

Sluggish top-line, weak sales volume. PTBA posted 9M20 revenue/gross profit/NPATMI at IDR 12.8/3.5/1.7 tn, down by -21%/-38%/-44% YoY, forming 69%/57%/62% of our estimate. In 3Q20, PTBA's revenue declined to IDR 3.8 tn (-1% QoQ, -32% YoY) mainly due to lower ASP (-2.8% QoQ). Sales volume showed little recovery (+3.4% QoQ) even despite higher production output (+13.8%) which indicates soft demand recovery during the quarter. Thus, inventories rose by 27.3% QoQ. 3Q20's domestic sales were down by -30% YoY, but only up by 5% QoQ, whereas export sales were up by +5.5%YoY/+1.7% QoQ which shows laggard recovery from domestic market.

GPM contracted while OPM expand due to lower opex. Due to sluggish revenue recovery, GPM contracted by 110 bps QoQ even despite slight decline in cash cost (-0.5% QoQ, -5% YoY). However, OPM jumped to 11.5% in 3Q20 (vs 7.8% in 2Q20) mainly coming from lower G&A expense (-34% QoQ). As a result 3Q20's profit slight increased to IDR 439.4 bn (+14% QoQ, -60% YoY) which brings 9M20 profit to IDR 1.7 tn (-44% YoY) and forms 62%/64% of our and consensus estimate.

Revising our forecast. Due to lower than expected 3Q20 result performance, we tone down our revenue/NPAT forecast by -9%/-19% for FY20E. We slightly lower our production/sales volume estimates by -4%/-7% as we saw mild recovery in the domestic market in 3Q20. Nonetheless, we expect more solid growth recovery in quarters ahead along with better domestic recovery as PSBB has been relaxed and Covid-19 cases have started to decline. Hence, we still forecast +9%/+4% YoY production recovery in FY21F/22F.

We reiterate our ADD rating on PT Bukit Asam Tbk (PTBA) with slightly lower 52-week TP of 2,300. Our target price provides 15% potential upside and implies 8.1/6.9x FY21F/22F PE. Short term key catalyst for the stock are 1) coal price recovery driven by stronger demand from China amidst winter season and import ban toward Australia, 2) stronger domestic recovery post PSBB relaxation, declining Covid-19 cases trend, and forthcoming vaccine rollout. PTBA is currently trading at 7.1x FY21F PE, -0.8SD from 5-years average PE. Downside risk to our call are longer than expected domestic recovery and policy intervention from China.

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Sector	Coal Mining
Bloomberg Ticker	PTBA IJ
Market Cap. (IDR tn)	22.9
Share Out./Float (mn)	11,520/3,594
Current Price	IDR 1,990
52-week Target Price	IDR 2,300
Upside (%)	15.6%

Share Price Performance

52W High (01/14/20)	2,870
52W Low (03/20/20)	1,385
52W Beta	1.1
YTD Change (%)	-25.2%

Relative Valuations

Trailing P/E	6.6x
Forward P/E	8.1x
P/BV	1.4x
EV/EBITDA	3.2x

Highlights (IDR Bn)	2018	2019	2020E	2021F	2022F
Revenue	21,167	21,788	16,854	19,718	21,937
% growth	8.7%	2.9%	-22.6%	17.0%	11.3%
EBITDA	7,002	5,806	3,298	4,678	5,431
Net Profit	5,024	4,057	2,265	3,247	3,834
% growth	12.2%	-19.2%	-44.2%	43.4%	18.1%
EBITDA Margin (%)	33.1%	26.6%	19.6%	23.7%	24.8%
Net Margin (%)	24.2%	18.5%	13.5%	16.6%	17.6%
Return on Equity (%)	30.9%	22.0%	12.8%	16.9%	18.6%
Return on Assets (%)	20.8%	15.5%	9.0%	11.9%	13.1%
EPS (IDR)	436	352	197	282	333

