

Friday, 24 September 2021

**BUY**  
**Maintain**

Last price (IDR)	21,075
Target Price (IDR)	30,000
Upside/Downside	+42.3%
Previous Target Price (IDR)	30,000

**Stock Statistics**

Sector	Heavy Equipment
Bloomberg Ticker	UNTR IJ
No of Shrs (mn)	3,730
Mkt. Cap (IDRbn/USDmn)	78,613/5,519
Avg. daily T/O (IDRbn/USDmn)	72.7/5.1

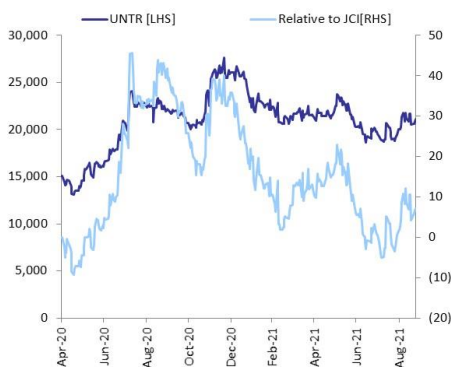
**Major shareholders (%)**

Astra International	59.5
Estimated free float	40.4

**EPS Consensus (IDR)**

	2021F	2022F	2023F
Danareksa	2,360.4	2,560.6	2,792.6
Consensus	2,521.6	2,746.5	2,918.9
Danareksa/Cons	(6.4)	(6.8)	(4.3)

**UNTR relative to JCI Index**



Source : Bloomberg



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## United Tractors (UNTR IJ)

### Strong Komatsu sales volume in Aug 21

**United Tractors (UNTR) posted strong Komatsu sales volume of 326 units in Aug 21 (+60.6% mom, +210.5% yoy), resulting in 8M21 Komatsu sales of 1,890 units (+81.2% yoy) as solid coal prices led to higher Komatsu sales to the mining sector. Coal production went up by 2.8% yoy to 78.1mn tons with higher coal sales volume of 7.4mn tons (+10.3% yoy). The operational numbers are broadly in-line with our expectation. Maintain BUY.**

**Strong Komatsu sales volume in Aug 21.** UNTR reported strong Komatsu sales volume of 326 units in Aug 21 (+60.6% mom, +210.5% yoy) with the strongest growth coming from sales to the mining sector. In 8M21, Komatsu sales volume jumped by 81.2% yoy to 1,890 units thanks to the impact of solid commodity prices (for coal and nickel) which led to higher Komatsu sales volume to the mining sector (+146.4% yoy). The 8M21 sales volume figure is within expectations (63%).

**Better coal sales and production volume in 8M21.** Pama reported lower monthly coal production by 9.3% mom to 9.7mn tons due to: a) higher rainfall and b) the end of the coal mining contract at Adaro Indonesia's mining site at end-Jul 21. Nonetheless, coal production still rose slightly by 2.8% yoy to 78.1mn tons in 8M21 with a slight decline in the OB removal by 1.0% yoy. Meanwhile, the monthly coal sales volume declined in Aug 21 as the company made plans to lower coal sales volume in Aug and Sep 21 in anticipation of dry weather conditions which would impact coal delivery. Nonetheless, the company recorded higher coal sales volume by 10.3% yoy to 7.4mn tons in 8M21. Overall, the operational numbers are broadly within our expectations.

**Recent strong coal prices to further enhance the 2021 earnings.** The strong coal prices which reached USD180/ton led to sturdy heavy equipment demand with UNTR targeting Komatsu sales volume of 2,800 – 3,000 units for 2021. To achieve the target, UNTR needs to sell 228 – 278 Komatsu units per month in the remaining months of 2021. The strong coal price has led the company to provide lower discounts to coalminers amounting to only USD35mn in 2021 (USD165mn in 2020). Coupled with the company targeting flattish coal production of 115mn tons in 2021 given the end of the mining contract with Adaro Indonesia at end-Jul 21, the 2021 earnings should be further enhanced.

