

21 January 2025

Basic Materials | Mining

## Bukit Asam (PTBA IJ)

## Trading Buy (from Neutral)

### Production Surge Ahead; Now a TRADING BUY

Target Price (Return):	IDR3,100 (16.5%)
Price (Market Cap):	IDR2,660 (USD1,871m)
ESG score:	2.8 (out of 4)
Avg Daily Turnover (IDR/USD)	28,688m/1.81m

- **Change to TRADING BUY (from Neutral), new IDR3,100 DCF TP (from IDR2,900), 16% upside with c.7x target P/E.** We have incorporated Bukit Asam's optimism of lifting coal sales to above c.75m tonnes pa by 2029 (11% CAGR from FY23's level). The higher sales volume assumption raises our FY25-26 net earnings estimates by c.10% after imputing the downside risk from lower ASPs (FY25F: USD57/tonne; -9% YoY) due to strong coal supply. PTBA will maintain its competitive margins to ensure profitability in the medium term. Our TP includes a 4% ESG discount.

- **Looming risks from price downtrend.** Market expectations are for energy prices to trend lower, supported by several factors: i) Less aggressive demand for coal due to increased domestic output (in China and India) and a growing share of renewables, ii) higher supply of other fossil fuels, further bolstered by the US's political move to accelerate fossil fuel production, and iii) lower likelihood of weather anomalies. However, we expect prices to remain attractive (FY25F Newcastle: USD120/tonne; -12% YoY), especially given Indonesia's generally low cash costs.

- **Expecting higher volumes.** PTBA achieved higher production volumes in 2024 (43m tonnes; +16% YoY), despite facing uncertainties early last year due to an inevitable incident at one of its transport routes, compounded by an ASP downturn. This year, we expect operational conditions to improve (FY25F coal output: c.50m tonnes; +16% YoY), with the stripping ratio maintained at c.6x (FY25 cash cost: USD47/tonne; -10% YoY) and the new transport route coming online. Margins are expected to remain within a feasible range (EBITDA margin: c.18%) even amid the risk of further adjustments in coal benchmark prices.

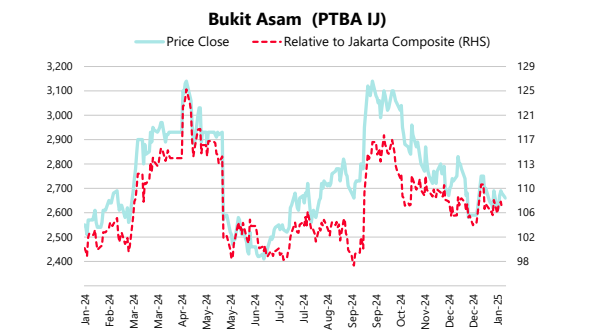
- **Awaiting catalysts from domestic policies.** We think the company's expectation of faster output growth is feasible, given its substantial reserves (equivalent to >50 years of mine life) which enable PTBA to secure domestic demand while increasing its offshore exposure (focusing on emerging markets in the South-East Asian region, aside from existing markets in India and China). PTBA aims for a 69% export sales portion by 2029 (FY24: 47%). For now, the market anticipates progress from the Mitra Instansi Pengelola (MIP) incentive, which is expected to support domestic ASPs. We also note that the implementation of the Dana Hasil Export (DHE) policy (which requires a minimum of 30% export sales in foreign currencies to be deposited into banks) has had a slight impact on PTBA's working capital.

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#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(3.3)	2.7	(12.8)	1.1	1.5
Relative	(4.4)	0.3	(5.0)	3.0	2.5
52-wk Price low/high (IDR)	2,410 - 3,140				



