

Friday, 26 May 2017

BUY
Maintained

Last price (IDR) 24,100
Target Price (IDR) 30,000
Upside/Downside +24.5%
Previous Target Price (IDR) 23,500

Stock Statistics

Sector Heavy Equipment
Bloomberg Ticker UNTR IJ
No of Shrs (mn) 3,730
Mkt. Cap (IDR bn/USDmn) 89,893/6,768
Avg. daily T/O (IDR bn/USDmn) 117/8.8

Major shareholders

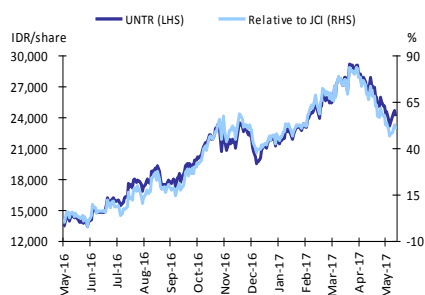
Astra International 59.5%

Estimated free float (%) 40.5

EPS Consensus (IDR)

	2017F	2018F	2019F
Danareksa	1,734	1,942	2,207
Consensus	1,783	1,974	2,218
Danareksa/Cons	(2.7%)	(1.6%)	(0.5%)

UNTR relative to JCI Index



Source : Bloomberg

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United Tractors (UNTR IJ)

The mining sector supported Komatsu sales

Against a backdrop of firm coal prices, Komatsu sales rose to 339 units in April 2017 (+8.3% mom, +78.4% yoy). Hence, on a cumulative basis, Komatsu sales jumped 72.1% yoy to 1,186 units in 4M17 with a significant surge in sales to the mining sector. The 4M17 sales figure is 43.9% of our full year forecast – better than expected. We forecast strong earnings growth this year as coal prices continue to consolidate. Maintain BUY with a Target Price of Rp30,000 (based on DCF valuation).

Solid Komatsu sales to the mining sector. The solid Komatsu sales in 4M17 of 1,186 units (+72.1% yoy) owed largely to the firm coal prices. This was reflected in the 283.0% yoy jump in Komatsu sales to the mining sector. Similarly, sales to the forestry and agri sectors also posted large increases: up 93.2% yoy and 63.9% yoy, respectively. By contrast, Komatsu sales to the construction sector were depressed: down 19.1% yoy - partly due to the high base in 2015.

Higher earnings from the construction machinery division. While the recent consolidation in coal prices may affect Komatsu sales in 2H17, we nonetheless expect the performance of the construction machinery (CM) division to remain strong given: a) higher Komatsu sales volume (+23.8% yoy), b) a greater share of larger machinery in the product mix which will further increase ASP in 2017 (we conservatively expect Komatsu ASP to increase by 4.6% yoy in 2017), and c) better earnings from Scania and UD Trucks as well as from parts and services.

Sustained earnings from the mining contracting division. Coal production under Pamapersada Nusantara (PAMA) rose 4.6% yoy to 34.0mn tonnes in 4M17 with a flattish stripping ratio of 6.8x in 4M17. This year, we expect earnings from the mining contracting (MC) division to be sustained given: a) 5% yoy higher coal production and a higher stripping ratio and b) further negotiations on mining fees which will lead to better profitability.

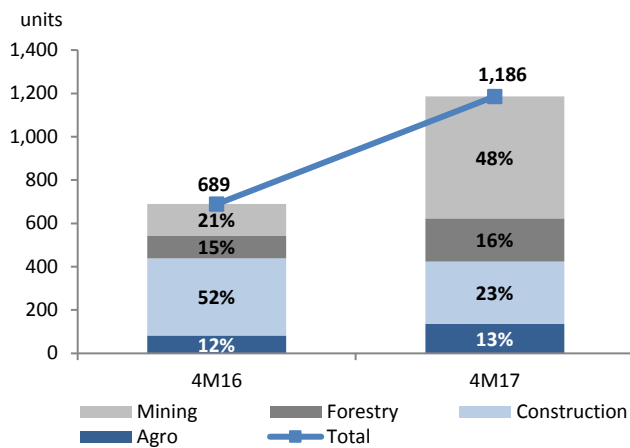
Maintain BUY with a Target Price of Rp30,000 based on DCF valuation (WACC of 12.4% and terminal growth of 3%) supported by stable coal prices which will help to boost the company's performance. The downside risks are: a) a sharp decline in coal prices, b) tighter competition in the heavy equipment business and c) a strong IDR/USD. Our Target Price implies 17.3x 2017F PE.

