

Adaro Energy Tbk (ADRO IJ)

Performa Mengejutkan

Company Update | Sep 09, 2019

Pada 2Q19, ADRO berhasil membuat kejutan dengan kinerja keuangan yang tumbuh di luar ekspektasi ketika pasar batu bara masih mengalami ketidakpastian. ASP menurun 8% YoY, tetapi pendapatan dan laba bersih ADRO masing-masing tumbuh 10% YoY dan 47% YoY. Hal tersebut berkat peningkatan produksi dan volume penjualan, serta efisiensi biaya.

Kinerja Melewati Ekspektasi

Pada 2Q19, ADRO berhasil membukukan pendapatan USD929 juta (+10% YoY, +10% QoQ), laba kotor USD300 juta (+13% YoY, +13% QoQ), EBITDA USD338 juta (+7% YoY, +17% QoQ), dan laba bersih USD178 juta (+47% YoY, +50% QoQ). Kontrol biaya yang ketat tercermin di pertumbuhan GPM menjadi 32% (vs. 31% pada 1Q19) diikuti kenaikan OPM menjadi 27% (vs. 24% pada 1Q19); kinerja tersebut membuat ADRO tetap mempertahankan margin yang sehat.

Volume Penjualan dan Efisiensi Biaya

ADRO mencatatkan produksi batu bara 14 juta ton (+12% YoY, +7% QoQ) sehingga volume penjualan batu bara pada 2Q19 menjadi 15 juta ton (+20% YoY, +16% QoQ) dengan pertumbuhan penjualan ekspor menjadi 78% (vs. 73% pada 1Q19) lantaran peningkatan permintaan ekspor oleh Tiongkok dan India setelah sempat mengurangi impor pada 1Q19. Namun ASP menjadi USD56/ton (-8% YoY, -3% QoQ) akan tetapi tidak berdampak pada kinerja ADRO karena mampu mencatatkan *stripping ratio* di level 4.6x (-8% YoY, -0,2% QoQ) sebagai bentuk efisiensi biaya. Kami memproyeksikan untuk 2019F, ADRO masih mampu mencatatkan produksi batu bara sebesar 55 juta ton dengan volume penjualan batu bara sebesar 58 juta ton dibarengi *stripping ratio* di rentang 4.4x-4.5x.

Pasar Batu Bara Masih Dalam Ketidakpastian

Rata-rata harga batu bara dunia di 2Q19 sebesar USD80/ton (-18% YoY, -16% QoQ) yang terus mengalami tren penurunan; adapun, NDRC saat ini berencana untuk menjaga harga acuan batu bara domestik di Tiongkok berada pada rentang USD70/ton-USD98/ton. Kebijakan tersebut akan semakin menyulitkan bisnis pertambangan batu bara untuk meningkatkan pendapatan secara signifikan sampai akhir tahun 2019. Kami memproyeksikan rata-rata harga batu bara dunia untuk 2019F akan berada di rentang USD83/ton-USD85/ton.

Rating BUY dengan Target Harga Rp1.600

ADRO memiliki struktur bisnis yang kuat dan terus melakukan investasi pada infrastruktur pertambangan, membuat kami memberikan rekomendasi BUY dengan target harga Rp1.600 atau potensi *upside* sebesar 19,9% berdasarkan metode *forward P/E* 7,8x (+1 SD). Saat ini, ADRO diperdagangkan dengan *P/E* 2019F 7,0x.

Buy

Dec 2020 TP (IDR)	1,600
Consensus Price (IDR)	1,574
TP to Consensus Price	+1.6%
vs. Last Price	+19.9%

Shares data

Last Price (IDR)	1,335
Price Date as of	Sep 06, 2019
52 wk Range (Hi/Lo)	1,900 / 1,010
Free Float (%)	43.69
Outstanding sh.(mn)	31,986
Market Cap (IDR bn)	42,381
Market Cap (USD mn)	3,450
Avg. Trd Vol - 3M (mn)	52.16
Avg. Trd Val - 3M (bn)	63.41
Foreign Ownership	32.2%

