

Thursday, 28 May 2020

BUY
Maintain

Last price (IDR) 14,950
Target Price (IDR) 21,000
Upside/Downside +40.5%
Previous Target Price (IDR) 23,000

Stock Statistics

Sector Heavy Equipment
Bloomberg Ticker UNTR JJ
No of Shrs (mn) 3,730
Mkt. Cap (IDRbn/USDmn) 55,766/3,791
Avg. daily T/O (IDRbn/USDmn) 70.4/4.8

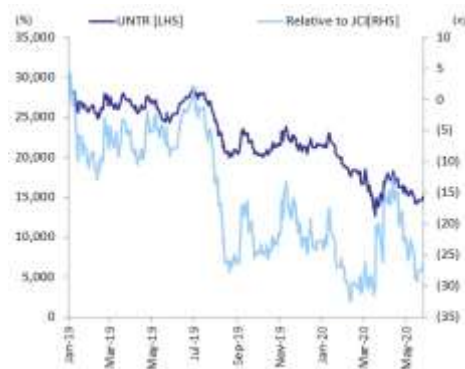
Major shareholders (%)

Astra International 59.5
Estimated free float 40.4

EPS Consensus (IDR)

	2020F	2021F	2022F
Danareksa	2,185.4	2,499.7	2,629.4
Consensus	2,468.6	2,701.4	2,925.5
Danareksa/Cons	(11.5)	(7.5)	(10.1)

UNTR relative to JCI Index



Source : Bloomberg



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United Tractors (UNTR JJ)

Another month of soft Komatsu sales

United Tractors (UNTR) reported another month of anemic Komatsu sales volume at only 100 units in April 2020 (-33.3% mom, -61.7% yoy). In 4M20, Komatsu sales were down by 50.3% yoy to 717 units as the Covid-19 global pandemic negatively impacted coal prices and weakened demand for heavy equipment in the mining sector. Given the latest sales figure, we cut our Komatsu sales volume estimate to 2,000 units in 2020 and lower our TP to IDR21,000 (based on DCF valuation).

Anemic Komatsu sales in 2020 amid the Covid-19 pandemic. Monthly Komatsu sales have been in a declining trend since the beginning of the year with sales reaching only 100 units in April 2020 (-33.3% mom, -61.7% yoy). Komatsu sales in 4M20 were down by 50.3% yoy at only 717 units as the Covid-19 global pandemic depressed coal prices and weakened demand for heavy equipment in the mining sector with Komatsu sales to this sector slumping 62.5% yoy. The pandemic also resulted in a sharp decline in Komatsu sales to the construction sector (down by 49.0% yoy).

Lower coal production although coal sales volume remained solid. Coal production under Pamapersada Nusantara reported a decline of 8.0% yoy in 4M20 to 37.0mn tons while OB removal went down by 8.6% yoy. Hence, the SR was relatively stable at 7.7x. Nonetheless, the company reported higher coal sales volume (up by 37.2% yoy to 4.8mn tons) with a higher contribution from coking coal of 13.6% in 4M20 (4M19: 12.5%). While the 4M20 coal production was below our target (28.2% of our forecast), the coal sales volume exceeded our target (51% of our forecast).

Covid-19 pandemic to impact heavy equipment demand and coal prices. With the Covid-19 pandemic to further dampen the coal outlook and with several infrastructure projects either postponed or canceled, we believe Komatsu sales will remain anemic in 2Q20 and 3Q20. As such, we only estimate sales of 2,000 units (-31.6% yoy) in 2020. For coal production under Pama, we foresee flattish coal production growth at best. Meanwhile, we expect solid performance for the coal mining division as a higher coking coal sales contribution is estimated to improve coal sales volume by 9.4% yoy to 9.3mn tons for 2020.

