

14 November 2022  
Heavy equipment, mining contractor, Coal & Gold Mining, Equity

Current Price IDR. 29,000  
Target Price IDR. 46,650  
JKSE Index 7,041.44



### Investment Consideration

#### Targetting 25% revenue growth

As of 9M22, UNTR revenue was IDR 91.5 trillion up 58% YoY, and bottom line profit increased even more significantly, up 103% YoY helped by a slower increase in operating expenses of only 17% YoY. As of 9M2022, Construction machinery and Mining contracting are still the largest contributors to revenue at 30% and 36% respectively followed by coal mining 27%, gold mining 6%, and construction 1%. Komatsu's 9M22 heavy equipment sales volume increased 107% YoY or 41% QoQ to 4,534 units. Coal production decreased -6% YoY but increased +26% QoQ while the ASP increased 25% YoY and helped mining contracting revenue to increase by 37% in the 9M2022. Komatsu's sales target is maintained as before at 4,800 units because of stronger demand from mining as coal demand increases, together with higher construction activity. As of September, Komatsu leads the heavy equipment market with a 28% market share. Based on 9M2022 results, we revise up our revenue target in 2022-2023F to a CAGR of 24.55% compared to 2021A.

#### Coal mining still the biggest profit contributor

In 9M2022, coal mining is still the biggest contributor to pretax profit at 44% followed by mining contracting at 28%. UNTR's coal mining business is run by PT Buah Turangga Agung (TTA). Total coal sales volume in 9M2022 reached 7,78 million tons, up by 0,35% YoY from 9M2021's 7,75 million tons, due to a temporary export ban in January 2022. However, due to the significant increase in the average coal selling price (ASP) of 137% YoY, the revenue from Coal Mining increased by 138% yoy to IDR 24,37 trillion. We believe strong coal prices will keep coal mining as the biggest profit contributor in 2022F. Starting in 2022, the company has consolidated revenue from its solar energy subsidiary, PT Energia Prima Nusantara which has installed 6.9 MWp of rooftop solar PVs and is targeting an additional 15 MWp this year.

#### Valuation: 61% upside potential

Based on 9M22 results, our target price for UNTR is revised to IDR 46,650, which is a valuation of 7,87x PER. With 61% upside potential, we maintain our BUY recommendation.

	2019 A	2020 A	2021 A	2022 F	2023 F	2024 F
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#### Growth (% YoY)

Sales	-0.23%	-28.52%	31.67%	48.15%	4.71%	9.18%
OP	-0.99%	-50.05%	79.35%	82.02%	-4.40%	9.18%
EBITDA	11.39%	-31.35%	31.93%	57.84%	5.36%	10.45%
NP	1.68%	-46.93%	71.24%	115.18%	0.25%	9.18%
EPS	1.68%	-46.93%	71.24%	115.18%	0.25%	9.18%

#### Profitability

Operating Margin(%)	19.67%	13.74%	18.72%	23.00%	21.00%	21.00%
EBITDA margin(%)	28.72%	27.59%	27.64%	29.45%	29.63%	29.98%
NET Profit margin(%)	13.40%	9.95%	12.94%	18.79%	17.99%	17.99%

#### Stability

Debt/ Equity (X)	0.20	0.16	0.11	0.08	0.08	0.08
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Stock Code  
Bloomberg code UNTR IJ  
Market cap (IDR.trn) 109.67  
52-Week High (IDR) 36200  
52-Week Low (IDR) 21250  
6-m Avg Daily. Val (IDR) 29125  
Free Float (%) 38.67%

Major Shareholders (%)  
PT Astra International Tbk 59.50%  
Others/Public 38.67%  
Treasury shares 1.83%

