

8 August 2022

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

Current Price IDR. 32500
Target Price IDR. 48800
JKSE Index 7063.392



Stock Code UNTR IJ
Bloomberg code UNTR IJ
Market cap (IDR.trn) 123.84
52-Week High (IDR) 34050
52-Week Low (IDR) 18550
6-m Avg Daily. Val (IDR) 33375
Free Float (%) 40.50

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

USD/IDR-YE
2021A 14278
2022F (Avg) 14929

Key Indicators
Debt/ Equity (x) 0.08
Current ratio (x) 2.47

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Investment Consideration

Targetting 13.43% revenue growth

As of 1H22, UNTR booked revenue of IDR 60.44 trillion or 62% growth YoY while bottom line profit continues to increase significantly, up 129% YoY helped by a slower increase in operating expenses of only 15% YoY. As of 1H2022, Construction machinery and Mining contracting are still the largest contributors to revenue at 29% and 33% respectively followed by coal mining 31%, gold mining 6%, and construction 1%. Komatsu's 1H22 heavy equipment sales volume increased 111.09% YoY to 2,873 units. Coal production decreased -13% YoY but the ASP increased 49% YoY which helped mining contracting revenue to increase by 29% in the 1H2022. Komatsu's sales target has been revised up after the 1H2022 to 4,800 units because of stronger demand in mining as coal demand increases, together with higher construction activity. Komatsu leads the heavy equipment market with a 28% market share. Based on 1H2022 results, we revise up our revenue target in 2022-2023F to a CAGR of 13.43% compared to 2021A.

Coal mining continues as the prime profit contributor

In 1H2022, coal mining is still the biggest contributor to pretax profit at 47% followed by mining contracting at 24%. UNTR's coal mining business is run by PT Buah Turangga Agung (TTA). Total coal sales volume in 1H2022 reached 5.8 million tons, down by 8% YoY from 1H2021's 6.3 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 170% YoY, the revenue from Coal Mining business increased by 149% yoy to IDR 18,7 trillion. We believe coal prices will keep coal mining as the biggest profit contributor in 2022F. Starting 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: 50% upside potential

Our target price for UNTR is maintained at IDR 48,800, which is a valuation of 9.89x PER. With 50% upside potential, we maintain our BUY recommendation.

	2019 A	2020 A	2021 A	2022 F	2023 F	2024 F
Growth (% YoY)						
Sales	-0.23%	-28.52%	31.67%	26.90%	1.45%	7.01%
OP	-0.99%	-50.05%	79.35%	55.90%	-7.38%	7.01%
EBITDA	11.39%	-31.35%	31.93%	39.31%	-1.77%	8.07%
NP	1.68%	-46.93%	71.24%	84.31%	-2.87%	7.01%
EPS	1.68%	-46.93%	71.24%	84.31%	-2.87%	7.01%
Profitability						
Operating Margin(%)	19.67%	13.74%	18.72%	23.00%	21.00%	21.00%
EBITDA margin(%)	28.72%	27.59%	27.64%	30.35%	29.38%	29.67%
NET Profit margin(%)	13.40%	9.95%	12.94%	18.79%	17.99%	17.99%

