

Wednesday, 24 February 2021

BUY
Maintain

Last price (IDR) 23,125
Target Price (IDR) 33,000
Upside/Downside +42.7%
Previous Target Price (IDR) 33,000

Stock Statistics

Sector Heavy Equipment
Bloomberg Ticker UNTR IJ
No of Shrs (mn) 3,730
Mkt. Cap (IDRbn/USDmn) 86,259/6,121
Avg. daily T/O (IDRbn/USDmn) 121.3/8.6

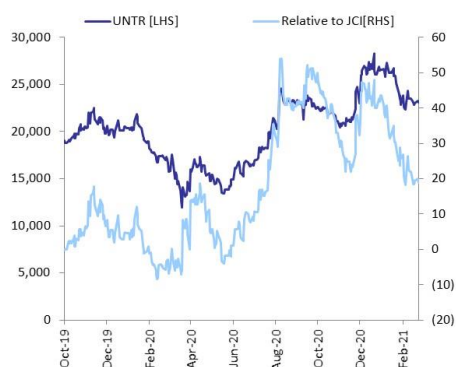
Major shareholders (%)

Astra International 59.5
Estimated free float 40.4

EPS Consensus (IDR)

	2020F	2021F	2022F
Danareksa	1,977.5	2,709.7	2,966.0
Consensus	1,901.5	2,573.8	2,865.5
Danareksa/Cons	4.0	5.3	3.5

UNTR relative to JCI Index



Source : Bloomberg



Stefanus Darmagiri

(62-21) 5091 4100 ext. 3530

stefanus.darmagiri@danareksa.co.id

United Tractors (UNTR IJ)

Lower Komatsu sales in Dec 2020

United Tractors (UNTR) reported seasonally lower monthly Komatsu sales of 83 units in Dec 2020 (-39.0% mom). In 2020, the impact of Covid-19 led to: a) 46.5% yoy lower Komatsu sales of 1,594 units, b) lower coal production (-12.7% yoy) and c) soft gold sales (-22.1% yoy). Nonetheless, coal sales volume grew 9.3% yoy to 9.3mn tons. The operational volumes were within our expectations. BUY maintained with a TP of IDR33,000 (DCF valuation).

Mixed monthly volumes in Dec 2020. Komatsu sales reached 83 units in Dec 2020 (-39.0% mom but flat on a yoy basis) with lower sales to the construction, forestry and mining sectors. We believe that the sales were affected by seasonality in Dec 2020. Coal production was flattish at 9.9mn tons with a lower SR at 6.3x in Dec 20 (Nov 20: 6.5x). Meanwhile, coal sales volume went up by 72.6% mom to 1.0mn tons. In 2020, the Covid-19 pandemic led to: a) 46.5% yoy lower Komatsu sales at 1,594 units, b) a decline in coal production (-12.7% yoy) to 114.6mn tons and c) soft gold sales (-22.1% yoy) to 320,000 oz. Meanwhile, coal sales volume jumped by 9.3% yoy to 9.3mn tons with strong coking coal sales volume (+61.6% yoy). 2020's operational volumes are broadly within our expectations and management estimates.

4Q20 preview: better coal sales and Komatsu volume to support earnings.

While the coal production declined slightly by 0.3% qoq and gold sales volume dropped by 7.1% qoq, we believe that UNTR will book solid quarterly earnings in 4Q20 given: a) 10.4% qoq higher Komatsu sales volume at 373 units amid a lower contribution from the mining sector of 29.2% in 4Q20 (3Q20: 38.2%) and b) 39.1% qoq higher coal sales volume as well as recovery in coal prices toward the end of 2020.

2021: Further recovery expected in Komatsu and gold sales. Given expectations of recovery in the construction sector, UNTR expects Komatsu sales volume to grow by 10-15% yoy to around 1,700 units in 2021. We believe that solid coal prices will help to improve Komatsu sales. Nonetheless, UNTR expects the share of big machinery in the product mix for 2021 to remain similar to that in 2020, contributing 7% to Komatsu's total sales volume. UNTR expects gold sales volume to recover to 350k oz in 2021 (2020: 320k oz). UNTR also foresees flattish coal production at best in 2021, albeit with solid coal prices.

