



In term of coal reserves PTBA is the second largest listed coal mining company in Indonesia with total reserves of 1.9b tons.

BUY - Rp18,000

Company Update

Share Price	Rp16,150
Sector	Coal
Target Price	Rp18,000 (12%)
Prev. TP	Rp18,000

Stock Data

Reuters Code	PTBA.JK
Bloomberg Code	PTBA.IJ
Issued Shares (m)	2,304
Mkt Cap (Rpbn)	37,211
Average Daily T/O (m)	2.5
52-Wk range	Rp21,650 / Rp12,950

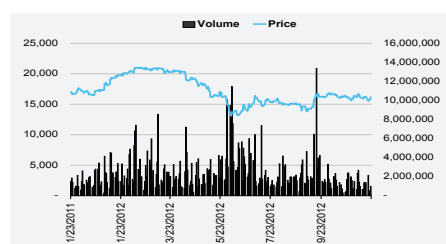
Major Shareholders:

Indonesian Government	65.0%
Foreign Business	20.6%
Public	14.4%

Consensus

EPS	12E	13F
Consensus (Rp)	1,334	1,318
TRIM VS Cons (%)	(8.0)	(23.4)

Stock Price



Bukit Asam

The duce in power generation

Leader in the downstream business

Among our coal counters, PTBA remains the leader in power generation industry with several power plant projects in the pipeline. Recently PTBA through its subsidiary (45% owned), PT Huadian Bukit Asam Power (HBAP), had signed power purchase agreement (PPA) with PT PLN (state-owned electricity company) for 25-year period. HBAP will commence the construction of 2x620 MW coal-fired power plants in Banko Tengah, South Sumatera, in 2013. The initial production is targeted to begin in 2017. PTBA will supply around 5-6m tons of coal per annum to the power plants. Additionally, PTBA through its 59.75% owned subsidiary, PT Bukit Pembangkit Innovative, is constructing 2x110 MW Banjarsari coal-fired power plants which are expected to be completed and commence production in 2014. PTBA will supply around 1.5m tons of coal per annum to the power plants. Furthermore, PTBA had signed joint development agreement (JDA) for 800 to 1,200 MW power generation project in Peranap, Riau, with PT PLN and TNB (Tenaga Nasional Berhad from Malaysia). The electricity produced from Peranap power plant will be distributed to Malaysia through undersea cable. The power plant will consume around 5-6m tons of coal per annum which will be supplied by PTBA.

Inline 9M12 sales volumes; Downgrade 2012-2013 earnings on lower ASP assumptions

PTBA booked 9M12 sales volumes of 11.36m tons, increased 15% YoY, in-line with our expectation as 9M12 sales volumes are accounting for 76% of our FY12 estimate of 14.9m tons. Nevertheless, given PTBA's 9M12 lower than expected ASP of around USD79.7/ton (Rp766k/ton) we downgrade our 2012 ASP estimate to USD80/ton (Rp768k/ton, -3% YoY) and USD74/ton (Rp707k/ton, -8% YoY) in 2013. With these lower ASPs, we lower our 2012 earnings by 7% to Rp2.82tr (-8.5% YoY) and 2013 earnings by 5% to Rp2.32tr (-17.6% YoY). It is worth noting that we expect global coal price to increase starting in 1Q13. However, given PTBA's majority sales are in fixed 1-year pricing, we believe the impact of increasing coal price would be lagging and will be realized in 2014's ASP. The upside potential to our 2013 ASP estimate would be determined by PTBA's ability to increase the proportion of its floating price contracts (index-linked).

Retain BUY on long term growth prospect and attractive dividend yield of 5.3%

We expect PTBA's earnings to decrease 8.5% YoY in 2012 and 17.6% YoY in 2013 before improving by 27% YoY in 2014. Given its promising long-term growth on the back of its huge coal reserves of around 2b tons and power generations projects, PTBA remains as one of our top sector picks. Despite our earnings downgrade, we retain our DCF-based (WACC: 16.2%, TG: 1.5%) target price of Rp18,000/sh as we use 2013 as our new base year. We reiterate a BUY recommendation on PTBA with 16.8% total return (11.5% upside and 5.3% dividend yield).

