

4 March 2025

Basic Materials | Mining

## Indo Tambangraya (ITMG IJ)

## Trading Buy (Maintained)

### Negatives Priced In, Recovery Possible

Target Price (Return):	IDR27,810 (15.8%)
Price (Market Cap):	IDR24,025 (USD1,647m)
ESG score:	2.8 (out of 4)
Avg Daily Turnover (IDR/USD)	21,163m/1.31m

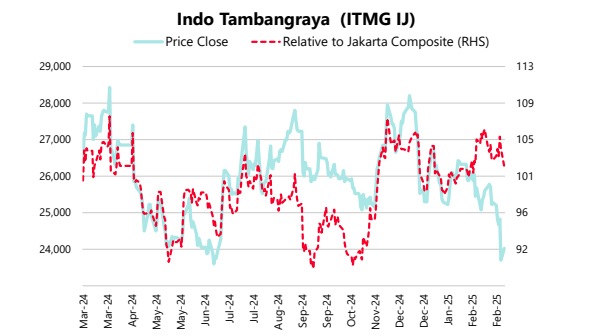
- **Keep TRADING BUY with new IDR27,810 TP from IDR30,700, 16% upside and c.10% FY25F yield.** We made slight adjustments to Indo Tambangraya's FY25-26F net earnings by -3% and -4%, mainly due to revision on coal benchmark estimate (from USD125/tonne to USD110/tonne). Despite the ongoing downtrend on coal prices, ITMG still offers some room for short-term upside, supported by its efficiency in maintaining margins for the quarters ahead and positive cash flows. Our DCF valuation indicates a forward P/E target of c.5x, with a 4% ESG discount included in the TP.
- **FY24 saw an inevitable slide in profits (USD374m; -25% YoY),** but came in slightly above at 102% of our full-year estimate. Despite continued risks from weakening coal prices, ITMG showed strong operational performance, with sales volume increase (FY24: 24m tonnes; +15% YoY) and implemented efficiencies (FY24 cash cost increased to c.USD45/tonne, +2% YoY). The topline decline (FY24: USD2.3bn; -3% YoY) can be minimised with higher volume, but the weakening of ASPs (FY24: USD95/tonne; -16% YoY) led to contraction in margins (FY24: 16% vs FY23's 21%) – still within an acceptable range (vs its 5-year mean of c.18%). Several increases in expenses (ie freight cost) and non-operational factors like FX also weighed on profit growth.
- **ITMG's FY25 focus is on maintaining margins, while keeping operations at a feasible range.** Looking at 2025's conditions, the company appears conservative in setting its production target (at c.22m tonnes, +8% YoY, excluding trading from third-party). A portion of the additional volume is focused on coal mines with relatively lower thermal calories (average: c.4,400kcal/kg), while reducing some activities at mines that require higher cash costs, including lowering production targets from its two main coal mines – Indominco Mandiri and Bharinto Ekatama (average: c.6,200kcal/kg). This strategy aims to maintain a healthy margin range. Preparations have also focused on improving supply infrastructure to reduce transport and freight costs and help margins, and maintain assets from the company's in-house contracting. Despite capex expenditures of c.USD60m in FY24, ITMG's net cash position remains strong at c.USD900m (FY23: c.USD800m).
- **No immediate effects from domestic policies.** ITMG believes impact from the Government's latest domestic policy changes will take time to be fully felt. For the export benchmark pricing change from Indonesia Coal Index (ICI) to reference coal price (HBA), management believes it is unlikely to reduce demand from target markets (ie Japan and China), although some countries may find the new pricing more favourable for exporters than the buyers.
- **Heavy downside may already be priced in, with a potential rebound in sight from higher trading activities.** Its stock price dropped 10% YTD – partly due to the funds outflow since mid-2024. We believe under several conservative scenarios (and with moderate coal prices), the potential upside suggests the existing fundamentals (robust cash, better renewable energy initiatives, and strong future cash flow) will justify ITMG as a preferable short-term option.

