



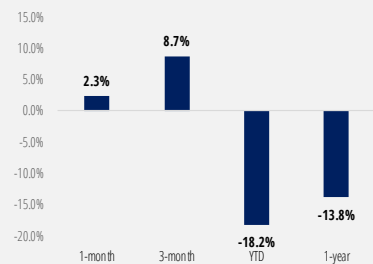
PT ASTRA INTERNATIONAL, TBK.

Ticker: ASII
Last Price (3/12/20): 5,625
Shares (million): 40,484
Market Cap (million rupiah): 227,719,986

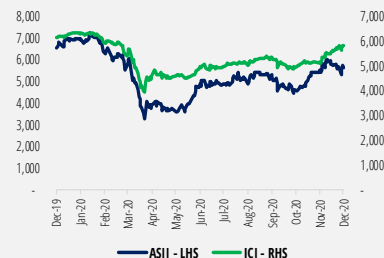
RECOMMENDATION BUY
12-Month Target Price 5,540
Upside Potential -1.5%

SHAREHOLDERS
Jardine Cycle & Carriage Limited 50.1%
Public 49.9%

PRICE PERFORMANCE



ASII vs. JCI (LAST ONE YEAR)



ANALYST
Jason Wijaya
 jason@minnapadi.com

EXPECTED TO CONTINUE IN THE 4Q20

ASII's 9M20 revenue stood at Rp130T, which declined by -26.4% and represented 70.1% of 2020F estimate at Rp186T. Automotive and HEMCE dropped by -35.9% (Y/Y) and -29.2% (Y/Y), respectively, as expected, in the wake of slower economic growth and benign coal demand. Net profit was penciled at Rp14T, which decreased by -11.5% (Y/Y) and represented 68.4% of 2020F estimate. Despite car sales formed a V-shape recovery, the latest figure has not yet to recover to pre-pandemic level, thus may result in a moderate automotive result in the 4Q20.

V-SHAPED RECOVERY

Since hitting its low in May at 3.5k units, car sales have been creeping higher, with the figure growing to 49k in October, in line with the economic recovery. Still, 49k is only around 60% of pre-pandemic level at around 80k. We estimate car sales to continue its recovery entering the last month of the year, yet for 2020 car sales to reach Gaikindo's target of 600k is unlikely, in our view, given the 10M20 figure only reached 421k. With the current run rate, total car sales could reach around 505k-520k units.

UNCERTAINTY IN THE MARKET

Revenue from HEMCE segment declined by -29.2% (Y/Y) to Rp49.6T from Rp77.4T as of 9M20. Recent conference call with UNTR revealed that coal industry may face challenge next year in the wake of recent rift between China and Australia. Going forward, the Company expects sales from construction sector to at least be able to support overall heavy machinery sales, yet we express our concern regarding its margin, as the competition in construction sector is tighter than that in mining sector and ASP is lower due to smaller machines needed. Still, UNTR plans to spend US\$290M of capex next year, higher than US\$188M of expected capex realization this year.

BELOW OUR EXPECTATIONS

As expected, 3Q20 bottom line result confirmed that ASII may find it a little bit difficult to meet our 2020F bottom line estimate at Rp20.5T (9M20 net profit: Rp14T, 68.4% of 2020F estimate), despite boosted by recent BNLI divestment. Quarterly-wise, 3Q20 top line is undoubtedly improved, growing by +13.3% (Q/Q) albeit lower by -33.4% (Y/Y). But 3Q20 selling expenses soared +12.2% (Q/Q) and +23.3% (Y/Y), dragging down 3Q20 net profit to Rp2.7T. At this current run-rate, ASII could post around Rp16.6T this year; will be slightly higher if top line fares better this quarter.

VALUATION

We changed our BUY recommendation to HOLD with TP of Rp5,540/share (previous: Rp5,540/share), which reflects 12-month P/E of 11.5x and P/B of 1.1x, as current stock price has exceeded our 12-month TP. In the meantime, there may be no significant change in the outlook.

