Darma Henwa

Bloomberg: DEWA.IJ | Reuters: DEWA.JK

Mining Contracting Sector

3 June 2025

SAMUEL SEKURITAS INDONESIA

JCI Index 7,062

BUY (Re-initiation)

Target Price (IDR)	**350**
Potential Upside (%)	**112.1**

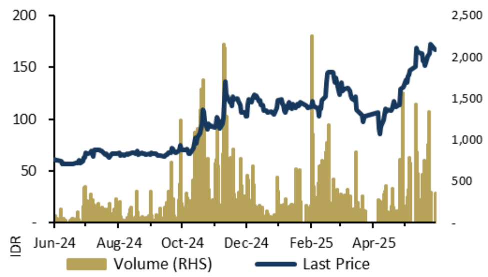
Stock Information

Last Price (IDR)	165
Market Cap. (IDR tn / USD bn)	6.7/0.4
52-Weeks High/Low (IDR)	183/56
3M Avg. Daily Value (IDR bn)	59.1
Free Float (%)	48.7
Shareholders (%):	
Public	39.4
Madhani Talatah Nusantara	23.6
Andhesti Tungkas Nusantara	11.8
Antareja Mahada Makmur	9.7
Zurich Asset & Goldwave Capital	15.5

Stock Performance

(%)	YTD	1M	3M	12M
Absolute	48.6	19.6	33.1	166.1
JCI Return	(0.2)	3.7	12.7	1.4
Relative	48.9	15.9	20.4	164.8

Stock Price & Volumes, 12M



Company Background

Established in 1991 and listed in 2007, PT Darma Henwa Tbk (DEWA) is an integrated mining services provider offering mining support, machinery repair, equipment rental, and infrastructure construction. In the future, DEWA, through its subsidiary, plans to diversify into gold mining in Aceh.

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Major Transformation Underway

Strong growth on the shift to greater in-house contracting business model. DEWA, arguably the only fast-growing mining contractor in the sector, is undergoing a major transformation as it shifts toward greater in-house contracting business model, paving the way for massive margin expansions and EPS growth. In this process, we project the contribution from DEWA's own fleet to reach to 60% in 2025F (from 46% in 2024), and further rise to 79% in 2026F, as new heavy equipment are expected to arrive in 2026F and to be fully utilized in 2027F. The transition will boost DEWA's 2025F EBITDA margin to 26.5% (2024: 14.2%; 1Q25: 24.7%), before further improving to 40.3% in 2026F and 43.1% in 2027F. In the past, given 54% of total overburden being handled by subcontractors, DEWA's 2023 EBITDA margin stood at only 14%, way below its peers (25%), leading to financial and share underperformance. However, with this major efficiency initiative, we now see 2024-27F earnings CAGR at 289.0%.

Balance sheet repair to allow for capex and more than doubling in capacity. In 2024, DEWA underwent a major balance sheet repair through conversion of its USD 83mn (IDR 1.4tn) debt into equity through a Non Pre-emptive Rights Issue (NPR). The move helped recover DEWA's current ratio to 1.0x (+25.0% QoQ) and reduced its debt-to-equity ratio (DER) to 0.4x, enabling the company to access bank loans. Following IDR 2.6tn loan from BCA in 2024, DEWA will have the ability to effectively more than double its current capacity from 57 mbcm to 122 mbcm by 2025, before further rising to 150 mbcm by 2027.

Higher production to maintain coal mining contracting business sustainability. While we believe weak coal environment may persist for some time, we remain optimistic about Indonesia's mining services industry. Our analysis shows that when global coal prices hit their six-year low of USD 58.2/ton (-25.3% YoY) in 2020, mining fees in Indonesia were relatively unaffected, declining only to USD 2.3/bcm (-3.3% YoY). Looking ahead, we expect Indonesia's coal mining activity to remain robust; according to 2021-2030 RUPTL, coal's portion in Indonesia's energy mix is projected to remain strong at 59.8% in 2030 (current: c.61%).

Re-initiate with BUY and IDR 350 TP. We re-initiate coverage on DEWA with DCF-based TP of IDR 350, implying 112.1% upside. To derive valuation, we employed 5-year DCF-FCFF approach, factoring in compelling earnings growth in the next 5 years driven by fleet expansions, 3% terminal growth rate, and 6.9% risk-free rate (10.2% WACC). This translates to EV of IDR 14.3tn and reflects FY26F EV/EBITDA of 6.0x, a sector premium, justified by 2026F EPS growth of 116%. Key risks: weather disruptions, delays in RKAB approval, and delays on heavy equipment.

Forecast and Valuations (@ IDR 165 per share)

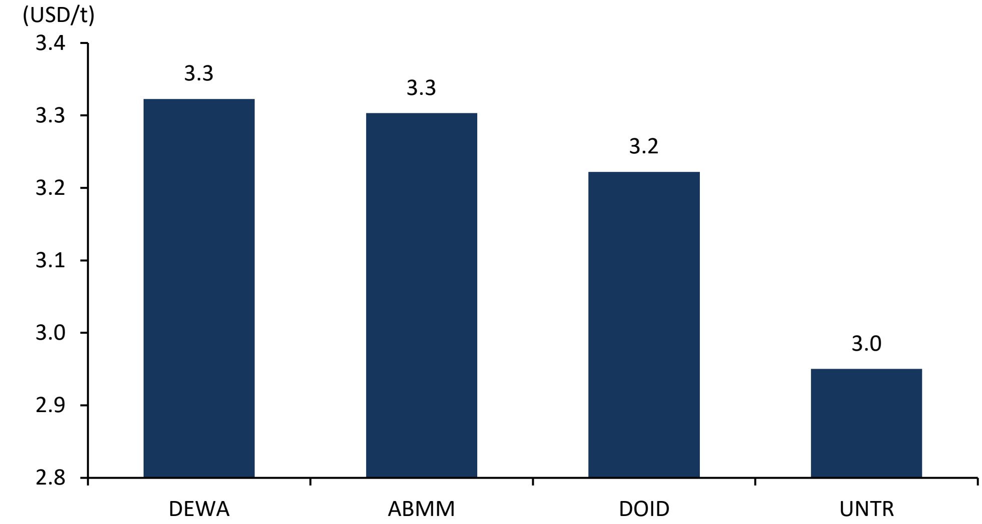
Y/E Dec	23A	24A	25F	26F	27F
Revenue (IDR Bn)	7,373	6,032	6,609	6,677	6,819
EBITDA (IDR Bn)	1,063	857	1,754	2,689	2,937
EV/EBITDA (x)	3.2	5.5	5.4	3.2	3.5
Net Profit (IDR Bn)	35	16	418	901	962
EPS (IDR)	0.9	0.4	10.3	22.2	23.6
EPS Growth (%)	(114)	(54)	2,459	116	7
P/E (x)	176.3	381.1	16.1	7.4	7.0
P/BV (x)	1.0	1.0	1.8	1.4	1.2
ROAE (%)	1	0	12	21	19
ROAA (%)	0	0	4	8	7
Interest Coverage (x)	1	2	4	8	5
Net Gearing (%)	3	42	74	42	66

INVESTMENT THESIS

From subcontractors into in-house mining company. DEWA began its business as a mining contractor, with the majority of overburden (54% of total) projects being handled by subcontractors. As a result, DEWA's 2023 EBITDA margin stood at only 14%, way below its peers (25%), leading financial and share underperformance in the past. Recently, DEWA underwent a major transformation, starting with the conversion of its USD 83mn (IDR 1.4tn) debt into equity through NPR. The move helped recover DEWA's current ratio to 1.0x (+25.0% QoQ) and reduced its debt-to-equity ratio (DER) to 0.4x, enabling the company to access bank loans. Following its NPR, DEWA secured IDR 2.6tn syndicated banking loan facility led by BBCA, mostly allocated for new heavy equipment. With the additional funding, DEWA plans to expand its capacity by 30 mbcm. Furthermore, DEWA has secured fleet for additional 30 mbcm of vendor financed-capacity, expected to contribute starting October 2025, from Xuzhou Construction Machinery Group (XCMG).

Its IDR 1.4tn (USD 83mn) Feb-25 NPR was one of the major steps in DEWA's transformation

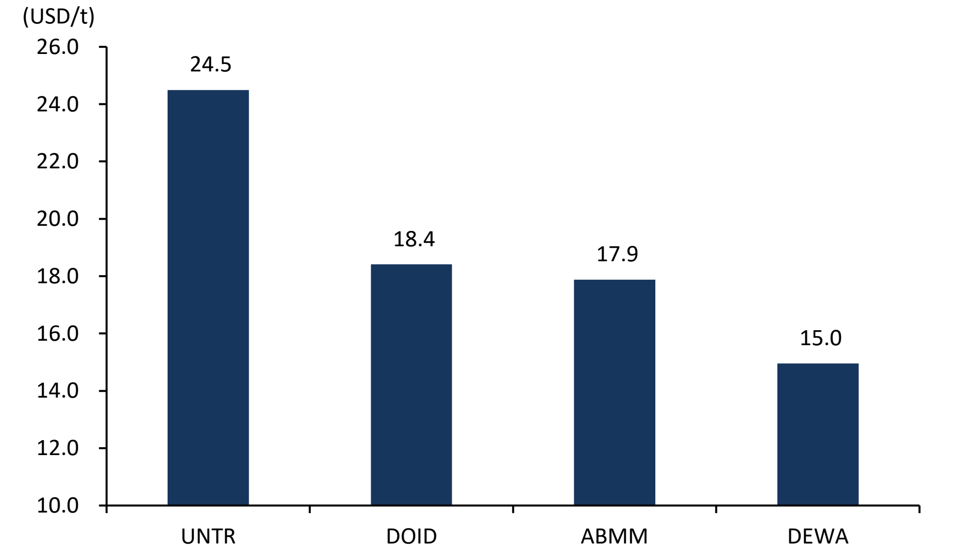
Figure 1. Mining Fee Comparison Estimates (pre-transformation, 2024)



