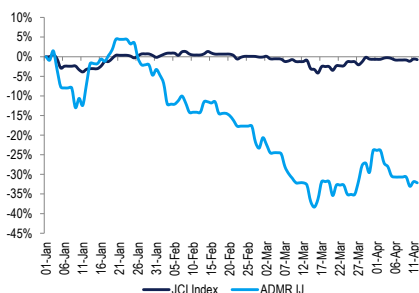


Stock Data

Target price	Rp2,680
Prior TP	Rp2,680
Current price	Rp1,150
Upside/downside	+126%
Shares outstanding (mn)	40,882
Market cap (Rp bn)	47,015
Free float	23%
Avg. 6m daily T/O (Rp bn)	78

Price Performance

	3M	6M	12M
Absolute	-24.1%	-35.2%	-54.2%
Relative to JCI	-26.8%	-33.2%	-48.4%
52w low/high (Rp)	1,045 – 2,990		



Major Shareholders

Adaro Energy Indonesia	68.5%
Adaro Mining Technologies	8.8%
Alam Tri Abadi	6.5%

Erindra Krisnawan, CFA

PT Indo Premier Sekuritas
erindra.krisnawan@ipc.do.id
+62 21 5088 7168 ext. 718

Reggie Parengkuan

PT Indo Premier Sekuritas
reggie.parengkuan@ipc.do.id
+62 21 5088 7168 ext. 714

Attractive risk-reward with possible catalyst from project progress

- We expect a solid 1Q23 top line driven by in-line sales volume indication and strong coking coal price (1Q23 average of US\$320/t, +10% qoq)
- Persistent supply constraint in 1Q23 supported price despite still muted China demand
- Reiterate Buy rating as we see limited downside risk and a potential major catalyst from the smelter's expected financial closure in 2Q23

A potentially strong 1Q23 top line

Our check with management indicated monthly sales volume run-rate of 260k tonnes (c.+35% yoy -23% qoq) in 1Q23. This could drive 1Q23 sales to ~800k tonnes (20% of our FY23 est) hence in-line with our forecast. On the ASP front, we see possible surprise from strong coking coal price in 1Q23 (1Q23 average of US\$320/t, based on Bloomberg prices). Combined, the healthy sales volume and robust pricing environment in 1Q23 could result in 1Q23 revenue to be on the high end (23-25%) of our FY23 est.

Coking coal: still muted China demand offset by constrained supply

Chinese demand for coking coal (23% of global demand in FY22) has been showing signs of recovery, up 54% yoy in 2M23 to 13.1Mt (from 2M22's low base), though this was mainly driven by restocking amidst low inventory. On the supply front, export in 2M23 has remained constrained due to persisting poor weather condition in Australia, which resulted in a drop in its coking coal export to 21.9Mt (-16% yoy). We maintain our coking coal price assumption of US\$260/250/200 in FY23/24/LT.

Aluminium smelter project: awaiting financial closure in 2Q23

ADMR has continued pre-construction works for its aluminium smelter project in 1Q23. On the financing front, ADMR indicated that several local and regional banks have stated commitments to fund the aluminium smelter along with the associated coal-fired power plant (1.06GW). ADMR expects financial closure in 2Q23 and project construction to start immediately after.

Attractive risk-reward proposition; reiterate Buy rating

We reiterate our Buy rating on ADMR (on unchanged SOTP-based TP of Rp2,680). We noted that current share price implies limited 16% downside to our pessimistic scenario (FY23/ 24/ 25F: US\$220/210/170 per tonne and LT: US\$180/t) and also implies that upside from aluminium smelter project (at Rp2,100/sh, based our DCF valuation) is completely ignored. We see a possible key catalyst for the share price from the smelter's expected financial closure in 2Q23.

