

Bukit Asam (PTBA IJ)

19 October 2017

Results Note

BUY (From HOLD)

Stock Data

Target price (Rp)	Rp14,000
Prior TP (Rp)	Rp14,000
Shareprice (Rp)	Rp11,000
Upside/downside (%)	+27.3
Sharesoutstanding (m)	2,304
Marketcap. (US\$ m)	1,876
Free float (%)	28.7
Avg. 6m dailyT/O (US\$ m)	3.2

Price Performance

	3M	6M	12M
Absolute (%)	-16.3	-11.6	-10.4
Relative to JCI (%)	-19.2	-16.3	-20.2
52w high/low (Rp)	13,850 - 9,225		



Major Shareholders

Government of Indonesia	65.0%
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Estimate Change; Vs. Consensus

	2017F	2018F
Latest EPS (Rp)	1,523	1,317
Vs. Prior EPS (%)	0.0	0.0
Vs. Consensus (%)	9.5	(3.1)

Source: Bloomberg

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Earnings beat consensus, time to rebound

- Earnings jumped on higher ASP and sales volumes while SR dropped.
- Stock price to recover as domestic selling price issue diminished.
- Sumsel 8 2x620MW power plant to contribute for growth in 2021.
- Upgrade rating to Buy (from Hold) with 27% upside potential.

Strong earnings growth in 9M17, above market expectation. On the back of higher ASP (+15% yoy), increased coal sales volumes (+14% yoy) and lower stripping ratio of 3.8x (vs. 5.5x in 9M16) PTBA recorded earnings growth of 155% yoy to Rp2.63tn in 9M17. This is inline with our forecast (75% of our FY17F earnings) but came in above consensus expectation (82%). On quarterly base, net profit increased 5.7% qoq and jumped 165% yoy to Rp902bn in 3Q17. PTBA booked revenues of Rp13.2tn (+31.7% yoy) in 9M17, represent 75% of our FY17F coal sales forecast (inline) while reaching 73% of consensus' FY17F revenues forecast (slightly above).

Upside potential for PTBA as Minister of ESDM rejected PLN proposal.

Following several phases of dispute related to PLN's coal purchase price from domestic coal producers, finally, Minister of Energy and Mineral Resources (ESDM) Ignasius Jonan decided to reject PLN's proposal of fixed domestic coal price which will be based on cost plus margin scheme. PTBA's share price was hit the most when this issue arises but has not fully rebounded to its normal level prior to negative sentiments from PLN pricing issue. Thus, we see upside potential for PTBA as we maintain our forecast and target price of Rp14,000 for the counter.

Banko Tengah power plant is expected to complete in 2021. PTBA signed the amendment of power purchase agreement (PPA) with PLN for Sumsel 8 power plant project. The mine mouth which located in Banko Tengah, South Sumatera will have capacity of 2 x 620MW and will consumes 5.1mn ton of coal annually. PTBA holds 45% ownership in the power project with the total investment costs of US\$1.7bn. Ground breaking is expected in 2H18 and completion of development (COD) is targeted in 2021. Note that we have not included Sumsel 8 on our forecast; we will adjust our numbers post the financial closure for the project.

Upgrade rating to Buy with 27% upside potential. We maintain our forecast and valuation for PTBA given these inline set of results but we upgrade PTBA's rating to Buy (from Hold) with 27% upside potential to our unchanged DCF-based (WACC: 13.3%, TG: 2%) target price of Rp14,000. On our recent meeting, management of PTBA reveals upside potential on coal ASP to PLN which may lift earnings performance in 4Q17 as PTBA apply conservative domestic coal sales ASP estimate (+9% yoy vs. export price growth of +26% yoy) in 9M17 while selling price to PLN for full-year 2017 remain under negotiation.

