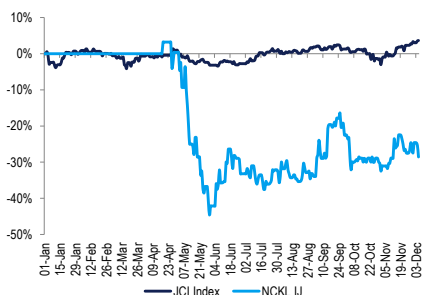


Stock Data

Target price	Rp1,250
Prior TP	Rp1,300
Current price	Rp1,000
Upside/downside	+25%
Shares outstanding (mn)	63,099
Market cap (Rp bn)	63,099
Free float	14%
Avg. 6m daily T/O (Rp bn)	57

Price Performance

	3M	6M	12M
Absolute	0.5%	11.7%	N/A
Relative to JCI	-1.0%	4.7%	N/A
52w low/high (Rp)	775 – 1,445		



Major Shareholders

Harita Jayaraya	86.5%
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4Q23 outlook: headwinds on softer Class-1 nickel ASP

- NCKL 9M23 NP of Rp4.4tr (74/78% IPS/cons) was in-line with our FY23F but above consensus.
- We expect softer MHP/NiSO₄ ASP (-5%/-3% qoq) to negatively affect earnings in 4Q23F which we expect at Rp1.6tr (-4% qoq).
- Fine-tuned our FY23F/24F/25F EPS by +1%/-4%/-6% and re-iterate Buy rating at slightly lower SOTP-based TP of Rp1,250/share.

3Q23 – tailwind from volume growth and cash costs improvement

NCKL reported 9M23's NP of Rp4.4tr, which was in-line with our forecast (74% IPS) but was a beat vs. consensus forecast (78% cons). 3Q23 NP grew by +25% qoq to Rp1.7tr mainly driven by ramp-up in HJF's FeNi capacity as it was already operating at c.100% nameplate capacity in Sep23, in addition to improvement in both MSP and HJF's cash costs by 15%/11% qoq. ASP, on the other hand, was lower by 7% qoq at US\$13k/ton in 3Q23 (Fig. 2), similar to other NPI/FeNi smelters. As a result, MSP and HJF cash margin stood at US\$3,819/ton (+21% qoq) and US\$3,625/ton (+8% qoq). HPL's MHP and NiSO₄ cash costs were also improving qoq by 8%/12%, mainly driven by lower sulphur/sulphuric acid costs in 3Q23, with an increased by-product credit (higher Co MHP price).

Outlook: soft MHP and NiSO₄ price to affect 4Q23F NP

We expect softer NPI price to affect MSP and HJF's FeNi ASP in 1Q24F rather than in 4Q23F, as NPI price were relatively flattish in 4Q23F based on 1-month lag calculation (4Q: Sep-Nov, Fig. 7). However, we expect MHP and nickel sulphate price to be the main driver of the NP decline qoq in 4Q23F, as both prices were declining by 5%/3% qoq, based on our estimates, and has continued to decline up until Dec-23. We expect 4Q23F NP of Rp1.6tr (-4% qoq).

Reiterate Buy with a reduced SOTP-based TP of Rp1,250

We fine-tuned our FY23F/24F/25F forecast by +1%/-4%/-6%, to take into account soft NPI price that may spill-over to at least 1Q24F and declining MHP and nickel sulphate prices, which now stood at US\$16k/t (-27% YTD) and US\$12.5k/t (-25% YTD) as of Dec-23; but concurrently we also lower our MSP and HJF's cash costs assumptions. We maintain our Buy rating with slightly lower TP of Rp1,250/share (from Rp1,300/share previously) to take into account the decline into our FY24F NP forecast. NCKL is currently trading at 7.5x FY24F. Risks are weaker NPI/FeNi price and project delays.

Financial Summary (Rp bn)	2021A	2022A	2023F	2024F	2025F
Revenue	8,229	9,568	24,202	30,422	32,497
EBITDA	4,226	4,355	8,543	12,857	14,485
Net profit	1,969	4,667	6,115	8,507	9,570
EPS growth	593%	137%	31%	39%	12%
ROE	35%	49%	25%	27%	25%
PER (x)	32.1	13.5	10.3	7.4	6.6
EV/EBITDA (x)	15.9	16.8	7.4	4.7	3.8
Dividend yield	0%	3%	0%	3%	4%
IPS vs. consensus			107%	107%	100%

Source: Company, Indo Premier

Share price closing as of: 5 December 2023

4Q23 outlook – headwinds on softer Class-1 nickel ASP

Key takeaways from 3Q23 earnings call:

