



11 August 2023
Coal Mining, Equity

Current Price IDR. 2390
Target Price IDR. 3900
JKSE Index 6879.66



TradingView

Stock Code
Bloomberg code ADRO IJ
Market cap (IDR.Trn) 74.32
52-Week High (IDR) 4250
52-Week Low (IDR) 2010
6-m Avg Daily. Val (IDR) 2390
Free Float (%) 40.53

Major Shareholders (%)
PT Adaro Strategic Investment 43.91%
Others 15.56%
Public 40.53%

USD/IDR-YE
2022A 15592
2023F (Avg) 15200

Key Indicators
Net Debt/ Equity (x) (0.46)
Current ratio (x) 3.57

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Investment Consideration

Impressive 19.2% production growth in 1H23

ADRO had strong production growth of 19.2% YoY in 1Q23, reaching 33.41 Mt from 28.02 Mt in 1Q22. Coal sales also saw an 18.6% YoY increase to 32.62 Mt from 27.50 Mt in 1H22. This performance was attributed to improved heavy equipment availability and heightened demand from domestic and export markets. Building on 1H23's success, we have revised our coal production volume target for 2023 to 62 Mt, with coal sales projected at 61.38 Mt. Despite challenges, ADRO's robust growth trajectory is expected to persist.

Progress on ADRO's non coal segment

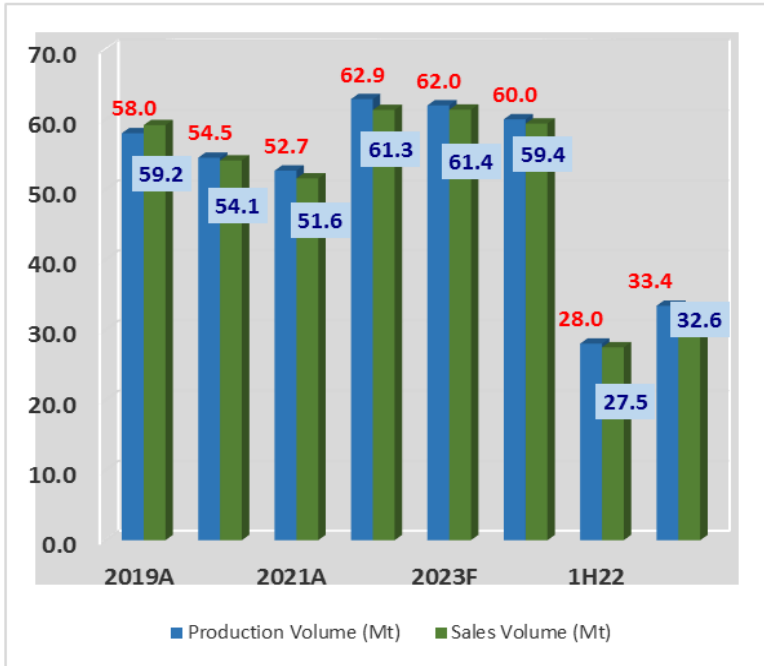
ADRO's power plants demonstrated strong performance in 2Q23, with both projects achieving an availability factor exceeding 90%. PT Makmur Sejahtera Wisesa (MSW) achieved 99.99%, while PT Tanjung Power reached 99.26%. Meanwhile, PT Bhimanesa Power Plant (BPI) attained an availability factor of 87.66% during the quarter, with Unit 1 undergoing planned outage from June to August 2023. In the water segment, 2Q23 witnessed the water treatment business maintaining operational and financial performance in line with projections. Moreover, PT Adaro Tirta Sarana made significant strides by establishing a 5-lps WTP in Kalimantan Industrial Park Indonesia (KIPI) to support smelter construction. The WTP commenced operations on June 16th, 2023, while the pre-construction stage for 2x100 lps WTP in the same area is underway, with an expected completion date in 1Q24.

