

Buy

Current Price	7,975
2017E P/E	15.9
Target Price	9,200
2017E P/E	18.4

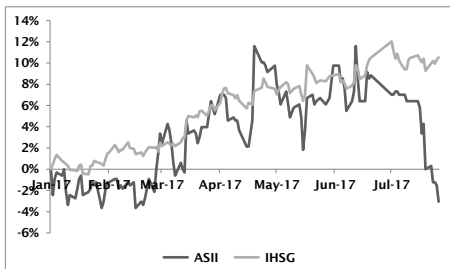
Misc Industry

52 week High	9,350
52 week Low	6,975
Market Cap (Rp tn)	323
Market Cap (US\$ bn)	24
USDIDR	13,325
Daily Average Vol ('000 shares)	35,884
Daily Average Val (Rp bn)	310
Daily Average Val (US\$ mn)	23.3

Major Shareholders (%):

Jardine Cycle & Carriage Ltd	50.1
Others under 5%	49.9

Relative Performance vs IHSG:



Business Segments, Contribution to Net Profit, 1H2017:

- Automotive (45%)
- Financial Services (22%)
- Heavy Equipment and Mining (22%)
- Agribusiness (9%)
- Infrastructure and Logistics (1%)
- Information Technology (1%)
- Property (1%)

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Rapid response to competition

Automotive Industry: Key takeaways from July sales numbers and GIIAS event

Astra Honda's motorcycle sales in the first 7-months of this year increased slightly by 2% to 2.4 million units, from 2.36 million in the same period last year. Meanwhile Astra Group's car sales in the first 7-months of this year rose significantly above 12%, or higher than the growth rate of total domestic car sales which only grew 4%.

Despite the increasing competition from Mitsubishi Expander and Wuling Confero, we saw a quick and positive response from Daihatsu by introducing 2 concept cars, the DN F-Sedan and DN Multisix, which potentially could return the competitiveness of Astra Group if it can be officially launched next year.

Outlook

With car and motorcycle market shares above 70%, an investment opportunity in Astra Group is not to be missed, especially when the current share price has fallen more than 15% from its highest level at the beginning of the year.

Positive sentiment can also come from higher Coal price and the potential improvement continuation of Financial Services segment, which contributes more than 20% each respectively to the profit of PT. Astra International, Tbk (ASII), especially after the BI RR Rate cut from 4.75% to 4.50%.

Valuation and Recommendation: Buy, TP 9200

We are maintaining a Buy rating with target price at Rp9200, implying 18.4x of 2017E P/E Ratio of this year's EPS forecast of 501 rupiah. ASII (7975) is currently trading at 15.9x P/E Ratio, or still below its average which is at 16.9x.

Downside Risks

1) increased competition among coal mining contractors that could reduce overburden removal rates, 2) ongoing decline of crude palm oil prices, and 3) worst than expected car and motorcycle sales.

