



19th March 2012

Bukit Asam Tbk.

Boosting Sales Volume to Support the Growth

HOLD

The Production and Financial Result in 2011

The company reported its 2011 full year financial result by booked a net profit of IDR 3.09 trillion, increased by 54% yoy. The increase in net profit was caused by a higher sales volume, a higher Average Selling Price (ASP), and a lower Cost of Goods Sold (COGS) margin. The sales volume in 2011 was 13.5 Mt, increased by 4% yoy, while the ASP was increased by 24% yoy to IDR 755,220 for domestic selling and by 50% yoy to USD 101.04 for export selling. The COGS margin was down by 3.74% yoy. The EPS grew by 53.7% yoy.

The Business Outlook in 2012

We project the sales volume target to reach 17.6 Mt (increase by 30% yoy) supported by the commitment of PT KAI to transport 15.6 Mt this year to Tarahan Port in Bandar Lampung and Kertapati Pier in Palembang. Total sales revenue is projected to increase by 39% yoy to IDR 14.7 trillion while EPS is expected to grow by 23% yoy to IDR 1,647 this year.

The 2x620 MW Power Plant in Central Banko

In Dec 2011, the consortium of PTBA (45%) and CHD (55%) from China has won a project tender to build a mine-mouth power plant with capacity of 2x620 MW in Central Banko, South Sumatera. The investment cost is projected around USD 1.59 billion. PTBA agreed to deliver 5.4 Mt coal per annum to this power plant.

The Risks

The major risks are the high volatility of coal price, the high level of rainfall volume, and high volatility of foreign exchange currency.

Upgrading the Valuation

We calculate the value of the company by using the DCF method. By using the WACC at 16.3% and long-term growth rate of 3%, the calculation of target price is upgraded from IDR 20,200 in the previous report to IDR 22,000. This new target price reflects PE at 13x. The stock is currently trading at IDR 20,100. Therefore, we recommend a HOLD on the stock with a 9.5% potential upside.

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Stock Data

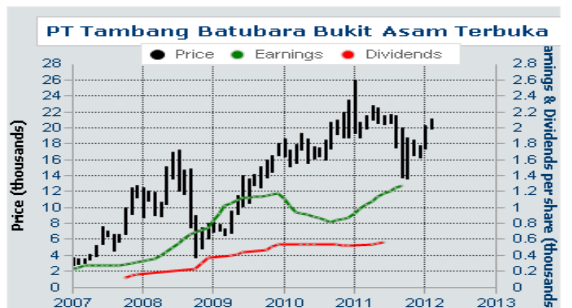
Sector	Coal Mining
Price (16th March 2012)	IDR 20,100
Target Price 2012	IDR 22,000
EPS 2011A	IDR 1,340
EPS 2012E	IDR 1,647
EPS 2013F	IDR 1,964
Market Cap (IDR)	IDR 46,311 T
Issued Shares (mn)	2,304
PE 2012E	13
PE 2013F	11

Five Years Averages

Sales Growth (%)	27.58%
EPS Growth (%)	54.33%
EBITDA Margin (%)	32.86%

Shareholders

Government of Indonesia	65%
Public	35%



Source: www.corporateinformation.com

REVENUE FORECAST	2011A	2012E	2013F
Sales volume (million metric Tonnes)	13.5	17.6	20.5
Coal Price (USD/Mt)	101.04	100	100
Revenue (Rp in bn)	10,581	14,696	18,450

Table 1: The Comparison between Our Estimation and Actual Figure in 2011

	2011		
	Our Estimation	Actual	Difference (%)
Production Volume (Mt)	14.6	12.9	-11.6%
Purchasing Volume (Mt)	0.5	0.6	+20%
Transported Volume (Mt)	11.6	11.5	-0.9%
Sales Volume (Mt)	15.1	13.5	-10.6%
ASP-Domestic (IDR/ton)	750,000	755,220	+0.7%
ASP-Export (USD/ton)	88	101.04	+14.8%
Sales Revenue (IDR billion)	11,314	10,581	-6.5%
Net Profit (IDR billion)	2,917	3,088	+5.9%
Net Profit Margin (%)	25.8	29.2	+3.4%

