

United Tractors Tbk (UNTR)

Portofolio yang Lebih Seimbang

Company Report | Aug 27, 2018

Buy

Dec 2018 TP (IDR)	44,750
Consensus Price (IDR)	43,200
TP to Consensus Price	+3.6%
vs. Last Price	+27.9%

Shares data

Last Price (IDR)	35,000
Price date as of	Aug 23, 2018
52 wk range (Hi/Lo)	40,500/29,700
Free float (%)	40.5
Outstanding sh.(mn)	3,730
Market Cap (IDR bn)	129,342
Market Cap (USD mn)	8,857
Avg. Trd Vol - 3M (mn)	4.13
Avg. Trd Val - 3M (bn)	141.94
Foreign Ownership	17.9%

Trade

Heavy Equipment

Bloomberg	UNTR IJ
Reuters	UNTR.JK

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Laba Bersih 1H18: Efek Positif Pulihnya Harga Batu Bara

UNTR mencatatkan laba bersih sebesar Rp5,74 triliun yang tumbuh sebesar 60% y-y dan 20% q-q. Pertumbuhan ini merupakan dampak positif dari pulihnya harga batu bara dunia. Permintaan alat berat tumbuh 24% y-y dan *mining contractor* tumbuh 32% y-y. Volume penjualan komatsu tumbuh 37% y-y yang naik dari 1.751 unit ke 2.400 unit. Komatsu menguasai 36% dari total penjualan alat berat di Indonesia, sedangkan PAMA menguasai 35% pangsa pasar.

Permintaan: Memanfaatkan Momentum

Kami mengamati bahwa prospek permintaan alat berat dan *mining contractor* ke depan masih menjanjikan di dorong oleh beberapa katalis positif, yaitu : 1) Penambahan kuota produksi batu bara sebanyak 100 juta ton oleh pemerintah, 2) Permintaan batu bara yang masih kuat oleh China dan India, 3) Cuaca yang lebih kondusif, 4) Tren penguatan dollar terhadap rupiah, 5) Tren penguatan harga batu bara (estimasi kami rata-rata USD90-USD95/ton FY18E—FY19E)

Martabe: Eksplorasi Maksimum

UNTR mengakuisisi tambang Martabe senilai Rp13,22 triliun (95% saham) pada 8 Agustus 2018; transaksi tersebut berpotensi meningkatkan total asset UNTR sebesar 33,1% y-y dari Rp93,5 triliun FY18E menjadi Rp124,3 triliun pada FY19E . Pada akhir 2017, cadangan emas Martabe tumbuh 46,8% y-y yang naik dari 3,2 juta ons menjadi 4,8 juta ons emas dan cadangan perak tumbuh 36,1% y-y yang naik dari 27,2 juta ons ke 36 juta ons (setara dengan tambahan 6 tahun operasi tambang).

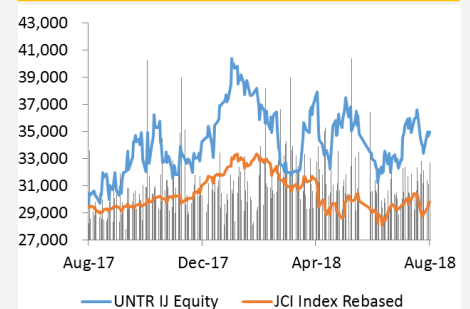
United Tractors Tbk | Summary (IDR bn)

	2016/12A	2017/12A	2018/12E	2019/12E
Sales	45,539	64,559	78,725	102,945
<i>Sales growth</i>	-7.7%	41.8%	21.9%	30.8%
EBITDA	10,173	14,596	18,931	22,851
Net profit	5,002	7,403	10,821	12,019
EPS (IDR)	1,384	1,984	2,900	3,222
<i>EPS growth</i>	29.8%	47.9%	46.2%	11.1%
BVPS (IDR)	11,426	12,744	14,831	16,388
EBITDA margin	22.3%	22.6%	24.0%	22.2%
NPM	11.0%	11.5%	13.7%	11.7%
ROE	12.2%	16.4%	21.0%	20.6%
ROA	8.0%	10.1%	12.3%	11.0%
ROIC	16.1%	23.3%	27.4%	23.9%
P/E	15.8x	17.8x	11.5x	10.4x
P/BV	1.9x	2.8x	2.3x	2.0x
EV/EBITDA	6.1x	8.1x	6.0x	5.4x
DPS (IDR)	536	893	1,492	1,656
<i>Dividend yield</i>	2.5%	2.5%	4.5%	4.9%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-1.1%	6.1%	-3.9%	18.6%
Rel. Ret.	4.7%	4.9%	-7.2%	17.5%

