

**Inline FY19 results.** PTBA FY19 revenue and net profit came in at IDR 21.8 tn (+2.2% YoY) and IDR 4.1 tn (-19.2% YoY), achieving 102% and 100% of our estimates respectively. Net margin dropped by 510 bps to 18.6% as of FY19. Decline in net profit and margin were mainly contributed by a drop in ASP to USD ~54.2 per ton (-6.5% YoY), whereas production cost remains flat at USD ~35.9 (+1.9% YoY) as SR was increased at 4.6x (vs 4.1x in FY18).

**Quarterly results.** On QoQ basis, 4Q19 revenue and net profit came in at IDR 5.5 tn (+7.8% YoY, -1.9% QoQ) and IDR 955.6 bn (-12.7% YoY, -12.6% QoQ) respectively. Meanwhile, production and sales volume were recorded at 7.5 Mt (+12.3% YoY, -14.8% QoQ) and 7.2 Mt (+17.8% YoY, +0.0% QoQ). Net margin contracted by 210 bps as ASP declined by 1.4% QoQ while production cost rose slightly by 2.9% QoQ.

**Output growth slow down while price remains weak.** We expect PTBA earnings to remain soft in FY20 (-8.3% YoY) as price would remain weak for the rest of the year due to soft demand outlook on coal. Meanwhile, on volume side, management guides volume to slow down to 4.1% YoY, partly due to uncertainty on coal price and soft demand. As a result, we forecast PTBA to book FY20 earnings at IDR 3.7 tn (-8.3% YoY), while margin deteriorate slightly by 90 bps as SR guidance was maintained at 4.6x (vs 4.6x in FY19).

**Focus on diversification.** The company aims to diversify itself from thermal business by moving to downstream, namely on thermal power plant projects (1.5 GW plan) and coal to chemical projects (DME, Urea and polypropylene). This should act as the long term growth driver for the company. Capex and investment would most likely be put in these projects.

**We maintain our NEUTRAL rating on PT Bukit Asam Tbk (PTBA) with lower 52-week TP of IDR 2,600, derived from DCF valuation (12% WACC).** Our target price implies 8.0x FY20F PE, -1.0SD from 10 year average PE. We remain cautious on the stock, mainly due to headwind on the coal sector. However, attractive annual dividend yield potential at 11% should give some support for the stock price. Downside risks to our call are lower than expected coal price and slower than expected economy growth due to coronavirus.

Highlights (IDR Bn)	2018	2019E	2020F	2021F	2022F
Revenue	21,167	21,788	21,861	23,329	24,358
% growth	8.7%	2.9%	0.3%	6.7%	4.4%
EBITDA	7,002	5,806	5,625	5,885	6,034
Net Profit	5,024	4,057	3,712	3,923	4,028
% growth	12.2%	-19.2%	-8.5%	5.7%	2.7%
EBITDA Margin (%)	33.1%	26.6%	25.7%	25.2%	24.8%
Net Margin (%)	24.2%	18.5%	16.9%	16.7%	16.5%
Return on Equity (%)	30.9%	22.0%	19.5%	19.4%	18.9%
Return on Assets (%)	20.8%	15.5%	13.1%	13.2%	12.9%
EPS (IDR)	436	352	322	341	350

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Sector	Coal Mining
Bloomberg Ticker	PTBA IJ
Market Cap. (IDR tn)	28.2
Share Out./Float (mn)	11,520/3,925
Current Price	IDR 2,450
52-week Target Price	IDR 2,600
Upside (%)	6.1%

**Share Price Performance**

52W High (03/27/19)	4,260
52W Low (10/07/19)	2,110
52W Beta	1.2
YTD Change (%)	-7.9%

