

2Q21: Strong earnings recovery on ASII business segments. In 2Q21, consolidated revenue and net profit were recorded at IDR 55.7tn (+7.7% QoQ, +55.6% YoY) and IDR 5.1tn (+36.9% QoQ, +642.8% YoY, excluding 2Q20's BNLI divestment gains) with NPM of % 9.2% (vs. 7.2% in 1Q21). The strong earnings recovery was shown on Auto and Financial segments due to luxury tax relaxation, while the higher commodity price (Gold, Coal, and CPO) boosted the Mining & Heavy Equipment, and Agribusiness segments performance. In all, 6M21 consolidated revenue and net profit reached 53.9% and 49.8% of our estimate.

Margin improvement on Auto segments. In 2Q21, Auto segment recorded revenue of IDR 22.7tn (+9.1% QoQ, +135.4% YoY), driven by a higher sales volume of 111k units (+12.2% QoQ, +1036.7% YoY) due to the positive result from luxury tax relaxation in 2Q21. As a result, OPM improved to 1.6% (vs. 0.6% in FY18-19 (pre-covid level)). On the manufacturing level, the revenue slightly decreased to IDR 30.5t (-4.1% QoQ, +307.5% YoY), driven by lower AHM contribution (-8.8% QoQ, +235.3% YoY) and flat growth on ADM contribution (+2.2% QoQ, +449.1% YoY), mainly due to Ramadhan and supply shortage. However, we believe AHM did a well cost efficiency, resulting in manufacturing's net profit of IDR 2.2tn (+12.9% QoQ) with NPM of 7.1%. As a result, the auto segment posted net profit of IDR 1.9tn with NPM of 8.2%. In all, the 1H21 auto segment's top/bottom-line reached 53.2%/51.5% of our estimate. Looking into 2H21, despite there is pressure on emergency PPKM implementation in automotive industry, however, we estimate the pressure will be only temporary as we believe that emergency PPKM should provide a positive impact for the medium-long term. In addition, with the extension of luxury tax and better Covid-19 development, we believe that ASII's auto sales of 407k units is achievable. As a result, this should translate a sustainable margin onwards due to 1) lower inventory costs in distribution level, and 2) lower fixed costs in manufacturing levels.

We reiterate our BUY RATING on PT Astra International Tbk. (ASII) with a higher FY22F target price of IDR 7,100, derived from SOTP valuation and implies FY22F 13.0 PE. In all, we believe all bad news has fully priced into the current valuation. As of now, ASII is traded at FY22F 9.1x PE (-1.5SD from its 5-yr avg.), which provides an attractive risk and rewards. Downside risks to our call are prolonged economic recovery, and spike in Covid-19 cases.

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Sector	Automotive
Bloomberg Ticker	ASII IJ
Market Cap. (IDR tn)	191.1
Share Out./Float (mn)	40,483/20,195
Current Price (IDR)	4,720
FY22F Target Price	7,100
Upside	50.4%

Share Price Performance

52W High (14/01/21)	6,925
52W Low (30/09/21)	4,310
52W Beta	1.5
YTD Change	-21.7%

Relative Valuations

Trailing P/E	16.2x
Forward P/E	13.0x
P/BV	1.5x

Highlights (IDR Bn)	2019	2020	2021E	2022F	2023F
Revenue	237,166	175,046	199,128	230,509	247,209
Gross Profit	50,239	38,558	45,776	50,685	53,959
EBITDA	34,446	24,571	32,577	35,374	38,017
% growth	-3.5%	-28.7%	32.6%	8.6%	7.5%
Net Profit	21,707	16,164	17,737	22,189	24,832
% growth	0.2%	-25.5%	9.7%	25.1%	11.9%
EBITDA Margin (%)	14.5	14.0	16.4	15.3	15.4
Net Margin (%)	9.2	9.2	8.9	9.6	10.0
Return on Asset (%)	6.2	4.7	5.1	5.9	6.3
Return on Equity (%)	15.2	10.7	10.9	12.5	12.8

ASII 1Q21 Earnings Summary

IDR bn	2Q20	1Q21	2Q21	QoQ	YoY	6M20	6M21	YoY	% DH	% Cons
Revenue	35,793	51,700	55,695	7.7%	55.6%	89,795	107,395	19.6%	53.9%	52.0%
Gross profit	8,087	10,598	12,238	15.5%	51.3%	20,174	22,836	13.2%		
Operating profit	2,078	4,526	6,402	41.4%	208.1%	7,810	10,928	39.9%		
Profit before tax	7,719	5,777	8,214	42.2%	6.4%	14,986	13,991	-6.6%		
Net profit	6,568	3,728	5,103	36.9%	-22.3%	11,378	8,831	-22.4%	49.8%	50.4%
Gross margin	22.6%	20.5%	22.0%			22.5%	21.3%			
Operating margin	5.8%	8.8%	11.5%			8.7%	10.2%			
Net profit margin	18.3%	7.2%	9.2%			12.7%	8.2%			