Financial Summary (US\$ mn)	2021A	2022A	2023F	2024F	2025F
Revenue	460	908	1,040	1,325	1,200
EBITDA	243	489	556	745	550
Net profit	155	332	370	496	348
EPS growth	-648.4%	114.2%	11.4%	34.1%	-30.0%
ROE	66.8%	85.8%	49.1%	41.8%	21.6%
PER (x)	20.8	9.7	8.7	6.5	9.3
EV/EBITDA (x)	15.1	6.5	6.0	4.4	5.2
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
IPS vs. consensus			108%	144%	79%

Source: Company, Indo Premier

Share price closing as of: 12 April 2023

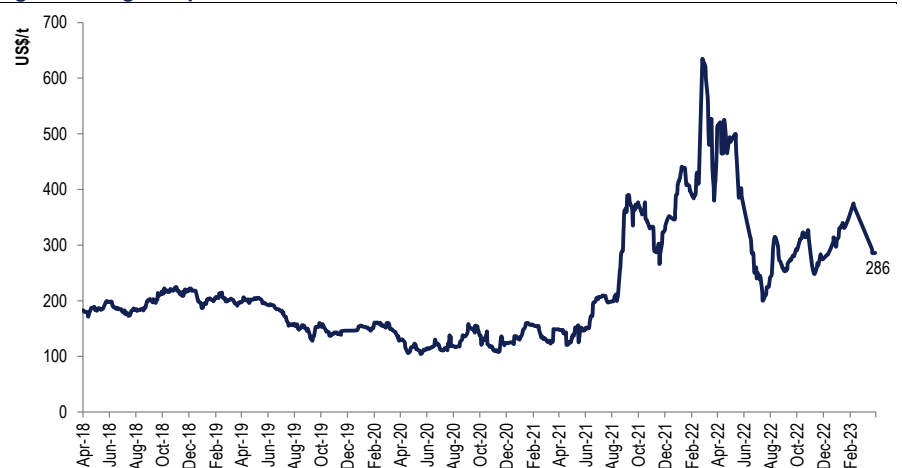
Attractive risk-reward with possible catalyst from project progress

Coking coal price outlook: still muted China demand offset by constrained supply

Chinese demand for coking coal (23% of global demand in FY22) has been showing signs of recovery, up 54% yoy in 2M23 to 13.1Mt (from 2M22's low base). Nonetheless, according to industry report, China's demand recovery was still mainly driven by steel mills restocking amidst low inventory. On the supply front, export in 2M23 has remained constrained due to persisting poor weather condition in Australia, which drove a drop in its coking coal export to 21.9Mt (-16% yoy).

Combined, China demand recovery and constrained supply has pushed coking coal price to a high of US\$375/t in Feb23 from US\$248/t in Nov22. However, the rebound was proven short-lived as muted demand amid global economic slowdown drove price to correct to current US\$286/t.

Fig. 1: Coking coal price



Source: Indo Premier

Fig. 2: China credit impulse index



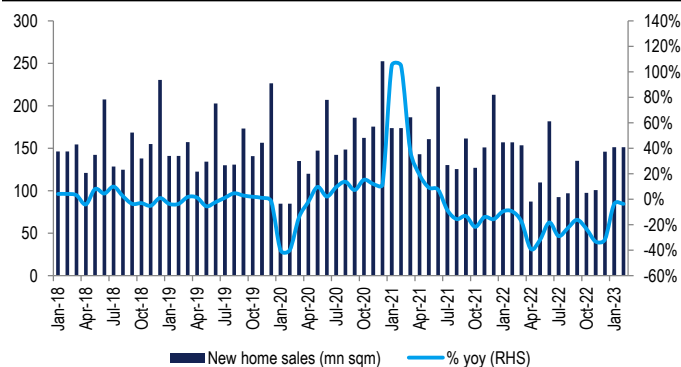
Source: Bloomberg, Indo Premier

We see prospect for further pick up in China's coking coal demand to hinge on demand recovery in its property and infrastructure sector. To spur

demand recovery in the property sector, China has initiated cuts in medium-term lending facility rate by 15bps to 4.3% in Aug22, followed by a launch of 16-point stimulus in Nov22 to ease financing access for developers and potential new home buyers. This has resulted in recovery in credit impulse index (new loans vs. nominal GDP) in Feb23, though this is still yet to be reflected in new home sales volume and new construction (-4/-9% yoy respectively in Feb23). In infrastructure sector, the Chinese government issued US\$680bn special purpose bonds in 2022 to be primarily used for infrastructure spending, which shall support recovery.

