

Buy

(Maintained)

Indo Tambangraya (ITMG IJ)

FY24 outlook: Higher volumes growth to partly cushion against potential ASP correction

Last Price (Rp)	27,175
Target Price (Rp)	28,800
Previous Target Price (Rp)	27,800
Upside/Downside	+6.0%

No. of Shares (mn)	1,130
Mkt Cap (Rpbn/US\$m)	30,706/1,947
Avg, Daily T/O (Rpbn/US\$m)	34.2/2.2
Free Float (%)	34.7

Major Shareholder (%)	
Banpu Minerals	65.1

EPS Consensus (US\$cents)			
	2024F	2025F	2026F
BRIDS	36.3	25.2	25.3
Consensus	30.8	23.8	25.0
BRIDS/Cons (%)	17.9	5.7	1.4

- ITMG indicated more aggressive FY24 production and sales growth plans (+15-20% yoy), driven by the contribution from its newer mines.
- We raise our FY24F net profit estimate by 31%, as we adjust our sales volume assumptions, in-line with the mgmt’s latest guidance.
- Maintain Buy with a slightly higher TP of Rp28,800 on ITMG’s sustainable FCF generation and solid dividends (current yield of 23.4%).

More aggressive volume growth in FY24

ITMG indicated plans to grow FY24 production and sales volume to 19.5-20.2Mt and 24.9-25.6Mt (+15-20% and +10-22% yoy respectively), driven by the expected rising contribution from its Bharinto and GPK and TIS mines (combined 2.4Mt increase, which will more than offset the decline in Jorong and flat production in Indominco) and sales from third parties (trading) of 5-6Mt (25-50% yoy). While the higher production from Bharinto may drive higher production costs (due to longer hauling distance), this may be offset by the potentially lower GPK mine costs (lower SR and lower royalty rate).

Higher volumes at fixed price may indicate firm demand

ITMG further indicated that of its FY24 coal sales target, as of Feb24, 55% is unsold, with the remainder sold at fixed prices (39% of volume) and 6% on an indexed basis. We note that the portion of volume that is already sold at fixed prices (39%) is higher relative to the portion in the past three years (20-31%), which may indicate interest from buyers to lock in volumes and prices. Meanwhile, as ITMG also kept a bigger portion of volumes still uncommitted/unsold as of Feb24, this may offer ASP upside under the scenario of higher demand.

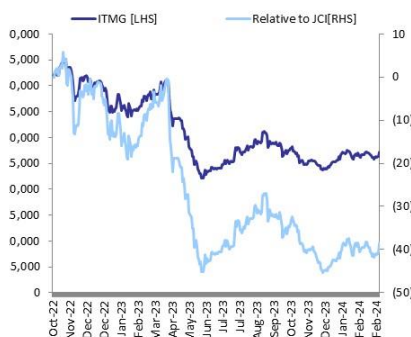
We raise our FY24-25F to account for higher volumes

We raise our FY24F net profit estimate by 31%, as we adjust our sales volume assumptions, in-line with the mgmt’s latest guidance, and introduced a FY26F net profit est. We maintain our ASP assumptions (FY24F/25F/26F:US\$87/\$82/\$85/t vs. FY23’s US\$113/t), as we expect thermal coal price normalization to continue amid higher supply growth vs. demand.

Maintain Buy rating with slightly higher TP of Rp28,800

We expect ITMG to sustain its FCF generation and dividends distribution (current yield of 23.4%) despite the current coal price correction cycle. We raise our DCF-based TP to Rp28,800 to reflect our higher estimates based on a LT coal price of US\$90/t and WACC of 12.5%. The key risk to our view is weaker coal prices.

