

18 May 2020
Coal Mining, Equity

Current Price **IDR. 1815**
Target Price **IDR. 3120**
JKSE Index **4507.61**



Investment Consideration

Targeting 5% sales volume growth

As of 1Q20, PTBA's coal sales increased by 3% YoY to 6.8 mn tons from 6.6 mn tons in 1Q19. PTBA is targeting 2020 production and sales volume of 30.3 mn tons and 29.9 mn tons respectively, with domestic coal sales of 21.7 mn tons and export sales of 8.2 mn tons. Amid the current pandemic, PTBA will optimize exports to countries such as India, Hong Kong, Taiwan, Thailand, Vietnam and a number of other Asian countries by maximizing the production of high calorie coal. For the domestic market PTBA will optimize sales to the PLN Group. We estimate 2020 revenue will decline 13% yoy as the current thermal coal price has declined to below USD 60/ton.

Additional railway capacity

PTBA is on progress to have additional 6 mn tons p.a. railway capacity in 2020. An additional 1.3 mn-ton railway capacity in Tanjung Enim (TE) – Kertapati has been completed while an additional 4,7 mn ton p.a. capacity from TE – Tarahan is targeted to be completed by December 2020. For future expansion, PTBA is currently undergoing a joint feasibility study with the state railroad company on the TE – Kramasan route and will be PTBA's main project aside from TE – Perajen. The TE - Kramasan railway is to be completed by 2024/2025.

Progress on downstream

PTBA signed a Coal-Based Methanol supply agreement with Pertamina in March 2020 as part of downstream gasification project at Tanjung Enim with a production target of 1 mn tons p.a. of methanol. PTBA will supply Methanol to Pertamina as part of the Pertamina Gasoline A20 program. The plant is targeted to start commercial operation (COD) in 2025. Other downstream projects include South Sumatra Mine-8 PLTU with a capacity of 2x60 MW. As of 1Q20, progress has reached +/- 35% with target COD for unit 1 in 4Q20 and unit 2 in 1Q22. Rooftop Solar Photovoltaic has entered the commissioning test phase which was temporarily delayed due to the covid-19 pandemic. This project is targeted to start its commercial operation this year.

Valuation: 72% upside potential

With WACC at 11.4%, we are targeting a TP for PTBA of IDR 3120, meaning the share is valued at 8.76x PER with 72% upside potential. We recommend BUY.

Stock Code **PTBA IJ**
Bloomberg code **PTBA IJ**
Market cap (IDR.bn) **22,177.3**
52-Week High (IDR) **3,150**
52-Week Low (IDR) **1,385**
6-m Avg Daily. Val (IDR) **2,288**
Free Float (%) **31.18**

Major Shareholders (%)
PT Indonesia Asahan Alumunium **65.93%**
Others/Public **31.18%**

USD/IDR-YE
2019A **13866**
2020F (Avg) **14880**

Key Indicators
Debt/ Equity (x) **0.03**
Current ratio (x) **2.02**

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Profit and Loss (IDR.bn)	2017 A	2018 A	2019 A	2020 F	2021 F
Revenue	19.471	21.167	21.788	19.024	21.953
Cost of sales	(10.965)	(12.621)	(14.176)	(12.657)	(13.798)
Gross Profit	8.507	8.546	7.612	6.367	8.156
Operating expense	2.608	2.322	2.597	2.548	2.940
Operating Profit	5.899	6.224	5.014	3.818	5.215
Other income	81	223	261	228	263
equity in net income associates and jointly controlled entities	122	352	179	119	137
PBT	6.102	6.799	5.455	4.166	5.616
taxes	(1.554)	(1.678)	(1.415)	(1.080)	(1.456)
Minority interest	(70,788)	(97,166)	16,494	(54,324)	(56,982)
Net Profit	4.476	5.024	4.057	3.031	4.102
EPS	425	436	352	263	356
EBITDA	6.805	7.534	6.250	5.130	7.206

