

Buy

(Upgraded)

Astra International (ASII IJ)

Expect new models to boost 2H24F sales; upgrade rating to Buy with an unchanged TP of Rp5,100

Last Price (Rp)	4,420
Target Price (Rp)	5,100
Previous Target Price (Rp)	5,100
Upside/Downside	+15.4%

No. of Shares (mn)	40,484
Mkt Cap (Rpbn/US\$mn)	178,937/10,911
Avg, Daily T/O (Rpbn/US\$mn)	389.3/23.7
Free Float (%)	47.1

Major Shareholder (%)	
Jardine Cycle & Carriage	50.1

EPS Consensus (Rp)			
	2024F	2025F	2026F
BRIDS	742.7	727.2	773.0
Consensus	736.5	744.4	769.7
BRIDS/Cons (%)	0.8	(2.3)	0.4

- While 4W sales remained weak in 5M24 (wholesales of 334.9k, -21% yoy), we expect new models to help boost 2H24F sales.
- Retail sales > wholesales suggests little overstock at dealers, as was also confirmed by lower discounts in May24 (~7%) vs Apr24 (8%).
- We raise our FY24F net profit forecast by 1.8% on higher auto OPM assumptions. Rating upgraded to Buy with a TP of Rp5,100.

5M24 4W sales still weak, but expect 2H24 to turn better

4W wholesales in May24 reached 71.2k (+47% mom/-13% yoy), driving 5M24 sales to reach 334.9k (-21% yoy, 39%/30% of our/Gaikindo est., hence inline with our target). On a positive note, we think the 3M rolling sales indicate stabilizing sales, with scope for improvement in 2H24 from new models. Meanwhile, 4W retail sales reached 361.6k in 5M24 (-14% yoy). The rolling 3M car retail sales data indicates little or no overstock at dealers, as retail sales continue to be higher than wholesales (Fig 3), a trend evident since Jan24. We also observe that dealer discounts in May24 were less aggressive (~7% discount of the OTR price) compared to Apr24 (~8%). Thus, we upgrade our auto OPM assumption from <1% in FY24F to 1.5% in FY24F (1Q24: 1.5%) and our FY24F net profit by 1.4%.

ASII's 4W market share to normalize after gaining momentum in May24

Toyota, Daihatsu, and Isuzu sales in May24 improved by 54% mom/-12% yoy, outpacing the industry growth (+47% mom/-13% yoy), thus implying ASII gained market share in May24 (on a mom basis) to 58% (vs. average market share in Jan-Apr24 at 56%, inline with the FY23 average). We think May24's market share was a one-off and may not be sustained, however, given stiff competition from new Chinese brands such as BYD and Chery in FY24 onwards. Nonetheless, we expect ASII's market share to only decline slightly to 55% in FY24F (-120 bps yoy), still higher than the 10-year average of 53%, as ICE and hybrid models are expected to maintain their dominance (~90% to total sales).

Upgrade to Buy with a TP of Rp5,100; expect 4W sales to recover in 2H24

We believe the May24 data (strong mom, yet still weak on a yoy basis) was widely expected. However, we expect 2H24 sales to boost FY24F sales (+13% higher vs 1H24F). Given the brighter 2H24F outlook and the upgrade in our auto OPM estimation, we upgrade our rating to Buy from Hold with an unchanged SOTP-based TP of Rp5,100. ASII currently trades at 5.7x P/E, -1.5 std dev of the 8-year mean. We think the downside is limited given that the consensus has downgraded FY24F EPS further by 1.4% in the last 1M. Downside risks include: 1) New models in 2H24F fail to boost sales and 2) Deterioration in financial segment assets quality

Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Revenue (Rpbn)	301,379	316,565	293,841	310,565	334,381
EBITDA (Rpbn)	56,102	53,405	53,490	52,819	55,595
EBITDA Growth (%)	41.4	(4.8)	0.2	(1.3)	5.3
Net Profit (Rpbn)	28,944	33,839	30,066	29,440	31,293
EPS (Rp)	715.0	835.9	742.7	727.2	773.0
EPS Growth (%)	43.3	16.9	(11.1)	(2.1)	6.3
BVPS (Rp)	4,746.2	4,906.7	5,228.4	5,651.1	6,125.9
DPS (Rp)	377.8	956.1	421.0	304.5	298.2
PER (x)	6.2	5.3	6.0	6.1	5.7
PBV (x)	0.9	0.9	0.8	0.8	0.7
Dividen yield (%)	8.5	21.6	9.5	6.9	6.7
EV/EBITDA	3.4	4.3	4.1	4.0	3.7