Valuation: 63% upside potential

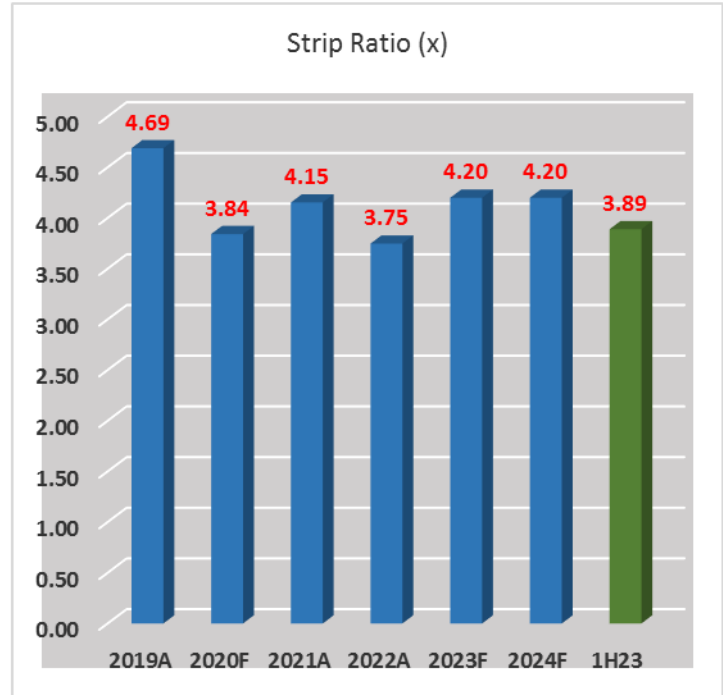
After reflecting on 1H23 results, our revised ADRO target price is set at IDR 3,900, which a 3X PER ratio, after adjusting the USD/IDR exchange rate. With a substantial upside outlook, we uphold our BUY recommendation.

Financial Highlight	2019 A	2020 A	2021 A	2022 A	2023 F	2024 F	2025 F
Sales growth (%)	-4%	-27%	58%	103%	10%	-7%	-1%
net profit growth (%)	-3%	-64%	535%	167%	29%	-14%	-5%
EBITDA margin (%)	29%	30%	50%	60%	63%	61%	60%
Net profit margin (%)	12%	6%	23%	31%	36%	33%	32%
Net debt/equity /cash (x)	0.05	0.05	(0.07)	(0.39)	(0.37)	(0.46)	(0.54)
current ratio	1.71	1.51	2.08	2.17	2.58	3.57	4.45
EPS (USD)	0.013	0.005	0.029	0.080	0.101	0.086	0.082

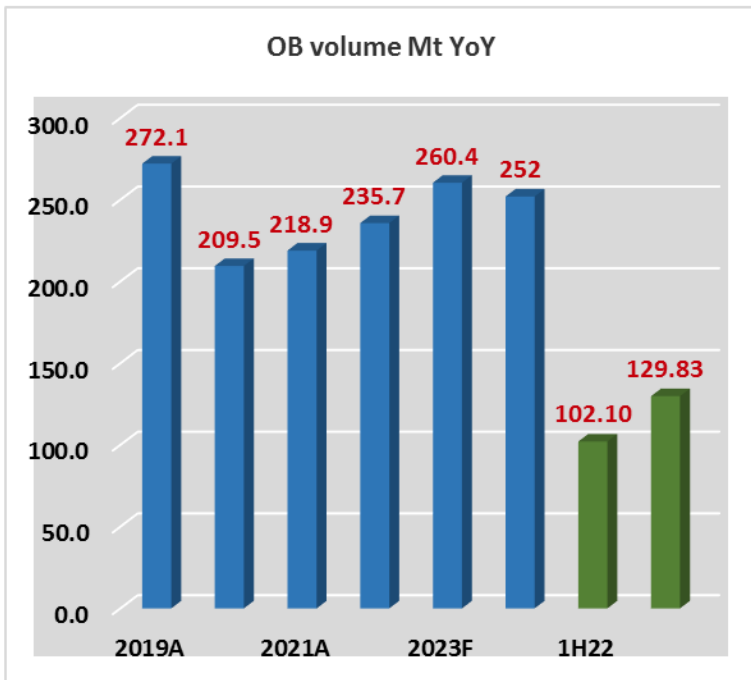
I. Production and sales volume (in mn tons) yoy



