

# United Tractors Tbk (UNTR IJ)

## The Optimism of Gold Mine

Company Update | Mar 12, 2020

UNTR's FY19 revenue and net profit respectively decreased by 0.2% YoY and increased by 1.7% YoY which had reached 97.5% and 96.2% of our estimate in 2019. We revise 2020F/2021F estimates as follows: 1) Komatsu unit sales of 2,900 units in 2020F and 2,800 units in 2021F; 2) OB Removal of 996.2 million bcm in 2020F and 996.9 million bcm in 2021F; 3) Martabe gold mine to likely hit sales volume 360 thousand ounces in 2020F and 381 thousand ounces in 2021F. The 2020F/2021F P/E ratio of 7.3x/7.1x remains attractive plus potential dividend yield by 5.1%; hence, we maintain BUY rating with TP of IDR20,000.

### Lower Revenue

FY19 revenue of IDR84.4 trillion (-0.2% YoY) equal to 97.5% of our 2019's estimate of IDR86.3 trillion. The decline was attributable to Komatsu's sales of only 2,926 units (-40% YoY) amid the sluggish coal industry. The coal industry continues to weaken in 2020, and 85.9% of UNTR's revenue has exposure to coal; therefore, we estimate 2020F revenue of IDR82.2 trillion (-9.6% from the previous estimate).

### Performance of Gold Mine Increases Significantly

The gold mining segment posted revenue of IDR7.9 trillion (+1,064% YoY) or around 9% of UNTR's total revenue. UNTR will spend USD25 million of 2020's capex for gold exploration as gold has the potential for increasing revenue contribution in the future. We estimate 2020F sales volume of 360 thousand ounces (-12.2% YoY) with ASP of USD1,380/ounce.

### Sensitivity Analysis

We test the operational sensitivity to UNTR's Komatsu unit sales. Every +/- 10% Komatsu unit sales (guidance 2020: 2,900 units) leads to +/- 1.5% for revenue, +/- 1.6% for net profit, and +/- 1.9% for UNTR's EPS in 2020.

Komatsu Unit	-10%	Base	+10%
Revenue (IDR bn)	81,028	82,253	83,479
Operating Profit (IDR bn)	14,775	15,021	15,258
Net Profit (IDR bn)	10,003	10,197	10,390
EPS (IDR)	2,682	2,734	2,785
Target Price (IDR)	19,875	20,000	21,125

### Maintain BUY Rating with the Lower TP of IDR20,000

We recommend BUY with potential upside of 22.7% based on the forward P/E of 7.1x (-1.7 SD), implying 3.4x/3.2x of its 20F/21F P/E ratio and 7.3x/7.1x of its 20F/21F EV/EBITDA.

#### United Tractors Tbk | Summary

	2019A	2020F	2021F	2022F
Revenue (IDR bn)	84,430	82,253	83,259	84,529
Growth (%)	-0.2	-2.6	1.2	1.5
EBITDA (IDR bn)	25,123	21,651	22,529	23,376
Net Profit (IDR bn)	11,312	10,197	10,564	11,193
EPS (IDR)	3,033	2,734	2,832	3,001
Growth (%)	1.7	-9.8	3.6	6.0
P/E (x)	7.1	7.3	7.1	6.7
P/BV (x)	1.3	1.1	1.0	0.9
EV/EBITDA (x)	3.3	3.4	3.2	3.0
ROE (%)	19.1	16.0	14.8	13.9
DER (%)	82.8	82.9	72.2	61.4
Net Debt (IDR bn)	1,896	-2,098	-3,637	-4,183

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

## Buy

Dec 2020 TP (IDR)	20,000
Consensus Price (IDR)	23,398
TP to Consensus Price (%)	-14.5
vs. Last Price (%)	+22.7

