BINA ARTHA SEKURITAS

Equity Research

PT Indo Tambangraya Megah,Tbk

ITM

BUY

20 March 2023
Coal Mining, Equity

Current Price	IDR. 38275
Target Price	IDR. 46100
JKSE Index	6624107



Stock Code	
Bloomberg code	ITMG IJ
Market cap (IDR.bn)	46360
52-Week High (IDR)	45650
52-Week Low (IDR)	25500
6-m Avg Daily. Val (IDR)	39706
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	15573
2022F (Avg)	15438

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

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Investment Consideration

Production Target 17 million tons

ITMG's 4Q22 coal production was down -6.52% QoQ, below the target at 4.3 million tons from 4.6 million tons in 3Q22 due to extreme weather and flooding at Jorong mine. 1Q23 production is targeted lower from seasonal weather and with no contribution from Embalut mine. In total 2022FY, coal production was 16.6 million tons, below our target 16.8 million tons and coal sales volume declined -1.04% YoY to 18.9 million tons. The average selling price (ASP) in 4Q22 achieved USD 198/ton, -6% QoQ or 38% YoY as coal prices remained strong during 4Q22 due to global supply-demand dynamics in Australia. We maintain our estimate for ITMG's coal production volume for 2023 at 17 million tons while the price is expected to remain at the current high levels.

Maintaining high margin

Net profit in 2022 was USD 1,200 million, significantly higher than the full year 2021FY's USD 476 million with 4Q22 net profit at USD. 306 million or down -29% QoQ or +50% YoY. The increase in bottom line profit came from higher coal prices along with good cost management, despite royalty and fuel price increases. EBITDA was USD 442 million in 4Q22 down -30% QoQ or +14% YoY resulting in a solid cash increase from USD 691 million in 4Q21 to USD USD. 1.430 million in 4Q22. The EBITDA margin in 2022FY was 49%. We estimate the average margin in 2023-2024 will be 45%, from a lower Average selling price due to less favorable coal prices than in 2022. 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 be at 29% compared to 33% in 2022FY.

Valuation: 20% upside potential

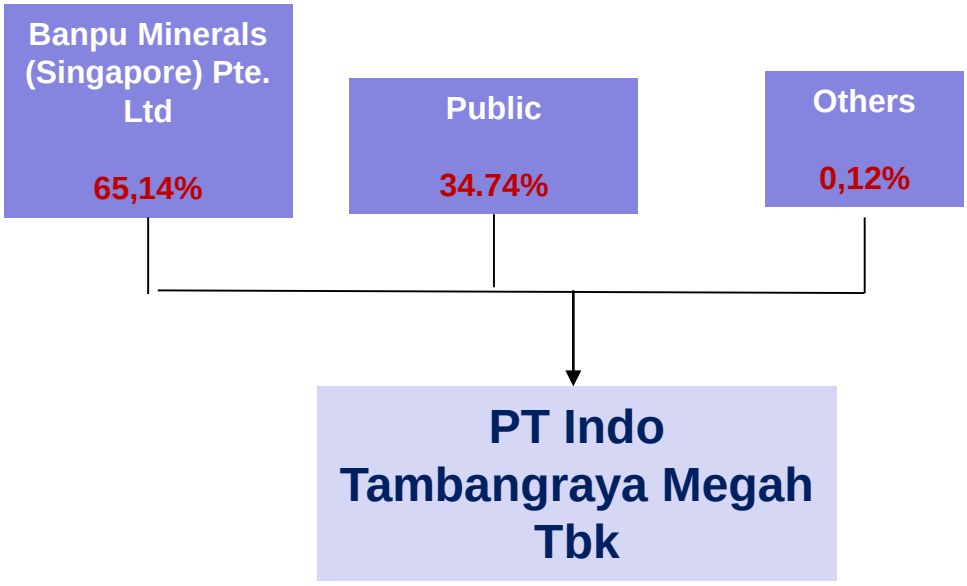
We revise our TP for ITMG of IDR 46,100, which would mean the shares valued at 6.5x PER. With 20% upside potential within one year, we recommend to BUY

