

PT Adaro Energy,Tbk

BUY

28 April 2021
Coal Mining, Equity

Current Price IDR. 1210
Target Price IDR. 1600
JKSE Index 5959.62



Investment Consideration

Targetting 52-54 Mt coal production

In 2020, ADRO recorded a 6% y-o-y decrease in coal production volume to 54.53 Mt, slightly higher than their revised 2020 guidance of 52-54 Mt. In 2021, ADRO targets coal production volume similar to last year based on the policies of coal importer countries, especially China, and due to global economic uncertainty which will affect coal demand. Coal sales volume in 2020 reached 54.14 million tons, or 9% lower y-o-y. Total overburden volume in 2020 reached 209.48 million bank cubic meters (Mbcm), or down 23% y-o-y, in line with ADRO's guidance to lower the stripping ratio. The stripping ratio in 2020 reached 3.84x, below the 4.30x stripping ratio guidance. Poor weather for most of the year meant it was a challenge for the company to reach its stripping ratio guidance. In 4Q20, ADRO produced 13.43 million tons and sold 13.39 million tons of coal, or down -3% and -8% respectively compared to 4Q19. This year, ADRO will continue to focus on improving operations through cost control, and efficiency amid the uncertainty caused by Covid-19. We estimate that combined with a better ASP in 2021, EBITDA will grow to USD.916 mn or 22% y-o-y growth.

Other Businesses progress

ADRO's power plants achieved a solid performance in 2020. PT Makmur Sejahtera Wisesa (MSW) reached an availability factor of 89.8% in 2020, compared to the target of 89%. Meanwhile, PT Tanjung Power Indonesia (TPI) continued its promising performance, having reached an availability factor of 93.7% in 2020, against a target of 78%. At the end of December 2020, the construction progress of PT Bhimasena Power Indonesia's 2 x 1000 MW power plant has reached 94.7% and is estimated to start operation by the end of 2021. In Water, the project in Kotawaringin Timur, Central Kalimantan, under PT Adaro Tirta Mentaya continues towards its construction completion by the end of December 2020. Commissioning and testing has been completed for all major WTP facilities with some landscaping and supporting facilities work still to be undertaken. Meanwhile, PT Dumai Tirta Persada (DTP) has completed the main first phase of the project, reaching 50 lps, which has started operating since early December 2020.

Valuation: 32 % upside potential

With WACC at 10.5x, we are targeting ADRO to reach IDR. 1600 or trade at 11x PER with 32% upside. We maintain our BUY recommendation.

Stock Code ADRO IJ
Bloomberg code 38703.0
Market cap (IDR.bn) 1600
52-Week High (IDR) 870
52-Week Low (IDR) 1210
6-m Avg Daily. Val (IDR) 43.70
Free Float (%) 43.70

Major Shareholders (%)
PT Adaro Strategic Investment 43.91%
Others 12.39%
Public 43.70%

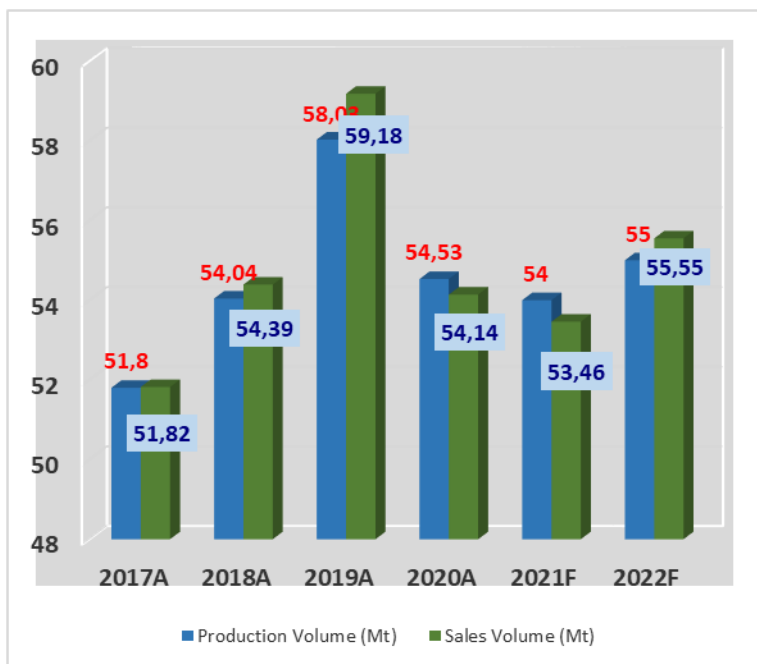
USD/IDR-YE
2020A 14055
2021F (Avg) 14489

