



# **ANALYST BRIEFING**

## **4Q18 & FY18 PERFORMANCE RESULTS**



***Jakarta, 28 February 2019***

**1**

**INTRODUCTION**

**2**

**OPERATIONAL REVIEW**

**3**

**COMMERCIAL REVIEW**

**4**

**FINANCIAL REVIEW**

**5**

**QUESTION & ANSWERS**

# Highlights of 4Q18 and FY18 results



**Coal sales**  
**7.4 Mt**  
 ↑ Up 1.0 Mt  
 +15% Q-Q

**Coal sales**  
**23.5 Mt**  
 ↑ Up 0.4 Mt  
 +2% Y-Y

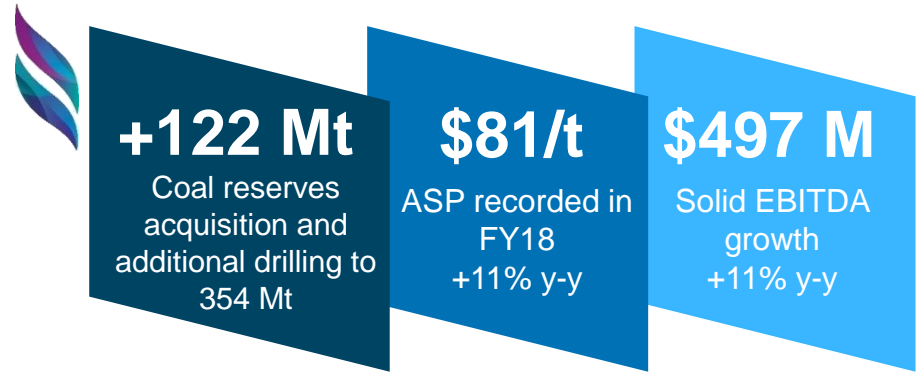
*Unit: US\$ million*

	<u>3Q18</u>	<u>4Q18</u>	<u>Q-Q</u>	<u>FY17</u>	<u>FY18</u>	<u>y-y</u>
<b>Total Revenue</b>	606	592	-2%	1,690	2,008	+19%
<b>Gross Profit Margin</b>	33%	26%	-7%	30%	29%	-1%
<b>EBIT</b>	154	111	-28%	388	432	+11%
<b>EBITDA</b>	170	132	-22%	448	497	+11%
<b>Net Income</b>	95	62	-35%	253	259	+2%
<b>ASP (USD/ton)</b>	\$88.6	\$75.1	-15%	\$72.7	\$81.0	+11%

# 2018 Highlights



A premium coal producer with growing business segments along the coal value chain



**Organic and inorganic growth**

**+122 Mt**

Additional coal reserves coming from NPR acquisition and additional drilling

**2 Mt**

Coal trading volume, more than doubled compared to last year

**221 ML**

Fuel distribution volume, with 50:50 ratio between ITM and 3<sup>rd</sup> parties



**Operational performance**

**354 Mt**

Coal reserves, 74% of which are premium coal with CV >5,500 kcal/kg

**22.1 Mt**

Coal production volume maintained, despite rainfall and mine closure

**\$81/t**

ASP strongly increased 11% YoY supported by strong coal price recovery



**Financial performance**

**\$2 Bn**

Consolidation revenue +19% y-y

**\$497 M**

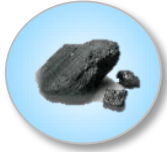
EBITDA +11% y-y

**\$259 M**

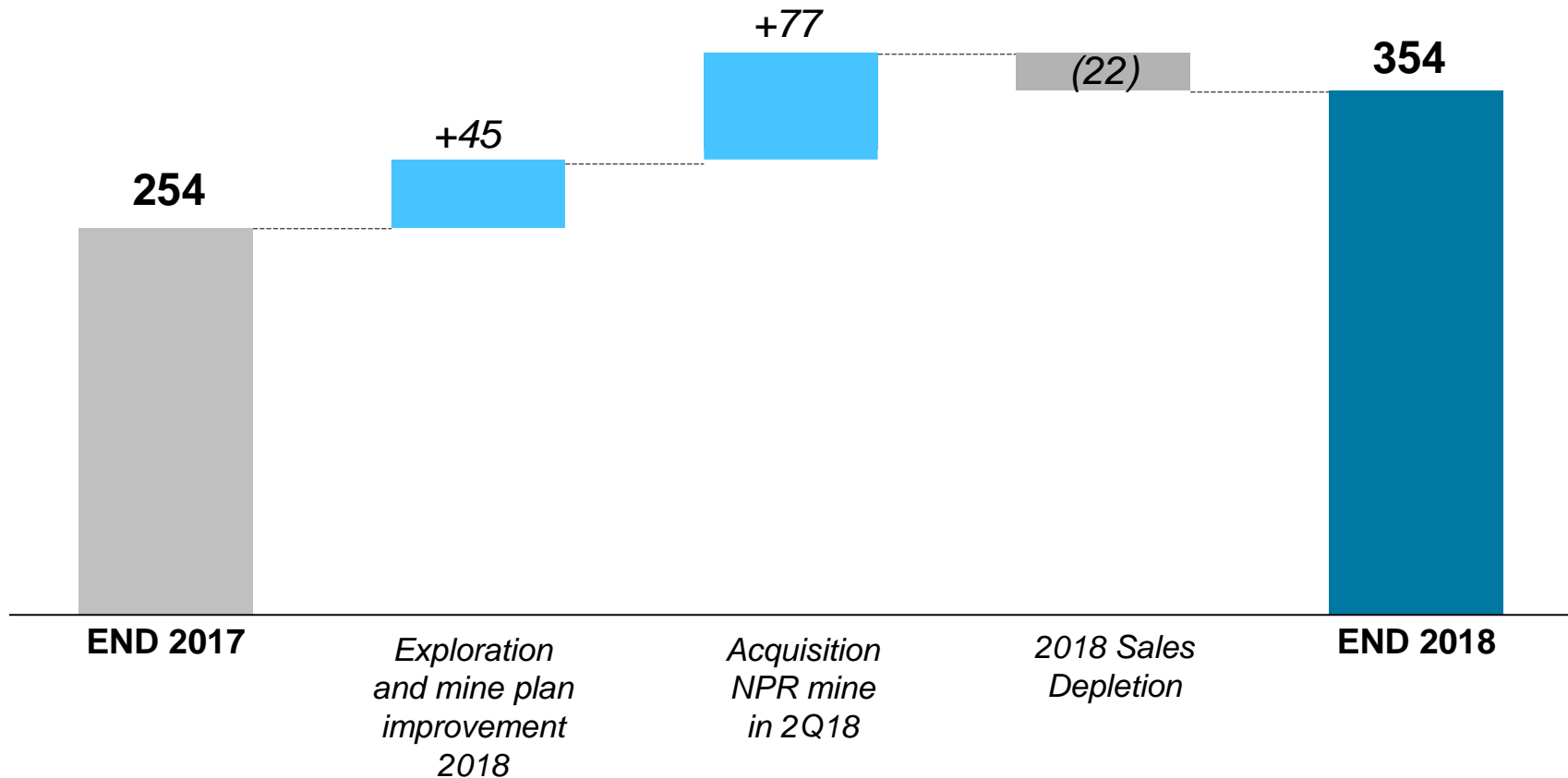
Net income +2% y-y

# Additional coal reserves

Unit: Mt



Coal reserves increased by **122 Mt** from 2017

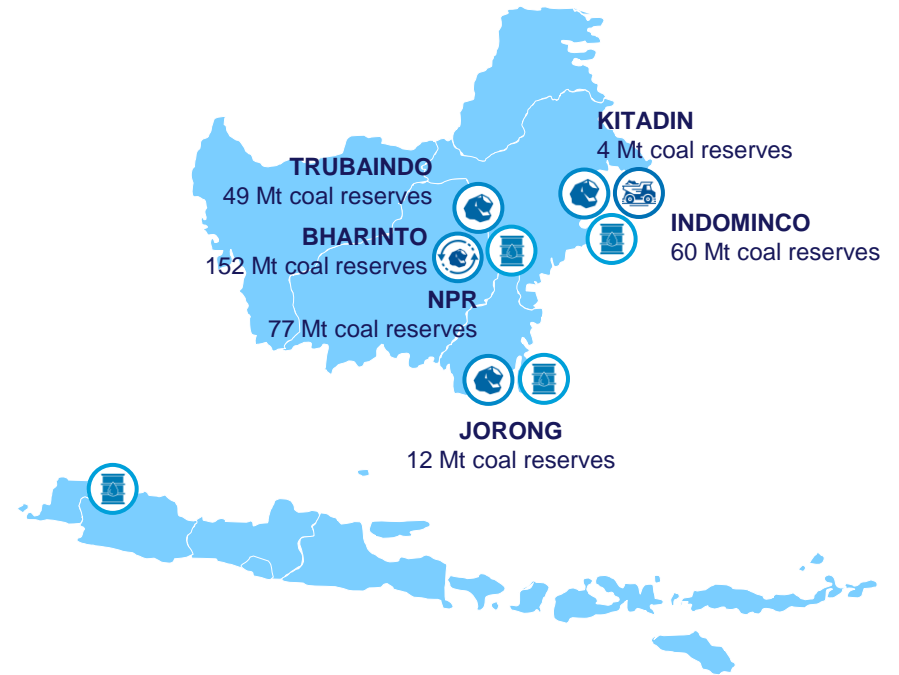
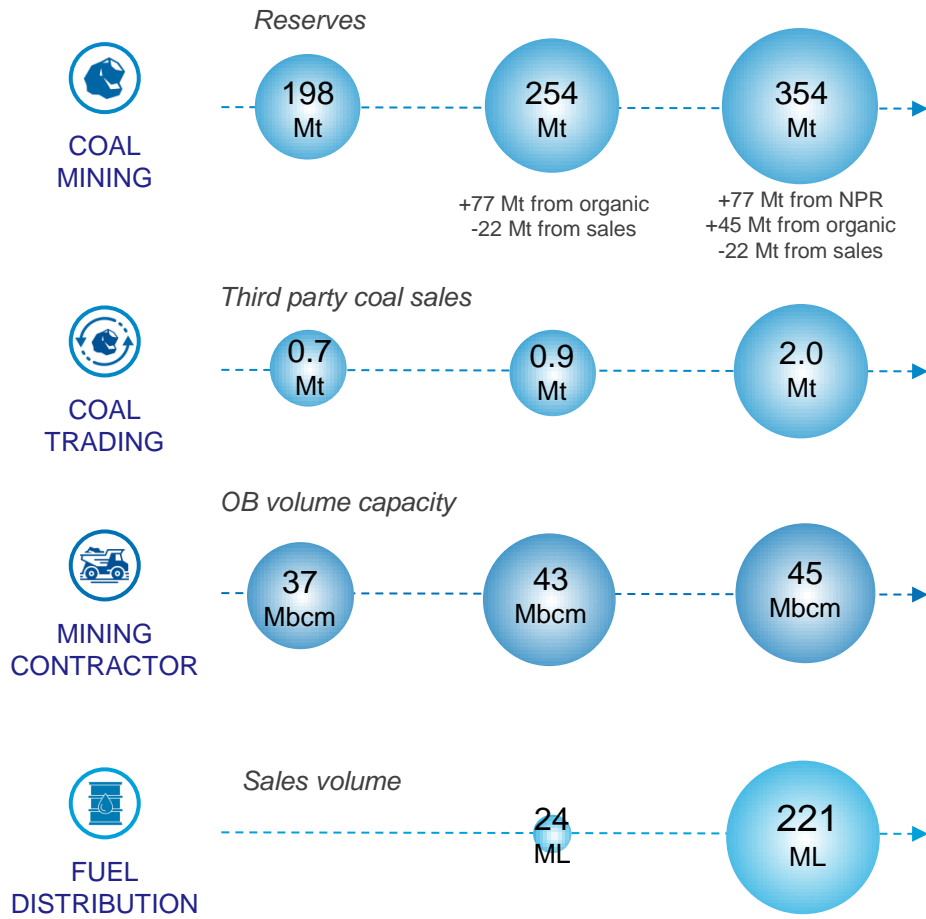


