

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 Pacific 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

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

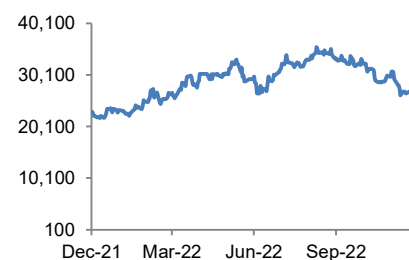
Major shareholders (%)

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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Table 1. UNTR's 11M22 operational results

Segment	Unit	Nov-21	Oct-22	Nov-22	% MoM	% YoY	11M21	11M22	% YoY	11M22 as % of FY22F	
Heavy equipment sales	Komatsu	unit	360	553	370	-33%	3%	2,950	5,457	85%	94%
Mining contracting	Coal delivered	mn t	9.4	11.0	11.0	0%	17%	106.8	105.3	-1%	91%
	OB Removal	mn bcm	72.4	83.1	87.4	5%	21%	782.0	862.3	10%	90%
	Strip ratio	x	7.7	7.6	7.9			7.3	8.2		
Coal mining	Production	mn t	0.3	0.7	0.6	-12%	98%	8.5	9.2	8%	92%
Gold mining	Production	k oz	25	24	24	0%	-4%	308	264	-14%	91%

