

Mirae Asset Sekuritas Indonesia

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ITMG • Coal

# Indo Tambangraya Megah

## High-CV coal miner poised to benefit from market trends with generous dividends

(Upgrade)  
**Trading Buy**

Target price  
**IDR29,875 ▲**

Upside  
**10.2%**

Current price (12/3/24)  
**IDR27,100**

JCI Index	7,196	Market cap (IDRbn)	30,621	Shares outstanding (mn)	1,130	Free Float (%)	34.7
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### Report summary

#### Capitalizing on the coal market trends

We have a positive view on ITMG, as the company is well-positioned to benefit from the tightening supply of high-CV coal amid challenges faced by Australian producers and strong demand from major importers. Improved cost management and lower cash costs have also driven significant margin improvements, reinforcing ITMG's ability to meet its FY24 profitability targets while paving the way for moderate margin and earnings growth in 2025.

#### Consistent solid dividend payout

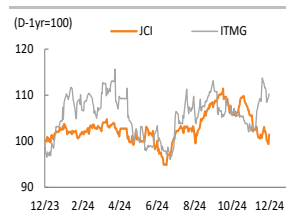
We think ITMG remains an attractive investment, offering solid dividends with a consistent ~65% payout ratio. Based on our latest projections, we estimate ITMG's 2024F cash dividend to translate into a 12.4% dividend yield at the current share price.

#### Upgrade TP to IDR29,875 with a Trading Buy recommendation

We upgrade our TP to IDR29,875/share with a Trading Buy recommendation, implying a P/E of 5.4x (-0.25 SD below ITMG's 5-year mean P/E). This reflects ITMG's ability to sustain profitability amid moderating coal prices while maintaining a strong dividend payout.

### Key data

#### Price performance



(%)	1M	6M	12M
Absolute	6.3	9.1	10.3
Relative	10.4	5.5	8.8

#### Earnings and valuation metrics

(FY Dec. 31)	2021	2022	2023	2024F	2025F
Revenue (USDmn)	2,077	3,636	2,374	2,284	2,311
EBITDA (USDmn)	861	1,758	647	528	550
Net Profit (USDmn)	476	1,200	500	360	375
EPS (IDR)	6,289	15,650	6,897	5,190	5,575
BPS (IDR)	15,991	25,496	24,641	26,820	29,680
P/E (x)	4.3	1.7	3.9	5.2	4.9
P/B (x)	1.7	1.1	1.1	1.0	0.9
EV/EBITDA (x)	1.6	0.4	1.8	1.7	1.3
ROE (%)	39.6	61.5	28.0	19.3	18.8
Div. yield (%)	16.2	37.3	16.5	12.4	13.4

Notes: Using closing price data as of December 3, 2024

Source: Company data, Mirae Asset Sekuritas Indonesia Research estimates

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## Outlook, valuation and recommendations

### 2025 investment thesis

#### Capitalizing on coal market trends with solid dividends

We view ITMG positively, as the company exceeded consensus earnings estimates in 3Q24, supported by stronger ASPs and higher sales volumes, while maintaining manageable operational costs. Forex gains during the period further strengthened its performance.

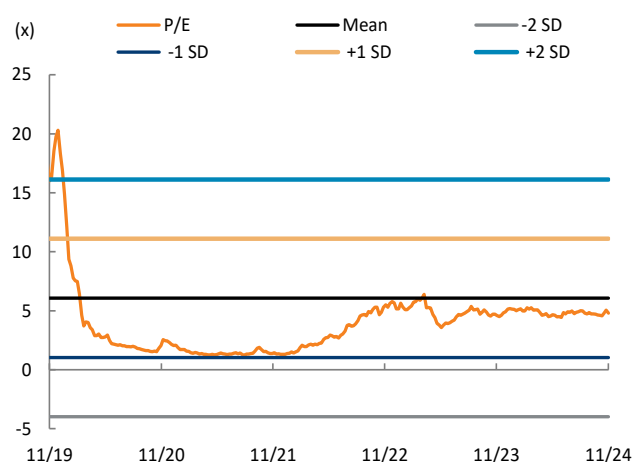
The company is well-positioned to benefit from current market dynamics, particularly the tightening supply of high-CV coal, which has driven ICI 1 prices higher relative to lower-CV peers. This supply constraint is amplified by challenges faced by Australian high-CV coal producers, including regulatory constraints, elevated production costs, and the expectation of weather disruptions from La Niña starting December, which could reduce output in Queensland.

Domestically, increased smelter activity in Indonesia, particularly in RKEF operations, could support stronger demand for ITMG's high-CV coal, given its critical role as a reductant agent, energy source, and carbon supplier.

