



# ANALYST BRIEFING FY19 PERFORMANCE RESULTS

*Jakarta, 28<sup>th</sup> February 2020*



**OUR WAY IN ENERGY**

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**QUESTION & ANSWERS**

# Highlights of 4Q19 and FY19 results



**Coal sales**  
**6.5 Mt**  
 ↑ Up 0.0 Mt  
 +0% Q-Q

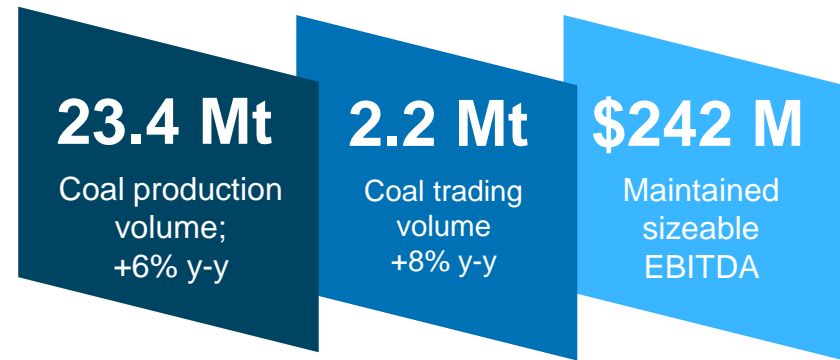
**Coal sales**  
**25.3 Mt**  
 ↑ Up 1.8 Mt  
 +8% Y-Y

*Unit: US\$ million*

	<u>3Q19</u>	<u>4Q19</u>	<u>Q-Q</u>	<u>FY18</u>	<u>FY19</u>	<u>y-y</u>
<b>Total Revenue</b>	412	411	-0%	2,008	1,716	-15%
<b>Gross Profit Margin</b>	18%	22%	+4%	29%	19%	-10%
<b>EBIT</b>	38	46	+20%	432	180	-58%
<b>EBITDA</b>	53	62	+16%	497	242	-51%
<b>Net Income</b>	30	28	-6%	259	127	-51%
<b>Coal ASP (USD/ton)</b>	\$61.7	\$60.0	-3%	\$81.0	\$64.6	-20%

# 2019 Highlights

ITM remained vigilant and adaptive in countering the effect of soft coal price environment



**Organic and inorganic growth**

**+27%**

In-house mining contractor portion to ITM group

**2.2 Mt**

Coal trading volume, recording 8% y-y increase

**194 ML**

Fuel distribution volume, increasing 3<sup>rd</sup> parties sales portion



**Operational performance**

**23.4 Mt**

Coal production volume increased by 6% y-y

**1.7 Mt**

Coal hauled at Melak cluster sites by in-house mining contractor

**10.9x**

Strip ratio reduction; decreased by 2% y-y



**Financial performance**

**\$242 M**

EBITDA decrease -51% y-y

**\$64.6/t**

Avg. Selling Price -20% y-y decrease

**\$57.7/t**

Coal business cost/ton -3% y-y decrease

## CORE BUSINESS

### COAL OPERATIONAL IMPROVEMENT

- Continue cost efficiency initiatives through **mine plan optimization** and **overhead rationalization**.
- Expand TRUST scale and scope of operation in Melak cluster area; increase **coal hauling volume into 8 mtpa**.
- Enhance exploration techniques and practices especially for recently acquired mines to ensure maximum **organic reserve** growth.

### BUSINESS EXPANSION

- Actively seek **inorganic expansion** opportunities especially for area in close proximity to current coal asset.
- Leverage ITM's established **infrastructure network** to create business opportunities outside coal operation.



## COAL VALUE CHAIN

### MARGIN ACROSS VALUE CHAIN

- Maximize margin from coal trading and coal blending operation to improve product quality; **increase coal trading from 2.2 mt to 2.8 mt**.
  - Replicate recent **Solar PV** construction to other ITM mine site to improve fuel usage efficiency at mine.
- Expand fuel business **sales portion of 3<sup>rd</sup> party customers** for better margin and diversify the business.

### PROCESS ENHANCEMENT

- Transform current practice into **smart mining practice** by utilizing acquired digital capabilities and agile mind set.
- Maintain intracompany **innovation generation platform** and people development initiatives.

# Renewable Power: Solar – Diesel Hybrid



- **3MW new renewable** solar power plant build at Indominco port area.
- The solar power sits on 4 hectares of land and is assembled in hybrid configuration with diesel generator.
- Objective is to improve fuel efficiency at site through reducing diesel generator usage during daylight time.
- Also in line with our main shareholders vision of Greener & Smarter.
- Currently for internal use only; equipped with **2MW battery energy storage** system and micro-grid controls.
- Power generated by solar power will be injected to microgrid system to maintain stable quantity and quality of power in the grid at all times. Any excess of power generated during the day will be stored in the batteries. Battery management system ensure safe charge and discharge of the batteries.

# Awards and achievements in 2019

**Most Innovative  
Company in Mining  
Sector**



From Business News  
Television Station: IDX  
Channel

**Top 10 Best  
Performance of  
Respect for Human  
Rights**



From  
Foundation For  
International Human  
Rights Reporting  
Standards (FIHRRST)

**Platinum Awards for  
Asia Sustainability  
Report (ASRRAT)  
2019**



From National  
Committee for  
Sustainable Reporting

**Best Responsibility  
of The Board Based  
on ASEAN CG Score  
Card**



From Indonesia  
Institute for Corporate  
Directorship (IICD)

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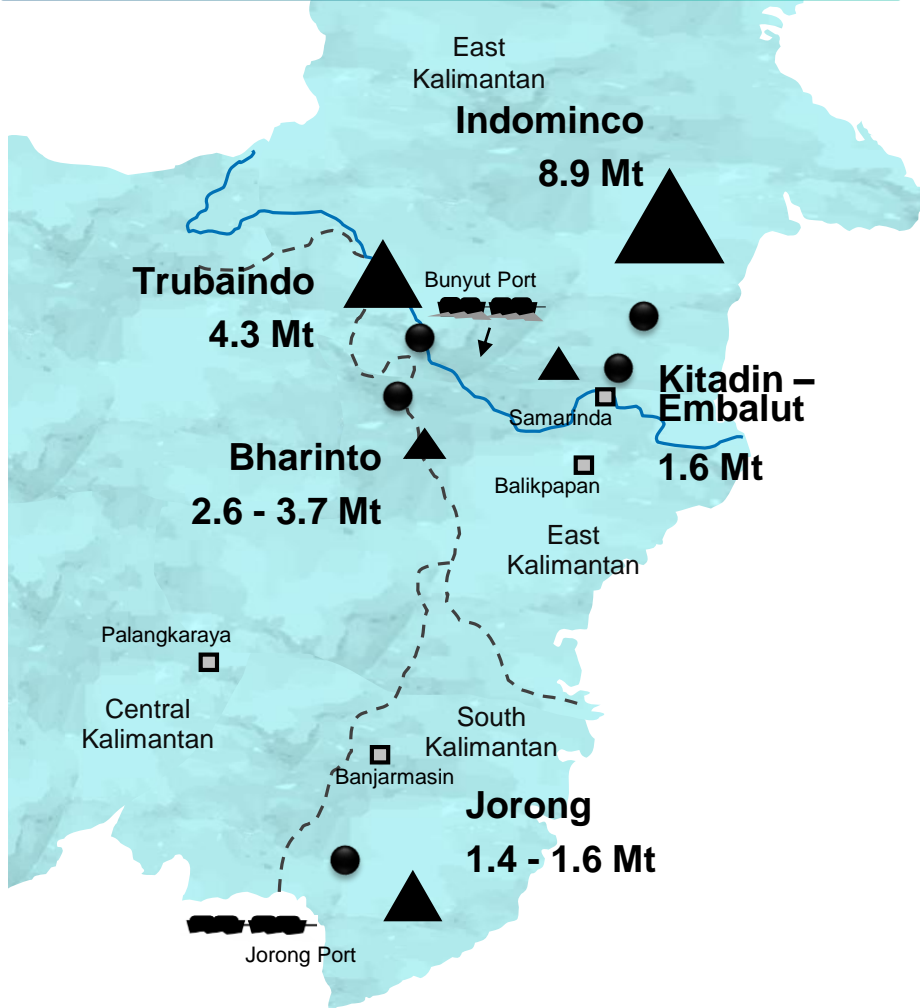


# Operational Summary 2019-2020



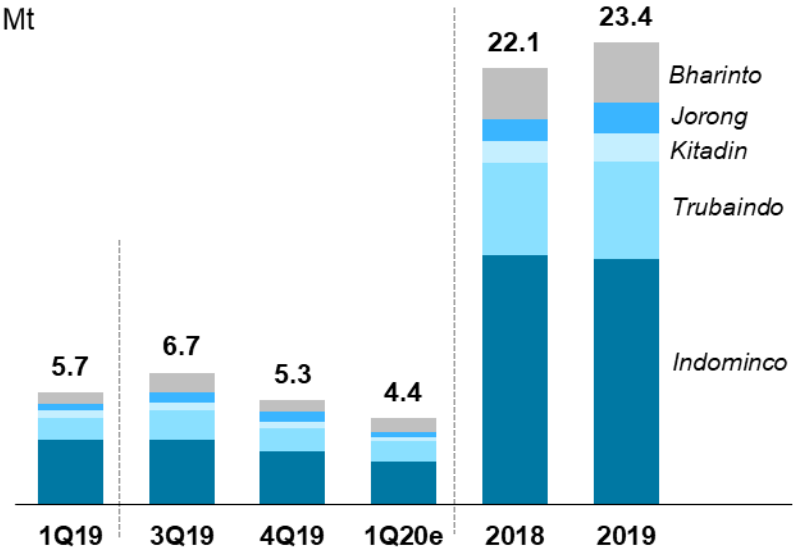
2019 OUTPUT: 23.4 Mt

2020 TARGET: 19 - 20.1 Mt\*



## OUTPUT TREND

Unit: Mt



Avg.S/R (bcm/t)	1Q19	3Q19	4Q19	1Q20e	2018	2019
	13.2x	9.5x	9.3x	10.7x	11.1x	10.9x

## COMMENTS

- 4Q19 total output was lower than target as affected by weather condition.
- Lower output target in 2020 as compared to 2019 and lower strip ratio for 2020 is expected.

