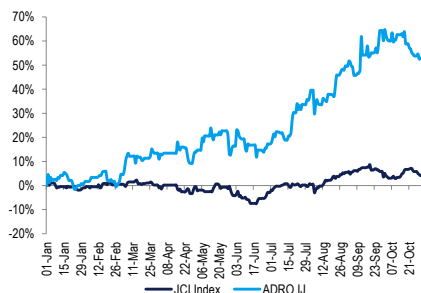


Stock Data

Target price	Rp3,900
Prior TP	Rp3,900
Current price	Rp3,640
Upside/downside	+7%
Shares outstanding (mn)	30,759
Market cap (Rp bn)	111,962
Free float	41%
Avg. 6m daily T/O (Rp bn)	277

Price Performance

	3M	6M	12M
Absolute	12.7%	34.3%	42.2%
Relative to JCI	8.2%	29.7%	30.1%
52w low/high (Rp)	2,340 – 3,920		



Major Shareholders

Adaro Strategic Investment	43.9%
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3Q24 results: robust thermal led to strong beat

- ADRO reported 9M24 NP of US\$1.2bn (-3% yoy), which came above consensus but in-line with our forecast (77% IPS/92% consensus).
- 2Q24 NP stood at US\$404mn (flat qoq), as higher thermal volume (+3% qoq) was offset by lower metallurgical volume/ASP (-22/-10% qoq).
- Maintain our FY24-26F NP estimates for now and reiterate our Hold rating at unchanged SOTP-based TP of Rp3,900/sh.

3Q24 NP was flattish qoq; soft metallurgical offsets robust thermal

ADRO reported 9M24 NP of US\$1.2bn (-3% yoy), which came above consensus forecast but in-line with ours at 92%/77%, respectively. The NP beat against consensus was driven by consensus lagging to upgrade their estimates following strong 1H24 sales volume and NP beat (1H24 NP: 66% of FY24F consensus). In 3Q24, net profit stood at US\$404mn (flat qoq) as slightly higher thermal sales volume (+3% qoq) and lower cash cost (-2% qoq) was offset by soft met-coal sales volume/ASP (-22/-10% qoq). Below operating line, US\$24mn forex gain was recorded while associate income declined by -51% qoq to US\$17mn due to BPI & MSW power-plant maintenance. On core basis, NP stood at US\$373mn (-11% qoq).

Thermal volumes improved on drier weather; 9M24 in-line

Thermal production volume rose to 18Mt in 3Q24 (+11% qoq) amid seasonally drier weather. As a result, sales volume also ticked up to 17.5Mt (+3% qoq) – note that 2Q24 sales volume was a high base due to delayed shipment from 1Q24. Meanwhile, stripping ratio rose to 4.8x in 3Q24 (+11% qoq), likely due to pre-stripping activities. Overall, thermal 9M24 operational numbers remained largely in-line with our FY24F forecast.

Thermal ASP remained flat, while cash cost declined on mining cost

Thermal ASP was flattish qoq at US\$70/t, in-line with ICI3 price (-1% qoq). On the other hand, thermal cash cost improved by 2% qoq to US\$45/t despite higher thermal stripping ratio and opex (+17/+13% qoq). The cash costs improvement was primarily driven by lower mining cost per ton (-9% qoq) from lower fuel price (3Q24 crude oil: -7% qoq), in addition to lower coal processing cost per ton (-3% qoq). Overall, ASP and cash cost remained largely in-line at 99/98% respectively. Please see [our note on ADMR](#) for more details on the coking coal business.

Reiterate Buy at unchanged SOTP-based TP of Rp3,900

We maintain our Buy rating at unchanged SOTP-based TP of Rp3,900, pending on more details regarding AAI spin-off. ADRO is currently trading at 4.7x FY24F P/E (5% discount to ITMG). Key catalyst for ADRO is potential royalty rate cut for IUPK holders, as we estimate c.2% EPS upside for every 1% royalty rate cut. Downside risk is softer than expected ICI price and MIP implementation (c.8-10% downside to FY25F NP).

