

Indo Tambangraya Megah (ITMG)

Operational Efficiencies Partially Offset ASP Decline

PT Indo Tambangraya Megah (ITMG) recorded a 35% YoY decline in revenue (IDR 36.1 trillion vs IDR 54.3 trillion) for FY23 due to a steep 41% YoY fall in ASP (USD 113/ton vs USD 192/ton). This is in line with the overall decrease in global coal prices across all caloric values. However, the company's increased operational efficiency helped reduce the impact of the slip in ASP. Cost of revenue fell by 6% YoY (IDR 24.9 trillion vs IDR 26.0 trillion) arising from lower royalty fees, while operating expenses decreased by 35% YoY (IDR 2.1 trillion vs IDR 3.2 trillion).

Coal sales boosted by rise in domestic and Chinese demand

- Despite not reaching their overall sales target for FY23 (21.5 - 22.2 million tons), ITMG nevertheless achieved a 10.6% YoY increase in overall coal sales (20.9 million tons vs 18.9 million tons).
- This rise is caused mainly by an increase in domestic sales (5.1 million tons vs 4.2 million tons) and Chinese-bound exports (6.9 million tons vs 5.9 million tons).
- In China, an increase in concern regarding mining safety have given rise to an uncertain domestic supply, and along with lower hydroelectric output in 2023, caused overall Chinese demand to grow; China's coal imports reached an all time high of 474.4 million tons in 2023.
- Recent economic data releases showed an overall stabilization of the Chinese economy, with many economists expecting some sort of stimulus package in 2024 to boost weak consumer demand. A successful stimulus and continued uncertain domestic supply would result in a steady increase in coal imports.

Preparation for new coal mine accelerated

- ITMG continued their preparation process for their newest coal mine, the Graha Panca Karsa site, in West Kutai throughout 2023 which included land preparation for hauling road, drilling for sampling activities, port preparation, mobilization of heavy equipment, and construction of facilities
- The GPK mine aims to diversify the company's product offering to further encompass low caloric coal
- The company also continuously expanded the Bharinto mine site by preparing new areas for mining activities and maximising utility of existing areas; this successfully boosted Bharinto's coal production by 24% YoY.

Shift towards green energy continues

- ITMG increased their ownership over PT Cahaya Power Indonesia, a subsidiary operating in the solar energy industry, to 79.5% from 60.0%.
- This is done via ITMG's other subsidiary PT ITM Bhinneka Power (IBP), which ITMG owns 70% of. Thus, ITMG increased their effective ownership over CPI from 42.0% to 55.65%.

Recommend HOLD with TP of IDR 26,000

- After reaching our previous TP of 26,500, we have maintained our HOLD view of ITMG with a new TP of 26,000. This reflects a forward PE of 5.73x, slightly lower than the current forward PE of 6.0x.
- Despite some potential demand-side momentum, it is too early to have a bullish view on coal industry due to a lack of definite long-term catalysts that could push coal prices up again. We currently have a neutral outlook for coal, with global benchmark prices expected to hover around USD 110-130 / ton throughout the year.
- Risks: 1) Shift in Indonesian government policy 2) Extreme weather 3) Chinese uncertainty

Indo Tambangraya Megah Tbk | Summary

in IDR bn	2023A	2024E	2025F	2026F
Revenue	36,151	35,123	34,124	33,154
Revenue growth	-33.4%	-2.8%	-2.8%	-2.8%
Net profit	7,611	7,264	7,678	7,918
EPS (IDR)	15,835	6,429	6,794	7,007
Net Profit growth	-57.5%	-4.6%	5.7%	3.1%
NPM	21.1%	20.7%	22.5%	23.9%
ROE	26.3%	26.4%	26.2%	24.2%
ROA	20.4%	21.6%	21.8%	20.7%
P/E	1.7x	4.0x	3.8x	3.7x
P/BV	1.0x	1.1x	0.9x	0.9x
EV/EBITDA	1.8x	1.4x	1.2x	1.0x

Unit: IDR bn, %, x

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

Company Update | Mar 20, 2024

HOLD

Target Price (IDR)	26,000
Consensus Price (IDR)	25,619
TP to Consensus Price	+1.5%
Potential Upside	-5%

Shares data

Last Price (IDR)	27,375
Price Date as of	18 Mar 2023
52 wk Range (Hi/Lo)	41,500 / 22,125
Free Float (%)	34.7
Outstanding sh.(mn)	1,129.9
Market Cap (IDR bn)	30,931.7
Market Cap (USD mn)	1,965.5
Avg. Trd Vol - 3M (mn)	1.19
Foreign Ownership (%)	72.23

Mining

Coal

Bloomberg	ITMG IJ
Reuters	ITMG.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	1.2%	1.3%	12.0%	-30.3%
Rel. Ret.	-0.1%	1.7%	10.4%	-39.6%

