

# United Tractors (UNTR)

## A must own commodity proxy

### Better than expected 1H22 earnings...

UNTR recorded another record high quarterly earnings in 2Q22 with IDR6.0tn (+40% QoQ), to bring its 1H22 net profit to an unprecedented IDR10.4tn (+129% YoY). Heavy equipment and coal mining divisions' performance were the ones well above our already high expectations amid robust coal price and production outlook for FY22 as explained in our recent ITMG report ([ITMG – Sizable dividend yield on offer \(3Aug2022\)](#)). Refer to Table 1 for 1H22 financial and operational data. Recently, UNTR officially revised up its FY22 heavy equipment (HE) sales guidance to 4,800 units (from 3,700 units set at the beginning of the year) given encouraging discussion with principal Komatsu for more supply allocations. The revised guidance implied a monthly sales of ~325 units from Jul to Dec2022. In conjunction, UNTR also projected a more bullish OB removal at 10% YoY growth (vs. low teens previously) considering PAMA's YTD achievement.

### ...to drive UNTR on the verge to unprecedented USD1.3bn earnings

Considering the sustainably strong outlook on coal sector in general and recent trajectory of its 1H22 operational results, we revised up our assumptions primarily on 1) heavy equipment sales volume (+11%) & avg. price (+2.2%); and 2) coal mining ASP (+50%); among other tweaks. These resulted in 38%/2% higher earnings assumptions for FY22/23F. Refer to Table 2 for summary of changes.

### Share buyback & interim dividend providing near-term support

UNTR has allocated a budget of IDR5tn for share buyback program between 13Jul2022 and 12Oct2022, which allows it to buy max. ~4.9% of total shares if done at 12Jul2022 closing price. In addition, historically, UNTR will announce its interim dividend at the end of September each year. Based on current earnings estimates, we can expect UNTR to distribute a ~2.5% dividend yield on the interim. These two corporate actions should further support UNTR's attractive valuation.

### Reiterate BUY call on UNTR as a must-own commodity proxy

As a result of FY22/23F assumption changes as explained above, our DCF valuation on UNTR is lifted by 9% at IDR152.6tn (or equivalent to IDR41,000/share), implying a blended forward PE multiple of 10.5x (at +0.5 std dev of ist 5-yr average). UNTR has a sizable IDR 33.8tn net cash position as of the end Jun2022 which allows them to seek inorganic growth from other minerals or renewable projects when opportunities arise. UNTR currently trades at 6.3x FY22F PE with an expected avg of ~16% ROE in the next 3 years.

	2020A	2021A	2022F	2023F	2024F
Sales (IDR bn)	60,347	79,460	111,897	93,607	81,981
GP (IDR bn)	12,989	19,664	32,832	21,205	18,114
OP (IDR bn)	8,294	14,875	26,734	15,635	12,826
NP (IDR bn)	6,003	10,279	19,120	11,343	9,937
EBITDA (IDR bn)	18,240	23,640	33,847	23,257	20,523
Net debt (IDR bn)	(8,017)	(24,135)	(26,601)	(30,120)	(36,766)
OP margin (%)	30.2	29.8	30.2	24.8	25.0
ROE (%)	10.1	16.0	25.5	13.8	11.7
Dividend yield (%)	2.0	3.8	9.4	4.7	4.1
EPS (IDR)	1,609	2,756	5,126	3,041	2,664
chg. (% YoY)	(46.9)	71.2	86.0	(40.7)	(12.4)
BPS (IDR)	16,162	18,380	21,811	22,197	23,391
DPS (IDR)	644	1,240	3,076	1,520	1,332
PE (x)	16.5	8.0	6.3	10.7	12.2
PB (x)	1.7	1.2	1.5	1.5	1.4
EV/EBITDA (x)	5.2	2.6	2.8	3.9	4.1

## Company Update

### Conglomerates

Aug 8, 2022

12M rating **BUY (Maintain)**  
12M TP **IDR 41,000** (Prev 37,500)  
Upside **+26%**

#### Stock Data

JCI (Aug 5)	7,085
Stock price (Aug 5, IDR)	32,500
Market cap (IDR bn)	121,229
Shares outstanding (mn)	3,730
52-week high/low (IDR)	34,050 / 18,550
6M avg. daily turnover (IDR bn)	175.7
Free float (%)	40.4

