

Friday, 20 December 2019

**BUY**  
**Maintain**

Last price (IDR) 21,725  
Target Price (IDR) 28,000  
Upside/Downside +28.9%  
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) 81,037/5,795  
Avg. daily T/O (IDRbn/USDmn) 91.4/6.5

**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	2,946.4	2,884.1	3,004.0
Danareksa/Cons	3.0	0.5	(4.0)

**UNTR relative to JCI Index**



Source : Bloomberg



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# United Tractors (UNTR IJ)

## Komatsu sales remain soft in November 2019

**United Tractors (UNTR) reported soft Komatsu sales volume of 109 units (-34.3% mom, -66.0% yoy) in November 2019. In 11M19, the sales volume declined 36.9% yoy to 2,843 units hit by weak commodity prices. The sales figure falls short of our previous estimate of 3,200 units for the full year. Going into 2020, we expect a further decline in Komatsu sales volume. However, we maintain our BUY call with a TP of IDR28,000 (based on DCF valuation) as the stock is trading at an undemanding -1.5SD.**

**Soft Komatsu sales in November 2019.** Komatsu sales volume fell further to 109 units (-34.3% mom, -66.0% yoy) in November 2019, the lowest monthly sales in the past four years. Cumulatively, sales volume sank 36.9% yoy to 2,843 units in 11M19 hit by weak commodity prices which dampened sales to the mining (-49.6% yoy) and agri sectors (-55.3% yoy). Given the 11M19 number, we now believe that Komatsu sales volume will reach only 3,000 units in 2019 vs. our previous estimate and management expectations of 3,200 units.

**2020: Further decline in Komatsu sales volume.** Given the subdued global outlook for coal and the impact of the nickel-ore export ban, UNTR has indicated lower Komatsu sales volume of around 2,900 units (-9.4% yoy) in 2020 with fewer large-sized machinery in the product mix at around 12.1% (2019F: 18.8%). Given that the government continues to encourage the development of infrastructure projects, however, we expect solid Komatsu sales volume to the construction sector to cushion against further declines in sales to the mining sector.

**Weak coal production and sales in November but still solid in 11M19.** Although Pama reported lower coal production and OB removal in November 2019, coal production remained solid on a cumulative basis, up by 5.9% yoy to 120.5mn tons with OB removal up by 2.6% yoy in 11M19. This is in-line with expectations of coal production of 128.0mn tons. Going into 2020, coal production and OB removal are expected to be flattish at best. Coal sales volume managed to improve by 14.3% yoy to 7.5mn tons in 11M19 amid dry weather which resulted in softer coal delivery, mainly in the months of Aug and Sep 2019. This was supported by strong coking coal sales volume (+39.2% 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 of 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)	10.9	7.3	7.2	7.5	7.5
PBV (x)	1.8	1.5	1.3	1.2	1.1
Dividend yield (%)	3.1	4.4	5.5	5.5	5.3
EV/EBITDA (x)	4.7	3.3	3.4	3.3	3.1

