



17 May 2023
Coal Mining, Equity

Current Price IDR. 2590
Target Price IDR. 5650
JKSE Index 6674.810



Investment Consideration

29% production growth in 1Q23

In 1Q23, ADRO's production volume grew 29.7% YoY to 15.69 Mt from 12.1 Mt in 1Q22. Coal sales increased 28.9YoY to 15.72 Mt from 12.2 Mt in 1Q22FY. The record production was due to better availability of heavy equipment, and improved demand from both domestic and export markets. We maintain our target for 2023 coal production volume at 59 Mt and coal sales at 58.41 Mt. Going forward, we believe ADRO will continue to see strong demand from customers despite various challenges.

50% YoY increase of revenue in 1Q23

ADRO booked revenue of USD 1,839 million in 1Q23 which is a 50% increase YoY from USD 1,225 million in 1Q22, mainly due to a 17% YoY higher average selling price (ASP). Revenue from sales of metallurgical coal accounted for 14% of ADRO's mining revenue in 1Q23. We maintain our forecast Royalty payments to the Government of Indonesia and tax expenses as previously. Based on the terms of the IUPK-KOP, the royalties paid by Adaro Indonesia will increase progressively based on coal selling prices. We believe this year coal selling prices will be lower than 2022F. We maintain our 2023 -2024F bottom line profit growth target at a compound annual rate of 10% from 2021A despite higher volume in 2022A. Going forward we expect ADRO will continue to improve operations by focusing on efficiency and cost control.

Valuation: significant upside potential

Despite growing coal production volume in 1Q23, we believe ASP will decline this year compared to last year, we revise our ADRO target price to IDR 5,650 which translates to a 10x PER with new adjustment to the USD/IDR exchange rate. With significant upside, we maintain our BUY recommendation.

Stock Code
Bloomberg code ADRO IJ
Market cap (IDR.Trn) 109.380
52-Week High (IDR) 4250
52-Week Low (IDR) 2600
6-m Avg Daily. Val (IDR) 3114
Free Float (%) 40.58

Major Shareholders (%)
PT Adaro Strategic Investment 43.91%
Others 12.38%
Public 40.58%

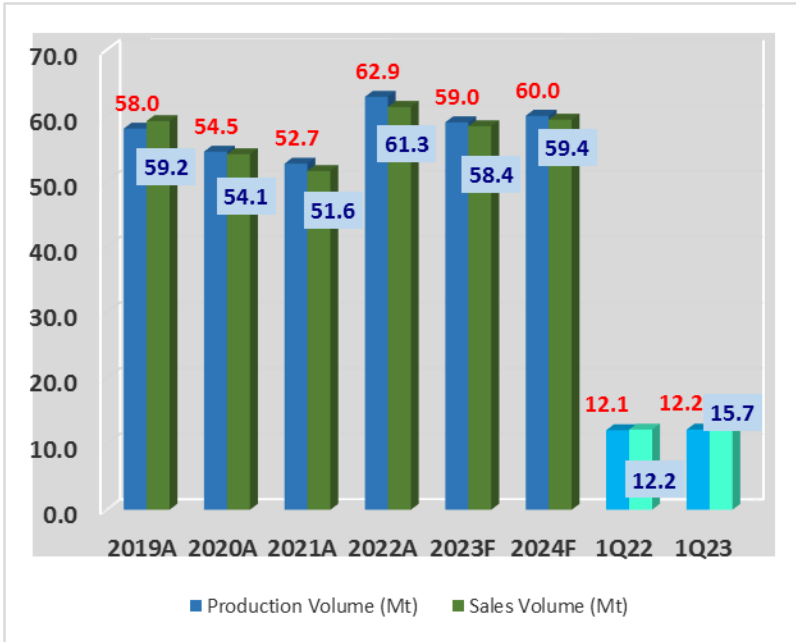
USD/IDR-YE
2022A 15592
2023F (Avg) 14700

