

## PT Indo Tambangraya Megah, Tbk

HOLD

25 August 2020  
Coal Mining, Equity

Current Price IDR. 8250  
Target Price IDR. 8775  
JKSE Index 5322.53



### Investment Consideration

#### Production down -22%

As of 1H20 coal production achieved 8,9 millions tons or down -22% yoy. In 3Q20, production output will be maintained with a lower strip ratio target of 9.7x compared to 10,8x in 2Q20. In terms of sales volume in 2Q20, ITMG sold 11.1 million tons of coal, including to China (3.2 million tons), Japan (2.6 million tons), Indonesia (1.9 million tons), Philippines (0.8 million tons), Thailand (0.7 million tons) and other countries in East and Southeast Asia. During 2Q20, ITMG booked a lower average selling price down 19% from USD 68,8 per ton to USD 55,8 per ton on a year-on-year basis. As a result of a lower average selling price, net income in the period shrank by 59% to USD 29 million from USD 69 million in the first semester last year. With most sales being exports (average 86%) and lower coal price estimates, we adjust our average net income growth during the next two years to -5,22% CAGR.

#### Strategic plan maintained

As we mentioned in previous reports, ITMG will implement a disciplined cash expenditure strategy by conducting cost cuts in each department and is ready to do further cost optimization if necessary. As of 2Q20, production costs were 43,1 USD/tons, down 15% QoQ inline with production growth. As of 1H20, average production cost was 46,9 USD/tons compared to 54,2 USD/ton. We believe, in the coming quarters, as long as there is no major disruption, ITMG will be able to reduce the cost of production with disciplined cost control and capital expenditure control. In this way, the company can maintain a strong cash position.

#### Valuation: 6% upside

Based on adjustments after the 1H20 result and USD conversion, We are targeting a TP for ITMG of IDR 8775, or a valuation of 5,8x PER with 6% upside potential. We recommend maintain HOLD.

Stock Code ITMG IJ  
Bloomberg code ITMG IJ  
Market cap (IDR.bn) 9067.6  
52-Week High (IDR) 18500  
52-Week Low (IDR) 5650  
6-m Avg Daily. Val (IDR) 8025  
Free Float (%) 31.18

Major Shareholders (%)  
PT Banpu Minerals  
(Singapore) Pte, Ltd 65.14%  
Public 31.82%

USD/IDR-YE  
2019A 13866  
2020F (Avg) 14880

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

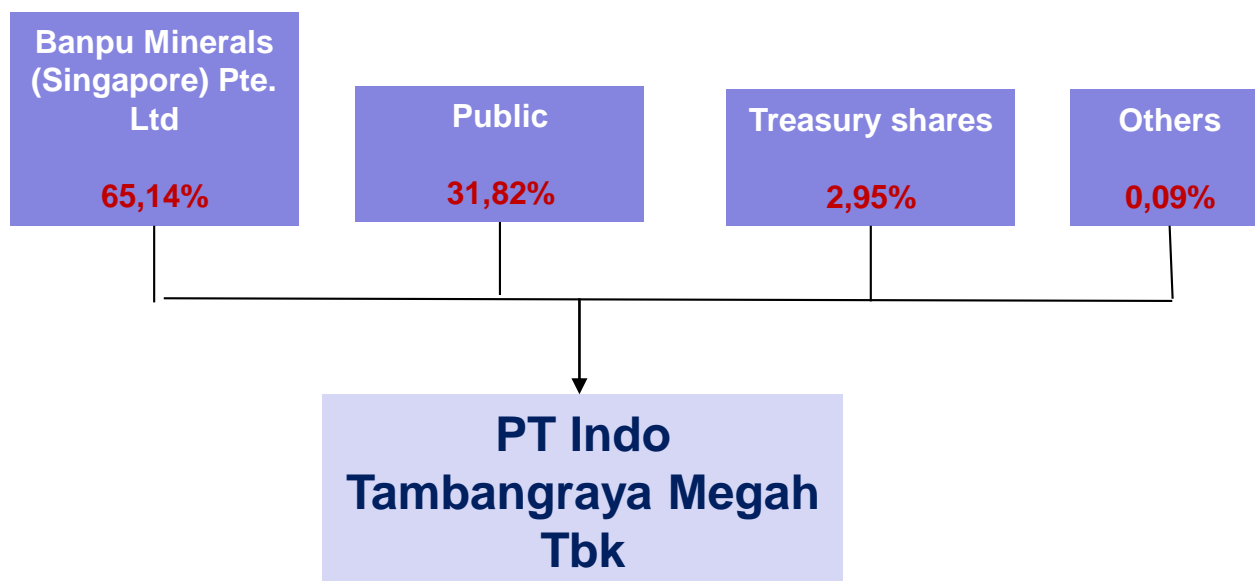
Analyst: Revita Dhiah Anggrainy  
revita.anggrainy@binaartha.com

