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Research Center

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Research team:

Edward A. Tanuwijaya | edward.t@kisi.co.id | Strategy, Banks, Real Estate
Illona Freddy | illona.f@kisi.co.id | Poultry, Consumer Staples, Cigarette

David Arie Hartono | david.h@kisi.co.id | Retailers, Media, Telecommunication
Anton Hermansyah | anton.h@kisi.co.id | Technical Analysis

Bukit Asam (PTBA)

Palatable impact of new coal royalty taxes

Coal price outlook to remain robust in FY22

In the wake of extreme heatwaves and droughts (which negatively affect the hydropower plants to generate power), China's power plants daily coal consumption increased by ~15% in the first two weeks of Aug2022. Power plants in southern China have increased tenders to get more Indonesian coal in Aug2022 amid surging demand. China's Jul2022 thermal coal shipments from Indonesia were 11.7mn tonnes (+22% MoM), while zero coal shipments were recorded from Australia in Jul2022. Robust coal demand in China and more uncertainties in Europe (given EU sanctions on Russia) should sustain global coal (as a direct alternative to oil and gas) prices at the current high level in the mid-term.

Limited impact from coal royalty taxes changes

Gov't regulation no. 26/2022 issued on 15Aug2022 imposed new royalty taxes for coal IUP license holders, which now range from 5% to 13.5% depending on Indonesia Coal Price Reference (HBA) and produced coal calorific value (CV). Refer to Table 1 for more details. PTBA as IUP holders for all its coal concessions will be subjected to new royalty taxes starting 15Sep2022. Applying these new royalty taxes resulted in 3%/11% lower net profit estimates for FY22/23F.

Better indication for 2Q22 earnings

PTBA indicated that May & Jun2022 coal production should catch up after a slow 1Q22 & Apr2022 operational performance. Considering current ASP trajectory, indicated production, and lower strip ratio, we can expect PTBA to generate a ~50% QoQ higher net profit in 2Q22 at IDR3.4tn, bringing its 1H22 net profit to ~IDR5.7tn, ~3.2x YoY, 47% of our FY22 estimate.

Maintain BUY call with a lower TP due to royalty taxes adjustments

We revised down our PTBA's FY22/23F earnings assumptions by 3%/11% to reflect the impact of new royalty taxes. Subsequently, our PTBA's DCF valuation is reduced by 5% to IDR54.8tn (equivalent to IDR4,570/sh), implying 4.4x FY22F PE with an average of ~30% ROE in the next 3 years and >15% expected dividend yield. Our sensitivity analysis showed that every 5% move in coal price should result in an 8% and 4% movement in our PTBA's earnings assumptions and DCF valuation, respectively. Potential upside may come from the implementation of currently discussed coal BLU which benefits coal miners with a high domestic sales portion through compensation.

	2020A	2021A	2022F	2023F	2024F
Sales (IDR bn)	17,325	29,261	41,794	41,867	35,692
GP (IDR bn)	4,566	13,484	19,507	15,927	10,965
OP (IDR bn)	2,434	9,890	15,373	11,253	6,082
NP (IDR bn)	2,387	7,909	12,072	8,952	4,961
EBITDA (IDR bn)	3,486	11,260	16,993	13,041	7,921
Net debt (IDR bn)	(4,228)	(4,388)	(7,649)	(5,782)	(5,650)
OP margin (%)	14.0	33.8	36.8	26.9	17.0
ROE (%)	14.1	32.6	42.5	31.6	17.2
Dividend yield (%)	11.2	1.8	16.7	19.2	9.5
EPS (USD)	207	687	1,048	777	431
chg. (% YoY)	(41.2)	231.4	52.6	(25.8)	(44.6)
BPS (USD)	1,470	2,105	2,467	2,462	2,508
DPS (USD)	317	73	687	786	389
PE (x)	13.2	3.9	3.9	5.3	9.5
PB (x)	1.9	1.3	1.7	1.7	1.6
EV/EBITDA (x)	7.9	1.7	2.8	3.6	6.0

12M rating **BUY (Maintain)**
12M TP **IDR 4,750** (Prev IDR 5,000)
Upside **+15.9%**

Stock Data

JCI (Aug 22)	7,108
Stock price (Aug 22, IDR)	4,100
Market cap (IDR bn)	47,235
Shares outstanding (m)	11,521
52-week high/low (IDR)	4,630 / 2,070
6M avg. daily turnover (IDR bn)	207.7
Free float (%)	33.8

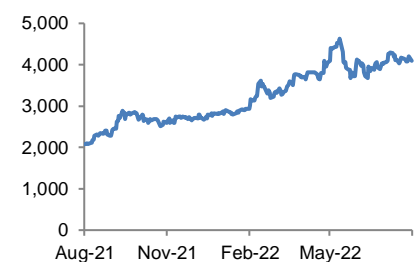
Major shareholders (%)

Indonesia Asahan Aluminium	65.9
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Performance