Key Financials

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
Revenue, (IDRbn)	49,347	45,539	54,146	60,576	65,391
EBITDA, (IDRbn)	12,403	9,150	12,423	14,169	15,446
EBITDA Growth, (%)	5.0	(26.2)	35.8	14.0	9.0
Net profit (IDRbn)	3,853	5,002	6,468	7,242	8,231
EPS (IDR)	1,033.1	1,341.0	1,734.1	1,941.5	2,206.5
EPS growth (%)	(28.1)	29.8	29.3	12.0	13.7
BVPS, (IDR)	10,165.8	10,954.0	12,077.6	13,328.4	14,718.4
DPS, (IDR)	527.1	449.6	582.5	717.9	807.8
PER (x)	23.3	18.0	13.9	12.4	10.9
PBV (x)	2.5	2.3	2.1	1.9	1.7
Dividend yield (%)	1.7	2.2	2.9	3.2	3.7
EV/EBITDA (x)	7.0	9.5	7.0	6.1	5.6

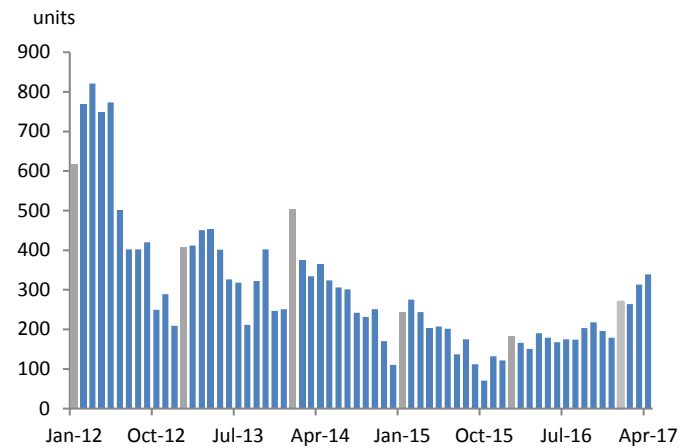
Source : UNTR, Danareksa Estimates

Exhibit 1. Revival of Komatsu sales to the mining sector



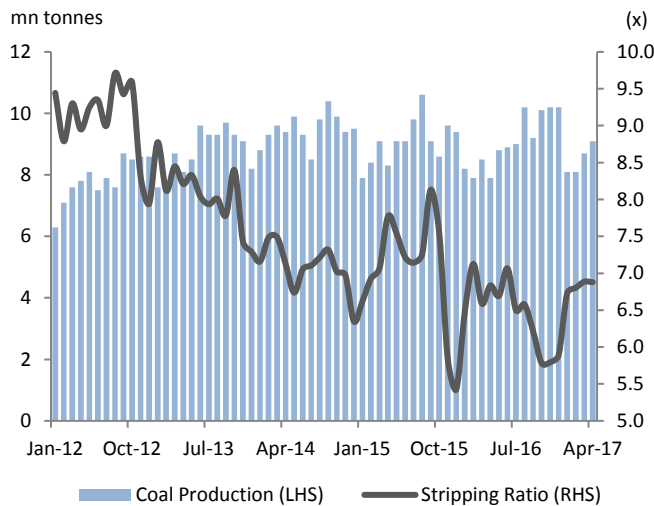
Source: United Tractors

Exhibit 2. Stronger Komatsu sales volume



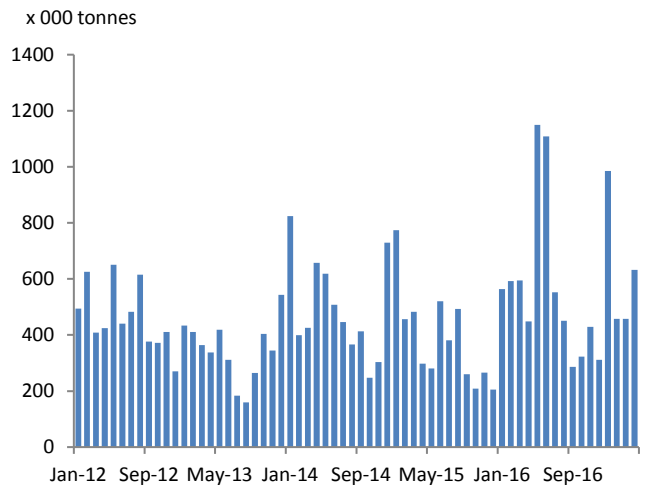
Source: United Tractors

Exhibit 3. Steady stripping ratio



Source: United Tractors

Exhibit 4. Coal sales volume



Source: United Tractors

Exhibit 5. Income Statement

Year to 31 Dec (IDR bn)	2015A	2016A	2017F	2018F	2019F
Revenue	49,347	45,539	54,146	60,576	65,391
COGS	(37,645)	(35,878)	(42,331)	(47,085)	(50,658)
Gross profit	11,702	9,661	11,815	13,491	14,733
EBITDA	12,403	9,150	12,423	14,169	15,446
Oper. profit	8,586	6,706	8,592	9,967	10,962
Interest income	396	682	458	543	639
Interest expense	(324)	(491)	(338)	(364)	(287)
Forex Gain/(Loss)	239	(349)	45	(337)	(184)
Income From Assoc. Co's	87	66	69	74	70
Other Income (Expenses)	(4,793)	115	0	0	0
Pre-tax profit	4,193	6,730	8,827	9,883	11,200
Income tax	(1,400)	(1,626)	(2,207)	(2,471)	(2,800)
Minority interest	1,061	(102)	(152)	(170)	(169)
Net profit	3,853	5,002	6,468	7,242	8,231
Core Net Profit	8,870	5,351	6,423	7,579	8,415

Exhibit 6. Balance Sheet

Year to 31 Dec (IDR bn)	2015A	2016A	2017F	2018F	2019F
Cash & cash equivalent	15,413	19,461	22,925	27,160	31,955
Receivables	12,170	12,115	14,627	16,364	17,665
Inventory	8,328	7,108	8,587	9,048	9,545
Other Curr. Asset	3,349	3,514	3,529	3,796	3,883
Fixed assets - Net	17,519	16,685	17,854	18,652	19,169
