

Indonesia Coal

Is Attractive Albeit Gloomy Outlook

The Year 2020 still pictures a gloomy path for the coal industry as it bears China's declining demand and nationwide oversupply. In fact, the setback is concurrent with the global lethargic state and greater national coal production of 550 million tonnes. We argue that the 2020's mandatory DMO of 155 million tonnes is less likely to boost coal miners' revenues. Furthermore, ICE Newcastle Coal for 2020F-2021F is likely to fall short in the range of USD65-75/tonne, while coal miners are burdened by lower earnings ~2.3%-15.7% YoY. As opposed to the gloomy outlook, PTBA, ADRO, ITMG with the 2020F P/E of 7.2x, 9.5x, 8.7x, respectively remain attractive and affordable.

Projection of Coal Prices

We project ICE Newcastle coal (CV: 6,000 kcal/kg) for 2020F-2021F to fall short in the range of USD65-USD75/tonne or 3.8%-14.5% decreases from 2019's average price of USD78/tonne. Not to mention that the global economy to lethargically grow leaves the 2020's demand for coal slumping. That gloom projection likely to trim 2020's estimated earnings hovering around 3.5%-7.8% YoY with lower ASP leaves a neutral rating for the coal industry in 2020: we pencil in.

Catalysts to Determine Coal Industry

Coal miners' 2020 performance provides a benchmark for the coal industry as their performance is dependable on such catalysts as (1) China's lower-than-prior-year demand concurrent with mandatory emission cut and coronavirus outbreak to deteriorate China's economy; (2) nationwide coal production to surpass mandatory output; (3) surging operational costs stemming from production and sales costs amid struggling coal prices.

BUY Recommendation for PTBA, ADRO and HOLD for ITMG

We recommend stocks on grounds of (1) PTBA with the highest ROE of 24.1% among the rest to display large output and high sales to counter lower revenues due to low ASP; (2) ADRO's diversified coal derivatives and integrated mining infrastructure from upstream to downstream processes; (3) ITMG with the highest EPS among its peers and larger coal reserves by means of acquisition; (4) PTBA, ADRO, and ITMG to show affordable and attractive valuation with the 2020F P/E of 7.2x, 9.5x, and 8.7x, respectively.

Risks of Our Estimate

Although we maintain a neutral rating, our estimate is still subject to changes to preconditioned risks as follows: (1) changes in Chinese import regulations; (2) extreme supply disruption to balance well the world's coal prices; (3) Indonesian miners to maintain production well below the mandatory output.

Neutral

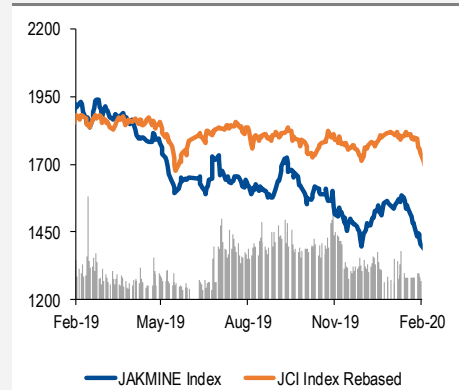
Top Picks

PTBA	Buy	IDR2,800
ADRO	Buy	IDR1,700
ITMG	Hold	IDR12,000

	P/E (x)	P/B (x)
JCI	14.1	1.9
JAKMINE	8.7	0.8

SECTOR MARKET CAP	338.7 Trillion
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Sector Index

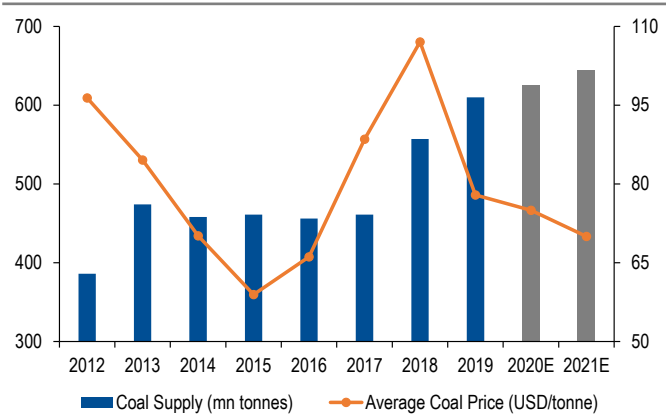


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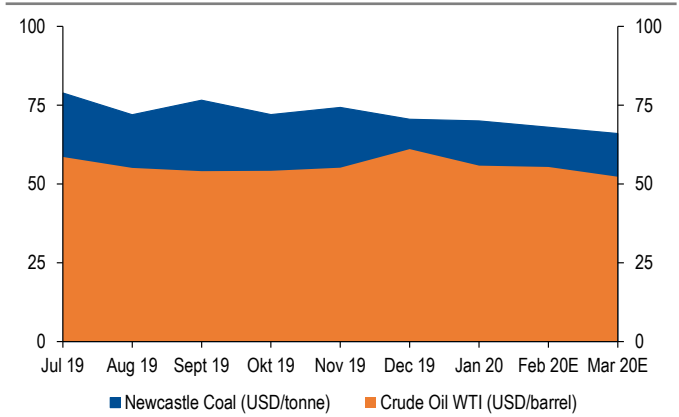
Key Charts & Tables

Figure 1: Coal Supply Vs. Average Coal Price



Source: Directorate General of Mineral and Coal, International Coal Report, NHKSI Research

Figure 2: Coal Price Downward Trend Vs. Oil Price



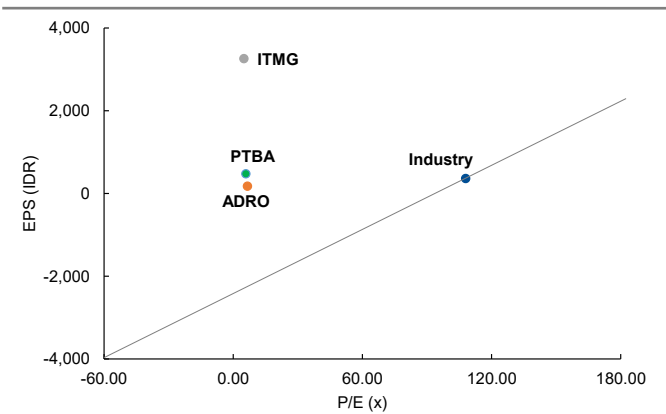
Source: Intercontinental Exchange, New York Mercantile Exchange, NHKSI Research

Figure 3: Thermal Coal Price Forecast

Forecast Thermal			2011	2012	2013	2014	2015	2016	2017	2018	2019	2020F	2021F
Newcastle FOB	New	USD/t	122	97	85	71	59	66	88	107	78	75	70

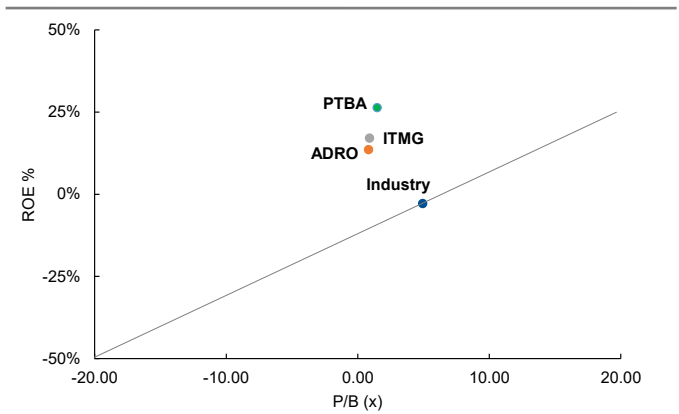
Source: Bloomberg, NHKSI Research

Figure 4: EPS Growth Vs. P/E Comparison



Source: Bloomberg, NHKSI Research

Figure 5: P/B Vs. ROE Comparison



Source: Bloomberg, NHKSI Research

Figure 6: Recommendation and Target Prices

Companies	Ticker	Rating	Last Price	TP	Upside	Method
Bukit Asam	PTBA IJ	Buy	IDR2,360	IDR2,800	18.6%	Forward P/E 7.0x (-0.3 SD 3-Year Average)
Adaro Energy	ADRO IJ	Buy	IDR1,250	IDR1,700	36.0%	Forward P/E 9.3x (+0.5 SD 3-Year Average)
Indo Tambangraya Megah	ITMG IJ	Hold	IDR11,150	IDR12,000	7.6%	Forward P/E 8.6x (-0.2 SD 3-Year Average)

Source: Bloomberg, NHKSI Research

Fundamental Ranking

Figure 7: Piotroski F-Score

Rank	Ticker	Company Name	F-Score
1	ADRO IJ	Adaro Energy	6
2	ITMG IJ	Indo Tambangraya Megah	4
3	INDY IJ	Indika Energy	4
4	PTBA IJ	Bukit Asam	3
5	HRUM IJ	Harum Energy	3
6	BUMI IJ	Bumi Resources	1

Source: Company Data, Bloomberg, NHKSI Research

Figure 8: Grantham Quality Indicator

Rank	Ticker	Company Name	Grantham Point
1	INDY IJ	Indika Energy	5.3
2	ITMG IJ	Indo Tambangraya Megah	4.3
3	PTBA IJ	Bukit Asam	4.0
4	ADRO IJ	Adaro Energy	4.0
5	HRUM IJ	Harum Energy	4.0
6	BUMI IJ	Bumi Resources	2.7

Source: Company Data, Bloomberg, NHKSI Research

Regional Valuation Comparison

Figure 9: Valuation Comparison

Company	Mkt Cap (USD mn)	P/E (x)		P/B (x)		EV/EBITDA (x)		EPS Growth (%)		Dividend Yield (%)	
		FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Bukit Asam	2,025	7.5	7.1	1.4	1.3	4.5	4.4	-12.8	5.3	10.3	8.1
Adaro Energy	3,031	7.2	7.2	0.7	0.6	3.6	3.6	-7.2	2.4	6.3	6.2
Indo Tambangraya Megah	862	6.5	6.1	0.9	0.9	2.6	2.3	-1.4	7.3	13.9	14.2
Indika Energy	343	8.2	9.4	0.3	0.2	3.4	3.3	-7.4	-16.0	4.5	7.5
Harum Energy	238	8.0	8.0	0.7	0.6	1.6	1.6	0.0	0.0	6.7	6.7
Banpu	1,452	14.5	10.9	0.5	0.5	11.2	9.9	26.9	32.8	3.8	5.6
Southeast Asia Coal - Average		8.7	8.1	0.8	0.7	4.5	4.2	0.3	5.3	7.6	8.1
China Shenzua	45,373	7.6	7.6	0.8	0.8	4.0	4.0	-3.0	0.1	5.0	5.0
Yanzhou Coal	5,534	5.6	5.5	0.6	0.6	5.1	4.9	-6.4	1.1	5.7	5.7
China Coal	7,359	9.3	8.9	0.5	0.5	5.8	6.0	4.3	2.2	2.7	2.8
China Coal - Average		7.5	7.3	0.6	0.6	5.0	3.7	-0.8	1.1	4.5	4.5
BHP Billiton	119,423	14.1	14.3	2.4	2.3	6.1	6.1	6.3	-8.4	5.4	4.7
Rio Tinto	91,089	11.5	14.0	2.3	2.2	5.6	6.2	-10.9	-17.7	4.2	4.0
Australia Coal - Average		12.8	14.2	2.4	2.3	5.9	6.2	-2.3	-13.1	4.8	4.4
Total Average		9.1	9.0	1.0	1.0	4.9	4.8	-1.1	0.8	6.2	6.4

Source: Bloomberg

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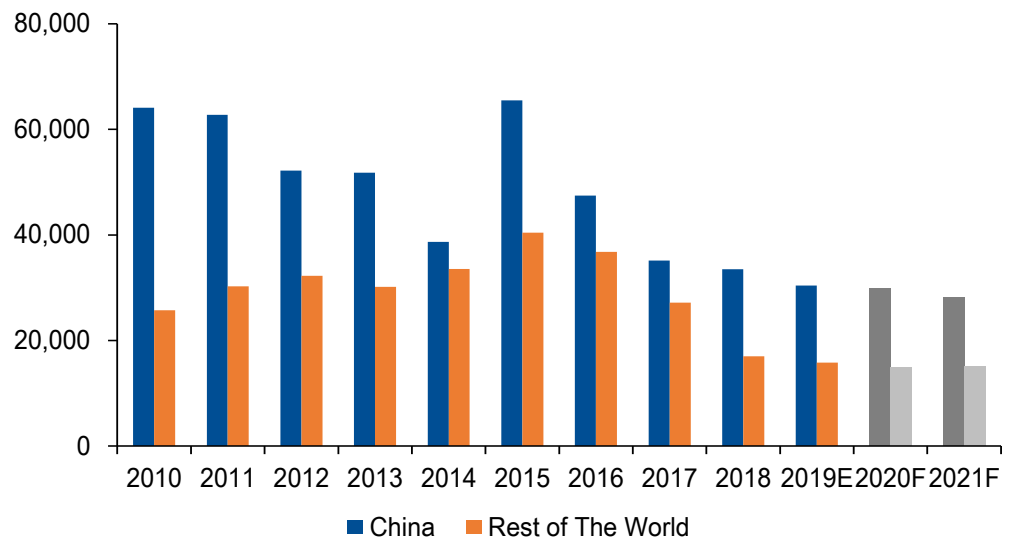
China's all across industries cut coal use by 4.3% YoY

China Conditions as the Primary Importer

China Regulations Related to Emission Reduction

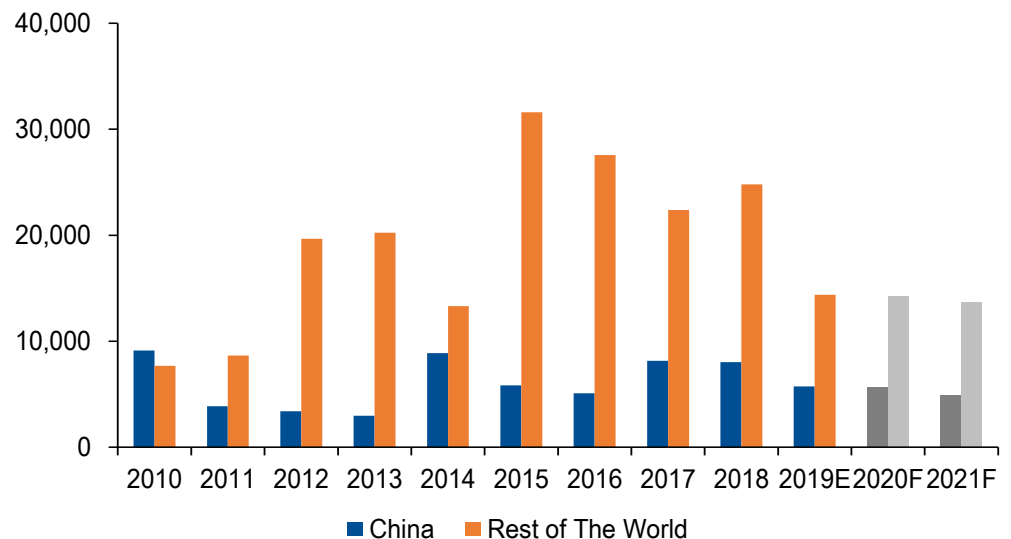
The Chinese government as of 2015 takes into force a standard policy on ultra-low emissions (ULE) for coal-fueled power plants; the policy aims to diminish pollution resulted from coal burning. The program in 2018 proved to lessen pollution by 60%; having learned the effectiveness of the policy, the Chinese government imposes firmer ULE standards. The new SO₂, NO_x, particulate emission threshold at 35, 50, and 10mg⁻³ take into effect in 2020, and Chinese coal-fueled power plants in 2017 succeeded to meet 71% of that required threshold. A number of Chinese all across industries from 2016 to 2017 started to diminish coal supplies and develop green business i.e., the steel industry (-3.3% YoY), the cement industry (-2.9% YoY), and the aluminum industry (-1% YoY), the ethylene industry (-4.2% YoY), and the synthetic ammonia industry (-3% YoY).

Figure 10: New Coal-Fired Capacity (MW)



Source: Global Energy Monitor, NHKSI Research

Figure 11: Retired Coal Plants (MW)



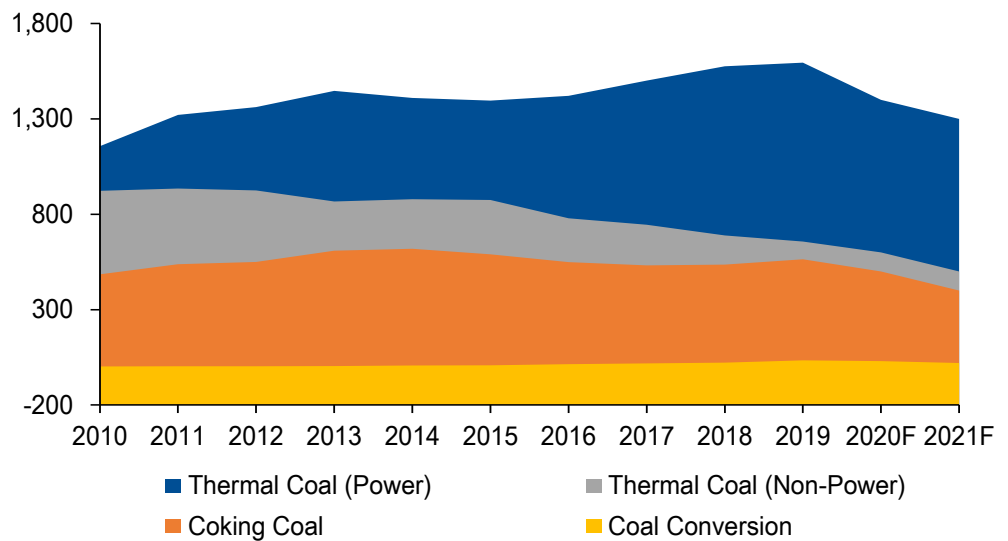
Source: Global Energy Monitor, NHKSI Research

Chinese coal-fueled power plants in 2018 account for only 17,890 MW coal consumption

China's Less Coal Demand

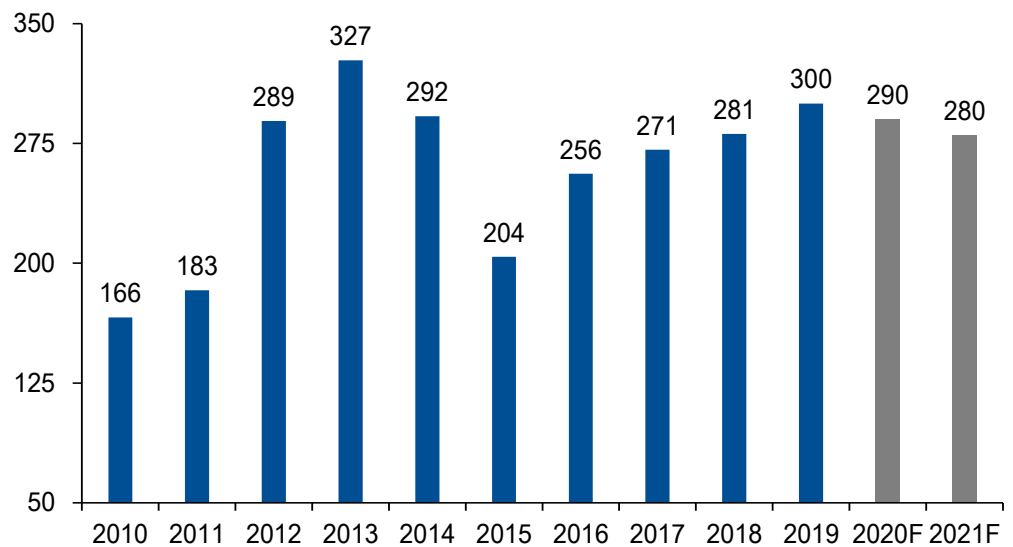
The standard policy on ULE governs Chinese coal-fired power plants to renovate better their production capacities in order to meet the mandatory requirements. The three-year mandatory renovation during 2015-2018 succeeded to trim some coal-fired power plants' capacities from ~65,517 MW to ~17,890 MW. A consistent halt in new coal-fired power plant investment on a yearly basis shows the Chinese government's impressive commitment to fighting against pollution. The declining industrial energy capacities and less number of old power plants necessarily mean Chinese less consumption for coal.

