

22 November 2022

Consumer Cyclical | Auto & Autoparts

## Astra International (ASII IJ)

**Buy** (Maintained)

### HEV: Kijang Innova's New Era; Maintain BUY

Target Price (Return): IDR7,650 (+21%)  
 Price (Market Cap): IDR6,325 (USD16,326m)  
 ESG score: 3.00 (out of 4)  
 Avg Daily Turnover (IDR/USD) 279,005m/18.5m

- **Keep BUY and SOP-based IDR7,650 TP, 21% upside and c.4% FY23F yield.** The newly launched Kijang seventh generation Innova Zenix has a completely new exterior and interior, and also comes in a hybrid variant. It is fitted with the most recent engine technology. Although Innova Zenix's high variant model shares some price points with Toyota Voxy's and Fortuner's low variant models, the risk of brand cannibalisation is low because it targets different markets. The Innova Zenix is Indonesia's first EV export model, and it will be available in 13 countries.
- **Kijang's seventh generation launched.** It has a completely new exterior and interior as well as the option of a hybrid variant. It is built on the Toyota New Global Architecture (TNGA) GA-C platform. This platform is also said to make the car more rigid compared to the previous models, resulting in a weight reduction. Toyota has also included a number of new features on the Innova Zenix, one of which is the Toyota Safety Sense (TSS) 3.0 safety features package.
- **Despite its high price, Innova Zenix remains appealing.** The Innova Zenix petrol version is priced at IDR419-470m. Meanwhile, the hybrid version ranges from IDR 458 to 614m. This is a significant increase over the previous Innova, which sold for IDR369.6-471.9m, while the Venturer was sold for IDR494.4-527.2m. Although the Innova Zenix high variant model to an extent has the same price point as Toyota Voxy's (price range: IDR581.8-584.8m) and Fortuner's low variant models (price range: IDR548.6-588.7m), we believe the risk of brand cannibalisation is low because these three models target different market segments. Toyota Innova Zenix is a crossover model, while Voxy is an MPV and Fortuner is an SUV. Furthermore, Toyota Innova has loyal customers.
- **The most recent engine technology.** The Innova Zenix's petrol version is powered by a new engine, a 2.0 litre TNGA coded M20A7-FKS with a 1,987 cc four-cylinder Dual-VVTi engine and power output of 174PS. The hybrid version, on the other hand, is supported by a similar 2.0 litre engine but with a different code, namely the M20A-FXS. This engine can produce 152PS. The hybrid engine combines an electric motor with 113PS of power, for a total system power of 186PS. Toyota will no longer use diesel engines in the seventh generation of the Innova Zenix, thanks to this new specification.
- **Innova Zenix is the Indonesia's first EV export model** which will reach customers in 13 countries across Asia, the Middle East, and the US. All Innova Zenix models are expected to be exported to more than 40 countries in Asia, Africa, Latin America, and the Middle East.
- **ESG.** The latest TP implies c.14x FY22F-23F P/E. We have applied a 0% ESG premium/discount, as the 3.0 score is on par with the country median. Key risks: Softer consumer spending, depreciation of the IDR vs the USD, and increases in the non-performing loans of its financing companies.

#### Analysts

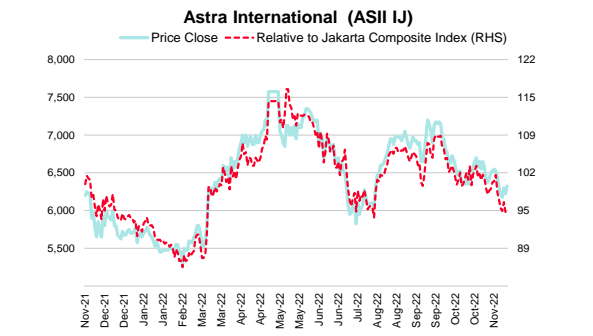
Andrey Wijaya  
 +6221 5093 9846  
[andrey.wijaya@rhbgroupp.com](mailto:andrey.wijaya@rhbgroupp.com)



Indonesia Research  
 +6221 5093 9888  
[rhb.id.research@rhbgroupp.com](mailto:rhb.id.research@rhbgroupp.com)

#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	11.0	(3.8)	(9.3)	(11.2)	1.6
Relative	3.4	(4.7)	(8.0)	(13.6)	(3.8)
52-wk Price low/high (IDR)	5,300 – 7,575				



