

United Tractors Tbk (UNTR)

Lower Sales Volume in 2020

UNTR's top line fell by 28.5% throughout 2020 to over IDR60.3 trillion, resulting in bottom line of IDR6 trillion, or decline significantly by 46.9% YoY driven by decrease in construction machinery revenue by 40.6% YoY. We initiate Overweight call with Target Price at IDR23,250.

Weak Earnings During Pandemic

- UNTR posted top line of IDR60.3 trillion in 2020, or down by 28.5% YoY (vs IDR84.4 trillion in 2019).
- It resulted in a bottom line of IDR6 trillion in 2020, or declined significantly by 46.9% YoY (vs IDR11.3 trillion in 2019). This decline was mainly driven by lower sales from construction industry, construction machinery and mining contracts, which fell by 72.3% YoY, 40.6% YoY and 25.7% YoY respectively.
- Furthermore, Komatsu sales volume went down significantly by 46.5% YoY to 1,564 units (vs 2,962 units in 2019), UD trucks & Scania also declined by 48.2% YoY to 441 units in 2020 (vs 852 units in 2019).
- We expect UNTR's top line in 2021F to be IDR63.2 trillion (+4.7% YoY) and bottom line to reach IDR7 trillion, or up by 17.4% YoY as we assume coal demand will recover in 2021F alongside with economic recovery starting this year.

Coal Demand Recovery

- We expect economic recovery will begin this year partly due to the Covid-19 vaccination. Alongside economic recovery, we see that coal demand will recover and manufacture industry will be back on track.
- We see coal demand recovery will be beneficial in construction machinery and mining contracts segment as several coal companies that partner up with PAMA improve their coal production target in 2021F.
- On the other side, coal demand recovery also will be beneficial to coal mining segment, thus UNTR will have higher ASP compared to the previous year. We expect UNTR coal ASP will be at USD70/ton in 2021F.

Initiate Overweight Rating with Target Price of IDR23,250

- We initiate Overweight rating for UNTR with target price of IDR23,250 for the next 12 month.
- The rating is considering UNTR's weak performance in 2020 and coal demand recovery which will trigger an increase in coal price.
- Our target price is derived from forward P/E of 11.1x with a 9.7% potential upside from last price.
- UNTR is currently traded at 10.1x P/E.

United Tractors Tbk | Summary (IDR bn)

	2020A	2021F	2022F	2023F
Revenue	60,347	63,185	65,342	63,752
Growth	-28.5%	4.7%	3.4%	-2.4%
Net profit	6,003	7,048	7,831	7,672
Growth	-46.9%	17.4%	11.1%	-2.0%
EPS	1,609	1,890	2,099	2,057
ROE	9.7%	10.8%	11.3%	10.5%
DER	19.8%	11.1%	12.6%	12.7%
P/E	16.5x	11.2x	10.1x	10.3x
EV/EBITDA	6.5x	3.7x	2.9x	2.8x
Dividend Yield	3.3%	5.0%	5.2%	4.9%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

Overweight

Target Price (IDR)	23,250
Consensus Price (IDR)	29,899
TP to Consensus Price	-22.2%
vs. Last Price	+9.7%

Shares data

Last Price (IDR)	21,200
Price date as of	Mar. 10, 2021
52 wk range (Hi/Lo)	28,475 / 12,000
Free float	40.4%
Outstanding sh.(mn)	3,730
Market Cap (IDR bn)	79,079
Market Cap (USD mn)	5,475
Avg. Trd Vol - 3M (mn)	5.5
Avg. Trd Val - 3M (bn)	136.6
Foreign Ownership	15.9%

Trade

Heavy Equipment

Bloomberg	UNTR IJ
Reuters	UNTR.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret	-20.3%	-9.7%	-18.5%	28.3%
Rel. Ret	-25.1%	-10.7%	-24.1%	8.3%

