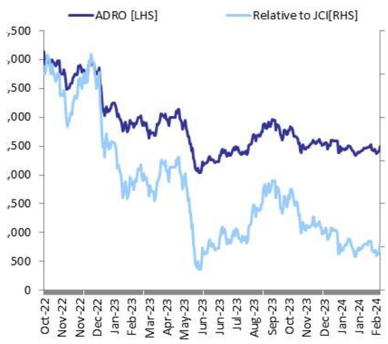
# Buy
*(Maintained)*

| | |
|---|---|
| Last Price (Rp) | 2,490 |
| Target Price (Rp) | 2,850 |
| *Previous Target Price (Rp)* | *2,800* |
| Upside/Downside | +14.5% |
| | |
| No. of Shares (mn) | 31,986 |
| Mkt Cap (Rpbn/US$mn) | 79,645/5,073 |
| Avg, Daily T/O (Rpbn/US$mn) | 111.7/7.1 |
| Free Float (%) | 40.3 |
| | |
| **Major Shareholder (%)** | |
| PT Adaro Strategic | 43.9 |
| Garibaldi Thohir | 6.2 |

**EPS Consensus (US$cents)**

| | 2024F | 2025F | 2026F |
|---|---|---|---|
| BRIDS | 3.6 | 2.4 | 2.3 |
| Consensus | 3.4 | 2.9 | 3.0 |
| **BRIDS/Cons (%)** | **6.8** | **(18.8)** | **(21.7)** |

## ADRO relative to JCI Index




*Source: Bloomberg*

**BRI Danareksa Sekuritas Analysts**

**Erindra Krisnawan, CFA**
(62-21) 5091 4100 ext. 3500
erindra.krisnawan@brids.co.id

**Christian Sitorus**
(62-21) 5091 4100 x. 3506
Christian.sitorus@brids.co.id

# Adaro Energy (ADRO IJ)

## Solid operationals and coking coal ASP drove FY23 NP beat; conservative mgmt. FY24 target

- **The 4Q23/FY23 net profit beat was supported by solid production/sales volumes (+5/+7% yoy) and better ASP from coking coal**
- **The Mgmt's FY24 sales volume growth target implies a soft thermal coal market, inline with our view of further price normalization in FY24-25F**
- **We fine-tuned our FY24-25F estimates (+10.5%/+28%vs.prev); Buy rating maintained with slightly higher TP of Rp2,850**

**4Q23 profit beat on solid operational deliveries, strong coking coal price**
ADRO posted 4Q23 net profit of US$423mn (-28% yoy/ +22% qoq), bringing its FY23 net profit to US$1.64bn (-34% yoy, inline with ours and above consensus est. at 100/107% of FY23 estimates). Its FY23 operating profit of US$2.19bn (-49% yoy) is in-line with our estimate, supported by solid coal sales (66Mt. +7% yoy, 103% of our FY23 est.), from production growth at its newer mines (Balangan 8Mt +13% yoy, MIP: 4.2Mt +27% yoy), and manageable costs. FY23 ASP beat (US$96/t, -26% yoy, 141% of our FY23 est.) was aided by stronger-than-expected 4Q23 ASP of ADMR's coking coal.

**The Mgmt's FY24 guidance implies a soft thermal coal market outlook**
ADRO targets FY24 sales volume of 65-67Mt (implying -2% to 2% yoy), with flat sales volume for its thermal coal and thus only expects volume growth to be driven by ADMR's coking coal (production growth target of 5.4-5.9Mt, +10-31% yoy). We see that the mgmt's targets reflect a combination of: 1) a conservative outlook for thermal coal price amid strong growth in Indonesia's export. 2) better confidence in the coking coal market and ADMR's coking coal logistic, following FY23 solid sales volume of 4.5Mt (+52% yoy, 5% above the initial target).

**FY24-25F est. fine-tuned; thermal coal normalization remains a key driver**
We fine tune our FY24-25F estimates, reflecting higher sales volume assumptions and ASP (mainly from coking coal), and introduced a FY26F net profit estimate. We continue to expect FY24-26F earnings to contract to reflect thermal coal price normalization amid higher supply growth vs. demand.

