

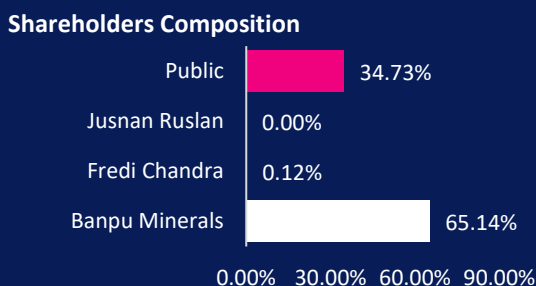
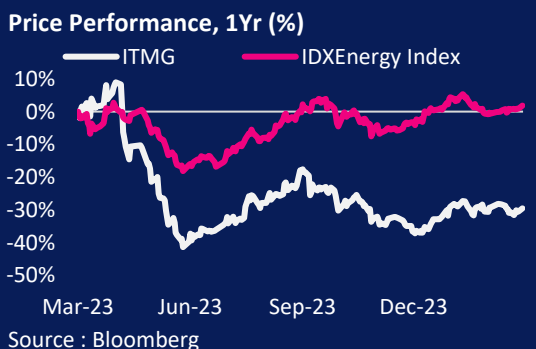
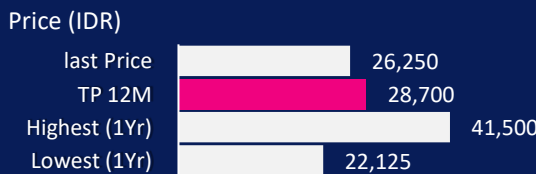
COMPANY RESEARCH
Equity Update

Stock Rate **HOLD**
 Industry Neutral

Fair Value IDR 28,700
 vs. Last Price +8.8%

Stock Data
 Ticker Code ITMG
 Sub Sector Oil, Gas & Coal
 Sector Energy

Market Cap (IDR.Tn) 29.66
 Shares Issued (Bn) 1.13



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PT Indo Tambangraya Megah Tbk (ITMG)

Performances Drop Sharply Despite Sales Volume Increase

The top and bottom recorded a decline. ITMG recorded FY23 revenue of USD 2,374 Mn or -35% y/y (vs FY22 3,636 Mn). Sales volume rose to 20.9 million tonnes or +11% y/y (vs FY22 18.9Mn), however there was a decline in average selling price (ASP) to USD 113/tonne or -41% y/y (vs FY22 USD 192/tonne). Net profit to decrease to USD 500 million or -58% y/y (vs FY22 USD 1,545 Mn). Net profit margin ratio decreased to 21% (FY22 at 33%). FY23's EBITDA of USD 671 Mn or -62% y/y (vs FY22 1,783 Mn). EBITDA margin ratio decreased to 28% (vs FY22 at 49%).

Total assets decreased to USD 2,188 million or -17% y/y with a significant decrease in cash due to the dividend payment. However, cash remained strong with a balance of \$851m in FY23, or -40% y/y, and a net cash position of \$803m, or -43% y/y, while total liabilities decrease to \$399m, or -42% y/y (FY23 DER 0.22x vs. FY22 0.35x).

ITMG plans to increase sales volume by 19% to 22% y/y in 2024, despite the projected downward trend in coal prices. Our revenue estimate for ITMG is USD 2,035 Mn or -14.3% y/y, assuming ASP at USD 79.8 per tones. The projected net profit is USD 319 Mn or -36.2% y/y, resulting in a net profit margin ratio of 15.7% (vs FY23 21%).

ITMG is expected to pay a dividend at a ratio of 65% of FY23 performance. The company has already paid an interim dividend of IDR 2,660 per share. FY2023 EPS is USD 0.44 per share or IDR 6,816 per share. The FY23 dividend is expected to be USD 0.29 per share or IDR 4,431 per share. Therefore, ITMG's potential final dividend is IDR 1,771 or a dividend yield of 6.7% (based on the last price of IDR 26,250).