# Optimizing coal assets value milestones 2016-2018



2016 2017 2018

Coal value chain portfolio as end of 2018



# Awards and achievements in 2018

**Best Corporate Governance Practice**



From Indonesian Institute for Corporate Directorship (IICD)

**Gold Rating for Sustainability Report Award**



ITM's Sustainability Report Awarded Gold Ratings from Asia Sustainability Report Rating (ASRR)

**Platinum Awards for Quality Control and Productivity Management**



From Quality Control Circle (QCC) and National Productivity Convention (TKMPN)

**Best Investment Realization According to the Work Plan & Budget**



Indominco wins IMA (Indonesia Mining Association) award 2018

# Strategies: 2019 and beyond

## OPERATIONAL IMPROVEMENT



- Expand coal stockyard capacity at Bunyut Port.
- Improve coal hauling road condition at Melak concessions.
- Optimize Jorong port capacity using dredging method.
- Optimize truck size and cycle time.

## EXPAND CORE BUSINESS



- Leverage ITM's expertise and existing infrastructure to create synergy among nearby concessions.
- Increase target coal trading volume in 2019 as an asset-light complement to the core coal mining business.
- Next step for Trubaindo underground after feasibility study.

## MARGINS ACROSS THE VALUE CHAIN



- Improve and increase in-house mining contractor capacity and productivity.
- Grow fuel business volume and improve logistics to maintain disciplined cost management.
- Explore opportunities in power generation, as well as complete the showcase projects and build in-house capability, to capture opportunity from growing domestic electricity demand.

## BUSINESS PROCESS ENHANCEMENT



- Initiate corporate-wide digital transformation.
- Promote innovation and people development.



**1** INTRODUCTION

**2** OPERATIONAL REVIEW

**3** COMMERCIAL REVIEW

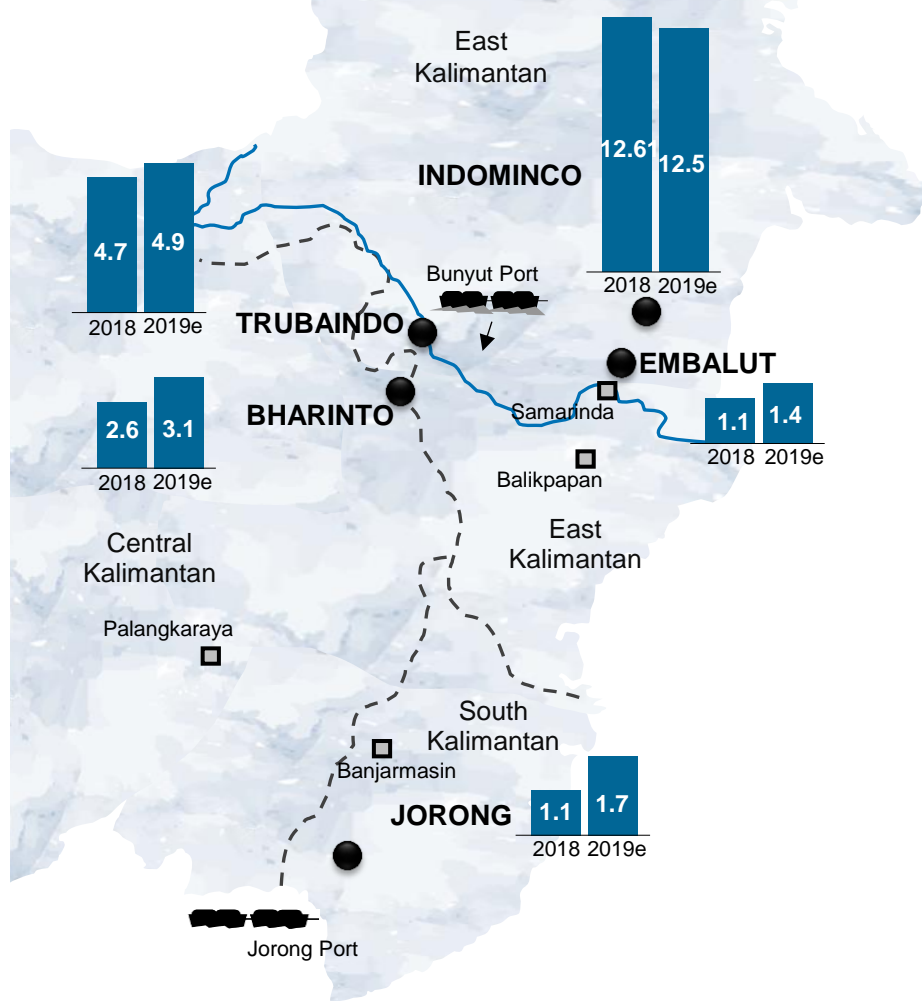
**4** FINANCIAL REVIEW

**5** QUESTION & ANSWERS

# Operational Summary 2018-2019

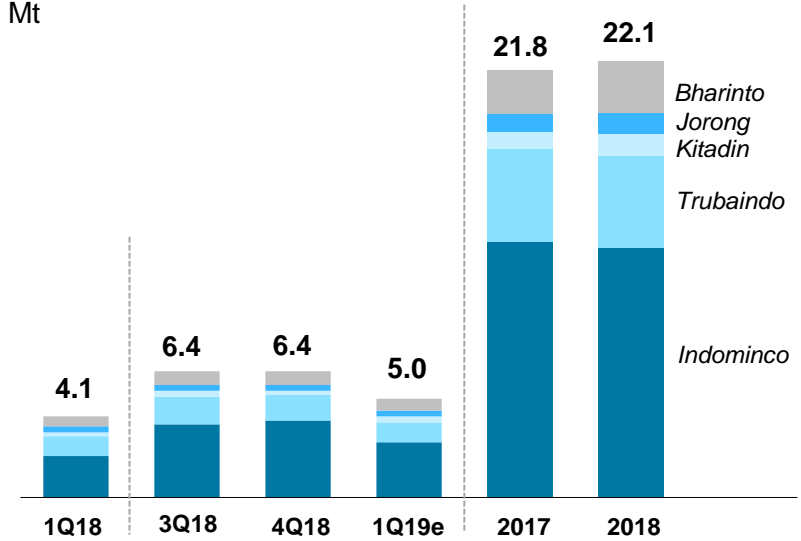
**2018 OUTPUT: 22.1 Mt**

**2019 TARGET: 23.6 Mt\***



## OUTPUT TREND

Unit: Mt

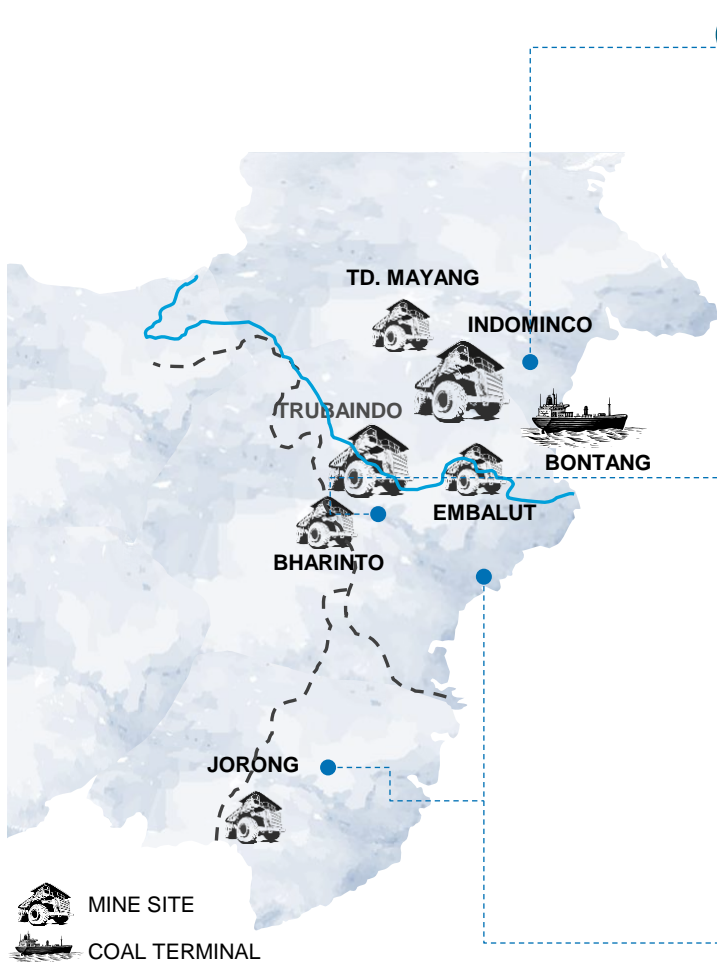


Avg.S/R (bcm/t)	1Q18	3Q18	4Q18	1Q19e	2017	2018
	12.0x	10.8x	10.5x	12.3x	11.2x	11.1x

## COMMENTS

- 4Q18 total output was lower than target due to heavy rainfalls at Indominco and Melak area.
- Higher output target in 2019 as compared to 2018.
- To optimize coal reserves, average strip ratio in 2019 is expected to be higher than 2018.

\*) Subject to further government approval



## INDOMINCO

- Indominco production volume 12.6 Mt in 2018.
- Rationalized capex spending by 44% in 2018.
- Indominco achieved 2 Gold awards for SDGs Goal 'Quality Education' and 'Marine Ecosystems' from Indonesian Sustainable Development Goals Awards (ISDA) in Sep 2018.
- Indominco achieved IMA award from Indonesia Mining Association for Best Investment and Realization in Dec 2018.

