

ITMG: Key Takeaways from 1Q11 Analyst Meeting

1Q11 Results

Indo Tambangraya Megah (ITMG)						
QoQ (USDmn)	1Q11	4Q10	QoQg (%)	Ratio Analysis	1Q11	4Q10
Revenue	468	450	4.1			
GP	152	119	28.3	GPM	32.5	26.4
OP	117	65	81.9	OPM	25.1	14.4
NP	95	18	419.2	NPM	20.3	4.1
YTD YoY (USDmn)	1Q11	1Q10	YoYg (%)	YTD Margin (%)	1Q11	1Q10
Revenue	468	408	14.9			
GP	152	134	13.3	GPM	32.5	32.9
OP	117	93	25.8	OPM	25.1	22.9
NP	95	67	41.4	NPM	20.3	16.5
Bloomberg Est (USDmn)			Realization (%)	Margin	(%)	
Revenue	2,240.0		20.9			
OP	672.6		17.5	OPM	30.0	
NP	491.5		19.3	NPM	21.9	

Source: Company, Bloomberg

The company booked USD468.3mn of revenue in 1Q11, an increase of 4.1% QoQ and 14.9% YoY due to higher ASP. Costs were manageable during 1Q11 even though the fuel costs has surged 22.4%, mainly caused by significant decline on stripping ratio. As such, gross margin improved to 33% vs. 25% in 4Q10 and 32% in 1Q10. Operating profit stood at USD117.4mn, rose 81.9% QoQ and 25.8% YoY. At the bottom line, derivatives gain of USD47.8mn has managed to increase the net profit to USD94.9mn, rose 419.2% QoQ and 41.4% YoY.

Still Struggling on the Operational Side

Despite having well financial performances, company's mining operation was still hampered by heavy rainfall (as we seen on other coal companies as well). On an overall basis, company dig out 5.2mn tons of coal during 1Q11, 5.0% lower than company's plan and only represented 22% of total company's full year production target of 25mn tons. Regarding to costs, overall stripping ratio stood at 12.0x in 1Q11, compared to 17.3x in 4Q10. Almost all of company's mining area showed a declining stripping ratio except Jorong, which increased from 6.9x to 8.6x in order to match with remaining reserves and to keep up with the current mining sequence.

Higher ASP in 1Q11

Company booked an overall ASP of USD87.3/ton, an increase of 12.5% QoQ and 31.1% YoY, supported by strong global coal prices due to weather problems in several major coal producer countries. Over 95% of total company's 2011 coal output has been contracted. 62% of the contracted coal was set at a fixed price of USD87-88/ton, 24% linked to the index (mostly to Newcastle coal benchmark), and the other 14% remain un-priced. Management also highlighted India, which turned into a significant buyer with 0.6mn tons of coal in 1Q11 compared to nothing in 1Q10. We see this as a positive sign to global seaborne trade, especially if we looking at Japanese weaker import post earthquake. This is also supported our "Bet on Indian" Yearbook theme.

Production and Marketing Matrix

	Production (mn tons)			Stripping Ratio (x)			ASP (USD/ton)	
	1Q11	4Q10	1Q10	1Q11	4Q10	1Q10	1Q11	4Q10
Indominco	3.1	3.6	3.7	13.5	14.7	15.0	88.5	78.0
Kitadin	0.3	0.3	0.4	8.9	10.8	10.4	74.0	63.0
Trubaindo	1.5	1.5	1.6	10.0	10.5	11.0	96.0	87.0
Bharinto	-	-	-	-	-	-	-	-
Jorong	0.3	0.4	0.4	8.6	6.9	6.9	53.0	46.0
TOTAL	5.2	5.8	6.1	11.9	12.9	13.1	87.8	77.3

Source: Company

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