

# United Tractors Tbk (UNTR IJ)

## PAMA and Agincourt Are Still Positive

Company Update | Nov 07, 2019

### Buy

<b>Dec 2020 TP (IDR)</b>	<b>26,300</b>
Consensus Price (IDR)	25,755
TP to Consensus Price	+2.1%
vs. Last Price	+15.1%

#### Shares data

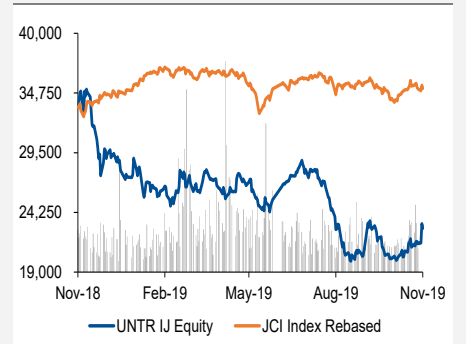
Last Price (IDR)	22,850
Price Date as of	Nov 06, 2019
52 wk Range (Hi/Lo)	35,525 / 19,650
Free Float (%)	40.4
Outstanding sh.(mn)	3,730
Market Cap (IDR bn)	84,861
Market Cap (USD mn)	6,065
Avg. Trd Vol - 3M (mn)	4.56
Avg. Trd Val - 3M (bn)	97.80
Foreign Ownership	17.9%

#### Trade

##### Heavy Equipment

Bloomberg	UNTR IJ
Reuters	UNTR.JK

#### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-16.4%	13.1%	0.4%	-31.8%
Rel. Ret.	-17.0%	10.5%	-1.2%	-36.7%

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Throughout 9M19, UNTR was still able to post rising revenues despite higher financial costs, declining net profits. Heavy equipment sales declined further, but the declines were offset by positive performance, posted by the mining contractor and gold mining. Until the end of 2019, UNTR will continue to rely on PAMA and Agincourt.

#### Declining Performance Is Still Reasonable

In 9M19, UNTR posted total revenues of IDR65.6 trillion (+7.3% YoY) supported by coal sales volume of 6.4 million tonnes (+10.9% YoY). However, it only sold 2,568 units of Komatsu and accounted for the revenue contribution of IDR18.2 trillion (-14.8% YoY) plus financial costs which surged to IDR583 billion (+116.3% YoY). Thus, its net profits were declined to IDR8.6 trillion (-4.8% YoY). Besides, from July to Sept., its OPM and NPM increased to 20.1% and 13.7%.

#### Supported by PAMA and Agincourt's Greater Contribution

PAMA as a mining contractor, in 9M19, recorded coal production of 96,4 million tonnes (+6.5% YoY) and OB removal of 750 million bcm (+4.5% YoY); accordingly, its revenues grew to IDR30 trillion (+3.9% YoY) and contributed 45.8% to UNTR's total revenues. We still maintain the previous estimated (130 million tonnes & 910 million bcm) for coal production and OB removal in 2019F, assuming the weather remains conducive at the mining site. Agincourt, the operator of Martabe gold mine, posted revenues of IDR5.8 trillion, with the sales volume of 306,000 oz, surpassing our estimate (300,000 oz) for 2019F. Until 9M19, the gold mining contributed 9% to UNTR's total revenues, and we are optimistic that based on the 2019F prior estimate, the gold mining will contribute 10%, with ASP to fall short in the range of USD1,350/oz-USD1,390/oz.

#### ACSET Is Potential Despite Losses

The construction industry segment through ACSET, in 9M19, was able to secure contracts of IDR1.7 trillion (+103.6% YoY). The toll road project is still prospective for ACSET to pump the performance in the future, a loan of IDR2.4 trillion from UNTR allows the on-going project to be completed on time and the opportunity to participate in an infrastructure project tender can be more intensive.