Mining

Coal	
Bloomberg	ADRO IJ
Reuters	ADRO.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	9.9%	23.0%	3.1%	-22.6%
Rel. Ret.	8.0%	19.9%	1.5%	-31.8%

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Adaro Energy Tbk | Summary

	2018A	2019F	2020F	2021F
Sales	3,620	3,404	3,513	3,647
Growth (%)	11.1%	-6.0%	3.2%	3.8%
EBITDA	1,258	1,072	1,204	1,342
Net Profit	418	466	447	470
EPS (IDR)	188	207	196	206
Growth (%)	-13.6%	11.5%	-4.0%	5.2%
P/E	6.5x	7.0x	7.3x	7.0x
P/BV	0.6x	0.7x	0.7x	0.6x
EV/EBITDA	2.5x	3.4x	3.2x	2.9x
ROE (%)	9.3%	9.9%	9.1%	9.4%
DER (%)	33.0%	30.0%	31.0%	31.0%
Net Debt	490	398	563	666

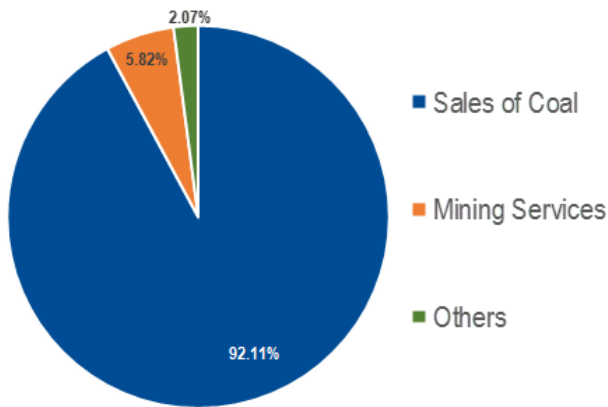
Unit: USD mn, %, x

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

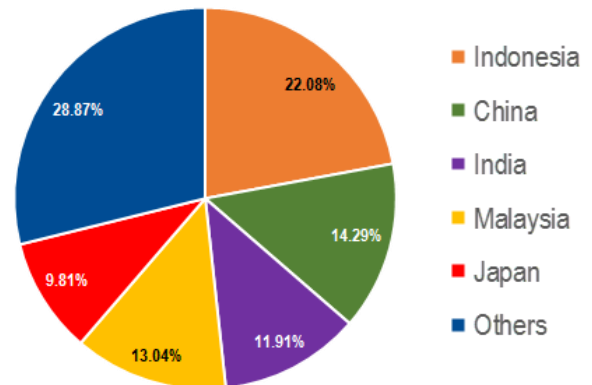
Performance Highlights in Charts

2Q19 Revenue Breakdown



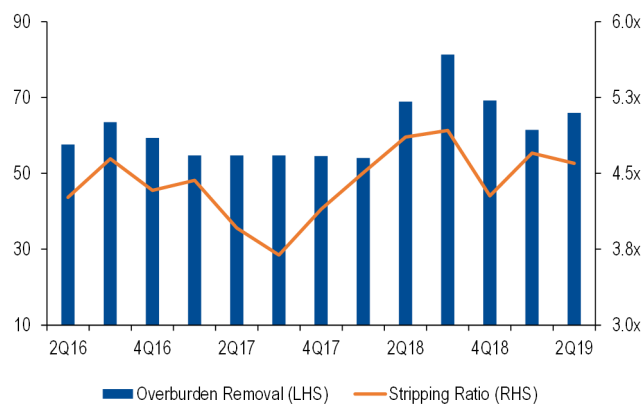
Source: Company Data, NHKS Research

2Q19 Sales by Geographic



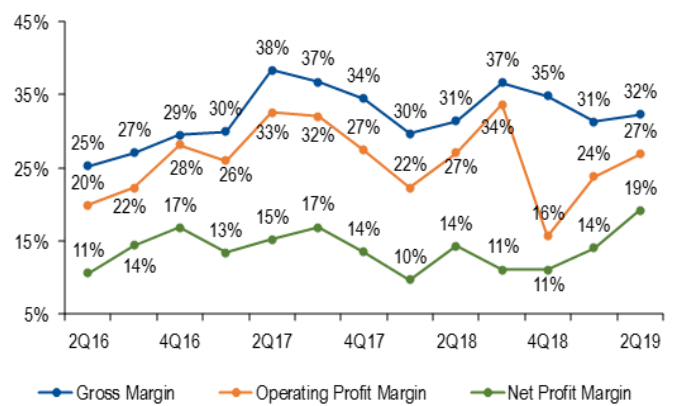
Source: Company Data, NHKS Research

OB Removal & Stripping Ratio



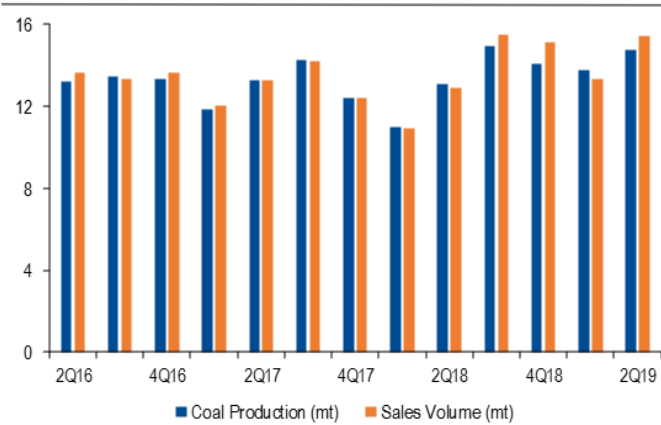
Source: Company Data, NHKS Research

Margin Ratio



