

Expect higher profit in 2H24

15 August 2024



<b>PTBA IJ</b>	<b>BUY</b>
Sector	Coal
Price at 14 Aug 2024 (IDR)	2,720
Price target (IDR)	3,080
Upside/Downside (%)	13.2

**Stock Information**

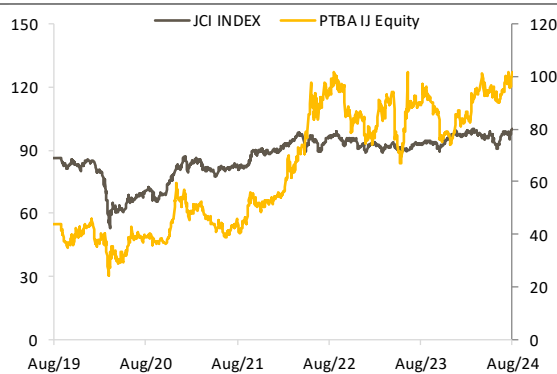
PT Bukit Asam Tbk provides coal mining company. The Company offers general surveying, exploration, exploitation, production, transportation, and marketing of coal. Bukit Asam serves customers in Indonesia.

Market cap (IDR bn)	31,336
Shares outstanding (mn)	11,521
52-week range (IDR)	2300 - 3160
3M average daily vol. ('000)	14,890
3M average daily val. (IDR mn)	39,185

**Shareholders (%)**

MIND ID	65.9
Public (less than 5%)	34.1

**Stock Performance**



Source: Bloomberg

	<b>1M</b>	<b>3M</b>	<b>12M</b>
Performance	6.3	(7.9)	(3.9)

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PTBA reported a net profit of IDR 2.03 tn in 1H24, below consensus but above our expectations, despite a 15% revenue increase in 2Q24 due to lower coal ASP and reduced associate income. The recent rise in Newcastle coal prices is unlikely to significantly impact ASP in 3Q24, though a slight rebound is possible in 4Q24 due to seasonal energy demand. We upgrade our call to BUY, on the back of higher FY24 net profit forecast to IDR 4.3 tn and a higher long-term Newcastle coal price assumption of USD100/tonne in 2028 (previously USD 90/ tonne).

**1H24 Result below with consensus but above our expectation**

PTBA booked IDR1.24 tn of net profit in 2Q24 (-23% yoy;+57% qoq), this resulted 1H24 net profit of IDR2.03 tn in 1H24 (-26.8% yoy). Despite higher revenue by 15% in 2Q24 on the back of higher sales volume by 20.6% from ample inventory, PTBA still recorded lower profit by 23% mainly due to lower coal ASP by 4.3% in 2Q24 as well as declined on income from associates by 72.6%. This resulted in 1H24 net profit still below with consensus (40.3% of FY24) and higher than our expectation (64.2% of ours for FY24).

**The recent spike in Newcastle coal prices is unlikely to raise ASP in 3Q24 significantly qoq**

The increase in Newcastle coal price, driven by decline in Russian exports and higher gas price in EU, is not expected to heavily impact ICI 3 and ICI 4 coal prices. This is due to relatively stable demand from China and India, coupled with ample supply during the summer months. However, ICI 3 and ICI 4 may experience a slight rebound in 4Q24 as energy demand rises during the winter season. As of Jun'24, Wood Mackenzie expects 8 Mt of thermal coal surplus for 2024.

**Expect higher profit in 2H24**

Given our expectations of a slightly higher ICI 3 & ICI 4 price in 2H24 and increased sales volume from the export market hauling initiative that began in May'24, which is expected to reach full capacity in 3Q24 and potentially add 0.6 Mt of sales volume next quarter, and a potential reduction in cash costs in the coming quarters due to the depletion of older, higher-cost inventory, the outlook appears promising. We anticipate PTBA could post higher profits in 2H24. Coupled with better-than-expected results in 1H24, we are raising our net profit forecast to IDR 4.3 tn for FY24 (previously IDR 3.16 tn).