Sources: SSI Research

Despite DEWA charging the highest mining fees…

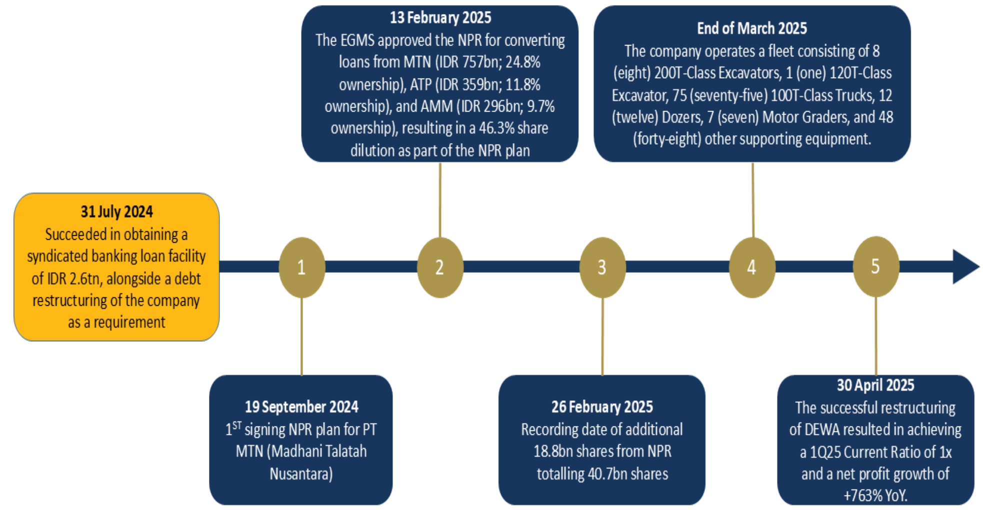
Figure 2. EBITDA Margin Comparison (pre-transformation, 2024)



Sources: Company, SSI Research

…its EBITDA margin is the lowest in comparison to its peers, mainly due to large portion of subcontracted work (56%)

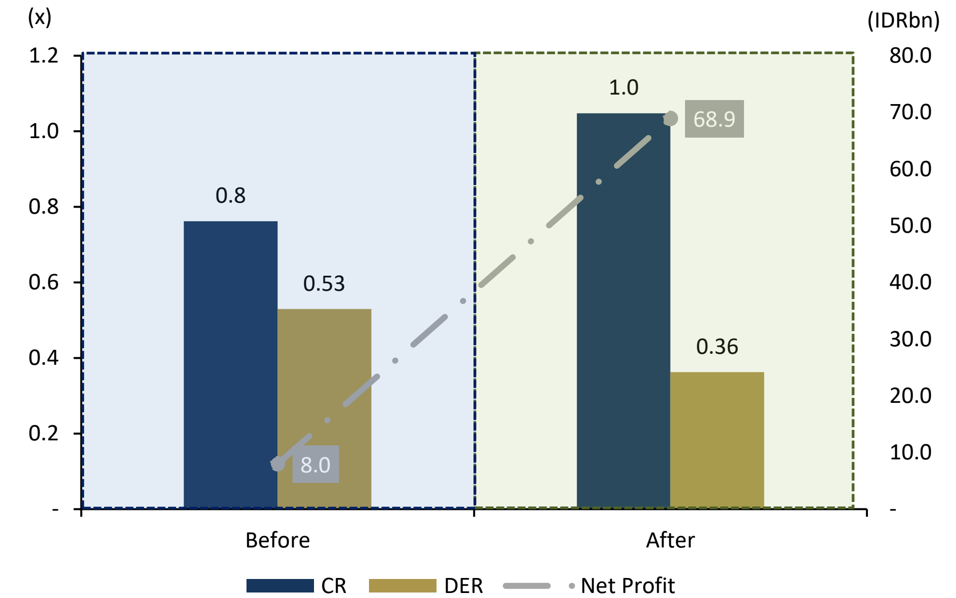
Figure 3. Post-syndicated Loan Milestones



Sources: Company, SSI Research

The NPR was a key part of DEWA's efforts in securing a syndicated bank loan facility

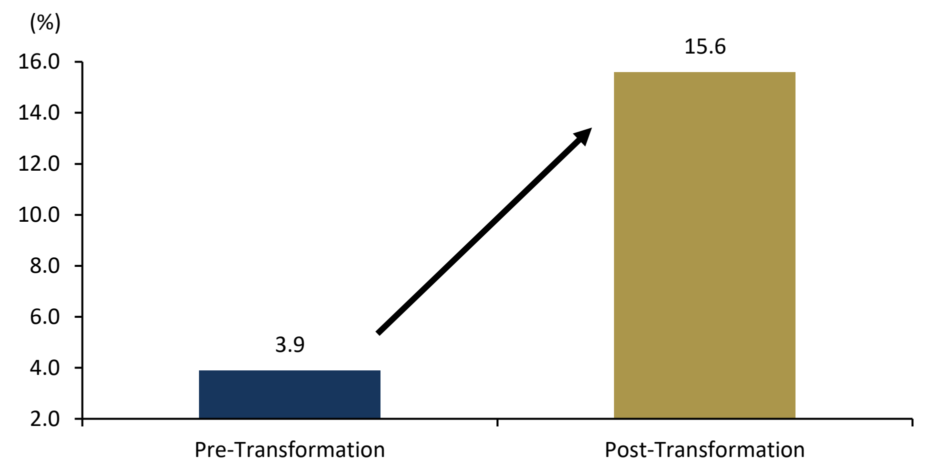
Figure 4. Liquidity and Solvability Ratios (Post NPR)



Sources: Company, SSI Research

The NPR helped to improve both DEWA's current and debt-to-equity ratios

Figure 5. ROIC Comparison, 2026F



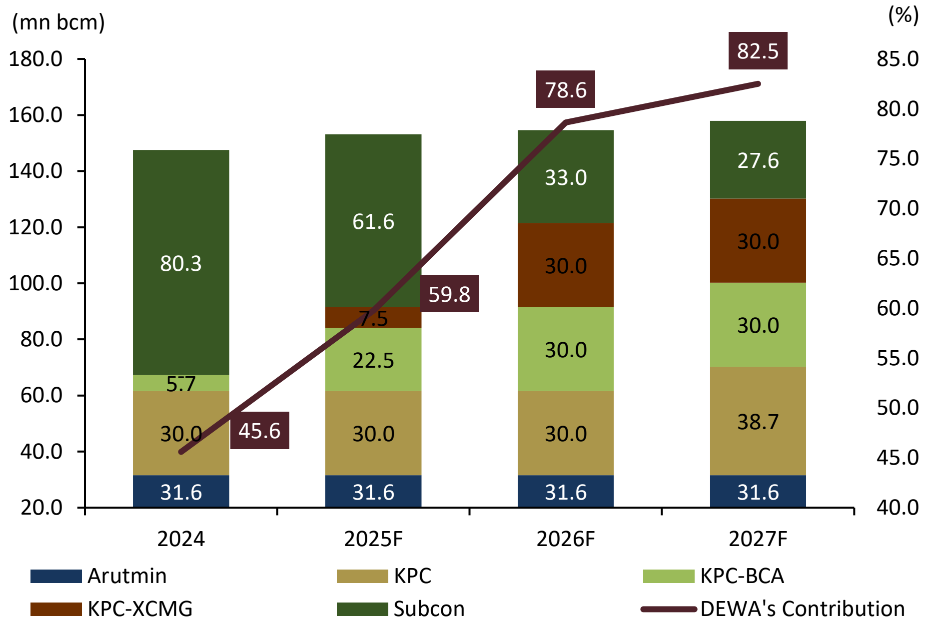
Sources: Company, SSI Research

Thanks to its transformation, DEWA is set to achieve a 15.6% ROIC (Pre-Transf.: 3.9%), signaling a strong financial position as the WACC stands at 10.2%

Aggressive expansion and margin improvements to allow robust earnings growth. Supported by its capacity expansion, we anticipate DEWA to post robust earnings growth, driven by higher margins resulting from the transition from subcontractor-heavy business model to in-house operation. We project the contribution from DEWA's own fleet to reach to 60% in 2025F (from 46% in 2024), and further rising to 79% in 2026F, as new fleets are expected to arrive in 2026F and be fully reflected in 2027F. The transition will boost DEWA's 2026F EBITDA margin to 40.3% (2025F: 26.5%). As a result, we foresee 2024-27F earnings CAGR of 291.7%.

DEWA's transformation is expected to produce stellar 2026F EBITDA margin of 40.3%

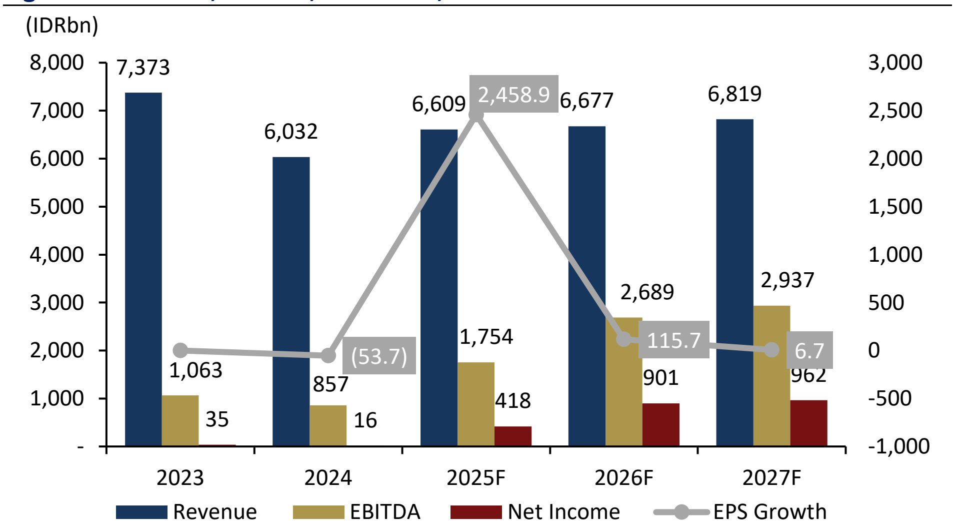
Figure 6. Capacity and Contribution



Sources: Company, SSI Research

DEWA's contribution to jump to 79% to total OB Removal service in 2028F driven by combination of IDR 2.6tn syndicated loan and IDR 800bn XCMG vendor financing

