

December 27, 2022



Research Center

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United Tractors (UNTR)

Putting its record high cash position to work

11M22 operational results INLINE with our expectations

UNTR's 11M22 HE sales were 5,457 units (+85% YoY and 94% of our FY22F). UNTR indicated that HE sales should remain high in FY23 considering spillover demand due to long lead orders particularly from mining segment this year. PAMA's 11M22 works of 105.3mn tonnes coal delivered (-1% YoY) and 862.3mn bcm OB removal (+10% YoY) were ~90% of our FY22F estimates. UNTR guided decent 4-5% growth for both PAMA's coal & OB removal volume next year. Meanwhile, 11M22 gold production from Martabe was 264k oz (down 14% YoY, 91% of our FY22F). We expect a steep decline (~50% YoY) in Martabe's gold production next year as UNTR needs to address declining ore grades & increasing sulfides (i.e. requiring different ore treatment). Refer to Table 1 for more details.

Venturing into nickel business – diversifying from coal

Armed by its sizable IDR36.8tn net cash position as of end of Sep2022, UNTR ventures into nickel segment by signing CSPA on 3Dec2022 (with 4 months to close transaction) to acquire 90% stakes in: 1) nickel mining company PT Stargate Pasific Resources (SPR) with total resources of 146.1mn tonnes of ore located in Konawe, South East Sulawesi (1.19% Ni grade based on JORC released in May2014) and 2) PT Stargate Mineral Asia (SMA) with 2x33MVA RKEF projects (with a total expected production capacity of ~13k NPI p.a.); for a total of USD271.8mn. Furthermore, UNTR allocates USD220mn for the next 3 years to complete smelter construction. This is part of UNTR's effort to diversify its business from coal-related. A few months earlier, UNTR through its subsidiary PT Energia Prima Nusantara (EPN) acquired 31.5% stakes in renewable energy company Arkora Hydro (ARKO).

Reiterate BUY call on UNTR as key commodities proxy

We tweaked our DCF valuation on UNTR to IDR149.3tn, ~2% lower from previous assumptions (or equivalent to IDR40,000/share) to account for internal cash used for acquisition and allocated capex for next 3 years. We have NOT included the potential upside from nickel segment due to limited information at the moment. Recent 25% correction (within 3 months) on UNTR stock price provides an attractive entry point with further support from share buyback program (until 11Jan2023) and an expected final dividend yield of ~5% in April 2023. UNTR currently trades at 5x FY22F PE with an expected avg of ~17% ROE in the next 3 years.

	2020A	2021A	2022F	2023F	2024F
Sales (IDR bn)	60,347	79,460	113,935	94,923	82,256
GP (IDR bn)	12,989	19,664	33,979	21,136	17,274
OP (IDR bn)	8,294	14,875	27,769	15,488	11,968
NP (IDR bn)	6,003	10,279	19,837	11,701	9,240
EBITDA (IDR bn)	18,240	23,640	34,895	23,408	20,142
Net debt (IDR bn)	(8,017)	(24,135)	(23,392)	(25,769)	(30,932)
OP margin (%)	30.2	29.8	30.6	24.7	24.5
ROE (%)	10.1	16.0	26.4	14.2	10.8
Dividend yield (%)	2.4	4.6	11.9	5.8	4.6
EPS (IDR)	1,609	2,756	5,318	3,137	2,477
chg. (% YoY)	(46.9)	71.2	93.0	(41.0)	(21.0)
BPS (IDR)	16,162	18,380	21,972	22,357	23,355
DPS (IDR)	644	1,240	3,191	1,568	1,239
PE (x)	16.5	8.0	5.0	8.4	10.7
PB (x)	1.7	1.2	1.2	1.2	1.1
EV/EBITDA (x)	5.2	2.6	2.1	3.1	3.3

Company Update

Conglomerates

Dec 27, 2022

12M rating **BUY (Maintain)**
12M TP **IDR 40,000** (Prev 41,000)
Upside **+51.5%**

Stock Data

JCI (Dec 26)	6,836
Stock price (Dec 26, IDR)	26,400
Market cap (IDR bn)	98,476
Shares outstanding (mn)	3,730
52-week high/low (IDR)	36,200 / 21,450
6M avg. daily turnover (IDR bn)	174.6
Free float (%)	40.4

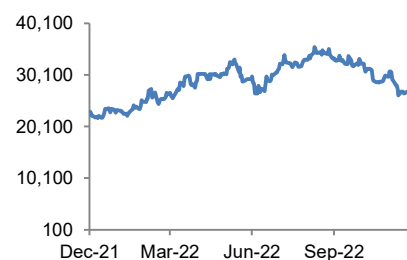
Major shareholders (%)

Astra International Tbk	59.5
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Performance