Fiscal Year Ending	2018	2019	2020F	2021F	2022F
Revenue	239,205	237,166	186,014	202,800	217,986
EBITDA	34,832	35,834	29,108	33,302	36,119
Net Profit	21,673	21,707	20,511	19,497	20,467
EPS	535	536	507	482	506
BVPS	4,307	4,613	4,917	5,196	5,508
P/E (x)	10.5	10.5	11.1	11.7	11.1
P/B (x)	1.3	1.2	1.1	1.1	1.0
EV/EBITDA (x)	9.0	8.9	10.0	9.0	7.9

Source: ASII, MPIS Research

APPENDIX

FIGURE A-1

INCOME STATEMENT

(Rp Billions)	2018	2019	2020F	2021F	2022F
Revenue	239,205	237,166	186,014	202,800	217,986
Cost of Revenue	(188,436)	(186,927)	(144,020)	(155,462)	(166,853)
Gross Profit	50,769	50,239	41,994	47,339	51,133
Operating Expenses	(23,901)	(24,055)	(19,291)	(20,945)	(22,466)
Operating Profit	26,868	26,184	22,703	26,394	28,667
Finance Income	1,859	1,953	1,645	1,046	2,036
Finance Expenses	(3,105)	(4,382)	(4,400)	(3,026)	(5,114)
Equity Net Profit	7,036	7,087	3,821	4,177	4,379
Others	2,337	3,212	7,634	1,933	2,152
Pre-tax Profit	34,995	34,054	31,403	30,524	32,121
Taxes	(7,623)	(7,433)	(6,847)	(6,659)	(7,006)
Minority Interest	5,699	4,914	4,044	4,367	4,648
Net Profit	21,673	21,707	20,511	19,497	20,467

Sources: ASII, MPIS Research

FIGURE A-2

BALANCE SHEET

(Rp Billions)	2018	2019	2020F	2021F	2022F
Cash and cash equivalents	25,784	24,730	15,955	30,699	23,463
Account Receivables	31,220	29,367	30,578	30,559	29,861
Inventories	26,505	24,287	31,566	31,944	31,999
Other Current Assets	50,100	50,674	46,504	45,846	48,679
Current Assets	133,609	129,058	124,602	139,048	134,002
Fixed Assets	88,054	91,588	90,358	89,814	89,154
Other Non-current Assets	123,048	131,312	119,851	115,771	127,464
Non-Current Assets	211,102	222,900	210,209	205,585	216,618
Total Assets	344,711	351,958	334,811	344,634	350,620
Account Payables	42,263	30,087	24,457	25,191	26,980
Short-term Loans	45,529	41,752	38,864	28,515	24,368
Current Maturities	25,941	26,325	24,223	13,524	8,827
Other Current Liabilities	28,675	28,123	27,902	25,461	27,840
Current Liabilities	116,467	99,962	91,223	79,167	79,188
Long-term Loans	40,385	50,549	25,946	42,722	34,295
Other Non-Current Liabilities	13,496	14,684	18,601	12,411	14,135
Non-current Liabilities	53,881	65,233	44,547	55,133	48,430
Total Liabilities	170,348	165,195	135,770	134,299	127,618
Capital Stock	2,024	2,024	2,024	2,024	2,024
Additional Paid-in Capital	1,139	1,139	1,139	1,139	1,139
Retained Earnings	127,732	140,487	152,315	163,608	176,277
Others	6,052	4,197	6,052	6,052	6,052
Minority Interest	37,416	38,916	37,511	37,511	37,511
Total Equity	174,363	186,763	199,041	210,334	223,003
Total Liabilities & Equity	344,711	351,958	334,811	344,633	350,620