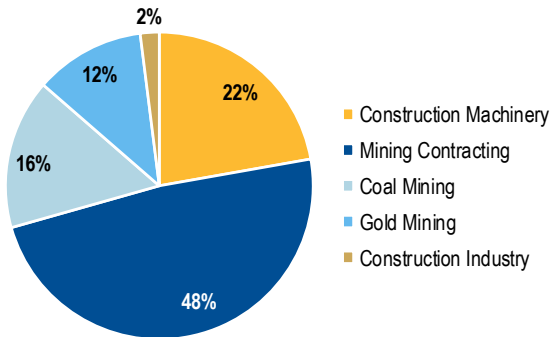
Maryoki Pajri Alhusnah

+62 21 5088 9128

maryoki.pajri@nhsec.co.id

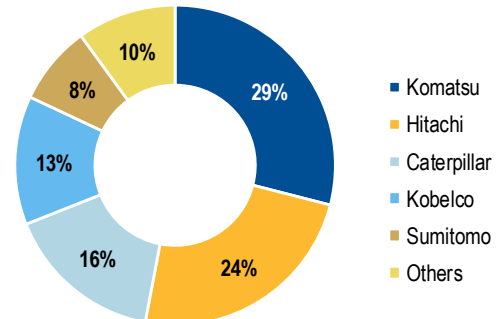
Performance Highlights

Revenue Contributions FY2020



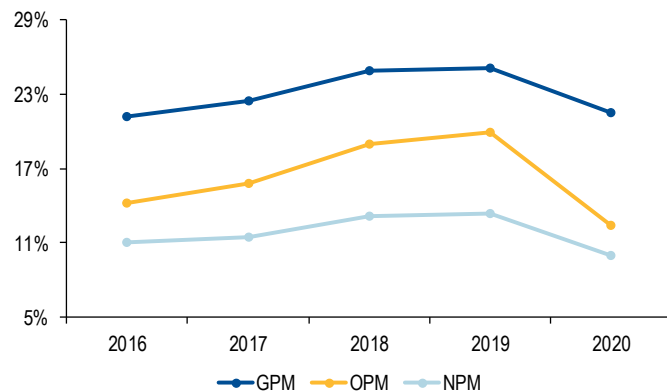
Source: Company, NHKSI Research

Heavy Equipment's Market Share



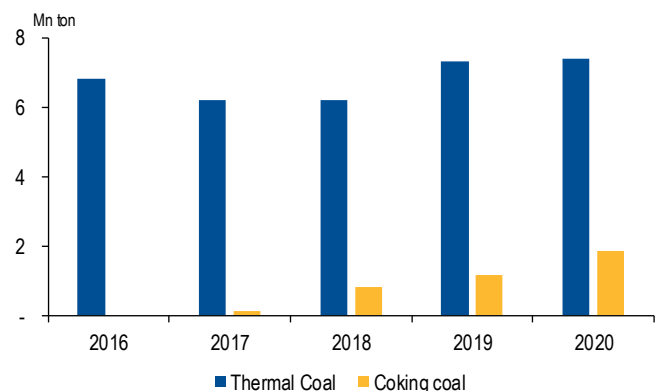
Source: Company, NHKSI Research

Margin Ratios



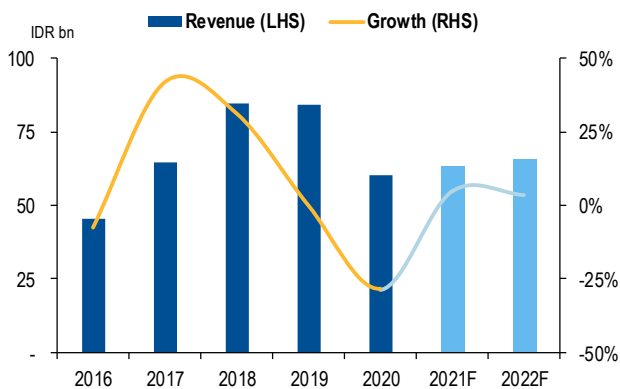
Source: Company, NHKSI Research

Coal Sales Volume



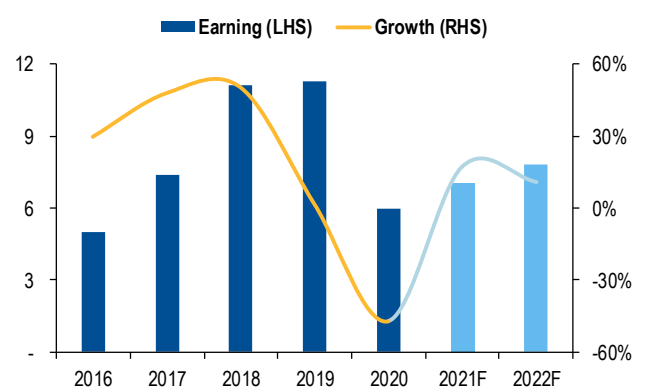
Source: Company, NHKSI Research

Revenue & Growth Movement



Source: Company, NHKSI Research

Earnings & Growth Movement



Source: Company, NHKSI Research

Company Overview



PT United Tractors Tbk (UNTR) is a subsidiary of PT Astra International Tbk (“Astra”), a well-established and one of the largest business groups in Indonesia with robust experience of serving various industries and sectors. Since September 19, 1989, the Company has become a public company by listing its shares on the Indonesia Stock Exchange (formerly the Jakarta Stock Exchange and Surabaya Stock Exchange). To date Astra owns 59.5% of the Company’s shares, with the remaining shares are held by the public.

