



# ANALYST BRIEFING

## 1Q22

PERFORMANCE RESULT

18 May 2022



OUR WAY IN ENERGY

[www.itmg.co.id](http://www.itmg.co.id)

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Transporting coal through hauling road

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# 1Q22 highlights – robust performance continues amidst global uncertainty

## Healthy Profitability

Strong coal price has brought a solid positive impacts to ITM financial performance.

1Q22 net profit recorded at **\$213M**, which is 407% increase compared to 1Q21 net profit.



## Upside from strong coal price

ITM's 1Q22 ASP increased to **\$150/ton** (+5% qoq or +121% yoy) as coal price environment remain strong due to global demand-supply dynamics and geopolitical conflicts.



## Modest Production

1Q22 production level achieved the targeted number at **3.8Mt** despite export ban ruling in Indonesia during January 2022.



## Strong cash flow generation and cash position

1Q22 EBITDA recorded at **\$323M** (-13% qoq or +277% yoy) while strong balance sheet is maintained with the cash position increased from \$691M in 4Q21 to **\$922M** in 1Q22.



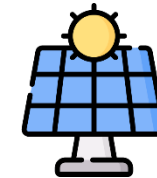
## FY21 dividend announced

On 24 March 2022, AGMS has approved the total FY21 dividend amounting to \$332.9mn (70% dividend payout ratio). The final dividend per share (after reduced by the interim dividend) was Rp3,040/share with the recording date as of 5 April 2022.



## Protecting the ecosystem through mangroves planting

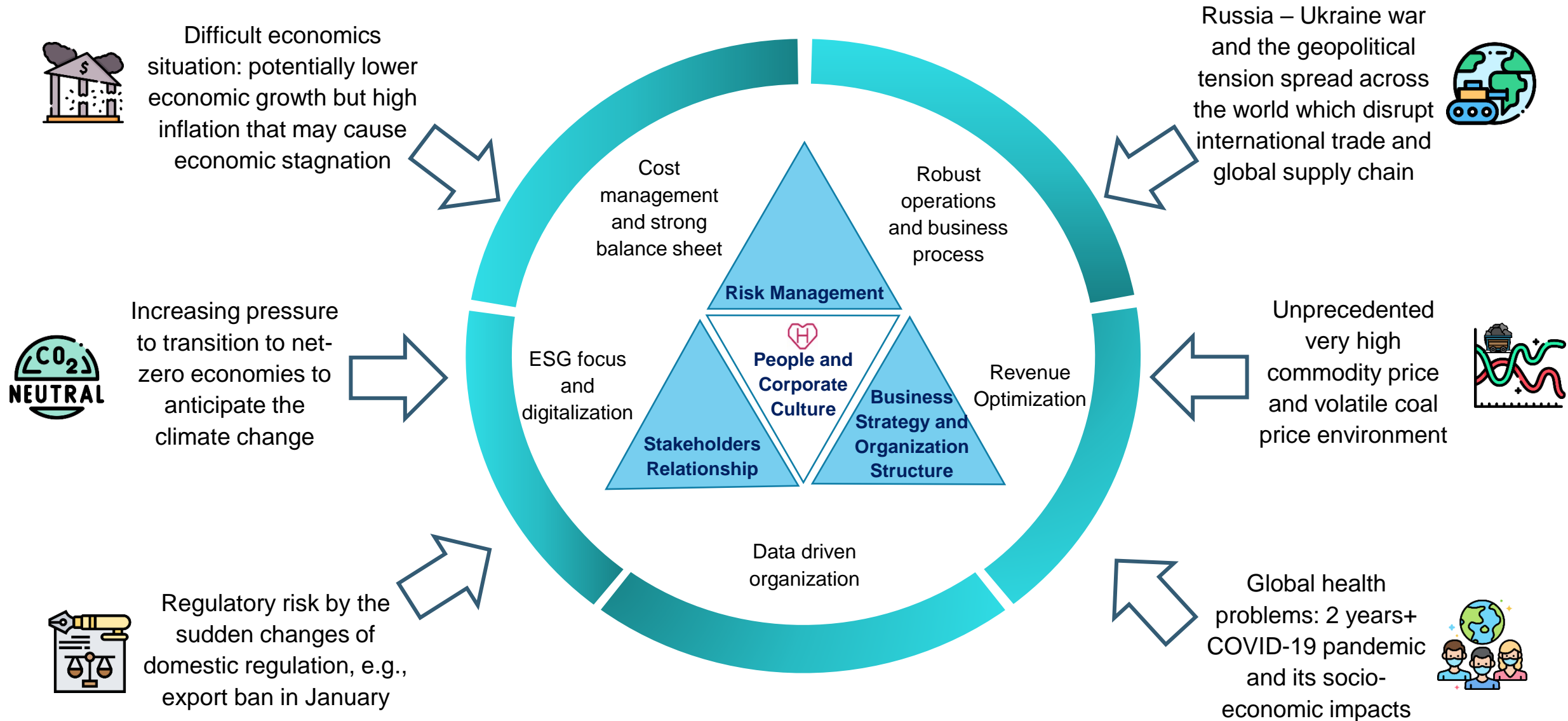
ITM, through its subsidiary IMM, planted 40k mangrove trees in order to support the biodiversity. On top of that, ITM also delivered 14 community development programs worth of Rp 2 billions to the government in 1Q22.



## Solar panel rooftop business commenced

PT Cahaya Power Indonesia (CPI) is established as the first step of ITM to tap into the solar rooftop business. CPI has signed a solar rooftop Power Purchase Agreement (PPA) with a total capacity of 5.9 MWp in 1Q22.

# ITM resilience framework for promising future during challenging period





## MINING

**Organic coal reserve growth** to maximize its existing coal assets

### Underground coal gasification

Currently in the pre-feasibility study phase of coal to ammonia downstream project at Indominco site

**Greenfield coal mines development** in three new mines (GPK, NPR and TIS)

**Investment opportunities in clean techs minerals** by exploring potential investments in high growth energy trends such as mineral or metal mining businesses



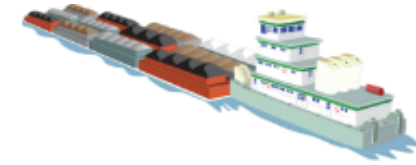
## ENERGY SERVICES

**Third-party coal sourcing** to diversify the revenue source through third-party coal trading and blending

**Natural capital solutions** through Investment in reforestation and/or deforestation prevention for carbon offsetting along with land and biodiversity improvement

**In-house mining contractor** to expand its capacity and support operations efficiently

**Utilizing existing logistics infrastructure** such as port, to create more value creation and be a strategic business unit that generate profits



## GREENER, SMARTER ENERGY

## RENEWABLES AND OTHERS

**Renewable energy generation** with 2 solar PV hybrid plant (one is active while another is in construction), that currently used to generate power for our own operations. Another renewable energy source is also possible in the future, such as hydro power plant



**Solar panel rooftop business** to be one of the diversification toward renewable. The very 1<sup>st</sup> project will be held together with a business partner to ensure its going concern and risk-sharing for both parties



**Digital solutions for mining operations** which improves the monitoring and cost control capabilities



Coal inventory at the Port Stockyard area in Bunyut Port

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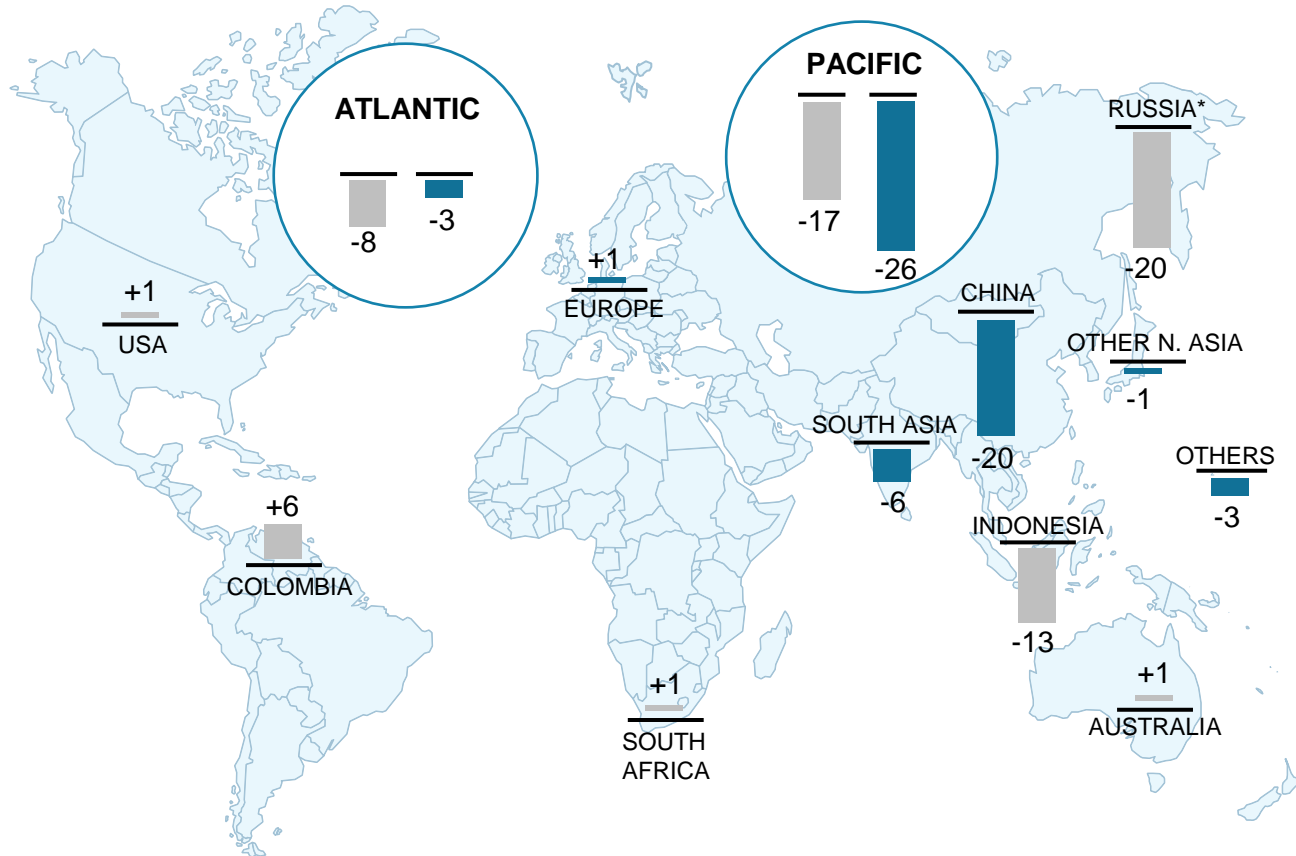
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# Global thermal coal market