Source: Bloomberg

Forecasts and Valuation	Dec-22	Dec-23	Dec-24	Dec-25F	Dec-26F
Total turnover (IDRb)	42,649	38,489	40,739	41,263	45,450
Recurring net profit (IDRb)	12,568	6,106	4,500	4,614	4,831
Recurring net profit growth (%)	58.9	(51.4)	(26.3)	2.5	4.7
Recurring P/E (x)	2.31	4.89	6.81	6.64	6.34
P/B (x)	1.0	1.5	1.4	1.3	1.3
P/CF (x)	2.38	2.48	12.75	5.27	4.89
Dividend Yield (%)	16.3	30.8	11.0	11.3	11.8
EV/EBITDA (x)	1.47	3.46	4.35	4.09	3.84
Return on average equity (%)	48.3	25.0	21.0	20.5	20.4
Net debt to equity (%)	net cash	net cash	2.5	2.7	2.0

Source: Company data, RHB

#### Overall ESG Score: 2.8 (out of 4)

##### E: GOOD

In 2012, PTBA implemented an environmental management system – Integrated Bukit Asam Management System – based on ISO 14001:2004 standards and certified by AFAQ AFNOR. This certification is the most extensive with regards to Indonesian coal-mining companies, enabling PTBA to operate with mining best practices.

##### S: GOOD

Through CSR programmes, PTBA undertakes infrastructure development works that provide an indirect positive impact to the local economy. Some notable programmes in 2020: i) Renovations on 25 low-standard homes and clean water infrastructure (c.IDR720m donation), ii) construction of solar irrigation pumps (c.167ha of area flows), iii) construction of a 5,520W solar power plant for a school, and iv) construction of the Bukit Asam Industrial Centre or SIBA Centre, a facility for local small & medium enterprises.

##### G: GOOD

PTBA is committed to upholding transparency through the disclosure of information via its corporate website, social media platforms, and websites.

## Financial Exhibits

Asia	Financial summary (IDR)	Dec-22	Dec-23	Dec-24	Dec-25F	Dec-26F
Indonesia	Recurring EPS	1,150.56	544.11	390.62	400.49	419.31
Basic Materials	DPS	434.45	818.16	292.96	300.36	314.48
<b>Bukit Asam</b>	BVPS	2,571.90	1,807.20	1,904.86	2,004.98	2,109.81
PTBA IJ	Return on average equity (%)	48.3	25.0	21.0	20.5	20.4
Trading Buy						
	<b>Valuation metrics</b>	<b>Dec-22</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>
<b>Valuation basis</b>	Recurring P/E (x)	2.31	4.89	6.81	6.64	6.34
5-year DCF & P/E	P/B (x)	1.0	1.5	1.4	1.3	1.3
	FCF Yield (%)	37.2	35.5	(1.5)	9.4	10.7
	Dividend Yield (%)	16.3	30.8	11.0	11.3	11.8
<b>Key drivers</b>	EV/EBITDA (x)	1.47	3.46	4.35	4.09	3.84
i. Coal sales volumes;	EV/EBIT (x)	1.61	4.14	5.52	5.30	5.06
ii. Coal prices;						
iii. Oil prices.						
<b>Key risks</b>	<b>Income statement (IDRb)</b>	<b>Dec-22</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>
i. Sudden movement in coal prices could impact PTBA's value faster than its fundamentals – this is a downside due to the unpredictable nature of commodity prices;	Total turnover	42,649	38,489	40,739	41,263	45,450
ii. Longer-term risks are related to the diminishing demand for coal, as users turn to more economically viable sources of renewable energy.	Gross profit	17,966	9,157	7,498	7,983	8,481
	EBITDA	15,975	7,860	7,188	7,665	8,142
	Depreciation and amortisation	(1,352)	(1,296)	(1,517)	(1,744)	(1,975)
	Operating profit	14,623	6,564	5,671	5,921	6,167
	Net interest	228	380	149	(128)	(128)
	Pre-tax profit	16,202	8,154	6,425	6,492	6,694
	Taxation	(3,423)	(1,862)	(1,735)	(1,688)	(1,674)
	Reported net profit	12,568	6,106	4,500	4,614	4,831
	Recurring net profit	12,568	6,106	4,500	4,614	4,831
<b>Company Profile</b>	<b>Cash flow (IDRb)</b>	<b>Dec-22</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>
Bukit Asam provides coal mining services. The company offers general surveying, exploration, exploitation, production, transportation, and marketing services for coal. It mostly serves customers in Indonesia, but also exports coal.	Change in working capital	(509)	6,410	(3,109)	104	(37)
	Cash flow from operations	12,226	12,046	2,404	5,815	6,262
	Capex	(1,422)	(1,454)	(2,850)	(2,936)	(2,980)
	Cash flow from investing activities	(4,367)	(3,986)	(2,850)	(2,936)	(2,980)
	Dividends paid	(4,745)	(9,426)	(3,375)	(3,460)	(3,623)
	Cash flow from financing activities	(8,073)	(13,439)	(3,468)	(3,460)	(3,623)
	Cash at beginning of period	4,394	7,030	4,139	641	484
	Net change in cash	(214)	(5,379)	(3,914)	(581)	(341)
	Ending balance cash	7,030	4,139	641	484	531
	<b>Balance sheet (IDRb)</b>	<b>Dec-22</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>
	Total cash and equivalents	7,030	4,139	641	484	531
	Tangible fixed assets	8,074	8,232	9,565	10,757	11,761
	Total assets	45,359	38,765	40,908	41,616	43,499
	Short-term debt	592	558	502	452	407
	Total long-term debt	771	744	706	671	638
	Total liabilities	16,443	17,202	18,219	17,773	18,448
	Total equity	28,916	21,563	22,689	23,843	25,050
	Total liabilities & equity	45,359	38,765	40,908	41,616	43,499
	<b>Key metrics</b>	<b>Dec-22</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>
	Revenue growth (%)	45.8	(9.8)	5.8	1.3	10.1
	Recurrent EPS growth (%)	58.9	(52.7)	(28.2)	2.5	4.7
	Gross margin (%)	42.1	23.8	18.4	19.3	18.7
	Operating EBITDA margin (%)	37.5	20.4	17.6	18.6	17.9
	Net profit margin (%)	29.5	15.9	11.0	11.2	10.6
	Dividend payout ratio (%)	37.8	154.4	75.0	75.0	75.0
	Capex/sales (%)	3.3	3.8	7.0	7.1	6.6
	Interest cover (x)	73.0	32.2	29.1	32.7	36.7

