

1 Feb 2021
Coal Mining, Equity

Current Price IDR. 12250
Target Price IDR. 14400
JKSE Index 5862,35



Investment Consideration

Targetting 19,1mn tons production

ITMG cut their coal production target in 2020 to 19,1mn tons from their previous target of 23,6 millions tons. In 3Q20, total production was below target due to heavy rainfall in the Indominco sites. But we expect in 4Q20, output from 2 of ITMG sites, Indominco and Bharinto will be higher to help achieve the annual target. In terms of sales, ITMG has set a sales volume target of 21,6 millions tons -14,6% yoy from 25,3 millions tons in 2019FY. In 3Q20, ITMG sold 15,4 million tons of coal which was sold in China (3,6 million tons), Japan (3.5 million tons), Indonesia (2.9 million tons), Bangladesh (0.4 million tons), Thailand (0.9 million tons), India (0.7 million tons), Philippines (1.3 million tons) and other countries in East and Southeast Asia. During 3Q20, ITMG had a 19% lower average selling price of USD 54 from USD 66 per ton a year ago. The sharp drop in coal prices was due to seasonally lower coal demand, further impacted by the pandemic. ASP in 4Q20 is expected to shadow the price recovery trend. Net Income in 3Q20, still showed a down trend following the previous quarters. We maintain our sales and production volume targets for 2020 and 2021F with slight adjustments. We expect in 2021 the market, particularly exports will improve if the vaccine is successful. We estimate net income during 2020F and 2021F at USD. 60 mn and USD.116 mn respectively.

18,7% lower cost in 3Q20

ITMG has controlled cash spending by cutting costs in each department during the pandemic. As of 3Q20, production costs were 34 USD/tons - 9.3% yoy, +18,7% QoQ, inline with production growth. The strip ratio was lower QoQ, from 1Q20 10,7x, 2Q20 10,8x, to 3Q20 10x. We expect the 4Q20 strip ratio to be 9,1x. We believe a lower strip ratio, lower fuel costs from a low oil price and further cost cutting, will help ITMG to reduce the cost of production to help manage any unexpected conditions.

Valuation: 17% upside potential

We have a TP for ITMG of IDR 14,400, which would mean the shares valued at 10x PER with 17% potential upside. We recommend HOLD.

Stock Code
Bloomberg code ITMG IJ
Market cap (IDR.bn) 13672.1
52-Week High (IDR) 15700
52-Week Low (IDR) 5650
6-m Avg Daily. Val (IDR) 12100
Free Float (%) 31.79

Major Shareholders (%)
PT Banpu Minerals
(Singapore) Pte, Ltd 65.14%
Public 31.79%

