

United Tractors (UNTR IJ)

13 March 2017

Company Update

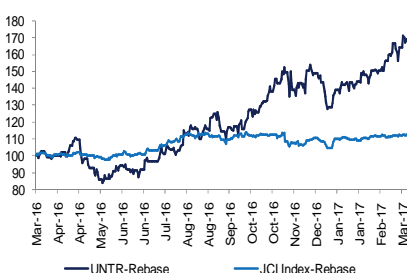
BUY (Unchanged)

Stock Data

Target price (Rp)	Rp28,500
Prior TP (Rp)	Rp26,000
Shareprice (Rp)	Rp25,750
Upside/downside (%)	+10.7
Sharesoutstanding (m)	3,730
Marketcap. (US\$ m)	7,183
Free float (%)	40.5
Avg. 6m dailyT/O (US\$ m)	7.0

Price Performance

	3M	6M	12M
Absolute (%)	14.2	44.3	64.3
Relative to JCI (%)	11.6	41.9	53.9
52w high/low (Rp)	26,200 - 12,800		



Major Shareholders

Astra International	59.5%
---------------------	-------

Estimate Change; Vs. Consensus

	2017F	2018F
Latest EPS (Rp)	1,994	2,434
Vs. Prior EPS (%)	9.0	5.5
Vs. Consensus (%)	22.8	38.3

Source: Bloomberg

Frederick Daniel

PT Indo Premier Sekuritas

frederick.daniel@ipc.co.id

+62 21 5793 1170

Recovery affirmation

- **Strong January machinery sales led to our higher forecast.**
- **We forecast PAMA's client will increase SR as coal price increased.**
- **We upgrade earnings forecast by 9%-5.5% for FY17F-18F.**
- **Maintain Buy rating with new TP of Rp28,500 (from Rp26,000).**

Higher machinery sales forecast. We raise our heavy equipment sales forecast by 8% to 2,700 units for FY17F and 12% to 2,800 units for FY18F as we expect the strong recovery in machinery demand in January 2017 to be sustained. In Jan'17, UNTR booked strong heavy equipment sales volumes of 270 units, up 51% mom and 48% yoy, which also 49% above the FY16 average monthly sales volumes of 182 units. We expect revenues from the segment will increase by 28% yoy in FY17F on the back of 24% higher volumes and ASP improvement, arising from increasing contribution of big-sized machinery sales to 18% of sales in FY17F (vs. only 9% in FY16) due to coal mining sector recovery.

Higher mining contracting volumes. We believe PAMA's clients will increase stripping ratio in FY17-18F to improve their coal reserves, given rising coal price environment. Mining contracting remains the company's largest revenues / earnings contributors, accounting for 51% / 63% in FY16, respectively. We believe the segment will record revenues growth of 13% in FY17F and 21% in FY18F on the back of higher coal mining and OB removal volumes, and increasing contract price. PAMA has lowered contract price to its customers in 2014-16 as coal price decreased. Thus, with improving coal price we expect contract price to increase in FY17F-18F.

Upgrade earnings on volumes adjustment. We raise FY17F earnings by 9% and FY18F earnings by 5.5% as we adjust sales volumes and ASP of heavy equipment due to better than expected sales performance in the past several months on the back of better demand from the mining sector. Our new FY17F earnings is 23% above consensus. However, we expect consensus forecast will see further upgrades as we believe the recovery in UNTR's business segments in FY17F will be better than market expectations. To note, in the past six months consensus estimate has seen upgrades by a total of 28% for FY17F-18F earnings.

Maintain Buy with 11% upside to our new TP. As we revise up earnings forecast by 9% for FY17F and 5.5% for FY18F, we raise our DCF-based target price (WACC: 12.1%, TG: 3%) for UNTR to Rp28,500. With 11% potential upside to our new TP, we reiterate our Buy recommendation on UNTR. UNTR remains one of our top-pick in the mining sector.