Recommendation "HOLD"

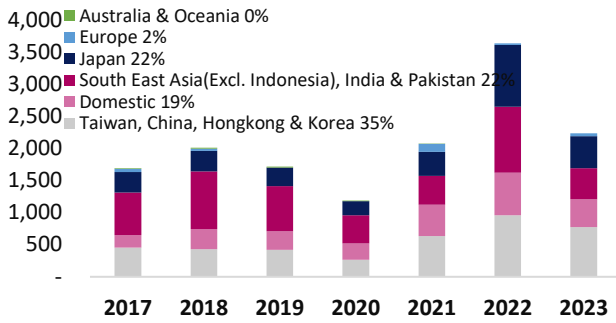
Based on DCF valuation and future opportunities, we maintain ITMG's fair value for 12M target at IDR 28,700 per share. This price reflects a P/E of 6.6x and PBV of 1.1x. Then, we project a potential total dividend yield of 9.9% (Assumption DPR at 65% from 2024F) in 2025F and 6.3% (Assumption DPR at 65% from 2025F) in 2026F. Risk: Global recession, volatile coal prices, energy transition and government policies. To mitigate the existing risks, especially the volatile coal price, we strongly recommend implementing strict risk management. Despite the downtrend conditions in the medium term, the current price is still trending sideways in the short term. The nearest price with a bullish scenario has the potential to strengthen to the resistance level of 27,375 & 27,800, while the support level is at 25,800.

Figure 1. Financial Highlight

year-end Dec	2021A	2022A	2023F	2024F	2025F
Revenue (USD Mn)	2,077	3,636	2,374	2,035	1,524
Net Profit (USD Mn)	476	1,288	500	319	203
EPS (Full amount)	0.43	1.15	0.44	0.28	0.18
EBITDA Margin	43%	49%	28%	20%	17%
NPM	22.9%	35.4%	21.0%	15.7%	13.3%
Div. Yield (%)	21.0%	27.4%	17.2%	9.9%	6.3%
ROE	40%	66%	28%	17%	10%
P/E (x)	3.3	2.2	3.8	6.6	10.3
P/BV (x)	1.3	1.5	1.1	1.1	1.1
EV/EBITDA (x)	1.0	0.8	1.6	3.2	5.7

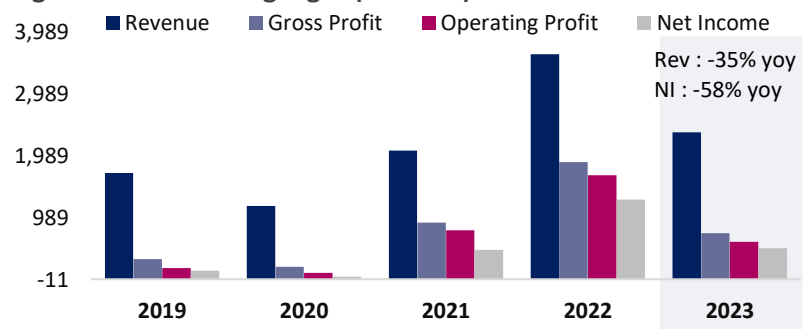
Source: ITMG and KSI Research

Figure 2. Sales by destination in FY23



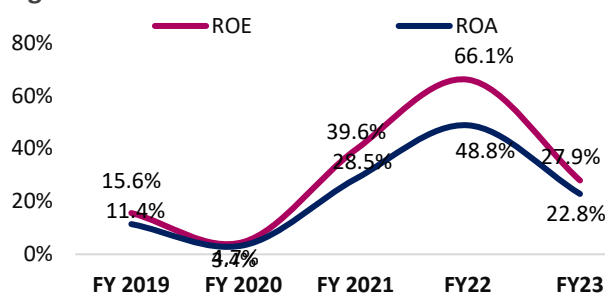
Source: ITMG and KSI Research

Figure 3. Financial Highlight (USD Mn)



