INDOPREMIER

Harum Energy

BUY *(unchanged)*

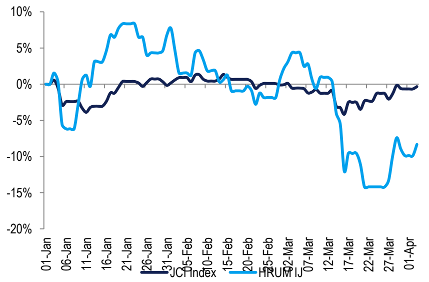
Company Update | Coal | HRUM IJ | 3 April 2023

Stock Data

Target price	**Rp2,400**
Prior TP	*Rp2,600*
Current price	Rp1,485
Upside/downside	*+62%*
Shares outstanding (mn)	13,518
Market cap (Rp bn)	20,074
Free float	19%
Avg. 6m daily T/O (Rp bn)	29

Price Performance

	3M	6M	12M
Absolute	-8.3%	-16.6%	-29.6%
Relative to JCI	-8.0%	-13.5%	-26.1%
52w low/high (Rp)	1,360 – 2,815		



Major Shareholders

Karunia Bara Perkasa	79.8%

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4Q22 results: in-line as higher cost offsets pick-up in ASP and volume

- In-line FY22 earnings (97% of estimates) as higher ASP and volume was offset by higher cash cost
- Earnings from nickel business improved in 4Q22 amid improving margins; nickel's FY22 net profit was above at 117% of estimates.
- We adjusted our FY23/24/25F earnings by +5/-1/-4% and cut SOTP-based TP to Rp2,400; reiterate Buy on attractive valuation.

In-line FY22 results despite soft 4Q22 earnings

HRUM FY22 net profit of US$302mn (+306% yoy) came in-line with ours/consensus estimates (at 97/98% of FY22 forecast) as higher ASP and sales volume was offset by higher than expected cash cost. 4Q22 net profit fell to US$64mn (-30% qoq/+75% yoy) as ASP remained relatively flat at US$179/t while cash cost rose by 46% qoq to US$100/t due to higher mining fee (+67% qoq on a per tonne basis). On a more positive note, income from associates (nickel business) improved to US$11mn in 4Q22 (+469% qoq) amid improving NPI margin coupled with higher earnings from conversion into nickel matte at its Hengjaya mine.

Robust sales volume and ASP was offset by higher cost

HRUM delivered 5Mt coal in FY22 (+43% yoy), above our estimates (at 110%) supported by higher production volume of 5.4Mt (+50% yoy). ASP/cash cost of US$178/73 per tonne (+94/66% yoy) was a beat at 105/175% of FY22 forecast. The higher than expected cash cost was mainly attributed to higher mining fee of US$29/t (vs. our estimate of US$16/t). On a quarterly basis, sales volume slumped 39% qoq to 1.1Mt despite steady production volume of 1.6Mt (+6% qoq), likely reflecting seasonally slower market demand.

Adjusted FY23/24/25F earnings to reflect higher volume but lower ASP

We adjust our FY23/24/25F earnings estimate by +5/-1/-4% to reflect the following: 1) higher coal sales volume to 5.5Mt in FY23F/LT (from 4.6Mt previously). 2) adjustment in coal price reference by -4/+20/+50% to US$240/180/150 in FY23/24/25F, resulting in 6/19/23% higher ASP. 3) higher coal cash cost of US$48/42/42 per tonnes (vs. US$34/30/29 per tonne previously). 4) adjustment in nickel cash cost assumption to US$13/12.5/12.3k in FY23/24/LT from 14.5/12/9.5k. 5) higher NPI volume of 27k in FY23F (vs. 24k previously).

Maintain Buy at a lower SOTP-based TP of Rp2,400

We cut our SOTP-based TP to Rp2,400, mainly reflecting lower RKEF valuation attributed to lower NPI margin. We maintain our Buy rating on still attractive 4.4x FY23F EV/EBITDA (29% discount to 10-year mean). Key risks are lower coal and nickel prices.

Financial Summary (US$ mn)	2020A	2021A	2022F	2023F	2024F
Revenue	336	904	672	588	543
EBITDA	149	471	305	269	247
Net profit	69	263	286	283	272
EPS growth	16%	283%	9%	-1%	-4%
ROE	16.3%	43.7%	34.1%	28.0%	24.7%
PER (x)	20.2	5.3	4.8	4.9	5.1
EV/EBITDA (x)	9.0	2.2	2.5	2.3	2.2
Dividend yield	0.5%	0.5%	5.7%	10.3%	16.4%
IPS vs. consensus			108%	110%	N/A

