

9 March 2022
Coal Mining, Equity

Current Price **IDR. 3120**
Target Price **IDR. 4095**
JKSE Index **6814,18**



Investment Consideration 58 Mt production target

ADRO's 2021 coal production reached 52,7 million tons, a decrease of -3% yoy. Sales volume was 51,58 million tons, down -5% on an annual basis. Overburden removal (OBM) reached 218,9 million bank cubic meters (Mbcm) during 2021 or up 4.5% yoy. This is in line with the company target to increase the stripping ratio in 2021. The 2021 Stripping ratio was 4.2x vs 3.8x in 2020. Unfavorable weather throughout 2021 slowed down ADRO's overburden removal activities. Amidst the current favorable coal market conditions, we estimate 2022 production will be higher at 58million tons while high coal prices will remain during this year as the global economy continues to recover leading to increased coal demand.

Improving operating performance

ADRO booked revenue of US\$ 3,993 million in 2021, up 58% yoy mainly due to a 70% higher average selling price (ASP) supported by stronger global coal prices. Cost of revenue increased 14% yoy to US\$ 2,223 million mainly due to a higher strip ratio and higher mining costs following higher fuel prices and higher royalty payments as a result of the stronger ASP. ADRO booked bottom line profit of US\$ 933 million in 2021 up significantly from 2020. Going forward, ADRO will continue to improve operational excellence, focusing on efficiency and cost control. We estimate the Net profit margin during 2022-2023 will average 22%

Debt under control

ADRO in 2021 managed to achieve a cash balance of US\$ 1,811 million with total interest bearing debt at the end of 2021 of US\$ 1,598 million or a 7% increase yoy. ADRO has a healthy balance sheet, with net cash in 2021 on the back of higher operating cash flows and carefully managed spending.

Valuation: 31% upside potential

We are targeting ADRO to reach IDR. 4095 or trade at 10x PER. With 31% upside, we maintain our BUY recommendation

Profit and Loss (USD.mn)	2018 A	2019 A	2020 A	2021 A	2022 F	2023 F
Revenue	3,620	3,457	2,535	3,993	4,398	4,414
Cost of sales	(2,410)	(2,493)	(1,958)	(2,223)	(2,234)	(2,298)
Gross Profit	1,210	965	577	1,770	2,163	2,116
Operating expense	318	347	292	241	440	441
Operating Profit	892	618	285	1,528	1,724	1,675
Other income	(41)	(38)	(54)	(49)	(46)	(46)
PBT	821	659	222	1,486	1,698	1,649
taxes	(343)	(224)	(64)	(458)	(736)	(635)
Minority interest	(59.821)	(30.812)	(11.578)	(95.101)	(39.052)	(40.117)
Net Profit	418	404	147	933	923	974
EPS	0.0131	0.0126	0.0046	0.0292	0.0289	0.0304
EBITDA	1,285	1,021	832	2,069	2,309	2,332

Stock Code **ADRO IJ**
Bloomberg code **ADRO IJ**
Market cap (IDR.Trn) **101.72**
52-Week High (IDR) **3270**
52-Week Low (IDR) **1160**
6-m Avg Daily. Val (IDR) **1650**
Free Float (%) **43.70**

