

9 November 2020  
Coal Mining, Equity

Current Price IDR. 1990  
Target Price IDR. 2700  
JKSE Index 5335,53



### Investment Consideration

#### Sales target revised down

As of 9M20, PTBA's coal sales decreased 10% YoY to 18,6 mn tons from 20.6 mn tons in 9M19. PTBA is revising their 2020 production and sales volume target from 30.3 mn tons and 29.9 mn tons to 25,1 mn tons and 24,9 mn tons. PTBA's performance up to 9M20 is still affected by the Covid-19 pandemic which led to a decrease in energy consumption due to the lockdowns in export destinations such as China and India. The same happened in the domestic market, the largest market for PTBA. The decrease in electricity consumption in large areas of Indonesia such as DKI Jakarta, Banten, Java and Bali led to a decrease in domestic coal absorption. PTBA continues to work on improving operations so that performance is maintained. We revise down our 2020 revenue target to 27% growth you, inline with the revised coal volume target

#### Progress on railway capacity

PTBA is on track to have additional railway capacity in 2020. An additional 1.3 mn-ton railway capacity in Tanjung Enim (TE) – Kertapati has been completed while an additional 4,7 mn ton p.a. capacity from TE – Tarahan is targeted to be completed by 2Q 2021. In addition, railway capacity of 5 mn tons pa that has been successfully operated at Kertapati since Q1-2020, will increase capacity to 7 mn tons pa by 2021. For future expansion, PTBA is currently doing a joint feasibility study with the state railroad company on the TE – Kramasan route and this will be PTBA's main project aside from TE – Perajen. The TE - Kramasan railway is to be completed by 2024/2025.

#### Downstream growth progress

PTBA signed a Coal-Based Methanol supply agreement with Pertamina in March 2020 as part of a downstream gasification project at Tanjung Enim with a production target of 1,4 mn tons p.a. of methanol. PTBA will supply Methanol to Pertamina as part of the Pertamina Gasoline A20 program. Construction preparations for the downstream project are planned to begin in mid-2021 and the target is to begin operations in Q2 2024. Other downstream projects include South Sumatra Mine-8 PLTU with a capacity of 2x60 MW. As of 9M20, progress has reached +/- 55% with a target COD for unit 1 in 4Q20 and unit 2 in 1Q22. PTBA has also been working with PT Angkasa Pura II (AP II) on building and operating a solar power plant (PLTS) at Soekarno-Hatta Airport. This project is in the form of a 720 solar panel system with photovoltaics with a maximum capacity of 241 kilowatt-peak (kWp) and installed in the Airport Operation Control Center Building (AOCC). It is fully operational as of October 1, 2020. The success of this PLTS cooperation prompted PTBA to explore with AP II the construction of PLTS at a number of other airports managed by AP II.

#### Valuation: 36% upside potential

With WACC at 10,8%, our target price for PTBA is revised down to IDR 2700, which is a valuation of 8,96x PER with 36% upside potential. We maintain our BUY recommendation.

Profit and Loss (IDR.bn)	2017 A	2018 A	2019 A	2020 F	2021 F
<b>Revenue</b>	<b>19.471</b>	<b>21.167</b>	<b>21.788</b>	<b>15.901</b>	<b>18.346</b>
Cost of sales	(10.965)	(12.621)	(14.176)	(10.427)	(11.472)
<b>Gross Profit</b>	<b>8.507</b>	<b>8.546</b>	<b>7.612</b>	<b>5.474</b>	<b>6.874</b>
Operating expense	2.608	2.322	2.597	2.130	2.457
<b>Operating Profit</b>	<b>5.899</b>	<b>6.224</b>	<b>5.014</b>	<b>3.344</b>	<b>4.417</b>
Other income	81	223	261	191	220
equity in net income					
associates and jointly	122	352	179	99	115
controlled entities					
<b>PBT</b>	<b>6.102</b>	<b>6.799</b>	<b>5.455</b>	<b>3.634</b>	<b>4.751</b>
taxes	(1.554)	(1.678)	(1.415)	(942)	(1.232)
Minority interest	(70,788)	(97,166)	16,494	(45,406)	(47,620)
<b>Net Profit</b>	<b>4.476</b>	<b>5.024</b>	<b>4.057</b>	<b>2.646</b>	<b>3.471</b>
EPS	425	436	352	230	301
<b>EBITDA</b>	<b>6.805</b>	<b>7.534</b>	<b>6.250</b>	<b>4.377</b>	<b>6.098</b>