Source: Bloomberg

Forecasts and Valuation	Dec-20	Dec-21	Dec-22F	Dec-23F	Dec-24F
Total turnover (IDRb)	175,046	233,485	241,268	246,290	269,656
Recurring net profit (IDRb)	10,225	20,171	21,139	23,484	27,300
Recurring net profit growth (%)	(46.6)	97.3	4.8	11.1	16.3
Recurring P/E (x)	25.04	12.69	12.11	10.90	9.38
P/B (x)	1.6	1.5	1.5	1.4	1.4
P/CF (x)	10.17	8.41	14.99	10.08	9.21
Dividend Yield (%)	3.7	2.8	3.5	3.8	4.2
EV/EBITDA (x)	10.43	6.53	6.50	6.08	5.51
Return on average equity (%)	10.7	12.3	12.8	13.7	15.7
Net debt to equity (%)	16.1	3.4	20.0	19.8	19.6

Source: Company data, RHB

#### Overall ESG Score: 3.00 (out of 4)

##### E: GOOD

ASII was included on Indonesia's main ESG indexes (IDX ESG Leaders and SRI-KEHATI) for its environmental awareness. One of the innovations conducted by its colleagues (Toyoda Gosei Safety Systems Indonesia) has been able to reduce 607 kg of plastics and minimise the cost of plastics by up to 67% through a redesign of the steering wheel assembly process.

##### S: GOOD

ASII is actively engaged in corporate social responsibility activities, which often involves – but are not limited to – safety and environmental awareness campaigns.

##### G: GOOD

The company regularly conducts shareholders meetings and ensures equal distribution of public information to all stakeholders. ASII has received numerous awards for its governance practices, including FinanceAsia's 2020 Asia's Best Companies.

## Financial Exhibits

Asia	Financial summary (IDR)	Dec-20	Dec-21	Dec-22F	Dec-23F	Dec-24F
Indonesia	Recurring EPS	252.57	498.26	522.17	580.08	674.36
Consumer Cyclical	DPS	232.66	175.85	219.71	242.03	263.52
<b>Astra International</b>	BVPS	3,845.07	4,249.95	4,345.30	4,390.57	4,459.96
ASII IJ	Return on average equity (%)	10.7	12.3	12.8	13.7	15.7
Buy						
	<b>Valuation metrics</b>	<b>Dec-20</b>	<b>Dec-21</b>	<b>Dec-22F</b>	<b>Dec-23F</b>	<b>Dec-24F</b>
	Recurring P/E (x)	25.04	12.69	12.11	10.90	9.38
	P/B (x)	1.6	1.5	1.5	1.4	1.4
	FCF Yield (%)	8.1	9.9	(1.1)	2.1	3.1
	Dividend Yield (%)	3.7	2.8	3.5	3.8	4.2
	EV/EBITDA (x)	10.43	6.53	6.50	6.08	5.51
	EV/EBIT (x)	19.97	9.23	9.73	8.79	7.63
	<b>Income statement (IDRb)</b>	<b>Dec-20</b>	<b>Dec-21</b>	<b>Dec-22F</b>	<b>Dec-23F</b>	<b>Dec-24F</b>
	Total turnover	175,046	233,485	241,268	246,290	269,656
	Gross profit	38,558	51,033	49,158	52,390	58,671
	EBITDA	24,651	36,118	40,915	43,894	48,632
	Depreciation and amortisation	(11,781)	(10,585)	(13,560)	(13,560)	(13,560)
	Operating profit	12,870	25,533	27,355	30,334	35,072
	Net interest	(1,066)	265	2,582	2,582	2,582
	Pre-tax profit	21,741	32,350	37,414	40,087	45,254
	Taxation	(3,170)	(6,764)	(9,776)	(10,475)	(11,825)
	Reported net profit	16,164	20,196	22,248	24,222	28,039
	Recurring net profit	10,225	20,171	21,139	23,484	27,300
	<b>Cash flow (IDRb)</b>	<b>Dec-20</b>	<b>Dec-21</b>	<b>Dec-22F</b>	<b>Dec-23F</b>	<b>Dec-24F</b>
	Change in working capital	(12,427)	(18,783)	(33,554)	(27,512)	(28,488)
	Cash flow from operations	25,186	30,438	17,078	25,400	27,812
	Capex	(4,502)	(4,987)	(20,000)	(20,000)	(20,000)
	Cash flow from investing activities	13,133	(3,905)	(19,320)	(15,000)	(15,000)
	Dividends paid	(9,419)	(7,119)	(8,895)	(9,798)	(10,668)
	Cash flow from financing activities	(27,955)	(18,200)	(18,270)	(9,798)	(10,668)
	Cash at beginning of period	24,330	47,553	63,947	52,576	52,576
	Net change in cash	10,364	8,333	(20,512)	602	2,144
	Ending balance cash	47,553	63,947	67,845	77,589	79,130
	<b>Balance sheet (IDRb)</b>	<b>Dec-20</b>	<b>Dec-21</b>	<b>Dec-22F</b>	<b>Dec-23F</b>	<b>Dec-24F</b>
	Total cash and equivalents	48,405	64,598	53,227	53,227	53,227
	Tangible fixed assets	95,888	100,303	101,743	103,184	104,624
	Total investments	47,804	54,200	51,130	51,130	51,130
	Total assets	335,468	384,714	378,143	380,235	385,815
	Short-term debt	37,136	38,667	27,990	27,990	27,990
	Total long-term debt	42,345	33,819	67,230	67,230	67,230
	Total liabilities	142,749	151,696	168,043	168,302	171,073
	Total equity	192,719	233,018	210,100	211,933	214,742
	Total liabilities & equity	335,468	384,714	378,143	380,235	385,815
	<b>Key metrics</b>	<b>Dec-20</b>	<b>Dec-21</b>	<b>Dec-22F</b>	<b>Dec-23F</b>	<b>Dec-24F</b>
	Revenue growth (%)	(26.2)	33.4	3.3	2.1	9.5
	Recurrent EPS growth (%)	(46.6)	97.3	4.8	11.1	16.3
	Gross margin (%)	22.0	21.9	20.4	21.3	21.8
	Operating EBITDA margin (%)	14.1	15.5	17.0	17.8	18.0
	Net profit margin (%)	9.2	8.6	9.2	9.8	10.4
	Dividend payout ratio (%)	58.3	35.2	40.0	40.5	38.0
	Capex/sales (%)	2.6	2.1	8.3	8.1	7.4
	Interest cover (x)	3.78	11.16	9.34	10.36	11.98

