

Adaro Minerals Indonesia

BUY (unchanged)

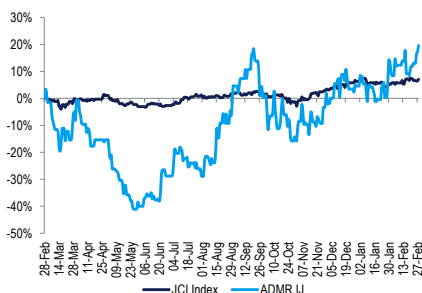
Company Update | Metals | ADMR IJ | 29 February 2024

Stock Data

Target price	Rp1,650
Prior TP	Rp1,650
Current price	Rp1,555
Upside/downside	+6%
Shares outstanding (mn)	40,882
Market cap (Rp bn)	63,572
Free float	23%
Avg. 6m daily T/O (Rp bn)	41

Price Performance

	3M	6M	12M
Absolute	23.9%	28.0%	19.6%
Relative to JCI	19.8%	22.7%	12.5%
52w low/high (Rp)	765 – 1,555		



Major Shareholders

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

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4Q23: beat from strong volume & DMO reversal; ADMR remains our top pick

- FY23 net profit of US\$441mn was a strong beat vs. ours/consensus (114%/124%) on strong volume (4.5mn ton) and DMO tariff reversal.
- 4Q23 NP stood at US\$191mn (+119% qoq) driven by strong sales volume (+22% qoq) and DMO reversal of US\$53mn.
- We maintain ADMR as our top pick and re-iterate our Buy rating with an unchanged TP of Rp1,650/share.

FY23 earnings was a strong beat on strong volume and DMO reversal

ADMR reported FY23 net profit of US\$441mn (+33% yoy), which was a beat vs. ours/cons. estimates (114%/124%), primarily driven by higher-than-expected sales volume growth to 4.5mn ton (+39% yoy) and DMO tariff reversal from FY22 and 9M23 of around US\$53mn in 4Q23 ([see report](#)). FY23 sales and production volume stood at 4.5mn ton (+39% yoy) and 5.1mn ton (+52% yoy), higher than guidance of 3.8-4.3mn ton. 4Q23 NP stood at US\$191mn (+191% qoq), driven by strong sales volume of 1.5mn ton (+22% qoq) and higher coking-coal ASP of US\$252/ton (+17% qoq) leading to operating leverage (GP/EBITDA margin excl. reversal grew by 661/650 basis points qoq), in addition to DMO tariff reversal. Excluding tariff reversal, 4Q23 core NP stood at US\$138mn (+58% qoq), which was still a beat vs. consensus forecast (c.10% higher), indicating that ADMR recorded a strong operational performance, regardless of the tariff-reversal.

4Q23 operational: contribution from Lahai Coal (LC) has started

Coking-coal sales volume improved to 1.5mn ton in 4Q23 (+22% qoq) while 4Q23 production volume normalized to 1.1mn ton (-22% qoq). Lahai Coal (LC) has also started to contributed around 0.2mn ton of sales (c.14% to 4Q23 sales volume) to ADMR's blended volume (from 0 in 3Q23). However, note that LC's products are semi-soft coking coal, which is often sold at discount (~20-25%) to typical Australian hard coking coal (HCC), causing ADMR's blended ASP to only grew by +17% qoq vs. +24% for HCC benchmark price, in our view. On the mining side, stripping ratio (SR) was flattish qoq at 4.3x in 4Q23, ending FY23 at 3.7x, as a result of operation restart in Lahai and area opening in Maruwai's Lampunut mine.

Re-iterate our Buy rating and maintain ADMR as our top pick

We maintain our FY24F/25F NP estimates, pending further details. We maintain Buy rating at unchanged SOTP-based TP of Rp1,650/sh. We see upside risk to coking coal price from China fiscal stimulus ([report](#)). Downside risk include higher domestic production in India & China, which could reduce demand for seaborne coking coal. FY24F guidance: 4.9-5.4mn ton sales, 3.6x stripping ratio, and US\$175-250mn capex.

