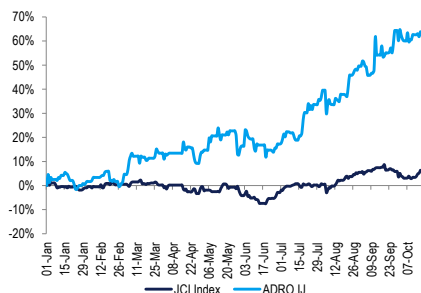


Stock Data

Target price	Rp3,900
Prior TP	Rp3,900
Current price	Rp3,900
Upside/downside	+0%
Shares outstanding (mn)	30,759
Market cap (Rp bn)	119,959
Free float	41%
Avg. 6m daily T/O (Rp bn)	272

Price Performance

	3M	6M	12M
Absolute	34.5%	41.8%	37.3%
Relative to JCI	27.4%	33.3%	25.7%
52w low/high (Rp)	2,340 – 3,920		



Major Shareholders

Adaro Strategic Investment	43.9%
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Additional information on AAI spin-off; maintaining our bullish stance

- We think cum date for special dividend will be on the same day with cum recording date for AAI POES (27Nov).
- AAI IPO value is maintained at US\$2.45-2.63bn; Post-AAI IPO, ADRO is trading at ex-cash P/E of 11x FY24F P/E.
- Maintain our Buy rating at unchanged SOTP-based TP of Rp3,900 for now; AAI spin-off shall unlock renewable and thermal coal prospects.

More information on AAI spin-off: cum-dividend & cum-rights (27Nov)

ADRO disclosed that shareholders that are eligible to participate in AAI's Public Offering by Existing Shareholders (POES) are those who are registered as shareholders on 27th Nov. The date is similar to cum-dividend date or eight working days after 2nd EGMS at 15Nov. Dividend payout ratio (DPR) for AAI's IPO will be disclosed in the second EGMS.

IPO value maintained at US\$2.45-2.63bn

The new disclosure stated that ADRO owns 7bn shares of AAI, and based on our estimates, every 100 shares of ADRO would be entitled for c.23 shares in AAI. Note that the actual conversion ratio will be disclosed later in the POES prospectus, set to be released within 2 weeks after their first EGMS (18Oct). Given that AAI IPO value is maintained at US\$2.45-2.63bn, this shall not affect our upside calculation from holding ADRO + subscribing to AAI IPO ([see our report](#)).

~35% of existing earnings post divestment remains in ADRO

Based on the additional information in the disclosure, c.35% of existing net profit in 1H24 will remain post-divestment. This shall be primarily driven by ADMR's earnings (c.75%) and the remaining from BPI (power plant) and SIS (mining-contractor). Based on this assumption, we estimate ADRO to report FY24F NP of US\$478mn – based on ADMR's FY24F NP forecast attributable to ADRO and annualized 1H24 NP from BPI/SIS, implying that ADRO is trading at 11x FY24F P/E at current market price ex-cash post-AAI IPO. Note that ex-cash P/E have yet to take into account the valuation from its green business (i.e. hydropower, solar, etc).

Maintain Buy rating at unchanged SOTP-based TP of Rp3,900

We maintain our FY24-26F earnings estimates for now, pending more details on this transaction. We maintain our Buy rating at unchanged SOTP-based TP of Rp3,900, as we continue to see potential re-rating in ADRO share price as this transaction shall unlock ADRO's renewables and thermal coal prospect, underpinning our LT bullish stance.

Financial Summary (US\$ mn)	2022A	2023A	2024F	2025F	2026F
Revenue	8,102	6,518	6,116	5,269	4,724
EBITDA	4,799	2,510	2,332	1,905	1,597
Net profit	2,493	1,641	1,534	1,179	907
EPS growth	167%	-34%	-7%	-23%	-23%
ROE	41%	24%	20%	15%	11%
PER (x)	3.1	4.7	5.1	6.6	8.6
EV/EBITDA (x)	1.1	2.0	2.2	2.8	3.0
Dividend yield	8.3%	12.8%	10.3%	7.9%	6.0%
IPS vs. consensus			119%	105%	86%

Source: Company, Indo Premier

Share price closing as of: 17 October 2024

Fig. 1: Renewables valuation

Ticker	Current market cap (US\$m)	EV/MW			EV/EBITDA			P/E			Remarks
		FY24F	FY25F	FY26F	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F	
P GEO IJ Equity	3,065	5.1	5.1	4.7	9.8	9.3	8.8	18.5	18.5	18.5	Geothermal (100%).
A CEN PM Equity	3,676	1.8	2.1	2.2	31.8	25.9	29.2	23.2	19.3	18.1	Solar (71%), Wind (21%), Geothermal (2%), Others (6%).
C KP TB Equity	921	0.6	0.6	0.6	16.3	18.4	18.8	17.9	15.4	13.8	Hydro (93%), Solar (1%), Others (6%).
B CPG TB Equity	622	1.2	1.1	1.0	11.6	18.0	16.7	17.8	14.8	13.0	Solar (63%), Wind (27%), Hydro (10%).
A P PM Equity	4,680	16.8	8.3	7.0	9.1	8.2	8.5	8.4	7.9	7.8	Solar (94%), Geothermal (4%), Others (2%).
A DANIGR IN Equity	34,201	4.0	3.4	2.9	32.7	23.5	18.7	123.3	70.9	47.9	Solar (68%), Wind (13%), Hybrid (19%).
		5.1	3.0	2.7	17.2	17.6	18.3	16.8	14.4	13.2	

