

PT Adaro Energy Tbk (ADRO)

Coal Mining

Supported by already high coal prices

23 May 2022

Recommendations : BUY

Stock

Price on 20/05/2022 (Rp)	3,300
12M target price (Rp)	3,950
Capital gain potential	20%

Stock Data

Outstanding shares	31,985,960,000
Market cap (Rp)	105,873,534,220,000
Weight vs IHSG (%)	1.73

Shareholders (%)

Adaro Strategic Investments	43.91%
Board of Directors	12.39%
Public	41.24%
Treasury shares	2.46%
Outstanding Shares (unit)	31,202,734,000

Price Performance

52-week high/low	Rp3,460/Rp1,160
------------------	-----------------

Capital gain/(loss) (in %)

1 month	3 month	6 month	1 Year	YTD
3.12	42.67	94.13	184.12	47.11

Summary of Financial Performance

USD mn	2021A	2022E	2023F
Revenue	3,992.7	5,682.5	4,804.8
Operating Income	1,533.5	2,578.2	1,708.3
OPM (%)	38.41%	45.37%	35.55%
EBITDA	2,019.4	2,757.4	2,005.9
EV to EBITDA (x)*	2.39	2.48	3.37
Net Income	933.5	1,607.6	1,042.3
NPM (%)	44.32%	52.00%	41.15%
EPS (Rp)	428	737	478
EPS Growth (%)	535.3%	72.2%	-35.2%
Price Earnings (x)*	5.39	4.38	6.75
Price to Book (x)*	1.19	1.29	1.16
Price to Sales (x)*	1.26	1.24	1.46
Return on Equity (%)	20.94%	29.52%	17.22%
Return on Assets (%)	12.30%	19.08%	12.09%
Tot Debt/Equity (x)	0.36	0.29	0.25

*) based on market price (20/05/2022) at Rp3,300

Sources : Company, Bloomberg and KB Valbury Indonesia

Analyst(s)

Devi Harjoto
Alfiansyah

Laba bersih ADRO naik tajam 457,6% YoY pada 1Q22 menjadi USD400,0 juta ASP diperkirakan tinggi pada 1H22, akibat supply dan konflik geopolitik Rekomendasi "BUY" dengan target harga Rp3.950 per saham

Kenaikan laba bersih signifikan dan peningkatan margin

Laba bersih ADRO meningkat tajam 457,6% YoY pada 1Q22 menjadi USD440,01 juta (-22,0% QoQ). Kenaikan laba bersih ADRO ditopang oleh kenaikan pendapatan 77,0% YoY pada 1Q22 menjadi USD1,22 miliar (-14,0% QoQ). Peningkatan pendapatan juga diikuti kenaikan GPM dari 27,4% pada 1Q21 menjadi 49,2% pada 1Q22 kendati beban pokok naik 24,0% YoY. EBITDA margin ADRO juga meningkat dari 35,3% pada 1Q21 menjadi 61,6% pada 1Q22. Kemudian, beban operasional berhasil dikurangi 15,5% YoY pada 1Q22 terbantu oleh pencatatan laba dari bagian investasi sebesar USD14,3 juta dibandingkan kerugian yang dicatatkan sebesar USD17,0 juta pada 1Q21. Sehingga, margin operasional meningkat dari 19,3% pada 1Q21 menjadi 45,3% pada 1Q22. Kemudian, ADRO juga mencatatkan bagian atas JV USD69,6 juta pada 1Q22 dibandingkan kerugian sebesar USD1,67 juta pada tahun sebelumnya. Net gearing pada 1Q22 mencapai 0,02x pada 1Q22.

Performa ditopang oleh ASP ditengah supply yang ketat

Pertumbuhan pendapatan ADRO pada 1Q22 karena peningkatan ASP sebesar 86% YoY ditopang penguatan permintaan batubara ditengah kondisi supply yang ketat karena faktor curah hujan yang tinggi. Di sisi lain, produksi ADRO menurun 6% YoY menjadi 12,2 juta MT sehingga mendorong penjualan yang juga berkurang 3% YoY pada 1Q22 menjadi 12,2 juta MT yang juga akibat adanya pemberhentian ekspor batubara oleh kebijakan pemerintah. Kemudian, stripping ratio berada pada 3,97x pada 1Q22 dengan overburden removal menurun 8% YoY mencapai 48,2 MBCM. Dari area penjualan, penjualan ekspor meningkat 89,6% YoY pada 1Q22, terutama dari India yang tumbuh 259,1% YoY yang berkontribusi sekitar 20,8% terhadap penjualan ekspor. Tetapi, penjualan ke Cina hanya naik 9,6% YoY, dengan kontribusi turun signifikan dari 22,9% pada 1Q21 menjadi 13,2% pada 1Q22 karena adanya lockdown.

