



28 November 2023  
Coal Mining, Equity

Current Price IDR. 2600  
Target Price IDR. 3050  
JKSE Index 7043.95

Dipublikasikan pada TradingView.com, Nov 16, 2022 14:57 UTC+7



TradingView

Stock Code ADRO IJ  
Bloomberg code ADRO IJ  
Market cap (IDR.Trn) 78.44  
52-Week High (IDR) 3990  
52-Week Low (IDR) 2010  
6-m Avg Daily. Val (IDR) 2098  
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) 15593

Key Indicators  
Net Debt/ Equity (x) (0.45)  
Current ratio (x) 4.07

Analyst: Revita Dhiah Anggrainy  
revita.anggrainy@binaartha.com

## Investment Consideration

### Production grows in 9M23

ADRO experienced an 11.8% growth in production in 9M23. The production volume reached 50.73 Mt, up from 45.37 Mt in 9M22. Notably, 2Q23 saw a significant +13% QoQ growth, but in 3Q23, production declined -2.3% QoQ. Coal sales volume rose by +11.2% YoY to 49.12 Mt. This surge was attributed to improved heavy equipment availability and increased demand from domestic and export markets. Based on 9M23 results, we adjust our 2023 target for coal production to 64 Mt and sales to 62.08 Mt. Despite challenges, we anticipate continued strong demand and volume growth for ADRO.

### Lower 9M23 Performance

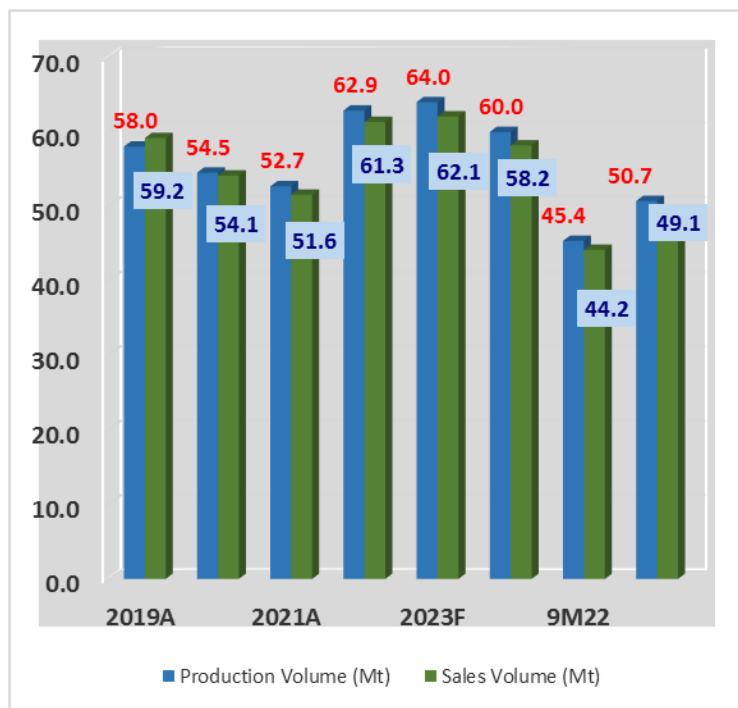
ADRO's 9M23 revenue was \$4,981 mn, a -16% YoY decrease compared to 9M22, primarily due to a -25% YoY decrease in the average selling price (ASP). Cost of revenues increased +17% YoY to \$2,993 mn, driven by a +33% YoY increase in royalty expenses to \$1,169 mn. Total mining expenses rose +18% YoY, with fuel costs increasing +18% YoY in line with a +33% increase in fuel consumption. With a decrease in top-line and increased costs, ADRO's 9M23 net profit was \$1,219 mn, down -36% YoY. As fluctuating coal prices normalize, we estimate ADRO's 2023-2024 bottom line profit will decline at a CAGR of -21% compared to 2022A.