## COAL DEMAND AND SUPPLY CHANGE – 2022E VS 2021

Unit: Mt      ■ SUPPLY      ■ DEMAND



Note: \*Russia exports to non-CIS countries only, JKT = Japan, South Korea and Taiwan

## TRENDS

### DEMAND

*High CV coal demand remains strong due to high natural gas prices and efforts by European buyers to diversify away from Russian coal. Lower demand from price-sensitive buyers who are mostly lower CV coal consumers. Buyers in countries with domestic supply could start diverting some demand to domestic supply.*

- **China:** Slower economic growth from Covid-19 lockdowns will dent coal demand. Government's intervention to stabilize coal prices and unofficial ban on Australian coal are expected to continue.
- **India:** Sustained rally in seaborne coal prices will keep thermal coal imports subdued although government urged power producers to ramp up imports.
- **JKT:** High natural gas prices continue to keep coal competitive against gas. Japan's announcement of ban on Russian coal imports although no detailed plan yet is likely to increase demand for Australian coal.
- **Europe:** EU announced plans to ban all forms of Russian coal imports starting from 10th August, while UK's ban will be effective at the end of 2022. EU is expected to increase coal-fired generation by postponing coal plant closures amid high natural gas prices.

### SUPPLY

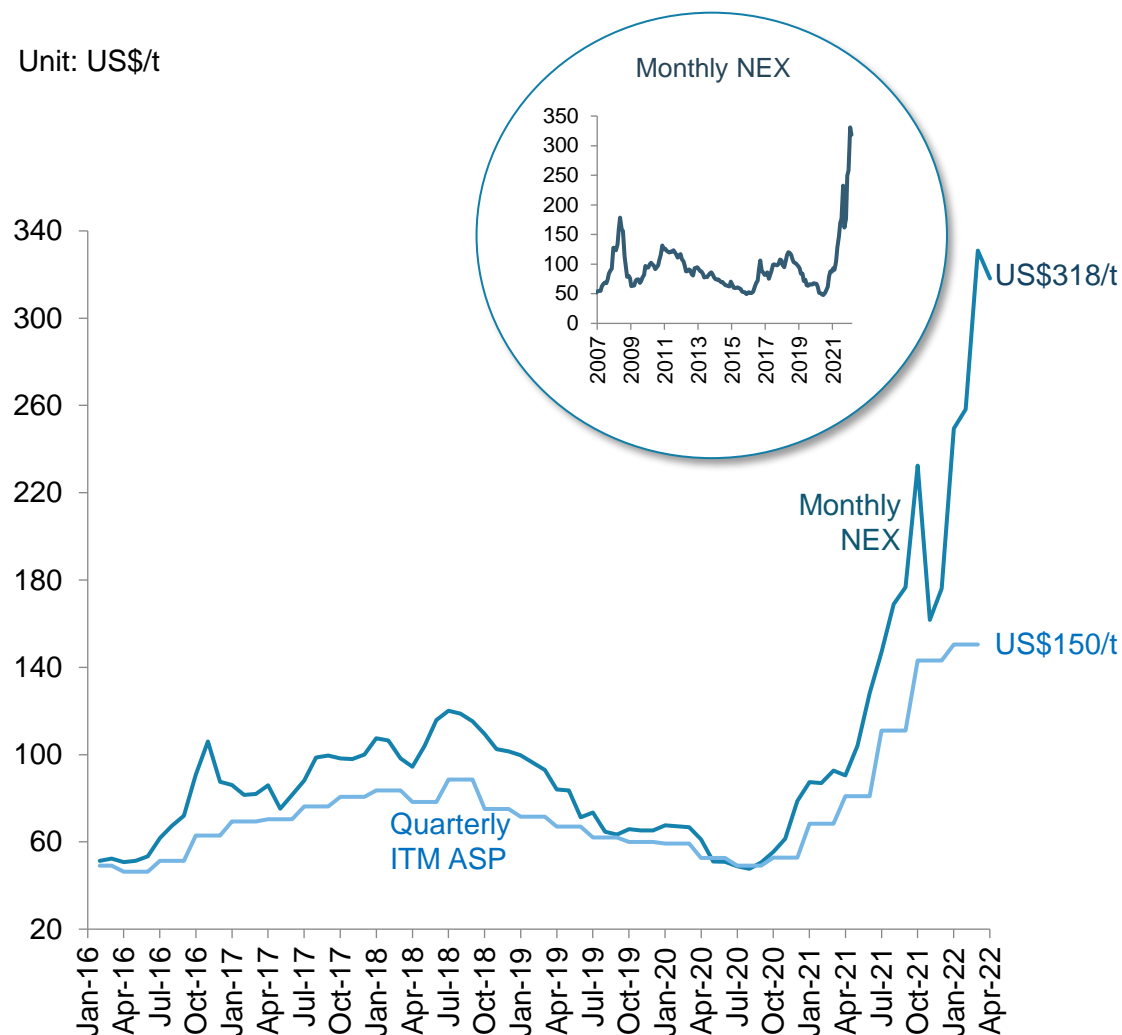
*Geopolitical tensions are going to change global coal trade flows into more inefficient markets, keeping coal prices elevated. Supply tightness is expected to persist throughout the year especially on high CV products.*

- **Indonesia:** wet weather impeded the ability to ramp up exports to recoup the losses incurred during the export ban coupled with weak low CV demand.
- **Australia:** wet weather and labour shortage from Covid-19 pandemic curbed output. Supply is expected to improve from April but export to Europe will be limited.
- **Others:** Russian coal export is expected to perform well before the enforced ban on 10th August and will fall after that. Rail issues in South Africa persist. In Colombia, Prodeco production could restart in 4Q22. Growth of thermal coal export from US seems to be limited due to high domestic demand and logistic constraints.



# ITM ASPs vs thermal coal benchmark prices

## ITM ASP VS BENCHMARK PRICES

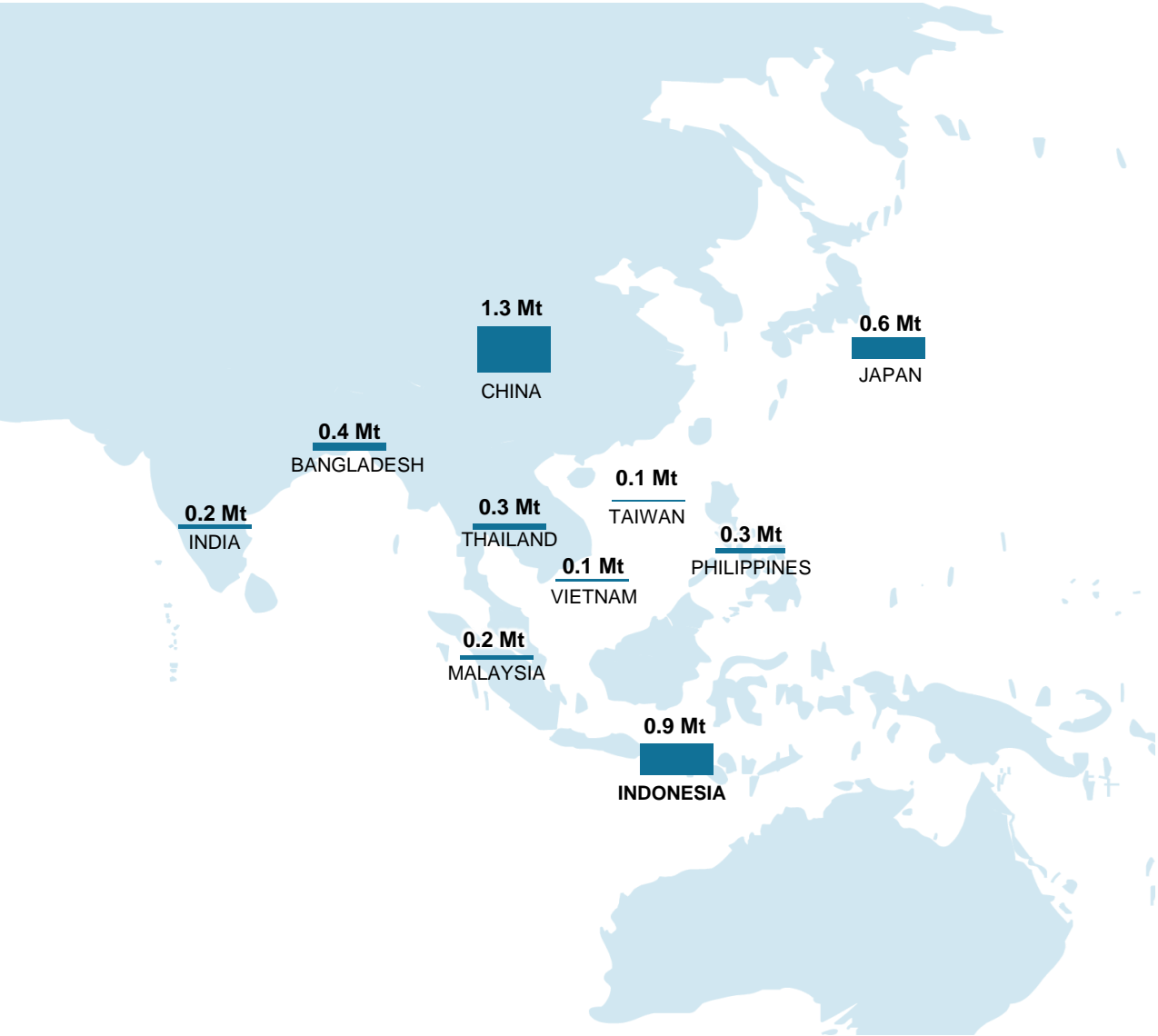


Note: \*The Newcastle Export Index (NEX)

