

HOLD (Maintain)

Target Price (IDR)	38,000
Potential Upside (%)	2.8

Price Comparison

Cons. Target Price (IDR)	39,269
SSI vs. Cons. (%)	96.8

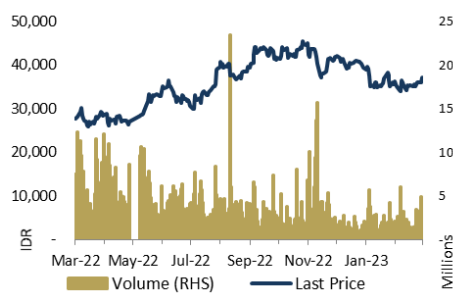
Stock Information

Last Price (IDR)	36,975
Shares Issued (Mn)	1,130
Market Cap. (IDR Bn)	41,779
52-Weeks High/Low (IDR)	45,650/25,500
3M Avg. Daily Value (IDR Bn)	79.3
Free Float (%)	34.7
Shareholder Structure:	
Banpu Minerals (%)	65.1
Public (%)	34.9

Stock Performance

(%)	YTD	1M	3M	12M
Absolute	(5.3)	4.2	(12.0)	33.7
JCI Return	(0.1)	(0.3)	(2.5)	(1.1)
Relative	(5.2)	4.4	(9.5)	34.8

Stock Price & Volumes, 12M



Damp Outlook

ITMG posted a net profit of USD 306mn (-29.2%; QoQ; +50.2% YoY) in 4Q22, bringing its full-year net profit to USD 1.2bn (+152.3% YoY), in line with our estimate (100.6%) and slightly higher than consensus (107.1%). In 2023F, ITMG expects to book flat coal production of 16.6mn tons-17mn tons, due to the absence of the Embalut mine and unfavorable weather. Regarding its sales, ITMG expects to report coal sales volume of 21.5mn tons-22.2mn tons in 2023F. We reiterate our HOLD rating on ITMG with a TP of IDR 38,000 per share, implying an FY23F P/E of 4.0x. Our TP is DCF-based, with the following assumptions: a CoE of 13.8%.

In line earnings. ITMG's revenue fell -14.7% QoQ in 4Q22, translating into a 2022 cumulative figure of USD 3.6bn (+75.1% YoY), in line with our estimate and above consensus (102.8% and 105.8%, respectively). The quarterly decline in 4Q22 was mainly caused by the drop in coal prices (to USD 198/ton; -6% QoQ, +38% YoY) and sales volume (to 5.1mn tons; -9% QoQ, -6% YoY). On the other side, the company's stripping ratio went up +9% QoQ in 4Q22, leading to a slump in its GPM to 47.8% (3Q22: 55.0%). On its bottom line, ITMG posted a net profit of USD 306mn (-29.2% QoQ; +50.2% YoY) in 4Q22, which brought its full-year net profit to USD 1.2bn (+152.3% YoY), in line with our estimate and slightly higher than consensus (100.6% and 107.1%, respectively).

2023F outlook. In 2023F, ITMG expects to book flat coal production of 16.6mn tons-17mn tons, due to the absence of the Embalut mine and unfavorable weather. Regarding its sales, ITMG expects to report coal sales volume of 21.5mn tons-22.2mn tons in 2023F, with 20% of its coal sales will be done at a fixed price and 45% will be done at indexed prices. The company also projects to report higher operating costs in the future due to a higher stripping ratio (following the pre-stripping activities at Indominco and Trubaindo mines).

Huge Capex to maintain existing capacity and open new mines. ITMG has allocated a Capex budget of USD 84.3mn (+133.5% YoY) for 2023F. About 47.3% of ITMG's Capex budget will be used to support its operational activities, while 21.4% will be used to support greenfield projects. We noted that ITMG has 3 new mines in its pipeline; GPK, TIS, and NPR. GPK is expected to commence production activities at the end of 2023, while TIS is expected to commence operations in 2024F.