Key Indicators
Net Debt/ Equity (x) (0.13)
Current ratio (x) 2.82

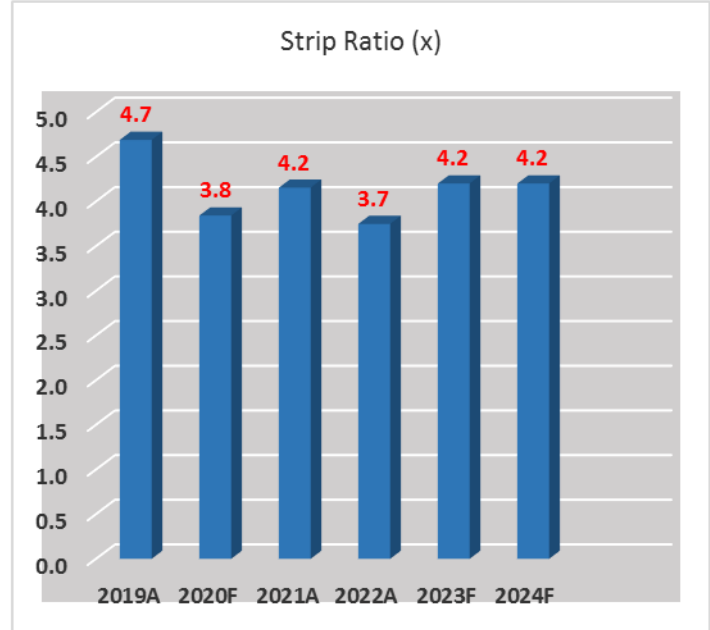
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Financial Highlight	2019 A	2020 A	2021 A	2022 A	2023 F	2024 F	2025 F
Sales growth (%)	-4%	-27%	58%	103%	-30%	-5%	1%
net profit growth (%)	-3%	-64%	535%	167%	-39%	-19%	-6%
EBITDA margin (%)	29%	30%	50%	60%	55%	51%	49%
Net profit margin (%)	12%	6%	23%	31%	27%	23%	22%
Net debt/equity /cash (x)	0.05	0.05	(0.07)	(0.39)	(0.26)	(0.13)	(0.02)
current ratio	1.71	1.51	2.08	2.17	3.48	2.82	2.26
EPS (USD)	0.013	0.005	0.029	0.080	0.048	0.039	0.036

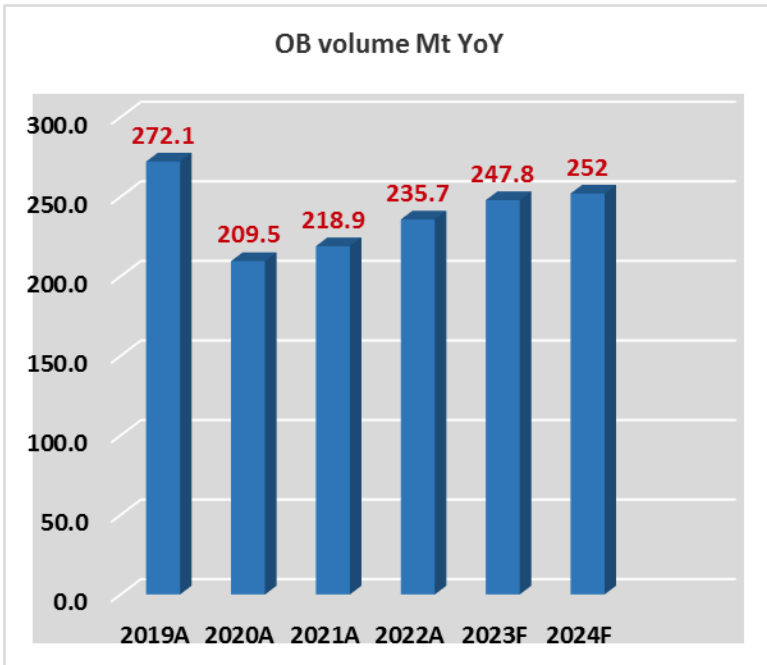
I. Production and sales volume (in mn tons) yoy



