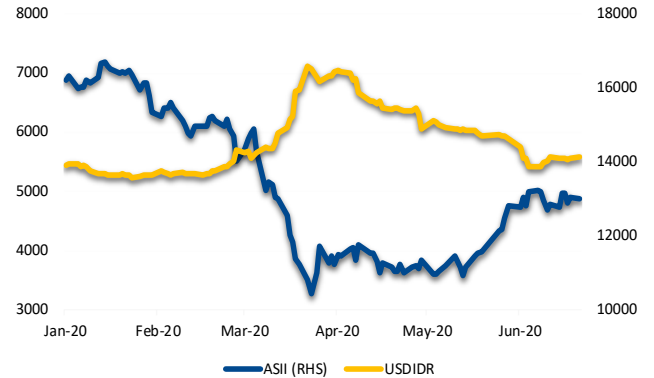
## Multiple Valuation

ASII is trading at **-1.5SD** | Forward P/E Band



Source: NHKSI Research

ASII Vs USDIDR | January - June 2020



Source: Bloomberg, NHKSI Research

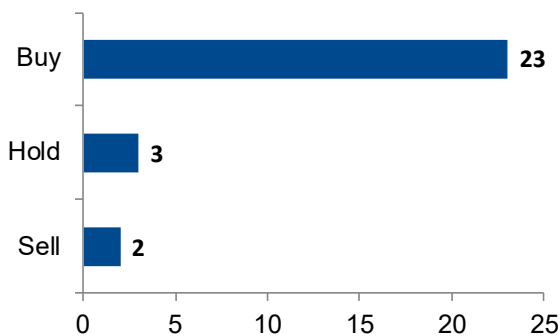
## Rating and Target Price Update

Target Price

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
06/23/2020	Hold	5,350 (Dec 2020)	4,890	5,123	+9.4%	+4.4%

Source: Bloomberg, NHKSI Research

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKSI Research

### NH Korindo Sekuritas Indonesia (NHKSI) stock ratings

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## Financial Summary

INCOME STATEMENT					PROFITABILITY & STABILITY				
(IDR bn)	2018/12A	2019/12A	2020/12E	2021/12E		2018/12A	2019/12A	2020/12E	2021/12E
<b>Sales</b>	<b>239,205</b>	<b>237,166</b>	<b>211,646</b>	<b>224,392</b>	ROE	13.1%	12.0%	7.1%	8.2%
<i>Growth</i>	16.1%	-0.9%	-10.8%	6.0%	ROA	6.8%	6.2%	3.9%	4.6%
COGS	(188,436)	(186,927)	(171,309)	(178,766)	ROIC	8.9%	8.5%	5.9%	7.0%
<b>Gross Profit</b>	<b>50,769</b>	<b>50,239</b>	<b>40,337</b>	<b>45,626</b>	Cash Dividend (IDR bn)	7,692	8,547	8,560	5,570
<i>Gross Margin</i>	21.2%	21.2%	19.1%	20.3%	Dividend Yield	2.3%	3.6%	4.0%	2.6%
Operating Expenses	(23,901)	(24,055)	(21,876)	(23,194)	Payout Ratio	41.1%	39.4%	39.4%	39.4%
<b>EBIT</b>	<b>26,868</b>	<b>26,184</b>	<b>18,461</b>	<b>22,432</b>	DER	49.3%	49.4%	43.0%	42.0%
<i>EBIT Margin</i>	11.2%	11.0%	8.7%	10.0%	Net Gearing	27.2x	29.2x	28.8x	29.9x
Depreciation	(9,422)	(13,452)	(12,177)	(13,192)	LT Debt to Equity	38.0%	41.2%	34.0%	33.4%
<b>EBITDA</b>	<b>36,290</b>	<b>39,636</b>	<b>30,638</b>	<b>35,624</b>	Capitalization Ratio	33.0%	33.1%	30.1%	29.6%
<i>EBITDA Margin</i>	15.2%	16.7%	14.5%	15.9%	Equity Ratio	50.6%	53.1%	56.8%	56.8%
Interest Expenses	(3,105)	(4,382)	(3,329)	(3,838)	Debt Ratio	24.9%	26.2%	24.4%	23.9%
<b>EBT</b>	<b>34,995</b>	<b>34,054</b>	<b>25,680</b>	<b>29,800</b>	Financial Leverage	1.9x	1.9x	1.8x	1.8x
Income Tax	(7,623)	(7,433)	(6,689)	(7,062)	Current Ratio	1.1x	1.3x	1.4x	1.4x
Minority Interest	(5,699)	(4,914)	(4,868)	(4,905)	Par Value (IDR)	50	50	50	50
<b>Net Profit</b>	<b>21,673</b>	<b>21,707</b>	<b>14,123</b>	<b>17,832</b>	Total Shares (mn)	40,484	40,484	40,484	40,484
<i>Growth</i>	15.0%	0.2%	-34.9%	26.3%	Share Price (IDR)	8,225	5,800	5,350	5,350
<i>Net Profit Margin</i>	9.1%	9.2%	6.7%	7.9%	Market Cap (IDR tn)	333.0	234.8	194.3	194.3