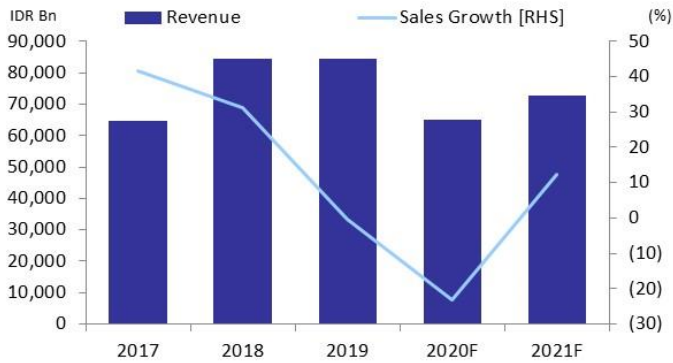
**Maintain BUY** with a TP of IDR30,000 (DCF with WACC of 11.5% and LT growth of 3%). The stock is trading at 8.9x 2021F PE and 8.2x 2022F PE or below -1.0SD deviation. Our TP implies 12.7x 2021F PE. The key risks include a correction in the recently high coal prices.

**Key Financials**

Year to 31 Dec	2019A	2020A	2021F	2022F	2023F
Revenue (IDRbn)	84,430	60,347	71,273	74,216	76,310
EBITDA (IDRbn)	21,187	14,280	17,785	18,734	19,651
EBITDA Growth (%)	(7.8)	(32.6)	24.6	5.3	4.9
Net profit (IDRbn)	11,312	6,003	8,805	9,551	10,417
EPS (IDR)	3,032.6	1,609.4	2,360.4	2,560.6	2,792.6
EPS growth (%)	1.7	(46.9)	46.7	8.5	9.1
BVPS (IDR)	15,605.9	16,162.0	17,729.2	19,154.7	20,785.4
DPS (IDR)	1,228.1	1,176.9	823.3	1,088.6	1,182.9
PER (x)	6.9	13.1	8.9	8.2	7.5
PBV (x)	1.4	1.3	1.2	1.1	1.0
Dividend yield (%)	5.8	5.6	3.9	5.2	5.6
EV/EBITDA (x)	3.8	4.9	3.6	3.2	2.6

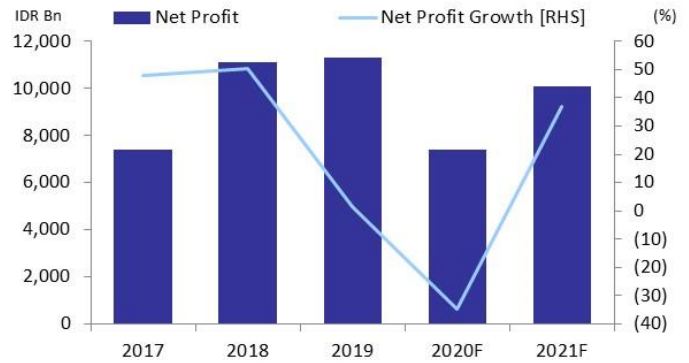
Source : UNTR, BRI-Danareksa Estimates

**Exhibit 1. Revenues and Growth**



Source: Company, BRI-Danareksa Sekuritas estimates

**Exhibit 2. Net Profits and Growth**



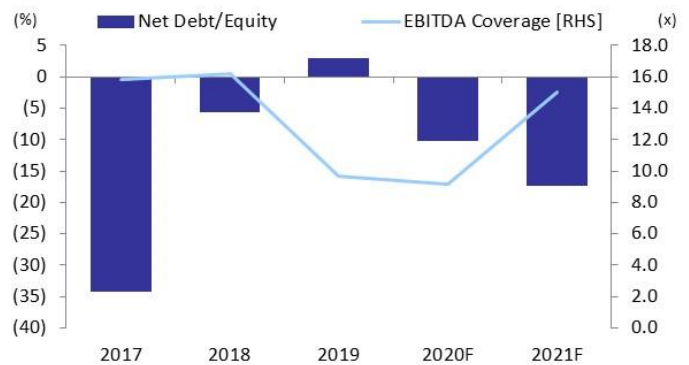
Source: Company, BRI-Danareksa Sekuritas estimates

