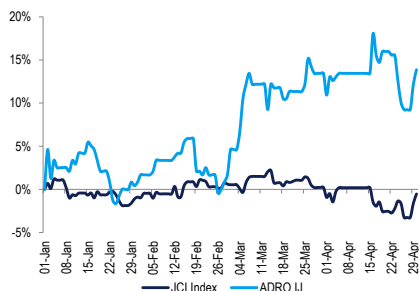


Stock Data

Target price	Rp3,000
Prior TP	Rp2,750
Current price	Rp2,710
Upside/downside	+11%
Shares outstanding (mn)	31,986
Market cap (Rp bn)	86,682
Free float	40%
Avg. 6m daily T/O (Rp bn)	108

Price Performance

	3M	6M	12M
Absolute	12.9%	6.7%	-9.1%
Relative to JCI	11.8%	-0.7%	-14.5%
52w low/high (Rp)	2,040 – 2,980		



Major Shareholders

Adaro Strategic Investment	43.9%
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## 1Q24 result: strong beat on lower cost

- 1Q24 NP of US\$374mn was a strong beat vs. cons/ours at 37/31% on lower than expected cash cost, thanks to lower SR.
- Regardless, 1Q24 NP still declined 11% qoq as lower blended ASP (-3% qoq) and sales volume (-1% qoq) more than offsets lower cash cost.
- Upgrade FY24 earnings estimate by 10% and maintain Buy at upgraded SOTP-based TP of Rp3,000.

### 1Q24 earnings drop as lower ASP offset the lower cash cost

ADRO reported 1Q24 NP of US\$374mn (-11% qoq/-18% yoy), a strong beat against consensus and our estimates at 37/31% of FY24 forecast respectively. This was primarily attributed to lower-than-expected thermal cash cost (-4% qoq; IPS US\$48/t), as well as coking (+24% qoq; IPS US\$123/t). However, 1Q24 earnings still declined on lower blended ASP (-3% qoq/-24% yoy). Nonetheless, revenue of US\$1.4bn (-6% qoq/-22% yoy) was broadly in-line with ours/consensus (at 26/27%), while EBITDA of US\$601mn (-4% qoq/-20% yoy) was above at 31/32%.

### 1Q24 thermal volume: in-line sales volume, SR came below

Thermal production volume rose to 18.1Mt in 1Q24 (+19% qoq/+15% yoy), which came above our estimate (at 28%) and management guidance (at 27%). However, thermal sales volume of 16.5Mt (-1% qoq/+5% yoy) lagged behind production and thus came in-line with our estimate at 25%. Thermal SR declined to 3.7x (-19% qoq), likely due to higher rainfall. With SR being below management's guidance of 4.3x, we expect ADRO to catch up on SR in the upcoming quarters. Please see our [note on ADMR](#) for more details on the coking coal business.

### Blended ASP declined on higher thermal sales volume

Thermal ASP slightly improved by 1% qoq to US\$74/t, in-line with 1-month lag ICI3 price (+2% qoq). The decline in blended ASP of 3% qoq was due to higher thermal sales volume proportion of 94% (4Q23: 91%) as thermal bears lower ASP; coking coal ASP rose by 4% qoq. Meanwhile, thermal cash cost declined 3% qoq to US\$51/t mainly on lower stripping ratio. Overall, blended ASP came in-line with our estimate (at 102% IPS), while blended cash cost was below (at 93% IPS).

### Maintain Buy with higher SOTP-based TP of Rp3,000

We upgrade our FY24 earnings estimate by 10% on higher ASP (+2%) and lower cash cost (-2%). We maintain our Buy rating at upgraded SOTP-based TP of Rp3,000 from Rp2,750 previously. Key upside risk to our estimate is escalating geopolitical tension. Downside risk is increasing domestic production in China and India.

Financial Summary (US\$ mn)	2022A	2023A	2024F	2025F	2026F
Revenue	8,102	6,518	5,750	4,969	4,424
EBITDA	4,799	2,510	2,123	1,728	1,468
Net profit	2,493	1,641	1,320	1,004	769
EPS growth	167%	-34%	-20%	-24%	-23%
ROE	41%	24%	18%	13%	9%
PER (x)	2.2	3.4	4.2	5.6	7.3
EV/EBITDA (x)	0.6	1.2	1.5	1.9	1.9
Dividend yield	11.6%	17.9%	11.7%	9.4%	7.2%
IPS vs. consensus			119%	118%	111%

