

Astra International Tbk (ASII)

Tailing Economic Recovery Momentum

1H20 Performance Supported by BNLI. In 1H20, ASII booked a decline in total revenue to IDR 89.8 trillion, down by 22.7% from the same period last year at IDR116.2 trillion. However, the company still booked an increase in net income by 6.8% supported by the divestment proceeds of Bank Permata. ASII's two main contributing segments, Automotive and Heavy Machineries experienced significant dive in sales by -33.67% and -23.68% YoY respectively. Meanwhile, its EBITDA margin in semester I/2020 also fell to 13.44% (from 16.38% in 1H19). However, we note that the positive side of ASII's financial position can be seen in an improved debt ratio. It is marked with the Net Gearing level at 23.16% or down from last year's position at 40%.

Automotive Sales on the Rise. During 1H20, ASII's automotive segment was heavily impacted by the PSBB policy, along with the closure of some factories and dealerships. All car brands under ASII booked decreases in sales. Toyota and Daihatsu which are the flagship brands recorded sales declines by -46.98% and -42.80% compared to 1H19. However, as the relaxation of PSBB takes places, car sales data has shown a recovery. In July 2020, sales are recorded at 25,238 units or up twofold from June 2020 sales at 12,623 units. Although this is still far below pre-pandemic level, we remain optimistic that the trend will continue in the rest of the year.

Commodity Price Recovery as Catalyst. The rise of CPO price after its dive to a level of MYR2,000/mT will help ASII's group performance through its subsidiary, AALI. In 1H20, the agribusiness segment contributed 10% to ASII's total income or up from 7.2% in last year's period. On the other hand, the climb in gold prices also impacted positively as the production of Martabe mine owned by UNTR increases. We see the global commodity price recovery to be the catalysts of ASII's performance to balance its automotive segment which predicted to recover at a slower pace.

Maintains HOLD Rating. As national economy recovers, we predict ASII's operational performance to also improve. We maintain HOLD rating for ASII with a slight increase of target price at IDR5,575/stock based on Sum of the Parts (SOTP) valuation method. The target price implies 2020F P/E of 9.7x with a potential upside of 5.2% from last price.

Astra International Tbk | Summary (IDR bn)

	2018	2019	2020 F	2021 F
Sales	239,205	237,166	220,173	222,688
Sales growth	16.1%	-0.9%	-7.2%	1.1%
EBITDA	36,290	39,636	47,880	44,686
Net profit	21,673	21,707	23,215	26,929
EPS (IDR)	535	536	573	665
EPS growth	15.0%	0.2%	6.9%	16.0%
BVPS (IDR)	4,307	4,613	5,452	5,920
EBITDA margin	15.2%	16.7%	21.7%	20.1%
NPM	9.1%	9.2%	10.5%	12.1%
ROE	13.1%	12.0%	11.4%	11.7%
ROA	6.8%	6.2%	6.3%	6.7%
ROIC	8.9%	8.5%	12.1%	10.1%
P/E	15.4x	10.8x	9.7x	8.4x
P/BV	1.9x	1.3x	1.0x	0.9x
EV/EBITDA	11.9x	8.6x	7.3x	6.5x
DPS (IDR)	190	211	211	226
Dividend yield	2.3%	3.6%	3.8%	4.1%

Source: Company Data, Bloomberg, NHKSI Research
Please consider the rating criteria & important disclaimer

HOLD

Target Price	5,575
Consensus Price (IDR)	5,565
TP to Consensus Price	0.2%
vs. Last Price	5.2%

Shares data

Last Price (IDR)	5,300
Price date as of	August 25, 2020
52 wk range (Hi/Lo)	7,250 / 3,220
Free float	49.8%
Outstanding sh.(mn)	40,484
Market Cap (IDR bn)	214,563
Market Cap (USD mn)	14,683
Avg. Trd Vol - 3M (mn)	42.644
Avg. Trd Val - 3M (bn)	209.489
Foreign Ownership	99.1%

