



# 3Q20 Results

## INVESTOR & ANALYST UPDATE

13 NOVEMBER 2020

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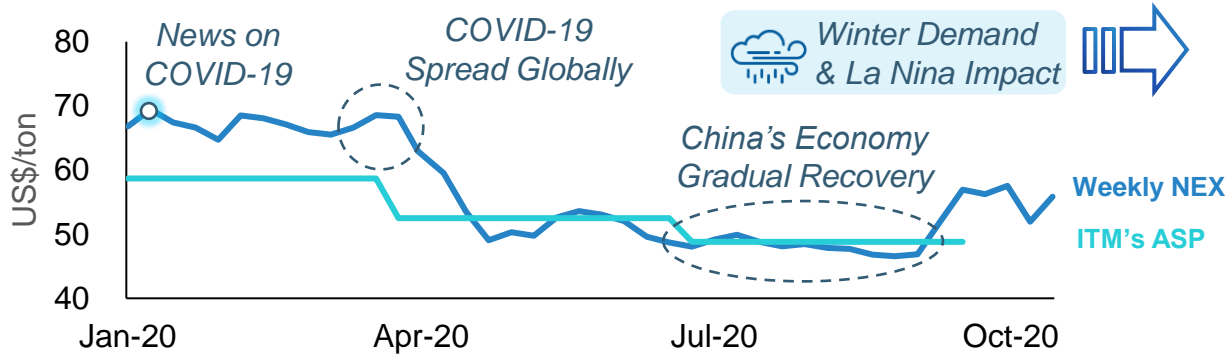
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# Resilient through challenging times

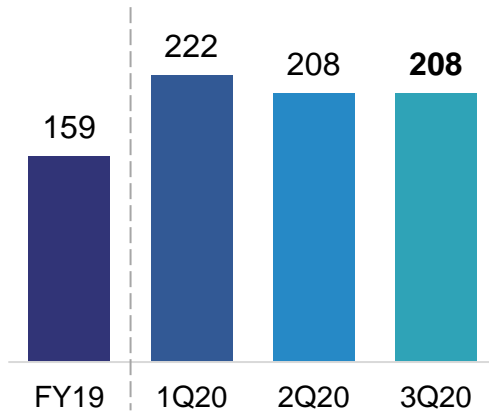
## COAL PRICE REMAINS VOLATILE



- China's economy recovery and winter inventory re-stocking expected to drive coal demand in Q4, yet Chinese gov't import control remain.
- Early heavy rainfall due to La Nina effect started to impact coal production in Indonesia. Supply may tighten going into 2021.

## STRONG BALANCE SHEET

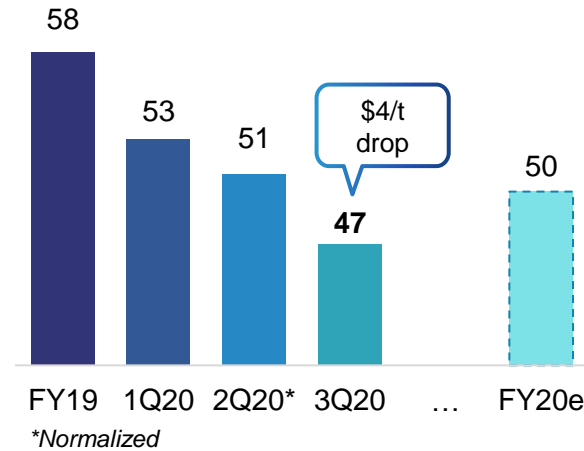
### CASH ON HAND (\$M)



- Strong balance sheet with c.\$200m+ cash position.
- Flexibility for liquidity and for new growth both organic and inorganic.

## COST CUTTING MEASURES

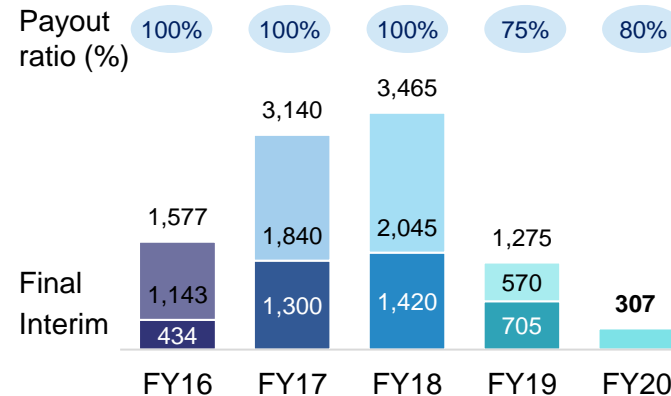
### COAL BUSINESS COST (\$/T)



- Significant cost control measures started to kick-in by 3Q20. Target of \$8/ton in FY20 still in place and likely achieved.
- Well place to secure better margin once coal price started to rebound post-pandemic situation.

## CONSISTENT DIVIDEND

### DIVIDEND PER SHARE (RP)



- Consistently high-yield dividend payment history and continue going forward.
- FY20 interim dividend payment declared at \$22.8 mio or eq. to 80% Dividend Payout for 1st semester results of FY20, with payment of Rp 307/share will be paid on 24 Nov 2020.

# Highlights of 3Q20 and 9M20 results



	2Q20*	3Q20	Q-Q	9M19	9M20	y-y
<b>Coal sales (Mt)</b>	5.3	<b>4.3</b>	-19% ↓	18.7	<b>15.4</b>	-18% ↓
<b>ASP (USD/t)</b>	52.5	<b>48.8</b>	-7%	66.3	<b>53.8</b>	-19%
Unit: US\$ million						
<b>Total Revenue</b>	287	<b>219</b>	-24%	1,304	<b>872</b>	-33%
<b>Gross Profit Margin</b>	14%	<b>16%</b>	+2%	18%	<b>16%</b>	-2%
<b>EBIT</b>	13	<b>14</b>	+6%	134	<b>62</b>	-54%
<b>EBITDA</b>	32	<b>35</b>	+10%	180	<b>126</b>	-30%
<b>Net Income</b>	14	<b>10</b>	-28%	99	<b>39</b>	-61%

\*Normalized



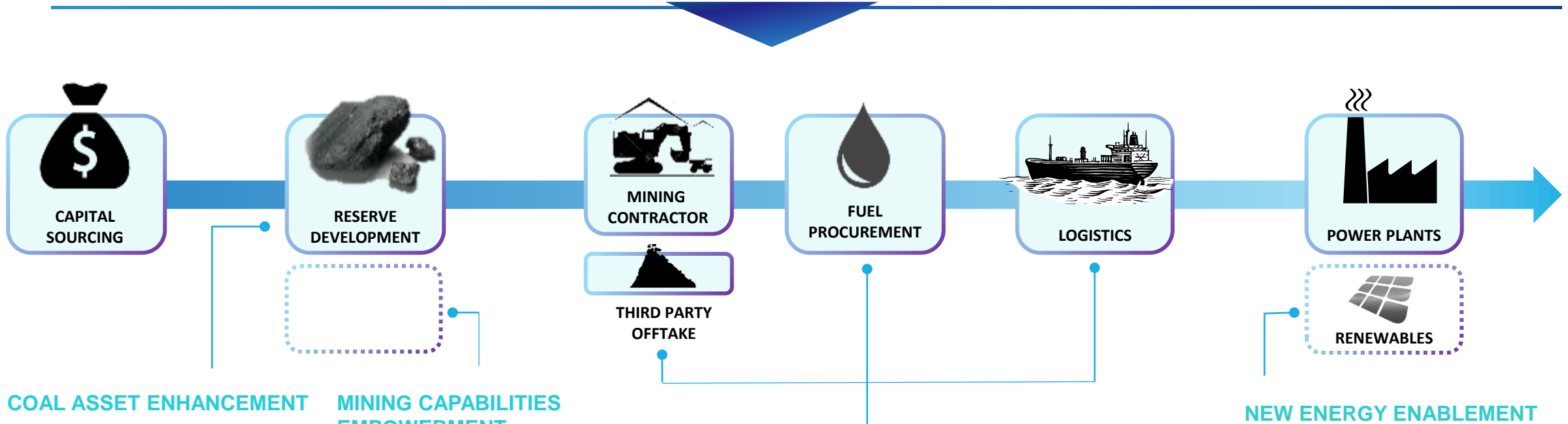
## LEVERAGING EXPERTISE

with over 30 years of experiences in Indonesian mining business to prepare for expansion in all mining opportunities.



## SUSTAINABLE GROWTH

following global trends in clean energy and using digital transformation which ITM adopted early, to drive sustainable growth outside coal mining.



### COAL ASSET ENHANCEMENT

- Ensure coal assets life by minimum 15 year(s).
- Improve mining cost efficiencies through digital approach.
- Expand coal products by acquisition of coal asset that can meet future demand.
- Explore coal conversion technology application.

### MINING CAPABILITIES EMPOWERMENT

- Explore other mineral mining projects.
- Increase coal trading size and capabilities.

### MIDSTREAM ASSETS EVOLUTION

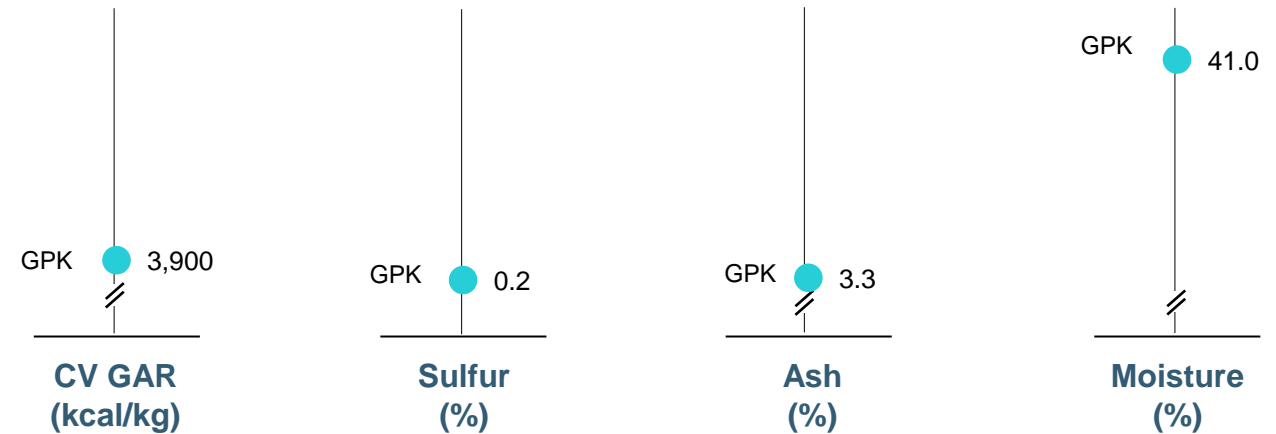
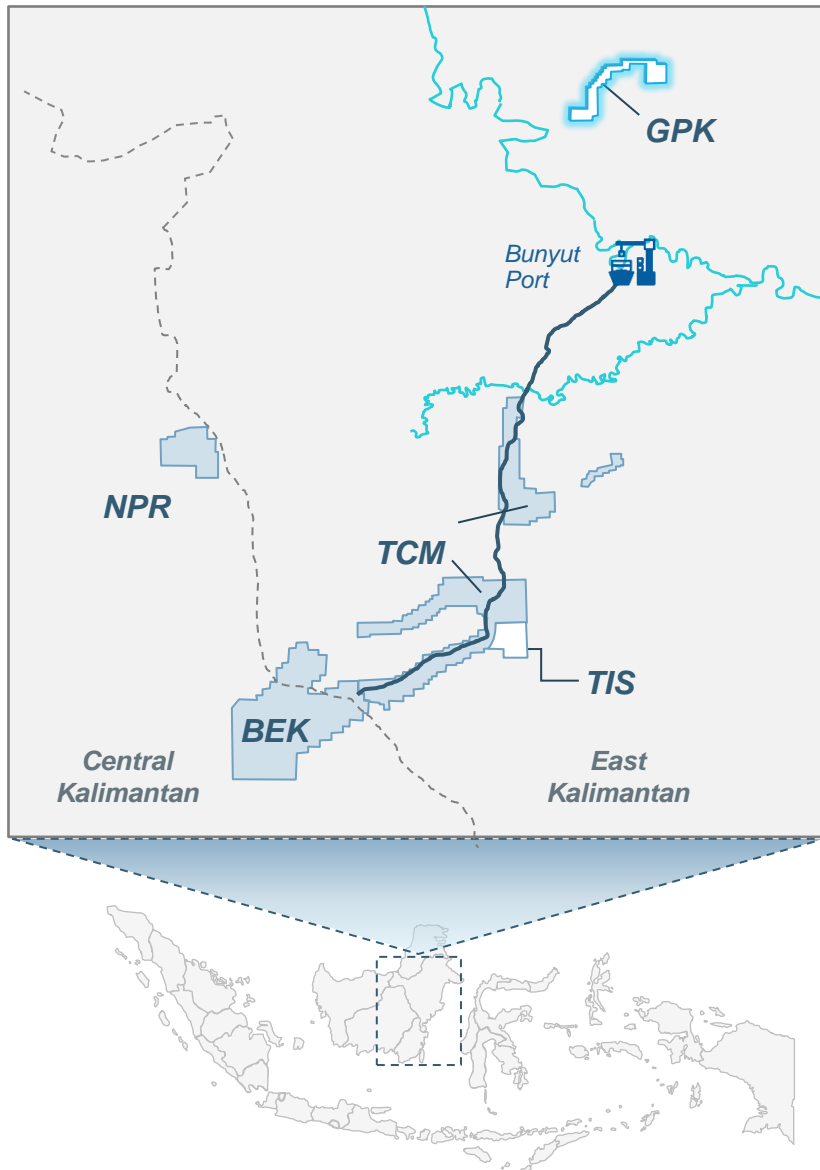
- Employ in-house contractors for new mines expansion.
- Elevate fuel business customer base & business reach.
- Enable re-usage & monetization of existing infrastructure.

