

16 December 2021
Coal Mining, Equity

Current Price **IDR. 20325**
Target Price **IDR. 24385**
JKSE Index **6637.52**

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Investment Consideration

Lower production

ITMG's 9M21 coal production declined-3.6% YoY to 13.30mn tons from 9M20's 14mn tons. In 3Q21, production was below target due to heavy rainfall, like last year, which affected all mine sites. But in 4Q21, output is expected to increase to 5,5mn tons assuming the weather condition is manageable at 2 of ITMG sites, Trubaindo and Bharinto. We estimate 2021 production will decline to 18.5 mn tons or down -21% YoY from 2020. In terms of sales, in 3Q21, ITMG sold 14.8 million tons, a decrease of -3.9% YoY with sales to China (28%), Japan (14%), Indonesia (21%), Bangladesh (6%), Thailand (7%), India (3%), Philippines (10%) and other countries in East and Southeast Asia. During 3Q21, ITMG average selling price was USD 89, up from USD 53.80 per ton a year ago. The strengthening price in 3Q21 is due to strong demand combined with tight supply particularly from late August to September. ASP in 4Q20 is expected to continue the up trend. We maintain our sales and production volume targets for 2021F together with a significant adjustment in ASP. We expect 2021-2022, exports will improve as the global economy improves. We estimate revenue in 2021F will increase significantly due to a higher average selling price (ASP) while 2022F revenue will be lower as we estimate coal prices will decline YoY.

lower costs

ITMG has controlled spending by cutting costs in each department during the pandemic. As of 3Q21, production costs were 41.5 USD/tons -3% yoy, but +3.5% QoQ because of the heavy rainfall. ITMG plans to maintain a lower strip ratio during 4Q21. We believe a lower strip ratio, lower fuel costs from a lower oil price and further cost cutting, will help ITMG to further reduce the cost of production.

Trial Production at GPK

ITMG acquired PT Graha Panca Karsa (GPK) in 2020 in order to expand the company's coal asset portfolio. GPK will produce low CV coal in its East Kalimantan concession. GPK is expected to reach production of 3mn tons/annum in the medium to long term with a strip ratio of 4-5x and is expected to start trial-production during late 4Q21 at approximately 10 Ktons

Valuation: 20% upside potential

We have a TP for ITMG of IDR 24,385, which would mean the shares valued at 10x PER with 20% potential upside. We recommend BUY.

Stock Code **ITMG JI**
Bloomberg code **ITMG JI**
Market cap (IDR.bn) **22010**
52-Week High (IDR) **27750**
52-Week Low (IDR) **11425**
6-m Avg Daily. Val (IDR) **12100**
Free Float (%) **31.79**

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

USD/IDR-YE
2020A **14050**
2021F (Avg) **14346**

Key Indicators
Debt/ Equity (x) **0.03**
Current ratio (x) **2.75**

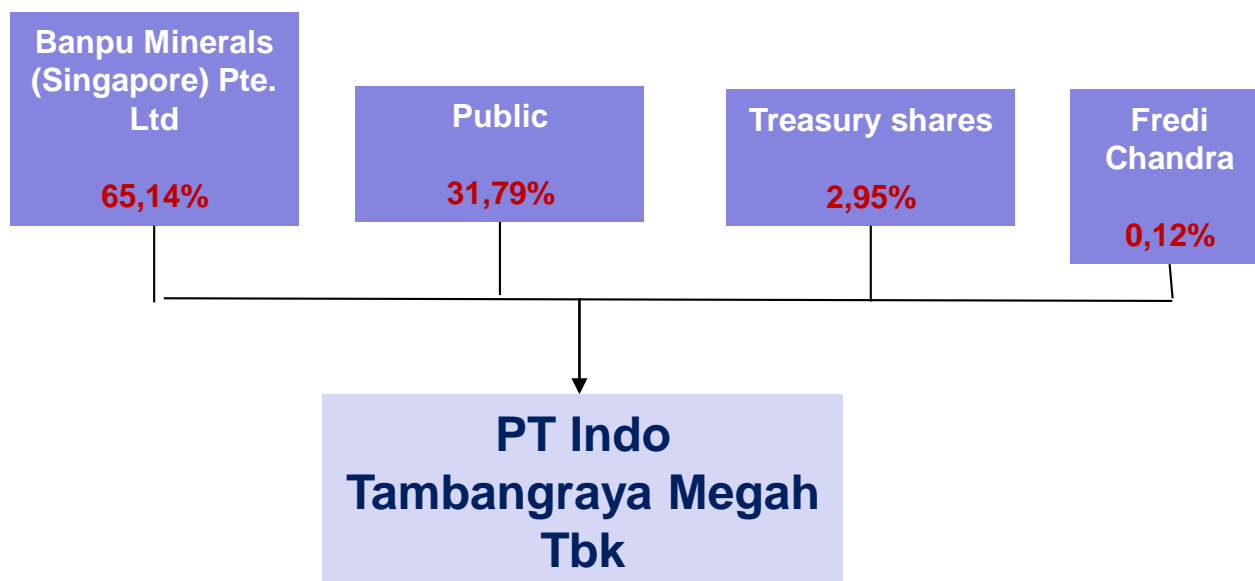
Analyst: Revita Dhiah Anggrainy
revita.anggrainy@binaartha.com

