

3 June 2020
Coal Mining, Equity

Current Price IDR. 8475
Target Price IDR. 8960
JKSE Index 4847,51



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 (%) 31.82

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) 0.06
Current ratio (x) 1.56

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Investment Consideration

Targetting -13% sales volume growth

Despite the current difficult conditions, ITMG is on track to achieve their coal production target with 4,5 millions tons of coal in 1Q20, 23,6% of the target 23,6 millions tons in 2020. We expect this strong performance to continue. In 2Q20, with a lower strip ratio of 10,5x compared to 10,7x in 1Q20. In terms of sales, ITMG has set a sales volume target of 22 millions tons -13% yoy from 25,3 millions tons in 2019FY. In 1Q20, ITMG sold 5.8 million tons of coal which was sold in China (1.6 million tons), Japan (1.5 million tons), Indonesia (0.7 million tons), Bangladesh (0.5 million tons), Thailand (0.4 million tons), India (0.3 million tons), Philippines (0.3 million tons) and other countries in East and Southeast Asia. During 1Q20, ITMG had a 17% lower average selling price of USD 58.7 from USD 71.1 per ton a year ago. The sharp drop in coal prices was due to seasonally lower coal demand, further impacted by the pandemic. As a result, net income shrank 62% to USD 15 million in 1Q20 from USD 39 million in 1Q19. With most sales as exports (average 86%) and a lower coal price estimate, average net income growth during the next two years will be -6,34% CAGR.

Continued strategic planning

ITMG has prepared a Business continuity Plan to anticipate a longer impact from the pandemic. ITMG has mapped issues that may arise and prepared an appropriate response. This plan includes sales and logistics, mine operations, and finance and admin. ITMG will control cash expenditure by cutting costs in each department and is ready to reduce costs further if needed. As of 1Q20, production costs were 48,7 USD/tons - 11% yoy, +16,2% QoQ, inline with production growth. 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 the current conditions.

Valuation: 6% upside potential

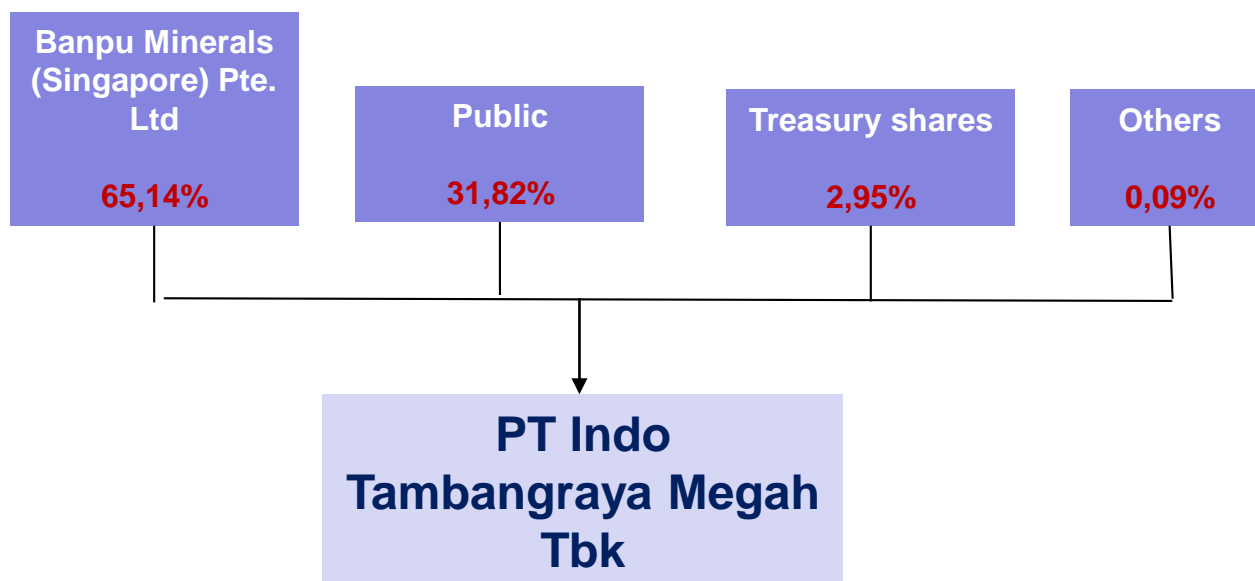
We have a TP for ITMG of IDR 8960, meaning the share is valued at 6,04x PER with 6% potential upside. We recommend HOLD.

