

Group consolidated net revenue for 1Q18 came in at IDR 55.8 tn (+14% YoY), mainly driven by Heavy equipment and mining which stood at IDR 19.0 tn (+39% YoY) and Automotive which stood at IDR 26.0 tn (+7 YoY). Net income, however, came in at IDR 5.0 tn (-2% YoY) or lower than the same period last year.

ASII 1Q18 NPAT is 24% of our FY18E and 23% of consensus, whereas UNTR 1Q18 NPAT is 30% of our FY18E and 28% of consensus.

Automotive: net income from Auto was down by 8% YoY, mostly due to intensified competition in 4W, which resulted in a decline in market share from 57% to 49%. Similarly, market share in 2W also declined from 77% to 73%, although this was due to inventory management ahead of several model launches. In the Auto division, we see a stronger uptick in the distribution margin following negative margin mid last year, which we believe was due to better inventory control and rising ASP especially from new models launched.

Financial services: net income from Financial services decreased by 6% YoY due to lackluster financing growth at the group level as well as lower contribution from Permata. Contribution from car-focused finance decreased by 17% YoY due to higher provisioning in LCGC segment. Permata's 1Q18 NPAT came in at IDR 164 bn (-64% YoY) due to high base last year from sale of NPL. As of 1Q18, Permata's NPL stood at 4.6%.

Heavy equipment and mining: net income from UT came in at IDR 1.5 tn, a stunning +68% YoY. We see the stars are aligning for the company as heavy equipment sales were up by 38% YoY, mining contracting OB removal was up by 22% YoY, followed with 6% higher coal production, and TTA reported higher coal sales at 2.6 mn tons. Meanwhile, Suprabari Mapanindo Mineral, which became operational in late last year, achieved coal sales of 111,000 tons.

Agribusiness: AALI recorded its 1Q18 revenue at IDR 4.45tn down by 1% YoY, while net income dropped to IDR 283bn (-55% YoY from 1Q17). COGS increased significantly by 19.6% YoY to IDR 3.7tn, hence gross margin (GPM) fell to 16.8% compared to 31.1% back in 1Q17. Ultimately, AALI saw its net margin (NPM) at 8% in 1Q18, much lower than 17.6% in the same period last year. Flat 1Q18 top-line was expected to be on lower CPO price (1Q18 average future CPO price at RM 2,512 vs RM 3,187 in 1Q17). Meanwhile, shrinking margins were due to lower CPO price coupled with higher-than-expected COGS. Note that from its COGS, harvesting & maintenance costs increased by 16.9% YoY, infrastructure maintenance & tools by 14.3% YoY and depreciation expenses by 11.4% YoY.

All in all, we see Astra's results are broadly inline with our FY18E. Though the decline in Auto market share was more severe than what we had guided at the beginning of the year, we see rising ASP in the Auto division to support Astra's Auto performance this year. Meanwhile, HE sales were above our projection, which delivers an upside from our FY18 TP of IDR 38,850.

We reiterate our ADD rating on Astra with unchanged TP of IDR 9,050 and BUY on United Tractors at IDR 38,850 (we are currently reviewing our valuation on UNTR as 1Q18 numbers came in stronger than expected).

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Astra International	1Q17	1Q18	Growth
Revenue	48,780	55,822	14%
Gross Profit	10,012	11,350	13%
% of Revenue	21%	20%	
Net profit	6,072	6,334	4%
% of Revenue	12%	11%	
Profit attributable to parent	5,078	4,980	-2%

Automotive	1Q17	1Q18	Growth
Revenue	24,227	26,004	7%
Gross Profit	2,554	2,668	4%
% of Revenue	11%	10%	
Net profit	2,324	2,156	-7%
% of Revenue	10%	8%	
Profit attributable to parent	2,288	2,109	-8%

Financial Services	1Q17	1Q18	Growth
Revenue	4,566	4,762	4%
Gross Profit	2,627	2,908	11%
% of Revenue	58%	61%	
Net profit	1,172	1,110	-5%
% of Revenue	26%	23%	
Profit attributable to parent	1,124	1,060	-6%

Heavy Equipment	1Q17	1Q18	Growth
Revenue	13,679	19,011	39%
Gross Profit	2,856	4,453	56%
% of Revenue	21%	23%	
Net profit	1,585	2,656	68%
% of Revenue	12%	14%	
Profit attributable to parent	902	1,518	68%

Agribusiness	1Q17	1Q18	Growth
Revenue	4,491	4,446	-1%
Gross Profit	1,397	745	-47%
% of Revenue	31%	17%	
Net profit	825	373	-55%
% of Revenue	18%	8%	
Profit attributable to parent	629	283	-55%

Others & Elimination	1Q17	1Q18	Growth
Revenue	1,817	1,599	-12%
Gross Profit	578	576	0%
% of Revenue	32%	36%	
Net profit	166	39	-77%
% of Revenue	9%	2%	
Profit attributable to parent	135	10	-93%

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