

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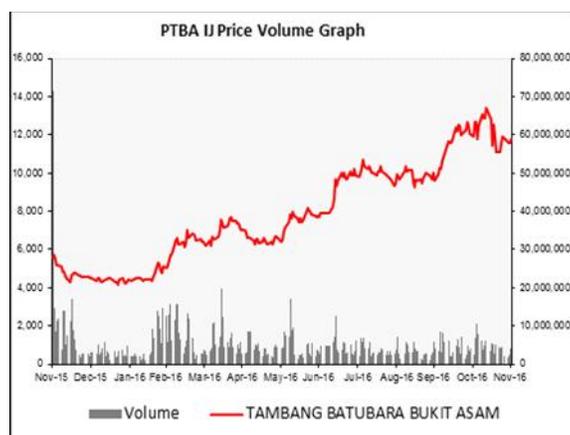
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PT Bukit Asam (Persero) Tbk provides coal mining activities. The company offers services including general surveying, exploration, exploitation, production, transportation, and marketing of coal.

Current Price: IDR 11,825
52-Week Target Price: IDR 14,800
Previous Target Price: IDR 7,000

Share Price Performance

Price (IDR)	11,825
52-Week High (11/11/16)	13,775
52-Week Low (01/20/16)	4,150
52-Week Beta	1.62
YTD Change/%	7,300.00 / 161.33%

Stock Information

Market Cap (IDR)	27,246.4B
Shares Out/Float (M)	2,304.1M/806.0M

PT Bukit Asam (Persero) Tbk (PTBA)
9M16 Earnings Review
BUY
BUY with TP IDR 14,800/Share, 25% Potential Upside

We rollover to FY17F valuation with higher 52-week target price to IDR 14,800/share (DCF method, WACC 18.7%, LTG 1%). Although this year might not be a good year for the company's performance, we are more optimistic on the company's business outlook next year as they will benefit from the surge in commodity price which will reflect to the increase in its coal selling price and also from the foreign exchange of rupiah against US dollar as we predict US dollar will strengthen against majority global currencies, including rupiah, on the back its domestic economy recovery. Thus, we upgrade our recommendation to BUY.

9M16 Operational Results: Below Expectation

We view that the overall operational performance was very weak as the result was below our expectation. Despite the total sales volume increased by 6% YoY to 15.14 million tons on the back of the surge in domestic sales volume by 23% YoY, however it was only reached 52% of the FY16E target. Moreover, the total production volume was decreased by 8% YoY to 12.98 million tons and that was equal to only 50% of the end-of-year targets. During the period, 60.6% of total sales volume was sold to domestic market while 39.4% of that was sold to export market. As result from the weak results, the company revised their FY16E production volume target down by 10.4% to 23.08 million tons.

9M16 Results Showed Margins Compression

The financial result was very disappointing as it showed weak figures and margin compression across the board. Revenue was booked decreased by 4% YoY to IDR 10.04tn mainly due to coal selling price correction. The weighted ASP was decreased by 9% YoY to IDR 645,844/ton and the export ASP was also decreased by 15% to USD 51.75/ton. Moreover, gross profit decreased by 17% YoY to IDR 2.45tn and net profit drop by 30% YoY to IDR 1.06tn. Gross margin compressed from 28% to 24% while net margin also compressed from 14% to 11%.

Financial Highlights	2014	2015	2016E	2017F	2018F
Revenue (IDR bn)	13,077	13,733	14,652	22,317	23,194
% growth	17%	5%	7%	52%	4%
Gross Profit (IDR bn)	3,922	4,139	3,597	5,679	6,262
Net Profit (IDR bn)	1,863	2,037	1,313	2,178	2,470
% growth	1%	9%	-36%	66%	13%
Gross Margin (%)	30.0%	30.1%	25.0%	25.0%	27.0%
Net Margin (%)	14.3%	14.8%	9.0%	10.0%	11.0%
Return on Equity (%)	21.9%	21.9%	14.0%	20.0%	20.0%
Return on Assets (%)	12.5%	12.1%	8.0%	10.0%	11.0%