Source: Company Data, Sinarmas Investment Research

ASII (Auto segment) 2Q21 Earnings Summary

IDR bn	2Q20	1Q21	2Q21	QoQ	YoY	6M20	6M21	YoY	DH%
Revenue	9,665	20,859	22,754	9.1%	135.4%	33,421	43,613	30.5%	53.2%
Gross profit	940	2,337	2,503	7.1%	166.3%	3,602	4,840	34.4%	
Operating profit	(988)	107	359	235.5%	N/A	(932)	466	N/A	
Profit before tax	(1,376)	1,613	2,074	28.6%	N/A	754	3,687	389.0%	
Net profit	(1,214)	1,434	1,877	30.9%	N/A	716	3,311	362.4%	51.5%
Gross margin	9.7%	11.2%	11.0%			10.8%	11.1%		
Operating margin	-10.2%	0.5%	1.6%			-2.8%	1.1%		
Net profit margin	-12.6%	6.9%	8.2%			2.1%	7.6%		

Source: Company Data, Sinarmas Investment Research

ASII 1Q21 Business Segment performance

(IDR bn)	2Q20	1Q21	2Q21	QoQ	YoY	6M20	6M21	YoY	DH%	
AHM										
Revenue	4,963	18,244	16,640	-8.8%	235.3%	26,098	34,884	33.7%	48.9%	
Net Profit	(366)	1,212	1,471	21.4%	N/A	1,881	2,683	42.6%	52.2%	
NPM	-7.4%	6.6%	8.8%			7.2%	7.7%			
ADM										
Revenue	2,529	13,586	13,888	2.2%	449.1%	17,301	27,474	58.8%	49.3%	
Net Profit	(727)	714	704	-1.4%	N/A	444	1,418	219.4%	47.1%	
NPM	-28.7%	5.3%	5.1%			2.6%	5.2%			
Total Manufacturing										
Revenue	7,492	31,830	30,528	-4.1%	307.5%	43,399	62,358	43.7%	49.1%	
Net Profit	(1,093)	1,926	2,175	12.9%	N/A	2,325	4,101	76.4%	50.4%	
NPM	-14.6%	6.1%	7.1%			5.4%	6.6%			

Source: Company Data, Sinarmas Investment Research

ASII Business Segments 2Q21 Earnings Summary

IDR bn	2Q20	1Q21	2Q21	QoQ	YoY	6M20	6M21	YoY	% DH	%Cons
Revenue	35,793	51,700	55,695	7.7%	55.6%	89,795	107,395	19.6%	53.9%	52.0%
Automotive	9,665	20,859	22,754	9.1%	135.4%	33,421	43,613	30.5%	53.2%	
Financial	5,132	6,120	6,094	-0.4%	18.7%	10,487	12,214	16.5%	56.0%	
Mining & Heavy equipment	14,878	17,898	19,413	8.5%	30.5%	33,192	37,311	12.4%	57.3%	53.5%
Agribusiness	4,285	5,035	5,797	15.1%	35.3%	9,081	10,832	19.3%	49.9%	50.1%
Infrastructure & Logistic	1,256	1,631	1,734	6.3%	38.1%	2,969	3,365	13.3%	49.3%	
Information Technology	742	617	640	3.7%	-13.7%	1,452	1,257	-13.4%	33.5%	
Property	239	230	185	-19.6%	-22.6%	544	415	-23.7%	43.1%	
Total elimination	(404)	(690)	(922)	NA	NA	(1,351)	(1,612)	NA	52.1%	
Profit	6,568	3,728	5,103	36.9%	-22.3%	11,378	8,831	-22.4%	49.8%	50.4%
Automotive	(1,214)	1,434	1,877	30.9%	-254.6%	716	3,311	362.4%	51.5%	
Financial	685	985	1,298	31.8%	89.5%	2,102	2,283	8.6%	57.7%	
Mining & Heavy equipment	2,238	1,173	1,508	28.5%	-32.6%	4,061	2,681	-34.0%	47.7%	29.9%
Agribusiness	20	161	356	121.1%	1680.0%	392	517	31.9%	42.2%	40.7%
Infrastructure & Logistic	(161)	(72)	163	N/A	N/A	(88)	91	NA	24.4%	
Information Technology	14	1	13	1200.0%	-7.1%	16	14	-12.5%	13.2%	
Property	31	49	34	-30.6%	9.7%	71	83	16.9%	56.7%	

