



# ANALYST BRIEFING 2Q19 PERFORMANCE RESULTS

*Jakarta, 15<sup>th</sup> August 2019*



**OUR WAY IN ENERGY**



**1**

**INTRODUCTION**

**2**

**OPERATIONAL REVIEW**

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**COMMERCIAL REVIEW**

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**FINANCIAL REVIEW**

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**QUESTION & ANSWERS**

# Highlights of 2Q19 and 1H18 results



**Coal sales**  
**6.3 Mt**  
 ↑ Up 0.3 Mt  
 +5% Q-Q

**Coal sales**  
**12.3 Mt**  
 ↑ Up 2.7 Mt  
 +28% Y-Y

*Unit: US\$ million*

	<u>1Q19</u>	<u>2Q19</u>	<u>Q-Q</u>	<u>1H18</u>	<u>1H19</u>	<u>y-y</u>
<b>Total Revenue</b>	453	440	-3%	809	893	+10%
<b>Gross Profit Margin</b>	21%	16%	-5%	28%	18%	-10%
<b>EBIT</b>	57	39	-32%	167	96	-42%
<b>EBITDA</b>	72	54	-25%	196	127	-35%
<b>Net Income</b>	39	30	-23%	103	69	-31%
<b>ASP (USD/ton)</b>	\$71.1	\$66.7	-7%	\$80.9	\$68.8	-16%

# We have done several initiatives to maintain our cost discipline in the current coal price environment

## MINING & OPERATION



- ✓ Lowered strip ratio
- ✓ Reduced OB removal distance
- ✓ Evaluated alternative fuel suppliers to get more competitive price
- ✓ Reduced overhaul cost of heavy equipment for in-house mining contractor by using 'reusable and repairable' approach
- ✓ Improve geology drilling accuracy and cost efficiency
- ✓ Ensure continuity of coal production by implementing geo-technical warning system
- ✓ Strengthen maintenance system to ensure high reliability of ITM strategic facilities such as BoCT port, Bunyut port, and crushing plants
- ✓ Minimize non-moving spare parts inventory to improve cash flow

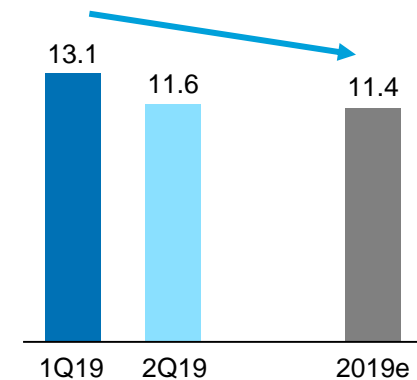
## OTHERS



- ✓ Reduced overhead cost at all sites and Jakarta office
- ✓ Leaned on digital technology to improve cost efficiency

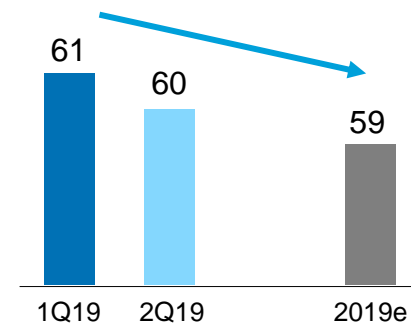
### Average strip ratio

Unit: bcm/t



### Coal Business Cost

Unit: \$/t



# Our latest digital initiatives would enable cost discipline along our coal mining value chain



EXPLORATION  
GEO MODEL

MINE  
PLANNING

MINING  
OPERATION

HAULING &  
STOCKPILING

BARGING &  
SHIPPING



ITM Digital  
Solution

Ecosystem Creation & Scale Up Learning Initiative

Mining Dashboard Apps

On-Site Digital Center Scale Up

Joint Contractor Operation  
Improvement

Real-Time Supervisory Apps

Intelligence Procurement Systems

Fuel Business Inventory  
Management Apps

Contractor Fuel Consumption  
Management Apps

**1** INTRODUCTION

**2** OPERATIONAL REVIEW

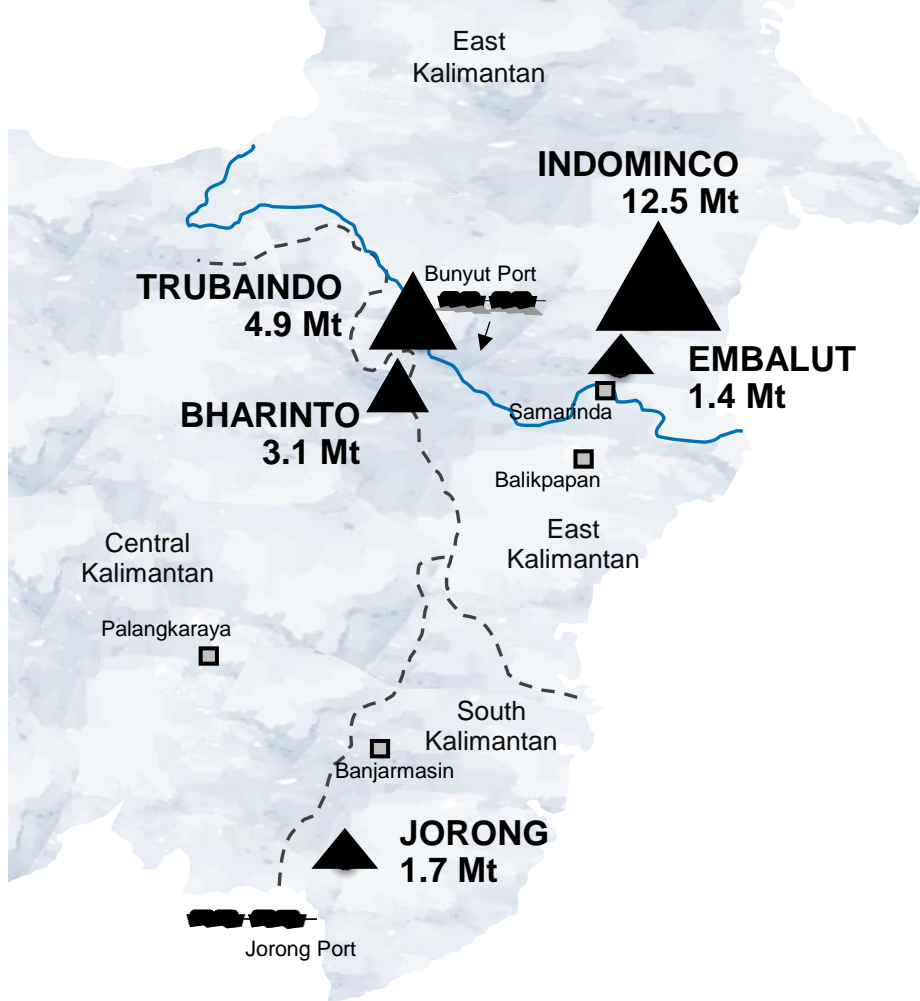
**3** COMMERCIAL REVIEW

**4** FINANCIAL REVIEW

**5** QUESTION & ANSWERS

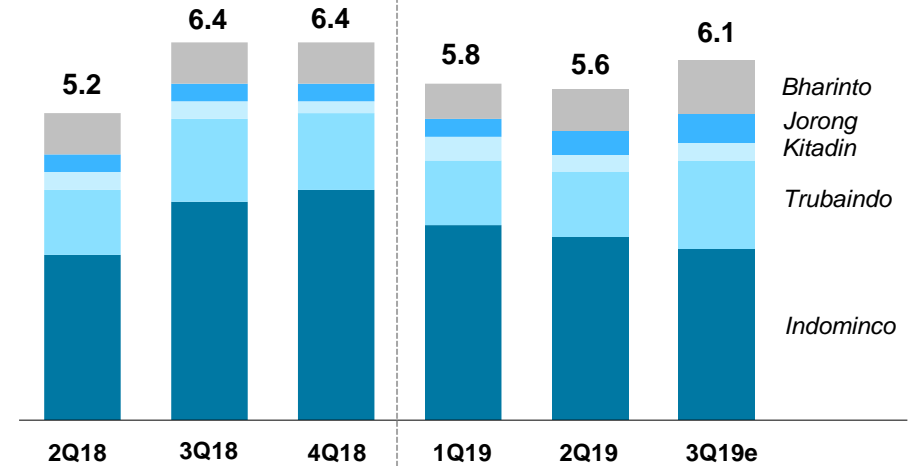
# Operational Summary 2019

**2019 TARGET: 23.6 Mt\***



## OUTPUT TREND

Unit: Mt



Avg. S/R (bcm/t)	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19e
	10.8x	10.8x	10.5x	13.2x	11.6x	11.1x

