

Monday, 16 December 2019

BUY

Maintain

Last price (IDR) 2,580
 Target Price (IDR) 3,700
 Upside/Downside +43.4%
 Previous Target Price (IDR) 4,400

Stock Statistics

Sector Coal Mining
 Bloomberg Ticker PTBA IJ
 No of Shrs (mn) 11,094
 Mkt. Cap (IDRbn/USDmn) 28,623/2,046
 Avg. daily T/O (IDRbn/USDmn) 66.5/4.8

Major shareholders (%)

Indonesia Asahan Aluminium 65.9
 Estimated Free Float 30.4

EPS Consensus (IDR)

	2019F	2020F	2021F
Danareksa	374.4	385.5	403.6
Consensus	373.5	331.7	344.9
Danareksa/Cons	0.2	16.2	17.0

PTBA relative to JCI Index



Source : Bloomberg



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Bukit Asam (PTBA IJ)

Higher production to support earnings

Despite the dim coal outlook, we expect Bukit Asam (PTBA) to book solid earnings backed by expanding infrastructure projects to boost coal production going forward. As we cut our net profit forecast by 14.6 – 15.8% for 2019 – 2021 on lower coal price assumptions, we trim our TP to IDR3,700 (based on DCF valuation with WACC of 12.7%). Maintain BUY. Our net TP implies 9.9x 2020F PE.

Expect a further increase in production in 2020. The management targets coal production of 27.3mn tons (+3.4% yoy) in 2019 with coal sales volume of 28.4mn tons (+15.0% yoy). While the management has not provided any guidance for 2020, we expect coal production to increase by another 10.1% yoy to 30mn tons supported by higher railway capacity. This year, railway capacity is expected to increase by 11.5% yoy to 25.3mn tons.

Expanding infrastructure projects to boost production going forward. To boost coal production and transportation going forward from the mining area to the port, PTBA continues to improve and expand infrastructure projects. Railway capacity is expected to improve by 18.6% yoy to 30.0mn tons by 2020, which will mainly come from additional capacity to Tarahan. In the medium term, PTBA plans to improve railway capacity by developing a new railway project to Prajin Barging Port in South Sumatera and to Tarahan II in Lampung. In addition, the company will also develop new ports at these locations.

Expect the coal price to remain soft. While short term coal prices will be supported by potential delays in the restarting of some nuclear power plants in Japan due to maintenance and security requirements, uncertainty concerning China's coal import policies given the quota is expected to be reached toward the end of 2019 will put pressure on prices. Overall, we expect further consolidation in the average coal price for 2020 with demand from developed countries (Japan, South Korea and China) expected to decline further going forward. We cut our coal price assumption to USD78/ton (from USD80/ton) for 2019 and to USD72/ton (from USD75/ton) for 2020, while maintaining our long-term coal price assumption at USD70/ton.

Maintain BUY with a lower target price. As we trim our coal price assumption, we cut our earnings forecast for PTBA by 14.6 – 15.8% for 2019 – 2021. Hence, we lower our target price to IDR3,700 (based on DCF valuation with WACC of 12.7%). Amid consolidation in coal prices, we believe that higher coal production and long-term business diversification in the power plants business will support earnings going forward. Our new target price implies 9.9x 2020F PE.

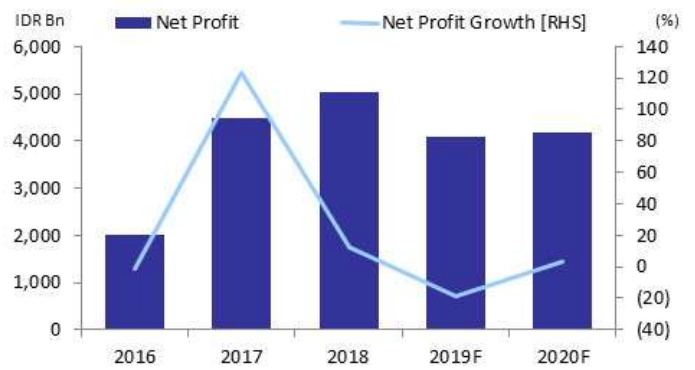
Key Financials

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Revenue (IDRbn)	19,471	21,167	21,823	23,375	25,739
EBITDA (IDRbn)	6,569	6,837	5,561	5,938	6,387
EBITDA Growth (%)	128.4	4.1	(18.7)	6.8	7.6
Net profit (IDRbn)	4,476	5,024	4,070	4,191	4,387
EPS (IDR)	411.8	462.2	374.4	385.5	403.6
EPS growth (%)	123.1	12.2	(19.0)	3.0	4.7
BVPS (IDR)	1,251.8	1,473.2	1,677.1	1,875.4	2,086.2
DPS (IDR)	55.4	308.8	346.6	187.2	192.8
PER (x)	6.3	5.6	6.9	6.7	6.4
PBV (x)	2.1	1.8	1.5	1.4	1.2
Dividend yield (%)	2.1	12.0	13.4	7.3	7.5
EV/EBITDA (x)	3.9	3.4	4.4	4.4	4.4