Source: Company data, RHB

Figure 1: Innova Zenix Q HV type, the high variant model



Source: Company, RHB

Figure 2: Major changes in Innova Zenix's exterior



Source: Company, RHB

Figure 3: More luxurious interior with advanced features



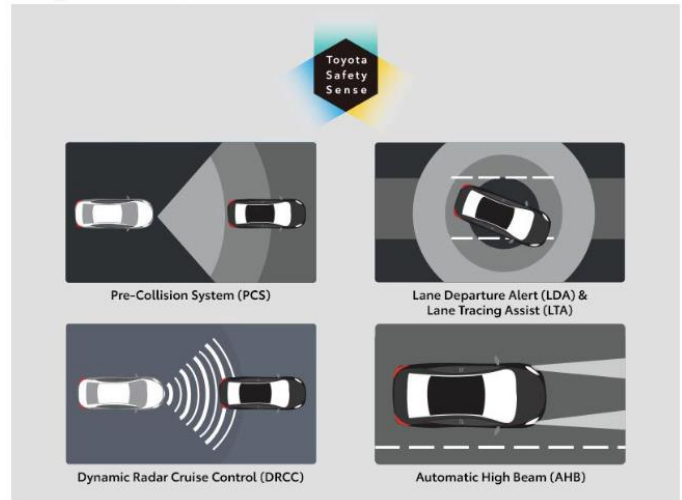
Source: Company, RHB

Figure 4: Better speedometer features



Source: Company, RHB

Figure 5: Toyota Innova Zenix is designed by Toyota's New Global Architecture and equipped with Toyota Safety Sense



Source: Company, RHB

Figure 6: 360 park assistance



Source: Company, RHB

Figure 7: Innova Zenix's price range

GRADE	OTR
<b>INNOVA ZENIX GAS (NEW GEN)</b>	
INNOVA ZENIX 2.0 G CVT (Non Premium Color)	419,000,000
INNOVA ZENIX 2.0 G CVT (Premium Color)	422,000,000
INNOVA ZENIX 2.0 V CVT (Non Premium Color)	467,000,000
INNOVA ZENIX 2.0 V CVT (Premium Color)	470,000,000
<b>INNOVA ZENIX HV (NEW GEN)</b>	
INNOVA ZENIX 2.0 G HV CVT (Non Premium Color)	458,000,000
INNOVA ZENIX 2.0 G HV CVT (Premium Color)	461,000,000
INNOVA ZENIX 2.0 V HV CVT MODELISTA (Non Premium Color)	532,000,000
INNOVA ZENIX 2.0 V HV CVT MODELISTA (Premium Color)	535,000,000
INNOVA ZENIX 2.0 Q HV CVT TSS MODELISTA (Non Premium Color)	611,000,000
INNOVA ZENIX 2.0 Q HV CVT TSS MODELISTA (Premium Color)	614,000,000