Source: ITMG and KSI Research

Figure 4. ROE vs ROA 2019 – 2023



Source: ITMG and KSI Research

Financial Review

Revenue: ITMG recorded FY23 revenue of USD 2,374 Mn or -35% y/y (vs FY22 3,636 Mn). Sales volume rose to 20.9 million tonnes or +11%y/y (vs FY22 18.9Mn), however there was a decline in average selling price (ASP) to USD 113/tonne or -41% y/y (vs FY22 USD 192/tonne). Coal production in 16.9Mt or +1%, with a strip ratio of 12.5x or +17% y/y.

Gross profit: FY23 gross profit of USD 743 Mn or -61% y/y (vs FY22 USD 1,894 Mn). Gross profit margin ratio decreased to 31% (vs FY22 at 52%).

Operating profit: FY23's operating profit of USD 605 Mn or -64% y/y (vs FY22 1,683 Mn). Operating profit margin ratio decreased to 26% (vs FY22 at 46%).

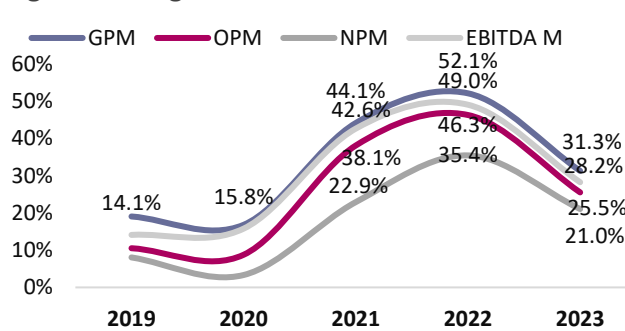
EBITDA: FY23's EBITDA of USD 671 Mn or -62% y/y (vs FY22 1,783 Mn). EBITDA margin ratio decreased to 28% (vs FY22 at 49%).

Net Income: Net profit to decrease to USD 500 million or -58% YoY (vs FY22 USD 1,545 Mn). Net profit margin ratio decreased to 21% (FY22 at 33%).

Total assets decreased to USD 2,188 million or -17% y/y with a significant decrease in cash due to the dividend payment. However, **cash** remained strong with a balance of \$851m in FY23, or -40% y/y, and a net cash position of \$803m, or -43% y/y, while **total liabilities** fell to \$399m, or -42% y/y (FY23 DER 0.22x vs. FY22 0.35x).

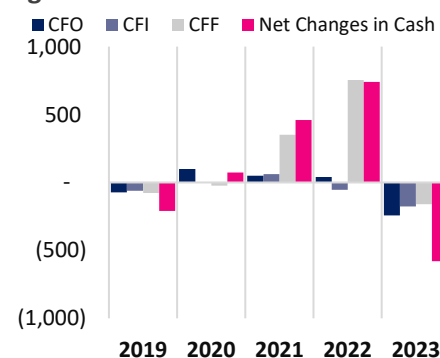
CPI ownership change: ITMG, through its 70%-owned subsidiary, PT ITM Bhinneka Power (IBP) increased its ownership of PT Cahaya Power Indonesia (CPI), one of its subsidiaries which engages in solar based renewable energy business, from 60.0% to 79.5%. Thus, ITMG's effective ownership in CPI changed to 55.65% from the previous 42.0%.

