

# Adaro Andalan Indonesia

BUY (unchanged)

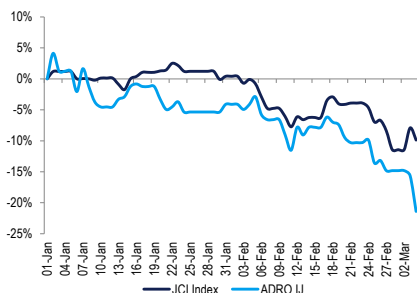
Company Update | Coal | AADI IJ | 4 March 2025

## Stock Data

Target price	Rp12,000
Prior TP	Rp12,000
Current price	Rp6,225
Upside/downside	+93%
Shares outstanding (mn)	7,787
Market cap (Rp bn)	48,473
Free float	N/A
Avg. 6m daily T/O (Rp bn)	N/A

## Price Performance

	3M	6M	12M
Absolute	N/A	N/A	N/A
Relative to JCI	N/A	N/A	N/A
52w low/high (Rp)	5,550 – 10,275		



## Major Shareholders

Adaro Strategic Investment	43.9%
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## 4Q24 result: soft due to higher opex and other items; FY24 was in-line

- AADI reported FY24 NP of US\$1.2bn (+6% yoy), which came in-line with ours and consensus FY24F forecast at 98/99% respectively.
- Higher opex in 2H24 (+34% vs. 1H24) and lower ASP (-3%) has more than offsets higher sales volume (+4%) and lower cash cost (-1%).
- Maintain our NP estimates for now and maintain our Buy rating at unchanged SOTP-based TP of Rp12,000/sh.

### Soft 4Q24 NP was largely due to items below operating line

AADI reported FY24 NP of US\$1.2bn (+6% yoy), which came in-line with ours and consensus FY24F forecast at 98/99% respectively. 2H24 NP declined significantly to US\$352mn (-59% vs. 1H24), driven by a combination of lower ASP (-4% vs. 1H24), higher opex (+34% vs. 1H24) attributed to one-off fees, and ADMR divestment gain of US\$322mn in 1H24. This has more than offsets higher sales volume (+4% qoq) and lower production cost (-1% qoq). Below operating line, interest income declined to US\$29mn (-49% vs. 1H24), while interest expense rose to US\$50mn (+77% vs. 1H24). Income from associates was also lower at US\$51mn in FY24 (vs. US\$62mn in 1H24), as Kestrel booked US\$30mn loss in 2H24. On core basis, AADI booked US\$329mn NP in 2H24 (-44% vs. 1H24).

### Higher production and trading volume supported sales in 2H24

Coal production volume slightly increased to 33Mt in 2H24 (+1% vs. 1H24), thanks to an increase in production at MIP to 3Mt (+30% vs. 1H24). Combined with higher trading volume of 1.3Mt in 2H24 (+30% vs. 1H24), sales volume rose 4% qoq to 35Mt. Meanwhile, stripping ratio surged to 4.7x in 2H24 (1H24: 4x), driven by pre-stripping activities across all mines. Overall, FY24 production/sales volume of 66Mt (+8% yoy) came in-line with our estimate (101% IPS), though sales volume of 68Mt (+8/+7% yoy) came slightly above (105% IPS) due to higher than expected trading volume.

### Production cost managed to decline despite higher SR

ASP declined to US\$74/t in 2H24 (-4% vs. 1H24), in-line with ICI3 price (-4% vs. 1H24). Production cost surprisingly dropped by 1% qoq to US\$54/t despite significantly higher SR (+17% vs. 1H24), largely attributed to lower mining fee per ton (-7% vs. 1H24) likely due to lower fuel price. Overall, ASP/cash cost of US\$75/54 per ton remained largely in-line with our FY24F forecast at 98/100% respectively.

### Maintain Buy at unchanged SOTP-based TP of Rp12,000

We maintain our earnings estimates for now, pending on further details during AADI's earnings call. Maintain our Buy rating at unchanged TP of Rp12,000. AADI is currently trading at a very attractive 3.1x FY25F P/E (47% discount to ITMG). Key downside risk is softer than expected coal price attributed to weak China/India demand.