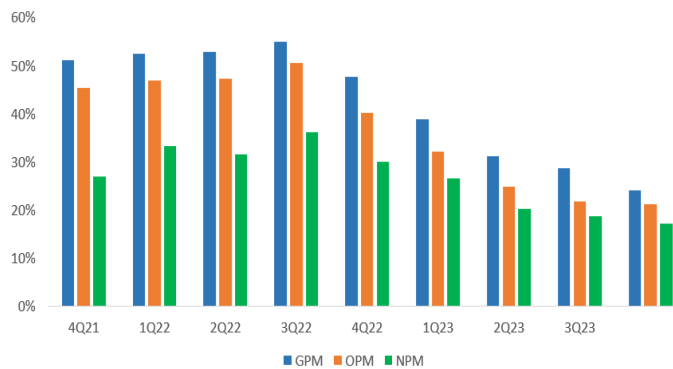
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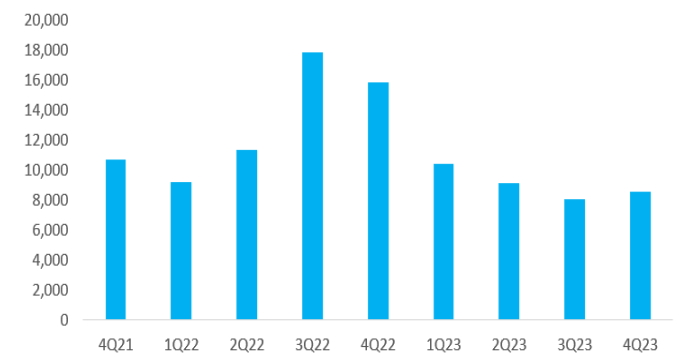
Performance Highlights in Charts