USD/IDR-YE  
2021A 14278  
2022F (Avg) 15701

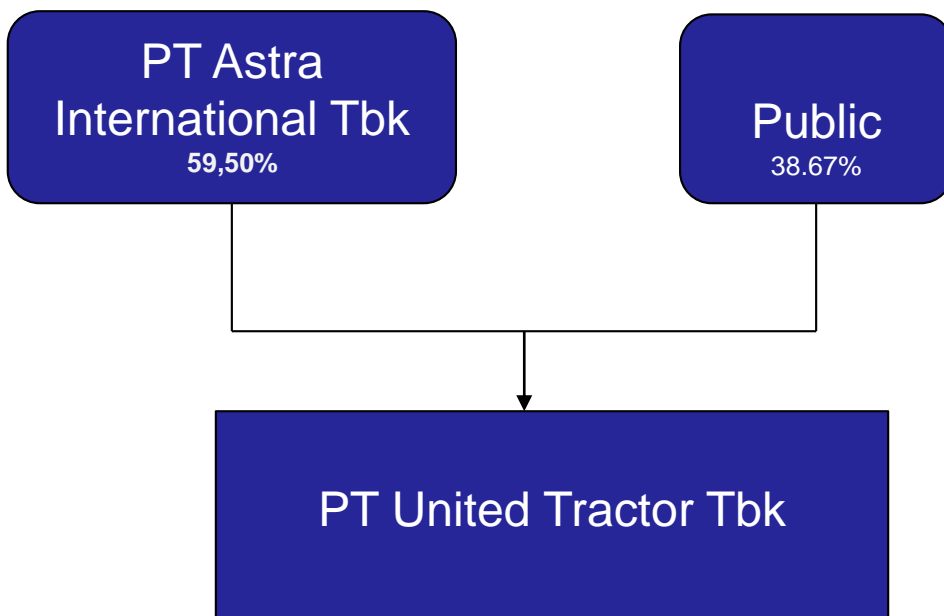
Key Indicators  
Debt/ Equity (x) 0.08  
Current ratio (x) 2.04

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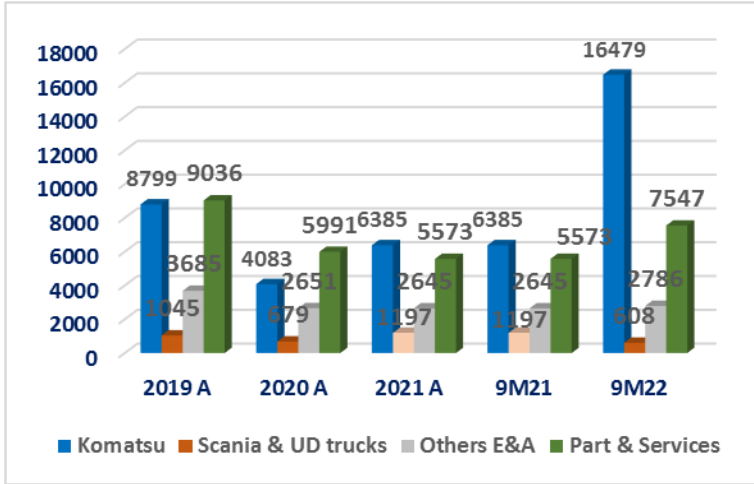
### Company profile

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 business players in the domestic market through five business pillars, namely Construction Machinery, Mining Contractor, Mining, Construction, and Energy.

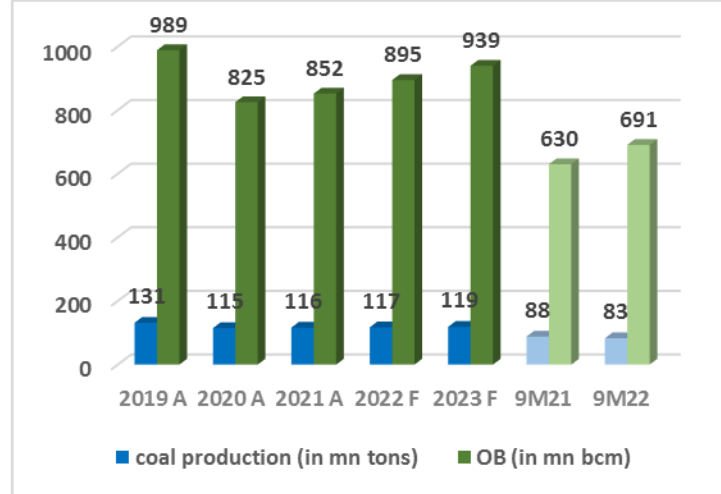
### Company structure



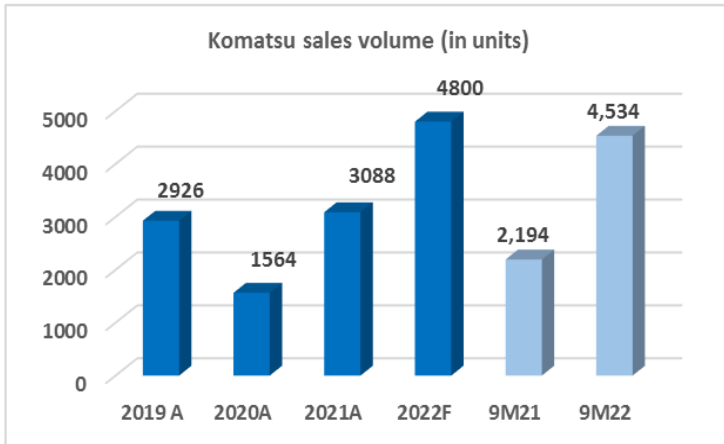
Sales of Construction machinery based on unit sales YoY



