Recompound

PRIVATE & CONFIDENTIAL

PT Astra International Tbk (IDX:ASII)

ASTRA international

Quick Stats

Website	https://www.astra.co.id/
Industry sector	Diversified conglomerates
Sharia compatible?	No
Shares outstanding	40.5 bio
Stock price (Jul 2026)	4890
Market cap	209 trillion IDR
Recompound fair value (link to calculation)	390 trillion IDR (~9,600 IDR per share)
Margin of Safety	~46%
True Earnings	30,000 bio IDR
Projected Dividends per Share	~420 IDR per share (60% payout; management commits to a 45-50% payout floor)

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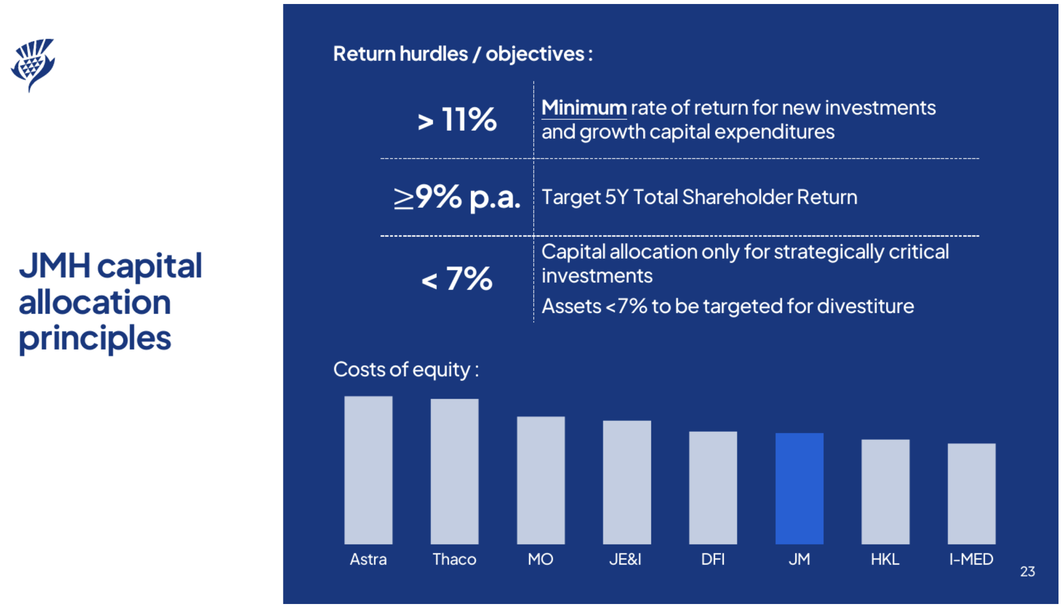
Recompound Investment Framework

Learn more about how Recompound invests by exploring our framework here: link

Grand Thesis

- PT Astra International Tbk (ASII) is a diversified conglomerate with businesses in automotive (2W + 4W), integrated mining through its subsidiary United Tractors (UNTR), agribusiness, infrastructure, IT and property.
- Among its many business lines, ASII has 3 core engines that together contribute 90% of group profit: Automotive (35%), Financial Services (27%), and Heavy Equipment & Mining Solutions (28%).
- **The 2026 inflection: from diversification and absolute profit growth to focus, ROIC and TSR.** For years ASII was measured, by the market and by itself, on absolute net profit: Rp33-34 trillion, growing a few percent a year. Jardine Matheson, ASII's ultimate owner, now says that was the wrong metric. What matters is return on invested capital (ROIC) and total shareholder return (TSR). Astra's well-known 7-segment diversification is no longer sacred: every asset must now justify itself as grow, hold, or exit.
- This focus on the core contributors can be seen in where capital is flowing: the acquisition of the DOUP gold mine, which has reserves of 1,571 koz and resources of 3,107 koz, and which is targeted to lift production capacity to ~150 thousand oz per year starting in 2028.
- Last year, we exited ASII in the 6,500-7,000 range. The stock now trades at ~4,890 (~Rp196 trillion market cap), down ~16% in the past month, among the worst performers in our monitoring universe. The business has not weakened by anything close to that, and the owner's capital allocation framework has meaningfully improved.
- **Management now explicitly targets a sustainable, top-quartile 5-year TSR of ≥9% p.a.,** backed by a >11% minimum return hurdle on new investments, divestiture of assets returning <7%, a dividend payout floor

of 45-50%, materially larger buybacks and, critically, director compensation paid in ASII shares that vest only if TSR targets are met.



- Why this matters for the valuation: ASII carries ~Rp75 trillion of JV and associate investments plus ~Rp25 trillion of other investments (GoTo, Halodoc, Heartology, Bank Saqu). Astra Honda Motor (50% JV) earns high returns and needs no new capital, but the other JVs return only ~10% and the other associates a poor ~2-3%. Fixing or exiting this tail is a free option on top of current earnings.
- The willingness to grow outside its core industry, financial prudence, a newly TSR-aligned owner, and a low valuation (~6.5x true earnings, ~50% margin of safety) make ASII a good investment opportunity in our view.

Monthly Updates

Any recent and material updates will be reported in this section.

July 2026

ASII’s Q2 2026 Earnings Preview

Astra owns 59.50% of United Tractors. In a normal year that is about 30% of group profit. In a bad year it explains all of the movement. Q2 2026 is the extreme version.

1. UNTR's headline is bad. UNTR's quarter was not.

UNTR does not publish standalone quarterly figures, so we derive Q2 by subtracting its Q1 filing from its half-year filing.

Rp bn	Q1 26	Q2 26	QoQ	1H 26	1H 25
Revenue	28,554	29,735	**+4%**	58,289	68,525
Gross margin	16.9%	**19.1%**	+220bp	18.0%	21.9%
Profit to owners, as reported	643	**313**	**-51%**	956	8,130
One-off charges	(1,151)	(2,155)		(3,306)	(65)
Profit to owners, without one-offs	1,793	**2,469**	**+38%**	4,262	8,195

Quarter on quarter, this was UNTR's best quarter in a year, and the underlying Rp2,469bn beat market expectations (Indo Premier had modelled about Rp2tn). But the first half is still down 48% underlying year on year, and that part is real rather than an accounting effect. Both things matter.

The reported collapse is a one-off. In Q2, UNTR wrote down PT Supreme Energy Rantau Dedap, its 40.4% geothermal joint venture, to zero: Rp1,476bn on the stake and Rp1,281bn on money it had lent to the project, Rp2,757bn in total. Including the Rp866bn charged in 2025, the cumulative loss on this one project is about Rp3.6 trillion. Two things made it look worse than the underlying economics. Tax did not fall (write-offs like this are not deductible, so tax took 92% of Q2 pre-tax profit), and minority partners absorbed about a fifth, which is why profit to owners fell 51% while total profit fell 92%.

What is actually improving. Segment profit before tax, Q1 to Q2 (Rp bn):

Segment	Q1 26	Q2 26	Change
Gold and other minerals	(1,456)	**419**	**+1,876**

Segment	Q1 26	Q2 26	Change
Mining contracting (PAMA)	1,355	**2,009**	**+654**
Heavy equipment	619	373	(247)
Coal mining	1,007	437	**(570)**
Other (energy, construction)	(145)	**(2,713)**	**(2,568)**
Group total	**1,315**	**687**	(628)

Martabe physically restarted in mid-May and produced 8koz in May and 10koz in June, against a normal month of about 19koz. Our 70koz estimate for 2026 still holds. But our Rp2tn estimate for 2026 gold and nickel profit is too high, and we are cutting it to roughly breakeven: the segment lost Rp1,037bn in the first half, nickel ore volumes halved, and gold is down about 7% this year, with Agincourt carrying hedges.

