

Adaro Energy Tbk (ADRO IJ)

Focuses on Asian Market

ADRO recorded 1Q22 revenue of USD 1,224.6 million (+76.9% YoY), and net profit of USD 400.0 million (+457.6% YoY). The heavy rain factor made coal production (-6% YoY) and sales volume (-3% YoY) lower, compensated by much higher ASP, and cost control effectiveness. In 2022, coal prices are expected to remain high amid global sentiment.

Maintaining a Strong Balance Sheet Profile

- ADRO recorded revenue of USD 1,224.6 million for the 1Q22 period, an increase of 76.9% YoY. This achievement was supported by ASP which grew significantly by up to 86% YoY.
- ADRO's coal production and sales volume were 12.15 Mt and 12.20 Mt, respectively, influenced by the weather factors. ADRO recorded overburden removal of 48.22 Mbcm in 1Q22, down 8% YoY. Meanwhile, the strip ratio was 3.97x in the same period.
- Meanwhile, cost of revenue increased by 24% YoY to USD 623 million, mainly due to higher royalty fees as a result of the increase in ASP on an annual basis.
- From the bottom line, ADRO recorded a 1Q22 net profit of USD 400 million, growing 457.6% YoY. The company also maintains a strong balance sheet profile, with cash position of USD 1,555 million.

Coal Prices Still High

- Coal prices for the 1Q22 period are still in the super-cycle phase, in line with market concerns about the shortage of energy commodities. This is due to geopolitical tensions between Ukraine and Russia, as well as the coal crisis in India.
- In early March 2022, the benchmark Newcastle Coal price hit a high of over USD 400/ton. Sanctions to ban imports from Russia made demands for coal from European countries to increase. Currently, ADRO's additional coal shipments to Europe are only spot sales, and there is no long-term agreement yet. For 2022, ADRO has set a coal production target of 58 Mt—60 Mt.
- ADRO targets a relatively stable strip ratio at the level of 4.10x. The company also targets operational EBITDA to range from USD 1.9 billion – USD 2.2 billion.

Recommended Buy with TP at IDR 3,900

- NHKS Research maintains a Buy recommendation, with a higher TP to IDR 3,900/share. Geopolitical sentiment, and the coal crisis in India, became the sentiment driving the potential increase to 23.8%. Our TP implies a 22F EV/EBITDA of 3.2x (approximately 3 years average).

Adaro Energy Tbk | Summary

	2021A	2022E	2023F	2024F
Revenue (USD Mn)	3,993	4,106	4,426	4,487
Growth (%)	57.5%	2.8%	7.8%	1.4%
EBITDA (USD Mn)	2,104	2,270	1,925	2,064
Net Profit (USD mn)	933	1,242	1,348	1,366
EPS (IDR)	408	557	605	613
Growth (%)	535.3%	33.1%	8.5%	1.4%
P/E (x)	5.5x	7.0x	7.0x	7.0x
P/BV (x)	1.2x	1.9x	1.7x	1.6x
EV/EBITDA (x)	2.0x	3.2x	4.0x	3.7x
ROE (%)	22.2%	27.3%	26.5%	23.8%
ROA (%)	13.4%	15.9%	16.0%	15.1%
DER (%)	19.4%	17.4%	17.4%	17.4%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Company Update | May 13, 2022

Buy

Target Price (IDR)	3,900
Consensus Price (IDR)	3,780
TP to Consensus Price (%)	+3.2
Potential Upside	+23.8

Shares data

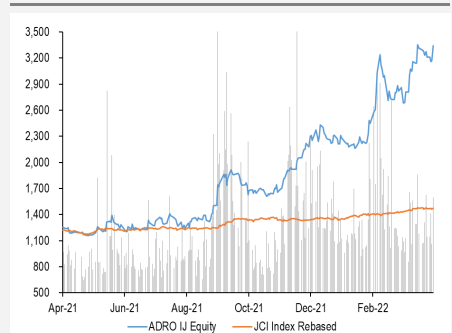
Last Price (IDR)	3,150
Price Date as of	May 12, 2022
52 wk Range (Hi/Lo)	3,460 / 1,160
Free Float (%)	43.7
Outstanding sh.(mn)	31,986
Market Cap (IDR bn)	101,395
Market Cap (USD mn)	6,961
Avg. Trd Vol - 3M (mn)	158.4
Avg. Trd Val - 3M (bn)	455.4
Foreign Ownership (%)	30.2

