



COAL MINING SECTOR UPDATE

Profit Taking!

Prices began Defying Gravity!

PTBA and ITMG prices have gone up by 21.11%/18.68% to 2,180/8,100 per Mar 31st, 2020 since the release of our Coal Sector Update on Mar 20th, 2020. The increase of the prices is supported by several causes, as follows: 1) Investors concerns has start to wane down as the virus spread in China has decreased significantly; 2) The flood of stimulus from The Fed such as USD2.2 trillion emergency package in which each American adult will receive a one-time payment of USD1200 in cash and an unlimited Quantitative Easing for Government treasury bonds and Mortgage-backed Securities in effort to confront the severity of Covid-19 disruptions on the US economy; 3) Indonesian Government also provide IDR110 trillion for basic needs in the form of food and electricity, followed by IDR75 trillion for healthcare and medical devices. These aids will surely tone down the tension amidst the Covid-19 pandemics.

Remains a Dividend Player

MNCS evaluates that these are not the fully firm prices as the Covid-19 virus still spreads all over Indonesia, which now stands at 1,528 confirmed cases with 136 deaths and 86 recoveries (John Hopkins University, April 1st, 2020 / 12:37). On the other hand, PTBA has announced to give cash dividend with Dividend Payout Ratio (DPR) at least 75% of the Net Income. We calculate that the dividend yield will decrease to 12.11% (per Mar 31st, 2020) from the previous calculation of 17.89% (per Mar 19th, 2020). Meanwhile, ITMG recently has not released any update regarding their dividends, given the current price, the dividend yield has also decrease to 19,80% (per Mar 31st, 2020) from the previous calculation of 26.62% (per Mar 19th, 2020) with estimated DPR of 100%.

NEUTRAL Outlook with Top Picks: PTBA Trading SELL; TP: IDR2,310) and ITMG (Maintain BUY; TP: IDR10,630)

MNCS still recommends **NEUTRAL** for the coal mining sector. However, we have decided to renew our recommendation for **PTBA**, considering the causes mentioned above, followed by limited potential upside (+5,96% upside). Therefore we recommend **Trading SELL** at **IDR2,180 and above** for **PTBA** with the same target price of **IDR2,310**. Meanwhile, we maintain our **BUY** recommendation for **ITMG** with the same target price of **IDR10,630** with the potential upside of 31.23% for the next 12 months. PTBA and ITMG are currently traded at -2.33 STD/-2.66 STD with PBV at 1.33x/0.62x and EV/EBITDA at 3.61x/1.86x respectively.

