

Bukit Asam Tbk (PTBA IJ)

Cost Control and Coal Price Keep a Bright Outlook

Rising coal prices creates brighter outlook for operational performance in 6M-21. Overall, exports to primary consumers such as China, India and South Korea are increasing by double digit than previous period, with their percentages accounting half of total export. Uptrend in global coal also helped push PTBA's ASP from \$54/mt in 6M-20 to \$66/mt in 6M-21. We estimate that coal shortage in China as the largest coal consumer and its current fragile relation with Australia exports will benefit coal exporters from Indonesia.

Global Price Help Push Performance

- In 6M-21, PTBA's production rose to 13.4mn tonnes (6.9% YoY) due to increase in demand for thermal coal for electricity power plants. We predict that PTBA's thermal coal production numbers would increase in next 6 months due to higher exports to China and India.
- 6M-21 export sales volume rose by 9.7% YoY to 5.6mn tonnes due to higher metallurgical coal for steel factories in India and China. Likewise, its ASP rose to IDR 787,118/tonne (10.8% YoY) due to higher global coal prices.

Higher Net Earnings Despite Rising Stripping Ratio

- As for stripping ratio, we see PTBA posted higher 6M-21 stripping ratio at 4.8x from the previous period at 4.4x. However, our FY 2021 assumption remains stable at 4.6x; as PTBA's operation is strictly supervised by management to not overproduce.
- As the result, revenue rose by 11.9% YoY to IDR10.8tr. PTBA's 6M21 revenue achieved 68.8% of the consensus estimates.
- Thus, PTBA's 6M21 net earnings grew to IDR1.8tr (41.3% YoY). This is due to management commitment on controlling overburden removal cost in its open pit system. We also note that PTBA COGS control has proven quite successful, increasing by average of 0.8% QoQ in the last 8 quarters.

BUY Recommendation with TP 3420

- With recent uptrend in coal price, we revise our earnings estimates and increase our Target Price to IDR 3,420. Our TP implies FY22 PE Ratio at 7.6x.
- We also believe that the government's 0% tax royalty for coal producers will benefit PTBA's upstream businesses.
- PTBA has maintain superior profitability with ROE (27.6%) higher than industry peers (15.2%) as well as its dividend yield (11.4%) compared to industry peers (6.2%).

Bukit Asam Tbk | Summary

	2019A	2020A	2021F	2022F
Revenue (IDR bn)	21,788	17,325	25,126	30,603
Growth (%)	2.9	-12.1	9.0	5.1
EBITDA (IDR bn)	5,894	2,715	6,202	6,906
Net Profit (IDR bn)	4,057	2,388	4,849	5,518
EPS (IDR)	352	207	421	479
Growth (%)	-19.2	-41.1	103.1	13.8
P/E (x)	7.6	12.9	8.3	7.6
P/BV (x)	1.7	1.8	2.1	2.1
EV/EBITDA (x)	4.5	10.1	5.8	5.4
ROE (%)	23.4	13.5	27.6	28.9
ROA (%)	16.1	9.5	19.0	19.3
Dividend Yield (%)	12.3	11.8	11.4	10.3

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

Company Update | October 15, 2021

Buy

Target Price (IDR)	3,420
Consensus Price (IDR)	3,177
TP to Consensus Price (%)	+7.6
Potential Upside (%)	+21.4

Shares Data

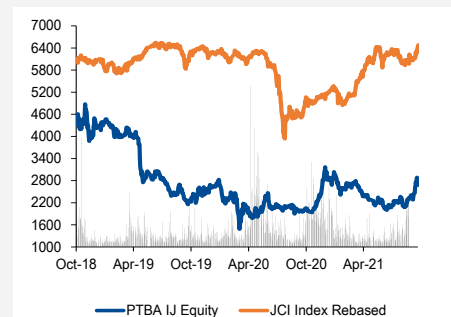
Last Price (IDR)	2,820
Price Date as of	Oct 14 2021
52 wk Range (Hi/Low)	3,180/1,935
Free Float (%)	31.2
Outstanding Shares (mn)	11,521
Market Cap (IDR bn)	30
Market Cap (USD mn)	2,175
Avg. Trd Vol - 3M (mn)	37.1
Avg. Trd Val - 3M (bn)	93.4
Foreign Ownership (%)	7.1

