BINA ARTHA SEKURITAS

Equity Research

PT Indo Tambangraya Megah,Tbk

BUY

29 December 2022
Coal Mining, Equity

Current Price	IDR. 39800
Target Price	IDR. 48850
JKSE Index	6720.029



Stock Code	
Bloomberg code	ITMG IJ
Market cap (IDR.bn)	46360
52-Week High (IDR)	45650
52-Week Low (IDR)	19325
6-m Avg Daily. Val (IDR)	33125
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)	15621

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

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Investment Consideration

Production Target 17 mn tons

ITMG's 9M22 coal production was down -7.52% YoY to 12.3mn tons from 13.3 mn tons in 9M21. 3Q22 production alone still achieved the target of 4.6mn tons despite challenging weather caused by heavy rainfall affecting all mine sites. Coal sales volume declined -6.76% YoY to 13.8 mn tons in 9M22. The 4Q22 production target is slightly higher at 4.7mn tons supported by the expansion area in Bharinto and an expected improvement in contractor performance. The average selling price (ASP) in 3Q22 increased to USD 210/ton, +4% QoQ or 90% YoY as coal prices remain strong due to global supply-demand dynanmics and geopolitics. Assessing our targets after the 9M22 result, we still maintain our estimate for ITMG's coal production volume for this year at 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 9M22 was USD 893 mn, higher than the full year 2021FY's USD 476 mn or an increase of 235% YoY. The increase in bottom line profit came from higher coal prices along with good cost management, despite royalty and fuel price increases. From a higher ASP, royalty payments surged to USD 32/ton in 3Q22 from USD 13/ton in 3Q21, but production costs in 9M22 were still manageable at USD 51.1/ton compared to USD 40.2/ton in 9M21. 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 as we assume a still high ASP, albeit lower than the current price.

Solid cash flow

ITMG's cash continued to increase in 9M22 to USD 1.25 bn compared to USD 509.9 mn in 9M21. This is driven by the net cash generated from operating activities which in 3Q22 increased by 4X YoY. Operating cash flow during 9M22 increased 141% YoY. With cost efficiency and prudent management, we believe this solid performance in terms of cash flows will continue into the future.

Valuation: 22% upside potential

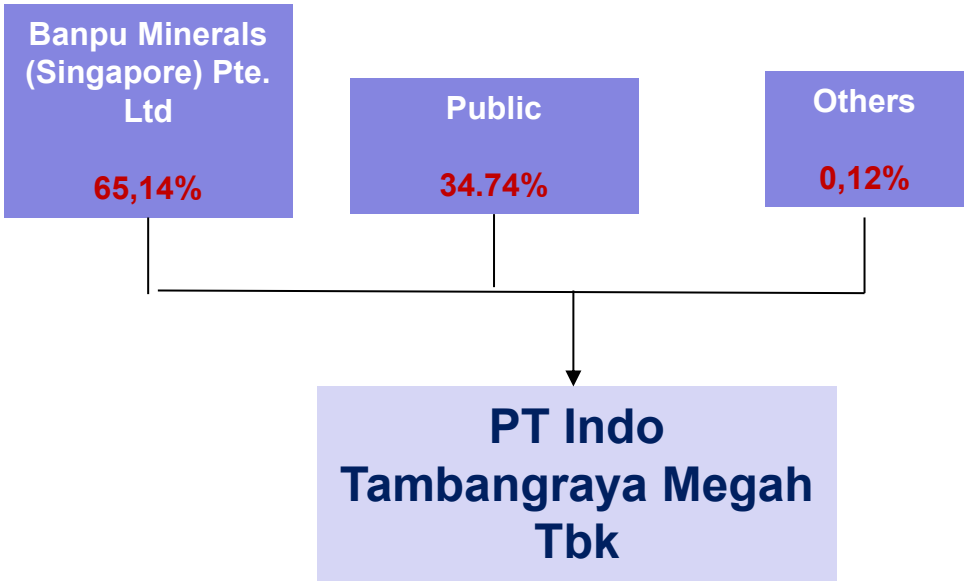
We revised our TP for ITMG of IDR 48,550, which would mean the shares valued at 5,55x PER with 22% potential upside We recommend BUY.

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

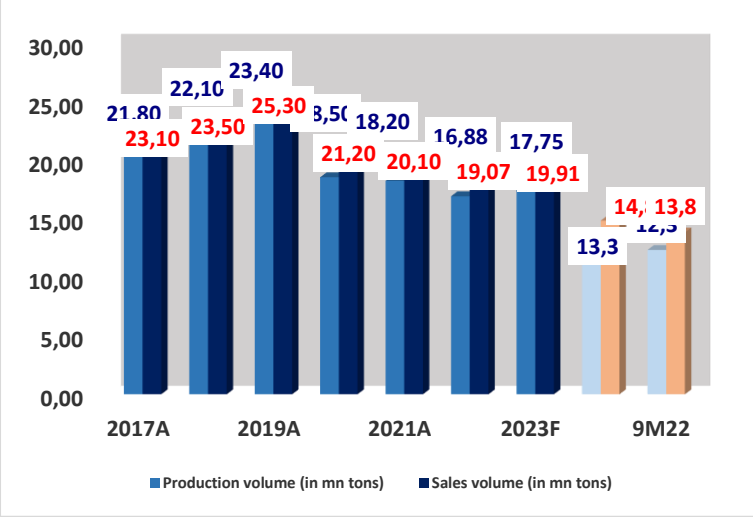
Company profile

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) 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 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.