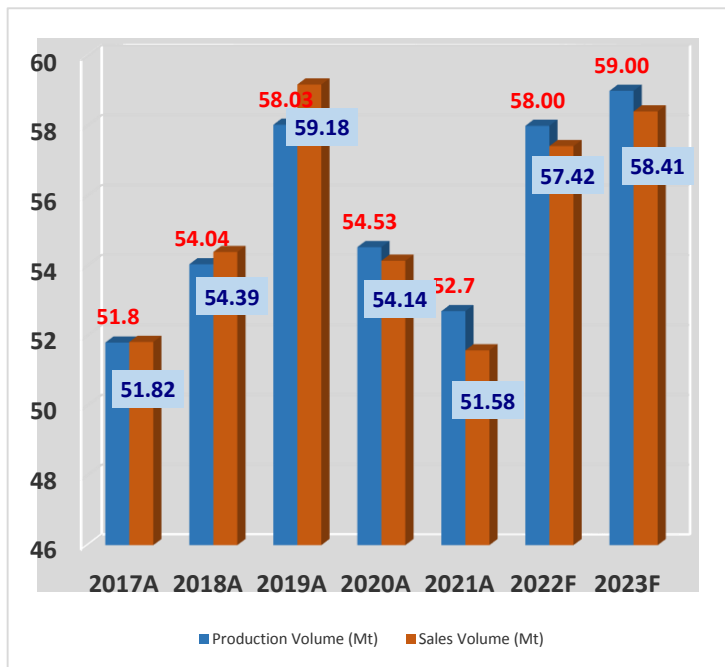
Major Shareholders (%)
PT Adaro Strategic Investment **43.91%**
Others **12.39%**
Public **43.70%**

USD/IDR-YE
2021A **14263**
2022F (Avg) **14335**

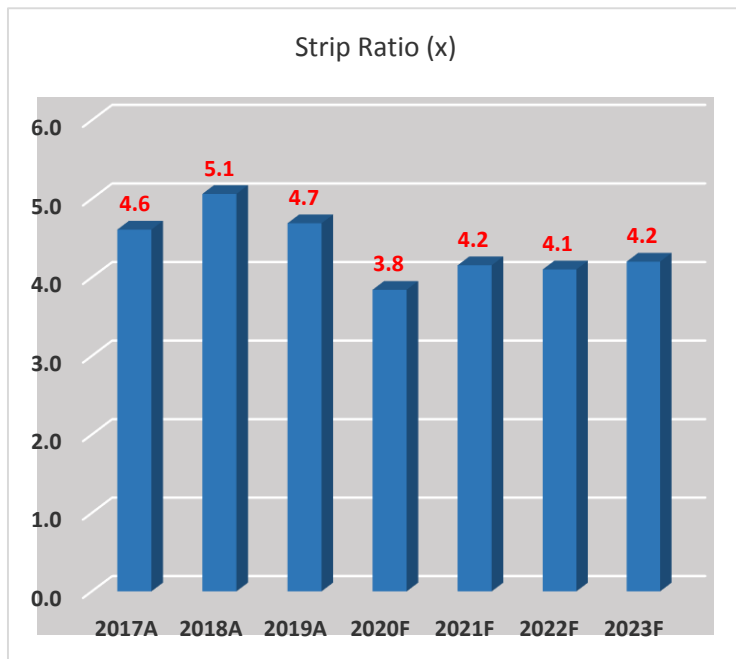
Key Indicators
Net Debt/ Equity (x) **(0.02)**
Current ratio (x) **2.24**

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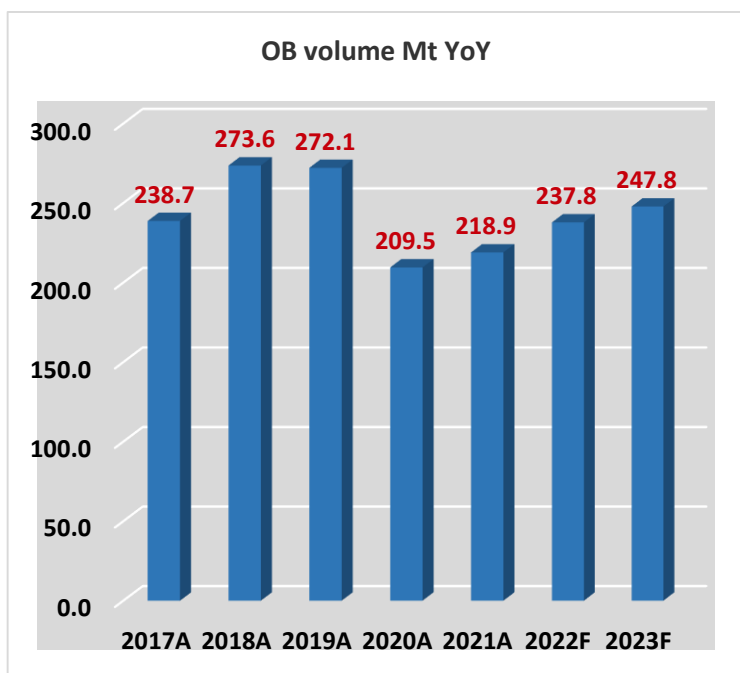
I. Production and sales volume (in mn tons) yoy