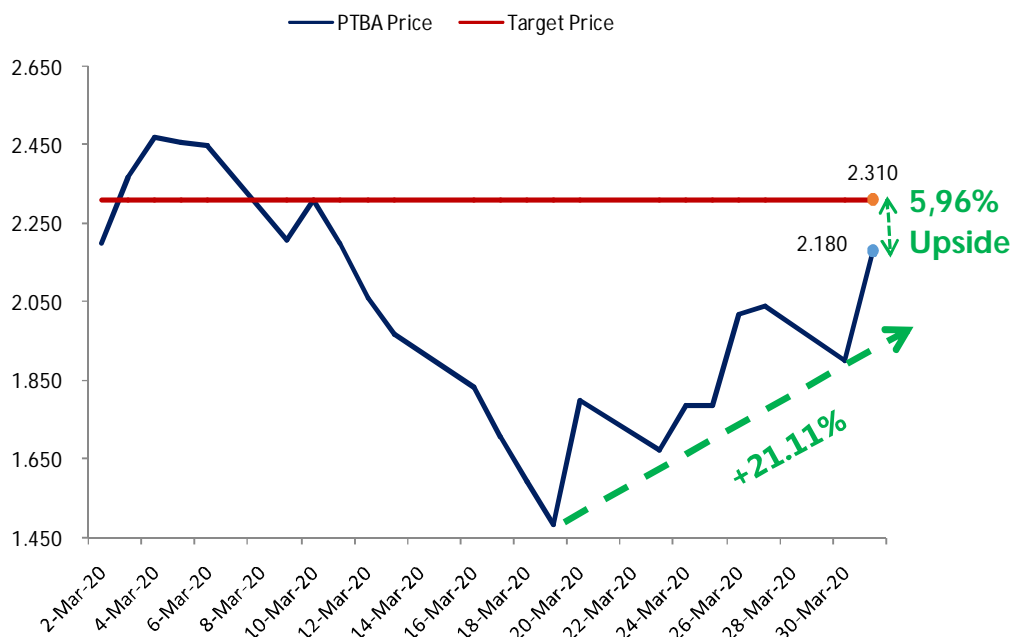


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Ticker	Market Cap (IDR bn)	PER (x)		PBV (x)		Rec.	Target Price (IDR)
		FY20E	FY21F	FY20E	FY21F		
PTBA	25,115	5.02	5.35	1.10	1.09	Trading SELL	2,310
ITMG	9,152	6.67	8.17	0.49	0.42	Maintain BUY	10,630

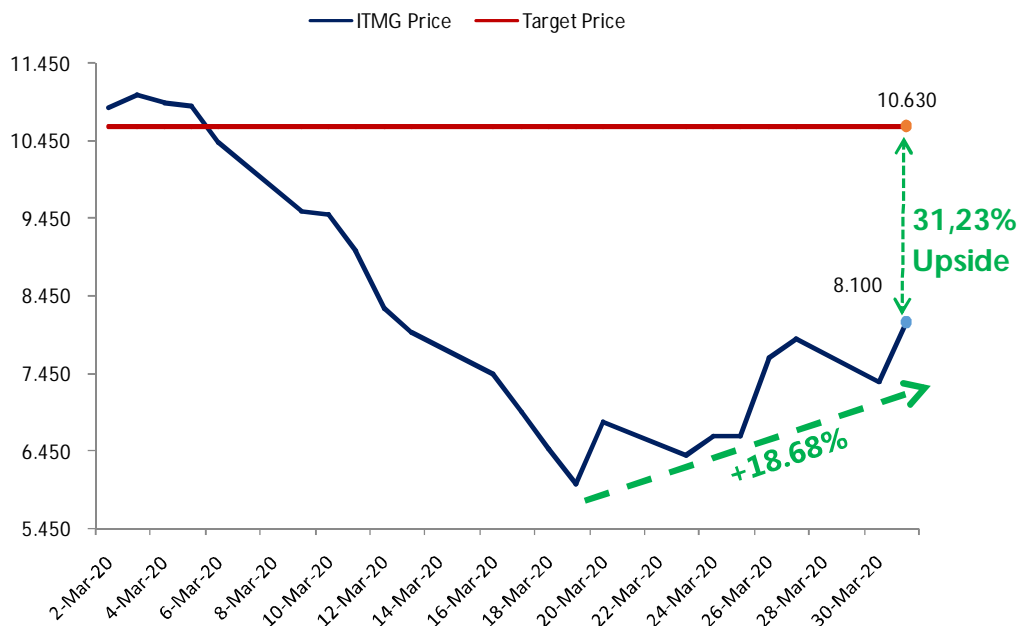
Sources: Bloomberg, MNCS (as of March 31, 2020)

Exhibit 01. PTBA Price Movement (in IDR)



