

Indo Tambangraya Megah (ITMG)

Profits Slide Amid Falling ASP

ITMG reported a steep decline in both top and bottom line in 3Q23 as revenues fell 55% YoY (IDR 8.03 trillion vs IDR 17.84 trillion) while net profit fell 77% YoY (IDR 1.51 trillion vs IDR 6.47 trillion). This is caused by a 53% YoY slide in ASP (USD 210.5 vs USD 98.7) as global coal prices continue to fall. Gross and net profit margins also fell to 29% and 19% YoY from 55% and 36% respectively. However, the company can find some respite in their cost control measures as cash cost per ton fell 26% YoY despite uncertainty in fuel prices and other economics variables.

Production exceeds target while sales volume stagnate

- ITMG posted a 20% QoQ and 13% YoY increase in production volume. The reported figure exceeded the target for the quarter by 10% (5.3 million tons vs 4.8 million tons) as the company took full advantage of favourable weather conditions.
- This higher production volume would allow the company to ramp up its pre-stripping activity in 4Q23, while production target for the quarter is set at 3.5 million tons as the company focuses on more prudent coal inventory management.
- Sales volume for 3Q23 fell 1% QoQ and 6% YoY to 5.3 million tons despite coal continuing to become cheaper. The majority of ITMG's coal sales in 9M23 was shipped to China (35%) while domestic sales (23%) and Japan (12%) came in second and third respectively.

New coal mine preparation continues

- ITMG continues site preparation for its new GPK coal mine, slated for production in 2024.
- Progress related to this in 3Q23 include completion of land levelling as well as cut & fill process, the delivery of material for conveyor construction, and the construction of main and supporting infrastructures including mess, bridge, hauling road, jetty, and barge loading area.
- This new mine will produce high-quality low calorie coal, increasing overall production volume as well as adding diversity to the company's product line.

ITMG acquires solar energy company as revenue diversification efforts continue

- In line with the overall trend in the coal industry, ITMG continues to pursue revenue diversification via green energy initiatives.
- ITMG acquired 65% of Suryanesia in 3Q23, a Solar-as-a-Service company that offers solar rooftop installation, operation, and maintenance services. The company has a 0.5 MWp capacity as of the end of 3Q23, with another 3.5 MWp in construction and a total committed capacity of 6.3 MWp.
- The main aim of this acquisition is to expand ITMG's solar rooftop business capacity, as well as tap into a broader customer base and strengthen market presence.

Recommend HOLD with TP of IDR26,500

- We give ITMG a HOLD recommendation with a TP of IDR26,500, reflecting a PE ratio of approximately 2.64x, equal to ITMG's 10-year SD -1. Price is currently trading at a PE ratio of 2.54x.
- Risks: 1) Falling coal prices 2) Unfavorable weather 3) Chinese economic slowdown

Indo Tambangraya Megah Tbk | Summary

in IDR bn	2022A	2023E	2024F	2025F
Revenue	54,271	35,522	32,437	31,149
Revenue growth	82.5%	-34.5%	-8.7%	-4.0%
Net profit	17,894	7,601	5,945	5,657
EPS (IDR)	15,835	6,727	5,261	5,006
Net Profit growth	162.8%	-57.5%	-21.8%	-4.8%
NPM	33.0%	21.4%	18.3%	18.2%
ROE	75.6%	26.2%	21.0%	18.9%
ROA	55.3%	20.0%	16.7%	15.1%
P/E	1.6x	3.8x	4.8x	5.1x
P/BV	0.9x	1.0x	1.0x	0.9x
EV/EBITDA	0.3x	1.4x	1.6x	1.6x

Unit: IDR bn, %, x

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

Company Update | Nov 17, 2023

HOLD

Target Price (IDR)	26,500
Consensus Price (IDR)	28,800
TP to Consensus Price	-7.99%
Potential Upside	+4.23%

Shares data

Last Price (IDR)	25,425
Price Date as of	Nov 16, 2023
52 wk Range (Hi/Lo)	42,350/22,125
Free Float (%)	34.73
Outstanding sh.(mn)	1,129
Market Cap (IDR bn)	28,728
Market Cap (USD mn)	1,853
Avg. Trd Vol - 3M (mn)	1.59
Foreign Ownership (%)	72.23

Mining

Coal

Bloomberg	ITMG IJ
Reuters	ITMG.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-31.2%	-7.5%	-9.8%	-33.1%
Rel. Ret.	-32.9%	-8.4%	-10.7%	-32.3%

