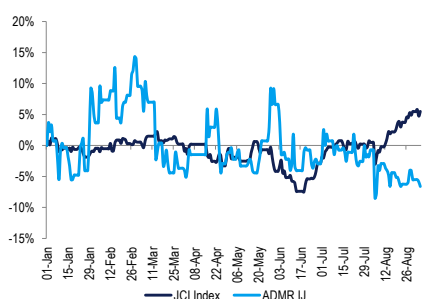


Stock Data

Target price	Rp1,650
Prior TP	Rp1,650
Current price	Rp1,270
Upside/downside	+30%
Shares outstanding (mn)	40,882
Market cap (Rp bn)	51,921
Free float	16%
Avg. 6m daily T/O (Rp bn)	36

Price Performance

	3M	6M	12M
Absolute	-5.2%	-11.5%	-4.2%
Relative to JCI	-13.3%	-17.4%	-13.9%
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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Soft HCC price remains the major headwind

- HCC price declined significantly (-41% YTD) due to soft China steel demand while India steel growth (+8%) unable to offset China decline.
- Supply-disruption in Australia is the only upside, and without it, we think consensus FY24F NP is too high, based on our sensitivity analysis.
- Nonetheless, ADMR's volume growth story has led to share price resiliency, similar to Warrior Met Coal. Maintain Buy rating.

What's behind hard coking-coal price decline?

Australian hard coking coal (HCC) prices declined to US\$187/t (-41% YTD), which is mainly due to soft economic situation in China and its real-estate market (c.40% steel demand), reflected in: 1) low iron ore price (-25% YTD) in addition to elevated inventories (Fig. 2), an indication of weak demand, 2) deteriorating profitability in steel mills (only c.5% of steel mills in China are profitable) as a result of rebar & HRC steel price decline, while 3) India steel demand growth (+8% YTD) were unable to fully offset the decline in China (c.50% steel production), Korea, and the US; note that India only accounts for c.10% of global steel production (Fig. 5).

Sensitivity analysis vs. consensus FY24F forecast

As demand outlook remained bleak, we think the only ST upside to HCC price is the cyclone season in Australia (c.53% of global supply), potentially disrupting supply in Queensland & NSW, which may occur in Oct24 until 1Q25F. We conducted sensitivity analysis on ADMR FY24F NP vs. consensus (Fig. 1), and found that HCC prices need to avg. >US\$230/t for the rest of FY24F; or at current HCC price (US\$187/t), sales volume need to improve to 5.9Mt (vs. guidance of 4.9-5.4Mt) to beat estimate, which we think is less likely.

ADMR share price has remained resilient vs. HCC price

ADMR share price (-6% YTD) has been resilient in comparison to HCC price (Fig 6). Similarly, another regional player, Warrior Met Coal, has been resilient YTD (-7%) while Coronado underperformed (-38% YTD). Based on our observation, the primary difference between Coronado and ADMR/Warrior is lack of growth story as Warrior's Blue Creek could double its existing production vol. once operating at full capacity, similar to ADMR's volume growth story (up to 6Mt in FY25F with potential of up to 8Mt).

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

From tactical standpoint, we think ADMR would be interesting once we started to see recovery in coking-coal prices and steel demand as its share price resiliency is warranted due to its volume growth story. Hence, we maintain our Buy rating with an unchanged TP of Rp1,650/share. We also fine-tuned our FY24-26F NP forecast by +3%, taking into account better cash costs achievement in 1H24 (Fig. 8).

Financial Summary (US\$ mn)	2022A	2023A	2024F	2025F	2026F
Revenue	908	1,086	1,144	1,298	2,373
EBITDA	490	609	583	611	757
Net profit	332	441	415	427	539
EPS growth	114%	33%	-6%	3%	26%
ROE	60%	42%	29%	23%	22%
PER (x)	10.7	8.0	8.6	8.3	6.6
EV/EBITDA (x)	7.3	6.5	7.3	8.0	7.2
Dividend yield	0%	0%	0%	0%	0%
IPS vs. consensus			89%	89%	93%