- NCKL acquired 29% GPS stake (from 70%, now 99% ownership) from Harita Jayaraya (related party). The acquisition was equivalent to additional 16mn ton of limonite & 4mn ton of saprolite in reserves and resources. Assuming 10\$/t cash profit for limonite and 15\$/t for saprolite, the actual value of the 29% stake should worth around US\$220mn, but the acquisition value was around US\$3mn only, equivalent to US\$0.15/t EV/resources, much lower vs past acquisition of US\$0.5-2/t EV/resources, that was previously done by HRUM (PT Position), MDKA (SCM), and UNTR (SPR & SMA)
- NCKL also acquired 100% of GTS (IUP in the south Island of Obi), which was also owned by family previously. The estimated R&R is around 26mn limonite and 12mn of saprolite. But based on unofficial estimates by the company, GTS has a total of 58mn ton limonite and 35mn ton of saprolite in reserves and resources. Assuming 10\$/t cash profit for limonite and 15\$/t for saprolite, the actual value of the 100% stake should worth around US\$1.1bn, but acquisition value is around US\$0.5mn only, equivalent to US\$0.01/t EV/Reserves, much lower vs past acquisition of US\$0.5-2/t EV/resources, that was previously done by HRUM (PT Position), MDKA (SCM), and UNTR (SPR & SMA)
- For GTS, only 30% of the IUP concession area has been drilled, with the rest remain unexplored for now. During group call with NCKL, management mentioned that the operational timeline of these two mines (i.e. GTS/GPS) would be on the longer-term
- Combined, this would've translated into 10 years mine-life of saprolite and 17 years mine-life of limonite, much larger vs 3-7 years mine-life as previously been indicated. Management and the family has re-iterated that the relatively cheap acquisition is to show an aligned interest with minority shareholders and showing good will to the shareholders.
- On the operational data, both RKEF and HPAL cash margin have actually expanded qoq, despite lower ASP, offset by cash improvements mainly coming from lower nickel ore and coal prices (see figure). There is an indication that further cash costs improvement in 4Q23F is likely, but margin are likely on the downside vs. Oct-23 level given the recent decline in NPI price (dropped another 1% to US\$11.5k/t).

Fig. 1: 9M23/3Q23 financial result summary

Indo Premier NCKL IJ Rp bn	1Q23	2Q23	3Q23	9M23 1st take	9M23 vs. IPS	9M23 vs. Bloomberg	FY23F IPS	FY23F Bloomberg
Revenue	4,786	5,456	7,057	17,300	74%	77%	23,329	22,454
GP	1,567	1,932	2,635	6,134	69%	82%	8,872	7,453
EBIT	1,172	1,574	2,334	5,081	69%	86%	7,368	5,915
EBITDA	1,376	1,923	1,783	5,081	62%	73%	8,224	6,978
NP	1,368	1,377	1,719	4,465	74%	78%	6,041	5,728
Growth % - qoq								
Revenue		14%	29%					
GP		23%	36%					
EBIT		34%	48%					
NP		1%	25%					
Profitability %								
GP	32.7%	35.4%	37.3%					
EBIT	24.5%	28.9%	33.1%					
EBITDA	28.7%	35.2%	25.3%					
NP	28.6%	25.2%	24.4%					

Source: Bloomberg, Company Data, Indo Premier

Fig. 2: 9M23/3Q23 operational data summary

Operational Summary	Metrics	1Q23	2Q23	3Q23	qoq %
Sales volume					
Saprolite ore	mn wet metric tonne	0.7	1.5	1.9	32%
Limonite ore	mn wet metric tonne	2.1	2.2	2.5	12%
Ferronickel - MSP	tonne Ni	7,379	7,553	6,215	-18%
Ferronickel - HJF	tonne Ni	7,690	15,134	25,814	71%
MHP - HPL	tonne Ni	12,699	11,270	10,928	-3%
NiSO4 - HPL	tonne Ni	na	1,290	6,244	384%
CoSO4 - HPL	tonne Co	na	na	271	na
Average selling price (ASP)					
Saprolite ore	US\$/wet metric tonne	60.2	51.0	43.3	-15%
Limonite ore	US\$/wet metric tonne	28.7	22.3	21.7	-3%
Ferronickel - MSP	US\$/tonne	16,864	14,137	13,153	-7%
Ferronickel - HJF	US\$/tonne	16,765	13,794	12,856	-7%
MHP - HPL	US\$/tonne	17,793	15,275	13,379	-12%
NiSO4 - HPL	US\$/tonne	na	16,962	15,538	-8%
CoSO4 - HPL	tonne Co	na	na	23,274	na
Cash Costs					
Saprolite ore	US\$/wet metric tonne	15.5	15.6	14.4	-8%
Limonite ore	US\$/wet metric tonne	7.8	6.5	6.0	-7%
Ferronickel - MSP	US\$/tonne	11,479	10,992	9,334	-15%
Ferronickel - HJF	US\$/tonne	13,022	10,429	9,231	-11%
MHP - HPL (after Co credit)	US\$/tonne	7,710	6,921	5,970	-14%
NiSO4 - HPL	US\$/tonne	na	10,464	9,176	-12%
CoSO4 - HPL	tonne Co	na	na	10,509	na

