

7 December 2022  
Coal Mining, Equity

Current Price IDR. 3700  
Target Price IDR. 6560  
JKSE Index 6830.629



### Investment Consideration

#### Maintaining Double Digit production Growth

As of 9M22, PTBA's coal production volume has reached 27.7 mn tons or 21% growth YoY, while sales volume has increased by 12% YoY to 23.5 mn tons. Production volume in 3Q22 was 11.8 mn tons, the highest quarterly achievement and nearly 2x the 1Q22. PTBA's strategy of mining digitization has helped to anticipate operational constraints more quickly, add production equipment units, and increase effective working hours, successfully optimizing production volume. The stripping ratio (SR) during 9M22 increased to 5.5x compared to 4.5x in 9M21. The opening of new areas in Banko continued in 3Q22 to help offset the higher stripping ratio (SR). We believe, PTBA is on track to achieve their 2022 production and sales volume targets of 36.41 mn tons and 37.10 mn tons. We maintain our belief that more working hours combined with better weather in recent months, will improve production and sales volumes so that the company can achieve these targets. We maintain our coal production CAGR growth forecast of +11% by 2023 compared to our 2021FY.

#### 9M22 profit up 110%

PTBA recorded a significantly higher net profit in 9M22, up by 110% YoY to IDR 10 trillion compared to IDR 4.77 trillion in 9M21. Growth was supported by an increase in revenue of 60% YoY to IDR 19.4 trillion. A slight 3Q22 decline in net profit, by -1% QoQ, was not surprising after the 71% increase in the 2Q22. The strong performance has been helped by the global and domestic economic recovery which boosted demand for coal and resulted in higher coal prices. As of 9M22, the average selling price of coal increased by 44% YoY to IDR 1,305,280 per ton compared to IDR 915,519 per ton in 9M21. We adjust our profit forecast for 2022 to IDR 16 trillion and then in 2023, we expect a decline to IDR 15 trillion with lower price growth YoY. We adjust our cash cost/ton growth expectation in 2022F to 13% YoY after the 9M22 cash cost/ton increased by +32% YoY. The increase in cash cost/ton in 9M22 is primarily due to an increase in mining expenses by 120% YoY in line with the increase in production volume and an increase in fuel costs. In addition royalty expenses will also increase by 104% YoY.

#### Valuation: significant upside potential

We maintain our target price for PTBA at IDR 6,560, which is a valuation of 4.77x PER. With 77% upside potential, we maintain our recommendation to BUY.

Financial Highlights	2018 A	2019 A	2020 A	2021 A	2022 F	2023 F
Sales growth (%)		2.93%	-20.48%	68.90%	57.01%	-1.19%
Net profit growth (%)		-19.25%	-41.17%	231.37%	104.10%	-4.07%
Operating margin (%)	29.40%	23.01%	14.55%	34.03%	43.43%	42.11%
Net profit margin (%)	23.73%	18.62%	13.78%	27.03%	35.13%	34.11%
Debt/ Equity (X)	0.03	0.03	0.03	0.03	0.03	0.02
EPS	436	371	213	702	1433	1374

Stock Code  
Bloomberg code PTBA IJ  
Market cap (IDR.bn) 43,310  
52-Week High (IDR) 4,630  
52-Week Low (IDR) 2,600  
6-m Avg Daily. Val (IDR) 3,559  
Free Float (%) 33.78

Major Shareholders (%)  
PT Indonesia Asahan Alumunium 65.93%  
Others/Public 33.78%  
Treasury shares 0.29%

