INDOPREMIER

Adaro Minerals Indonesia

BUY *(unchanged)*

Company Update | Metals | ADMR IJ | 30 April 2024

1Q24 result: broadly in-line on elevated coking-coal ASP; maintain Buy

- ADMR reported US$115mn NP in 1Q24 (-39% qoq/+36% yoy), broadly in-line with ours & consensus forecast (29%/26% IPS/consensus)
- 1Q sales volume is softer vs. 4Q (-28% qoq), but managed to grow by +24% yoy, leading to +36% yoy NP growth in 1Q24.
- We like ADMR's volume growth story and maintain our Buy rating with Rp1,650/share TP.

1Q24 review: higher ASP offset softer sales volume seasonality

ADMR reported US$115mn NP in 1Q24 (-39% qoq/+36% yoy), broadly in-line with ours and consensus FY24F forecast (29%/26% IPS/consensus), primarily driven by elevated ASP of US$261/ton (+4% qoq/-6%yoy) and sales volume growth of +24% yoy. As a result, NP improved on yearly basis to US$115mn, albeit declined on qoq basis by -39% qoq due to high-base from DMO provision reversal in 4Q23 and lower sales volume qoq (-28%).

Operational: sales was softer qoq, production improved

Sales volume was softer on qoq basis at 1.1mn ton (-28% qoq/+24% yoy), while production volume was higher at 1.6mn ton (+38% qoq/+28%yoy); the gap between production & sales represents the shipment hurdle amid weather-related issue in 1Q24. As such, we think 2Q sales volume shall improve and reflect carry-over from 1Q production volume. We think sales volume achievement was in-line (19-21%) with management guidance of 4.9-5.4mn ton as 1Q often accounts for c.18-19% FY sales volume.

ASP & stripping ratio: HCC ASP to decline in 2Q24F

Australian HCC trades at above US$300/t mark in Jan-24 and Feb-24, which translated into elevated ASP of US$261/ton in 1Q24, implying 10-20% discount from benchmark price. However, we think 2Q24F ASP is set to decline qoq, as we have indicated in our report, as HCC price have fallen to below US$230/ton level, albeit recently recovered back to US$265/ton level, as of latest. On stripping ratio (SR), 1Q SR of 3.4x have been so far in-line with ADMR's management guidance of 3.6x.

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

We maintained our FY24F/25F/26F forecast as 1Q24 was in-line with our expectation and hence re-iterate our Buy rating with an unchanged TP of Rp1,650/share. We still like ADMR's volume growth story (c.6Mt in FY25F, +15% yoy) and viewed that any share price correction is a good buying opportunity. In addition, we maintained our view that the bottom for HCC price is at US$220-230/t which so far has proven to be the case.

Financial Summary (US$ mn)	2022A	2023A	2024F	2025F	2026F
Revenue	908	1,086	1,173	1,298	2,373
EBITDA	490	609	569	593	739
Net profit	332	441	401	413	524
EPS growth	114%	33%	-9%	3%	27%
ROE	60%	42%	28%	22%	22%
PER (x)	10.7	8.0	8.8	8.6	6.8
EV/EBITDA (x)	7.3	6.5	7.4	8.2	7.4
Dividend yield	0%	0%	0%	0%	0%
IPS vs. consensus			100%	93%	95%

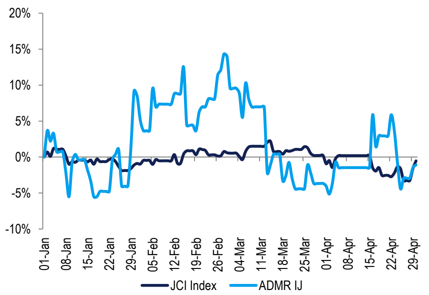
Source: Company, Indo Premier *Share price closing as of: 30 April 2024*

Stock Data

Target price	**Rp1,650**
Prior TP	*Rp1,650*
Current price	Rp1,345
Upside/downside	*+23%*
Shares outstanding (mn)	40,882
Market cap (Rp bn)	54,987
Free float	23%
Avg. 6m daily T/O (Rp bn)	40

Price Performance

	3M	6M	12M
Absolute	-2.5%	20.6%	29.3%
Relative to JCI	-3.6%	13.2%	23.9%
52w low/high (Rp)		765 – 1,555	



Major Shareholders

Adaro Energy Indonesia	68.5%
Adaro Mining Technologies	8.8%
Alam Tri Abadi	6.5%

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Fig. 1: 1Q24 result summary

ADMR 1Q24 results	1Q24	1Q23	% yoy	4Q23	% qoq	IPS FY24F	% of IPS	Cons FY24F	% of cons
Revenues	275	238	15%	365	-25%	1,173	23%	1,184	23%
Cost of revenues	(117)	(104)	13%	(162)	-27%	(594)	20%	(568)	21%
Gross profit	**157**	**135**	**17%**	**204**	**-23%**	**580**	**27%**	**616**	**25%**
Gross profit margin (%)	57%	57%		56%		49%		52%	
Operating expenses	(11)	(22)	-48%	40	-129%	(52)	22%	(42)	27%
EBIT	**146**	**113**	**29%**	**243**	**-40%**	**528**	**28%**	**574**	**25%**
EBIT margin (%)	53%	47%		67%		45%			
Depreciation & amortization	9	8	13%	8	15%	42	21%	64	**14%**
EBITDA	**155**	**121**	**28%**	**251**	**-38%**	**569**	**27%**	**638**	**24%**
EBITDA margin (%)	56%	51%		69%					
Finance income	8	4	86%	6	23%	20			
Finance costs	(7)	(9)	-23%	(7)	0%	(33)			
Other inc. (exp.)	0	1	-100%	(2)	-100%	0			
Profit before tax	**147**	**109**	**34%**	**241**	**-39%**	**514**	**29%**	**586**	**25%**
Income tax	(32)	(24)	31%	(51)	-38%	(113)			
Tax rate (%)	-22%	-22%		-21%		-22%			
Minorities	0	(0)	-225%	1	-65%	(0)			
Net profit	**115**	**85**	**36%**	**191**	**-39%**	**401**	**29%**	**438**	**26%**
Net margin (%)	42%	36%		52%		34%			

