Indo Tambangraya Megah (ITMG IJ)

3Q26: Higher ASP And Continued Buyback Incentive

Highlights

- **Higher ASP drives 3Q26 earnings.** ITMG booked 3Q26 net profit of US$56.9m (+43.7% yoy; +10.9% qoq) and 9M26 net profit rose 24.8% yoy to US$162.9m, reaching 68% of our 2026F estimate (77% excluding the US$19.2m impairment).
- **Dividend and buyback support shareholder returns.** ITMG's interim dividend offers a 4.8% yield and the company launched a Rp2.31t buyback programme for Nov 26-Feb 27.
- **Maintain HOLD** with a a higher target price of Rp25,800 from Rp24,000.

3Q26 Results

Year to 31 Dec (US$m)	9M26	9M25	yoy	3Q26	3Q25	yoy (%)	qoq (%)
Revenue	**1,601**	**1,369**	**17.0**	**600.9**	**449.8**	**33.6**	**19.5**
COGS	(1,179)	(1,042)	13.1	(434.8)	(347.5)	25.1	14.7
Gross Profit	**423**	**327**	**29.2**	**166.1**	**102.3**	**62.4**	**34.3**
Selling expenses	(135)	(120)	12.2	(46.6)	(38.9)	19.6	3.9
G&A expense	(42)	(27)	57.1	(16.4)	(8.3)	96.2	26.6
EBIT	**245**	**180**	**36.4**	**103.2**	**55.0**	**87.6**	**56.5**
Finance income	26	31	(16.9)	7.8	10.5	(25.9)	(12.7)
Finance cost	(5)	(7)	(28.9)	(1.6)	(2.0)	(19.1)	(34.3)
Others	(12)	(2)	445.9	(14.4)	0.3	(4,459.8)	(425.9)
PBT	**254**	**201**	**26.0**	**94.9**	**63.9**	**48.7**	**23.5**
Income tax exp.	(86)	(67)	28.4	(36.9)	(23.7)	55.8	60.2
Minority Interest	(5)	(4)	28.5	(1.1)	(0.6)	92.3	(56.5)
Net Profit	**163**	**131**	**24.8**	**56.9**	**39.6**	**43.7**	**10.9**
Operational:							
Sales (mt)	18.7	17.9	4.5	6.4	6.2	3.2	6.7
ASP (USD/t)	85.64	76.49	12.0	93.90	72.55	29.4	12.0
Stripping ratio (Bcm/t)	10.8	9.3					

Source: ITMG, UOB Kay Hian

Analysis

- **Higher ASP drives stronger 3Q26 results.** Indo Tambangraya Megah (ITMG) recorded 3Q26 net profit of US$56.9m (+43.7% yoy; +10.9% qoq), supported by higher coal prices and sales volume. Revenue increased 19.5% qoq to US$600.9m, driven by a 12.0% increase in ASP to US$93.9/t and 6.7% higher sales volume to 6.4mt. However, net profit growth was partly offset by a US$19.2m impairment of property, plant and equipment and a higher effective tax rate of 38.9%. Consequently, 9M26 net profit rose 24.8% yoy to US$162.9m, on 17.0% revenue growth to US$1.6b and 36.4% operating profit growth to US$245.4m. Against our 2026F estimate of US$237m, 9M26 earnings achieved 68%, below our forecast, although adjusted earnings excluding the one-off impairment would have reached US$182m, or 77% of 2026F estimates.

Key Financials

Year to 31 Dec (US$m)	2024	2025	2026F	2027F	2028F
Net turnover	2,304	1,881	2,151	2,041	2,160
EBITDA	528	335	417	388	404
Operating profit	483	267	337	307	321
Net profit (rep./act.)	374	191	224	214	224
EPS (Rp)	5,562	2,839	3,324	3,185	3,327
PE (x)	4.3	8.5	7.3	7.6	7.3
P/B (x)	0.8	0.9	0.8	0.8	0.7
EV/EBITDA (x)	1.3	2.6	2.0	2.2	2.1
Dividend yield (%)	13.3	13.8	7.1	8.3	7.9
Net margin (%)	16.2	10.2	10.4	10.5	10.4
Net debt/(cash) to equity (%)	(48)	(0)	(0)	(0)	(0)
Interest cover (x)	119	24	47	43	45
ROE (%)	19.4	10.1	11.1	10.3	10.3
UOBKH/Consensus (x)	-	-	1.0	0.9	0.9

Source: ITMG, Bloomberg, UOB Kay Hian

Analyst(s)

