

# United Tractors (UNTR)

On the right track to deliver record earnings

## More bullish guidance on HE sales & OB removal

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. The revised guidance implied a monthly sales of ~350 units from Jun to Dec2022. UNTR's 5M22 HE sales were 2,400 units (+123% YoY and 53% of our FY22F at 4,500 units). In conjunction, UNTR also projected a more bullish OB removal at 10% YoY growth (vs. low teens previously) considering PAMA's 5M22 achievement of 354.2mn bcm (+7% YoY and 36% of our FY22F estimate). For its own coal mines and gold mines (Martabe), 5M22 production represents 46% and 34% of our FY22F estimates, respectively. Refer to Table 1 for 5M22 operational data.

## Expect decent 2Q22 earnings reported at the end of the month

Considering sustainably strong outlook on coal sector in general (i.e. Newcastle coal price +140% YTD and ICI4 +30% YTD) and recent trajectory of its 5M22 operational results, we expect UNTR to record ~IDR4tn 2Q22 earnings (down ~8% QoQ), bringing its 1H22 earnings to IDR8.4tn (+84% YoY, 60% of our FY22F estimate). Refer to Table 2 for 2Q22 financial and operational results review.

## Share buyback program implied attractive valuation

UNTR announced its share buyback program between 13Jul2022 and 12Oct2022 with an allocated budget of IDR5tn, equivalent to buy max. ~4.9% of total shares if done at 12Jul2022 closing price. Since the announcement, UNTR stock has increased by 7.1%, indicating an attractive valuation amid a generally bearish tone on global market.

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

We leave our current DCF valuation on UNTR unchanged at IDR140tn (or equivalent to IDR37,500/share), implying a 10x FY22F PE (at its 5-year historical average). UNTR currently trades at 7.7x FY22F with an expected avg of ~15% ROE in the next 3 years. Moreover, UNTR has a sizable IDR 29.6tn net cash position as of end Mar2022 which allows them to seek inorganic growth from other minerals or renewable projects when opportunities arise.

	2020A	2021A	2022F	2023F	2024F
Sales (IDR bn)	60,347	79,460	94,503	85,957	79,180
GP (IDR bn)	12,989	19,664	23,604	19,666	16,271
OP (IDR bn)	8,294	14,875	18,454	14,552	11,164
NP (IDR bn)	6,003	10,279	13,900	11,121	9,195
EBITDA (IDR bn)	18,240	23,640	25,476	22,026	18,714
Net debt (IDR bn)	(8,017)	(24,135)	(24,884)	(29,166)	(34,331)
OP margin (%)	30.2	29.8	27.0	25.6	23.6
ROE (%)	10.1	16.0	19.1	14.0	11.0
Dividend yield (%)	2.2	4.3	6.5	5.2	4.3
EPS (IDR)	1,609	2,756	3,726	2,981	2,465
chg. (% YoY)	(46.9)	71.2	35.2	(20.0)	(17.3)
BPS (IDR)	16,162	18,380	20,720	21,939	22,983
DPS (IDR)	644	1,240	1,863	1,491	1,232
PE (x)	17.9	10.5	7.7	9.7	11.7
PB (x)	1.8	1.6	1.4	1.3	1.3
EV/EBITDA (x)	5.4	3.5	3.2	3.5	3.9

## Company Update

### Conglomerates

Jul 19, 2022

12M rating **BUY (Maintain)**  
12M TP **IDR 37,500** (Prev 37,500)  
Upside **+30%**

#### Stock Data

JCI (Jul 18)	6,659
Stock price (Jul 18, IDR)	28,850
Market cap (IDR bn)	107,614
Shares outstanding (mn)	3,730
52-week high/low (IDR)	33,375 / 18,550
6M avg. daily turnover (IDR bn)	159.3
Free float (%)	40.4

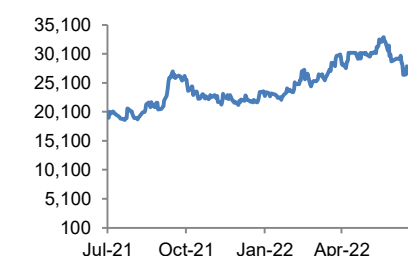
#### Major shareholders (%)

Astra International Tbk	59.5
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#### Performance

	1M	6M	12M
Absolute (%)	(2.4)	27.3	57.8
Relative to JCI (%)	4.4	21.2	36.3

#### UNTR's share price performance



Source: Bloomberg

**Edward Tanuwijaya**

[edward.t@kisi.co.id](mailto:edward.t@kisi.co.id)

