

Friday, 26 November 2021

**BUY**  
**Maintain**

Last price (IDR)	22,850
Target Price (IDR)	34,000
Upside/Downside	+48.8%
Previous Target Price (IDR)	34,000

**Stock Statistics**

Sector	Heavy Equipment
Bloomberg Ticker	UNTR IJ
No of Shrs (mn)	3,730
Mkt. Cap (IDRbn/USDmn)	84,581/5,940
Avg. daily T/O (IDRbn/USDmn)	103.3/7.3

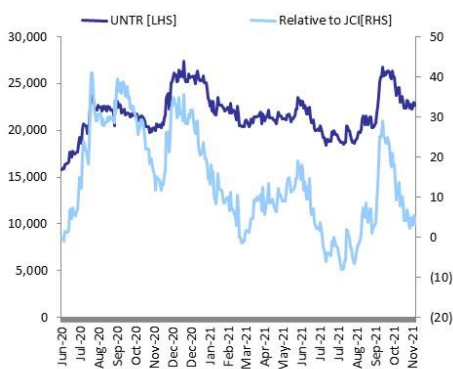
**Major shareholders (%)**

Astra International	59.5
Estimated free float	40.4

**EPS Consensus (IDR)**

	2021F	2022F	2023F
Danareksa	2,862.9	3,039.9	3,193.7
Consensus	2,698.5	2,914.8	2,960.7
Danareksa/Cons	6.1	4.3	7.9

**UNTR relative to JCI Index**



Source : Bloomberg



**Stefanus Darmagiri**

(62-21) 5091 4100 ext. 3530

stefanus.darmagiri@danareksa.co.id

# United Tractors (UNTR IJ)

## Oct 21: Better operational numbers

**United Tractors (UNTR) reported higher monthly operational numbers with strong Komatsu sales of 396 units in Oct 21 (+30.3% mom, +157.1% yoy), bringing Komatsu's 10M21 sales to 2,590 units. Coal production and coal sales were also higher in Oct 21. The numbers are broadly within expectations. Maintain BUY with a TP of IDR34,000 (DCF with WACC of 12% and long-term growth of 3%).**

**Strong Komatsu sales in Oct 21.** UNTR reported strong Komatsu sales of 396 units in Oct 21 (+60.6% mom, +210.5% yoy), bringing Komatsu's 10M21 sales to 2,590 units. The impact from strong commodity prices (coal, nickel and CPO prices) led to higher Komatsu sales to the mining sector (+181.9% yoy) and agribusiness sector (+64.8% yoy). We believe that our Komatsu sales volume target of 3,000 units for 2021 is achievable considering that the 10M21 sales are 86.3% of that number and UNTR only needs to sell 205 units of heavy equipment in the remaining months of 2021.

**Better coal sales and production volume in 10M21.** With UNTR increasing monthly coal production (+6.5% mom) and coal sales volume (+25.1% mom) in Oct 21, the 10M21 coal production rose by 2.2% yoy to 97mn tons with OB removal of 709.2mn bcm (+1.5% yoy). Even though the company experienced lower coal sales volume since Aug 21 in anticipation of dry weather conditions, the company managed to book 6.6% yoy higher coal sales volume to 8.2mn tons in 10M21. Overall, the operational numbers are within our expectations.

**Strong Komatsu sales expected in 2022.** Given the recent solid coal prices and with the company conducting extensive discussions with Komatsu Japan, UNTR targets stronger Komatsu sales volume of 3,700 units (+23.3% yoy) in 2022 with large-size machinery to account for about 21.6% of total sales (2021F: 16%). The company also expects to regain Komatsu's market share in the heavy equipment market to 25% in 2022 (10M21: 22%) through the launching of more competitively priced models. For mining contracting, UNTR expects a slight increase by around 3 – 4% yoy to 120mn tons for coal production and to 884mn bcm for OB removal in 2022.