**Maintain Buy rating with a slightly higher TP of Rp2850**
We think ADRO's low-cost operation and ample reserves shall sustain its strong FCF generation and dividend distribution (current yield of 12.4%) for LT investors, despite the current coal price correction cycle. Our DCF-based TP of Rp2,850 is based on LT coal price of US$90/t and WACC of 12.8%. Key risks to our view are weaker coal price and production shortfall.

**Key Financials**

| Year to 31 Dec | 2022A | 2023A | 2024F | 2025F | 2026F |
|---|---|---|---|---|---|
| Revenue (US$mn) | 8,102 | 6,518 | 6,270 | 5,283 | 5,372 |
| EBITDA (US$mn) | 4,799 | 2,510 | 2,126 | 1,570 | 1,597 |
| EBITDA Growth (%) | 143.2 | (47.7) | (15.3) | (26.1) | 1.7 |
| Net Profit (US$mn) | 2,493 | 1,641 | 1,162 | 753 | 747 |
| EPS (US$cents) | 8.7 | 5.1 | 3.6 | 2.4 | 2.3 |
| EPS Growth (%) | 199.0 | (41.6) | (28.8) | (35.2) | (0.8) |
| BVPS (US$cents) | 18.8 | 21.2 | 21.0 | 22.0 | 12.7 |
| DPS (US$cents) | 2.9 | 3.1 | 2.0 | 1.3 | 1.1 |
| PER (x) | 1.8 | 3.1 | 4.4 | 6.7 | 6.8 |
| PBV (x) | 0.8 | 0.7 | 0.8 | 0.7 | 1.2 |
| Dividen yield (%) | 18.3 | 19.6 | 12.4 | 8.5 | 6.6 |
| EV/EBITDA | 0.5 | 1.0 | 1.4 | 1.7 | 3.6 |

*Source: ADRO, BRIDS Estimates*

# ADRO 4Q23/FY23 net profit beat but inline operating profit

- ADRO posted 4Q23 net profit of US$423mn (-28% yoy/ +22% qoq), bringing the FY23 net profit to US$1.64bn (-34% yoy, inline with ours and above consensus est at 100/107% of FY23 estimates). The better-than-expected FY23 core/ net profit (vs. consensus est.) is mainly attributed to non-operating items (e.g. income tax and other income).
- At the operating level, FY23 operating profit were in-line at US$2.19bn (-49% yoy, 104% of our/ consensus), driven by 4Q23 OP of US$575mn (-50% yoy/ +31% qoq)
- Overall, the operating performance showed solid coal production, while the FY23 ASP was supported by stronger-than-expected 4Q23 ASP of ADMR's coking coal
- Coal sales volume: 66Mt (+7% yoy, 103% of our FY23 est.)
- Coal ASP: US$96/t (-26% yoy, 141% of our FY23 est.)
- Coal COGS/t: US$58/t (+8% yoy, 104% of our FY23 est).

