



KSI Research

ADRO Flash Update

KIWOOM
SEKURITAS INDONESIA

PT Alamtri Resources Indonesia Tbk (ADRO)

ADRO: Weak Performance, but Strong Financial Foundation

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Industry

Buy

Neutral

TP 12M
vs. Last PriceIDR 2,020
+16%**Stock Data**

Ticker Code

ADRO

Sub Sector

Oil, Gas & Coal

Sector

Energy

Market Cap (IDR.Tn)

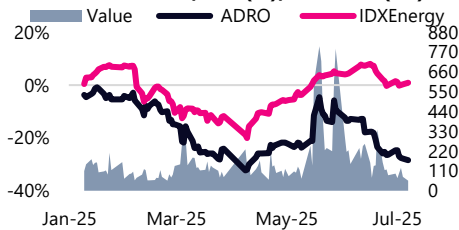
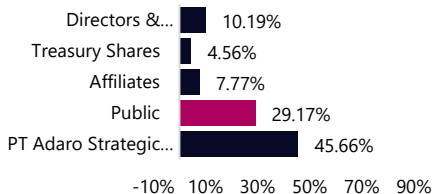
8.9

Shares Issued (Bn)

27.3

AVG 3M Turnover (Bn)

202.0

Price (IDR)**Price Performance, YTD(%), Turnover(Bn)****Shareholding After Private Placement****ESG Rating**

Environmental	3.28
Social	5.81
Governance	3.09

FY2024: Top line & bottom line slightly declined despite higher production volume. ADRO recorded revenue of USD 2,079 million in FY24, slightly down -3% y/y from USD 2,135 million in FY23. Core profit decreased -2% y/y to USD 648 million, and operational EBITDA also weakened -7% to USD 982 million from USD 1,057 million. Although operational side posted strong growth – production increased +30%, sales rose +26% – it was not enough to lift financial performance due to lower selling prices and cost pressures.

1Q25: Top line & bottom line drop significantly. ADRO recorded operating revenue of USD 381.6 million in Q1-25, down -22% y/y from USD 491.3 million in Q1-24. Operating profit also dropped sharply to USD 76.5 million (-52% y/y). Net profit or profit for the period plunged to USD 87.3 million, a drastic decline of -79% compared to Q1-24 which reached USD 426.1 million. Balance Sheet: Liabilities decreased from USD 1,331.3 million to USD 1,206.5 million. Equity increased from USD 5,370.8 million to USD 5,227.9 million (although slightly down from FY). Total assets fell from USD 6,702.1 million to USD 6,434.4 million. Debt to Equity Ratio and Debt to Asset Ratio show an improvement in capital structure (DER from 0.25x to 0.23x; DAR from 0.20x to 0.19x). Interest Coverage Ratio (ICR) rose from 10.51x to 14.01x, indicating better interest payment capability.

In 2025, ADRO targets a more efficient capex in the range of USD 475–525 million (vs 2024FY USD 514 million), reducing the stripping ratio to 3.3x from 3.55x to improve operational efficiency, and maintaining solid sales volume in the range of 5.6–6.1 million tons, reflecting a conservative yet profitability-oriented strategy amid market uncertainty. In addition, with a relatively low debt ratio position, there is an opportunity to obtain funding for expansion in strengthening the renewable energy business and others.

Key Takeaways

- Financial structure remains solid, with debt reduced and liquidity ratios improved.
- ADRO's revenue and profit plunged sharply in Q1 2025, putting pressure on margins and profitability.
- Subsidiary ADMR showed strong growth thanks to a surge in sales volume and mining efficiency.
- ADRO targets more efficient capex and maintains stable production, reflecting a focus on profitability.
- Financial structure remains healthy with declining debt and improved liquidity ratios.

Recommendation "BUY"

Based on relative valuation (PE & PBV), we estimate ADRO's fair value for the 12-month target at IDR 2,020 per share. This price reflects a P/E ratio of 12.25x and a PBV of 0.79x. The latest price (IDR 1,740) is traded at an estimated P/E ratio of 10.55x (compared to peers' average of 7.66x, with the highest at 51x) and an estimated PBV of 0.68x (compared to peers' average of 1.14). *Downside risks: Metallurgical and thermal coal businesses are pressured by energy transition and emission regulations, while renewable energy faces high cost challenges and reliance on government incentives.*

Financial Highlight

End 31 Dec	2022A	2023A	2024A	2025F	2026F
Revenue (USD mn)	8,102	2,135	2,079	1,526	1,733
EBITDA (USD mn)	4,830	1,082	1,042	542	615
Net Profit (USD mn)	2,493	1,641	1,380	307	329
NPM (%)	31%	77%	66%	20%	19%
ROE (%)	38.2%	22.2%	25.7%	6%	6%
PE (x)	1.70x	2.70x	3.10x	12.25x	11.42x
PBV (x)	0.70x	0.60x	0.80x	0.79x	0.76x