### Valuation: 17.5% upside potential

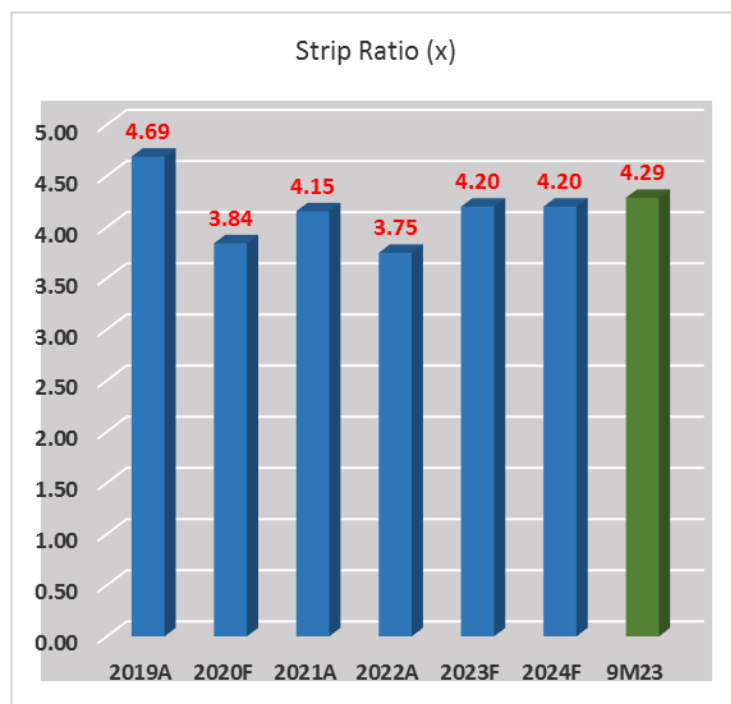
Based on 9M23 results, we revise our ADRO target price to IDR 3,050, translating to a 4.08x PER with adjustments to the USD/IDR exchange rate. With +17.5% upside potential, we maintain our HOLD recommendation.

Financial Highlight	2019 A	2020 A	2021 A	2022 A	2023 F	2024 F	2025 F
Sales growth (%)	-4%	-27%	58%	103%	-22%	-8%	21%
net profit growth (%)	-3%	-64%	535%	167%	-26%	-15%	40%
EBITDA margin (%)	29%	30%	50%	60%	54%	53%	57%
Net profit margin (%)	12%	6%	23%	31%	29%	27%	31%
Net debt/equity /cash (x)	0.05	0.05	(0.07)	(0.39)	(0.40)	(0.45)	(0.49)
current ratio	1.71	1.51	2.08	2.17	3.12	4.07	4.14
EPS (USD)	0.013	0.005	0.029	0.080	0.057	0.049	0.068

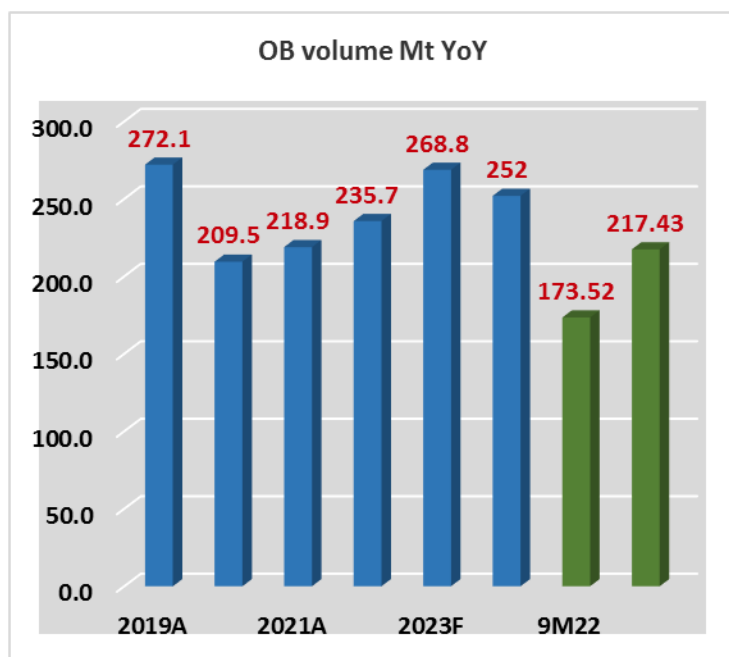
I. Production and sales volume (in mn tons) yoy