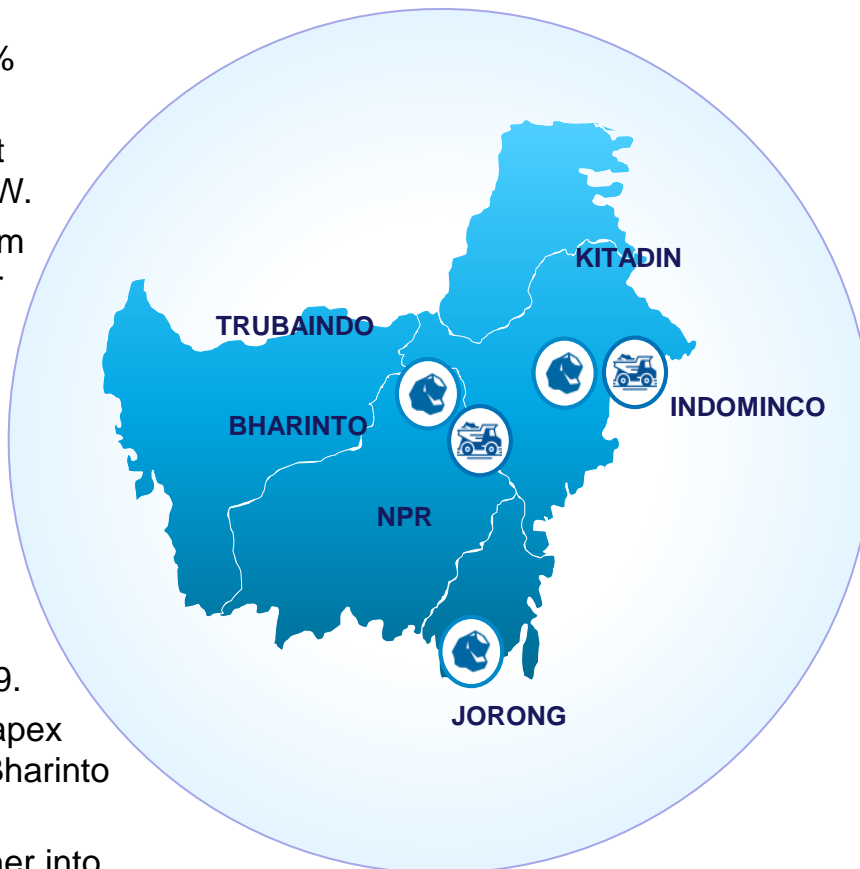
\*) 2020 target subject to further government approval

## INDOMINCO-TD. MAYANG

- Indominco production volume 12.4 Mt in 2019.
- Rationalized capex spending by 87% in 2019.
- Construction of 3 MW solar PV plant with battery storage capacity of 2 MW.
- Indominco received appreciation from Indonesian government as a partner in protecting conservation areas.
- Mine closure continuation in Td. Mayang area.

## TRUBAINDO - BHARINTO

- Trubaindo output achieved 4.9 Mt and Bharinto achieved 3.0 Mt in 2019.
- Trubaindo & Bharinto: rationalized capex spending in Trubaindo by 67% and Bharinto by 39% in 2019.
- Continue infrastructure upgrade further into Bharinto area (bridges, road, etc).
- Trubaindo and Bharinto achieved Blue Level for environmental management from Ministry of Energy and Mineral Resources in December 2019.



## EMBALUT - JORONG

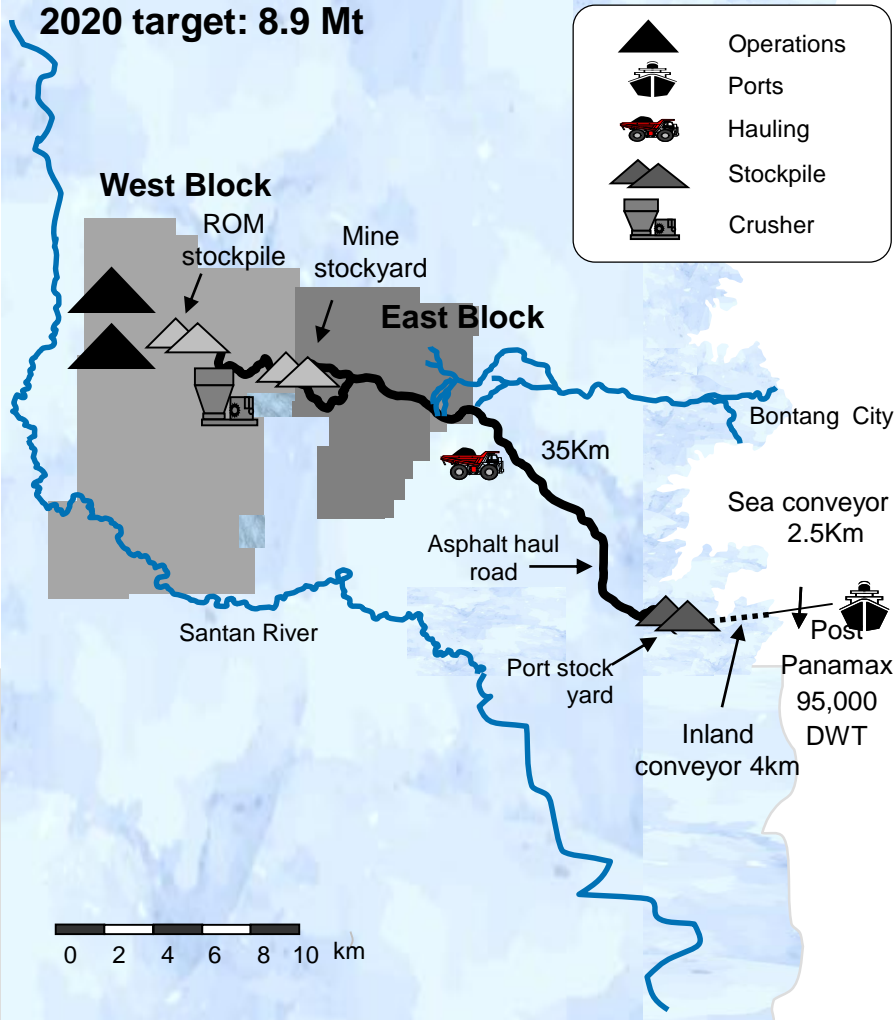
- Embalut output of 1.4 Mt and Jorong 1.6 Mt in 2019.
- Embalut achieved Blue Level while Jorong achieved Green Level for environmental management from Ministry of Energy and Mineral Resources in December 2019.

## CORPORATE OFFICE

- Established Digital Center of Excellence (DCoE) to support transition from current mining practice into smart mining practice.
- Setting up Melak Digital Center (MDC) as a hub for smart mining and digital collaboration center in Melak area.

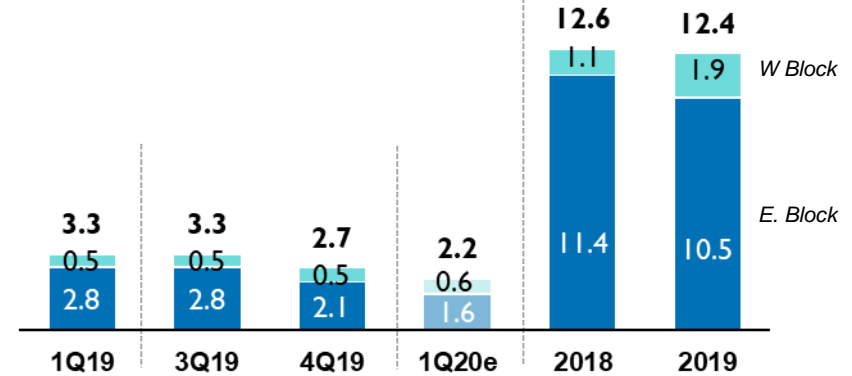
## SCHEMATIC

2020 target: 8.9 Mt



## OUTPUT TREND

Unit: Mt



	1Q19	3Q19	4Q19	1Q20e	2018	2019
Avg. S/R (bcm/t)	13.9x	9.9x	10.2x	10.2x	11.4x	11.5x
- W. Block	14.9x	22.7x	12.8x	13.2x	24.4x	18.8x
- E. Block	13.7x	7.5x	9.6x	9.1x	10.2x	10.1x

## COMMENTS

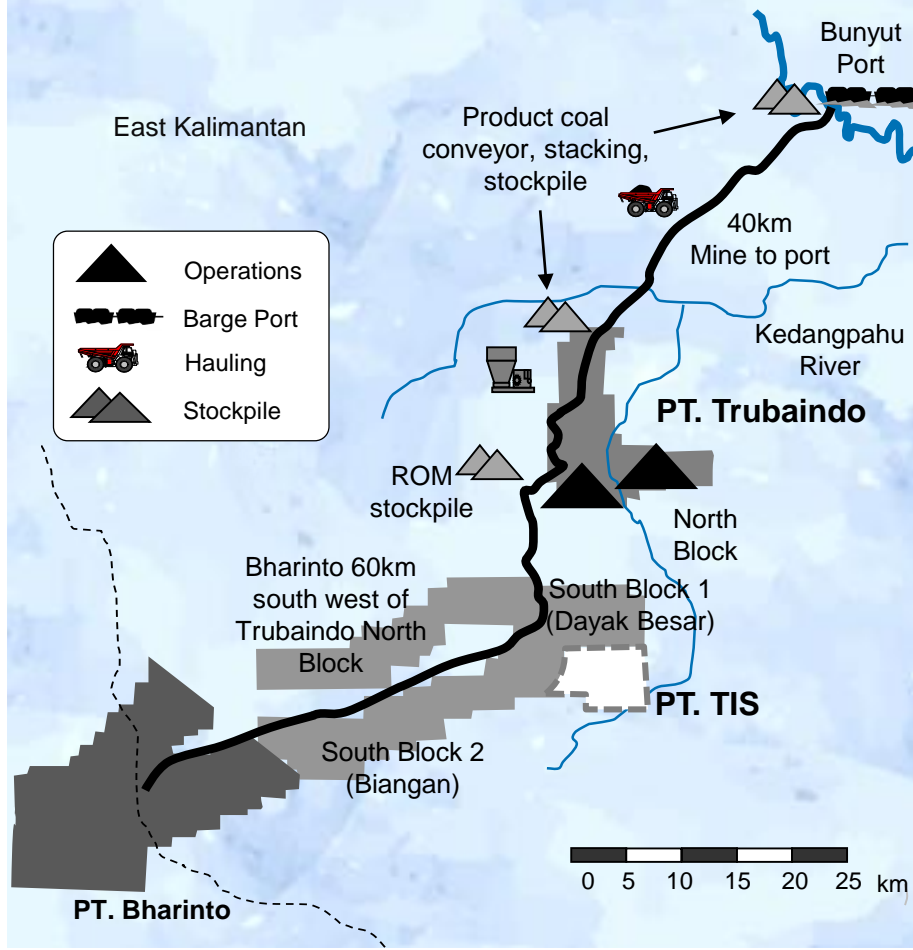
- 4Q19 production was slightly lower than target due to weather condition.
- Indominco 1Q20 production target expected to be significantly lower mainly due to continued severe weather conditions.

