

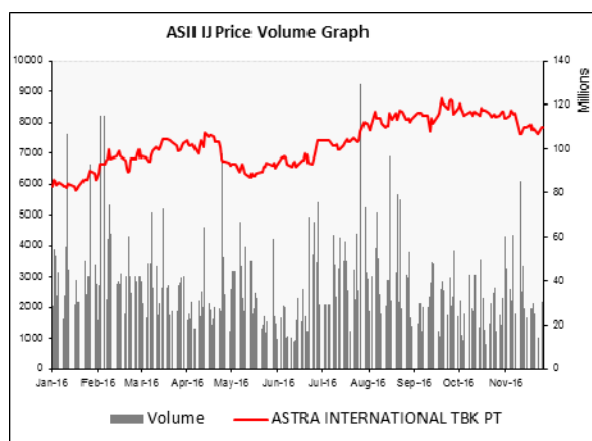
Evan Lie Hadiwidjaja
 Senior Equity Analyst
 evan.hadiwidjaja@sinarmassekuritas.co.id
 (021) 392 5550 ext: 610



PT Astra International Tbk assembles and distributes automobiles, motorcycles, and their related spare parts. Through its subsidiaries, the Company also operates in the mining, development of plantations, financial, and information technology.

Current Price: IDR 7,800

52-Week Target Price: IDR 8,425



Source: Bloomberg, SinarMas Investment Research

Share Price Performance	
Price (IDR)	7,800
52-Week High (09/29/16)	8,875
52-Week Low (01/14/16)	5,700
52-Week Beta	1.22
YTD Change/%	+1,800.0/+30.0%

Stock Information	
Market Cap (IDR)	315,771.7 Bn
Shares Out/Float (Mn)	40,483.6/18,258.1

Company Update

PT Astra International Tbk (ASII)

Remain Strong Despite Bruise From Permata

NEUTRAL

We rollover our valuation to 2017 and rate PT Astra International Tbk (ASII) as NEUTRAL with 52-week target price of IDR 8,425, deriving via SOTP valuation with FY17F P/E of 14.8x. We maintain our NEUTRAL call on the company as we remain cautious on its financial sector. As of 9M16, Permata booked net loss of IDR 1.2 Tn due to the sharp increase in provisioning expense; in parallel with the bank's NPL and SML (up by 2.4% YoY and 4.9% YoY respectively). Apart from provisioning expense, credit growth was declining at 15.7% YoY as of 9M16, forming a weaker top line compared to last year. Nonetheless, we view that ACC, TAF, and FIF will deliver strong performance in FY17F, given better economy environment due to tax amnesty and rising commodity prices.

LCGC Calya and Sigra raised Astra market share to a new level. Following the LCGC launching in August 2016, Astra has gained momentum and maintained a market share of 60% for the three consecutive months. Despite the possible competitions from new models launch next year, we view Astra will be able to maintain a market share above 55%, with 30-35% of the sales come from LCGC models. As for 2W, we believe rising commodity prices will lift weak 2W demand this year. Nonetheless, we see that Honda market share may stabilize at 70% going forward.

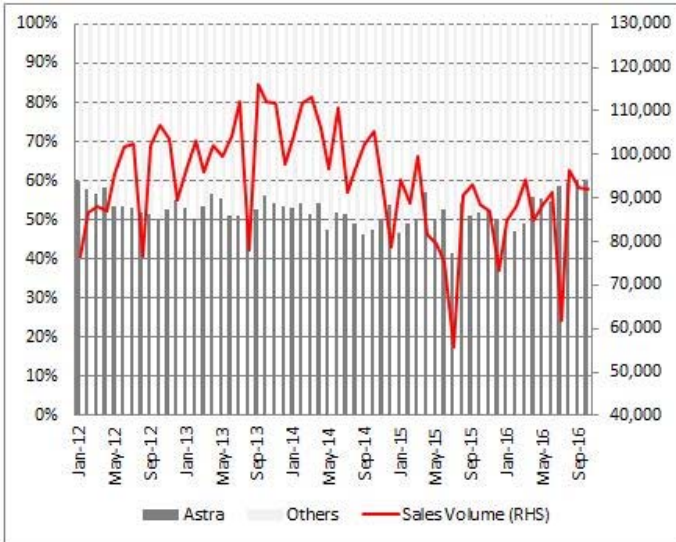
As for other lines of business, UNTR and AALI contribute 17.3% and 10.0% respectively to Astra International valuation. As for UNTR, we expect strong revenue streams along with margin improvement in FY17F, driven by encouraging commodity prices and strengthening USD. On our model, we expect to see coal price to stabilize at \$75/Mt and USDIDR at 13,800. Moreover, FY15's impairment in mining properties will benefit the company's cost structure and create additional room for margin expansion through amortization. On top of UNTR, we are more positive on AALI as well in FY17F. We are more positive on CPO industry as FY15 drought effect should be fully felt this year. Therefore, we expect to see recovery in AALI FY17F FFB and CPO production at 12.0% YoY and 7.7% YoY respectively, representing FFB yield of 18.6 Ha/tons and OER of 21.6%.