**Upgrade BUY with TP of IDR3,080**

Following on the upward earnings revision, we upgrade our call to BUY on based on the DCF based method with TP of IDR3,080 (previously IDR 2,670) our assumption of 11.8% WACC and -5% LTG, our TP is implied to 4.3x '24F EV/EBITDA. Risk on our call are 1) higher than expected ICI 3 and ICI 4 price, 2) higher than expected coal delivery, and 3) lower than expected inventory cost.

**Exhibit 1 : Key Statistics**

Year end Dec (IDR bn)	2023	2024F	2025F	2026F
Revenue	38,489	40,421	40,575	41,996
Net Income	6,106	4,328	3,657	4,511
EPS (IDR)	530	376	317	392
P/E	5.1	7.2	8.6	6.9
EV/EBITDA	3.5	3.8	4.9	4.0
P/BV	1.5	1.5	1.5	1.4
ROE	28.3	20.2	17.0	19.5
Dividend Yield (%)	40.1	14.6	10.4	8.8
Net gearing (%)	(13.5)	(8.1)	(6.1)	0.0

Source: Company, KBVS Research

## Exhibit 2: Financial Summary

(Rp bn)	1H24	1H23	YoY (%)	2Q24	2Q23	YoY (%)	QoQ (%)
<b>Revenue</b>	<b>19,643</b>	<b>18,859</b>	<b>4.2%</b>	<b>10,233</b>	<b>8,901</b>	<b>15.0%</b>	<b>8.8%</b>
COGS	(16,239)	(14,760)	10.0%	(8,249)	(6,860)	20.2%	3.2%
<b>Gross Profit</b>	<b>3,404</b>	<b>4,099</b>	<b>-17.0%</b>	<b>1,984</b>	<b>2,041</b>	<b>-2.8%</b>	<b>39.8%</b>
G&A	(929)	(976)	-4.8%	(452)	(467)	-3.1%	-5.2%
Selling	(365)	(376)	-3.1%	(185)	(187)	-0.8%	3.0%
<b>EBIT</b>	<b>2,110</b>	<b>2,747</b>	<b>-23.2%</b>	<b>1,347</b>	<b>1,388</b>	<b>-2.9%</b>	<b>76.6%</b>
<b>EBITDA</b>	<b>2,792</b>	<b>3,382</b>	<b>-17.4%</b>	<b>1,631</b>	<b>1,656</b>	<b>-1.5%</b>	<b>40.5%</b>
Other income (expense)	408	269	51.4%	222	309	-28.0%	19.8%
Finance income	119	409	-70.8%	54	223	-75.9%	-17.8%
Finance costs	(114)	(111)	2.9%	(62)	(65)	-4.7%	18.8%
Income from associates	182	327	-44.4%	73	266	-72.6%	-33.1%
<b>PBT</b>	<b>2,704</b>	<b>3,642</b>	<b>-25.7%</b>	<b>1,634</b>	<b>2,121</b>	<b>-23.0%</b>	<b>52.6%</b>
Income tax expense	(650)	(756)	-14.1%	(382)	(422)	-9.3%	42.8%
minority interest	(22)	(110)	-80.4%	(10)	(86)	-88.8%	-18.3%
<b>PATMI</b>	<b>2,033</b>	<b>2,776</b>	<b>-26.8%</b>	<b>1,242</b>	<b>1,613</b>	<b>-23.0%</b>	<b>57.0%</b>
Gross Margin	17%	22%		19%	23%		
EBITDA Margin	14%	18%		16%	19%		
Net Margin	10%	15%		12%	18%		
Sales Volume (mn tons)	20.1	17.4	15.5%	10.4	8.6	20.9%	8.3%
ASP (IDR mn/ton)	1.0	1.1	-9.1%	1.04	1.08	-3.6%	8.2%
Cash cost (IDR m/ton)	0.844	0.894	-5.6%	0.824	0.8	3.0%	-5.0%

