

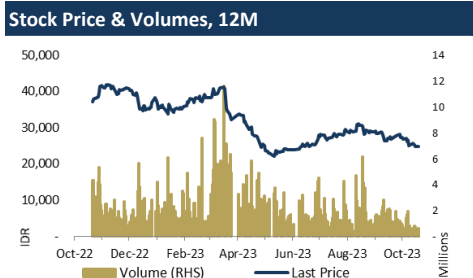
HOLD (Maintain)

Target Price (IDR) 26,000 (Unchanged)
Potential Upside (%) 4.6

Price Comparison	
Cons. Target Price (IDR)	29,512
SSI vs. Cons. (%)	88.1

Stock Information	
Last Price (IDR)	24,850
Shares Issued (Mn)	1,130
Market Cap. (IDR Bn)	27,966
52-Weeks High/Low (IDR)	42,350/22,125
3M Avg. Daily Value (IDR Bn)	47.5
Free Float (%)	34.7
Shareholder Structure:	
Banpu Minerals (%)	65.1
Public (%)	34.9

Stock Performance				
(%)	YTD	1M	3M	12M
Absolute	(36.6)	(9.0)	(10.3)	(34.1)
JCI Return	(0.1)	(1.2)	(0.5)	(3.5)
Relative	(36.5)	(7.8)	(9.8)	(30.6)



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.

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Hurt by Coal Slump

ITMG posted a net profit of USD 99mn (-20.4% QoQ; -77.2% YoY) in 3Q23, which brought its cumulative 9M23 net profit to USD 406mn (-54.6% YoY), in line with our estimate but lower than the consensus (73.4% and 65.1%, respectively). We noticed that the lower effective tax rate of 21% (2Q23: 23%) and gain on coal and fuel swaps in 3Q23 acted as some kind of buffer, preventing a more severe decline in earnings. For now, we keep our forecast unchanged, as we are still waiting for more details from the company's analyst meeting that will be held soon. Hence, we reiterate our HOLD rating with a TP of IDR 26,000, implying 5.8x FY24F P/E. Our TP is DCF-based, with an assumed CoE of 13.8%. Risks: 1) lower-than-expected global coal prices, 2) regulatory changes.

In line earnings. ITMG's revenue fell -14.0% QoQ in 3Q23, bringing its cumulative 9M23 revenue to USD 1.8bn (-30.2% YoY), in line with our estimate but below the consensus (75.7% and 69.9%, respectively). The QoQ decline in 3Q23 was mainly caused by the drop in coal prices (to USD 98.7/ton; -13.0% QoQ) and sales volume (to 5.3mn tons; -1.9% QoQ). On its bottom line, ITMG posted a net profit of USD 99mn (-20.4% QoQ; -77.2% YoY) in 3Q23, which brought its cumulative 9M23 net profit to USD 406mn (-54.6% YoY), in line with our estimate but lower than the consensus (73.4% and 65.1%, respectively). We noticed that the lower effective tax rate of 21% (2Q23: 23%) and gain on coal and fuel swaps in 3Q23 acted as some kind of buffer, preventing a more severe decline in earnings.

Production remains robust. ITMG's coal production volume grew to 5.3mn tons (+20.5% QoQ) in 3Q23, higher than the company's guidance of 4.8mn tons. The growth was mainly driven by the increase in production from the Trubaindo and Bharinto mines, reaching 1.0mn tons (+42.9% QoQ) and 2.3mn tons (+27.8% QoQ). Meanwhile, the company's stripping ratio declined to 11.7x (2Q23:12.5x) in 3Q23.

More decline in earnings in 4Q23. As of November 12, 2023, global coal prices had dropped by -8.5% QoQ; assuming ITMG's sales volume target remains unchanged at 20mn tons, we expect ITMG to book even lower earnings in 4Q23. For now, we keep our forecast unchanged, as we are still waiting for more details from the company's analyst meeting that will be held on November 15, 2023.

HOLD with a TP of IDR 26,000. We reiterate our HOLD rating with a TP of IDR 26,000, 5.8x FY24F P/E. Our TP is DCF-based, with an assumed CoE of 13.8%. Risks: 1) lower-than-expected global coal prices, 2) regulatory changes.