Source: Company data, RHB

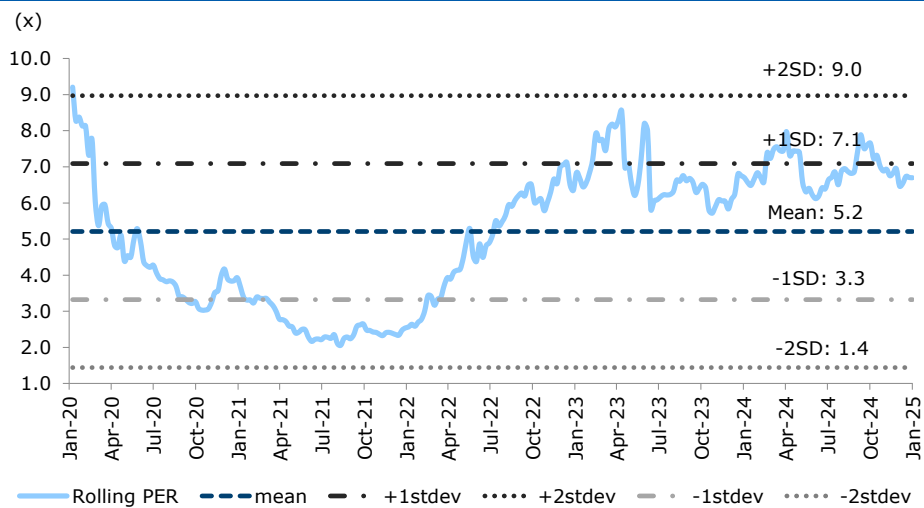
We still see an attractive short-term opportunity in PTBA based on our medium-term DCF horizon. The downside from coal price fluctuations seems to have been priced in, as reflected in the share price which has fallen 15% from its peak in Sep 2024 (on the back of massive foreign outflow driven by the strengthening USD) and remained relatively stagnant at its support level of c.IDR2,600 over the past two months. The volume growth we have applied (with conservative margin estimates) still indicates a slight increase in net profit this year, outperforming the sector (-10% YoY for FY25F). Management also remains generous with dividends (between May-June with a c.15% 10-year average yield).