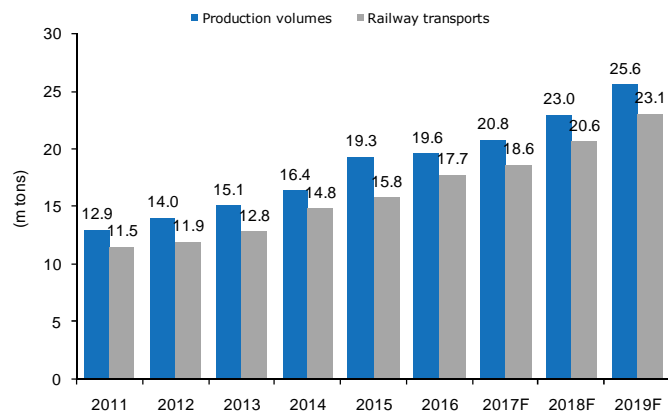
Year To 31 Dec	2015A	2016A	2017F	2018F	2019F
Revenue (RpBn)	13,734	14,059	17,619	19,340	22,919
EBITDA (RpBn)	2,746	2,920	4,695	4,151	5,188
EBITDA Growth (%)	21.9	6.3	60.8	(11.6)	25.0
Net Profit (RpBn)	2,036	2,006	3,508	3,035	3,837
EPS (Rp)	884	871	1,523	1,317	1,665
EPS Growth (%)	9.4	(1.5)	74.9	(13.5)	26.4
Net Gearing (%)	(12.4)	(19.6)	(28.8)	(27.8)	(31.7)
PER (x)	12.4	12.6	7.2	8.4	6.6
PBV (x)	2.7	2.4	2.0	1.9	1.7
Dividend Yield (%)	2.8	2.4	4.4	11.1	9.6
EV/EBITDA (x)	8.8	8.0	4.6	5.2	4.0

Source: PTBA, IndoPremier

Share Price Closing as of : 19 October 2017

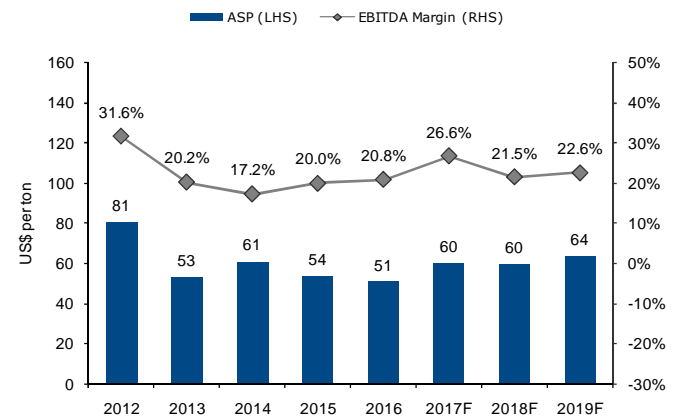
PTBA Results Note

Fig. 1: Production and railway transport volumes



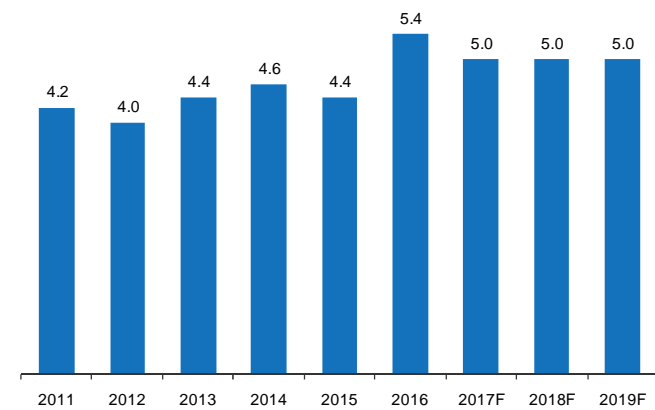
Source: PTBA, IndoPremier

Fig. 2: ASP and EBITDA margin



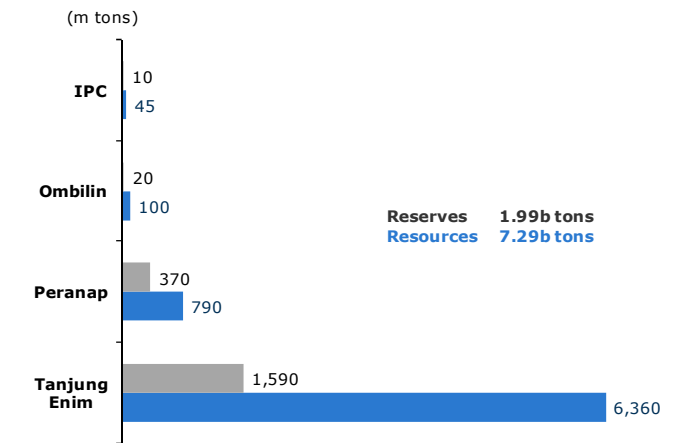
Source: PTBA, IndoPremier

Fig. 3: Stripping ratio (x)