Figure 12: China Coal Consumption (MTCE)



Source: IEA, NHKSI Research

Figure 13: China Coal Import (MMT)



Source: Bloomberg, NHKSI Research

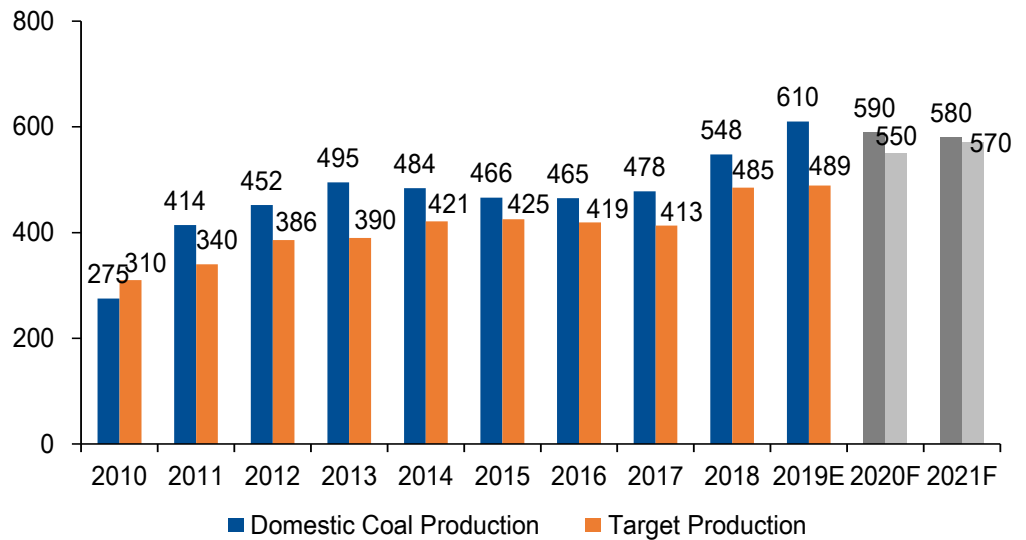
The real coal output is likely to surpass the national output target of 550 million tonnes

Nationwide Excessive Stockpiles of Coal

Hardly Controlled National Output

Indonesian coal industries face paradoxical facts of lenient supervision by the Indonesian authorities but miners' discipline for fulfilling national coal output set at the beginning of the years. The 2019's coal output to hit 610 million tonnes (vs. the 2019's target of 489 million tonnes) was the 5-year highest output. The Indonesian government, in 2020, sets the national coal output of 550 million tonnes; as opposed to the mandatory output, we estimate national output to hover at 560-590 million tonnes by taking into account several factors, as follows (1) cheap coal prices to spur output and sales volume; (2) countries elsewhere, excluding China, to better prepare for the harsh winter to potentially demand for coal; (3) no extreme weather to disrupt coal mines' ecosystem.

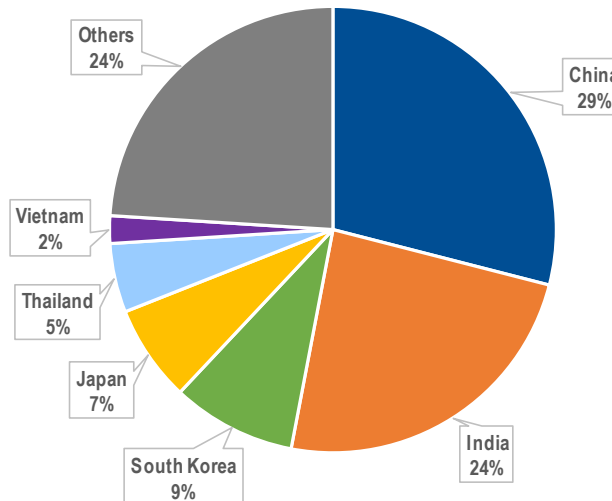
Figure 13: Indonesia Coal Production & Target (Mn Tonnes)



Source: Bloomberg, IHS Energy, NHKSI Research

Figure 14: Indonesia Estimated Exports Breakdown

China and India still position as the world's largest coal exporters of Indonesian coal



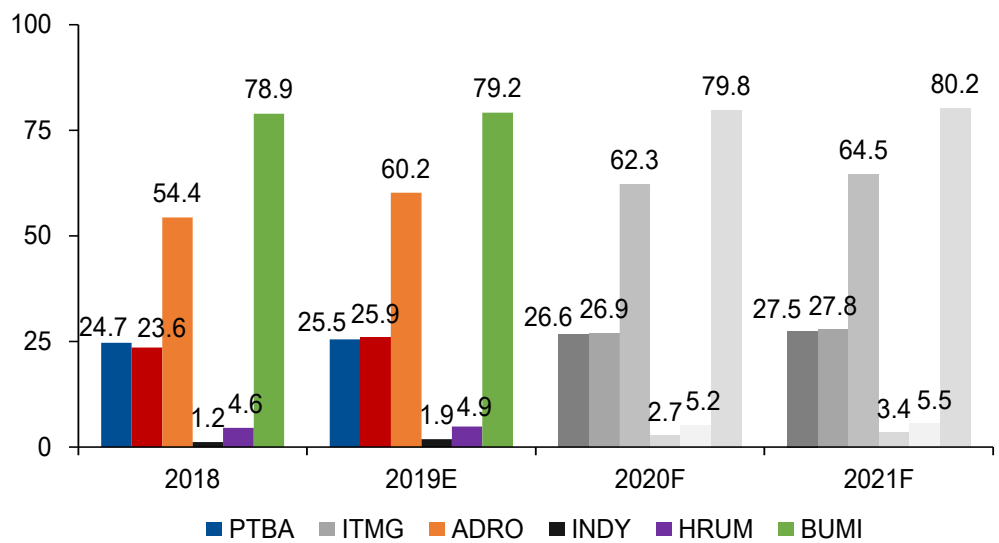
Source: Bloomberg, IHS Energy, NHKSI Research

Japan and South Korea will account for the upbeat demand for coal

Consistently Spurred Sales Volume

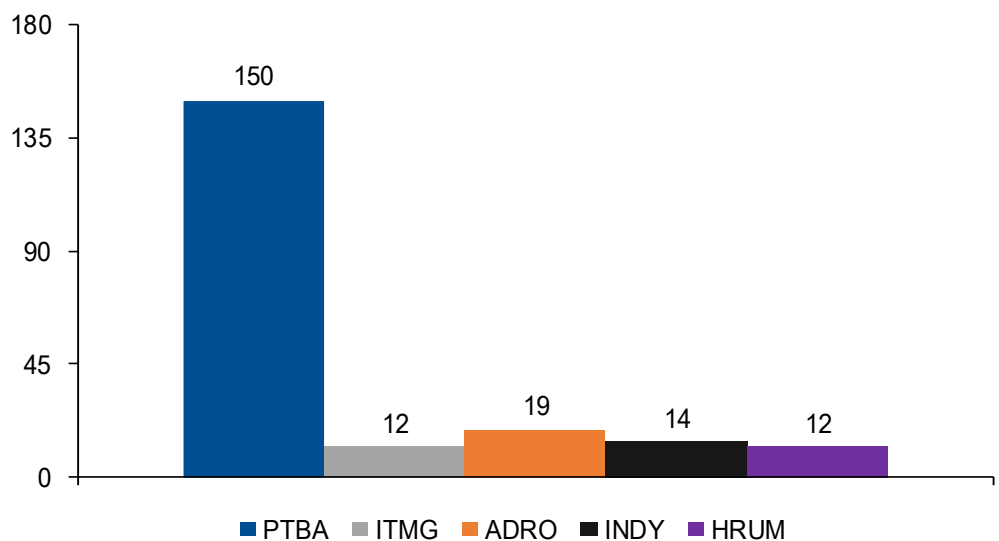
We project that coal miners are likely to record hikes in sales until 2021 despite their 2020's smaller capex to only hover at 20%-33%. Nevertheless, they remain to spur operational activities to well counter downside revenues triggered by coal selling prices of USD75/tonne at maximum. Greater sales volume exposes coal miners to higher stripping ratio and hauling costs as some of them are potential for increasing sales volume to Japan, South Korea, and Thailand's markets; however, that substantial surge will last for only in 1Q20 as the winter season will end in March.

Figure 15: Sales Volume Comparison (Mn Tonnes)



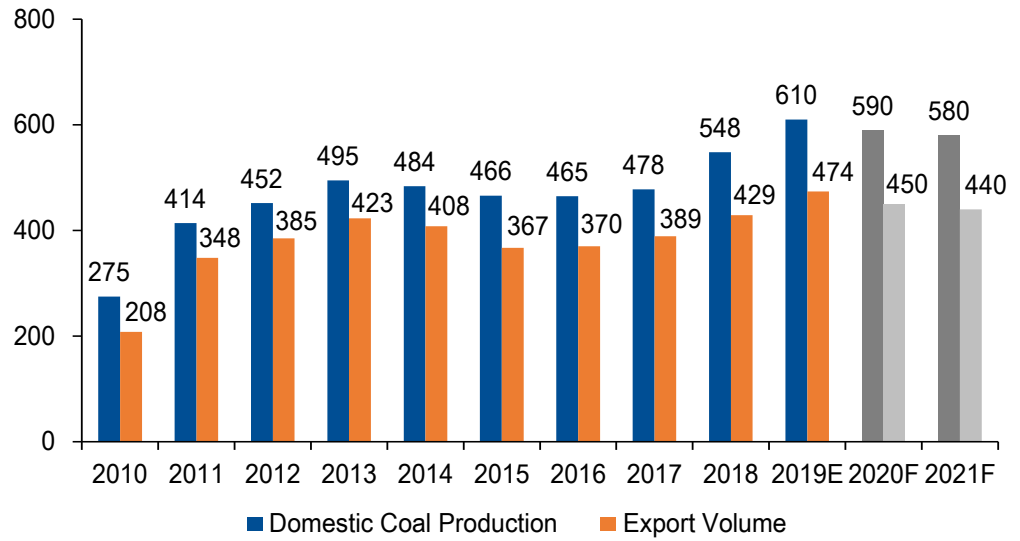
Source: Bloomberg, NHKSI Research

Figure 16: Reserves Life Comparison (Years)



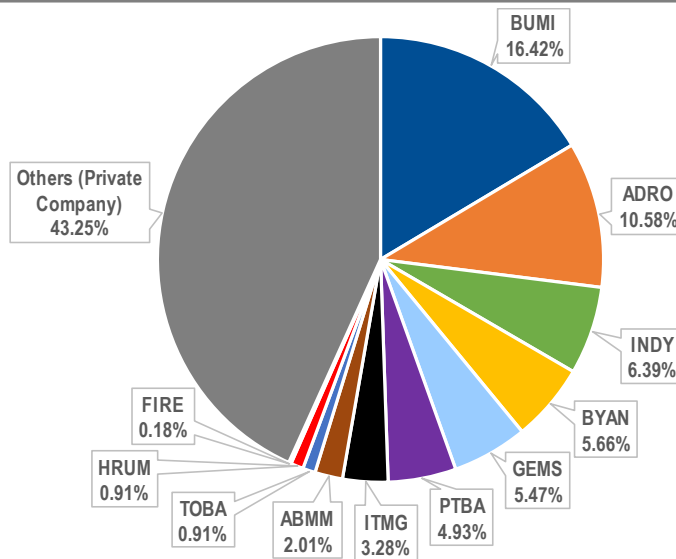
Source: Company Data, NHKSI Research

Figure 17: Indonesia Coal Production & Exports (Mn Tonnes)



Source: Company Data, NHKSI Research

Figure 18: Indonesia Coal Producers



Source: Company Data, NHKSI Research

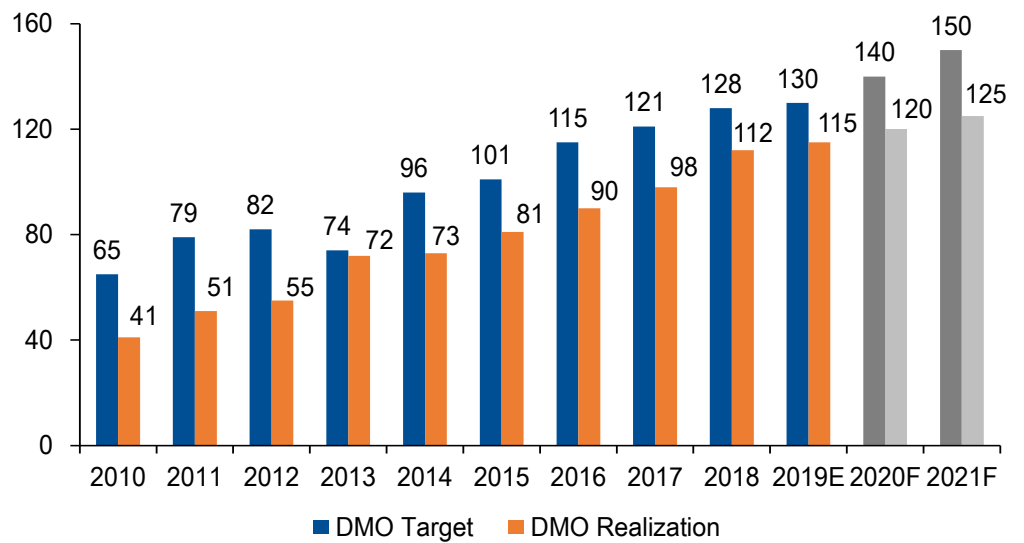
BUMI gives the greatest contribution to Indonesia's total coal production

Stronger Domestic Consumption as Strong Footing

The 2020's mandatory DMO program sets 25% of 550 million tonnes of total nationwide coal production and coal trading price at USD70/tonne. We argue that the set price better stabilizes coal miners' revenues amid volatile coal prices to have greater potential for reaching USD65/tonne. Adequate coal supplies allow coal miners to find fewer obstacles in selling their outputs. However, since its mandatory practices, the domestic consumption only accounts for 20% of that DMO-required coal; that fact necessarily means the mandatory DMO fails to meet the set target. Hence, we pencil in the 2020's mandatory DMO will only arrive at 22% below the set target of 25%, but stronger domestic consumption is expected in light of the increasing coal supplies for per-unit generated electricity.

The 2020's domestic consumption relies on the DMO program

Figure 19: Domestic Market Obligation Target & Achievement (Mn Tonnes)



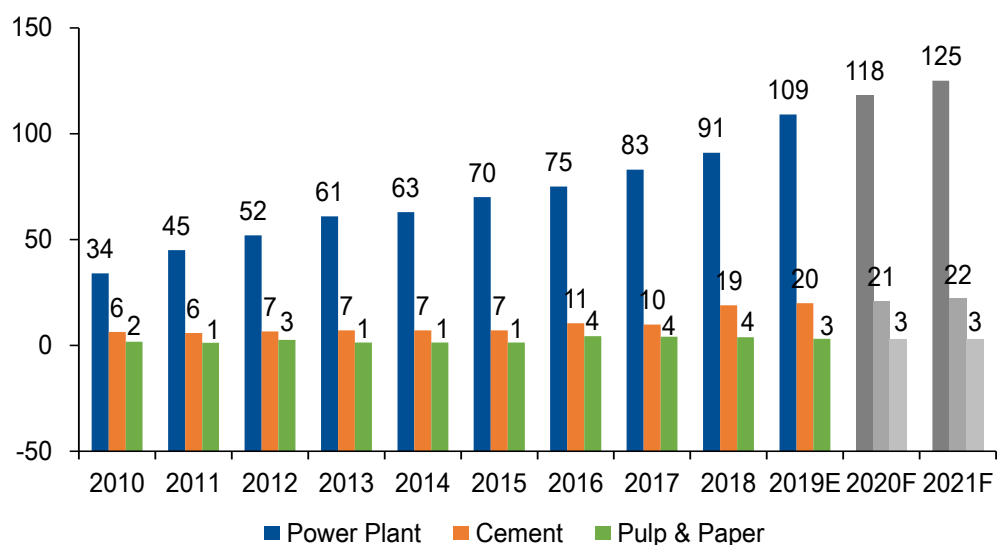
Source: Minister of Energy and Mineral Resources , NHKSI Research

Coal to Dominate Power Generation

Indonesia's coal consumption for generating electricity is more voracious (65.98 million tonnes in 2014, 70.80 million tonnes in 2015, 75.4 million tonnes in 2016, and 83 million tonnes in 2017). In 2018, Indonesia heavily counted on 60% of the total nationwide coal output to supply its power plants. That voracious consumption is on grounds of state electricity company (PLN) surging demands for coal, new major power plant project: Independent Power Producer (IPP) power. We estimate coal-fire capacities required by PLN and IPP to soar to 118 million tonnes topping the initial target of 109 million tonnes. The increasing demand is on grounds of larger coal supplied to Jawa-7 power plant situated in Banten: the densely populated province.

Coal remains king in Indonesia's power generation as the consumption is most likely to reach 118 million tonnes in 2020

Figure 20: Indonesia-Domestic Coal Consumption Trend (Mn Tonnes)



Source: Indonesia Coal Mining Association, NHKSI Research

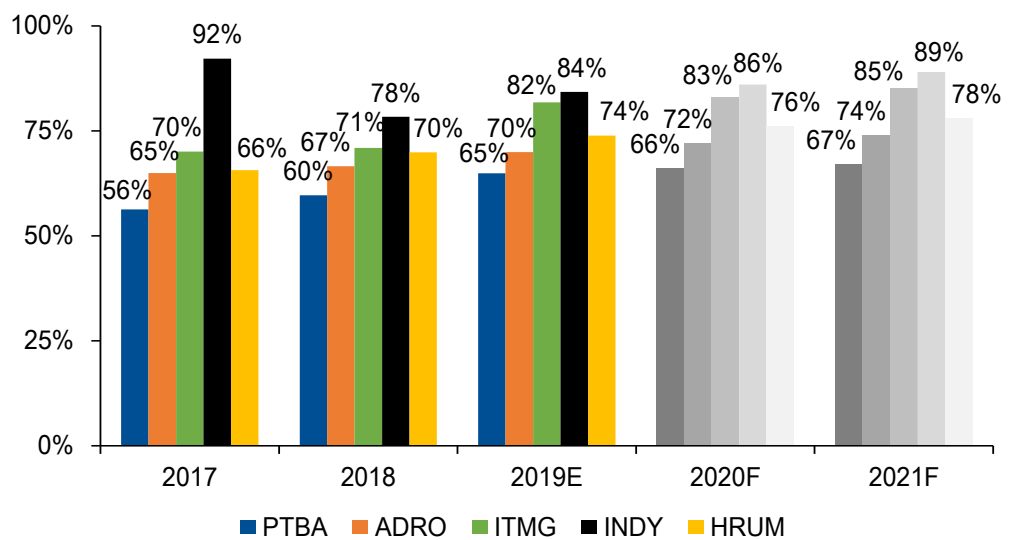
Coal miners' operational costs are most likely to surge on the basis of 2020's revenues boosts

Cost Likely to Rise

More Funds Spent on Greater Operational Activities

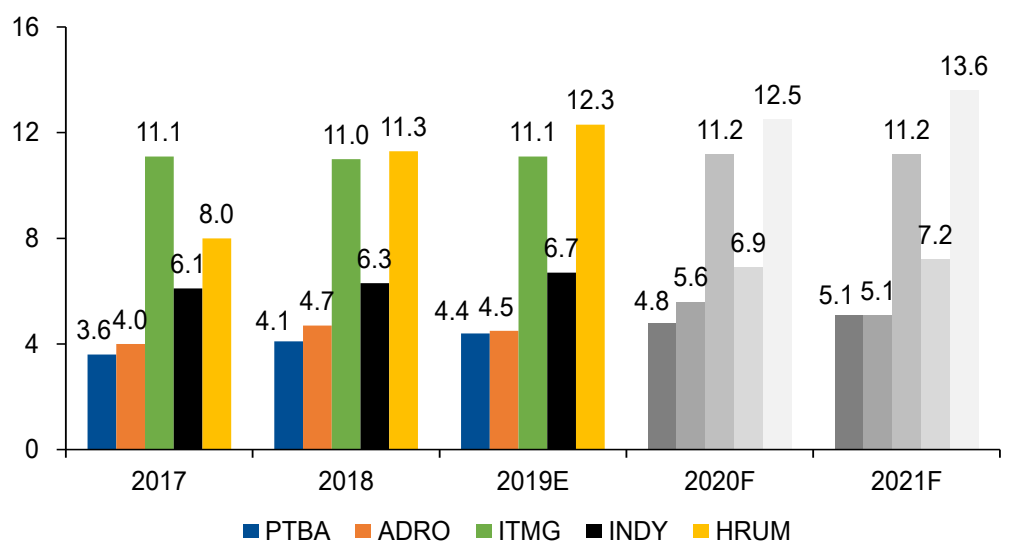
Greater production and sales volume in 2020 necessarily mean greater costs to spend on than that of 2019. The hiking costs are subject to overburden removal costs and distance-traveled from mine sites to the ports. Higher stripping ratio and rising operational activities result in greater costs spent on diesel fuel. The more intense usage of railways in 2020 is certain as production gets greater and anomaly weather gets less likely to occur. PTBA currently benefits from its cooperation with state-owned railway operator (KAI) and better cost-efficiency among its peers.