Profit and Loss (USD.mn)	2018 A	2019 A	2020 A	2021 F	2022 F	2023 F
Revenue	2,008	1,716	1,185	1,944	1,448	1,233
Cost of sales	(1,424)	(1,389)	(986)	(1,058)	(1,074)	(1,003)
Gross Profit	584	327	199	886	374	230
Operating expense	152	146	95	166	123	105
Operating Profit	432	181	104	721	250	125
Other income	(65)	5	(31)	(46)	34	29
taxes	(109)	(59)	(35)	(270)	(91)	(49)
Minority interest	3.2	2.9	1.6	3.8	3.0	2.8
Net Profit	262	129	39	408	197	108
EPS	0.23	0.11	0.03	0.36	0.17	0.10
EBITDA	497	245	161	780	302	178

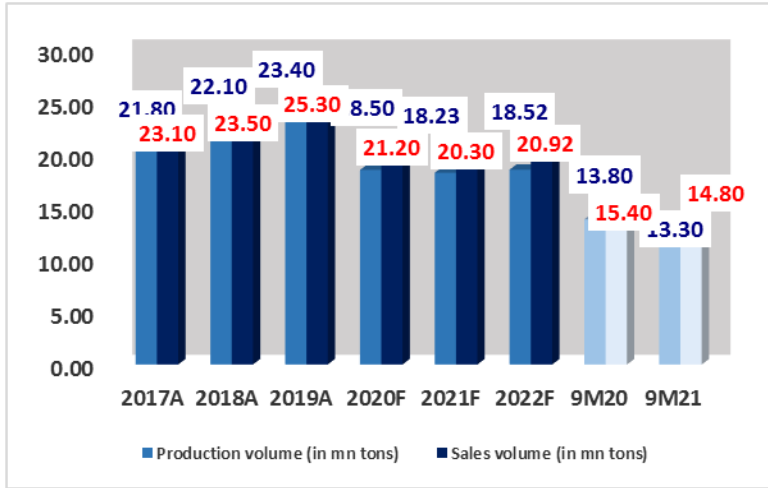
Company profile

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.

