

Bukit Asam (PTBA)

Unscathed by coal royalty tax changes

No impact from recent royalty tax regulation changes

Recently issued gov't regulation no. 15/2022 stipulated changes in non-tax revenue (PNBP) for coal producers with IUPK concessions (conversion from CCoW concessions which are up for extension before 2025) starting next year. The royalty taxes for coal export now range from 14% to 28% depending on 1) Indonesia Coal Price Reference (HBA) and 2) CCoW generation. Meanwhile, royalty tax for domestic coal sales is fixed at 14% (Refer to Table 1 on the next page for more details). All PTBA's coal concessions are categorized under IUP and therefore, they are not subjected to the above royalty rates changes.

Operational performance to pick up in 2Q22 onwards

Historically, PTBA's 1Q coal production is the lowest among other quarters with 15%-20% of full-year production. 1Q22 should follow a similar pattern given early pre-stripping works done in Bangko Tengah mine (as part of PTBA's efforts to boost its coal production this year). From a sales volume perspective, 1Q22 should be weak too after factoring in the Jan2022 coal export ban imposed by Ministry of Energy and Mineral Resources (MoEMR) as part of gov't efforts to ensure coal supplies for domestic power plants. Nonetheless, we expect PTBA operational performance should pick up in 2Q22 onwards as operations are back to the targeted level. We expect PTBA to book another record earnings in FY22 following a record FY21 net profit of IDR7.9tn (~3.3x YoY).

Less sensitive to coal price volatility as compared to peers

PTBA's earnings are less sensitive to coal price movements as compared to its peers as domestic sales volume made up >55% of its total sales. Most of its domestic sales are capped at USD70/t FOB (for 6,322 kcal/kg GAR) for PLN's electricity generation and USD90/t FOB (for 6,322 kcal/kg GAR) for industry (except smelter) in accordance with MoEMR regulations. 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.

Reiterate BUY call on the counter

Considering the very limited impact from recent royalty tax changes, our current estimates remain intact. Our PTBA's DCF valuation of IDR55.2tn (equivalent to IDR4,750/sh) implies 4x FY22F PE with average ~35% ROE in the next 2 years and >12.5% expected div. yield. Risk to our call includes changes in gov't regulations and potential oversupply of Russian coal in the aftermath of conflicts.

	2020A	2021A	2022F	2023F	2024F
Sales (IDR bn)	17,325	29,261	43,464	41,867	34,490
GP (IDR bn)	4,566	13,484	21,350	17,369	11,082
OP (IDR bn)	2,434	9,890	17,214	12,694	6,199
NP (IDR bn)	2,387	7,909	13,456	10,095	5,206
EBITDA (IDR bn)	3,403	11,129	18,873	14,515	8,043
Net debt (IDR bn)	(4,228)	(4,388)	(6,647)	(8,698)	(9,400)
OP margin (%)	14.0	33.8	39.6	30.3	18.0
ROE (%)	14.1	32.6	41.7	28.3	14.5
Dividend yield (%)	11.2	1.9	12.8	15.5	11.7
EPS (USD)	207	687	1,168	876	452
chg. (% YoY)	(41.2)	231.4	70.1	(25.0)	(48.4)
BPS (USD)	1,470	2,105	2,800	3,101	3,119
DPS (USD)	317	73	481	584	438
PE (x)	16.7	5.1	3.2	4.3	8.3
PB (x)	2.4	1.6	1.3	1.2	1.2
EV/EBITDA (x)	11.7	3.6	2.3	3.0	5.4

Company Update

Commodities

Apr 19, 2022

12M rating **BUY (Maintain)**
12M TP **IDR 4,750** (Prev IDR 4,750)
Upside **+26%**

Stock Data

JCI (Apr 18)	7,275
Stock price (Apr 18, IDR)	3,760
Market cap (IDR bn)	43,318
Shares outstanding (m)	11,521
52-week high/low (IDR)	3,820 / 1,995
6M avg. daily turnover (IDR bn)	104.8
Free float (%)	34.1