ITMG Quarterly Profit Margins | 4Q21 - 4Q23



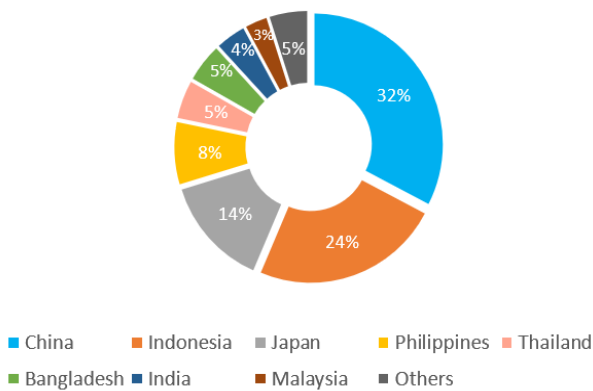
Source: Company Data, NHKSI Research

ITMG Quarterly Revenue (IDR Bn) | 4Q21 - 4Q23



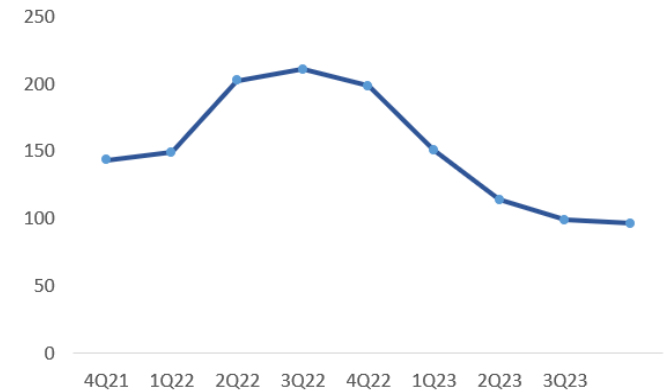
Source: Company Data, NHKSI Research

ITMG Coal Sales Destination | FY23



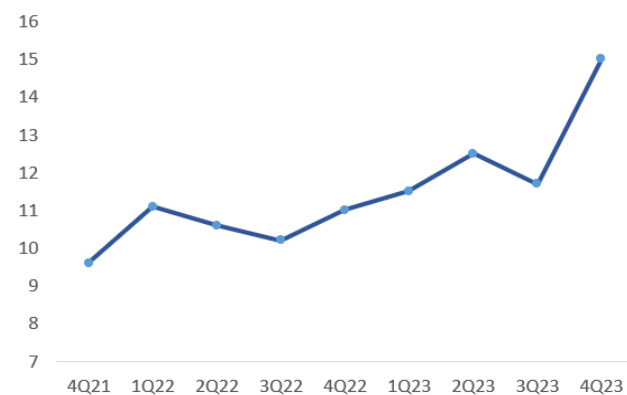
Source: Company Data, NHKSI Research

ITMG Average Selling Price (USD/Ton) | 4Q21 - 4Q23



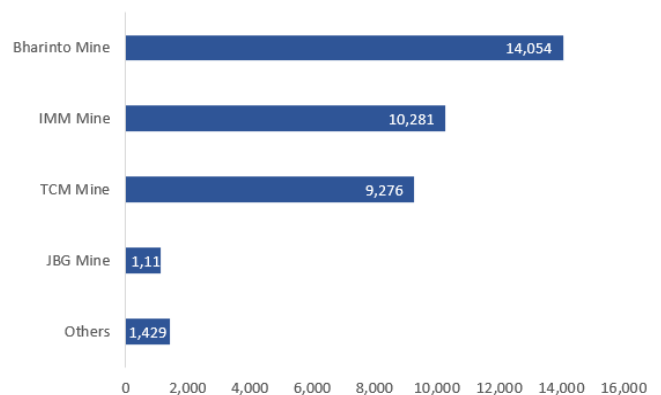
Source: Company Data, NHKSI Research

ITMG Quarterly Strip Ratio (bcm/t) | 4Q21 - 4Q23



Source: Company Data, NHKSI Research

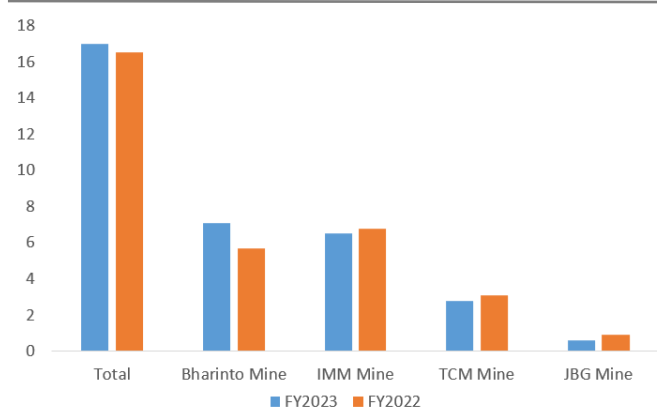
ITMG Revenue Breakdown (IDR Bn) | FY23



Source: Company Data, NHKSI Research

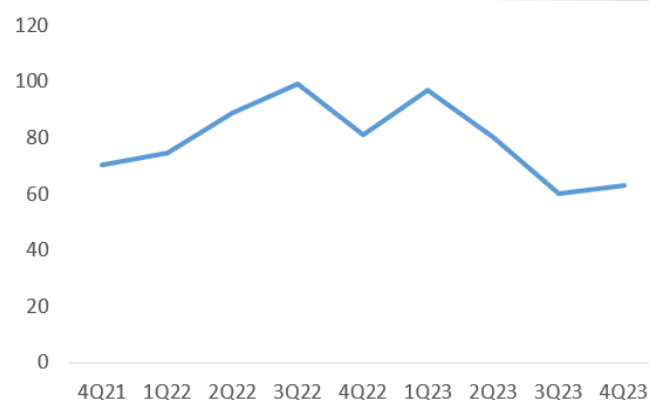
Performance Highlights in Charts

ITMG Coal Production YoY (million tons) | FY23 vs FY22



Source: Company Data, NHKSI Research

ITMG Cash Cost per Ton (USD/Ton) | FY23 vs FY22



Source: Company Data, NHKSI Research

ITMG Sectoral Relative Valuation - Selected Securities

Ticker	Name	Ticker	Mkt Cap (IDR)	Net Sales T12M	P/E	ROE LF	P/B	Dvd Ind Yld	NI T12M	NPM LF	GPM LF
ITMG IJ Equity	INDO TAMBANGRAYA MEGAH TBK	ITMG IJ	30,790,456	36,175,838	3.9x	26.7%	1.1x	33.3%	7,541,359	17.3%	24.2%
PTBA IJ Equity	BUKIT ASAM TBK PT	PTBA IJ	33,525,118	38,488,867	5.5x	24.4%	1.6x	37.6%	6,105,856	21.6%	30.1%
GEMS IJ Equity	GOLDEN ENERGY MINES TBK PT	GEMS IJ	34,558,824	44,305,190	3.7x	112.5%	3.6x	4.0%	9,039,400	8.6%	30.7%
MCOL IJ Equity	PRIMA ANDALAN MANDIRI TBK PT	MCOL IJ	20,533,359	13,972,483	5.7x	41.5%	2.4x	15.6%	3,410,782	24.8%	36.7%
ABMM IJ Equity	ABM INVESTAMA TBK PT	ABMM IJ	10,159,179	23,595,221	2.0x	57.1%	0.9x	10.8%	4,982,449	10.1%	21.2%
BSSR IJ Equity	BARAMULTI SUKSESSARANA TBK	BSSR IJ	9,602,555	17,690,700	3.6x	67.0%	2.7x	19.1%	2,559,899	7.3%	23.0%
INDY IJ Equity	INDIKA ENERGY TBK PT	INDY IJ	7,685,033	53,281,821	2.1x	18.1%	0.4x	14.1%	3,565,886	0.6%	14.4%
Average			20,979,218	32,501,446	3.8x	49.6%	1.8x	19.2%	5,315,090	12.9%	25.7%