#### Maintain BUY Rating with the Price Target of IDR26,300

UNTR is exposed to the current coal market backdrop, but we are optimistic that PAMA and Agincourt will consistently post increasing revenues. Thus, we recommend BUY with the lower price target at IDR26.300 or the potential upside of 15.1% based on the forward P/E 7.6x (-1 SD). At present, UNTR is traded with 2019F P/E of 10.6x.

#### United Tractors Tbk | Summary

	2018A	2019F	2020F	2021F
Sales	84,625	86,312	90,957	96,199
Growth (%)	31.1%	2.0%	5.4%	5.8%
EBITDA	21,811	26,020	26,345	27,777
Net Profit	11,126	11,759	12,442	12,934
EPS (IDR)	2,983	3,152	3,336	3,467
Growth (%)	50.3%	5.7%	5.8%	3.9%
P/E	11.2x	10.6x	10.0x	9.6x
P/BV	2.2x	2.0x	1.7x	1.5x
EV/EBITDA	5.7x	4.8x	4.8x	4.5x
ROE (%)	21.3%	19.7%	18.3%	16.7%
DER (%)	18.0%	24.7%	27.8%	30.0%
Net Debt	-3,195	543	413	-653

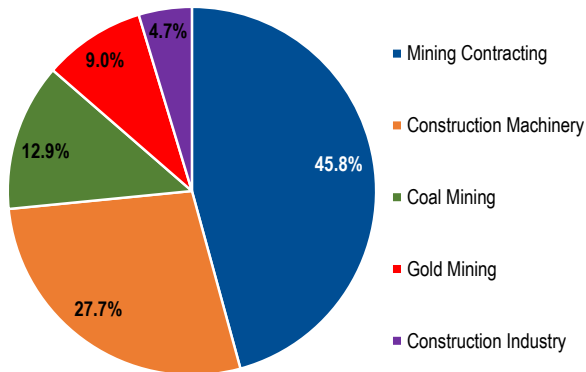
Unit: IDR bn, %, x

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

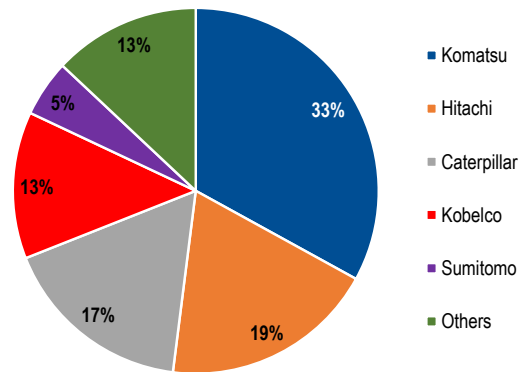
## Performance Highlights in Charts

9M19 Revenue Breakdown



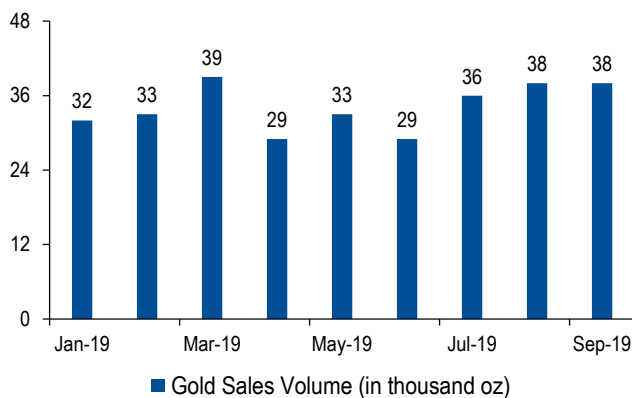
Source: Company Data, NHKS Research

9M19 Heavy Equipment Domestic Market Share



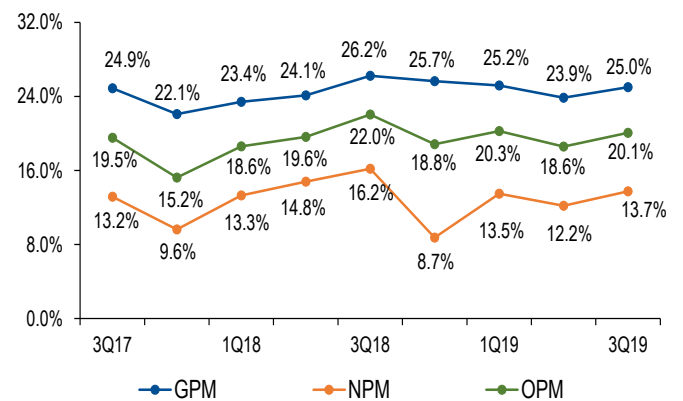