Miscellaneous Industry

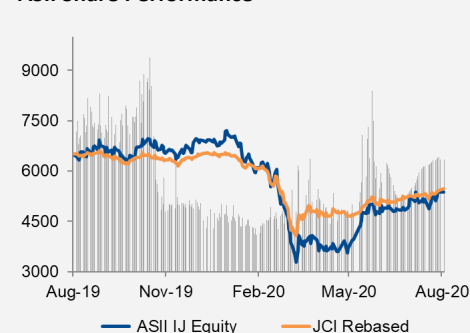
Automotive and Components

Bloomberg	ASII IJ
Reuters	ASII.JK

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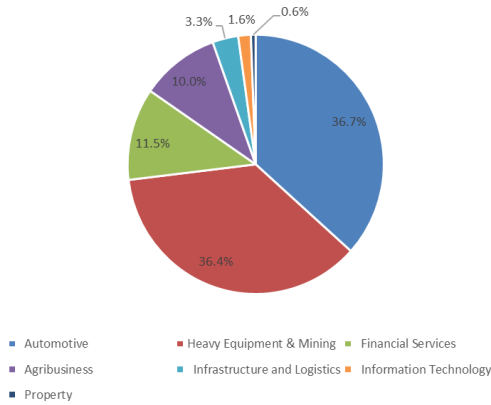
ASII Share Performance



	YTD	1M	3M	12M
Abs. Ret	-22.4%	3.4%	37.5%	-16.3%
Rel. Ret	-6.4%	-0.9%	20.1%	-0.4%

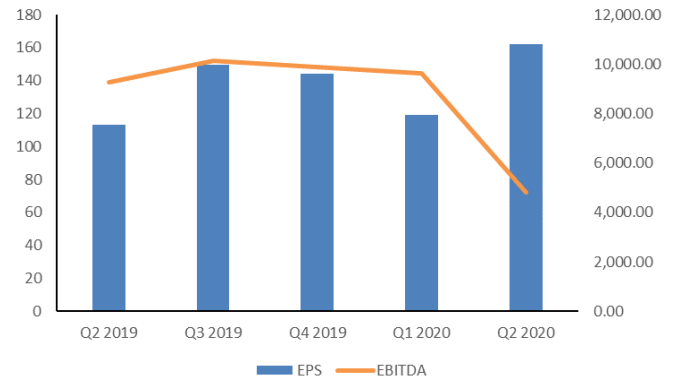
Performance Highlights

1H20 Revenue Breakdown (by Segment)



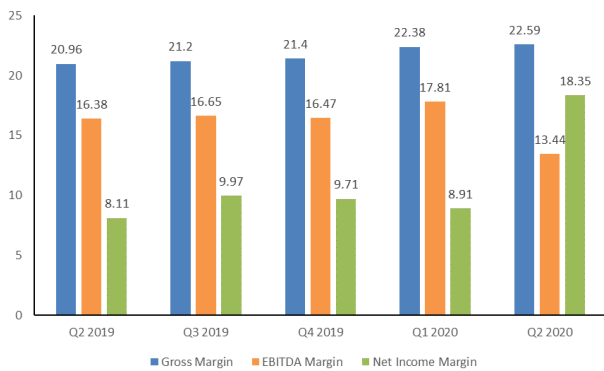
Source: Bloomberg, NHKSI Research

EPS and EBITDA Movement



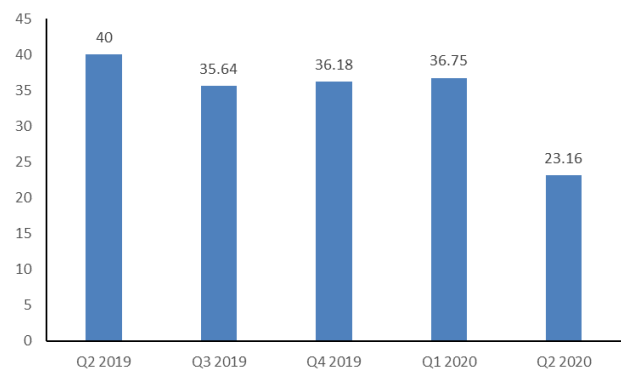
Source: Bloomberg, NHKSI Research

Margin Growth



Source: Bloomberg, NHKSI Research

Net Debt to EBITDA Position



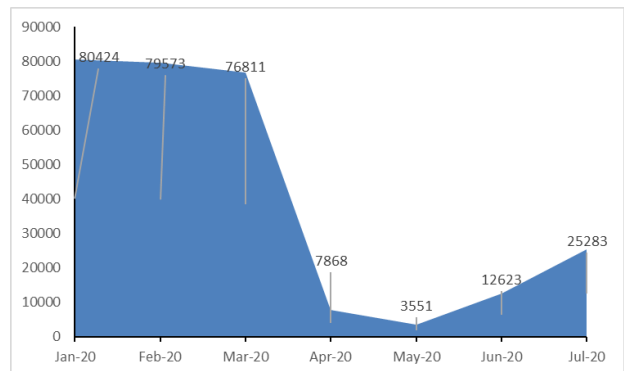
Source: Bloomberg, NHKSI Research

ASII YoY Car Sales Comparison (by Brand)

Brand	Sales Unit		YoY Change
	1H19	1H20	
Toyota	154308	81816	-46.98%
Daihatsu	87023	49774	-42.80%
Isuzu	11283	7107	-37.01%
BMW	1039	847	-18.48%

Source: Gaikindo, NHKSI Research

National Automobile Sales (Units)



Source: Bloomberg, 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.

