

7 September 2023
Coal Mining, Equity

Current Price IDR. 30725
Target Price IDR. 42000
JKSE Index 6973.04



Stock Code ITMG IJ
Bloomberg code ITMG IJ
Market cap (IDR.bn) 34860
52-Week High (IDR) 45650
52-Week Low (IDR) 22125
6-m Avg Daily. Val (IDR) 30900
Free Float (%) 34.74

Major Shareholders (%)
PT Banpu Minerals
(Singapore) Pte, Ltd 65.14%
Fredi Chandra 0.12%
Public 34.74%

USD/IDR-YE
2022A 15731
2023F (Avg) 15252

Key Indicators
Debt/ Equity (x) 0.04
Current ratio (x) 3.70

Analyst: Revita Dhiah Anggrainy
revita.anggrainy@binaartha.com

Investment Consideration

In 2Q23, Coal production grew by +13%YoY

During 1H23, ITMG's coal production increased by +6.5% YoY to 8.2 million tons from 7.7 million tons in 1H22. 2Q23 production reached 4.4 million tons, marking a +12.8% YoY increase or +15.8% QoQ, surpassing the target due to increased production at Indominco and Bharinto. The strip ratio in 2Q23 increased to 12.5x from 11.5x in 1Q23. Coal sales volume in 2Q23 also rose by +19% QoQ or +40% YoY to 5.4 million tons from 3.9 million tons in 1Q22. The average selling price (ASP) in 2Q23 decreased to USD 113.5/ton from USD 202.4/ton in 2Q22, continuing the declining price trend since 3Q22. With the lower ASP reflecting normalized global coal prices, ITMG's revenue in 2Q23 decreased by -21.5% YoY or -10.5% QoQ. Royalty payments also decreased following the decrease in global coal prices, with 2Q23 prices at USD 15/ton, a -39% QoQ decrease. Based on 1H23 results, we maintain our projection that ITMG's coal production volume for this year will be 17 million tons. Looking ahead, we still believe that demand for coal will remain strong, and we estimate production volume will increase in 2024.

Bottom line down by -33%

Net profit in 1H23 was USD 307 million, a -33% YoY decrease compared to the level of USD 476 million in 1H22. The decrease in bottom-line profit stemmed from lower revenue due to lower coal prices. Excluding royalty, total costs in 2Q23 decreased to US\$ 65/ton from US\$ 72/ton in 1Q23, marking a -10% QoQ decrease due to lower fuel prices. We estimate that ITMG's bottom-line margin in 2023F will be lower compared to 2022FY but still higher than in 2021FY.

Valuation: 37% upside potential

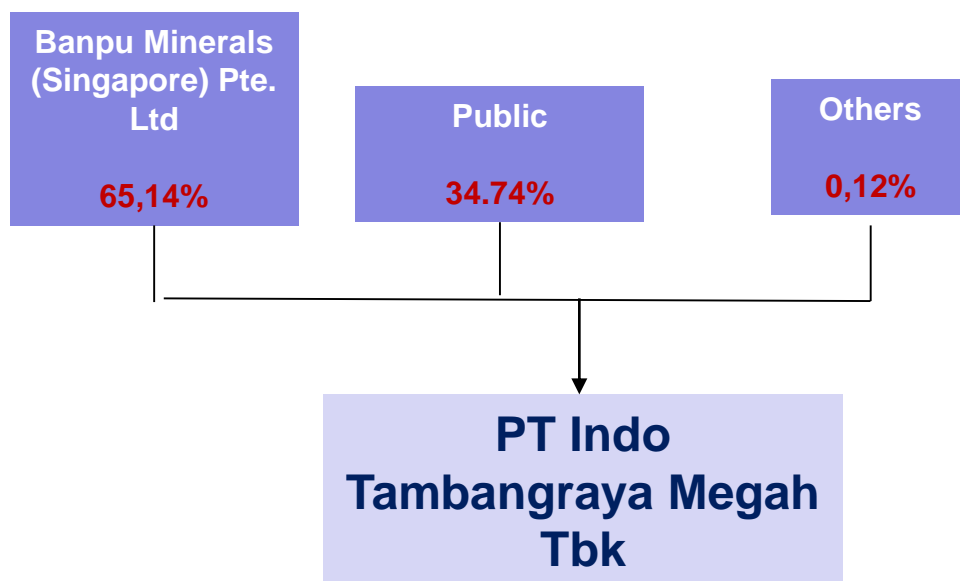
Based on 1H23 results, we have a target price (TP) for ITMG of IDR 42,000, which implies the shares are valued at 5x PER with a 37% potential upside. Furthermore, ITMG's IDR 2,660 interim dividend per share is equal to an 8.6% yield from the current price. We recommend a BUY.