Akuisisi: Mahar yang Setimpal

Setelah melihat kinerja Martabe FY16-FY17, kami memperkirakan bahwa pada FY18E dan FY19E Martabe akan berkontribusi masing-masing sebesar 8,9% dan 7,5% terhadap *revenue* UNTR. Sementara itu, volume penjualan emas berada di angka 351.828 ons dan 387.011 ons dengan ASP di angka USD1.293/ons dan USD1.288/ons; dan volume penjualan perak berada di angka 2,39juta/ons dan 2,63juta/ons, dengan ASP di angka USD16,35/ons dan USD17,1/ons.

Valuasi Masih Menarik, Target Price Rp44.750

Kami mengamati bahwa penerapan strategi diversifikasi UNTR untuk memiliki portofolio bisnis yang lebih berimbang akan mampu menghasilkan *sustainable return* dalam jangka panjang. Oleh karena itu, kami merekomendasikan beli dengan target harga Rp44.750 pada akhir 2018. Kami menggunakan estimasi *forward P/E* sebesar 13,9x (+0,15 SD di atas rata-rata 5 tahun terakhir sebesar 13,4x) sebagai basis metode valuasi. Target harga ini mengimplikasikan P/E 2018E sebesar 15,4x (vs. P/E 12,1x saat ini).

Estimasi Downside Risk & Target Harga Kami

Kami melihat adanya beberapa risiko yang berdampak terhadap perlambatan kinerja perseroan ke depan, yaitu : 1) Penurunan harga batu bara dunia, 2) Pendirian anak usaha di segmen *mining contracting* oleh perusahaan batu bara, 3) Peningkatan waktu tunggu pembelian alat berat (> 9 bulan), 4)Fluktuasi nilai tukar rupiah terhadap dollar AS, 5) Peningkatan curah hujan.

Sekilas tentang UNTR

PT United Tractors yang merupakan anak usaha Astra Internasional Grup memfokuskan bisnis perusahaan di sektor pertambangan batu bara. UNTR memiliki beberapa portofolio bisnis, tiga segmen intinya, yaitu penjualan alat berat, kontraktor pertambangan, dan tambang batu bara. UNTR melalui anak usahanya, yaitu PAMA membantu pemilik tambang untuk memanfaatkan potensi sumber daya alam dari proses awal studi kelayakan, pembangunan infrastruktur, eksploitasi hingga perluasan tambang. Sementara itu, UNTR melalui anak usahanya, yaitu TTA memegang kepemilikan atas sejumlah konsesi tambang batu bara dengan perkiraan total cadangan sebesar 400 juta ton.

Industri Alat Berat di Asia

Industri alat berat di Indonesia bertumbuh pesat dibandingkan pertumbuhan industri alat berat di beberapa negara di ASEAN. Hal ini didukung oleh merajainya kapasitas produksi batu bara Indonesia di antara negara-negara di Asia.

UNTR merupakan pemimpin pangsa pasar penjualan alat berat dan *mining contracting*, dan memiliki kapitalisasi pasar dan total aset terbesar dibandingkan para kompetitornya di Asia. Profitabilitas UNTR cukup tinggi yaitu ROE 20,6% dan *sales growth* sebesar 41,8%. Selain itu, rasio P/E UNTR di angka 13,8x menjadikan valuasi UNTR masih cukup menarik.