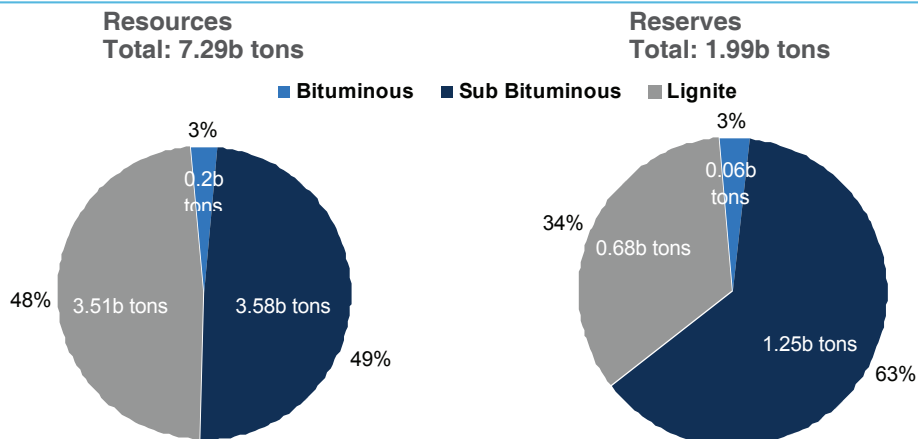
Forecast & Rating

Year end Dec	2010	2011	2012E	2013F	2014F
Sales (Rpbn)	7,909	10,582	11,455	11,143	12,581
Net Profit (Rpbn)	2,009	3,086	2,824	2,328	2,949
EPS (Rp)	872	1,339	1,226	1,010	1,280
EPS Growth (%)	(26.4)	53.6	(8.5)	(17.6)	26.7
DPS (Rp)	536	556	804	858	707
BVPS (Rp)	2,763	3,510	3,933	4,085	4,657
P/E (x)	18.5	12.1	13.2	16.0	12.6
Div Yield (%)	3.3	3.4	5.0	5.3	4.4

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Among our coal coverage, PTBA holds the second largest coal reserves of around 2b tons

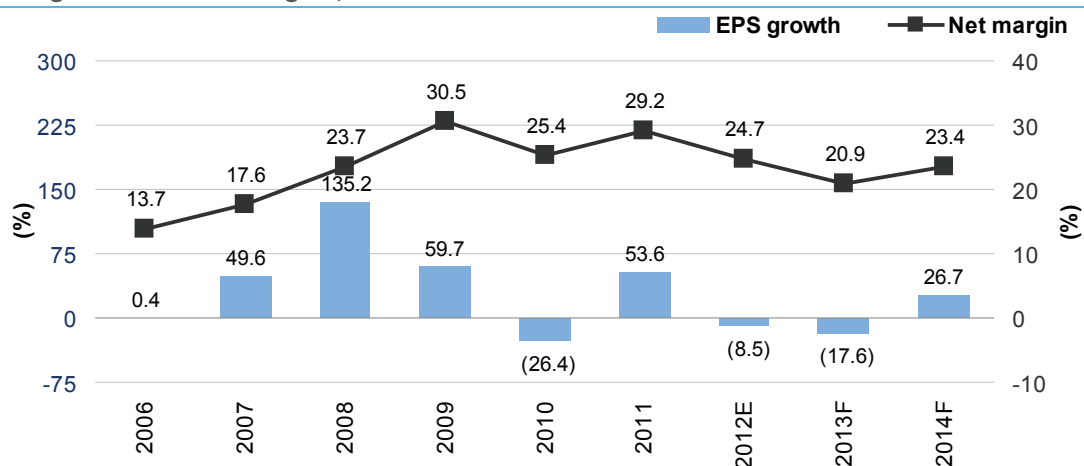
PTBA's coal reserves and resources



Source: Company

Among our coal coverage, PTBA holds the second largest coal reserves of around 2b tons

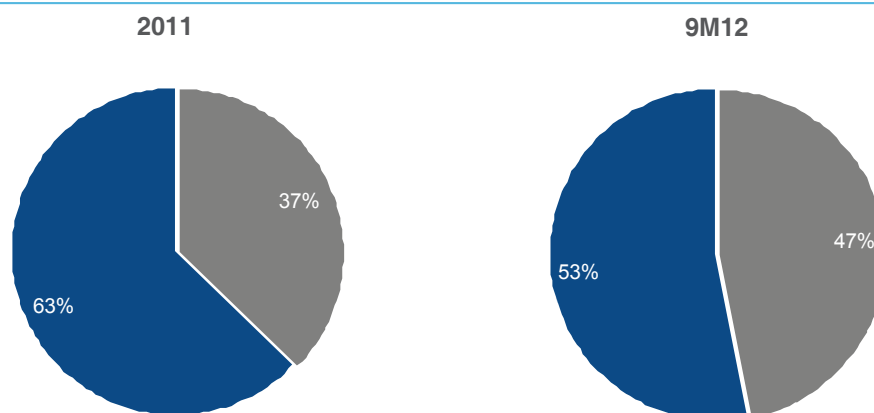
EPS growth and net margins, 2006-2014F



Source: Company, TRIM Research

PTBA's export sales increased from 37% of total in 2011 to 47% of total sales in 9M12