USD/IDR-YE  
2021A 14278  
2022F (Avg) 15429

Key Indicators  
Debt/ Equity (x) 0.02  
Current ratio (x) 2.98

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**Company profile**

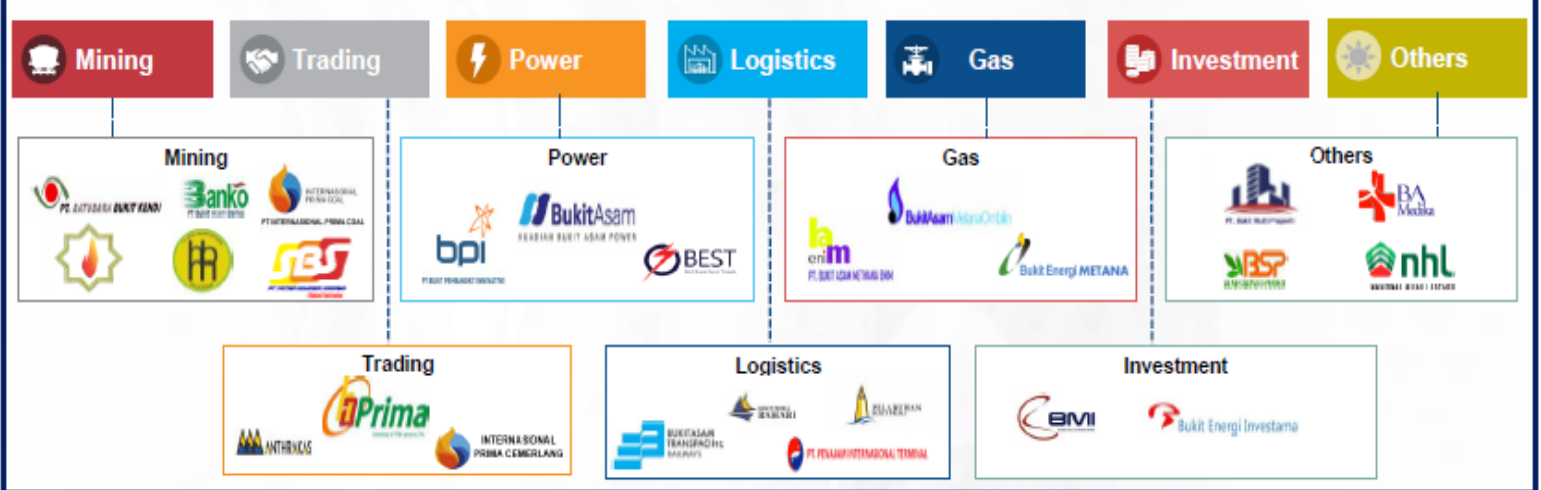
PT Bukit Asam Tbk started production for commercial purposes in 1938. After the Dutch Colonial era ended in Indonesia, the Indonesian employees demanded a national mine. In 1950, the government of Indonesia founded Perusahaan Negara Tambang Arang Bukit Asam (PN TABA). On March 1st, 1981, PN TABA changed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

