

Bukit Asam (PTBA)

A solid domestic coal play

Coal prices to sustain at a high level in FY22

Steady demand from China and potential supply crunch in Europe should sustain global coal prices in the mid-term as explained in detail in our recent ADRO report ([ADRO – Plotting paths to USD10bn valuation \(7Mar2022\)](#)). Recent heavy rainfall has caused floods in Australian mines located in the key Hunter Valley region of New South Wales (NSW). Argus estimated that it will take a couple of weeks for miners to recover and fully assess the damage. Considering current dynamics, our FY22/23F coal index price assumptions are USD190/t and USD150/t.

Expect another record earnings in FY22 following a strong 4Q21

PTBA booked another record-high quarterly earnings of IDR3.1tn in 4Q21 (+5.1% QoQ) to bring its FY21 earnings to IDR7.9tn (+231% YoY) exceeding both our and consensus by estimates by 12% and 17%, respectively. Operationally, 4Q21 sales volume was underwhelming with 7.5mn tonnes (down 6.2% QoQ). However, a much better 4Q21 ASP at IDR1.3mn/t (+15.9% QoQ) supports its 8.7% QoQ revenue growth and a 2nd all-time high (after 4Q17) GP margin of 53%.

Less sensitive to coal price volatility as compared to peers

PTBA's earnings are less sensitive to coal price movements as compared to its peers as domestic sales volume made up >55% of its total sales. A sizable portion of domestic sales is for power generation which is capped at US70/t FOB (for 6,322 kcal/kg GAR) as imposed by Ministry of Energy & Mineral Resources (MoEMR) regulations since 2018. Our sensitivity analysis showed that every 5% move in coal price should result in an 8% and 4% movement in our PTBA's earnings assumptions and DCF valuation, respectively. In addition, all PTBA's coal concessions are IUP and they are not subjected to potential royalty rates changes which are reported recently in the media.

Maintain BUY call with higher TP at IDR4,750/sh

We significantly upgraded our FY22/23F earnings estimates by 38%/63% given our latest PTBA FY22/23F coal assumptions of USD86.6/USD74.3 per tonne (from USD71.9/USD59.6 per tonne previously). This lifted our DCF valuation to IDR55.2tn (equivalent to IDR4,750/sh), implying 4x FY22F PE with ~35% ROE in the next 2 years and >13% expected div. yield. Risk to our call includes changes in gov't regulations and potential oversupply of Russian coal in the aftermath of recent conflicts.

	2020A	2021A	2022F	2023F	2024F
Sales (IDR bn)	17,325	29,261	43,464	41,867	34,490
GP (IDR bn)	4,566	13,484	21,350	17,369	11,082
OP (IDR bn)	2,434	9,890	17,214	12,694	6,199
NP (IDR bn)	2,387	7,909	13,456	10,095	5,206
EBITDA (IDR bn)	3,403	11,129	18,873	14,515	8,043
Net debt (IDR bn)	(4,228)	(4,388)	(6,647)	(8,698)	(9,400)
OP margin (%)	14.0	33.8	39.6	30.3	18.0
ROE (%)	14.1	32.6	41.7	28.3	14.5
Dividend yield (%)	11.2	2.1	13.8	16.8	12.6
EPS (USD)	207	687	1,168	876	452
chg. (% YoY)	(41.2)	231.4	70.1	(25.0)	(48.4)
BPS (USD)	1,470	2,105	2,800	3,101	3,119
DPS (USD)	317	73	481	584	438
PE (x)	16.7	5.1	3.0	4.0	7.7
PB (x)	2.4	1.6	1.2	1.1	1.1
EV/EBITDA (x)	11.7	3.6	2.1	2.8	5.0

Company Update

Commodities

Mar 11, 2022

12M rating **BUY (Maintain)**
12M TP **IDR 4,750** (Prev IDR 3,400)
Upside **+37%**

Stock Data

JCI (Mar 10)	6,924
Stock price (Mar 10, IDR)	3,470
Market cap (IDR bn)	39,977
Shares outstanding (m)	11,521
52-week high/low (IDR)	3,760 / 1,995
6M avg. daily turnover (IDR bn)	106.5
Free float (%)	34.1

