

Company Update

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PT Bukit Asam (Persero) Tbk (PTBA)
1Q16 Resilient Growth

NEUTRAL

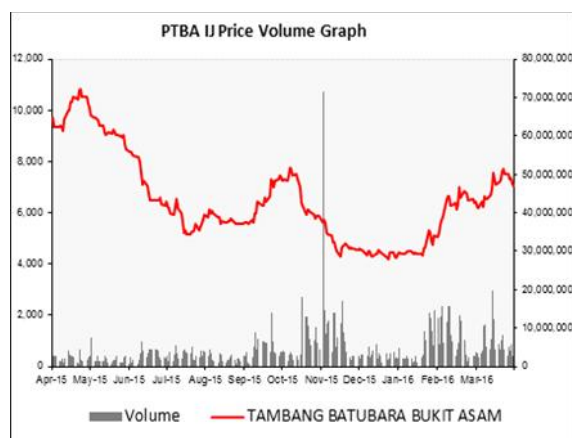


PT Bukit Asam (Persero) Tbk provides coal mining activities. The company offers services including general surveying, exploration, exploitation, production, transportation, and marketing of coal.

Current Price: IDR 7,050

52-Week Target Price: IDR 7,000

Previous Target Price: IDR 7,000



NEUTRAL With 52-Week TP IDR 7,000/share. We downgrade our recommendation from BUY to NEUTRAL, but still maintain our 52-week TP of IDR 7,000/share as the current stock price has been priced in its fair value. Moreover, although the 1Q16 results is not as strong as we think before, but it has showed us the company has persistently growing during this challenging environment and successfully managed its efficiencies to improved margins and net profit. Thus, we still believe the company is able to improve its performance during the three quarters left this year.

1Q16 Net Profit Below Our Estimate. Net profit decreased by 2% YoY to IDR 332.86bn (12% of our FY16E), mainly due to the slow growth in sales revenue and the immaterially increase in income tax expense to 30% from 23% in 1Q15. Other than that, the company has successfully maintained its COGS and reduced operating expenses with gross profit margin stable at 23% and operating profit margin improved to 13% from 11% in 1Q15.

1Q16 Revenue Grew Moderately. 1Q16 revenue of IDR 3.54tn (+8% YoY) was came in line our estimate which equal to 20% of our FY16E of IDR 18.14tn. The export sales volume of 2.32 MT was 3% YoY less than that in 1Q15 while the domestic sales volume of 2.91 MT was 33% YoY higher. However, overall sales volume increased by 14% YoY to 5.23 MT. The sales volume proportion between domestic and export markets was 55% and 45% in respectively compared to our estimate of 52% and 48% in respectively. Export ASP declined by 17% YoY to USD 52.64/MT and blended ASP declined by 5% YoY to IDR 664,289/MT, which both ASPs in line with our expectation.

Gaining More Revenue from Export. The company will continue to sell medium-to-high calories of coal for export market to gain more revenue just like what the company did in 2H15. The company claims that the demand for higher calories of coal is still available in other countries, such as Taiwan, Japan, Malaysia and Vietnam. Also the company will continue to penetrate potential countries like Korea, Philippine and Bangladesh.

Share Price Performance

Price (IDR)	7,050
52-Week High (05/21/15)	10,925
52-Week Low (01/20/16)	4,150
52-Week Beta	1.49
YTD Change/%	2,525.00 / 55.8%

Stock Information

Market Cap (IDR)	16,244.1B
Shares Out/Float (M)	2,304.1M/662.3M

Financial Highlights	2014	2015	2016E	2017F	2018F
Revenue (IDR bn)	13,077	13,733	18,139	20,436	24,779
% growth	17%	5%	32%	13%	21%
Gross Profit (IDR bn)	3,922	4,139	5,777	6,404	7,829
Net Profit (IDR bn)	1,863	2,037	2,674	2,907	3,504
% growth	1%	9%	31%	9%	21%
Gross Margin (%)	30.0%	30.1%	31.9%	31.3%	31.6%
Net Margin (%)	14.3%	14.8%	14.7%	14.2%	14.1%
Return on Equity (%)	21.9%	21.9%	24.7%	23.4%	24.2%
Return on Assets (%)	12.5%	12.1%	14.4%	14.1%	14.6%