Source: ASII, BRIDS Estimates

ASII relative to JCI Index



Source: Bloomberg

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New models should boost 2H24F sales

5M24 4W sales still weak, but 2H24 to turn better

4W wholesales in May24 reached 71.2k (+47% mom/-13% yoy), driving 5M24 sales to reach 334.9k (-21% yoy, 39%/30% of our/Gaikindo est., hence inline with our target but a miss to Gaikindo's, as the 5M sales are historically 39% of the total FY figure in the past 3 years). On a positive note, we think the 3M rolling sales indicate stabilizing sales, with scope for improvement in 2H24 from new models. Meanwhile, 4W retail sales reached 361.6k (-14% yoy). The rolling 3M car retail sales data indicates little or no overstock at dealers, as retail sales continue to be higher than wholesales (see Figure 3), a trend evident since Jan24. We also observe that dealer discounts in May24 were less aggressive (~7% discount of the OTR price) compared to Apr24 (~8%). Thus, we upgrade our auto OPM expectation from <1% in FY24F to 1.5% in FY24F (1Q24: 1.5%). On brands, Wuling performed the best in 5M24 (-7% yoy) thanks to the release of the Binguo EV, followed by Mitsubishi (-11%) and Daihatsu (-13%). However, we expect better industry sales in 2H24F due to BYD delivery (expected to begin by mid Jun24) and more new model releases (possibly Toyota, BYD, and several new Chinese brands in GIIAS Jul24), as historically, sales in 2H are 53% of total FY sales.

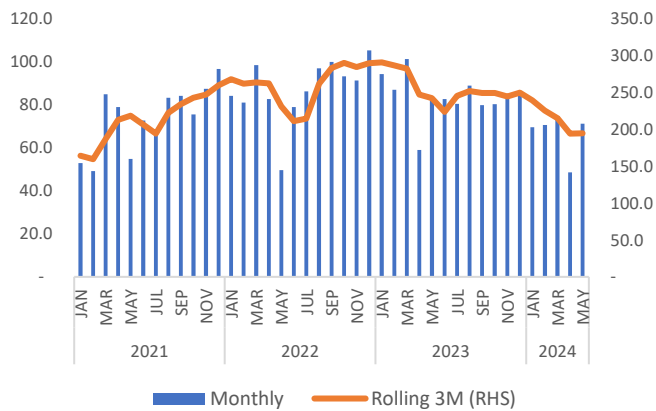
ASII's 4W market share to normalize after gaining momentum in May24

Toyota, Daihatsu, and Isuzu sales in May24 improved by 54% mom/-12% yoy, outpacing the industry growth (+47% mom/-13% yoy), thus implying ASII gained market share in May24 (on a mom basis) to 58% (vs. average market share in Jan-Apr24 at 56%, inline with the FY23 average). We think May24's market share was a one-off and may not be sustained, however, given stiff competition from new Chinese brands (e.g., BYD, Chery) in 2024 onwards. To note, Chery was able to climb to rank 13th based on sales vol in 2023 and improved its ranking to 11th in 5M24. Nonetheless, we expect ASII's market share to only decline slightly to 55% in FY24F (-120 bps yoy), still higher than the 10-year average of 53%, as ICE and hybrid models are expected to maintain their dominance (~90% to total sales).

