

PT Bukit Asam (PTBA)

Enjoying the ride

31 August 2022



PTBA IJ	BUY
Sector	Coal Mining
Price at 30 Aug 2022 (Rp)	4,340
Price target (Rp)	4,950
Upside/Downside (%)	15.5

Stock Information

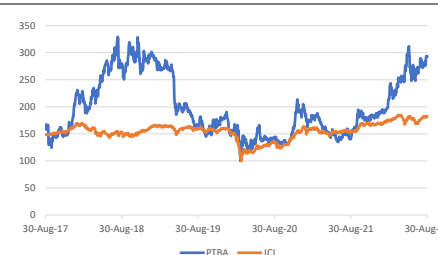
PT Bukit Asam is an Indonesian coal company which has a very long history in the national coal industry. The Company's core coal mining business is supported by the development of other businesses in power generation, logistic, coal beneficiation, investment and others.

Market cap (Rp bn)	50,084
Shares outstanding (mn)	11,268
52-week range (Rp)	2,320-4,630
3M average daily vol. ('000)	51,940
3M average daily val. (Rp mn)	214,123

Shareholders (%)

Inalum	65.9
Public	33.8

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	(0.9)	(4.2)	105.7

- PTBA's 1H22 net profit jumped 246.1% YoY to Rp6.16tn (+70.6% QoQ in 2Q22)
- We expect net revenue growth of 37% YoY, EBITDA margin of c. 40% in 2022
- We reiterate our "BUY" call with 16% upside potential on a 12-month view on strong ASP

In line with expectation

PTBA's net profit skyrocketed 246.1% YoY in 1H22 (70.6% QoQ in 2Q22) to Rp6.16tn, representing 53% of our FY estimate. The impressive bottom line was mainly propped up by increased revenue +79.0% YoY (24.5% QoQ in 2Q22). Despite higher COGS by 49.3% YoY (+11.9% QoQ in 2Q22) due to mining services and royalties, GPM expanded from 34.5% in 1H21 to 45.3% in 1H22. On the other side, PTBA also managed to reduce its operating expenses by 5.1% YoY thanks to lower selling expenses. This also helped EBITDA margin to elevate from 27.3% in 1H21 to 41.6% in 1H22. PTBA also booked a share in net profit of associates/ JV of Rp489bn in 1H22, compared to loss of Rp14.4bn previous year. The company maintains its robust balance sheet with net cash.

Bolstered by strong ASP

PTBA's stellar performance was mostly propped up by higher ASP by 58.1% YoY to Rp1.25mn/MT (+15.2% QoQ to Rp1.33mn/MT). Furthermore, the company's sales volume also escalated 13.2% YoY to 15mn MT (8.6% QoQ in 2Q22), yet it only accounts for 39.5% of our FY projection. During high coal price, the company has boosted export volume proportion to 35% in 1H22 (38% in 2Q22) with India made up 18% of its deliveries. Production volume grew 19.5% YoY (52.4% QoQ in 2Q22) to 15.9mn MT in 1H22. Meanwhile, the company's cash cost increased by 27.1% YoY to Rp737K/MT (+4.0% QoQ), or remained controllable in our view. Stripping ratio increased to 5.6x in 1H22 mainly in Banko area, yet lower QoQ from 6.3x in 1Q22 to 5.2x in 2Q22.

In a bid to maintain robust performance

We expect PTBA's revenue and net profit of Rp40.1tn and Rp11.8tn in 2022, respectively as we estimate ASP to be at Rp1,100K/MT or c. 8% YoY. This will bring EBITDA margin to be c. 40% in 2022. Despite higher HBA MoM at USD321.6/MT, we estimate coal price increase is likely to plateau, as China has started to ramp up coal production by 18.7% MoM in August. In addition, China's recovery slow down coupled with aggressive monetary tightening in most developed countries will continue to hamper price increase. However, we also note that coal demands will tend to increase in 2H22 as northern hemisphere countries tend to pile up entering winter season followed by cuts in gas supply from Russia. Meanwhile, we view that higher royalties are insignificant to its bottom line, especially during strong coal price. Furthermore, we are still bullish with PTBA's DME project over the long run. We are waiting for clarity over BLU scheme, although in the surface, it may benefit coal producers with higher domestic sales portion.