Mining

Coal

Bloomberg	PTBA IJ
Reuters	PTBA.JK

Share Price Performance



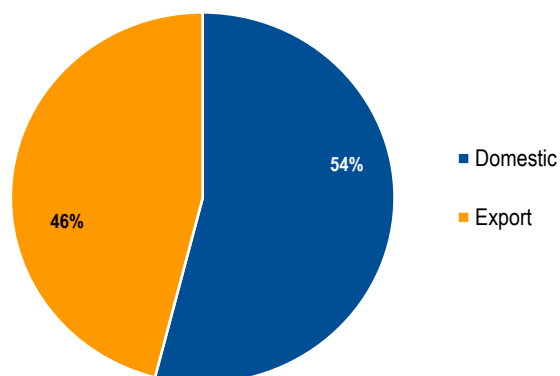
	YTD	1M	3M	12M
Abs. Ret.	1.8%	16.5%	33.3%	34.7%
Rel. Ret.	-2.2%	11.5%	26.3%	10.7%

Samuel Glenn Tanuwidjaja

+6221 5088 9128, glenn.samuel@nhsec.co.id

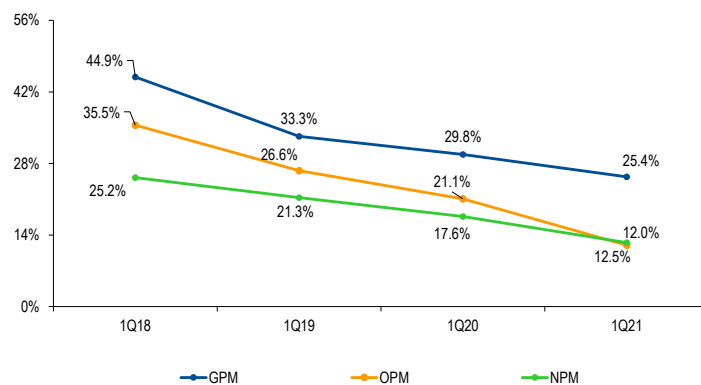
Performance Highlights in Charts

6M-21 Composition of Revenue



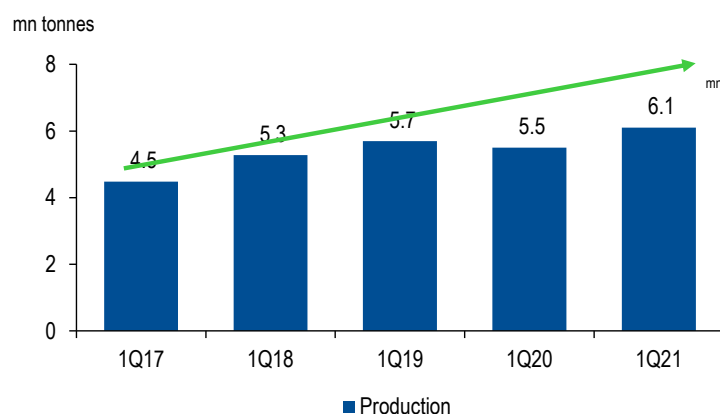
Source: Company Data, NHKSI Research

Margin Ratios



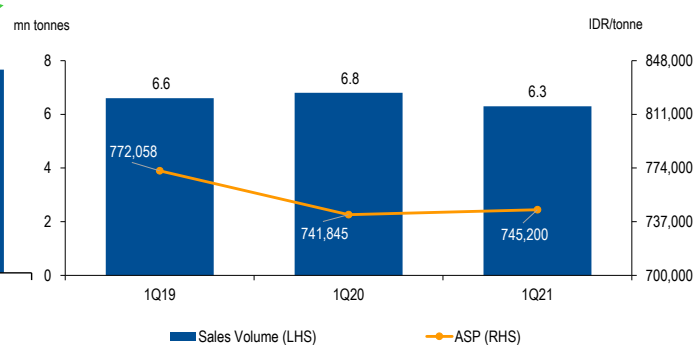
Source: Company Data, NHKSI Research

Coal Production



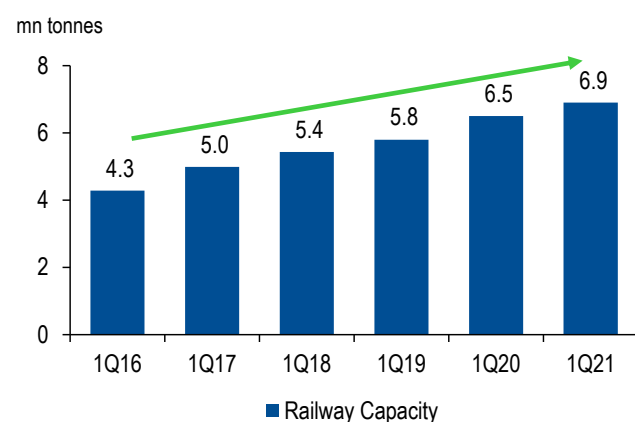
Source: Company Data, NHKSI Research