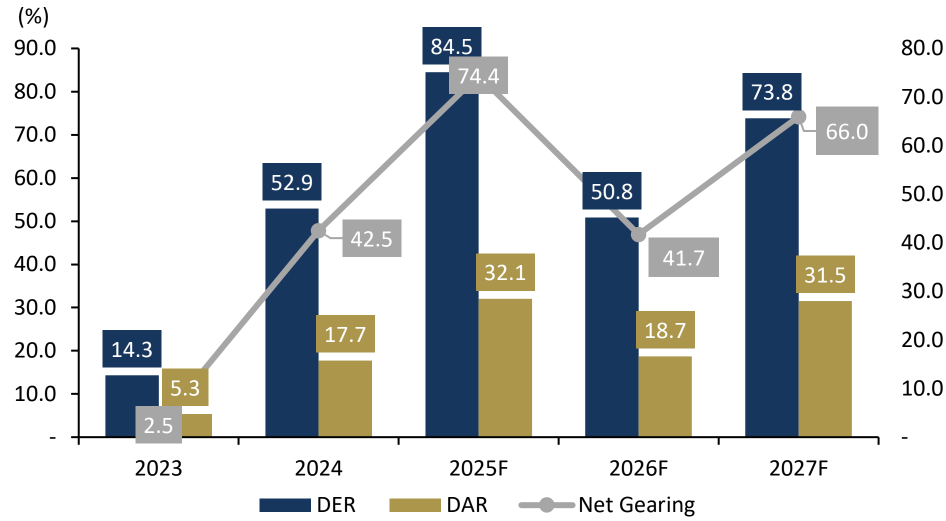
Figure 7. Revenue, EBITDA, Net Profit, and EPS Growth



Sources: Company, SSI Research

2027F net profit to reach USD 962mn, compared to pre-transformation figure of USD 16mn (2024)

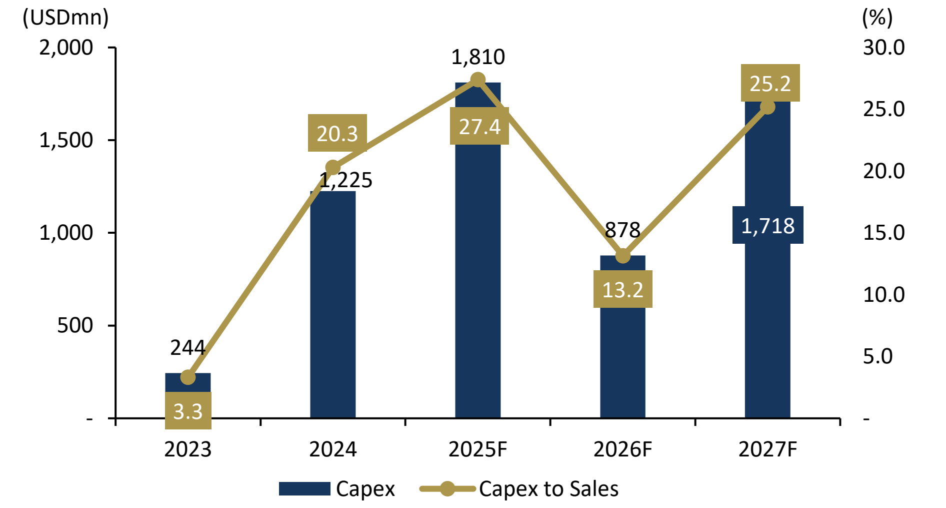
Figure 8. Capital Structure Ratios



Sources: Company, SSI Research

DER to remain elevated in the 40%-70% range due to new fleet-related funding

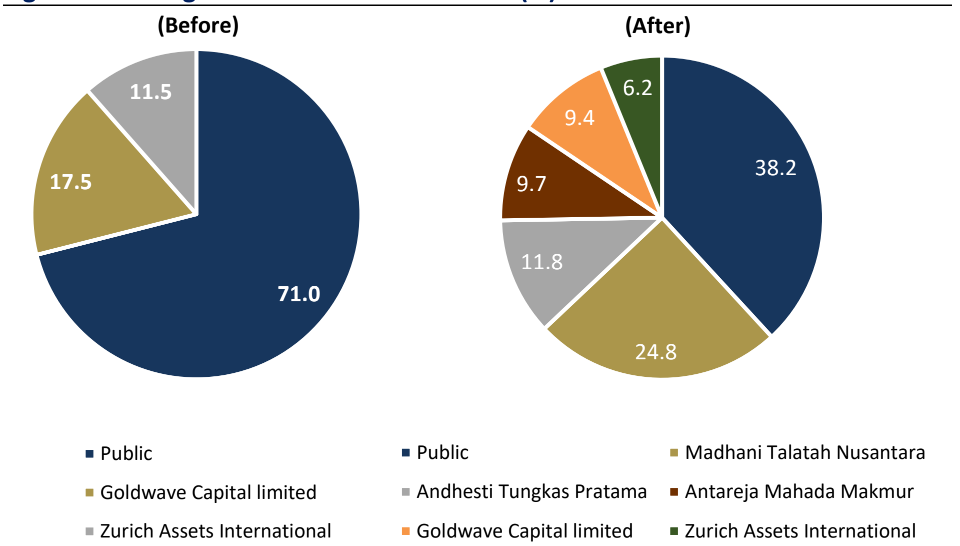
Figure 9. Capital Expenditure Trend



Sources: Company, SSI Research

Between 2025-2027, we expect to see high capex cycle on plans to procure new fleets with total capacity of 60 mbcm

Figure 10. Changes in Shareholder Structure (%)



Sources: Company, SSI Research

Post-NPR, public portion to significantly shrink to 38.2%

Higher production targets to maintain business sustainability. To anticipate global coal price slump, most coal miners in Indonesia have set higher targets for coal production volumes. This is reflected in Indonesia's projected 2025-2026 RKAB of 918mn tons and 903mn tons, representing increases of 29.3% and 27.2% from 2024 figure. Given this, we believe the mining contractor business will remain sustainable despite weak coal price environment.

Despite weak coal prices, higher production targets set in Indonesia's 2025-2026 RKAB suggest that mining contracting business will remain sustainable

VALUATION

We re-initiate coverage on DEWA with DCF-based TP of IDR 350, implying 112% upside. To derive valuation, we employed 5-year DCF-FCFF approach, factoring in compelling earnings growth in the next 5 years driven by fleet expansions, 3% terminal growth rate, and 6.9% risk-free rate (10.2% WACC). This translates to EV of IDR 14.3tn and reflects FY26F EV/EBITDA of 6.0x, a sector premium, justified by 2026F EPS growth of 116%. Key risks: weather disruptions, delays in RKAB approval, and faster renewable energy implementation.

We utilized 5-year DCF-FCFF approach with 10.2% WACC and 3% terminal growth to calculate DEWA's valuation…

Figure 11. Valuation

DCF-FCFF (IDRbn)	2025F	2026F	2027F	2028F	2029F	2030F
Operating Profit	1.005	1.742	2.005	2.032	2.101	2.152
D&A	750	947	932	1.455	1.381	1.324
Capex	(1.785)	(868)	(1.705)	(1.103)	(1.112)	(1.122)
Chg. in WC	146	219	17	(29)	(6)	(13)
FCFF	**(286)**	**1,344**	**448**	**1,404**	**1,386**	**1,354**
Forecast Years	0	1	2	3	4	5
Discount Factor	1.000	0.897	0.805	0.723	0.649	0.582
Present Value	-286	1.219	369	1.152	1.033	912
Terminal Value						21,215
PV of Terminal Value						13,058
Net Present Value						**14,274**
Outs. Share (mn)						40,687
Target Price (Rp)						**350**
Current Price						165
Upside (Downside)						112%
Recommendation						**BUY**

Sources: Companies, Bloomberg, SSI Research

…yielding target price of IDR 350 per share

Figure 12. Peer Comparables

Company	Market	2026F				
	Cap.	EPS Gwt.	PER	EV/EBITDA	PBV	ROE
Ticker	(IDRTn)	(%)	(x)	(x)	(x)	(%)
UNTR	81.7	(2.7)	4.7	2.1	0.8	19.3
ABMM	8.6	(36.5)	6.2	7.3	0.7	9.8
DEWA	6.7	115.8	7.4	3.2	1.4	21.5
DOID	3.6	N/A	N/A	0.8	1.3	N/A
Sector	***100.6***	***8.6***	***4.8***	***2.6***	***0.8***	***17.9***

Sources: Companies, Bloomberg, SSI Research

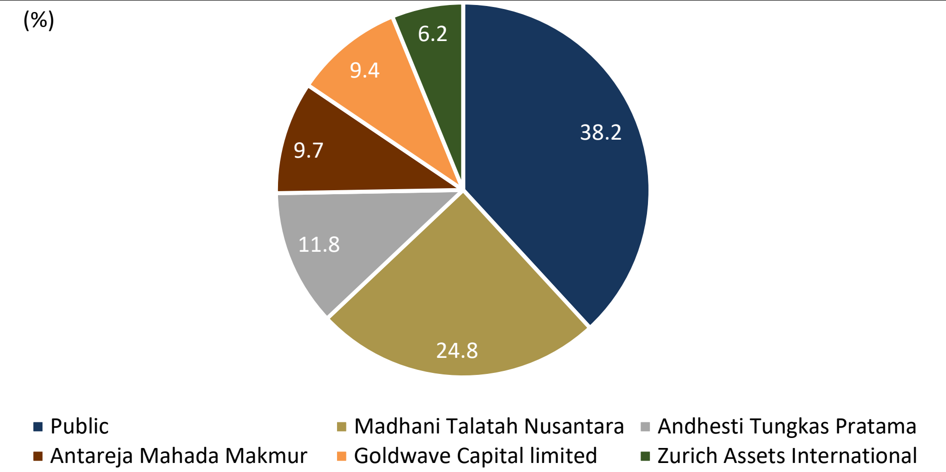
DEWA's premium valuation is justified by EPS growth of 116%, driven by margin improvements resulting from its business transformation

BUSINESS OVERVIEW

Established on 8 October 1991 and listed on IDX since 2007, PT Darma Henwa Tbk (DEWA) is an integrated mining service provider offering mining and quarrying support, specialized machinery repair, rental and operating lease activities, and construction services. Additionally, DEWA is involved in heavy equipment rental, infrastructure construction (roads, bridges, tunnels, buildings), and the development of non-fishing port facilities and land preparation. The company continues to strengthen its position through business expansion, supported by subsidiaries that reflect its diversification across various strategic sectors.

