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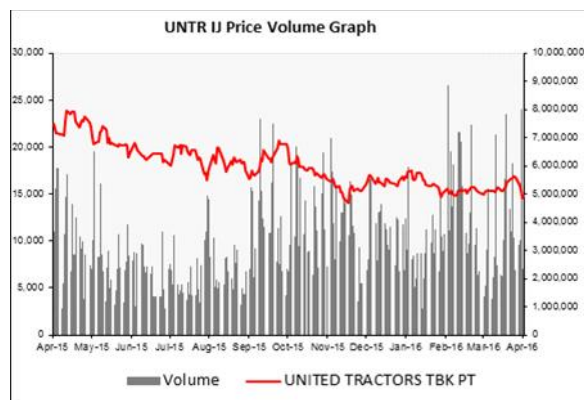


**PT United Tractors Tbk distributes and leases construction machinery including Komatsu, Nissan Diesel, Scania, Bomag, Valmet, and Tadano brands. The company also provides contract mining services, and trades and assembles heavy equipment.**

**Current Price: IDR 14,850**

**52-Week Target Price: IDR 15,100**

*Previous Target Price: IDR 16,200*



#### Share Price Performance

Price (IDR)	14,850
52-Week High (05/08/15)	24,000
52-Week Low (12/14/15)	13,925
52-Week Beta	1.24
YTD Change/%	(2,100) / (12.39%)

#### Stock Information

Market Cap (IDR)	55,392.5B
Shares Out/Float (M)	3,730.1/1,510

#### Company Update

### PT United Tractors Tbk (UNTR)

## Foreign Exchange Loss Hit 1Q16 Bottom Line

**NEUTRAL**

**NEUTRAL with 52-week TP IDR 15,100/share.** We reiterate our NEUTRAL recommendation for the stock and downgrade 52-week target price to IDR 15,100/share, which representing 12x PER FY16E.

**1Q16 Disappointing Results.** The company booked 1Q16 net income of IDR 731bn, fell by 55% YoY from IDR 1.64tn. That was far below of our estimate, or only equal to 12% of our FY16E net income. The decrease in bottom line was mainly due to the decrease in revenue by 15% YoY to IDR 10.7tn (25% of our FY16E) and an unexpected foreign exchange loss recorded by IDR 398.4bn. The four business segments which are mining contracting, construction machinery, mining, and construction industry, each contributed by 52%, 32%, 12%, and 4% in respectively.

