

11 June 2021

Heavy equipment, mining contractor, Coal & Gold Mining, Equity

Current Price **IDR. 22600**
 Target Price **IDR. 26235**
 JKSE Index **6107,54**

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 United Tractors Tbk PT, Indonesia, Jakarta:UNTR, D



Stock Code **UNTR IJ**
 Bloomberg code **UNTR IJ**
 Market cap (IDR.bn) **84950**
 52-Week High (IDR) **28475**
 52-Week Low (IDR) **15700**
 6-m Avg Daily. Val (IDR) **23325**
 Free Float (%) **40.50**

Major Shareholders (%)
 PT Astra International Tbk **59.50%**
 Others/Public **40.50%**

USD/IDR-YE
 2020A **14050**
 2021F (Avg) **14262**

Key Indicators
 Debt/ Equity (x) **0.16**
 Current ratio (x) **2.32**

Analyst: Revita Dhiah Anggrainy
 revita.anggrainy@binaartha.com

Investment Consideration

Targetting flat revenue

In 1Q21, despite a decrease in the top line of -2.3% YoY, UNTR was able to grow the bottom line by +2.4% YoY to IDR. 1.8 trillion supported by a decrease in operating expenses and other income of -6% YoY and -91% YoY respectively. The largest contributor to 1Q21 sales at 44% was PAMA Mining, but a -15% revenue decrease resulted in a decrease in total 1Q21 revenue to IDR. 17.8 trillion or -2.27% YoY. In 1Q21 coal sales volume rose +3.57% YoY but ASP (average Selling Price) fell -17.64% driven by USD depreciation. Komatsu's 1Q21 heavy equipment sales volume increased +11.51% YoY to 688 units from 617 units in 1Q20. Komatsu's sales revenue fell -7.64% YoY to 1.595 trillion due to a decrease in ASP of -17.17% YoY due to USD depreciation. UD truck sales volume increased from 73 units to 129 units and Scania products increased from 64 units to 126 units. The total revenue of construction machinery was flat at IDR. 4,3 trillion in 1Q21. Komatsu's sales target in 2021 has increased to 2,500 units compared to the initial target of 1,700 units, driven by demand improvements in mining and construction during 1Q21. We estimate sales in 2021 will be supported by increased demand for coal amid rising coal prices and a rise in the construction sector. Total revenue is targeted at flat growth of 0.5% YoY to IDR. 60.67 trillion in 2021 despite the decline in 1Q21.

Gold pretax income contribution hike

As of 1Q21, the contribution of pretax income from gold mining increased to 37% from 25% in 1Q20. UNTR's Gold mines business is operated by PT Agincourt Resources (PTAR). PTAR operates Martabe gold mine located in South Tapanuli, North Sumatera. As of 1Q21, Total sales volume of gold equivalent from Martabe was 95.3 (000 ounces), up 1% compared to 94.8 (000 ounces) in 1Q20. Gold mining recorded net revenue of IDR. 2.2 trillion up 15% YoY. The ASP (Average Selling Price) for Gold was USD. 1,659 per ounce compared to USD. 1,448 per ounce in 1Q20. Gold sales volume in 2021 is targeted at 342 (000 ounces) compared to 320 (000 ounces) in 2020. We believe UNTR's bottom line earnings this year will be driven primarily from gold mining as the contribution increases.

