

# Bukit Asam Tbk (PTBA IJ)

Buy high—Sell higher

Company Update | Mar 26, 2019

PTBA's price is more premium than its peers due to four major factors 1) MSCI All Country World Index (ACWI); 2) Substantial Dividend Portion; 3) Downstream Coal Business; 4) Significant Domestic Portion. We estimate that prices of coal in 2019E will be stable at the average price of USD85/ton. The stable price makes it possible for PTBA to retain its performance. We recommend BUY with applying buy-high-sell-higher strategies using the target price of IDR5,100.

## PTBA's premium price among peers

From January 2018 to March 2019, PTBA's price rallied by 62.5% as its peers' prices dropped. BUMI IJ, INDY IJ, ADRO IJ, HRUM IJ, ITMG IJ slumped by -43.2%, -35.0%, -25.1%, -24.1%, +11.2%, respectively. Chinese authorities curbing imported coal is a logical takeaway for the dim coal sector.

We digest well that PTBA's price is much premium than its peers because of four major reasons 1) PTBA Listed on MSCI All Country World Index (ACWI) on November 18th; 2) Effects of Substantial Amount Dividend Distribution: Estimated Dividend Payout Ratio (DPR) of Virtually 75%; 3) Promising Prospects of Downstream Coal Business, e.g., gasification and power plants; 4) Plenty Domestic Sales Reducing Correlations between PTBA's Performance and a decline in the world's coal prices. We forecast that PTBA's price, for 2019E, stably stands at much premium level compared with its peers as PTBA get the least impacts of the reduction in imported coal by Chinese authorities.

## Estimated stable prices of global coal

We forecast, for 2019E, prices of global coal to stably hover at USD85/ton. In light of Chinese stockpile of coal for major power plants, Chinese authorities, in near run, will not massively import coal. But, in a middle run, Chinese demand for coal, on an annual basis, is likely to hike 2% minimum, whereas PTBA's cash cost of coal production is at the average of USD50/ton.

## Solid performance, appropriate for 2019E-2020E

We analyze that PTBA, for 2019E-2020E, is likely to post an increase in sales and net profits. Sales of 2019E grew by 10.4% y-y to IDR23.4 trillion, while sales of 2020E surged by 15.5% y-y to IDR27.0 trillion. Furthermore, the net profits respectively picked up 13.5% y-y to IDR5.6 trillion and 15.3% y-y to IDR6.4 trillion in 2019E and 2020E. The respective surge in sales and net profits was attributable to sales of high-calorie content coal amounting to almost 4 million tons. We expect high-calorie content coal to be capable of securing thicker margins.

## Maintaining recommend BUY

We maintaining recommend BUY with applying buy-high-sell-higher strategies using the target price of IDR5,100 based on the ratio valuation of P/E forward at 9.1x, coupled with the potential yield upside at 24.2% from the current stock price.

## Risks of Target Price

Main risks of our target price 1) Declines in Global Coal Price; 2) Increases in Costs of Downstream Projects; 3) Changes in DMO Mandatory.

## Bukit Asam Tbk | Summary

	2017	2018	2019E	2020E
Sales	19,471	21,200	23,403	27,033
Growth	38.5	8.9	10.4	15.5
EBITDA	6,584	7,153	8,018	9,180
Net Profit	4,476	4,943	5,611	6,471
EPS (IDR)	389	429	487	562
Growth	123.1	10.4	13.5	15.3
P/E	6.3	9.8	8.7	7.5
P/BV	2.1	3.0	2.7	2.4
EV/EBITDA	3.6	5.8	5.1	4.4
ROE	36.8	32.9	32.7	33.8
Debt/equity	7.1	5.1	2.5	3.0
Net debt	-2,582	-5,469	-5,804	-6,451

Unit: IDR bn, %, x

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

## Buy (maintain)

Dec 2019 TP (IDR)	5,100
Consensus Price (IDR)	4,538
TP to Consensus Price	+12.3%
vs. Last Price	+24.2%