# Melak group – Trubaindo and Bharinto



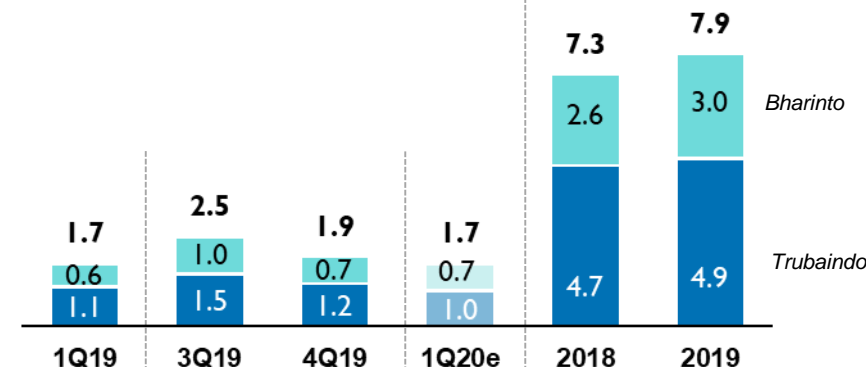
## SCHEMATIC

2020 target: TCM 4.3 Mt  
BEK 2.6 - 3.7 Mt



## OUTPUT TREND

Unit: Mt



S/R (bcm/t)

- Trubaindo :	12.9x	10.5x	9.5x	11.4x	12.2x	11.6x
- Bharinto :	12.2x	10.2x	8.4x	9.9x	9.7x	9.5x

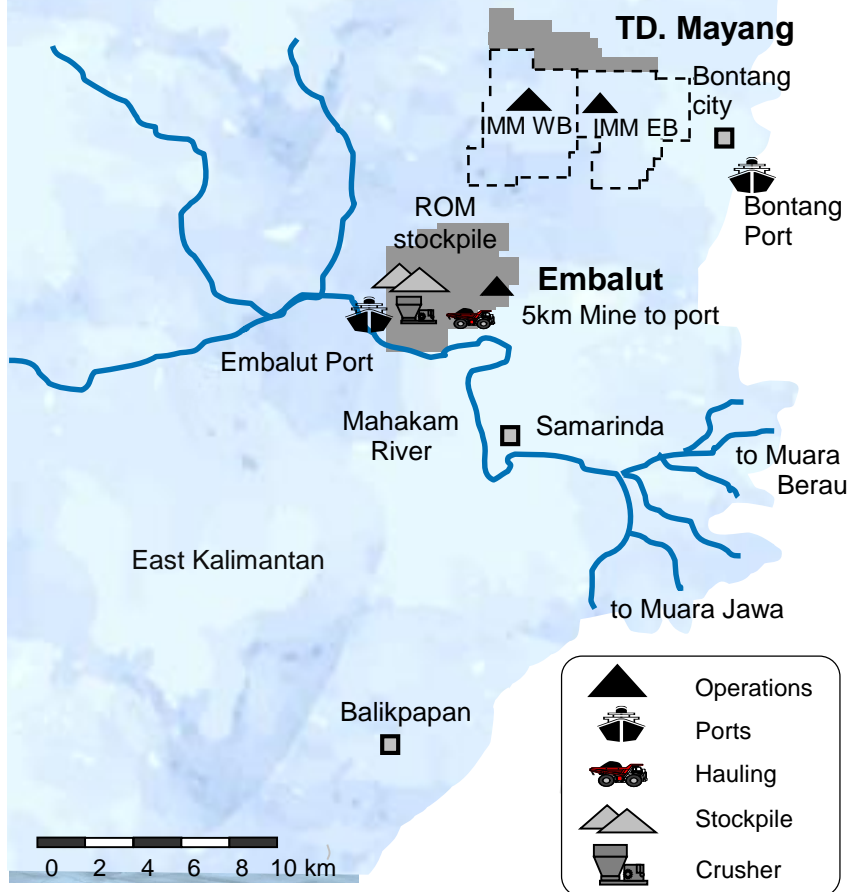
## COMMENTS

- Trubaindo:
  - 4Q19 production achieved as according to target. 2020 target to be lower than 2019; lower strip ratio in 2020.
  - Road & bridge construction continues in 2020.
- Bharinto:
  - 4Q19 production achieved as targeted. Higher production volume is expected in 2020.
  - Further construction of road and improvement of port infrastructure continues in 2020.

# Kitadin Embalut and Tandung Mayang

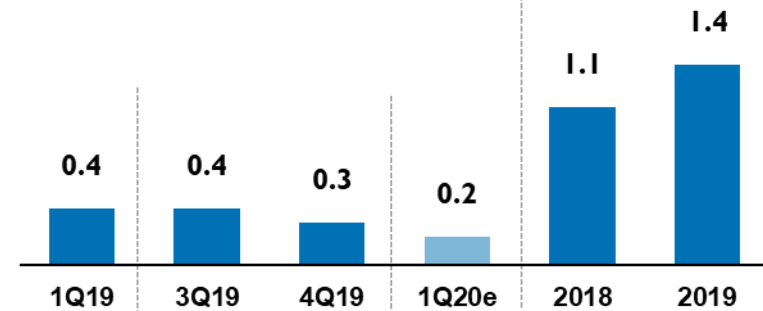
## SCHEMATIC

2020 target: EMB 1.6 Mt



## OUTPUT TREND

Unit: Mt



S/R (bcm/t)

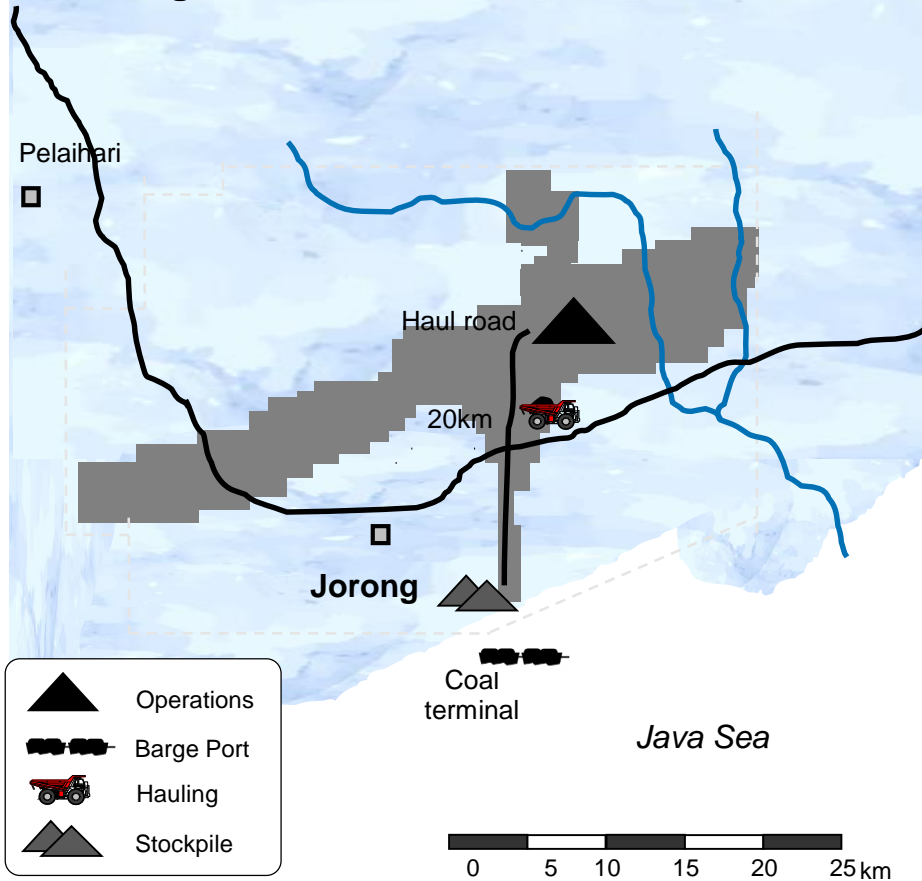
- Embalut : 11.9x 8.6x 8.1x 16.9x 10.7x 9.8x

## COMMENTS

- Kitadin Embalut:
  - 4Q19 production achieved as according to target.
  - 1Q20 Strip ratio expected to be higher due to pre-strip activities and bad weather condition.
- Kitadin Td.Mayang:
  - Continue mine closure activities including mine rehabilitation activities.

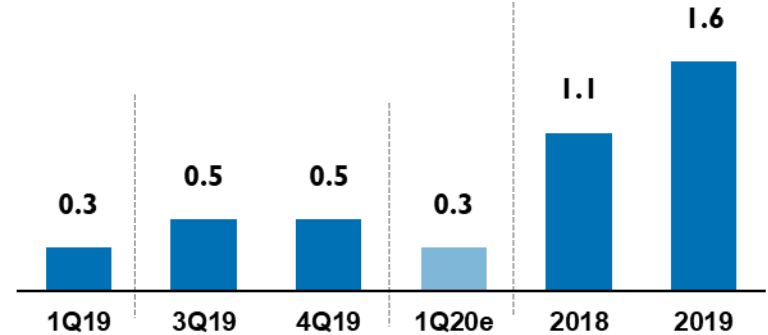
## SCHEMATIC

2020 target: 1.4 – 1.6 Mt



## OUTPUT TREND

Unit: Mt



S/R (bcm/t): 10.5x    6.7x    6.0x    9.5x    6.3x    7.5x

## COMMENTS

- 4Q19 production achieved according to target.
- Overall strip ratio for 2020 will be lower than 1Q20 numbers.