### Shares Data

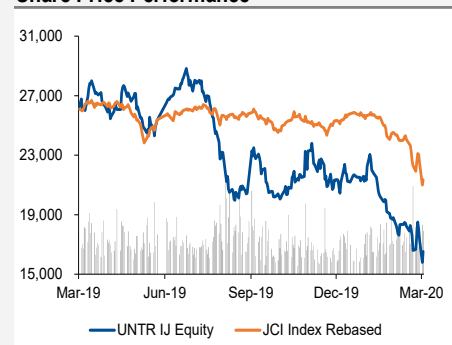
Last Price (IDR)	16,300
Price Date as of	Mar 11, 2020
52 wk Range (Hi/Lo)	28,900/16,100
Free Float (%)	40.4
Outstanding Shares (mn)	3,730
Market Cap (IDR bn)	61,640
Market Cap (USD mn)	4,277
Avg. Trd Vol - 3M (mn)	3.9
Avg. Trd Val - 3M (bn)	78.2
Foreign Ownership (%)	15.9

### Trade

#### Heavy Equipment

Bloomberg	UNTR IJ
Reuters	UNTR.JK

### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-23.1%	-9.6%	-22.4%	-36.7%
Rel. Ret.	-6.2%	2.7%	-6.8%	-18.5%

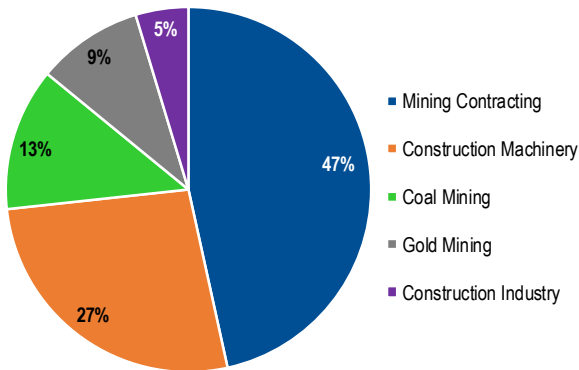


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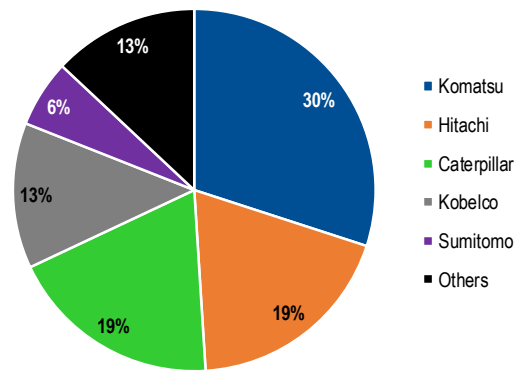
## Performance Highlights in Charts