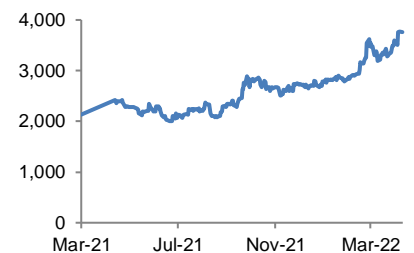
Major shareholders (%)

Indonesia Asahan Aluminium	65.9
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Performance

	1M	6M	12M
Absolute (%)	13.9	33.7	55.8
Relative to JCI (%)	12.1	19.9	32.0

PTBA stock price



Source: Bloomberg

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Table 1. Royalty tax changes for coal export & domestic sales

Coal sold for	Reference price (HBA)	PP no. 81/2019	PP no. 15/2022	
			CCoW Gen 1	CCoW Gen. 1+
Export	≤ USD70/t	13.5% of selling price	14% of selling price	20% of selling price
	USD70/t < HBA ≤ USD80/t		17% of selling price	21% of selling price
	USD80/t < HBA ≤ USD90/t		23% of selling price	22% of selling price
	USD90/t < HBA ≤ USD100/t		25% of selling price	24% of selling price
	> USD100/t		28% of selling price	27% of selling price
Domestic		13.5% of selling price	Flat 14% of selling price	Flat 14% of selling price

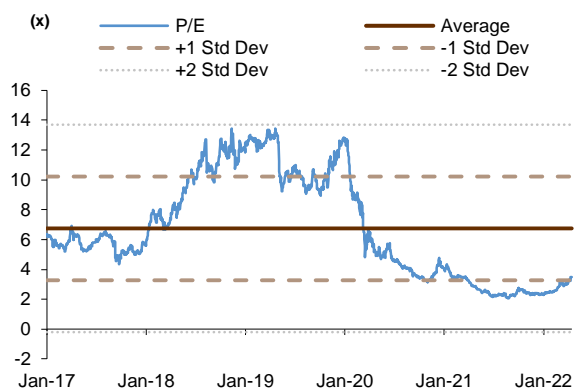
Source: Gov't regulation no. 15/2022, KISI

Table 2. PTBA's DCF valuation

DCF Valuation Summary		Assumption	
Enterprise value (IDR bn)	48,568	Risk-free rate	6.5%
Net cash (IDR bn)	(6,647)	Market Premium	5.0%
Equity Value (IDR bn)	55,216	Beta	1.3
Shares outstanding (mn)	11,522	After tax Cost of Debt	6.8%
Target Price (IDR / share)	4,750	Debt Proportion	4.1%
		Equity Proportion	95.9%
		Cost of Equity	13.0%
Target PE (x)	4.0	Long-term growth	0.0%
Current PE (x)	3.2	<i>consider 35 year life-mine after 2025</i>	
		WACC	12.7%