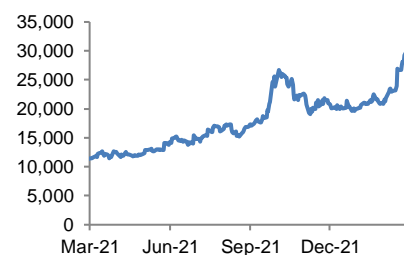
Major shareholders (%)

Indonesia Asahan Aluminium	65.9
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Performance

	1M	6M	12M
Absolute (%)	23.3	51.3	39.8
Relative to JCI (%)	20.4	30.0	20.8

PTBA stock price



Source: Bloomberg

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Table 1. PTBA's FY21 operational and financial results

PTBA 4Q21 results snapshot										(in IDR bn)
	4Q20	3Q21	4Q21	QoQ	YoY	FY20	FY21	YoY	% of FY21F KISI	% to cons
Revenue	4,476	9,090	9,880	8.7%	120.7%	17,325	29,261	68.9%	102.9%	106.7%
Gross Profit	1,045	4,704	5,233	11.2%	400.5%	4,566	13,484	195.3%	117.6%	117.0%
Operating Profit	606	4,002	3,632	-9.2%	499.0%	2,434	9,890	306.3%	113.5%	114.8%
Net Income	659	2,989	3,141	5.1%	376.9%	2,387	7,909	231.4%	112.1%	117.3%
GPM	23.4%	51.8%	53.0%			26.4%	46.1%			
OPM	13.5%	44.0%	36.8%			14.0%	33.8%			
NPM	14.7%	32.9%	31.8%			13.8%	27.0%			

PTBA 4Q21 operational									
	4Q20	3Q21	4Q21	QoQ	YoY	FY20	FY21	YoY	% of FY21F KISI
Production vol (mn)	5.4	9.6	7.1	-26.0%	31.5%	24.8	30.0	21.0%	105.3%
Sales vol (mt)	7.5	8.0	7.5	-6.2%	0.0%	26.1	28.4	8.8%	99.6%
ASP (IDR'000/ton)	597	1,136	1,317	15.9%	120.7%	654	1,018	55.8%	103.0%
Stripping ratio (x)	4.4	4.6	5.3	15.2%	21.5%	4.4	4.7	6.8%	90.4%
OB removal (m bcm)	24	45	38	-14.8%	59.7%	109	141	29.2%	95.1%

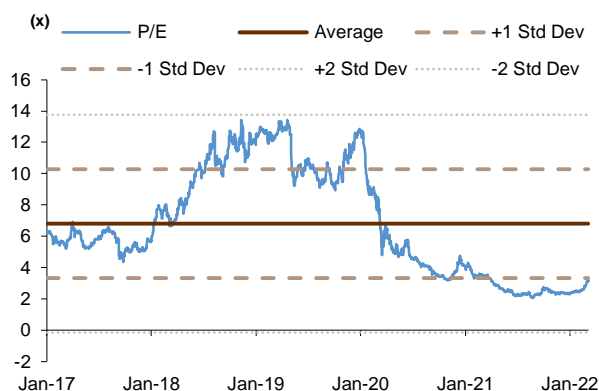
Source: Company, KISI

Table 2. PTBA's DCF valuation

DCF Valuation Summary		Assumption	
Enterprise value (IDR bn)	48,568	Risk-free rate	6.5%
Net cash (IDR bn)	(6,647)	Market Premium	5.0%
Equity Value (IDR bn)	55,216	Beta	1.3
Shares outstanding (mn)	11,522	After tax Cost of Debt	6.8%
Target Price (IDR / share)	4,750	Debt Proportion	4.1%
		Equity Proportion	95.9%
		Cost of Equity	13.0%
Target PE (x)	4.0	Long-term growth	0.0%
Current PE (x)	3.0	consider 35 year life-mine after 2025	
		WACC	12.7%