## Shares data

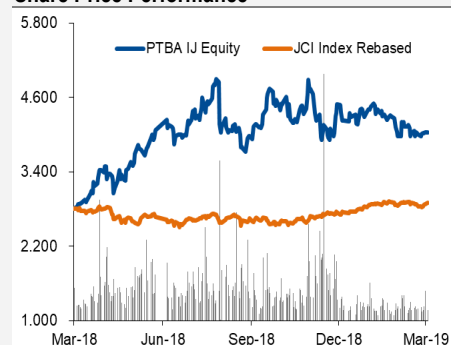
Last Price (IDR)	4,100
Price date as of	Mar 22, 2019
52 wk range (Hi/Lo)	4,900 / 3,080
Free float (%)	35.0
Outstanding sh.(mn)	11,521
Market Cap (IDR bn)	46,313
Market Cap (USD mn)	3,261
Avg. Trd Vol - 3M (mn)	14.66
Avg. Trd Val - 3M (bn)	62.08
Foreign Ownership	8.0%

## Mining

### Coal

Bloomberg	PTBA IJ
Reuters	PTBA.JK

## Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	18,5%	14,3%	14,3%	-33,6%
Rel. Ret.	15,6%	14,9%	10,0%	-33,1%

## Firman Hidayat, Analyst

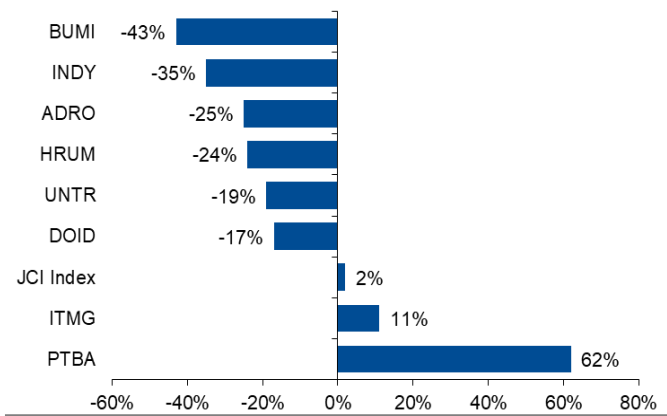
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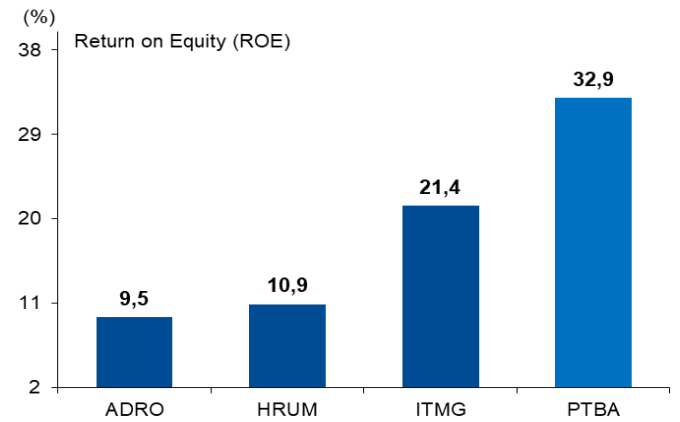
## Performance highlights in chart

### Indonesia coal company price return Jan-18 to Mar-19



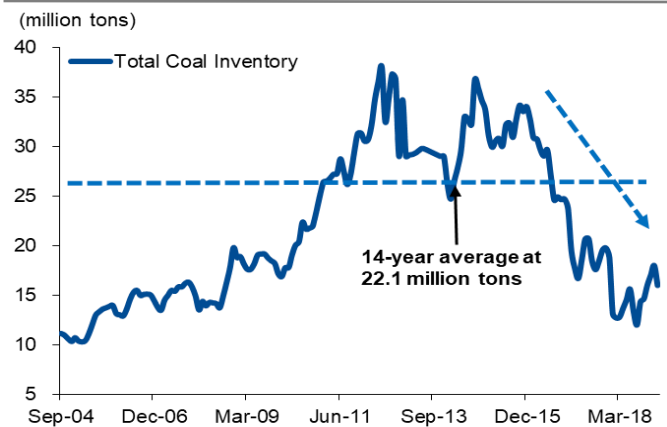
Source: JPMorgan, Bloomberg, NHKS Research

