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**PT Indo Tambangraya Megah Tbk is a diversified mineral exploration and production company.**

**Current Price: IDR 7,025**

**52-Week Target Price: IDR 8,000**



#### Share Price Performance

Price (IDR)	7,025
52-Week High (11/27/14)	19,225
52-Week Low (11/16/15)	7,000
YTD Change/%	(8,350) / (54.31%)

#### Stock Information

Market Cap (IDR)	7,937.7B
Shares Out/Float (M)	1,129.9/393.7

Source: Bloomberg, Sinarmas Investment Research

#### Company Update

### PT Indo Tambangraya Megah Tbk (ITMG)

#### Weak 9M15 Results

**NEUTRAL**

**NEUTRAL TP 8,000.** We change our recommendation to NEUTRAL and lowering our 52-week TP to IDR 8,000 due to weak 9M15 results and also higher production downside risk ahead as the company will shutdown operations in its two mines by early 2016 and mid 2017, which both mines are expected to contribute to a total of ~12% to FY15E production.

**Weak 9M15 Results.** The company reported its net sales decline by 19% YoY to USD 1.21bn (76% of our FY15E) due to sales volume decrease by 4% YoY to 20.9 MT and ASP decrease by 16% YoY to USD 57.90 per ton. COGS was booked decline by 19% YoY to USD 946.75mn due to lower average total cash cost by 15% YoY to USD 48.90 per ton and lower average strip ratio by 12% YoY from 10.11x to 8.92x. Thus gross profit was booked decrease by 18% YoY to USD 259.80mn. Moreover, due to loss on derivative transactions was booked by USD 14.38mn compared to gain in 9M14 was booked by USD 30.33mn, net income decline by 51% YoY to USD 82.95mn (66% of our FY15E).

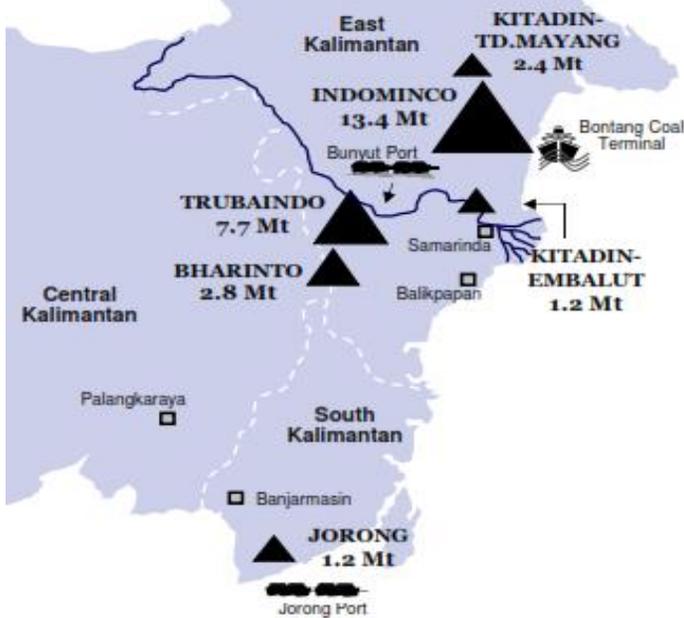
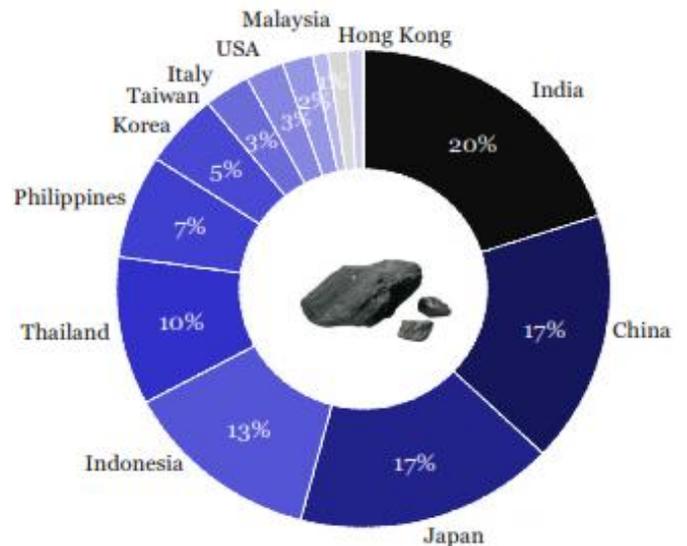
**Risk from Mine Closure Plan.** The company plans to close its Kitadin Tandung Mayang (KTM) mine activities in the beginning of next year. Moreover, the second mine closure is going to happen in Jorong. The closure is being reviewed by government for approval due to its reserves will be fully depleted by mid 2017. KTM and Jorong are planed to contribute by 2.4 MT (8.4%) and 1.2 MT (4.2%) in respectively to FY15E total production plan of 28.7 MT. On the other hand, the company is looking to acquire or merger with other coal company to increase its reserves and production. Without unorganic growth, we view company's minelife is estimated less than 10 years ahead.

**Capex Revised.** As per 30 September 2015, the company has realized USD 16.7 mn (56%) out of FY15E capex plan of USD 30 mn, revised by 53% from the initial plan of USD 64.4 mn. The company will carry over its USD 34 mn capex plan from this year to next year.

**High Dividend.** We estimate the company will offer its FY15E final dividend payout ratio by up to 80% and yield by up to 10%.

Financial Highlights	2013	2014	2015E	2016F	2017F
Revenue (USD mn)	2,178	1,942	1,578	1,446	1,380
% growth	-11%	-11%	-19%	-8%	-5%
Gross Profit (USD mn)	483	408	346	305	297
Net Profit (USD mn)	204	200	125	128	127
% growth	-53%	-2%	-37%	3%	-1%
Gross Margin (%)	22.0%	21.0%	22.0%	21.0%	22.0%
Net Margin (%)	9.0%	10.0%	8.0%	9.0%	9.0%
Return on Equity (%)	23.0%	22.0%	14.0%	14.0%	13.0%
Return on Assets (%)	15.0%	15.0%	10.0%	10.0%	10.0%

Source: Company Data, Sinarmas Investment Research

**2015 OUTPUT TARGET**
**2015 Target: 28.7 mt**

**COAL SALES 9M15**

**Total Coal Sales 9M15: 20.9 Mt**

Financial Statement (in USD '000)	9M15	9M14	% YoY
Net sales	1,206,550	1,487,613	-19%
Cost of goods sold	(946,753)	(1,171,767)	-19%
Gross profit	259,797	315,846	-18%
EBITDA	193,789	244,157	-21%
Profit before income tax	131,121	232,215	-44%
Net income	82,948	169,412	-51%
Gross profit margin	22%	21%	
EBITDA margin	16%	16%	
Net income margin	7%	11%	

Operational Results	9M15	9M14	% YoY
Production Volume (MT)	21.5	21.7	-1%
Sales Volume (MT)	20.9	21.7	-4%
ASP (USD/ton)	57.9	68.7	-16%
Avg. Strip Ratio (x)	8.9	10.1	-12%
Avg. Cash Production Cost (USD/ton)	34.1	44.7	-24%
Avg. Total Production Cost (USD/ton)	48.9	57.4	-15%

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