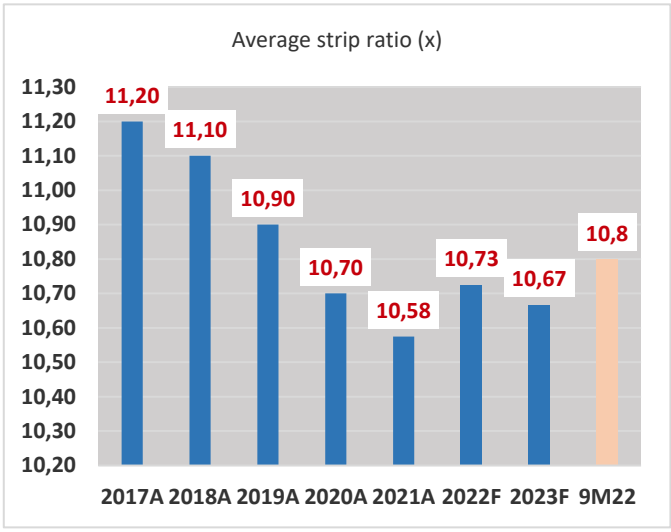
Company's shareholder



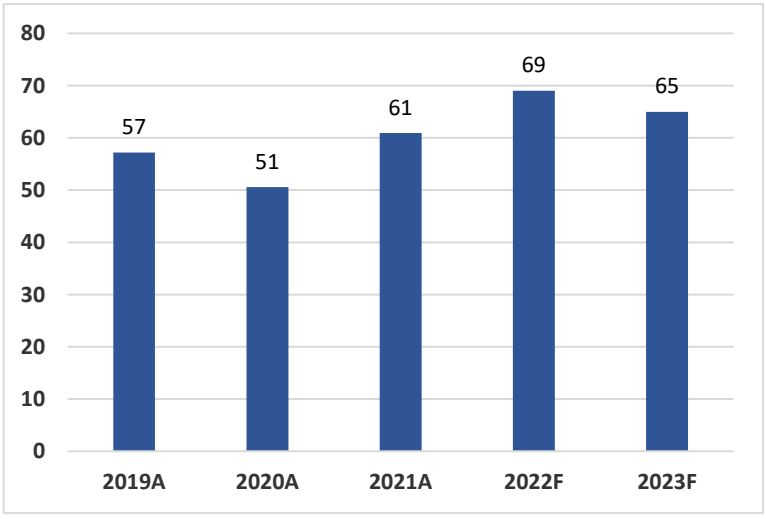
Production and sales volume (Mt) yoy



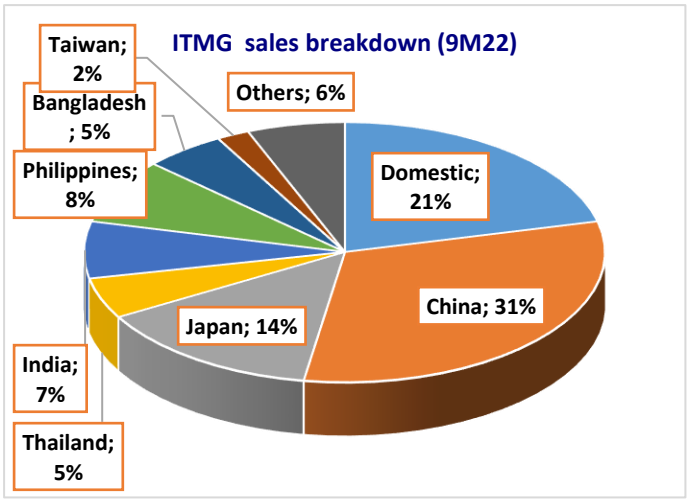
Average Stripping ratio (x) yoy



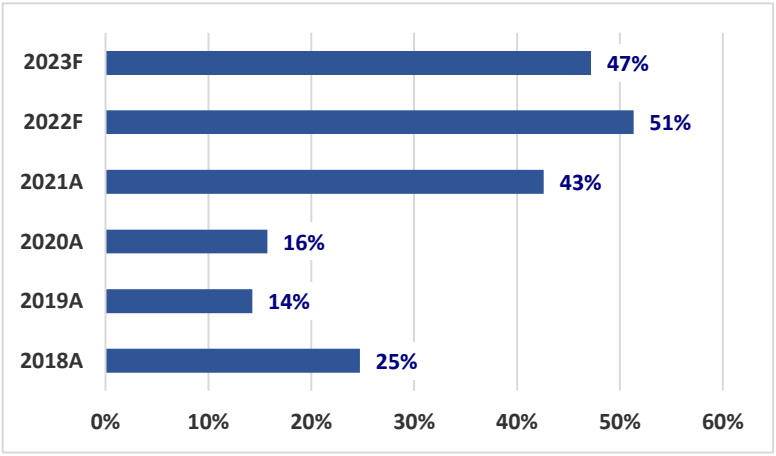
ITMG's cash cost USD/ton yoy



ITMG's sales breakdown destination 9M22



Ebitda Margin (%) yoy



BINA ARTHA SEKURITAS

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.

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