

## Indo Tambangraya Megah (ITMG)

## Blessings from energy deficit

23 August 2022



ITMG IJ	BUY
Sector	Coal Mining
Price at 22 Aug 2022 (Rp)	36,950
Price target (Rp)	41,500
Upside/Downside (%)	12.5

## Stock Information

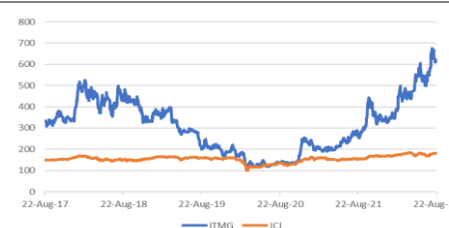
Indo Tambangraya Megah is an Indonesian energy company with integrated business scopes, starting from mining, processing, and logistics activities with main business of coal mining and supporting activities.

Market cap (Rp bn)	41,750
Shares outstanding (mn)	1,117
52-week range (Rp)	15,250-39,750
3M average daily vol. ('000)	4,288
3M average daily val. (Rp mn)	149,905

## Shareholders (%)

Banpu Minerals Pte. Ltd.	65.1
Public	34.7

## Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	5.3	12.3	130.2

- ITMG's 1H22 net profit jumped 291.8% YoY to USD460.8mn (+16.1% QoQ in 2Q22)
- We expect net revenue growth of 39% YoY, EBITDA margin of 47.4% in 2022
- We reiterate our "BUY" call with 13% upside potential on a 12-month view on strong ASP

## Fairly outperformed

ITMG's net profit jumped 291.8% YoY to USD460.8 million in 1H22 (+16.1% QoQ), accounting for 53.1% of our FY estimate. This was attributable to surging net revenue by 110.2% YoY in 1H22 to USD1.42bn. The company's gross margin expanded from 33.6% in 1H21 to 52.7% in 1H22 as cost of revenue grew 49.8% YoY to USD672.4mn that is reflected by higher cash cost by 56.5% YoY to USD76.5/MT. Furthermore, EBITDA margin was improved from 31.3% in 1H21 to 49.3% in 1H22. Meanwhile, it booked losses in coal and fuel swaps totaling USD57.8mn in 1H22, growing 197.4% YoY. Balance sheet wise, ITMG managed to maintain net cash position in 1H22.

## Saved by high ASP amid soft volume

ITMG's strong performance was boosted by its ASP skyrocketing 135.2% YoY (38.2% QoQ) to USD205.6/MT) to USD175.4/MT in line with significant gas price increase resulted from war in Ukraine. Nevertheless, sales volume went down 10.0% YoY (-11.6% QoQ) to 8.1 million MT, in line with sluggish production volume that shrunk 15.9% YoY (-2.6% QoQ) due to challenging weather. The sales volume figure in 1H22 was still 39.5% of its lower-end target of 20.1 million MT. Therefore, we expect sales volume of 18.0 million MT in 2022, although production is likely to improve in 2H22 thanks to more favorable weather. The company's sales were largely from export sales that contributed 88%, with export to China was 28% in 1H22, followed by Japan with 16%.

## Expecting price to remain high

We expect ITMG's revenue and net profit of USD2.89bn and USD897.9mn in 2022, respectively. We estimate ASP to be at USD170/MT, assuming that coal price increases in 2H22 is likely to slow down on the back of aggressive monetary tightening in developed economies and slow economic recovery in China pertinent to the country's covid-19 policies. Nevertheless, we note that prolonged conflict in Ukraine, and higher demand during winter in 4Q22 will upside risks to coal price. Furthermore, EBITDA margin is expected to stand at 47.4% in 1H22 as cost of revenue remains controllable despite higher mining costs and royalty. Meanwhile, as part of its plans to expand into renewables, ITMG set up a new subsidiary CPI that has signed Solar Rooftop Power Purchase Agreement (PPA) with a total capacity of 7.27 MWp, in addition to establishment of PLTS at the Bontang Port, and Melak that is still under construction.

