

28 November 2023  
Coal Mining, Equity

Current Price IDR. 25200  
Target Price IDR. 29180  
JKSE Index 7048.035

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TradingView

Stock Code  
Bloomberg code ITMG IJ  
Market cap (IDR.bn) 28590  
52-Week High (IDR) 42350  
52-Week Low (IDR) 22125  
6-m Avg Daily. Val (IDR) 30900  
Free Float (%) 34.74

Major Shareholders (%)  
PT Banpu Minerals  
(Singapore) Pte, Ltd 65.14%  
Fredi Chandra 0.12%  
Public 34.74%

USD/IDR-YE  
2022A 15731  
2023F (Avg) 15500

Key Indicators  
Debt/ Equity (x) 0.04  
Current ratio (x) 3.70

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## Investment Consideration

### In 9M23, Coal production grew by +9.76%YoY

Production increased to 13.5 million tons from 12.3 million tons in 9M22. Notably, 3Q23 production reached 5.3 million tons, a +15.22% YoY increase, or +20.5% QoQ, exceeding the target of 4.8 million tons due to dry weather. The strip ratio in 3Q23 decreased to 11.7x from 12.5x in 2Q23. Coal sales in 3Q23 decreased by -5.26% YoY but remained relatively flat QoQ compared to 2Q23. The ASP in 3Q23 declined -13% QoQ to USD 98.7/ton from USD 113.5/ton in 2Q23, continuing the declining trend since 3Q22. Reflecting normalized global coal prices, ITMG's 3Q23 revenue decreased by -56% YoY. Royalty payments also decreased with 3Q23 prices at USD 14/ton, a -7% QoQ decrease. Based on 9M23 results, we maintain our projection that ITMG's coal production volume for this year will be 16.9 million tons. Looking ahead, we anticipate strong coal demand and increased production volume in 2024.

### 9M23 Profit Down by -55% YoY

Net profit in 9M23 was USD 405.8 million, a -55% YoY decrease from USD 893 million in 9M22. The decrease in bottom-line profit was attributed to a -30% YoY decrease in revenue due to lower coal prices. Excluding royalties, total costs in 3Q23 decreased to USD 60/ton from USD 67/ton in 3Q22 and USD 65/ton in 2Q23, marking a -10.44% YoY or -7% QoQ decrease despite fuel price increases and other macroeconomic uncertainties. We estimate ITMG's bottom-line net profit will decrease by -34% CAGR in 2023-2024F compared to 2022A.

### Valuation: 16% upside potential

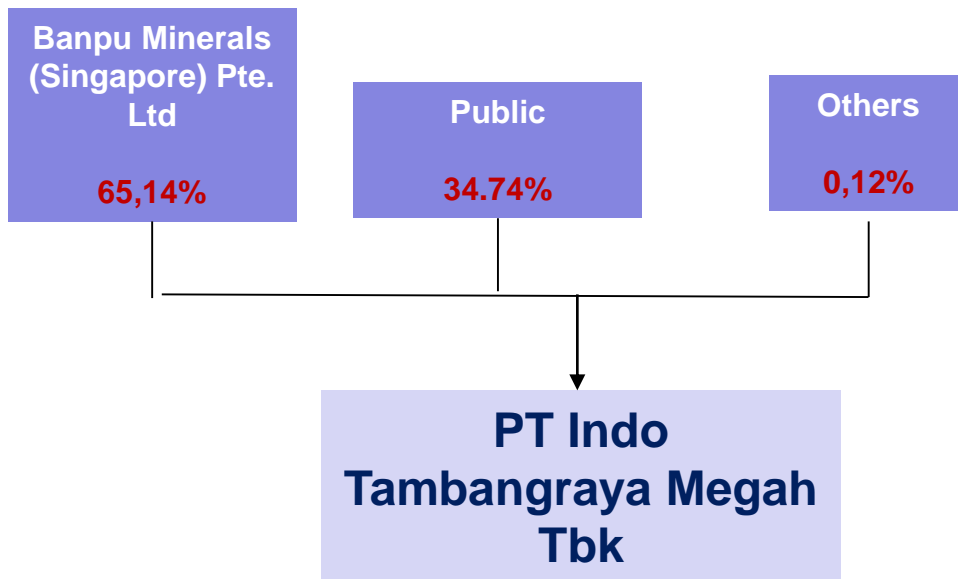
Based on 9M23 results, our new target price (TP) for ITMG is IDR 29,180, implying shares are valued at 4.06x PER with a 16% potential upside. We change our recommendation to HOLD.

