

Friday, 01 November 2019

**BUY**  
**Maintain**

Last price (IDR) 21,675  
Target Price (IDR) 30,000  
Upside/Downside +38.4%  
Previous Target Price (IDR) 30,000

**Stock Statistics**

Sector Heavy Equipment  
Bloomberg Ticker UNTR IJ  
No of Shrs (mn) 3,730  
Mkt. Cap (IDRbn/USDmn) 80,851/5,757  
Avg. daily T/O (IDRbn/USDmn) 101.1/7.2

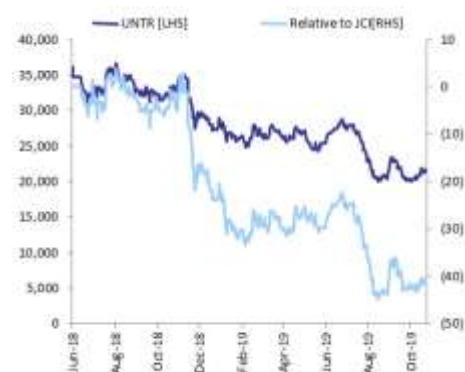
**Major shareholders (%)**

Astra International 59.5  
Estimated free float 40.5

**EPS Consensus (IDR)**

	2019F	2020F	2021F
Danareksa	2,959.4	3,028.0	3,101.4
Consensus	2,935.1	2,974.6	3,104.1
Danareksa/Cons	0.8	1.8	(0.1)

**UNTR relative to JCI Index**



Source : Bloomberg



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# United Tractors (UNTR IJ)

## Quarterly recovery, but lower on a yearly basis

**United Tractors (UNTR) reported net profits of IDR3.0tn in 3Q19 (+14.2% qoq, but -17.1% yoy). In 9M19, net profits declined by 4.8% yoy to IDR8.6tn mainly due to higher interest expenses and forex losses amid solid revenues from mining contracting and the new contribution from Martabe gold mining at end-2018. The results are within our expectation (78.3%) and the consensus (77.9%). Maintain BUY with a target price of IDR30,000 (based on DCF valuation).**

**3Q19: earnings recovery supported by mining contracting and gold volume.**

The net profit jumped by 14.2% qoq to IDR3.0tn in 3Q19. This was mainly attributable to: a) higher coal production and OB removal (up by 18.6% qoq and 19.2% qoq respectively) and b) higher gold sales volume (+23.0% qoq). This helped the company to sustain net profits although the company experienced lower Komatsu sales volume (-11.5% qoq), lower coal sales volume (-35.7% qoq) and higher losses from construction industries.

**9M19: higher interest expenses and forex losses hit profits.**

Although the company managed to improve its revenues by 7.3% yoy thanks to the new contribution from the gold mining business and solid coal production (+6.8% yoy) as well as higher coal sales volume (+10.9% yoy), the net profits declined by 4.8% yoy to IDR8.6tn in 9M19. This was mainly attributable to: a) higher interest expenses (+94.1% yoy) and b) forex losses of IDR52bn in 9M19 vs. forex gains of IDR630bn. Also, the impact of lower Komatsu sales volume (-30.2% yoy) and net losses in the construction industries (due to the impact of delayed completion in the Contractor Pre-Financing (CPF) and building projects) also softened the net profits.

**Maintaining our conservative sales volume target for 2019.**

UNTR expects Komatsu volume of around 3,600 units for 2019, of which 700 units will come from large sized machineries. Coal production and OB removal under PAMA are expected to remain flattish at around 123.1mn tons and 960mn bcm, respectively, in 2019. Meanwhile, coal sales volume is expected to grow to 8.7mn tons in 2019 with a higher contribution from coking coal.

**Maintain BUY** with a target price of IDR30,000 (based on DCF valuation with WACC of 12.1% and long-term growth of 3%) as the stock is currently trading at an undemanding valuation near to -2SD. The target price implies 9.9x 2020F PE.

