

12 April 2022
Coal Mining, Equity

Current Price **IDR. 27300**
Target Price **IDR. 34725**
JKSE Index **7232.29**

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INDO TAMBANGRAYA MEGAH TBK, 10, IDX: 27250 -25 (-0.82%)



TradingView

Investment Consideration Targetting higher production

ITMG's 2021 coal production was down -2% YoY to 18.20mn tons due to heavy rainfall affecting all mine sites, as in the previous year. But in 4Q21, output increased to 4.9 mn tons compared to 3Q21 4.6 mn tons. 1Q22 production is expected at 3.8 mn tons compared to 1Q21, 4.0 mn tons with a higher strip ratio of 12.1x due to pre-strip activities at Trubaindo and void management activities at Embalut. We forecast total coal production in 2022 of 18.5 mn tons or flat yoy. In 2021, ITMG was able to achieve an ASP of USD 103.2 per ton as coal prices jumped in 2021, driven by the global economic recovery and a gradual return to normalcy. We estimate a lower average selling price (ASP) in 2022F, but we expect the price to remain high. We estimate 2022F-2023F revenue will be lower than 2021A from the lower ASP but we assume coal production growth will remain positive.

Maintaining higher margin

During 2021, ITMG was able to book a significantly higher margin and bottom line profit of USD. 476 million compared to USD.39 million previously. The increase in bottom line profit was due to the significant increase in coal prices along with good cost management. Despite higher fuel prices, production cost was USD. 42.9/ton compared to USD. 41.9/ton previously. Going forward, cost control will help ITMG to maintain production costs at this level. We estimate ITMG's bottom line profit will continue to grow at a double digit rate of 21% this year.

Solid cash flow

ITMG was able to Increase cash in 2021FY to USD.691 million compared to USD. 231.5 million previously, driven by strong cashflow growth with cash generated from operating activities in 2021 increasing 3.5x yoy. With cost efficiency and prudent management, we expect solid future cash flows..

Valuation: 27% upside potential

We have a TP for ITMG of IDR 34,725, which would mean the shares valued at 15x PER. With 27% potential upside. We recommend BUY.

Stock Code **ITMG J**
Bloomberg code **ITMG J**
Market cap (IDR.bn) **22010**
52-Week High (IDR) **30200**
52-Week Low (IDR) **11700**
6-m Avg Daily. Val (IDR) **19900**
Free Float (%) **31.79**

Major Shareholders (%)
PT Banpu Minerals
(Singapore) Pte, Ltd **65.14%**
Fredi Chandra **0.12%**
Treasury shares **2.95%**
Public **31.79%**

USD/IDR-YE
2021A **14278**
2022F (Avg) **14365**

Key Indicators
Debt/ Equity (x) **0.04**
Current ratio (x) **2.36**

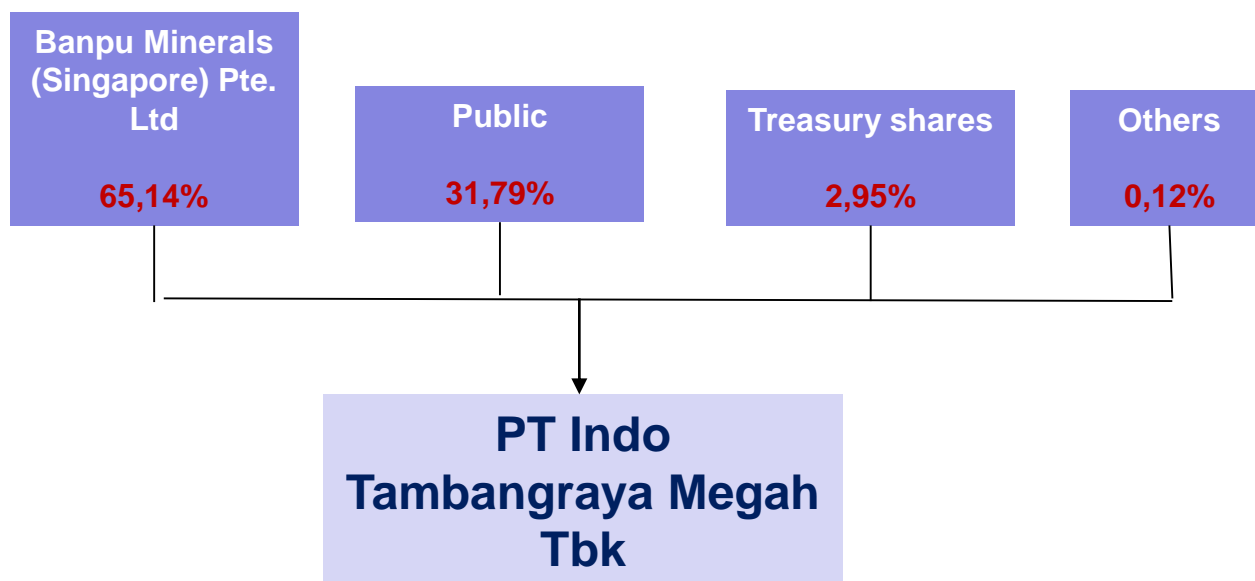
Analyst: Revita Dhiah Anggrainy
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Profit and Loss (USD.mn)	2018 A	2019 A	2020 A	2021 A	2022 F	2023 F
Revenue	2,008	1,716	1,185	2,077	1,956	1,464
Cost of sales	(1,424)	(1,389)	(986)	(1,160)	(1,075)	(996)
Gross Profit	584	327	199	917	881	468
Operating expense	152	146	95	125	167	117
Operating Profit	432	181	104	791	714	350
Other income	(65)	5	(31)	(170)	(106)	(79)
taxes	(109)	(59)	(35)	(146)	(195)	(87)
Minority interest	3.2	2.9	1.6	0.2	1.4	1.1
Net Profit	262	129	39	476	415	185
EPS	0.23	0.11	0.03	0.42	0.37	0.16
EBITDA	497	245	186	885	801	440