Source: Company, Indo Premier

Share price closing as of: 30 April 2024

Fig. 1: Forecast changes summary

Forecast changes summary	Previous			New			Changes		
	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F
Revenue	5,641	4,969	4,424	5,750	4,969	4,424	2%	0%	0%
COGS	(3,638)	(3,261)	(3,018)	(3,563)	(3,261)	(3,018)	-2%	0%	0%
<b>Gross profit</b>	<b>2,003</b>	<b>1,708</b>	<b>1,405</b>	<b>2,187</b>	<b>1,708</b>	<b>1,405</b>	<b>9%</b>	<b>0%</b>	<b>0%</b>
Gross margin	36%	34%	32%	38%	34%	32%	7%	0%	0%
Opex	(395)	(348)	(310)	(402)	(348)	(310)	2%	0%	0%
<b>EBIT</b>	<b>1,608</b>	<b>1,360</b>	<b>1,096</b>	<b>1,784</b>	<b>1,360</b>	<b>1,096</b>	<b>11%</b>	<b>0%</b>	<b>0%</b>
EBIT margin	29%	27%	25%	31%	27%	25%	9%	0%	0%
Interest income	134	147	161	138	150	164	3%	2%	2%
Interest expense	(117)	(151)	(171)	(117)	(151)	(171)	0%	0%	0%
Income from associates	108	96	27	108	96	27	0%	0%	0%
Others	0	0	0	0	0	0	N/A	N/A	N/A
<b>Pre-tax income</b>	<b>1,732</b>	<b>1,453</b>	<b>1,112</b>	<b>1,913</b>	<b>1,455</b>	<b>1,115</b>	<b>10%</b>	<b>0%</b>	<b>0%</b>
Income tax	(381)	(320)	(245)	(421)	(320)	(245)	10%	0%	0%
Minority interest	(156)	(131)	(100)	(172)	(131)	(100)	10%	0%	0%
<b>Net profit</b>	<b>1,195</b>	<b>1,002</b>	<b>767</b>	<b>1,320</b>	<b>1,004</b>	<b>769</b>	<b>10%</b>	<b>0%</b>	<b>0%</b>
Net margin	21%	20%	17%	23%	20%	17%	8%	0%	0%

Source: Company, Indo Premier

Fig. 2: 1Q24 results summary

ADRO 3M24 results	1Q24	1Q23	% yoy	4Q23	% qoq	IPS FY24F	% of IPS	Cons FY24F	% of cons
Revenue	1,443	1,839	-22%	1,536	-6%	5,641	26%	5,322	27%
COGS	(815)	(1,075)	-24%	(987)	-17%	(3,638)	22%	(3,379)	24%
<b>Gross profit</b>	<b>628</b>	<b>763</b>	<b>-18%</b>	<b>550</b>	<b>14%</b>	<b>2,003</b>	<b>31%</b>	<b>1,943</b>	<b>32%</b>
Gross profit margin (%)	44%	42%		36%		36%		37%	
Opex	(108)	(112)	-3%	(12)	836%	(395)	27%	(457)	24%
<b>EBIT</b>	<b>520</b>	<b>651</b>	<b>-20%</b>	<b>538</b>	<b>-3%</b>	<b>1,608</b>	<b>32%</b>	<b>1,486</b>	<b>35%</b>
EBIT margin (%)	36%	35%		35%		29%		28%	
Depreciation & amortization	81	72	12%	90	-10%	339	24%	394	21%
<b>EBITDA</b>	<b>601</b>	<b>723</b>	<b>-17%</b>	<b>628</b>	<b>-4%</b>	<b>1,947</b>	<b>31%</b>	<b>1,880</b>	<b>32%</b>
EBITDA margin (%)	42%	39%		41%		35%		35%	
Interest income	39	33	16%	43	-9%	134	29%		
Interest expense	(23)	(27)	-13%	(28)	-17%	(117)	20%		
Income from associates	3	30	-89%	32	-90%	108	3%		
Others	(6)	(26)	-77%	(1)	434%	0	N/A		
<b>Profit before tax</b>	<b>533</b>	<b>662</b>	<b>-20%</b>	<b>584</b>	<b>-9%</b>	<b>1,732</b>	<b>31%</b>	<b>1,618</b>	<b>33%</b>
Income tax	(106)	(136)	-22%	(107)	-1%	(381)	28%		
Tax rate (%)	20%	21%		18%		22%			
Minority interest	(52)	(68)	-24%	(55)	-5%	(156)	33%		
<b>Net profit</b>	<b>374</b>	<b>458</b>	<b>-18%</b>	<b>423</b>	<b>-11%</b>	<b>1,195</b>	<b>31%</b>	<b>1,003</b>	<b>37%</b>
Net margin (%)	26%	25%		28%		21%			
<b>Core profit</b>	<b>379</b>	<b>479</b>	<b>-21%</b>	<b>423</b>	<b>-10%</b>	<b>1,195</b>	<b>32%</b>		