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

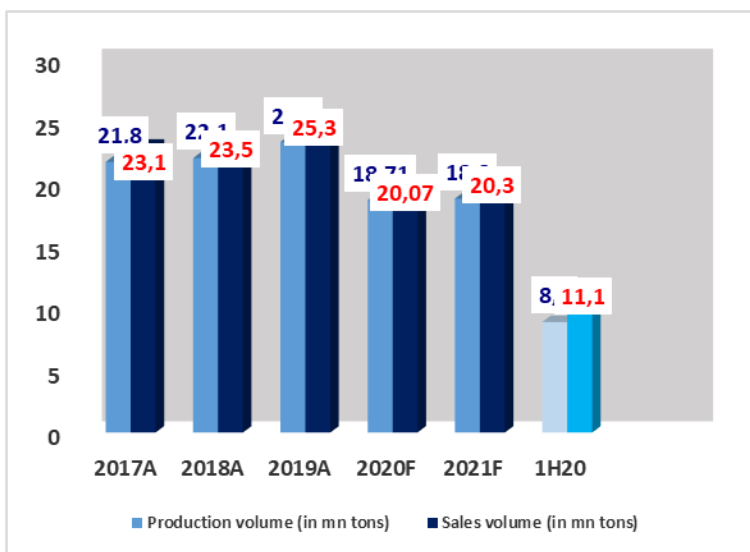
### Company profile

PT Indo Tambangraya Megah Tbk (ITMG), established in 1987, recorded a series of significant milestones that began with carrying out a consolidation of its mining investment portfolio in 2001, the year ITMG was acquired by BANPU Thailand. ITMG conducted an Initial Public Offering (IPO) on 18 December, 2007. Since then ITMG has grown into a major coal-based energy company in Indonesia that supplies 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 has then carried out a digital transformation since 2018, in every aspect of its operations and business. 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 its blending ability 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 PT Tepian Indah Sukses with 70% ownership. ITMG, through its subsidiary, PT ITM Indonesia, acquired PT Gasemas with 75% Ownership. In 2018, ITMG acquired PT Nusa Persada Resources with 100% ownership and PT Energi Batubara Resources with 100% ownership. In 2019, The final acquisition of the remaining shares of PT Tepian Indah Sukses by 30% to become 100%.