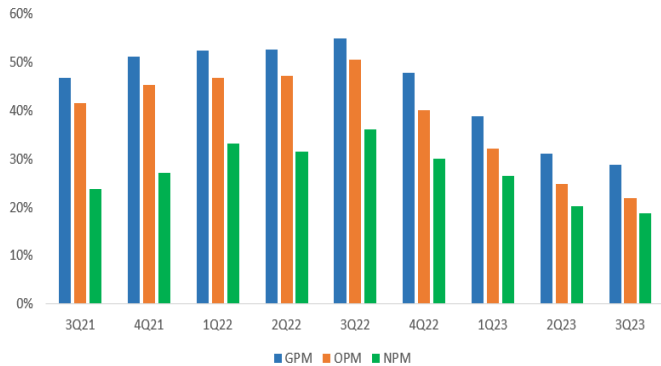
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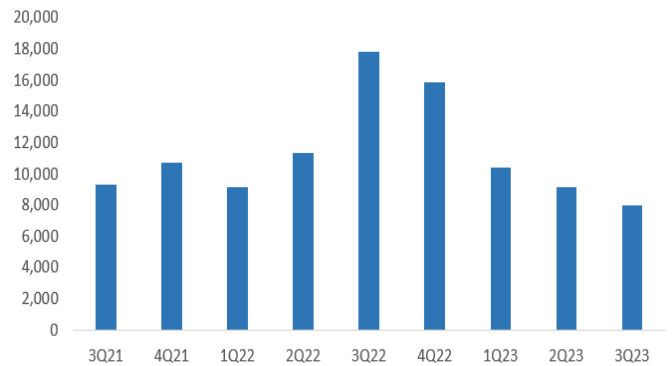
Performance Highlights in Charts