	2016 A	2017 A	2018 A	2019 A	2020 F	2021 F
Profit and Loss (USD.mn)						
Revenue	1.367	1.690	2.008	1.716	1.104	1.249
Cost of sales	(1.037)	(1.184)	(1.424)	(1.389)	(894)	(1.012)
Gross Profit	331	505	584	327	210	237
Operating expense	122	117	152	146	99	106
Operating Profit	209	388	432	181	110	131
Other income	(17)	(26)	(65)	5	26	30
taxes	(61)	(109)	(109)	(59)	(82)	(51)
Minority interest	0,0	(0,1)	3,2	2,9	2,9	2,5
Net Profit	131	253	262	129	58	112
EPS	0,12	0,23	0,23	0,11	0,05	0,10
EBITDA	261	452	497	245	175	201

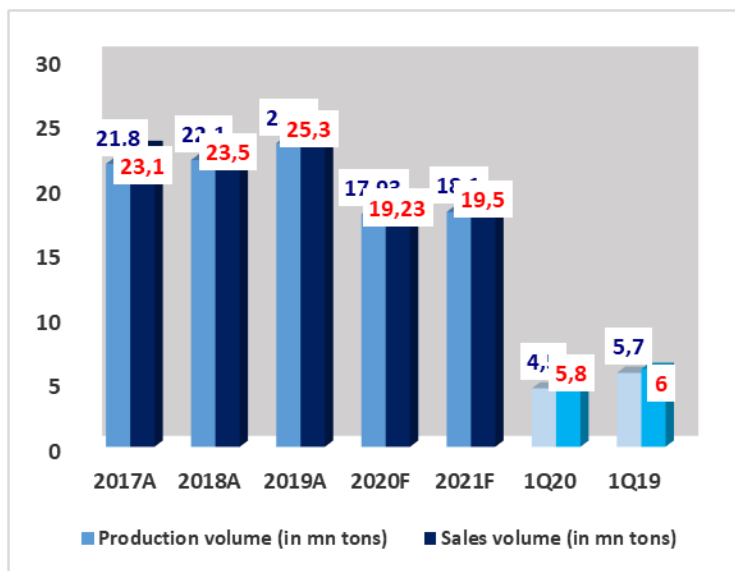
Company profile

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 which 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 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.