Financial Highlights	2019 A	2020 A	2021 A	2022 A	2023 F	2024 F
Sales growth (%)	-14.55%	-30.91%	75.21%	75.09%	-40.40%	-4.06%
Net profit growth (%)	-58.22%	-42.44%	661.40%	112.68%	-44.26%	-14.97%
Operating Margin(%)	11%	9%	38%	46%	43%	38%
NET Profit margin(%)	8%	3%	23%	33%	29%	25%
Debt/ Equity (X)	0.06	0.05	0.03	0.04	0.06	0.04
Net profit (in \$ mn)	129	39	476	1200	632	528
EPS	0.11	0.03	0.42	1.06	0.56	0.47

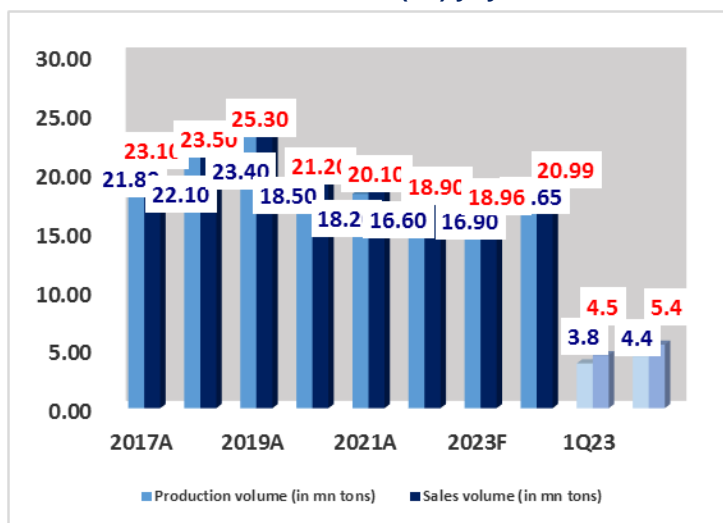
Company profile

PT Indo Tambangraya Megah Tbk (ITMG) was established in 1987 and has achieved significant milestones, including the consolidation of its mining investment portfolio in 2001 when it was acquired by BANPU Thailand. ITMG conducted an Initial Public Offering (IPO) on 18 December 2007. Since then, ITMG has grown into a major coal-based energy company in Indonesia, supplying the global energy market. At the end of 2016, ITMG adopted a new company direction to become a provider of energy products and services by promoting sustainable development planning. The company initiated a digital transformation in 2018, encompassing all aspects of its operations and business, accompanied by a transformation in work culture. ITMG benefits from the close proximity of all its concession areas, enabling integrated marketing and logistics operations. The company's world-class export facility at the Bontang Coal Terminal allows for optimal blending and delivery to high-capacity vessels. ITMG's operational areas include Trubaindo and Bharinto (Melak Group), Kitadin, Jorong, and Indominco Mandiri. In 2017, ITMG acquired 70% of PT Tepian Indah Sukses and 75% of PT Gasemas. In 2018, ITMG acquired 100% of PT Nusa Persada Resources and PT Energi Batubara Resources. In 2019, the remaining 30% share of PT Tepian was acquired.

