

Indo Tambang Raya Megah Tbk (ITMG)

Kuatnya ASP Topang Kinerja

Company Report | May 22, 2018

Buy

Dec 2018 TP (IDR)	32,400
Consensus Price (IDR)	33,946
TP to Consensus Price	-4.6%
vs. Last Price	+24.6%

Shares data

Last Price (IDR)	26,000
Price date as of	18-May-18
52 wk range (Hi/Lo)	31700/15175
Free float (%)	34.8
Outstanding sh.(mn)	1,130
Market Cap (IDR bn)	29,971
Market Cap (USD mn)	2,115
Avg. Trd Vol - 3M (mn)	1.62
Avg. Trd Val - 3M (bn)	44.14
Foreign Ownership	99.3%

Mining

Coal

Bloomberg
Reuters

ITMG IJ
ITMG.JK

Yuni

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Penurunan Produksi 1Q18 hanya Sementara

Pada 1Q18 ITMG membukukan penjualan sebesar USD378 juta (+2,8% y-y) yang didukung oleh lonjakan ASP menjadi USD83,6/ton vs. USD67,5/ton pada 1Q17. Kami memperkirakan bahwa hingga akhir 2018 **ITMG akan mampu mempertahankan ASP di atas USD80/ton** seiring dengan tingginya harga batu bara dunia saat ini.

Sementara itu, volume penjualan menurun sebesar 18,5% y-y menjadi 4,4 juta ton. Penurunan volume penjualan pada 1Q18 sejalan dengan **penurunan volume produksi yang diakibatkan oleh cuaca yang kurang kondusif**. Mayoritas perusahaan batu bara mengalami penurunan volume produksi pada 1Q18. Kami mengestimasi bahwa volume produksi dan penjualan ITMG akan mengalami perbaikan di kuartal berikutnya.

Sumbangan dari Bisnis Penjualan Bahan Bakar Mulai Terasa

Bisnis penjualan bahan bakar yang diperoleh dari akuisisi PT Emas Gas telah mulai menunjukkan peningkatan kontribusi. Pada 1Q18 **bisnis penjualan bahan bakar telah menyumbang sebesar USD10,3 juta** terhadap total penjualan. Kami memperkirakan bahwa ke depan segmen ini akan meningkat seiring dengan tingginya aktivitas pertambangan di Indonesia di tengah tren kenaikan harga minyak dunia.

Target Harga Rp32,400

Kami merekomendasikan Buy dengan target harga sebesar Rp32,400 pada Desember 2018. Rekomendasi ini menggunakan asumsi forward P/E sebesar 8,2x (2SD di atas rata-rata 1 tahun sebesar 6,3x) sebagai basis metode valuasi. Target harga ini mengimplikasikan P/E 2018E sebesar 8,9x (vs. P/E 2018E 7,1x saat ini).

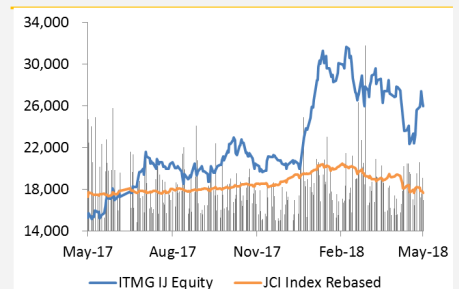
Indo Tambang Raya Megah Tbk | Summary (USD mn)

	2016/12A	2017/12A	2018/12E	2019/12E
Sales	1,367	1,690	1,967	2,054
<i>Sales growth</i>	-14.0%	23.5%	16.4%	4.4%
EBITDA	309	468	529	545
Net profit	131	253	302	324
EPS (IDR)	1,536	2,995	3,659	3,932
<i>EPS growth</i>	111.1%	95.0%	22.2%	7.5%
BVPS (IDR)	10,874	44,249	46,572	13,139
EBITDA margin	22.6%	27.7%	26.9%	26.5%
NPM	9.6%	15.0%	15.4%	15.8%
ROE	15.0%	27.2%	30.7%	31.0%
ROA	10.9%	19.7%	21.7%	21.2%
ROIC	16.3%	29.1%	33.0%	32.7%
P/E	11.0x	8.7x	7.1x	6.6x
P/BV	1.6x	0.6x	0.6x	2.0x
EV/EBITDA	3.6x	3.9x	3.1x	2.8x
DPS (IDR)	1,536	2,986	2,828	3,431
<i>Dividend yield</i>	9.1%	11.5%	10.9%	13.2%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	27.0%	-3.4%	-13.3%	69.9%
Rel. Ret.	35.8%	5.1%	0.2%	67.5%

