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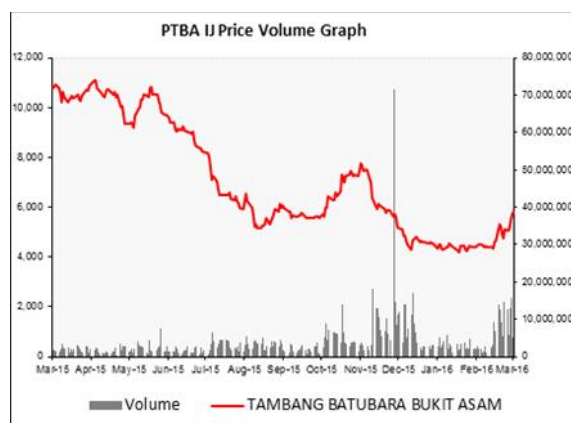


PT Bukit Asam (Persero) Tbk provides coal mining activities. The company offers services including general surveying, exploration, exploitation, production, transportation, and marketing of coal.

Current Price: IDR 5,825

52-Week Target Price: IDR 7,000

Previous Target Price: IDR 7,000



Share Price Performance

Price (IDR)	5,825
52-Week High (04/07/15)	11,175
52-Week Low (01/20/16)	4,150
52-Week Beta	1.22
YTD Change/%	1,300.00 / 28.73%

Stock Information

Market Cap (IDR)	13,421.6B
Shares Out/Float (M)	2,304.1M/662.3M

Company Update

PT Bukit Asam (Persero) Tbk (PTBA)

2016 Promising Year

BUY

BUY with TP of IDR 7,000/share. We maintain BUY rating for the stock with target price of IDR 7,000/share, on the back of PTBA's last full year results above our estimate and also the expectation of the company can deliver robust performance this year which mainly driven by 52% growth in sales volume and cost efficiency. Those will be supported by the readiness of company's infrastructure from upstream to downstream.

FY15 Results Above Our Expectation. Amid the challenge in the industry last year, especially coming from the declining coal price, FY15 sales revenue increased by 5.0% YoY to IDR 13.7tn (101.6% from our FY15E of IDR 13.5tn) inline with the increase in coal sales volume by 6.3% YoY to 19.1 million tons. 53% of its sales was sold to domestic market and 47% to export market. Moreover, inline with the increase in sales revenue, COGS also increased by 5% YoY to IDR 9.6tn. Thus gross profit margin can be maintained at the same level as that in FY14 by 30.1% with 5.5% YoY growth to IDR 4.1tn. Net profit increased by 9.3% YoY to IDR 2.0tn (111.7% from our FY15E of IDR 1.8tn), with net margin stood at 14.8%.

Cost Efficiency. The company decreased its stripping ratio from 4.69x in FY14 to 4.48x in FY15, or equal to -4% YoY, in order to optimize long-term production planning and to adjust the market needs. The company has successfully managed stripping ratio in the last 5 years by maintained that at the level of approximately 4.5x. As result, production cost fell by 10% YoY to IDR 356,866/ton.

Optimizing FY16E Performance. FY16E Performances are expected to be robust. First, it plans to sell 29 million tons of coal this year, jump by 52% YoY. This will be supported by the increase in infrastructure capacity from upstream to downstream, including the increase in coal transported by 49% YoY to 23.7 million tons this year on the back of all locomotives and carriages are fully operated and also the double tracked railways from Prabumulih to Tanjung Enim. Second, the company will increase its export sales volume of medium to high calories of coal to maximize its revenue. Third, the company to keep maintaining the stripping ratio at approximately 4.5x.

Financial Highlights	2013	2014	2015	2016E	2017F
Revenue (IDR bn)	11,209	13,077	13,733	18,139	20,436
% growth	-3%	17%	5%	32%	13%
Gross Profit (IDR bn)	3,463	4,021	4,139	5,777	6,404
Net Profit (IDR bn)	1,854	2,019	2,037	2,674	2,907
% growth	-36%	9%	1%	31%	9%
Gross Margin (%)	30.9%	30.7%	30.1%	31.8%	31.3%
Net Margin (%)	16.5%	15.4%	14.8%	14.7%	14.2%
Return on Equity (%)	25.0%	23.0%	22.0%	25.0%	23.0%
Return on Assets (%)	16.0%	14.0%	12.0%	14.0%	14.0%