Coal is the one genuine deterioration. Volumes fell 42% quarter on quarter because of the production quota, even though the realised price per tonne rose 16% year on year. The important new detail: the government exempted the old Generation-1 contract holders and state miners (Arutmin, Kaltim Prima Coal, Adaro Indonesia, Kideco, Bukit Asam) from the quota. Astra's licences were not exempted. This belongs in Known Risks, which currently frames coal purely around price.

2. Why the write-off fits the TSR reset

Jardine's framework has three separate numbers: **9% or better** is the shareholder return target, above 11% is the hurdle for new investments, and below 7% is the trigger to sell. Geothermal fails the below-7% test completely, because it returns nothing. In short, geothermal sat well inside the below-7% band, and the new framework forced Astra to face it.

Our take: this is the first hard evidence that the discipline reaches below the Astra holding company. Our July note worried that the TSR framework "has not yet cascaded down to smaller listed subsidiaries." A Rp2.76 trillion write-down at UNTR, in the first reporting period after the framework was published, is exactly that cascade. So is UNTR buying back Rp7.1 trillion of its own stock at 0.8 times book value. It still has not reached AUTO.

The caveat. Writing an asset down to zero is not the same as selling it. The framework wants assets sold for cash, and a value of nil means there was nothing left to sell. So this proves discipline in admitting mistakes, not in recovering value, and it proves nothing yet about new investments. UNTR put roughly Rp8.4 trillion into gold in the same six months, at a gold price already off its high. Whether the above-11% hurdle is applied on the way in matters more than this write-off does.

3. What it does to Astra

Rp bn	1H 25	1H 26	Change
UNTR profit to owners	8,130	956	(7,174)
Astra's share at 59.5%	4,837	569	(4,269)
of which the Supreme Energy write-off		*(1,967)*	

Against Astra's 1H 2025 reported profit of Rp15.51tn and consensus 1H 2026 core profit of Rp13.5tn, we estimate 1H 2026 reported profit at about Rp11.5tn, down 26% year on year, and Q2 reported profit at about Rp5.7tn against Rp8.55tn.

Astra's first-half profit falls by about Rp4.0 trillion. UNTR alone accounts for about Rp4.3 trillion of that. Every other part of Astra, added together, was up about Rp0.3 trillion. And roughly half of the whole group decline, Rp1.97 trillion, is a single non-cash accounting entry at a geothermal joint venture.

Expect weak results and negative headlines, with the same shape as Q1 but worse.

4. Meanwhile the auto business is turning up

Two Astra-related companies have already reported, and both look better than the group story suggests.

	1H 2026	Q2 2026 year on year
AUTO revenue (Astra owns 80%)	Rp10,853bn, +13.2%	+19.4%
AUTO profit to owners	Rp1,151bn, +22.6%	+36.5%
AUTO joint venture profit (Denso, Aisin, Kayaba, GS Battery)	Rp619bn, +32.2%	+53.9%
MPMX revenue	Rp7,716bn, -1.0%	
MPMX profit to owners	Rp336bn, +23.4%	+45.5%
4W wholesales	222,371 units, +10%	+19% on Q1

MPMX is the one worth reading twice, precisely because it is not an Astra company. It distributes Honda motorcycles in East Java and East Nusa Tenggara, so it sees the same demand pool as Astra Honda Motor. Revenue was flat, profit was up 23%, and Q2 profit was up 45%. National motorcycle sales were flat too. So the motorcycle profit pool is growing on price, mix and after-sales rather than on unit volume, which is the same mechanism behind Astra Honda Motor's profit going from Rp3.5tn before Covid to Rp5.4tn in 2025.

Components lead assembly, and assembly leads distribution. All three parts of the chain turned up in the same quarter. We are raising our conviction on the auto line.

July 2026

Why we are revisiting ASII

Last year, we exited ASII in the 6,500-7,000 range. The stock now trades at ~4,890 (~Rp196 trillion market cap), down ~16% in the past month, among the worst performers in our monitoring universe. The business has not weakened by anything close to that, and the owner's capital allocation framework has meaningfully improved. We are re-initiating a BUY.

Jardine Matheson Investor Day - the TSR program (the headline change)

JMH held its first-ever dedicated investor day (June 2026) and reset how the entire group, including Astra, will be run and measured:

- **New group return framework:** a >11% minimum rate of return for new investments and growth capex; a target 5Y TSR of ≥9% p.a.; and assets returning <7% targeted for divestiture. Capital allocation committees have been set up at Jardine Matheson, Hongkong Land, Astra and United Tractors to review M&A and other transactions at an early stage.
- **The metric has changed:** JMH explicitly states that measuring Astra by absolute net profit was wrong; ROIC and TSR are what count. All 7 Astra segments are being reviewed as grow, hold or exit.
- **Management incentives are finally aligned:** KPIs have been changed. Astra directors now receive ASII shares that can be sold only in certain periods, and only if TSR targets and alignment clauses are met.
- **Capital returns stepped up:** a dividend payout ratio floor of 45-50%, and materially larger buybacks: Rp2.75 trillion spent on 419 million shares in Q4 2025-Q1 2026 (avg ~6,700), and another ~Rp1 trillion since 1 April 2026 (avg ~5,300). Management is buying below our estimated fair value.
- **Strategy per segment:** defend automotive market share and expand beyond new-vehicle sales (aftersales service, used cars, insurance, financing, and the EV ecosystem of charging and leasing); build new growth engines in HEMCE (DOUP nickel, Nickel Industries); reinforce integrated mining, from own mine ➔ heavy equipment ➔ contractor ➔ processed products (RKEF/HPAL); and make Astra the "first choice after banks" in financial services using decades of payment data.
- **Governance & IR:** board composition upgraded with higher-quality independent directors; investor relations revamped (previously there was no dedicated investor day at all). Note that the new board of directors is still made up of Astra people: continuity, not upheaval.
- **One caveat:** the TSR discipline has not yet cascaded down to the smaller listed subsidiaries; for example, Astra Otoparts (AUTO) has not started its own buyback. We will watch whether the program reaches the sub-holdings.

Our take: this is the single most important change to the ASII thesis since we initiated coverage. The reason we (and the market) applied a below-benchmark payback multiple to ASII was precisely its loose *reinvestment discipline: returns kept declining as capital went into assets that earned less than the hurdle. That is exactly what the TSR program attacks.*

Q1 2026 Earnings

- Net profit declined 15% YoY; excluding non-recurring items, the decline was 7%.
- The drag is concentrated in United Tractors: gold (the Martabe mine was temporarily shut down), lower heavy-equipment volumes, and weaker mining services. Coal-mining industry conditions remained weak through Q1 2026.
- Every other segment performed well, growing roughly in line with GDP, including financial services.
- 4W market share dipped (the weakness was concentrated in the LCGC segment that Astra dominates), but volumes compensated; see the sales data below.