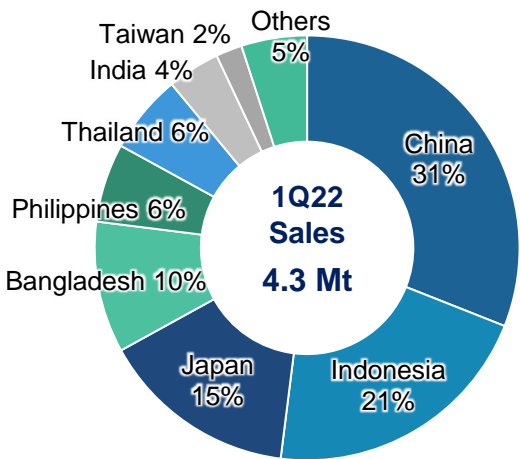
## COMMENTS

- Seaborne thermal coal market has been extremely volatile during 1Q22, mainly due to the sudden policy changes in Indonesia, Ukraine crisis, strong gas price, coupled with the supply tightness in major coal export countries.
- On 26 January 2022, GCNewc hit US\$263/t, due to the Indonesian coal export ban and the wet weather in NSW Australia. After Indonesia restarted exports from the end of January 2022, the coal market started softening, on the 18<sup>th</sup> of February, GCNewc dropped to US\$226.t level,
- Since end of February 2022, the market surged significantly, mainly due to the panic caused by Ukraine crisis, GCNewc hit US\$427/t on 7 March 2022, which became the historical record so far.
- After the panic buying, the coal market started stabilizing through to mid March, dropping to about US\$200/t within 2 weeks, hitting US\$230/t level on 22 March 2022, which is the lowest price level in March.
- Supported by the supply shortages in major coal export countries, particularly due to the wet weather conditions in NSW, Australia and Kalimantan, Indonesia and the prolonged Ukraine crisis, the tight market situation is expected to continue for the foreseeable future.
- ITM ASPs in 1Q22 continue to increase, particularly for export portions.
- Key price metrics:
  - ITM ASP 1Q22: US\$150.4/t (+5% QoQ)
  - NEX (April 29, 2022)\*: US\$363.7/t

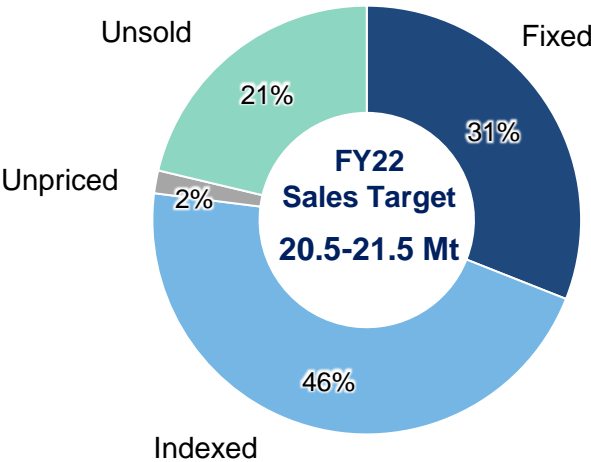
## 1Q22 COAL SALES BREAKDOWN BY DESTINATION



## COAL SALES 1Q22



## INDICATIVE COAL SALES FY22





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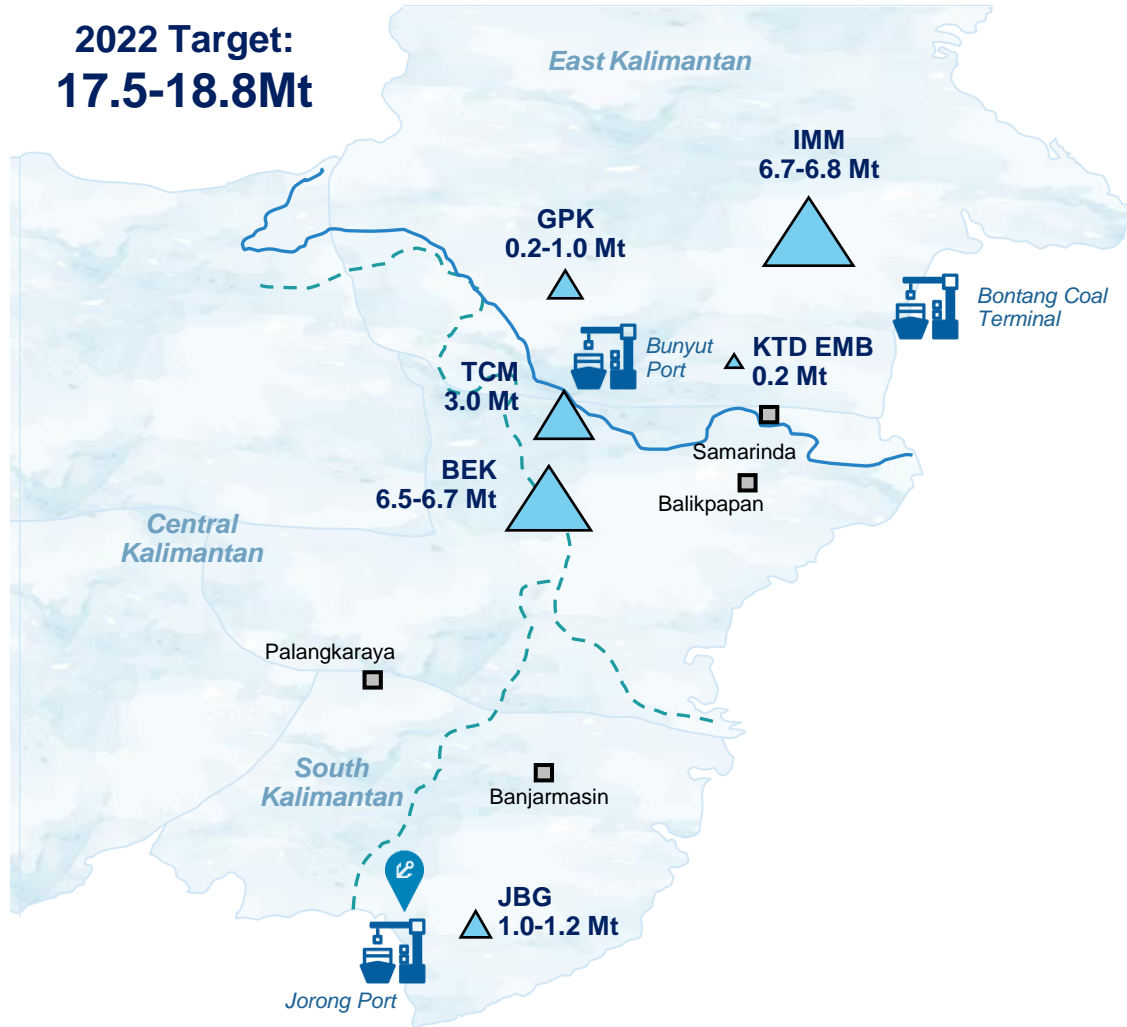
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# Operational summary 1Q22

## SCHEMATIC



## OUTPUT TREND

Unit: Mt

	1Q	2Q	3Q	4Q	
2021	4.0	4.7	4.6	4.9	18.2 Mt
SR	11.5x	10.5x	10.7x	9.6x	
2022	3.8	3.8			
SR	11.1x	10.8x			