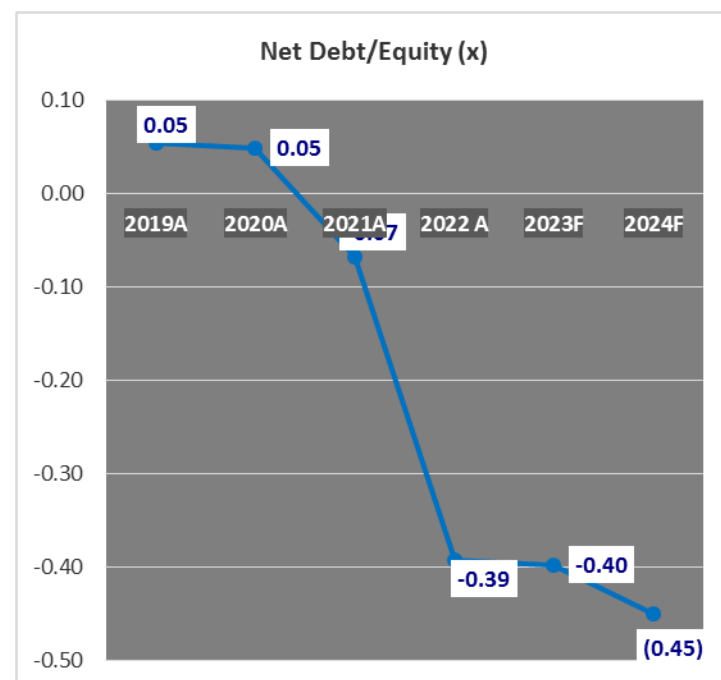
II. Blended Strip ratio (x) yoy



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	6,356	5,840	7,089
Cost of sales	(2,410)	(2,493)	(1,958)	(2,223)	(3,449)	(3,014)	(2,956)	(3,167)
<b>Gross Profit</b>	<b>1,210</b>	<b>965</b>	<b>577</b>	<b>1,770</b>	<b>4,653</b>	<b>3,342</b>	<b>2,884</b>	<b>3,922</b>
Operating expense	318	347	292	241	345	445	409	496
<b>Operating Profit</b>	<b>892</b>	<b>618</b>	<b>285</b>	<b>1,528</b>	<b>4,308</b>	<b>2,897</b>	<b>2,475</b>	<b>3,426</b>
Other income	(41)	(38)	(54)	(49)	(42)	(33)	(30)	(36)
<b>PBT</b>	<b>821</b>	<b>659</b>	<b>222</b>	<b>1,486</b>	<b>4,476</b>	<b>2,894</b>	<b>2,472</b>	<b>3,423</b>
taxes	(343)	(224)	(64)	(458)	(1,645)	(1,003)	(865)	(1,177)
Minority interest	(59.821)	(30.812)	(11.578)	(95.101)	(338.043)	(57.764)	(50.892)	(63.051)
<b>Net Profit</b>	<b>418</b>	<b>404</b>	<b>147</b>	<b>933</b>	<b>2,493</b>	<b>1,834</b>	<b>1,556</b>	<b>2,183</b>
EPS	0.0131	0.0126	0.0046	0.0292	0.0803	0.0573	0.0487	0.0682
<b>EBITDA</b>	<b>1,285</b>	<b>1,009</b>	<b>748</b>	<b>2,009</b>	<b>4,840</b>	<b>3,403</b>	<b>3,073</b>	<b>4,048</b>

## 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	1,833.67	1,556.25	2,182.74
+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	(321.42)	(259.78)	249.08
<b>Cash From Operating Activities</b>	<b>797.58</b>	<b>1,198.01</b>	<b>318.75</b>	<b>968.79</b>	<b>3,655.81</b>	<b>1,788.13</b>	<b>1,663.92</b>	<b>2,823.66</b>
capex	(862.27)	114.29	173.55	(386.60)	(1,015.93)	(433.50)	(313.23)	(1,234.59)
<b>cash from investing activities</b>	<b>(862.27)</b>	<b>114.29</b>	<b>173.55</b>	<b>(386.60)</b>	<b>(1,015.93)</b>	<b>(433.50)</b>	<b>(313.23)</b>	<b>(1,234.59)</b>
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)	(120.85)	(25.81)	62.45
equity	(206.66)	(723.49)	(178.61)	(426.89)	(424.06)	(840.61)	(587.93)	(375.35)
<b>cash from financing activities</b>	<b>(214.25)</b>	<b>(664.00)</b>	<b>(894.79)</b>	<b>55.24</b>	<b>(383.66)</b>	<b>(861.46)</b>	<b>(513.74)</b>	<b>(112.90)</b>
<b>Net Changes in Cash</b>	<b>(278.95)</b>	<b>648.30</b>	<b>(402.49)</b>	<b>637.44</b>	<b>2,256.22</b>	<b>493.17</b>	<b>836.95</b>	<b>1,476.17</b>
<b>Beginning Balance</b>	<b>1,206.85</b>	<b>927.90</b>	<b>1,576.19</b>	<b>1,173.70</b>	<b>1,811.14</b>	<b>4,067.36</b>	<b>4,560.53</b>	<b>5,397.48</b>
<b>Ending balance</b>	<b>927.90</b>	<b>1,576.19</b>	<b>1,173.70</b>	<b>1,811.14</b>	<b>4,067.36</b>	<b>4,560.53</b>	<b>5,397.48</b>	<b>6,873.65</b>

