BINA ARTHA SEKURITAS

Equity Research

PT Indo Tambangraya Megah,Tbk

ITM

HOLD

2 September 2022
Coal Mining, Equity

Current Price	IDR. 40200
Target Price	IDR. 42570
JKSE Index	7178.59



Stock Code	
Bloomberg code	ITMG IJ
Market cap (IDR.bn)	44010
52-Week High (IDR)	41275
52-Week Low (IDR)	15625
6-m Avg Daily. Val (IDR)	19900
Free Float (%)	34.74

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

USD/IDR-YE	
2021A	14278
2022F (Avg)	14842

Key Indicators	
Debt/ Equity (x)	0.03
Current ratio (x)	5.38

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

Investment Consideration

Production Target 17 mn tons

ITMG's 1H22 coal production was down -11% YoY to 7.7mn tons from 8.7 mn tons in 1H21 due to bad weather and heavy rainfall, affecting all mine sites. Coal sales volume also declined -10% YoY to 8.1 mn tons in 1H22. The average selling price (ASP) in 2Q22 increased to USD 202/ton from USD 150/ton in 1Q22, continuing the increasing price trend since 2Q21. With a higher ASP, ITMG revenue in 1H22 increased 110% YoY. Royalty payments also increased with prices to USD 28/ton in 2Q22 or 211% YoY growth. Adjusting our targets after the 1H22 result, we estimate ITMG coal production volume for this year will be 17mn tons. Going forward we believe demand for coal will remain strong, and we estimate production volume will increase in 2023.

Maintaining high margin

Net profit in 1H22 was USD 461 mn almost reaching the full year 2021FY level of USD 476 mn or an increase of 292% YoY. The increase in bottom line profit came from the significant increase in coal prices along with an efficient and prudent cost management strategy. Despite supply disruptions and fuel price increases, production costs in 1H22 were still manageable at USD. 50.3/ton compared to USD. 41.0/ton in 1H21. Going forward, we expect cost control will help ITMG maintain production costs at this level. We estimate ITMG's bottom line margin in 2023F will continue to be high at 29% compared to 23% in 2021FY.

Solid cash flow

ITMG's cash position continued to increase in 1H22 to USD.808 mn compared to USD. 390 mn in 1H21. This is driven by the net cash generated from operating activities which in 1H22 increased by 2.63x YoY. With cost efficiency and prudent management, we believe this solid performance in terms of cash flows will continue into the future.

Valuation: 6% upside potential

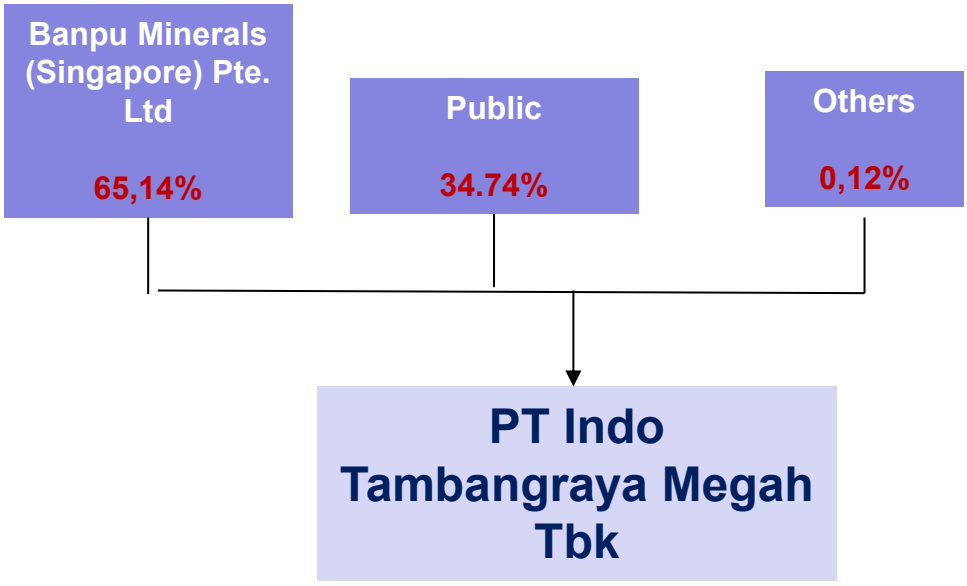
We have a TP for ITMG of IDR 42,570, which would mean the shares valued at 4.87x PER with 6% potential upside only. We recommend HOLD.

