

Indo Tambangraya Megah (ITMG)

Robust Chinese Demand Keeps Coal Prices Stable

PT Indo Tambangraya Megah Tbk. (ITMG) reported a 29% YoY fall in revenue for 1Q24 (USD 489 million vs USD 685 million) despite an 11% YoY increase in sales volume. This is caused by a 36% YoY decrease in ASP from \$151/ton to \$97/ton, in-line with falling global coal benchmark prices.

Strong production figures

- ITMG produced 4.8 million tons of coal across all calories in 1Q24, exceeding its stated target of 4.6 million tons. This is an increase of 44% QoQ and 31% YoY, as good weather allowed for increased mining activities.
- The company is on track to meet its production target for FY24 at 19.5-20.2 million tons.
- The biggest contributor to this production is ITMG's Bharinto Ekatama mine which churned out 2.2 million tons of coal in 1Q24, a massive 69% QoQ increase.
- ITMG also reported an average strip ratio of 10.6x for the quarter, a 29% QoQ and 7% YoY decrease.
- Their new low calorie mine, Graha Panca Karsa (GPK), has completed all preparations and started production at the end of 1Q24. It is expected to produce around 1 million tons in FY24.
- Another new mine, Tepian Indah Sukses (TIS), is expected to start coal barging in 2Q24. Situated near the company's Trubaindo mine, TIS is expected to produce 400 thousand tons of high caloric coal in FY24.
- Coal sales volume fell 12% QoQ (5 million tons vs 5.7 million tons) as the company focuses on overburden removal at the start of the year.

ASP remains stable, Indonesian coal remains competitive in China

- ITMG reported an ASP of \$97/ton for 1Q24, marking a 1% QoQ increase. This is a reflection of stable global coal prices during the quarter, with benchmarks for different caloric values trading in a tight range (GCNewc \$116-135, ICI2 \$92-96.5, ICI3 \$75-80, ICI 4 \$55-58).
- The global demand and supply gap for coal is expected to tighten slowly throughout the year with strong demand from both China and India.
- China in particular has seen very robust coal demand, especially for low and medium calorie coal. The domestic Chinese coal supply is still fraught with challenges allowing imported coal to compete strongly.

Recommend HOLD with TP of IDR 27,000

- We maintain our HOLD recommendation for ITMG with an adjusted TP of IDR 27,000. This is roughly equivalent to a PE ratio of 5.2x, slightly below ITMG's 1-Year PE Std+1, and also in line with market consensus.
- Risks: 1) Slow Chinese economy 2) Chinese coal supply recovery 3) Increase in nuclear & renewable energy generation in Japan

Indo Tambangraya Megah Tbk | Summary

In IDR bn	2023A	2024E	2025F	2026F
Revenue	36,151	35,123	35,826	36,542
Revenue growth	-33.4%	-2.8%	2.0%	2.0%
Net profit	7,611	8,477	8,759	9,066
EPS (IDR)	6,735	7,502	7,751	8,023
Net Profit growth	-57.5%	11.4%	3.3%	3.5%
NPM	21.1%	24.1%	24.4%	24.8%
ROE	26.3%	30.2%	30.3%	31.0%
ROA	20.4%	24.7%	24.8%	25.1%
P/E	3.8x	3.5x	3.4x	3.2x
P/BV	1.1x	1.0x	1.0x	1.0x
EV/EBITDA	1.6x	1.2x	1.1x	1.0x

Unit: IDR bn, %, x
Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

Company Update | Aug 01, 2024

Hold

Target Price (IDR)	27,000
Consensus Price (IDR)	27,042
TP to Consensus Price	-0.2%
Potential Upside	+3.2%

Shares data

Last Price (IDR)	26,175
Price Date as of	29 Jul 2024
52 wk Range (Hi/Lo)	31,425 / 23,575
Free Float (%)	34.7
Outstanding sh.(mn)	1,129.9
Market Cap (IDR bn)	29,575
Market Cap (USD mn)	1,826
Avg. Trd Vol - 3M (mn)	1.08
Foreign Ownership (%)	65