Company profile

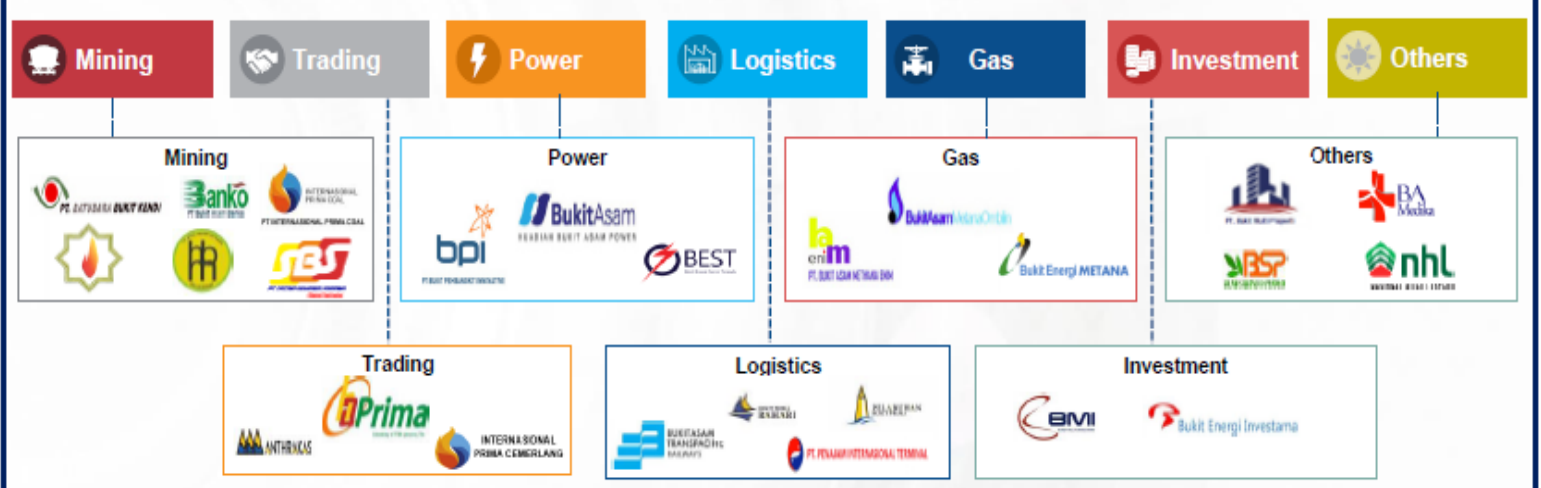
PT Bukit Asam Tbk started production for commercial purpose in 1938. After the Dutch Colonial era ended in Indonesia, the Indonesian employees demanded a change into a national mine. In 1950, the government of Indonesia founded Perusahaan Negara Tambang Arang Bukit Asam (PN TABA). On March 1, 1981, PN TABA changed its status into a Limited Company under the name of PT Bukit Asam (Persero), which was later called PTBA or the Company. In order to aid the national coal industry development, in 1990 the government merged Perum Tambang Batubara and the Company into a single entity. On December 23, 2002, the Company listed itself as a public company on the Indonesia Stock Exchange. November 29, 2017 was a historic day for PTBA as it organized an Extraordinary General Meeting of Shareholders with three agendas: Approval of the change of company’s articles of association related to a change of the company’s status from “persero” to “non-persero” related with government regulation 47/2017. Concerning the increase of Indonesia’s equity participation in PT Inalum (Persero), a stock split, and a change of the company’s board of directors. With the change of ownership from the Republic Indonesia to PT Inalum (persero), three companies become the holders of Mining State – Owned Enterprises (BUMN), with Inalum at the head. PTBA continues to diversify its source of revenues – The Company’s core coal mining business is supported by the development of other businesses in power generation, logistics, coal beneficiation, investment and others.

