



UNITED TRACTORS

October Operational Result

BUY**Maintain**

Share Price : Rp24,600
12M Target Price : Rp30,000(+21.2%)

Stock Data

Reuters code	UNTR JK
Bloomberg code	UNTR IJ
Issued shares (m shares)	3,730
Market cap (Rpbn)	91,761
52 week low / high (Rp)	18,700/27,750
Avg. daily T/O (Rpbn)	113.2

Major Shareholders

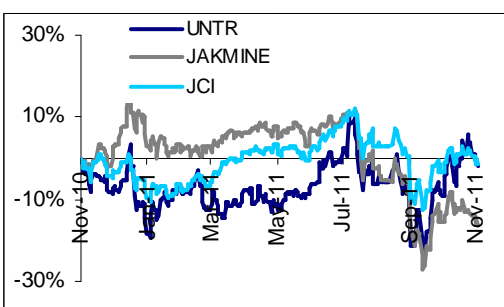
PT Astra International	59.5%
Public	40.5%

Consensus

	11E	12F
Revenue (Rpbn)	50,383	58,902
KS vs Cons (%)	103.1	101.7
EBITDA (Rpbn)	10,169	12,183
KS vs Cons (%)	97.3	96.3
Net profit (Rpbn)	5,354	6,479
KS vs Cons (%)	102.8	104.0

Company Description

United Tractors (UNTR), with its Komatsu brand, is leader in heavy machinery industry (46%). It's subsidiary Pama Persada is also #1 coal mining contractor in Indonesia (28%). The company also has 4 coal mine concessions in South and Central Kalimantan with total equity capacity of 8.5m tons and equity reserves of 71.9mt. Coal quality of the mines range between 5,600 – 7,600kcal.

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Investment Thesis

We reiterate our **BUY** rating on UNTR with TP of Rp30,000. October operational continued to perform strongly with Komatsu, OB removal, coal extraction and coal sales all growing, by 25.9%, 25.2%, 13.7% and 4.6% YoY, thus sending YTD numbers to 84.0% - 86.6% of our FY11E. For 2012, we project Komatsu, mining contracting and coal mining division to record 11.6%, 7.2% and 42.9% YoY volume growth, respectively, yielding a 22.4% YoY increase in net income, at Rp6.7tr.

Key Catalysts

- Komatsu sales remained strong.** Company managed to record another strong Komatsu sales period of 701 units in October, 25.9% YoY higher than the same period last year. Mining segment continued to become the prime contributor, accounting for 68.5% of total sales, followed by Agro (16.4%), Construction (9.7%) and Forestry (5.4%). UNTR's market share in Indonesia's heavy equipment market still stood at a stellar 50%.
- Pama: coal extraction hit a new record.** Coal extraction volume reached a new high of 8.3mt in October, breaking the July record of 8.0mt. Meanwhile, overburden removal volume grew by 25.2% YoY to 76.4m bcm in October, implying a sustaining high strip ratio of 9.2x. This buoyant performance was mainly supported by very conducive weather throughout the month (rainy season phased in by the end of October).
- Coal sales were flat.** In October, coal sales only arrived at 321K tons, versus 298K tons in the previous month (and 307K tons for a comparable period the previous year). However, YTD achievement of 3.5mt still showed strong YoY growth figure of 54.8%.

Earnings Outlook

- 2011: all still conform to our expectations.** 10M11 volume of Komatsu, overburden removal, coal extraction and coal sales have arrived at 84.5%, 86.6%, 84.5% and 84.0% of our FY11E, respectively, suggesting a slight outperformance compared to our FY11 targets. We expect the bold gross margin in 3Q11 to be carried over in 4Q11, on the back of sustaining strong US\$ currency against Rupiah.
- What's the outlook for 2012?** Management projects 10-15%YoY increase for Komatsu and Pama business division next year. Meanwhile, coal sales are targeted to record around a 50%YoY jump, mainly driven by the commencement of the new mine site at Agung Bara Prima and Duta Sejahtera. In our model, we assume 11.6% YoY growth volume for Komatsu, 7.2% for Pama output volume and 42.9% for coal sales. We thus decided to maintain a conservative stance in view of lingering global economic uncertainty.