Financial Summary (US\$ mn)	2021A	2022A	2023F	2024F	2025F
Revenue	460	908	1,018	1,199	1,782
EBITDA	248	490	491	555	621
Net profit	155	332	388	395	387
EPS growth	-664%	114%	17%	2%	-2%
ROE	77%	60%	1%	42%	29%
PER (x)	26.4	12.3	10.5	10.3	10.6
EV/EBITDA (x)	16.6	8.4	8.7	9.0	8.2
Dividend yield	0%	0%	0%	0%	0%
IPS vs. consensus			109%	104%	99%

Source: Company, Indo Premier

Share price closing as of: 29 February 2024

Fig. 1: FY23 results summary

ADMR IJ US\$ mn	4Q22	1Q23	2Q23	3Q23	4Q23	FY23	FY23 vs. IPS	FY23 vs. Cons	FY23 IPS	FY23 Cons
Revenue	242	238	225	257	365	1,086	107%	109%	1,018	1,000
GP	120	135	119	126	204	583	110%	108%	529	542
EBIT	72	113	104	114	243	574	127%	121%	454	476
EBITDA	79	121	113	123	251	607	124%	119%	491	510
NP	48	85	79	87	191	441	114%	124%	388	356
Growth qoq %										
Revenue	5%	-1%	-5%	14%	42%					
GP	-6%	12%	-12%	6%	61%					
EBIT	-38%	57%	-8%	9%	114%					
EBITDA	-35%	53%	-7%	9%	105%					
NP	-42%	77%	-7%	10%	119%					
Profitability %										
GP	49.7%	56.5%	52.7%	49.1%	55.7%					
EBIT	29.7%	47.4%	46.3%	44.3%	66.6%					
EBITDA	32.7%	50.8%	50.0%	47.7%	68.7%					
NP	19.8%	35.6%	35.0%	33.8%	52.1%					
Operational summary										
Production volume (mn ton)	0.8	1.2	1.3	1.4	1.1					
Maruwai	0.8	1.2	1.3	1.4	0.9					
Lahai	-	-	-	0.1	0.2					
Sales volume (mn ton)	1.0	0.9	1.0	1.2	1.5					
Maruwai	1.0	0.9	1.0	1.2	1.3					
Lahai	-	-	-	-	0.2					
Stripping ratio (x)	2.8	2.7	3.2	4.3	4.3					
Overburden volume (bcm)	2.3	3.3	4.3	6.3	4.9					

Source: Indo Premier

Fig. 2: Peers comparison table

Ticker	Company	Rating	Target price (Rp/share)	P/E			EV/EBITDA			Dividend yield (%)		
				23F	24F	25F	23F	24F	25F	23F	24F	25F
ADMR IJ	Adaro Minerals Indonesia	Buy	1,650	10.6	10.4	10.6	9.0	9.0	8.2	N/A	N/A	N/A
ANTM IJ	Aneka Tambang	Buy	1,800	10.3	10.8	9.7	6.5	5.9	5.2	5.3%	4.9%	4.6%
HRUM IJ	Harum Energy	Buy	1,750	7.6	8.9	7.5	3.0	6.1	5.1	N/A	N/A	N/A
INCO IJ*	Vale Indonesia	Hold	4,250	9.8	32.7	123.4	4.0	9.7	12.5	N/A	N/A	N/A
MBMA IJ	Merdeka Battery Materials	Buy	750	350.6	29.3	15.4	40.3	13.0	8.9	N/A	N/A	N/A
MDKA IJ	Merdeka Copper Gold	Buy	3,000	N/A	87.4	48.2	17.0	11.3	9.9	N/A	N/A	N/A
NCKL IJ	Trimegah Bangun Persada	Buy	1,250	10.0	8.4	7.7	7.2	5.1	4.3	N/A	3.0%	3.6%