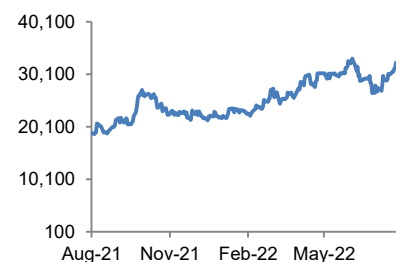
#### Major shareholders (%)

Astra International Tbk	59.5
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#### Performance

	1M	6M	12M
Absolute (%)	25.2	52.3	83.4
Relative to JCI (%)	9.9	37.2	50.6

#### UNTR's share price performance



Source: Bloomberg

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. Table 1. UNTR's 1H22 financial and operational results (vs. our previous estimates)

UNTR 1H22 financial results										
IDR bn	2Q21	1Q22	2Q22	QoQ	YoY	6M21	6M22	YoY	% of prev FY22F KISI	% to consensus
Revenue	19,413	27,979	32,468	16%	67%	37,311	60,447	62%		60%
Gross Profit	4,488	7,037	9,474	35%	111%	8,024	16,511	106%		65%
Operating Profit	3,495	5,884	8,338	42%	139%	6,037	14,221	136%		71%
Net Income	2,649	4,321	6,036	40%	128%	4,516	10,357	129%		69%
GPM	23.1%	25.2%	29.2%			21.5%	27.3%			
OPM	18.0%	21.0%	25.7%			16.2%	23.5%			
NPM	13.6%	15.4%	18.6%			12.1%	17.1%			

UNTR 1H22 operational results										
Segment	unit	2Q21	1Q22	2Q22	QoQ	YoY	6M21	6M22	YoY	% of prev FY22F KISI
Heavy equipment	units	673	1,694	1,179	-30%	75%	1,361	2,873	111%	64%
Coal delivered	mn tonnes	30	24	27	11%	-13%	58	50	-13%	42%
OB removal	mn bcm	218	207	229	11%	5%	409	437	7%	44%
Stripping ratio	x	0.3	0.1	0.2	59%	-40%	7.1	8.7		
Coal mining	mn tonnes	2.6	2.9	2.9	-3%	11%	6.3	5.8	-8%	52%
Gold mining	k oz	81	74	69	-7%	-14%	176	143	-19%	41%

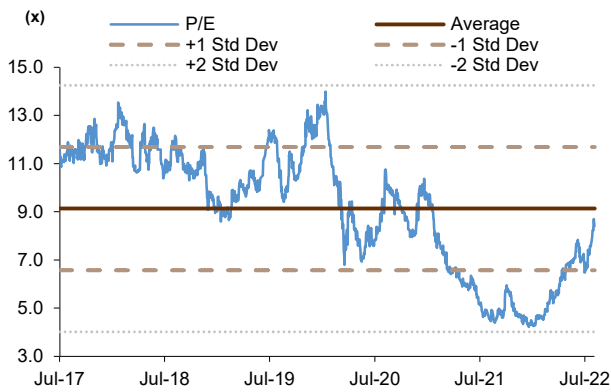
Source: Company's data, KISI

Table 2. Summary of assumptions changes

Assumptions	Unit	Revised			Previous		
		FY22F	FY23F	FY24F	FY22F	FY23F	FY24F
Komatsu sales	units	5,000	3,750	3,281	4,500	3,375	3,038
Change (%)		11%	11%	8%			
Coal delivered	mn tonnes	119	123	126	119	123	126
Change (%)		0%	0%	0%			
OB removal	mn bcm	982	980	915	982	980	915
Change (%)		0%	0%	0%			
Coal mining	mn tonnes	11.1	10.8	10.5	11.1	10.4	10.1
Change (%)		0%	4%	4%			
Gold production	k oz	352	352	352	352	352	352
Change (%)		0%	0%	0%			
Revenue	IDR bn	111,897	93,607	81,981	94,503	85,957	79,180
Change (%)		18%	9%	4%			
Gross profit	IDR bn	32,832	21,205	18,114	23,604	19,666	16,271
Change (%)		39%	8%	11%			
EBITDA	IDR bn	33,847	23,257	20,523	25,476	22,026	18,714
Change (%)		33%	6%	10%			
Net profit	IDR bn	19,120	11,343	9,937	13,900	11,121	9,195
Change (%)		38%	2%	8%			
Target price	IDR		41,000			37,500	
Change (%)			9%				
Recommendation			BUY			BUY	