## TRUBAINDO - BHARINTO

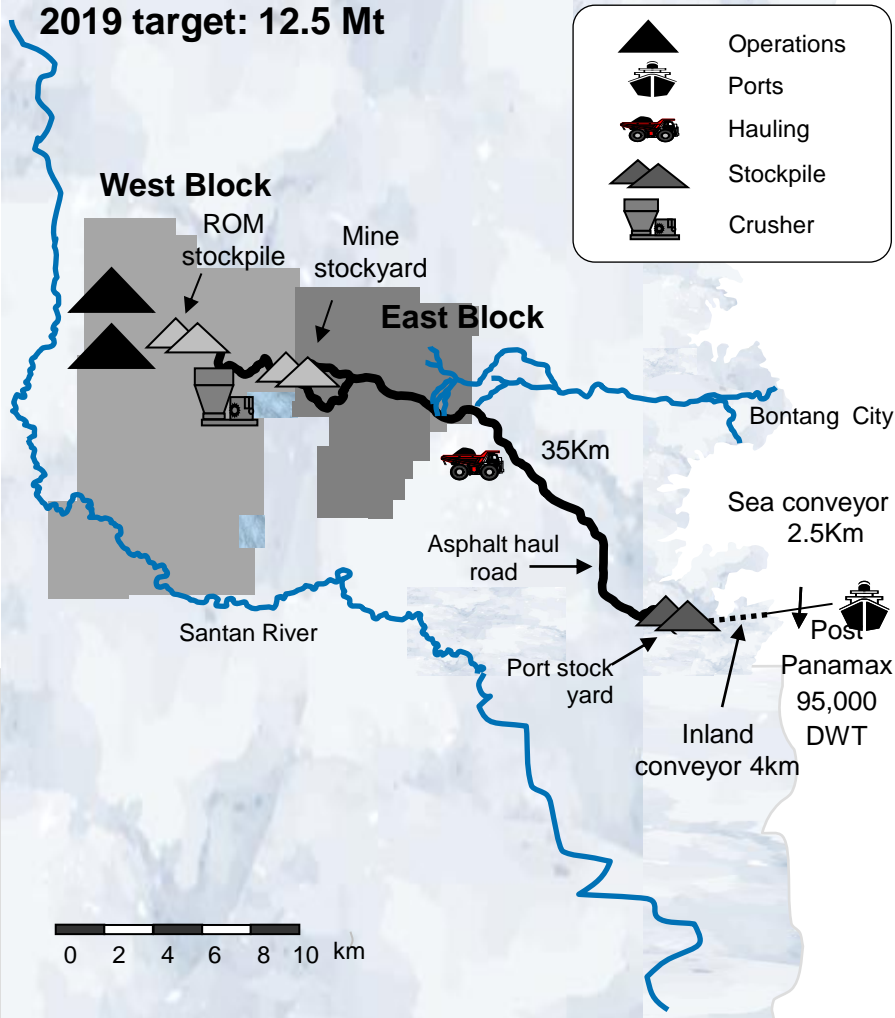
- Trubaindo production output achieved 4.7 Mt and Bharinto achieved 2.6 Mt in 2018.
- Trubaindo: rationalized capex spending by 71% in 2018.
- Trubaindo achieved Bronze Level for environmental management from Ministry of Energy and Mineral Resources in May 2018.
- Bharinto: capex spending increased by 20% in 2018.
- Bharinto achieved 2 awards for TOP CSR category from National Committee on Governance Policy (KNKG) in Sep 2018.

## EMBALUT - JORONG

- Embalut production 1.1 Mt and Jorong 1.1 Mt in 2018.
- Finalization of study to extend the potential area at Embalut mine.
- Additional drilling and coal price improvement resulted in potential additional reserves – for better mine closure activities.

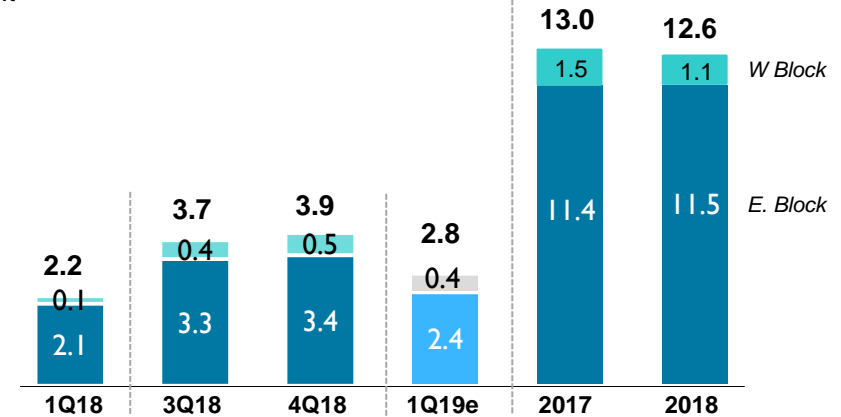
## SCHEMATIC

2019 target: 12.5 Mt



## OUTPUT TREND

Unit: Mt



Avg.S/R (bcm/t)	12.5x	11.1x	10.5x	12.5x	11.9x	11.4x
- W. Block :	24.4x	25.0x	17.1x	15.4x	24.6x	24.4x
- E. Block :	12.2x	9.3x	9.7x	10.2x	10.2x	10.2x

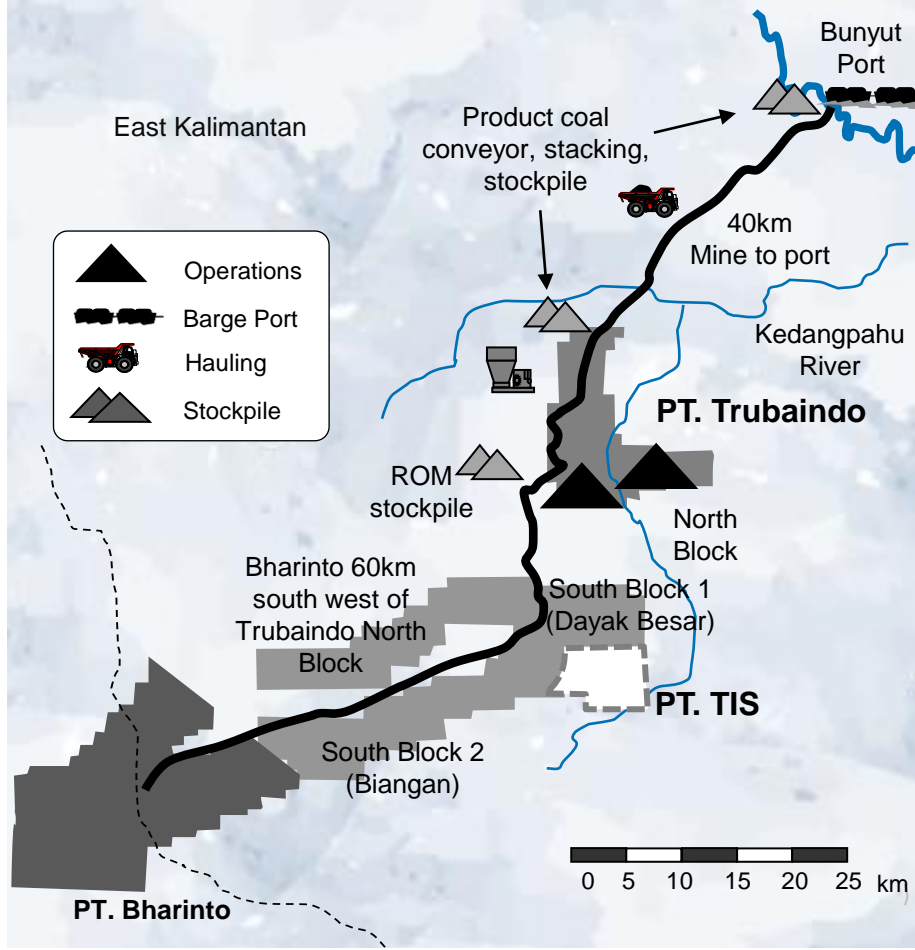
## COMMENTS

- 4Q18 production was lower than target due to rainfalls affecting the mine production.
- Pre-stripping activities in 1Q19 will increase strip ratio during early quarter before gradually decline in the following quarters.
- Higher strip ratio in 2019 due to optimized coal reserves.

# Melak group – Trubaindo and Bharinto

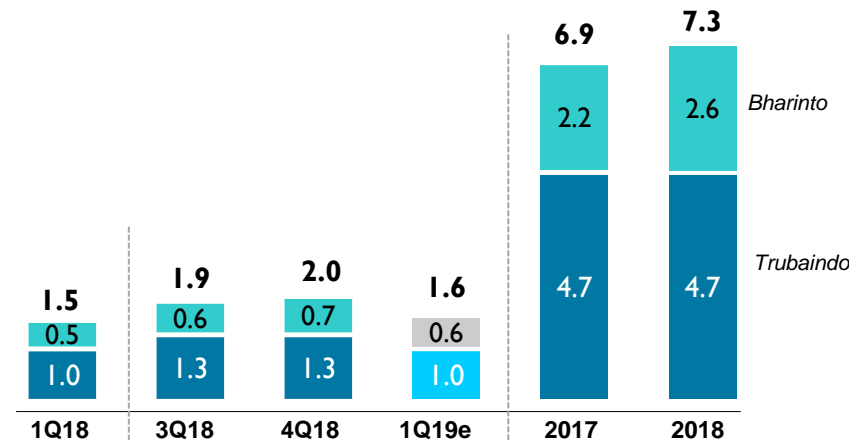
## SCHEMATIC

2019 target: TCM 4.9 Mt  
BEK 3.1 Mt



## OUTPUT TREND

Unit: Mt



S/R (bcm/t)

- Trubaindo :	13.5x	12.7x	11.1x	13.6x	11.2x	12.2x
- Bharinto :	10.6x	8.3x	10.2x	11.1x	9.1x	9.7x

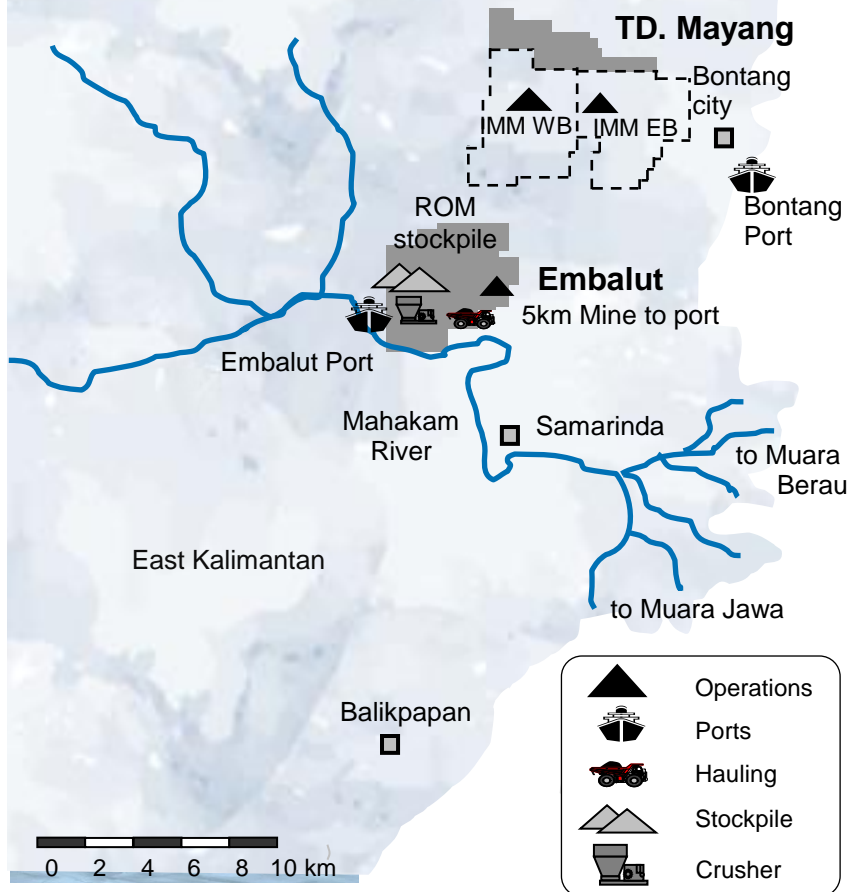
## COMMENTS

- Trubaindo:
  - 4Q18 production achieved as according to target.
  - Bunyut port expansion to accommodate the increase in Melak group production.
  - PT TRUST mining operation will start in 2019.
- Bharinto:
  - 4Q18 production achieved closed to target.
  - PT TRUST hauling operation will start in 2019.