Permintaan yang masih kuat kendati resiko meningkat

Kami menurunkan proyeksi produksi ADRO pada tahun ini menjadi 50 juta ton pada 2022, dengan memperkirakan strip ratio akan cenderung stabil pada 4,1x. Dari segi ASP, kami memperkirakan akan tetap tinggi setidaknya pada 1H22, yang pada Mei pada ICI4 mencapai USD89 per MT, ditengah ketatnya supply dari produsen batubara dan konflik Rusia-Ukraina yang mendorong volatilitas harga energy. Akan tetapi, kami memperkirakan harga batubara berpeluang koreksi pada 2H22, ditengah harapan meredanya konflik bersenjata, normalisasi supply dan pengetatan moneter, juga kebijakan peningkatan produksi di Cina untuk meredakan inflasi PPI. Kemudian, kami memproyeksi EBITDA ADRO akan meningkat menjadi USD2,2-2,3 miliar pada 2022. Disamping itu, kami memandang positif rencana inovasi ADRO untuk mendiversifikasi bisnis pada renewable energy untuk mereduksi resiko dalam jangka panjang. Akan tetapi, kami memandang resiko dari perlambatan ekonomi Cina dan kenaikan suku bunga dapat berpotensi mengkoreksi harga energy, termasuk batubara.

Rekomendasi BUY ditengah kekuatan ADRO dengan produksi yang efisien

Kami merekomendasikan BUY dengan target harga Rp3.950 per saham, yang merefleksikan valuasi PE 2022E pada 4,38x. Dasar atas pertimbangan rekomendasi kami yakni 1) recovery ekonomi global yang berlanjut; 2) diversifikasi ke segmen non-batubara, dan listrik juga portolio batubara, dan energy terbarukan; 3) integrasi vertical sehingga dapat mendorong efisiensi produksi; 4) keunggulan produk batubara ADRO yang lebih bersih; 5) menguatnya US dollar yang berlanjut dan 6) neraca yang kuat. Namun, kami mencatat beberapa resiko yakni 1) potensi koreksi harga batubara 2) produksi yang lebih lambat dibandingkan perkiraan 3) tren pemakaian renewable energy dan 4) dan kenaikan suku bunga.

PT Adaro Energy Tbk (ADRO)

Coal Mining

FINANCIAL OVERVIEW

Income Statement (USD mn)	1CQ2021	1CQ2022	YoY Change	4Q2021	1Q2022	QoQ Change
Revenue	692	1,225	77.0%	1,424	1,225	(14.0%)
- Cost of Revenue	(502)	(623)	24.0%	(625)	(623)	(0.3%)
Gross Profit	190	602	217.2%	799	602	(24.7%)
Gross Margin (%)	27.4%	49.1%		56.1%	49.1%	
- Operating Expenses	(56)	(47)	(15.5%)	(72)	(47)	(33.9%)
Operating Profit	134	554	315.1%	727	554	(23.8%)
Operating Margin (%)	19.3%	45.3%		51.5%	45.3%	
EBITDA	244	755	209.4%	955	755	(13.9%)
EBITDA Margin (%)	35.3%	61.6%		67.1%	61.6%	
Non-Operating Income (Losses)	(16)	57	(463.6%)	40	57	42.0%
Pretax Income	118	611	418.6%	767	611	(20.3%)
- Income Tax Expense (Benefit)	(43)	(171)	302.8%	(240)	(171)	(28.6%)
Profit for This Year	75	440	484.0%	527	440	(16.5%)
- Minority	(4)	(40)	1011.1%	(15)	(40)	174.7%
Net Profit (Losses)	72	400	457.6%	513	400	(22.0%)
Profit Margin (%)	10.4%	32.7%		36.0%	31.8%	