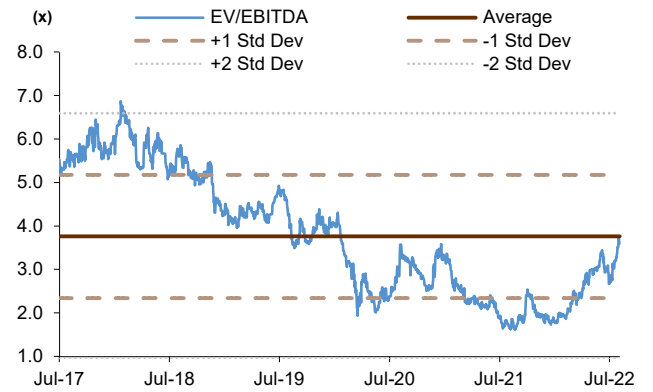
Source: KISI

Fig 1. UNTR's PE band



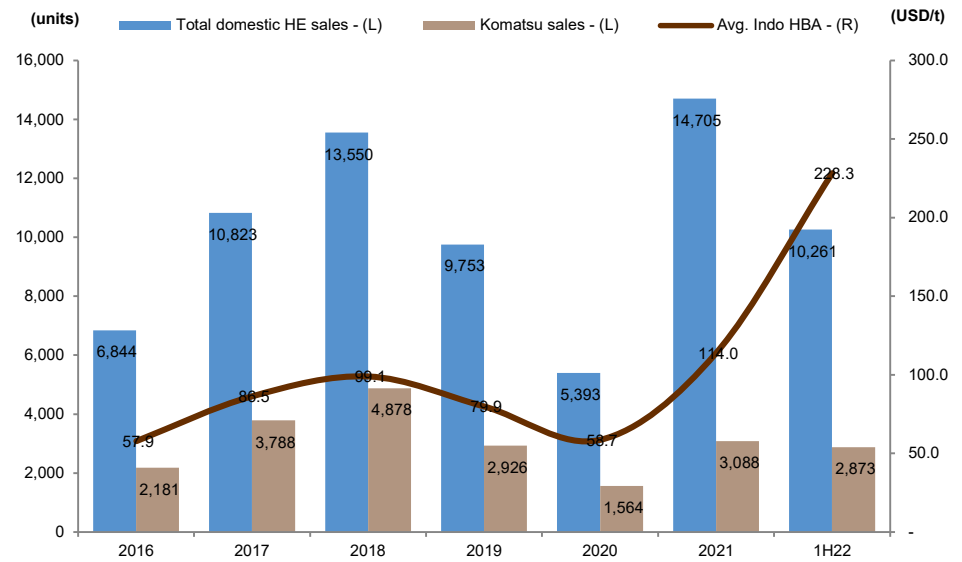
Source: Bloomberg, KISI

Fig 2. UNTR's EV/EBITDA band



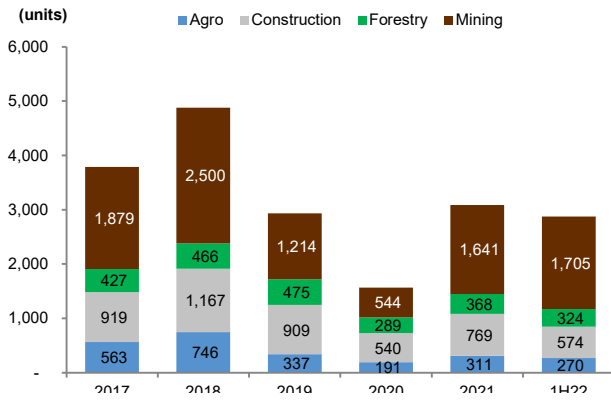
Source: Bloomberg, KISI

Fig 3. HE sales vs. Indonesia coal reference price (HBA) trend



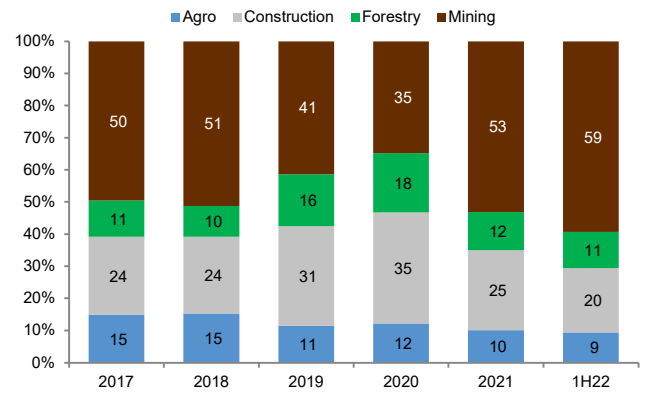
Source: Bloomberg, Indonesia heavy equipment association (Hinabi), Company, KISI