ITMG also continues to reward shareholders with consistent double-digit dividend yields, maintaining a payout ratio of ~65% over the past two years. Based on our 2024F projections, we estimate a total cash dividend of IDR3,372/share, translating to a ~12.4% dividend yield at the current share price.

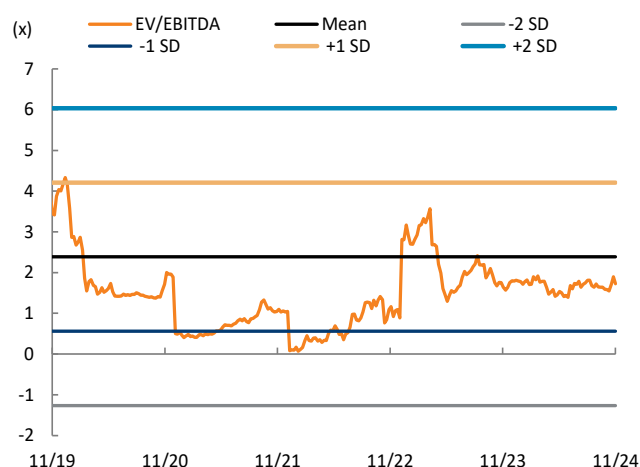
With our 2025F projections, we revise our target price to IDR29,150/share, implying a P/E of 5.4x (-0.25 SD of its 5-year mean P/E). The primary risk remains a decline in coal prices, driven by shifts in global coal trade dynamics, particularly given ITMG's exposure to China, the largest global coal consumer.

Figure 1. ITMG's forward P/E band



Source: Mirae Asset Sekuritas Indonesia Research

Figure 2. ITMG's forward EV/EBITDA band



Source: Mirae Asset Sekuritas Indonesia Research

## Forecast revision and recommendation

### Expecting stable growth amid market moderation

We have fine-tuned our projections for ITMG to reflect the company's recent performance and guidance. Following its outperformance in 3Q24, we adjusted coal sales volumes for 2024, incorporating the company's expectations of a slight decline in production and sales volumes in 4Q24. For 2024, we now estimate production at ~20mn tons and sales volume at ~23mn tons, with modest growth of ~5% YoY in 2025F, bringing production to ~21mn tons and sales volume to ~24mn tons.

Our revisions also account for updated assumptions on ASP and cash costs, reflecting trends in ICI 1 prices and ITMG's cost structure. We anticipate manageable cash costs, driven by a stable stripping ratio of ~11x (down from ~12.5x in 2023) and a decline in royalty rates following HBA price movements. In terms of ASP, we foresee Newcastle coal prices moderating in 2024 to a range of USD120-145/ton, with lower oil prices potentially easing cost pressures further. For 2025, we assume a coal ASP of ~USD92.5/ton and cash cost of ~USD18/ton.

Our revised estimates for 2024 project revenue of USD2,284mn, EBITDA of USD528mn, and net profit of USD360mn. In 2025, we expect improved margins, supported by stable costs and operational efficiencies, leading to revenue of USD2,311mn, EBITDA of USD550mn, and net profit of USD375mn.

This revised outlook highlights ITMG's ability to maintain profitability amid moderating coal prices, supported by disciplined cost management and operational consistency.

**Table 1. Change of forecast summary**

Financials (IDRbn)	FY24F forecast			FY25F forecast	
	Previous	New	Chg. (%)	New	Growth (% YoY)
Revenue	2,150	2,284	6.2	2,311	1.2
Gross Profit	606	683	12.7	705	3.2
EBITDA	521	528	1.4	550	4.2
Net Profit	471	477	1.4	497	4.0
Margins (%)	Previous	New	Chg. (%)	New	Growth (% YoY)
	Previous	New	Chg. (%)	New	Growth (% YoY)
Gross Margin	28.2	29.9	1.7	30.5	0.6
EBITDA margin	24.2	23.1	-1.1	23.8	0.7
Net Margin	21.9	20.9	-1.0	21.5	0.6

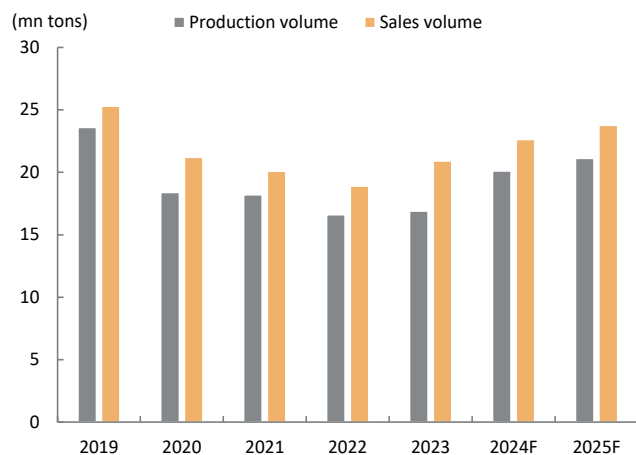
Source: Mirae Asset Sekuritas Indonesia Research estimates