**PTBA's diversified business**

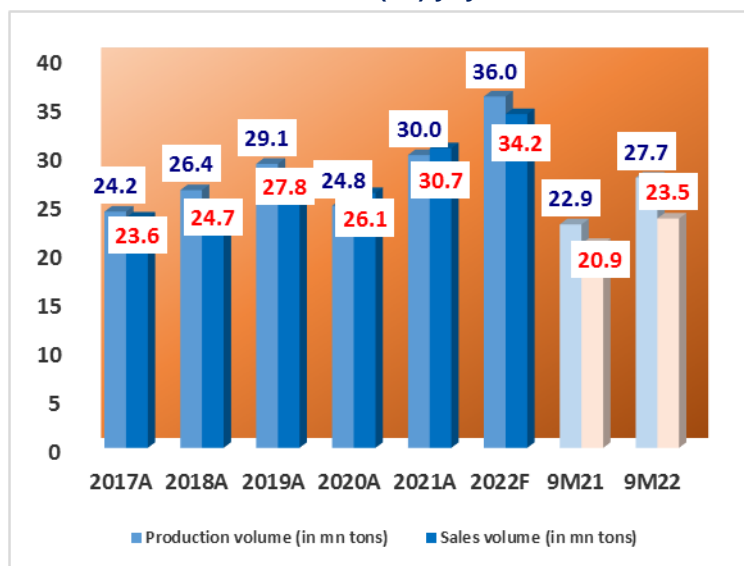


PT Indonesia Asahan Aluminium (Persero) owns ~65,93% of total shares

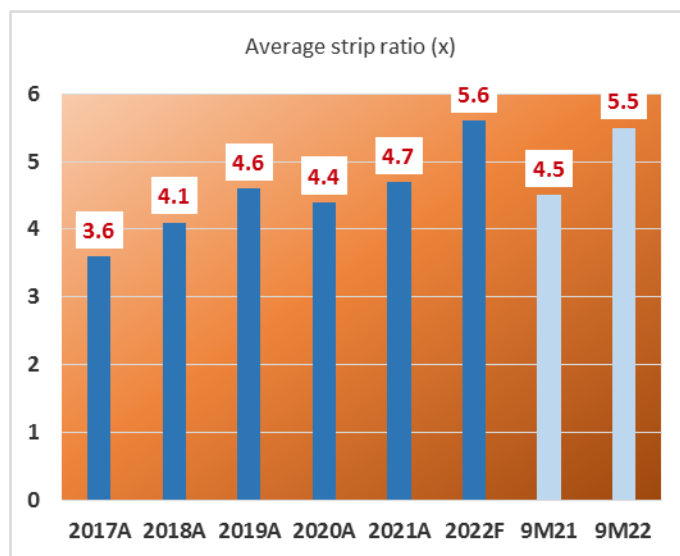
**The Subsidiaries and Indirect Subsidiaries**



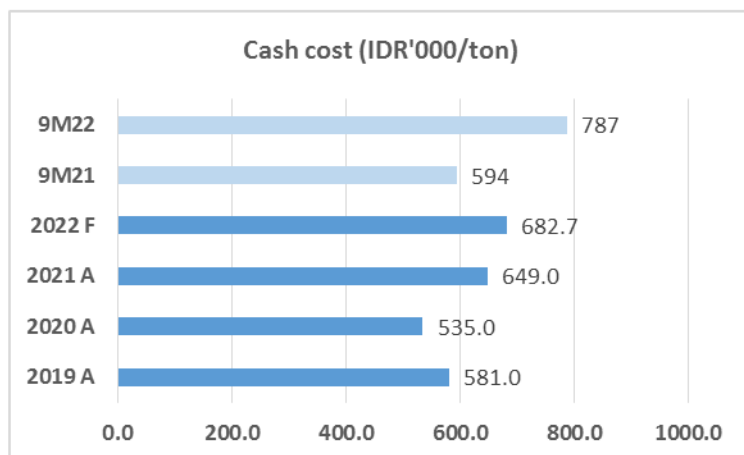
Production and sales volume (Mt) yoy



Average Stripping ratio (x) yoy



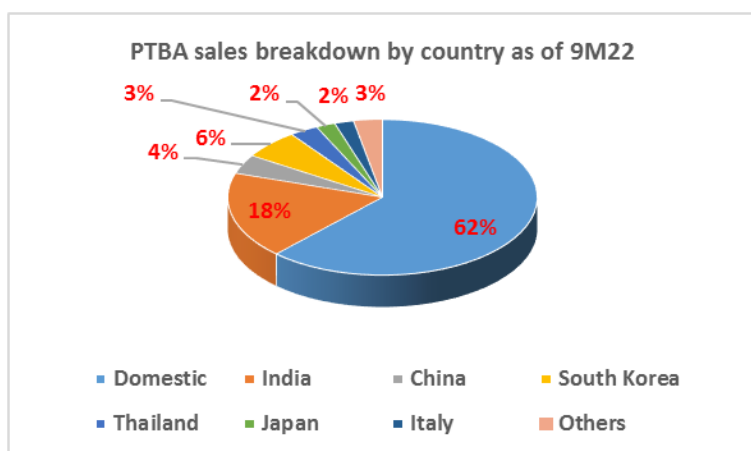
PTBA's Cash cost yoy (IDR.000/ton)