**Exhibit 1. 4Q23/FY23 results summary**

| ADRO 12M23 results (US$ mn) | FY23 | FY22 | yoy% | 4Q23 | 4Q22 | yoy% | 3Q23 | qoq% | BRIDS FY23F | % of BRIDS | Cons FY23F | % of cons |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenue | 6.518 | 8.102 | -20% | 1.536 | 2.189 | -30% | 1.502 | 2% | 6.775 | 96% | 6.257 | 104% |
| COGS | (3.980) | (3.449) | 15% | (987) | (901) | 9% | (960) | 3% | (4.261) | 93% | (3.689) | 108% |
| **Gross profit** | **2.537** | **4.653** | **-45%** | **550** | **1.288** | **-57%** | **542** | **1%** | **2.514** | **101%** | **2.568** | **99%** |
| Gross profit margin | 39% | 57% | | 36% | 59% | | 36% | | 37% | | 41% | |
| Opex | (344) | (375) | -8% | 25 | (144) | -118% | (101) | -125% | (399) | 86% | (463) | |
| **EBIT** | **2.193** | **4.277** | **-49%** | **575** | **1.144** | **-50%** | **440** | **31%** | **2.115** | **104%** | **2.105** | **104%** |
| EBIT margin (%) | 34% | 53% | -36% | 37% | 52% | -28% | 29% | | 31% | | 34% | |
| **EBITDA** | **2.554** | **5.030** | **-49%** | **610** | **1.232** | **-50%** | **551** | **11%** | **2.679** | **95%** | **2.460** | **104%** |
| EBITDA margin (%) | 39% | 62% | | 40% | 56% | | 37% | | 40% | | 39% | |
| Interest income | 140 | 48 | 195% | 43 | 25 | 74% | 34 | 26% | 20 | 702% | | |
| Interest expenses | (109) | (89) | 22% | (28) | (27) | 3% | (27) | 2% | (80) | 137% | | |
| Profit/loss in JV | 108 | 210 | -49% | 32 | (12) | -380% | 23 | 41% | 340 | 32% | | |
| Others | (38) | 31 | -223% | (38) | 12 | -403% | - | N/A | - | | | |
| **Profit before tax** | **2.294** | **4.476** | **-49%** | **584** | **1.143** | **-49%** | **470** | **24%** | **2.395** | **96%** | **2.254** | **102%** |
| Tax expenses | (439) | (1.645) | -73% | (107) | (480) | -78% | (88) | 22% | (522) | | | |
| Minority interests | (213) | (338) | -37% | (55) | (73) | -25% | (37) | 48% | (224) | | | |
| **Net income** | **1.641** | **2.493** | **-34%** | **423** | **590** | **-28%** | **345** | **22%** | **1.649** | **100%** | **1.529** | **107%** |
| **Core profit** | **1.679** | **2.462** | **-32%** | **460** | **577** | **-20%** | **345** | **33%** | **1.649** | **102%** | **1.529** | **110%** |
| | | | | | | | | | | | | |
| Coal production volume (m tonnes) | 66 | 63 | 5% | 15 | 18 | -13% | 17,5 | -13% | 64,0 | 103% | | |
| Coal sales volume (m tonnes) | 66 | 61 | 7% | 17 | 17 | -3% | 16,5 | 1% | 64,0 | 103% | | |
| Coal ASP (US$/tonne) | 96 | 129 | -26% | 89 | 127 | -30% | 88 | 1% | 68 | 141% | | |
| COGS/tonne (US$/tonne) | 58 | 54 | 8% | 56 | 50 | 12% | 56 | 0% | 56 | 104% | | |
| OB removal (m bcm) | 286,4 | 236 | 21% | 69 | 62 | 11% | 88 | -21% | 320 | 89% | | |
| Strip ratios | 4,3 | 3,7 | 16% | 5 | 4 | 28% | 5,0 | -9% | 5,0 | 87% | | |

