

21 May 2021
Coal Mining, Equity

Current Price **IDR. 2160**
Target Price **IDR. 3025**
JKSE Index **5797.60**

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IDX: DLYPTBA, D 2170 ▼ -50 (-2.69%) O:2230 H:2240 L:2150 C:2170



TradingView

Stock Code **PTBA IJ**
Bloomberg code **PTBA IJ**
Market cap (IDR.bn) **24,380**
52-Week High (IDR) **3,180**
52-Week Low (IDR) **1,810**
6-m Avg Daily. Val (IDR) **2,185**
Free Float (%) **31.15**

Major Shareholders (%)
PT Indonesia Asahan
Alumunium **65.93%**
Others/Public **31.15%**

USD/IDR-YE
2020A **14050**
2021F (Avg) **14208**

Key Indicators
Debt/ Equity (x) **0.04**
Current ratio (x) **2.27**

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

Investment Consideration

Sales target revised up

As of 1Q21, PTBA's coal sales decreased 13,9% YoY to 5,9 mn tons from 6,8 mn tons in 1Q20. PTBA is revising their 2021 production and sales volume target to 29,5 mn tons and 30,7 mn tons. This represents an increases of production and sales from 2020's 24.8 mn tons and 26.1 mn tons. Although in 1Q21 there was a decrease in sales, this was due to high rainfall in Tanjung Enim that constrained operations. PTBA remains optimistic that 2Q21 production will improve in line with improved weather and better working hours. Coal demand is also increasing in the domestic and global markets, especially from China, this can be seen from the sales breakdown per 1Q21 which is better than 2020. PTBA continues to work on improving operations and to make efficiencies so that performance is maintained. We estimate revenue growth of 24% yoy, inline with the revised coal volume target.

Higher rail capacity

PTBA is on track to have additional railway capacity in 2021, consisting of an upgrade to 5 mn tons capacity in Tanjung Enim (TE) – Kertapati which has been completed in 1Q20 and will be increased to 7 mn ton p.a. in 3Q21. For TE – Tarahan-1, an upgrade to 25 mn-ton is targeted to be completed by 3Q 2021. For future expansion, PTBA is currently doing a joint feasibility study with the state rail company on the TE – Kramasan route and this will be PTBA's main project aside from TE – Perajen. TE- Kramasan with 20 mn-ton capacity is planning to start commercial operation in 1Q24 while TE- Tarahan-2 with 20 mn-ton capacity will start commercial operation in 2025.

Power Plant progress

PTBA's Coal-Based Methanol supply agreement with Pertamina and Air Product Chemical Inc as part of a downstream gasification project at Tanjung Enim has signed a cooperation agreement in Feb 2021. It will use 6 mn tons of coal to produce a target of 1,4 mn tons p.a. of methanol. Commercial operation is targeted for 2Q 2024. For the Power plant, South Sumatra Mine-8 PLTU with a capacity of 2x60 MW; as of 1Q21, progress has reached +/- 75,6% with a target commercial operation for unit 1 in 4Q20 and unit 2 in 1Q22.

Valuation: 40% upside potential

Our target price for PTBA is revised up to IDR 3,025, which is a valuation of 8x PER with 40% upside potential. We maintain our BUY recommendation.

Profit and Loss (IDR.bn)	2017 A	2018 A	2019 A	2020 A	2021 F	2022 F
Revenue	19.471	21.167	21.788	17.325	21.564	22.888
Cost of sales	(10.965)	(12.621)	(14.176)	(12.759)	(14.078)	(14.451)
Gross Profit	8.507	8.546	7.612	4.566	7.486	8.438
Operating expense	2.608	2.322	2.597	2.046	2.888	3.066
Operating Profit	5.899	6.224	5.014	2.520	4.598	5.372
Other income	81	223	261	230	259	275
equity in net income associates and jointly controlled entities	122	352	179	481	135	143
PBT	6.102	6.799	5.455	3.232	4.991	5.790
taxes	(1.554)	(1.678)	(1.415)	(824)	(1.294)	(1.502)
Minority interest	(70,788)	(97,166)	16,494	(21,108)	(55,973)	(60,402)
Net Profit	4.476	5.024	4.057	2.387	3.641	4.228
EPS	425	436	371	213	325	378
EBITDA	6.805	7.534	6.250	4.542	6.359	7.365