1H 2026 Automotive Sales (Gaikindo + AISI)

4W wholesales are in a genuine recovery, and June was the strongest month so far:

4W Wholesales (units)	*Jun-26*	*YoY*	*1H25*	*1H26*	*YoY*
Astra	**40,235**	**+37%**	**201,633**	**222,371**	**+10%**
Toyota + Lexus	22,960	+27%	124,843	134,520	+8%
Daihatsu	14,125	+51%	64,405	73,545	+14%
Isuzu	3,070	+68%	11,275	13,890	+23%
Non-Astra	**37,320**	**+29%**	**175,070**	**214,196**	**+22%**
BYD + Denza	5,728	+49%	19,825	26,080	+32%
Honda	2,402	-43%	32,681	20,673	-37%
Total Domestic	**77,555**	**+33%**	**376,703**	**436,567**	**+16%**

- The national 4W market grew +16% YoY in 1H26 (436,567 units) and +33% YoY in June alone, a sign that purchasing power is recovering. Astra grew +10% YoY, with Daihatsu (+14%) and Isuzu (+23%) leading.

- Astra's market share settled at 50.9% in 1H26 (vs 53.5% in 1H25; 51.9% in June). Share is eroding towards ~51% (from ~55% in 2024) as Chinese brands scale up; BYD+Denza alone took ~6% share (+32% YoY). This is precisely why "defend market share" is a named pillar of the TSR program. So far, volume growth is more than compensating for the loss of share.
- The non-Astra Japanese casualties continue: Honda -37% YoY in 1H26, Chery -39%. The displacement is hitting competitors harder than Astra.
- 2W (AISI): 1H26 domestic sales of 3.13 million units vs 3.10 million in 1H25, flat (+0.8%) but steady. Astra Honda Motor's ~77% share moat is intact (fuel economy, resale value, parts and dealer network).

United Tractors - the swing factor

- Thesis restated: everything outside UT grows with the economy; UT determines ASII's true and projected earnings. Astra owns 59.5% of UT, and in a normal year UT contributes ~30% of group profit.
- **Martabe gold restarted in May 2026** after active lobbying by management (JMH cited it as a win at the investor day). The first month after the restart already produced ~8k oz while still ramping up; ~70k oz is achievable for 2026. At a gold ASP of ~$4,000/oz and rising costs (~$2,676/oz based on the historical CAGR), gold + nickel (via NIC) should contribute ~Rp2 trillion of PBT in 2026.
- Mining contracting (PAMA): cost per bcm keeps rising (dexlite/B40, labour, USD-priced spare parts), but the rupiah margin per bcm has been defended. ~1,100 million bcm x ~Rp7,400 margin ➔ ~Rp8 trillion EBT (~Rp4.8 trillion attributable to Astra).
- Construction machinery (Komatsu): gradual erosion from Chinese entrants; UT's edge is its aftersales network plus a two-line strategy (premium + value). We assume volumes dip slightly, offset by IDR depreciation and growing parts and maintenance revenue: ~Rp51 trillion of revenue at just an 8.5% margin ➔ ~Rp4.3 trillion EBT (~Rp2.6 trillion to Astra).

- Coal mining: a mix of 65% high-CV thermal and 35% met coal gives premium pricing. At an ASP of $115/t and a $15/t margin on ~14Mt → ~Rp3.6 trillion.
- **Sum: UT EBT ~Rp18 trillion → ~Rp12.5 trillion net (our estimate; the sell-side base case is Rp18.5-22.5 trillion. We are deliberately conservative on coal ASP and gold margins, and we exclude the DOUP expansion entirely).**

Updated True Earnings, Fair Payback Period & Fair Value

Segment	*True earnings (bio IDR)*	*Basis*
Automotive (2W + 4W + dealership + parts)	11,500	2023-2025 actuals averaged Rp11.4T; 2026 sales data solid
Integrated mining (59.5% of UNTR ~12.5T)	7,500	Conservative coal ASP, low gold margin, DOUP excluded
Financial services	9,000	Grows in line with GDP
Others (CPO, infra, IT, property)	2,000	9M25 run-rate ~2.8T annualized
Total	**30,000**	

- 2026 reported earnings will likely land around Rp28 trillion (P/E 7x at the current price); the gap versus true earnings is mainly depressed coal at a bad point in the cycle.
- **Fair Payback Period raised to 13 years** (from 12 in our original thesis; still below BMRI at 15). Why not higher: ASII's reinvestment track record has been poor; returns kept declining as capital flowed into assets earning below the hurdle, long-term ROE of ~13% implies a fair P/B of only ~1.6x, and true earnings compounded at just ~7% CAGR (2008-2024). Why not lower: the TSR program attacks exactly this weakness, and management is now paid to fix it. Reported net profit sustainably above Rp30 trillion would be the validation point.
- **Fair value = 13 x 30,000 = ~Rp390 trillion (~9,600/share). At today's ~Rp196 trillion market cap: ~50% margin of safety.**

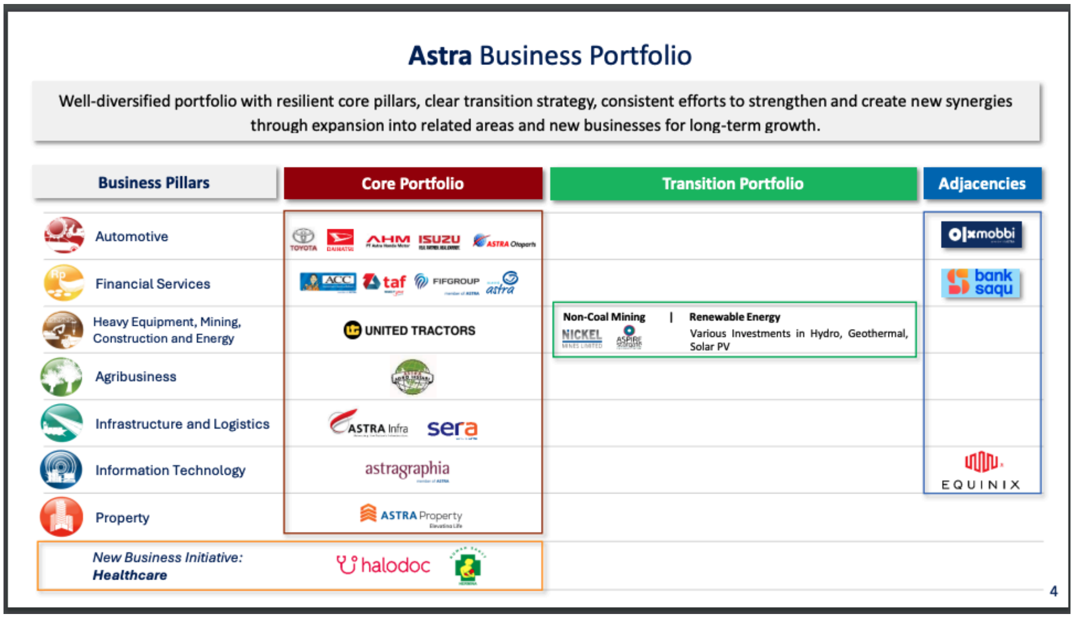
- Cash returns while we wait: at the committed 45-50% payout floor, DPS ≈ Rp311-346 (6.4-7.1% yield); at the ~70% payout of recent years, DPS ≈ Rp480 (~10% yield), with the ongoing buyback on top.
- **Recommendation: BUY (re-initiating).** We sold at 6,500-7,000; at ~4,890, with a TSR-aligned owner, ~50% margin of safety and up to ~10% cash yield, the risk-reward is back in our favour. Thesis-breakers to monitor: (1) the TSR program proves cosmetic, with capital still flowing to assets below the hurdle or the buyback stalling; (2) coal prices break below the cost-curve floor for a sustained period; (3) 4W market share erosion accelerates to below ~45% without volume or margin compensation.

