United Tractors (UNTR IJ)

Improved 2H26 Outlook On Higher Coal Quotas

Highlights

- **MSCI exclusion risk likely priced in, while buybacks provide support.** UNTR has outperformed the JCI by 20.3% ytd, supported by ongoing share buybacks. Despite the possibility of being excluded from the MSCI during the Nov 26 review, this risk appears largely priced in.
- **RKAB uplift and gold volume growth provide long-term catalysts.** Higher RKAB quotas provide near-term mining contracting growth, while Martabe's gradual production ramp-up towards its normalised 200,000 oz by 2029 provides a longer-term earnings catalyst.
- **Maintain BUY with an SOTP-based target price of Rp30,000**.

Analysis

- **2026 guidance raised on higher RKAB allocations and dry-season productivity.** The national coal work plan and budget (RKAB) was revised upward in Aug 26 from 600mt to 700mt (+16.7%), although this remains below 2025's production of 820mt. PAMA's clients have adjusted their production targets in line with the additional quotas. Consequently, 2026 overburden (OB) removal guidance was raised from 950m BCM to 1,025m BCM (+7.9%), while coal production guidance was increased from 135mt to 146mt (+8.0%), bringing the stripping ratio from 7.03x to 7.02x. 4Q26 OB removal is expected to decline slightly qoq as the rainy season begins, but still remain above 2Q26 levels. Tuah Turangga Agung's (TTA) RKAB was also revised upward from 7.5mt to 12.4mt, with the additional quota granted in Aug 26. However, TTA's coal sales target remains unchanged at 10mt, as deliveries remain dependent on river water levels, with low levels during the dry season having constrained barging activities. Guidance for Komatsu, gold and nickel remains unchanged.
- **Expect a recovery in gold volume in 2027.** 2026 gold production guidance remains unchanged at 82,000 oz, comprising 65,000 oz from the Martabe gold mine and the remainder from Sumbawa Juta Raya. Following operational disruptions during Jan-May 26, Martabe's production is expected to gradually ramp up towards its normalised level, reaching 80,000-100,000 oz in 2027, 150,000 oz in 2028 and 200,000 oz in 2029. Cash costs, excluding royalties, currently stand at US$2,600/oz at prevailing production levels, but UNTR expects these to roughly halve to US$1,300/oz once production reaches 200,000 oz. The ramp-up in 2027 is contingent on the new tailings facility, with the permit already received in Oct 26, while the filtration plant and dry tailings facility are targeted for completion in 3Q-4Q27. Meanwhile, the Doup gold project carries a total capex of US$400m. Approximately US$20m had been spent as of Sep 26, with US$60m expected to be spent in 2026, primarily on land acquisition and basic infrastructure. Capex is expected to be incurred in 2027-28 for the carbon-in-leach (CIL) processing plant, with operations targeted to commence in 2029.

Key Financials

Year to 31 Dec (Rpb)	2024	2025	2026F	2027F	2028F
Net turnover	134,427	131,301	112,493	111,559	114,947
EBITDA	38,457	34,269	29,468	29,778	34,333
Operating profit	27,181	22,065	17,143	17,329	21,760
Net profit	19,531	14,810	8,701	12,246	15,733
Core profit	19,856	15,004	10,786	12,246	15,733
Core EPS (Rp)	5,323	4,022	2,892	3,283	4,218
Core PE (x)	4.4	5.8	8.1	7.2	5.6
P/B (x)	0.9	0.9	0.9	0.8	0.8
EV/EBITDA (x)	2.2	2.3	2.3	2.0	1.5
Dividend yield (%)	9.3	8.5	8.4	5.0	7.0
Net core profit margin (%)	14.8	11.4	9.6	11.0	13.7
Net debt/(cash) to equity (%)	-0.1	-0.1	-0.1	-0.2	-0.3
Interest coverage (x)	10.3	8.4	6.8	10.3	13.1
ROE (%)	21.0	15.1	8.2	10.3	13.5
UOBKH/Consensus (x)			1.06	0.95	1.11

Source: UNTR, Bloomberg, UOB Kay Hian

Analyst(s)

Willinoy Sitorus
willinoysitorus@kh.co.id
+6221 2993 3845

Alden Gabriel Lam
aldengabriel@kh.co.id
+6221 2993 3970

BUY (Maintain)

Share Price	Rp23,500
Target Price	Rp30,000
Upside	+27.7%
Previous TP	Rp27,500

Stock Data

Sector	Industrial
Bloomberg ticker	UNTR IJ
Shares issued (m)	3,730
Market cap (Rpb)	87,658
Market cap (US$m)	4,848
3-mth avg daily t'over (US$m)	5.4

Price Performance (%)

52-week high/low				Rp32,825/Rp20,125
1mth	3mth	6mth	1yr	YTD
(8.2)	(1.3)	(18.3)	(13.6)	(20.3)

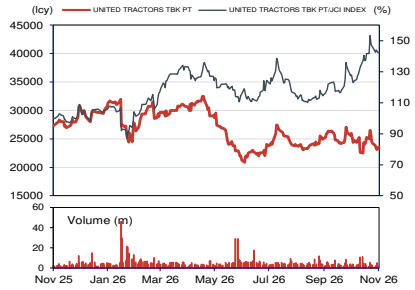
Major Shareholders (%)

Astra International	59.5

Balance Sheet Metrics

FY26 NAV/Share	28,509
FY26 Net Cash/Share	2,879

Price Chart



Source: Bloomberg

Company Description

United Tractors distributes and leases construction machinery, including Komatsu, Nissan, Scania and other brands. The company also provides mining contracting services and engages in the coal mining business.

