Less Coal Today, Longer Mine Life Tomorrow — But Not Enough to Stay BUY

11 March 2026

ITMG IJ	HOLD
Sector	Coal
Price at 10 March 2025 (IDR)	28,025
Price target (IDR)	25,000
Downside (%)	-10.8%

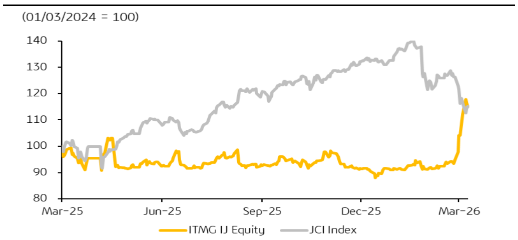
Stock Information

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)	28,025
Shares outstanding (mn)	1,130
52-week range (IDR)	28,300 – 20,900
3M average daily vol. ('000)	2,005
3M average daily val. (IDR mn)	55,438

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

Stock Performance



Source: Bloomberg

	YTD	1M	3M	12M
Performance	39.2	33.3	39.7	0.6

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We downgrade ITMG from BUY to HOLD and cut our TP by 7% to IDR25,000 following a reassessment of the FY26 earnings outlook, driven by three structural headwinds: a ~40% RKAB production cut to 12.7 Mt in FY26F versus our prior ~22 Mt assumption, PP 18/2025 lifting the effective tax rate to 32.2% from 24.1% (implying ~USD15-20 mn annual earnings drag), and the DMO increase to 30% at PLN-capped USD70/ton which dilutes blended ASP to ~USD78.8/ton. Our TP is derived from SOTP-DCF to reserve depletion (2044), assuming ASP of USD70-79/ton, FY26F cash cost of USD58.9/ton, and WACC of 11.1%, incorporating USD638 mn coal DCF, USD822 mn net cash, USD48 mn solar assets, and USD16 mn NICE stake; despite these pressures, the relatively modest TP cut reflects ITMG's strong balance sheet (USD808 mn cash; 0.02x D/E) providing a valuation floor, with implied FY26F multiples of 10x PE, 0.8x PBV, and 2.7x EV/EBITDA, while key catalysts include RKAB approval, the April 17 AGM dividend decision, ICI3 price trajectory, and FY26 cost updates as stripping ratios evolve.

FY25 In Line With Consensus, But Well Below KBVS Estimates. ITMG booked FY25 net profit of USD191 mn (-49% yoy), in line with consensus at 99.5% but only 54.6% of our prior estimates. The shortfall was driven by sharp ASP compression to USD76/ton (-20% yoy) from USD96/ton in FY24, reflecting sustained weakness in global thermal coal benchmarks. On a sequential basis, 4Q25 showed genuine recovery with gross margin rebounded to 30% (3Q25: 23%), cash cost eased to USD59.8/ton (3Q25: USD63.6/ton), and net profit rose 52% qoq to USD60 mn, supported by higher 4Q25 sales volume of 6.8 Mt (+12% qoq) and disciplined operational execution with strip ratio easing to 9.3x. FY25 revenue closed at USD1,881 mn (-18% yoy), with total coal sales volume growing 3% yoy to 24.7 Mt.

Three Structural Overhangs Define FY26 Outlook. ITMG faces three key structural headwinds shaping our FY26 outlook. First, RKAB remains the dominant near term risk with full year approval still pending; we assume a ~40% production cut to 12.7 Mt in FY26F versus prior ~22 Mt, partially offset by ~3.8 Mt third party sourcing. Second, PP 18/2025 structurally lifts the effective tax rate to 32.2% from 24.1%, implying ~USD15-20 mn annual earnings drag. Third, a potential DMO increase to 30% at the PLN capped price of USD70/ton would dilute blended ASP to ~USD76/ton. Combined with higher strip ratios and fuel costs, we forecast FY26F revenue of USD1,318 mn (-30% yoy) and net profit stabilizing at ~USD152-156 mn through FY26-28F. While ITMG maintains a strong balance sheet (USD808 mn cash; minimal leverage), dividend visibility has weakened amid RKAB uncertainty, with payout likely normalizing to ~50%.