Energy

Oil, Gas & Coal

Bloomberg	ADRO IJ
Reuters	ADRO.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	48.4%	16.8%	46.5%	174.9%
Rel. Ret.	38.6%	14.2%	37.7%	153.9%

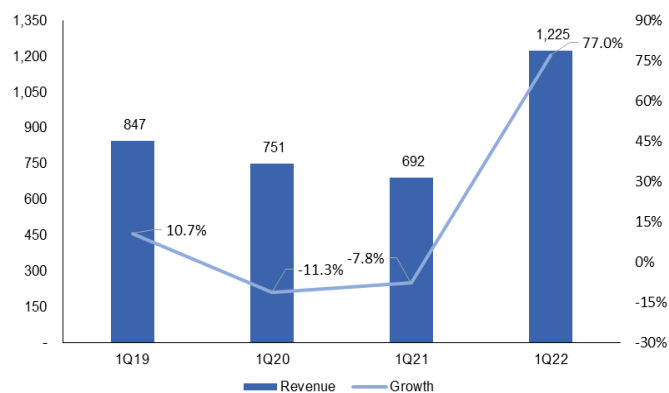
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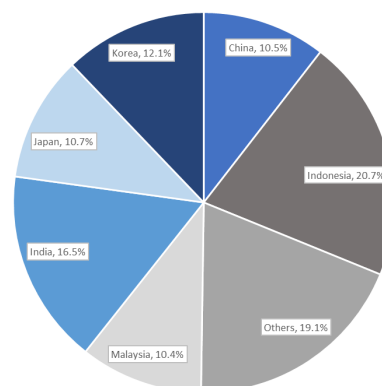
Performance Highlights in Charts

Revenue Growth (IDR Mn)



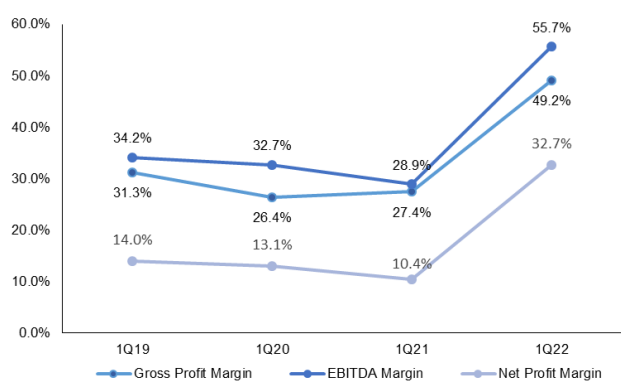
Source: Bloomberg, NHKSI Research

Revenue Breakdown (by Geography)



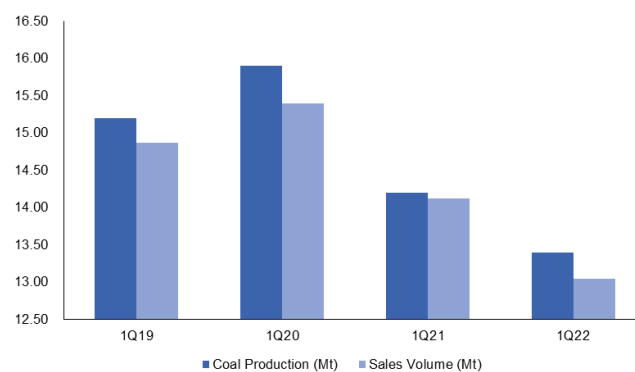
Source: Bloomberg, NHKSI Research

Margin Ratios



Source: Bloomberg, NHKSI Research

Production and Sales Volume



Source: Company Data, NHKSI Research

Blended Forward P/E Ratio



Source: Bloomberg, NHKSI Research

EV/ EBITDA Ratio



Source: Bloomberg, NHKSI Research

Summary of Financials

INCOME STATEMENT

(USD mn)	2021/12A	2022/12E	2023/12F	2024/12F
Revenue	3,993	4,106	4,426	4,487
Growth	57.5%	2.8%	7.8%	1.4%
COGS	(2,223)	(2,432)	(2,622)	(2,658)
Gross Profit	1,770	1,673	1,804	1,829
Gross Margin	44.3%	40.8%	40.8%	40.8%
Operating Expenses	(208)	(205)	(221)	(224)
EBIT	785	1,468	1,582	1,604
EBIT Margin	19.7%	35.8%	35.8%	35.8%
Depreciation	486	377	342	459
EBITDA	2,104	2,270	1,925	2,064
EBITDA Margin	52.7%	55.3%	43.5%	46.0%
Interest Expenses	(12)	(12)	(11)	(12)
EBT	1,486	1,909	2,060	2,088
Income Tax	(458)	(571)	(616)	(624)
Minority Interest	(95)	(96)	(97)	(98)
Net Profit	933	1,242	1,348	1,366
Growth	535.3%	33.1%	8.5%	1.4%
Net Profit Margin	23.4%	30.3%	30.5%	30.4%