### Upgraded TP to IDR29,875/share with a Trading Buy recommendation

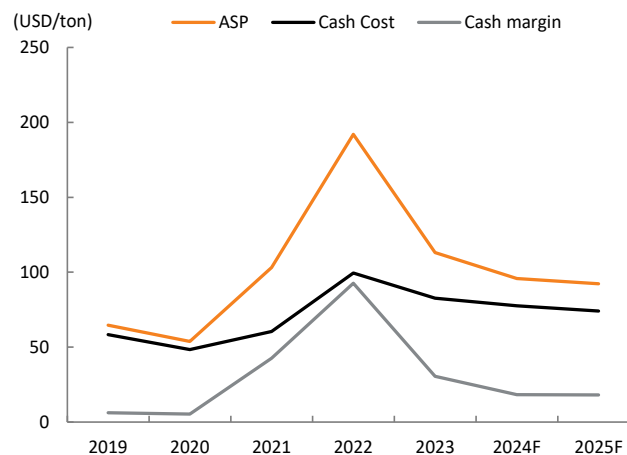
We have rolled forward our valuation base to 2025F, incorporating our revised forecast. As a result, we have upgraded our target price to IDR29,875/share, implying a P/E of 5.4x, or -0.25 SD below ITMG's 5-year mean P/E.

Our valuation reflects ITMG's differentiated position within the coal sector, underpinned by its consistent double-digit dividend yield and shareholder-friendly payout policy (~65% payout ratio over the past two years). This stability and its robust cash flow generation make ITMG attractive to income-focused investors, supporting a less significant discount compared to the sector's -0.5 SD. Additionally, ITMG's superior total return proposition, driven by dividends and its ability to navigate volatile coal market dynamics effectively, further reinforces this premium positioning.

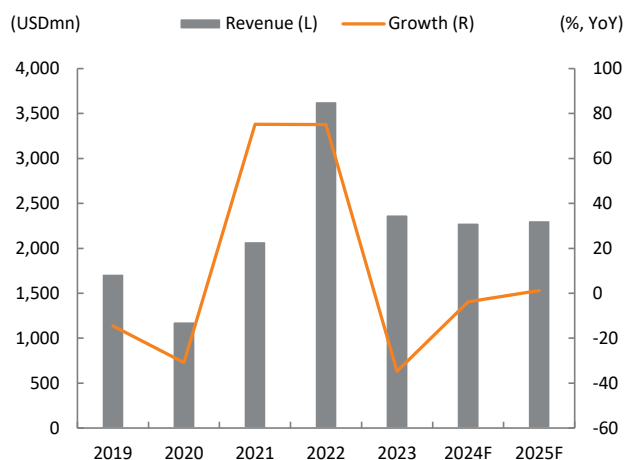
While we maintain a Trading Buy recommendation, the primary risk to our call remains the potential for a decline in coal prices, influenced by global coal trade dynamics. This risk is particularly significant given ITMG's exposure to China, the largest global coal consumer. Despite these challenges, ITMG's strategic positioning, operational efficiencies, and dividend appeal bolster our positive outlook.

**Figure 3. ITMG's revenue trajectory**

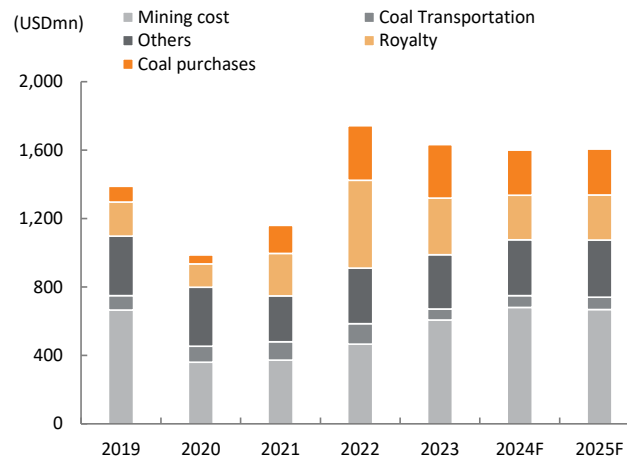
Source: Company data, Mirae Asset Sekuritas Indonesia Research

