Indo Tambangraya Megah Tbk (ITMG)

Modest Performance in 2021

ITMG's top line fell by 30.9% throughout 2020, resulting in bottom line of USD39 million, or declining significantly by 69.5% YoY. This decline we due to lower sales volume and ASP compared to the previous year. We initiate Overweight call with Target Price at IDR13,075.

Sluggish Performance during Pandemic

- ITMG managed to book a top line of USD1.2 billion in 2020, or down 30.9% YoY (vs USD1.7 billion in 2019).
- However, ITMG managed to record a decline in operating expense by 34.8% throughout 2020.
- It resulted in a bottom line of USD39 million in 2020, or declined significantly by 69.5% YoY (vs USD129 million in 2019) due to lower coal production, lower sales volume and lower Average Selling Price compared to previous year.
- We expect ITMG's top line in 2021F to be USD1.5 billion (28.8% YoY) and bottom line to be over USD84 million, or up by 112.7% YoY. We project coal price to be higher than in 2020 and economic recovery in several countries such as China and India will increase coal demand.

Estimates of ITMG's Performance in 2021F

- We expect ITMG to have lower coal production, reaching 19 million ton in 2021F as extreme weather including heavy rain that can disrupt coal mining activity in early 2021 will still occur in Indonesia.
- We estimate ITMG coal sales volume will reach over 21 million ton in 2021F as economic recovery is expected to begin in several countries due to Covid-19 vaccination.
- Moreover, we see Average Selling Price (ASP) will be stable at USD70/ton in 2021F as we see the end of winter approaching in the northern hemisphere.

Initiate Overweight Rating with Target Price of IDR13,075.

- We initiate Overweight rating for ITMG with a target price of IDR13.075 (12 month).
- Overweight rating is due to modest performance during 2020, and higher coal price in 2021F caused by economic recovery which will increase demand for coal, and extreme weather which will disrupt mining activities.
- Our target price is derived from forward P/E of 9.4x with the potential upside by 8.7% from last price.
- ITMG is currently traded at 8.7x P/E.

Indo Tambangraya Megah Tbk | Summary (USD mn)

	2020A	2021F	2022F	2023F
Revenue	1,185	1,527	1,585	1,621
Growth	-30.9%	28.8%	3.8%	2.3%
Net profit	39	84	112	117
Growth	-69.5%	112.7%	33.1%	4.6%
EPS (IDR)	491	1,040	1,384	1,500
ROE	4.6%	9.3%	11.1%	10.4%
DER	0.1x	0.0x	0.0x	0.0x
P/BV	1.3x	1.0x	0.9x	0.8x
EV/EBITDA	8.8x	7.4x	6.7x	6.6x
Dividend Yield	3.3%	7.9%	10.3%	10.9%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

Company Update | Feb. 26, 2021

Overweight

Target Price (IDR)	**13,075**
Consensus Price (IDR)	15,214
TP to Consensus Price	-14.1%
vs. Last Price	+8.7%

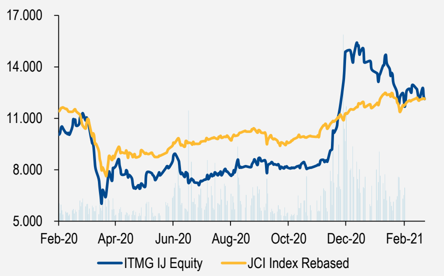
Shares data

Last Price (IDR)	12,100
Price date as of	Feb. 25, 2021
52 wk range (Hi/Lo)	15,700 / 5,650
Free float	34.7%
Outstanding sh.(mn)	1,130
Market Cap (IDR bn)	13,729
Market Cap (USD mn)	975
Avg. Trd Vol - 3M (mn)	6.4
Avg. Trd Val - 3M (bn)	86.8
Foreign Ownership	98.7%

Mining
Coal

Bloomberg	**ITMG IJ**
Reuters	**ITMG.JK**

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret	-12.5%	-4.2%	10.7%	13.8%
Rel. Ret	-17.0%	-4.0%	1.1%	6.2%

