

United Tractors Tbk (UNTR)

Revises Sales Target Up to Support FY22 Performance

UNTR heavy equipment sales in 1H22 grew 111% YoY to 2,873 units, mainly dominated by the mining and construction sectors, which accounted for 61% and 18%, respectively. This boosted consolidated net income to IDR60.4 Trillion (+62% YoY), and net profit to IDR10.4 Trillion (+129% YoY). NHKSI Research sees the increase in consumer companies' energy commodity production targets mean demand for heavy equipment remain high.

Coal and Nickel Still Support the Mining Sector

- In 1H22, UNTR recorded revenue of IDR60.4 trillion (+62% YoY). Three of the five segments recorded an increase in sales this period, with the largest increase recorded by the Coal Mining segment (+149%), as the increase in coal and nickel commodity prices boosted sales of the Mining segment.
- It is followed by Construction Machinery (+86%) and Mining Contracting (+29%). The three segments still dominated heavy equipment sales by more than 90% during the 1H22 period.

Taking Advantage of Low Interest Rate Trends

- UNTR's net profit in 1H22 was recorded at IDR10.4 trillion (+129% YoY). However, a number of expenses also increased, such as the Cost of Revenue which rose to IDR43.9 trillion (+50% YoY). Then, followed by Selling Expenses IDR395.9 billion (+32% YoY), and General and Administrative expenses IDR1.9 trillion (+12% YoY).
- Meanwhile, UNTR was able to reduce Finance Costs down to IDR314.2 billion (-17% YoY), by suppressing Interest Expenses, taking advantage of the trend of low interest rates. The company was also able to record a Finance Income of IDR432.6 billion.

Sales Target Increase Revise to 4,800 Units

- Komatsu's 1H22 sales volume rose 111% YoY to 2,873 units (vs. 1,361 units in 1H21). Seeing this solid demand for heavy equipment, UNTR made adjustments to the Komatsu heavy equipment target, increasing its sales target from 3,600 units to 4,800 units by the end of 2022.
- The increase in sales of heavy equipment was in line with the increase in mining and construction activities. Mining still dominates sales of heavy equipment, accounting for up to 61%, followed by the Construction, Forestry and Agribusiness sectors with 18%, 12% and 9% respectively.

Buy Recommendation with Target Price IDR38,000

- NHKSI Research recommends Buy for UNTR with a Target Price of IDR38,000 implying a FY22F P/E of 12.7x; with a potential increase of 18%. Our increase in TP is supported by the realization of heavy equipment sales which had reached 80% of the initial sales target (3,600 units), or 60% of the revised sales target (4,800 units) in 2022.

United Tractors Tbk | Summary (IDR bn)

	2021A	2022F	2023F	2024F
Revenue	79,461	86,216	88,113	91,197
Growth	31.7%	8.5%	2.2%	3.5%
Net profit	10,280	11,564	12,655	13,115
Growth	71.2%	9.0%	12.9%	3.6%
EPS	2,756	3,004	3,393	3,516
ROE	14.3%	14.4%	14.5%	13.8%
DER	0.1x	0.1x	0.1x	0.1x
P/E	8.0x	12.7x	12.8x	14.1x
EV/EBITDA	2.5x	4.9x	5.2x	5.1x
Dividend Yield	1.5%	3.5%	3.0%	2.9%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

NH Korindo Sekuritas Indonesia

Company Update | Aug. 24, 2022

BUY

Target Price (IDR)	38,000
Consensus Price (IDR)	37,354
TP to Consensus Price	+1.7%
Potential Upside	+18.3%

Shares data

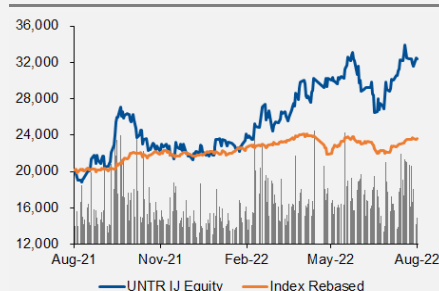
Last Price (IDR)	32,125
Price date as of	Aug. 23, 2022
52 wk range (Hi/Lo)	34,050 / 18,575
Free float	40.5%
Outstanding sh.(mn)	3,730
Market Cap (IDR bn)	120,856
Market Cap (USD mn)	8,184
Avg. Trd Vol - 3M (mn)	6.50
Avg. Trd Val - 3M (bn)	198.83
Foreign Ownership	19.9%

INDUSTRIALS

Industrial Goods

Bloomberg	UNTR IJ
Reuters	UNTR.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret	48.5%	11.6%	7.7%	60.6%
Rel. Ret	41.4%	4.4%	0.4%	43.4%