**Fig 4. UNTR's HE sales breakdown per sector**



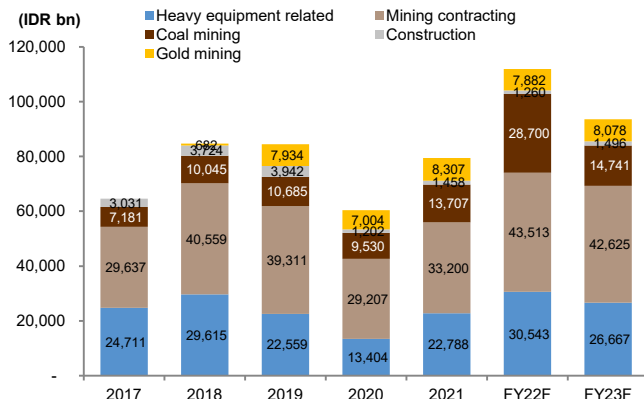
Source: Company's data, KISI

**Fig 5. UNTR's HE sales contribution per sector**



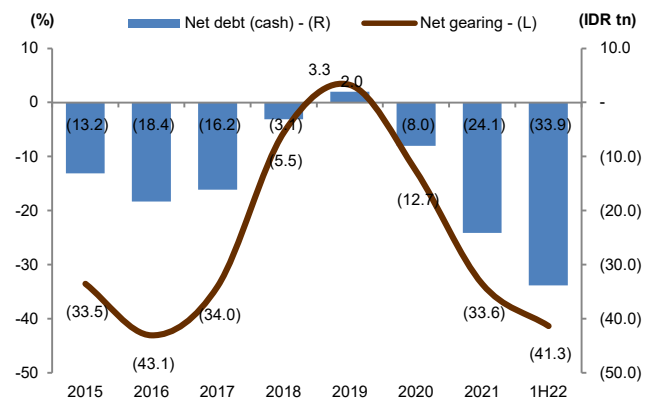
Source: Company's data, KISI

**Fig 6. UNTR's revenue breakdown**



Source: Company's data, KISI

**Fig 7. Record net cash position**

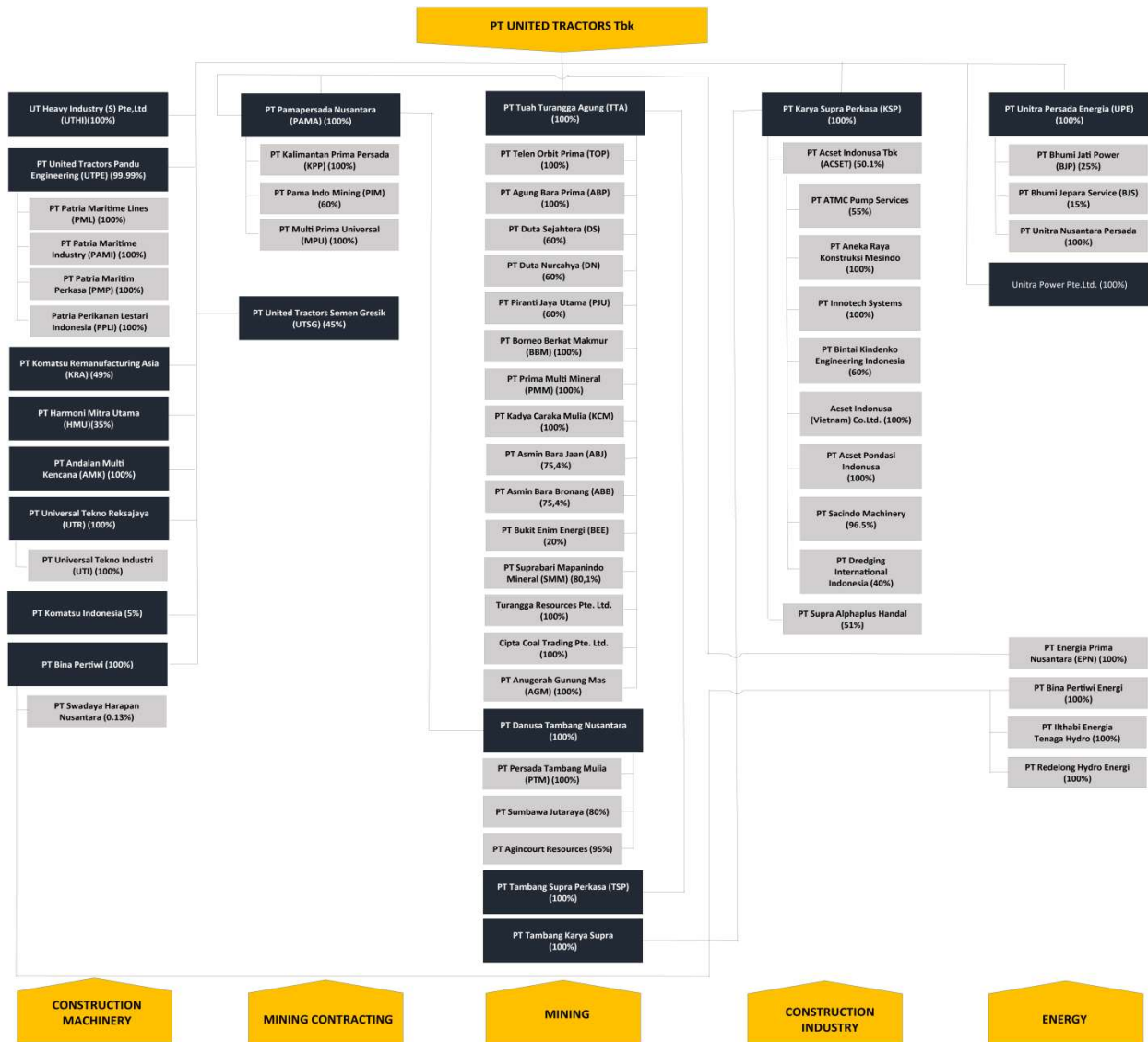


Source: Company's data, KISI

## Company Overview

PT United Tractors Tbk (“UNTR”) was established in 1972 in Jakarta as a heavy equipment distributor and reached an important milestone on 19 Sep 1989 by listing its shares on the Indonesia Stock Exchange. The Company is a subsidiary of PT Astra International Tbk (“ASII”) and has expanded its business to mining contracting, mining, general contracting services, and power plant. The Company’s head office is located in Jakarta with 20 branches, 38 site supports, 25 representative offices, and other service points in various strategic provinces and cities around Indonesia.

Fig 8. UNTR’s group structure



Source: Company annual report, KISI

**Balance sheet** (IDR bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Current assets	44,196	60,604	81,404	77,154	79,046
Cash & cash equivalent	20,499	33,322	33,288	34,825	41,221
