

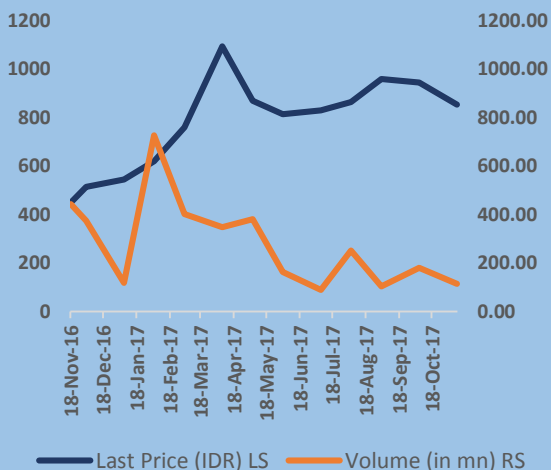
17 November 2017

Coal Mining Contractor, Equity

Current Price IDR. 840

Target Price IDR. 1330

JKSE Index 6037.907



Stock Code

Bloomberg code **DOID IJ**

Market cap (IDR.bn) **7099.3**

52-Week High (IDR) **1200**

52-Week Low (IDR) **448**

6-m Avg Daily. Val (IDR) **897**

Free Float (%) **53.35**

Major Shareholders (%)

PT Northstar Tambang

Persada Ltd **38.373%**

Others **8.279%**

Public **53.348%**

USD/IDR-YE

2016A **13513**

2017F (Avg) **13328**

Key Indicators

Total Debt/ Equity (x) **1.86**

Current ratio (x) **1.73**

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## Investment Consideration

### Coal production volume up 23%

As of 9M17, despite weather and ramp-up challenges, DOID overburden (OB) volume has grown 20% yoy to 257.60 million bcm or 72% of our 359.8 million bcm 2017 target. Coal production grew 23% yoy to 30.60 million tonnes or 73% of our total annual target of 42.12 million tonnes. DOID performances was supported mainly from Berau and New players such as Geo Energy Group and TAM (Tadjahan Antang Mineral). Berau volume increased 22%yoy while new players volume increased 82% yoy in 9M17. Going forward, along with forecasts of better coal prices, DOID is expecting more volume growth mostly supported by Berau and new players such as Geo Energy group (Angsana Jaya Energi/AJE), Tadjahan Antang Mineral (TAM) and Pada Idi (a wholly-owned subsidiary of PT Petro Energy) who will start to produce in 4Q17. In addition, volume growth can come from expansion of existing pits as well as newer pits and potential new contracts.

### Back to profit and higher profit growth

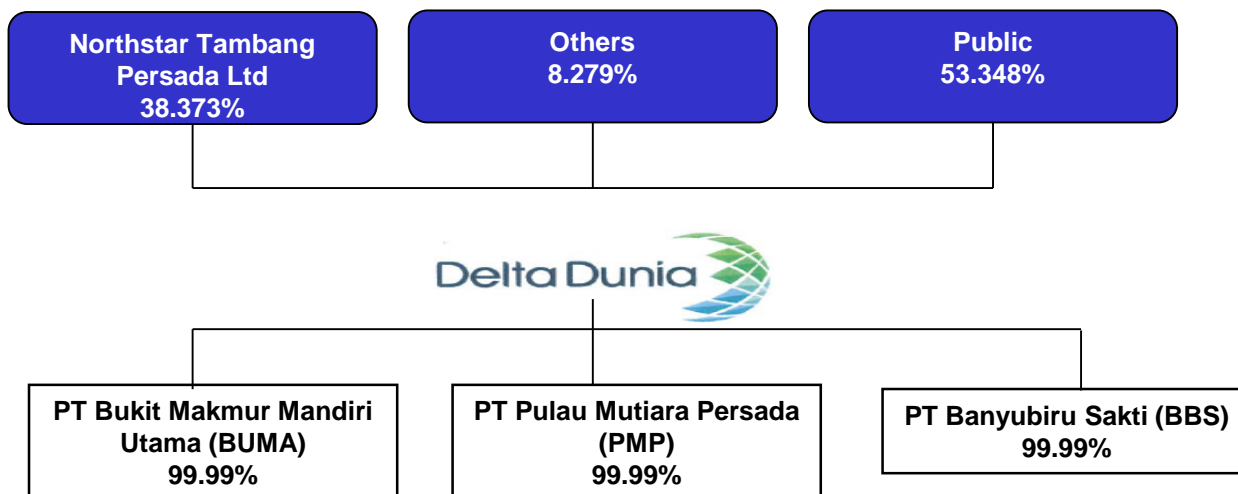
In 3Q17, DOID managed to dramatically improve the bottom line to a US\$23mn profit compared to a loss of US\$15mn in 2Q17 with greater efficiency and sustainably lower costs. In 3Q17, DOID costs ex fuel fell -9% QoQ to 0.9 \$/bcm. In 9M17, EBITDA improved as well growing 48% yoy. Going forward, DOID is optimistic to deliver more profitability with improvements in higher volume, stable cash costs, higher tier rate charges to their customers based on higher coal price forecasts, and no more one off expenses (non cash items - tax provision) in 2017. Capex will continue to be high for the replacement program and investment will mainly will be funded by internal cash. Based on 9M17, we adjust our target bottom line growth in 2017-2018F to an increased CAGR of 32%.