Company Introduction

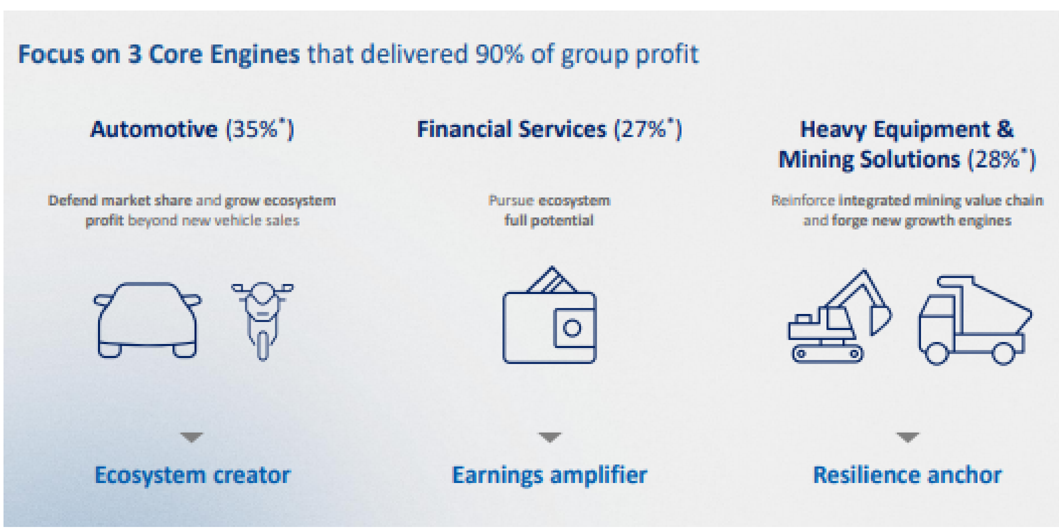
PT Astra International Tbk (ASII) is a conglomerate with businesses in automotive (2W + 4W), integrated mining through its subsidiary United Tractors (UNTR), agribusiness, infrastructure, IT and property.

ASII's largest revenue contributors are integrated mining (41% of revenue), automotive (41% of revenue) and financial services (9%).

Astra's New Direction: Focus on Three Main Pillars



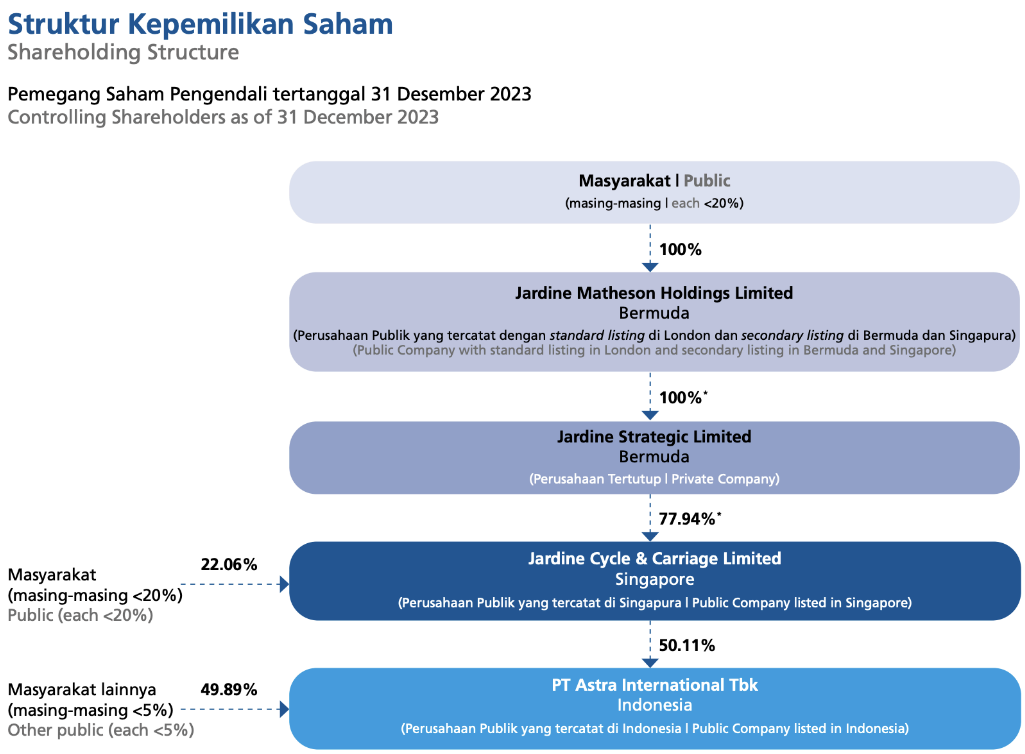
Historically, the company's strength was a broadly diversified portfolio, extending to property, IT, infrastructure and even healthcare, areas that felt less relevant to its core competencies. Astra is now undertaking a *strategic shift*, focusing on three core engines.



Operationally, the strategy aims to maintain market share in the automotive segment while optimizing ecosystem profits across the whole vehicle lifecycle, supported by the Financial Services segment, which is actively exploring the full potential of the ecosystem. In the Heavy Equipment and Mining segment, Astra is pursuing a dual strategy: strengthen the integrated mining value chain for efficiency, and create new growth engines.

Company Structure & Ultimate Beneficial Owner(s)

Company Structure



Ultimate Beneficial Owners

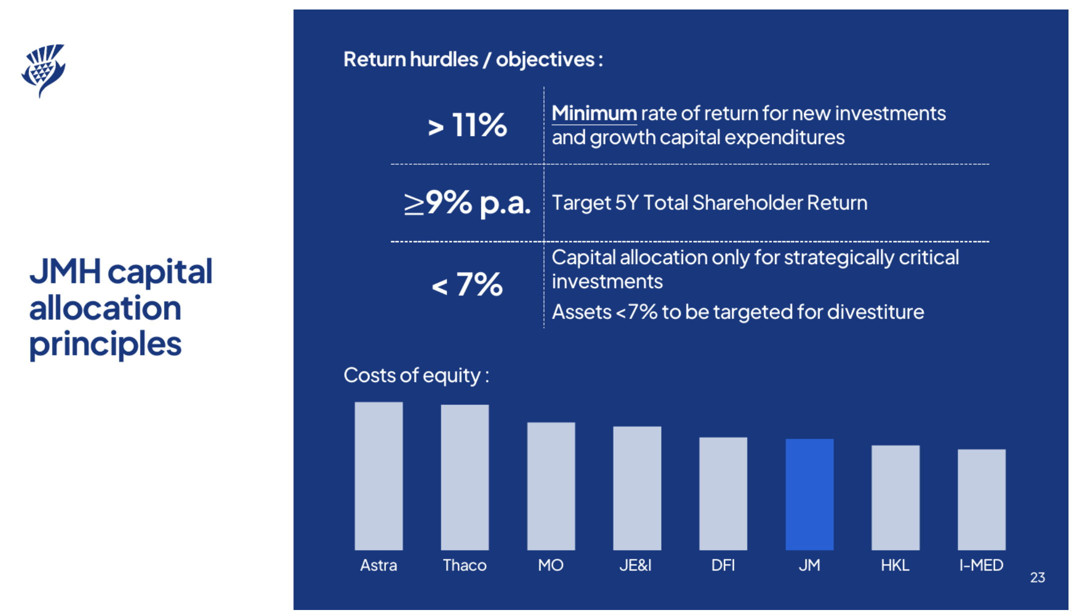
The Keswick family owns the conglomerate Jardine Matheson, which makes them the Ultimate Beneficial Owners of ASII.