**Figure 4. ITMG's ASP, cash cost and cash margin trajectory**

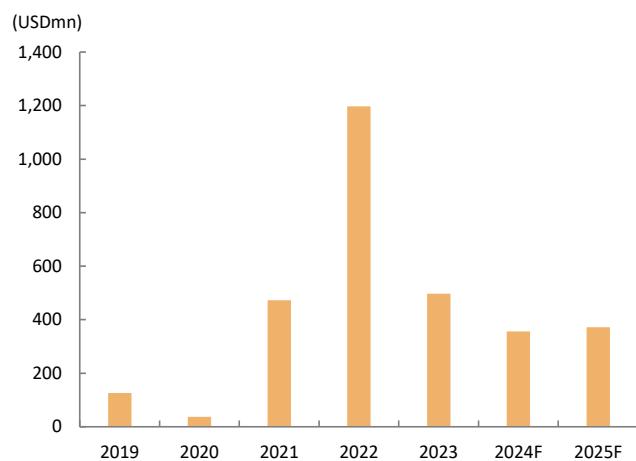
Source: Company data, Mirae Asset Sekuritas Indonesia Research

**Figure 5. ITMG's revenue trajectory**

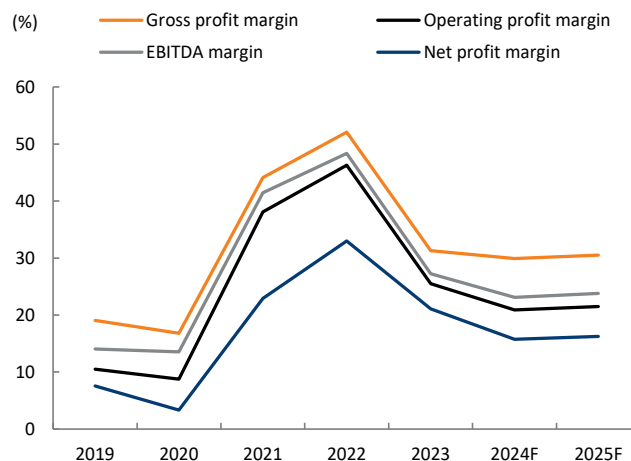
Source: Company data, Mirae Asset Sekuritas Indonesia Research

**Figure 6. ITMG's cost of revenue trajectory**

Source: Company data, Mirae Asset Sekuritas Indonesia Research

**Figure 7. ITMG's net profit trajectory**

Source: Company data, Mirae Asset Sekuritas Indonesia Research

**Figure 8. ITMG's margins trajectory**

Source: Company data, Mirae Asset Sekuritas Indonesia Research

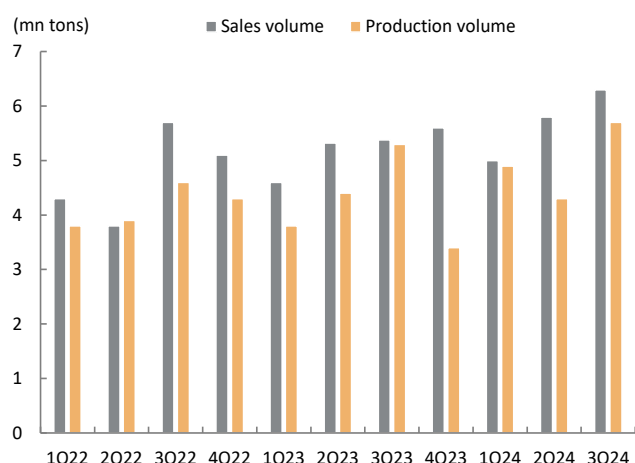
## 9M24 result review

### ITMG 9M24 results review

#### Earnings surge amid robust sales volumes, higher ASPs

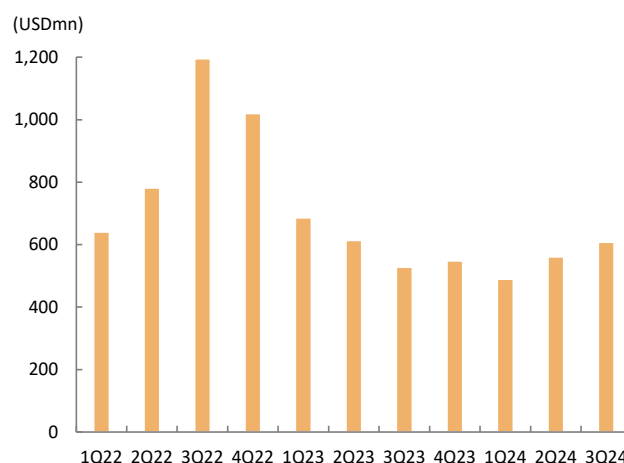
In 3Q24, ITMG delivered strong performance with **coal production** surging to **5.7mn tons (+32.6% QoQ)** and **sales volume** rising to **6.3mn tons (+8.6% QoQ)**. The **ASP** also improved by **2.1% QoQ** to **USD96/ton**, resulting in a **revenue** increase to **USD608mn (+8.5% QoQ)**. The ASP growth reflects favorable market conditions for high-calorific value (CV) coal, driven by increased demand from China as the country prioritizes energy security and tightens its reliance on higher CV coal. Additionally, supply constraints in Australia, where Queensland is expected to face 11 tropical storms over the coming months due to La Niña, have raised concerns about reduced production and transportation.