Figure 21: COGS/Revenue Comparison



Source: Company Data, NHKSI Research

Figure 22: Stripping Ratio Comparison (x)



Source: Company Data, NHKSI Research

If the government officially enacts the regulation of reduction in mining royalties, the chance is PTBA to stand for most benefits from the to-be-prevailed regulation

Air of Royalty Expectancy

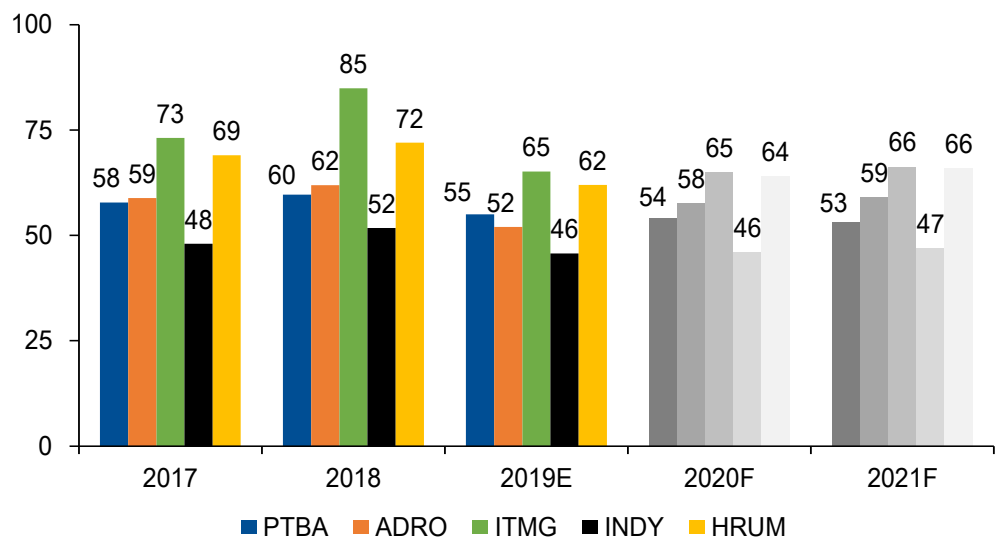
Royalties are annual costs borne by miners and account for 15%-22% of the total cash costs. The Indonesian government plans to erase royalties imposed on miners to have developed upstream coal-processed Dimethyl Ether (DME). Miners to hold the first-license of coal contracts for work (PKP2B) such as PTBA is most likely to stand utmost benefits from the about-to-be-officially prevailed regulation because PTBA, the state-owned coal miner, to have developed integrated upstream coal processing better carries out cost efficiency at 8%-11%.

Figure 23: Royalty

Type of Mining Permits & Coal Grade	Royalty (%)
CCOW - All Grades	13.5
IUP/KP - Open Pit Mining	
<5,100 kcal/kg	3
5,100 - 6,100 kcal/kg	3
> 6,100 kcal/kg	7
IUP/KP - Underground Mining	
< 5,100 kcal/kg	2
5,100 - 6,1000 kcal/kg	4
> 6,100 kcal/kg	6

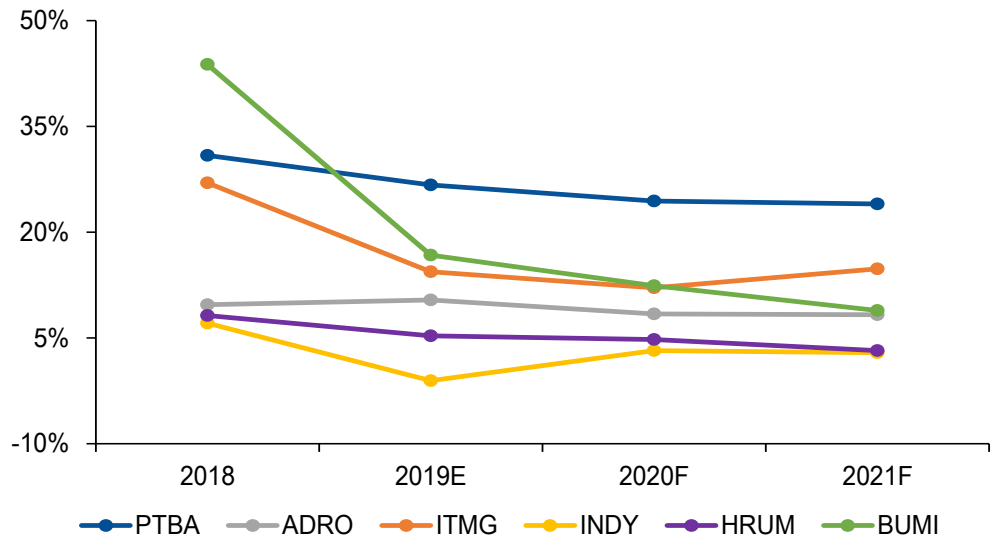
Source: Directorate General of Minerals and Coal, NHKSI Research

Figure 24: Average Selling Price Comparison (USD/Tonne)



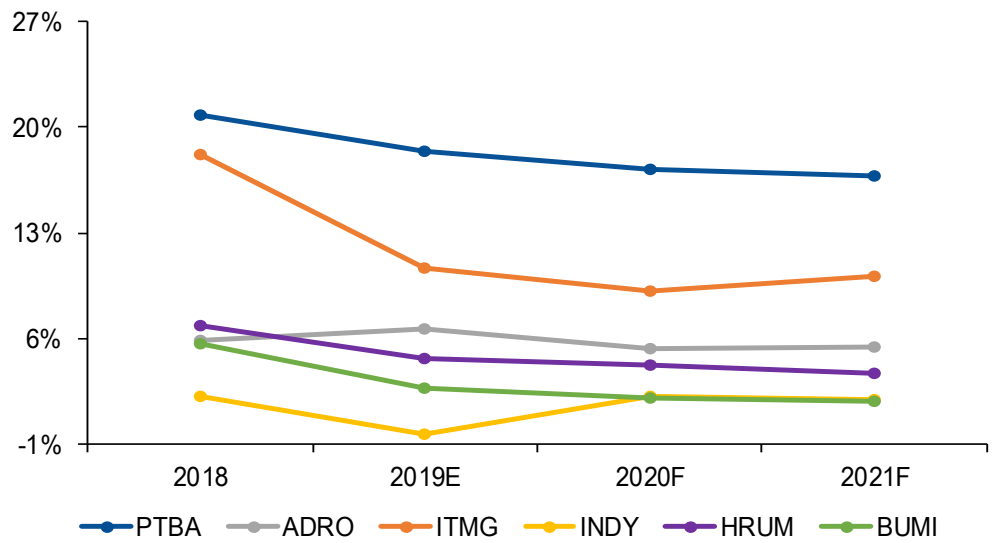
Source: Company Data, NHKSI Research

Figure 25: ROE Comparison



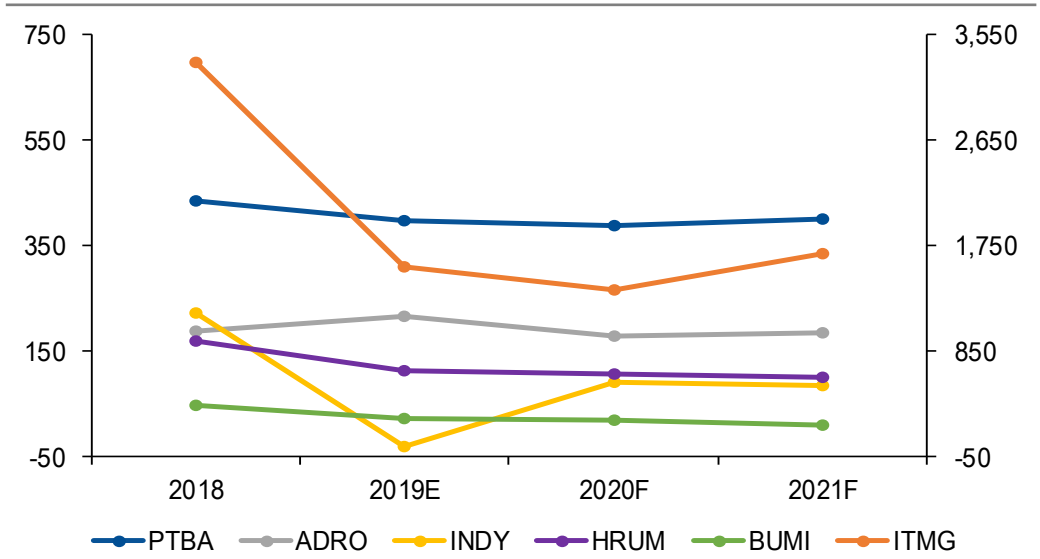
Source: Company Data, NHKSI Research

Figure 26: ROA Comparison



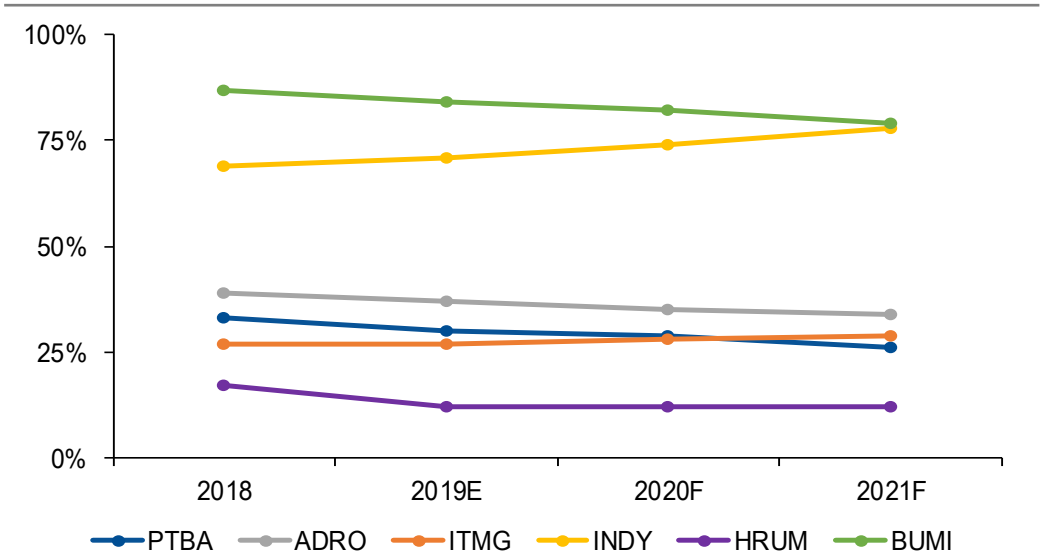
Source: Company Data, NHKSI Research

Figure 27: EPS Comparison (IDR)



Source: Company Data, NHKSI Research

Figure 28: Debt/Total Cap Comparison



Source: Company Data, NHKSI Research

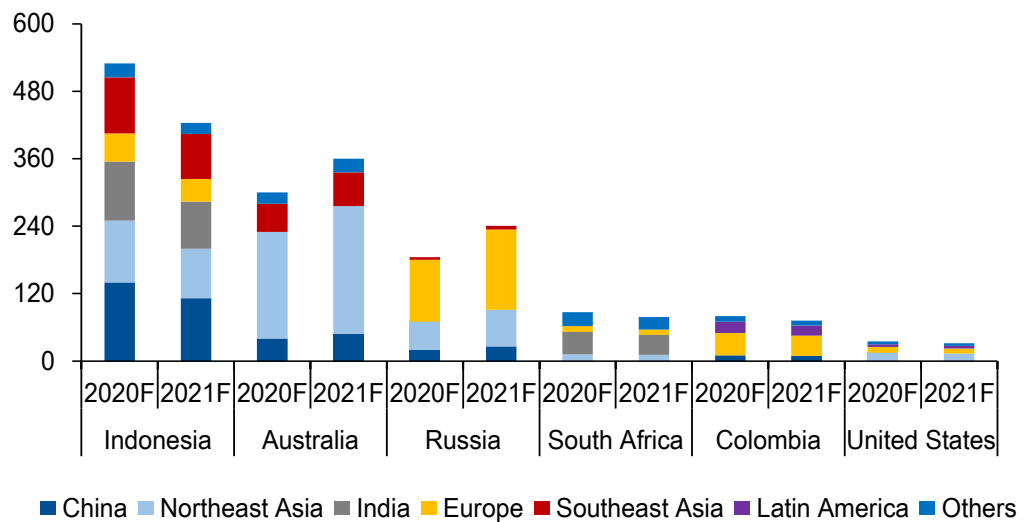
The 2020's coal supply-demand is in downside trend

Thermal Coal Trading Conditions

Coal's Bearish Trend

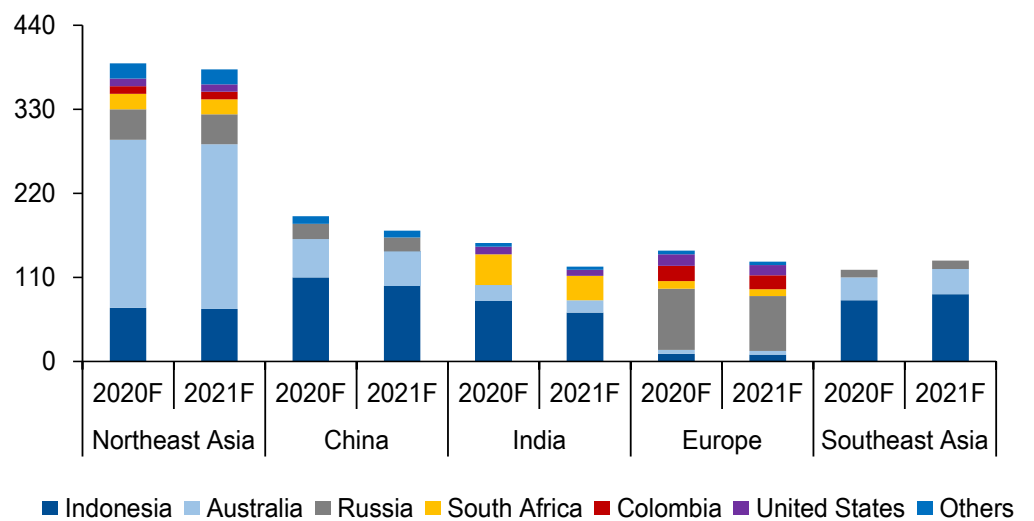
The global coal prices are rising during January-March 2020 as South Korea and Japan demand greater consumption of coal during the winter. Indonesia's abundance stockpiles of coal and China's declining demand for coal to well below 5%-9% YoY should make coal prices to hover at USD65-75/tonne. Should Indonesia's coal output fall perfectly at the national target of 550 million tonnes, chances are the world's stable coal supply-demand and global bearish, while the bearish trend of coal prices are beyond our estimate. Other preconditions for global coal prices are the export-import performance of Australia, Russia, South Africa, and Columbia determining the world's coal supply and demand.

Figure 29: Global Thermal Coal Exports Forecasts (Mn Tonnes)



Source: Argus White Paper, NHKSI Research

Figure 30: Global Thermal Coal Imports Forecasts (Mn Tonnes)



Source: Argus White Paper, NHKSI Research

Our Top-Pick Stocks

Coal miners' 2020 bleaker performance outlook is portrayed stock prices of PTBA, ADRO, and ITMG to be traded at the average P/E below 10x; prior to buying those stocks, 2020's downrisks are worth consideration. ADRO, in particular, is potential for growing revenues at 2% YoY as it has varied coal derivatives; therefore, declining sales of thermal coal are well cushioned by sales of coking coal. PTBA, ADRO, and ITMG are braced with robust operational cash, and should they face declining earnings in 2020, they better uphold their operational businesses compared to their peers.

Figure 31: Share Price Performance

Company	Ticker	Absolute (%)			Relative (%)		
		1M	3M	12M	1M	3M	6M
Bukit Asam	PTBA IJ	-19.4	2.7	-47.7	-13.9	6.8	-38.9
Adaro Energy	ADRO IJ	-13.8	-9.5	-6.1	-9.9	-6.1	6.8
Indo Tambangraya Megah	ITMG IJ	-11.5	-19.8	-53.6	-5.7	-15.3	-44.9
Average		-14.9	-8.9	-35.8	-9.8	-4.9	-25.7

Source: Bloomberg, NHKSI Research

We better recommend coal miners with ROE to consistently well above 10% within the last 3 years (excluding ADRO's 2018 performance on grounds of stability and integrated business) and positive cash performance. Miners to fit our recommendation are PTBA, ADRO, and ITMG. ADRO's well-integrated businesses enrich its diversified products and stabilize its performance. Meanwhile, PTBA's consistently increasing intensity of railway usage in order to more efficient operational activities leading to smaller cost of revenues. We estimate that PTBA is capable of trimming cost of revenues as much as 4.45% with a slight decrease of 1% in revenues. Having distinct performance to its two peers, ITMG to have the least coal reserves aggressively acquires mines in 2020; hence, its high profitability is a wider possibility after 2019's underperformance. Nevertheless, those three miners are still prone to similar risks, if the 2020's world coal prices to well settle below USD75/tonne. In relation to reserve review, PTBA has the largest coal reserves of 3.3 billion tonnes and the largest natural resources of 8.1 billion tonnes; in contrast, ADRO still displays the smallest EV/Reserves of USD0.5/tonne and has the most attractive valuation among the rest.

Figure 32: Reserve/Resources Comparison

(Mn tonnes)	PTBA	ADRO	ITMG
Mineral Reserves	3,330	1,520	354
Resources	8,170	15,470	1,486
Reserves Life at Current Production (Years)	150	19	17
Production Target for 2020	30	N/A	N/A
Enterprise Value to Reserves (USD/Tonne)	1.4	0.5	0.6

Source: Company Data, NHKSI Research

ADRO is the most attractive stock with EV/Reserves of USD0.5/tonne

Figure 33: Ratings

Company	Ticker	Rating	TP
Bukit Asam	PTBA IJ	Buy	IDR2,800
Adaro Energy	ADRO IJ	Buy	IDR1,700
Indo Tambangraya Megah	ITMG IJ	Hold	IDR12,000

Source: NHKSI Research

Our target price is prone to risks as follows: (1) changes in Chinese import regulations; (2) extreme supply disruption to balance well the world's coal prices; (3) Indonesian miners to consistently maintain production well below the mandatory output.