## Reiterate BUY on the back of high ASP amid strong demand and tight supply

We maintain our BUY call with a DCF-based price target of Rp41,500/share. The stock is currently traded at a 2022F PER of 3.4x and EV/EBITDA of 1.1x. We highlight several paramount catalysts including 1) strong demand for high CV coal amid tight supply on the back of rising geopolitical tension in Europe; 2) expansions to coal gasification project and renewable energy; 3) solid balance sheet with net cash position and 4) strong USD. Nevertheless, we note several downside risks to our recommendation, namely 1) China's slow economic recovery and fear of recession that may lead to commodity price correction; 2) impending FFR hikes and 3) global transition to renewable energy.

## Key Statistics

Year end Dec	2020A	2021A	2022F	2023F	2024F
Revenue (USD mn)	1,185	2,077	2,893	2,655	2,381
Gross profit (USD mn)	199	917	1,461	1,183	861
EBITDA (USD mn)	162	863	1,371	1,089	762
EBITDA margin	13.7%	41.5%	47.4%	41.0%	32.0%
Net profit (USD mn)	39	476	898	693	463
Net profit margin	3.3%	22.9%	31.0%	26.1%	19.5%
EPS (USDc)	3.6	43.4	81.9	63.2	42.2
ROAA	3.3%	33.7%	42.2%	24.1%	13.6%
ROAE	4.5%	46.1%	55.3%	29.3%	16.0%
EV/EBITDA (x)	2.8	1.1	1.1	0.9	1.9
PER (x)	76.9	6.4	3.4	4.4	6.6
PBV (x)	3.4	3.6	2.5	1.5	1.1

## Analyst

Devi Harjoto

# Indo Tambangraya Megah (ITMG)

## ITMG's Financial Overview

Consolidated Statements of Profit or Loss (USD mn)	1H21	1H22	YoY Change	1Q22	2Q22	QoQ Change
Revenue	676	1,422	110.2%	640	782	22.1%
Cost of revenue	(449)	(672)	49.8%	(304)	(369)	21.5%
Gross profit	227	749	229.5%	336	413	22.7%
Gross profit margin (%)	17.7%	52.7%		52.6%	52.8%	
Operating expenses	(47)	(80)	70.3%	(36)	(43)	19.6%
Operating profit	180	669	270.9%	300	369	23.1%
Operating profit margin	26.7%	47.1%	76.4%	46.9%	47.3%	0.8%
EBITDA	212	700	230.7%	317	383	20.7%
EBITDA margin	31.3%	49.3%		49.6%	49.0%	
Other income/ expenses	(26)	(73)	175.7%	(25)	(47)	84.4%
Profit before tax	154	597	287.1%	275	322	17.4%
Income tax expenses	(37)	(136)	272.1%	(61)	(75)	22.2%
Net profit	118	461	291.8%	213	248	16.1%
Net profit margin	17.4%	32.4%		33.3%	31.7%	