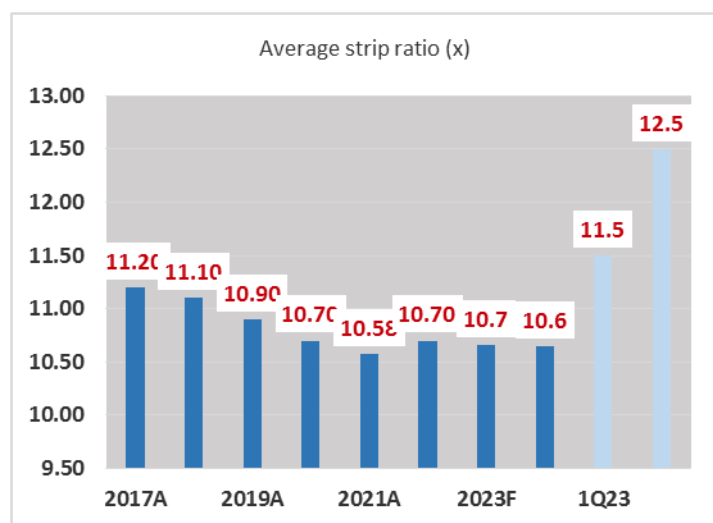
Company's shareholder



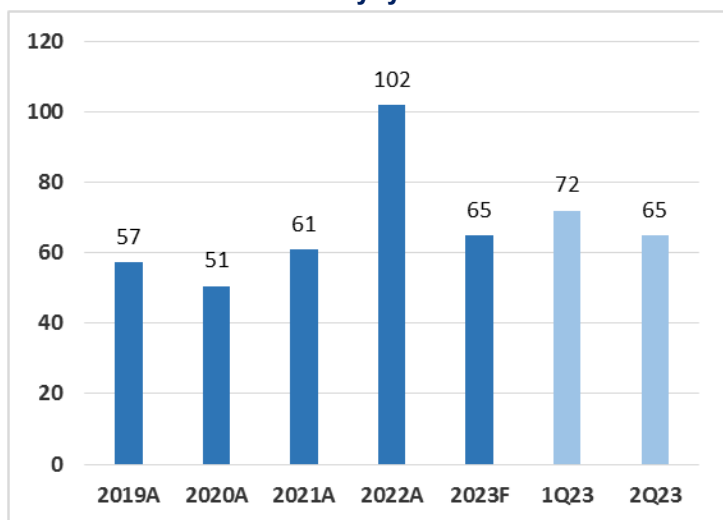
Production and sales volume (Mt) yoy



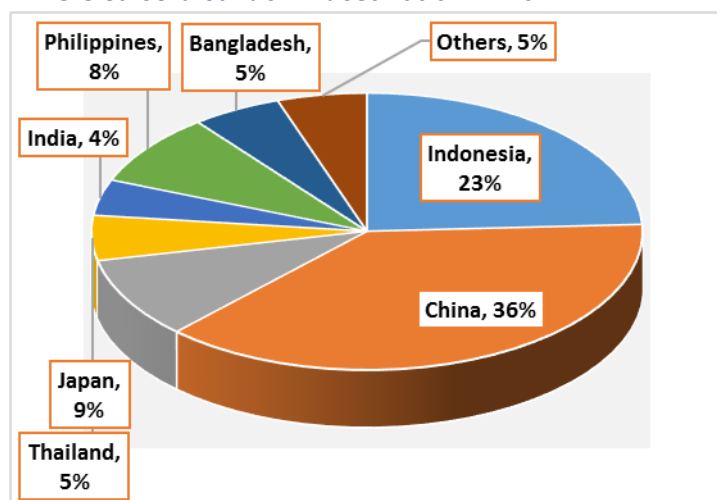
Average Stripping ratio (x) yoy



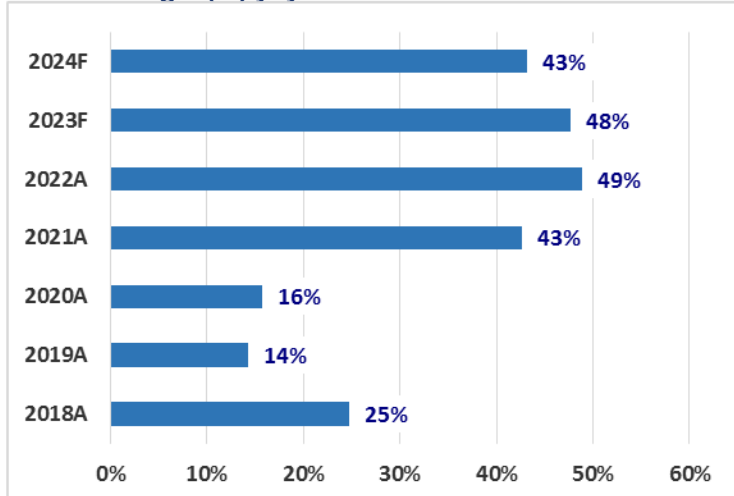
ITMG's cash cost USD/ton yoy



ITMG's sales breakdown destination 1H23



Ebitda Margin (%) yoy



Profit and Loss

Profit and Loss (USD.mn)	2019 A	2020 A	2021 A	2022 A	2023 F	2024 F	2025 F
Revenue	1,716	1,185	2,077	3,636	2,167	2,079	2,327
Cost of sales	(1,389)	(986)	(1,160)	(1,742)	(1,099)	(1,156)	(1,275)
Gross Profit	327	199	917	1,894	1,069	923	1,051
Operating expense	146	95	125	212	131	126	140
Operating Profit	181	104	791	1,683	938	798	911
Other income	5	(31)	(170)	(138)	(117)	(113)	(126)
taxes	(59)	(35)	(146)	(345)	(189)	(158)	(180)
Minority interest	2.9	1.6	0.2	0.7	0.2	0.2	0.2
Net Profit	129	39	476	1,200	632	528	604
EPS	0.11	0.03	0.42	1.06	0.56	0.47	0.53
EBITDA	245	186	885	1,776	1,033	898	1,014

Balance Sheet

Balance sheet (USD.mn)	2019A	2020A	2021A	2022A	2023F	2024F	2025F
Cash and cash equivalent	159.21	231.46	690.97	1,430.33	1,137.20	1,097.99	1,216.51
Trade Account Receivable	133.64	74.66	186.81	280.48	178.13	170.91	197.61
inventory	102.57	60.22	62.45	96.09	60.19	63.36	73.38
Other current asset	77.08	53.59	47.79	101.65	65.02	62.38	69.80