#### Analyst

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#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(10.0)	(7.9)	(11.4)	(13.6)	(8.5)
Relative	(2.1)	(0.6)	(2.0)	0.8	2.3
52-wk Price low/high (IDR)	23,600 – 28,425				



Source: Bloomberg

Forecasts and Valuation	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover (USDm)	2,374	2,304	2,128	1,977	2,119
Recurring net profit (USDm)	495	394	314	272	271
Recurring net profit growth (%)	(60.3)	(20.4)	(20.2)	(13.6)	(0.4)
Recurring P/E (x)	3.33	4.18	5.24	6.06	6.09
P/B (x)	0.9	0.9	0.7	0.7	0.6
P/CF (x)	4.91	3.22	na	3.29	4.49
Dividend Yield (%)	40.9	13.1	9.8	8.3	7.2
EV/EBITDA (x)	1.20	1.21	2.14	1.72	1.34
Return on average equity (%)	26.7	20.1	14.9	11.3	10.6
Net debt to equity (%)	net cash	net cash	net cash	net cash	net cash

Source: Company data, RHB

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

**E Score: 2.7 (GOOD)**

**S Score: 2.9 (GOOD)**

**G Score: 2.9 (GOOD)**

Please refer to the ESG analysis on the next page

## Emissions And ESG

Trend analysis	Emissions (tCO2e)	Dec-22	Dec-23	Dec-24	Dec-25
This decrease in emissions was influenced by reduced consumption of fuel oil and fugitive emissions from coal exposure as a result of post-mining processes.	Scope 1	1,537,461	na	na	na
	Scope 2	na	na	na	na
	Scope 3	na	na	na	na
	Total emissions	1,537,461	na	na	na

Source: Company data, RHB

## Latest ESG-Related Developments

Through its subsidiary, ITMG has completed the solar rooftop installation at two locations in Jakarta with a capacity of 54kWp.

The company also established IBP Hydro Power to engage in hydroelectric power generation. In 2019, ITMG constructed a solar power plant at one of its largest concession areas with a capacity of 3MW - an additional 2MW is under development.

## ESG Unbundled

Overall ESG Score: 2.8 (out of 4)

Last Updated: 3 March 2025

E Score: 2.7 (GOOD)

For its efforts to lower greenhouse gas emissions (FY20: 1.7m tonnes CO2 equivalent, -15% YoY), ITMG beat 32 other leading companies to be awarded the 2021 Emission Award for managing and reducing carbon emissions. It is also involved in renewable energy, with a solar power plant project in Bontang.

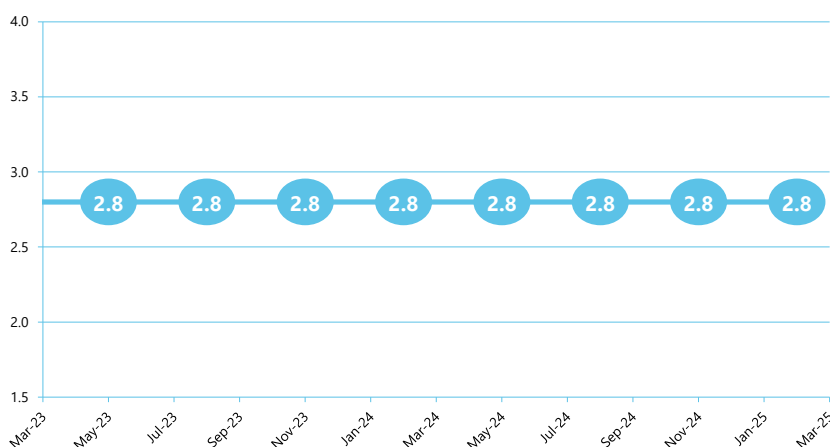
S Score: 2.9 (GOOD)

ITMG provided donations, plus health and logistics support during the COVID-19 pandemic, and floods in South Kalimantan. The company is also active in environmental programmes for the community, ie Rehabilitation of Watershed Area, for which it won the 2021 TOP CSR Award.

