

Astra International Tbk (ASII)

Recovery in Auto Sales, Agribusiness Leads Growth

Significant Improvement in 3Q20 Results. ASII booked net revenue of IDR 40,554 Bn in Q3/2020 (up 13.3% QoQ) which amounts to a 9M20 total sales of IDR 130,349 Bn or down by 26.4% YoY. An encouraging sign of improvement was reflected in 3Q20 operating income which improved to IDR 2,896 Bn (+39.4% QoQ). This translates into a 9M20 net income of IDR 16,846 Bn (including gains from Bank Permata sale) or down by 17.3% YoY.

Strong September Sales Boosts Auto Segment. The Automotive segment showed a significant recovery in Q3/2020, with sales amounting to IDR 16,197 Bn (+67.6% QoQ) and contributed to 39.3% of ASII's total sales. Car wholesales number in 3Q20 reached 52,994 units; compared to 9,858 units in 2Q20 at the height of PSBB period. Toyota remain the biggest contributors with 29,047; followed by Daihatsu with 19,408 units. However, total unit sales was still down significantly by 51.63% YoY; from 398,820 units in 9M19 to 192,904 units in 9M20. In terms of market shares, ASII car brands still leads with 52% of total national sales in 2020. As for motorcycles, Honda has successfully increase its market share to 79% in 2020 from 75% in 2019.

Agribusiness Booked Highest Growth due to Favorable CPO Price. ASII's agribusiness division booked the highest net income growth in 3Q20 amongst other segments with a 421% increase QoQ. This was achieved despite a lower sales volume of CPO products from 1.7 million tons in 9M19 to 1.5 million tons in 9M20. Higher average of CPO prices which were able to offset the decrease in sales volume.

Recommend Overweight Rating with Higher TP. We raise our Target Price for ASII to IDR 5,800 per share based on SOTP-valuation on the back of an improving 3Q20 results. Our TP implies a 2021 forward P/E of 10.9x or equivalent to -1 std of ASII's 3-year average P/E. Key risks to our TP are: 1) A prolonged Covid-19 pandemic which could halt auto sales; 2) Lower commodity prices (Coal, Gold, and CPO); and 3) Fluctuation in USD/IDR exchange rate

Astra International Tbk | Summary (IDR bn)

	2019	2020F	2021F	2022F
Sales	237,166	178,503	209,528	213,656
Sales growth	-0.9%	-24.7%	17.4%	2.0%
EBITDA	27,443	15,086	23,773	22,539
Net profit	21,707	16,971	21,457	21,662
EPS (IDR)	536	419	530	535
EPS growth	0.2%	-21.8%	26.4%	1.0%
BVPS (IDR)	4,613	4,890	5,120	5,284
EBITDA margin	11.6%	8.5%	11.3%	10.5%
NPM	9.2%	9.5%	10.2%	10.1%
ROE	11.6%	8.6%	10.4%	10.1%
ROA	6.2%	4.9%	6.1%	5.9%
ROIC	7.3%	4.1%	5.8%	5.7%
P/E	12.9x	13.8x	10.9x	10.8x
P/BV	1.5x	1.2x	1.1x	1.1x
EV/EBITDA	14.3x	21.6x	13.3x	14.1x
DPS (IDR)	211	184	293	371
Dividend yield	3.0%	3.2%	5.1%	6.4%

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

Overweight

Target Price	5,800
Consensus Price (IDR)	5,935
TP to Consensus Price	-2.3%
vs. Last Price	5.5%

Shares data

Last Price (IDR)	5,500
Price date as of	November 3, 2020
52 wk range (Hi/Lo)	7,250 / 3,220
Free float	49.8%
Outstanding sh.(mn)	40,484
Market Cap (IDR bn)	220,635
Market Cap (USD mn)	15,156
Avg. Trd Vol - 3M (mn)	36,905
Avg. Trd Val - 3M (bn)	183,700
Foreign Ownership	99.1%