Reiterate BUY on the back of high ASP amid strong demand

We maintain our BUY call with a DCF-based price target of Rp4,950/share. The stock is currently traded at a 2022F PER of 4.8x and EV/EBITDA of 3.6x. We highlight several paramount catalysts including 1) strong demand for LCV; 2) expansions to coal gasification project and Mine Mouth PLTU Sumsel 8; and 3) solid balance sheet with net cash position. Nevertheless, we note several downside risks to our recommendation, namely 1) flattish demand from China due to its recovery slow down; 2) impending FFR hikes; 3) global transition to renewable energy and 4) change in government policies.

Key Statistics

Year end Dec	2020A	2021A	2022F	2023F	2024F
Revenue (Rp bn)	17,325	29,261	40,115	35,607	30,795
Gross profit (Rp bn)	4,566	13,484	19,690	11,081	8,751
EBITDA (Rp bn)	3,452	11,107	15,949	7,882	6,118
EBITDA margin	19.9%	38.0%	39.8%	22.1%	19.9%
Net profit (Rp bn)	2,387	7,909	11,617	5,692	4,355
Net profit margin	13.8%	27.0%	29.0%	16.0%	14.1%
EPS	211.8	701.9	1,031.0	505.2	386.5
ROAA	9.5%	26.3%	29.9%	13.3%	9.7%
ROAE	13.5%	38.4%	44.3%	19.5%	14.1%
EV/EBITDA (x)	15.5	4.8	3.6	7.5	10.1
PER (x)	23.3	7.0	4.8	9.8	12.8
PBV (x)	3.3	2.3	2.0	1.8	1.8

Analyst

Devi Harjoto

PT Bukit Asam (PTBA)

PTBA's Financial Overview

Consolidated Statements of Profit or Loss (Rp bn)	1H21	1H22	YoY Change	1Q22	2Q22	QoQ Change
Revenue	10,291	18,423	79.0%	8,205	10,218	24.5%
Cost of revenue	(6,745)	(10,071)	49.3%	(4,754)	(5,317)	11.9%
Gross profit	3,547	8,352	135.5%	3,451	4,901	42.0%
Gross profit margin (%)	34.5%	45.3%		42.1%	48.0%	
Operating expenses	(1,222)	(1,160)	(5.1%)	(586)	(574)	(2.1%)
Operating profit	2,325	7,192	209.3%	2,865	4,327	51.0%
Operating profit margin	22.6%	39.0%		34.9%	42.3%	
EBITDA	2,812	7,668	172.7%	3,153	4,516	43.2%
EBITDA margin	27.3%	41.6%		38.4%	44.2%	
Net. Finance income/ cost	33	633	1814.4%	158	475	201.2%
Profit before tax	2,358	7,825	231.9%	3,023	4,802	58.9%
Income tax expenses	(549)	(1,549)	182.1%	(722)	(827)	14.5%
Net profit	1,779	6,157	246.1%	2,275	3,881	70.6%
Net profit margin	17.3%	33.4%		27.7%	38.0%	

Source: Company, KB Valbury Sekuritas

PTBA's ASP surges in 1H22 while sales volume down in line with declined production

