

Friday, 24 May 2019

**BUY**  
**Maintain**

Last price (IDR)	25,550
Target Price (IDR)	36,000
Upside/Downside	+40.9%
Previous Target Price (IDR)	36,000

**Stock Statistics**

Sector	Heavy Equipment
Bloomberg Ticker	UNTR IJ
No of Shrs (mn)	3,730
Mkt. Cap (IDRbn/USDmn)	95,305/6,582
Avg. daily T/O (IDRbn/USDmn)	166.4/11.5

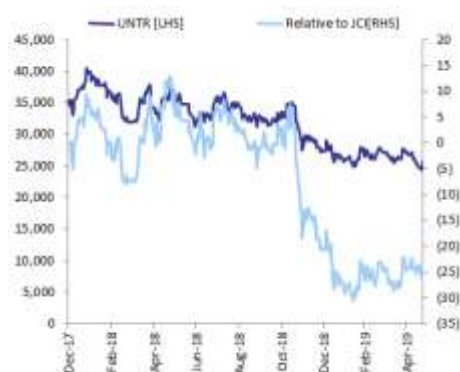
**Major shareholders (%)**

Astra International	59.5
Estimated free float	40.5

**EPS Consensus (IDR)**

	2019F	2020F	2021F
Danareksa	3,149.8	3,288.3	3,413.2
Consensus	3,191.8	3,293.8	3,481.7
Danareksa/Cons	(1.3)	(0.2)	(2.0)

**UNTR relative to JCI Index**



Source : Bloomberg



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## United Tractors (UNTR IJ)

### Weak Komatsu sales volume in April 2019

**United Tractors (UNTR) reported Komatsu sales of 261 units in April 2019 (-24.1% mom, -46.2% yoy). Cumulatively, Komatsu sales volume declined by 12.9% yoy to 1,442 units in 4M19 on the back of weak coal prices (mainly of low CV coal). The 4M19 sales number is within our full year forecast (36.1%). For 2019, we maintain our Komatsu sales volume assumption of 4,000 units. Maintain BUY with a target price of IDR36,000 (based on DCF valuation).**

**Soft Komatsu sales volume in April 2019.** Komatsu sales volume dropped by 24.1% mom to 261 units in April 2019, as the general elections ostensibly hit Komatsu sales to the construction sector (-39.8% mom). Meanwhile, sales to the mining sector were stable compared to the previous month. Cumulatively, the 12.9% yoy decline in Komatsu sales to 1,442 units in 4M19 owed to weak coal prices, with Komatsu sales to the mining sector down by 25.6% yoy.

**We maintain our conservative Komatsu sales target of 4,000 units for 2019.** We maintain our conservative Komatsu sales target of 4,000 units for 2019, of which 800 units will be large-size machinery, as we expect soft Komatsu sales in May and June 2019. We believe that April's general elections and the Lebaran holidays in the beginning of Jun 2019 will impact the delivery of heavy equipment to the construction sectors.

**Solid coal production despite unfavorable weather in April 2019.** Although UNTR's subsidiary, Pamapersada Nusantara (PAMA), experienced a decline in coal production and OB removal by 11.9% mom and 7.5% mom, respectively, in April 2019, it still booked solid coal production and OB removal in 4M19 (+9.9% yoy to 40.1mn tons and +9.8% yoy to 310.9mn bcm). This is within our expectations. We expect flattish coal production and OB removal under PAMA. Meanwhile, coal sales volume is expected to increase to 9mn tons in 2019, with a greater contribution from coking coal of 16.6% in 2019 (2018: 11.5%).

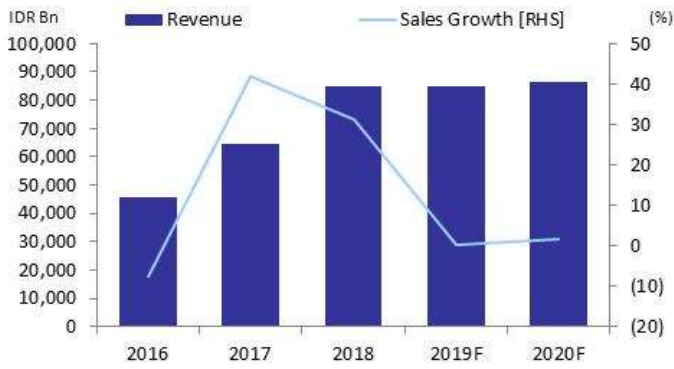
**Maintain BUY** with a target price of IDR36,000 (based on DCF valuation with WACC of 12.8% and long-term growth of 3%). The stock is trading below -1SD. Our TP implies 11.0x 2019F PE. While we expect coal price consolidation going forward, upside potential will come from the recent narrowing in the gap between low CV and Newcastle coal prices as this will help to improve Komatsu sales to customers who had previously postponed purchases of heavy equipment.