Source: Company, KB Valbury Sekuritas

## ITMG's operational overview

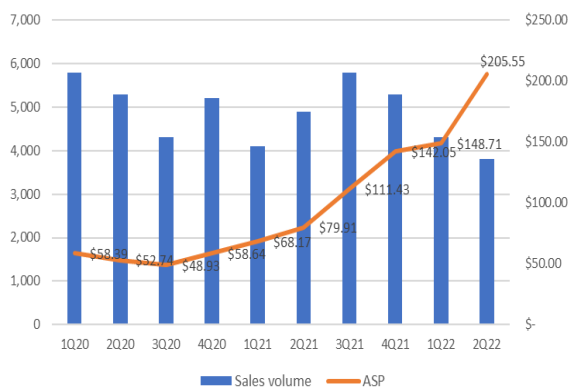


Exhibit 1. Sales volume and ASP

Source: Companies, KB Valbury Securities

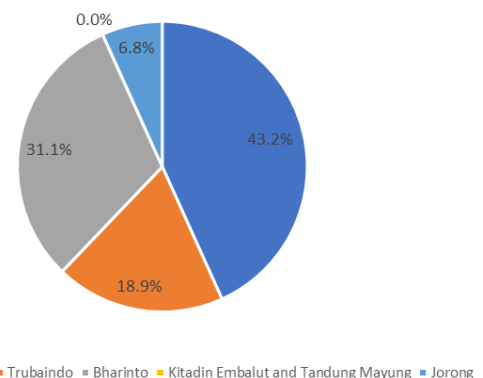


Exhibit 2. Contribution of mining sites production

Source: Companies, KB Valbury Securities

## ITMG's profitability metrics

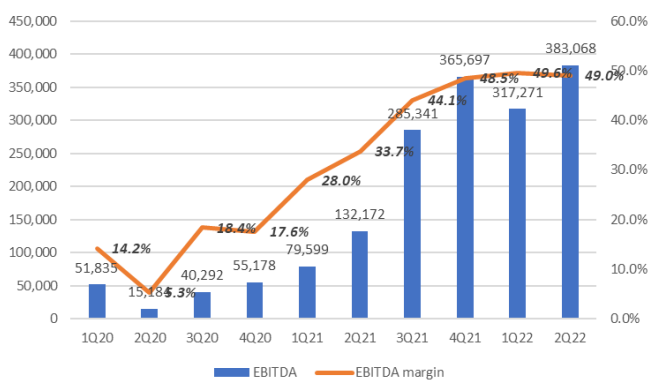


Exhibit 3. EBITDA and EBITDA margin

Source: Companies, KB Valbury Securities

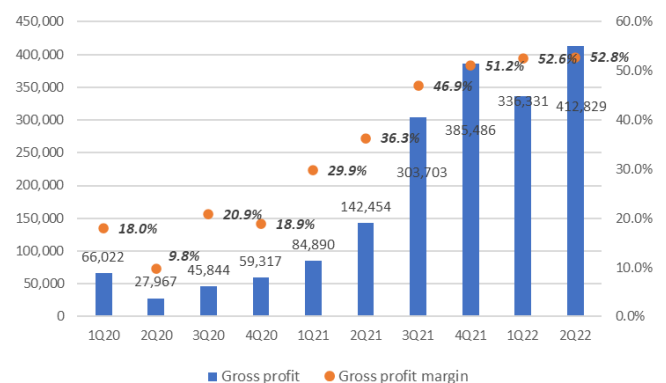


Exhibit 4. Gross profit and gross profit margin

Source: Companies, KB Valbury Securities

# Indo Tambangraya Megah (ITMG)

## FINANCIAL TABLES

### CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Year End Dec (Rp bn)	2020A	2021A	2022F	2023F	2024F
<b>Revenue</b>	<b>1,185</b>	<b>2,077</b>	<b>2,706</b>	<b>2,346</b>	<b>2,105</b>
Cost of revenue	(986)	(1,160)	(1,285)	(1,316)	(1,357)
<b>Gross profit</b>	<b>199</b>	<b>917</b>	<b>1,421</b>	<b>1,031</b>	<b>748</b>
<b>Gross profit margin</b>	<b>16.8%</b>	<b>44.1%</b>	<b>52.5%</b>	<b>43.9%</b>	<b>35.5%</b>
Operating expenses	(95)	(125)	(142)	(143)	(147)
<b>Operating profit</b>	<b>104</b>	<b>791</b>	<b>1,279</b>	<b>888</b>	<b>601</b>
<b>Operating profit margin</b>	<b>8.8%</b>	<b>38.1%</b>	<b>47.2%</b>	<b>37.8%</b>	<b>28.5%</b>
<b>EBITDA</b>	<b>162</b>	<b>863</b>	<b>1,330</b>	<b>937</b>	<b>649</b>
<b>EBITDA margin</b>	<b>13.7%</b>	<b>41.5%</b>	<b>49.2%</b>	<b>39.9%</b>	<b>30.8%</b>
Net. Finance income/ expenses	(31)	(170)	(122)	(117)	(96)
Pretax profit	73	621	1,157	771	505
Income tax	(35)	(146)	(289)	(193)	(126)
<b>After tax profit</b>	<b>39</b>	<b>476</b>	<b>868</b>	<b>578</b>	<b>379</b>
<b>Net profit margin</b>	<b>3.3%</b>	<b>22.9%</b>	<b>32.1%</b>	<b>24.6%</b>	<b>18.0%</b>