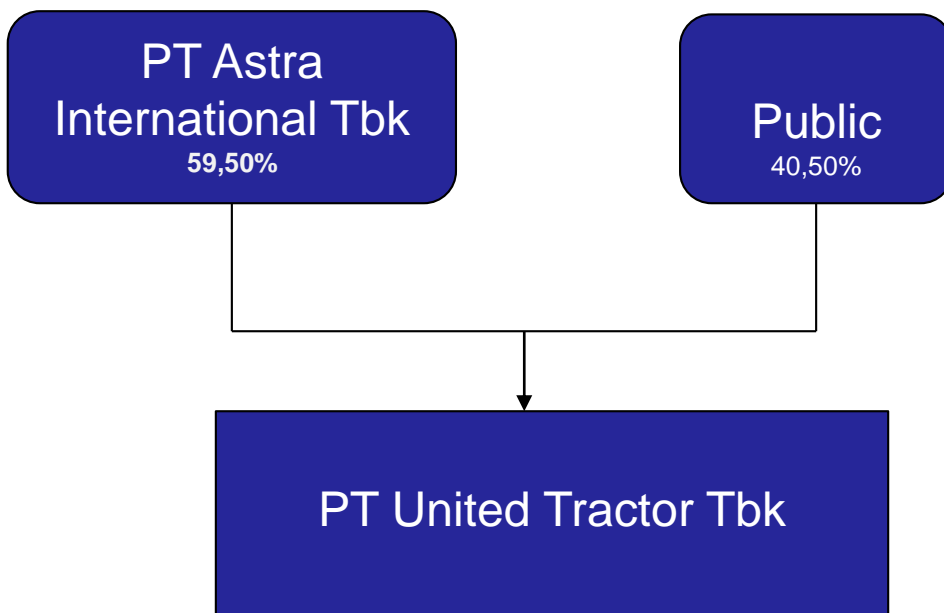
Stability

Debt/ Equity (X)	0.20	0.16	0.11	0.09	0.08	0.08
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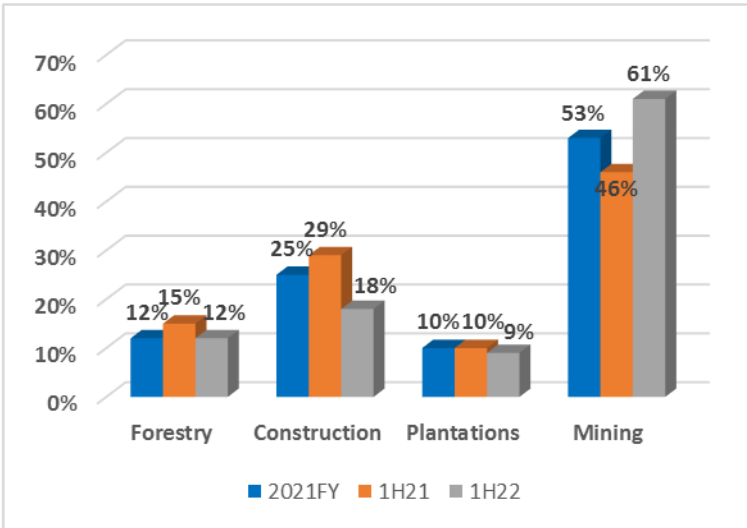
Company profile

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.

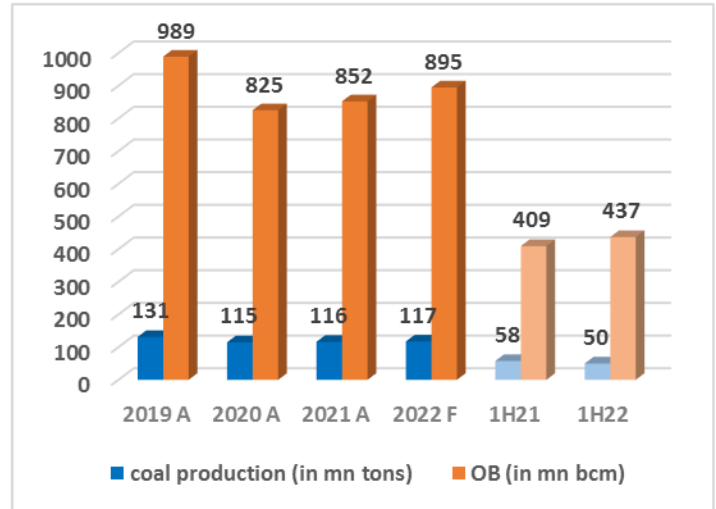
Company structure



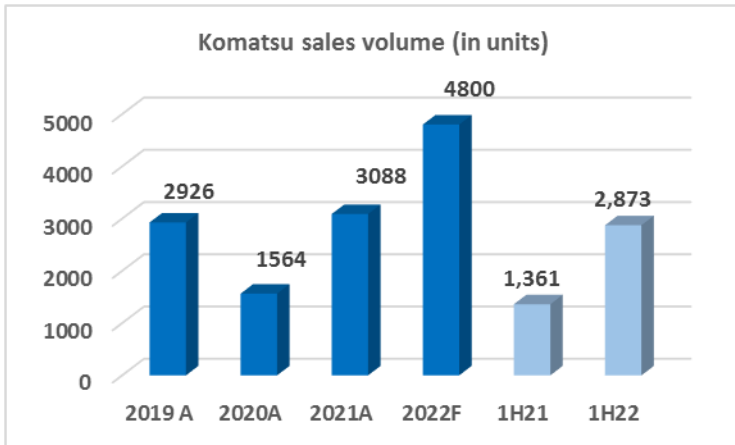
Sales of Komatsu based on unit sectors (%)



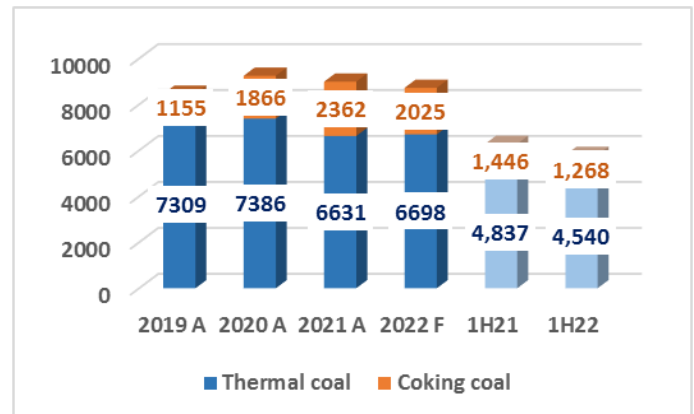
Mining contracting, coal production vs Overburden volume yoy



