

Sector Headwinds Limit Re-rating Potential

21 May 2025



We reinitiate PTBA with a SELL and TP of IDR 1,700, as the stock trades at 12.1x 2025F EPS, well above its 5-year average of 6.35x. 1Q25 earnings missed (KBVS: 11%; Cons: 8%) pressured by weaker ASP and rising costs. We cut 2025F net profit by -26.3%, assuming a USD61/ton blended ASP and higher cash costs (USD59.7/ton) due to inflation-linked rail tariffs and fuel. Sales volume is projected to grow to 58.6MT by 2029F (37% vs. 2024), though we expect only around 68% realization of the company production target and 85% for transport volume. While EBITDA margins could expand to 25% and earnings recover by 2029F, near-term upside remains limited due to pricing pressure and execution risk.

1Q25 Missed Amid Rising Costs and Price Pressure. PTBA's 1Q25 revenue was supported by coal sales volume of 10.3MT (-11% qoq, +6% yoy), although the blended ASP declined to IDR 0.95mn/ton (-7% qoq, -1% yoy). Production reached 8.45MT (-18% qoq, +16% yoy), exceeding the quarterly target despite heavy rainfall of 301-500mm, with the strip ratio maintained at 6.4x. However, a derailment in January disrupted coal transport, resulting in ~300k tons of undelivered volume. On the cost side, fuel inflation following the B40 subsidy removal and IDR depreciation added further strain. As a result, net profit declined qoq and missed both our forecast (10.7%) and consensus (8.3%). While 1Q is seasonally weaker, the drop was sharper than usual as net profit typically contributes 15-20% of the full-year, especially since sales volume came in line with historical trends.

Weaker Outlook, Recovery Hinges on Pricing and Capex Execution. The broader coal sector faces increasing headwinds from global oversupply, muted demand, China's rising domestic output, and uncompetitive HBA pricing amid falling global energy prices, which pressuring PTBA's near-term profitability. We assume a blended ASP of USD61/ton in 2025F, leading to a -26.3% cut in net profit forecasts. A recovery is expected by 2027F as ASP improves to USD70/ton, lifting projected net profit to IDR10.6tn. However, we factor in the likelihood that the company may only realize ~68% of its 2029F production target and ~85% of its transport volume. Inflation-driven mining costs continue to weigh on margins, prompting recent downward revisions. We forecast sales volume to reach 47.4MT in 2025F and 58.6MT by 2029F (+37% from 2024), with transport rising from 38.9MT to 64.2MT, or ~90-95% of guidance. Persistent cost pressures from inflation-linked rail tariffs are expected to push cash costs to USD59.7/ton in 2025F and USD72.6/ton in 2029F. Nonetheless, EBITDA margins could expand from ~11% to 25%, with EBITDA growing to IDR22.1tn in 2029F. Achieving this will require IDR7.5tn capex in 2025F, focused on railway expansion and heavy equipment. PTBA remains financially strong, with zero net gearing, robust interest coverage (20x in 2026F, 26.5x in 2029F), and a declining capex-to-sales ratio from 15.3% to 1.7%.

Reinitiate with SELL, TP IDR 1,700: Re-rating Unwarranted Amid Sector Risks. We reinitiate coverage on PTBA with a SELL rating and a target price of IDR 1,700, following a transition in analyst. Given coal's cyclical nature and long-term structural uncertainty, we adopt a PE Band valuation approach. PTBA's 5-year average PE stands at 6.35x (range: 3.0x-13.4x), while the stock currently trades at 12.1x 2025F EPS, above +2SD. We assign a conservative target PE of 7.18x on 2025F EPS of IDR237, implying -39.7% downside from current levels.

Exhibit 1: Forecasts and Valuations (at closing price IDR2,820/ sh)

Y/E Dec	23A	24A	25F	26F	27F
Revenue (IDR Bn)	38,489	42,765	47,145	54,637	64,470
EBITDA (IDR Bn)	8,288	6,995	5,578	11,825	15,407
EV/EBITDA (x)	3.9	4.7	6.8	2.8	2.0
Net Profit (IDR Bn)	6,106	5,104	2,694	7,007	10,592
Net Profit Growth (%)	(51.4)	(16.4)	(47.2)	160.1	51.2
EPS (IDR)	532	444	235	610	922
P/E Ratio (x)	5.4	6.4	12.0	4.6	3.1
BVPS (IDR)	1,866	1,959	2,018	2,170	2,401
P/BV Ratio (x)	1.5	1.5	1.4	1.3	1.2
DPS (IDR)	1,094	399	333	176	457
Dividend Yield (%)	31.1	11.3	9.5	5.0	13.0
ROAE (%)	24.2	23.1	11.7	28.8	39.8
ROAA (%)	14.5	12.7	6.3	14.8	19.6
Interest Coverage (x)	32.2	18.8	10.5	20.2	23.8
Net Gearing (x)	0.2	0.2	0.3	0.4	0.4