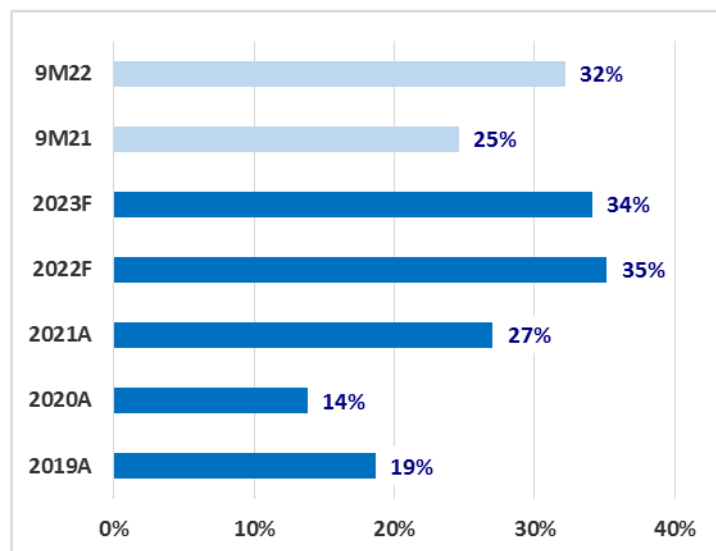
Railway upgrade capacity plans (Mt)

Existing railway	Previous capacity (Mtpa)	Est.upgrade capacity (Mtpa)
TE - Kertapati	5	7 (2021)
TE - Tarahan	20,3	25 (2Q21)
<b>New railway</b>		
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) 9M22



Net profit Margin (%) yoy



## Profit and Loss

Profit and Loss (IDR.bn)	2018 A	2019 A	2020 A	2021 A	2022 F	2023 F	2024 F
<b>Revenue</b>	<b>21,167</b>	<b>21,788</b>	<b>17,325</b>	<b>29,261</b>	<b>45,944</b>	<b>45,398</b>	<b>40,757</b>
Cost of sales	(12,621)	(14,176)	(12,759)	(15,777)	(19,839)	(20,200)	(20,873)
<b>Gross Profit</b>	<b>8,546</b>	<b>7,612</b>	<b>4,566</b>	<b>13,484</b>	<b>26,105</b>	<b>25,199</b>	<b>19,885</b>
Operating expense	2,322	2,597	2,046	3,525	6,154	6,081	5,459
<b>Operating Profit</b>	<b>6,224</b>	<b>5,014</b>	<b>2,520</b>	<b>9,959</b>	<b>19,951</b>	<b>19,118</b>	<b>14,425</b>
Other income	223	261	230	98	551	545	489
equity in net income							
associates and jointly	352	179	481	301	459	454	408
controlled entities							
<b>PBT</b>	<b>6,799</b>	<b>5,455</b>	<b>3,232</b>	<b>10,359</b>	<b>20,962</b>	<b>20,117</b>	<b>15,322</b>
taxes	(1,678)	(1,415)	(824)	(2,322)	(4,698)	(4,509)	(3,434)
Minority interest	(97.166)	16.494	(21.108)	(127.775)	(121.245)	(122.428)	(107.753)
<b>Net Profit</b>	<b>5,024</b>	<b>4,057</b>	<b>2,387</b>	<b>7,909</b>	<b>16,142</b>	<b>15,485</b>	<b>11,780</b>
EPS	436	371	213	702	1433	1374	1045
<b>EBITDA</b>	<b>7,534</b>	<b>6,250</b>	<b>4,312</b>	<b>11,628</b>	<b>22,535</b>	<b>21,529</b>	<b>16,946</b>