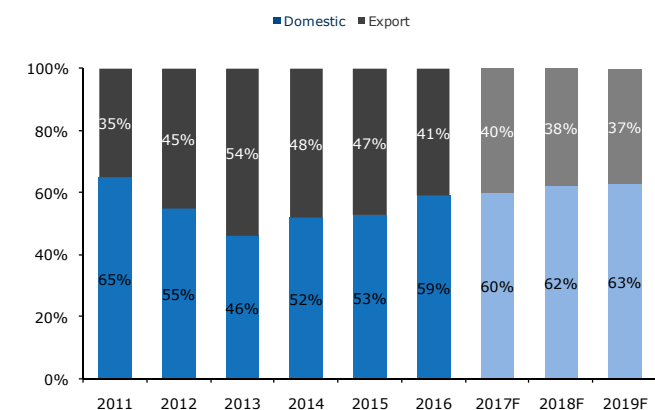
Source: PTBA, IndoPremier

Fig. 4: Coal resources and reserves



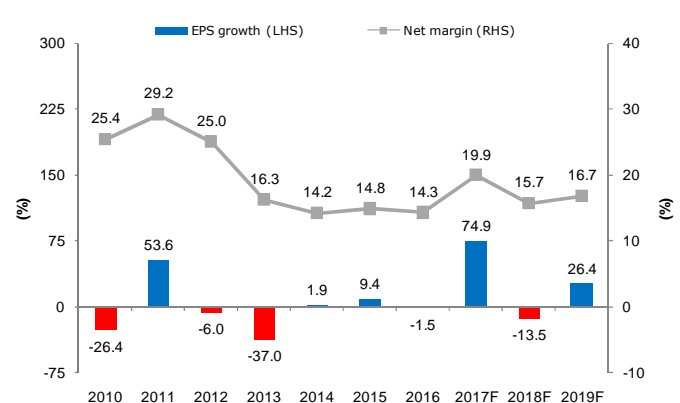
Source: PTBA

Fig. 5: Coal sales, export vs domestic



Source: PTBA

Fig. 6: EPS growth and net margin



Source: PTBA, IndoPremier

PTBA Results Note

Fig. 7: 3Q17 results summary

(Rp Bn)	9M17	9M16	% Y-Y	3Q17	% Q-Q	% Y-Y	FY17F	% of forecast
Revenues	13,222	10,042	31.7	4,255	(3.7)	29.6	17,619	75.0
COGS	8,175	7,597	7.6	2,553	(7.7)	2.6		
Gross profit	5,047	2,445	106.4	1,702	3.0	114.0	6,619	76.3
G&A expenses	806	715	12.6	289	11.2	24.1		
Selling expenses	621	493	25.9	177	(3.3)	22.4		
Other	86	98	(12.1)	(7)	(114.7)	621.8		
Operating profit	3,706	1,334	177.8	1,229	(2.0)	194.9	4,516	82.1
Net interest inc. (exp)	(84)	(42)	98.7	(16)	(47.5)	6.5		
Other	104	153	(31.8)	38	21.4	(23.4)		
Pretax profit	3,726	1,444	158.0	1,252	(0.4)	177.0	4,781	77.9
Tax	1,062	389	172.8	334	(15.1)	200.5		
Minority Interest	39	3	1,009.4	16	60.7	1,866.7		
Net profit	2,626	1,052	149.7	902	5.7	165.3	3,508	74.8
GPM (%)	38.2	24.3		40.0			37.6	
OPM (%)	28.0	13.3		28.9			25.6	
Pretax mgn (%)	28.2	14.4		29.4			27.1	
NPM (%)	19.9	10.5		21.2			19.9	