Year To 31 Dec	2015A	2016A	2017F	2018F	2019F
Revenue (RpBn)	49,347	45,539	53,906	61,931	70,536
EBITDA (RpBn)	5,390	4,387	6,312	7,934	9,401
EBITDA Growth (%)	(12.6)	(18.6)	43.9	25.7	18.5
Net Profit (RpBn)	3,853	5,002	7,438	9,079	10,391
EPS (Rp)	1,033	1,341	1,994	2,434	2,786
EPS Growth (%)	(28.1)	29.8	48.7	22.1	14.4
Net Gearing (%)	(32.6)	(43.0)	(39.6)	(41.1)	(39.9)
PER (x)	24.9	19.2	12.9	10.6	9.2
PBV (x)	2.4	2.3	2.1	1.9	1.8
Dividend Yield (%)	3.1	2.3	3.1	4.6	6.6
EV/EBITDA (x)	15.4	17.7	12.4	9.5	7.9

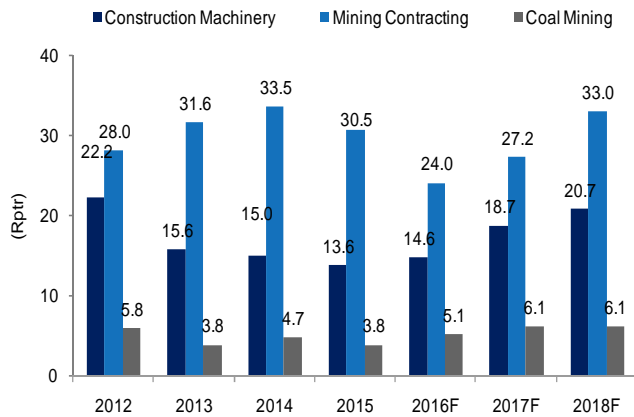
Source: UNTR, IndoPremier

Share Price Closing as of : 10 March 2017

Refer to Important disclosures on the last of this report

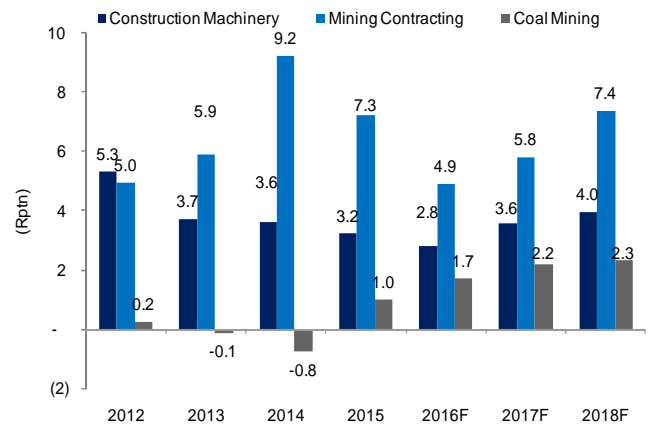
UNTR Company Update

Fig. 1: Revenues



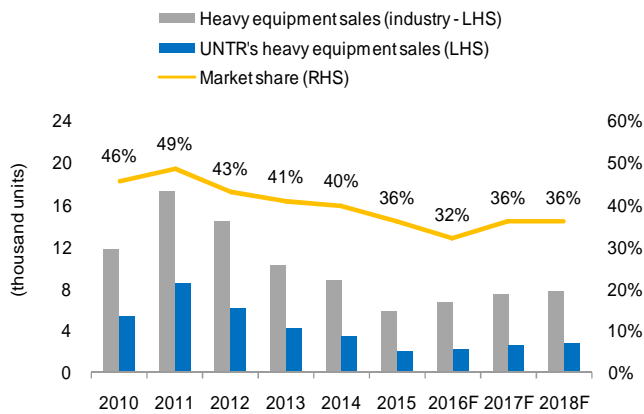
Source: UNTR, IndoPremier

Fig. 2: Gross profit



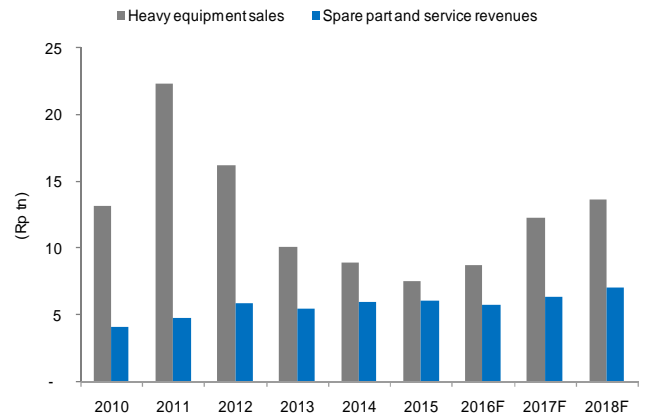
Source: UNTR, IndoPremier

Fig. 3: Heavy equipment sales volumes



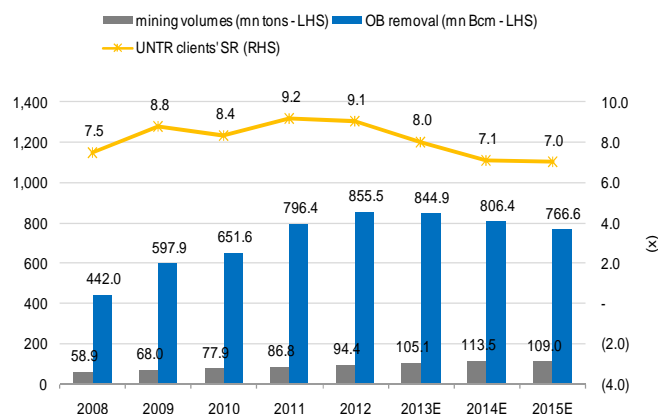
Source: UNTR, IndoPremier

Fig. 4: Heavy equipment revenues



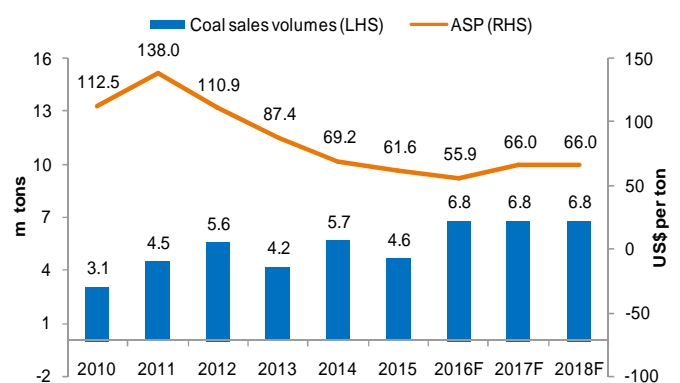
Source: UNTR, IndoPremier

Fig. 5: Mining contracting volumes