HOLD, TP IDR25,000: Valuation Supported by Cash, Not Growth. Our TP of IDR25,000 is based on SOTP-DCF to reserve depletion (2044), assuming ASP of USD70-79/ton, FY26F cash cost of USD63-65/ton, and WACC of 11.1%. The valuation incorporates USD638 mn coal DCF, USD822 mn net cash, USD48 mn solar assets, and USD16 mn NICE stake, implying FY26F multiples of 10x PE, 0.8x PBV, and 2.7x EV/EBITDA. Despite earnings headwinds, the modest TP cut reflects ITMG's strong balance sheet providing a valuation floor. **Key risks:** RKAB approval better than feared (<10% cut), coal price recovery from supply tightening, a higher FY25 dividend at the April 17 AGM, or accretive M&A in renewables or critical minerals; downside risks include deeper RKAB cuts (>35%), prolonged coal price weakness, DMO increase above 30%, structurally higher ETR under PP 18/2025, fuel supply disruptions, or persistently high stripping ratios.

Exhibit 1: Forecasts and Valuations (at closing price IDR28,025/ sh)

Y/E Dec	24A	25A	26F	27F	28F
Revenue (IDR Bn)	2,304	1,881	1,318	1,281	1,344
EBITDA (IDR Bn)	559	291	250	233	232
EV/EBITDA (x)	1.2	3.5	4.1	3.9	3.4
Net Profit (IDR Bn)	374	191	152	154	156
Net Profit Growth (%)	(25.2)	(49.0)	(20.4)	1.2	1.2
EPS (IDR)	4,925	2,577	2,133	2,221	2,294
P/E Ratio (x)	4.3	9.1	13.3	12.7	12.3
BVPS (IDR)	25,380	25,618	27,383	29,242	30,949
P/BV Ratio (x)	0.8	0.9	1.0	1.0	0.9
DPS (IDR)	2,843	2,742	1,340	1,097	1,133
Dividend Yield (%)	13.5	11.7	4.7	3.9	4.0
ROAE (%)	20.1	10.0	7.9	7.7	7.5
ROAA (%)	16.3	7.9	6.4	6.3	6.2
Interest Coverage (x)	119.1	24.0	37.2	20.7	14.3
Net Gearing (x)	(0.5)	(0.4)	(0.5)	(0.5)	(0.5)

Exhibit 2: Financial Summary

(IDR Bn)	4Q24	3Q25	4Q25	qoq (%)	yoy (%)	FY24	FY25	yoy (%)	FY25/ KBVS (%)	FY25/ Cons (%)
Revenue	647	450	512	*+13.8*	*-20.9*	2,304	1,881	*-18.4*	87.01	101.79
Gross Profit	219	102	156	*+52.3*	*-28.9*	699	483	*-30.9*	73.05	117.93
Operating Income	157	55	107	*+95*	*-31.5*	483	287	*-40.6*	68.38	120.32
EBITDA	177	81	108	*+34.7*	*-38.9*	551	367	*-33.4*	81.19	121.05
Net Income	101	40	60	*+52.4*	*-40.3*	374	191	*-49.0*	54.55	99.5
GPM (%)	33.9	22.7	30.4			30.3	25.7			
OPM (%)	24.2	12.2	21.0			21.0	15.3			
EBITDA Margin (%)	27.4	17.9	21.2			23.9	19.5			
NPM (%)	15.6	8.8	11.8			16.2	10.2			

Source: Company, KBVS Research

4Q25 net profit of USD60 mn (+52% qoq, -40% yoy) brought FY25 to USD191 mn (-49% yoy), in line with cons. but only 54.6% of KBVS estimates. The miss reflects ASP compression to USD76/ton (-20% yoy) and a permanent tax rate uplift to 32.2% from PP 18/2025. Sequential recovery was real with GPM rebounded to 30% and cash cost eased to USD59.8/ton in 4Q25.

