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### KEY HIGHLIGHTS

#### Results

**Mitra Adiperkasa (MAPI IJ/BUY/Rp1,640/Target: Rp2,000)**

3Q23: Share price level assumes a 17.5% drop in 2024 NPAT.

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#### Update

**United Tractors (UNTR IJ/SELL/Rp23,450/Target: Rp20,000)**

25% decline in Komatsu unit sales; risk to Pama's fee. Downgrade to SELL.

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#### TRADERS' CORNER

**Adhi Karya (ADHI IJ): Technical BUY**

**Astra International (ASII IJ): Technical BUY**

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### REGIONAL MARKET

Market	Close	+ / -	Chg (%)
MSCI Indonesia	7,271.3	9.9	0.1
MSCI Asia-Ex Japan	619.8	(1.5)	(0.2)
KLCI	1,464.7	(2.2)	(0.1)
FSSTI	3,133.1	0.9	0.0
SET	1,415.3	0.2	0.0
Hang Seng	17,832.8	(246.2)	(1.4)
Nikkei	33,424.4	(95.3)	(0.3)
Shanghai Comp	3,050.9	(21.9)	(0.7)
Dow Jones	34,945.5	(45.7)	(0.1)

Source: Bloomberg

### INDONESIA STOCK EXCHANGE

	Level	+ / -	Chg (%)
Index	6,958.0	(0.2)	(0.0)
LQ-45	920.4	0.3	0.0
Value (US\$m)	576.4	(127.8)	(18.1)

### FOREIGN TRADE IN IDX

Net (US\$m)	Buy	Sell	Total (%)
26.1	246.0	219.9	40.4

### TOP TRADING TURNOVER

Company	Price (Rp)	Chg (%)	5-day ADT (Rpb)
Bank Rakyat Indonesia	5,250	0.0	635.6
Bank Central Asia	9,075	0.3	512.9
GoTo Gojek Tokopedia	86	0.0	445.7
Amman Mineral	7,225	0.0	425.5
Barito Pacific	1,155	(0.9)	383.2

### TOP GAINERS

Company	Price (Rp)	Chg (%)	5-day ADT (Rpb)
Multistrada	3,320	24.8	0.1
MD Pictures	3,240	14.9	61.4
Bank OCBC NISP	1,170	5.9	30.3
Vale Indonesia	4,700	3.3	74.8

### TOP LOSERS

Company	Price (Rp)	Chg (%)	5-day ADT (Rpb)
Merdeka Battery	615	(4.7)	29.6
Petrindo Jaya Kreasi	6,650	(3.3)	151.7
Mitra Adiperkasa	1,640	(2.7)	53.5
Medco Energi	1,160	(2.5)	74.1
XL Axiata	2,100	(2.3)	29.8

\*ADT: Average daily turnover

### COMMODITY TREND

	16 Nov 23 Closing	Chg (%)	
		1-day	1-mth
Forex (Rp/US\$)	15,555	0.1	(1.0)
Crude Oil NYMEX (US\$/bbl)	72.90	(4.9)	(15.9)
Coal Fut Newc (US\$/tonne)	123.10	(0.1)	n.a.
Nickel 3M LME	17,421	0.0	(6.3)
Tin 3M LME	25,326	0.0	(0.2)
Gold SPOT (US\$/oz)	1,965	(0.4)	2.2
CPO Fut Msia (MYR/tonne)	3,869	1.8	3.5

Source: Bloomberg, UOB Kay Hian

### COMPANY RESULTS

## Mitra Adiperkasa (MAPI IJ)

3Q23: Share Price Level Assumes A 17.5% Drop In 2024 NPAT

**MAPI's 3Q23 NPAT declined 2.9% yoy and 30.1% qoq. 3Q23 sales rose 24.7% yoy and 0.8% qoq. The weak results were due to a sharp rise in SGA both yoy and qoq. MAPI's share price has declined by 16.3% in the past month and has priced in a 17.5% yoy decline in 2024 NPAT, which might be excessive considering the growth factors. MAPI is currently trading below -1SD 2024F PE and is attractively priced. Maintain BUY with a lower target price of Rp2,000 (22.0% upside).**

#### 9M23 AND 3Q23 RESULTS

Year to	9M23		3Q23		3Q22		YoY (%)	QoQ (%)	Remarks
31 Dec (Rpb)	YoY (%)		YoY (%)		YoY (%)				
Revenue	23,792	26.4%	8,198	6,573	24.7%	0.8%		Weak opex management	
Gross Profit	10,859	27.9%	3,786	3,056	23.9%	0.4%		caused flat yoy	
Op Profit	2,566	17.8%	832	854	-2.5%	-22.2%		growth in operating	
Net Profit	1,489	-5.0%	445	465	-4.4%	-30.4%		profit and NPAT	
Core Net Profit	1,507	18.1%	466	480	-2.9%	-30.1%			
	9M23	YoY (bp)	3Q23	3Q22	YoY (bp)	QoQ (bp)			
Gross Margin	45.64	54	46.19	46.49	(30)	(18)			
Op Margin	10.78	(79)	10.15	12.99	(284)	(300)			
Net Margin	6.26	(207)	5.43	7.08	(165)	(243)			
Core Net Margin	6.33	(45)	5.68	7.29	(162)	(251)			