**Exhibit 3. Margins**



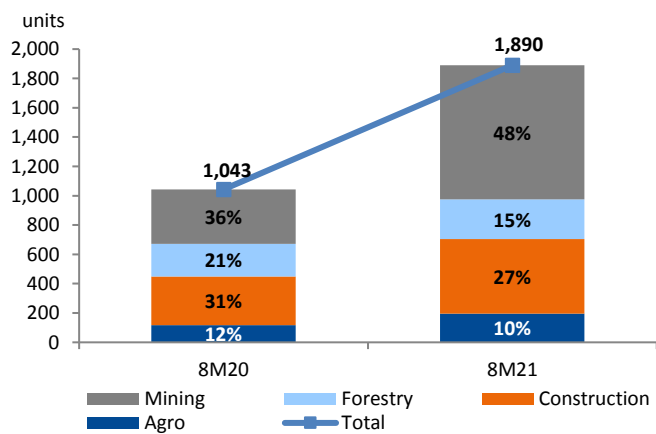
Source: Company, BRI-Danareksa Sekuritas estimates

**Exhibit 4. Gearing Level**



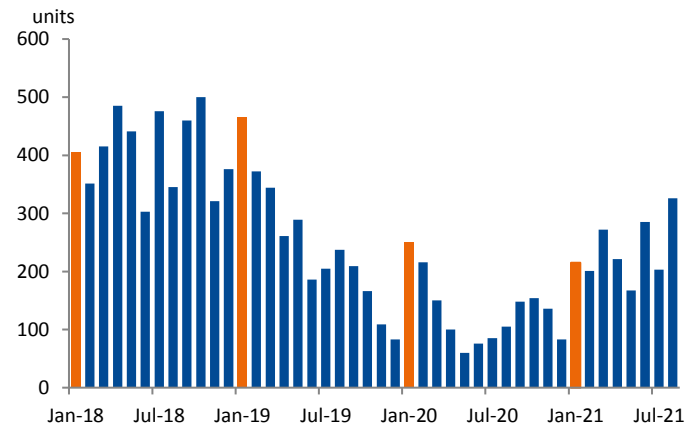
Source: Company, BRI-Danareksa Sekuritas estimates