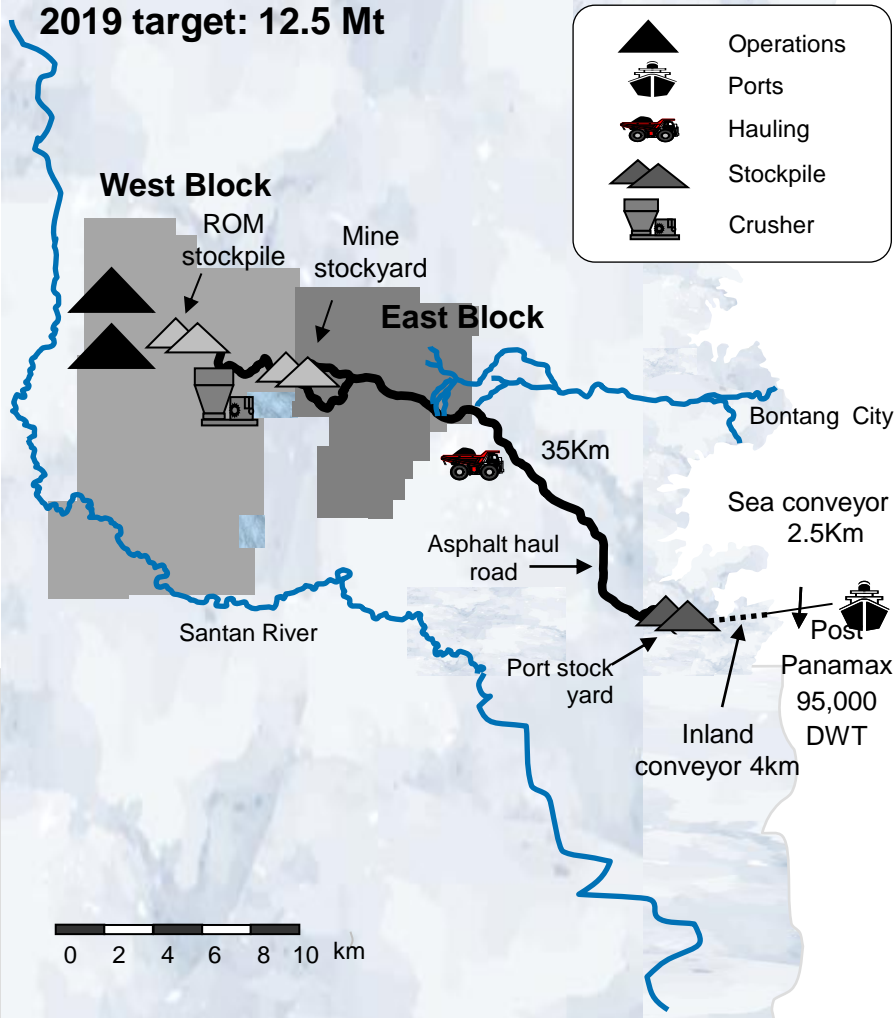
## COMMENTS

- 2Q19 total production output achieved as according to target.
- Average strip ratio in 2Q19 was lower than target, achieved through optimizing mining plan to counter the effect of decline in global coal price.

\*) Subject to further government approval

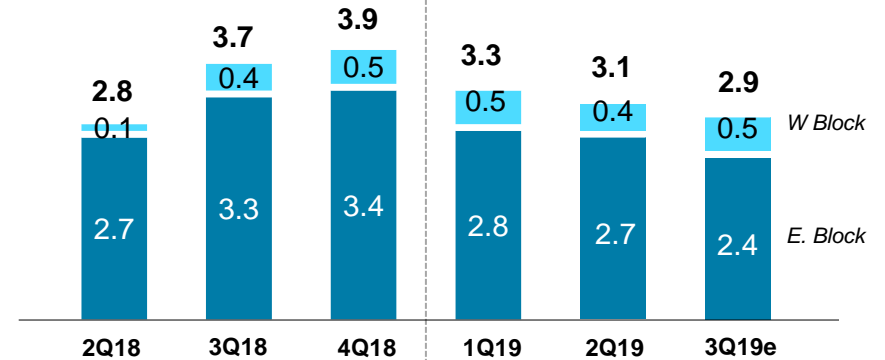
## SCHEMATIC

2019 target: 12.5 Mt



## OUTPUT TREND

Unit: Mt



Avg.S/R (bcm/t)	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19e
- W. Block :	27.3x	25.0x	17.1x	14.9x	26.1x	19.3x
- E. Block :	10.4x	9.3x	9.7x	13.7x	9.3x	10.3x

## COMMENTS

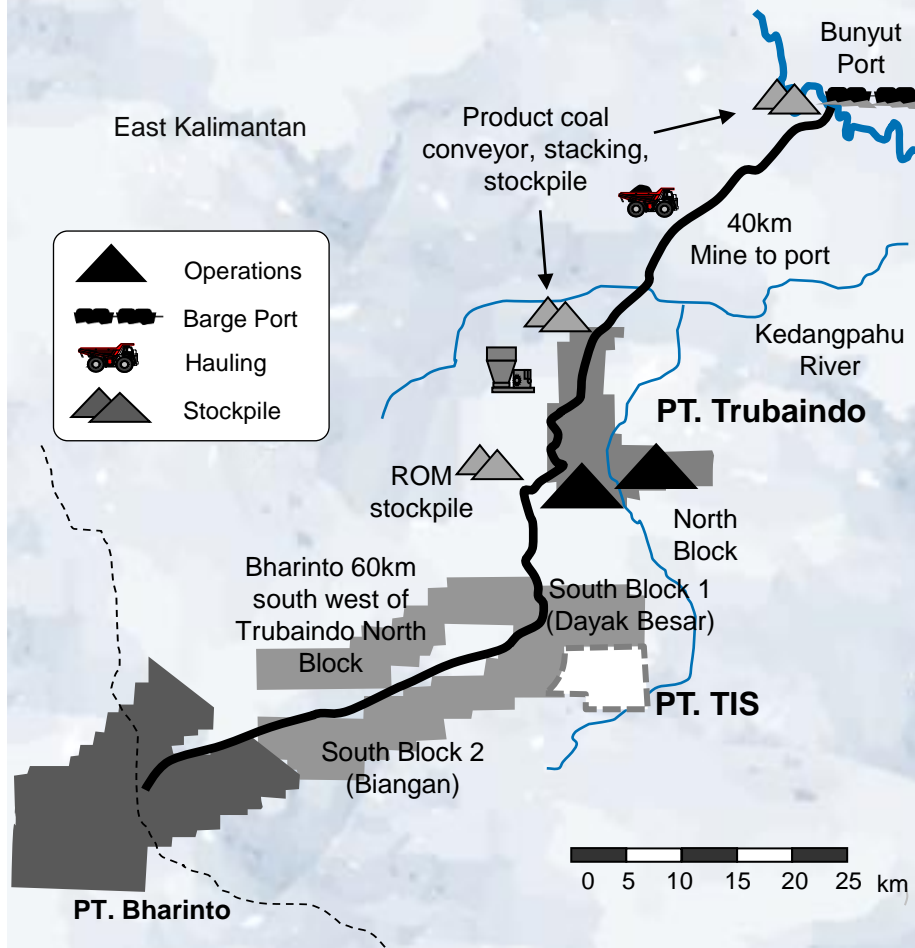
- 2Q19 production was slightly lower than target due to weather condition at Indominco area.
- Strip ratio in 2Q19 lower than previous quarter due to optimization of mine plan, nonetheless production target still managed to achieve as planned.



# Melak group – Trubaindo and Bharinto

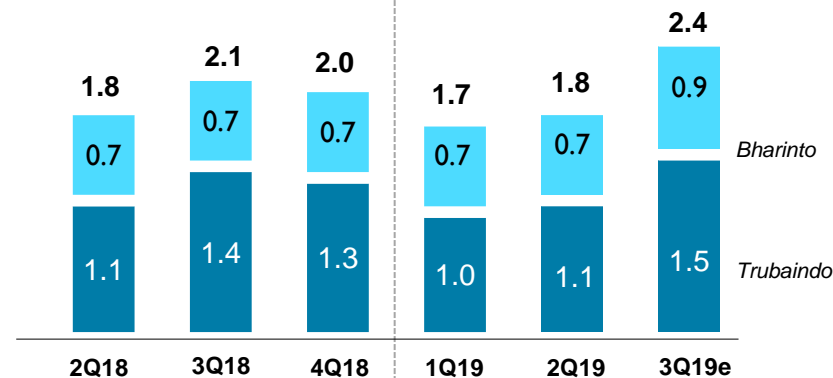
## SCHEMATIC

2019 target: TCM 4.9 Mt  
BEK 3.1 Mt



## OUTPUT TREND

Unit: Mt



S/R (bcm/t)

- Trubaindo :	11.5x	12.7x	11.1x	12.9x	13.5x	11.8x
- Bharinto :	10.0x	8.3x	10.2x	12.2x	10.2x	9.9x