# Kitadin Embalut and Tandung Mayang

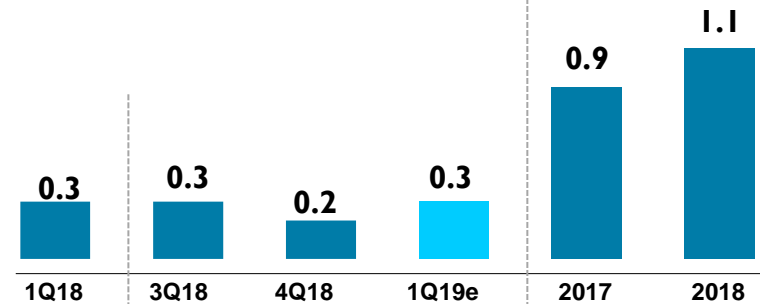
## SCHEMATIC

2019 target: EMB 1.4 Mt



## OUTPUT TREND

Unit: Mt



S/R (bcm/t)

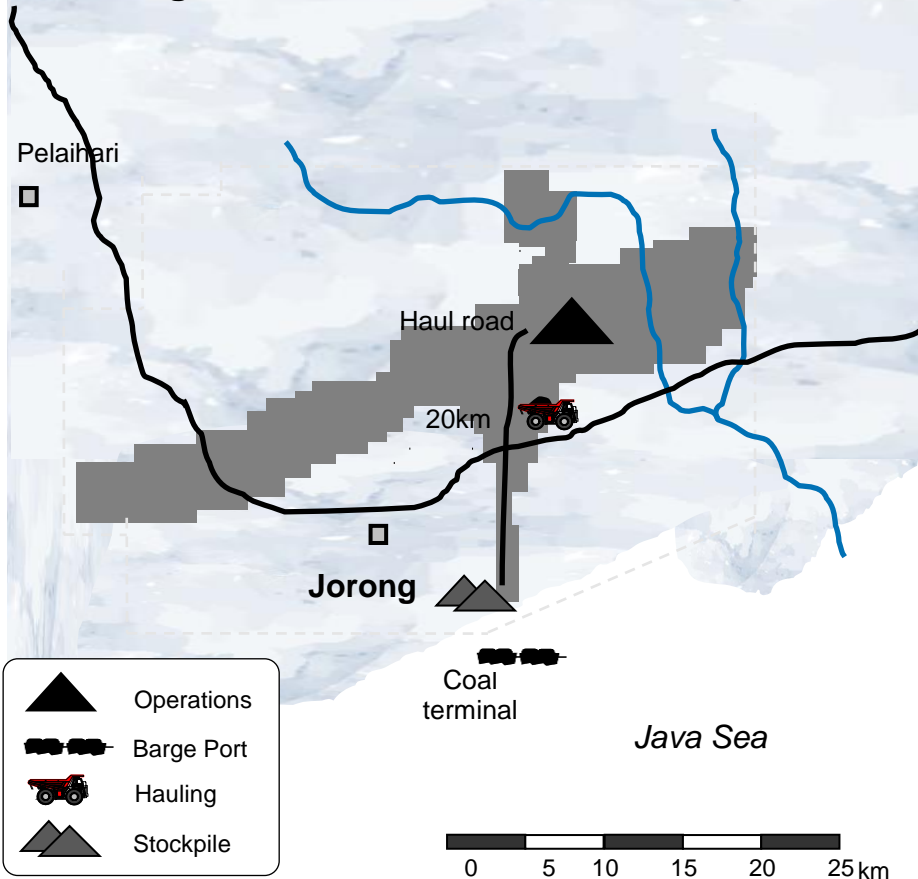
- Embalut : 11.2x 9.8x 12.8x 12.9x 12.2x 10.7x

## COMMENTS

- Kitadin Embalut:
  - 4Q18 production achieved as according to target.
  - Finalization of study to extend the potential area.
- Kitadin Td.Mayang:
  - Continue mine closure activities including mine rehabilitation.

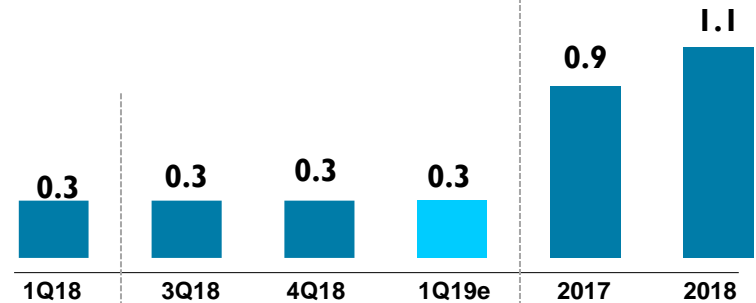
## SCHEMATIC

2019 target: 1.7 Mt



## OUTPUT TREND

Unit: Mt



S/R (bcm/t): 6.1x 6.5x 6.5x 5.0x 6.3x 6.3x

## COMMENTS

- 4Q18 production achieved according to target.
- Additional drilling and coal price improvement resulted in potential additional reserves – for better mine closure activities.

**1** INTRODUCTION

**2** OPERATIONAL









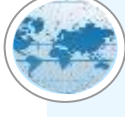

**3** **COMMERCIAL REVIEW**

**4** FINANCIAL REVIEW

**5** QUESTION & ANSWERS
















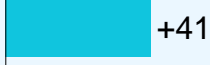


# Global demand trends: 2018 vs 2017

GEOGRAPHY	CHANGE 2018-17 (Mt)	COMMENTS
 <b>CHINA</b>	 <b>+21</b>	<ul style="list-style-type: none"> <li>Import restriction reduced coal imports sharply in Q4, significant impact to low-energy coal market.</li> <li>Mild winter, slowed economy, increased domestic supply and high stocks at power plants led to weak demand in Q4.</li> <li>Total year import was strong due to tight domestic supply in the first 3 quarters.</li> </ul>
 <b>INDIA</b>	 <b>+24</b>	<ul style="list-style-type: none"> <li>Healthy industrial production growth drove power demand.</li> <li>Strong import demand in non-power sector.</li> <li>Insufficient domestic supply.</li> </ul>
 <b>OTHER N.ASIA</b>	<b>-2</b>	<ul style="list-style-type: none"> <li>Mild temperatures and increased nuclear availability reduced coal-fired generation in Japan.</li> <li>Flat coal burn in South Korea and Taiwan despite government restricted coal-fired generation to counter air pollution.</li> <li>Focus on high quality coal</li> </ul>
 <b>EUROPE</b>	<b>-8</b>	<ul style="list-style-type: none"> <li>Mild weather and strong contribution from renewable generations reduced coal burn.</li> <li>Low water levels at the Rhine River limited imports, ARA stocks high.</li> <li>Coal phase-out gained more momentum in 2018.</li> </ul>
 <b>OTHERS</b>	 <b>+27</b>	<ul style="list-style-type: none"> <li>New coal-fired power plants in Vietnam, Malaysia, Philippines and Pakistan are driving coal demand.</li> <li>Demand is improving in Egypt and Morocco.</li> </ul>
 <b>GLOBAL</b>	 <b>+62</b>	<p><i>Strong demand growth with high volatility and uncertainty. Tighten environmental control in northern Asia kept high quality coal demand strong and kept Newcastle 6,000 kc nar price high. While Chinese import restriction reduced demand for LCV coal significantly and depressed LCV coal prices to the floor level at the end of the year.</i></p>

Note: Includes lignite but excludes anthracite

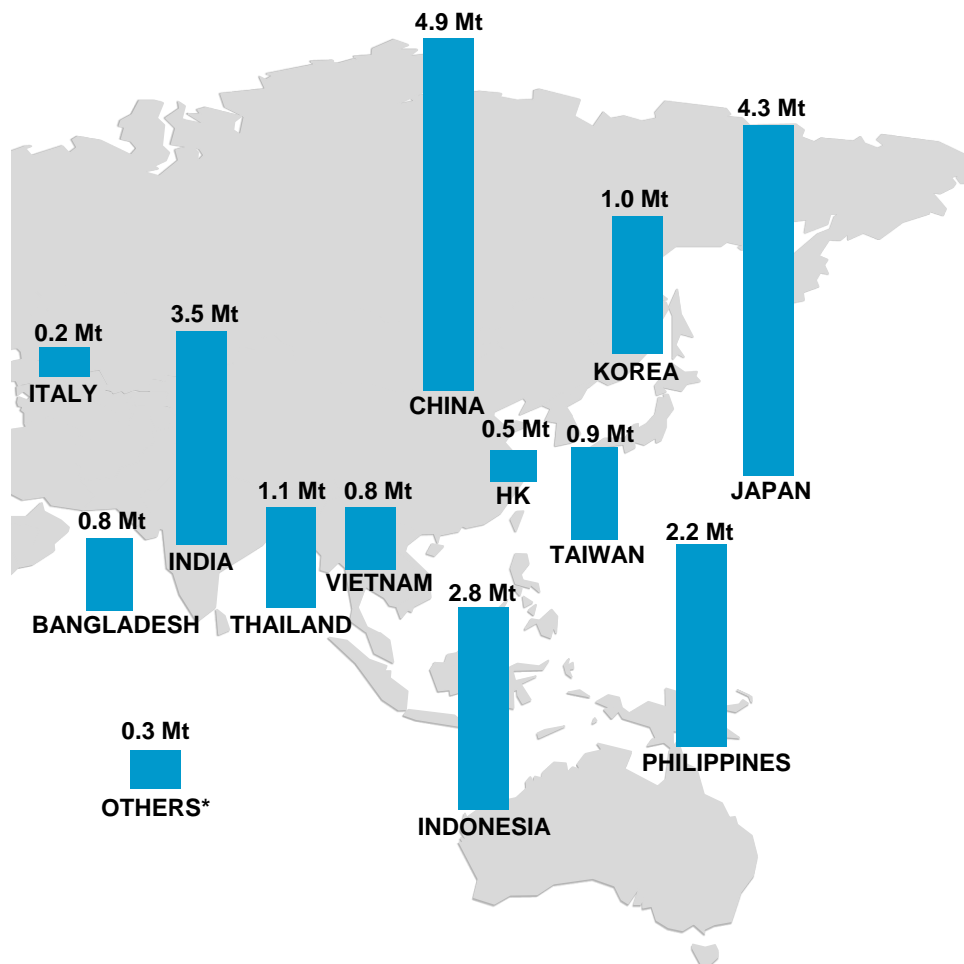
# Global supply trends: 2018 vs 2017

GEOGRAPHY	CHANGE 2018-17 (Mt)	COMMENTS
 <b>INDONESIA</b>	 <b>+31</b>	<ul style="list-style-type: none"> <li>▪ Significant growth of LCV production.</li> <li>▪ Chinese import restriction weighed on Q4 exports and pressured LCV coal prices.</li> <li>▪ Started rainy season in Q4.</li> </ul>
 <b>AUSTRALIA</b>	 <b>+8</b>	<ul style="list-style-type: none"> <li>▪ Weather and rail and port maintenance limited export growth.</li> </ul>
 <b>COLOMBIA</b>	 <b>-3</b>	<ul style="list-style-type: none"> <li>▪ Intense wet season and production constraints hampered exports.</li> <li>▪ Diverted more coal to Asia and sold more to Americas as European demand declined.</li> </ul>
 <b>RUSSIA</b>	 <b>+1</b>	<ul style="list-style-type: none"> <li>▪ Diverted more coal to Asia.</li> <li>▪ Weather and infrastructure constraint limited export growth to Asia.</li> </ul>
 <b>S.AFRICA</b>	 <b>-2</b>	<ul style="list-style-type: none"> <li>▪ Continued shortage of high quality product due to limited capital spend in the past few years.</li> <li>▪ Miners exported lower quality coal to fulfil take-or-pay commitment with export port which added more LCV coal into oversupply market.</li> </ul>
 <b>USA</b>	 <b>+11</b>	<ul style="list-style-type: none"> <li>▪ Low domestic demand incentivized miners to divert production to exports to realize higher prices.</li> <li>▪ Limited availability of rail and port capacity restricted export growth.</li> </ul>
 <b>OTHERS</b>	 <b>-5</b>	<ul style="list-style-type: none"> <li>▪ Exports from Poland, China, Canada, Venezuela and the Philippines are declined.</li> </ul>
 <b>GLOBAL</b>	 <b>+41</b>	<p><i>Tight supply of high-energy coal on strong demand and limited reserves and investments. But oversupply for low-energy coal driven by Chinese import restrictions and increased production from Indonesia. This increased spread between high- and low-energy coal prices.</i></p>