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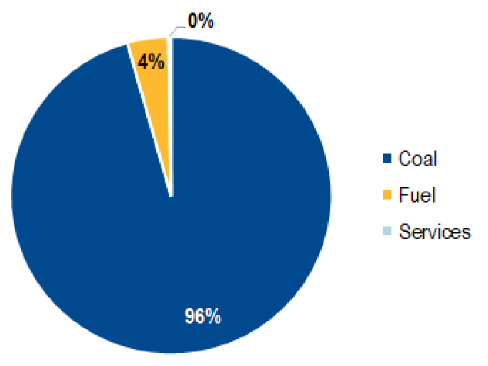
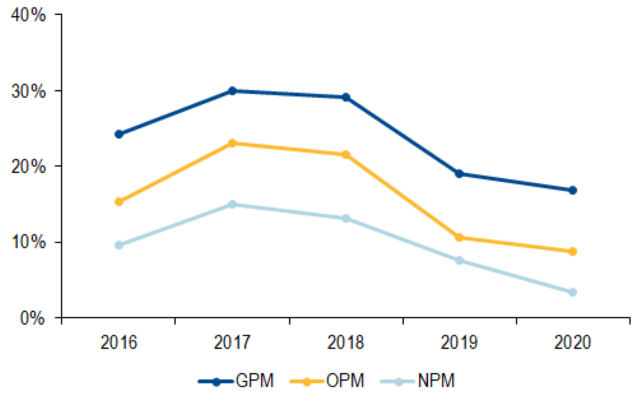
Performance Highlights

Revenue Contributions FY2020



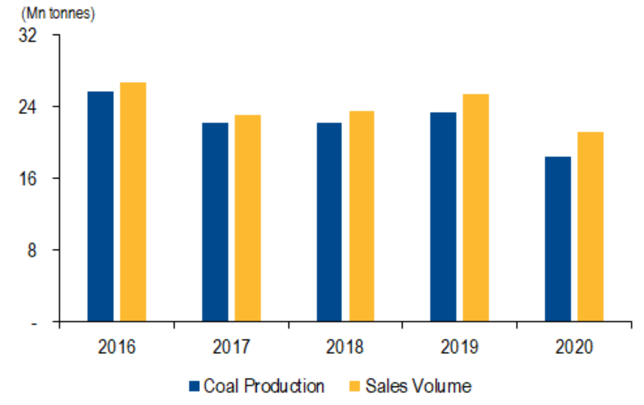
Source: Company, NHKSI Research

Margin Ratios



Source: Company, NHKSI Research

ITMG Coal Production and Sales Volume

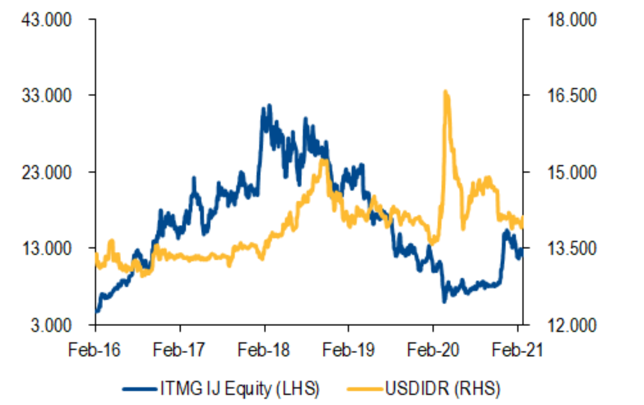


Source: Company, NHKSI Research

Coal Price and Average Selling Price

Source: Company, NHKSI Research

ITMG and Newcastle Price Movement



Source: Company, Bloomberg, NHKSI Research

ITMG and USDIDR Movement

Source: Company, Bloomberg, NHKSI Research

Company Overview

PT Indo Tambangraya Megah Tbk (ITMG) established in 1987, PT Indo Tambangraya Megah Tbk. (ITM) is a renowned Indonesian coal supplier for the world energy market. The scope of ITM business includes coal mining operations, processing and logistics which are integrated in Indonesia. The company owns the majority of shares in fourteen subsidiaries and operates seven mining concessions in the island of Kalimantan, covering East, Central and South Kalimantan. ITM also owns and operates Terminal Batubara Bontang (Bontang Coal Terminal/BoCT), three loading ports and Bontang Power Plant.

Those fourteen companies are PT Indominco Mandiri (IMM), PT Trubaindo Coal Mining (TCM), PT Jorong Barutama Greston (JBG), PT Kitadin (Embalut & Tandung Mayang), PT Bharinto Ekatama (BEK), PT ITM Indonesia (ITMI), PT Tambang Raya Usaha Tama (TRUST), PT Nusa Persada Resources (NPR), PT Tepian Indah Sukses (TIS), PT ITM Batubara Utama (IBU), PT ITM Energi Utama (IEU), PT ITM Batubara Perkasa (IBP), PT Gasemas (GEM) and PT Energi Batubara Perkasa (EBP).