### ROE number beat peer's on low cost maintaining



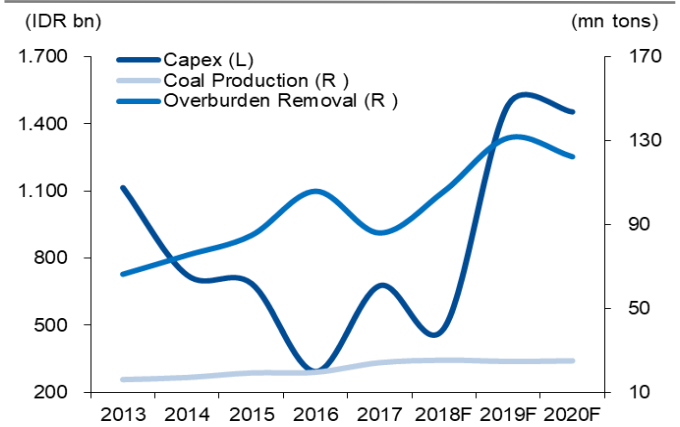
Source: Company Data, NHKS Research

### China's coal inventory below average



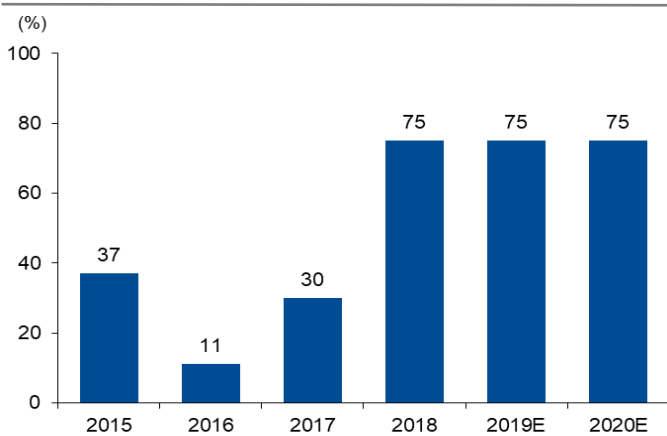
Source: Company Data, NHKS Research

### Capex, coal production, overburden removal movement



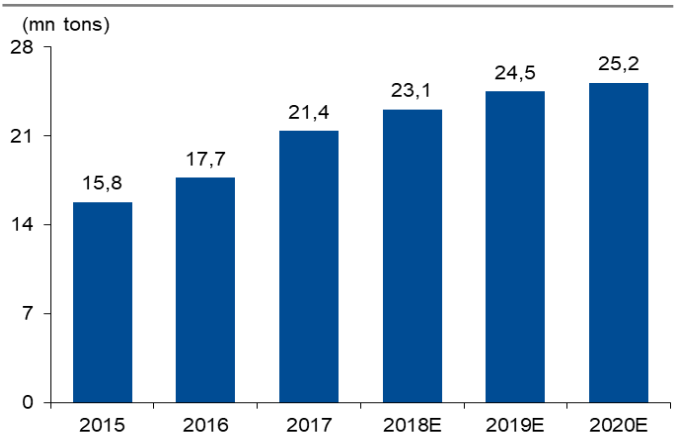
Source: Company Data, NHKS Research

### Deviden payout ratio estimate



Source: Company Data, NHKS Research

### Increasing railway coal capacity on progress



Source: Company Data, NHKS Research

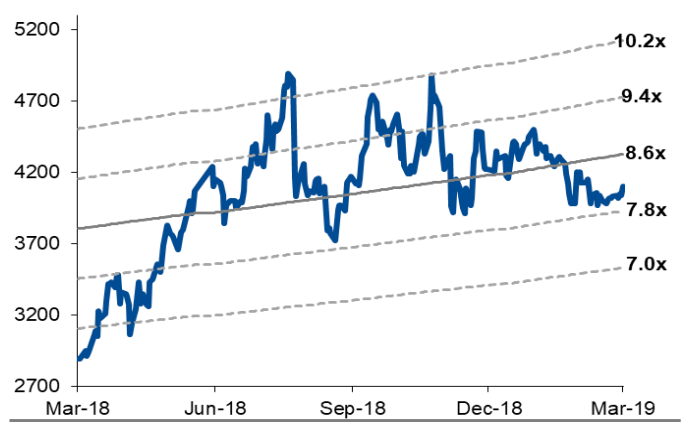
## Valuation highlights in chart

12-month forward P/E band



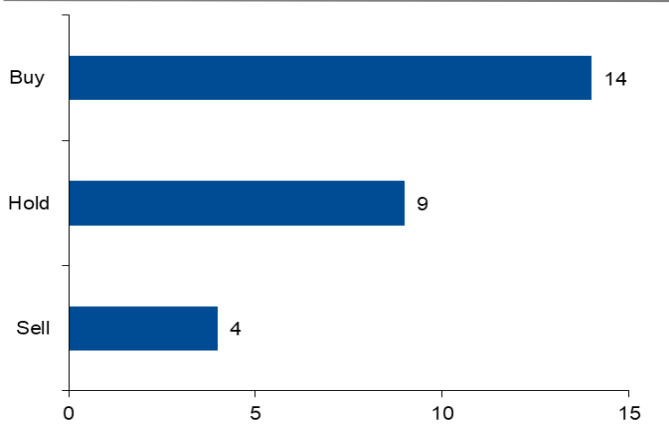
Source: Bloomberg, NHKS Research

12-month dynamic forward P/E band



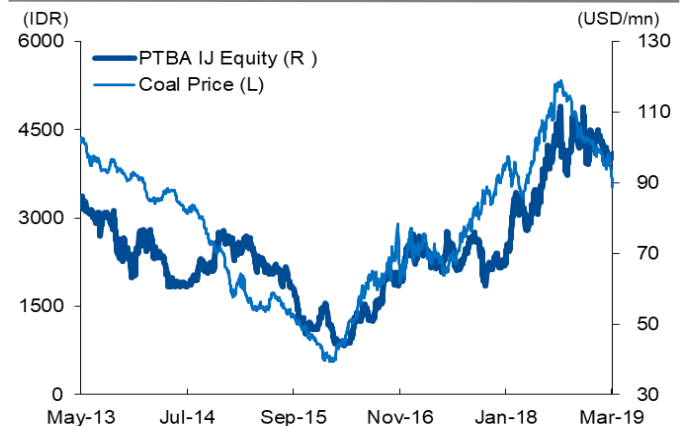
Source: Company Data, NHKS Research

Consensus of analyst recommendation



Source: Company Data, NHKS Research

PTBA's stock price correlated with coal price movement



