

# Adaro Minerals Indonesia

BUY (unchanged)

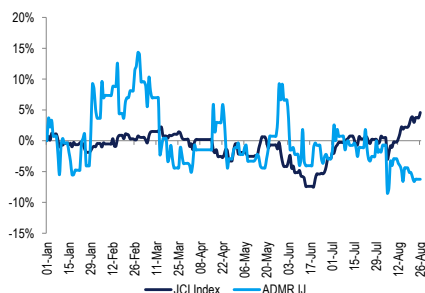
Company Update | Metals | ADMR IJ | 27 August 2024

## Stock Data

Target price	Rp1,650
Prior TP	Rp1,650
Current price	Rp1,275
Upside/downside	+29%
Shares outstanding (mn)	40,882
Market cap (Rp bn)	52,125
Free float	16%
Avg. 6m daily T/O (Rp bn)	37

## Price Performance

	3M	6M	12M
Absolute	-6.9%	-13.3%	8.1%
Relative to JCI	-12.2%	-17.5%	-2.3%
52w low/high (Rp)	1,095 – 1,555		



## Major Shareholders

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

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## 2Q24 result: beat from better-than-expected volume

- ADMR reported US\$133mn NP in 2Q24 (+16% qoq/+69% yoy) and US\$249mn in 1H24, slightly above consensus (53% consensus).
- While ASP trended lower in 2Q24 to US\$216/t (-17% qoq), this was offset by higher sales volume of 1.5mn ton (+47% qoq) in 2Q24.
- We like ADMR's volume growth story and maintain our Buy rating with Rp1,650/share TP.

### 2Q24 review: higher volume offset lower coking-coal ASP

ADMR reported US\$133mn NP in 2Q24 (+16% qoq/+69% yoy), primarily driven by higher sales volume (+47% qoq) of 1.5mn ton which offset lower ASP (-17% qoq) during the quarter. 1H24 NP stood at US\$249mn (+52% yoy), as a result of higher sales volume (+42% yoy) and higher EBIT margin of 51% vs. 47% in 1H23 amid economies of scale and the absent of DMO compensation charges as ADMR sold c.37% of its coking-coal to domestic buyers in 1H24. 1H24 NP was optically above our forecast (62% IPS) and slightly above consensus expectation (53% consensus) as we are projecting lower ASP in 2H24F with HCC price already trending down to US\$200/t as of now (vs. US\$272/t YTD; ours at US\$261/t).

### Operational: sales volume improved qoq while ASP declined

Coking-coal sales volume rose on qoq basis to 1.5mn ton (+47% qoq), as a result of shipment lag in 1Q24 (c.500kt gap between production and sales). Production volume, on the other hand, slightly declined to 1.4mn ton (-9% qoq) while ASP in 2Q24 declined by 17% qoq to US\$216/t (c.15% discount to Australian HCC benchmark price). Stripping ratio (SR) was relatively flattish qoq at 3.5x in 2Q24 with 1H24 SR of 3.48x, in-line with our numbers and ADMR's guidance (97% IPS). As a result, mining costs per ton were relatively flattish, while transportation and processing fee per ton declined by 20%/31% qoq, as a result of economies of scale, and royalty as % of sales in 2Q24 declined to c.10% of total sales from 15% in 1Q24.

### Re-iterate Buy with an unchanged TP of Rp1,650/share

We maintained our FY24F/25F/26F NP forecast as we await further details on the earnings call and hence re-iterate our Buy rating with an unchanged TP of Rp1,650/share. We still like ADMR's volume growth story (c.6Mt in FY25F, +15% yoy), albeit we are reviewing our HCC ASP forecast as initially we thought that US\$220/t shall be the price support for coking-coal. Note that only less than c.5% of steel mills in China are profitable as per last week, even with coking-coal price trading at US\$200/t (-53% YTD) and iron-ore price falling to US\$100/t (-20% YTD) on softer China steel demand.

Financial Summary (US\$ mn)	2022A	2023A	2024F	2025F	2026F
Revenue	908	1,086	1,173	1,298	2,373
EBITDA	490	609	569	593	739
Net profit	332	441	401	413	524
EPS growth	114%	33%	-9%	3%	27%
ROE	60%	42%	28%	22%	22%
PER (x)	10.7	8.0	8.8	8.6	6.8
EV/EBITDA (x)	7.3	6.5	7.4	8.2	7.4
Dividend yield	0%	0%	0%	0%	0%
IPS vs. consensus			100%	93%	95%

Source: Company, Indo Premier

Share price closing as of: 26 August 2024

Fig. 1: 1H24 result summary (in US\$ mn)

