

Adaro Andalan Indonesia

BUY (unchanged)

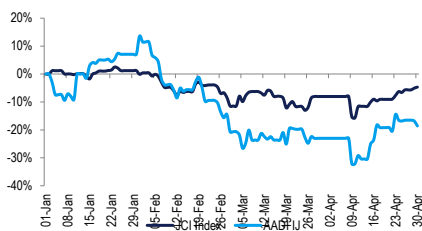
Company Update | Coal | AADI IJ | 1 May 2025

Stock Data

Target price	Rp10,000
Prior TP	Rp12,000
Current price	Rp6,725
Upside/downside	+49%
Shares outstanding (mn)	7,787
Market cap (Rp bn)	52,367
Free float	9%
Avg. 6m daily T/O (Rp bn)	124

Price Performance

	3M	6M	12M
Absolute	-25.9%	N/A	N/A
Relative to JCI	-20.3%	N/A	N/A
52w low/high (Rp)	5,550 – 10,275		



Major Shareholders

Adaro Strategic Investment	43.9%
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1Q25 result: in-line but we expect earnings upgrade on royalty cut

- AADI reported 1Q25 NP of US\$196mn (-29% yoy), which came slightly below ours but in-line with consensus estimates (19/23%).
- Production/sales volume of 16/16.4Mt (-15/-10% yoy) was in-line with guidance, but SR of 3.2x (-13% yoy) was below due to higher rainfall.
- We fine-tune our FY25-27F NP estimates by -3% to -4% and maintain our Buy rating at a lower SOTP-based TP of Rp10,000/sh.

Soft 1Q25 NP on yoy basis due to lower coal price

AADI reported 1Q25 NP of US\$196mn (-29% yoy), which came slightly below ours but in-line with consensus FY25F estimates (at 19/23% respectively). However, we expect NP to catch up in the following quarters supported by IUPK royalty cut (c.2-3% upside to NP for every 1% cut) and seasonally higher volumes (details on [royalty](#)). Below operating line, AADI recorded US\$4mn loss from associates attributed to Kestrel.

Sales volume rose despite seasonally lower production

Coal production declined to 16Mt (-3% yoy) likely due to higher rainfall, but sales volume still rose to 16.4Mt (+3% yoy) thanks to inventory sales and higher trading volume of 570kt (+29% yoy). Meanwhile, SR declined to 3.2x (-13% yoy), much lower compared to AADI's FY25F target of 4.3x, largely driven by lower OB volume at Adaro Indonesia (AI) mine (-20% yoy), though this is likely due to higher rainfall and likely to catch up in the following quarters according to mine plan. Overall, AADI's 1Q25 operational numbers remained in-line with management's guidance, except for SR.

Production cost declined on royalty and SR

ASP declined to US\$68/t in 1Q25 (-15% yoy), in-line with ICI3 price (-12% yoy). Meanwhile, production cost declined to US\$47/t (-10% yoy), largely driven by lower royalty cost and lower stripping ratio (-13% yoy). Overall, ASP/cash cost slightly missed our FY25F estimates (at 97/91% respectively). Note that we expect ASP and cash cost to trend lower in the upcoming quarters on the back of lower ICI price (2Q25: -6% qoq) and royalty rate cut.

Maintain Buy at lower SOTP-based TP of Rp10,000

We fine-tune our FY25-27F NP estimates by -3/-4/-4% to reflect lower ASP of US\$64/59/53 per ton (-8/-9/-10%) and production cost of US\$48/45/41 per ton (-9/-10/-10%). As a result, we cut our SOTP-based TP to Rp10,000/sh (from Rp12,000 previously) to reflect our lower NP estimates and lower target multiple of 4.5x (from 6x previously) amid soft coal price environment, but maintain our Buy rating on still attractive valuation of 3.3x FY25F P/E. We also remain bullish on AADI's thermal expansion strategy from Pari and Ratah mine post spin-off. Key downside risk is softer than expected coal price attributed to weak China/India demand.

Financial Summary (US\$ mn)	2023A	2024A	2025F	2026F	2027F
Revenue	5,915	5,320	4,673	4,592	4,437
EBITDA	1,465	1,254	1,223	1,329	1,404
Net profit	1,144	1,211	960	1,006	1,148
EPS growth	-45%	6%	-21%	5%	14%
ROE	24%	36%	23%	21%	20%
PER (x)	2.8	2.7	3.3	3.2	2.8
EV/EBITDA (x)	1.1	2.5	2.5	1.8	1.1
Dividend yield	28.4%	0.0%	13.4%	14.1%	8.0%
IPS vs. consensus			113%	126%	143%

