BINA ARTHA SEKURITAS

Equity Research

PT Indo Tambangraya Megah,Tbk

ITM

BUY

8 June 2023
Coal Mining, Equity

Current Price	IDR. 23525
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
2023F (Avg)	14871

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

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Investment Consideration

1Q23 production 3.8 million tons

ITMG's 1Q23 coal production reached 3.8 million tons, meeting the company's target despite seasonal heavy rainfall. The company aims to increase production to 4.1 million tons in 2Q23, with expectations of more favorable weather and increased output from Indominco and Trubaindo. However, the average selling price (ASP) in 1Q23 was down by 24% QoQ due to volatile demand and supply. We maintain our estimate for ITMG's coal production volume for 2023 at 17 million tons, but expect prices to remain at the current lower levels.

Maintaining double digit margins

ITMG recorded net sales of USD 686 million in 1Q23, a 7% increase from the previous year, while net income fell by -14% YoY to USD 183 million. The decline in revenue and net profit was due to the decrease in ASP by -24% YoY, influenced by lower benchmark prices., ITMG has a strong balance sheet with USD 1.5 billion of cash and their cost management program and declining fuel prices resulted in a decline in total costs excluding royalty from $81 per ton in 4Q22 to $72 per ton. Royalty costs also decreased to $25 per ton, down by -12% QoQ following the global price decrease. We maintain our estimate that ITMG's bottom line margin in 2023F will be at 29%, compared to 33% in 2022FY.

Valuation: significant upside potential

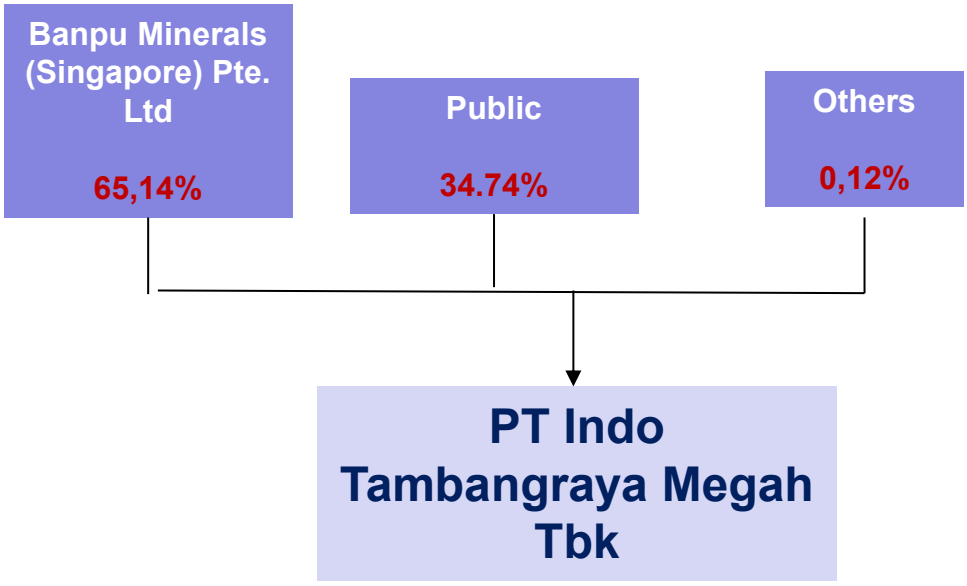
ITMG's target price remains at IDR 46,100, which translates to a 6.5x PER. With significant upside potential within one year, we recommend a BUY.

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

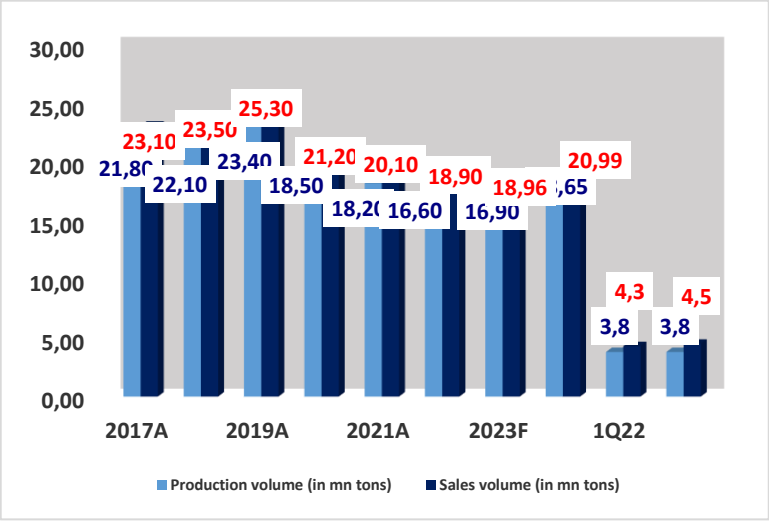
Company profile

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 a 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. The remaining 30% share of PT Tepian was acquired in 2019.

