

Bukit Asam Tbk (PTBA IJ)

Modest Performance Affected by Coal Prices

In 3Q20, PTBA managed to book a net profit of IDR439 billion or equal to +14% QoQ although on year-on-year period, it is still at -60% YoY. Meanwhile, in 9M20 period, PTBA managed to record a bottom line of IDR1.7 trillion or down 44% YoY. We revised our forecast for 2020-2022F to adjust with company and industry outlook. Thus, we downgrade our recommendation to HOLD with higher Target Price at IDR3,030.

Modest Performance

In 3Q20, PTBA posted a top line of IDR3.8 trillion (-1% QoQ or -32% YoY), resulting in bottom line of IDR439 billion (+14% QoQ or -60% YoY). The increase in QoQ period was due to 27% QoQ decline in operating expense. Meanwhile in 9M20, PTBA recorded IDR12.8 trillion in top line (-21% YoY) and managed to book a bottom line of IDR1.7 trillion (-44%) due to a decrease in ASP which reached over IDR680,118 in 9M20 (-12% YoY). We expect PTBA's top line in 2021F to be IDR20.8 trillion (+9% YoY) and bottom line to be over IDR3.9 trillion or up 10% as we assume China's economic recovery will increase coal demand, and the disruption of coal supply also will have an impact to coal price.

Estimates of PTBA's Performance

We expect PTBA coal production to reach over 22.2 million ton in 2021F and 21.8 million ton for 2022F as we see that La Nina will disrupt coal mining activity in early 2021. Consumption will increase in 2021F as we assume economic recovery will begin in several country due to Covid-19 vaccination. This will affect PTBA's sales volume, which we estimate to be at 20.9 million tons in 2021F and 21.8 million tons in 2022F. ASP in 2021F will be higher than 2020, so we expect that ASP will be stable at IDR1.1 million/ton for 2021F as Indonesian coal reference price (HBA) in January 2021 has reached over IDR1.1 million/ton.

Coal Price Expectation

We expect ice Newcastle coal price will be volatile at a range of USD60-75/ton as we see that China and India, the largest producers and consumers of coal in the world have no plans to cut their coal production. Instead they plan to increase their coal production. Besides, China has also increased their coal import from Russia and Mongolia. We see that this will increase the world coal supply. On the other hand, China's economic recovery will be positive catalyst for coal price.

Rating Downgrade to HOLD with Higher TP at IDR3,030

We downgrade our recommendation to HOLD with higher target price at IDR3,030 (previously IDR2,900) because: 1) modest performance during 9M20; 2) higher coal price in 2021 than 2020; 3) China and India have no plan to cut their production, instead they increase it. Our new TP is based on forward P/E of 7.9x with the potential upside of 1.0% from last price. PTBA is currently traded at 7.9x P/E.

Bukit Asam Tbk | Summary

	2019A	2020F	2021F	2022F
Revenue (IDR bn)	21,788	19,156	20,877	21,943
Growth (%)	2.9	-12.1	9.0	5.1
EBITDA (IDR bn)	5,760	4,829	5,421	5,762
Net Profit (IDR bn)	4,057	3,553	3,909	4,166
EPS (IDR)	352	308	339	362
Growth (%)	-19.2	-12.4	10.0	6.6
P/E (x)	7.6	9.4	8.5	8.0
P/BV (x)	1.7	1.9	1.8	1.8
EV/EBITDA (x)	4.6	6.3	5.6	5.3
ROE (%)	23.4	19.6	21.6	22.3
DER (%)	41.7	44.1	50.0	45.9
Net Debt (IDR bn)	-4,357	-6,100	-4,860	-4,812

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

NH Korindo Sekuritas Indonesia

Hold

Target Price (IDR)	3,030
Consensus Price (IDR)	2,781
TP to Consensus Price (%)	+8.8
vs. Last Price (%)	+1.0