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	0.03	0.03
Net profit (in $ mn)	129	39	476	1200	632	528
EPS	0.11	0.03	0.42	1.06	0.56	0.47

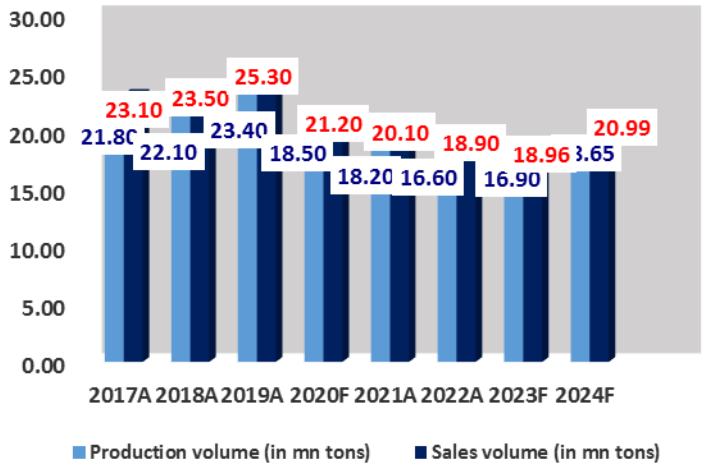
Company profile

PT Indo Tambangraya Megah Tbk (ITMG) was established in 1987, and has recorded a series of significant milestones beginning with carrying out consolidation of its mining investment portfolio in 2001, the year ITMG was acquired by BANPU Thailand. ITMG next conducted an Initial Public Offering (IPO) on 18 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 has 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.