Currently, the Company is a key player in various sectors and industries in the country through its five business pillars, namely Construction Machinery, Mining Contracting, Mining, Construction Industry and Energy.

Asia Peers Comparison

Company	Market Cap (USD mn)	Asset (USD mn)	Revenue LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Mar- gin	ROE LTM	P/E LTM	P/BV
Indonesia								
UNITED TRACTORS TBK	5,475	7,167	4,147	413	9.9%	10.1%	13.2x	1.3x
HEXINDO ADIPERKASA TBK	204	266	276	26	9.3%	15.1%	8.0x	1.2x
INTRACO PENTA TBK	37	293	61	-33	-54.1%	N/A	N/A	N/A
KOBEXINDO TRACTORS TBK	19	123	52	-7	-12.9%	-22.6%	N/A	0.7x
China								
ZHONGJI INNOLIGHT	4,295	1,507	953	108	11.3%	10.5%	36.7x	3.7x
Japan								
WAKITA & CO LTD	461	1,275	722	32	4.4%	3.6%	14.7x	0.5x
RASA CORPORATION	109	282	257	14	5.3%	8.8%	7.3x	0.6x
MAEDA SEISAKUSHO CO LTD	80	273	310	10	3.3%	8.6%	7.9x	0.7x
Australia								
SEVEN GROUP HOLDING	5,903	5,134	3,218	304	9.4%	14.4%	17.4x	2.3x