Company profile

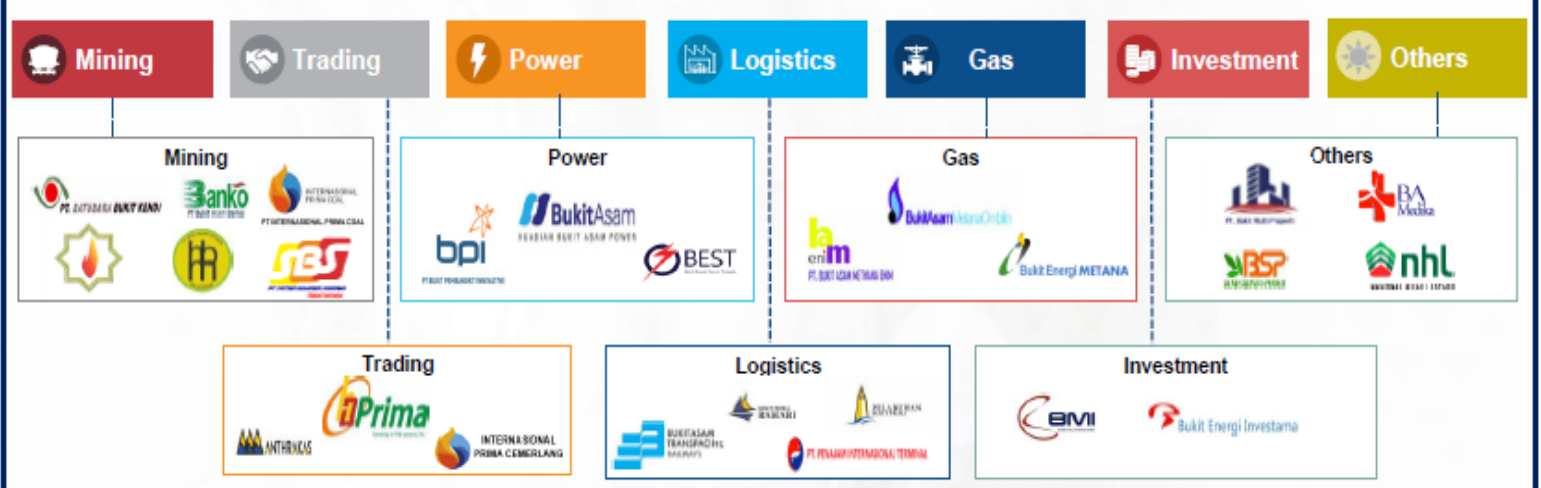
PT Bukit Asam Tbk started production for commercial purposes in 1938. After the Dutch Colonial era ended in Indonesia, the Indonesian employees demanded a change into a national mine. In 1950, the government of Indonesia founded Perusahaan Negara Tambang Arang Bukit Asam (PN TABA). On March 1, 1981, PN TABA changed its status into a Limited Company under the name of PT Bukit Asam (Persero), which was later called PTBA or the Company. In order to aid the national coal industry development, in 1990 the government merged Perum Tambang Batubara and the Company into a single entity. On December 23, 2002, the Company listed itself as a public company on the Indonesia Stock Exchange. November 29, 2017 was a historic day for PTBA as it organized an Extraordinary General Meeting of Shareholders with three agendas: Approval of the change of company’s articles of association related to a change of the company’s status from “persero” to “non-persero” related with government regulation 47/2017. Concerning the increase of Indonesia’s equity participation in PT Inalum (Persero), a stock split, and a change of the company’s board of directors. With the change of ownership from the Republic Indonesia to PT Inalum (persero), three companies become the holders of Mining State – Owned Enterprises (BUMN), with Inalum at the head. PTBA continues to diversify its source of revenues – The Company’s core coal mining business is supported by the development of other businesses in power generation, logistics and others.