Sekilas tentang ITMG

Indotambangraya Megah (ITMG) sebagai anak perusahaan Banpu Inc. Thailand merupakan salah satu perusahaan tambang batu bara berskala besar di Indonesia dengan konsesi penambangan di Pulau Kalimantan dan rata-rata kapasitas produksi 22-29 juta ton per tahun. Porsi terbesar penjualan ITMG adalah ekspor ke Jepang, China dan India, sedangkan porsi penjualan di pasar domestik hanya berkisar 10%-12% dari total penjualan.

Salah satu kelebihan ITMG adalah memproduksi batu bara yang memiliki kalori tinggi. Sebagian besar produk batu bara ITMG diekspor ke Jepang karena pembangkit listrik di Jepang yang berteknologi tinggi hanya menggunakan batu bara berkalori tinggi sebagai bahan bakarnya.

Industri Batu Bara di Asia Pasifik

Hingga saat ini Indonesia masih menjadi negara penghasil batu bara terbesar kedua di kawasan Asia Pasifik setelah China. Jika dibandingkan dengan beberapa perusahaan tambang batu bara di kawasan Asia lainnya, ITMG memiliki total asset dan nilai kapitalisasi pasar relatif kecil.

Namun secara fundamental perusahaan, ROE ITMG yang sebesar 29,2% lebih baik dibandingkan dengan kompetitornya, kecuali Semirara Mining & Power di Filipina. Selain itu, P/E ITMG juga paling kecil dibandingkan kompetitornya. Sementara itu, dividend yield ITMG yang tergolong besar yakni sebesar 11,8% masih di bawah China Shenhua Energy Co Ltd yang sebesar 13,6%.

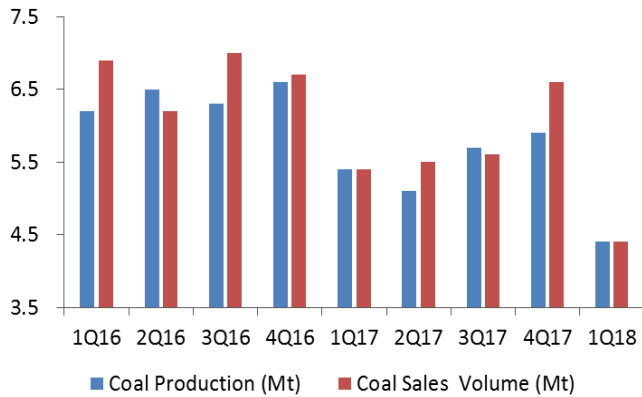
Asia Pacific Coal Mining Companies

Company	Market Cap (USD mn)	Total Asset (USD mn)	Net Profit Growth	Net Profit Margin	ROE	P/E	P/BV	Dividend Yield
ITMG	2,121	1,359	53.8%	15.0%	29.2%	8.2x	2.4x	11.8%
China								
China Shenhua Energy Co Ltd	65,792	87,848	46.8%	19.2%	14.6%	9.3x	1.4x	13.6%
Yanzhou Coal Mining Co Ltd	10,031	30,325	89.1%	14.9%	17.2%	10.7x	1.6x	0.8%
Thailand								
Banpu Pcl	3,437	8,251	57.9%	8.1%	6.4%	21.1x	1.3x	3.0%
Lanna Resources PCL	265	269	205.8%	6.0%	19.6%	10.0x	1.9x	5.4%
Phillipine								
Semirara Mining & Power	2,359	1,372	6.0%	32.3%	38.0%	9.7x	3.4x	8.6%
DMCI Holdinga Inc	25,89	3,437	11.8%	18.3%	21.1%	8.8x	1.8x	4.7%