Stock Code PTBA IJ  
Bloomberg code PTBA IJ  
Market cap (IDR.bn) 22,983.7  
52-Week High (IDR) 2,870  
52-Week Low (IDR) 1,385  
6-m Avg Daily. Val (IDR) 1,995  
Free Float (%) 31.15

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

USD/IDR-YE  
2019A 13866  
2020F (Avg) 14208

Key Indicators  
Debt/ Equity (x) 0.03  
Current ratio (x) 2.64

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**Company profile**

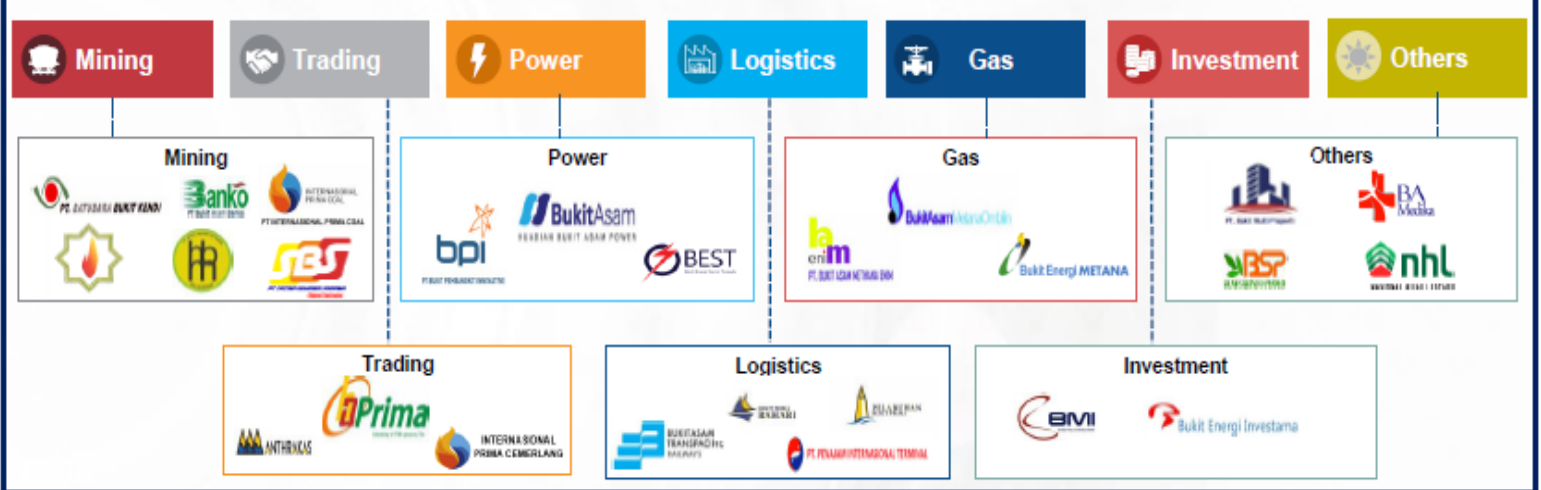
PT Bukit Asam Tbk started production for commercial purposes in 1938. After the Dutch Colonial era ended in Indonesia, the Indonesian employees demanded a change into a national mine. In 1950, the government of Indonesia founded Perusahaan Negara Tambang Arang Bukit Asam (PN TABA). On March 1, 1981, 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**