Source : PTBA, Danareksa Estimates

Exhibit 1. Revenues and Growth

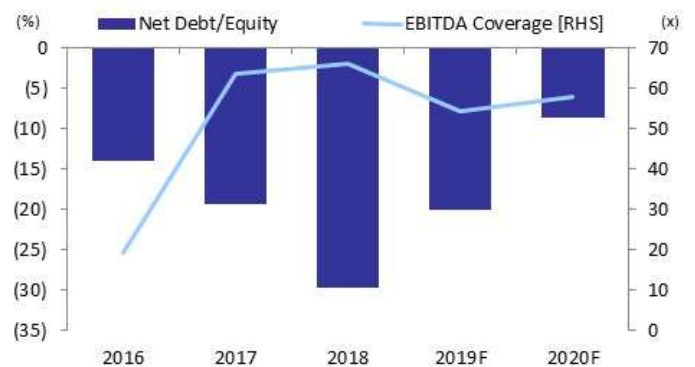

Source: Company, Danareksa Sekuritas estimates

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. Change in our forecasts

	New			Previous			Chg in forecast (%)		
	2019F	2020F	2021F	2019F	2020F	2021F	2019F	2020F	2021F
Coal sales volume, mn tons	28.3	31.0	35.0	27.3	30.0	34.0	3.7	3.3	2.9
Coal production volume, mn tons	27.3	30.0	34.0	27.3	30.0	34.0	0.0	0.0	0.0
Coal Price, USD/ton	78	72	70	80	75	70	(2.5)	(4.0)	0.0
Blended Coal ASP, IDR/ton	760,105	742,431	724,597	810,467	793,940	762,995	(6.2)	(6.5)	(5.0)
USD/IDR Assumption	14,500	14,300	14,000	14,500	14,300	14,000	0.0	0.0	0.0
Revenue (IDR bn)	21,823	23,375	25,739	22,436	24,178	26,320	(2.7)	(3.3)	(2.2)
EBITDA (IDR bn)	5,561	5,938	6,387	6,580	7,050	7,431	(15.5)	(15.8)	(14.1)
Net Profit (IDR bn)	4,070	4,191	4,387	4,832	4,977	5,137	(15.8)	(15.8)	(14.6)

Source: Danareksa Sekuritas estimates

Exhibit 6. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Revenue	19,471	21,167	21,823	23,375	25,739
COGS	(10,965)	(12,621)	(14,555)	(15,676)	(17,428)
Gross profit	8,507	8,546	7,269	7,700	8,311
EBITDA	6,569	6,837	5,561	5,938	6,387
Oper. profit	5,899	6,283	5,070	5,294	5,593
Interest income	185	326	272	217	190
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	5,532	5,701	5,974
Income tax	(1,521)	(1,678)	(1,383)	(1,425)	(1,493)
Minority interest	(71)	(97)	(79)	(85)	(94)
Net profit	4,476	5,024	4,070	4,191	4,387
Core Net Profit	4,476	5,024	4,070	4,191	4,387

Exhibit 7. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Cash & cash equivalent	3,555	5,438	4,331	3,794	3,125
Receivables	5,344	2,782	2,392	2,562	2,821
Inventory	1,156	1,551	1,871	2,015	2,240
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	26,939	30,512	33,935
ST Debt	299	85	100	1,500	2,500
Payables	886	1,048	1,739	1,873	2,082
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	8,375	9,707	10,744
Shareholder's Funds	13,608	16,015	18,231	20,387	22,678
Minority interests	192	255	334	419	512
Total Equity & Liabilities	21,987	24,173	26,939	30,512	33,935

Exhibit 8. Cash Flow

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Net income	4,476	5,024	4,070	4,191	4,387
Depreciation and Amort.	671	554	492	644	793
Change in Working Capital	(3,533)	1,800	542	1,018	553
Other Oper. Cash Flow	720	267	(314)	(354)	(348)
Operating Cash Flow	2,334	7,645	4,789	5,499	5,385
Capex	(685)	(834)	(4,290)	(4,200)	(4,140)
Others Inv. Cash Flow	333	(417)	272	217	190
Investing Cash Flow	(351)	(1,251)	(4,018)	(3,983)	(3,950)
Net change in debt	(1,271)	(13)	0	0	0
New Capital	0	0	1,914	0	0
Dividend payment	(602)	(3,357)	(3,768)	(2,035)	(2,095)
Other Fin. Cash Flow	(229)	(1,205)	(23)	(18)	(9)
Financing Cash Flow	(2,102)	(4,575)	(1,877)	(2,052)	(2,104)
Net Change in Cash	(119)	1,819	(1,107)	(537)	(669)
Cash - begin of the year	3,675	3,555	5,438	4,331	3,794
Cash - end of the year	3,555	5,438	4,331	3,794	3,125

Exhibit 9. Key Ratios

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Growth (%)					
Sales	38.5	8.7	3.1	7.1	10.1
EBITDA	128.4	4.1	(18.7)	6.8	7.6
Operating profit	133.1	6.5	(19.3)	4.4	5.7
Net profit	123.1	12.2	(19.0)	3.0	4.7
Profitability (%)					
Gross margin	43.7	40.4	33.3	32.9	32.3
EBITDA margin	33.7	32.3	25.5	25.4	24.8
Operating margin	30.3	29.7	23.2	22.6	21.7
Net margin	23.0	23.7	18.6	17.9	17.0
ROAA	22.1	21.8	15.9	14.6	13.6
ROAE	37.3	33.9	23.8	21.7	20.4
Leverage					
Net Gearing (x)	(0.2)	(0.3)	(0.2)	(0.1)	0.0
Interest Coverage (x)	56.9	60.7	49.5	51.6	54.6

Source : PTBA, Danareksa Estimates

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