BUY

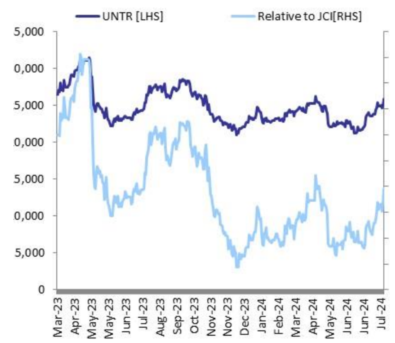
(Upgraded)

Last Price (Rp)	25,800
Target Price (Rp)	29,200
Previous Target Price (Rp)	*24,900*
Upside/Downside	+13.2%
No. of Shares (mn)	3,730
Mkt Cap (Rpbn/US$mn)	96,237/5,919
Avg, Daily T/O (Rpbn/US$mn)	101.7/6.3
Free Float (%)	37.9
Major Shareholder (%)	
PT. Astra International, Tbk	59.5

EPS Consensus (Rp)

	2024F	2025F	2026F
BRIDS	5,204	4,924	4,641
Consensus	4,725	4,375	4,278
BRIDS/Cons (%)	**101.1**	**12.5**	**8.5**

UNTR relative to JCI Index



Source: Bloomberg

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United Tractors (UNTR IJ)

Lifting Our FY24-26F Forecast and TP Post 1H24 Beat; Upgrade Rating to Buy

- **1H24 earnings beat demonstrated Pama and UT's coal business superior operational performance**
- **We raised our FY24-26F est. by 13-22% and SOTP-based TP to Rp29,200 on the better operational and coal price outlook**
- **We upgrade our rating to Buy on prospect of earnings upside in 2H24.**

Pama and own coal mine's strong production drove 1H24 beat

UNTR's 1H24 net profit of Rp9.5tr (-15% yoy) was a beat, forming 55% of BRIDS and cons. FY24F est., driven by a 2Q24 +10% qoq (-15% yoy) net profit growth. Key drivers of the strong 1H24 earnings were: 1) Revenue beat from mining contracting on stronger-than-expected volume (+15% yoy vs. forecast of +10% yoy), combined with possible margin support from weaker IDR and lower unit cost due to the better volumes. This was made possible by the strong delivery from Pama in 2Q24 of 304mn bcm/ 37Mt OB/ coal volume (+6/ 15% qoq, +10/ 15% yoy), outperforming 2Q24 national production (-4% yoy) which suffered from the higher rainfall. 2) Stronger-than-expected 1H24 sales volumes of coal mining of 5.8Mt (70% of FY24F), with 2Q24 also showing a healthy +14.9% qoq/ +14.9% yoy production growth, and strong gold price in 1H24.

FY24-26F net profit est. uplift on better operational and coal price outlook

We raise our FY24-26F net profit estimates by 13-22% mainly to reflect our more optimistic assumptions on Pama and own coal mine's production, as well as including UNTR's nickel mine into our forecast. We have also lifted our FY24-26F blended coal ASP to US$ 119/88/88 per tonne, aligned with our latest view on coal price. Consequently, we also raised our SOTP-based TP to Rp29,200 (from Rp24,900 prev.).

Upgrade rating to Buy on potential earnings upside in 2H24

We upgrade our rating to Buy (from Hold prev.). Although we forecast UNTR's earnings to be in a downcycle (historically capping share price performance during such periods), we believe the current share price overlooks potential earnings upside in 2H24. Additionally, the current 2.7x EV/EBITDA offers value. Key risks to our view: 1) Pama and coal mine production risk if La Nina occurs in 3Q24. 2) Re-emergence of plans to acquire more nickel assets, as this was previously lacking strategic clarity.

Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Revenue (Rpbn)	123,607	128,583	130,662	136,998	150,402
EBITDA (Rpbn)	37,573	38,965	34,435	34,964	38,461
EBITDA Growth (%)	58.9	3.7	(11.6)	1.5	10.0
Net Profit (Rpbn)	21,005	20,612	19,411	18,365	17,311
EPS (Rp)	5,631.2	5,525.8	5,203.7	4,923.5	4,640.8
EPS Growth (%)	104.3	(1.9)	(5.8)	(5.4)	(5.7)
BVPS (Rp)	22,706.4	21,246.0	24,568.6	27,150.5	29,575.8
DPS (Rp)	7,003.0	7,004.0	2,486.6	2,341.7	2,215.6
PER (x)	4.6	4.7	5.0	5.2	5.6
PBV (x)	1.1	1.2	1.1	1.0	0.9
Dividen yield (%)	27.1	27.1	9.6	9.1	8.6
EV/EBITDA	1.6	2.4	2.8	2.8	2.5

Source: UNTR, BRIDS Estimates

Exhibit 1. Earnings Revision Summary

Rpbn	New			Previous			Changes		
	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F
Revenue	130,662	136,998	150,402	114,259	117,054	125,065	14%	17%	20%
Gross profit	32,816	31,794	34,959	27,765	25,193	26,690	18%	26%	31%
Operating profit	26,655	25,334	27,156	22,564	19,866	20,199	18%	28%	34%
Pre-tax profit	25,868	24,670	25,449	23,475	21,069	21,651	10%	17%	18%
Net Income	19,411	18,365	17,311	17,177	15,183	14,226	13%	21%	22%
Gross Margin	25%	23%	23%	24%	22%	21%			
Operating Margin	20%	18%	18%	20%	17%	16%			
Net Margin	15%	13%	12%	15%	13%	11%			