Source: Company Data, NHKS Research

## Quarterly review

	4Q17	1Q18	2Q18	3Q18	4Q18					1Q19E
					Actual	Estimate	Y-Y	Q-Q	Surprise	
<b>Income statement</b>										
Sales	6,249	5,749	4,776	5,544	5,131	6,915	82.1	-7.4	-25.8	5,812
Gross Profit	3,460	2,582	1,842	2,319	1,878	2,817	54.3	-19.0	-33.3	2,662
EBIT	2,192	2,040	1,483	1,800	1,109	2,026	50.6	-38.4	-45.2	2,110
EBITDA	2,477	2,204	1,672	1,991	1,286	2,217	51.9	-35.4	-42.0	2,295
Net Profit	1,851	1,451	1,125	1,273	1,094	1,588	59.1	-14.0	-31.1	1,490
<b>Margin</b>										
Gross Margin	55.4	44.9	38.6	41.8	36.6	40.7	66.1	-5.2	-4.1	45.8
EBIT Margin	35.1	35.5	31.0	32.5	21.6	29.3	61.6	-10.8	-7.7	36.3
EBITDA Margin	39.6	38.3	35.0	35.9	25.1	32.1	63.2	-10.9	-7.0	39.5
Net Profit Margin	29.6	25.2	23.6	23.0	21.3	23.0	72.0	-1.6	-1.6	25.6
<b>Operational data</b>										
Production volume	6.4	6.3	5.9	6.4	6.1	7.2	-4.6	4.6	-15.2	6.7
Sales volume	6.4	6.3	5.9	6.4	6.1	34.7	-4.6	4.6	-15.2	6.7
Average Selling Price (ASP)	71.0	67.1	58.0	59.2	56.5	67.2	-20.4	-4.5	-15.9	58.2