HOLD with a TP of IDR 38,000. Considering several factors, including 1) lower ASP due to lower coal prices, 2) higher sales volume on the back of higher third party coal purchase, and 3) robust balance sheet, we reiterate our HOLD rating with a TP of IDR 38,000, implying an FY23F P/E of 4.0x. Our TP is DCF-based, with the following assumptions: a CoE of 13.8%. Risks: 1) lower-than-expected global coal prices, 2) changes in regulations.

Company Background

PT Indo Tambangraya Megah Tbk is an Indonesia-based energy company. The Company is engaged in mining, processing, and logistics activities. Its main business consists of coal mining and coal sales.

Juan Harahap

+62 21 28548846

Juan.oktavianus@samuel.co.id

Abraham Gosal

+6221 2854 8322

abraham.timothy@samuel.co.id

Forecast and Valuation (at closing price IDR 36,975 per share)

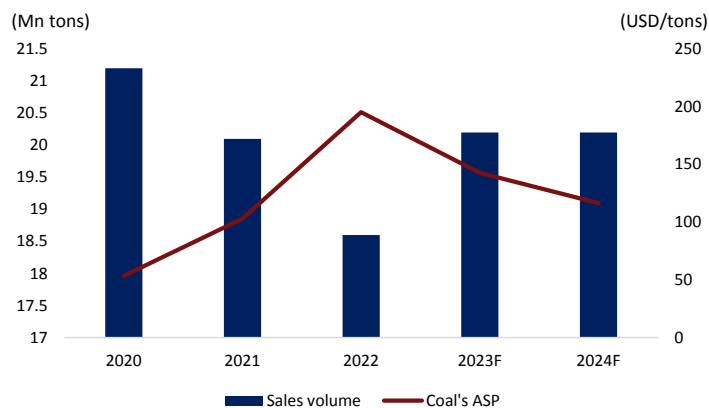
Y/E Dec (USD Mn)	20A	21A	22A	23F	24F
Revenue (USD Mn)	1,185	2,077	3,636	3,086	2,528
EBITDA (USD Mn)	167	857	1,777	953	751
EV/EBITDA (x)	16.6	2.7	0.9	1.7	2.0
Net Profit (USD Mn)	39	476	1,200	677	518
EPS (IDR)	496	6,019	15,188	8,562	6,556
P/E Ratio (x)	74.5	6.1	2.4	4.3	5.6
BVPS (IDR)	10,636	15,207	24,682	22,613	23,176
P/BV Ratio (x)	3.5	2.4	1.5	1.6	1.6
ROAE (%)	4.6	46.4	76.2	36.2	28.6
ROAA (%)	3.3	33.7	55.7	26.4	20.8
Interest Coverage (x)	29.9	294.2	501.7	374.0	320.3
Net Gearing (x)	(0.2)	(0.5)	(0.7)	(0.7)	(0.8)

Table 1: FY22 Results

ITMG - USD Juta	2022	2021	YoY (%)	% estimasi SSI	% estimasi Cons	4Q22	3Q22	QoQ (%)	4Q21	YoY (%)
Revenue	3,636	2,077	75.1	102.9	105.8	1,020	1,195	(14.7)	754	35.3
Gross profit	1,894	917	106.6			488	658	(25.8)	386	26.4
Margin (%)	52.1	44.2				47.8	55.0		51.2	
Operating profit	1,683	792	112.6	106.2	107.7	410	604	(32.2)	342	19.6
Margin (%)	46.3	38.1				40.2	50.5		45.4	
Net income	1,200	476	152.3	100.6	107.1	306	433	(29.2)	204	50.2
Margin (%)	33.0	22.9				30.1	36.2		27.1	
EPS - USD	1.1	0.4								
BPS - USD	1.8	1.1								
Cash	1,430	691								
Interest Bearing Debt	49	42								
Equity	1,950	1,202								
Net Gearing	(0.7)	(0.5)								