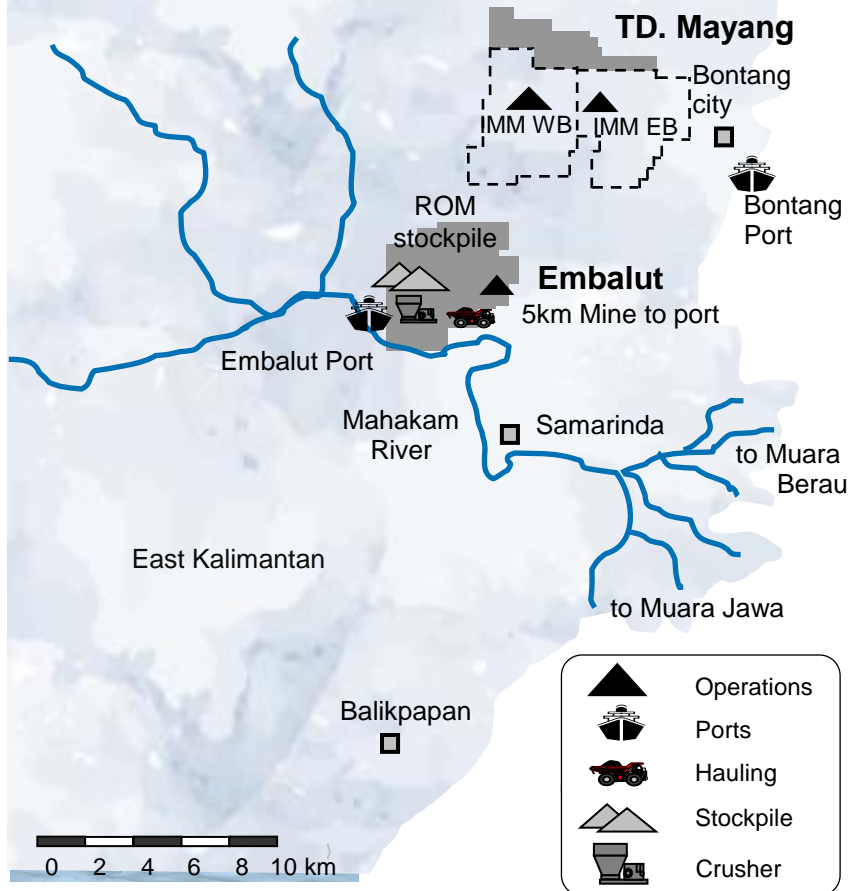
## COMMENTS

- Trubaindo:
  - 2Q19 production achieved as according to target.
  - Strip ratio in 2Q19 in line with target.
  - Bunyut port expansion to accommodate the increase in Melak group production.
- Bharinto:
  - 2Q19 production achieved as according to target.
  - PT TRUST hauling operation in Bharinto to start in 2H19.

# Kitadin Embalut and Tandung Mayang

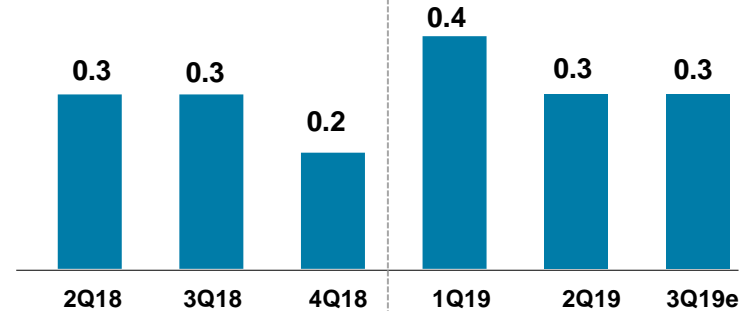
## SCHEMATIC

2019 target: EMB 1.4 Mt



## OUTPUT TREND

Unit: Mt



S/R (bcm/t)

- Embalut :

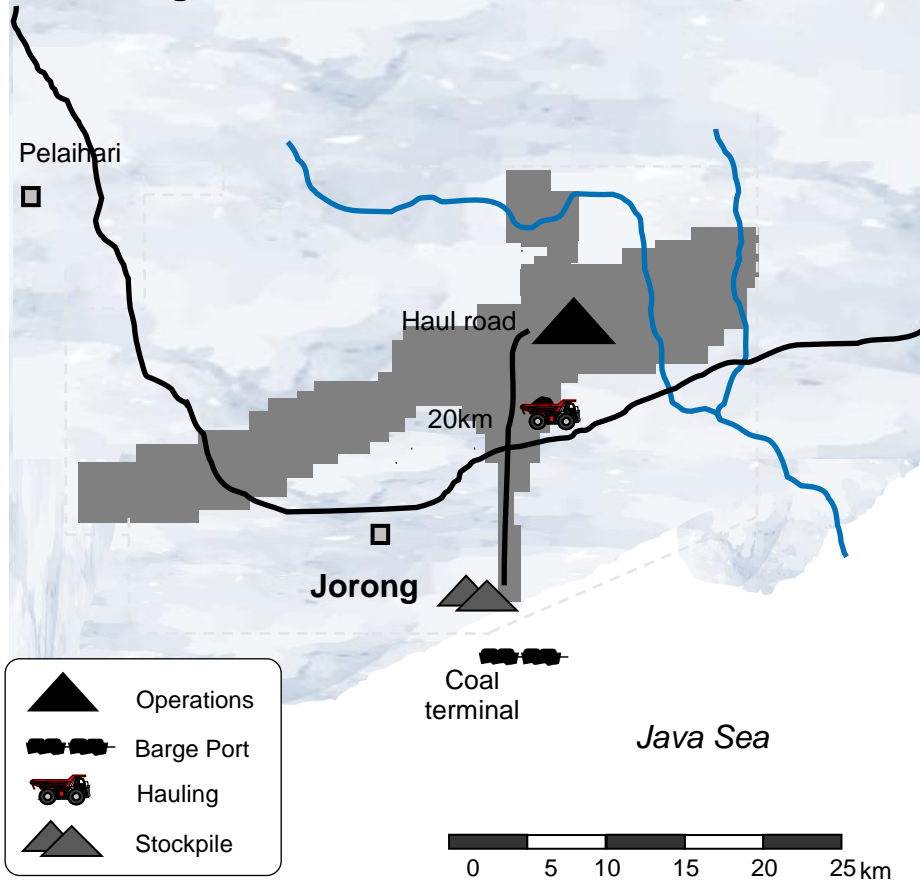
9.5x    9.8x    12.8x    11.9x    10.1x    10.9x

## COMMENTS

- Kitadin Embalut:
  - 2Q19 production achieved as according to target.
  - Feasibility study have been finalized as planned to extend the potential mining area.
- Kitadin Td.Mayang:
  - Mine closure activities and mine rehabilitation activities continues.

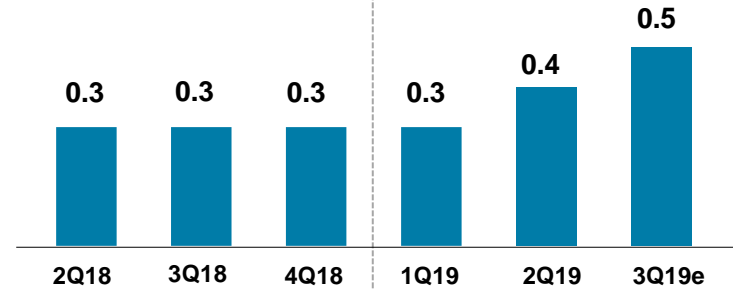
## SCHEMATIC

2019 target: 1.7 Mt



## OUTPUT TREND

Unit: Mt



S/R (bcm/t): 6.1x 6.5x 6.5x 10.5x 8.1x 5.9x

## COMMENTS

- 2Q19 production achieved as according to target.
- Strip ratio in 2Q19 lower than previous quarter as a result of mine plan optimization. Despite the change in strip ratio, production target remained unchanged.

**1** INTRODUCTION













**2** OPERATIONAL

**3** **COMMERCIAL REVIEW**











**4** FINANCIAL REVIEW

**5** QUESTION & ANSWERS

# Global coal demand trends: 2019 vs 2018

GEOGRAPHY	CHANGE 2019-18 (Mt)	COMMENTS
 <b>INDIA</b>	 <b>+17</b>	<ul style="list-style-type: none"> <li>Strong import growth in 1H is likely to slowdown in 2H due to high stocks and high domestic coal supply</li> <li>Soft international coal prices and volatility in domestic supply is making import more attractive for non-power sector.</li> </ul>
 <b>OTHER S. &amp; SE. ASIA</b>	 <b>+27</b>	<ul style="list-style-type: none"> <li>Demand growth driven by Vietnam and other countries in South and Southeast Asia.</li> </ul>
 <b>CHINA</b>	 <b>-5</b>	<ul style="list-style-type: none"> <li>Strong imports YoY in 1H with a significant swing from Australia to Indonesia</li> <li>Mild weather and strong hydro curtailed coal demand while domestic coal production continued improves</li> <li>Expect government to strengthen import restriction in 2H, aim to control import volume at the same level of last year.</li> </ul>
 <b>OTHER N.ASIA</b>	 <b>-11</b>	<ul style="list-style-type: none"> <li>Coal-fired capacity curtailments reduced coal burn significantly in Q2</li> <li>Lifting curtailments on coal plants will boost coal burn in 2H</li> <li>Entering summer and nuclear maintenance should increase thermal power demand in 2H</li> <li>Economic coal-gas switching is limited.</li> </ul>
 <b>EUROPE</b>	 <b>-17</b>	<ul style="list-style-type: none"> <li>Low gas prices, warm weather, rising renewables output and high carbon prices continued pressure coal burn</li> <li>Increased coal-to-gas switching</li> <li>Prices collapsed due to heavy oversupply.</li> </ul>
 <b>GLOBAL</b>	 <b>+11</b>	<p><i>Low European coal prices and Chinese restrictions have impacted global trade flow. However, overall global demand still positive with growing demand from India, Vietnam and others South and Southeast Asia countries offset falling demand in Europe, China and other N.Asia. Government policy and weather is the key demand changing and create price volatility.</i></p>