Figure 5. Margin Ratio 2019 – 1H23



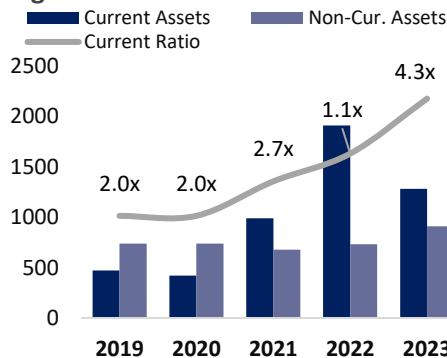
Source: ITMG and KSI Research

Figure 6. Cashflow Activities



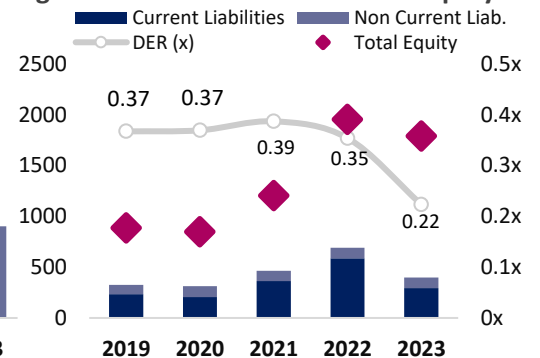
Source: ITMG and KSI Research

Figure 7. Non vs Current Assets



Source: ITMG and KSI Research

Figure 8. Total Liabilities vs Total Equity



Source: ITMG and KSI Research

Figure 9. Financial Performances

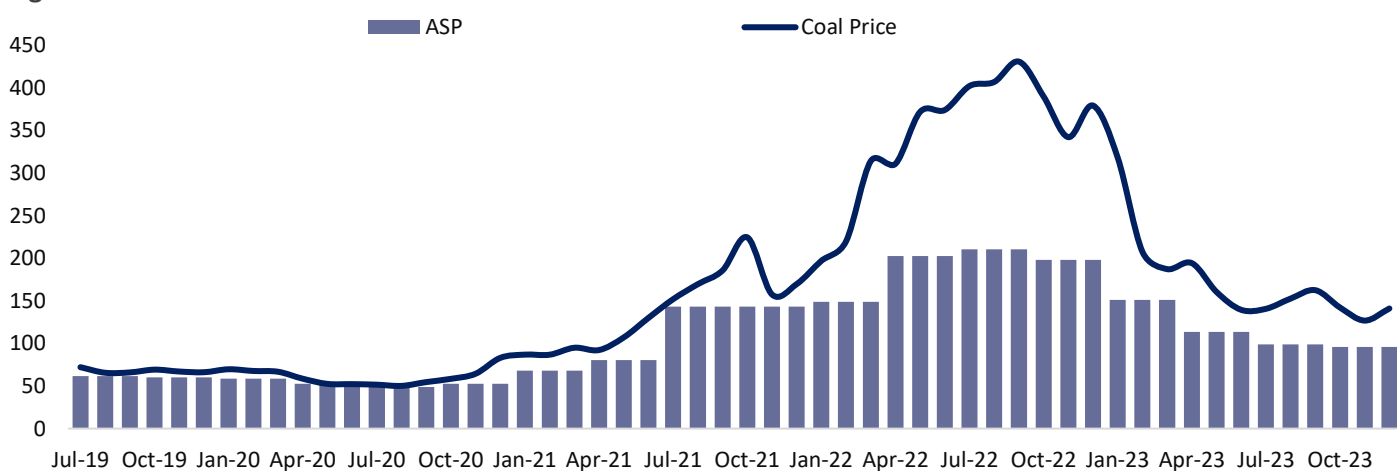
Unit: \$ million	4Q22	3Q23	4Q23	q/q (%)	y/y (%)	FY22	FY23	y/y (%)
Sales volume (Mt)	5.1	5.3	5.7	8%	12%	18.9	20.9	11%
Average selling price(\$/ton)	198	99	96	-3%	-52%	192	113	-41%
Net Revenues	1,020	527	548	4%	-46%	3,636	2,374	-35%
Gross Profit	488	152	132	-13%	-73%	1,894	743	-61%
GPM (%)	48%	29%	24%			52%	31%	
Selling Expenses	(63)	(27)	(4)	-86%	-94%	(170)	(95)	-44%
General & Adm. Expenses	(15)	(10)	(12)	28%	-18%	(42)	(42)	1%
Operating Income	410	115	116	1%	-72%	1,683	605	-64%
OPM (%)	40%	22%	21%		46%	46%	26%	
EBITDA	442	132	131	-1%	-70%	1,783	671	-62%
EBITDA M (%)	43%	25%	24%			49%	28%	
Finance Costs	(1)	(0)	(1)	82%	15%	(3)	(3)	-13%
Finance Income	5	9	9	8%	83%	9	35	289%
Others, Net	(16)	2	(2)	-213%	-86%	(143)	7	-105%
Profit Before Income Tax	398	125	123	-2%	-69%	1,545	644	-58%
Income Tax	(93)	(27)	(28)	7%	-69%	(345)	(144)	-58%
Net Profit	306	99	94	-5%	-69%	1,199	500	-58%
NPM (%)	30%	19%	17%			33%	21%	