Financial Highlights	2019 A	2020 A	2021 A	2022 A	2023 F	2024 F
Sales growth (%)	-14.55%	-30.91%	75.21%	75.09%	-40.40%	-4.06%
Net profit growth (%)	-58.22%	-42.44%	661.40%	112.68%	-44.26%	-14.97%
Operating Margin(%)	11%	9%	38%	46%	43%	38%
NET Profit margin(%)	8%	3%	23%	33%	29%	25%
Debt/ Equity (X)	0.06	0.05	0.03	0.04	0.06	0.04
Net profit (in \$ mn)	129	39	476	1200	632	528
EPS	0.11	0.03	0.42	1.06	0.56	0.47

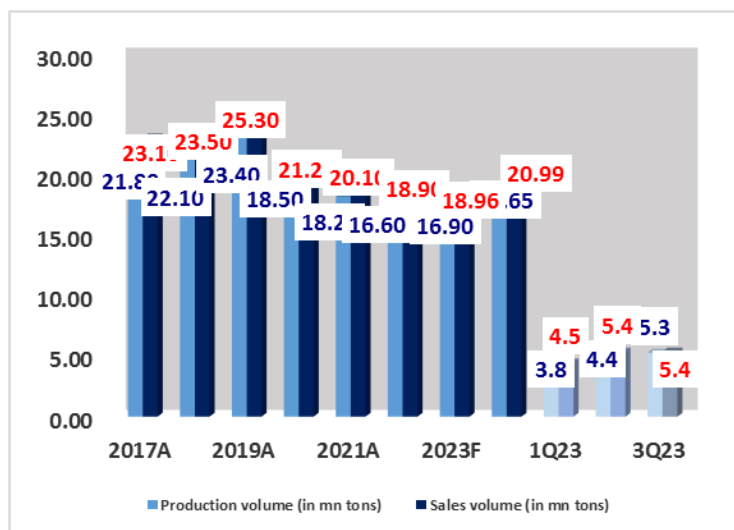
### Company profile

PT Indo Tambangraya Megah Tbk (ITMG), established in 1987, achieved significant milestones, including consolidation of its mining investment portfolio in 2001 when acquired by BANPU Thailand. ITMG conducted an IPO on 18 December 2007 and has grown into a major coal-based energy company in Indonesia. Adopting a new direction at the end of 2016, ITMG promotes sustainable development planning and initiated a digital transformation in 2018. ITMG benefits from integrated marketing and logistics operations in its concession areas, including Trubaindo, Bharinto, Kitadin, Jorong, and Indominco Mandiri. Acquisitions include PT Tepian Indah Sukses, PT Gasemas, PT Nusa Persada Resources, and PT Energi Batubara Resources. In 2019, ITMG acquired the remaining 30% share of PT Tepian.