ITMG relative to JCI Index



Source: Bloomberg

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Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Revenue (US\$m)	3,636	2,374	2,304	2,221	2,309
EBITDA (US\$m)	1,759	649	638	459	463
EBITDA Growth (%)	104.4	(63.1)	(1.7)	(28.1)	1.0
Net Profit (US\$m)	1,199	500	410	284	286
EPS (US\$cents)	106.1	44.2	36.3	25.2	25.3
EPS Growth (%)	152.3	(58.3)	(17.9)	(30.7)	0.7
BVPS (US\$cents)	173.0	158.2	154.3	148.7	148.8
DPS (US\$cents)	47.6	101.7	40.3	30.7	25.3
PER (x)	1.6	3.9	4.7	6.8	6.8
PBV (x)	1.0	1.1	1.1	1.2	1.2
Dividen yield (%)	27.6	59.0	23.4	17.8	14.7
EV/EBITDA	0.3	1.7	1.6	2.3	2.4

Source: ITMG, BRIDS Estimates

FY23/4Q23 earnings summary

- ITMG posted lower 4Q23 of US\$94 (-5% qoq), driving FY23 net profit of US\$500 (-58% yoy), below our FY23 estimate and the consensus (at 70%/89% respectively).
- The company recorded higher 4Q23 of US\$548 (+4% qoq), with FY23 revenue of US\$2.374mn (-35% yoy); higher 4Q23 of US\$116mn (+1% qoq), and FY23 EBIT of US\$605mn (-64% yoy).
- FY23 earnings were dragged down by a drop in ASP to US\$113/t (-41% yoy), as 4Q23 ASP fell to US\$97/t (-2% qoq). While production and sales volumes still grew at a healthy rate (+1% and +10% yoy to 17Mt and 21Mt), an increase in the stripping ratio to 12.5x drove cash costs to US\$76/t (-13% yoy).

Exhibit 1. 4Q23/FY23 Summary Results

ITMG 12M23	12M23	12M22	yoy%	4Q23	3Q23	qoq%	BRIDS FY23F	% of BRIDS	Cons FY23F	% of CONS
Revenues	2.374	3.636	-35%	548	527	4%	2.647	90%	2.405	99%
COGS	1.632	1.742	-6%	415	376	11%	1.476	111%	(1.557)	-105%
Gross profit	743	1.894	-61%	132	152	-13%	1.171	63%	848	88%
Gross profit margin	-31%	-52%		-24%	-29%		44%		35%	
Opex	137	212	-35%	16	37	-56%	161	85%	(146)	-94%
EBIT	605	1.683	-64%	116	115	1%	1.010	60%	702	86%
EBIT margin	26%	46%		21%	22%		38%		29%	
Interest income	35	9	289%	9	9	8%	13			
Interest expenses	(3)	(3)	-13%	(1)	(0)	82%	(1)			
Others	7	(143)	-105%	(2)	2	-213%	-			
Profit before tax	644	1.545	-58%	123	125	-2%	1.022	63%	720	90%
Tax	(144)	(345)	-58%	(28)	(27)	7%	(306)	47%	(159)	91%
Minority interests	0,7	0,7	-2%	1,1	(0,1)	-973%	-			
Net profit	500	1.199	-58%	94	99	-5%	715	70%	561	89%
Core profit	494	1.314	-62%	96	97	-1%	715	69%	561	88%
Coal sales (US\$ mn)	2.368	3.634	-35%	545	526	4%				
Coal cash cost	1.589	1.665	-5%	405	364	11%				
Production volume (m tonnes)	17	17	1%	3	5	-38%				
Sales volume (m tonnes)	21	19	10%	6	5	6%				
ASP (US\$/tonne)	113	191	-41%	97	99	-2%				
Cash cost/tonne (US\$/tonne)	76	88	-13%	72	69	5%				
Strip ratio (x)	12,5	10,7	17%	13	12	7%				