Valuations (at closing price IDR 24,850 per share)					
Y/E Dec	21A	22A	23F	24F	25F
Revenue (USD Mn)	2,077	3,636	2,413	1,987	1,868
EBITDA (USD Mn)	857	1,777	794	541	456
EV/EBITDA (x)	1.5	0.3	0.9	1.1	1.1
Net Profit (USD Mn)	476	1,200	553	356	290
Net Profit Growth (%)	1,104.9	152.3	(53.9)	(35.7)	(18.5)
EPS (IDR)	6,019	15,188	6,999	4,500	3,669
P/E Ratio (x)	4.1	1.6	3.6	5.5	6.8
BVPS (IDR)	15,207	24,682	21,809	21,760	22,503
P/BV Ratio (x)	1.6	1.0	1.1	1.1	1.1
DPS (IDR)	1,351	6,813	9,872	4,549	2,925
Dividend Yield (%)	5.4	27.4	39.7	18.3	11.8
ROAE (%)	46.4	76.2	30.1	20.7	16.6
ROAA (%)	33.7	55.7	22.0	15.0	12.1
Interest Coverage (x)	294.2	501.7	337.9	241.7	195.1
Net Gearing (x)	NC	NC	NC	NC	NC

Table 1. 9M23 results

ITMG - USD Mn	9M23	9M22	YoY (%)	% estimasi SSI	% estimasi Cons	3Q23	2Q23	QoQ (%)	3Q22	YoY (%)
Revenue	1,827	2,616	(30.2)	75.7	69.8	527	614	(14.0)	1,195	(55.9)
Gross profit	610	1,407	(56.6)			152	191	(20.6)	658	(76.9)
<i>Margin (%)</i>	<i>33.4</i>	<i>53.8</i>				<i>28.8</i>	<i>31.2</i>		<i>55.0</i>	
Operating profit	489	1,273	(61.6)	70.0	59.8	115	153	(24.8)	604	(80.9)
<i>Margin (%)</i>	<i>26.8</i>	<i>48.7</i>				<i>21.8</i>	<i>25.0</i>		<i>50.5</i>	
Net income	406	894	(54.6)	73.4	65.1	99	124	(20.4)	433	(77.2)
<i>Margin (%)</i>	<i>22.2</i>	<i>34.2</i>				<i>18.7</i>	<i>20.2</i>		<i>36.2</i>	
EPS - USD	0.4	0.8								
BPS - USD	1.5	1.8								
Cash	872	1,251								
Interest Bearing Debt	38	56								
Equity	1,690	1,942								
Net Gearing	NC	NC								

Source: Company, SSI Research

Table 2. Operational figures

Operational	Unit	9M23	9M22	YoY (%)	3Q23	2Q23	QoQ (%)	SSI Est. (%)
Sales Volume	Mn Tons	15.3	13.8	10.9	5.3	5.4	(1.9)	70.8
Indominco	Mn Tons	4.8	5.1	(5.9)	1.6	1.8	(11.1)	
Trubaindo	Mn Tons	2.1	2.2	(4.5)	0.8	0.6	33.3	
Bharinto	Mn Tons	4.9	3.6	36.1	1.6	1.7	(5.9)	
Jorong	Mn Tons	0.5	0.7	(28.6)	0.2	0.1	100.0	
Others	Mn Tons	3.0	1.9	57.9	1.0	1.1	(9.1)	
Average Selling Price	USD/Ton	119.4	189.7	(37.1)	98.7	113.5	(13.0)	
Production Volume	Mn Tons	13.4	12.3	8.9	5.3	4.4	20.5	80.7
Indominco	Mn Tons	4.9	5.2	(5.8)	1.7	1.7	-	
Trubaindo	Mn Tons	2.3	2.3	-	1.0	0.7	42.9	
Bharinto	Mn Tons	5.8	4.0	45.0	2.3	1.8	27.8	
Jorong	Mn Tons	0.4	0.7	(42.9)	0.2	0.1	100.0	
Average Strip Ratio	Times	11.9	10.6	12.3	11.7	12.5	(6.4)	
Indominco	Times	13.3	9.6	38.5	13.9	14.1	(1.4)	
Trubaindo	Times	15.2	13.3	14.3	13.1	16.1	(18.6)	
Bharinto	Times	9.5	9.3	2.2	9.7	9.6	1.0	
Jorong	Times	11.7	14.3	(18.2)	10.4	11.0	(5.5)	