ASII List of Subsidiaries

Subsidiary	Sector	Ownership
PT Astra Agro Lestari Tbk	Agribusiness	79.68%
PT United Tractors Tbk	Heavy Equipment & Mining	59.50%
PT Astratel Nusantara	Infrastructure & Logistics	100.00%
PT Intertel Nusaperdana	Infrastructure & Logistics	100.00%
PT Serasi Autoraya	Infrastructure & Logistics	100.00%
PT Astra Mitra Ventura	Financial Services	99.85%
PT Astra Multi Finance	Financial Services	100.00%
PT Astra Sedaya Finance	Financial Services	86.14%
PT Federal International Finance	Financial Services	100.00%
PT Garda Era Sedaya	Financial Services	100.00%
PT Matra Graha Sarana	Financial Services	100.00%
PT Sedaya Multi Investama	Financial Services	100.00%
PT Sedaya Pratama	Financial Services	100.00%
PT Sharia Multifinance Astra	Financial Services	100.00%
PT Staco Estika Sedaya Finance	Financial Services	97.00%
PT Swadharma Bhakti Sedaya Finance	Financial Services	96.54%
PT Arya Kharisma	Automotive	100.00%
PT Astra Autoprima	Automotive	75.00%
PT Astra Multi Trucks Indonesia	Automotive	80.00%
PT Astra Otoparts Tbk	Automotive	80.00%
PT Fuji Technica Indonesia	Automotive	59.63%
PT Gaya Motor	Automotive	100.00%
PT Inti Pantja Press Industri	Automotive	89.36%
PT Pulogadung Pawitra Laksana	Automotive	100.00%
PT Tjahja Sakti Motor	Automotive	100.00%
PT Brahmayasa Bahtera - Divisi Komersial	Property	100.00%
PT Menara Astra	Property	100.00%
PT Samadista Karya	Property	100.00%
PT Astra Graphia Tbk	Information Technology	76.87%

Sources: IDX, Company Data

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%

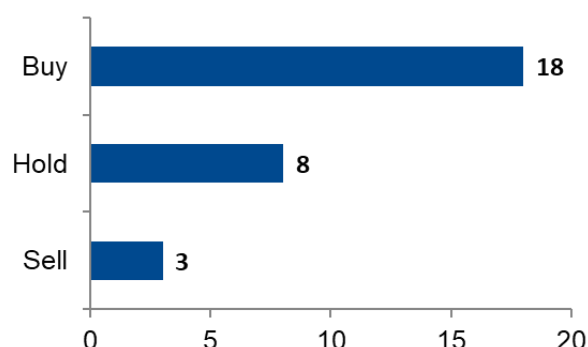
Multiple Valuation

ASII is trading at **-1 SD** | Forward P/E Band



Source: NHKSI Research

Analyst Coverage Rating



Source: Bloomberg

Rating and Target Price Update

Rating Update

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
06/23/2020	Hold	5,350	4,890	5,123	+9.4%	+4.4%
08/26/2020	Hold	5,575	5,300	5,565	+5.2%	+0.2%

Source: Bloomberg, NHKSI Research

ASII SOTP-based Valuation

Segment	Valuation Method	Base Amount	Assigned Multiple (x)	Value
Automotive	Target P/E	5,229	14.0	73,203
Heavy Equipment & Mining	Target P/E	8,203	9.8	80,389
Financial Services	Industry P/B	26,552	1.0	26,552
Agribusiness	Target P/E	926	29.5	27,317
Infrastructure & Logistics	Industry P/E	185	22.9	4,236
Property	Net Assets Value	13,000	1.0	13,000
Information Technology	Industry P/E	129	7.9	1,023
Total Value (IDR Bn)				225,720
Shares O/S (Mn)				40,484
Per Share Value				5,576