Valuation: 16% upside potential

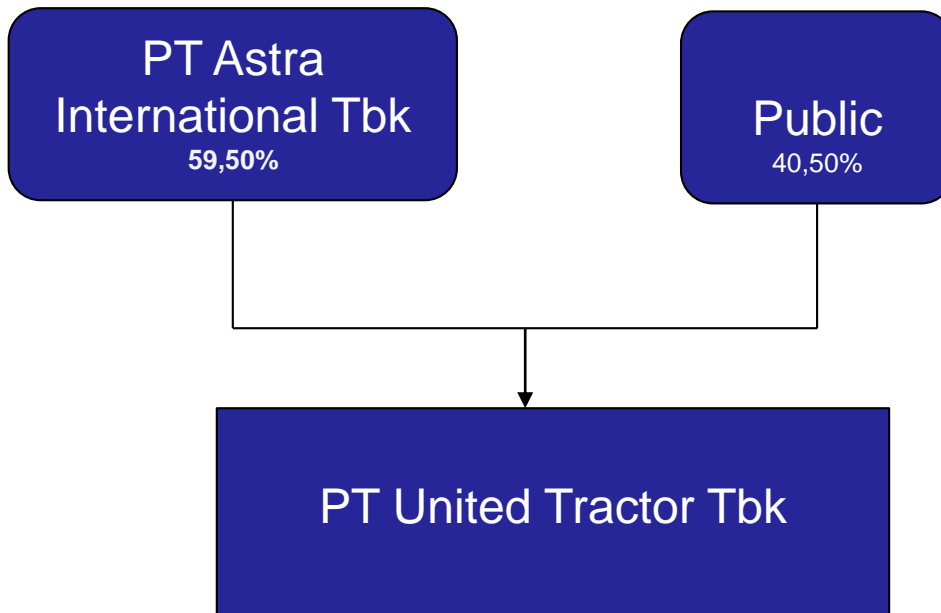
Our target price for UNTR is IDR 26,235, which is a valuation of 14,71x PER with 16% upside potential. We have a HOLD recommendation.

Profit and Loss (IDR.bn)	2018 A	2019 A	2020 A	2021 F	2022 F	2023 F
Revenue	84.625	84.430	60.347	60.669	61.655	70.610
Cost of sales	(63.515)	(63.200)	(47.357)	(48.536)	(48.091)	(55.782)
Gross Profit	21.110	21.231	12.989	12.134	13.564	14.828
Operating expense	4.339	4.626	4.695	3.640	3.699	4.237
Operating Profit	16.770	16.605	8.294	8.494	9.865	10.591
Other income	(1.062)	(1.128)	(1.283)	(485)	(1.233)	(1.412)
PBT	15.709	15.477	7.011	8.008	8.632	9.179
taxes	(4.210)	(4.342)	(1.379)	(1.602)	(1.726)	(1.836)
Minority interest	(372,783)	177,430	370,775	(248,745)	(252,786)	(289,500)
Net Profit	11.126	11.312	6.003	6.158	6.653	7.054
EPS	2983	3033	1609	1651	1783	1891
EBITDA	21.771	24.250	16.649	17.799	18.203	18.998

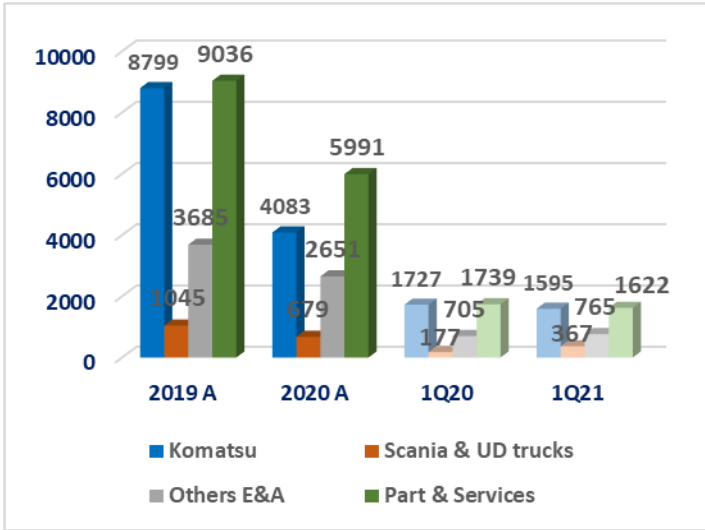
Company profile

PT United Tractors Tbk is a subsidiary of PT Astra International Tbk ("Astra"), one of the largest and leading business groups in Indonesia with a network of services spanning various industries and sectors. Since September 19, 1989, United Tractors has become a public company by listing its shares on the Indonesia Stock Exchange (formerly the Jakarta Stock Exchange and Surabaya Stock Exchange). Until now Astra owns 59.5% of United Tractors, with the remaining shares owned by the public. Currently United Tractors has developed into one of the major players in the domestic sector and industry, through five business pillars, namely Construction Machinery, Mining Contractors, Mining, Construction Industry, and Energy.