Figure 34: Implied Valuation

Company	Ticker	P/E at TP (x)		P/B at TP (x)		EV/EBITDA at TP (x)	
		20E	21E	20E	21E	20E	21E
Bukit Asam	PTBA IJ	7.2	7.0	1.7	1.6	3.9	3.8
Adaro Energy	ADRO IJ	9.5	9.3	0.8	0.8	4.0	3.6
Indo Tambangraya Megah	ITMG IJ	8.7	7.1	1.1	1.1	2.6	2.1

Source: Company Data, NHKSI Research

Sensitivity Analysis

We perform sensitivity analysis of our three top-pick stocks and find that +/- 1% change in ICE Newcastle coal prices leads to 2020F EPS changes of +/- 0.8% / 1.6% / 1.9% for PTBA, ADRO, and ITMG, respectively.

Bukit Asam Tbk (PTBA IJ)

Counts on Diversified Businesses as Solutions

PTBA until 9M19 posted revenues of IDR16.2 trillion (+1.4% YoY) whose 65% was contributed by the domestic sales. The 9M19's revenues reached 75.1% of our target price for FY19. Although 2019's performance was exposed to annual declines, its 2020's performance is likely to be capable of obtaining IDR21.4 trillion worth of revenues and IDR4.4 trillion worth of net profits in light of the mandatory DMO to absorb domestic consumption. We view PTBA to display an attractive valuation with the 2020F P/E of 7.2x.

Higher Operational Performance

PTBA until 9M19 recorded greater coal production of 21.6 million tonnes (+9.3% YoY). That productive performance was supported by its efficiency as 9M19's production costs were at IDR572,000/tonne (-2% YoY) coupled with a 12.2% YoY increase in a 4.6x stripping ratio. That proved PTBA's commitment to reducing overburden removal costs amid declining coal prices so that its operational activities run efficiently in 2019 and are more likely to stay the same in 2020.

Diversified Businesses to Reduce Dependency

PTBA carries out a long-term diversified business strategy for reducing its reliance on revenues from coal sales and invests USD3.2 billion worth of gasification project as its coal production are potential for reaching 1.4 million ton DME, 300,000 tons of methanol, and 250,000 tons of MEG. We project for sales of coal in 6-8 years ahead to contribute 88%-93% to the total revenues, while to date sales of coal contribute 98.1% to the total sales.

Upgrade Rating to BUY with TP of IDR2,800

Estimate that coal miners are likely to bear 4%-6% YoY declines in 2020's demand for coal, gasification project entitled to royalty reduction and erasure of mandatory DMO stands for its benefits leaving it to be the most attractive stocks among its peers. We on grounds of the elaborated fact revise higher our recommendation into BUY with the TP of IDR2,800 or a 18.6% potential upside based on the forward P/E of 7.0x (-0.3 SD) as it is currently traded at 7.2x P/E 2020F.

Bukit Asam Tbk | Summary

	2018A	2019F	2020F	2021F
Revenue (IDR bn)	21,167	21,644	21,420	21,490
Growth (%)	8.7	2.3	-1.0	0.3
EBITDA (IDR bn)	7,004	6,699	6,565	6,733
Net Profit (IDR bn)	5,024	4,581	4,476	4,626
EPS (IDR)	436	398	389	402
Growth (%)	12.2	-8.8	-2.3	3.4
P/E (x)	9.7	6.7	7.2	7.0
P/BV (x)	3.0	1.7	1.7	1.6
EV/EBITDA (x)	5.9	3.6	3.9	3.8
ROE (%)	33.4	26.7	24.4	24.0
DER (%)	48.7	37.8	35.1	33.5
Net Debt (IDR bn)	-5,469	-5,890	-4,807	-4,707

Source: Company Data, Bloomberg, NHKSI Research

Buy

Dec 2020 TP (IDR)	2,800
Consensus Price (IDR)	2,860
TP to Consensus Price (%)	-2.1
vs. Last Price (%)	+18.6

Shares data

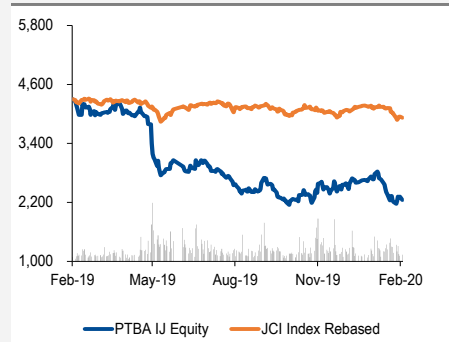
Last Price (IDR)	2,360
Price Date as of	Feb 26, 2020
52 wk Range (Hi/Lo)	4,310 / 2,110
Free Float (%)	31.2
Outstanding sh.(mn)	11,521
Market Cap (IDR bn)	26,267
Market Cap (USD mn)	1,920
Avg. Trd Vol - 3M (mn)	25.3
Avg. Trd Val - 3M (bn)	64.1
Foreign Ownership (%)	9.2

Mining

Coal

Bloomberg	PTBA IJ
Reuters	PTBA.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-14.4%	-19.1%	2.7%	-47.7%
Rel. Ret.	-8.9%	-13.9%	6.8%	-38.9%

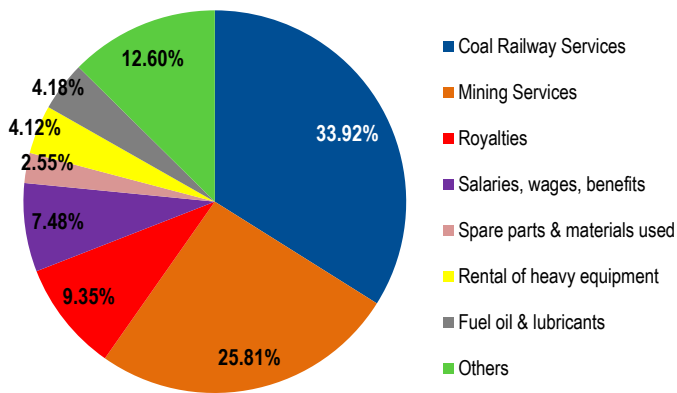


Meilki Darmawan

+6221 5088 9128, meilki.darmawan@nhsec.co.id

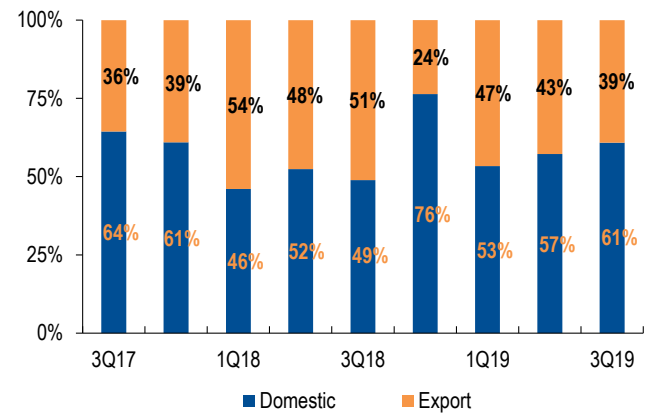
Performance Highlights in Charts

9M19 COGS Breakdown



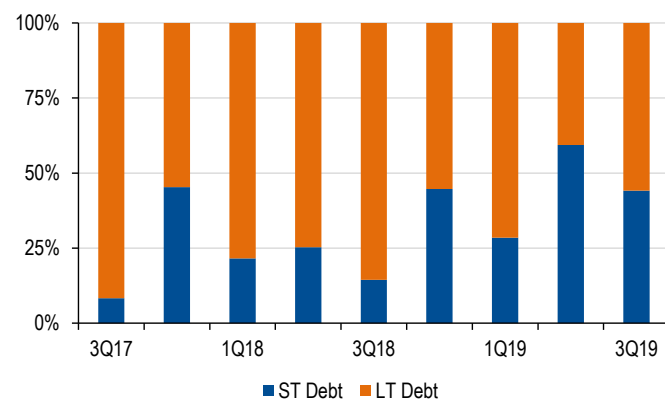
Source: Company Data, NHKSI Research

Sales Contribution



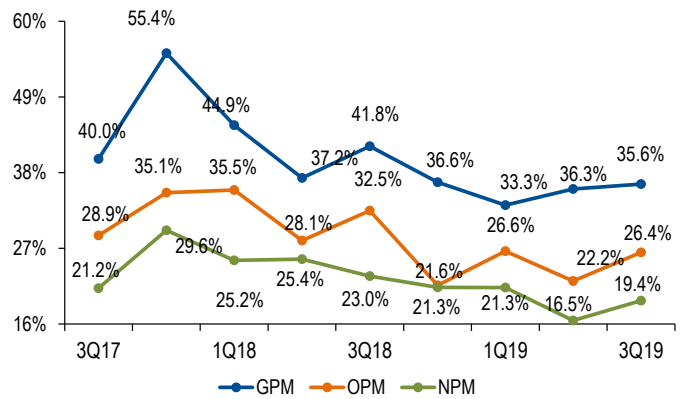
Source: Company Data, NHKSI Research

Debt Portion



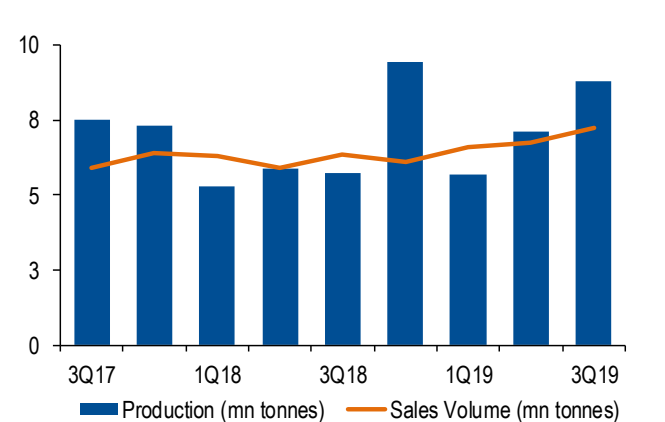
Source: Company Data, NHKSI Research

Margin Ratios



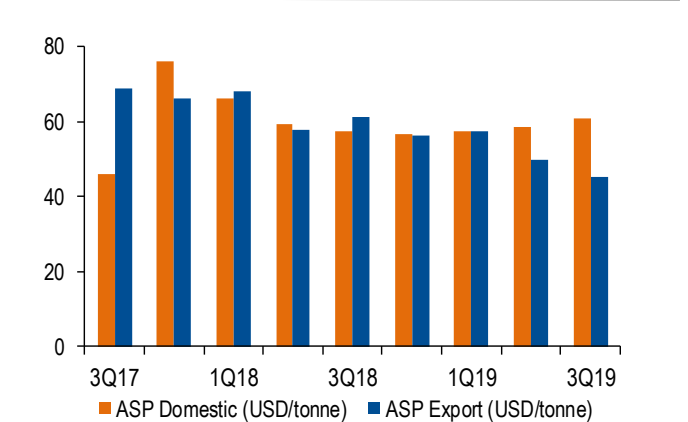
Source: Company Data, NHKSI Research

Production & Sales Volume



Source: Company Data, NHKSI Research

Average Selling Price



Source: Company Data, NHKSI Research

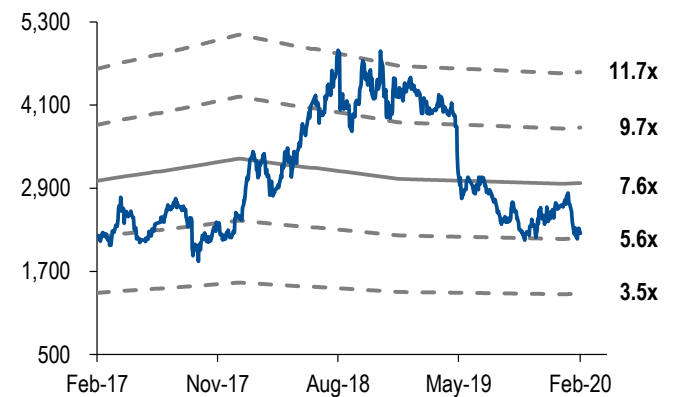
Valuation Highlights in Charts

3-Year Forward P/E Band



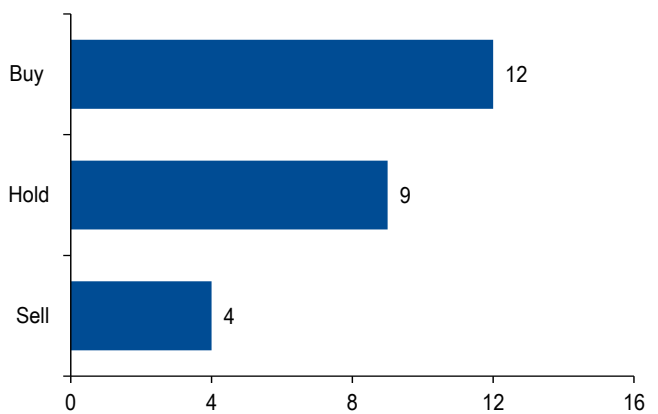
Source: Bloomberg, NHKSI Research

3-Year Dynamic Forward P/E Band



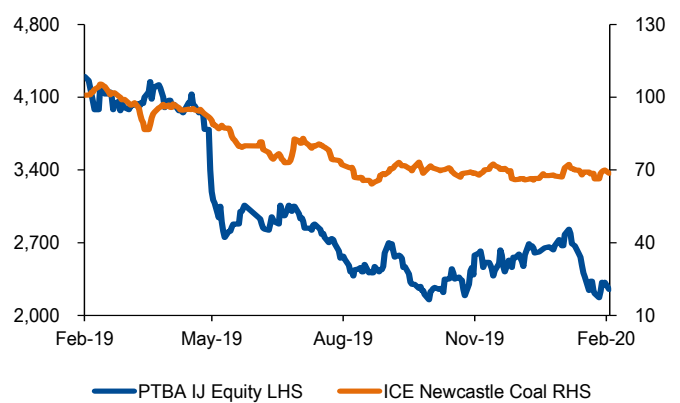
Source: Bloomberg, NHKSI Research

Recommendations by Analysts



Source: Bloomberg, NHKSI Research

Stock and Coal Prices Correlated Positively



Source: Bloomberg, NHKSI Research

Quarterly Review

	3Q18	4Q18	1Q19	2Q19	3Q19					4Q19E
					Actual	Estimate	YoY %	QoQ %	Surprise %	
Income statement										
Revenue	5,544	5,131	5,337	5,278	5,639	5,302	1.7	6.8	6.3	5,390
Gross Profit	2,319	1,878	1,777	1,880	2,049	2,460	-11.6	9.0	-16.7	2,457
EBIT	1,800	1,109	1,419	1,174	1,489	1,808	-17.3	26.8	-17.6	1,891
EBITDA	1,991	1,286	1,752	1,288	1,627	1,946	-18.3	26.3	-16.4	2,031
Net Profit	1,273	1,094	1,137	871	1,093	1,507	-14.1	25.5	-27.5	1,479
Margin										
Gross Margin	41.8	36.6	33.3	35.6	36.3	46.4	-5.5	0.7	-10.1	45.6
EBIT Margin	32.5	21.6	26.6	22.2	26.4	34.1	-6.1	4.2	-7.7	35.1
EBITDA Margin	35.9	25.1	32.8	24.4	28.9	36.7	-7.1	4.4	-7.8	37.7
Net Profit Margin	23.0	21.3	21.3	16.5	19.4	28.4	-3.6	2.9	-9.0	27.4

Unit: IDR bn, %

Source: Company Data, NHKSI Research

Earnings Revision

		2019F	2020F	2021F
Income Statement				
Revenue	-Revised	21,644	21,420	21,490
	-Previous	21,186	21,236	21,293
	-Change %	2.2	0.9	0.9
Gross Profit	-Revised	8,162	8,127	8,128
	-Previous	8,560	8,592	8,609
	-Change %	-4.7	-5.4	-5.6
EBIT	-Revised	5,973	5,837	6,001
	-Previous	6,291	6,318	6,329
	-Change %	-5.1	-7.6	-5.2
EBITDA	-Revised	6,699	6,565	6,733
	-Previous	7,023	7,091	7,169
	-Change %	-4.6	-7.4	-6.1
Net Profit	-Revised	4,581	4,476	4,626
	-Previous	5,102	5,183	5,233
	-Change %	-10.2	-13.6	-11.6
Margin				
Gross Margin	-Revised	37.7	37.9	37.8
	-Previous	40.4	40.5	40.4
EBIT Margin	-Revised	27.6	27.3	27.9
	-Previous	29.7	29.8	29.7
EBITDA Margin	-Revised	31.0	30.6	31.3
	-Previous	33.2	33.4	33.7
Net Profit Margin	-Revised	21.2	20.9	21.5
	-Previous	24.1	24.4	24.6

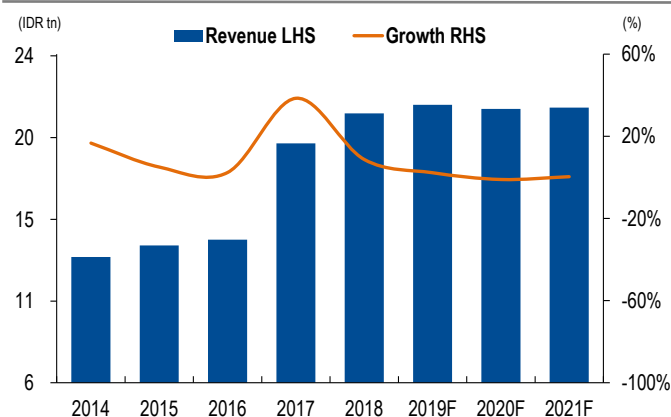
Unit: IDR bn, %

Source: Company Data, NHKSI Research

Company Overview

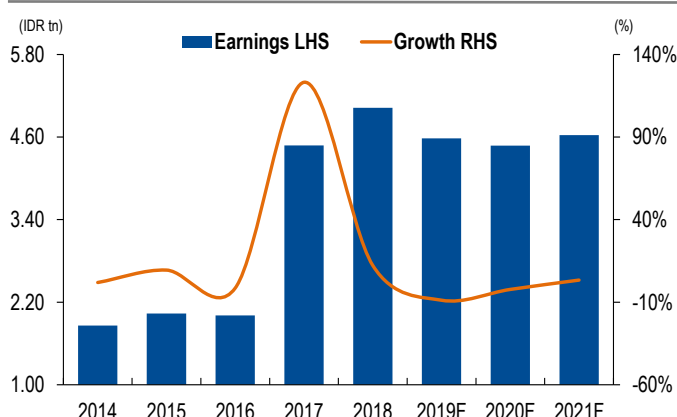
PT Bukit Asam (PTBA) is a state-owned coal miner to produce mid-to-low content coal (4,800kcal/kg-6,700kcal/kg) and to own 11.5 billion tonnes of coal reserves mostly sited in South Sumatera. The mines holding incorporation under PT Asahan Aluminium (Inalum) on Nov.29, 2017 subsequent to PTBA's stock split ratio of 1:5 on Dec. 14, 2017. Of note, PTBA, PT Timah Tbk, and PT Aneka Tambang Tbk are incorporated into one holding company. PTBA run one new business line of upstream-processed coal gasification projects to include 1) cooperation with PT Pertamina and Air products to produce Dimethyl Ether (DME); 2) cooperation with PT Pupuk Indonesia and PT Chandra Asri Petrochemicals Tbk to produce urea fertilizers and plastic parts of polypropylene. PTBA, in 2020, re-achieves Gold categorized Proper Award for Tanjung Enim-based mining unit (UPTE) and PT Bukit Asam Tbk (PTBA) and re-wins Green categorized Proper Award for Tarahan-based Port (Peltar) unit given by Ministry of Environment and Forestry (KLHK) of Republic Indonesia.

