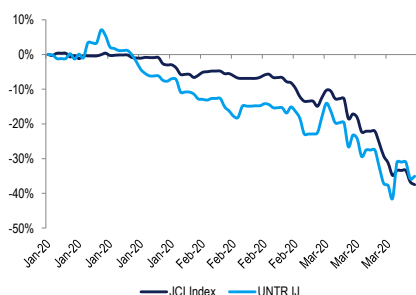


Stock Data

Target price	Rp21,100
Prior TP	R21,100
Current price	Rp13,975
Upside/downside	+51%
Shares outstanding (mn)	3,730
Market cap (Rp bn)	52,129
Free float	40%
Avg. 6m daily T/O (Rp bn)	74

Price Performance

	3M	6M	12M
Absolute	-34.1%	-36.8%	-48.9%
Relative to JCI	3.5%	-0.2%	-10.3%
52w low/high (Rp)	12,600 – 28,825		



Major Shareholders

Astra International	59.5%
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## Feb20 numbers: weakness in HE may continue but PAMA remains solid

- UNTR’s HE sales were down 44% yoy in 2M20, forming 16% of its target, though we think it may miss as we anticipate further weakness.
- PAMA’s Feb20 volume was down 15% yoy due to lower utilization amid higher rainfall. It maintains its FY20F volume guidance for now.
- Coal sales volume grew 14% yoy, while gold sales were flat yoy in 2M20. Maintain Buy amid resilient outlook and undemanding valuation.

### Weak Feb20 HE sales, expect further weakness ahead

UNTR’s Feb20 HE sales were at 216 units (-42% yoy/-14% mom), which brought the 2M20 sales to 467 units (-44% yoy). Mining (-63% yoy) was the weakest, followed by agri (-47% yoy) and construction (-45% yoy); forestry was the only segment to post growth (+51% yoy). While 2M20 sales was relatively in-line at 16% of its FY20F target of 2.9k units, we anticipate further weakness (especially in construction) in the coming months amid the corona virus impact, which might pose some downside to its target.

### Drop in PAMA’s volume in Feb, though Mar volume should normalize

PAMA’s total volume (coal + OB) was down 12% yoy (-3% mom) in Feb20 – this brought the 2M20 volume to -8% yoy, slightly below its guidance. Strip ratio stood at 7.6x in 2M20 vs. 7.7x in 2M19. Our checks with the management suggest that the drop in Feb20 volume was due to lower utilization amid intense rainfall in Feb20, though volume should recover in Mar20. Nonetheless, its FY20F target is still intact (-5% yoy volume growth with strip ratio of 7.1-7.2x).

### Coal volume has recovered, gold volume has been resilient

Coal sales volume grew 28% yoy (+50% mom) in Feb20 – the pick-up was supported by favourable weather (i.e. higher rainfall/water level allowing more coal transport). This brought the 2M20 coal sales volume to 1.9m tonnes (+14% yoy), forming 19% of its FY20F target of 9.8m tonnes – thermal coal volume grew 9% yoy, while coking coal grew 39% yoy. Gold sales was at 65k tonnes (flat yoy), forming 18% of its FY20F target of 360k oz.

### Maintain Buy

Maintain Buy as we think FY20F earnings outlook remain resilient ([link to our previous report](#)) – recovery in China, lower oil price and depreciating rupiah are all accretive for UNTR’s EPS. Valuation is also undemanding, trading at 5.3x 2020F P/E vs. 10-year average of 13x P/E. Risk is collapse in coal prices.