Upgrade to Buy with a TP of Rp5,100; expect 4W sales to recover in 2H24F

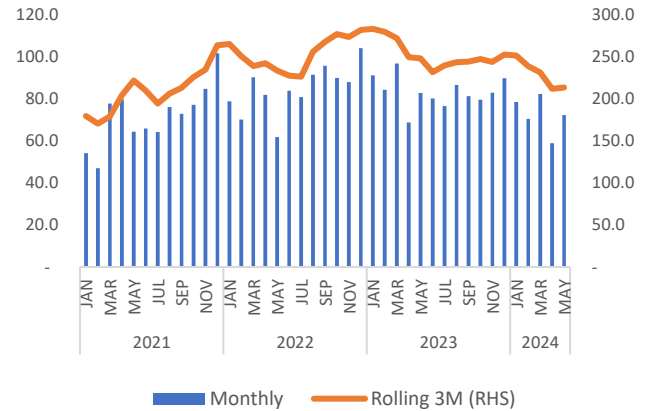
We believe the May24 data (strong mom, yet still weak on a yoy basis) was widely expected. However, 2H sales will provide a boost to the full-year target (+13% higher vs 1H24F), albeit we expect the FY24F yoy sales to be 14% yoy lower (-16% yoy for ASII). Furthermore, we expect better auto OPM due to lower inventory on the dealer side, and thus raise our auto OPM estimate from <1% to 1.5% in FY24F vs 1.5% in 1Q24, and our FY25F auto OPM from 1.5% to 1.6%. This leads to a FY24F/FY25F revenue upgrade by 1%/0.6% and NP upgrade by 1.8%/0.4%. Thus, we upgrade our rating on ASII from Hold to Buy with an unchanged SOTP-based TP of Rp5,100. ASII currently trades at 5.7x P/E, -1.5 std dev of the 8-year mean. We think the downside is limited at the moment, given that the consensus has downgraded FY24F EPS further by 1.4% in the last 1M. Downside risks include: 1) New models in 2H24F do not boost 4W sales and 2) Deterioration in financial segment assets quality.

Exhibit 1. 4W Wholesales Monthly (in '000 units)



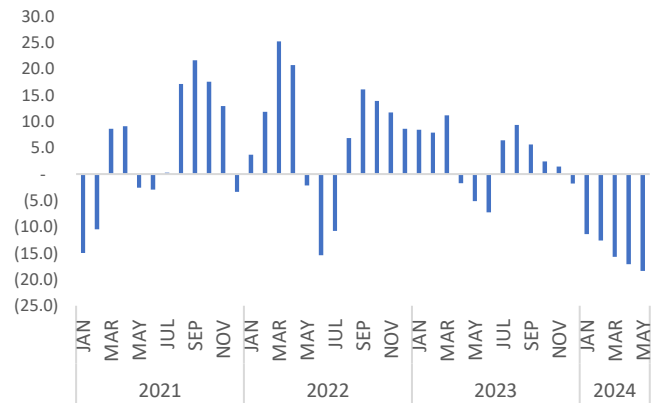
Source: Gaikindo, BRIDS

Exhibit 2. 4W Retail Sales Monthly (in '000 units)



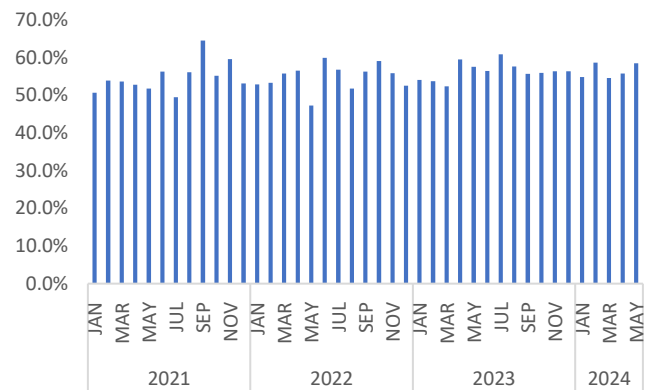
Source: Gaikindo, BRIDS

Exhibit 3. 4W Wholesale - Retail sales Difference (in '000 units)



