

Friday, 26 February 2021

BUY
Maintain

Last price (IDR) 23,650
Target Price (IDR) 33,000
Upside/Downside +39.5%
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) 88,218/6,264
Avg. daily T/O (IDRbn/USDmn) 121.3/8.6

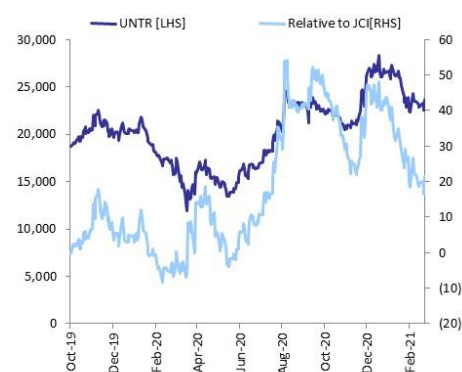
Major shareholders (%)

Astra International 59.5
Estimated free float 40.5

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



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United Tractors(UNTR IJ)

4Q20: Weak earnings

United Tractors (UNTR) reported net profits of IDR665bn in 4Q20 (-47.9% qoq, -75.1% yoy). The weak coal prices arising from the impact of the Covid-19 pandemic pushed down the net profits by 46.9% yoy to IDR6.0tn in 2020 with most divisions reporting lower earnings. The result is below our expectation (81%) and consensus estimates (85%). Maintain BUY with a TP of IDR33,000 (DCF valuation).

Soft 4Q20 earnings from higher selling expenses and impairments. Despite 4.6% qoq higher revenues thanks to higher Komatsu sales volume (+10.4% qoq), UNTR reported 47.9% qoq lower quarterly earnings of IDR665bn in 4Q20. This mainly reflects: a) lower selling expenses (-127.4% qoq) in relation to provisions for impairments on trade receivables from the construction industry (Acset) and b) higher other expenses of IDR609bn in 4Q20 (3Q20: IDR245bn) from impairments on goodwill of IDR357bn related to the construction industry, derivative losses of IDR191bn and impairments on deferred exploration and development expenditures of IDR104bn booked in 4Q20.

Weak coal demand pushed down earnings in 2020. In 2020, net profits declined by 46.9% yoy to IDR6.0tn as soft coal prices led to lower revenues from: a) Construction Machinery (-40.6% yoy) with 46.5% yoy lower Komatsu sales volume of 1,564 units, b) Mining Contracting (-25.7% yoy) with a 12.7% yoy decline in the coal production to 114.6mn tons, c) lower revenues from coal mining (-10.8% yoy) amid higher coal sales volume (+9.3% yoy) and d) lower gold sales volume (-22.0% yoy) which led to softer gold revenues (-11.7% yoy). The result is slightly below our forecast (81%) and consensus estimates (85%).

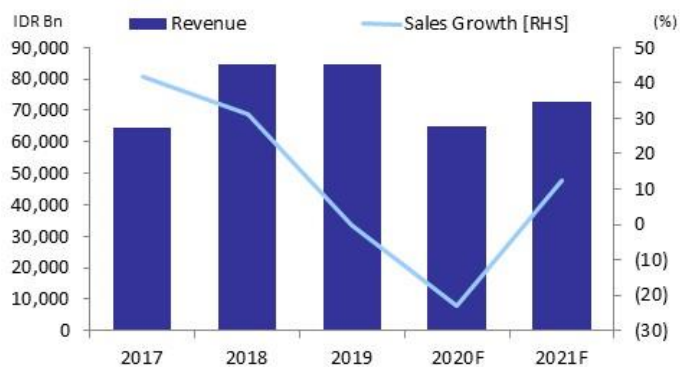
A good start to Komatsu sales in Jan 2021. Komatsu sales went up by 159% mom to 215 units in Jan 21, with a greater contribution of sales to the mining sector of 39% (Dec 20: 27%). While Komatsu sales volume declined by 14.3% yoy, only sales to the mining sector posted higher volume growth (+7.7% yoy). The sales figure is above expectations with Komatsu sales expected to reach 1,700 units in 2021. For gold, UNTR expects 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.