Source: MAPI, UOB Kay Hian

#### RESULTS

- 3Q23 NPAT declined 2.9% on the back of weak expense management.** Mitra Adiperkasa (MAPI) reported 3Q23 core NPAT of Rp466b, declining 2.9% yoy and 30.1% qoq. Sales rose 24.7% yoy but opex growth outpaced sales growth, driven by higher salary and higher rent.
- 3Q23 NPAT is below both UOBKH's and consensus expectations.** MAPI's 9M23 core NPAT came in at Rp1,507b, rising 18.1% yoy, driven by a 26.4% yoy rise in sales. With 9M historically contributing to an average 71.9% of the full-year forecast, the reported 9M23 NPAT is below both UOBKH's (65.2% level) and consensus (67.2% level) NPAT forecasts of Rp2,312b and Rp2,241b respectively.
- Current share price level assumes a 17.5% decline in 2024 NPAT.** MAPI will not be available for meetings until Dec 24. Its share price has declined by 16.3% in the past month due to the expected weak performance in 3Q23. However, the current share price is pricing in a 17.5% yoy decline in 2024 NPAT which might be excessive as MAPI still has many factors supporting its growth. Even if the NPAT growth is 10-11% in 2024, MAPI is trading at 11.9x 2024F PE which is below its five-year historical -1SD PE of 12.6x.

#### KEY FINANCIALS

Year to 31 Dec (Rpb)	2021	2022	2023F	2024F	2025F
Net turnover	18,424	26,937	33,519	38,577	43,304
EBITDA	1,890	3,740	4,077	4,542	4,892
Operating profit	1,234	3,070	3,419	3,879	4,215
Net profit (rep./act.)	439	2,110	2,058	2,307	2,546
Net profit (adj.)	453	1,792	2,078	2,312	2,550
EPS (Rp)	27.3	107.9	125.2	139.3	153.6
PE (x)	60.1	15.2	13.1	11.8	10.7
P/B (x)	4.6	3.4	3.0	2.6	2.2
EV/EBITDA (x)	13.5	6.8	6.3	5.6	5.2
Dividend yield (%)	0.0	0.0	3.1	3.0	3.4
Net margin (%)	2.4	7.8	6.1	6.0	5.9
Net debt/(cash) to equity (%)	(27.6)	(40.1)	(39.6)	(37.1)	(37.4)
Interest cover (x)	4.1	8.4	11.6	9.8	10.9
ROE (%)	7.8	30.1	23.8	23.2	22.2
Consensus net profit	-	-	2,216	2,521	2,808
UOBKH/Consensus (x)	-	-	0.94	0.92	0.91

Source: Mitra Adiperkasa, Bloomberg, UOB Kay Hian

### BUY

(Maintained)

Share Price	Rp1,640
Target Price	Rp2,000
Upside	+22.0%
(Previous TP)	Rp2,500

#### COMPANY DESCRIPTION

MAPI operates high-end department stores in Indonesia, as well as specialty stores and F&B outlets.

#### STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	MAPI IJ
Shares issued (m):	16,600.0
Market cap (Rpb):	27,224.0
Market cap (US\$m):	1,750.2
3-mth avg daily t'over (US\$m):	2.7

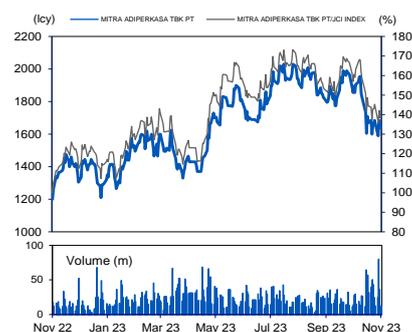
#### Price Performance (%)

52-week high/low	Rp2,030/Rp1,200			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
(13.2)	(15.5)	(3.5)	31.2	13.5

#### Major Shareholders

Satya Mulia Gema Gemilang	51.0
FY23 NAV/Share (Rp)	554
FY23 Net Cash/Share (Rp)	219

#### PRICE CHART



Source: Bloomberg

#### ANALYST(S)

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- **Specialty retail:** 3Q23 core profit before tax (PBT) declined 10.9% (from Rp726.4b in 3Q22 to Rp647.2b in 3Q23) despite a 28.9% yoy growth in sales. 9M23 core PBT rose 16.1% yoy from Rp1,750.3b to Rp2,031b.
- **Department stores:** 3Q23 PBT swung from a loss of Rp4.8b in 3Q22 to a profit of Rp21.4b. 9M23 core PBT rose from Rp72.1b in 3Q22 to Rp171.2b. (137.4% yoy).
- **Food & beverage:** 3Q23 PBT jumped from Rp39.2b in 3Q22 to Rp80.2b in 3Q23. 9M23 core PBT rose 15.7% yoy from Rp133.3b in 3Q22 to Rp154.3b in 3Q23.
- **Others:** 3Q23 PBT turned from a loss of Rp15.3b in 3Q22 to Rp4.6b in 3Q23. 9M23 core PBT improved 86% yoy from a loss of Rp38.4b in 3Q22 to a loss of Rp5.4b in 3Q23.