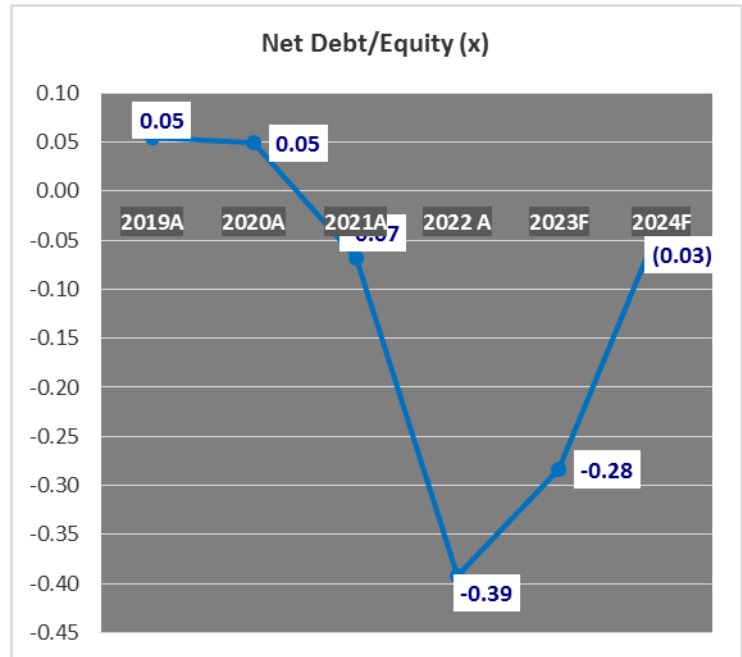
II. Blended Strip ratio (x) yoy



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	5,636	5,345	5,380
Cost of sales	(2,410)	(2,493)	(1,958)	(2,223)	(3,449)	(2,526)	(2,704)	(2,804)
Gross Profit	1,210	965	577	1,770	4,653	3,111	2,641	2,576
Operating expense	318	347	292	241	345	564	535	538
Operating Profit	892	618	285	1,528	4,308	2,547	2,107	2,038
Other income	(41)	(38)	(54)	(49)	(42)	(59)	(56)	(57)
PBT	821	659	222	1,486	4,476	2,514	2,075	2,006
taxes	(343)	(224)	(64)	(458)	(1,645)	(933)	(792)	(773)
Minority interest	(59.821)	(30.812)	(11.578)	(95.101)	(338.043)	(51.219)	(46.577)	(47.850)
Net Profit	418	404	147	933	2,493	1,529	1,236	1,185
EPS	0.0131	0.0126	0.0046	0.0292	0.0803	0.0478	0.0387	0.0371
EBITDA	1,285	1,009	748	2,009	4,840	3,111	2,740	2,663

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	1,529.33	1,236.47	1,157.74
+Depreciation	236.80	238.99	283.69	287.74	301.74	333.96	402.86	434.98
- Change in WC	143.06	554.82	(111.86)	(252.44)	860.99	(958.70)	65.13	33.55
Cash From Operating Activities	797.58	1,198.01	318.75	968.79	3,655.81	904.60	1,704.46	1,626.27
capex	(862.27)	114.29	173.55	(386.60)	(1,015.93)	(511.45)	(534.54)	(595.86)
cash from investing activities	(862.27)	114.29	173.55	(386.60)	(1,015.93)	(511.45)	(534.54)	(595.86)
Long term liabilities	(18.30)	(520.93)	(509.00)	507.99	117.31	100.00	100.00	100.00
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)	(44.14)	(20.37)	2.45
equity	(206.66)	(723.49)	(178.61)	(426.89)	(424.06)	(1,142.70)	(2,162.39)	(1,728.50)
cash from financing activities	(214.25)	(664.00)	(894.79)	55.24	(383.66)	(1,086.83)	(2,082.77)	(1,626.04)
Net Changes in Cash	(278.95)	648.30	(402.49)	637.44	2,256.22	(693.69)	(912.84)	(595.63)
Beginning Balance	1,206.85	927.90	1,576.19	1,173.70	1,811.14	4,067.36	3,373.67	2,460.82
Ending balance	927.90	1,576.19	1,173.70	1,811.14	4,067.36	3,373.67	2,460.82	1,865.19