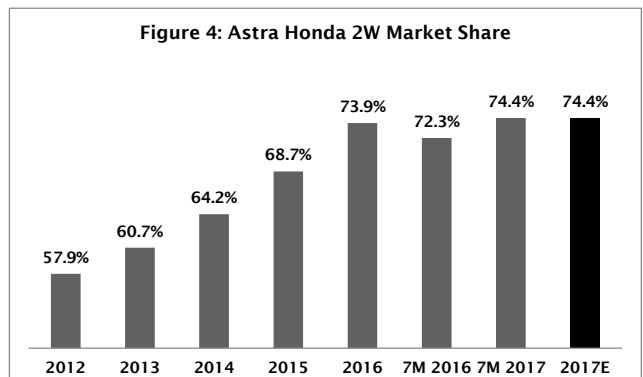
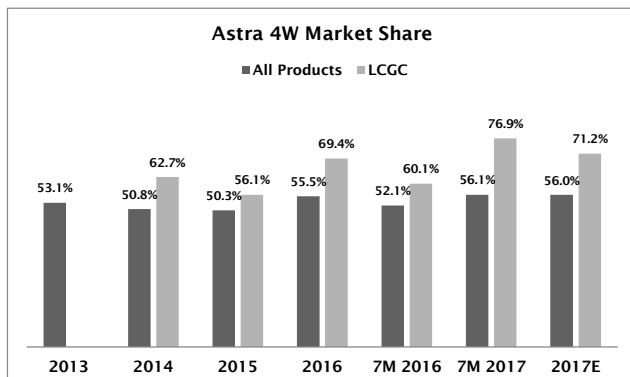
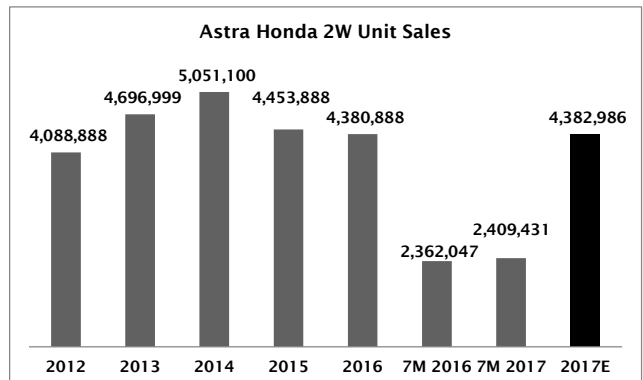
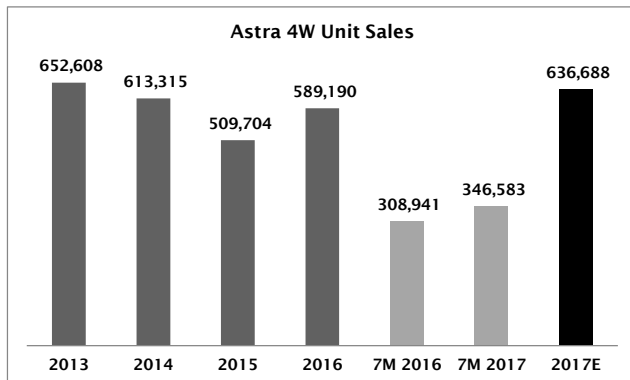
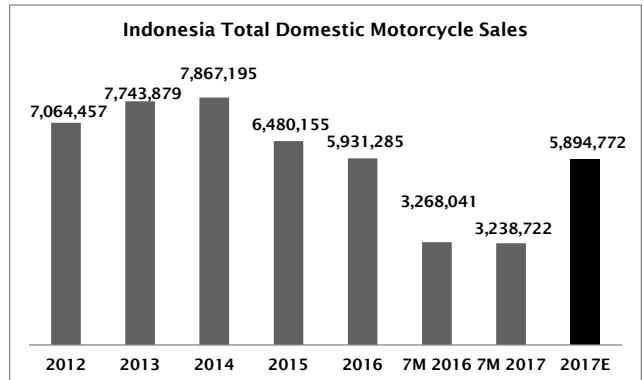
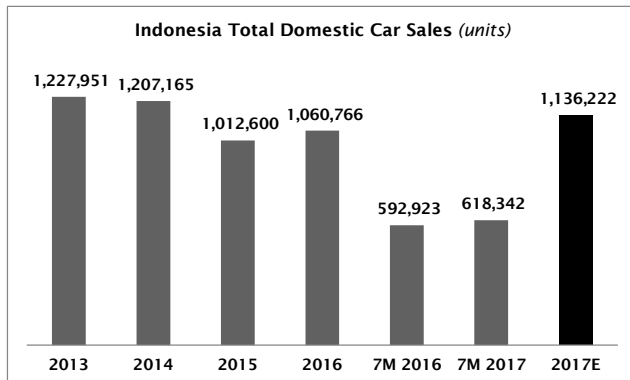
	Toyota	Daihatsu	Honda	Suzuki	Mitsubishi	Nissan
2013	434,869	185,942	91,493	164,003	157,352	61,119
2014	399,746	185,226	159,147	154,923	141,962	33,789
2015	322,506	167,808	159,253	121,667	112,527	25,108
2016	382,618	189,683	199,364	92,950	97,761	13,153



After the launch of Mobilio, BRV, and HRV, Honda managed to increase its sales growth significantly in the last 3-years, stealing Suzuki-Mitsubishi-Nissan's market shares, which sales are declining. Toyota-Daihatsu has also been affected by Honda's strong market penetration in 2014-2015, however managed to rise in 2016 thanks to the successful launch of Calya and Siga.

The same scenario could potentially recur after the launch of Expander, which is expected to be a momentum for Mitsubishi to take market share from its competitors in the first 1-2 years.

However we also see a quick and positive response from Daihatsu by introducing two concept cars at GIIAS 2017, which are the DN F-Sedan and DN Multisix, which potentially could return the competitiveness of Astra Group if it can be officially launched next year.