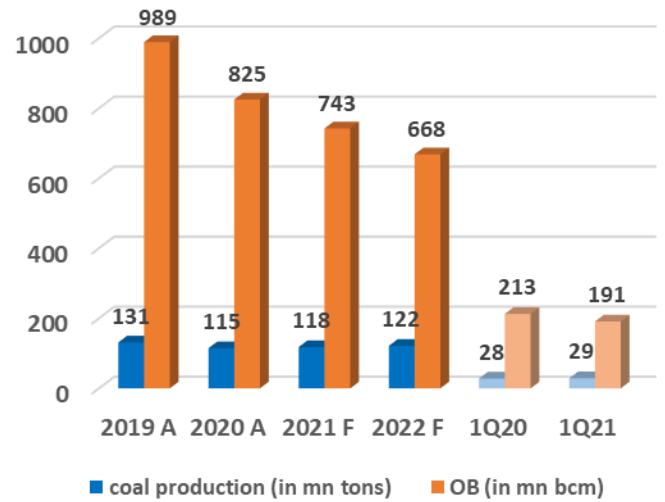
Company structure



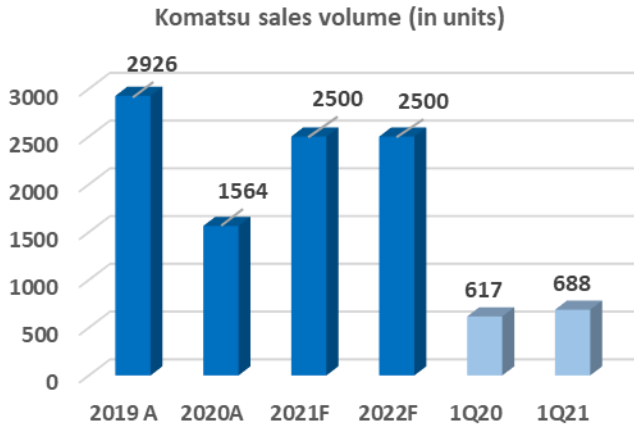
Construction Machinery revenue breakdown (Rp.in bn) yoy



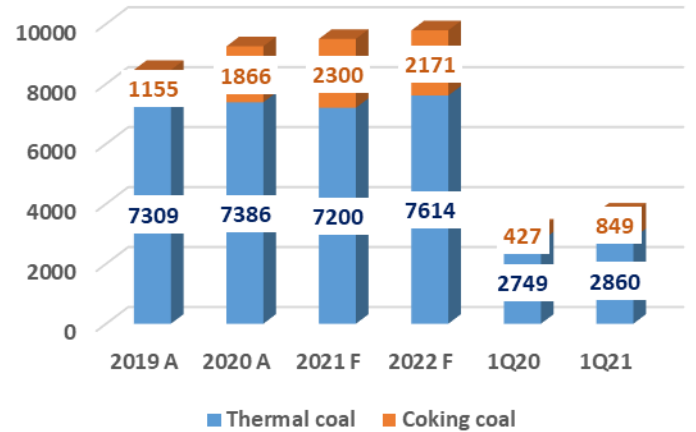
Mining contracting, coal production vs Overburden volume yoy