USD/IDR-YE
2020A 14050
2020F (Avg) 14070

Key Indicators
Debt/ Equity (x) 0.05
Current ratio (x) 1.51

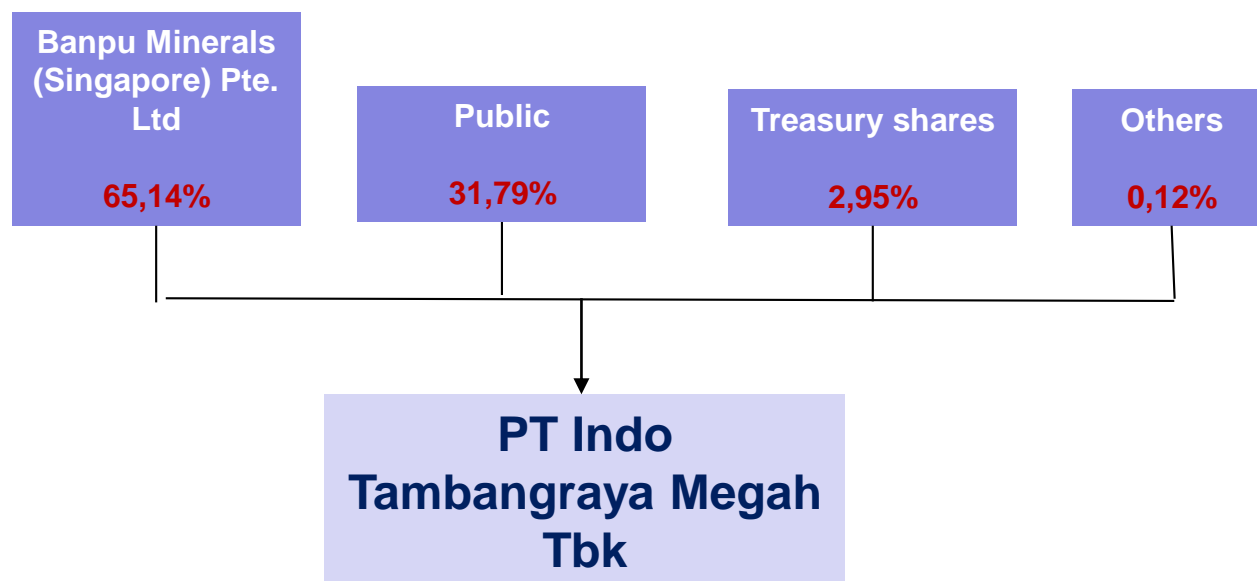
Analyst: Revita Dhiah Anggrainy
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Profit and Loss (USD.mn)	2016 A	2017 A	2018 A	2019 A	2020 F	2021 F
Revenue	1.367	1.690	2.008	1.716	1.152	1.300
Cost of sales	(1.037)	(1.184)	(1.424)	(1.389)	(933)	(1.053)
Gross Profit	331	505	584	327	219	247
Operating expense	122	117	152	146	104	111
Operating Profit	209	388	432	181	115	136
Other income	(17)	(26)	(65)	5	27	31
taxes	(61)	(109)	(109)	(59)	(86)	(54)
Minority interest	0,0	(0,1)	3,2	2,9	3,0	2,6
Net Profit	131	253	262	129	60	116
EPS	0,12	0,23	0,23	0,11	0,05	0,10
EBITDA	261	452	497	245	172	187

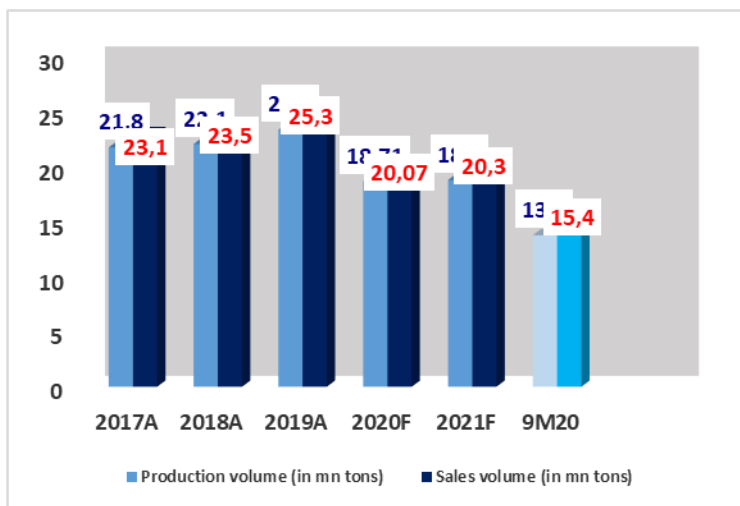
Company profile

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.