Exhibit 3: Forecast Changes

	New forecast			Old forecast			Forecast change (%)		
(IDR bn)	26F	27F	28F	26F	27F	28F	26F	27F	28F
Revenue	1,318	1,281	1,344	2,325	2,329	2,498	-43.3	-45.0	-46.2
Gross Profit	350	339	344	808	847	953	-56.7	-60.0	-63.9
Operating Profit	199	192	189	548	587	674	-63.7	-67.4	-71.9
EBITDA	250	233	232	586	616	712	-57.3	-62.2	-67.4
Net Profit	152	154	156	448	488	543	-66.1	-68.5	-71.3
Growth yoy (%)									
Revenue	*-30.0*	*-2.8*	*+4.9*	*+23.6*	*+0.2*	*+7.3*			
Gross Profit	*-27.5*	*-3.3*	*+1.5*	*+67.3*	*+4.8*	*+12.5*			
Operating Profit	*-25.5*	*-3.7*	*-1.1*	*+105.3*	*+7.1*	*+14.8*			
EBITDA	*-14.2*	*-6.8*	*-0.3*	*+101.1*	*+5.1*	*+15.6*			
Net Profit	*-20.4*	*+1.2*	*+1.2*	*+134.6*	*+8.9*	*+11.3*			
Margins (%)									
GPM	*26.6*	*26.4*	*25.6*	*34.8*	*36.4*	*38.2*			
OPM	*15.1*	*15.0*	*14.1*	*23.6*	*25.2*	*27.0*			
EBITDA Margin	*19.0*	*18.2*	*17.3*	*25.2*	*26.4*	*28.5*			
NPM	*11.5*	*12.0*	*11.6*	*19.3*	*21.0*	*21.7*			

Source: KBVS Research

We revise our FY26-28F forecasts incorporating the following key assumptions: (1) RKAB production cut of ~40% to 12.7 Mt in FY26F, partially offset by ~3.8 Mt third-party coal contribution; (2) DMO obligation increase to 30% at PLN-capped price of USD 70/ton, diluting blended ASP to USD 78.7/ton; and (3) cash cost of USD 63-65/ton reflecting fixed cost under-absorption on lower volumes. We assume production recovers gradually from FY27F, though we do not expect a return to pre-cut levels within our forecast horizon

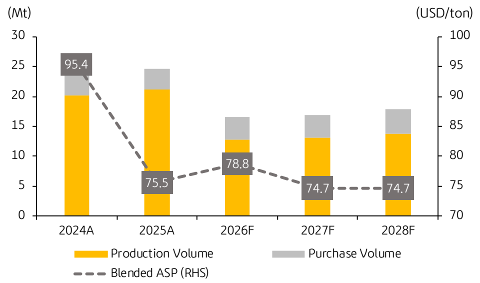
Exhibit 4: Valuation Summary using DCF

SOTP Valuation	Method	Value	Ownership	Value to ITMG
Core Coal Business	DCF	835	100%	835
Renewable (Solar)	EV/MWp comparable	60	80%	48
Total Enterprise Value				**883**
(-) Net Cash/ Debt				822
(+) NICE Stake (Nickel)	Book Value			16
Equity Value (USDmn)				**1,720**
Equity Value (IDRbn)				**28,149**
Shares Outstanding				1,130
Target Price				**25,000**

Source: KBVS Research

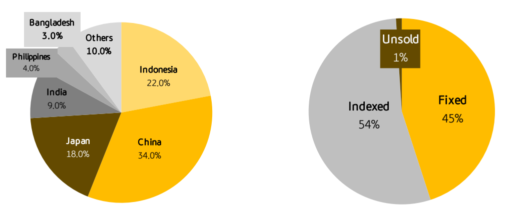
Our TP of IDR25,000/share is based on a SOTP-DCF to reserve depletion (2044), assuming production recovery to 20.5 Mt by FY30F, blended ASP of USD70-79/ton, cash cost of USD63-65/ton in FY26F, and WACC of 11.1%. Core coal EV of USD638 mn, adjusted for USD822 mn net cash, USD48 mn renewable solar, and USD16 mn NICE stake, yields equity value of USD1,524 mn. Implied multiples: 8.8x PE, 0.9x PBV, 3.3x EV/EBITDA.

Exhibit 5: Sales Volume and ASP



Source: Company, KBVS Research

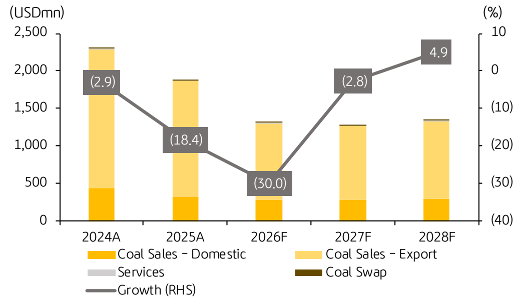
Exhibit 6: Geographic and Index Sales 1Q25



