

# TRIM Company Update

## UNTR: Another Strong Sales Achievement

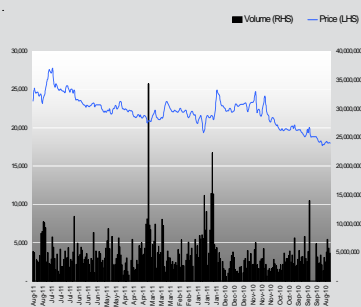
Maintained

**BUY**

Share Price : Rp23,500  
Sector : Heavy Equipment  
Price Target : Rp30,000 (27.6%)

### Stock Data

Reuters Code : UNTR.JK  
Bloomberg Code : UNTR IJ  
Issued Shares (m) : 1,130  
Mkt Cap (Rpbn): 49,660  
Average Daily T/O : 1.6m  
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.

**Sold 728 Units in Jul'11.** UNTR managed to maintain its excellent monthly Komatsu sales this year, exceeding 700 units for the fifth times since Jan'11. 7M11 sales already reached 5,061 units, jumped 58.2% YoY and making up 67.5% of our 2011 estimate. Mining sector still became the major contributor with 67.9% portion, the highest portion in the last 5 years, indicating strong mining activities going forward. Komatsu also managed to strengthen its position as a market leader with 50% market