Source: Company Data, Sinarmas Investment Research

Performance Results	1Q16	1Q15	% YoY	Our FY16E	1Q16/Our FY16E
Coal Production and Purchase Volumes (MT)	3.58	3.70	-3.2%	28.32	12.6%
- Production	3.17	3.26	-2.8%	25.75	12.3%
- Purchase	0.41	0.44	-6.8%	2.57	16.0%
Transportation (MT)	4.28	3.59	19.2%	23.70	18.1%
Coal Sales Volume (MT)	5.23	4.58	14.2%	29.17	17.9%
- Export	2.32	2.39	-2.9%	14.00	16.6%
- Domestic	2.91	2.18	33.5%	15.17	19.2%
Export ASP (USD/ton)	52.64	63.69	-17.3%	49.62	106.1%
Weighted ASP (IDR/ton)	664,289	700,847	-5.2%	621,848	106.8%
Sales Revenue (IDR bn)	3,545	3,277	8.2%	18,139	19.5%
- Export	1,539	1,798	-14.4%	8,761	17.6%
- Domestic	2,005.00	1,479.00	0	9,378	0

Income Statement (IDR bn)	1Q16	1Q15	Growth (% YoY)	Our FY16E	1Q16/Our FY16E
Revenue	3,545	3,277	8.2%	18,139	19.5%
Cost of revenue	2,731	2,506	9.0%	12,362	22.1%
Gross profit	814	771	5.6%	5,778	14.1%
Operating profit	461	359	28.3%	3,394	13.6%
Profit before income tax	480	448	7.3%	3,566	13.5%
Income tax expenses	147	107	37.6%	891	16.5%
Profit for the year	333	340	-2.2%	2,674	12.4%

Appendix I: Financial Statements

Balance Sheet (in IDR bn)	2014	2015	2016E	2017F	2018F
Cash and cash equivalents	4,039	3,115	1,926	1,334	1,638
Inventories	1,033	1,233	1,531	1,780	2,125
Investment in joint venture	936	1,070	1,356	1,560	1,872
Fixed Assets	3,988	5,579	6,703	7,752	8,726
Mining properties	60	47	72	75	95
Plantations	303	274	295	291	287
TOTAL ASSETS	14,861	16,894	18,534	20,617	24,009
Accrued expenses	1,204	1,647	1,874	2,268	2,655
Short-term bank borrowings	826	739	-	-	-
Short-term portion of long-term bank borrowings	467	597	805	-	215
Long-term portion of post-employment benefits obligation	1,646	1,873	2,386	2,740	3,291
Long-term bank borrowings	962	623	416	416	201
TOTAL LIABILITIES	6,336	7,606	7,668	8,180	9,520
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	9,830	11,434	13,178
Unappropriated	1,763	1,585	2,017	1,981	2,286
Non-controlling interests	117	113	114	116	118
TOTAL EQUITY	8,525	9,288	10,842	12,413	14,464

Income Statement (in IDR bn)	2014	2015	2016E	2017F	2018F
Revenue	13,078	13,734	18,139	20,437	24,780
Cost of revenue	9,156	9,594	12,362	14,032	16,950
Gross profit	3,922	4,140	5,778	6,405	7,829
General and administrative expenses	1,060	1,031	1,415	1,564	1,915
Selling and marketing expenses	737	693	968	1,061	1,305
Other expenses/(income), net	77	2	-	-	-
Operating profit	2,049	2,414	3,394	3,779	4,609
Finance income	268	273	240	158	106
Finance costs	(49)	(157)	(68)	(62)	(44)
Share in net (loss)/profit of associates	146	134	-	-	-
Profit before income tax	2,414	2,664	3,566	3,876	4,672
Income tax expense	550	627	891	969	1,168
Profit for the year	1,864	2,037	2,674	2,907	3,504
Other comprehensive income, net of tax	104	(161)	-	-	-
Total comprehensive income	1,968	1,876	2,674	2,907	3,504

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