Source: Company Data, NHKS Research

Production & Sales Volume



Source: Company Data, NHKS Research

Average Selling Price



Source: Company Data, NHKS Research

Valuation Highlights in Charts

12-Month Forward P/E Band



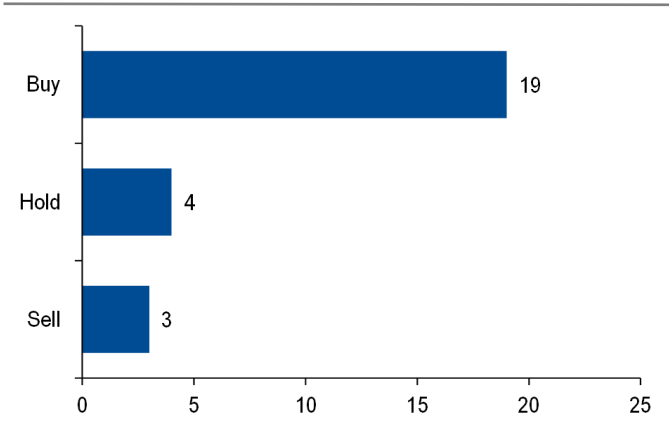
Source: Bloomberg, NHKS Research

12-Month Dynamic Forward P/E Band



Source: Bloomberg, NHKS Research

Recommendations by Analysts



Source: Bloomberg, NHKS Research

Stock and Coal Prices Correlated Positively



Source: Bloomberg, NHKS Research

Quarterly Review

	2Q18	3Q18	4Q18	1Q19	2Q19			3Q19E	
					Actual	Estimate	Y-Y		Q-Q
Income statement									
Sales	846	1,057	953	846	929		109.7%	9.7%	817
Gross Profit	266	387	332	265	300		112.8%	13.2%	226
EBIT	229	355	150	201	250		109.0%	23.9%	134
EBITDA	316	445	231	290	338		106.9%	16.6%	209
Net Profit	121	117	105	119	178		147.2%	49.9%	82
Margin									
Gross Margin	31.3%	36.6%	34.8%	31.3%	32.3%		102.8%	1.0%	27.7%
EBIT Margin	27.1%	33.6%	15.7%	23.8%	26.9%		99.3%	3.1%	16.4%
EBITDA Margin	37.4%	42.1%	24.3%	34.2%	36.4%		97.4%	2.2%	25.6%
Net Profit Margin	14.3%	11.1%	11.0%	14.0%	19.2%		134.2%	5.1%	10.1%