Source: Company Data, NHKSI Research

Summary of Financials

INCOME STATEMENT

(IDR bn)	2023/12A	2024/12F	2025/12F	2026/12F
Revenue	36,151	35,123	34,124	33,154
Growth	-33.4%	-2.8%	-2.8%	-2.8%
COGS	24,861	22,690	21,753	20,720
Gross Profit	11,291	12,433	12,371	12,435
Gross Margin	31.2%	35.4%	36.3%	37.5%
Operating Expenses	(2,079)	(2,030)	(1,997)	(1,733)
EBIT	9,211	10,403	10,374	10,702
EBIT Margin	25.5%	29.6%	30.4%	32.3%
Depreciation	952	2,757	2,731	2,963
EBITDA	10,163	13,160	13,106	13,665
EBITDA Margin	28.1%	37.5%	38.4%	41.2%
EBT	9,799	10,132	10,115	10,455
Income Tax	2,198	2,930	2,457	2,562
Minority Interest	(11)	(62)	(20)	(25)
Net Profit	7,611	7,264	7,678	7,918
Growth	-57.5%	-4.6%	5.7%	3.1%
Net Profit Margin	21.1%	20.7%	22.5%	23.9%

BALANCE SHEET

(IDR bn)	2023/12A	2024/12F	2025/12F	2026/12F
Cash	13,101	11,927	14,617	17,045
Receivables	3,039	2,970	2,830	2,780
Inventories	1,508	1,124	861	903
Total Current Assets	19,700	18,158	20,757	22,973
Net Fixed Assets	6,613	6,773	6,942	6,797
Other Non Current Assets	7,363	8,557	9,268	9,818
Total Assets	33,675	33,487	36,967	39,588
Payables	3,644	2,621	2,656	2,337
ST Debt	712	913	1,203	1,141
LT Debt	117	116	119	89
Total Liabilities	6,146	6,037	5,905	5,221
Capital Stock	983	961	978	974
Retained Earnings	20,639	20,772	24,263	27,591
Shareholders' Equity	27,529	27,451	31,062	34,367

CASH FLOW STATEMENT

(IDR bn)	2023/12A	2024/12F	2025/12F	2026/12F
Operating Cash Flow	3,372	9,510	9,744	10,215
Investing Cash Flow	(2,100)	(3,749)	(3,164)	(3,109)
Financing Cash Flow	(9,965)	(6,916)	(3,874)	(4,661)
Net Changes in Cash	(8,649)	(1,174)	2,691	2,427

PROFITABILITY & STABILITY

	2023/12A	2024/12F	2025/12F	2026/12F
ROE	26.3%	26.4%	26.2%	24.2%
ROA	20.4%	21.6%	21.8%	20.7%
Inventory Turnover	24.0	20.2	25.3	22.9
Days Inventory Outstanding	15.2	18.1	14.4	15.9
Receivables Turnover	11.9	11.8	12.1	11.9
Account Receivable Days	30.7	30.9	30.3	30.6
Dividend Yield (%)	33.1%	24.3%	14.3%	15.6%
Payout Ratio (%)	132.7%	98.2%	54.5%	58.0%
DER	3.0%	3.7%	4.3%	3.6%
Current Ratio	4.3	4.2	5.1	7.1
Quick Ratio	3.2	3.0	3.8	5.6
DAR	2%	3%	4%	3%
Total Shares (mn)	1,129	1,129	1,129	1,129
Share Price (IDR)	27,050	26,000	26,000	26,000
Market Cap (IDR tn)	30.5	29.4	29.4	29.4

VALUATION INDEX

	2023/12A	2024/12F	2025/12F	2026/12F
Price/Earnings	1.7x	4.0x	3.8x	3.7x
Price/Book Value	1.0x	1.1x	0.9x	0.9x
EV/EBITDA	1.8x	1.4x	1.2x	1.0x
EV (IDR bn)	18,282	18,400	16,021	13,513
BVPS (IDR)	26,787	24,314	27,512	30,440
Basic EPS (IDR)	15,835	6,429	6,794	7,007

TOP OWNERSHIP

Shareholders	%
Banpu Minerals Private Limited	65.1
Public	34.9

By Geography	%
Singapore	65.1
Indonesia	27.8
Others	7.1

Source: Company Data, NHKSI Research

NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
 - Buy : Greater than +15%
 - Overweight : +5% to +15%
 - Hold : -5% to +5%
 - Underweight : -5% to -15%
 - Sell : Less than -15%

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