### Key Financials

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Revenue (IDRbn)	64,559	84,625	84,712	86,160	86,630
EBITDA (IDRbn)	13,832	23,296	22,438	23,650	24,699
EBITDA Growth (%)	51.2	68.4	(3.7)	5.4	4.4
Net profit (IDRbn)	7,403	11,126	11,749	12,266	12,732
EPS (IDR)	1,984.6	2,982.6	3,149.8	3,288.3	3,413.2
EPS growth (%)	48.0	50.3	5.6	4.4	3.8
BVPS (IDR)	12,161.1	14,417.5	16,246.7	18,279.4	20,384.9
DPS (IDR)	675.0	960.6	1,212.8	1,276.1	1,329.9
PER (x)	12.9	8.6	8.1	7.8	7.5
PBV (x)	2.1	1.8	1.6	1.4	1.3
Dividend yield (%)	2.6	3.8	4.7	5.0	5.2
EV/EBITDA (x)	5.7	4.0	3.9	3.6	3.3

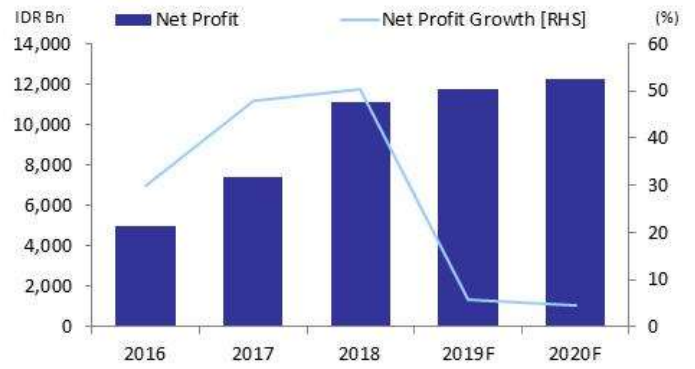
Source : UNTR, Danareksa Estimates

**Exhibit 1. Revenues and Growth**



Source: Company, Danareksa Sekuritas estimates

**Exhibit 2. Net Profits and Growth**



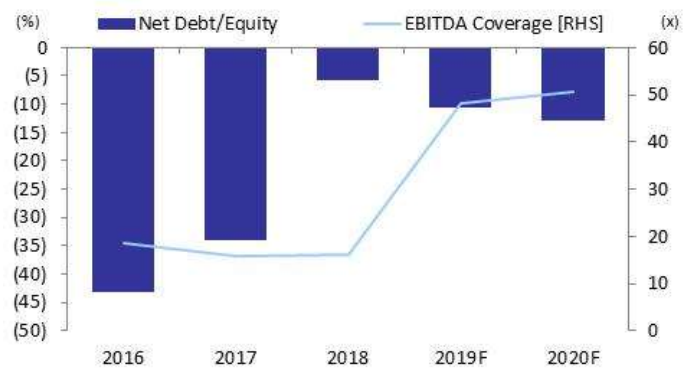
Source: Company, Danareksa Sekuritas estimates

**Exhibit 3. Margins**



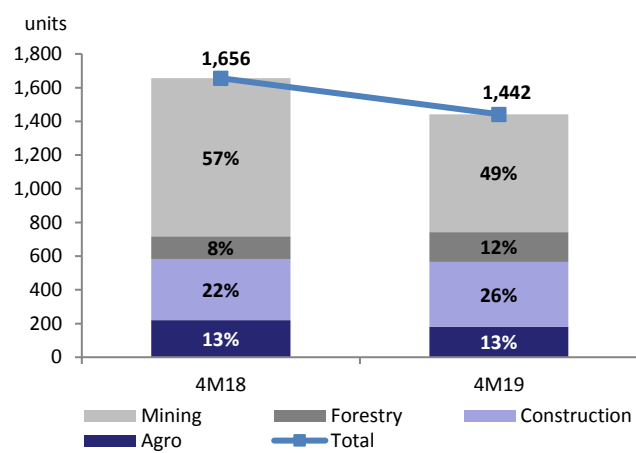
Source: Company, Danareksa Sekuritas estimates