2026 Update: Jardine Matheson's TSR Reset

At its first-ever dedicated investor day (June 2026), Jardine Matheson redefined how it runs its portfolio, including Astra. The owner that historically measured Astra on absolute net profit now governs every capital decision through ROIC and Total Shareholder Return:

- **A clear TSR commitment:** targeting a sustainable, top-quartile 5-year TSR of ≥9% p.a., with a commitment to grow the dividend annually.
- **Hard return hurdles:** a >11% minimum rate of return for new investments and growth capex; assets returning <7% are targeted for divestiture.
- **Owner-operator alignment:** management incentives are tied to 5Y TSR, with Astra directors receiving ASII shares that vest only if TSR targets are met; investment committees have been launched at Jardine Matheson, Hongkong Land, Astra and United Tractors; independent boards have been upgraded.
- **What it means for ASII:** a dividend payout floor of 45-50%, materially larger buybacks (Rp2.75 trillion at avg ~6,700 in Q4 2025-Q1 2026; another ~Rp1 trillion at avg ~5,300 since April 2026), and a grow, hold or exit review of all 7 segments. See the July 2026 Monthly Update for the valuation implications.

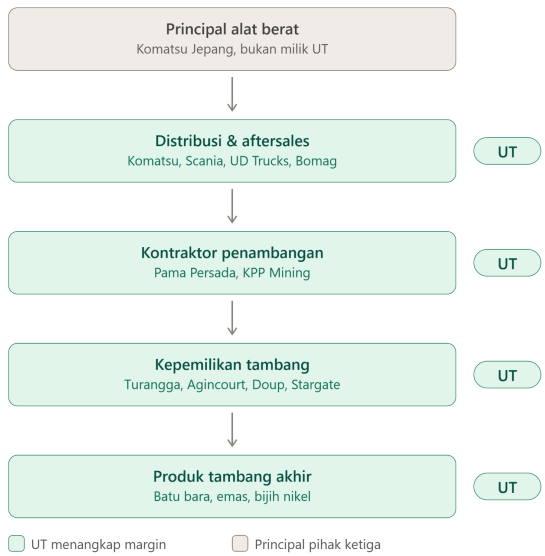
JMH Investor Day (June 2026): how JMH delivers Total Shareholder Returns. Note “Incentives tied to 5Y TSR” and “Clear TSR commitment”.



JMH capital allocation principles: >11% hurdle on new investments, ≥9% p.a. 5Y TSR target, assets <7% targeted for divestiture.

Industry Supply Chain & Business Model

Integrated Mining (UNTR)

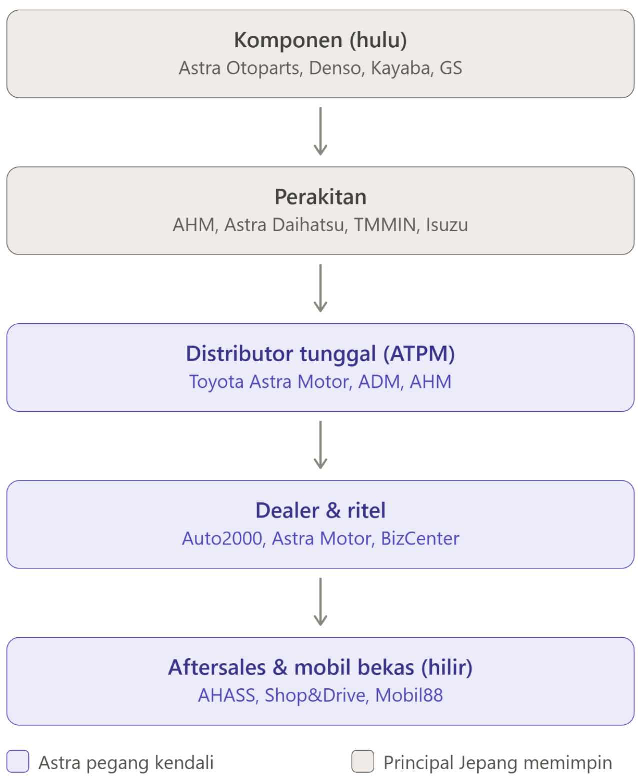


This integrated structure creates a large internal *captive market.* PAMA uses Komatsu heavy equipment distributed by UNTR to extract commodities from UNTR's own mining concessions. This end-to-end business model acts as a *strategic moat*: it delivers high operating cost efficiency, which helps UNTR keep a dominant market position in both heavy equipment and coal contracting.

- UNTR is the spearhead of ASII's integrated mining business. UNTR's large scale makes it a conglomerate in its own right.
- United Tractors holds ~25% of the heavy equipment market in Indonesia through the Komatsu brand and approximately 17% of the coal contracting market through PT PAMA Persada.
- The gold mining business is run by PT Agincourt Resources (PTAR), in which United Tractors holds a 95% stake. PTAR operates the Martabe gold mine in the South Tapanuli area of North Sumatra province, with an operating area of 479 hectares. Construction of the Martabe gold mine started in 2008 and production began in 2012.

- In 2023, United Tractors added a new nickel line through the acquisition of Stargate and an investment in Nickel Industries Limited.
- UNTR also entered the geothermal business through the acquisition of Supreme Energy Rantau Dedap in early 2024. The SERD project itself was only expected to become profitable and start repaying its IBD in 2025. A geothermal power plant is not a high-return business, but its stable performance makes it predictable.

Automotive (2W & 4W) + Financial Services



1. **Upstream (Components):** Astra Otoparts (AUTO) and its global joint venture network secure component supplies, which minimizes supply chain and raw material cost fluctuations. A high share of sales to the replacement parts market provides a strong margin cushion during a slowdown in automotive sales.

2. **Manufacturing-Assembly:** This stage is carried out by AHM and ADM, with Astra acting as a partner or collaborator. This layer is vulnerable to replication by newcomers such as BYD.
3. **Distribution:** Astra holds the main, though not absolute, distribution rights across Indonesia. For example, Honda's principal also shares distribution with third parties such as MPMX, which covers East Java and East Nusa Tenggara.
4. **Dealers and After Sales:** This downstream layer defends the automotive network by locking customers into the Astra ecosystem. Astra's long-term profitability is also determined by service margins and recurring spare parts sales. Spare parts availability is itself a deciding factor in motorcycle and car purchases.
5. **Financial Services:** This line works as a monetization chain, capturing the financing from the large sales volume of the units above it. This integration ultimately secures the company's bottom line and keeps capital within the Astra ecosystem. Astra converts every vehicle purchase into a long-term credit contract, generating stable interest income and bringing customer acquisition costs down to a level that independent multifinance companies find hard to match.