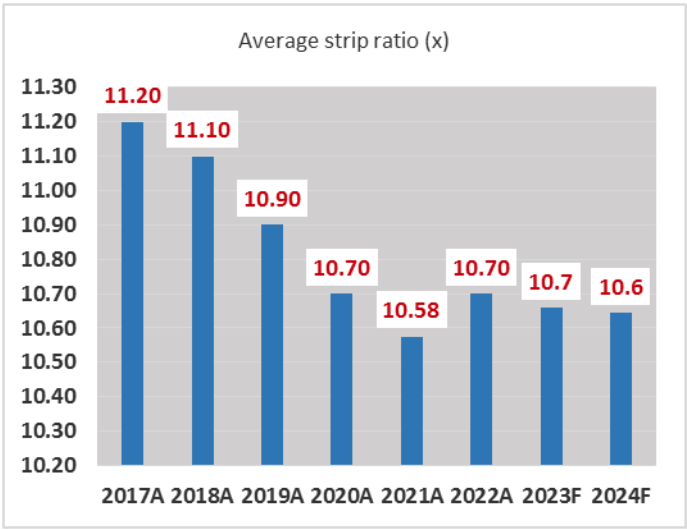
Company's shareholder



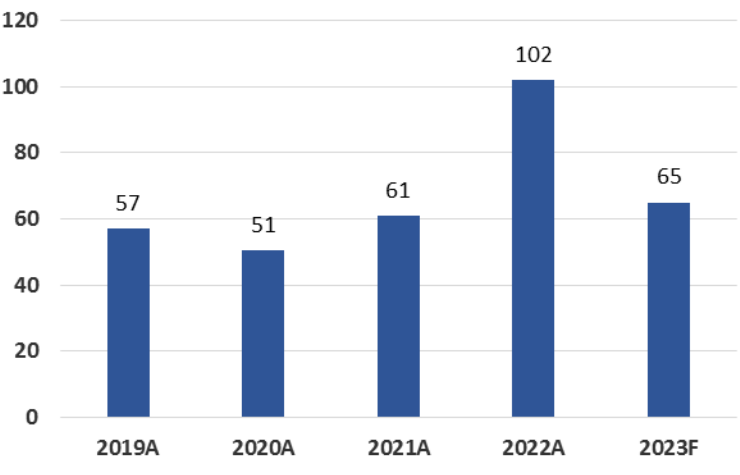
Production and sales volume (Mt) yoy



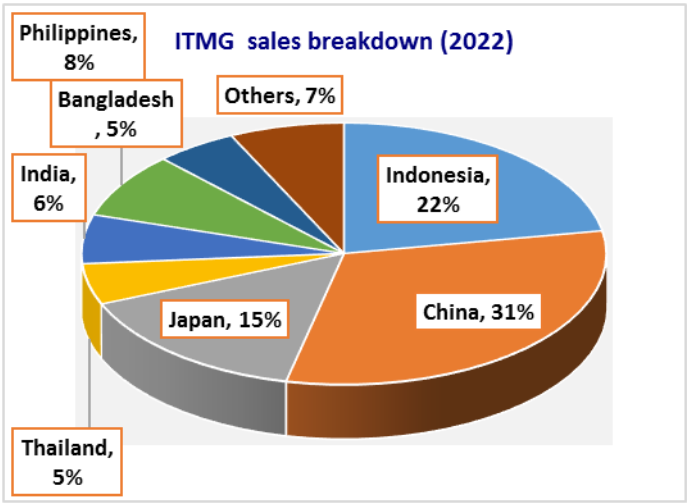
Average Stripping ratio (x) yoy



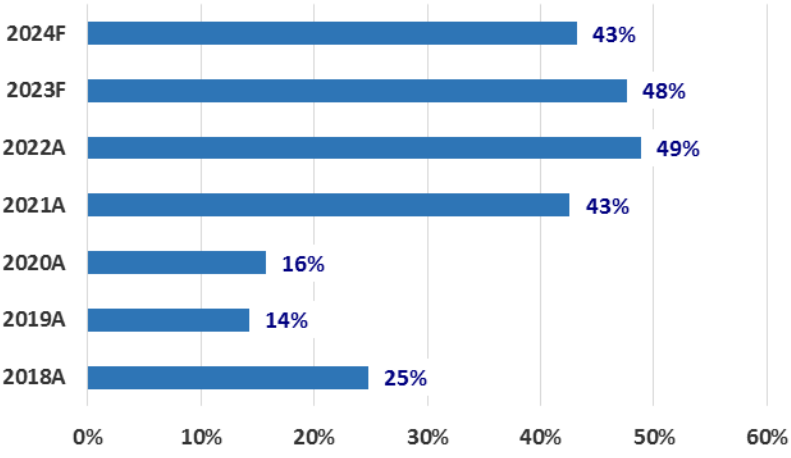
ITMG's cash cost USD/ton yoy



ITMG's sales breakdown destination 2022



Ebitda Margin (%) yoy



Profit and Loss

Profit and Loss (USD.mn)	2019 A	2020 A	2021 A	2022 F	2023 F	2024 F	2025 F
Revenue	**1,716**	**1,185**	**2,077**	**3,636**	**2,167**	**2,079**	**2,327**
Cost of sales	(1,389)	(986)	(1,160)	(1,742)	(1,099)	(1,156)	(1,275)
Gross Profit	**327**	**199**	**917**	**1,894**	**1,069**	**923**	**1,051**
Operating expense	146	95	125	212	131	126	140
Operating Profit	**181**	**104**	**791**	**1,683**	**938**	**798**	**911**
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
Net Profit	**129**	**39**	**476**	**1,200**	**632**	**528**	**604**
EPS	0.11	0.03	0.42	1.06	0.56	0.47	0.53
EBITDA	**245**	**186**	**885**	**1,776**	**1,033**	**898**	**1,014**