Source: Company Data, NHKS Research

Gold Sales Volume



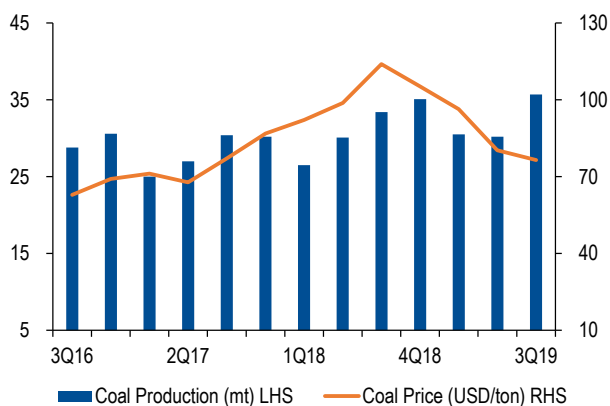
Source: Company Data, NHKS Research

Margin Ratios



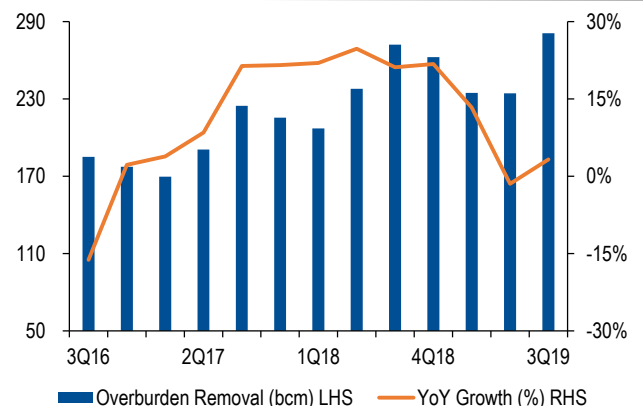
Source: Company Data, NHKS Research

Coal Production & Prices



Source: Company Data, NHKS Research

Overburden Removal & YoY Growth



Source: Company Data, NHKS Research

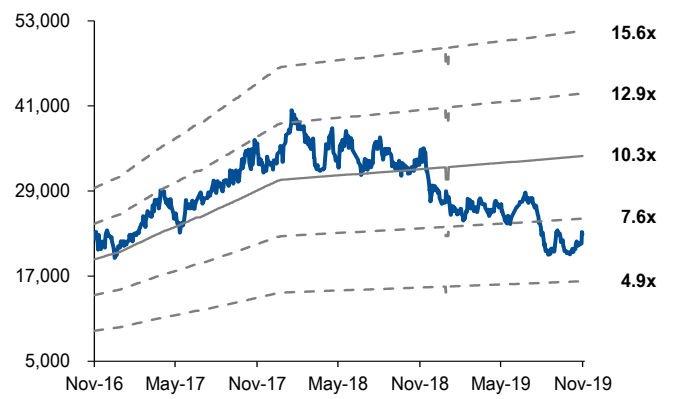
## Valuation Highlights in Charts

3-Year Forward P/E Band



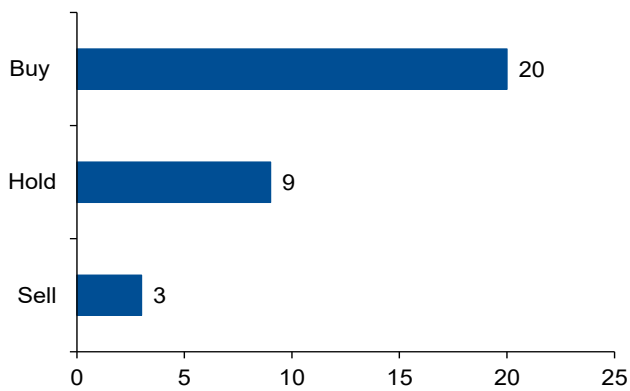
Source: Bloomberg, NHKS Research

3-Year Dynamic Forward P/E Band



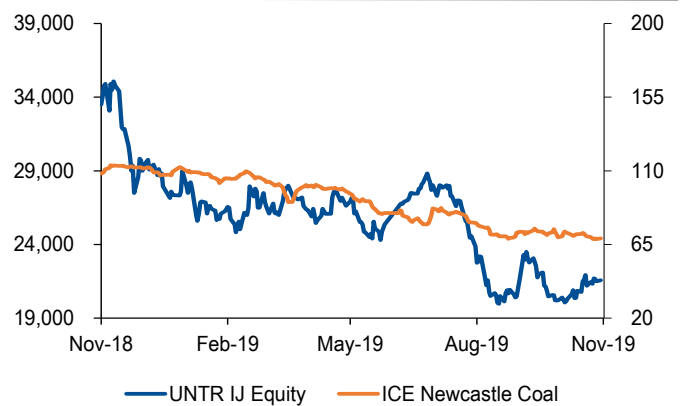
Source: Bloomberg, NHKS Research

Recommendations by Analysts



Source: Bloomberg, NHKS Research

Stock and Coal Prices Correlated Positively



Source: Bloomberg, NHKS Research

## Quarterly Review

	3Q18	4Q18	1Q19	2Q19	3Q19					4Q19E
					Actual	Estimate	Y-Y	Q-Q	Surprise	
<b>Income statement</b>										
Sales	22,181	23,499	22,621	20,698	22,238	21,332	0.5%	7.7%	4.5%	20,705
Gross Profit	5,818	6,031	5,700	4,939	5,575	5,789	-4.2%	12.9%	-3.7%	5,681
EBIT	4,890	4,428	4,584	3,846	4,473	4,700	-8.5%	16.3%	-4.8%	4,623
EBITDA	6,126	5,930	6,862	6,122	6,652	6,092	8.6%	8.7%	9.2%	6,385
Net Profit	3,593	2,054	3,053	2,522	3,064	2,432	-14.7%	21.5%	26.0%	3,120