Source: Company, Bloomberg, KBVS Research

## Exhibit 3: PTBA's Valuation Summary

PT Bukit Asam (PTBA)	2024F	2025F	2026F	2027F	2028F
<b>IDR bn</b>					
Net Profit	4,328	3,657	4,511	8,547	5,135
Depreciation	2,565	1,800	1,863	2,177	1,992
Reinvested Capital	(2,945)	(2,114)	(2,230)	(3,278)	(1,869)
Working Capital	(95)	(114)	(160)	(859)	345
Capex	(2,850)	(2,000)	(2,070)	(2,418)	(2,214)
FCFF	3,948	3,343	4,144	7,446	5,259
PV FCFF	3,531	2,674	2,965	4,764	3,010
<b>PV Terminal value</b>	<b>17,009</b>				
<b>Net Debt</b>	<b>-1,740</b>				
<b>Equity Value</b>	<b>35,692</b>				
<b>Minority Interest</b>	<b>217</b>				
<b>Target 12 M</b>	<b>3,079</b>				
<b>Rounded (IDR/ Share)</b>	<b>3,080</b>				

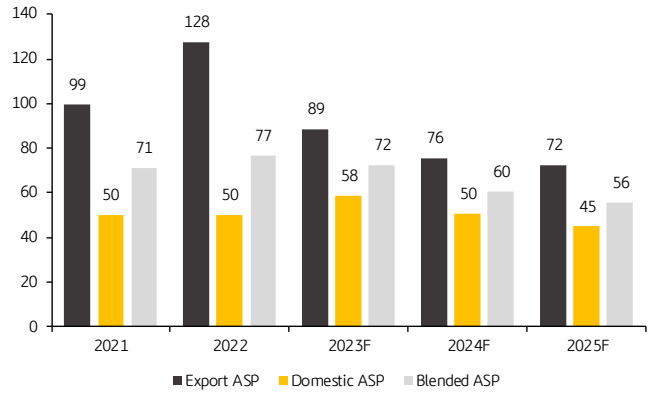
Source: KBVS Research

Exhibit 4: PTBA's Sales Volume (Mt)



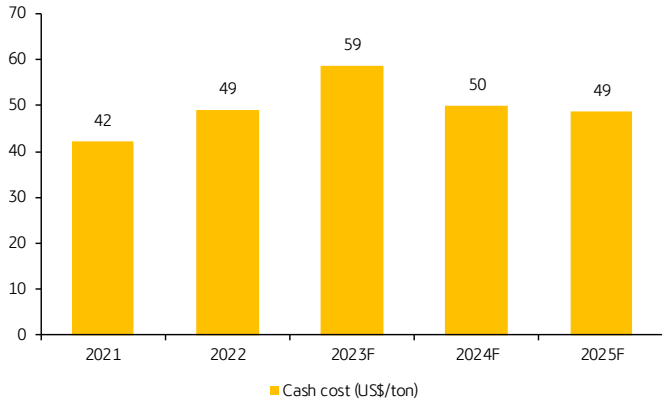
Source: Company, KBVS Research

Exhibit 5: PTBA's ASP (USD/ tonne)



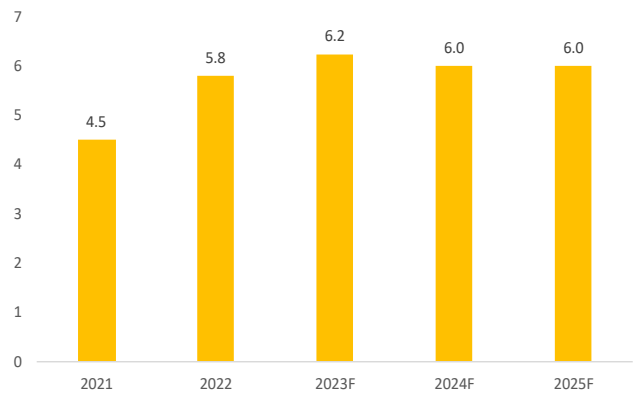
Source: Company, KBVS Research

Exhibit 6: PTBA Cash Cost (USD/tonne)



