

FY16 Results Better Than Estimate. The successful company's achievement last year by booking net profit of IDR 2.02tn (-0.6% YoY) represents 54% higher than our estimate, despite its revenue booked only by 96% of our estimate or by IDR 14.06tn (+1.5% YoY) due to 4% YoY lower in ASP. The company executed its cost efficiency very well, especially in COGS (+0.7% YoY) and finance costs (-5.4% YoY). The management claimed that in 4Q16 Pama agreed to cut its mining rate from USD 2.2/bcm to USD 1.7/bcm.

FY16 Strong Operational Performance. The company's financial performance last year was supported by its strong operations. Production and sales volumes achieved by 19.6 million tons (+2% YoY) and 20.7 million tons (+9% YoY) in respectively despite the challenging demand in coal market. Domestic sales volume increased by 22% YoY to 12.3 million tons (59% of total), which was driven by stronger demand, compensated the 6% YoY decreased in export sales volume of 8.5 million tons (41%). Moreover, coal transported increased by 12% YoY to 17.22 million tons on the back of the additional new locomotive and wagons were already fully operated.

FY17E Promising Outlook. We believe the performance this year will be better than last year. Revenue and net profit to grow by 52% YoY and 125% YoY to IDR 21.4tn and IDR 4.6tn respectively. Based on management guidance, production and sales volumes are estimated to grow by 22% YoY and 31% YoY to 24.07 million tons and 27.28 million tons respectively. Moreover, we forecast a 16% YoY increased in ASP for this year. On the top of that, the low mining rate from Pama is likely to continue benefit to cost efficiency.

Aggressive Expansion. On the back of huge amount sitting on its cash, the company plans to expand its business organically as well as inorganically, in order to grow their business more aggressively. According to local news, 3-5 coal mines are being targeted with resource qualification of at least 100 million tons per mine. Moreover, the company eyes to acquire 3-5 non-mining companies, especially in the shipping transportation and CPO sectors. Close to IDR 2.5tn out of IDR 4.45tn of FY17E capital expenditure is prepared to support this expansion plan.

Valuation. We maintain our BUY rating for the stock with upgraded 52-week target price to IDR 17,500/share. We believe the company will be benefited from the increase in both production and sales volumes as well as the increase in ASP, and also the cost savings. The key risks to our recommendation are coal price, cash cost, rainfall, and regulation.

Financial Highlights	2015	2016	2017E	2018F	2019F
Revenue (IDR bn)	13,845	14,059	21,387	21,226	22,170
% growth	5.9%	1.5%	52.1%	-0.8%	4.5%
Gross Profit (IDR bn)	4,251	4,401	8,781	7,665	8,270
Net Profit (IDR bn)	2,037	2,024	4,556	3,718	4,093
% growth	9.3%	-0.6%	125.1%	-18.4%	10.1%
EPS (IDR)	941	952	2,144	1,749	1,926
Gross Margin (%)	31%	31%	41%	36%	37%
Net Margin (%)	15%	14%	21%	18%	19%
Return on Equity (%)	29%	26%	43%	31%	29%
Return on Assets (%)	16%	15%	26%	19%	19%

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Sector	Coal Mining
Bloomberg Ticker	PTBA IJ
Market Cap. (IDR tn)	28.80
Share Out./Float (mn)	2,304/806
Current Price	IDR 12,550
52-week Target Price	IDR 17,500
Upside (%)	39.4%

Share Price Performance

52W High (04/04/17)	14,200
52W Low (05/20/16)	6,125
52W Beta	1.616
YTD Change (%)	0.0%

Relative Valuations

Trailing P/E	12.78x
Forward P/E	8.20x
P/BV	2.62x
EV/EBITDA	9.36x

FY16 Results (IDR bn)	4Q16	3Q16	QoQ	FY16	FY15	YoY
Revenue	4,018	3,284	22.4%	14,059	13,845	1.5%
Cost of Revenue	2,061	2,489	-17.2%	9,657	9,594	0.7%
Gross Profit	1,956	795	146.0%	4,401	4,251	3.5%
<i>Gross Margin (%)</i>	<i>48.7%</i>	<i>24.2%</i>		<i>31.3%</i>	<i>30.7%</i>	
Operating Expense	761	377	101.9%	1,871	1,782	5.0%
Operating Profit	1,197	417	187.1%	2,531	2,469	2.5%
<i>Operating Margin (%)</i>	<i>29.8%</i>	<i>12.7%</i>		<i>18.0%</i>	<i>17.8%</i>	
Finance Income	132	19	594.7%	202	273	-26.1%
Finance Expense	37	33	12.1%	149	157	-5.4%
Share in Net Profit/(Loss) of Joint Ventures	(2)	50		150	134	
Final Tax Expense	-	-		37	55	
Profit Before Income Tax	1,253	451	177.8%	2,697	2,664	1.2%
Income Tax	284	111		673	627	
Non-controlling Interest	15	1		18	1	
Net Profit attributable to Owners of the parent	955	339	181.7%	2,006	2,036	-1.5%
<i>Net Margin (%)</i>	<i>23.8%</i>	<i>10.3%</i>		<i>14.3%</i>	<i>14.7%</i>	

Operational Results	4Q16	3Q16	QoQ	FY16	FY15	YoY
Production Volume (million tons)	6.64	5.33	24.6%	19.62	19.28	1.8%
Sales Volume (million tons)	5.62	5.12	9.8%	20.76	19.11	8.6%
Overburden Removal (million bcm)	35.86	28.25	26.9%	105.95	86.76	22.1%
Stripping Ratio (x)	5.40	5.30	1.9%	5.40	4.48	20.5%
Weighted ASP (USD/ton)	44.30	46.90	-5.5%	46.30	54.50	-4.4%
Cash Cost (USD/ton)	24.70	36.40	-32.1%	32.90	37.90	-13.2%