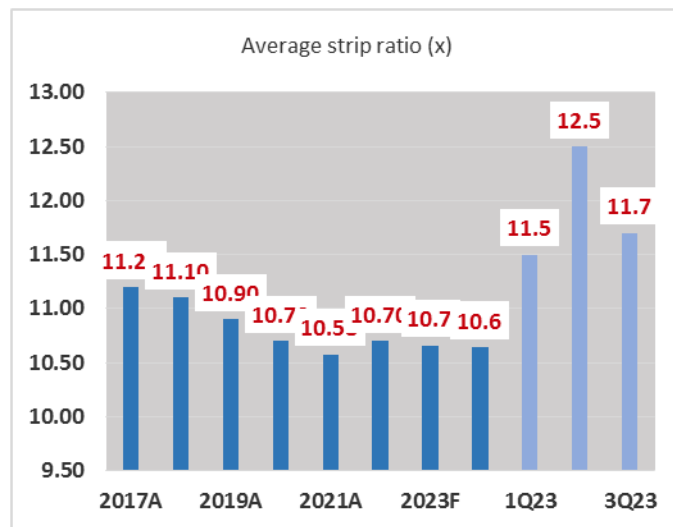
### Company's shareholder



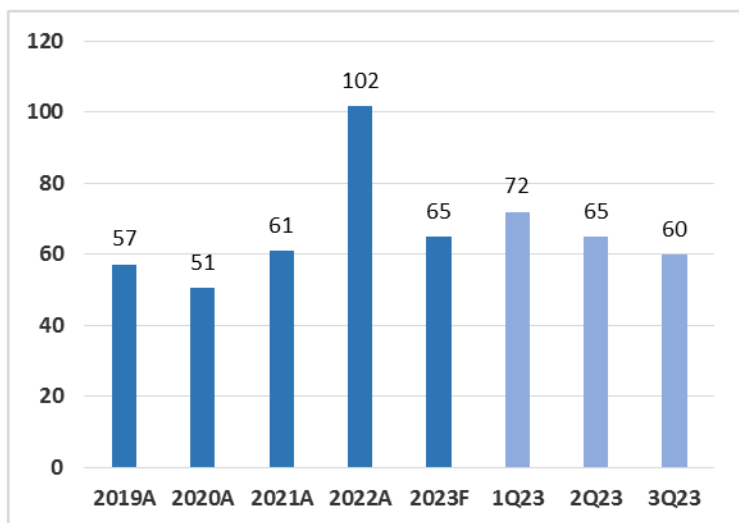
Production and sales volume (Mt) yoy



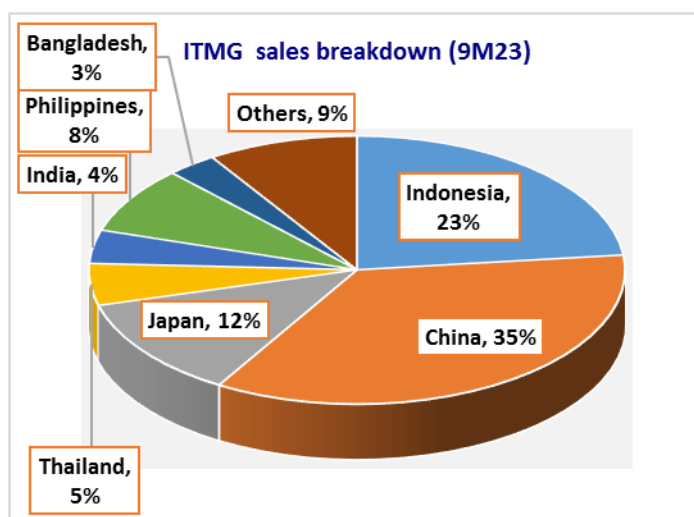
Average Stripping ratio (x) yoy



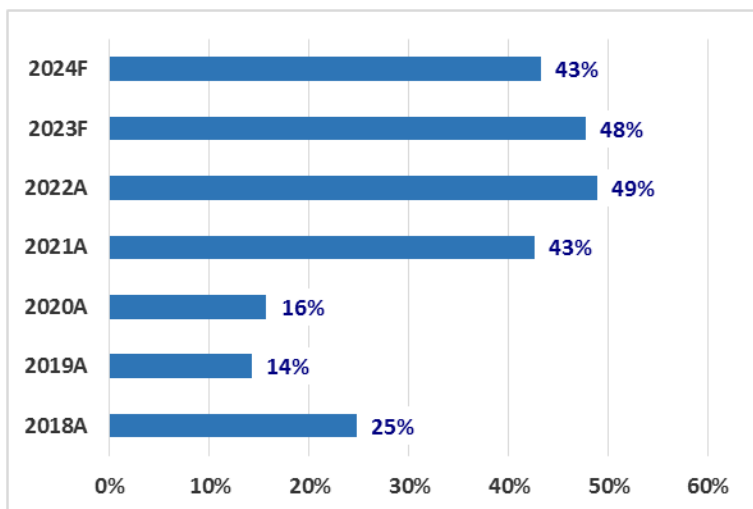
ITMG's cash cost USD/ton yoy



ITMG's sales breakdown destination 9M23



Ebitda Margin (%) yoy



## Profit and Loss

Profit and Loss (USD.mn)	2019 A	2020 A	2021 A	2022 A	2023 F	2024 F	2025 F
<b>Revenue</b>	<b>1,716</b>	<b>1,185</b>	<b>2,077</b>	<b>3,636</b>	<b>2,167</b>	<b>2,079</b>	<b>2,327</b>
Cost of sales	(1,389)	(986)	(1,160)	(1,742)	(1,099)	(1,156)	(1,275)
<b>Gross Profit</b>	<b>327</b>	<b>199</b>	<b>917</b>	<b>1,894</b>	<b>1,069</b>	<b>923</b>	<b>1,051</b>
Operating expense	146	95	125	212	131	126	140
<b>Operating Profit</b>	<b>181</b>	<b>104</b>	<b>791</b>	<b>1,683</b>	<b>938</b>	<b>798</b>	<b>911</b>
Other income	5	(31)	(170)	(138)	(117)	(113)	(126)
taxes	(59)	(35)	(146)	(345)	(189)	(158)	(180)
Minority interest	2.9	1.6	0.2	0.7	0.2	0.2	0.2
<b>Net Profit</b>	<b>129</b>	<b>39</b>	<b>476</b>	<b>1,200</b>	<b>632</b>	<b>528</b>	<b>604</b>
EPS	0.11	0.03	0.42	1.06	0.56	0.47	0.53
<b>EBITDA</b>	<b>245</b>	<b>186</b>	<b>885</b>	<b>1,776</b>	<b>1,033</b>	<b>898</b>	<b>1,014</b>

## Balance Sheet

Balance sheet (USD.mn)	2019A	2020A	2021A	2022A	2023F	2024F	2025F
Cash and cash equivalent	159.21	231.46	690.97	1,430.33	1,137.20	1,097.99	1,216.51
Trade Account Receivable	133.64	74.66	186.81	280.48	178.13	170.91	197.61
inventory	102.57	60.22	62.45	96.09	60.19	63.36	73.38
Other current asset	77.08	53.59	47.79	101.65	65.02	62.38	69.80
<b>Current Asset</b>	<b>472.50</b>	<b>419.93</b>	<b>988.02</b>	<b>1,908.55</b>	<b>1,440.55</b>	<b>1,394.64</b>	<b>1,557.30</b>