### NEW ENERGY ENABLEMENT

- Deploy solar PV power plant across ITM mining assets.
- Develop capabilities in energy technology and application
- Design infrastructure for smart city concept development.

# New coal reserve acquisition: blending synergies

## GPK – COAL SPECIFICATION



- ITM acquired 100% of local company which own 75% in PT Graha Panca Karsa (GPK). Total transaction value was USD 31.2 mln for 117 Mt of coal resources. ITM has full privilege to operate and sell the coal despite its 75% ownership.
- GPK is a low Sulphur, low CV concession which has IUP operation license with concession area of 5,060 ha located in East Kalimantan; the location is in-close proximity to ITM Melak cluster with concession just across the Mahakam River/TCM Bunyut Port.
- GPK low CV coal product will bring more versatility to ITM product portfolio through contrasting coal profile compared with current ITM coal products (low Sulphur, low CV).
- GPK will produce around 2 Mt/annum based on strip ratio profile of 4-5x.
- GPK is expected to start production by the end of 2021.



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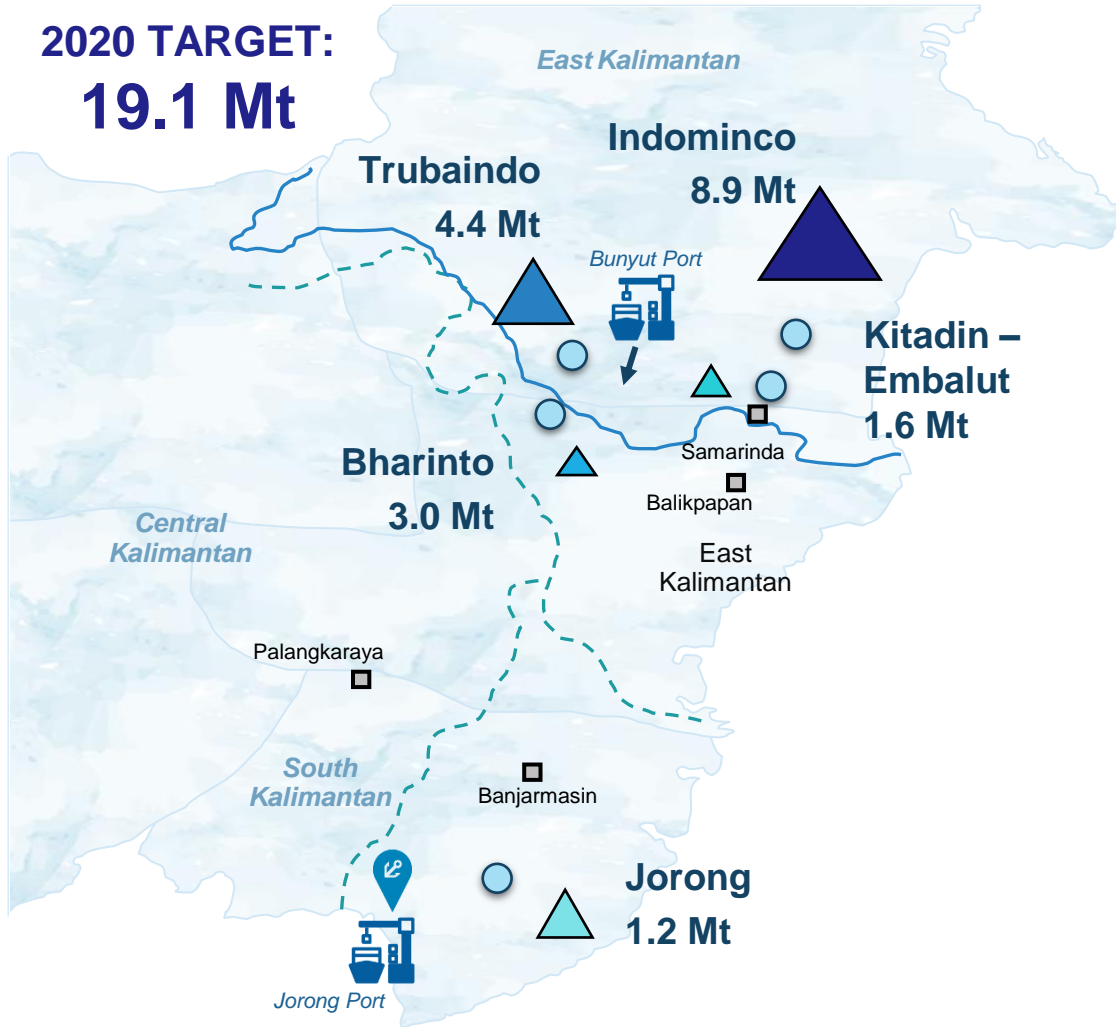
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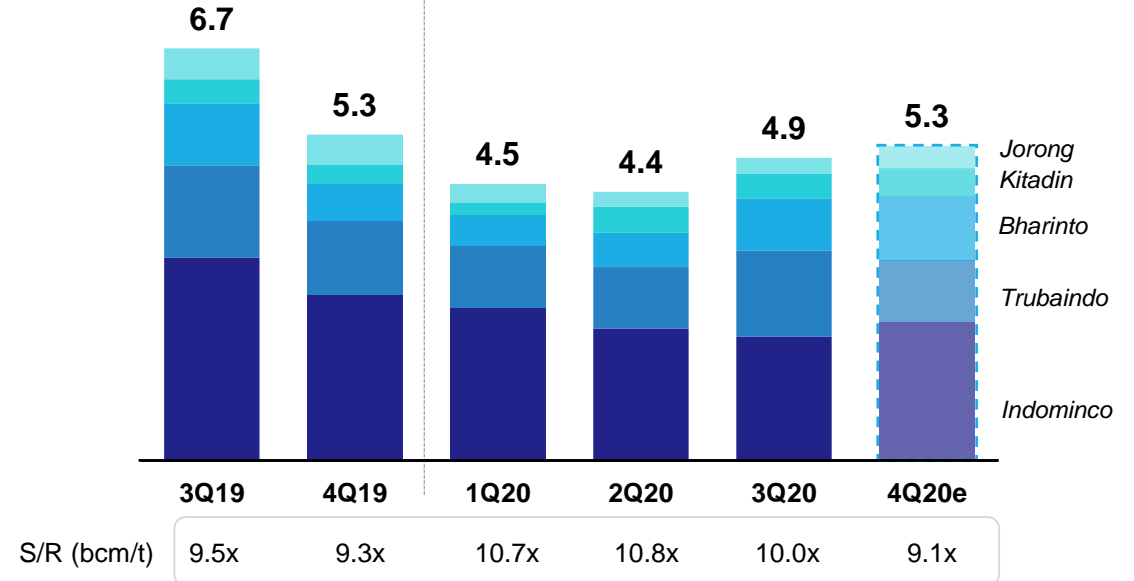
# Operational summary 2020

## SCHEMATIC



## OUTPUT TREND

Unit: Mt

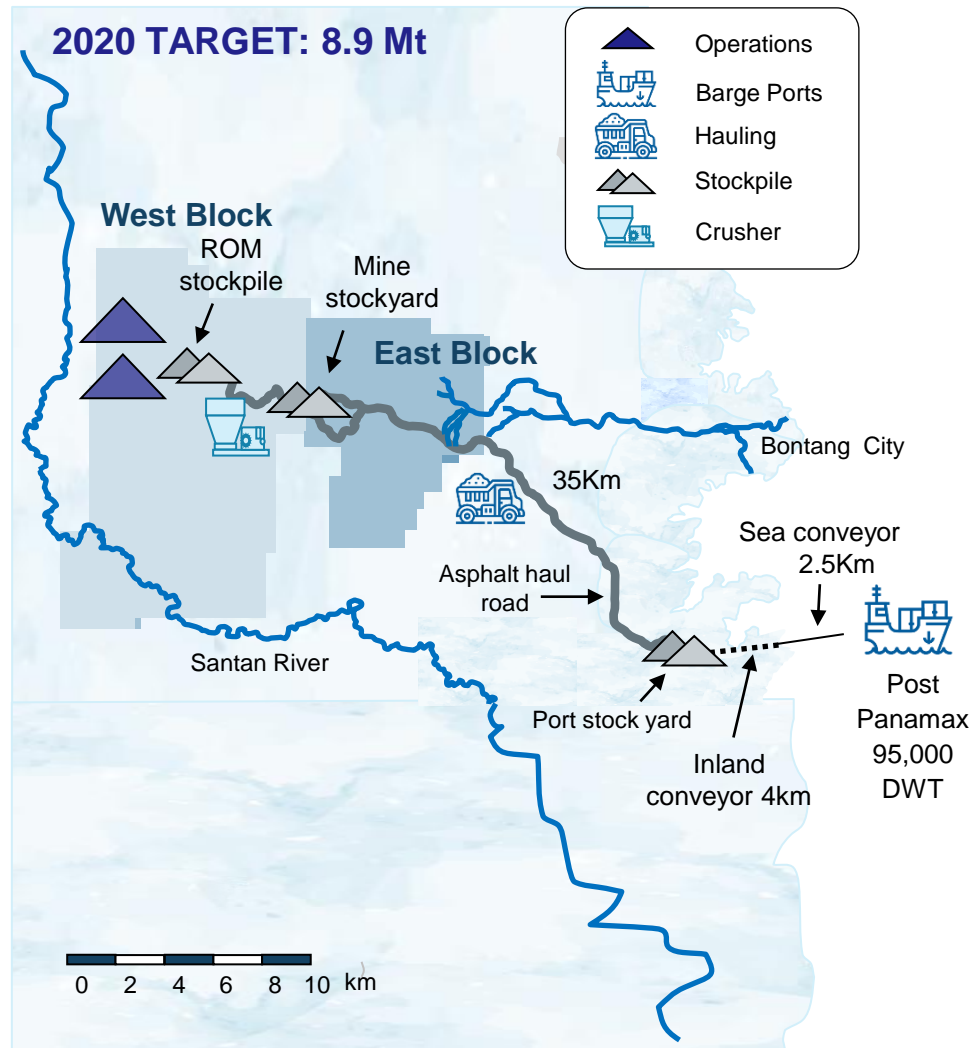


## COMMENTS

- 3Q20 total output was below target due to heavy rainfalls affecting Indominco mine site.
- Next quarter output expected to be higher from Indominco and Bharinto contribution while strip ratio will continue to move downward.
- 2020 production volume target converge at 19.1 Mt.