Shares Data

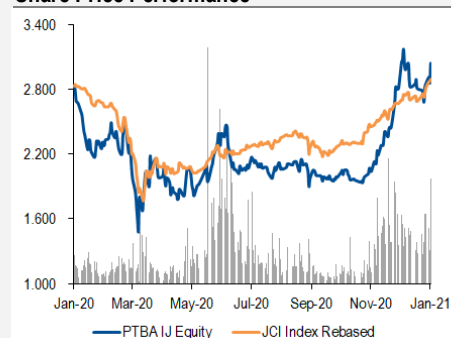
Last Price (IDR)	3,000
Price Date as of	Jan 14, 2021
52 wk Range (Hi/Lo)	3,180/1,385
Free Float (%)	31.2
Outstanding Shares (mn)	11,521
Market Cap (IDR bn)	34,721
Market Cap (USD mn)	2,466
Avg. Trd Vol - 3M (mn)	63.6
Avg. Trd Val - 3M (bn)	163.8
Foreign Ownership (%)	99.4

Mining

Coal

Bloomberg	PTBA IJ
Reuters	PTBA.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	14.3%	-0.3%	49.8%	7.4%
Rel. Ret.	12.1%	-7.4%	24.4%	5.2%

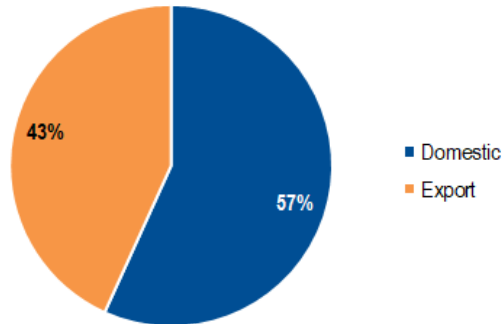
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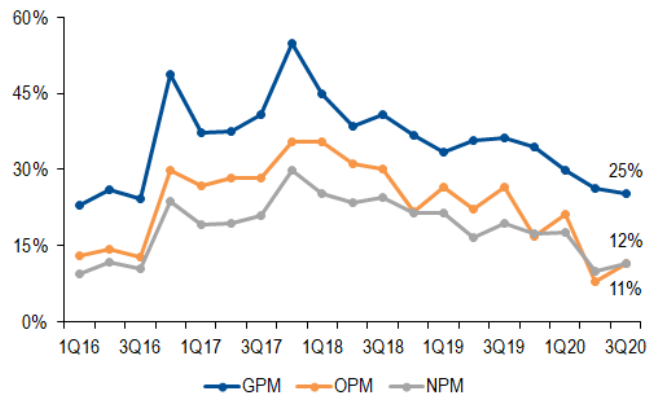
Performance Highlights in Charts

