

17 October 2019

## Indonesia Auto

### Better Sep-19 4W Wholesales, Still Lower YoY

• **Stay NEUTRAL.** Although we see an improved Sep 2019 4-wheeler (4W) vehicle wholesales, competition is likely to remain intense. 3Q19 auto wholesales grew 19.9% QoQ, but still declined 10.1% YoY. Astra International's (ASII) market share increased to 55.5% in Sep 2019 (Aug 2019: 51.9%, Sep 2018: 53.4%), while Mitsubishi and Suzuki's market shares fell. Key upside risk: Further interest rate cuts that should boost auto sales. Key downside risk: Competition, especially in the MPV and low cost green car (LCGC) segments.

• **There were better sales in Sep 2019**, where domestic 4W wholesales came in at 92.9k units (+2.8% MoM, -0.4% YoY), bringing 3Q19 auto wholesales to 272.5k units (+19.9% QoQ, -10.1% YoY). 9M19 auto wholesales still declined 12% YoY to 753.5k units, although the declining pace got slower (8M19: -13.5% YoY).

Better Sep 2019 sales are likely to be partly driven by lower financing costs. We are starting to see the momentum from the shorter-term base, which is gradually picking up on a monthly basis – we believe the implementation of our thesis is on better financing rates starting to play out.

• **ASII's 4W market share** increased to 55.5% in Sep 2019 (Aug 2019: 51.9%, Sep 2018: 53.4%). On a cumulative basis, its 9M19 market share increased to 52.6% (8M19: 52.2%, 9M18: 49.6%). This was supported by stronger Sep 2019 wholesale growth (+9.8% MoM, +3.4% YoY) to 51.6k units, driven by higher Toyota and Daihatsu wholesales.

Although ASII recorded better Sep 2019 wholesales, on yearly basis, its 3Q19 4W wholesale still declined to 142.9k units (-8.5% YoY, +20% QoQ). This brought ASII's cumulative 9M19 auto wholesales to 396.1k units (-6.7% YoY).

• **Mitsubishi and Suzuki recorded weaker wholesales.** Moving on to non-ASII brands, a steeper downturn to 41.4k units was seen from Sep 2019's wholesales (-4.8% MoM, -4.8% YoY). 3Q19 4W wholesales also declined to 129.6k units (-11.7% YoY, +19.8% QoQ), bringing cumulative 9M19 wholesales to book a 17.3% YoY decline to 357.4k units.

Mitsubishi's Sep 2019 4W wholesales declined to 12.7k units (-10.7% MoM, -21.3% YoY) while market share dropped to 13.7% during this period (Aug 2019: 15.7%, Sep 2018: 17.3%). Suzuki's Sep 2019 4W wholesales also fell to 8.1k units (-5.8% MoM, -8.6% YoY), while market share declined to 8.7% during this timeframe (Aug 2019: 9.5%, Sep 2018: 9.5%).

• **The key downside risk** remains competition in the industry, especially in the LCGC and low-MPV segments. We note that Hyundai Motor is building a manufacturing facility in Indonesia – this should intensify competition over the long term.

• **Key upside risk** to our call is lower interest rates, which should boost auto sales.

| Company name        | Rating  | TP (IDR) | % Upside (Downside) | P/E (x) Dec-20F | P/BV (x) Dec-20F | Yield (%) Dec-20F |
|---------------------|---------|----------|---------------------|-----------------|------------------|-------------------|
| Astra International | NEUTRAL | 6,650    | 4.3                 | 10.6            | 1.6              | 4.6               |
| Astra Otoparts      | BUY     | 2,100    | 44.8                | 6.3             | 0.5              | 5.6               |

Source: Company data, RHB

Consumer Cyclical | Auto & Auto parts

**Neutral** (Maintained)

Stocks Covered 2

Ratings (Buy/Neutral/Sell): 1 / 1 / 0

Last 12m Earnings Neutral

#### Pecking Order

#### Target Price

Astra Otoparts (AUTO IJ) – BUY IDR2,100  
Astra International (ASII IJ) – NEUTRAL IDR6,650