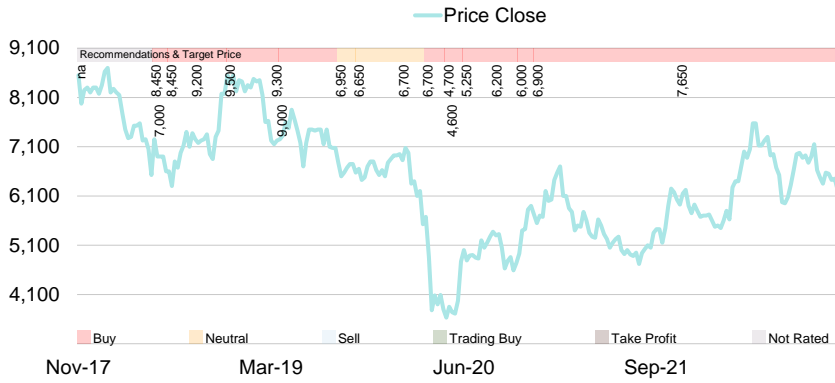
Source: Company, RHB

Figure 8: Toyota's MPVs and SUVs – price list

Type	Price range (IDRm)
Veloz	286-332.6
Avanza	233.1-295.8
Sienta 1.5	325.4-419.9
<b>Innova Zenix gas (new gen)</b>	<b>419-470</b>
<b>Innova Zenix HV (new gen)</b>	<b>458-614</b>
Toyota Voxy	581.8-584.8
Fortuner 2.4 G	548.6-566.3
Fortuner 2.7 SRZ	588.7
Fortuner 2.8 VRZ	606.2-720.4

Source: Company, RHB

### Recommendation Chart

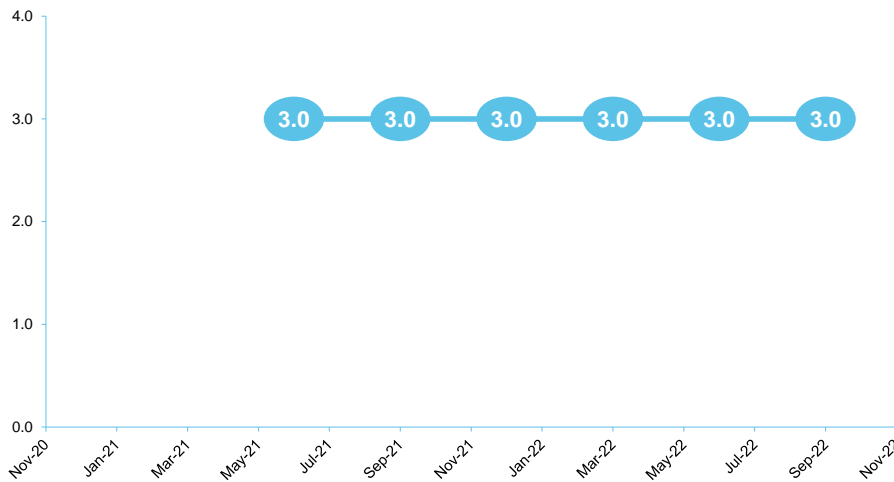


Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2022-03-06	Buy	7,650	5,625
2022-03-01	Buy	7,650	5,700
2021-10-29	Buy	7,650	6,025
2021-02-26	Buy	6,900	5,400
2020-12-01	Buy	6,900	5,550
2020-11-19	Buy	6,900	5,725
2020-10-11	Buy	6,000	4,740
2020-08-13	Buy	6,200	5,400
2020-06-01	Buy	5,250	4,770
2020-04-28	Buy	4,600	3,740
2020-04-19	Buy	4,700	3,800
2020-03-09	Buy	6,700	5,025
2020-02-28	Buy	6,700	5,525
2020-01-02	Neutral	6,700	6,875
2019-12-13	Neutral	6,650	6,850

Source: RHB, Bloomberg

### ESG Rating History



Source: RHB

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<b>Buy:</b>	Share price may exceed 10% over the next 12 months
<b>Trading Buy:</b>	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
<b>Neutral:</b>	Share price may fall within the range of +/- 10% over the next 12 months
<b>Take Profit:</b>	Target price has been attained. Look to accumulate at lower levels
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<b>Not Rated:</b>	Stock is not within regular research coverage

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#### **KUALA LUMPUR**

**RHB Investment Bank Bhd**  
Level 3A, Tower One, RHB Centre  
Jalan Tun Razak  
Kuala Lumpur 50400  
Malaysia  
Tel : +603 9280 8888  
Fax : +603 9200 2216

#### **JAKARTA**

**PT RHB Sekuritas Indonesia**  
Revenue Tower, 11th Floor, District 8 - SCBD  
Jl. Jendral Sudirman Kav 52-53  
Jakarta 12190  
Indonesia  
Tel : +6221 509 39 888  
Fax : +6221 509 39 777

#### **BANGKOK**

**RHB Securities (Thailand) PCL**  
10th Floor, Sathorn Square Office Tower  
98, North Sathorn Road, Silom  
Bangrak, Bangkok 10500  
Thailand  
Tel: +66 2088 9999  
Fax :+66 2088 9799

#### **SINGAPORE**

**RHB Bank Berhad (Singapore branch)**  
90 Cecil Street  
#04-00 RHB Bank Building  
Singapore 069531  
Fax: +65 6509 0470