PTBA - 3Q20 Earnings Summary

IDR Mn	3Q19	2Q20	3Q20	%QoQ	%YoY	9M19	9M20	%YoY	%DH	%Cons
Revenue	5,639,092	3,889,986	3,836,389	-1%	-32%	16,254,053	12,848,865	-21%	69.4%	70.1%
Cost of Revenue	-3,590,300	-2,864,538	-2,865,584	0%	-20%	-10,548,922	-9,328,086	-12%		
Gross Profit	2,048,792	1,025,448	970,805	-5%	-53%	5,705,131	3,520,779	-38%	61.6%	63.9%
G&A Expense	-451,047	-449,826	-298,653	-34%	-34%	-1,244,843	-1,167,148	-6%		
Selling & Marketing	-230,217	-177,514	-184,086	4%	-20%	-619,418	-525,926	-15%		
Others	121,595	-94,084	-45,294	-52%	-137%	241,028	-815	-100%		
Operating Profit	1,489,123	304,024	442,772	46%	-70%	4,081,898	1,826,890	-55%	57.2%	59.1%
Net Financing	6,470	75,885	45,550	-40%	604%	136,148	190,002	40%		
Profit from JV	37,872	220,891	72,552	-67%	92%	94,674	332,082	251%		
Tax Expense	-434,126	-209,589	-119,636	-43%	-72%	-1,187,639	-607,547	-49%		
NCI	-6,403	-5,635	-1,868	-67%	-71%	-23,817	-13,232	-44%		
NPATMI	1,092,936	385,576	439,370	14%	-60%	3,101,264	1,728,195	-44%	61.8%	64.1%

Margin

GPM	36.3%	26.4%	25.3%			35.1%	27.4%
OPM	26.4%	7.8%	11.5%			25.1%	14.2%
NPM	19.4%	9.9%	11.5%			19.1%	13.5%

Operational Highlights

Coal Production	8.8	6.5	7.4	13.8%	-15.9%	21.6	19.4	-10.2%
Coal Sales	7.2	5.8	6.0	3.4%	-16.7%	20.6	18.6	-9.7%
ASP (USD/ton)	53.8	44.4	43.2	-2.8%	-19.7%	54.5	46.5	-14.7%
Cash Cost (USD/ton)	34.7	33.1	32.9	-0.5%	-5.0%	35.9	34.4	-4.4%
Stripping Ratio	4.6	4.4	4.4	0.0%	-4.3%	4.6	4.4	-4.3%

Source: Company Data, Sinarmas Investment Research

	Previous			New			%Change		
	2020E	2021F	2022F	2020E	2021F	2022F	2020E	2021F	2022F
Revenue	18,512,834	20,831,314	22,598,070	16,854,075	19,717,521	21,937,030	-9%	-5%	-3%
Gross Profit	5,720,048	6,864,194	7,694,578	4,647,751	6,216,835	7,157,418	-19%	-9%	-7%
Operating Profit	3,193,038	4,122,918	4,757,889	2,429,121	3,754,380	4,493,142	-24%	-9%	-6%
Net Profit	2,798,096	3,548,702	4,054,416	2,264,708	3,247,121	3,834,414	-19%	-8%	-5%
Key Assumptions									
Coal Production	26.6	28.6	29.8	25.5	27.9	29.0	-4%	-3%	-3%
Sales Volume	26.6	28.6	29.8	24.8	27.9	29.0	-7%	-3%	-3%
SR	4.4	4.5	4.5	4.4	4.5	4.5	0%	0%	0%
XW1 Coal Price	60	65	70	60	65	70	0%	0%	0%

Source: Company Data, Sinarmas Investment Research

Income Statement (IDR Bn)	2018	2019	2020E	2021F	2022F
Revenue	21,167	21,788	16,854	19,718	21,937
Cost of Revenue	(12,621)	(14,176)	(12,206)	(13,501)	(14,780)
Gross Profit	8,546	7,612	4,648	6,217	7,157
General & Administrative Expenses	(1,756)	(1,935)	(1,521)	(1,702)	(1,848)
Selling and Marketing Expenses	(841)	(829)	(724)	(789)	(846)
Other Income (Expense)	335	166	26	28	29
EBIT	6,283	5,014	2,429	3,754	4,493
EBITDA	7,002	5,806	3,298	4,678	5,431
Net Financing	223	261	246	301	341
Share in Net Loss of Associates & JV	352	179	360	296	304
EBT	6,858	5,455	3,035	4,351	5,138
Tax	(1,737)	(1,415)	(759)	(1,088)	(1,285)
Non Controlling Interest	97	(16)	11	16	19
Net Profit for the Year	5,024	4,057	2,265	3,247	3,834

