

August 8, 2022



Research Center

Morning KISI/

■ Company Update

United Tractors, Tbk (UNTR): Better than expected 1H22 earnings

■ Market Commentary

■ Macro Calendar

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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

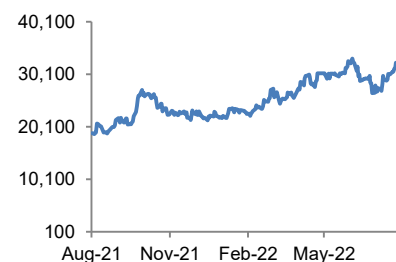
Major shareholders (%)

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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Market Commentary

Market Commentary

- JCI gains for the fifth day on Friday to end the week with a 1.92% gain, buoyed by strong economic data after the nation's second-quarter growth beat economist estimates. Indonesia 2Q GDP +5.44% YoY vs estimate +5.17%
- JCI started in a cautious fashion before gradually higher in the second session supported by big-cap stocks and a rebound in consumer stocks.
- RUPIAH -0.27% at 14.893 against USD.
- Market was traded mixed with Infrastructures, Basic Materials, Financials, and Consumer stocks were among the gainers. While Industrials and Tech end lags.
- TLKM IJ +2.20%, BBCA IJ +0.96% extended their upward trend this weekend and contributed most to index gains.
- Consumer stocks were bouncing after recent drops amid positive economic data. UNVR IJ +2.61%, MYOR IJ +3.74%, ACES IJ +6.15%, MAPI IJ +3.23%.
- While energy-related stocks were mixed amid struggling for traction after a recent pullback following a continuing drop in oil price. ADRO IJ -1.88%, PGAS IJ -1.84%, AKRA IJ -5.14%, MEDC IJ +1.88%, HRUM IJ +1.73%.
- Tech stocks were mostly lower as a rally in tech stocks eased. BUKA IJ -4.22%, WIRG IJ -2.56%.
- Top value were: TLKM IJ +2.20%, BBCAJI +0.96% IJ, BBRI IJ 0.00%
- Top Gainers: TLKM (+2.20%), BBCA (+0.96%), BBNI (+3.13%)
- Top Losers: UNTR (-2.11%), ADRO (-1.88%), BUKA (-4.22%)

News

Macroeconomic, Sector and Corporate News

- INDY – To distribute IDR114.46/sh interim dividend (~4,1% yield). Cum date: 15Aug2022. (Investor daily)
- MAPI – Recorded 1H22 net profit of IDR1.0tn, +279% YoY, 90% of FY22 consensus. (Investor daily)
- MAPA – Recorded 1H22 net profit of IDR473bn, +354% YoY, 64% of FY22 consensus. (Investor daily)
- MAPB – Recorded 1H22 net profit of IDR76.3bn (vs. 1H21 net loss of IDR20bn). (Investor daily)
- AGRS – Plans to raise up to IDR1.2tn from rights issue of up to 10.92bn shares (~62% of capital). PT. Bumi Indawa Niaga to be standby buyer. (Bisnis)
- BNBA – Secured shareholders' approval for rights issue of 1.38bn share (~50% of capital). (Bisnis)
- PZZA – Opened 42 new outlets as of end Jul2022, to bring its total outlet to 577. (Kontan)
- DGIK – Plans for IDR20bn shares buyback (~5.41% capital). (Investor daily)

Outliers

Outlier Stocks

- Sharp Movers (Up) : HATM (+25%), KIOS (+21.1%), KRYA (+18.9%)
- Sharp Movers (Down) : DEWI (-7%), BAPA (-6.8%), SWID (-6.5%)

Macro Calendar

August 8, 2022

Mon	Tue	Wed	Thu	Fri
1	2	3	4	5
Korea> July exports US> July ISM manufacturing PMI China> July Caixin manufacturing PMI	Korea> July CPI	US> MBA mortgage applications July ISM services PMI June durable goods orders (F) China> July Caixin services PMI	US> June trade balance New jobless claims	US> July change in non-farm payrolls July jobless rate
8	9	10	11	12
China> July imports and exports (Aug 7) July trade balance (Aug 7) July FX reserves (Aug 7)	OECD leading economic index	Korea> July unemployment rate US> MBA mortgage applications July CPI China> July PPI July CPI	MSCI quarterly review The OPEC Monthly Oil Market Report Japan> Market closed (Mountain Day)	US> August Michigan Consumer Confidence (P)
15	16	17	18	19
Korea> Market closed (National Liberation Day) US> August manufacturing index (New York) China> June mining and manufacturing production July fixed asset investment Japan> June mining and manufacturing production (F) 2Q GDP (P)	US> July housing starts July mining and manufacturing production July capacity utilization	US> July retail sales Europe> 2Q GDP (P) Japan> July core machinery orders	US> FOMC minutes New jobless claims July existing home sales Europe> July CPI	Japan> July CPI
22	23	24	25	26
	US> July new home sales	US> July durable goods orders (P) MBA mortgage applications	Korea> The BoK monetary policy meeting US> Jackson Hole symposium (Aug 25-27) 2Q GDP New jobless claims	US> August Michigan Consumer Confidence (F) July personal consumption expenditures (PCE) price index
29	30	31		
US> August Dallas Fed manufacturing survey	US> August CB consumer confidence index	Korea> July mining and manufacturing production US> MBA mortgage applications Europe> August CPI (P) China> August manufacturing PMI Japan> July mining and manufacturing production (P)		

Note: 1) Figures in parentheses represent the latest reported figures, Bloomberg estimates and previous reported figures in that order. For example: Data (actual reported figures, Bloomberg estimate, previous reported figures). Bloomberg estimates are subject to change 2) Earnings release date is from Bloomberg or company announcement