Alamtri Resources Indonesia (ADRO IJ)

Solid Earnings Momentum From Aluminium Production Ramp-up

Highlights

- **KAI's full-scale operations strengthen earnings diversification.** KAI targets 2026 production of 370,000 tonnes and sales of 300,000-340,000 tonnes, supporting a higher aluminium earnings contribution in 4Q26.
- **Weather disruptions constrain metallurgical coal sales.** 4Q26 sales will depend on the recovery of Barito River water levels following logistical disruptions caused by prolonged extreme dry weather conditions.
- **Maintain BUY with a lower target price of Rp3,240** (previous: Rp3,400).

Analysis

- **Strong 9M26 earnings of US$517m.** Alamtri Resources Indonesia's (ADRO) 3Q26 net profit increased 14.3% qoq to US$207.2m (+63.6% yoy), as minority interest jumped to US$70.3m (2Q26: US$4.3m) as its new aluminium segment started contributing to earnings. ADRO's 9M26 net profit increased by 71% yoy to US$517m, accounting 72% of our 2026 and 83% of consensus.
- **Aluminium operations achieve full-scale production.** Following the completion of its production ramp-up and transition to full-scale operations in 3Q26, Kalimantan Aluminium Industry (KAI) is targeting 2026 production of 370,000 tonnes and sales volume of 300,000-340,000 tonnes. With production reaching 249,000 tonnes and sales totalling 146,000 tonnes in 9M26, KAI is positioned to ramp up its contribution in 4Q26. Around 98% of aluminium sales are directed to export markets.
- **Weather constraints limit sales volume.** Metallurgical coal sales volume declined by 13% yoy to 3.85mt in 9M26, mainly due to logistical disruptions caused by prolonged extreme dry weather conditions during 3Q26, which have persisted into November. Consequently, shipments were deferred and 4Q26 sales will depend on the Barito River water level, which needs to rise to 19.6 metres from the current 16-18 metres. ADRO expects 2026 sales volume of 5.0-5.5mt, subject to improvements in the Barito River water level.
- **We expect 2027 earnings to remain solid at US$765m.** With KAI operating at full capacity, we expect aluminium production to reach 500,000 tonnes in 2027. We also expect the logistical disruptions along the Barito River caused by prolonged extreme weather to normalise in 2027, supporting a 9.4% yoy recovery in coal sales volume. Accordingly, we forecast 2027 net profit of US$765m (+5.5% yoy).
- **Attractive dividend yield.** If the green project delays are prolonged, we expect 2027's dividend yield to come in at 14.2%, assuming an 80% payout.

Key Financials

Year to 31 Dec (US$m)	2024	2025	2026F	2027F	2028F
Net turnover	2,079	1,874	2,965	3,466	3,632
EBITDA	971	755	1,242	1,366	1,407
Operating profit	711	518	899	951	1,015
Net profit (rep./act.)	570	448	728	765	813
Net profit (adj.)	570	448	728	765	813
EPS (Rp)	2.0	1.6	2.5	2.7	2.8
PE (x)	7.6	9.7	6.0	5.7	5.3
P/B (x)	0.9	1.0	1.0	0.9	0.9
EV/EBITDA (x)	2.2	3.6	2.4	2.0	1.8
Dividend yield (%.)	73.5	10.2	13.3	13.9	14.8
Net margin (%)	27.4	23.9	24.6	22.1	22.4
Net debt/(cash) to equity (%)	(16.8)	(5.0)	0.4	(3.6)	(8.2)
Interest cover (x)	-10.8	-6.5	-41.0	-28.2	-25.9
ROE (%)	11.6	10.0	16.1	16.7	17.6
UOBKH/Consensus (x)	-	-	1.1	1.0	1.0

Source: ADRO, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	Rp2,440
Target Price	Rp3,240
Upside	+32.8%
Previous TP	Rp3,400

Stock Data

Sector	Energy
Bloomberg ticker	ADRO IJ
Shares issued (m)	28,800
Market cap (Rpb)	70,273
Market cap (US$m)	3,849
3-mth avg daily t'over (US$m)	6.1

Price Performance (%)

52-week high/low				Rp2,860/Rp1,765
1mth	3mth	6mth	1yr	YTD
10.4	(3.6)	(3.2)	29.8	34.8

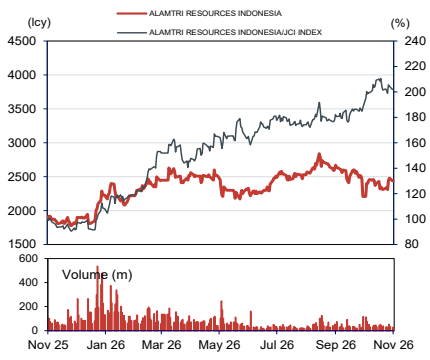
Major Shareholders (%)

Adaro Strategic Investment	43.9
Garibaldi Thohir	6.2

Balance Sheet Metrics

FY26 NAV/Share (Rp)	2,546
FY26 Net Debt/Share (Rp)	n.a.