Sources : Company and Valbury Sekuritas Indonesia

FINANCIAL TABLES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Year End Dec (USD mn)	2020A	2021A	2022E	2023F	2024F
Revenue	2,534.8	3,992.7	5,682.5	4,804.8	4,234.0
Revenue growth yoy	(26.7%)	57.5%	42.3%	(15.4%)	(11.9%)
- Cost of Goods Sold	(1,958.1)	(2,223.0)	(2,727.6)	(2,827.9)	(2,666.9)
Gross Income	576.7	1,769.7	2,954.9	1,976.9	1,567.1
- Operating Expenses	(277.7)	(236.3)	(376.7)	(268.7)	(250.2)
Operating Income	299.1	1,533.5	2,578.2	1,708.3	1,316.8
Op income growth yoy	(51.8%)	412.7%	68.1%	-33.7%	-22.9%
- Non Operating Gains (Losses)	(76.9)	(47.2)	(69.8)	(77.0)	(73.2)
EBITDA	748.4	2,019.4	2,757.4	2,005.9	1,676.8
Pretax Income	222.2	1,486.3	2,508.4	1,631.3	1,243.7
- Income Tax Expense	(63.7)	(457.7)	(778.6)	(509.8)	(384.7)
Profit this Year	158.5	1,028.6	1,729.7	1,121.5	858.9
Net Income	11.6	95.1	122.2	79.2	60.7
Net income growth yoy	146.9	933.5	1,607.6	1,042.3	798.3
EPS (IDR)	(63.6%)	535.3%	72.2%	(35.2%)	(23.4%)
Dividends Per Share (IDR)	66	428	737	478	366

*) Estimate

Sources: Company, Bloomberg and KB Valbury Indonesia

PT Adaro Energy Tbk (ADRO)

Coal Mining

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Year End Dec (USD mn)	2020A	2021A	2022E	2023F	2024F
Total Current Assets	1,731.9	2,838.1	3,038.5	3,151.5	3,304.6
+ Cash & Near Cash Items	1,173.7	1,811.1	1,783.5	1,779.0	1,785.5
+ Short Term Investments	152.8	220.7	269.7	294.9	326.5
+ Accounts & Notes Receivable	224.1	452.0	552.3	604.0	668.6
+ Inventories	105.1	125.7	153.7	168.0	186.0
+ Other Current Assets	76.1	228.6	279.3	305.4	338.1
Total Long-Term Assets	4,649.7	4,748.8	5,387.7	5,468.7	5,703.7
+ Property, Plant & Equip, Net	2,908.9	2,614.6	3,301.1	3,332.6	3,492.9
Property, Plant & Equip	6,576.0	6,744.4	7,822.4	8,038.8	8,414.4
Accumulated Depreciation	3,667.1	4,129.8	4,521.4	4,706.2	4,921.5
+ LT Investments & Receivables	100.0	161.7	174.4	188.2	203.0
+ Other Long Term Assets	1,640.7	1,972.6	1,912.2	1,947.9	2,007.7
Total Assets	6,381.6	7,586.9	8,426.2	8,620.2	9,008.3
Total Current Liabilities	1,144.9	1,361.6	1,270.0	939.5	960.3
+ Accounts Payable	214.3	272.4	261.9	253.2	245.9
+ Short Term Borrowings	642.6	270.7	288.6	286.4	297.8
+ Other Short Term Liabilities	288.0	818.4	719.5	399.9	416.6
Total Long Term Liabilities	1,284.9	1,767.1	1,710.6	1,626.6	1,541.5
+ Long Term Borrowings	865.5	1,336.6	1,285.0	1,219.8	1,158.0
+ Other Long Term Borrowings	419.5	430.5	425.6	406.8	383.5
Total Liabilities	2,429.9	3,128.6	2,980.6	2,566.1	2,501.8
+ Share Capital & APIC	1,497.4	1,497.4	1,497.4	1,497.4	1,497.4
+ Retained Earnings	2,347.1	2,783.5	3,649.1	4,211.1	4,630.2
+ Other Equity	(132.4)	(47.1)	(57.1)	(50.5)	(46.8)
Equity Before Minority Interest	3,712.1	4,136.8	5,089.3	5,658.0	6,080.9
+ Minority Interest	239.6	321.5	356.3	396.1	425.7
Total Equity	3,951.7	4,458.3	5,445.6	6,054.1	6,506.5
Total Liabilities & Equity	6,381.6	7,586.9	8,426.2	8,620.2	9,008.3
Book Value Per Share (IDR)	1,767.8	2,044.5	2,497.2	2,776.3	2,983.8