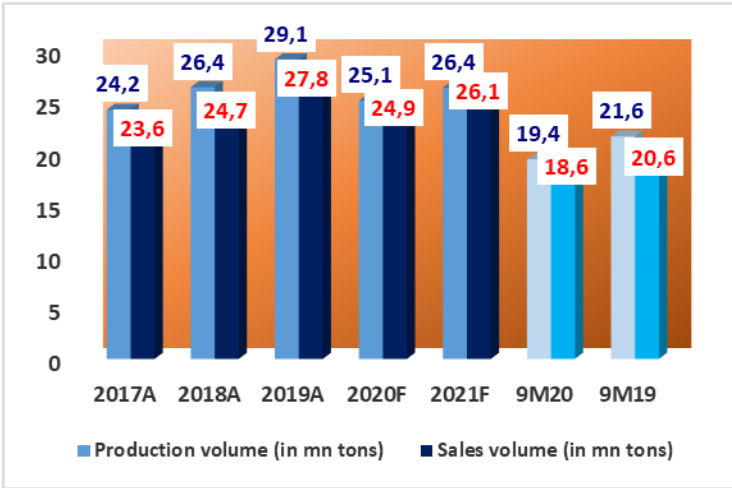


PT Indonesia Asahan Aluminium (Persero) owns ~65,93% of total shares

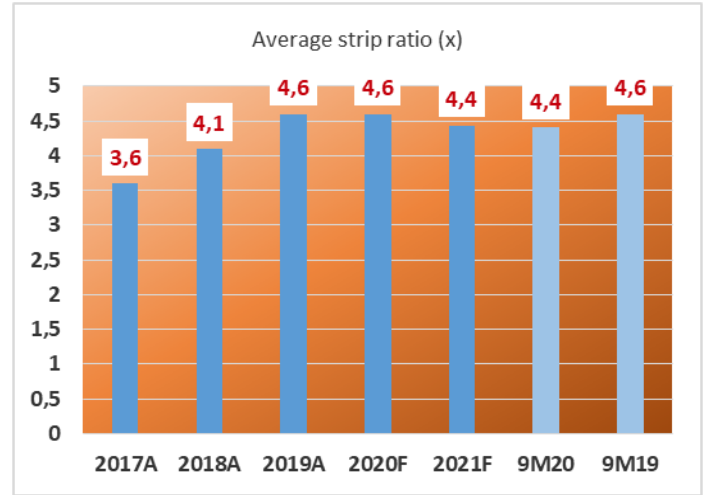
**The Subsidiaries and Indirect Subsidiaries**