ITMG Quarterly Profit Margins | 3Q21 - 3Q23



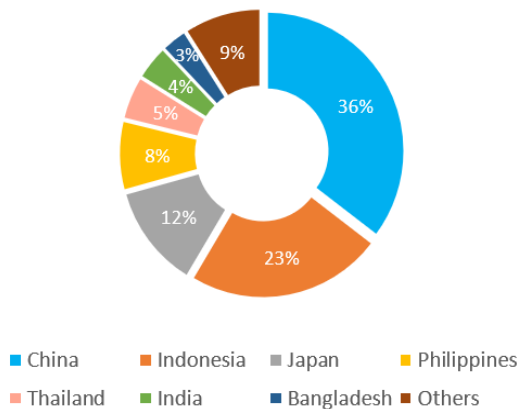
Source: Company Data, NHKSI Research

ITMG Quarterly Revenue (IDR Bn) | 3Q21 - 3Q23



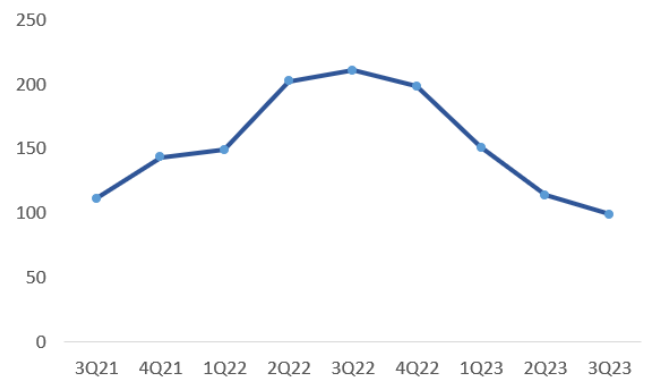
Source: Company Data, NHKSI Research

ITMG Coal Sales Destination | 9M23



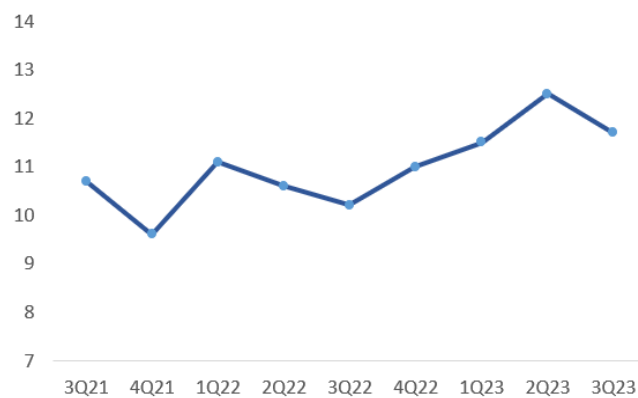
Source: Company Data, NHKSI Research

ITMG Average Selling Price (USD/Ton) | 3Q21 - 3Q23



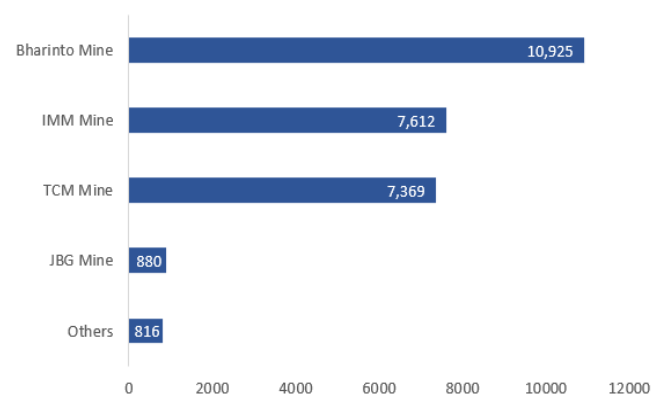
Source: Company Data, NHKSI Research

ITMG Quarterly Strip Ratio (bcm/t) | 3Q21 - 3Q23



Source: Company Data, NHKSI Research

ITMG Revenue Breakdown (IDR Bn) | 9M23



Source: Company Data, NHKSI Research

Summary of Financials

INCOME STATEMENT

(IDR bn)	2022/12A	2023/12F	2024/12F	2025/12F
Revenue	54,271	35,522	32,437	31,149
Growth	82.5%	-34.5%	-8.7%	-4.0%
COGS	26,028	23,922	22,025	21,462
Gross Profit	28,242	11,601	10,412	9,687
Gross Margin	52.0%	32.7%	32.1%	31.1%
Operating Expenses	(3,173)	(2,381)	(2,206)	(2,180)
EBIT	25,070	9,219	8,207	7,507
EBIT Margin	46.2%	26.0%	25.3%	24.1%
Depreciation	2,502	1,554	1,148	1,180
EBITDA	27,572	10,773	9,354	8,687
EBITDA Margin	50.8%	30.3%	28.8%	27.9%
EBT	23,036	9,787	7,556	7,154
Income Tax	5,153	2,192	1,617	1,502
Minority Interest	(11)	(8)	(6)	(6)
Net Profit	17,894	7,601	5,945	5,657
Growth	162.8%	-57.5%	-21.8%	-4.8%
Net Profit Margin	33.0%	21.4%	18.3%	18.2%

BALANCE SHEET

(IDR bn)	2022/12A	2023/12F	2024/12F	2025/12F
Cash	22,180	14,596	14,891	16,026
Receivables	4,349	2,437	2,222	1,707
Inventories	1,490	1,353	1,111	1,067
Total Current Assets	29,596	21,007	21,500	22,567
Net Fixed Assets	6,257	6,285	6,449	6,758
Other Non Current Assets	5,088	7,645	8,473	8,999
Total Assets	40,941	34,938	36,422	38,324
Payables	8,138	4,878	4,621	4,438
ST Debt	569	467	980	1,052
LT Debt	204	220	461	495
Total Liabilities	10,698	7,249	7,590	7,372
Capital Stock	991	989	989	989
Retained Earnings	23,491	20,746	21,940	24,032
Shareholders' Equity	30,243	27,689	28,832	30,952

CASH FLOW STATEMENT

(IDR bn)	2022/12A	2023/12F	2024/12F	2025/12F
Operating Cash Flow	19,951	5,316	6,527	6,554
Investing Cash Flow	(1,071)	(2,502)	(2,641)	(2,476)
Financing Cash Flow	(7,669)	(10,080)	(3,632)	(2,973)
Net Changes in Cash	11,059	(7,228)	295	1,135

PROFITABILITY & STABILITY

	2022/12A	2023/12F	2024/12F	2025/12F
ROE	75.6%	26.2%	21.0%	18.9%
ROA	55.3%	20.0%	16.7%	15.1%
Inventory Turnover	36.4	26.3	29.2	29.2
Days Inventory Outstanding	10.0	13.9	12.5	12.5
Receivables Turnover	8.2	13.3	14.6	18.3
Account Receivable Days	44.7	27.4	25.0	20.0
Dividend Yield (%)	28.4%	35.2%	16.6%	12.4%
Payout Ratio (%)	45.5%	132.8%	79.9%	63.0%
DER	2.6%	2.5%	5.0%	5.0%
Current Ratio	3.3	3.8	3.8	4.1
Quick Ratio	2.6	2.9	2.8	3.1
DAR	2%	2%	4%	4%
Total Shares (mn)	1,129	1,129	1,129	1,129
Share Price (IDR)	25,425	25,425	25,425	25,425
Market Cap (IDR tn)	28.7	28.7	28.7	28.7

VALUATION INDEX

	2022/12A	2023/12F	2024/12F	2025/12F
Price/Earnings	1.6x	3.8x	4.8x	5.1x
Price/Book Value	0.9x	1.0x	1.0x	0.9x
EV/EBITDA	0.3x	1.4x	1.6x	1.6x
EV (IDR bn)	7,224	14,823	15,203	14,193
BVPS (IDR)	26,787	24,526	25,538	27,416
Basic EPS (IDR)	15,835	6,727	5,261	5,006

TOP OWNERSHIP

Shareholders	%
Banpu Minerals Private Limited	65.1
Public	34.9

By Geography	
Singapore	65.1
Indonesia	27.8
Others	7.1

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%

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