PTBA’s diversified business

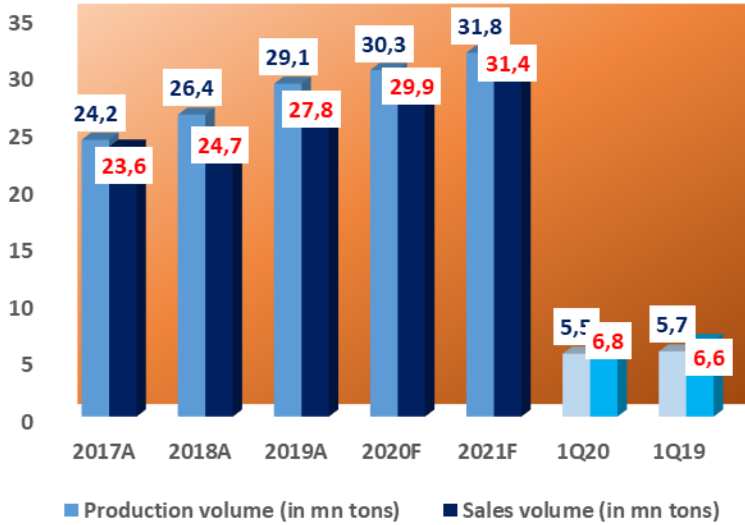


PT Indonesia Asahan Aluminium (Persero) owns ~65,93% of total shares

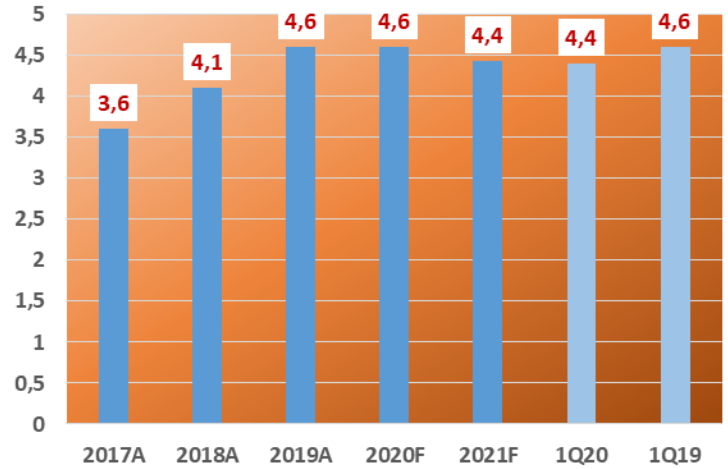
The Subsidiaries and Indirect Subsidiaries



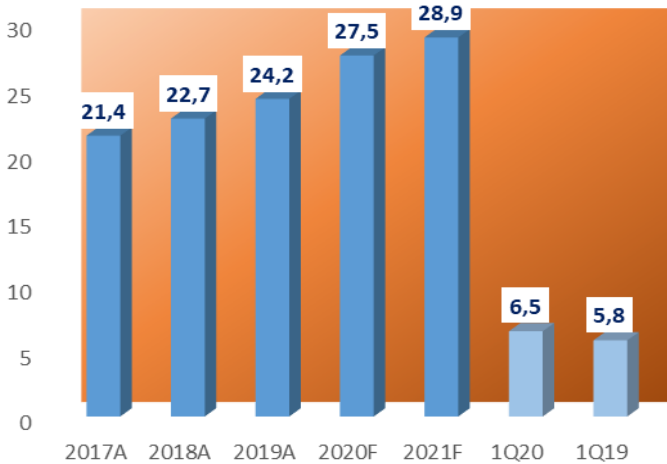
Production and sales volume (Mt) yoy



Average Stripping ratio (x) yoy



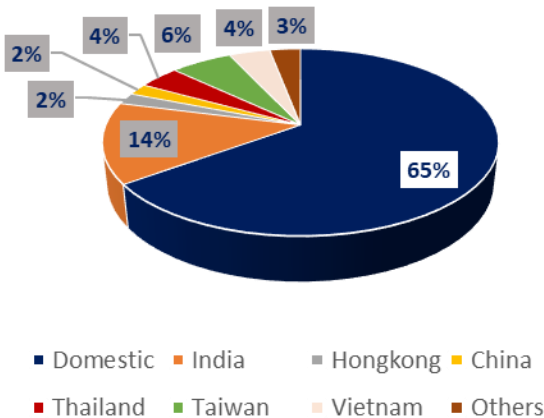
Railway capacity (Mt) yoy



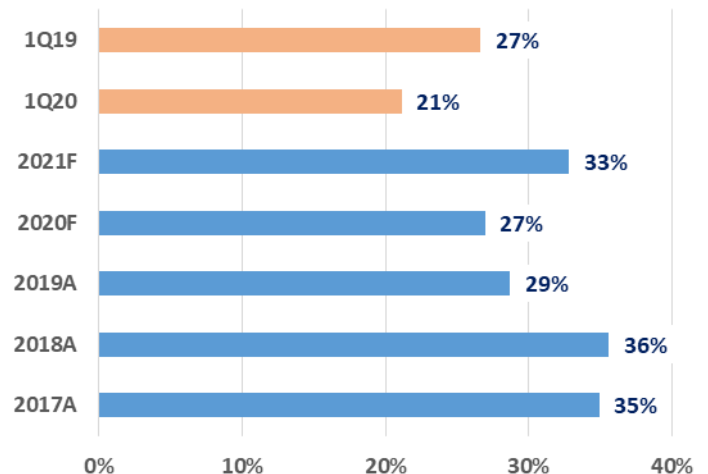
Railway upgrade capacity plans (Mt)

Existing railway	Previous capacity (Mtpa)	Est.upgrade capacity (Mtpa)
TE - Kertapati	3,7	5 (Jan 2020)
TE - Tarahan	20,3	25 (Dec 2020)
New railway		
TE - Perajen	na	10 (1Q25)
TE - Kramasan (PT KAI)	na	10 (2024)
Tarahan 2	na	20 (2024)

PTBA sales breakdown by country (on sales distribution/ton) 1Q20



Ebitda Margin (%) yoy



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Balance Sheet (IDR.bn)

