

TRIM Company Update

UNTR: Wrapping Up Sep'11 Performances

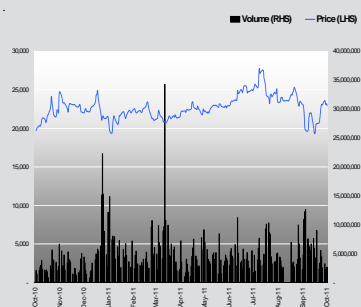
Maintained

BUY

Share Price : Rp22,950
Sector : Heavy Equipment
Price Target : Rp30,000 (30.7%)

Stock Data

Reuters Code : UNTR.JK
Bloomberg Code : UNTR IJ
Issued Shares (mn) : 3,730.1
Mkt Cap (Rpbn) : 85,606
Average Daily T/O : 4.4m
52-Wk range : Rp18,250/Rp27,750



Company Description:

PT United Tractors Tbk distributes and leases construction machinery under Komatsu brand. The Company also provides mining contractor services through Pamapersada, and entering coal mining business.

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Komatsu Sales Recovered. Komatsu sales bounced back, hitting above 756 units in Sep'11 after experiencing its lowest sales of the year in Aug'11. On a cumulative basis, 9M11 sales already reached 6,406 units, jumped 55.7% YoY and making up 85.4% of our 2011 estimate. Market share maintained at 50% vs. 46% of 2010 reading. Mining sector still became the major contributor with 67.7% portion, still the highest portion in the last 5 years, indicating strong mining activities going forward. We understand that the sales number is usually weaker in 4Q based on its seasonality with Dec sales usually reduced by half. However if the company managed to maintain its monthly average sales of 700 units through the rest of the year, we should see 6.4% upside on our 2011 net profit estimation of Rp4.7tr.

Moving forward to 2012, management aims for 10% moderate growth in sales vs. 73.7% in 2010 and 38.8% in 2011 (assuming 7,500 units sold). Considering the global economic slowdown, we believe that the 10% growth target is fully achievable. Furthermore, we do still believe that it is least likely for 2009 case (sales declined by 28.4% YoY) to reoccur mainly supported by the strong global coal prices outlook (>USD100/ton).