Figure 9. ITMG's quarterly production and sales volume



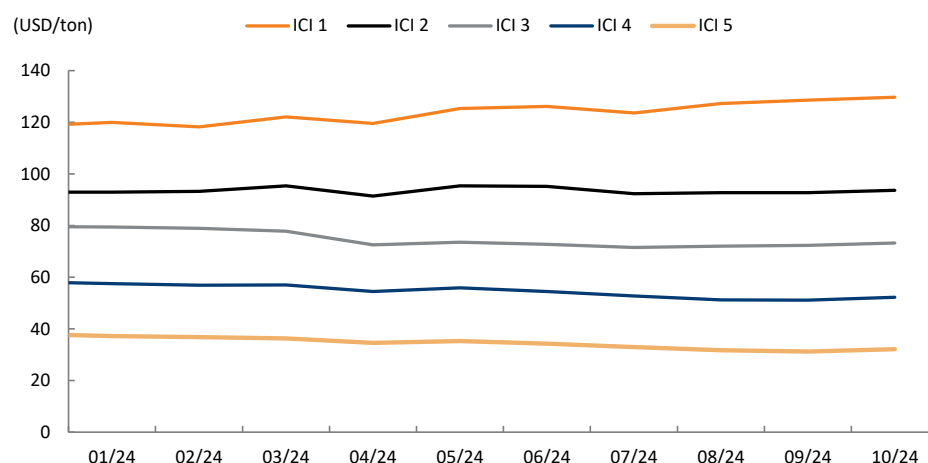
Source: Company data, Mirae Asset Sekuritas Indonesia Research

Figure 10. ITMG's quarterly revenue



Source: Company data, Mirae Asset Sekuritas Indonesia Research

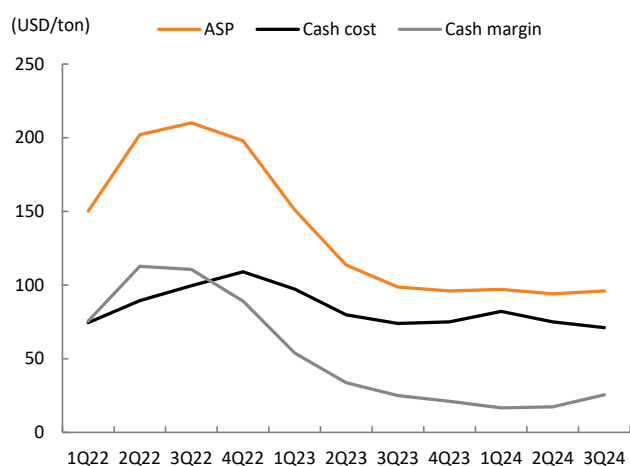
Figure 11. ICI monthly price movement



Source: Argus, Mirae Asset Sekuritas Indonesia Research

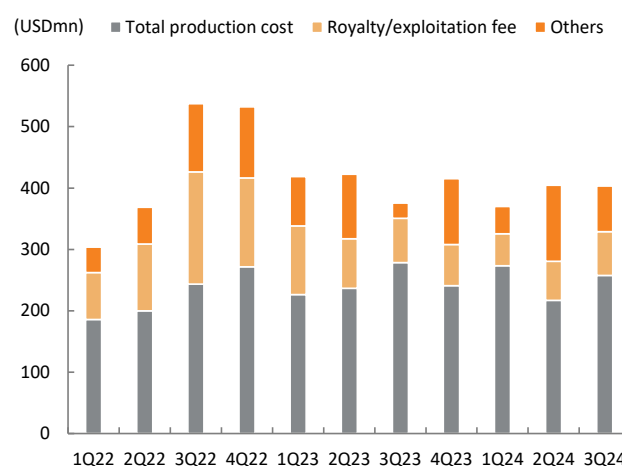
The company's **gross profit** grew significantly by **+31% QoQ** to **USD204mn**, supported by a slight reduction in **COGS (-0.3% QoQ)** to **USD403mn**, which drove **gross profit margin** expansion by **+5.8 ppt** to **33.6%**. **EBITDA** climbed by **+41.8% QoQ** to **USD160mn**, with an **EBITDA margin** improvement of **+6.2 ppt** to **26.4%**. This was underpinned by a **5.4% QoQ** reduction in **cash cost** to **USD71/ton**, achieved through an optimized **stripping ratio**, which decreased to **9.3x** from **10.5x** in 2Q24. These improvements resulted in a surge in **cash margin** to **USD25/ton (+31.7% QoQ)**. Operating profit also rose sharply by **+43.1% QoQ** to **USD104mn**, as operating expenses remained well-managed. Overall, ITMG posted an impressive **+113.3% QoQ** increase in **net profit**, reaching **USD144mn**, supported by higher margins, with **net profit margin** improving significantly by **+11.6 ppt** to **23.7%**, reflecting robust bottom-line growth driven by operational efficiency and favorable pricing trends.

