

**Not Rated**

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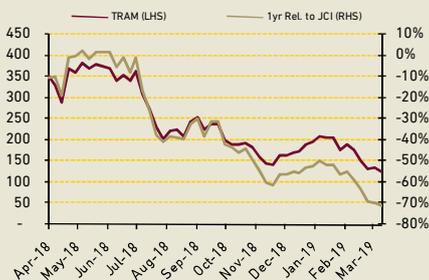
## Trada Alam Minera

At early stage of growth

Sector Coal  
Bloomberg Ticker TRAM IJ

### Share Price Performance

Last price (Rp)	131		
Avg. daily T/O (Rpbn/USDmn)	88/0.6		
	<b>3m</b>	<b>6m</b>	<b>12m</b>
Absolute (%)	-22.0	-42.8	-20.6
Relative to JCI (%)	-25.6	-56.2	-25.5
52w High/Low price (Rp)	424/122		



Outstanding shrs (mn)	49,634
Mkt. Cap (Rpbn/USDmn)	6,071/473
Estimated free float (%)	51.6
<b>Major shareholders</b>	
Graha Resources	48.4%

### EPS Consensus

	Ciptadana	Cons.	% Diff
2019F	n/a	n/a	n/a
2020F	n/a	n/a	n/a
2021F	n/a	n/a	n/a

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### Acquisitions bearing fruit

We recently met with Trada Alam Minera (TRAM) management to gain better insight into the company's coal mining prospects. In 2018, TRAM produced 2.6 mn tons of coal (vs. only 265 k tons in 2017) from its Gunung Bara Utama (GBU) mine. This boosted revenue from coal operation more than twelve-fold to Rp2.34 tn, accounting for 67% of consolidated revenue. TRAM also reported revenue from mining service of Rp828.8 bn (jump 20-fold from only Rp39.5 bn in 2017) and formed 23% of total revenue. At end of 2017, the company launched rights issue of Rp5.6 tn where the proceeds was used to finance the acquisition of nearly 100% stake at GBU and 51 % stake at SMRU (listed mining contractor). Therefore, the acquisition the company has made over the past one year is beginning to bear fruit. From its marine transportation operation, the company generated revenue of Rp288 bn (+5% YoY) or around 8% of total revenue. The company gradually sells its liquid, gas and FPSO fleet and retains dry bulk fleet (tugs and barges for coal transportation) which has synergy with coal mine operation. Meanwhile, heavy equipment rental and vessel management made up the remaining 2% of revenue.

### Mid-CV coal producer supported by world-class mining contractor

GBU holds mining license for production operation (IUP-OP) of 5,350 Ha mining area, which is located in West Kutai Regency of East Kalimantan province and 60 km from Mahakam river. GBU produces coal ranging 5,000-5,400 kcal/kg GAR CV with around 30% of its coal has low sulfur of 0.4% (premium coal). The company currently sells its coal for USD60-62/ton. Most of GBU's coal, excluding its compliance with Domestic Market Obligation requirement, currently is sold to international market via coal trader (such as Glencore International and LG International). The end users are power plants in Japan, South Korea, Taiwan (which requires premium coal) and Vietnam, Philippines, and India (non-premium coal). GBU prefers not to sell its coal to China as the government often intervene its coal market, adopting tight controls on imports. To support production, GBU has awarded USD347 mn contract to Thiess, the world's largest mining services provider, in Sep-17 to provide total mining service which will continue until 2024. Its own mining contractor, SMRU, also takes part in coal production but still in small portion as currently most of SMRU's revenue (95%) is still generated from serving Berau Coal Energy.

### Expecting strong 29% CAGR production volume

GBU plans to gradually increase its coal production from 2.6 mn ton in 2018 to 4.8 mn tons in 2019, 6.2 mn tons in 2020 and 8 mn tons in 2021, implying a 29% CAGR for next two years. Production target for 2019-2020 should be achievable as current maximum production capacity has reached to 520 k tons per month. GBU prefers to maintain current stripping ratio (SR) of 12x in order not to jeopardize its future coal reserves, although it could lower SR to 7x to reduce production cost in periods of lower coal price. GBU's mine life could range between 12 years based on annual production target of 8 mn tons, in line with IUP expiration period. The company could easily add its coal reserve given its cash and ST investment balance of Rp638 bn at end of 2018. As an example, ITMG added coal reserves of 77 mn tons for USD30 mn (~Rp420 bn) with the acquisition of 100% stake in NPR last year.

### Turnaround efforts to support future profit growth

TRAM booked net profit of Rp295 bn in 2018 after consecutive losses in the previous four years, mainly supported by coal revenue. The company has not disclosed earnings target for this year. TRAM is currently trading at 21x PER based on 2018 earnings. The valuation could significantly lower this year as earnings should still see a strong jump on following reasons: 1) GBU will almost double its production to 4.8 mn tons, 2) coal margin should also improve from last year's level of 14% on operating leverage. 3) Strong synergy with coal business could also further improve its water transportation (33% GPM in 2018) and mining contracting (14% GPM in 2018) profit. The management mentioned their spot selling price was relatively stable at USD59-62/ton in 1Q19. This is despite Newcastle coal prices have been declined significantly by 21% Ytd to USD79/ton, which we believe due to China's coal import restriction on coal from Australia. China still allows imports from Indonesia which help its low-CV coal price recovery and stable mid-CV coal price.

