

Buy

(Maintained)

Last Price (Rp)	3,230
Target Price (Rp)	3,770
Previous Target Price (Rp)	3,770
Upside/Downside	+16.7%
No. of Shares (mn)	31,986
Mkt Cap (Rpbn/US\$m)	103,315/6,443
Avg, Daily T/O (Rpbn/US\$m)	117.9/7.4
Free Float (%)	39.9
Major Shareholder (%)	
PT Adaro Strategic	43.9
Garibaldi Thohir	6.2
EPS Consensus (US\$cents)	
	2024F 2025F 2026F
BRIDS	3.6 3.1 2.3
Consensus	3.5 3.3 3.0
BRIDS/Cons (%)	3.8 (5.5) (22.1)

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)

2Q24E preview: strong sales volume to offset possible slight ASP drop

- ADRO booked a healthy 2Q24 sales volume growth (+12% qoq/ +9% yoy) despite qoq production drop.
- We deem 1H24 sales volume as inline amid higher weather uncertainty in 2H24, and estimate 1H24 EBITDA of US\$1.1-1.2bn (54-55% of FY24F).
- We reiterate our Buy rating on improving earnings growth amid our view of a favourable coal S-D outlook.

Inline 2Q24 sales vol, despite indication of challenges in 2Q24 production

ADRO reported a healthy 2Q24 sales volume growth to 18.5Mt (+12% qoq/ +9% yoy), driving 1H24 sales volume to 34.9Mt (+7% yoy). 1H24 sales volume reflected a combination of growth in both thermal coal (+5% yoy to 32.3Mt) and coking coal (+43% yoy to 2.6Mt). 2Q24's positive qoq sales growth came on the back of 2Q24 production, which slowed by -2% qoq/ flat yoy to 17.7Mt, indicating a possible weather disruption impacting some of ADRO's mines (mainly Adaro Indonesia -6% qoq). In view of the weather uncertainties in 2H24 amid persisting La Nina watch, we deem 1H24 sales achievement (52% of our FY24) as inline.

1H24 preview: expect slight ASP drop to be offset by 2Q24 sales vol. growth

We estimate ADRO to book operational EBITDA in the range of US\$540-570mn in 2Q24E, translating to 1H24E operational EBITDA of US\$1.1-1.2bn (54-55% of our FY24). Our calculation is based on the actual 2Q24 sales volume, with an estimated slight 8-10% qoq drop in 2Q24 ASP (based on the average 2Q24 thermal and coking coal prices), combined with the estimated slight increase in cost due to the higher stripping ratio in 2Q24 of 4.0x (1Q24: 3.7x and vs. our FY24F of 4.5x).

China inventory drop implies improving seasonal demand

Prices for Newcastle and Indonesian coal (ICI) have shown little change as of end of Jul24 (ICI1, ICI2, and ICI3 saw slight increases of 1.4/0.2/0.3% wow). On a more positive note, coal inventories at Chinese ports have continued to decrease from their peak (though remain higher than the average levels seen over the past five years), implying improvement in seasonal demand.

Reiterate Buy rating at an unchanged TP of Rp3,770

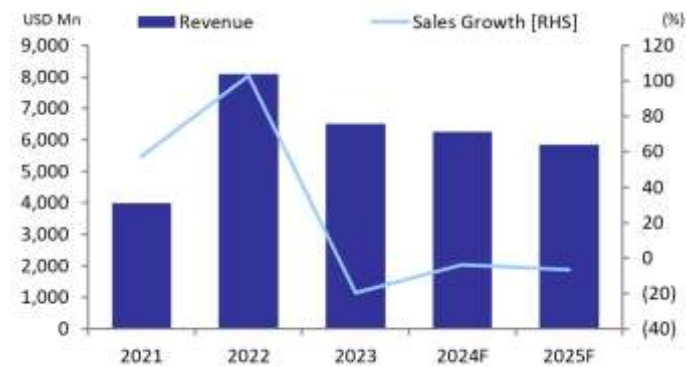
We reiterate our Buy rating with an unchanged DCF-based TP of Rp3,770 on the improving earnings growth outlook. ADRO remains our preferred pick in the sector, owing to better ESG score for investors. Key risks are: 1) Production miss. 2) Project delays and higher capex.

Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Revenue (US\$m)	8,102	6,518	6,270	5,860	5,372
EBITDA (US\$m)	4,799	2,510	2,126	1,926	1,597
EBITDA Growth (%)	143.2	(47.7)	(15.3)	(9.4)	(17.1)
Net Profit (US\$m)	2,493	1,641	1,162	997	747
EPS (US\$cents)	7.8	5.1	3.6	3.1	2.3
EPS Growth (%)	167.1	(34.2)	(29.2)	(14.1)	(25.1)
BVPS (US\$cents)	18.8	21.2	21.0	22.6	13.2
DPS (US\$cents)	2.7	2.9	2.0	1.5	1.1
PER (x)	2.6	3.9	5.5	6.5	8.6
PBV (x)	1.1	1.0	1.0	0.9	1.5
Dividen yield (%)	13.4	14.4	9.8	7.5	5.2
EV/EBITDA	0.8	1.5	1.9	1.9	4.4