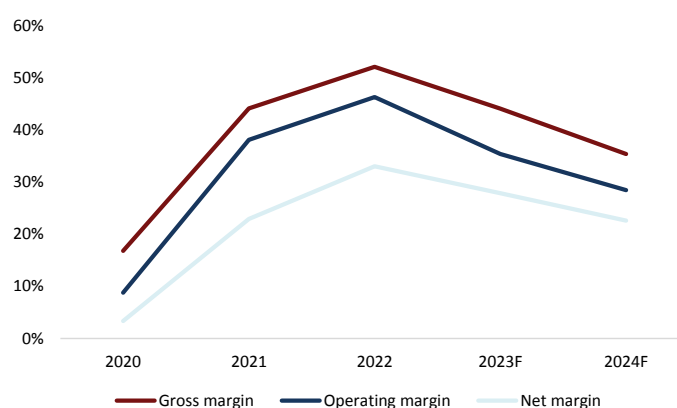
Source: Company, SSI Research

Figure 1: Sales Volume



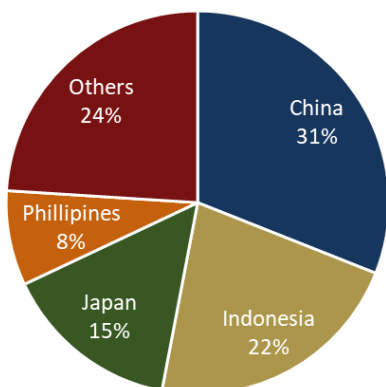
Source: Company, SSI Research

Figure 2: Margins



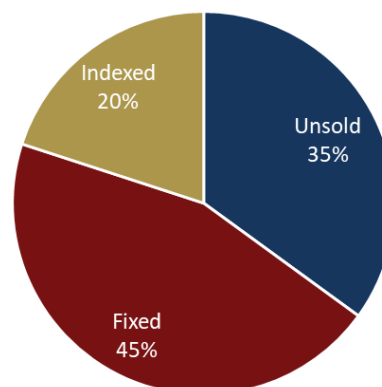
Source: Company, SSI Research

Figure 3: Coal Sales Destination



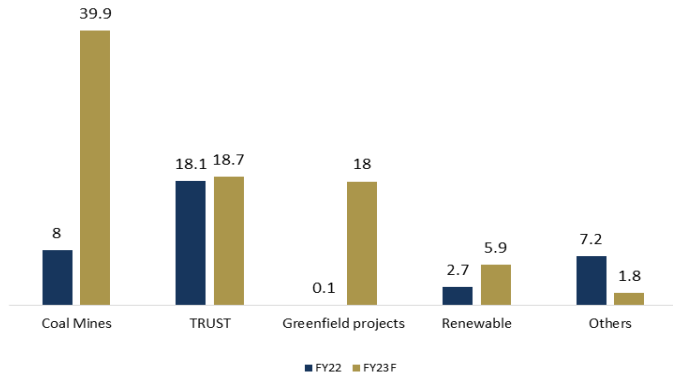
Source: Company, SSI Research

Figure 4: Indicative Coal Sales FY23



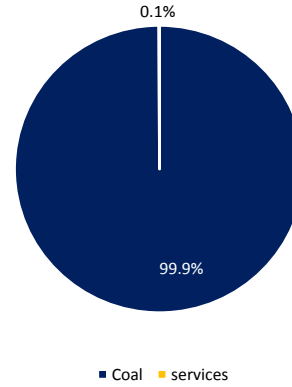
Source: Company, SSI Research

Figure 5: Capital Expenditure 2023 (USD mn)