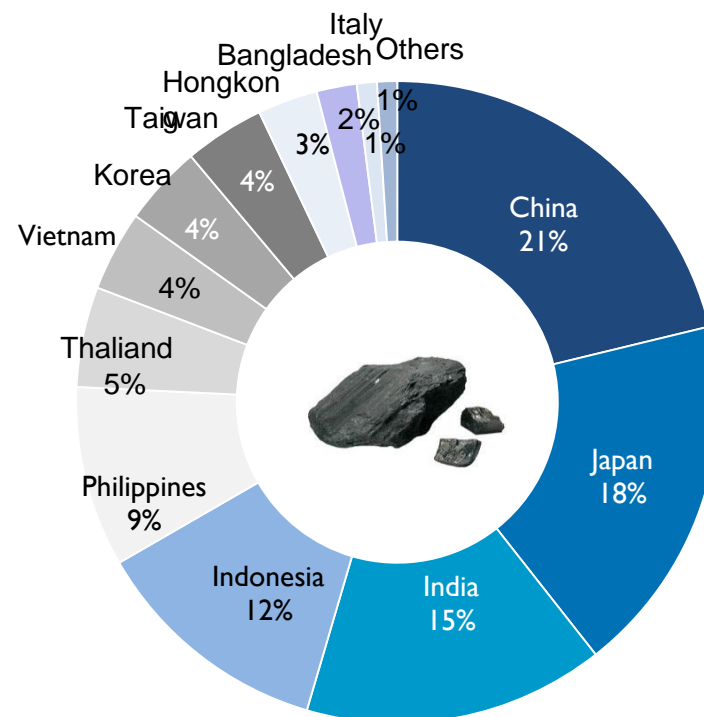
Note: Russia exports to non-CIS only

# ITM coal sales FY18

## COAL SALES BREAKDOWN BY DESTINATION



## COAL SALES FY18

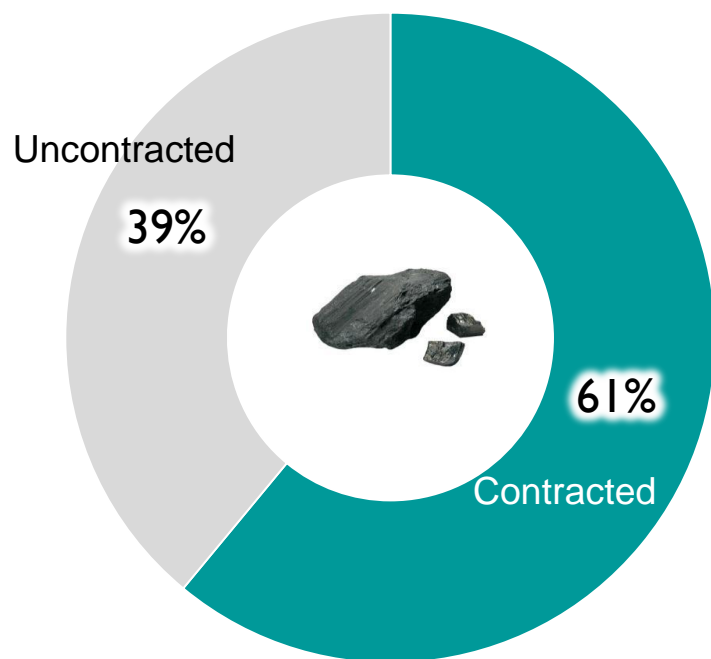


**Total coal sales FY18: 23.5 Mt**

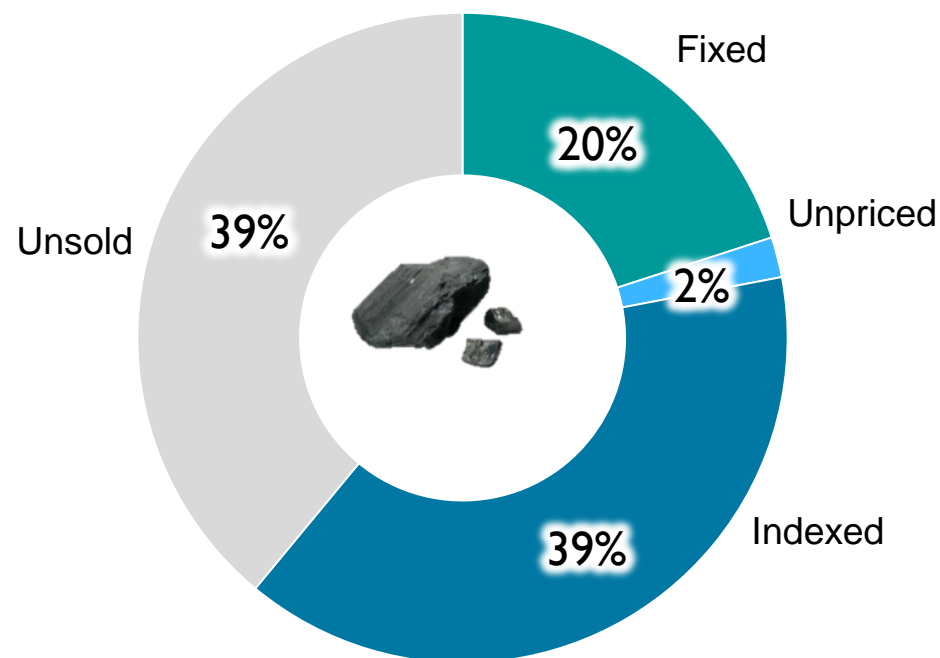
\*) Note: New Zealand, Myanmar, Malaysia

## COAL SALES CONTRACT AND PRICING STATUS

### Contract Status



### Price Status



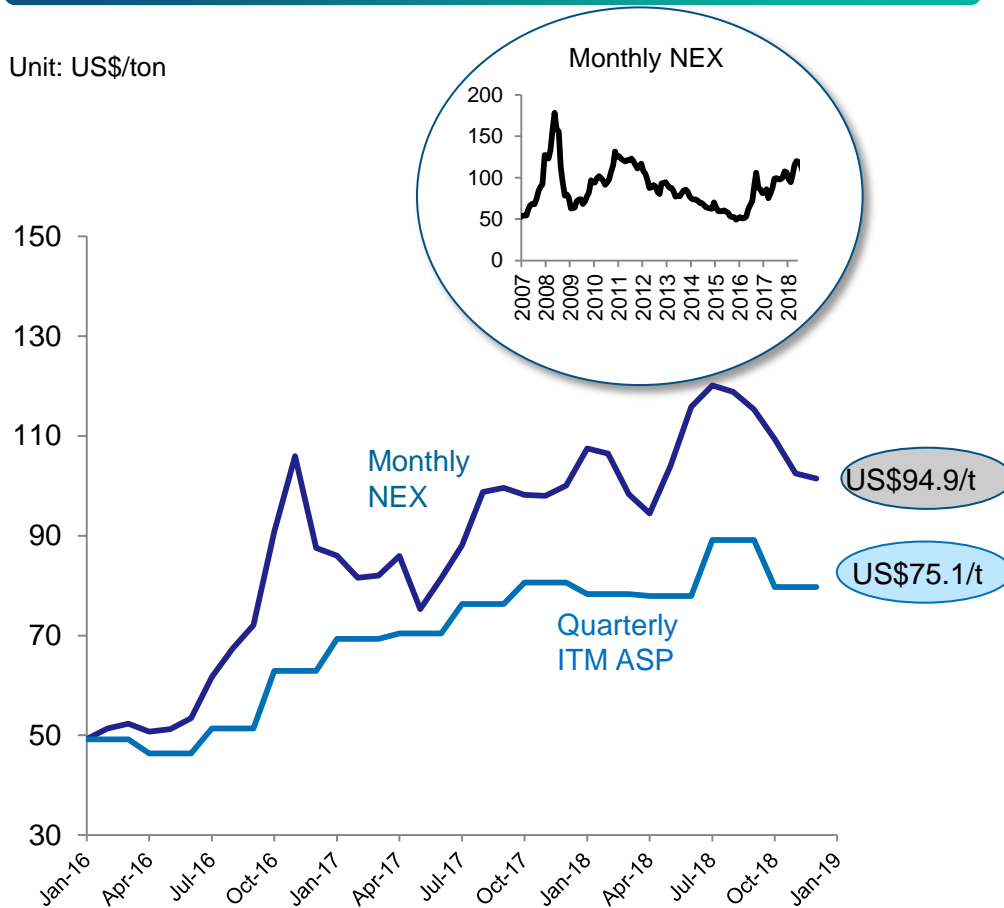
**TARGET SALES 2019: 26.5 Mt**

# ITM ASPs vs thermal coal benchmark prices



## ITM ASP VS BENCHMARK PRICES

Unit: US\$/ton



## COMMENTS

- Chinese import restriction weighed in on Q4 exports and pressured Indonesian coal.
- Divergence of ICI indices against Australian Indices continued to widen through Q4.
- Expect gap to retract into 2019 as Chinese Import quota reset.
- As a result, 4Q18 ASP ITM lower than 3Q18.
  - ITM ASP: US\$75.1/t\* (-15% QoQ)
  - NEX (Mar 01, 2019)\*\*: US\$96.5/t