Sources: ASII, MPIS Research

FIGURE A-3
CASH FLOW STATEMENT

(Rp Billions)	2018	2019F	2020F	2021F	2022F
Net Profit	21,673	21,707	20,511	19,497	20,467
Depreciation	8,836	8,453	11,785	12,472	13,253
Changes in NWC	(2,376)	(9,231)	(10,171)	(1,409)	1,979
Others	(12,566)	(7,076)	15,378	(2,110)	(9,969)
Operating Cash Flow	15,566	13,853	37,504	28,450	25,730
Investments	(28,783)	(11,987)	(10,555)	(11,928)	(12,593)
Investing Cash Flow	(28,783)	(11,987)	(10,555)	(11,928)	(12,593)
Change in Debt	10,936	6,387	(27,491)	6,427	(12,574)
Change in Equity	3,689	(355)	450	-	-
Dividends	(7,687)	(8,542)	(8,683)	(8,204)	(7,799)
Others	183	(410)	-	-	-
Financing Cash Flow	7,121	(2,920)	(35,724)	(1,778)	(20,373)
Change in Cash	(6,095)	(1,054)	(8,775)	14,744	(7,236)

Sources: ASII, MPIS Research

FIGURE A-4
RESULT COMPARISON

(Rp Billions)	3Q19	2Q20	3Q20	Q/Q	Y/Y	9M19	9M20	Y/Y	2020F	% of forecast
Revenue	60,862	35,793	40,554	13.3%	-33.4%	177,044	130,349	-26.4%	186,014	70.1%
Cost of Revenue	(47,957)	(27,706)	(31,421)	13.4%	-34.5%	(139,671)	(101,042)	-27.7%		
Gross Profit	12,905	8,087	9,133	12.9%	-29.2%	37,373	29,307	-21.6%	41,994	69.8%
Selling Expenses	(2,488)	(2,734)	(3,068)	12.2%	23.3%	(7,219)	(8,483)	17.5%		
G&A Expenses	(3,615)	(3,275)	(3,169)	-3.2%	-12.3%	(10,590)	(10,118)	-4.5%		
Operating Profit	6,802	2,078	2,896	39.4%	-57.4%	19,564	10,706	-45.3%	22,703	47.2%
Interest Income	489	568	707	24.5%	44.6%	1,419	1,723	21.4%		
Interest Expenses	(1,123)	(867)	(742)	-14.4%	-33.9%	(3,295)	(2,612)	-20.7%		
Equity Net Profit	2,271	(609)	913	-249.9%	-59.8%	5,194	2,080	-60.0%		
Others	856	6,549	91	-98.6%	-89.4%	2,109	6,954	229.7%		
Pre-tax Profit	9,295	7,719	3,865	-49.9%	-58.4%	24,991	18,851	-24.6%	31,403	60.0%
Taxes	(1,968)	(269)	(769)	185.9%	-60.9%	(5,363)	(2,618)	-51.2%		
Minority Interest	1,262	882	435	-50.7%	-65.5%	3,760	2,194	-41.6%		
Net Profit	6,065	6,568	2,661	-59.5%	-56.1%	15,868	14,039	-11.5%	20,511	68.4%

Sources: ASII, MPIS Research

Our Locations

PT MINNA PADI INVESTAMA SEKURITAS, TBK

HEAD OFFICE

Equity Tower 11th Floor
Sudirman Central Business District Lot 9
Jl. Jend. Sudirman Kav 52-53
Jakarta Selatan, Indonesia
Tel: +62 21 525 5555 Fax: +62 21 527 1527

INVESTMENT GALLERY

Solo
Jl. Monginsidi No 27A/B
Solo, 57129
Tel: +62 271 667 679
Fax: +62 271 635 470

Research Team

Andre Setiawan

andre.setiawan@minnapadi.com
+62 21 525 5555 ext. 301

Geri Eka Putra

gery@minnapadi.com
+62 21 525 5555 ext. 308

Bayu Santoso

bayusantoso@minnapadi.com
+62 21 525 5555 ext. 310

Jason Wijaya

jason@minnapadi.com
+62 21 525 5555 ext. 331

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