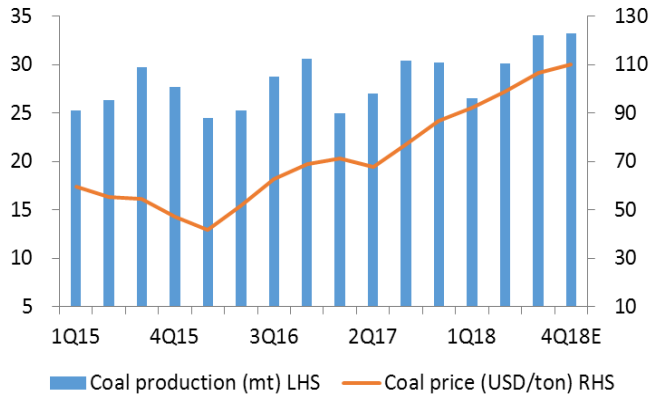
Asia Heavy Equipment Companies

Company	Market Cap (USD mn)	Total Asset (USD mn)	Sales Growth (LTM)	Gross Margin (LTM)	Operating Margin (LTM)	Net Profit Growth (LTM)	ROE (LTM)	P/E (LTM)	Dividend Yield
Indonesia									
UNTR	8,857	6,054	41.8%	22.4%	16.7%	43.9%	20.6%	13.8x	2.6%
DOID	404	946	25.1%	29.4%	22.5%	49.2%	33.6%	7.2x	N/A
HEXA	194	239	14.7%	18.7%	7.1%	117.2%	16.3%	6.6x	6.8%
China									
ZHONGJI INNOLIGHT	3,344	1,200	1724.0%	26.6%	9.9%	5352.6%	19.3%	44.5x	0.1%
Japan									
YAMAZEN	1,008	2,325	11.23%	12.8%	3.1%	26.1%	13.8%	9.9x	2.8%
JCHX MINING	731	866	2.13%	27.2%	12.6%	47.1%	6.7%	19.8x	0.9%
Australia									
MINERAL RESOURCES	2,079	1,542	11.42%	N/A	24.4%	35.3%	22.7%	10.5x	3.8%

