

From Full Steam to Controlled Burn

14 March 2025



Delivering record-high sales volume and solid earnings, AADI closed FY24 slightly ahead of expectations, with revenue of USD5.3 bn (-10.1% yoy) and net profit rising to USD1.2 bn (+5.9% yoy), supported by lower royalties and gains from investment disposal. Despite a 16.2% drop in ASP, volume reached a record 68.1 Mt (+7.4% yoy), with 84.2% contribution from Adaro Indonesia (AI). Looking ahead, we adopt a more conservative outlook with 2025F sales volume at 65 Mt (-4.5% yoy), leading to a 25-45% reduction in revenue and EBITDA forecasts, though margins remain resilient with EBITDA margin improving to 29-30%. Capex is projected to moderate to USD300 mn, while a 50% DPR is maintained, supported by strong free cash flow. Applying a 5.0x P/E multiple, we adjusting our TP to IDR 10,500/share, reflecting softer assumptions. Sensitivity analysis suggests every 10% change in coal prices could shift valuation between IDR 8,800-12,100/share.

AADI IJ	BUY
Sector	Coal
Price at 13 December 2024 (IDR)	6,575
Price target (IDR)	10,500
Upside/Downside (%)	59.7

Stock Information

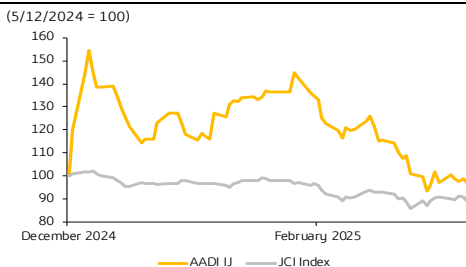
PT Adaro Andalan Indonesia Tbk. (AADI) is a leading holding company in Indonesia with operations in thermal coal mining, logistics, and power generation, managing seven coal assets and holding 917.4 mn tons of reserves with a mine life of up to 81 years.

Market cap (IDR bn)	51,199
Shares outstanding (mn)	7,787
52-week range (IDR)	11,375 - 6,000
3M average daily vol. ('000)	22,735
3M average daily val. (IDR mn)	185,259

Shareholders (%)

PT Adaro Strategic Investments	41.1
Public (<5%)	37.7
PT Alamtri Resources Indonesia Tbk (ADRO)	15.4
Garibaldi Thohir	5.8

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	(18.8)	(29.4)	-

Analyst

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FY24 Above Expectations, Record Sales Volume. AADI reported FY24 revenue of USD5.3 bn (-10.1% yoy), slightly above our estimate (100.5%) and consensus (102.7%), driven by record-high sales volume of 68.1 Mt (+7.4% ypy) despite a 16.2% drop in blended ASP to USD78.2/t. Adaro Indonesia (AI) contributed 84.2% of total volume. Margins improved, with net profit rising to USD1.2 bn (+5.9% yoy), beating our estimate (112.3%) and broadly in line with consensus (99.9%). Profit growth was supported by lower royalty expenses (-22% yoy for AI) and a USD322 mn gain from investment disposal. Capex rose +36% yoy to USD370 mn, mainly for investments in KPI, logistics assets, and supply chain infrastructure.

Conservative Outlook with 25-45% EBITDA Revision, 50% DPR Maintained. We revise our forecast following the release of FY24 results and the company's updated guidance. Sales volume is expected to reach 65 Mt in 2025F (-4.5% yoy), with a steady +1% yoy growth thereafter and a sales-to-production ratio of 103.4%. Consequently, revenue and EBITDA are revised down by 25-45% for 2025-2027F, mainly due to more conservative volume assumptions. Net profit is also lowered by 22-25%, although margins remain relatively stable, supported by low cash cost, with EBITDA margin expected to improve slightly to 29-30%. Capex is projected at USD300 mn in 2025F, gradually declining, primarily allocated to KPI, barges, and supporting infrastructure. We assume a 50% DPR, maintaining ADRO's position as an attractive dividend play. Despite dividend distributions, the company continues to hold a strong cash position and robust free cash flow, providing ample capacity to fund growth while maintaining healthy liquidity and operational resilience.

