

## Delta Dunia (DOID)

### Great business at a bargain valuation

- **DOID share price has surged 65% YTD, following its series of corporate actions around the end of 2021:** 1) the acquisition of Downer EDI Limited coal mining contractor in Australia for AUD139mn, 2) 15.4% stakes acquisition in Asiamet Resources, and, 3) staged investments for a controlling stake (51%) in Asiamet Resources BKM Copper project.
- **Considering the ICI3 & ICI4 coal prices trajectory**, we believe that DOID's ASP will continue to rally ~30% higher YoY and pushes its GP margins closer to 20%. Assuming a 50% YoY growth in OB removal to 480mn bcm in 2022 (driven by a new portfolio in BUMA Australia and contract extension from BYAN) as a base case and a considerable improvement in margins (given its contract price tiering which are dependent on coal price movement), **DOID should be in-line to generate FY22 earnings of ~USD85mn**. This implies that DOID currently **trades at an attractive ~3x FY22F PE multiples with more than 25% ROE**
- DOID, through its 100% owned subsidiary PT Bukit Makmur Mandiri Utama (BUMA), provides comprehensive services for coal concession owners such as overburden (OB) removal, coal mining, coal hauling, and land reclamation & rehabilitation.
- DOID's OB removal and coal production volume is **heavily dependent on 3 customers (i.e. Berau Coal, ADRO, and BYAN)** which have **long-dated mining contracts for the next 4-8 years**.
- DOID's 2M22 operational result was 80.2mn bcm (+95% YoY) OB removal with 11.3mn tonnes (+31% YoY) coal delivered. 1Q22 revenue and net profit are expected to continue to increase further from an expected strong 4Q21 performance.
- Recent acquisitions as listed in 1<sup>st</sup> paragraph above have pushed up DOID's net leverage to ~2.5x (vs. 1.7x in FY20, a 10-year low level). **Its net leverage is expected to hover around 2x** by end of the year considering better cash flow from operations and a decent USD150-200mn capex budget. We should expect DOID to continue to **not distribute any dividends in years to come**.

	2017A	2018A	2019A	2020A	9M21A
Sales (USD mn)	764.6	892.5	881.8	601.7	596.7
GP (USD mn)	225.1	215.6	142.6	52.0	81.1
OP (USD mn)	171.7	163.9	88.4	19.7	43.4
NP (USD mn)	46.7	75.6	20.5	-23.4	-16.1
EBITDA (USD mn)	286.6	299.3	246.3	174.3	149.4
Net debt (USD mn)	501.5	628.7	613.5	456.5	516.6
OP margin (%)	22.5	18.4	10.0	3.3	7.3
ROE (%)	30.8	34.5	7.6	-8.6	0.0
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
EPS (USD)	0.0057	0.0093	0.0025	(0.0029)	(0.0020)
chg. (% YoY)	19.6	72.8	(74.0)	NM	NM
BPS (USD)	0.0217	0.0321	0.0344	0.0324	0.0304
DPS (USD)	-	-	-	-	-
PE average (x)	9.5	4.1	8.5	-	-
PB average (x)	2.5	1.2	0.6	0.8	-
EV/EBITDA average (x)	3.4	3.2	3.4	4.2	-

## Company

### Call notes

### Mining contracting

Mar 29, 2022

12M rating **N-R**

12M TP

Upside

#### Stock Data

JCI (Mar 28)	7,049
Stock price (Mar 28, IDR)	426
Market cap (IDR bn)	3,672
Shares outstanding (mn)	8,620
52-week high/low (IDR)	484 / 230
6M avg. daily turnover (IDR bn)	38.7
Free float (%)	56.3

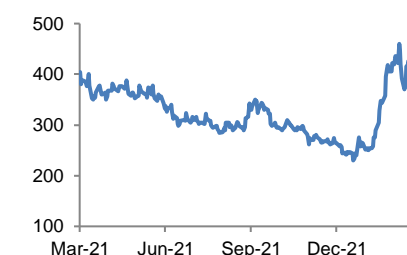
#### Major shareholders (%)

Northstar Tambang Persada Ltd	37.9
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#### Performance

	1M	6M	12M
Absolute (%)	5.9	36.9	(4.0)
Relative to JCI (%p)	2.5	8.0	(13.3)