Revenue & Growth Movements



Source: Company Data, NHKSI Research

Earnings & Growth Movements



Source: Company Data, NHKSI Research

Asia Pacific Companies Peers Analysis

	Market Cap (USD mn)	Asset (USD mn)	Sales Growth LTM	Gross Margin LTM	Operating Margin LTM	Net Profit Growth LTM	ROE LTM	P/E LTM	Dividend Yield
Indonesia									
BUKIT ASAM TBK	1,921	1,676	8.7%	40.4%	29.7%	-27.4%	26.4%	5.8x	14.9%
ADARO ENERGY TBK	3,111	7,061	11.1%	33.4%	24.8%	20.6%	13.6%	6.1x	9.1%
INDO TAMBANGRAYA MEGAH TBK	832	1,443	18.8%	29.1%	21.5%	-41.5%	17.1%	4.9x	27.3%
China									
SHANXI XISHAN COAL CO.	2,378	9,458	12.6%	31.8%	12.3%	21.4%	10.2%	7.9x	5.7%
SHANXI LU'AN ENVIRONMENTAL CO.	2,738	9,488	6.7%	40.1%	15.8%	-18.1%	10.2%	7.5x	4.2%
INNER MONGOLIA COAL CO.	2,412	13,746	5.8%	30.4%	18.4%	-38.6%	9.2%	5.6x	9.5%
Thailand									
BANPU PUBLIC CO.	1,645	8,485	15.8%	35.3%	12.3%	-67.7%	3.0%	21.9x	6.9%
Phillipines									
SEMINARA MINING	1,682	1,357	-4.4%	50.3%	31.8%	2.0%	27.9%	7.3x	6.3%
DMCI HOLDING	1,576	3,483	2.6%	37.4%	23.3%	-12.5%	15.4%	6.4x	8.0%

Unit: USD mn, %, X

Source: Bloomberg, NHKSI Research

Management Background

Board of Commissioners



Agus Suhartono

President Commissioner

Education

The Indonesian Naval Academy of 1978. Naval Staff and Command College (1994). Bachelor of Economy at Merdeka Surabaya University, Surabaya (1998).

Professional Experiences

The Planning and Budget Assistant of Navy Chief of Staff (2008-2009). The Inspector-General of Ministry of Defence (2009). Chief of Staff of the Indonesia Armed Forces-Naval Forces (2009-2010), and the Commander of the Indonesia Armed Forces-Naval Forces (2010-2013).



Robert Heri

Commissioner

Education

Bachelor of Geological engineering of Pakuan Bogor University (1991). Master in Management of Darma Palembang University (2008).

Professional Experience

Energy and Mining Department (DPE) in 1993, Section Chief for Geological Management at the DPE Regional Office in South Sumatera (2000). President Director of Regionally-Owned Enterprise (BUMD) PT Petromuba and Head of Energy and Mining Office in Musi Banu Asin Regency (2008). Head of the Energy and Mining Office of South Sumatera (2010 to December 30). Head of the Energy and Mining Office of South Sumatera (2016– present).



Soenggoel Sitorus

Independent Commissioner

Education

Audit Management at the Defence and Security Management Education Institute (1995). Modern Management at the Defence and Security (1996). Bachelor of Social Politics from Open University (1992-1996).

Professional Experiences

Director of PT Binasarana Eka Karma (2000-2004). Commissioner of PT Tanjung Redeb Hutani (2004-2010). Logistics Coordinator in Coordinating Unit of Refugee Handling in Nangroe Aceh Darusallam Province (2005). Commissioner of PT Adimitra Baratama Nusantara (2006-present).



Jhoni Ginting

Commissioner

Education

Master's degree in Law from Airlangga University (1994). Narcotic Law dari Manchester University (1991). Court Management from Pittsburgh University (1993). Maritime Law at Wollongong University, Australia (1994). Narcotic Law Enforcement Training at Bangkok, Thailand (1996).

Professional Experiences

Director of Economy and Monetary Affairs at JAM Intel for the Attorney General (2013-2014). Deputy 3 Law and Human Rights for the Coordinating Minister for Politics, Law and Security (2015-December 3, 2018), General inspector at the Ministry of Law and Human Rights (December 3, 2018-present).



Heru Suprayogo

Commissioner

Education

Bachelor of Economy in Management from Airlangga University, Surabaya (1984), Master's degree in Law from Tanjungpura University, Pontianak (2002).

Professional Experiences

Ka. BINDA (Regional Head of the Indonesian State Intelligence) for West Kalimantan (2002). Ka BINDA for Jambi (2006). Director 24 at BIN (Indonesian State Intelligence Agency) 2010-2015. Special staff at BIN (2016). Deputy 7 at BIN (2016-2017). Special staff to Head of BIN (2017-Now)



Taufik Madjid

Independent Commissioner

Education

Bachelor Degree of Government Studies from Sam Ratulangi University (UNSRAT) in 1995. Postgraduate in Social Development Management from University of Indonesia (2006).

Professional Experiences

Director of Village Empowerment, Directorate General of Village Development and Empowerment, Ministry of Villages, Disadvantaged Regions, and Transmigration of the Republic of Indonesia (2015). Director of Village Empowerment, Directorate General of Village Development and Empowerment, Ministry of Villages, Disadvantaged Regions, and Transmigration of the Republic of Indonesia (2016-2017).

Management Background

Board of Directors



Arviyan Arifin

President Director

Education

Bachelor Degree of Industrial Technology from Bandung Institute of Technology (1987).

Professional Experiences

Officer Development Program at Bank Duta (1988). Head of Corporate Department at Surabaya Branch of Bank Duta (1988 - 1991). Vice President of Credit & Marketing at PT Bank Muamalat Tbk (1991-1999). Business Director at di PT Bank Muamalat Tbk (1999-2009). Business Director at di PT Bank Muamalat Tbk (2009—2014).



Fuad Fachroeddin

Director

Education

Best graduate in Industrial Engineering from ITI (1990). Best MBA from Bandung Institute of Technology (ITB) in 2008.

Professional Experiences

Managing Director/CEO Indosat Singapore Pte Ltd (ISPL) (2011-2014). Director at ACPL Asian Cables Pte Ltd, a joint venture of Indonesia-SingTel Singapore-CAT Thailand-TelBru Brunei -Telekom Malaysia and ETPI Philippines (2013-2015). Head of Business Development at PT MRT Jakarta (2017).



Suryo Eko Hadianto

Director

Education

Bachelor Degree of Mathematics from Gadjah Mada University (1990). Master Degree of Production Management from Mercuru Buana University (2014).

Professional Experiences

President Director at PT Bukit Asam Banko (2012-2014). The Senior Manager of Corporate Planning at PTBA (2011-2012). The Senior Manager of Corporate Development at PTBA (2012-2013). President Director of PT Internasional Prima Coal (2013-2016). The Director General and Human Resources Department (April 2016-2017). Business Development Director (2017). Acting (Act) Director of Commerce (PLT) (Oct. to Nov.2017).



Mega Satria

Director

Education

Bachelor Degree in Business Administration at Wichita State University-USA (1998). Master Degree in Administration at Loyola University of Chicago-USA (1999).

Professional Experiences

Executive Vice President of Business Development & National Distribution at Sampoerna Strategic (2008-2012). Corporate Treasurer at PT Garuda Indonesia (Persero) Tbk (2012-2015). Chief Financial Officer at PT Citilink Indonesia (2015-2017). Chief Financial Officer at PT Citilink Indonesia (2015-2017). Finance and HR Director at PT Pengembang Pelabuhan Indonesia (April 2017-April 2018).



Joko Pramono

Director

Education

Bachelor Degree in Mining Engineering from UP Veteran Yogyakarta in 1995.

Professional Experiences

Perencana Pengembangan Tambang di PT Bukit Asam Tbk (1996 - 2002). Analis Bisnis di PT Bukit Asam Tbk (2002-2011). Manager Corporate Action di PT Bukit Asam Tbk (2011-2012). Corporate Secretary di PT Bukit Asam Tbk (2012-2016). Pelaksana Tugas (PLT) Direktur Niaga di PT Bukit Asam Tbk (Mei-Oktober 2017). Direktur Operasi/Produksi di PT Bukit Asam Tbk (2016-2017).



Adib Ubaidillah

Director

Education

Bachelor Degree in Economic from Sjakhyakirti (2006). Master's degree in Management from Sriwijaya University (2011).

Professional Experiences

Senior Treasury Manager at PTBA (2007 – 2011). Senior Financing and Treasury Manager at PTBA (2011 – 2014). Senior Coal Sales and Marketing Manager at PTBA (2014 – 2016). President Director of PT Bukit Asam Prima (2016). Corporate Secretary at PTBA (2016-2017). Commercial General Manager at PTBA (2017).

Business Portfolio Area



Source: Company Data

Summary of Financials

INCOME STATEMENT

(IDR bn)	2018/12A	2019/12F	2020/12F	2021/12F
Revenue	21,167	21,644	21,420	21,490
<i>Growth</i>	8.7%	2.3%	-1.0%	0.3%
COGS	(12,621)	(13,482)	(13,293)	(13,362)
Gross Profit	8,546	8,162	8,127	8,129
<i>Gross Margin</i>	40.4%	37.7%	37.9%	37.8%
Operating Expenses	(2,263)	(2,189)	(2,290)	(2,128)
EBIT	6,283	5,973	5,837	6,001
<i>EBIT Margin</i>	29.7%	27.6%	27.3%	27.9%
Depreciation	721	726	727	732
EBITDA	7,004	6,699	6,564	6,733
<i>EBITDA Margin</i>	33.1%	31.0%	30.6%	31.3%
Interest Expenses	(111)	(49)	(54)	(10)
EBT	6,799	6,388	6,242	6,452
Income Tax	(1,677.9)	(1,775.2)	(1,734.6)	(1,793.0)
Minority Interest	(97.2)	(32.5)	(31.7)	(32.8)
Net Profit	5,024	4,580	4,476	4,626
<i>Growth</i>	12.2%	-8.8%	-2.3%	3.4%
<i>Net Profit Margin</i>	23.7%	21.2%	20.9%	21.5%

PROFITABILITY & STABILITY

	2018/12A	2019/12F	2020/12F	2021/12F
ROE	33.4%	26.7%	24.4%	24.0%
ROA	21.8%	18.4%	17.2%	16.8%
ROIC	27.7%	23.6%	22.2%	21.4%
Cash Dividend (IDR bn)	3,357	3,768	3,115	3,133
Dividend Yield	6.8%	12.3%	9.7%	9.7%
Payout Ratio	66.8%	82.3%	69.6%	67.7%
DER	48.7%	37.8%	35.1%	33.5%
Net Gearing	5%	1%	1%	1%
LT Debt to Equity	2.8%	0.8%	0.8%	0.8%
Capitalization Ratio	4.9%	1.5%	1.5%	1.5%
Equity Ratio	67.3%	70.1%	70.6%	69.8%
Debt Ratio	3.4%	1.1%	1.1%	1.0%
Financial Leverage	145.4%	142.1%	141.7%	143.3%
Current Ratio	237.8%	248.1%	242.9%	232.7%
Par Value (IDR)	100	100	100	100
Total Shares (mn)	11,521	11,521	11,521	11,521
Share Price (IDR)	4,300	2,660	2,800	2,800
Market Cap (IDR tn)	49.5	30.6	32.3	32.3

BALANCE SHEET

(IDR bn)	2018/12A	2019/12F	2020/12F	2021/12F
Cash	6,301	6,160	5,087	5,007
Receivables	2,782	2,638	3,230	3,976
Inventories	1,551	1,337	1,518	2,033
Total Current Assets	11,739	11,586	11,404	12,843
Net Fixed Assets	8,427	9,308	9,865	10,422
Other Non Current Asset	4,007	4,802	5,179	5,330
Total Assets	24,173	25,695	26,449	28,596
Payables	1,048	740	717	747
ST Bank Loan	372	119	124	132
LT Debt	460	151	156	167
Total Liabilities	7,903	7,671	7,780	8,636
Capital Stock + APIC	1,183	1,183	1,183	1,183
Retained Earnings	16,815	17,590	18,951	20,445
Shareholders' Equity	16,270	18,024	18,669	19,960

VALUATION INDEX

	2018/12A	2019/12F	2020/12F	2021/12F
Price/Earnings	9.9x	6.7x	7.2x	7.0x
Price/Book Value	3.0x	1.7x	1.7x	1.6x
Price/Sales	2.3x	1.4x	1.5x	1.5x
PE/EPS Growth	0.8x	-0.8x	-3.2x	2.1x
EV/EBITDA	6.0x	3.6x	3.9x	3.8x
EV/EBIT	6.7x	4.0x	4.4x	4.3x
EV (IDR bn)	42,088	23,808	25,771	25,660
Sales CAGR (3-Yr)	15.5%	15.5%	3.2%	0.5%
EPS CAGR (3-Yr)	32.2%	26.7%	0.0%	-2.7%
Basic EPS (IDR)	436	398	388	402
Diluted EPS (IDR)	436	398	388	402
BVPS (IDR)	1,412	1,564	1,620	1,733
Sales PS (IDR)	1,837	1,879	1,859	1,865
DPS (IDR)	291	327	270	272

CASH FLOW STATEMENT

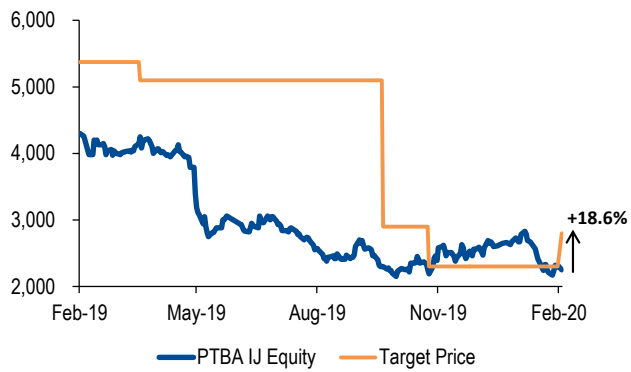
(IDR bn)	2018/12A	2019/12F	2020/12F	2021/12F
Operating Cash Flow	7,201	5,077	4,331	4,655
Investing Cash Flow	(1,324)	(1,931)	(1,583)	(1,419)
Financing Cash Flow	(3,115)	(3,272)	(3,821)	(3,316)
Net Changes in Cash	2,763	(126)	(1,073)	(80)

Source: Company Data, NHKSI Research

TOP OWNERSHIP

By Geography	% Shareholders	%
Indonesia	90.8 Inalum	65.9
United States	5.8 Bukit Asam Tbk	2.9
Luxembourg	1.3 Dimensional Fund	0.8
United Kingdom	0.5 Blackrock	0.8

Closing and Target Price Update



Source: Bloomberg, NHKSI Research

Rating and Target Price Update

Date	Rating	Target Price	Consensus
2018.30.04	Buy	IDR3,950	IDR3,675
2018.08.07	Buy	IDR5,375	IDR4,600
2019.26.03	Buy	IDR5,100	IDR4,538
2019.10.30	Buy	IDR2,900	IDR3,140
2019.11.04	Hold	IDR2,300	IDR2,834
2020.02.24	Buy	IDR2,800	IDR2,860

Source: NHKSI Research

Adaro Energy Tbk (ADRO IJ)

Proves Solid Financial Performance

ADRO persistently proved solid performance until 9M19 as a 13.2% YoY increase in coal production, a 9.6% YoY decrease in the stripping ratio matched perfectly with our estimate. Its 2020's diversified business strategies keep its performance solid and enable it to attain revenues of USD3.5 billion and net profits of USD410 million. Additionally, the 2020's sales of coking coal better cushion its declining revenues triggered by the downbeat selling prices of thermal coal which will not exceed ~USD75/tonne. We estimate that ADRO's coking coal sales will increase by 7%-9% until the end of 2020.

Coking Coal is Very Prospective

China's voracious demand for coking coal was captured in its 79 million tonnes of Jan-Nov 2019's coal imports or an 18% YoY increase. The subdued trade war tensions led to China's surging demand for coking coal to supply the stainless steel industry as the world's second-largest economy will make an additional demand for coal as many as 85 million tonnes of coal in 2020. ADRO currently sell 11% of its total production to China, and its coking coal production synergized with MetCoal and Kestrel's coking coal production will lead to 7%-9% increases in sales.

Perfect Business Diversification

ADRO diversifies its businesses into the energy industry in order to set itself free from the long-term dependency on coal sales as it runs Tanjung-Power power plant and Bhimasena Power consortium to run Batang-located power plants. Those two power plants are the consumers of ADRO's produced coal to generate electricity sold to the state electricity firm (PLN) and give ADRO an additional source of revenues without reducing its coal production.

Maintain BUY Rating with TP of IDR1,700

ADRO's 1,520 million ton coal reserves and consistent infrastructure investments in mining and energy sectors prove its solid business structure. We on grounds of its solid strong footings maintain BUY recommendation and increase the TP to IDR1,700 or a 36% potential upside base on the forward P/E of 9.3x (+0.5 SD). ADRO is currently traded at a 9.5x P/E 2020F.