Net Fixed Asset other long term asset	222.81	195.85	165.77	151.35	180.96	190.77	201.12
Mining properties	499.06	528.74	499.20	567.98	541.83	519.85	581.68
	14.67	14.11	13.25	12.31	10.58	8.60	10.49
<b>Non current Asset</b>	<b>736.54</b>	<b>738.70</b>	<b>678.22</b>	<b>731.63</b>	<b>733.37</b>	<b>719.22</b>	<b>793.29</b>
<b>Total Asset</b>	<b>1,209.04</b>	<b>1,158.63</b>	<b>1,666.24</b>	<b>2,640.18</b>	<b>2,173.92</b>	<b>2,113.86</b>	<b>2,350.59</b>
Trade payable	77.74	62.34	85.26	144.28	130.63	85.46	95.62
Accrued expenses	119.38	95.92	103.28	148.07	130.04	124.76	139.60
Short Term bank loans	10.62	0.00	0.00	0.00	0.00	0.00	0.00
Other Current liabilities	25.55	49.04	176.20	293.27	173.38	166.35	186.14
<b>Current liabilities</b>	<b>233.29</b>	<b>207.30</b>	<b>364.74</b>	<b>585.61</b>	<b>434.06</b>	<b>376.57</b>	<b>421.36</b>
Provision for mine rehabilitation	38.24	36.85	37.51	68.64	86.69	62.38	69.80
Deffered tax liabilities	3.34	1.84	2.05	1.73	6.50	6.24	6.98
Other Long term liabilities	49.71	30.63	34.58	21.13	12.59	12.08	13.52
long term loan	0.00	35.72	25.81	12.79	13.43	14.10	14.80
<b>Non current liabilities</b>	<b>91.29</b>	<b>105.04</b>	<b>99.94</b>	<b>104.28</b>	<b>119.21</b>	<b>94.80</b>	<b>105.10</b>
<b>Total Liabilities</b>	<b>324.58</b>	<b>312.34</b>	<b>464.68</b>	<b>689.90</b>	<b>553.27</b>	<b>471.38</b>	<b>526.46</b>
<b>Total Equities</b>	<b>884.47</b>	<b>846.29</b>	<b>1,201.56</b>	<b>1,950.28</b>	<b>1,620.65</b>	<b>1,642.49</b>	<b>1,824.12</b>
<b>Total Liabilities and equity</b>	<b>1,209.04</b>	<b>1,158.63</b>	<b>1,666.24</b>	<b>2,640.18</b>	<b>2,173.92</b>	<b>2,113.86</b>	<b>2,350.59</b>

