

### PT Adaro Energy,Tbk

BUY

6 Sept 2022  
Coal Mining, Equity

Current Price **IDR. 4040**  
Target Price **IDR. 6700**  
JKSE Index **7231.88**

Dipublikasikan pada TradingView.com, Sep 05, 2022 16:42 UTC+7

ADARO ENERGY INDONESIA TBK, 10, IDX: 4030 +250 (+6.61%)



TradingView

Stock Code **ADRO IJ**  
Bloomberg code **ADRO IJ**  
Market cap (IDR.Trn) **125.75**  
52-Week High (IDR) **4050**  
52-Week Low (IDR) **1305**  
6-m Avg Daily. Val (IDR) **3114**  
Free Float (%) **40.58**

Major Shareholders (%)  
PT Adaro Strategic Investment **43.91%**  
Others **15.51%**  
Public **40.58%**

USD/IDR-YE  
2021A **14263**  
2022F (Avg) **14902**

Key Indicators  
Net Debt/ Equity (x) **(0.30)**  
Current ratio (x) **3.51**

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

#### Investment Consideration 1H22 Higher Prices

ADRO's production volume grew 6% YoY in 1H22 to 28.01 Mt from 26.49 Mt. Coal sales increased 7% YoY to 27.49 Mt from 25.78 Mt in 1H21. The average selling price (ASP) increased by 117% YoY. The increase in coal prices was driven by unfavorable weather and supply chain issues. We maintain our coal production volume target for 2022F at 58 Mt compared to 52.70 Mt in 2021A. We believe ADRO will continue to see strong demand from customers despite various challenges.

#### Improving operating performance

As of 1H22, ADRO booked revenue of USD 3,54 bn, up 127% YoY while bottom line profit increased even more significantly to USD. 1,21 bn, +613% YoY. In 2Q22, revenue increased by 166% to USD 2,3 bn compared to USD.871 mn in 2Q21. Operational EBITDA increased by 305% in 2Q22 to USD 1,6 bn compared with USD 391 mn in 2Q21. Net profit was up to USD.905 mn from USD. 116 mn in 2Q21. We estimate 2022-2023F net profit will grow at a compound annual growth rate of 28% to 2023F from 2021A. Cost of revenue increased 43% YoY despite higher royalty expenses which increased 184% YoY as a result of the higher ASP. In 1H22, Royalties to the Government of Indonesia reached USD 511 million compared to USD.179,9 million in 1H21. Going forward, ADRO will continue to improve operational excellence, focusing on efficiency and cost control. We estimate the Net profit margins during 2022-2023 will average 55%

#### Debt under control

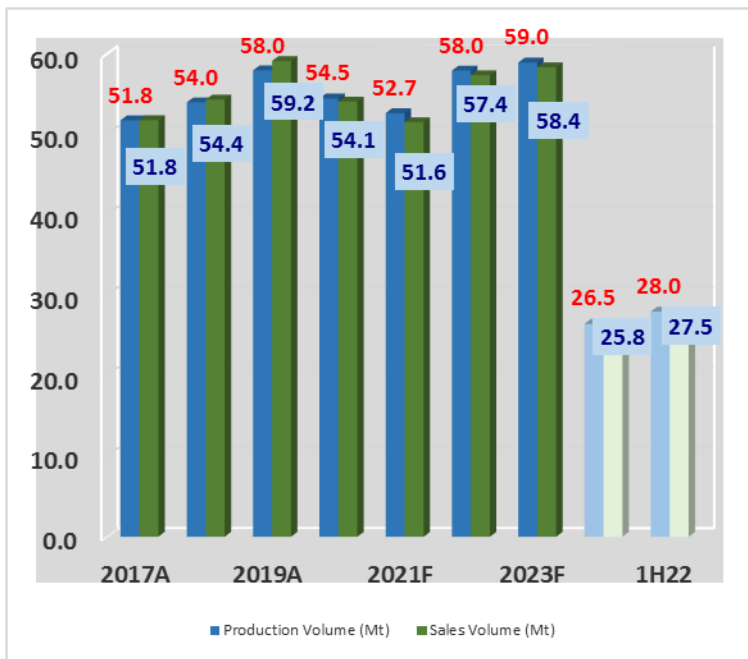
ADRO in 1H22 managed to achieve a significantly higher cash balance of USD 2.24 billion and a healthy balance sheet, with net debt (cash) in 1H22 at USD. (770 mn). Cash increased from higher operating cash flows and carefully managed spending. During 1H22, cash flows from operating activities increased 238% to USD 1.36 billion compared to USD. 401 mn in 1H21, mainly driven by an increase in receipts from customers.