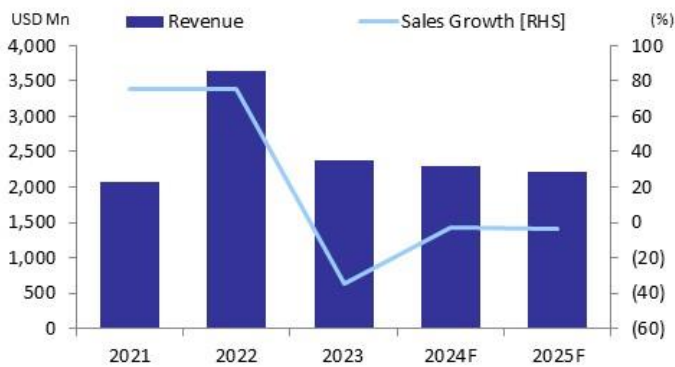
Source: Company, BRIDS Estimates

Exhibit 2. Earnings revision and changes

ITMG (US\$Mn)	New			Old			Diff.		
	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F
Revenue	2,304	2,221	2,309	2,332	2,221	1,743	-1.2%	0.0%	32.5%
Gross profit	739	547	558	780	582	450	-5.3%	-6.0%	24.1%
Operating profit	582	401	404	624	435	329	-6.8%	-7.9%	22.8%
Pre-tax profit	586	406	409	629	440	335	-6.8%	-7.7%	22.1%
Net Income	410	284	286	440	308	234	-6.7%	-7.7%	22.4%
Gross Margin	32%	25%	24%	33%	26%	26%			
Operating Margin	25%	18%	17%	27%	20%	19%			
Net Margin	18%	13%	12%	19%	14%	13%			
Coal Production	20.2	22.8	23.0	20.2	22.8	16.1	0.0%	0.0%	42.9%
Coal Sales Volume	25.3	25.8	26.0	25.3	25.8	19.1	0.0%	0.0%	36.1%
ASP	86.9	82.1	84.8	88.0	82.1	85.8	-1.2%	-0.1%	-1.2%