## Cash Flow

Cash Flow (USD.mn)	2019A	2020A	2021A	2022A	2023F	2024F	2025F
+ Net Income	129.43	39.47	475.57	1,200.07	632.03	527.59	604.47
+Depreciation	51.47	44.81	42.08	44.03	45.40	47.05	49.60
- Change in WC	(71.67)	98.83	48.86	39.71	23.31	(50.79)	0.64
<b>Cash From Operating Activities</b>	<b>109.23</b>	<b>183.11</b>	<b>566.51</b>	<b>1,283.81</b>	<b>700.75</b>	<b>523.85</b>	<b>654.72</b>
capex	(111.73)	(46.97)	18.40	(97.44)	(47.14)	(32.90)	(123.66)
<b>cash from investing activities</b>	<b>(111.73)</b>	<b>(46.97)</b>	<b>18.40</b>	<b>(97.44)</b>	<b>(47.14)</b>	<b>(32.90)</b>	<b>(123.66)</b>
Provision for mine rehabilitation	0.43	(1.39)	0.66	31.13	18.05	(24.31)	7.42
Deffered tax liabilities	(1.05)	(1.50)	0.20	(0.32)	4.78	(0.26)	0.74
Other Long term liabilities	8.86	(19.08)	3.95	(13.45)	(8.54)	(0.51)	1.44
long term loan equity	0.00	35.72	(9.92)	(13.02)	0.64	0.67	0.70
(214.74)	(77.64)	(120.30)	(451.35)	(961.66)	(505.75)	(422.84)	
<b>cash from financing activities</b>	<b>(206.50)</b>	<b>(63.89)</b>	<b>(125.40)</b>	<b>(447.00)</b>	<b>(946.73)</b>	<b>(530.16)</b>	<b>(412.53)</b>
<b>Net Changes in Cash</b>	<b>(209.01)</b>	<b>72.25</b>	<b>459.51</b>	<b>739.36</b>	<b>(293.13)</b>	<b>(39.21)</b>	<b>118.52</b>
<b>Beginning Balance</b>	<b>368.22</b>	<b>159.21</b>	<b>231.46</b>	<b>690.97</b>	<b>1,430.33</b>	<b>1,137.20</b>	<b>1,097.99</b>
<b>Ending balance</b>	<b>159.21</b>	<b>231.46</b>	<b>690.97</b>	<b>1,430.33</b>	<b>1,137.20</b>	<b>1,097.99</b>	<b>1,216.51</b>

## Financial Ratio Highlights

Ratio Highlights	2019 A	2020 A	2021 A	2022 A	2023 F	2024 F	2025 F
<b>Growth (% YoY)</b>							
Sales	-14.55%	-30.91%	75.21%	75.09%	-40.40%	-4.06%	11.89%
OP	-58.22%	-42.44%	661.40%	112.68%	-44.26%	-14.97%	14.19%
EBITDA	-50.73%	-23.82%	374.71%	100.76%	-41.85%	-13.04%	12.89%
NP	-50.59%	-69.50%	1104.92%	152.34%	-47.33%	-16.52%	14.57%
EPS	-50.59%	-69.50%	1104.92%	152.34%	-47.33%	-16.52%	14.57%
<b>Profitability</b>							
Operating Margin(%)	10.52%	8.77%	38.10%	46.28%	43.28%	38.36%	39.15%
EBITDA margin(%)	14.26%	15.72%	42.60%	48.85%	47.66%	43.19%	43.58%
NET Profit margin(%)	7.54%	3.33%	22.90%	33.00%	29.16%	25.37%	25.98%
ROA(%)	10.70%	3.41%	28.54%	45.45%	29.07%	24.96%	25.72%
ROE(%)	14.63%	4.66%	39.58%	61.53%	39.00%	32.12%	33.14%
<b>Stability</b>							
Debt/ Equity (X)	0.06	0.05	0.03	0.04	0.06	0.04	0.04
Current ratio (X)	2.03	2.03	2.71	3.26	3.32	3.70	3.70
<b>Per Share data (USD)</b>							
EPS	0.11	0.03	0.42	1.06	0.56	0.47	0.53
BVS	0.78	0.75	1.06	1.73	1.43	1.45	1.61

**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.

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