Astra Honda Motor has consistently maintained a dominant market share throughout the years:

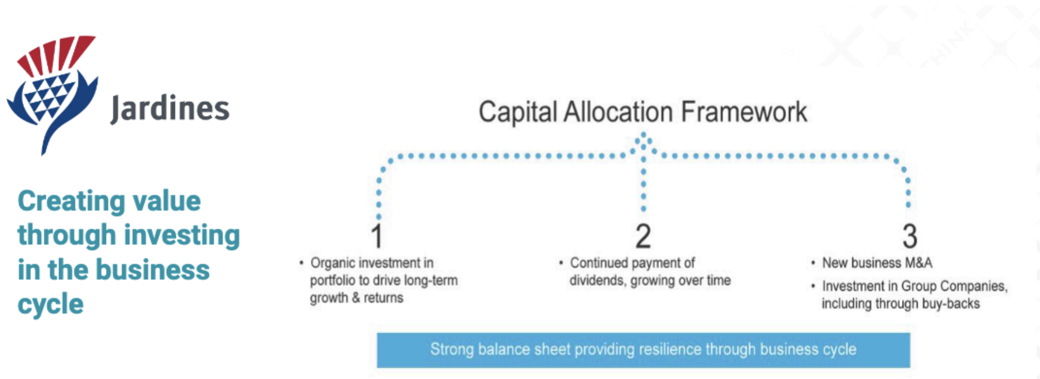
Year	Astra Honda Motor Market Share (%)
2020	76
2021	76
2022	76
2023	D78
2024 (October)	77.5

- Cars and trucks are assembled through PT Astra Daihatsu Motor, PT Isuzu Astra Motor Indonesia, and PT Gaya Motor.
- ASII also holds a 50% stake in the car distribution business PT Toyota Astra Motor. The company also has supporting business units in finance (insurance and leasing), spare parts, and used vehicle handling.

Year	Astra 4W Market Share (%)
2020	51
2021	55
2022	54.8
2023	56
2024	55.9

Key takeaways:

- ASII is involved in almost every aspect of the industry supply chain.
- This is in line with how Jardine Matheson conducts its capital allocation framework.



- By owning the complete supply chain in an industry, ASII can:
  - Achieve economies of scale
  - Achieve cost efficiency & effectiveness
  - Have better pricing power
- This becomes a strong business moat for ASII against external competition
  - E.g. against Chinese electric vehicles

Product and Business Segment

1. Automotive

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The 2W line, through Astra Honda Motor, is the primary engine, with a ~77% national market share. Its strong portfolio spans the mass market (Beat, Vario, Scoopy, Supra, Revo), premium (PCX, ADV) and sport segments. In the 4W segment, Astra runs a multi-brand strategy covering several price points (Toyota, Lexus, Daihatsu, Isuzu, etc.) with a ~50% market share.

Astra's 2W and 4W products are built on deeply rooted brands, known for fuel efficiency, spare parts availability and resilient resale value, creating a stronghold that is difficult for other players to imitate.

2. Financial Services

This business line distributes financing across Astra's physical product ecosystem through FIF Group, ACC, and Toyota Astra Financial, and is strengthened by Astra's insurance protection and digital penetration through Astrapay and Bank Saqu.

This segment generates high profits and high margins as the leading financing alternative to banks, with very low customer acquisition costs. With the Astra Group's strong balance sheet and excellent reputation, the multifinance line enjoys a significantly lower cost of funds than its competitors, which results in wide margin spreads.

3. HEMCE

Komatsu is more expensive than Chinese brands. However, its strength lies in its resale value, spare parts network and durability. The high-margin spare parts and maintenance services segment is anchored by the installed base of Komatsu machines, built up over fifty years, with 40 site support points. In the contracting segment, PAMA has large economies of scale, which gives it strong bargaining power, supported by a captive market and the credibility of serving tier-1 clients such as KPC, Adaro and Bukit Asam. In UT's coal mines, high-calorie coal sells at a higher price than low-calorie coal.

Key Financials

Balance Sheet	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Aset	**507,366**	**471,449**	**445,405**	**413,297**	**367,311**	**338,203**	**351,958**	**344,711**	**295,830**	**261,855**	**245,435**
Cash	52,621	48,439	41,136	61,295	63,947	47,553	24,330	25,193	31,574	29,357	27,102
	10.4%	*10.3%*	*9.2%*	*14.8%*	*17.4%*	*14.1%*	*6.9%*	*7.3%*	*10.7%*	*11.2%*	*11.0%*
Receivable	27,822	26,918	27,938	29,425	21,830	17,031	29,367	31,220	25,351	18,946	17,776
Piutang Pembiayaan	96,698	87,522	78,498	72,077	65,700	62,546	68,534	65,907	63,252	64,639	60,105
	19.1%	*18.6%*	*17.6%*	*17.4%*	*17.9%*	*18.5%*	*19.5%*	*19.1%*	*21.4%*	*24.7%*	*24.5%*
Inventory	36,215	37,771	39,138	32,323	21,815	17,929	24,287	26,505	19,504	17,771	18,337
Investasi ASO + JV	73,441	66,130	61,348	46,725	37,794	33,483	45,683	40,358	39,260	33,987	29,640
	14.5%	*14.0%*	*13.8%*	*11.3%*	*10.3%*	*9.9%*	*13.0%*	*11.7%*	*13.3%*	*13.0%*	*12.1%*
Fixed Aset	83,766	78,734	72,887	59,536	55,349	59,230	62,337	57,733	48,402	43,237	41,702
Properti Pertambangan	24,300	25,000	25,547	20,705	20,425	21,360	22,231	23,289	12,877	10,613	10,200
Tanaman Perkebunan	7385	7,465	7,410	7,310	7,114	7,006	6,991	7,049	6,747	6,675	6,686
Properti Investasi	14,680	7,420	7,137	7,172	7,550	7,507	7,552	8,504	8,381	6,183	3,493
Other Investment	24700	21200	19500	19100	16400	14300	12700	10800	8600	6400	5300
Other	65,738	64,850	64,866	57,629	49,387	50,258	47,946	48,153	31,882	24,047	25,094
	13.0%	*13.8%*	*14.6%*	*13.9%*	*13.4%*	*14.9%*	*13.6%*	*14.0%*	*10.8%*	*9.2%*	*10.2%*
Total Liabilities	**216,554**	**199,445**	**194,981**	**169,577**	**151,696**	**142,749**	**165,195**	**170,348**	**139,325**	**121,949**	**118,902**
Business Payable	106,253	98,772	101,671	98,856	79,210	63,268	72,894	84,434	64,347	51,039	48,253
IBD	110,301	100,673	93,310	70,721	72,486	79,481	92,301	85,914	74,978	70,910	70,649
Owner Equity	228,906	213,676	198,640	192,142	172,053	155,662	147,847	136,947	123,780	111,951	102,043

Balance Sheet

- **Strong cash accumulation to support the ecosystem:** ASII holds a very large cash position of 50 trillion+, or 10% of total assets. This is the result of real profitability, and it provides the liquidity to support the expansion of financial services, which has grown from 62 trillion pre-Covid to 96 trillion in 2025.
- **Controlled working capital efficiency:** receivables have been very stable at around 27 trillion and inventory is tightly kept at around 36 trillion, reflecting disciplined and well-run supply chain management.
- **Upstream Expansion Through Mining Assets:** Mining properties show a long-term upward trend, driven by strategic acquisitions of subsidiaries to capture new growth.
- **Low Yield Asset Allocation:** Investment property and other investments, which are sizeable, are non-core assets and could become the main target of restructuring if they cannot be made to earn more.

