

# Bukit Asam Tbk (PTBA)

## The Higher Export Volume in 2018

Company Report | Apr 30, 2018

### 1Q18 Performance Overview

PTBA posted the **1Q17 sales of IDR5.7 trillion picking up 26.4% y-y backed by the surge of 61.6% y-y into IDR3.1 trillion in the 1Q18 export sales** Vs. the 1Q17 export sales of IDR1.9 trillion. The domestic ASP inclined by 7.5% y-y and 6.6% y-y respectively. Meanwhile, the slight incline of 10.9% y-y in COGS resulted in **the hike of 44.9% in 1Q18 gross margin Vs. the 1Q17 gross margin of 37.2%** and the soaring surge of 66.6% y-y in the 1Q18 net profit into IDR1.4 trillion.

### Expectancy of Higher Export Volume

PTBA posted the slide of 8.5% y-y into 2.9 million ton in the domestic sales volume and the upswing of 49.0% y-y into 3.4 million tons in the export sales volume. Of note, **it targets the overall 2018 sales volume of 25.88 million tons** whose 53% of the sales volume targets the domestic markets, while the remaining targets the export markets. Based on the composition scheme, **the export volume is estimated to reach 12.2 million tons picking up 39.5%** compared to the 2017 export volume. We oversee that the upswing in the export volume is likely a new source cushioning the impact of DMO scheme.

### Consistent Margin Hike

PTBA posted the significant upswing in the 1Q18 margin. In detail, its gross margin was 45% vs. the 1Q17 gross margin of 37%, while its net margin was 25% vs. the 1Q17 net margin of 19%. The upswing in margin was underpinned by the higher coal prices inextricably contributing to PTBA's upbeat coal prices. We oversee this accomplishment likely furthers in the ahead years **as it plans to increase the export volume of medium to high calories coal to ASEAN countries having new coal-fired power plants.**

### Bukit Asam Tbk | Summary (IDR bn)

	2016/12A	2017/12A	2018/12E	2019/12E
Sales	14,059	19,471	25,071	26,076
<i>Sales growth</i>	2.4%	38.5%	28.8%	4.0%
EBITDA	2,959	6,584	9,064	9,325
Net profit	2,006	4,476	6,159	6,341
EPS (IDR)	871	1,943	2,673	2,752
<i>EPS growth</i>	-1.5%	123.1%	37.6%	3.0%
BVPS (IDR)	4,580	5,989	7,153	8,583
EBITDA margin	21.0%	33.8%	36.2%	35.8%
NPM	14.3%	23.0%	24.6%	24.3%
ROE	20.2%	36.8%	40.7%	35.0%
ROA	11.3%	22.1%	27.0%	23.9%
ROIC	14.6%	37.7%	35.6%	0.0%
P/E	14.4x	6.4x	4.7x	4.5x
P/BV	2.7x	2.1x	1.7x	1.5x
EV/EBITDA	9.3x	4.0x	2.7x	2.6x
DPS (IDR)	265	261	1,457	1,403
<i>Dividend yield</i>	2.1%	2.1%	11.7%	11.2%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

## Buy

<b>Dec 2018 TP (IDR)</b>	<b>3,950</b>
Consensus Price (IDR)	3,675
TP to Consensus Price	+7.5%
vs. Last Price	+17.6%

### Shares data

Last Price (IDR)	3,360
Price date as of	Apr, 25 2018
52 wk range (Hi/Lo)	3,480/1,845
Free float (%)	35.0
Outstanding sh.(mn)	11,521
Market Cap (IDR bn)	36,751
Market Cap (USD mn)	2,641
Avg. Trd Vol - 3M (mn)	33.04
Avg. Trd Val - 3M (bn)	105.88
Foreign Ownership	7.2%

### Mining

#### Coal

Bloomberg

PTBA IJ

Reuters

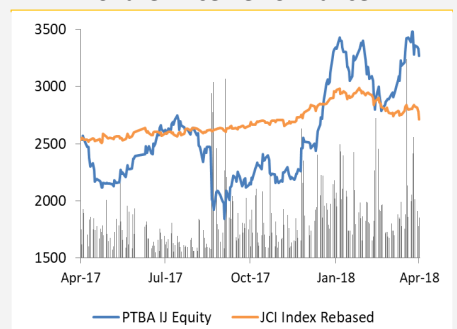
PTBA.JK

### Yuni

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### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	30.8%	13.1%	-2.1%	29.0%
Rel. Ret.	34.9%	15.3%	6.0%	22.0%

