

Tuesday, 26 November 2019

BUY
Maintain

Last price (IDR) 22,350
Target Price (IDR) 28,000
Upside/Downside +25.3%
Previous Target Price (IDR) 28,000

Stock Statistics

Sector Heavy Equipment
Bloomberg Ticker UNTR IJ
No of Shrs (mn) 3,730
Mkt. Cap (IDRbn/USDmn) 83,369/5,919
Avg. daily T/O (IDRbn/USDmn) 97.3/6.9

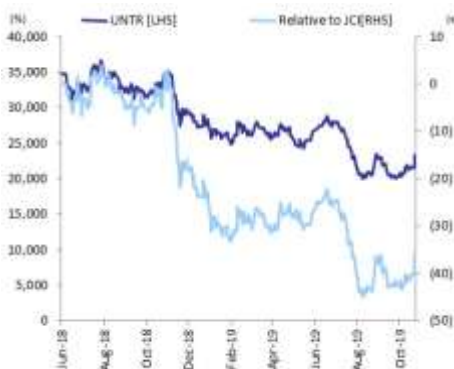
Major shareholders (%)

Astra International 59.5
Estimated free float 40.5

EPS Consensus (IDR)

	2019F	2020F	2021F
Danareksa	3,034.3	2,897.4	2,883.8
Consensus	2,980.5	2,932.9	3,050.9
Danareksa/Cons	1.8	(1.2)	(5.5)

UNTR relative to JCI Index



Source : Bloomberg



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United Tractors (UNTR IJ)

Soft Komatsu sales volume in October 2019

United Tractors (UNTR) posted soft Komatsu sales volume of 166 units (-20.6% mom, -66.8% yoy) in October 2019. In 10M19, sales volume declined by 34.6% yoy to 2,734 units hit by depressed sales to commodity related sectors. The 10M19 sales figure is within our 2019 forecast and the management's expectation (85.4%) of around 3,200 units. Maintain BUY with a TP of IDR28,000 (based on DCF valuation) as the stock is trading at -1.5SD.

Weak commodity prices hit Komatsu sales volume. The company posted 20.6% mom lower Komatsu sales volume of 166 units in October 2019. Hence, on a cumulative basis, sales volume declined by 34.6% yoy to 2,734 units in 10M19. This mainly reflects the sluggish commodity prices which hit sales to the mining sector (-47.6% yoy) and the agri sector (-54.2% yoy). In addition, sales to the construction sector (-7.8% yoy) were adversely affected by the impact of the general elections in Apr 2019.

Expect a further decline in Komatsu sales volume in 2020. Given the soft sales volume, the management recently revised its 2019 Komatsu sales volume guidance to 3,200 units (from 3,600 units previously) in 2019. Going into 2020, given the tepid coal price outlook, the company foresees a further decline in Komatsu sales volume to 2,900 units (-9.4% yoy) with a lower number of large-sized machinery in the product mix at around 12.1% (2019F: 18.8%). Nonetheless, we expect solid Komatsu sales to the construction sector with the government continuing to promote the development of infrastructure projects.

Solid coal production and sales volume. The coal production of UNTR's subsidiary, Pamapersada Nusantara (Pama), increased by 6.2% yoy to 108.7mn tons and the OB removal rose by 3.2% yoy to 836.5mn bcm. The stripping ratio, meanwhile, fell slightly to 7.7x in 10M19 (10M18: 7.9x). The figures are in-line with our estimates and the management's 2019 expectations of coal production of 128mn tons and OB removal of 966mn bcm. In 2020, coal production and OB removal are expected to be flattish at best. For the coal sales volume, even though the dry weather resulted in softer coal delivery, mainly in the months of Aug and Sep 2019, UNTR still managed to book 15.0% yoy higher coal sales volume with strong coking coal sales volume (+42.8% yoy).