#### Valuation: 65% upside potential

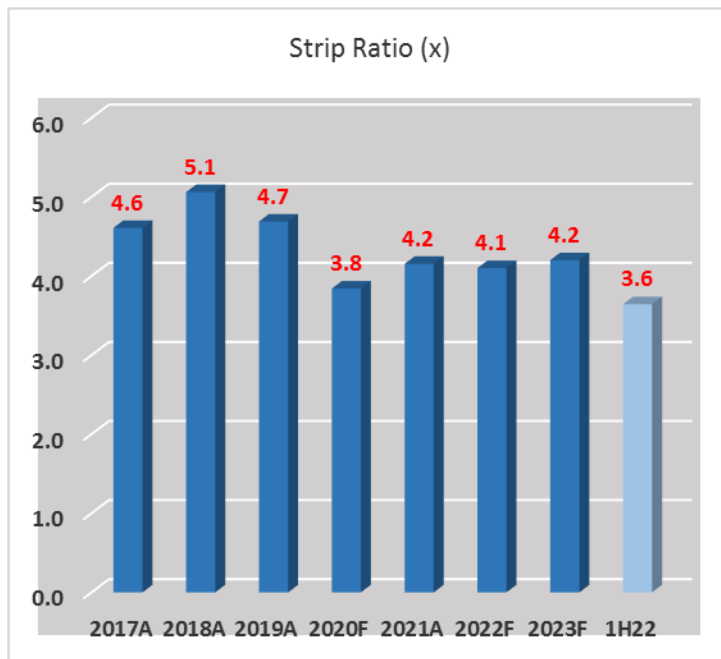
We adjust our estimates based on the 1H22 result and we upgrade our ADRO target price to IDR 6,700 which translates to a 10x PER. With 65% upside, we maintain our BUY recommendation.

| Financial Highlight       | 2018 A | 2019 A  | 2020 A  | 2021 A  | 2022 F  | 2023 F  | 2024 F |
|---------------------------|--------|---------|---------|---------|---------|---------|--------|
| Sales growth (%)          | -4.49% | -26.68% | 57.51%  | 81.38%  | -22.17% | -5.16%  |        |
| net profit growth (%)     | -3.24% | -63.65% | 535.34% | 136.81% | -30.47% | -17.82% |        |
| EBITDA margin (%)         | 35.50% | 29.18%  | 29.53%  | 50.32%  | 60.76%  | 55.19%  | 51.25% |
| Net profit margin (%)     | 11.54% | 11.69%  | 5.80%   | 23.38%  | 30.53%  | 27.27%  | 23.63% |
| Net debt/equity /cash (x) | 0.08   | 0.05    | 0.05    | (0.07)  | (0.23)  | (0.30)  | (0.18) |
| current ratio             | 1.96   | 1.71    | 1.51    | 2.08    | 2.52    | 3.51    | 3.05   |

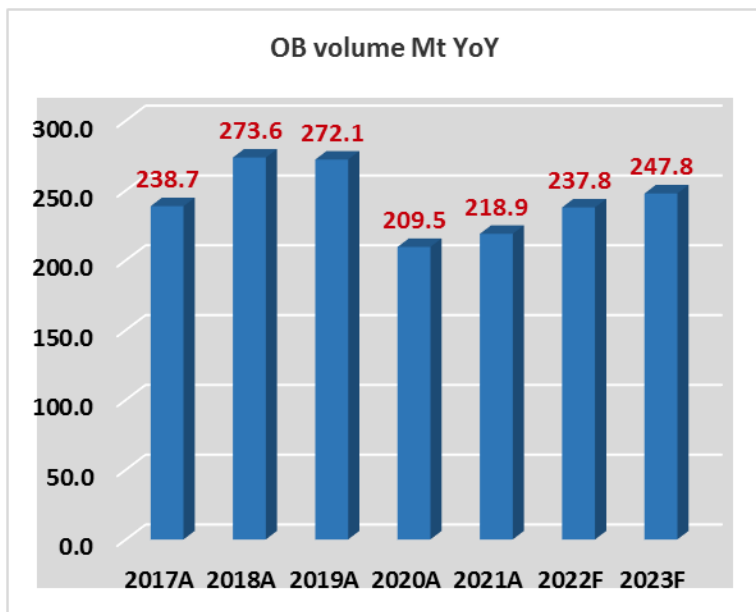
I. Production and sales volume (in mn tons) yoy



