BINA ARTHA SEKURITAS

PT Adaro Energy,Tbk

Equity Research

adaro

BUY

20 Feb 2023
Coal Mining, Equity

Current Price	IDR. 2840
Target Price	IDR. 6850
JKSE Index	6873.98



Stock Code	
Bloomberg code	ADRO IJ
Market cap (IDR.Trn)	109.380
52-Week High (IDR)	4250
52-Week Low (IDR)	2180
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)	15200
Key Indicators	
Net Debt/ Equity (x)	(0.34)
Current ratio (x)	4.14

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Investment Consideration

Record production in 2022FY

In 2022FY, ADRO's production volume grew 19% YoY to 62.88 Mt from 52.70 Mt in 2021FY. Coal sales increased 19YoY to 61.34 Mt from 51.58 Mt in 2021FY. This is the highest figure above the level of 60 million tons over the last 10 years and surpassed ADRO's initial target for 2022. Coal production in 4Q22 increased by 34% YoY to 17.52 Mt, the highest quarterly production for ADRO. The record production was due to better availability of heavy equipment, and improved demand from both domestic and export markets. In addition ADRO was able to secure long term volume contracts with its customers. Despite higher volume in 2022, 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.

Forecasting 29% compound profit growth

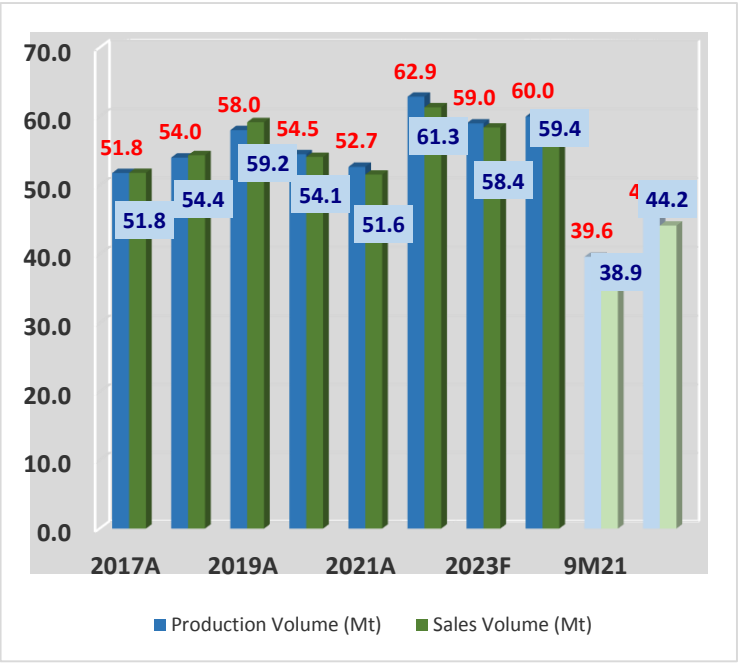
We maintain our estimates for 2023F revenue and EBITDA, based on our coal production and selling price estimates, at close to our initial targets, after the impressive 2022 performance. We maintain our forecast Royalty payments to the Government of Indonesia and tax expenses as previously. Based on the 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 2022-2023F bottom line profit growth target at a compound annual rate of 29% for 2023F from 2021A. Going forward we expect ADRO will continue to improve operations by focusing on efficiency and cost control.