Source: Company, Indo Premier

Fig. 3: 1Q24 operational summary

Operational summary	1Q24	1Q23	% yoy	4Q23	% qoq	IPS FY24F	% of IPS	Cons FY24F	% of ADRO
Production volume (Mt)	18.1	15.7	15%	15.2	19%	65.1	28%	66.0	27%
Thermal	16.5	14.5	14%	14.0	18%	60.0	28%	61.0	27%
Metallurgical	1.6	1.2	28%	1.1	38%	5.1	31%	5.0	31%
Sales volume (Mt)	16.5	15.7	5%	16.6	-1%	65.1	25%		
Thermal	15.4	14.9	4%	15.1	2%	60.0	26%		
Metallurgical	1.1	0.9	24%	1.5	-28%	5.1	21%		
ASP (US\$/t)	86	114	-24%	89	-3%	84	102%		
Thermal	74	105	-29%	74	1%	72	103%		
Metallurgical	261	280	-7%	252	4%	226	116%		
Cash cost (US\$/t)	51	69	-27%	52	-3%	54	93%		
Thermal	46	65	-29%	48	-4%	48	96%		
Metallurgical	114	137	-17%	92	24%	123	93%		
Stripping ratio (x)	3.7	3.6	2%	4.5	-19%	4.4	84%	4.3	85%
Thermal	3.7	3.7	0%	4.6	-19%	4.5	82%		
Metallurgical	3.4	2.7	27%	4.3	-21%	3.0	114%		
New castle price (US\$/t)	127	255	-50%	136	-6%	120	106%		
Metallurgical coal price (US\$/t)	312	344	-9%	335	-7%	260	120%		
ICI price (US\$/t)	57	77	-25%	59	-3%				
USD/IDR	15,655	15,227	3%	15,621	0%				

Source: Company, Indo Premier

Fig. 4: SOTP valuation

SOTP valuation summary	US\$m n	Remarks
Coal assets	5,576	Multiple target - 4.6x FY24F P/E
Kestrel	646	Multiple target - 6.0x FY24F P/E
<b>Equity value (US\$m n)</b>	<b>6,222</b>	
USD/IDR	15,500	
Outstanding shares	32.0	
<b>Target price (Rp/sh)</b>	<b>3,000</b>	
Current price	2,710	
Upside/down side	11%	
Implied FY24F P/E	4.7	

Source: Company, Indo Premier

Fig. 5: ADRO valuation band



Source: Company, Indo Premier

Income Statement (US\$ mn)	2022A	2023A	2024F	2025F	2026F
Net revenue	8,102	6,518	5,750	4,969	4,424
Cost of sales	(3,449)	(3,980)	(3,563)	(3,261)	(3,018)
<b>Gross profit</b>	<b>4,653</b>	<b>2,537</b>	<b>2,187</b>	<b>1,708</b>	<b>1,405</b>
SG&A Expenses	(375)	(344)	(402)	(348)	(310)
<b>Operating profit</b>	<b>4,277</b>	<b>2,193</b>	<b>1,784</b>	<b>1,360</b>	<b>1,096</b>
Net interest	(42)	31	21	(1)	(7)
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>1,913</b>	<b>1,455</b>	<b>1,115</b>
Income tax	(1,645)	(439)	(421)	(320)	(245)
Minority interest	(338)	(213)	(172)	(131)	(100)
<b>Net income</b>	<b>2,493</b>	<b>1,641</b>	<b>1,320</b>	<b>1,004</b>	<b>769</b>

Balance Sheet (US\$ mn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent	4,067	3,311	4,283	4,666	5,091
Receivable	647	520	383	331	295
Inventory	199	171	198	181	168
Other current assets	406	299	299	299	299
<b>Total current assets</b>	<b>5,319</b>	<b>4,302</b>	<b>5,164</b>	<b>5,477</b>	<b>5,853</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>12,052</b>	<b>13,188</b>	<b>13,630</b>
ST loans	333	345	375	343	318
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>1,759</b>	<b>1,727</b>	<b>1,702</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>3,808</b>	<b>4,336</b>	<b>4,310</b>
Equity	343	343	343	343	343
Retained earnings	4,481	5,220	5,883	6,360	6,727
Minority interest	1,703	1,846	2,018	2,149	2,249
<b>Total SHE + minority int.</b>	<b>6,527</b>	<b>7,409</b>	<b>8,244</b>	<b>8,852</b>	<b>9,320</b>
<b>Total liabilities &amp; equity</b>	<b>10,782</b>	<b>10,473</b>	<b>12,052</b>	<b>13,188</b>	<b>13,630</b>

Source: Company, Indo Premier

Cash Flow Statement (US\$ mn)	2022A	2023A	2024F	2025F	2026F
EBIT	2,493	1,641	1,320	1,004	769
Depr. & amortization	521	317	339	368	373
Changes in working capital	(208)	166	141	37	24
Others	1,058	(972)	(278)	131	100
<b>Cash flow from operating</b>	<b>3,864</b>	<b>1,153</b>	<b>1,522</b>	<b>1,540</b>	<b>1,267</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)	(657)	(528)	(402)
Others	(340)	542	0	0	0
<b>Cash flow from financing</b>	<b>(798)</b>	<b>(1,334)</b>	<b>501</b>	<b>32</b>	<b>(402)</b>
<b>Changes in cash</b>	<b>2,256</b>	<b>(756)</b>	<b>972</b>	<b>382</b>	<b>425</b>

Key Ratios (US\$ mn)	2022A	2023A	2024F	2025F	2026F
Gross margin	57%	39%	38%	34%	32%
Operating margin	53%	34%	31%	27%	25%
Pre-tax margin	55%	35%	33%	29%	25%
Net margin	31%	25%	23%	20%	17%
ROA	23%	16%	11%	8%	6%
ROE	41%	24%	18%	13%	9%
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	18.2	11.5	(54.8)
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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