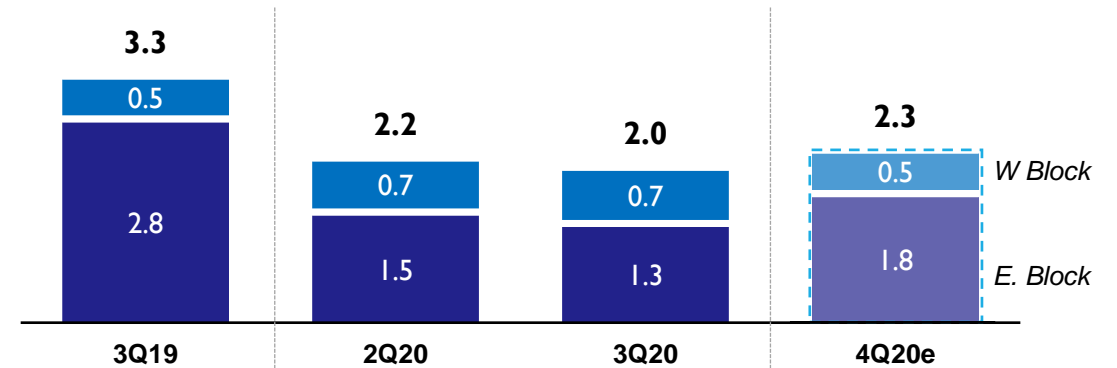
# Coal operations: Indominco Mandiri

## SCHEMATIC



## OUTPUT TREND

Unit: Mt



S/R (bcm/t)

- W. Block:  
- E. Block:

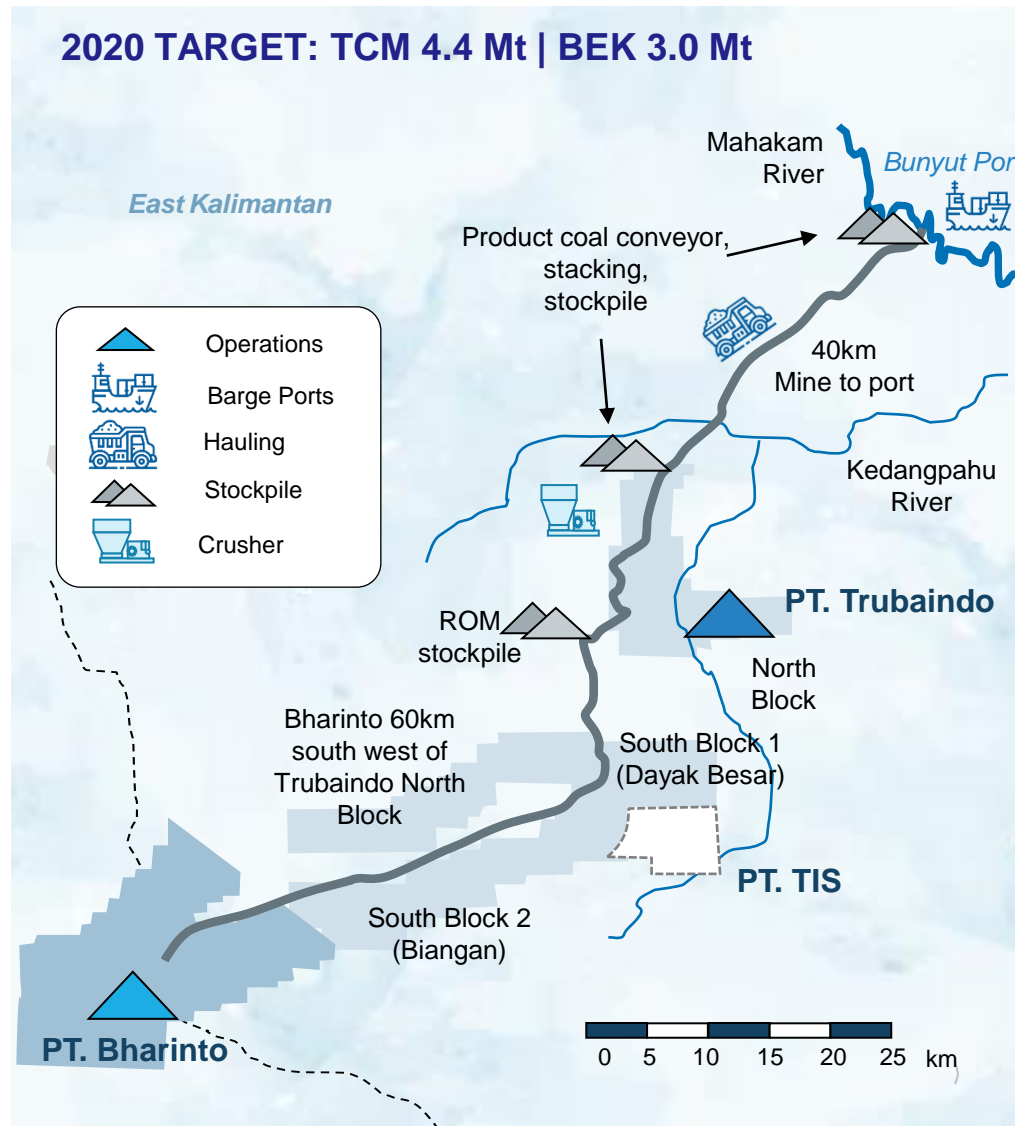
Quarter	3Q19	2Q20	3Q20	4Q20e
S/R (bcm/t)	9.9x	11.9x	11.9x	11.4x
- W. Block:	22.7x	16.9x	13.6x	13.8x
- E. Block:	7.5x	9.6x	11.1x	10.7x

## COMMENTS

- 3Q20 production was lower than target due to intense rainfalls.
- Indominco 4Q20 production target expected to rise by 0.3 Mt to reach 2.3 Mt level with slightly lower strip ratio.

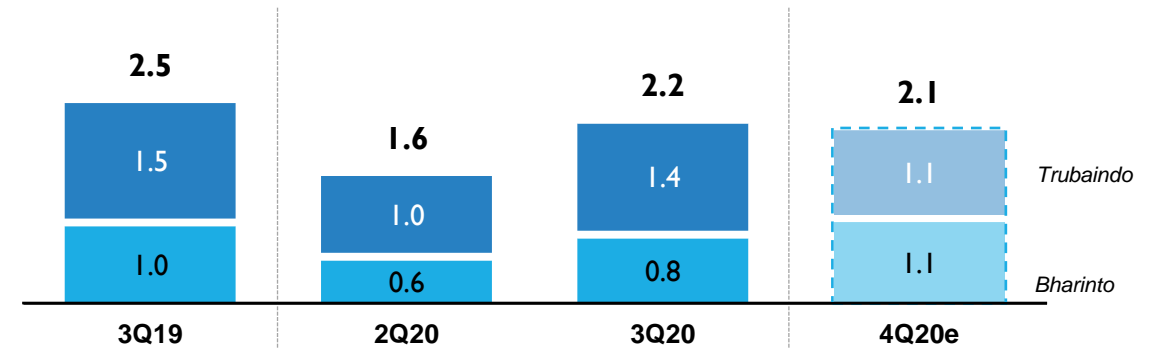
# Coal operations: Melak group – Trubaindo and Bharinto

## SCHEMATIC



## OUTPUT TREND

Unit: Mt



S/R (bcm/t)

- Trubaindo:

10.5x

11.3x

8.9x

7.6x

- Bharinto:

8.4x

7.9x

7.5x

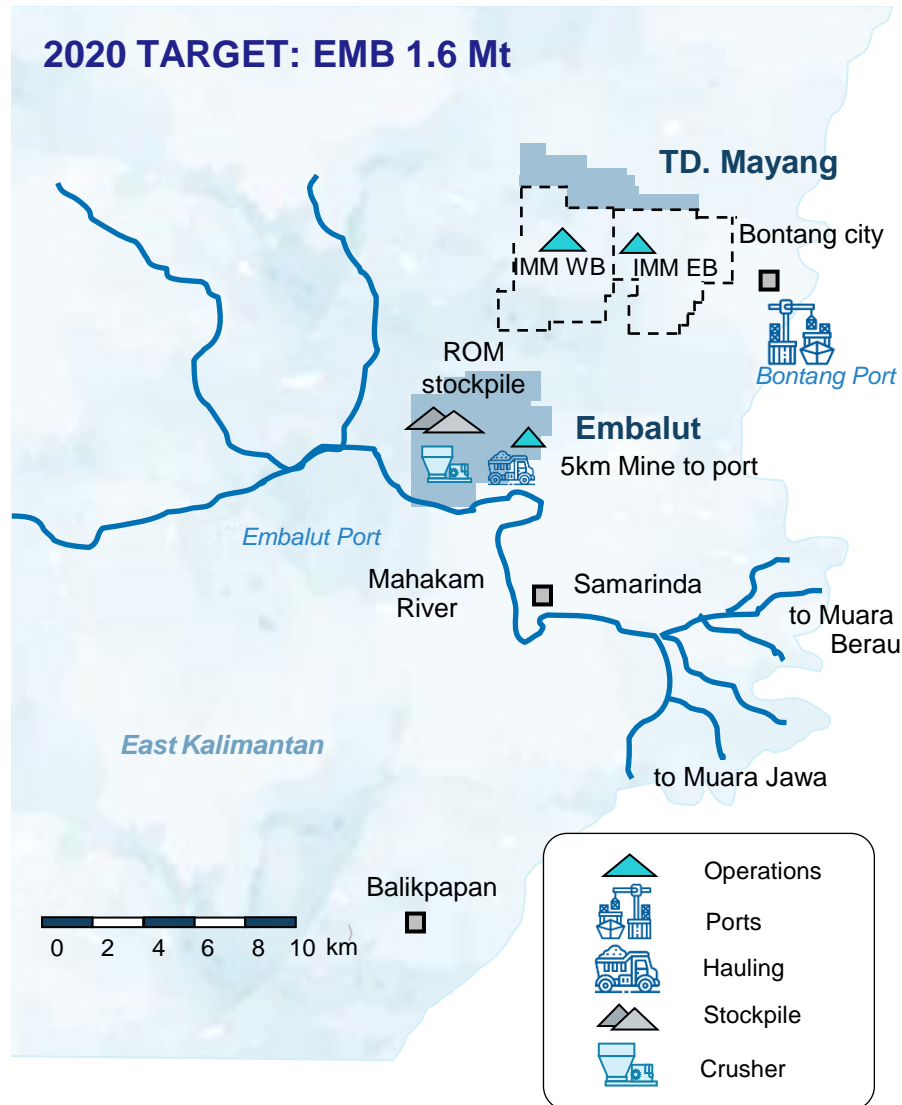
5.1x

## COMMENTS

- Trubaindo:
  - 3Q20 production achieved higher than target.
  - 4Q20 production output level expected to slowdown following RKAB approval.
- Bharinto:
  - 3Q20 production slightly below target due to heavy rainfalls.
  - 4Q20 production output level expected to increase to 1.1mt level.

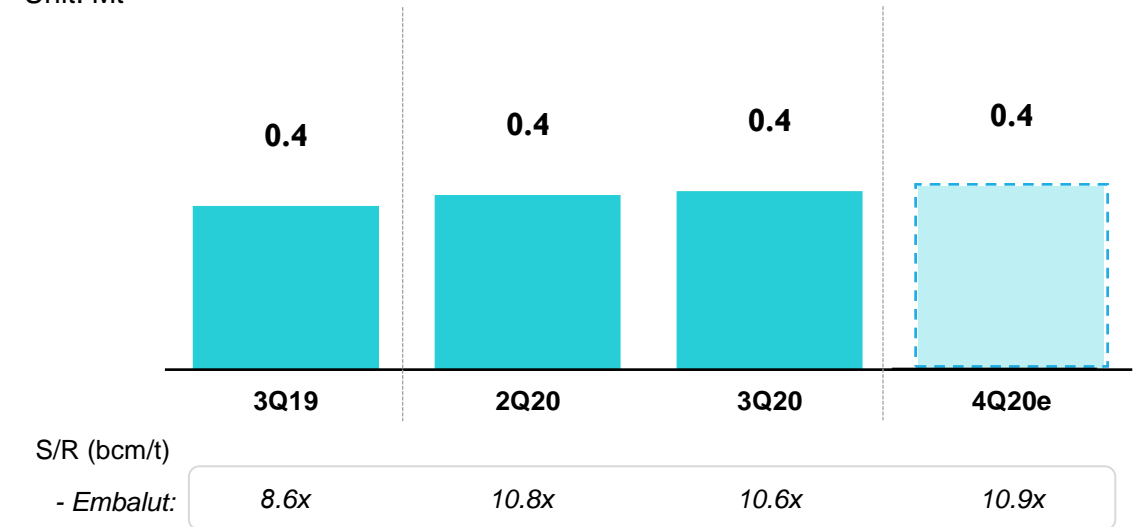
# Coal operations: Kitadin Embalut and Tandung Mayang