Sales Volume & ASP



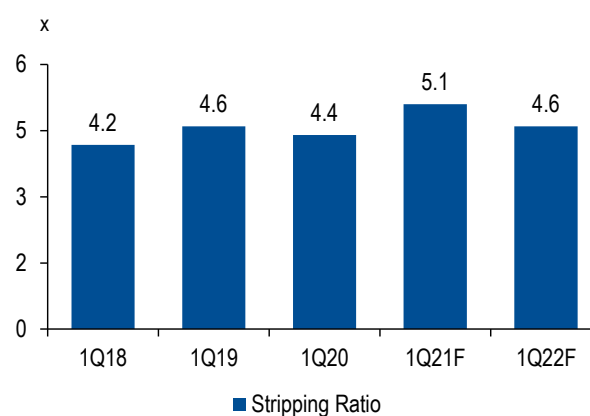
Source: Company Data, NHKSI Research

Railway Capacity



Source: Company Data, NHKSI Research

Stripping Ratio



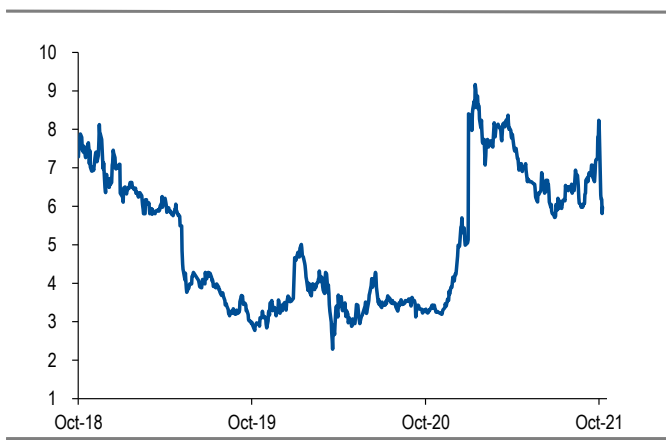
Source: Company Data, NHKSI Research

Valuation & Other Highlights in Charts

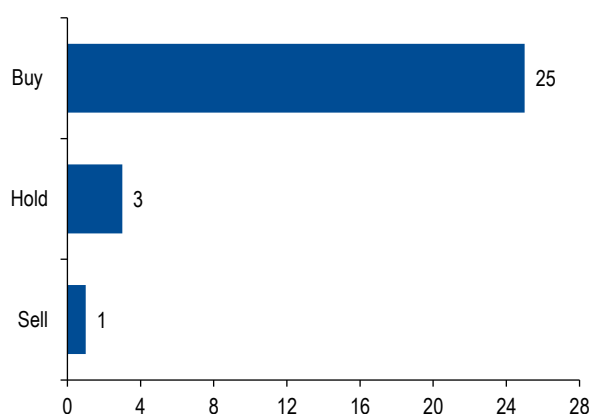
3-Year Forward P/E Band



3-Year EV/EBITDA Band



Recommendation by Analysts



PTBA & Coal Prices Movement



Rating & Target Price Update

Date	Rating	Target Price	Consensus
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
2021.06.30	Overweight	IDR 2,250	IDR 2,858
2021.10.15	Buy	IDR 3,420	IDR 3,177

