

Adaro Minerals Indonesia

BUY (unchanged)

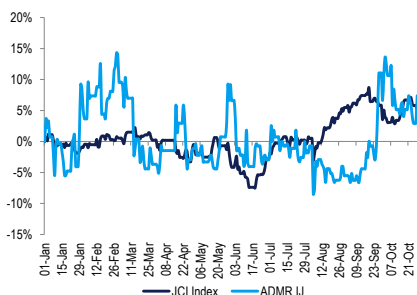
Company update | Metals | ADMR IJ | 29 October 2024

Stock Data

Target price	Rp1,650
Prior TP	Rp1,650
Current price	Rp1,455
Upside/downside	+13%
Shares outstanding (mn)	40,882
Market cap (Rp bn)	59,484
Free float	16%
Avg. 6m daily T/O (Rp bn)	52

Price Performance

	3M	6M	12M
Absolute	7.0%	8.6%	30.5%
Relative to JCI	2.6%	2.3%	17.6%
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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3Q24 results: softer NP qoq due to logistical challenges

- ADMR reported 9M24 NP of US\$333mn (+33% yoy), in-line with consensus forecast but slightly above ours (80% IPS/77% consensus).
- 3Q24 NP stood at US\$84mn (-37% qoq), driven by lower ASP (-10% qoq) and sales volume of 1.2mn (-22% qoq) due to logistical challenge.
- We maintain our Buy rating on ADMR with an unchanged TP of Rp1,650/share as our NP forecast remained unchanged.

3Q24 review: softer NP qoq due to weather-related logistic challenges

ADMR reported 9M24 NP of US\$333mn (+33% yoy), which came in-line with consensus forecast (77%) but slightly above ours (80% IPS) as we have taken into account potential logistical challenge that may persist in 4Q24F. In 3Q24, NP stood at US\$84mn (-37% qoq) as revenue declined by -30% qoq, driven by lower sales volume & ASP, resulting in the decline in GP margin (-640 bps qoq), which led to gross profit declining by 38% qoq in 3Q24. Operating expenses improved (-29% qoq) with no extraordinary items below the operating line with the exception of finance costs, which was zero in 3Q24. As a result, NP declined by -37% qoq to US\$84mn.

Operational review: sales volume drop & lower ASP

Coking-coal sales volume dropped to 1.2mn in 3Q24 (-22% qoq/flat yoy) mainly due to weather-related logistical challenges occurring in 3Q24, as production remain resilient at 4.8mn/1.9mn in 9M24/3Q24. ASP, on the other hand, declined significantly on qoq basis (-10% qoq) to US\$195/ton, in-line with the decline Australian HCC benchmark price, albeit ADMR's ASP discount to HCC price narrowed to c.8% in 3Q24. Stripping ratio remained in-line with guidance (3.6x) as 3Q24/9M24 SR stood at 3.6x/3.5x.

4Q24F: logistical challenge may persist, but higher ASP a +ve tailwind

In Oct24, Barito river experienced flooding, forcing an evacuation of local residents nearby. Based on our discussion, while such weather-related logistical challenges may persist in 4Q24F, it retain its FY24F volume guidance of 4.9-5.4mn (9M24 sales: 3.8mn, 70-77% FY24F). However, in previous [report](#), we have discussed a potential +ve tailwind for coking-coal price in 4Q24F, owing to potential supply disruption in Australia (c.50% of coking-coal supply), albeit it may affect 1Q25F more than 4Q24F.

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

We maintain our Buy rating with an unchanged SOTP-based TP of Rp1,650/share as ADMR 9M24 achievement and 4Q24F outlook is already taken into account into our forecast. Downside risks include potentially lower than expected sales volume in 4Q24F due to logistical challenges, further decline in coking-coal price & ASP, and execution risks on ADMR's aluminium smelter that is set to be completed by 4Q25F.