Source: UNTR, IndoPremier

Fig. 6: Coal sales volumes and ASP



Source: UNTR, IndoPremier

UNTR Company Update

Fig. 7: 4Q16 results summary

(RpBn)	4Q16	4Q15	% Y-Y	4Q16	3Q16	% Q-Q	FY16F	% of forecast
Revenues	11,642	11,053	5.3	11,642	22,564	(48.4)	45,539	100.0
COGS	8,561	8,282	3.4	8,561	18,413	(53.5)		
Gross profit	3,081	2,771	11.2	3,081	4,151	(25.8)	9,661	100.0
G&A expenses	753	778	(3.2)	753	1,046	(28.0)		
Selling expenses	212	155	37.0	212	272	(21.9)		
Operating profit	2,115	1,838	15.1	2,115	2,833	(25.3)	6,706	100.0
Net interest inc. (exp)	53	25	114.0	53	59	(9.4)		
Forex gain (loss)	644	(761)	neg	644	(499)	neg		
Other	(47)	(44)	7.1	(47)	39	neg		
Pretax profit	2,598	(3,408)	neg	2,598	2,431	6.9	6,730	100.0
Tax	675	(648)	neg	675	556	21.6		
Minority Interest	48	(1,041)	neg	48	22	121.4		
Net profit	1,875	(1,719)	neg	1,875	1,854	1.2	5,002	100.0
Core net profit	1,231	(957)	neg	1,231	2,353	(47.7)	5,032	100.0
	4Q16	4Q15		4Q16	3Q16			
GPM (%)	26.5	25.1		26.5	18.4		21.2	
OPM (%)	18.2	16.6		18.2	12.6		14.7	
Pretax mgn (%)	22.3	(30.8)		22.3	10.8		14.8	
NPM (%)	16.1	(15.6)		16.1	8.2		11.0	
Core profit mgn (%)	10.6	(8.7)		10.6	10.4		11.0	