Table 1. UNTR's 5M22 operational results

Segment	Unit	Jun-21	Apr-22	May-22	% MoM	% YoY	5M21	5M22	% YoY	5M22 as % of FY22F
Heavy equipment sales	Komatsu unit	285	368	338	-8%	19%	1,076	2,400	123%	53%
Mining contracting	Coal delivered mn t	11.0	8.6	8.1	-6%	-26%	46.9	40.6	-13%	34%
	OB Removal mn bcm	80.2	74.0	72.8	-2%	-9%	329.5	354.2	7%	36%
	Strip ratio x	7.3	8.6	9.0			7.0	8.7		
Coal mining	Production mn t	0.8	1.0	1.2	10%	43%	5.5	5.1	-6%	46%
Gold mining	Production k oz	28	23	23	0%	-18%	148	120	-19%	34%

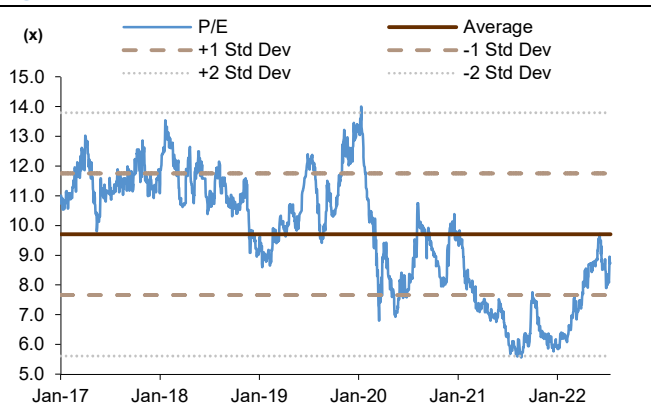
Source: Company's data, KISI

Table 2. UNTR's 2Q22 operational and financial results preview

UNTR 2Q22 financial results preview										
IDR bn		2Q21	1Q22	2Q22	QoQ	YoY	6M21	6M22	YoY	% of FY22FKISI
Revenue		19,413	27,979	26,714	-5%	38%	37,311	54,692	47%	58%
Gross Profit		4,488	7,037	6,812	-3%	52%	8,024	13,849	73%	59%
Operating Profit		3,495	5,884	5,610	-5%	61%	6,037	11,494	90%	62%
Net Income		2,649	4,321	3,986	-8%	50%	4,516	8,306	84%	60%
		5.1%	4.1%							
GPM		23.1%	25.2%	25.5%			21.5%	25.3%		
OPM		18.0%	21.0%	21.0%			16.2%	21.0%		
NPM		13.6%	15.4%	14.9%			12.1%	15.2%		
		4.4%	5.6%							
UNTR 2Q22 operational results preview										
Segment	unit	2Q21	1Q22	2Q22	QoQ	YoY	6M21	6M22	YoY	% of FY22FKISI
Heavy equipment	units	673	1,694	1,056	-38%	57%	1,361	2,750	102%	61%
Coal delivered	mn tonnes	30	24	25	5%	-18%	58	49	-15%	41%
OB removal	mn bcm	218	207	219	6%	0%	409	426	4%	43%
Stripping ratio	x	7.2	8.7	8.8	1%	22%	7.1	8.7		
Coal mining	mn tonnes	2.6	2.9	3.2	8%	24%	6.3	6.1	-2%	55%
Gold mining	k oz	81	74	69	-7%	-14%	176	143	-19%	41%