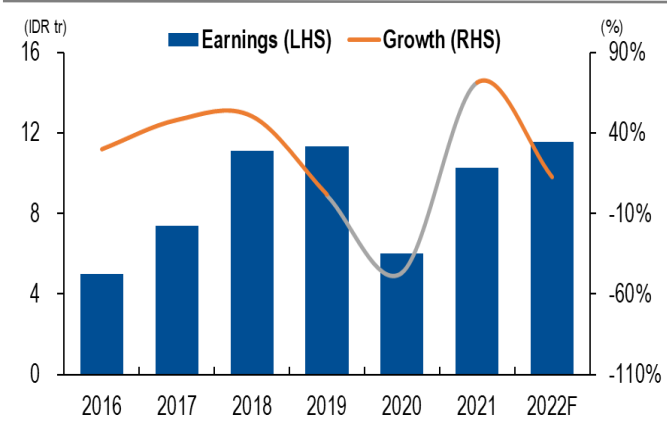
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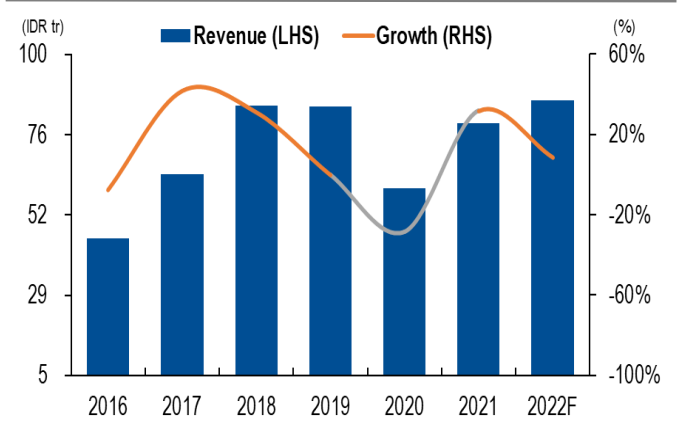
Performance Highlights