Source: Bloomberg, Indo Premier

Fig. 2: Thermal-coal business peers comparison

Ticker	Company	Rating	Target price (Rp/share)	P/E			EV/EBITDA			Dividend yield (%)		
				24F	25F	26F	24F	25F	26F	24F	25F	26F
ADRO IJ	Adaro Energy Indonesia	Buy	3,900	5.0	7.0	9.3	2.2	2.9	3.2	10.4%	8.0%	5.7%
ITMG IJ	Indo Tambangraya Megah	Hold	22,000	5.2	7.1	14.5	2.4	3.0	5.9	17.4%	12.5%	9.1%
PTBA IJ	Bukit Asam	Sell	2,000	8.7	10.3	10.6	5.0	5.5	5.3	14.6%	4.0%	3.4%
UNTR IJ	United Tractors	Buy	33,000	5.1	5.1	4.9	2.4	2.1	1.8	8.9%	8.3%	8.5%

Source: Company, Indo Premier

Income Statement (US\$ mn)	2022A	2023A	2024F	2025F	2026F
Net revenue	8,102	6,518	4,850	4,969	4,424
Cost of sales	(3,449)	(3,980)	(3,244)	(3,240)	(3,040)
Gross profit	4,653	2,537	1,606	1,729	1,384
SG&A Expenses	(375)	(344)	(291)	(298)	(265)
Operating profit	4,277	2,193	1,315	1,431	1,119
Net interest	(42)	31	42	11	7
Forex gain (loss)	210	108	108	96	27
Others	31	(38)	0	0	0
Pre-tax income	4,476	2,294	1,464	1,538	1,152
Income tax	(1,645)	(439)	(293)	(308)	(230)
Minority interest	(338)	(213)	(132)	(138)	(104)
Net income	2,493	1,641	1,040	1,092	818

Balance Sheet (US\$ mn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent	4,067	3,311	3,863	4,408	4,852
Receivable	647	520	323	331	295
Inventory	199	171	180	180	169
Other current assets	406	299	299	299	299
Total current assets	5,319	4,302	4,666	5,218	5,615
Fixed assets	1,452	1,754	2,482	3,320	3,406
Other non-current assets	4,011	4,416	4,406	4,390	4,372
Total non-current assets	5,463	6,171	6,888	7,710	7,777
Total assets	10,782	10,473	11,554	12,928	13,392

ST loans	333	345	342	341	320
Payable	143	223	260	260	260
Other payables	1,971	1,568	1,124	1,124	1,124
Current portion of LT loans	2,448	2,135	1,725	1,725	1,704
Total current liab.	1,369	404	1,524	2,084	2,084
Long term loans	439	524	524	524	524
Other LT liab.	1,807	929	2,049	2,609	2,609
Total liabilities	4,255	3,064	3,774	4,334	4,313

Equity	343	343	343	343	343
Retained earnings	4,481	5,220	5,460	6,136	6,517
Minority interest	1,703	1,846	1,977	2,116	2,220
Total SHE + minority int.	6,527	7,409	7,780	8,595	9,080
Total liabilities & equity	10,782	10,473	11,554	12,928	13,392

Source: Company, Indo Premier

Cash Flow Statement (US\$ mn)	2022A	2023A	2024F	2025F	2026F
EBIT	2,493	1,641	1,040	1,092	818
Depr. & amortization	521	317	339	368	373
Changes in working capital	(208)	166	185	(8)	26
Others	1,058	(972)	(318)	138	104
Cash flow from operating	3,864	1,153	1,245	1,590	1,321
Capital expenditure	(415)	(597)	(1,050)	(1,190)	(440)
Others	(352)	14	0	0	0
Cash flow from investing	(767)	(582)	(1,050)	(1,190)	(440)
Loans	2	(885)	1,157	560	0
Equity	190	9	0	0	0
Dividends	(650)	(1,000)	(800)	(416)	(437)
Others	(340)	542	0	0	0
Cash flow from financing	(798)	(1,334)	357	144	(437)
Changes in cash	2,256	(756)	552	544	444

Key Ratios (US\$ mn)	2022A	2023A	2024F	2025F	2026F
Gross margin	57%	39%	33%	35%	31%
Operating margin	53%	34%	27%	29%	25%
Pre-tax margin	55%	35%	30%	31%	26%
Net margin	31%	25%	21%	22%	18%
ROA	23%	16%	9%	8%	6%
ROE	41%	24%	15%	14%	10%
Acct. receivables TO (days)	12.5	12.5	15.0	15.0	15.0
Inventory TO (days)	17.3	23.3	18.0	18.0	18.0
Payable TO (days)	10.4	11.5	9.5	9.5	9.5
Debt to equity	0.3	0.1	0.3	0.3	0.3
Interest coverage ratio (x)	53.7	22.9	16.5	11.9	(55.7)
Net gearing	(0.4)	(0.4)	(0.3)	(0.3)	(0.3)

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.

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