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)	2.9	4.4	4.7	6.2	8.0
EV/EBITDA (x)	1.0	1.8	2.0	2.5	2.7
Dividend yield	8.9%	13.7%	11.0%	8.4%	6.5%
IPS vs. consensus			119%	105%	86%

Source: Company, Indo Premier

Share price closing as of: 30 October 2024

Fig. 1: 9M24 results summary

ADRO 9M24 results	9M24	9M23	% yoy	3Q24	3Q23	% yoy	2Q24	% qoq	IPS FY24F	% of IPS	Cons FY24F	% of cons
Revenue	4,452	4,981	-11%	1,479	1,502	-2%	1,530	-3%	6,116	73%	5,717	78%
COGS	(2,695)	(2,993)	-10%	(930)	(960)	-3%	(950)	-2%	(3,756)	72%	(3,536)	76%
Gross profit	1,757	1,988	-12%	549	542	1%	580	-5%	2,360	74%	2,181	81%
Gross profit margin (%)	39%	40%		37%	36%		38%		39%		38%	
Opex	(255)	(332)	-23%	(76)	(92)	-17%	(71)	7%	(367)	70%	(459)	56%
EBIT	1,502	1,655	-9%	473	450	5%	509	-7%	1,993	75%	1,722	87%
EBIT margin (%)	34%	33%		32%	30%		33%		33%		30%	
Depreciation & amortization	249	227	10%	85	79	7%	84	1%	339	74%	422	59%
EBITDA	1,751	1,882	-7%	558	529	5%	593	-6%	2,332	75%	2,144	82%
EBITDA margin (%)	39%	38%		38%	35%		39%		38%		38%	
Interest income	122	98	25%	42	34	22%	42	0%	160	76%		
Interest expense	(71)	(81)	-12%	(23)	(27)	-15%	(25)	-6%	(100)	71%		
Income from associates	56	75	-26%	17	23	-24%	35	-51%	108	52%		
Others	18	(37)	-149%	39	(10)	-501%	(15)	-365%	0	N/A		
Profit before tax	1,626	1,710	-5%	547	470	16%	547	0%	2,160	75%	1,873	87%
Income tax	(301)	(332)	-10%	(102)	(88)	16%	(93)	10%	(432)	70%		
Tax rate (%)	18%	19%		19%	19%		17%		20%			
Minority interest	(143)	(159)	-10%	(41)	(37)	12%	(50)	-17%	(194)	73%		
Net profit	1,183	1,219	-3%	404	345	17%	404	0%	1,534	77%	1,284	92%
Net margin (%)	27%	24%		27%	23%		26%		25%			
Core profit	1,168	1,248	-6%	373	353	6%	417	-11%	1,534	76%		

Source: Company, Indo Premier

Fig. 2: Operational summary

Operational summary	9M24	9M23	% yoy	3Q24	3Q23	% yoy	2Q24	% qoq	IPS FY24F	% of IPS	ADRO FY24F	% of ADRO
Production volume (Mt)	55.6	50.7	10%	19.9	17.3	15%	17.7	12%	70.5	79%	66.0	84%
Thermal	50.8	46.7	9%	18.0	15.9	13%	16.2	11%	65.0	78%	61.0	83%
Metallurgical	4.8	4.0	21%	1.9	1.4	28%	1.4	30%	5.5	88%	5.0	97%
Sales volume (Mt)	53.7	49.1	9%	18.7	16.5	13%	18.5	1%	70.5	76%		
Thermal	49.9	46.1	8%	17.5	15.3	14%	16.9	3%	65.0	77%		
Metallurgical	3.8	3.0	26%	1.2	1.2	1%	1.5	-22%	5.5	69%		
ASP (US\$/t)	82	98	-17%	78	88	-11%	82	-5%	84	97%		
Thermal	71	89	-20%	70	78	-10%	70	0%	72	99%		
Metallurgical	222	239	-7%	195	216	-10%	216	-10%	230	96%		
Cash cost (US\$/t)	50	61	-19%	49	57	-15%	50	-4%	51	97%		
Thermal	46	58	-21%	45	54	-17%	46	-2%	47	98%		
Metallurgical	106	114	-7%	103	95	8%	103	0%	107	99%		
Stripping ratio (x)	4.2	4.3	-1%	4.7	5.1	-7%	4.3	10%	4.1	103%	4.3	98%
Thermal	4.3	4.4	-1%	4.8	5.1	-6%	4.3	11%	4.2	103%		
Metallurgical	3.5	3.5	2%	3.6	4.3	-16%	3.5	3%	3.5	101%		