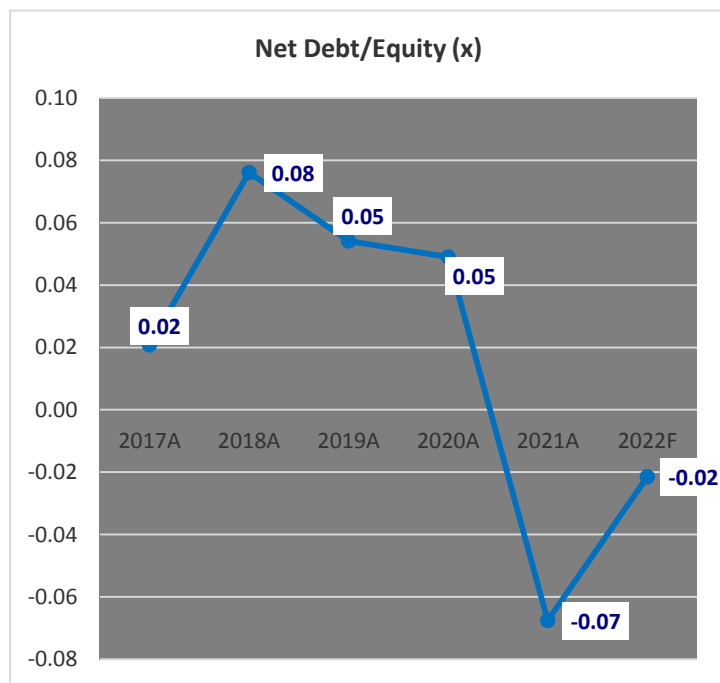
II. Blended Strip ratio (x) yoy



III. Overburden volume (Mt) yoy



IV. Net Debt to Equity (x) yoy



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EPS	0.0131	0.0126	0.0046	0.0292	0.0289	0.0304
EBITDA	1,285	1,021	832	2,069	2,309	2,332

Balance Sheet

Balance sheet (US\$.mn)	2018A	2019A	2020A	2021 A	2022 F	2023 F
Cash and cash equivalent	927.90	1,576.19	1,173.70	1,811.14	1,831.42	2,083.59
ST Investment	0.03	0.00	0.00	0.00	0.00	0.00
Trade Account Receivable	370.89	310.32	224.15	451.99	481.94	483.77
inventory	112.01	121.03	105.13	125.74	104.06	113.34
Other current asset	100.32	96.09	75.83	228.56	219.88	220.72
Current Asset	1,600.29	2,109.92	1,731.62	2,838.13	2,637.31	2,901.41
Net Fixed Asset	1,609.70	1,722.41	1,539.44	1,397.11	1,566.46	1,756.34
other long term asset	3,153.30	2,377.99	2,181.67	2,028.50	2,682.59	3,045.92
LT Investment and receivables	697.46	1,006.78	928.84	1,323.20	1,451.24	1,456.74
Total non current Asset	5,460.46	5,107.18	4,649.95	4,748.80	5,700.28	6,259.00
Total Asset	7,060.76	7,217.11	6,381.57	7,586.94	8,337.59	9,160.41
Trade payable	341.77	335.52	214.27	272.41	421.70	423.30
Accrued expenses	52.21	60.71	53.86	59.94	66.02	66.27
Short Term bank loans	182.67	506.06	587.72	218.97	229.92	241.42
Other Current liabilities	344.21	330.31	289.07	810.24	527.72	529.72
Total current liabilities	816.44	1,232.60	1,144.92	1,361.56	1,179.34	1,194.44
Long term loans	1,072.53	551.60	42.60	550.59	750.59	950.59
Senior notes	0.00	734.01	736.96	740.12	740.12	740.12
Other Long term liabilities	869.09	715.49	505.36	476.35	524.67	526.66
Total long term/ non current liabilities	1,941.62	2,001.11	1,284.93	1,767.06	2,015.38	2,217.37
Total Liabilities	2,758.06	3,233.71	2,429.85	3,128.62	3,194.72	3,411.80
Total Equities	4,302.69	3,983.40	3,951.71	4,458.32	5,142.88	5,748.61
Total Liabilities and equity	7,060.76	7,217.11	6,381.57	7,586.94	8,337.59	9,160.41