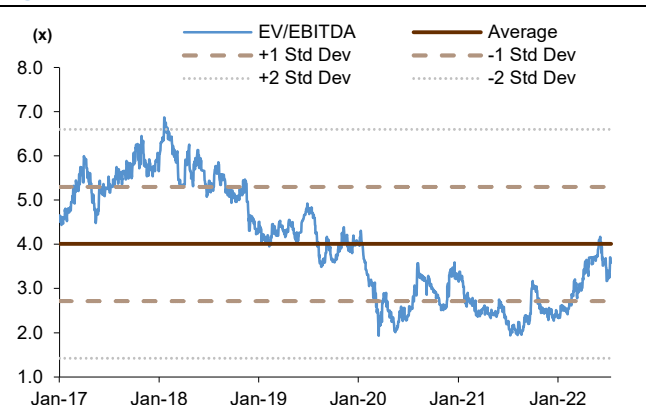
Source: Company's data, KISI

Fig 1. UNTR's PE band



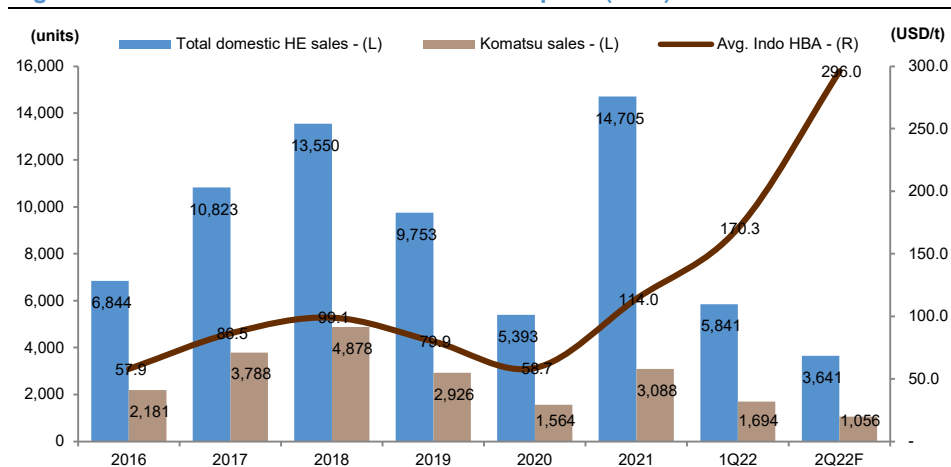
Source: Bloomberg, KISI

Fig 2. UNTR's EV/EBITDA band



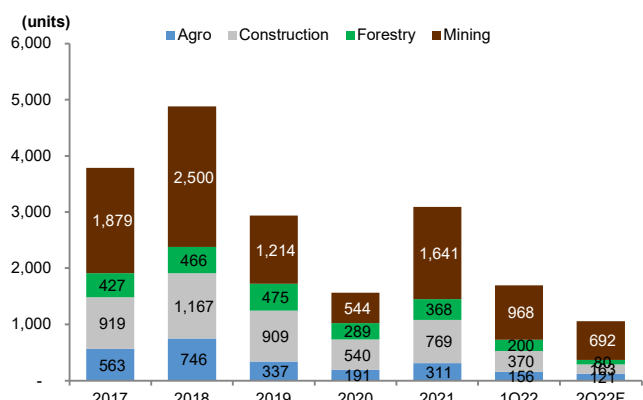
Source: Bloomberg, KISI

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



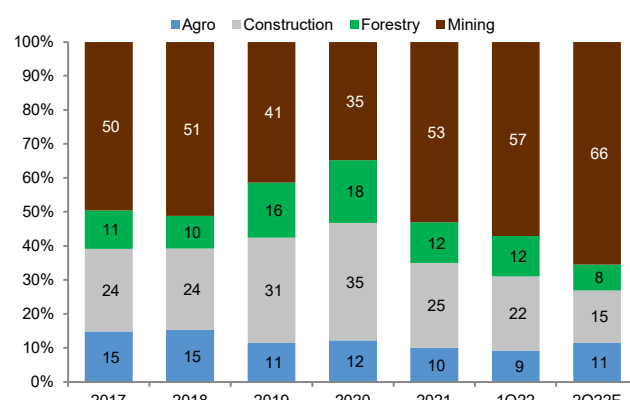
Source: Bloomberg, Indonesia heavy equipment association (Hinabi), Company, KISI

