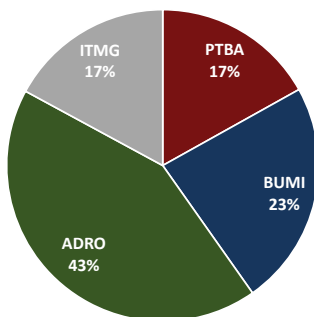


Neutral

Stock Recommendation

Ticker	Rating	Price (IDR)	TP (IDR)	Upside
ADRO	BUY	2,260	2,900	28.3
ITMG	HOLD	24,000	26,000	8.3
PTBA	HOLD	3,790	3,500	-7.7
BUMI	BUY	113	150	32.7

Sector Market Cap Weighting



Juan Harahap

+62 21 2854 8321

juan.oktavianus@samuel.co.id

Waiting for the next catalyst

We decided to revise our average coal price assumption for 2023F to USD 172 per ton (prev: USD 220) since we expect a volatile year for coal, mainly due to China's abundant coal inventory (4M23: 52 million tons, an all-time high), despite the upside risk from China's economic stimulus and the upcoming winter, which should help boost coal demand. This, coupled with a higher effective royalty rate assumption, prompted us to lower our net profit forecast for coal miners under our coverage by 30% - 56%. We reiterate our NEUTRAL rating for the coal industry, with ADRO as our top pick.

Prices might remain volatile for a while. Coal prices experienced a steady decline throughout the first six months of 2023, coming down from their peak of USD 372/ton to the current level of USD 207 per ton (-46.9% YTD). The decline was mainly caused by China's slower-than-anticipated economic recovery, which put pressure on energy demand. However, we see a potential catalyst in the form of economic stimulus; after deciding to cut medium-term lending rates to 2.65% (prev: 2.75%) and its seven-day repo rate to 1.9% (prev: 2%) to boost financial liquidity, the Chinese government is considering providing a stimulus package to accelerate its post-pandemic recovery. In addition, we expect another substantial upside risk in 4Q23 in the form of the winter season, which is expected to lift demand for energy commodities, including coal. According to our research, China generates more electricity in the second half of the year (58-63% of its annual electricity output in the past five years). Nevertheless, we believe that coal prices will remain volatile, since China's abundant coal inventory (4M23: 52 million tons, an all-time high) might offset the increase in demand.

The dividend party is over. On the back of their strong performance in 2022, most coal companies in our coverage generated attractive dividend yields in 2023 (ranging from 16% to 30%). After the dividend season, investors are now waiting for more certainty regarding the BLU regulation. According to our channel analysis, the BLU regulation could be implemented in July 2023. When BLU regulation comes into effect, we believe that PTBA and BUMI will be the ones reaping the most benefit, as they have a larger domestic exposure, while ADRO and ITMG might suffer. Please note that we have not yet incorporated BLU into our model, as we are still awaiting further regulatory disclosure.

Fine-tuning our forecast. We decided to revise our average coal price assumption for 2023F to USD 172 per ton (prev: USD 220) and raise our effective royalty rate assumption for 2023F, prompting us to tone down our net profit forecast by 30%-56%. We reduced our net profit forecast for PTBA by 44.2% in 2023F and kept our HOLD rating for the company with a new, lower TP of IDR 3,500 per share. We toned down ITMG's 2023F net profit forecast by 33.2% and kept our HOLD rating for the company with a lower TP of IDR 26,000/share. We slashed ADRO's 2023F net profit forecast by 30.4%; despite this, we kept our BUY rating unchanged, albeit with a lower TP of IDR 2,900 per share. Lastly, we cut BUMI's 2023F net profit forecast by 56.2%, though we kept our BUY rating for the company with a lower TP of IDR 150 per share.

NEUTRAL rating for the coal sector. We reiterate our NEUTRAL rating for the coal industry, with ADRO as our top pick (BUY, TP IDR 2,900/share), mainly due to the company's business diversification and strong balance sheet. Downside risks: 1) lower-than-expected coal prices, and 2) regulatory changes.

Sector Report

Coal Sector

20 June 2023

JCI Index: 6,685

Table 1. Forecast Changes (ITMG, in USD Mn)

	Before			Revision			Percentage		
	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F
Revenue	2,890	2,528	-	2,413	1,987	1,868	-16.5%	-21.4%	N.M
growth (%)	-20.5%	-12.5%	-	-33.6%	-17.6%	-6.0%			
EBIT	1,091	719	-	699	444	359	-36.0%	-38.2%	N.M
growth (%)	-35.2%	-34.1%	-	-58.5%	-36.4%	-19.3%			
Net profit	828	550	-	553	356	290	-33.2%	-35.3%	N.M
growth (%)	-31.0%	-33.6%	-	-53.9%	-35.7%	-18.5%			

Source: Company, SSI Research

Table 2. Forecast Changes (PTBA, in IDR Bn)