Adaro Energy Tbk | Summary

	2018A	2019F	2020F	2021F
Revenue (USD mn)	3,650	3,475	3,551	3,657
Growth (%)	11.1	-4.0	2.2	3.0
EBITDA (USD mn)	1,258	1,079	1,058	1,186
Net Profit (USD mn)	418	486	410	420
EPS (IDR)	188	216	180	184
Growth (%)	-13.6	16.3	-15.7	2.5
P/E (x)	6.5	7.2	9.5	9.3
P/BV (x)	0.6	0.8	0.8	0.8
EV/EBITDA (x)	2.5	3.5	4.0	3.6
ROE (%)	9.4	10.4	8.4	8.4
DER (%)	33.0	28.6	31.0	31.0
Net Debt (USD mn)	490	260	372	458

Source: Company Data, Bloomberg, NHKSI Research

Buy

Dec 2020 TP (IDR)	1,700
Consensus Price (IDR)	1,511
TP to Consensus Price (%)	+12.5
vs. Last Price (%)	+36.0

Shares data

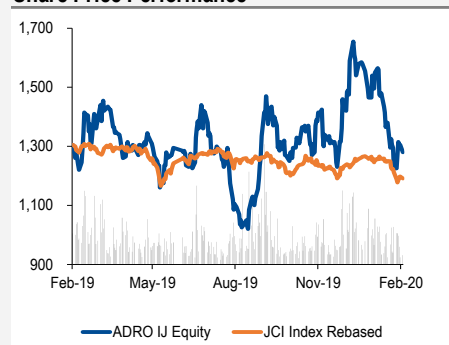
Last Price (IDR)	1,250
Price Date as of	Feb 26, 2020
52 wk Range (Hi/Lo)	1,715 / 1,010
Free Float (%)	43.6
Outstanding sh.(mn)	31,985
Market Cap (IDR bn)	41,261
Market Cap (USD mn)	3,014
Avg. Trd Vol - 3M (mn)	58.7
Avg. Trd Val - 3M (bn)	84.8
Foreign Ownership (%)	31.6

Mining

Coal

Bloomberg	ADRO IJ
Reuters	ADRO.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-14.4%	-13.8%	-9.5%	-1.9%
Rel. Ret.	-8.9%	-9.9%	-6.1%	6.8%

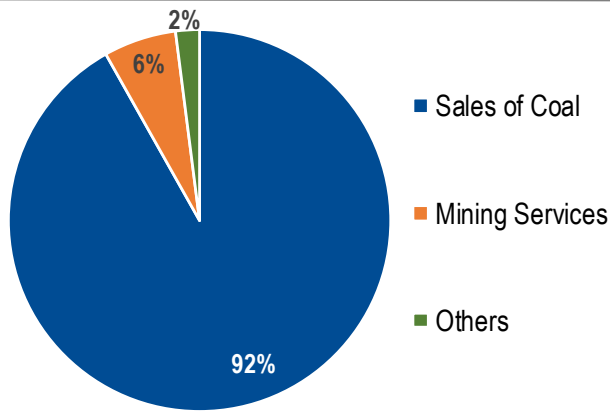


Meilki Darmawan

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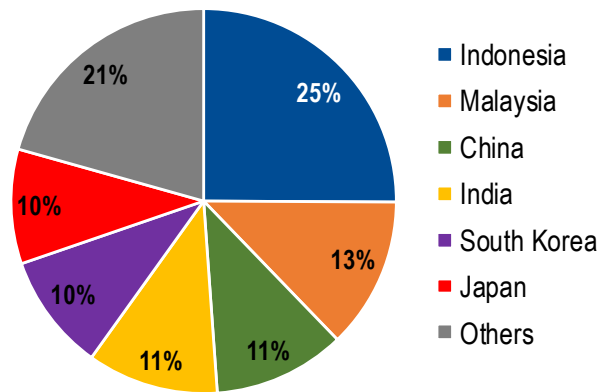
Performance Highlights in Charts

9M19 Revenue Breakdown



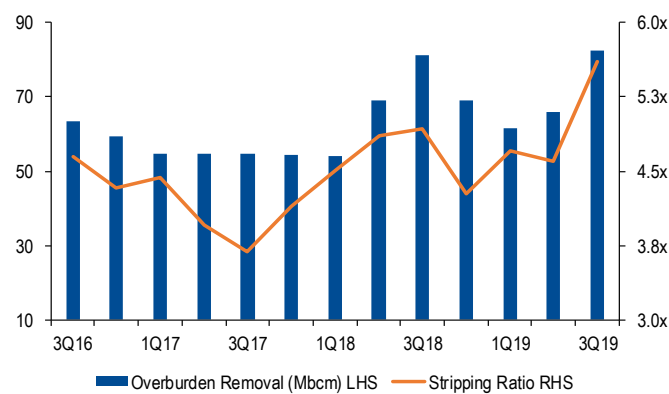
Source: Company Data, NHKSI Research

9M19 Sales by Geographic



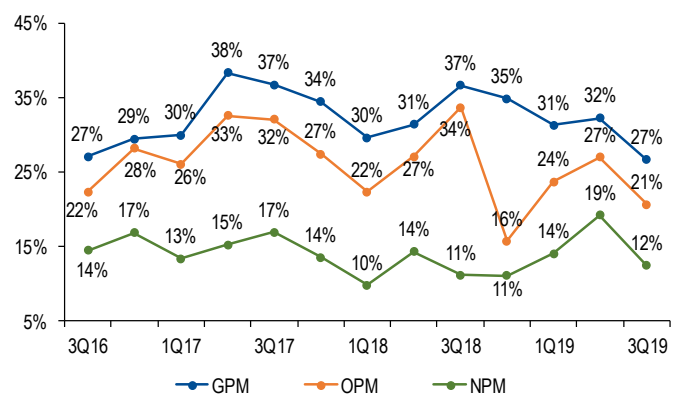
Source: Company Data, NHKSI Research

OB Removal & Stripping Ratio



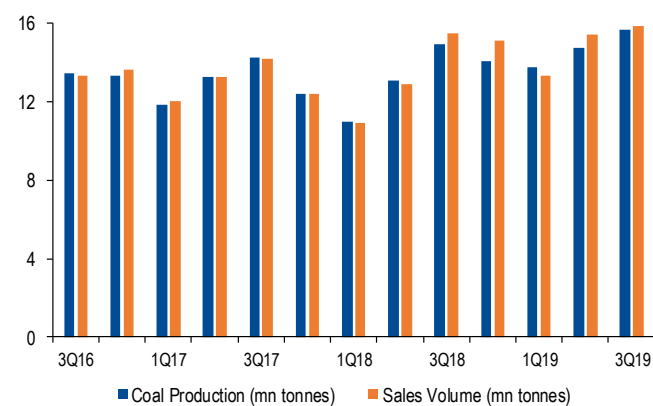
Source: Company Data, NHKSI Research

Margin Ratios



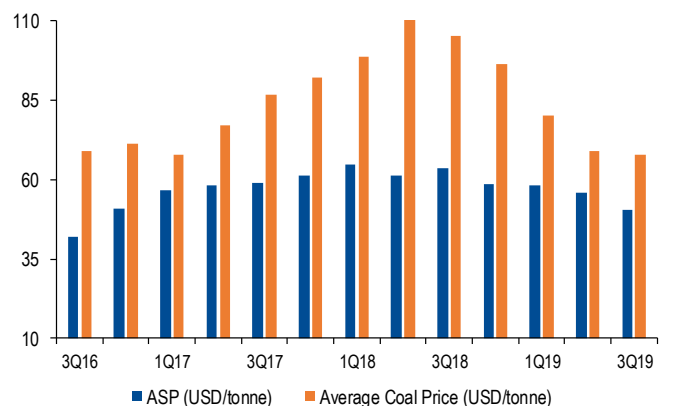
Source: Company Data, NHKSI Research

Production & Sales Volume



Source: Company Data, NHKSI Research

ASP & Coal Price



Source: Company Data, NHKSI Research

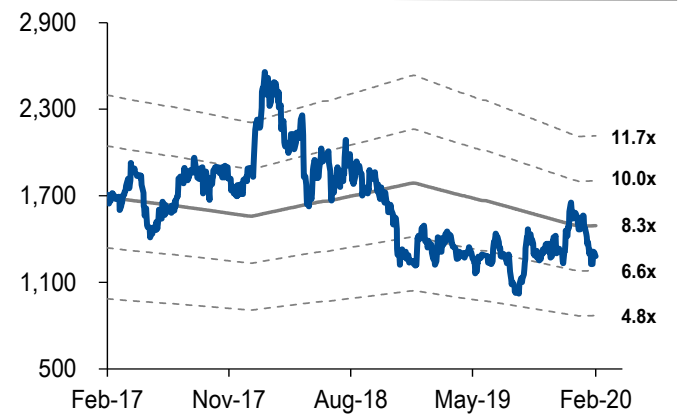
Valuation Highlights in Charts

3-Year Forward P/E Band



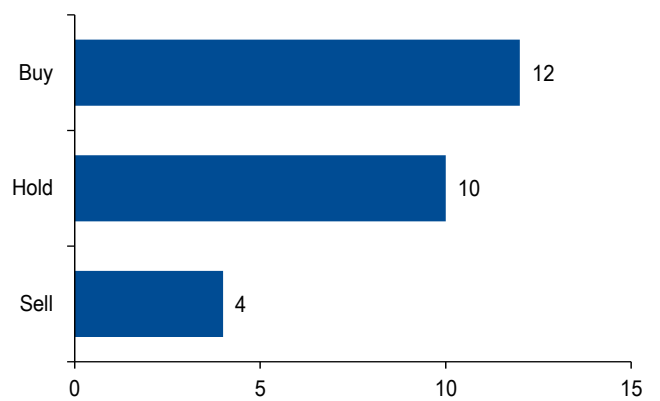
Source: Bloomberg, NHKSI Research

3-Year Dynamic Forward P/E Band



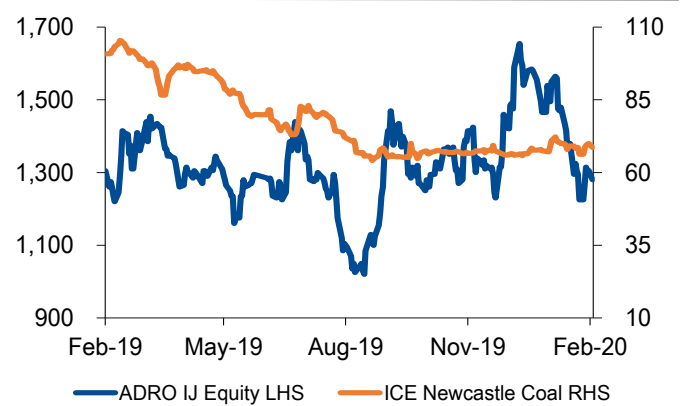
Source: Bloomberg, NHKSI Research

Recommendations by Analysts



Source: Bloomberg, NHKSI Research

Stock and Coal Prices Correlated Positively



Source: Bloomberg, NHKSI Research

Quarterly Review

	3Q18	4Q18	1Q19	2Q19	3Q19					4Q19E
					Actual	Estimate	YoY %	QoQ %	Surprise %	
Income Statement										
Revenue	1,057	953	846	929	879	817	-16.8	-5.4	7.6	820
Gross Profit	387	332	265	300	234	226	-39.4	-21.8	3.5	170
EBIT	355	150	200	251	181	134	-49.0	-27.7	35.1	121
EBITDA	445	231	289	339	277	209	-37.9	-18.4	32.6	175
Net Profit	117	105	119	178	109	82	-7.0	-38.7	32.4	80
Margin										
Gross Margin	36.6	34.8	31.3	32.3	26.7	27.7	-9.9	-5.6	-1.1	20.7
EBIT Margin	33.6	15.7	23.7	27.0	20.6	16.4	-13.0	-6.4	4.2	14.7
EBITDA Margin	42.1	24.3	34.1	36.5	31.5	25.6	-10.7	-5.0	5.9	21.3
Net Profit Margin	11.1	11.0	14.0	19.2	12.4	10.1	1.3	-6.8	2.3	9.8

Unit: USD mn, %

Source: Company Data, NHKSI Research

Earnings Revision

		2019F	2020F	2021F
Income Statement				
Revenue	-Revised	3,475	3,551	3,657
	-Previous	3,404	3,513	3,647
	-Change %	2.1	1.1	0.3
Gross Profit	-Revised	969	992	1,022
	-Previous	1,024	1,159	1,203
	-Change %	-5.4	-14.4	-15.1
EBIT	-Revised	753	701	722
	-Previous	727	871	901
	-Change %	3.6	-19.5	-20.1
EBITDA	-Revised	1,079	1,058	1,186
	-Previous	1,055	1,204	1,342
	-Change %	2.3	-12.2	-11.6
Net Profit	-Revised	486	410	420
	-Previous	466	447	470
	-Change %	4.4	-8.3	-10.7
Margin				
Gross Margin	-Revised	27.9	27.9	27.9
	-Previous	30.1	33.0	33.0
EBIT Margin	-Revised	21.7	19.7	19.7
	-Previous	21.4	24.8	24.8
EBITDA Margin	-Revised	31.1	29.8	32.4
	-Previous	31.0	34.3	36.8
Net Profit Margin	-Revised	14.0	11.5	11.5
	-Previous	13.7	12.7	12.9

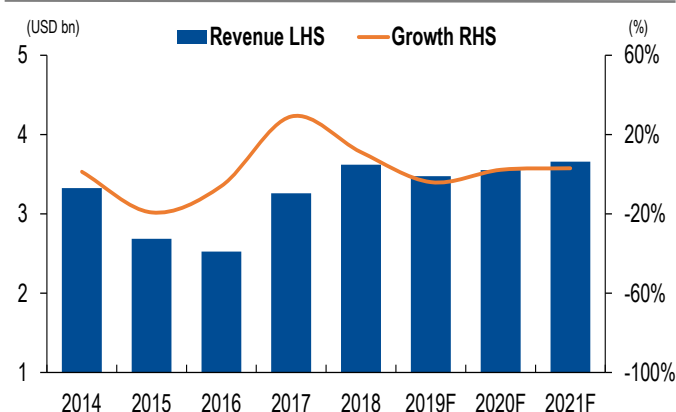
Unit: USD mn, %

Source: Company Data, NHKSI Research

Company Overview

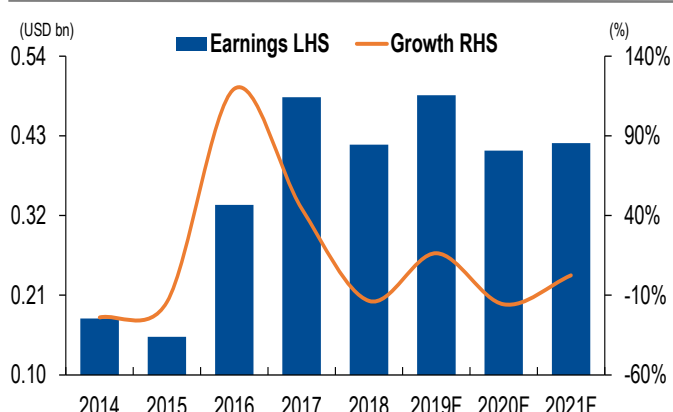
Adaro Energy is a vertically integrated energy company to run coal, energy, utility, supporting infrastructure businesses. Its eight integrated business pillars are Adaro Mining, Adaro Services, Adaro Logistics, Adaro Power, Adaro Land, Adaro Water, Adaro Capital, and Adaro Foundation, and its clean thermal coal "Envirocoal" mine is located in South Kalimantan. Meanwhile, it also has varied metallurgical coal such as semi-soft coking coal (SSCC) and premium hard coking coals (HHC) produced by its Indonesia and Australia-based mines. ADRO consistently develops non-coal businesses for earning more stable revenues to cushion the volatile coal business industry and has 1,520 million tonnes of coal reserves and 15,479 million tonnes of coal natural resources.

Revenue & Growth Movements



Source: Company Data, NHKSI Research

Earnings & Growth Movements



Source: Company Data, NHKSI Research

Global Companies Peers Analysis

	Market Cap (USD mn)	Asset (USD mn)	Sales LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Growth LTM (%)	Net Profit Margin (%)	ROE LTM (%)	P/E LTM (x)	P/BV (x)
Indonesia									
ADARO ENERGY TBK	3,012	7,061	3,607	511	20.6	14.2	13.6	5.9	0.8
BUKIT ASAM TBK	1,901	1,676	1,493	293	-27.4	19.6	26.4	5.7	1.5
INDO TAMBANGRAYA MEGAH TBK	835	1,443	1,897	164	-41.5	8.6	17.1	5.0	0.9
India									
COAL INDIA LTD	15,473	19,145	13,290	2,498	148.1	18.8	74.9	6.4	4.2
Thailand									
BANPU PCL	1,692	8,485	3,100	75	-67.7	2.4	3.0	22.6	0.7
Australia									
WHITEHAVEN COAL LTD	1,720	3,397	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Canada									
CAMECO CORP	3,486	5,723	1,404	56	-55.5	4.0	1.5	116.8	0.9
China									
INNER MONGOLIA	2,386	13,746	6,156	451	-38.6	7.3	9.2	5.6	0.5
SHANXI LU'AN	2,752	9,488	3,670	370	-18.1	10.1	10.2	7.6	0.7
United States									
PEABODY ENERGY CORP	804	6,543	4,623	-211	-56.0	-4.6	-7.0	N/A	0.3

Source: Bloomberg, NHKSI Research

Management Background

Board of Commissioners



Edwin Soeryadjaya
President Commissioner

Education

He obtained a bachelor's degree in Business Administration from the University of Southern California in 1974.

Professional Experiences

After spending 15 years with Astra from 1978, he left Astra as the Vice President Director in 1993. In 1998, he and Sandiaga Uno founded SRTG. He currently is President Commissioner of PT Viscaya Investment, PT Dianlia Setyamukti, PT Adaro Strategic Investments, PT Adaro Strategic Capital, PT Adaro Strategic Lestari, PT Saratoga Investama Sedaya Tbk, PT Tower Bersama Infrastructure Tbk, PT Mitra Pinasthika Mustika Tbk, PT Merdeka Cooper Gold Tbk.



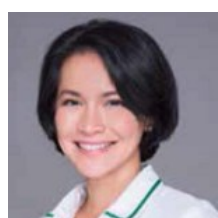
Theodore Permadi Rachmat
Vice President Commissioner

Education

He graduated from the Bandung Institute of Technology with a degree in mechanical engineering (1968).

Professional Experiences

He started his career at Astra in 1986 to hold the senior and executive positions, including President Director, President Commissioner, and Commissioner until 2005. He was a Commissioner at PT Multi Bintang Tbk (2002-2007) and the founder of Triputra Group. Per December 31, 2018, he was the Vice President Commissioner of PT Surya Esa Perkasa Tbk, a Commissioner of PT Viscaya Investments, PT Dianlia Setyamukti, PT Adaro Strategic Investments, PT Adaro Strategic Capital, and PT Adaro Strategic Lestari.



Arini Saraswaty Subianto
Commissioner

Education

She earned a Bachelor of Fine Arts in Fashion Design dari Parsons School of Design, New York (1991-1994) and a Master degree in Business Administration from Fordham University Graduate School of Business Administration, New York (1996-1998).

Professional Experiences

As at 31 Dec. 2018, she held other positions such as President Commissioner of PT Anugrah Kirana Sarana, a Commissioner of PT Nuansa Nirmana Artistika, PT Casa Maha Rasa, PT Adaro Strategic Investments, PT Adaro Strategic Lestari, PT Adaro Strategic Capital, PT Suryalaya Anindita International, PT Dharma Satya Nusantara, and President Director of PT Tri Nur Cakrawala, PT Pandu Alam Persada, PT Persada Capital Investama, and President Director of PT Panaksara.



Raden Pardede
Independent Commissioner

Education

He earned a chemical engineering degree from Bandung Institute Technology in 1984 and a doctorate in economics from Boston University in 1995.

Professional Experiences

Upon graduation, he founded the Danareksa Research Institute, a pioneer on early warning indicators, consumer confidence index surveys and business sentiment indexes. He served as the Chief Economist and Division Head, and the Executive Director from 1995 to 2004. He was Vice Co-ordinator of the assisting team to the Indonesian Minister of Finance from 2000 to 2004.

Management Background

Board of Directors



Garibaldi Thohir
President Director

Education

He earned a BBA from the University of Southern California in 1998 and MBA from Northrop University, California in 1989.

Professional Experiences

In 1997, he formed motorcycle financing company PT Wahana Ottomitra Multiartha (WOM Finance). He led it to a USD150 million valuation and took it public in 2004. In 2005, together with Edwin Soeryadjaya, Theodore Rachmat, Ir. Subianto and Sandiaga Uno, he acquired PT ADRO Indoensia, and took it public in 2008.



Christian Rachmat
Vice President
Director

Education

He earned a bachelor's degree in Industrial Engineering from Northwestern University in Illinois in 1995.

Professional Experiences

He started his career as a Business Analyst at A.T. Kearney in 1995, and then left the company to work as Operations Researcher and Supply Chain Manager in PT Toyota Astra Motors from 1996 to 1998. After working for Astra, he managed his family business, Triputra Group and brought his experience to the Adaro Group in 2005.



Chia Ah Hoo
Director

Education

He earned a degree in civil engineering from the University of Windsor in Canada in 1984.

Professional Experiences

After a project in Penang, Malaysia, he ran a contract mining in East Kalimantan then joined PT Adaro Indonesia in 1991 as Operations Manager. PT Adaro Indonesia further developed his career by providing a period of study at the INSEAD business school in 1998. Later that year he was appointed General Manager of PT Adaro Indonesia.



Syah Indra Aman
Director

Education

He earned a law degree from the University of Indonesia in 1990, and LLM (Master of Laws) from the University of Washington in 1992.

Professional Experiences

He returned to Indonesia and worked as a lawyer at the firms Minang, Warman, Sofyan SH & Associates and Lubies, Ganie & Surowidjojo before joining the Adaro Group in 1996.



Julius Aslan
Director

Education

He earned a bachelor's degree in electrical engineering from the National Institute of Science and Technology, Jakarta. He has more than two decades of professional experience, primarily in senior human resource positions.

Professional Experiences

He started his career as a management trainee at PT Astra International Tbk and was appointed Human Resource Director of Bank Permata in 2004, of PT Astra Agro Lestari Tbk in 2006, and of PT Astra Honda Motor in 2007 before becoming a Marketing Director of PT Astra Honda Motor in 2009.