Unit: IDR bn, %, USD/ton

Source: Company Data, NHKS Research

## Earnings revision

		2016	2017	2018	2019E	2020E
<b>Income statement</b>						
Sales	-Revised	14,059	19,471	21,200	23,403	27,033
	-Previous	14,021	19,221	23,776	24,758	26,438
	-Change	0.3	1.3	-10.8	-5.5	2.2
Gross Profit	-Revised	4,401	8,507	8,621	9,638	11,063
	-Previous	4,201	8,307	9,908	10,484	11,107
	-Change	4.8	2.4	-13.0	-8.1	-0.4
EBIT	-Revised	2,481	5,899	6,432	7,221	8,271
	-Previous	2,381	5,599	7,502	7,978	8,431
	-Change	4.2	5.4	-14.3	-9.5	-1.9
EBITDA	-Revised	2,909	6,584	7,153	8,018	9,180
	-Previous	2,809	6,484	8,234	8,756	9,308
	-Change	3.6	1.5	-13.1	-8.4	-1.4
Net Profit	-Revised	2,006	4,476	4,943	5,611	6,471
	-Previous	1,998	4,276	5,680	6,112	6,465
	-Change	0.4	4.7	-13.0	-8.2	0.1
<b>Margin</b>						
Gross Margin	-Revised	31.2	44.5	41.3	41.5	41.4
	-Previous	30.5	43.6	42.3	42.5	42.4
EBIT Margin	-Revised	18.5	30.6	30.5	31.6	31.3
	-Previous	17.6	29.9	32.7	32.7	32.2
EBITDA Margin	-Revised	21.6	34.3	34.7	34.9	34.1
	-Previous	20.8	34.4	35.7	35.8	35.2
Net Profit Margin	-Revised	14.7	23.4	23.9	24.8	24.2
	-Previous	14.9	22.1	24.3	25.3	24.3

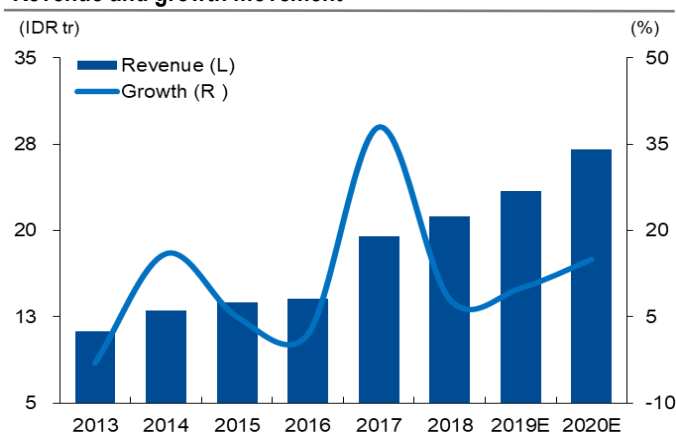
Unit: IDR bn, %

Source: Company Data, NHKS Research

## Company Overview

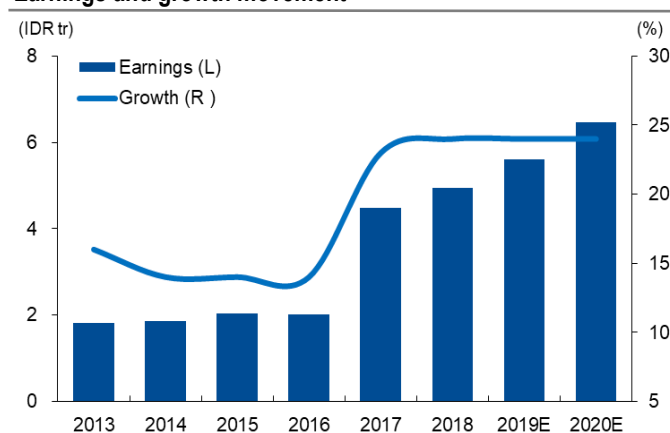
- PT Bukit Asam (PTBA IJ) is a state-owned coal miner, producing mid-to-low (4,800kcl/kg to 6,700kcl/kg) calorie content coal.
- PTBA has concession mines with the total reserves of around 11.5 billion tons, mostly located in South Sumatera.
- Indonesian authorities incorporated a mining holding under PT Asahan Aluminium (Inalum) on November 29th, 2017 as PTBA performed the stock split with the ratio of 1:5 on December 14th, 2017.
- In 2019E, PTBA will expand a new downstream coal business: coal gasification. It also carries out a number of gasification projects 1) Cooperation with PT Pertamina and Air Products, producing Dimethyl Ether (DME); 2) Cooperation with PT Pupuk Indonesia and PT Chandra Asri Petrochemicals, producing urea for fertilizers and polypropylene for plastic substances. Both projects are estimated to begin in 2020 and are expected to boost PTBA's profits.

