

November 8, 2018
Coal Mining Contractor, Equity

Current Price **IDR. 800**
Target Price **IDR. 1315**

JKSE Index 5939.89



Investment Consideration

Main issue resolved

DOID has managed to improve its profitability in 2H18 after a soft 1H18 performance due to weather disruptions and ramp-up challenges. DOID was able to improve its asset utilization and productivity through improvements in infrastructure and better management of the shift time of its workers in 1H18. These led to higher volume and lower production costs per unit in 3Q18. During 3Q18, cash cost ex fuel per bcm/km fell to 37 UScent compared to 44 UScent in 2Q18, and 43 UScent in 1Q18. As of 9M18, despite higher fuel cost from additional new contracts as more equipment is deployed, DOID managed to book EBITDA up 29%yoy and 53% QoQ and bottom line in 3Q18 increased 4x from 2Q18 and 39%yoy. Fuel cost expenses are not an issue as they're mostly passed on to customers or reimbursed by customers such as Geo Energy and Bayan. Going forward, assuming no more ramp-up challenges, supportive weather and a coal price that we believe will still be above USD.80/ton, DOID is expected to continue delivering profitability in 4Q18. We are targeting 2018F - 2019F earnings growth of CAGR (2017-2019) in EBITDA and bottom line growth of 17% and 31%.

Continuing double digit volume growth

DOID has signed new contracts in April – May 2018 with PT Insani Baraperkasa (IBP), a subsidiary of PT Resource Alam Indonesia Tbk (RAIN) and PT Indonesia Pratama (IPR), a subsidiary of Bayan. The new contracts bring DOID's total order book to US\$. 7 billion. These two new contract and Lati (berau coal) which didn't perform well in 1H18 will bring more volume in 2019F. We estimate volume growth will be double digit with OB volume of 2019F of 466mn BCM compared to 2018F of 398mn BCM. Historically, DOID's volume grew on average above 10%. Going forward, we believe DOID efforts to pursue extensions and new contracts will bring long term sustainability and profitability. This is proven in 9M18, as DOID has 11 customers with most having long term contracts until 2025-2027.

Valuation: 64% upside. Reiterate BUY

Weather is unpredictable, but with more new contracts secured, improvements in asset utilization and an expected supportive coal price, we remain optimistic. Based on the 9M18 result, we are adjusting our earnings in 2018-2019F which translates to a one year target price of IDR. 1315/shares or 10.02x PER, lower than our previous IDR. 1540/share. We reiterate BUY.

Stock Code **DOID J**
Bloomberg code **DOID J**
Market cap (IDR.bn) **6937.1**
52-Week High (IDR) **1250**
52-Week Low (IDR) **610**
6-m Avg Daily. Val (IDR) **762**
Free Float (%) **50.26**

Major Shareholders (%)
PT Northstar Tambang **38.112%**
Persada Ltd **11.303%**
Others **50.260%**
Public

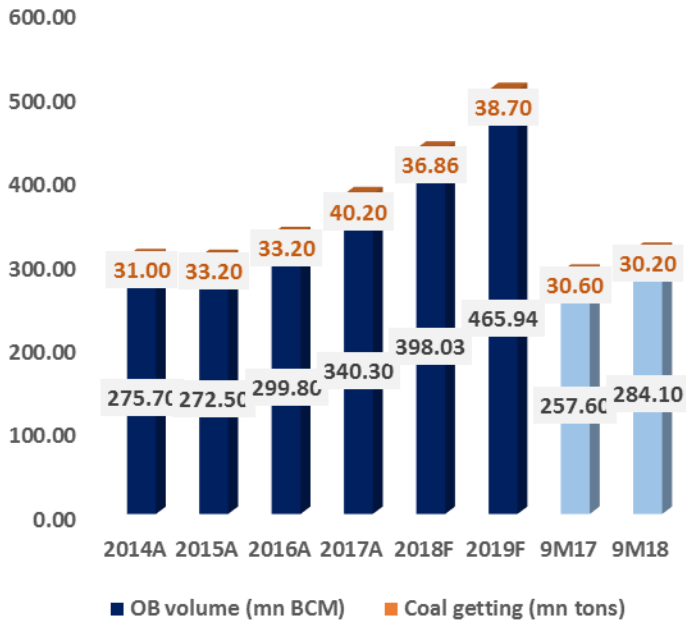
USD/IDR-YE
2017A **13555**
2018F (Avg) **14604**