Earnings Vs. Growth



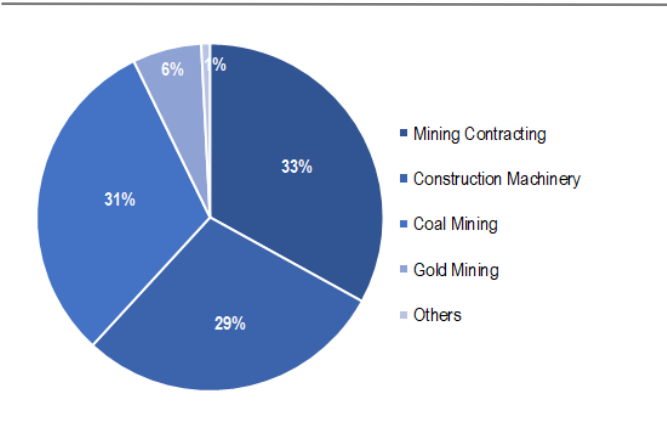
Source: Company, NHKSI Research

Revenue Vs. Growth



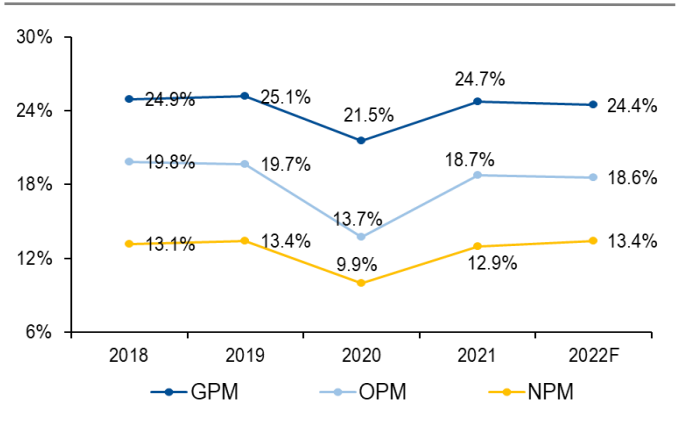
Source: Company, NHKSI Research

Revenue Breakdown | 1H22



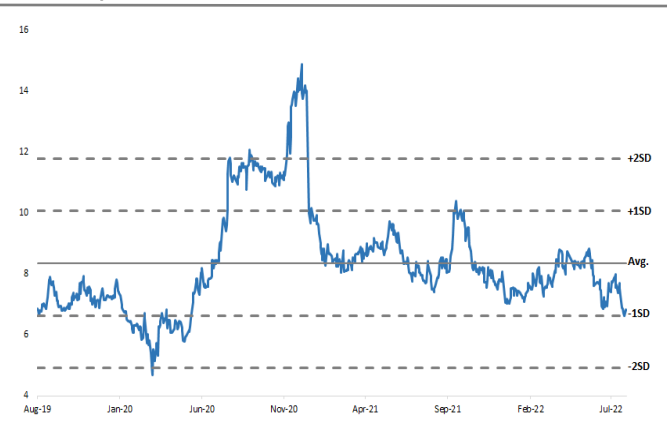
Source: Company, NHKSI Research

Profitability Ratios



Source: Company, NHKSI Research

P/E Ratio | Last 3-Years



Source: Bloomberg, NHKSI Research

EV/EBITDA | Last 3-Years



Source: Bloomberg, NHKSI Research

Summary of Financials

INCOME STATEMENT

(IDR bn)	2021/12A	2022/12F	2023/12F	2024/12F
Revenue	79,461	86,216	88,113	91,197
<i>Growth</i>	31.7%	8.5%	2.2%	3.5%
COGS	(59,796)	(65,145)	(66,745)	(69,173)
Gross Profit	19,665	21,071	21,367	22,024
<i>Gross Margin</i>	24.7%	24.4%	24.3%	24.2%
Operating Expenses	(4,789)	(5,050)	(5,026)	(5,356)
EBIT	14,876	16,021	16,342	16,668
<i>EBIT Margin</i>	18.7%	18.6%	18.5%	18.3%
Depreciation	8,765	8,092	8,061	9,022
EBITDA	23,640	24,113	24,402	25,691
<i>EBITDA Margin</i>	29.8%	28.0%	27.7%	28.2%
Interest Expenses	(431)	(393)	(515)	(446)
EBT	14,462	16,490	16,338	16,565
Income Tax	(3,854)	(4,561)	(3,872)	(3,644)
Minority Interest	(329)	(365)	189	194
Net Profit	10,280	11,564	12,655	13,115
<i>Growth</i>	71.2%	12.5%	9.4%	3.6%
<i>Net Profit Margin</i>	12.9%	13.4%	14.4%	14.4%

PROFITABILITY & STABILITY

	2021/12A	2022/12F	2023/12F	2024/12F
ROE	14.3%	14.4%	14.5%	13.8%
ROA	9.1%	10.0%	9.6%	9.2%
Inventory Turnover	6.9x	5.5x	5.7x	6.0x
Receivable Turnover	7.2x	4.8x	5.1x	5.5x
Payables Turnover	4.8x	3.1x	4.5x	3.7x
Dividend Yield	1.5%	3.5%	3.0%	2.9%
Payout Ratio	12.2%	44.6%	38.7%	41.5%
DER	0.1x	0.1x	0.1x	0.1x
Net Gearing	13.6%	10.6%	13.6%	13.6%
Equity Ratio	63.8%	69.3%	66.3%	66.5%
Debt Ratio	8.1%	6.9%	8.5%	8.6%
Financial Leverage	157.3%	154.2%	154.1%	157.2%
Current Ratio	198.8%	261.6%	263.9%	282.4%
Quick Ratio	167.8%	201.2%	216.1%	226.4%
Par Value (IDR)	250	251	252	253
Total Shares (mn)	3,730	3,730	3,730	3,730
Share Price (IDR)	22,150	38,000	43,458	49,707
Market Cap (IDR tn)	82.6	141.7	162.1	185.4

BALANCE SHEET

(IDR bn)	2021/12A	2022/12F	2023/12F	2024/12F
Cash	33,322	32,768	43,627	59,644
Receivables	12,152	12,702	19,176	13,992
Inventories	9,454	10,343	10,901	12,261
Total Current Assets	60,604	62,202	80,495	92,452
Net Fixed Assets	39,000	40,644	38,396	37,721
Other Non Current Asset	12,957	12,970	12,643	12,486
Total Assets	112,561	115,816	131,534	142,659
Payables	14,518	12,175	17,490	20,004
ST Bank Loan	6,205	5,622	6,382	7,235
LT Debt	2,959	2,409	4,848	5,044
Total Liabilities	40,738	35,501	44,347	47,765
Capital Stock	933	933	933	933
Retained Earnings	56,673	65,224	72,067	79,787
Shareholders' Equity	71,823	80,315	87,187	94,894

VALUATION INDEX

	2021/12A	2022/12F	2023/12F	2024/12F
Price/Earnings	8.0x	12.7x	12.8x	14.1x
Price/Book Value	1.2x	1.8x	1.9x	2.0x
PE/EPS Growth	0.1x	1.0x	1.4x	3.9x
EV/EBITDA	2.5x	4.9x	5.2x	5.1x
EV/EBIT	4.0x	7.4x	7.7x	7.9x
EV (IDR bn)	59,716	118,236	126,459	131,720
Sales CAGR (3-Yr)	-2.1%	0.7%	13.4%	4.7%
EPS CAGR (3-Yr)	-3.1%	23.1%	7.2%	5.4%
Basic EPS (IDR)	2,756	3,004	3,393	3,516
BVPS (IDR)	19,255	21,531	23,374	25,440
DPS (IDR)	335	1,340	1,313	1,458

TOP OWNERSHIP

Shareholders	%
Astra International Tbk	59.5
FMR LLC	2.8
Others	37.7
By Geography	%
Indonesia	81.3
United States	12.2
Others	6.6

CASH FLOW STATEMENT

(IDR bn)	2021/12A	2022/12F	2023/12F	2024/12F
Operating Cash Flow	23,324	8,153	24,167	28,563
Investing Cash Flow	(3,198)	(4,967)	(4,783)	(5,108)
Financing Cash Flow	(7,160)	(3,740)	(4,040)	(4,360)
Net Changes in Cash	12,965	(554)	15,344	19,095

Source: Company Data, NHKSI Research

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%

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