Cash Flow	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
CFO	**44,694**	**45,029**	**33,746**	**37,342**	**38,252**	**37,683**	**19,175**	**27,692**	**23,285**	**19,407**	**26,290**
CFI	**-21,257**	**-13,045**	**-35,989**	**-15,967**	**-3,905**	**13,133**	**-14,186**	**-29,731**	**-14,941**	**-10,798**	**-7,541**
CFF	**-19,721**	**-24,966**	**-17,379**	**-25,528**	**-18,200**	**-27,955**	**-5,414**	**-4,873**	**-6,184**	**-5,888**	**-13,407**
Dividend	-16,426	-20,998	-26,297	-11,409	-5,340	-7,445	-8,542	-7,687	-6,798	-6,797	-8,739
%DPR	-48.5%	-62.1%	-90.9%	-56.5%	-33.0%	-34.3%	-39.4%	-40.8%	-44.9%	-47.0%	#DIV/0!

Income Statement	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Revenue	**323,392**	**328,480**	**316,565**	**301,379**	**233,485**	**175,046**	**237,166**	**239,205**	**206,057**	**181,084**	**184,196**
Cogs	-251,948	-255,421	-243,255	-231,291	-182,452	-136,488	-186,927	-188,436	-163,689	-144,652	-147,486
Gross Profit	**71,444**	**73,059**	**73,310**	**70,088**	**51,033**	**38,558**	**50,239**	**50,769**	**42,368**	**36,432**	**36,710**
Opex	-32,779	-30,659	-29,042	-27,887	-25,500	-25,688	-24,055	-23,901	-22,042	-18,898	-19,498
Result JV ASO	9,618	10,291	9,499	8,231	6,464	3,083	7,087	7,036	6,694	3,349	4,467
Finance Income	3,655	3,289	3,053	2,535	2,553	2,342	1,953	1,859	1,982	1,699	1,515
Finance Cost	-3,734	-3,808	-3,112	-2,107	-2,288	-3,408	-4,382	-3,105	-2,042	-1,745	-1,370
Other	1,084	829	1,021	-470	88	6,854	3,212	2,337	2,177	1,416	-2,194
Profit Before Tax	**49,288**	**53,001**	**54,729**	**50,390**	**32,350**	**21,741**	**34,054**	**34,995**	**29,137**	**22,253**	**19,630**
Net Profit	**40,205**	**43,273**	**44,501**	**40,420**	**25,586**	**18,571**	**26,621**	**27,372**	**23,121**	**18,302**	**15,613**
Owner Income	32,769	33,901	33,839	28,944	20,196	16,164	21,707	21,673	18,847	15,156	14,464

Cashflow Statement & Income Statement

- **Healthy Profit Quality (CFO>Owner Income):** operating cash flow is consistently higher than net profit, which shows that profit is not just an accounting number.
- **AHM's ASP and Margin Increase as a Main Motor:** Profit from JVs and associates is a contributor to the group, particularly in the automotive segment. Astra Honda Motor's (AHM) profit share jumped from 3.5 trillion rupiah pre-COVID to 5.4 trillion rupiah in 2025.
- **Opex Discipline and Superior Cost of Funds:** Management has effectively controlled operating cost growth. Finance costs were 3.7 trillion, compared with net income of 110 trillion. This clearly shows Astra's low cost of funds, thanks to its strong credit reputation.
- **Permata Bank's Track Record:** In 2020, other income included 6.8 trillion from the sale of Permata Bank, which was a one-time gain from the divestment proceeds.

Industry Outlook

1. **Automotive: Middle-Class Pressure and After-Sales Opportunities**

On paper, macro indicators show positive growth, with Indonesia's GDP per capita continuing to rise to USD 5,083 in 2025. However, this growth is misleading for the automotive industry, which depends on the middle class, and the middle class has shrunk from 57.3 million to 47.8 million people. This erosion has hit purchasing power, which logically explains the stagnation and weakening of 4W sales. New cars are big-ticket discretionary goods; when the affordability gap widens, demand declines. The 2-wheeler market, by contrast, tends to stagnate but remains resilient at 6.4 million units, because a motorcycle is an essential, basic and more affordable form of mobility. This middle-class data will be a key indicator for assessing the growth of the industry and the position of motorcycles and cars as the primary transport choice in Indonesia.

Tahun	2W (AISI)	4W (Gaikindo WS)	GDP/kapita (BPS, US$)	Kelas menengah (BPS)
2015	6.480.155	1.013.518	3.377	n/a
2017	5.886.103	1.077.364	3.877	n/a
2019	6.487.460	1.030.126	4.175	57,33 jt
2022	5.221.470	1.048.040	4.784	49,51 jt
2024	6.333.310	865.723	4.961	47,85 jt
2025	6.412.769	803.687	5.083	belum rilis

For Astra, stagnant new unit sales do not necessarily close off growth opportunities. The millions of new motorcycles and cars sold automatically create a potential market for Astra's after-sales segment, covering spare parts, maintenance and financing across the whole long-term vehicle lifecycle.

2. **Financial Services: Ecosystem Leverage**

Tahun	Astra Piutang Pembiayaan	piutang pembiayaan Indonesia (OJK)	% Market Share ASII
2015	60	363	16.5%
2017	63	415	15.2%
2019	68	452	15.0%
2022	72	416	17.3%
2024	87	503	17.3%
2025	97	507	19.1%

Despite the downward trend in new vehicle sales (especially 4W), financial services actually recorded solid growth, rising from 60 trillion rupiah in 2015 to 97 trillion rupiah in 2025, a growth rate above the industry average that also lifted market share. Beyond the gain in market share, the increase in receivables can be explained by two main factors. First, a structural shift has taken place, with a larger share of financing going to the used-vehicle segment; second, vehicle price inflation, or a rise in the average selling price, has resulted in a higher nominal loan value per financed unit.

The strengths driving Astra's market share growth are its integrated automotive captive market, the group's strong reputation, and access to a competitive cost of funds. Going forward, we expect Astra's financing outlook to remain positive as long as vehicle financing remains a primary need for the public, driven by a combination of new purchases, the used-vehicle market and rising ASPs, while the cost structure stays relatively stable.

3. **HEMCE: Defending Market Share Through Integration**

Tahun	OB PAMA (jt bcm)	Batubara nasional (jt ton)	UNTR Sales Volume	Net Impor Batubara China (GACC)	Konsumsi China (jt ton)	%Produksi / Konsumsi China
2015	766	461	4.6	204	3951	5%
2017	801	461	6.3	271	3794	7%
2019	989	610	8.5	300	4146	7%
2022	954	687	9.9	293	4789	6%
2024	1200	836	13.1	543	5303	10%
2025	1100	790	14.3	470	5240	9%

In the Heavy Equipment, Mining, Construction and Energy (HEMCE) segment, PAMA's overburden removal volume jumped from 766 million bcm (2015) to 1,100 million bcm (2025). Despite the higher volume, PAMA's profit margins came under pressure.

