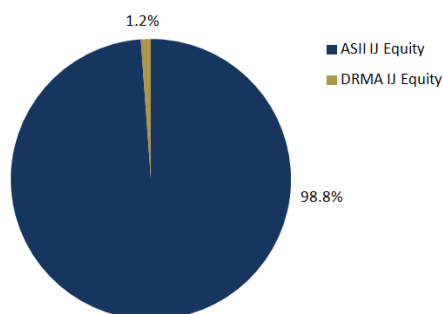


Overweight

Stock Recommendation

Ticker	Rating	Price (IDR)	TP (IDR)	Upside
ASII	BUY	6,575	7,600	15.6%
DRMA	BUY	1,425	1,600	12.3%

Sector Market Cap Weighting



Pebe Peresia
+62 21 2854 8339
pebe.peresia@samuel.co.id

Ashalia Fitri
+62 21 2854 8389
ashalia.fitri@samuel.co.id

1H23 Auto Sales

Jun-23: 2W sales +66.6% YoY, 4W sales +4.7% YoY

The Indonesian 2W industry saw another good month in Jun-23, with 493,763 new 2W units sold domestically throughout the month (+66.6% YoY), supported by the normalization of semiconductor supply (the industry experienced massive semiconductor supply shortage last year due to COVID-19-related restrictions, disrupting production considerably in May-July 2022). The solid sales numbers in Jun-23 boosted cumulative 1H23 2W sales to 3.2 million units (+42.5% YoY), beating our forecast (55.2% of SSI's FY23F projection) and prepandemic numbers (1H/FY 2017-2019: 47.6%). Meanwhile, 4W sales in Jun-23 came in at 82,581 units (+4.7% YoY), bringing 1H23 sales figure to 505,985 units (+6.5% YoY), in line with our estimate (50.6% of SSI's FY23F projection, 1H/ FY 2017-2019: 48.1%). We expect the uptrend in sales to continue throughout the rest of the year, supported by the launch of new models from several sole brand holders (ATPM) and the GIIAS expo in August. We maintain our FY23F 2W and 4W sales projections at 5.8 million and 1 million units, respectively.

ASII vs. peers

ASII kept its seat as the market leader in both 2W (73%) and 4W (55%), with 4W sales growth of +7.4% YoY (industry: +6.5% YoY), largely driven by the growth in sales from its leading brands, Toyota (+7.2% YoY, 57.7% of ASII's 4W sales) and Daihatsu (+9.8% YoY, 35.7% of ASII's 4W sales). However, it's worth noting that some of ASII's competitors managed to book aggressive sales growth in 1H23, including Honda (+19.3% YoY) and Hyundai (+63.2% YoY), supported by the launch of those brands' latest models. Another emerging dark horse worth noting is Chery; the company managed to keep its sales above the 500-unit mark in June, giving it the 12th place in the Indonesian 4W sales ranking (5M23: 13th), with 74% of its sales coming from Chery Omoda5.

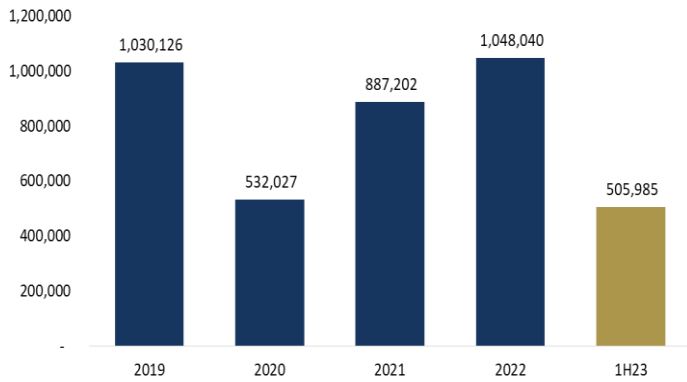
BEV contributes 1.2% of national 4W sales