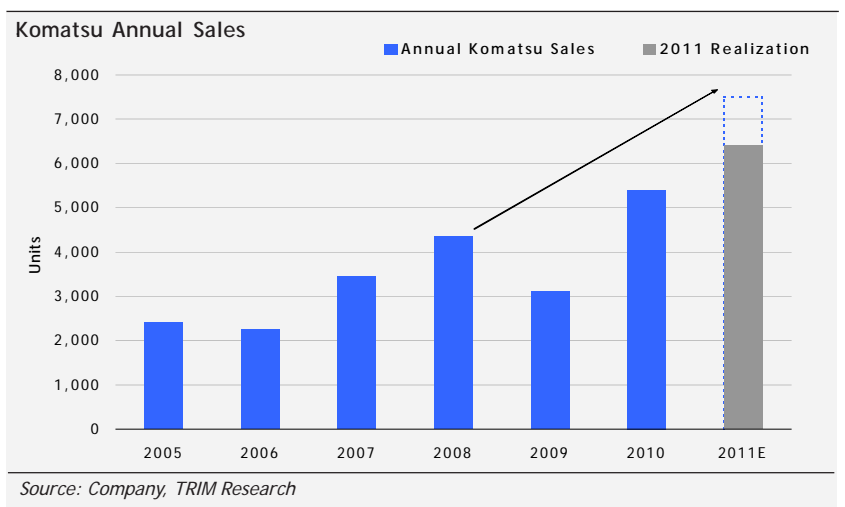
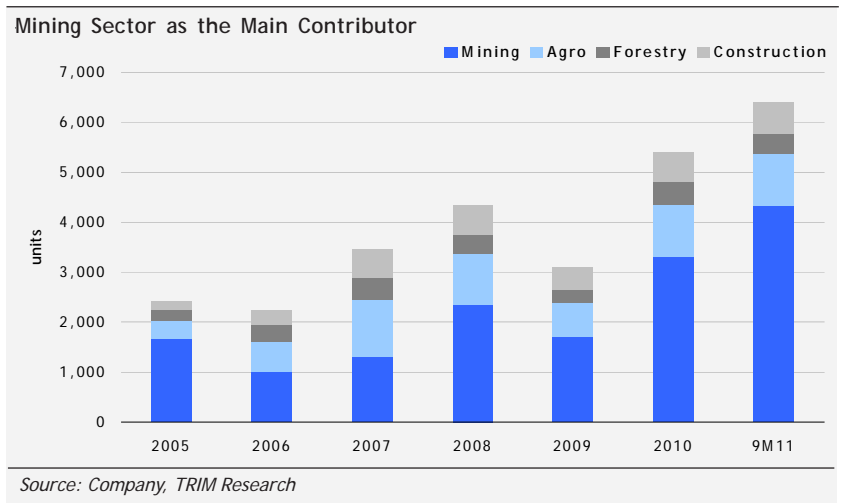
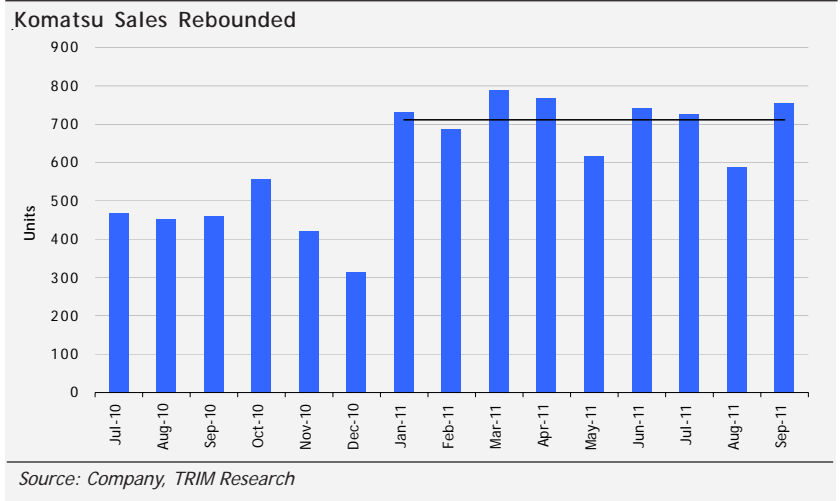
Pama's Overburden Removal Increase by 21.9% YoY. Pama removed 69.1mn bcm of overburden in Sep'11, declined 6.2% MoM but still +28.7% YoY. Stripping ratio slightly declined to 9.2x in Sep'11 vs. 9.6x in Aug'11 but still higher than 8.8x in Sep'10. As a market leader in mining contracting business, Pama's increasing stripping ratio directly indicates the trend on rising cash cost on our coal producers due to the ramping up production projects. On overall, 9M11 overburden removal reached 585.2mn bcm, up 21.9% YoY, while coal extraction reached 63.38mn tons, increased 11.4% YoY. We foresee Pama's overburden removal and coal extraction to reach 746.7mn bcm and 84.9mn tons, respectively.