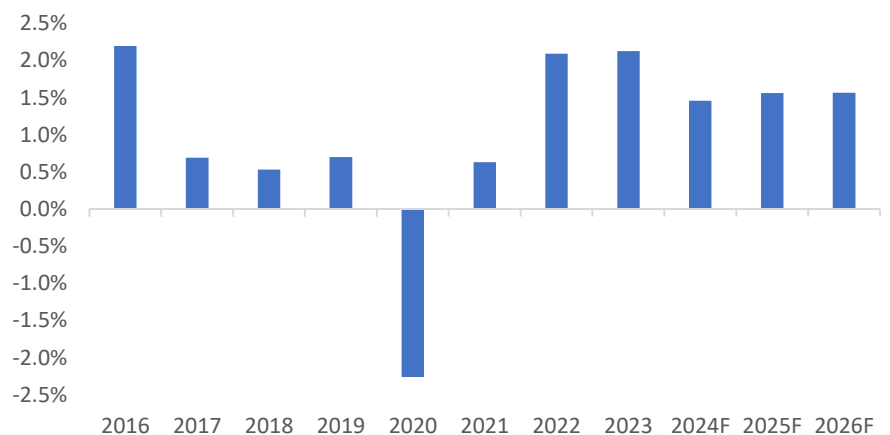
Source: Gaikindo, BRIDS

Exhibit 4. ASII 4W Market Share



Source: Gaikindo, BRIDS

Exhibit 5. ASII Auto Operating Margin



Source: ASII, BRIDS estimates

Exhibit 6. Top 10 4W Brands Wholesale Numbers

Brand	Ytd May 24	Ytd May 23	yoy%	May-24	May-23	yoy%	Apr-24	mom%
Toyota	104,338	135,473	-23%	23,482	28,178	-17%	15,201	54%
Daihatsu	70,467	81,128	-13%	14,983	16,009	-6%	9,481	58%
Honda	39,971	63,140	-37%	7,294	11,158	-35%	4,611	58%
Mitsubishi Motors	30,091	33,787	-11%	6,976	5,719	22%	4,006	74%
Suzuki	28,549	33,481	-15%	5,762	6,377	-10%	4,986	16%
Hyundai - HMD	10,136	15,702	-35%	1,408	3,030	-54%	1,485	-5%
Isuzu	10,960	13,176	-17%	2,265	2,169	4%	1,849	22%
Mitsubishi Fuso	10,993	14,996	-27%	2,411	1,918	26%	1,987	21%
Wuling	7,554	8,092	-7%	909	2,119	-57%	1,188	-23%
Hino	7,705	11,541	-33%	1,848	2,554	-28%	1,319	40%