PTBA IJ	SELL
Sector	Coal
Price at 20 May 2025 (IDR)	2,820
Price target (IDR)	1,700
Downside (%)	39.7%

Stock Information

PT Bukit Asam Tbk (PTBA), established in 1981 and listed on the Indonesia Stock Exchange in 2002, is a leading state-owned coal miner with approximately 3.33 billion tons of reserves and 8.17 billion tons of resources, operating fully integrated from mining to transportation, and playing a strategic role in Indonesia's energy security.

Market cap (IDR bn)	33,179
Shares outstanding (mn)	11,520
52-week range (IDR)	3,180 - 2,250
3M average daily vol. ('000)	12,312
3M average daily val. (IDR mn)	39,049

Shareholders (%)

PT Mineral Industri Indonesia (Persero) (MIND ID)	65.9
Public (<5%)	34.1

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	3.3	5.6	(3.8)

Analyst

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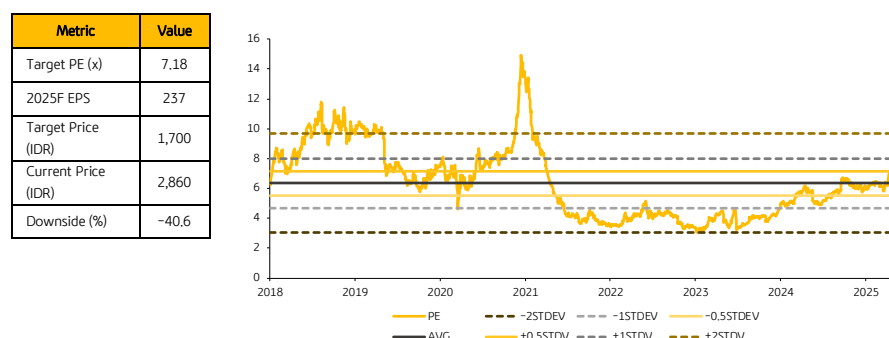
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Exhibit 2: Financial Summary

(IDR Bn)	1Q24	4Q24	1Q25	qoq (%)	yoy (%)	3M24	3M25	yoy (%)	3M25/ KBVS (%)	3M25/ Cons (%)
Revenue	9,410	12,109	9,958	-17.8	+5.8	9,410	9,958	+5.8	24.5	21.0
Gross Profit	1,419	2,594	1,047	-59.6	-26.2	1,419	1,047	-26.2	16.4	
Operating Income	870	1,566	366	-76.6	-57.9	870	366	-57.9	8.4	6.9
EBITDA	1,266	2,075	837	-59.7	-33.9	1,266	837	-33.9	13.6	
Net Income	791	1,873	392	-79.1	-50.5	791	392	-50.5	10.7	8.3
GPM (%)	15.1	21.4	10.5			15.1	10.5			
OPM (%)	9.2	12.9	3.7			9.2	3.7			
EBITDA Margin (%)	13.5	17.1	8.4			13.5	8.4			
NPM (%)	8.4	15.5	3.9			8.4	3.9			

Source: Company, KBVS Research

Exhibit 3: Valuation Summary using PE Band



Source: KBVS Research

Exhibit 4: Forecast Changes

(IDR bn)	New forecast			Old forecast			Forecast change (%)		
	25F	26F	27F	25F	26F	27F	25F	26F	27F
Revenue	47,145	54,637	64,470	40,575	41,996	42,457	+16.2	+30.1	+51.8
Gross Profit	6,351	12,781	17,717	6,399	7,577	4,853	-0.8	+68.7	+265.1
Operating Profit	3,092	8,934	13,146	4,365	5,503	2,371	-29.2	+62.4	+454.4
EBITDA	5,578	11,825	15,407	6,165	7,366	3,922	-9.5	+60.5	+292.8
Net Profit	2,694	7,007	10,592	3,657	4,511	2,106	-26.3	+55.3	+403.0