### Valuation: 58.3% upside. Reiterate BUY

Based on the 9M17 results, we make some adjustments to our targets for 2017-2018F giving us a new year end target price of IDR. 1330/share which represents 13.5 PER and offers 58.3% upside potential. We reiterate BUY.

Profit and Loss (USD.mn)	2013 A	2014 A	2015 A	2016 A	2017 F	2018 F
<b>Revenue</b>	<b>695</b>	<b>607</b>	<b>566</b>	<b>611</b>	<b>723</b>	<b>834</b>
Cost of sales	(582)	(485)	(440)	(447)	(521)	(601)
<b>Gross Profit</b>	<b>113</b>	<b>123</b>	<b>126</b>	<b>164</b>	<b>203</b>	<b>234</b>
Operating expense	(49)	(42)	(38)	(42)	(43)	(58)
<b>Operating Profit</b>	<b>64</b>	<b>80</b>	<b>88</b>	<b>122</b>	<b>159</b>	<b>175</b>
Other income	(92)	(52)	(93)	(62)	(96)	(83)
<b>PBT</b>	<b>(28)</b>	<b>28</b>	<b>(6)</b>	<b>61</b>	<b>63</b>	<b>92</b>
taxes	(1)	(12)	(3)	(24)	(19)	(28)
<b>Net Profit</b>	<b>(29)</b>	<b>16</b>	<b>(8)</b>	<b>37</b>	<b>44</b>	<b>64</b>
EPS	(0.004)	0.002	(0.001)	0.004	0.005	0.008
<b>EBITDA</b>	<b>186.05</b>	<b>185.86</b>	<b>185.95</b>	<b>215.99</b>	<b>259.09</b>	<b>272.84</b>

## Company Structure



## Coal prices highlights 2017- 2018

Coal prices jumped in 2Q17 affected by disruption to Australia coal shipments and heavy rainfall in Indonesia. In 3Q17 with the main driving force still from strong demand in China. Hot summer weather, restocking, and various supply constrains lifted China's total coal imports. Coal prices are expected to be \$92.4 – 94.55/ton in 2017 due to continued efforts by China to reduce coal supply amidst their domestic coal policy. China's national Development and reform commission (NDRC) ordered coal mines to cut production days to 276 from 330 days. China is concerned with the environmental conditions of coal mining and wants to create a more environmentally friendly work environment. Some inefficient old mines which breach regulations will be closed. We are targeting, coal prices will move to the level \$82.2 - 85/ton in 2018, in line with predictions that China's economic growth (consumes half of the world's coal output) will be slower compared to 2017F.