As many as 5,862 battery-powered electric vehicle (BEV) units were sold in Indonesia in 1H23, much better than last year (495 units). However, the number is still relatively insignificant, considering that it only accounts for 1.2% of national 4W sales, and we project its contribution to remain below 5 percent in the whole FY23F. Hyundai Ioniq5 retained its title as the best-selling 4W BEV model in Indonesia (60.4% of 4W EV sales); sales of Ioniq5 spiked in 1H23, almost doubling its FY22 sales (1H23: 3,543 units, FY22: 1,829 units). Meanwhile, Wuling Air EV also kept its seat as the second-best seller in the Indonesian 4W EV market (28.2% of Indonesia's 4W EV sales). Not only BEVs, sales of 4W hybrid electric vehicle (HEV) also experienced significant growth, reaching 17,410 units (FY22: 1,233 units), thanks in part to the launch of several new models, including Toyota New Yaris Cross and Suzuki XL7 Hybrid. Toyota Innova Zenix remained as the best-selling HEV in Indonesia (53.2% of Indonesia's 4W HEV sales) followed by Suzuki Ertiga (20.7%). Regarding the 2W EV market, we noticed that the subsidy provided by the government (IDR 7 million) has not had its desired effect, with potential sales figure coming in at 1,091 units (May-23: 611), still a long way to go from the government's FY23F target of 200,000 units.

Top Pick: DRMA

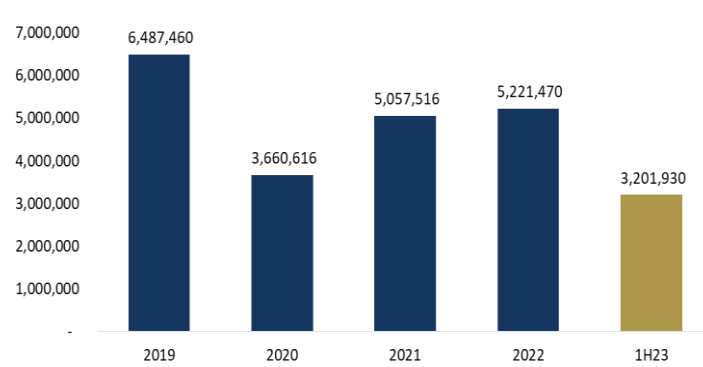
We keep DRMA as our top pick with a TP of IDR 1,600, mainly due to 1) its new 4W component factory (producing suspension members for Toyota), 2) consolidation of PT Trimitra Chitrahasta's results, (FY23F revenue target: IDR 700 billion, ~18% of DRMA's FY22 revenue) and 3) its plan to enter the EV industry with its component localization and charging station projects.

Figure 1. 4W Sales 1H23



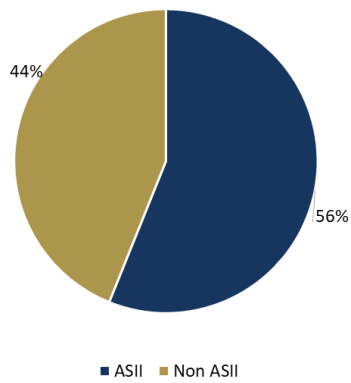
Source: Company, SSI research

Figure 2. 2W Sales 1H23



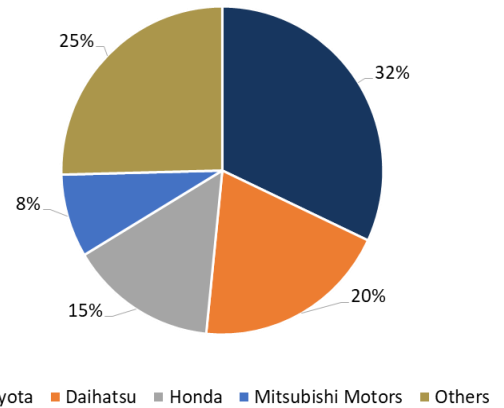
Source: Company, SSI research

Figure 3. Market Share ASII



Source: SSI, Gaikindo

Figure 4. Market Share (Brand)