## 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	4,560.53	5,397.48	6,873.65
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	348.29	480.01	582.67
inventory	112.01	121.03	105.13	125.74	199.20	206.44	202.46	147.49
Other current asset	100.32	96.09	75.83	228.56	300.68	317.82	292.01	354.46
<b>Current Asset</b>	<b>1,600.29</b>	<b>2,109.92</b>	<b>1,731.62</b>	<b>2,838.13</b>	<b>5,319.31</b>	<b>5,433.07</b>	<b>6,371.95</b>	<b>7,958.27</b>
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	2,097.59	2,044.05	2,339.43
LT Investment and receivables	697.46	1,006.78	928.84	1,323.20	2,168.76	1,589.08	1,460.03	1,772.30
<b>Total non current Asset</b>	<b>5,460.46</b>	<b>5,107.18</b>	<b>4,649.95</b>	<b>4,748.80</b>	<b>5,463.00</b>	<b>5,620.62</b>	<b>5,566.40</b>	<b>6,409.15</b>
<b>Total Asset</b>	<b>7,060.76</b>	<b>7,217.11</b>	<b>6,381.57</b>	<b>7,586.94</b>	<b>10,782.31</b>	<b>11,053.69</b>	<b>11,938.36</b>	<b>14,367.43</b>
Trade payable	341.77	335.52	214.27	272.41	333.21	348.29	304.01	388.45
Accrued expenses	52.21	60.71	53.86	59.94	164.06	118.86	109.21	141.78
Short Term bank loans	182.67	506.06	587.72	218.97	142.95	127.13	116.80	141.78
Other Current liabilities	344.21	330.31	289.07	810.24	1,807.30	1,271.27	1,168.03	1,417.84
<b>Total current liabilities</b>	<b>816.44</b>	<b>1,232.60</b>	<b>1,144.92</b>	<b>1,361.56</b>	<b>2,447.51</b>	<b>1,746.69</b>	<b>1,588.84</b>	<b>1,948.07</b>
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	317.82	292.01	354.46
<b>Total long term/ non current liabilities</b>	<b>1,941.62</b>	<b>2,001.11</b>	<b>1,284.93</b>	<b>1,767.06</b>	<b>1,807.46</b>	<b>1,786.61</b>	<b>1,860.80</b>	<b>2,123.25</b>
<b>Total Liabilities</b>	<b>2,758.06</b>	<b>3,233.71</b>	<b>2,429.85</b>	<b>3,128.62</b>	<b>4,254.97</b>	<b>3,533.30</b>	<b>3,449.64</b>	<b>4,071.32</b>
<b>Total Equities</b>	<b>4,302.69</b>	<b>3,983.40</b>	<b>3,951.71</b>	<b>4,458.32</b>	<b>6,527.34</b>	<b>7,520.40</b>	<b>8,488.72</b>	<b>10,296.11</b>
<b>Total Liabilities and equity</b>	<b>7,060.76</b>	<b>7,217.11</b>	<b>6,381.57</b>	<b>7,586.94</b>	<b>10,782.31</b>	<b>11,053.69</b>	<b>11,938.36</b>	<b>14,367.43</b>

## Financial Ratio Highlights

Ratio Highlights	2019 A	2020 A	2021 A	2022 A	2023 F	2024 F	2025 F
<b>Growth (% YoY)</b>							
Sales	-4.49%	-26.68%	57.51%	102.93%	-21.55%	-8.12%	21.39%
OP	-30.76%	-53.87%	436.43%	181.91%	-32.75%	-14.56%	38.41%
EBITDA	-21.51%	-25.80%	168.43%	140.90%	-29.69%	-9.71%	31.74%
NP	-3.24%	-63.65%	535.34%	167.07%	-26.45%	-15.13%	40.26%
EPS	-3.24%	-63.65%	535.34%	175.23%	-28.63%	-15.13%	40.26%
<b>Profitability</b>							
Operating Margin(%)	17.86%	11.24%	38.28%	53.17%	45.58%	42.39%	48.33%
EBITDA margin(%)	29.18%	29.53%	50.32%	59.73%	53.54%	52.61%	57.10%
NET Profit margin(%)	11.69%	5.80%	23.38%	30.77%	28.85%	26.65%	30.79%
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%
<b>Stability</b>							
Debt/ Equity (X)	0.45	0.35	0.34	0.23	0.21	0.20	0.19
Net Debt/Equity (x)	0.05	0.05	(0.07)	(0.39)	(0.39)	(0.44)	(0.48)
Current ratio (X)	1.71	1.51	2.08	2.17	3.11	4.01	4.09
Int. Coverage (x)	9.94	2.48	24.00	50.12	44.21	35.76	43.67
<b>Per Share data (USD)</b>							
EPS	0.0126	0.0046	0.0292	0.0803	0.0573	0.0487	0.0682
BVS	0.125	0.124	0.139	0.210	0.235	0.265	0.322

**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.

**RESEARCH TEAM**  
**(62-21) 520-6678 ext.612**

*Disclaimer; PT Binaartha Sekuritas has compiled this report in good faith, using information believed to be reliable. PT Binaartha and its analyst take no responsibility for the accuracy of the information contained in this report. This report has been produced for distribution to clients of PT Binaartha Sekuritas only. This report is not an invitation to buy or sell any security. PT Binaartha Sekuritas may have used the information in this report prior to publication. The company or its clients may have positions in or may from time to time buy or sell the securities mentioned in this report or other related securities.*