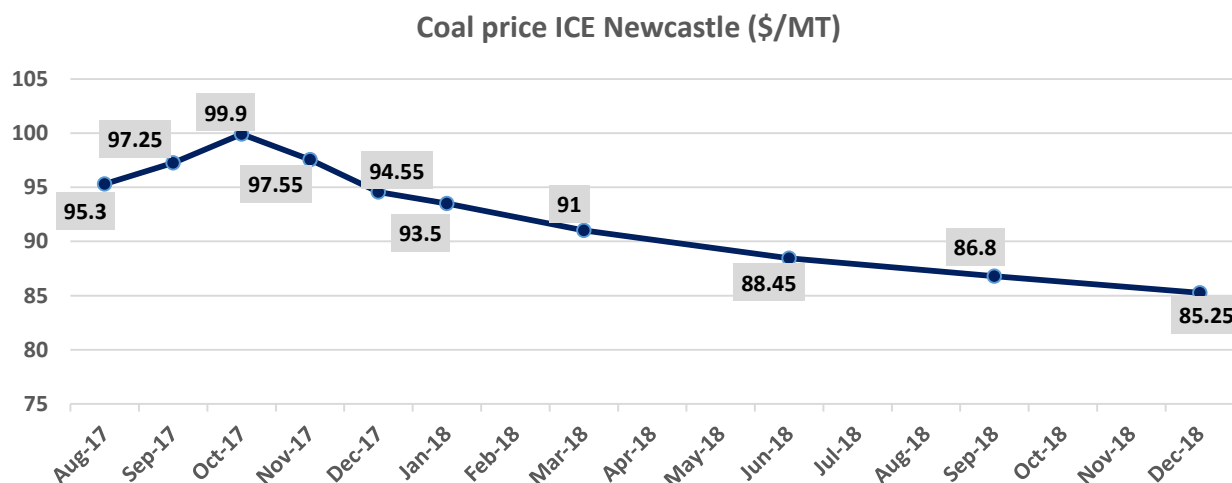


Chart: Overburden volume and coal production

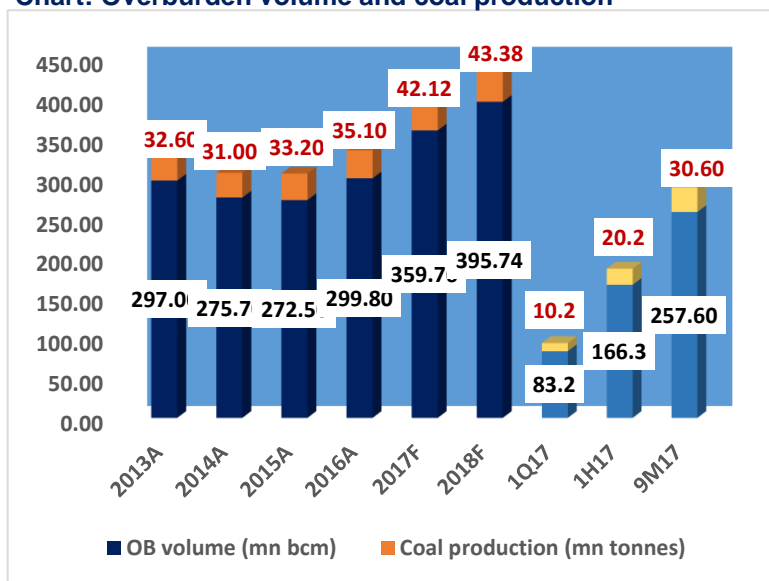


Chart: Overburden volume of Adaro and Kideco (mn bcm)

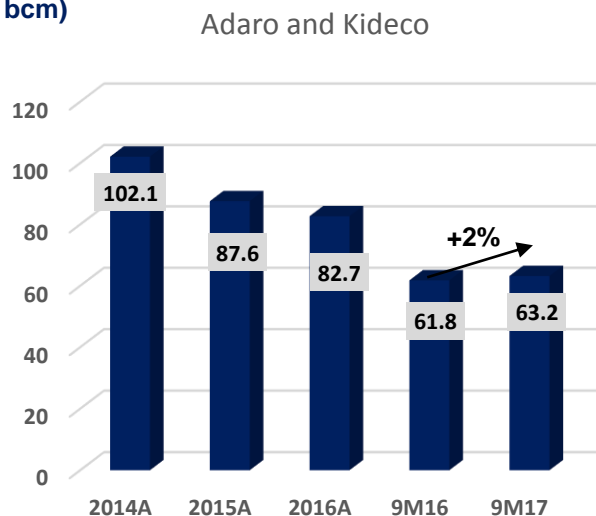


Chart: Overburden volume of Berau (mn bcm)

Berau (Lati & Binungan Pits)

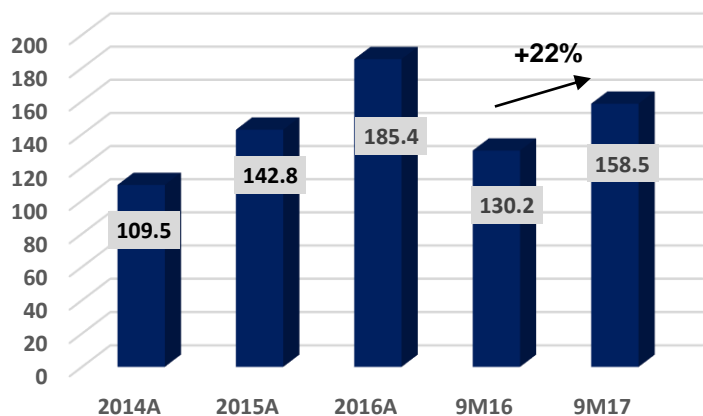
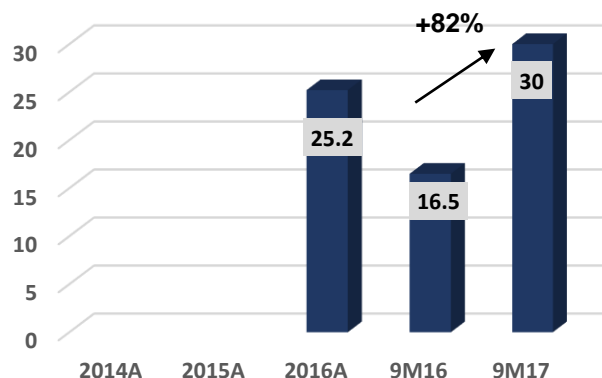