	Before			Revision			Percentage		
	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F
Revenue	48,271	39,048	-	38,040	37,538	42,664	-21.2%	-3.9%	N.M
growth (%)	13.2%	-19.1%	-	-10.8%	-1.3%	13.7%			
EBIT	13,492	10,174	-	6,911	7,030	5,464	-48.8%	-30.9%	N.M
growth (%)	-7.7%	-24.6%	-	-52.7%	1.7%	-22.3%			
Net profit	10,940	8,179	-	6,108	5,819	4,469	-44.2%	-28.9%	N.M
growth (%)	-13.0%	-25.2%	-	-51.4%	-4.7%	-23.2%			

Source: Company, SSI Research

Table 3. Forecast Changes (ADRO, in USD Mn)

	Before			Revision			Percentage		
	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F
Revenue	7,604	6,080	-	6,201	5,205	4,251	-18.5%	-14.4%	N.M
growth (%)	-6.2%	-20.0%	-	-23.5%	-16.1%	-18.3%			
EBIT	2,901	2,171	-	1,954	1,517	909	-32.6%	-30.1%	N.M
growth (%)	-32.2%	-25.2%	-	-54.3%	-22.4%	-40.1%			
Net profit	1,862	1,431	-	1,296	1,044	693	-30.4%	-27.0%	N.M
growth (%)	-25.3%	-23.1%	-	-48.0%	-19.4%	-33.7%			

Source: Company, SSI Research

Table 4. Forecast Changes (BUMI, in USD Mn)

	Before			Revision			Percentage		
	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F
Revenue	1,709	1,171	-	1,518	1,145	1,005	-11.2%	-2.3%	N.M
growth (%)	-6.6%	-31.5%	-	-17.1%	-24.6%	-12.2%			
EBIT	294	264	-	186	116	73	-36.7%	-56.0%	N.M
growth (%)	31.6%	-10.2%	-	-16.7%	-37.6%	-36.8%			
Net profit	526	554	-	230	175	134	-56.2%	-68.4%	N.M
growth (%)	0.1%	5.3%	-	-56.2%	-23.8%	-23.6%			

Source: Company, SSI Research

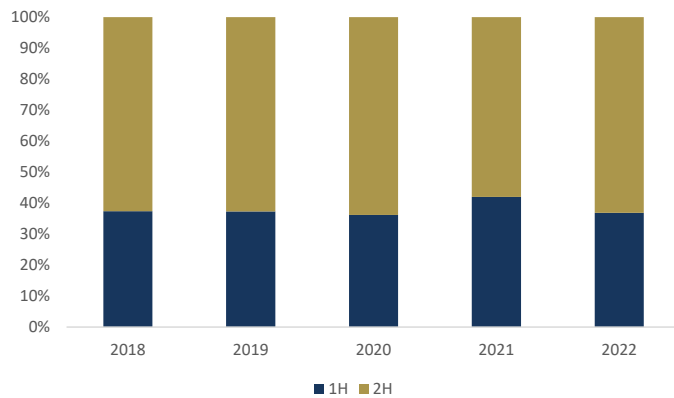
Table 5. Indonesian coal companies' relative peers performance

Ticker	Rating	CP	TP	Upside	P/E (x)		NP (USDmn)		EPSG (%)		ROE (%)		ROA (%)	
		(IDR)	(IDR)	(%)	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
ADRO	BUY	2,260	2,900	28.3	3.7	4.6	1,296	1,044	-48.0	-19.4	19.2	14.4	12.0	9.5
ITMG	HOLD	24,000	26,000	8.3	3.5	5.5	553	356	-53.9	-35.7	30.1	20.7	22.0	15.0
PTBA*	HOLD	3,790	3,500	-7.7	6.8	7.1	407	388	-51.4	-4.7	27.5	21.2	15.0	12.7
BUMI	BUY	113	150	32.7	12.4	16.2	230	175	-59.4	-23.8	7.8	5.6	4.8	3.4
Sector					6.6	8.4			-53.2	-20.9	21.2	15.5	13.5	10.2