**Exhibit 4. Gearing Level**



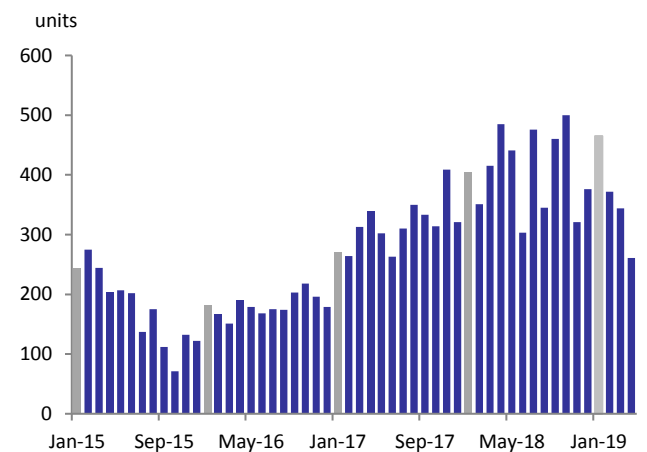
Source: Company, Danareksa Sekuritas estimates

**Exhibit 5. Soft Komatsu sales volume to commodity related sectors**



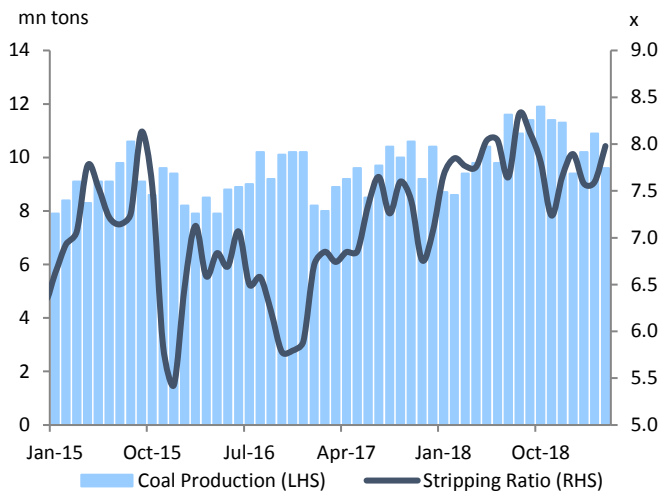
Source: Company

**Exhibit 6. Weak Komatsu sales volume to the construction sector**



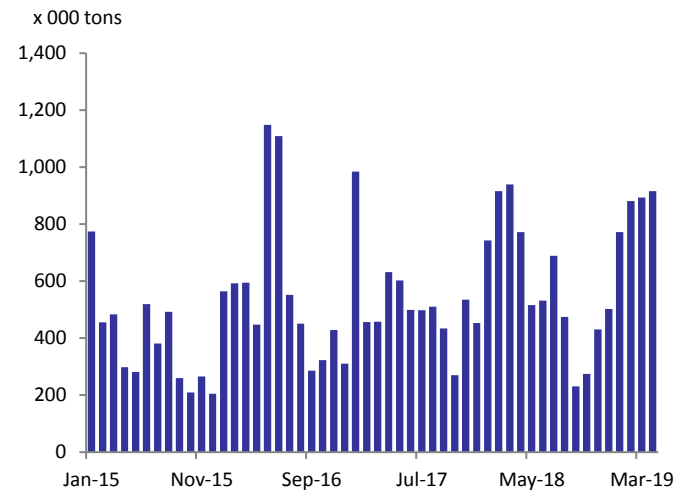
Source: Company

**Exhibit 7. High rainfall hit coal production in April 2019**



Source: Company

**Exhibit 8. Solid coal sales volume**



Source: Company

**Exhibit 9. UNTR is currently trading at -1.5SD**



Source: Bloomberg, Danareksa Sekuritas estimates

### Exhibit 10. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
<b>Revenue</b>	<b>64,559</b>	<b>84,625</b>	<b>84,712</b>	<b>86,160</b>	<b>86,630</b>
COGS	(50,075)	(63,515)	(63,782)	(64,537)	(64,502)
<b>Gross profit</b>	<b>14,484</b>	<b>21,110</b>	<b>20,929</b>	<b>21,623</b>	<b>22,128</b>
<b>EBITDA</b>	<b>13,832</b>	<b>23,296</b>	<b>22,438</b>	<b>23,650</b>	<b>24,699</b>
<b>Oper. profit</b>	<b>10,756</b>	<b>16,770</b>	<b>16,439</b>	<b>16,985</b>	<b>17,371</b>
Interest income	1,016	764	197	246	352
Interest expense	(874)	(1,438)	(466)	(467)	(467)
Forex Gain/(Loss)	(4)	(127)	248	316	432
Income From Assoc. Co's	171	307	181	220	236
Other Income (Expenses)	(542)	(568)	(300)	(300)	(300)
<b>Pre-tax profit</b>	<b>10,523</b>	<b>15,709</b>	<b>16,300</b>	<b>16,999</b>	<b>17,624</b>
Income tax	(2,849)	(4,210)	(4,075)	(4,250)	(4,406)
Minority interest	(270)	(373)	(476)	(484)	(486)
<b>Net profit</b>	<b>7,403</b>	<b>11,126</b>	<b>11,749</b>	<b>12,266</b>	<b>12,732</b>
<b>Core Net Profit</b>	<b>7,407</b>	<b>11,253</b>	<b>11,501</b>	<b>11,950</b>	<b>12,300</b>