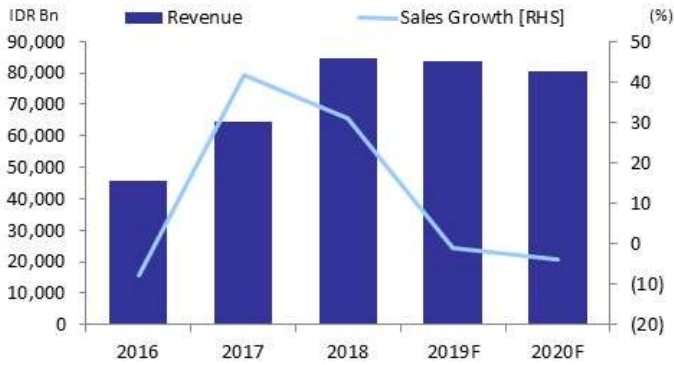
Maintain BUY with a target price of IDR28,000 (based on DCF valuation with WACC of 12.1% and long-term growth of 3%) as the stock is currently trading at an undemanding valuation at around -1.5SD. The target price implies 9.7x 2020F PE.

Key Financials

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Revenue (IDRbn)	64,559	84,625	83,910	80,566	80,032
EBITDA (IDRbn)	13,832	23,296	21,848	21,678	22,043
EBITDA Growth (%)	51.2	68.4	(6.2)	(0.8)	1.7
Net profit (IDRbn)	7,403	11,126	11,318	10,808	10,757
EPS (IDR)	1,984.6	2,982.6	3,034.3	2,897.4	2,883.8
EPS growth (%)	48.0	50.3	1.7	(4.5)	(0.5)
BVPS (IDR)	12,161.1	14,417.5	16,144.8	17,865.1	19,613.8
DPS (IDR)	675.0	960.6	1,199.3	1,197.6	1,157.4
PER (x)	11.3	7.5	7.4	7.7	7.8
PBV (x)	1.8	1.6	1.4	1.3	1.1
Dividend yield (%)	3.0	4.3	5.4	5.4	5.2
EV/EBITDA (x)	4.9	3.4	3.5	3.4	3.2

Source : UNTR, Danareksa Estimates

Exhibit 1. Revenues and Growth



Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth



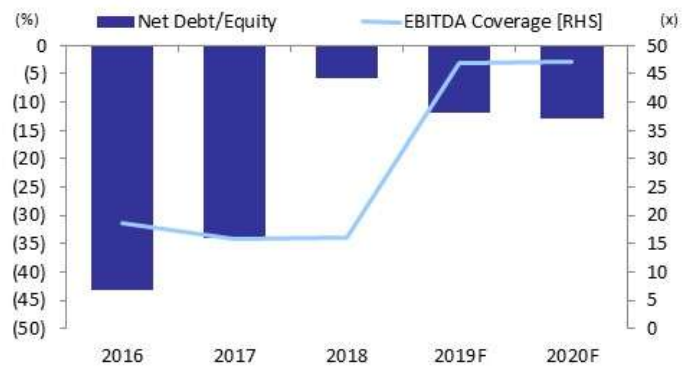
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins



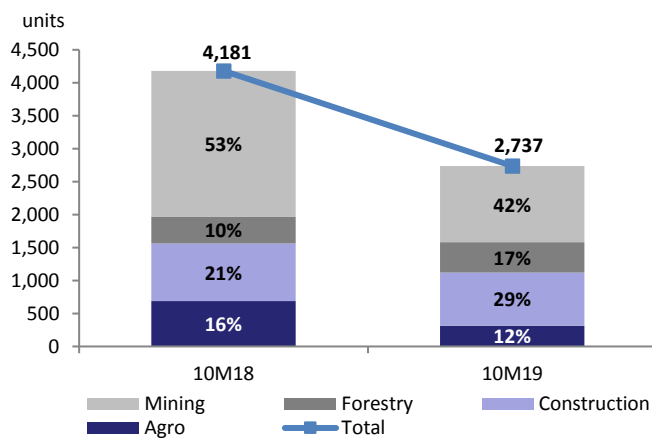
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Gearing Level