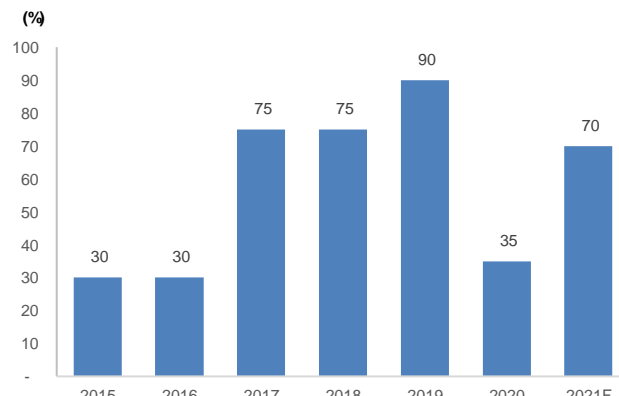
Source: KISI

Fig 1. PTBA's PE band



Source: Bloomberg, KISI

Fig 2. PTBA's dividend payout ratio



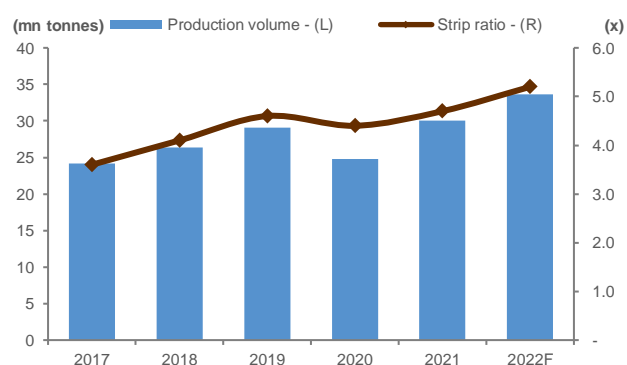
Source: Company, KISI

Table 3. Summary of assumptions changes

Assumptions	Unit	Revised			Previous		
		FY21A	FY22F	FY23F	FY21F	FY22F	FY22F
Sales volume	m tonnes	28.4	33.6	37.2	28.5	34.0	36.7
Change (%)		0%	-1%	1%			
Global coal price	USD/tonne	136.5	190.0	150.0	135.0	150.0	100.0
Change (%)		1%	27%	50%			
ASP	USD/tonne	71.1	86.6	74.3	68.2	71.9	59.6
Change (%)		4%	21%	25%			
Revenue	IDR bn	28,874	43,064	41,467	28,173	35,425	31,733
Change (%)		2%	22%	31%			
Cost of revenue	IDR bn	15,777	22,115	24,498	16,962	20,401	20,814
Change (%)		-7%	8%	18%			
EBITDA	IDR bn	11,129	18,873	14,515	9,702	13,064	8,782
Change (%)		15%	44%	65%			
Net profit	IDR bn	7,909	13,456	10,095	7,056	9,740	6,205
Change (%)		12%	38%	63%			
Target price	IDR		4,750			3,400	
Change (%)			40%				
Recommendation		BUY			BUY		