shares in 7M11 vs. 46.0% of 2010 reading. Even though the sales number is expected to slow in 4Q based on its seasonality, we see an upside risk on our 2011 Komatsu sales forecast of 7,500 units.

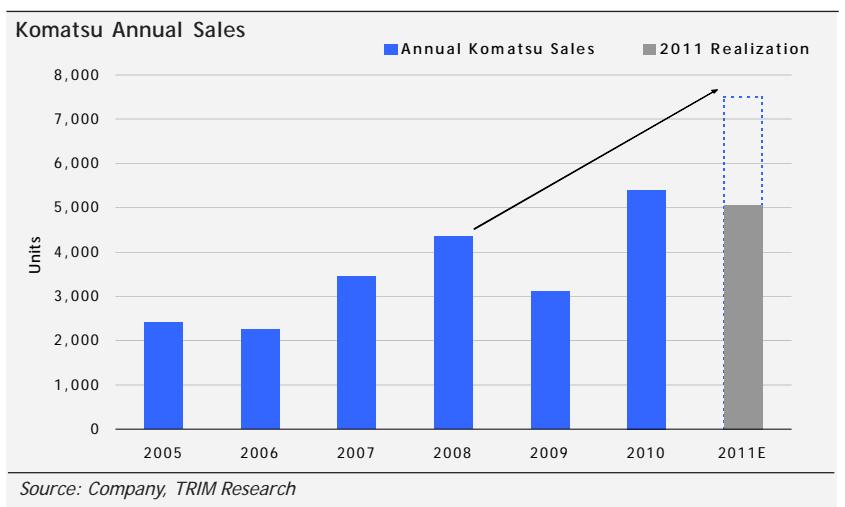
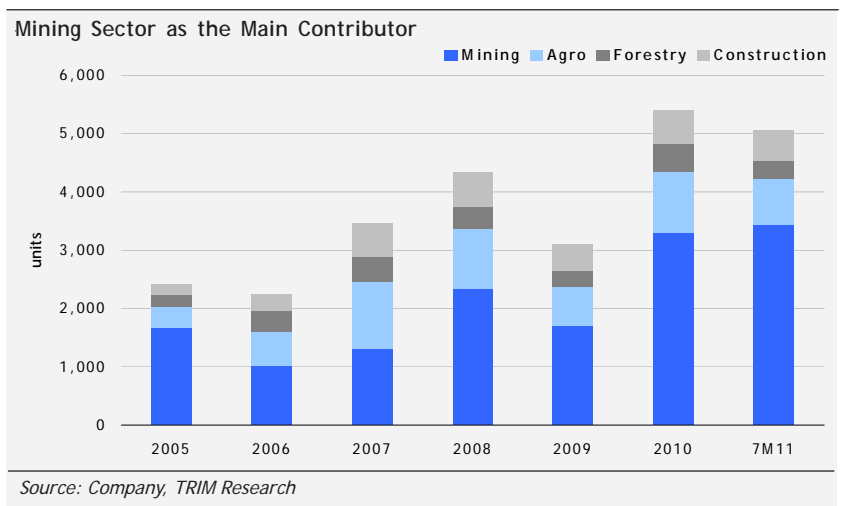
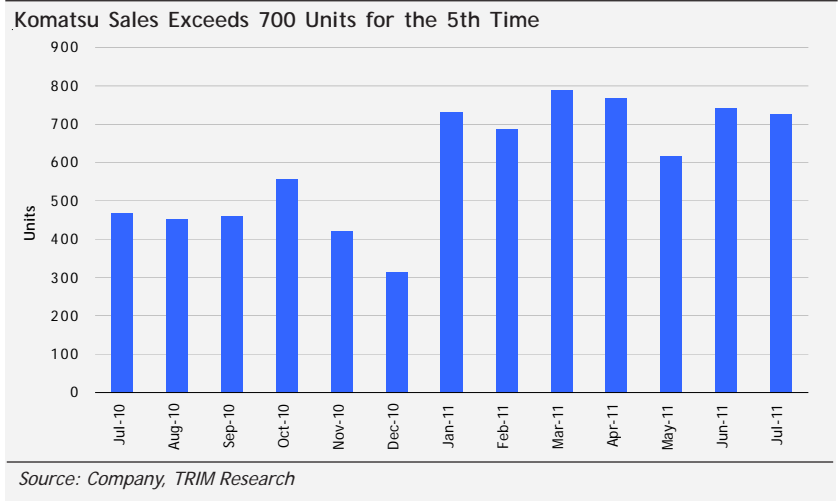
**Increase in Pama's Stripping Ratio.** Pama removed 76.7mn bcm of overburden in Jul'11, increased 8.5% MoM and 42.8% YoY. Stripping ratio stood at 9.6x in Jul'11 vs. 9.4x in Jun'11 and 8.5x in Jul'10. As a market leader in mining contracting business, Pama's increasing stripping ratio directly indicates the trend on rising cash cost on our coal producers due to lingering rainfall and ramping up production projects. Until 7M11, overburden removal reached 442.1mn bcm while coal extraction reached 47.9mn tons, representing 9.2x stripping ratio, slightly higher than our 2011 estimate of 8.8x.