**Exhibit 5. Solid Komatsu sales volume in 8M21**



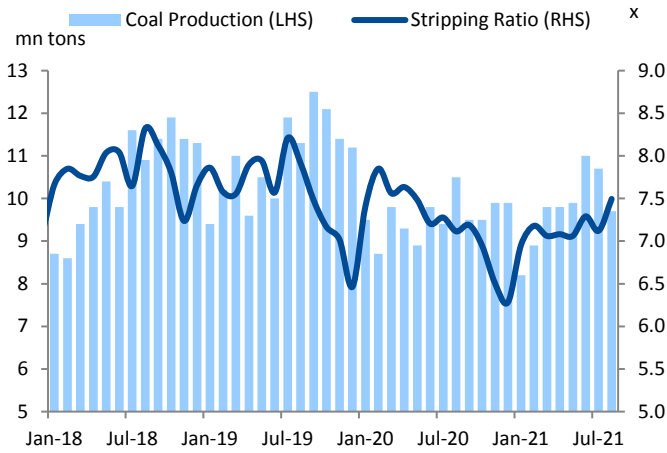
Source: Company

**Exhibit 6. Strong Komatsu sales volume in Aug 21**



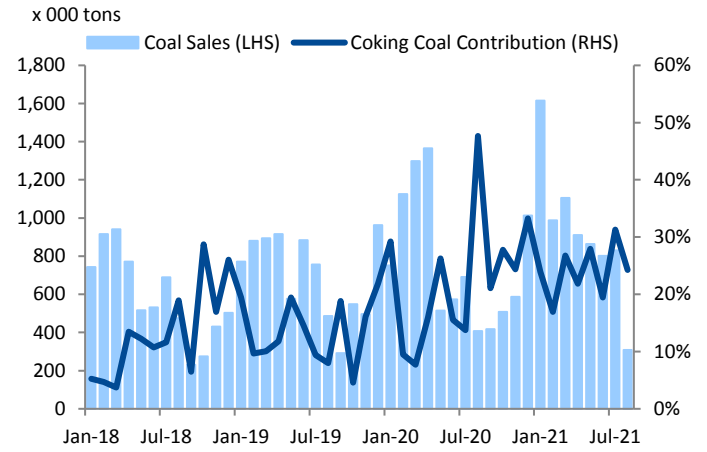
Source: Company

**Exhibit 7. Lower coal production in Aug 21**



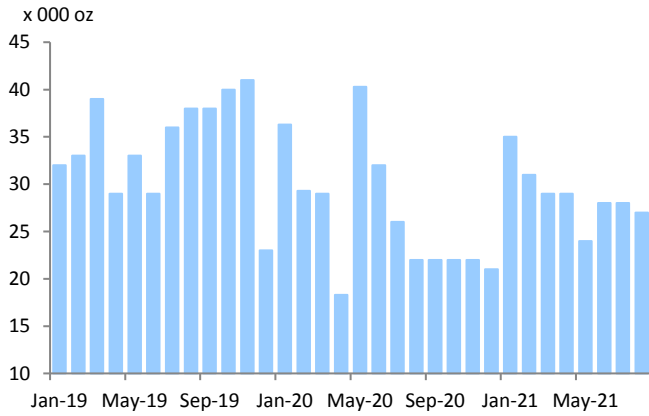
Source: Company

**Exhibit 8. Lower coal sales in anticipating dry weather condition**



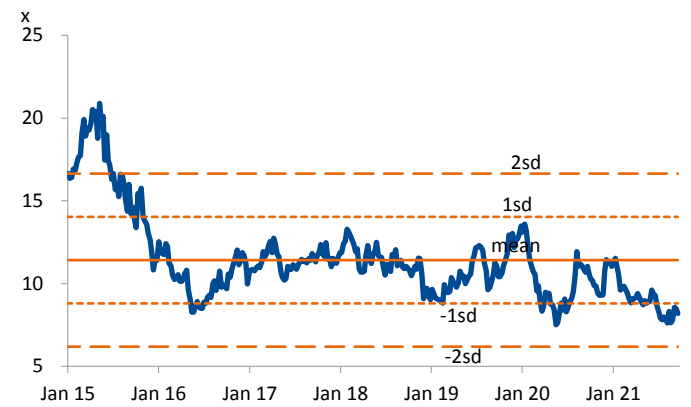
Source: Company

**Exhibit 9. Slight decline in gold sales volume in Aug 21**



Source: Company

**Exhibit 10. UNTR is trading at -1SD the 5-year PE Band**



Source: Bloomberg, BRI-Danareksa Sekuritas estimates

### Exhibit 11. Income Statement

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
<b>Revenue</b>	<b>84,430</b>	<b>60,347</b>	<b>71,273</b>	<b>74,216</b>	<b>76,310</b>
COGS	(63,200)	(47,357)	(54,437)	(56,629)	(58,156)
<b>Gross profit</b>	<b>21,231</b>	<b>12,989</b>	<b>16,835</b>	<b>17,587</b>	<b>18,154</b>
<b>EBITDA</b>	<b>21,187</b>	<b>14,280</b>	<b>17,785</b>	<b>18,734</b>	<b>19,651</b>
<b>Oper. profit</b>	<b>16,605</b>	<b>8,294</b>	<b>11,663</b>	<b>12,195</b>	<b>12,599</b>
Interest income	617	759	882	947	1,105
Interest expense	(2,334)	(1,540)	(1,298)	(705)	(152)
Forex Gain/(Loss)	0	0	193	0	0
Income From Assoc. Co's	400	323	362	342	352
Other Income (Expenses)	189	(824)	0	0	0
<b>Pre-tax profit</b>	<b>15,477</b>	<b>7,011</b>	<b>11,801</b>	<b>12,779</b>	<b>13,904</b>
Income tax	(4,342)	(1,379)	(2,596)	(2,811)	(3,059)
Minority interest	177	371	(400)	(417)	(428)
<b>Net profit</b>	<b>11,312</b>	<b>6,003</b>	<b>8,805</b>	<b>9,551</b>	<b>10,417</b>
<b>Core Net Profit</b>	<b>11,312</b>	<b>6,003</b>	<b>8,612</b>	<b>9,551</b>	<b>10,417</b>