Source: Indo Premier

Fig. 3: ADMR's sum-of-the-parts (SOTP) valuation

	(US\$ mn)	Methodology
Met coal	4,279	DCF (LTG: 0%, WACC: 11.0%)
Aluminium	176	DCF (LTG: 0%, WACC: 11.3%)
Net Cash (debt)	(45)	FY24F Net Cash (Debt)
Total NPV	4,411	
NPV per share	0.11	
NPV per share (Rp)	1,650	

Source: Company, Indo Premier

Income Statement (US\$ mn)	2021A	2022A	2023F	2024F	2025F
Net revenue	460	908	1,018	1,199	1,782
Cost of sales	(220)	(373)	(499)	(628)	(1,129)
Gross profit	240	535	519	571	653
SG&A Expenses	(25)	(75)	(65)	(66)	(95)
Operating profit	216	460	454	505	558
Net interest	(16)	(21)	(14)	(0)	(63)
Forex gain (loss)	0	0	0	0	0
Others	2	(2)	57	0	0
Pre-tax income	202	438	497	504	495
Income tax	(45)	(102)	(110)	(111)	(109)
Minority interest	2	4	1	1	1
Net income	158	339	388	395	387

Balance Sheet (US\$ mn)	2021A	2022A	2023F	2024F	2025F
Cash & equivalent	181	511	595	406	685
Receivable	95	71	79	91	133
Inventory	33	53	111	140	251
Other current assets	8	11	11	11	11
Total current assets	317	646	796	648	1,079
Fixed assets	607	594	660	1,210	1,947
Other non-current assets	43	47	56	56	56
Total non-current assets	649	640	716	1,266	2,003
Total assets	966	1,287	1,512	1,914	3,082
ST loans	0	0	0	0	0
Payable	20	23	30	38	68
Other payables	44	88	88	88	88
Current portion of LT loans	28	86	86	86	86
Total current liab.	92	197	205	212	243
Long term loans	634	487	317	317	1,067
Other LT liab.	34	33	33	33	33
Total liabilities	760	717	555	563	1,343
Equity	121	121	121	121	121
Retained earnings	82	414	802	1,196	1,583
Minority interest	0	0	0	0	0
Total SHE + minority int.	205	569	957	1,352	1,739
Total liabilities & equity	966	1,287	1,512	1,914	3,082

Source: Company, Indo Premier

Cash Flow Statement (US\$ mn)	2021A	2022A	2023F	2024F	2025F
Net income	192	364	388	395	387
Depr. & amortization	32	30	37	50	64
Changes in working capital	(22)	75	(58)	(34)	(122)
Others	0	0	0	0	0
Cash flow from operating	202	469	367	411	329
Capital expenditure	(1)	(17)	(104)	(600)	(800)
Others	(46)	(7)	(9)	0	0
Cash flow from investing	(47)	(24)	(113)	(600)	(800)
Loans	146	(147)	(170)	0	750
Equity	(162)	32	0	0	0
Dividends	0	0	0	0	0
Others	0	0	0	0	0
Cash flow from financing	(17)	(115)	(170)	0	750
Changes in cash	138	331	84	(189)	279

Key Ratios	2021A	2022A	2023F	2024F	2025F
Gross margin	52%	59%	51%	48%	37%
Operating margin	47%	51%	45%	42%	31%
Pre-tax margin	44%	48%	49%	42%	28%
Net margin	34%	37%	38%	33%	22%
ROA	16%	26%	26%	21%	13%
ROE	77%	60%	41%	29%	22%
Acct. receivables TO (days)	4.9	12.8	13.0	13.1	13.4
Inventory TO (days)	6.6	7.0	4.5	4.5	4.5
Payable TO (days)	10.9	16.5	16.5	16.5	16.5
Debt to equity	313%	91%	34%	24%	63%
Interest coverage ratio (x)	0.7	0.4	0.2	0.2	0.3
Net gearing	224%	-5%	-30%	-7%	22%