Accounts & other receivables	10,138	12,207	27,591	23,081	20,214
Inventories	8,197	9,660	15,163	13,885	12,249
Others	5,362	5,415	5,362	5,362	5,362
Non-current assets	55,605	51,957	55,141	57,687	58,060
Fixed assets	37,280	32,382	35,566	38,111	38,485
Other non-current assets	18,326	19,575	19,575	19,575	19,575
<b>Total assets</b>	<b>99,801</b>	<b>112,561</b>	<b>136,545</b>	<b>134,841</b>	<b>137,106</b>
Current liabilities	20,944	30,489	40,282	36,501	33,328
Accounts & other payables	10,273	14,518	27,077	24,796	21,872
ST debt	4,045	6,205	4,205	2,705	2,455
Current portion of LT debt					
Others	6,626	9,766	9,000	9,000	9,000
Non-current liabilities	15,710	10,249	9,749	9,267	9,267
LT debt & financial liabilities	8,436	2,982	2,482	2,000	2,000
Employee benefits liability					
Other non-current liabilities	7,274	7,268	7,268	7,268	7,268
<b>Total liabilities</b>	<b>36,654</b>	<b>40,739</b>	<b>50,032</b>	<b>45,768</b>	<b>42,595</b>
Controlling interest					
Capital stock	933	933	933	933	933
Additional paid-in capital	9,704	9,704	9,704	9,704	9,704
Other Reserves	156	1,250	1,404	1,404	1,404
Retained earnings	49,493	56,673	69,318	70,756	75,211
Minority interest	2,861	3,263	5,154	6,276	7,258
<b>Shareholders' equity</b>	<b>63,147</b>	<b>71,823</b>	<b>86,513</b>	<b>89,072</b>	<b>94,510</b>