ADMR 1H24 results	1H24	1H23	% yoy	2Q24	2Q23	% yoy	1Q24	% qoq	IPS FY24F	% of IPS	Cons FY24F	% of cons
Revenues	607	464	31%	333	225	48%	275	21%	1,173	52%	1,226	50%
Cost of revenues	(277)	(210)	32%	(160)	(107)	50%	(117)	36%	(594)	47%	(563)	49%
<b>Gross profit</b>	<b>330</b>	<b>253</b>	<b>30%</b>	<b>173</b>	<b>119</b>	<b>46%</b>	<b>157</b>	<b>10%</b>	<b>580</b>	<b>57%</b>	<b>663</b>	<b>50%</b>
Gross profit margin (%)	54%	55%		52%	53%		57%		49%		54%	
Operating expenses	(21)	(36)	-43%	(9)	(14)	-35%	(11)	-17%	(52)	40%	(61)	34%
<b>EBIT</b>	<b>309</b>	<b>217</b>	<b>42%</b>	<b>164</b>	<b>104</b>	<b>57%</b>	<b>146</b>	<b>12%</b>	<b>528</b>	<b>59%</b>	<b>602</b>	<b>51%</b>
EBIT margin (%)	51%	47%		49%	46%		53%		45%			
Depreciation & amortization	18	16	9%	9	8	5%	9	-3%	42	42%	38	46%
<b>EBITDA</b>	<b>327</b>	<b>234</b>	<b>40%</b>	<b>172</b>	<b>113</b>	<b>53%</b>	<b>155</b>	<b>11%</b>	<b>569</b>	<b>57%</b>	<b>640</b>	<b>51%</b>
EBITDA margin (%)	54%	50%		52%	50%		56%					
Finance income	15	8	79%	7	4	73%	8	-5%	20			
Finance costs	(11)	(17)	-34%	(4)	(8)	-46%	(7)	-37%	(33)			
Other inc. (exp.)	0	2	-86%	0	1	-59%	0	N/A	0			
<b>Profit before tax</b>	<b>313</b>	<b>210</b>	<b>49%</b>	<b>167</b>	<b>101</b>	<b>65%</b>	<b>147</b>	<b>14%</b>	<b>514</b>	<b>61%</b>	<b>604</b>	<b>52%</b>
Income tax	(66)	(46)	41%	(34)	(22)	53%	(32)	7%	(113)			
Tax rate (%)	21%	22%		-20%	-22%		-22%		-22%			
Minorities	1	(1)	-275%	1	(0)	-356%	0	28%	(0)			
<b>Net profit</b>	<b>249</b>	<b>164</b>	<b>52%</b>	<b>133</b>	<b>79</b>	<b>69%</b>	<b>115</b>	<b>16%</b>	<b>401</b>	<b>62%</b>	<b>469</b>	<b>53%</b>
Net margin (%)	41%	35%		40%	35%		42%		34%			
<b>Core profit</b>	<b>249</b>	<b>162</b>	<b>53%</b>	<b>133</b>	<b>78</b>	<b>71%</b>	<b>75</b>	<b>77%</b>	<b>401</b>			

Source: Bloomberg, Company data, Indo Premier

Fig. 2: 1H24 operational data summary

ADMR 1H24 operationals	1H24	1H23	% yoy	2Q24	2Q23	% yoy	1Q24	% qoq	IPS FY24F	% of IPS	ADMR FY24F	% ADMR
Overburden removal	10.4	7.6	37%	5.0	4.3	18%	5.3	-6%	21.6	48%		
Stripping ratio (x)	3.5	3.0	17%	3.5	3.2	10%	3.4	3%	3.6	97%	3.6	
Production volume (mn ton)	3.0	2.5	17%	1.4	1.3	8%	1.6	-9%	6.0	50%		
Sales volume (mn ton)	2.6	1.8	42%	1.5	1.0	59%	1.1	47%	5.3	49%	4.9-5.4	
ASP (US\$/ton)	234	254	-8%	216	232	-7%	261	-17%	221	106%		

Source: Company data, Indo Premier

Fig. 3: Peers comparison

Ticker	Company	Rating	Target price (Rp/share)	P/E			EV/EBITDA			Dividend yield (%)		
				24F	25F	26F	24F	25F	26F	24F	25F	26F
ADMR IJ	Adaro Minerals Indonesia	Buy	1,650	8.4	8.1	6.4	7.1	7.9	7.2	N/A	N/A	N/A
ANTM IJ	Aneka Tambang	Buy	1,750	13.3	10.4	10.8	9.0	6.2	6.4	8.7%	7.5%	9.7%
HRUM IJ	Harum Energy	Buy	1,450	8.9	9.0	6.9	5.2	6.2	4.2	N/A	N/A	N/A
INCO IJ	Vale Indonesia	Buy	5,850	27.9	25.9	38.0	6.0	6.7	7.2	N/A	N/A	N/A
MBMA IJ	Merdeka Battery Materials	Buy	700	51.8	21.4	15.6	17.8	10.2	7.9	N/A	N/A	N/A
MDKA IJ	Merdeka Copper Gold	Buy	3,100	N/A	206.5	84.1	13.1	9.7	8.0	N/A	N/A	N/A
NCKL IJ	Trimegah Bangun Persada	Buy	1,100	10.2	7.7	6.8	7.3	5.4	4.9	2.9%	2.9%	3.9%