## SCHEMATIC



## OUTPUT TREND

Unit: Mt

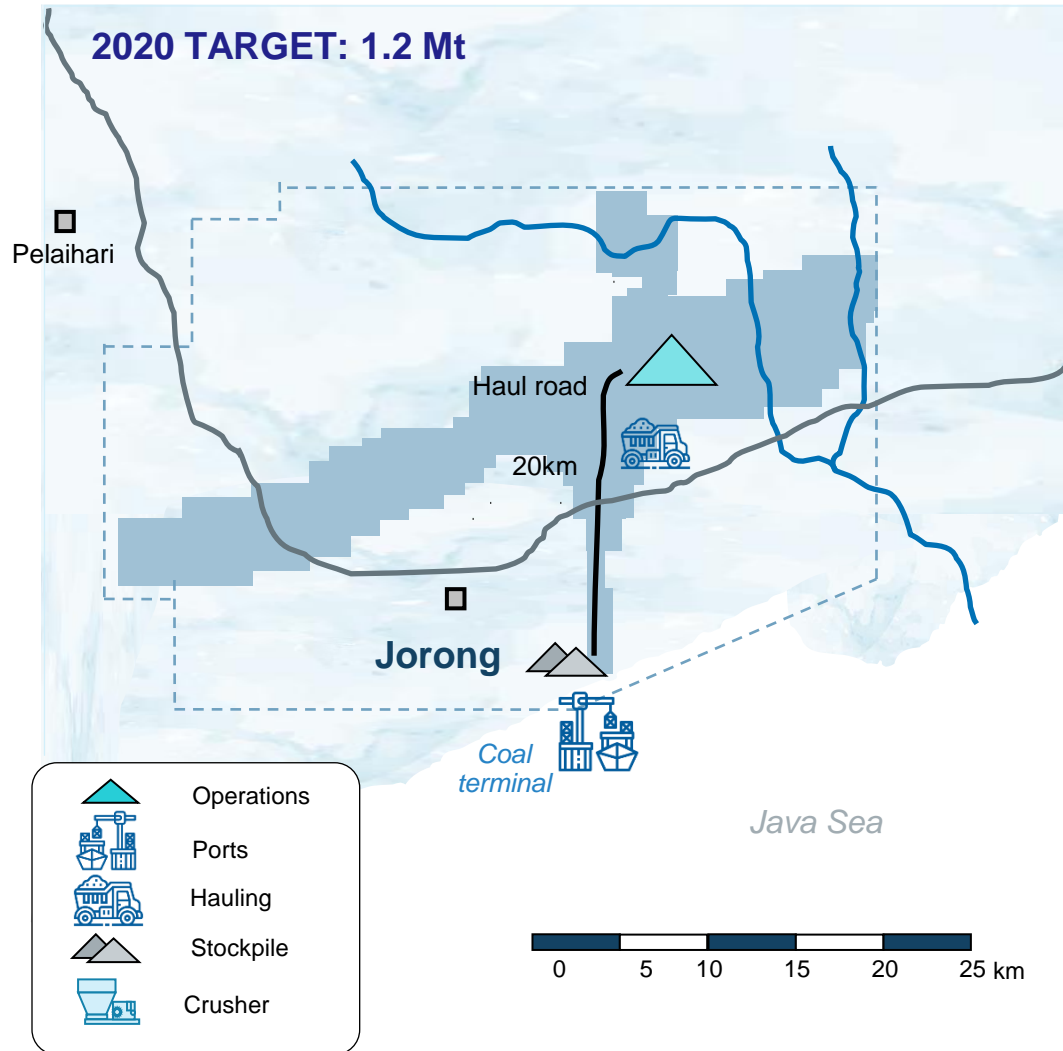


## COMMENTS

- Kitadin Embalut:
  - 3Q20 production achieved as according to target with strip ratio lower than expected.
  - 4Q20 production and strip ratio to remain stable compared to previous quarter.
- Kitadin Td.Mayang:
  - Continue mine closure activities including mine rehabilitation activities.

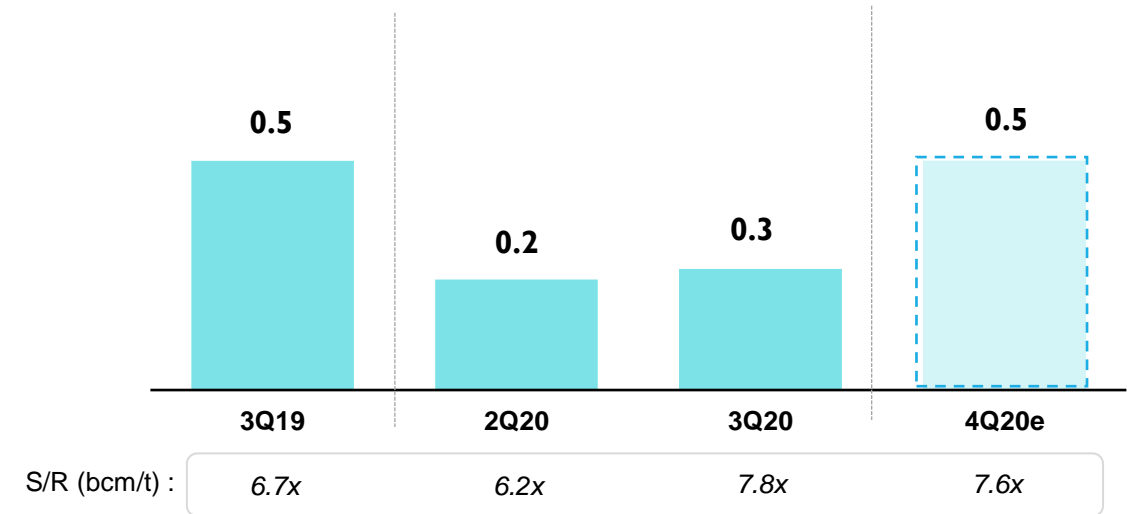
# Coal operations: Jorong

## SCHEMATIC



## OUTPUT TREND

Unit: Mt



## COMMENTS

- 3Q20 production achieved as target however strip ratio was higher than target due to Geotech issue.
- 4Q20 production target expected to hit 0.5mt level.
- Overall strip ratio for 2H20 will be kept stable at around 7-8x.



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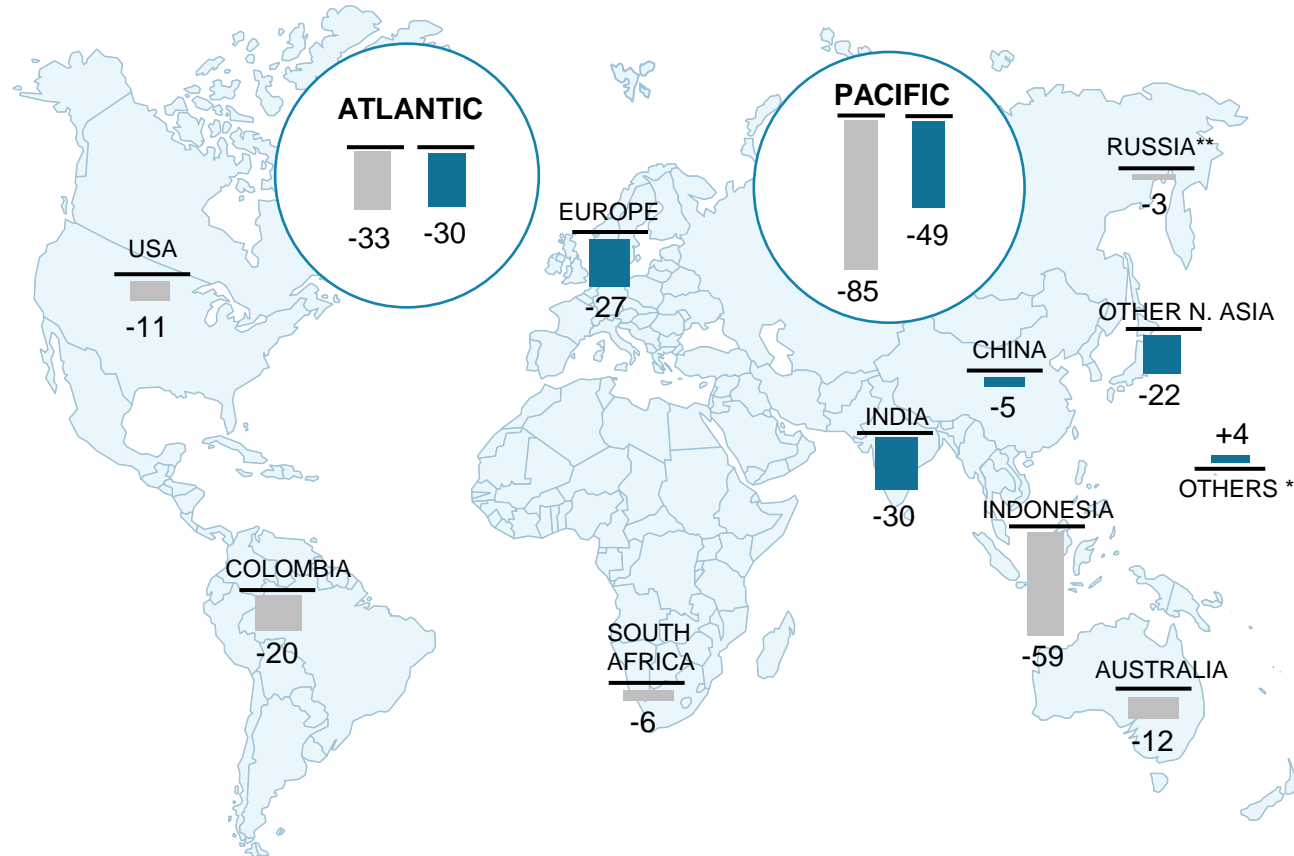
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# Global thermal coal market trends

## GLOBAL COAL DEMAND & SUPPLY CHANGE – 2020E VS 2019

Unit: Mt    ■ SUPPLY    ■ DEMAND



## GLOBAL TRENDS

### DEMAND

Industrial activity has been recovering gradually from disruption caused by Covid-19. Expected colder winter set to drive thermal coal demand in the Northern Hemisphere. Risk on the second wave of Covid-19 remains.

- **China:** Continued economic recovery. High stocks and improving domestic production seems continued import restrictions.
- **India:** Economic reopening and high pet coke prices support imported coal demand although government pushes for domestic coal use.
- **JKT:** Economic coal-to-gas switching reduced coal burn in Q3.
- **Europe:** Coal demand fundamentals are improving with increasing natural gas prices and weak renewable output.

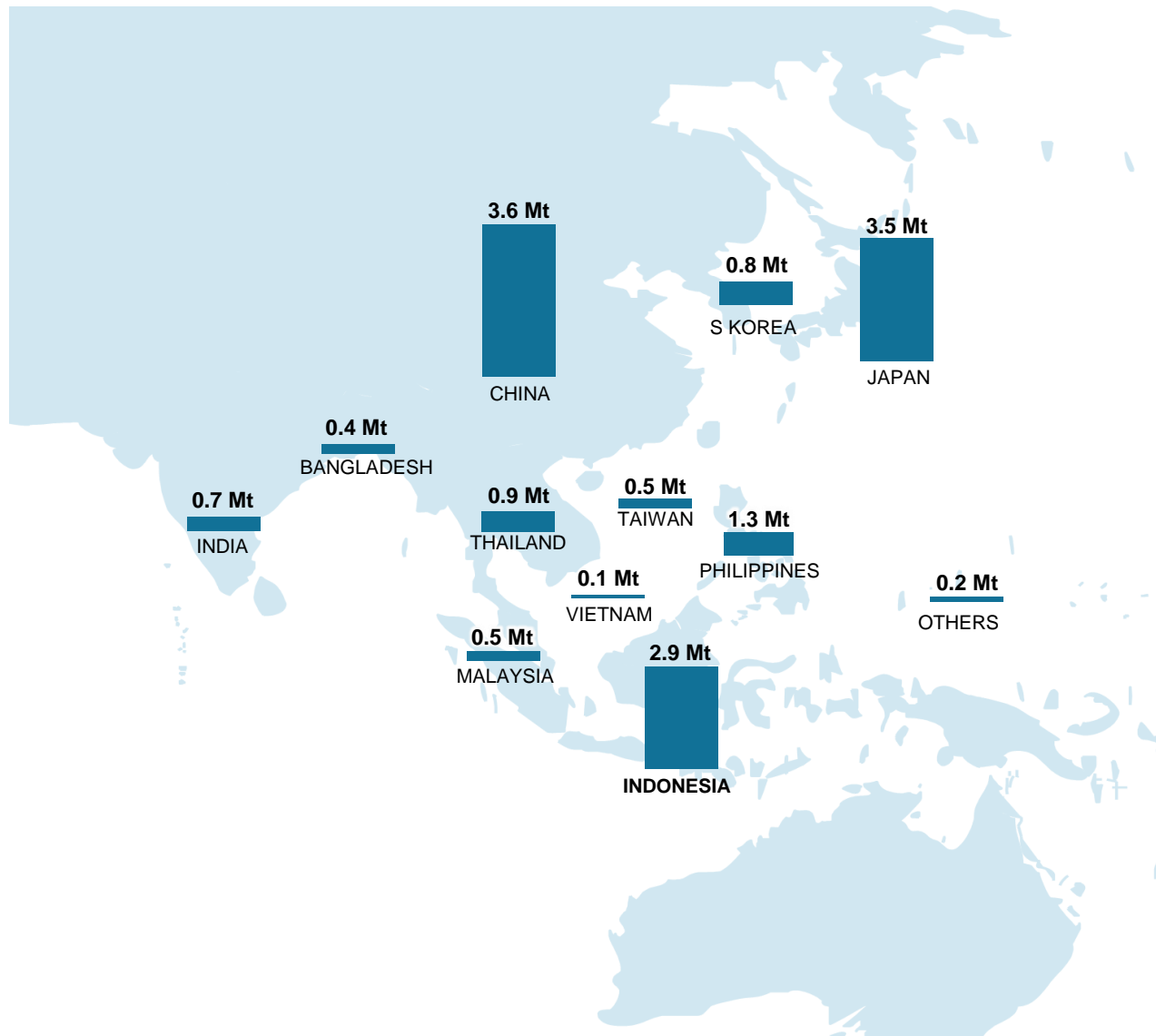
### SUPPLY

Production cut continues with tighter supply of HCV product while LCV coal still oversupply. Low spot prices unlikely to continue for long due to lower than several producers' costs.