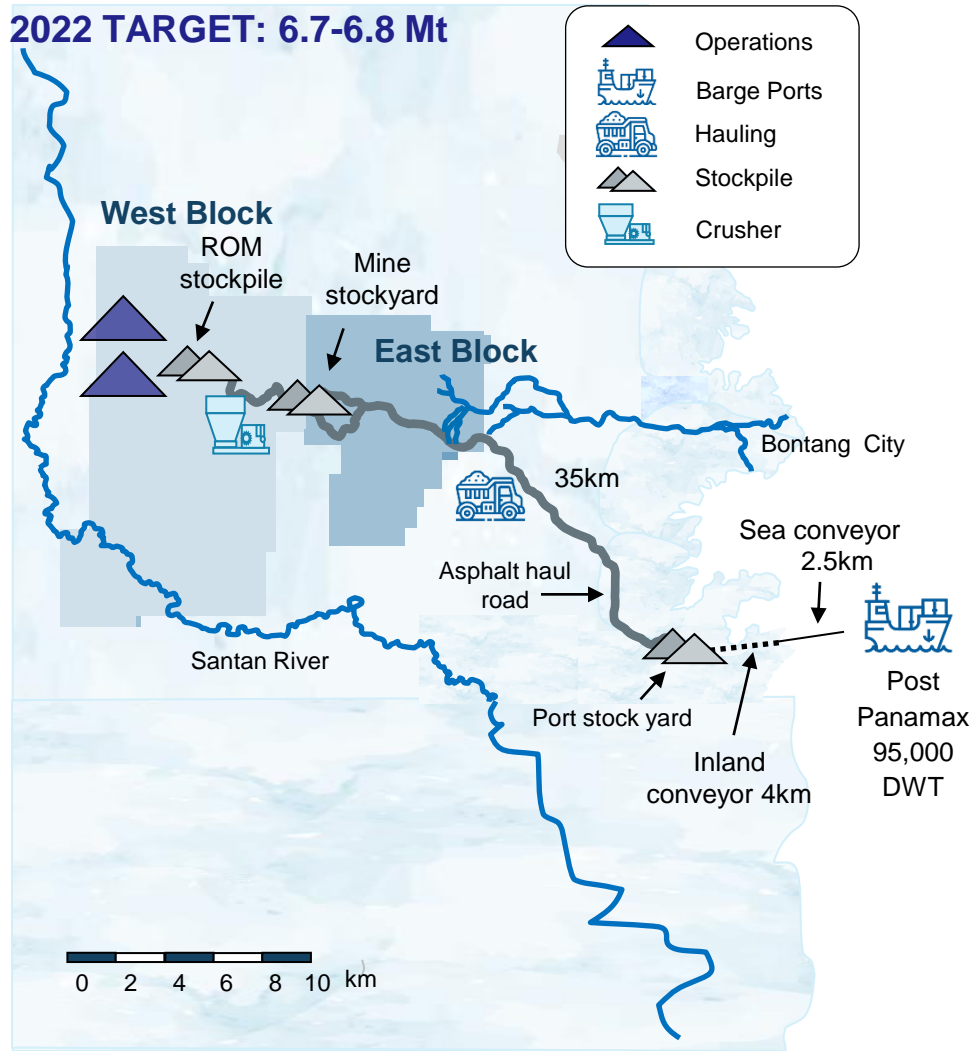
## COMMENTS

- Production 1Q22 achieved as according to target at 3.8mt despite export ban ruling in Indonesia during January 2022. Strip ratio is slightly better than expectation at 11.1x due to improved strip ratio across mine sites.
- 2Q22 production target is expected at 3.8Mt, lower than the same quarter last year due to no contribution from Embalut mine as it ceased its operations in Feb 2022 and lower output from Trubaindo.

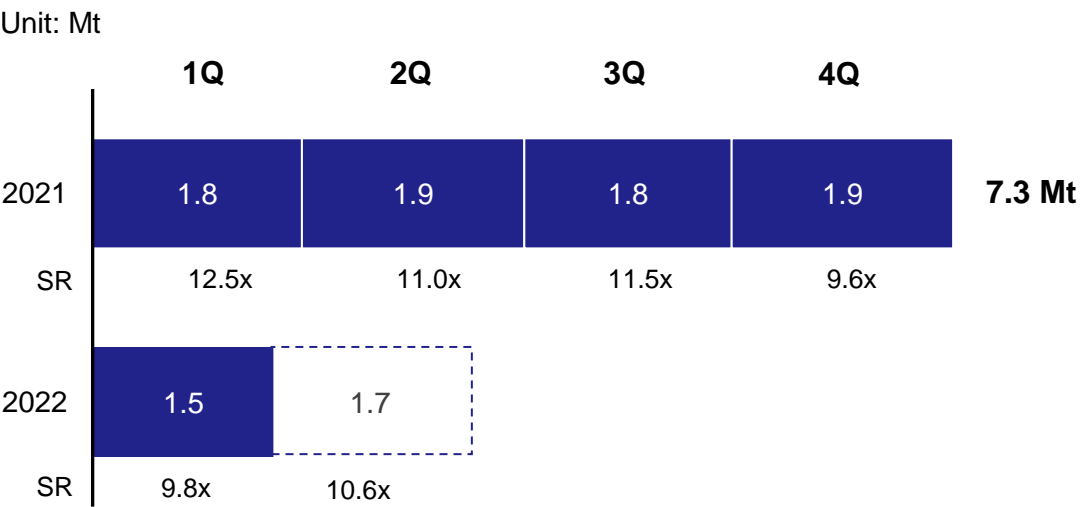
# Coal operations: Indominco Mandiri



## SCHEMATIC



## OUTPUT TREND



## COMMENTS

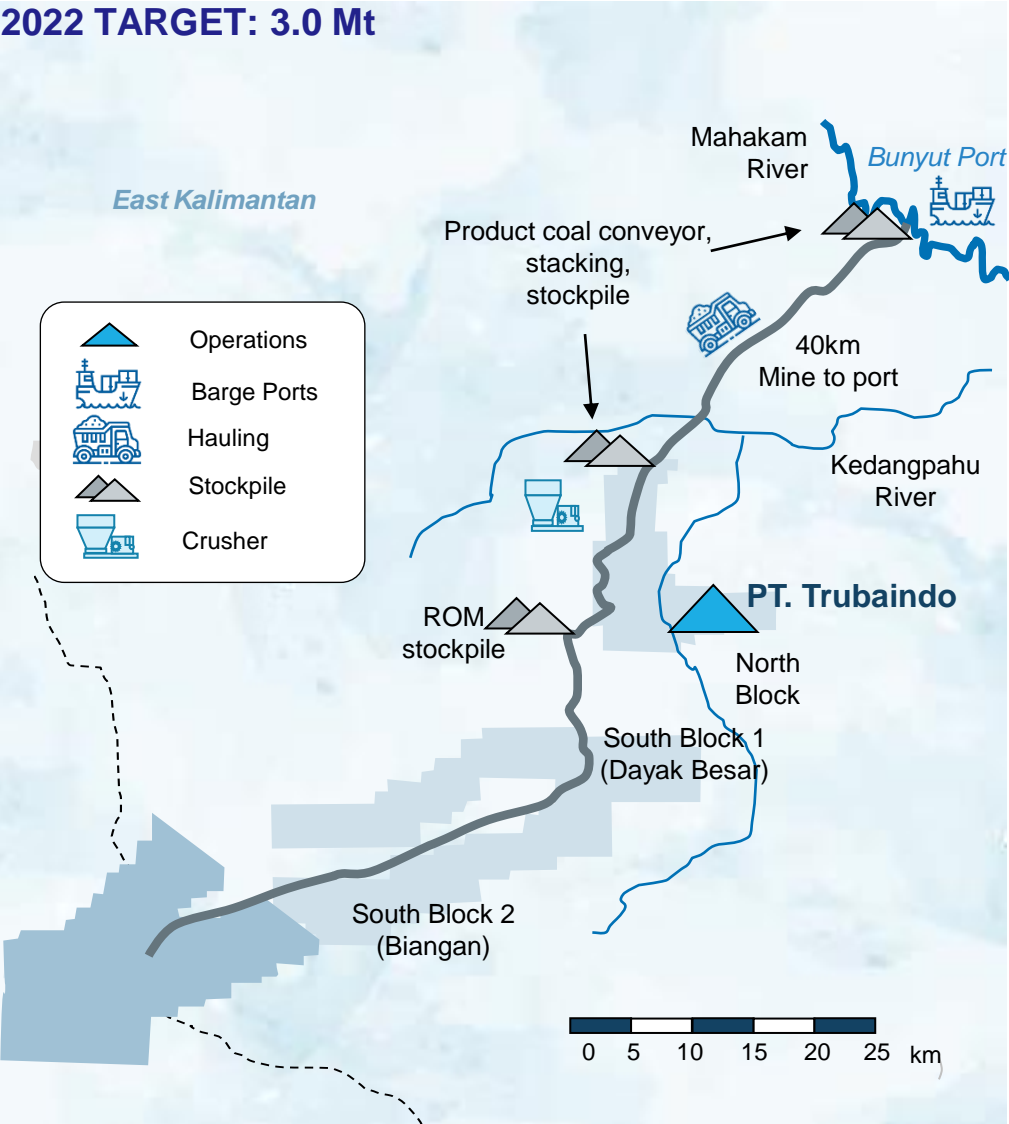
- 1Q22 production achieved at 1.5Mt along with actual dry weather compared to the expectation.
- 2Q22 output target will be 1.7Mt which is higher than 1Q22 but slightly lower than 2Q21 at 1.9 Mt due to optimization of Indominco reserves as according to the mine life.

# Coal operations: Trubaindo Coal Mining



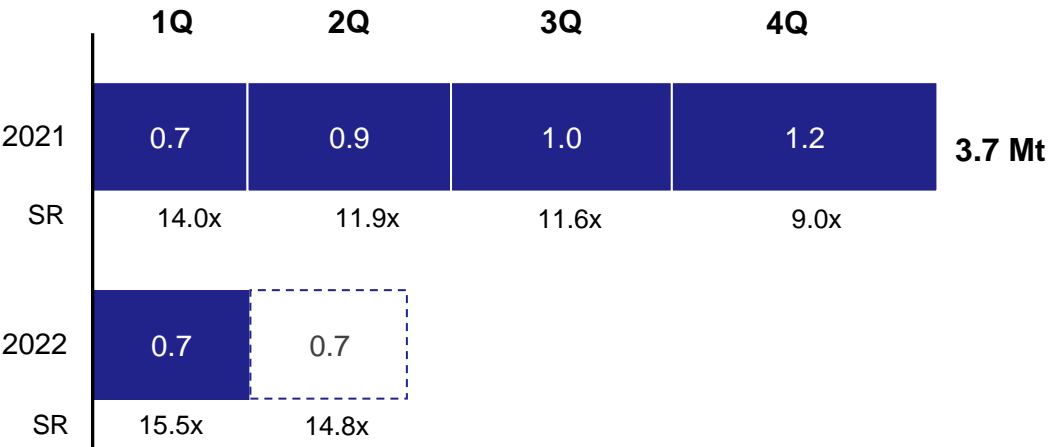
## SCHEMATIC

2022 TARGET: 3.0 Mt



## OUTPUT TREND

Unit: Mt



## COMMENTS

- 1Q22 production achieved as target of 0.7Mt despite it was impacted by rains in several pit areas.
- 2Q22 output target will be at 0.7Mt or lower than 2Q21 at 0.9Mt due to lower performance of a mining contractor. Currently on progress to add additional mining capacity from other mining contractors.
- Solar PV hybrid plant was constructed since December 2021. The commencement of this solar PV hybrid plant will support the operation of Trubaindo, especially in the Bunyut port. The ongoing progress of the construction is inline with the planned timeline.