#### Analysts

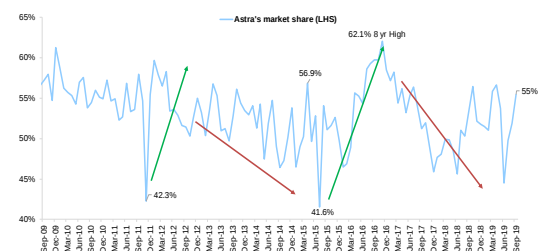
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#### ASII's market share



Source: Company data, RHB

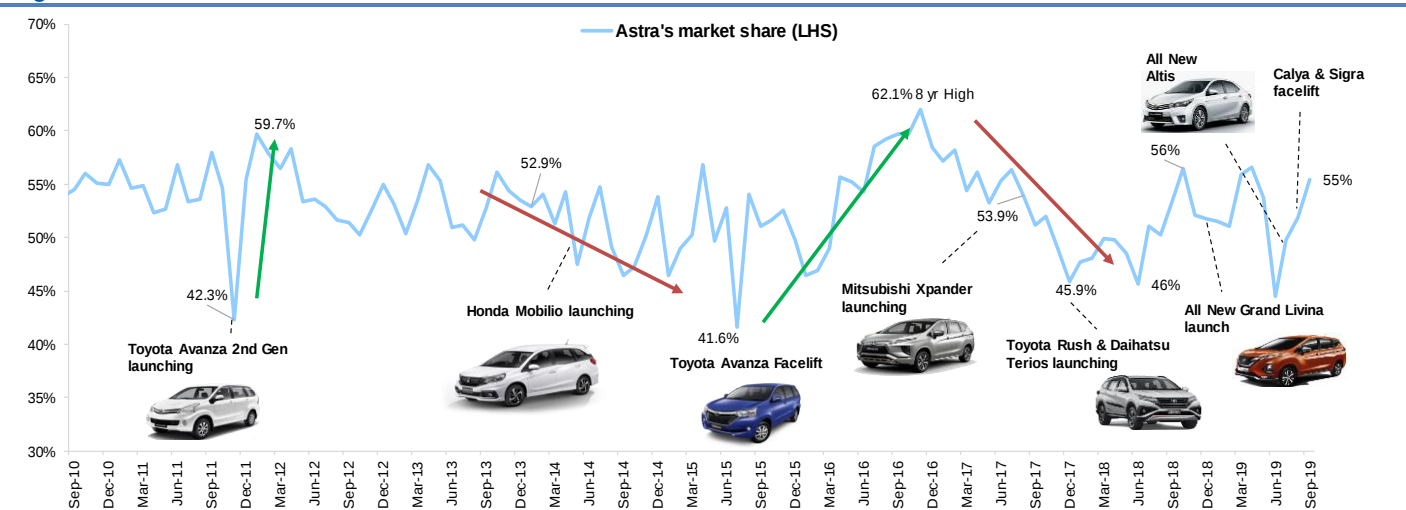
#### Previous reports:

- ◆ *Financing Eases, But Higher Tax On LCGC*
- ◆ *August 4W Wholesale: Better MoM*
- ◆ *Welcoming Esemka, a New Local Brand*
- ◆ *Indonesia Auto: Weak July Wholesales*
- ◆ *Long Road To EV Mass Production*
- ◆ *4W Outlook Softens; D/G To NEUTRAL*
- ◆ *Cyclicality As Expected; Ramping Up In 2H19*
- ◆ *Massive New Investments Ahead, OW*
- ◆ *Lower 5M19 Sales, Expect Better In 2H19; OW*
- ◆ *Likely Newcomer, Renault Triber, In July*