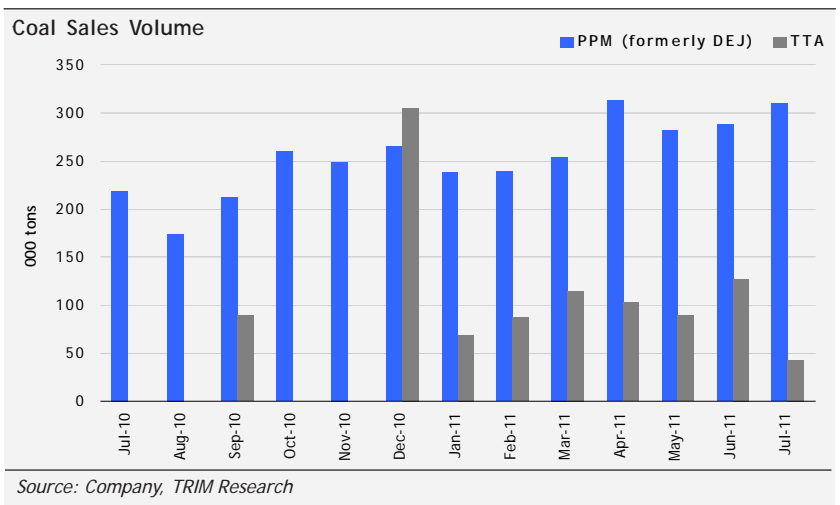
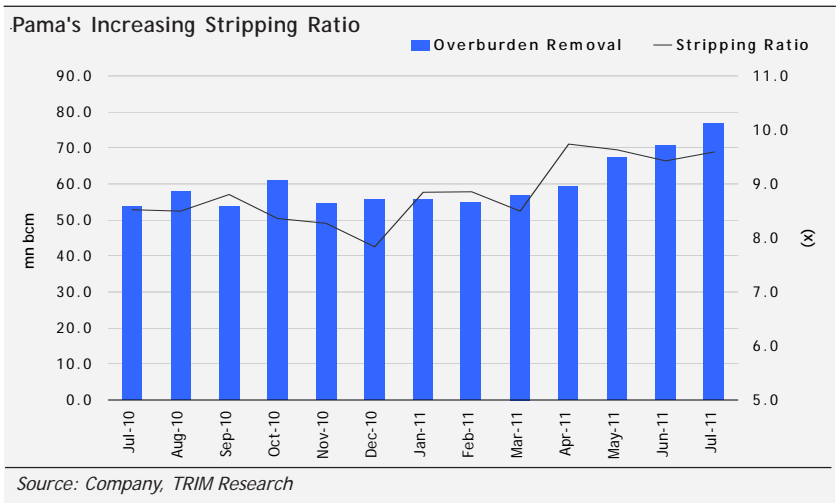
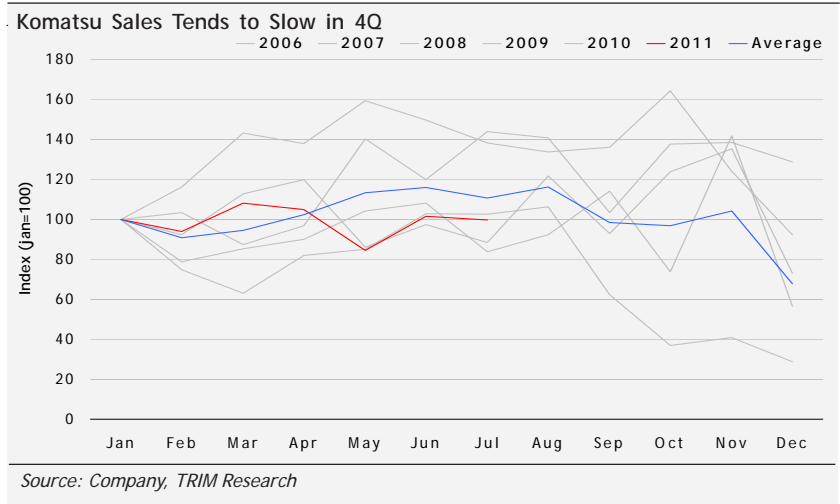
**Coal Sales Reached 2.5mn tons.** It was 70.6% YoY higher and already represented 65.0% of our 2011 estimate, mainly driven by its newly acquired TTA mine. PMM (formerly DEJ) contributed 1.9mn tons while the remaining 0.6mn tons came from TTA.

**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. We believe that the valuation was justifiable looking at company's strong growth on both its earning and operational performances.

### 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    | 2.1    | 2.4    | 3.4    |
| P/E (x)            | 20.5   | 20.2   | 17.4   | 13.4   | 11.7   |
| P/BV (x)           | 5.6    | 4.8    | 3.4    | 3.0    | 2.6    |
| EV/EBITDA (x)      | 11.9   | 11.5   | 8.6    | 6.3    | 5.3    |





## Income Statement (Rpbn)

| Year end 31 Dec   | 2009    | 2010    | 2011E   | 2012F   | 2013F   |
|-------------------|---------|---------|---------|---------|---------|
| Revenue           | 29,243  | 37,324  | 48,062  | 55,026  | 62,776  |
| % growth          | 5       | 28      | 29      | 14      | 14      |
| 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          | 26      | 8       | 25      | 29      | 14      |
| 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      | 1       | 23      | 38      | 15      |

## 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 |
|----------------------|------|------|-------|-------|-------|
| <b>Profitability</b> |      |      |       |       |       |
| 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  |
| <b>Stability</b>     |      |      |       |       |       |
| 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  |
| <b>Efficiency</b>    |      |      |       |       |       |
| 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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