Sources: Company, Bloomberg and KB Valbury Indonesia

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year End Dec (USD mn)	2020A	2021A	2022E	2023F	2024F
Net Income	146.9	933.5	1,607.6	1,042.3	798.3
+ Depreciation & Amortization	449.4	485.9	391.6	184.8	215.3
+ Other Non-Cash Adjustments	142.5	16.9	13.6	6.4	7.5
Cash From Operating Activities	738.8	1,436.3	2,012.8	1,233.5	1,021.1
+ Disposal of Fixed Assets	15.6	2.8	1.6	0.4	(0.7)
+ Capital Expenditures	(177.3)	(180.0)	(256.1)	(216.6)	(190.8)
+ Other Investing Activities	(200.0)	(467.5)	(535.3)	(420.7)	(367.9)
Cash From Investing Activities	(361.7)	(644.6)	(789.8)	(636.9)	(559.5)
+ Dividends Paid	(250.1)	(146.8)	(742.0)	(480.2)	(379.2)
+ Change in Long Term Borr.	(482.3)	77.2	(451.6)	(65.2)	(61.7)
+ Change in Capital Stocks	0.0	(97.1)	0.0	0.0	0.0
+ Other Financing Activities	(47.2)	12.4	(57.1)	(55.7)	(14.2)
Cash From Financing Activities	(779.6)	(154.3)	(1,250.7)	(601.1)	(455.1)
Net Changes in Cash	(402.5)	637.4	(27.7)	(4.5)	6.5

Sources: Company, Bloomberg and KB Valbury Indonesia

PT Adaro Energy Tbk (ADRO)

Coal Mining

RATIO ANALYSIS

Year End Dec	2020A	2021A	2022E	2023F	2024F
Valuation Ratios					
Price Earnings*	22.19	5.39	4.38	6.75	8.81
EV to EBIT*	12.30	3.14	2.17	3.09	3.54
EV to EBITDA*	4.92	2.39	2.48	3.37	4.00
Price to Sales*	1.29	1.26	1.24	1.46	1.66
Price to Book*	0.88	1.19	1.29	1.16	1.08
Dividend Yield*	5.35%	7.44%	10.55%	6.82%	5.39%
Profitability Ratios					
Gross Margin	22.75%	44.32%	52.00%	41.15%	37.01%
EBITDA Margin	29.53%	50.58%	48.52%	41.75%	39.60%
Operating Margin	11.80%	38.41%	45.37%	35.55%	31.10%
Profit Margin	5.80%	23.38%	28.29%	21.69%	18.85%
Return on Assets	2.30%	12.30%	19.08%	12.09%	8.86%
Return on Equity	3.72%	20.94%	29.52%	17.22%	12.27%
Leverage & Coverage Ratios					
Current Ratio	1.51	2.08	2.39	3.35	3.44
Quick Ratio	1.42	1.99	2.27	3.18	3.25
Tot Debt/Capital	0.46	0.32	0.22	0.21	0.21
Tot Debt/Equity	0.38	0.36	0.29	0.25	0.22
Others					
Asset Turnover	0.40	0.53	0.67	0.56	0.47
Accounts Receivable Turnover	11.31	8.83	10.29	7.95	6.33
Accounts Payable Turnover	11.83	14.66	21.70	18.97	17.22
Inventory Turnover	24.11	31.75	36.98	28.59	22.76

*) based on market price (20/05/2022) at Rp3,300

**) Estimate

Sources: Company, Bloomberg and KB Valbury Indonesia

PT Adaro Energy Tbk (ADRO)

Coal Mining

Disclaimer

This report is prepared by PT KB Valbury Sekuritas, a member of the Indonesia Stock Exchange, or its subsidiaries or its affiliates ("KBVS"). All the material presented in this report is under copyright to KBVS. None of the parts of this material, nor its contents, may be copied, photocopied, or duplicated in any form or by any means or altered in any way, or transmitted to, or distributed to any other party without the prior written consent of KBVS.

The research presented in this report is based on the information obtained by KBVS from sources believed to be reliable, however KBVS do not make representations as to their accuracy, completeness or correctness. KBVS accepts no liability for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from the use of the material presented in this report and further communication given or relied in relation to this document. The material in this report is not to be construed as an offer or a solicitation of an offer to buy or sell any securities or financial products. This report is not to be relied upon in substitution for the exercise of independent judgement. Past performance and no representation or warranty, express or implied, is made regarding future performance. Information, valuations, opinions, forecasts and estimates contained in this report reflects a judgement at its original date of publication by KBVS and are subject to change without notice, its accuracy is not guaranteed or it may be incomplete.

The Research Analyst(s) primarily responsible for the content of this research report, in part or as a whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The Analyst also certifies that no part of his/her compensation was, is or will be related to specific recommendation views expressed in this report. It also certifies that the views and recommendations expressed in this report do not and will not take into account client circumstances, objectives, needs and no intentions involved as a use for recommendations for sale or buy any securities or financial instruments.