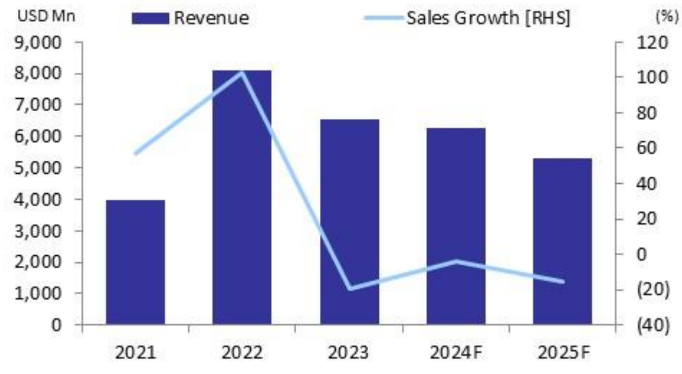
*Source: Company, BRIDS Estimates*

**Exhibit 2. Summary of estimates revision**

| USDmn | New | | | Old | | | Diff. | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2024F | 2025F | 2026F | 2024F | 2025F | 2026F | 2024F | 2025F | 2026F |
| Revenue | 6,270 | 5,283 | 5,372 | 5,876 | 5,029 | 5,226 | 6.7% | 5.0% | 2.8% |
| Gross profit | 2,068 | 1,444 | 1,460 | 1,866 | 1,333 | 1,420 | 10.8% | 8.3% | 2.8% |
| Operating profit | 1,679 | 1,089 | 1,080 | 1,497 | 990 | 1,047 | 12.2% | 10.0% | 3.2% |
| Pre-tax profit | 1,694 | 1,099 | 1,090 | 1,527 | 903 | 951 | 11.0% | 21.7% | 14.7% |
| Net Income | 1,162 | 753 | 747 | 1,052 | 588 | 618 | 10.5% | 28.0% | 20.8% |
| | | | | | | | | | |
| Gross Margin | 33% | 27% | 27% | 32% | 27% | 27% | | | |
| Operating Margin | 27% | 21% | 20% | 25% | 20% | 20% | | | |
| Net Margin | 19% | 14% | 14% | 18% | 12% | 12% | | | |
| | | | | | | | | | |
| Coal Production | 68.8 | 70.0 | 71.0 | 64.2 | 66.3 | 68.9 | 7.2% | 5.5% | 3.0% |
| Coal Sales Volume | 68.8 | 70.0 | 71.0 | 64.2 | 66.3 | 68.9 | 7.2% | 5.5% | 3.0% |
| ASP | 84.1 | 68.7 | 68.7 | 84.0 | 68.6 | 68.7 | 0.1% | 0.1% | 0.1% |