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	1,131.83	1,150.59	1,306.64
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	43.35	41.59	46.53
Current Asset	**472.50**	**419.93**	**988.02**	**1,908.55**	**1,413.51**	**1,426.45**	**1,624.17**
Net Fixed Asset	222.81	195.85	165.77	151.35	180.96	190.77	201.12
other long term asset	499.06	528.74	499.20	472.71	346.77	332.71	349.01
Mining properties	14.67	14.11	13.25	12.31	16.67	17.35	18.66
Non current Asset	**736.54**	**738.70**	**678.22**	**731.63**	**544.40**	**540.83**	**568.78**
Total Asset	**1,209.04**	**1,158.63**	**1,666.24**	**2,640.18**	**1,957.90**	**1,967.28**	**2,192.95**
Trade payable	77.74	62.34	85.26	144.28	83.13	79.76	95.62
Acrued expenses	119.38	95.92	103.28	148.07	65.02	62.38	69.80
Short Term bank loans	10.62	0.00	0.00	0.00	0.00	0.00	0.00
Other Current liablities	25.55	49.04	176.20	293.27	108.37	103.97	116.34
Current liabilities	**233.29**	**207.30**	**364.74**	**585.61**	**256.51**	**246.11**	**281.76**
Provision for mine rehabilitiation	38.24	36.85	37.51	68.64	39.14	37.56	42.02
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	21.67	20.79	23.27
long term loan	0.00	35.72	25.81	12.79	13.43	14.10	14.80
Non current liabilities	**91.29**	**105.04**	**99.94**	**104.28**	**80.74**	**78.69**	**87.07**
Total Liabilities	**324.58**	**312.34**	**464.68**	**689.90**	**337.26**	**324.80**	**368.83**
Total Equities	**884.47**	**846.29**	**1,201.56**	**1,950.28**	**1,620.65**	**1,642.49**	**1,824.12**
Total Liabilities and equity	**1,209.04**	**1,158.63**	**1,666.24**	**2,640.18**	**1,957.90**	**1,967.28**	**2,192.95**

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	(132.55)	(4.59)	(6.03)
Cash From Operating Activities	**109.23**	**183.11**	**566.51**	**1,283.81**	**544.88**	**570.05**	**648.05**
capex	(111.73)	(46.97)	18.40	(97.44)	141.83	(43.48)	(77.55)
cash from investing activities	**(111.73)**	**(46.97)**	**18.40**	**(97.44)**	**141.83**	**(43.48)**	**(77.55)**
Provision for mine rehabilitiation	0.43	(1.39)	0.66	31.13	(29.50)	(1.59)	4.47
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)	0.54	(0.88)	2.47
long term loan	0.00	35.72	(9.92)	(13.02)	0.64	0.67	0.70
equity	(214.74)	(77.64)	(120.30)	(451.35)	(961.66)	(505.75)	(422.84)
cash from financing activities	**(206.50)**	**(63.89)**	**(125.40)**	**(447.00)**	**(985.20)**	**(507.81)**	**(414.45)**
Net Changes in Cash	**(209.01)**	**72.25**	**459.51**	**739.36**	**(298.49)**	**18.76**	**156.05**
Beginning Balance	**368.22**	**159.21**	**231.46**	**690.97**	**1,430.33**	**1,131.83**	**1,150.59**
Ending balance	**159.21**	**231.46**	**690.97**	**1,430.33**	**1,131.83**	**1,150.59**	**1,306.64**

Financial Ratio Highlights

Ratio Highlights	2019 A	2020 A	2021 A	2022 F	2023 F	2024 F	2025 F
Growth (% YoY)							
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%
Profitability							
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%	32.28%	26.82%	27.56%
ROE(%)	14.63%	4.66%	39.58%	61.53%	39.00%	32.12%	33.14%
Stability							
Debt/ Equity (X)	0.06	0.05	0.03	0.04	0.03	0.03	0.03
Current ratio (X)	2.03	2.03	2.71	3.26	5.51	5.80	5.76
Per Share data (USD)							
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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