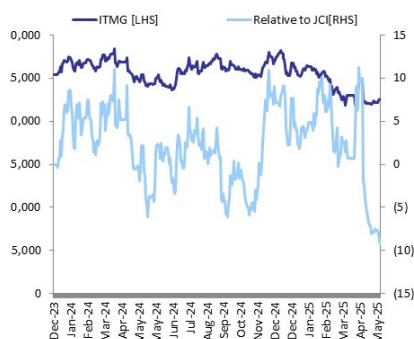


Buy

(Maintained)

| | |
|------------------------------|---------------------|
| Last Price (Rp) | 22,550 |
| Target Price (Rp) | 26,500 |
| Previous Target Price (Rp) | 27,300 |
| Upside/Downside | +17.5% |
| No. of Shares (mn) | 1,130 |
| Mkt Cap (Rpbn/US\$mn) | 25,480/1,554 |
| Avg, Daily T/O (Rpbn/US\$mn) | 37.0/2.3 |
| Free Float (%) | 34.7 |
| Major Shareholder (%) | |
| Banpu Minerals | 65.1 |
| EPS Consensus (US\$cents) | |
| | 2025F 2026F 2027F |
| BRIDS | 21.5 19.5 12.0 |
| Consensus | 24.9 21.1 14.4 |
| BRIDS/Cons (%) | (13.7) (7.5) (16.8) |

ITMG relative to JCI Index



Source: Bloomberg

Indo Tambangraya Megah (ITMG IJ) Deploying Cost Efficiency Plan Amid Weak Coal Price

- ITMG's weaker 1Q25 result was in line with seasonality, though the ASP dropped -13% qoq due to a lower CV mix from GPK.
- ITMG have started to lower its expenses through several cost efficiency measures amid weak export demand and lower coal index prices.
- We reiterate our Buy rating with a downgraded TP of Rp26,500. Key risks to our call include lower coal price, sales volume, and higher stripping ratio.

Weaker result due to lower ASP

ITMG recorded 1Q25 revenue of US\$483mn, -25.5% qoq, -1.4% yoy, reaching 22%/22% of ours/cons estimate. The result was below estimates due to weaker q-q sales of 5.9Mt, -14.5% qoq, and an ASP of US\$81/Mt, -13.1% qoq. Aside from a weaker coal index price, a notable decrease in ASP was caused by the higher contribution from GPK, which has a lower ASP due to its lower CV mine profile. Despite cost savings in cogs and opex, ITMG still recorded a lower EBITDA of US\$90mn, -47.2% qoq, resulting in lower net profits of US\$65mn, -35.7% qoq and +5.5% yoy, reaching 26%/22% of our/cons estimate.

Cost efficiency will be the main focus

ITMG will be prioritizing cost efficiencies under a weak coal price environment by reducing overhead expenses and optimizing mining operations. Furthermore, it plans to continue growing its coal trading arm, with aims of 5.7Mt in sales in FY25, +29.5% yoy, in hopes of keeping production growing YoY. ITMG recorded its lowest export sales mix since 4Q21 at 68% due to weaker interest from China and Japan, though it hopes that demand could recover in 2Q from India as heatwaves usually occur.

Changes in our forecasts

Based on the company's latest performance, we slightly revised down its blended ASP from US\$80.7/Mt to US\$79/Mt, due to higher exposure towards lower CV coal and declining coal index prices. Thus, we slightly decreased our FY25-27F revenue estimates by -4.6%/-6.8%/-1.5% to US\$2.13bn/2.09bn/2.09bn, and net profit estimates by -3.3%/-0.2%/+1.3% to US\$243mn/221mn/136mn.

Transfer of coverage; Maintain Buy rating with a TP of Rp26,500

We reiterate our **Buy** rating with a TP of Rp26,500 based on our DCF valuation, implying FY25F PE of 7.7x. Key risks to our call include lower coal price, lower sales volume, and a higher stripping ratio.

Key Financials

| Year to 31 Dec | 2023A | 2024A | 2025F | 2026F | 2027F |
|---------------------|-------|-------|-------|-------|-------|
| Revenue (US\$mn) | 2,374 | 2,304 | 2,132 | 2,089 | 2,097 |
| EBITDA (US\$mn) | 666 | 528 | 338 | 314 | 209 |
| Net Profit (US\$mn) | 500 | 374 | 243 | 221 | 136 |
| EPS (US\$cents) | 44.3 | 33.1 | 21.5 | 19.5 | 12.0 |
| BVPS (US\$cents) | 158.2 | 170.6 | 171.2 | 176.6 | 175.7 |
| PER (x) | 3.1 | 4.2 | 6.4 | 7.0 | 11.5 |
| PBV (x) | 0.9 | 0.8 | 0.8 | 0.8 | 0.8 |
| EV/EBITDA (x) | 1.1 | 1.2 | 1.9 | 1.8 | 2.7 |