<b>Margin</b>										
Gross Margin	26.2%	25.7%	25.2%	23.9%	25.0%	27.1%	-1.2%	1.2%	-2.1%	27.4%
EBIT Margin	22.0%	18.8%	20.3%	18.6%	20.1%	22.0%	-2.0%	1.5%	-2.0%	22.3%
EBITDA Margin	27.6%	25.2%	30.3%	29.6%	29.8%	28.6%	2.2%	0.3%	1.3%	30.8%
Net Profit Margin	16.2%	8.7%	13.5%	12.2%	13.7%	11.4%	-2.4%	1.6%	2.3%	15.1%

Unit: IDR bn, %

Source: Company Data, NHKS Research

## Earnings Revision

		2019F	2020F	2021F
<b>Income Statement</b>				
Sales	-Revised	86,312	90,957	96,199
	-Previous	86,312	90,845	94,195
	-Change	0.0%	0.1%	2.1%
Gross Profit	-Revised	21,895	22,275	23,761
	-Previous	22,323	23,973	24,541
	-Change	-1.9%	-7.1%	-3.2%
EBIT	-Revised	17,525	17,670	18,793
	-Previous	17,901	19,318	19,619
	-Change	-2.1%	-8.5%	-4.2%
EBITDA	-Revised	26,020	26,345	27,777
	-Previous	25,413	30,857	27,195
	-Change	2.4%	-14.6%	2.1%
Net Profit	-Revised	11,759	12,442	12,934
	-Previous	11,720	13,639	14,094
	-Change	0.3%	-8.8%	-8.2%
<b>Margin</b>				
Gross Margin	-Revised	25.4%	24.5%	24.7%
	-Previous	25.9%	26.4%	26.1%
EBIT Margin	-Revised	20.3%	19.4%	19.5%
	-Previous	20.7%	21.3%	20.8%
EBITDA Margin	-Revised	30.1%	29.0%	28.9%
	-Previous	29.4%	34.0%	28.9%
Net Profit Margin	-Revised	13.6%	13.7%	13.4%
	-Previous	12.8%	15.0%	15.0%