Source: Company, SSI Research

Key Financial Figures

Profit and Loss					
Y/E Dec (USD Mn)	2021	2022	2023F	2024F	2025F
Revenue	2,077	3,636	2,413	1,987	1,868
COGS	1,160	1,742	1,568	1,402	1,357
Gross Profit	917	1,894	845	585	510
Selling Expenses	100	170	119	111	115
G&A Expenses	25	42	28	30	37
Operating Income	791	1,683	699	444	359
EBITDA	857	1,777	794	541	456
EBITDA Margin (%)	41	49	33	27	24
Interest Expense	(3)	(3)	(2)	(2)	(2)
Interest Income	3	9	15	15	16
Loss on Derivatives Transaction	(158)	(102)	-	-	-
Others	(12)	(42)	-	-	-
Pre-tax Income	621	1,545	711	457	372
Taxes	(146)	(345)	(159)	(102)	(83)
Minority Interest	0	1	1	1	1
Net Profit	476	1,200	553	356	290

Balance Sheet					
Y/E Dec (USD Mn)	2021	2022	2023F	2024F	2025F
Cash	691	1,430	1,314	1,393	1,497
Receivables	187	280	202	160	153
Inventories	62	96	68	54	52
Others	48	102	102	102	102
Total Current Asset	988	1,909	1,685	1,708	1,803
Net Fixed Asset	166	151	116	79	38
Other Assets	512	580	580	580	580
Total Assets	1,666	2,640	2,381	2,368	2,421
Payables	85	144	123	113	108
ST Debt	22	37	27	27	27
Other Current Liabilities	258	405	405	405	405
Current Liability	365	586	554	544	539
LT Debt	30	13	13	13	13
Other LT Liabilities	70	91	91	91	91
Total Liability	465	690	658	649	643
Minority Interest	(0)	0	(0)	0	0
Total Equity	1,202	1,950	1,723	1,719	1,778
Total Liability and Equity	1,666	2,640	2,381	2,368	2,421

Cash Flow					
Y/E Dec (USD Mn)	2021	2022	2023F	2024F	2025F
Net Profit	476	1,200	553	356	290
D&A	66	94	96	97	97
Change in working capital	(91)	(68)	85	46	4
Other Operating	168	99	-	-	-
Operating Cash Flow	618	1,325	734	498	391
Capex	(12)	(28)	(60)	(60)	(56)
Other Investing	(13)	(43)	-	-	-
Investing Cash Flow	(25)	(71)	(60)	(60)	(56)
Dividend	(107)	(538)	(780)	(359)	(231)
Net Borrowing	(13)	(2)	(10)	-	-
Other Financing	(15)	36	0	-	-
Financing Cash Flow	(134)	(505)	(790)	(359)	(231)
Net - Cash Flow	459	750	(117)	79	104
Forex Gain/(Loss)	1	(10)	-	-	-
Cash at Beginning	231	691	1,430	1,314	1,393
Cash at Ending	691	1,430	1,314	1,393	1,497

Key Ratios					
Y/E Dec (USD Mn)	2021	2022	2023F	2024F	2025F
Gross Profit Margin (%)	44.1	52.1	35.0	29.4	27.3
Operating Profit Margin (%)	38.1	46.3	28.9	22.4	19.2
Pretax Margin (%)	29.9	42.5	29.5	23.0	19.9
Net Profit Margin (%)	22.9	33.0	22.9	17.9	15.5
Revenue Growth (%)	75.2	75.1	(33.6)	(17.6)	(6.0)
EBITDA Growth (%)	411.9	107.4	(55.3)	(31.9)	(15.7)
Debt to Equity (x)	0.0	0.0	0.0	0.0	0.0

Major Assumptions					
Y/E Dec (USD Mn)	2021	2022	2023F	2024F	2025F
Coal production volume	18.1	16.6	16.6	18.2	18.2
Coal sales volume (tons)	20.1	18.9	21.6	21.85	21.85
Coal ASP (USD/tons)	103	192	112	91	85
Overburden (Mbcm)	213.6	199.2	185.9	200.2	200.2
Stripping ratio (x)	11.8	12.0	11.2	11.0	11.0

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