Source: ITMG and KSI Research

Figure 10. Operational Highlight

Unit: Mt	4Q22	3Q23	4Q23	q/q (%)	y/y (%)	FY22	FY23	y/y (%)
Coal Production	4.3	5.3	3.4	-36%	-21%	16.6	16.9	2%
Overburden (Mbcm)	47.3	62.0	51.0	-18%	8%	177.6	211.3	19%
Stripping R (x)	11.0	11.7	15.0	28%	36%	10.7	12.5	17%

Source: ITMG and KSI Research

Figure 11. Coal Price vs ASP Historical


Source: ITMG and KSI Research

Valuation & Dividend Potential

We used the DCF valuation method to determine the fair price of ITMG. Our assumptions included a beta of 0.47x, a risk-free rate of 6.48%, a risk premium of 6.69%, a WACC of 9.54%, and a perpetuity growth rate of -1%. Based on these assumptions, we arrived at a fair value of USD 1.85 per share or **IDR 28,700 per share** (assuming an exchange rate of IDR 15,500 to USD). Currently priced (IDR 26,375), it trades at a PE of 3.86x vs 5Y AVG at 5.9x and a PBV of 1.08x vs 5Y AVG of 1.3x.

Figure 12. DCF Valuation Method

DCF (USD Mn)	2024F	2025F	2026F	2027F	2028F	2029F
EBIT	255	174	122	200	180	162
marginal tax rate	22%	22%	22%	22%	22%	22%
EBIT (1-tax)	198	135	95	155	140	126
+ D & A	75	71	57	49	44	40
- Capex	(57)	(43)	(34)	(29)	(26)	(24)
Changes in working capital	78	(224)	(126)	(23)	16	14
Free Cash Flow	343	-38	-8	154	174	157
Terminal Value						1,024
Discount Factor	1.00	0.91	0.83	0.76	0.69	0.63
Firm Value	1,288	Key Assumption				
Cash	866	Perpetuity Growth -5.00%				
Interest Bearing Debt	60	Beta 0.47				
Equity Value	2,094	RF 6.48%				
Share	1,130	RP 6.69%				
Equity Value Per Shares	1.85	Cost of Equity 9.62%				
Assumption USD	IDR 15,500	Cost of Debt 6.99%				
Fair Value (IDR)	28,700	WACC 9.54%				
Last Price	26,375					
Potential Upside (%)	8.8%					