Source: PTBA, IndoPremier

PTBA Results Note

Year To 31 Dec (RpBn)	2015A	2016A	2017F	2018F	2019F
Income Statement					
Net Revenue	13,734	14,059	17,619	19,340	22,919
Cost of Sales	(9,594)	(9,657)	(11,000)	(13,055)	(15,268)
Gross Profit	4,140	4,401	6,619	6,285	7,650
SG&A Expenses	(1,725)	(1,871)	(2,103)	(2,317)	(2,650)
Operating Profit	2,414	2,531	4,516	3,968	5,000
Net Interest	115	53	226	125	178
Forex Gain (Loss)	0	0	(8)	(9)	(11)
Others-Net	134	150	47	52	61
Pre-Tax Income	2,664	2,734	4,781	4,136	5,229
Income Tax	(627)	(709)	(1,240)	(1,073)	(1,357)
Minorities	(1)	(18)	(32)	(28)	(35)
Net Income	2,036	2,006	3,508	3,035	3,837
Balance Sheet					
Cash & Equivalent	3,115	3,675	4,858	4,799	5,750
Receivable	1,596	2,285	2,864	3,144	3,725
Inventory	1,233	1,102	1,256	1,490	1,743
Other Current Assets	1,654	1,288	1,614	1,772	2,099
Total Current Assets	7,598	8,350	10,591	11,204	13,317
Fixed Assets - Net	5,626	6,115	6,541	6,997	7,694
Goodwill	0	0	0	0	0
Non Current Assets	2,430	2,716	3,200	3,771	4,444
Total Assets	16,894	18,577	21,799	23,511	27,070
ST Loans	739	958	958	958	958
Payable	1,146	539	0	729	853
Other Payables	2,441	3,065	3,486	3,827	4,534
Current Portion of LT Loans	597	481	0	0	0
Total Current Liab.	4,923	5,043	5,058	5,513	6,345
Long Term Loans	623	167	167	167	167
Other LT Liab.	2,061	2,814	3,612	4,637	5,951
Total Liabilities	7,606	8,024	8,837	10,317	12,464
Equity	(1,017)	(944)	(944)	(944)	(944)
Retained Earnings	10,192	11,366	13,771	13,999	15,408
Minority Interest	113	131	135	139	143
Total SHE + Minority Int.	9,288	10,552	12,961	13,194	14,607
Total Liabilities & Equity	16,894	18,577	21,799	23,511	27,070

Source: PTBA, IndoPremier

PTBA Results Note

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
Cash Flow					
Net Income (Excl.Extraordinary&Min.Int)	2,036	2,006	3,508	3,035	3,837
Depr. & Amortization	332	389	179	183	187
Changes in Working Capital	(1,167)	631	2,226	157	1,281
Others	697	(1,098)	(2,877)	177	(841)
Cash Flow From Operating	1,898	1,928	3,036	3,552	4,465
Capital Expenditure	(1,247)	(574)	(618)	(660)	(913)
Others	134	259	0	0	0
Cash Flow From Investing	(1,113)	(315)	(618)	(660)	(913)
Loans	(426)	(237)	0	0	0
Equity	0	0	0	0	0
Dividends	(706)	(611)	(1,103)	(2,807)	(2,428)
Others	(663)	(163)	(136)	(150)	(177)
Cash Flow From Financing	(1,795)	(1,011)	(1,240)	(2,956)	(2,606)
Changes in Cash	(924)	559	1,184	(60)	951
Financial Ratios					
Gross Margin (%)	30.1	31.3	37.6	32.5	33.4
Operating Margin (%)	17.6	18.0	25.6	20.5	21.8
Pre-Tax Margin (%)	19.4	19.4	27.1	21.4	22.8
Net Margin (%)	14.8	14.3	19.9	15.7	16.7
ROA (%)	12.8	11.3	17.4	13.4	15.2
ROE (%)	22.7	20.2	29.8	23.2	27.6
ROIC (%)	21.0	19.1	29.8	23.5	27.9
Acct. Receivables TO (days)	40.3	50.4	53.3	56.7	54.7
Acct. Receivables - Other TO (days)	0.0	0.0	0.0	0.0	0.0
Inventory TO (days)	8.5	8.3	9.3	9.5	9.4
Payable TO (days)	32.2	31.9	19.1	18.8	18.9
Acct. Payables - Other TO (days)	0.0	0.0	0.0	0.0	0.0
Debt to Equity (%)	21.1	15.2	8.7	8.5	7.7
Interest Coverage Ratio (x)	0.1	0.1	0.0	0.0	0.0
Net Gearing (%)	(12.4)	(19.6)	(28.8)	(27.8)	(31.7)

Source: PTBA, IndoPremier

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INVESTMENT RATINGS

BUY : Expected total return of 10% or more within a 12-month period
HOLD : Expected total return between -10% and 10% within a 12-month period
SELL : Expected total return of -10% or worse within a 12-month period

ANALYSTS CERTIFICATION.

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