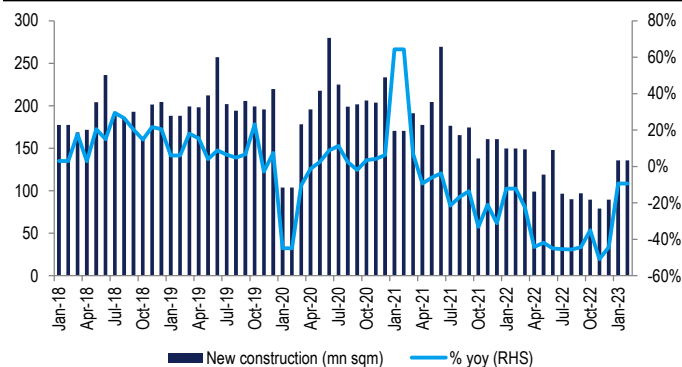
We continue to expect supply recovery to more than offset demand and tip the coking coal market balance into a surplus in FY23, though positive signal from recovery in China's credit impulse index and pick-up in new home sales may support prices in the short-term. We maintain our coking coal price assumption of US\$260/250/200 in FY23/24/LT.

Fig. 3: China new home sales



Source: Company, Indo Premier

Fig. 4: China new construction



Source: Company, Indo Premier

Attractive risk-reward proposition

We reiterate our Buy rating on ADMR (on unchanged SOTP-based TP of Rp2,680) on the back of limited share price downside and attractive potentials return, particularly from its key aluminium smelter project.

ADMR share price has continued to underperform in 1Q23, down 24% vs. coal and metals peers -5/-1%. We see the share price underperformance to be attributed to the combination of lack of catalyst/ progress from its aluminium smelter project and investors' lack of confidence in coking coal price outlook (despite the strong 1Q23 prices).

We run a sensitivity analysis on valuation vs. various coking coal price, as summarized in the below table. Assuming the valuation only includes the coking coal business, we noted that current share price implies limited 16% downside to our pessimistic scenario (FY23/ 24/ 25F: US\$220/210/170 per tonne and LT: US\$180/t), though potential upside is also modest (at +11%) to our base case price scenario (FY23/ 24/ 25F: US\$300/280/220 per tonne and LT: US\$200/t).

Fig. 5: Sensitivity analysis

Incl. aluminium business				Excl. aluminium business			
Bull	FY23	FY24	FY25	Bull	FY23	FY24	FY25
Price	300	280	220	Price	300	280	220
Net profit	484	610	433	Net profit	484	610	433
EV/EBITDA	4.5	3.4	3.9	EV/EBITDA	4.5	3.4	3.9
TP	2,810			TP	1,370		

Base	FY23	FY24	FY25	Base	FY23	FY24	FY25
Price	260	250	200	Price	260	250	200
Net profit	370	496	348	Net profit	370	496	348
EV/EBITDA	6.0	4.4	5.3	EV/EBITDA	6.0	4.4	5.3
TP	2,680			TP	1,280		

Bear	FY23	FY24	FY25	Bear	FY23	FY24	FY25
Price	220	210	170	Price	220	210	170
Net profit	256	345	219	Net profit	256	345	219
EV/EBITDA	8.5	6.5	8.6	EV/EBITDA	8.5	6.5	8.6
TP	2,340			TP	965		

Source: Indo Premier

The current share price also implies that upside from growth project is completely ignored (i.e., aluminium smelter, at Rp2,100/sh, based our DCF valuation assuming LT aluminium price of US\$3,500/t, margin of US\$750/t and WACC of 10.1%). Thus, we think a key catalyst may come from the expected financial closure in 2Q23, which shall be followed by actual construction.