## Cash Flow

Cash Flow (in IDR. bn)	2018A	2019A	2020A	2021A	2022F	2023F	2024F
+ Net Income	5,023.95	4,056.89	2,386.82	7,909.11	16,142.18	15,485.22	11,779.90
+Depreciation	631.05	667.28	947.92	1,110.88	1,414.61	1,254.48	1,466.17
- Change in WC	2,859.29	(2,042.01)	2,080.88	(6,165.71)	(3,670.32)	(1,290.57)	936.05
<b>Cash From Operating Activities</b>	<b>8,514.29</b>	<b>2,682.16</b>	<b>5,415.62</b>	<b>2,854.29</b>	<b>13,886.48</b>	<b>15,449.12</b>	<b>14,182.13</b>
capex	(2,507.57)	(2,339.19)	(2,222.15)	(3,330.69)	(7,037.41)	(4,015.50)	(1,720.82)
<b>cash from investing activities</b>	<b>(2,507.57)</b>	<b>(2,339.19)</b>	<b>(2,222.15)</b>	<b>(3,330.69)</b>	<b>(7,037.41)</b>	<b>(4,015.50)</b>	<b>(1,720.82)</b>
Long term liabilities	197.56	(223.37)	(4.13)	(3.75)	0.00	0.00	0.00
Financial lease	(269.75)	71.73	95.36	230.12	294.81	(10.91)	(92.83)
Other Long term							
liabilities	(634.54)	168.07	169.89	897.86	851.35	399.46	(510.55)
equity	(2,554.24)	(1,903.76)	(3,870.45)	(594.59)	(5,539.06)	(10,690.03)	(9,044.94)
<b>cash from financing activities</b>	<b>(3,260.97)</b>	<b>(1,887.32)</b>	<b>(3,609.32)</b>	<b>529.64</b>	<b>(4,392.90)</b>	<b>(10,301.48)</b>	<b>(9,648.32)</b>
<b>Net Changes in Cash</b>	<b>2,745.76</b>	<b>(1,544.36)</b>	<b>(415.85)</b>	<b>53.25</b>	<b>2,456.16</b>	<b>1,132.15</b>	<b>2,812.98</b>
<b>Beginning Balance</b>	<b>3,555.41</b>	<b>6,301.16</b>	<b>4,756.80</b>	<b>4,340.95</b>	<b>4,394.20</b>	<b>6,850.36</b>	<b>7,982.51</b>
<b>Ending balance</b>	<b>6,301.16</b>	<b>4,756.80</b>	<b>4,340.95</b>	<b>4,394.20</b>	<b>6,850.36</b>	<b>7,982.51</b>	<b>10,795.49</b>