Business Portfolio Area



Source: Company Data

Summary of Financials

INCOME STATEMENT

(USD mn)	2018/12A	2019/12F	2020/12F	2021/12F
Revenue	3,620	3,475	3,551	3,657
Growth	11.1%	-4.0%	2.2%	3.0%
COGS	(2,410)	(2,506)	(2,559)	(2,635)
Gross Profit	1,210	969	993	1,022
Gross Margin	33.4%	27.9%	27.9%	27.9%
Operating Expenses	(306)	(216)	(291)	(300)
EBIT	904	753	701	722
EBIT Margin	25.0%	21.7%	19.7%	19.7%
Depreciation	354	326	356	464
EBITDA	1,258	1,079	1,058	1,186
EBITDA Margin	34.8%	31.1%	29.8%	32.4%
Interest Expenses	(65)	(143)	(173)	(181)
EBT	821	792	714	732
Income Tax	(343)	(269)	(271)	(278)
Minority Interest	(60)	(37)	(33)	(34)
Net Profit	418	486	410	420
Growth	-13.6%	16.3%	-15.7%	2.5%
Net Profit Margin	11.5%	14.0%	11.5%	11.5%

PROFITABILITY & STABILITY

	2018/12A	2019/12F	2020/12F	2021/12F
ROE	9.4%	10.4%	8.4%	8.4%
ROA	5.9%	6.6%	5.3%	5.4%
ROIC	9.2%	8.4%	7.0%	6.9%
Cash Dividend (USD mn)	225	225	262	221
Dividend Yield	8.3%	6.4%	6.8%	5.7%
Payout Ratio	53.9%	46.3%	64.0%	52.6%
DER	33.0%	28.6%	31.0%	31.0%
Net Gearing	57%	46%	51%	50%
LT Debt to Equity	27.8%	15.8%	28.5%	23.3%
Capitalization Ratio	24.8%	22.2%	23.7%	23.7%
Equity Ratio	60.9%	64.0%	63.5%	63.4%
Debt Ratio	20.1%	18.3%	19.7%	19.7%
Financial Leverage	160.1%	156.9%	157.6%	157.8%
Current Ratio	196.0%	128.7%	260.4%	178.8%
Par Value (IDR)	100	100	100	100
Total Shares (mn)	31,986	31,986	31,986	31,986
Share Price (IDR)	1,215	1,555	1,700	1,700
Market Cap (IDR tn)	38.9	49.7	54.4	54.4

BALANCE SHEET

(USD mn)	2018/12A	2019/12F	2020/12F	2021/12F
Cash	928	1,054	1,107	1,083
Receivables	371	200	325	376
Inventories	112	122	131	144
Total Current Assets	1,600	1,451	1,762	1,800
Net Fixed Assets	3,906	4,230	4,180	4,462
Other Non Current Asset	1,554	1,506	1,577	1,577
Total Assets	7,061	7,188	7,518	7,839
Payables	342	192	410	210
ST Bank Loan	220	586	118	385
LT Debt	1,198	728	1,361	1,155
Total Liabilities	2,758	2,588	2,746	2,870
Capital Stock + APIC	1,497	1,497	1,497	1,497
Retained Earnings	2,161	2,522	2,569	2,765
Shareholders' Equity	4,303	4,599	4,773	4,969

VALUATION INDEX

	2018/12A	2019/12F	2020/12F	2021/12F
Price/Earnings	6.5x	7.2x	9.5x	9.3x
Price/Book Value	0.6x	0.8x	0.8x	0.8x
Price/Sales	0.7x	1.0x	1.1x	1.1x
PE/EPS Growth	-0.5x	0.4x	-0.6x	3.7x
EV/EBITDA	2.5x	3.5x	4.0x	3.6x
EV/EBIT	3.5x	4.9x	6.0x	6.0x
EV (IDR bn)	45,053	52,909	59,128	60,298
Sales CAGR (3-Yr)	10.5%	11.2%	2.9%	0.3%
EPS CAGR (3-Yr)	39.9%	13.2%	-5.4%	0.2%
Basic EPS (IDR)	188	216	180	184
Diluted EPS (IDR)	188	216	180	184
BVPS (IDR)	1,936	2,042	2,093	2,172
Sales PS (IDR)	1,628	1,543	1,557	1,598
DPS (IDR)	101	100	115	97

CASH FLOW STATEMENT

(USD mn)	2018/12A	2019/12F	2020/12F	2021/12F
Operating Cash Flow	906	999	786	891
Investing Cash Flow	(793)	(348)	(762)	(756)
Financing Cash Flow	(472)	(341)	30	(160)
Net Changes in Cash	(359)	310	53	(25)

Source: Company Data, NHKSI Research

TOP OWNERSHIP

By Geography	% Shareholders	%
Indonesia	68.4 Adaro Strategic	43.9
United States	8.5 Garibaldi Thohir	6.2
Luxembourg	1.1 Edwin Soeryadjaya	3.3
Ireland	0.9 Theodore Rahmat	2.5

Closing and Target Price Update



Source: Bloomberg, NHKSI Research

Rating and Target Price Update

Date	Rating	Target Price	Consensus
2017.04.10	Buy	IDR2,220	IDR1,978
2017.05.19	Buy	IDR2,010	IDR2,022
2018.01.10	Buy	IDR2,570	IDR2,327
2018.04.11	Buy	IDR2,460	IDR2,030
2018.06.04	Buy	IDR2,500	IDR2,613
2018.11.07	Buy	IDR1,970	IDR2,471
2019.03.18	Buy	IDR1,675	IDR1,723
2019.09.09	Buy	IDR1,600	IDR1,574
2020.02.26	Buy	IDR1,700	IDR1,511

Source: NHKSI Research

Indo Tambangraya

Megah Tbk (ITMG IJ)

Shows Dramatic Declines in Profitability

ITMG's showed profitability to lower further during 2019 as the world's tumbling coal prices left its net profits to plunge by 51.3% YoY. The 2020's global coal prices to settle at USD65-USD75/tonne as what we predict lead ITMG to obtain revenues of USD1.6 billion and net profits of USD111 million backed by the 2020F estimated stripping ratio of 11.2x and the 2020F ASP of USD64.9/ton. Indeed, its current valuation of an 8.7x 2020F P/E is attractive.

Focus on Efficiency

We expect that ITMG accelerates better its mining cost efficiencies to cover transportation and fuel costs. Should it in 2020 makes better efficiencies and trims those three costs to fall short into the range of 1.5%-3%, chances are COGS to only reduce 81.8% of the total revenues and net profits of USD111 million. Indeed, 2020's steady sales volume subsequent to 2019's stable sales is the precondition for ITMG's 2020F stripping ratio is likely to stand at 11.2x and 2020F ASP to be at USD64.9/tonne.

Initial Process of Business Diversification

ITMG's diversified business goal is to develop USD250 million worth of solar panel investment currently under feasibility review. It will give ITMG an 8-10 year business independence from coal sales; indeed, its mines are potential for increasing by means of acquisition in 2020.

HOLD Rating with TP of IDR12,000

ITMG is a coal miner with the currently highest EPS, but its 2019 performance displayed declines in profitabilities. The estimate of 2020's global coal prices to remain weak at USD65-75/tonne gives ITMG bleaker revenues outlook as it is likely to post a 6.2% decrease in revenues. Taking into account such factors, we maintain HOLD recommendation with the TP of IDR12,000 or a 7.6% potential upside based on the forward P/E of 8.6x (-0.2 SD) and currently traded at the 2020F P/E of 8.7x.

Indo Tambangraya Megah Tbk | Summary

	2018A	2019A	2020F	2021F
Revenue (USD mn)	2,008	1,716	1,608	1,772
Growth (%)	18.8	-14.6	-6.2	10.2
EBITDA (USD mn)	483	231	314	372
Net Profit (USD mn)	259	127	111	137
EPS (IDR)	3,321	1,566	1,377	1,681
Growth (%)	2.2	-51.1	-12.1	23.1
P/E (x)	6.1	7.3	8.7	7.1
P/BV (x)	1.6	1.0	1.1	1.1
EV/EBITDA (x)	2.5	3.3	2.6	2.1
ROE (%)	27.9	13.9	11.9	14.6
DER (%)	0.0	1.1	1.3	1.5
Net Debt (USD mn)	-368	-252	-158	-175

Source: Company Data, Bloomberg, NHKSI Research

Hold

Dec 2020 TP (IDR)	12,000
Consensus Price (IDR)	13,634
TP to Consensus Price (%)	-12.3
vs. Last Price (%)	+7.6

Shares data

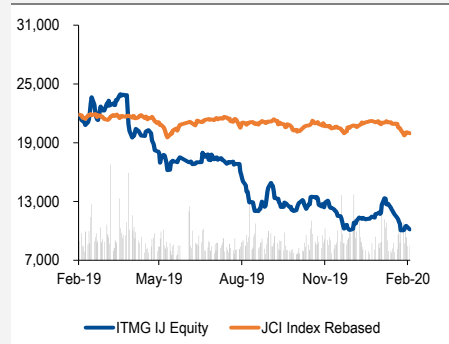
Last Price (IDR)	11,150
Price Date as of	Feb 26, 2020
52 wk Range (Hi/Lo)	24,475 / 9,800
Free Float (%)	34.7
Outstanding sh.(mn)	1,130
Market Cap (IDR bn)	11,440
Market Cap (USD mn)	835
Avg. Trd Vol - 3M (mn)	1.8
Avg. Trd Val - 3M (bn)	20.7
Foreign Ownership (%)	99.2

Mining

Coal

Bloomberg	ITMG IJ
Reuters	ITMG.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-10.6%	-11.5%	-19.8%	-53.6%
Rel. Ret.	-5.1%	-5.7%	-15.3%	-44.9%

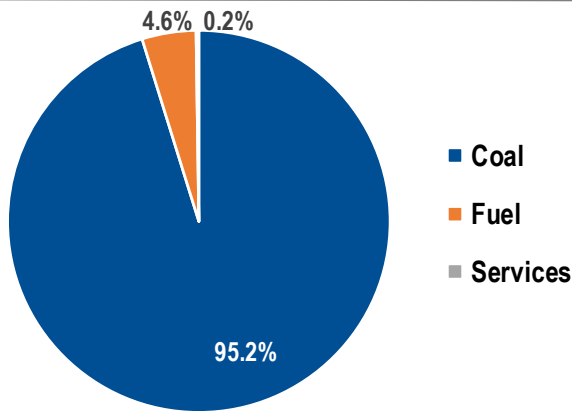


Meilki Darmawan

+6221 5088 9128, meilki.darmawan@nhsec.co.id

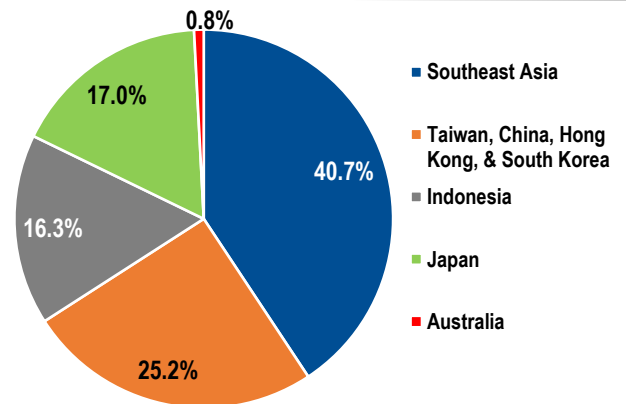
Performance Highlights in Charts

FY19 Revenue Breakdown



Source: Company Data, NHKSI Research

FY19 Sales by Geographic



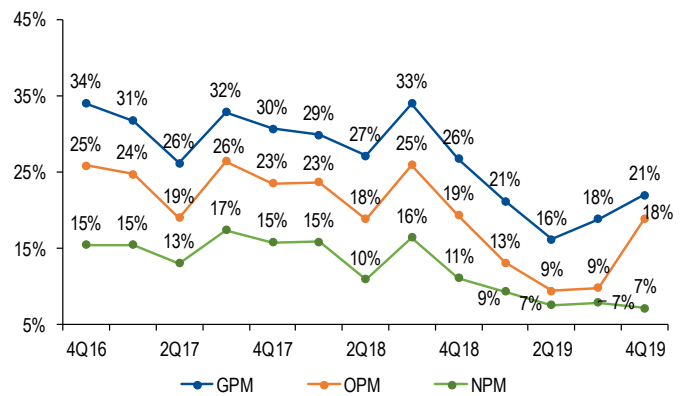
Source: Company Data, NHKSI Research

Stripping Ratio



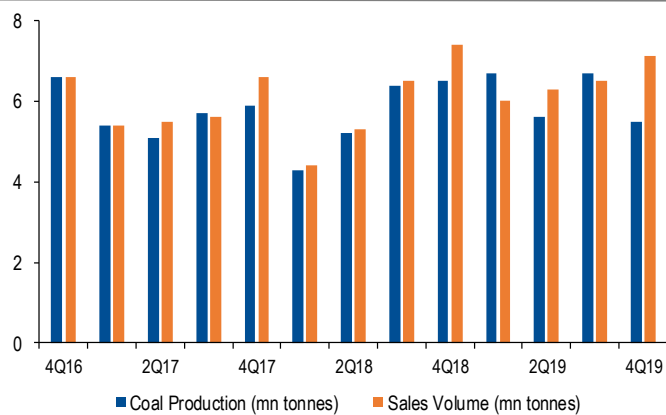
Source: Company Data, NHKSI Research

Margin Ratios



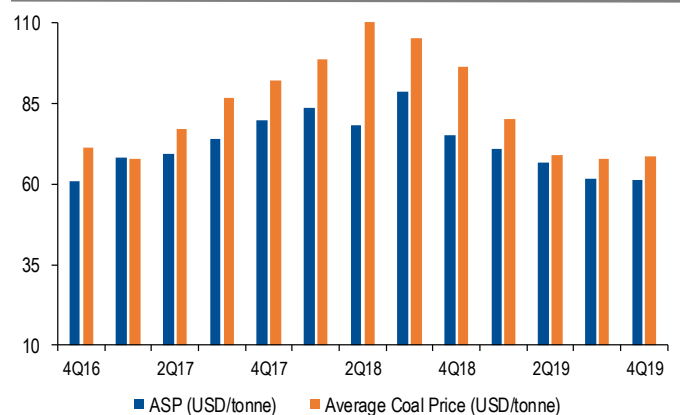
Source: Company Data, NHKSI Research

Production & Sales Volume



Source: Company Data, NHKSI Research

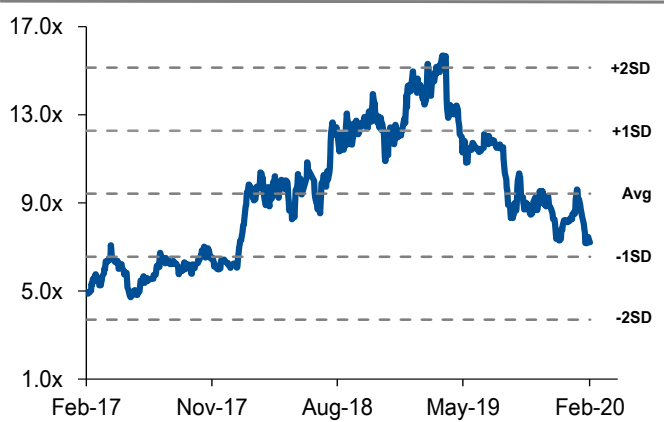
ASP & Coal Price



Source: Company Data, NHKSI Research

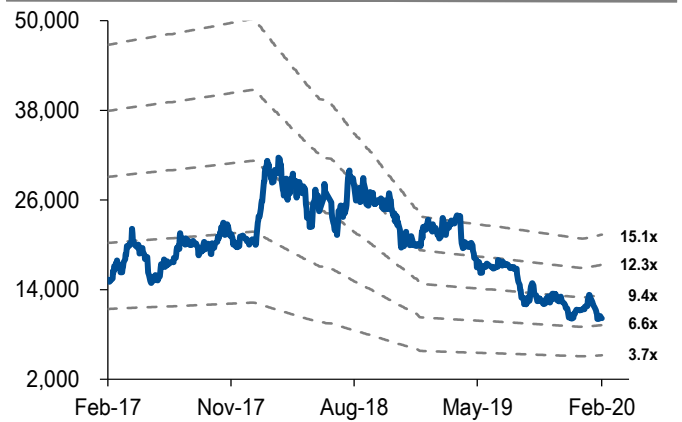
Valuation Highlights in Charts

3-Year Forward P/E Band



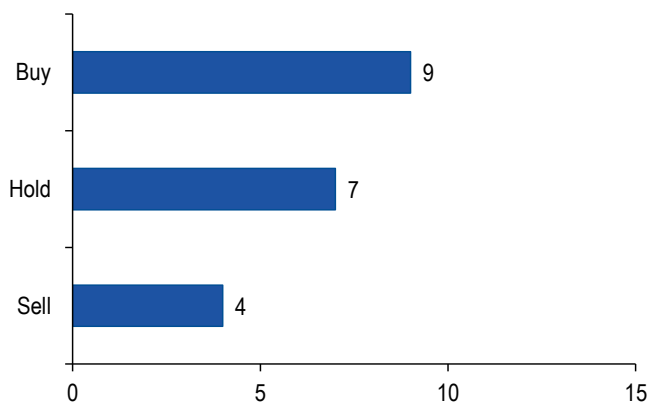
Source: Bloomberg, NHKSI Research

3-Year Dynamic Forward P/E Band



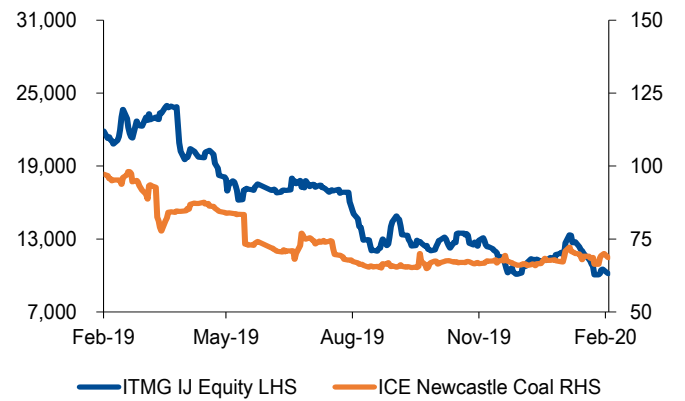
Source: Bloomberg, NHKSI Research

Recommendations by Analysts



Source: Bloomberg, NHKSI Research

Stock and Coal Prices Correlated Positively



Source: Bloomberg, NHKSI Research

Quarterly Review

	4Q18	1Q19	2Q19	3Q19	4Q19				1Q20E	
					Actual	Estimate	Y-Y %	Q-Q %		Surprise %
Income statement										
Revenue	592	453	440	412	411		-30.7	-0.3		402
Gross Profit	155	94	69	75	88		-42.7	17.8		73
EBIT	112	57	39	38	46		-58.7	20.2		45
EBITDA	125	57	115	111	103		-17.5	-7.2		79
Net Profit	63	40	31	30	28		-54.9	-7.2		28
Margin										
Gross Margin	25.2	20.7	15.6	18.3	21.6		-4.6	3.2		18.2
EBIT Margin	18.8	12.6	8.9	9.3	11.2		-7.6	1.9		11.2
EBITDA Margin	21.1	12.6	26.2	27.0	25.1		4.0	-1.9		19.6
Net Profit Margin	10.6	8.8	7.1	7.4	6.9		-3.7	-0.5		6.9

Unit: USD mn, %

Source: Company Data, NHKSI Research

Earnings Revision

		2019A	2020F	2021F
Income Statement				
Revenue	-Revised	1,716	1,608	1,772
	-Previous	2,281	2,540	
	-Change %	-24.8	-36.7	
Gross Profit	-Revised	327	293	356
	-Previous	665	760	
	-Change %	-50.9	-61.2	
EBIT	-Revised	181	171	204
	-Previous	515	593	
	-Change %	-64.9	-71.1	
EBITDA	-Revised	231	315	372
	-Previous	528	607	
	-Change %	-56.3	-48.2	
Net Profit	-Revised	127	111	137
	-Previous	350	403	
	-Change %	-63.9	-72.4	
Margin				
Gross Margin	-Revised	19.0	18.2	20.1
	-Previous	29.2	29.9	
EBIT Margin	-Revised	10.5	10.6	11.5
	-Previous	22.6	23.3	
EBITDA Margin	-Revised	13.4	19.6	21.0
	-Previous	23.1	23.9	
Net Profit Margin	-Revised	7.4	6.9	7.7
	-Previous	15.3	15.9	

