

Monday, 12 March 2018

BUY
Maintain

Last price (IDR) 2,890
Target Price (IDR) U/R
Upside/Downside N/A
Previous Target Price (IDR) 2,900

Stock Statistics

Sector Coal Mining
Bloomberg Ticker PTBA IJ
No of Shrs (mn) 10,871
Mkt. Cap (IDRbn/USDmn) 31,416/2,277
Avg. daily T/O (IDRbn/USDmn) 76.7/5.6

Major shareholders (%)

Indonesia Asahan Aluminium 65.0%
Estimated Free Float 26.5%

EPS Consensus (IDR)

	2017F	2018F	2019F
Danareksa	306.5	305.1	330.1
Consensus	323.9	354.4	348.3
Danareksa/Cons	(5.4)	(13.9)	(5.2)

PTBA relative to JCI Index



Source : Bloomberg



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Bukit Asam (PTBA IJ)

Strong earnings on higher coal prices

Bukit Asam (PTBA) reported net profits of IDR1,851bn in 4Q17 (+105.2% qoq and +93.9% yoy). The 2017 net profits are up by 123.1% yoy at IDR4,476bn. The strong net profits growth reflects: a) higher coal prices which lifted coal ASP and b) higher coal production. The results beat the consensus and our forecast owing to better-than-expected revenues and gross margins. We maintain our BUY call while reviewing our previous target price of IDR2,900.

4Q17: Higher margins boost the quarterly net profits. The company reported brisk net profits growth of 105.2% qoq to IDR1,851bn in 4Q17. The strong net profits growth owed to: a) 46.9% qoq revenues growth, b) gross margins improvement which we believe was attributable to a lower stripping ratio and c) a lower corporate tax rate of 20.7% in 4Q17 (3Q17: 26.7%).

2017: higher net profits on strong coal prices and production. The impact from the higher coal prices and higher coal production (on the back of greater railway capacity) was reflected in strong revenues growth of 37.5% yoy in 2017. Coupled with the company's ability to lower its stripping ratio (the stripping ratio in 9M17 was 3.8x vs. 5.4x in 2016), the 2017 net profits jumped by 123.1% yoy to IDR4,476bn.

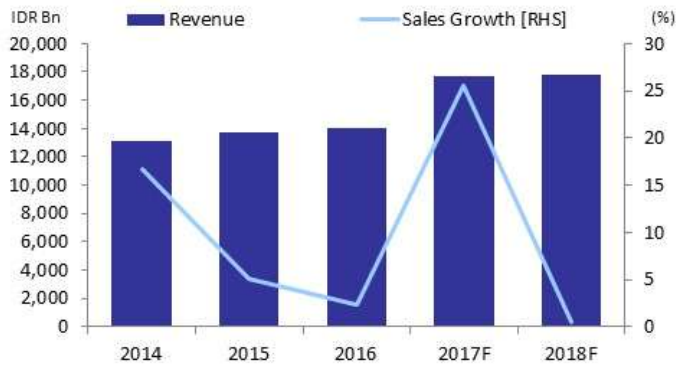
Capping of the domestic coal price at USD70/tonne to impact PTBA's earnings. With the domestic coal price to be capped at USD70/tonne - a 30% discount to the current coal price and 21% lower than our latest assumption of USD88/tonne for 2018 - the profitability of the coal mining companies under our coverage will be reduced. Assuming the capping of the coal price at USD70/tonne applies to DMO - which is 25% of total production - the new policy will reduce PTBA's earnings by around 10.5 - 12.7% in 2018 and 2019.

Maintain BUY while reviewing our previous target price of IDR2,900 (based on DCF valuation with WACC of 11.5% and long-term growth of 3%). More details will be available after the analyst meeting. The stock is currently trading at an undemanding valuation of 9.5x 2018F PE.