Figure 1: RHB vs Street estimates

(IDRbn)	RHB (new)			RHB (old)			Change			Street			RHB vs Street		
	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F
Revenue	40,739	41,263	45,450	38,596	35,847	38,683	5.6%	15.1%	17.5%	40,107	39,105	45,298	1.6%	5.5%	0.3%
Gross profit	7,498	7,983	8,481	7,602	6,738	7,323	-1.4%	18.5%	15.8%	8,066	7,717	8,916	-7.0%	3.5%	-4.9%
Operating profit	5,671	5,921	6,167	5,557	4,839	5,286	2.1%	22.4%	16.7%	5,634	5,639	5,618	0.7%	5.0%	9.8%
Net profit	4,500	4,614	4,831	4,875	4,203	4,396	-7.7%	9.8%	9.9%	4,516	4,652	4,833	-0.3%	-0.8%	0.0%
<b>Margin</b>															
Gross	18.4%	19.3%	18.7%	19.7%	18.8%	18.9%				20.1%	19.7%	19.7%			
EBIT	13.9%	14.3%	13.6%	14.4%	13.5%	13.7%				14.0%	14.4%	12.4%			
NPM	11.0%	11.2%	10.6%	12.6%	11.7%	11.4%				11.3%	11.9%	10.7%			
<b>Key assumptions</b>															
Vol. production (m tonne)	43	50	53	41	46	48	5.9%	7.8%	10.7%						
ASP (USD/tonne)	62.9	57.3	56.9	63.1	56.5	56.3	-0.3%	1.5%	1.1%						
Cash cost (USD/tonne)	52.7	47.3	47.2	48.3	43.6	43.5	9.2%	8.5%	8.5%						

Source: Company data, RHB

Figure 2: PTBA's 5-year average P/E band



Source: Bloomberg, RHB

- ◆ PTBA has been trading above the 5-year P/E mean; its premium is partly justified by regular dividends, strong cash support, and assurance of higher coal output.
- ◆ However, the downsides are still a continued downtrend in coal prices, risks from delayed improvements in its railway capacity, and an overhang from the Government's early retirement programme for selected thermal-powered plants. We see that the majority of these have been priced in through the share price correction since mid-last year.

Figure 3: Valuation breakdown

IDRbn	2025F	2026F	2027F	2028F	2029F	2030F
<b>EBIT</b>	5,921	6,167	5,994	6,480	7,019	6,952
<b>EBIT (1-t)</b>	4,233	4,494	4,415	4,781	5,182	5,130
Depreciation & amortisation	1,744	1,975	2,209	2,447	2,688	2,933
Change in working capital	(34)	(79)	(469)	(475)	(802)	(1,218)
Capex	(2,936)	(2,980)	(3,024)	(3,070)	(3,116)	(3,162)
<b>Net free cash flow to firm</b>	<b>3,007</b>	<b>3,410</b>	<b>3,132</b>	<b>3,684</b>	<b>3,952</b>	<b>3,683</b>
Terminal value						21,773
PV	3,007	3,057	2,517	2,654	2,552	2,132
Total discounted firm value	15,920					
Less: net debt	639					
Less: minority interest	129					
Equity value	37,055					
O/s shares (m units)	11,521					
ESG discount	4%					
<b>Final TP</b>	<b>3,100</b>					
<b>Assumptions</b>						
Risk free rate	7.5%					
Beta	1.20					
Equity market premium	5.0%					
WACC	11.5%					
Terminal growth	2%					

Source: Company data, RHB

◆ As our base scenario is a short-term DCF of five years (reflecting the fluctuating nature of commodities), we input the USD100-90/tonne coal benchmark price, which is beyond its terminal period. We also place a higher-tier discount rate (11.5% WACC) and 2% TG, resulting in a value that is slightly above market expectations (based on a P/E target multiple of c.7x vs peers' c.6x).