Source: Company, KBVS Research

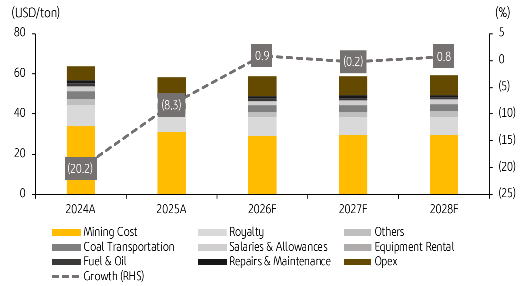
FY25 production of 21.2 Mt is expected to decline to ~12.7 Mt in FY26F on RKAB cuts, recovering to ~20.5 Mt by FY30F, with ~3.8 Mt purchased coal cushioning the near-term volume gap. Blended ASP eases to USD78.7/ton on 30% DMO at capped USD70/ton. China (34%), Indonesia (22%), and Japan (18%) dominate sales mix, with 1Q26 volume 99% contracted, though 54% indexed exposure keeps ASP closely tied to ICI3/Newcastle trajectory.

Exhibit 7: Revenue Breakdown and Growth



Source: Company, KBVS Research

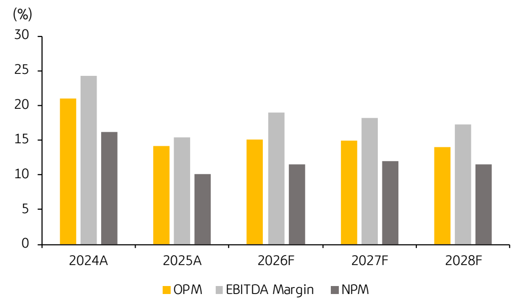
Exhibit 8: Cash Cost Breakdown and Growth



Source: Company, KBVS Research

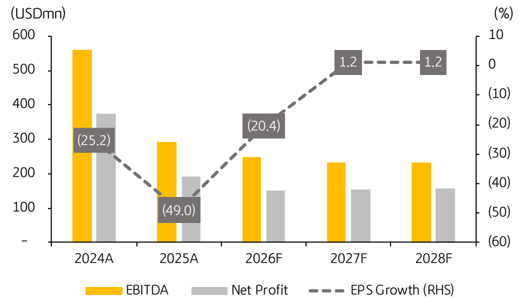
Revenue is projected at USD1,318 mn in FY26F (-30% yoy), driven by RKAB production cuts and softer ASP at USD78.8/ton, before recovering to USD1,344 mn by FY28F (+4.9% yoy) as volumes normalize. Meanwhile, cash cost is expected to USD58.9/ton in FY26F from fixed cost under absorption on lower volumes, moderating to USD59.2/ton by FY28F as production recovers.

Exhibit 9: Profitability Margins



Source: Company, KBVS Research

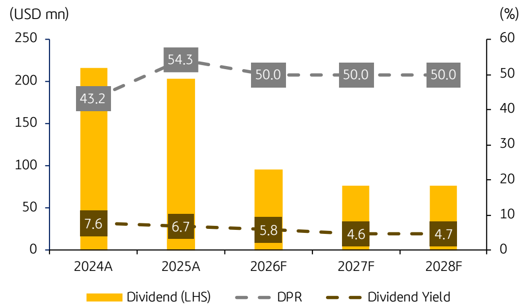
Exhibit 10: EBITDA & Earnings Forecasts



Source: Company, KBVS Research

Margins are expected to remain compressed in FY26F before gradually recovering to 14.1%, 17.3%, and 11.6% by FY28F as volumes normalize. EBITDA is forecast at USD250 mn in FY26F (-14% yoy), recovering to USD232 mn by FY28F, while net profit stabilizes at USD152-156 mn across FY26-28F.

Exhibit 11: Dividend



Source: Company, KBVS Research

We assume a conservative 50% payout ratio across FY26-28F, implying yield of 4.6-5.8% at current prices, well below FY24's USD216 mn payout. Despite ITMG's strong balance sheet (USD808 mn cash, 0.02x D/E), we expect dividend to remain constrained by RKAB uncertainty.

Exhibit 12: Sensitivity Table Net Income: ASP vs Production Volume

ASP/ Vol	12Mt	14Mt	17Mt	18Mt	20Mt
USD90	35	43	55	59	67
USD100	77	92	114	121	136
USD110	118	140	172	183	205
USD120	159	188	231	245	274
USD140	242	284	348	369	412

Source: KBVS Research

At our base case of USD78.8/ton ASP and 12.7Mt volume, net profit is ~USD152 mn. A recovery to 20 Mt or ASP above USD90/ton would each add ~USD50-60 mn to earnings, highlighting RKAB approval and coal price trajectory as the two key re-rating catalysts.