# Global coal supply trends: 2019 vs 2018

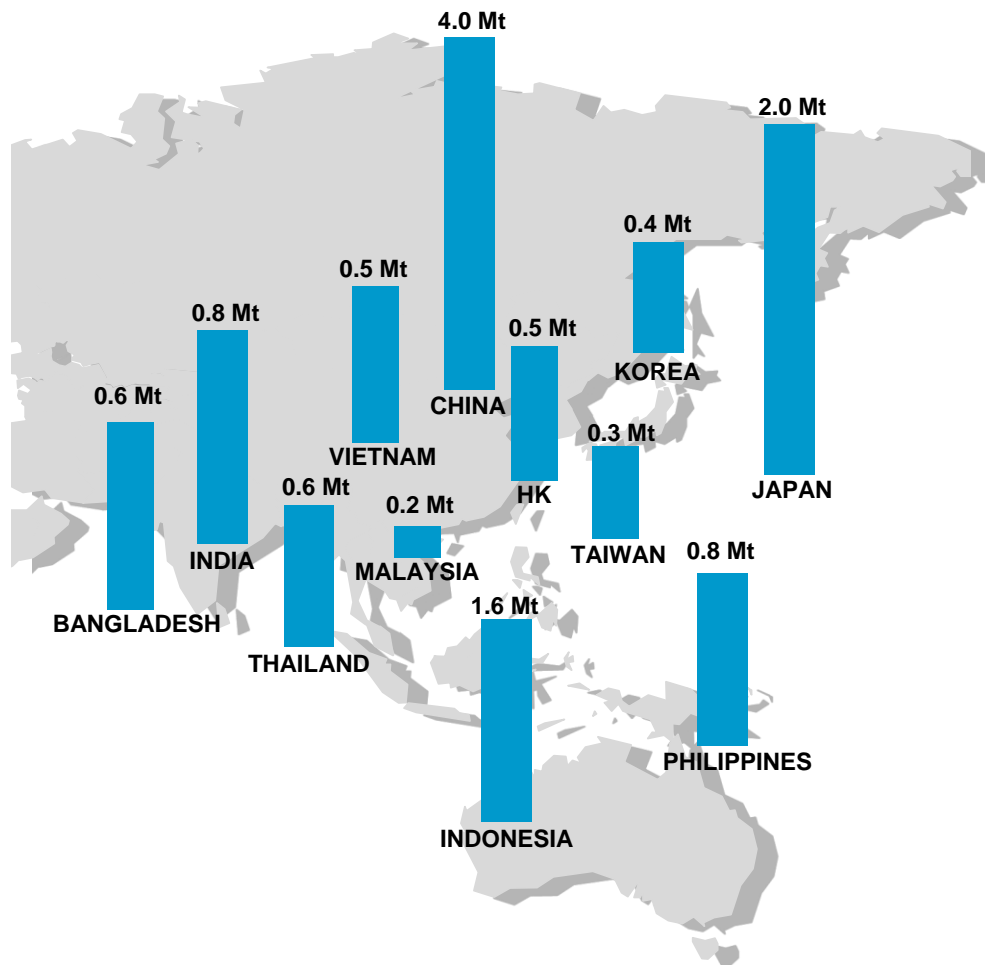
GEOGRAPHY	CHANGE 2019-18 (Mt)	COMMENTS
 <b>INDONESIA</b>	 <b>+39</b>	<ul style="list-style-type: none"> <li>▪ Expect significant production growth</li> <li>▪ Rain and weak global demand is the key risk for export growth</li> <li>▪ Steep decline coal prices will make some producers running at loss</li> <li>▪ Uncertainty on government regulations remains.</li> </ul>
 <b>AUSTRALIA</b>	<b>0</b>	<ul style="list-style-type: none"> <li>▪ Producers cannot easily undertake drastic changes to their production levels in response to market changes, as they are locked into long-term contracts for rail and port capacity.</li> </ul>
 <b>COLOMBIA</b>	<b>-8</b>	<ul style="list-style-type: none"> <li>▪ Low prices and weak European demand hampered export</li> <li>▪ Try to increase export to Asia.</li> </ul>
 <b>RUSSIA</b>	<b>+4</b>	<ul style="list-style-type: none"> <li>▪ Low European price caused some Russian producers cut production</li> <li>▪ Continued divert more coal to Asia as European demand declines</li> <li>▪ Completion of Vostochny port expansion supports coal export to Asia.</li> </ul>
 <b>S.AFRICA</b>	<b>-1</b>	<ul style="list-style-type: none"> <li>▪ High domestic demand and low export prices keep LCV coal at home</li> <li>▪ Take-or-pay contracts will pressure producers to maintain export levels.</li> </ul>
 <b>USA</b>	<b>-12</b>	<ul style="list-style-type: none"> <li>▪ Exports hit by low coal prices and weak European demand.</li> </ul>
 <b>OTHERS</b>	<b>+3</b>	<ul style="list-style-type: none"> <li>▪ Small increase from Mozambique, Chile and Philippines.</li> </ul>
 <b>GLOBAL</b>	 <b>+25</b>	<p><i>Global market remains oversupply driven by significant production growth from Indonesia and weak global demand. Coal prices dropped significantly and put several producers running at negative margins.</i></p>