Fig 4. UNTR's HE sales breakdown per sector



Source: Company's data, KISI

Fig 5. UNTR's HE sales contribution per sector



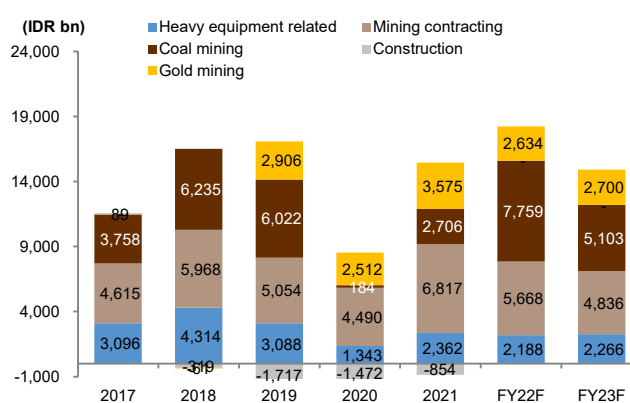
Source: Company's data, KISI

Fig 6. UNTR's revenue breakdown



Source: Company's data, KISI

Fig 7. UNTR's op. profit breakdown

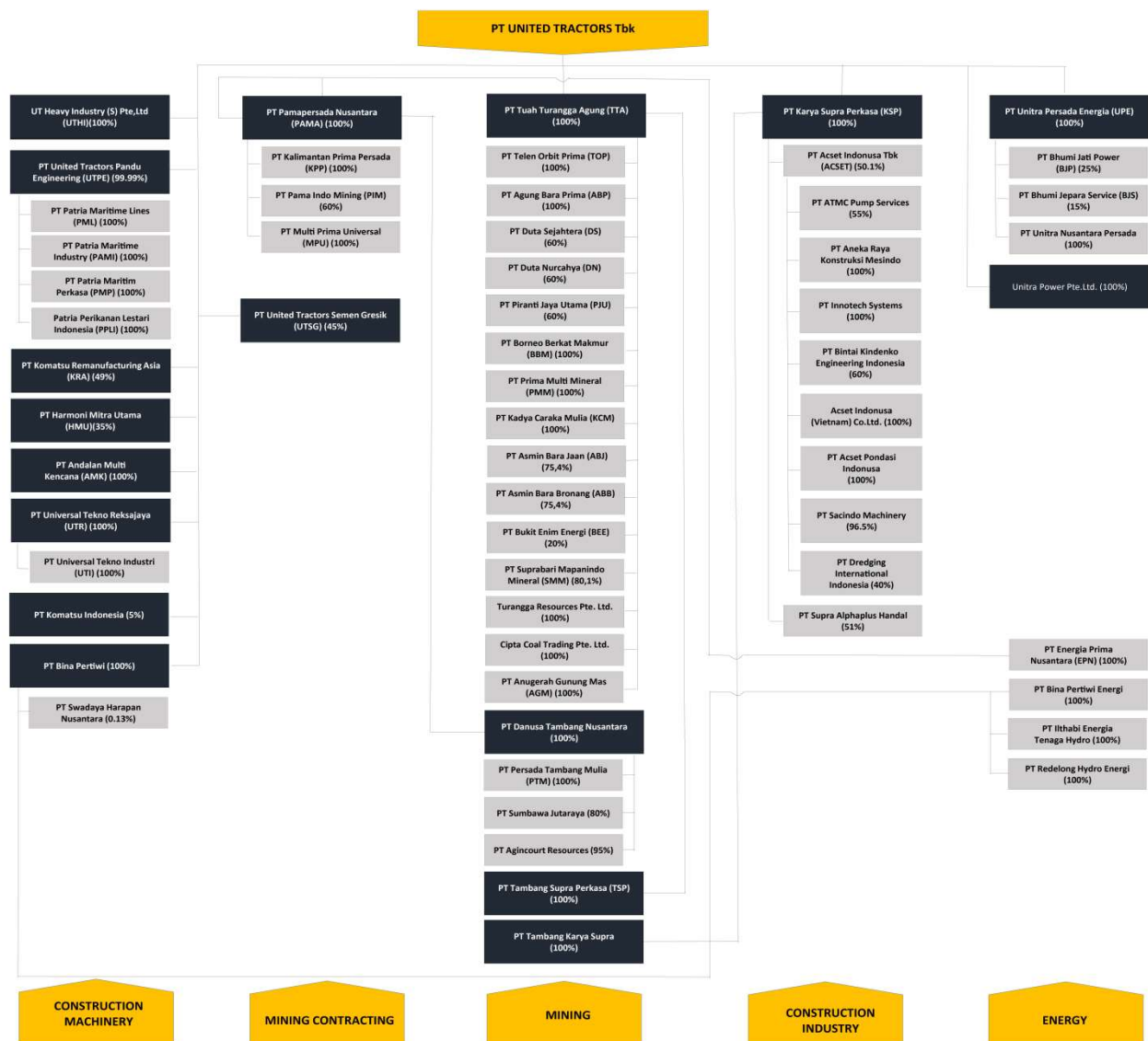


Source: Company's data, KISI

## 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	73,832	73,141	75,737
Cash & cash equivalent	20,499	33,322	31,571	33,871	38,786
Accounts & other receivables	10,138	12,207	23,302	21,195	19,524
Inventories	8,197	9,660	13,597	12,713	12,065
Others	5,362	5,415	5,362	5,362	5,362
Non-current assets	55,605	51,957	54,686	56,948	57,323
Fixed assets	37,280	32,382	35,110	37,373	37,747
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>128,517</b>	<b>130,089</b>	<b>133,059</b>
Current liabilities	20,944	30,489	37,486	34,408	33,000
Accounts & other payables	10,273	14,518	24,280	22,702	21,544
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>47,235</b>	<b>43,675</b>	<b>42,267</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	1,332	1,332	1,332
Retained earnings	49,493	56,673	65,320	69,866	73,761
Minority interest	2,861	3,263	3,994	4,580	5,064
<b>Shareholders' equity</b>	<b>63,147</b>	<b>71,823</b>	<b>81,283</b>	<b>86,414</b>	<b>90,793</b>