**1** INTRODUCTION













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**5** QUESTION & ANSWERS

# Global coal demand trends: 2019 vs 2018

GEOGRAPHY	CHANGE 2019-18 (Mt)	COMMENTS
 <b>CHINA</b>	 <b>+11</b>	<ul style="list-style-type: none"> <li>▪ Strict import control resulted in significant drop of imported coal in Q4</li> <li>▪ Weak demand due to mild winter and weak economy.</li> <li>▪ Domestic supply continued improve despite a series of mine accidents.</li> <li>▪ Coronavirus outbreak could lead to a decline of overall coal demand / supply especially in Q1 2020.</li> </ul>
 <b>INDIA</b>	 <b>+9</b>	<ul style="list-style-type: none"> <li>▪ Weak demand due to slow economy, recovered domestic supply and stronger hydro generation</li> <li>▪ Imported coal-based output grew despite a fall in overall coal burn.</li> <li>▪ High stocks limited spot demand</li> </ul>
 <b>OTHER N.ASIA</b>	 <b>-12</b>	<ul style="list-style-type: none"> <li>▪ A mild weather curbed overall power demand in north Asia.</li> <li>▪ Japan brings 1GW new coal-fired power plant online in December 2019 which will support coal burn in 2020.</li> <li>▪ Coal plant curtailment in South Korea and Taiwan to tackle dust emissions hit coal burn during winter.</li> </ul>
 <b>EUROPE</b>	 <b>-28</b>	<ul style="list-style-type: none"> <li>▪ Fundamentals are largely bearish with a combination of mild weather, poor economic conditions, increasingly challenged by environmental reforms, and ample, cheap gas pushing coal demand lower.</li> <li>▪ Market remained oversupply.</li> </ul>
 <b>OTHERS</b>	 <b>+29</b>	<ul style="list-style-type: none"> <li>▪ Vietnam coal imports near double on surging power demand.</li> <li>▪ Philippines and Bangladesh also contributed to the demand growth in Asia.</li> </ul>
 <b>GLOBAL</b>	 <b>+9</b>	<p><i>Poor economic conditions, mild weather and low gas prices reduced imported coal demand in Europe significantly. However, strong Asian demand grew outpacing declines in European demand. Oversupplied LNG is struggling to compete in Asia resulted in more distressed coal displacement in Europe.</i></p>

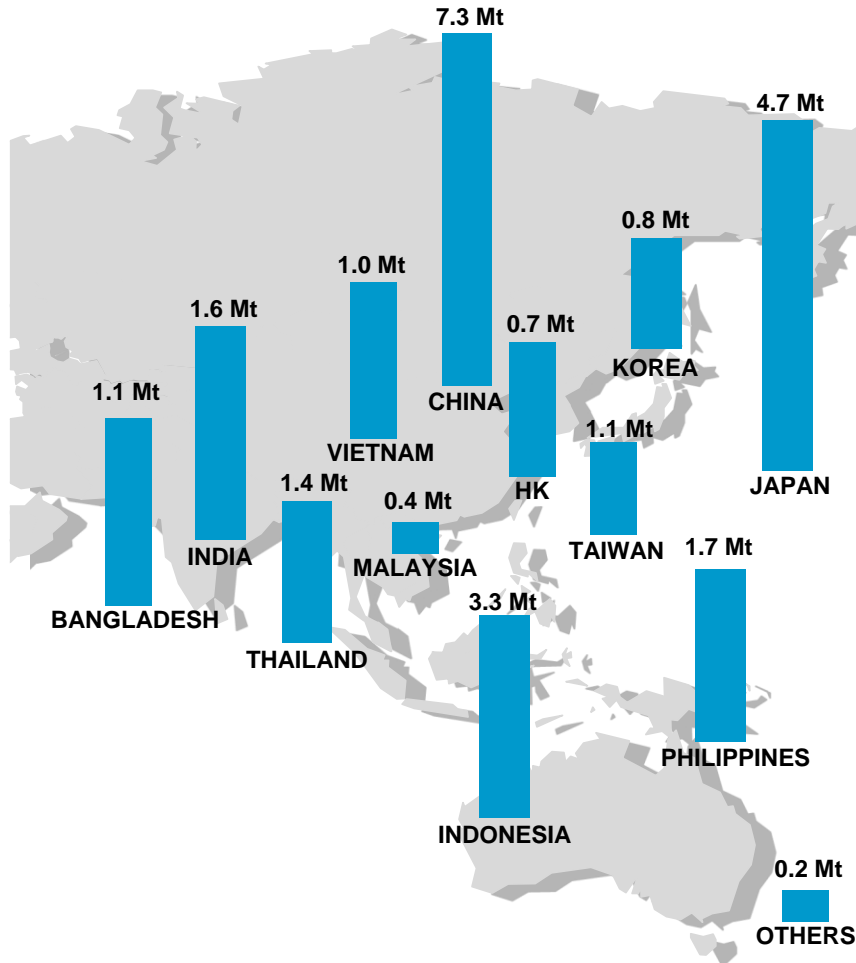


# Global coal supply trends: 2019 vs 2018

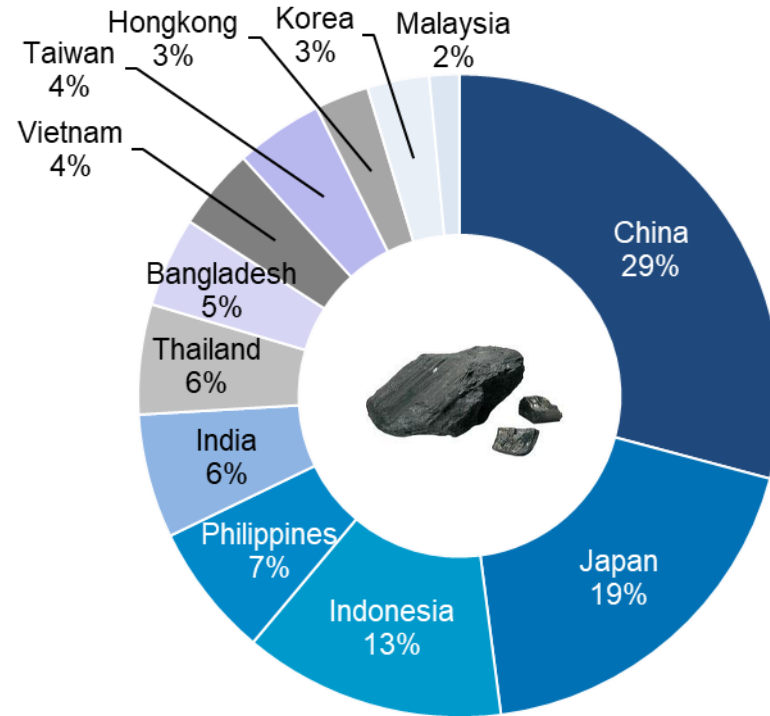
GEOGRAPHY	CHANGE 2019-18 (Mt)	COMMENTS
 <b>INDONESIA</b>	 <b>+33</b>	<ul style="list-style-type: none"> <li>▪ Rain started to impact supply</li> <li>▪ China's import restriction has limited impact as producers prepared in advance to face this situation.</li> <li>▪ Implementation of online monitoring system has limited impact on exports</li> </ul>
 <b>AUSTRALIA</b>	 <b>+4</b>	<ul style="list-style-type: none"> <li>▪ Bushfires has minimal impact to coal exports.</li> <li>▪ Strong export despite China's import restriction.</li> <li>▪ Increased export to Vietnam</li> </ul>
 <b>COLOMBIA</b>	 <b>-5</b>	<ul style="list-style-type: none"> <li>▪ Producers reduced output due to weak European demand and low prices</li> <li>▪ Some producers face a lawsuit challenge on environmental problems.</li> </ul>
 <b>RUSSIA</b>	 <b>+2</b>	<ul style="list-style-type: none"> <li>▪ Continue divert more coal to Asia on declining European demand.</li> <li>▪ Snow and icy slowed coal transport late last year.</li> <li>▪ Shipments to far eastern ports grew by around 6% despite limited rail capacity</li> </ul>
 <b>S.AFRICA</b>	 <b>-3</b>	<ul style="list-style-type: none"> <li>▪ Strong domestic demand</li> <li>▪ Heavy rain led to a sharp drop in production in December 2019.</li> <li>▪ Price rally supported by tighten supply and demand from Indian sponge iron</li> </ul>
 <b>USA</b>	 <b>-15</b>	<ul style="list-style-type: none"> <li>▪ Due to a declining domestic thermal market, some operations have been forced to close as contracts expire</li> <li>▪ Producers have struggled to book shipments for 2020 exports due to low international prices.</li> </ul>
 <b>OTHERS</b>	 <b>+6</b>	<ul style="list-style-type: none"> <li>▪ Significant export growth from the Philippines</li> <li>▪ Canada and China also contributed to the growth</li> </ul>
 <b>GLOBAL</b>	 <b>+22</b>	<p><i>Atlantic suppliers are looking to growing Pacific markets. But Colombia and the US are disadvantaged by higher transportation costs. Russia is catching up by building out infrastructure to support eastern flows. Indonesia is the most advantage as it located close to demand growth.</i></p>