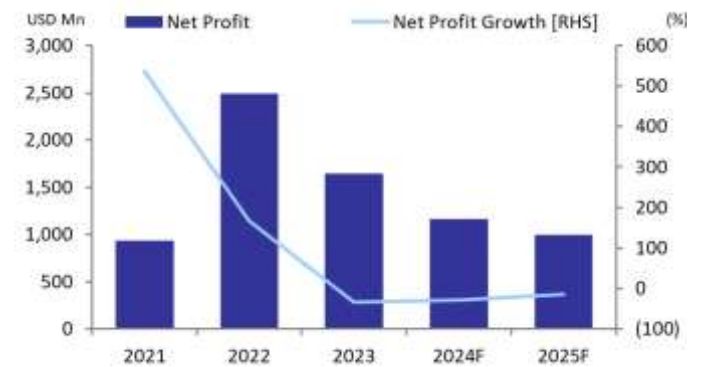
Source: ADRO, BRIDS Estimates

Exhibit 1. Revenue and Growth



Source: Company, BRIDS Estimates

Exhibit 2. Net Profit and Growth



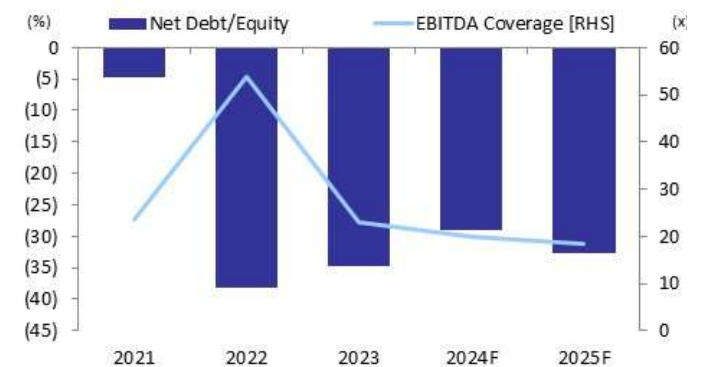
Source: Company, BRIDS Estimates

Exhibit 3. Margins



Source: Company, BRIDS Estimates

Exhibit 4. Gearing Level



Source: Company, BRIDS Estimates

Exhibit 5. Income Statement

Year to 31 Dec (US\$mn)	2022A	2023A	2024F	2025F	2026F
Revenue	8,102	6,518	6,270	5,860	5,372
COGS	(3,449)	(3,980)	(4,202)	(4,031)	(3,912)
Gross profit	4,653	2,537	2,068	1,828	1,460
EBITDA	4,799	2,510	2,126	1,926	1,597
Oper. profit	4,277	2,193	1,679	1,445	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	1,455	1,090
Income tax	(1,645)	(439)	(373)	(320)	(240)
Minority interest	(338)	(213)	(160)	(137)	(103)
Net profit	2,493	1,641	1,162	997	747
Core Net Profit	2,493	1,641	1,162	997	747

Exhibit 6. Balance Sheet

Year to 31 Dec (US\$mn)	2022A	2023A	2024F	2025F	2026F
Cash & cash equivalent	4,067	3,311	3,113	3,601	151
Receivables	665	542	643	588	542
Inventory	199	171	166	159	154
Other Curr. Asset	283	230	209	197	180
Fixed assets - Net	1,452	1,754	2,098	2,190	2,271
Other non-curr.asset	4,011	4,416	4,153	4,219	4,238
Total asset	10,782	10,473	10,470	11,043	7,625
ST Debt	176	252	253	256	261
Payables	333	345	531	516	499
Other Curr. Liabilities	1,939	1,539	483	455	417
Long Term Debt	1,404	487	469	447	428
Other LT. Liabilities	404	441	517	503	485
Total Liabilities	4,255	3,064	2,252	2,177	2,089
Shareholder's Funds	6,025	6,773	6,716	7,228	4,218
Minority interests	503	636	1,501	1,638	1,318
Total Equity & Liabilities	10,782	10,473	10,470	11,043	7,625

Exhibit 7. Cash Flow

Year to 31 Dec (US\$mn)	2022A	2023A	2024F	2025F	2026F
Net income	2,493	1,641	1,162	997	747
Depreciation and Amort.	521	317	447	481	517
Change in Working Capital	625	(84)	(501)	35	17
Other Oper. Cash Flow	181	(212)	(303)	(5)	(6)
Operating Cash Flow	3,820	1,663	804	1,508	1,275
Capex	0	0	0	0	0
Others Inv. Cash Flow	(1,115)	(819)	(643)	(652)	(632)
Investing Cash Flow	(1,115)	(819)	(643)	(652)	(632)
Net change in debt	2	(885)	(5)	(15)	(14)
New Capital	247	161	184	137	(3,741)
Dividend payment	(861)	(930)	(631)	(486)	(336)
Other Fin. Cash Flow	163	54	93	(4)	(1)
Financing Cash Flow	(449)	(1,601)	(359)	(368)	(4,093)
Net Change in Cash	2,256	(756)	(199)	488	(3,450)
Cash - begin of the year	1,811	4,067	3,311	3,113	3,601
Cash - end of the year	4,067	3,311	3,113	3,601	151

Exhibit 8. Key Ratio

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Growth (%)					
Sales	102.9	(19.6)	(3.8)	(6.5)	(8.3)
EBITDA	143.2	(47.7)	(15.3)	(9.4)	(17.1)
Operating profit	179.9	(48.7)	(23.4)	(13.9)	(25.3)
Net profit	167.1	(34.2)	(29.2)	(14.1)	(25.1)
Profitability (%)					
Gross margin	57.4	38.9	33.0	31.2	27.2
EBITDA margin	59.2	38.5	33.9	32.9	29.7
Operating margin	52.8	33.7	26.8	24.7	20.1
Net margin	30.8	25.2	18.5	17.0	13.9
ROAA	27.1	15.4	11.1	9.3	8.0
ROAE	49.1	25.7	17.2	14.3	13.1
Leverage					
Net Gearing (x)	(0.4)	(0.3)	(0.3)	(0.3)	0.1
Interest Coverage (x)	47.9	20.0	15.7	13.8	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
Timothy Wijaya	Metal, Oil and Gas	timothy.wijaya@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
Ehrlich 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

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