Table 2: The Difference of Figures in Previous and New Report for 2012E

	2012E		
	Previous	New	Difference (%)
Production Volume (Mt)	16.6	16.6	-
Purchasing Volume (Mt)	1.0	1.0	-
Transported Volume (Mt)	15.6	15.6	-
Sales Volume (Mt)	17.6	17.6	-
ASP-Domestic (IDR/ton)	800,000	800,000	-
ASP-Export (USD/ton)	90	100	+11.1%
Sales Revenue (IDR billion)	14,080	14,696	+4.4%
Net Profit (IDR billion)	3,629	3,795	+4.6%
Net Profit Margin (%)	25.77	25.83	+0.06%

<i>Fiscal Year End</i>	2010	2011	2012F	2013F	2014F
Income Statement (IDR bn)					
Sales Revenue	7,909	10,582	14,696	18,450	23,836
Gross Profit	3,650	5,279	7,356	8,985	11,810
Operating Income	2,297	3,665	5,062	6,035	8,087
Depreciation & Amortization	49	84	127	153	190
EBITDA	2,347	3,749	5,189	6,188	8,278
EPS	872	1,340	1,647	1,964	2,634
Net Interest Income (Expenses)	-	-	-	-	-
Extraordinaries	-	-	-	-	-
Minority Interests	(10)	-	1	1	(3)
Pretax Income	2,600	4,059	5,062	6,035	8,087
Income Tax Expense	601	971	1,266	1,509	2,022
Net Income	2,009	3,088	3,795	4,525	6,069
Cash Flow (IDR bn)					
Operating Cash Flow	2,490	3,601	4,621	5,601	7,153
Net Capex	(490)	(235)	(1,000)	(1,000)	(100)
Other Investing Items	(311)	(270)	(293)	(206)	50
Free Cash Flow	2,000	3,365	3,621	4,601	7,053
Dividends paid	(1,236)	(1,282)	(1,898)	(2,263)	(3,034)
Equity Raised (Buy Back)	-	-	-	-	-
Net Bank Loans	-	(95)	-	-	-
Debt Issuance (Retirement)	-	-	-	-	-
Other Financing Items	(110)	19	(34)	(41)	(76)
Net Cash Flow	345	1,738	1,397	2,092	3,993
Balance Sheet (IDR bn)					
Cash & Cash Equivalents	5,054	6,791	8,188	10,279	14,272
Account Receivables	997	1,180	2,186	2,551	3,126
Inventories	424	645	803	991	1,328
Other Current Assets	171	243	292	386	509
Net Fixed Assets	1,109	1,315	2,028	2,896	4,312
Other Non-current Assets	963	1,321	1,464	1,624	1,813
Total Assets	8,723	11,507	14,973	18,740	25,371
Short-term Liabilities	1,148	1,912	2,460	2,988	3,904
Long-term Liabilities	1,134	1,430	1,904	2,293	3,233
Total Liabilities	2,281	3,342	4,364	5,281	7,137
Shareholder's Equity	1,183	1,183	1,183	1,183	1,183
Minority Interest	75	77	128	156	194
Total Equity & Liabilities	8,723	11,507	14,973	18,740	25,371
KEY RATIO					
Sales Growth (%)	-11.61%	33.79%	38.88%	25.54%	29.19%
EPS Growth (%)	-26.35%	53.70%	22.91%	19.23%	34.11%
EBITDA Margin (%)	29.67%	35.43%	35.31%	33.54%	34.73%
Payout Ratio (%)	60.00%	50.00%	50.00%	50.00%	50.00%
ROE (%)	31.19%	37.82%	35.78%	33.62%	33.28%
Quick Ratio (x)	5.42	4.30	4.34	4.42	4.59
LT Debt/Equity (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EV/EBITDA	19.49	11.74	8.22	6.56	4.43
P/E (x)	25.23	16.42	13.36	11.20	8.35



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COMPANY UPDATE

Bukit Asam Tbk.

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