Source: ITMG, BRIDS Estimates

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Exhibit 1. ITMG's 1Q25 financial and operational result

| Indo Tambangraya Megah | | | | | | | | | | |
|----------------------------------|-------|-------|-------|---------|---------|-------|-------|---------|---------|-----------|
| ITMG | 1Q24 | 4Q24 | 1Q25 | q-q (%) | y-y (%) | 3M24 | 3M25 | y-y (%) | % of 25 | % of Cons |
| PROFIT & LOSS (USDmn) | | | | | | | | | | |
| Revenue | 489 | 647 | 483 | -25.5% | -1.4% | 489 | 483 | -1.4% | 22% | 22% |
| Cost of revenue | - 370 | - 428 | - 347 | -18.9% | -6.1% | - 370 | - 347 | -6.1% | | |
| Gross profit | 119 | 219 | 135 | -38.3% | 13.4% | 119 | 135 | 13.4% | | |
| Operating expenses | - 46 | - 63 | - 55 | -12.7% | 18.7% | - 46 | - 55 | 18.7% | | |
| Operating profit | 73 | 157 | 81 | -48.5% | 10.1% | 73 | 81 | 10.1% | 23% | 22% |
| EBITDA | 84 | 172 | 90 | -47.2% | 7.9% | 84 | 90 | 7.9% | | |
| Other income/(expense) | 6 | - 21 | 5 | n.a. | -12.2% | 6 | 5 | -12.2% | | |
| Pre-tax profit | 79 | 136 | 86 | -36.8% | 8.5% | 79 | 86 | 8.5% | | |
| Taxes | - 18 | - 33 | - 19 | -41.0% | 9.2% | - 18 | - 19 | 9.2% | | |
| Non-controlling interests | 0 | - 2 | - 1 | -15.8% | n.a. | 0 | - 1 | n.a. | | |
| Net profit | 62 | 101 | 65 | -35.7% | 5.5% | 62 | 65 | 5.5% | 26% | 22% |
| Margins (%) | | | | | | | | | | |
| Gross | 24.4% | 33.9% | 28.1% | | | 24.4% | 28.1% | | | |
| EBIT | 15.0% | 24.2% | 16.7% | | | 15.0% | 16.7% | | | |
| EBITDA | 17.1% | 26.5% | 18.8% | | | 17.1% | 18.8% | | | |
| Net | 12.6% | 15.6% | 13.5% | | | 12.6% | 13.5% | | | |

| Operational data | 1Q24 | 4Q24 | 1Q25 | q-q (%) | y-y (%) | 3M24 | 3M25 | y-y (%) |
|------------------|------|------|------|---------|---------|------|------|---------|
| Production | 4.9 | 5.2 | 5.3 | 1.9% | 8.2% | 4.9 | 5.3 | 8.2% |
| Sales | 5.0 | 6.9 | 5.9 | -14.5% | 18.0% | 5.0 | 5.9 | 18.0% |
| SR | 10.6 | 9.7 | 8.8 | -9.3% | -17.0% | 10.6 | 8.8 | -17.0% |
| ASP | 97.3 | 93.2 | 81.0 | -13.1% | -16.8% | 97.3 | 81.0 | -16.8% |
| Cash cost | 82.0 | 68.0 | 66.5 | -2.2% | -18.9% | 82.0 | 65.0 | -20.7% |