Source: Company's data, KISI

Fig 1. PT. Stargate Pacific Resources – South Block Deposit location



Source: ASPIRE stargate website, KISI

Fig 2. PT. Stargate Pacific Resources – South Block development photo



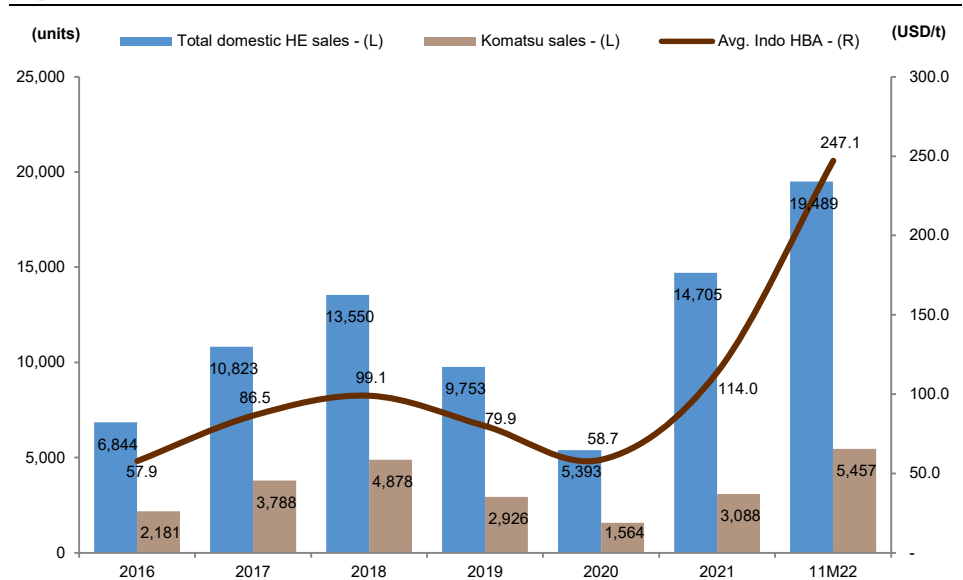
Source: ASPIRE stargate website, KISI

Table 2. Summary of assumptions changes

Assumptions	Unit	Revised			Previous		
		FY22F	FY23F	FY24F	FY22F	FY23F	FY24F
Komatsu sales	units	5,800	5,075	4,314	5,500	4,125	3,609
Change (%)		5%	23%	20%			
Coal delivered	mn tonnes	116	123	126	119	123	126
Change (%)		-2%	0%	0%			
OB removal	mn bcm	959	981	915	982	980	915
Change (%)		-2%	0%	0%			
Coal mining	mn tonnes	9.9	10.4	10.1	11.1	10.8	10.5
Change (%)		-11%	-4%	-4%			
Gold production	k oz	290	145	145	352	352	352
Change (%)		-18%	-59%	-59%			
Revenue	IDR bn	113,935	94,923	82,256	114,334	95,915	84,096
Change (%)		0%	-1%	-2%			
Gross profit	IDR bn	33,979	21,136	17,274	33,211	21,602	18,515
Change (%)		2%	-2%	-7%			
EBITDA	IDR bn	34,895	23,408	20,142	34,105	23,539	20,817
Change (%)		2%	-1%	-3%			
Net profit	IDR bn	19,837	11,701	9,240	19,295	11,527	10,125
Change (%)		3%	2%	-9%			
Target price	IDR		40,000			41,000	
Change (%)			-2%				
Recommendation			BUY			BUY	

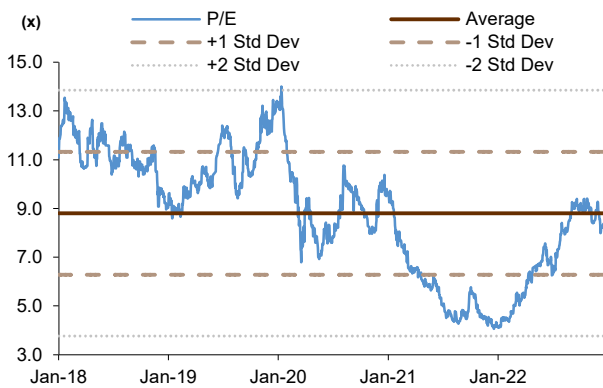
Source: KISI

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



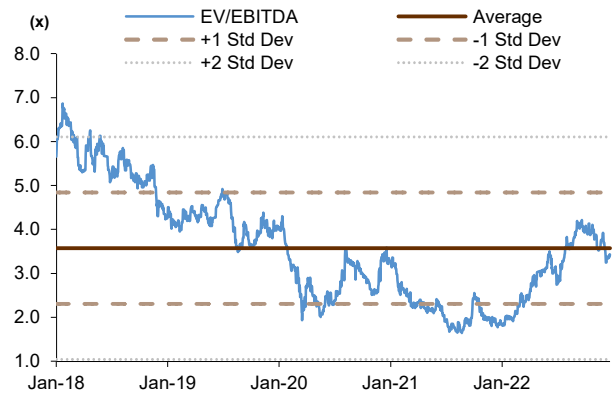
Source: Bloomberg, Indonesia heavy equipment association (Hinabi), Company, KISI