Balance Sheet (IDR Bn)	2018	2019	2020E	2021F	2022F
Cash and Cash Equivalent	6,301	4,757	6,166	6,472	7,216
Trade Receivables	2,782	2,724	2,107	2,465	2,742
Other Current Assets	2,657	4,440	3,509	4,109	4,652
Total Current Assets	11,739	11,921	11,782	13,046	14,611
Fixed Assets	6,548	7,273	7,055	7,091	7,182
Other Non Current Assets	5,886	6,905	6,305	7,075	7,556
Total Assets	24,173	26,098	25,143	27,212	29,348
Accruals & Trade Payables	2,322	2,650	2,129	2,471	2,715
Bank Loans	85	152	2	2	2
Other Current Liabilities	2,528	1,889	2,039	2,223	2,339
Total Current Liabilities	4,936	4,691	4,170	4,696	5,056
Other Non Current Liabilities	2,968	2,984	3,317	3,295	3,653
Total Liabilities	7,903	7,675	7,487	7,991	8,709
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	16,279	17,828	19,227
Non Controlling Interest	255	165	176	192	212
Other Components of Equity	320	169	169	169	169
Total Equity	16,270	18,423	17,656	19,221	20,639
Total Equity & Liabilities	24,173	26,098	25,143	27,212	29,348

Source: Company Data, Sinarmas Investment Research

Cash Flow (IDR Bn)	2018	2019	2020E	2021F	2022F
Net Income	5,024	4,057	2,265	3,247	3,834
Depreciation	504	723	780	810	844
Amortization	64	79	100	125	107
Chg. in NWC	2,616	(1,920)	964	(452)	(462)
CF from Operating	8,207	2,939	4,109	3,730	4,324
Capital Expenditure	(894)	(1,391)	(506)	(789)	(877)
Chg. in LT Assets	(1,238)	(1,155)	442	(952)	(645)
Chg in LT Liabilities	(635)	168	(40)	(59)	356
CF from Investing	(2,766)	(2,378)	(104)	(1,800)	(1,166)
Chg. in Share & APIC	0	252	0	0	0
Chg. in ST Loans	(69)	(50)	63	21	1
Chg. in LT Loans	(72)	(152)	373	37	2
Dividends Paid	(2,774)	(3,815)	(3,043)	(1,699)	(2,435)
Others	220	1,659	11	16	19
CF from Financing	(2,695)	(2,105)	(2,595)	(1,625)	(2,413)
Change in Cash	2,746	(1,544)	1,409	306	744
Beginning Cash	3,555	6,301	4,757	6,166	6,472
Ending Cash	6,301	4,757	6,166	6,472	7,216

Financial Ratio & Key Assumption	2018	2019	2020E	2021F	2022F
Profitability					
ROE	30.9%	22.0%	12.8%	16.9%	18.6%
ROA	20.8%	15.5%	9.0%	11.9%	13.1%
Gross Margin	40.4%	34.9%	27.6%	31.5%	32.6%
Operating Margin	29.7%	23.0%	14.4%	19.0%	20.5%
EBITDA Margin	33.1%	26.6%	19.6%	23.7%	24.8%
Net Profit Margin	24.2%	18.5%	13.5%	16.6%	17.6%
Liquidity					
Current Ratio	2.4	2.5	2.8	2.8	2.9
Solvency					
Debt to Equity	0.5	0.4	0.4	0.4	0.4
Debt to Assets	0.3	0.3	0.3	0.3	0.3
Valuation					
Price to Earning (PE)	5.3	6.5	11.7	8.1	6.9
Price to Book (PBV)	1.6	1.4	1.5	1.4	1.3
Key Assumptions					
Coal Price (\$/ton)	107.3	78.0	60.0	65.0	70.0
ASP Blended (\$/ton)	57.9	51.6	45.0	48.0	51.2
Coal Production	26.4	29.1	25.5	27.9	29.0
Stripping Ratio	4.1	4.6	4.4	4.5	4.5

Source: Company Data, Sinarmas Investment Research

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