9M20 Composition of Revenue



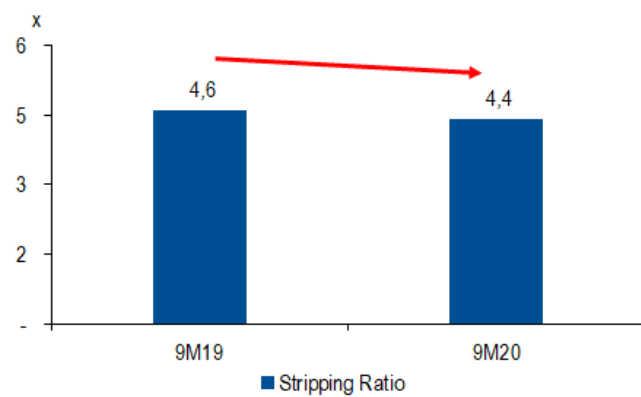
Source: Company Data, NHKSI Research

Margin Ratios



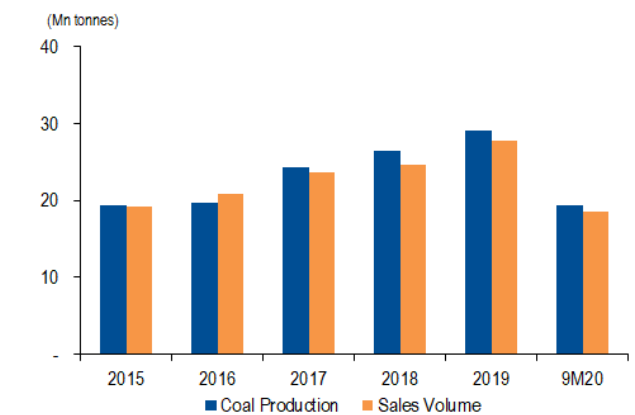
Source: Company Data, NHKSI Research

Stripping Ratio



Source: Company Data, NHKSI Research

Coal Production & Sales Volume



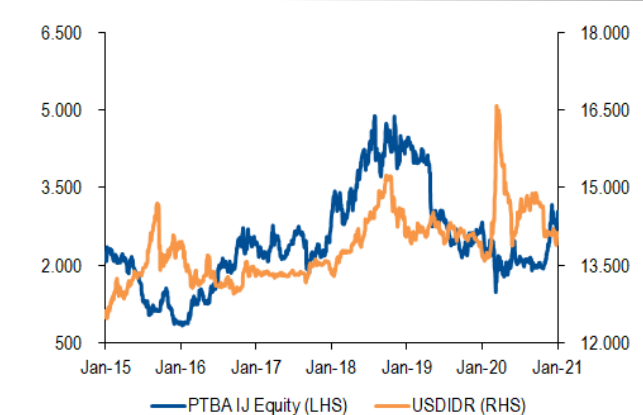
Source: Company Data, NHKSI Research

PTBA and Newcastle Coal Prices Movement



Source: Company Data, Bloomberg, NHKSI Research

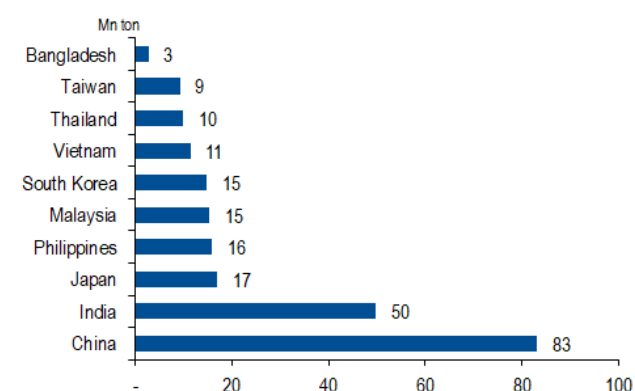
PTBA and USDIDR Movement



Source: Company Data, Bloomberg, NHKSI Research

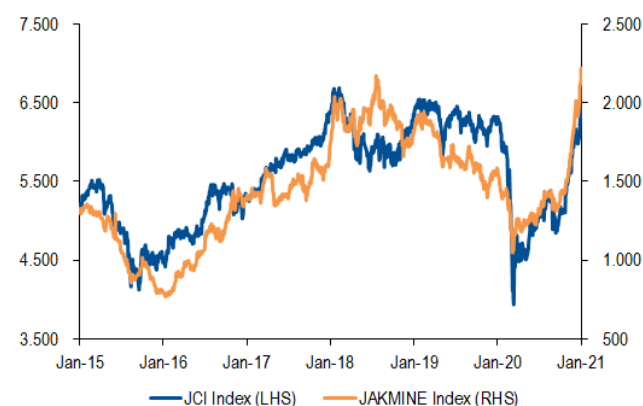
Other Highlights in Charts

Indonesian Coal Export by Destination (Jan-Jul 2020)



Source: APBI-ICMA, NHKSI Research

JCI and JAKMINE Movement



Source: Bloomberg, NHKSI Research

Financial Review

Earnings Revisions

		2020F	2021F	2022F
Sales	Revised	17,797	22,740	23,045
	Previous	19,156	20,877	21,943
	Change	-7.1%	8.9%	5.0%
Gross Profit	Revised	5,695	7,959	8,572
	Previous	6,017	6,708	7,095
	Change	-5.4%	18.6%	20.8%
Gross Margin	Revised	32.0%	35.0%	37.2%
	Previous	31.4%	32.1%	32.3%
EBIT	Revised	3,224	4,735	5,239
	Previous	4,099	4,641	4,922
	Change	-21.4%	2.0%	6.4%
EBIT Margin	Revised	18.1%	20.8%	22.7%
	Previous	21.4%	22.2%	22.4%
EBITDA	Revised	4,114	5,791	6,374
	Previous	4,829	5,421	5,762
	Change	-14.8%	6.8%	10.6%
EBITDA Margin	Revised	23.1%	25.5%	27.7%
	Previous	25.2%	26.0%	26.3%
Net Profit	Revised	2,815	3,986	4,398
	Previous	3,553	3,909	4,166
	Change	-20.8%	2.0%	5.6%
Net Margin	Revised	15.8%	17.5%	19.1%
	Previous	18.5%	18.7%	19.0%