DEWA is an integrated mining service provider offering mining support, machinery repair, equipment rental, and infrastructure construction

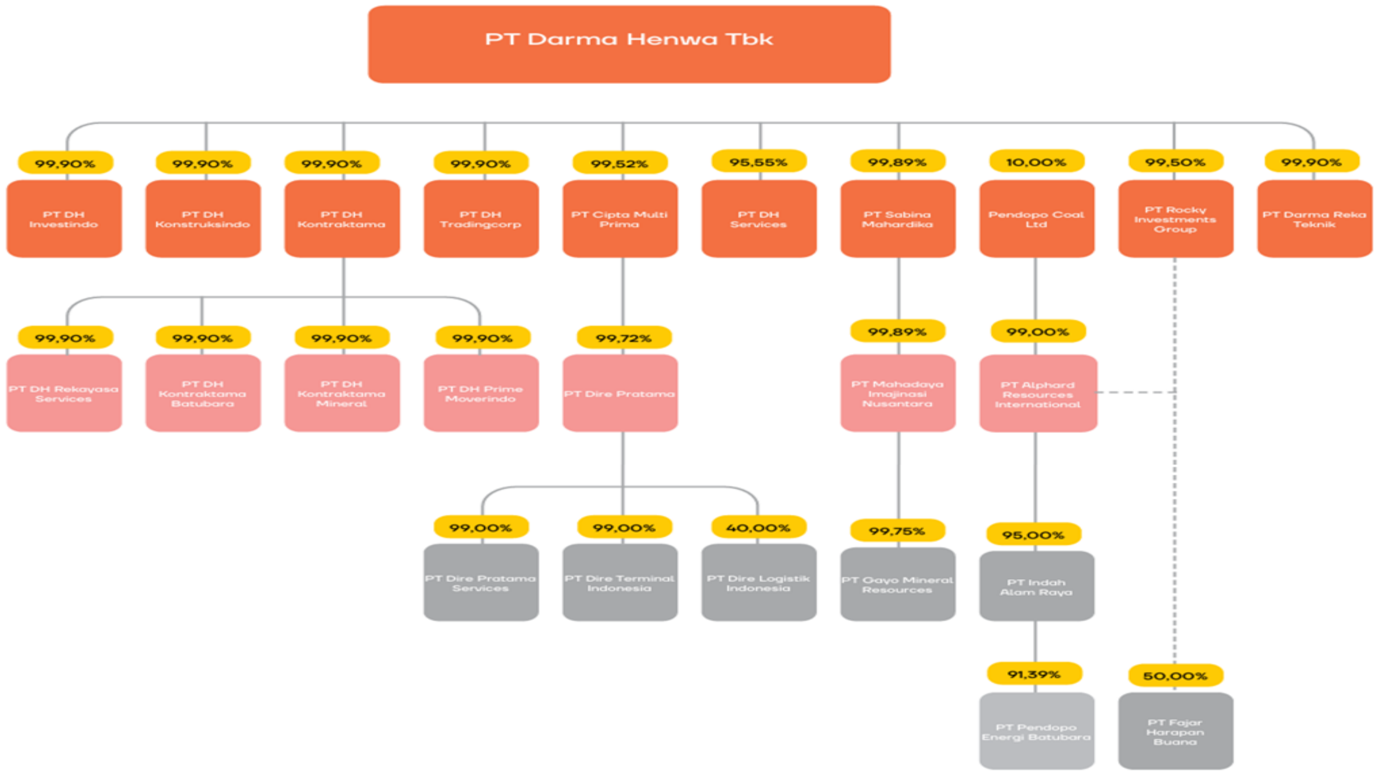
Figure 13. Shareholder Structure



Sources: Company, SSI Research

Following its NPR, DEWA's shareholder structure has become more diversified, with five main shareholders

Figure 14. Ownership Structure

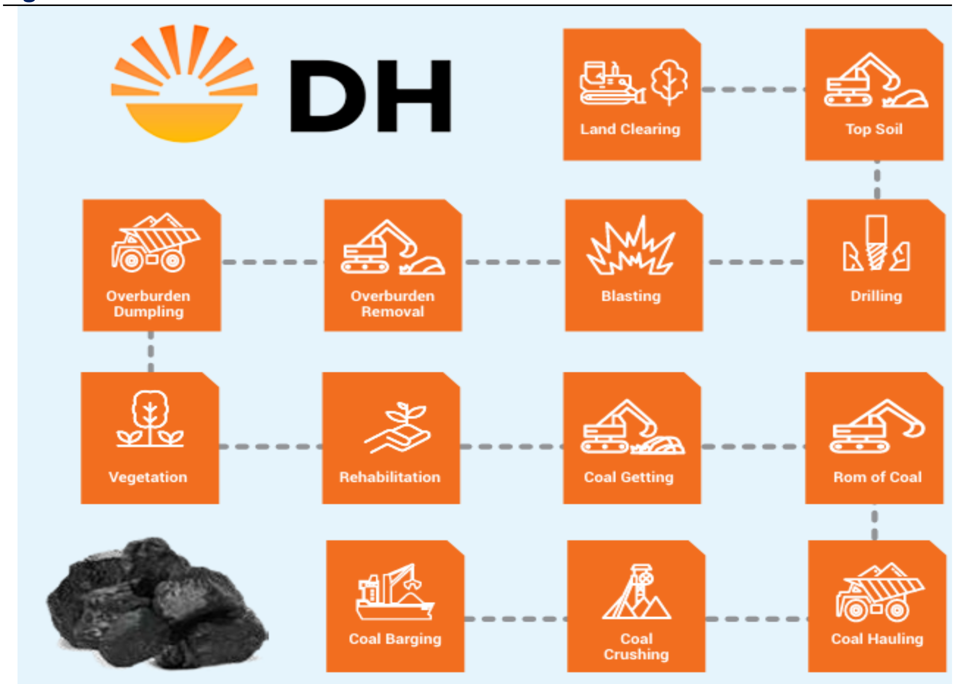


Sources: Company, SSI Research

Five main active projects. DEWA's revenue streams are primarily driven by mining contracting activities, including mining services, coal and metal mining transportation, and rehabilitation of mining sites. The company currently manages five active projects: three coal mining projects with Kaltim Prima Coal (KPC), Arutmin Indonesia (AI) in Bengalon, Asam Asam, and Kintap, along with coal port handling services for Dire Pratama, which manages Lubuk Tutung Port, a coal port handling KPC's mining output in East Kalimantan. Additionally, DEWA is developing a gold mine with PT Gayo Mineral Resources in Aceh. DEWA also boasts strong track record, with several significant mining projects in its portfolio, including ANTM's gold mining project, Gebe Island (ANTM), Batu Hijau (AMMN), and Freeport.

DEWA's revenue streams are primarily driven by mining contracting activities, including mining services, coal & metal mining transportation, and rehabilitation of mining sites

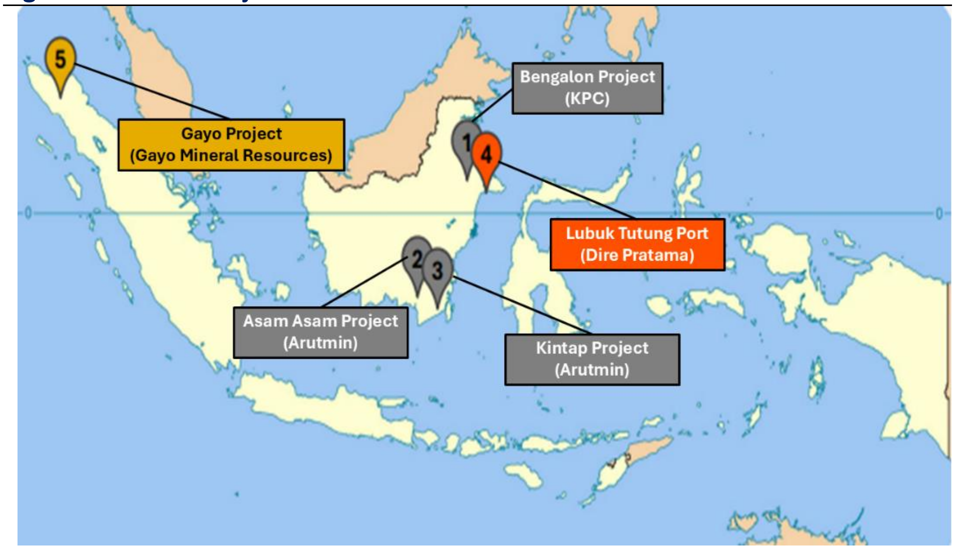
Figure 15. Business Activities



Sources: Company, SSI Research

DEWA currently operates 13 business lines, ranging from land clearing to coal barging with…

