

Wednesday, 24 April 2019

BUY Maintain

Last price (IDR)	4,050
Target Price (IDR)	5,200
Upside/Downside	+28.4%
Previous Target Price (IDR)	5,400

Stock Statistics

Sector	Coal Mining
Bloomberg Ticker	PTBA IJ
No of Shrs (mn)	10,871
Mkt. Cap (IDRbn/USDmn)	44,026/3,127
Avg. daily T/O (IDRbn/USDmn)	101.3/7.2

Major shareholders (%)

Indonesia Asahan Aluminium	65.0
Estimated Free Float	26.5

EPS Consensus (IDR)

	2019F	2020F	2021F
Danareksa	474.8	489.5	505.4
Consensus	429.2	442.0	476.0
Danareksa/Cons	10.6	10.7	6.2

PTBA relative to JCI Index



Source : Bloomberg



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Bukit Asam (PTBA IJ)

Growth continues apace

Bukit Asam (PTBA) reported net profits of IDR1.1tn (+3.9% qoq, but -21.6% yoy) in 1Q19. The net profit is slightly below our forecast (22.0%) but within consensus estimates (24%). With the expectation of greater railway capacity, we believe that the company can further increase coal production going forward. Maintain BUY with a target price of IDR5,200 (based on DCF valuation with WACC of 12.7%).

Higher quarterly net profits. Net profits rose by 3.9% qoq to IDR1.1tn in 1Q19 thanks to: a) higher revenues (+4.0% qoq) and b) lower operating expenses (-53.4% qoq) mainly due to significant declines in general & administration expenses. As the company booked higher COGS, its gross margin went down to 33.3% in 1Q19 (4Q18: 36.6%), but its operating margin climbed to 26.6% in 1Q19 from 21.6% in 4Q18.

Lower revenues and higher costs dragged down the yearly net profits. On a yearly comparison, net profits were down by 21.6% yoy in 1Q19, reflecting: a) 7.2% qoq lower revenues, which we believe owed to lower ASP given the impact of weak coal prices, and b) 12.4% yoy higher COGS. Nonetheless, 34.0% yoy lower operating expenses - mainly from lower selling expenses and a lower tax rate of 25.4% in 1Q19 (1Q18: 29.1%) helped to cushion the decline in net profits. The result is slightly below our expectation (22% of our FY forecast).

Expect an increase in coal production in 2019. The company expects an increase in coal production to around 27.3mn tons (+3.4% yoy) in 2019. This will be supported by greater railway capacity, which is targeted to increase further by 9.5% yoy to 25.3mn tons at the end of 2019. Going forward, with KAI planning to further increase its railway capacity to 30mn tons by 2020, we believe that the company can further increase its coal production.

Maintain BUY with a target price of IDR5,200 (based on DCF valuation with WACC of 12.7% and long-term growth of 3.0%). We expect higher earnings in 2019 despite expected consolidation in the coal price owing to higher production and a greater contribution of higher calorific value coal in the product mix. Our new target price implies 10.9x 2019F PE.

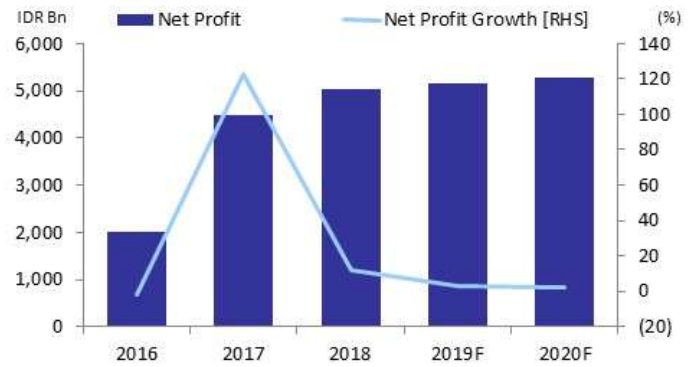
Key Financials

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Revenue (IDRbn)	19,471	21,167	23,085	24,983	27,260
EBITDA (IDRbn)	6,569	6,837	7,022	6,856	7,098
EBITDA Growth (%)	128.4	4.1	2.7	(2.4)	3.5
Net profit (IDRbn)	4,476	5,024	5,161	5,321	5,494
EPS (IDR)	411.8	462.2	474.8	489.5	505.4
EPS growth (%)	123.1	12.2	2.7	3.1	3.3
BVPS (IDR)	1,251.8	1,473.2	1,601.4	1,853.5	2,114.2
DPS (IDR)	55.4	308.8	346.6	237.4	244.7
PER (x)	9.8	8.8	8.5	8.3	8.0
PBV (x)	3.2	2.7	2.5	2.2	1.9
Dividend yield (%)	1.4	7.6	8.6	5.9	6.0
EV/EBITDA (x)	6.3	5.7	5.9	6.2	6.2

Source : PTBA, Danareksa Estimates

Exhibit 1. Revenues and Growth

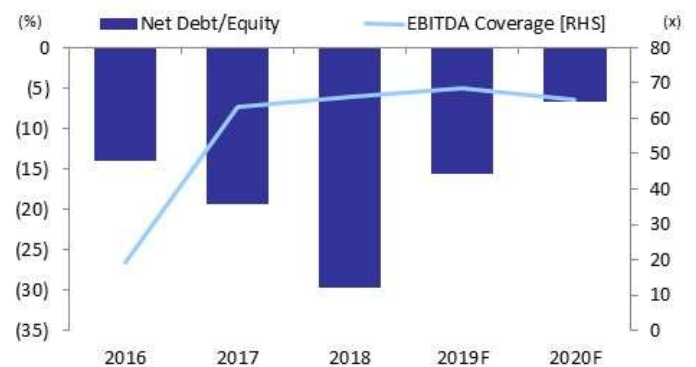

Source: Company, Danareksa Sekuritas estimates

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. 1Q19 Results – slightly below expectation