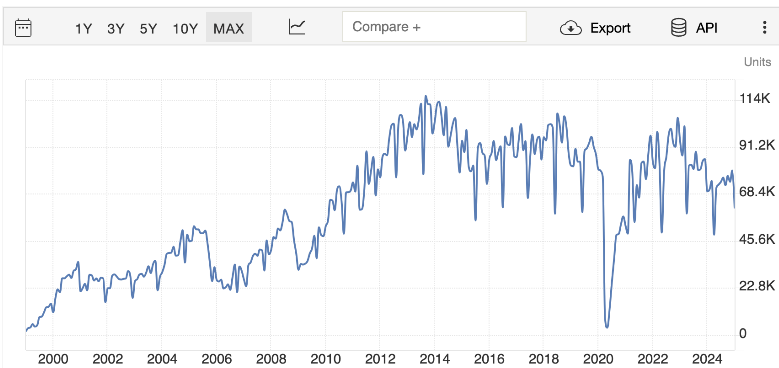
This points to tight competition triggered by aggressive rival contractors, one of which is PT Putra Perkasa Abadi (PPA). PPA's contracting volume in 2015 was 27.5 million bcm, in 2017 it was 89 million bcm, and in 2024 it reached 330 million bcm, which makes it a serious threat. So far, PPA has won contracts through aggressive bidding that has pushed down industry rates and margins and forced PAMA to lower prices to keep its volume.

On the macro side, the industry's outlook depends on China's coal consumption and net import volumes. The risk of global volatility is reduced by United Tractors' continued growth in sales and production from its own mines, which have proven profitable during periods of high commodity prices and act as an integrated cost driver.

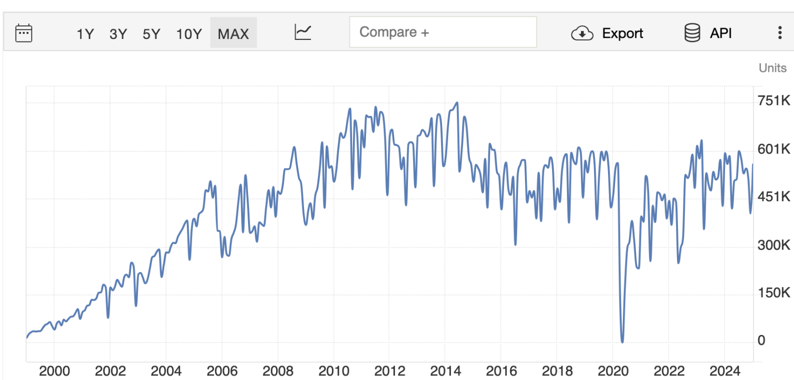
Known Risks

Auto segment: Stagnant industry-wide growth + increasing competition:

- 4W sales in Indonesia (all brands, not only ASII) have been stagnant for the last 10 years:



- The same goes for 2W:



- The stagnation in this sector is due to a couple of macroeconomic factors, such as the buying power of grassroots customers.

  - For this segment to grow again as it did in 2004 - 2012, the Indonesian economy needs to grow at a faster rate, especially the low to middle income segment.
- Plus, increasing competition from other players, such as Chinese EVs like BYD.
- However, what is commendable about ASII's auto division:
  - Market share has been consistently maintained over the past few years at 55% (for 4W) and 75% (for 2W).
  - Net income can still grow at a mid single digit rate thanks to price increases.
  - ASII's integrated supply chain moat is not easily disrupted by external competition, as shown by its market share dominance over the years.
  - As long as buying power is restored and the Indonesian economy can grow at a faster rate, we are confident that this segment will grow as well.

Dependence on commodity prices (especially coal):

- 64% of United Tractors' (ASII's integrated mining business) net income comes from the coal division:
  - 42% from the coal mines, 32% from mining contracting
- Hence, UNTR is susceptible to coal price fluctuations.
- However, this is only partly true, because its mining contracting business depends more on coal mining volume than on price.
  - As long as the coal price stays at a level where the majority of Indonesian coal mines are still profitable (ICI 1 benchmark > 100 USD), mining volume can still increase.
- Moreover, United Tractors has been rapidly expanding its non-coal business units:
  - Added a gold mining business through PT Agincourt Resources (PTAR)
  - Added a new nickel line through the acquisition of Stargate and an investment in Nickel Industries Limited (not yet generating revenue)

Valuation

Fair value = Liquidation value + (Fair Payback Period x True Earnings)

What we mean by "True Earnings". True Earnings is our estimate of what the business earns in a normal year: not the best year, not the worst, and cleaned of one-off gains and losses such as asset sales, currency swings and write-downs. We use it instead of the latest reported profit because a single year can flatter or punish a company for reasons that will not repeat. It is deliberately conservative, and it is the number we multiply by the Fair Payback Period to arrive at fair value.

Why a Fair Payback Period of 13 years

For ASII, the case for a long payback is strong: the group has earned Rp33-34 trillion a year for years, operating cash flow has consistently run above net profit, and it holds 50 trillion+ of cash, or 10% of total assets, against finance costs of only 3.7 trillion. Its market positions are entrenched: Astra Honda Motor holds ~77% of the 2W market, the 4W brands ~50%, and United Tractors ~25% of heavy equipment and ~17% of coal contracting. Dividends have run at a ~70% payout in recent years, now backed by a 45-50% payout floor, and the owner, Jardine Matheson, has tied director pay to a ≥9% p.a. TSR target.

What holds it back from the 14–15 years we give the safest names: reinvestment discipline has been poor, with true earnings compounding at only ~7% a year over 2008-2024, long-term ROE of ~13%, other JVs returning ~10% and other associates ~2-3%. About 30% of profit comes from United Tractors, where 64% of net income depends on coal, and Astra's licences were not exempted from the 2026 production quota. 4W share is eroding from ~55% towards ~51% as Chinese brands scale up, the middle class has shrunk from 57.3 million to 47.8 million people, and the TSR program is new: it has not yet reached AUTO, and it still has to prove that the >11% hurdle binds on new investments.

Within our own coverage, the safest name, BMRI, sits at 14 years; AUTO and AADI at 10. Taken together, the points above put ASII at **13 years**. The ruler below shows where that lands against the other names we hold.

Calculation

Liquidation value = 0 (conservative)

Segment	*True earnings (bio IDR)*	*Basis*
Automotive (2W + 4W + dealership + parts)	11,500	2023-2025 actuals averaged Rp11.4T; 2026 sales data solid
Integrated mining (59.5% of UNTR ~12.5T)	7,500	Conservative coal ASP, low gold margin, DOUP excluded
Financial services	9,000	Grows in line with GDP
Others (CPO, infra, IT, property)	2,000	9M25 run-rate ~2.8T annualized
Total	**30,000**	

Fair Payback Period for ASII: ~13 years (vs BMRI at 15). Why 13 and not 15: reinvestment has historically been undisciplined; long-term ROE of ~13% implies a fair P/B of ~1.6x, and true earnings compounded at only ~7% CAGR (2008-2024). Why not lower: the TSR program directly attacks this weakness; sustained reported profit above Rp30 trillion is the validation point.

Benchmark: Indonesian 10Y Govt Bonds yield 6.5%. Payback period → ~15 years

Fair value: 13 (fair payback period) x 30,000 (true annual earnings) = 390,000 bio IDR (~9,600 IDR per share). At the current market cap of ~196,000 bio IDR (4,890/share), the margin of safety is ~50%.

The 30,000 bio IDR annual profit assumes ASII merely maintains its current true earnings, without any growth; gold margins are assumed to be low and the DOUP gold mine expansion is excluded.