

**Auto segment's EBIT turned positive and should sustain onwards.**

As of 1Q21, Auto segment's revenue recovered to IDR 20.8tn (+13.8% QoQ), driven by higher sales volume of 98.8k units (+27.0% QoQ/-23.8% YoY). To note, ASII's auto sales reached 76% of Pre-Covid level. As a result, auto segment recorded a positive EBIT of IDR 107bn with OPM of 0.5%. On the manufacturing level, the revenue rose to IDR 31.8tn (+28.4% QoQ), driven by the AHM contribution (+45.9% QoQ), resulting in a higher net profit of IDR 1.9tn with NPM of 6.1%. Going forward, we forecast ASII's auto sales grow to 407k units (+51.0% YoY), driven by: 1) vaccine development in Indonesia, 2) low-interest-rate environment, and 3) Luxury car tax incentives (PPnBm) from government. We believe current government incentive on PPnBm will stimulate impulse buying on cars, leading to lower inventory costs and margin expansion in distribution level. Worth highlighting that ASII's auto products are the most benefited from the government incentives. With a higher demand on auto cars, we believe this should give a margin expansion on manufacturing level. In all, we set the auto segment NPAT growth of 137.7% in FY21E.

**Financial segment's recovery aligned with Auto segment.** As of 1Q21, Astra's financial business posted net interest income of IDR 3.1tn (+18.4% QoQ), due to strong auto business segment, resulting in a higher net profit of IDR 985bn with NPM of 16.1%. Going forward, we reiterate our bullish stance on the auto business that will give a direct impact to the Astra's financial business. Hence, we forecast the Astra's financial business NPAT to grow by 19.8% in FY21E.

**UNTR and AALI contribute higher earnings to ASII.** We believe UNTR should give a higher earnings contribution to ASII, driven by 1) high earnings growth from Martabe, due to higher gold price paired with lower volume hedged of 20.0% (vs. 80% in FY20), and 2) higher coal production quota of 625mn tons (+13.6% YoY) that support PAMA as well as Komatsu operational performance. On the AALI side, we believe high CPO price should sustain until 3Q21, mainly due to the supply shortage in Malaysia, while the demand continue to recover. In all, we expect Gold/CPO ASP at USD 1,649/oz./IDR 9,350/kg (vs. USD 1,430/oz./IDR 8,546/kg in FY20E). Hence, we estimate FY21E earnings for UNTR and AALI to grow by 57.2%/91.1% YoY.

**We reinitiate our coverage on PT Astra International Tbk (ASII), with a BUY rating, and a 52-weeks target price of IDR 6,900.** our target price is derived from STOP valuation and implies FY21E P/E of 15.6x. We believe ASII is the best proxy to capture the economic recovery and the rally of commodity price. Key risks to our call are weaker-than expected economic growth and slower than expected vaccine distribution.

Highlights (IDR Bn)	2019	2020	2021E	2022F	2023F
Revenue	237,166	175,046	198,434	228,473	244,661
Gross Profit	50,239	38,558	45,472	49,942	53,190
EBITDA	34,446	24,571	32,318	34,759	37,408
% growth	-3.5%	-28.7%	31.5%	7.6%	7.6%
Net Profit	21,707	16,164	17,851	21,947	24,509
% growth	0.2%	-25.5%	10.4%	22.9%	11.7%
EBITDA Margin (%)	14.5	14.0	16.3	15.2	15.3
Net Margin (%)	9.2	9.2	9.0	9.6	10.0
Return on Asset (%)	6.2	4.7	5.1	5.9	6.2
Return on Equity (%)	15.2	10.7	11.0	12.4	12.7

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Sector	Automotive
Bloomberg Ticker	ASII IJ
Market Cap. (IDR tn)	222.6
Share Out./Float (mn)	40,483/20,195
Current Price (IDR)	5,500
FY21F Target Price	6,900
Upside	25.5%