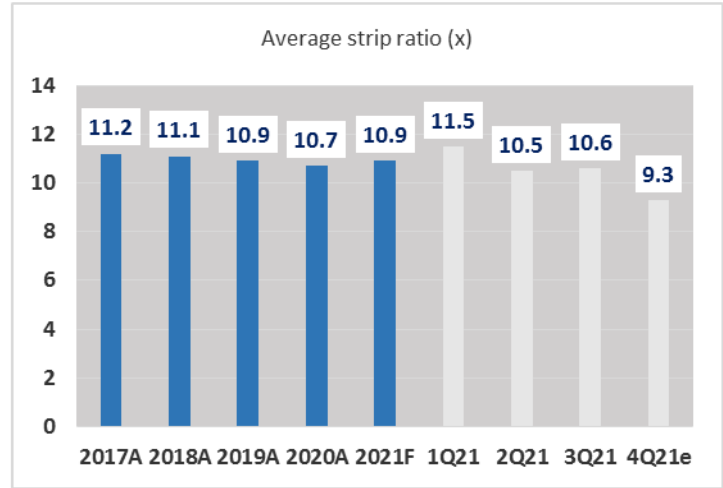
Company's shareholder



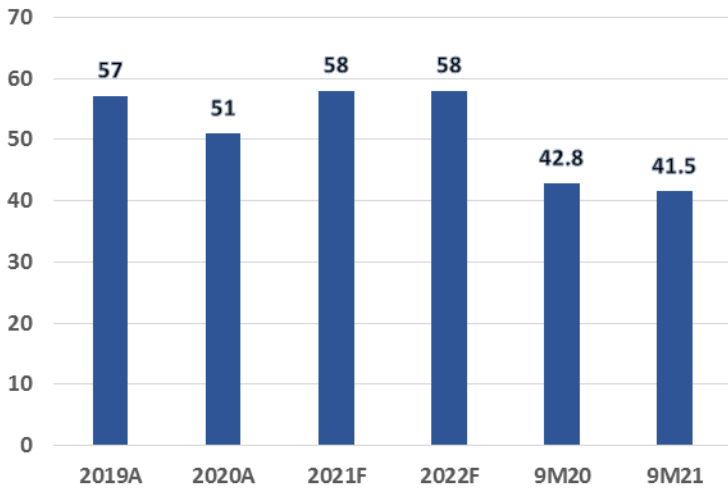
Production and sales volume (Mt) yoy



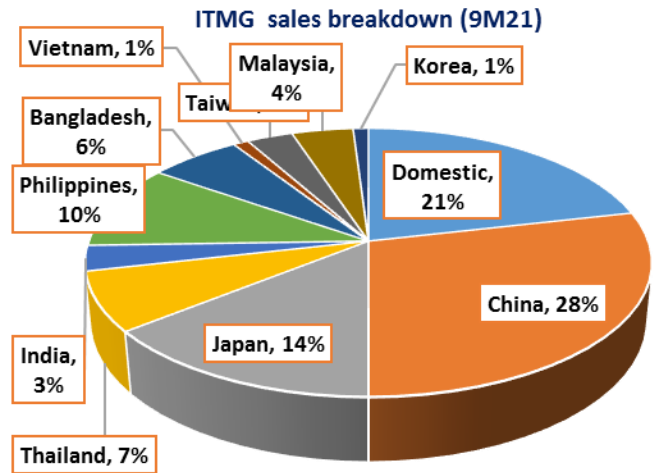
Average Stripping ratio (x) yoy



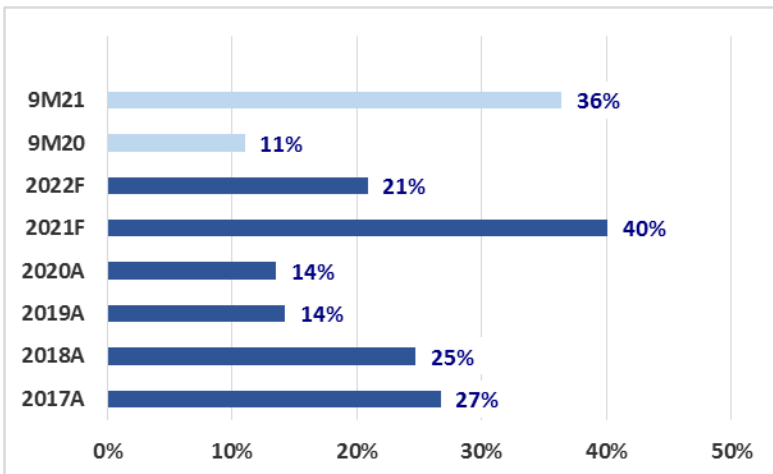
ITMG's production cost QoQ



ITMG's sales breakdown destination 9M21



Ebitda Margin (%) yoy



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Balance Sheet (USD.mn)