While earnings should see pick-ups on most sectors, we remain cautious as we see asset quality deterioration in Permata may last longer than expected due to the sharp increase in SML. **However, we view any major corrections on the stock can be taken as buying opportunity for investors with long-term horizon given the company's solid fundamental.**

Highlights (IDR Bn)	2014	2015	2016E	2017F	2018F
Revenue	201,701	184,196	192,265	226,051	248,998
Gross Profit	38,809	36,710	36,013	43,016	47,688
EBITDA	27,588	28,107	25,980	31,915	35,222
% growth		2%	-8%	23%	10%
Pre-Tax Profit	27,058	19,630	22,003	28,348	31,633
Net Profit	22,131	15,613	18,173	23,022	25,620
% growth		-29%	16%	27%	11%
Return on Asset	9.8%	6.5%	7.2%	8.6%	8.9%
Return on Equity	19.6%	12.7%	13.7%	15.6%	15.7%

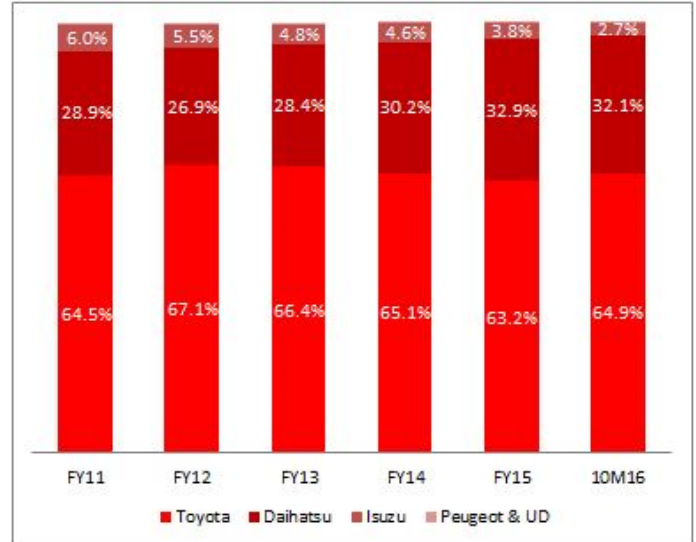
Source: Company Data, SinarMas Investment Research

As of October 2016, Astra 4W sales increased by 11.6% YoY and gained 4% in market share YTD



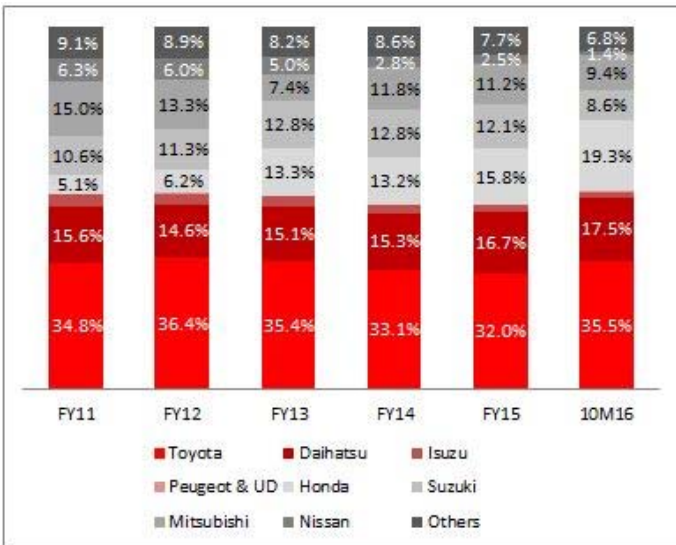
Source: Company Data, Sinarmas Investment Research