Unit: USD mn, %

Source: Company Data, NHKS Research

Earnings Revision

		2019F	2020F	2021F
Income Statement				
Sales	-Revised	3,404	3,513	3,647
	-Previous	4,006	4,315	
	-Change	-15.0%	-18.6%	
Gross Profit	-Revised	1,024	1,159	1,203
	-Previous	1,244	1,340	
	-Change	-17.7%	-13.5%	
EBIT	-Revised	727	871	901
	-Previous	905	975	
	-Change	-19.7%	-10.7%	
EBITDA	-Revised	1,055	1,204	1,342
	-Previous	1,258	1,285	
	-Change	-16.2%	-6.3%	
Net Profit	-Revised	466	447	470
	-Previous	494	555	
	-Change	-5.7%	-19.5%	
Margin				
Gross Margin	-Revised	30.1%	33.0%	33.0%
	-Previous	31.3%	31.3%	
EBIT Margin	-Revised	21.4%	24.8%	24.8%
	-Previous	22.6%	22.6%	
EBITDA Margin	-Revised	31.0%	34.3%	36.8%
	-Previous	31.4%	29.8%	
Net Profit Margin	-Revised	13.7%	12.7%	12.9%
	-Previous	12.3%	12.9%	

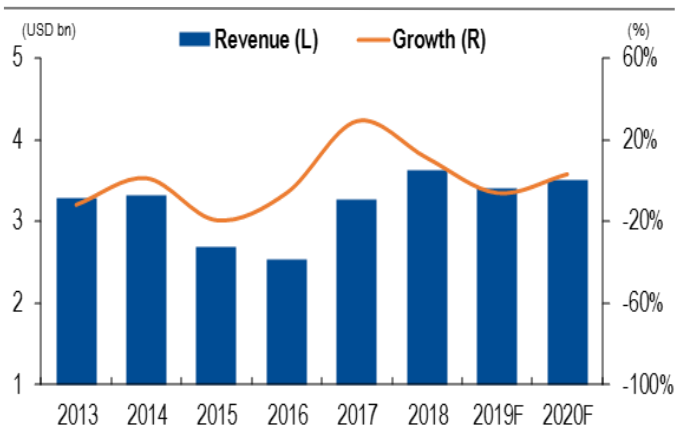
Unit: USD mn, %

Source: Company Data, NHKS Research

Company Overview

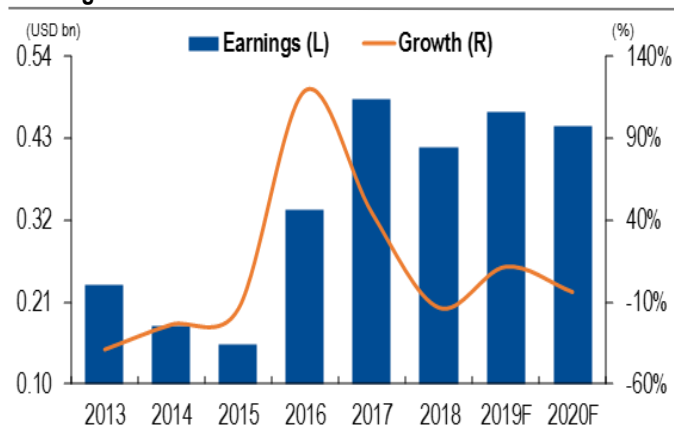
- PT Adaro Energy Tbk (ADRO) adalah perusahaan pertambangan unggul dan produsen batu bara terbesar kedua di Indonesia dan telah berkembang menjadi organisasi yang terintegrasi secara vertikal.
- Bisnis utama ADRO meliputi bisnis pertambangan batu bara, kontraktor jasa pertambangan, jasa logistik pertambangan, dan pembangkit listrik tenaga batu bara
- ADRO memiliki beberapa anak perusahaan yang berpusat pada energi pertambangan, transportasi dengan kapal besar, pemuatan di kapal, pengerukan, jasa pelabuhan, pemasaran dan penghasil listrik.
- Saat ini ADRO telah mengoperasikan pertambangan batu bara tunggal terbesar di Kalimantan Selatan dan bertujuan menjadi grup pertambangan dan energi besar di Asia Tenggara.