Financial Summary (Rp bn)	2018A	2019A	2020F	2021F	2022F
Revenue	84,625	84,430	78,749	79,241	84,915
EBITDA	21,811	23,401	21,665	22,553	23,687
Net profit	11,126	11,312	9,847	10,367	10,858
EPS growth	50%	2%	-13%	5%	5%
ROE	21%	19%	15%	15%	14%
PER (x)	4.7	4.6	5.3	5.0	4.8
EV/EBITDA (x)	2.2	2.3	2.3	2.0	1.8
Dividend yield	6.4%	8.5%	8.7%	9.4%	9.9%
Forecast change			N/A	N/A	N/A
IPS vs. consensus			96%	97%	96%

Source: Company, Indo Premier

Share price closing as of: 24 March 2020

**Fig. 1: UNTR's Feb20 HE sales summary – we anticipate further weakness going forward, which might put more downside to UNTR'S FY20F target of 2.9k units**

Heavy equipment sales (in units)	2M20	2M19	yoy%	Feb-20	Feb-19	yoy%	Jan-20	mom%
Mining	166	445	-63%	89	193	-54%	78	14%
Agri	45	84	-47%	19	37	-48%	25	-23%
Construction	120	219	-45%	52	112	-54%	68	-24%
Forestry	136	90	51%	56	30	89%	80	-30%
<b>Heavy equipment sales</b>	<b>467</b>	<b>837</b>	<b>-44%</b>	<b>216</b>	<b>372</b>	<b>-42%</b>	<b>251</b>	<b>-14%</b>

Source: Company, Indo Premier

**Fig. 2: UNTR's Feb20 PAMA volume summary – drop in Feb20 volume was due to heavy rainfall, though volume should normalize in Mar**

Mining contracting	2M20	2M19	yoy%	Feb-20	Feb-19	yoy%	Jan-20	mom%
Coal production (m tonnes)	18	20	-8%	9	10	-15%	9	-7%
Overburden removal (m bcm)	138	151	-8%	68	77	-12%	70	-2%
Total volume	157	171	-8%	77	88	-12%	79	-3%
Strip ratio (x)	7.6	7.7	-1%	7.9	7.6	4%	7.4	6%

Source: Company, Indo Premier

**Fig. 3: Coal sales volume grew 14% yoy in 2M20, while gold sales volume was flat yoy in 2M20**

Coal mining	2M20	2M19	yoy%	Feb-20	Feb-19	yoy%	Jan-20	mom%
Thermal coal sales (k tonnes)	1,552	1,418	9%	1,019	796	28%	533	91%
Coking coal sales (k tonnes)	326	235	39%	107	85	26%	219	-51%
<b>Total coal sales</b>	<b>1,878</b>	<b>1,653</b>	<b>14%</b>	<b>1,126</b>	<b>881</b>	<b>28%</b>	<b>752</b>	<b>50%</b>

Gold mine	2M20	2M19	yoy%	Feb-20	Feb-19	yoy%	Jan-20	mom%
Volume in k oz	65	65	0%	29	33	-12%	36	-19%

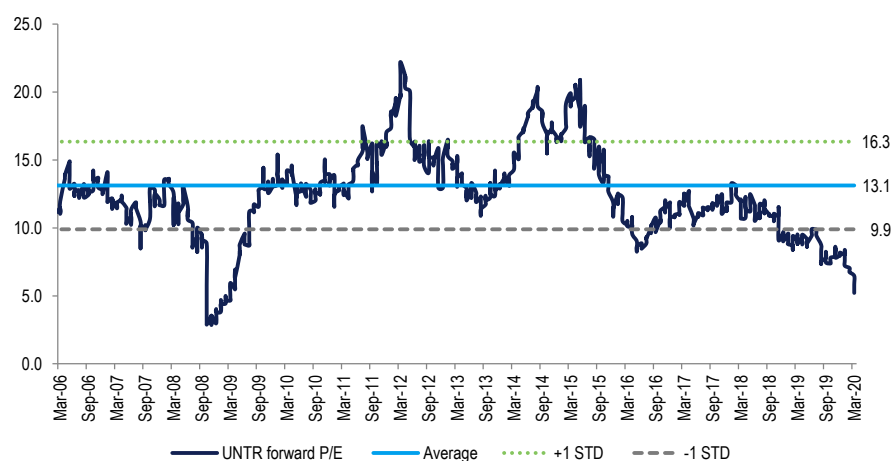
Source: Company, Indo Premier

**Fig. 4: Sensitivity of UNTR's earnings to changes in key assumptions – lower HE sales will have minimal impact to EPS, while weaker Rp and lower oil are both highly accretive**