Note: Russia exports to non-CIS only

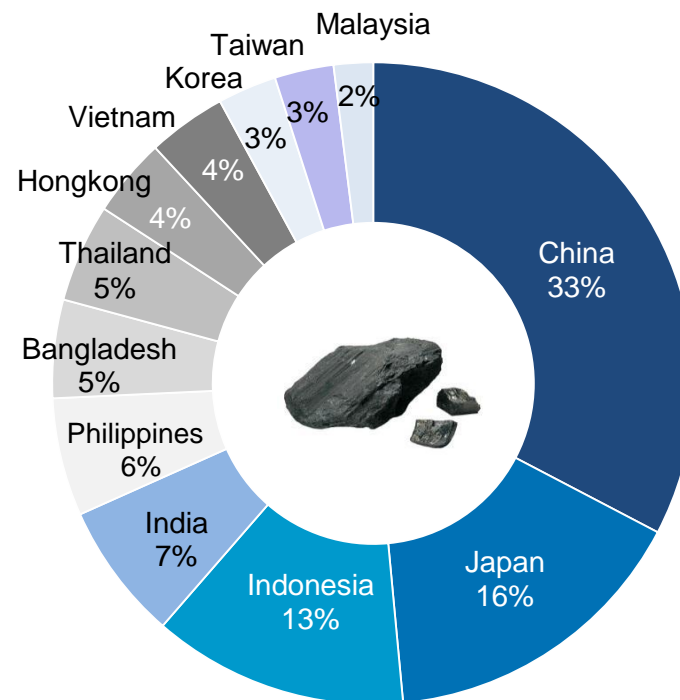
# ITM coal sales 1H19



## COAL SALES BREAKDOWN BY DESTINATION



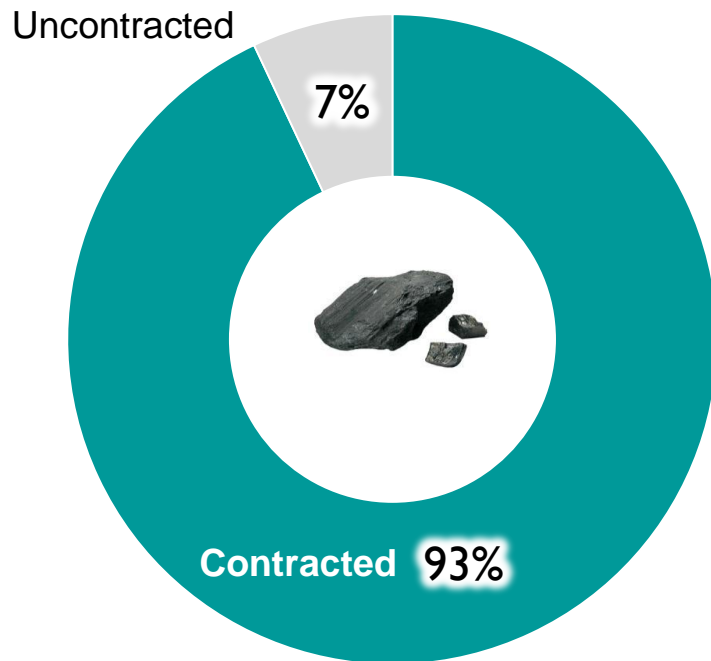
## COAL SALES 1H19



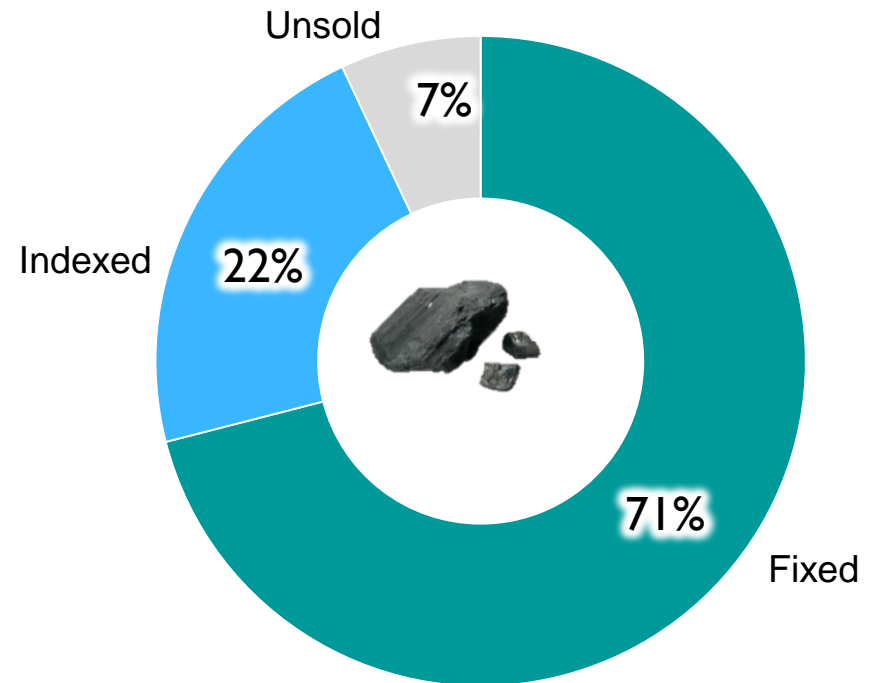
Total coal sales 1H19: 12.3 Mt

## COAL SALES CONTRACT AND PRICING STATUS

### Contract Status



### Price Status



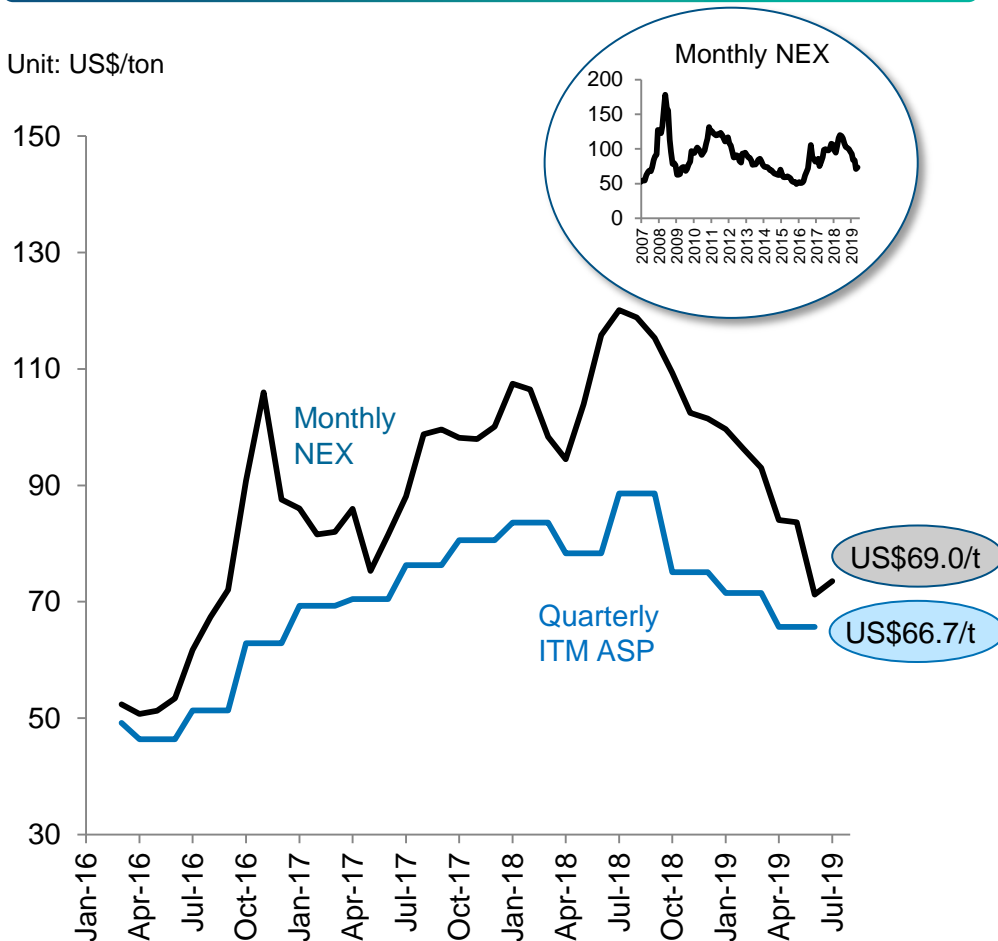
**TARGET SALES 2019: 26.5 Mt**



# ITM ASPs vs thermal coal benchmark prices

## ITM ASP VS BENCHMARK PRICES

Unit: US\$/ton



## COMMENTS

- 2Q19 ASP weaker for ITM, shadow the global coal price movement
  - ITM ASP: US\$66.7/t (-7% QoQ)
  - NEX (Aug 16, 2019)\*: US\$69.0/t
- Mild winter and seems Mild summer and economics slowdown reduces energy demand
- Good output in Indonesia due to low rainfall intensity, Indonesia encourage production for GDP and trade income.

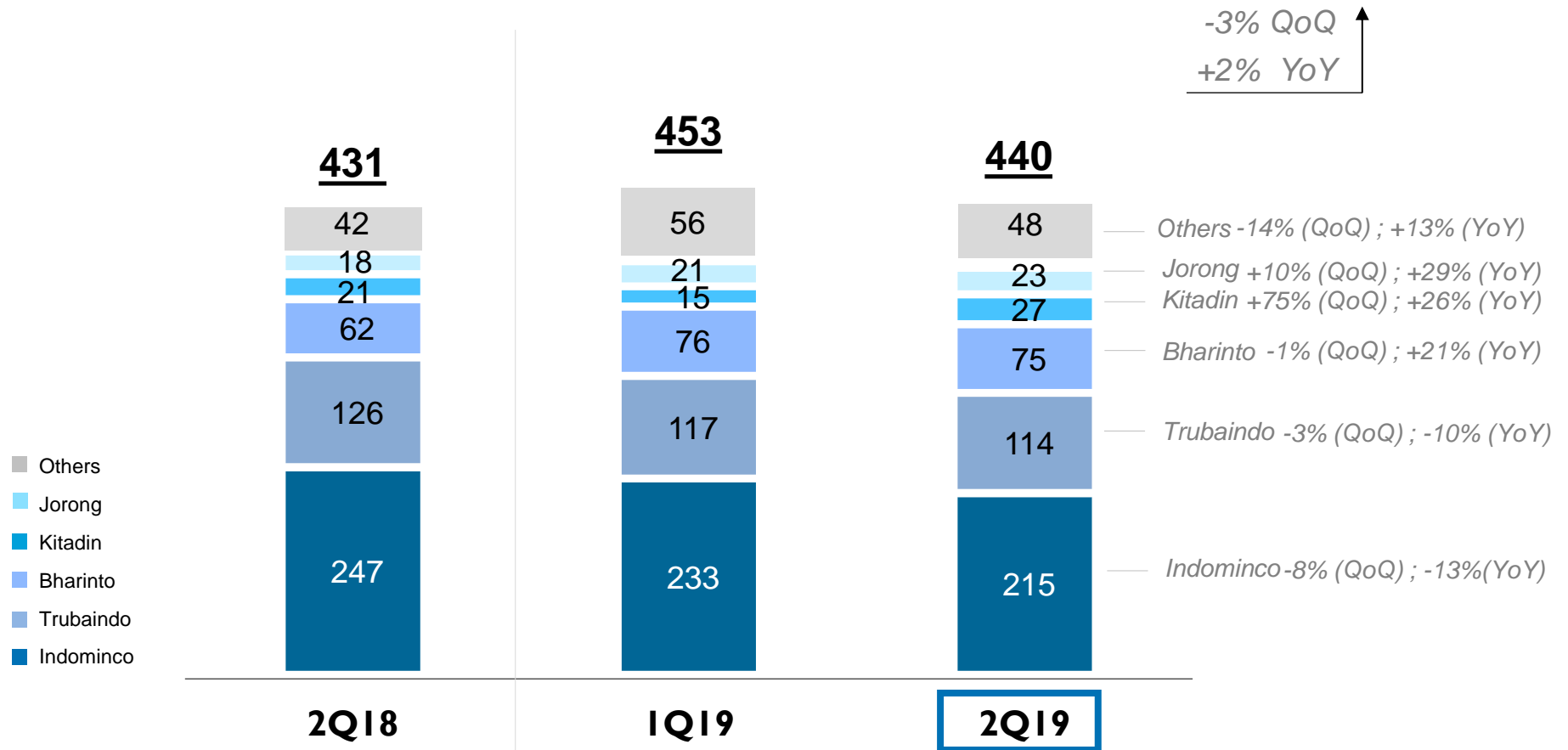
Note: \* The Newcastle Export Index (previously known as the Barlow Jonker Index – BJI)