Source: Bloomberg, Company Data, Indo Premier

Fig. 3: Old vs New forecast

NCKL (Rp bn)	New forecast				Old forecast			Forecast change			Consensus			Indo-Premier vs. Consensus		
	2022A	2023F	2024F	2025F	2023F	2024F	2025F	2022F	2023F	2024F	2023F	2024F	2025F	2023F	2024F	2025F
Revenues	9,568	24,202	30,422	32,497	23,329	31,331	33,592	4%	-3%	-3%	22,454	28,550	30,611	108%	107%	106%
Gross profit	4,675	8,744	12,999	14,608	8,872	13,082	15,165	-1%	-1%	-4%	7,453	10,505	11,398	117%	124%	128%
Operating profit	3,785	7,394	11,649	13,218	7,368	11,397	13,312	0%	2%	-1%	5,915	8,914	10,493	125%	131%	126%
EBITDA	4,355	8,543	12,857	14,485	8,224	12,297	14,256	4%	5%	2%	6,978	9,790	11,516	122%	131%	126%
NPAT	4,667	6,115	8,507	9,570	6,041	8,878	10,143	1%	-4%	-6%	5,728	7,957	9,553	107%	107%	100%
%-y																
Revenues		153%	26%	7%							135%	27%	7%			
Gross profit		87%	49%	12%							59%	41%	8%			
Operating profit		95%	58%	13%							56%	51%	18%			
EBITDA		96%	50%	13%							60%	40%	18%			
NPAT		31%	39%	12%							23%	39%	20%			
Gross margin	48.9%	36.1%	42.7%	45.0%	38.0%	41.8%	45.1%	-1.9%	1.0%	-0.2%				36.1%	42.7%	45.0%
Operating margin	39.6%	30.5%	38.3%	40.7%	31.6%	36.4%	39.6%	-1.0%	1.9%	1.0%				30.5%	38.3%	40.7%
EBITDA margin	45.5%	35.3%	42.3%	44.6%	35.3%	39.2%	42.4%	0.0%	3.0%	2.1%				35.3%	42.3%	44.6%
NPAT margin	48.8%	25.3%	28.0%	29.4%	25.9%	28.3%	30.2%	-0.6%	-0.4%	-0.7%				25.3%	28.0%	29.4%

Source: Bloomberg, Company Data, Indo Premier

Fig. 4: Key assumption changes

Key assumptions	Old			New			Change (%)		
	FY23F	FY24F	FY25F	FY23F	FY24F	FY25F	FY23F	FY24F	FY25F
MSP - FeNi									
Sales volume (mn ton)	29,432	27,500	27,500	27,647	28,000	28,000	-6%	2%	2%
ASP (US\$/t)	14,561	14,000	14,500	14,282	13,250	13,750	-2%	-5%	-5%
Cash costs (US\$/t)	11,069	10,500	10,500	10,281	9,000	9,000	-7%	-14%	-14%
HJF - FeNi									
Sales volume (mn ton)	63,824	95,000	95,000	73,838	99,750	99,750	16%	5%	5%
ASP (US\$/t)	14,038	14,000	14,500	13,368	13,250	13,750	-5%	-5%	-5%
Cash costs (US\$/t)	10,114	9,500	9,250	9,656	8,600	8,600	-5%	-9%	-7%
HPL - HPAL									
MHP									
Sales volume (mn ton)	39,569	27,500	27,500	43,997	38,500	38,500	11%	40%	40%
ASP (US\$/t)	15,837	15,000	15,000	15,055	13,000	13,000	-5%	-13%	-13%
Cash costs (US\$/t)	8,932	8,250	8,250	8,708	8,100	8,100	-3%	-2%	-2%
Cash costs (US\$/t), net byp.	7,003	6,050	6,270	6,780	6,230	6,230	-3%	3%	-1%
Nickel sulphate (NiSO4)									
Sales volume (mn ton)	11,690	27,500	27,500	13,034	16,500	16,500	11%	-40%	-40%
ASP (US\$/t)	17,663	17,500	17,500	15,023	14,500	14,500	-15%	-17%	-17%
Cash costs (US\$/t)	9,704	8,550	8,770	9,010	8,730	8,730	-7%	2%	0%