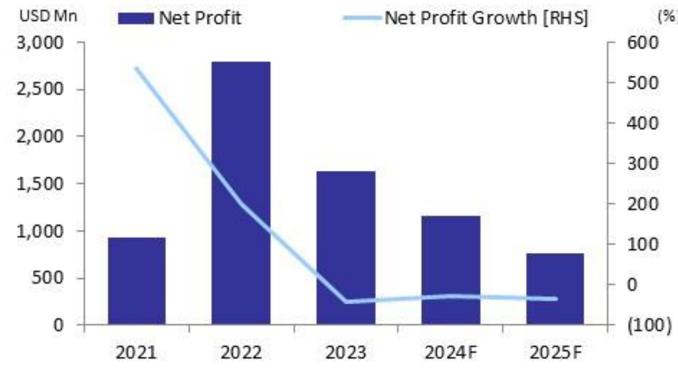
*Source: BRIDS Estimates*

**Exhibit 3. Revenue and Growth**




*Source: Company, BRIDS Estimates*

**Exhibit 4. Net Profit and Growth**

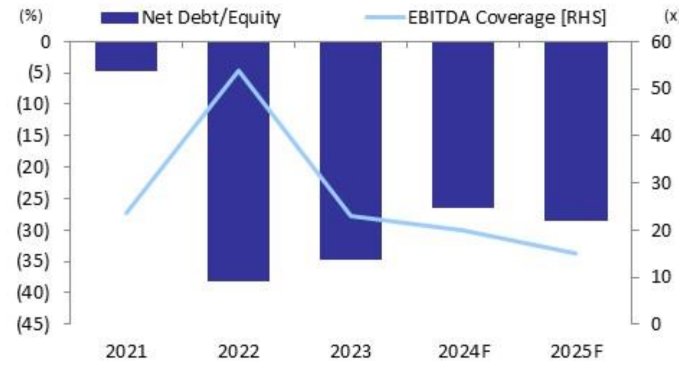



*Source: Company, BRIDS Estimates*

**Exhibit 5. Margins**


*Source: Company, BRIDS Estimates*

**Exhibit 6. Gearing Level**




*Source: Company, BRIDS Estimates*

**Exhibit 7. Income Statement**

| Year to 31 Dec (US$mn) | 2022A | 2023A | 2024F | 2025F | 2026F |
|---|---|---|---|---|---|
| **Revenue** | **8,102** | **6,518** | **6,270** | **5,283** | **5,372** |
| COGS | (3,449) | (3,980) | (4,202) | (3,838) | (3,912) |
| **Gross profit** | **4,653** | **2,537** | **2,068** | **1,444** | **1,460** |
| **EBITDA** | **4,799** | **2,510** | **2,126** | **1,570** | **1,597** |
| **Oper. profit** | **4,277** | **2,193** | **1,679** | **1,089** | **1,080** |
| Interest income | 48 | 140 | 20 | 19 | 20 |
| Interest expense | (89) | (109) | (107) | (105) | (103) |
| Forex Gain/(Loss) | 0 | 0 | 0 | 0 | 0 |
| Income From Assoc. Co's | 210 | 108 | 113 | 113 | 113 |
| Other Income (Expenses) | 31 | (38) | (10) | (18) | (20) |
| **Pre-tax profit** | **4,476** | **2,294** | **1,694** | **1,099** | **1,090** |
| Income tax | (1,645) | (439) | (373) | (242) | (240) |
| Minority interest | (338) | (213) | (160) | (104) | (103) |
| **Net profit** | **2,493** | **1,641** | **1,162** | **753** | **747** |
| **Core Net Profit** | **2,462** | **1,679** | **1,172** | **771** | **767** |

**Exhibit 8. Balance Sheet**

| Year to 31 Dec (US$mn) | 2022A | 2023A | 2024F | 2025F | 2026F |
|---|---|---|---|---|---|
| Cash & cash equivalent | 4,067 | 3,311 | 2,826 | 3,095 | (6) |
| Receivables | 665 | 542 | 643 | 531 | 542 |
| Inventory | 199 | 171 | 166 | 151 | 154 |
| Other Curr. Asset | 283 | 230 | 209 | 178 | 180 |
| Fixed assets - Net | 1,452 | 1,754 | 2,098 | 2,190 | 2,271 |
| Other non-curr.asset | 4,011 | 4,416 | 4,153 | 4,201 | 4,238 |
| **Total asset** | **10,782** | **10,473** | **10,183** | **10,435** | **7,467** |
| ST Debt | 176 | 252 | 253 | 256 | 261 |
| Payables | 333 | 345 | 531 | 491 | 499 |
| Other Curr. Liabilities | 1,939 | 1,539 | 483 | 412 | 417 |
| Long Term Debt | 1,404 | 487 | 469 | 447 | 428 |
| Other LT. Liabilities | 404 | 441 | 517 | 472 | 485 |
| **Total Liabilities** | **4,255** | **3,064** | **2,252** | **2,078** | **2,089** |
| Shareholder'sFunds | 6,025 | 6,773 | 6,717 | 7,039 | 4,061 |
| Minority interests | 503 | 636 | 1,214 | 1,318 | 1,318 |
| **Total Equity & Liabilities** | **10,782** | **10,473** | **10,183** | **10,435** | **7,467** |

**Exhibit 9. Cash Flow**

| Year to 31 Dec (US$mn) | 2022A | 2023A | 2024F | 2025F | 2026F |
|---|---|---|---|---|---|
| Net income | 2,791 | 1,631 | 1,162 | 753 | 747 |
| Depreciation and Amort. | 0 | 0 | 0 | 0 | 0 |
| Change in Working Capital | 0 | 0 | 0 | 0 | 0 |
| OtherOper. Cash Flow | 42 | (31) | 88 | 86 | 83 |
| **Operating Cash Flow** | **2,833** | **1,600** | **1,249** | **839** | **831** |
| Capex | 0 | 0 | 0 | 0 | 0 |
| Others Inv. Cash Flow | 48 | 140 | 20 | 19 | 20 |
| **Investing Cash Flow** | **48** | **140** | **20** | **19** | **20** |
| Net change in debt | 0 | 0 | 0 | 0 | 0 |
| New Capital | 0 | 0 | 0 | 0 | 0 |
| Dividend payment | 0 | 0 | 0 | 0 | 0 |
| Other Fin. Cash Flow | (89) | (109) | (107) | (105) | (103) |
| **Financing Cash Flow** | **(89)** | **(109)** | **(107)** | **(105)** | **(103)** |
| **Net Change in Cash** | **2,791** | **1,631** | **1,162** | **753** | **747** |
| Cash - begin of the year | 1,811 | 4,067 | 3,311 | 2,826 | 3,095 |
| Cash - end of the year | 4,067 | 3,311 | 2,826 | 3,095 | (6) |