Source: Company, KB Valbury Sekuritas

### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Year End Dec (Rp bn)	2020A	2021A	2022F	2023F	2024F
<b>Current assets</b>					
Cash and cash equivalents	231	691	1,225	854	1,205
Trade receivables	75	187	490	1,387	1,420
Inventories	60	62	66	65	70
Other current assets	43	48	56	43	45
<b>Total current assets</b>	<b>410</b>	<b>988</b>	<b>1,836</b>	<b>2,350</b>	<b>2,739</b>
<b>Non-current assets</b>					
Property, plant, and equipment	196	166	157	150	151
Deferred exploration expenditures	169	153	143	136	140
Other non-current assets	384	360	397	373	375
<b>Total non-current assets</b>	<b>749</b>	<b>678</b>	<b>698</b>	<b>659</b>	<b>666</b>
<b>Total assets</b>	<b>1,159</b>	<b>1,666</b>	<b>2,534</b>	<b>3,009</b>	<b>3,405</b>
<b>Current liabilities</b>					
Trade payables	62	85	171	121	179
Taxes payables	3	92	78	74	73
Accrued expenses	96	103	98	96	98
Short term finance liability	28	22	34	23	21
Other current liabilities	18	63	61	59	61
<b>Total current liabilities</b>	<b>207</b>	<b>365</b>	<b>443</b>	<b>374</b>	<b>433</b>
<b>Non-current liabilities</b>					
Lease liabilities	36	30	30	30	29
Other non-current liabilities	69	70	68	67	67
<b>Total non-current liabilities</b>	<b>105</b>	<b>100</b>	<b>98</b>	<b>97</b>	<b>97</b>
<b>Shareholders' equity</b>	<b>846</b>	<b>1,202</b>	<b>1,994</b>	<b>2,537</b>	<b>2,876</b>
<b>Total liabilities and equity</b>	<b>1,159</b>	<b>1,666</b>	<b>2,534</b>	<b>3,009</b>	<b>3,405</b>

Source: Company, KB Valbury Sekuritas

# Indo Tambangraya Megah (ITMG)

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Year End Dec (Rp bn)	2020A	2021A	2022F	2023F	2024F
Net profit	39	476	868	578	379
Depreciation & amortization	59	72	52	49	48
Changes in working capital	88	45	(249)	(941)	22
<b>CF from operating activities</b>	<b>186</b>	<b>592</b>	<b>670</b>	<b>(314)</b>	<b>448</b>
Investment in fixed assets	(18)	(12)	(27)	(26)	(35)
Others					
<b>CF from investing activities</b>	<b>(68)</b>	<b>(1)</b>	<b>(71)</b>	<b>(10)</b>	<b>(56)</b>
Dividends paid	(65)	(107)	(65)	(58)	(38)
Debts raised/repaid	54	(13)	13	(11)	(3)
Others	(31)	(13)	(13)	22	(2)
<b>CF from financing activities</b>	<b>(42)</b>	<b>(132)</b>	<b>(65)</b>	<b>(47)</b>	<b>(42)</b>
<b>Free cash flows</b>	<b>76</b>	<b>460</b>	<b>534</b>	<b>(371)</b>	<b>350</b>
<b>Cash and cash equivalents, beginning</b>	<b>155</b>	<b>231</b>	<b>691</b>	<b>1,225</b>	<b>854</b>
<b>Cash and cash equivalents, ending</b>	<b>231</b>	<b>691</b>	<b>1,225</b>	<b>854</b>	<b>1,205</b>