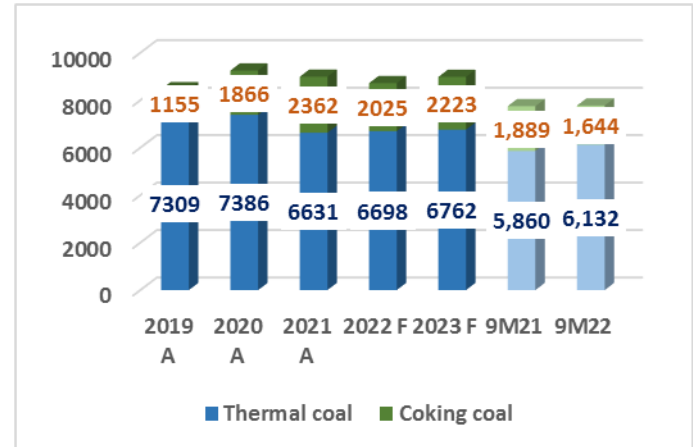
Mining contracting, coal production vs Overburden volume yoy



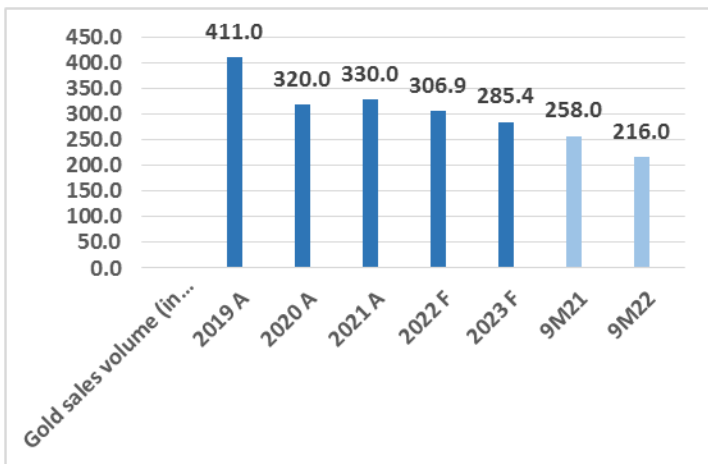
Komatsu sales volume (units) yoy



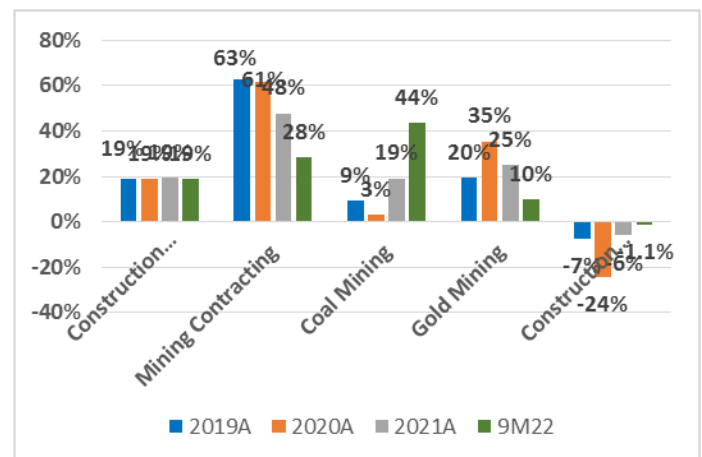
Coal Mining, sales volume of coal breakdown (in 000 tons) yoy