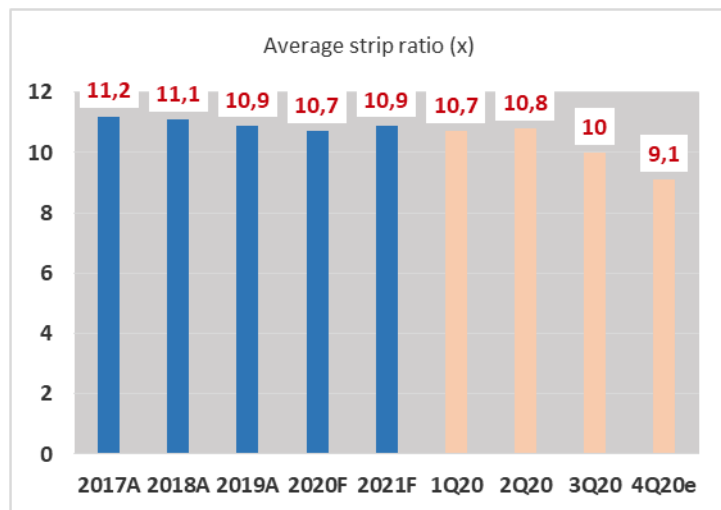
Company's shareholder



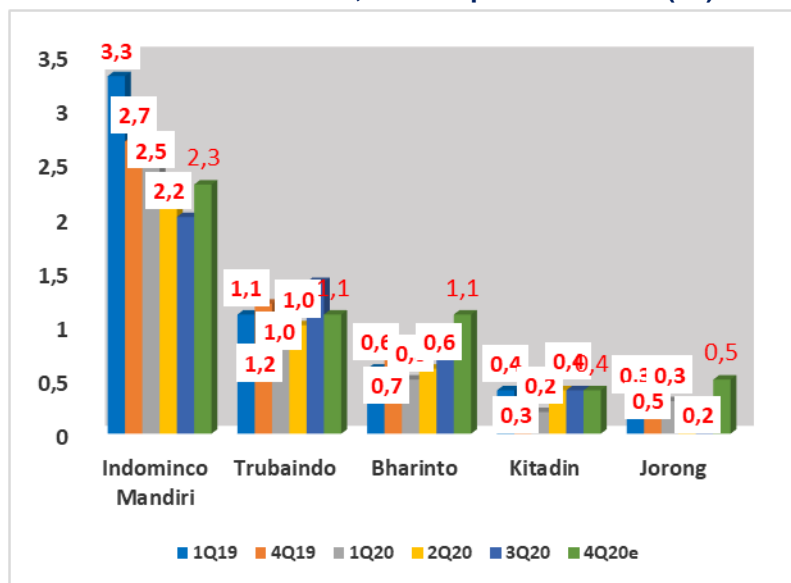
Production and sales volume (Mt) yoy



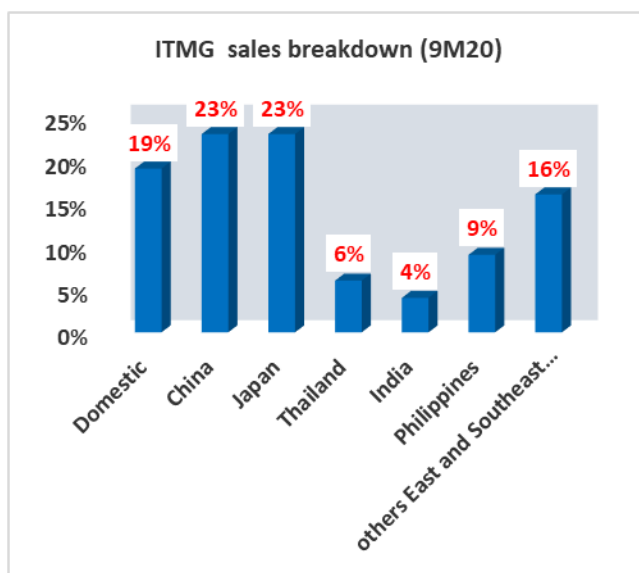
Average Stripping ratio (x) yoy



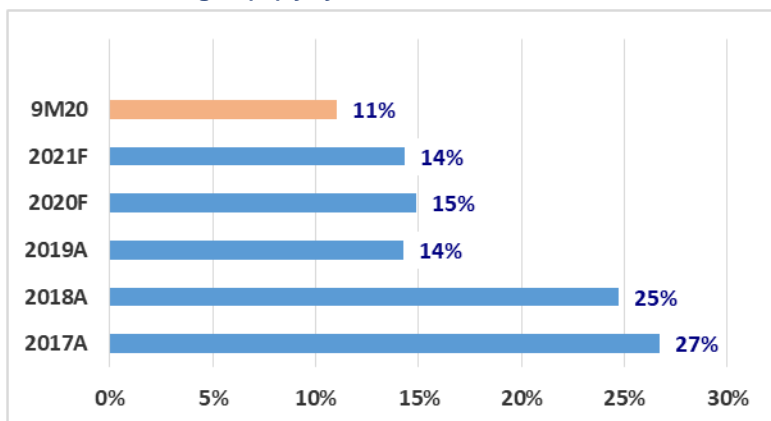
Production Trend of ITMG,s main operational areas (Mt) QoQ



ITMG's sales breakdown destination 9M20



Ebitda Margin (%) yoy



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Balance Sheet (USD.mn)