## Balance Sheet

Balance sheet (IDR.bn)	2018A	2019A	2020A	2021A	2022F	2023F	2024F
Cash and cash equivalent	6,301.16	4,756.80	4,340.95	4,394.20	6,850.36	7,982.51	10,795.49
Trade Account Receivable	2,521.26	2,482.84	1,578.87	3,099.84	6,293.67	6,218.97	5,583.17
inventory	1,383.06	1,551.14	805.44	1,207.59	1,576.23	1,604.91	1,658.37
Other current asset	897.62	2,709.56	1,639.11	9,509.88	11,945.38	13,165.56	11,819.57
<b>Current Asset</b>	<b>11,426.68</b>	<b>11,679.88</b>	<b>8,364.36</b>	<b>18,211.50</b>	<b>26,665.63</b>	<b>28,971.95</b>	<b>29,856.60</b>
Net Fixed Asset other long term asset	6,547.59	7,272.75	7,863.62	8,321.23	9,292.44	10,860.54	12,693.25
LT Investment and receivables	1,879.15	2,043.04	1,890.17	2,147.52	2,756.63	2,723.91	2,445.43
	4,319.52	5,102.38	5,938.62	8,193.21	11,485.94	12,711.58	11,411.99
<b>Non current Asset</b>	<b>12,746.26</b>	<b>14,418.17</b>	<b>15,692.40</b>	<b>17,912.20</b>	<b>23,535.00</b>	<b>26,296.02</b>	<b>26,550.67</b>
<b>Total Asset</b>	<b>24,172.93</b>	<b>26,098.05</b>	<b>24,056.76</b>	<b>36,123.70</b>	<b>50,200.64</b>	<b>55,267.97</b>	<b>56,407.27</b>
Trade payable	1,048.00	1,020.09	697.38	1,270.36	2,013.97	1,990.07	1,786.61
Accrued expenses	1,274.20	1,630.18	1,371.26	1,855.64	3,216.06	3,177.89	2,853.00
Short Term bank loans	85.48	152.35	106.88	3.70	3.89	4.08	4.28
Other Current liabilities	2,528.02	1,888.62	1,696.94	4,370.94	4,594.38	4,539.85	4,075.71
<b>Current liabilities</b>	<b>4,935.70</b>	<b>4,691.25</b>	<b>3,872.46</b>	<b>7,500.65</b>	<b>9,828.30</b>	<b>9,711.89</b>	<b>8,719.61</b>
Long term loans	233.49	10.12	5.99	2.24	2.24	2.24	2.24
Financial lease	226.86	298.59	393.95	624.07	918.88	907.97	815.14
Other Long term liabilities	2,507.19	2,675.27	2,845.16	3,743.02	4,594.38	4,993.83	4,483.28
<b>Non current liabilities</b>	<b>2,967.54</b>	<b>2,983.98</b>	<b>3,245.10</b>	<b>4,369.33</b>	<b>5,515.49</b>	<b>5,904.04</b>	<b>5,300.67</b>
<b>Total Liabilities</b>	<b>7,903.24</b>	<b>7,675.23</b>	<b>7,117.56</b>	<b>11,869.98</b>	<b>15,343.79</b>	<b>15,615.94</b>	<b>14,020.27</b>
<b>Total Equities</b>	<b>16,269.70</b>	<b>18,422.83</b>	<b>16,939.20</b>	<b>24,253.72</b>	<b>34,856.85</b>	<b>39,652.04</b>	<b>42,387.00</b>
<b>Total Liabilities and equity</b>	<b>24,172.93</b>	<b>26,098.05</b>	<b>24,056.76</b>	<b>36,123.70</b>	<b>50,200.64</b>	<b>55,267.97</b>	<b>56,407.27</b>

## Financial Ratio Highlights

Ratio Highlights	2018 A	2019 A	2020 A	2021 A	2022 F	2023 F	2024 F
<b>Growth (% YoY)</b>							
Sales	8.7%	2.9%	-20.5%	68.9%	57.0%	-1.2%	-10.2%
OP	5.5%	-19.4%	-49.7%	295.1%	100.3%	-4.2%	-24.5%
EBITDA	10.7%	-17.0%	-31.0%	169.7%	93.8%	-4.5%	-21.3%
NP	12.2%	-19.2%	-41.2%	231.4%	104.1%	-4.1%	-23.9%
EPS	2.7%	-14.8%	-42.5%	228.9%	104.1%	-4.1%	-23.9%
<b>Profitability</b>							
Operating Margin(%)	29%	23%	15%	34%	43%	42%	35%
EBITDA margin(%)	36%	29%	25%	40%	49%	47%	42%
NET Profit margin(%)	24%	19%	14%	27%	35%	34%	29%
ROA(%)	21%	16%	10%	22%	32%	28%	21%
ROE(%)	31%	22%	14%	33%	46%	39%	28%
<b>Stability</b>							
Debt/ Equity (X)	0.03	0.03	0.03	0.03	0.03	0.02	0.02
Current ratio (X)	2.32	2.49	2.16	2.43	2.71	2.98	3.42
Int. Coverage (x)	65.66	42.73	24.39	65.38	132.31	126.98	96.71
<b>Per Share data (IDR)</b>							
EPS	436	371	213	702	1433	1374	1045
BVS	1,412	1,599	1,470	2,105	3,026	3,442	3,679

**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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