Earnings sensitivity	2020F	2021F	2022F
Base	9,847	10,367	10,858
Heavy equipment sales -10%	9,787	10,237	10,653
change %	-0.6%	-1.3%	-1.9%
Coal price -10%	9,641	9,936	10,384
change %	-2.1%	-4.2%	-4.4%
Strip ratio -10%	9,498	9,983	10,494
change %	-3.5%	-3.7%	-3.4%
Mining fees -1%	9,593	10,100	10,585
change %	-2.6%	-2.6%	-2.5%
Thermal coal sales volume -10%	9,617	10,164	10,621
change %	-2.3%	-2.0%	-2.2%
Coking coal sales volume -10%	9,732	10,237	10,728
change %	-1.2%	-1.3%	-1.2%
Gold mine sales volume -10%	9,613	10,133	10,589
change %	-2.4%	-2.3%	-2.5%
Rupiah depreciate 10% vs. US\$	11,385	12,087	12,637
change %	15.6%	16.6%	16.4%
Oil price -10%	10,333	10,839	11,348
change %	4.9%	4.6%	4.5%

Source: Company, Indo Premier

**Fig. 5: UNTR now trades at 5.3x 2020F P/E, below 10-year average of 13.1x P/E**



Source: Bloomberg, Company, Indo Premier

Income Statement (Rp bn)	2018A	2019A	2020F	2021F	2022F
Net revenue	84,625	84,430	78,749	79,241	84,915
Cost of sales	(63,515)	(63,200)	(59,323)	(59,558)	(63,196)
<b>Gross profit</b>	<b>21,110</b>	<b>21,231</b>	<b>19,425</b>	<b>19,683</b>	<b>21,719</b>
SG&A Expenses	(4,339)	(4,626)	(4,314)	(4,341)	(5,944)
<b>Operating profit</b>	<b>16,771</b>	<b>16,605</b>	<b>15,111</b>	<b>15,342</b>	<b>15,775</b>
Net interest	(673)	(1,717)	(1,919)	(1,454)	(1,199)
Forex gain (loss)	(127)	0	0	0	0
Others	(261)	589	400	400	400
<b>Pre-tax income</b>	<b>15,709</b>	<b>15,477</b>	<b>13,592</b>	<b>14,289</b>	<b>14,976</b>
Income tax	(4,210)	(4,342)	(3,398)	(3,572)	(3,744)
Minority interest	(373)	177	(347)	(349)	(374)
<b>Net income</b>	<b>11,126</b>	<b>11,312</b>	<b>9,847</b>	<b>10,367</b>	<b>10,858</b>