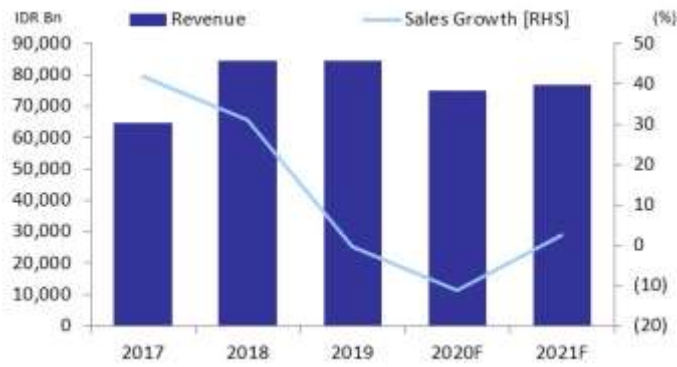
Maintain BUY with a lower target price of IDR21,000 (based on DCF valuation with WACC of 12.1% and LT growth of 3%) as we cut our Komatsu sales volume estimate, thus prompting us to lower our net profit forecast by 7.2 – 21.3% for 2020 to 2022. The stock is currently trading at an undemanding valuation near to -2.0SD. Our new target price implies 9.6x 2020F PE.

Key Financials

Year to 31 Dec	2018A	2019A	2020F	2021F	2022F
Revenue (IDRbn)	84,625	84,430	74,961	76,817	78,431
EBITDA (IDRbn)	23,296	22,537	18,025	19,379	20,325
EBITDA Growth (%)	68.4	(3.3)	(20.0)	7.5	4.9
Net profit (IDRbn)	11,126	11,312	8,152	9,324	9,808
EPS (IDR)	2,982.6	3,032.6	2,185.4	2,499.7	2,629.4
EPS growth (%)	50.3	1.7	(27.9)	14.4	5.2
BVPS (IDR)	14,417.5	15,605.9	16,653.2	18,134.6	19,579.3
DPS (IDR)	976.0	1,228.1	1,252.9	1,024.9	1,142.0
PER (x)	5.0	4.9	6.8	6.0	5.7
PBV (x)	1.0	1.0	0.9	0.8	0.8
Dividend yield (%)	6.5	8.2	8.4	6.9	7.6
EV/EBITDA (x)	2.3	2.6	3.0	2.5	2.2

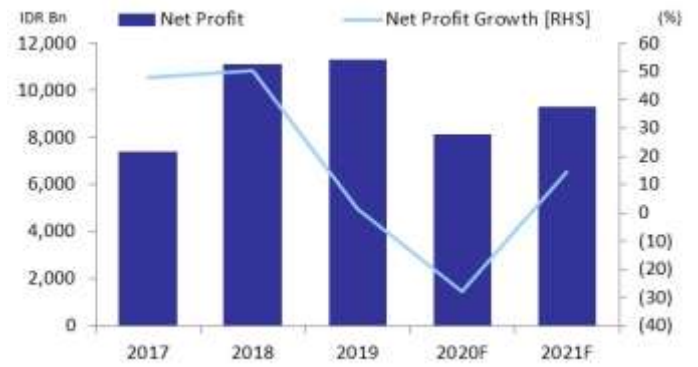
Source : UNTR, Danareksa Estimates

Exhibit 1. Revenues and Growth



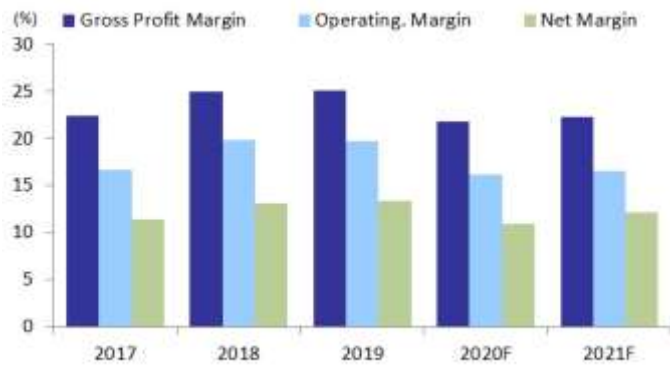
Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth



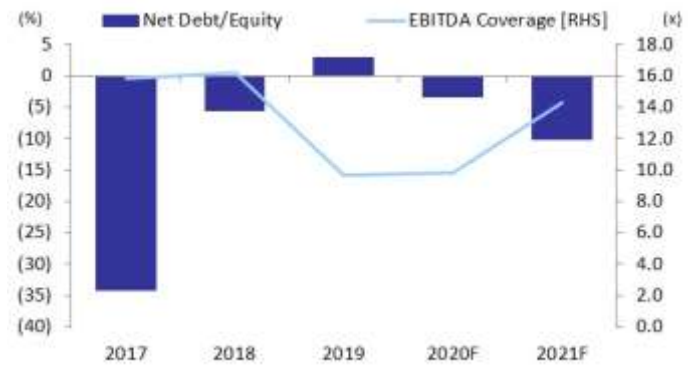
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins



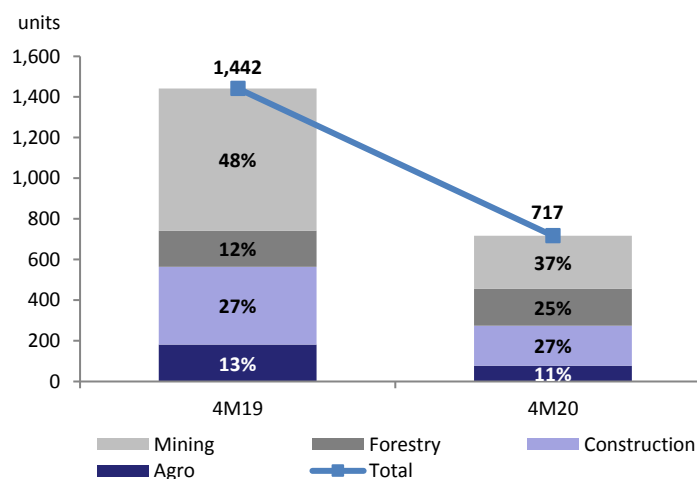
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Gearing Level



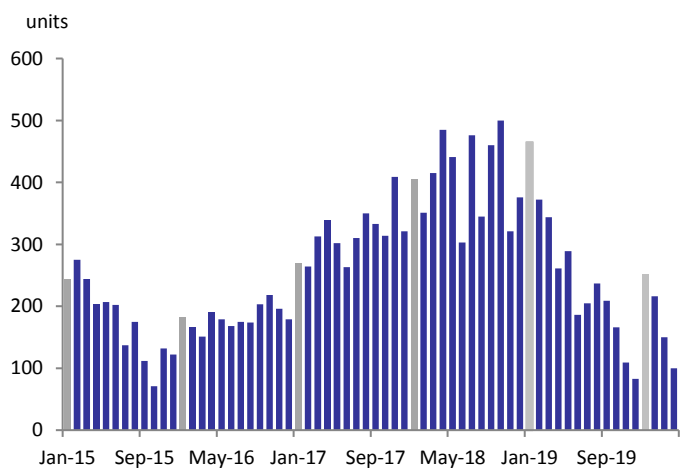
Source: Company, Danareksa Sekuritas estimates