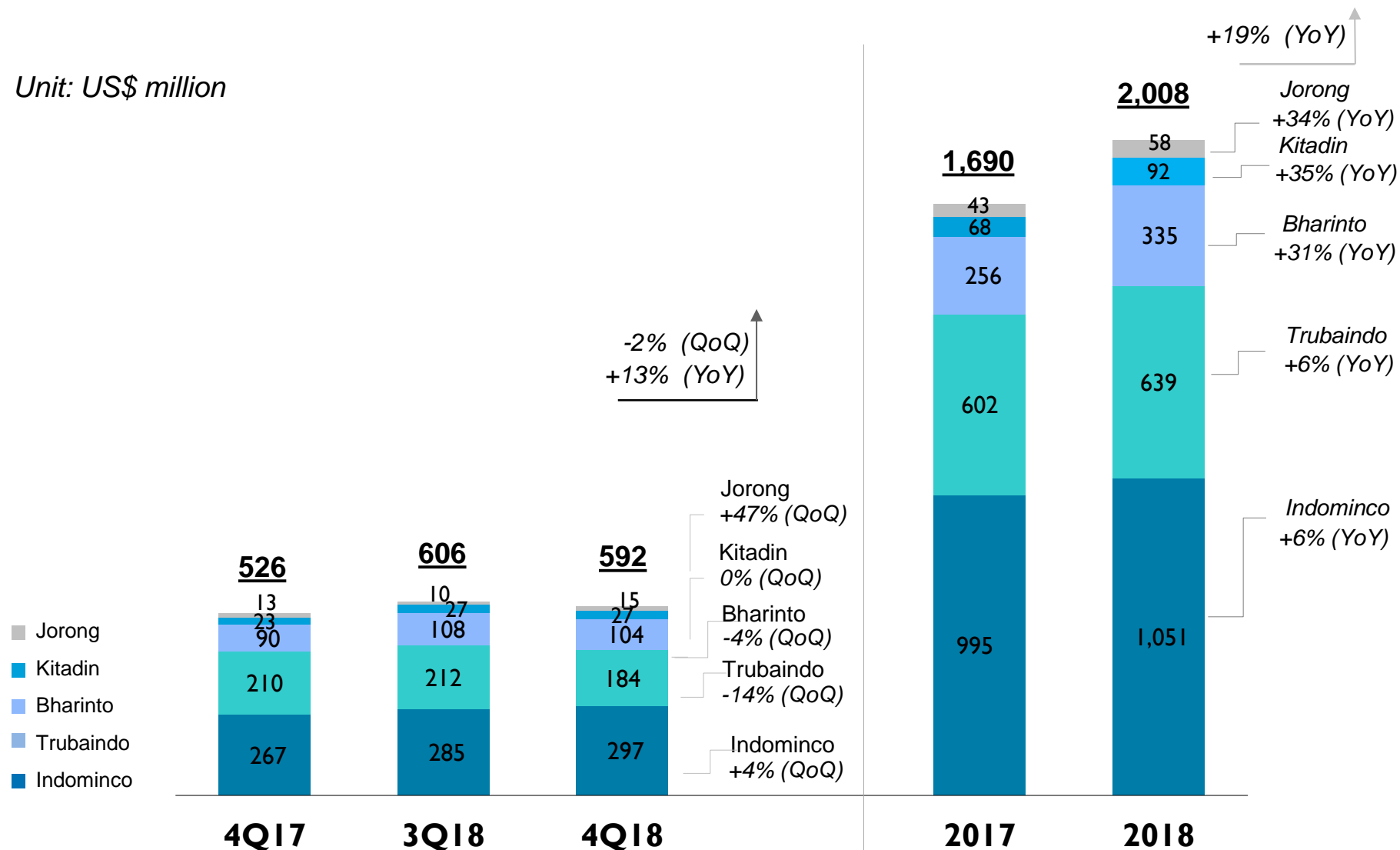
Note: \* Included post shipment price adjustments as well as traded coal  
 \*\* The Newcastle Export Index (previously known as the Barlow Jonker Index – BJI)

- 1** INTRODUCTION
- 2** OPERATIONAL
- 3** COMMERCIAL REVIEW
- 4** **FINANCIAL REVIEW**
- 5** QUESTION & ANSWERS

# Sales revenue



Unit: US\$ million

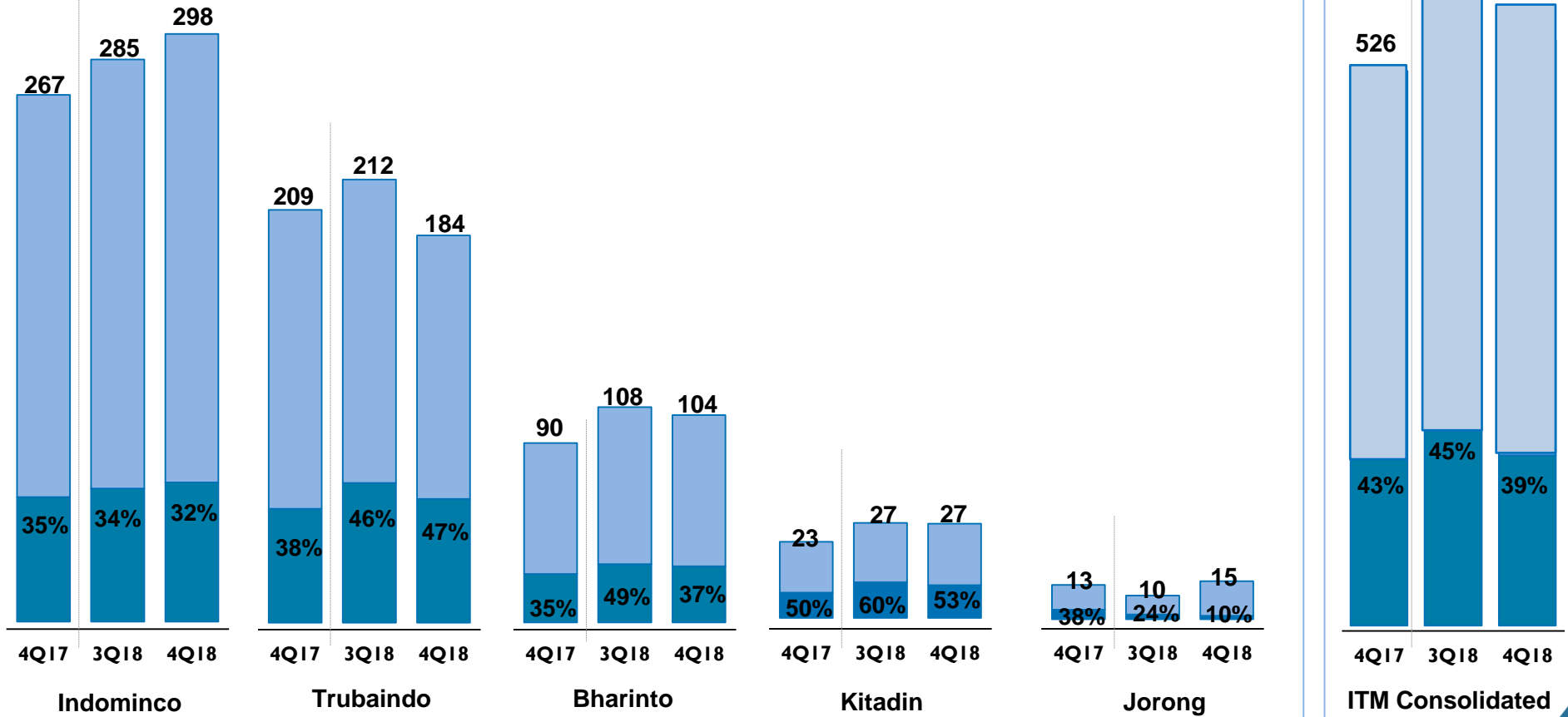


Note : Total consolidated revenue after elimination

# Average gross margin

Unit : US\$ Million

Revenue  
GPM\* (%)