Source: Company, KB Valbury Sekuritas

## RATIO ANALYSIS

Year End Dec	2020A	2021A	2022F	2023F	2024F
Gross profit margin	16.8%	44.1%	52.5%	43.9%	35.5%
Operating profit margin	8.8%	38.1%	47.2%	37.8%	28.5%
EBITDA margin	13.7%	41.5%	49.2%	39.9%	30.8%
Net profit margin	3.3%	22.9%	32.1%	24.6%	18.0%
Receivables turnover (x)	1.00	1.47	8.00	2.50	1.50
Inventory turnover (x)	12.1	18.9	20.0	20.0	20.0
Payable turnover (x)	3.7	3.9	10.0	9.0	9.0
ROAA	3.3%	33.7%	41.3%	20.9%	11.8%
ROAE	4.5%	46.1%	54.0%	25.4%	13.9%
ROIC	5.8%	84.5%	104.1%	33.3%	22.0%
Debt/ Equity	0.1	0.0	0.0	0.0	0.0
Net debt/Equity (x)	(0.2)	(0.5)	(0.6)	(0.3)	(0.4)
Net debt/ EBITDA (x)	(1.0)	(0.7)	(0.9)	(0.9)	(1.8)
Sales/asset turnover (x)	1.02	1.25	1.07	0.78	0.62
Dividend per share (USDc)	5.9	9.7	5.9	5.3	3.5
EPS (USDc)	3.6	43.4	79.1	52.7	34.5

Source: Company, KB Valbury Sekuritas

## Indo Tambangraya Megah (ITMG)

## Disclaimer

This report is prepared by PT KB Valbury Sekuritas, a member of the Indonesia Stock Exchange, or its subsidiaries or its affiliates ("KBVS"). All the material presented in this report is under copyright to KBVS. None of the parts of this material, nor its contents, may be copied, photocopied, or duplicated in any form or by any means or altered in any way, or transmitted to, or distributed to any other party without the prior written consent of KBVS.

The research presented in this report is based on the information obtained by KBVS from sources believed to be reliable, however KBVS do not make representations as to their accuracy, completeness or correctness. KBVS accepts no liability for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from the use of the material presented in this report and further communication given or relied in relation to this document. The material in this report is not to be construed as an offer or a solicitation of an offer to buy or sell any securities or financial products. This report is not to be relied upon in substitution for the exercise of independent judgement. Past performance and no representation or warranty, express or implied, is made regarding future performance. Information, valuations, opinions, forecasts and estimates contained in this report reflects a judgement at its original date of publication by KBVS and are subject to change without notice, its accuracy is not guaranteed or it may be incomplete.

The Research Analyst(s) primarily responsible for the content of this research report, in part or as a whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The Analyst also certifies that no part of his/her compensation was, is or will be related to specific recommendation views expressed in this report. It also certifies that the views and recommendations expressed in this report do not and will not take into account client circumstances, objectives, needs and no intentions involved as a use for recommendations for sale or buy any securities or financial instruments.

## KB Valbury Sekuritas

## Headquarters

Menara Karya, 9th Floor  
Jl. H.R. Rasuna Said Blok X-5 Kav 1-2  
Jakarta 12950, Indonesia  
T +62 21 255 33 600  
F +62 21 255 33 778

## Branch Office

**Jakarta - Kelapa Gading**  
Rukan Plaza Pasifik  
Jl. Raya Boulevard Barat Blok A1 No. 10  
Jakarta 11620  
T +62 21 - 29451577

**Jakarta - Puri Indah**  
Rukan Grand Aries Niaga  
Blok E.1 No. 1 V Jl. Taman Aries, Kembangan,  
Jakarta 14450  
T +62 21 - 22542390  
F +62 21 - 29264310