Balance sheet (USD.mn)	2016A	2017A	2018A	2019A	2020F	2021F
Cash and cash equivalent	328,09	374,23	368,22	159,21	130,76	249,31
Trade Account Receivable	125,23	176,35	217,41	133,64	110,47	124,67
inventory	61,99	108,68	107,87	102,57	63,91	115,41
Other current asset	23,70	137,74	72,95	77,08	46,08	65,01
Current Asset	539,00	797,00	766,45	472,50	351,22	554,40
Net Fixed Asset	223,80	222,54	227,29	222,81	151,75	157,82
other long term asset	1.428,71	1.266,71	433,61	499,06	599,04	650,07
Mining properties	16,56	15,99	15,37	14,67	14,98	16,90
Non current Asset	670,79	561,67	676,28	736,54	765,76	824,79
Total Asset	1.209,79	1.358,66	1.442,73	1.209,04	1.116,99	1.379,19
Trade payable	93,96	152,95	194,23	77,74	56,81	92,61
Acrued expenses	117,20	117,05	146,12	119,38	164,74	182,02
Short Term bank loans	0,00	0,00	0,00	10,62	0,00	1,00
Other Current liabilities	262,07	291,60	49,55	25,55	69,12	91,01
Current liabilities	238,84	327,51	389,90	233,29	290,67	366,64
Provision for mine rehabilitation	0,00	0,00	37,81	38,24	34,56	39,00
Deffered tax liabilities	4,69	3,92	4,38	3,34	1,71	3,90
Other Long term liabilities	58,84	69,10	40,85	49,71	64,51	72,81
Non current liabilities	63,53	73,02	83,05	91,29	100,78	115,71
Total Liabilities	302,36	400,52	472,95	324,58	391,45	482,35
Total Equities	907,43	958,14	969,78	884,47	725,54	896,83
Total Liabilities and equity	1.209,79	1.358,66	1.442,73	1.209,04	1.116,99	1.379,19

Cash Flow (USD.mn)

Cash Flow (USD.mn)	2017A	2018A	2019A	2020F	2021F
+ Net Income	252,61	261,95	129,43	60,08	116,28
+Depreciation	48,77	49,98	51,47	44,56	30,35
- Change in WC	(123,17)	86,92	(71,67)	150,21	(8,65)
Cash From Operating Activities	178,20	398,85	109,23	254,86	137,97
capex	60,35	(164,59)	(111,73)	(73,78)	(89,38)
cash from investing activities	60,35	(164,59)	(111,73)	(73,78)	(89,38)
Provision for mine rehabilitation	0,00	37,81	0,43	(3,68)	4,44
Deffered tax liabilities	(0,77)	0,46	(1,05)	(1,63)	2,19
Other Long term liabilities equity	10,26	(28,24)	8,86	14,80	8,30
(201,90)	(250,31)	(214,74)	(219,01)	55,01	
cash from financing activities	-192,41	-240,28	-206,50	-209,52	69,95
Net Changes in Cash	46,15	(6,01)	(209,01)	(28,44)	118,54
Beginning Balance	328,09	374,23	368,22	159,21	130,76
Ending balance	374,23	368,22	159,21	130,76	249,31

Ratio Highlights

Ratio Highlights	2017 A	2018 A	2019 A	2020 F	2021 F
Growth (% YoY)					
Sales	23,55%	18,83%	-14,55%	-32,85%	12,86%
OP	86,08%	11,33%	-58,22%	-36,19%	18,28%
EBITDA	72,97%	9,95%	-50,73%	-29,79%	8,65%
NP	93,26%	3,70%	-50,59%	-53,58%	93,52%
EPS	93,26%	0,64%	-50,59%	-53,58%	93,52%
Profitability					
Operating Margin(%)	22,97%	21,52%	10,52%	10,00%	10,48%
EBITDA margin(%)	26,73%	24,73%	14,26%	14,91%	14,35%
NET Profit margin(%)	14,95%	13,05%	7,54%	5,22%	8,94%
ROA(%)	18,59%	18,16%	10,70%	5,38%	8,43%
ROE(%)	26,36%	27,01%	14,63%	8,28%	12,97%
Stability					
Debt/ Equity (X)	0,00	0,04	0,06	0,05	0,05
Current ratio (X)	2,43	1,97	2,03	1,21	1,51
Per Share data (USD)					
EPS	0,23	0,23	0,11	0,05	0,10
BVS	0,85	0,86	0,78	0,64	0,79

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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