

6 June 2023
Coal Mining, Equity

Current Price IDR 3150
Target Price IDR. 5820
JKSE Index 6633.47



Investment Consideration

Targetting 41 mn tons coal production

In 1Q23, PTBA produced 6.8 million tons of coal, a 7% YoY increase from the same period in 2022. This production increase was in line with a 59% YoY increase in export sales volume, which reached 3.6 million tons. Additionally, the company achieved a 10% YoY growth in its Domestic Market Obligation (DMO) with 5.2 million tons of coal sold. PTBA aims to produce 41 million tons of coal in 2023, an 11% YoY increase from the 2022 realization of 37.1 million tons. The stripping ratio (SR) for 1Q23 rose to 7.1x due to production optimization efforts in the Banko Area, which holds the highest amount of coal reserves and can therefore help to boost production. PTBA also plans to bring its new transportation infrastructure to full capacity in 2023 since it has been fully operational since the end of 2021. Our estimate for 2023F coal production volume is 40.8 million tons, in line with the company's guidance, representing a 10% YoY increase..

1Q23 revenue increased 21% YoY

PTBA's revenue for 1Q23 reached Rp. 10.0 trillion, a 21% YoY increase, due to high export sales volume. The average selling price (ASP) in 1Q23 was IDR 11 million/ton, similar to the previous period. Net profit was IDR 1.2 trillion, which is a lower 12% net profit margin, due to increase in several costs. We estimate the bottom line profit for this year will be slightly lower than last year due to our forecast of a lower selling price.

Going downstream

In line with its vision to expand into the new renewable energy sector, PTBA signed a Memorandum of Understanding (MoU) with HDF Energy on April 17, 2023. HDF Energy is a company that specializes in renewable energy, including Hydrogen Fuel. The two companies are exploring collaboration in developing large-scale hydrogen fuel infrastructure in PTBA's operational areas to reduce carbon emissions. This initiative will reduce PTBA's dependence on coal in the future to meet the company's revenue goals.

Valuation: significant upside potential

We maintain our target price for PTBA at IDR 5,820, which is a valuation of 6.5x PER. With significant upside potential, we recommend a BUY.

Stock Code PTBA IJ
Bloomberg code PTBA IJ
Market cap (IDR.bn) 35,950
52-Week High (IDR) 4,530
52-Week Low (IDR) 2,840
6-m Avg Daily. Val (IDR) 3,129
Free Float (%) 33.78

Major Shareholders (%)
PT Indonesia Asahan
Alumunium 65.93%
Others/Public 33.78%
Treasury shares 0.29%

USD/IDR-YE
2022A 15573
2023F (Avg) 14901

Key Indicators
Debt/ Equity (x) 0.02
Current ratio (x) 2.87

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Financial Highlights	2019 A	2020 A	2021 A	2022 A	2023 F	2024 F
Sales growth (%)	2.93%	-20.48%	68.90%	45.75%	-0.56%	-0.10%
Net profit growth (%)	-19.25%	-41.17%	231.37%	58.90%	-4.91%	-7.77%
Operating margin (%)	23.01%	14.55%	34.03%	35.51%	34.47%	31.67%
Net profit margin (%)	18.62%	13.78%	27.03%	29.47%	28.18%	26.01%
Debt/ Equity (X)	0.03	0.03	0.03	0.03	0.02	0.02
EPS	371	213	702	1115	1061	978