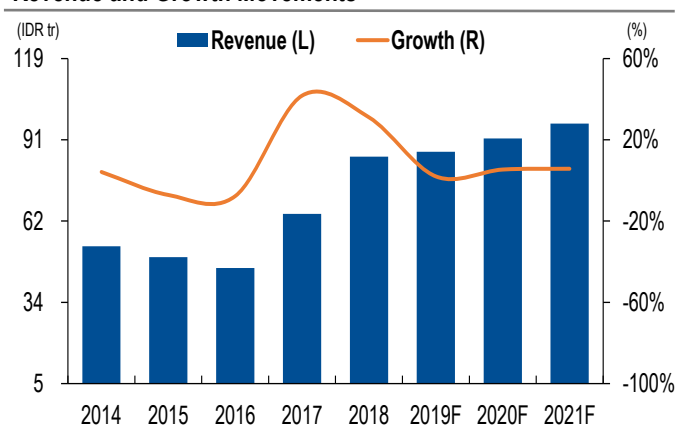
Unit: IDR bn, %

Source: Company Data, NHKS Research

## Company Overview

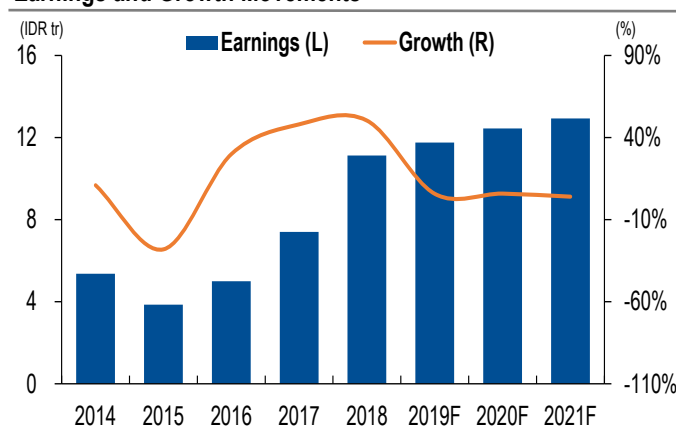
- PT United Tractors Tbk is a private company whose business lines cover construction machinery, mining contracting, mining, construction industry, and energy. It was established on October 13, 1972, in Jakarta and went public in 1989, with PT Astra International Tbk as its major shareholder.
- The construction machinery business is a sole distributor for Komatsu, UD Trucks, Scania, Bogmag, Tadano and Komatsu Forest products used for mining, plantation, and building construction as well as the forestry industry.
- The mining contracting business provides mining services through PT Pamapersada Nusantara with reputable expertise in fields of mine design, exploration, extracting, hauling, barging, and transporting commodities.
- The coal mining business is operated through its subsidiary, namely PT Tuah Turangga Agung having several coal mine concessions with the total reserves of 400 million tons of medium up to high coal quality.