G Score: 2.9 (GOOD)

ITMG has implemented an enterprise risk management system, in accordance with the ISO 31000:2018 framework. The company actively pushes for the internalisation of its code of conduct to both internal and external parties.

## ESG Rating History



Source: RHB

## Financial Exhibits

Asia	Financial summary (USD)	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Indonesia	Recurring EPS	0.44	0.35	0.28	0.24	0.24
Basic Materials	DPS	0.60	0.19	0.14	0.12	0.10
<b>Indo Tambangraya</b>	BVPS	1.58	1.71	2.08	2.20	2.34
ITMG IJ	Return on average equity (%)	26.7	20.1	14.9	11.3	10.6
Trading Buy						
	<b>Valuation metrics</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
<b>Valuation basis</b>	Recurring P/E (x)	3.33	4.18	5.24	6.06	6.09
5-year DCF and FY25F P/E target (at c.5x)	P/B (x)	0.9	0.9	0.7	0.7	0.6
	FCF Yield (%)	21.6	28.2	(27.8)	26.2	17.9
	Dividend Yield (%)	40.9	13.1	9.8	8.3	7.2
<b>Key drivers</b>	EV/EBITDA (x)	1.20	1.21	2.14	1.72	1.34
i. Coal sales volume growth;	EV/EBIT (x)	1.32	1.37	2.63	2.20	1.73
ii. Higher coal prices;						
iii. Positive impact of any negative change in oil prices.						
	<b>Income statement (USDm)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
<b>Key risks</b>	Total turnover	2,374	2,304	2,128	1,977	2,119
i. Deterioration of global coal prices and softer ASPs;	Gross profit	743	699	560	479	508
ii. Economic downturn;	EBITDA	665	548	480	436	447
iii. Slower-than-expected recovery in global demand growth.	Depreciation and amortisation	(59)	(64)	(89)	(95)	(100)
	Operating profit	605	483	390	341	347
	Net interest	32	37	20	14	7
	Pre-tax profit	644	495	415	357	356
	Taxation	(144)	(119)	(95)	(82)	(82)
	Reported net profit	500	374	318	273	273
	Recurring net profit	495	394	314	272	271
<b>Company Profile</b>						
Indo Tambangraya is a coal exploration and mining company that provides energy and electricity support. The company operates in Indonesia and supplies coal to the domestic market, as well as customers in Japan, ASEAN, India, and Pakistan.						
	<b>Cash flow (USDm)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Change in working capital	(19)	12	(807)	120	(22)
	Cash flow from operations	335	511	(393)	501	367
	Capex	20	(46)	(66)	(69)	(72)
	Cash flow from investing activities	20	(46)	(66)	(69)	(72)
	Dividends paid	(674)	(216)	(162)	(137)	(118)
	Cash flow from financing activities	(662)	(229)	109	(136)	(116)
	Cash at beginning of period	1,430	851	990	628	904
	Net change in cash	(306)	236	(350)	296	178
	Ending balance cash	851	990	628	904	1,036
	<b>Balance sheet (USDm)</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Total cash and equivalents	851	990	628	904	1,058
	Tangible fixed assets	168	185	187	187	187
	Total assets	2,177	2,401	2,799	2,934	3,124
	Total liabilities	392	427	397	395	429
	Total equity	1,785	1,974	2,401	2,539	2,695
	Total liabilities & equity	2,177	2,401	2,799	2,934	3,124
	<b>Key metrics</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>	<b>Dec-27F</b>
	Revenue growth (%)	(34.7)	(2.9)	(7.7)	(7.1)	7.2
	Recurrent EPS growth (%)	(60.3)	(20.4)	(20.2)	(13.6)	(0.4)
	Gross margin (%)	31.3	30.3	26.3	24.2	24.0
	Operating EBITDA margin (%)	28.0	23.8	22.6	22.1	21.1
	Net profit margin (%)	21.1	16.2	15.0	13.8	12.9
	Dividend payout ratio (%)	134.7	57.7	50.8	50.3	43.2
	Capex/sales (%)	(0.9)	2.0	3.1	3.5	3.4
	Interest cover (x)	208	119	96	84	85