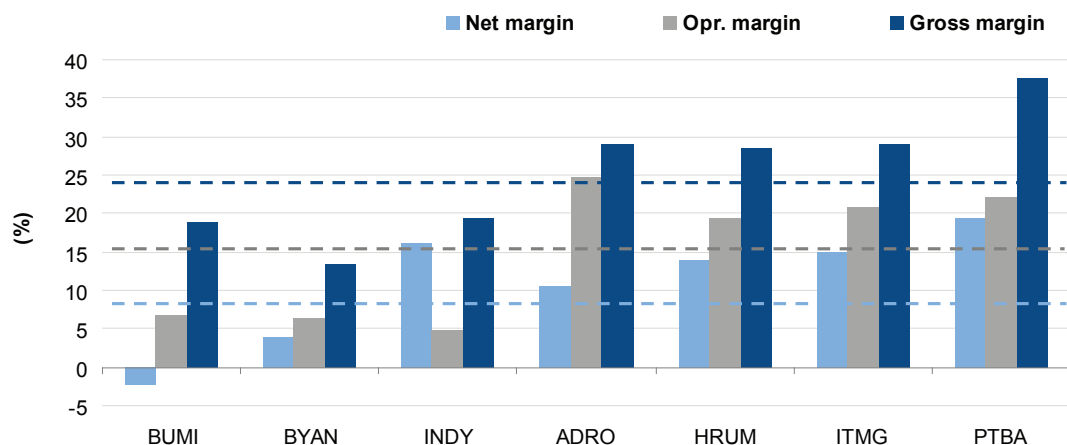
Sales segmentation, export and domestic



Source: Company

PTBA has the largest margins in the industry

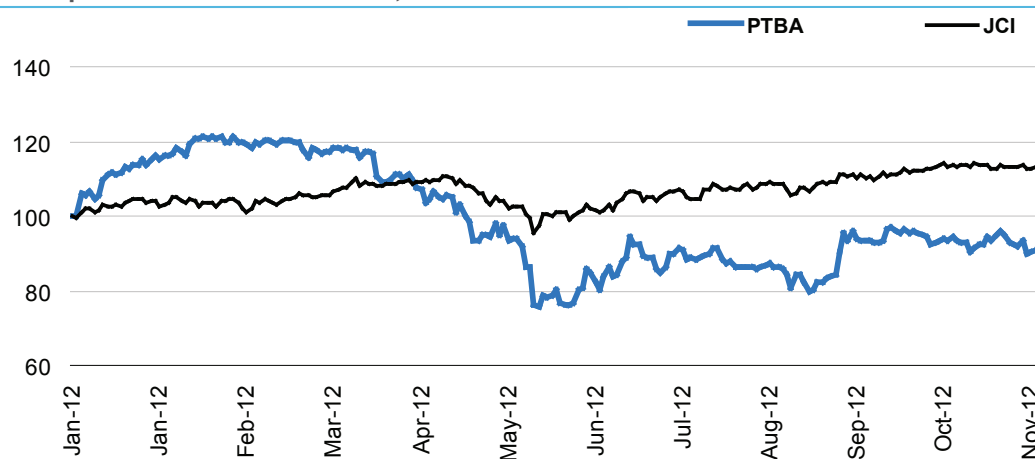
Coal sector's margins, 2013



Source: TRIM Research

PTBA underperformed JCI by 20% YTD

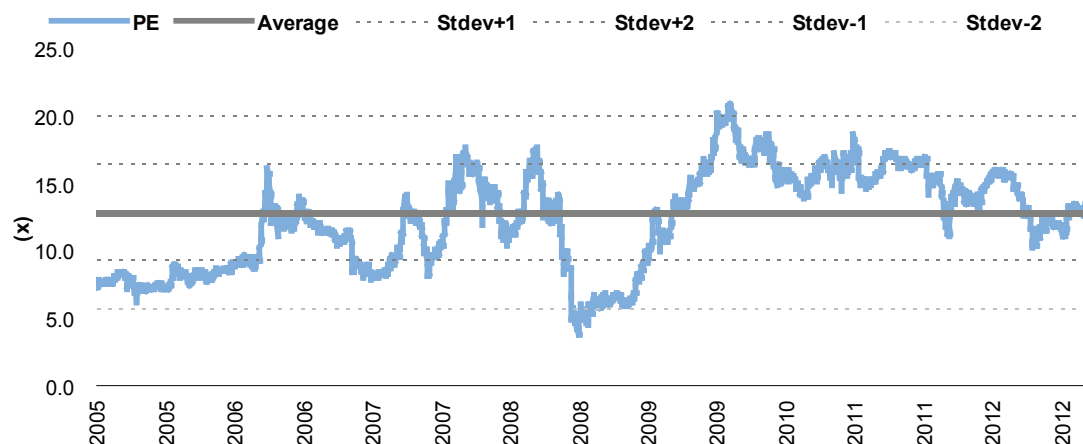
PTBA performance relative to JCI, YTD12



Source: Bloomberg, TRIM Research

PTBA currently traded at its 7-year average PE

PE band, 2005-YTD12



Source: Bloomberg, TRIM Research

Income Statement (Rpbn)