### Revenue and Growth Movements



Source: Company Data, NHKS Research

### Earnings and Growth Movements



Source: Company Data, NHKS Research

### Asia Pacific Companies Peers Analysis

	Market Cap (USD mn)	Asset (USD mn)	Sales LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Growth LTM	Net Profit Margin	ROE LTM	P/E LTM	P/BV
<b>Indonesia</b>									
UNITED TRACTORS TBK	5,899	8,060	6,222	747	-1.3%	12.0%	19.8%	7.7x	1.5x
HEXINDO ADIPERKASA TBK	210	346	490	49	96.5%	9.9%	25.4%	4.3x	1.2x
DELTA DUNIA MAKMUR TBK	201	1,184	945	54	-16.7%	5.7%	26.6%	3.6x	0.8x
<b>India</b>									
ZHONGJI INNOLIGHT CO LTD	4,489	1,175	616	73	-3.3%	11.8%	8.9%	58.0x	4.6x
<b>Japan</b>									
YAMAZEN CORP	902	2,217	4,618	98	-3.1%	2.1%	12.2%	9.0x	1.1x
JCHX MINING MANAGEMENT CO LTD	716	912	478	44	14.1%	9.1%	7.3%	16.7x	1.2x
<b>Australia</b>									
MINERAL RESOURCES LTD	1,898	2,216	1,081	117	-39.9%	10.8%	12.4%	16.8x	2.0x

Unit: USD mn, %, X

Source: Bloomberg, NHKS Research

## Summary of Financials

## INCOME STATEMENT

(IDR bn)	2018/12A	2019/12F	2020/12F	2021/12F
<b>Sales</b>	<b>84,625</b>	<b>86,312</b>	<b>90,957</b>	<b>96,199</b>
<i>Growth</i>	31.1%	2.0%	5.4%	5.8%
COGS	(63,515)	(64,418)	(68,682)	(72,438)
<b>Gross Profit</b>	<b>21,110</b>	<b>21,895</b>	<b>22,275</b>	<b>23,761</b>
<i>Gross Margin</i>	24.9%	25.4%	24.5%	24.7%
Operating Expenses	(4,339)	(4,370)	(4,605)	(4,967)
<b>EBIT</b>	<b>16,770</b>	<b>17,525</b>	<b>17,670</b>	<b>18,793</b>
<i>EBIT Margin</i>	19.8%	20.3%	19.4%	19.5%
Depreciation	5,041	8,495	8,675	8,984
<b>EBITDA</b>	<b>21,811</b>	<b>26,020</b>	<b>26,345</b>	<b>27,777</b>
<i>EBITDA Margin</i>	25.8%	30.1%	29.0%	28.9%
Interest Expenses	(475)	(791)	(896)	(1,239)
<b>EBT</b>	<b>15,709</b>	<b>16,154</b>	<b>17,457</b>	<b>18,291</b>
Income Tax	(4,210)	(4,560)	(4,778)	(5,106)
Minority Interest	(373)	165	(237)	(251)
<b>Net Profit</b>	<b>11,126</b>	<b>11,759</b>	<b>12,442</b>	<b>12,934</b>
<i>Growth</i>	50.3%	5.7%	5.8%	3.9%
<i>Net Profit Margin</i>	13.1%	13.6%	13.7%	13.4%

## PROFITABILITY &amp; STABILITY

	2018/12A	2019/12F	2020/12F	2021/12F
ROE	21.3%	19.7%	18.3%	16.7%
ROA	11.2%	9.9%	10.0%	9.7%
ROIC	18.2%	16.1%	13.7%	12.7%
Cash Dividend (IDR bn)	3,088	3,494	3,733	3,770
Dividend Yield	2.5%	2.8%	3.0%	3.0%
Payout Ratio	27.8%	29.7%	30.0%	29.1%
DER	18.0%	24.7%	27.8%	30.0%
Net Gearing	24.7%	31.8%	34.4%	36.1%
LT Debt to Equity	5.6%	18.8%	22.0%	24.9%
Capitalization Ratio	15.2%	19.8%	21.8%	23.1%
Equity Ratio	49.1%	52.0%	56.7%	59.2%
Debt Ratio	8.8%	12.8%	15.8%	17.8%
Financial Leverage	157.3%	194.3%	177.6%	166.0%
Current Ratio	114.1%	152.7%	196.0%	243.3%
Par Value (IDR)	250	250	250	250
Total Shares (mn)	3,730	3,730	3,730	3,730
Share Price (IDR)	33,300	33,300	33,300	33,300
Market Cap (IDR tn)	124.2	124.2	124.2	124.2