Financial Highlights	2018 A	2019 A	2020 A	2021 A	2022 F	2023 F
Sales growth (%)		-14.55%	-30.91%	75.21%	21.63%	-9.92%
Net profit growth (%)		-58.22%	-42.44%	661.40%	52.80%	-18.55%
Operating Margin(%)	22%	11%	9%	38%	48%	43%
NET Profit margin(%)	13%	8%	3%	23%	33%	29%
Debt/ Equity (X)	0.04	0.06	0.05	0.03	0.03	0.03
Net profit (in $ mn)	262	129	39	476	836	663

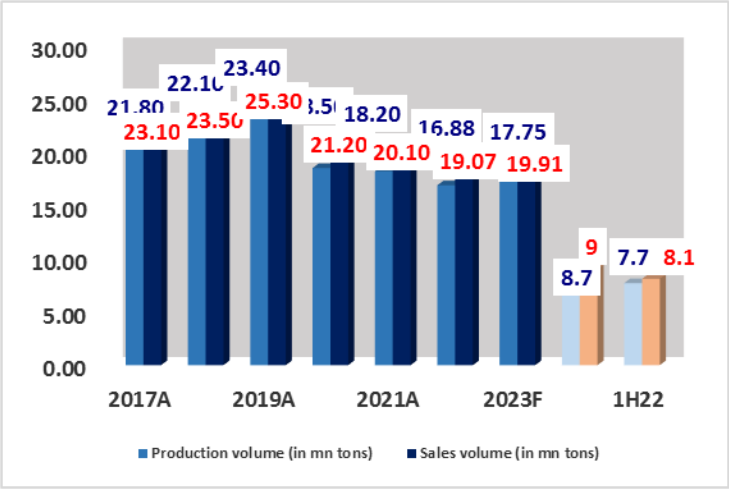
Company profile

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) on18 December, 2007. Since then ITMG has grown into a major coal-based energy company in Indonesia supplying 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.