**Exhibit 1: TRAM's Gunung Bara Utama coal mine location**



Source: Company website

**Exhibit 2: TRAM's Gunung Bara Utama coal handling facility**



Source: Company website

**Exhibit 3: TRAM's Gunung Bara Utama coal hauling road**



Source: Company website

**Exhibit 4 - Income Statement**

Year to 31 Dec (Rpbn)	2014	2015	2016	2017	2018
<b>Revenue</b>	<b>711.8</b>	<b>452.2</b>	<b>485.6</b>	<b>517.2</b>	<b>3,482.7</b>
COGS	-590.8	-422.8	-445.6	-431.7	-2,906.7
<b>Gross profit</b>	<b>121.0</b>	<b>29.4</b>	<b>40.0</b>	<b>85.5</b>	<b>575.9</b>
Oper. expenses	-95.2	-204.4	-132.1	-57.0	-227.6
<b>Oper. profit</b>	<b>26.0</b>	<b>-174.8</b>	<b>-92.2</b>	<b>124.4</b>	<b>348.3</b>
<b>EBITDA</b>	<b>364.5</b>	<b>124.8</b>	<b>94.5</b>	<b>293.7</b>	<b>797.2</b>
Interest income	0.1	0.1	0.9	2.8	2.9
Interest expense	-136.7	-105.8	-156.1	-84.1	-205.9
Other income (exp.)	-297.8	-779.4	-65.1	-9.2	152.4
<b>Pre-tax profit</b>	<b>-389.5</b>	<b>-1,015.9</b>	<b>-294.9</b>	<b>-16.4</b>	<b>294.5</b>
Income tax	12.0	7.2	141.8	-27.3	-66.6
<b>Net profit</b>	<b>-406.5</b>	<b>-927.3</b>	<b>-222.9</b>	<b>-33.1</b>	<b>295.4</b>

**Exhibit 5 - Balance Sheet**

Year to 31 Dec (Rpbn)	2014	2015	2016	2017	2018
Cash & cash equivalent	97.9	181.7	125.1	3,503.2	637.8
Acct, receivables	102.5	75.9	87.0	286.8	526.1
Inventory	0.0	0.0	0.0	66.3	69.1
Other curr, asset	594.2	190.1	191.2	254.3	145.5
<b>Total current asset</b>	<b>794.0</b>	<b>447.8</b>	<b>403.3</b>	<b>4,110.4</b>	<b>1,378.5</b>
Fixed assets - net	2,053.2	1,608.7	3,299.5	4,009.7	2,859.2
Other non-curr.asset	1,497.0	1,237.9	956.5	7,345.3	3,997.5
<b>Total asset</b>	<b>3,550.2</b>	<b>2,846.6</b>	<b>4,256.0</b>	<b>11,355.0</b>	<b>8,235.2</b>
ST debt + curr. maturity	973.5	1,220.3	999.1	512.1	1,079.2
Acct, payable	165.6	102.4	197.9	403.2	339.3
Other curr. liab	335.6	599.7	2,325.1	808.4	366.4
Long term debt	178.6	7.7	3.6	3,375.5	960.6
Other non-curr, liab,	588.8	780.2	3,127.4	1,394.2	182.4
<b>Total liabilities</b>	<b>2,242.1</b>	<b>2,446.2</b>	<b>4,663.6</b>	<b>6,020.6</b>	<b>2,927.9</b>
Shareholder equity	<b>1,062.0</b>	<b>225.0</b>	<b>-537.7</b>	<b>4,820.7</b>	4,963.9
Minority interest	246.1	175.4	130.1	513.7	343.3
<b>Total liab + SHE</b>	<b>3,550.2</b>	<b>2,846.6</b>	<b>4,256.0</b>	<b>11,355.0</b>	<b>8,235.1</b>

**Exhibit 6 - Cash Flow**

Year to 31 Dec (Rpbn)	2014	2015	2016	2017	2018
<b>CF-Oper activities</b>	<b>194.3</b>	<b>82.1</b>	<b>108.6</b>	<b>4.4</b>	<b>672.2</b>
Capital expenditure	-345.4	-16.7	-69.1	-39.7	-120.1
<b>CF-Investing activities</b>	<b>-345.0</b>	<b>32.1</b>	<b>-34.1</b>	<b>-3,606.4</b>	<b>-274.8</b>
<b>CF-Financing activities</b>	<b>52.1</b>	<b>-44.0</b>	<b>48.5</b>	<b>6,890.2</b>	<b>-3,689.9</b>
<b>Net cash flow</b>	<b>-98.7</b>	<b>70.2</b>	<b>122.9</b>	<b>3,305.9</b>	<b>-3,273.7</b>

**Exhibit 7 - Key Ratios**

<b>Year to 31 Dec</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Growth</b>					
Revenue (%)	-5.0	-43.7	8.2	5.9	573.4
Operating profit (%)	26.0	-174.8	-92.2	124.4	179.9
Net profit (%)	n/a	n/a	n/a	n/a	n/a
<b>Profitability Ratios</b>					
Gross margin (%)	17.0	6.5	8.2	16.5	16.5
Operating margin (%)	3.7	-38.7	-19.0	24.1	10.1
Net margin (%)	neg	neg	neg	neg	8.4
<b>Solvency Ratio</b>					
Net debt to equity (x)	0.8	2.6	-0.1	0.1	0.4

Source : Bloomberg, TRAM financial report

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