Global Companies Peers Comparison

Company	Market Cap (USD mn)	Asset (USD mn)	Revenue LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Growth LTM	Net Profit Margin	ROE LTM	P/E LTM	P/BV
Indonesia									
ITMG IJ	975	1,159	1,185	39	-69.5%	3.3%	4.5%	24.0x	1.1x
ADRO IJ	2,715	7,217	2,758	108	-78.9%	3.9%	2.9%	25.2x	0.7x
PTBA IJ	2,193	1,885	1,270	185	-36.0%	14.6%	16.0%	11.3x	1.8x
India									
COAL INDIA	12,508	19,904	12,610	2,358	-4.3%	18.7%	57.0%	5.4x	2.8x
THAILAND									
BANPU COAL	1,875	9,390	2,282	(57)	-351.9%	-2.5%	-2.9%	N/A	0.9x
Australia									
WHITEHAVEN COAL	1,300	3,591	1,061	(63)	N/A	-6.0%	-2.9%	N/A	0.5x
CANADA									
CAMECO COAL	6,420	5,937	1,344	-40	N/A	-3.0%	-1.1%	N/A	1.6x
CHINA									
INNER MONGOLIA	1,821	N/A	4,906	266	-40.0%	5.4%	5.4%	5.9x	0.3x
SHANXI LUAN	2,745	10,664	3,918	232	-30.2%	5.9%	6.2%	11.0x	0.7x
AMERICA									
PEABODY ENERGY	500	4,667	2,881	(1,870)	-785.1%	-64.9%	-105.6%	N/A	0.5x

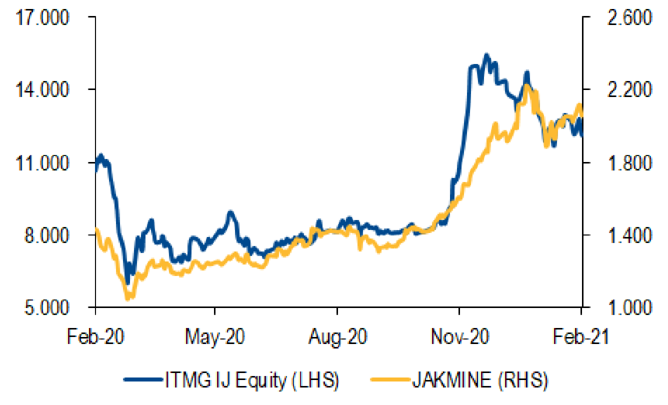
Source: Bloomberg

Valuation Highlights

5-Year Forward P/E Band

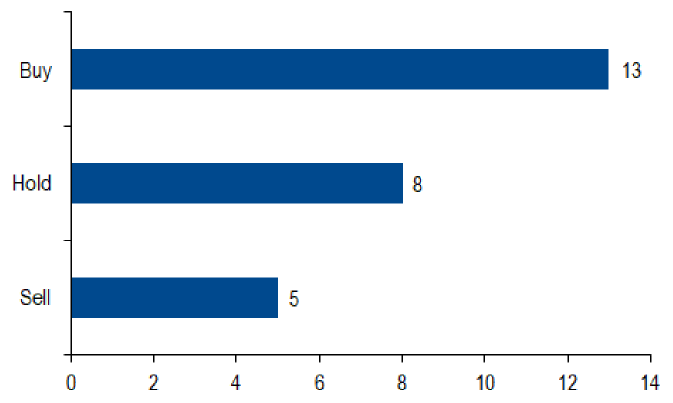
Source: Bloomberg, NHKSI Research

ITMG vs JAKMINE



Source: Bloomberg, NHKSI Research

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price

Source: NHKSI Research

Rating and Target Price Update

Target Price

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
24/02/2021	Overweight	13,075 (12 Month)	12,100	15,214	+8.7%	-14.1%