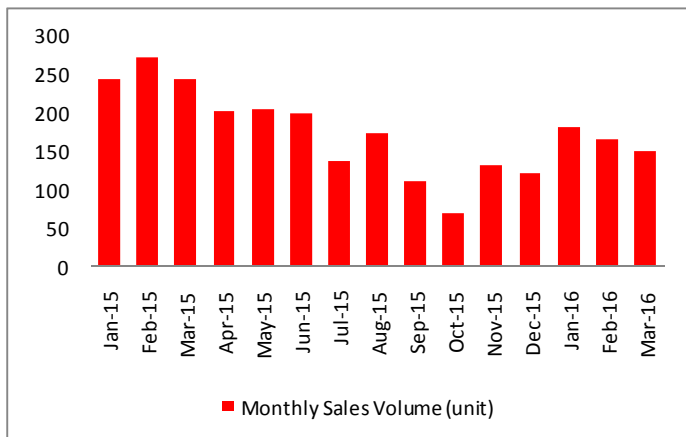
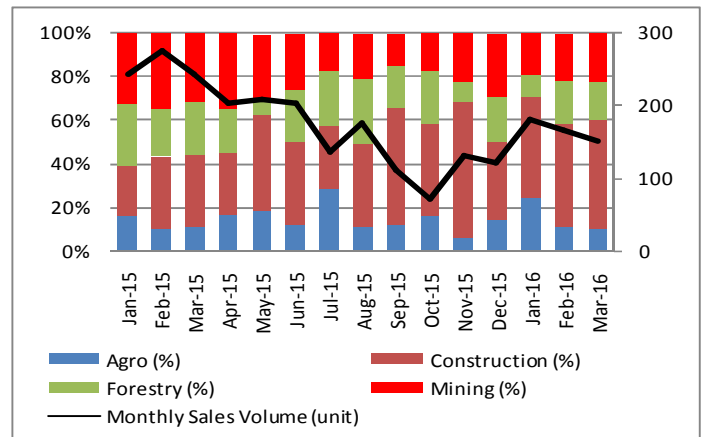
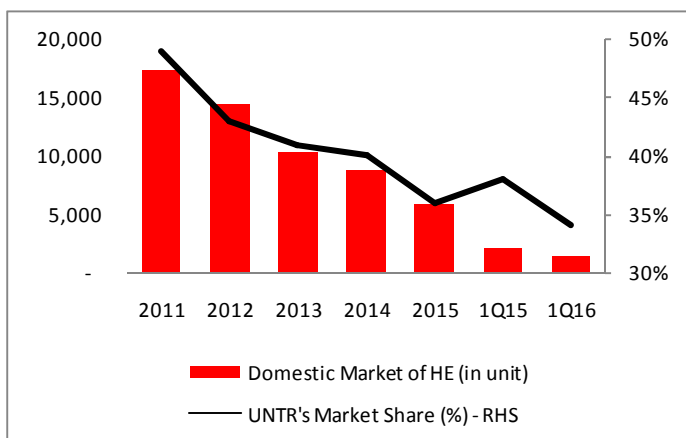
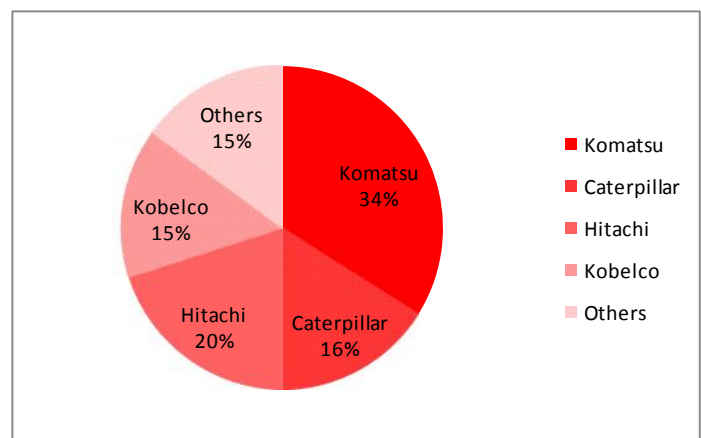
**Heavy Equipment Sales Dropped.** In the first three months this year, Komatsu sales volume dropped by 35% YoY from 763 units to 499 units. The company is still the market leader in the industry as it held 34% of domestic market share (according to company's internal market research). In line with the decrease in heavy equipment demand, spare parts and maintenance services revenue decreased by 9% YoY to IDR 1.4tn. On the other hand, UD Trucks demand increased from 21 units to 107 units and Scania products was increased from 110 units to 113 units. Thus, total revenue coming from this segment fell by 13% YoY to IDR 3.4tn, equal to 26% of our FY16E of IDR 12.8tn. Moreover, we concern about the new government restrictions on the opening of new land for mining, agriculture, and forestry purposes will put more pressure to near future company's heavy equipment demand as the three sectors contributed 52% to total Komatsu sales volume.