Benyamin Mikael
benyaminm@kh.co.id
+6221 2993 3914

Alden Gabriel Lam
aldengabriel@kh.co.id
+6221 2993 3970

HOLD (Maintained)

Share Price	Rp24,150
Target Price	Rp25,800
Upside	+6.8%
Previous TP	Rp24,000

Stock Data

Sector	Coal
Bloomberg ticker	ITMG IJ
Shares issued (m)	1,130
Market cap (Rpb)	27,288
Market cap (US$m)	1,497
3-mth avg daily t'over (US$m)	2.4

Price Performance (%)

52-week high/low				Rp30,700/Rp20,900
1mth	**3mth**	**6mth**	**1yr**	**YTD**
(6.1)	(2.4)	0.2	4.1	10.4

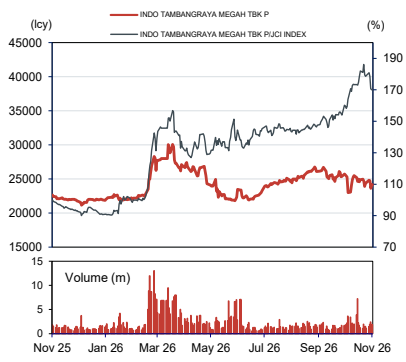
Major Shareholders (%)

Banpu Minerals	65.1

Balance Sheet Metrics

FY26 NAV/Share (Rp)	29,846
FY26 Net Cash/Share (Rp)	n.a

Price Chart



Source: Bloomberg

Company Description

ITMG is a high CV coal producer with 335Mt coal reserves and annual production of 20-23Mt. The company is a subsidiary of Banpu Group of Thailand.

- **NPR and GPK to offset IMM's gradual decline.** ITMG continues to strengthen its core mining operations through the development of new mines, with Nusa Persada Resources (NPR) in Central Kalimantan commencing its first coal production this year. NPR is expected to resume production in 2027 at 1mt, before gradually ramping up towards its 6mt per annum capacity, while Graha Panca Karsa (GPK) has a potential capacity of 6-8mt per annum. Combined output could reach 12-14mt per annum, more than offsetting Indominco Mandiri's (IMM) production decline from the current 7 mt to 4 mt from 2028. However, ITMG has not provided a timeline for reaching full capacity, while GPK's lower-CV coal could dilute the sales mix and ASP. Meanwhile, NPR is expected to further diversify ITMG's coal portfolio by adding medium- to high-CV coal.
- **Continued buyback programme.** ITMG announced an interim cash dividend for 2026, with payment scheduled for 18 Nov 26 and a recording date of 12 Nov 26 with a yield of 4.8%. Separately, ITMG launched a share buyback programme of up to Rp2.31t, funded through internal cash, for the period of 5 Nov 26 to 4 Feb 27. ITMG's treasury shares have reached 7.24% of its total shares, with the combined treasury shares from previous and current buyback programmes subject to a regulatory ceiling of 20% of paid-up capital. The proposed buyback is expected to enhance shareholder returns, with the company's pro forma analysis indicating an increase in EPS from US$0.095 to US$0.103 and ROE from 11.1% to 11.9% upon full execution.
- **US dollar earnings provide a natural hedge against rupiah depreciation.** Stronger oil and LNG prices, driven by winter demand and prolonged US-Iran tensions, should support earnings through a higher coal price environment, while ITMG's solid cash position provides room for dividend distributions. However, the planned SOE-led export centralisation could pose downside risks to realised selling prices.

Valuation/Recommendation

- **Maintain HOLD with a higher target price of Rp25,800** (from Rp24,000), based on the five-year average SD 2026 EV/EBITDA. We revise our rupiah assumption from Rp17,500 to Rp18,000, despite lowering our earnings estimates. The ongoing share buyback programme and elevated coal prices provide positive near-term catalysts for ITMG. However, uncertainty surrounding the 2027 coal RKAB and planned export centralisation remain key downside risks.

Earnings Revision/Risk

Earnings Revision

Year to 31 Dec	New		Original		Diff (%)	
(US$m)	2026F	2027F	2026F	2027F	2026F	2027F
Production (mt)	21.2	21.9	17.0	17.0	24.80	28.92
Sales (mt)	24.9	25.6	21.7	22.0	14.71	16.76
ASP (US$/t)	86.1	79.5	84.0	81.9	2.53	-2.93
Revenue	2151	2041	1831	1803	17.49	13.23
Operating Profit	337	307	336	362	0.12	-15.36
Net profit	224	214	237	250	-5.74	-14.18
OP margin (%)	15.7	15.0	18.4	20.1		
Net margin (%)	10.4	10.5	13.0	13.8		