Figure 12. ITMG's quarterly ASP, cash cost, and cash margin



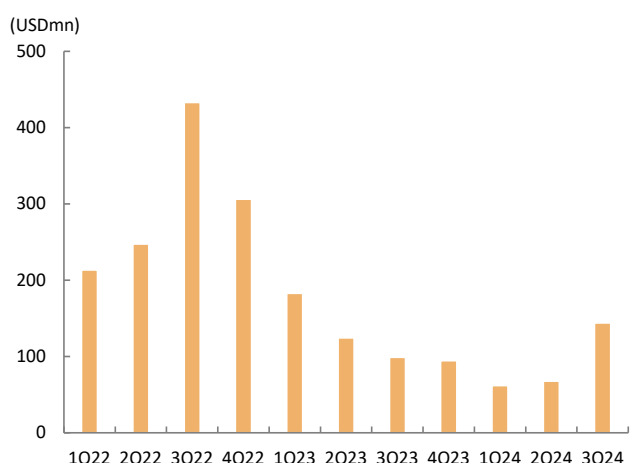
Source: Company data, Mirae Asset Sekuritas Indonesia Research

Figure 13. ITMG's quarterly cost of revenue



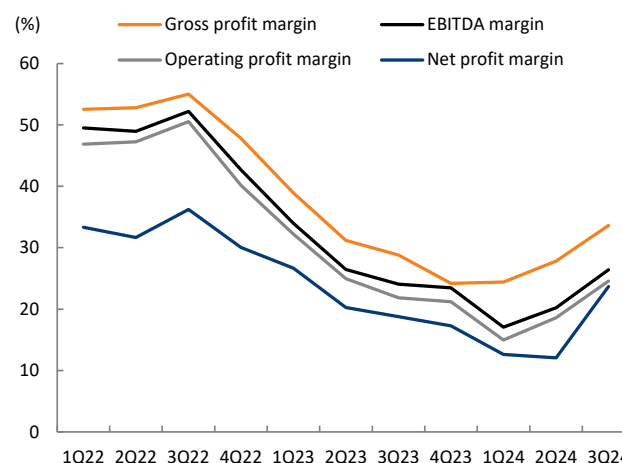
Source: Company data, Mirae Asset Sekuritas Indonesia Research

Figure 14. ITMG's quarterly net profit



Source: Company data, Mirae Asset Sekuritas Indonesia Research

Figure 15. ITMG's quarterly margins



Source: Company data, Mirae Asset Sekuritas Indonesia Research

For the cumulative **9M24** period, ITMG reported **revenue** of **USD1,657mn (-9.3% YoY)**, achieving **76.4% of FY24 consensus** estimates. **EBITDA** totaled **USD357mn (-31.6% YoY)**, meeting **72.0% of FY24 targets**, while **net profit** reached **USD273mn (-32.7% YoY)**, exceeding expectations with a **run rate of 81.9%**. Despite earlier cost pressures, disciplined cost control and improved ASPs enabled ITMG to align its cumulative performance with market projections.

ITMG's 9M24 results underline its strong operational execution, with significant margin improvements in 3Q24 driven by elevated ASPs and reduced cash costs. The company's consistent revenue, EBITDA, and net profit run rates position it favorably to achieve its FY24 profitability targets, bolstered by strategic cost management and operational efficiency.

