

James Wahjudi  
Equity Analyst  
james.wahjudi@sinarMassekuritas.co.id  
(021) 392 5550 ext: 611

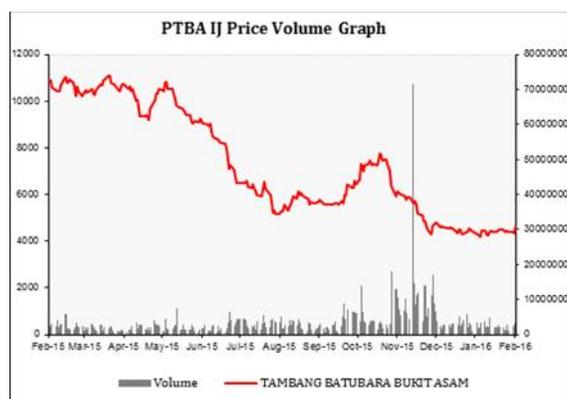


**PT Bukit Asam (Persero) Tbk provides coal mining activities. The company offers services including general surveying, exploration, exploitation, production, transportation, and marketing of coal.**

**Current Price: IDR 5,325**

**52-Week Target Price: IDR 7,000**

*Previous Target Price: IDR 7,600*



#### Share Price Performance

Price (IDR)	5,325
52-Week High (03/03/15)	11,250
52-Week Low (01/20/16)	4,150
YTD Change/%	800.00 / 17.68%

#### Stock Information

Market Cap (IDR)	12,269.5B
Shares Out/Float (M)	2,304.1M/662.3

Source: Bloomberg, SinarMas Investment Research

## Company Update

### PT Bukit Asam (Persero) Tbk (PTBA)

#### Higher Production to Offset Price Decline

**BUY**

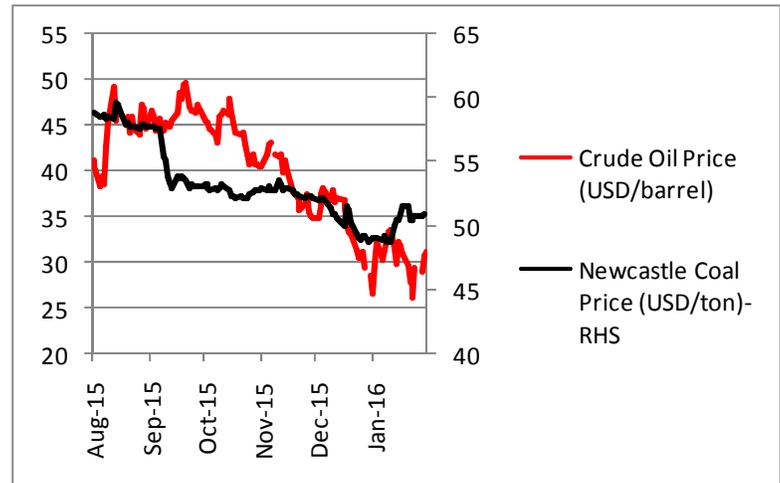
**BUY rating with TP of IDR 7,000/share.** We change our recommendation from HOLD to BUY with target price of IDR 7,000/share, represents 5.7x PE16F. After we lower our commodity prices assumptions, followed by reducing our ASP assumption, and keep maintain any other else the same i.e. company's operational target projection, we view the company's performances will remain strong this year on the back of higher coal production volume target by +34% YoY and higher sales volume by 52% YoY despite the decrease in weighted ASP assumption by 11% YoY, which will have further downside from coal price, should it happen. Moreover, as the company's balance sheet is very strong and healthy with net cash position, at current price we view the stock is trading at discount which makes the stock as an attractive value to play.

**FY16F Strong Performances.** The company targets to produce 25.75 MT of coal this year, increase by 34% YoY. With the expectation of that will be followed by the increase in sales volume by 52% YoY to 29.2 MT, we estimate the revenue will grow by approximately 35% YoY with the decrease in weighted ASP assumption by 11% YoY. Around 52% of its sales volume will be sold to domestic, while the rest of 48% will be exported. On the bottom line, net profit is projected to increase by 47% YoY to IDR 2.7tn from our FY15E net profit estimate of IDR 1.8tn.