Valuation: significant upside potential

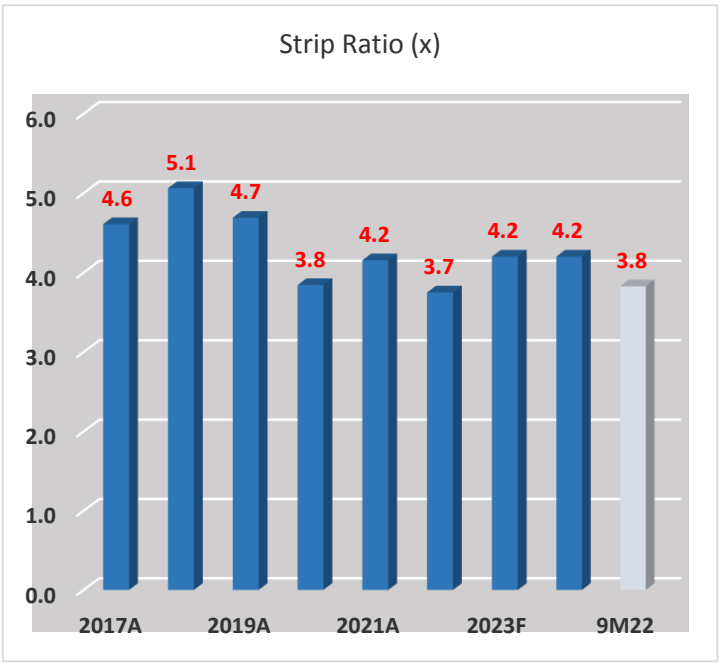
Despite higher coal production volume in 2022, we maintain our ADRO target price at IDR 6,850 which translates to a 9.4x PER with new adjustment to the USD/IDR exchange rate. With significant upside, we maintain our BUY recommendation.

Financial Highlight	2018 A	2019 A	2020 A	2021 A	2022 F	2023 F	2024 F
Sales growth (%)		-4.49%	-26.68%	57.51%	93.31%	-26.98%	-5.16%
net profit growth (%)		-3.24%	-63.65%	535.34%	199.71%	-44.58%	-19.43%
EBITDA margin (%)	35.50%	29.18%	29.53%	50.32%	60.75%	55.19%	51.25%
Net profit margin (%)	11.54%	11.69%	5.80%	23.38%	36.25%	27.51%	23.37%
Net debt/equity /cash (x)	0.08	0.05	0.05	(0.07)	(0.16)	(0.34)	(0.12)
current ratio	1.96	1.71	1.51	2.08	2.24	4.14	2.97
EPS (USD)	0.0131	0.0126	0.0046	0.0292	0.0875	0.0485	0.0391

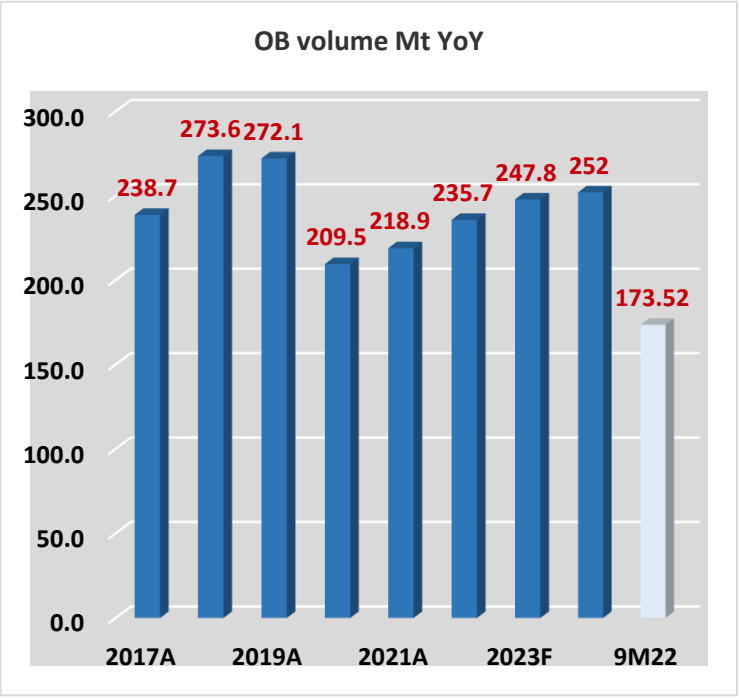
I. Production and sales volume (in mn tons) yoy