Source: Company, Indo Premier

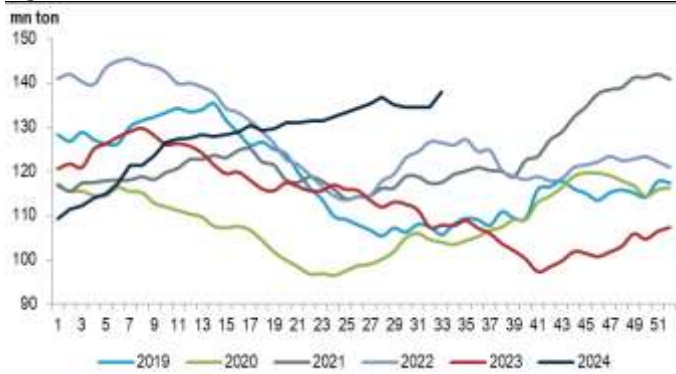
Share price closing as of: 4 September 2024

Fig. 1: Coking-coal price and sales volume sensitivity to ADMR's FY24F NP

		HCC prices for remainder of FY24F (US\$/t)									
NP (US\$ mn)		170	180	190	200	210	220	230	240	250	
Sales volume (mn ton)	5.1	363	371	379	391	395	403	411	419	427	
	5.2	374	382	391	403	407	415	423	431	439	
	5.3	385	394	402	415	419	427	435	444	452	
	5.4	397	405	414	426	431	439	448	456	465	
	5.5	408	417	425	438	443	451	460	468	477	
	5.6	419	428	437	450	454	463	472	481	490	
	5.7	431	440	448	462	466	475	484	493	502	
	5.8	442	451	460	474	478	487	496	506	515	
	5.9	453	462	472	485	490	499	509	518	527	
	6.0	464	474	483	497	502	511	521	530	540	
	Base case										
	Below consensus										
	Beat consensus										
	In-line										