PTBA’s diversified business

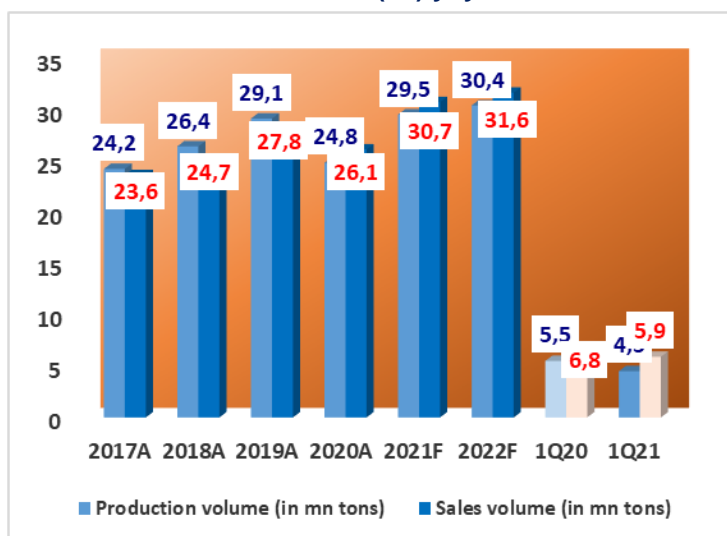


PT Indonesia Asahan Aluminium (Persero) owns ~65,93% of total shares

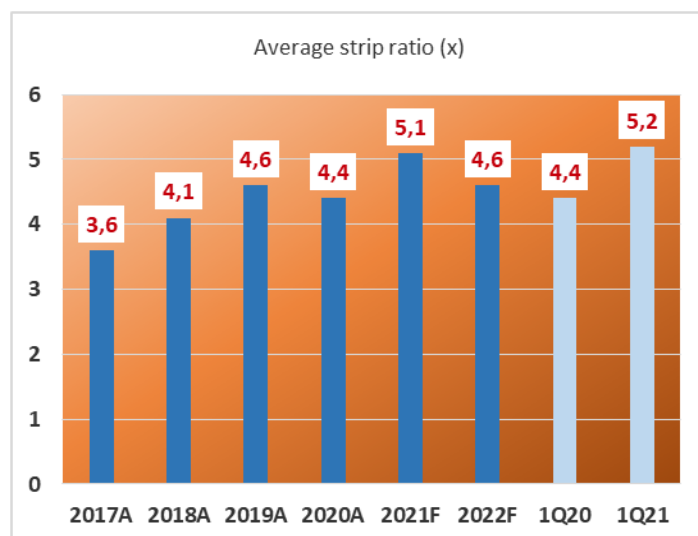
The Subsidiaries and Indirect Subsidiaries



