

We maintain our NEUTRAL rating on PT Astra International Tbk (ASII) with 52-week TP of IDR 7,625, derived from SOTP valuation with implied consolidated FY20F P/E and P/BV of 13.8x and 1.5x respectively. As of 1H19, Astra posted a weak consolidated revenue of IDR 116.2tn (up 3 ppt YoY), accounted for 48.3%/46.8% of our and consensus estimate. At the bottom line, net profit for the quarter came in at IDR 9.8tn (dn 6 ppt YoY), forming 46.7%/42.2% of our and consensus estimate. Across business segments, group earnings was dragged down by lower contribution from Auto and Agribusiness, which offset increased contribution from Financial Services. On United Tractors, while company posted a positive YoY growth, 1H19 net profit was below our and consensus estimate (read: [UNTR IJ - New Normal](#)).

Weak Auto sales to continue through the year. At the wholesale level, national 4W sales came in at 482k units (dn 13 ppt YoY) as of 1H19, while Astra recorded 253k unit sales (dn 6 ppt YoY). Despite lower YoY sales, Astra's market share has increased from 50.0% in FY18 to 52.6% in 1H19. Astra's market share, however, was at 53.8% in 5M19, though in Jun-19, monthly market share dropped to 44.6%. Subsequently, retail sales also recorded a negative YoY growth of 11.0% and 7.8% for national and Astra respectively. While in LCGC segment, Astra's market share also deteriorated from 73.5% in FY18 to 72.1% in 1H19. On the flip side, 2W remained stable as Astra maintained solid market share of 74.3%.

Margin deterioration across segments. From Auto segment, distribution margin continued to decline from 3.7% in 1Q19 to 3.4% in 2Q19. This offset the improvement in 4W and 2W manufacturing whose margin improved on a QoQ basis from 6.3% in 1Q19 to 6.7% in 2Q19. From Mining segment, UNTR's GPM dropped from 25.2% in 1Q19 to 23.9% in 2Q19 due to higher depreciation expense from Pamapersada and negative contribution from Acset Indonusa as company recorded a gross loss in 2Q19. From Agribusiness, while GPM improved on a QoQ basis, NPM shrunk significantly to 0.1% on the back of rising finance cost and FX loss, combined with higher tax ratio in the quarter.

Despite attractive valuation (-1.3 SD vs 5-year avg.), we remain cautious on Astra International as outlook is still challenging. While 4W market share has increased from 50.0% in FY18 to 52.6% in 1H19 and 2W is relatively stable at ~74%, we maintain our NEUTRAL stance on Astra International as we see lack of growth drivers for the company stemming from: 1) soft performance in Auto due to lack of new models and rising competition from other brands, 2) rising CPO stockpiles which prolonged CPO price recovery, and 3) challenging outlook from Coal Mining sector.

Highlights (IDR Bn)	2017	2018	2019E	2020F	2021F
Revenue	206,057	239,205	240,637	249,272	264,512
Gross Profit	42,368	50,769	51,916	53,480	56,192
EBITDA	25,936	33,177	32,801	33,964	35,307
% growth	21.1%	27.9%	-1.1%	3.5%	4.0%
Net Profit	18,881	21,673	20,972	22,326	23,616
% growth	24.6%	14.8%	-3.2%	6.5%	5.8%
EBITDA Margin (%)	12.6	13.9	13.6	13.6	13.3
Net Margin (%)	11.2	11.4	10.8	11.0	10.9
Return on Asset (%)	8.3	8.5	7.3	7.1	6.9
Return on Equity (%)	15.6	16.6	14.3	13.7	13.3

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Stock Information

Sector	Automotive
Bloomberg Ticker	ASII IJ
Market Cap. (IDR tn)	294.5
Share Out./Float (mn)	9,647/4,032
Current Price	7,275
52-week Target Price	7,625
Upside (%)	4.8%

Share Price Performance

52W High (12/03/18)	8,775
52W Low (08/15/18)	6,600
52W Beta	1.30
YTD Change (%)	-11.6%