Source: Bloomberg, Company data, Indo Premier

Fig. 2: Iron ore inventories



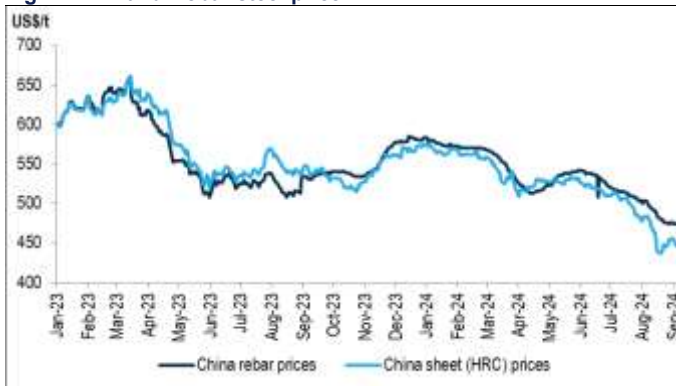
Source: Bloomberg, Indo Premier

Fig. 3: Iron ore prices



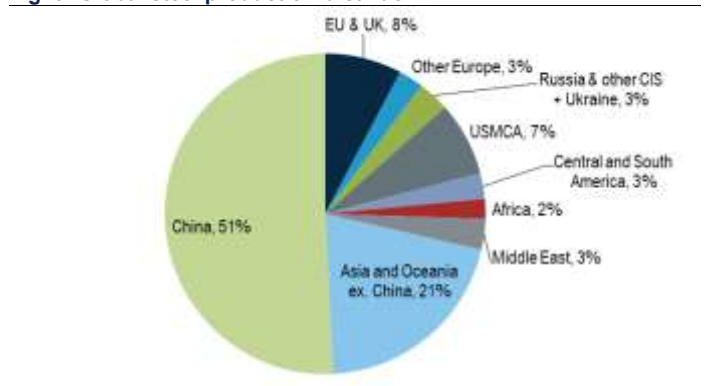
Source: Bloomberg, Indo Premier

Fig. 4: HRC and Rebar steel price



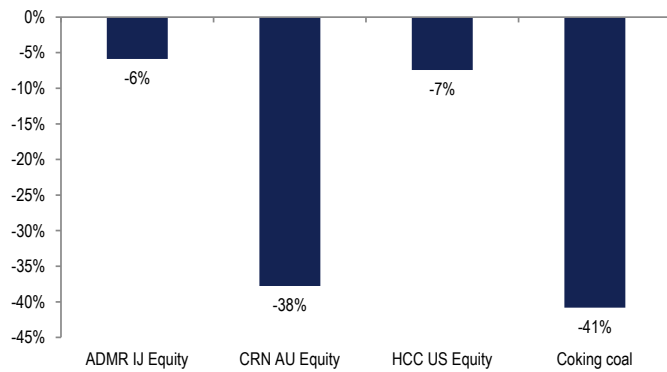
Source: Bloomberg, Indo Premier

Fig. 5: Global steel production breakdown



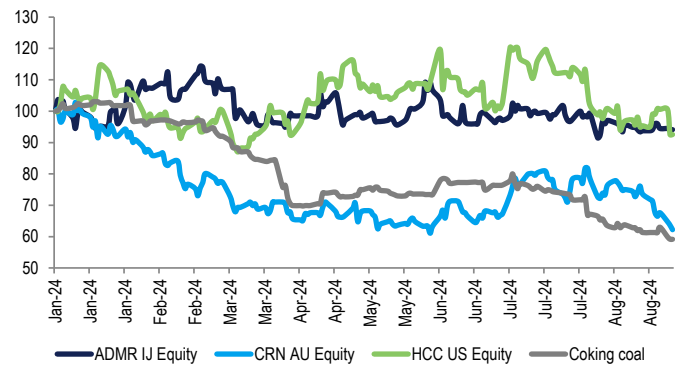
Source: Bloomberg, Indo Premier

Fig. 6: ADMR share price vs. HCC & regional peers YTD



Source: Bloomberg, Indo Premier

Fig. 7: ADMR share price vs. HCC & regional peers



Source: Bloomberg, Indo Premier

Fig. 8: Old vs new forecast

ADMR US\$ mn	New forecast			Old forecast			Forecast change			Consensus			IPS vs Consensus		
	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F
Revenues	1,144	1,298	2,373	1,173	1,298	2,373	-3%	0%	0%	1,130	1,628	2,219	101%	80%	107%
Gross profit	589	610	805	580	600	796	2%	2%	1%	589	687	926	100%	89%	87%
Operating profit	545	558	699	528	540	680	3%	3%	3%	536	599	750	102%	93%	93%
EBITDA	583	611	757	569	593	739	2%	3%	3%	642	690	823	91%	88%	92%
NPAT	415	427	539	401	413	524	3%	3%	3%	401	446	553	103%	96%	97%
%y-y															
Revenues	5%	13%	83%	8%	11%	83%				4%	44%	36%			
Gross profit	1%	3%	32%	-1%	4%	33%				1%	na	na			
EBIT	-5%	2%	25%	-8%	2%	26%				-7%	12%	25%			
EBITDA	-4%	5%	24%	-7%	4%	25%				5%	8%	19%			
NPAT	-6%	3%	26%	-9%	3%	27%				-9%	11%	24%			
Gross margin	51.5%	47.0%	33.9%	49.4%	46.3%	na				52.1%	42.2%	41.8%	-0.6%	4.8%	-7.8%
EBIT margin	47.6%	43.0%	29.5%	45.0%	41.6%	na				47.4%	36.8%	33.8%	0.2%	6.2%	-4.3%
EBITDA margin	51.0%	47.1%	31.9%	48.5%	45.7%	na				56.8%	42.4%	37.1%	-5.8%	4.7%	-5.2%
NPAT margin	36.3%	32.9%	22.7%	34.2%	31.8%	na				35.5%	27.4%	24.9%	0.8%	5.5%	-2.2%

Source: Bloomberg, Company data, Indo Premier

Fig. 9: Key changes to our operational assumptions

ADMR	Basis	Old			New			Change (%)		
		FY24F	FY25F	FY26F	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F
Coking-coal										
Sales volume	ton	5.3	6.2	6.5	5.3	6.2	6.5	0.0%	0.0%	0.0%
Australian HCC	US\$/ton	260	220	220	253	220	220	-2.5%	0.0%	0.0%
ASP - ADMR's coking coal	US\$/ton	221	209	209	215	209	209	-2.5%	0.0%	0.0%

