

Wednesday, 26 June 2019

**BUY**  
**Maintain**

Last price (IDR) 27,800  
Target Price (IDR) 36,000  
Upside/Downside +29.5%  
Previous Target Price (IDR) 36,000

#### Stock Statistics

Sector Heavy Equipment  
Bloomberg Ticker UNTR JJ  
No of Shrs (mn) 3,730  
Mkt. Cap (IDRbn/USDmn) 103,698/7,341  
Avg. daily T/O (IDRbn/USDmn) 147.3/10.4

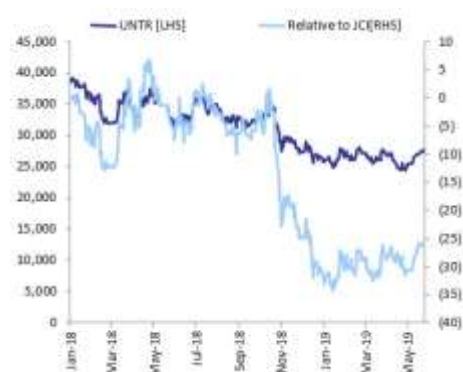
#### Major shareholders (%)

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	3,177.2	3,294.3	3,510.0
Danareksa/Cons	(0.9)	(0.2)	(2.8)

#### UNTR relative to JCI Index



Source: Bloomberg



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## United Tractors (UNTR JJ)

### Slight improvement in Komatsu sales in May 2019

**United Tractors (UNTR) reported Komatsu sales of 289 units in May 2019 (+10.7% mom, but -34.5% yoy). The soft improvement was supported by sales to the construction, forestry and agri sectors. Cumulatively, the impact of weak coal prices resulted in lower Komatsu sales (-17.5% yoy to 1,731 units in 5M19) yet still within our full year forecast (43.3%). We maintain our Komatsu sales estimate of 4,000 units for 2019. BUY maintained with a target price of IDR36,000 (based on DCF valuation).**

**Soft improvement in Komatsu sales in May 2019.** Although Komatsu monthly sales increased by 10.7% mom to 289 units in May 2019 thanks to better sales to the construction, forestry and agri sectors, the number is still soft. Year-to-date Komatsu sales fell by 17.5% yoy to 1,731 units in 5M19 owing to weak coal prices. This resulted in lower Komatsu sales to the mining sector (-29.5% yoy). As such, the sales contribution to the mining sector declined to 47% in 5M19 from 55% in 5M18. By contrast, the sales contribution to the construction sector increased to 27% in 5M19 (5M18: 22%)

**We maintain our Komatsu sales target of 4,000 units for 2019.** We expect Komatsu sales to remain soft in Jun 2019 as delivery of heavy equipment to the construction and mining sectors will be impacted by the Lebaran holidays in the first week of June 2019. We maintain our Komatsu sales volume target of 4,000 units for 2019, of which 800 units will be large-sized machinery.

#### Solid coal production despite unfavorable weather conditions in April 2019.

Coal production and OB removal under its subsidiary Pamapersada Nusantara (Pama) rose by 8.5% yoy to 50.8mn tons and by 7.4% yoy to 394.0mn bcm in 5M19 respectively. This was mainly due to favorable weather conditions. The numbers are within our expectations. We expect flattish coal production and OB removal under PAMA. Meanwhile, coal sales volume jumped by 3.9% yoy to 4.0mn tons, with the growth coming from sales of coking coal. As such, the contribution from coking coal increased to 13.5% in 5M19 (5M18: 7.3%). For 2019, the management indicates coal sales volume of 9.0mn tons (+28.2% yoy) with the contribution from coking coal reaching 16.6% (2018: 11.5%)

