

Target Price:  
Rp 2,400 / Share

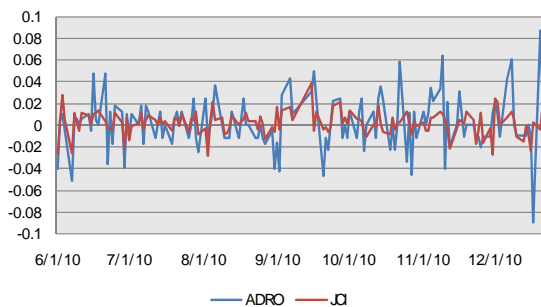
PT. Adaro Energy Tbk (ADRO)

Coal Mining Sector

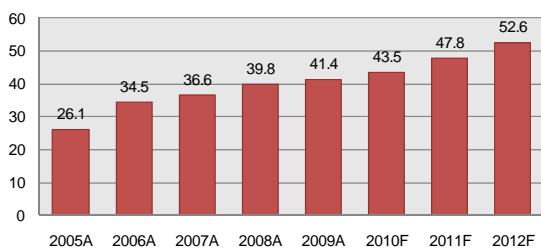
**ADRO Stock Performance**



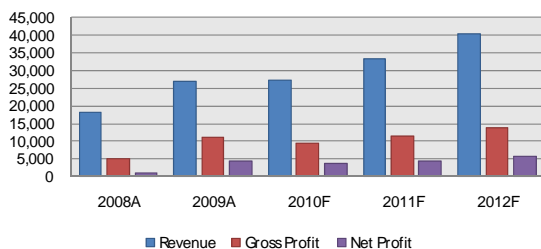
**Return ADRO VS JCI**



**Sales Volume Projection  
(in million MT)**



**Income Projection  
(in billion rupiah)**



Source: Company & Research Department PT. FBI

**Company Highlight:**

- PT. Adaro Energy Tbk (ADRO) was established in 2004 as PT. Padang Karunia and later changed its name in 2008 for IPO purpose. The company's main business is coal mining and it is the 2<sup>nd</sup> largest coal producer in Indonesia.
- The company's main product, Envirocoal, is a well known product among power utility companies around the world for its environmental friendly characteristics. Currently, the majority of Adaro's customers are blue chip power utility companies including Indonesia's own state electricity company (PLN).
- The company closed 2009 with solid performance. Revenue increased 49% while gross profit and net profit increased 123% and 392% respectively compared to previous year, which resulted in IDR 4,367 billion of net income and EPS of IDR 136.5 per share.
- 2010 was a mixed year for Adaro. At one side, the acquisition of 25% stake in ICP - Maruwai promises long term growth possibilities and good diversification for the company. On the other side, bad weather condition forced the company to downgrade 2010 production estimate by 2 million tonnes while strengthening IDR exchange rate affect the company's IDR nominated earnings report negatively.
- Regardless, the future still looks bright for Adaro. The demand and price for energy commodities is expected to rise with the world's post financial crisis recovery underway. Meanwhile, the company's currently in progress strategic projects is expected to result in greater production capacity and cost savings when they are completed in 2011-2014.
- Valuation using discounted cash flow method with 4% long term growth rate resulted in a target price of Rp 2,400 per share. Meanwhile, as per December 20, 2010 ADRO stock traded at Rp 2,500 per share. Therefore it is currently overvalued.

**Investment Considerations:**

- Adaro has been distributing dividends since 2009 and this is very likely to continue in the future.
- ADRO has been one of the most highly traded stock in Indonesian stock exchange therefore its liquidity is good

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## FORECASTS AND VALUATION

### Key Assumptions

	2008A	2009A	2010F	2011F	2012F
Coal Sales (in million MT)	41.10	41.42	43.47	47.82	52.60
Coal Average Selling Price (\$/ MT)	42.22	58.72	64.73	71.21	78.33
Average IDR Exchange Rate (RP/ \$)	9,680	10,398	9,084	9,162	9,241
Debt Ratio	0.44	0.48	0.44	0.40	0.36
Current Ratio	1.17	1.98	1.93	2.22	2.48
EPS	34.8	136.5	113.3	142.5	178.1
Net Profit Margin	4.90%	16.21%	13.24%	13.74%	14.15%

Source: Research Department PT. Finansial Bisnis Informasi

### Proforma Balance Sheet (in millions of rupiah)

	2008A	2009A	2010F	2011F	2012F
Current Asset	7,856,799	15,836,859	16,299,874	21,362,716	27,353,617
Non-Current Asset	25,863,371	26,628,549	29,562,732	29,550,747	29,823,714
<b>Total Asset</b>	<b>33,720,170</b>	<b>42,465,408</b>	<b>45,862,606</b>	<b>50,913,463</b>	<b>57,177,331</b>
Current Liabilities	6,721,627	7,996,026	8,429,296	9,610,335	11,047,253
Non-Current Liabilities	12,970,919	16,957,448	17,118,197	17,230,095	17,366,235
Minority Interest	18,379	67,043	107,364	158,074	221,424
Equity	14,009,245	17,444,891	20,207,749	23,914,959	28,542,419
<b>Total Liabilities &amp; Equity</b>	<b>33,720,170</b>	<b>42,465,408</b>	<b>45,862,606</b>	<b>50,913,463</b>	<b>57,177,331</b>

Source: Research Department PT. Finansial Bisnis Informasi

### Proforma Income Statement (in millions of rupiah)

	2008A	2009A	2010F	2011F	2012F
Revenue	18,092,502	26,938,020	27,374,606	33,190,004	40,265,339
Cost of Revenue	(13,149,270)	(15,900,123)	(18,026,567)	(21,856,090)	(26,515,299)
Gross Profit	4,943,232	11,037,897	9,348,038	11,333,914	13,750,040
Operating Expense	(731,374)	(1,109,450)	(1,117,013)	(1,354,309)	(1,643,016)
Operating Profit	4,211,858	9,928,447	8,231,025	9,979,605	12,107,024
Other Income (Expense)	(1,287,154)	(1,350,066)	(1,566,375)	(1,597,778)	(1,635,985)
Income before taxes	2,924,704	8,578,381	6,664,650	8,381,827	10,471,039
Taxes	(1,601,976)	(4,119,101)	(2,999,093)	(3,771,822)	(4,711,968)
Profit From Ordinary Activity	1,322,728	4,459,280	3,665,558	4,610,005	5,759,072
Extraordinary Income (Expense)	(372,741)	0	0	0	0
Income Before Pre-acq Income	949,987	4,459,280	3,665,558	4,610,005	5,759,072
Pre-acquisition Income	(126,390)	(43,469)	0	0	0
Income Before Minority	823,597	4,415,811	3,665,558	4,610,005	5,759,072
Minority Interest	63,601	(48,559)	(40,321)	(50,710)	(63,350)
<b>Net Profit</b>	<b>887,198</b>	<b>4,367,252</b>	<b>3,625,236</b>	<b>4,559,295</b>	<b>5,695,722</b>

Source: Research Department PT. Finansial Bisnis Informasi

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