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	3,373.67	2,460.82	1,865.19
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	772.07	615.05	633.82
inventory	112.01	121.03	105.13	125.74	199.20	145.31	162.95	132.46
Other current asset	100.32	96.09	75.83	228.56	300.68	112.72	106.90	107.60
Current Asset	1,600.29	2,109.92	1,731.62	2,838.13	5,319.31	4,403.77	3,345.72	2,739.07
Net Fixed Asset	1,609.70	1,722.41	1,539.44	1,397.11	1,451.99	1,751.59	1,977.19	2,220.78
other long term asset	3,153.30	2,377.99	2,181.67	2,028.50	1,842.25	1,859.91	1,870.76	1,775.43
LT Investment and receivables	697.46	1,006.78	928.84	1,323.20	2,168.76	2,028.99	1,924.21	1,936.83
Total non current Asset	5,460.46	5,107.18	4,649.95	4,748.80	5,463.00	5,640.49	5,772.17	5,933.05
Total Asset	7,060.76	7,217.11	6,381.57	7,586.94	10,782.31	10,044.26	9,117.89	8,672.12
Trade payable	341.77	335.52	214.27	272.41	333.21	308.83	278.23	294.80
Accrued expenses	52.21	60.71	53.86	59.94	164.06	105.39	99.95	107.60
Short Term bank loans	182.67	506.06	587.72	218.97	142.95	112.72	106.90	107.60
Other Current liabilities	344.21	330.31	289.07	810.24	1,807.30	845.41	801.76	807.01
Total current liabilities	816.44	1,232.60	1,144.92	1,361.56	2,447.51	1,266.96	1,186.89	1,209.42
Long term loans	1,072.53	551.60	42.60	550.59	667.90	767.90	867.90	967.90
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	394.53	374.15	376.61
Total long term/ non current liabilities	1,941.62	2,001.11	1,284.93	1,767.06	1,807.46	1,863.32	1,942.95	2,045.40
Total Liabilities	2,758.06	3,233.71	2,429.85	3,128.62	4,254.97	3,130.28	3,129.84	3,254.82
Total Equities	4,302.69	3,983.40	3,951.71	4,458.32	6,527.34	6,913.97	5,988.05	5,417.30
Total Liabilities and equity	7,060.76	7,217.11	6,381.57	7,586.94	10,782.31	10,044.26	9,117.89	8,672.12

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%	-30.44%	-5.16%	0.66%
OP	-30.76%	-53.87%	436.43%	181.91%	-40.88%	-17.27%	-5.17%
EBITDA	-21.51%	-25.80%	168.43%	140.90%	-35.73%	-11.93%	-2.80%
NP	-3.24%	-63.65%	535.34%	167.07%	-38.66%	-19.15%	-6.37%
EPS	-3.24%	-63.65%	535.34%	175.23%	-40.48%	-19.15%	-6.37%
Profitability							
Operating Margin(%)	17.86%	11.24%	38.28%	53.17%	45.19%	39.42%	37.14%
EBITDA margin(%)	29.18%	29.53%	50.32%	59.73%	55.19%	51.25%	49.49%
NET Profit margin(%)	11.69%	5.80%	23.38%	30.77%	27.13%	23.13%	21.52%
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	0.23	0.28	0.33
Net Debt/Equity (x)	0.05	0.05	(0.07)	(0.39)	(0.26)	(0.13)	(0.02)
Current ratio (X)	1.71	1.51	2.08	2.17	3.48	2.82	2.26
Int. Coverage (x)	9.94	2.48	24.00	50.12	38.75	30.20	26.99
Per Share data (USD)							
EPS	0.0126	0.0046	0.0292	0.0803	0.0478	0.0387	0.0362
BVS	0.125	0.124	0.139	0.210	0.216	0.187	0.169

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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