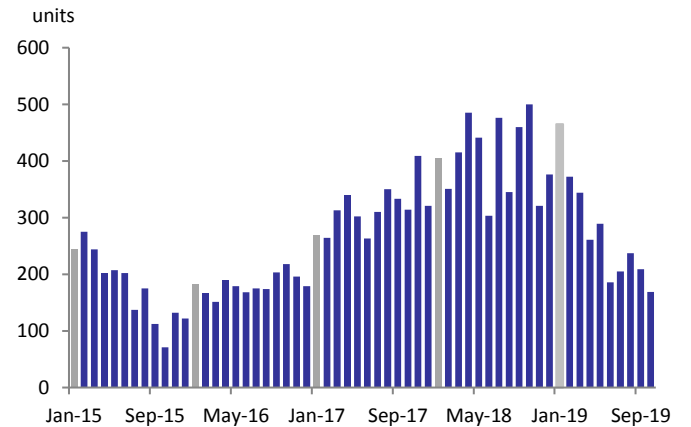
Source: Company, Danareksa Sekuritas estimates

Exhibit 5. Soft Komatsu volume from commodities related sectors



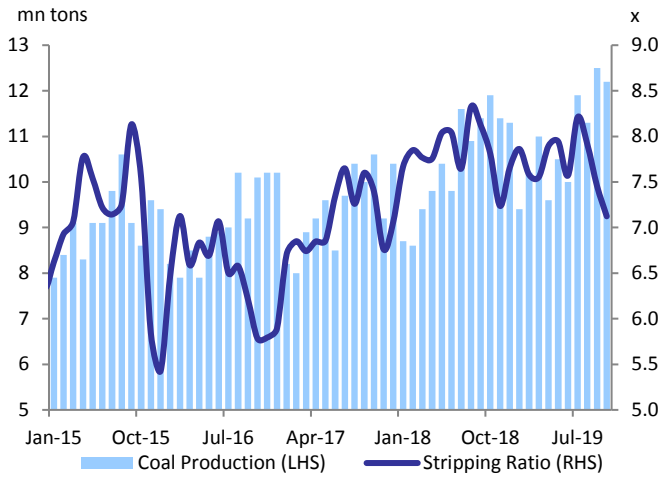
Source: Company

Exhibit 6. Soft Komatsu volume in October 2019



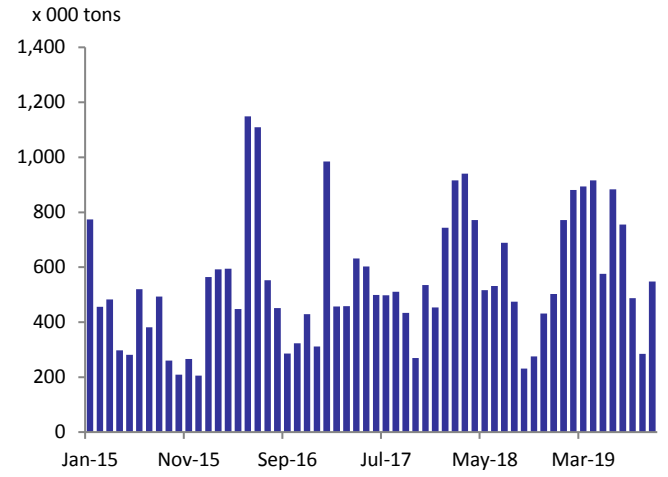
Source: Company

Exhibit 7. Better coal production in 10M19



Source: Company

Exhibit 8. Coking coal sustained coal sales volume



Source: Company

Exhibit 9. UNTR is currently trading below -1.5SD



Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 10. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Revenue	64,559	84,625	83,910	80,566	80,032
COGS	(50,075)	(63,515)	(63,599)	(61,108)	(60,788)
Gross profit	14,484	21,110	20,311	19,458	19,244
EBITDA	13,832	23,296	21,848	21,678	22,043
Oper. profit	10,756	16,770	15,849	15,013	14,715
Interest income	1,016	764	212	239	322
Interest expense	(874)	(1,438)	(465)	(459)	(458)
Forex Gain/(Loss)	(4)	(127)	243	301	427
Income From Assoc. Co's	171	307	181	220	236
Other Income (Expenses)	(542)	(568)	(300)	(300)	(300)
Pre-tax profit	10,523	15,709	15,719	15,013	14,942
Income tax	(2,849)	(4,210)	(3,930)	(3,753)	(3,735)
Minority interest	(270)	(373)	(471)	(452)	(449)
Net profit	7,403	11,126	11,318	10,808	10,757
Core Net Profit	7,407	11,253	11,075	10,507	10,330