## Emissions And ESG

### Trend analysis

The intense usage of energy has automatically led to an increase in greenhouse gas emissions produced by the company (in parallel with an increase in coal production), especially gas emissions from fossil fuels and indirect emissions from electricity usage.

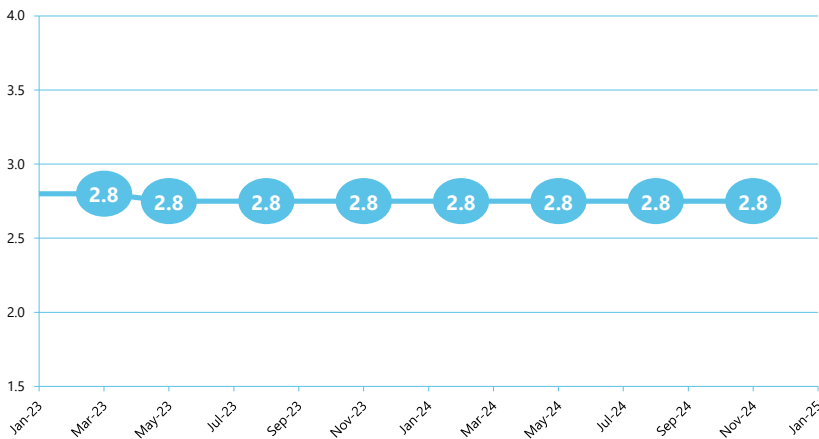
Emissions (tCO2e)	Dec-21	Dec-22	Dec-23
Scope 1	558,038	828,914	na
Scope 2	na	na	na
Scope 3	na	na	na
Total emissions	558,038	828,914	na

Source: Company data, RHB

## Latest ESG-Related Developments

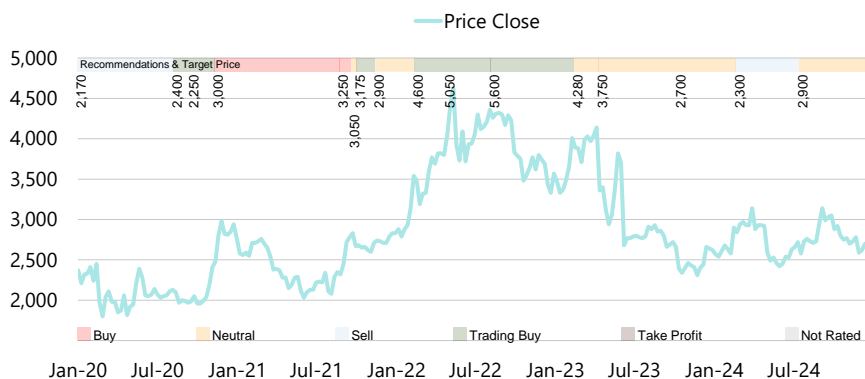
- PTBA has rolled out initiatives on diversification of its businesses to renewable energy sources, such as solar panel power plant (0.6MW in operational, 243MW under development), and wind energy (up to 1.3GW, under internal assessment).
- To strengthen its commitment for the environment, PTBA has allocated an environmental budget to be used for reclamation and other post-mining activities.
- It spent IDR173bn (+39% YoY) in FY22 for environmental projects.

## ESG Rating History



Source: RHB

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2024-08-05	Neutral	2,900	2,560
2024-03-13	Sell	2,300	2,800
2023-10-31	Neutral	2,700	2,480
2023-05-05	Neutral	3,750	3,360
2023-03-10	Neutral	4,280	3,890
2022-11-01	Trading Buy	5,600	3,750
2022-08-30	Trading Buy	5,600	4,340
2022-05-20	Trading Buy	5,050	4,050
2022-03-08	Trading Buy	4,600	3,480
2021-12-08	Neutral	2,900	2,720
2021-10-26	Trading Buy	3,175	2,800
2021-10-12	Neutral	3,050	2,830
2021-09-16	Buy	3,250	2,410
2021-07-14	Buy	3,000	2,070
2021-04-13	Buy	3,000	2,460

Source: RHB, Bloomberg

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