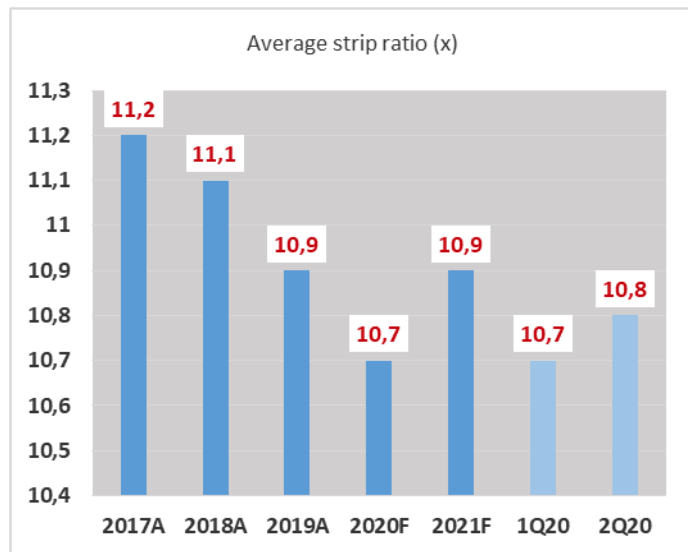
### Company's shareholder



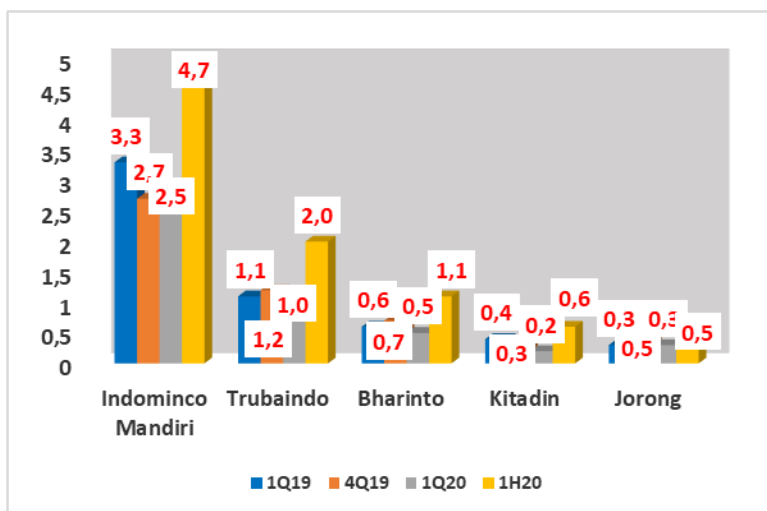
Production and sales volume (Mt) yoy



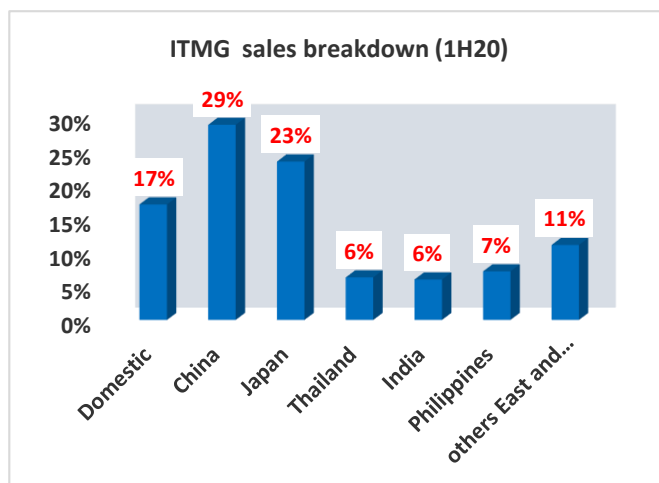
Average Stripping ratio (x) yoy



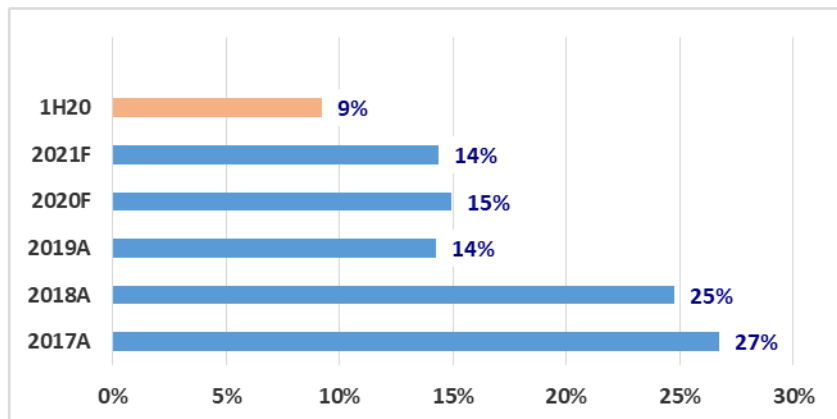
Production Trend of ITMG,s main operational areas (Mt) QoQ