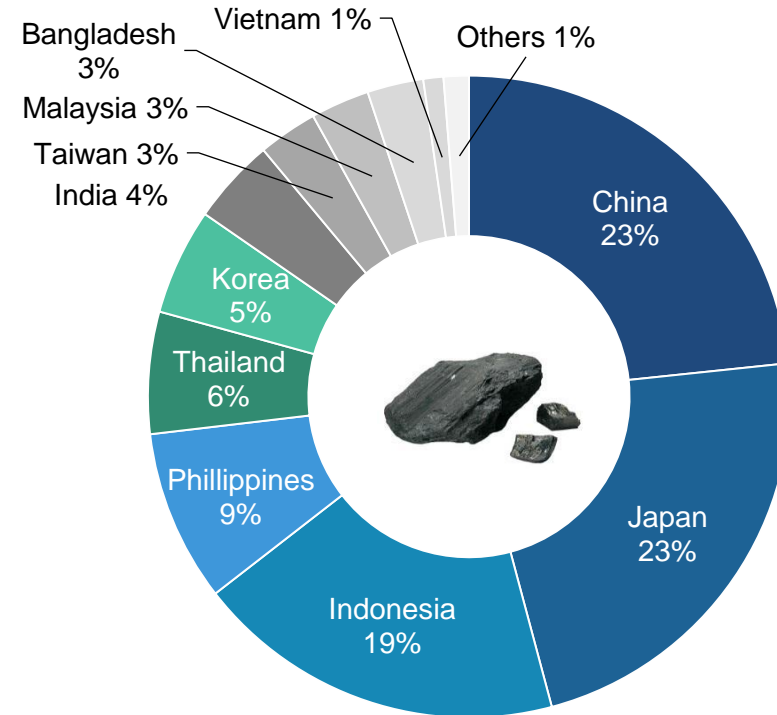
- **Indonesia:** Continued production decline due to weak demand. Indonesian miners made an effort to cut production, but the scale is insufficient to rebalance the market.
- **Australia:** Thermal coal exports stable despite China import ban. Shipments are being bolstered by increased demand from economies outside of China that are reopening following Covid-19 lockdowns.
- **Others:** Significant Colombian production cut due to low prices and key producers suspended operations. Improved Indian demand post monsoon supports South African exports. Weakened ruble helped to improve competitiveness of Russian coal both in Atlantic and Pacific.

\* Demand in other countries driven by Vietnam \*\* Russia exports to non-CIS countries only, JKT = Japan, South Korea and Taiwan

## COAL SALES BREAKDOWN BY DESTINATION



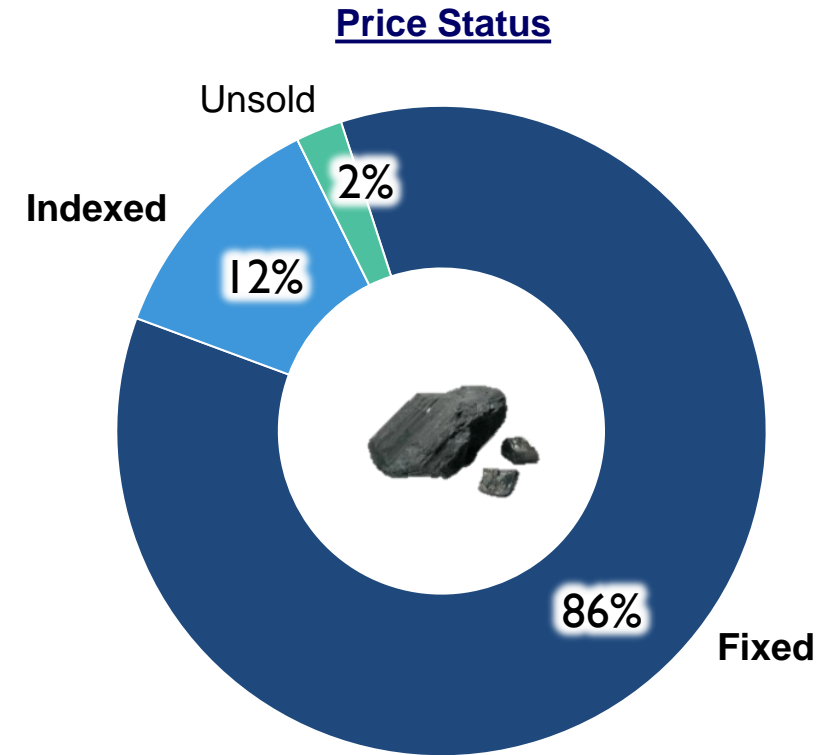
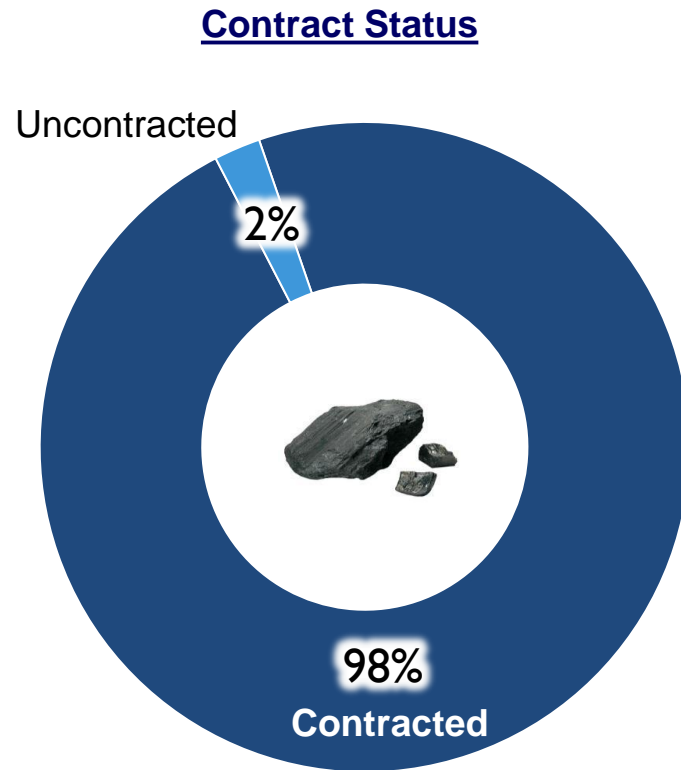
## COAL SALES 9M20



**Total coal sales 9M20: 15.4 Mt**



## COAL SALES CONTRACT AND PRICING STATUS

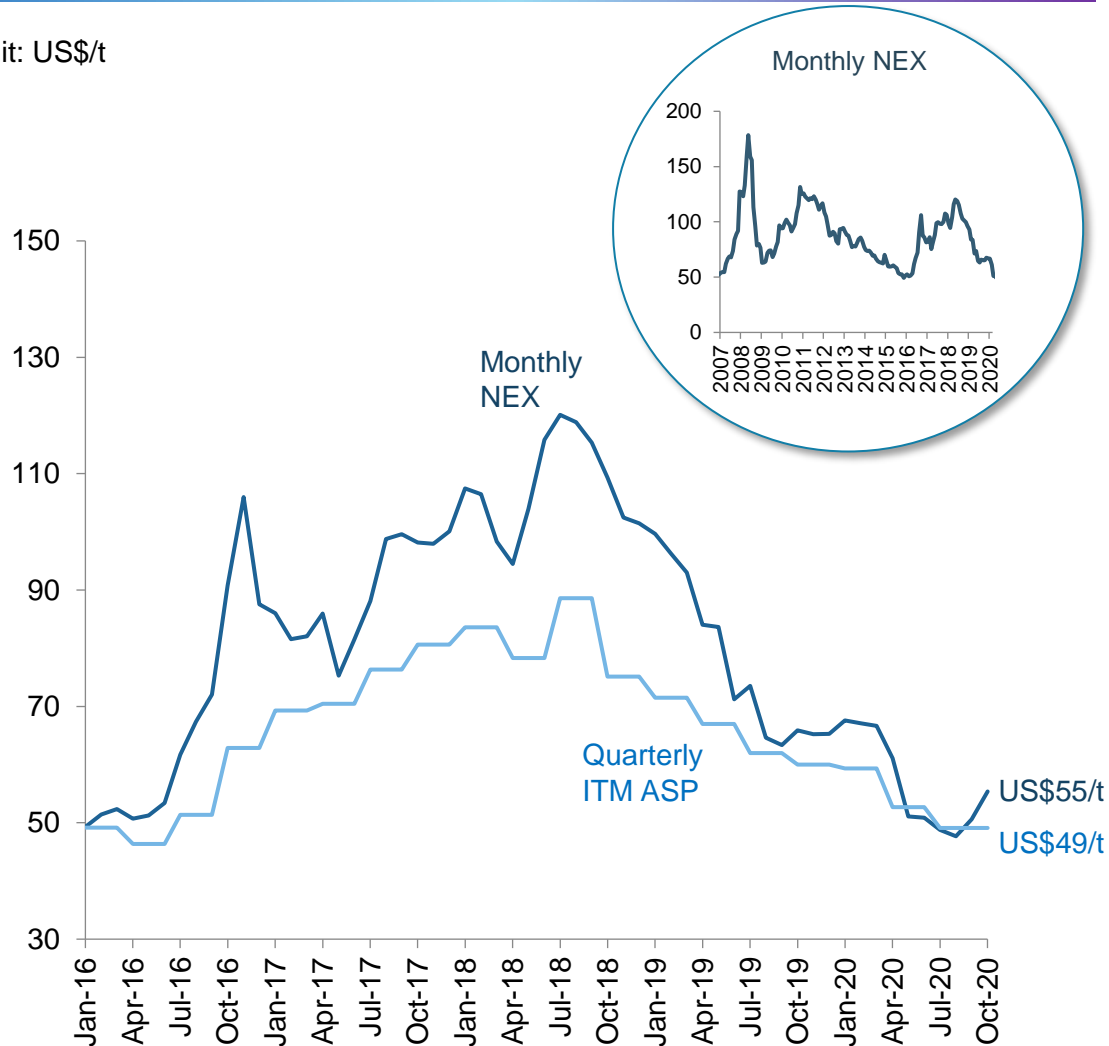


**Target sales 2020: 21.6 Mt**

# ITM ASPs vs thermal coal benchmark prices

## ITM ASP VS BENCHMARK PRICES

Unit: US\$/t



## COMMENTS

- NEX has recovered since late September mainly from supply cut.
- Bottom has passed but demand remains subdued as COVID-19 surge in few areas, however high demand winter is around the corner and restocking to prepare for heating coming soon.
- China domestic vs import price gap widening provokes higher demand for import but suppressed due to strict government control. Anticipation of 2021 quota reset has strengthened the Indonesia coal price.
- ASP in Q4 expected to shadow the price recovery trend.
- Key price metrics:
  - ITM ASP: US\$48.8/t (-7% QoQ)
  - NEX (Oct 30, 2020)\*: US\$55.2/t