Exhibit 5. Continuation on soft Komatsu sales volume

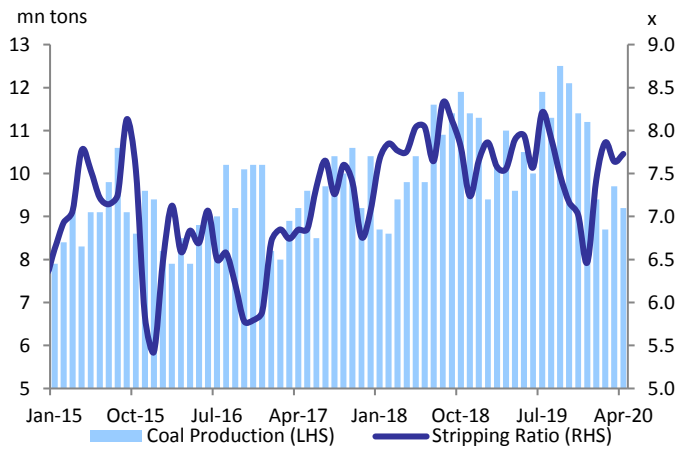


Source: Company

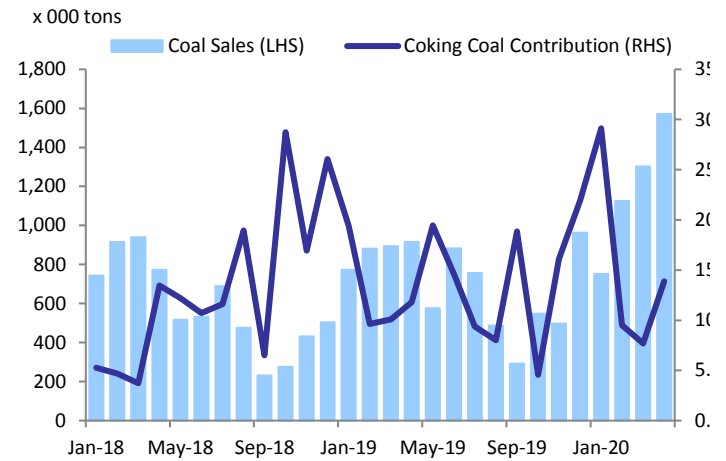
Exhibit 6. Monthly Komatsu Sales Volume



Source: Company

Exhibit 7. Lower coal production and OB removal


Source: Company

Exhibit 8. Solid coal sales volume


Source: Company

Exhibit 9. Trading near to -2SD valuation


Source: Bloomberg

Exhibit 10. Change in our forecasts

	New			Previous			Change (%)		
	2020F	2021F	2022F	2020F	2021F	2022F	2020F	2021F	2022F
Komatsu (units)	2,000	2,200	2,500	2,900	2,900	3,000	(31.0)	(24.1)	(16.7)
Coal Production (mn tons)	131	131	131	131	131	131	0.0	0.0	0.0
OB removal	920	920	920	920	920	920	0.0	0.0	0.0
Coal Sales Volume (mn tons)	9.3	9.8	10.3	9.3	9.8	10.3	0.0	0.0	0.0
Gold Sales Volume (oz)	360,000	400,000	400,000	360,000	400,000	400,000	0.0	0.0	0.0
Gold ASP (USD/oz)	1,400	1,450	1,450	1,400	1,450	1,450	0.0	0.0	0.0
Revenue (IDR bn)	74,961	76,817	78,431	81,468	81,203	81,203	(8.0)	(5.4)	(3.4)
EBITDA (IDR bn)	18,025	19,379	20,325	21,184	21,416	21,845	(14.9)	(9.5)	(7.0)
Net Profit (IDR bn)	8,152	9,324	9,808	10,364	10,464	10,574	(21.3)	(10.9)	(7.2)

Source: Company, Danareksa Sekuritas estimates

Exhibit 11. Income Statement

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Revenue	84,625	84,430	74,961	76,817	78,431
COGS	(63,515)	(63,200)	(58,584)	(59,712)	(60,797)
Gross profit	21,110	21,231	16,377	17,105	17,635
EBITDA	23,296	22,537	18,025	19,379	20,325
Oper. profit	16,770	16,605	12,142	12,710	13,080
Interest income	764	617	399	469	479
Interest expense	(1,438)	(2,334)	(1,843)	(1,354)	(763)
Forex Gain/(Loss)	(127)	0	0	348	0
Income From Assoc. Co's	307	400	293	333	342
Other Income (Expenses)	(568)	189	0	0	0
Pre-tax profit	15,709	15,477	10,991	12,507	13,139
Income tax	(4,210)	(4,342)	(2,418)	(2,752)	(2,890)
Minority interest	(373)	177	(421)	(431)	(440)
Net profit	11,126	11,312	8,152	9,324	9,808
Core Net Profit	11,253	11,312	8,152	8,976	9,808