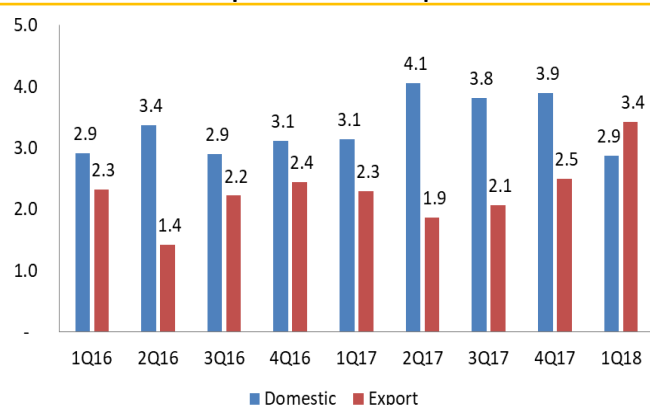
### Target Price of IDR3,950

We maintain Buy recommendation with the target price of IDR3.925 at the end of 2018. We use an estimate of forward P/E of 7.2x (+2SD higher than the two-year average of 5.6x) as the basis of valuation method for obtaining the target price implying a 2018/E P/E of 7.4x (Vs. a 2018/E P/E of 6.3x in the current time)

### A Glance at PTBA

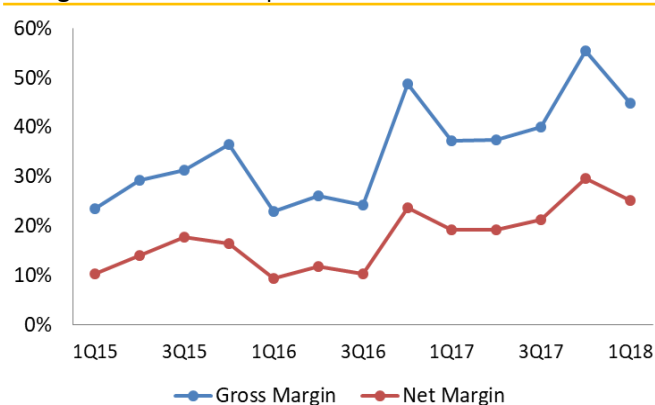
PT Bukit Asam (PTBA) is a state-owned coal miner whose mining concessions are situated in Sumatera and Kalimantan. It has total coal reserves of 11.5 billion tons. On November 29, 2017, the government incorporated a mining holding under PT Asahan Aluminium (Inalum); and on December 14, 2019, it performed the stock split with a ratio of 1:5.

### Coal Sales Volume Export & Domestic | 1Q16–1Q18



Source: Company

### Margin Performances | 1Q15 - 1Q18



Source: Company

### Coal Industry in Asia Pacific

Indonesia is the second biggest coal producer in Asia Pacific, while China positions as the first biggest coal producer in Asia Pacific. Compared to coal miners in Asia regions, PTBA has a relatively small total asset and market capitalization value. However, it has the better fundamental than its peers as its net margin of 23% is the biggest among its peers' net margin. Meanwhile, its P/E valuation is the cheapest among its peers' P/E valuation. On the other side, its yield of 10% is relatively big.

### Asia Pasific Coal Mining Companies

Company	Market Cap	Total Asset	Net Profit	Net Profit	ROE	P/E	P/BV	Dividend
PTBA	2,641	1,618	98.7%	23.0%	38.7%	6.6X	2.2x	10.0%
<b>China</b>								
China Shenhua Energy Co Ltd	62,385	87,848	94.5%	19.2%	15.4%	8.6x	1.3x	14.4%
Yanzhou Coal Mining Co Ltd	9,273	30,325	181.0%	14.9%	16.5%	10.6x	1.5x	0.9%
<b>Thailand</b>								
Banpu Pcl	3,152	8,251	371.1%	8.1%	9.6%	12.5x	1.2x	3.4%
<b>Phillipine</b>								
Semirara Mining & Power Corp	2,906	3,437	16.4%	18.3%	20.5%	10.2x	2.0x	4.2%