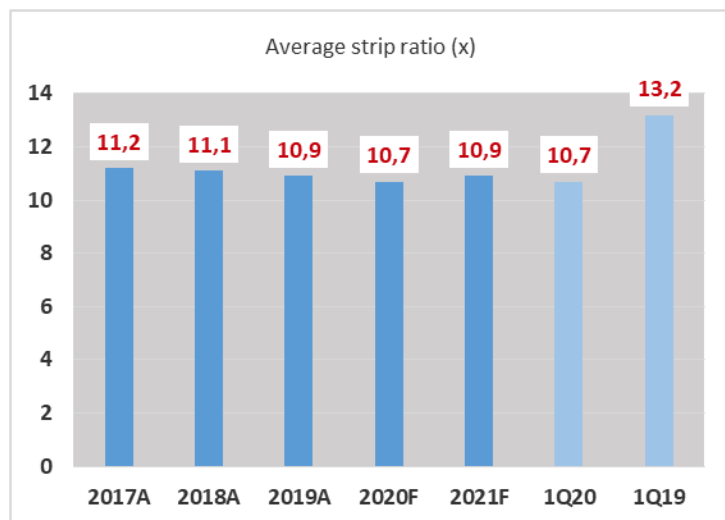
Company's shareholder



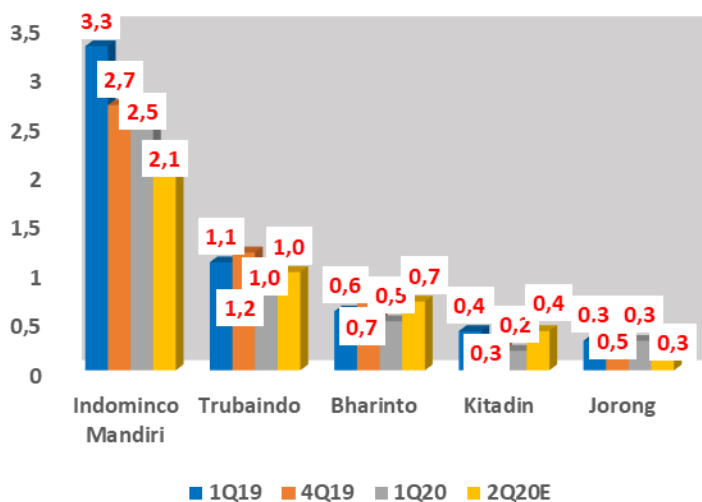
Production and sales volume (Mt) yoy



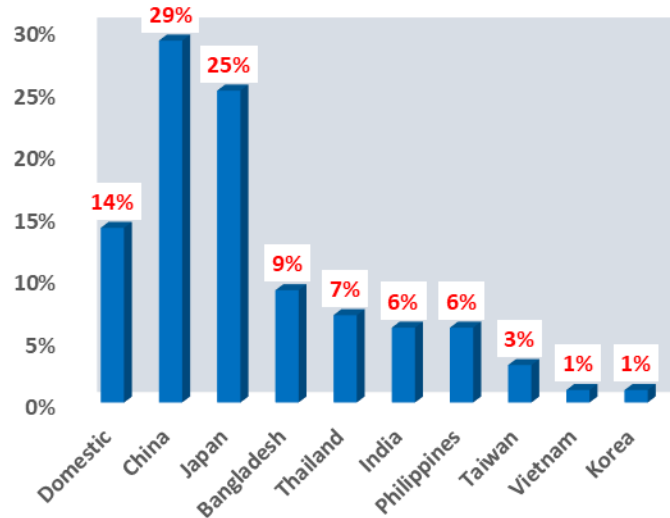
Average Stripping ratio (x) yoy



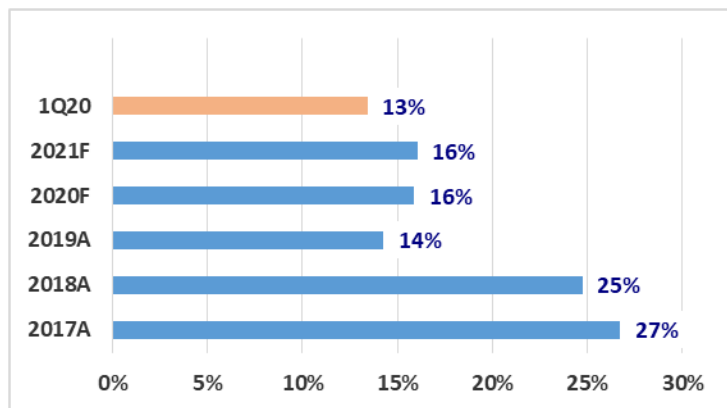
Production Trend of ITMG,s main opertional areas (Mt) QoQ



ITMG's sales breakdown destination 1Q20



Ebitda Margin (%) yoy



Profit and Loss (USD.mn)