Source: Company Data, Sinarmas Investment Research

Income Statement (IDR Bn)	2019	2020	2021E	2022F	2023F
Net Revenue	237,166	175,046	199,128	230,509	247,209
- 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	21,714	22,864	24,253
- 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)
Cost of Revenue	186,927	136,488	153,352	179,824	193,250
- 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	17,101	17,922	19,003
- 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)
Gross Profit	50,239	38,558	45,776	50,685	53,959
Selling Expenses	9,961	11,755	10,712	12,439	13,505
G&A Expenses	14,094	13,933	13,883	15,179	15,708
Operating Profit	26,184	12,870	20,033	22,008	23,813
EBITDA	34,446	24,571	32,577	35,374	38,017
Finance Income	1,953	2,342	2,200	2,259	2,330
Finance Cost	4,382	3,408	2,847	2,604	2,541
Share of Profit of Associates	7,087	3,083	4,812	7,215	8,435
Income Before Tax Expenses	34,054	21,741	26,348	31,861	35,430
Net Income	21,707	16,164	17,737	22,189	24,832

Source: Company data, Sinarmas Investment Research

Balance Sheet (IDR Bn)	2019	2020	2021E	2022F	2023F
Cash and Equivalents	24,330	47,553	72,046	82,747	101,154
Trade Receivables	29,367	17,031	26,391	30,550	32,763
Financing Receivables	36,059	32,379	38,927	45,061	48,326
Other Receivables	5,176	4,897	5,729	6,632	7,113
Inventories	24,287	17,929	20,895	23,335	23,883
Other Current Assets	9,839	12,519	15,929	20,268	25,788
Total Current Assets	129,058	132,308	179,917	208,592	239,026
Non-Current Receivables	35,537	33,239	12,717	14,721	15,788
Investments	65,976	55,311	46,370	38,874	32,590
Plantations	6,991	7,006	7,028	6,958	6,971
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
Total Non-Current Assets	222,900	205,895	182,384	176,010	169,166
Total Assets	351,958	338,203	362,300	384,602	408,193
ST Borrowings	41,752	37,136	35,206	32,314	29,669
Account Payables	30,087	16,529	25,856	31,915	36,103
Other Current Liabilities	32,071	34,542	36,753	40,182	0
Total Current Liabilities	99,962	85,736	95,604	100,982	105,954
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
Total Non-Current Liabilities	65,233	57,013	54,796	51,483	48,450
Total Liabilities	165,195	142,749	150,400	152,465	154,404
Share & APIC	7,360	6,594	6,594	6,594	6,594
Retained Earnings	140,487	149,068	162,166	178,283	195,526
Non-Controlling Interests	38,916	39,792	43,140	47,260	51,668
Total Equity	186,763	195,454	211,900	232,137	253,788
Total Liabilities & Equity	351,958	338,203	362,300	384,602	408,193

Source: Company data, Sinarmas Investment Research

Ratios	2019	2020	2021E	2022F	2023F
Profitability					
Return on Asset (%)	6.2	4.7	5.1	5.9	6.3
Return on Equity (%)	15.2	10.7	10.9	12.5	12.8
Gross Margin (%)	21.2	22.0	23.0	22.0	21.8
Operating Margin (%)	11.0	7.4	10.1	9.5	9.6
EBITDA Margin (%)	14.5	14.0	16.4	15.3	15.4
Net Margin (%)	9.2	9.2	8.9	9.6	10.0
Liquidity					
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
Solvency					
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
Valuations					
P/E (X)	13.2	17.8	16.2	13.0	11.6
P/BV (X)	1.9	1.8	1.7	1.6	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	3,771	3,804	3,825
FFB Yield (Tons/Ha)	20.1	19.5	19.0	19.5	19.4
CPO Production (Ths Tons)	1,654	1,429	1,482	1,555	1,692
CPO Extraction Rate (%)	20.2%	19.7%	19.9%	19.8%	19.9%
CPO Sales (Ths Tons)	1,740	1,498	1,334	1,508	1,692
CPO ASP (IDR/kg)	6,689	8,485	10,174	10,004	9,777

Source: Company data, Sinarmas Investment Research

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