Toyota and Daihatsu, top two Astra brands, accounted for 97% of Astra sales this year



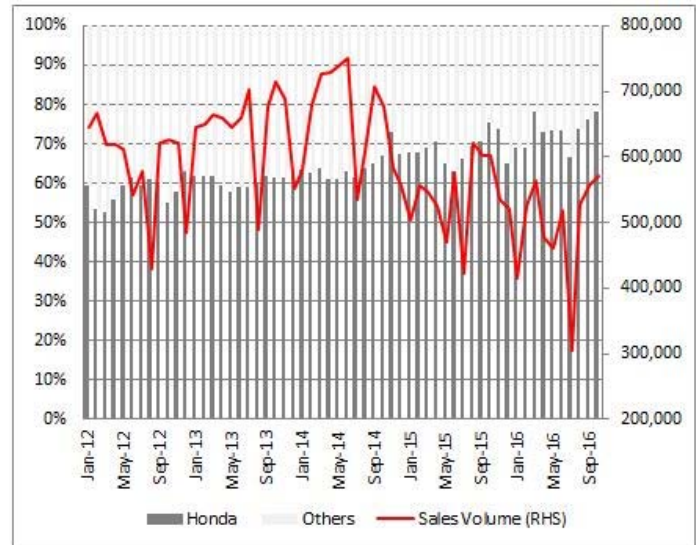
Source: Company Data, Sinarmas Investment Research

Astra grabbed ~60% market share for the past three consecutive months, thanks to Calya and Siga



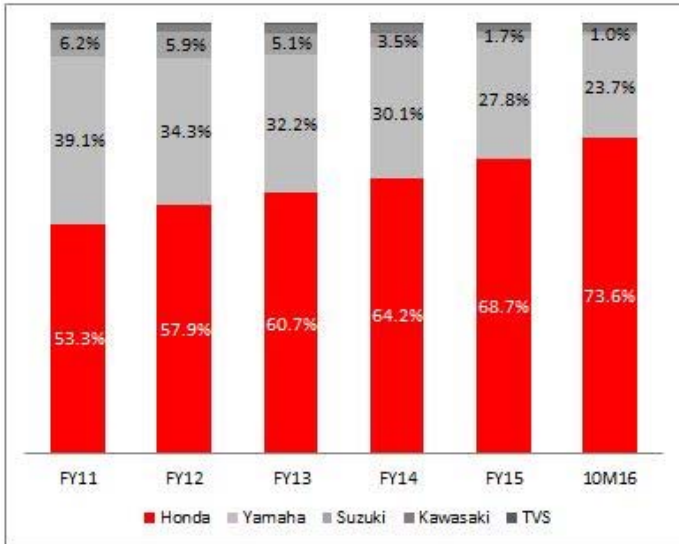
Source: Company Data, Sinarmas Investment Research

Astra 2W also outperformed the industry and gained almost 5% in market share YTD



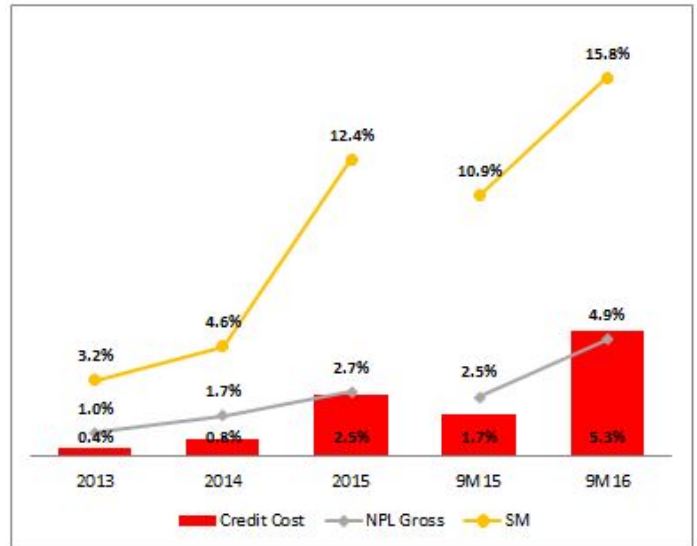
Source: Company Data, Sinarmas Investment Research