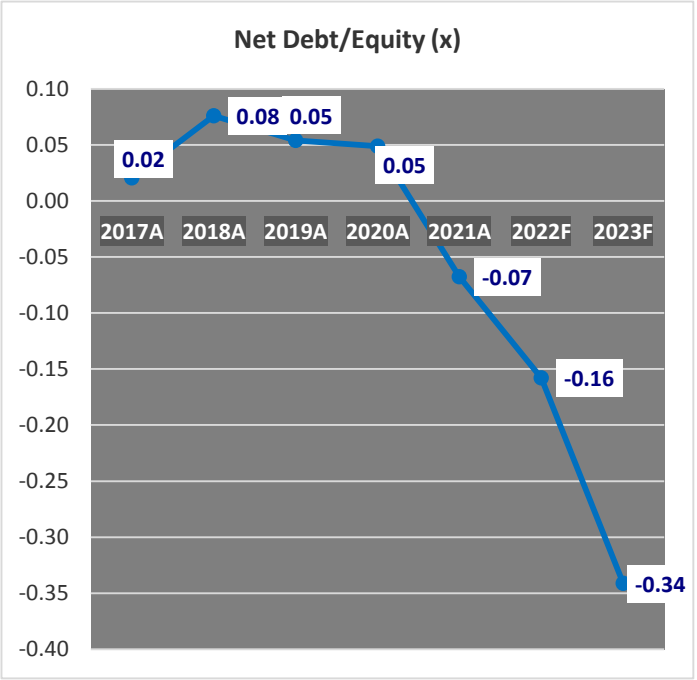
II. Blended Strip ratio (x) yoy



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**	**7,718**	**5,636**	**5,345**
Cost of sales	(2,410)	(2,493)	(1,958)	(2,223)	(2,760)	(2,495)	(2,685)
Gross Profit	**1,210**	**965**	**577**	**1,770**	**4,959**	**3,141**	**2,660**
Operating expense	318	347	292	241	772	564	535
Operating Profit	**892**	**618**	**285**	**1,528**	**4,187**	**2,577**	**2,125**
Other income	(41)	(38)	(54)	(49)	(81)	(59)	(56)
PBT	**821**	**659**	**222**	**1,486**	**4,142**	**2,544**	**2,094**
taxes	(343)	(224)	(64)	(458)	(1,275)	(942)	(798)
Minority interest	(59.821)	(30.812)	(11.578)	(95.101)	(68.539)	(51.219)	(46.577)
Net Profit	**418**	**404**	**147**	**933**	**2,798**	**1,550**	**1,249**
EPS	0.0131	0.0126	0.0046	0.0292	0.0875	0.0485	0.0391
EBITDA	**1,285**	**1,009**	**748**	**2,009**	**4,689**	**3,111**	**2,740**

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	2,735.92	4,222.50	2,522.95
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	1,057.31	772.07	732.20
inventory	112.01	121.03	105.13	125.74	151.21	143.58	161.86
Other current asset	100.32	96.09	75.83	228.56	154.37	112.72	106.90
Current Asset	**1,600.29**	**2,109.92**	**1,731.62**	**2,838.13**	**4,098.81**	**5,250.86**	**3,523.92**
Net Fixed Asset	1,609.70	1,722.41	1,539.44	1,397.11	1,414.51	1,766.44	1,993.96
other long term asset	3,153.30	2,377.99	2,181.67	2,028.50	2,701.44	1,859.91	2,138.01
LT Investment and receivables	697.46	1,006.78	928.84	1,323.20	2,855.81	1,859.91	2,138.01
Total non current Asset	**5,460.46**	**5,107.18**	**4,649.95**	**4,748.80**	**6,971.75**	**5,486.26**	**6,269.99**
Total Asset	**7,060.76**	**7,217.11**	**6,381.57**	**7,586.94**	**11,070.57**	**10,737.12**	**9,793.90**
Trade payable	341.77	335.52	214.27	272.41	444.07	308.83	278.23
Acrued expenses	52.21	60.71	53.86	59.94	144.33	105.39	99.95
Short Term bank loans	182.67	506.06	587.72	218.97	154.37	112.72	106.90
Other Current liablities	344.21	330.31	289.07	810.24	1,234.94	845.41	801.76
Total current liabilities	**816.44**	**1,232.60**	**1,144.92**	**1,361.56**	**1,833.38**	**1,266.96**	**1,186.89**
Long term loans	1,072.53	551.60	42.60	550.59	713.21	813.21	913.21
Senior notes	0.00	734.01	736.96	740.12	722.87	722.87	722.87
Other Long term liabilities	869.09	715.49	505.36	476.35	540.29	394.53	374.15
Total long term/ non current liabilities	**1,941.62**	**2,001.11**	**1,284.93**	**1,767.06**	**1,976.36**	**1,930.60**	**2,010.22**
Total Liabilities	**2,758.06**	**3,233.71**	**2,429.85**	**3,128.62**	**3,809.74**	**3,197.56**	**3,197.11**
Total Equities	**4,302.69**	**3,983.40**	**3,951.71**	**4,458.32**	**7,260.82**	**7,539.57**	**6,596.79**
Total Liabilities and equity	**7,060.76**	**7,217.11**	**6,381.57**	**7,586.94**	**11,070.57**	**10,737.12**	**9,793.90**