FY19 Revenue Breakdown



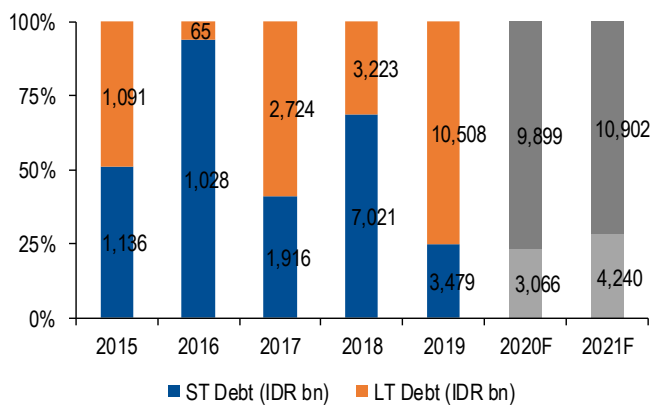
Source: Company Data, NHKSI Research

FY19 Heavy Equipment Domestic Market Share



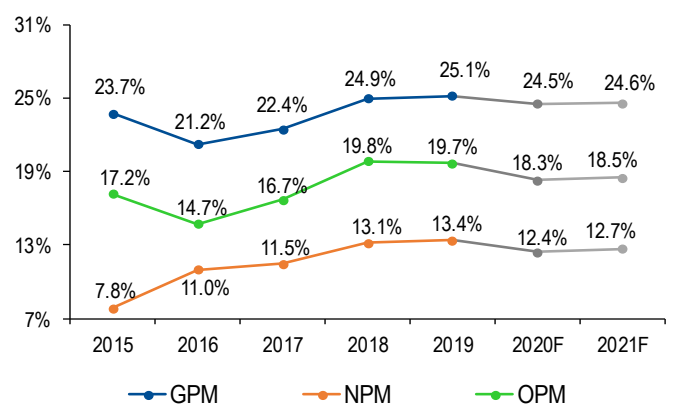
Source: Company Data, NHKSI Research

Debt Portion



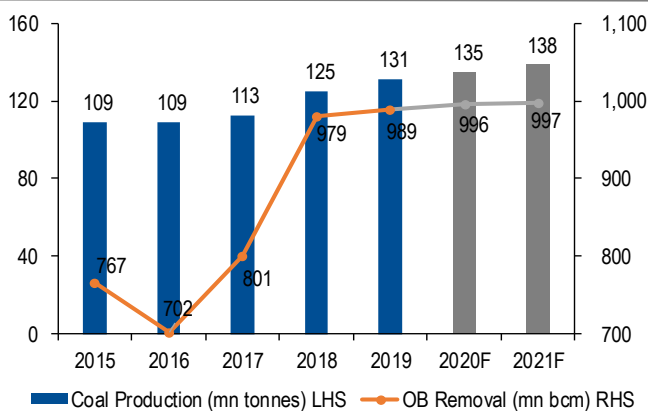
Source: Company Data, NHKSI Research

Margin Ratios



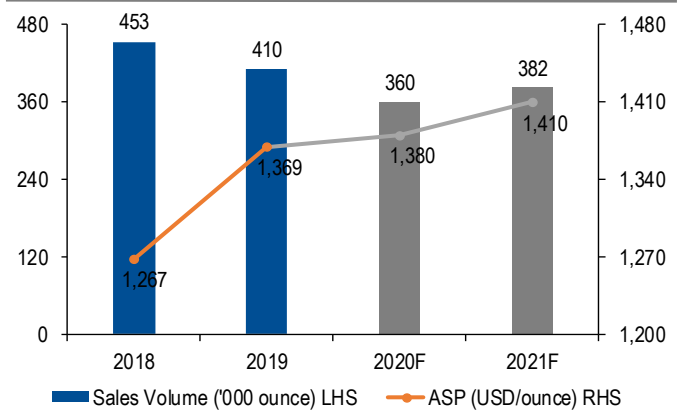
Source: Company Data, NHKSI Research

Coal Production & OB Removal



Source: Company Data, NHKSI Research

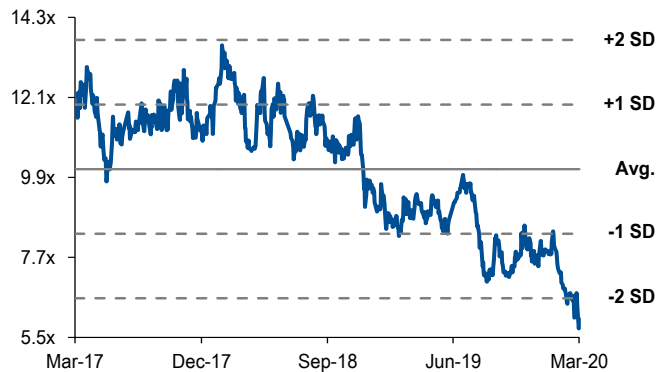
Gold Sales Volume & ASP



Source: Company Data, NHKSI Research

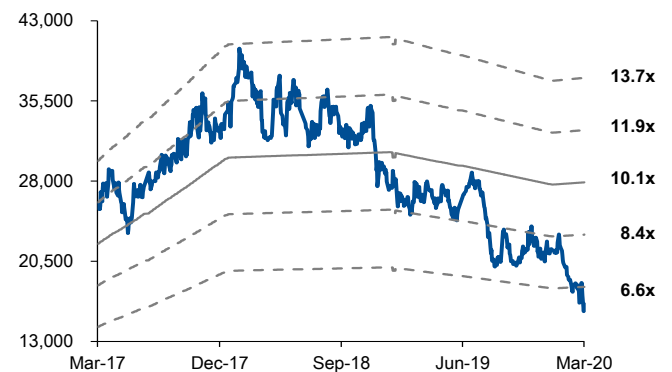
## Valuation & Other Highlights in Charts