### Revenue and growth movement



Source: Company Data, NHKS Research

### Earnings and growth movement



Source: Company Data, NHKS Research

### Global coal companies peers analysis

Company	Market Cap	Asset	Sales	Net Profit LTM	Net Profit Growth LTM	Net Profit Margin	ROE	P/E	LTM	P/BV
<b>Indonesia</b>										
Adaro Energy	3,228	7,061	3,620	418	-13.6	11.5	11.7	7.7	0.9	
<b>Bukit Asam</b>	<b>3,238</b>	<b>1,676</b>	<b>1,488</b>	<b>353</b>	<b>12.2</b>	<b>23.7</b>	<b>33.9</b>	<b>8.4</b>	<b>2.6</b>	
Indo Tambangraya	1,820	1,443	2,008	262	3.7	13.0	27.1	6.8	1.8	
<b>India</b>										
Coal India	21,261	19,572	12,673	1,089	-24.3	8.6	31.6	21.1	7.5	
<b>Thailand</b>										
Banpu Coal	2,596	8,485	3,491	207	-15.3	5.9	8.0	12.3	1.0	
<b>Australia</b>										
Whitehaven Coal	3,192	3,420	1,780	429	13.7	24.1	16.8	7.4	1.3	
<b>Canada</b>										
Cameco Coal	4,737	5,886	1,614	128	N/A	8.0	3.4	34.2	1.3	
<b>China</b>										
Inner Mongolia	3,582	12,996	5,582	773	3.1	13.9	16.8	5.3	0.8	
Shanxi Luan	3,536	10,216	3,353	476	16.6	14.2	14.0	7.6	1.0	
<b>America</b>										
Peabody Energy	3,198	7,424	5,582	647	40.1	11.6	16.8	9.0	1.0	

Unit: IDR bn, %, X

Source: Bloomberg, NHKS Research

## Summary of Financials

INCOME STATEMENT					PROFITABILITY & STABILITY				
(IDR bn)	2017/12A	2018/12A	2019/12E	2020/12E		2017/12A	2018/12A	2019/12E	2020/12E
<b>Sales</b>	19,471	21,200	23,403	27,033	ROE	36.8%	32.9%	32.7%	33.8%
<i>Growth</i>	38.5%	8.9%	10.4%	15.5%	ROA	22.1%	21.4%	22.9%	25.2%
COGS	(10,965)	(12,579)	(13,765)	(15,970)	ROIC	29.8%	27.8%	29.2%	29.4%
<b>Gross Profit</b>	8,507	8,621	9,638	11,063	Cash Dividend(IDR bn)	N/A	3,357	3,707	4,208
<i>Gross Margin</i>	43.7%	40.7%	41.2%	40.9%	Dividend Yield	N/A	6.9%	7.8%	8.9%
Operating Expenses	(2,608)	(2,189)	(2,417)	(2,792)	Payout Ratio	N/A	67.9%	66.1%	65.0%
<b>EBIT</b>	5,899	6,432	7,221	8,271	DER	7.1%	5.1%	2.5%	3.0%
<i>EBIT Margin</i>	30.3%	30.3%	30.9%	30.6%	Net Gearing	6%	5%	2%	3%
Depreciation	686	721	796	908	LT Debt to Equity	3.9%	2.8%	1.4%	1.7%
<b>EBITDA</b>	6,584	7,153	8,018	9,180	Capitalization Ratio	6.6%	4.9%	2.4%	2.9%
<i>EBITDA Margin</i>	33.8%	33.7%	34.3%	34.0%	Equity Ratio	62.8%	67.3%	72.6%	76.6%
Interest Expenses	(178)	(147)	(126)	(68)	Debt Ratio	4.4%	3.4%	1.8%	2.3%
<b>EBT</b>	6,102	6,804	7,669	8,865	Financial Leverage	153.5%	142.8%	133.9%	130.5%
Income Tax	(1,554.4)	(1,768.7)	(1,953.2)	(2,273.7)	Current Ratio	246.3%	237.8%	283.1%	364.6%
Minority Interest	(70.8)	(91.7)	(104.1)	(120.1)	Par Value (IDR)	100	100	100	100
<b>Net Profit</b>	4,476	4,943	5,611	6,471	Total Shares (mn)	11,521	11,521	11,521	11,521
<i>Growth</i>	123.1%	10.4%	13.5%	15.3%	Share Price (IDR)	2,460	4,220	4,100	4,100
<i>Net Profit Margin</i>	23.0%	23.3%	24.0%	23.9%	Market Cap (IDR tn)	28.3	48.6	47.2	47.2