**Key Financials**

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Revenue (IDRbn)	64,559	84,625	83,583	84,021	83,880
EBITDA (IDRbn)	13,832	23,296	21,473	22,342	23,133
EBITDA Growth (%)	51.2	68.4	(7.8)	4.0	3.5
Net profit (IDRbn)	7,403	11,126	11,039	11,295	11,569
EPS (IDR)	1,984.6	2,982.6	2,959.4	3,028.0	3,101.4
EPS growth (%)	48.0	50.3	(0.8)	2.3	2.4
BVPS (IDR)	12,161.1	14,417.5	16,078.7	17,935.4	19,839.3
DPS (IDR)	675.0	960.6	1,190.5	1,191.8	1,219.8
PER (x)	10.9	7.3	7.3	7.2	7.0
PBV (x)	1.8	1.5	1.3	1.2	1.1
Dividend yield (%)	3.1	4.4	5.5	5.5	5.6
EV/EBITDA (x)	4.7	3.3	3.4	3.2	2.9

Source : UNTR, Danareksa Estimates

**Exhibit 1. Revenues and Growth**

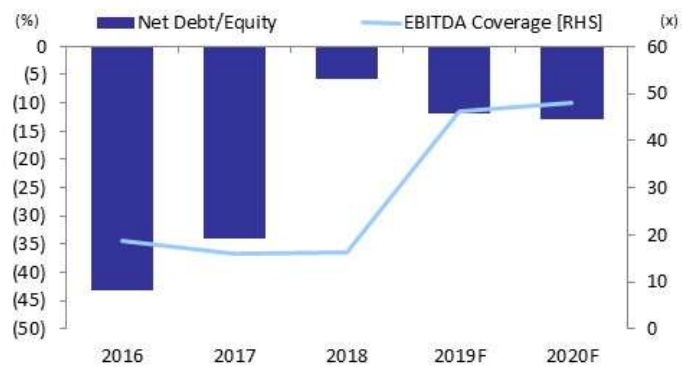

Source: Company, Danareksa Sekuritas estimates

**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. 9M19 Results – Within Expectation**

Operational data	3Q18	2Q19	3Q19	QoQ,%	YoY,%	9M18	9M19	YoY,%	2019F	A/F,%
Komatsu sales, units	1,281	736	651	(11.5)	(49.2)	3,681	2,568	(30.2)	3,600	71.3
Pama's coal production, mn tonnes	33.7	30.1	35.7	18.6	5.9	90.3	96.4	6.8	123.1	78.3
Stripping Ratio, x	8.0	7.8	7.9	0.5	(2.4)	7.9	7.8	(2.0)	7.8	99.7
Coal Sales, mn tonnes	1.4	2.4	1.5	(35.7)	9.4	5.8	6.4	10.9	8.8	73.5
Financial performance	3Q18	2Q19	3Q19	QoQ,%	YoY,%	9M18	9M19	YoY,%	2019F	A/F,%
Revenue, IDRbn	22,181	20,698	22,289	7.7	0.5	61,125	65,608	7.3	83,583	78.5
COGS, IDRbn	(16,363)	(15,759)	(16,713)	6.1	2.1	(46,046)	(49,395)	7.3	(63,657)	77.6
Gross profit, IDRbn	5,818	4,939	5,575	12.9	(4.2)	15,079	16,213	7.5	19,926	81.4
Operating profit, IDRbn	4,890	3,923	4,396	12.1	(10.1)	12,342	12,902	4.5	15,474	83.4
Net profit, IDRbn	3,593	2,609	2,978	14.2	(17.1)	9,072	8,639	(4.8)	11,039	78.3
Gross margin, %	26.2	23.9	25.0	1.2	(1.2)	24.7	24.7	0.0	23.8	
Operating margin, %	22.0	19.0	19.7	0.8	(2.3)	20.2	19.7	(0.5)	18.5	
Net margin, %	16.2	12.6	13.4	0.8	(2.8)	14.8	13.2	(1.7)	13.2	

Source: Company, Danareksa Sekuritas estimates



### Exhibit 6. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
<b>Revenue</b>	<b>64,559</b>	<b>84,625</b>	<b>83,583</b>	<b>84,021</b>	<b>83,880</b>
COGS	(50,075)	(63,515)	(63,657)	(63,780)	(63,413)
<b>Gross profit</b>	<b>14,484</b>	<b>21,110</b>	<b>19,926</b>	<b>20,241</b>	<b>20,467</b>
<b>EBITDA</b>	<b>13,832</b>	<b>23,296</b>	<b>21,473</b>	<b>22,342</b>	<b>23,133</b>
<b>Oper. profit</b>	<b>10,756</b>	<b>16,770</b>	<b>15,474</b>	<b>15,676</b>	<b>15,805</b>
Interest income	1,016	764	210	243	337
Interest expense	(874)	(1,438)	(465)	(466)	(465)
Forex Gain/(Loss)	(4)	(127)	244	316	439
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>15,344</b>	<b>15,689</b>	<b>16,053</b>
Income tax	(2,849)	(4,210)	(3,836)	(3,922)	(4,013)
Minority interest	(270)	(373)	(469)	(472)	(471)
<b>Net profit</b>	<b>7,403</b>	<b>11,126</b>	<b>11,039</b>	<b>11,295</b>	<b>11,569</b>
<b>Core Net Profit</b>	<b>7,407</b>	<b>11,253</b>	<b>10,795</b>	<b>10,979</b>	<b>11,130</b>