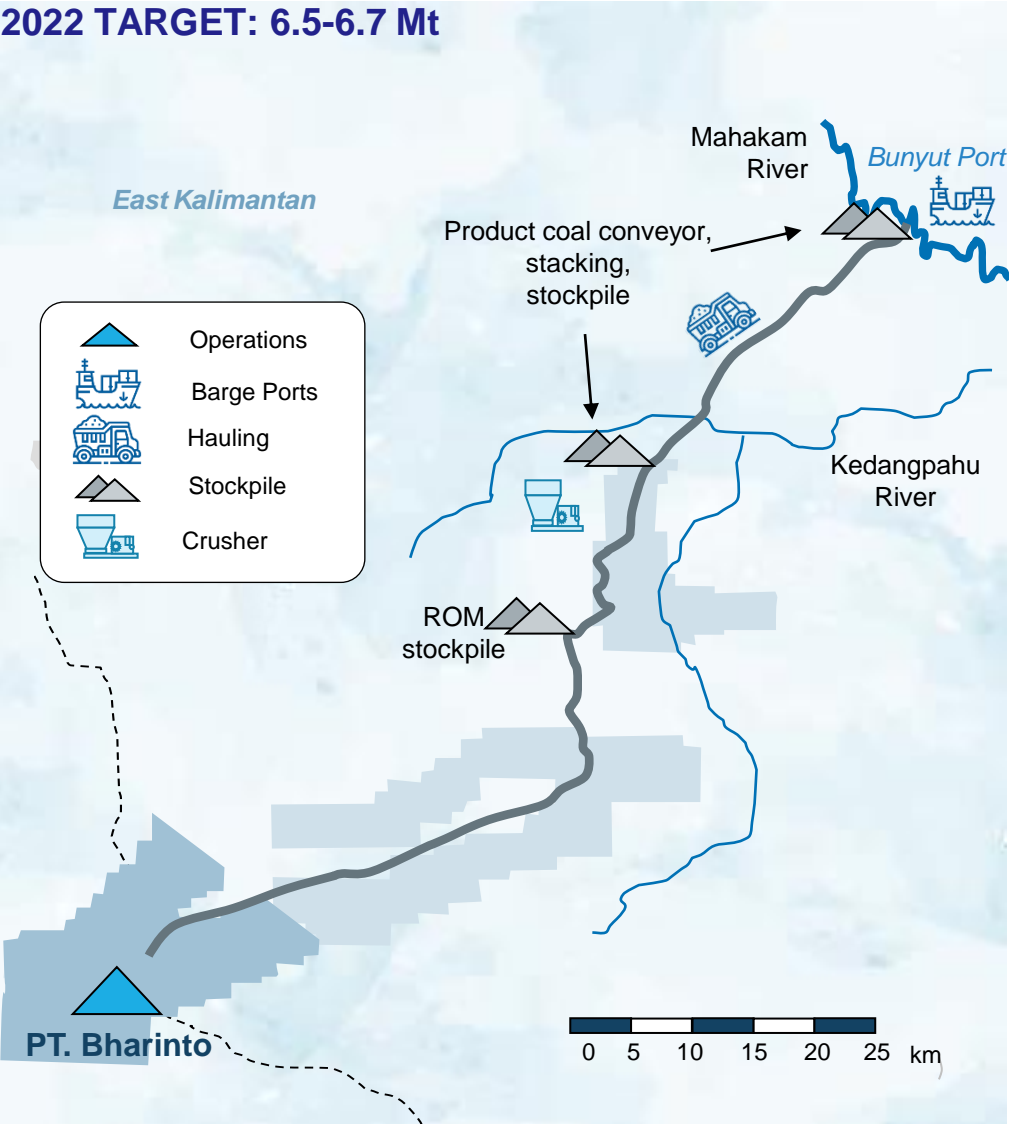


# Coal operations: Bharinto Ekatama



## SCHEMATIC

2022 TARGET: 6.5-6.7 Mt



## OUTPUT TREND

Unit: Mt

	1Q	2Q	3Q	4Q	
2021	1.0	1.3	1.4	1.2	4.8 Mt
SR	6.7x	6.6x	6.3x	6.6x	
2022	1.1	1.2			
SR	8.8x	7.9x			

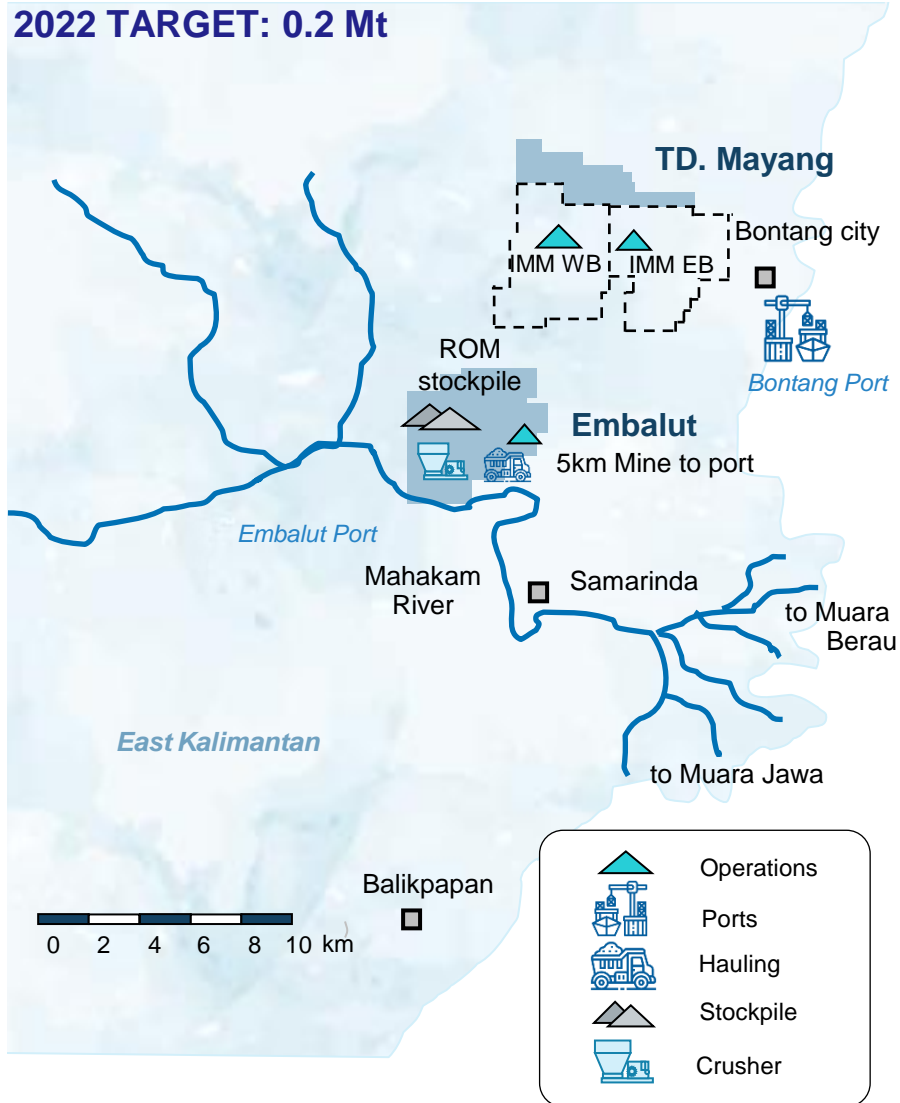
## COMMENTS

- 1Q22 production was at 1.1Mt with weather condition remained wet.
- 2Q22 production target is expected to be slightly higher at 1.2Mt compared to 1Q22 but slightly lower compared to 2Q21. Bharinto will add more mining equipment capacity to adjust production plan during second half of 2022 to realize the upside from mining at Central Kalimantan area.

# Coal operations: Kitadin Embalut

## SCHEMATIC

2022 TARGET: 0.2 Mt



## OUTPUT TREND

Unit: Mt

	1Q	2Q	3Q	4Q	
2021	0.3	0.4	0.3	0.4	1.4 Mt
SR	18.6x	17.0x	24.4x	15.5x	
2022	0.2	0.2 Mt			
SR	17.9x				