Source: Bloomberg, NHKS research

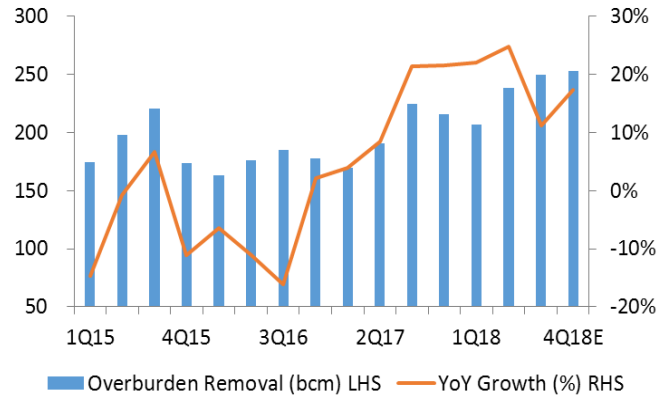
Performance Highlights

Coal Production & Coal Price | 1Q15 - 4Q18E



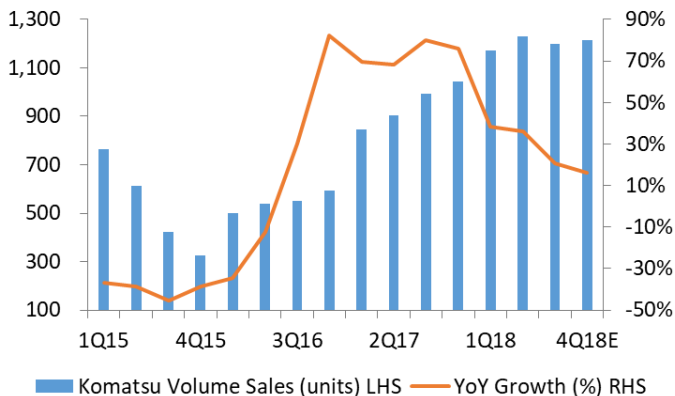
Source: Company, NHKS research

Overburden Removal & YoY Growth | 1Q15 - 1Q18E



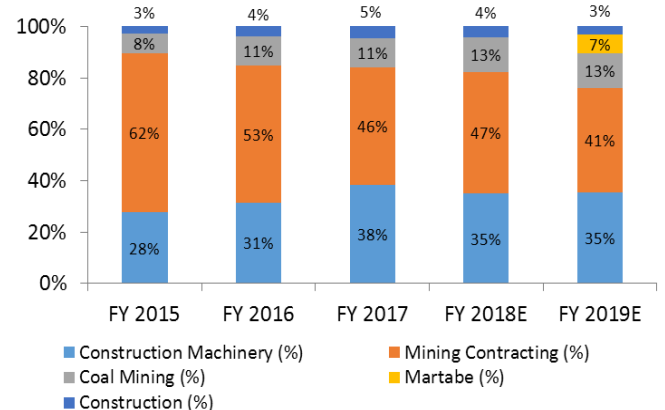
Source: Company, NHKS research

Komatsu Sold & YoY Growth | 1Q15 - 4Q18E



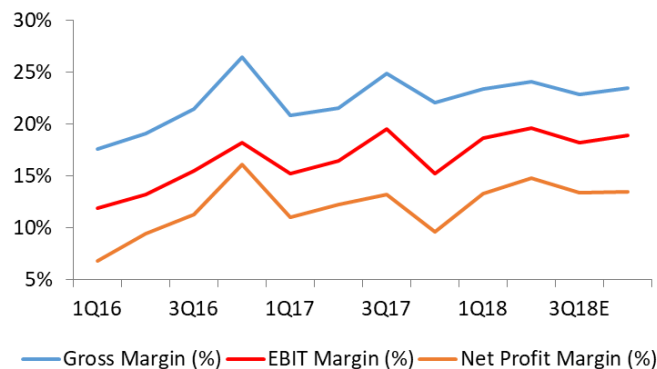
Source: Company, NHKS research

Revenue Composition | 2015 - 2019E



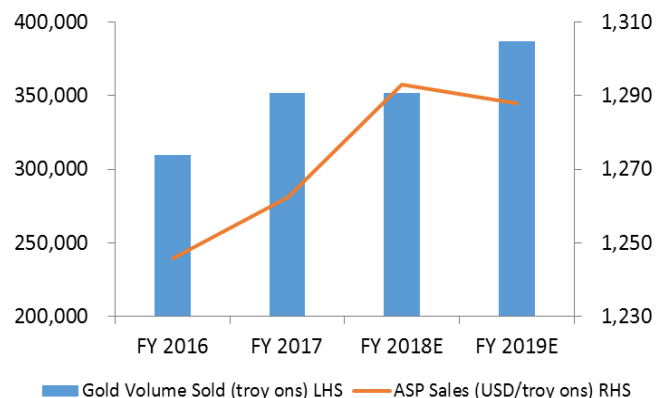
Source: Company, NHKS research

Margin Ratios | 1Q16- 4Q18E



Source: Company, NHKS research

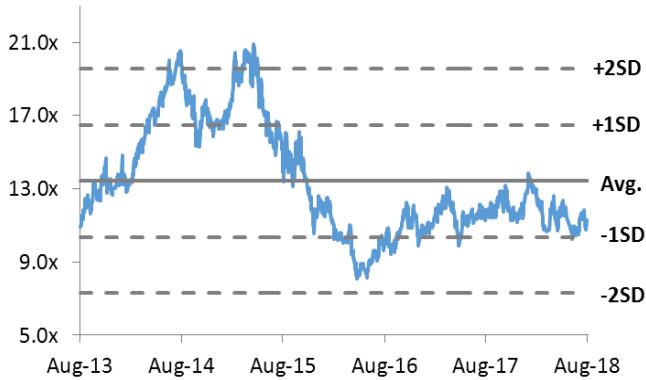
Martabe's Gold Volume Sold & ASP | 2016-2019E



Source: Company, NHKS research

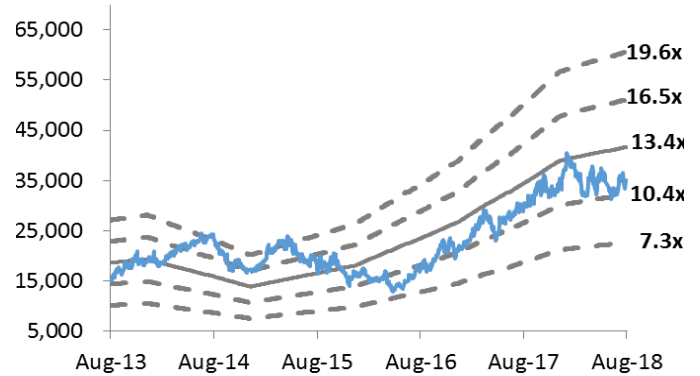
Multiple Valuation

Forward P/E band | Last 5 years



Source: NHKS research

Dynamic Forward P/E band | Last 5 years



Source: NHKS research

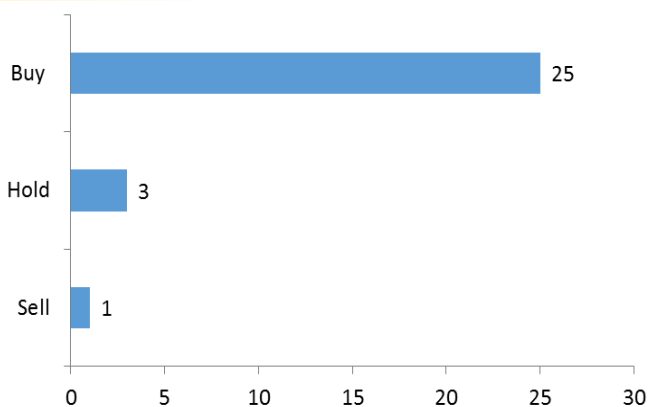
Rating and target price update

Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
11/13/2017	Buy	39,425 (Dec 2018)	32,875	37,127	+19.9%	+6.2%
03/13/2018	Buy	39,350 (Dec.2018)	34,900	36,475	+21.3%	+16.1%
08/27/2018	Buy	44,750 (Dec.2018)	35,000	43,200	+27.9%	+3.6%