Growth yoy (%)						
Revenue	+10.2	+15.9	+18.0	-5.1	+3.5	+1.1
Gross Profit	-22.6	+101.2	+38.6	-22.0	+18.4	-36.0
Operating Profit	-42.0	+188.9	+47.1	-18.2	+26.1	-56.9
EBITDA	-20.3	+112.0	+30.3	-11.9	+19.5	-46.8
Net Profit	-47.2	+160.1	+51.2	-28.3	+23.4	-53.3

Margins (%)						
GPM	13.5	23.4	27.5	15.8	18.0	11.4
OPM	6.6	16.4	20.4	10.8	13.1	5.6
EBITDA Margin	11.8	21.6	23.9	15.2	17.5	9.2
NPM	5.7	12.8	16.4	9.0	10.7	5.0

Source: KBVS Research

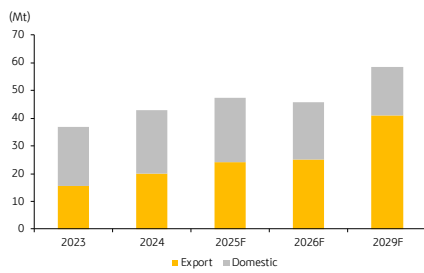
PTBA posted 1Q25 revenue broadly in line with estimate, as historically seen, supported by coal sales volume of 10.3mn tons (-11% qoq, +6% yoy), though ASP declined to IDR 0.95mn/ton (-7% qoq, -1% yoy). Production reached 8.45MT (-18% qoq, +16% yoy), exceeding the quarterly target despite heavy rainfall (301-500mm), with a maintained strip ratio of 6.42x as per guidance. Coal transport was disrupted by a January derailment, causing ~300k tons of undelivered volume. Earnings were hit qoq by weaker exports, lower prices, and higher fuel costs due to B40 subsidy removal and IDR depreciation. These factors drove 1Q25 net profit missing both our forecast (10.7%) and consensus estimate (8.3%).

Given the coal sector's cyclicity and long-term uncertainty, we apply a PE Band valuation over DCF. PTBA's 5-year average PE is 6.35x (range: 3.0x-13.4x), while the stock now trades at 12.1x 2025F EPS, above +2SD.

We assign a target PE of 7.18x, using a conservative 2025F EPS of IDR 237, yielding a TP of IDR 1,700 (-40.6% downside). Despite company guidance for 75MT production, we assume only ~68% realization, reflecting sector constraints. With limited upside at current levels, we see PTBA as overvalued.

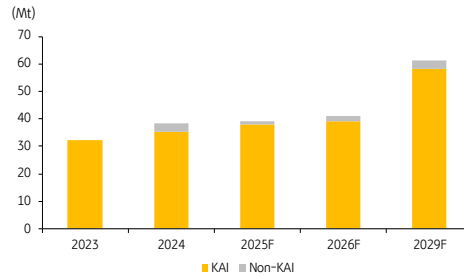
We revised our forecasts with a more conservative stance, reflecting persistent headwinds in the coal sector. PTBA's long-term production guidance appears difficult to achieve, and we now assume only 68% production and 95% transport realization by 2029F. Rising rail and mining costs due to inflation further pressure margins. Based on a blended ASP assumption of USD61/ton in 2025F, we cut earnings by ~26.3%. However, with a stronger ASP outlook of USD70/ton in 2027F, earnings could recover to IDR10.6tn. Margin revisions also widened significantly, reflecting recent results and adjustments to cost and volume assumptions.

Exhibit 5: Sales Volume



Source: Company, KBVS Research

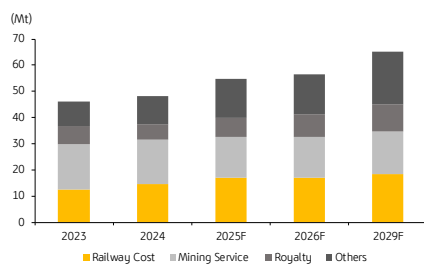
Exhibit 6: Transportation Volume



Source: Company, KBVS Research

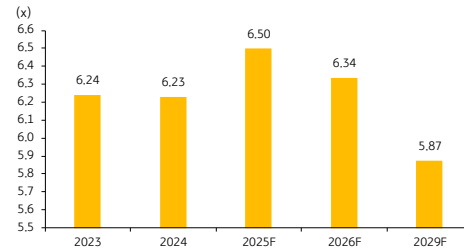
We expect PTBA's coal sales volume to reach only 47.4MT in 2025F (+10% yoy) and 58.6MT by 2029F (+37% from 2024), as market demand softens in response to geopolitical uncertainty. On the transport side, we forecast 38.9MT in 2025F and 64.2MT in 2029F, or 90–95% of guidance, to factor in potential operational delays.