Financial Highlights

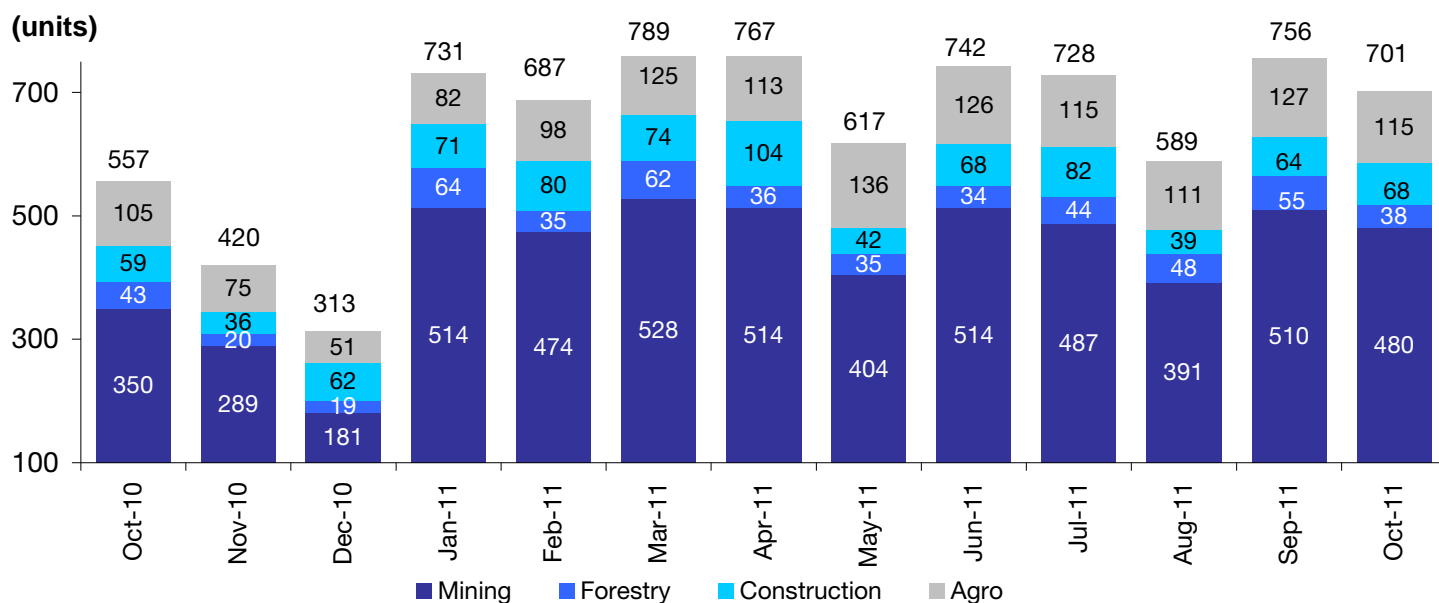
Year to 31 Dec	2009	2010	2011E	2012F	2013F
Revenue (Rpbn)	29,242	37,324	51,969	59,917	68,967
EBITDA (Rpbn)	7,451	8,035	9,892	11,738	13,779
Net Profit (Rpbn)	3,818	3,873	5,505	6,739	8,352
EPS (Rp)	1,147	1,164	1,560	1,807	2,239
EPS Growth (%)	29.8	1.5	34.0	15.8	23.9
ROAE (%)	27.6	24.0	21.2	22.2	23.4
DPS (Rp)	350.0	490.0	686.4	794.9	985.2
Div. Yield (%)	3.3	2.5	2.8	3.2	4.0
P/E (x)	9.3	10.8	16.7	13.6	11.0
P/BV (x)	2.6	4.0	3.5	3.0	2.6
EV/EBITDA (x)	4.7	8.2	8.0	6.9	5.3

Volume highlights Oct11

		Oct-10	Oct-11	%Chg	Sep-11	Oct-11	%Chg	10M10	10M11	%Chg	FY11E	%FY
Komatsu sales	unit	557	701	25.9	756	701	(7.3)	4,671	7,097	51.9	8,400	84.5
Coal extraction	m tons	7.3	8.3	13.7	7.5	8.3	10.7	64.0	71.7	12.0	84.9	84.5
Overburden removal	m bcm	61.0	76.4	25.2	69.1	76.4	10.6	541.2	661.8	22.3	764.2	86.6
Strip ratio	x	8.4	9.2	10.3	9.2	9.2	-	8.5	9.2	9.2	9.0	102.5
Coal sales	000 tons	307	321	4.6	298	321	7.7	2.3	3.5	54.8	4.2	84.0