9M23 AND 3Q23 SEGMENTAL ANALYSIS

9M23	Retail	Dept Store	F&B	Others	Consolidated	9M23 Margin	Retail	Dept Store	F&B	Others	Consolidated
Net Sales	18,440.3	2,047.2	3,071.9	397.0	23,956.3	Net Sales	100.0	100.0	100.0	100.0	100.0
Operating Profit	2,116.6	268.0	178.2	3.2	2,565.9	Operating Profit	11.5	13.1	5.8	0.8	10.7
PBT	2,007.3	171.1	155.4	(5.0)	2,328.9	PBT	10.9	8.4	5.1	(1.2)	9.7
Core PBT	2,031.2	171.2	154.3	(5.4)	2,351.3	Core PBT	11.0	8.4	5.0	(1.4)	9.8
<b>Growth</b>	<b>Retail</b>	<b>Dept Store</b>	<b>F&amp;B</b>	<b>Others</b>	<b>Consolidated</b>	<b>Chg in Margin</b>	<b>Retail</b>	<b>Dept Store</b>	<b>F&amp;B</b>	<b>Others</b>	<b>Consolidated</b>
Net Sales	28.6%	11.7%	25.0%	11.7%	26.2%	Net Sales	-	-	-	-	-
Operating Profit	17.1%	9.4%	16.2%	-11.4%	17.8%	Operating Profit	(113)	(27)	(44)	857	(76)
PBT	-5.3%	146.9%	16.7%	-88.3%	2.2%	PBT	(390)	458	(36)	1,067	(229)
Core PBT	16.1%	137.4%	15.7%	-86.0%	22.6%	Core PBT	(119)	443	(40)	944	(28)
<b>3Q23</b>	<b>Retail</b>	<b>Dept Store</b>	<b>F&amp;B</b>	<b>Others</b>	<b>Consolidated</b>	<b>3Q23 Margin</b>	<b>Retail</b>	<b>Dept Store</b>	<b>F&amp;B</b>	<b>Others</b>	<b>Consolidated</b>
Net Sales	6,507.0	666.8	1,072.9	115.1	8,361.7	Net Sales	100.0	100.0	100.0	100.0	100.0
Operating Profit	682.1	53.2	88.9	8.1	832.3	Operating Profit	10.5	8.0	8.3	7.0	10.0
PBT	618.8	22.8	80.2	5.6	727.5	PBT	9.5	3.4	7.5	4.9	8.7
Core PBT	647.2	21.4	80.2	4.6	753.4	Core PBT	9.9	3.2	7.5	4.0	9.0
<b>Growth</b>	<b>Retail</b>	<b>Dept Store</b>	<b>F&amp;B</b>	<b>Others</b>	<b>Consolidated</b>	<b>Chg in Margin</b>	<b>Retail</b>	<b>Dept Store</b>	<b>F&amp;B</b>	<b>Others</b>	<b>Consolidated</b>
Net Sales	28.9%	7.0%	19.1%	-30.3%	24.1%	Net Sales	-	-	-	-	-
Operating Profit	-3.4%	-52.4%	86.6%	-171.7%	-2.5%	Operating Profit	(350)	(995)	300	1,381	(272)
PBT	-10.9%	344.1%	98.2%	-135.9%	0.4%	PBT	(426)	260	299	1,443	(206)
Core PBT	-10.9%	-547.9%	104.6%	-130.0%	1.1%	Core PBT	(445)	397	313	1,326	(206)

Source: MAPI, UOB Kay Hian

EARNINGS REVISION/RISK

- **Lower 2023/24 core NPAT forecasts by 10.1%/18.2% respectively.** With MAPI recording a soft 3Q23, we revisited our model and lowered our forecast by 10.1%/18.2% respectively. Our forecasts are 6.2%/8.3% below that of consensus'.

NEW, ORIGINAL AND CONSENSUS FORECASTS

	New		Original		Difference (%)		Street		Difference (%)	
	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
Sales	33,519	38,577	33,665	38,746	-0.4%	-0.4%	33,007	37,735	1.6%	2.2%
Gross Profit	15,219	17,459	15,301	17,241	-0.5%	1.3%	14,764	16,892	3.1%	3.4%
Operating Profit	3,419	3,879	3,779	4,670	-9.5%	-16.9%	3,662	4,159	-6.6%	-6.7%
Net Income	2,058	2,307	2,317	2,842	-11.2%	-18.8%	2,202	2,493	-6.5%	-7.5%
Core Net Income	2,078	2,312	2,312	2,826	-10.1%	-18.2%	2,216	2,521	-6.2%	-8.3%
	New		Original		Difference (bp)		Street		Difference (bp)	
	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
Gross Margin	45.4	45.3	45.4	44.5	(5)	76	44.7	44.8	67	49
Operating Margin	10.2	10.1	11.2	12.1	(103)	(200)	11.1	11.0	(89)	(97)
Net Margin	6.1	6.0	6.9	7.3	(74)	(136)	6.7	6.6	(53)	(63)
Core Net Margin	6.2	6.0	6.9	7.3	(67)	(130)	6.7	6.7	(51)	(69)

Source: MAPI, UOB Kay Hian

VALUATION/RECOMMENDATION

- **Maintain BUY with a target price of Rp2,000.** Our new target price of Rp2,000 is derived using the historical -0.5SD five-year average PE of 14.3x multiplied by 2024 core EPS. The reason for the -0.5SD is because of the slowing down of growth momentum that could cause the valuation to slightly de-rate. MAPI is currently trading below -1SD 2024F PE, which is attractive. With 22.0% upside from the current level, we maintain BUY.