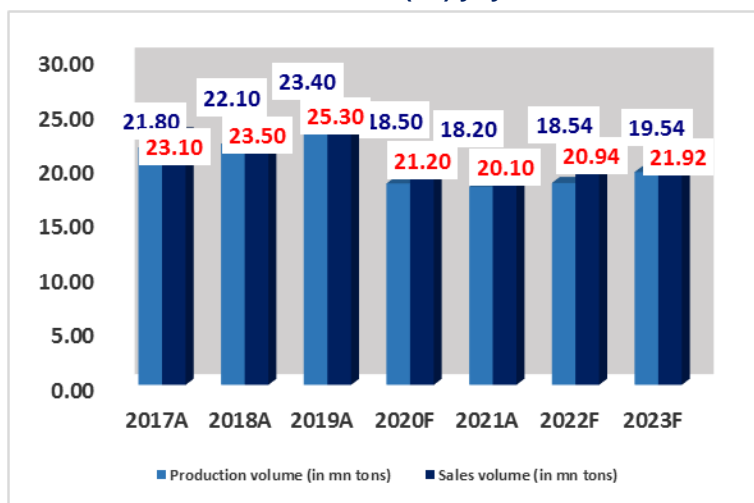
Company profile

PT Indo Tambangraya Megah Tbk (ITMG) was established in 1987, and has recorded a series of significant milestones beginning with carrying out a consolidation of its mining investment portfolio in 2001, the year ITMG was acquired by BANPU Thailand. ITMG next 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 set a new company direction to become a provider of energy products and services by promoting sustainable development planning. The Company carried out a digital transformation since 2018, in every aspect of its operations and business. This transformation is also balanced by the transformation of the work culture. ITMG benefits from the close proximity of all of its concession areas to each other and is able to service all of its mining operations through its integrated marketing and logistics team. The Company believes its world class export facility at the Bontang Coal Terminal gives the Company the ability to maximize blending and deliver products to high capacity vessels. The operational areas of ITMG includes 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. Then 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.