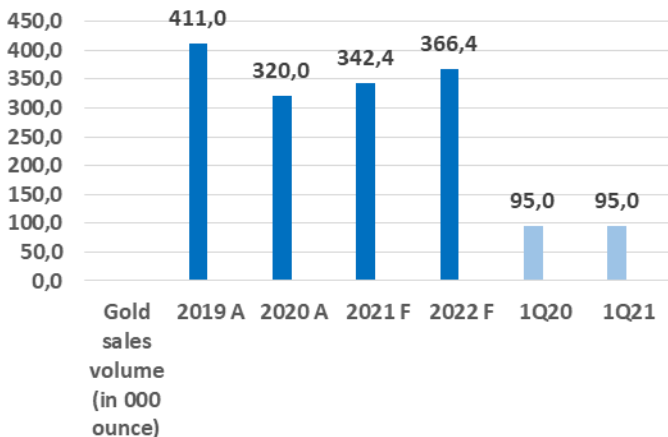
Komatsu sales volume (units) yoy



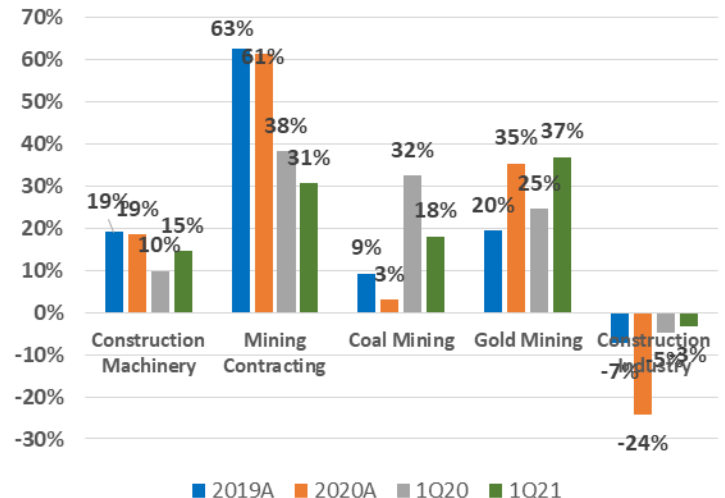
Coal Mining, sales volume of coal breakdown (in 000 tons) yoy



Gold mining, sales volume of gold (in 000 ounce) yoy



Gold mining pretax income contribution (%) yoy



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Balance Sheet (IDR.bn)

Balance sheet (IDR.bn)	2018A	2019A	2020A	2021F	2022F	2023F
Cash and cash equivalent	13.438,18	12.090,66	20.498,57	27.409,29	34.809,57	38.677,25
Trade Account Receivable	20.610,33	19.680,70	10.024,22	10.305,50	10.135,08	11.607,06
inventory	13.617,87	11.014,02	8.002,36	7.978,45	8.037,12	9.322,41
Other current asset	7.985,44	8.041,57	5.670,63	5.702,93	5.795,58	6.637,31
Current Asset	55.651,81	50.826,96	44.195,78	51.396,17	58.777,34	66.244,02
Net Fixed Asset	24.584,55	27.469,01	24.319,37	23.662,64	21.241,87	22.045,69
advances investment in associates and JV	1.871,22	1.811,09	1.375,36	2.426,78	1.849,65	2.118,29
other long term asset	34.173,44	31.606,33	26.760,82	27.907,96	28.361,33	32.480,43
Non current Asset	60.629,21	60.886,42	55.605,18	53.997,37	51.452,85	56.644,41
Total Asset	116.281,02	111.713,38	99.800,96	105.393,54	110.230,19	122.888,44
Trade payable	32.115,32	20.697,53	10.087,73	9.973,06	10.135,08	11.607,06
taxes payable	3.230,61	1.172,35	198,50	606,69	616,55	706,10
bank loans	0,00	2.432,68	2.468,74	5.464,50	5.737,73	6.885,27
finance lease abilities	109,66	153,72	827,73	832,15	845,67	968,49
Other Current liabilities	13.330,13	8.129,25	7.361,13	7.887,03	8.015,16	9.179,25
Current liabilities	48.785,72	32.585,53	20.943,82	24.763,44	25.350,19	29.346,18
Long term loans	2.896,20	10.078,23	7.757,75	5.100,20	5.610,22	6.451,75
Financial lease	326,46	429,50	626,91	788,70	801,52	917,93
other borrowings	63,08	104,12	51,40	51,67	52,51	60,14
Other Long term liabilities	7.158,88	7.405,92	7.273,95	7.312,84	7.431,64	7.767,06
Non current liabilities	10.444,62	18.017,77	15.710,00	13.253,42	13.895,89	15.196,88
Total Liabilities	59.230,34	50.603,30	36.653,82	38.016,86	39.246,07	44.543,05
Total Equities	57.050,68	61.110,07	63.147,14	67.376,68	70.984,12	78.345,38
Total Liabilities and equity	116.281,02	111.713,38	99.800,96	105.393,54	110.230,19	122.888,44