Source: Bloomberg, NHKS research

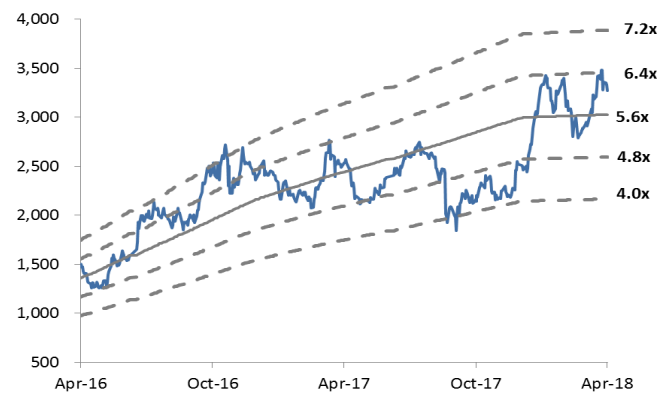
## Multiple Valuation

Forward P/E band | Last 2 years



Source: NHKS research

Dynamic Forward P/E band | Last 2 years



Source: NHKS research

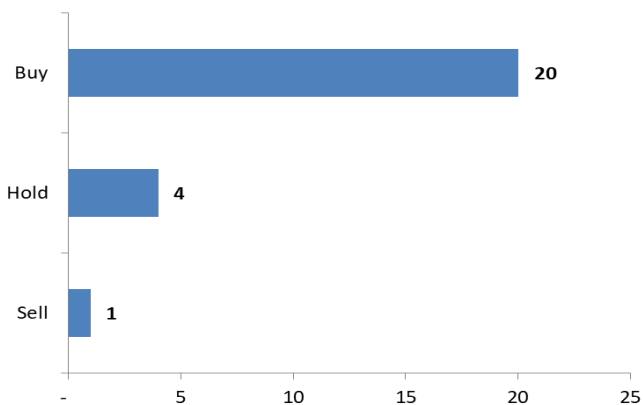
## Rating and target price update

Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
10/25/2017	Buy	3,235 (Dec 2018)	2,360	2,912	+49,8%	+11,1%
04/25/2018	Buy	3,950 (Dec.2018)	3,360	3,675	+17,6%	+7.5%

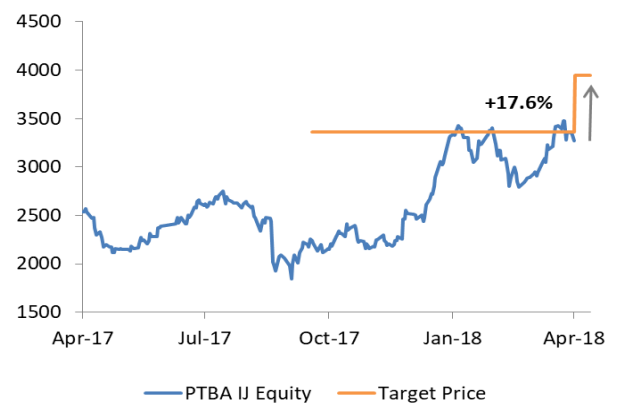
Source: NHKS research, Bloomberg

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKS research

### NH Korindo Sekuritas Indonesia (NHKS) stock ratings

1. Period: End of year target price
2. Rating system based on a stock's absolute return from the date of publication
  - Buy : Greater than +15%

## Summary of Financials

PTBA Summary		
Last Price (IDR)	April 20, 2018	3,360
Target Price (IDR)	Dec 2018	3,950
Analyst: Yuni	Rating:	Buy

### INCOME STATEMENT

in IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Sales	14,059	19,471	25,071	26,076
Growth (% y/y)	2.4%	38.5%	28.8%	4.0%
COGS	(9,657)	(10,965)	(13,840)	(14,600)
Gross Profit	4,401	8,507	11,230	11,476
Gross Margin	31.3%	43.7%	44.8%	44.0%
Operating Expenses	(1,871)	(2,608)	(2,954)	(3,072)
EBIT	2,531	5,899	8,276	8,404
EBIT Margin	18.0%	30.3%	33.0%	32.2%
Depreciation	428	686	788	922
EBITDA	2,959	6,584	9,064	9,325
EBITDA Margin	21.0%	33.8%	36.2%	35.8%
Interest Expenses	(149)	(178)	(94)	(56)
EBT	2,697	6,102	8,604	8,859
Income Tax	(673)	(1,554)	(2,350)	(2,420)
Minority Interest	(18)	(71)	(95)	(98)
Net Profit	2,006	4,476	6,159	6,341
Growth (% y/y)	-1.5%	123.1%	37.6%	3.0%
Net Profit Margin	14.3%	23.0%	24.6%	24.3%

### BALANCE SHEET

in IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Cash	3,675	3,555	5,574	5,955
Receivables	2,285	5,344	3,169	6,366
Inventories	1,102	1,156	1,426	1,298
Other Current Assets	1,288	1,063	820	1,057
Total Current Assets	8,350	11,118	10,989	14,676
Net Fixed Assets	6,361	7,699	9,381	12,354
Other Non Current Assets	3,866	3,171	3,326	2,962
Total Assets	18,577	21,987	23,696	29,992
Payables	539	886	869	1,006
ST Debt	1,618	441	148	183
Other Current Liab.	2,886	3,186	2,624	5,009
LT Debt	751	533	538	664
Other Non Current Liab.	2,231	3,142	3,036	2,803
Total Liabilities	8,024	8,187	7,216	9,664
Shareholders' Equity	10,552	13,800	16,481	20,327