Price Chart



Source: Bloomberg

Company Description

Alamtri Resources Indonesia previously known as Adaro Energy Indonesia, this company focuses on metallurgical coal mining, mineral processing, mining services, and renewable energy businesses. It envisions becoming a leading Indonesian mining and energy group.

- **Strong 3Q26 financial performance supported by aluminium contribution.** ADRO recorded revenue of US$902.3m (+84.0% yoy; +70.8% qoq), as KAI commenced commercial aluminium sales of US$522.4m (146,000 tonnes) after the smelter reached full capacity. Net profit increased 14.3% qoq to US$207.2m (+63.6% yoy), as minority interest jumped to US$70.3m (2Q26: US$4.3m) as its new aluminium segment started contributing to earnings. In 9M26, ADRO recorded revenue of US$1.90b, representing 41% yoy growth, primarily driven by the commencement of commercial aluminium sales. Gross profit increased by 67% yoy to US$776m, while operating income rose by 97% to US$700m. Net profit increased by 71% yoy to US$517m accounting 72% of our 2026 and 83% of consensus forecasts.
- **Aluminium shifting from a deficit to a surplus in 2027.** Wood Mackenzie expects the global aluminium market to shift from an estimated deficit of 850,000 tonnes in 2026 to a surplus of approximately 500,000 tonnes in both 2027 and 2028, driven by recovering Middle Eastern smelter production and capacity additions, particularly from Indonesia. Global aluminium supply is forecast to increase by 4.0% in 2027 and 2.0% in 2028, compared with demand growth of around 2.2%. The increasing supply is expected to put pressure on aluminium prices, with average prices forecast at US$2,910/tonnes in 2027 and US$2,800/tonnes in 2028. In Indonesia, ADRO's KAI Phase II expansion, with an additional capacity of 500,000tpa, is included in Wood Mackenzie's forecast, with production expected to commence in 2028. However, uncertainty over project commissioning timelines and the pace of Indonesian metal reaching international markets could moderate the anticipated supply surplus.

Valuation/Recommendation

- **Maintain BUY with a lower SOTP-based target price of Rp3,240** (from Rp3,400), as we have rolled over valuation to 2027. ADRO remains attractive due to: a) the full operation of KAI, b) a potential increase in production in 2027 by 500,000 tonnes, c) elevated coal prices, and d) dividend yield of 14.2% in 2027.

Valuation

SOTP	Value (US$ m)	(Rp) per share	Comment
AADI (15.37% stake)	854	510	6x PE of 2027's earnings (5-year mean of ADRO before spin-off)
Core Business (ADMR + SIS)	3,902	2,330	8x ADMR PE (3-year mean)
Aluminium Business (55% stake)	1,185	708	5 Year DCF (WACC: 8.8%; LTG: 0%)
Net Debt 2026F	233	139	
Shareholder Loan to subsidiary est	300	179	
Total	**6,474**		
Holding Discount (20%)	**5,179**		
Outstanding Share (m)	28,800		
Valuation per Share (Rp)	3,237		
Rounded (Rp)	**3,240**		

Source: ADRO, UOB Kay Hian

Earnings Revision/Risk

Earnings Revision

Year to 31 Dec	New		Old		Change (%)	
(US$m)	2026F	2027F	2026F	2027F	2026F	2027F
Production (m mt)	5.3	5.8	6.8	7.3	-22.1	-20.6
Sales volume (m mt)	5.3	5.8	6.8	7.3	-22.1	-20.6
Coal ASP (US$/t) *)	185	174	181	174	2.0	0.0
Revenue	2,965	3,466	2,962	3,727	0.1	-7.0
Gross Profit	1,052	1,111	1,018	1,171	3.3	-5.1
EBITDA	1,242	1,366	1,208	1,427	2.8	-4.2
Net Income	728	765	719	806	1.3	-5.0

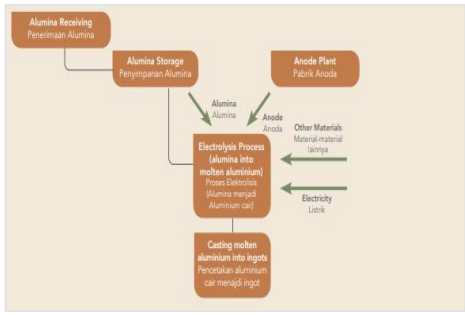
Source: ADRO, UOB Kay Hian

- **We raise our 2026 earnings forecast by 1.3% and lower our 2027 earnings forecast by 5.0%,** reflecting higher coal inventory consumed that reduced cogs and aluminium sales volume assumptions for 2026, alongside a lower sales volume assumption for 2027.