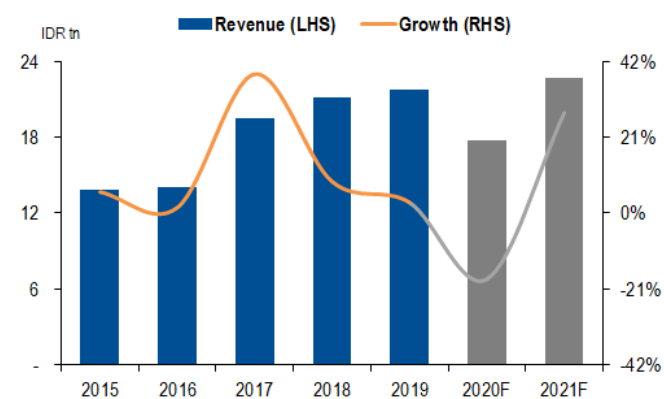
Unit: IDR bn, %

Source: Company Data, NHKSI Research

Company Overview

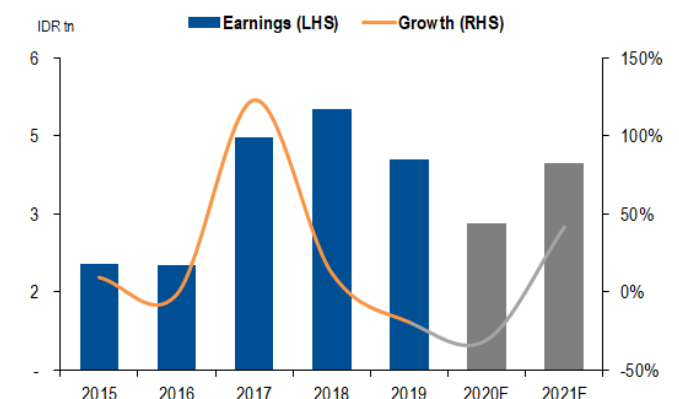
PT Bukit Asam (PTBA) is a state-owned coal miner producing mid-to-low content coal (4,800kcal/kg-6,700kcal/kg). The company owns 11.5 billion tonnes of coal reserves mostly in South Sumatera. The mines holding incorporation was formed under PT Asahan Aluminium (Inalum) on Nov. 29, 2017 subsequent to PTBA's stock split ratio of 1:5 on Dec. 14, 2017. Of note, PTBA, PT Timah Tbk, and PT Aneka Tambang Tbk are incorporated into one holding company. PTBA will run one new business line of upstream-processed coal gasification projects to include 1) cooperation with PT Pertamina and Air products to produce Dimethyl Ether (DME); 2) cooperation with PT Pupuk Indonesia and PT Chandra Asri Petrochemicals Tbk to produce urea fertilizers and plastic parts of polypropylene. PTBA, in 2020, re-achieves Gold categorized Proper Award for Tanjung Enim-based mining unit (UPTE) and re-wins Green categorized Proper Award for Tarahan-based Port (Peltar) unit given by Ministry of Environment and Forestry (KLHK) of Republic Indonesia.

Revenue & Growth Movement



Source: Company Data, NHKSI Research

Earnings & Growth Movement



Source: Company Data, NHKSI Research

Global Companies Peers Comparison

	Market Cap (USD mn)	Asset (USD mn)	Sales LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Growth LTM (%)	Net Profit Margin (%)	ROE LTM (%)	P/E LTM (x)	P/BV (x)
Indonesia									
BUKIT ASAM TBK	2,466	1,885	1,270	185	-36.0	14.6	16.0	12.7	2.1
ADARO ENERGY TBK	3,411	7,217	2,758	108	-78.9	3.9	2.9	31.7	0.9
INDO TAMBANGRAYA MEGAH TBK	1,151	1,209	1,283	68	-58.4	5.3	7.6	16.4	1.3
India									
COAL INDIA LTD	12,285	19,904	12,610	2,358	-4.3	18.7	57.0	5.9	2.8
Thailand									
BANPU PCL	1,741	8,657	2,294	(89)	N/A	-3.9	-4.1	N/A	0.9
Australia									
WHITEHAVEN COAL LTD	1,440	3,591	1,156	20	-94.3	1.7	0.9	58.8	0.6
Canada									
CAMECO CORP	5,420	5,723	1,580	-3	N/A	-0.2	-0.1	N/A	1.4
China									
INNER MONGOLIA	1,950	13,559	4,906	266	-40.0	5.4	5.4	6.6	0.4
SHANXI LU'AN	2,820	10,664	3,918	232	-30.2	5.9	6.2	11.4	0.7
United States									
PEABODY ENERGY CORP	390	6,543	3,261	(2,031)	N/A	-62.3	-101.8	N/A	0.4