Miscellaneous Industry

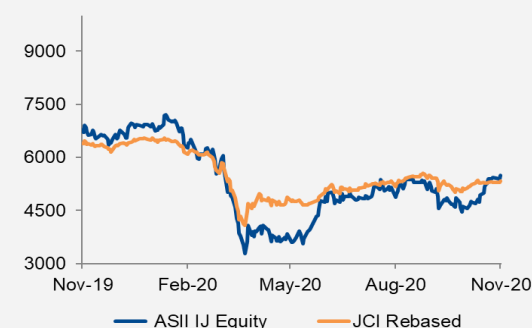
Automotive and Components

Bloomberg	ASII IJ
Reuters	ASII.JK

Anggaraksa Arismunandar

+62 21 5088 9134
anggaraksa@nhsec.co.id

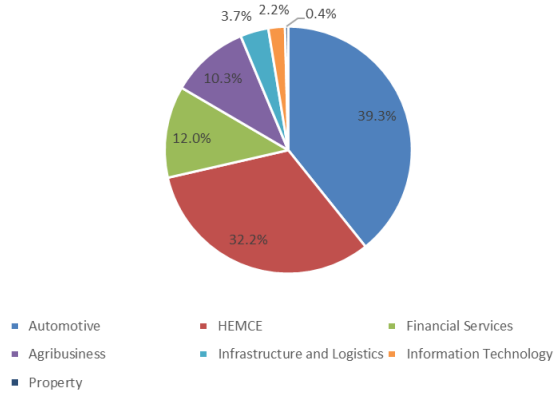
ASII Share Performance



	YTD	1M	3M	12M
Abs. Ret	-20.6%	19.8%	12.7%	-17.9%
Rel. Ret	-2.5%	15.1%	9.6%	-1.4%

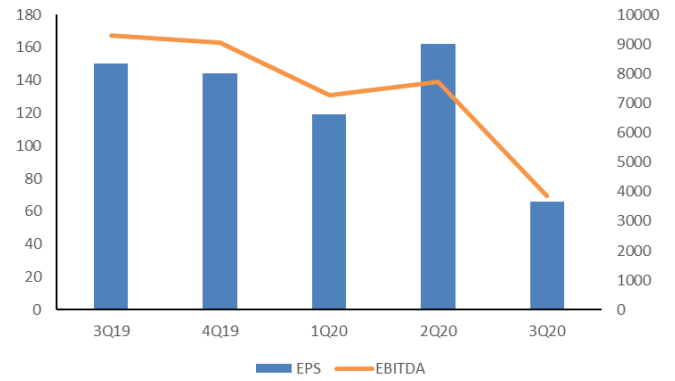
Performance Highlights

3Q20 Revenue Breakdown (by Segment)