Balance sheet (IDR.bn)	2017A	2018A	2019A	2020F	2021F
Cash and cash equivalent	3.555,41	6.301,16	4.756,80	7.340,22	7.639,68
Trade Account Receivable	5.343,71	2.521,26	2.482,84	2.084,77	2.586,25
inventory	1.156,01	1.383,06	1.551,14	1.317,72	1.512,06
Other current asset	653,95	897,62	2.709,56	951,18	1.317,18
Current Asset	11.117,75	11.426,68	11.679,88	11.860,76	13.247,72
Net Fixed Asset	6.199,30	6.547,59	7.272,75	8.779,75	10.518,14
other long term asset	1.266,71	1.879,15	2.043,04	1.902,36	2.195,30
LT Investment and receivables	3.403,73	4.319,52	5.102,38	5.326,60	5.707,79
Non current Asset	10.869,74	12.746,26	14.418,17	16.008,71	18.421,23
Total Asset	21.987,48	24.172,93	26.098,05	27.869,46	31.668,95
Trade payable	886,42	1.048,00	1.020,09	1.042,39	1.142,76
Accrued expenses	970,82	1.274,20	1.630,18	1.521,89	1.756,24
Short Term bank loans	299,09	85,48	152,35	139,67	146,66
Other Current liabilities	4.298,54	5.076,41	5.148,98	4.565,66	5.268,73
Current liabilities	4.513,23	4.935,70	4.691,25	5.747,72	6.558,14
Long term loans	35,93	233,49	10,12	10,04	10,04
Financial lease	496,61	226,86	298,59	550,40	570,78
Other Long term liabilities	3.141,73	2.507,19	2.675,27	2.335,88	2.695,58
Non current liabilities	3.674,27	2.967,54	2.983,98	2.896,32	3.276,40
Total Liabilities	8.187,50	7.903,24	7.675,23	8.644,04	9.834,55
Total Equities	13.799,99	16.269,70	18.422,83	19.225,42	21.834,41
Total Liabilities and equity	21.987,48	24.172,93	26.098,05	27.869,46	31.668,95

Cash Flow (IDR.bn)

Cash Flow (in IDR. bn)	2017A	2018A	2019A	2020F	2020F
+ Net Income	4.476,44	5.023,95	4.056,89	3.031,00	4.102,35
+Depreciation	599,70	631,05	667,28	945,46	965,77
- Change in WC	(3.416,62)	2.859,29	(2.042,01)	3.459,01	(277,08)
Cash From Operating Activities	1.659,53	8.514,29	2.682,16	7.435,46	4.791,05
capex	(1.242,59)	(2.507,57)	(2.339,19)	(2.535,99)	(3.378,30)
cash from investing activities	(1.242,59)	(2.507,57)	(2.339,19)	(2.535,99)	(3.378,30)
Long term liabilities	(131,42)	197,56	(223,37)	(0,08)	0,00
Financial lease	(87,05)	(269,75)	71,73	251,81	20,38
Other Long term liabilities	911,12	(634,54)	168,07	(339,39)	359,70
equity	(1.228,86)	(2.554,24)	(1.903,76)	(2.228,40)	(1.493,37)
cash from financing activities	-536,22	-3.260,97	-1.887,32	-2.316,05	-1.113,29
Net Changes in Cash	(119,28)	2.745,76	(1.544,36)	2.583,42	299,46
Beginning Balance	3.674,69	3.555,41	6.301,16	4.756,80	7.340,22
Ending balance	3.555,41	6.301,16	4.756,80	7.340,22	7.639,68

Ratio Highlights

Ratio Highlights	2017 A	2018 A	2019 A	2020 F	2021 F
Growth (% YoY)					
Sales	38,50%	8,71%	2,93%	-12,69%	15,40%
OP	133,07%	5,52%	-19,44%	-23,85%	36,58%
EBITDA	112,06%	10,71%	-17,04%	-17,92%	40,48%
NP	123,13%	12,23%	-19,25%	-25,29%	35,35%
EPS	123,13%	2,68%	-19,25%	-25,29%	35,35%
Profitability					
Operating Margin(%)	30,29%	29,40%	23,01%	20,07%	23,76%
EBITDA margin(%)	34,95%	35,59%	28,69%	26,97%	32,83%
NET Profit margin(%)	22,99%	23,73%	18,62%	15,93%	18,69%
ROA(%)	20,36%	20,78%	15,54%	10,88%	12,95%
ROE(%)	32,44%	30,88%	22,02%	15,77%	18,79%
Stability					
Debt/ Equity (X)	0,06	0,03	0,03	0,04	0,03
Current ratio (X)	2,46	2,32	2,49	2,06	2,02
Int. Coverage (x)	58,90	65,66	42,73	47,77	61,97
Per Share data (IDR)					
EPS	425	436	352	263	356
BVS	1.198	1.412	1.599	1.669	1.895

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.

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