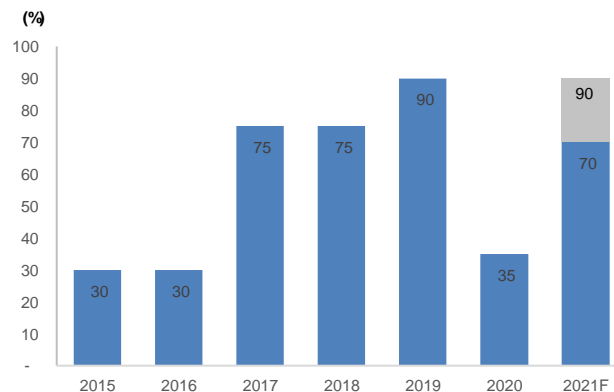
Source: KISI

Fig 1. PTBA's PE band



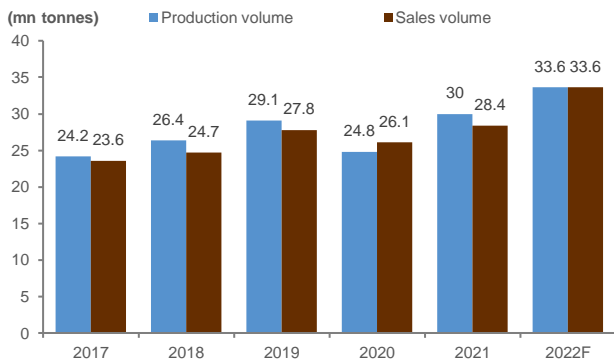
Source: Bloomberg, KISI

Fig 2. PTBA's dividend payout ratio



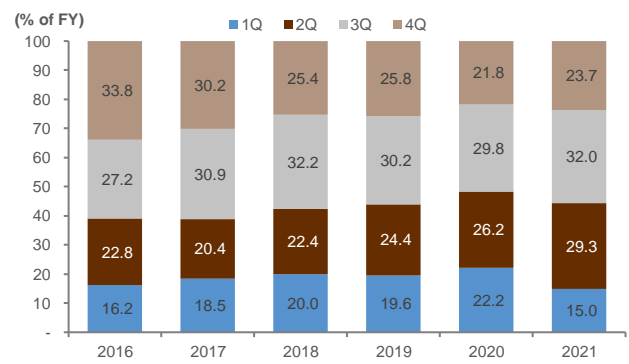
Source: Company, KISI

Fig 3. PTBA's production & sales volume



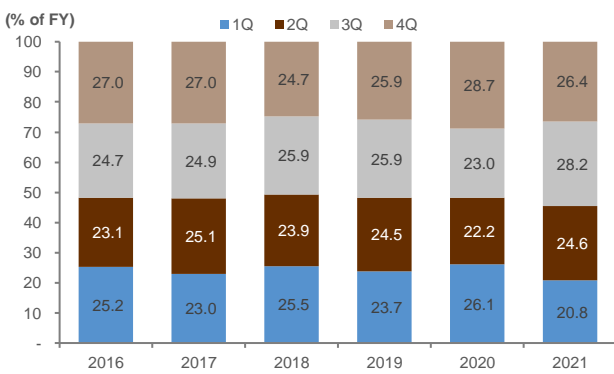
Source: Company, KISI

Fig 4. PTBA's production volume seasonality



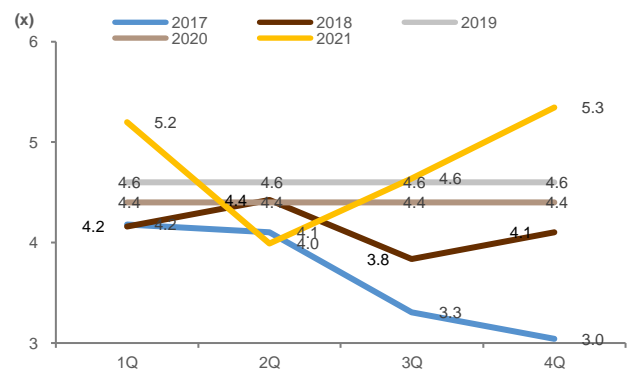
Source: Company, KISI

Fig 5. PTBA's sales volume seasonality



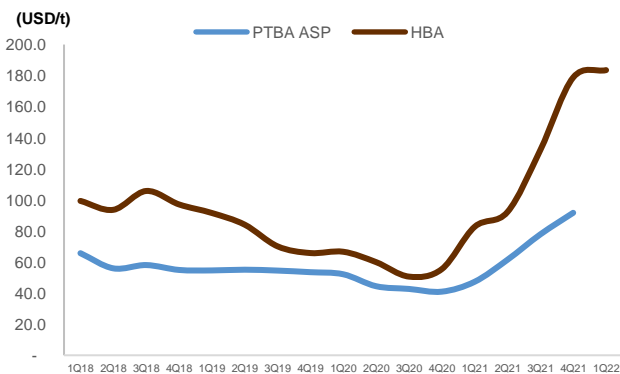
Source: Company, KISI

Fig 6. PTBA's quarterly stripping ratio



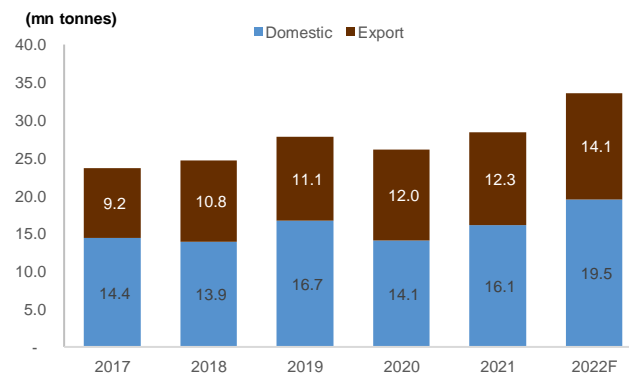
Source: Company, KISI

Fig 7. PTBA's quarterly ASP vs. HBA



Source: Bloomberg, KISI

Fig 8. PTBA's domestic & export vol. breakdown