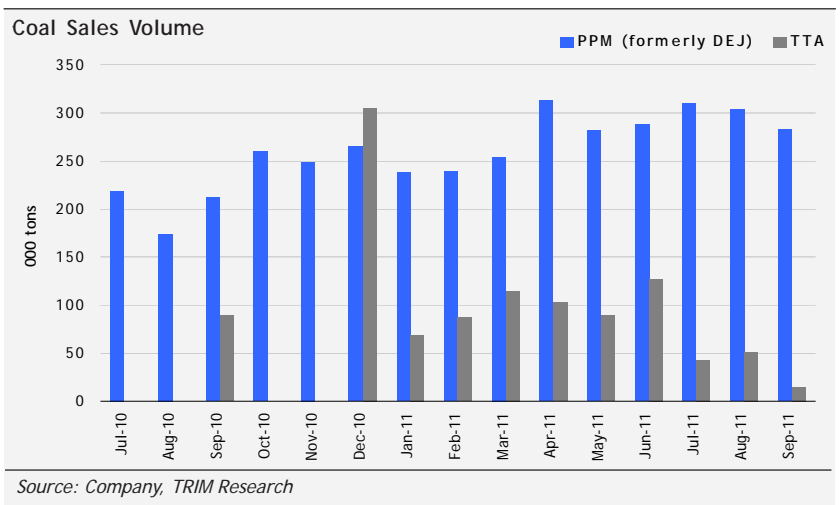
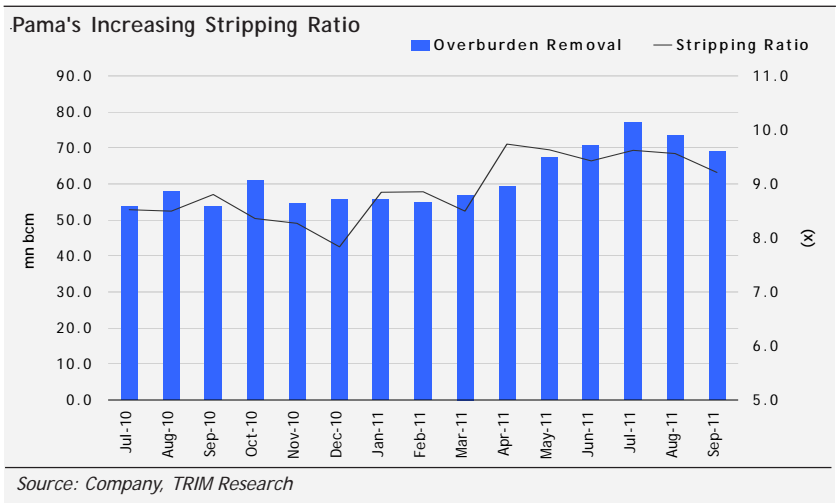
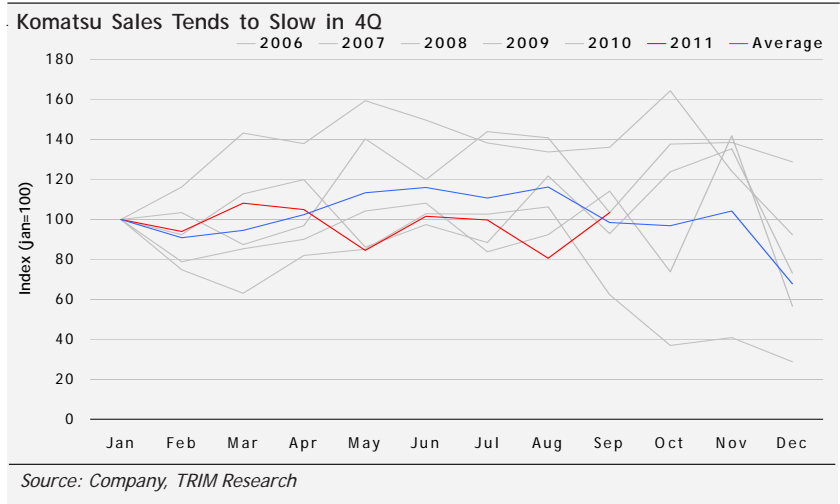
Coal Sales Reached 3.2mn tons. It was 62.7% YoY higher and already represented 80.3% of our 2011 estimate. On a monthly basis, Sep'11 output reached 298k tons, lower than the previous 2 months at both TTA and PMM mines. The company is finally finalized its acquisition of 60% stake on Duta Sejahtera several days ago, which open the possibility to acquire Duta Nurcahya. It completed UNTR's coal portfolio after acquiring 20% stake in Bukit Enim Energi, adding 40% stake in Agung Bara Prima and 30% stake in Asmin Bara.

Maintain BUY, Tp Rp30,000. Our target price was derived by using DCF methodology with 12.0% WACC and 0% long term growth. It implied 17.1x 2012est PE ratio, near its peak of 2+ standard deviation UNTR PE Band at 17.4x. Looking at its defensive business model as well as robust heavy equipment sales, UNTR remains our top pick in coal-related sector.

Financial Summary

Year end 31 Dec	2009	2010	2011E	2012F	2013F
Revenue (Rpbn)	29,243	37,324	48,062	55,026	62,776
Revenue Growth (%)	4.8	27.6	28.8	14.5	14.1
EBITDA (Rpbn)	7,425	8,019	10,012	12,886	14,702
EBITDA Growth (%)	25.9	8.0	24.9	28.7	14.1
Net Profit (Rpbn)	3,818	3,873	4,757	6,557	7,523
EPS Growth (%)	43.5	1.4	22.8	37.8	14.7
ROAE (%)	30.6	25.8	23.5	24.7	24.2
DPS (Rp)	350	490	494	574	791
Div Yield (%)	1.5	2.1	2.2	2.5	3.4
P/E (x)	20.0	19.7	17.0	13.1	11.4
P/BV (x)	5.5	4.7	3.3	3.0	2.6
EV/EBITDA (x)	11.7	11.2	8.4	6.2	5.2





Income Statement (Rpbn)

Year end 31 Dec	2009	2010	2011E	2012F	2013F
Revenue	29,243	37,324	48,062	55,026	62,776
% growth	4.80	27.64	28.77	14.49	14.08
Gross Profit	6,672	6,796	8,323	10,793	12,222
Opr Profit	5,221	5,163	6,416	8,692	9,917
EBITDA	7,425	8,019	10,012	12,886	14,702
% growth	25.86	8.01	24.86	28.70	14.09
Net Int inc/(exp)	(89)	(140)	(85)	20	69
Gain/(loss) forex	283	22	-	-	-
Other Inc/(exp)	20	(6)	5	6	6
Pre-tax Profit	5,435	5,039	6,336	8,719	9,992
Tax	(1,595)	(1,187)	(1,562)	(2,135)	(2,438)
Minority Int.	(32)	(2)	(43)	(57)	(65)
Extra. Items	9	23	26	30	34
Net Profit	3,818	3,873	4,757	6,557	7,523
% growth	43.5	1.4	22.8	37.8	14.7