Current Asset	472.50	419.93	988.02	1,908.55	1,440.55	1,394.64	1,557.30
Net Fixed Asset other long term asset	222.81	195.85	165.77	151.35	180.96	190.77	201.12
Mining properties	499.06	528.74	499.20	567.98	541.83	519.85	581.68
	14.67	14.11	13.25	12.31	10.58	8.60	10.49
Non current Asset	736.54	738.70	678.22	731.63	733.37	719.22	793.29
Total Asset	1,209.04	1,158.63	1,666.24	2,640.18	2,173.92	2,113.86	2,350.59
Trade payable	77.74	62.34	85.26	144.28	130.63	85.46	95.62
Accrued expenses	119.38	95.92	103.28	148.07	130.04	124.76	139.60
Short Term bank loans	10.62	0.00	0.00	0.00	0.00	0.00	0.00
Other Current liabilities	25.55	49.04	176.20	293.27	173.38	166.35	186.14
Current liabilities	233.29	207.30	364.74	585.61	434.06	376.57	421.36
Provision for mine rehabilitation	38.24	36.85	37.51	68.64	86.69	62.38	69.80
Deffered tax liabilities	3.34	1.84	2.05	1.73	6.50	6.24	6.98
Other Long term liabilities	49.71	30.63	34.58	21.13	12.59	12.08	13.52
long term loan	0.00	35.72	25.81	12.79	13.43	14.10	14.80
Non current liabilities	91.29	105.04	99.94	104.28	119.21	94.80	105.10
Total Liabilities	324.58	312.34	464.68	689.90	553.27	471.38	526.46
Total Equities	884.47	846.29	1,201.56	1,950.28	1,620.65	1,642.49	1,824.12
Total Liabilities and equity	1,209.04	1,158.63	1,666.24	2,640.18	2,173.92	2,113.86	2,350.59