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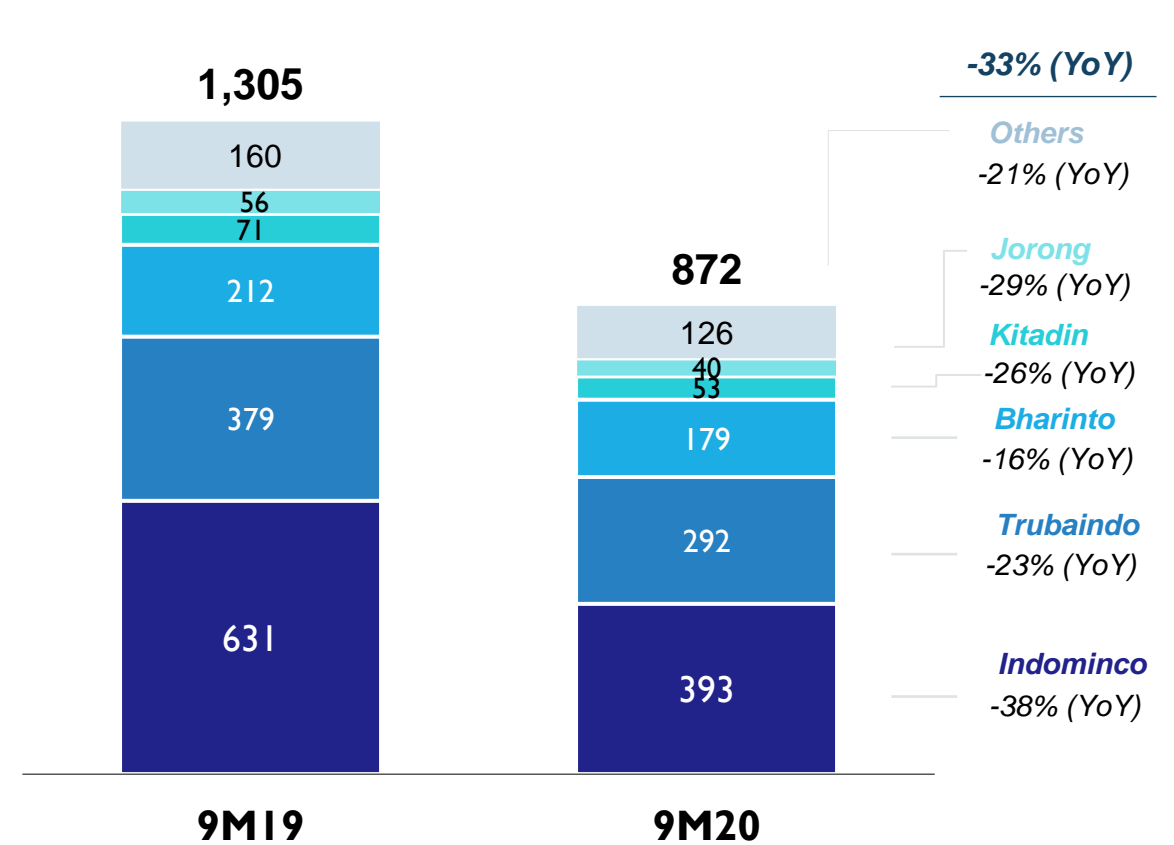
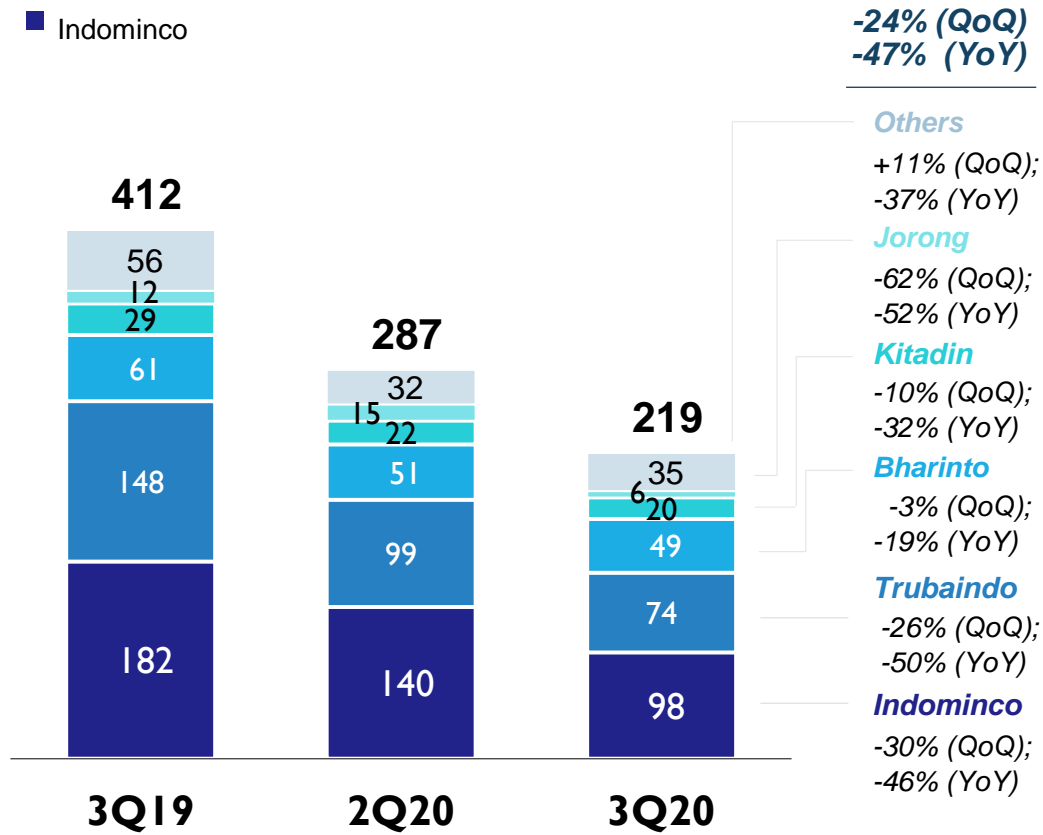
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# Sales revenue



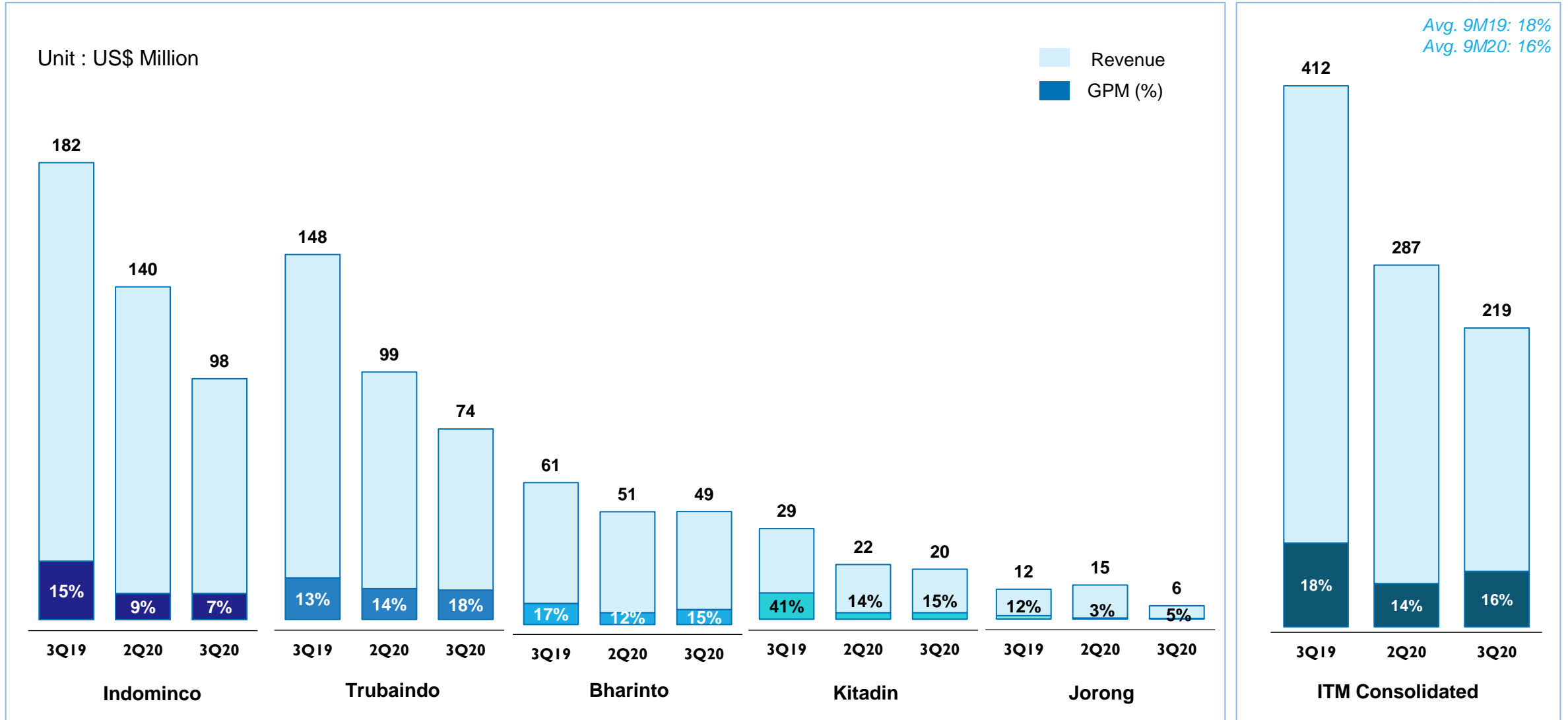
Unit: US\$ million

- Other
- Jorong
- Kitadin
- Bharinto
- Trubaindo
- Indominco



Note : Total consolidated revenue after elimination

# Average gross margin



Note : Gross margin includes royalty

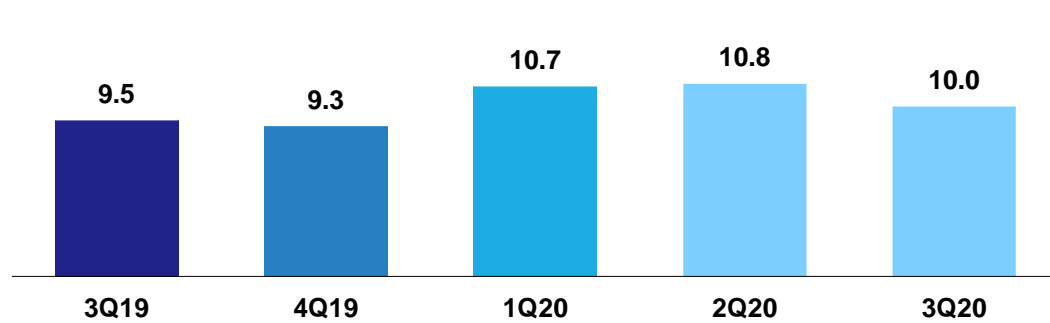
# Cost analysis



## WEIGHTED AVERAGE STRIP RATIO

Unit: Bcm/t

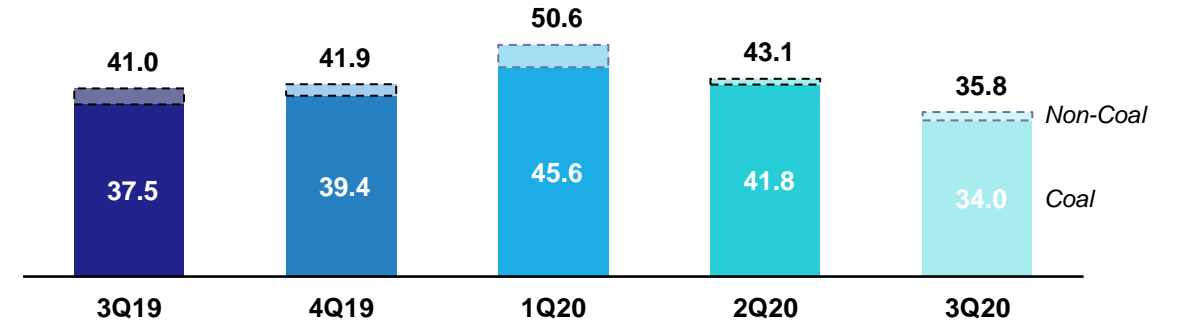
Avg. 9M19: 11.3  
Avg. 9M20: 10.5



## PRODUCTION COST

Unit: US\$/t

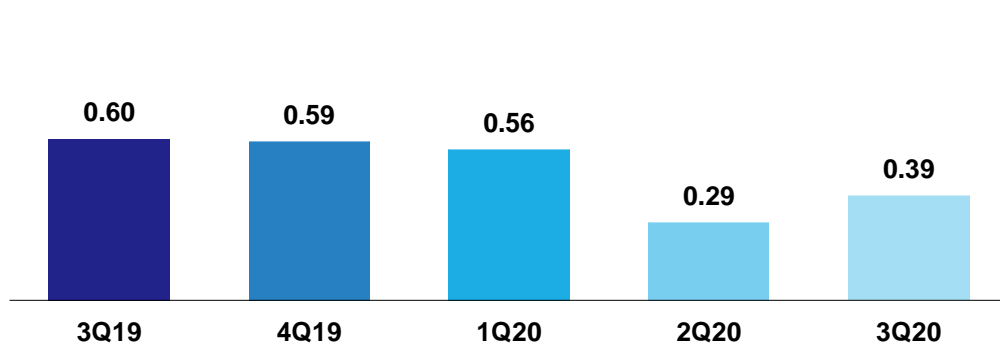
Avg. 9M19: \$49.0/t  
Avg. 9M20: \$43.1/t