Chart: Overburden volume of New Players (mn bcm)

New Players



New Players includes Geo nergy group (AJE), TAM, and going forward Petro Energy as well

Existing contracts As of 9M17

Customers	Period
Adaro (Paringin)	2009-2022*
Kideco	2004-2019
Berau Coal (Lati)	2012-2025*
Berau Coal - Hauling (Suaran)	2003-2018
Berau Coal (Binungan)	2003-2020
Sungai Danau Jaya (SDJ)	2015 - 2023*
Tadjahan Antang Mineral (TAM)	2015-2024*
Angsana Jaya Energi (AE)	2016 - 2018
Pada Idi	2017 - 2027

\* Means life of mine contract

Company profile of Pada Idi:

Pada Idi is a wholly-owned subsidiary of PT Petro Energy and commenced operating in Central Kalimantan since 2006. In 2015, Pada Idi managed to produce coal amounting to 1,000,000 MT and successfully conduct exportation to China and Cambodia while also supplying locally i.e. to Gresik and Marunda. Pada Idi has a unique product, where most of its products contain sulfur, ash, and low AFT. Company has calorific values – GAR 5500 Kcal/Kg. In contract with DOID, Pada Idi will start producing work volume of OB of 1,5 -2 mn bcm in 4Q17 with target 24 mn bcm in 2018.

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## Balance Sheet (US\$.million)

Balance sheet (US\$.mn)	2011A	2012A	2013A	2014A	2015A	2016A	2017F	2018F
Cash and cash equivalent	213.04	57.05	215.27	75.09	70.62	66.94	98.40	74.02
Trade Account Receivable	159.28	238.82	147.04	144.97	139.22	144.91	166.38	183.55
inventory	54.02	43.35	28.02	23.67	19.82	18.29	21.70	25.03
Other current asset	56.51	46.64	31.65	58.18	78.18	69.15	81.74	94.28
<b>Current Asset</b>	<b>482.85</b>	<b>385.86</b>	<b>421.98</b>	<b>301.91</b>	<b>307.84</b>	<b>299.29</b>	<b>368.22</b>	<b>376.88</b>
Net Fixed Asset	561.29	598.34	488.18	426.65	379.31	405.93	369.93	346.77
other long term asset	150.17	175.57	171.64	179.09	144.65	177.06	180.85	208.58
<b>Total non current Asset</b>	<b>711.46</b>	<b>773.91</b>	<b>659.83</b>	<b>605.74</b>	<b>523.95</b>	<b>582.99</b>	<b>550.77</b>	<b>555.35</b>
<b>Total Asset</b>	<b>1,194.32</b>	<b>1,159.77</b>	<b>1,081.81</b>	<b>907.65</b>	<b>831.80</b>	<b>882.28</b>	<b>918.99</b>	<b>932.23</b>
AP	114.53	74.82	65.68	28.72	26.90	79.61	79.57	91.78
Short Term bank loans	0.00	36.41	89.93	9.92	16.60	61.03	26.25	18.00
Other Current liabilities	108.14	94.61	144.40	88.47	59.02	78.66	94.04	108.46
<b>Total current liabilities</b>	<b>222.67</b>	<b>205.84</b>	<b>300.01</b>	<b>127.10</b>	<b>102.53</b>	<b>219.31</b>	<b>199.86</b>	<b>218.24</b>
Long term liabilities	854.58	848.52	694.41	662.08	614.32	501.36	503.01	487.24
Other Long term liabilities	10.58	15.90	18.98	33.55	29.95	35.14	35.14	40.53
<b>Total long term/ non current liabilities</b>	<b>865.16</b>	<b>864.42</b>	<b>713.39</b>	<b>695.64</b>	<b>644.27</b>	<b>536.50</b>	<b>538.15</b>	<b>527.77</b>
<b>Total Liabilities</b>	<b>1,087.83</b>	<b>1,070.26</b>	<b>1,013.39</b>	<b>822.74</b>	<b>746.80</b>	<b>755.81</b>	<b>738.01</b>	<b>746.01</b>
<b>Total Equities</b>	<b>106.48</b>	<b>89.51</b>	<b>68.41</b>	<b>84.91</b>	<b>85.00</b>	<b>126.47</b>	<b>180.98</b>	<b>186.21</b>
<b>Total Liabilities and equity</b>	<b>1,194.32</b>	<b>1,159.77</b>	<b>1,081.81</b>	<b>907.65</b>	<b>831.80</b>	<b>882.28</b>	<b>918.99</b>	<b>932.23</b>