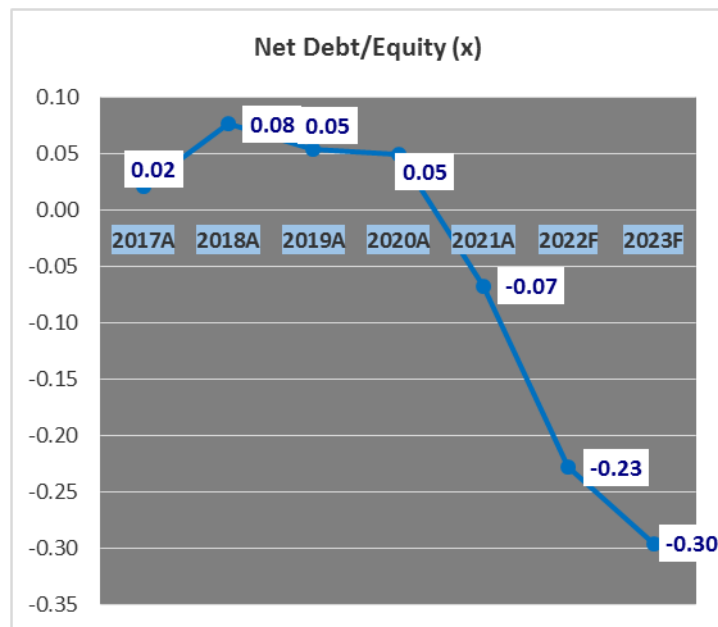
II. Blended Strip ratio (x) yoy



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 F       | 2023 F       | 2024 F       |
|--------------------------|--------------|--------------|------------|--------------|--------------|--------------|--------------|
| Revenue                  | 3,620        | 3,457        | 2,535      | 3,993        | 7,242        | 5,636        | 5,345        |
| Cost of sales            | (2,410)      | (2,493)      | (1,958)    | (2,223)      | (2,633)      | (2,515)      | (2,666)      |
| <b>Gross Profit</b>      | <b>1,210</b> | <b>965</b>   | <b>577</b> | <b>1,770</b> | <b>4,609</b> | <b>3,121</b> | <b>2,679</b> |
| Operating expense        | 318          | 347          | 292        | 241          | 724          | 564          | 535          |
| <b>Operating Profit</b>  | <b>892</b>   | <b>618</b>   | <b>285</b> | <b>1,528</b> | <b>3,885</b> | <b>2,558</b> | <b>2,145</b> |
| Other income             | (41)         | (38)         | (54)       | (49)         | (76)         | (59)         | (56)         |
| <b>PBT</b>               | <b>821</b>   | <b>659</b>   | <b>222</b> | <b>1,486</b> | <b>3,842</b> | <b>2,525</b> | <b>2,113</b> |
| taxes                    | (343)        | (224)        | (64)       | (458)        | (1,567)      | (936)        | (804)        |
| Minority interest        | (59.821)     | (30.812)     | (11.578)   | (95.101)     | (64.307)     | (51.219)     | (46.577)     |
| <b>Net Profit</b>        | <b>418</b>   | <b>404</b>   | <b>147</b> | <b>933</b>   | <b>2,211</b> | <b>1,537</b> | <b>1,263</b> |
| EPS                      | 0.0131       | 0.0126       | 0.0046     | 0.0292       | 0.0691       | 0.0480       | 0.0395       |
| <b>EBITDA</b>            | <b>1,285</b> | <b>1,009</b> | <b>748</b> | <b>2,009</b> | <b>4,400</b> | <b>3,111</b> | <b>2,740</b> |