**Exhibit 10. Key Ratio**

| Year to 31 Dec | 2022A | 2023A | 2024F | 2025F | 2026F |
|---|---|---|---|---|---|
| **Growth (%)** | | | | | |
| Sales | 102.9 | (19.6) | (3.8) | (15.7) | 1.7 |
| EBITDA | 143.2 | (47.7) | (15.3) | (26.1) | 1.7 |
| Operating profit | 179.9 | (48.7) | (23.4) | (35.1) | (0.8) |
| Net profit | 199.0 | (41.6) | (28.8) | (35.2) | (0.8) |
| **Profitability (%)** | | | | | |
| Gross margin | 57.4 | 38.9 | 33.0 | 27.3 | 27.2 |
| EBITDA margin | 59.2 | 38.5 | 33.9 | 29.7 | 29.7 |
| Operating margin | 52.8 | 33.7 | 26.8 | 20.6 | 20.1 |
| Net margin | 34.4 | 25.0 | 18.5 | 14.3 | 13.9 |
| ROAA | 30.4 | 15.3 | 11.2 | 7.3 | 8.3 |
| ROAE | 54.9 | 25.5 | 17.2 | 11.0 | 13.5 |
| **Leverage** | | | | | |
| Net Gearing (x) | (0.4) | (0.3) | (0.3) | (0.3) | 0.1 |
| Interest Coverage (x) | 47.9 | 20.0 | 15.7 | 10.4 | 10.5 |

*Source : ADRO, BRIDS Estimates*

| BRI Danareksa Equity Research Team | | |
|---|---|---|
| Erindra Krisnawan, CFA | Head of Equity Research, Strategy, Coal | erindra.krisnawan@brids.co.id |
| Natalia Sutanto | Consumer, Cigarettes, Pharmaceuticals, Retail | natalia.sutanto@brids.co.id |
| Niko Margaronis | Telco, Tower, Technology, Media | niko.margaronis@brids.co.id |
| Hasan Barakwan | Metal, Oil and Gas | hasan.barakwan@brids.co.id |
| Victor Stefano | Banks, Poultry | victor.stefano@brids.co.id |
| Ismail Fakhri Suweleh | Healthcare, Property, Industrial Estate | ismail.suweleh@brids.co.id |
| Richard Jerry, CFA | Automotive, Cement | richard.jerry@brids.co.id |
| Ni Putu Wilastita Muthia Sofi | Research Associate | wilastita.sofi@brids.co.id |
| Naura Reyhan Muchlis | Research Associate | naura.muchlis@brids.co.id |
| Sabela Nur Amalina | Research Associate | sabela.amalina@brids.co.id |
| Christian Immanuel Sitorus | Research Associate | christian.sitorus@brids.co.id |

| BRI Danareksa Economic Research Team | | |
|---|---|---|
| Helmy Kristanto | Chief Economist, Macro Strategy | helmy.kristanto@brids.co.id |
| Dr. Telisa Aulia Falianty | Senior Advisor | telisa.falianty@brids.co.id |
| Kefas Sidauruk | Economist | kefas.sidauruk@brids.co.id |

| BRI Danareksa Institutional Equity Sales Team | | |
|---|---|---|
| Yofi Lasini | Head of Institutional Sales and Dealing | yofi.lasini@brids.co.id |
| Novrita Endah Putrianti | Institutional Sales Unit Head | novrita.putrianti@brids.co.id |
| Ehrliech Suhartono | Institutional Sales Associate | ehrliech@brids.co.id |
| Yunita Nababan | Institutional Sales Associate | yunita@brids.co.id |
| Adeline Solaiman | Institutional Sales Associate | adeline.solaiman@brids.co.id |
| Andreas Kenny | Institutional Sales Associate | andreas.kenny@brids.co.id |
| Christy Halim | Institutional Sales Associate | christy.halim@brids.co.id |
| Jason Joseph | Institutional Sales Associate | Jason.joseph@brids.co.id |

| BRI Danareksa Sales Traders | | |
|---|---|---|
| Mitcha Sondakh | Head of Sales Trader | mitcha.sondakh@brids.co.id |
| Suryanti Salim | Sales Trader | suryanti.salim@brids.co.id |

| INVESTMENT RATING | |
|---|---|
| **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 |