### Exhibit 11. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Cash & cash equivalent	20,831	13,438	9,871	12,323	17,598
Receivables	18,188	22,574	22,853	23,244	23,371
Inventory	7,855	13,618	11,434	11,833	11,831
Other Curr. Asset	4,328	6,022	5,883	5,932	6,022
Fixed assets - Net	22,251	40,474	44,475	46,809	48,481
Other non-curr.asset	8,808	20,156	18,616	18,787	18,843
<b>Total asset</b>	<b>82,262</b>	<b>116,281</b>	<b>113,132</b>	<b>118,929</b>	<b>126,146</b>
ST Debt	1,876	6,966	384	386	387
Payables	21,110	33,170	32,829	30,840	30,042
Other Curr. Liabilities	5,390	8,650	7,362	7,601	7,628
Long Term Debt	2,724	3,223	2,545	2,553	2,552
Other LT. Liabilities	3,623	7,222	5,376	5,262	5,373
<b>Total Liabilities</b>	<b>34,724</b>	<b>59,230</b>	<b>48,495</b>	<b>46,642</b>	<b>45,982</b>
Shareholder's Funds	45,362	53,779	60,603	68,185	76,038
Minority interests	2,175	3,271	4,034	4,103	4,125
<b>Total Equity &amp; Liabilities</b>	<b>82,262</b>	<b>116,281</b>	<b>113,132</b>	<b>118,929</b>	<b>126,146</b>

### Exhibit 12. Cash Flow

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Net income	7,403	11,126	11,749	12,266	12,732
Depreciation and Amort.	3,076	6,526	5,999	6,666	7,328
Change in Working Capital	1,427	3,094	382	(2,591)	(985)
Other Oper. Cash Flow	(115)	(887)	68	54	210
<b>Operating Cash Flow</b>	<b>11,791</b>	<b>19,859</b>	<b>18,198</b>	<b>16,395</b>	<b>19,285</b>
Capex	(8,052)	(18,833)	(10,000)	(9,000)	(9,000)
Others Inv. Cash Flow	74	(8,115)	953	196	336
<b>Investing Cash Flow</b>	<b>(7,978)</b>	<b>(26,948)</b>	<b>(9,047)</b>	<b>(8,804)</b>	<b>(8,664)</b>
Net change in debt	4,077	5,631	(7,770)	2	0
New Capital	0	0	0	0	0
Dividend payment	(2,518)	(3,884)	(4,524)	(4,760)	(4,961)
Other Fin. Cash Flow	(4,001)	(2,052)	(424)	(467)	(467)
<b>Financing Cash Flow</b>	<b>(2,442)</b>	<b>(304)</b>	<b>(12,718)</b>	<b>(5,225)</b>	<b>(5,428)</b>
<b>Net Change in Cash</b>	<b>1,371</b>	<b>(7,393)</b>	<b>(3,567)</b>	<b>2,365</b>	<b>5,192</b>
Cash - begin of the year	19,461	20,831	13,438	9,871	12,323
Cash - end of the year	20,831	13,438	9,871	12,323	17,598

### Exhibit 13. Key Ratios

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
<b>Growth (%)</b>					
Sales	41.8	31.1	0.1	1.7	0.5
EBITDA	51.2	68.4	(3.7)	5.4	4.4
Operating profit	60.4	55.9	(2.0)	3.3	2.3
Net profit	48.0	50.3	5.6	4.4	3.8
<b>Profitability (%)</b>					
Gross margin	22.4	24.9	24.7	25.1	25.5
EBITDA margin	21.4	27.5	26.5	27.4	28.5
Operating margin	16.7	19.8	19.4	19.7	20.1
Net margin	11.5	13.1	13.9	14.2	14.7
ROAA	10.1	11.2	10.2	10.6	10.4
ROAE	17.2	22.4	20.5	19.0	17.7
<b>Leverage</b>					
Net Gearing (x)	(0.3)	(0.1)	(0.1)	(0.1)	(0.2)
Interest Coverage (x)	12.3	11.7	35.3	36.3	37.2

Source : UNTR, Danareksa Estimates

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