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



Pretax income contribution (%) yoy



## Balance Sheet

Balance sheet (IDR.bn)	2018A	2019A	2020A	2021A	2022F	2023F	2024F
Cash and cash equivalent	13,438.18	12,090.66	20,498.57	33,321.74	48,828.41	68,177.94	81,577.09
Trade Account Receivable	20,610.33	19,680.70	10,024.22	12,151.55	22,576.77	22,289.21	24,335.09
inventory	13,617.87	11,014.02	8,002.36	9,454.04	15,303.83	15,450.47	16,592.11
Other current asset	7,985.44	8,041.57	5,670.63	5,676.74	8,240.52	8,628.63	9,420.63
<b>Current Asset</b>	<b>55,651.81</b>	<b>50,826.96</b>	<b>44,195.78</b>	<b>60,604.07</b>	<b>94,949.53</b>	<b>114,546.25</b>	<b>131,924.91</b>
Net Fixed Asset	24,584.55	27,469.01	24,319.37	20,456.69	23,386.13	26,884.69	30,906.64
advances investment in associates and JV	1,871.22	1,811.09	1,375.36	2,517.34	4,708.87	4,930.64	5,383.22
other long term asset	34,173.44	31,606.33	29,910.45	28,983.25	36,493.74	38,212.48	48,448.95
<b>Non current Asset</b>	<b>60,629.21</b>	<b>60,886.42</b>	<b>55,605.18</b>	<b>51,957.29</b>	<b>64,588.74</b>	<b>70,027.82</b>	<b>84,738.81</b>
<b>Total Asset</b>	<b>116,281.02</b>	<b>111,713.38</b>	<b>99,800.96</b>	<b>112,561.36</b>	<b>159,538.27</b>	<b>184,574.07</b>	<b>216,663.72</b>
Trade payable	32,115.32	20,697.53	10,087.73	14,517.99	25,156.98	26,341.79	28,759.65
taxes payable	3,230.61	1,172.35	198.50	2,246.19	2,354.43	2,465.32	2,691.61
bank loans	0.00	2,432.68	2,468.74	5,350.88	6,260.52	7,512.63	9,015.15
finance lease liabilities	109.66	153.72	827.73	650.63	1,247.85	1,306.62	1,426.55
Other Current liabilities	13,330.13	8,129.25	7,361.13	7,723.54	17,658.26	18,489.91	20,187.06
<b>Current liabilities</b>	<b>48,785.72</b>	<b>32,585.53</b>	<b>20,943.82</b>	<b>30,489.22</b>	<b>52,678.05</b>	<b>56,116.27</b>	<b>62,080.03</b>
Long term loans	2,896.20	10,078.23	7,757.75	2,497.08	1,299.20	1,104.32	1,269.97
Financial lease	326.46	429.50	626.91	462.31	1,177.22	1,232.66	1,345.80
other borrowings	63.08	104.12	51.40	22.16	32.83	34.38	37.53
Other Long term liabilities	7,158.88	7,405.92	7,273.95	7,267.84	14,189.68	13,559.27	14,803.85
<b>Non current liabilities</b>	<b>10,444.62</b>	<b>18,017.77</b>	<b>15,710.00</b>	<b>10,249.38</b>	<b>16,698.93</b>	<b>15,930.63</b>	<b>17,457.15</b>
<b>Total Liabilities</b>	<b>59,230.34</b>	<b>50,603.30</b>	<b>36,653.82</b>	<b>40,738.60</b>	<b>69,376.98</b>	<b>72,046.90</b>	<b>79,537.18</b>
<b>Total Equities</b>	<b>57,050.68</b>	<b>61,110.07</b>	<b>63,147.14</b>	<b>71,822.76</b>	<b>90,161.30</b>	<b>112,527.17</b>	<b>137,126.55</b>
<b>Total Liabilities and equity</b>	<b>116,281.02</b>	<b>111,713.38</b>	<b>99,800.96</b>	<b>112,561.36</b>	<b>159,538.27</b>	<b>184,574.07</b>	<b>216,663.72</b>

## Cash Flow

Cash Flow (in IDR. bn)	2019A	2020A	2021A	2022F	2023F	2024F
+ Net Income	11,312.07	6,003.20	10,279.68	22,119.92	22,175.57	24,211.02
+Depreciation	6,439.59	8,097.86	6,747.95	6,176.88	7,951.28	9,140.80
- Change in WC	(12,722.85)	3,397.38	5,960.28	3,350.03	3,191.04	1,984.24
<b>Cash From Operating Activities</b>	<b>5,028.82</b>	<b>17,498.44</b>	<b>22,987.91</b>	<b>31,646.83</b>	<b>33,317.89</b>	<b>35,336.05</b>
capex	(6,696.80)	(2,816.62)	(3,100.06)	(18,808.33)	(13,390.36)	(23,851.79)
<b>cash from investing activities</b>	<b>(6,696.80)</b>	<b>(2,816.62)</b>	<b>(3,100.06)</b>	<b>(18,808.33)</b>	<b>(13,390.36)</b>	<b>(23,851.79)</b>
Long term liabilities	7,182.03	(2,320.48)	(5,260.68)	(1,197.88)	(194.88)	165.65
Financial lease	103.04	197.40	(164.60)	714.91	55.44	113.14
other borrowings	41.03	(52.72)	(29.24)	10.67	1.55	3.16
Other Long term liabilities equity	247.05	(131.97)	(6.11)	6,921.84	(630.41)	1,244.58
	(7,252.68)	(3,966.13)	(1,604.07)	(3,781.37)	190.31	388.36
<b>cash from financing activities</b>	<b>320.47</b>	<b>(6,273.91)</b>	<b>(7,064.68)</b>	<b>2,668.17</b>	<b>(578.00)</b>	<b>1,914.88</b>
<b>Net Changes in Cash</b>	<b>(1,347.51)</b>	<b>8,407.91</b>	<b>12,823.17</b>	<b>15,506.67</b>	<b>19,349.53</b>	<b>13,399.15</b>
<b>Beginning Balance</b>	<b>13,438.18</b>	<b>12,090.66</b>	<b>20,498.57</b>	<b>33,321.74</b>	<b>48,828.41</b>	<b>68,177.94</b>
<b>Ending balance</b>	<b>12,090.66</b>	<b>20,498.57</b>	<b>33,321.74</b>	<b>48,828.41</b>	<b>68,177.94</b>	<b>81,577.09</b>