Exhibit 11. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Cash & cash equivalent	20,831	13,438	10,581	11,941	16,121
Receivables	18,188	22,574	22,637	21,735	21,591
Inventory	7,855	13,618	10,495	10,465	10,435
Other Curr. Asset	4,328	6,022	5,842	5,647	5,681
Fixed assets - Net	22,251	40,474	44,475	46,809	48,481
Other non-curr.asset	8,808	20,156	18,522	18,127	18,064
Total asset	82,262	116,281	112,551	114,724	120,372
ST Debt	1,876	6,966	383	368	368
Payables	21,110	33,170	32,734	29,201	28,312
Other Curr. Liabilities	5,390	8,650	7,312	7,173	7,135
Long Term Debt	2,724	3,223	2,543	2,524	2,520
Other LT. Liabilities	3,623	7,222	5,360	4,982	5,064
Total Liabilities	34,724	59,230	48,333	44,248	43,399
Shareholder's Funds	45,362	53,779	60,222	66,639	73,162
Minority interests	2,175	3,271	3,996	3,836	3,811
Total Equity & Liabilities	82,262	116,281	112,551	114,724	120,372

Exhibit 12. Cash Flow

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Net income	7,403	11,126	11,318	10,808	10,757
Depreciation and Amort.	3,076	6,526	5,999	6,666	7,328
Change in Working Capital	1,427	3,094	1,434	(2,542)	(785)
Other Oper. Cash Flow	(115)	(887)	66	(35)	237
Operating Cash Flow	11,791	19,859	18,818	14,896	17,537
Capex	(8,052)	(18,833)	(10,000)	(9,000)	(9,000)
Others Inv. Cash Flow	74	(8,115)	995	355	341
Investing Cash Flow	(7,978)	(26,948)	(9,005)	(8,645)	(8,659)
Net change in debt	4,077	5,631	(7,770)	(7)	(1)
New Capital	0	0	0	0	0
Dividend payment	(2,518)	(3,884)	(4,473)	(4,467)	(4,317)
Other Fin. Cash Flow	(4,001)	(2,052)	(426)	(459)	(458)
Financing Cash Flow	(2,442)	(304)	(12,670)	(4,933)	(4,776)
Net Change in Cash	1,371	(7,393)	(2,857)	1,318	4,102
Cash - begin of the year	19,461	20,831	13,438	10,581	11,941
Cash - end of the year	20,831	13,438	10,581	11,941	16,121

Exhibit 13. Key Ratios

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Growth (%)					
Sales	41.8	31.1	(0.8)	(4.0)	(0.7)
EBITDA	51.2	68.4	(6.2)	(0.8)	1.7
Operating profit	60.4	55.9	(5.5)	(5.3)	(2.0)
Net profit	48.0	50.3	1.7	(4.5)	(0.5)
Profitability (%)					
Gross margin	22.4	24.9	24.2	24.2	24.0
EBITDA margin	21.4	27.5	26.0	26.9	27.5
Operating margin	16.7	19.8	18.9	18.6	18.4
Net margin	11.5	13.1	13.5	13.4	13.4
ROAA	10.1	11.2	9.9	9.5	9.2
ROAE	17.2	22.4	19.9	17.0	15.4
Leverage					
Net Gearing (x)	(0.3)	(0.1)	(0.1)	(0.1)	(0.2)
Interest Coverage (x)	12.3	11.7	34.1	32.7	32.1

Source : UNTR, Danareksa Estimates

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