Exhibit 7: Cash Cost



Source: Company, KBVS Research

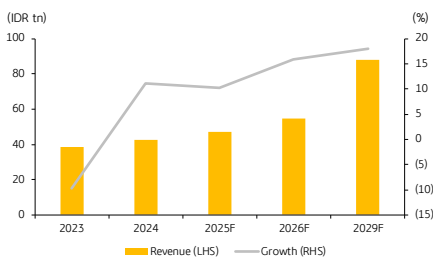
Exhibit 8: Stripping Ratio



Source: Company, KBVS Research

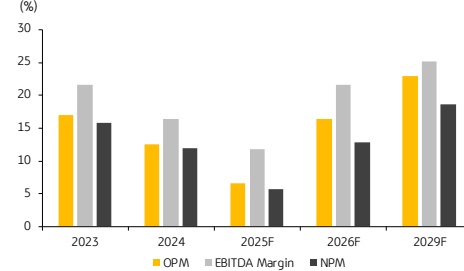
We project transport costs to stay high due to inflation-linked rail tariffs, with cash costs rising to USD59.7/ton in 2025F and USD72.6/ton in 2029F. Strip ratio is seen falling from 6.5x to 5.9x by 2029F, supported by pit operational efficiency improvements.

Exhibit 9: Revenue & Growth



Source: Company, KBVS Research

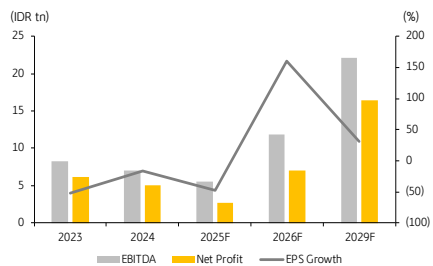
Exhibit 10: Profitability Margins



Source: Company, KBVS Research

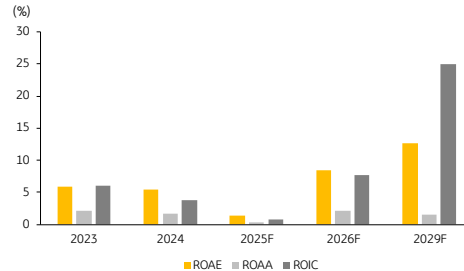
Revenue is projected at IDR47.2tn in 2025F (+10.2% yoy), rising to IDR88.1tn in 2029F (+106.1% from 2024). Profitability is expected to improve on stronger blended ASP, with EBITDA margin maintained at ~11–25% over 2025F–2029F.

Exhibit 11: EBITDA & Earnings Forecast



Source: Company, KBVS Research

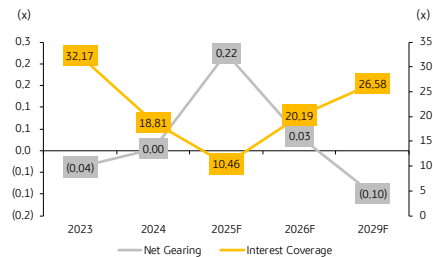
Exhibit 12: Profitability Metrics



Source: Company, KBVS Research

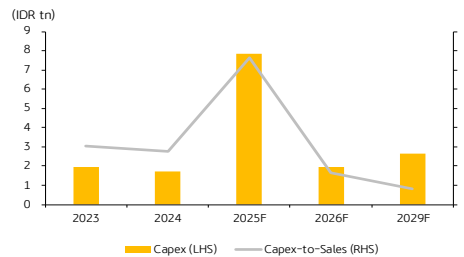
EBITDA is projected at IDR5.6tn in 2025F, with EPS declining ~47.2% yoy, before improving to IDR22.1tn in 2029F, supported by higher transportation and production volumes, along with a more competitive ASP. Achieving this will require IDR7.5tn in capex for 2025F, primarily allocated to railway expansion and heavy equipment for mining service operations.

Exhibit 13: Gearing Ratio & Interest Coverage



Source: Company, KBVS Research

Exhibit 14: Capex Projections



Source: Company, KBVS Research

PTBA maintains zero net gearing and strong interest coverage (20x in 2026F, 26.5x in 2029F). Capex-to-sales drops from 15.3% (2025F) to 1.7% (2029F).