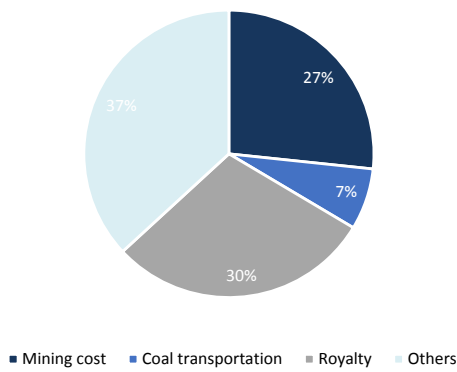
Source: Company, SSI Research

Figure 6: Revenue Breakdown



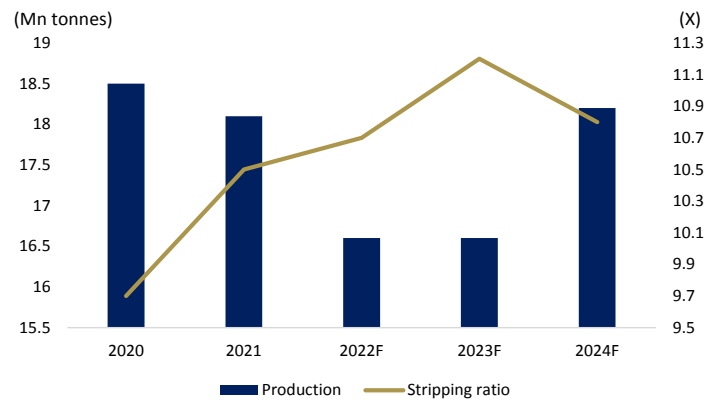
Source: Company, SSI Research

Figure 7: COGS breakdown



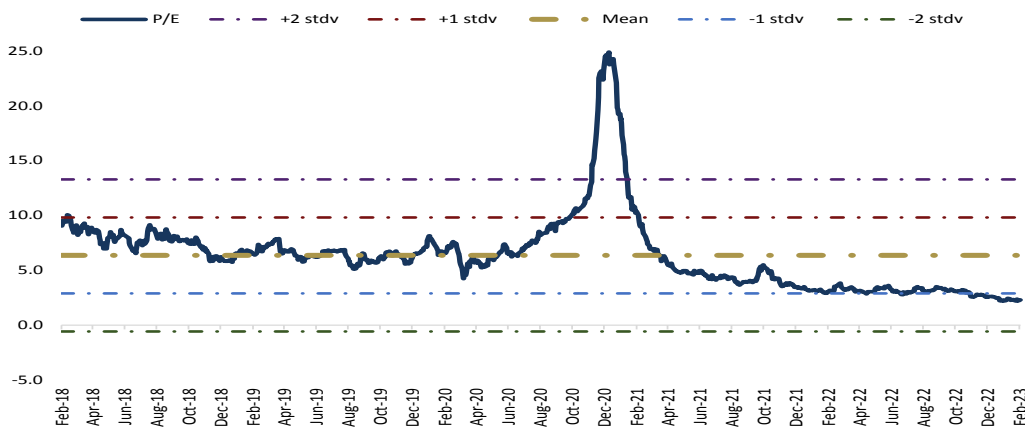
Source: Company, SSI Research

Figure 8: Production and stripping ratio trend



Source: Company, SSI Research

Figure 9: ITMG's P/E Band



Source: Company, SSI Research

2 March 2023

JCI Index: 6,845

Profit and Loss					
Y/E Dec (USD Mn)	2020	2021	2022	2023F	2024F
Revenue	1,185	2,077	3,636	3,086	2,528
COGS	986	1,160	1,742	1,961	1,703
Gross Profit	199	917	1,894	1,125	826
Selling Expenses	75	100	170	206	135
G&A Expenses	20	25	42	62	38
Operating Income	104	791	1,683	857	653
EBITDA	167	857	1,777	953	751
EBITDA Margin (%)	14	41	49	31	30
Interest Expense	(3)	(3)	(3)	(2)	(2)
Interest Income	3	3	9	16	16
Loss on Derivatives Transaction	(7)	(158)	(102)	-	-
Others	(24)	(12)	(42)	-	-
Pre-tax Income	73	621	1,545	870	666
Taxes	(35)	(146)	(345)	(195)	(149)
Minority Interest	2	0	1	1	1
Net Profit	39	476	1,200	677	518