# ITM coal sales FY19

## COAL SALES BREAKDOWN BY DESTINATION



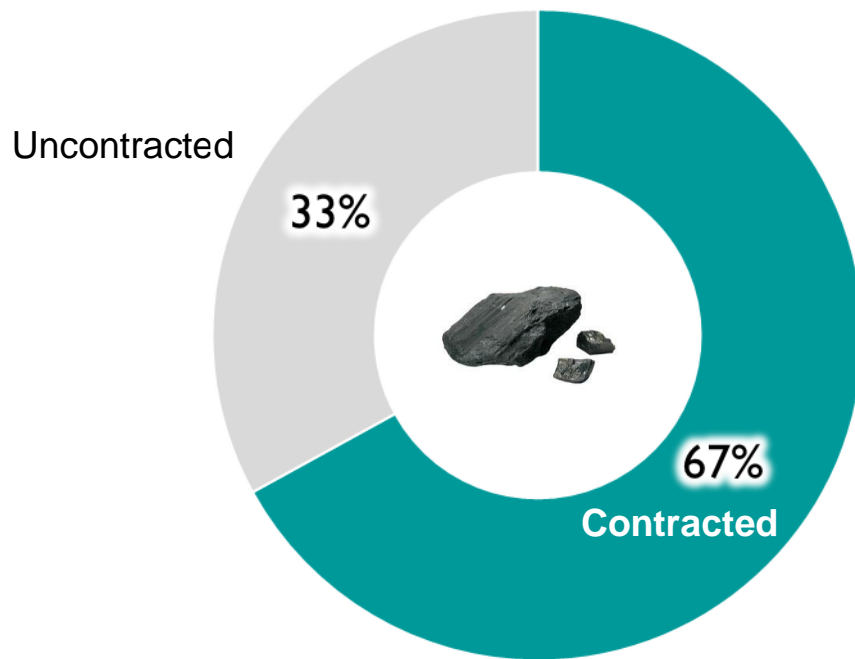
## COAL SALES FY19



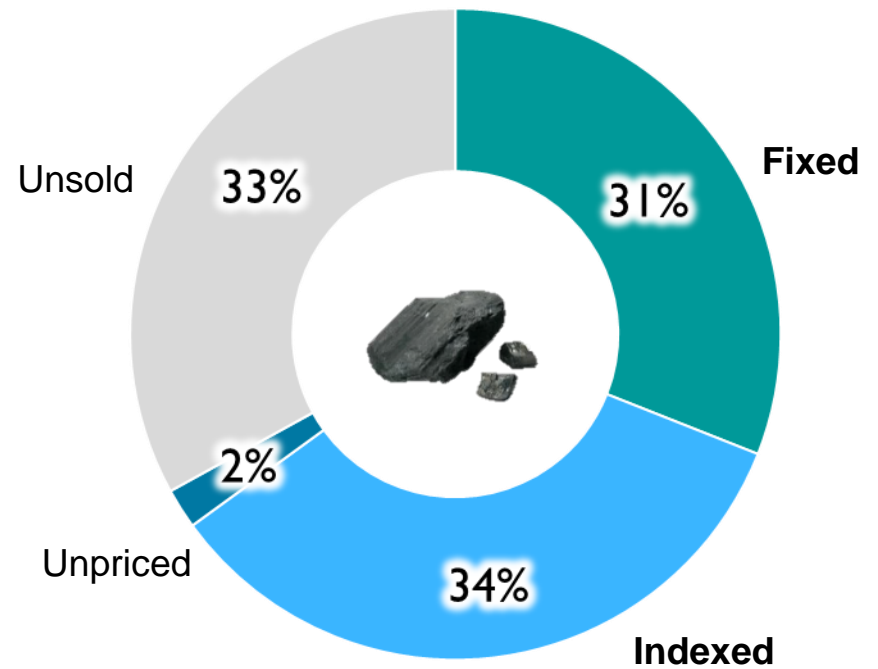
**Total coal sales FY19: 25.3 Mt**

## COAL SALES CONTRACT AND PRICING STATUS

### Contract Status



### Price Status



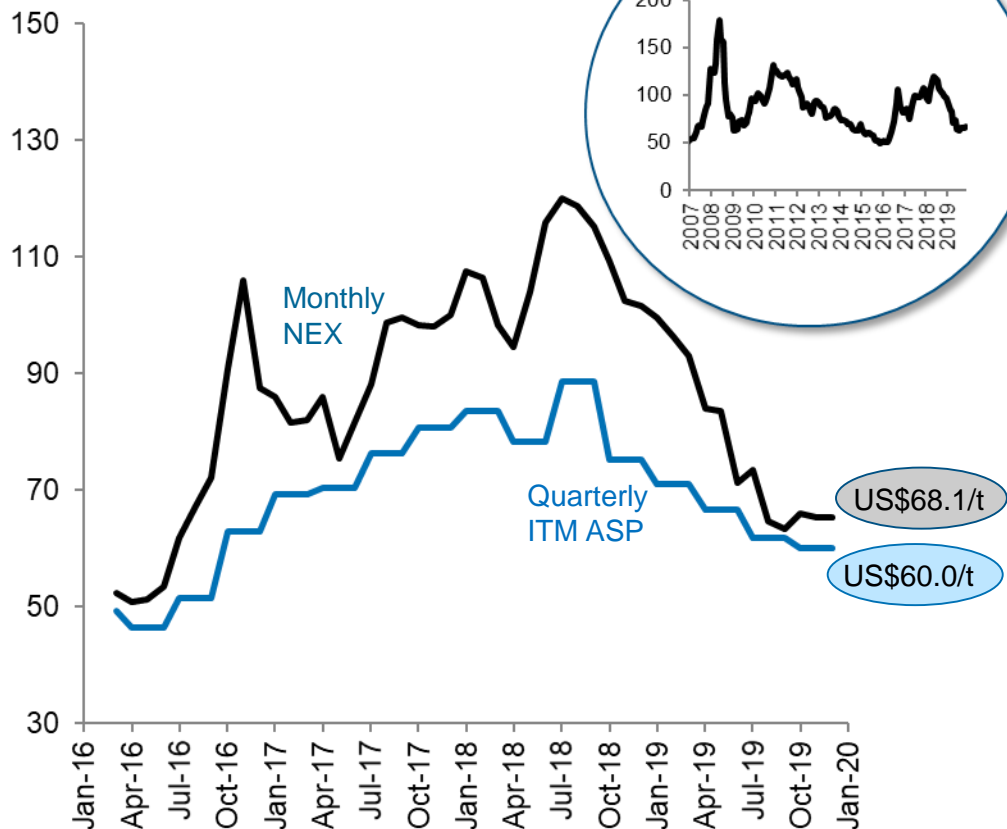
**TARGET SALES 2020: 22.4 - 23.5 Mt**

# ITM ASPs vs thermal coal benchmark prices



## ITM ASP VS BENCHMARK PRICES

Unit: US\$/ton



## COMMENTS

- Price stabilized throughout 4Q19 ASP in upper \$60's with bottom reached in late 3Q19. ASP slightly reduced from previous quarter.
  - ITM ASP: US\$60.0/t (-3% QoQ)
  - NEX (Feb 21, 2020)\*: US\$68.1/t
- Future price are in contango trend. China – USA trade conflict ease in late 2019. Coal price moved in narrow band. Impact from COVID-19 pressurized demand growth. Nonetheless, it is also reported to cause problem at supply side in China; thus a balancing net effect might be at play.

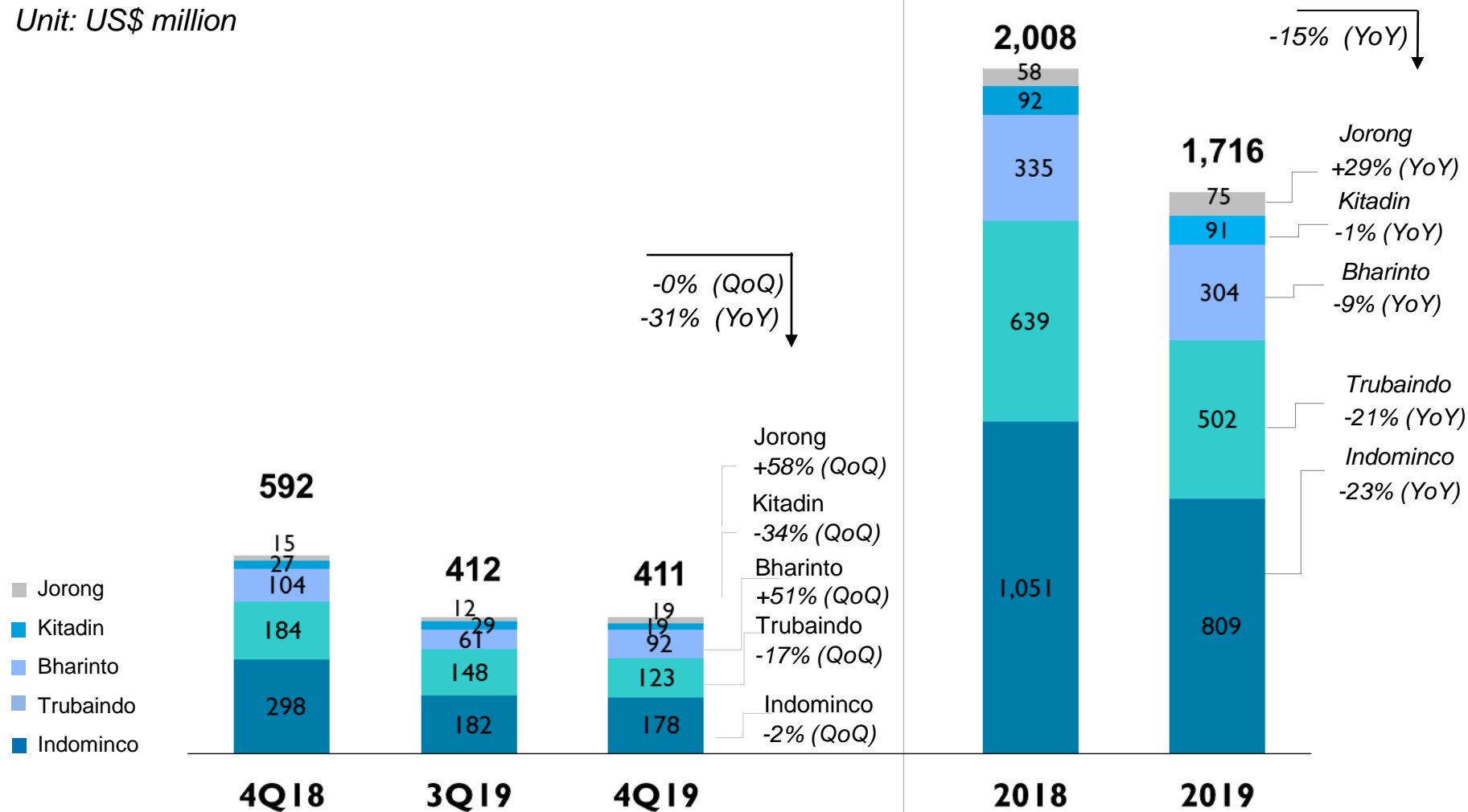
Note: \* The Newcastle Export Index (previously known as the Barlow Jonker Index – BJI)