Source: Bloomberg

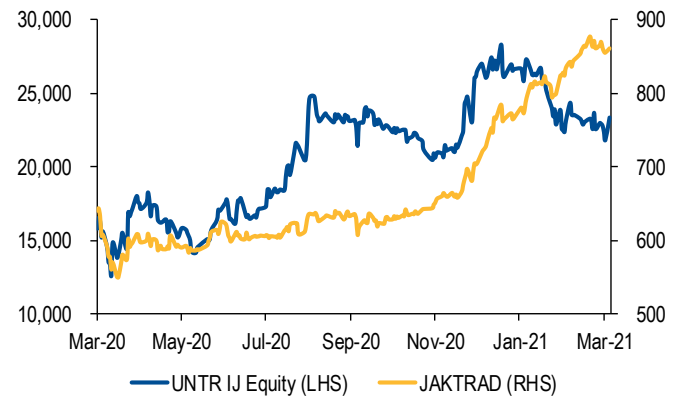
Valuation Highlights

5-Year Forward P/E Band



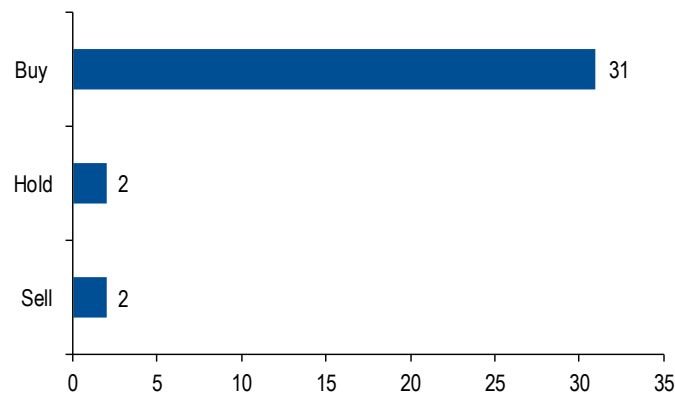
Source: Bloomberg, NHKSI Research

UNTR vs JAKTRAD



Source: Bloomberg, NHKSI Research

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKSI Research

Rating and Target Price Update

Target Price

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
10/03/2021	Overweight	23,250	21,200	29,899	-22.2%	+9.7%

Source: NHKSI Research, Bloomberg

Summary of Financials

INCOME STATEMENT

(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Revenues	60,347	63,185	65,342	63,752
<i>Growth (% y/y)</i>	-28.5%	4.7%	3.4%	-2.4%
Cost of Revenues	(47,357)	(48,619)	(50,038)	(48,695)
Gross Profit	12,989	14,566	15,303	15,057
<i>Gross Margin</i>	21.5%	23.1%	23.4%	23.6%
Operating Expenses	(5,519)	(4,768)	(4,511)	(4,437)
EBIT	7,470	9,798	10,793	10,620
<i>EBIT Margin</i>	12.4%	15.5%	16.5%	16.7%
Depreciation	7,589	8,480	9,825	9,966
EBITDA	15,059	18,278	20,618	20,586
<i>EBITDA Margin</i>	25.0%	28.9%	31.6%	32.3%
Interest Expenses	(1,540)	(1,382)	(1,430)	(1,506)
EBT	7,011	9,398	10,410	10,141
Income Tax	(1,379)	(2,350)	(2,602)	(2,535)
Minority Interest	371	(0)	23	66
Net Profit	6,003	7,048	7,831	7,672
<i>Growth (% y/y)</i>	-46.9%	17.4%	11.1%	-2.0%
<i>Net Profit Margin</i>	9.9%	11.2%	12.0%	12.0%

PROFITABILITY & STABILITY

	2020/12A	2021/12E	2022/12E	2023/12E
ROE	9.7%	10.8%	11.3%	10.5%
ROA	5.7%	6.9%	7.3%	6.8%
Inventory Turnover	5.0x	5.8x	5.6x	5.4x
Receivables Turnover	4.1x	6.0x	5.7x	5.3x
Payables Turnover	3.0x	3.4x	2.7x	2.7x
Dividend Yield	3.3%	5.0%	5.2%	4.9%
Payout Ratio	54.8%	55.5%	52.8%	51.0%
DER	0.2x	0.1x	0.1x	0.1x
Net Gearing	-13%	-27%	-31%	-33%
Equity Ratio	63.3%	64.8%	64.4%	65.6%
Debt Ratio	12.5%	7.2%	8.1%	8.4%
Financial Leverage	170.2%	156.1%	154.8%	153.9%
Current Ratio	211.0%	189.7%	203.1%	221.6%
Quick Ratio	172.8%	157.0%	171.6%	189.3%
Par Value (IDR)	250	250	250	250
Total Shares (mn)	3,730	3,730	3,730	3,730
Share Price (IDR)	26,600	21,200	21,200	21,200
Market Cap (IDR tn)	99.2	79.1	79.1	79.1