Financial Summary (US\$ mn)	2022A	2023A	2024A	2025F	2026F
Revenue	7,726	5,915	5,320	4,936	5,003
EBITDA	3,786	1,465	1,254	1,255	1,215
Net profit	2,065	1,144	1,211	946	882
EPS growth	182%	-45%	6%	-22%	-7%
ROE	46%	24%	39%	26%	21%
PER (x)	1.4	2.6	2.5	3.1	3.4
EV/EBITDA (x)	0.2	1.0	2.6	2.6	2.2
Dividend yield	55.3%	30.6%	96.6%	14.3%	13.4%
IPS vs. consensus			N/A	115%	122%

Source: Company, Indo Premier

Share price closing as of: 4 March 2025

Fig. 1: 9M24 results summary

AADI FY24 results	FY24	FY23	% yoy	2H24	1H24	% hoh	IPS FY24F	% of IPS	Cons FY24F	% of cons
Revenue	5,320	5,915	-10%	2,663	2,657	0%	5,154	103%	5,211	102%
Cost of revenue	(3,854)	(4,187)	-8%	(1,974)	(1,879)	5%	(3,662)	105%	(3,679)	105%
<b>Gross profit</b>	<b>1,466</b>	<b>1,729</b>	<b>-15%</b>	<b>689</b>	<b>777</b>	<b>-11%</b>	<b>1,491</b>	<b>98%</b>	<b>1,532</b>	<b>96%</b>
Gross profit margin (%)	28%	29%		26%	29%		29%		29%	
Operating expenses	(316)	(312)	1%	(181)	(135)	34%	(258)	122%	(315)	100%
<b>EBIT</b>	<b>1,150</b>	<b>1,417</b>	<b>-19%</b>	<b>508</b>	<b>642</b>	<b>-21%</b>	<b>1,234</b>	<b>93%</b>	<b>1,217</b>	<b>95%</b>
EBIT margin (%)	22%	24%		19%	24%		24%		23%	
Depreciation & amortization	103	99	5%	48	56	-14%	120	86%	122	85%
<b>EBITDA</b>	<b>1,254</b>	<b>1,516</b>	<b>-17%</b>	<b>556</b>	<b>698</b>	<b>-20%</b>	<b>1,354</b>	<b>93%</b>	<b>1,339</b>	<b>94%</b>
EBITDA margin (%)	24%	26%		21%	26%		26%		26%	
Interest income	86	111	-23%	29	57	-49%	114	75%		
Interest expense	(78)	(75)	4%	(50)	(28)	77%	(57)	136%		
Income from associates	51	132	-61%	(11)	62	-118%	126	41%		
Others	331	(26)	#####	29	302	-90%	300	110%		
<b>Profit before tax</b>	<b>1,540</b>	<b>1,560</b>	<b>-1%</b>	<b>505</b>	<b>1,035</b>	<b>-51%</b>	<b>1,716</b>	<b>90%</b>	<b>1,649</b>	<b>93%</b>
Income tax	(213)	(274)	-22%	(101)	(112)	-10%	(343)	62%		
Tax rate (%)	14%	18%		20%	11%		20%			
Minority interest	(116)	(142)	-18%	(52)	(64)	-18%	(137)	84%		
<b>Net profit</b>	<b>1,211</b>	<b>1,144</b>	<b>6%</b>	<b>352</b>	<b>859</b>	<b>-59%</b>	<b>1,236</b>	<b>98%</b>	<b>1,225</b>	<b>99%</b>
Net margin (%)	23%	19%		13%	32%		24%			
<b>Core profit</b>	<b>926</b>	<b>1,165</b>	<b>-21%</b>	<b>329</b>	<b>590</b>	<b>-44%</b>	<b>996</b>	<b>93%</b>		

Source: Company, Indo Premier

Fig. 2: SOTP valuation

SOTP valuation summary	US\$m n	Remarks
Thermal coal & CFPP	5,140	Multiple target - 6x FY24F P/E
Kestrel	807	Multiple target - 9.0x FY24F P/E, 20% holding disc.
<b>Equity value (US\$m n)</b>	<b>5,947</b>	
USD/IDR	15,750	
Outstanding shares	7.8	
<b>Target price (Rp/sh)</b>	<b>12,000</b>	
Current price	6,225	
Upside/downside	93%	