3-Year Forward P/E Band



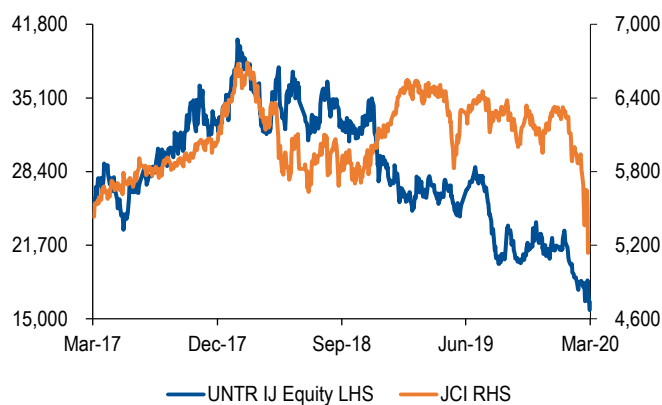
Source: Bloomberg, NHKSI Research

3-Year Dynamic Forward P/E Band



Source: Bloomberg, NHKSI Research

Stock & JCI Movement



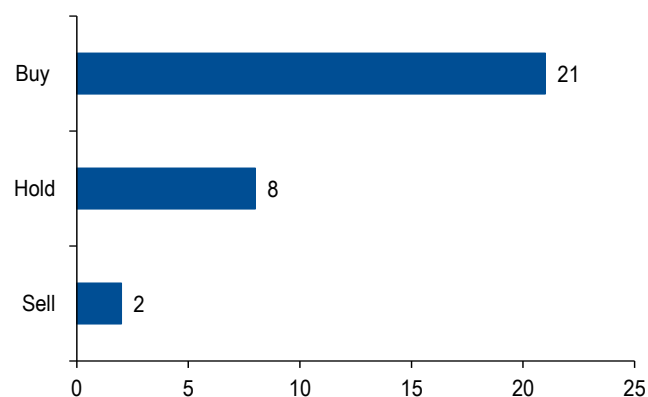
Source: Bloomberg, NHKSI Research

Stock & Coal Prices Movement



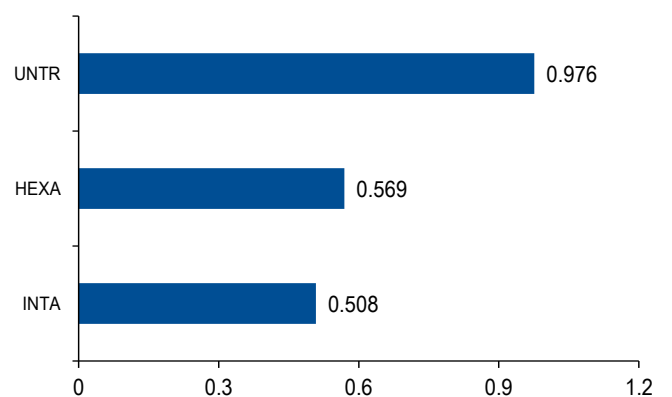
Source: Bloomberg, NHKSI Research

Recommendations by Analysts



Source: Bloomberg, NHKSI Research

Beta Comparison with Competitors



Source: Bloomberg, NHKSI Research

## Financial Review

## Quarterly Review

	4Q18	1Q19	2Q19	3Q19	4Q19					1Q20E
					Actual	Estimate	YoY %	QoQ %	Surprise %	
<b>Income Statement</b>										
Revenue	23,499	22,621	20,698	22,238	18,823	20,705	-19.9	-15.6	-9.1	22,764
Gross Profit	6,031	5,700	4,939	5,575	5,017	5,681	-16.8	-10.0	-11.7	6,325
EBIT	4,428	4,584	3,846	4,473	3,703	4,623	-16.4	-17.2	-19.9	4,967
EBITDA	5,930	6,862	6,122	6,652	5,487	6,385	-7.5	-17.5	-14.1	6,593
Net Profit	2,054	3,053	2,522	3,064	2,673	3,120	30.1	-12.8	-14.3	3,461
<b>Margin</b>										
Gross Margin	25.7	25.2	23.9	25.0	26.7	27.4	1.0	1.6	-0.8	27.8
EBIT Margin	18.8	20.3	18.6	20.1	19.7	22.3	0.8	-0.4	-2.7	21.8
EBITDA Margin	25.2	30.3	29.6	29.8	29.2	30.8	3.9	-0.7	-1.7	29.0
Net Profit Margin	8.7	13.5	12.2	13.7	14.2	15.1	5.5	0.5	-0.9	15.2