**Lowering Our ASP Assumption.** WTI's oil price has declined by approximately 53% from its highest level in June 2014 of USD 107/barrel down to current level, while Newcastle's coal price benchmark has also declined by almost 63% from its highest of USD 136.35 in January 2011. After the sharp correction, they are now fluctuated in more stable price ranges since beginning of this year, which we view the prices may have reached its bottom level with a limited of further downside. Oil price movement is stabilizing in the range of between USD 26-33 per barrel and also coal price range in between USD 48-52 per ton. Thus, we lower our oil and coal price benchmark assumptions used in the modeling to USD 35/barrel and USD 52/ton in respectively. This followed by reducing our weighted ASP assumption by 11% YoY.

Financial Highlights	2013	2014	2015E	2016F	2017F
Revenue (IDR bn)	11,209	13,077	13,512	18,281	19,418
% growth	-3%	17%	3%	35%	6%
Gross Profit (IDR bn)	3,463	4,021	4,165	5,823	6,085
Net Profit (IDR bn)	1,854	2,019	1,823	2,689	2,766
% growth	-36%	9%	-10%	48%	3%
Gross Margin (%)	30.9%	30.7%	30.8%	31.9%	31.3%
Net Margin (%)	16.5%	15.4%	13.5%	14.7%	14.2%
Return on Equity (%)	25.0%	23.0%	19.0%	23.0%	20.0%
Return on Assets (%)	16.0%	14.0%	11.0%	14.0%	14.0%

Source: Company Data, SinarMas Investment Research

**WTI Oil Price and Newcastle Coal Price**


Earnings Revision (IDR bn)	FY16F			FY17F		
	New	Old	% Change	New	Old	% Change
Revenue	18,281	18,629	-2%	19,418	18,779	3%
COGS	12,458	12,893	-3%	13,332	12,994	3%
Gross Profit	5,823	5,735	2%	6,085	5,785	5%
Operating Profit	3,398	3,264	4%	3,475	3,261	7%
Net Profit	2,689	2,365	14%	2,766	2,370	17%

Price Revision		FY16F			FY17F		
		New	Old	% Change	New	Old	% Change
ASP - domestic	IDR/ton	574,381	654,212	-12%	631,819	654,212	-3%
ASP - export	USD/ton	50.63	52.59	-4%	55.69	53.00	5%
Coal Price	USD/ton	52.00	55.00	-5%	57.20	55.00	4%

**Appendix I: Financial Statements**

<b>Balance Sheet (in IDR bn)</b>	<b>2013</b>	<b>2014</b>	<b>2015E</b>	<b>2016F</b>	<b>2017F</b>
Cash and cash equivalents	3,344	4,039	4,404	4,596	4,382
Trade receivables					
Third parties	578	307	507	558	661
Related parties	849	1,132	1,097	1,533	1,602
Inventories	902	1,033	1,078	1,451	1,545
Fixed Assets	2,803	3,988	4,721	5,405	6,039
Mining properties	130	60	109	116	140
Plantations	-	303	326	346	364
<b>TOTAL ASSETS</b>	<b>11,677</b>	<b>14,812</b>	<b>16,100</b>	<b>19,394</b>	<b>20,373</b>
Trade payables					
Third parties	450	443	500	638	698
Related parties	22	102	66	114	108
Accrued expenses	1,082	1,204	1,274	1,677	1,806
Short-term portion of long-term bank borrowings	-	467	-	1,370	-
Long-term bank borrowings	-	962	2,001	631	631
<b>TOTAL LIABILITIES</b>	<b>4,126</b>	<b>6,141</b>	<b>6,418</b>	<b>7,661</b>	<b>6,813</b>
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)	(1,899)	(1,942)	(1,942)	(1,942)
Retained earnings					
Appropriated	6,475	7,297	8,508	9,603	11,216
Unappropriated	1,619	1,909	1,812	2,766	2,975
Non-controlling interests	114	117	120	124	128
<b>TOTAL EQUITY</b>	<b>7,552</b>	<b>8,671</b>	<b>9,682</b>	<b>11,733</b>	<b>13,560</b>