Financial performance	4Q18	1Q19	qoq, %	1Q18	1Q19	yoy, %	2019F	A/F, %
Net sales, IDRbn	5,131	5,337	4.0	5,749	5,337	(7.2)	23,085	23
COGS, IDRbn	(3,253)	(3,560)	9.5	(3,167)	(3,560)	12.4	(14,158)	25
Gross profit, IDRbn	1,878	1,777	(5.4)	2,582	1,777	(31.2)	8,927	20
Opex, IDRbn	(769)	(358)	(53.4)	(542)	(358)	(34.0)	(2,397)	15
Operating profit, IDRbn	1,109	1,419	27.9	2,040	1,419	(30.5)	6,530	22
Pretax profit, IDRbn	1,452	1,542	6.2	2,080	1,542	(25.9)	6,993	22
Net profit, IDRbn	1,094	1,137	3.9	1,451	1,137	(21.6)	5,161	22
Gross margin, %	36.6	33.3	(3.3)	44.9	33.3	(11.6)	38.7	
Operating margin, %	21.6	26.6	5.0	35.5	26.6	(8.9)	28.3	
Net margin, %	21.3	21.3	(0.0)	25.2	21.3	(3.9)	22.4	

Source: Danareksa Sekuritas estimates

Exhibit 6. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Revenue	19,471	21,167	23,085	24,983	27,260
COGS	(10,965)	(12,621)	(14,158)	(15,497)	(17,237)
Gross profit	8,507	8,546	8,927	9,486	10,023
EBITDA	6,569	6,837	7,022	6,856	7,098
Oper. profit	5,899	6,283	6,530	6,856	7,098
Interest income	185	326	272	169	170
Interest expense	(104)	(104)	(103)	(103)	(103)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	122	352	352	352	352
Other Income (Expenses)	(34)	(59)	(59)	(59)	(59)
Pre-tax profit	6,068	6,799	6,993	7,216	7,458
Income tax	(1,521)	(1,678)	(1,748)	(1,804)	(1,865)
Minority interest	(71)	(97)	(84)	(91)	(99)
Net profit	4,476	5,024	5,161	5,321	5,494
Core Net Profit	4,476	5,024	5,161	5,321	5,494

Exhibit 7. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Cash & cash equivalent	3,555	5,438	3,379	3,392	3,280
Receivables	5,344	2,782	2,530	2,738	2,987
Inventory	1,156	1,551	1,820	1,992	2,216
Other Curr. Asset	1,063	1,969	1,969	1,969	1,969
Fixed assets - Net	6,199	6,548	10,346	13,902	17,249
Other non-curr.asset	4,670	5,886	6,031	6,271	6,532
Total asset	21,987	24,173	26,074	30,264	34,232
ST Debt	299	85	100	1,500	2,500
Payables	886	1,048	1,691	1,851	2,059
Other Curr. Liabilities	3,211	3,802	3,568	3,367	3,194
Long Term Debt	580	507	507	507	507
Other LT. Liabilities	3,211	2,461	2,461	2,461	2,461
Total Liabilities	8,187	7,903	8,327	9,685	10,721
Shareholder's Funds	13,608	16,015	17,408	20,149	22,983
Minority interests	192	255	338	429	528
Total Equity & Liabilities	21,987	24,173	26,074	30,264	34,232

Exhibit 8. Cash Flow

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Net income	4,476	5,024	5,161	5,321	5,494
Depreciation and Amort.	671	554	492	644	793
Change in Working Capital	(3,533)	1,800	407	978	562
Other Oper. Cash Flow	720	267	(314)	(306)	(328)
Operating Cash Flow	2,334	7,645	5,745	6,636	6,523
Capex	(685)	(834)	(4,290)	(4,200)	(4,140)
Others Inv. Cash Flow	333	(417)	272	169	170
Investing Cash Flow	(351)	(1,251)	(4,018)	(4,031)	(3,970)
Net change in debt	(1,271)	(13)	0	0	0
New Capital	0	0	0	0	0
Dividend payment	(602)	(3,357)	(3,768)	(2,580)	(2,661)
Other Fin. Cash Flow	(229)	(1,205)	(19)	(12)	(3)
Financing Cash Flow	(2,102)	(4,575)	(3,787)	(2,592)	(2,664)
Net Change in Cash	(119)	1,819	(2,059)	13	(112)
Cash - begin of the year	3,675	3,555	5,438	3,379	3,392
Cash - end of the year	3,555	5,438	3,379	3,392	3,280

Exhibit 9. Key Ratios

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Growth (%)					
Sales	38.5	8.7	9.1	8.2	9.1
EBITDA	128.4	4.1	2.7	(2.4)	3.5
Operating profit	133.1	6.5	3.9	5.0	3.5
Net profit	123.1	12.2	2.7	3.1	3.3
Profitability (%)					
Gross margin	43.7	40.4	38.7	38.0	36.8
EBITDA margin	33.7	32.3	30.4	27.4	26.0
Operating margin	30.3	29.7	28.3	27.4	26.0
Net margin	23.0	23.7	22.4	21.3	20.2
ROAA	22.1	21.8	20.5	18.9	17.0
ROAE	37.3	33.9	30.9	28.3	25.5
Leverage					
Net Gearing (x)	(0.2)	(0.3)	(0.2)	(0.1)	0.0
Interest Coverage (x)	56.9	60.7	63.7	66.9	69.2

Source : PTBA, Danareksa Estimates

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