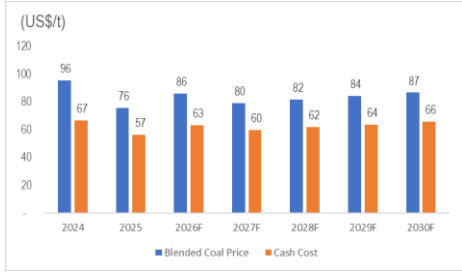
Source: ITMG, UOB Kay Hian

- **Earnings revision:** We revise down 2026F and 2027F net profit estimates by 5.8%/14.18% to include the one-time impairment of US$19.2m and lower coal price assumption for 2027.
- **Downside risks:** a) Weaker-than-expected coal price, b) El-nino distrupting delivery, c) higher forex impact on capex, and d) restructuring execution risk.

Share Price Catalyst

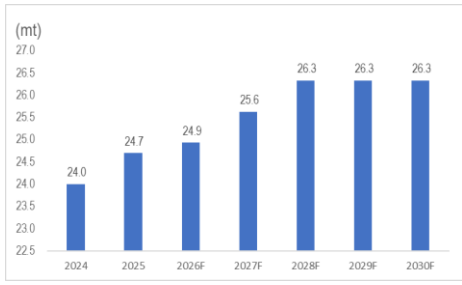
- a) Share buyback of Rp2.3t, b) winter season improving demand, and c) tight LNG supply.

Coal ASP And Cash Cost



Source: ITMG

Sales Volume Forecast



Source: ITMG

EV EBITDA Band



Source: ITMG

Profit & loss

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Net turnover	1,881	2,151	2,041	2,160
EBITDA	335	417	388	404
Deprec. & amort.	68	80	82	83
EBIT	267	337	307	321
Total other non-operating income	(9)	(25)	(10)	(10)
Net interest income/(expense)	29	27	28	29
Pre-tax profit	287	339	325	339
Tax	(93)	(109)	(105)	(109)
Minorities	(4)	(6)	(6)	(6)
Net profit	**191**	**224**	**214**	**224**
Net profit (adj.)	**191**	**224**	**214**	**224**

Balance Sheet

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Fixed assets	213	262	318	373
Other LT assets	898	926	955	983
Cash/ST investment	808	829	838	851
Other current assets	488	524	512	530
Total assets	**2,406**	**2,542**	**2,623**	**2,736**
ST debt	6	6	6	6
Other current liabilities	338	358	353	365
LT debt	32	32	32	32
Other LT liabilities	121	121	121	121
Shareholders' equity	1,898	2,007	2,087	2,183
Minority Interest	10	16	22	29
Total liabilities & equity	**2,406**	**2,542**	**2,623**	**2,736**

Cash flow

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Operating	**202**	**253**	**269**	**266**
Pre-tax profit	287	339	325	339
Tax	(96)	(116)	(111)	(116)
Deprec. & amort.	35	46	47	49
Working capital changes	(24)	(16)	8	(6)
Investing	**(144)**	**(124)**	**(132)**	**(132)**
Capex (growth)	(100)	(124)	(132)	(132)
Others	(44)	-	-	-
Financing	**(240)**	**(108)**	**(128)**	**(122)**
Dividend payments	(224)	(115)	(134)	(129)
Proceeds from borrowings	(31)	-	-	-
Others/interest paid	15	6	6	6
Net cash inflow (outflow)	**(182)**	**21**	**9**	**12**
Beginning cash & cash equivalent	**990**	**808**	**829**	**838**
Ending cash & cash equivalent	**808**	**829**	**838**	**851**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	17.8	19.4	19.0	18.7
Pre-tax margin	15.3	15.8	15.9	15.7
Net margin	10.2	10.4	10.5	10.4
ROA	7.9	8.8	8.2	8.2
ROE	10.1	11.1	10.3	10.3
Growth				
Turnover	(18.4)	14.3	(5.1)	5.8
EBITDA	(36.6)	24.5	(6.9)	4.0
Pre-tax profit	(42.0)	18.1	(4.2)	4.5
Net profit	(49.0)	17.1	(4.2)	4.5
Net profit (adj)	(49.0)	17.1	(4.2)	4.5
EPS	(49.0)	17.1	(4.2)	4.5
Leverage				
Debt to total capital	0.0	0.0	0.0	0.0
Debt to equity (x)	0.0	0.0	0.0	0.0
Net debt/(cash) to equity (x)	(0.4)	(0.4)	(0.4)	(0.4)
Interest coverage (x)	24.0	47.4	43.2	45.1

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