Maintain BUY with Revised TP of IDR 10,500/Share on Reflecting Softer Assumptions. For valuation, we apply a 5.0x P/E multiple, based on peer averages, resulting in a fair value estimate of IDR 10,500/sh. Given recent coal price volatility, we use a conservative USD 70/t ASP assumption for this projection. However, with coal prices at such levels, caution is warranted. Our sensitivity analysis shows that every 10% change in coal prices could impact 2025F net profit by USD 220-330 mn, potentially shifting the target price range between IDR 8,800-12,100/share. Key downside risks include further declines in commodity prices and potential delays in project execution.

Exhibit 1: Forecasts and Valuations (at closing price IDR6,575/ sh)

Y/E Dec	23A	24A	25F	26F	27F
Revenue (USD Mn)	5,915	5,320	4,756	5,326	5,360
EBITDA (USD Mn)	1,444	1,540	1,335	1,564	1,578
EV/EBITDA (x)	4.3	4.9	3.3	2.5	2.1
Net Profit (USD Mn)	1,144	1,211	1,009	1,214	1,240
Net Profit Growth (%)	1,378	1,500	1,274	1,543	1,579.4
EPS (IDR)	(42.5)	8.9	(15.1)	21.1	2.4
P/E Ratio (x)	6.3	5.7	6.8	5.6	5.5
BVPS (IDR)	5,770	4,167	5,004	5,959	6,914
P/BV Ratio (x)	1.5	2.1	1.7	1.4	1.2
ROAE (%)	23.9	36.0	25.5	25.9	22.8
ROAA (%)	16.2	20.2	14.6	15.9	15.2
Interest Coverage (x)	19.3	19.8	14.8	18.6	22.0
Net Gearina (x)	1.1	(0.4)	(0.5)	(0.5)	(0.5)

Exhibit 2: Financial Summary

(USD mn)	12M23	12M24	yoy (%)	12M24/ KBVS (%)	12M24/ Cons (%)
Revenue	5,915	5,320	-10.1	100.5	102.7
Gross Profit	1,729	1,466	-15.2	93.9	99.2
Operating Income	1,391	1,481	+6.5	92.9	125.7
EBITDA	1,444	1,540	+6.6	93.5	118
Net Income	1,144	1,211	+5.9	112.3	99.9
GPM (%)	29.2	27.6	-167 bps		
OPM (%)	23.5	27.8	+432 bps		
EBITDA Margin (%)	24.4	28.9	+454 bps		
NPM (%)	19.3	22.8	+342 bps		
Production Volume (Mt)	60.8	65.8	+8.3		
Sales Volume (Mt)	63.4	68.1	+7.4		
ASP (USD/ t)	93.3	78.2	-16.2		
Stripping Ratio (x)	4.4	4.4	-1.1		

Source: Company, KBVS Research

AADI's FY24 revenue came in slightly above expectations, despite a decline driven by lower blended ASP. Despite the top-line contraction, margins improved, with net profit rising to USD1.2 bn (+5.9% yoy), exceeding our estimate by 12.3% and broadly in line with consensus (99.9%).

Exhibit 3: Valuation Summary

Metric	Unit	Value
EPS 2025F	IDR/ share	2,093
EPS 2026F	IDR/ share	2,5
Target Multiple	X	5.00
Fair Value	IDR/ share	10,500

Source: KBVS Research

We value the company using a 5.0x P/E multiple, based on peer average, implying a fair value of IDR 10,500/sh.

Exhibit 5: Comparable Peers

Company Ticker	Market Cap (IDR Tn)	Rating	Current Price	Target Price	EV/EBITDA		P/E		P/BV	
					25F	26F	25F	26F	25F	26F
UNTR IJ*	85,047	BUY	23,050	32,093	2.36	2.41	4.48	4.72	0.84	0.76
PTBA IJ	28,225	BUY	2,450	3,080	3.86	3.66	6.56	6.88	1.25	1.18
ITMG IJ	26,101	HOLD	23,400	23,300	1.48	1.72	5.33	6.66	0.80	0.76
AADI IJ					5.67	4.48	5.59	5.46	1.45	1.25
Average					1.72	2.53	5.06	5.52	0.92	0.85

Source: KBVS Research

The peer group traded at 25F P/E of 5.0x and EV/EBITDA of 1.7x, while AADI traded at a premium, underpinned by record-high sales volume, resilient margin profile, and strong cash flow