Other non-curr.asset	4,937	5,109	4,585	4,893	5,124
Total asset	61,715	63,991	72,107	79,912	87,340
ST Debt	1,012	992	270	300	316
Payables	13,887	14,605	16,659	18,530	19,936
Other Curr. Liabilities	3,381	2,759	2,852	3,313	3,794
Long Term Debt	1,091	65	864	900	933
Other LT. Liabilities	3,093	2,948	3,832	4,269	4,345
Total Liabilities	22,465	21,369	24,477	27,311	29,324
Shareholder's Funds	37,920	40,860	45,051	49,717	54,902
Minority interests	1,331	1,762	2,578	2,885	3,114
Total Equity & Liabilities	61,715	63,991	72,107	79,912	87,340

Exhibit 7. Cash Flow

Year to 31 Dec (IDR bn)	2015A	2016A	2017F	2018F	2019F
Net income	3,853	5,002	6,468	7,242	8,231
Depreciation and Amort.	3,816	2,444	3,831	4,202	4,484
Change in Working Capital	1,817	1,347	(1,961)	(165)	(22)
Other Oper. Cash Flow	3,665	(727)	1,187	43	(436)
Operating Cash Flow	13,152	8,066	9,526	11,322	12,256
Capex	(2,580)	(2,703)	(5,000)	(5,000)	(5,000)
Others Inv. Cash Flow	(1,557)	3,005	1,017	726	776
Investing Cash Flow	(4,137)	303	(3,983)	(4,274)	(4,224)
Net change in debt	(1,002)	(669)	229	63	47
New Capital	0	0	0	0	0
Dividend payment	(2,989)	(2,175)	(2,173)	(2,678)	(3,013)
Other Fin. Cash Flow	329	(1,477)	(136)	(198)	(271)
Financing Cash Flow	(3,662)	(4,321)	(2,079)	(2,813)	(3,237)
Net Change in Cash	5,353	4,048	3,464	4,235	4,795
Cash - begin of the year	10,060	15,413	19,461	22,925	27,160
Cash - end of the year	15,413	19,461	22,925	27,160	31,955

Exhibit 8. Key Ratios

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
Growth (%)					
Sales	(7.1)	(7.7)	18.9	11.9	7.9
EBITDA	5.0	(26.2)	35.8	14.0	9.0
Operating profit	(3.0)	(21.9)	28.1	16.0	10.0
Net profit	(28.1)	29.8	29.3	12.0	13.7
Profitability (%)					
Gross margin	23.7	21.2	21.8	22.3	22.5
EBITDA margin	25.1	20.1	22.9	23.4	23.6
Operating margin	17.4	14.7	15.9	16.5	16.8
Net margin	7.8	11.0	11.9	12.0	12.6
ROAA	6.3	8.0	9.5	9.5	9.8
ROAE	10.3	12.7	15.1	15.3	15.7
Leverage					
Net Gearing (x)	(0.4)	(0.5)	(0.5)	(0.5)	(0.6)
Interest Coverage (%)	26.5	13.7	25.4	27.4	38.2

Source : UNTR, Danareksa Estimates

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