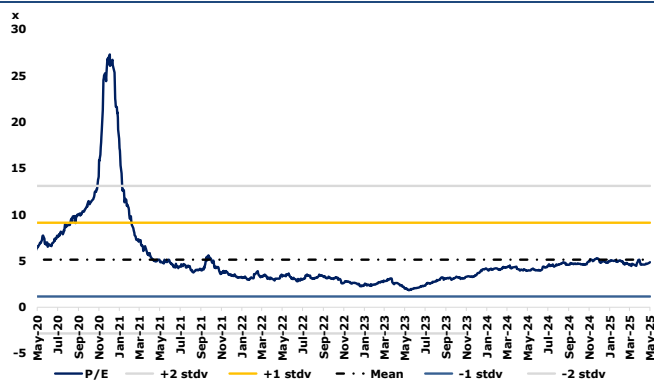
Source: Company, BRIDS

Exhibit 2. ITMG's Forecast changes

| ITMG (USDmn) | 2025F | | | 2026F | | | 2027F | | |
|---------------|-------|-------|--------|-------|-------|--------|-------|-------|--------|
| | Old | New | Change | Old | New | Change | Old | New | Change |
| Revenue | 2,234 | 2,132 | -4.6% | 2,242 | 2,089 | -6.8% | 2,129 | 2,097 | -1.5% |
| Gross margin | 22.5% | 24.0% | | 20.7% | 22.5% | | 15.8% | 17.3% | |
| EBITDA | 410 | 338 | -17.5% | 367 | 314 | -14.4% | 243 | 209 | -13.8% |
| EBITDA margin | 18.4% | 15.9% | | 16.4% | 15.0% | | 11.4% | 10.0% | |
| Net profit | 251 | 243 | -3.3% | 221 | 221 | -0.2% | 134 | 136 | 1.3% |
| Net margin | 11.2% | 11.4% | | 9.9% | 10.6% | | 6.3% | 6.5% | |

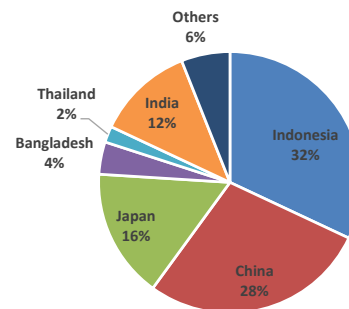
Source: Company, BRIDS

Exhibit 3. ITMG's PE band (5-year)



Source: Company, BRIDS Estimates, Bloomberg

Exhibit 4. ITMG's 1Q25 sales portion



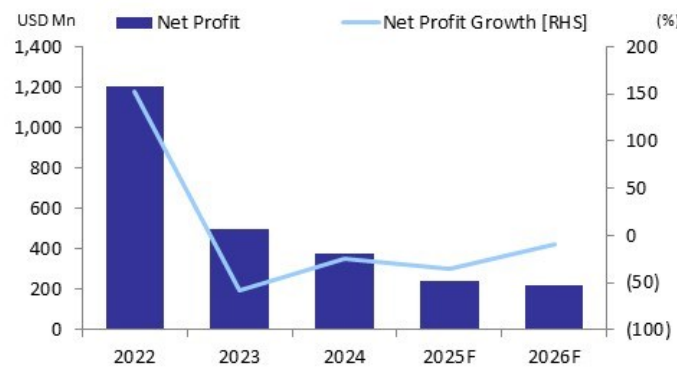
Source: Company, BRIDS

Exhibit 5. Revenue and Growth



Source: Company, BRIDS Estimates

Exhibit 6. Net Profit and Growth



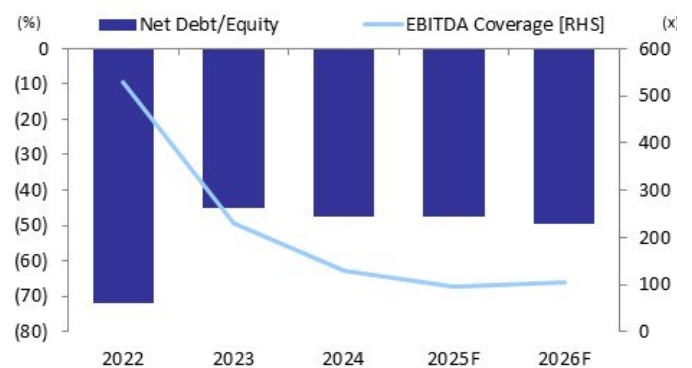
Source: Company, BRIDS Estimates

Exhibit 7. Margins



Source: Company, BRIDS Estimates

Exhibit 8. Gearing Level



Source: Company, BRIDS Estimates

Exhibit 9. Income Statement

| Year to 31 Dec (US\$mn) | 2023A | 2024A | 2025F | 2026F | 2027F |
|-------------------------|--------------|--------------|--------------|--------------|--------------|
| Revenue | 2,374 | 2,304 | 2,132 | 2,089 | 2,097 |
| COGS | (1,632) | (1,606) | (1,621) | (1,618) | (1,735) |
| Gross profit | 743 | 699 | 511 | 471 | 362 |
| EBITDA | 666 | 528 | 338 | 314 | 209 |
| Oper. profit | 605 | 483 | 295 | 270 | 166 |
| Interest income | 35 | 41 | 30 | 24 | 16 |
| Interest expense | (3) | (4) | (4) | (3) | (2) |
| Forex Gain/(Loss) | 0 | 0 | 0 | 0 | 0 |
| Income From Assoc. Co's | 0 | 0 | 0 | 0 | 0 |
| Other Income (Expenses) | 7 | (26) | 0 | 0 | 0 |
| Pre-tax profit | 644 | 495 | 321 | 292 | 179 |
| Income tax | (144) | (119) | (79) | (71) | (44) |
| Minority interest | 1 | (1) | 1 | 1 | 1 |
| Net profit | 500 | 374 | 243 | 221 | 136 |
| Core Net Profit | 500 | 374 | 243 | 221 | 136 |