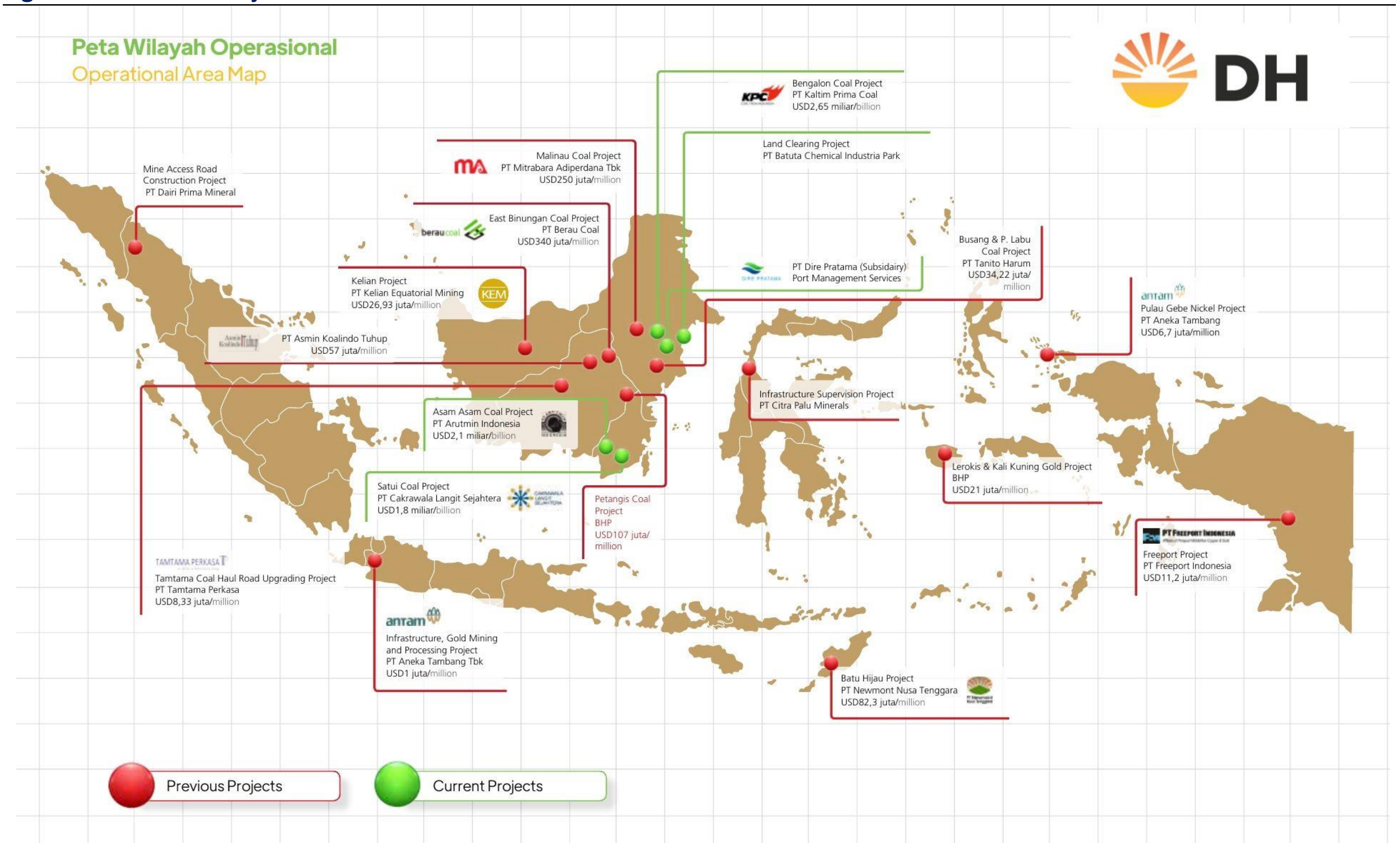
Figure 16. Active Projects



Sources: Company, SSI Research

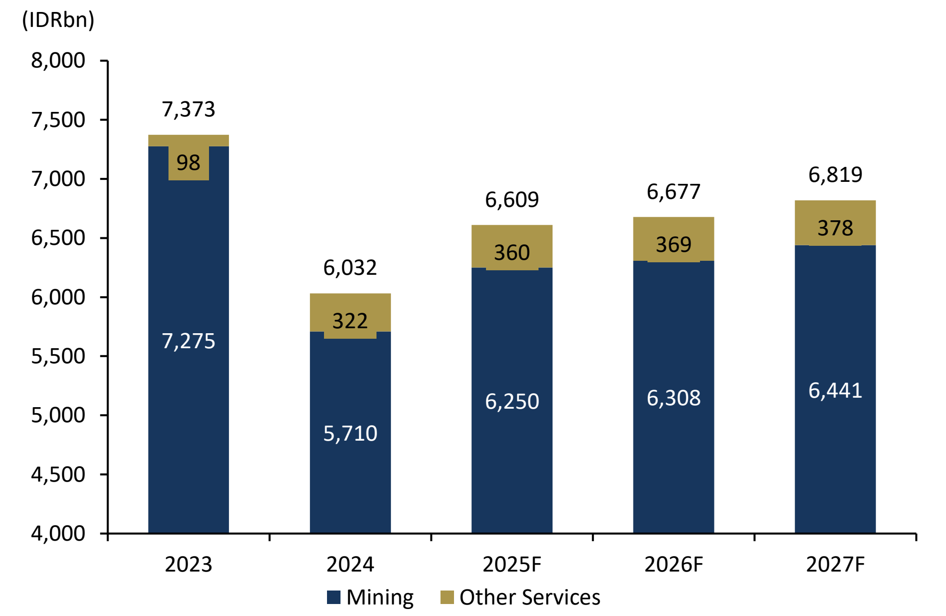
…currently involving 5 active projects, including 3 coal mining projects, 1 logistics project, and 1 gold mining project, located across Kalimantan and Aceh

Figure 17. Previous Projects



Sources: Company, SSI Research

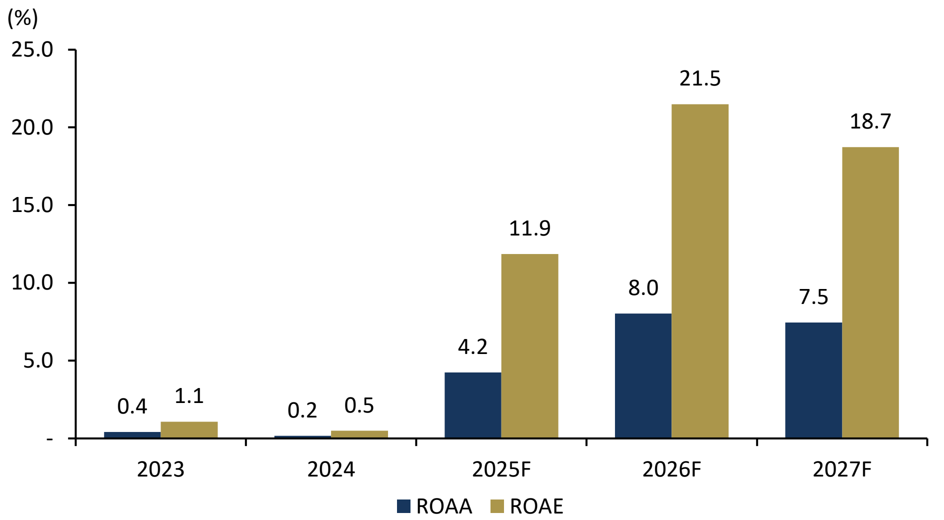
Figure 18. Revenue Breakdown



Sources: Company, SSI Research

Having accounted for 94.7% of DEWA's 2024 revenue, Mining services will continue to dominate top line through 2027F

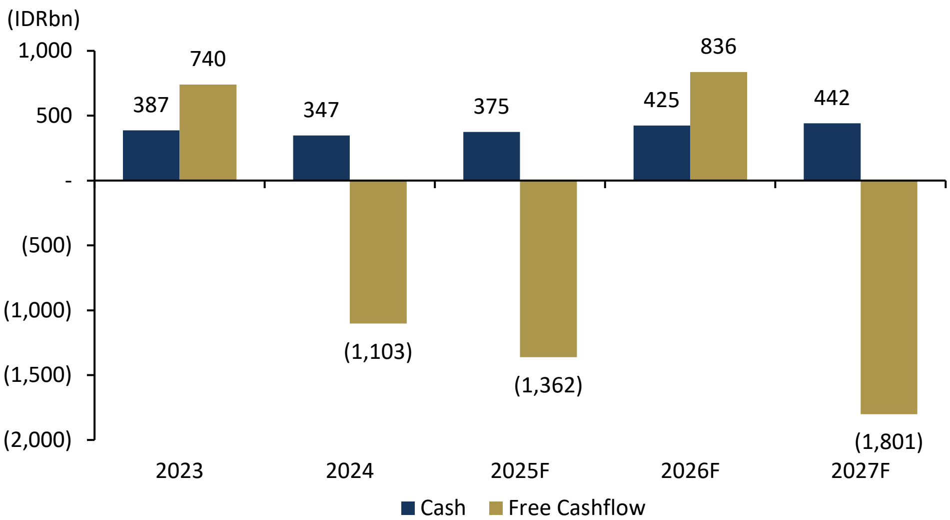
Figure 19. Profitability Metrics



Sources: Company, SSI Research

Improvement in capital structure has led to better profitability, with 2026F ROAA and ROAE projected to reach 8.0% and 21.5%

Figure 20. Cash and Free Cashflow



Sources: Company, SSI Research

In 2025F, we project DEWA to maintain robust cash level of IDR 375bn

Figure 21. Board of Commissioners

		Position	Years of Experience
	Mr. Nalinkant Amratlal Rathod holds Bachelor of Commerce from Andhra University and is a Chartered Accountant. He is currently the President Commissioner of PT Bumi Resources Tbk, PT Kaltim Prima Coal, and PT Arutmin Indonesia. He served as CEO of Bumi PLC from 2012-2013 and is the Managing Director of Capital Managers Asia Pte. Ltd., Singapore. Mr. Rathod has also served as Commissioner at several companies and is active in the India Club, Jakarta.	**President Commissioner**	**15**
	Suadi Atma, born in 1947 in Banjarmasin, is DEWA's Vice President Commissioner and Independent Commissioner. He had a distinguished military career, holding various leadership positions, including Commander of the Regional Military Command II / Sriwijaya and Deputy Inspector General of the Armed Forces. Following his retirement from the military, he served in various ministries and was Commissioner of PT Medical Etam from 2003-2007. He also served as advisor to PT Darma Henwa Tbk and PT Adindo Hutani Lestari. He graduated from Akabri Darat in 1970, Seskoad Bandung in 1986, and SESKO ABRI Bandung in 1993.	**Vice President Commissioner and Independent Commissioner**	**13**
	Gories Mere, an Indonesian citizen born in Medan in 1954, was appointed as Independent Commissioner on 31 May 2013. He graduated from National Police Academy in 1976 and continued his studies at the College of Police Science (PTIK) in 1986, Sespimpol in 1992, and Sesko ABRI in 1998. Throughout his police career, he held various positions, including Head of Section for the Directorate of Serse Polda Metro Jaya, Head of East Jakarta Metro Police, Head of the West Java Police, and Chief of the National Narcotics Agency.	**Independent Commissioner**	**12**
	Kanaka Puradiredja, born in 1944, has been serving as DEWA's Independent Commissioner since 2007. With over 30 years in public accountancy, he was Managing Partner of KPMG Indonesia for 21 years and is the founder of Kanaka Puradiredja, Suhartono. He has been serving as head of the Indonesian Accountants Association, Chairman of the Indonesia Audit Committee, and member of the Risk Management Professional Association. He also served on the Supervisory Council of the Aceh Reconstruction and Rehabilitation Agency and the Executive Council of International Transparency. He holds Accounting degree from Padjadjaran University.	**Independent Commissioner**	**18**