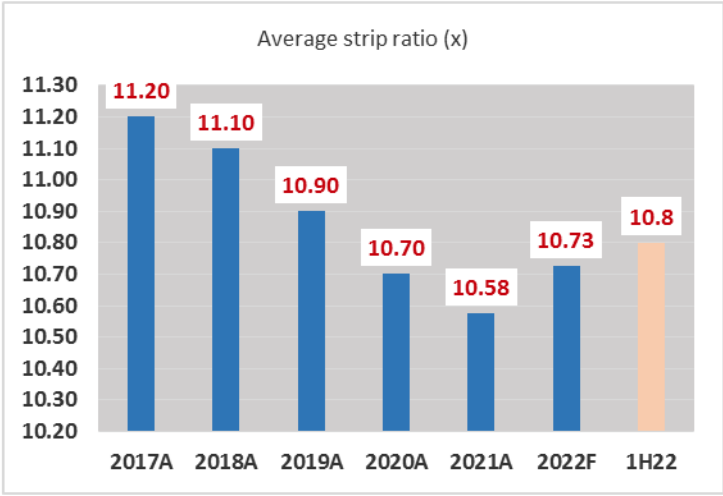
Company's shareholder



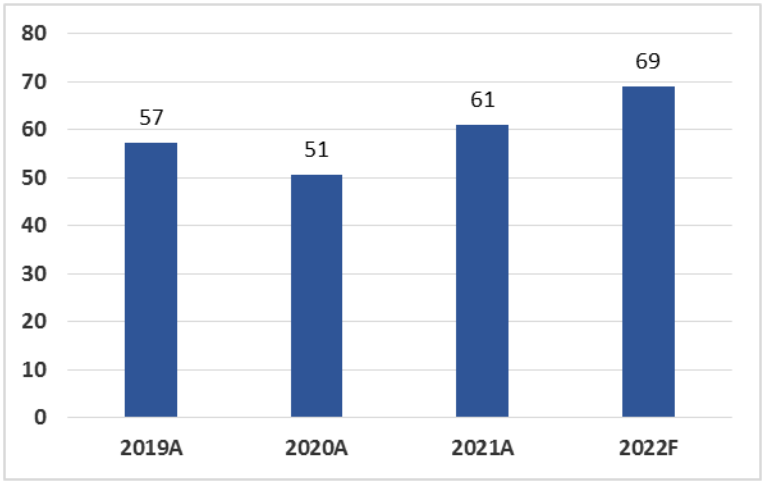
Production and sales volume (Mt) yoy



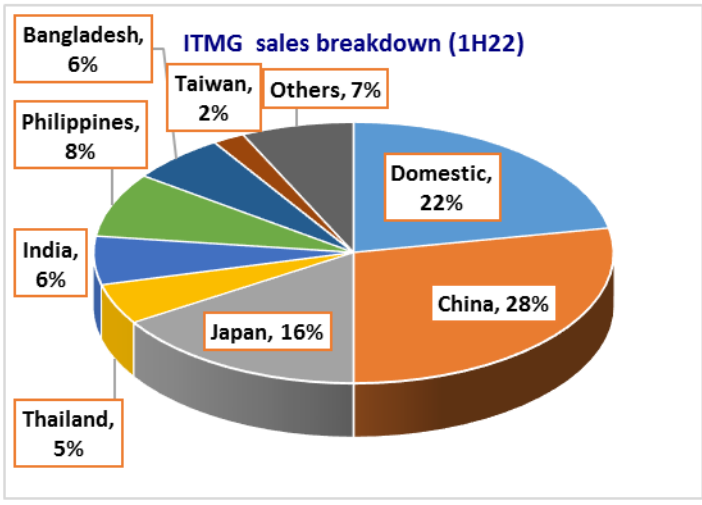
Average Stripping ratio (x) yoy



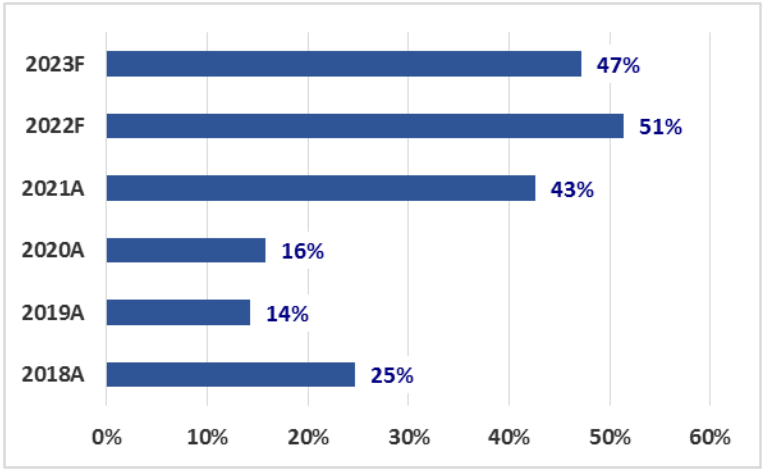
ITMG's cash cost USD/ton yoy



ITMG's sales breakdown destination 1H22



Ebitda Margin (%) yoy



Profit and Loss

Profit and Loss (USD.mn)	2018 A	2019 A	2020 A	2021 A	2022 F	2023 F	2024 F
Revenue	**2,008**	**1,716**	**1,185**	**2,077**	**2,526**	**2,276**	**2,119**
Cost of sales	(1,424)	(1,389)	(986)	(1,160)	(1,165)	(1,154)	(1,112)
Gross Profit	**584**	**327**	**199**	**917**	**1,361**	**1,122**	**1,007**
Operating expense	152	146	95	125	152	137	128
Operating Profit	**432**	**181**	**104**	**791**	**1,209**	**985**	**879**
Other income	(65)	5	(31)	(170)	(137)	(123)	(115)
taxes	(109)	(59)	(35)	(146)	(236)	(198)	(176)
Minority interest	3.2	2.9	1.6	0.2	0.2	0.2	0.2
Net Profit	**262**	**129**	**39**	**476**	**836**	**663**	**589**
EPS	0.23	0.11	0.03	0.42	0.74	0.59	0.52
EBITDA	**497**	**245**	**186**	**885**	**1,296**	**1,074**	**970**

Balance Sheet

Balance sheet (USD.mn)	2018A	2019A	2020A	2021A	2022F	2023F	2024F
Cash and cash equivalent	368.22	159.21	231.46	690.97	1,208.36	1,154.42	1,224.66
Trade Account Receivable	217.41	133.64	74.66	186.81	207.62	187.03	174.19
inventory	107.87	102.57	60.22	62.45	63.82	63.21	60.93
Other current asset	72.95	77.08	53.59	47.79	50.52	45.51	42.39