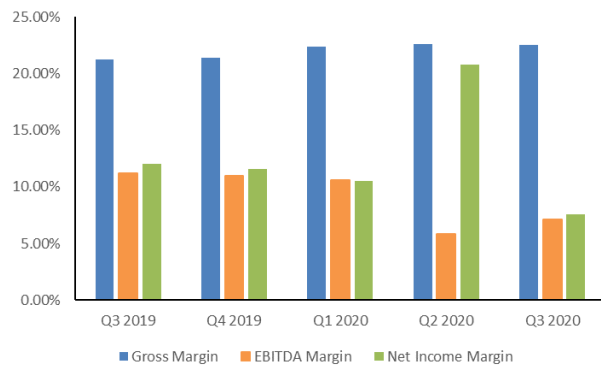
Source: Bloomberg, NHKSI Research

EPS and EBITDA Movement



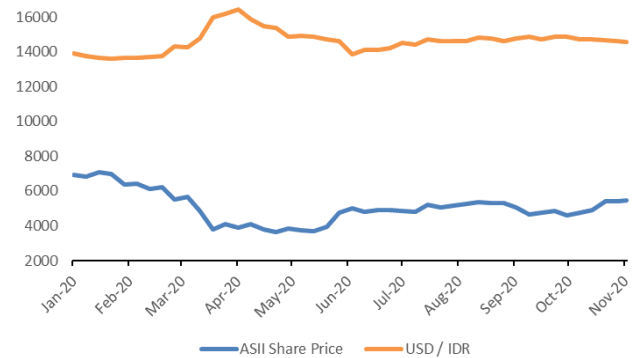
Source: Company Data, NHKSI Research

Margin Growth



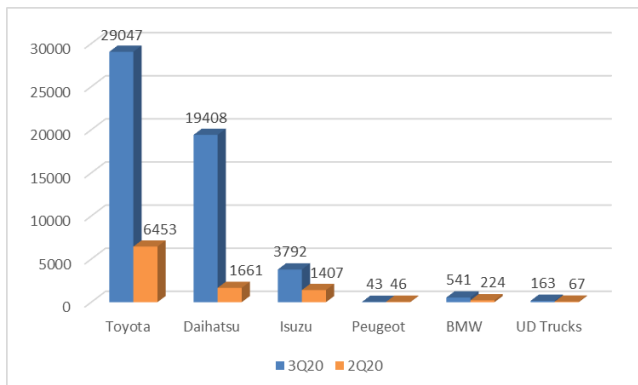
Source: Company Data, NHKSI Research

ASII vs USD/IDR



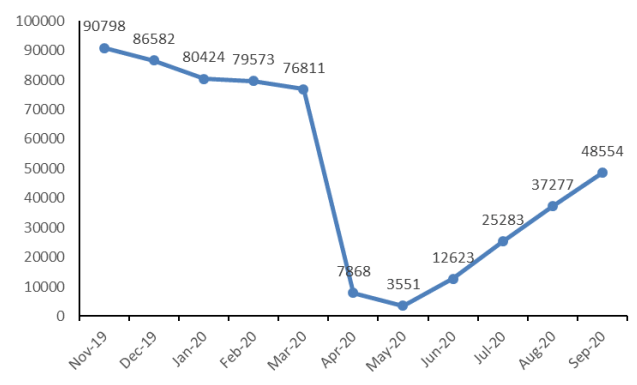
Source: Bloomberg, NHKSI Research

ASII QoQ Car Sales Comparison (by Brand)



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%

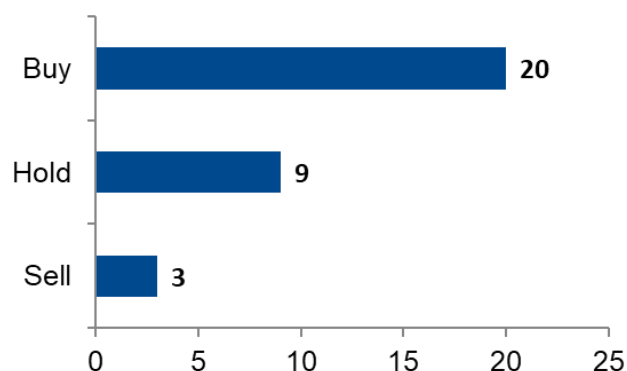
Multiple Valuation

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%
11/04/2020	Overweight	5,800	5,500	5,935	+5.5%	-2.3%

Source: Bloomberg, NHKSI Research

ASII SOTP-based Valuation

Segment	Valuation Method	Base Amount	Assigned Multiple (x)	Value
Automotive	Target P/E	5,940	13.3	79,000
Heavy Equipment & Mining	Target P/E	7,389	10.4	76,846
Financial Services	Industry P/B	27,766	1.0	27,766
Agribusiness	Target P/E	621	25.8	16,022
Infrastructure & Logistics	Industry P/E	781	19.2	14,985
Property	Net Assets Value	13,017	1.4	18,224
Information Technology	Industry P/E	297	6.2	1,841
Total Value (IDR Bn)				234,683
Shares O/S (Mn)				40,484
Per Share Value				5,797

NH Korindo Sekuritas Indonesia (NHKSI) stock ratings

- Period: Next 12-months
- Rating system based on a stock's potential upside from the date of publication
 - Buy : Greater than +15%
 - Overweight : 5% to 15%
 - Hold : -5% to +5%
 - Underweight : -5% to -15%
 - Sell : Less than -15%

Financial Summary

INCOME STATEMENT

(IDR bn)	2019/12A	2020/12E	2021/12E	2022/12E
Net Sales	237,166	178,503	209,528	213,656
<i>Growth</i>	-0.9%	-24.7%	17.4%	2.0%
COGS	(186,927)	(138,950)	(164,949)	(168,199)
Gross Profit	50,239	39,552	44,579	45,457
<i>Gross Margin</i>	21.2%	22.2%	21.3%	21.3%
Operating Expenses	(24,055)	(25,729)	(23,693)	(24,160)
EBIT	26,184	13,823	20,886	21,297
<i>EBIT Margin</i>	11.0%	7.7%	10.0%	10.0%
Depreciation	1,259	1,263	1,205	1,242
EBITDA	27,443	15,086	23,773	22,539
<i>EBITDA Margin</i>	11.6%	8.5%	11.3%	10.5%
Interest Expenses	7,703	2,973	4,685	4,442
EBT	34,054	23,110	32,982	33,297
Income Tax	(7,433)	(3,465)	(6,535)	(6,597)
Minority Interest	(4,914)	(2,673)	(4,990)	(5,037)
Net Profit	21,707	16,971	21,457	21,662
<i>Growth</i>	0.2%	-21.8%	26.4%	1.0%
<i>Net Profit Margin</i>	9.2%	9.5%	10.2%	10.1%