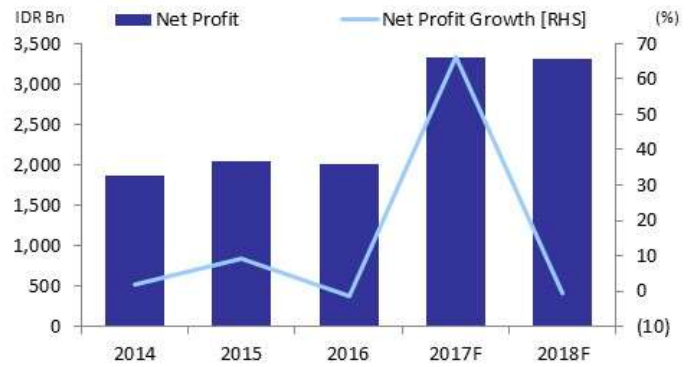
Key Financials

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
Revenue (IDRbn)	13,734	14,059	17,653	17,743	19,753
EBITDA (IDRbn)	2,826	2,876	4,662	4,768	5,281
EBITDA Growth (%)	21.0	1.8	62.1	2.3	10.8
Net profit (IDRbn)	2,036	2,006	3,332	3,317	3,588
EPS (IDR)	187.3	184.6	306.5	305.1	330.1
EPS growth (%)	9.4	(1.5)	66.1	(0.5)	8.2
BVPS (IDR)	844.0	958.7	1,200.6	1,398.4	1,621.8
DPS (IDR)	64.9	56.2	64.6	107.3	106.8
PER (x)	15.4	15.7	9.4	9.5	8.8
PBV (x)	3.4	3.0	2.4	2.1	1.8
Dividend yield (%)	2.2	1.9	2.2	3.7	3.7
EV/EBITDA (x)	10.7	10.4	6.3	6.5	6.1

Source : PTBA, Danareksa Estimates

Exhibit 1. Revenues and Growth


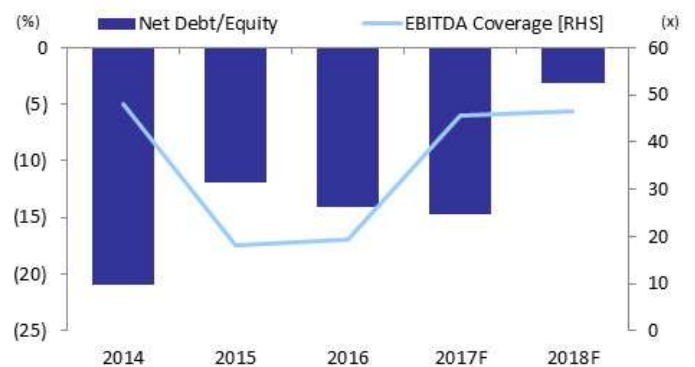
Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth


Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins


Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Gearing Level


Source: Company, Danareksa Sekuritas estimates

Exhibit 5. 2017 Results – above expectation

Financial performance	4Q16	3Q17	4Q17	qoq, %	yoy, %	2016	2017	yoy, %	2017F	A/F, %
Net sales, IDRbn	4,017	4,255	6,249	46.9	55.6	14,059	19,471	38.5	17,653	110
COGS, IDRbn	(2,061)	(2,553)	(2,789)	9.3	35.4	(9,657)	(10,965)	13.5	(11,279)	97
Gross profit, IDRbn	1,956	1,702	3,460	103.3	76.8	4,401	8,507	93.3	6,374	133
Opex, IDRbn	(760)	(473)	(1,267)	168.0	66.8	(1,871)	(2,608)	39.4	(2,095)	124
Operating profit, IDRbn	1,197	1,229	2,192	78.3	83.2	2,531	5,899	133.1	4,279	138
Pretax profit, IDRbn	1,289	1,252	2,375	89.8	84.2	2,734	6,102	123.2	4,473	136
Net profit, IDRbn	954	902	1,851	105.2	93.9	2,006	4,476	123.1	3,332	134
Gross margin, %	48.7	40.0	55.4	15.4	6.7	31.3	43.7	12.4	36.1	
Operating margin, %	29.8	28.9	35.1	6.2	5.3	18.0	30.3	12.3	24.2	
Net margin, %	23.8	21.2	29.6	8.4	5.9	14.3	23.0	8.7	18.9	