In 2W, Astra grabbed 73.6% of market share. Although, YTD sales is still down by 2.7% as of October 2016



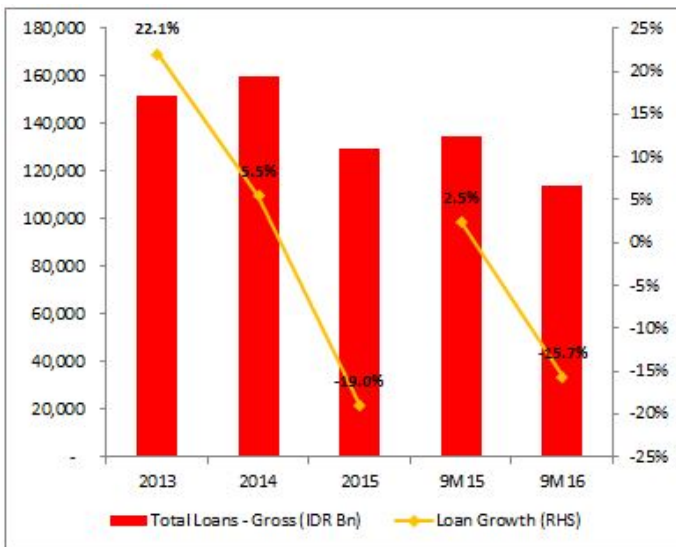
Source: Company Data, Sinarmas Investment Research

We view that Permata will continue to be the weak link in FY17F due to its NPL and SML



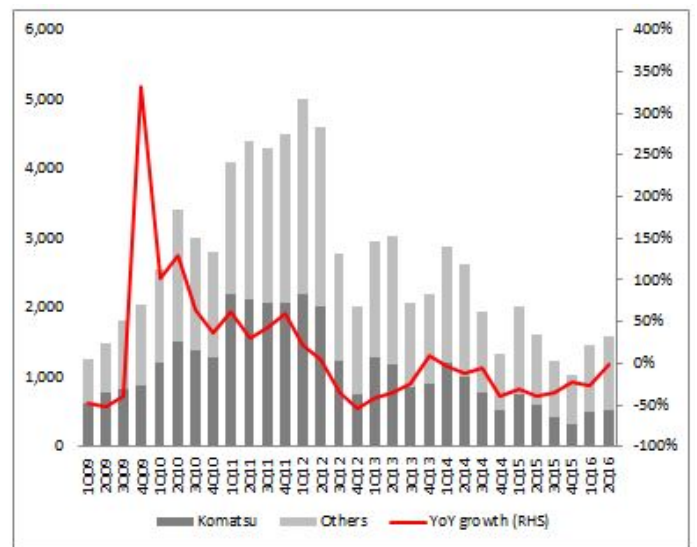
Source: Company Data, Sinarmas Investment Research

On credit expansion, credit growth has been weak and below the industry for the past two years



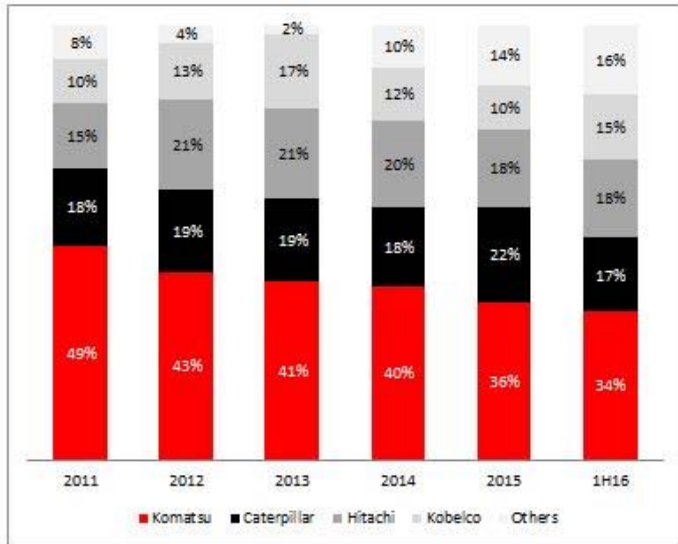
Source: Company Data, Sinarmas Investment Research

We view rising commodity prices and accelerating infrastructure projects will spur FY17F HE sales