### Exhibit 12. Balance Sheet

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Cash & cash equivalent	12,091	20,499	22,039	23,675	27,626
Receivables	21,956	12,006	19,915	20,737	21,325
Inventory	11,014	8,002	10,620	11,255	11,574
Other Curr. Asset	5,766	3,689	4,128	4,388	4,391
Fixed assets - Net	41,300	37,280	34,799	32,902	31,492
Other non-curr.asset	19,587	18,326	16,634	17,039	15,848
<b>Total asset</b>	<b>111,713</b>	<b>99,801</b>	<b>108,134</b>	<b>109,996</b>	<b>112,256</b>
ST Debt	3,404	3,993	2,698	2,710	354
Payables	21,346	10,756	17,897	17,066	15,933
Other Curr. Liabilities	7,835	6,195	7,459	7,858	8,408
Long Term Debt	10,508	8,385	5,528	1,834	497
Other LT. Liabilities	7,510	7,325	5,026	5,545	5,897
<b>Total Liabilities</b>	<b>50,603</b>	<b>36,654</b>	<b>38,608</b>	<b>35,013</b>	<b>31,090</b>
Shareholder's Funds	58,212	60,286	66,132	71,449	77,532
Minority interests	2,898	2,861	3,394	3,534	3,634
<b>Total Equity &amp; Liabilities</b>	<b>111,713</b>	<b>99,801</b>	<b>108,134</b>	<b>109,996</b>	<b>112,256</b>

### Exhibit 13. Cash Flow

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Net income	11,312	6,003	8,805	9,551	10,417
Depreciation and Amort.	4,582	6,286	6,123	6,539	7,052
Change in Working Capital	(9,631)	3,010	(2,322)	(2,153)	(1,495)
Other Oper. Cash Flow	1,914	655	(1,333)	102	753
<b>Operating Cash Flow</b>	<b>8,177</b>	<b>15,954</b>	<b>11,273</b>	<b>14,039</b>	<b>16,726</b>
Capex	(10,958)	(5,051)	(4,000)	(5,000)	(6,000)
Others Inv. Cash Flow	6,100	4,241	2,766	1,213	1,397
<b>Investing Cash Flow</b>	<b>(4,858)</b>	<b>(810)</b>	<b>(1,234)</b>	<b>(3,787)</b>	<b>(4,603)</b>
Net change in debt	3,674	(2,385)	(3,647)	(3,706)	(3,708)
New Capital	0	0	0	0	0
Dividend payment	(4,900)	(3,641)	(3,071)	(4,061)	(4,412)
Other Fin. Cash Flow	(3,440)	(1,540)	(1,298)	(705)	(152)
<b>Financing Cash Flow</b>	<b>(4,667)</b>	<b>(7,566)</b>	<b>(8,016)</b>	<b>(8,472)</b>	<b>(8,272)</b>
<b>Net Change in Cash</b>	<b>(1,348)</b>	<b>7,578</b>	<b>2,023</b>	<b>1,780</b>	<b>3,852</b>
Cash - begin of the year	13,438	12,091	20,499	22,039	23,675
Cash - end of the year	12,091	20,499	22,039	23,675	27,626

### Exhibit 14. Key Ratios

Year to 31 Dec	2019A	2020A	2021F	2022F	2023F
<b>Growth (%)</b>					
Sales	(0.2)	(28.5)	18.1	4.1	2.8
EBITDA	(7.8)	(32.6)	24.6	5.3	4.9
Operating profit	(1.0)	(50.1)	40.6	4.6	3.3
Net profit	1.7	(46.9)	46.7	8.5	9.1
<b>Profitability (%)</b>					
Gross margin	25.1	21.5	23.6	23.7	23.8
EBITDA margin	25.1	23.7	25.0	25.2	25.8
Operating margin	19.7	13.7	16.4	16.4	16.5
Net margin	13.4	9.9	12.4	12.9	13.7
ROAA	9.9	5.7	8.5	8.8	9.4
ROAE	20.2	10.1	13.9	13.9	14.0
<b>Leverage</b>					
Net Gearing (x)	0.0	(0.1)	(0.2)	(0.3)	(0.3)
Interest Coverage (x)	7.1	5.4	9.0	17.3	83.1

Source : UNTR, BRI-Danareksa Estimates

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