Source: BRIDS Estimates

Exhibit 2. Valuation Summary Table

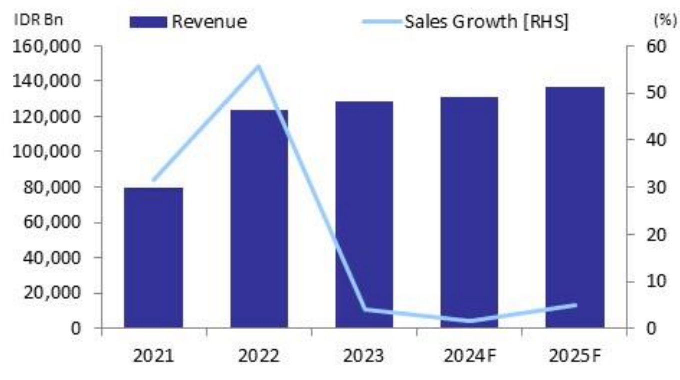
Valuation summary	Rp tr	Valuation methodology
Coal related	80.8	*DCF (LTG: 0%, WACC: 11%)*
HE + PAMA	*49.8*	*DCF (LTG: 0%, WACC: 11%)*
Thermal + coking coal	*31.0*	*DCF (LTG: 0%, WACC: 11%)*
Gold	10.4	DCF (LTG: 0%, WACC 11%) - implied target EV/resource of US$250/oz
Construction	0.2	Target 1x P/BV
Nickel	19.5	
Asset value	**110.9**	
Cash	16.6	
Debt	18.7	
Equity value	**108.8**	
No of shares (in bn)	3.7	
SOTP-based TP (Rp/sh)	**29,200**	
Current share price	25,800	
Upside	**13%**	