Source: Bloomberg, Company data, Indo Premier

Fig. 10: 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	8.6	8.3	6.6	7.3	8.0	7.3	N/A	N/A	N/A
ANTM IJ	Aneka Tambang	Buy	1,750	13.1	10.1	10.6	8.8	6.0	6.3	8.8%	7.7%	9.9%
HRUM IJ	Harum Energy	Buy	1,450	9.3	9.5	7.3	5.4	6.4	4.3	N/A	N/A	N/A
INCO IJ	Vale Indonesia	Buy	5,850	27.5	25.6	37.5	5.9	6.6	7.1	N/A	N/A	N/A
MBMA IJ	Merdeka Battery Materials	Buy	700	53.3	22.0	16.0	18.2	10.5	8.1	N/A	N/A	N/A
MDKA IJ	Merdeka Copper Gold	Buy	3,100	N/A	207.4	84.5	13.2	9.7	8.0	N/A	N/A	N/A
NCKL IJ	Trimegah Bangun Persada	Buy	1,100	10.4	7.9	7.0	7.4	5.5	5.0	2.9%	2.9%	3.8%

Source: Bloomberg, Indo Premier

Income Statement (US\$ mn)	2022A	2023A	2024F	2025F	2026F
Net revenue	908	1,086	1,144	1,298	2,373
Cost of sales	(373)	(503)	(555)	(688)	(1,568)
Gross profit	535	583	589	610	805
SG&A Expenses	(75)	(9)	(44)	(52)	(106)
Operating profit	460	574	545	558	699
Net interest	(21)	(11)	(13)	(11)	(8)
Forex gain (loss)	0	0	0	0	0
Others	(2)	0	0	0	0
Pre-tax income	438	563	532	548	691
Income tax	(102)	(123)	(117)	(120)	(152)
Minority interest	4	0	0	0	0
Net income	339	441	415	427	539

Balance Sheet (US\$ mn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent	511	586	701	496	432
Receivable	71	195	204	230	540
Inventory	53	68	75	93	261
Other current assets	11	36	36	36	36
Total current assets	646	885	1,016	855	1,268
Fixed assets	594	724	1,010	1,607	1,774
Other non-current assets	47	87	87	87	87
Total non-current assets	640	811	1,097	1,694	1,861
Total assets	1,287	1,695	2,113	2,549	3,129
ST loans	0	0	0	0	0
Payable	23	33	37	46	87
Other payables	88	61	61	61	61
Current portion of LT loans	86	116	116	116	116
Total current liab.	197	210	213	222	263
Long term loans	487	416	416	416	416
Other LT liab.	33	32	32	32	32
Total liabilities	717	657	661	670	711
Equity	121	122	121	121	121
Retained earnings	414	855	1,269	1,697	2,236
Minority interest	0	0	0	0	0
Total SHE + minority int.	569	1,038	1,452	1,879	2,418
Total liabilities & equity	1,287	1,695	2,113	2,549	3,129

Source: Company, Indo Premier

Cash Flow Statement (US\$ mn)	2022A	2023A	2024F	2025F	2026F
Net income	364	407	415	427	539
Depr. & amortization	30	35	39	53	58
Changes in working capital	75	(125)	(13)	(35)	(437)
Others	0	0	0	0	0
Cash flow from operating	469	316	440	445	161
Capital expenditure	(17)	(165)	(325)	(650)	(225)
Others	(7)	(33)	0	0	0
Cash flow from investing	(24)	(198)	(325)	(650)	(225)
Loans	(147)	(72)	0	0	0
Equity	32	28	(1)	0	0
Dividends	0	0	0	0	0
Others	0	0	0	0	0
Cash flow from financing	(115)	(44)	(1)	0	0
Changes in cash	331	75	114	(205)	(64)

Key Ratios	2022A	2023A	2024F	2025F	2026F
Gross margin	59%	54%	52%	47%	34%
Operating margin	51%	53%	48%	43%	29%
Pre-tax margin	48%	52%	46%	42%	29%
Net margin	37%	41%	36%	33%	23%
ROA	26%	26%	20%	17%	17%
ROE	60%	42%	29%	23%	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%	-21%	-4%	-1%