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# Sales revenue



Unit: US\$ million

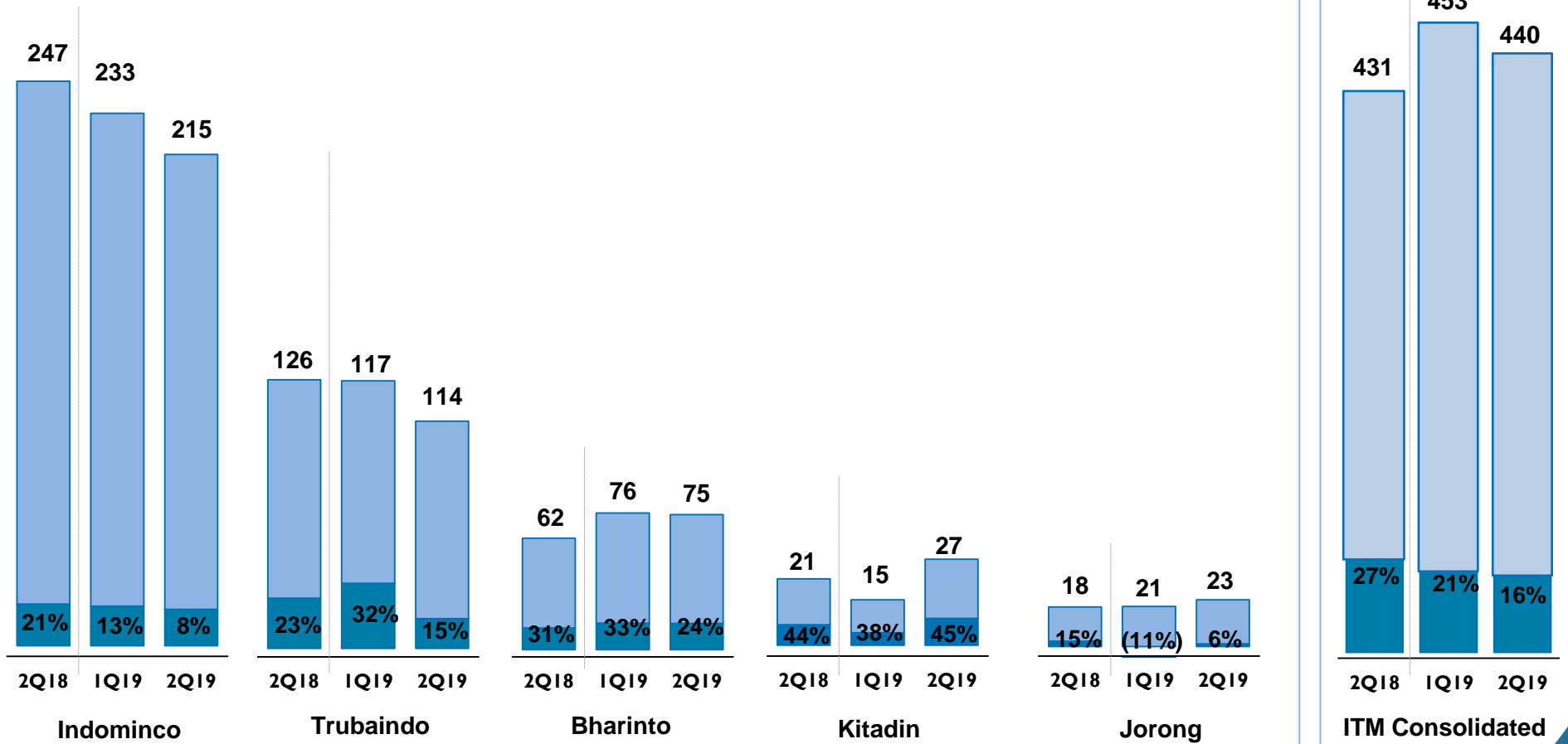


Note: Sales Revenue After Elimination

# Average gross margin

Unit : US\$ Million

Revenue  
GPM (%)



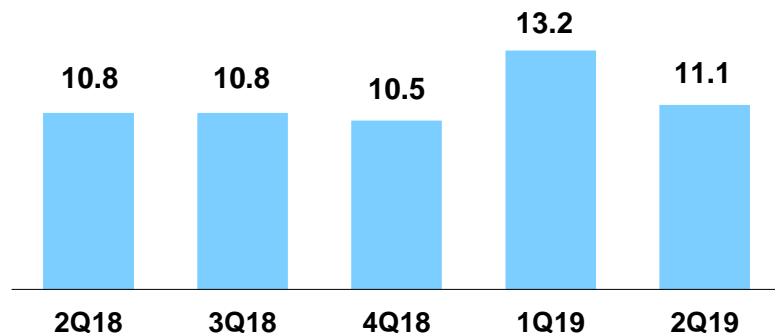
# Cost analysis



## WEIGHTED AVERAGE STRIP RATIO

Unit: Bcm/t

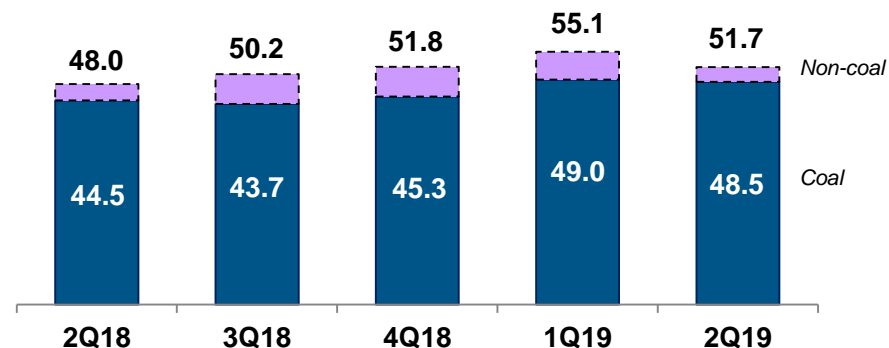
Avg. 1H18: 11.4  
1H19: 12.4



## PRODUCTION COST

Unit: US\$/t

Avg. 1H18: \$50.2/t  
1H19: \$54.2/t

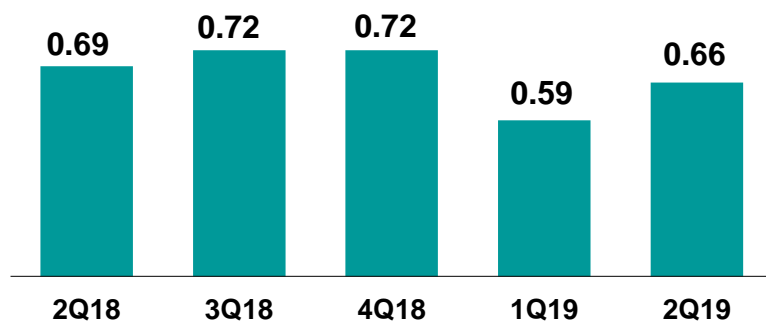


Note: Based on production volume

## FUEL PRICE

Unit: US\$/Ltr

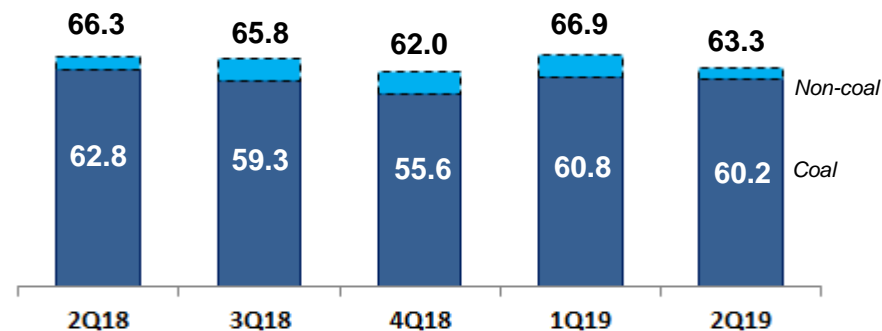
Avg. 1H18: \$0.67/ltr  
1H19: \$0.64/ltr