**Share Price Performance**

52W High (14/01/21)	6,925
52W Low (15/04/20)	3,530
52W Beta	1.5
YTD Change	-8.7%

**Relative Valuations**

Trailing P/E	17.3x
Forward P/E	15.6x
P/BV	1.7x

### ASII 1Q21 Earnings Summary

IDR bn	1Q20	4Q20	1Q21	QoQ	YoY	3M20	3M21	YoY	% DH	% Cons
Revenue	54,002	44,697	51,700	15.7%	-4.3%	54,002	51,700	-4.3%	26.1%	25.0%
Gross profit	12,087	9,251	10,598	14.6%	-12.3%	12,087	10,598	-12.3%		
Operating profit	5,732	2,164	4,526	109.1%	-21.0%	5,732	4,526	-21.0%		
Profit before tax	7,267	2,890	5,777	99.9%	-20.5%	7,267	5,777	-20.5%		
Net profit	4,810	2,125	3,728	75.4%	-22.5%	4,810	3,728	-22.5%	20.9%	21.1%
Gross margin	22.4%	20.7%	20.5%			22.4%	20.5%			
Operating margin	10.6%	4.8%	8.8%			10.6%	8.8%			
Net profit margin	8.9%	4.8%	7.2%			8.9%	7.2%			

Source: Company Data, Sinarmas Investment Research

### Manufacturing 1Q21 Earnings Summary

(IDR bn)	1Q20	4Q20	1Q21	QoQ	YoY	3M20	3M21	YoY	DH%	
<b>AHM</b>										
Revenue	21,135	12,508	18,244	45.9%	45.9%	21,135	18,244	-13.7%	25.6%	
Net Profit	2,247	858	1,212	41.3%	41.3%	2,247	1,212	-46.1%	23.6%	
NPM	10.6%	6.9%	6.6%			10.6%	6.6%			
<b>ADM</b>										
Revenue	14,772	12,276	13,586	10.7%	10.7%	14,772	13,586	-8.0%	24.4%	
Net Profit	1,171	522	714	36.8%	36.8%	1,171	714	-39.0%	23.7%	
NPM	7.9%	4.3%	5.3%			7.9%	5.3%			
<b>Total Manufacturing</b>										
Revenue	35,907	24,784	31,830	28.4%	28.4%	35,907	31,830	-11.4%	25.1%	
Net Profit	3,418	1,380	1,926	39.6%	39.6%	3,418	1,926	-43.7%	23.6%	
NPM	9.5%	5.6%	6.1%			9.5%	6.1%			

Source: Company Data, Sinarmas Investment Research

### ASII 1Q21 Business Segment performance

IDR bn	1Q20	4Q20	1Q21	QoQ	YoY	3M20	3M21	YoY	% DH	%Cons
<b>Revenue</b>	<b>54,002</b>	<b>44,697</b>	<b>51,700</b>	<b>15.7%</b>	<b>-4.3%</b>	<b>54,002</b>	<b>51,700</b>	<b>-4.3%</b>	<b>26%</b>	<b>25%</b>
Automotive	23,756	18,324	20,859	13.8%	-12.2%	23,756	20,859	-12.2%	25%	
Financial	5,355	4,947	6,120	23.7%	14.3%	5,355	6,120	14.3%	28%	
Mining & Heavy equipment	18,314	14,745	17,898	21.4%	-2.3%	18,314	17,898	-2.3%	27%	26%
Agribusiness	4,796	5,483	5,035	-8.2%	5.0%	4,796	5,035	5.0%	24%	
Infrastructure & Logistic	1,713	1,719	1,631	-5.1%	-4.8%	1,713	1,631	-4.8%	24%	
Information Technology	710	1,001	617	-38.4%	-13.1%	710	617	-13.1%	16%	
Property	305	172	230	33.7%	-24.6%	305	230	-24.6%	24%	
Total elimination	(947)	(830)	(690)	NA	NA	(947)	(690)	NA	22%	
<b>Profit</b>	<b>4,810</b>	<b>2,125</b>	<b>3,728</b>	<b>75.4%</b>	<b>-22.5%</b>	<b>4,810</b>	<b>3,728</b>	<b>-22.5%</b>	<b>21%</b>	<b>21%</b>
Automotive	1,930	909	1,434	57.8%	-25.7%	1,930	1,434	-25.7%	22%	
Financial	1,417	551	985	78.8%	-30.5%	1,417	985	-30.5%	25%	
Mining & Heavy equipment	1,823	1,763	1,867	5.9%	2.4%	1,823	1,867	2.4%	20%	21%
Agribusiness	372	249	161	-35.3%	-56.7%	372	161	-56.7%	10%	13%
Infrastructure & Logistic	73	104	(72)	N/A	N/A	73	(72)	NA	-67%	
Information Technology	2	73	1	-98.6%	-50.0%	2	1	-50.0%	1%	
Property	40	7	49	600.0%	22.5%	40	49	22.5%	40%	

