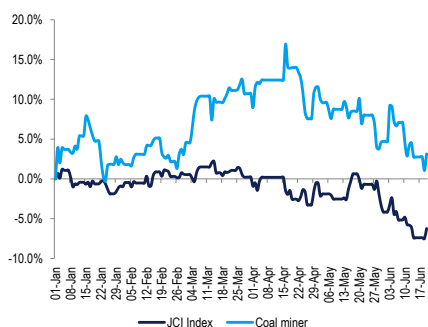


Sector Update | 22 July 2024

Sector Index Performance

	3M	6M	12M
Absolute	1.3%	10.3%	8.7%
Relative to JCI	-1.6%	9.3%	2.7%



Summary Valuation Metrics

P/E (x)	2024F	2025F	2026F
ADRO IJ	4.5	5.9	7.7
ITMG IJ	4.9	6.7	13.6
PTBA IJ	9.2	11.0	11.3
UNTR IJ	4.6	4.6	4.3

EV/EBITDA (x)	2024F	2025F	2026F
ADRO IJ	1.6	2.1	2.2
ITMG IJ	2.2	2.7	5.3
PTBA IJ	5.3	5.9	5.7
UNTR IJ	2.2	1.9	1.7

Div. Yield	2024F	2025F	2026F
ADRO IJ	11.0%	8.9%	6.8%
ITMG IJ	18.5%	13.3%	9.7%
PTBA IJ	12.7%	3.8%	3.2%
UNTR IJ	9.5%	9.3%	9.5%

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2Q24F preview: mixed results; ITMG to see significant qoq improvement

- We expect ITMG 2Q24F NP to improve by +62% qoq but overall 1H24F to be below consensus (42%) due to lagging downgrade post 1Q results.
- Conversely, we expect ADRO 2Q24F NP to drop by -11% qoq but 1H24F still ahead of consensus at (65%) due to similar reason (lagging revision).
- We reiterate our sector Neutral rating as latest data still indicates ST bearish signal to price. ADRO is our top pick.

2Q24F preview: mixed trajectory; ITMG to see significant improvement

We estimate mixed 2Q24F earnings result from coal miners', despite expected higher sales volumes (+6-10% qoq) to offset rising cash costs from higher fuel price. ITMG is expected to see a significant improvement in NP (+62% qoq) driven by mining fee normalization and slightly higher ASP (+2% qoq). We forecast UNTR and PTBA's NP to slightly improve in 2Q24F (+7/+1% qoq), attributed to Pama's margin expansion for UNTR and lower cash cost due to inventory movement for PTBA. On the other hand, ADRO 2Q24F NP is set to decline (-11% qoq) as lower ASP and higher cash cost more than offsets higher sales volume.

ADRO/UNTR to beat consensus, while ITMG/PTBA may come below

Despite expectation of relatively soft 2Q24F earnings, we anticipate ADRO 1H24F NP to still surpass consensus' FY24 forecast (65% consensus) due to limited consensus earnings upgrade (+9%) following a strong 1Q24 result (37% consensus). Conversely, ITMG and PTBA are set to underperform consensus (42/31%), despite better NP qoq from ITMG due to minimal earnings downgrade post weak 1Q24 result. In fact, consensus has since upgraded ITMG's earnings estimates by 5% rather than a downgrade. Meanwhile, UNTR is expected to slightly beat consensus estimates (at 55%) as there were no revisions following its in-line 1Q24 earnings.

ITMG to offer the most attractive interim dividend

Based on our 1H24F earnings estimates, we expect UNTR/ITMG/ADRO interim dividend to yield 3%/6%/5% respectively. We derive this based on 30%/65%/40% payout ratio, in-line with long-term average. We expect dividend to be announced around Oct/Nov/Dec for UNTR/ITMG/ADRO.

Latest data still indicates ST bearish signal to price

We continue to see ST downside risk to China seaborne demand following a recent report of 6% mom increase in Jun24 coal production, after safety inspections were concluded in May24. Hydropower generation has also surged by 25% mom in Jun24 due to heavy rainfall, while wind and solar power generation has been gaining traction (1H24: +11/+35% yoy). To add, inventory in China/India also remains elevated at 17/17 days (9/51% above 3yr average). Upside risks to price include stricter mining safety regulation in China and La Nina in 4Q24F ([report](#)).

Reiterate Neutral rating on limited catalyst for a rally

We maintain our sector Neutral rating for now given our ST bearish view on price. We continue to prefer ADRO and UNTR due to their attractive valuations of 4.7x and 5x FY24F P/E. At the same time, we do think ITMG could potentially outperform peers if coal price rallies on La Nina induced supply disruption, considering its strong correlation with Newcastle price and light positioning.