Current Asset	**766.45**	**472.50**	**419.93**	**988.02**	**1,530.32**	**1,450.17**	**1,502.16**
Net Fixed Asset	227.29	222.81	195.85	165.77	173.68	181.96	190.65
other long term asset	433.61	499.06	528.74	499.20	328.39	364.09	339.08
Mining properties	15.37	14.67	14.11	13.25	22.73	17.50	17.69
Non current Asset	**676.28**	**736.54**	**738.70**	**678.22**	**524.80**	**563.55**	**547.41**
Total Asset	**1,442.73**	**1,209.04**	**1,158.63**	**1,666.24**	**2,055.12**	**2,013.72**	**2,049.57**
Trade payable	194.23	77.74	62.34	85.26	96.89	87.28	81.29
Acrued expenses	146.12	119.38	95.92	103.28	75.78	68.27	63.58
Short Term bank loans	0.00	10.62	0.00	0.00	0.00	0.00	0.00
Other Current liablities	49.55	25.55	49.04	176.20	126.30	113.78	105.96
Current liabilities	**389.90**	**233.29**	**207.30**	**364.74**	**298.97**	**269.33**	**250.83**
Provision for mine rehabilitiation	37.81	38.24	36.85	37.51	45.62	41.10	38.28
Deffered tax liabilities	4.38	3.34	1.84	2.05	7.58	6.83	6.36
Other Long term liabilities	40.85	49.71	30.63	34.58	25.26	22.76	21.19
long term loan	0.00	0.00	35.72	25.81	19.30	20.27	21.28
Non current liabilities	**83.05**	**91.29**	**105.04**	**99.94**	**97.77**	**90.95**	**87.11**
Total Liabilities	**472.95**	**324.58**	**312.34**	**464.68**	**396.74**	**360.27**	**337.94**
Total Equities	**969.78**	**884.47**	**846.29**	**1,201.56**	**1,658.38**	**1,653.45**	**1,711.64**
Total Liabilities and equity	**1,442.73**	**1,209.04**	**1,158.63**	**1,666.24**	**2,055.12**	**2,013.72**	**2,049.57**