Share Price Catalyst

- a) Coal and aluminium prices remaining high for an extended period of time, b) potential interim dividend.

Aluminium Business Process



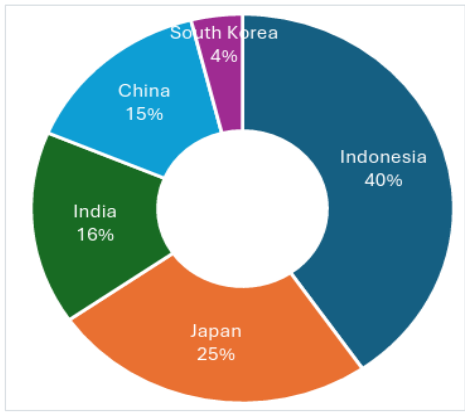
Source: ADRO, UOB Kay Hian

Aluminium Jetty Area And Pot Room



Source: ADRO, UOB Kay Hian

9M26 Coal Sales Distribution



Source: ADRO, UOB Kay Hian

Profit & loss

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Net turnover	**1,874**	**2,965**	**3,466**	**3,632**
EBITDA	755	1,242	1,366	1,407
Deprec. & amort.	237	343	415	391
EBIT	518	899	951	1,015
Total other non-operating income	-	-	-	-
Associate contributions	16	100	102	104
Net interest income/(expense)	79	22	34	39
Pre-tax profit	**612**	**1,021**	**1,087**	**1,159**
Tax	(123)	(163)	(174)	(188)
Minorities	(42)	(129)	(148)	(157)
Net profit	**448**	**728**	**765**	**813**
Net profit (adj.)	448	728	765	813

Balance Sheet

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Fixed assets	2,361	2,518	2,352	2,218
Other LT assets	2,249	2,309	2,370	2,433
Cash/ST investment	1,044	705	833	945
Other current assets	1,163	1,436	1,605	1,677
Total assets	**6,817**	**6,967**	**7,159**	**7,273**
ST debt	60	69	68	17
Other current liabilities	801	880	932	937
LT debt	761	654	601	549
Other LT liabilities	191	190	189	188
Shareholders' equity	4,485	4,526	4,573	4,629
Minority interest	519	648	796	953
Total liabilities & equity	**6,817**	**6,967**	**7,159**	**7,273**

Cash flow

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Operating	**945**	**870**	**1,055**	**1,129**
Pre-tax profit	612	1,021	1,087	1,159
Tax	(123)	(163)	(174)	(188)
Deprec. & amort.	237	343	415	391
Working capital changes	16	(180)	(96)	(46)
Non-cash items	201	(152)	(177)	(187)
Investing	**(733)**	**(552)**	**(304)**	**(313)**
Capex (growth)	(1,062)	(516)	(267)	(275)
Others	343	(16)	(16)	(16)
Financing	**(559)**	**(657)**	**(624)**	**(704)**
Dividend payments	(448)	(583)	(612)	(651)
Issue of shares	-	-	-	-
Proceeds from borrowings	241	(99)	(54)	(103)
Loan repayment	(353)	25	42	50
Others/interest paid	**(348)**	**(339)**	**128**	**112**
Net cash inflow (outflow)	**1,406**	**1,044**	**705**	**833**
Beginning cash & cash equivalent	**1,058**	**705**	**833**	**945**
Ending cash & cash equivalent	**945**	**870**	**1,055**	**1,129**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	40.3	41.9	39.4	38.7
Pre-tax margin	32.7	34.4	31.4	31.9
Net margin	23.9	24.6	22.1	22.4
ROA	6.6	10.5	10.7	11.2
ROE	10.0	16.1	16.7	17.6
Growth				
Turnover	(9.9)	58.3	16.9	4.8
EBITDA	(22.3)	64.5	10.0	3.0
Pre-tax profit	(24.4)	66.6	6.5	6.6
Net profit	(21.4)	62.7	5.1	6.3
Net profit (adj.)	(21.4)	62.7	5.1	6.3
EPS	(21.4)	62.7	5.1	6.3
Leverage				
Debt to total capital	0.2	0.1	0.1	0.1
Debt to equity	0.2	0.1	0.1	0.1
Net debt/(cash) to equity	(0.1)	(0.0)	(0.1)	(0.1)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

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