2Q24F earnings preview:

ADRO – We expect ADRO 2Q24F earnings to decline to US\$334mn (-11% qoq) primarily driven by 3% qoq drop in thermal ASP (1-month lag ICI3: -6% qoq) combined with 4% qoq increase in cash cost due to higher fuel price (Brent: +4% qoq). On the other hand, thermal sales volume is projected to improve slightly in 2Q24 (+4% qoq) due to inventory sales. In the metallurgical coal segment (ADMR), higher sales volume from inventory (c.+43% qoq) is expected to more than offset the significant decline in coking coal price (-22% qoq) (our note on [ADMR](#)). Overall, we anticipate 1H24 earnings to exceed ours/consensus estimates at 54/65% respectively.

UNTR – We expect UNTR to report Rp4.9tr earnings in 2Q24F (+7% qoq), despite soft Komatsu sales volume (c.-16% qoq) due to shorter working days; and TTA sales volume (-12% qoq) due to logistical issue from lower rainfall. The earnings improvement will likely be driven by margin expansion from Pama amid robust volume (c.+12% qoq), in addition to normalization of TTA margins after provisioning for BLU in 1Q24. On the gold business, volume is projected to increase c.+8% qoq as processing facility ramps up post-completion of the tailing facility, with ASP expected to rise c.+6% qoq (in-line with benchmark). Overall, we project 1H24F earnings to slightly exceed ours/consensus estimates at 52/55%.

ITMG – We expect ITMG to record a significant earnings improvement in 2Q24F to US\$100mn (+62% qoq), thanks to higher ASP (c.+2% qoq) and sales volume from inventory (c.+10% qoq), in addition to lower cash cost (c.-6% qoq). Given that a sizeable portion of ITMG's coal is sold on fixed contracts (as of 1Q24: 23%), the increase in ASP is likely to underperform the Newcastle benchmark (1-month lag: +3% qoq). Cash cost is expected to normalize in 2Q24 after incurring pre-stripping costs in 1Q24 that could not be booked in 4Q23 due to accounting practice. Despite this strong performance, we anticipate ITMG 1H24F earnings to remain below ours/consensus estimates at 45/42% respectively, partly due to 5% earnings upgrade after soft 1Q24 result.

PTBA – We expect PTBA 2Q24F earnings to remain relatively stable at Rp796bn (+1% qoq), driven by c.9% qoq increase in sales volume from inventory sales and ramping-up mine mouth sales to Sumsel8. At the same time, export sales volume is also set to recover to c.42% of total sales following a low base of 39% in 1Q24, resulting in a milder ASP decline (c.-3% qoq) compared to the ICI3 benchmark (-6% qoq). Despite higher fuel price, we anticipate PTBA's cash cost to decrease by c.-11% qoq primarily due to inventory movements. Overall, we expect 1H24F earnings to remain below ours/consensus estimates at 44/31% respectively.

Fig. 1: ADRO 2Q24F preview summary

ADRO (US\$m n)	1H24F	1H23	% yoy	2Q24F	2Q23	% yoy	1Q24	% qoq	IPS FY24F	% of IPS	Cons FY24F	% of cons
Revenue	2,909	3,479	-16%	1,466	1,641	-11%	1,443	2%	5,750	51%	5,214	56%
EBITDA	1,142	1,354	-16%	542	631	-14%	601	-10%	2,123	54%	1,887	61%
Net profit	708	874	-19%	334	416	-20%	374	-11%	1,320	54%	1,090	65%
Sales volume (Mt)	34.0	32.6	4%	17.5	16.9	3%	16.5	6%	65.1	52%		
Thermal	31.4	30.8	2%	16.0	15.9	0%	15.4	4%	60.0	52%		
Metallurgical	2.6	1.8	40%	1.5	1.0	55%	1.1	43%	5.1	50%		
ASP (US\$/t)	85	104	-18%	83	94	-11%	86	-3%	86	99%		
Thermal	73	95	-23%	72	86	-16%	74	-3%	72	102%		
Metallurgical	229	254	-10%	206	232	-11%	261	-21%	247	93%		
Cash cost (US\$/t)	51	63	-19%	52	58	-10%	51	4%	53	97%		
Thermal	N/A	60	N/A	N/A	55	N/A	46	N/A	47	N/A		
Metallurgical	N/A	126	N/A	N/A	116	N/A	114	N/A	122	N/A		