Source: Bloomberg, NHKS research

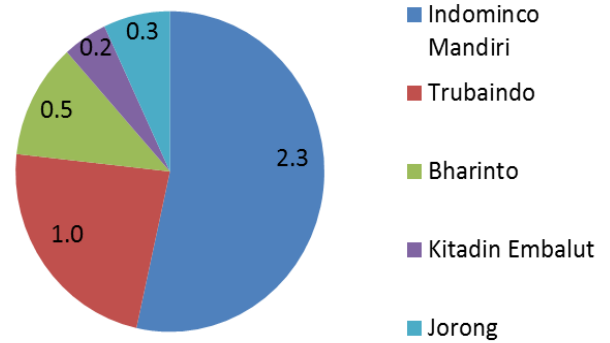
Performance Highlights

Production & Sales Volume (mn ton) | 1Q16 - 1Q18



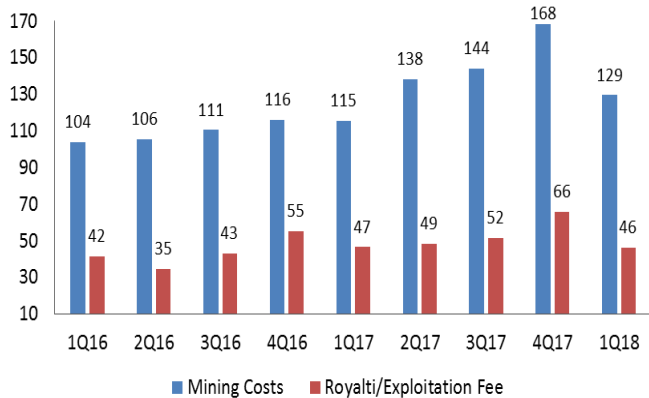
Source: Company, NHKS research

Production Performance by Mine (in mn ton) | 1Q18



Source: Company, NHKS research

Mining Cost (USD mn) | 1Q16— 1Q18



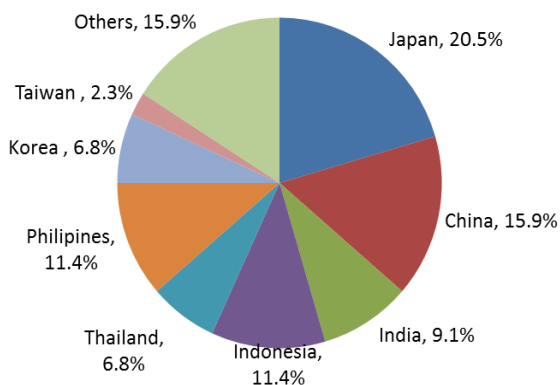
Source: Company, NHKS research

World Coal Price (USD/Ton) | 18 May 17 - 18 May 18



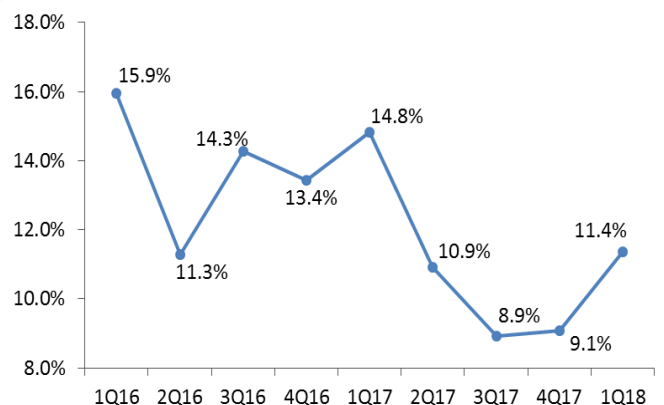
Source: Company, NHKS research

Sales Destination | 1Q18



Source: Company, NHKS research

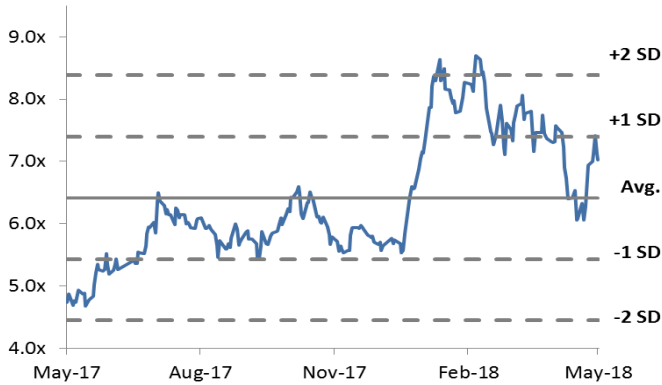
Domestic Sales Portion to Total Sales | 1Q16 - 1Q18