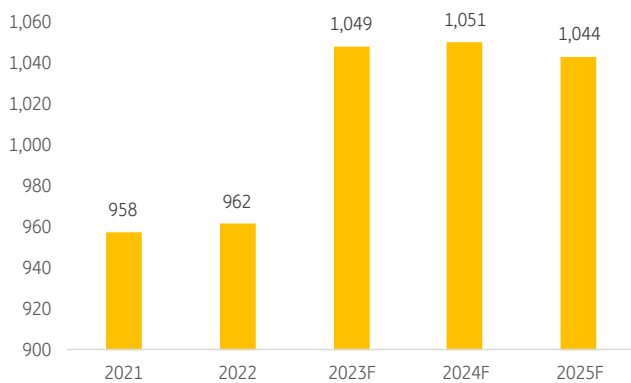
Source: Company, KBVS Research

Exhibit 7: PTBA's Stripping Ratio (x)



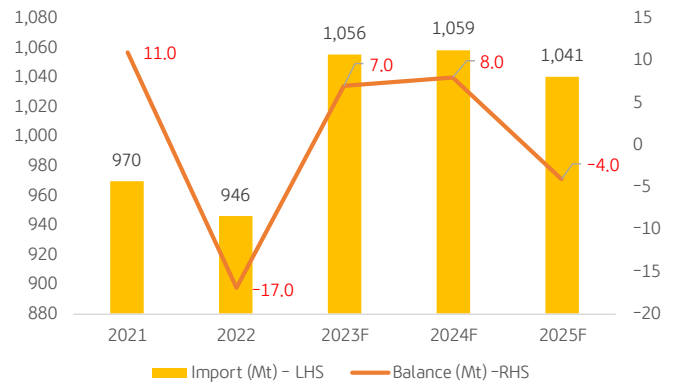
Source: Company, KBVS Research

Exhibit 8: Thermal Coal Export (Mt)



Source: Wood Mackinze, KBVS Research

Exhibit 9: Thermal Coal Coal Import & Market Balance



Source: Wood Mackinze, KBVS Research

Exhibit 10: Profit & Loss summary

Profit & Loss (Rp bn)	2022	2023	2024F	2025F	2026F
<b>Revenue</b>	<b>42,649</b>	<b>38,489</b>	<b>40,421</b>	<b>40,575</b>	<b>41,996</b>
Cost of revenue	(24,682)	(29,332)	(33,225)	(34,176)	(34,419)
<b>Gross profit</b>	<b>17,966</b>	<b>9,157</b>	<b>7,196</b>	<b>6,399</b>	<b>7,577</b>
Selling expenses	(431)	(18)	(18)	(19)	(19)
G&A expenses	(2,390)	(1,937)	(1,975)	(2,015)	(2,055)
<b>Operating profit</b>	<b>15,145</b>	<b>7,203</b>	<b>5,202</b>	<b>4,365</b>	<b>5,503</b>
<b>EBITDA</b>	<b>16,412</b>	<b>8,415</b>	<b>7,767</b>	<b>6,165</b>	<b>7,366</b>
Other op. income/exp	0	0	0	0	0
Finance income	428	584	209	164	140
Finance expense	(200)	(204)	(99)	(99)	(99)
Inc/loss from assoc.	829	571	350	354	357
<b>Pre-tax profit</b>	<b>16,202</b>	<b>8,154</b>	<b>5,662</b>	<b>4,784</b>	<b>5,901</b>
Tax expense	(3,423)	(1,862)	(1,246)	(1,052)	(1,298)
Minority interest	(212)	(187)	(88)	(75)	(92)
<b>Net profit</b>	<b>12,568</b>	<b>6,106</b>	<b>4,328</b>	<b>3,657</b>	<b>4,511</b>
EPS (IDR)	1,091	530	376	317	392