Cash Flow

Cash Flow (USD.mn)	2018A	2019A	2020A	2021A	2022F	2023F	2024F
+ Net Income	261.95	129.43	39.47	475.57	836.44	663.45	588.86
+Depreciation	49.98	51.47	44.81	42.08	37.93	39.74	41.63
- Change in WC	86.92	(71.67)	98.83	48.86	(90.67)	(3.44)	(0.25)
Cash From Operating Activities	**398.85**	**109.23**	**183.11**	**566.51**	**783.70**	**699.74**	**630.25**
capex	(164.59)	(111.73)	(46.97)	18.40	115.49	(78.49)	(25.50)
cash from investing activities	**(164.59)**	**(111.73)**	**(46.97)**	**18.40**	**115.49**	**(78.49)**	**(25.50)**
Provision for mine rehabilitiation	37.81	0.43	(1.39)	0.66	8.11	(4.52)	(2.82)
Deffered tax liabilities	0.46	(1.05)	(1.50)	0.20	5.53	(0.75)	(0.47)
Other Long term liabilities	(28.24)	8.86	(19.08)	3.95	(9.32)	(2.51)	(1.56)
long term loan	0.00	0.00	35.72	(9.92)	(6.50)	0.97	1.01
equity	(250.31)	(214.74)	(77.64)	(120.30)	(379.62)	(668.38)	(530.67)
cash from financing activities	**(240.28)**	**(206.50)**	**(63.89)**	**(125.40)**	**(381.79)**	**(675.19)**	**(534.51)**
Net Changes in Cash	**(6.01)**	**(209.01)**	**72.25**	**459.51**	**517.39**	**(53.94)**	**70.24**
Beginning Balance	**374.23**	**368.22**	**159.21**	**231.46**	**690.97**	**1,208.36**	**1,154.42**
Ending balance	**368.22**	**159.21**	**231.46**	**690.97**	**1,208.36**	**1,154.42**	**1,224.66**

Financial Ratio Highlights

Ratio Highlights	2018 A	2019 A	2020 A	2021 A	2022 F	2023 F	2024 F
Growth (% YoY)							
Sales	18.83%	-14.55%	-30.91%	75.21%	21.63%	-9.92%	-6.87%
OP	11.33%	-58.22%	-42.44%	661.40%	52.80%	-18.55%	-10.70%
EBITDA	9.95%	-50.73%	-23.82%	374.71%	46.52%	-17.16%	-9.63%
NP	3.70%	-50.59%	-69.50%	1104.92%	75.88%	-20.68%	-11.24%
EPS	0.64%	-50.59%	-69.50%	1104.92%	75.88%	-20.68%	-11.24%
Profitability							
Operating Margin(%)	21.52%	10.52%	8.77%	38.10%	47.86%	43.27%	41.49%
EBITDA margin(%)	24.73%	14.26%	15.72%	42.60%	51.32%	47.19%	45.79%
NET Profit margin(%)	13.05%	7.54%	3.33%	22.90%	33.11%	29.16%	27.79%
ROA(%)	18.16%	10.70%	3.41%	28.54%	40.70%	32.95%	28.73%
ROE(%)	27.01%	14.63%	4.66%	39.58%	50.44%	40.13%	34.40%
Stability							
Debt/ Equity (X)	0.04	0.06	0.05	0.03	0.03	0.03	0.03
Current ratio (X)	1.97	2.03	2.03	2.71	5.12	5.38	5.99
Per Share data (USD)							
EPS	0.23	0.11	0.03	0.42	0.74	0.59	0.52
BVS	0.86	0.78	0.75	1.06	1.47	1.46	1.51

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

Disclaimer; PT Binaartha Sekuritas has compiled this report in good faith, using information believed to be reliable. PT Binaartha and its analyst take no responsibility for the accuracy of the information contained in this report. This report has been produced for distribution to clients of PT Binaartha Sekuritas only. This report is not an invitation to buy or sell any security. PT Binaartha Sekuritas may have used the information in this report prior to publication. The company or its clients may have positions in or may from time to time buy or sell the securities mentioned in this report or other related securities.