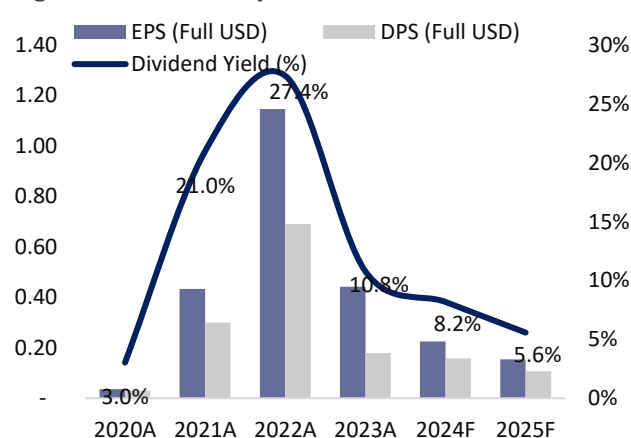
Source: Bloomberg and KSI Research

Figure 13. Scenario analysis for Profit & Market Ratio

2024F	Profit	EPS	Div/Share	Price	Div. yield
Sales Gr.	318.8	0.2821	0.1834	1.85	9.89%
-20%	297.49	0.2633	0.1711	1.76	9.71%
-19%	301.21	0.2666	0.1733	1.78	9.74%
-18%	304.93	0.2699	0.1754	1.79	9.78%
-17%	308.65	0.2732	0.1776	1.81	9.81%
-16%	312.37	0.2764	0.1797	1.83	9.84%
-15%	316.08	0.2797	0.1818	1.84	9.87%
-14%	318.77	0.2821	0.1834	1.85	9.89%
-13%	323.52	0.2863	0.1861	1.87	9.93%
-12%	327.24	0.2896	0.1882	1.89	9.96%
-11%	330.96	0.2929	0.1904	1.91	9.99%
-10%	334.68	0.2962	0.1925	1.92	10.02%

Source: Bloomberg and KSI Research

Figure 14. Dividend yield Estimated



Source: Bloomberg and KSI Research

ITMG is expected to pay a dividend at a ratio of 65% of FY23 performance. The company has already paid an interim dividend of IDR 2,660 per share. FY2023 EPS is USD 0.44 per share or IDR 6,816 per share. The FY23 dividend is expected to be USD 0.29 per share or IDR 4,431 per share. Therefore, ITMG's potential final dividend is IDR 1,771 or a **dividend yield of 6.7% (based on the last price of 26,375)**.

The final dividend distribution is expected to take place in April, as per the historical schedule.

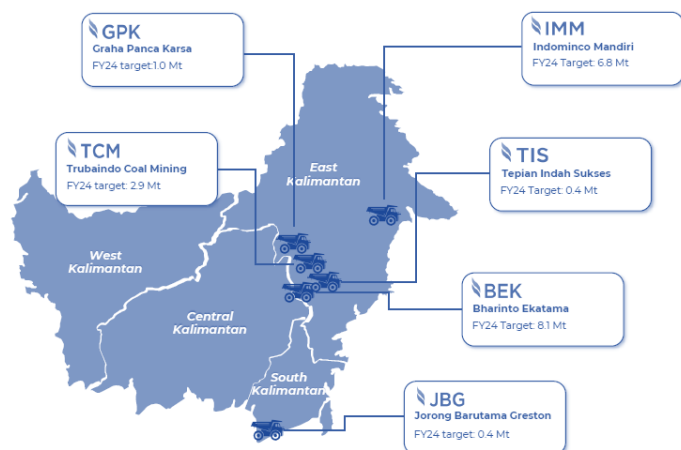
Financial Exhibits

Company profile

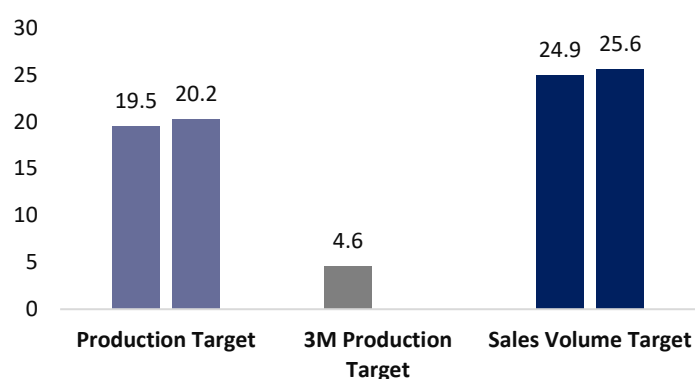
PT Indo Tambangraya Megah Tbk (ITMG) is an Indonesian energy company with more than decades of experience. ITMG focuses on optimising profits from the coal value chain and continues to diversify in the energy sector, such as the renewable energy business.