Source: Company, KISI

Company Overview

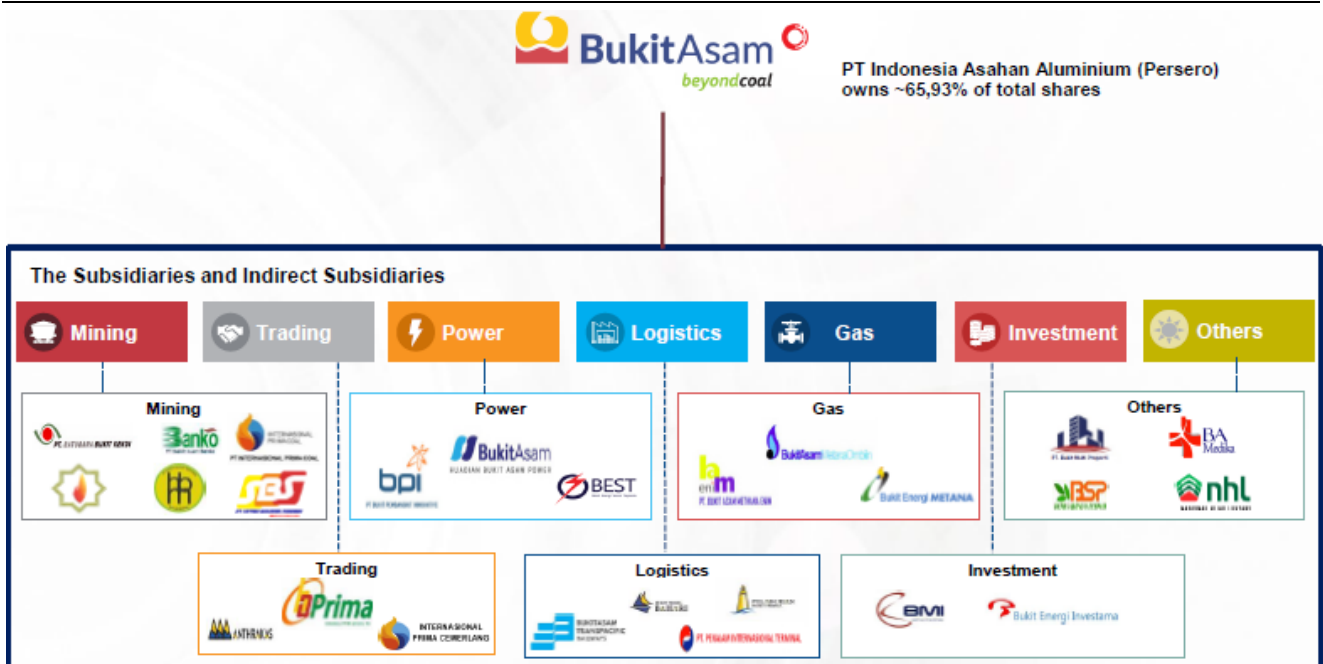
PTBA is one of Indonesia's largest coal mine producers. PTBA holds a Mining Business License (IUP) for its production area of 93,977 ha located in Tanjung Enim (66,414 ha) including the Regency of Muara Enim and Lahat, South Sumatera, Peranap (18,230 ha), Ombilin (2,935 ha), and Tabalong, East Kalimantan through its subsidiary, IPC (3,145 ha).

For its coal transportation, PTBA entered into an agreement with PT KAI for its coal delivery from Tanjung Enim to Tarahan Port and PTBA's coal jetty in Kertapati, Palembang.

Publicly listed on the Jakarta Stock Exchange in 2002 with 35% of shares held by public, in 2017, the Company joined into the holding of Mining SOEs with Inalum owning ~65.9% of its shares.