Company profile

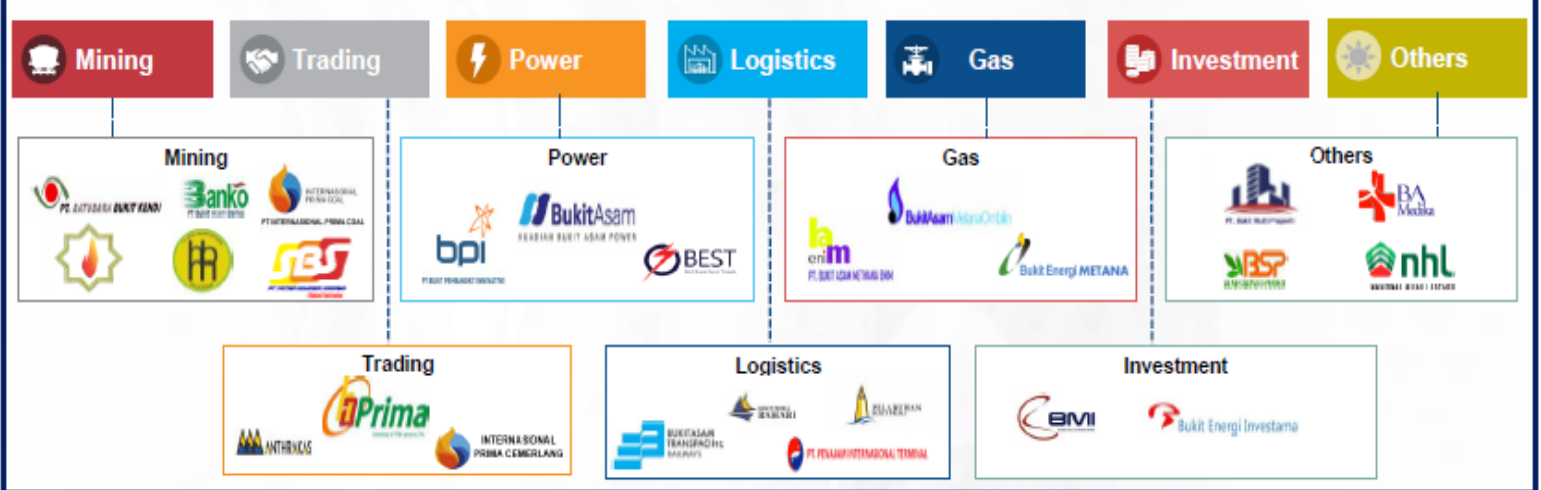
PT Bukit Asam Tbk started commercial production in 1938. In 1950, the Indonesian government founded Perusahaan Negara Tambang Arang Bukit Asam (PN TABA) after the Dutch Colonial era ended. PN TABA changed its status to a Limited Company called PT Bukit Asam (Persero) on March 1st, 1981, which was later renamed PTBA. In 1990, the government merged Perum Tambang Batubara and PTBA into a single entity to aid the development of the national coal industry. PTBA became a public company on the Indonesia Stock Exchange on December 23rd, 2002. On November 29th, 2017, PTBA held an Extraordinary General Meeting of Shareholders to approve a change in the company's articles of association related to its status from "persero" to "non-persero," a stock split, and a change in the company's board of directors. PTBA continues to diversify its source of revenue through the development of other businesses in power generation, logistics, and other support services for its core coal mining business.

