

Yield Leader with Cost Advantage and Market Resilience

20 June 2025



PTBA IJ	BUY
Sector	Coal
Price at 18 June 2025 (IDR)	22,775
Price target (IDR)	27,000
Upside (%)	22.9%

Stock Information

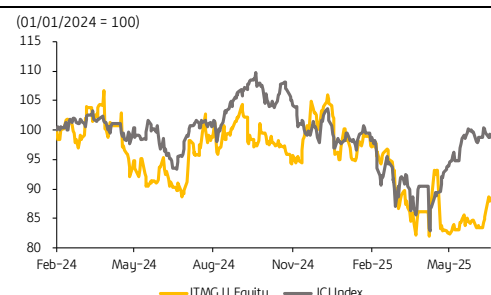
PT Indo Tambangraya Megah Tbk (ITMG) is a leading Indonesian coal producer, engaged in integrated coal mining, processing, logistics, and trading. Established in 1987, the company operates eight mining concessions in Kalimantan and has been listed on the IDX since 2007. ITMG holds approximately 353 Mt of reserves and 2,109 Mt of resources.

Market cap (IDR bn)	25,734
Shares outstanding (mn)	1,130
52-week range (IDR)	28,650 – 21,400
3M average daily vol. ('000)	1,806
3M average daily val. (IDR mn)	49,763

Shareholders (%)

Banpu Singapore Pte. Ltd.	65.1
Public (<5%)	34.9

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	2.0	(0.6)	(4.7)

We reinstate ITMG with a BUY and TP of IDR27,000, based on 15-year DCF assuming ~22Mt output, USD84.2/t ASP, and 20% ESG discount. Solid 1Q25 core profit (USD69mn, +6.9% yoy), in-line with estimation, were driven by lower cash cost (USD55/t) from efficient stripping (8.8x). We raise 2025F net profit to USD350mn (~9% yoy) on higher price and volume assumptions, with cost expected to fall ~14.2% yoy to USD56.1/t. Despite offering the sector's highest dividend yield (11.8–15.3%) and solid ROE, ITMG's upside is constrained by government-regulated HBA pricing and a return to a normalized stripping ratio.

Solid 1Q, Softer 2Q Ahead. ITMG posted a solid 1Q25 core profit of USD69mn (+6.9% yoy, -44.9% qoq), supported by lower cash cost at USD55/t (vs USD67/t) from efficient stripping ratio (8.8x), logistics, and fuel use. In 2Q25, coal prices may stay firm after rebounding to a four-month high, driven by China's rising imports and 10% stockpile mandate, and supply tightening from Australian coal plant outages (Victoria's Yallourn and Loy Yang A) that cut output by up to 50% during peak winter demand. That said, upside could be limited by HBA pricing rules, while earnings may be softened by a normalized stripping ratio (~10x).

Cash-Rich and Cost-Efficient, ITMG Finds Its Edge. The broader coal sector faces mounting headwinds from global oversupply and weakening demand. However, we believe coal demand will remain resilient over the next five years, supported by the Indonesian government's shift from a "coal phase-out" to a more measured "coal phase-down" approach. We revise our forecast for ITMG, assuming ~22Mt in annual output over a 15-year mine life. Purchased coal, contributing ~20% of volume, is expected to support topline growth. With a higher coal price assumption of USD84.2–89.3/t for 2025–2026F (vs. previous coverage), we raise our 2025F revenue to USD2.2 bn (+25.1% revision; -6.2% yoy) and net profit to USD350 mn (from USD50mn; -9% yoy). The yoy decline reflects softer ASPs, with exports contributing ~65% of total sales. On the cost side, total cash cost is expected to fall ~14.2% yoy to USD56.1/t, driven by a ~22% reduction in fuel and oil costs. Ongoing capex on road infrastructure may further enhance cost efficiency. These improvements support margin expansion, with NPM projected at 16.2% and core EPS at IDR 5,049 in 2025F. Backed by a strong net cash position, we anticipate a 65%DPDR, offering an attractive 13% yield over the next 12 months. This financial flexibility also provides optionality for future acquisitions, especially as the company explores diversification into renewables and critical minerals.