**Table 2. ITMG's 9M4 key financial and operational highlights**

Key financial highlights (USDmn)	3Q23	2Q24	3Q24	Chg. (% QoQ)	Chg. (% YoY)	9M23	9M24	Chg. (% YoY)
<b>Revenue</b>	527	560	608	8.5	15.2	1,827	1,657	-9.3
COGS	376	404	403	-0.3	7.4	1,216	1,178	-3.2
<b>Gross profit</b>	152	156	204	31.0	34.4	610	480	-21.4
Operating expenses	-37	-52	-55	6.6	49.8	-121	-153	26.3
<b>EBITDA</b>	127	113	160	41.8	26.5	522	357	-31.6
<b>Operating profit</b>	115	104	149	43.1	29.5	489	327	-33.2
Profit before income tax	125	90	190	111.6	51.9	522	359	-31.1
Income tax expenses	27	23	46	104.2	74.1	116	87	-25.4
<b>Net profit</b>	99	67	144	113.3	45.6	406	273	-32.7
<b>Margins (%)</b>								
Gross profit margin	28.8	27.8	33.6	5.8	4.8	33.4	28.9	-4.5
EBITDA margin	24.0	20.2	26.4	6.2	2.4	28.6	21.5	-7.0
Operating profit margin	21.8	18.6	24.6	6.0	2.7	26.8	19.7	-7.1
Net profit margin	18.7	12.0	23.7	11.6	4.9	22.2	16.5	-5.7
<b>Operational data</b>								
Coal production (mn tons)	5.3	4.3	5.7	32.6	7.5	13.4	15.0	11.9
Coal sales Volume (mn tons)	5.4	5.8	6.3	8.6	17.1	15.3	17.1	11.8
Coal ASP (USD/ton)	98.7	94.0	96.0	2.1	-2.7	119.4	96.0	-19.6
Cash cost (USD/ton)	73.8	75.0	71.0	-5.4	-3.8	82.9	76.0	-8.3
Cash margin (USD/ton)	24.9	19.0	25.0	31.7	0.5	36.5	20.0	-45.2
Stripping ratio (x)	11.7	10.5	9.3	-1.2	-2.4	11.9	10.1	-1.8

Source: Company data, Mirae Asset Sekuritas Indonesia Research

**Table 3. ITMG's 9M24 Results run rate**

(USDmn)

	9M24 ITMG (a)	FY24F MASI (b)	FY24F Consensus (c)	(a)/(b) (%)	(a)/(c) (%)	5-years average run rate (%)	Comment (MASI/ Consensus)
Revenue	1,657	2,150	2,169	77.1	76.4	72.4	In line/ In line
EBITDA	357	521	496	68.5	72.0	72.2	In line/ In line
Operating profit	327	471	436	69.4	74.9	69.5	In line/ Above
Net profit	273	354	333	77.2	81.9	78.6	In line/ In line

Source: Company data, Mirae Asset Sekuritas Indonesia Research

## Indo Tambangraya Megah (ITMG IJ)

## Income statement (summarized)

(USDmn)	12/22	12/23	12/24F	12/25F
<b>Revenue</b>	3,636	2,374	2,284	2,311
Cost of sales	-1,742	-1,632	-1,601	-1,606
<b>Gross profit</b>	1,894	743	683	705
Operating expenses	-212	-137	-206	-208
<b>Operating profit</b>	1,683	605	477	497
<b>EBITDA</b>	1,758	647	528	550
Interest income	9	35	-13	-12
Interest expense	-3	-3	-4	-4
Others	0	0	0	0
Net gain from inv in associated	-143	7	0	0
<b>Pretax profit</b>	1,545	644	461	481
Income taxes	-345	-144	-101	-106
Minority interest	1	1	0	0
<b>Net profit</b>	1,200	500	360	375
<b>Margin (%)</b>				
Gross margin (%)	52.1	31.3	29.9	30.5
EBITDA margin (%)	48.3	27.3	23.1	23.8
Operating margin (%)	46.3	25.5	20.9	21.5
Net margin (%)	33.0	21.1	15.7	16.2
<b>Growth (%)</b>				
Revenue	75.1	-34.7	-3.8	1.2
Cost of sales	50.1	-6.3	-1.9	0.3
Gross profit	106.7	-60.8	-8.0	3.2
Operating expenses	68.9	-35.2	49.9	1.2
Operating profit	112.7	-64.0	-21.1	4.0
EBITDA	104.2	-63.2	-18.4	4.2
Net profit	152.3	-58.3	-28.1	4.3

## Forecast/valuations (Summarized)

	12/22	12/23	12/24F	12/25F
P/E (x)	1.7	3.9	5.2	4.9
P/B (x)	1.1	1.1	1.0	0.9
EV/EBITDA (x)	0.4	1.8	1.7	1.3
EPS (IDR)	15,650	6,897	5,190	5,575
BPS (IDR)	25,496	24,641	26,820	29,680
DPS (IDR)	10,096	4,479	3,372	3,622
Payout ratio (%)	64.5	65.0	65.0	65.0
Div. yield (%)	37.3	16.5	12.4	13.4
A/R turnover (x)	15.6	9.9	9.9	9.9
Inventory turnover (x)	22.0	16.8	11.1	11.1
A/P turnover (x)	15.2	12.8	14.6	14.6
ROA (%)	45.5	22.9	15.9	15.6
ROE (%)	61.5	28.0	19.3	18.8
Current ratio (X)	3.3	4.3	5.0	5.4
Gross debt/equity (%)	1.3	1.3	1.3	1.4
Net debt/equity (%)	Net Cash	Net Cash	Net Cash	Net Cash