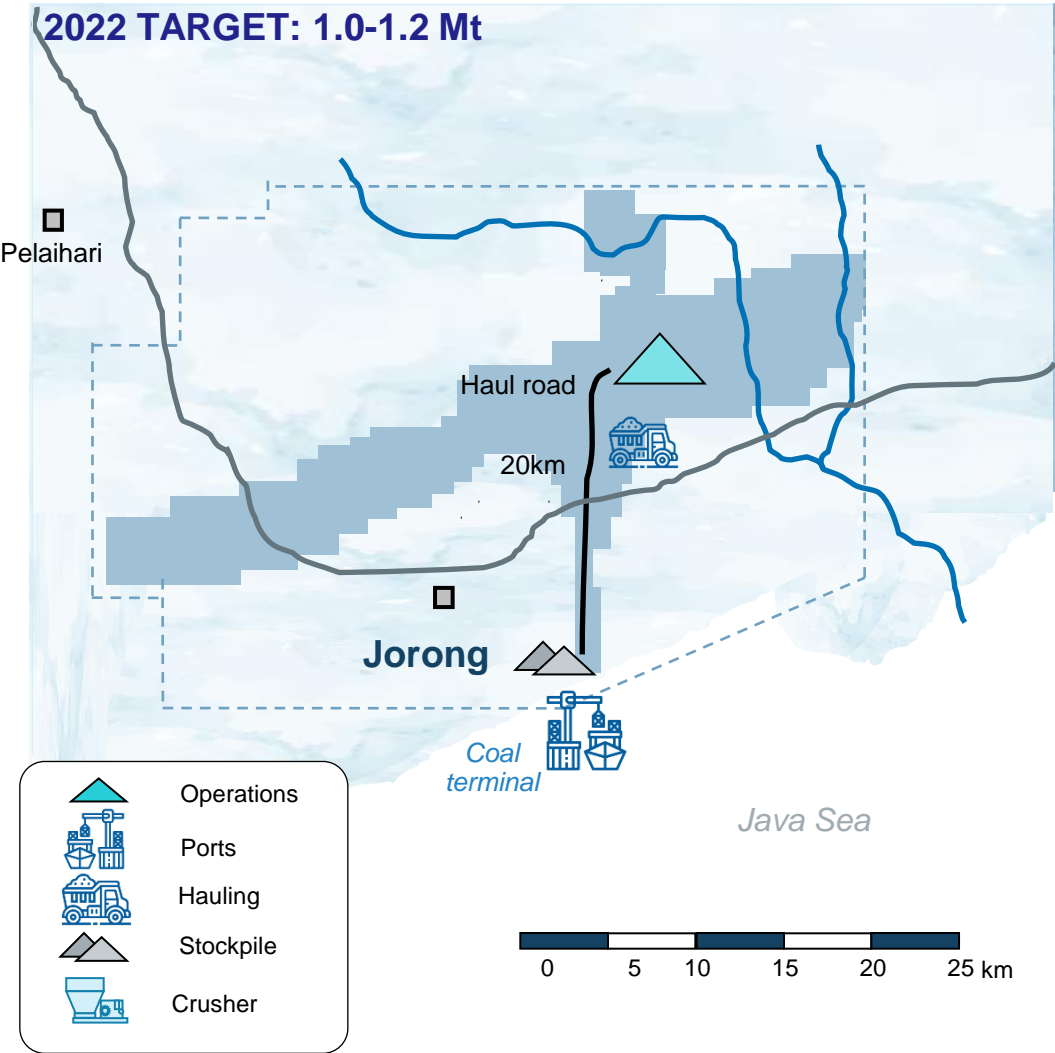
## COMMENTS

- 1Q22 production was at 0.2Mt as the operation was affected by bad weather condition.
- Embalut ceased its production on 25<sup>th</sup> Feb 2022 and has commenced its mine closure activities starting in Mar 2022. The mine closure will incorporate land reclamation and void management, community development, and environmental monitoring.

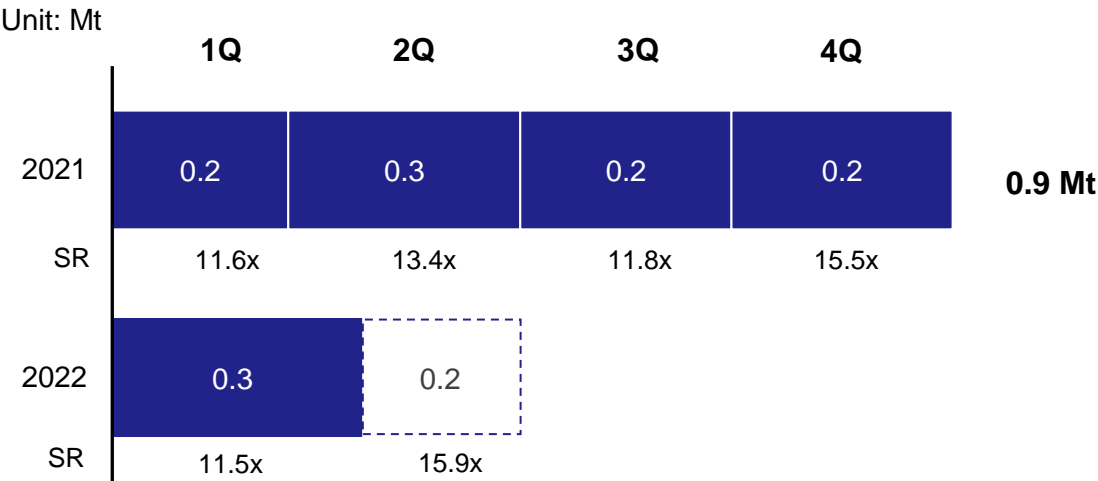
# Coal operations: Jorong



## SCHEMATIC



## OUTPUT TREND



## COMMENTS

- 1Q22 production achieved as target at 0.3Mt despite operation was hampered by rainfalls.
- 2Q22 output target is expected at around 0.2Mt with higher strip ratio due to the continuation of pre-stripping activities during 2Q22.





Command center of Bontang port

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# Highlights of 1Q22 results

## Key Figures

### NPAT

High NPAT backed by strong commodity price despite modest production and externalities challenges

**1Q22**  
**\$213 M**

### Revenue

Strong result driven by coal sales optimization, strong customer service, and product quality that support more competitive pricing

**\$640 M**

### Gross Margin

Maintaining favorable gross profit margin due to strong ASP

**53%**

## Key Takeaways

1

### Strong financial performance

ASP rose from \$143/t in 4Q21 to \$150/t in 1Q22, continuing the increasing ASP trend since 2Q21, as ITM continues to utilize the high coal price environment driven by strong demand and supply tightness.

2

### Robust balance sheet and cash position

Following strong financial performance, cash position has increased by 33% with \$922 in 1Q22 from \$691mn in 4Q21.

3

### Production cost impacted by fuel price

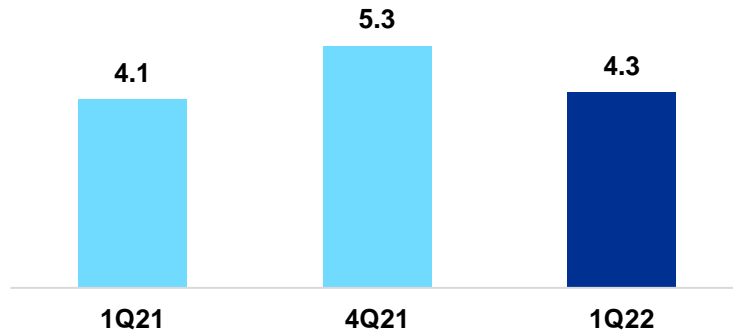
Despite rigorous cost control, rising fuel price has impacted the production cost. In addition, total cost is also affected by the increase of the royalty following high coal selling price.