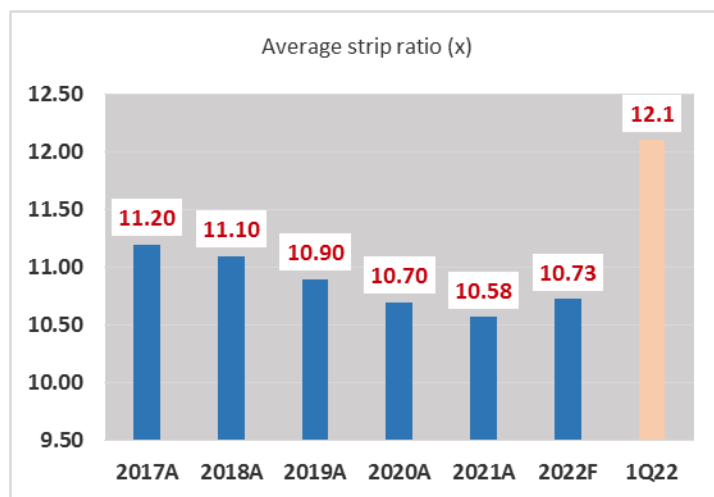
Company's shareholder



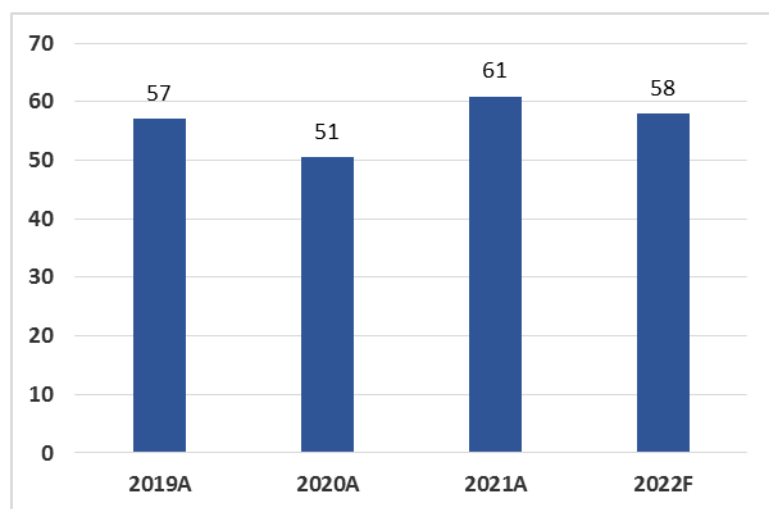
Production and sales volume (Mt) yoy



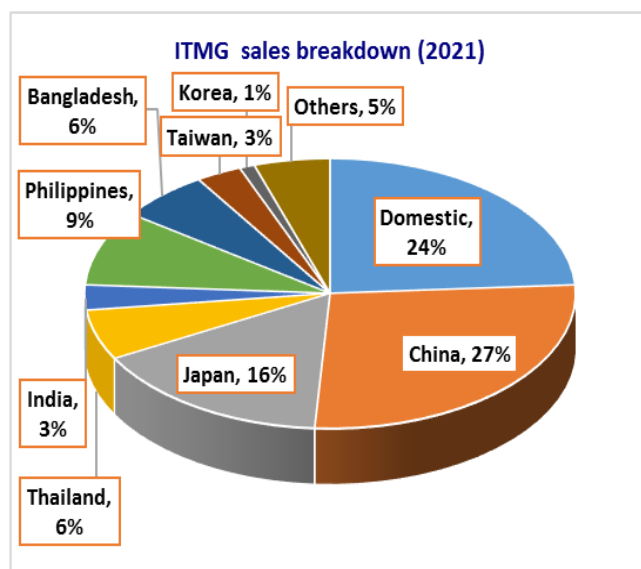
Average Stripping ratio (x) yoy



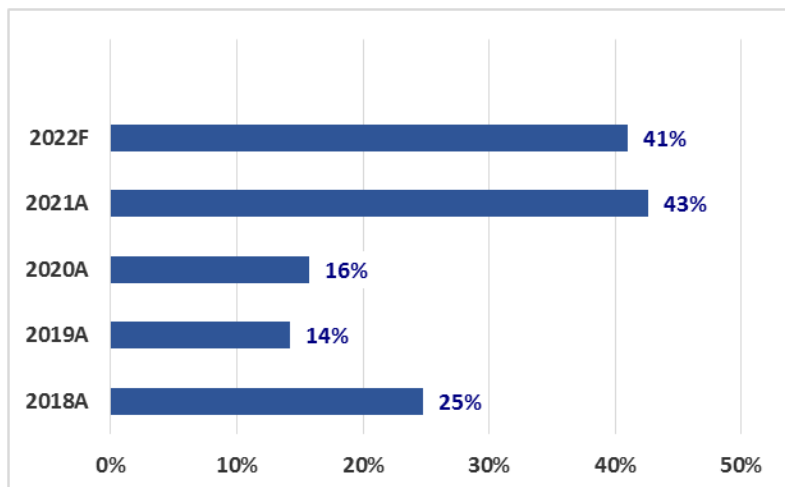
ITMG's cash cost USD/ton yoy



ITMG's sales breakdown destination 2021



Ebitda Margin (%) yoy



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Balance Sheet (USD.mn)