SELLING EXPENSES

	9M23	9M22	YoY(%)	3Q23	3Q22	YoY(%)	QoQ(%)	2023	1Q23
Revenue	23,792	18,821	26.4%	8,198	6,573	24.7%	0.8%	8,132	7,462
SGA	8,293	6,310	31.4%	3,615	2,669	35.4%	51.9%	2,380	2,298
	9M23	9M22	YoY(%)	3Q23	3Q22	YoY(%)	QoQ(%)	2023	1Q23
Rental & Service Charge	1,077.3	544.9	97.7%	416.4	77.9	434.9%	29.6%	321.2	339.6
Salaries & Allowances	1,847.2	1,389.1	33.0%	659.3	496.8	32.7%	9.1%	604.1	583.8
Depreciation of Right Use of Assets	1,103.2	1,080.2	2.1%	359.3	446.6	-19.5%	0.1%	358.7	385.1
Depreciation	608.2	563.2	8.0%	215.8	189.5	13.8%	8.2%	199.5	192.9
Royalty & Technical Assistance Fee	543.6	394.9	37.6%	188.9	159.4	18.5%	3.4%	182.6	172.1
Water & Electricity	286.2	239.5	19.5%	99.6	85.1	17.0%	6.0%	93.9	92.7
Advertising & Promotion	311.8	202.1	54.3%	145.8	106.7	36.7%	38.0%	105.7	60.3
Credit card Admin	193.6	161.1	20.2%	66.7	58.0	14.9%	1.4%	65.8	61.2
Warehouse Operation Services	336.6	215.7	56.0%	109.7	77.5	41.5%	-0.8%	110.6	116.4
Stationery & Printing	159.9	106.1	50.7%	53.3	39.6	34.5%	-15.2%	62.9	43.7
Transportation & Travel	41.1	31.2	31.5%	9.8	11.9	-17.2%	-49.7%	19.5	11.7
Repairs & Maintenance	139.6	100.9	38.3%	44.8	36.3	23.6%	1.1%	44.3	50.4
Telephone and Facsimile	48.0	33.6	42.9%	17.5	11.2	56.1%	9.4%	16.0	14.4
Packing Materials	NA	NA	NA	NA	NA	NA	NA	(8.2)	8.2
Sales Commission	90.6	75.8	19.5%	32.5	23.8	36.6%	23.7%	26.2	31.9
Cleaning & Security	34.9	33.4	4.5%	12.1	11.5	5.1%	4.0%	11.6	11.2
Others	161.8	83.9	92.7%	67.4	11.3	498.4%	18.4%	57.0	37.3
<b>Total Selling</b>	<b>6,983.5</b>	<b>5,255.9</b>	<b>32.9%</b>	<b>3,159.8</b>	<b>2,310.1</b>	<b>36.8%</b>	<b>62.0%</b>	<b>1,950.3</b>	<b>1,873.5</b>

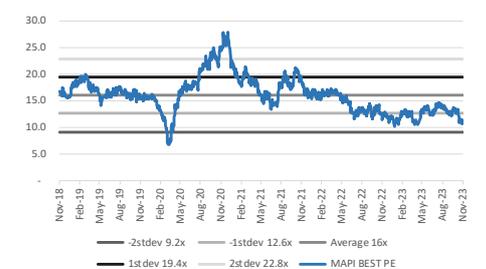
Source: Bloomberg, UOB Kay Hian

GENERAL & ADMIN EXPENSES

	9M23	9M22	YoY(%)	3Q23	3Q22	YoY(%)	QoQ(%)	2023	1Q23
Salaries & Allowances	865.4	678.6	27.5%	308.7	226.0	36.6%	11.9%	275.8	280.9
Depreciation of PP&E	41.7	37.9	10.2%	14.3	12.1	17.5%	4.2%	13.7	13.8
Depreciation of Right Uses of Assets	28.7	27.1	5.8%	10.3	9.2	12.0%	11.0%	9.3	9.0
Employment Benefit	67.2	70.2	-4.3%	22.2	24.1	-8.1%	-0.7%	22.3	22.8
Promotion	36.3	42.1	-13.6%	9.8	17.2	-43.0%	-8.7%	10.8	15.7
Transportation & Travel	54.5	46.5	17.2%	14.0	19.2	-27.1%	-30.4%	20.1	20.4
Rental & Service Charge	29.9	21.2	40.9%	12.5	4.3	188.7%	43.3%	8.7	8.6
Professional Fees	39.1	28.3	38.2%	15.6	9.5	63.9%	5.3%	14.9	8.6
Telephone	11.9	9.9	20.7%	3.8	3.2	21.7%	-11.1%	4.3	3.7
Stationery & Printing	14.6	7.1	105.3%	5.0	3.0	65.3%	27.6%	3.9	5.7
Repairs & Maintenance	40.3	26.6	51.2%	10.9	8.9	23.4%	-39.3%	18.0	11.3
Others	80.0	58.6	36.5%	27.8	22.0	26.2%	-0.6%	28.0	24.2
<b>Total Gen &amp; Admin</b>	<b>1,309.6</b>	<b>1,054.0</b>	<b>24.2%</b>	<b>455.0</b>	<b>358.8</b>	<b>26.8%</b>	<b>5.9%</b>	<b>429.8</b>	<b>424.8</b>

Source: Bloomberg, UOB Kay Hian

FORWARD PE BAND



Source: Bloomberg, UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
<b>Net turnover</b>	<b>26,937</b>	<b>33,519</b>	<b>38,577</b>	<b>43,304</b>
EBITDA	3,740	4,077	4,542	4,892
Deprec. & amort.	670	658	663	676
EBIT	3,070	3,419	3,879	4,215
Total other non-operating income	478	(30)	(7.2)	(7.1)
Associate contributions	70	95	105	115
Net interest income/(expense)	(445)	(351)	(465)	(448)
<b>Pre-tax profit</b>	<b>3,173</b>	<b>3,134</b>	<b>3,513</b>	<b>3,876</b>
Tax	(667)	(689)	(773)	(853)
Minorities	(396)	(386)	(433)	(478)
<b>Net profit</b>	<b>2,110</b>	<b>2,058</b>	<b>2,307</b>	<b>2,546</b>
Net profit (adj.)	1,792	2,078	2,312	2,550