Source: Company and KSI Research



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Result 1Q2025

USD Mn	Q1 2024	Q1 2025	y/y
Revenue	491.3	381.6	-22%
Cost of Revenue	285.3	271.3	-5%
Gross Profit	206.1	110.3	-46%
Operating income	160.3	76.5	-52%
Finance cost	15.3	5.5	-64%
Net Profit	374.3	76.7	-80%
Basic Earnings per Share	0.012	0.002	-80%

	FY2024	Q1 2025	
Total Liabilities	1,331.3	1,206.5	-9%
Total Equity	5,370.8	5,227.9	-3%
Total Assets	6,702.1	6,434.4	-4%
GPM (%)	42%	29%	-13%
OPM (%)	33%	20%	-13%
NPM (%)	76%	20%	-56%
ROE (%)	28%	6%	-22%
DER (x)	0.25x	0.23x	-0.02x
DAR (x)	0.20x	0.19x	-0.01x
ICR (x)	10.51x	14.01x	3.49x

Source: Company & KSI Research

Before & During Restructuring

- December 2024: Adaro Energy completed the spin-off of its thermal coal assets to a new subsidiary, PT Adaro Andalan (Andalan); the parent company changed its name to Alamtri Resources and reconcentrated on metallurgical coal, logistics, and clean energy.
- This spin-off provided an opportunity to regain access to bank financing previously denied due to thermal coal exposure.
- However, criticism from BankTrack labeled it as mere greenwashing; Alamtri still holds a 15% stake in the thermal coal subsidiary and plans to increase production through Andalan.

Financial Impact & Post-Restructuring Strategy

- In Q1 2025, the group's presentation emphasized three core pillars: thermal energy (pit-to-power), metallurgical coal (through ADMR), and renewable energy (solar/hydro/wind).
- Main revenue now comes from ADMR (metallurgical) and SIS (mining services), and the outlook remains positive.
- This spin-off activity may reduce thermal coal exposure and support renewable energy expansion plans, although the possibility of a special dividend payout is also being considered.

Segment	Before	After
Thermal coal exposure	High (>50% of revenue)	Assets spun off, but still 15% ownership
ESG bank financing	Constrained	Easier (banks view as non-consolidated thermal)
New group focus	Thermal dominated	Metallurgical & clean energy
Reputation risk	Not an issue	Criticized as greenwashing

Commentary: In metallurgical coal and renewable energy sectors, Alamtri and ADMR have bright projections (strengthened diversification & capex). However, if concerned about ESG or thermal coal exposure, further analysis is needed due to remaining links between AADI and ADRO.

Metallurgical Coal Outlook Summary

- Rising demand**, especially from India and Southeast Asia, supports a stable long-term outlook.
- India is projected to surpass China** in steel capacity by 2030, driven by major expansion of local producers.
- India's coking coal import restrictions** open export opportunities for metallurgical coal, including from Indonesia.
- Australia remains the main supplier**, but supply is constrained due to mine closures.
- Russian supply is disrupted** due to logistics and geopolitical sanctions.

1. Income Statement Performance: Revenue declined from USD 491.3 million to **USD 381.6 million** (-22%). **Gross profit** dropped from USD 206.1 million to USD 110.3 million, reflecting a **decrease in Gross Profit Margin (GPM)** from **42% to 29%**. **Operating profit** plunged from USD 160.3 million to USD 76.5 million, bringing **Operating Profit Margin (OPM)** down from **33% to 20%**. **Net profit** fell sharply from USD 374.3 million to USD 76.7 million, causing **Net Profit Margin (NPM)** to drop from **76% to 20%**. **EPS** also declined from USD 0.012 to USD 0.002. **This decline indicates a significant weakening in profitability.**

2. Balance Sheet: Liabilities decreased from USD 1,331.3 million to USD 1,206.5 million. **Equity increased** from USD 5,370.8 million to USD 5,227.9 million (although slightly down from FY). **Total assets declined** from USD 6,702.1 million to USD 6,434.4 million. **Debt to Equity Ratio** and **Debt to Asset Ratio** indicate an improvement in capital structure (DER from 0.25x to 0.23x; DAR from 0.20x to 0.19x). **Interest Coverage Ratio (ICR)** rose from 10.51x to 14.01x, **indicating better interest payment capability.**

3. Profitability: ROE dropped from 28% to 6%, indicating a significant decline in return efficiency on equity.



Kiwoom Sekuritas Guide to Sector/Industry/Stock Ratings

Sector/Industry

- OVERWEIGHT : Sector & Industry Outlook has potential and good condition
- NEUTRAL : Sector & Industry Outlook Stable or tend to be stagnant
- UNDERWEIGHT : Sector & Industry Outlook has challenges and bad condition

Stock

- | | | |
|--------------|---|---|
| BUY | : Stock Performance > +15% | Over the next 12 month (excluding dividend) |
| TRADING BUY | : Stock Performance, range between +5% to +15% | Minor to Medium Term |
| HOLD | : Stock Performance, range between -10% to +15% | Over the next 12 month (excluding dividend) |
| SELL | : Stock Performance > -15% | Over the next 12 month (excluding dividend) |
| TRADING SELL | : Stock Performance, range between -5% to -15% | Minor to Medium Term |
| NOT RATED | : Stock is not within regular research coverage | Over the next 12 month (excluding dividend) |



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