Avg. FY17: 42%  
Avg. FY18: 41%

Note: Excluding royalty



# Cost analysis

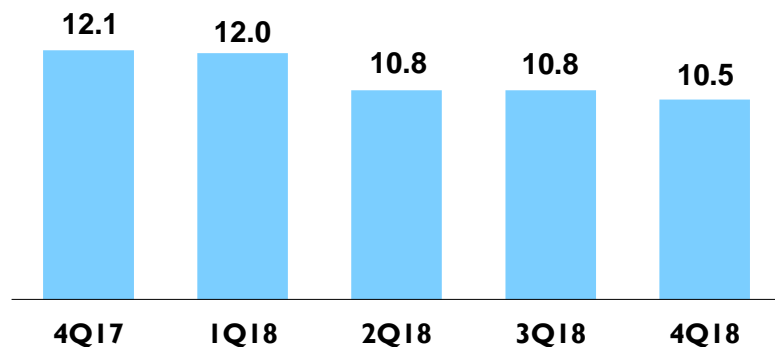


## WEIGHTED AVERAGE STRIP RATIO

Unit: Bcm/t

Avg. FY17: 11.2

Avg. FY18: 11.1

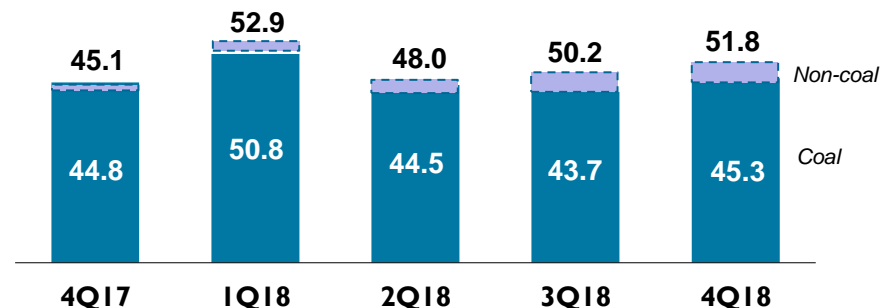


## PRODUCTION COST

Unit: US\$/t

Avg. FY17: \$41.6/t

Avg. FY18: \$50.6/t

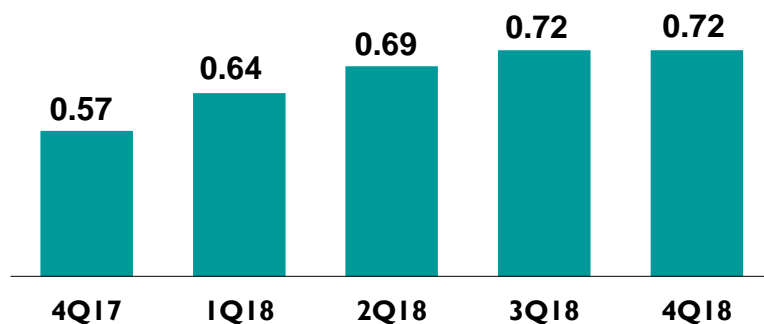


## FUEL PRICE

Unit: US\$/Ltr

Avg. FY17: \$0.53/ltr

Avg. FY18: \$0.69/ltr

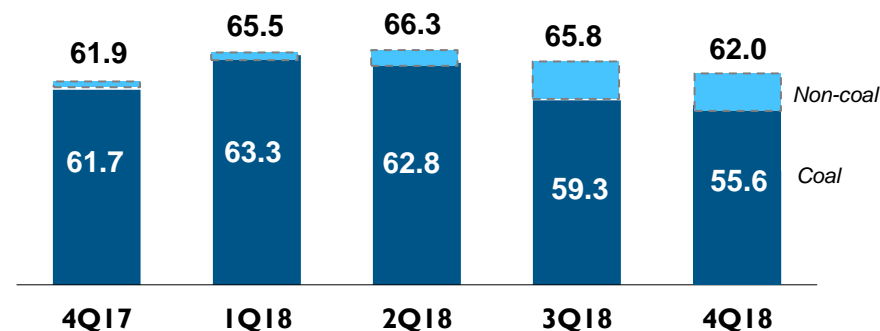


## TOTAL COST\*

Unit: US\$/t

Avg. FY17: \$55.7/t

Avg. FY18: \$64.7/t

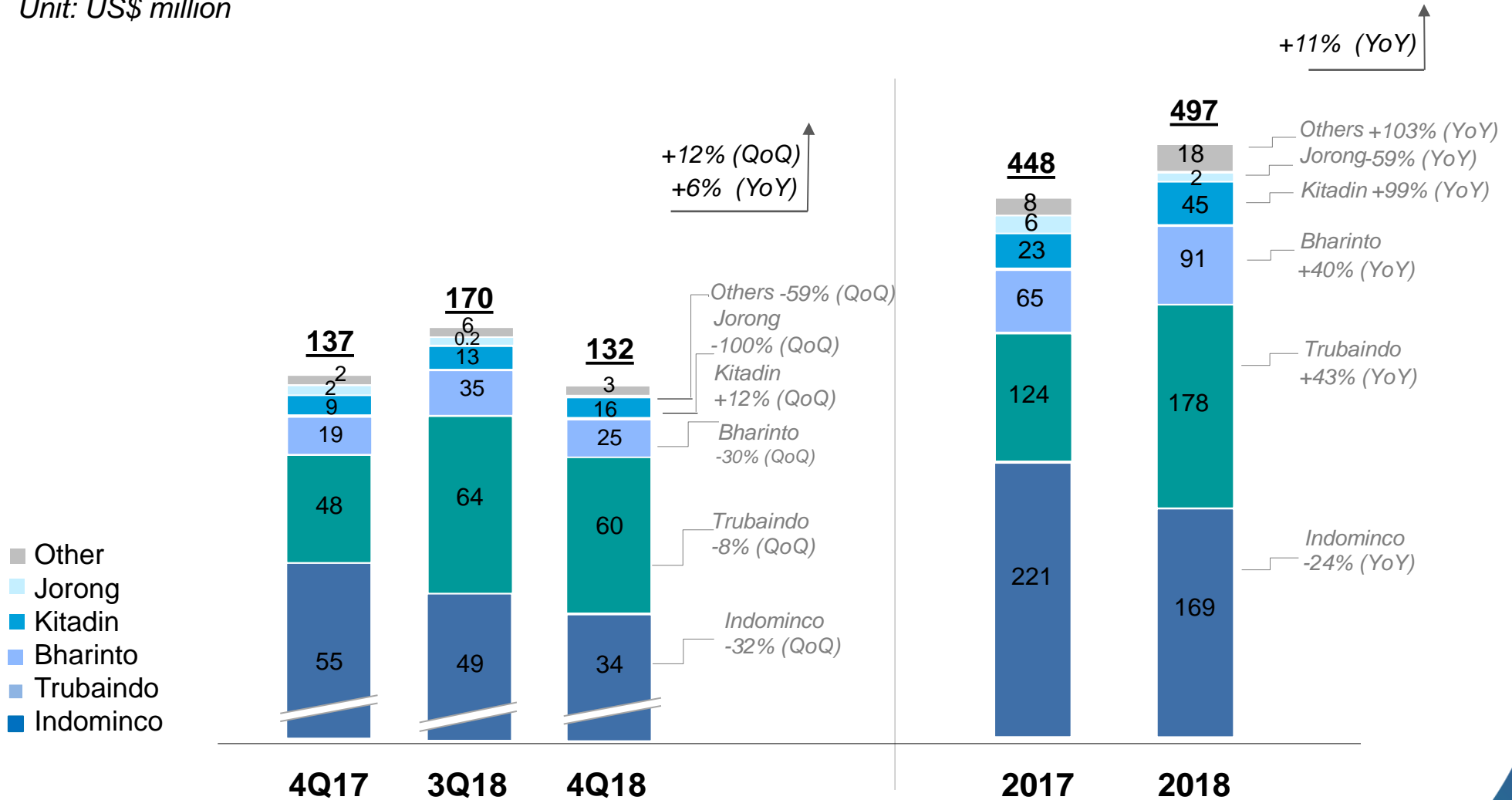


\* Cost of Goods Sold + Royalty + SG&A

# EBITDA



Unit: US\$ million

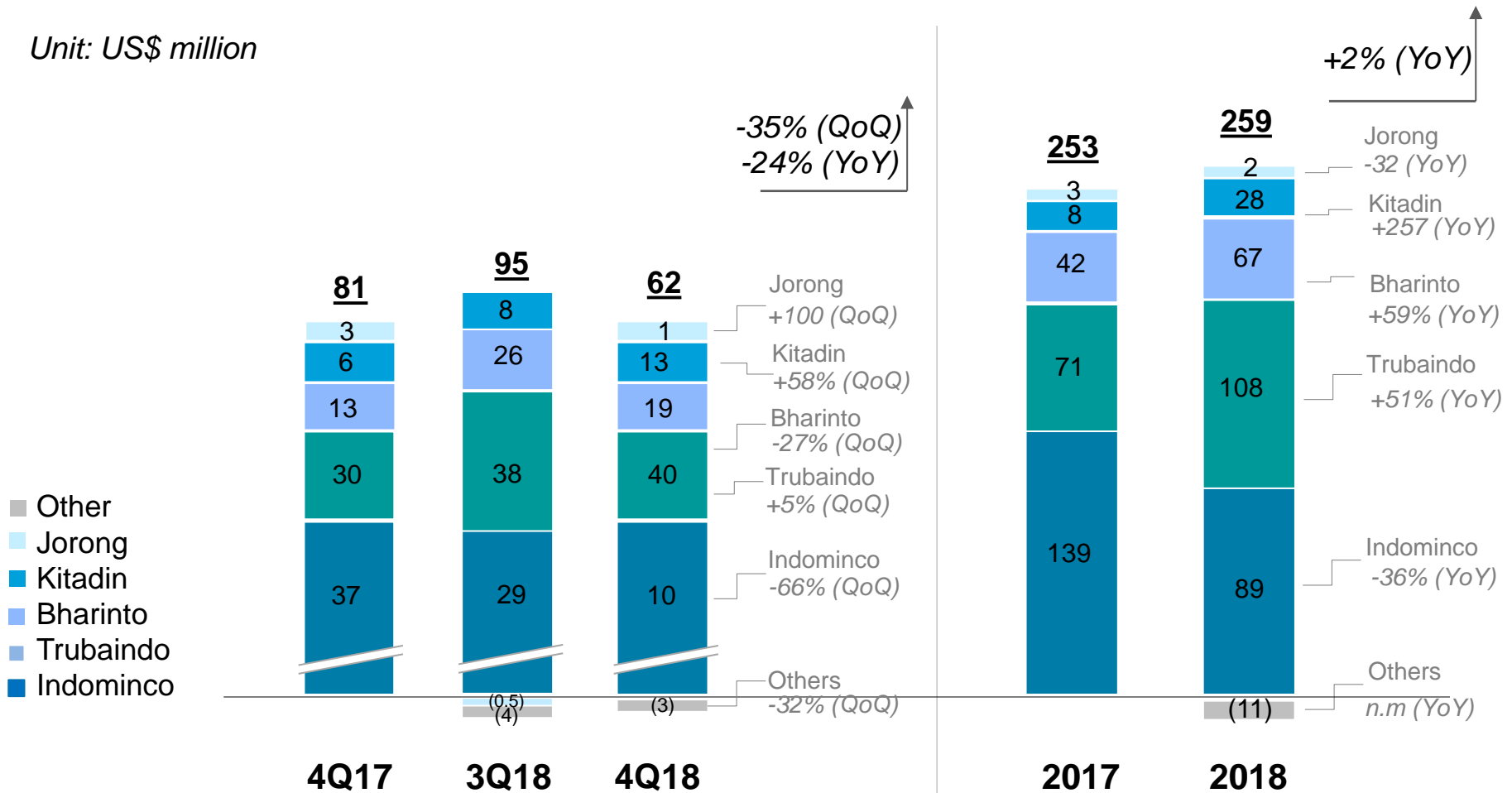


Note : Total EBITDA after elimination

# Net income



Unit: US\$ million

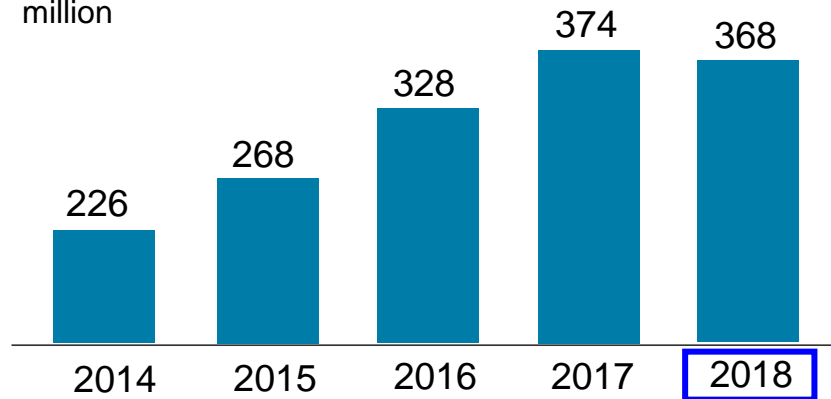


Note : Total consolidated net income after elimination

# Balance sheet

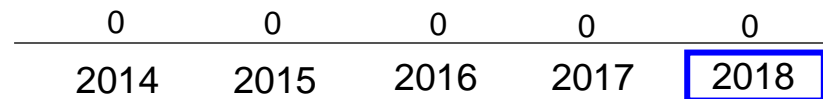
## CASH POSITION

Unit: US\$ million



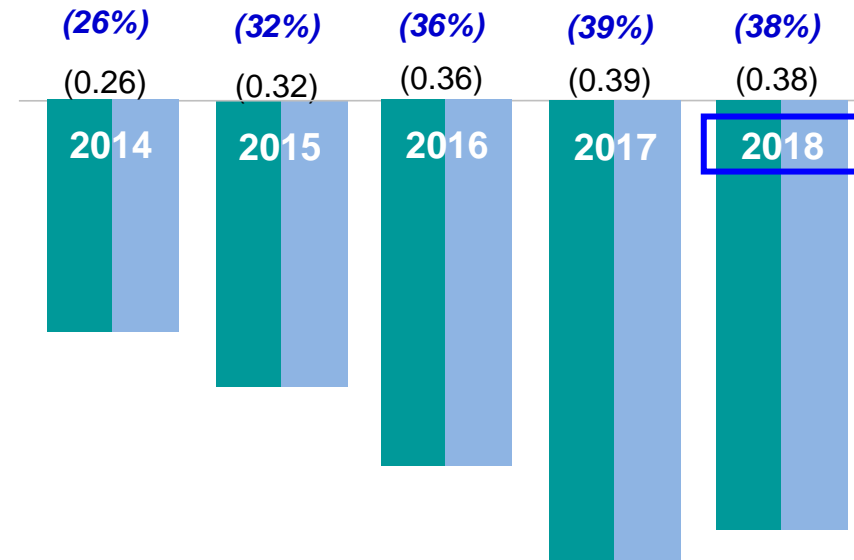
## DEBT POSITION

Unit: US\$ million



## KEY RATIOS

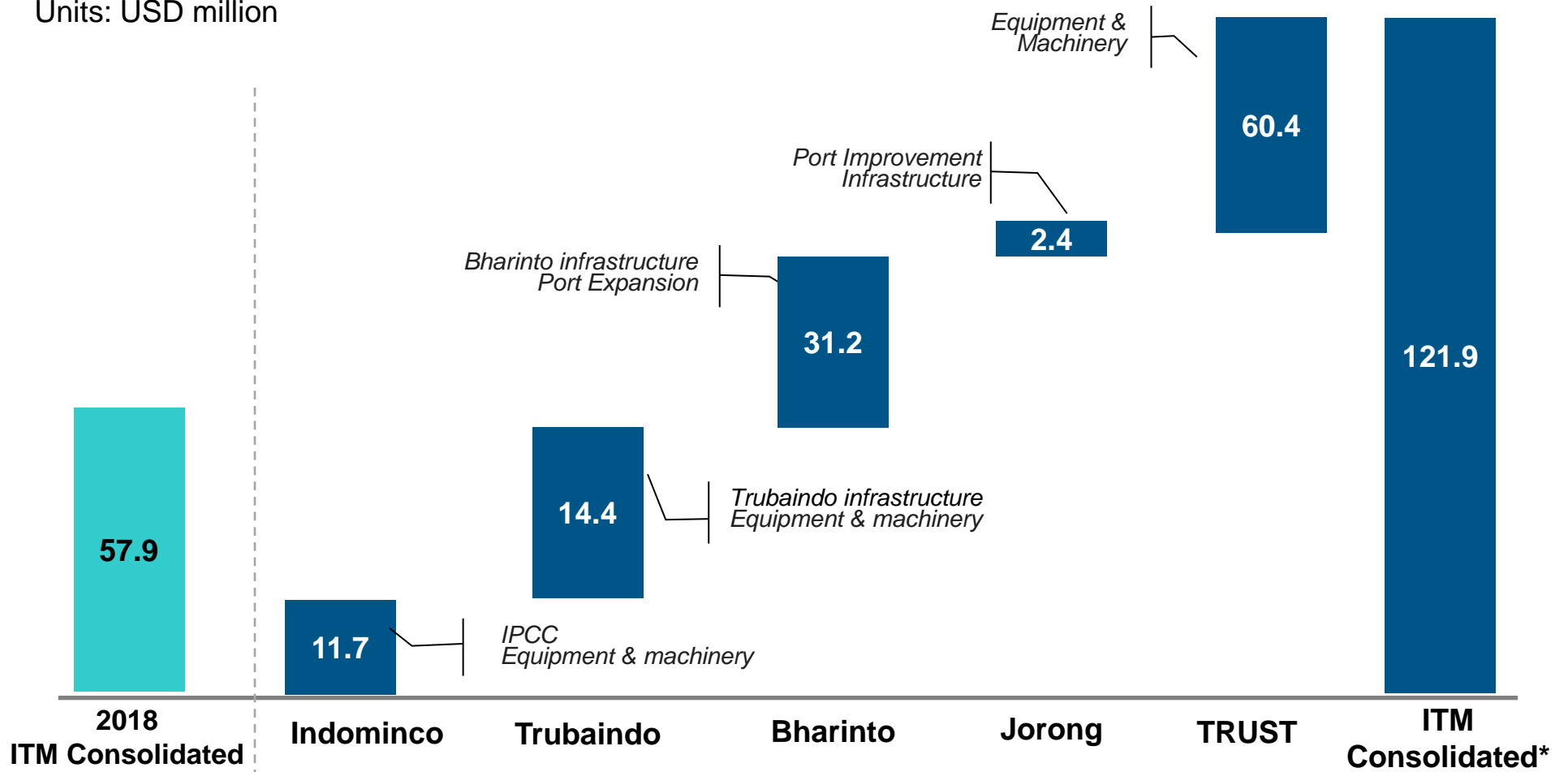
- Net Gearing (%)
- Net D/E (times)



# 2019 Capital expenditure plan



Units: USD million



Note: Total capex plan including Jakarta



*Thank you*

## Appendices

# Income statement



Unit: US\$ thousand	FY18	FY17	YoY%
<b>Net Sales</b>	<b>2,007,630</b>	<b>1,689,525</b>	<b>19%</b>
<b>Gross Profit</b>	<b>583,959</b>	<b>505,448</b>	<b>16%</b>
<b>GPM</b>	<b>29%</b>	<b>30%</b>	
SG&A	(151,909)	(117,362)	29%
<b>EBIT</b>	<b>432,050</b>	<b>388,086</b>	<b>11%</b>
<b>EBIT Margin</b>	<b>22%</b>	<b>23%</b>	
<b>EBITDA</b>	<b>497,287</b>	<b>447,507</b>	<b>11%</b>