Sources: Company, SSI Research

Cont'd		Position	Years of Experience
	Mr. Ashok Mitra, an Indian citizen, has 40 years of experience in finance, commercial management, supply chain management, and business turnaround. He holds Bachelor of Commerce from St. Xavier's, Kolkata (1976), along with certifications as Company Secretary (1976) and Chartered Accountant (1980). His career includes roles at Dunlop (India), Shaw Wallace, Nelco Limited (Tata Group), and Tata Power Co. Ltd. He was the General Manager of Finance at Tata Power in Mumbai before relocating to Indonesia in 2007. In 2008, he became Chief Financial Officer of PT Kaltim Prima Coal (KPC) after Tata Power acquired 30% stake in KPC.	**Commissioner**	**40**

Sources: Company, SSI Research

Figure 22. DEWA's Board of Directors

		Position	Years of Experience
	Mr. Teguh Boentoro, an Indonesian citizen, has over 30 years of experience in financial investment and taxation. He holds Bachelor of Arts in Business Administration from The University of Texas at Austin (1985). He began his career as tax consultant at Arthur Andersen and later became partner at several firms, including Gunawan, Prijohandojo, Utomo & Co. and PB Taxand. In 2013, he founded PT Infinia Luhur, where he has served as director since. He also founded PT J&P Indonesia in 2017 and served as President Commissioner until 2022. Since 2021, he has been the President Director of PT Batuta Chemical Industrial Park and holds Commissioner roles at PT Bumi Resources Minerals Tbk and PT Amman Mineral Internasional Tbk.	**President Director**	**30**
	Mr. Sorimuda Pulungan, an Indonesian citizen, has over 27 years of experience in mining sector. He holds Bachelor's degree in mining engineering from ITB, Master's in financial management from Universitas Hasanuddin, and Doctorate in Economics from Universitas Trisakti. He began his career at Aurora Gold Ltd. in 1994, later becoming Deputy Head of Mining Engineering. He joined PT International Nickel Indonesia (PT INCO) in 2002, serving as General Manager of the Mining Engineering Division until 2011. In 2011, he became Director of PT BUMA and was promoted to President Director in 2021. He was appointed Director of PT Darma Henwa Tbk on 20 June 2024.	**Director**	**27**
	Born on 25 March 1961, Mr. Ahmad Hilyadi holds a Bachelor's degree in Management and Finance from the University of Indonesia (1987). He started his career as Account Officer at Bank Niaga in 1988, later serving in various roles at Citibank and Bank Danamon. He then became Vice President of Corporate Banking at PT Bakrie Capital Indonesia and Vice President of PT Bakrie Finance Corporation. He has filled executive roles in several companies across various sectors, including mini hydro power plant, waste energy solutions, infrastructure, and oil and gas s. On 19 August 2022, he was appointed Director and Corporate Secretary of PT Darma Henwa Tbk in the company's Extraordinary General Meeting of Shareholders (EGMS).	**Director and Corporate Secretary**	**18**

Sources: Company, SSI Research

Cont'd		Position	Years of Experience
	Mr. Fredia Yuzirwan, an Indonesian citizen, has over 20 years of experience in finance and business development. He holds Bachelor's degree in Economics from Northern University of Malaysia (2002) and Master's in Economics from the National University of Malaysia (2008). Mr. Yuzirwan began his career at Citibank NA and later worked at PT Bank Niaga Tbk, Standard Chartered Bank Indonesia, PT Timah (Persero) Tbk, and PT Bank CIMB Niaga Tbk. He served as Senior Vice President at PT Indonesia Infrastructure Finance and Director of Finance at PT Borneo Alumina Indonesia. In 2023, he became CFO at PT Investree Radhika Jaya and joined PT Darma Henwa Tbk in January 2024 as Deputy Director, later being appointed Director on 20 June 2024.	**Director**	**20**
	Mr. Mahmud Samuri, an Indonesian citizen, has over 27 years of experience in human resources and the mining industry. He holds Bachelor's degree in English Literature from IKIP Negeri Malang and Master's in Human Resource Psychology from Universitas Indonesia. Mr. Samuri began his career as an English trainer and later held various HR roles, including Superintendent at PT Arutmin Indonesia and Manager at PT Bumi Resources Tbk. He joined PT Darma Henwa Tbk in 2024 as Deputy Director, later being appointed Director. He also serves in several professional organizations, including the National Wage Council (Depenas).	**Director**	**27**

Sources: Company, SSI Research

Key Financial Figures

Profit and Loss					
Y/E Dec (IDR bn)	**23A**	**24A**	**25F**	**26F**	**27F**
Revenues	**7,373**	**6,032**	**6,609**	**6,677**	**6,819**
COGS	(6,860)	(5,631)	(5,347)	(4,675)	(4,548)
Gross profit	**513**	**401**	**1,262**	**2,002**	**2,271**
SG&A	(282)	(234)	(258)	(260)	(266)
Operating Profit	**230**	**167**	**1,005**	**1,742**	**2,005**
Depreciation	833	690	750	947	932
EBITDA	**1,063**	**857**	**1,754**	**2,689**	**2,937**
Interest Expenses	(160)	(85)	(286)	(214)	(376)
Interest Incomes	3	5	4	5	5
Others	(42)	(30)	(23)	(23)	(23)
Pre-Tax Profit	**33**	**56**	**700**	**1,510**	**1,611**
Income Tax	3	(40)	(280)	(604)	(644)
Profit Incl. Minority	**35**	**16**	**420**	**906**	**966**
Minority Interest	0	0	2	4	5
Net Profit	**35**	**16**	**418**	**901**	**962**

Despite stagnation in top line, DEWA's bottom line is projected to grow, driven by improved mining cost efficiency

Balance Sheet					
Y/E Dec (IDR bn)	**23A**	**24A**	**25F**	**26F**	**27F**
Cash & Equivalents	387	347	375	425	442
Receivables	1,775	1,614	1,595	1,611	1,645
Inventories	412	402	439	384	374
Other Curr. Assets	333	392	428	430	436
Total Current Assets	**2,907**	**2,755**	**2,837**	**2,850**	**2,896**
Net Fixed Assets	2,552	3,417	4,486	4,414	7,113
Net Right of Use Assets	76	112	101	100	101
Other Non-Curr. Assets	5,510	5,278	5,306	5,334	5,409
Total Asset	**8,138**	**8,806**	**9,893**	**9,847**	**12,622**
Payables	2,747	2,676	1,972	1,801	1,780
ST. Debt	460	358	784	587	1,031
Other Curr. Liabilities	985	581	556	557	579
Total Current Liabilities	**4,192**	**3,614**	**3,312**	**2,945**	**3,389**
LT. Debt	11	1,396	2,374	1,777	3,119
Other LT. Liabilities	645	485	471	479	495
Total Liabilities	**4,848**	**5,496**	**6,157**	**5,201**	**7,004**
Minority Interest	(2)	(2)	(2)	(2)	(2)
Total Equity	**3,289**	**3,311**	**3,736**	**4,647**	**5,618**

Ramp-up of fixed assets will provide an additional revenue driver for mining contracting

Cash Flow					
Y/E Dec (IDR bn)	**23A**	**24A**	**25F**	**26F**	**27F**
Net Profit	**35**	**16**	**418**	**901**	**962**
Depreciation & Amort.	833	690	750	947	932
Working capital chg	157	(666)	(772)	(121)	(1,948)
Operating Cash Flow	**1,025**	**40**	**395**	**1,728**	**(54)**
Capital Expenditures	244	1,225	1,810	878	1,718
Others	40	(81)	(53)	14	29
Investing Cash Flow	**285**	**1,144**	**1,758**	**892**	**1,747**
Dividend Paid	-	-	-	-	-
Net Borrowing	(467)	1,283	1,404	(794)	1,786
Others	(190)	(220)	(13)	8	32
Financing Cash Flow	**(657)**	**1,063**	**1,391**	**(786)**	**1,818**
Net Changes	**83**	**(40)**	**28**	**50**	**17**
Cash at Beginning	304	387	347	375	425
Cash at Ending	**387**	**347**	**375**	**425**	**442**

Capex is expected to remain elevated due to the company's heavy equipment expansion plan

Key Ratios					
Y/E Dec (%)	**23A**	**24A**	**25F**	**26F**	**27F**
Gross Profit Margin (%)	7.0	6.6	19.1	30.0	33.3
Operating Margin (%)	3.1	2.8	15.2	26.1	29.4
EBITDA Margin (%)	14.4	14.2	26.5	40.3	43.1
Pre-Tax Margin (%)	0.4	0.9	10.6	22.6	23.6
Net Profit Margin (%)	0.5	0.3	6.3	13.5	14.1
Debt to Equity (%)	14.3	52.9	84.5	50.8	73.8
Net Gearing (%)	2.5	42.5	74.4	41.7	66.0
ROAE	1.1	0.5	11.9	21.5	18.7
ROAA	0.4	0.2	4.2	8.0	7.5

2025F EBITDA margin is projected to reach 26.5% (2024: 14.2%) with NPM of 6.3% (2024: 0.3%)

Major Assumptions					
Y/E Dec	**23A**	**24A**	**25F**	**26F**	**27F**
OB Removal (mn bcm)	193.9	128.0	131.3	132.1	134.7
ASP (USD/ton)	2.2	2.5	2.4	2.4	2.4

We expect OB removal volumes to remain robust, supported by KPC and Arutmin mine development plans

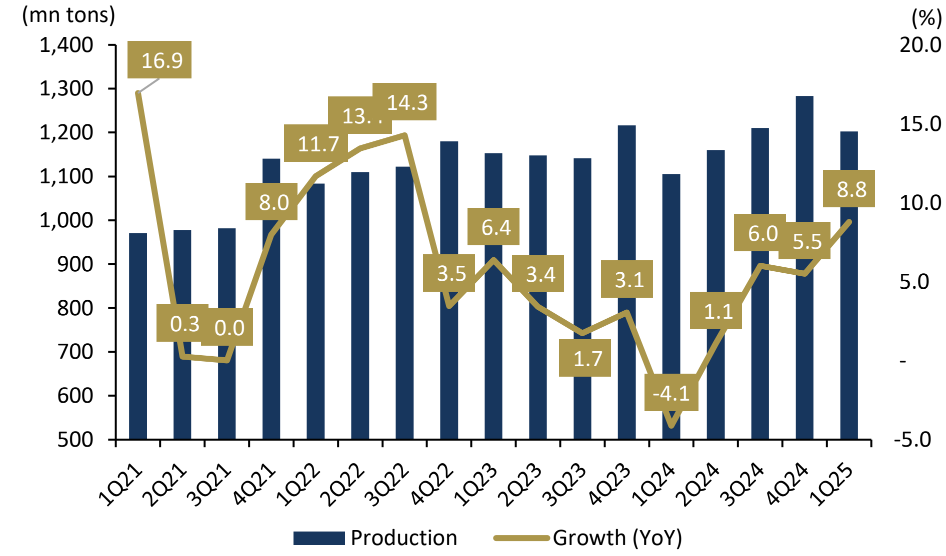
INDUSTRY OVERVIEW

Slowing economic growth in China and…

Slower demand from China on government initiative to raise coal output. China, the largest contributor to Indonesia's coal imports, is expected to increase its production capacity to 4.8bn tons (+2.2% YoY) in 2024, although during the period imports are projected to remain relatively strong at 490.4mn tons (+3.4% YoY), translating to for 40.3% of the country's total overseas purchases and the largest source of China's coal imports. However, in 1Q25, we see that China's import has slightly diminish to 114.9 (-0.9% YoY), which we believe is partly due to China's government initiative to increase domestic coal output as well as the country's slowing economic growth as witness by negative 1Q25 PPI figures of -2.5%.