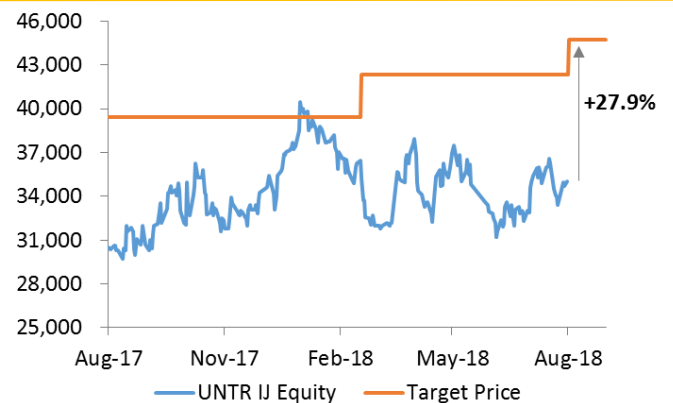
Source: Bloomberg, NHKS research.

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKS research

NH Korindo Sekuritas Indonesia (NHKS) stock ratings

1. Period: End of year target price
2. Rating system based on a stock's absolute return from the date of publication
 - Buy : Greater than +15%
 - Hold : -15% to +15%
 - Sell : Less than -15%

Summary of Financials

UNTR Summary		
Last Price (IDR)	August 23, 2018	35,000
Target Price (IDR)	Dec 2018	44,750
Analyst: Firman Hidayat	Rating:	Buy

INCOME STATEMENT

	2016/12A	2017/12A	2018/12E	2019/12E
Sales	45,539	64,559	78,725	102,945
Growth (% y/y)	-7.7%	41.8%	21.9%	30.8%
COGS	(35,878)	(50,075)	(60,238)	(82,039)
Gross Profit	9,661	14,484	18,486	20,905
Gross Margin	21.2%	22.4%	23.5%	20.3%
Operating Expenses	(2,955)	(3,727)	(3,642)	(4,762)
EBIT	6,706	10,756	14,845	16,143
EBIT Margin	14.7%	16.7%	18.9%	15.7%
Depreciation	3,467	3,839	4,086	6,708
EBITDA	10,173	14,596	18,931	22,851
EBITDA Margin	22.3%	22.6%	24.0%	22.2%
Interest Expenses	(80)	(159)	(257)	(200)
EBT	6,730	10,523	15,167	16,715
Income Tax	(1,626)	(2,849)	(3,832)	(4,262)
Minority Interest	(102)	(270)	(514)	(433)
Net Profit	5,002	7,403	10,821	12,019
Growth (% y/y)	29.8%	48.0%	46.2%	11.1%
Net Profit Margin	11.0%	11.5%	13.7%	11.7%

BALANCE SHEET

in IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Cash	20,310	21,229	20,327	22,253
Receivables	11,042	16,555	17,310	26,835
Inventories	7,108	7,855	11,025	14,088
Other Current Assets	3,738	5,563	6,191	5,877
Total Current Assets	42,197	51,202	54,854	69,053
Net Fixed Assets	17,352	23,487	30,067	49,517
Other Non Current Assets	4,442	7,573	8,529	5,784
Total Assets	63,991	82,262	93,450	124,354
Payables	14,119	20,239	21,067	35,206
ST Debt	1,028	1,916	2,484	2,604
Other Current Liab.	3,208	6,221	7,583	6,899
LT Debt	65	2,724	3,359	15,060
Other Non Current Liab.	2,948	3,623	3,633	3,454
Total Liabilities	21,369	34,724	38,127	63,224
Shareholders' Equity	42,622	47,538	55,323	61,131

CASH FLOW STATEMENT

in IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Net Income	5,002	7,403	10,821	12,019
Deprec & Amortization	3,467	3,839	4,086	6,708
Chg. In Working Capital	1,570	794	(2,395)	1,183
CFO	10,039	12,036	12,512	19,910
Capex	(2,542)	(6,586)	(9,707)	(26,158)
CFI	(2,555)	(11,036)	(9,817)	(23,592)
Dividends Paid	(2,134)	(2,528)	(2,278)	(3,881)
Net Borrowing (PMT)	(1,145)	2,843	577	11,820
CFF	(3,279)	316	(3,384)	5,608
Net Changes in Cash	4,205	1,316	(689)	1,926

OWNERSHIP

By Geography	% Shareholders	%
Indonesia	81.2	PT Astra International
United States	10.2	Frankling Adv. Inc.
Luxembourg	3.8	Matthews Int.
Ireland	1.2	Vanguard Group Inc.