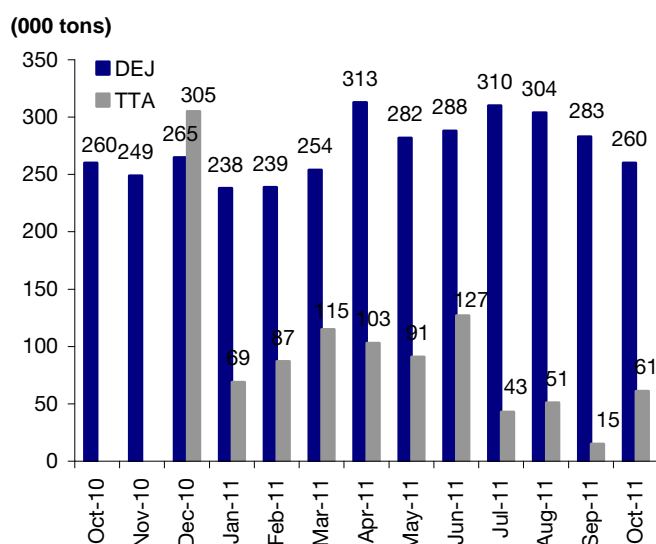
Source: Company

Komatsu Sales Volume: Oct10-Oct11



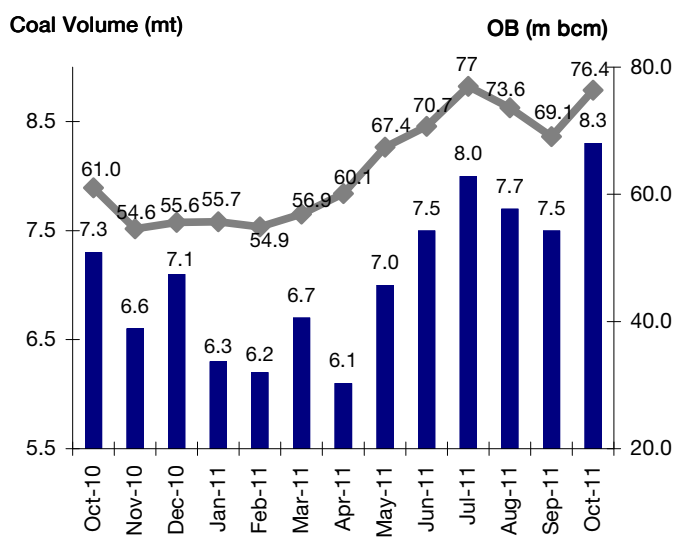
Source: Company

Coal Sales Volume: Oct10-Oct11



Source: Company

Mining contracting volume: Oct10-Oct11



Source: Company

United Tractors - BUY

October Operational Result



Income Statement (Rpbn)

Year to 31 Dec	2009	2010	2011E	2012F	2013F
Revenue	29,242	37,324	51,969	59,917	68,967
% growth	4.8	27.6	39.2	15.3	15.1
Gross profit	6,671	6,796	9,234	10,932	13,171
Operating profit	5,266	5,163	7,194	8,569	10,490
Depr / Amort	2,185	2,873	2,698	3,170	3,289
EBITDA	7,451	8,035	9,892	11,738	13,779
% growth	25.0	7.8	23.1	18.7	17.4
Net int inc/ (exp)	(89)	(140)	(35)	157	281
Forex gain (loss)	283	22	(0)	-	-
Inc from subsidiary	9	23	26	30	39
Other inc/ (exp)	(17)	17	41	45	55
Earning before tax	5,444	5,061	7,200	8,771	10,826
Tax expense	(1,595)	(1,187)	(1,688)	(2,023)	(2,463)
Minority Interest	(32)	(2)	(7)	(9)	(11)
Extraordinary items	-	-	-	-	-
Net profit (loss)	3,818	3,873	5,505	6,739	8,352
% growth	43.5	1.5	42.1	22.4	23.9

Balance Sheet (Rpbn)

Year to 31 Dec	2009	2010	2011E	2012F	2013F
Cash & its equivalents	2,769	1,343	8,790	11,972	19,524
Trade receivables	4,463	5,215	7,098	8,184	9,420
Inventories	3,966	6,932	9,497	9,525	9,299
Other current assets	771	2,043	1,591	1,814	2,080
Fixed assets - net	11,858	13,292	12,035	13,065	10,858
Other LT assets	578	876	770	793	818
Total Assets	24,405	29,701	39,781	45,353	52,000
ST debt	31	191	4	4	4
Trade payables	4,164	5,531	7,716	8,164	8,524
Current portion of LT debt	1,338	2,791	1,133	1,276	1,466
Other current liabilities	1,693	1,406	2,821	3,240	3,705
LT debt - net	2,400	2,699	1,063	1,202	1,376
Other LT liabilities	828	917	1,003	1,099	1,158
Minority interest	107	29	36	45	56
Total Liabilities	10,561	13,565	13,775	15,030	16,290
Total Equity	13,844	16,136	26,006	30,323	35,710
Net cash (debt)	338	(1,546)	7,724	10,767	18,144