## Cash flow

(IDR bn)

FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F
C/F from operating	18,557	23,285	16,385	20,594	18,389
Net profit	6,003	10,279	13,900	11,121	9,195
Depreciation	9,946	8,765	7,022	7,475	7,549
Net incr. in W/C	1,723	713	(5,269)	1,413	1,161
Others	885	3,528	732	585	484
C/F from investing	(2,594)	(3,159)	(10,382)	(9,737)	(7,924)
CAPEX	(2,824)	(3,061)	(10,382)	(9,737)	(7,924)
Others	229	(98)	-	-	-
C/F from financing	(7,834)	(7,420)	(7,753)	(8,557)	(5,550)
Incr. in equity	-	-	-	-	-
Incr. in debts	(1,609)	(2,500)	(2,500)	(1,982)	(250)
Dividends	(3,639)	(3,013)	(5,253)	(6,575)	(5,300)
Others	(2,586)	(1,907)	-	-	-
C/F from others					
<b>Increase in cash</b>	<b>8,129</b>	<b>12,706</b>	<b>(1,751)</b>	<b>2,300</b>	<b>4,915</b>

## Income statement

(IDR bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Sales	60,347	79,460	94,503	85,957	79,180
COGS	(47,357)	(59,796)	(70,899)	(66,291)	(62,909)
<b>Gross profit</b>	<b>12,989</b>	<b>19,664</b>	<b>23,604</b>	<b>19,666</b>	<b>16,271</b>
SG&A expense	(4,695)	(4,789)	(5,150)	(5,114)	(5,107)
<b>Operating profit</b>	<b>8,294</b>	<b>14,875</b>	<b>18,454</b>	<b>14,552</b>	<b>11,164</b>
Financial income					
Interest income	759	872	898	990	1,065
Financial expense					
Interest expense	(1,540)	(754)	(556)	(399)	(321)
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>18,759</b>	<b>15,008</b>	<b>12,409</b>
Income taxes	(1,379)	(3,854)	(4,127)	(3,302)	(2,730)
<b>Net profit</b>	<b>6,003</b>	<b>10,279</b>	<b>13,900</b>	<b>11,121</b>	<b>9,195</b>
Non-controlling interest	371	(329)	(732)	(585)	(484)
Other comprehensive profit					
Total comprehensive profit					
Total comprehensive profit of controlling interest					
<b>EBITDA</b>	<b>18,240</b>	<b>23,640</b>	<b>25,476</b>	<b>22,026</b>	<b>18,714</b>

## Key financial data

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
per share data (IDR)					
EPS	1,609	2,756	3,726	2,981	2,465
BPS	16,162	18,380	20,720	21,939	22,983
DPS	644	1,240	1,863	1,491	1,232
Growth (%)					
Sales growth	(28.5)	31.7	18.9	(9.0)	(7.9)
OP growth	(50.1)	79.3	24.1	(21.1)	(23.3)
NP growth	(46.9)	71.2	35.2	(20.0)	(17.3)
EBITDA growth	(27.4)	29.6	7.8	(13.5)	(15.0)
Profitability (%)					
OP margin	13.7	18.7	19.5	16.9	14.1
NP margin	9.9	12.9	14.7	12.9	11.6
EBITDA margin	30.2	29.8	27.0	25.6	23.6
ROA	5.4	10.3	12.3	8.7	7.1
ROE	10.1	16.0	19.1	14.0	11.0
Dividend yield	2.2	4.3	6.5	5.2	4.3
Dividend payout ratio	40.0	45.0	50.0	50.0	50.0
Stability					
Net debt (IDR bn)	(8,017)	(24,135)	(24,884)	(29,166)	(34,331)
Int-bearing debt/equity (%)	19.8	12.8	8.2	5.4	4.9
Valuation (X)					
PE	17.9	10.5	7.7	9.7	11.7
PB	1.8	1.6	1.4	1.3	1.3
EV/EBITDA	5.4	3.5	3.2	3.5	3.9

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