Cash Flow

Cash Flow (in US$. mn)	2018A	2019A	2020A	2021A	2022F	2023F	2024F
+ Net Income	417.72	404.19	146.93	933.49	2,797.73	1,550.41	1,249.13
+Depreciation	236.80	238.99	283.69	287.74	293.39	325.34	406.28
- Change in WC	143.06	554.82	(111.86)	(252.44)	135.93	(231.90)	(52.67)
Cash From Operating Activities	**797.58**	**1,198.01**	**318.75**	**968.79**	**3,227.04**	**1,643.85**	**1,602.74**
capex	(862.27)	114.29	173.55	(386.60)	(2,516.34)	1,160.16	(1,190.01)
cash from investing activities	**(862.27)**	**114.29**	**173.55**	**(386.60)**	**(2,516.34)**	**1,160.16**	**(1,190.01)**
Long term liabilities	(18.30)	(520.93)	(509.00)	507.99	162.61	100.00	100.00
Senior notes	0.00	734.01	2.95	3.16	(17.25)	0.00	0.00
Other Long term liabilities	10.70	(153.60)	(210.13)	(29.01)	63.94	(145.76)	(20.37)
equity	(206.66)	(723.49)	(178.61)	(426.89)	4.78	(1,271.67)	(2,191.91)
cash from financing activities	**(214.25)**	**(664.00)**	**(894.79)**	**55.24**	**214.08**	**(1,317.43)**	**(2,112.28)**
Net Changes in Cash	**(278.95)**	**648.30**	**(402.49)**	**637.44**	**924.78**	**1,486.58**	**(1,699.55)**
Beginning Balance	**1,206.85**	**927.90**	**1,576.19**	**1,173.70**	**1,811.14**	**2,735.92**	**4,222.50**
Ending balance	**927.90**	**1,576.19**	**1,173.70**	**1,811.14**	**2,735.92**	**4,222.50**	**2,522.95**

Financial Ratio Highlights

Ratio Highlights	2018 A	2019 A	2020 A	2021 A	2022 F	2023 F	2024 F
Growth (% YoY)							
Sales	11.09%	-4.49%	-26.68%	57.51%	93.31%	-26.98%	-5.16%
OP	-6.29%	-30.76%	-53.87%	436.43%	173.97%	-38.45%	-17.54%
EBITDA	-0.06%	-21.51%	-25.80%	168.43%	133.38%	-33.66%	-11.93%
NP	-13.57%	-3.24%	-63.65%	535.34%	199.71%	-44.58%	-19.43%
EPS	-13.57%	-3.24%	-63.65%	535.34%	199.71%	-44.58%	-19.43%
Profitability							
Operating Margin(%)	24.64%	17.86%	11.24%	38.28%	54.25%	45.72%	39.76%
EBITDA margin(%)	35.50%	29.18%	29.53%	50.32%	60.75%	55.19%	51.25%
NET Profit margin(%)	11.54%	11.69%	5.80%	23.38%	36.25%	27.51%	23.37%
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%
Stability							
Debt/ Equity (X)	0.29	0.45	0.35	0.34	0.22	0.22	0.26
Net Debt/Equity (x)	0.08	0.05	0.05	(0.07)	(0.16)	(0.34)	(0.12)
Current ratio (X)	1.96	1.71	1.51	2.08	2.24	4.14	2.97
Int. Coverage (x)	12.61	9.94	2.48	24.00	63.49	37.61	29.28
Per Share data (USD)							
EPS	0.0131	0.0126	0.0046	0.0292	0.0875	0.0485	0.0391
BVS	0.135	0.125	0.124	0.139	0.227	0.236	0.206

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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