Reinstate with BUY, TP IDR 27,000. We reinstate coverage on ITMG with a BUY rating and a target price of IDR 27,000/share, following a transition in analyst coverage. Our valuation is based on a 15-year DCF, in line with the estimated mine life assuming ~22Mt annual output, USD 84.2/ton ASP, -1.4% price CAGR, 9.8% WACC, and a 20% ESG discount. ITMG offer the highest yields among peers (11.8%–15.3%) and trades at a low PER, with solid ROE. If coal prices average USD90/t in 2025F (vs base USD84.2), we estimates EPS could increase by +12.4% yoy vs base case, with dividend yield potentially reaching 12.5%. Risk to our call: 1) HBA rigidity during price volatility, 2) Reserve visibility post-2035, 3) FX sensitivity, and 4) Lack of operational hedges in case fuel prices spike again

Exhibit 1: Forecasts and Valuations (at closing price IDR22,775/ sh)

Y/E Dec	23A	24A	25F	26F	27F
Revenue (IDR Bn)	2,374	2,304	2,162	2,325	2,329
EBITDA (IDR Bn)	683	559	452	586	616
EV/EBITDA (x)	1.7	1.7	1.3	0.4	0.1
Net Profit (IDR Bn)	500	374	350	448	488
Net Profit Growth (%)	(58.3)	(25.2)	(6.4)	27.8	9.1
EPS (IDR)	6,331	4,925	5,563	6,399	6,987
P/E Ratio (x)	3.9	5.0	4.1	3.6	3.3
BVPS (IDR)	22,618	25,380	26,833	30,525	33,730
P/BV Ratio (x)	1.1	1.0	0.8	0.7	0.7
DPS (IDR)	8,527	2,843	3,282	3,760	4,222
Dividend Yield (%)	34.3	11.4	14.4	16.5	18.5
ROAE (%)	26.8	20.1	21.1	21.9	21.6
ROAA (%)	20.7	16.3	16.8	17.3	17.5
Interest Coverage (x)	207.8	119.1	162.1	124.1	105.2
Net Gearing (x)	(0.5)	(0.5)	(0.5)	(0.6)	(0.6)

Analyst

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Exhibit 2: Financial Summary

(IDR Bn)	1Q24	4Q24	1Q25	qoq (%)	yoy (%)	3M24	3M25	yoy (%)	3M25/ KBVS (%)	3M25/ Cons (%)
Revenue	489	647	483	-25.5	-1.4	489	483	-1.4	27.9	22.33
Gross Profit	119	219	135	-38.3	+13.4	119	135	+13.4	62.9	25.37
Operating Income	73	157	81	-48.5	+10.1	73	81	+10.1	288.0	22.44
EBITDA	82	170	88	-48.0	+7.2	82	88	+7.2	90.4	21.79
Net Income	62	101	65	-35.7	+5.5	62	65	+5.5	130.9	22.23
GPM (%)	24.4	33.9	28.1			24.4	28.1			
OPM (%)	15.0	24.2	16.7			15.0	16.7			
EBITDA Margin (%)	16.9	26.3	18.3			16.9	18.3			
NPM (%)	12.6	15.6	13.5			12.6	13.5			

Source: Company, KBVS Research

ITMG's 1Q25 results were in line with historical trends, with sales volume down ~15% qoq to 5.9Mt (+18% yoy) on weak China demand, mild winter, and heavy rains in Kalimantan. ASP fell 13% qoq to USD81/t due to market softness and higher low-CV coal mix. COGS was reduced to USD55/t (from USD67/t) via stripping ratio control (8.8x), logistics, and fuel efficiency. Production rose to 5.3Mt, supporting FY25 targets (20.8~21.9Mt prod., 26~27Mt sales; 2Q >6Mt). Margins held (28% GPM, 17% OPM), with USD1.06 bn cash and minimal debt (D/E 0.03x). Management expects 2Q25 ASP recovery and continues exploring diversification.