## TOTAL COST\*

Unit: US\$/t

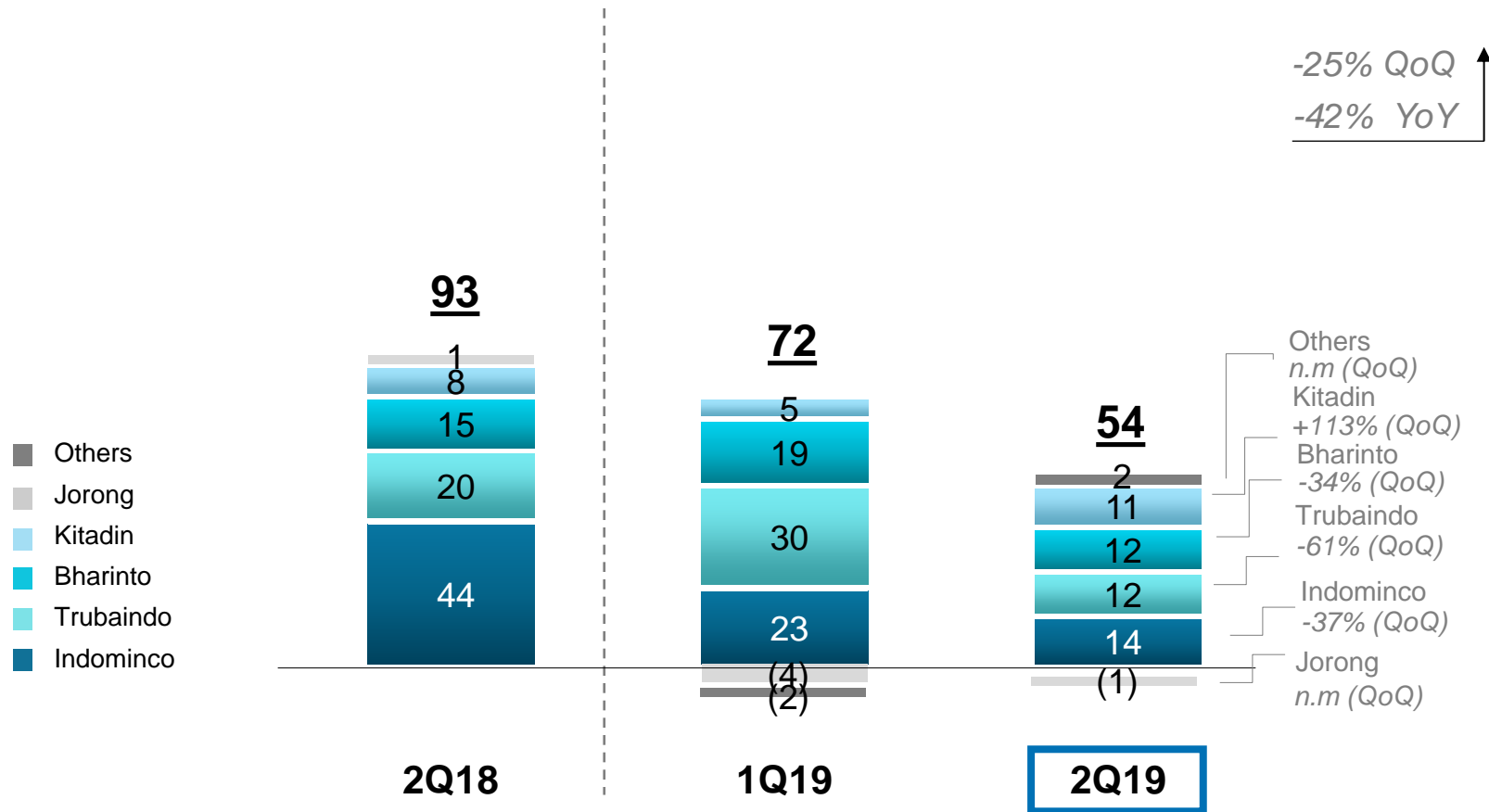
Avg. 1H18: \$65.9/t  
1H19: \$65.1/t



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

# EBITDA

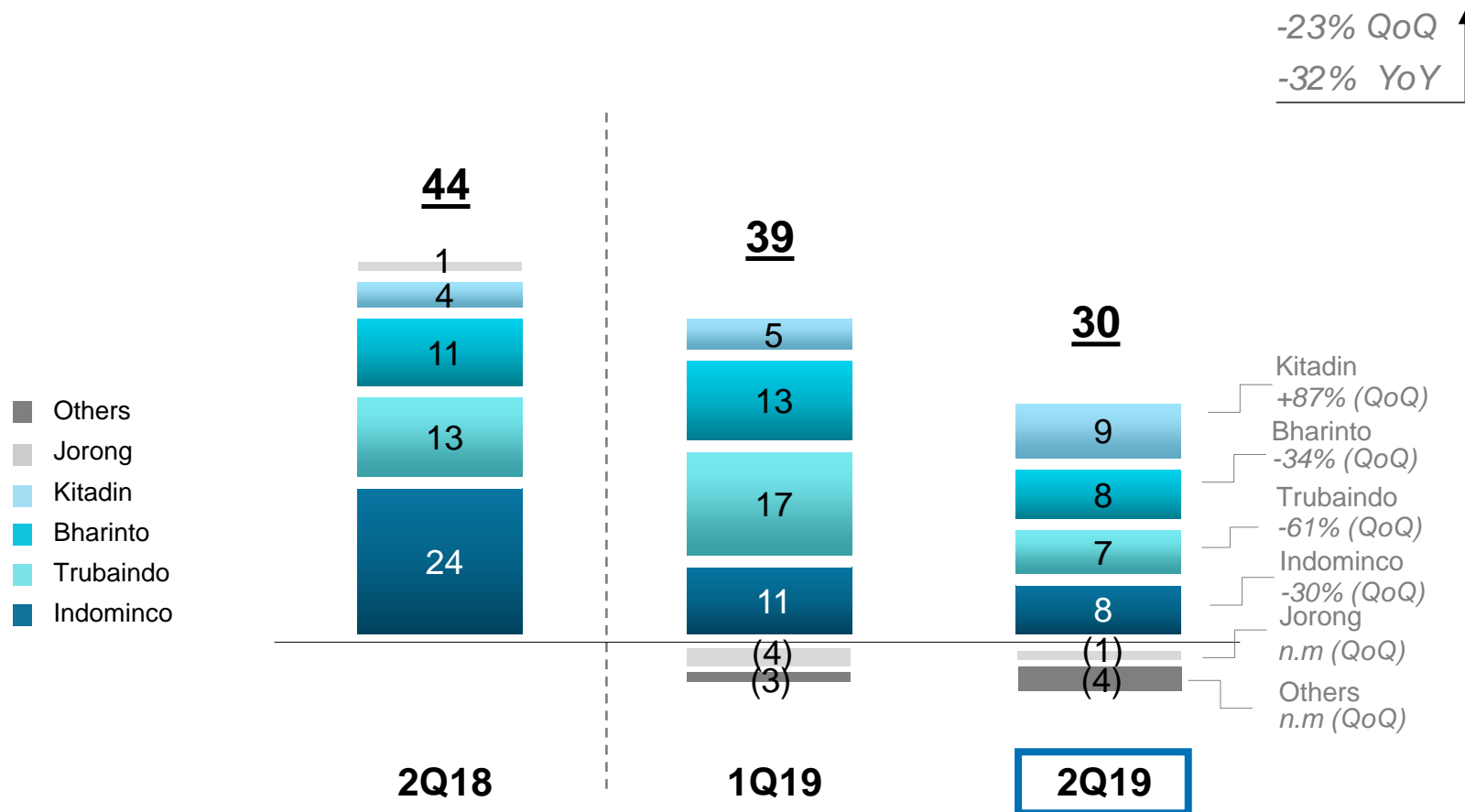
Unit: US\$ million



Note : Total EBITDA after elimination

# Net income

Unit: US\$ million

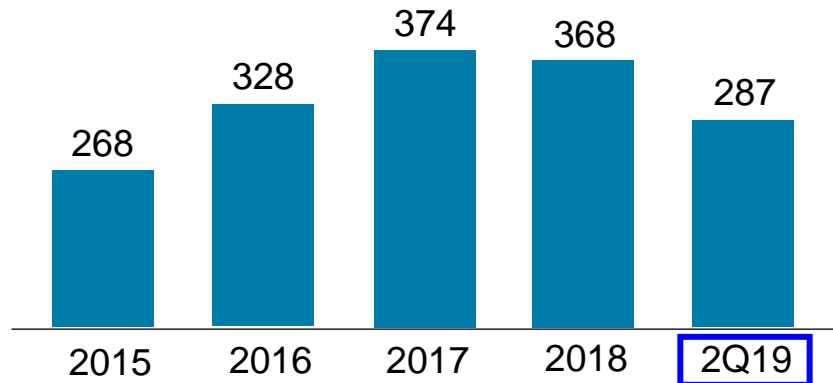


Note : Total consolidated net income after elimination

# Balance sheet

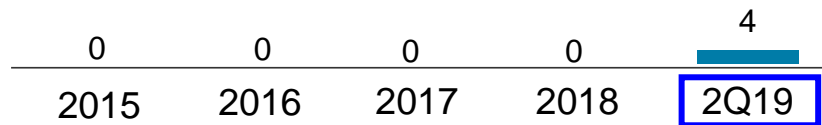
## CASH POSITION

Unit: US\$ million



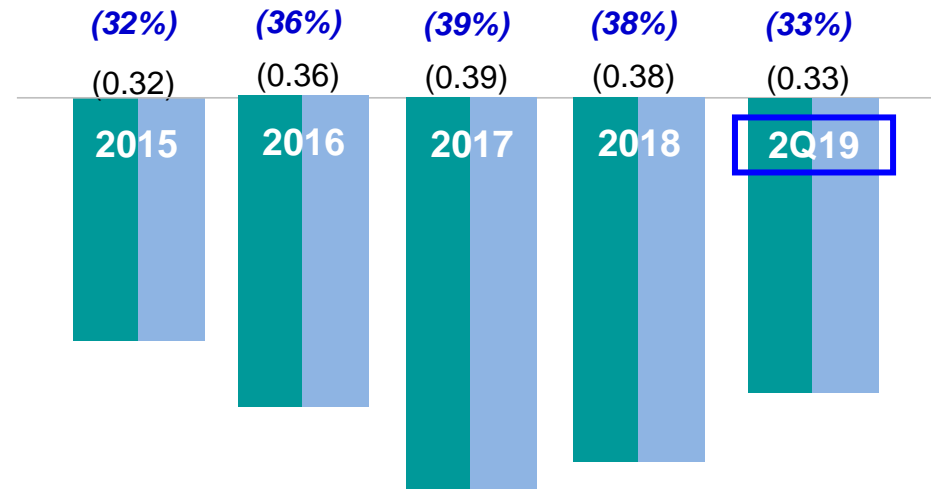
## DEBT POSITION

Unit: US\$ million



## KEY RATIOS

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

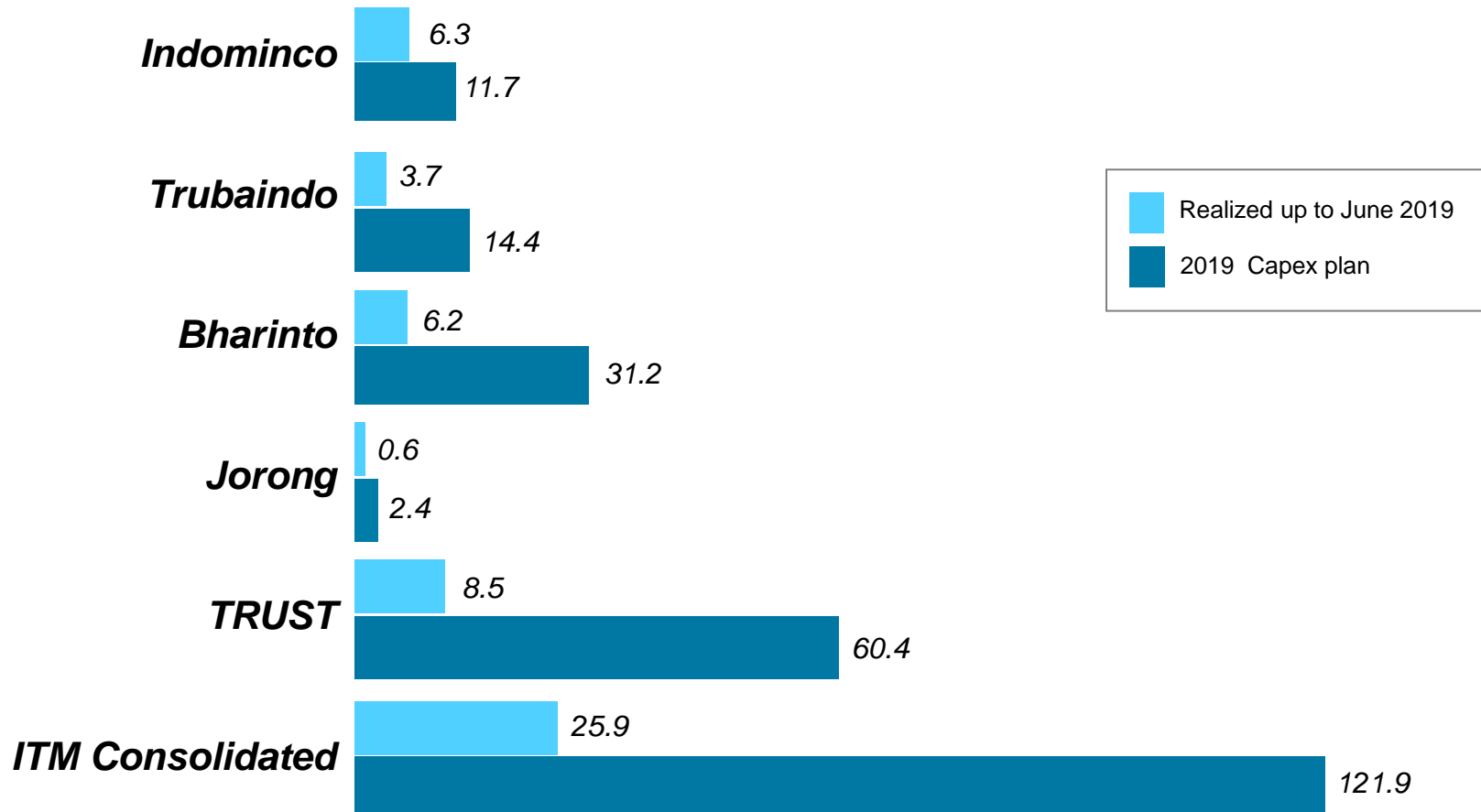




# 2019 Capital expenditure plan



Units: US\$ million



Note: Total capex plan including Jakarta office after elimination



*Thank you*

## Appendices

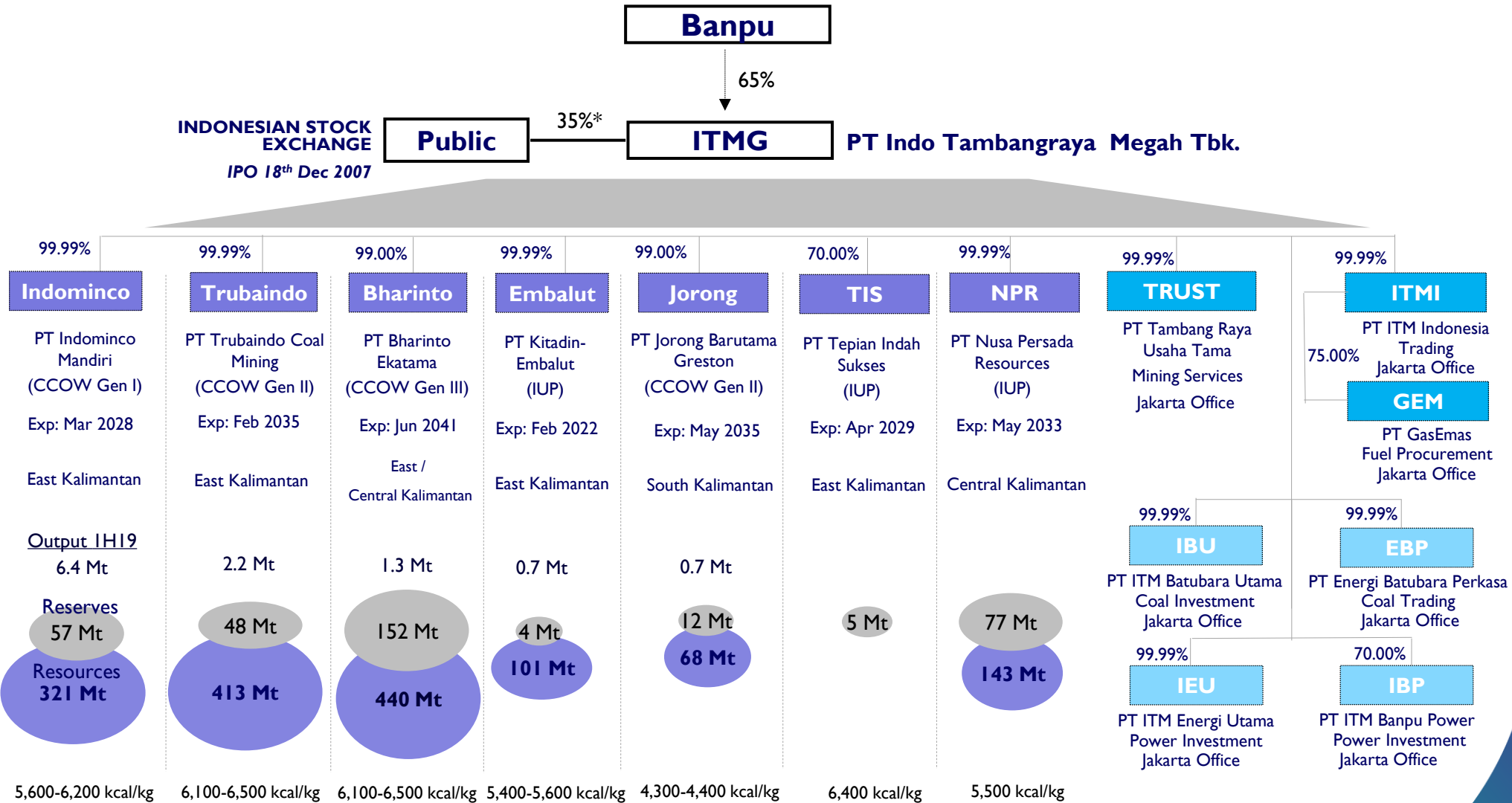
# Income statement

Unit: US\$ thousand	1H19	1H18	YoY%
<b>Net Sales</b>	<b>892,701</b>	<b>808,896</b>	<b>10%</b>
<b>Gross Profit</b>	<b>162,401</b>	<b>225,745</b>	<b>-28%</b>
<b>GPM</b>	<b>18%</b>	<b>28%</b>	
SG&A	(66,315)	(59,183)	
<b>EBIT</b>	<b>96,086</b>	<b>166,562</b>	<b>-42%</b>
<b>EBIT Margin</b>	<b>11%</b>	<b>21%</b>	
<b>EBITDA</b>	<b>126,717</b>	<b>195,657</b>	<b>-35%</b>