### BALANCE SHEET

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
Fixed assets	3,290	3,213	4,084	4,842
Other LT assets	6,941	7,629	7,974	8,296
Cash/ST investment	3,851	4,650	4,922	5,512
Other current assets	6,886	9,724	11,119	12,557
<b>Total assets</b>	<b>20,968</b>	<b>25,216</b>	<b>28,098</b>	<b>31,206</b>
ST debt	601	1,015	965	915
Other current liabilities	6,963	9,346	10,778	12,154
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	3,677	3,650	3,234	2,915
Shareholders' equity	8,098	9,189	10,672	12,295
Minority interest	1,630	2,016	2,448	2,926
<b>Total liabilities &amp; equity</b>	<b>20,968</b>	<b>25,216</b>	<b>28,098</b>	<b>31,206</b>

### CASH FLOW

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
<b>Operating</b>	<b>4,095</b>	<b>2,989</b>	<b>3,240</b>	<b>3,463</b>
Pre-tax profit	3,173	3,134	3,513	3,876
Tax	(667)	(689)	(773)	(853)
Deprec. & amort.	670	658	663	676
Working capital changes	(623)	321	(411)	(394)
Other operating cashflows	1,542	(435)	248	158
<b>Investing</b>	<b>(642)</b>	<b>(1,821)</b>	<b>(1,913)</b>	<b>(1,795)</b>
Capex (growth)	(869)	(1,073)	(1,513)	(1,414)
Investments	(21)	(83)	(77)	(78)
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	249	(665)	(324)	(303)
<b>Financing</b>	<b>(2,420)</b>	<b>(358)</b>	<b>(1,045)</b>	<b>(1,068)</b>
Dividend payments	0.0	(844)	(823)	(923)
Issue of shares	56	(124)	0.0	0.0
Proceeds from borrowings	141	609	0.0	0.0
Loan repayment	0.0	0.0	(222)	(146)
Others/interest paid	(2,617)	0.0	0.0	0.0
<b>Net cash inflow (outflow)</b>	<b>1,033</b>	<b>810</b>	<b>281</b>	<b>600</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>2,778</b>	<b>3,851</b>	<b>4,650</b>	<b>4,922</b>
Changes due to forex impact	40	(10)	(10)	(10)
<b>Ending cash &amp; cash equivalent</b>	<b>3,851</b>	<b>4,650</b>	<b>4,922</b>	<b>5,512</b>

### KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	13.9	12.2	11.8	11.3
Pre-tax margin	11.8	9.3	9.1	9.0
Net margin	7.8	6.1	6.0	5.9
ROA	11.2	8.9	8.7	8.6
ROE	30.1	23.8	23.2	22.2
<b>Growth</b>				
Turnover	46.2	24.4	15.1	12.3
EBITDA	97.9	9.0	11.4	7.7
Pre-tax profit	358.7	(1.2)	12.1	10.3
Net profit	380.7	(2.4)	12.1	10.3
Net profit (adj.)	295.8	16.0	11.3	10.3
EPS	295.8	16.0	11.3	10.3
<b>Leverage</b>				
Debt to total capital	5.8	8.3	6.9	5.7
Debt to equity	7.4	11.0	9.0	7.4
Net debt/(cash) to equity	(40.1)	(39.6)	(37.1)	(37.4)
Interest cover (x)	8.4	11.6	9.8	10.9

### COMPANY UPDATE

## United Tractors (UNTR IJ)

25% Decline In Komatsu Unit Sales; Risk To Pama's Fee

**UNTR expects 2024 Komatsu unit sales to fall 25%, given potential weaknesses in construction and coal. We foresee a risk to UNTR's mining contracting fee level in 2024 as coal price averaged US\$79/tonne before the pandemic. Sales volume of the gold mining division should rise from 175,000 t.oz in 2023 to 235,000 t.oz in 2024. Downgrade to SELL with a lower target price of Rp20,000 as the drop in coal prices will hit share price performance.**

### WHAT'S NEW

- **25% decline in Komatsu sales to 3,600-4,000 units in 2024.** United Tractors (UNTR) expects Komatsu unit sales in 2023 to come in at 5,300-5,400 units (a 5% decline). For 2024, it is guiding a 25% decline in Komatsu unit sales to 3,600-4,000 units. This is because UNTR experienced demand softness in construction and we view that softness in coal price should translate to lower sales volume of heavy equipment.
- **Risk to the current high mining contracting fee at Pama.** Coal price has declined from over US\$400/tonne to US\$122/tonne currently. When coal prices are high, Pama Persada (UNTR's mining service division) can charge mining contracting fees from the highest bracket. We note that before the pandemic, global coal supply and demand were in equilibrium and coal price averaged US\$79/tonne in 2019. With this, we foresee potential lower coal price that could work against the fee charged by Pama Persada. We have forecasted a 5% yoy decline in the fee charged by Pama in 2024.
- **235,000 t.oz of gold production in 2024.** Due to the full capacity in the tailing pond, UNTR is expanding its tailing pond capacity and the construction will be finished in 1H24. The shortage of tailing pond capacity will cause the gold sales volume to decline from 286,000 t.oz in 2022 to 175,000 t.oz in 2023. For 2024, the gold sales volume is expected to rebound back to 235,000 t.oz.
- **We expect 2024 NPAT to decline 30.2% yoy.** Due to the weakness in coal price, we expect UNTR to record an 8.5% decline in 2023F NPAT followed by another 30.2% decline in 2024 NPAT. The steep decline in 2024 NPAT is likely to be caused by: a) a 25% decline in the Komatsu unit sales, b) a 5% decline in Pama Persada mining fee, and c) benchmark coal price decline from US\$200/tonne in 2023 to US\$122/tonne in 2024.