Source: Bloomberg, Company Data, Sinarmas Investment Research

Performance Results	2Q15	3Q15	2Q16	3Q16	QoQ	YoY	9M15	9M16	YoY
Production and Purchase Volumes (MT)	5.44	6.12	4.93	5.51	12%	-10%	15.26	14.02	-8%
- Production	5.06	5.76	4.48	5.33	19%	-7%	14.08	12.98	-8%
- Purchase	0.38	0.35	0.46	0.17	-63%	-51%	1.17	1.04	-12%
Transportation (MT)	3.88	4.47	4.20	4.20	0%	-6%	11.94	12.68	6%
Sales Volume (MT)	4.45	5.32	4.79	5.12	7%	-4%	14.35	15.14	6%
- Export	2.02	2.48	1.42	2.22	56%	-10%	6.89	5.96	-13%
- Domestic	2.43	2.85	3.37	2.90	-14%	2%	7.46	9.18	23%
ASP									
- Export (USD/ton)							60.81	51.75	-15%
- Weighted (IDR/ton)							712,099	645,844	-9%
Sales Revenue (IDR bn)	3,235	3,990	3,213	3,284	2%	-18%	10,502	10,042	-4%
- Export	1,549	1,987	932	1,345	44%	-32%	5,334	3,816	-28%
- Domestic	1,521	2,168	2,282	1,939	-15%	-11%	5,168	6,226	20%

Income Statement (IDR bn)	2Q15	3Q15	2Q16	3Q16	QoQ	YoY	9M15	9M16	YoY
Revenue	3,235	3,990	3,214	3,283	2%	-18%	10,502	10,042	-4%
Cost of revenue	2,292	2,740	2,378	2,488	5%	-9%	7,538	7,597	1%
Gross profit	942	1,250	836	795	-5%	-36%	2,963	2,445	-17%
<i>margin</i>	<i>29%</i>	<i>31%</i>	<i>26%</i>	<i>24%</i>			<i>28%</i>	<i>24%</i>	
Operating profit	534	905	456	417	-9%	-54%	1,798	1,334	-26%
Profit before income tax	622	943	512	452	-12%	-52%	2,012	1,444	-28%
Income tax expenses	168	233	131	111	-15%	-52%	508	389	-23%
Profit for the period	454	710	382	341	-11%	-52%	1,504	1,055	-30%
<i>margin</i>	<i>14%</i>	<i>18%</i>	<i>12%</i>	<i>10%</i>			<i>14%</i>	<i>11%</i>	
Other comprehensive income/(loss)	20	41	(37)	43			77	(62)	
Total comprehensive income	475	751	344	384	11%	-49%	1,582	993	-37%
Profit attributable to:									
Owners of the parent	455	710	379	340	-10%	-52%	1,506	1,052	-30%
Non-controlling interests	(0)	(1)	2	1			(1)	3	
	454	710	382	341	-11%	-52%	1,504	1,055	-30%
EPS (full amount)	209	331	175	157	-10%	-53%	697	486	-30%

Appendix I: Financial Statements

Balance Sheet (in IDR bn)	2014	2015	2016E	2017F	2018F
Cash and cash equivalents	4,039	3,115	2,745	2,036	2,431
Inventories	1,033	1,233	1,237	1,944	1,989
Investment in joint venture	936	1,070	1,095	1,704	1,753
Fixed Assets	3,988	5,579	6,074	6,718	7,312
Mining properties	60	47	58	82	89
Plantations	303	274	246	217	189
TOTAL ASSETS	14,861	16,894	16,727	21,068	22,327
Accrued expenses	1,204	1,647	1,676	2,690	2,652
Short-term bank borrowings	826	739	989	950	950
Short-term portion of long-term bank borrowings	467	597	402	-	54
Long-term portion of post-employment benefits obligation	1,646	1,873	1,927	2,992	3,081
Long-term bank borrowings	962	623	322	228	80
TOTAL LIABILITIES	6,336	7,606	7,246	10,065	9,942
Equity attributable to owners of the parent					
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)	(2,302)	(2,302)	(2,302)	(2,302)
Retained earnings					
Appropriated	7,297	8,607	8,913	10,206	11,380
Unappropriated	1,763	1,585	1,573	1,801	2,008
Non-controlling interests	117	113	114	115	116
TOTAL EQUITY	8,525	9,288	9,481	11,003	12,385

Income Statement (in IDR bn)	2014	2015	2016E	2017F	2018F
Revenue	13,078	13,734	14,652	22,317	23,195
Cost of revenue	9,156	9,594	11,055	16,637	16,932
Gross profit	3,922	4,140	3,597	5,680	6,263
General and administrative expenses	1,060	1,031	1,143	1,708	1,793
Selling and marketing expenses	737	693	782	1,159	1,221
Other expenses/(income), net	77	2	-	-	-
Operating profit	2,049	2,414	1,672	2,813	3,249
Finance income	268	273	240	226	162
Finance costs	(49)	(157)	(161)	(134)	(117)
Share in net (loss)/profit of associates	146	134	-	-	-
Profit before income tax	2,414	2,664	1,751	2,904	3,294
Income tax expense	550	627	438	726	824
Profit for the year	1,864	2,037	1,313	2,178	2,471
Other comprehensive income, net of tax	104	(161)	-	-	-
Total comprehensive income	1,968	1,876	1,313	2,178	2,471

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