Source: Bloomberg, Company data, Indo Premier

Fig. 2: 1Q24 operational data summary

ADMR 1Q24 operationals	1Q24	1Q23	% yoy	4Q23	% qoq	IPS FY24F	% of IPS	Guidance	% of guidance
Overburden removal	5.3	3.3	62%	4.9	9%	21.6	25%		
Stripping ratio (x)	3.4	2.7	27%	4.3	-21%	3.6	95%	3.6	
Production volume (mn ton)	1.6	1.2	28%	1.1	38%	6.0	26%		
Sales volume (mn ton)	1.1	0.9	24%	1.5	-28%	5.3	20%	4.9-5.4	19-21%
ASP (US$/ton)	261.1	279.6	-7%	251.7	4%	221.0	118%		

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	8.8	8.6	6.8	7.4	8.2	7.4	N/A	N/A	N/A
ANTM IJ	Aneka Tambang	Buy	1,800	9.3	8.6	N/A	4.9	4.3	N/A	3.9%	5.4%	N/A
HRUM IJ	Harum Energy	Buy	1,450	9.4	9.9	7.9	7.1	6.6	4.5	N/A	N/A	N/A
INCO IJ	Vale Indonesia	Hold	4,250	34.2	129.2	131.9	10.1	13.0	10.7	N/A	N/A	N/A
MBMA IJ	Merdeka Battery Materials	Buy	700	42.3	18.2	14.4	14.3	8.6	7.0	N/A	N/A	N/A
MDKA IJ	Merdeka Copper Gold	Buy	3,100	188.2	78.6	52.4	12.7	9.7	8.1	N/A	N/A	N/A
NCKL IJ	Trimegah Bangun Persada	Buy	1,050	9.2	7.5	N/A	6.1	4.7	N/A	2.8%	3.3%	N/A

Source: Bloomberg, Indo Premier

Income Statement (US$ mn)	2022A	2023A	2024F	2025F	2026F
Net revenue	908	1,086	1,173	1,298	2,373
Cost of sales	(373)	(503)	(594)	(697)	(1,577)
Gross profit	**535**	**583**	**580**	**600**	**796**
SG&A Expenses	(75)	(9)	(52)	(60)	(116)
Operating profit	**460**	**574**	**528**	**540**	**680**
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**	**514**	**530**	**672**
Income tax	(102)	(123)	(113)	(117)	(148)
Minority interest	4	0	0	0	0
Net income	**339**	**441**	**401**	**413**	**524**

Balance Sheet (US$ mn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent	511	586	683	471	392
Receivable	71	195	209	230	540
Inventory	53	68	80	94	263
Other current assets	11	36	36	36	36
Total current assets	**646**	**885**	**1,008**	**831**	**1,230**
Fixed assets	594	724	1,007	1,604	1,771
Other non-current assets	47	87	87	87	87
Total non-current assets	**640**	**811**	**1,094**	**1,691**	**1,858**
Total assets	**1,287**	**1,695**	**2,102**	**2,522**	**3,087**
ST loans	0	0	0	0	0
Payable	23	33	40	46	88
Other payables	88	61	61	61	61
Current portion of LT loans	86	116	116	116	116
Total current liab.	**197**	**210**	**216**	**223**	**264**
Long term loans	487	416	416	416	416
Other LT liab.	33	32	32	32	32
Total liabilities	**717**	**657**	**663**	**670**	**712**
Equity	121	122	121	121	121
Retained earnings	414	855	1,256	1,669	2,193
Minority interest	0	0	0	0	0
Total SHE + minority int.	**569**	**1,038**	**1,439**	**1,852**	**2,376**
Total liabilities & equity	**1,287**	**1,695**	**2,102**	**2,522**	**3,087**

Source: Company, Indo Premier

Cash Flow Statement (US$ mn)	2022A	2023A	2024F	2025F	2026F
Net income	364	407	401	413	524
Depr. & amortization	30	35	42	53	58
Changes in working capital	75	(125)	(21)	(28)	(437)
Others	0	0	0	0	0
Cash flow from operating	**469**	**316**	**422**	**438**	**146**
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**	**97**	**(212)**	**(79)**

Key Ratios	2022A	2023A	2024F	2025F	2026F
Gross margin	59%	54%	49%	46%	34%
Operating margin	51%	53%	45%	42%	29%
Pre-tax margin	48%	52%	44%	41%	28%
Net margin	37%	41%	34%	32%	22%
ROA	26%	26%	19%	16%	17%
ROE	60%	42%	28%	22%	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%	-19%	-3%	1%