Key Indicators
Net Debt/ Equity (x) **1.93**
Current ratio (x) **1.77**

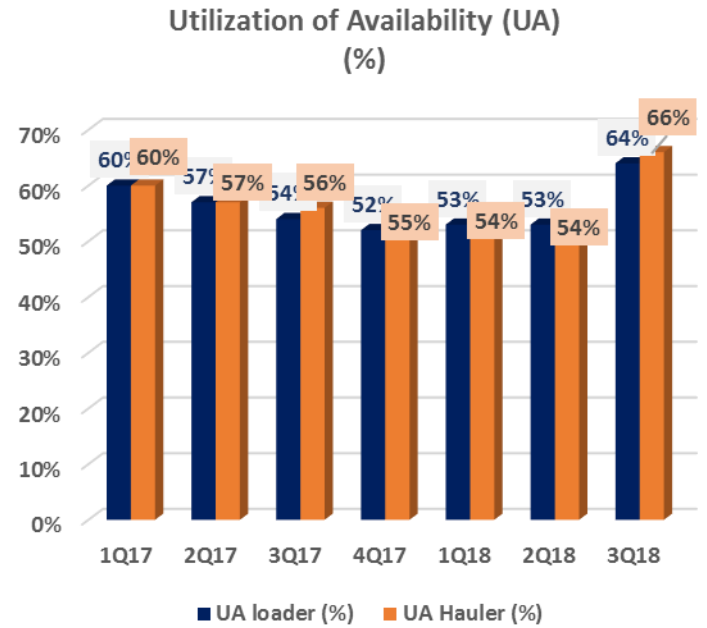
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Profit and Loss (USD.mn)	2015 A	2016 A	2017 A	2018 F	2019 F	2020 F
Revenue	566	611	765	870	955	1,100
Cost of sales	(440)	(447)	(539)	(626)	(678)	(781)
Gross Profit	126	164	225	244	277	319
Operating expense	(38)	(42)	(53)	(61)	(67)	(77)
Operating Profit	88	122	172	183	210	242
Other income	(93)	(62)	(85)	(87)	(95)	(110)
PBT	(6)	61	87	96	115	132
taxes	(3)	(24)	(40)	(29)	(34)	(40)
Net Profit	(8)	37	47	67	80	92
EPS (0.001)	0.004	0.006	0.008	0.009	0.011	
EBITDA	185.95	215.99	279.76	313.43	385.15	429.63

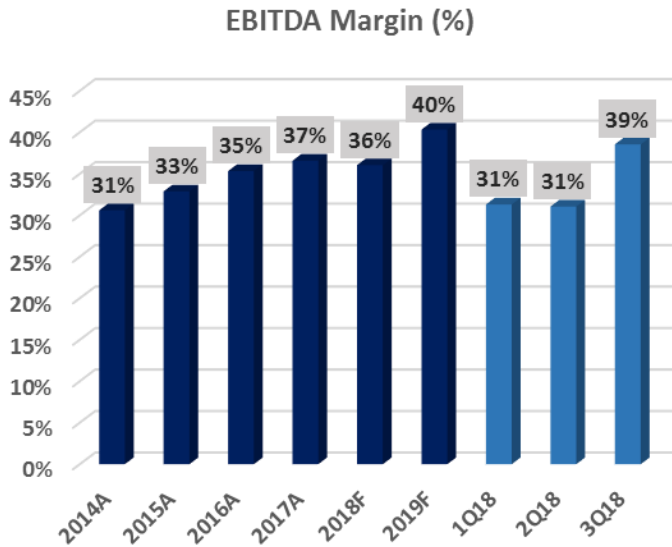
DOID OB (in MBCM) and coal getting (in MT) volume yoy



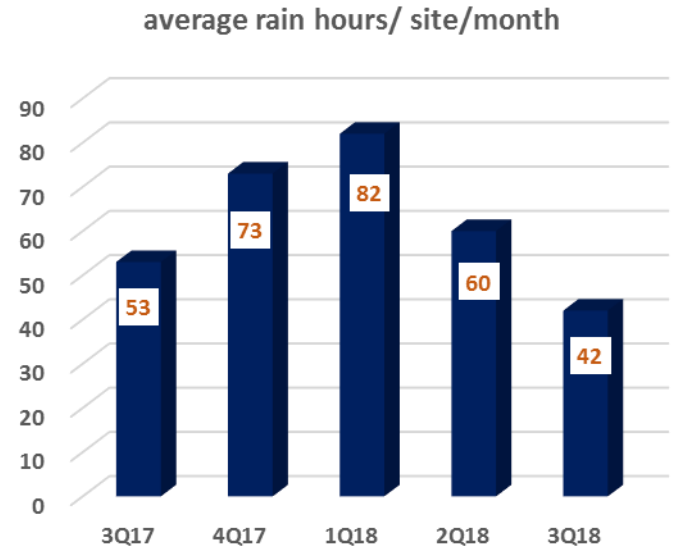
DOID's asset utilization QoQ



DOID's EBITDA margin (%)



Percentage of average rain hours per month of each site.