Exhibit 15: Financial Tables

Profit and Loss (IDR Bn)	23A	24A	25F	26F	29F
Revenue	38,489	42,765	47,145	54,637	88,146
COGS	(29,332)	(34,563)	(40,795)	(41,857)	(61,745)
Gross Profit	9,157	8,202	6,351	12,781	26,401
Operating Expenses	(2,593)	(2,867)	(3,161)	(3,846)	(6,214)
Operating Profit	6,564	5,335	3,092	8,934	20,186
EBITDA	8,288	6,995	5,578	11,825	22,134
Net Interest Income	380	(34)	(46)	(298)	386
Pre-tax Profit	8,154	6,259	3,439	8,945	21,022
Income Taxes	(1,862)	(1,120)	(700)	(1,821)	(4,280)
Minority Interest	(187)	(36)	(45)	(117)	(275)
Net Profit	6,106	5,104	2,694	7,007	16,467

Balance Sheet (IDR Bn)	23A	24A	25F	26F	29F
Cash and Cash Equivalent	4,139	4,133	2,384	9,270	25,658
Receivables	3,797	5,030	4,071	4,609	7,354
Inventories	5,500	4,869	4,972	5,453	7,613
Others	1,713	1,201	1,284	1,454	2,320
Total Current Assets	15,148	15,234	12,711	20,786	42,946
Fixed Assets	8,566	8,736	13,592	12,117	10,296
Mining Properties	3,365	3,506	3,553	3,608	3,834
Other Non-Current Assets	11,686	14,310	14,310	14,310	14,311
Total Assets	38,765	41,786	44,167	50,821	71,387
ST Debt	787	2,122	3,807	5,067	7,065
Payables	2,082	2,920	2,580	2,829	3,950
Other ST Liabilities	7,099	6,933	6,916	7,829	12,494
Total Current Liabilities	9,968	11,975	13,303	15,726	23,510
LT Debt	2,531	2,110	2,445	4,808	7,021
Other LT Liabilities	4,703	5,057	5,057	5,057	5,057
Total Liabilities	17,202	19,142	20,804	25,590	35,587
Minority Interest	129	139	183	300	962
Total Equity	21,563	22,644	23,362	25,231	35,800

Cash Flow (IDR Bn)	23A	24A	25F	26F	29F
Net Profit	6,106	5,104	2,694	7,007	16,467
D&A	2,708	1,660	2,486	2,891	1,947
Changes in Working Capital	(5,822)	763	(1,131)	2,351	4,734
Operating Cash Flow	3,105	5,049	5,862	8,098	14,989
Capital Expenditure	(2,336)	(2,349)	(7,190)	(1,821)	(1,469)
Others	9,594	1,405	-	-	-
Investing Cash Flow	7,258	(944)	(7,190)	(1,821)	(1,469)
Dividend	(12,568)	(4,579)	(3,828)	(2,021)	(9,428)
Net - Borrowing	62	914	3,361	2,514	2,341
Other Financing	(739)	(474)	45	117	275
Financing Cash Flow	(13,244)	(4,139)	(421)	610	(6,812)
Net - Cash Flow	(2,882)	(35)	(1,749)	6,887	6,707
Cash at Beginning	7,030	4,139	4,133	2,384	18,951
Cash at Ending	4,139	4,133	2,384	9,270	25,658

Key Ratios	23A	24A	25F	26F	29F
Gross Profit Margin (%)	23.8	19.2	13.5	23.4	30.0
Operating Profit Margin (%)	17.1	12.5	6.6	16.4	22.9
EBITDA Margin (%)	21.5	16.4	11.8	21.6	25.1
Pre-Tax Margin (%)	21.2	14.6	7.3	16.4	23.8
Net Profit Margin (%)	15.9	11.9	5.7	12.8	18.7
Debt to Equity (x)	0.2	0.2	0.3	0.4	0.5

Major Assumptions	23A	24A	25F	26F	29F
Production Volume (MT)	42	43	40	39	51
Transportation Volume (MT)	32	38	32	34	58
Newcastle Coal Price (USD/ton)	174	125	110	115	135
Blended ASP (USD/ ton)	72	63	61	69	67
Oil Brent Price (USD/bbl)	86	75	65	62	70
Cash Cost (USD/ton)	50	52	60	63	73

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