PTBA's diversified business

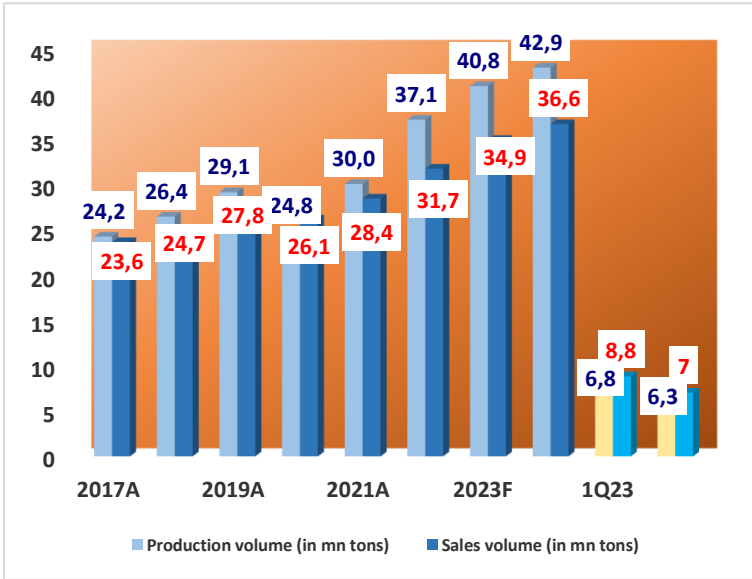


PT Indonesia Asahan Aluminium (Persero) owns ~65,93% of total shares

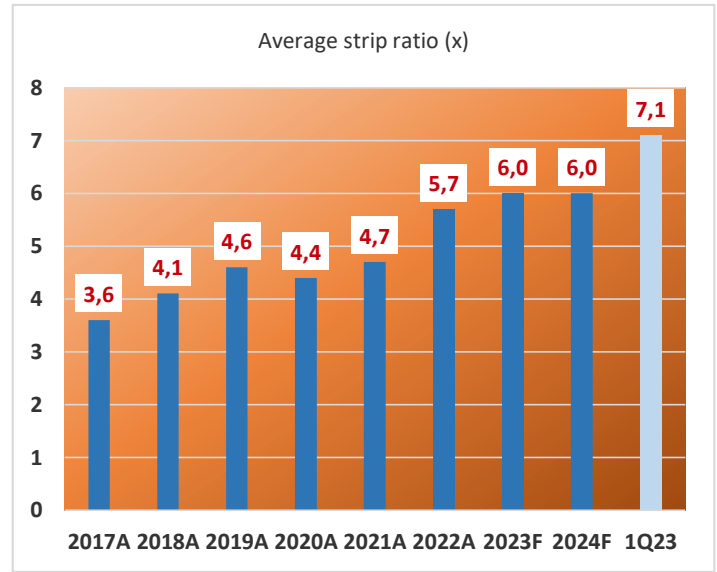
The Subsidiaries and Indirect Subsidiaries



Production and sales volume (Mt) yoy

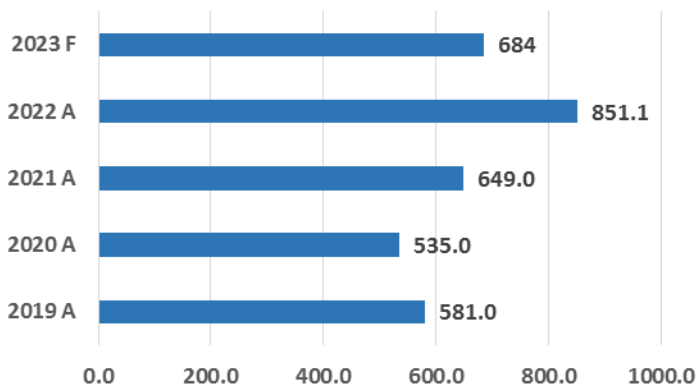


Average Stripping ratio (x) yoy



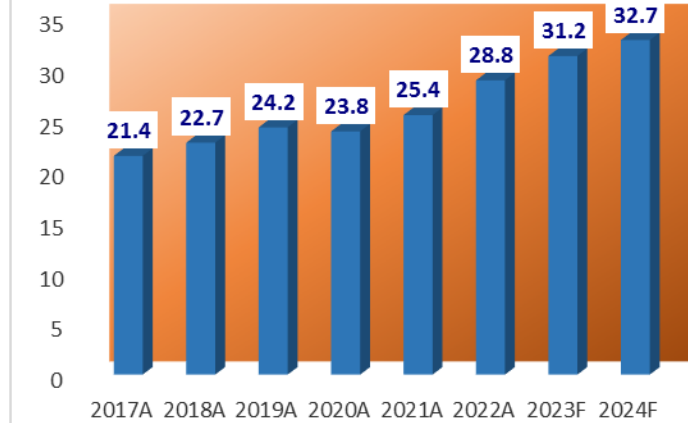
PTBA's Cash cost yoy (IDR.000/ton)

Cash cost (IDR'000/ton)