Source: SSI, Gaikindo

Research Team			
Prasetya Gunadi	Head of Equity Research, Strategy, Banking, Digital Banks	prasetya.gunadi@samuel.co.id	+6221 2854 8320
Lionel Priyadi	Macro Equity Strategist	lionel.priyadi@samuel.co.id	+6221 2854 8854
Muhamad Alfatih, CSA, CTA, CFTe	Senior Technical Analyst	m.alfatih@samuel.co.id	+6221 2854 8129
William Mamudi, CFTe, CMT, CCT	Senior Technical Analyst	william.mamudi@samuel.co.id	+6221 2854 8382
Yosua Zisokhi	Cement , Cigarette, Paper, Plantation,Telco Infra, Chemicals	yosua.zisokhi@samuel.co.id	+6221 2854 8387
M. Farras Farhan	Media, Poultry, Oil & Gas, Technology	farras.farhan@samuel.co.id	+6221 2854 8346
Pebe Peresia	Automotive, Consumer Staples, Retail	pebe.peresia@samuel.co.id	+6221 2854 8339
Juan Oktavianus Harahap	Coal, Metal Mining	juan.oktavianus@samuel.co.id	+6221 2854 8846
Jonathan Guyadi	Banking, Healthcare, Telco	jonathan.guyadi@samuel.co.id	+6221 2854 8321
Adolf Richardo	Editor	adolf.richardo@samuel.co.id	+6221 2864 8397
Ashalia Fitri Yuliana	Research Associate	ashalia.fitri@samuel.co.id	+6221 2854 8389
Daniel Aditya Widjaja	Research Associate	daniel.aditya@samuel.co.id	+6221 2854 8322
Laurencia Hiemas	Research Associate	laurencia.hiemas@samuel.co.id	+6221 2854 8392
Brandon Boedhiman	Research Associate	brandon.boedhiman@samuel.co.id	+6221 2854 8392

Equity Institutional Team			
Benny Bambang Soebagjo	Head of Institutional Equity Sales	benny.soebagjo@samuel.co.id	+6221 2854 8312
Ronny Ardianto	Institutional Equity Sales	ronny.ardianto@samuel.co.id	+6221 2854 8399
Anthony Yunus	Institutional Equity Sales	anthony.yunus@samuel.co.id	+6221 2854 8314
Widya Meidrianto	Institutional Equity Sales	widya.meidrianto@samuel.co.id	+6221 2854 8317
Fachruly Fiater	Institutional Sales Trader	fachruly.fiater@samuel.co.id	+6221 2854 8325
Lucia Irawati	Institutional Sales Trader	lucia.irawati@samuel.co.id	+6221 2854 8173
Alexander Tayus	Institutional Equity Dealer	alexander.tayus@samuel.co.id	+6221 2854 8319
Leonardo Christian	Institutional Equity Dealer	leonardo.christian@samuel.co.id	+6221 2854 8147

Equity Retail Team			
Joseph Soegandhi	Head of Equity	joseph.soegandhi@samuel.co.id	+6221 2854 8872
Damargumilang	Head of Equity Retail	damargumilang@samuel.co.id	+6221 2854 8309
Clarice Wijana	Head of Equity Sales Support	clarice.wijana@samuel.co.id	+6221 2854 8395
Gitta Wahyu Retnani	Equity Sales & Trainer	gitta.wahyu@samuel.co.id	+6221 2854 8365
Vincentius Darren	Equity Sales	darren@samuel.co.id	+6221 2854 8348
Michael Alexander	Equity Sales	michael.alexander@samuel.co.id	+6221 2854 8369
Sylviawati	Equity Sales	sylviawati@samuel.co.id	+6221 2854 8112
Wandha Ahmad	Equity Sales	wandha.ahmad@samuel.co.id	+6221 2854 8316
Handa Sandiawan	Equity Sales	handa.sandiawan@samuel.co.id	+6221 2854 8302
Denzel Obaja	Equity Sales	denzel.obaja@samuel.co.id	+6221 2854 8342
Wahyudi Budiyo	Dealer	wahyudi.budiyo@samuel.co.id	+6221 2854 8152

Fixed Income Sales Team			
R. Virine Tresna Sundari	Head of Fixed Income	virine.sundari@samuel.co.id	+6221 2854 8170
Rudianto Nugroho	Fixed Income Sales	rudianto.nugroho@samuel.co.id	+6221 2854 8306
Sany Rizal Keliobas	Fixed Income Sales	sany.rizal@samuel.co.id	+6221 2854 8337
Safitri	Fixed Income Sales	safitri@samuel.co.id	+6221 2854 8376
Khairanni	Fixed Income Sales	khairanni@samuel.co.id	+6221 28548104
Saldy Achmad Yanuar	Fixed Income Sales	saldy.achmad@samuel.co.id	+6221 28548384
Nadya Attahira	Fixed Income Sales	nadya.attahira@samuel.co.id	+6221 2854 8305

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