BALANCE SHEET					VALUATION INDEX				
In IDR bn	2018/12A	2019/12A	2020/12E	2021/12E		2018/12A	2019/12A	2020/12E	2021/12E
Cash	25,193	24,330	49,436	48,194	Price /Earnings	15.4x	10.8x	15.3x	12.1x
Receivables	65,062	65,426	58,104	71,891	Price /Book Value	1.9x	1.3x	1.0x	1.0x
Inventories	26,505	24,287	25,463	21,266	Price/Sales	1.4x	1.0x	1.0x	1.0x
<b>Total Current Assets</b>	<b>133,609</b>	<b>129,058</b>	<b>149,185</b>	<b>158,860</b>	PE/EPS Growth	1.0x	69.0x	-0.4x	0.5x
Net Fixed Assets	57,733	62,337	67,332	74,994	EV/EBITDA	11.9x	8.6x	9.0x	7.9x
Other Non Current Assets	89,618	90,700	88,904	92,405	EV/EBIT	16.0x	13.0x	14.9x	12.6x
<b>Total Assets</b>	<b>344,711</b>	<b>351,958</b>	<b>372,742</b>	<b>396,136</b>	EV (IDR bn)	430,527	341,294	275,936	282,279
Payables	42,263	30,087	26,439	32,548	Sales CAGR (3-Yr)	9.1%	9.4%	0.9%	-2.1%
ST Borrowing	19,588	15,427	18,968	19,411	EPS CAGR (3-Yr)	14.4%	12.7%	-9.2%	-6.3%
LT Debt	66,326	76,874	72,038	75,117	Basic EPS (IDR)	535	536	349	440
<b>Total Liabilities</b>	<b>170,348</b>	<b>165,195</b>	<b>161,098</b>	<b>171,071</b>	Diluted EPS (IDR)	535	536	349	440
Capital Stock	2,024	2,024	2,024	2,024	BVPS (IDR)	4,307	4,613	5,228	5,559
Retained Earnings	127,732	140,487	162,880	175,142	Sales PS (IDR)	5,909	5,858	5,228	5,543
<b>Shareholders' Equity</b>	<b>174,363</b>	<b>186,763</b>	<b>211,644</b>	<b>225,065</b>	DPS (IDR)	190.0	211.1	211.5	137.6

CASH FLOW STATEMENT					OWNERSHIP		
In IDR bn	2018/12A	2019/12A	2020/12E	2021/12E	By Geography	% Shareholders	%
Operating Cash Flow	27,692	19,175	27,939	26,121	Singapore	78.5 Jardine Cycle & C	50.1
Investing Cash Flow	(29,731)	(14,186)	4,534	(26,473)	United States	10.0 Vanguard Group	1.7
Financing Cash Flow	(4,873)	(541)	(7,367)	(890)	Luxembourg	3.5 Blackrock	1.7
<b>Net Changes in Cash</b>	<b>(6,912)</b>	<b>4,448</b>	<b>25,106</b>	<b>(1,242)</b>	United Kingdom	2.8 Standard Life Aberdeen	1.6

Source: Company Data, NHKSI Research

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