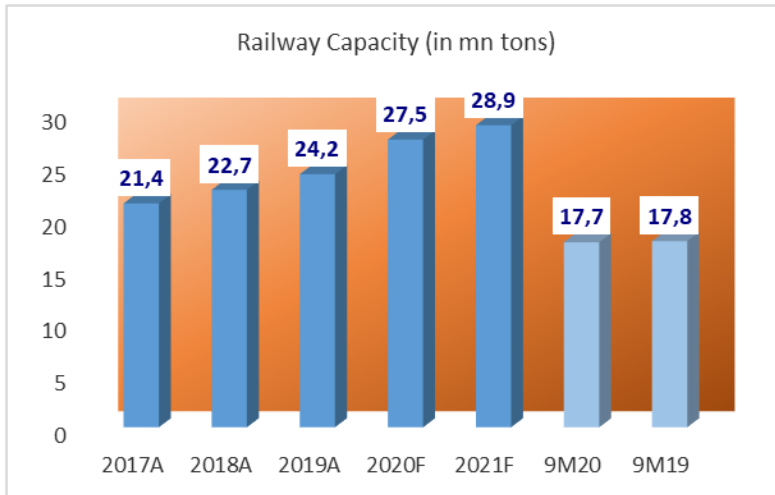
Production and sales volume (Mt) yoy



Average Stripping ratio (x) yoy



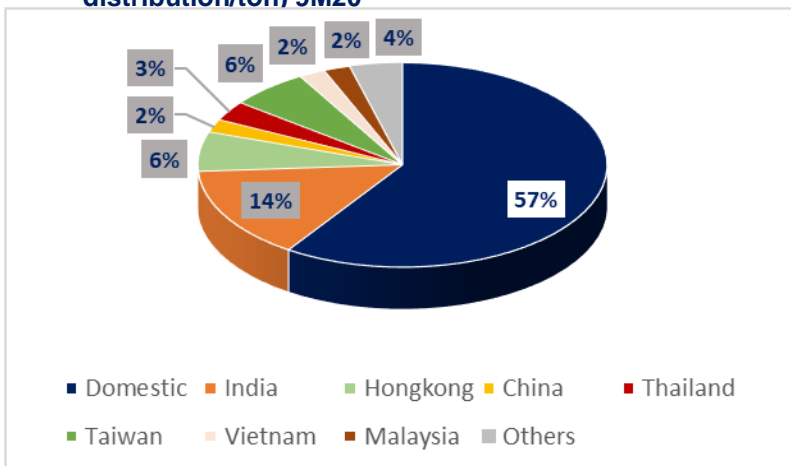
Railway capacity (Mt) yoy



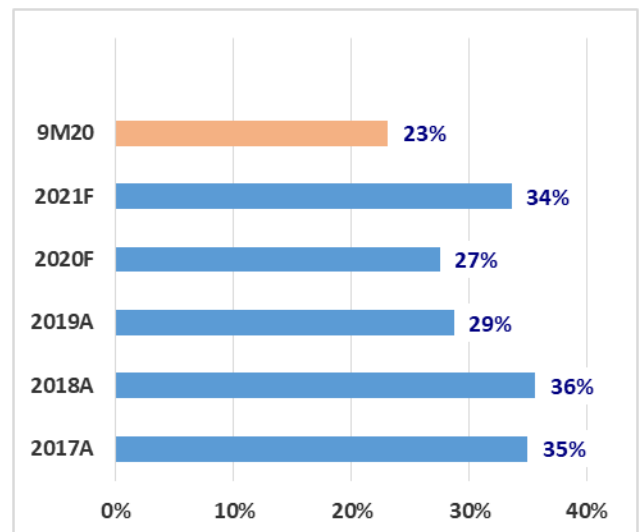
Railway upgrade capacity plans (Mt)

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) 9M20



Ebitda Margin (%) yoy



## Profit and Loss (IDR.bn)

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## Balance Sheet (IDR.bn)

Balance sheet (IDR.bn)	2017A	2018A	2019A	2020F	2021F
Cash and cash equivalent	3.555,41	6.301,16	4.756,80	5.932,87	6.206,87
Trade Account Receivable	5.343,71	2.521,26	2.482,84	1.655,42	2.161,33
inventory	1.156,01	1.383,06	1.551,14	1.428,38	1.414,39
Other current asset	653,95	897,62	2.709,56	1.590,07	1.651,15
<b>Current Asset</b>	<b>11.117,75</b>	<b>11.426,68</b>	<b>11.679,88</b>	<b>10.773,61</b>	<b>11.626,27</b>
Net Fixed Asset	6.199,30	6.547,59	7.272,75	8.387,02	9.896,68
other long term asset	1.266,71	1.879,15	2.043,04	1.590,07	1.834,61
LT Investment and receivables	3.403,73	4.319,52	5.102,38	4.452,20	4.770,00
<b>Non current Asset</b>	<b>10.869,74</b>	<b>12.746,26</b>	<b>14.418,17</b>	<b>14.429,29</b>	<b>16.501,30</b>
<b>Total Asset</b>	<b>21.987,48</b>	<b>24.172,93</b>	<b>26.098,05</b>	<b>25.202,90</b>	<b>28.127,57</b>
Trade payable	886,42	1.048,00	1.020,09	871,27	955,00
Accrued expenses	970,82	1.274,20	1.630,18	1.590,07	1.651,15
Short Term bank loans	299,09	85,48	152,35	139,67	146,66
Other Current liabilities	4.298,54	5.076,41	5.148,98	2.862,13	3.302,31
<b>Current liabilities</b>	<b>4.513,23</b>	<b>4.935,70</b>	<b>4.691,25</b>	<b>3.873,07</b>	<b>4.403,97</b>
Long term loans	35,93	233,49	10,12	10,04	10,04
Financial lease	496,61	226,86	298,59	550,40	477,00
Other Long term liabilities	3.141,73	2.507,19	2.675,27	1.952,43	2.252,70
<b>Non current liabilities</b>	<b>3.674,27</b>	<b>2.967,54</b>	<b>2.983,98</b>	<b>2.512,87</b>	<b>2.739,74</b>
<b>Total Liabilities</b>	<b>8.187,50</b>	<b>7.903,24</b>	<b>7.675,23</b>	<b>6.385,95</b>	<b>7.143,70</b>
<b>Total Equities</b>	<b>13.799,99</b>	<b>16.269,70</b>	<b>18.422,83</b>	<b>18.816,96</b>	<b>20.983,86</b>
<b>Total Liabilities and equity</b>	<b>21.987,48</b>	<b>24.172,93</b>	<b>26.098,05</b>	<b>25.202,90</b>	<b>28.127,57</b>