<b>Income Statement (in IDR bn)</b>	<b>2013</b>	<b>2014</b>	<b>2015E</b>	<b>2016F</b>	<b>2017F</b>
Revenue	11,209	13,078	13,513	18,282	19,418
Cost of revenue	7,746	9,056	9,348	12,459	13,333
Gross profit	3,464	4,022	4,165	5,823	6,085
General and administrative expenses	998	952	1,093	1,405	1,532
Selling and marketing expenses	608	737	747	1,020	1,078
Other expenses/(income), net	(295)	23	-	-	-
Operating profit	2,153	2,310	2,325	3,398	3,475
Finance income	240	268	279	298	314
Finance costs	(6)	(49)	(172)	(111)	(100)
Share in net (loss)/profit of associates	75	146	-	-	-
Profit before income tax	2,461	2,675	2,432	3,585	3,689
Income tax expense	607	656	608	896	922
Profit for the year	1,854	2,019	1,824	2,689	2,767
Other comprehensive income, net of tax	497	104	-	-	-
<b>Total comprehensive income</b>	<b>2,351</b>	<b>2,124</b>	<b>1,824</b>	<b>2,689</b>	<b>2,767</b>

---

## DISCLAIMER

This report has been prepared by PT Sinarmas Sekuritas, an affiliate of Sinarmas Group.

This material is: (i) created based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such; (ii) for your private information, and we are not soliciting any action based upon it; (iii) not to be construed as an offer to sell or a solicitation of an offer to buy any security.

Opinions expressed are current opinions as of original publication date appearing on this material and the information, including the opinions contained herein, is subjected to change without notice. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this publication may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, integrating and interpreting market information. Research will initiate, update and cease coverage solely at the discretion of Sinarmas Research department. If and as applicable, Sinarmas Sekuritas' investment banking relationships, investment banking and non-investment banking compensation and securities ownership, if any, are specified in disclaimers and related disclosures in this report. In addition, other members of Sinarmas Group may from time to time perform investment banking or other services (including acting as advisor, manager or lender) for, or solicit investment banking or other business from companies under our research coverage. Further, the Sinarmas Group, and/or its officers, directors and employees, including persons, without limitation, involved in the preparation or issuance of this material may, to the extent permitted by law and/or regulation, have long or short positions in, and buy or sell, the securities (including ownership by Sinarmas Group), or derivatives (including options) thereof, of companies under our coverage, or related securities or derivatives. In addition, the Sinarmas Group, including Sinarmas Sekuritas, may act as market maker and principal, willing to buy and sell certain of the securities of companies under our coverage. Further, the Sinarmas Group may buy and sell certain of the securities of companies under our coverage, as agent for its clients.

Investors should consider this report as only a single factor in making their investment decision and, as such, the report should not be viewed as identifying or suggesting all risks, direct or indirect, that may be associated with any investment decision. Recipients should not regard this report as substitute for exercise of their own judgment. Past performance is not necessarily a guide to future performance. The value of any investments may go down as well as up and you may not get back the full amount invested.

Sinarmas Sekuritas specifically prohibits the redistribution of this material in whole or in part without the written permission of Sinarmas Sekuritas and Sinarmas Sekuritas accepts no liability whatsoever for the actions of third parties in this respect. If publication has been distributed by electronic transmission, such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability for any errors or omissions in the contents of this publication, which may arise as a result of electronic transmission. If verification is required, please request a hard-copy version.

Additional information is available upon request.

Images may depict objects or elements which are protected by third party copyright, trademarks and other intellectual properties.

©Sinarmas Sekuritas(2016). All rights reserved.