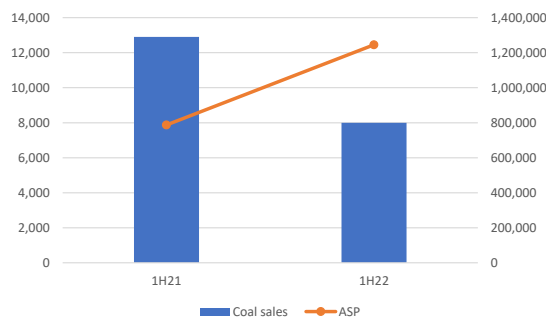


Exhibit 1. Sales volume and ASP

Source: Companies, KB Valbury Securities

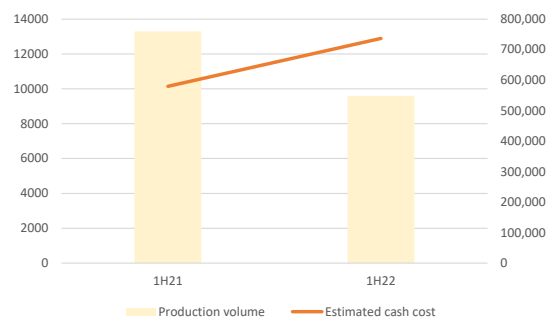


Exhibit 2. Production volume and est. cash cost

Source: Companies, KB Valbury Securities

PTBA's EBITDA margin goes up

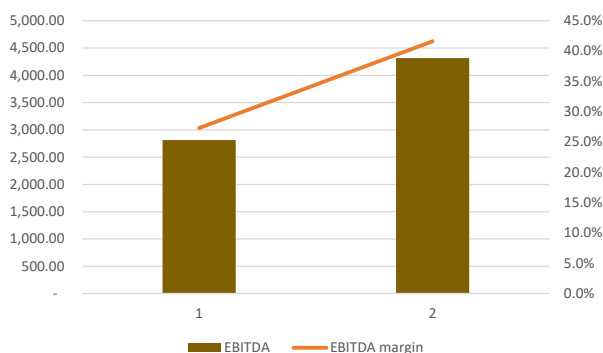


Exhibit 3. EBITDA and EBITDA margin

Source: Companies, KB Valbury Securities

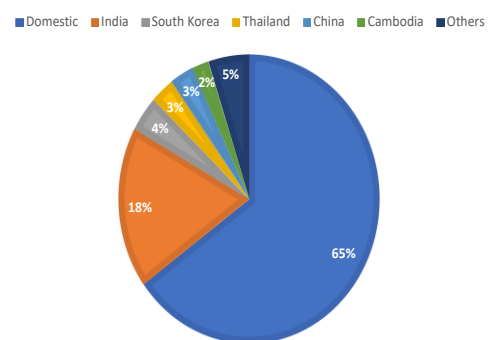


Exhibit 4. The company's destinations of sales in 1H22

Source: Companies, KB Valbury Securities

PT Bukit Asam (PTBA)

FINANCIAL TABLES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Year End Dec (Rp bn)	2020A	2021A	2022F	2023F	2024F
Revenue	17,325	29,261	40,115	35,607	30,795
Cost of revenue	(12,759)	(15,777)	(20,425)	(24,526)	(22,044)
Gross profit	4,566	13,484	19,690	11,081	8,751
Gross profit margin	26.4%	46.1%	49.1%	31.1%	28.4%
Operating expenses	(2,046)	(3,525)	(4,612)	(4,122)	(3,572)
Operating profit	2,520	9,959	15,078	6,959	5,179
Operating profit margin	14.5%	34.0%	37.6%	19.5%	16.8%
EBITDA	3,452	11,107	15,949	7,882	6,118
EBITDA margin	19.9%	38.0%	39.8%	22.1%	19.9%
Net. Finance income/ expenses	711	400	663	754	722
Pretax profit	3,232	10,359	15,741	7,713	5,901
Income tax	(824)	(2,322)	(3,935)	(1,928)	(1,475)
After tax profit	2,408	8,037	11,806	5,785	4,426
Net profit margin	13.8%	27.0%	29.0%	16.0%	14.1%