### Exhibit 7. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Cash & cash equivalent	20,831	13,438	10,494	12,139	16,866
Receivables	18,188	22,574	22,549	22,667	22,629
Inventory	7,855	13,618	10,484	10,993	10,805
Other Curr. Asset	4,328	6,022	5,825	5,823	5,880
Fixed assets - Net	22,251	40,474	44,475	46,809	48,481
Other non-curr.asset	8,808	20,156	18,483	18,535	18,518
<b>Total asset</b>	<b>82,262</b>	<b>116,281</b>	<b>112,309</b>	<b>116,966</b>	<b>123,178</b>
ST Debt	1,876	6,966	383	382	381
Payables	21,110	33,170	32,765	30,478	29,535
Other Curr. Liabilities	5,390	8,650	7,296	7,457	7,439
Long Term Debt	2,724	3,223	2,544	2,547	2,542
Other LT. Liabilities	3,623	7,222	5,365	5,200	5,283
<b>Total Liabilities</b>	<b>34,724</b>	<b>59,230</b>	<b>48,353</b>	<b>46,064</b>	<b>45,180</b>
Shareholder's Funds	45,362	53,779	59,976	66,901	74,003
Minority interests	2,175	3,271	3,980	4,001	3,994
<b>Total Equity &amp; Liabilities</b>	<b>82,262</b>	<b>116,281</b>	<b>112,309</b>	<b>116,966</b>	<b>123,178</b>

### Exhibit 8. Cash Flow

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Net income	7,403	11,126	11,039	11,295	11,569
Depreciation and Amort.	3,076	6,526	5,999	6,666	7,328
Change in Working Capital	1,427	3,094	1,565	(2,752)	(790)
Other Oper. Cash Flow	(115)	(887)	85	42	215
<b>Operating Cash Flow</b>	<b>11,791</b>	<b>19,859</b>	<b>18,687</b>	<b>15,250</b>	<b>18,322</b>
Capex	(8,052)	(18,833)	(10,000)	(9,000)	(9,000)
Others Inv. Cash Flow	74	(8,115)	1,004	228	342
<b>Investing Cash Flow</b>	<b>(7,978)</b>	<b>(26,948)</b>	<b>(8,996)</b>	<b>(8,772)</b>	<b>(8,658)</b>
Net change in debt	4,077	5,631	(7,770)	0	(1)
New Capital	0	0	0	0	0
Dividend payment	(2,518)	(3,884)	(4,441)	(4,445)	(4,550)
Other Fin. Cash Flow	(4,001)	(2,052)	(426)	(466)	(465)
<b>Financing Cash Flow</b>	<b>(2,442)</b>	<b>(304)</b>	<b>(12,636)</b>	<b>(4,911)</b>	<b>(5,016)</b>
<b>Net Change in Cash</b>	<b>1,371</b>	<b>(7,393)</b>	<b>(2,945)</b>	<b>1,567</b>	<b>4,649</b>
Cash - begin of the year	19,461	20,831	13,438	10,494	12,139
Cash - end of the year	20,831	13,438	10,494	12,139	16,866

### Exhibit 9. Key Ratios

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
<b>Growth (%)</b>					
Sales	41.8	31.1	(1.2)	0.5	(0.2)
EBITDA	51.2	68.4	(7.8)	4.0	3.5
Operating profit	60.4	55.9	(7.7)	1.3	0.8
Net profit	48.0	50.3	(0.8)	2.3	2.4
<b>Profitability (%)</b>					
Gross margin	22.4	24.9	23.8	24.1	24.4
EBITDA margin	21.4	27.5	25.7	26.6	27.6
Operating margin	16.7	19.8	18.5	18.7	18.8
Net margin	11.5	13.1	13.2	13.4	13.8
ROAA	10.1	11.2	9.7	9.9	9.6
ROAE	17.2	22.4	19.4	17.8	16.4
<b>Leverage</b>					
Net Gearing (x)	(0.3)	(0.1)	(0.1)	(0.1)	(0.2)
Interest Coverage (x)	12.3	11.7	33.3	33.7	34.0

Source : UNTR, Danareksa Estimates

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