Mining Coal

Bloomberg	ITMG IJ
Reuters	ITMG.JK

Share Price Performance



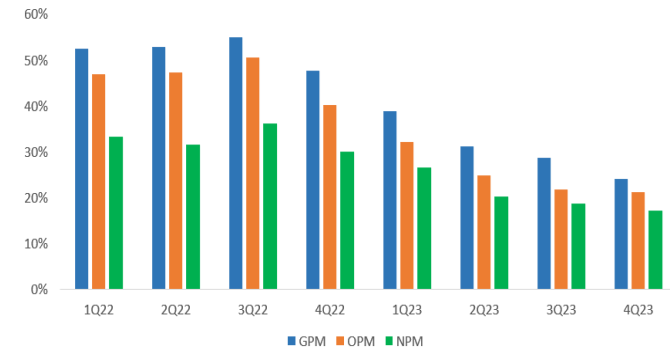
	YTD	1M	3M	12M
Abs. Ret.	2.0%	9.5%	4.9%	-6.1%
Rel. Ret.	1.8%	6.3%	3.0%	-11.7%

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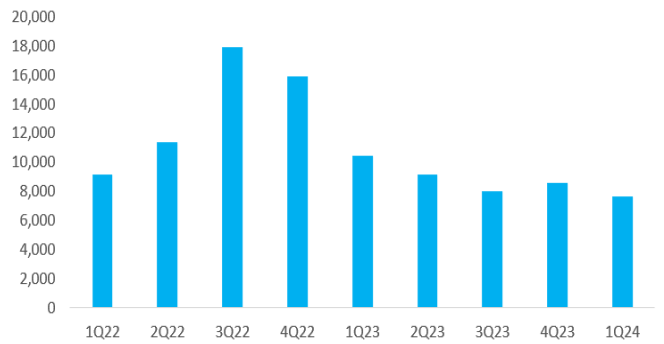
Performance Highlights in Charts

