



AUTOMOTIVE SECTOR UPDATE

Hitting the Road Again

ASII IJ 1H21 Performance: On the Path of Recovery

- ASII IJ booked a decent revenue growth of +19.60% YoY to IDR107.40 trillion in 1H21, which is in line with our estimate reaching 51.65%. Auto sales contribution rose to 40% (vs 36% in 1H20), dominating in 1H21, while heavy equipment and mining contributes 35% (previously dominating the revenue by 37% in 1H20).
- However, EBIT dropped by -6.64% YoY due to a drop on non-operational income such as gain on Permata Bank investment amounting to IDR5.88 trillion in 1H20. Thus, net income is recorded at IDR8.83 trillion (-22.39% YoY), reaching 53.53% of our estimate.
- We hope that this year performance would improve despite not returning to the pre-pandemic levels yet. Revenue and net income are estimated to grow by +18.79% YoY/+2.07% YoY in FY21E backed by strengthening car and heavy equipment sales as well as the rise in commodity segment (coal and CPO).

Car Sales are still Incentive Driven

- Domestic car sales have grown by 60.75% YoY to 460,108 units as of Jul-21, while ASII cumulative car sales reached 242,780 units (+62.24% YoY), still dominating with 52.77% market share. However, on a monthly basis July car sales fell by -8.36% MoM due to PPKM tightening.
- Avanza remains the best-selling car model from ASII which contributes 21.14% of Toyota's total retail sales. In July 2021, the Toyota Avanza became the second best-selling car in Indonesia with Mitsubishi Xpander still on the lead.
- Toyota Raize and Daihatsu Rocky are ASII's latest car launch. These models include a low sport utility vehicle (LSUV) which gets PPnBM incentives with an engine capacity of no more than 1500cc. The two models are planned for export starting in Aug-21.
- Moreover, from the Government angle, 100% PPnBM incentive will last until August and the 25% incentive will run on September to December. The Ministry of Industry insisted that the government prolonged the 100% incentive as it has propelled car sales tremendously as reflected in the 2Q21 car sales which skyrocketed by +758.68% YoY. We believe car will have a higher growth potential if supported by full PPnBM incentive. Nevertheless, we estimate car sales to reach 880,000 to 900,000 units in FY21E supported by increasing mobility by PPKM relaxation.

ASII is Seizing the Potential through Investments

- ASII had firstly invested in Gojek in FY18 and FY19 when the valuation was only around USD3 - USD5 billion. Yet, GoTo's estimated market capitalization amounted to USD35-USD40 billion after the IPO which increased by up to >1,000%. By far, according to the company, ASII owns 4.34% of stake in GoTo (as of June-21), if it is roughly calculated from the initial investment of USD250 million, ASII's investment can rise to USD2 billion post-IPO, equals to ~10% of ASII's market cap.
- Seeing the opportunity, ASII repeated the same pattern on promising start-ups such as Halodoc (USD35 million in April-21) and Sayurbox (USD5 million in March-21).
- Halodoc is an online-based health platform which has 20 million users with supporting healthcare ecosystem (see exhibit 05) and is highly in demand as they recorded an exceptional hike on transaction by 1,600%. Halodoc is the only Indonesian app that got included in the world's top 100 digital healthcare companies released by The Healthcare Technology Report. From their C Series funding they obtained USD80 million of investment led by ASII.
- Sayurbox is an e-commerce grocery farm-to-table platform and distributor of fresh goods supported by more than 1,000 farmers to reduce the role of intermediaries hence making the goods price more competitive and increasing the farmer's welfare. ASII participated in Sayurbox's B series funding which was closed last April.
- We see that both startups share the same vision, mission, and commitment to utilize technology. And we believe that the demand for these two apps is driven by the shifting lifestyle in the pandemic era. So, we believe ASII will be able to reap more benefit in the long run. Thus, ASII can be one of investors' choice who are not tech-savvy but want to enjoy the benefits of the tech stock boom.

Maintain NEUTRAL Outlook with BUY Recommendation for ASII IJ with TP: IDR7,480

We maintain our **NEUTRAL** outlook with **BUY** recommendation for **ASII IJ** with **TP: IDR7,480** supported by the catalyst mentioned above, while the risk to our call is lower-than-expected car sales. ASII is currently traded at Mean Level (5-Year Average) with 15.09x PE.