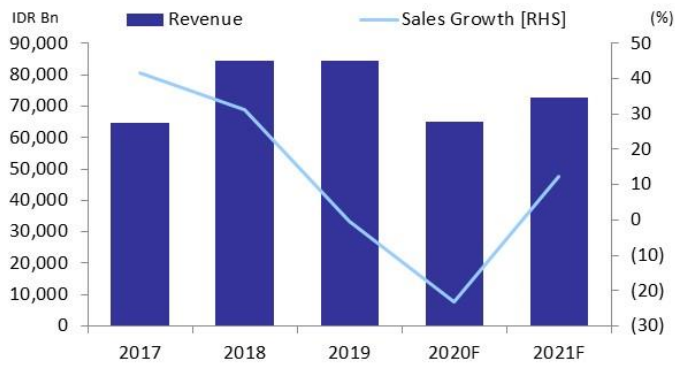
**Maintain BUY** with a TP of IDR34,000 (DCF with WACC of 12.1% and LT growth of 3%). The stock is trading at 7.5x 2022F PE or slightly below -1SD deviation. Our TP implies 11.2x 2022F PE. The key risks include a correction in coal prices.

**Key Financials**

Year to 31 Dec	2019A	2020A	2021F	2022F	2023F
Revenue (IDRbn)	84,430	60,347	79,175	81,471	82,287
EBITDA (IDRbn)	21,187	14,280	20,233	21,047	21,401
EBITDA Growth (%)	(7.8)	(32.6)	41.7	4.0	1.7
Net profit (IDRbn)	11,312	6,003	10,679	11,339	11,913
EPS (IDR)	3,032.6	1,609.4	2,862.9	3,039.9	3,193.7
EPS growth (%)	1.7	-46.9	77.9	6.2	5.1
BVPS (IDR)	15,605.9	16,162.0	18,165.4	19,847.1	21,673.6
DPS (IDR)	1,228.1	1,176.9	889.6	1,311.7	1,388.2
PER (x)	7.5	14.2	8.0	7.5	7.2
PBV (x)	1.5	1.4	1.3	1.2	1.1
Dividend yield (%)	5.4	5.2	3.9	5.7	6.1
EV/EBITDA (x)	4.1	5.4	3.5	3.1	2.6

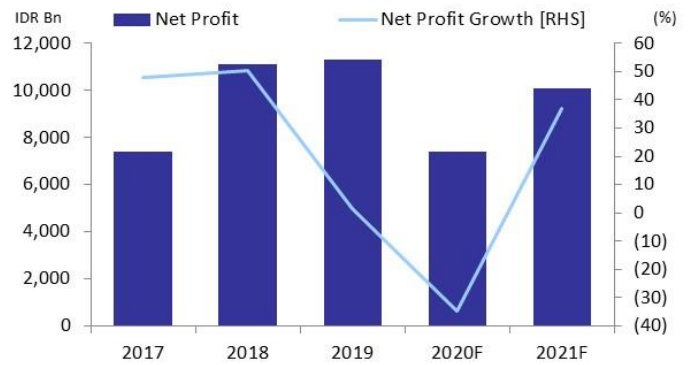
Source : UNTR, BRI-Danareksa Estimates

**Exhibit 1. Revenues and Growth**



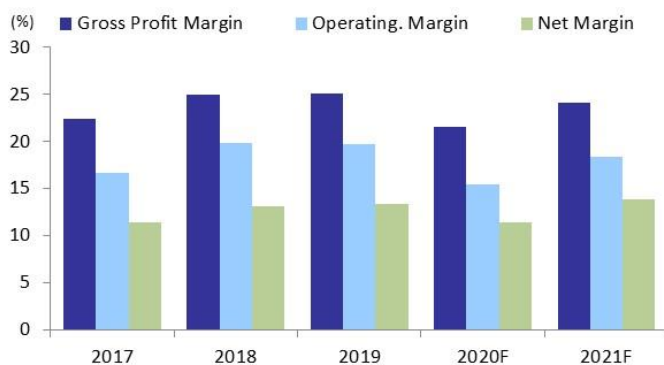
Source: Company, BRI-Danareksa Sekuritas estimates