Source: Company, KB Valbury Sekuritas

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Year End Dec (Rp bn)	2020A	2021A	2022F	2023F	2024F
Current assets					
Cash and cash equivalents	4,341	4,394	8,253	10,058	12,883
Trade receivables	1,579	3,100	4,194	3,719	1,880
Inventories	805	1,208	2,197	2,263	1,411
Other current assets	1,639	9,510	7,358	7,695	8,408
Total current assets	8,364	18,212	22,002	23,735	24,583
Non-current assets					
Fixed assets	7,864	8,321	8,571	8,742	8,917
Investment in JV	3,926	5,174	5,899	6,253	6,878
Mining properties	1,831	2,099	2,519	2,393	2,513
Other non-current assets	2,072	2,317	2,710	2,886	2,701
Total non-current assets	15,692	17,912	19,699	20,274	21,009
Total assets	24,057	36,124	41,701	44,010	45,592
Current liabilities					
Trade payables	697	1,270	2,432	2,460	2,119
Taxes payables	217	1,555	1,011	1,061	1,114
Accrued expenses	1,371	1,856	2,412	2,485	2,609
Short term finance liability	532	421	450	459	468
Other current liabilities	1,055	2,399	2,217	2,283	2,389
Total current liabilities	3,872	7,501	8,522	8,748	8,698
Non-current liabilities					
Lease liabilities	400	626	936	880	837
Other non-current liabilities	2,845	3,743	4,048	4,222	4,406
Total non-current liabilities	3,245	4,369	4,985	5,103	5,243
Shareholders' equity	16,763	24,060	27,914	29,860	31,337
Total liabilities and equity	24,057	36,124	41,701	44,010	45,592

Source: Company, KB Valbury Sekuritas

PT Bukit Asam (PTBA)

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year End Dec (USD mn)	2020A	2021A	2022F	2023F	2024F
Net profit	2,387	7,909	11,617	5,692	4,355
Depreciation & amortization	1,018	1,217	1,213	1,248	1,271
Changes in working capital	1,871	(6,054)	1,061	289	1,919
CF from operating activities	5,276	3,071	13,892	7,229	7,545
Investment in fixed assets	(1,539)	(1,568)	(1,348)	(1,297)	(1,323)
Mining properties	0	(374)	(535)	3	(242)
Investment in JV	(1,012)	(1,248)	(724)	(354)	(625)
Others	258	(245)	(392)	(176)	185
CF from investing activities	(2,292)	(3,436)	(3,000)	(1,824)	(2,005)
Dividends paid	(3,651)	(835)	(7,909)	(3,700)	(2,831)
Debts raised/repaid	301	115	339	(47)	(35)
Others	(49)	1,139	537	147	152
CF from financing activities	(3,399)	418	(7,033)	(3,600)	(2,714)
Free cash flows	(416)	53	3,859	1,805	2,825
Cash and cash equivalents, beginning	4,757	4,341	4,394	8,253	10,058
Cash and cash equivalents, ending	4,341	4,394	8,253	10,058	12,883

Source: Company, KB Valbury Sekuritas

RATIO ANALYSIS

Year End Dec	2020A	2021A	2022F	2023F	2024F
Gross profit margin	26.4%	46.1%	49.1%	31.1%	28.4%
Operating profit margin	14.5%	34.0%	37.6%	19.5%	16.8%
EBITDA margin	19.9%	38.0%	39.8%	22.1%	19.9%
Net profit margin	13.8%	27.0%	29.0%	16.0%	14.1%
Receivables turnover (x)	8.53	12.51	11.00	9.00	11.00
Inventory turnover (x)	11.7	15.7	12.0	11.0	12.0
ROAA	9.5%	26.3%	29.9%	13.3%	9.7%
ROAE	13.5%	38.4%	44.3%	19.5%	14.1%
ROIC	17.64%	37.83%	54.47%	26.55%	21.70%
Debt/ Equity (x)	0.1	0.0	0.0	0.0	0.0
Net debt/Equity (x)	(0.2)	(0.1)	(0.2)	(0.3)	(0.4)
Net debt/ EBITDA (x)	(1.0)	(0.3)	(0.4)	(1.1)	(1.9)
Sales/asset turnover (x)	0.7	1.0	1.0	0.8	0.7
Dividend per share (Rp)	324.0	74.1	701.9	328.4	251.2
EPS (Rp)	211.8	701.9	1,031.0	505.2	386.5

Source: Company, KB Valbury Sekuritas

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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