3Q26 Results

Year end 31 Dec (Rpb)	3Q25	2Q26	3Q26	% qoq	% yoy	9M25	9M26	% yoy
Financial summary								
Revenue	31,940	29,735	32,046	7.8	0.3	100,465	90,335	(10.1)
Gross profit	7,209	5,679	7,384	30.0	2.4	22,037	17,891	(18.8)
Operating profit	5,319	3,522	4,819	36.8	(9.4)	16,906	10,547	(37.6)
EBITDA	7,880	6,683	7,648	14.4	(2.9)	24,211	19,169	(20.8)
Net income	3,345	314	3,509	1,018.2	4.9	11,475	4,465	(61.1)
Non-recurring	(5)	(2,155)	(154)			(70)	(3,460)	
Core profit (NI excl. non-recurring)	3,350	2,469	3,663	48.4	9.3	11,545	7,925	(31.4)
Gross Margin (%)	22.6	19.1	23.0			21.9	19.8	
Operating Margin (%)	16.7	11.8	15.0			16.8	11.7	
EBITDA Margin (%)	24.7	22.5	23.9			24.1	21.2	
Net Margin (%)	10.5	1.1	10.9			11.4	4.9	

Source: UNTR, UOB Kay Hian

- **3Q26 earnings recovery supported by stronger operating performance.** UNTR's core net profit increased 48.4% qoq to Rp3.7t in 3Q26, supported by higher OB removal and coal production, stronger Martabe gold sales, and improved Komatsu sales. Mining contracting margins also improved, benefitting from higher operating volumes, rupiah depreciation against the US dollar, and drier weather conditions. However, 9M26 core net profit declined 31.4% yoy to Rp7.9t, accounting for 90% of consensus and 87% of our forecast.
- **Aggressive buyback; planning for treasury share cancellation.** UNTR announced a fifth buyback programme of up to Rp2t for Oct-Dec 26. UNTR also plans to cancel its treasury shares in the near term. As of Oct 26, treasury shares accounted for 8.22% of its issued shares, further reducing its free float and increasing the risk of exclusion from the MSCI during the 11 Nov 26 review. However, we believe this risk may already be priced into the share price.

Valuation/Recommendation

- **Maintain BUY with a higher SOTP-based target price of Rp30,000 (from Rp27,500).** The upward revision of the national coal RKAB from 600mt to 700mt is expected to drive higher demand for mining contractors, supporting a 7.9% increase in OB removal guidance from 950m BCM to 1,025m BCM. We see further upside potential from stronger operational performance in 2H26.

Earnings Revision/Risk

- **We revise 2026 and 2027 core earnings by 18.0%/5.8% respectively.** We increase 2026-27 OB volume by 13.4%/6.0% and coal production by 16.8%/16.6% respectively.
- Key risks: a) Gold price movement, b) longer-than-expected coal RKAB approval for 2027, and c) heavier-than-expected rain in 4Q26.

Earnings Revision

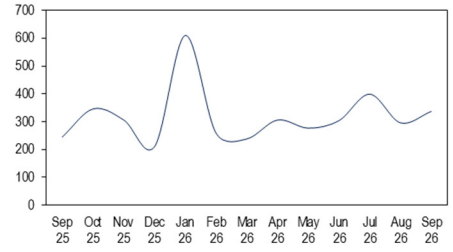
(Rpb)	Old 2026F	Old 2027F	New 2026F	New 2027F	Chg (%) 2026F	Chg (%) 2027F
Revenue	106,443	104,057	112,493	111,559	5.7	7.2
Gross profit	24,482	23,933	25,873	25,659	5.7	7.2
EBITDA	27,344	28,889	29,468	29,778	7.8	3.1
Op. profit	15,018	16,441	17,143	17,329	14.1	5.4
Pre-tax profit	14,031	17,385	13,433	18,240	-4.3	4.9
Net profit	9,105	11,633	10,786	12,246	18.5	5.3
GP margin (%)	23.0	23.0	23.0	23.0		
EBITDA Margin (%)	25.7	27.8	26.2	26.7		
Op. margin (%)	14.1	15.8	15.2	15.5		
PBT margin (%)	13.2	16.7	11.9	16.4		
Net margin (%)	8.6	11.2	9.6	11.0		

Source: UNTR, UOB Kay Hian

Share Price Catalyst

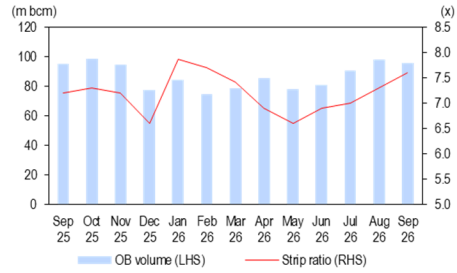
- a) Rp2t buyback programme, b) Improved operational volume in 2H26.