Balance sheet (USD.mn)	2018A	2019A	2020A	2021F	2022F	2023F
Cash and cash equivalent	368.22	159.21	231.46	775.16	730.14	701.90
Trade Account Receivable	217.41	133.64	74.66	213.02	162.64	141.86
inventory	107.87	102.57	60.22	57.95	61.80	60.43
Other current asset	72.95	77.08	53.59	77.75	57.92	49.31
Current Asset	766.45	472.50	419.93	1,123.88	1,012.50	953.49
Net Fixed Asset	227.29	222.81	195.85	159.63	166.02	172.66
other long term asset	433.61	499.06	528.74	485.96	361.98	308.20
Mining properties	15.37	14.67	14.11	19.88	16.02	13.13
Non current Asset	676.28	736.54	738.70	665.47	544.02	493.99
Total Asset	1,442.73	1,209.04	1,158.63	1,789.36	1,556.52	1,447.49
Trade payable	194.23	77.74	62.34	138.46	107.11	94.57
Accrued expenses	146.12	119.38	95.92	97.19	86.87	98.63
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	213.82	173.75	123.28
Current liabilities	389.90	233.29	207.30	449.48	367.73	316.48
Provision for mine rehabilitation	37.81	38.24	36.85	38.88	28.96	24.66
Deffered tax liabilities	4.38	3.34	1.84	5.83	4.34	3.70
Other Long term liabilities	40.85	49.71	30.63	50.22	37.41	31.85
long term loan	0.00	0.00	35.72	30.88	32.42	34.04
Non current liabilities	83.05	91.29	105.04	125.81	103.13	94.25
Total Liabilities	472.95	324.58	312.34	575.28	470.86	410.73
Total Equities	969.78	884.47	846.29	1,214.07	1,085.66	1,036.76
Total Liabilities and equity	1,442.73	1,209.04	1,158.63	1,789.36	1,556.52	1,447.49

Cash Flow (USD.mn)

Cash Flow (USD.mn)	2018A	2019A	2020A	2021F	2022F	2023F
+ Net Income	261.95	129.43	39.47	408.45	196.81	107.88
+Depreciation	49.98	51.47	44.81	39.17	31.93	33.20
- Change in WC	86.92	(71.67)	98.83	81.93	(15.38)	(20.49)
Cash From Operating Activities	398.85	109.23	183.11	529.55	213.36	120.59
capex	(164.59)	(111.73)	(46.97)	34.05	89.52	16.83
cash from investing activities	(164.59)	(111.73)	(46.97)	34.05	89.52	16.83
Provision for mine rehabilitation	37.81	0.43	(1.39)	2.03	(9.92)	(4.30)
Deffered tax liabilities	0.46	(1.05)	(1.50)	3.99	(1.49)	(0.65)
Other Long term liabilities	(28.24)	8.86	(19.08)	19.60	(12.81)	(5.56)
long term loan equity	0.00	0.00	35.72	(4.85)	1.54	1.62
(250.31)	(214.74)	(77.64)	(40.67)	(325.23)	(156.78)	
cash from financing activities	(240.28)	(206.50)	(63.89)	(19.90)	(347.90)	(165.67)
Net Changes in Cash	(6.01)	(209.01)	72.25	543.70	(45.02)	(28.25)
Beginning Balance	374.23	368.22	159.21	231.46	775.16	730.14
Ending balance	368.22	159.21	231.46	775.16	730.14	701.90

Ratio Highlights

Ratio Highlights	2018 A	2019 A	2020 A	2021 F	2022 F	2023 F
Growth (% YoY)						
Sales	18.83%	-14.55%	-30.91%	63.99%	-25.51%	-14.86%
OP	11.33%	-58.22%	-42.44%	593.52%	-65.24%	-50.00%
EBITDA	9.95%	-50.73%	-34.31%	385.19%	-61.22%	-40.99%
NP	3.70%	-50.59%	-69.50%	934.87%	-51.82%	-45.18%
EPS	0.64%	-50.59%	-69.50%	934.87%	-51.82%	-45.18%
Profitability						
Operating Margin(%)	21.52%	10.52%	8.77%	37.07%	17.30%	10.16%
EBITDA margin(%)	24.73%	14.26%	13.56%	40.12%	20.88%	14.47%
NET Profit margin(%)	13.05%	7.54%	3.33%	21.01%	13.59%	8.75%
ROA(%)	18.16%	10.70%	3.41%	22.83%	12.64%	7.45%
ROE(%)	27.01%	14.63%	4.66%	33.64%	18.13%	10.41%
Stability						
Debt/ Equity (X)	0.04	0.06	0.05	0.04	0.03	0.03
Current ratio (X)	1.97	2.03	2.03	2.50	2.75	3.01
Per Share data (USD)						
EPS	0.23	0.11	0.03	0.36	0.17	0.10
BVS	0.86	0.78	0.75	1.07	0.96	0.92

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
(62-21) 520-6678 ext.612**

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