Cash Flow

Cash Flow (in US\$. mn)	2018A	2019A	2020A	2021A	2022F	2023F
+ Net Income	417.72	404.19	146.93	933.49	923.10	973.75
+Depreciation	236.80	238.99	283.69	287.74	307.36	344.62
- Change in WC	143.06	554.82	(111.86)	(252.44)	38.89	3.16
Cash From Operating Activities	797.58	1,198.01	318.75	968.79	1,269.35	1,321.53
capex	(339.95)	(351.70)	(100.71)	(145.41)	(476.72)	(534.50)
other long term asset	32.80	775.31	196.32	153.17	(654.09)	(363.33)
LT Investment and receivables	(555.13)	(309.32)	77.93	(394.36)	(128.04)	(5.51)
cash from investing activities	(862.27)	114.29	173.55	(386.60)	(1,258.84)	(903.34)
Long term liabilities	(18.30)	(520.93)	(509.00)	507.99	200.00	200.00
Senior notes	0.00	734.01	2.95	3.16	0.00	0.00
Other Long term liabilities equity	10.70	(153.60)	(210.13)	(29.01)	48.31	1.99
	(206.66)	(723.49)	(178.61)	(426.89)	(238.54)	(368.02)
cash from financing activities	(214.25)	(664.00)	(894.79)	55.24	9.77	(166.03)
Net Changes in Cash	(278.95)	648.30	(402.49)	637.44	20.28	252.17
Beginning Balance	1,206.85	927.90	1,576.19	1,173.70	1,811.14	1,831.42
Ending balance	927.90	1,576.19	1,173.70	1,811.14	1,831.42	2,083.59

Financial Ratio Highlights

Ratio Highlights	2018 A	2019 A	2020 A	2021 A	2022 F	2023 F
Growth (% YoY)						
Sales	11.09%	-4.49%	-26.68%	57.51%	10.14%	0.38%
OP	-6.29%	-30.76%	-53.87%	436.43%	12.78%	-2.84%
EBITDA	-0.06%	-20.56%	-18.50%	148.68%	11.61%	0.98%
NP	-13.57%	-3.24%	-63.65%	535.34%	-1.11%	5.49%
EPS	-13.57%	-3.24%	-63.65%	535.34%	-1.11%	5.49%
Profitability						
Operating Margin(%)	24.64%	17.86%	11.24%	38.28%	39.19%	37.94%
EBITDA margin(%)	35.50%	29.53%	32.82%	51.82%	52.51%	52.82%
NET Profit margin(%)	11.54%	11.69%	5.80%	23.38%	20.99%	22.06%
ROA(%)	5.92%	5.60%	2.30%	12.30%	0.00%	0.00%
ROE(%)	9.71%	10.15%	3.72%	20.94%	0.00%	0.00%
Stability						
Debt/ Equity (X)	0.29	0.45	0.35	0.34	0.33	0.34
Net Debt/Equity (x)	0.08	0.05	0.05	(0.07)	(0.02)	(0.03)
Current ratio (X)	1.96	1.71	1.51	2.08	2.24	2.43
Int. Coverage (x)	12.61	9.94	2.48	24.00	24.06	20.80
Per Share data (USD)						
EPS	0.0131	0.0126	0.0046	0.0292	0.0289	0.0304
BVS	0.135	0.125	0.124	0.139	0.161	0.180

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
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