17 October 2019

Consumer Cyclical | Auto &amp; Autoparts

Figure 1: ASII's market share



Source: Company data, RHB

Figure 2: 4W wholesales breakdown

| 4W wholesales   | Sep-18      | Aug-19      | Sep-19      | MoM           | YoY           | 9M18         | 9M19         | YoY            |
|-----------------|-------------|-------------|-------------|---------------|---------------|--------------|--------------|----------------|
| (In '000 units) |             |             |             |               |               |              |              |                |
| <b>ASII</b>     | <b>49.9</b> | <b>46.9</b> | <b>51.6</b> | <b>9.8%</b>   | <b>3.4%</b>   | <b>424.6</b> | <b>396.1</b> | <b>(6.7%)</b>  |
| Toyota          | 30.0        | 29.2        | 31.9        | 9.5%          | 6.5%          | 258.5        | 245.5        | (6.5%)         |
| Daihatsu        | 17.1        | 15.4        | 17.5        | 13.8%         | 2.5%          | 147.5        | 133.0        | (9.8%)         |
| Isuzu & Peugeot | 2.8         | 2.4         | 2.1         | (11.7%)       | (24.4%)       | 18.6         | 17.6         | (4.9%)         |
| ASII LCGC       | 14.5        | 11.7        | 13.5        | 15.9%         | (6.3%)        | 127.9        | 111.4        | (12.9%)        |
| <b>Non-ASII</b> | <b>43.5</b> | <b>43.5</b> | <b>41.4</b> | <b>(4.8%)</b> | <b>(4.8%)</b> | <b>432.2</b> | <b>357.4</b> | <b>(17.3%)</b> |
| Mitsubishi      | 16.2        | 14.2        | 12.7        | (10.7%)       | (21.3%)       | 152.8        | 122.5        | (19.8%)        |
| Honda           | 11.0        | 11.9        | 12.4        | 4.4%          | 13.4%         | 117.7        | 97.3         | (17.3%)        |
| Suzuki          | 8.9         | 8.6         | 8.1         | (5.8%)        | (8.6%)        | 91.1         | 71.5         | (21.5%)        |
| Nissan          | 0.2         | 1.2         | 1.0         | (22.6%)       | 501.9%        | 5.4          | 10.5         | 95.2%          |
| Others          | 7.3         | 7.5         | 7.2         | (4.3%)        | (1.7%)        | 65.2         | 55.6         | (14.7%)        |
| <b>Total</b>    | <b>93.3</b> | <b>90.4</b> | <b>92.9</b> | <b>2.8%</b>   | <b>(0.4%)</b> | <b>856.7</b> | <b>753.5</b> | <b>(12.0%)</b> |

Source: Company data, RHB

Figure 3: 4W market share in Indonesia

| Market share    | Sep-18       | Aug-19       | Sep-19       | 9M18         | 9M19         |
|-----------------|--------------|--------------|--------------|--------------|--------------|
| <b>ASII</b>     | <b>53.4%</b> | <b>51.9%</b> | <b>55.5%</b> | <b>49.6%</b> | <b>52.6%</b> |
| Toyota          | 32.1%        | 32.2%        | 34.4%        | 30.2%        | 32.58%       |
| Daihatsu        | 18.3%        | 17.0%        | 18.9%        | 17.2%        | 17.65%       |
| Isuzu & Peugeot | 3.0%         | 2.6%         | 2.3%         | 2.2%         | 2.34%        |
| <b>Non-ASII</b> | <b>46.6%</b> | <b>48.1%</b> | <b>44.5%</b> | <b>50.4%</b> | <b>47.4%</b> |
| Mitsubishi      | 17.3%        | 15.7%        | 13.7%        | 17.8%        | 16.3%        |
| Honda           | 11.7%        | 13.2%        | 13.4%        | 13.7%        | 12.9%        |
| Suzuki          | 9.5%         | 9.5%         | 8.7%         | 10.6%        | 9.5%         |
| Nissan          | 0.2%         | 1.4%         | 1.0%         | 0.6%         | 1.4%         |
| Others          | 7.8%         | 8.3%         | 7.7%         | 7.6%         | 7.4%         |
| <b>Total</b>    | <b>100%</b>  | <b>100%</b>  | <b>100%</b>  | <b>100%</b>  | <b>100%</b>  |

Source: Company data, RHB

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|---------------------|--------------------------------------------------------------------------------------------------|
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| <b>Trading Buy:</b> | Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain |
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| <b>Take Profit:</b> | Target price has been attained. Look to accumulate at lower levels                               |
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