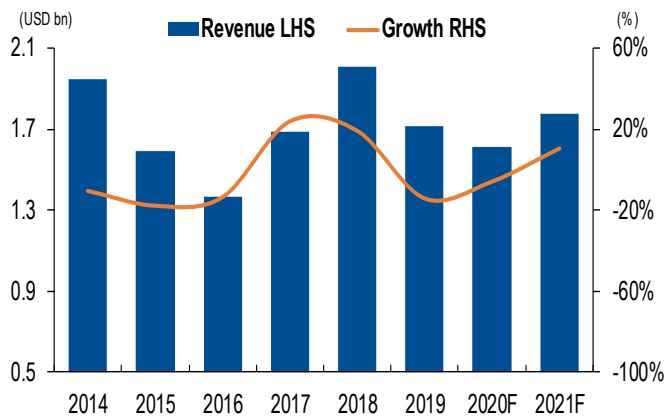
Unit: USD mn, %

Source: Company Data, NHKSI Research

Company Overview

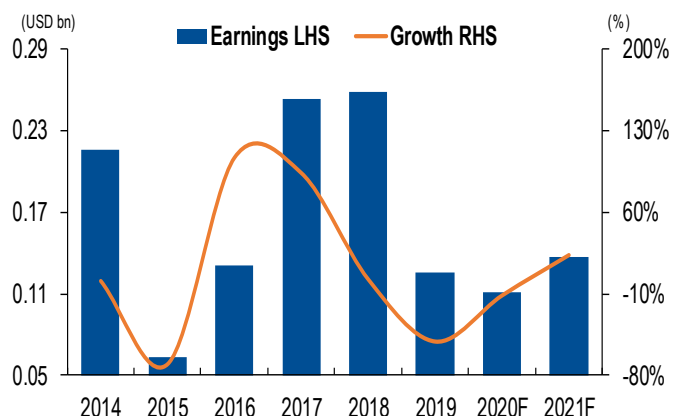
PT Indo Tambangraya Megah Tbk (ITMG) founded in 1987 is an Indonesian leading coal supplier for the world's energy market. The Company sets the highest standards of good governance, compliance with environmental sustainability, prioritizing occupational health and safety (K3). ITMG's businesses subsume coal mining, integrated processing & logistics in Indonesia as it is the major shareholders of fourteen subsidiaries; operates seven mining concessions situated in East, Central, and South Kalimantan; and runs the operation of Bontan Coal Terminal (BoCT), 3 loading ports, and Bontang power plant. The fourteen subsidiaries are PT Indominco Mandiri (IMM), PT Trubaindo Coal Mining (TCM), PT Jorong Barutama Greston (JBG), PT Kitadin (Embalut & Tandung Mayang), PT Bharinto Ekatama (BEK), PT ITM Indonesia (ITMI), PT Tambang Raya Usaha Tama (TRUST), PT Nusa Persada Resources (NPR), PT Tepian Indah Sukses (TIS), PT ITM Batubara Utama (IBU), PT ITM Energi Utama (IEU), PT ITM Batubara Perkasa (IBP), PT Gasemas (GEM) and PT Energi Batubara Perkasa (EBP).

Revenue & Growth Movements



Source: Company Data, NHKSI Research

Earnings & Growth Movements



Source: Company Data, NHKSI Research

Global Companies Peers Analysis

	Market Cap (USD mn)	Asset (USD mn)	Sales LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Growth LTM	Net Profit Margin	ROE LTM	P/E LTM	P/BV
Indonesia									
ADARO ENERGY TBK	3,012	7,061	3,607	511	20.6%	14.2%	13.6%	5.9x	0.8x
BUKIT ASAM TBK	1,901	1,676	1,493	293	-27.4%	19.6%	26.4%	5.7x	1.5x
INDO TAMBANGRAYA MEGAH TBK	835	1,443	1,897	164	-41.5%	8.6%	17.1%	5.0x	0.9x
India									
COAL INDIA LTD	15,473	19,145	13,290	2,498	148.1%	18.8%	74.9%	6.4x	4.2x
Thailand									
BANPU PCL	1,692	8,485	3,100	75	-67.7%	2.4%	3.0%	22.6x	0.7x
Australia									
WHITEHAVEN COAL LTD	1,720	3,397	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Canada									
CAMECO CORP	3,486	5,723	1,404	56	-55.5%	4.0%	1.5%	116.8x	0.9x
China									
INNER MONGOLIA	2,386	13,746	6,156	451	-38.6%	7.3%	9.2%	5.6x	0.5x
SHANXI LU'AN	2,752	9,488	3,670	370	-18.1%	10.1%	10.2%	7.6x	0.7x
United States									
PEABODY ENERGY CORP	804	6,543	4,623	-211	-56.0%	-4.6%	-7.0%	N/A	0.3x

Unit: USD mn, %, X

Source: Bloomberg, NHKSI Research

Management Background

Board of Commissioners



Djisman Simandjuntak
President Commissioner

Education

He earned Bachelor's degree in Economics from Parahyagan Catholic University, Bandung and graduated in 1973. In addition, he earned diploma in Monetary Economic and Public Finance from the University of Cologne and graduated in 1979 and earned PhD Economics from the University of Cologne in 1983.

Professional Experiences

The year of 1973: Auditor at SGV Utomo, 1984: Head of Economics Affairs Department at Center for Strategic International Studies (CSIS). Years of 1980-1990: Research Consultant of Asian Development Bank. Years of 1989-2003: the Dean of Prasetiya Mulia Business School, Jakarta. The Year of 1999: Chairman of the Board of Trustees of CSIS. Years of 2004-2008: the Executive Director Prasetiya Mulia, Jakarta. Years of 2005-2009



Somruadee Chaimongkol
Commissioner

Education

She earned Bachelor of Accounting at Bangkok University, Thailand and graduated in 1983. In addition, she graduated from Harvard University Graduate School of Business Administration, US, Global Leadership program in 2000.

Professional Experiences

She joined Banpu in 1983 with 30-year experience in the mining industry.



Fredi Chandra
Commissioner

Education

He earned Bachelor of Economics (Accounting) from Tarumanegara University in 1988 and in 1993 earned Master's in Accounting Management from University of Indonesia.

Professional Experiences

2001-2007: commissioner at PT Indo Tambangraya Megah, the Director at PT Indominco Mandiri, the commissioner at PT Kitadin, the commissioner at PT Trubaindo, and the commissioner at PT Bharinto. Years of 2001-2007: the Commissioner at PT Indo Tambangraya Megah, the Director of PT Indominco Mandiri. Years of 2002-to date: the Director of PT Wirachandra Corpora. Years of 2003-to date: the Director at PT Optim Radiant Equity Investment Holding Company. Years of 2011-to date: President Director at PT Optim Hotel International.

Education

He earned Master in Public Administration, major in Policy & Project Management National Institute of Development Administration (NIDA) and graduated in 1994. In addition, he earned Bachelor of Science in Mining and Metallurgical Engineering, Prince of Songkhla University in 1981.

Professional Experiences

Years of 1999-2010: Assistant Managing Director, at Sahakol Equipment Plc. Years of 2010-2013: Vice President (Technology Development), Technical Development & Services Department BANPU Public Company Limited. Years of 2013-2017: On secondment as the Managing Director. Years 2018-Present: Assistant Chief Operation Officer (Coal Business) Banpu Public Company Limited of Hongsa Power Co., Ltd. Lao PDR.



Somsak Sithinamsuwan
Commissioner

Education

He holds Master of Commerce in Management, University of Wollongong Australia in 1991. In 2000, he earned Ph.D. in Behavioural Finance, University of Wollongong Australia.

Professional Experiences

Years of 2009-2012: the Research Director of Prasetiya Mulya Business School. Years of 2012-2015: the Dean of Prasetiya Mulya Business School. Years of 2015-Present: Vice Rector for Operations, Finance, Accounting & Human Resources Management at Prasetiya Mulya University.



Djoko Wintoro
Commissioner

Management Background

Board of Directors



Kirana Limpaphayom
President Director

Education

Ph.D Sociology (Centre for Comparative Labor Studies), University of Warwick, UK in 2002; MBA (executive-concentration in Finance), Sasin Graduate Institute of Business Administration Joint degree with Kellogg School of Management, Northwestern University, UK .

Professional Experiences

He joined ITM in 2015 as Senior Vice President, Office of the President Director and previously acted as the Head of Strategic Planning & Analysis for Banpu Plc. In Thailand, the Executive Director Banpu Australia and the Director (Alternative) Centennial Coal Co.,Ltd., Sydney, Australia. Prior to joining Banpu Group in 2009, he held positions in legal and organizational tax and business development, and strategy management at several institutions, including banks, consultants, and pension fund.



A.H. Bramantya Putra
Deputy President Director

Education

He earned Bachelor degree in Geology from the University of Pembangunan Nasional (UPN) Veteran, Yogyakarta; Master's degree in International Management from Prasetiya Mulya University, Jakarta.

Professional Experiences

Assistant of Micropaleontology Laboratory UPN Veteran Yogyakarta, Geologist at PT Indominco Mandiri (1991–1992), senior geologist (1992–1994), technical experts (1994–1997), Operation Support Department Head (1997–2001), Human Resources Manager at PT Kitadin (2001-2003), Corporate Human Resources Manager for Banpu Coal Operation Indonesia (2002–2005), and Administration Mine Manager (2005–2010) at PT Indominco Mandiri, and Vice President Corporate Service of PT Indo Tambangraya Megah Tbk (2012-2013).



Mulianto
Independent Director

Education

He earned Bachelor of Accounting from Atmajaya University, Yogyakarta and enrolled Professional Directorship Program from Indonesian Institute of Corporate Directorship.

Professional Experiences

He joined the Company since 1995 as Accounting Supervisor and continued his career in accounting. In 2005, he was appointed as the Head of General Accounting, Tax, Financial System & Procedure of the Company.



Jusnan Ruslan
Director

Education

He earned Bachelor of Economics from Pancasila University.

Professional Experiences

Assistant Marketing Manager at PT Kitadin (1991-1998), Marketing Manager at PT Kitadin (1998-2009), Assistant Vice President of Marketing Indonesia, Philippines & Commercial Administration at PT Indo Tambangraya Megah Tbk (2009-2011), Vice President–Sales South Asia, Domestic & Compliance PT Indo Tambangraya Megah Tbk (2011), Sales & Logistic Head PT Indo Tambangraya Megah Tbk (2014).

Management Background

Board of Directors



Yulius Kurniawan Gozali
Director

Education

He earned Bachelor of Business Administration from Oregon State University, Oregon, US, Master of Business Administration from RMIT University, Melbourne, Australia., and attended Professional Directorship Program of the Indonesian Institute of Corporate Directorship.

Professional Experiences

Financial Analyst at PT BIA in 1995, joining with ITM since 2002 as Strategic Planning & Finance Analysis Manager. Investor Relations at ITM in 2007, Head of Corporate Finance., Treasury and Investor Relations at ITM in 2016.



Stephanus Demo Wawin
Director

Education

He earned Bachelor Degree in Computer Engineering from Gunadarma University and attended the Professional Directorship Program of the Indonesian Institute of Corporate Directorship.

Professional Experiences

Joining in 2006 as IT Infrastructure & Security Manager of PT Indo Tambangraya Megah Tbk and then promoted to IT Head in 2011.



Ignatius Wurwanto
Director

Education

He earned Bachelor's Degree in Mining Engineering from Pembangunan Nasional Veteran University, Yogyakarta in 1993.

Professional Experiences

Years of 2015–to date: the Director of PT Indominco Mandiri, PT Jorong Barutama Greston, PT Kitadin, PT Trubaindo Coal Mining, PT Barinto Ekatama. Years of 2011–to date: the Head of Compliance and Risk Management ITM. Years of 2007–2011: the Assistant Vice President of QSE-ITM. Years of 2006–2007: General Operations Support Manager-Banpu Indonesia. Years of 2004–2006: the Environmental Management System Manager-Banpu Indonesia. Years of 2003–2004: the Assistant to Operation Deputy Director-PT Indominco Mandiri. Years of 2001–2003: the Operation Support Department Head-PT Indominco Mandiri. Years of 1998-2001:the Technical Support Superintendent; the Operation & Production-PT Indominco Mandiri.



Padungsak Thanakij
Director

Education

He earned Bachelors Degree in Mining Engineering, Chulalongkom University, Bangkok in 1981.

Job Experiences

Years of 1981–1991: Dredge Master, Offshore Tin Mine, Tongkha Harbour Co., Ltd., Thailand. Years of 1991–2000 Mine Manager, Kaolin open cut mine, Mineral Resources Development Co., Ltd., subsidiary of Banpu Public Co., Ltd., Thailand. Years of 2000–2004 General Director, Calcium Carbonate Quarry Mine, Yenbai-Banpu Calcium Carbonate Co., Ltd. Years of 2004–2005 Senior Mining Engineer, Banpu Public Co. Ltd., Thailand. Years of 2005 – 2014 Senior Vice General Manager, Underground Coal Mine, Hebi Zhong Tai Mining Co. Ltd. Years of 2014 – 2016 Short Term Supply Chain Head, PT Indo Tambangraya Megah Tbk group. Years of 2016–Present Melak Cluster Head, PT Indo Tambangraya Megah Tbk group.

Business Portfolio Area



Source: Company Data

Summary of Financials

INCOME STATEMENT

(USD mn)	2018/12A	2019/12A	2020/12F	2021/12F
Revenue	2,008	1,715	1,608	1,772
<i>Growth</i>	18.8%	-14.6%	-6.2%	10.2%
COGS	(1,424)	(1,389)	(1,315)	(1,416)
Gross Profit	584	326	293	356
<i>Gross Margin</i>	29.1%	19.0%	18.2%	20.1%
Operating Expenses	(152)	(116)	(122)	(152)
EBIT	432	209	171	204
<i>EBIT Margin</i>	21.5%	12.2%	10.6%	11.5%
Depreciation	51	50	143	167
EBITDA	483	259	314	372
<i>EBITDA Margin</i>	24.1%	15.1%	19.6%	21.0%
Interest Expenses	(1)	(2)	(0)	(0)
EBT	367	185	153	184
Income Tax	(109)	(59)	(41)	(47)
Minority Interest	0	0	0	0
Net Profit	259	126	111	137
<i>Growth</i>	2.2%	-51.3%	-11.7%	23.1%
<i>Net Profit Margin</i>	12.9%	7.3%	6.9%	7.7%

PROFITABILITY & STABILITY

	2018/12A	2019/12A	2020/12F	2021/12F
ROE	27.9%	13.9%	11.9%	14.6%
ROA	19.5%	11.2%	9.8%	11.1%
ROIC	31%	16%	13%	16%
Cash Dividend(USD mn)	253	123	107	129
Dividend Yield	14.8%	31.8%	12.0%	14.4%
Payout Ratio	97.7%	98.0%	96.0%	94.0%
DER	0.0%	1.1%	1.3%	1.5%
Net Gearing	0%	2%	2%	2%
LT Debt to Equity	0.0%	0.0%	0.0%	0.0%
Capitalization Ratio	0.0%	1.1%	1.3%	1.5%
Equity Ratio	67.2%	73.2%	90.4%	76.5%
Debt Ratio	0.0%	0.8%	1.2%	1.2%
Financial Leverage	143.0%	123.3%	120.7%	130.8%
Current Ratio	196.6%	203.0%	251.4%	184.1%
Par Value (IDR)	500	500	500	500
Total Shares (mn)	1,130	1,130	1,130	1,130
Share Price (IDR)	20,250	11,475	11,000	11,000
Market Cap (IDR tn)	22.9	13.0	12.4	12.4

BALANCE SHEET

(USD mn)	2018/12A	2019/12A	2020/12F	2021/12F
Cash	368	159	80	100
Receivables	217	130	126	195
Inventories	108	102	100	127
Total Current Assets	766	473	396	559
Net Fixed Assets	243	256	235	246
Other Non Current Asset	434	480	400	425
Total Assets	1,443	1,209	1,031	1,231
Payables	194	77	139	64
ST Bank Loan	-	10	12	14
LT Debt	-	-	-	-
Total Liabilities	473	324	258	449
Capital Stock + APIC	393	393	393	393
Retained Earnings	600	515	562	570
Shareholders' Equity	970	885	933	941

VALUATION INDEX

	2018/12A	2019/12A	2020/12F	2021/12F
Price/Earnings	6.1x	7.3x	8.0x	6.5x
Price/Book Value	1.6x	1.0x	1.0x	1.0x
Price/Sales	0.8x	0.5x	0.6x	0.5x
PE/EPS Growth	2.8x	-0.1x	-0.7x	0.3x
EV/EBITDA	2.5x	3.0x	2.6x	2.2x
EV/EBIT	2.8x	3.7x	4.8x	3.9x
EV (IDR bn)	17,505	10,798	11,400	11,168
Sales CAGR (3-Yr)	8.1%	7.8%	-1.6%	-4.1%
EPS CAGR (3-Yr)	60.1%	-1.2%	-24.0%	-19.1%
Basic EPS (IDR)	3,321	1,566	1,377	1,681
Diluted EPS (IDR)	3,321	1,566	1,377	1,681
BVPS (IDR)	12,445	11,006	11,545	11,553
Sales PS (IDR)	25,763	21,325	19,907	21,760
DPS (IDR)	2,999	3,653	1,322	1,581

CASH FLOW STATEMENT

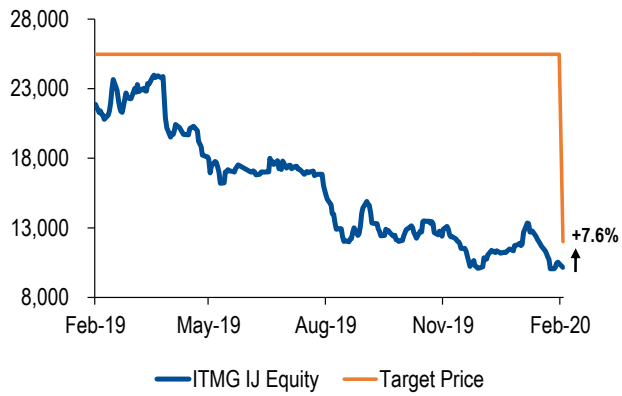
(USD mn)	2018/12A	2019/12A	2020/12F	2021/12F
Operating Cash Flow	230	94	71	177
Investing Cash Flow	(55)	(75)	(45)	(31)
Financing Cash Flow	(107)	(113)	(105)	(126)
Net Changes in Cash	68	(95)	(79)	20

TOP OWNERSHIP

By Geography	% Shareholders	%
Singapore	86.7 Banpu Minerals	65.1
United States	7.7 Blackrock	2.0
Luxembourg	1.5 Vanguard Group	1.2
United Kingdom	1.2 Dimensional Fund	1.2

Source: Company Data, NHKSI Research

Closing and Target Price Update



Source: Bloomberg, NHKSI Research

Rating and Target Price Update

Date	Rating	Target Price	Consensus
2017.01.16	Buy	IDR19,250	IDR18,851
2017.03.01	Buy	IDR22,525	IDR19,782
2017.06.07	Buy	IDR22,525	IDR21,658
2017.12.20	Buy	IDR25,275	IDR24,927
2018.05.22	Buy	IDR32,400	IDR33,946
2018.11.26	Buy	IDR24,225	IDR32,557
2019.02.01	Buy	IDR25,475	IDR28,843
2020.02.28	Hold	IDR12,000	IDR13,634

Source: NHKSI 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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