PROFITABILITY & STABILITY

	2019/12A	2020/12E	2021/12E	2022/12E
ROE	11.6%	8.6%	10.4%	10.1%
ROA	6.2%	4.9%	6.1%	5.9%
ROIC	7.3%	4.1%	5.8%	5.7%
Cash Dividend (IDR bn)	8,547	7,449	11,880	15,020
Dividend Yield	3.0%	3.2%	5.1%	6.4%
Payout Ratio	39.4%	43.9%	55.4%	69.3%
DER	49.4%	43.9%	40.0%	40.0%
Net Gearing	64.8%	57.1%	51.3%	50.9%
LT Debt to Equity	27.1%	23.7%	21.6%	21.6%
Capitalization Ratio	33.1%	30.5%	28.6%	28.6%
Equity Ratio	53.1%	57.7%	58.9%	58.7%
Debt Ratio	26.2%	25.3%	23.5%	23.5%
Financial Leverage	95.3%	92.0%	98.0%	100.2%
Current Ratio	129.1%	152.6%	169.2%	170.2%
Par Value (IDR)	50	50	50	50
Total Shares (mn)	40,484	40,484	40,484	40,484
Share Price (IDR)	6,925	5,800	5,800	5,800
Market Cap (IDR tn)	280.4	234.8	234.8	234.8

BALANCE SHEET

(IDR bn)	2019/12A	2020/12E	2021/12E	2022/12E
Cash	24,330	40,130	45,240	47,832
Receivables	65,426	52,402	61,510	62,721
Inventories	24,287	19,483	23,128	23,584
Total Current Assets	129,058	128,033	146,310	150,362
Net Fixed Assets	83,159	81,493	76,587	80,478
Other Non Current Assets	139,741	133,672	129,280	133,281
Total Assets	351,958	343,198	352,177	364,121
Payables	43,444	28,318	33,617	34,279
ST Bank Loan	41,752	39,923	38,088	39,309
LT Debt	50,549	46,980	44,821	46,257
Total Liabilities	165,195	145,241	145,656	148,948
Capital Stock & APIC	3,163	3,163	3,163	3,163
Retained Earnings	140,487	150,208	159,524	166,166
Shareholders' Equity	186,763	197,957	207,273	213,915

VALUATION INDEX

	2019/12A	2020/12E	2021/12E	2022/12E
Price /Earnings	12.9x	13.8x	10.9x	10.8x
Price /Book Value	1.5x	1.2x	1.1x	1.1x
Price/Sales	1.2x	1.3x	1.1x	1.1x
PE/EPS Growth	83.8x	-0.6x	0.4x	11.4x
EV/EBITDA	14.3x	21.6x	13.3x	14.1x
EV/EBIT	14.9x	23.6x	15.2x	14.9x
EV (IDR bn)	391,436	326,166	317,062	317,127
Sales CAGR (3-Yr)		-4.7%	-4.3%	-3.4%
EPS CAGR (3-Yr)		-3.4%	-0.3%	-0.1%
Basic EPS (IDR)	536	419	530	535
Diluted EPS (IDR)	536	419	530	535
BVPS (IDR)	4,613	4,890	5,120	5,284
Sales PS (IDR)	5,858	4,409	5,176	5,278
DPS (IDR)	211	184	293	371

CASH FLOW STATEMENT

(IDR bn)	2019/12A	2020/12E	2021/12E	2022/12E
Operating Cash Flow	35,159	31,150	32,687	33,732
Investing Cash Flow	(15,815)	(13,682)	(9,219)	(9,828)
Financing Cash Flow	(2,274)	(17,865)	(15,874)	(12,364)
Net Changes in Cash	17,070	(397)	7,594	11,541

OWNERSHIP

By Geography	% Shareholders	%
Singapore	75.3	Jardine Cycle & Carriage 50.1
United States	13.3	Blackrock Inc 2.5
United Kingdom	3.7	Capital Group Cos Inc 1.8
Others	7.7	Others 45.6

Source: Company Data, NHKSI Research

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