### KEY FINANCIALS

Year to 31 Dec (Rpb)	2021	2022	2023F	2024F	2025F
Net turnover	79,461	123,607	130,455	123,801	131,069
EBITDA	20,251	34,839	32,939	25,199	24,709
Operating profit	14,876	29,363	26,549	17,993	16,609
Net profit (rep./act.)	10,280	21,236	19,435	13,558	12,628
Net profit (adj.)	10,280	21,236	19,435	13,558	12,628
EPS (Rp)	2,755.8	5,693.0	5,210.2	3,634.7	3,385.4
PE (x)	8.5	4.1	4.5	6.5	6.9
P/B (x)	1.3	1.0	1.0	1.0	0.9
EV/EBITDA (x)	3.4	2.0	2.1	2.7	2.8
Dividend yield (%)	3.4	7.3	15.1	13.8	9.6
Net margin (%)	12.9	17.2	14.9	11.0	9.6
Net debt/(cash) to equity (%)	(35.2)	(41.7)	(27.1)	(19.1)	(17.6)
Interest cover (x)	n.a.	n.a.	89.7	148.0	149.6
ROE (%)	16.0	27.7	22.3	15.1	13.6
Consensus net profit	-	-	19,117	16,425	16,022
UOBKH/Consensus (x)	-	-	1.02	0.83	0.79

Source: United Tractors, Bloomberg, UOB Kay Hian

## SELL

(Downgraded)

Share Price	Rp23,450
Target Price	Rp20,000
Upside	-14.7%
(Previous TP)	Rp28,000

### COMPANY DESCRIPTION

United Tractors distributes and leases construction machinery, including Komatsu, Nissan, Scania and other brands. The company also provides mining contracting services and engaging coal mining business with coal sales volume of 7m tones per annum.

### STOCK DATA

GICS sector	Energy
Bloomberg ticker:	UNTR IJ
Shares issued (m):	3,730.1
Market cap (Rpb):	87,471.1
Market cap (US\$m):	5,623.4
3-mth avg daily t'over (US\$m):	8.0

### Price Performance (%)

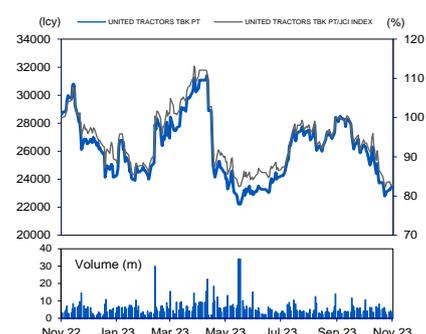
52-week high/low Rp31,400/Rp22,225

1mth	3mth	6mth	1yr	YTD
(11.3)	(14.7)	(4.1)	(18.1)	(10.1)

### Major Shareholders

	%
Astra International	59.5
FY23 NAV/Share (Rp)	23,935
FY23 Net Cash/Share (Rp)	6,497

### PRICE CHART



Source: Bloomberg

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### STOCK IMPACT

- Two to three HPAL projects at NIC and RKEF smelter at Stargate.** UNTR mentions that its recent investment Nickel Industries Ltd (NIC) should benefit in the long term. Currently, NIC is operating 12 lines of RKEF and has a 10% interest in Huayue Nickel Cobalt projects. In the long term, NIC plans to have 2-3 High Pressure Acid Leaching (HPAL) projects. At Aspire Stargate mines, UNTR plans to build RKEF smelters as Stargate has a 1.87% high-grade saprolite reserve.
- Coal sales of 12m tonnes in 2024.** For the coal mining division, UNTR expects 11m tonnes of coal sales in 2023, consisting of 6m tonnes of thermal coal, 2.5m tonnes of coking coal and 2.7m tonnes from coal trading. For 2024, UNTR expects 12m tonnes of coal sales consisting of 6.6m tonnes of thermal coal, 3m tonnes of coking coal and 2.4m tonnes from coal trading. We expect benchmark coal price to decline from US\$200/tonne in 2023 to US\$122/tonne in 2024.
- Acquisition of SES for US\$42.3m.** UNTR through its subsidiary Energia Prima Nusantara signed an agreement to acquire 40.476% of new shares issued by PT Supreme Energy Sriwijaya (SES). SES is a 25.2% shareholder of Supreme Energy Ranatau Dadap (SERD), which is licensed to produce geothermal power with a capacity of 2x49MW.
- UNTR could underperform if coal price falls.** UNTR's share price has a high correlation with coal price. Whenever coal prices decline, UNTR's share price is likely to underperform, and vice versa. When UNTR recorded a slight earnings decline (in 2012 and 2019), its share price underperformed when coal price dropped. This is the main reason why we are not bullish on UNTR despite its high level of profits.