PROFITABILITY & STABILITY

	2021/12A	2022/12E	2023/12F	2024/12F
ROE	22.2%	27.3%	26.5%	23.8%
ROA	13.4%	15.9%	16.0%	15.1%
ROIC	10.2%	18.8%	17.1%	16.1%
Cash Dividend (USD mn)	147	125	124	135
Dividend Yield	2.9%	1.4%	1.3%	1.4%
Payout Ratio	15.7%	10.1%	9.2%	9.9%
DER	19.4%	17.4%	17.4%	17.4%
Net Gearing	29%	25%	24%	23%
LT Debt to Equity	13.3%	11.9%	13.0%	13.0%
Capitalization Ratio	16.2%	14.8%	14.8%	14.8%
Equity Ratio	58.8%	58.0%	62.9%	63.6%
Debt Ratio	11.4%	10.1%	10.9%	11.1%
Financial Leverage	166.1%	171.3%	165.1%	158.1%
Current Ratio	208.4%	256.4%	367.5%	384.5%
Par Value (IDR)	100	100	100	100
Total Shares (mn)	31,986	31,986	31,986	31,986
Share Price (IDR)	2,250	3,900	4,231	4,288
Market Cap (IDR tn)	72.0	124.7	135.3	137.2

BALANCE SHEET

(USD mn)	2021/12A	2022/12E	2023/12F	2024/12F
Cash	1,814	2,127	2,661	2,898
Receivables	452	479	495	492
Inventories	126	105	104	108
Total Current Assets	2,838	3,123	3,458	3,696
Net Fixed Assets	2,615	2,534	2,871	3,151
Other Non Current Asset	2,134	2,369	2,445	2,525
Total Assets	7,587	8,025	8,774	9,372
Payables	651	663	671	682
ST Bank Loan	271	254	240	259
LT Debt	593	556	720	777
Total Liabilities	3,129	3,367	3,254	3,412
Capital Stock + APIC	1,497	1,497	1,497	1,497
Retained Earnings	2,686	2,899	3,665	4,105
Shareholders' Equity	4,458	4,658	5,520	5,960

VALUATION INDEX

	2021/12A	2022/12E	2023/12F	2024/12F
Price/Earnings	5.5x	7.0x	7.0x	7.0x
Price/Book Value	1.2x	1.9x	1.7x	1.6x
Price/Sales	1.3x	2.1x	2.1x	2.1x
PE/EPS Growth	0.0x	0.2x	0.8x	5.1x
EV/EBITDA	2.0	3.2	4.0	3.7
EV/EBIT	5.2	5.0	4.8	4.7
EV (IDR bn)	57,350	104,459	109,520	109,055
Sales CAGR (3-Yr)	7.0%	4.3%	8.6%	21.0%
EPS CAGR (3-Yr)	24.5%	43.8%	49.4%	110.3%
Basic EPS (IDR)	408	557	605	613
Diluted EPS (IDR)	408	557	605	613
BVPS (IDR)	1,949	2,090	2,476	2,674
Sales PS (IDR)	1,745	1,842	1,985	2,013
DPS (IDR)	64	56	56	60

CASH FLOW STATEMENT

(USD mn)	2021/12A	2022/12E	2023/12F	2024/12F
Operating Cash Flow	1,436	1,521	1,645	1,832
Investing Cash Flow	(645)	(106)	(808)	(825)
Financing Cash Flow	(153)	(130)	121	(58)
Net Changes in Cash	638	1,286	959	950

TOP OWNERSHIP

By Geography	% Shareholders	%
Indonesia	69.3 Adaro Strategic	43.9
United States	7.9 Garibaldi Thohir	6.2
Ireland	1.3 Edwin Soeryadjaya	3.3
Others	21.5 Others	46.6

Source: Company Data, NHKSI Research

NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
 - Buy : Greater than +15%
 - Overweight : +5% to +15%
 - Hold : -5% to +5%
 - Underweight : -5% to -15%
 - Sell : Less than -15%

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