Source: Company, Indo Premier

Fig. 2: UNTR 2Q24F preview summary

UNTR (Rp bn)	1H24F	1H23	% yoy	2Q24F	2Q23	% yoy	1Q24	% qoq	IPS FY24F	% of IPS	Cons FY24F	% of cons
Revenue	65,098	68,677	-5%	32,685	33,788	-3%	32,412	1%	122,814	53%	120,194	54%
EBITDA	17,785	20,031	-11%	9,016	10,676	-16%	8,769	3%	36,876	48%	30,690	58%
Net profit	9,434	11,216	-16%	4,887	5,893	-17%	4,547	7%	18,229	52%	17,089	55%
Komatsu (units)	2,076	3,145	-34%	950	1,354	-30%	1,126	-16%	4,000	52%		
ASP (Rp bn/unit)	3.9	3.5	10%	3.9	3.9	0%	3.9	1%	3.5	111%		
Pama volume (units)	673	581	16%	355	308	15%	318	12%	1,316	51%		
ASP (Rp k/unit)	43	42	2%	43	41	5%	42	2%	40	106%		
TTA volume	7.5	6.4	16%	3.5	3.5	1%	4.0	-12%	15.5	48%		
ASP (Rp k/unit)	2,054	3,126	-34%	2,000	2,773	-28%	2,102	-5%	1,821	113%		
Gold volume (k oz)	102	110	-7%	53	51	4%	49	8%	235	43%		
ASP (Rp mn/oz)	38	29	29%	38	29	29%	37	1%	33	115%		

Source: Company, Indo Premier

Fig. 3: ITMG 2Q24F preview summary

ITMG (US\$m n)	1H24F	1H23	% yoy	2Q24F	2Q23	% yoy	1Q24	% qoq	IPS FY24F	% of IPS	Cons FY24F	% of cons
Revenue	1,039	1,299	-20%	550	614	-10%	489	12%	2,167	48%	2,189	47%
EBITDA	214	395	-46%	130	162	-20%	84	56%	469	46%	508	42%
Net profit	162	307	-47%	100	124	-20%	62	62%	358	45%	387	42%
Sales volume (Mt)	10.5	9.9	6%	5.5	5.4	2%	5.0	10%	21.5	49%		
ASP (US\$/t)	99	131	-25%	100	114	-12%	98	2%	101	98%		
Cash cost (US\$/t)	79	112	-30%	76	84	-9%	81	-6%	79	100%		

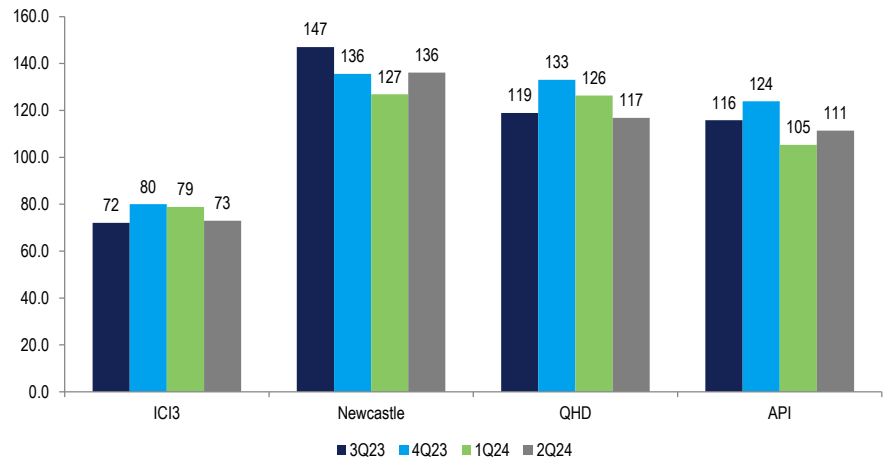
Source: Company, Indo Premier

Fig. 4: PTBA 2Q24F preview summary

PTBA (Rp bn)	1H24F	1H23	% yoy	2Q24F	2Q23	% yoy	1Q24	% qoq	IPS FY24F	% of IPS	Cons FY24F	% of cons
Revenue	19,633	18,859	4%	10,223	8,901	15%	9,410	9%	39,594	50%	37,869	52%
EBITDA	2,489	3,523	-29%	1,328	1,797	-26%	1,161	14%	6,085	41%	7,430	33%
Net profit	1,587	2,776	-43%	796	1,613	-51%	791	1%	3,639	44%	5,088	31%
Sales volume (Mt)	20.2	17.4	16%	10.5	8.6	22%	9.7	9%	41.0	49%		
ASP (US\$/t)	62	71	-13%	60	68	-13%	62	-3%	64	96%		
Cash cost (US\$/t)	50	59	-14%	49	56	-13%	55	-11%	54	92%		