**Cash flow** (IDR bn)

FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F
C/F from operating	18,557	23,285	19,797	23,593	20,197
Net profit	6,003	10,279	19,120	11,343	9,937
Depreciation	9,946	8,765	7,113	7,622	7,697
Net incr. in W/C	1,723	713	(8,328)	3,506	1,581
Others	885	3,528	1,891	1,122	983
C/F from investing	(2,594)	(3,159)	(10,856)	(10,168)	(8,070)
CAPEX	(2,824)	(3,061)	(10,856)	(10,168)	(8,070)
Others	229	(98)	-	-	-
C/F from financing	(7,834)	(7,420)	(8,975)	(11,887)	(5,731)
Incr. in equity	-	-	-	-	-
Incr. in debts	(1,609)	(2,500)	(2,500)	(1,982)	(250)
Dividends	(3,639)	(3,013)	(6,475)	(9,905)	(5,481)
Others	(2,586)	(1,907)	-	-	-
C/F from others					
<b>Increase in cash</b>	<b>8,129</b>	<b>12,706</b>	<b>(34)</b>	<b>1,538</b>	<b>6,396</b>

**Income statement** (IDR bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Sales	60,347	79,460	111,897	93,607	81,981
COGS	(47,357)	(59,796)	(79,065)	(72,403)	(63,867)
<b>Gross profit</b>	<b>12,989</b>	<b>19,664</b>	<b>32,832</b>	<b>21,205</b>	<b>18,114</b>
SG&A expense	(4,695)	(4,789)	(6,098)	(5,570)	(5,288)
<b>Operating profit</b>	<b>8,294</b>	<b>14,875</b>	<b>26,734</b>	<b>15,635</b>	<b>12,826</b>
Financial income					
Interest income	759	872	817	908	1,018
Financial expense					
Interest expense	(1,540)	(754)	(575)	(427)	(343)
Other non-operating profit	(824)	(980)	(738)	(735)	-
Income from JVs, associates, subsidiaries	323	449	700	600	500
<b>Earnings before tax</b>	<b>7,011</b>	<b>14,462</b>	<b>26,938</b>	<b>15,980</b>	<b>14,000</b>
Income taxes	(1,379)	(3,854)	(5,926)	(3,516)	(3,080)
<b>Net profit</b>	<b>6,003</b>	<b>10,279</b>	<b>19,120</b>	<b>11,343</b>	<b>9,937</b>
Non-controlling interest	371	(329)	(1,891)	(1,122)	(983)
Other comprehensive profit					
Total comprehensive profit					
Total comprehensive profit of controlling interest					
<b>EBITDA</b>	<b>18,240</b>	<b>23,640</b>	<b>33,847</b>	<b>23,257</b>	<b>20,523</b>

**Key financial data**

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
per share data (IDR)					
EPS	1,609	2,756	5,126	3,041	2,664
BPS	16,162	18,380	21,811	22,197	23,391
DPS	644	1,240	3,076	1,520	1,332
Growth (%)					
Sales growth	(28.5)	31.7	40.8	(16.3)	(12.4)
OP growth	(50.1)	79.3	79.7	(41.5)	(18.0)
NP growth	(46.9)	71.2	86.0	(40.7)	(12.4)
EBITDA growth	(27.4)	29.6	43.2	(31.3)	(11.8)
Profitability (%)					
OP margin	13.7	18.7	23.9	16.7	15.6
NP margin	9.9	12.9	17.1	12.1	12.1
EBITDA margin	30.2	29.8	30.2	24.8	25.0
ROA	5.4	10.3	17.0	8.3	7.4
ROE	10.1	16.0	25.5	13.8	11.7
Dividend yield	2.0	3.8	9.4	4.7	4.1
Dividend payout ratio	40.0	45.0	60.0	50.0	50.0
Stability					
Net debt (IDR bn)	(8,017)	(24,135)	(26,601)	(30,120)	(36,766)
Int-bearing debt/equity (%)	19.8	12.8	7.7	5.3	4.7
Valuation (X)					
PE	16.5	8.0	6.3	10.7	12.2
PB	1.7	1.2	1.5	1.5	1.4
EV/EBITDA	5.2	2.6	2.8	3.9	4.1

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