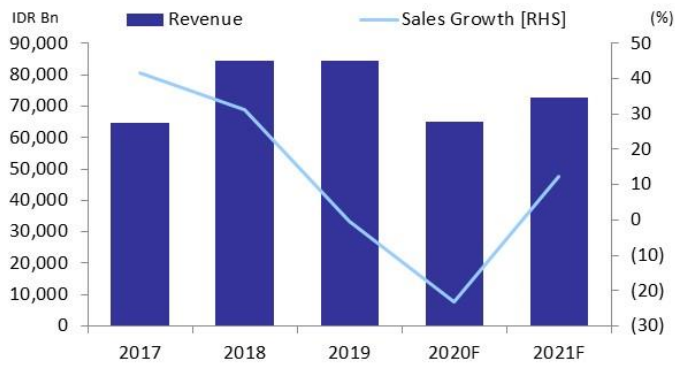
Maintain BUY with a TP of IDR33,000 (DCF valuation with WACC of 11.3% and LT growth of 3%). We expect UNTR to book better earnings in 2021 from: a) a recovery in coal prices which will have a spillover impact on Komatsu sales volume and mining contracting with expectations of lower discounts and b) higher gold sales volume in 2021. Our TP implies 12.2x 2021F PE.

Key Financials

Year to 31 Dec	2018A	2019A	2020F	2021F	2022F
Revenue (IDRbn)	84,625	84,430	64,903	72,868	77,279
EBITDA (IDRbn)	23,296	22,537	15,631	19,553	21,016
EBITDA Growth (%)	68.4	(3.3)	(30.6)	25.1	7.5
Net profit (IDRbn)	11,126	11,312	7,377	10,108	11,064
EPS (IDR)	2,982.6	3,032.6	1,977.5	2,709.7	2,966.0
EPS growth (%)	50.3	1.7	(34.8)	37.0	9.5
BVPS (IDR)	14,417.5	15,605.9	16,472.8	18,202.6	19,872.7
DPS (IDR)	976.0	1,228.1	1,225.4	986.5	1,253.2
PER (x)	7.8	7.6	11.7	8.5	7.8
PBV (x)	1.6	1.5	1.4	1.3	1.2
Dividend yield (%)	4.2	5.3	5.3	4.3	5.4
EV/EBITDA (x)	3.6	3.9	5.1	3.8	3.3

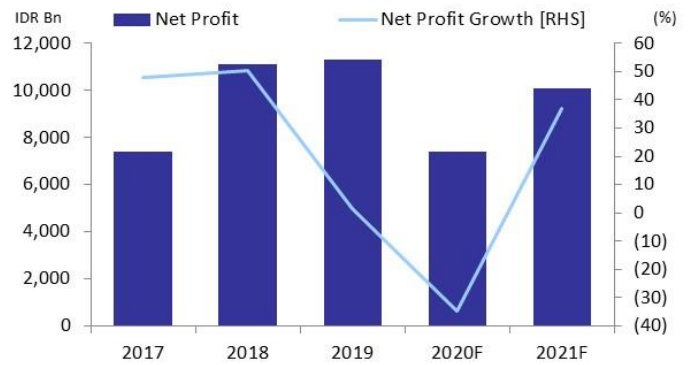
Source : UNTR, BRI-Danareksa Estimates

Exhibit 1. Revenues and Growth



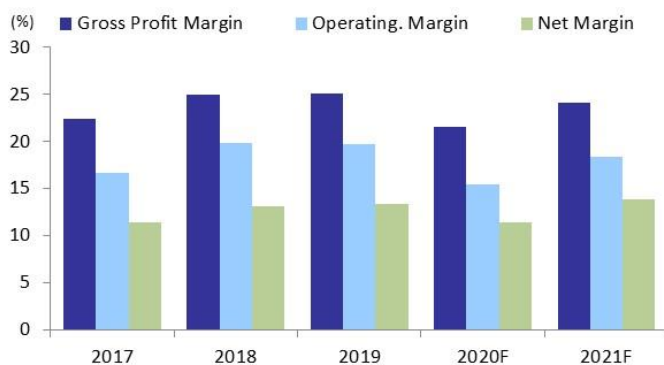
Source: Company, BRI-Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth



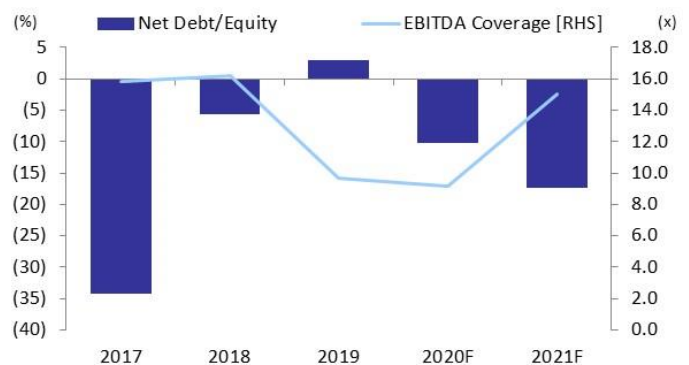
Source: Company, BRI-Danareksa Sekuritas estimates

Exhibit 3. Margins



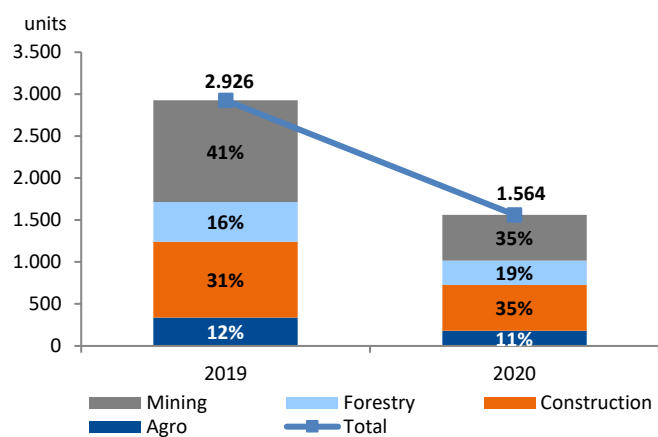
Source: Company, BRI-Danareksa Sekuritas estimates

Exhibit 4. Gearing Level



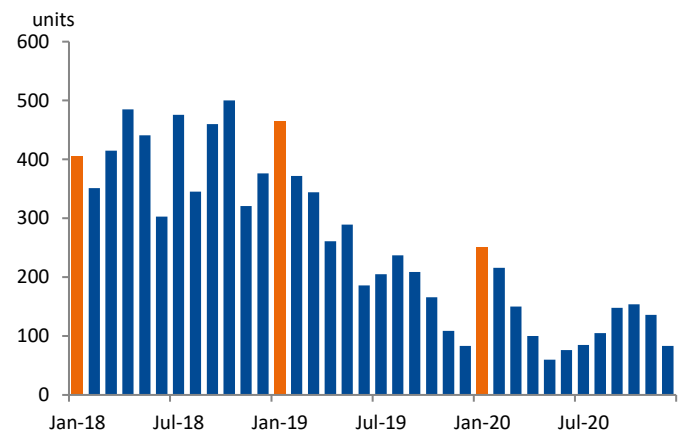
Source: Company, BRI-Danareksa Sekuritas estimates