Source: Company, BRIDS Estimates

Exhibit 3. UNTR forward EV/EBITDA

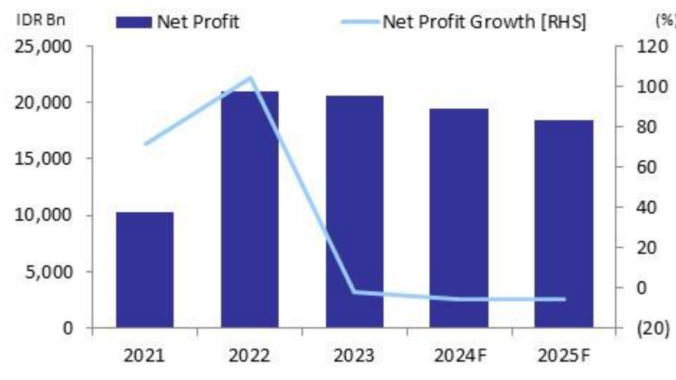
Source: Company, BRIDS Estimates

Exhibit 4. Revenue and Growth



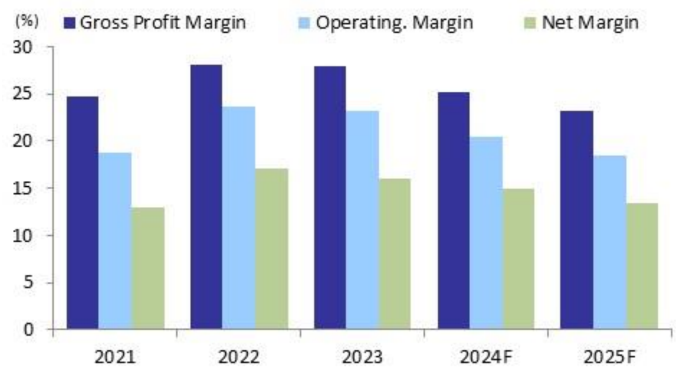
Source: Company, BRIDS Estimates

Exhibit 5. Net Profit and Growth



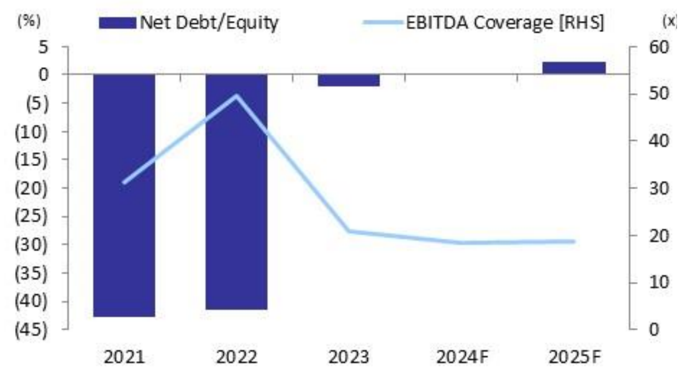
Source: Company, BRIDS Estimates

Exhibit 6. Margins



Source: Company, BRIDS Estimates

Exhibit 7. Gearing Level



Source: Company, BRIDS Estimates

Exhibit 8. Income Statement

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Revenue	**123,607**	**128,583**	**130,662**	**136,998**	**150,402**
COGS	(88,848)	(92,797)	(97,846)	(105,204)	(115,444)
Gross profit	**34,759**	**35,786**	**32,816**	**31,794**	**34,959**
EBITDA	**37,573**	**38,965**	**34,435**	**34,964**	**38,461**
Oper. profit	**29,133**	**29,723**	**26,655**	**25,334**	**27,156**
Interest income	998	1,127	698	617	640
Interest expense	(760)	(1,879)	(1,871)	(1,871)	(2,806)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	636	635	585	790	659
Other Income (Expenses)	(561)	(885)	(200)	(200)	(200)
Pre-tax profit	**29,446**	**28,720**	**25,868**	**24,670**	**25,449**
Income tax	(6,452)	(6,590)	(4,915)	(4,687)	(6,362)
Minority interest	(1,989)	(1,518)	(1,543)	(1,617)	(1,776)
Net profit	**21,005**	**20,612**	**19,411**	**18,365**	**17,311**
Core Net Profit	**21,416**	**21,262**	**19,573**	**18,527**	**17,461**

Exhibit 9. Balance Sheet

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Cash & cash equivalent	38,282	18,597	16,648	14,480	17,837
Receivables	19,649	22,315	20,287	24,183	24,239
Inventory	15,390	17,184	17,162	19,767	20,757
Other Curr. Asset	5,610	4,571	4,571	4,571	4,571
Fixed assets - Net	58,048	87,263	103,872	116,391	123,161
Other non-curr.asset	3,500	4,098	4,098	4,098	4,098
Total asset	**140,478**	**154,028**	**166,638**	**183,491**	**194,663**
ST Debt	1,029	294	294	294	294
Payables	25,432	29,766	28,440	34,045	34,395
Other Curr. Liabilities	15,576	12,978	12,978	12,978	12,978
Long Term Debt	0	16,573	16,573	16,573	16,573
Other LT. Liabilities	8,927	10,381	10,381	10,381	10,381
Total Liabilities	**50,964**	**69,993**	**68,666**	**74,271**	**74,621**
Shareholder'sFunds	84,698	79,251	91,644	101,275	110,322
Minority interests	4,816	4,785	6,328	7,945	9,720
Total Equity & Liabilities	**140,478**	**154,028**	**166,638**	**183,491**	**194,663**

Exhibit 10. Cash Flow

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Net income	21,005	20,612	19,411	18,365	17,311
Depreciation and Amort.	8,440	9,241	7,779	9,629	11,305
Change in Working Capital	(1,087)	(173)	724	(896)	(696)
OtherOper. Cash Flow	4,534	(3,333)	1,543	1,617	1,776
Operating Cash Flow	**32,892**	**26,347**	**29,456**	**28,716**	**29,696**
Capex	11,167	21,244	22,130	22,148	18,075
Others Inv. Cash Flow	(21,568)	(54,684)	(44,259)	(44,296)	(36,150)
Investing Cash Flow	**(10,401)**	**(33,440)**	**(22,130)**	**(22,148)**	**(18,075)**
Net change in debt	(6,283)	15,796	0	0	0
New Capital	0	0	0	0	0
Dividend payment	(3,252)	(9,452)	(9,275)	(8,735)	(8,264)
Other Fin. Cash Flow	(9,117)	(18,574)	0	0	0
Financing Cash Flow	**(18,653)**	**(12,230)**	**(9,275)**	**(8,735)**	**(8,264)**
Net Change in Cash	**3,837**	**(19,323)**	**(1,949)**	**(2,167)**	**3,356**
Cash - begin of the year	33,322	38,282	18,597	16,648	14,480
Cash - end of the year	38,282	18,597	16,648	14,480	17,837

Exhibit 11. Key Ratio

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Growth (%)					
Sales	55.6	4.0	1.6	4.8	9.8
EBITDA	58.9	3.7	(11.6)	1.5	10.0
Operating profit	95.8	2.0	(10.3)	(5.0)	7.2
Net profit	104.3	(1.9)	(5.8)	(5.4)	(5.7)
Profitability (%)					
Gross margin	28.1	27.8	25.1	23.2	23.2
EBITDA margin	30.4	30.3	26.4	25.5	25.6
Operating margin	23.6	23.1	20.4	18.5	18.1
Net margin	17.0	16.0	14.9	13.4	11.5
ROAA	16.6	14.0	12.1	10.5	9.2
ROAE	27.4	25.1	22.7	19.0	16.4
Leverage					
Net Gearing (x)	(0.4)	0.0	0.0	0.0	0.0
Interest Coverage (x)	38.3	15.8	14.2	13.5	9.7

Source : UNTR, BRIDS Estimates

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INVESTMENT RATING

BUY	Expected total return of 10% or more within a 12-month period
HOLD	Expected total return between -10% and 10% within a 12-month period
SELL	Expected total return of -10% or worse within a 12-month period