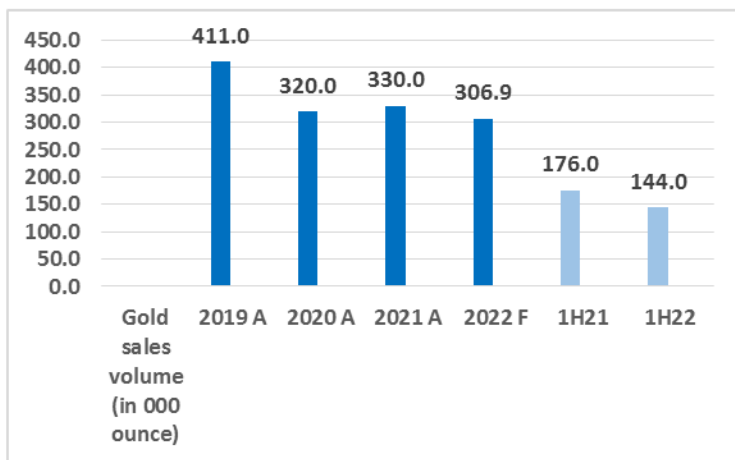
Komatsu sales volume (units) yoy



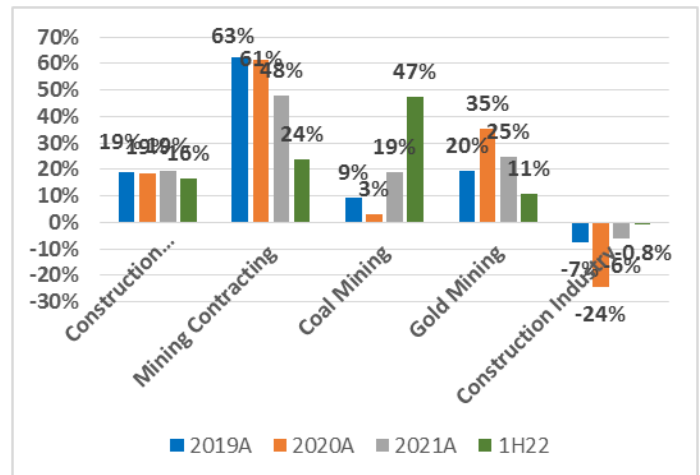
Coal Mining, sales volume of coal breakdown (in 000 tons) yoy



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



Pretax income contribution (%) yoy



Balance Sheet (IDR.bn)

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	37,080.97	52,266.27	70,418.92
Trade Account Receivable	20,610.33	19,680.70	10,024.22	12,151.55	20,719.06	18,496.26	19,793.53
inventory	13,617.87	11,014.02	8,002.36	9,454.04	12,099.93	12,821.27	13,495.59
Other current asset	7,985.44	8,041.57	5,670.63	5,676.74	8,066.62	9,615.25	10,289.64
Current Asset	55,651.81	50,826.96	44,195.78	60,604.07	77,966.58	93,199.06	113,997.67
Net Fixed Asset	24,584.55	27,469.01	24,319.37	20,456.69	18,602.60	20,816.31	21,962.40
advances investment in associates and JV	1,871.22	1,811.09	1,375.36	2,517.34	5,041.64	5,114.50	5,473.21
other long term asset	34,173.44	31,606.33	29,910.45	28,983.25	36,299.79	36,824.38	39,407.12
Non current Asset	60,629.21	60,886.42	55,605.18	51,957.29	59,944.03	62,755.19	66,842.73
Total Asset	116,281.02	111,713.38	99,800.96	112,561.36	137,910.61	155,954.25	180,840.40
Trade payable	32,115.32	20,697.53	10,087.73	14,517.99	16,575.25	16,814.79	18,294.02
taxes payable	3,230.61	1,172.35	198.50	2,246.19	2,016.66	2,045.80	2,189.28
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	1,068.83	1,084.27	1,160.32
Other Current liabilities	13,330.13	8,129.25	7,361.13	7,723.54	11,091.60	10,228.99	10,946.42
Current liabilities	48,785.72	32,585.53	20,943.82	30,489.22	37,012.86	37,686.48	41,605.20
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	1,008.33	1,022.90	1,094.64
other borrowings	63.08	104.12	51.40	22.16	28.12	28.53	30.53
Other Long term liabilities	7,158.88	7,405.92	7,273.95	7,267.84	12,153.95	11,251.89	12,041.06
Non current liabilities	10,444.62	18,017.77	15,710.00	10,249.38	14,489.60	13,407.64	14,436.20
Total Liabilities	59,230.34	50,603.30	36,653.82	40,738.60	51,502.46	51,094.12	56,041.40
Total Equities	57,050.68	61,110.07	63,147.14	71,822.76	86,408.15	104,860.13	124,799.00
Total Liabilities and equity	116,281.02	111,713.38	99,800.96	112,561.36	137,910.61	155,954.25	180,840.40