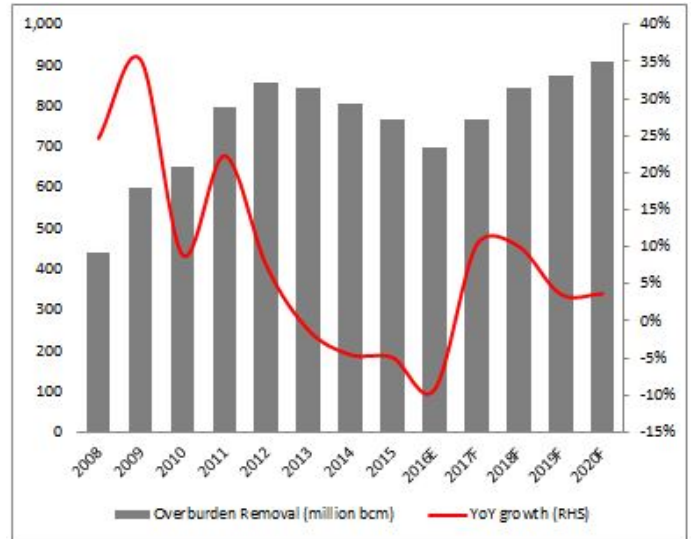
Source: Company Data, Sinarmas Investment Research

As of June 2016, Komatsu is still the market leader with 34% market share in the industry



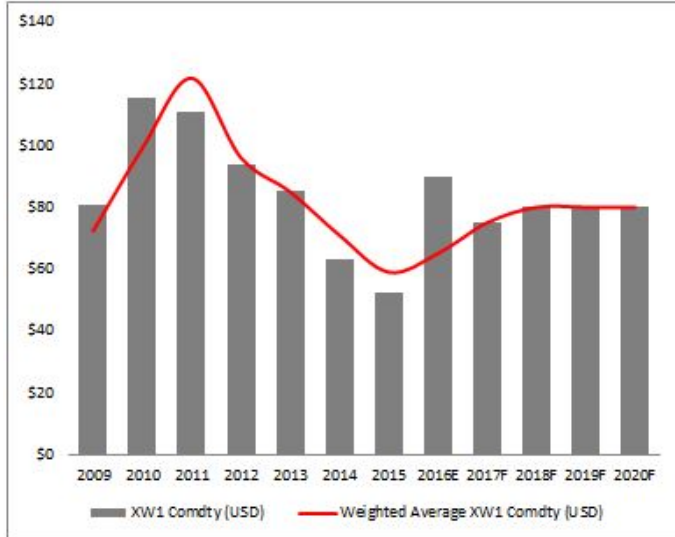
Source: Company Data, Sinarmas Investment Research

With the rebound in coal prices, PAMA expects OB removal to increase by 5-10% in FY17F



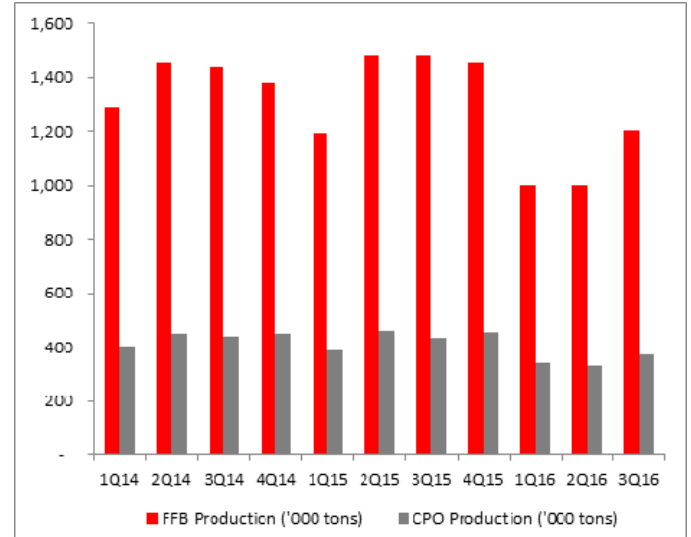
Source: Company Data, Sinarmas Investment Research

For UNTR, we assume coal price to stabilize at \$75/Mt in FY17F, while this year's average at \$60/Mt