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# Sales revenue



Unit: US\$ million

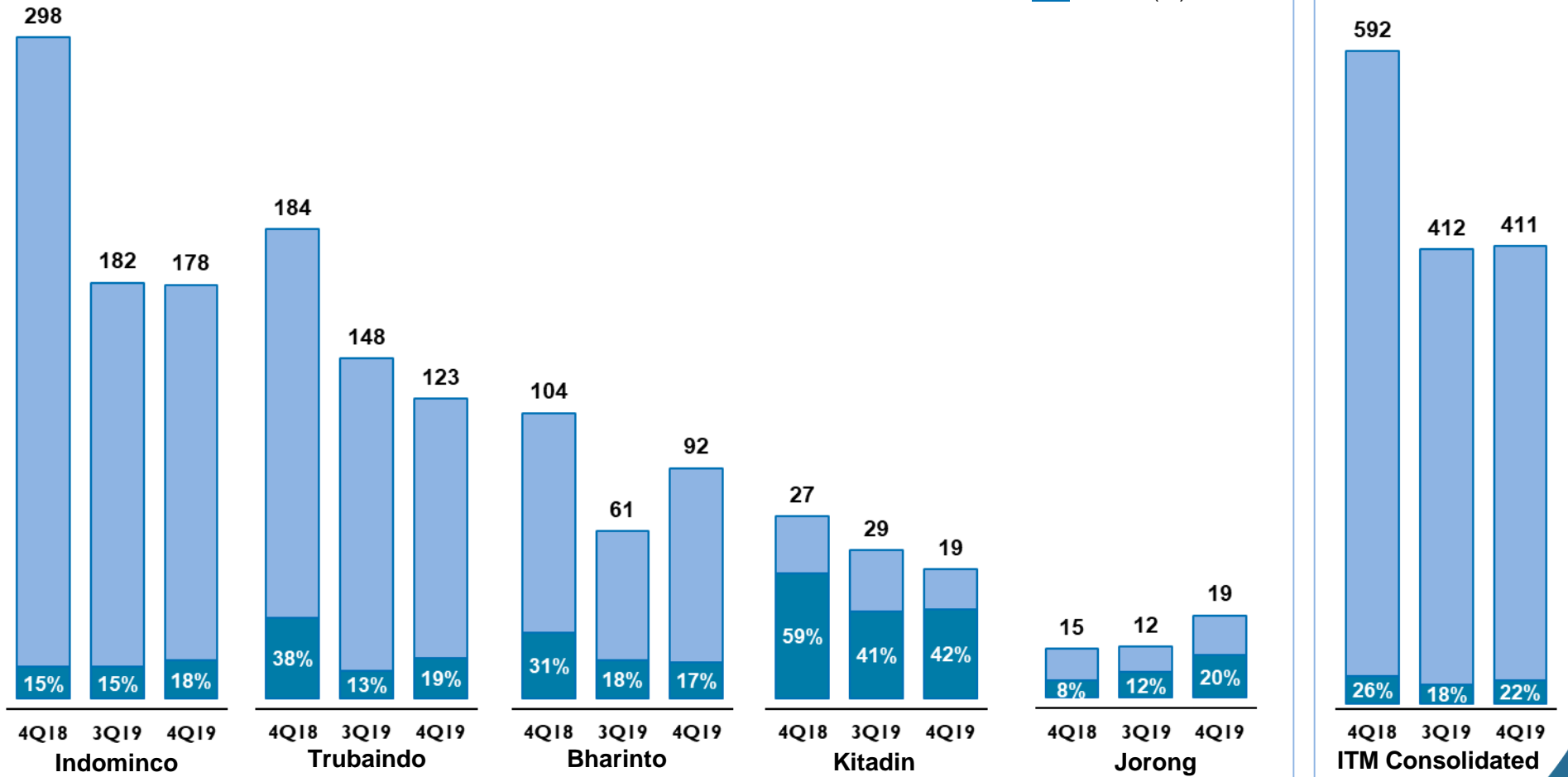


Note : Total consolidated revenue after elimination

# Average gross margin

Unit : US\$ Million

Revenue  
GPM (%)



Avg. FY18: 29%  
Avg. FY19: 19%

Note : Gross margin includes royalty

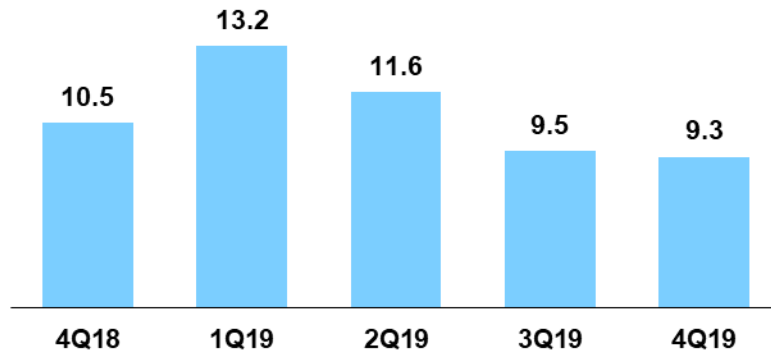
# Cost analysis



## WEIGHTED AVERAGE STRIP RATIO

Unit: Bcm/t

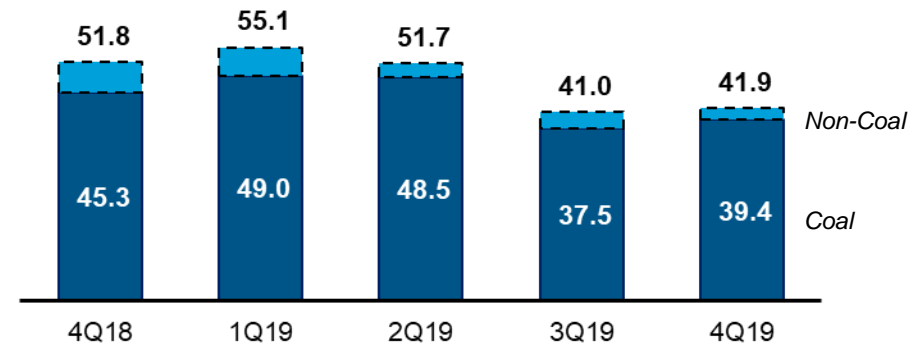
Avg. FY18: 11.1  
Avg. FY19: 10.9



## PRODUCTION COST

Unit: US\$/t

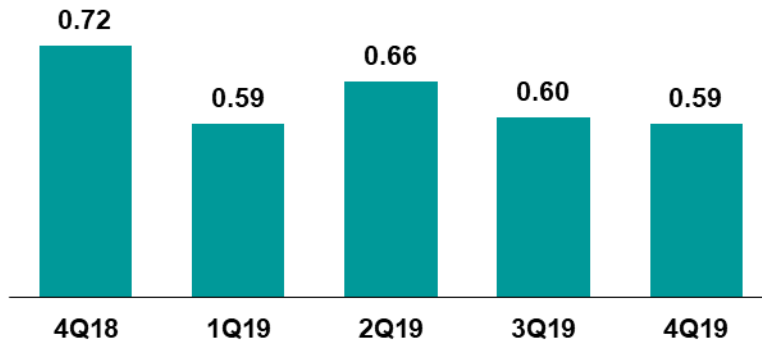
Avg. FY18: \$50.6/t  
Avg. FY19: \$47.3/t



## FUEL PRICE

Unit: US\$/Ltr

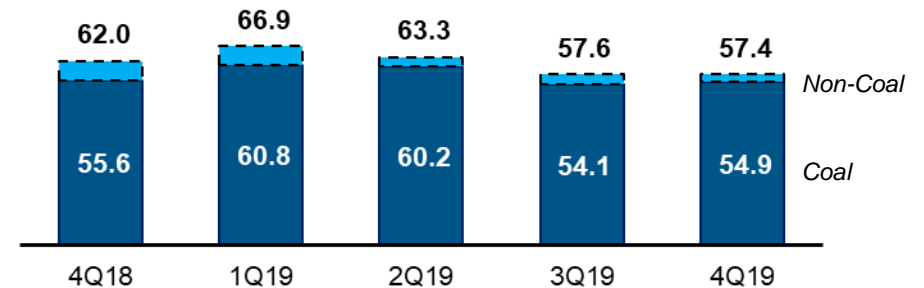
Avg. FY18: \$0.69/ltr  
Avg. FY19: \$0.62/ltr