Forecast Changes	FY17E			FY18F		
	Old	New	Change	Old	New	Change
Production Volume (million tons)	25.00	24.07	-3.7%	26.00	26.00	-
Sales Volume (million tons)	26.50	27.28	2.9%	27.50	27.50	-
Coal Transported (million tons)	19.12	21.70	13.5%	19.12	25.00	30.8%
Revenue (IDR bn)	22,317	21,387	-4.2%	23,194	21,226	-8.5%
Gross Profit (IDR bn)	5,680	8,781	54.6%	6,263	7,665	22.4%
<i>Gross Margin (%)</i>	<i>25.5%</i>	<i>41.1%</i>		<i>27.0%</i>	<i>36.1%</i>	
Operating Profit (IDR bn)	2,813	6,076	116.0%	3,249	4,959	52.6%
<i>Operating Margin (%)</i>	<i>12.6%</i>	<i>28.4%</i>		<i>14.0%</i>	<i>23.4%</i>	
Net Profit (IDR bn)	2,178	4,556	109.2%	2,471	3,717	50.4%
<i>Net Margin (%)</i>	<i>9.8%</i>	<i>21.3%</i>		<i>10.7%</i>	<i>17.5%</i>	

Income Statement (IDR bn)	2015	2016	2017E	2018F	2019F
Revenue	13,845	14,059	21,387	21,226	22,170
Cost of revenue	9,594	9,657	12,605	13,560	13,900
Gross profit	4,251	4,401	8,781	7,665	8,270
General and administrative expenses	1,031	1,111	1,641	1,653	1,714
Selling and marketing expenses	693	696	1,065	1,054	1,102
Other expenses/(income), net	59	64	-	-	-
Operating profit	2,469	2,531	6,076	4,959	5,454
Finance income	273	202	202	175	174
Finance costs	(157)	(149)	(132)	(114)	(102)
Share in net loss/(profit) of joint ventures	134	150	-	-	-
Profit before final tax and income tax	2,718	2,734	6,145	5,020	5,526
Final tax expense	55	37	70	63	69
Profit before income tax	2,664	2,697	6,075	4,957	5,457
Income tax expense	627	673	1,519	1,239	1,364
Profit for the year	2,037	2,024	4,556	3,718	4,093

Balance Sheet (IDR bn)	2015	2016	2017E	2018F	2019F
Cash and cash equivalents	3,115	3,675	3,194	3,175	3,293
Trade receivables	1,596	2,285	2,555	2,993	2,887
Inventories	1,233	1,102	1,791	1,721	1,827
Fixed assets	5,579	6,088	8,170	10,128	12,436
Other assets	5,371	5,427	8,078	7,936	8,240
TOTAL ASSETS	16,894	18,577	23,788	25,953	28,683
Trade payables	1,010	539	1,015	925	1,034
Short-term bank borrowings	739	958	950	950	950
Short-term portion of long-term bank borrowings	597	481	-	70	-
Long-term bank borrowings	623	167	210	36	-
Other liabilities	4,637	5,879	7,501	7,961	8,086
TOTAL LIABILITIES	7,606	8,024	9,676	9,942	10,070
Share capital	1,152	1,152	1,152	1,152	1,152
Additional paid-in capital	30	30	30	30	30
Treasury shares	(2,302)	(2,302)	(2,302)	(2,302)	(2,302)
Retained earnings:					
Appropriated	8,607	9,951	12,820	14,418	16,615
Unappropriated	1,585	1,415	2,262	2,544	2,932
Non-controlling interests	113	131	149	168	186
Other equity	103	175	-	-	-
TOTAL EQUITY	9,288	10,552	14,113	16,011	18,613

Cash Flow (IDR bn)	2015	2016	2017E	2018F	2019F
Profit for the year	2,036	2,006	4,519	3,687	4,059
Depreciation	428	355	446	571	721
Changes in working capital	236	(72)	(1,008)	19	(25)
CASH FLOWS FROM OPERATING ACTIVITIES	2,700	2,289	3,957	4,277	4,755
CASH FLOWS FROM INVESTING ACTIVITIES	(2,280)	(1,287)	(4,513)	(2,393)	(3,250)
CASH FLOWS FROM FINANCING ACTIVITIES	(1,146)	(222)	76	(1,902)	(1,388)
NET CASH FLOWS	(726)	781	(481)	(18)	117
CASH AT BEGINNING PERIOD	4,039	3,115	3,675	3,194	3,175
CASH AT ENDING PERIOD	3,115	3,675	3,194	3,175	3,293

Financial Ratio	2015	2016	2017E	2018F	2019F
Profitability (%)					
ROE	29%	26%	43%	31%	29%
ROA	16%	15%	26%	19%	19%
Gross Margin	31%	31%	41%	36%	37%
Operating Margin	18%	18%	28%	23%	25%
Net Margin	19%	19%	28%	23%	25%
Net Income Growth	10%	1%	125%	-18%	10%
Liquidity (x)					
Current Ratio	1.54	1.66	1.68	1.63	1.65
Quick Ratio	1.29	1.44	1.36	1.34	1.35
Solvency (x)					
Debt/Equity	0.21	0.15	0.08	0.07	0.05
Debt/Assets	0.12	0.09	0.05	0.04	0.03
Valuations (x)					
P/E	18.67	18.46	8.20	10.05	9.13
P/BV	3.99	3.51	2.62	2.31	1.99

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