Year end 31 Dec	2010	2011	2012E	2013F	2014F
Revenue	7,909	10,582	11,455	11,143	12,581
% growth	(11.6)	33.8	8.3	(2.7)	12.9
Gross Profit	3,650	5,279	5,158	4,464	5,368
Opr Profit	2,304	3,665	3,410	2,679	3,444
EBITDA	2,364	3,725	3,526	2,843	3,656
% growth	(34.8)	57.6	(5.3)	(19.4)	28.6
Net int inc/(exp)	244	325	262	344	389
Gain/(loss) forex	(33)	25	(5)	(5)	(6)
Other inc/(exp)	84	45	31	30	34
Pre-tax Profit	2,600	4,059	3,698	3,047	3,861
Tax	(601)	(971)	(887)	(731)	(927)
Minority Int.	10	2	14	12	15
Extra. Items	-	-	-	-	-
Net Profit	2,009	3,086	2,824	2,328	2,949
% growth	(26.4)	53.6	(8.5)	(17.6)	26.7

Balance Sheet (Rpbn)

Year end 31 Dec	2010	2011	2012E	2013F	2014F
Cash and Deposits	5,054	6,791	7,608	7,753	8,891
Other Current Assets	1,592	2,068	2,272	2,272	2,529
Net Fixed Assets	921	1,140	1,675	2,201	2,718
Other Assets	1,156	1,507	1,734	1,998	2,309
Total Assets	8,723	11,507	13,289	14,225	16,447
ST Debt	13	18	-	-	-
Other Current Liabilities	1,134	1,894	2,314	2,376	2,609
LT Debt	-	-	-	-	-
Other LT Liabs	1,134	1,430	1,835	2,355	3,023
Minority Interest	75	77	79	81	84
Total Liabilities	2,281	3,342	4,149	4,731	5,632
Shareholder's Equity	6,367	8,088	9,061	9,412	10,731
Net Debt/(cash)	(5,041)	(6,773)	(7,608)	(7,753)	(8,891)
Net Working Capital	5,498	6,947	7,567	7,649	8,811

Cash Flow (Rpbn)

Year end 31 Dec	2010	2011	2012E	2013F	2014F
EBIT	2,304	3,665	3,410	2,679	3,444
Depr/Amort	59	60	116	164	212
Chg in Working	(236)	(284)	(215)	(63)	24
Others	(110)	(492)	(270)	50	29
CF's from oprs	2,490	3,601	3,472	2,955	3,661
Capex	(640)	(374)	(700)	(750)	(800)
Others	(159)	(131)	-	-	-
CF's from investing	(799)	(505)	(700)	(750)	(800)
Net change in debt	13	5	(18)	-	-
Others	(1,358)	(1,362)	(1,940)	(2,063)	(1,727)
CF's from financing	(1,345)	(1,357)	(1,958)	(2,063)	(1,727)
Net cash flow	346	1,738	813	142	1,134
Cash at BoY	4,709	5,054	6,791	7,608	7,753
Cash at EoY	5,054	6,791	7,608	7,753	8,891
Free Cashflow	1,850	3,227	2,772	2,205	2,861

Key Ratio Analysis

Year end 31 Dec	2010	2011	2012E	2013F	2014F
Profitability					
Gross Margins (%)	46.2	49.9	45.0	40.1	42.7
Op Margins (%)	29.1	34.6	29.8	24.0	27.4
EBITDA Margins (%)	29.9	35.2	30.8	25.5	29.1
Net Margins (%)	25.4	29.2	24.7	20.9	23.4
ROE (%)	31.6	38.2	31.2	24.7	27.5
ROA (%)	23.0	26.8	21.3	16.4	17.9
Stability					
Current ratio (x)	5.8	4.6	4.3	4.2	4.4
Net Debt/Equity (x)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Int Coverage (x)	na	na	na	na	na
Efficiency					
A/P days	70	94	82	82	82
A/R days	46	41	43	43	43
Inventory days	36	44	40	40	40

Interim Result (Rpbn)

	3Q11	4Q11	1Q12	2Q12	3Q12
Sales	2,635	2,827	3,022	2,768	2,931
Gross Profit	1,290	1,301	1,428	1,251	1,238
Operating Profit	890	803	1,010	871	805
Net Profit	712	763	867	688	640
Gross Margins (%)	48.9	46.0	47.3	45.2	42.2
Opr Margins (%)	33.8	28.4	33.4	31.5	27.5
Net Margins (%)	27.0	27.0	28.7	24.9	21.8

Capital History

Date	
12-Mar-02	IPO @ Rp575

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