## BALANCE SHEET

(IDR bn)	2018/12A	2019/12F	2020/12F	2021/12F
Cash	13,438	14,902	19,891	25,298
Receivables	20,610	21,912	22,216	22,800
Inventories	13,618	14,097	15,452	15,714
<b>Total Current Assets</b>	<b>55,652</b>	<b>59,213</b>	<b>66,690</b>	<b>73,856</b>
Net Fixed Assets	47,444	47,957	48,378	50,938
Other Non Current Asset	13,186	13,318	13,782	13,913
<b>Total Assets</b>	<b>116,281</b>	<b>120,487</b>	<b>128,850</b>	<b>138,707</b>
Payables	32,691	20,256	21,141	22,520
ST Bank Loan	7,021	3,656	4,265	4,190
LT Debt	3,223	11,790	16,040	20,456
<b>Total Liabilities</b>	<b>59,230</b>	<b>57,873</b>	<b>57,285</b>	<b>58,037</b>
Capital Stock	933	933	933	933
Retained Earnings	40,522	47,672	58,103	67,304
<b>Shareholders' Equity</b>	<b>57,051</b>	<b>62,614</b>	<b>73,048</b>	<b>82,153</b>

## VALUATION INDEX

	2018/12A	2019/12F	2020/12F	2021/12F
Price/Earnings	11.2x	10.6x	10.0x	9.6x
Price/Book Value	2.2x	2.0x	1.7x	1.5x
Price/Sales	1.5x	1.4x	1.4x	1.3x
PE/EPS Growth	0.2x	1.9x	1.7x	2.4x
EV/EBITDA	5.7x	4.8x	4.8x	4.5x
EV/EBIT	7.4x	7.2x	7.1x	6.6x
EV (IDR bn)	123,640	125,910	125,723	124,592
Sales CAGR (3-Yr)	19.7%	23.8%	12.1%	4.4%
EPS CAGR (3-Yr)	30.5%	16.7%	3.8%	3.2%
Basic EPS (IDR)	2,983	3,152	3,336	3,467
Diluted EPS (IDR)	2,983	3,152	3,336	3,467
BVPS (IDR)	15,295	16,786	19,583	22,024
Sales PS (IDR)	22,687	23,139	24,384	25,790
DPS (IDR)	828	937	1,001	1,011

## CASH FLOW STATEMENT

(IDR bn)	2018/12A	2019/12F	2020/12F	2021/12F
Operating Cash Flow	19,139	8,318	13,263	16,569
Investing Cash Flow	(27,910)	(9,310)	(9,641)	(11,675)
Financing Cash Flow	1,316	1,995	1,368	513
<b>Net Changes in Cash</b>	<b>(7,455)</b>	<b>1,003</b>	<b>4,989</b>	<b>5,407</b>

Source: Company Data, NHKS Research

## TOP OWNERSHIP

By Geography	% Shareholders	%
Indonesia	84.0	Astra International 59.5
United States	10.2	Vanguard Group 1.5
Luxembourg	2.2	Schroder Investment 1.4
Ireland	0.8	Matthew International 1.3

Closing and target price update



Source: Bloomberg, NHKS Research

Rating and target price update

Date	Rating	Target price	Consensus
2017.11.16	Buy	IDR39,425	IDR33,884
2018.01.13	Buy	IDR42,350	IDR36,475
2018.08.27	Buy	IDR44,750	IDR43,200
2018.10.31	Buy	IDR39,550	IDR42,962
2019.08.09	Buy	IDR28,000	IDR33,326
2019.11.07	Buy	IDR26,300	IDR25,755

Source: NHKS Research

NHKS stock ratings

- Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
- Buy: greater than +15%, Hold: -15% to +15%, Sell: less than -15%.
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