Source: Company, KBVS Research

Exhibit 11: Balance sheet

Balance Sheet (Rp bn)	2022	2023	2024F	2025F	2026F
Cash and equivalents	7,030	4,139	2,974	2,547	3,462
Trade receivables	3,510	3,797	3,837	3,852	3,986
Inventories	3,837	5,500	5,817	5,983	6,026
Net- Fixed assets	8,410	8,566	8,851	9,051	9,258
Other assets	(1,860)	1,615	2,987	3,820	3,340
<b>Total Assets</b>	<b>20,927</b>	<b>23,617</b>	<b>24,466</b>	<b>25,253</b>	<b>26,073</b>
Trade payables	2,082	2,344	2,411	2,428	2,555
Short-term debt + CMLTD	592	490	490	490	490
Long-term debt	771	744	744	744	744
Other liabilities	12,999	13,624	14,171	14,582	14,842
<b>Total Liabilities</b>	<b>16,443</b>	<b>17,202</b>	<b>17,815</b>	<b>18,243</b>	<b>18,631</b>
Minority interest	211	129	217	292	384
Paid capital	594	594	594	594	594
Retained earnings	26,293	19,019	18,758	18,819	20,273
Other equities	1,818	1,821	1,834	1,848	1,862
<b>Total Equity</b>	<b>28,916</b>	<b>21,563</b>	<b>21,404</b>	<b>21,553</b>	<b>23,113</b>

Source: Company, KBVS Research

Exhibit 12: Profit & Loss summary

Cash Flow (Rp bn)	2022	2,023	2024F	2025F	2026F
Net income	12,568	6,106	4,328	3,657	4,511
Depreciation & amortization	1,266	1,212	2,565	1,800	1,863
Change in working capital	(554)	5,760	92	80	40
<b>Cash flow from operations</b>	<b>13,280</b>	<b>13,079</b>	<b>6,986</b>	<b>5,536</b>	<b>6,414</b>
Capex	(1,355)	(1,369)	(2,850)	(2,000)	(2,070)
Others	(2,909)	(2,616)	(476)	(513)	(520)
<b>Cash flow from investments</b>	<b>(4,264)</b>	<b>(3,984)</b>	<b>(3,326)</b>	<b>(2,513)</b>	<b>(2,590)</b>
Changes in debt	315	(129)	-	-	-
Changes in equity	466	3	13	14	14
Dividends paid	(7,909)	(12,568)	(4,579)	(3,246)	(2,743)
Others	748	1,087	(259)	(217)	(180)
<b>Cash flow from financing</b>	<b>(6,380)</b>	<b>(11,605)</b>	<b>(4,825)</b>	<b>(3,450)</b>	<b>(2,908)</b>
<b>Net Cash Flow</b>	<b>2,635</b>	<b>(2,511)</b>	<b>(1,165)</b>	<b>(427)</b>	<b>915</b>

Source: Company, KBVS Research

Exhibit 13: Cash flow

Key Ratios (%)	2022	2023	2024F	2025F	2026F
Revenue growth	45.8	(9.8)	5.0	0.4	0.0
EBIT growth	52.1	(52.4)	(27.8)	(16.1)	0.0
EBITDA growth	50.1	(48.7)	(15.6)	(20.6)	0.0
Net profit growth	58.9	(51.4)	(29.1)	(15.5)	0.0
Gross margin	42.1	23.8	17.8	15.8	0.0
EBIT margin	35.5	18.7	12.9	10.8	0.0
EBITDA margin	38.5	21.9	19.2	15.2	0.0
Net margin	29.5	15.9	10.7	9.0	0.0
ROA	34.8	13.5	11.2	9.4	0.0
ROE	43.5	28.3	20.2	17.0	19.5
Net gearing (x)	(0.2)	(0.1)	(0.1)	(0.1)	0.0
Net debt/EBITDA (x)	0.1	0.1	0.2	0.2	0.2
Interest coverage ratio (x)	(75.7)	(35.3)	(52.7)	(44.2)	(55.8)

Source: Company, KBVS Research

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