# Profitability – Income statement



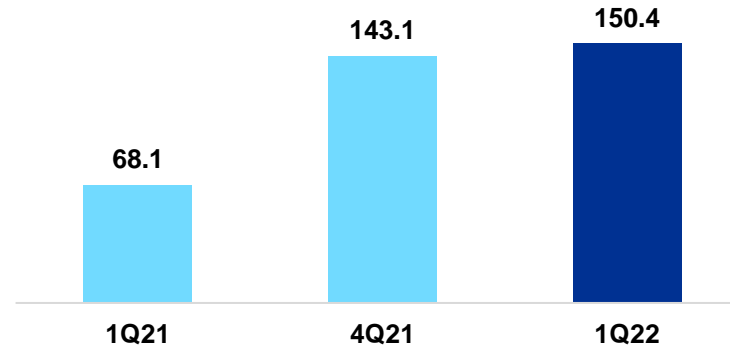
## SALES VOLUME

Unit: Mt



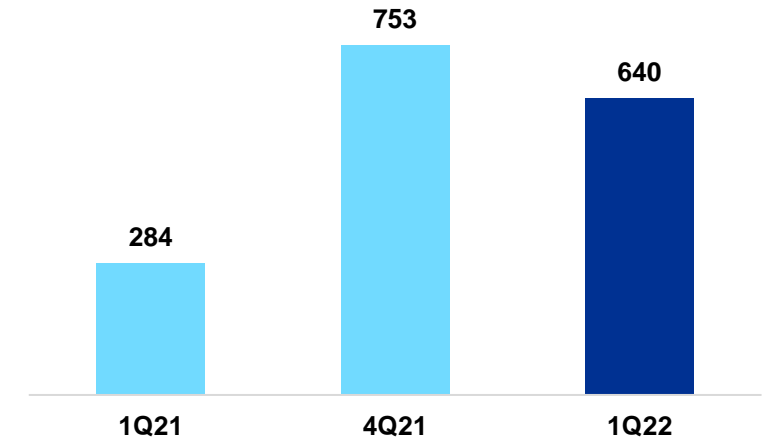
## AVERAGE SELLING PRICE

Unit: US\$/t



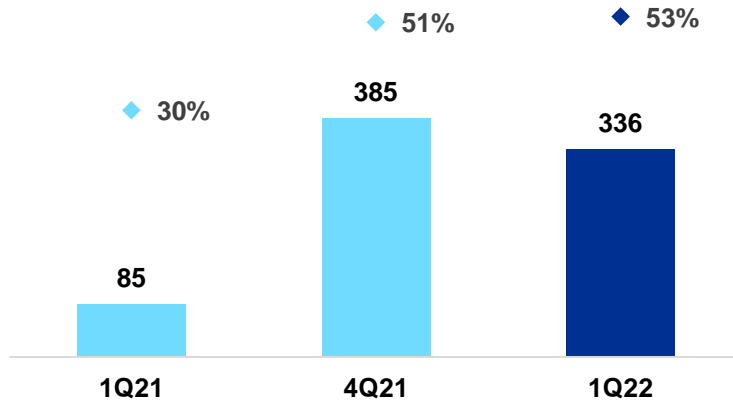
## REVENUE

Unit: US\$ million



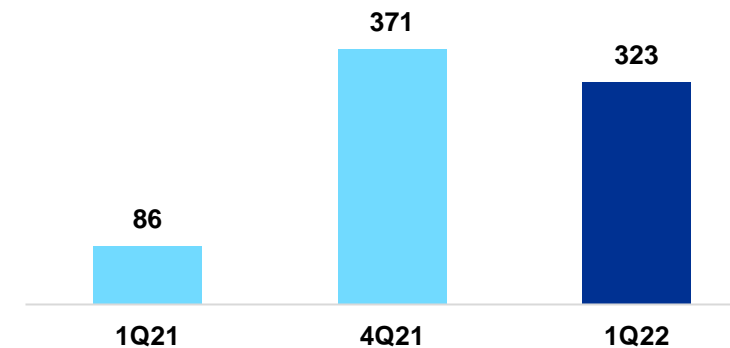
## GROSS PROFIT AND GPM

Unit: Gross profit is US\$ million, GPM is % of revenue



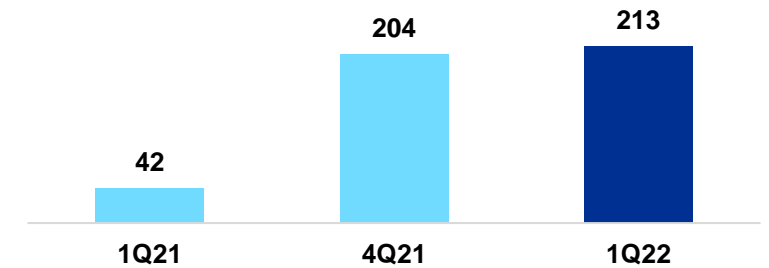
## EBITDA

Unit: US\$ million



## NET PROFIT

Unit: US\$ million

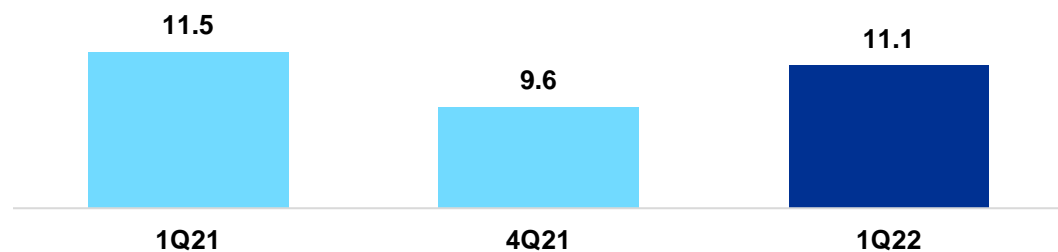




# Cost analysis

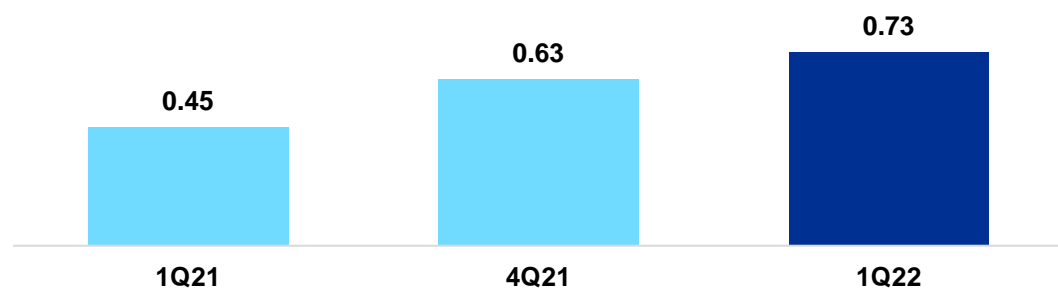
## WEIGHTED AVERAGE STRIP RATIO

Unit: Bcm/t



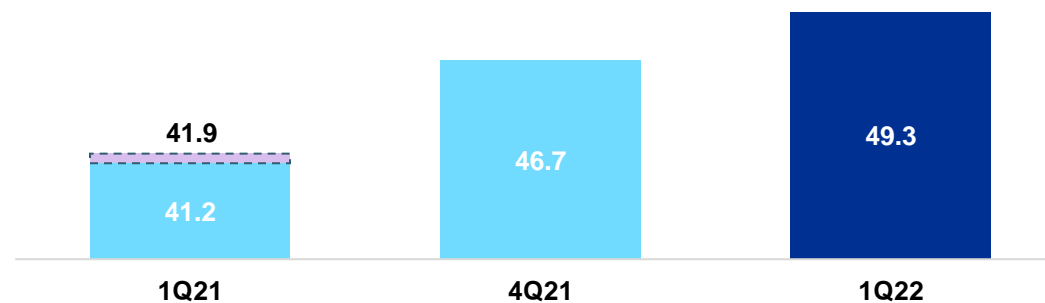
## FUEL PRICE

Unit: US\$/Ltr



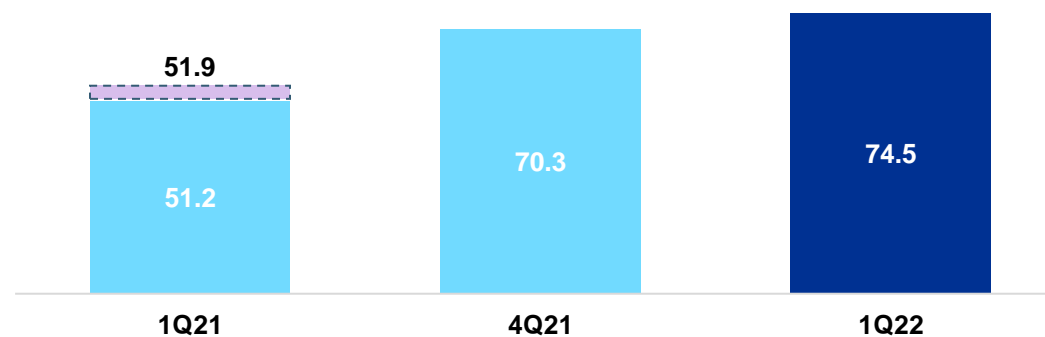
## PRODUCTION COST

Unit: US\$/t



## TOTAL COST\*

Unit: US\$/t

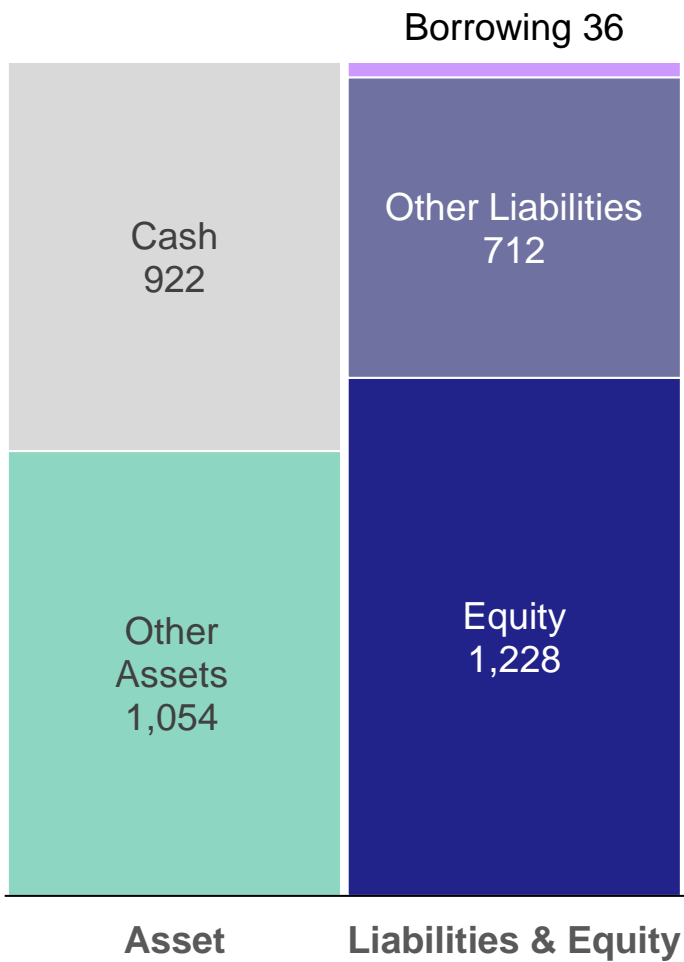


\*Cost of Goods Sold + Royalty + SG&A

# Balance sheet

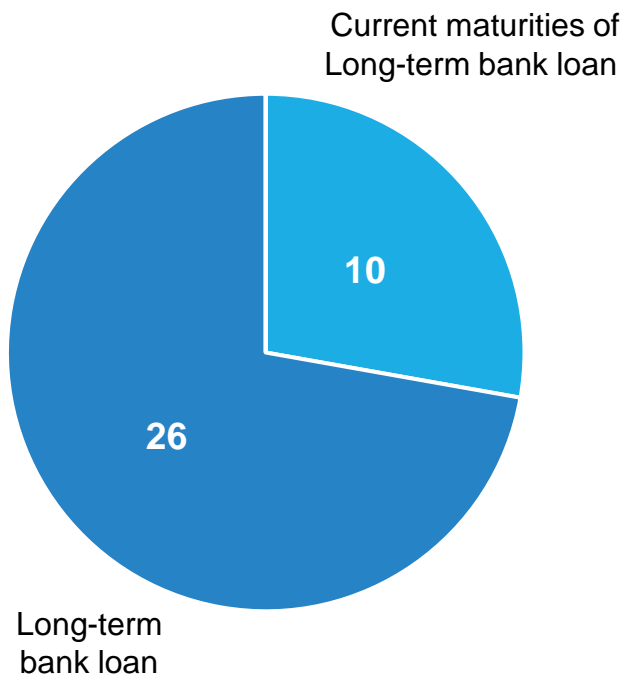
## 1Q22 BALANCE SHEET

Unit: US\$ million



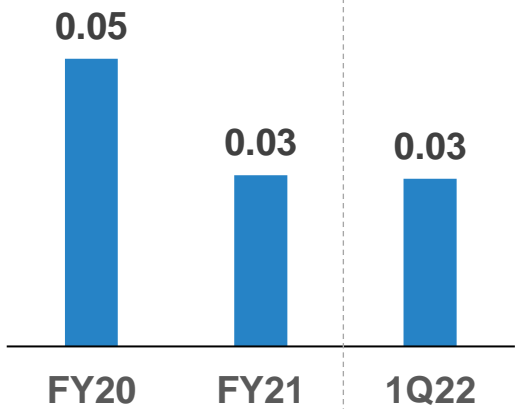
## BANK LOAN DETAILS

Unit: US\$ million

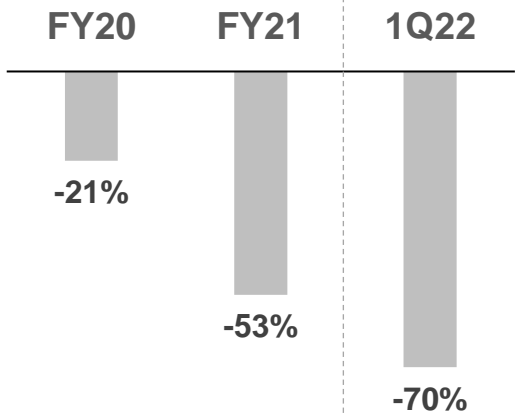


## KEY RATIOS

Debt to Equity (x)