Source: Company, NHKS research

Multiple Valuation

Forward P/E band | Last 1 year



Source: NHKS research

Dynamic Forward P/E band | Last 1 year



Source: NHKS research

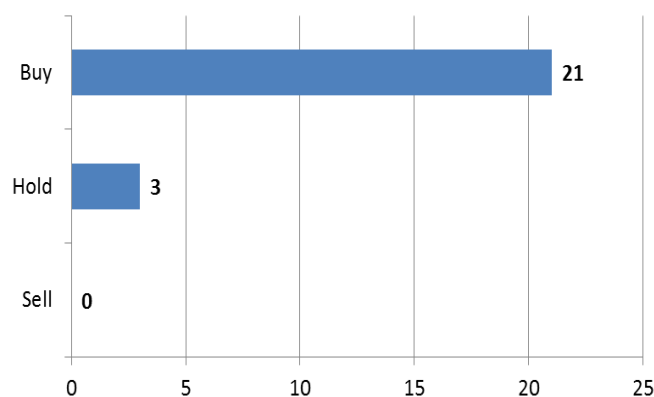
Rating and target price update

Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
12/15/2017	Buy	25,275	20,450	24,927	+23.6%	+1.4%
03/07/2018	Hold	31,125	28,675	33,170	+8.5%	-6.2%
05/21/2018	Buy	32,400	26,000	33,946	+24.6%	-4.6%

Source: NHKS research, Bloomberg

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKS research

NH Korindo Sekuritas Indonesia (NHKS) stock ratings

1. Period: End of year target price
2. Rating system based on a stock's absolute return from the date of publication
 - Buy : Greater than +15%
 - Hold : -15% to +15%
 - Sell : Less than -15%

Summary of Financials

ITMG Summary		
Last Price (IDR)	May 18, 2018	26,000
Target Price (IDR)	Dec 2018	32,400
Analyst: Yuni	Rating:	Buy

INCOME STATEMENT

In USD mn	2016/12A	2017/12A	2018/12E	2019/12E
Sales	1,367	1,690	1,967	2,054
Growth (% y/y)	-14.0%	23.5%	16.4%	4.4%
COGS	(1,037)	(1,184)	(1,382)	(1,450)
Gross Profit	331	505	585	604
Gross Margin	24.2%	29.9%	29.7%	29.4%
Operating Expenses	(122)	(117)	(129)	(135)
EBIT	209	388	456	469
EBIT Margin	15.3%	23.0%	23.2%	22.8%
Depreciation	101	80	73	76
EBITDA	309	468	529	545
EBITDA Margin	22.6%	27.7%	26.9%	26.5%
Interest Expenses	(1)	(1)	(1)	(1)
EBT	192	363	424	444
Income Tax	(9)	(6)	(8)	(8)
Minority Interest	-	-	-	-
Net Profit	131	253	302	324
Growth (% y/y)	107.1%	93.8%	19.4%	7.3%
Net Profit Margin	9.6%	15.0%	15.4%	15.8%

BALANCE SHEET

In USD mn	2016/12A	2017/12A	2018/12E	2019/12E
Cash	328	372	486	596
Receivables	125	176	153	205
Inventories	62	109	99	150
Total Current Assets	539	797	841	1,111
Net Fixed Assets	240	239	242	218
Other Non Current Assets	430	323	344	303
Total Assets	1,210	1,359	1,427	1,633
Payables	94	153	116	176
ST Debt	-	-	-	-
Other Current Liab.	145	175	221	327
LT Debt	-	-	-	-
Other Non Current Liab.	64	73	79	46
Total Liabilities	302	401	416	549
Shareholders' Equity	907	958	1,010	1,084

CASH FLOW STATEMENT

In USD mn	2016/12A	2017/12A	2018/12E	2019/12E
Net Income	131	252	302	324
Deprec & Amortization	57	75	47	76
Chg. In Working Capital	(42)	(9)	(76)	6
CFO	145	319	273	406
Capex	(23)	(52)	(56)	(52)
CFI	(25)	(74)	(55)	(45)
Dividends Paid	(42)	(199)	(106)	(251)
Net Borrowing (PMT)	-	-	-	-
CCF	(60)	(198)	(107)	(251)
Net Changes in Cash	60	46	111	110