Unit: IDR bn, %

Source: Company Data, NHKSI Research

## Earnings Revision

		2020F	2021F	2022F
<b>Income Statement</b>				
Revenue	-Revised	82,253	83,259	84,529
	-Previous	90,957	96,199	
	-Change %	-9.6	-13.5	
	-Consensus	82,672	84,376	88,904
Gross Profit	-Revised	20,155	20,482	21,048
	-Previous	22,275	23,761	
	-Change %	-9.5	-13.8	
	-Consensus	20,237	20,860	21,762
EBIT	-Revised	15,021	15,403	16,145
	-Previous	17,670	18,793	
	-Change %	-15.0	-18.0	
	-Consensus	15,045	15,610	17,798
EBITDA	-Revised	21,651	22,529	23,376
	-Previous	26,345	27,777	
	-Change %	-17.8	-18.9	
	-Consensus	21,774	22,712	21,149
Net Profit	-Revised	10,197	10,564	11,193
	-Previous	12,442	12,934	
	-Change %	-18.0	-18.3	
	-Consensus	10,278	10,764	11,274
<b>Margin</b>				
Gross Margin	-Revised	24.5	24.6	24.9
	-Previous	24.5	24.7	
EBIT Margin	-Revised	18.3	18.5	19.1
	-Previous	19.4	19.5	
EBITDA Margin	-Revised	26.3	27.1	27.7
	-Previous	29.0	28.9	
Net Profit Margin	-Revised	12.4	12.7	13.2
	-Previous	13.7	13.4	

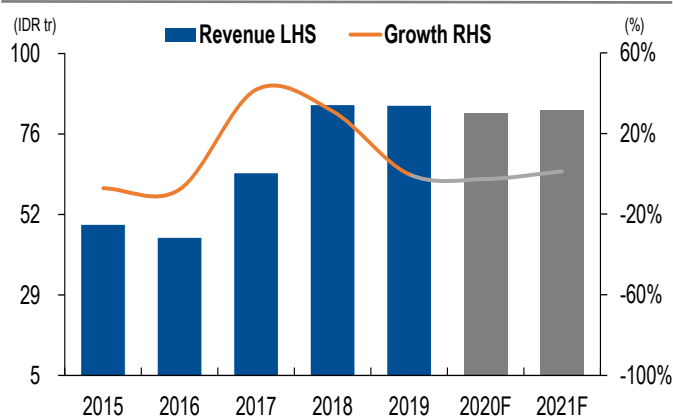
Unit: IDR bn, %

Source: Company Data, NHKSI Research

## Company Overview

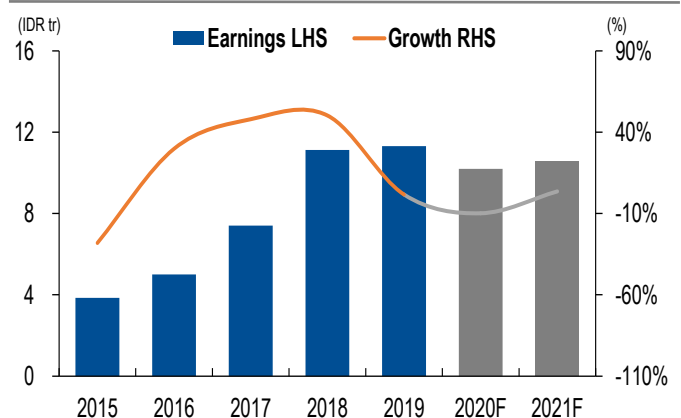
PT United Tractors Tbk (UNTR) is a private company whose business lines cover construction machinery, mining contracting, mining, construction industry, and energy. It was established on October 13, 1972, in Jakarta and went public in 1989, with PT Astra International Tbk as its major shareholder. The 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 & Growth Movement