 KB Valbury Sekuritas

Headquarters

Menara Karya, 9th Floor
 Jl. Raya Boulevard Barat Blok A1 No. 10
 Jakarta 11620
 T +62 21 - 29451577
 F +62 21 - 29451577

Branch Office

Jakarta - Kelapa Gading

Rukan Plaza Pasifik
 Jl. Raya Boulevard Barat Blok A1 No. 10
 Jakarta 11620
 T +62 21 - 29451577

Jakarta - Puri Indah

Rukan Grand Aries Niaga
 Blok E.1 No. 1 V Jl. Taman Aries, Kembangan,
 Jakarta 14450
 T +62 21 - 22542390
 F +62 21 - 29264310

Jakarta - Pluit

Jl. Pluit Putra Raya No. 2
 Jakarta 14240
 T +62 21 - 29264300
 F +62 21 - 22542391

Bandung

Jl. HOS Cokroaminoto No. 82
 Bandung 40171
 T +62 22 - 87255888
 T +62 22 - 87255800
 F +62 22 - 87255811

Semarang

Candi Plaza Building Lt. Dasar
 Jl. Sultan Agung No. 90-90A
 Semarang 50252
 T +62 24 - 3521888
 T +62 24 - 8501122
 F +62 24 - 8507450

Yogyakarta

Jl. Magelang KM 5.5 no. 75
 Yogyakarta 55284
 T +62 274 - 4469500
 T +62 274 - 6231111
 F +62 274 - 623222

Galeri Investasi

Padang

Jl. Kempung Nias II no. 10,
 Kel. Belakang Pondok,
 Kec. Padang Selatan
 T +62 751 8955747

Manado

Kawasan Megamas, Ruko Megaprofit
 Blok IF2 No. 38 Manado. 95254
 T +62 431 7917 836
 F +62 431 880 2129

Surabaya

Pakuwon Center Tunjungan Plaza Lantai 21
 Jl. Embong Malang No. 1
 Surabaya 60261
 T +62 31 - 2955777
 T +62 31 - 2955788
 F +62 31 - 2955736

Denpasar

Komplek Ibis Styles Hotel
 Jl. Teuku Umar No. 177
 Denpasar Bali 80114
 T +62 361 - 255888
 T +62 361 - 225229
 F +62 361 - 225339

Banjarmasin

Jl. Gatot Subroto No.33 Kel. Kebun Bunga
 Kec. Banjarmasin Timur
 Kalimantan Selatan 70235
 T +62 511 - 3265918
 F +62 511 - 3253432

Solo

Jl. Ronggo Warsito no. 34
 Solo 57118
 T +62 271 632888
 F +62 271 656988

Makassar

Ratulangi Points Lt. 3
 Jl. Dr Sam Ratulangi No. 2 Kunjungmae, Mariso
 Makassar, Sulawesi Selatan 90125
 T +62 411 8955999

Malang

Jl. Pahlawan Trip no. 7
 Malang 65112
 T +62 341 - 585888
 F +62 341 - 560056

Solo

Jl. Ronggowarsito No. 34
 Surakarta 57118
 T +62 271 - 632888

Palembang

Komp. PTC Mall Blok I No. 7 Jl. R. Sukarno Kel. 8 Ilir
 Kec. Ilir Timur II Palembang 30114
 T 07115700281

Medan

Komplek Jati Junction No. PS-5A
 Jl. Perintis Kemerdekaan
 Medan 20218
 T +62 61 - 88816222
 F 62 61 - 88816333

Pekanbaru

Jl. Tuanku Tambusai
 Komplek CNN Blok A No.3 Pekanbaru 28291
 T +62 761 - 839393
 Galeri Investasi

Padang

Jl. Kempung Nias II no. 10,
 Kel. Belakang Pondok,
 Kec. Padang Selatan
 T +62 751 8955747

Manado

Kawasan Megamas, Ruko Megaprofit
 Blok IF2 No. 38 Manado. 95254
 T +62 431 7917 836
 F +62 431 880 2129

Solo

Jl. Ronggowarsito No. 34
 Surakarta 57118
 T +62 271 - 632888

Palembang

Komp. PTC Mall Blok I No. 7 Jl. R. Sukarno Kel. 8 Ilir
 Kec. Ilir Timur II Palembang 30114
 T 07115700281

Galeri Investasi BEI - VSI

Yogyakarta
 Universitas Kristen Duta Wacana
 T +62 274 - 544032

Manado

Universitas Prisma Manado
 T 0431 8800850

Jakarta

Universitas Gunadarma
 T +62 21 - 8727541