Balance Sheet

| Balance sheet (US\$.mn)                         | 2018A           | 2019A           | 2020A           | 2021 A          | 2022 F           | 2023 F           | 2024 F           |
|---|-----------------|-----------------|-----------------|-----------------|------------------|------------------|------------------|
| Cash and cash equivalent                        | 927.90          | 1,576.19        | 1,173.70        | 1,811.14        | 3,234.89         | 4,053.33         | 3,297.38         |
| ST Investment                                   | 0.03            | 0.00            | 0.00            | 0.00            | 0.00             | 0.00             | 0.00             |
| Trade Account Receivable                        | 370.89          | 310.32          | 224.15          | 451.99          | 793.62           | 617.65           | 600.40           |
| inventory                                       | 112.01          | 121.03          | 105.13          | 125.74          | 144.28           | 137.80           | 146.06           |
| Other current asset                             | 100.32          | 96.09           | 75.83           | 228.56          | 340.37           | 315.62           | 299.32           |
| <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>4,513.16</b>  | <b>5,124.40</b>  | <b>4,343.17</b>  |
| Net Fixed Asset                                 | 1,609.70        | 1,722.41        | 1,539.44        | 1,397.11        | 1,566.46         | 1,756.34         | 1,969.24         |
| other long term asset                           | 3,153.30        | 2,377.99        | 2,181.67        | 2,028.50        | 2,896.72         | 2,254.44         | 2,138.01         |
| LT Investment and receivables                   | 697.46          | 1,006.78        | 928.84          | 1,323.20        | 1,810.45         | 1,859.91         | 1,763.86         |
| <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>6,273.64</b>  | <b>5,870.69</b>  | <b>5,871.12</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>10,786.79</b> | <b>10,995.09</b> | <b>10,214.29</b> |
| Trade payable                                   | 341.77          | 335.52          | 214.27          | 272.41          | 694.42           | 540.45           | 527.18           |
| Accrued expenses                                | 52.21           | 60.71           | 53.86           | 59.94           | 108.71           | 84.61            | 80.24            |
| Short Term bank loans                           | 182.67          | 506.06          | 587.72          | 218.97          | 229.92           | 241.42           | 253.49           |
| Other Current liabilities                       | 344.21          | 330.31          | 289.07          | 810.24          | 869.02           | 676.33           | 641.40           |
| <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>1,793.36</b>  | <b>1,458.19</b>  | <b>1,422.07</b>  |
| Long term loans                                 | 1,072.53        | 551.60          | 42.60           | 550.59          | 750.59           | 950.59           | 1,150.59         |
| Senior notes                                    | 0.00            | 734.01          | 736.96          | 740.12          | 740.12           | 740.12           | 740.12           |
| Other Long term liabilities                     | 869.09          | 715.49          | 505.36          | 476.35          | 863.98           | 672.41           | 637.69           |
| <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>2,354.70</b>  | <b>2,363.13</b>  | <b>2,528.40</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>4,148.05</b>  | <b>3,821.32</b>  | <b>3,950.47</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>6,638.74</b>  | <b>7,173.77</b>  | <b>6,263.81</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>10,786.79</b> | <b>10,995.09</b> | <b>10,214.29</b> |