	1M	6M	12M
Absolute (%)	(9.3)	(5.9)	27.9
Relative to JCI (%)	(8.7)	(7.1)	14.4

UNTR's share price performance



Source: Bloomberg

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Market Commentary

Market Commentary

- JCI rose 35pts on Monday as hefty gain in BYAN IJ lifted the index to close in the green, BYAN IJ contributed 38 pts to the index gain.
- The market traded in thin holiday trade as well as regional markets, as traders remained cautious about China covid woes and reduced liquidity with many markets closed for holidays.
- Sectoral wise, 7/11 ended in the green led by energy and property. Tech and financials tanked.
- Aside from BYAN IJ, the market were a mixed bag, gain in large-cap banks were offset by the steep losses in tech and digital bank shares.
- Tech shares tumbled with GOTO IJ fell 3%, BUKA IJ -2.22%, Digital bank shares also suffered heavy losses with ARTO IJ and BANK IJ both fell more than 6%.
- CITA IJ jumped 17% after ADMR IJ -2.35% unit inks deal to sell IDR 925.7bn shares to Cita Mineral and Aumay Mining.
- Top Gainers : BYAN (+10.77%), BBRI (+1.02%), BMRI (+1.26%)
- Top Losers: GOTO (-4.65%), TLKM (-0.79%), SMMA (-4.22%)

News

Macroeconomic, Sector and Corporate News

- SMGR – Co. cement sales volume fell 6.5% y/y to 2.94mn tons in Nov. (bbg)
- SKRN – Secured shareholders' approval for 1:5 stock split. (Bisnis)
- BBYB – MUFG invests USD200mn to Silvr Technology (Akulaku), BBYB's parent co. (Investor daily)
- BTPN – Together with SMBC provide USD93.75mn green financing facility to PLN. (Investor daily)
- WIFI – Subsidiary PT Integrasi Network Ecosystem (Weave) signed a 10-year fiber lease agreement with EXCL until 2032. (Bisnis)
- SLIS - Plans to do pre-emptive rights issue of up to 2bn shares (100% of current capital). (Kontan)
- WMPP – Allocates FY23 capex of IDR 350bn to increase cattle production and develop poultry facilities. (Kontan)
- TCPI – Secured a 5-year new coal transportation contracts of IDR 1.5tn. (Investor daily)

Outliers

Outlier Stocks

- Sharp Movers (Up) : NZIA (+25%), TRIN (+21.9%), KRYA (+18.7%)
- Sharp Movers (Down) : BBYB (-7%), PNLF (-7%), GPSO (-6.9%)

Macro Calendar

December 27, 2022

Mon	Tue	Wed	Thu	Fri
3	4	5	6	7
<p>Korea > Market closed (National Foundation Day) September exports and imports (announced October 1) US> September ISM manufacturing PMI China> Market closed (National Day)</p>	<p>US> August durable goods (F) China> Market closed (National Day)</p>	<p>OPEC+ ministerial meeting Korea> September CPI US> September ISM services PMI MBA mortgage applications China> Market closed (National Day)</p>	<p>US> New jobless claims China> Market closed (National Day)</p>	<p>US> September non-farm payrolls September jobless rate China> Market closed (National Day) September FX reserves</p>
10	11	12	13	14
<p>Korea> Market closed (substitute holiday for Hangul Day) US> Market closed (Columbus Day) China> September Caixin services PMI (announced October 8) Japan> Market closed (Sports Day)</p>	<p>OECD leading economic index</p>	<p>The OPEC Monthly Oil Market Report Korea> MPC meeting US> FOMC minutes release MBA mortgage applications September PPI</p>	<p>Korea> Stock options expiry US> September CPI Initial jobless claims</p>	<p>Korea> September jobless rate US> September retail sales October Michigan Consumer Confidence (P) China> September PPI September CPI September exports and imports September trade balance</p>
17	18	19	20	21
<p>US> October manufacturing index (New York) China> September mining and manufacturing production September retail sales September fixed asset investment 3Q22 GDP Japan> August mining and manufacturing production (F)</p>	<p>US> September industrial production</p>	<p>US> Fed Beige Book release MBA mortgage applications September housing starts Europe> September CPI (F)</p>	<p>US> Initial jobless claims September existing home sales China> PBOC LPR release</p>	<p>Japan> September CPI</p>
24	25	26	27	28
	<p>US> October Conference Board Consumer Expectations Index</p>	<p>US> September new home sales</p>	<p>Korea> 3Q22 GDP (A) US> Initial jobless claims September durable goods orders (P) 3Q22 GDP (A) Europe> ECB MPC meeting</p>	<p>US> September PCE October Michigan Consumer Confidence (F) Japan> BoJ MPC meeting</p>
31				
<p>Korea> September mining and manufacturing production China> October manufacturing PMI October services PMI Europe> October CPI (P) Japan> September manufacturing production (P)</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