PT. Astra International, Tbk (ASII)

Financial Performance

Income Statement

(bn Rp)	2016	2017E	2018E
Revenue	181,084	203,031	227,192
Gross Profit	36,432	41,762	44,984
EBT	22,253	29,793	32,316
EAT	18,302	24,503	26,579
Net Income	15,156	20,291	22,010
EPS	374	501	544

Current Price	7,975		
P/E	15.9		
Target Price	9,200		
P/E	18.4		
Market Cap (Rp tn)	322.9		
Market Cap (US\$ bn)	24.2		

Ratios & Margins:

Revenue growth	-1.7%	12.1%	11.9%
Gross Profit margin	20.1%	20.6%	19.8%
Net Profit margin	8.4%	10.0%	9.7%
Net Profit growth	4.8%	33.9%	8.5%
DPR (as paid)	44.9%	44.9%	44.9%
DPS (as paid)	168	225	244
BVPS	3,456	3,825	4,238
ROA	5.8%	7.3%	7.4%
ROE	10.8%	13.1%	12.8%
Total Debt	70,163	70,024	70,339
Net Debt (Cash)	40,806	30,138	17,615
DER	29.2%	19.5%	10.3%
DPS (as paid)	168	225	244
DPR (as paid)	44.9%	44.9%	44.9%

Cash Flows

	2016	2017E	2018E
Chg in work cap	(9,784)	(107)	(155)
Net income	15,156	20,291	22,010
Depreciation	3,502	3,750	3,675
Net CF From Operation	8,874	23,934	25,530
Capex	(5,037)	(7,980)	(7,781)
Net CF From Investing	(5,037)	(7,980)	(7,781)
Loans and Debts	261	(146)	309
Employee Benefit Liabs	(60)	66	86
Non Ctrlng Int	3,465	2,986	3,338
Chg in Equity	1,255	1,072	1,233
Dividend	(6,801)	(9,105)	(9,877)
Net CF From Financing	(1,880)	(5,127)	(4,911)

Equities

	2016	2017E	2018E
Issued & fully paid capital	2,024	2,024	2,024
Additional paid in capital	1,139	1,139	1,139
Retained earning	101,642	112,530	124,663
Appropriated	425	425	425
Unappropriated	101,217	112,105	124,238
Other rsv, equity chg	7,146	8,218	9,451
Minority Interest	27,955	30,941	34,279
Total Equity	139,906	154,852	171,556

Balance Sheet

(bn Rp)	2016	2017E	2018E
Assets			
Cash	29,357	39,886	52,724
Other Investments	899	912	926
Receivables	18,946	18,757	18,569
Financing Receivables	33,216	33,714	34,220
Other Receivables	3,964	4,023	4,084
Inventories	17,771	18,038	18,308
Prepaid taxes	4,443	4,510	4,577
Other prepayments	1,807	1,834	1,862
Total Current Assets	110,403	121,674	135,270
Financing Receivables	31,423	31,109	30,798
Other Receivables	1,942	1,961	1,981
Investment in assc & joints	33,987	34,327	34,670
Other investments	6,372	6,308	6,245
Deferred tax assets	3,980	4,020	4,060
Investment properties	6,183	6,245	6,307
Plantations	6,675	6,742	6,809
Fixed Assets	43,237	47,467	51,573
Mining properties	4,613	4,567	4,521
Concession/ Joint operation	5,987	6,047	6,107
Goodwill	1,974	1,994	2,014
Other intangible assets	2,072	2,093	2,114
Other assets	3,007	3,037	3,067
Total Non Current Assets	151,452	155,916	160,266
Total Assets	261,855	277,590	295,536

Liabilities

	2016	2017E	2018E
Short term borrowings	18,764	19,139	19,522
Payables	22,489	22,939	23,398
Other liabilities	7,596	7,748	7,903
Taxes payable	1,851	1,888	1,926
Accruals	6,174	6,297	6,423
Employee ben obligations	420	428	437
Unearned income	4,436	4,525	4,615
Current portion of LT debt	27,056	26,785	26,518
Bank loan	15,104	14,953	14,803
Debt securities	11,264	11,151	11,040
Finance lease	688	681	674
Total Current Liabilities	89,079	90,049	91,046
Other Liabilities	232	230	234
Unearned income	1,873	1,901	1,882
Deferred tax liabilities	1,641	1,625	1,608
Provisions	207	210	214
Employee ben obligations	3,827	3,884	3,962
Long term debt	25,090	24,839	25,033
Bank loan	10,195	10,093	9,992
Debt securities	14,836	14,688	14,981
Finance lease	59	58	60
Total Non Current Liabs	32,870	32,689	32,934
Total Liabilities	121,949	122,738	123,981

Source: Financial statement, Reliance Sekuritas Indonesia research estimate

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