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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
Sales	239,205	237,166	220,173	222,688	ROE	13.1%	12.0%	11.4%	11.7%
<i>Growth</i>	16.1%	-0.9%	-7.2%	1.1%	ROA	6.8%	6.2%	6.3%	6.7%
COGS	(188,436)	(186,927)	(170,634)	(168,511)	ROIC	8.9%	8.5%	9.3%	10.2%
Gross Profit	50,769	50,239	49,539	54,176	Cash Dividend (IDR bn)	7,692	8,547	8,560	9,155
<i>Gross Margin</i>	21.2%	21.2%	22.5%	24.3%	Dividend Yield	2.3%	3.6%	3.8%	4.1%
Operating Expenses	(23,901)	(24,055)	(21,813)	(22,682)	Payout Ratio	41.1%	39.4%	39.4%	39.4%
EBIT	26,868	26,184	27,726	31,494	DER	49.3%	49.4%	43.0%	42.0%
<i>EBIT Margin</i>	11.2%	11.0%	12.6%	14.1%	Net Gearing	27.2x	29.2x	30.0x	31.8x
Depreciation	(9,422)	(13,452)	(12,177)	(13,192)	LT Debt to Equity	38.0%	41.2%	34.0%	33.4%
EBITDA	36,290	39,636	39,903	44,686	Capitalization Ratio	33.0%	33.1%	30.1%	29.6%
<i>EBITDA Margin</i>	15.2%	16.7%	18.1%	20.1%	Equity Ratio	50.6%	53.1%	57.3%	57.9%
Interest Expenses	(3,105)	(4,382)	(3,463)	(3,809)	Debt Ratio	24.9%	26.2%	24.6%	24.3%
EBT	34,995	34,054	35,238	38,805	Financial Leverage	1.9x	1.9x	1.8x	1.7x
Income Tax	(7,623)	(7,433)	(6,958)	(7,009)	Current Ratio	1.1x	1.3x	1.5x	1.6x
Minority Interest	(5,699)	(4,914)	(5,064)	(4,868)	Par Value (IDR)	50	50	50	50
Net Profit	21,673	21,707	23,215	26,929	Total Shares (mn)	40,484	40,484	40,484	40,484
<i>Growth</i>	15.0%	0.2%	6.9%	16.0%	Share Price (IDR)	8,225	5,800	5,575	5,575
<i>Net Profit Margin</i>	9.1%	9.2%	10.5%	12.1%	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	38,149	45,868	Price /Earnings	15.4x	10.8x	9.7x	8.4x
Receivables	65,062	65,426	75,457	74,520	Price /Book Value	1.9x	1.3x	1.0x	0.9x
Inventories	26,505	24,287	31,812	32,823	Price/Sales	1.4x	1.0x	1.0x	1.0x
Total Current Assets	133,609	129,058	161,602	170,720	PE/EPS Growth	1.0x	69.0x	1.4x	0.5x
Net Fixed Assets	57,733	62,337	67,332	74,994	EV/EBITDA	11.9x	8.6x	7.3x	6.5x
Other Non Current Assets	89,618	90,700	88,904	92,405	EV/EBIT	16.0x	13.0x	10.5x	9.2x
Total Assets	344,711	351,958	385,521	413,711	EV (IDR bn)	430,527	341,294	291,132	290,738
Payables	42,263	30,087	26,216	29,387	Sales CAGR (3-Yr)	9.1%	9.4%	2.2%	-2.4%
ST Borrowing	19,588	15,427	19,783	20,670	EPS CAGR (3-Yr)	14.4%	12.7%	7.2%	7.5%
LT Debt	66,326	76,874	75,133	79,990	Basic EPS (IDR)	535	536	573	665
Total Liabilities	170,348	165,195	164,785	174,043	Diluted EPS (IDR)	535	536	573	665
Capital Stock	2,024	2,024	2,024	2,024	BVPS (IDR)	4,307	4,613	5,452	5,920
Retained Earnings	127,732	140,487	171,972	189,745	Sales PS (IDR)	5,909	5,858	5,439	5,501
Shareholders' Equity	174,363	186,763	220,736	239,668	DPS (IDR)	190.0	211.1	211.5	226.1

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	13,106	41,796	Singapore	78.5	Jardine Cycle & C	50.1
Investing Cash Flow	(29,731)	(14,186)	4,171	(31,825)	United States	10.0	Vanguard Group	1.7
Financing Cash Flow	(4,873)	(541)	(3,457)	(2,252)	Luxembourg	3.5	Blackrock	1.7
Net Changes in Cash	(6,912)	4,448	13,819	7,719	United Kingdom	2.8	Standard Life Aberdeen	1.6

Source: Company Data, NHKSI Research

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