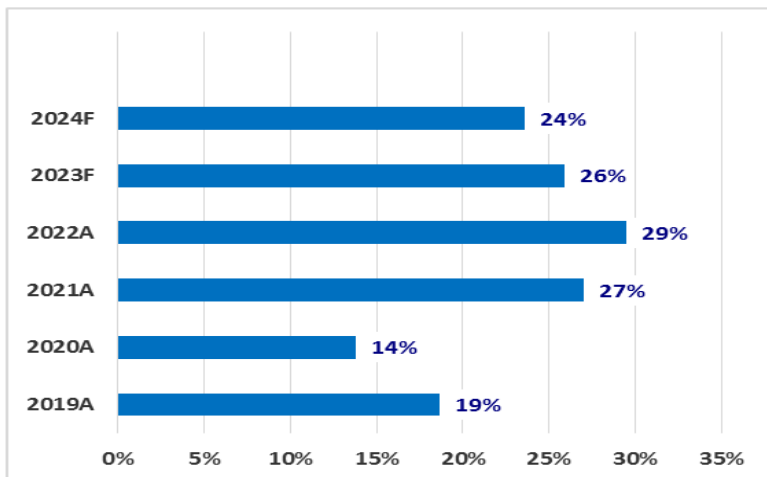


Railway railway capacity YoY (Mt)

Railway Capacity (in mn tons)



Net profit Margin (%) yoy



Profit and Loss

Profit and Loss (IDR.bn)	2019 A	2020 A	2021 A	2022 A	2023 F	2024 F	2025 F
Revenue	21,788	17,325	29,261	42,649	42,410	42,366	47,053
Cost of sales	(14,176)	(12,759)	(15,777)	(24,682)	(22,113)	(23,274)	(23,968)
Gross Profit	7,612	4,566	13,484	17,966	20,298	19,092	23,085
Operating expense	2,597	2,046	3,525	2,821	5,681	5,675	6,302
Operating Profit	5,014	2,520	9,959	15,145	14,617	13,417	16,783
Other income	261	230	98	228	509	508	564
equity in net income							
associates and jointly	179	481	301	829	424	424	471
controlled entities							
PBT	5,455	3,232	10,359	16,202	15,550	14,349	17,817
taxes	(1,415)	(824)	(2,322)	(3,423)	(3,485)	(3,216)	(3,994)
Minority interest	16.494	(21.108)	(127.775)	(211.845)	(114.370)	(112.008)	(125.153)
Net Profit	4,057	2,387	7,909	12,568	11,950	11,021	13,699
EPS	371	213	702	1115	1061	978	1216
EBITDA	6,250	4,312	11,628	17,791	16,844	15,905	19,428

Cash Flow

Cash Flow (in IDR. bn)	2019A	2020A	2021A	2022A	2023F	2024F	2025F
+ Net Income	4,056.89	2,386.82	7,909.11	12,567.58	11,950.18	11,021.09	13,698.73
+Depreciation	667.28	947.92	1,110.88	1,429.97	1,135.36	1,397.50	1,451.84
- Change in WC	(2,042.01)	2,080.88	(6,165.71)	(383.37)	(3,552.31)	(83.23)	(718.20)
Cash From Operating Activities	2,682.16	5,415.62	2,854.29	13,614.19	9,533.22	12,335.35	14,432.38
capex	(2,339.19)	(2,222.15)	(3,330.69)	(4,444.83)	(4,979.66)	(3,129.37)	(4,860.08)
cash from investing activities	(2,339.19)	(2,222.15)	(3,330.69)	(4,444.83)	(4,979.66)	(3,129.37)	(4,860.08)
Long term liabilities	(223.37)	(4.13)	(3.75)	(2.24)	0.00	0.00	0.00
Financial lease	71.73	95.36	230.12	146.45	77.68	(0.88)	93.73
Other Long term							
liabilities	168.07	169.89	897.86	1,227.84	(305.71)	(4.85)	515.52
equity	(1,903.76)	(3,870.45)	(594.59)	(7,905.26)	(5,980.06)	(6,953.40)	(7,060.24)
cash from financing activities	(1,887.32)	(3,609.32)	529.64	(6,533.21)	(6,208.09)	(6,959.13)	(6,450.99)
Net Changes in Cash	(1,544.36)	(415.85)	53.25	2,636.15	(1,654.53)	2,246.84	3,121.31
Beginning Balance	6,301.16	4,756.80	4,340.95	4,394.20	7,030.34	5,375.82	7,622.66
Ending balance	4,756.80	4,340.95	4,394.20	7,030.34	5,375.82	7,622.66	10,743.97