### CASH FLOW STATEMENT

in IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Net Income	2,006	4,476	6,159	6,341
Deprec & Amortization	428	686	788	922
Chg. In Working Capital	(587)	(2,747)	1,039	(784)
CFO	1,847	2,415	7,986	6,478
Capex	(293)	(677)	(2,508)	(3,894)
CFI	(315)	(536)	(2,671)	(3,764)
Dividends Paid	(611)	(602)	(3,357)	(2,683)
Net Borrowing (PMT)	(400)	(1,395)	56	160
CF	(972)	(2,007)	(3,301)	(2,335)
Net Changes in Cash	559	(128)	2,013	380

### OWNERSHIP

By Geography	% Shareholders	%
Indonesia	92.8	Republic of Indonesia
United States	4.6	Vanguard
Luxembourg	1.4	Dimensional Fund
Ireland	0.4	Blackrock

### PROFITABILITY & STABILITY

	2016/12A	2017/12A	2018/12E	2019/12E
ROE	20.2%	36.8%	40.7%	34.5%
ROA	11.3%	22.1%	27.0%	23.6%
ROIC	14.6%	37.7%	35.6%	0.0%
EBITDA/Equity	29.8%	54.1%	59.9%	50.7%
EBITDA/Assets	16.7%	32.5%	39.7%	34.7%
Cash Dividend (IDR bn)	611	602	3,357	2,683
Dividend Yield (%)	2.1%	2.1%	8.7%	5.9%
Payout Ratio (%)	30.4%	13.4%	54.5%	42.3%
DER	22.4%	7.1%	4.2%	4.2%
Net Gearing	18.9%	6.2%	3.7%	3.8%
LT Debt to Equity	7.1%	3.9%	3.3%	3.3%
Capitalization Ratio	18.3%	6.6%	4.0%	4.0%
Equity Ratio	56.8%	62.8%	69.5%	67.8%
Debt Ratio	12.7%	4.4%	2.9%	2.8%
Financial Leverage	178.8%	166.6%	150.9%	145.9%
Current Ratio	165.6%	246.3%	301.8%	236.8%
Quick Ratio	118.2%	197.2%	240.1%	198.8%
Cash Ratio	72.9%	78.8%	153.1%	96.1%
Cash Conversion Cycle	62.7	85.4	72.9	77.3
Par Value (IDR)	500	500	500	500
Total Shares (mn)	11,521	11,521	11,521	11,521
Share Price (IDR)	2,500	2,460	3,360	3,950
Market Cap (IDR tn)	28.8	28.3	38.7	45.5

### VALUATION INDEX

	2016/12A	2017/12A	2018/12E	2019/12E
Price /Earnings	14.4x	6.3x	6.3x	7.2x
Price /Book Value	2.7x	2.1x	2.3x	2.2x
Price/Sales	2.0x	1.5x	1.5x	1.7x
PE/EPS Growth	-9.8x	0.1x	0.2x	2.4x
EV/EBITDA	9.3x	3.9x	3.8x	4.4x
EV/EBIT	10.9x	4.4x	4.1x	4.8x
EV (IDR bn)	27,627	25,951	34,036	40,635
Sales CAGR (3-Yr)	7.8%	14.2%	22.2%	22.9%
EPS CAGR (3-Yr)	3.2%	35.5%	44.6%	46.8%
Basic EPS (IDR)	174	389	535	550
Diluted EPS (IDR)	174	389	535	550
BVPS (IDR)	916	1,198	1,431	1,764
Sales PS (IDR)	1,220	1,690	2,176	2,263
DPS (IDR)	53	52	291	233

### DCF, RIM & EVA

	2016/12A	2017/12A	2018/12E	2019/12E
<b>DCF (IDR bn)</b>				
NOPAT	1,900	4,396	6,016	6,109
+Depr./Amor.	428	686	788	922
-CAPEX	(293)	(677)	(2,508)	(3,894)
-Incr. (Decr.) in Working Cap.	(587)	(2,747)	1,039	(784)
(Unlevered) FCFF	1,447	1,658	5,335	2,351
<b>WACC</b>				
Cost of Debt (Tax Adj.)	6.8%	6.9%	6.9%	6.8%
Cost of Equity (COE)	11.4%	10.0%	10.0%	9.5%
WACC (%)	11.3%	9.9%	9.9%	9.5%
<b>RIM</b>				
Spread (FROE-COE) (%)	10.2%	32.5%	34.7%	28.9%
Residual Income (IDR bn)	945	3,426	4,786	4,769
Equity Charge	1,062	1,050	1,373	1,573
<b>EVA</b>				
Invested Capital (IDR bn)	11,310	12,921	14,773	17,167
ROIC-WACC (%)	5.5%	24.1%	30.8%	26.1%
EVA (USD mn)	624	3,117	4,554	4,479

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