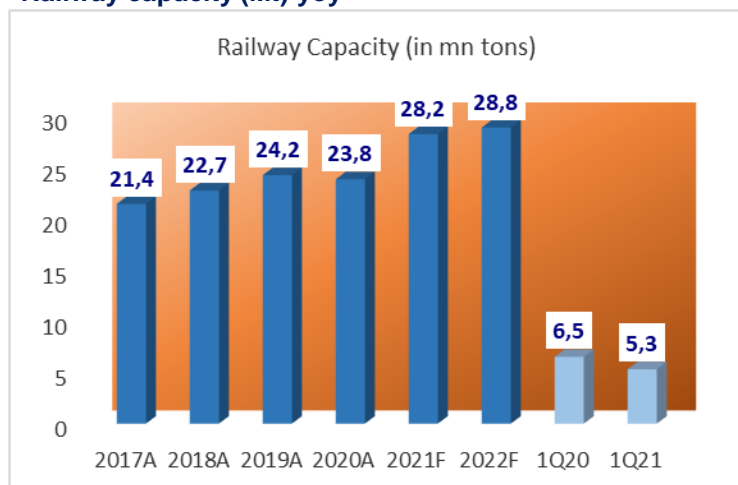
Production and sales volume (Mt) yoy



Average Stripping ratio (x) yoy



Railway capacity (Mt) yoy

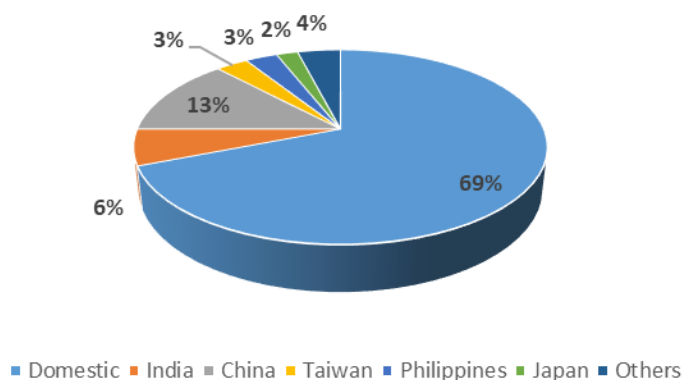


Railway upgrade capacity plans (Mt)

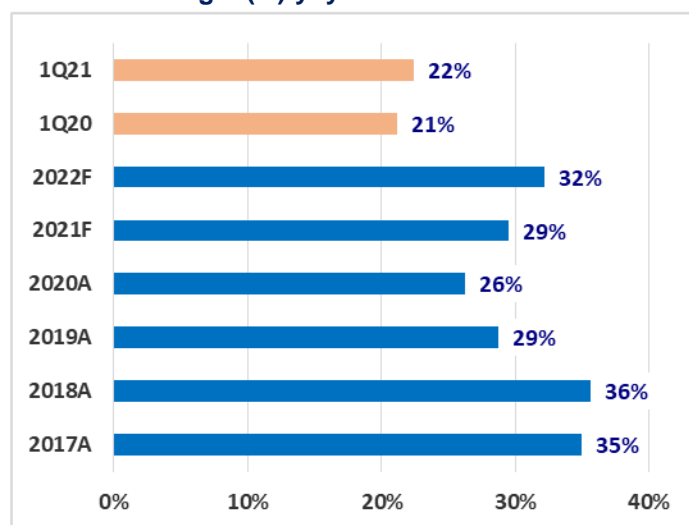
Existing railway	Previous capacity (Mtpa)	Est.upgrade capacity (Mtpa)
TE - Kertapati	5	7 (2021)
TE - Tarahan	20,3	25 (2Q21)
New railway		
TE - Perajen	na	10 (1Q25)
TE - Kramasan (PT KAI)	na	10 (2024)
Tarahan 2	na	20 (2025)

PTBA sales breakdown by country (on sales distribution/ton) 1Q21

PTBA sales breakdown by country as of 1Q21



Ebitda Margin (%) yoy



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Balance Sheet (IDR.bn)

Balance sheet (IDR.bn)	2017A	2018A	2019A	2020A	2021F	2022F
Cash and cash equivalent	3.555,41	6.301,16	4.756,80	4.340,95	4.711,69	6.454,62
Trade Account Receivable	5.343,71	2.521,26	2.482,84	1.578,87	2.363,22	2.508,32
inventory	1.156,01	1.383,06	1.551,14	805,44	1.542,83	1.623,24
Other current asset	653,95	897,62	2.709,56	1.639,11	1.940,79	2.059,96
Current Asset	11.117,75	11.426,68	11.679,88	8.364,36	10.558,53	12.646,14
Net Fixed Asset	6.199,30	6.547,59	7.272,75	7.863,62	8.247,98	8.326,68
other long term asset	1.266,71	1.879,15	2.043,04	1.890,17	2.156,43	2.288,85
LT Investment and receivables	3.403,73	4.319,52	5.102,38	5.938,62	6.038,01	6.637,65
Non current Asset	10.869,74	12.746,26	14.418,17	15.692,40	16.442,42	17.253,18
Total Asset	21.987,48	24.172,93	26.098,05	24.056,76	27.000,95	29.899,33
Trade payable	886,42	1.048,00	1.020,09	697,38	886,21	940,62
Accrued expenses	970,82	1.274,20	1.630,18	1.371,26	1.706,78	1.811,58
Short Term bank loans	299,09	85,48	152,35	106,88	112,23	117,84
Other Current liabilities	2.356,90	2.528,02	1.888,62	1.696,94	1.940,79	2.059,96
Current liabilities	4.513,23	4.935,70	4.691,25	3.872,46	4.646,00	4.930,00
Long term loans	35,93	233,49	10,12	5,99	5,99	5,99
Financial lease	496,61	226,86	298,59	393,95	560,67	595,10
Other Long term liabilities	3.141,73	2.507,19	2.675,27	2.845,16	2.647,86	2.810,44
Non current liabilities	3.674,27	2.967,54	2.983,98	3.245,10	3.214,52	3.411,54
Total Liabilities	8.187,50	7.903,24	7.675,23	7.117,56	7.860,52	8.341,54
Total Equities	13.799,99	16.269,70	18.422,83	16.939,20	19.140,43	21.557,79
Total Liabilities and equity	21.987,48	24.172,93	26.098,05	24.056,76	27.000,95	29.899,33