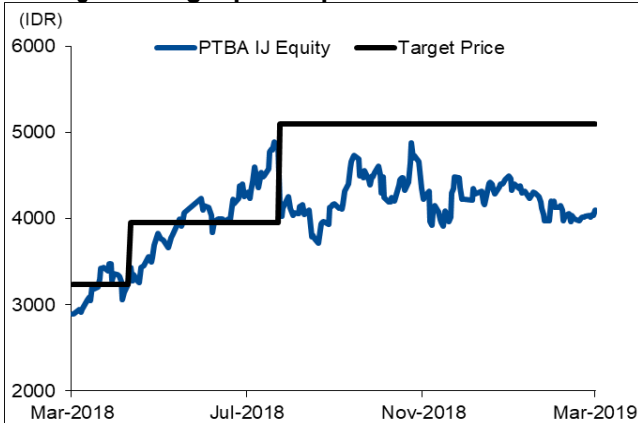
BALANCE SHEET					VALUATION INDEX				
(IDR bn)	2017/12A	2018/12A	2019/12E	2020/12E		2017/12A	2018/12A	2019/12E	2020/12E
Cash	3,555	6,301	6,255	7,060	Price /Earnings	6.3x	9.8x	8.4x	7.3x
Receivables	5,344	2,782	3,630	3,776	Price /Book Value	2.1x	3.0x	2.6x	2.3x
Inventories	1,156	1,551	1,411	1,214	Price/Sales	1.5x	2.3x	2.0x	1.7x
<b>Total Current Assets</b>	11,118	11,739	12,252	13,072	PE/EPS Growth	0.1x	0.9x	0.6x	0.5x
Net Fixed Assets	7,699	8,427	9,386	10,099	EV/EBITDA	3.6x	5.8x	4.9x	4.2x
Other Non Current Assets	3,171	4,007	3,158	3,337	EV/EBIT	4.0x	6.4x	5.4x	4.7x
<b>Total Assets</b>	21,987	24,173	24,795	26,508	EV (IDR bn)	23,620	41,166	39,348	38,716
Payables	886	1,048	905	845	Sales CAGR (3-Yr)	14.2%	15.6%	18.5%	11.6%
ST Bank Loan	441	372	203	273	EPS CAGR (3-Yr)	31.1%	31.5%	35.5%	13.1%
LT Debt	533	460	248	336	Basic EPS (IDR)	389	429	487	562
<b>Total Liabilities</b>	8,187	7,903	6,784	6,199	Diluted EPS (IDR)	389	429	487	562
Capital Stock + APIC	1,183	1,183	1,183	1,183	BVPS (IDR)	1,198	1,412	1,563	1,763
Retained Earnings	14,565	16,815	18,719	20,982	Sales PS (IDR)	1,690	1,840	2,031	2,346
<b>Shareholders' Equity</b>	13,800	16,270	18,011	20,309	DPS (IDR)	N/A	291	322	365

CASH FLOW STATEMENT					OWNERSHIP			
(IDR bn)	2017/12A	2018/12A	2019/12E	2020/12E	By Geography	% Shareholders	%	
Operating Cash Flow	2,415	7,201	5,410	6,551	Indonesia	89.3	Republic of Indonesia	65.0
Investing Cash Flow	(536)	(1,324)	(1,205)	(1,732)	United States	5.0	Vanguard	1.2
Financing Cash Flow	(2,007)	(3,115)	(4,252)	(4,014)	Luxembourg	1.6	Skandinaviska	1.0
<b>Net Changes in Cash</b>	(128)	2,763	(46)	805	Sweden	1.2	Dimensional Fund	0.7

Source: Company data, NHKS Research

## Closing and target price update



Source: NHKS Research

## Rating and target price update

Date	Rating	Target price	Consensus
2017.10.25	Buy	Rp3,235(12M)	Rp2,912
2018.04.25	Buy	Rp3,950(12M)	Rp3,675
2018.08.07	Buy	Rp5,375(12M)	Rp4,600
2019.03.26	Buy	Rp5,100(12M)	Rp4,538

Source: NHKS Research

## NHKS stock ratings

- Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
- Buy: greater than +15%, Hold: -15% to +15%, Sell: less than -15%.
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