Cash Flow

Cash Flow (USD.mn)	2019A	2020A	2021A	2022A	2023F	2024F	2025F
+ Net Income	129.43	39.47	475.57	1,200.07	632.03	527.59	604.47
+Depreciation	51.47	44.81	42.08	44.03	45.40	47.05	49.60
- Change in WC	(71.67)	98.83	48.86	39.71	23.31	(50.79)	0.64
Cash From Operating Activities	109.23	183.11	566.51	1,283.81	700.75	523.85	654.72
capex	(111.73)	(46.97)	18.40	(97.44)	(47.14)	(32.90)	(123.66)
cash from investing activities	(111.73)	(46.97)	18.40	(97.44)	(47.14)	(32.90)	(123.66)
Provision for mine rehabilitation	0.43	(1.39)	0.66	31.13	18.05	(24.31)	7.42
Deffered tax liabilities	(1.05)	(1.50)	0.20	(0.32)	4.78	(0.26)	0.74
Other Long term liabilities	8.86	(19.08)	3.95	(13.45)	(8.54)	(0.51)	1.44
long term loan equity	0.00	35.72	(9.92)	(13.02)	0.64	0.67	0.70
	(214.74)	(77.64)	(120.30)	(451.35)	(961.66)	(505.75)	(422.84)
cash from financing activities	(206.50)	(63.89)	(125.40)	(447.00)	(946.73)	(530.16)	(412.53)
Net Changes in Cash	(209.01)	72.25	459.51	739.36	(293.13)	(39.21)	118.52
Beginning Balance	368.22	159.21	231.46	690.97	1,430.33	1,137.20	1,097.99
Ending balance	159.21	231.46	690.97	1,430.33	1,137.20	1,097.99	1,216.51

Financial Ratio Highlights

Ratio Highlights	2019 A	2020 A	2021 A	2022 A	2023 F	2024 F	2025 F
Growth (% YoY)							
Sales	-14.55%	-30.91%	75.21%	75.09%	-40.40%	-4.06%	11.89%
OP	-58.22%	-42.44%	661.40%	112.68%	-44.26%	-14.97%	14.19%
EBITDA	-50.73%	-23.82%	374.71%	100.76%	-41.85%	-13.04%	12.89%
NP	-50.59%	-69.50%	1104.92%	152.34%	-47.33%	-16.52%	14.57%
EPS	-50.59%	-69.50%	1104.92%	152.34%	-47.33%	-16.52%	14.57%
Profitability							
Operating Margin(%)	10.52%	8.77%	38.10%	46.28%	43.28%	38.36%	39.15%
EBITDA margin(%)	14.26%	15.72%	42.60%	48.85%	47.66%	43.19%	43.58%
NET Profit margin(%)	7.54%	3.33%	22.90%	33.00%	29.16%	25.37%	25.98%
ROA(%)	10.70%	3.41%	28.54%	45.45%	29.07%	24.96%	25.72%
ROE(%)	14.63%	4.66%	39.58%	61.53%	39.00%	32.12%	33.14%
Stability							
Debt/ Equity (X)	0.06	0.05	0.03	0.04	0.06	0.04	0.04
Current ratio (X)	2.03	2.03	2.71	3.26	3.32	3.70	3.70
Per Share data (USD)							
EPS	0.11	0.03	0.42	1.06	0.56	0.47	0.53
BVS	0.78	0.75	1.06	1.73	1.43	1.45	1.61

Stock Ratings:

Buy: a recommendation to purchase the security with upside potential of 20% or greater

Hold: a recommendation to neither buy nor sell a security with upside potential of 0-19%.

Sell: a recommendation to close out a long position in a security with upside potential below 0% or negative.

**RESEARCH TEAM
(62-21) 520-6678 ext.612**

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