Exhibit 3: Forecast Changes

(IDR bn)	New forecast			Old forecast			Forecast change (%)		
	25F	26F	27F	25F	26F	27F	25F	26F	27F
Revenue	2,162	2,325	2,329	1,728	1,872	2,198	+25.1	+24.2	+6.0
Gross Profit	661	808	847	215	348	593	+207.3	+131.9	+42.9
Operating Profit	420	548	587	28	160	404	+1,400.5	+243.4	+45.3
EBITDA	452	586	616	98	230	477	+362.5	+154.8	+29.0
Net Profit	350	448	488	50	148	342	+605.6	+202.3	+83.8

We revise our forecasts, and with conservative view, we are assuming ~22Mt annual output and 15 years of remaining reserves. With a higher coal price assumption (USD85/t vs. USD75/t), we raise our 2025F revenue to USD2.2 bn (+25.1%) and net profit to USD350 mn (vs. USD50 mn). Margin assumptions were also lifted, reflecting recent results and updated cost inputs.

Growth yoy (%)						
Revenue	-6.2	+7.5	+0.2	-25.0	+8.3	+17.4
Gross Profit	-5.3	+22.1	+4.9	-69.2	+61.9	+70.2
Operating Profit	-13.1	+30.5	+7.1	-94.2	+470.1	+153.1
EBITDA	-19.1	+29.7	+5.0	-82.5	+135.4	+107.5
Net Profit	-6.4	+27.8	+9.1	-86.7	+198.3	+130.7

Margins (%)						
GPM	30.6	34.7	36.4	12.5	18.6	27.0
OPM	19.4	23.6	25.2	1.6	8.5	18.4
EBITDA Margin	20.9	25.2	26.4	5.7	12.3	21.7
NPM	16.2	19.2	21.0	2.9	7.9	15.5

Source: KBVS Research

Exhibit 4: Valuation Summary using DCF

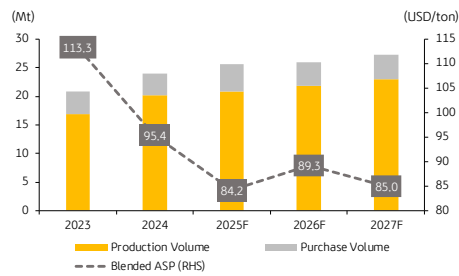
DCF Valuation Summary		Cost of Capital Assumption	
Enterprise Value	USD1,339 mn	Risk Free Rate	5.75%
ESG Disc.	20%	Equity Risk Premium	6.50%
Net Enterprise Value	USD1,071 mn	Levered Beta	0.67
Net Debt	USD822 mn	Cost of Equity	10.1%
Equity Value	USD1,893 mn	Proportion of Equity	97%
Shares Out.	1,130		
Fair Value/ Share	IDR27,000/ share	Cost of Debt	1.5%
WACC	9.8%	Tax Rate	24.1%
Forecast Horizon	15 years	After tax Cost of Debt	1.2%
Coal Price (2025)	USD 84.2/ton	Proportion of Debt	3%
Price Growth	-1.4% CAGR		
Production Volume	~22 Mt/ year	WACC	9.8%
Stripping Ratio	11.0x -> 12.5x	Terminal Growth	0.0%
Cash Cost	~USD62.9/ton		

Our FY25 TP of IDR 27,000/share is based on a 15-year DCF, assuming ~22Mt output, USD 84.2/ton ASP, -1.4% price CAGR, 9.8% WACC, and 20% ESG discount. This implies USD1,339mn EV, adjusted to equity value post net cash. Valuation multiples: 5.7x PE, 1.0x PBV, 2.3x EV/EBITDA, and 4.0x EV/Reserves.

	2025F	2026F	2027F	2028F	2029F-2040F
EBIT (1-T)	287	269	248	125	242
D&A	73	73	74	69	615
Chg. In WC	5	5	6	15	76
Capex	(111)	(112)	(102)	(55)	(446)
Net FCF	159	274	391	254	487
PV of FCFF	159	249	324	192	414
Enterprise Value	1,339				

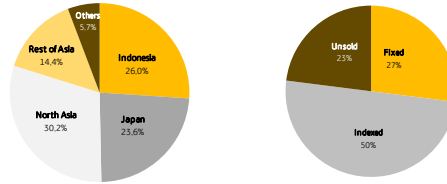
Source: KBVS Research

Exhibit 5: Sales Volume and ASP



Source: Company, KBVS Research

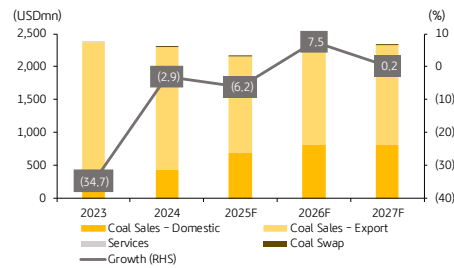
Exhibit 6: Geographic and Index Sales 1Q25