Source: Company data, RHB

Figure 1: RHB vs Street's estimates

(USDm)	RHB (new)			RHB (old)			Change			Street			RHB vs Street		
	2025F	2026F	2027F	2025F	2026F	2027F	2025F	2026F	2027F	2025F	2026F	2027F	2025F	2026F	2027F
Revenue	2,128	1,977	2,119	2,228	2,087	2,051	-4.5%	-5.3%	3.3%	2,209	2,105	2,025	-3.7%	-6.1%	4.6%
Gross profit	560	479	508	579	510	505	-3.3%	-6.0%	0.6%	585	514	483	-4.2%	-6.9%	5.1%
Operating profit	390	341	347	404	347	332	-3.4%	-1.6%	4.4%	407	341	310	-4.0%	0.0%	11.8%
Pre-tax profit	415	357	356	416	358	345	-0.3%	-0.2%	3.3%	431	396	325	-3.6%	-9.8%	9.7%
Net profit	318	273	273	328	283	265	-3.0%	-3.5%	3.0%	329	299	245	-3.4%	-8.5%	11.4%
<b>Margin</b>															
Gross	26.3%	24.2%	24.0%	26.0%	24.4%	20.3%				26.5%	24.4%	23.9%			
EBIT	18.4%	17.3%	16.4%	18.1%	16.6%	12.3%				18.4%	16.2%	15.3%			
Pre-tax	19.5%	18.0%	16.8%	18.7%	17.1%	12.9%				19.5%	18.8%	16.0%			
NPM	15.0%	13.8%	12.9%	14.7%	13.6%	10.2%				14.9%	14.2%	12.1%			
<b>Key assumptions</b>															
Coal sales (m tonnes)	26.0	27.6	28.3	26.0	27.7	26.4	0.0%	-0.4%	7.2%						
ASP (USD/tonne)	81.2	71.2	74.4	85.5	75.2	77.5	-5.0%	-5.4%	-4.0%						
Cash cost (USD/tonne)*	64.6	56.3	59.4	65.3	57.8	58.4	-1.1%	-2.5%	1.8%						

Note: \*Ex-royalty costs

Source: Company data, RHB

Figure 2: Valuation breakdown

DCF		2025F	2026F	2027F	2028F	2029F	2030F
EBITDA	USDm	480	436	447	400	412	395
Δ WC	USDm	(892)	116	(22)	13	(21)	(24)
Capex	USDm	(66)	(69)	(72)	(76)	(80)	(84)
Tax	USDm	(95)	(82)	(82)	(70)	(72)	(67)
FCF	USDm	(573)	402	271	268	240	221
Period	#	0	1	2	3	4	5
PV FCF	USDm	(573)	355	211	184	146	119
WACC	%	13.2%					
Terminal growth	%	2%					
Sum of PV FCF	USDm	443					
PV of terminal value	USDm	1,080					
Equity value	USDm	1,523					
Net debt (cash)	USDm	(583)					
Equity	USDm	2,106					
# shares	m	1,130					
EV/share	IDR	29,450					
<b>P/E</b>							
25F Cons EPS	IDR/share	4,910					
Target multiple	x	6					
Cons 12-M TP	IDR	28,478					
<b>Combined valuation</b>							
ESG discount	%	4%					
<b>Average TP</b>	<b>IDR</b>	<b>27,810</b>					