Source: NHKSI Research, Bloomberg

Summary of Financials

INCOME STATEMENT

(USD mn)	2020/12A	2021/12E	2022/12E	2023/12E
Revenues	**1,185**	**1,527**	**1,585**	**1,621**
Growth (% y/y)	*-30.9%*	*28.8%*	*3.8%*	*2.3%*
Cost of Revenues	(986)	(1,271)	(1,276)	(1,293)
Gross Profit	**199**	**257**	**309**	**328**
Gross Margin	*16.8%*	*16.8%*	*19.5%*	*20.2%*
Operating Expenses	(95)	(122)	(137)	(146)
EBIT	**104**	**134**	**172**	**182**
EBIT Margin	*8.8%*	*8.8%*	*10.8%*	*11.3%*
Depreciation	44	47	42	44
EBITDA	**148**	**182**	**214**	**226**
EBITDA Margin	*12.5%*	*11.9%*	*13.5%*	*14.0%*
Interest Expenses	(3)	(2)	(2)	(2)
EBT	**73**	**109**	**145**	**151**
Income Tax	(35)	(27)	(36)	(38)
Minority Interest	2	2	3	4
Net Profit	**39**	**84**	**112**	**117**
Growth (% y/y)	*-69.5%*	*112.7%*	*33.1%*	*4.6%*
Net Profit Margin	*3.3%*	*5.5%*	*7.0%*	*7.2%*

PROFITABILITY & STABILITY

	2020/12A	2021/12E	2022/12E	2023/12E
ROE	4.6%	9.3%	11.1%	10.4%
ROA	3.3%	6.7%	8.1%	7.8%
Inventory Turnover	12.1x	18.8x	16.5x	16.2x
Receivables Turnover	11.4x	14.5x	11.5x	11.6x
Payables Turnover	14.1x	13.9x	10.5x	10.9x
Dividend Yield	3.3%	7.9%	10.3%	10.9%
Payout Ratio	0.1%	0.1%	0.1%	0.1%
DER	0.1x	0.0x	0.0x	0.0x
Net Gearing	-22%	-39%	-42%	-46%
Equity Ratio	73.0%	71.5%	73.5%	75.2%
Debt Ratio	3.7%	1.0%	1.1%	1.2%
Financial Leverage	136.8%	138.5%	137.9%	134.5%
Current Ratio	202.6%	221.2%	258.3%	286.6%
Quick Ratio	173.5%	196.2%	231.1%	259.7%
Par Value (IDR)	500	500	500	500
Total Shares (mn)	1,130	1,130	1,130	1,130
Share Price (IDR)	13,850	12,125	12,125	12,125
Market Cap (IDR tn)	15.6	13.7	13.7	13.7

BALANCE SHEET

(USD mn)	2020/12A	2021/12E	2022/12E	2023/12E
Cash	231	383	464	560
Receivables	75	136	140	138
Inventories	60	75	80	80
Total Current Assets	**420**	**660**	**763**	**847**
Net Fixed Assets	196	192	195	197
Other Non Current Assets	543	479	486	521
Total Non Current Assets	**739**	**671**	**682**	**718**
Total Assets	**1,159**	**1,331**	**1,444**	**1,566**
Payables	62	121	122	116
ST Debt	8	4	5	6
Total Current Liabilities	**207**	**299**	**295**	**296**
LT Debt	36	9	11	13
Total Liabilities	**312**	**380**	**382**	**389**
Capital Stock + APIC	393	393	393	393
Retained Earnings	485	582	694	810
Shareholders' Equity	**846**	**952**	**1,062**	**1,177**

VALUATION INDEX

	2020/12A	2021/12E	2022/12E	2023/12E
Price /Earnings	28.2x	11.7x	8.8x	8.1x
PE/EPS Growth	-0.4x	0.1x	0.3x	1.0x
Price /Book Value	1.3x	1.0x	0.9x	0.8x
EV/EBITDA	8.8x	7.4x	6.7x	6.6x
EV (IDR bn)	18,401	18,923	20,042	21,633
Revenues CAGR (3-Yr)	-16.1%	-3.8%	10.2%	2.0%
Net Income CAGR (3-Yr)	-46.8%	-13.4%	41.5%	11.7%
Basic EPS (IDR)	491	1,040	1,384	1,500
BVPS (IDR)	10,523	11,791	13,156	15,100
DPS (IDR)	460	958	1,249	1,316

CASH FLOW STATEMENT

(USD mn)	2020/12A	2021/12E	2022/12E	2023/12E
Operating Cash Flow	96	2	(24)	12
Investing Cash Flow	1	68	(10)	(37)
Financing Cash Flow	(24)	82	116	121
Net Changes in Cash	**72**	**151**	**81**	**96**

OWNERSHIP

Top Shareholders	**%**
Banpu Minerals	65.1
Vanguard Group Inc	1.1
Schroder Investment	0.9
Others	32.9
By Geography	**%**
Singapore	90.1
United States	6.2
Indonesia	1.3
Luxembourg	0.7
Others	1.80

Source: Company Data, NHKSI Research

NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. 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%

DISCLAIMER