Balance Sheet (Rp bn)	2018A	2019A	2020F	2021F	2022F
Cash & equivalent	13,438	12,091	16,941	17,931	21,016
Receivable	20,610	19,681	19,687	19,810	22,647
Inventory	13,618	11,014	13,183	13,235	14,852
Other current assets	7,985	8,042	5,266	5,296	5,296
<b>Total current assets</b>	<b>55,652</b>	<b>50,827</b>	<b>55,078</b>	<b>56,273</b>	<b>63,811</b>
Fixed assets	45,766	46,212	47,682	49,372	50,577
Other non-current assets	14,863	14,674	13,134	20,051	13,151
<b>Total non-current assets</b>	<b>60,629</b>	<b>60,886</b>	<b>60,816</b>	<b>69,423</b>	<b>63,728</b>
<b>Total assets</b>	<b>116,281</b>	<b>111,713</b>	<b>115,894</b>	<b>118,795</b>	<b>127,539</b>
ST loans	6,857	818	818	818	818
Payable	32,691	20,909	21,972	22,058	24,754
Other payables	9,074	7,662	6,408	6,430	6,430
Current portion of LT loans	164	3,196	0	0	0
<b>Total current liab.</b>	<b>48,786</b>	<b>32,586</b>	<b>29,198</b>	<b>29,306</b>	<b>32,001</b>
Long term loans	2,896	10,612	12,511	9,511	9,511
Other LT liab.	7,548	7,406	7,406	7,406	7,406
<b>Total liabilities</b>	<b>59,230</b>	<b>50,603</b>	<b>49,114</b>	<b>46,223</b>	<b>48,918</b>
Equity	13,258	11,152	11,152	11,152	11,152
Retained earnings	40,522	47,060	52,382	57,826	63,500
Minority interest	3,271	2,898	3,245	3,594	3,968
<b>Total SHE + minority int.</b>	<b>57,051</b>	<b>61,110</b>	<b>66,779</b>	<b>72,572</b>	<b>78,621</b>
<b>Total liabilities &amp; equity</b>	<b>116,281</b>	<b>111,713</b>	<b>115,894</b>	<b>118,795</b>	<b>127,539</b>

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2018A	2019A	2020F	2021F	2022F
Net income	11,126	11,312	9,847	10,367	10,858
Depr. & amortization	5,041	6,796	6,554	7,211	7,913
Changes in working capital	12,452	(11,782)	1,063	87	2,695
Others	(9,659)	3,110	1,233	149	(4,080)
<b>Cash flow from operating</b>	<b>18,960</b>	<b>9,436</b>	<b>18,697</b>	<b>17,814</b>	<b>17,386</b>
Capital expenditure	(26,566)	(8,663)	(7,069)	(7,932)	(8,111)
Others	(1,165)	(1,094)	(955)	(969)	(1,006)
<b>Cash flow from investing</b>	<b>(27,731)</b>	<b>(9,758)</b>	<b>(8,024)</b>	<b>(8,901)</b>	<b>(9,117)</b>
Loans	5,603	4,633	(1,297)	(3,000)	0
Equity	0	0	0	0	0
Dividends	(3,883)	4,899	(4,525)	(4,924)	(5,184)
Others	(599)	(10,363)	0	0	0
<b>Cash flow from financing</b>	<b>1,121</b>	<b>(831)</b>	<b>(5,822)</b>	<b>(7,924)</b>	<b>(5,184)</b>
<b>Changes in cash</b>	<b>(7,650)</b>	<b>(1,152)</b>	<b>4,851</b>	<b>990</b>	<b>3,085</b>

Key Ratios	2018A	2019A	2020F	2021F	2022F
Gross margin	24.9%	25.1%	24.7%	24.8%	25.6%
Operating margin	19.8%	19.7%	19.2%	19.4%	18.6%
Pre-tax margin	18.6%	18.3%	17.3%	18.0%	17.6%
Net margin	13.1%	13.4%	12.5%	13.1%	12.8%
ROA	11.2%	9.9%	8.7%	8.8%	8.8%
ROE	21.3%	19.1%	15.4%	14.9%	14.4%
ROIC	28.1%	23.2%	19.3%	18.8%	18.3%
Acct. receivables TO (days)	4.6	4.2	4.0	4.0	4.0
Inventory TO (days)	5.9	5.1	4.5	4.5	4.5
Payable TO (days)	2.4	2.4	2.7	2.7	2.7
Debt to equity	18.0%	24.3%	20.3%	14.6%	13.5%
Interest coverage ratio (x)	15.2	10.0	9.0	11.0	13.2
Net gearing	-5.6%	4.6%	-5.0%	-10.1%	-13.3%

Source: Company, Indo Premier

## **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 analyst's 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.

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