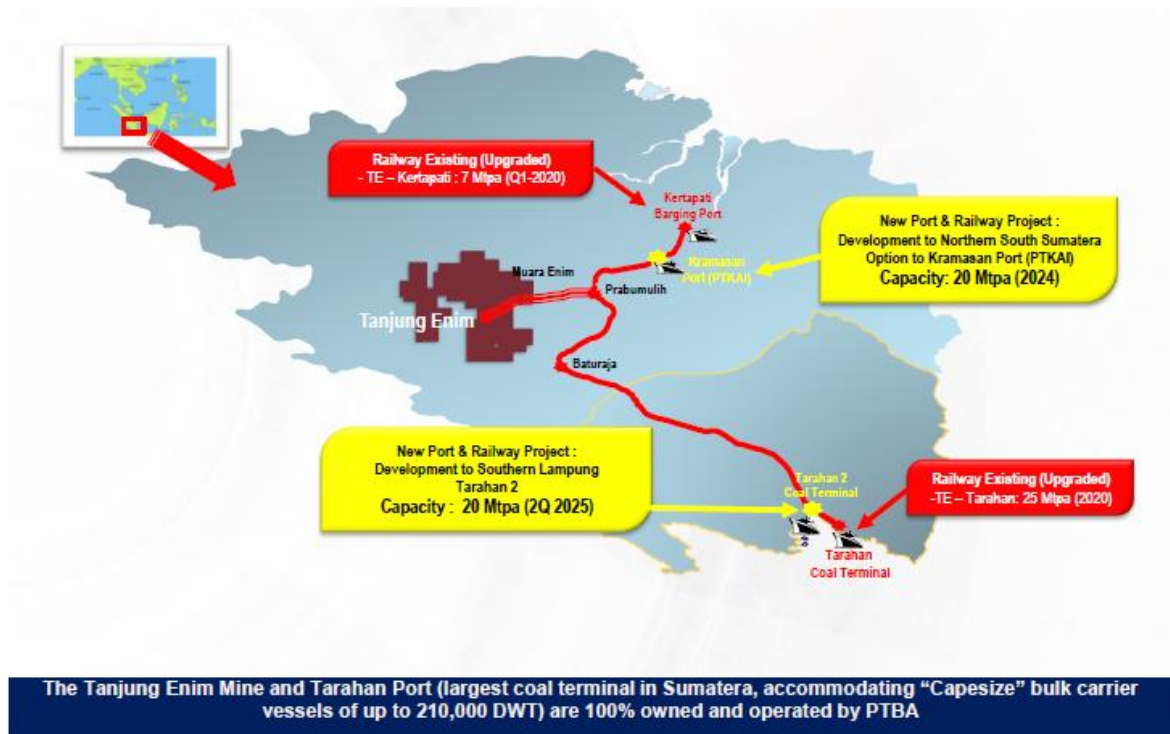
Aside from coal mining, PTBA engaged in other downstream businesses such as power plant and briquette business. In 2019, PTBA signed a contractual agreement with Formosa Plastic Group to become their high-calorie coal supplier. PTBA also aims to direct selling to end-users, especially to electricity companies. The future pipeline also includes an expansion project to the gasification industry and coal-fired power plants.

Fig 9. PTBA corporate structure



Source: Company's annual report, KISI

Fig 10. PTBA operational maps



Source: Company's annual report , KISI

Balance sheet		(IDRbn)				
FY-ending Dec.	2020A	2021A	2022F	2023F	2024F	
Current assets						
Cash & cash equivalent	4,341	4,394	6,656	8,704	9,400	
Accounts & other receivables	1,579	3,100	5,120	4,703	3,685	
Inventories	805	1,208	1,298	1,469	1,509	
Others	1,639	9,510	13,039	12,560	10,347	
Non-current assets						
Fixed assets	7,925	8,383	10,476	12,628	14,326	
Mining properties	7,767	9,529	10,403	10,496	9,955	
Other non-current assets	24,057	36,124	46,993	50,559	49,222	
Total assets						
Current liabilities						
Accounts & other payables	-	-	-	-	-	
ST debt	107	4	3	3	-	
Current portion of LT debt	3,872	7,499	9,011	9,119	8,137	
Others	-	-	-	1	1	
Non-current liabilities						
LT debt & financial liabilities	82	102	111	122	117	
Employee benefits liability	3,245	4,369	5,724	5,713	5,154	
Other non-current liabilities	7,118	11,870	14,737	14,834	13,292	
Total liabilities						
Controlling interest						
Capital stock	-	-	-	-	-	
Additional paid-in capital	-	-	-	-	-	
Other Reserves	15,329	22,313	30,233	33,599	33,758	
Retained earnings	176	194	276	379	426	
Minority interest	16,939	24,254	32,255	35,725	35,930	
Shareholders' equity						
	4,341	4,394	6,656	8,704	9,400	