## Profit and Loss (IDR.bn)

Profit and Loss (IDR.bn)	2018 A	2019 A	2020 A	2021 A	2022 F	2023 F	2024 F
<b>Revenue</b>	<b>84,625</b>	<b>84,430</b>	<b>60,347</b>	<b>79,461</b>	<b>117,722</b>	<b>123,266</b>	<b>134,580</b>
Cost of sales	(63,515)	(63,200)	(47,357)	(59,796)	(85,937)	(92,450)	(100,935)
<b>Gross Profit</b>	<b>21,110</b>	<b>21,231</b>	<b>12,989</b>	<b>19,665</b>	<b>31,785</b>	<b>30,817</b>	<b>33,645</b>
Operating expense	4,339	4,626	4,695	4,789	4,709	4,931	5,383
<b>Operating Profit</b>	<b>16,770</b>	<b>16,605</b>	<b>8,294</b>	<b>14,876</b>	<b>27,076</b>	<b>25,886</b>	<b>28,262</b>
Other income	(1,062)	(1,128)	(1,283)	(413)	1,177	2,465	2,692
<b>PBT</b>	<b>15,709</b>	<b>15,477</b>	<b>7,011</b>	<b>14,462</b>	<b>28,253</b>	<b>28,351</b>	<b>30,953</b>
taxes	(4,210)	(4,342)	(1,379)	(3,854)	(5,651)	(5,670)	(6,191)
Minority interest	(373)	177	371	(329)	(483)	(505)	(552)
<b>Net Profit</b>	<b>11,126</b>	<b>11,312</b>	<b>6,003</b>	<b>10,280</b>	<b>22,120</b>	<b>22,176</b>	<b>24,211</b>
EPS	2,983	3,033	1,609	2,756	5,930	5,945	6,491
<b>EBITDA</b>	<b>21,771</b>	<b>24,250</b>	<b>16,649</b>	<b>21,964</b>	<b>34,668</b>	<b>36,527</b>	<b>40,346</b>

## Financial Ratio Highlights

Ratio Highlights	2019 A	2020 A	2021 A	2022 F	2023 F	2024 F
<b>Growth (% YoY)</b>						
Sales	-0.23%	-28.52%	31.67%	48.15%	4.71%	9.18%
OP	-0.99%	-50.05%	79.35%	82.02%	-4.40%	9.18%
EBITDA	11.39%	-31.35%	31.93%	57.84%	5.36%	10.45%
NP	1.68%	-46.93%	71.24%	115.18%	0.25%	9.18%
EPS	1.68%	-46.93%	71.24%	115.18%	0.25%	9.18%
<b>Profitability</b>						
Operating Margin(%)	19.67%	13.74%	18.72%	23.00%	21.00%	21.00%
EBITDA margin(%)	28.72%	27.59%	27.64%	29.45%	29.63%	29.98%
NET Profit margin(%)	13.40%	9.95%	12.94%	18.79%	17.99%	17.99%
ROA(%)	10.13%	6.02%	9.13%	13.86%	12.01%	11.17%
ROE(%)	18.51%	9.51%	14.31%	24.53%	19.71%	17.66%
<b>Stability</b>						
Debt/ Equity (X)	0.20	0.16	0.11	0.08	0.08	0.08
Current ratio (X)	1.56	2.11	1.99	1.80	2.04	2.13
Int. Coverage (x)	6.63	4.55	19.18	118.72	126.24	123.14
<b>Per Share data (IDR)</b>						
EPS	3033	1609	2756	5930	5945	6491
BVS	16,383	16,929	19,255	24,171	30,167	36,762

**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.

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