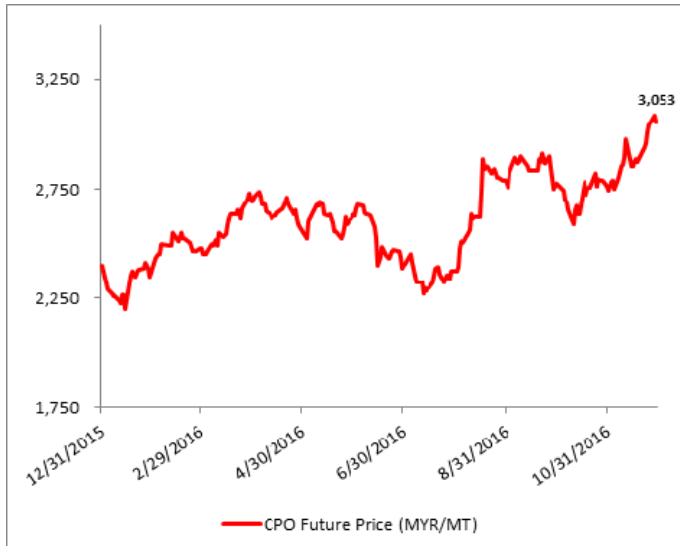
Source: Company Data, Sinarmas Investment Research

For AALI, we expect recovery in FFB and CPO production as the past drought effect should be fully felt this year



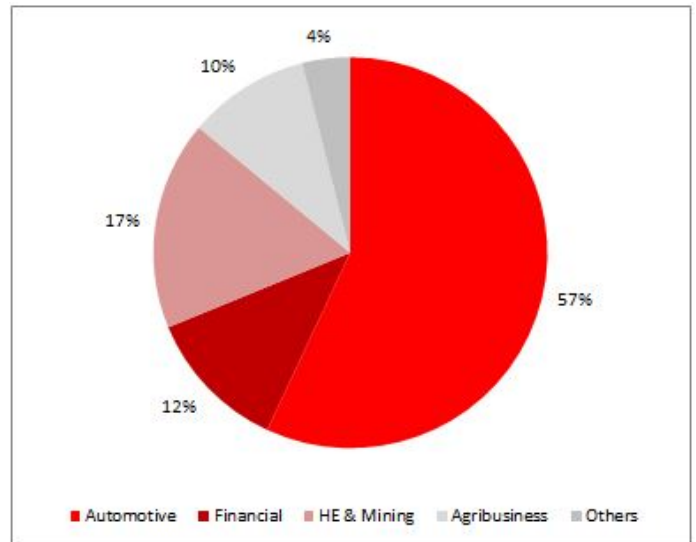
Source: Company Data, Sinarmas Investment Research

CPO future price climbed above MYR 3,000/Mt, the highest level since mid 2012



Source: Company Data, Sinarmas Investment Research

Contributions from each business segment to PT Astra International Tbk (ASII) valuation



Source: Company Data, Sinarmas Investment Research

Valuations and Forecasts

Assumptions	2014	2015	2016E	2017F	2018F
USD/IDR	12,440	13,795	13,500	13,800	13,800
ASII 4W Sales (Unit)	614,169	510,224	561,246	628,596	660,026
ASII 2W Sales (Unit)	5,051,100	4,453,888	4,364,810	4,888,587	5,059,688
ASII 4W Market Share (%)	51%	51%	54%	55%	55%
ASII 2W Market Share (%)	64%	69%	73%	70%	70%
Coal Price (\$/Mt)	63.0	52.4	90.0	75.0	80.0
Average Coal Price (\$/Mt)	71.1	59.0	60.0	75.0	80.0
Komatsu Sales (Unit)	3,513	2,124	2,100	2,500	2,625
PAMA Coal Production (Mn Tons)	113.5	109.0	104.4	109.5	113.4
PAMA OB Removal (Mn Tons)	806.4	766.6	695.8	767.3	844.7
TTM Coal Production (Mn Tons)	5.9	4.6	6.7	7.0	7.7
ACST - New Contract (IDR Bn)	607	3,100	3,500	4,500	5,000
ACST - Burn Rate (%)	47%	55%	55%	53%	53%
FFB Production (Tons)	5,562,452	5,602,006	4,778,264	5,491,994	5,827,896
FFB Yield (Tons/Ha)	22.0	21.7	17.4	19.1	20.3
CPO Production (Tons)	1,743,735	1,736,661	1,533,823	1,694,672	1,814,973
CPO Extraction Rate (%)	21.9	21.6	21.4	21.6	21.8
CPO Sales (Tons)	1,374,540	1,041,895	996,985	1,101,537	1,179,733
CPO ASP (IDR/kg)	8,655	7,495	7,739	8,078	8,316