PROFITABILITY & STABILITY

	2016/12A	2017/12A	2018/12E	2019/12E
ROE	12.2%	16.4%	21.0%	20.6%
ROA	8.0%	10.1%	12.3%	11.0%
ROIC	16.1%	23.3%	27.4%	23.9%
EBITDA/Equity	24.9%	32.4%	36.8%	39.2%
EBITDA/Assets	16.2%	20.0%	21.5%	21.0%
Cash Dividend (IDR bn)	1,999	3,331	5,564	6,179
Dividend Yield (%)	2.5%	2.5%	4.5%	4.9%
Payout Ratio (%)	40.0%	45.0%	51.4%	51.4%
DER	2.6%	9.8%	10.6%	28.9%
Net Gearing	3.8%	13.7%	14.3%	37.6%
LT Debt to Equity	0.2%	5.7%	6.1%	24.6%
Capitalization Ratio	2.5%	8.9%	9.6%	22.4%
Equity Ratio	66.6%	57.8%	59.2%	49.2%
Debt Ratio	1.7%	5.6%	6.3%	14.2%
Financial Leverage	157.2%	150.1%	173.0%	168.9%
Current Ratio	229.9%	180.4%	176.2%	154.4%
Quick Ratio	170.8%	133.2%	120.9%	109.8%
Cash Ratio	110.6%	74.8%	65.3%	49.8%
Cash Conversion Cycle	28.8	7.3	10.6	8.9
Par Value (IDR)	250	250	250	250
Total Shares (mn)	3,730	3,730	3,730	3,730
Share Price (IDR)	21,250	35,400	33,500	33,500
Market Cap (IDR tn)	79	132	125	125

VALUATION INDEX

	2016/12A	2017/12A	2018/12E	2019/12E
Price /Earnings	15.8x	17.8x	11.5x	10.4x
Price /Book Value	1.9x	2.8x	2.3x	2.0x
Price/Sales	1.7x	2.0x	1.6x	1.2x
PE/EPS Growth	0.5x	0.4x	0.3x	0.9x
EV/EBITDA	6.1x	8.1x	6.0x	5.4x
EV/EBIT	9.2x	10.9x	7.6x	7.6x
EV (IDR bn)	61,810	117,633	112,904	122,672
Sales CAGR (3-Yr)	-3.7%	6.7%	16.8%	31.2%
EPS CAGR (3-Yr)	1.1%	11.4%	41.1%	33.9%
Basic EPS (IDR)	1,341	1,985	2,901	3,222
Diluted EPS (IDR)	1,341	1,985	2,901	3,222
BVPS (IDR)	11,426	12,744	14,831	16,388
Sales PS (IDR)	12,208	17,307	21,105	27,598
DPS (IDR)	536	893	1,492	1,656

DCF, RIM & EVA

	2016/12A	2017/12A	2018/12E	2019/12E
DCF (IDR bn)				
NOPAT	6,843	11,149	15,549	16,705
+Depr./Amor.	3,467	3,839	4,086	6,708
-CAPEX	(2,542)	(6,586)	(9,707)	(26,158)
-Incr. (Decr.) in Working Cap.	1,570	794	(2,395)	1,183
(Unlevered) FCFE	9,338	9,196	7,533	(1,562)
WACC				
Cost of Debt (Tax Adj.)	7.3%	5.9%	7.0%	7.7%
Cost of Equity (COE)	10.3%	10.7%	10.0%	10.4%
WACC (%)	10.3%	10.5%	9.9%	10.1%
RIM				
Spread (FROE-COE) (%)	2.4%	6.7%	12.7%	11.3%
Residual Income (IDR bn)	951	2,858	6,056	6,269
Equity Charge	4,051	4,545	4,765	5,750
EVA				
Invested Capital (IDR bn)	41,478	43,715	52,178	61,167
ROIC-WACC (%)	6.2%	15.0%	19.9%	17.3%
EVA (USD mn)	2,580	6,558	10,389	10,553

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