Source: Bloomberg, NHKSI Research

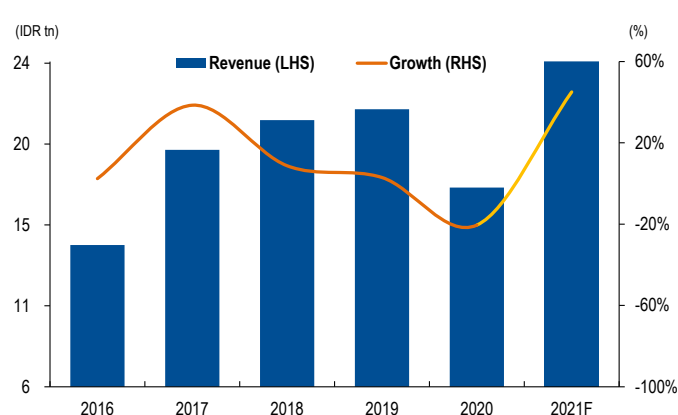
Closing & Target Price Update



Company Overview

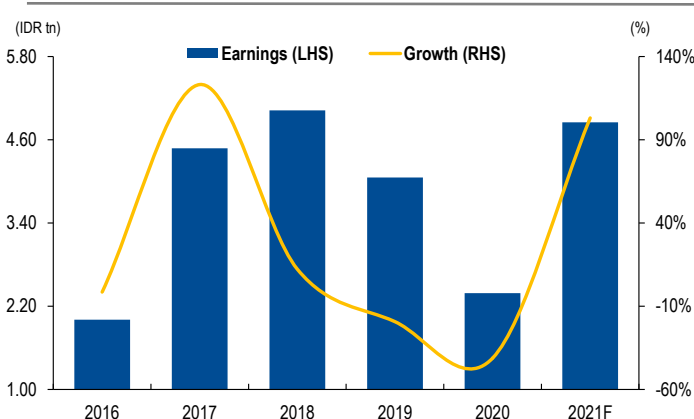
PT Bukit Asam (PTBA) is a state-owned coal miner to produce mid-to-low content coal (4,800kcal/kg-6,700kcal/kg) and to own 11.5 billion tonnes of coal reserves mostly sited in South Sumatera. The mines holding incorporation under PT Asahan Aluminium (Inalum) on Nov.29, 2017 subsequent to PTBA's stock 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 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 PT Bukit Asam Tbk (PTBA) 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

Company	Market Cap (USD mn)	Total Asset (USD mn)	Sales Growth (LTM)	Gross Margin (LTM)	Oper- ating Margin (LTM)	Net Profit Growth (LTM)	ROE (LTM)	P/E (LTM)	EV/EBITDA
Indonesia									
BUKIT ASAM Tbk	2,159	1,858	61.9%	40.9%	28.0%	231.8%	17.6%	10.5x	5.8x
ADARO ENERGY Tbk	4,748	6,721	42.5%	35.9%	24.9%	73.0%	4.2%	24.3x	5.1x
INDO TAMBANGRAYA Tbk	1,688	1,309	36.5%	36.0%	29.5%	426.9%	14.2%	13.8x	4.5x
China									
SHANXI COKING COAL ENERGY Co Ltd	4,759	10,818	27.1%	29.9%	16.7%	-12.4%	13.2%	15.3x	7.2x
Australia									
WHITEHAVEN COAL Co Ltd	3,128	3,591	0.2%	0.2%	-4.1%	-2190.7%	-19.5%	NA	NA
Thailand									
BANPU PUBLIC Co Ltd	8,040	9,657	52.0%	33.6%	9.2%	16.0%	3.1%	45.0x	9.4x
Philippine									
SEMINARA MINING Ltd	2,295	1,464	175.4%	45.8%	29.1%	272.7%	17.2%	14.5x	7.6x
DMCI HOLDING Ltd	3,243	4,395	153.0%	31.0%	21.0%	263.4%	16.5%	7.9x	6.5x

Source: Bloomberg, NHKSI Research

Financial Summary

INCOME STATEMENT

(IDR bn)	2019/12A	2020/12A	2021/12F	2022/12F
Revenue	21,788	17,325	25,126	30,603
<i>Growth</i>	2.9%	-20.5%	45.0%	21.8%
COGS	(14,176)	(12,758)	(17,211)	(21,514)
Gross Profit	7,612	4,567	7,915	9,089
<i>Gross Margin</i>	34.9%	26.4%	31.5%	29.7%
Operating Expenses	(2,597)	(2,054)	(2,487)	(3,030)
EBIT	5,014	2,513	5,427	6,059
<i>EBIT Margin</i>	23.0%	14.5%	21.6%	19.8%
Depreciation	880	202	775	847
EBITDA	5,894	2,715	6,202	6,906
<i>EBITDA Margin</i>	27.1%	15.7%	24.7%	22.6%
Interest Expenses	(28)	(132)	(98)	(95)
EBT	5,455	3,231	6,562	7,466
Income Tax	(1,415)	(838)	(1,702)	(1,936)
Minority Interest	16	(5)	(10)	(12)
Net Profit	4,057	2,388	4,849	5,518
<i>Growth</i>	-19.2%	-41.1%	103.1%	13.8%
<i>Net Profit Margin</i>	18.6%	13.8%	19.3%	18.0%