Source: Company Data, Sinarmas Investment Research

Balance Sheet (IDR Bn)	2019	2020	2021E	2022F	2023F
Cash and Equivalents	24,330	47,553	72,285	82,915	100,990
Trade Receivables	29,367	17,031	26,299	30,280	32,425
Financing Receivables	36,059	32,379	38,791	44,663	47,828
Other Receivables	5,176	4,897	5,709	6,574	7,040
Inventories	24,287	17,929	20,841	23,167	23,663
Other Current Assets	9,839	12,519	15,929	20,268	25,788
<b>Total Current Assets</b>	<b>129,058</b>	<b>132,308</b>	<b>179,855</b>	<b>207,867</b>	<b>237,734</b>
Non-Current Receivables	35,537	33,239	12,673	14,591	15,625
Investments	65,976	55,311	46,370	38,874	32,590
Plantations	6,991	7,006	7,068	7,089	7,152
Mining Properties	13,831	12,960	11,204	9,791	8,376
Concessions	8,429	8,425	11,396	12,460	13,517
Fixed Assets	62,337	59,230	64,011	63,606	62,373
Land for Development	4,117	3,887	3,705	3,532	3,366
Other Non-current Assets	25,912	26,019	26,126	26,234	26,343
<b>Total Non-Current Assets</b>	<b>222,900</b>	<b>205,895</b>	<b>182,380</b>	<b>176,011</b>	<b>169,185</b>
<b>Total Assets</b>	<b>351,958</b>	<b>338,203</b>	<b>362,235</b>	<b>383,878</b>	<b>406,919</b>
ST Borrowings	41,752	37,136	35,206	32,314	29,669
Account Payables	30,087	16,529	25,790	31,686	35,771
Other Current Liabilities	32,071	34,542	36,753	40,182	0
<b>Total Current Liabilities</b>	<b>99,962</b>	<b>85,736</b>	<b>95,538</b>	<b>100,753</b>	<b>105,622</b>
LT Borrowings	50,549	42,345	40,144	36,847	33,830
Other Non Current Liabilities	14,684	14,668	14,652	14,636	14,620
<b>Total Non-Current Liabilities</b>	<b>65,233</b>	<b>57,013</b>	<b>54,796</b>	<b>51,483</b>	<b>48,450</b>
<b>Total Liabilities</b>	<b>165,195</b>	<b>142,749</b>	<b>150,334</b>	<b>152,236</b>	<b>154,072</b>
Share & APIC	7,360	6,594	6,594	6,594	6,594
Retained Earnings	140,487	149,068	162,166	177,889	194,777
Non-Controlling Interests	38,916	39,792	43,140	47,159	51,477
<b>Total Equity</b>	<b>186,763</b>	<b>195,454</b>	<b>211,900</b>	<b>231,642</b>	<b>252,847</b>
<b>Total Liabilities &amp; Equity</b>	<b>351,958</b>	<b>338,203</b>	<b>362,235</b>	<b>383,878</b>	<b>406,919</b>