#### DOID Price trend

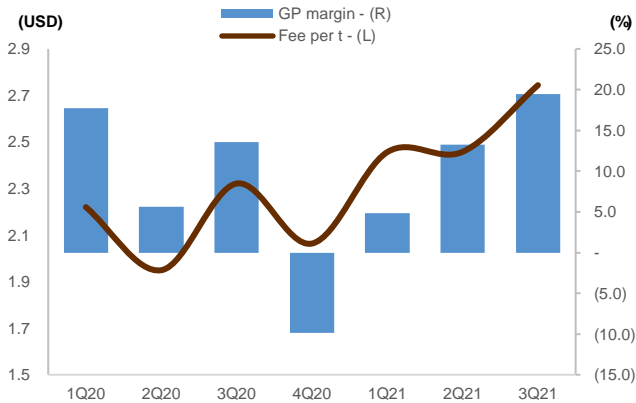


Source: Bloomberg

**Edward Tanuwijaya**

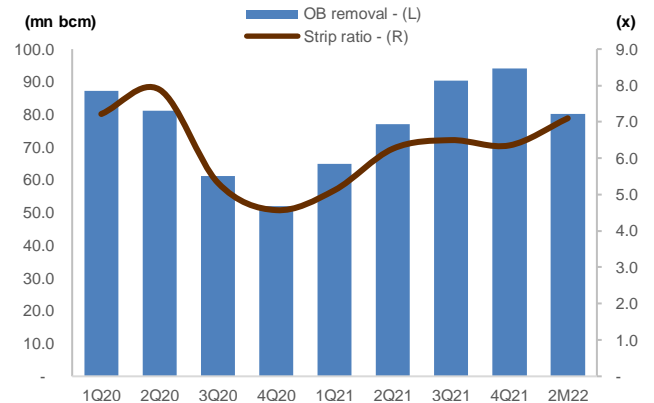
[edward.t@kisi.co.id](mailto:edward.t@kisi.co.id)

Fig 1. DOID's fee (per tonne) vs GP margin



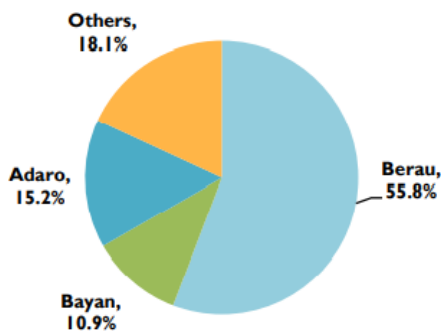
Source: Company, KISI

Fig 2. DOID's OB removal & strip ratio



Source: Company, KISI

Fig 3. DOID's 9M21 mining contracts by customers



Source: Company presentation, KISI

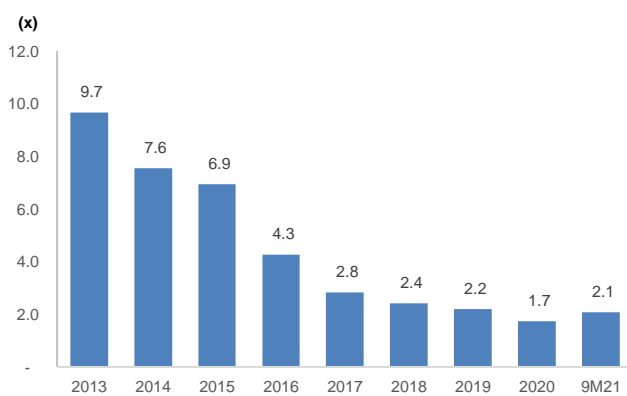
Fig 4. DOID's existing contracts (per end of Sep2021)

No	Customers	Existing Contract Period
1	Berau Coal (Lati) <sup>2</sup>	2012-2025 <sup>1</sup>
2	Berau Coal (Binungan) <sup>2</sup>	2003-2025 <sup>1</sup>
3	Bayan - Indonesia Pratama (IPR) <sup>5</sup>	2018-2031
4	Adaro (Paringin) <sup>2</sup>	2009-2022 <sup>1</sup>
5	Adaro (Tutupan)	2021-2025
6	Geo - Sungai Danau Jaya (SDJ) <sup>1</sup>	2015-2023 <sup>1</sup>
7	Geo - Tanah Bumbu Resources (TBR) <sup>1</sup>	2018-2024 <sup>1</sup>
8	Angsana Jaya Energi (AJE)	2016-2021
9	RAIN - Insani Baraperkasa (IBP)	2018-2025
10	Tadjahan Antang Mineral (TAM)	2015-2025

Source: Company presentation, KISI

Note: (1) Life of mine contract

Fig 5. DOID's net gearing trend



Source: Company, KISI

Fig 6. DOID's PE band



Source: Bloomberg, KISI

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