Source: Company data, RHB

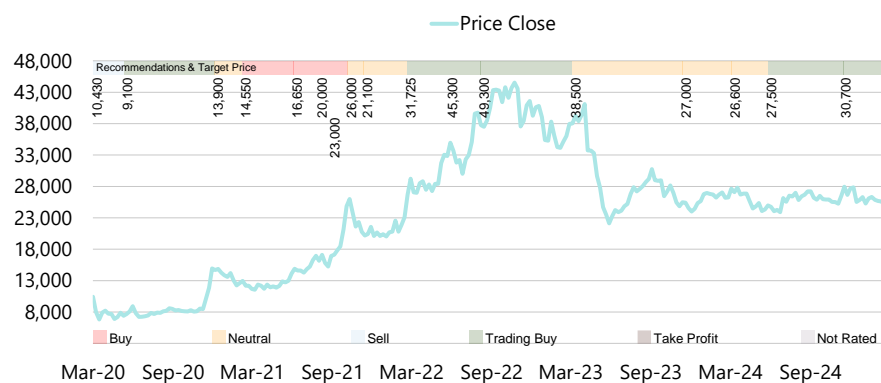
◆ As our base scenario is a short-term DCF of five years (reflecting the fluctuating nature of commodities), we input the USD110-90/tonne coal benchmark price for FY25F-26F, and beyond its terminal period. We also place a higher-tier discount rate (13.2% WACC, from 12.6% previously) and 2% TG to result in a value that is still slightly below market expectations (based on P/E target multiple at c.5x).

Figure 3: ITMG's FY24 results highlights

(IDRbn)	4Q23	3Q24	4Q24	QoQ	YoY	FY23	FY24	YoY	% RHB	% Cons
<b>Revenue</b>	548	608	647	7%	18%	2,374	2,304	-3%	99%	101%
Gross profit	132	204	219	7%	66%	743	699	-6%	107%	109%
Operating profit	116	149	157	5%	35%	605	483	-20%	107%	104%
EBITDA	135	166	178	7%	32%	689	552	-20%	102%	115%
<b>Net profit</b>	<b>95</b>	<b>144</b>	<b>101</b>	<b>-30%</b>	<b>7%</b>	<b>500</b>	<b>374</b>	<b>-25%</b>	<b>102%</b>	<b>102%</b>
<b>Margins</b>										
GPM	24.2%	33.6%	33.9%			31.3%	30.3%			
EBIT margin	21.2%	24.6%	24.2%			25.5%	21.0%			
NPM	17.3%	23.7%	15.6%			21.1%	16.2%			
ASP (USD/tonne)	97.8	97.0	93.8	-3%	-4%	113.0	95.0	-16%	104%	
Cash cost (USD/tonne)	42.0	42.5	47.9	13%	14%	44.2	45.2	2%		
Total cost (USD/ton)	123.3	80.4	98.1	22%	-20%	104.7	91.1	-13%		
Coal production (m tonnes)	3.5	5.7	5.0	-12%	43%	16.9	20.0	18%	100%	
Coal sales (m tonnes)	5.6	6.3	6.9	10%	23%	20.9	24.0	15%	96%	
Strip ratio (x)	12.0	9.2	10.0	9%	-17%	12.5	10.0	-20%		

Source: Company data, RHB

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2024-11-20	Trading Buy	30,700	26,700
2024-05-30	Trading Buy	27,500	24,950
2024-03-08	Neutral	26,600	27,650
2023-11-16	Neutral	27,000	25,425
2023-03-09	Neutral	38,500	38,350
2022-08-12	Trading Buy	49,300	37,750
2022-05-31	Trading Buy	45,300	35,000
2022-02-25	Trading Buy	31,725	26,675
2021-11-17	Neutral	21,100	19,950
2021-10-11	Neutral	26,000	26,750
2021-09-03	Buy	23,000	16,925
2021-08-04	Buy	20,000	16,750
2021-06-08	Buy	16,650	14,225
2021-03-09	Buy	14,550	11,450
2021-02-10	Buy	14,550	12,500

Source: RHB, Bloomberg

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<b>Buy:</b>	Share price may exceed 10% over the next 12 months
<b>Trading Buy:</b>	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
<b>Neutral:</b>	Share price may fall within the range of +/- 10% over the next 12 months
<b>Take Profit:</b>	Target price has been attained. Look to accumulate at lower levels
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