Balance Sheet (IDR Bn)	2014	2015	2016E	2017F	2018F
Cash and Equivalents	20,902	27,102	27,195	22,115	23,645
Trade Receivables	21,332	17,776	18,555	21,815	24,030
Financing Receivables	30,297	31,728	33,118	38,938	42,890
Other Receivables	3,130	3,501	3,654	4,297	4,733
Inventories	16,986	18,337	21,404	24,084	26,488
Total Current Assets	97,241	105,161	110,644	117,965	128,503
Non-Current Receivables	32,951	33,242	34,698	40,796	44,937
Investments	35,237	38,453	41,963	45,601	49,357
Plantations	6,007	6,686	7,209	7,264	7,369
Mining Properties	9,149	4,859	4,972	4,891	4,610
Concessions	4,930	5,298	5,753	6,205	6,653
Fixed Assets	41,250	41,702	43,336	44,939	44,609
Total Assets	236,027	245,435	258,609	277,695	296,072
ST Borrowings	37,421	36,202	35,616	34,746	34,041
LT Borrowings	32,651	34,447	34,447	34,447	34,447
Account Payables	18,839	20,557	21,779	25,512	28,059
Total Liabilities	115,840	118,902	119,538	122,401	124,243
Total Equity	120,187	126,533	139,071	155,293	171,829

Source: Company Data, Sinarmas Investment Research

Income Statement (IDR Bn)	2014	2015	2016E	2017F	2018F
Net Revenue	201,701	184,196	192,265	226,051	248,998
- Automotive	108,635	96,792	106,471	125,210	138,044
- Financial	15,788	17,281	17,799	18,930	20,079
- HE & Mining Contracting	53,142	49,347	46,062	57,598	64,578
- Agribusiness	16,306	13,059	13,522	15,481	17,023
Cost of Revenue	162,892	147,486	156,253	183,035	201,310
- Automotive	97,970	86,752	94,387	110,999	122,376
- Financial	6,728	7,553	7,832	8,329	8,835
- HE & Mining Contracting	41,071	37,645	37,794	45,856	51,159
- Agribusiness	11,353	9,977	10,353	11,507	12,264
Gross Profit	38,809	36,710	36,013	43,016	47,688
Selling Expenses	8,734	9,117	9,910	11,467	12,458
G&A Expenses	9,912	10,381	10,215	11,803	12,793
Operating Profit	20,163	17,212	19,563	24,487	27,429
EBITDA	27,588	28,107	25,980	31,915	35,222
Finance Income	1,526	1,515	2,068	2,123	2,180
Finance Cost	1,375	1,370	846	801	787
Share of Profit of Associates	6,245	4,467	3,435	4,671	4,848
Income Before Tax Expenses	27,058	19,630	22,003	28,348	31,633
Net Income	22,131	15,613	18,173	23,022	25,620

Ratios	2014	2015	2016E	2017F	2018F
Profitability					
Return on Asset (%)	9.84	6.49	7.21	8.59	8.93
Return on Equity (%)	19.55	12.66	13.68	15.64	15.66
Gross Margin (%)	19.24	19.93	18.73	19.03	19.15
Operating Margin (%)	10.00	9.34	10.17	10.83	11.02
EBITDA Margin (%)	13.68	15.26	13.51	14.12	14.15
Net Margin (%)	10.97	8.48	9.45	10.18	10.29
Liquidity					
Current Ratio (X)	1.31	1.38	1.44	1.48	1.58
Quick Ratio (X)	1.08	1.14	1.16	1.18	1.25
Solvency					
Debt/Equity (X)	0.58	0.56	0.50	0.45	0.40
Debt/Assets (X)	0.30	0.29	0.27	0.25	0.23
Valuations					
P/E (X)	13.58	15.56	16.60	14.82	13.31
P/BV (X)	3.15	2.38	2.69	2.72	2.46

Source: Company Data, Sinarmas Investment Research

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