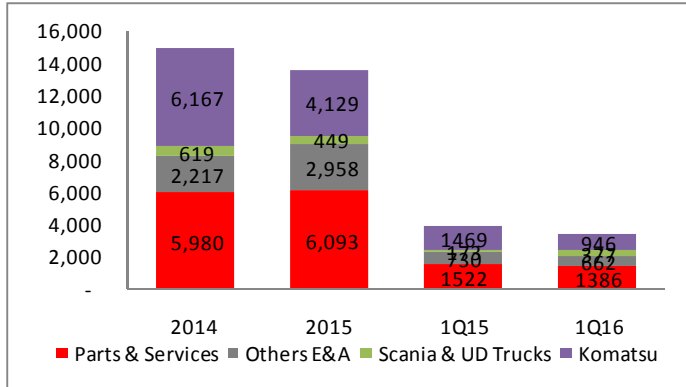
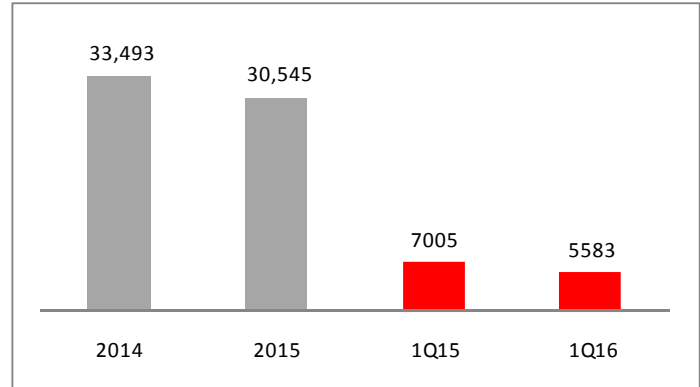
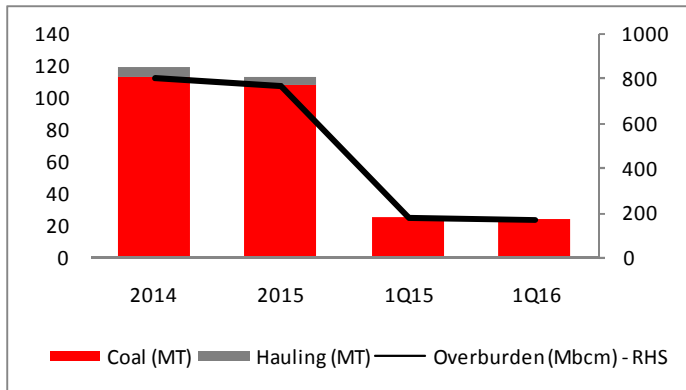
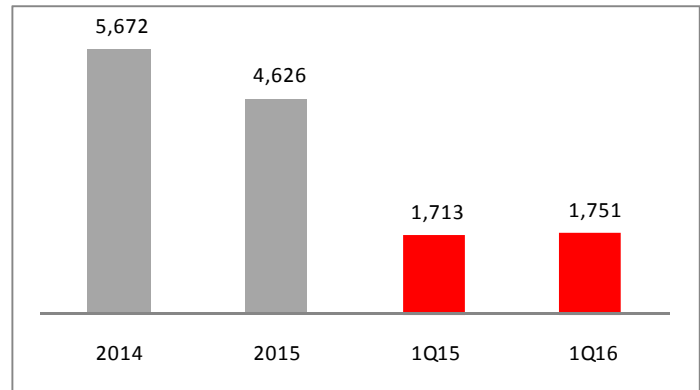
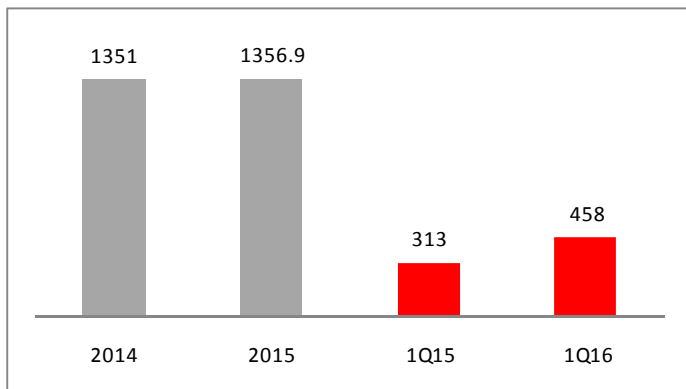
**Mining Contracting Continues to Struggle.** Although PAMA was able to maintain 48% market share, its revenue fell by 20% YoY to IDR 5.6tn (23% of our FY16E) which mainly due to the decrease in coal production by 4% YoY to 24.5 MT and the decrease in overburden removal by 7% YoY to 163.4mn bcm. We estimate the downtrend will continue as the customers still continuing to cut their production.

Financial Highlights	2014	2015	2016E	2017F	2018F
Revenue (IDR bn)	53,141	49,347	40,840	45,672	51,828
% growth	4%	-7%	-17%	12%	13%
Gross Profit (IDR bn)	12,070	11,702	8,737	10,248	11,321
Net Profit (IDR bn)	4,832	2,792	3,355	5,793	6,466
% growth	1%	-42%	20%	73%	12%
Gross Margin (%)	22.7%	23.7%	21.4%	22.4%	21.8%
Net Margin (%)	9.1%	5.7%	8.2%	12.7%	12.5%
Return on Equity (%)	12.5%	7.1%	8.3%	13.3%	14.0%
Return on Assets (%)	8.0%	4.5%	5.1%	8.0%	8.3%

*Source: Company Data, Sinarmas Investment Research*

Financial Statement Highlights (in IDR bn)	1Q16	1Q15	% YoY
Exchange Rate (IDR/USD)	13,276	13,084	1%
<b>Revenue Breakdown</b>			
Construction Machinery	3,371	3,893	-13%
Mining Contracting	5,583	7,005	-20%
Mining	1,284	1,437	-11%
Construction Industry	458	313	46%
<b>Total Revenue</b>	<b>10,696</b>	<b>12,648</b>	<b>-15%</b>
<b>Gross Profit</b>	<b>1,886</b>	<b>2,573</b>	<b>-27%</b>
GPM	17.6%	20.3%	-13%
<b>Profit for the Year</b>	<b>749</b>	<b>1,641</b>	<b>-54%</b>
<b>Net Income</b>	<b>731</b>	<b>1,636</b>	<b>-55%</b>
<b>EPS (IDR)</b>	<b>196</b>	<b>439</b>	<b>-55%</b>