Relative Valuations

Trailing P/E	13.4x
Forward P/E	13.2x
P/BV	2.1x
EV/EBITDA	10.3x

Income Statement (IDR Bn)	2017	2018	2019E	2020F	2021F
Net Revenue	206,057	239,205	240,637	249,272	264,512
- Automotive	96,477	107,322	105,648	110,994	122,270
- Financial	18,768	19,446	20,226	20,835	21,446
- Heavy Equipment & Mining Contracting	64,559	84,625	89,002	90,507	93,479
- Agribusiness	17,306	19,084	17,906	19,907	21,061
Cost of Revenue	163,689	188,436	188,720	195,792	208,320
- Automotive	86,381	96,214	94,489	99,218	109,328
- Financial	7,655	7,082	7,366	7,588	7,810
- Heavy Equipment & Mining Contracting	50,075	63,515	65,547	67,743	69,990
- Agribusiness	13,160	15,545	16,156	16,685	17,191
Gross Profit	42,368	50,769	51,916	53,480	56,192
Selling Expenses	10,222	10,090	10,197	10,576	11,372
G&A Expenses	11,820	13,811	13,776	14,309	15,182
Operating Profit	20,326	26,868	26,490	27,170	28,234
EBITDA	25,936	33,177	32,801	33,964	35,307
Finance Income	1,982	1,859	1,690	1,968	2,095
Finance Cost	2,042	3,105	3,631	3,726	3,840
Share of Profit of Associates	6,694	7,036	6,722	7,243	7,626
Income Before Tax Expenses	29,196	34,995	33,149	34,704	36,655
Net Income	18,881	21,673	20,972	22,326	23,616

Balance Sheet (IDR Bn)	2017	2018	2019E	2020F	2021F
Cash and Equivalents	31,574	25,193	50,431	63,744	77,559
Trade Receivables	25,351	31,220	31,407	32,534	34,523
Financing Receivables	31,882	33,842	34,045	35,266	37,422
Other Receivables	4,239	4,922	4,951	5,129	5,443
Inventories	19,504	26,505	26,545	27,540	29,302
Total Current Assets	121,293	133,609	159,902	177,362	198,056
Non-Current Receivables	33,226	36,261	36,478	37,787	40,097
Investments	56,254	59,634	65,597	72,157	79,373
Plantations	6,747	7,049	7,656	8,169	8,722
Mining Properties	5,877	15,889	15,612	15,533	15,253
Concessions	7,081	7,383	9,251	10,327	11,396
Fixed Assets	48,402	57,733	48,668	47,649	46,364
Total Assets	295,646	344,711	372,086	399,826	432,189
ST Borrowings	43,584	45,529	49,144	50,305	52,768
LT Borrowings	31,394	40,385	43,592	44,622	46,807
Account Payables	29,468	42,263	42,327	43,913	46,723
Total Liabilities	139,317	170,348	181,851	191,632	205,097
Total Equity	156,329	174,363	190,235	208,193	227,092

Source: Company Data, Sinarmas Investment Research

Ratios	2017	2018	2019E	2020F	2021F
Profitability					
Return on Asset (%)	8.31	8.55	7.26	7.09	6.94
Return on Equity (%)	15.64	16.55	14.26	13.73	13.27
Gross Margin (%)	20.56	21.22	21.57	21.45	21.24
Operating Margin (%)	9.86	11.23	11.01	10.90	10.67
EBITDA Margin (%)	12.59	13.87	13.63	13.63	13.35
Net Margin (%)	11.24	11.44	10.81	10.97	10.92
Liquidity					
Current Ratio (X)	1.23	1.15	1.29	1.34	1.39
Quick Ratio (X)	1.03	0.92	1.07	1.13	1.18
Solvency					
Debt/Equity (X)	0.48	0.49	0.49	0.46	0.44
Debt/Assets (X)	0.25	0.25	0.25	0.24	0.23
Valuations					
P/E (X)	15.97	13.92	14.38	13.51	12.77
P/BV (X)	2.44	2.20	2.02	1.84	1.69

Assumptions	2017	2018	2019E	2020F	2021F
USD/IDR	13,548	14,247	14,250	14,250	14,250
ASII 4W Sales (Ths Unit)	579	582	536	552	596
ASII 2W Sales (Ths Unit)	4,386	4,759	5,140	5,294	5,453
ASII 4W Market Share (%)	54%	51%	53%	53%	55%
ASII 2W Market Share (%)	75%	75%	75%	75%	75%
Coal Price (\$/Mt)	88.3	100.0	80.0	75.0	75.0
Average Coal Price (\$/Mt)	88.3	100.0	80.0	75.0	75.0
Komatsu Sales (Unit)	3,788	4,879	3,800	3,800	3,800
PAMA Coal Production (Mn Tons)	112.6	125.2	126.9	130.2	134.1
PAMA Overburden Removal (Mn Tons)	800.8	979.4	977.0	976.3	1,005.6
TTM Coal Production (Mn Tons)	6.3	7.0	9.0	9.2	9.5
Acset Indonusa - New Contract (IDR Bn)	8,441	1,600	3,766	3,766	3,766
Acset Indonusa - Burn Rate (%)	41%	27%	33%	33%	33%
FFB Production (Ths Tons)	3,942	4,418	4,412	4,399	4,365
FFB Yield (Tons/Ha)	19.1	21.8	21.5	21.6	21.5
CPO Production (Ths Tons)	1,634	1,937	1,991	2,029	2,041
CPO Extraction Rate (%)	20.6	20.2	20.2	20.4	20.3
CPO Sales (Ths Tons)	1,261	1,634	1,688	1,716	1,729
CPO ASP (IDR/kg)	8,271	7,275	6,855	7,430	7,827

Source: Company Data, Sinarmas Investment Research

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