Fig 4. UNTR's PE band



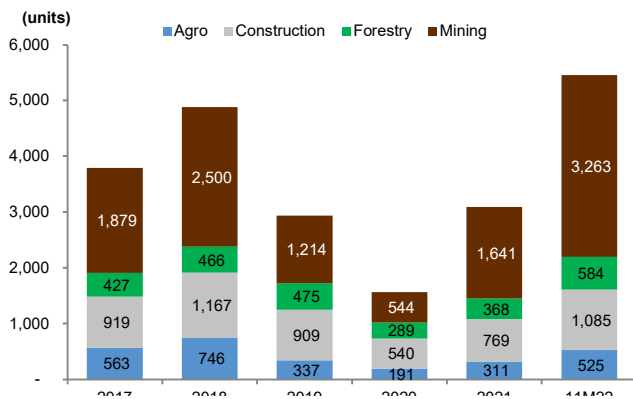
Source: Bloomberg, KISI

Fig 5. UNTR's EV/EBITDA band



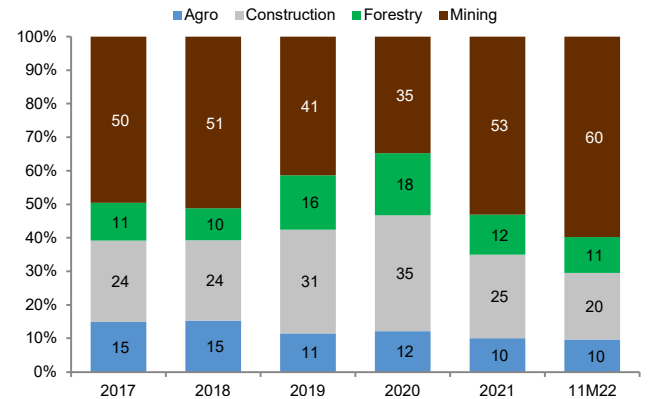
Source: Bloomberg, KISI

Fig 6. UNTR's HE sales breakdown per sector



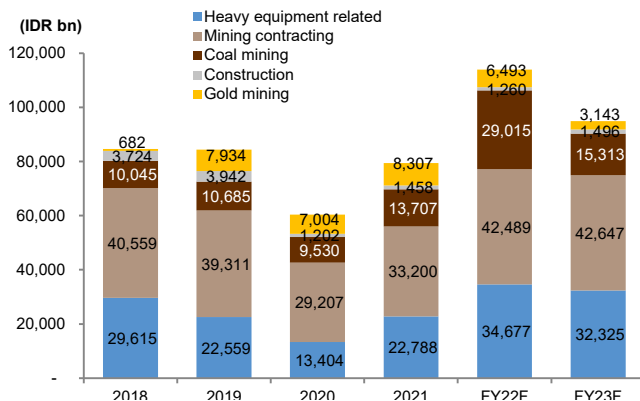
Source: Company's data, KISI

Fig 7. UNTR's HE sales contribution (%) per sector



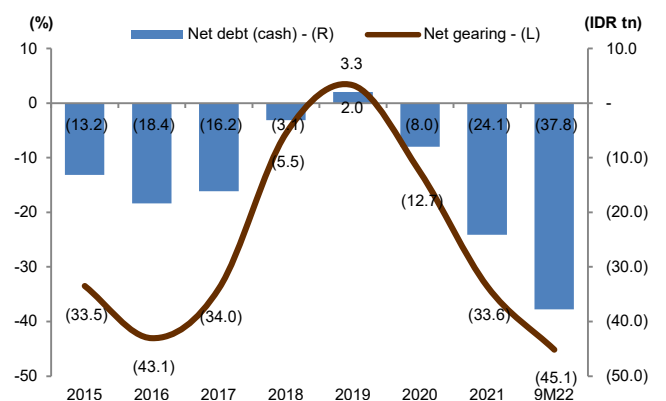
Source: Company's data, KISI

Fig 8. UNTR's revenue breakdown



Source: Company's data, KISI

Fig 9. Record net cash position allows for M&A

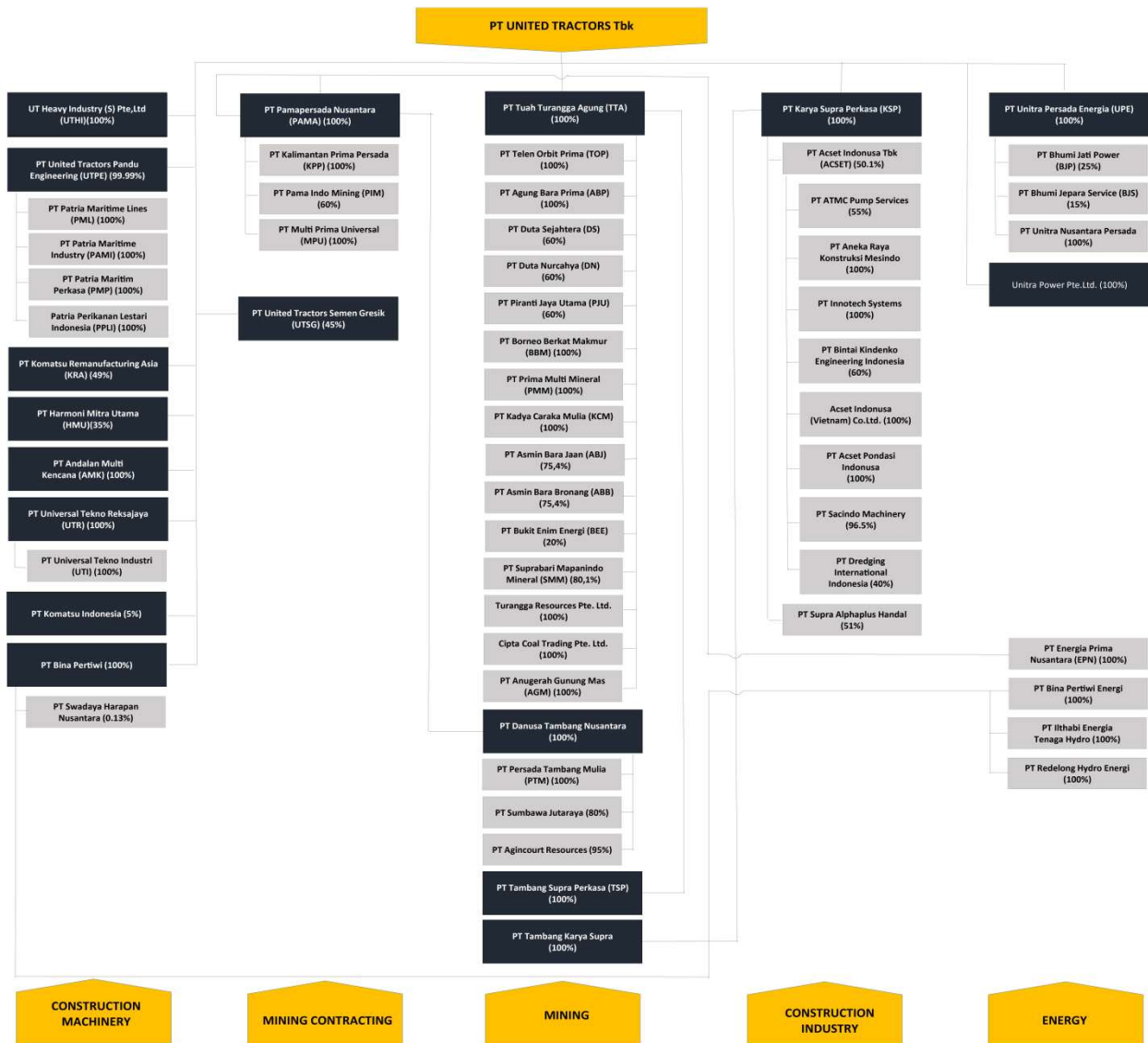


Source: Company's data, KISI

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 10. UNTR’s group structure



Source: Company annual report 2021, KISI

Balance sheet		(IDR bn)				
FY-ending Dec.	2020A	2021A	2022F	2023F	2024F	
Current assets	44,196	60,604	78,869	73,392	73,493	
Cash & cash equivalent	20,499	33,322	30,079	30,474	35,387	
Accounts & other receivables	10,138	12,207	28,093	23,406	20,282	
Inventories	8,197	9,660	15,334	14,151	12,462	
Others	5,362	5,415	5,362	5,362	5,362	
Non-current assets	55,605	51,957	58,652	62,625	63,895	
Fixed assets	37,280	32,382	35,627	39,600	40,869	
Other non-current assets	18,326	19,575	23,025	23,025	23,025	
Total assets	99,801	112,561	137,521	136,018	137,388	
Current liabilities	20,944	30,489	40,588	36,975	33,710	
Accounts & other payables	10,273	14,518	27,382	25,270	22,254	
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	
Total liabilities	36,654	40,739	50,337	46,243	42,977	
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	69,919	71,353	75,075	
Minority interest	2,861	3,263	5,225	6,382	7,296	
Shareholders' equity	63,147	71,823	87,184	89,775	94,412	