…higher 1Q25 coal production to 1.2bn tons (+8.8% YoY) in-line with government initiative to increase its energy self-sufficiency, have resulted in…

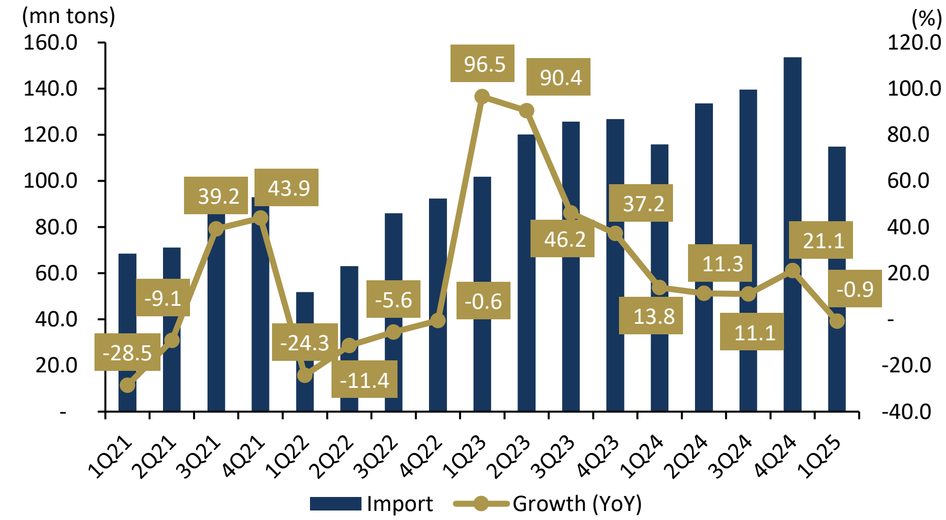
Figure 23. China's Coal Production



Sources: Bloomberg, SSI Research

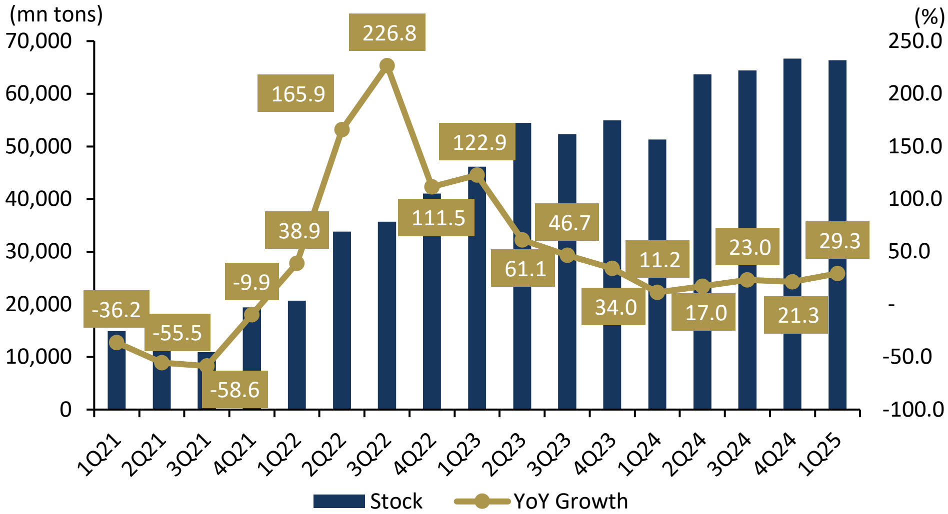
…coal import figures starting to stumble

Figure 24. China's Coal Import



Sources: Bloomberg, SSI Research

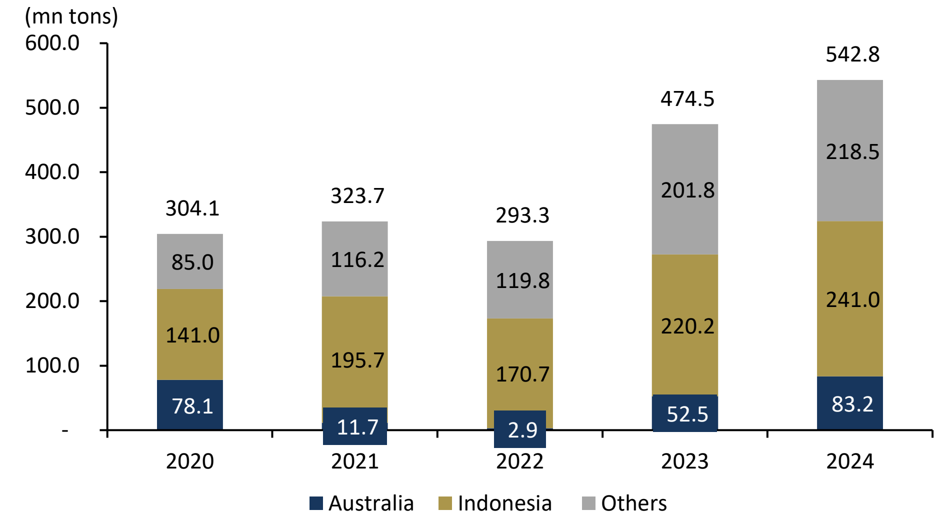
Figure 25. China's Coal Inventory



Sources: Bloomberg, SSI Research

In 1Q25, China's coal inventory remained elevated at 66.4mn tons (+29.3% YoY)

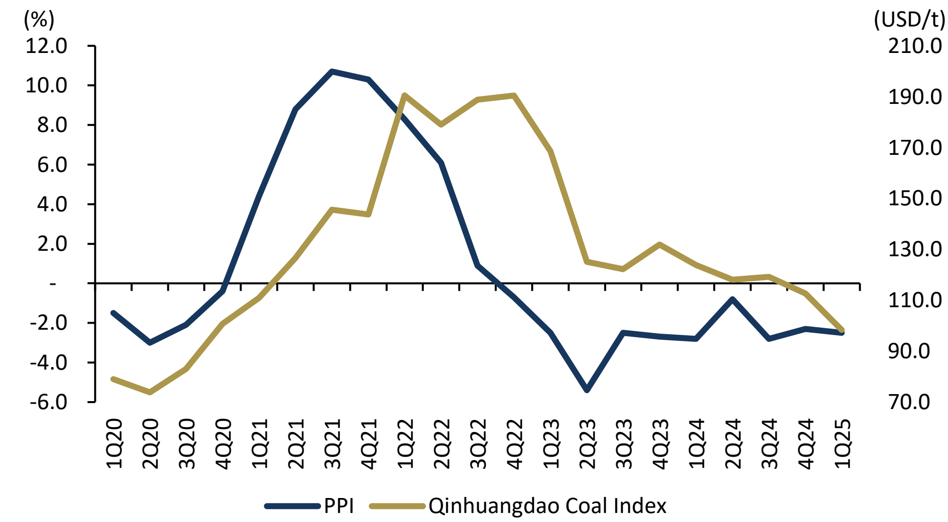
Figure 26. China's Coal Import Destinations



Sources: Bloomberg, SSI Research

Indonesia is the largest source of China's coal imports, accounting for 40.3% of the country's 2024 overseas purchases

Figure 27. China's PPI and Qinhuangdao Coal Price Index



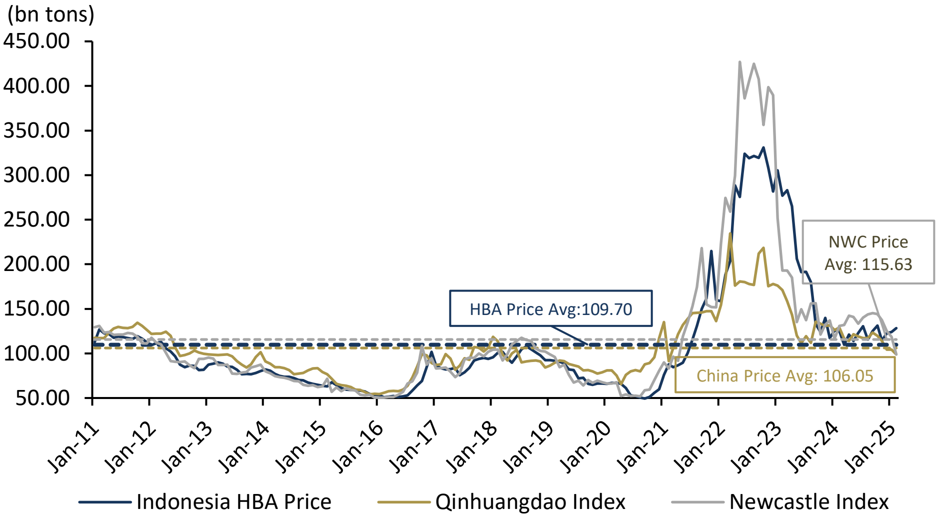
Sources: Bloomberg, SSI Research

China's PPI has remained weak for 10 consecutive quarters, reflecting soft demand, potentially to hamper coal prices

Indonesia's higher coal output to weaken prices. Looking ahead, Indonesia's new regulation mandating HBA as benchmark price for coal exports may further lower demand from China. Chinese buyers have expressed concerns over the Indonesian government's HBA price index, higher rate than the Qinhuangdao index. Meanwhile, Indonesia's coal production is set to increase, supported by higher RKAB approval of 918mn tons (+29.3% YoY) for 2025F and 903mn tons (+27.2% YoY) for 2026F. Thus, given the aforementioned demand-supply dynamics, coal prices are expected to be lower in 2025-2026 with global average coal price projected at USD 100/ton for 2025F (-26.7% YoY) and USD 95/ton for 2026F (-5.0% YoY).