ITMG Quarterly Profit Margins | 1Q22-1Q24



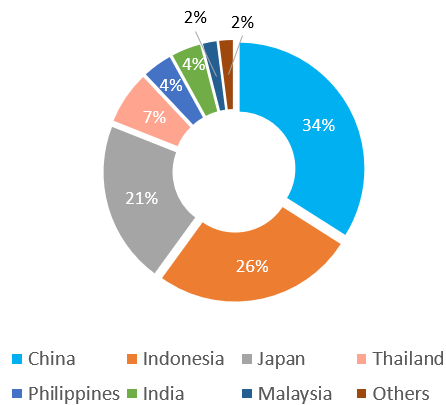
Source: Company Data, NHKSI Research

ITMG Quarterly Revenue (IDR Bn) | 1Q22-1Q24



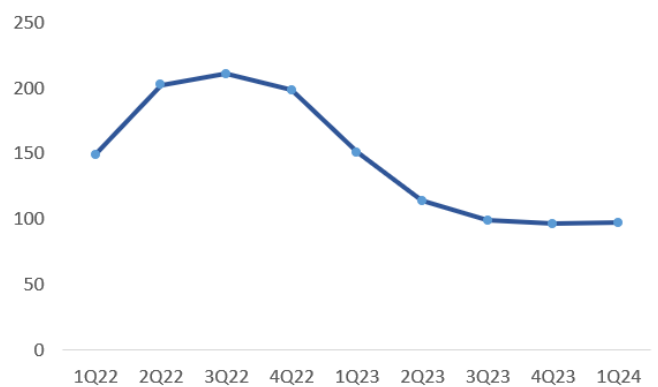
Source: Company Data, NHKSI Research

ITMG Coal Sales Destination | 1Q24



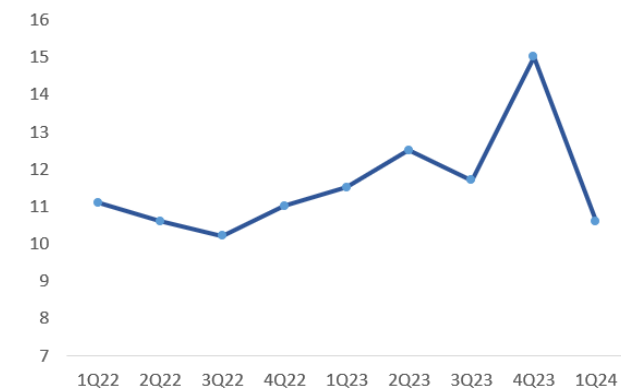
Source: Company Data, NHKSI Research

ITMG Average Selling Price (USD/Ton) | 1Q22-1Q24



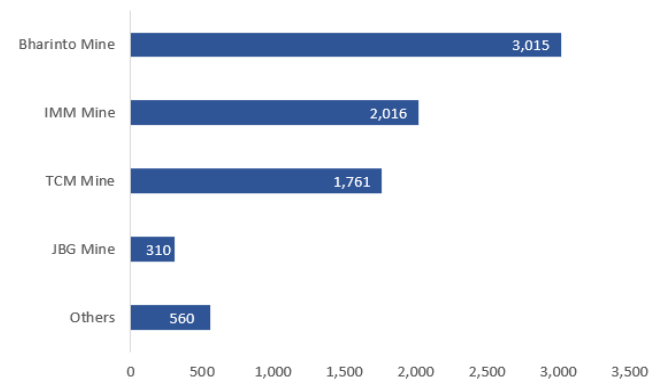
Source: Company Data, NHKSI Research

ITMG Quarterly Strip Ratio (bcm/t) | 1Q22-1Q24



Source: Company Data, NHKSI Research

ITMG Revenue Breakdown (IDR Bn) | 1Q24



Source: Company Data, NHKSI Research

Summary of Financials

INCOME STATEMENT

(IDR bn)	2023/12A	2024/12E	2025/12F	2026/12F
Revenue	36,151	35,123	35,826	36,542
Growth	-33.4%	-2.8%	2.0%	2.0%
COGS	24,861	21,952	22,391	22,839
Gross Profit	11,291	13,171	13,435	13,703
Gross Margin	31.2%	37.5%	37.5%	37.5%
Operating Expenses	(2,079)	(2,064)	(2,087)	(2,126)
EBIT	9,211	11,107	11,348	11,577
EBIT Margin	25.5%	31.6%	31.7%	31.7%
Depreciation	1,237	2,757	3,073	3,363
EBITDA	10,448	13,864	14,421	14,940
EBITDA Margin	28.9%	39.5%	40.3%	40.9%
EBT	9,799	10,783	11,200	11,587
Income Tax	2,198	2,372	2,464	2,549
Minority Interest	(11)	(66)	(22)	(28)
Net Profit	7,611	8,477	8,759	9,066
Growth	-57.5%	11.4%	3.3%	3.5%
Net Profit Margin	21.1%	24.1%	24.4%	24.8%

BALANCE SHEET

(IDR bn)	2023/12A	2024/12E	2025/12F	2026/12F
Cash	13,101	14,397	14,740	15,006
Receivables	3,039	2,970	2,971	3,064
Inventories	1,508	1,143	905	1,021
Total Current Assets	19,700	20,647	21,064	21,786
Net Fixed Assets	6,613	6,773	6,924	6,850
Other Non Current Assets	7,363	7,524	7,779	7,881
Total Assets	33,675	34,944	35,768	36,517
Payables	3,644	3,007	2,894	2,794
ST Debt	712	953	1,130	975
LT Debt	117	121	112	76
Total Liabilities	6,146	6,281	6,599	7,152
Capital Stock	983	961	978	974
Retained Earnings	20,639	21,985	22,370	22,588
Shareholders' Equity	27,529	28,664	29,168	29,365

CASH FLOW STATEMENT

(IDR bn)	2023/12A	2024/12E	2025/12F	2026/12F
Operating Cash Flow	3,372	9,234	10,001	10,929
Investing Cash Flow	(2,100)	(1,048)	(1,456)	(1,628)
Financing Cash Flow	(9,965)	(6,870)	(8,186)	(9,016)
Net Changes in Cash	(8,649)	1,296	343	266

PROFITABILITY & STABILITY

	2023/12A	2024/12E	2025/12F	2026/12F
ROE	26.3%	30.2%	30.3%	31.0%
ROA	20.4%	24.7%	24.8%	25.1%
Inventory Turnover	24.0	19.2	24.7	22.4
Days Inventory Outstanding	15.2	19.0	14.7	16.3
Receivables Turnover	11.9	11.8	12.1	11.9
Account Receivable Days	30.7	30.9	30.3	30.6
Dividend Yield (%)	34.8%	24.3%	28.5%	30.1%
Payout Ratio (%)	132.7%	84.1%	95.6%	97.6%
DER	3.0%	3.7%	4.3%	3.6%
Current Ratio	4.3	4.5	4.4	4.2
Quick Ratio	3.2	3.4	3.3	3.1
DAR	2%	3%	3%	3%
Total Shares (mn)	1,130	1,130	1,130	1,130
Share Price (IDR)	25,650	26,000	26,000	26,000
Market Cap (IDR tn)	29.0	29.4	29.4	29.4

VALUATION INDEX

	2023/12A	2024/12E	2025/12F	2026/12F
Price/Earnings	3.8x	3.5x	3.4x	3.2x
Price/Book Value	1.1x	1.0x	1.0x	1.0x
EV/EBITDA	1.6x	1.2x	1.1x	1.0x
EV (IDR bn)	16,728	16,001	15,843	15,398
BVPS (IDR)	24,362	25,366	25,813	25,987
Basic EPS (IDR)	6,735	7,502	7,751	8,023

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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