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: 29 October 2024

Fig. 1: 9M24/3Q24 financial summary

ADMR 9M24 results	9M24	9M23	% yoy	3Q24	3Q23	% yoy	2Q24	% qoq	IPS FY24F	% of IPS	Cons FY24F	% of cons
Revenues	841	721	17%	234	257	-9%	333	-30%	1,144	74%	1,149	73%
Cost of revenues	(404)	(341)	19%	(127)	(131)	-3%	(160)	-20%	(555)	73%	(544)	74%
Gross profit	437	380	15%	107	126	-16%	173	-38%	589	74%	605	72%
Gross profit margin (%)	52%	53%		46%	49%		52.0%		52%		53%	
Operating expenses	(27)	(48)	-44%	(7)	(12)	-47%	(9)	-29%	(44)	61%	(41)	67%
EBIT	409	331	24%	100	114	-12%	164	-39%	545	75%	565	72%
EBIT margin (%)	49%	46%		43%	44%		49%		48%			
Depreciation & amortization	27	25	10%	10	9	11%	9	11%	39	70%	35	79%
EBITDA	437	356	23%	110	123	-11%	172	-36%	583	75%	599	73%
EBITDA margin (%)	52%	49%		47%	48%		52%					
Finance income	22	13	62%	7	5	33%	7	-9%	20			
Finance costs	(12)	(24)	-51%	(0)	(7)	-95%	(4)	-92%	(33)			
Other inc. (exp.)	0	2	-89%	(0)	0	-110%	0	-109%	0			
Profit before tax	420	323	30%	106	112	-5%	167	-36%	532	79%	556	75%
Income tax	(88)	(71)	24%	(23)	(25)	-8%	(34)	-33%	(117)			
Tax rate (%)	21%	22%		-21%	-22%		-20%		-22%			
Minorities	2	(1)	-273%	1	(0)	-271%	1	49%	(0)			
Net profit	333	251	33%	84	87	-3%	133	-37%	415	80%	435	77%
Net margin (%)	40%	35%		36%	34%		40%		36%			
Core profit	333	249	34%	84	87	-3%	133	-37%	415			

Source: Bloomberg, Company data, Indo Premier

Fig. 2: 9M24/3Q24 operational summary

ADMR 9M24 operational	9M24	9M23	% yoy	3Q24	3Q23	% yoy	2Q24	% qoq	IPS FY24F	% of IPS	ADMR FY24F	% ADMR
Overburden removal	17.1	13.8	24%	6.7	6.3	8%	5.0	34%	21.6	79%		
Stripping ratio (x)	3.5	3.5	2%	3.6	4.3	-16%	3.5	3%	3.6	98%	3.6	98%
Production volume (mn ton)	4.8	4.0	21%	1.9	1.4	28%	1.4	30%	6.0	81%		
Sales volume (mn ton)	3.8	3.0	26%	1.2	1.2	1%	1.5	-22%	5.3	72%	4.9-5.4	70-77%
ASP (US\$/ton)	222	239	-7%	195	216	-10%	216	-10%	215	103%		

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	9.3	9.0	7.1	7.8	8.4	7.6	N/A	N/A	N/A
ANTM IJ	Aneka Tambang	Buy	1,750	14.1	11.2	11.6	9.4	6.9	7.1	7.9%	7.1%	8.9%
HRUM IJ	Harum Energy	Hold	1,450	7.8	7.9	6.1	4.8	5.8	3.9	N/A	N/A	N/A
INCO IJ	Vale Indonesia	Buy	5,850	29.2	27.2	39.8	6.4	7.1	7.5	N/A	N/A	N/A
MBMA IJ	Merdeka Battery Materials	Buy	700	49.9	20.6	15.0	17.2	9.9	7.7	N/A	N/A	N/A
MDKA IJ	Merdeka Copper Gold	Buy	3,100	N/A	197.3	80.4	12.7	9.4	7.8	N/A	N/A	N/A
NCKL IJ	Trimegah Bangun Persada	Buy	1,050	9.6	7.4	6.6	7.0	5.2	4.7	3.0%	3.1%	4.0%

Source: Bloomberg, Indo Premier

Fig. 4: ADMR vs. regional coking-coal peers valuation comparison

Company name	Ticker	Current market cap (US\$m)	EV/EBITDA			P/E			P/BV			ROE (%)		
			FY24F	FY25F	FY26F	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F
ADARO MINERALS INDONESIA TBK	ADMR IJ Equity	3,757	5.8	6.0	3.9	9.2	8.4	6.6	2.6	2.0	1.6	36.9	28.6	28.2
CORONADO GLOBAL RESOURCE-CDI	CRN AU Equity	1,084	4.5	2.2	1.5	107.8	9.2	6.0	0.9	0.8	0.7	2.0	12.9	17.3
WARRIOR MET COAL INC	HCC US Equity	3,274	5.7	4.9	4.2	10.6	9.4	9.1	N/A	N/A	N/A	15.0	14.1	11.1
Average			5.1	3.6	2.8	59.2	9.3	7.6	0.9	0.8	0.7	8.5	13.5	14.2

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%