Source: UNTR, IndoPremier

Fig 8. Earnings revisions

(RpBn)	FY17F			FY18F		
	old	new	(%) change	old	new	(%) change
Machinery sales (units)	2,500	2,700	8.0	2,500	2,800	12.0
OB removal (m bcm)	750	780	4.0	868	903	4.0
Coal production (m tons) - PAMA	110	115	4.0	116	120	4.0
Revenues (Rp bn)	51,385	53,906	4.9	58,438	61,931	6.0
Gross profit	10,863	11,879	9.4	13,345	13,989	4.8
Operating profit	7,876	8,382	6.4	9,947	10,095	1.5
Pretax profit	8,122	8,403	3.5	10,248	10,256	0.1
Net profit	6,822	7,438	9.0	8,609	9,079	5.5
Margins (%)						
GPM	21.1	22.0	0.9	22.8	22.6	(0.2)
OPM	15.3	15.5	0.2	17.0	16.3	(0.7)
Pretax mgn	15.8	15.6	(0.2)	17.5	16.6	(1.0)
NPM	13.3	13.8	0.5	14.7	14.7	(0.1)

Source: IndoPremier

UNTR Company Update

Year To 31 Dec (RpBn)	2015A	2016A	2017F	2018F	2019F
Income Statement					
Net Revenue	49,347	45,539	53,906	61,931	70,536
Cost of Sales	(37,645)	(35,878)	(42,026)	(47,942)	(54,434)
Gross Profit	11,702	9,661	11,879	13,989	16,101
SG&A Expenses	(3,116)	(2,955)	(3,497)	(3,894)	(4,435)
Operating Profit	8,586	6,706	8,382	10,095	11,666
Net Interest	72	191	102	208	130
Forex Gain (Loss)	564	(149)	(46)	0	0
Others-Net	(5,030)	(19)	(34)	(46)	(57)
Pre-Tax Income	4,193	6,730	8,403	10,256	11,738
Income Tax	(1,400)	(1,626)	(2,204)	(2,691)	(3,079)
Minorities	1,061	(102)	1,240	1,513	1,732
Net Income	3,853	5,002	7,438	9,079	10,391
Balance Sheet					
Cash & Equivalent	15,413	19,461	19,045	21,767	22,916
Receivable	12,170	12,115	13,239	15,210	17,323
Inventory	8,328	7,108	7,835	9,002	10,253
Other Current Assets	3,349	3,514	2,501	2,873	3,272
Total Current Assets	39,260	42,197	42,620	48,851	53,763
Fixed Assets - Net	17,519	16,685	17,415	18,255	19,990
Goodwill	0	0	0	0	0
Non Current Assets	3,000	3,804	2,567	2,949	3,359
Total Assets	61,715	63,991	63,973	71,494	78,623
ST Loans	1,169	1,028	1,079	1,133	1,190
Payable	13,407	14,119	0	12,846	14,631
Other Payables	3,704	3,208	3,188	3,662	4,171
Current Portion of LT Loans	0	0	0	0	0
Total Current Liab.	18,280	18,356	15,449	17,642	19,992
Long Term Loans	1,453	85	94	103	113
Other LT Liab.	2,732	2,732	3,352	3,851	4,386
Total Liabilities	22,465	21,173	18,894	21,596	24,491
Equity	12,672	12,658	11,061	11,102	11,147
Retained Earnings	25,248	28,202	32,639	37,255	41,290
Minority Interest	1,331	1,762	1,379	1,541	1,695
Total SHE + Minority Int.	39,250	42,622	45,078	49,898	54,132
Total Liabilities & Equity	61,715	63,795	63,973	71,494	78,623