Exhibit 5. Komatsu sales volume



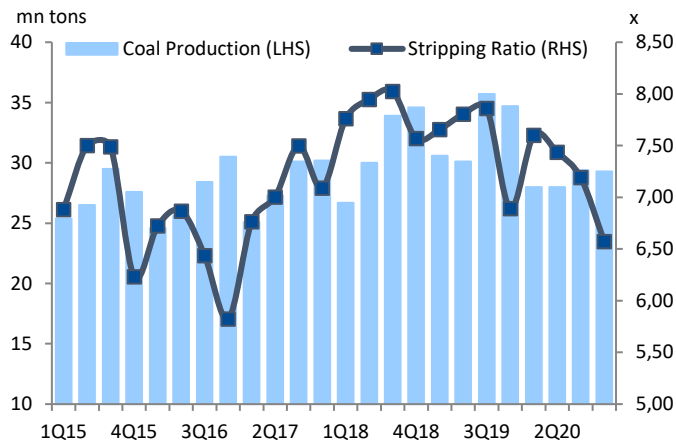
Source: Company

Exhibit 6. Monthly Komatsu sales volume



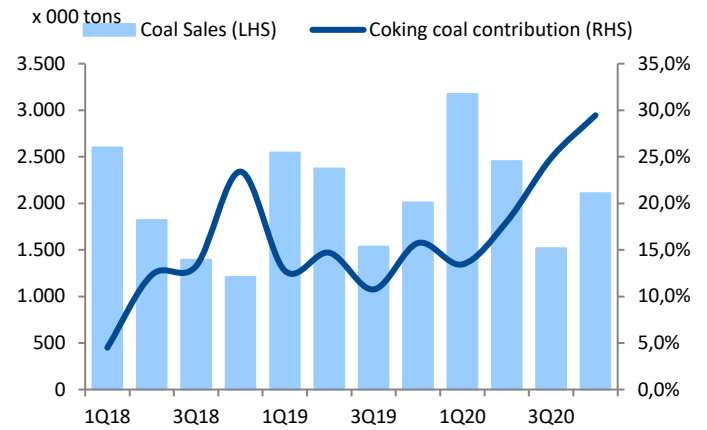
Source: Company

Exhibit 7. Coal production and SR



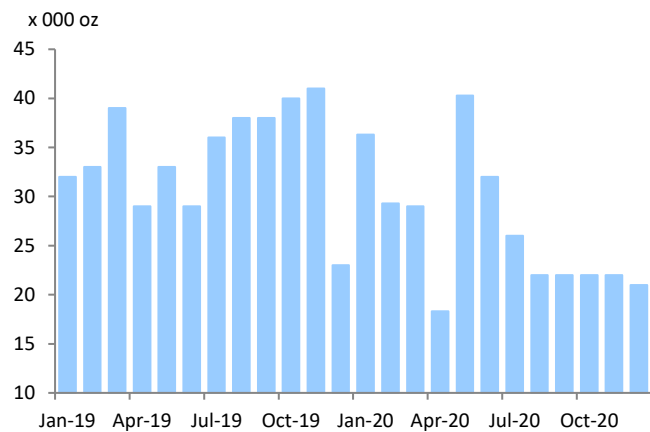
Source: Company

Exhibit 8. Better coal sales volume in 4Q20



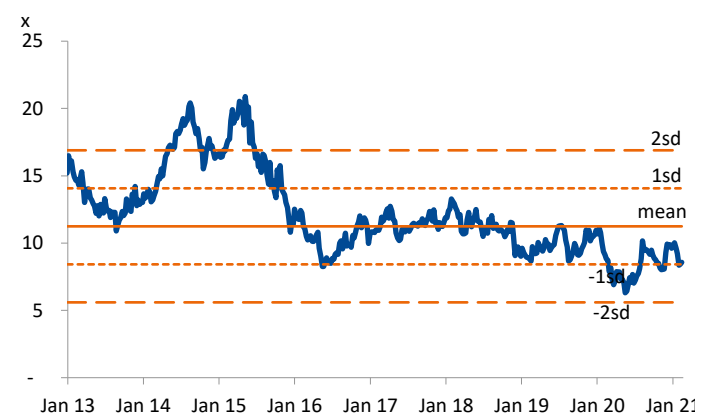
Source: Company

Exhibit 9. Gold sales volume



Source: Company

Exhibit 10. UNTR is trading at -1.0 SD



Source: Bloomberg, BRI-Danareksa Sekuritas estimates

Exhibit 11. Income Statement

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Revenue	84,625	84,430	64,903	72,868	77,279
COGS	(63,515)	(63,200)	(50,911)	(55,273)	(58,541)
Gross profit	21,110	21,231	13,991	17,596	18,738
EBITDA	23,296	22,537	15,631	19,553	21,016
Oper. profit	16,770	16,605	10,049	13,353	14,240
Interest income	764	617	698	823	845
Interest expense	(1,438)	(2,334)	(1,711)	(1,300)	(709)
Forex Gain/(Loss)	(127)	0	208	230	0
Income From Assoc. Co's	307	400	354	377	365
Other Income (Expenses)	(568)	189	0	0	0
Pre-tax profit	15,709	15,477	9,597	13,483	14,740
Income tax	(4,210)	(4,342)	(2,111)	(2,966)	(3,243)
Minority interest	(373)	177	(109)	(409)	(434)
Net profit	11,126	11,312	7,377	10,108	11,064
Core Net Profit	11,253	11,312	7,168	9,878	11,064