## Cash Flow (US\$. In million)

Cash Flow (in US\$. mn)	2012A	2013A	2014A	2015A	2016A	2017F	2018F
+ Net Income	(15.26)	(29.37)	16.31	(8.31)	37.09	43.99	64.24
+Depreciation	181.49	122.25	105.53	98.38	93.77	105.54	96.18
- Change in WC	(75.83)	216.26	(193.00)	(34.99)	121.65	(56.91)	(14.66)
<b>Cash From Operating Activities</b>	<b>90.41</b>	<b>309.14</b>	<b>(71.17)</b>	<b>55.09</b>	<b>252.51</b>	<b>92.62</b>	<b>145.76</b>
capex	(243.94)	(8.17)	(51.44)	(16.60)	(152.80)	(73.33)	(100.76)
<b>cash from investing activities</b>	<b>(243.94)</b>	<b>(8.17)</b>	<b>(51.44)</b>	<b>(16.60)</b>	<b>(152.80)</b>	<b>(73.33)</b>	<b>(100.76)</b>
Long term liabilities	(6.06)	(154.12)	(32.33)	(47.76)	(112.96)	1.65	(15.77)
Other Long term liabilities	5.32	3.08	14.58	(3.61)	5.19	0.00	5.39
equity	(1.72)	8.28	0.19	8.40	4.38	10.52	(59.01)
<b>cash from financing activities</b>	<b>(2.46)</b>	<b>(142.76)</b>	<b>(17.56)</b>	<b>(42.97)</b>	<b>(103.39)</b>	<b>12.17</b>	<b>(69.39)</b>
<b>Net Changes in Cash</b>	<b>(155.99)</b>	<b>158.22</b>	<b>(140.18)</b>	<b>(4.48)</b>	<b>(3.68)</b>	<b>31.46</b>	<b>(24.38)</b>
<b>Beginning Balance</b>	<b>213.04</b>	<b>57.05</b>	<b>215.27</b>	<b>75.09</b>	<b>70.62</b>	<b>66.94</b>	<b>98.40</b>
<b>Ending balance</b>	<b>57.05</b>	<b>215.27</b>	<b>75.09</b>	<b>70.62</b>	<b>66.94</b>	<b>98.40</b>	<b>74.02</b>

## Ratio Highlights

	2013A	2014A	2015A	2016 A	2017F	2018F
<b>Growth (% YoY)</b>						
Sales	-17.59%	-12.59%	-6.88%	8.06%	18.35%	15.34%
OP	13.77%	25.93%	9.00%	39.59%	30.21%	10.09%
EBITDA	-21.69%	-0.10%	0.05%	16.16%	22.54%	2.53%
NP	92.52%	-155.52%	-150.94%	-546.50%	18.62%	46.03%
EPS	91.39%	-155.33%	-150.75%	-543.92%	16.09%	46.03%
<b>Profitability</b>						
Operating Margin(%)	9.18%	13.23%	15.48%	20.00%	22.00%	21.00%
EBITDA margin(%)	26.77%	30.60%	32.88%	35.34%	36.59%	32.53%
NET Profit margin(%)	-4.23%	2.68%	-1.47%	6.07%	6.08%	7.70%
ROA(%)	-2.71%	1.80%	-1.00%	4.20%	4.79%	6.89%
ROE(%)	-42.93%	19.20%	-9.77%	29.33%	24.31%	34.50%
<b>Solvability</b>						
Total debt/ tot. Equity (X)	4.22	3.62	3.39	2.60	2.00	1.86
Debt Ratio	0.73	0.74	0.76	0.64	0.58	0.54
Int. Coverage (x)	15.31	14.50	12.28	11.43	11.39	12.70
<b>Liquidity (x)</b>						
Current ratio	1.41	2.38	3.00	1.36	1.84	1.73
<b>Per Share data (USD)</b>						
EPS	(0.004)	0.002	(0.001)	0.004	0.005	0.008
BVS	0.008	0.010	0.010	0.015	0.021	0.022

**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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