Cash Flow

| Cash Flow (in US\$. mn)               | 2018A           | 2019A           | 2020A           | 2021A           | 2022F             | 2023F           | 2024F             |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-------------------|-----------------|-------------------|
| + Net Income                          | 417.72          | 404.19          | 146.93          | 933.49          | 2,210.57          | 1,536.91        | 1,263.05          |
| +Depreciation                         | 236.80          | 238.99          | 283.69          | 287.74          | 307.36            | 344.62          | 386.40            |
| - Change in WC                        | 143.06          | 554.82          | (111.86)        | (252.44)        | 180.52            | (127.97)        | (10.83)           |
| <b>Cash From Operating Activities</b> | <b>797.58</b>   | <b>1,198.01</b> | <b>318.75</b>   | <b>968.79</b>   | <b>2,698.45</b>   | <b>1,753.57</b> | <b>1,638.61</b>   |
| capex                                 | (862.27)        | 114.29          | 173.55          | (386.60)        | (1,832.19)        | 58.33           | (386.82)          |
| <b>cash from investing activities</b> | <b>(862.27)</b> | <b>114.29</b>   | <b>173.55</b>   | <b>(386.60)</b> | <b>(1,832.19)</b> | <b>58.33</b>    | <b>(386.82)</b>   |
| Long term liabilities                 | (18.30)         | (520.93)        | (509.00)        | 507.99          | 200.00            | 200.00          | 200.00            |
| Senior notes                          | 0.00            | 734.01          | 2.95            | 3.16            | 0.00              | 0.00            | 0.00              |
| Other Long term liabilities           | 10.70           | (153.60)        | (210.13)        | (29.01)         | 387.63            | (191.57)        | (34.72)           |
| equity                                | (206.66)        | (723.49)        | (178.61)        | (426.89)        | (30.14)           | (1,001.89)      | (2,173.01)        |
| <b>cash from financing activities</b> | <b>(214.25)</b> | <b>(664.00)</b> | <b>(894.79)</b> | <b>55.24</b>    | <b>557.49</b>     | <b>(993.46)</b> | <b>(2,007.73)</b> |
| <b>Net Changes in Cash</b>            | <b>(278.95)</b> | <b>648.30</b>   | <b>(402.49)</b> | <b>637.44</b>   | <b>1,423.75</b>   | <b>818.44</b>   | <b>(755.95)</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>3,234.89</b> | <b>4,053.33</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>3,234.89</b>   | <b>4,053.33</b> | <b>3,297.38</b>   |

Financial Ratio Highlights

| Ratio Highlights            | 2018 A  | 2019 A  | 2020 A  | 2021 A  | 2022 F  | 2023 F  | 2024 F  |
|-----------------------------|---------|---------|---------|---------|---------|---------|---------|
| <b>Growth (% YoY)</b>       |         |         |         |         |         |         |         |
| Sales                       | 11.09%  | -4.49%  | -26.68% | 57.51%  | 81.38%  | -22.17% | -5.16%  |
| OP                          | -6.29%  | -30.76% | -53.87% | 436.43% | 154.18% | -34.16% | -16.14% |
| EBITDA                      | -0.06%  | -21.51% | -25.80% | 168.43% | 119.01% | -29.31% | -11.93% |
| NP                          | -13.57% | -3.24%  | -63.65% | 535.34% | 136.81% | -30.47% | -17.82% |
| EPS                         | -13.57% | -3.24%  | -63.65% | 535.34% | 136.81% | -30.47% | -17.82% |
| <b>Profitability</b>        |         |         |         |         |         |         |         |
| Operating Margin(%)         | 24.64%  | 17.86%  | 11.24%  | 38.28%  | 53.64%  | 45.38%  | 40.13%  |
| EBITDA margin(%)            | 35.50%  | 29.18%  | 29.53%  | 50.32%  | 60.76%  | 55.19%  | 51.25%  |
| NET Profit margin(%)        | 11.54%  | 11.69%  | 5.80%   | 23.38%  | 30.53%  | 27.27%  | 23.63%  |
| ROA(%)                      | 5.92%   | 5.60%   | 2.30%   | 12.30%  | 0.00%   | 0.00%   | 0.00%   |
| ROE(%)                      | 9.71%   | 10.15%  | 3.72%   | 20.94%  | 0.00%   | 0.00%   | 0.00%   |
| <b>Stability</b>            |         |         |         |         |         |         |         |
| Debt/ Equity (X)            | 0.29    | 0.45    | 0.35    | 0.34    | 0.26    | 0.27    | 0.34    |
| Net Debt/Equity (x)         | 0.08    | 0.05    | 0.05    | (0.07)  | (0.23)  | (0.30)  | (0.18)  |
| Current ratio (X)           | 1.96    | 1.71    | 1.51    | 2.08    | 2.52    | 3.51    | 3.05    |
| Int. Coverage (x)           | 12.61   | 9.94    | 2.48    | 24.00   | 54.44   | 31.86   | 24.03   |
| <b>Per Share data (USD)</b> |         |         |         |         |         |         |         |
| EPS                         | 0.0131  | 0.0126  | 0.0046  | 0.0292  | 0.0691  | 0.0480  | 0.0395  |
| BVS                         | 0.135   | 0.125   | 0.124   | 0.139   | 0.208   | 0.224   | 0.196   |

**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.*