Key Indicators
Total Debt/ Equity (x) 0.35
Current ratio (x) 1.96

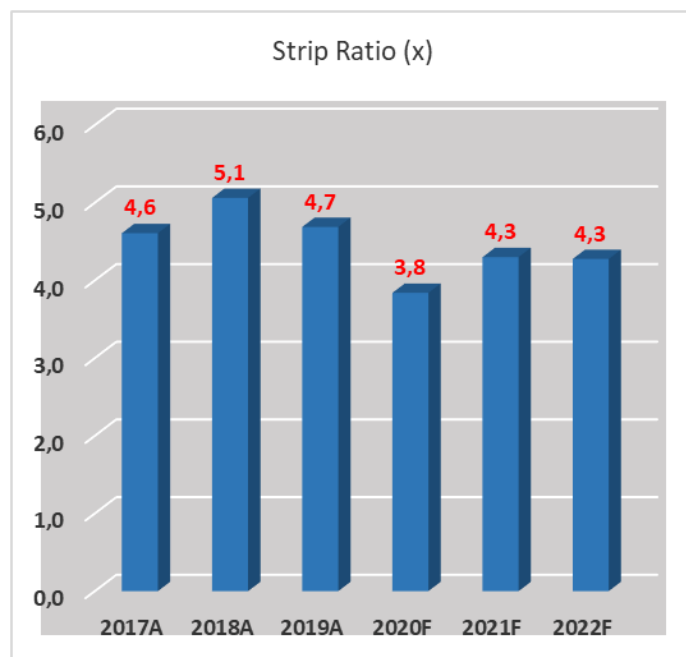
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Profit and Loss (USD.mn)	2017 A	2018 A	2019 A	2020 A	2021 F	2022 F
Revenue	3.258	3.620	3.457	2.535	2.726	2.981
Cost of sales	(2.117)	(2.410)	(2.493)	(1.958)	(2.104)	(2.174)
Gross Profit	1.142	1.210	965	577	622	807
Operating expense	190	318	347	292	159	174
Operating Profit	952	892	618	285	464	634
Other income	(34)	(41)	(38)	(54)	(29)	(31)
PBT	930	821	659	222	448	616
taxes	(393)	(343)	(224)	(64)	(212)	(274)
Minority interest	(53,141)	(59,821)	(30,812)	(11,578)	(22,288)	(26,475)
Net Profit	483	418	404	147	214	315
EPS	0,0151	0,0131	0,0126	0,0046	0,0067	0,0099
EBITDA	1.286	1.285	1.009	748	916	1.045

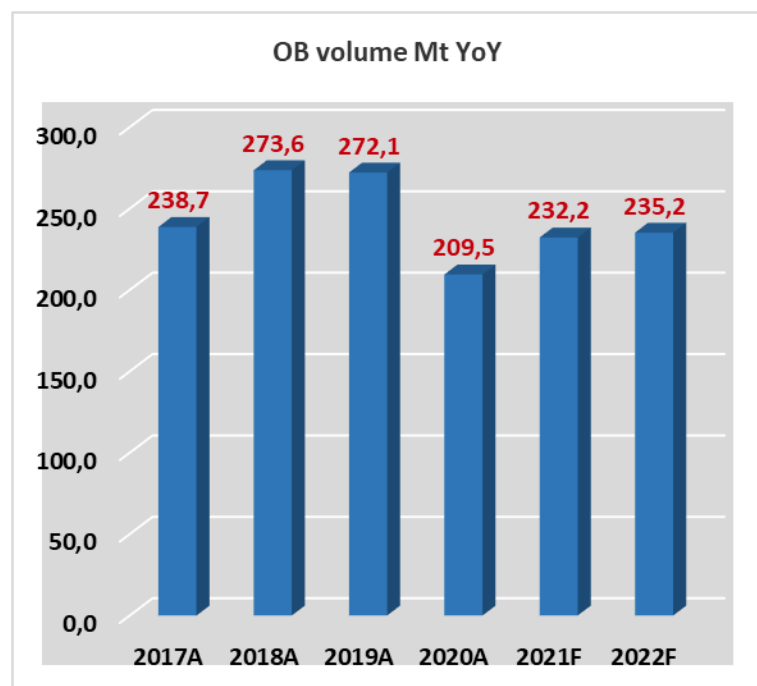
Production and sales volume (in mn tons) yoy