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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	178,11	266,94
Trade Account Receivable	125,23	176,35	217,41	133,64	78,65	92,43
inventory	61,99	108,68	107,87	102,57	58,80	74,87
Other current asset	23,70	137,74	72,95	77,08	77,28	87,46
Current Asset	539,00	797,00	766,45	472,50	392,84	521,69
Net Fixed Asset other long term asset	223,80	222,54	227,29	222,81	214,81	228,71
Mining properties	1.428,71	1.266,71	433,61	499,06	485,79	562,26
	16,56	15,99	15,37	14,67	15,46	17,49
Non current Asset	670,79	561,67	676,28	736,54	716,05	808,46
Total Asset	1.209,79	1.358,66	1.442,73	1.209,04	1.108,90	1.330,15
Trade payable	93,96	152,95	194,23	77,74	84,69	119,81
Accrued expenses	117,20	117,05	146,12	119,38	132,49	149,94
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	77,28	62,47
Current liabilities	238,84	327,51	389,90	233,29	296,37	334,60
Provision for mine rehabilitation	0,00	0,00	37,81	38,24	40,85	46,23
Deffered tax liabilities	4,69	3,92	4,38	3,34	3,02	3,75
Other Long term liabilities	58,84	69,10	40,85	49,71	61,83	69,97
Non current liabilities	63,53	73,02	83,05	91,29	105,69	119,95
Total Liabilities	302,36	400,52	472,95	324,58	402,06	454,54
Total Equities	907,43	958,14	969,78	884,47	706,84	875,61
Total Liabilities and equity	1.209,79	1.358,66	1.442,73	1.209,04	1.108,90	1.330,15

Cash Flow (USD.mn)

Cash Flow (USD.mn)	2017A	2018A	2019A	2020F	2021F
+ Net Income	252,61	261,95	129,43	57,58	111,75
+Depreciation	48,77	49,98	51,47	53,00	49,62
- Change in WC	(123,17)	86,92	(71,67)	161,64	(1,79)
Cash From Operating Activities	178,20	398,85	109,23	272,22	159,58
capex	60,35	(164,59)	(111,73)	(32,51)	(142,03)
cash from investing activities	60,35	(164,59)	(111,73)	(32,51)	(142,03)
Provision for mine rehabilitation	0,00	37,81	0,43	2,61	5,38
Deffered tax liabilities	(0,77)	0,46	(1,05)	(0,32)	0,73
Other Long term liabilities equity	10,26	(28,24)	8,86	12,12	8,14
cash from financing activities	(201,90)	(250,31)	(214,74)	(235,21)	57,02
Net Changes in Cash	46,15	(6,01)	(209,01)	18,90	88,83
Beginning Balance	328,09	374,23	368,22	159,21	178,11
Ending balance	374,23	368,22	159,21	178,11	266,94

Ratio Highlights

Ratio Highlights	2017 A	2018 A	2019 A	2020 F	2021 F
Growth (% YoY)					
Sales	23,55%	18,83%	-14,55%	-35,65%	13,17%
OP	86,08%	11,33%	-58,22%	-38,84%	18,61%
EBITDA	72,97%	9,95%	-50,73%	-28,31%	14,35%
NP	93,26%	3,70%	-50,59%	-55,51%	94,06%
EPS	93,26%	0,64%	-50,59%	-55,51%	94,06%
Profitability					
Operating Margin(%)	22,97%	21,52%	10,52%	10,00%	10,48%
EBITDA margin(%)	26,73%	24,73%	14,26%	15,89%	16,05%
NET Profit margin(%)	14,95%	13,05%	7,54%	5,22%	8,94%
ROA(%)	18,59%	18,16%	10,70%	5,19%	8,40%
ROE(%)	26,36%	27,01%	14,63%	8,15%	12,76%
Stability					
Debt/ Equity (X)	0,00	0,04	0,06	0,06	0,06
Current ratio (X)	2,43	1,97	2,03	1,33	1,56
Per Share data (USD)					
EPS	0,23	0,23	0,11	0,05	0,10
BVS	0,85	0,86	0,78	0,63	0,77

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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