Note: * = Last Twelve Months (LTM)
Data taken at Jan 14, 2021

Source: Bloomberg, NHKSI Research

Financial Summary

INCOME STATEMENT

(IDR bn)	2019/12A	2020/12F	2021/12F	2022/12F
Revenue	21,788	17,797	22,740	23,045
<i>Growth</i>	2.9%	-18.3%	27.8%	1.3%
COGS	(14,176)	(12,102)	(14,781)	(14,472)
Gross Profit	7,612	5,695	7,959	8,572
<i>Gross Margin</i>	34.9%	32.0%	35.0%	37.2%
Operating Expenses	(2,597)	(2,471)	(3,224)	(3,333)
EBIT	5,014	3,224	4,735	5,239
<i>EBIT Margin</i>	23.0%	18.1%	20.8%	22.7%
Depreciation	745	890	1,056	1,135
EBITDA	5,760	4,114	5,791	6,374
<i>EBITDA Margin</i>	26.4%	23.1%	25.5%	27.7%
Interest Expenses	(128)	(149)	(177)	(167)
EBT	5,455	3,789	5,377	5,935
Income Tax	(1,415)	(947)	(1,344)	(1,484)
Minority Interest	16	27	46	53
Net Profit	4,057	2,815	3,986	4,398
<i>Growth</i>	-19.2%	-30.6%	41.6%	10.3%
<i>Net Profit Margin</i>	18.6%	15.8%	17.5%	19.1%

PROFITABILITY & STABILITY

	2019/12A	2020/12F	2021/12F	2022/12F
ROE	23.4%	15.5%	21.5%	22.2%
ROA	16.1%	10.8%	14.6%	15.0%
ROIC	19.5%	12.9%	17.5%	18.5%
Cash Dividend (IDR bn)	3,651	3,588	2,489	3,326
Dividend Yield	11.9%	11.1%	7.1%	9.5%
Payout Ratio	90.0%	127.5%	62.4%	75.6%
DER	41.7%	44.1%	50.0%	45.9%
Net Gearing	3%	5%	6%	4%
LT Debt to Equity	1.7%	2.1%	2.7%	2.1%
Capitalization Ratio	3.3%	4.6%	5.1%	4.0%
Equity Ratio	70.6%	69.4%	66.7%	68.5%
Debt Ratio	2.4%	3.3%	3.6%	2.9%
Financial Leverage	144.9%	142.9%	147.2%	147.9%
Current Ratio	249.0%	239.3%	215.1%	216.7%
Par Value (IDR)	100	100	100	100
Total Shares (mn)	11,521	11,521	11,521	11,521
Share Price (IDR)	2,660	2,810	3,040	3,040
Market Cap (IDR tn)	30.6	32.4	35.0	35.0

BALANCE SHEET

(IDR bn)	2019/12A	2020/12F	2021/12F	2022/12F
Cash	4,757	6,428	5,337	5,200
Receivables	2,483	1,780	3,502	3,510
Inventories	1,383	1,294	1,579	1,559
Total Current Assets	11,680	11,117	12,420	12,126
Net Fixed Assets	7,273	7,742	8,194	8,801
Other Non Current Asset	7,145	6,945	8,243	8,736
Total Assets	26,098	25,805	28,857	29,664
Payables	1,020	1,113	1,428	1,468
ST Bank Loan	322	488	526	420
LT Debt	309	371	516	432
Total Liabilities	7,675	7,895	9,622	9,331
Capital Stock	1,152	1,152	1,152	1,152
Retained Earnings	17,057	16,284	17,781	18,853
Shareholders' Equity	18,423	17,910	19,235	20,333