### EARNINGS REVISION/RISK

- We adjust our 2023/24 net income forecasts by -3.4%/ -25.7%.** We adjust our 2023/24 NPAT forecasts by -3.4% and -25.7%. Our 2023 and 2024 forecasts are 2.8% above and 17.3% below consensus expectations respectively.

### NEW, ORIGINAL AND CONSENSUS FORECASTS

	New		Original		Difference		Consensus		Difference	
	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
Sales	130,455	123,801	130,705	128,002	-0.2%	-3.3%	123,249	115,450	5.8%	7.2%
Gross Profit	34,544	25,716	36,055	33,500	-4.2%	-23.2%	32,550	29,275	6.1%	-12.2%
Operating Profit	26,549	17,993	27,987	25,505	-5.1%	-29.5%	25,790	22,433	2.9%	-19.8%
Net Income	19,435	13,558	20,115	18,240	-3.4%	-25.7%	18,899	16,400	2.8%	-17.3%
Gross Margin	26.5%	20.8%	27.6%	26.2%	-110	-540	26.4%	25.4%	7	-459
Op Margin	20.4%	14.5%	21.4%	19.9%	-106	-539	20.9%	19.4%	-57	-490
Net Margin	14.9%	11.0%	15.4%	14.2%	-49	-330	15.3%	14.2%	-44	-325

Source: UOB Kay Hian

### VALUATION/RECOMMENDATION

- Downgrade to SELL with a target price of Rp20,000,** pegged to five-year -1.5SD PE of 6.5x 2023F PE. We use a lower multiple -1.5SD PE because we are concerned about coal prices affecting the 2024F NPAT growth. Before the pandemic (in 2019), coal price averaged US\$79/tonne and we view that there could be more downside risk. Our new target price of Rp20,000 (from Rp28,000) offers a 14.7% downside. Downgrade to SELL.

### CHANGES IN ASSUMPTION

	New		Original		Difference	
	2023F	2024F	2023F	2024F	2023F	2024F
Komatsu Unit	5,465	4,000	6,250	4,250	-12.6%	-5.9%
Komatsu ASP per unit (US\$/unit)	281,826	281,826	284,645	287,491	-1.0%	-2.0%
Overburden removal rate (US\$/bcm)	3.28	3.12	3.28	3.35	0.0%	-6.9%
Overburden removal volume (m bcm)	1,145	1,202	1,097	1,130	4.3%	6.4%
Coal Mining Volume (m tonne)	11.0	11.8	10.3	10.8	6.8%	8.8%
Benchmark coal price (US\$/tonne)	200	125	200	150	0.0%	-16.7%
Gold Mining Volume (Loz)	175,000	235,000	220,000	250,000	-20.5%	-6.0%
Gold Mining ASP (US\$/t.oz)	1,900	1,900	1,900	1,900	0.0%	0.0%
ACST Revenue (Rp b)	2,081	2,223	1,560	1,646	33.3%	35.0%

Source: UOB Kay Hian

### SENSITIVITY ANALYSIS

Description	% Change	Sales	Op Profit	NPAT
		2024F	2024F	2024F
Komatsu Volume	+5%	0.71%	0.89%	0.90%
Komatsu ASP	+5%	1.45%	1.83%	1.84%
Mining Contracting Volume	+5%	2.31%	0.56%	0.62%
Mining Contracting Price	+5%	4.73%	30.75%	30.75%
Coal Mining Price	+5%	0.90%	5.85%	5.69%
Coal Mining Volume	+5%	0.90%	3.69%	3.60%
Gold Mining Price	+5%	0.6%	3.4%	3.3%
Gold Mining Volume	+5%	0.3%	0.8%	0.8%

Source: UOB Kay Hian

### UNTR'S SHARE PRICE RETURN VS CHANGE COAL PRICE, JCI RETURN AND NPAT CHANGE

Year	Coal Price (US\$/tonne)	Change in Coal Price (%)	UNTR Share Price Return (%)	JCI Return (%)	UNTR NPAT	UNVR NPAT Change (%)
2011	121.9	22.9%	17.4%	5.4%	5,901	52.4%
2012	96.8	-20.6%	-23.2%	15.5%	5,780	-2.1%
2013	85.3	-11.9%	-0.2%	1.1%	4,834	-16.4%
2014	70.9	-16.9%	-6.3%	24.8%	5,362	10.9%
2015	58.9	-16.9%	1.6%	-10.5%	3,853	-28.1%
2016	65.7	11.4%	30.2%	17.5%	5,002	29.8%
2017	88.2	34.3%	70.4%	22.5%	7,403	48.0%
2018	107.3	21.6%	-20.6%	-0.3%	11,126	50.3%
2019	78.0	-27.3%	-17.2%	4.1%	11,312	1.7%
2020	60.2	-22.8%	30.5%	-2.5%	6,003	-46.9%
YTD 2021	132.9	120.6%	-12.8%	13.0%	10,545	75.7%

Source: Bloomberg, UOB Kay Hian

### FORWARD PE BAND (BEST)



Source: Bloomberg

### PROFIT & LOSS

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
<b>Net turnover</b>	<b>123,607</b>	<b>130,455</b>	<b>123,801</b>	<b>131,069</b>
EBITDA	34,839	32,939	25,199	24,709
Deprec. & amort.	5,475	6,391	7,206	8,100
EBIT	29,363	26,549	17,993	16,609
Total other non-operating income	(561)	593	622	653
Associate contributions	636	662	695	730
Net interest income/(expense)	238	(367)	(170)	(165)
<b>Pre-tax profit</b>	<b>29,677</b>	<b>27,437</b>	<b>19,140</b>	<b>17,827</b>
Tax	(6,452)	(6,182)	(4,313)	(4,017)
Minorities	(1,989)	(1,820)	(1,270)	(1,183)
<b>Net profit</b>	<b>21,236</b>	<b>19,435</b>	<b>13,558</b>	<b>12,628</b>
Net profit (adj.)	21,236	19,435	13,558	12,628