**Komatsu Monthly Sales Volume by Unit**

**Komatsu Monthly Sales Volume by Segment**

**Komatsu Sales Volume by Unit & Market Share**

**Heavy Equipment Domestic Market Share**


**Construction Machinery Revenue Breakdown**

**Mining Contracting Revenue**

**PAMA's Coal and Overburden Removal**

**TTA's Coal Sales Volume**

**ACST's Revenue (IDR bn)**


**Appendix I: Financial Statements**

<b>Balance Sheet (in IDR mn)</b>	<b>2014</b>	<b>2015</b>	<b>2016E</b>	<b>2017F</b>	<b>2018F</b>
Cash and cash equivalents	10,059,803	15,413,210	22,453,872	25,833,845	28,812,349
Trade receivables - Third parties	13,032,934	11,391,542	12,252,234	13,701,678	15,548,621
Inventories	7,770,086	8,328,331	7,351,340	8,221,007	9,329,173
Fixed Assets	13,625,012	12,659,736	10,740,790	9,107,071	7,341,353
Mining properties	9,148,551	4,858,944	4,021,341	4,497,068	5,103,258
<b>TOTAL ASSETS</b>	<b>60,306,777</b>	<b>61,715,399</b>	<b>66,355,553</b>	<b>72,018,513</b>	<b>78,222,133</b>
Trade payables - Third parties	11,822,385	13,234,357	14,294,273	15,985,291	18,140,058
Accruals	1,008,030	1,368,316	2,042,039	2,283,613	2,591,437
Short-term bank loans	23,209	23,750	81,682	91,345	103,657
Current portion of long-term debt					
Bank loans	744,729	586,288	219,450	-	-
Long-term debt, net of current portion					
Bank loans	734,738	228,480	-	-	-
<b>TOTAL LIABILITIES</b>	<b>21,777,132</b>	<b>22,465,074</b>	<b>25,780,742</b>	<b>28,375,762</b>	<b>32,082,531</b>
<b>Equity</b>					
Share capital	932,534	932,534	932,534	932,534	932,534
Additional paid-in capital	9,703,937	9,703,937	9,703,937	9,703,937	9,703,937
Retained earnings					
Appropriated	186,507	186,507	186,507	186,507	186,507
Unappropriated	24,186,741	25,061,126	27,578,494	32,224,858	36,658,207
Non-controlling interest	1,916,456	1,330,603	353,894	(1,332,616)	(3,215,070)
<b>TOTAL EQUITY</b>	<b>38,529,645</b>	<b>39,250,325</b>	<b>40,574,811</b>	<b>43,642,752</b>	<b>46,139,602</b>

<b>Income Statement (in IDR mn)</b>	<b>2014</b>	<b>2015</b>	<b>2016E</b>	<b>2017F</b>	<b>2018F</b>
Net Revenue	53,141,768	49,347,479	40,840,779	45,672,260	51,828,737
Cost of Revenue	(41,071,359)	(37,645,186)	(32,103,072)	(35,423,786)	(40,507,194)
Gross Profit	12,070,409	11,702,293	8,737,708	10,248,474	11,321,543
Selling Expenses	(649,200)	(557,949)	(530,515)	(610,938)	(683,268)
General and Administrative Expenses	(2,565,903)	(2,558,012)	(1,878,204)	(2,047,972)	(2,353,777)
Impairment Loss on Mining Properties	(2,743,575)	(5,255,287)	(2,756,548)	(1,157,992)	(1,159,528)
Other Expenses	(148,494)	(313,553)	(114,121)	(127,622)	(144,825)
Other Income	334,156	1,015,431	236,055	252,377	292,981
Finance Income	432,086	396,017	770,661	1,122,694	1,291,692
Finance Costs	(277,755)	(323,654)	(36,020)	(5,486)	-
Share of Net Profit of Associates and Jointly Controlled Entit	55,016	87,460	44,459	50,936	57,112
Profit Before Income Tax	6,506,740	4,192,746	4,473,475	7,724,471	8,621,929
Income Tax Expenses	(1,674,691)	(1,400,307)	(1,118,369)	(1,931,118)	(2,155,482)
Profit for The Year	4,832,049	2,792,439	3,355,106	5,793,353	6,466,447

**Appendix II: Financial Ratios**

Ratios	2014	2015	2016E	2017F	2018F
<b>Profitability</b>					
ROE	12.5%	7.1%	8.3%	13.3%	14.0%
ROA	8.0%	4.5%	5.1%	8.0%	8.3%
Gross margin	22.7%	23.7%	21.4%	22.4%	21.8%
Operating margin	12.2%	8.5%	11.0%	16.9%	16.6%
Net margin	9.1%	5.7%	8.2%	12.7%	12.5%
Net income growth	0.7%	-42.2%	20.1%	72.7%	11.6%
<b>Liquidity</b>					
Current Ratio (x)	2.06	2.15	2.20	2.27	2.25
Quick Ratio (x)	1.58	1.69	1.85	1.91	1.89
<b>Solvency</b>					
D/E (x)	0.07	0.06	0.02	0.01	0.01
Debt/Assets (x)	0.04	0.04	0.01	0.00	0.00
<b>Valuations</b>					
P/E (x)	10.52	14.63	12.18	7.05	6.32
P/BV (x)	1.46	1.44	1.39	1.29	1.22

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