<b>EBITDA Margin</b>	<b>25%</b>	<b>26%</b>	
Net Interest Income / (Expenses)	3,560	2,594	37%
FX Gain / (Loss)	(9,695)	(350)	n.m
Derivative Gain / (Loss)	(39,556)	428	n.m
Others	(18,996)	(28,703)	-34%
<b>Profit Before Tax</b>	<b>367,363</b>	<b>362,055</b>	<b>1%</b>
Income Tax	(108,607)	(109,352)	-1%
<b>Net Income</b>	<b>258,756</b>	<b>252,703</b>	<b>2%</b>
<b>Net Income Margin</b>	<b>13%</b>	<b>15%</b>	

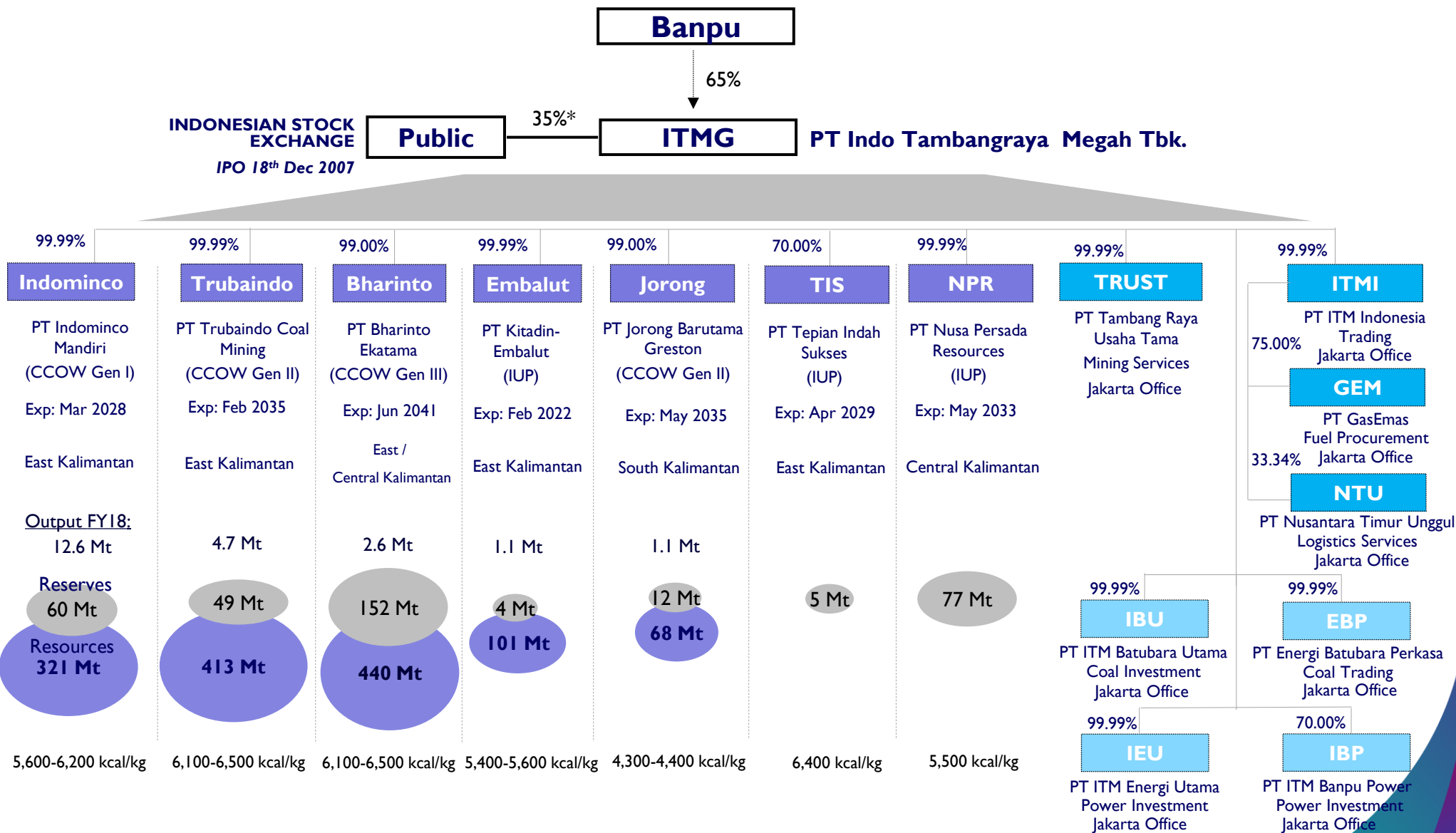


# Income statement



Unit: US\$ thousand	4Q18	3Q18	4Q17	QoQ%	YoY%
<b>Net Sales</b>	<b>592,439</b>	<b>606,295</b>	<b>525,712</b>	<b>-2%</b>	<b>13%</b>
<b>Gross Profit</b>	<b>155,110</b>	<b>203,104</b>	<b>158,567</b>	<b>-24%</b>	<b>-2%</b>
<b>GPM</b>	<b>26%</b>	<b>33%</b>	<b>30%</b>		
SG&A	(43,733)	(48,993)	(37,580)	-11%	16%
<b>EBIT</b>	<b>111,377</b>	<b>154,111</b>	<b>120,987</b>	<b>-28%</b>	<b>-8%</b>
<b>EBIT Margin</b>	<b>19%</b>	<b>25%</b>	<b>23%</b>		
<b>EBITDA</b>	<b>131,753</b>	<b>169,877</b>	<b>137,233</b>	<b>-22%</b>	<b>-4%</b>
<b>EBITDA Margin</b>	<b>22%</b>	<b>28%</b>	<b>26%</b>		
Net Interest Income / (Expenses)	1,261	871	544	45%	132%
FX Gain / (Loss)	81	(4,007)	(710)	-102%	-111%
Derivative Gain / (Loss)	(14,587)	(15,190)	2	-4%	n.m
Others	(11,880)	(2,067)	(9,669)	475%	23%
<b>Profit Before Tax</b>	<b>86,252</b>	<b>133,718</b>	<b>111,864</b>	<b>-35%</b>	<b>-23%</b>
Income Tax	(24,667)	(39,057)	(31,369)	-37%	-21%
<b>Net Income</b>	<b>61,585</b>	<b>94,661</b>	<b>80,495</b>	<b>-35%</b>	<b>-23%</b>
<b>Net Income Margin</b>	<b>10%</b>	<b>16%</b>	<b>15%</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 interCompetent.

Persons (consider suitably experienced under the JORC Code) and deducted from coal sales volume in FY18.