Cash Flow (Rpbn)

Year to 31 Dec	2009	2010	2011E	2012F	2013F
Net profit (loss)	3,818	3,873	5,505	6,739	8,352
Depr / Amort	2,185	2,873	2,698	3,170	3,289
Chg in Working Cap	275	(3,954)	(265)	(400)	(425)
Non operating adjust.	(307)	(314)	140	71	80
Operating CF	5,971	2,477	8,077	9,579	11,295
Capex - net	(4,425)	(3,934)	(1,434)	(4,182)	(1,060)
Others	(106)	(179)	22	(13)	(14)
Investing CF	(4,531)	(4,113)	(1,412)	(4,195)	(1,075)
Net chg in debt	(813)	1,934	(3,481)	282	365
Net chg in equity	59	50	6,069	-	1
Dividend	(1,164)	(1,630)	(1,704)	(2,422)	(2,965)
Others	(78)	(143)	(102)	(62)	(70)
Financing CF	(1,996)	210	782	(2,202)	(2,669)
Net CF	(556)	(1,426)	7,447	3,182	7,552
Free Cashflow	1,546	(1,457)	6,643	5,397	10,235

Financial Ratios

Year to 31 Dec	2009	2010	2011E	2012F	2013F
Profitability					
Gross margin (%)	22.8	18.2	17.8	18.2	19.1
Operating margin (%)	18.0	13.8	13.8	14.3	15.2
EBITDA margin (%)	25.5	21.5	19.0	19.6	20.0
Net margin (%)	13.1	10.4	10.6	11.2	12.1
ROAE (%)	27.6	24.0	21.2	22.2	23.4
ROAA (%)	15.6	13.0	13.8	14.9	16.1
Leverage					
Current ratio (x)	1.7	1.6	2.3	2.5	2.9
Net Debt/Equity (x)	(0.0)	0.1	(0.3)	(0.4)	(0.5)
Int. Coverage (x)	27.9	24.9	43.2	75.4	81.1
Activity					
Receivable TO (days)	55	50	49	49	49
Payable TO (days)	66	65	65	60	55
Inventory TO (days)	63	82	80	70	60

Interim Results (Rpbn)

	3Q10	4Q10	1Q11	2Q11	3Q11
Sales	9,734	9,510	12,649	12,970	14,134
Gross Profit	1,717	1,734	2,232	2,208	2,792
Operating Profit	1,277	1,236	1,700	1,643	2,164
Net profit	1,072	913	1,298	1,243	1,808
Gross Margins (%)	17.6	18.2	17.6	17.0	19.8
Opr Margins (%)	13.1	13.0	13.4	12.7	15.3
Net Margins (%)	11.0	9.6	10.3	9.6	12.8

Key Assumptions

Year to 31 Dec	2009	2010	2011E	2012F	2013F
Komatsu sales (units)	3,111	5,404	8,400	9,375	10,781
Coal delivery (m tons)	68.0	77.9	84.9	91.0	106.5
Overburden (m bcm)	597.9	651.5	764.2	819.0	915.6
Coal sales (m tons)	2.4	3.1	4.2	6.0	6.5

Price and Valuation History

	2006	2007	2008	2009	2010
Price					
High	6,150	10,908	13,826	16,750	25,650
Avg	5,161	7,936	9,582	10,679	19,419
Low	3,625	6,028	2,400	4,600	15,350
P/E					
High	9.2	10.8	8.0	7.7	8.0
Avg	7.0	7.0	5.1	5.0	5.1
Low	6.0	6.3	1.6	2.2	1.6
EV/EBITDA					
High	18.8	20.8	15.6	14.6	15.6
Average	15.8	15.2	10.8	9.3	10.8
Low	11.1	11.5	2.7	4.0	2.7

Capital History

Date	Description
Sep-89	IPO 23.0m shares @ Rp1,000/share
May-91	Rights issue 11.5m shares (2:1)
Feb-94	Bonus shares 103.5m shares (3:1)
Jun-00	Bonus shares 248.4m shares (9:5)
Sep-00	Stock split 3:1
Aug-03	ESOP 27.6m shares
May-04	Rights issue 1.3bn shares
Sep-08	Rights issue 475.3m shares
Jun-11	Rights issue 403m shares

IMPORTANT DISCLOSURES AND DISCLAIMERS

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Definition of ratings :

BUY = stock return > 10% over the next 12 months (excluding dividend)

HOLD = stock return -10% to 10% over the next 12 months (excluding dividend)

SELL = stock return <10% over the next 12 months (excluding dividend)

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