Net Gearing (%)

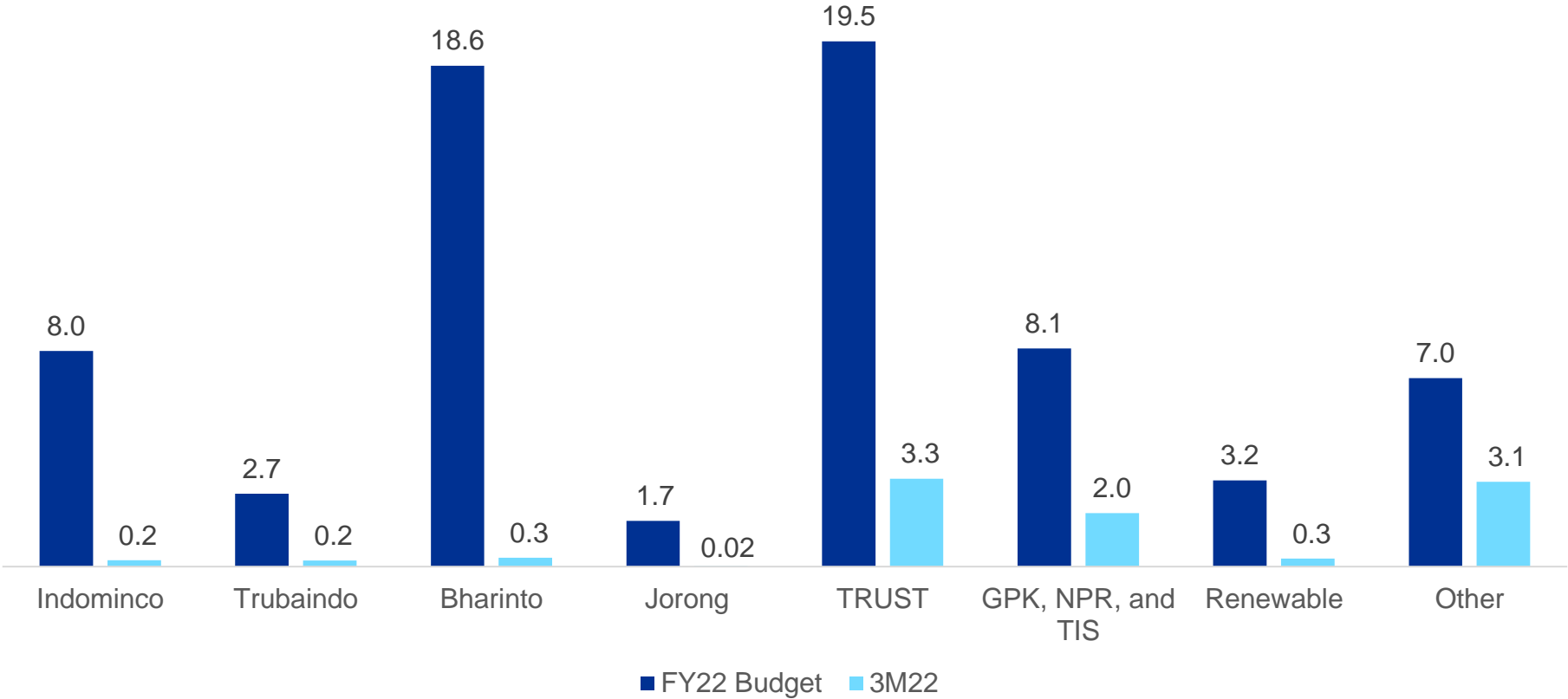


Note: Net gearing formula is net debt to total debt and equity

# 3M22 capital expenditure



3M22 CAPEX total:  
\$9.5 mn  
FY22 CAPEX budget:  
\$68.8 mn



Note: Total capex plan including Jakarta office after elimination.





Biodiversity conservation nearby mining area

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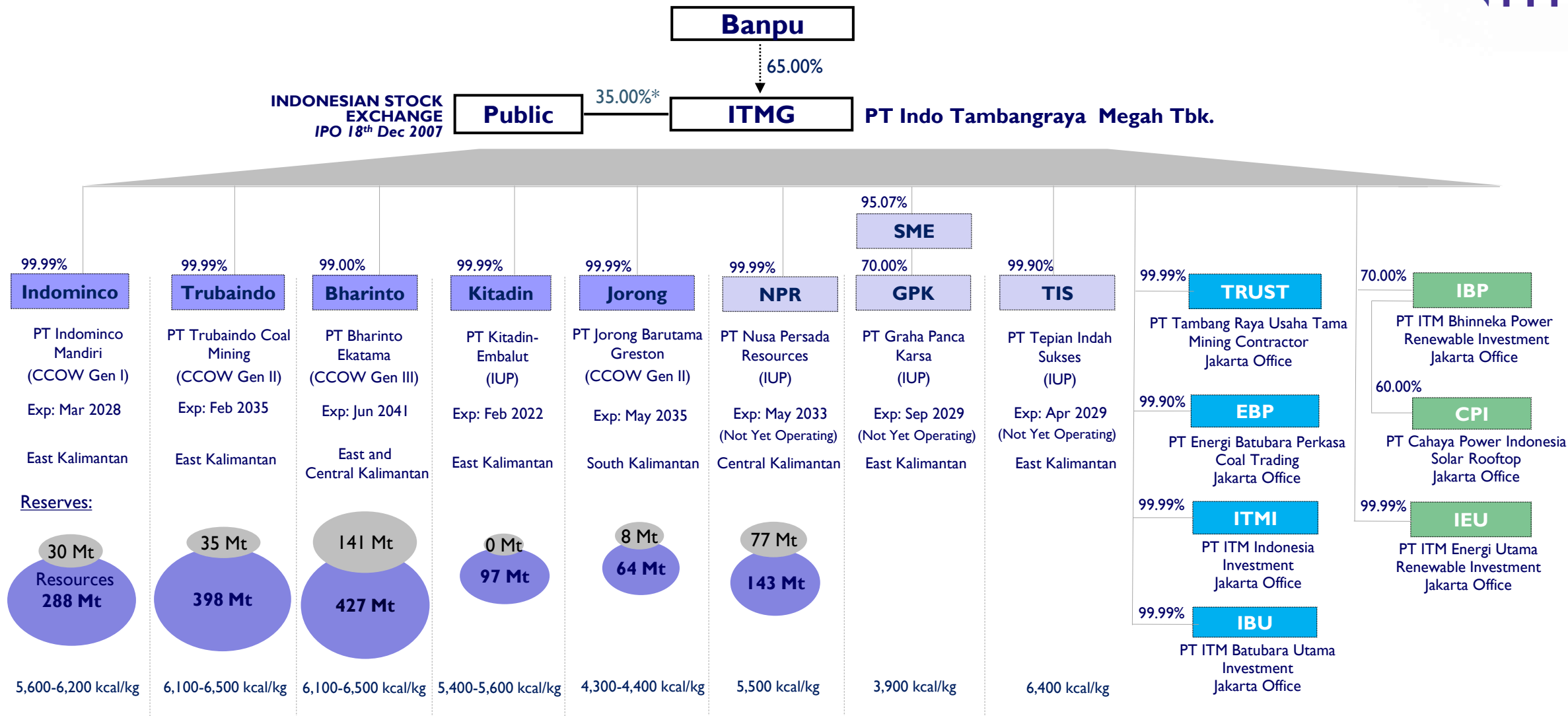
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# Income statement

<i>Unit: US\$ thousand</i>	1Q22	4Q21	QoQ%	1Q21	YoY%
<b>Net Sales</b>	<b>639,933</b>	<b>753,468</b>	<b>-15%</b>	<b>284,240</b>	<b>125%</b>
<b>Gross Profit</b>	<b>336,331</b>	<b>385,486</b>	<b>-13%</b>	<b>84,890</b>	<b>296%</b>
<b>GPM</b>	<b>53%</b>	<b>51%</b>		<b>30%</b>	
SG&A	(36,332)	(43,550)	-17%	(21,095)	72%
<b>EBIT</b>	<b>299,999</b>	<b>341,936</b>	<b>-12%</b>	<b>63,795</b>	<b>370%</b>
<b>EBIT Margin</b>	<b>47%</b>	<b>45%</b>		<b>22%</b>	
<b>EBITDA</b>	<b>323,120</b>	<b>370,851</b>	<b>-13%</b>	<b>85,717</b>	<b>277%</b>
<b>EBITDA Margin</b>	<b>50%</b>	<b>49%</b>		<b>30%</b>	
Net Interest Income / (Expenses)	(57)	102		(58)	
FX Gain / (Loss)	(1,541)	528		(4,023)	
Derivative Gain / (Loss)	(19,699)	(67,277)		(1,457)	
Others	(4,191)	(6,228)		(1,623)	
<b>Profit Before Tax</b>	<b>274,511</b>	<b>269,061</b>	<b>2%</b>	<b>56,634</b>	<b>385%</b>
Income Tax	(61,288)	(65,155)	-6%	(14,582)	320%
<b>Net Income</b>	<b>213,223</b>	<b>203,906</b>	<b>5%</b>	<b>42,052</b>	<b>407%</b>
<b>Net Income Margin</b>	<b>33%</b>	<b>27%</b>		<b>15%</b>	

# ITM Structure



\*) As of 31<sup>st</sup> Mar 2022, ITM has sold 2.75% of its treasury share back to the market and only 0.2% remaining from its share buyback program  
Note: Reserves and Resources is as of 31<sup>st</sup> Dec 2021. The number disclosed above used the 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 during 2019-2021.