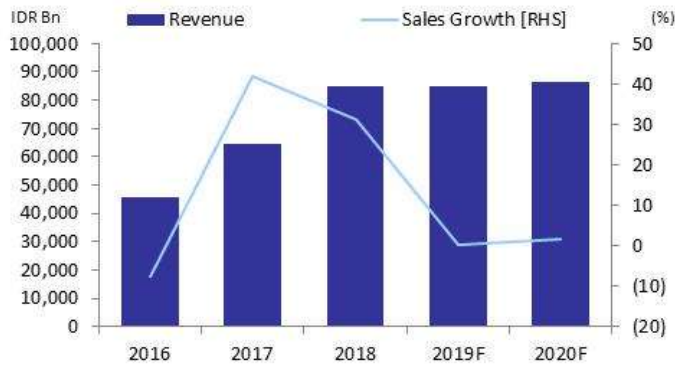
**Maintain BUY** with a target price of IDR36,000 (based on DCF valuation with WACC of 12.8% and long-term growth of 3%). The stock is trading at -1.5SD. We expect more delivery of heavy equipment in 2H19 to sustain Komatsu sales in 2019.

#### 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)	14.0	9.3	8.8	8.5	8.1
PBV (x)	2.3	1.9	1.7	1.5	1.4
Dividend yield (%)	2.4	3.5	4.4	4.6	4.8
EV/EBITDA (x)	6.3	4.3	4.3	4.0	3.6

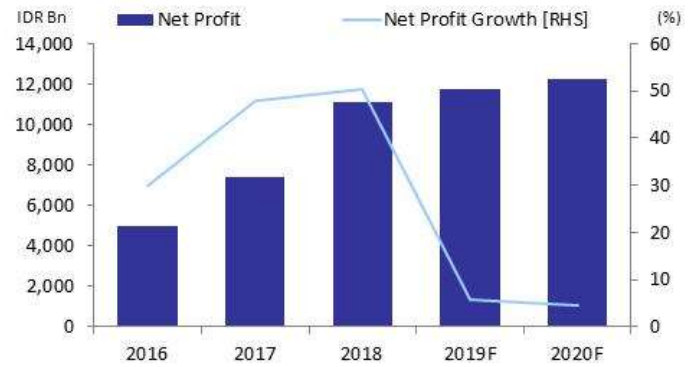
Source : UNTR, Danareksa Estimates

**Exhibit 1. Revenues and Growth**



Source: Company, Danareksa Sekuritas estimates

**Exhibit 2. Net Profits and Growth**



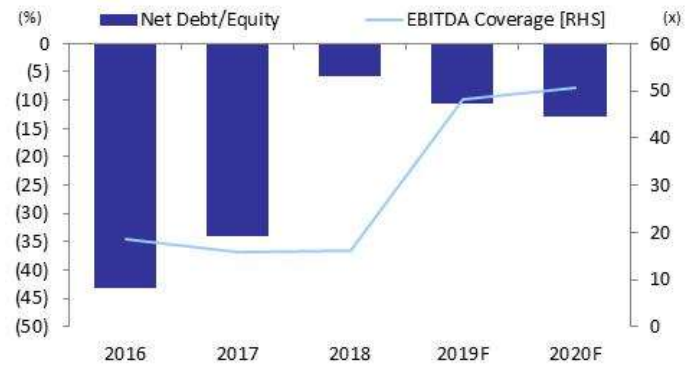
Source: Company, Danareksa Sekuritas estimates

**Exhibit 3. Margins**



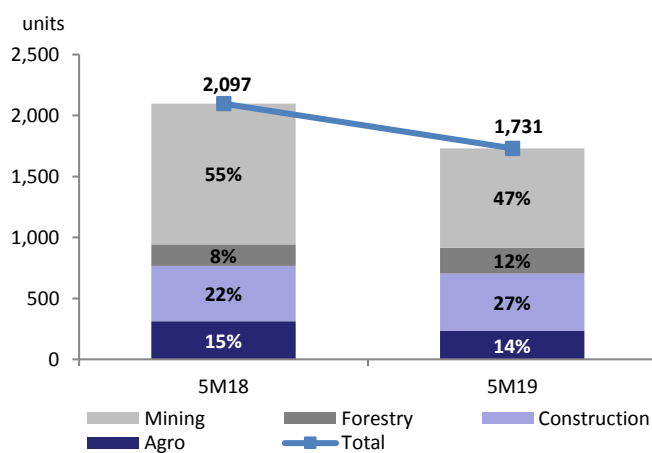
Source: Company, Danareksa Sekuritas estimates