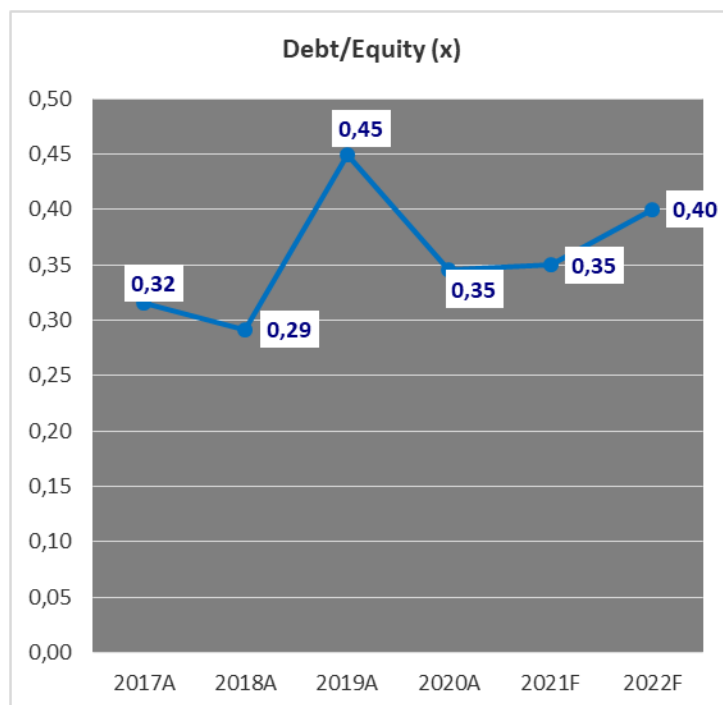
Blended Strip ratio (x) yoy



Overburden volume (Mt) yoy



Debt to Equity (x) yoy



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Balance Sheet (US\$.mn)

Balance sheet (US\$.mn)	2017A	2018A	2019A	2020A	2021F	2022F
Cash and cash equivalent	1.206,85	927,90	1.576,19	1.173,70	1.610,79	1.526,20
ST Investment	0,03	0,03	0,00	0,00	0,00	0,00
Trade Account Receivable	314,72	370,89	310,32	224,15	246,50	285,89
inventory	85,47	112,01	121,03	105,13	97,99	107,22
Other current asset	125,09	100,32	96,09	75,83	76,34	83,48
Current Asset	1.979,16	1.600,29	2.109,92	1.731,62	2.031,62	2.002,80
Net Fixed Asset	1.506,55	1.609,70	1.722,41	1.539,44	1.795,11	1.971,04
other long term asset	3.186,10	3.153,30	2.377,99	2.181,67	1.908,49	2.057,21
LT Investment and receivables	142,33	697,46	1.006,78	928,84	1.036,04	1.073,33
Total non current Asset	4.834,99	5.460,46	5.107,18	4.649,95	4.739,65	5.101,58
Total Asset	6.814,15	7.060,76	7.217,11	6.381,57	6.771,27	7.104,38
Trade payable	279,16	341,77	335,52	214,27	246,50	269,56
Accrued expenses	37,40	52,21	60,71	53,86	47,88	52,36
Short Term bank loans	201,16	182,67	506,06	587,72	487,72	512,10
Other Current liabilities	330,38	344,21	330,31	289,07	299,91	298,15
Total current liabilities	773,30	816,44	1.232,60	1.144,92	1.034,12	1.079,81
Long term loans	1.090,83	1.072,53	551,60	42,60	242,60	442,60
Senior notes	0,00	0,00	734,01	736,96	736,96	736,96
Other Long term liabilities	858,39	869,09	715,49	505,36	564,26	617,05
Total long term/ non current liabilities	1.949,22	1.941,62	2.001,11	1.284,93	1.543,83	1.796,61
Total Liabilities	2.722,52	2.758,06	3.233,71	2.429,85	2.577,95	2.876,42
Total Equities	4.091,63	4.302,69	3.983,40	3.951,71	4.193,32	4.227,96
Total Liabilities and equity	6.814,15	7.060,76	7.217,11	6.381,57	6.771,27	7.104,38