Source: Company Data, NHKSI Research

### Earnings & Growth Movement



Source: Company Data, NHKSI Research

### Asia Pacific Peers Comparison

	Market Cap (USD mn)	Total Asset (USD mn)	Sales LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Growth LTM (%)	Net Profit Margin (%)	ROE LTM (%)	P/E LTM (x)	P/BV (x)
<b>Indonesia</b>									
UNITED TRACTORS TBK	4,307	8,068	5,970	800	1.7	13.4	20.2	5.5	1.1
HEXINDO ADIPERKASA TBK	170	346	466	47	53.3	10.2	28.8	3.6	1.0
INTRACO PENTA TBK	105	347	152	-17	39.9	-11.3	N/A	N/A	N/A
KOBEXINDO TRACTORS TBK	16	112	87	2	6.9	2.8	7.6	6.7	0.5
<b>China</b>									
ZHONGJI INNOLIGHT CO LTD	6,801	1,175	616	73	-3.3	11.8	8.9	86.8	6.9
<b>Japan</b>									
WAKITA & CO LTD	415	1,172	722	33	-13.6	4.5	3.8	11.9	0.5
RASA CORPORATION	101	288	269	16	5.0	6.0	11.2	5.3	0.6
MAEDA SEISAKUSHO	68	283	341	9	-24.2	2.5	8.0	7.4	0.6
<b>Australia</b>									
SEVEN GROUP HOLDING	3,325	4,379	3,004	136	-34.6	4.5	6.9	26.1	1.8

Unit: USD mn, %, X

Source: Bloomberg, NHKSI Research

## Summary of Financials

## INCOME STATEMENT

(IDR bn)	2019/12A	2020/12F	2021/12F	2022/12F
<b>Revenue</b>	<b>84,430</b>	<b>82,253</b>	<b>83,259</b>	<b>84,529</b>
<i>Growth</i>	-0.2%	-2.6%	1.2%	1.5%
COGS	(63,200)	(62,098)	(62,777)	(63,481)
<b>Gross Profit</b>	<b>21,231</b>	<b>20,155</b>	<b>20,482</b>	<b>21,048</b>
<i>Gross Margin</i>	25.1%	24.5%	24.6%	24.9%
Operating Expenses	(4,626)	(5,134)	(5,079)	(4,903)
<b>EBIT</b>	<b>16,605</b>	<b>15,021</b>	<b>15,403</b>	<b>16,145</b>
<i>EBIT Margin</i>	19.7%	18.3%	18.5%	19.1%
Depreciation	8,518	6,630	7,126	7,231
<b>EBITDA</b>	<b>25,123</b>	<b>21,651</b>	<b>22,529</b>	<b>23,376</b>
<i>EBITDA Margin</i>	29.8%	26.3%	27.1%	27.7%
Interest Expenses	(762)	(720)	(791)	(893)
<b>EBT</b>	<b>15,477</b>	<b>14,114</b>	<b>14,411</b>	<b>15,044</b>
Income Tax	(4,342)	(4,315)	(4,251)	(4,288)
Minority Interest	177	397	404	436
<b>Net Profit</b>	<b>11,312</b>	<b>10,197</b>	<b>10,564</b>	<b>11,193</b>
<i>Growth</i>	1.7%	-9.9%	3.6%	6.0%
<i>Net Profit Margin</i>	13.4%	12.4%	12.7%	13.2%

## PROFITABILITY &amp; STABILITY

	2019/12A	2020/12F	2021/12F	2022/12F
ROE	19.1%	16.0%	14.8%	13.9%
ROA	9.9%	8.7%	8.4%	8.4%
ROIC	15.9%	13.1%	12.0%	11.3%
Cash Dividend (IDR bn)	4,609	3,802	4,147	4,654
Dividend Yield	5.7%	5.1%	5.6%	6.2%
Dividend Payout Ratio	40.7%	37.3%	39.3%	41.6%
DER	82.8%	82.9%	72.2%	61.4%
Net Gearing	29.1%	24.2%	24.2%	23.6%
LT Debt to Equity	17.2%	14.8%	14.4%	14.9%
Capitalization Ratio	18.6%	16.3%	16.7%	16.7%
Equity Ratio	54.7%	54.7%	58.1%	61.9%
Debt Ratio	12.5%	10.6%	11.6%	12.4%
Financial Leverage	196.8%	174.8%	171.3%	161.9%
Current Ratio	156.0%	164.6%	187.0%	223.7%
Par Value (IDR)	250	250	250	250
Total Shares (mn)	3,730	3,730	3,730	3,730
Share Price (IDR)	21,525	20,000	20,000	20,000
Market Cap (IDR tn)	80.3	74.6	74.6	74.6