*PTBA recorded in IDRbn

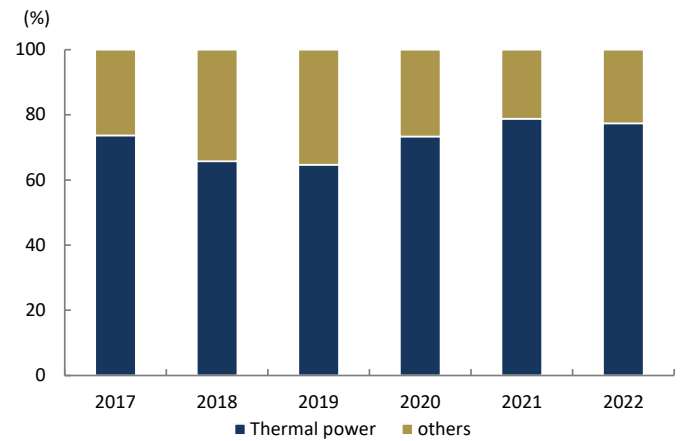
Source: Bloomberg, SSI research

Figure 1. China's electricity output seasonality



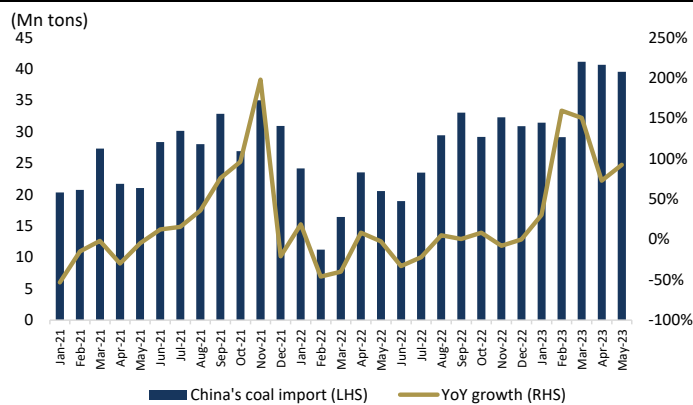
Source: Bloomberg, SSI research

Figure 2. China's power plant breakdown



Source: Bloomberg, SSI research

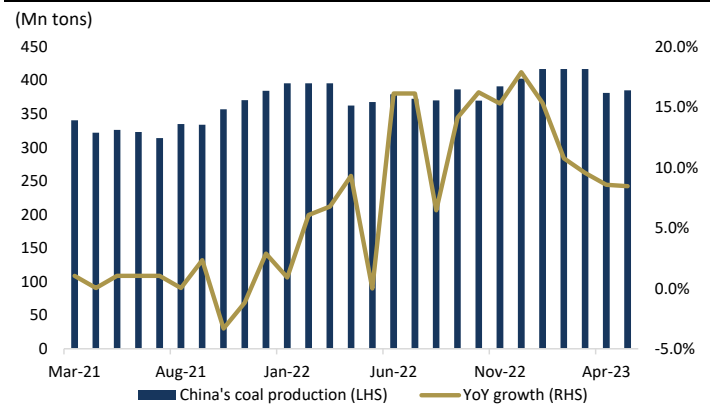
Figure 3. China's coal import trend



Source: Companies, SSI research

*: latest data

Figure 4. China's coal production trend



Source: Bloomberg, SSI research

Sector Report

Coal Sector

20 June 2023

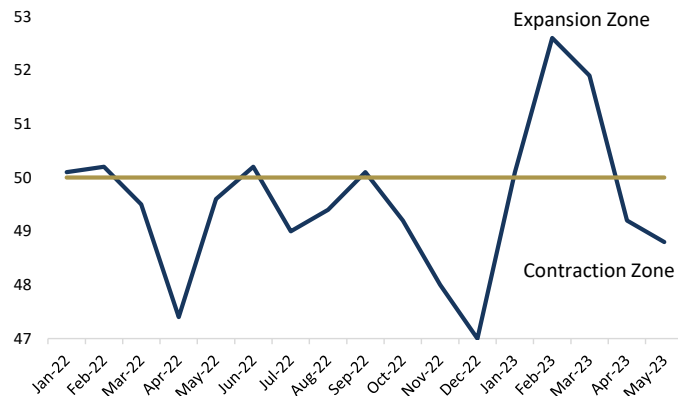
JCI Index: 6,685

Figure 5. China's coal inventory trend



Source: Bloomberg, SSI research

Figure 6 China's PMI trend



Source: Bloomberg, SSI research

Sector Report

Coal Sector

20 June 2023



JCI Index: 6,685

Research Team			
Prasetya Gunadi	Head of Equity Research, Strategy, Banking, Digital Banks	prasetya.gunadi@samuel.co.id	+6221 2854 8320
Lionel Priyadi	Macro Equity Strategist	lionel.priyadi@samuel.co.id	+6221 2854 8854
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, Telco	jonathan.guyadi@samuel.co.id	+6221 2854 8321
Adolf Richardo	Editor	adolf.richardo@samuel.co.id	+6221 2864 8397
Ashalia Fitri Yuliana	Research Associate	ashalia.fitri@samuel.co.id	+6221 2854 8389
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
Brandon Boedhiman	Research Associate	brandon.boedhiman@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
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
Denzel Obaja	Equity Sales	denzel.obaja@samuel.co.id	+6221 2854 8342
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
Khairanni	Fixed Income Sales	khairanni@samuel.co.id	+6221 28548104
Saldy Achmad Yanuar	Fixed Income Sales	saldy.achmad@samuel.co.id	+6221 28548384
Nadya Attahira	Fixed Income Sales	nadya.attahira@samuel.co.id	+6221 2854 8305

DISCLAIMER: Analyst Certification: The views expressed in this research accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s) principally responsible for the preparation of this research has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations. This document is for information only and for the use of the recipient. It is not to be reproduced or copied or made available to others. Under no circumstances is it to be considered as an offer to sell or solicitation to buy any security. Any recommendation contained in this report may not be suitable for all investors. Moreover, although the information contained herein has been obtained from sources believed to be reliable, its accuracy, completeness and reliability cannot be guaranteed. All rights reserved by PT Samuel Sekuritas Indonesia.