Cash Flow (IDR.bn)

Cash Flow (in IDR. bn)	2017A	2018A	2019A	2020A	2021F	2022F
+ Net Income	4.476,44	5.023,95	4.056,89	2.386,82	3.640,77	4.227,75
+Depreciation	599,70	631,05	667,28	947,92	982,95	1.047,49
- Change in WC	(3.416,62)	2.859,29	(2.042,01)	2.080,88	(1.049,89)	(60,69)
Cash From Operating Activities	1.659,53	8.514,29	2.682,16	5.415,62	3.573,84	5.214,55
capex	(1.242,59)	(2.507,57)	(2.339,19)	(2.222,15)	(1.732,98)	(1.858,25)
cash from investing activities	(1.242,59)	(2.507,57)	(2.339,19)	(2.222,15)	(1.732,98)	(1.858,25)
Long term liabilities	(131,42)	197,56	(223,37)	(4,13)	0,00	0,00
Financial lease	(87,05)	(269,75)	71,73	95,36	166,72	34,43
Other Long term liabilities	911,12	(634,54)	168,07	169,89	(197,30)	162,59
equity	(1.228,86)	(2.554,24)	(1.903,76)	(3.870,45)	(1.439,54)	(1.810,39)
cash from financing activities	(536,22)	(3.260,97)	(1.887,32)	(3.609,32)	(1.470,12)	(1.613,37)
Net Changes in Cash	(119,28)	2.745,76	(1.544,36)	(415,85)	370,74	1.742,93
Beginning Balance	3.674,69	3.555,41	6.301,16	4.756,80	4.340,95	4.711,69
Ending balance	3.555,41	6.301,16	4.756,80	4.340,95	4.711,69	6.454,62

Ratio Highlights

Ratio Highlights	2017 A	2018 A	2019 A	2020 A	2021 F	2022 F
Growth (% YoY)						
Sales	38,50%	8,71%	2,93%	-20,48%	24,47%	6,14%
OP	133,07%	5,52%	-19,44%	-49,74%	82,41%	16,84%
EBITDA	112,06%	10,71%	-17,04%	-27,33%	40,01%	15,81%
NP	123,13%	12,23%	-19,25%	-41,17%	52,54%	16,12%
EPS	123,13%	2,68%	-14,83%	-42,55%	52,54%	16,12%
Profitability						
Operating Margin(%)	30,29%	29,40%	23,01%	14,55%	21,32%	23,47%
EBITDA margin(%)	34,95%	35,59%	28,69%	26,22%	29,49%	32,18%
NET Profit margin(%)	22,99%	23,73%	18,62%	13,78%	16,88%	18,47%
ROA(%)	20,36%	20,78%	15,54%	9,92%	13,48%	14,14%
ROE(%)	32,44%	30,88%	22,02%	14,09%	19,02%	19,61%
Stability						
Debt/ Equity (X)	0,06	0,03	0,03	0,03	0,04	0,03
Current ratio (X)	2,46	2,32	2,49	2,16	2,27	2,57
Int. Coverage (x)	58,90	65,66	42,73	24,39	59,02	64,65
Per Share data (IDR)						
EPS	425	436	371	213	325	378
BVS	1.198	1.412	1.599	1.470	1.661	1.871

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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