Source: Company, Indo Premier

Share price closing as of: 30 April 2025

Fig. 1: 9M24 results summary

Forecast changes summary	Previous			New			Changes		
	2025F	2026F	2027F	2025F	2026F	2027F	2025F	2026F	2027F
Revenue	5,077	5,003	4,856	4,673	4,592	4,437	-8%	-8%	-9%
COGS	(3,705)	(3,555)	(3,307)	(3,359)	(3,222)	(2,972)	-9%	-9%	-10%
Gross profit	1,372	1,448	1,549	1,313	1,371	1,465	-4%	-5%	-5%
Gross margin	27%	29%	32%	28%	30%	33%	4%	3%	3%
Opex	(254)	(250)	(243)	(234)	(230)	(222)	-8%	-8%	-9%
EBIT	1,118	1,197	1,307	1,080	1,141	1,243	-3%	-5%	-5%
EBIT margin	22%	24%	27%	23%	25%	28%	5%	4%	4%
Interest income	251	337	436	250	331	426	-1%	-2%	-2%
Interest expense	(108)	(106)	(105)	(108)	(106)	(105)	0%	0%	0%
Income from associates	112	31	31	112	31	31	0%	0%	0%
Others	0	0	0	0	0	0	N/A	N/A	N/A
Pre-tax income	1,374	1,460	1,668	1,333	1,398	1,595	-3%	-4%	-4%
Income tax	(275)	(292)	(334)	(267)	(280)	(319)	-3%	-4%	-4%
Minority interest	(110)	(117)	(133)	(107)	(112)	(128)	-3%	-4%	-4%
Net profit	989	1,051	1,201	960	1,006	1,148	-3%	-4%	-4%
Net margin	19%	21%	25%	21%	22%	26%	5%	4%	5%

Source: Company, Indo Premier

Fig. 2: 9M24 results summary

AADI 1Q25 results	1Q25	1Q24	% yoy	IPS FY25F	% of IPS	Cons FY25F	% of cons
Revenue	1,164	1,315	-11%	5,077	23%	4,730	25%
Cost of revenue	(817)	(882)	-7%	(3,626)	23%	(3,447)	24%
Gross profit	347	433	-20%	1,451	24%	1,283	27%
Gross profit margin (%)	30%	33%		29%		27%	
Operating expenses	(58)	(75)	-23%	(254)	23%	(242)	24%
EBIT	289	358	-19%	1,197	24%	1,041	28%
EBIT margin (%)	25%	27%		24%		22%	
Depreciation & amortization	25	26	-3%	144	17%	111	23%
EBITDA	314	383	-18%	1,341	23%	1,152	27%
EBITDA margin (%)	27%	29%		26%		24%	
Interest income	14	27	-48%	257	6%		
Interest expense	(18)	(14)	31%	(108)	17%		
Income from associates	(4)	15	-130%	112	-4%		
Others	(1)	(8)	-93%	0	N/A		
Profit before tax	280	378	-26%	1,458	19%	1,101	25%
Income tax	(57)	(67)	-14%	(292)	20%		
Tax rate (%)	20%	18%		20%			
Minority interest	(27)	(35)	-23%	(117)	23%		
Net profit	196	277	-29%	1,050	19%	850	23%
Net margin (%)	17%	21%		21%			
Core profit	196	283	-31%	1,050	19%		

Source: Company, Indo Premier

Fig. 3: SOTP valuation

SOTP valuation summary	US\$mn	Remarks
Thermal coal & CFPP	3,915	Multiple target - 4.5x FY24F P/E
Kestrel	807	
Equity value (US\$mn)	4,723	
USD/IDR	16,500	
Outstanding shares	7.8	
Target price (Rp/sh)	10,000	
Current price	6,725	
Upside/downside	49%	

Source: Indo Premier

Fig. 4: Peers comparison table

Ticker	Company	Rating	Target price (Rp/share)	P/E			EV/EBITDA			Dividend yield (%)		
				25F	26F	27F	25F	26F	27F	25F	26F	27F
AADI IJ	Adaro Andalan Indonesia	Buy	10,000	3.3	3.2	2.8	2.5	1.8	1.1	13.4%	14.1%	8.0%
ITMG IJ	Indo Tambangraya Megah	Hold	21,000	7.9	15.0	15.5	2.4	4.3	4.2	14.5%	6.3%	4.3%
PTBA IJ	Bukit Asam	Sell	2,000	10.5	8.9	9.0	6.0	5.3	5.3	11.9%	7.1%	8.5%
UNTR IJ	United Tractors	Buy	33,000	6.0	5.3	5.3	1.6	1.3	N/A	10.8%	11.1%	N/A
HRUM IJ	Harum Energy	Hold	1,450	0.1	0.1	0.1	4.7	5.7	3.8	N/A	N/A	N/A

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

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