BALANCE SHEET

(IDR bn)	2019/12A	2020/12A	2021/12F	2022/12F
Cash	4,757	4,340	4,782	5,268
Receivables	2,483	1,578	1,731	1,898
Inventories	1,383	805	778	751
Total Current Assets	11,680	8,362	9,407	10,653
Net Fixed Assets	9,212	9,753	10,867	12,108
Other Non Current Ass	5,271	5,893	6,655	7,516
Total Assets	26,162	24,008	26,929	30,277
Payables	1,020	2,391	3,672	5,639
ST Bank Loan	322	532	483	439
LT Debt	309	560	569	577
Total Liabilities	7,675	7,116	8,506	10,549
Capital Stock + APIC	1,434	1,434	1,434	1,434
Retained Earnings	17,057	15,520	16,918	18,441
Shareholders' Equity	18,486	16,892	18,424	19,728

CASH FLOW STATEMENT

(IDR bn)	2019/12A	2020/12A	2021/12F	2022/12F
Operating Cash Flow	4,724	3,335	6,169	7,459
Investing Cash Flow	(3,783)	113	(1,508)	(1,836)
Financing Cash Flow	(2,033)	(4,061)	(4,253)	(4,500)
Net Changes in Cash	(1,092)	(613)	409	1,123

PROFITABILITY & STABILITY

	2019/12A	2020/12A	2021/12F	2022/12F
ROE	23.3%	13.5%	27.5%	28.9%
ROA	16.1%	9.5%	19.0%	19.3%
ROIC	19.4%	10.3%	20.6%	21.6%
Cash Dividend (IDR bn)	3,768	3,651	4,486	4,364
Dividend Yield	12.3%	11.8%	11.4%	10.3%
Payout Ratio	92.9%	152.9%	92.5%	79.1%
DER	41.5%	42.1%	46.2%	53.5%
Net Gearing	3%	7%	6%	5%
LT Debt to Equity	1.7%	3.3%	3.1%	2.9%
Equity Ratio	70.7%	70.4%	68.4%	65.2%
Debt Ratio	29.3%	29.6%	31.6%	34.8%
Financial Leverage	141.8%	144.2%	149.9%	153.5%
Current Ratio	249.0%	216.0%	189.2%	157.1%
Par Value (IDR)	100	100	100	100
Total Shares (mn)	11,521	11,521	11,521	11,521
Share Price (IDR)	2,660	2,680	3,420	3,663
Market Cap (IDR tn)	30.6	30.9	39.4	42.2

VALUATION INDEX

	2019/12A	2020/12A	2021/12F	2022/12F
Price/Earnings	7.6x	12.9x	8.3x	7.6x
Price/Book Value	1.7x	1.8x	2.1x	2.1x
Price/Sales	1.4x	1.8x	1.6x	1.4x
PE/EPS Growth	-0.4x	-0.3x	0.1x	0.6x
EV/EBITDA	4.5x	10.1x	5.7x	5.4x
EV/EBIT	5.3x	10.9x	6.6x	6.2x
EV (IDR bn)	26,350	27,395	35,549	37,581
Sales CAGR (3-Yr)	15.7%	-3.8%	5.9%	12.0%
EPS CAGR (3-Yr)	21.7%	-18.9%	-1.2%	10.8%
Basic EPS (IDR)	352	207	421	479
Diluted EPS (IDR)	352	207	421	479
BVPS (IDR)	1,605	1,466	1,599	1,712
Sales PS (IDR)	1,891	1,504	2,181	2,656
DPS (IDR)	327	317	389	379

TOP OWNERSHIP

By Geography	% Shareholders	%
Indonesia	92.9	Inalum 66%
United States	4.5	Bukit Asam Tbk 2.9%
Ireland	0.9	Vanguard Group 1.2%
Luxembourg	0.7	Blackrock 1.8%

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

This document is strictly confidential and is being supplied to you solely for your information. The recipients of this report must make their own independent decisions regarding any securities or financial instruments mentioned herein. This document may not be quoted, reproduced, exhibited, redistributed, transmitted, edited, translated, or published, in whole or in part, for any purpose without notice. Any failure to comply with this restriction may constitute a violation of civil or criminal laws.

This report and any electronic access hereto are restricted and intended only for the clients and related entities of PT NH Korindo Sekuritas Indonesia. This report is only for information and recipient use. It is not reproduced, copied, or made available for others. Under no circumstances is it considered as a selling offer or solicitation of securities buying. Any recommendation contained herein may not be suitable for all investors. Although the information hereof is obtained from reliable sources, its accuracy and completeness cannot be guaranteed. PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, and agents are held harmless from any responsibility and liability for claims, proceedings, action, losses, expenses, damages, or costs filed against or suffered by any person as a result of acting pursuant to the contents hereof. Neither is PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, nor agents are liable for errors, omissions, misstatements, negligence, inaccuracy contained herein. All rights reserved by PT NH Korindo Sekuritas Indonesia.