Revenue and Growth Movements



Source: Company Data, NHKS Research

Earnings and Growth Movements



Source: Company Data, NHKS Research

Global Companies Peers Analysis

	Market Cap (USD mn)	Asset (USD mn)	Sales LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Growth LTM	Net Profit Margin	ROE LTM	P/E LTM	P/BV
Indonesia									
ADARO ENERGY TBK	3,029	7,061	3,785	519	13.7%	13.7%	14.2%	5.8x	0.8x
BUKIT ASAM TBK	2,133	1,676	1,444	328	-6.8%	22.7%	29.2%	5.8x	1.6x
INDO TAMBANGRAYA MEGAH TBK	1,158	1,443	2,091	230	-8.1%	11.0%	25.7%	4.9x	1.3x
BUMI RESOURCES TBK	432	3,907	1,032	150	-58.7%	14.5%	N/A	2.9x	N/A
India									
COAL INDIA LTD	16,938	19,145	13,290	2,498	148.1%	18.8%	74.8%	7.0x	4.6x
Thailand									
BANPU PCL	2,139	8,485	3,409	155	-27.8%	4.5%	6.1%	13.1x	0.8x
Australia									
WHITEHAVEN COAL LTD	2,299	3,397	1,779	378	0.6%	21.2%	15.1%	6.1x	1.0x
Canada									
CAMECO CORP	3,573	5,886	1,514	111	N/A	7.3%	3.1%	34.5x	1.0x
China									
INNER MONGOLIA	2,743	13,746	5,902	549	-23.5%	9.3%	12.9%	5.2x	0.6x
SHANXI LU'AN	3,240	9,488	3,577	406	-8.47%	11.4%	11.6%	8.3x	0.9x
United States									
PEABODY ENERGY CORP	1,716	7,424	5,209	485	-46.4%	9.3%	14.5%	7.1x	0.6x

Unit: USD mn, %, X

Source: Bloomberg, NHKS Research

Summary of Financials

INCOME STATEMENT

(USD mn)	2018/12A	2019/12F	2020/12F	2021/12F
Sales	3,620	3,404	3,513	3,647
Growth	11.1%	-6.0%	3.2%	3.8%
COGS	(2,410)	(2,380)	(2,354)	(2,444)
Gross Profit	1,210	1,024	1,159	1,203
Gross Margin	33.4%	30.1%	33.0%	33.0%
Operating Expenses	(306)	(297)	(288)	(299)
EBIT	904	727	871	904
EBIT Margin	25.0%	21.4%	24.8%	24.8%
Depreciation	354	328	333	437
EBITDA	1,258	1,055	1,204	1,342
EBITDA Margin	34.8%	31.0%	34.3%	36.8%
Interest Expenses	(65)	(126)	(285)	(285)
EBT	821	789	780	821
Income Tax	(343)	(286)	(296)	(312)
Minority Interest	(60)	(37)	(37)	(39)
Net Profit	418	466	447	470
Growth	-13.6%	11.5%	-4.0%	5.2%
Net Profit Margin	11.5%	13.7%	12.7%	12.9%