Source: Company, KBVS Research

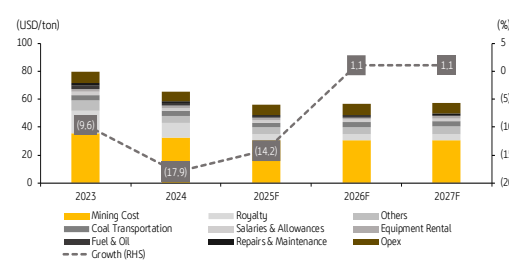
ITMG's blended ASP is expected to stabilize at USD84.2–89.3/ton in 2025–2026F, while sales volume may rise to ~27Mt by 2027F, in line with peak production ahead of reserve depletion. Purchased coal (~20%) is expected to support volume and revenue. As of 1Q25, North Asia (30.2%) and Japan (23.6%) dominate exports. With 50% indexed and 27% fixed contracts, HBA pricing may limit flexibility in securing replacement buyers during a coal price downtrend.

Exhibit 7: Revenue Breakdown and Growth



Source: Company, KBVS Research

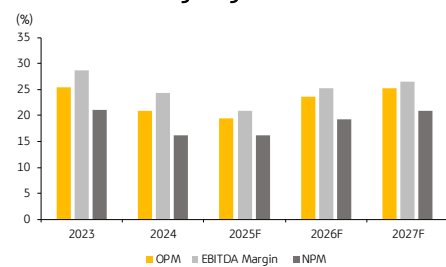
Exhibit 8: Cash Cost Breakdown and Growth



Source: Company, KBVS Research

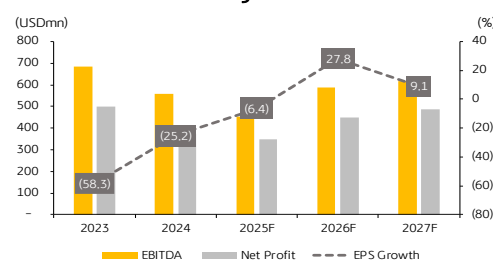
Revenue is projected at USD 2.2 bn in 2025F (-6.2% yoy), driven by softer ASPs under HBA-linked and Newcastle coal price, with exports estimated to account for 65% of total sales. Meanwhile, total cash cost is expected to decline by -14.2% yoy to USD 56.1/ton, supported by a -22% yoy reduction in fuel and oil expenses.

Exhibit 9: Profitability Margins



Source: Company, KBVS Research

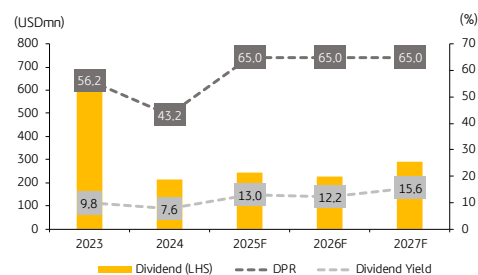
Exhibit 10: EBITDA & Earnings Forecasts



Source: Company, KBVS Research

Supported by lower COGS, margins are expected to improve, with NPM reaching 16.2% in 2025F. Despite a -6.4% yoy decline in EPS, ITMG is projected to deliver EBITDA of USD452 mn and net profit of USD350mn.

Exhibit 11: Dividend



Source: Company, KBVS Research

Exhibit 12: Peers Comparison

Company	Market Cap.	EPS Growth (%)		PER (x)		Div. Yield (%)		ROE (%)	
Ticker	(IDR Tn)	25F	26F	25F	26F	25F	26F	25F	26F
UNTR IJ*	81.2	(13.0)	(2.5)	4.7	4.9	8.9	8.2	17.2	15.0
AADI IJ	56.1	(15.1)	21.1	6.7	5.6	7.2	5.5	36.0	25.5
BUJMI IJ*	48.3	39.3	8.5	25.5	23.4	-	-	3.2	3.3
PTBA IJ	34.8	(47.2)	160.0	12.0	4.6	9.5	5.0	11.8	29.1
ITMG IJ	25.7	(6.4)	27.8	5.7	4.3	11.8	15.3	17.9	21.3
Sector		(7.3)	31.2	10.4	8.5	7.2	6.3	18.0	17.8

Source: *Bloomberg, KBVS Research

Given its ample net cash position, we see strong visibility for a 65% dividend payout, translating to a 13% yield over the next 12 months.