VALUATION INDEX

	2019/12A	2020/12F	2021/12F	2022/12F
Price/Earnings	7.6x	11.5x	8.8x	8.0x
Price/Book Value	1.7x	1.8x	1.8x	1.7x
Price/Sales	1.4x	1.8x	1.5x	1.5x
PE/EPS Growth	-0.4x	-0.4x	0.2x	0.8x
EV/EBITDA	4.6x	6.4x	5.2x	4.7x
EV/EBIT	5.2x	8.1x	6.4x	5.8x
EV (IDR bn)	26,288	26,273	30,162	30,211
Sales CAGR (3-Yr)	15.7%	-3.0%	2.4%	1.9%
EPS CAGR (3-Yr)	26.5%	-14.3%	-7.4%	2.7%
Basic EPS (IDR)	352	244	346	382
Diluted EPS (IDR)	352	244	346	382
BVPS (IDR)	1,599	1,555	1,670	1,765
Sales PS (IDR)	1,891	1,545	1,974	2,000
DPS (IDR)	317	311	216	289

CASH FLOW STATEMENT

(IDR bn)	2019/12A	2020/12F	2021/12F	2022/12F
Operating Cash Flow	(2,042)	2,188	(1,264)	(23)
Investing Cash Flow	(1,672)	(269)	(1,749)	(1,101)
Financing Cash Flow	2,170	(247)	1,923	986
Net Changes in Cash	(1,544)	1,671	(1,091)	(137)

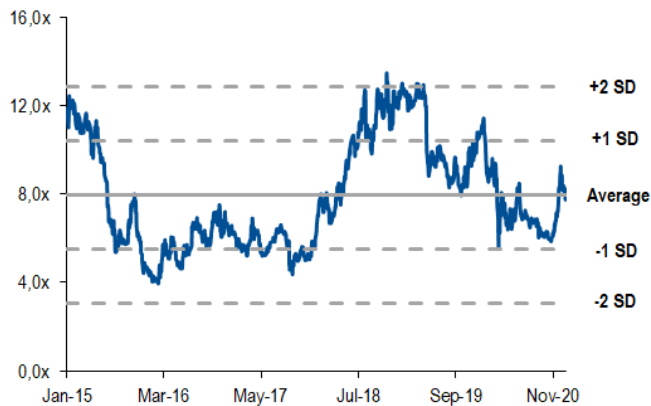
Source: Company Data, NHKSI Research

TOP OWNERSHIP

By Geography	% Shareholders	%
Unknown	91.6	Inalum 65.9
United States	5.0	Bukit Asam Tbk 2.9
Luxembourg	0.8	Blackrock 1.4
Ireland	0.6	Vanguard Group 1.2

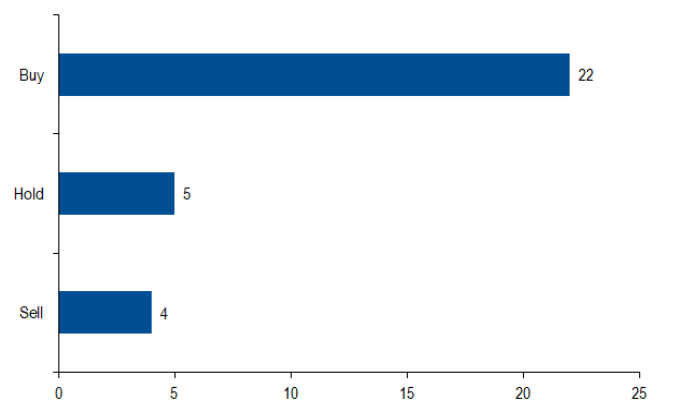
Valuation

5-Year Forward P/E Band



Source: Bloomberg, NHKSI Research

Recommendation by Analysts



Source: Bloomberg, NHKSI Research

Closing & Target Price Update



Source: Bloomberg, NHKSI Research

Rating & Target Price Update

Date	Rating	Target Price	Consensus
2018.04.30	Buy	IDR3,950	IDR3,675
2018.07.08	Buy	IDR5,375	IDR4,600
2019.03.26	Buy	IDR5,100	IDR4,538
2019.10.30	Buy	IDR2,900	IDR3,140
2019.11.04	Hold	IDR2,300	IDR2,834
2020.02.28	Buy	IDR2,800	IDR2,860
2020.06.18	Buy	IDR2,900	IDR2,258
2021.01.14	Hold	IDR3,030	IDR2,781

Source: NHKSI Research

NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

- Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
- 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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