<b>EBITDA Margin</b>	<b>14%</b>	<b>24%</b>	
Net Interest Income / (Expenses)	2,917	1,428	
FX Gain / (Loss)	1,916	(5,769)	
Derivative Gain / (Loss)	2,707	(9,779)	
Others	(1,703)	(5,049)	
<b>Profit Before Tax</b>	<b>101,923</b>	<b>147,393</b>	<b>-31%</b>
Income Tax	(32,948)	(44,883)	
<b>Net Income</b>	<b>68,975</b>	<b>102,510</b>	<b>-33%</b>
<b>Net Income Margin</b>	<b>8%</b>	<b>13%</b>	

# Income statement

Unit: US\$ thousand	2Q19	1Q19	QoQ%
<b>Net Sales</b>	<b>439,676</b>	<b>453,025</b>	<b>-3%</b>
<b>Gross Profit</b>	<b>68,789</b>	<b>93,612</b>	<b>-27%</b>
<b>GPM</b>	<b>16%</b>	<b>21%</b>	
SG&A	(29,795)	(36,520)	
<b>EBIT</b>	<b>38,994</b>	<b>57,092</b>	<b>-32%</b>
<b>EBIT Margin</b>	<b>9%</b>	<b>13%</b>	
<b>EBITDA</b>	<b>54,254</b>	<b>72,463</b>	<b>-25%</b>
<b>EBITDA Margin</b>	<b>12%</b>	<b>16%</b>	
Net Interest Income / (Expenses)	1,310	1,607	
FX Gain / (Loss)	1,371	545	
Derivative Gain / (Loss)	1,888	819	
Others	689	(2,392)	
<b>Profit Before Tax</b>	<b>44,252</b>	<b>57,671</b>	<b>-23%</b>
Income Tax	(14,269)	(18,679)	
<b>Net Income</b>	<b>29,983</b>	<b>38,992</b>	<b>-23%</b>
<b>Net Income Margin</b>	<b>7%</b>	<b>9%</b>	

# 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 (consider suitably experienced under the JORC Code) and deducted from coal sales volume in IH19.