Source: UNTR, IndoPremier

UNTR Company Update

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
Cash Flow					
Net Income (Excl.Extraordinary&Min.Int)	3,853	5,002	7,438	9,079	10,391
Depr. & Amortization	3,893	3,467	2,820	2,944	3,085
Changes in Working Capital	(3,697)	(2,862)	(3,330)	(4,038)	(2,562)
Others	7,990	4,398	(1,292)	1,651	53
Cash Flow From Operating	12,039	10,005	5,636	9,635	10,967
Capital Expenditure	(3,399)	(2,817)	(2,800)	(3,000)	(4,000)
Others	(408)	331	291	340	394
Cash Flow From Investing	(3,807)	(2,485)	(2,509)	(2,660)	(3,606)
Loans	(807)	(1,509)	60	63	67
Equity	0	0	0	0	0
Dividends	(2,988)	(2,195)	(3,001)	(4,463)	(6,355)
Others	6	676	(74)	750	766
Cash Flow From Financing	(3,789)	(3,028)	(3,016)	(3,649)	(5,522)
Changes in Cash	5,353	4,048	(416)	2,721	1,149
Financial Ratios					
Gross Margin (%)	23.7	21.2	22.0	22.6	22.8
Operating Margin (%)	17.4	14.7	15.5	16.3	16.5
Pre-Tax Margin (%)	8.5	14.8	15.6	16.6	16.6
Net Margin (%)	7.8	11.0	13.8	14.7	14.7
ROA (%)	6.3	8.0	11.6	13.4	13.8
ROE (%)	9.9	12.2	17.0	19.1	20.0
ROIC (%)	10.5	13.8	17.9	20.0	20.9
Acct. Receivables TO (days)	90.9	90.3	79.7	79.1	79.4
Acct. Receivables - Other TO (days)	4.3	7.1	6.2	4.8	4.8
Inventory TO (days)	4.7	4.6	5.6	5.7	5.7
Payable TO (days)	123.0	140.0	109.9	91.5	92.1
Acct. Payables - Other TO (days)	5.5	4.9	4.3	4.1	4.2
Debt to Equity (%)	6.7	2.6	2.6	2.5	2.4
Interest Coverage Ratio (x)	0.0	0.1	0.0	0.0	0.0
Net Gearing (%)	(32.6)	(43.0)	(39.6)	(41.1)	(39.9)

Source: UNTR, IndoPremier

Head Office**PT INDO PREMIER SEKURITAS**

Wisma GKBI 7/F Suite 718

Jl. Jend. Sudirman No.28

Jakarta 10210 - Indonesia

p +62.21.5793.1168

f +62.21.5793.1167

INVESTMENT RATINGS

BUY : Expected total return of 10% or more within a 12-month period
HOLD : Expected total return between -10% and 10% within a 12-month period
SELL : Expected total return of -10% or worse within a 12-month period

ANALYSTS CERTIFICATION.

The views expressed in this research report accurately reflect the analysts personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

DISCLAIMERS

This research is based on information obtained from sources believed to be reliable, but we do not make any representation or warranty nor accept any responsibility or liability as to its accuracy, completeness or correctness. Opinions expressed are subject to change without notice. This document is prepared for general circulation. Any recommendations contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is not and should not be construed as an offer or a solicitation of an offer to purchase or subscribe or sell any securities. PT. Indo Premier Sekuritas or its affiliates may seek or will seek investment banking or other business relationships with the companies in this report.