Source: Gaikindo, ASII

Exhibit 7. ASII P/E Band



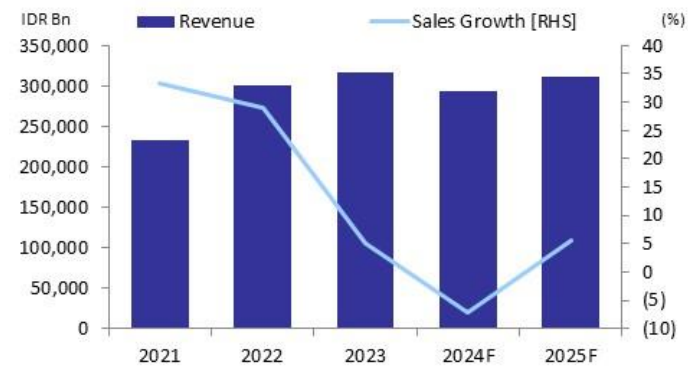
Source: Bloomberg, ASII, BRIDS

Exhibit 8. ASII forecast revision summary

	Previous		New		Changes		New Estimate vs Cons	
	FY24F	FY25F	FY24F	FY25F	FY24F	FY25F	FY24F	FY25F
ASII 4W sales, unit	473,000	515,570	473,000	515,570	0.0%	0.0%		
ASII 2W sales, unit	4,503,108	4,503,108	4,503,108	4,503,108	0.0%	0.0%		
Consolidated								
Revenue	290,968	308,706	293,841	310,565	1.0%	0.6%	-5.0%	-1.9%
Gross Profit	66,424	65,931	67,439	66,337	1.5%	0.6%	-0.5%	-2.6%
OPEX	27,259	27,997	27,624	28,252	1.3%	0.9%		
Operating Profit	39,166	37,934	39,815	38,085	1.7%	0.4%	5.0%	2.6%
Net Profit	29,545	29,318	30,066	29,440	1.8%	0.4%	-0.3%	-3.8%
GPM	22.8%	21.4%	23.0%	21.4%	0.1%	0.0%		
OPM	13.5%	12.3%	13.5%	12.3%	0.1%	0.0%		
By Segment								
<u>Revenue</u>								
Automotive	113,325	124,913	116,141	126,599	2.5%	1.3%		
Financial	31,034	31,720	31,129	31,918	0.3%	0.6%		
Agribusiness	20,123	19,519	20,123	19,519	0.0%	0.0%		
IT	3,028	3,089	3,028	3,089	0.0%	0.0%		
Heavy equipment	117,824	122,983	117,824	122,983	0.0%	0.0%		
Infra, logistic & property	9,516	10,601	9,516	10,601	0.0%	0.0%		
<u>Net Profit</u>								
Automotive	8,921	9,820	9,563	9,916	7.2%	1.0%		
Financial	7,424	7,359	7,451	7,416	0.4%	0.8%		
Agribusiness	820	799	820	799	0.0%	0.0%		
IT	122	124	122	124	0.0%	0.0%		
Heavy equipment	10,945	9,990	10,945	9,990	0.0%	0.0%		
Infra, logistic & property	1,009	1,092	1,009	1,092	0.0%	0.0%		

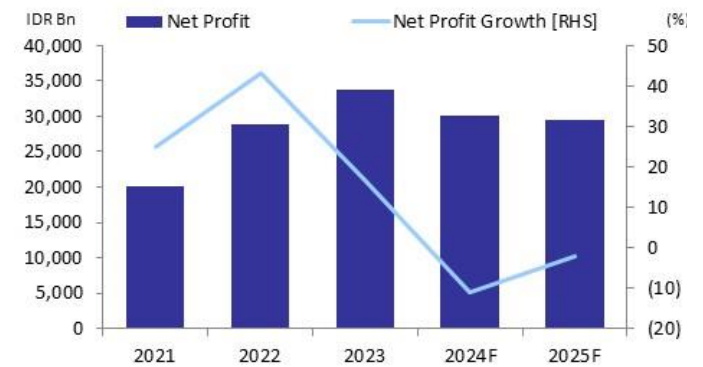
Source: BRIDS estimates

Exhibit 9. Revenue and Growth



Source: Company, BRIDS Estimates

Exhibit 10. Net Profit and Growth



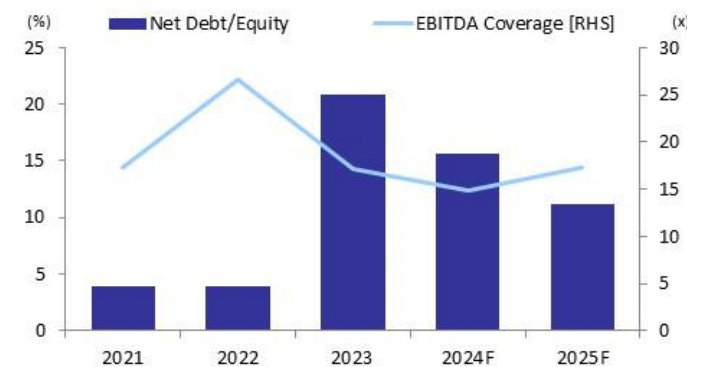
Source: Company, BRIDS Estimates

Exhibit 11. Margins



Source: Company, BRIDS Estimates

Exhibit 12. Gearing Level



Source: Company, BRIDS Estimates

Exhibit 13. Income Statement

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Revenue	301,379	316,565	293,841	310,565	334,381
COGS	(231,291)	(243,255)	(226,401)	(244,228)	(264,025)
Gross profit	70,088	73,310	67,439	66,337	70,355
EBITDA	56,102	53,405	53,490	52,819	55,595
Oper. profit	42,201	44,268	39,815	38,085	39,718
Interest income	2,535	3,053	2,714	2,714	2,714
Interest expense	(2,107)	(3,112)	(3,585)	(3,067)	(2,617)
Forex Gain/(Loss)	188	(408)	0	0	0
Income From Assoc. Co's	8,231	9,499	8,750	8,778	9,081
Other Income (Expenses)	(658)	1,429	1,049	737	737
Pre-tax profit	50,390	54,729	48,742	47,247	49,633
Income tax	(9,970)	(10,228)	(9,644)	(9,348)	(9,820)
Minority interest	(11,476)	(10,662)	(9,032)	(8,459)	(8,520)
Net profit	28,944	33,839	30,066	29,440	31,293
Core Net Profit	29,321	33,009	29,225	28,848	30,701