Total Reserves 282 Mt and total resources 1,313 Mt.

Operational Area:



Target for 2024 (Mt)



FY24 CAPEX : \$96.5 Mn (TRUST 11%, Greenfield projects 9%, Renewable 13%, Coal mines 52% and others 4%).

Figure 15. Financial Statement (USD Mn)

Income Statement	2022A	2023A	2024F	2025F
Revenue	3,636	2,374	2,035	1,524
Costs of revenue	1,742	1,632	1,547	1,219
Gross profit	1,894	743	488	305
Operating profit	1,683	605	330	186
EBITDA	1,783	670	405	257
Income before tax	1,545	644	410	261
Tax expenses	345	144	92	59
Minority interests	(0.7)	(0.7)	(0.6)	(0.5)
Net income	1,288	500	319	203
EPS (USD)	1.15	0.44	0.28	0.18
Balance Sheet	2022A	2023A	2024F	2025F
Cash & equivalents	1,430	851	866	697
Account receivables	280	197	158	118
Inventories	96	98	224	177
Fixed assets	404	430	672	1,038
Other assets	430	612	353	264
Total assets	2,640	2,188	2,273	2,295
S-T liabilities	37	46	49	51
Other S-T liabilities	549	248	220	165
L-T liabilities	13	8	10	11
Other L-T liabilities	91	97	96	100
Total liabilities	690	399	376	326
Equity	1,950	1,789	1,897	1,968
BVPS (Full USD)	1.74	1.58	1.68	1.74
Cash Flow	2022A	2023A	2024F	2025F
Net Income	1,288	500	319	203
Depreciation	100	65	75	71
Change in W/C	(1,349)	(806)	(457)	(219)
Others	40	(242)	(63)	55
CFO	(28)	(54)	(57)	(43)
Capital expenditure	(79)	(150)	211	67
CFI	(53)	(176)	(32)	(299)
Dividends Paid	775	203	207	132
Net Change Debt	(17)	(6)	3	0
Others	(5)	(359)	(100)	(57)
CFE	753	(161)	110	75
Change in cash	739	(579)	15	(169)
Beginning	691	1,430	851	866
Ending cash flow	1,430	851	866	697
Key Ratios	2021A	2022A	2023F	2024F
Gross margin (%)	52%	31%	24%	20%
EBITDA margin (%)	49%	28%	20%	17%
Pretax margin (%)	42%	27%	20%	17%
Net margin (%)	35.4%	21.0%	15.7%	13.3%
ROE (%)	66%	28%	17%	10%
Current ratio (x)	4.35	4.95	4.89	4.85
Gearing (%)	3%	3%	3%	3%
Net gearing (%)	35%	22%	20%	17%
AR turnover (days)	28.2	30.4	28.3	28.3
Inventory TO (days)	20.1	21.9	52.9	52.9
AP turnover (days)	49.61	47.14	37.23	38.15

Source: ITMG and KSI Research

Kiwoom Sekuritas Guide to Sector/Industry/Stock Ratings

Sector/Industry

OVERWEIGHT	: Sector & Industry Outlook has potential and good condition
NEUTRAL	: Sector & Industry Outlook Stable or tend to be stagnant
UNDERWEIGHT	: Sector & Industry Outlook has challenges and bad condition

Stock

BUY	: Stock Performance > +15%	Over the next 12 month (excluding dividend)
TRADING BUY	: Stock Performance, range between +5% to +15%	Minor to Medium Term
HOLD	: Stock Performance, range between -10% to +15%	Over the next 12 month (excluding dividend)
SELL	: Stock Performance > -15%	Over the next 12 month (excluding dividend)
TRADING SELL	: Stock Performance, range between -5% to -15%	Minor to Medium Term
NOTE RATE	: Stock is not within regular research coverage	Over the next 12 month (excluding dividend)



OTHER DISCLOSURES

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