**Exhibit 2. Net Profits and Growth**



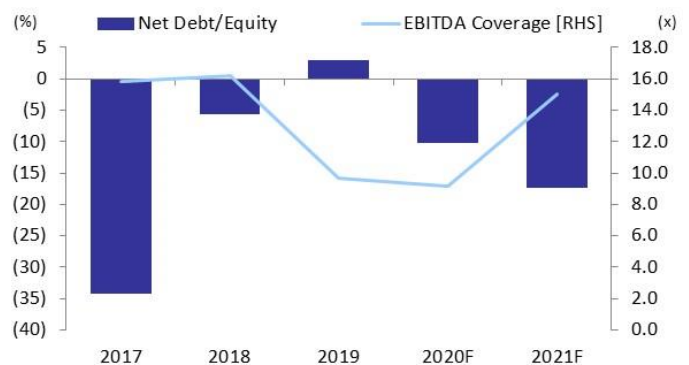
Source: Company, BRI-Danareksa Sekuritas estimates

**Exhibit 3. Margins**



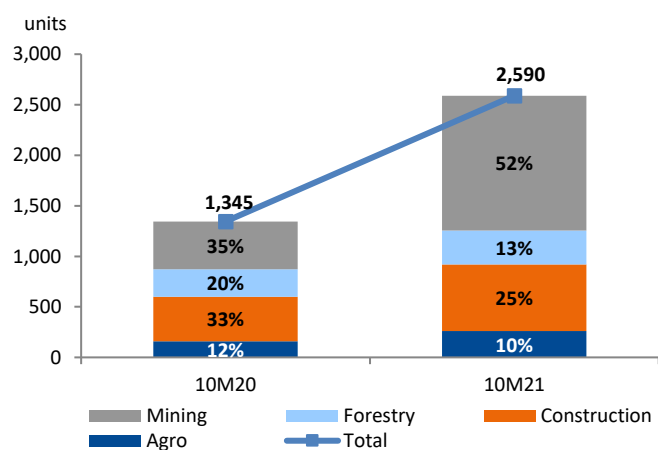
Source: Company, BRI-Danareksa Sekuritas estimates

**Exhibit 4. Gearing Level**



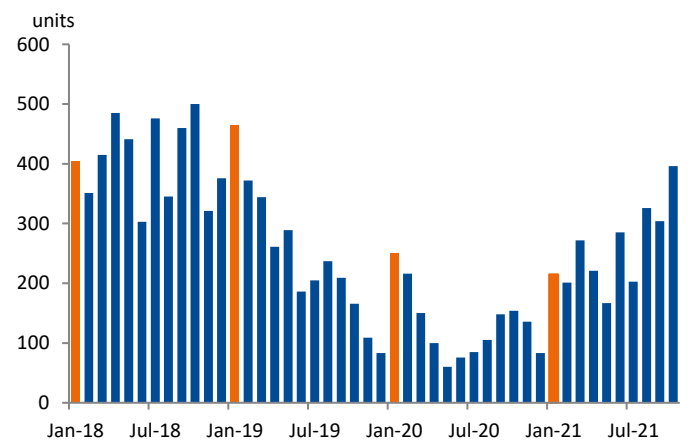
Source: Company, BRI-Danareksa Sekuritas estimates