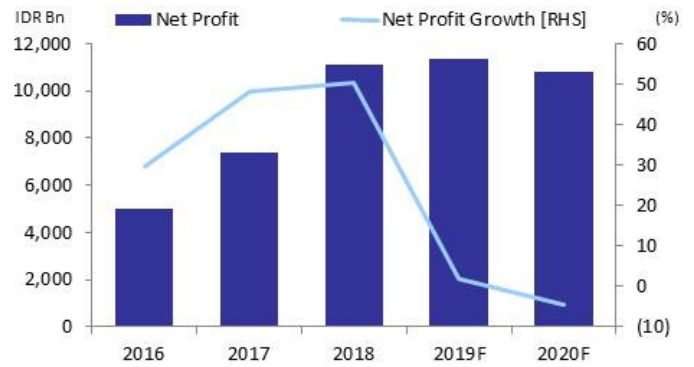
Source : UNTR, Danareksa Estimates

**Exhibit 1. Revenues and Growth**



Source: Company, Danareksa Sekuritas estimates

**Exhibit 2. Net Profits and Growth**



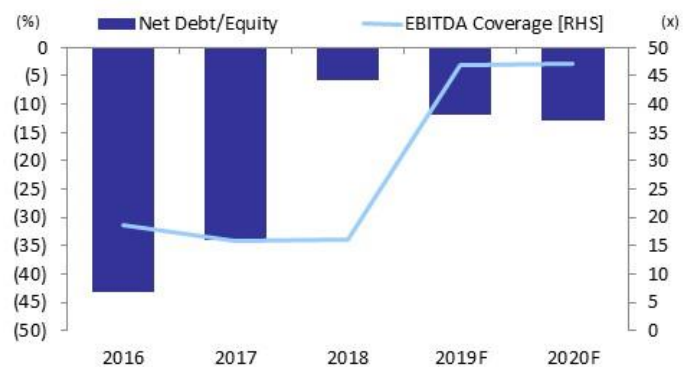
Source: Company, Danareksa Sekuritas estimates

**Exhibit 3. Margins**



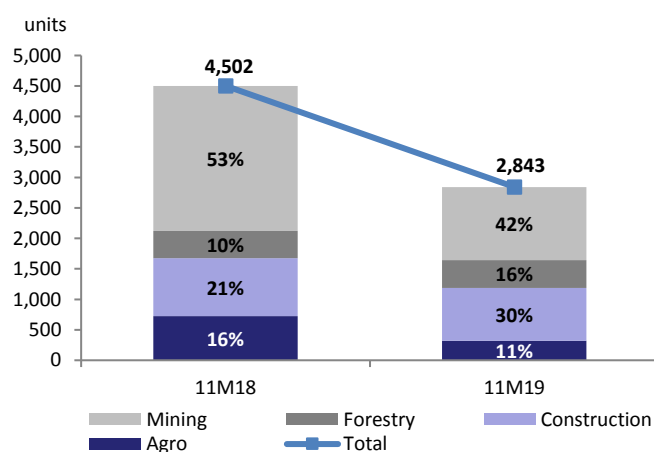
Source: Company, Danareksa Sekuritas estimates

**Exhibit 4. Gearing Level**



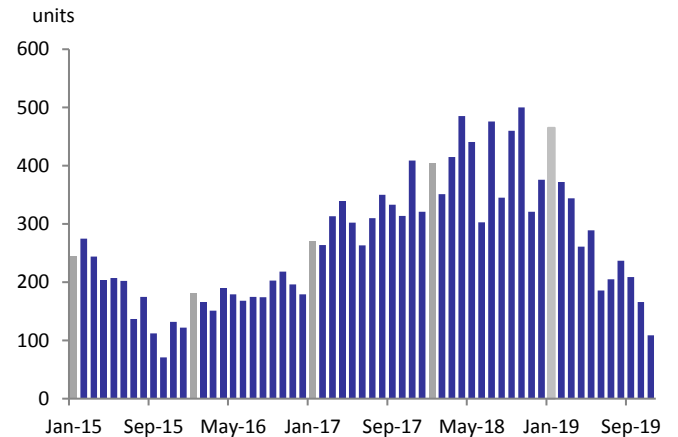
Source: Company, Danareksa Sekuritas estimates