Balance Sheet					
Y/E Dec (USD Mn)	2020	2021	2022	2023F	2024F
Cash	231	691	1,430	1,316	1,439
Receivables	75	187	280	258	203
Inventories	60	62	96	87	69
Others	43	48	102	102	102
Total Current Asset	410	988	1,909	1,762	1,813
Net Fixed Asset	196	166	151	133	111
Other Assets	553	512	580	580	580
Total Assets	1,159	1,666	2,640	2,476	2,504
Payables	62	85	144	153	137
ST Debt	28	22	37	27	27
Other Current Liabilities	117	258	405	405	405
Current Liability	207	365	586	585	568
LT Debt	36	30	13	13	13
Other LT Liabilities	69	70	91	91	91
Total Liability	312	465	690	689	673
Minority Interest	-	(0)	0	0	0
Total Equity	846	1,202	1,950	1,787	1,831
Total Liability and Equity	1,159	1,666	2,640	2,476	2,504

Cash Flow					
Y/E Dec (USD Mn)	2020	2021	2022	2023F	2025F
Net Profit	39	476	1,200	677	165
D&A	64	66	94	96	101
Change in working capital	86	(91)	(68)	41	49
Other Operating	(16)	168	99	-	-
Operating Cash Flow	173	618	1,325	813	315
Capex	(19)	(12)	(28)	(77)	(58)
Other Investing	(26)	(13)	(43)	-	-
Investing Cash Flow	(45)	(25)	(71)	(77)	(58)
Dividend	(65)	(107)	(538)	(840)	(363)
Net Borrowing	54	(13)	(2)	(10)	-
Other Financing	(45)	(15)	36	0	-
Financing Cash Flow	(55)	(134)	(505)	(850)	(363)
Net - Cash Flow	73	459	750	(114)	(105)
Forex Gain/(Loss)	(0)	1	(10)	-	-
Cash at Beginning	159	231	691	1,430	1,439
Cash at Ending	231	691	1,430	1,316	1,334

Key Ratios					
Y/E Dec (USD Mn)	2020	2021	2022	2023F	2025F
Gross Profit Margin (%)	16.8	44.1	52.1	36.4	18.4
Operating Profit Margin (%)	8.8	38.1	46.3	27.8	10.3
Pretax Margin (%)	6.1	29.9	42.5	28.2	11.1
Net Profit Margin (%)	3.3	22.9	33.0	21.9	8.6
Revenue Growth (%)	(30.9)	75.2	75.1	(15.1)	(24.1)
EBITDA Growth (%)	(27.8)	411.9	107.4	(46.4)	(60.2)
Debt to Equity (x)	0.1	0.0	0.0	0.0	0.0

Major Assumptions					
Y/E Dec (USD Mn)	2020	2021	2022	2023F	2025F
Coal production volume	18.5	18.1	16.6	16.6	18.2
Coal sales volume (tons)	21.2	20.1	18.6	21.6	22.45
Coal ASP (USD/tons)	53	103	195	143	85
Overburden (Mbcm)	203.5	213.6	199.2	207.5	214.8
Stripping ratio (x)	11.0	11.8	12.0	12.5	11.8

