Indonesia Sector Update

17 October 2019

Consumer Cyclical | Auto & Autoparts

Indonesia Auto

Neutral (Maintained)

Better Sep-19 4W Wholesales, Still Lower YoY

Stocks Covered	2
Ratings (Buy/Neutral/Sell):	1 / 1 / 0
Last 12m Earnings	Neutral

- **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

Pecking Order	**Target Price**
Astra Otoparts (AUTO IJ) – BUY	IDR2,100
Astra International (ASII IJ) – NEUTRAL	IDR6,650

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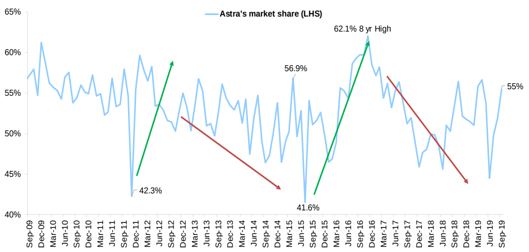
ASII's market share

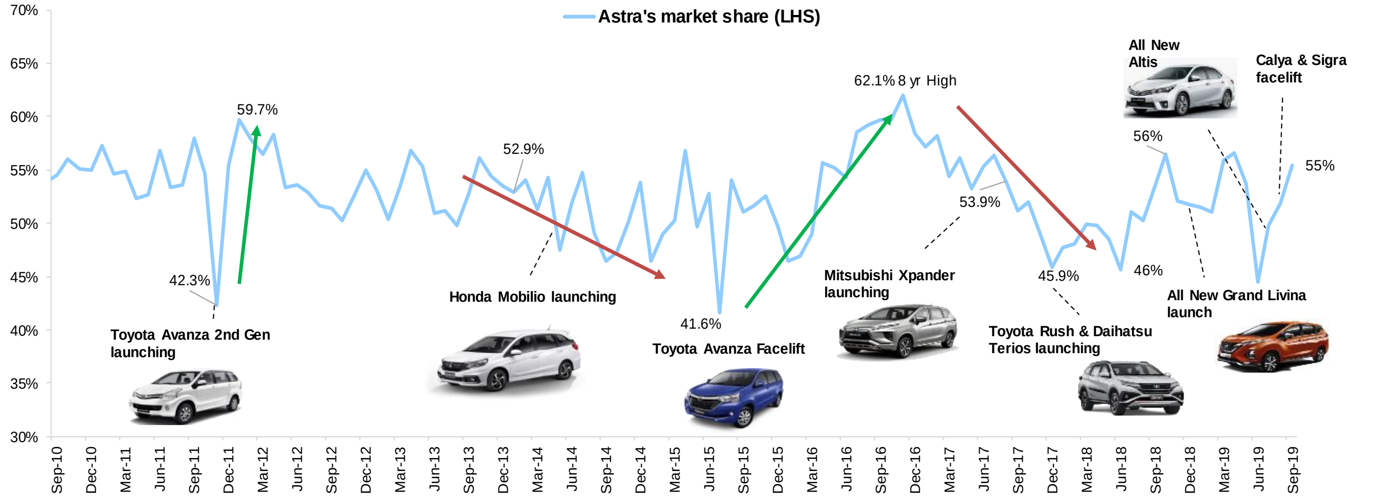


Source: Company data, RHB

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*

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)								
ASII	**49.9**	**46.9**	**51.6**	**9.8%**	**3.4%**	**424.6**	**396.1**	**(6.7%)**
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%)
Non-ASII	**43.5**	**43.5**	**41.4**	**(4.8%)**	**(4.8%)**	**432.2**	**357.4**	**(17.3%)**
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%)
Total	**93.3**	**90.4**	**92.9**	**2.8%**	**(0.4%)**	**856.7**	**753.5**	**(12.0%)**

Source: Company data, RHB

Figure 3: 4W market share in Indonesia

Market share	Sep-18	Aug-19	Sep-19	9M18	9M19
ASII	**53.4%**	**51.9%**	**55.5%**	**49.6%**	**52.6%**
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%
Non-ASII	**46.6%**	**48.1%**	**44.5%**	**50.4%**	**47.4%**
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%
Total	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Company data, RHB

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