Source: Company data, Mirae Asset Sekuritas Indonesia Research estimates

## Balance sheet (summarized)

(USDmn)	12/22	12/23	12/24F	12/25F
<b>Current Assets</b>				
Cash & ST investment	1,430	851	989	1,110
Trade receivable	280	197	230	233
Inventories	96	98	145	145
Others	102	133	147	161
<b>Non-current assets</b>				
Fixed assets	151	168	175	179
Others	580	740	578	581
<b>Total assets</b>	<b>2,640</b>	<b>2,188</b>	<b>2,263</b>	<b>2,409</b>
<b>Current liabilities</b>				
Account payable	144	110	110	110
ST financials	13	16	20	24
Others	428	168	171	174
<b>Non-current liabilities</b>				
LT financials	13	8	5	3
Others	91	97	99	100
<b>Total liabilities</b>	<b>690</b>	<b>399</b>	<b>404</b>	<b>411</b>
Capital stock	64	64	64	64
Additional paid in capital	373	373	329	329
Retained earnings	1,515	1,341	1,456	1,594
Minority interest	3	9	10	10
others	-5	1	1	1
<b>Total equities</b>	<b>1,950</b>	<b>1,789</b>	<b>1,859</b>	<b>1,998</b>
<b>Growth (%)</b>				
Total assets	58.5	-17.1	3.4	6.4
Total liabilities	48.5	-42.1	1.1	1.8
Total equities	62.3	-8.3	4.0	7.4

## Cash flow (Summarized)

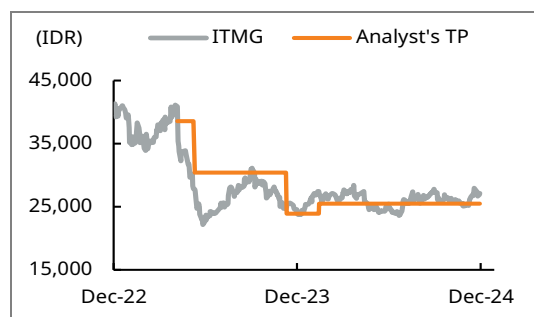
(USDmn)	12/22	12/23	12/24F	12/25F
<b>Operating cash flow</b>				
Net profit	1,200	500	360	375
Depreciation	29	-37	51	53
Change in working capital	186	-115	79	4
Others	-90	34	47	33
<b>Investment cash flow</b>	<b>-71</b>	<b>-138</b>	<b>-96</b>	<b>-95</b>
Capex	-14	20	-57	-58
Others	-57	-158	-39	-37
<b>Financing cash flow</b>	<b>-505</b>	<b>-666</b>	<b>-301</b>	<b>-250</b>
Change in financial liabilities	-10	-3	1	3
Change in equity	88	12	-44	0
Dividend	-538	-674	-245	-237
Others	-45	-1	-13	-16
<b>Increase (decrease) in cash</b>	<b>750</b>	<b>-582</b>	<b>138</b>	<b>121</b>
<b>Beginning balance</b>	<b>691</b>	<b>1,430</b>	<b>851</b>	<b>989</b>
<b>Ending balance</b>	<b>1,441</b>	<b>848</b>	<b>989</b>	<b>1,110</b>

## Appendix 1

### Important disclosures and disclaimers

#### Two-year rating and TP history

Company	Date	Rating	TP (IDR)
Indo Tambangraya Megah (ITMG JJ)	11/4/2024	Trading Buy	29,875
	11/20/2024	Hold	25,500
	10/30/2024	Hold	25,500
	9/23/2024	Hold	25,500
	8/28/2024	Hold	25,500
	7/29/2024	Hold	25,500
	6/28/2024	Hold	25,500
	3/1/2024	Hold	25,500
	2/22/2024	Hold	25,500
	1/18/2024	Hold	25,500
	11/14/2023	Hold	23,875
	9/19/2023	Hold	30,400
	8/14/2023	Trading Buy	30,400
	7/24/2023	Trading Buy	30,400
	5/15/2023	Hold	30,400
	4/10/2023	Hold	38,550



#### Stock ratings

Buy	Expected 12-month performance: +20% or greater
Trading Buy	Expected 12-month performance: +10% to +20%
Hold	Expected 12-month performance: -10% to +10%
Sell	Expected 12-month performance: -10% or worse

#### Sector ratings

Overweight	Expected to outperform the market over 12 months
Neutral	Expected to perform in line with the market over 12 months
Underweight	Expected to underperform the market over 12 months

Rating and TP history: Share price (—), TP (—), Not Rated (■), Buy (▲), Trading Buy (■), Hold (●), Sell (◆)

\* Our investment rating is a guide to the expected return of the stock over the next 12 months.

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