Source: Company Data, Sinarmas Investment Research

Performance Results	FY15	FY14	% YoY
	(a)	(b)	(c)=(a)/(b)
Production and Purchase Volumes (MT)			
- Production	19.17	16.37	17.1%
- Purchase	1.46	1.81	-19.3%
- Total Production and Purchase	20.63	18.18	13.5%
Transportation (MT)	15.78	14.85	6.3%
Stripping Ratio (x)	4.69	4.48	4.7%
Sales Volume (MT)	19.11	17.98	6.3%
- Coal			
Export	10.05	8.66	16.0%
Domestic	9.05	9.30	-2.7%
- Others	0.01	0.02	-15.7%
Weighted ASP/ton (IDR)	707,052	723,635	-2.3%
Cost of Production/ton (IDR)	356,866	394,784	-9.6%
Sales Revenue (IDR bn)	13,733.63	13,077.96	5.0%
- Coal			
Export	6,815.39	6,595.01	3.3%
Domestic	6,690.17	6,404.77	4.5%
- Others	228.07	78.19	191.7%

Income Statement (IDR bn)	FY15	FY14	% YoY Growth	Our FY15E	% Difference
	(a)	(b)	(c)=(a)/(b)	(d)	(e)=(a)/(d)
Revenue	13,734	13,078	5.0%	13,513	101.6%
Cost of revenue	(9,596)	(9,156)	4.8%	(9,348)	102.7%
Gross profit	4,140	3,922	5.5%	4,165	99.4%
Operating profit	2,414	2,049	17.8%	2,325	103.8%
Profit before income tax	2,664	2,414	10.3%	2,432	109.5%
Income tax expenses	(627)	(550)	13.9%	(608)	103.1%
Profit for the year	2,037	1,864	9.3%	1,824	111.7%

Appendix I: Financial Statements

Balance Sheet (in IDR bn)	2013	2014	2015	2016E	2017F
Cash and cash equivalents	3,344	4,039	3,115	1,901	1,309
Inventories	902	1,033	1,233	1,531	1,780
Deferred development expenditure	863	1,460	1,443	1,965	2,180
Fixed Assets	2,803	3,988	5,579	6,703	7,752
Mining properties	130	60	47	72	75
Plantations	-	303	274	295	291
TOTAL ASSETS	11,674	14,861	16,894	18,509	20,592
Accrued expenses	1,082	1,204	1,647	1,874	2,268
Short-term bank borrowings	78	826	739	-	-
Short-term portion of long-term bank borrowings	-	467	597	805	-
Long-term bank borrowings	-	962	623	416	416
TOTAL LIABILITIES	4,113	6,336	7,606	7,668	8,180
Share capital	1,152	1,152	1,152	1,152	1,152
Additional paid-in capital	30	30	30	30	30
Treasury shares	(1,899)	(1,899)	(2,302)	(2,302)	(2,302)
Retained earnings					
Appropriated	6,475	7,297	8,607	9,830	11,434
Unappropriated	1,628	1,763	1,585	2,017	1,981
Non-controlling interests	114	117	113	114	116
TOTAL EQUITY	7,561	8,525	9,288	10,842	12,413

Income Statement (in IDR bn)	2013	2014	2015	2016E	2017F
Revenue	11,209	13,078	13,734	18,139	20,437
Cost of revenue	7,746	9,056	9,594	12,362	14,032
Gross profit	3,464	4,022	4,140	5,778	6,405
General and administrative expenses	998	952	1,031	1,415	1,564
Selling and marketing expenses	608	737	693	968	1,061
Other expenses/(income), net	(295)	23	2	-	-
Operating profit	2,153	2,310	2,414	3,394	3,779
Finance income	240	268	273	240	158
Finance costs	(6)	(49)	(157)	(68)	(62)
Share in net (loss)/profit of associates	75	146	134	-	-
Profit before income tax	2,461	2,675	2,664	3,566	3,876
Income tax expense	607	656	627	891	969
Profit for the year	1,854	2,019	2,037	2,674	2,907
Other comprehensive income, net of tax	497	104	(161)	-	-
Total comprehensive income	2,351	2,124	1,876	2,674	2,907

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