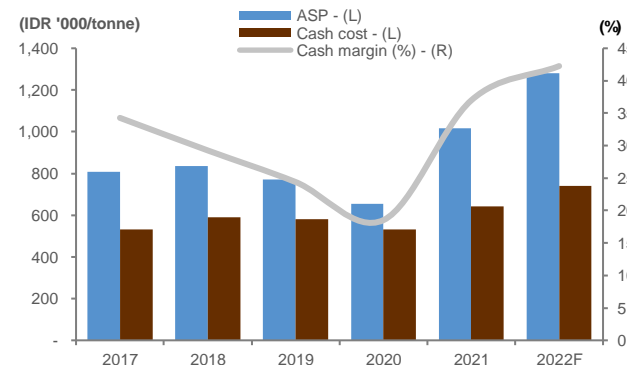
Source: KISI

Fig 3. PTBA's production vol. & strip ratio trend



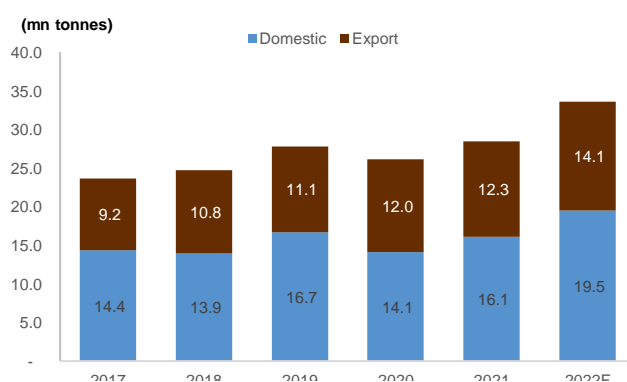
Source: Company, KISI

Fig 4. PTBA's ASP, cash cost & cash margin trend



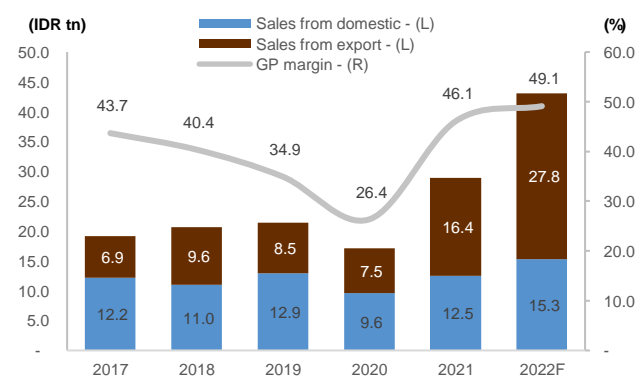
Source: Company, KISI

Fig 5. PTBA's domestic & export vol. breakdown



Source: Company, KISI

Fig 6. PTBA's domestic & export sales vs GP margin



Source: Company, KISI

Company Overview

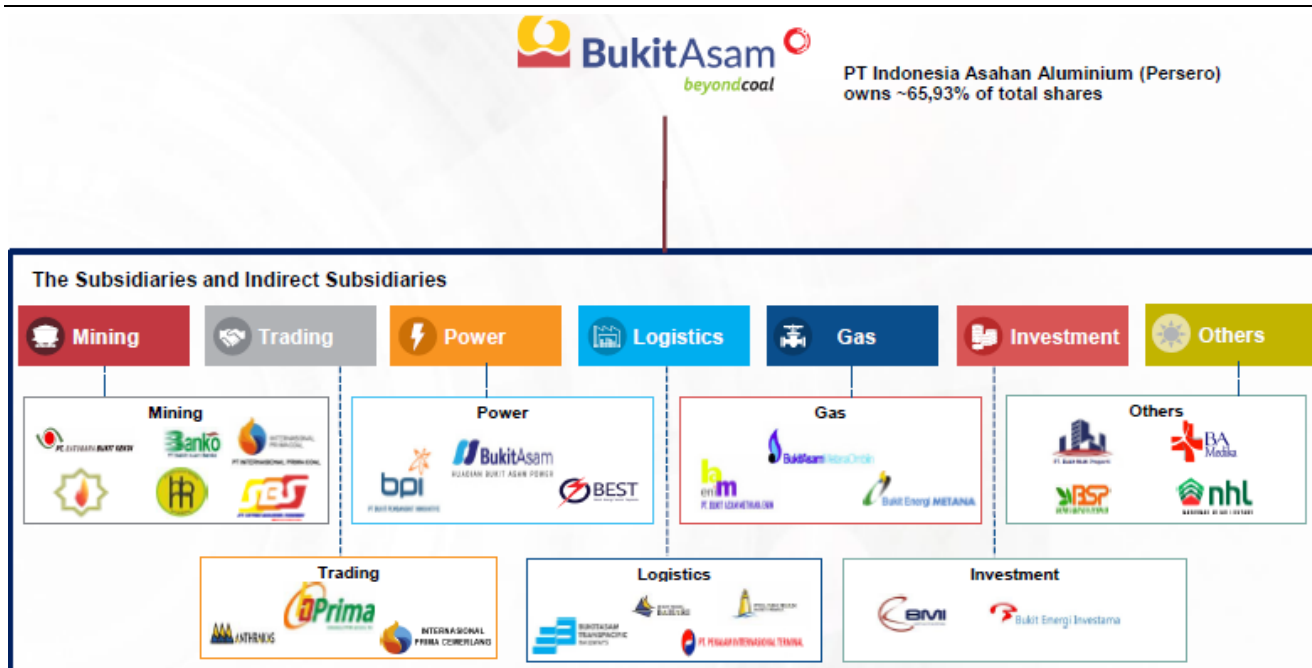
PTBA is one of Indonesia's largest coal mine producers. PTBA holds a Mining Business License (IUP) for its production area of 93,977 ha located in Tanjung Enim (66,414 ha) including the Regency of Muara Enim and Lahat, South Sumatera, Peranap (18,230 ha), Ombilin (2,935 ha), and Tabalong, East Kalimantan through its subsidiary, IPC (3,145 ha).

For its coal transportation, PTBA entered into an agreement with PT KAI for its coal delivery from Tanjung Enim to Tarahan Port and PTBA's coal jetty in Kertapati, Palembang.

Publicly listed on the Jakarta Stock Exchange in 2002 with 35% of shares held by public, in 2017, the Company joined into the holding of Mining SOEs with Inalum owning ~65.9% of its shares.