Exhibit 12. Balance Sheet

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Cash & cash equivalent	13,438	12,091	13,295	15,635	15,960
Receivables	22,574	21,956	20,504	21,012	21,453
Inventory	13,618	11,014	9,810	9,825	10,117
Other Curr. Asset	6,022	5,766	4,588	4,844	5,035
Fixed assets - Net	40,474	41,300	42,116	42,447	42,202
Other non-curr.asset	20,156	19,587	18,011	18,266	18,488
Total asset	116,281	111,713	108,324	112,028	113,254
ST Debt	6,966	3,404	2,805	2,725	2,731
Payables	32,788	21,346	19,261	19,631	18,322
Other Curr. Liabilities	9,031	7,835	7,150	7,284	7,610
Long Term Debt	3,223	10,508	8,202	5,573	1,869
Other LT. Liabilities	7,222	7,510	5,218	5,513	5,953
Total Liabilities	59,230	50,603	42,636	40,726	36,486
Shareholder's Funds	53,779	58,212	62,119	67,644	73,033
Minority interests	3,271	2,898	3,570	3,658	3,735
Total Equity & Liabilities	116,281	111,713	108,324	112,028	113,254

Exhibit 13. Cash Flow

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Net income	11,126	11,312	8,152	9,324	9,808
Depreciation and Amort.	6,526	5,932	6,184	6,669	7,245
Change in Working Capital	3,094	(9,631)	1,593	(275)	(1,908)
Other Oper. Cash Flow	(887)	1,914	(461)	1,070	628
Operating Cash Flow	19,859	9,527	15,468	16,788	15,772
Capex	(18,833)	(9,556)	(7,000)	(7,000)	(7,000)
Others Inv. Cash Flow	(8,115)	3,348	1,819	411	428
Investing Cash Flow	(26,948)	(6,208)	(5,181)	(6,589)	(6,572)
Net change in debt	5,631	3,674	(3,392)	(2,722)	(3,710)
New Capital	0	0	0	0	0
Dividend payment	(3,884)	(4,900)	(4,673)	(3,823)	(4,260)
Other Fin. Cash Flow	(2,052)	(3,440)	(1,843)	(1,354)	(763)
Financing Cash Flow	(304)	(4,667)	(9,908)	(7,899)	(8,732)
Net Change in Cash	(7,393)	(1,348)	379	2,300	468
Cash - begin of the year	20,831	13,438	12,091	13,295	15,635
Cash - end of the year	13,438	12,091	13,295	15,635	15,960

Exhibit 14. Key Ratios

Year to 31 Dec	2018A	2019A	2020F	2021F	2022F
Growth (%)					
Sales	31.1	(0.2)	(11.2)	2.5	2.1
EBITDA	68.4	(3.3)	(20.0)	7.5	4.9
Operating profit	55.9	(1.0)	(26.9)	4.7	2.9
Net profit	50.3	1.7	(27.9)	14.4	5.2
Profitability (%)					
Gross margin	24.9	25.1	21.8	22.3	22.5
EBITDA margin	27.5	26.7	24.0	25.2	25.9
Operating margin	19.8	19.7	16.2	16.5	16.7
Net margin	13.1	13.4	10.9	12.1	12.5
ROAA	11.2	9.9	7.4	8.5	8.7
ROAE	22.4	20.2	13.5	14.4	13.9
Leverage					
Net Gearing (x)	(0.1)	0.0	0.0	(0.1)	(0.1)
Interest Coverage (x)	11.7	7.1	6.6	9.4	17.2

Source : UNTR, Danareksa Estimates

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