Source: Danareksa Sekuritas estimates

Exhibit 6. Income Statement

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
Revenue	13,734	14,059	17,653	17,743	19,753
COGS	(9,594)	(9,657)	(11,279)	(11,345)	(12,699)
Gross profit	4,140	4,401	6,374	6,398	7,054
EBITDA	2,826	2,876	4,662	4,768	5,281
Oper. profit	2,414	2,531	4,279	4,233	4,646
Interest income	273	202	184	210	162
Interest expense	(157)	(149)	(103)	(103)	(103)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	134	150	150	150	150
Other Income (Expenses)	0	(37)	(37)	(37)	(37)
Pre-tax profit	2,664	2,697	4,473	4,453	4,819
Income tax	(627)	(673)	(1,118)	(1,113)	(1,205)
Minority interest	(1)	(18)	(23)	(23)	(26)
Net profit	2,036	2,006	3,332	3,317	3,588
Core Net Profit	2,036	2,006	3,332	3,317	3,588

Exhibit 7. Balance Sheet

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
Cash & cash equivalent	3,115	3,675	4,195	3,232	1,394
Receivables	1,596	2,285	1,935	1,944	2,165
Inventory	1,233	1,102	1,450	1,458	1,632
Other Curr. Asset	1,654	1,288	1,030	1,030	1,030
Fixed assets - Net	5,579	6,088	9,714	13,161	16,427
Other non-curr.asset	3,716	4,139	4,202	4,321	4,455
Total asset	16,894	18,577	22,526	25,148	27,103
ST Debt	1,336	1,439	1,500	2,000	1,500
Payables	1,146	539	1,347	1,355	1,517
Other Curr. Liabilities	2,441	3,065	3,235	3,175	3,016
Long Term Debt	670	751	751	751	751
Other LT. Liabilities	2,014	2,231	2,488	2,488	2,488
Total Liabilities	7,606	8,024	9,320	9,769	9,271
Shareholder's Funds	9,175	10,421	13,051	15,202	17,630
Minority interests	113	131	154	177	203
Total Equity & Liabilities	16,894	18,577	22,526	25,148	27,103

Exhibit 8. Cash Flow

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
Net income	2,036	2,006	3,332	3,317	3,588
Depreciation and Amort.	412	345	383	535	634
Change in Working Capital	236	(72)	1,300	430	(892)
Other Oper. Cash Flow	(901)	(404)	(163)	(235)	(193)
Operating Cash Flow	1,782	1,875	4,852	4,047	3,138
Capex	(721)	(301)	(3,990)	(3,975)	(3,900)
Others Inv. Cash Flow	(120)	188	184	210	162
Investing Cash Flow	(841)	(113)	(3,806)	(3,765)	(3,738)
Net change in debt	(642)	(353)	0	0	0
New Capital	(402)	0	0	0	0
Dividend payment	(706)	(611)	(702)	(1,166)	(1,161)
Other Fin. Cash Flow	(116)	(239)	177	(80)	(77)
Financing Cash Flow	(1,866)	(1,203)	(525)	(1,246)	(1,238)
Net Change in Cash	(924)	559	521	(964)	(1,838)
Cash - begin of the year	4,039	3,115	3,675	4,195	3,232
Cash - end of the year	3,115	3,675	4,195	3,232	1,394

Exhibit 9. Key Ratios

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
Growth (%)					
Sales	5.0	2.4	25.6	0.5	11.3
EBITDA	21.0	1.8	62.1	2.3	10.8
Operating profit	17.8	4.8	69.1	(1.1)	9.8
Net profit	9.4	(1.5)	66.1	(0.5)	8.2
Profitability (%)					
Gross margin	30.1	31.3	36.1	36.1	35.7
EBITDA margin	20.6	20.5	26.4	26.9	26.7
Operating margin	17.6	18.0	24.2	23.9	23.5
Net margin	14.8	14.3	18.9	18.7	18.2
ROAA	12.8	11.3	16.2	13.9	13.7
ROAE	23.2	20.5	28.4	23.5	21.9
Leverage					
Net Gearing (x)	(0.1)	(0.1)	(0.1)	0.0	0.0
Interest Coverage (x)	15.3	17.0	41.7	41.3	45.3

Source : PTBA, Danareksa Estimates

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