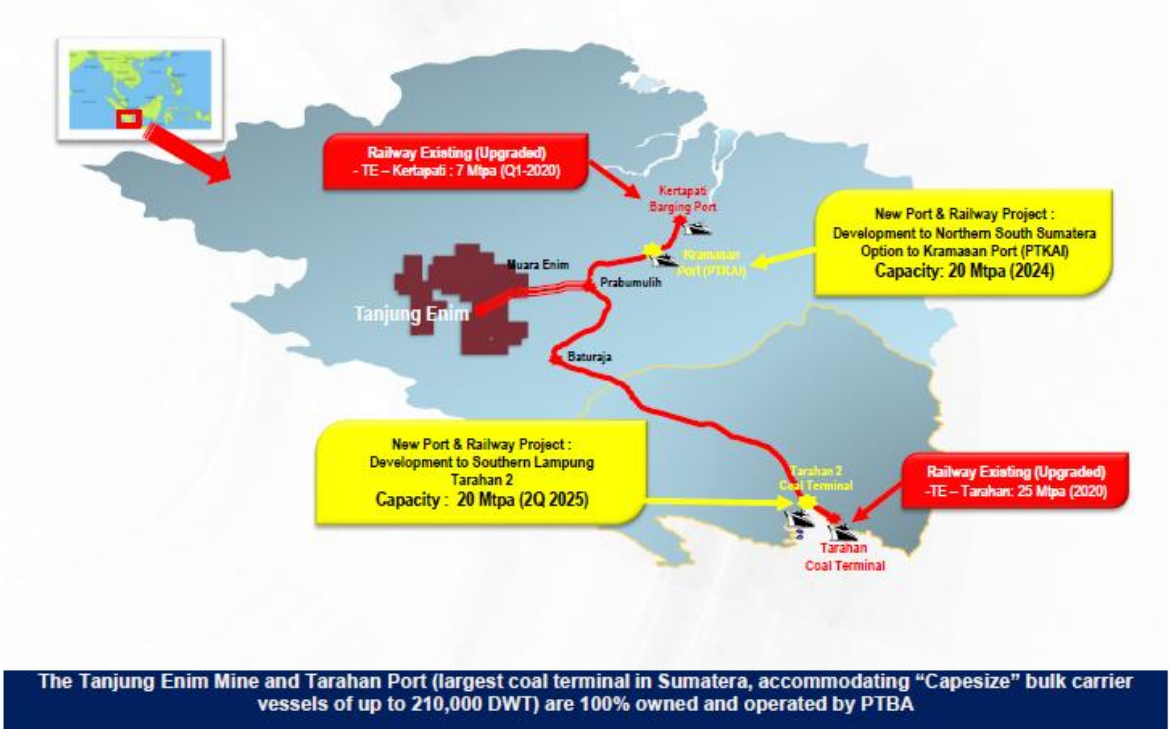
Aside from coal mining, PTBA engaged in other downstream businesses such as power plant and briquette business. In 2019, PTBA signed a contractual agreement with Formosa Plastic Group to become their high-calorie coal supplier. PTBA also aims to direct selling to end-users, especially to electricity companies. The future pipeline also includes an expansion project to the gasification industry and coal-fired power plants.

Fig 7. PTBA corporate structure



Source: Company's annual report, KISI

Fig 8. PTBA operational maps



Source: Company's annual report , KISI

Balance sheet		(IDRbn)				
FY-ending Dec.	2020A	2021A	2022F	2023F	2024F	
Current assets						
Cash & cash equivalent	4,341	4,394	6,656	8,704	9,400	
Accounts & other receivables	1,579	3,100	5,120	4,703	3,685	
Inventories	805	1,208	1,298	1,469	1,509	
Others	1,639	9,510	13,039	12,560	10,347	
Non-current assets	-	-	-	-	-	
Fixed assets	7,925	8,383	10,476	12,628	14,326	
Mining properties	7,767	9,529	10,403	10,496	9,955	
Other non-current assets	24,057	36,124	46,993	50,559	49,222	
Total assets						
Current liabilities	697	1,270	1,939	2,014	1,924	
Accounts & other payables	-	-	-	-	-	
ST debt	107	4	3	3	-	
Current portion of LT debt	3,872	7,499	9,011	9,119	8,137	
Others	-	-	-	1	1	
Non-current liabilities	6	2	6	3	-	
LT debt & financial liabilities	82	102	111	122	117	
Employee benefits liability	3,245	4,369	5,724	5,713	5,154	
Other non-current liabilities	7,118	11,870	14,737	14,834	13,292	
Total liabilities						
Controlling interest	1,434	1,746	1,746	1,746	1,746	
Capital stock	-	-	-	-	-	
Additional paid-in capital	-	-	-	-	-	
Other Reserves	15,329	22,313	30,233	33,599	33,758	
Retained earnings	176	194	276	379	426	
Minority interest	16,939	24,254	32,255	35,725	35,930	
Shareholders' equity	4,341	4,394	6,656	8,704	9,400	