Komatsu Sales



Source: UNTR, UOB Kay Hian

Monthly OB Volume And Strip Ratio



Source: UNTR, UOB Kay Hian

9M26 Operational Data

Operational summary:	9M25	9M26	% yoy
Heavy Equipment:			
Komatsu sales volume (units)	3,653	3,026	-17.2
Coal contracting:			
PAMA Coal production (m tonnes)	110	106.2	-3
PAMA Overburden (m bcm)	827	765.5	-7.5
PAMA's implied Strip ratio (x)	7.6	7.2	-4.6
Coal mining:			
Coal sales volume (mt)	11.22	8.84	-21.2
Thermal coal (mt)	8	6.72	-19.8
Coking coal (mt)	3	2.13	-25.2
Gold and mineral mining:			
Gold sales volume (k oz)	178	55	-69.1
Nickel sales volume (k wmt)	1,643	1,157	-29.6
Limonite	1,118	767	-31.4
Saprolite	525	390	-25.7

Source: UNTR, UOB Kay Hian

Profit & loss

Year to 31 Dec (Rpb)	2025	2026F	2027F	2028F
Net turnover	**131,301**	**112,493**	**111,559**	**114,947**
Gross profit	29,704	25,873	25,659	26,438
EBIT	22,065	17,143	17,329	21,760
EBITDA	**34,269**	**29,468**	**29,778**	**34,333**
Interest income	1,244	1,063	1,559	1,844
Interest expense	-2,626	-2,523	-1,676	-1,658
Other income/exp.	-502	-2,250	1,028	1,044
Pre-tax profit	**20,182**	**13,433**	**18,240**	**22,989**
Income tax	-5,005	-4,478	-5,690	-6,854
Minority interest	366	255	304	401
Net profit	**14,810**	**8,701**	**12,246**	**15,733**
Core profit	**15,004**	**10,786**	**12,246**	**15,733**

Balance Sheet

Year to 31 Dec (Rpb)	2025	2026F	2027F	2028F
Cash/ST investment	26,571	38,974	46,090	55,632
Fixed asset	60,106	58,780	59,719	59,790
Other assets	90,961	86,377	86,110	87,076
Total assets	**177,637**	**184,131**	**191,919**	**202,498**
ST debt	11,604	11,504	11,404	11,304
Other current liabilities	41,609	46,752	46,540	47,307
LT debt	7,323	7,223	7,123	7,023
Other LT liabilities	13,965	13,965	13,965	13,965
Shareholders' equity	**97,774**	**99,069**	**106,965**	**116,575**
Minority interest	5,363	5,618	5,922	6,323
Total liabilities & equity	**177,637**	**184,131**	**191,919**	**202,497**

Cash Flow

Year to 31 Dec (Rpb)	2025	2026F	2027F	2028F
Operating	**27,143**	**30,753**	**24,750**	**28,107**
Net profit	14,810	8,701	12,246	15,733
Depreciation & amort.	12,203	12,325	12,449	12,573
Changes in working capital	-8,341	9,727	55	-199
Others	8,470	0	0	0
Investing	**-13,446**	**-11,000**	**-13,387**	**-12,644**
Capex	-15,167	-11,000	-13,387	-12,644
Others	1,721	0	0	0
Financing	**-12,470**	**-7,350**	**-4,246**	**-5,922**
Debt raised (repaid)	-1,239	-200	-200	-200
Equity raised (repaid)	0	0	0	0
Dividends	-7,446	-7,405	-4,350	-6,123
Others	-3,785	255	304	401
Net cash inflow (outflow)	**1,228**	**12,403**	**7,116**	**9,542**
Beginning cash	25,093	26,571	38,974	46,090
Changes due to forex impact	251	0	0	0
Ending cash & cash equivalent	**26,571**	**38,974**	**46,090**	**55,632**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	26.1	26.2	26.7	29.9
Pre-tax margin	15.4	11.9	16.4	20.0
Net margin	11.3	7.7	11.0	13.7
ROA	8.3	4.8	6.4	7.8
ROE	15.1	8.2	11.4	13.5
Growth				
Turnover	-2.3	-14.3	-0.8	3.0
EBITDA	-10.9	-14.0	1.1	15.3
Pre-tax profit	-22.1	-33.4	35.8	26.0
Net profit	-24.2	-41.3	40.7	28.5
Core profit	-24.4	-28.1	13.5	28.5
Leverage				
Debt to equity (x)	0.19	0.18	0.17	0.16
Net debt/(cash) to equity (x)	-0.08	-0.10	-0.26	-0.32
Interest coverage (x)	8.4	6.8	10.3	13.1

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