Exhibit 14. Balance Sheet

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Cash & cash equivalent	61,295	41,136	41,342	42,481	41,117
Receivables	71,839	72,227	71,887	74,716	80,322
Inventory	32,323	39,138	33,255	35,873	38,781
Other Curr. Asset	14,075	12,837	11,916	12,594	13,559
Fixed assets - Net	94,752	107,977	113,302	118,539	124,012
Other non-curr.asset	138,727	171,516	180,159	188,928	200,073
Total asset	413,297	445,679	452,709	473,979	498,713
ST Debt	34,669	39,061	35,155	31,639	28,475
Payables	54,063	57,709	52,014	56,109	60,658
Other Curr. Liabilities	30,466	28,252	28,252	28,252	28,252
Long Term Debt	36,052	54,249	48,824	43,942	39,548
Other LT. Liabilities	14,327	15,990	15,990	15,992	15,993
Total Liabilities	169,577	195,261	180,235	175,935	172,926
Shareholder's Funds	192,142	198,640	211,663	228,775	247,998
Minority interests	51,578	51,778	60,811	69,269	77,790
Total Equity & Liabilities	413,297	445,679	452,709	473,979	498,713

Exhibit 15. Cash Flow

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Net income	28,944	33,839	30,066	29,440	31,293
Depreciation and Amort.	9,496	9,078	9,786	10,844	11,989
Change in Working Capital	(2,790)	(5,095)	1,450	(2,029)	(4,930)
Other Oper. Cash Flow	(10,082)	(17,357)	(2,160)	(2,742)	(5,435)
Operating Cash Flow	25,568	20,465	39,142	35,513	32,916
Capex	(14,358)	(22,303)	(15,111)	(16,081)	(17,462)
Others Inv. Cash Flow	(9,379)	(12,320)	(2,897)	(2,960)	(3,093)
Investing Cash Flow	(23,737)	(34,623)	(18,008)	(19,040)	(20,555)
Net change in debt	(1,765)	22,589	(9,331)	(8,398)	(7,558)
New Capital	0	0	0	0	0
Dividend payment	(15,295)	(38,707)	(17,044)	(12,327)	(12,070)
Other Fin. Cash Flow	12,577	10,117	5,447	5,392	5,903
Financing Cash Flow	(4,483)	(6,001)	(20,927)	(15,333)	(13,725)
Net Change in Cash	(2,652)	(20,159)	206	1,139	(1,364)
Cash - begin of the year	63,947	61,295	41,136	41,342	42,481
Cash - end of the year	61,295	41,136	41,342	42,481	41,117

Exhibit 16. Key Ratio

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Growth (%)					
Sales	29.1	5.0	(7.2)	5.7	7.7
EBITDA	41.4	(4.8)	0.2	(1.3)	5.3
Operating profit	65.3	4.9	(10.1)	(4.3)	4.3
Net profit	43.3	16.9	(11.1)	(2.1)	6.3
Profitability (%)					
Gross margin	23.3	23.2	23.0	21.4	21.0
EBITDA margin	18.6	16.9	18.2	17.0	16.6
Operating margin	14.0	14.0	13.5	12.3	11.9
Net margin	9.6	10.7	10.2	9.5	9.4
ROAA	7.4	7.9	6.7	6.4	6.4
ROAE	15.9	17.3	14.7	13.4	13.1
Leverage					
Net Gearing (x)	0.0	0.2	0.2	0.1	0.1
Interest Coverage (x)	20.0	14.2	11.1	12.4	15.2

Source : ASII, BRIDS Estimates

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INVESTMENT RATING

BUY	Expected total return of 10% or more within a 12-month period
HOLD	Expected total return between -10% and 10% within a 12-month period
SELL	Expected total return of -10% or worse within a 12-month period

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