Cash flow		(IDRbn)				
FY-ending Dec.	2020A	2021A	2022F	2023F	2024F	
C/F from operating						
Net profit	2,387	7,909	13,456	10,095	5,206	
Depreciation	948	1,111	1,384	1,616	1,751	
Net incr. in W/C	2,369	(4,955)	(2,784)	815	1,659	
Others	(2,181)	(712)	(499)	172	732	
C/F from investing						
CAPEX	1,159	(1,343)	(3,477)	(3,768)	(3,449)	
Others	(1,178)	(1,255)	(366)	(252)	(197)	
C/F from financing						
Incr. in equity	(219)	241	82	103	46	
Incr. in debts	(50)	(107)	3	(4)	(5)	
Dividends	(3,651)	(835)	(5,536)	(6,728)	(5,047)	
Others	-	-	-	-	-	
C/F from others						
	-	-	-	-	-	
Increase in cash	(416)	53	2,262	2,047	696	

Income statement		(IDRbn)				
FY-ending Dec.	2020A	2021A	2022F	2023F	2024F	
Sales	17,325	29,261	43,464	41,867	34,490	
COGS	(12,759)	(15,777)	(22,115)	(24,498)	(23,408)	
Gross profit	4,566	13,484	21,350	17,369	11,082	
SG&A expense	(2,132)	(3,594)	(4,136)	(4,676)	(4,883)	
Operating profit	2,434	9,890	17,214	12,694	6,199	
Financial income	363	257	327	469	569	
Financial expense	(133)	(158)	(238)	(257)	(274)	
Other expense	568	370	300	300	300	
Other non-operating profit	-	-	-	-	-	
Income (loss) from JV	-	-	-	-	-	
Earnings before tax	3,232	10,359	17,603	13,206	6,793	
Income taxes	(824)	(2,322)	(3,873)	(2,905)	(1,494)	
Net profit	2,387	7,909	13,456	10,095	5,206	
Non-controlling interest	(21)	(128)	(275)	(206)	(93)	
Other comprehensive profit	-	-	-	-	-	
Total comprehensive profit	-	-	-	-	-	
Total comprehensive profit of controlling interest	-	-	-	-	-	
EBITDA	3,403	11,129	18,873	14,515	8,043	

Key financial data

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
per share data (IDR)					
EPS	207	687	1,168	876	452
BPS	1,470	2,105	2,800	3,101	3,119
DPS	317	73	481	584	438
Growth (%)					
Sales growth	(20.5)	68.9	48.5	(3.7)	(17.6)
OP growth	(49.8)	306.3	74.0	(26.3)	(51.2)
NP growth	(41.2)	231.4	70.1	(25.0)	(48.4)
EBITDA growth	(38.1)	227.0	69.6	(23.1)	(44.6)
Profitability (%)					
OP margin	14.0	33.8	39.6	30.3	18.0
NP margin	13.8	27.0	31.0	24.1	15.1
EBITDA margin	19.6	38.0	43.4	34.7	23.3
ROA	9.9	21.9	28.6	20.0	10.6
ROE	14.1	32.6	41.7	28.3	14.5
Dividend yield	11.2	1.9	12.8	15.5	11.7
Dividend payout ratio	90	35	70	50	50
Stability					
Net debt (IDR bn)	(4,228)	(4,388)	(6,647)	(8,698)	(9,400)
Int.-bearing debt/equity (%)	0.7	0.0	0.0	0.0	-
Valuation (X)					
PE	16.7	5.1	3.2	4.3	8.3
PB	2.4	1.6	1.3	1.2	1.2
EV/EBITDA	11.7	3.6	2.3	3.0	5.4

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