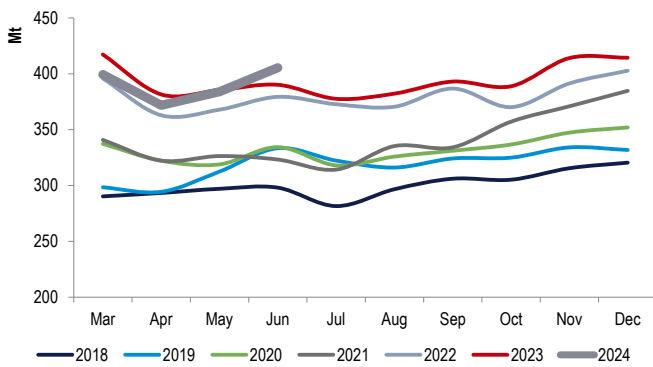
Source: Company, Indo Premier

Fig. 5: Quarterly average coal prices



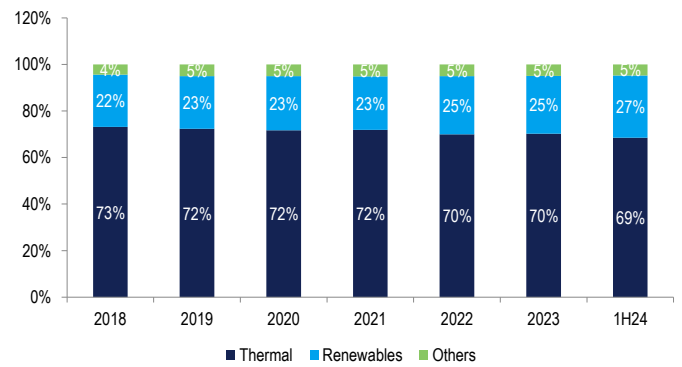
Source: Bloomberg, Indo Premier

Fig. 6: China coal production



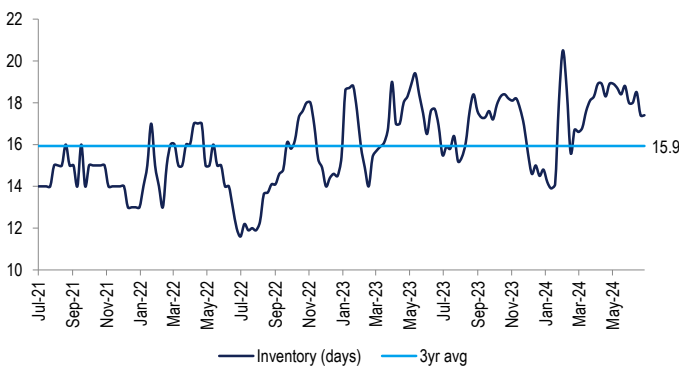
Source: Bloomberg, Indo Premier

Fig. 7: China's share of power generation



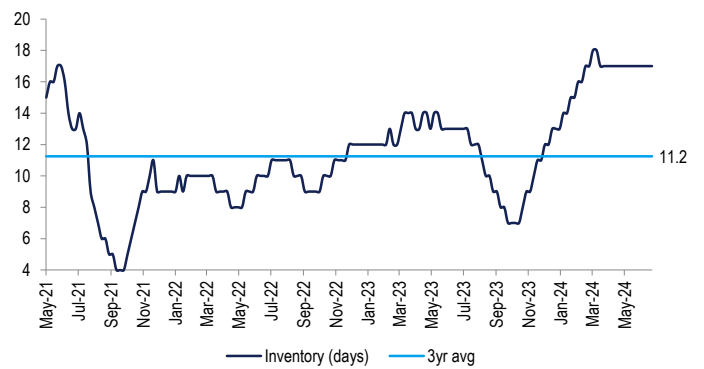
Source: Bloomberg, Indo Premier

Fig. 8: China coal inventory



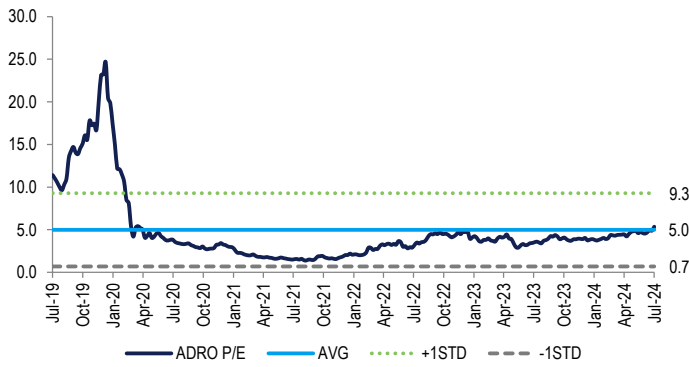
Source: Bloomberg, Indo Premier

Fig. 9: India coal inventory



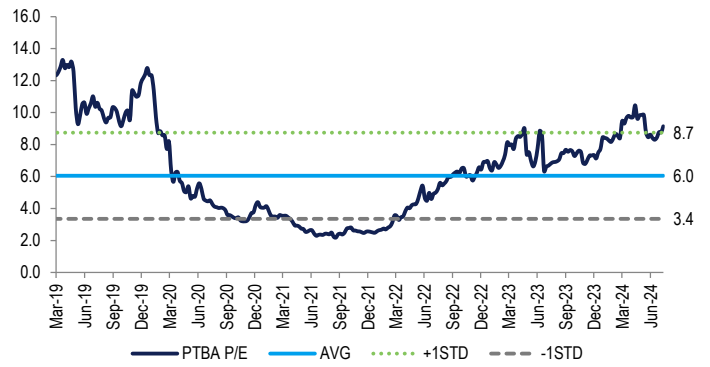
Source: Bloomberg, Indo Premier

Fig. 10: ADRO valuation band



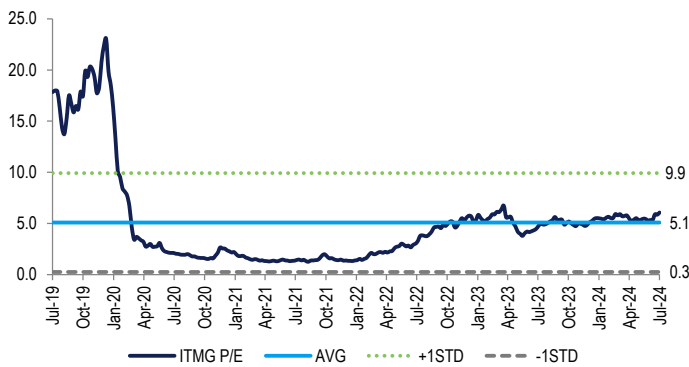
Source: Bloomberg, Indo Premier

Fig. 11: PTBA valuation band



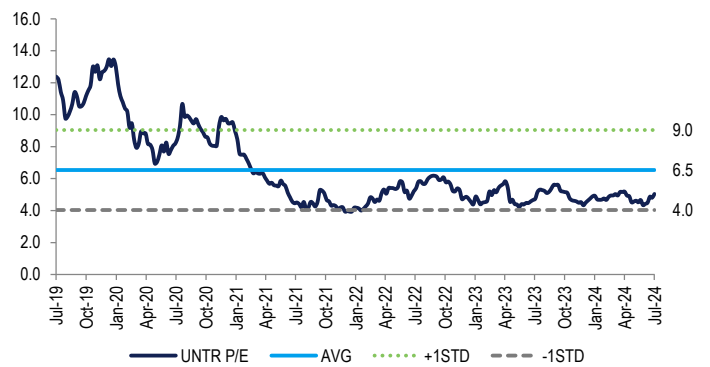
Source: Bloomberg, Indo Premier

Fig. 12: ITMG valuation band



Source: Bloomberg, Indo Premier

Fig. 13: UNTR valuation band



Source: Bloomberg, Indo Premier

Fig. 14: Peers valuation summary

Ticker	Company	Rating	Target price (Rp/share)	P/E			EV/EBITDA			Dividend yield (%)		
				24F	25F	26F	24F	25F	26F	24F	25F	26F
ADRO IJ	Adaro Energy Indonesia	Buy	3,000	4.7	6.2	8.1	1.7	2.2	2.4	10.6%	8.5%	6.5%
ITMG IJ	Indo Tambangraya Megah	Hold	22,000	5.2	7.1	14.5	2.4	3.1	6.0	17.4%	12.4%	9.1%
PTBA IJ	Bukit Asam	Sell	2,000	8.3	9.9	10.2	4.8	5.3	5.1	14.1%	4.2%	3.5%
UNTR IJ	United Tractors	Buy	27,500	5.0	5.0	4.8	2.4	2.2	1.9	8.6%	8.4%	8.6%

Source: Indo Premier

SECTOR RATINGS

- OVERWEIGHT** : An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation
- NEUTRAL** : A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation
- UNDERWEIGHT** : An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation

COMPANY 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

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