**Exhibit 5. Strong Komatsu sales volume in 10M21**



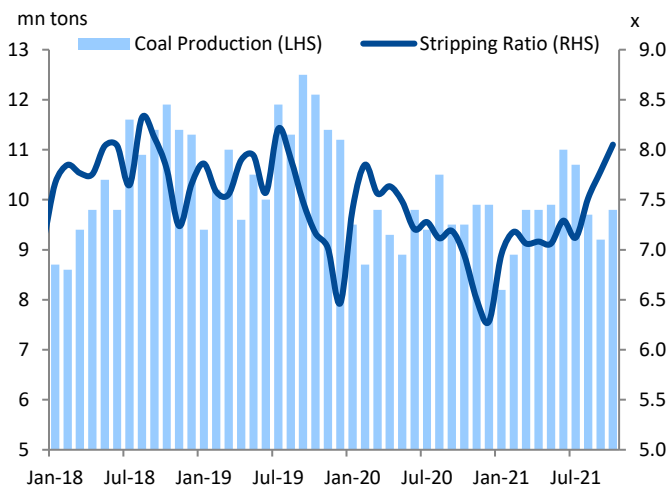
Source: Company

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



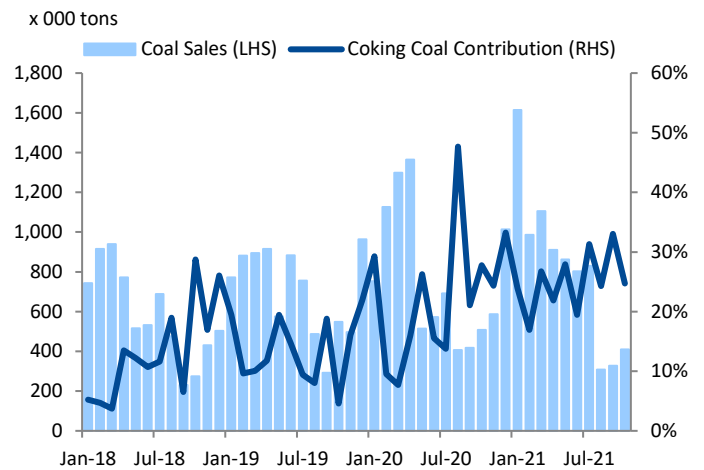
Source: Company

**Exhibit 7. Rising coal production in Oct 21**



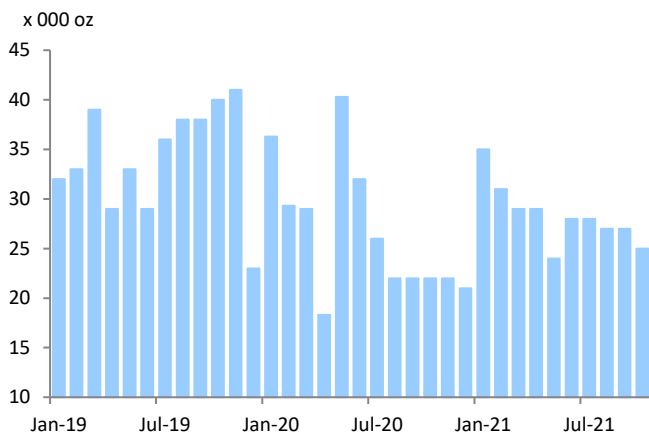
Source: Company

**Exhibit 8. Coal sales volume started to increase**



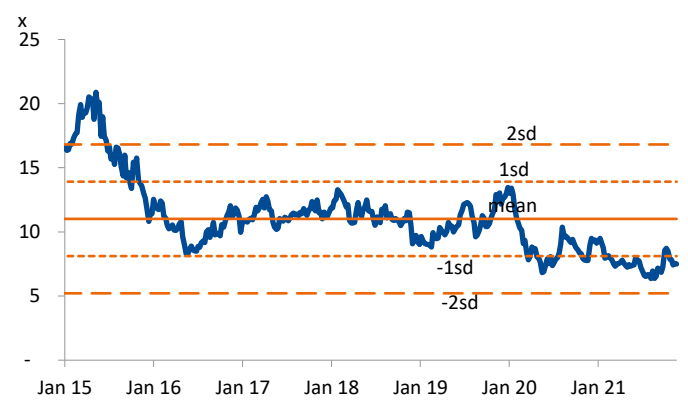
Source: Company

**Exhibit 9. Slight decline in gold sales volume in Oct 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>79,175</b>	<b>81,471</b>	<b>82,287</b>
COGS	(63,200)	(47,357)	(59,980)	(61,724)	(62,540)
<b>Gross profit</b>	<b>21,231</b>	<b>12,989</b>	<b>19,194</b>	<b>19,748</b>	<b>19,747</b>
<b>EBITDA</b>	<b>21,187</b>	<b>14,280</b>	<b>20,233</b>	<b>21,047</b>	<b>21,401</b>
<b>Oper. profit</b>	<b>16,605</b>	<b>8,294</b>	<b>14,111</b>	<b>14,508</b>	<b>14,443</b>
Interest income	617	759	879	991	1,233
Interest expense	(2,334)	(1,540)	(1,312)	(717)	(162)
Forex Gain/(Loss)	0	0	221	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>14,261</b>	<b>15,124</b>	<b>15,865</b>
Income tax	(4,342)	(1,379)	(3,137)	(3,327)	(3,490)
Minority interest	177	371	(444)	(457)	(462)
<b>Net profit</b>	<b>11,312</b>	<b>6,003</b>	<b>10,679</b>	<b>11,339</b>	<b>11,913</b>
<b>Core Net Profit</b>	<b>11,312</b>	<b>6,003</b>	<b>10,458</b>	<b>11,339</b>	<b>11,913</b>