## TOTAL COST\*

Unit: US\$/t

Avg. FY18: \$64.7/t  
Avg. FY19: \$61.2/t

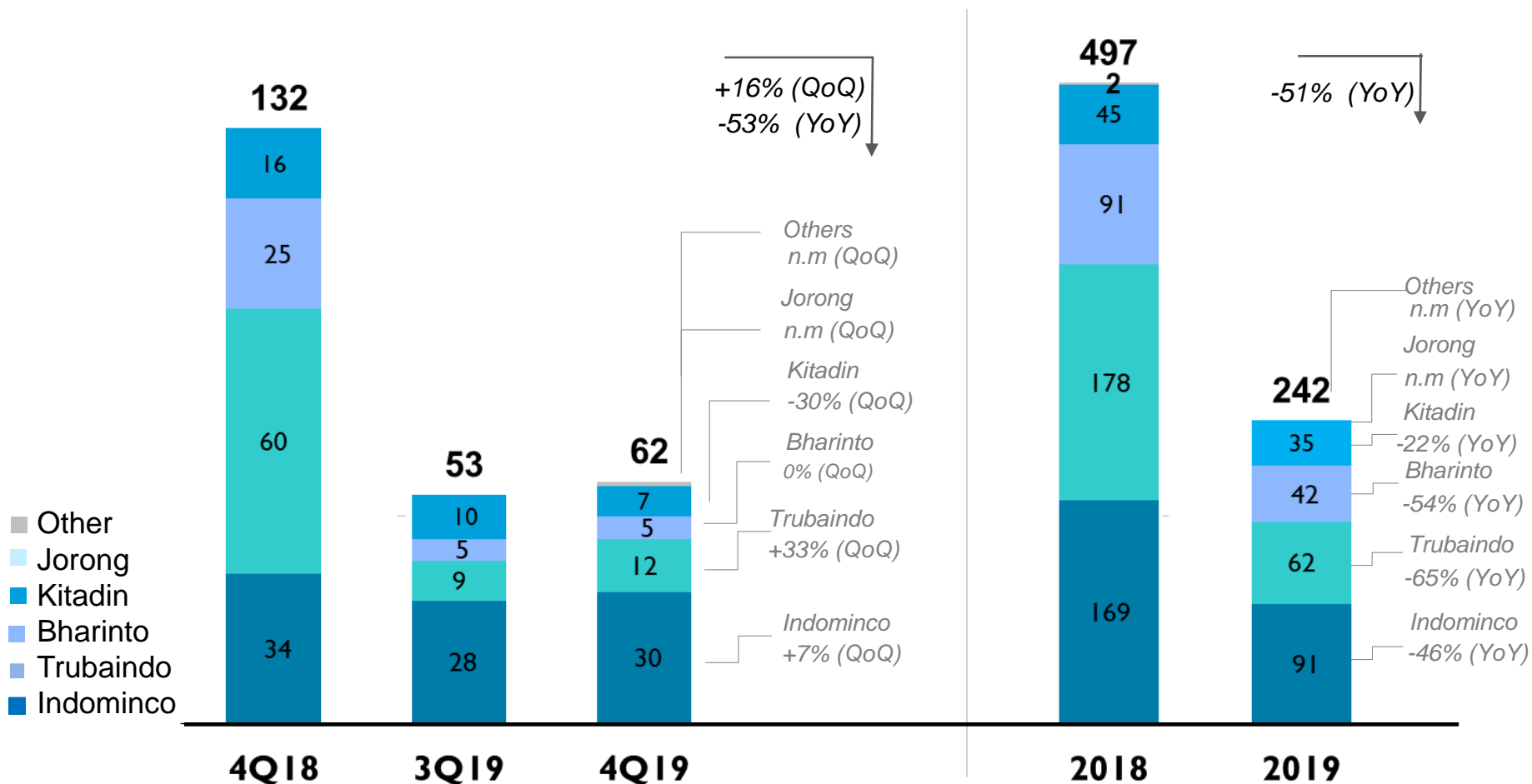


\* Cost of Goods Sold + Royalty + SG&A



# EBITDA

Unit: US\$ million

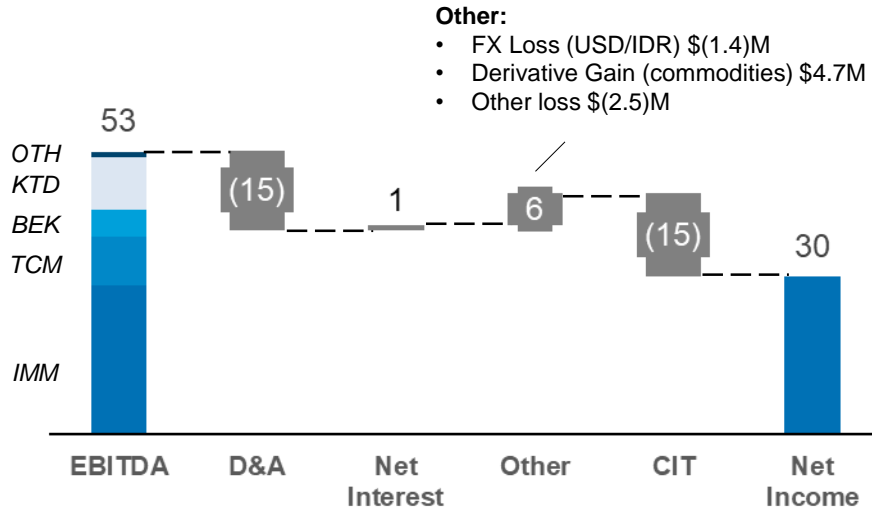


Note : Total EBITDA after elimination

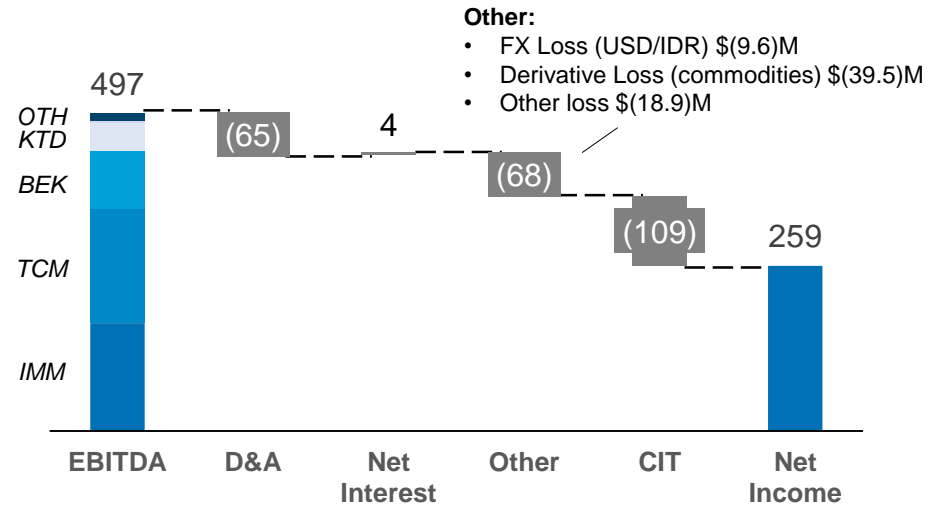
# Net income



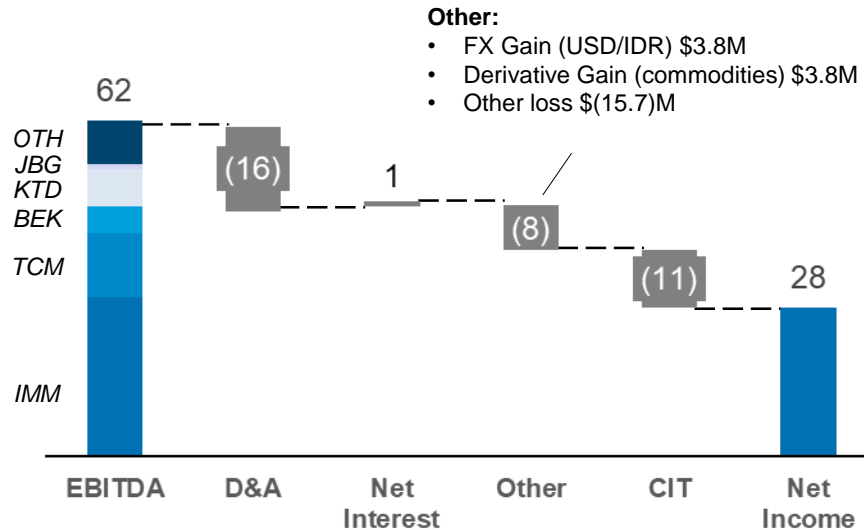
## 3Q19 NET INCOME



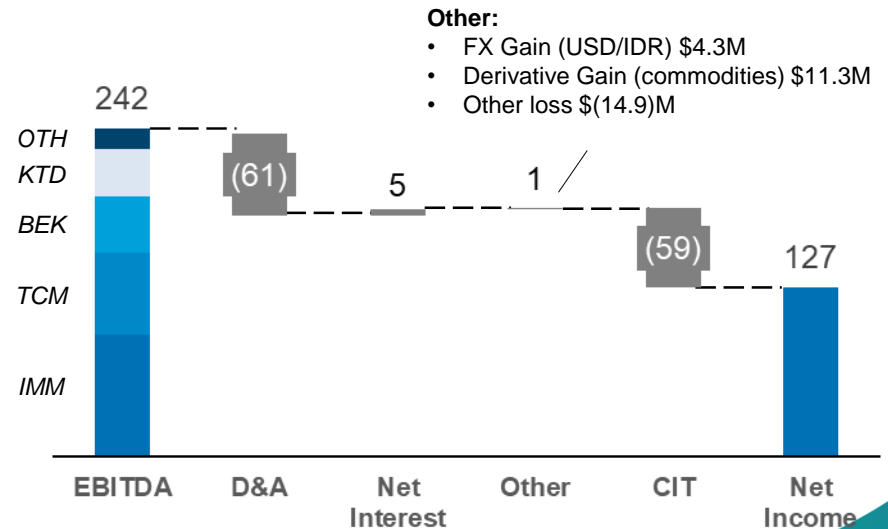
## 2018 NET INCOME



## 4Q19 NET INCOME



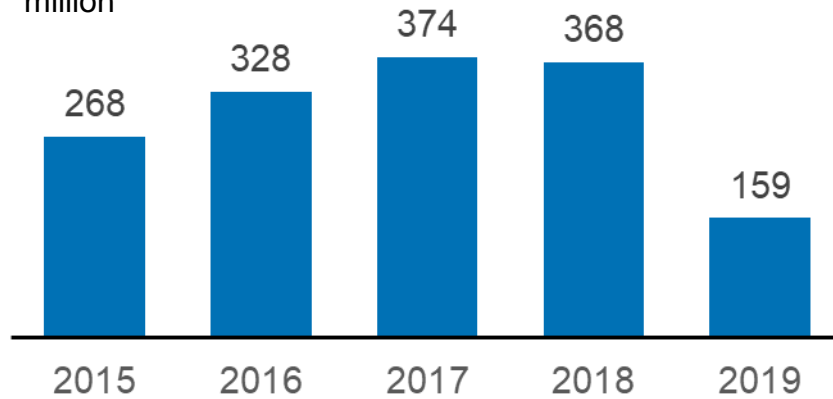
## 2019 NET INCOME



# Balance sheet

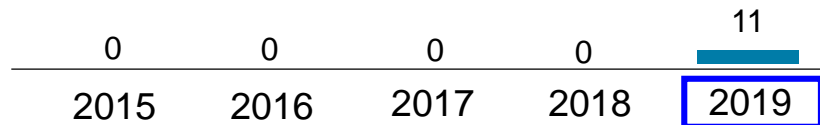
## CASH POSITION

Unit: US\$ million



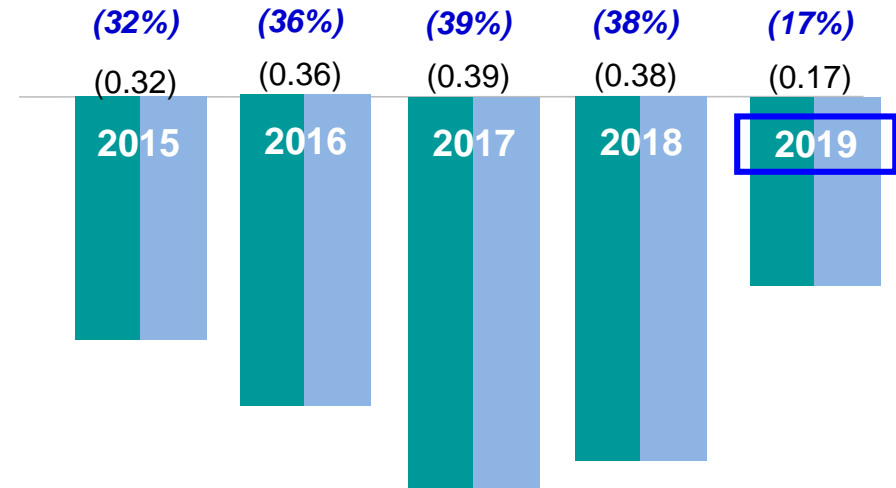
## DEBT POSITION

Unit: US\$ million



## KEY RATIOS

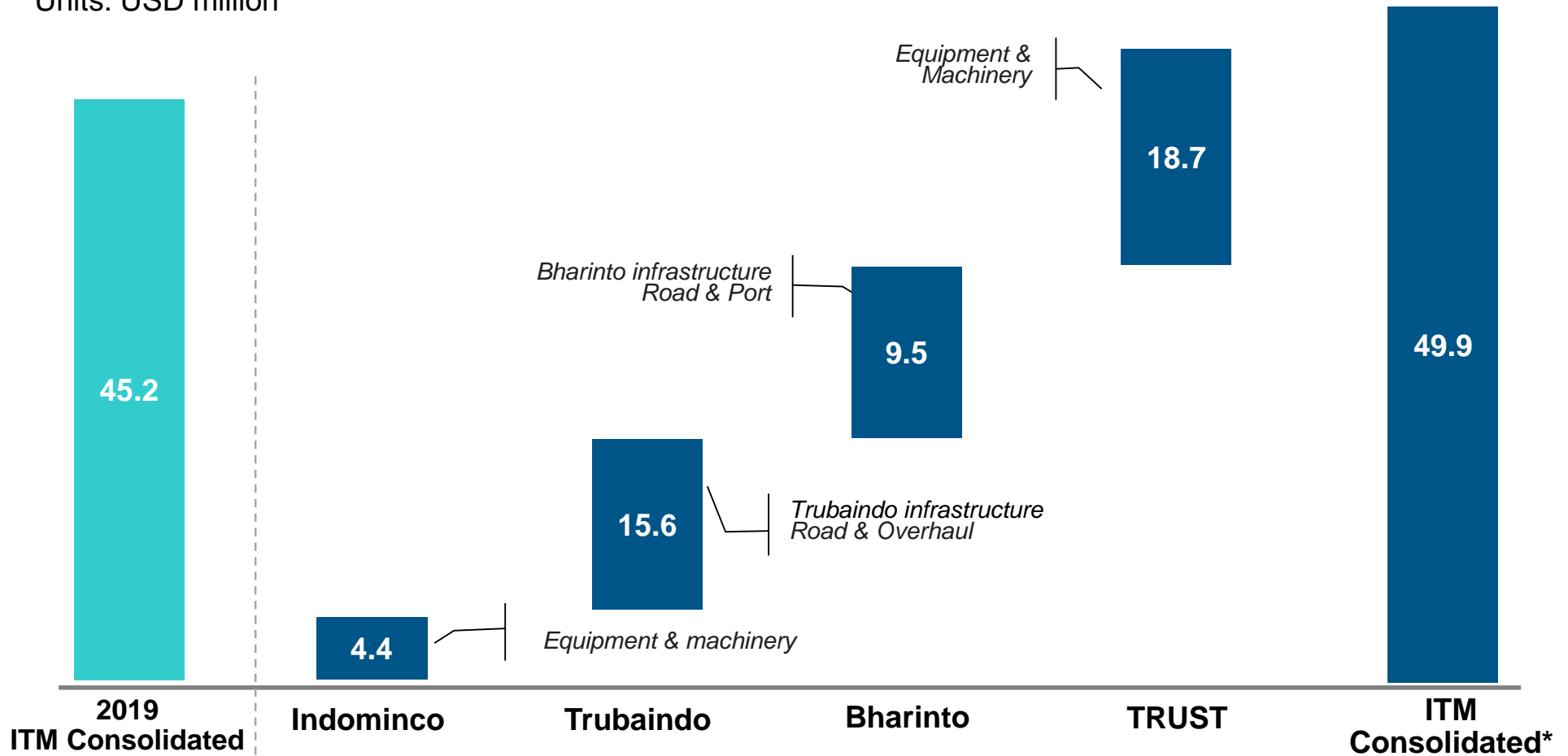
- Net Gearing (%)
- Net D/E (times)



# 2020 Capital expenditure plan



Units: USD million



Note: Total capex plan including Jakarta



## Appendices

# Income statement



Unit: US\$ thousand	FY19	FY18	YoY%
Net Sales	1,715,592	2,007,630	-15%
Gross Profit	326,688	583,959	-44%
<b>GPM</b>	<b>19%</b>	<b>29%</b>	
SG&A	(146,162)	(151,909)	
EBIT	180,526	432,050	-58%
<b>EBIT Margin</b>	<b>11%</b>	<b>22%</b>	
EBITDA	241,822	497,287	-51%
<b>EBITDA Margin</b>	<b>14%</b>	<b>25%</b>	
Net Interest Income / (Expenses)	4,716	3,560	32%