**Jakarta - Pluit**  
Jl. Pluit Putra Raya No. 2  
Jakarta 14240  
T +62 21 - 29264300  
F +62 21 - 22542391

**Bandung**  
Jl. HOS Cokroaminoto No. 82  
Bandung 40171  
T +62 22 - 87255888  
T +62 22 - 87255800  
F +62 22 - 87255811

**Semarang**  
Candi Plaza Building Lt. Dasar  
Jl. Sultan Agung No. 90-90A  
Semarang 50252  
T +62 24 - 3521888  
T +62 24 - 8501122  
F +62 24 - 8507450

**Yogyakarta**  
Jl. Magelang KM 5.5 no. 75  
Yogyakarta 55284  
T +62 274 - 4469500  
T +62 274 - 6231111  
F +62 274 - 6232222

## Galeri Investasi

**Padang**  
Jl. Kampung Nias II no. 10,  
Kel. Belakang Pondok,  
Kec. Padang Selatan  
T +62 751 8955747

**Manado**  
Kawasan Megamas, Ruko Megaprofit  
Blok IF2 No. 38 Manado. 95254  
T +62 431 7917 836  
F +62 431 880 2129

**Surabaya**  
Pakuwon Center Tunjungan Plaza Lantai 21  
Jl. Embong Malang No.1  
Surabaya 60261  
T +62 31 - 29557777  
T +62 31 - 29557888  
F +62 31 - 2955716

**Denpasar**  
Komplek Ibis Styles Hotel  
Jl. Teuku Umar No. 177  
Denpasar Bali 80114  
T +62 361 - 2558888  
T +62 361 - 225229  
F +62 361 - 225339

**Banjarmasin**  
Jl. Gatot Subroto No.33 Kel. Kebun Bunga  
Kec. Banjarmasin Timur  
Kalimantan Selatan 70235  
T +62 511 - 3265918  
F +62 511 - 3253432

**Solo**  
Jl. Ronggo Warsito no. 34  
Solo 57118  
T +62 271 632888  
F +62 271 656988

**Makassar**  
Ratulangi Points Lt. 3  
Jl. Dr Sam Ratulangi No. 2 Kunjungmae, Mariso  
Makassar, Sulawesi Selatan 90125  
T +62 411 8955999

**Malang**  
Jl. Pahlawan Trip no. 7  
Malang 65112  
T +62 341 - 585888  
F +62 341 - 560056

**Solo**  
Jl. Ronggowarsito No. 34  
Surakarta 57118  
T +62 271 - 632888

**Palembang**  
Komp. PTC Mall Blok I No. 7 J. R. Sukanto Kel. 8 Ilir  
Kec. Ilir Timur II Palembang 30114  
T 07115700281

**Medan**  
Komplek Jati Junction No. PS-5A  
Jl. Perintis Kemerdekaan  
Medan 20218  
T +62 61 - 88816222  
F 62 61 - 88816333

**Pekanbaru**  
Jl. Tuanku Tambusai  
Komplek CNN Blok A No.3 Pekanbaru 28291  
T +62 761 - 839393  
Galeri Investasi

**Padang**  
Jl. Kampung Nias II no. 10,  
Kel. Belakang Pondok,  
Kec. Padang Selatan  
T +62 751 8955747

**Manado**  
Kawasan Megamas, Ruko Megaprofit  
Blok IF2 No. 38 Manado. 95254  
T +62 431 7917 836  
F +62 431 880 2129

**Solo**  
Jl. Ronggowarsito No. 34  
Surakarta 57118  
T +62 271 - 632888

**Palembang**  
Komp. PTC Mall Blok I No. 7 J. R. Sukanto Kel. 8 Ilir  
Kec. Ilir Timur II Palembang 30114  
T 07115700281

## Galeri Investasi BEI - KBVS

Yogyakarta  
Universitas Kristen Duta Wacana  
T +62 274 - 544032

Manado  
Universitas Prisma Manado  
T 0431 8800850

Jakarta  
Universitas Gunadarma  
T +62 21 - 8727541