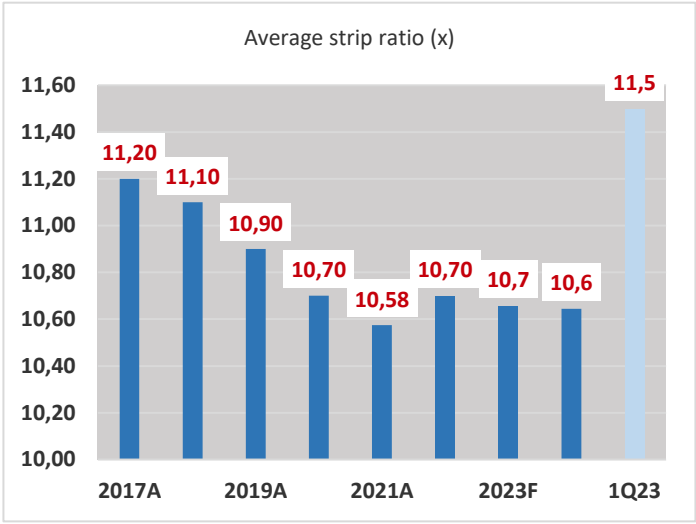
Company's shareholder



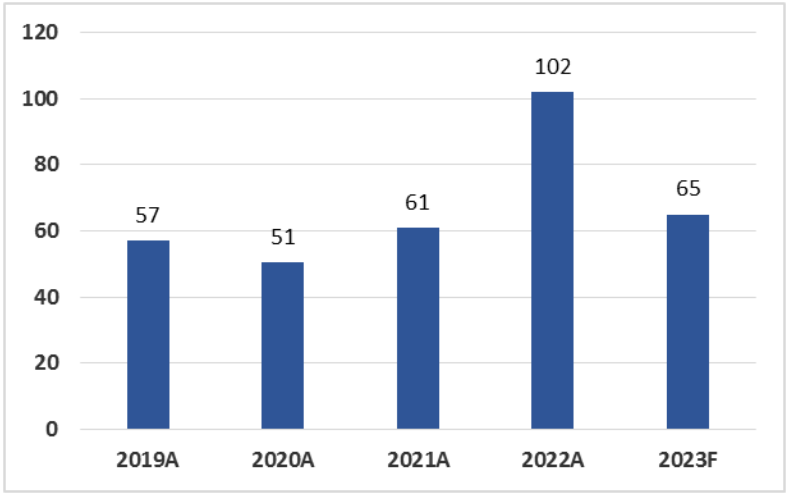
Production and sales volume (Mt) yoy



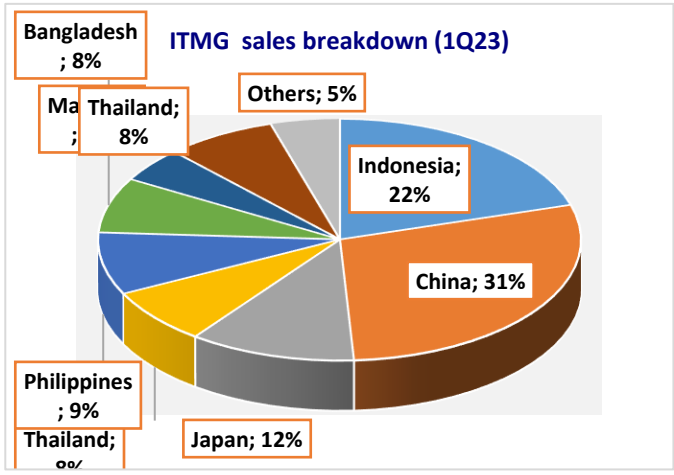
Average Stripping ratio (x) yoy



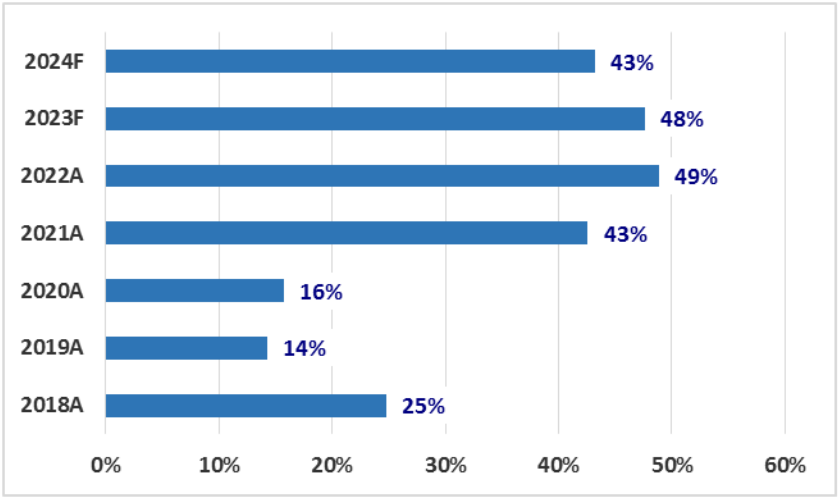
ITMG's cash cost USD/ton yoy



ITMG's sales breakdown destination 1Q23



Ebitda Margin (%) yoy



BINA ARTHA SEKURITAS

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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