Cash Flow (US\$.mn)

Cash Flow (in US\$. mn)	2017A	2018A	2019A	2020A	2021F	2022F
+ Net Income	483,30	417,72	404,19	146,93	213,75	315,19
+Depreciation	215,24	236,80	238,99	283,69	292,49	251,32
- Change in WC	(127,80)	143,06	554,82	(111,86)	26,28	(10,08)
Cash From Operating Activities	570,74	797,58	1.198,01	318,75	532,52	556,43
capex	(120,68)	(862,27)	114,29	173,55	(382,20)	(613,24)
cash from investing activities	(120,68)	(862,27)	114,29	173,55	(382,20)	(613,24)
Long term liabilities	(150,37)	(18,30)	(520,93)	(509,00)	200,00	200,00
Senior notes	0,00	0,00	734,01	2,95	0,00	0,00
Other Long term liabilities	7,77	10,70	(153,60)	(210,13)	58,90	52,78
equity	(177,55)	(206,66)	(723,49)	(178,61)	27,86	(280,55)
cash from financing activities	-320,15	-214,25	-664,00	-894,79	286,76	-27,77
Net Changes in Cash	129,90	(278,95)	648,30	(402,49)	437,08	(84,58)
Beginning Balance	1.076,95	1.206,85	927,90	1.576,19	1.173,70	1.610,79
Ending balance	1.206,85	927,90	1.576,19	1.173,70	1.610,79	1.526,20

Ratio Highlights

Ratio Highlights	2017 A	2018 A	2019 A	2020 A	2021 F	2022 F
Growth (% YoY)						
Sales	29,08%	11,09%	-4,49%	-26,68%	7,56%	9,35%
OP	61,98%	-6,29%	-30,76%	-53,87%	62,77%	36,66%
EBITDA	39,01%	-0,06%	-21,51%	-25,80%	22,38%	14,06%
NP	44,43%	-13,57%	-3,24%	-63,65%	45,48%	47,46%
EPS	44,43%	-13,57%	-3,24%	-63,65%	45,48%	47,46%
Profitability						
Operating Margin(%)	29,21%	24,64%	17,86%	11,24%	17,01%	21,25%
EBITDA margin(%)	39,46%	35,50%	29,18%	29,53%	33,60%	35,04%
NET Profit margin(%)	14,83%	11,54%	11,69%	5,80%	7,84%	10,57%
ROA(%)	7,09%	5,92%	5,60%	2,30%	3,16%	0,00%
ROE(%)	11,81%	9,71%	10,15%	3,72%	5,10%	0,00%
Stability						
Debt/ Equity (X)	0,32	0,29	0,45	0,35	0,35	0,40
Net Debt/Equity (x)	0,02	0,08	0,05	0,05	(0,03)	0,04
Current ratio (X)	2,56	1,96	1,71	1,51	1,96	1,85
Int. Coverage (x)	17,54	12,61	9,94	2,48	7,44	8,88
Per Share data (USD)						
EPS	0,0151	0,0131	0,0126	0,0046	0,0067	0,0099
BVS	0,128	0,135	0,125	0,124	0,131	0,132

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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