Source: Company, Indo Premier *Share price closing as of: 3 April 2023*

Fig. 1: Forecast changes

	Previous			New			Changes		
Forecast changes (US$ mn)	**2023F**	**2024F**	**2025F**	**2023F**	**2024F**	**2025F**	**2023F**	**2024F**	**2025F**
Net revenue	543	452	409	672	588	543	24%	30%	33%
Cost of sales	(163)	(146)	(141)	(272)	(240)	(227)	67%	65%	61%
Gross profit	**379**	**307**	**268**	**401**	**348**	**316**	**6%**	**13%**	**18%**
SG&A Expenses	(90)	(75)	(67)	(111)	(97)	(90)	24%	30%	33%
Operating profit	**290**	**232**	**201**	**290**	**251**	**226**	**0%**	**8%**	**13%**
Net interest	(2)	0	2	4	6	7	-386%	2322%	236%
Others	119	181	202	147	171	175	24%	-6%	-14%
Pre-tax income	**407**	**413**	**405**	**441**	**428**	**408**	**8%**	**3%**	**1%**
Income tax	(81)	(83)	(81)	(88)	(86)	(82)	8%	3%	1%
Minority interest	(54)	(45)	(41)	(67)	(59)	(54)	24%	30%	33%
Net income	**272**	**286**	**283**	**286**	**283**	**272**	**5%**	**-1%**	**-4%**

Source: Company, Indo Premier

Fig. 2: FY22 results summary

HRUM FY22 (US$ mn)	FY22	FY21	yoy%	4Q22	4Q21	yoy%	3Q22	qoq%	vs. IPS	%	vs. cons	%
Revenues	904	336	*169%*	202	131	*54%*	325	*-38%*	788	115%	899	101%
COGS	(363)	(162)	*125%*	(97)	(58)	*69%*	(133)	*-27%*	(197)	184%	(361)	101%
Gross profit	**541**	**175**	***210%***	**104**	**73**	***43%***	**193**	***-46%***	**591**	**92%**	**538**	**101%**
Gross profit margin	60%	52%		52%	56%		59%		75%		60%	
Opex	(101)	(42)	*139%*	(14)	(12)	*18%*	(43)	*-67%*	(132)			
EBIT	**440**	**132**	***233%***	**90**	**61**	***48%***	**150**	***-40%***	**459**	**96%**	**446**	**99%**
EBIT margin	49%	39%		45%	46%		46%	*-3%*	58%			
EBITDA	**464**	**141**	***228%***	**101**	**64**	***58%***	**154**	***-34%***	**472**	**98%**	**466**	**99%**
EBITDA margin	51%	42%		50%	49%		47%		60%			
Interest income	2	1	*143%*	1	0	*145%*	1	*60%*	1			
Interest expenses	(3)	(3)	*4%*	(1)	(1)	*-13%*	(1)	*58%*	(5)			
Others *	38	(2)	*-1720%*	9	(0)	*-2580%*	1	*680%*	33			
Profit before tax	**478**	**128**	***274%***	**99**	**60**	***65%***	**151**	***-35%***	**489**		**496**	**96%**
Tax expenses	(98)	(29)	*235%*	(20)	(13)	*53%*	(33)	*-39%*	(98)			
Tax rate	20%	23%		21%	22%		22%		20%			
Minority interests	(78)	(24)	*223%*	(14)	(10)	*46%*	(26)	*-46%*	(79)			
Net profit	**302**	**74**	***306%***	**64**	**37**	***75%***	**91**	***-30%***	**312**	**97%**	**308**	**98%**

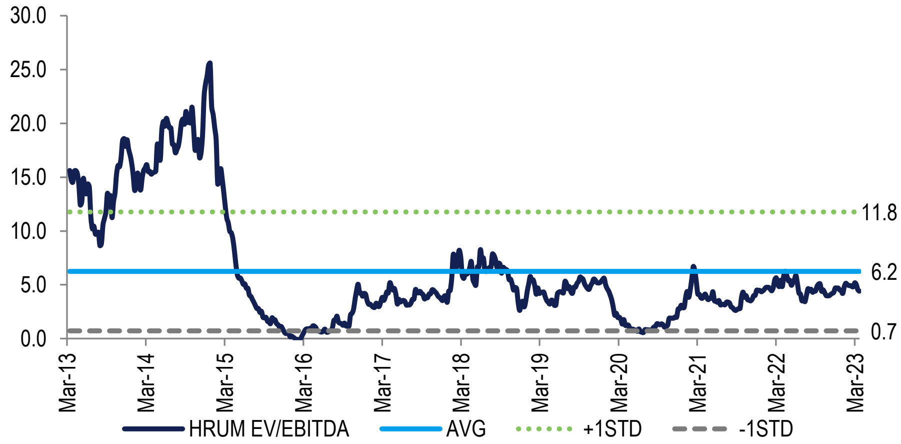
Source: Company, Indo Premier

Fig. 3: SOTP valuation

HRUM valuation summary	in US$ mn	Rp/sh
Coal valuation	1,025	1,100
PT Position (nickel mine)	312	300
PT IMI (RKEF)	369	400
Nickel Mines AU	237	300
Total valuation	**1,943**	**2,100**
Cash	371	400
Debt	0	0
Equity value	**2,313**	**2,500**
No of shares	13.5	
TP	**2,400**	
Current share price	1,485	
Upside	**62%**	