OWNERSHIP

By Geography	% Shareholders	%
Singapore	83.8	Banpu Minerals 65.1
United States	9.4	Vanguard 1.2
Luxembourg	2.5	Dimensional Fund 1.2
Ireland	1.2	Grantham Mayo 1.1

PROFITABILITY & STABILITY

	2016/12A	2017/12A	2018/12E	2019/12E
ROE	15.0%	27.2%	30.7%	31.0%
ROA	10.9%	19.7%	21.7%	21.2%
ROIC	16.3%	29.1%	33.0%	32.7%
EBITDA/Equity	35.5%	50.2%	53.8%	52.0%
EBITDA/Assets	25.9%	36.4%	38.0%	35.6%
Cash Dividend (USD mn)	131	252	234	283
Dividend Yield (%)	9.1%	14.4%	10.9%	13.2%
Payout Ratio (%)	99.8%	99.5%	77.3%	87.2%
DER	0.0%	0.0%	0.0%	0.0%
Net Gearing	0.0%	0.0%	0.0%	0.0%
LT Debt to Equity	0.0%	0.0%	0.0%	0.0%
Capitalization Ratio	0.0%	0.0%	0.0%	0.0%
Equity Ratio	75.0%	70.5%	70.8%	66.4%
Debt Ratio	0.0%	0.0%	0.0%	0.0%
Financial Leverage	137.1%	137.7%	141.5%	146.1%
Current Ratio	225.7%	243.4%	249.3%	220.7%
Quick Ratio	189.8%	167.5%	189.5%	159.1%
Cash Ratio	137.4%	113.6%	144.2%	118.4%
Cash Conversion Cycle	25.4	20.8	22.3	26.3
Par Value (IDR)	500	500	500	500
Total Shares (mn)	1,130	1,130	1,130	1,130
Share Price (IDR)	16,875	20,700	26,000	26,000
Market Cap (IDR tn)	19.1	23.4	29.4	29.4

VALUATION INDEX

	2016/12A	2017/12A	2018/12E	2019/12E
Price /Earnings	11.0x	6.9x	7.1x	6.6x
Price /Book Value	1.6x	0.5x	0.6x	2.0x
Price/Sales	1.0x	1.0x	1.1x	1.0x
PE/EPS Growth	0.1x	0.1x	0.3x	0.9x
EV/EBITDA	3.6x	2.9x	3.1x	2.8x
EV/EBIT	5.3x	3.5x	3.6x	3.3x
EV (IDR bn)	14,625	18,351	22,730	21,211
Sales CAGR (3-Yr)	-14.4%	-4.5%	7.4%	14.5%
EPS CAGR (3-Yr)	-15.2%	5.5%	68.6%	35.4%
Basic EPS (IDR)	1,536	2,995	3,659	3,932
Diluted EPS (IDR)	1,536	2,995	3,659	3,932
BVPS (IDR)	10,874	44,249	46,572	13,139
Sales PS (IDR)	16,092	20,025	23,808	24,900
DPS (IDR)	1,536	2,986	2,828	3,431

DCF, RIM & EVA

	2016/12A	2017/12A	2018/12E	2019/12E
DCF (USD mn)				
NOPAT	142	271	325	342
+Depr./Amor.	57	75	47	76
-CAPEX	(23)	(52)	(56)	(52)
-Incr. (Decr.) in Working Cap.	(42)	(9)	(76)	6
(Unlevered) FCFE	133	286	240	371
WACC				
Cost of Debt (Tax Adj.)	0.0%	0.0%	0.0%	7.5%
Cost of Equity (COE)	9.9%	8.8%	11.2%	11.2%
WACC (%)	9.9%	8.8%	11.2%	11.2%
RIM				
Spread (FROE-COE) (%)	5.8%	19.1%	20.4%	20.9%
Residual Income (USD mn)	48	174	195	211
Equity Charge	82	80	107	113
EVA				
Invested Capital (USD mn)	835	907	958	1,010
ROIC-WACC (%)	7.1%	21.1%	22.7%	22.7%
EVA (USD mn)	60	192	218	229

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