## Cash Flow (IDR.bn)

Cash Flow (in IDR. bn)	2017A	2018A	2019A	2020F	2021F
+ Net Income	4.476,44	5.023,95	4.056,89	2.646,11	3.471,49
+Depreciation	599,70	631,05	667,28	727,28	838,70
- Change in WC	(3.416,62)	2.859,29	(2.042,01)	1.264,17	(47,77)
<b>Cash From Operating Activities</b>	<b>1.659,53</b>	<b>8.514,29</b>	<b>2.682,16</b>	<b>4.637,56</b>	<b>4.262,42</b>
capex	(1.242,59)	(2.507,57)	(2.339,19)	(738,40)	(2.910,70)
<b>cash from investing activities</b>	<b>(1.242,59)</b>	<b>(2.507,57)</b>	<b>(2.339,19)</b>	<b>(738,40)</b>	<b>(2.910,70)</b>
Long term liabilities	(131,42)	197,56	(223,37)	(0,08)	0,00
Financial lease	(87,05)	(269,75)	71,73	251,81	(73,40)
Other Long term liabilities	911,12	(634,54)	168,07	(722,84)	300,27
equity	(1.228,86)	(2.554,24)	(1.903,76)	(2.251,98)	(1.304,59)
<b>cash from financing activities</b>	<b>-536,22</b>	<b>-3.260,97</b>	<b>-1.887,32</b>	<b>-2.723,09</b>	<b>-1.077,72</b>
<b>Net Changes in Cash</b>	<b>(119,28)</b>	<b>2.745,76</b>	<b>(1.544,36)</b>	<b>1.176,07</b>	<b>274,00</b>
<b>Beginning Balance</b>	<b>3.674,69</b>	<b>3.555,41</b>	<b>6.301,16</b>	<b>4.756,80</b>	<b>5.932,87</b>
<b>Ending balance</b>	<b>3.555,41</b>	<b>6.301,16</b>	<b>4.756,80</b>	<b>5.932,87</b>	<b>6.206,87</b>

## Ratio Highlights

Ratio Highlights	2017 A	2018 A	2019 A	2020 F	2021 F
<b>Growth (% YoY)</b>					
Sales	38,50%	8,71%	2,93%	-27,02%	15,38%
OP	133,07%	5,52%	-19,44%	-33,32%	32,08%
EBITDA	112,06%	10,71%	-17,04%	-29,97%	39,32%
NP	123,13%	12,23%	-19,25%	-34,77%	31,19%
EPS	123,13%	2,68%	-19,25%	-34,77%	31,19%
<b>Profitability</b>					
Operating Margin(%)	30,29%	29,40%	23,01%	21,03%	24,07%
EBITDA margin(%)	34,95%	35,59%	28,69%	27,53%	33,24%
NET Profit margin(%)	22,99%	23,73%	18,62%	16,64%	18,92%
ROA(%)	20,36%	20,78%	15,54%	10,50%	12,34%
ROE(%)	32,44%	30,88%	22,02%	14,06%	16,54%
<b>Stability</b>					
Debt/ Equity (X)	0,06	0,03	0,03	0,04	0,03
Current ratio (X)	2,46	2,32	2,49	2,78	2,64
Int. Coverage (x)	58,90	65,66	42,73	41,67	60,19
<b>Per Share data (IDR)</b>					
EPS	425	436	352	230	301
BVS	1.198	1.412	1.599	1.633	1.821

**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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