Ticker	Market Cap (IDR bn)	PER (x)		PBV (x)		Rec.	Target Price (IDR)
		FY21E	FY22F	FY21E	FY22F		
ASII IJ	206,466	12.68	11.96	1.01	0.96	BUY	7,480

Sources: Bloomberg, MNCS



Research Analyst

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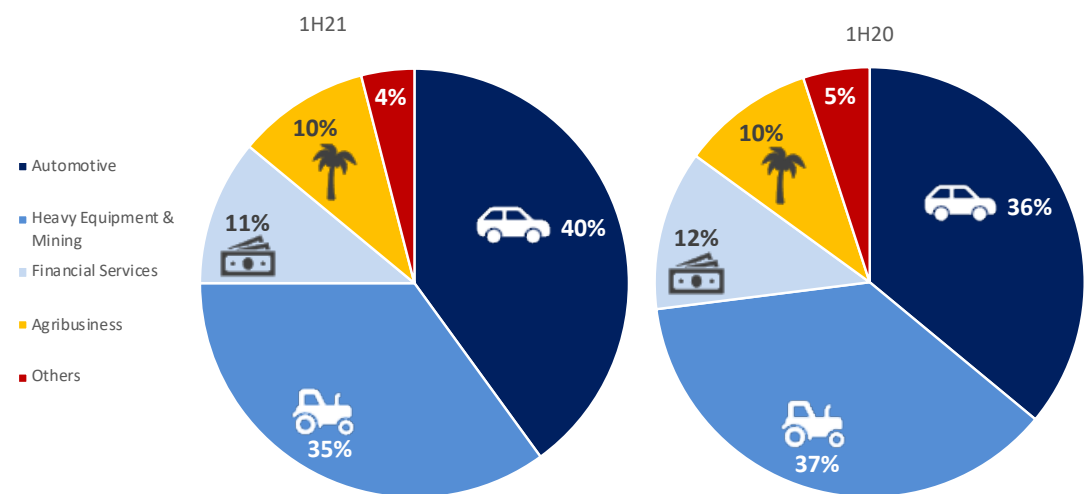
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Exhibit 01. ASII 1H21 Performance Realization on MNCS vs Consensus

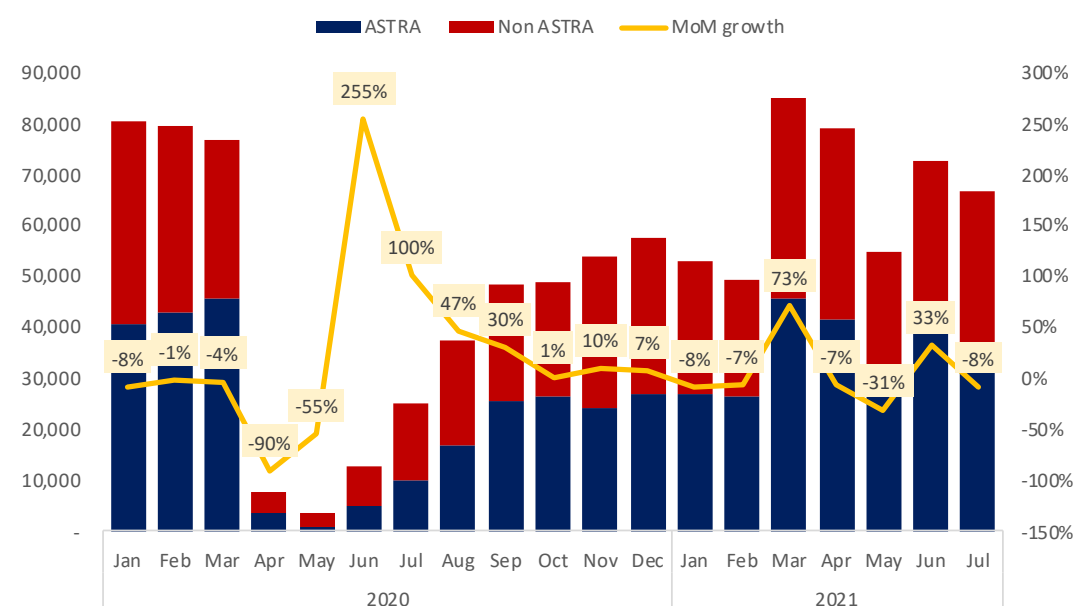
IDR bn	1Q21	2Q21	% QoQ	1H20	1H21	% YoY	% MNCS	% Consensus
Revenue	51,700	55,695	7.73%	89,795	107,395	19.60%	51.65%	51.59%
COGS	41,102	43,457	5.73%	69,621	84,559	21.46%		
Gross Profit	10,598	12,238	15.47%	20,174	22,836	13.20%		
Gross Margin	20.50%	21.97%		22.47%	21.26%			
Operating Profit	4,526	6,402	41.45%	7,810	10,928	39.92%		
Operating Margin	8.75%	11.49%		8.70%	10.18%			
Pre-Tax Profit	5,777	8,214	42.18%	14,986	13,991	-6.64%		
Net Profit	3,728	5,103	36.88%	11,378	8,831	-22.39%	53.53%	50.81%
Net Margin	7.21%	9.16%		12.67%	8.22%			