Cash Flow (IDR.bn)

Cash Flow (in IDR. bn)	2019A	2020A	2021F	2022F	2023F
+ Net Income	11.312,07	6.003,20	6.157,95	6.652,58	7.053,90
+Depreciation	6.439,59	8.097,86	6.867,25	6.388,91	6.160,14
- Change in WC	(12.722,85)	3.397,38	3.529,95	605,85	396,99
Cash From Operating Activities	5.028,82	17.498,44	16.555,15	13.647,34	13.611,03
capex	(6.696,80)	(2.816,62)	(5.259,44)	(3.844,39)	(11.351,70)
cash from investing activities	(6.696,80)	(2.816,62)	(5.259,44)	(3.844,39)	(11.351,70)
Long term liabilities	7.182,03	(2.320,48)	(2.657,55)	510,02	841,53
Financial lease	103,04	197,40	161,80	12,81	116,41
other borrowings	41,03	(52,72)	0,27	0,84	7,63
Other Long term liabilities	247,05	(131,97)	38,90	118,80	335,42
equity	(7.252,68)	(3.966,13)	(1.928,41)	(3.045,15)	307,36
cash from financing activities	320,47	(6.273,91)	(4.384,99)	(2.402,67)	1.608,35
Net Changes in Cash	(1.347,51)	8.407,91	6.910,71	7.400,28	3.867,68
Beginning Balance	13.438,18	12.090,66	20.498,57	27.409,29	34.809,57
Ending balance	12.090,66	20.498,57	27.409,29	34.809,57	38.677,25

Ratio Highlights

Ratio Highlights	2018 A	2019 A	2020 A	2021 F	2022 F	2023 F
Growth (% YoY)						
Sales		-0,23%	-28,52%	0,53%	1,62%	14,52%
OP		-0,99%	-50,05%	2,41%	16,14%	7,37%
EBITDA		11,39%	-31,35%	6,91%	2,27%	4,36%
NP		1,68%	-46,93%	2,58%	8,03%	6,03%
EPS		1,68%	-46,93%	2,58%	8,03%	6,03%
Profitability						
Operating Margin(%)	19,82%	19,67%	13,74%	14,00%	16,00%	15,00%
EBITDA margin(%)	25,73%	28,72%	27,59%	29,34%	29,52%	26,90%
NET Profit margin(%)	13,15%	13,40%	9,95%	10,15%	10,79%	9,99%
ROA(%)	9,57%	10,13%	6,02%	5,84%	6,04%	5,74%
ROE(%)	19,50%	18,51%	9,51%	9,14%	9,37%	9,00%
Stability						
Debt/ Equity (X)	0,05	0,20	0,16	0,16	0,16	0,17
Current ratio (X)	1,14	1,56	2,11	2,08	2,32	2,26
Int. Coverage (x)	10,93	6,63	4,55	2,74	2,71	2,51
Per Share data (IDR)						
EPS	2983	3033	1609	1651	1783	1891
BVS	15.295	16.383	16.929	18.063	19.030	21.003

Stock Ratings:

Buy: a recommendation to purchase the security with upside potential of 20% or greater

Hold: a recommendation to neither buy nor sell a security with upside potential of 0-19%.

Sell: a recommendation to close out a long position in a security with upside potential below 0% or negative.

**RESEARCH TEAM
(62-21) 520-6678 ext.612**

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