ITMG offers the highest yield (11.8–15.3%) and trades at a low PER (5.7x → 4.3x), with solid ROE (17.9–21.3%). Despite a -6.4% EPS dip in 2025F, earnings rebound in 2026F (+27.8%) supports its value and income appeal.

Exhibit 13: Financial Tabela

Profit and Loss (IDR Bn)	23A	24A	25F	26F	27F
Revenue	2,374	2,304	2,162	2,325	2,329
COGS	(1,632)	(1,606)	(1,501)	(1,518)	(1,482)
Gross Profit	743	699	661	808	847
Operating Expenses	(137)	(215)	(241)	(259)	(260)
Operating Profit	605	483	420	548	587
EBITDA	683	559	452	586	616
Finance Income	39	11	43	43	58
Pre-tax Profit	644	495	463	592	645
Income Taxes	(144)	(119)	(112)	(143)	(156)
Minority Interest	1	(1)	(1)	(1)	(1)
Net Profit	500	374	350	448	488

Balance Sheet (IDR Bn)	23A	24A	25F	26F	27F
Cash and Cash Equivalent	851	990	1,063	1,415	1,562
Receivables	197	184	185	186	192
Inventories	98	85	88	86	85
Others	133	146	149	150	155
Total Current Assets	1,280	1,405	1,484	1,836	1,995
Fixed Assets	168	178	348	345	333
Other Non-Current Assets	740	824	860	569	484
Total Assets	2,188	2,407	2,492	2,749	2,812
ST Debt	22	6	12	17	20
Payables	110	133	117	114	113
Other ST Liabilities	163	175	186	187	194
Total Current Liabilities	294	314	300	318	328
LT Debt	8	46	68	90	104
Other LT Liabilities	97	113	90	90	90
Total Liabilities	399	473	458	498	521
Minority Interest	(1)	(6)	(7)	(9)	(10)
Total Equity	1,789	1,934	2,034	2,251	2,291

Cash Flow (IDR Bn)	23A	24A	25F	26F	27F
Net Profit	500	374	350	448	488
D&A	78	76	77	92	68
Changes in Working Capital	47	50	(20)	(2)	(7)
Operating Cash Flow	221	452	646	642	538
Capital Expenditure	(102)	(208)	(216)	(233)	(116)
Others	(36)	98	-	-	-
Investing Cash Flow	(138)	(109)	(216)	(233)	(116)
Dividend	(674)	(216)	(243)	(228)	(291)
Net - Borrowing	(20)	22	28	27	17
Other Financing	29	(5)	-	-	-
Financing Cash Flow	(666)	(199)	(215)	(200)	(274)
Net - Cash Flow	(582)	144	215	209	147
Cash at Beginning	1,430	851	990	1,206	1,415
Cash at Ending	851	990	1,206	1,415	1,562

Key Ratios	23A	24A	25F	26F	27F
Gross Profit Margin (%)	31.3	30.3	30.6	34.7	36.4
Operating Profit Margin (%)	25.5	21.0	19.4	23.6	25.2
EBITDA Margin (%)	28.8	24.3	20.9	25.2	26.4
Pre-Tax Margin (%)	27.1	21.5	21.4	25.4	27.7
Net Profit Margin (%)	21.1	16.2	16.2	19.2	21.0
Debt to Equity (x)	0.02	0.03	0.04	0.05	0.05

Major Assumptions	23A	24A	25F	26F	27F
Production Volume (MT)	16.9	20.2	20.8	21.8	22.9
Sales Volume (MT)	20.9	24.0	25.6	25.9	27.3
Newcastle Coal Price (USD/ton)	173.8	125.3	110.0	105.0	100.0
Blended ASP (USD/ ton)	113.3	95.4	84.2	89.3	85.0
Oil Brent Price (USD/bbl)	86.0	74.6	65.0	62.0	65.0
Cash Cost (USD/ton)	79.7	65.4	56.1	56.7	57.3
Stripping Ratio (x)	13.8	11.3	11.0	11.0	11.0

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