## FUEL PRICE

Unit: US\$/Ltr

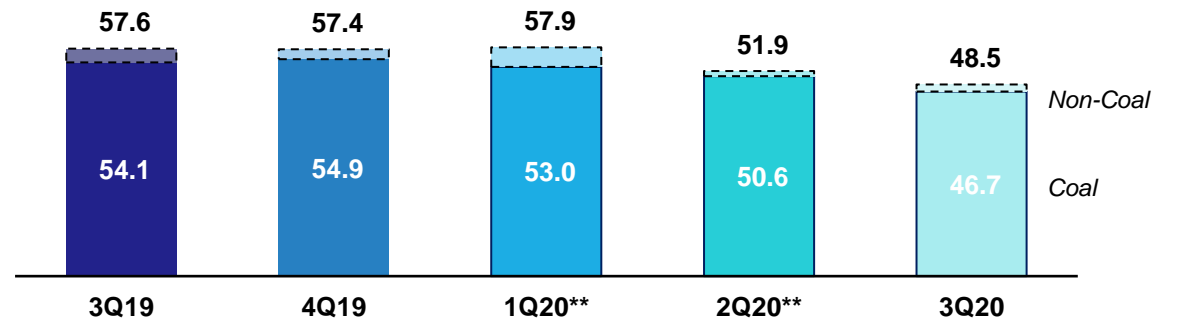
Avg. 9M19: \$0.62/ltr  
Avg. 9M20: \$0.41/ltr