Cash flow		(IDRbn)				
FY-ending Dec.	2020A	2021A	2022F	2023F	2024F	
C/F from operating						
Net profit	2,387	7,909	13,456	10,095	5,206	
Depreciation	948	1,111	1,384	1,616	1,751	
Net incr. in W/C	2,369	(4,955)	(2,784)	815	1,659	
Others	(2,181)	(712)	(499)	172	732	
C/F from investing						
CAPEX	1,159	(1,343)	(3,477)	(3,768)	(3,449)	
Others	(1,178)	(1,255)	(366)	(252)	(197)	
C/F from financing						
Incr. in equity	(219)	241	82	103	46	
Incr. in debts	(50)	(107)	3	(4)	(5)	
Dividends	(3,651)	(835)	(5,536)	(6,728)	(5,047)	
Others	-	-	-	-	-	
C/F from others	-	-	-	-	-	
Increase in cash	(416)	53	2,262	2,047	696	

Income statement		(IDRbn)				
FY-ending Dec.	2020A	2021A	2022F	2023F	2024F	
Sales	17,325	29,261	43,464	41,867	34,490	
COGS	(12,759)	(15,777)	(22,115)	(24,498)	(23,408)	
Gross profit	4,566	13,484	21,350	17,369	11,082	
SG&A expense	(2,132)	(3,594)	(4,136)	(4,676)	(4,883)	
Operating profit	2,434	9,890	17,214	12,694	6,199	
Financial income	363	257	327	469	569	
Financial expense	(133)	(158)	(238)	(257)	(274)	
Other expense	568	370	300	300	300	
Other non-operating profit	-	-	-	-	-	
Income (loss) from JV	-	-	-	-	-	
Earnings before tax	3,232	10,359	17,603	13,206	6,793	
Income taxes	(824)	(2,322)	(3,873)	(2,905)	(1,494)	
Net profit	2,387	7,909	13,456	10,095	5,206	
Non-controlling interest	(21)	(128)	(275)	(206)	(93)	
Other comprehensive profit	-	-	-	-	-	
Total comprehensive profit	-	-	-	-	-	
Total comprehensive profit of controlling interest	-	-	-	-	-	
EBITDA	3,403	11,129	18,873	14,515	8,043	

Key financial data

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F	
per share data (IDR)						
EPS	207	687	1,168	876	452	
BPS	1,470	2,105	2,800	3,101	3,119	
DPS	317	73	481	584	438	
Growth (%)						
Sales growth	(20.5)	68.9	48.5	(3.7)	(17.6)	
OP growth	(49.8)	306.3	74.0	(26.3)	(51.2)	
NP growth	(41.2)	231.4	70.1	(25.0)	(48.4)	
EBITDA growth	(38.1)	227.0	69.6	(23.1)	(44.6)	
Profitability (%)						
OP margin	14.0	33.8	39.6	30.3	18.0	
NP margin	13.8	27.0	31.0	24.1	15.1	
EBITDA margin	19.6	38.0	43.4	34.7	23.3	
ROA	9.9	21.9	28.6	20.0	10.6	
ROE	14.1	32.6	41.7	28.3	14.5	
Dividend yield	11.2	2.1	13.8	16.8	12.6	
Dividend payout ratio	90	35	70	50	50	
Stability						
Net debt (IDR bn)	(4,228)	(4,388)	(6,647)	(8,698)	(9,400)	
Int.-bearing debt/equity (%)	0.7	0.0	0.0	0.0	-	
Valuation (X)						
PE	16.7	5.1	3.0	4.0	7.7	
PB	2.4	1.6	1.2	1.1	1.1	
EV/EBITDA	11.7	3.6	2.1	2.8	5.0	

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