Exhibit 13: Financial Tabels

Profit and Loss (IDR Bn)	24A	25A	26F	27F	28F
Revenue	**2,304**	**1,881**	**1,318**	**1,281**	**1,344**
COGS	1,606	1,398	967	943	1,001
Gross Profit	**699**	**483**	**350**	**339**	**344**
Operating Expenses	(215)	(216)	(151)	(147)	(154)
Operating Profit	**483**	**267**	**199**	**192**	**189**
EBITDA	**559**	**291**	**250**	**233**	**232**
Finance Income	41	40	36	50	59
Pre-tax Profit	**495**	**287**	**230**	**232**	**235**
Income Taxes	(119)	(93)	(74)	(75)	(76)
Minority Interest	(1)	(4)	(4)	(4)	(4)
Net Profit	**374**	**191**	**152**	**154**	**156**

Balance Sheet (IDR Bn)	24A	25A	26F	27F	28F
Cash and Cash Equivalent	990	808	1,124	1,322	1,440
Receivables	184	155	144	117	118
Inventories	85	113	70	57	58
Others	140	210	107	87	88
Total Current Assets	**1,399**	**1,286**	**1,445**	**1,582**	**1,704**
Fixed Assets	178	213	371	339	306
Other Non-Current Assets	824	898	556	556	559
Total Assets	**2,401**	**2,396**	**2,372**	**2,477**	**2,569**
ST Debt	6	47	92	74	76
Payables	133	158	76	137	166
Other ST Liabilities	175	140	133	108	109
Total Current Liabilities	**314**	**345**	**301**	**319**	**351**
LT Debt	46	42	68	122	149
Other LT Liabilities	113	111	111	111	111
Total Liabilities	**473**	**498**	**480**	**553**	**612**
Minority Interest	(6)	(10)	(14)	(17)	(21)
Total Equity	**1,928**	**1,898**	**1,922**	**1,975**	**2,029**

Cash Flow (IDR Bn)	24A	25A	26F	27F	28F
Net Profit	374	191	152	154	156
D&A	76	72	76	52	52
Changes in Working Capital	50	25	(12)	23	(1)
Operating Cash Flow	**452**	**285**	**422**	**222**	**206**
Capital Expenditure	(208)	(387)	(66)	(64)	(67)
Others	98	197	-	-	-
Investing Cash Flow	**(109)**	**(190)**	**(66)**	**(64)**	**(67)**
Dividend	(216)	(203)	(95)	(76)	(77)
Net - Borrowing	22	37	55	116	56
Other Financing	(5)	(110)	-	-	-
Financing Cash Flow	**(199)**	**(276)**	**(41)**	**40**	**(20)**
Net - Cash Flow	**144**	**(180)**	**316**	**198**	**119**
Cash at Beginning	**851**	**990**	**808**	**1,124**	**1,322**
Cash at Ending	**990**	**808**	**1,124**	**1,322**	**1,440**

Key Ratios	24A	25A	26F	27F	28F
Gross Profit Margin (%)	30.3	25.7	26.6	26.4	25.6
Operating Profit Margin (%)	21.0	14.2	15.1	15.0	14.1
EBITDA Margin (%)	24.3	15.5	19.0	18.2	17.3
Pre-Tax Margin (%)	21.5	15.3	17.4	18.1	17.5
Net Profit Margin (%)	16.2	10.2	11.5	12.0	11.6
Debt to Equity (x)	0.03	0.05	0.07	0.13	0.15

Major Assumptions	24A	25A	26F	27F	28F
Production Volume (MT)	20.2	21.2	12.7	13.0	13.7
Sales Volume (MT)	24.0	24.7	16.5	16.9	17.8
Newcastle Coal Price (USD/ton)	125.3	106.3	116.0	110.0	110.0
Blended ASP (USD/ ton)	95.4	75.5	78.8	74.7	74.7
Oil Brent Price (USD/bbl)	74.64	69.08	70.00	70.77	73.12
Cash Cost (USD/ton)	63.7	58.4	58.9	58.8	59.2
Stripping Ratio (x)	11.3	10.7	10.0	10.0	10.1

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