Cash Flow (IDR.bn)

Cash Flow (in IDR. bn)	2019A	2020A	2021A	2022F	2023F	2024F
+ Net Income	11,312.07	6,003.20	10,279.68	18,946.47	18,401.96	19,692.61
+Depreciation	6,439.59	8,097.86	6,747.95	6,176.88	6,324.88	7,077.55
- Change in WC	(12,722.85)	3,397.38	5,960.28	(7,079.64)	626.44	1,272.76
Cash From Operating Activities	5,028.82	17,498.44	22,987.91	18,043.71	25,353.29	28,042.92
capex	(6,696.80)	(2,816.62)	(3,100.06)	(14,163.62)	(9,136.04)	(11,165.09)
cash from investing activities	(6,696.80)	(2,816.62)	(3,100.06)	(14,163.62)	(9,136.04)	(11,165.09)
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)	546.02	14.57	71.74
other borrowings	41.03	(52.72)	(29.24)	5.96	0.41	2.00
Other Long term liabilities equity	247.05	(131.97)	(6.11)	4,886.11	(902.06)	789.17
	(7,252.68)	(3,966.13)	(1,604.07)	(4,361.08)	50.02	246.25
cash from financing activities	320.47	(6,273.91)	(7,064.68)	(120.86)	(1,031.94)	1,274.81
Net Changes in Cash	(1,347.51)	8,407.91	12,823.17	3,759.23	15,185.30	18,152.65
Beginning Balance	13,438.18	12,090.66	20,498.57	33,321.74	37,080.97	52,266.27
Ending balance	12,090.66	20,498.57	33,321.74	37,080.97	52,266.27	70,418.92

Profit and Loss (IDR.bn)

Profit and Loss (IDR.bn)	2018 A	2019 A	2020 A	2021 A	2022 F	2023 F	2024 F
Revenue	84,625	84,430	60,347	79,461	100,833	102,290	109,464
Cost of sales	(63,515)	(63,200)	(47,357)	(59,796)	(73,608)	(76,717)	(82,098)
Gross Profit	21,110	21,231	12,989	19,665	27,225	25,572	27,366
Operating expense	4,339	4,626	4,695	4,789	4,033	4,092	4,379
Operating Profit	16,770	16,605	8,294	14,876	23,192	21,481	22,987
Other income	(1,062)	(1,128)	(1,283)	(413)	1,008	2,046	2,189
PBT	15,709	15,477	7,011	14,462	24,200	23,527	25,177
taxes	(4,210)	(4,342)	(1,379)	(3,854)	(4,840)	(4,705)	(5,035)
Minority interest	(373)	177	371	(329)	(413)	(419)	(449)
Net Profit	11,126	11,312	6,003	10,280	18,946	18,402	19,693
EPS	2,983	3,033	1,609	2,756	5,079	4,933	5,279
EBITDA	21,771	24,250	16,649	21,964	30,598	30,056	32,482

Ratio Highlights

Ratio Highlights	2019 A	2020 A	2021 A	2022 F	2023 F	2024 F
Growth (% YoY)						
Sales	-0.23%	-28.52%	31.67%	26.90%	1.45%	7.01%
OP	-0.99%	-50.05%	79.35%	55.90%	-7.38%	7.01%
EBITDA	11.39%	-31.35%	31.93%	39.31%	-1.77%	8.07%
NP	1.68%	-46.93%	71.24%	84.31%	-2.87%	7.01%
EPS	1.68%	-46.93%	71.24%	84.31%	-2.87%	7.01%
Profitability						
Operating Margin(%)	19.67%	13.74%	18.72%	23.00%	21.00%	21.00%
EBITDA margin(%)	28.72%	27.59%	27.64%	30.35%	29.38%	29.67%
NET Profit margin(%)	13.40%	9.95%	12.94%	18.79%	17.99%	17.99%
ROA(%)	10.13%	6.02%	9.13%	13.74%	11.80%	10.89%
ROE(%)	18.51%	9.51%	14.31%	21.93%	17.55%	15.78%
Stability						
Debt/ Equity (X)	0.20	0.16	0.11	0.09	0.08	0.08
Current ratio (X)	1.56	2.11	1.99	2.11	2.47	2.74
Int. Coverage (x)	6.63	4.55	19.18	109.13	115.09	110.80
Per Share data (IDR)						
EPS	3033	1609	2756	5079	4933	5279
BVS	16,383	16,929	19,255	23,165	28,112	33,457

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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