Source: Indo Premier

Fig. 3: 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
AADI IJ	Adaro Andalan Indonesia	Buy	12,000	2.4	3.1	3.4	2.4	2.6	2.2	96.6%	14.3%	13.4%
ITMG IJ	Indo Tambangraya Megah	Hold	26,500	4.2	5.8	11.7	1.7	2.1	4.2	19.9%	15.3%	11.3%
PTBA IJ	Bukit Asam	Hold	2,900	6.4	7.1	5.0	3.8	4.2	3.1	15.2%	11.3%	12.0%
UNTR IJ	United Tractors	Buy	33,000	4.4	4.3	4.1	2.0	1.7	1.5	10.5%	9.8%	10.1%

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)
<b>Gross profit</b>	<b>4,653</b>	<b>2,537</b>	<b>2,360</b>	<b>1,729</b>	<b>1,384</b>
SG&A Expenses	(375)	(344)	(367)	(298)	(265)
<b>Operating profit</b>	<b>4,277</b>	<b>2,193</b>	<b>1,993</b>	<b>1,431</b>	<b>1,119</b>
Net interest	(42)	31	60	25	21
Forex gain (loss)	210	108	108	96	27
Others	31	(38)	0	0	0
<b>Pre-tax income</b>	<b>4,476</b>	<b>2,294</b>	<b>2,160</b>	<b>1,552</b>	<b>1,166</b>
Income tax	(1,645)	(439)	(432)	(310)	(233)
Minority interest	(338)	(213)	(194)	(140)	(105)
<b>Net income</b>	<b>2,493</b>	<b>1,641</b>	<b>1,534</b>	<b>1,102</b>	<b>828</b>

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
<b>Total current assets</b>	<b>5,319</b>	<b>4,302</b>	<b>5,277</b>	<b>5,588</b>	<b>5,992</b>
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
<b>Total non-current assets</b>	<b>5,463</b>	<b>6,171</b>	<b>6,888</b>	<b>7,710</b>	<b>7,777</b>
<b>Total assets</b>	<b>10,782</b>	<b>10,473</b>	<b>12,165</b>	<b>13,298</b>	<b>13,770</b>
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	<b>2,448</b>	<b>2,135</b>	<b>1,779</b>	<b>1,725</b>	<b>1,704</b>
<b>Total current liab.</b>	<b>1,369</b>	<b>404</b>	<b>1,524</b>	<b>2,084</b>	<b>2,084</b>
Long term loans	439	524	524	524	524
Other LT liab.	<b>1,807</b>	<b>929</b>	<b>2,049</b>	<b>2,609</b>	<b>2,609</b>
<b>Total liabilities</b>	<b>4,255</b>	<b>3,064</b>	<b>3,828</b>	<b>4,334</b>	<b>4,313</b>
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
<b>Total SHE + minority int.</b>	<b>6,527</b>	<b>7,409</b>	<b>8,337</b>	<b>8,965</b>	<b>9,457</b>
<b>Total liabilities &amp; equity</b>	<b>10,782</b>	<b>10,473</b>	<b>12,165</b>	<b>13,298</b>	<b>13,770</b>

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
<b>Cash flow from operating</b>	<b>3,864</b>	<b>1,153</b>	<b>1,743</b>	<b>1,660</b>	<b>1,332</b>
Capital expenditure	(415)	(597)	(1,050)	(1,190)	(440)
Others	(352)	14	0	0	0
<b>Cash flow from investing</b>	<b>(767)</b>	<b>(582)</b>	<b>(1,050)</b>	<b>(1,190)</b>	<b>(440)</b>
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
<b>Cash flow from financing</b>	<b>(798)</b>	<b>(1,334)</b>	<b>357</b>	<b>(54)</b>	<b>(441)</b>
<b>Changes in cash</b>	<b>2,256</b>	<b>(756)</b>	<b>1,050</b>	<b>417</b>	<b>451</b>

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

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