FX Gain / (Loss)	4,319	(9,695)	n.m
Derivative Gain / (Loss)	11,293	(39,556)	n.m
Others	(14,946)	(18,996)	-21%
<b>Profit Before Tax</b>	<b>185,908</b>	<b>367,363</b>	<b>-49%</b>
Income Tax	(59,406)	(108,607)	
<b>Net Income</b>	<b>126,502</b>	<b>258,756</b>	<b>-51%</b>
<b>Net Income Margin</b>	<b>7%</b>	<b>13%</b>	

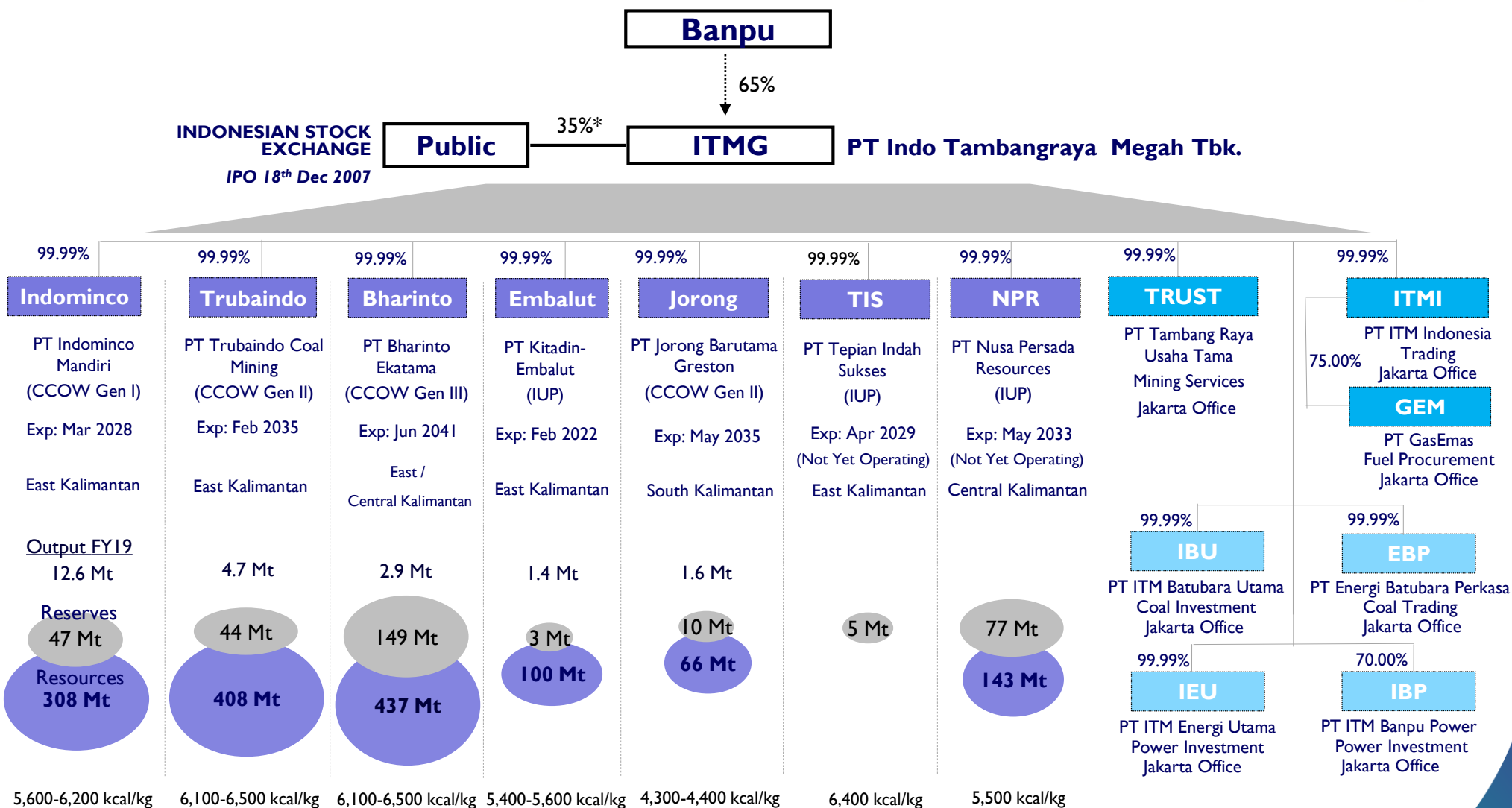
# Income statement



Unit: US\$ thousand	4Q19	3Q19	QoQ%
<b>Net Sales</b>	<b>410,812</b>	<b>412,079</b>	<b>0%</b>
<b>Gross Profit</b>	<b>88,856</b>	<b>75,431</b>	<b>18%</b>
<b>GPM</b>	<b>22%</b>	<b>18%</b>	
SG&A	(42,768)	(37,079)	
<b>EBIT</b>	<b>46,088</b>	<b>38,352</b>	<b>20%</b>
<b>EBIT Margin</b>	<b>11%</b>	<b>9%</b>	
<b>EBITDA</b>	<b>61,921</b>	<b>53,184</b>	<b>16%</b>
<b>EBITDA Margin</b>	<b>15%</b>	<b>13%</b>	
Net Interest Income / (Expenses)	894	905	-1%
FX Gain / (Loss)	3,846	(1,443)	n.m
Derivative Gain / (Loss)	3,807	4,779	n.m
Others	(15,786)	2,543	n.m
<b>Profit Before Tax</b>	<b>38,849</b>	<b>45,136</b>	<b>-14%</b>
Income Tax	(10,993)	(15,465)	
<b>Net Income</b>	<b>27,856</b>	<b>29,671</b>	<b>-6%</b>
<b>Net Income Margin</b>	<b>7%</b>	<b>7%</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 (considered suitably experienced under the JORC Code) and deducted from coal sales volume in FY19.