Source: Company data, Sinarmas Investment Research

<b>Income Statement (IDR Bn)</b>	<b>2019</b>	<b>2020</b>	<b>2021E</b>	<b>2022F</b>	<b>2023F</b>
<b>Net Revenue</b>	<b>237,166</b>	<b>175,046</b>	<b>198,434</b>	<b>228,473</b>	<b>244,661</b>
- Automotive	104,843	67,942	82,037	105,622	115,276
- Financial	20,437	20,390	21,817	23,345	25,212
- Heavy Equipment & Mining Contracting	84,430	60,347	65,109	69,244	71,914
- Agribusiness	17,453	18,807	21,019	20,829	21,706
- Infrastructure and Logistic	8,105	6,211	6,832	7,652	8,570
- Information Technology	4,772	3,349	3,751	4,126	4,539
- Property	447	891	962	1,059	1,154
- Elimination	(3,322)	(2,891)	(3,093)	(3,403)	(3,709)
<b>Cost of Revenue</b>	<b>186,927</b>	<b>136,488</b>	<b>152,962</b>	<b>178,531</b>	<b>191,472</b>
- Automotive	93,932	60,489	73,177	94,321	103,287
- Financial	7,437	7,705	8,043	8,591	9,263
- Heavy Equipment & Mining Contracting	63,199	47,358	49,203	52,498	54,459
- Agribusiness	15,308	15,844	16,711	16,629	17,225
- Infrastructure and Logistic	5,826	4,244	4,822	5,396	6,039
- Information Technology	3,919	2,810	3,114	3,404	3,722
- Property	276	588	639	702	765
- Elimination	(2,971)	(2,549)	(2,747)	(3,011)	(3,288)
<b>Gross Profit</b>	<b>50,239</b>	<b>38,558</b>	<b>45,472</b>	<b>49,942</b>	<b>53,190</b>
Selling Expenses	9,961	11,755	10,695	12,391	13,445
G&A Expenses	14,094	13,933	13,855	15,098	15,608
<b>Operating Profit</b>	<b>26,184</b>	<b>12,870</b>	<b>19,774</b>	<b>21,393</b>	<b>23,204</b>
<b>EBITDA</b>	<b>34,446</b>	<b>24,571</b>	<b>32,318</b>	<b>34,759</b>	<b>37,408</b>
Finance Income	1,953	2,342	2,199	2,256	2,326
Finance Cost	4,382	3,408	2,847	2,635	2,615
Share of Profit of Associates	7,087	3,083	4,812	7,215	8,435
Income Before Tax Expenses	34,054	21,741	26,582	31,575	35,000
<b>Net Income</b>	<b>21,707</b>	<b>16,164</b>	<b>17,851</b>	<b>21,947</b>	<b>24,509</b>

Source: Company data, Sinarmas Investment Research

Ratios	2019	2020	2021E	2022F	2023F
<b>Profitability</b>					
Return on Asset (%)	6.2	4.7	5.1	5.9	6.2
Return on Equity (%)	15.2	10.7	11.0	12.4	12.7
Gross Margin (%)	21.2	22.0	22.9	21.9	21.7
Operating Margin (%)	11.0	7.4	10.0	9.4	9.5
EBITDA Margin (%)	14.5	14.0	16.3	15.2	15.3
Net Margin (%)	11.2	10.6	10.6	11.0	11.3
<b>Liquidity</b>					
Current Ratio (X)	1.3	1.5	1.9	2.1	2.3
Quick Ratio (X)	1.0	1.3	1.7	1.8	2.0
<b>Solvency</b>					
Debt/Equity (X)	0.5	0.4	0.4	0.3	0.3
Debt/Assets (X)	0.3	0.2	0.2	0.2	0.2
<b>Valuations</b>					
P/E (X)	12.9	17.3	15.6	12.7	11.4
P/BV (X)	1.9	1.8	1.7	1.5	1.4

Assumptions	2019	2020	2021E	2022F	2023F
USD/IDR	14,141	14,529	14,000	14,500	14,500
ASII 4W Sales (Ths Unit)	536	270	407	509	545
ASII 2W Sales (Ths Unit)	4,900	2,800	3,640	4,823	4,968
ASII 4W Market Share (%)	52%	51%	51%	51%	52%
ASII 2W Market Share (%)	76%	76%	76%	75%	75%
Coal Price (\$/Mt)	80.0	60.0	70.0	75.0	75.0
Average Coal Price (\$/Mt)	80.0	75.0	75.0	75.0	75.0
Komatsu Sales (Unit)	2,926	1,600	1,800	2,100	2,300
PAMA Coal Production (Mn Tons)	131.2	113.5	116.9	119.2	121.6
PAMA Overburden Removal (Mn Tons)	988.9	828.5	865.0	894.2	912.1
TTM Coal Production (Mn Tons)	8.4	9.0	9.4	9.5	9.6
Acset Indonusa - New Contract (IDR Bn)	1,700	500	750	1,500	1,500
Acset Indonusa - Burn Rate (%)	33%	13%	25%	25%	25%
FFB Production (Ths Tons)	3,991	3,799	3,757	3,725	3,581
FFB Yield (Tons/Ha)	20.1	19.5	19.0	19.3	18.6
CPO Production (Ths Tons)	1,654	1,429	1,477	1,522	1,584
CPO Extraction Rate (%)	20.2%	19.7%	19.9%	19.8%	19.9%
CPO Sales (Ths Tons)	1,740	1,498	1,506	1,553	1,616
CPO ASP (IDR/kg)	6,689	8,485	9,350	9,052	9,151

Source: Company data, Sinarmas Investment Research

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