Fig. 6: SOTP valuation

	(US\$ mn)	Methodology
Met coal	3,654	DCF (LTG: 0%, WACC: 10.9%)
Aluminium	3,763	DCF (LTG: 0%, WACC: 10.9%)
Net Cash (debt)	256	Book value
Total NPV	7,673	
NPV per share	0.19	
NPV per share (Rp)	2,680	
Current share price	1,150	
Upside	133%	

Source: Indo Premier

Income Statement (US\$ mn)	2021A	2022A	2023F	2024F	2025F
Net revenue	460	908	1,040	1,325	1,200
Cost of sales	(220)	(373)	(440)	(530)	(600)
Gross profit	240	535	600	795	600
SG&A Expenses	(25)	(75)	(88)	(114)	(114)
Operating profit	216	460	512	681	486
Net interest	(16)	(21)	(18)	(19)	(23)
Forex gain (loss)	0	0	0	0	0
Others	2	(2)	0	0	0
Pre-tax income	202	438	494	662	463
Income tax	(45)	(102)	(123)	(165)	(116)
Minority interest	(2)	(4)	0	0	0
Net income	155	332	370	496	348

Balance Sheet (US\$ mn)	2021A	2022A	2023F	2024F	2025F
Cash & equivalent	181	511	256	447	837
Receivable	88	64	87	111	101
Inventory	33	53	51	61	69
Other current assets	14	18	18	18	18
Total current assets	317	646	412	637	1,024
Fixed assets	607	594	1,061	1,510	1,458
Other non-current assets	43	47	47	47	47
Total non-current assets	649	640	1,108	1,557	1,505
Total assets	966	1,287	1,520	2,193	2,529
ST loans	0	0	0	0	0
Payable	20	23	25	30	34
Other payables	72	174	174	174	174
Current portion of LT loans	0	0	0	0	0
Total current liab.	92	197	200	205	209
Long term loans	634	487	97	19	4
Other LT liab.	1,302	1,007	478	572	541
Total liabilities	760	717	580	757	746
Equity	121	121	121	121	121
Retained earnings	82	414	784	1,280	1,628
Minority interest	3	35	35	35	35
Total SHE + minority int.	205	569	939	1,436	1,783
Total liabilities & equity	966	1,287	1,520	2,193	2,529

Source: Company, Indo Premier

Cash Flow Statement (US\$ mn)	2021A	2022A	2023F	2024F	2025F
Net income	460	908	1,040	1,325	1,200
Depr. & amortization	27	29	44	64	64
Changes in working capital	117	94	0	0	0
Others	(444)	(551)	(682)	(852)	(840)
Cash flow from operating	160	480	402	537	424
Capital expenditure	(7)	(17)	(518)	(518)	(19)
Others	(387)	(6)	0	0	0
Cash flow from investing	(394)	(24)	(518)	(518)	(19)
Loans	146	(147)	(140)	172	(16)
Equity	(164)	(0)	0	0	0
Dividends	0	0	0	0	0
Others	392	27	0	0	0
Cash flow from financing	373	(119)	(140)	172	(16)
Changes in cash	139	337	(255)	191	390

Key Ratios	2021A	2022A	2023F	2024F	2025F
Gross margin	52%	59%	58%	60%	50%
Operating margin	47%	51%	49%	51%	41%
Pre-tax margin	44%	48%	47%	50%	39%
Net margin	34%	37%	36%	37%	29%
ROA	17%	29%	26%	27%	15%
ROE	67%	86%	49%	42%	22%
Acct. receivables TO (days)	5	14	12	12	12
Inventory TO (days)	7	7	9	9	9
Payable TO (days)	11	17	17	17	17
Debt to equity	308%	86%	37%	36%	28%
Interest coverage ratio (x)	15.2	19.7	30.2	38.9	24.3
Net gearing	220%	-4%	10%	5%	-19%

Source: Company, Indo Premier

INVESTMENT RATINGS

BUY	: Expected total return of 10% or more within a 12-month period
HOLD	: Expected total return between -10% and 10% within a 12-month period
SELL	: Expected total return of -10% or worse within a 12-month period

ANALYSTS CERTIFICATION

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

DISCLAIMERS

This research is based on information obtained from sources believed to be reliable, but we do not make any representation or warranty nor accept any responsibility or liability as to its accuracy, completeness or correctness. Opinions expressed are subject to change without notice. This document is prepared for general circulation. Any recommendations contained in this document do not have any regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is not and should not be construed as an offer or a solicitation of an offer to purchase or subscribe or sell any securities. PT Indo Premier Sekuritas or its affiliates may seek or will seek investment banking or other business relationships with the companies in this report.