Balance sheet (USD.mn)	2018A	2019A	2020A	2021A	2022F	2023F
Cash and cash equivalent	368.22	159.21	231.46	690.97	813.84	718.81
Trade Account Receivable	217.41	133.64	74.66	186.81	219.70	168.47
inventory	107.87	102.57	60.22	62.45	61.86	60.06
Other current asset	72.95	77.08	53.59	47.79	78.23	58.56
Current Asset	766.45	472.50	419.93	988.02	1,173.64	1,005.90
Net Fixed Asset	227.29	222.81	195.85	165.77	173.68	181.96
other long term asset	433.61	499.06	528.74	499.20	488.96	366.01
Mining properties	15.37	14.67	14.11	13.25	21.64	15.59
Non current Asset	676.28	736.54	738.70	678.22	684.28	563.56
Total Asset	1,442.73	1,209.04	1,158.63	1,666.24	1,857.92	1,569.46
Trade payable	194.23	77.74	62.34	85.26	144.68	112.31
Acrued expenses	146.12	119.38	95.92	103.28	117.35	117.12
Short Term bank loans	0.00	10.62	0.00	0.00	0.00	0.00
Other Current liabilities	49.55	25.55	49.04	176.20	234.70	146.40
Current liabilities	389.90	233.29	207.30	364.74	496.73	375.84
Provision for mine rehabilitation	37.81	38.24	36.85	37.51	39.12	29.28
Deferred tax liabilities	4.38	3.34	1.84	2.05	5.87	4.39
Other Long term liabilities	40.85	49.71	30.63	34.58	50.53	37.83
long term loan	0.00	0.00	35.72	25.81	27.10	28.45
Non current liabilities	83.05	91.29	105.04	99.94	122.61	99.95
Total Liabilities	472.95	324.58	312.34	464.68	619.34	475.79
Total Equities	969.78	884.47	846.29	1,201.56	1,238.57	1,093.67
Total Liabilities and equity	1,442.73	1,209.04	1,158.63	1,666.24	1,857.92	1,569.46

Cash Flow (USD.mn)

Cash Flow (USD.mn)	2018A	2019A	2020A	2021A	2022F	2023F
+ Net Income	261.95	129.43	39.47	475.57	414.87	185.47
+Depreciation	49.98	51.47	44.81	42.08	37.93	39.74
- Change in WC	86.92	(71.67)	98.83	48.86	69.25	(48.18)
Cash From Operating Activities	398.85	109.23	183.11	566.51	522.05	177.03
capex	(164.59)	(111.73)	(46.97)	18.40	(43.99)	80.98
cash from investing activities	(164.59)	(111.73)	(46.97)	18.40	(43.99)	80.98
Provision for mine rehabilitation	37.81	0.43	(1.39)	0.66	1.61	(9.84)
Deffered tax liabilities	0.46	(1.05)	(1.50)	0.20	3.82	(1.48)
Other Long term liabilities	(28.24)	8.86	(19.08)	3.95	15.96	(12.71)
long term loan equity	0.00	0.00	35.72	(9.92)	1.29	1.35
(250.31)	(214.74)	(77.64)	(120.30)	(377.86)	(330.37)	
cash from financing activities	(240.28)	(206.50)	(63.89)	(125.40)	(355.18)	(353.04)
Net Changes in Cash	(6.01)	(209.01)	72.25	459.51	122.87	(95.03)
Beginning Balance	374.23	368.22	159.21	231.46	690.97	813.84
Ending balance	368.22	159.21	231.46	690.97	813.84	718.81

Ratio Highlights

Ratio Highlights	2018 A	2019 A	2020 A	2021 A	2022 F	2023 F
Growth (% YoY)						
Sales	18.83%	-14.55%	-30.91%	75.21%	-5.82%	-25.14%
OP	11.33%	-58.22%	-42.44%	661.40%	-9.76%	-50.91%
EBITDA	9.95%	-50.73%	-23.82%	374.71%	-9.42%	-45.13%
NP	3.70%	-50.59%	-69.50%	1104.92%	-12.76%	-55.29%
EPS	0.64%	-50.59%	-69.50%	1104.92%	-12.76%	-55.29%
Profitability						
Operating Margin(%)	21.52%	10.52%	8.77%	38.10%	36.50%	23.94%
EBITDA margin(%)	24.73%	14.26%	15.72%	42.60%	40.97%	30.03%
NET Profit margin(%)	13.05%	7.54%	3.33%	22.90%	21.21%	12.67%
ROA(%)	18.16%	10.70%	3.41%	28.54%	22.33%	11.82%
ROE(%)	27.01%	14.63%	4.66%	39.58%	33.50%	16.96%
Stability						
Debt/ Equity (X)	0.04	0.06	0.05	0.03	0.04	0.03
Current ratio (X)	1.97	2.03	2.03	2.71	2.36	2.68
Per Share data (USD)						
EPS	0.23	0.11	0.03	0.42	0.37	0.16
BVS	0.86	0.78	0.75	1.06	1.10	0.97

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
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