## TOTAL COST\*

Unit: US\$/t

Avg. 9M19: \$62.5/t  
Avg. 9M20: \$53.2/t



\*Cost of Goods Sold + Royalty + SG&A

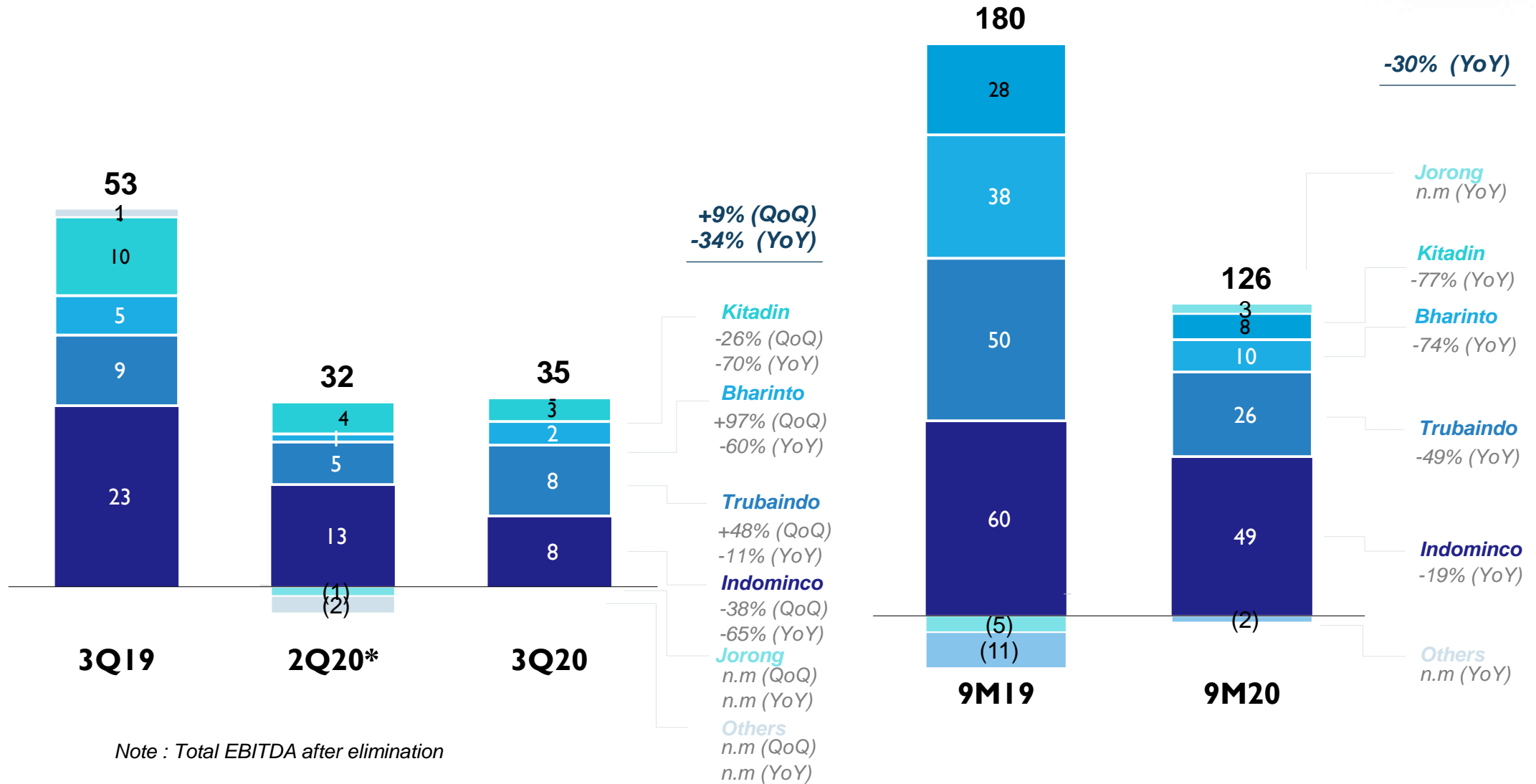
\*\*Normalized

# EBITDA



Unit: US\$ million

- Other
- Jorong
- Kitadin
- Bharinto
- Trubaindo
- Indominco

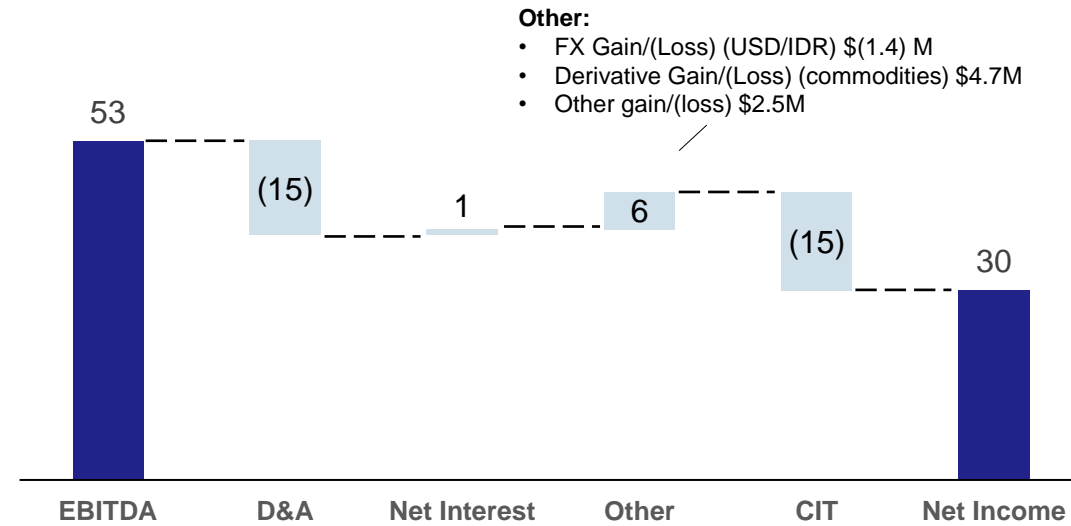


\*Normalized

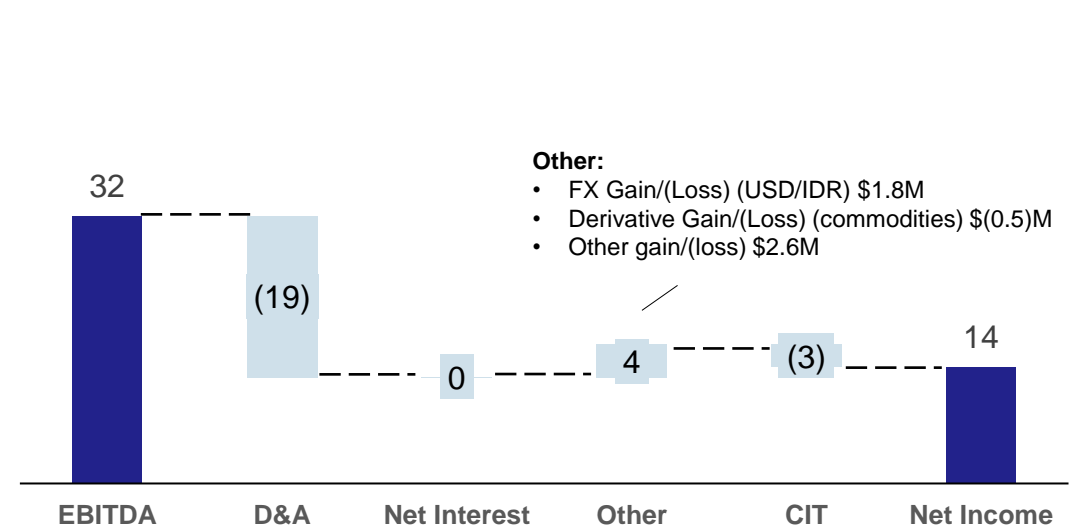
# Net income



## 3Q19 NET INCOME

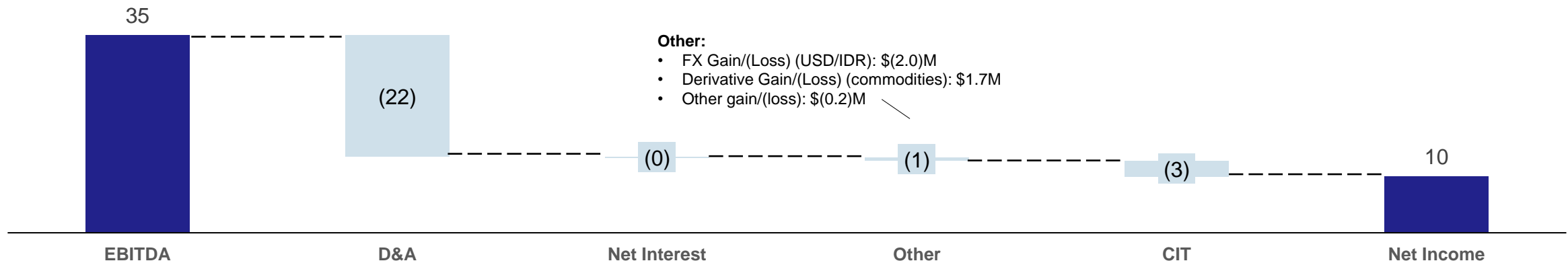


## 2Q20 NET INCOME\*



\*Normalized

## 3Q20 NET INCOME



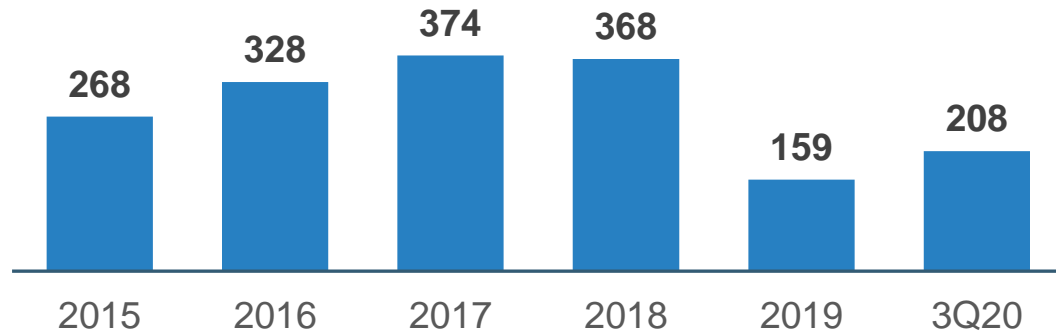


# Balance sheet



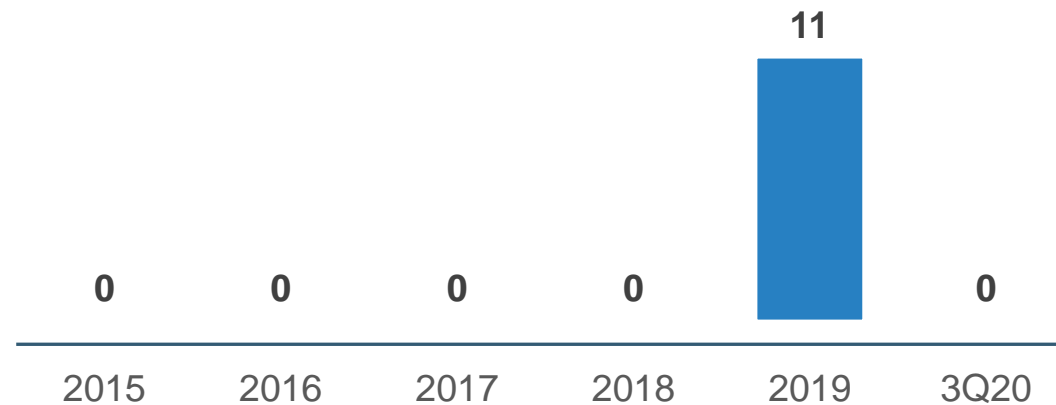
## CASH POSITION

Unit: US\$ million



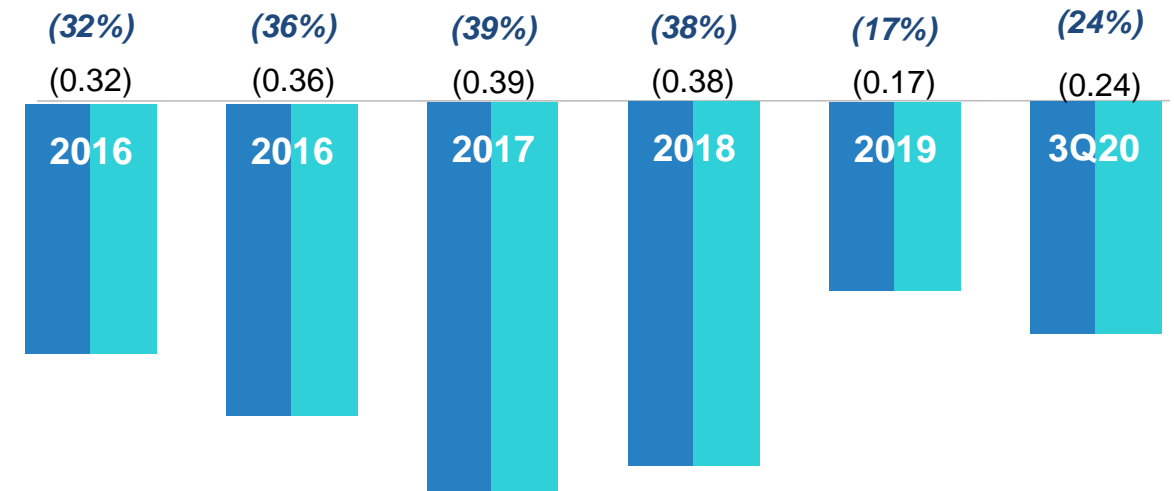
## DEBT POSITION

Unit: US\$ million

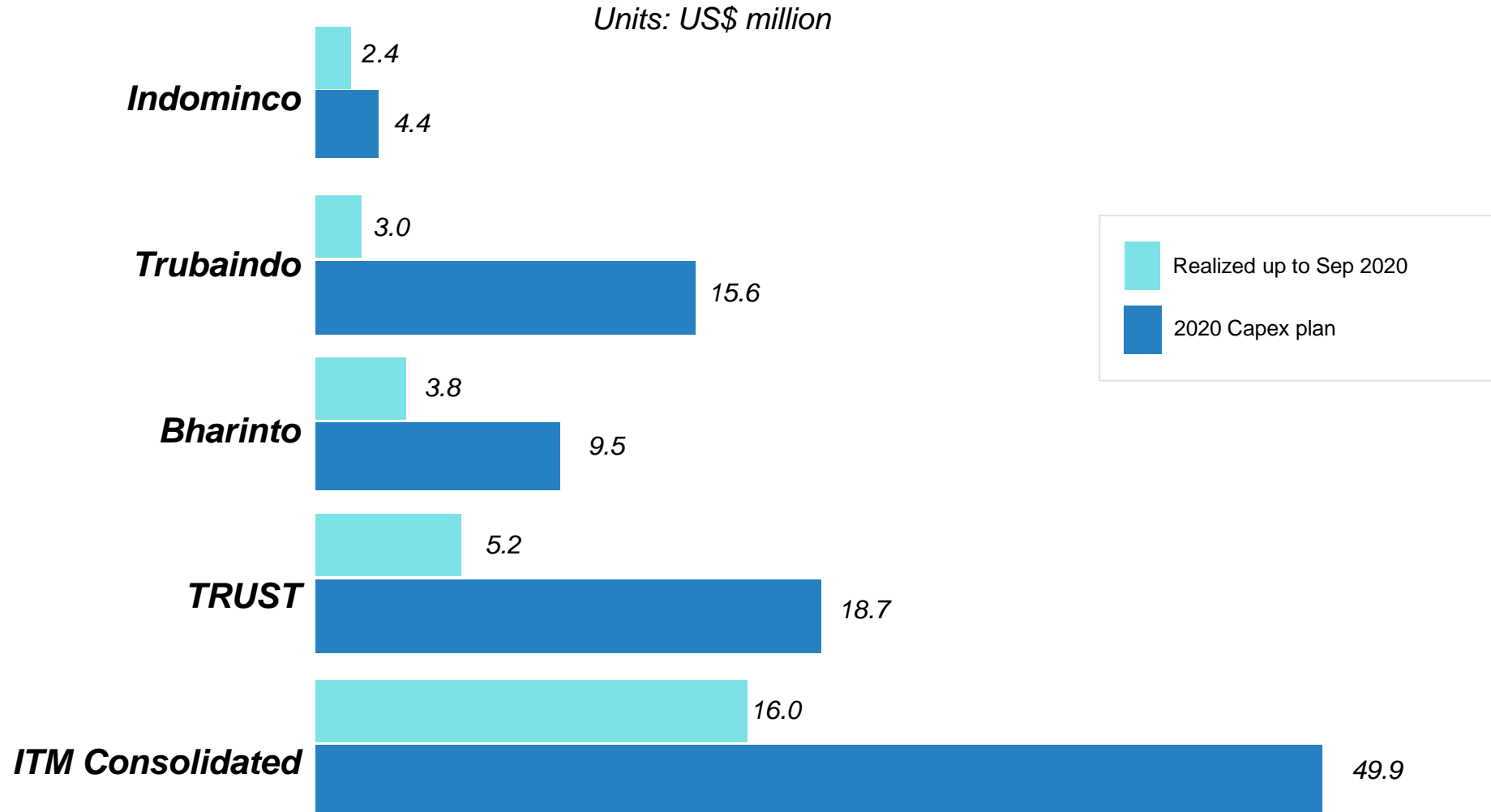


## KEY RATIOS

Net Gearing (%)  
Net D/E (times)



# 9M20 Capital expenditure realization



Note: Total capex plan including Jakarta office after elimination



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# Income statement



Unit: US\$ thousand	9M19	9M20	YoY%
<b>Net Sales</b>	<b>1,304,780</b>	<b>871,884</b>	<b>-33%</b>
<b>Gross Profit</b>	<b>237,832</b>	<b>139,833</b>	<b>-41%</b>
<b>GPM</b>	<b>18%</b>	<b>16%</b>	
SG&A	(103,394)	(77,548)	
<b>EBIT</b>	<b>134,438</b>	<b>62,285</b>	<b>-54%</b>
<b>EBIT Margin</b>	<b>10%</b>	<b>7%</b>	
<b>EBITDA</b>	<b>179,901</b>	<b>125,680</b>	<b>-30%</b>
<b>EBITDA Margin</b>	<b>14%</b>	<b>14%</b>	
Net Interest Income / (Expenses)	3,822	(370)	<i>n.m</i>
FX Gain / (Loss)	473	(6,849)	<i>n.m</i>
Derivative Gain / (Loss)	7,486	424	<i>n.m</i>
Others	840	18,734	2130%
<b>Profit Before Tax</b>	<b>147,059</b>	<b>74,224</b>	<b>-50%</b>
Income Tax	(48,413)	(35,593)	
<b>Net Income</b>	<b>98,646</b>	<b>38,631</b>	<b>-61%</b>
<b>Net Income Margin</b>	<b>8%</b>	<b>4%</b>	

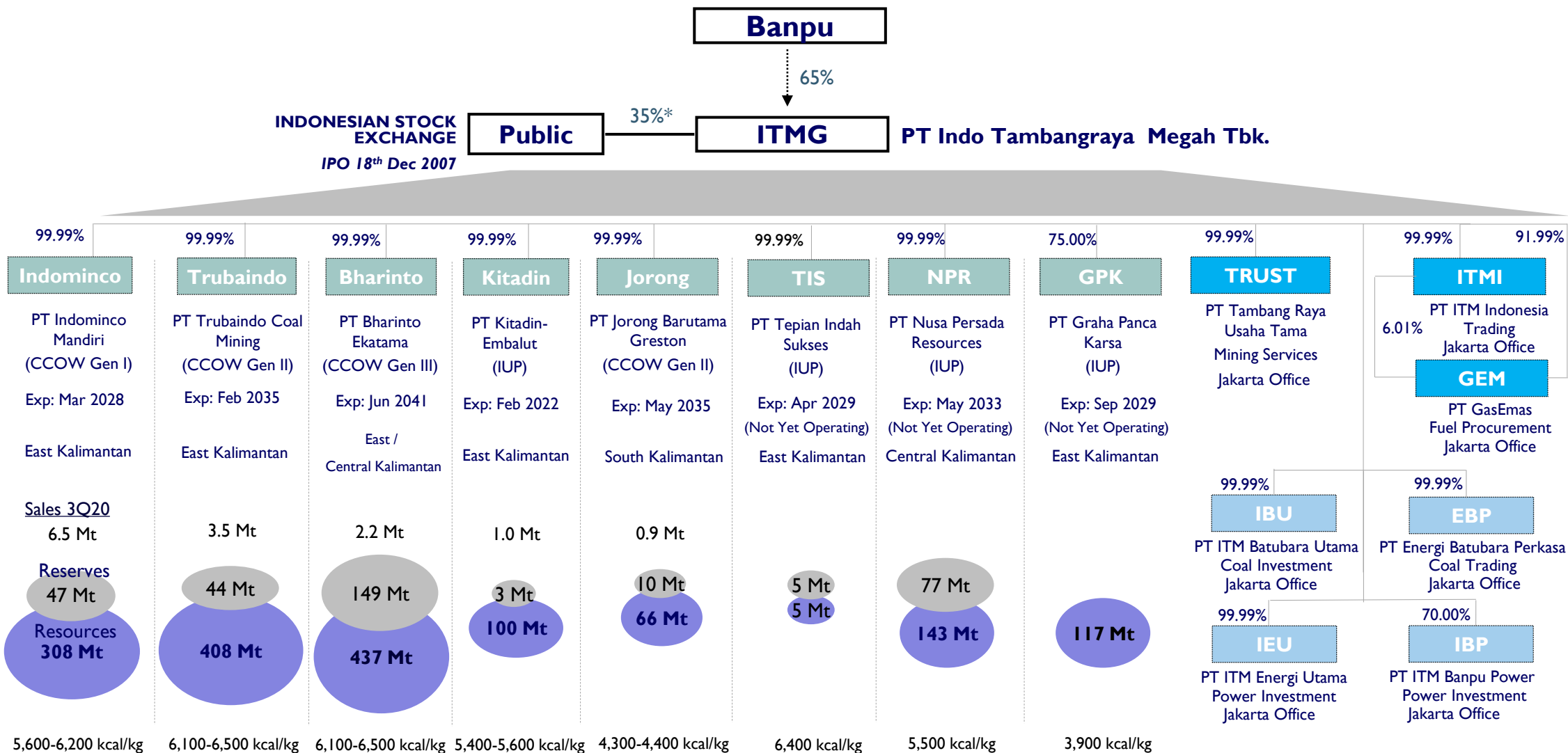
# Income statement



Unit: US\$ thousand	2Q20*	3Q20	QoQ%
<b>Net Sales</b>	<b>286,725</b>	<b>219,256</b>	<b>-24%</b>
<b>Gross Profit</b>	<b>38,933</b>	<b>34,878</b>	<b>-10%</b>
<b>GPM</b>	<b>14%</b>	<b>16%</b>	
SG&A	(26,112)	(21,237)	
<b>EBIT</b>	<b>12,821</b>	<b>13,641</b>	<b>6%</b>
<b>EBIT Margin</b>	<b>4%</b>	<b>6%</b>	
<b>EBITDA</b>	<b>32,312</b>	<b>35,446</b>	<b>10%</b>
<b>EBITDA Margin</b>	<b>11%</b>	<b>16%</b>	
Net Interest Income / (Expenses)	(52)	(177)	241%
FX Gain / (Loss)	1,846	(2,005)	<i>n.m</i>
Derivative Gain / (Loss)	(477)	1,659	<i>n.m</i>
Others	2,621	(189)	<i>n.m</i>
<b>Profit Before Tax</b>	<b>16,759</b>	<b>12,929</b>	<b>-23%</b>
Income Tax	(2,675)	(2,823)	
<b>Net Income</b>	<b>14,084</b>	<b>10,106</b>	<b>-28%</b>
<b>Net Income Margin</b>	<b>5%</b>	<b>5%</b>	

\*Normalized

# ITM structure



\*: ITM own 2.95% from share buyback program

Note: Updated Coal Resources and Reserves as of 31 Dec 2018 based on estimates prepared by competent persons (considered suitably experienced under the JORC Code) and deducted from coal sales volume in FY19 and 9M20.