**Relative Valuations**

Trailing P/E	6.6x
Forward P/E	7.8x
P/BV	1.5x
EV/EBITDA	4.1x

**PTBA - 4Q19 Earnings Summary**

<b>IDR Mn</b>	<b>4Q18</b>	<b>3Q19</b>	<b>4Q19</b>	<b>%QoQ</b>	<b>%YoY</b>	<b>FY18</b>	<b>FY19</b>	<b>%YoY</b>	<b>%DH</b>	<b>%Cons</b>
Revenue	5,131,365	5,639,092	5,533,511	-1.9%	7.8%	21,166,993	21,787,564	2.9%	100.0%	101.1%
Gross Profit	1,878,453	2,048,792	1,906,373	-7.0%	1.5%	8,545,793	7,611,504	-10.9%	100.0%	95.7%
Operating Profit	1,109,440	1,489,123	932,457	-37.4%	-16.0%	6,283,088	5,014,355	-20.2%	100.0%	91.5%
Net Profit	1,094,047	1,092,936	955,624	-12.6%	-12.7%	5,023,946	4,056,888	-19.2%	100.0%	98.9%
<b>Margin</b>										
GPM	36.6%	36.3%	34.5%			40.4%	34.9%			
OPM	21.6%	26.4%	16.9%			29.7%	23.0%			
NPM	21.3%	19.4%	17.3%			23.7%	18.6%			

Source: Company Data, Sinarmas Investment Research

<b>Income Statement (IDR Bn)</b>	<b>2018</b>	<b>2019E</b>	<b>2020F</b>	<b>2021F</b>	<b>2022F</b>
<b>Revenue</b>	<b>21,167</b>	<b>21,788</b>	<b>21,861</b>	<b>23,329</b>	<b>24,358</b>
Cost of Revenue	(12,621)	(14,176)	(14,646)	(15,714)	(16,467)
<b>Gross Profit</b>	<b>8,546</b>	<b>7,612</b>	<b>7,215</b>	<b>7,615</b>	<b>7,891</b>
General & Administrative Expenses	(1,756)	(1,935)	(2,012)	(2,144)	(2,264)
Selling and Marketing Expenses	(841)	(829)	(950)	(1,007)	(1,059)
Other Income (Expense)	335	166	227	202	210
<b>EBIT</b>	<b>6,283</b>	<b>5,014</b>	<b>4,479</b>	<b>4,665</b>	<b>4,779</b>
<b>EBITDA</b>	<b>7,002</b>	<b>5,806</b>	<b>5,625</b>	<b>5,885</b>	<b>6,034</b>
Net Financing	223	261	242	306	324
Share in Net Loss of Associates & JV	352	179	208	239	246
<b>EBT</b>	<b>6,858</b>	<b>5,455</b>	<b>4,929</b>	<b>5,210</b>	<b>5,349</b>
Tax	(1,737)	(1,415)	(1,232)	(1,302)	(1,337)
Non Controlling Interest	97	(16)	(15)	(16)	(16)
<b>Net Profit for the Year</b>	<b>5,024</b>	<b>4,057</b>	<b>3,712</b>	<b>3,923</b>	<b>4,028</b>

<b>Balance Sheet (IDR Bn)</b>	<b>2018</b>	<b>2019E</b>	<b>2020F</b>	<b>2021F</b>	<b>2022F</b>
Cash and Cash Equivalent	6,301	4,757	6,777	6,791	7,374
Trade Receivables	2,782	2,724	2,733	2,916	3,045
Other Current Assets	2,657	4,440	4,498	4,832	5,155
<b>Total Current Assets</b>	<b>11,739</b>	<b>11,921</b>	<b>14,008</b>	<b>14,539</b>	<b>15,575</b>
Fixed Assets	6,548	7,273	7,401	7,551	7,703
Other Non Current Assets	5,886	6,905	6,909	7,574	7,946
<b>Total Assets</b>	<b>24,173</b>	<b>26,098</b>	<b>28,319</b>	<b>29,664</b>	<b>31,224</b>
Accruals & Trade Payables	2,322	2,650	2,555	2,876	3,025
Bank Loans	85	152	321	343	358
Other Current Liabilities	2,528	1,889	2,412	2,421	2,449
<b>Total Current Liabilities</b>	<b>4,936</b>	<b>4,691</b>	<b>5,287</b>	<b>5,639</b>	<b>5,832</b>
Other Non Current Liabilities	2,968	2,984	3,954	3,824	4,122
<b>Total Liabilities</b>	<b>7,903</b>	<b>7,675</b>	<b>9,241</b>	<b>9,463</b>	<b>9,954</b>
Share & APIC	1,183	1,434	1,434	1,434	1,434
Treasury Shares	(2,302)	(402)	(402)	(402)	(402)
Retained Earnings	16,815	17,057	17,727	18,866	19,951
Non Controlling Interest	255	165	149	134	117
Other Components of Equity	320	169	169	169	169
<b>Total Equity</b>	<b>16,270</b>	<b>18,423</b>	<b>19,077</b>	<b>20,201</b>	<b>21,270</b>
<b>Total Equity &amp; Liabilities</b>	<b>24,173</b>	<b>26,098</b>	<b>28,319</b>	<b>29,664</b>	<b>31,224</b>