PROFITABILITY & STABILITY

	2018/12A	2019/12F	2020/12F	2021/12F
ROE	9.4%	9.9%	9.1%	9.4%
ROA	5.9%	6.2%	5.8%	6.1%
ROIC	9.2%	7.8%	8.6%	8.5%
Cash Dividend (USD mn)	225	225	251	241
Dividend Yield	8.2%	6.9%	7.6%	7.3%
Payout Ratio	53.9%	48.4%	56.2%	51.2%
DER	33.0%	30.0%	31.0%	31.0%
Net Gearing	57%	48%	51%	49%
LT Debt to Equity	27.8%	20.8%	28.5%	23.3%
Capitalization Ratio	24.8%	23.1%	23.7%	23.7%
Equity Ratio	60.9%	64.2%	61.6%	64.9%
Debt Ratio	20.1%	19.2%	19.1%	20.1%
Financial Leverage	159.8%	159.1%	158.1%	154.2%
Current Ratio	196.0%	166.2%	198.8%	170.7%
Par Value (IDR)	100	100	100	100
Total Shares (mn)	31,986	31,986	31,986	31,986
Share Price (IDR)	1,230	1,440	1,440	1,440
Market Cap (IDR tn)	39.3	46.1	46.1	46.1

BALANCE SHEET

(USD mn)	2018/12A	2019/12F	2020/12F	2021/12F
Cash	928	978	926	893
Receivables	371	207	587	237
Inventories	112	110	106	119
Total Current Assets	1,600	1,429	1,817	1,446
Net Fixed Assets	3,906	4,250	4,400	4,730
Other Non Current Asset	1,554	1,470	1,577	1,577
Total Assets	7,061	7,149	7,793	7,752
Payables	342	284	270	305
ST Bank Loan	220	420	119	390
LT Debt	1,198	956	1,369	1,169
Total Liabilities	2,758	2,560	2,991	2,724
Capital Stock + APIC	1,497	1,498	1,498	1,498
Retained Earnings	2,161	2,502	2,597	2,823
Shareholders' Equity	4,303	4,589	4,802	5,028

VALUATION INDEX

	2018/12A	2019/12F	2020/12F	2021/12F
Price/Earnings	6.5x	7.0x	7.3x	7.0x
Price/Book Value	0.6x	0.7x	0.7x	0.7x
Price/Sales	0.8x	1.0x	0.9x	0.9x
PE/EPS Growth	-0.5x	0.6x	-1.8x	1.3x
EV/EBITDA	2.5x	3.4x	3.2x	2.9x
EV/EBIT	3.5x	5.0x	4.4x	4.3x
EV (IDR bn)	45,533	51,183	53,436	54,832
Sales CAGR (3-Yr)	10.5%	10.5%	2.5%	0.2%
EPS CAGR (3-Yr)	39.9%	11.6%	-2.6%	4.0%
Basic EPS (IDR)	188	207	196	206
Diluted EPS (IDR)	188	207	196	206
BVPS (IDR)	1,936	2,037	2,105	2,198
Sales PS (IDR)	1,628	1,511	1,540	1,594
DPS (IDR)	101	100	110	105

CASH FLOW STATEMENT

(USD mn)	2018/12A	2019/12F	2020/12F	2021/12F
Operating Cash Flow	906	858	800	915
Investing Cash Flow	(793)	(384)	(831)	(777)
Financing Cash Flow	(472)	(322)	(20)	(171)
Net Changes in Cash	(359)	152	(52)	(33)

TOP OWNERSHIP

By Geography	% Shareholders	%
Indonesia	67.8	Adaro Strategic 43.9
United States	18.8	Garibaldi Thohir 6.2
Luxembourg	8.8	Edwin Soeryadjaya 3.3
Ireland	1.1	Theodore Rahmat 2.5

Source: Company Data, NHKS Research

Closing and target price update



Source: Bloomberg, NHKS Research

Rating and target price update

Date	Rating	Target price	Consensus
2016.11.24	Buy	IDR2,130	IDR1,801
2017.04.10	Buy	IDR2,220	IDR1,978
2017.05.19	Buy	IDR2,010	IDR2,022
2018.01.10	Buy	IDR2,570	IDR2,327
2018.04.11	Buy	IDR2,460	IDR2,030
2018.06.04	Buy	IDR2,500	IDR2,613
2018.11.07	Buy	IDR1,970	IDR2,471
2019.03.18	Buy	IDR1,675	IDR1,723
2019.09.09	Buy	IDR1,600	IDR1,574

Source: NHKS Research

NHKS stock ratings

- Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
- Buy: greater than +15%, Hold: -15% to +15%, Sell: less than -15%.
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