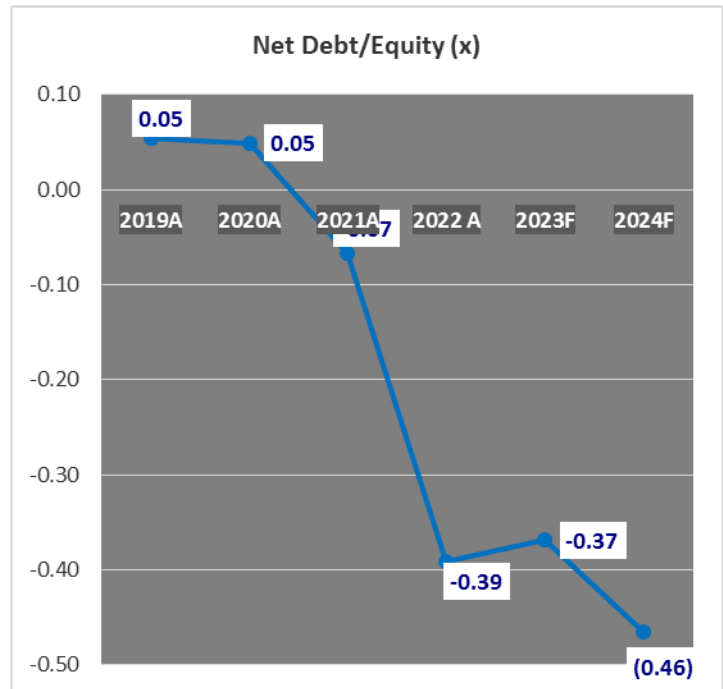
II. Blended Strip ratio (x) yoy



III. Overburden volume (Mt) yoy



IV. Net Debt to Equity (x) yoy



Profit and Loss

Profit and Loss (USD.mn)	2018 A	2019 A	2020 A	2021 A	2022 A	2023 F	2024 F	2025 F
Revenue	3,620	3,457	2,535	3,993	8,102	8,951	8,291	8,196
Cost of sales	(2,410)	(2,493)	(1,958)	(2,223)	(3,449)	(2,879)	(2,984)	(3,101)
Gross Profit	1,210	965	577	1,770	4,653	6,072	5,306	5,095
Operating expense	318	347	292	241	345	895	829	820
Operating Profit	892	618	285	1,528	4,308	5,177	4,477	4,275
Other income	(41)	(38)	(54)	(49)	(42)	(94)	(87)	(86)
PBT	821	659	222	1,486	4,476	5,125	4,429	4,227
taxes	(343)	(224)	(64)	(458)	(1,645)	(1,822)	(1,592)	(1,528)
Minority interest	(59.821)	(30.812)	(11.578)	(95.101)	(338.043)	(81.344)	(72.246)	(72.894)
Net Profit	418	404	147	933	2,493	3,222	2,764	2,626
EPS	0.0131	0.0126	0.0046	0.0292	0.0803	0.1007	0.0864	0.0821
EBITDA	1,285	1,009	748	2,009	4,840	5,683	5,075	4,897

Cash Flow

Cash Flow (in US\$. mn)	2018A	2019A	2020A	2021A	2022A	2023F	2024F	2025F
+ Net Income	417.72	404.19	146.93	933.49	2,493.08	3,221.54	2,764.41	2,625.56
+Depreciation	236.80	238.99	283.69	287.74	301.74	275.88	367.45	391.84
- Change in WC	143.06	554.82	(111.86)	(252.44)	860.99	(84.74)	(131.13)	44.63
Cash From Operating Activities	797.58	1,198.01	318.75	968.79	3,655.81	3,412.68	3,000.73	3,062.03
capex	(862.27)	114.29	173.55	(386.60)	(1,015.93)	(1,938.41)	(278.65)	(406.14)
cash from investing activities	(862.27)	114.29	173.55	(386.60)	(1,015.93)	(1,938.41)	(278.65)	(406.14)
Long term liabilities	(18.30)	(520.93)	(509.00)	507.99	117.31	100.00	100.00	200.00
Senior notes	0.00	734.01	2.95	3.16	(39.23)	0.00	0.00	0.00
Other Long term liabilities	10.70	(153.60)	(210.13)	(29.01)	(37.69)	8.89	(33.02)	(4.74)
equity	(206.66)	(723.49)	(178.61)	(426.89)	(424.06)	(650.49)	(1,014.85)	(836.27)
cash from financing activities	(214.25)	(664.00)	(894.79)	55.24	(383.66)	(541.60)	(947.87)	(641.01)
Net Changes in Cash	(278.95)	648.30	(402.49)	637.44	2,256.22	932.67	1,774.22	2,014.88
Beginning Balance	1,206.85	927.90	1,576.19	1,173.70	1,811.14	4,067.36	5,000.03	6,774.25
Ending balance	927.90	1,576.19	1,173.70	1,811.14	4,067.36	5,000.03	6,774.25	8,789.13