ITMG's sales breakdown destination 1H20



Ebitda Margin (%) yoy



## Profit and Loss (USD.mn)

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Operating expense	122	117	152	146	104	111
<b>Operating Profit</b>	<b>209</b>	<b>388</b>	<b>432</b>	<b>181</b>	<b>115</b>	<b>136</b>
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<b>Net Profit</b>	<b>131</b>	<b>253</b>	<b>262</b>	<b>129</b>	<b>60</b>	<b>116</b>
EPS	0,12	0,23	0,23	0,11	0,05	0,10
<b>EBITDA</b>	<b>261</b>	<b>452</b>	<b>497</b>	<b>245</b>	<b>172</b>	<b>187</b>

## 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	145,45	250,68
Trade Account Receivable	125,23	176,35	217,41	133,64	110,47	124,67
inventory	61,99	108,68	107,87	102,57	51,13	115,41
Other current asset	23,70	137,74	72,95	77,08	46,08	65,01
<b>Current Asset</b>	<b>539,00</b>	<b>797,00</b>	<b>766,45</b>	<b>472,50</b>	<b>353,12</b>	<b>555,77</b>
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
<b>Non current Asset</b>	<b>670,79</b>	<b>561,67</b>	<b>676,28</b>	<b>736,54</b>	<b>765,76</b>	<b>824,79</b>
<b>Total Asset</b>	<b>1.209,79</b>	<b>1.358,66</b>	<b>1.442,73</b>	<b>1.209,04</b>	<b>1.118,89</b>	<b>1.380,56</b>
Trade payable	93,96	152,95	194,23	77,74	56,81	92,61
Accrued 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	1,90	2,38
Other Current liabilities	262,07	291,60	49,55	25,55	69,12	91,01
<b>Current liabilities</b>	<b>238,84</b>	<b>327,51</b>	<b>389,90</b>	<b>233,29</b>	<b>292,57</b>	<b>368,02</b>
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
<b>Non current liabilities</b>	<b>63,53</b>	<b>73,02</b>	<b>83,05</b>	<b>91,29</b>	<b>100,78</b>	<b>115,71</b>
<b>Total Liabilities</b>	<b>302,36</b>	<b>400,52</b>	<b>472,95</b>	<b>324,58</b>	<b>393,35</b>	<b>483,73</b>
<b>Total Equities</b>	<b>907,43</b>	<b>958,14</b>	<b>969,78</b>	<b>884,47</b>	<b>725,54</b>	<b>896,83</b>
<b>Total Liabilities and equity</b>	<b>1.209,79</b>	<b>1.358,66</b>	<b>1.442,73</b>	<b>1.209,04</b>	<b>1.118,89</b>	<b>1.380,56</b>

## Cash Flow (USD.mn)

Cash Flow (USD.mn)	2017A	2018A	2019A	2020F	2020F
+ 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)	164,89	(21,96)
<b>Cash From Operating Activities</b>	<b>178,20</b>	<b>398,85</b>	<b>109,23</b>	<b>269,54</b>	<b>124,67</b>
capex	60,35	(164,59)	(111,73)	(73,78)	(89,38)
<b>cash from investing activities</b>	<b>60,35</b>	<b>(164,59)</b>	<b>(111,73)</b>	<b>(73,78)</b>	<b>(89,38)</b>
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
<b>cash from financing activities</b>	<b>(201,90)</b>	<b>(250,31)</b>	<b>(214,74)</b>	<b>(219,01)</b>	<b>55,01</b>
<b>Net Changes in Cash</b>	<b>46,15</b>	<b>(6,01)</b>	<b>(209,01)</b>	<b>(13,76)</b>	<b>105,24</b>
<b>Beginning Balance</b>	<b>328,09</b>	<b>374,23</b>	<b>368,22</b>	<b>159,21</b>	<b>145,45</b>
<b>Ending balance</b>	<b>374,23</b>	<b>368,22</b>	<b>159,21</b>	<b>145,45</b>	<b>250,68</b>

## Ratio Highlights

Ratio Highlights	2017 A	2018 A	2019 A	2020 F	2021 F
<b>Growth (% YoY)</b>					
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%
<b>Profitability</b>					
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%	5,37%	8,42%
ROE(%)	26,36%	27,01%	14,63%	8,28%	12,97%
<b>Stability</b>					
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
<b>Per Share data (USD)</b>					
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.

**RESEARCH TEAM  
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