Exhibit 12. Balance Sheet

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Cash & cash equivalent	13,438	12,091	17,449	20,579	21,114
Receivables	22,574	21,956	17,753	19,932	21,138
Inventory	13,618	11,014	8,183	9,194	9,714
Other Curr. Asset	6,022	5,766	4,045	4,623	4,969
Fixed assets - Net	40,474	41,300	38,917	37,718	37,942
Other non-curr.asset	20,156	19,587	16,628	17,723	18,329
Total asset	116,281	111,713	102,976	109,769	113,206
ST Debt	6,966	3,404	2,766	2,702	2,719
Payables	32,788	21,346	16,738	18,172	17,642
Other Curr. Liabilities	9,031	7,835	6,265	6,889	7,454
Long Term Debt	3,223	10,508	8,136	5,535	1,850
Other LT. Liabilities	7,222	7,510	4,534	5,103	5,732
Total Liabilities	59,230	50,603	38,439	38,401	35,398
Shareholder's Funds	53,779	58,212	61,446	67,898	74,128
Minority interests	3,271	2,898	3,091	3,470	3,680
Total Equity & Liabilities	116,281	111,713	102,976	109,769	113,206

Exhibit 13. Cash Flow

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Net income	11,126	11,312	7,377	10,108	11,064
Depreciation and Amort.	6,526	5,932	5,882	6,199	6,776
Change in Working Capital	3,094	(9,631)	3,117	(1,715)	(2,041)
Other Oper. Cash Flow	(887)	1,914	(976)	574	232
Operating Cash Flow	19,859	9,527	15,400	15,166	16,030
Capex	(18,833)	(9,556)	(3,500)	(5,000)	(7,000)
Others Inv. Cash Flow	(8,115)	3,348	2,434	573	706
Investing Cash Flow	(26,948)	(6,208)	(1,066)	(4,427)	(6,294)
Net change in debt	5,631	3,674	(3,413)	(2,713)	(3,704)
New Capital	0	0	0	0	0
Dividend payment	(3,884)	(4,900)	(4,571)	(3,680)	(4,675)
Other Fin. Cash Flow	(2,052)	(3,440)	(1,711)	(1,300)	(709)
Financing Cash Flow	(304)	(4,667)	(9,696)	(7,693)	(9,088)
Net Change in Cash	(7,393)	(1,348)	4,637	3,046	649
Cash - begin of the year	20,831	13,438	12,091	17,449	20,579
Cash - end of the year	13,438	12,091	17,449	20,579	21,114

Exhibit 14. Key Ratios

Year to 31 Dec	2018A	2019A	2020F	2021F	2022F
Growth (%)					
Sales	31.1	(0.2)	(23.1)	12.3	6.1
EBITDA	68.4	(3.3)	(30.6)	25.1	7.5
Operating profit	55.9	(1.0)	(39.5)	32.9	6.6
Net profit	50.3	1.7	(34.8)	37.0	9.5
Profitability (%)					
Gross margin	24.9	25.1	21.6	24.1	24.2
EBITDA margin	27.5	26.7	24.1	26.8	27.2
Operating margin	19.8	19.7	15.5	18.3	18.4
Net margin	13.1	13.4	11.4	13.9	14.3
ROAA	11.2	9.9	6.9	9.5	9.9
ROAE	22.4	20.2	12.3	15.6	15.6
Leverage					
Net Gearing (x)	(0.1)	0.0	(0.1)	(0.2)	(0.2)
Interest Coverage (x)	11.7	7.1	5.9	10.3	20.1

Source : UNTR, BRI-Danareksa Estimates

DISCLAIMER

The information contained in this report has been taken from sources which we deem reliable. However, none of P.T. Danareksa Sekuritas and/or its affiliated companies and/or their respective employees and/or agents makes any representation or warranty (express or implied) or accepts any responsibility or liability as to, or in relation to, the accuracy or completeness of the information and opinions contained in this report or as to any information contained in this report or any other such information or opinions remaining unchanged after the issue thereof.

We expressly disclaim any responsibility or liability (express or implied) of P.T. Danareksa Sekuritas, its affiliated companies and their respective employees and agents whatsoever and howsoever arising (including, without limitation for any claims, proceedings, action, suits, losses, expenses, damages or costs) which may be brought against or suffered by any person as a result of acting in reliance upon the whole or any part of the contents of this report and neither P.T. Danareksa Sekuritas, its affiliated companies or their respective employees or agents accepts liability for any errors, omissions or mis-statements, negligent or otherwise, in the report and any liability in respect of the report or any inaccuracy therein or omission therefrom which might otherwise arise is hereby expressly disclaimed.

The information contained in this report is not to be taken as any recommendation made by P.T. Danareksa Sekuritas or any other person to enter into any agreement with regard to any investment mentioned in this document. This report is prepared for general circulation. It does not have regard to the specific person who may receive this report. In considering any investments you should make your own independent assessment and seek your own professional financial and legal advice.