Balance Sheet (US\$.mn)

Balance sheet (US\$.mn)	2014A	2015A	2016A	2017A	2018F	2019F	2020F
Cash and cash equivalent	75.09	70.62	66.94	67.50	52.18	78.42	74.98
Trade Account Receivable	144.97	139.22	144.91	174.78	200.05	248.28	286.02
inventory	23.67	19.82	18.29	28.43	32.18	33.42	44.00
Other current asset	58.18	78.18	69.15	82.21	139.16	171.89	187.01
Current Asset	301.91	307.84	299.29	352.91	423.58	532.01	592.01
Net Fixed Asset	426.65	379.31	405.93	484.37	648.38	694.88	734.73
other long term asset	179.09	144.65	177.06	108.30	118.29	112.68	129.81
Total non current Asset	605.74	523.95	582.99	592.67	766.67	807.56	864.53
Total Asset	907.65	831.80	882.28	945.58	1,190.25	1,339.57	1,456.54
Trade Payables	28.72	26.90	79.61	101.58	143.51	157.56	181.51
Short Term bank loans	9.92	16.60	61.03	11.78	23.63	18.13	18.13
Other Current liabilities	88.47	59.02	78.66	105.03	121.77	124.14	132.01
Total current liabilities	127.10	102.53	219.31	218.39	288.91	299.83	331.64
Long term liabilities	662.08	614.32	501.36	502.08	607.56	665.84	645.84
Other Long term liabilities	33.55	29.95	35.14	47.94	47.84	47.75	60.50
Total long term/ non current liabilities	695.64	644.27	536.50	550.02	655.40	713.59	706.34
Total Liabilities	822.74	746.80	755.81	768.41	944.31	1,013.42	1,037.98
Total Equity	84.91	85.00	126.47	177.17	245.94	326.16	418.56
Total Liabilities and Equity	907.65	831.80	882.28	945.58	1,190.25	1,339.57	1,456.55

Cash Flow (US\$.mn)

Cash Flow (in US\$.mn)	2014A	2015A	2016A	2017A	2018F	2019F	2020F
+ Net Income	16.31	(8.31)	37.09	46.75	66.97	80.21	92.41
+Depreciation	105.53	98.38	93.77	108.08	130.78	175.06	187.62
- Change in WC	(193.00)	(34.99)	121.65	(53.97)	(15.47)	(71.28)	(31.62)
Cash From Operating Activities	(71.17)	55.09	252.51	100.85	182.28	184.00	248.40
capex	(51.44)	(16.60)	(152.80)	(117.76)	(304.78)	(215.95)	(244.59)
cash from investing activities	(51.44)	(16.60)	(152.80)	(117.76)	(304.78)	(215.95)	(244.59)
Long term liabilities	(32.33)	(47.76)	(112.96)	0.72	105.48	58.28	(20.00)
Other Long term liabilities	14.58	(3.61)	5.19	12.80	(0.10)	(0.09)	12.76
equity	0.19	8.40	4.38	3.95	1.80	0.000023	0.000022
cash from financing activities	(17.56)	(42.97)	(103.39)	17.47	107.18	58.18	(7.24)
Net Changes in Cash	(140.18)	(4.48)	(3.68)	0.57	(15.32)	26.24	(3.44)
Beginning Balance	215.27	75.09	70.62	66.93	67.50	52.18	78.42
Ending balance	75.09	70.62	66.93	67.50	52.18	78.42	74.98

Ratio Highlights

Ratio Highlights	2014A	2015A	2016 A	2017 A	2018F	2019F	2020F
Growth (% YoY)							
Sales	-12.59%	-6.88%	8.06%	25.09%	13.75%	9.79%	15.20%
OP	25.93%	9.00%	39.59%	40.47%	6.39%	15.02%	15.20%
EBITDA	-0.10%	0.05%	16.16%	29.52%	12.04%	22.88%	11.55%
NP	-155.52%	-150.94%	-546.50%	26.04%	43.27%	19.77%	15.20%
EPS	-155.33%	-150.75%	-543.92%	24.19%	41.51%	19.77%	15.20%
Profitability (%)							
Operating Margin(%)	13.23%	15.48%	20.00%	22.45%	21.00%	22.00%	22.00%
EBITDA margin(%)	30.60%	32.88%	35.34%	36.59%	36.04%	40.33%	39.06%
NET Profit margin(%)	2.68%	-1.47%	6.07%	6.11%	7.70%	8.40%	8.40%
ROA(%)	1.80%	-1.00%	4.20%	4.94%	5.63%	5.99%	6.34%
ROE(%)	19.20%	-9.77%	29.33%	26.39%	27.23%	24.59%	22.08%
Solvability (x)							
Net debt/ Ebitda (X)	3.21	3.01	2.29	1.60	1.85	1.93	1.53
Debt Ratio	0.74	0.76	0.64	0.54	0.53	0.51	0.46
Int. Coverage (x)	14.50	12.28	11.43	14.73	13.78	13.96	16.57
Liquidity (x)							
Current ratio	2.38	3.00	1.36	1.62	1.47	1.77	1.79
Per Share data (USD)							
EPS	0.002	(0.001)	0.004	0.006	0.008	0.009	0.011
BVS	0.010	0.010	0.015	0.021	0.029	0.038	0.049

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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