Exhibit 10. Balance Sheet

| Year to 31 Dec (US\$mn) | 2023A | 2024A | 2025F | 2026F | 2027F |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Cash & cash equivalent | 851 | 990 | 978 | 1,039 | 1,028 |
| Receivables | 210 | 197 | 190 | 186 | 187 |
| Inventory | 98 | 85 | 92 | 92 | 99 |
| Other Curr. Asset | 121 | 133 | 133 | 133 | 133 |
| Fixed assets - Net | 168 | 178 | 175 | 172 | 167 |
| Other non-curr.asset | 740 | 824 | 824 | 824 | 823 |
| Total asset | 2,188 | 2,407 | 2,393 | 2,445 | 2,436 |
| ST Debt | 40 | 25 | 20 | 15 | 10 |
| Payables | 115 | 138 | 127 | 127 | 136 |
| Other Curr. Liabilities | 139 | 152 | 152 | 152 | 152 |
| Long Term Debt | 8 | 45 | 40 | 35 | 30 |
| Other LT. Liabilities | 97 | 114 | 114 | 114 | 114 |
| Total Liabilities | 399 | 473 | 453 | 443 | 442 |
| Shareholder's Funds | 1,788 | 1,928 | 1,934 | 1,997 | 1,989 |
| Minority interests | 1 | 6 | 6 | 6 | 6 |
| Total Equity & Liabilities | 2,188 | 2,407 | 2,393 | 2,445 | 2,436 |

Exhibit 11. Cash Flow

| Year to 31 Dec (US\$mn) | 2023A | 2024A | 2025F | 2026F | 2027F |
|----------------------------|--------------|--------------|--------------|--------------|--------------|
| Net income | 500 | 374 | 243 | 221 | 136 |
| Depreciation and Amort. | 61 | 45 | 44 | 44 | 44 |
| Change in Working Capital | 47 | 50 | (11) | 4 | 2 |
| Other Oper. Cash Flow | (501) | (105) | (27) | (21) | (13) |
| Operating Cash Flow | 107 | 364 | 249 | 247 | 168 |
| Capex | (78) | (55) | (41) | (40) | (39) |
| Others Inv. Cash Flow | 35 | 41 | 30 | 24 | 16 |
| Investing Cash Flow | (43) | (13) | (12) | (16) | (23) |
| Net change in debt | 22 | 22 | (9) | (10) | (10) |
| New Capital | 12 | (7) | 6 | 0 | 0 |
| Dividend payment | (674) | (216) | (243) | (158) | (143) |
| Other Fin. Cash Flow | (3) | (10) | (4) | (3) | (2) |
| Financing Cash Flow | (643) | (211) | (250) | (171) | (156) |
| Net Change in Cash | (579) | 139 | (12) | 61 | (11) |
| Cash - begin of the year | 1,430 | 851 | 990 | 978 | 1,039 |
| Cash - end of the year | 851 | 990 | 978 | 1,039 | 1,028 |

Exhibit 12. Key Ratio

| Year to 31 Dec | 2023A | 2024A | 2025F | 2026F | 2027F |
|--------------------------|--------|--------|--------|-------|--------|
| Growth (%) | | | | | |
| Sales | (34.7) | (2.9) | (7.5) | (2.0) | 0.4 |
| EBITDA | (62.6) | (20.7) | (36.0) | (7.3) | (33.3) |
| Operating profit | (64.0) | (20.2) | (39.0) | (8.3) | (38.6) |
| Net profit | (58.3) | (25.2) | (35.1) | (9.1) | (38.6) |
| Profitability (%) | | | | | |
| Gross margin | 31.3 | 30.3 | 24.0 | 22.5 | 17.3 |
| EBITDA margin | 28.1 | 22.9 | 15.9 | 15.0 | 10.0 |
| Operating margin | 25.5 | 21.0 | 13.8 | 12.9 | 7.9 |
| Net margin | 21.1 | 16.2 | 11.4 | 10.6 | 6.5 |
| ROAA | 20.7 | 16.3 | 10.1 | 9.1 | 5.6 |
| ROAE | 26.7 | 20.1 | 12.6 | 11.2 | 6.8 |
| Leverage | | | | | |
| Net Gearing (x) | (0.4) | (0.5) | (0.5) | (0.5) | (0.5) |
| Interest Coverage (x) | 207.8 | 119.1 | 83.6 | 91.1 | 68.9 |

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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