Source: Company, Indo Premier

Fig. 3: SOTP valuation

SOTP valuation summary	US\$m n	Remarks
Coal assets	7,051	Multiple target - 4.9x FY24F P/E
Kestrel	646	Multiple target - 6.0x FY24F P/E
Equity value (US\$m n)	7,698	
USD/IDR	15,500	
Outstanding shares	30.8	
Target price (Rp/sh)	3,900	
Current price	3,640	
Upside/down side	7%	
Implied FY24F P/E	5.0	

Source: Indo Premier

Fig. 4: ADRO valuation band


Source: Company, Indo Premier

Fig. 5: Peers comparison table

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	4.7	6.2	8.0	2.0	2.5	2.7	11.0%	8.4%	6.5%
ITMG IJ	Indo Tambangraya Megah	Hold	22,000	5.0	6.8	13.8	2.2	2.8	5.4	18.3%	13.1%	9.6%
PTBA IJ	Bukit Asam	Hold	2,900	7.2	6.8	5.7	4.4	4.1	3.5	14.0%	10.4%	11.1%
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	6,116	4,969	4,424
Cost of sales	(3,449)	(3,980)	(3,756)	(3,240)	(3,040)
Gross profit	4,653	2,537	2,360	1,729	1,384
SG&A Expenses	(375)	(344)	(367)	(298)	(265)
Operating profit	4,277	2,193	1,993	1,431	1,119
Net interest	(42)	31	60	25	21
Forex gain (loss)	210	108	108	96	27
Others	31	(38)	0	0	0
Pre-tax income	4,476	2,294	2,160	1,552	1,166
Income tax	(1,645)	(439)	(432)	(310)	(233)
Minority interest	(338)	(213)	(194)	(140)	(105)
Net income	2,493	1,641	1,534	1,102	828

Balance Sheet (US\$ mn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent	4,067	3,311	4,362	4,778	5,229
Receivable	647	520	408	331	295
Inventory	199	171	209	180	169
Other current assets	406	299	299	299	299
Total current assets	5,319	4,302	5,277	5,588	5,992
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	12,165	13,298	13,770
ST loans	333	345	395	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	1,779	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	3,828	4,334	4,313
Equity	343	343	343	343	343
Retained earnings	4,481	5,220	5,954	6,442	6,829
Minority interest	1,703	1,846	2,040	2,180	2,285
Total SHE + minority int.	6,527	7,409	8,337	8,965	9,457
Total liabilities & equity	10,782	10,473	12,165	13,298	13,770

Source: Company, Indo Premier

Cash Flow Statement (US\$ mn)	2022A	2023A	2024F	2025F	2026F
EBIT	2,493	1,641	1,534	1,102	828
Depr. & amortization	521	317	339	368	373
Changes in working capital	(208)	166	126	51	26
Others	1,058	(972)	(256)	140	105
Cash flow from operating	3,864	1,153	1,743	1,660	1,332
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)	(614)	(441)
Others	(340)	542	0	0	0
Cash flow from financing	(798)	(1,334)	357	(54)	(441)
Changes in cash	2,256	(756)	1,050	417	451

Key Ratios (US\$ mn)	2022A	2023A	2024F	2025F	2026F
Gross margin	57%	39%	39%	35%	31%
Operating margin	53%	34%	33%	29%	25%
Pre-tax margin	55%	35%	35%	31%	26%
Net margin	31%	25%	25%	22%	19%
ROA	23%	16%	13%	8%	6%
ROE	41%	24%	20%	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	0.2	0.3	0.3
Interest coverage ratio (x)	53.7	22.9	23.3	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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