Balance Sheet

Balance sheet (IDR.bn)	2019A	2020A	2021A	2022A	2023F	2024F	2025F
Cash and cash equivalent	4,757	4,341	4,394	7,030	5,376	7,623	10,744
Trade Account Receivable	2,483	1,579	3,100	3,510	5,810	5,804	6,575
inventory	1,551	805	1,208	3,837	1,757	1,849	1,970
Other current asset	2,710	1,639	9,510	10,055	12,299	12,286	13,175
Current Asset	11,680	8,364	18,212	24,432	25,241	27,562	32,463
Net Fixed Asset	7,273	7,864	8,321	8,410	10,352	12,099	13,913
other long term asset	2,043	1,890	2,148	2,926	2,545	2,542	2,823
LT Investment and receivables	5,102	5,939	7,443	9,591	11,875	11,863	13,175
Non current Asset	14,418	15,692	17,912	20,927	24,771	26,503	29,911
Total Asset	26,098	24,057	36,124	45,359	50,013	54,065	62,375
Trade payable	1,020	697	1,270	1,936	1,975	1,973	2,192
Accrued expenses	1,630	1,371	1,856	4,485	3,393	3,389	3,764
Short Term bank loans	152	107	4	4	4	4	4
Other Current liabilities	1,889	1,697	4,371	4,277	4,241	4,237	4,705
Current liabilities	4,691	3,872	7,501	10,702	9,613	9,603	10,666
Long term loans	10	6	2	-	-	-	-
Financial lease	299	394	624	771	848	847	941
Other Long term liabilities	2,675	2,845	3,743	4,971	4,665	4,660	5,176
Non current liabilities	2,984	3,245	4,369	5,741	5,513	5,508	6,117
Total Liabilities	7,675	7,118	11,870	16,443	15,127	15,111	16,782
Total Equities	18,423	16,939	24,254	28,916	34,886	38,954	45,592
Total Liabilities and equity	26,098	24,057	36,124	45,359	50,013	54,065	62,375

Financial Ratio Highlights

Ratio Highlights	2019 A	2020 A	2021 A	2022 A	2023 F	2024 F	2025 F
Growth (% YoY)							
Sales	2.9%	-20.5%	68.9%	45.8%	-0.6%	-0.1%	11.1%
OP	-19.4%	-49.7%	295.1%	52.1%	-3.5%	-8.2%	25.1%
EBITDA	-17.0%	-31.0%	169.7%	53.0%	-5.3%	-5.6%	22.1%
NP	-19.2%	-41.2%	231.4%	58.9%	-4.9%	-7.8%	24.3%
EPS	-14.8%	-42.5%	228.9%	58.9%	-4.9%	-7.8%	24.3%
Profitability							
Operating Margin(%)	23%	15%	34%	36%	34%	32%	36%
EBITDA margin(%)	29%	25%	40%	42%	40%	38%	41%
NET Profit margin(%)	19%	14%	27%	29%	28%	26%	29%
ROA(%)	16%	10%	22%	28%	24%	20%	22%
ROE(%)	22%	14%	33%	43%	34%	28%	30%
Stability							
Debt/ Equity (X)	0.03	0.03	0.03	0.03	0.02	0.02	0.02
Current ratio (X)	2.49	2.16	2.43	2.28	2.63	2.87	3.04
Int. Coverage (x)	42.73	24.39	65.38	102.27	98.15	90.57	112.46
Per Share data (IDR)							
EPS	371	213	702	1115	1061	978	1216
BVS	1,599	1,470	2,105	2,510	3,028	3,381	3,957

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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