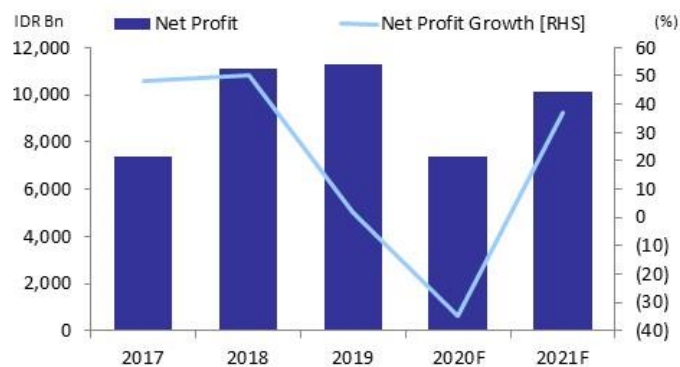
Key Financials

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)	7.9	7.8	12.0	8.7	8.0
PBV (x)	1.6	1.5	1.4	1.3	1.2
Dividend yield (%)	4.1	5.2	5.2	4.2	5.3
EV/EBITDA (x)	3.6	4.0	5.2	3.9	3.4

Source : UNTR, BRI-Danareksa Estimates

Exhibit 1. Revenues and Growth


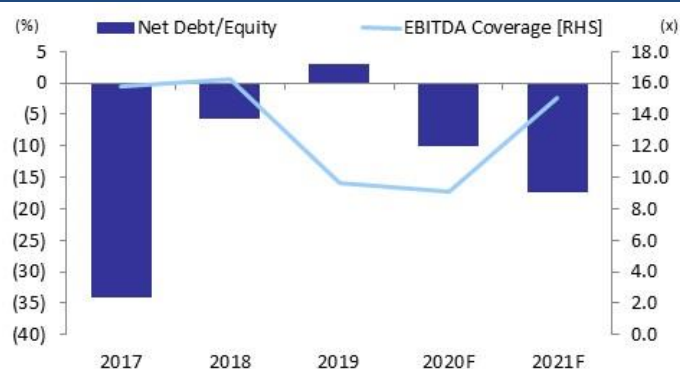
Source: Company, BRI-Danareksa Sekuritas estimates

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. 2020 earnings –below expectations

Operational data	4Q19	3Q20	4Q20	QoQ,%	YoY,%	2019	2020	YoY, %	2020F	A/F, %
Komatsu sales, units	358	338	373	10.4	4.2	2,926	1,564	(46.5)	1,500	104.3
Pama's coal prod., mn tons	34.8	29.4	29.3	(0.3)	(15.8)	131.2	114.6	(12.7)	113.2	101.2
Stripping Ratio, x	6.9	7.2	6.6	(7.4)	(3.5)	7.5	7.2	(4.5)	7.3	99.3
Coal Sales, mn tons	2.0	1.5	2.1	39.1	5.0	8.5	9.3	9.3	9.0	103.1
Gold sales, '000 oz	104	70	64	(9.5)	(38.5)	410	320	(22.0)	320	99.9
Financial performance	4Q19	3Q20	4Q20	QoQ,%	YoY,%	2019	2020	YoY, %	2020F	A/F, %
Revenue, IDRbn	18,823	13,275	13,880	4.6	(26.3)	84,430	60,347	(28.5)	64,903	93.0
COGS, IDRbn	(13,805)	(10,385)	(11,042)	6.3	(20.0)	(63,200)	(47,357)	(25.1)	(50,911)	93.0
Gross profit, IDRbn	5,017	2,890	2,838	(1.8)	(43.4)	21,231	12,989	(38.8)	13,991	92.8
Operating profit, IDRbn	3,703	1,782	1,207	(32.3)	(67.4)	16,605	8,294	(50.1)	10,049	82.5
Net profit, IDRbn	2,673	1,277	665	(47.9)	(75.1)	11,312	6,003	(46.9)	7,377	81.4
Gross margin, %	26.7	21.8	20.4	(1.3)	(6.2)	25.1	21.5	(3.6)	21.6	
Operating margin, %	19.7	13.4	8.7	(4.7)	(11.0)	19.7	13.7	(5.9)	15.5	
Net margin, %	14.2	9.6	4.8	(4.8)	(9.4)	13.4	9.9	(3.5)	11.4	

Source: Company, BRI-Danareksa Sekuritas estimates

Exhibit 6. 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 7. 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 8. 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 9. 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

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