Source: Bloomberg, Company, Indo Premier

Fig. 4: HRUM EV/ EBITDA - trades at 29% discount to 10-year mean



Source: Bloomberg, Company, Indo Premier

Income Statement (US$ mn)	2021A	2022A	2023F	2024F	2025F
Net revenue	336	904	672	588	543
Cost of sales	(162)	(363)	(272)	(240)	(227)
Gross profit	**175**	**541**	**401**	**348**	**316**
SG&A Expenses	(42)	(101)	(111)	(97)	(90)
Operating profit	**132**	**440**	**290**	**251**	**226**
Net interest	(2)	(1)	4	6	7
Forex gain (loss)	0	0	0	0	0
Others	(8)	(1)	147	171	175
Pre-tax income	**122**	**438**	**441**	**428**	**408**
Income tax	(29)	(98)	(88)	(86)	(82)
Minority interest	(24)	(78)	(67)	(59)	(54)
Net income	**69**	**263**	**286**	**283**	**272**

Balance Sheet (US$ mn)	2021A	2022A	2023F	2024F	2025F
Cash & equivalent	149	371	608	772	825
Receivable	23	69	34	30	28
Inventory	21	43	24	21	20
Other current assets	54	36	36	36	36
Total current assets	**248**	**519**	**703**	**860**	**909**
Fixed assets	59	52	92	86	78
Other non-current assets	568	708	747	791	841
Total non-current assets	**627**	**760**	**840**	**877**	**918**
Total assets	**875**	**1,279**	**1,543**	**1,736**	**1,828**
ST loans	0	0	0	0	0
Payable	17	21	14	13	12
Other payables	63	205	205	205	189
Current portion of LT loans	0	0	0	0	0
Total current liab.	**81**	**226**	**219**	**218**	**201**
Long term loans	83	0	(4)	(8)	0
Other LT liab.	61	61	61	61	61
Total liabilities	**224**	**287**	**276**	**271**	**262**
Equity	152	192	192	192	192
Retained earnings	317	543	750	890	936
Minority interest	182	258	325	384	438
Total SHE + minority int.	**651**	**992**	**1,266**	**1,466**	**1,566**
Total liabilities & equity	**875**	**1,279**	**1,543**	**1,736**	**1,828**

Source: Company, Indo Premier

Cash Flow Statement (US$ mn)	2021A	2022A	2023F	2024F	2025F
Net income	132	440	290	251	226
Depr. & amortization	17	31	15	18	20
Changes in working capital	(11)	(65)	48	5	3
Others	(9)	(8)	63	91	100
Cash flow from operating	**130**	**399**	**416**	**366**	**350**
Capital expenditure	(16)	(32)	(96)	(55)	(62)
Others	(259)	(71)	0	0	0
Cash flow from investing	**(275)**	**(103)**	**(96)**	**(55)**	**(62)**
Loans	103	(99)	(4)	(4)	(8)
Equity	31	40	0	0	0
Dividends	(7)	(7)	(79)	(143)	(227)
Others	(43)	(8)	0	0	0
Cash flow from financing	84	(74)	(83)	(147)	(234)
Changes in cash	**(62)**	**221**	**237**	**164**	**53**

Key Ratios	2021A	2022A	2023F	2024F	2025F
Gross margin	52.0%	59.9%	59.6%	59.1%	58.1%
Operating margin	39.3%	48.7%	43.1%	42.6%	41.6%
Pre-tax margin	36.3%	48.5%	65.6%	72.7%	75.2%
Net margin	20.4%	29.0%	42.5%	48.2%	50.2%
ROA	10.0%	24.4%	20.3%	17.3%	15.3%
ROE	12.4%	32.0%	25.3%	20.7%	18.0%
Acct. receivables TO (days)	17	19	28	20	19
Inventory TO (days)	38	32	45	35	33
Payable TO (days)	25	19	24	20	20
Debt to equity	15.8%	0.4%	0.0%	-0.3%	-0.7%
Interest coverage ratio (x)	48.1	146.8	5933.3	-5229.7	-1197.9
Net gearing	-7%	-37%	-48%	-53%	-53%

Source: Company, Indo Premier

INVESTMENT RATINGS

BUY	:	Expected total return of 10% or more within a 12-month period
HOLD	:	Expected total return between -10% and 10% within a 12-month period
SELL	:	Expected total return of -10% or worse within a 12-month period

ANALYSTS CERTIFICATION

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