Research Team			
Prasetya Gunadi	Head of Equity Research, Strategy, Banking	prasetya.gunadi@samuel.co.id	+6221 2854 8320
Lionel Priyadi	Macro Equity Strategist	lionel.priyadi@samuel.co.id	+6221 2854 8854
Alkosar Marga Ranggal	Economist	alkosar.marga@samuel.co.id	+6221 2854 8144
Muhamad Alfatih, CSA, CTA, CFTe	Senior Technical Analyst	m.alfatih@samuel.co.id	+6221 2854 8129
William Mamudi, CFTe, CMT, CCT	Senior Technical Analyst	william.mamudi@samuel.co.id	+6221 2854 8382
Yosua Zisokhi	Cement, Cigarette, Paper, Plantation, Telco Infra, Chemicals	yosua.zisokhi@samuel.co.id	+6221 2854 8387
M. Farras Farhan	Media, Poultry, Oil & Gas, Technology	farras.farhan@samuel.co.id	+6221 2854 8346
Pebe Peresia	Automotive, Consumer Staples, Retail	pebe.peresia@samuel.co.id	+6221 2854 8339
Juan Oktavianus Harahap	Coal, Metal Mining	juan.oktavianus@samuel.co.id	+6221 2854 8846
Jonathan Guyadi	Banking, Healthcare	jonathan.guyadi@samuel.co.id	+6221 2854 8321
Adolf Richardo	Editor	adolfo.richardo@samuel.co.id	+6221 2864 8397
Ashalia Fitri Yuliana	Research Associate	ashalia.fitri@samuel.co.id	+6221 2854 8389
Abraham Timothy	Research Associate	abraham.timothy@samuel.co.id	+6221 2854 8322
Daniel Aditya Widjaja	Research Associate	daniel.aditya@samuel.co.id	+6221 2854 8322
Laurencia Hiemas	Research Associate	laurencia.hiemas@samuel.co.id	+6221 2854 8392

Equity Institutional Team			
Benny Bambang Soebagjo	Head of Institutional Equity Sales	benny.soebagjo@samuel.co.id	+6221 2854 8312
Ronny Ardianto	Institutional Equity Sales	ronny.ardianto@samuel.co.id	+6221 2854 8399
Anthony Yunus	Institutional Equity Sales	anthony.yunus@samuel.co.id	+6221 2854 8314
Widya Meidrianto	Institutional Equity Sales	widya.meidrianto@samuel.co.id	+6221 2854 8317
Fachruly Fiater	Institutional Sales Trader	fachruly.fiater@samuel.co.id	+6221 2854 8325
Lucia Irawati	Institutional Sales Trader	lucia.irawati@samuel.co.id	+6221 2854 8173
Alexander Tayus	Institutional Equity Dealer	alexander.tayus@samuel.co.id	+6221 2854 8319
Leonardo Christian	Institutional Equity Dealer	leonardo.christian@samuel.co.id	+6221 2854 8147

Equity Retail Team			
Joseph Soegandhi	Head of Equity	joseph.soegandhi@samuel.co.id	+6221 2854 8872
Damargumilang	Head of Equity Retail	damargumilang@samuel.co.id	+6221 2854 8309
Denzel Obaja	Head of Community & Partnership	denzel.obaja@samuel.co.id	+6221 2854 8342
Clarice Wijana	Head of Equity Sales Support	clarice.wijana@samuel.co.id	+6221 2854 8395
Gitta Wahyu Retnani	Equity Sales & Trainer	gitta.wahyu@samuel.co.id	+6221 2854 8365
Vincentius Darren	Equity Sales	darren@samuel.co.id	+6221 2854 8348
Michael Alexander	Equity Sales	michael.alexander@samuel.co.id	+6221 2854 8369
Sylviawati	Equity Sales	sylviawati@samuel.co.id	+6221 2854 8112
Wandha Ahmad	Equity Sales	wandha.ahmad@samuel.co.id	+6221 2854 8316
Handa Sandiawan	Equity Sales	handa.sandiawan@samuel.co.id	+6221 2854 8302
Wahyudi Budiyo	Dealer	wahyudi.budiyo@samuel.co.id	+6221 2854 8152

Fixed Income Sales Team			
R. Virine Tresna Sundari	Head of Fixed Income	virine.sundari@samuel.co.id	+6221 2854 8170
Rudianto Nugroho	Fixed Income Sales	rudianto.nugroho@samuel.co.id	+6221 2854 8306
Sany Rizal Keliobas	Fixed Income Sales	sany.rizal@samuel.co.id	+6221 2854 8337
Safitri	Fixed Income Sales	safitri@samuel.co.id	+6221 2854 8376
Nadya Attahira	Fixed Income Sales	nadya.attahira@samuel.co.id	+6221 2854 8305

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