Balance Sheet (Rpbn)

Year end 31 Dec	2009	2010	2011E	2012F	2013F
Cash and Deposits	2,769	1,343	7,536	10,503	13,506
Other Current Assets	9,200	14,190	14,112	14,539	16,590
Net Fixed Assets	11,858	13,261	16,229	16,984	17,529
Other Assets	578	907	1,132	1,319	1,558
Total Assets	24,405	29,701	39,009	43,344	49,183
ST Debt	1,369	2,982	3,029	2,441	2,340
Other Current Liabilities	5,857	6,938	8,097	9,297	10,522
LT Debt	2,400	2,699	2,812	1,921	1,892
Other LT Liab	828	917	611	752	858
Minority Interest	107	29	72	129	194
Total Liabilities	10,454	13,536	14,549	14,411	15,612
Shareholder's Equity	13,844	16,136	24,387	28,804	33,376
Net Debt/(Cash)	1,000	4,337	(1,695)	(6,141)	(9,274)
Net Working Capital	4,743	5,614	10,521	13,304	17,233

Interim Results (Rpbn)

	2Q10	3Q10	4Q10	1Q11	2Q11
Sales	9,361	9,734	9,510	12,649	12,970
Gross Profit	1,724	1,717	1,734	2,232	2,208
Operating Profit	1,346	1,277	1,236	1,700	1,643
Net Profit	980	1,072	913	1,298	1,243
Gross Margins (%)	18.4	17.6	18.2	17.6	17.0
Opr Margins (%)	14.4	13.1	13.0	13.4	12.7
Net Margins (%)	10.5	11.0	9.6	10.3	9.6

Cash Flow (Rpbn)

Year end 31 Dec	2009	2010	2011E	2012F	2013F
Net Profit	3,818	3,873	4,757	6,557	7,523
Depr/Amort	2,204	2,857	3,596	4,194	4,785
Chg in Opr ass&liab	261	(3,818)	1,115	800	(781)
Others	(11)	(186)	(120)	111	50
CF's from Oprs	6,273	2,726	9,348	11,661	11,578
Capex	(4,557)	(4,260)	(6,565)	(4,948)	(5,331)
Others	(63)	(215)	(246)	(126)	(164)
CF's from Investing	(4,620)	(4,475)	(6,810)	(5,074)	(5,494)
Net Change in Debt	(1,096)	1,912	161	(1,480)	(129)
Others	(1,106)	(1,580)	3,494	(2,141)	(2,951)
CF's from Financing	(2,202)	331	3,655	(3,620)	(3,080)
Net Cash Flow	(549)	(1,418)	6,193	2,967	3,003
Cash at BoY	3,325	2,776	1,358	7,551	10,517
Cash at EoY	2,776	1,358	7,551	10,517	13,520
Free Cashflow	1,716	(1,534)	2,784	6,713	6,247

Key Ratio Analysis

Year end 31 Dec	2009	2010	2011E	2012F	2013F
Profitability					
Gross Margins (%)	22.8	18.2	17.3	19.6	19.5
Op Margins (%)	17.9	13.8	13.3	15.8	15.8
EBITDA Margins (%)	25.4	21.5	20.8	23.4	23.4
Net Margins (%)	13.1	10.4	9.9	11.9	12.0
ROE (%)	30.6	25.8	23.5	24.7	24.2
ROA (%)	16.2	14.3	13.8	15.9	16.3
Stability					
Current ratio (x)	1.7	1.6	1.9	2.1	2.3
Net Debt/Equity (x)	0.1	0.3	(0.1)	(0.2)	(0.3)
Int Coverage (x)	27.7	24.9	36.9	54.3	57.9
Efficiency					
A/P days	66.4	57.5	55.0	55.0	55.0
A/R days	54.9	50.3	50.0	45.0	45.0
Inventory days	63.3	50.0	55.0	50.0	50.0

Key Assumptions

Year end 31 Dec	2010	2011E	2012F	2013F
Komatsu Sales (Units)	5,404	7,500	7,700	8,470
Coal Extraction (mn tons)	77.0	84.9	94.4	103.9
Overburden Removal (mn bcm)	655.0	746.7	821.4	903.5
Coal Production (mn tons)	3.1	4.0	5.0	5.5

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