## BALANCE SHEET

(IDR bn)	2019/12A	2020/12F	2021/12F	2022/12F
Cash	12,091	15,064	18,779	21,243
Receivables	19,681	24,996	25,187	25,762
Inventories	11,014	14,312	14,926	15,336
<b>Total Current Assets</b>	<b>50,827</b>	<b>62,478</b>	<b>67,809</b>	<b>72,149</b>
Net Fixed Assets	47,972	45,759	48,624	51,536
Other Non Current Asset	12,914	13,735	13,910	14,015
<b>Total Assets</b>	<b>111,713</b>	<b>121,973</b>	<b>130,344</b>	<b>137,700</b>
Payables	20,909	22,435	22,626	22,941
ST Bank Loan	3,479	3,066	4,240	4,350
LT Debt	10,508	9,899	10,902	12,709
<b>Total Liabilities</b>	<b>50,603</b>	<b>55,275</b>	<b>54,634</b>	<b>52,403</b>
Capital Stock	933	933	933	933
Retained Earnings	47,060	52,648	61,691	71,307
<b>Total Equity</b>	<b>61,110</b>	<b>66,698</b>	<b>75,710</b>	<b>85,298</b>

## VALUATION INDEX

	2019/12A	2020/12F	2021/12F	2022/12F
Price/Earnings	7.1x	7.3x	7.1x	6.7x
Price/Book Value	1.3x	1.1x	1.0x	0.9x
Price/Sales	1.0x	0.9x	0.9x	0.9x
PE/EPS Growth	4.2x	-0.7x	2.0x	1.1x
EV/EBITDA	3.3x	3.4x	3.2x	3.0x
EV/EBIT	5.0x	4.9x	4.6x	4.4x
EV (IDR bn)	82,703	73,020	71,450	70,875
Sales CAGR (3-Yr)	22.8%	8.4%	-0.5%	0.0%
EPS CAGR (3-Yr)	15.2%	-2.9%	-2.3%	3.2%
Basic EPS (IDR)	3,033	2,734	2,832	3,001
Diluted EPS (IDR)	3,033	2,734	2,832	3,001
BVPS (IDR)	16,383	17,881	20,297	22,867
Sales PS (IDR)	22,635	22,051	22,321	22,661
DPS (IDR)	1,236	1,019	1,112	1,248

## CASH FLOW STATEMENT

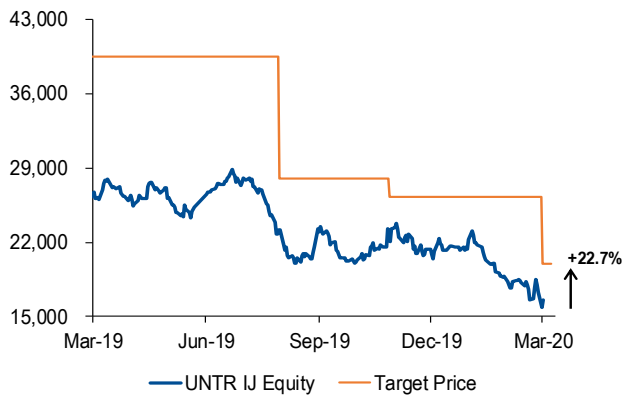
(IDR bn)	2019/12A	2020/12F	2021/12F	2022/12F
Operating Cash Flow	9,603	13,937	13,208	12,424
Investing Cash Flow	(9,925)	(5,335)	(10,117)	(10,272)
Financing Cash Flow	(750)	(5,630)	625	312
<b>Net Changes in Cash</b>	<b>(1,071)</b>	<b>2,973</b>	<b>3,715</b>	<b>2,464</b>

## TOP OWNERSHIP

By Geography	% Shareholders	%
Indonesia	84.1	Astra International 59.5
United States	9.2	Vanguard Group 1.5
Luxembourg	2.2	Sun Life Financial 1.4
Canada	1.3	Schroder Investment 1.4

Source: Company Data, NHKSI Research

**Closing & Target Price Update**



Source: Bloomberg, NHKSI Research

**Rating & 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
2020.03.12	Buy	IDR20,000	IDR23,398

Source: NHKSI Research

**NHKSI 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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