Indonesia's increased production to soften prices USD 100/ton in 2025F (YTD Avg: 106/ton)

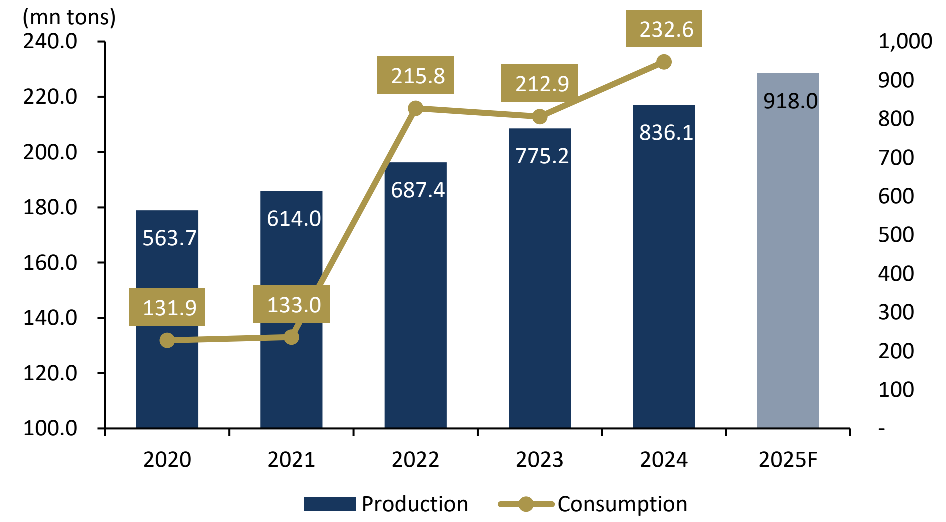
Figure 28. HBA Price, Qinhuangdao Coal, and Newcastle Index



Sources: Bloomberg, SSI Research

China's domestic coal prices are lower than Indonesia's and Australia's

Figure 29. Indonesia's Coal Production and Consumption



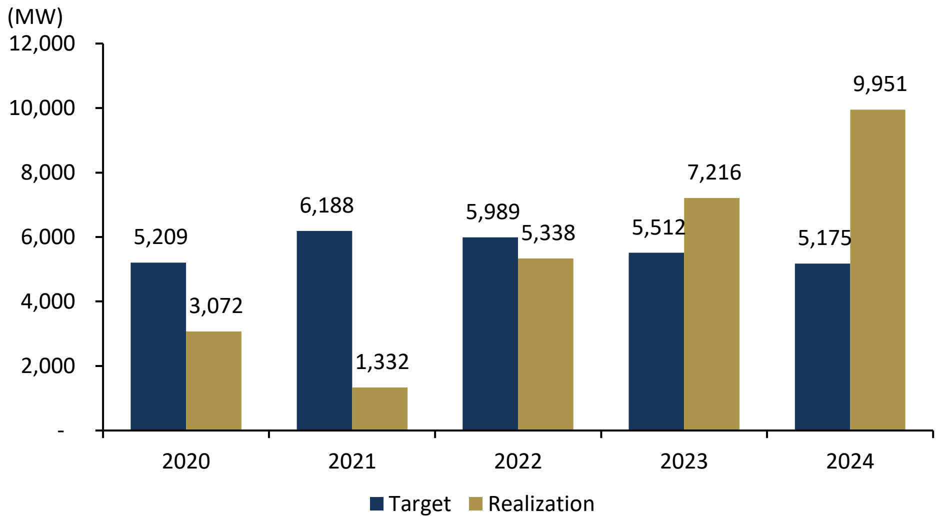
Sources: Bloomberg, SSI Research

Indonesia's production is set to increase further, supported by higher 2025F RKAB approval of 918mn tons (+29.3% YoY)

Raised production targets to maintain coal mining contracting's sustainability. Although we believe that weak coal environment may persist for some time, we remain optimistic about Indonesia's mining services industry. Our analysis shows that when global coal prices hit their six-year low of USD 58.2/ton (-25.3% YoY) in 2020, mining fees in Indonesia were relatively unaffected, declining only by USD 2.3/bcm (-3.3% YoY). Looking ahead, we expect Indonesia's coal mining activity to remain robust; according to 2021-2030 RUPTL, coal's portion in Indonesia's energy mix is projected to remain strong at 59.8% in 2030.

We remain optimistic on the prospect of Indonesia's mining services, driven by resilient ASP and robust coal mining activities

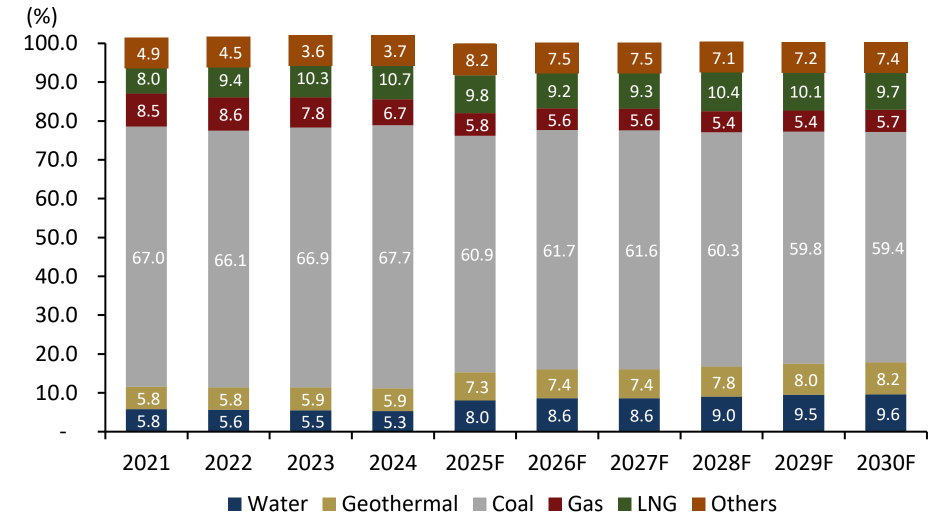
Figure 30. Indonesia's Power Plant Capacity



Sources: ESDM, SSI Research

Additional coal supplies may be absorbed by Indonesia's power plants, with capacity expected to grow by 9,951 MW (+12.4%) to 82 GW

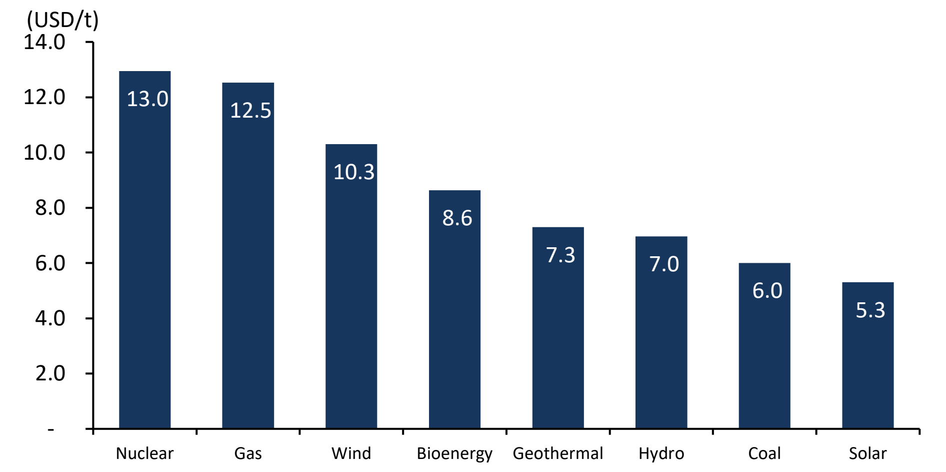
Figure 31. Indonesia's Energy Mix



Sources: PLN, SSI Research

Coal is expected to remain the largest component of Indonesia's energy mix, accounting for 59.4% in 2030F

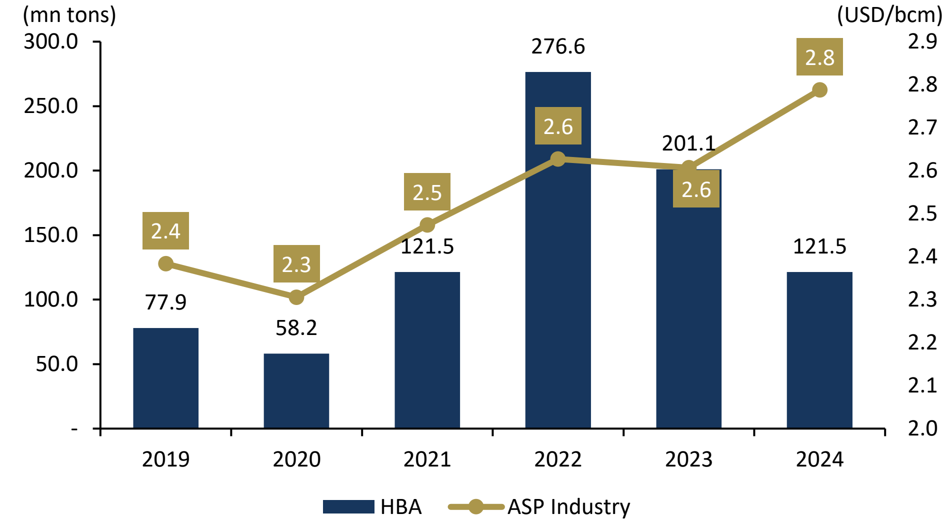
Figure 32. Cost of Electricity Generation (2030 Estimate)



Sources: ESDM, SSI Research

Electricity generation from coal is projected to be the second cheapest in 2030

Figure 33. HBA Price and Industry ASP



Sources: ESDM, Company, SSI Research

Despite lower prices, mining contracting ASP is expected to remain resilient, providing cushion to overall industry margin

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