BALANCE SHEET

(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Cash	20,499	25,835	30,828	34,297
Receivables	10,024	11,020	11,966	12,259
Inventories	8,002	8,868	8,965	8,945
Total Current Assets	44,196	51,433	57,772	61,442
Net Fixed Assets	24,319	26,800	26,120	26,316
Other Non Current Assets	31,286	26,165	27,005	26,863
Total Non Current Assets	55,605	52,965	53,125	53,180
Total Assets	99,801	104,399	110,898	114,622
Payables	10,273	18,088	18,401	17,552
ST Debt	4,045	3,091	3,531	3,751
Total Current Liabilities	20,944	27,113	28,446	27,725
LT Debt	8,436	4,428	5,444	5,820
Total Liabilities	36,654	36,703	39,516	39,420
Capital Stock + APIC	10,636	10,636	10,636	10,636
Retained Earnings	49,492	52,626	56,323	60,086
Shareholders' Equity	63,147	67,695	71,382	75,202

VALUATION INDEX

	2020/12A	2021/12E	2022/12E	2023/12E
Price /Earnings	16.5x	11.2x	10.1x	10.3x
PE/EPS Growth	-0.4x	0.6x	0.9x	-5.1x
Price /Book Value	1.6x	1.2x	1.1x	1.1x
EV/EBITDA	6.5x	3.7x	2.9x	2.8x
EV (IDR bn)	97,744	67,694	59,275	57,567
Revenues CAGR (3-Yr)	-10.7%	-9.2%	2.7%	0.3%
Net Income CAGR (3-Yr)	-18.6%	-14.6%	9.3%	2.9%
Basic EPS (IDR)	1,609	1,890	2,099	2,057
BVPS (IDR)	16,929	18,148	19,136	20,161
DPS (IDR)	882	1,050	1,108	1,048

CASH FLOW STATEMENT

(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Operating Cash Flow	3,397	4,268	(13)	(922)
Investing Cash Flow	5,281	2,640	(160)	(54)
Financing Cash Flow	(271)	(1,572)	5,166	4,445
Net Changes in Cash	8,408	5,337	4,993	3,469

Source: Company Data, NHKSI Research

OWNERSHIP

Top Shareholders	%
Astra International	59.5
Sun Life Financial Inc	1.9
Shcroder Investment	1.4
Others	37.2
By Geography	%
Indonesia	84.1
United States	10.1
Luxembourg	1.8
Ireland	1.0
Others	2.99

NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
 - Buy : Greater than +15%
 - Overweight : +5% to +15%
 - Hold : -5% to +5%
 - Underweight : -5% to -15%
 - Sell : Less than -15%

DISCLAIMER

This document is strictly confidential and is being supplied to you solely for your information. The recipients of this report must make their own independent decisions regarding any securities or financial instruments mentioned herein. This document may not be quoted, reproduced, exhibited, redistributed, transmitted, edited, translated, or published, in whole or in part, for any purpose without notice. Any failure to comply with this restriction may constitute a violation of civil or criminal laws.

This report and any electronic access hereto are restricted and intended only for the clients and related entities of PT NH Korindo Sekuritas Indonesia. This report is only for information and recipient use. It is not reproduced, copied, or made available for others. Under no circumstances is it considered as a selling offer or solicitation of securities buying. Any recommendation contained herein may not be suitable for all investors. Although the information hereof is obtained from reliable sources, its accuracy and completeness cannot be guaranteed. PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, and agents are held harmless from any responsibility and liability for claims, proceedings, action, losses, expenses, damages, or costs filed against or suffered by any person as a result of acting pursuant to the contents hereof. Neither is PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, nor agents are liable for errors, omissions, misstatements, negligence, inaccuracy contained herein. All rights reserved by PT NH Korindo Sekuritas Indonesia.