**Exhibit 5. Soft Komatsu volume from commodities related sectors**



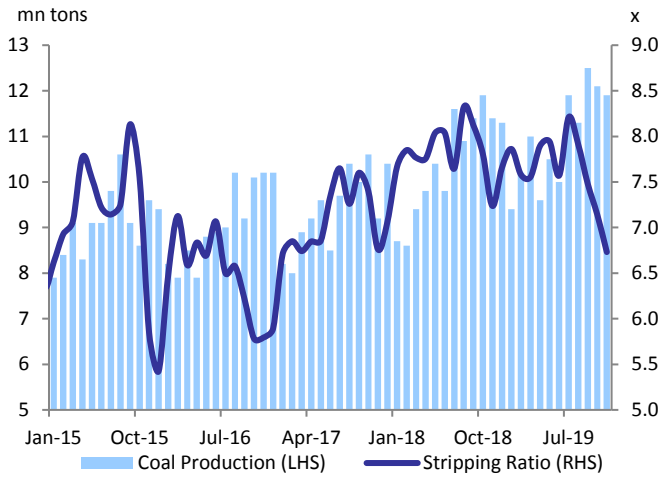
Source: Company

**Exhibit 6. Weak volume in November 2019**



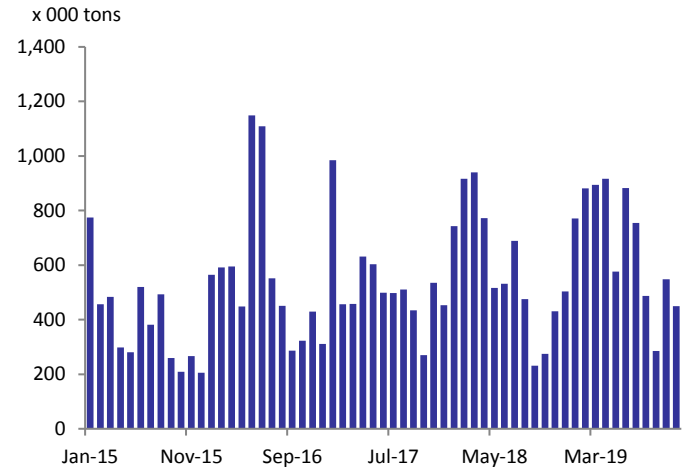
Source: Company

**Exhibit 7. Solid coal production under Pama in 11M19**



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>83,910</b>	<b>80,566</b>	<b>80,032</b>
COGS	(50,075)	(63,515)	(63,599)	(61,108)	(60,788)
<b>Gross profit</b>	<b>14,484</b>	<b>21,110</b>	<b>20,311</b>	<b>19,458</b>	<b>19,244</b>
<b>EBITDA</b>	<b>13,832</b>	<b>23,296</b>	<b>21,848</b>	<b>21,678</b>	<b>22,043</b>
<b>Oper. Profit</b>	<b>10,756</b>	<b>16,770</b>	<b>15,849</b>	<b>15,013</b>	<b>14,715</b>
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)
<b>Pre-tax profit</b>	<b>10,523</b>	<b>15,709</b>	<b>15,719</b>	<b>15,013</b>	<b>14,942</b>
Income tax	(2,849)	(4,210)	(3,930)	(3,753)	(3,735)
Minority interest	(270)	(373)	(471)	(452)	(449)
<b>Net profit</b>	<b>7,403</b>	<b>11,126</b>	<b>11,318</b>	<b>10,808</b>	<b>10,757</b>
<b>Core Net Profit</b>	<b>7,407</b>	<b>11,253</b>	<b>11,075</b>	<b>10,507</b>	<b>10,330</b>

### 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
<b>Total asset</b>	<b>82,262</b>	<b>116,281</b>	<b>112,551</b>	<b>114,724</b>	<b>120,372</b>
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
<b>Total Liabilities</b>	<b>34,724</b>	<b>59,230</b>	<b>48,333</b>	<b>44,248</b>	<b>43,399</b>
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
<b>Total Equity &amp; Liabilities</b>	<b>82,262</b>	<b>116,281</b>	<b>112,551</b>	<b>114,724</b>	<b>120,372</b>

### 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
<b>Operating Cash Flow</b>	<b>11,791</b>	<b>19,859</b>	<b>18,818</b>	<b>14,896</b>	<b>17,537</b>
Capex	(8,052)	(18,833)	(10,000)	(9,000)	(9,000)
Others Inv. Cash Flow	74	(8,115)	995	355	341
<b>Investing Cash Flow</b>	<b>(7,978)</b>	<b>(26,948)</b>	<b>(9,005)</b>	<b>(8,645)</b>	<b>(8,659)</b>
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)
<b>Financing Cash Flow</b>	<b>(2,442)</b>	<b>(304)</b>	<b>(12,670)</b>	<b>(4,933)</b>	<b>(4,776)</b>
<b>Net Change in Cash</b>	<b>1,371</b>	<b>(7,393)</b>	<b>(2,857)</b>	<b>1,318</b>	<b>4,102</b>
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
<b>Growth (%)</b>					
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)
<b>Profitability (%)</b>					
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
<b>Leverage</b>					
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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