### Exhibit 12. Balance Sheet

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Cash & cash equivalent	12,091	20,499	21,979	24,775	30,826
Receivables	21,956	12,006	22,123	22,764	22,995
Inventory	11,014	8,002	12,099	12,441	12,479
Other Curr. Asset	5,766	3,689	4,570	4,803	4,724
Fixed assets - Net	41,300	37,280	34,799	32,902	30,586
Other non-curr.asset	19,587	18,326	17,720	18,036	16,554
<b>Total asset</b>	<b>111,713</b>	<b>99,801</b>	<b>113,290</b>	<b>115,721</b>	<b>118,164</b>
ST Debt	3,404	3,993	2,726	2,736	377
Payables	21,346	10,756	19,720	18,602	17,134
Other Curr. Liabilities	7,835	6,195	8,202	8,551	9,013
Long Term Debt	10,508	8,385	5,576	1,877	535
Other LT. Liabilities	7,510	7,325	5,537	6,044	6,341
<b>Total Liabilities</b>	<b>50,603</b>	<b>36,654</b>	<b>41,761</b>	<b>37,809</b>	<b>33,401</b>
Shareholder's Funds	58,212	60,286	67,759	74,032	80,845
Minority interests	2,898	2,861	3,770	3,880	3,918
<b>Total Equity &amp; Liabilities</b>	<b>111,713</b>	<b>99,801</b>	<b>113,290</b>	<b>115,721</b>	<b>118,164</b>

### Exhibit 13. Cash Flow

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Net income	11,312	6,003	10,679	11,339	11,913
Depreciation and Amort.	4,582	6,286	6,123	6,539	6,958
Change in Working Capital	(9,631)	3,010	(3,893)	(1,988)	(1,197)
Other Oper. Cash Flow	1,914	655	(1,274)	96	773
<b>Operating Cash Flow</b>	<b>8,177</b>	<b>15,954</b>	<b>11,634</b>	<b>15,986</b>	<b>18,447</b>
Capex	(10,958)	(5,051)	(4,000)	(5,000)	(5,000)
Others Inv. Cash Flow	6,100	4,241	2,515	1,277	1,566
<b>Investing Cash Flow</b>	<b>(4,858)</b>	<b>(810)</b>	<b>(1,485)</b>	<b>(3,723)</b>	<b>(3,434)</b>
Net change in debt	3,674	(2,385)	(3,632)	(3,708)	(3,710)
New Capital	0	0	0	0	0
Dividend payment	(4,900)	(3,641)	(3,318)	(4,893)	(5,178)
Other Fin. Cash Flow	(3,440)	(1,540)	(1,312)	(717)	(162)
<b>Financing Cash Flow</b>	<b>(4,667)</b>	<b>(7,566)</b>	<b>(8,262)</b>	<b>(9,318)</b>	<b>(9,051)</b>
<b>Net Change in Cash</b>	<b>(1,348)</b>	<b>7,578</b>	<b>1,887</b>	<b>2,946</b>	<b>5,961</b>
Cash - begin of the year	13,438	12,091	20,499	21,979	24,775
Cash - end of the year	12,091	20,499	21,979	24,775	30,826

### Exhibit 14. Key Ratios

Year to 31 Dec	2019A	2020A	2021F	2022F	2023F
<b>Growth (%)</b>					
Sales	(0.2)	(28.5)	31.2	2.9	1.0
EBITDA	(7.8)	(32.6)	41.7	4.0	1.7
Operating profit	(1.0)	(50.1)	70.1	2.8	(0.5)
Net profit	1.7	(46.9)	77.9	6.2	5.1
<b>Profitability (%)</b>					
Gross margin	25.1	21.5	24.2	24.2	24.0
EBITDA margin	25.1	23.7	25.6	25.8	26.0
Operating margin	19.7	13.7	17.8	17.8	17.6
Net margin	13.4	9.9	13.5	13.9	14.5
ROAA	9.9	5.7	10.0	9.9	10.2
ROAE	20.2	10.1	16.7	16.0	15.4
<b>Leverage</b>					
Net Gearing (x)	0.0	(0.1)	(0.2)	(0.3)	(0.4)
Interest Coverage (x)	7.1	5.4	10.8	20.2	88.9

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.