Balance sheet

Balance sheet (US\$.mn)	2018A	2019A	2020A	2021 A	2022 A	2023 F	2024 F	2025 F
Cash and cash equivalent	927.90	1,576.19	1,173.70	1,811.14	4,067.36	5,000.03	6,774.25	8,789.13
ST Investment	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Trade Account Receivable	370.89	310.32	224.15	451.99	647.15	735.70	681.43	673.63
inventory	112.01	121.03	105.13	125.74	199.20	165.62	179.87	144.44
Other current asset	100.32	96.09	75.83	228.56	300.68	447.55	414.53	409.79
Current Asset	1,600.29	2,109.92	1,731.62	2,838.13	5,319.31	6,348.90	8,050.07	10,016.99
Net Fixed Asset	1,609.70	1,722.41	1,539.44	1,397.11	1,451.99	1,933.94	2,062.32	2,297.43
other long term asset	3,153.30	2,377.99	2,181.67	2,028.50	1,842.25	2,953.83	2,901.74	2,704.63
LT Investment and receivables	697.46	1,006.78	928.84	1,323.20	2,168.76	2,237.75	2,072.67	2,048.97
Total non current Asset	5,460.46	5,107.18	4,649.95	4,748.80	5,463.00	7,125.53	7,036.73	7,051.03
Total Asset	7,060.76	7,217.11	6,381.57	7,586.94	10,782.31	13,474.42	15,086.80	17,068.01
Trade payable	341.77	335.52	214.27	272.41	333.21	490.47	431.57	449.09
Accrued expenses	52.21	60.71	53.86	59.94	164.06	167.38	155.04	163.92
Short Term bank loans	182.67	506.06	587.72	218.97	142.95	179.02	165.81	163.92
Other Current liabilities	344.21	330.31	289.07	810.24	1,807.30	1,790.20	1,658.14	1,639.17
Total current liabilities	816.44	1,232.60	1,144.92	1,361.56	2,447.51	2,459.69	2,255.52	2,252.18
Long term loans	1,072.53	551.60	42.60	550.59	667.90	767.90	867.90	1,067.90
Senior notes	0.00	734.01	736.96	740.12	700.89	700.89	700.89	700.89
Other Long term liabilities	869.09	715.49	505.36	476.35	438.66	447.55	414.53	409.79
Total long term/ non current liabilities	1,941.62	2,001.11	1,284.93	1,767.06	1,807.46	1,916.34	1,983.33	2,178.59
Total Liabilities	2,758.06	3,233.71	2,429.85	3,128.62	4,254.97	4,376.03	4,238.85	4,430.76
Total Equities	4,302.69	3,983.40	3,951.71	4,458.32	6,527.34	9,098.39	10,847.96	12,637.25
Total Liabilities and equity	7,060.76	7,217.11	6,381.57	7,586.94	10,782.31	13,474.42	15,086.80	17,068.01

Financial Ratio Highlights

Ratio Highlights	2019 A	2020 A	2021 A	2022 A	2023 F	2024 F	2025 F
Growth (% YoY)							
Sales	-4.49%	-26.68%	57.51%	102.93%	10.47%	-7.38%	-1.14%
OP	-30.76%	-53.87%	436.43%	181.91%	20.17%	-13.52%	-4.52%
EBITDA	-21.51%	-25.80%	168.43%	140.90%	17.42%	-10.70%	-3.51%
NP	-3.24%	-63.65%	535.34%	167.07%	29.22%	-14.19%	-5.02%
EPS	-3.24%	-63.65%	535.34%	175.23%	25.39%	-14.19%	-5.02%
Profitability							
Operating Margin(%)	17.86%	11.24%	38.28%	53.17%	57.84%	54.01%	52.16%
EBITDA margin(%)	29.18%	29.53%	50.32%	59.73%	63.49%	61.21%	59.75%
NET Profit margin(%)	11.69%	5.80%	23.38%	30.77%	35.99%	33.34%	32.04%
ROA(%)	5.60%	2.30%	12.30%	0.00%	0.00%	0.00%	0.00%
ROE(%)	10.15%	3.72%	20.94%	0.00%	0.00%	0.00%	0.00%
Stability							
Debt/ Equity (X)	0.45	0.35	0.34	0.23	0.18	0.16	0.15
Net Debt/Equity (x)	0.05	0.05	(0.07)	(0.39)	(0.37)	(0.46)	(0.54)
Current ratio (X)	1.71	1.51	2.08	2.17	2.58	3.57	4.45
Int. Coverage (x)	9.94	2.48	24.00	50.12	75.82	62.24	53.32
Per Share data (USD)							
EPS	0.0126	0.0046	0.0292	0.0803	0.1007	0.0864	0.0821
BVS	0.125	0.124	0.139	0.210	0.284	0.339	0.395

Stock Ratings:

Buy: a recommendation to purchase the security with upside potential of 20% or greater

Hold: a recommendation to neither buy nor sell a security with upside potential of 0-19%.

Sell: a recommendation to close out a long position in a security with upside potential below 0% or negative.

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