Exhibit 5: Forecast Changes

(USD mn)	New forecast			Old forecast			Forecast change (%)		
	25F	26F	27F	25F	26F	27F	25F	26F	27F
Revenue	4,756	5,326	5,360	6,049	6,648	6,960	(27.2)	(24.8)	(29.9)
Gross Profit	1,421	1,661	1,669	2,101	2,412	2,559	(47.8)	(45.2)	(53.3)
Operating Profit	1,277	1,499	1,506	1,767	2,045	2,190	(38.4)	(36.4)	(45.4)
EBITDA	1,335	1,564	1,575	1,829	2,118	2,270	(37.0)	(35.4)	(44.1)
Net Profit	1,009	1,219	1,248	1,235	1,427	1,555	(22.4)	(17.0)	(24.6)

Growth yoy (%)						
Revenue	(10.6)	+12.0	+0.6	+13.7	+9.9	+4.7
Gross Profit	(3.0)	+16.9	+0.5	+43.3	+14.8	+6.1
Operating Profit	(13.8)	+17.4	+0.5	+19.3	+15.7	+7.1
EBITDA	(13.3)	+17.2	+0.7	+18.8	+15.8	+7.2
Net Profit	(16.7)	+20.8	+2.3	+2.0	+15.5	+9.0

Margins (%)						
GPM	29.9	31.2	31.1	34.7	36.3	36.8
OPM	26.8	28.1	28.1	29.2	30.8	31.5
EBITDA Margin	28.1	29.4	29.4	30.2	31.9	32.6
NPM	21.2	22.9	23.3	20.4	21.5	22.3

Source: KBVS Research

We revise our forecast to reflect the recently released FY24 results and updated guidance. We remain conservative on significant production and sales volume growth, as capex will be mainly allocated to PT Kaltara Power Indonesia (KPI), barges under PT Adaro Logistics and subsidiaries, and supporting infrastructure across the supply chain. As a result, revenue and EBITDA are revised down by 25-45% for 25-27F, mainly due to lower volume assumptions. Net profit is also lowered by 22-25%, though margins remain relatively stable, with EBITDA margin slightly improving to 29-30%.

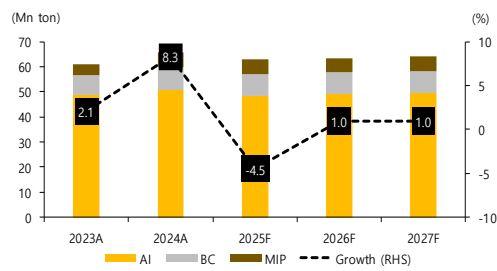
Exhibit 6: Sensitivity Analysis

	Coal Prices (USD/ t)				
	-20%	-10%	0%	+10%	+20%
Net Profit (25F)	1,762	1,983	2,093	2,204	2,425
Target Price (IDR/ sh)	8,800	9,900	10,500	11,000	12,100

Source: KBVS Research

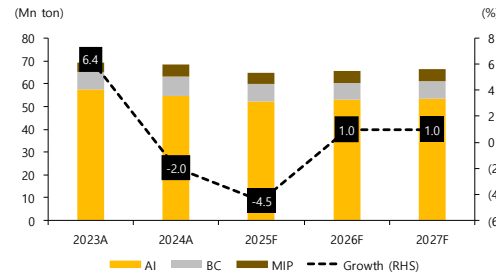
Every 10% change in coal prices impacts 2025F net profit by around USD 220–330 mn and could shift the target price between IDR 8,800–12,100/sh.

Exhibit 7: Coal Production Volume Forecast & Growth



Source: Company, KBVS Research

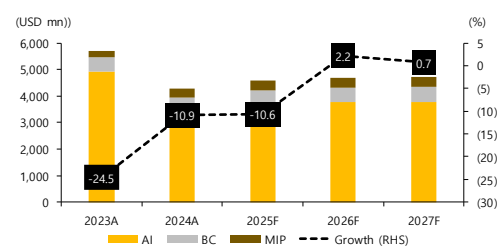
Exhibit 8: Coal Sales Volume Forecast & Growth



Source: Company, KBVS Research

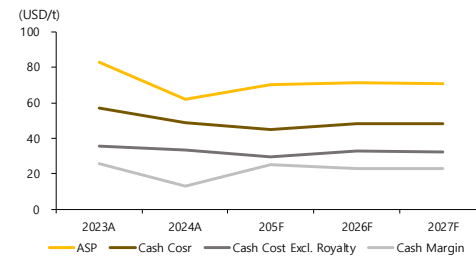
We maintain a conservative assumption for production volume at 62.8 Mt in 25F, growing +1% yoy thereafter. Sales volume is expected at 65 Mt, with a 103.4% sales-to-production ratio indicating efficient inventory turnover and strong market absorption.