**Exhibit 4. Gearing Level**



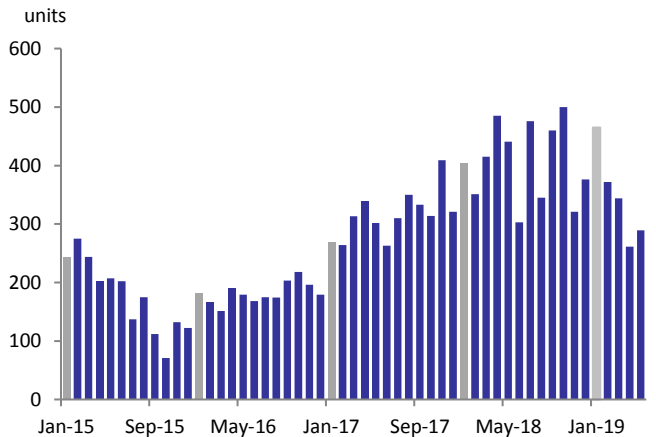
Source: Company, Danareksa Sekuritas estimates

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



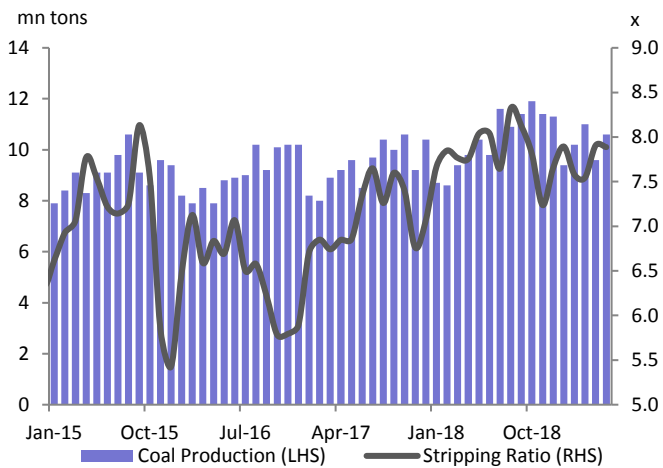
Source: Company

**Exhibit 6. Soft improvement in Komatsu volume in May 2019**



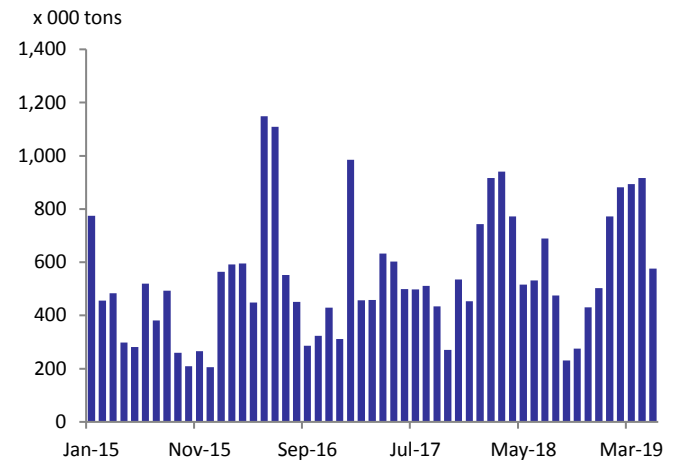
Source: Company

**Exhibit 7. Favorable weather improved coal production in 5M19**



Source: Company

**Exhibit 8. Coking coal sustained 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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