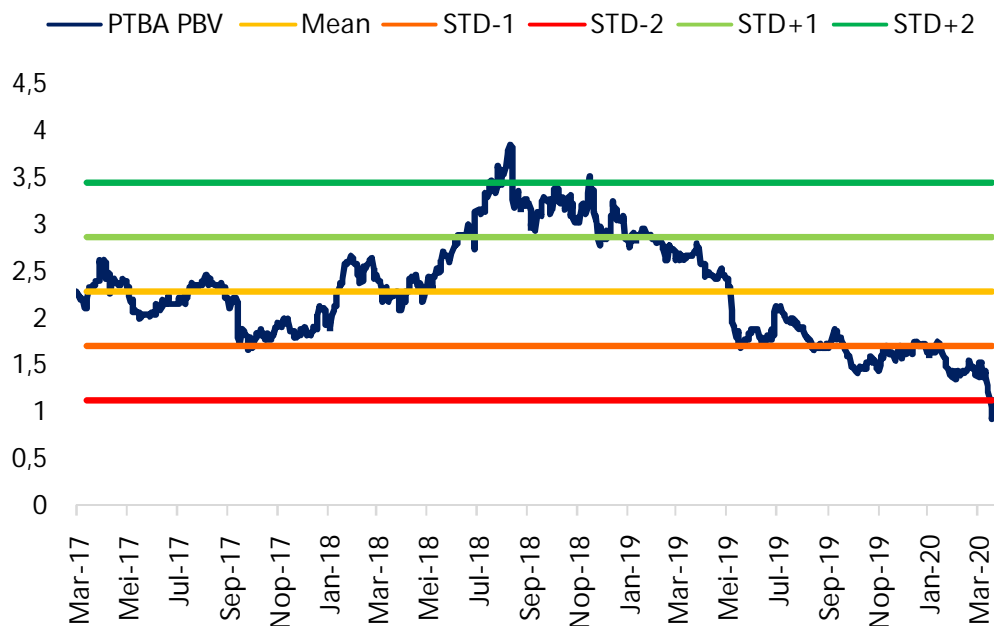
Source : Bloomberg, MNCS

Exhibit 02. ITMG Price Movement (in IDR)



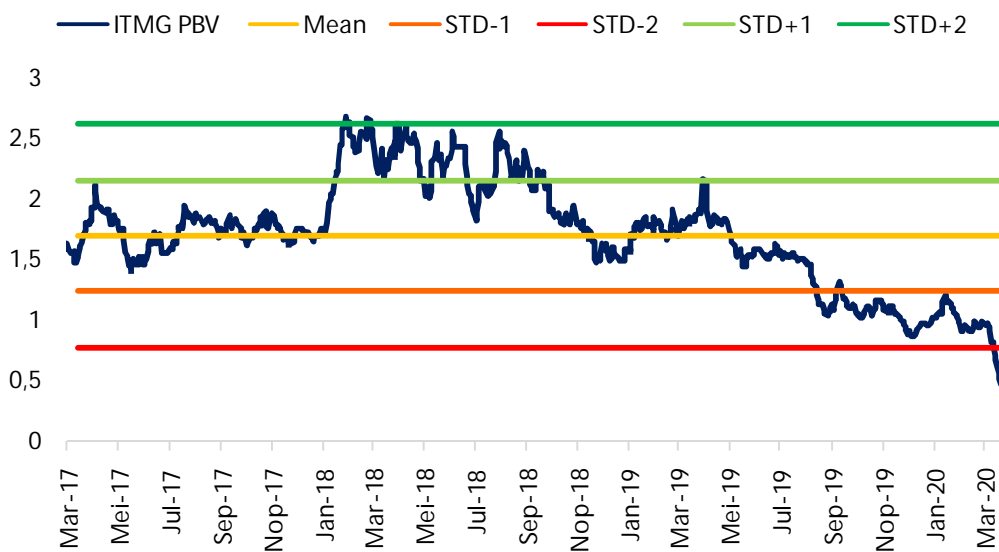
Source : Bloomberg, MNCS

Exhibit 03. PTBA is currently traded at -2.33STD with PBV at 1.33x (3-year average)



Source : Bloomberg, MNCS

Exhibit 04. ITMG is currently traded at -2.66STD with PBV at 0.61x (3-year average)



Source : Bloomberg, MNCS

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MNC Research Investment Ratings Guidance

BUY : Share price may exceed 10% over the next 12 months

HOLD : Share price may fall within the range of +/- 10% of the next 12 months

SELL : Share price may fall by more than 10% over the next 12 months

Not Rated : Stock is not within regular research coverage

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