Exhibit 9: Coal Revenue & Growth



Source: Company, KBVS Research

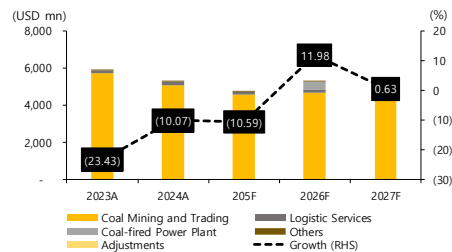
Exhibit 10: ASP, Cash Cost, & Margin Trends



Source: Company, KBVS Research

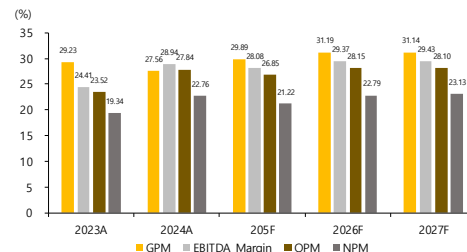
Coal revenue is expected to reach USD4.6 bn in 2025F (-10.6% yoy), mainly due to a -4.5% decline in sales volume, despite a +13.2% increase in ASP. ASP is projected to stabilize, supporting cash margin recovery and overall earnings quality.

Exhibit 11: Revenue Breakdown & Growth



Source: Company, KBVS Research

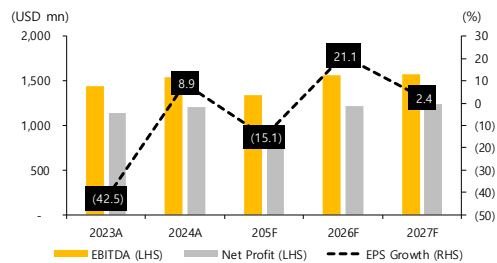
Exhibit 12: Profitability Margins



Source: Company, KBVS Research

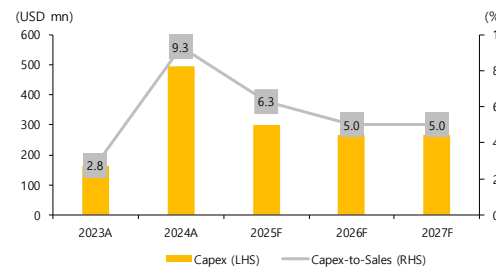
Revenue is projected at USD4.8 bn in 25F (-10.6% yoy) on lower coal contribution, before rising to USD 5.3 bn in 26F (+12% yoy), driven by the start of KPI's coal-fired power plant operations (PLTU). Supported by low cash cost, operational margins are expected to improve steadily through 26F.

Exhibit 13: EBITDA & Earnings Forecast



Source: Company, KBVS Research

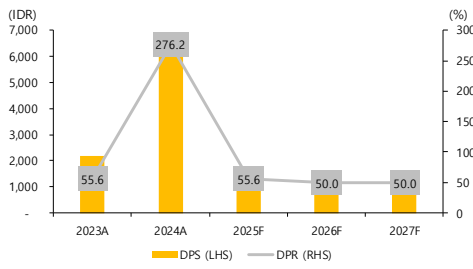
Exhibit 14: Capex Projections



Source: Company, KBVS Research

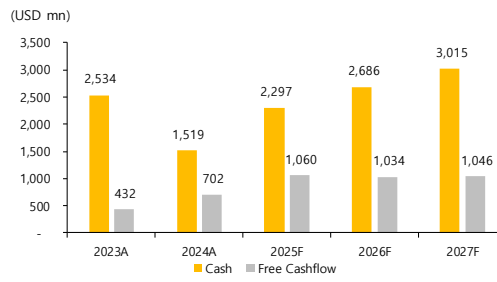
EBITDA is projected at USD1.3 bn in 25F with EPS growth of -15.1% yoy, improving to USD1.6 bn in 26F with EPS growth of +21.1% from power plant contribution. Capex is set at USD300 mn in 25F, declining gradually, mainly for KPI, barges, and infrastructure.