Source: Company Data, Sinarmas Investment Research

Cash Flow (IDR Bn)	2018	2019E	2020F	2021F	2022F
<b>Net Income</b>	<b>5,024</b>	<b>4,057</b>	<b>3,712</b>	<b>3,923</b>	<b>4,028</b>
Depreciation	504	723	803	841	879
Amortization	64	79	103	128	113
Chg. in NWC	2,616	(1,920)	371	(197)	(282)
<b>CF from Operating</b>	<b>8,207</b>	<b>2,939</b>	<b>4,989</b>	<b>4,695</b>	<b>4,738</b>
Capital Expenditure	(894)	(1,391)	(874)	(933)	(974)
Chg. in LT Assets	(1,238)	(1,155)	(164)	(850)	(543)
Chg in LT Liabilities	(635)	168	502	(182)	262
<b>CF from Investing</b>	<b>(2,766)</b>	<b>(2,378)</b>	<b>(536)</b>	<b>(1,966)</b>	<b>(1,255)</b>
Chg. in Share & APIC	0	252	0	0	0
Chg. in ST Loans	(69)	(50)	158	32	23
Chg. in LT Loans	(72)	(152)	467	52	37
Dividends Paid	(2,774)	(3,815)	(3,043)	(2,784)	(2,943)
Others	220	1,659	(15)	(16)	(16)
<b>CF from Financing</b>	<b>(2,695)</b>	<b>(2,105)</b>	<b>(2,432)</b>	<b>(2,716)</b>	<b>(2,900)</b>
Change in Cash	2,746	(1,544)	2,020	14	583
Beginning Cash	3,555	6,301	4,757	6,777	6,791
<b>Ending Cash</b>	<b>6,301</b>	<b>4,757</b>	<b>6,777</b>	<b>6,791</b>	<b>7,374</b>

Financial Ratio & Key Assumption	2018	2019E	2020F	2021F	2022F
<b>Profitability</b>					
ROE	30.9%	22.0%	19.5%	19.4%	18.9%
ROA	20.8%	15.5%	13.1%	13.2%	12.9%
Gross Margin	40.4%	34.9%	33.0%	32.6%	32.4%
Operating Margin	29.7%	23.0%	20.5%	20.0%	19.6%
EBITDA Margin	33.1%	26.6%	25.7%	25.2%	24.8%
Net Profit Margin	24.2%	18.5%	16.9%	16.7%	16.5%
<b>Liquidity</b>					
Current Ratio	2.4	2.5	2.6	2.6	2.7
<b>Solvency</b>					
Debt to Equity	0.5	0.4	0.5	0.5	0.5
Debt to Assets	0.3	0.3	0.3	0.3	0.3
<b>Valuation</b>					
Price to Earning (PE)	5.9	7.3	8.0	7.6	7.4
Price to Book (PBV)	1.8	1.6	1.6	1.5	1.4
<b>Key Assumptions</b>					
Coal Price (\$/ton)	100.0	75.0	70.0	75.0	75.0
ASP Blended (\$/ton)	57.9	51.6	51.0	52.2	52.2
Coal Production	26.4	29.1	30.0	31.3	32.6
Stripping Ratio	4.1	4.6	4.5	4.5	4.5

Source: Company Data, Sinarmas Investment Research

## SINARMAS SEKURITAS INVESTMENT RATINGS GUIDE

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