Source: Bloomberg, Indo Premier

Income Statement (US\$ mn)	2022A	2023A	2024F	2025F	2026F
Net revenue	908	1,086	1,173	1,298	2,373
Cost of sales	(373)	(503)	(594)	(697)	(1,577)
<b>Gross profit</b>	<b>535</b>	<b>583</b>	<b>580</b>	<b>600</b>	<b>796</b>
SG&A Expenses	(75)	(9)	(52)	(60)	(116)
<b>Operating profit</b>	<b>460</b>	<b>574</b>	<b>528</b>	<b>540</b>	<b>680</b>
Net interest	(21)	(11)	(13)	(11)	(8)
Forex gain (loss)	0	0	0	0	0
Others	(2)	0	0	0	0
<b>Pre-tax income</b>	<b>438</b>	<b>563</b>	<b>514</b>	<b>530</b>	<b>672</b>
Income tax	(102)	(123)	(113)	(117)	(148)
Minority interest	4	0	0	0	0
<b>Net income</b>	<b>339</b>	<b>441</b>	<b>401</b>	<b>413</b>	<b>524</b>

Balance Sheet (US\$ mn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent	511	586	683	471	392
Receivable	71	195	209	230	540
Inventory	53	68	80	94	263
Other current assets	11	36	36	36	36
<b>Total current assets</b>	<b>646</b>	<b>885</b>	<b>1,008</b>	<b>831</b>	<b>1,230</b>
Fixed assets	594	724	1,007	1,604	1,771
Other non-current assets	47	87	87	87	87
<b>Total non-current assets</b>	<b>640</b>	<b>811</b>	<b>1,094</b>	<b>1,691</b>	<b>1,858</b>
<b>Total assets</b>	<b>1,287</b>	<b>1,695</b>	<b>2,102</b>	<b>2,522</b>	<b>3,087</b>

ST loans	0	0	0	0	0
Payable	23	33	40	46	88
Other payables	88	61	61	61	61
Current portion of LT loans	86	116	116	116	116
<b>Total current liab.</b>	<b>197</b>	<b>210</b>	<b>216</b>	<b>223</b>	<b>264</b>
Long term loans	487	416	416	416	416
Other LT liab.	33	32	32	32	32
<b>Total liabilities</b>	<b>717</b>	<b>657</b>	<b>663</b>	<b>670</b>	<b>712</b>

Equity	121	122	121	121	121
Retained earnings	414	855	1,256	1,669	2,193
Minority interest	0	0	0	0	0
<b>Total SHE + minority int.</b>	<b>569</b>	<b>1,038</b>	<b>1,439</b>	<b>1,852</b>	<b>2,376</b>
<b>Total liabilities &amp; equity</b>	<b>1,287</b>	<b>1,695</b>	<b>2,102</b>	<b>2,522</b>	<b>3,087</b>

Source: Company, Indo Premier

Cash Flow Statement (US\$ mn)	2022A	2023A	2024F	2025F	2026F
Net income	364	407	401	413	524
Depr. & amortization	30	35	42	53	58
Changes in working capital	75	(125)	(21)	(28)	(437)
Others	0	0	0	0	0
<b>Cash flow from operating</b>	<b>469</b>	<b>316</b>	<b>422</b>	<b>438</b>	<b>146</b>
Capital expenditure	(17)	(165)	(325)	(650)	(225)
Others	(7)	(33)	0	0	0
<b>Cash flow from investing</b>	<b>(24)</b>	<b>(198)</b>	<b>(325)</b>	<b>(650)</b>	<b>(225)</b>
Loans	(147)	(72)	0	0	0
Equity	32	28	(1)	0	0
Dividends	0	0	0	0	0
Others	0	0	0	0	0
<b>Cash flow from financing</b>	<b>(115)</b>	<b>(44)</b>	<b>(1)</b>	<b>0</b>	<b>0</b>
<b>Changes in cash</b>	<b>331</b>	<b>75</b>	<b>97</b>	<b>(212)</b>	<b>(79)</b>

Key Ratios	2022A	2023A	2024F	2025F	2026F
Gross margin	59%	54%	49%	46%	34%
Operating margin	51%	53%	45%	42%	29%
Pre-tax margin	48%	52%	44%	41%	28%
Net margin	37%	41%	34%	32%	22%
ROA	26%	26%	19%	16%	17%
ROE	60%	42%	28%	22%	22%
Acct. receivables TO (days)	12.8	5.6	5.6	5.6	4.4
Inventory TO (days)	7.0	7.4	7.4	7.4	6.0
Payable TO (days)	16.5	15.0	15.0	15.0	18.0
Debt to equity	91%	43%	30%	23%	18%
Interest coverage ratio (x)	0.4	0.2	0.2	0.2	0.1
Net gearing	-5%	-17%	-19%	-3%	1%