Exhibit 15: Dividend Projections



Source: Company, KBVS Research

Exhibit 16: Cash & Free Cashflow Projections



Source: Company, KBVS Research

We project a 50% DPR going forward, maintaining ADRO's appeal as a strong dividend play. Despite payouts, the company retains a solid cash position and healthy free cash flow to support growth while ensuring strong liquidity and operational strength.

Exhibit 17: Financial Tables

Profit and Loss (USD Mn)	23A	24A	25F	26F	27F
Revenue	5,915	5,320	4,756	5,326	5,360
COGS	(4,187)	(3,854)	(3,335)	(3,665)	(3,691)
Gross Profit	1,729	1,466	1,421	1,661	1,669
Operating Expenses	(338)	15	(145)	(162)	(163)
Operating Profit	1,391	1,481	1,277	1,499	1,506
EBITDA	1,444	1,540	1,335	1,564	1,578
Net Interest Income	111	86	51	78	91
Pre-tax Profit	1,560	1,540	1,284	1,544	1,577
Income Taxes	(274)	(213)	(178)	(214)	(218)
Profit for Period	1,286	1,327	1,106	1,330	1,358
Minority Interest	(142)	(116)	(97)	(116)	(119)
Net Profit	1,144	1,211	1,009	1,214	1,240

Balance Sheet (USD Mn)	23A	24A	25F	26F	27F
Cash and Cash Equivalent	2,534	1,519	2,297	2,686	3,015
Account Receivable	416	401	372	417	419
Others	319	294	285	290	291
Total Current Assets	3,270	2,214	2,953	3,394	3,726
Fixed Assets	533	975	1,216	1,417	1,614
Mining Properties	438	416	372	417	419
Other Non-Current Assets	2,822	2,388	2,388	2,388	2,388
Total Assets	7,063	5,993	6,930	7,615	8,146
ST Debt	762	44	46	43	36
Payables	834	468	722	793	799
Other ST Liabilities	202	361	361	361	361
Total Current Liabilities	1,798	873	1,129	1,197	1,196
LT Debt	194	1,424	1,504	1,398	1,192
Other LT Liabilities	280	332	332	332	332
Total Liabilities	2,272	2,629	2,965	2,927	2,720
Minority Interest	424	365	461	577	696
Total Equity	4,790	3,363	3,965	4,688	5,426

Cash Flow (USD Mn)	23A	24A	25F	26F	27F
Net Profit	1,391	1,481	1,277	1,499	1,506
D&A	52	59	59	65	71
Changes in Working Capital	(1,286)	(247)	292	21	2
Operating Cash Flow	595	1,199	1,360	1,300	1,313
Capital Expenditure	(163)	(496)	(300)	(266)	(268)
Others	84	694	(44)	45	3
Investing Cash Flow	(79)	198	(344)	(222)	(265)
Net - Borrowing	(140)	512	82	(109)	(213)
Other Financing	(1,226)	(2,902)	(408)	(491)	(501)
Financing Cash Flow	(1,366)	(2,390)	(326)	(600)	(714)
Net - Cash Flow	(850)	(994)	690	479	334
Cash at Beginning	3,380	2,534	1,519	2,297	2,686
Cash at Ending	2,534	1,519	2,297	2,686	3,015

Key Ratios	23A	24A	25F	26F	27F
Gross Profit Margin (%)	29.2	27.6	29.9	31.2	31.1
Operating Profit Margin (%)	23.5	27.8	26.8	28.1	28.1
EBITDA Margin (%)	24.4	28.9	28.1	29.4	29.4
Pre-Tax Margin (%)	26.4	29.0	27.0	29.0	29.4
Net Profit Margin (%)	19.3	22.8	21.2	22.8	23.1
Debt to Equity (x)	1.7	0.1	0.1	0.1	0.1
Net Gearing (x)	1.1	(0.4)	(0.5)	(0.5)	(0.5)

Major Assumptions	23A	24A	25F	26F	27F
Production volume (mn ton)	60.8	65.8	62.9	63.5	64.1
Sales volume (mn ton)	69.4	68.1	65.0	65.7	66.3
Blended ASP (USD/ ton)	82.6	62.1	70.3	71.1	70.9

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