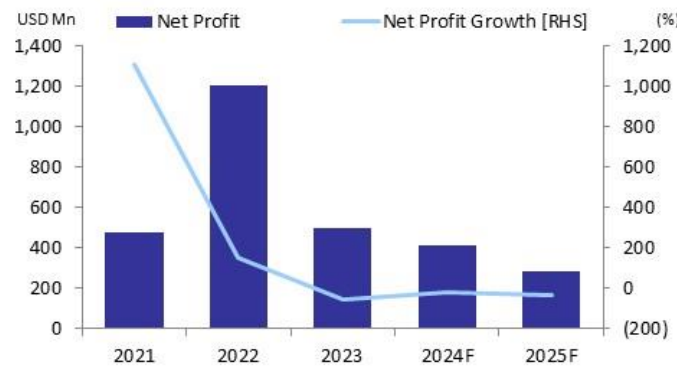
Source: BRIDS Estimates

Exhibit 3. Revenue and Growth



Source: Company, BRIDS Estimates

Exhibit 4. Net Profit and Growth



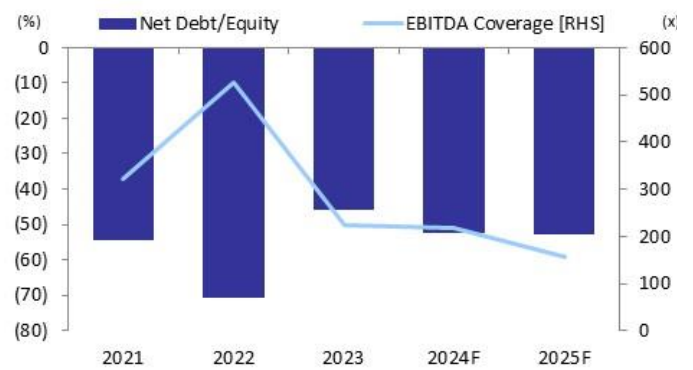
Source: Company, BRIDS Estimates

Exhibit 5. Margins



Source: Company, BRIDS Estimates

Exhibit 6. Gearing Level



Source: Company, BRIDS Estimates

Exhibit 7. Income Statement

Year to 31 Dec (US\$m)	2022A	2023A	2024F	2025F	2026F
Revenue	3,636	2,374	2,304	2,221	2,309
COGS	(1,742)	(1,632)	(1,565)	(1,674)	(1,751)
Gross profit	1,894	743	739	547	558
EBITDA	1,759	649	638	459	463
Oper. profit	1,683	605	582	401	404
Interest income	9	35	8	8	8
Interest expense	(3)	(3)	(3)	(3)	(3)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	(143)	7	0	0	0
Pre-tax profit	1,545	644	586	406	409
Income tax	(345)	(144)	(176)	(122)	(123)
Minority interest	0	0	0	0	0
Net profit	1,199	500	410	284	286
Core Net Profit	1,199	500	410	284	286

Exhibit 8. Balance Sheet

Year to 31 Dec (US\$m)	2022A	2023A	2024F	2025F	2026F
Cash & cash equivalent	1,430	851	946	915	874
Receivables	289	210	156	121	125
Inventory	96	98	77	69	72
Other Curr. Asset	94	121	121	121	121
Fixed assets - Net	151	168	216	272	326
Other non-curr.asset	580	740	732	725	718
Total asset	2,640	2,188	2,248	2,223	2,235
ST Debt	37	22	22	22	22
Payables	154	115	219	257	269
Other Curr. Liabilities	395	158	158	158	158
Long Term Debt	13	8	8	8	8
Other LT. Liabilities	91	97	97	97	97
Total Liabilities	690	399	504	542	553
Shareholder's Funds	1,955	1,788	1,743	1,680	1,681
Minority interests	(5)	1	1	1	1
Total Equity & Liabilities	2,640	2,188	2,248	2,223	2,235

Exhibit 9. Cash Flow

Year to 31 Dec (US\$mn)	2022A	2023A	2024F	2025F	2026F
Net income	1,199	500	410	284	286
Depreciation and Amort.	77	44	57	0	0
Change in Working Capital	63	(237)	179	0	0
Other Oper. Cash Flow	(19)	(49)	(5)	(5)	(5)
Operating Cash Flow	1,320	258	641	279	281
Capex	(36)	(53)	(97)	0	0
Others Inv. Cash Flow	0	33	8	8	8
Investing Cash Flow	(36)	(20)	(89)	8	8
Net change in debt	0	0	0	0	0
New Capital	44	0	0	0	0
Dividend payment	(538)	(1,150)	(455)	0	0
Other Fin. Cash Flow	(3)	(3)	(3)	(3)	(3)
Financing Cash Flow	(497)	(1,153)	(458)	(3)	(3)
Net Change in Cash	786	(914)	94	284	286
Cash - begin of the year	691	1,430	851	946	915
Cash - end of the year	1,430	851	946	915	874

Exhibit 10. Key Ratio

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Growth (%)					
Sales	75.1	(34.7)	(3.0)	(3.6)	3.9
EBITDA	104.4	(63.1)	(1.7)	(28.1)	1.0
Operating profit	112.7	(64.0)	(3.9)	(31.1)	0.8
Net profit	152.3	(58.3)	(17.9)	(30.7)	0.7
Profitability (%)					
Gross margin	52.1	31.3	32.1	24.6	24.2
EBITDA margin	48.4	27.3	27.7	20.7	20.1
Operating margin	46.3	25.5	25.2	18.0	17.5
Net margin	33.0	21.0	17.8	12.8	12.4
ROAA	55.7	20.7	18.5	12.7	12.8
ROAE	75.8	26.7	23.2	16.6	17.0
Leverage					
Net Gearing (x)	(0.7)	(0.5)	(0.5)	(0.5)	(0.5)
Interest Coverage (x)	501.7	207.8	198.3	136.6	137.7

Source : ITMG, BRIDS Estimates

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INVESTMENT RATING

BUY	Expected total return of 10% or more within a 12-month period
HOLD	Expected total return between -10% and 10% within a 12-month period
SELL	Expected total return of -10% or worse within a 12-month period

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