	1M	6M	12M
Absolute (%)	5.8	66.6	127.1
Relative to JCI (%)	(1.9)	34.6	64.9

PTBA stock price



Source: Bloomberg

Edward Tanuwijaya

edward.t@kisi.co.id

Nicholas Kevin Mulyono

nicholas.k@kisi.co.id

Market Commentary

Market Commentary

- JCI retracted 64 pts on Monday and closed right above 7100 mark, inline with global markets as growth concerns and the prospect of Fed's rate hike restrained investors sentiment.
- The market opened with weaknesses and traded lower the whole session, but managed to recoup some of the losses thanks to smart recovery in blue-chip banks and TLKM IJ.
- The broad-based sell-off was led by tech sectors as GOTO IJ and BUKA IJ both fell 4% and 6% respectively, digital banks also under pressure with ARTO IJ and BBYB IJ plunged more than 5%.
- Base metals fell with MDKA IJ fell more than 4% amid concerns about slowing economic growth and prospects of more Fed's rate hikes. ANTM IJ -3.64%, INCO IJ -4.61%.
- Panin related shares jumped following news that SMFG said to compete against MUFG to acquire Panin Bank. PNLF IJ +13.37%, PNBN IJ +22.36%.
- GOTO IJ fell -4.19% on profit taking after gaining 14% last week. BUKA IJ -5.99%.
- Top Gainers: BBCA (+1.27%), TLKM (+1.09%), PNBN (+22.36%)
- Top Losers: GOTO (-4.19%), MDKA (-3.94%), ARTO (-4.97%)

News

Macroeconomic, Sector and Corporate News

- SOE – Gov't plans to form PalmCo & establish it as CPO sub-holding for IPO in 2Q23 or 3Q23; aims to raise IDR5-10tn from IPO. (Kontan)
- EXCL – plans to issue IDR1.5tn bond & IDR1.5tn sukuk with 3-10 years tenor. Offering period: 24-29Aug2022. (Bisnis)
- ISAT – Co. shareholders approve final div. of IDR 248.06/shs. (bbg)
- PNBN – SMFG considers to complete against MUFG to acquire PNBN. (bbg)
- KLBF – plans to raise ASP by 2-3% in 2H22. (Kontan)
- MEDC – recorded 1H22 net profit of USD270.1mn, 5.8x YoY, 72% of FY22 cons. (Bisnis)
- BMHS – recorded 1H22 net profit of IDR53.5bn, down 60.3% YoY. (Bisnis)
- LEAD – recorded 1H22 net loss of USD3.1mn (vs. 1H21 net loss of USD2.4mn). (Kontan)
- WSKT – secured 7M22 contracts of IDR9.9tn. (Bisnis)
- AGII – officially operates a new gas factory located in Bangka Belitung, which will be major oxygen supplier for TINS' TSL Ausmelt smelter. (Kontan)
- PPRE – booked 7M22 IDR 2.84tn new contracts, 52% of its FY22 target. (Kontan)

Outliers

Outlier Stocks

- Sharp Movers (Up) : KRYA (+28%), PNBN (+22.4%), AHAP (+17%)
- Sharp Movers (Down) : BNBR (-6.9%), ABBA (-6.9%), SHIP (-6.8%)

Macro Calendar

August 23, 2022

Mon	Tue	Wed	Thu	Fri
1	2	3	4	5
Korea> July exports US> July ISM manufacturing PMI China> July Caixin manufacturing PMI	Korea> July CPI	US> MBA mortgage applications July ISM services PMI June durable goods orders (F) China> July Caixin services PMI	US> June trade balance New jobless claims	US> July change in non-farm payrolls July jobless rate
8	9	10	11	12
China> July imports and exports (Aug 7) July trade balance (Aug 7) July FX reserves (Aug 7)	OECD leading economic index	Korea> July unemployment rate US> MBA mortgage applications July CPI China> July PPI July CPI	MSCI quarterly review The OPEC Monthly Oil Market Report Japan> Market closed (Mountain Day)	US> August Michigan Consumer Confidence (P)
15	16	17	18	19
Korea> Market closed (National Liberation Day) US> August manufacturing index (New York) China> June mining and manufacturing production July fixed asset investment Japan> June mining and manufacturing production (F) 2Q GDP (P)	US> July housing starts July mining and manufacturing production July capacity utilization	US> July retail sales Europe> 2Q GDP (P) Japan> July core machinery orders	US> FOMC minutes New jobless claims July existing home sales Europe> July CPI	Japan> July CPI
22	23	24	25	26
	US> July new home sales	US> July durable goods orders (P) MBA mortgage applications	Korea> The BoK monetary policy meeting US> Jackson Hole symposium (Aug 25-27) 2Q GDP New jobless claims	US> August Michigan Consumer Confidence (F) July personal consumption expenditures (PCE) price index
29	30	31		
US> August Dallas Fed manufacturing survey	US> August CB consumer confidence index	Korea> July mining and manufacturing production US> MBA mortgage applications Europe> August CPI (P) China> August manufacturing PMI Japan> July mining and manufacturing production (P)		

Note: 1) Figures in parentheses represent the latest reported figures, Bloomberg estimates and previous reported figures in that order. For example: Data (actual reported figures, Bloomberg estimate, previous reported figures). Bloomberg estimates are subject to change 2) Earnings release date is from Bloomberg or company announcement