### CASH FLOW

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
<b>Operating</b>	<b>32,892</b>	<b>21,541</b>	<b>21,853</b>	<b>25,420</b>
Pre-tax profit	29,677	27,437	19,140	17,827
Tax	(6,452)	(6,182)	(4,313)	(4,017)
Deprec. & amort.	4,448	7,841	8,842	9,938
Associates	(1,989)	(1,820)	(1,270)	(1,183)
Working capital changes	2,400	(4,636)	551	3,953
Other operating cashflows	4,808	(1,098)	(1,098)	(1,098)
<b>Investing</b>	<b>(10,401)</b>	<b>(19,710)</b>	<b>(18,814)</b>	<b>(19,904)</b>
Capex (growth)	(7,768)	(18,600)	(17,651)	(18,688)
Others	(2,634)	(1,110)	(1,162)	(1,217)
<b>Financing</b>	<b>(18,653)</b>	<b>(13,809)</b>	<b>(11,217)</b>	<b>(7,031)</b>
Dividend payments	(6,365)	(13,166)	(12,049)	(8,406)
Issue of shares	(3,191)	0.0	0.0	0.0
Proceeds from borrowings	(6,185)	166	(162)	177
Others/interest paid	(2,912)	(809)	994	1,198
<b>Net cash inflow (outflow)</b>	<b>3,837</b>	<b>(11,978)</b>	<b>(8,177)</b>	<b>(1,515)</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>33,322</b>	<b>38,282</b>	<b>27,402</b>	<b>20,323</b>
Changes due to forex impact	1,123	1,098	1,098	1,098
<b>Ending cash &amp; cash equivalent</b>	<b>38,282</b>	<b>27,402</b>	<b>20,323</b>	<b>19,906</b>

### BALANCE SHEET

Year to 31 Dec (Rpb)	2022	2023F	2024F	2025F
<b>Fixed assets</b>	<b>35,583</b>	<b>46,342</b>	<b>55,151</b>	<b>63,901</b>
Other LT assets	25,965	27,076	28,238	29,455
Cash/ST investment	38,282	27,402	20,323	19,906
Other current assets	40,649	36,524	38,548	35,675
<b>Total assets</b>	<b>140,478</b>	<b>137,344</b>	<b>142,260</b>	<b>148,936</b>
ST debt	1,987	2,097	1,990	2,107
Other current liabilities	40,050	31,290	33,864	34,944
LT debt	1,015	1,071	1,016	1,076
Other LT liabilities	7,912	8,308	8,723	9,159
Shareholders' equity	84,698	89,281	90,838	95,240
Minority interest	4,816	5,297	5,827	6,410
<b>Total liabilities &amp; equity</b>	<b>140,478</b>	<b>137,344</b>	<b>142,260</b>	<b>148,936</b>

### KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	28.2	25.2	20.4	18.9
Pre-tax margin	24.0	21.0	15.5	13.6
Net margin	17.2	14.9	11.0	9.6
ROA	16.8	14.0	9.7	8.7
ROE	27.7	22.3	15.1	13.6
<b>Growth</b>				
Turnover	55.6	5.5	(5.1)	5.9
EBITDA	72.0	(5.5)	(23.5)	(1.9)
Pre-tax profit	105.2	(7.5)	(30.2)	(6.9)
Net profit	106.6	(8.5)	(30.2)	(6.9)
Net profit (adj.)	106.6	(8.5)	(30.2)	(6.9)
EPS	106.6	(8.5)	(30.2)	(6.9)
<b>Leverage</b>				
Debt to total capital	3.2	3.2	3.0	3.0
Debt to equity	3.5	3.5	3.3	3.3
Net debt/(cash) to equity	(41.7)	(27.1)	(19.1)	(17.6)
Interest cover (x)	n.a.	89.7	148.0	149.6

### TRADERS' CORNER



### Adhi Karya (ADHI IJ)

Technical BUY with 6.5% potential return

Resistance: Rp424, Rp440

Support: Rp398, Rp390

Stop-loss: Rp396

Share price closed higher and formed a bullish candlestick. Price rebounded and momentum is looking more positive. That said, we expect price to make more rallies to challenge the resistance at Rp424 and Rp440. Technical indicator RSI is sloping upwards and approaching its centre line, while the MACD has just formed a bullish crossover signal. Buy at Rp412 and take profit at Rp440.

Approximate timeframe: 2-4 weeks.

Our institutional research has a fundamental BUY and target price of Rp645.



### Astra International (ASII IJ)

Technical BUY with 7.5% potential return

Resistance: Rp6,000, Rp6,275

Support: Rp5,650, Rp5,600

Stop-loss: Rp5,575

Share price closed slightly higher and formed a bullish candlestick. As momentum is looking more positive, we expect more bullish pressure to take place and price could challenge the resistance at Rp6,000 and Rp6,275. Technical indicator RSI is sloping upwards and approaching its centre line, while the MACD is on a bullish crossover. Buy at Rp5,800 and take profit at Rp6,250.

Approximate timeframe: 2-4 weeks.

Our institutional research has a fundamental BUY and target price of Rp7,600.

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