Sources : Company, Bloomberg, MNCS

Exhibit 02. ASII Sales Mix 1H21 vs 1H20



Sources : Company, MNCS

Exhibit 03. Car Sales Trend in FY20 & FY21E, ASII is currently still **dominating market share by 52.77%**

Sources : Company, MNCS

Exhibit 04. ASII Latest LSUV Car Launch which get PPnBM Incentive



Toyota Raize
New in April 2021



Daihatsu Rocky
New in April 2021

Sources : Company, MNCS

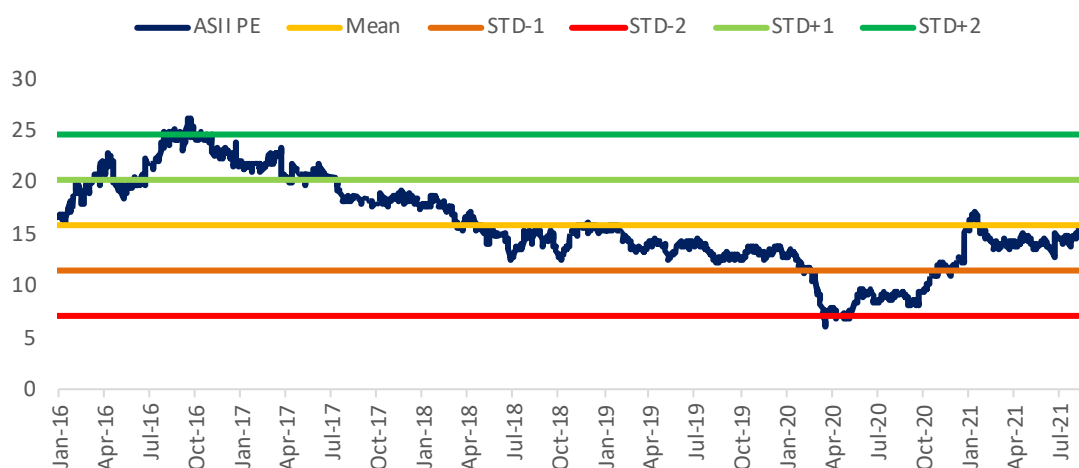
Exhibit 05. Goto, Halodoc and Sayurbox Business Comparison



ASII's Initial Investment	USD250 mn / IDR3.63 tn	USD35 mn / IDR507.5 bn (Apr-21)	USD5 mn / IDR72.5 bn (Mar-21)
GMV	USD22 bn / IDR320 tn (as of 2020)	USD44.6 mn / IDR646.7 bn (as of 4Q19)	est USD5.4 mn / IDR78.3 bn
Active Users	100 mn	20 mn	500,000
Number of Partners	500,000 Merchants and 2 mn Drivers	> 20,000 doctors, 2,000 hospitals, clinics & lab, and 4,000 pharmacies	> 1,000 Farmers

Sources : Various Sources, MNCS

Exhibit 06. ASII is currently traded at Mean Level (5-Year Average) with 15.09x PE



Sources : Bloomberg, MNCS

MNC Research Industry Ratings Guidance

OVERWEIGHT: Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months

NEUTRAL: Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months

UNDERWEIGHT: Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

MNC Research Investment Ratings Guidance

BUY : Share price may exceed 10% over the next 12 months

HOLD : Share price may fall within the range of +/- 10% of the next 12 months

SELL : Share price may fall by more than 10% over the next 12 months

Not Rated : Stock is not within regular research coverage

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