Cash flow		(IDR bn)				
FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F	
C/F from operating	18,557	23,285	20,229	24,537	20,125	
Net profit	6,003	10,279	19,837	11,701	9,240	
Depreciation	9,946	8,765	7,125	7,920	8,174	
Net incr. in W/C	1,723	713	(8,696)	3,758	1,797	
Others	885	3,528	1,962	1,157	914	
C/F from investing	(2,594)	(3,159)	(14,380)	(11,893)	(9,443)	
CAPEX	(2,824)	(3,061)	(14,380)	(11,893)	(9,443)	
Others	229	(98)	-	-	-	
C/F from financing	(7,834)	(7,420)	(9,091)	(12,249)	(5,768)	
Incr. in equity	-	-	-	-	-	
Incr. in debts	(1,609)	(2,500)	(2,500)	(1,982)	(250)	
Dividends	(3,639)	(3,013)	(6,591)	(10,267)	(5,518)	
Others	(2,586)	(1,907)	-	-	-	
C/F from others						
Increase in cash	8,129	12,706	(3,242)	394	4,913	

Income statement		(IDR bn)				
FY-ending Dec.	2020A	2021A	2022F	2023F	2024F	
Sales	60,347	79,460	113,935	94,923	82,256	
COGS	(47,357)	(59,796)	(79,956)	(73,788)	(64,982)	
Gross profit	12,989	19,664	33,979	21,136	17,274	
SG&A expense	(4,695)	(4,789)	(6,209)	(5,648)	(5,305)	
Operating profit	8,294	14,875	27,769	15,488	11,968	
Financial income						
Interest income	759	872	792	825	894	
Financial expense						
Interest expense	(1,540)	(754)	(575)	(427)	(343)	
Other non-operating profit	(824)	(980)	(738)	-	-	
Income from JVs, associates, subsidiaries	323	449	700	600	500	
Earnings before tax	7,011	14,462	27,948	16,486	13,018	
Income taxes	(1,379)	(3,854)	(6,149)	(3,627)	(2,864)	
Net profit	6,003	10,279	19,837	11,701	9,240	
Non-controlling interest	371	(329)	(1,962)	(1,157)	(914)	
Other comprehensive profit						
Total comprehensive profit						
Total comprehensive profit of controlling interest						
EBITDA	18,240	23,640	34,895	23,408	20,142	

Key financial data

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
per share data (IDR)					
EPS	1,609	2,756	5,318	3,137	2,477
BPS	16,162	18,380	21,972	22,357	23,355
DPS	644	1,240	3,191	1,568	1,239
Growth (%)					
Sales growth	(28.5)	31.7	43.4	(16.7)	(13.3)
OP growth	(50.1)	79.3	86.7	(44.2)	(22.7)
NP growth	(46.9)	71.2	93.0	(41.0)	(21.0)
EBITDA growth	(27.4)	29.6	47.6	(32.9)	(14.0)
Profitability (%)					
OP margin	13.7	18.7	24.4	16.3	14.5
NP margin	9.9	12.9	17.4	12.3	11.2
EBITDA margin	30.2	29.8	30.6	24.7	24.5
ROA	5.4	10.3	17.6	8.5	6.8
ROE	10.1	16.0	26.4	14.2	10.8
Dividend yield	2.4	4.6	11.9	5.8	4.6
Dividend payout ratio	40.0	45.0	60.0	50.0	50.0
Stability					
Net debt (IDR bn)	(8,017)	(24,135)	(23,392)	(25,769)	(30,932)
Int-bearing debt/equity (%)	19.8	12.8	7.7	5.2	4.7
Valuation (X)					
PE	16.5	8.0	5.0	8.4	10.7
PB	1.7	1.2	1.2	1.2	1.1
EV/EBITDA	5.2	2.6	2.1	3.1	3.3

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