Source: Bloomberg, Company Data, Indo Premier

Fig. 5: SOTP valuation

NCKL assets	Equity value (US\$ m)	Attributable to NCKL	Equity value (US\$ m)	Methodology	Smelter/Products
Nickel ore business	1,041	100.0%	1,041	FY24F 4.5x P/E	Nickel ore sales
Megah Surya Pertiwi	516	60.0%	309	DCF (9.5% WACC)	RKEF - FeNi 25ktpa
Halmahera Jaya Feronikel	2,745	63.1%	1,732	DCF (9.5% WACC)	RKEF - FeNi 95ktpa
Halmahera Persada Lygend	2,350	45.1%	1,060	DCF (9.5% WACC)	HPAL - MHP 55ktpa
Obi Nickel Cobalt	1,539	10.0%	154	DCF (9.8% WACC)	HPAL - MHP 65ktpa
Karunia Permai Sentosa	2,717	35.0%	951	DCF (10.6% WACC)	RKEF - FeNi 185ktpa
Total	10,907		5,247		

Equity value (US\$ m)	5,247
# of shares outstanding	63.1
Target price (Rp/share)	1,250

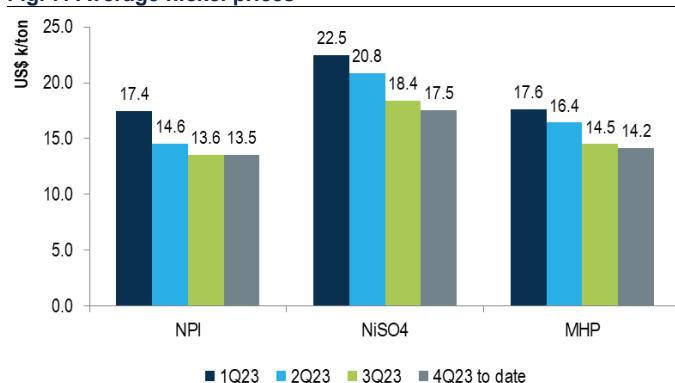
Source: Bloomberg, Company Data, Indo Premier

Fig. 6: Peers valuation table

Ticker	Company	Rating	Target price (Rp/share)	P/E			EV/EBITDA			Dividend yield (%)		
				23F	24F	25F	23F	24F	25F	23F	24F	25F
ADMIR IJ	Adaro Minerals Indonesia	Buy	1,650	10.0	8.7	8.9	7.7	7.8	7.2	N/A	N/A	N/A
ANTM IJ	Aneka Tambang	Buy	2,100	11.8	10.6	9.3	7.3	6.7	5.8	4.6%	4.2%	4.7%
HRUM IJ	Harum Energy	Buy	2,150	9.2	10.5	9.7	3.5	5.3	6.9	N/A	N/A	N/A
INCO IJ	Vale Indonesia	Hold	5,560	11.6	21.4	38.3	4.5	8.3	10.3	N/A	N/A	N/A
MBMA IJ	Merdeka Battery Materials	Buy	940	196.1	20.9	12.7	35.8	9.0	6.6	N/A	N/A	N/A
MDKA IJ	Merdeka Copper Gold	Buy	3,500	N/A	28.2	25.7	17.3	8.0	7.4	N/A	N/A	N/A
NCKL IJ	Trimegah Bangun Persada	Buy	1,250	10.3	7.4	6.6	7.4	4.7	3.8	0.0%	2.9%	4.0%

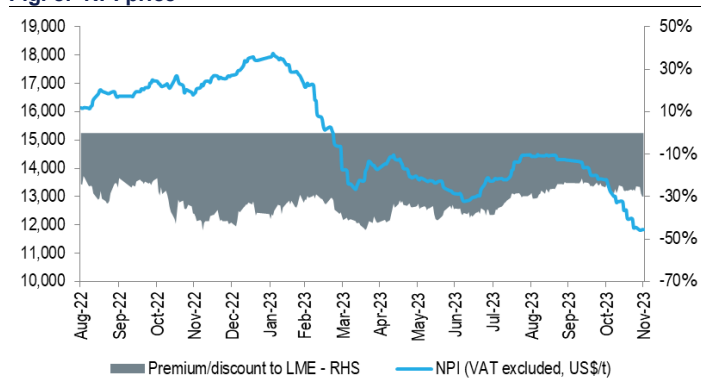
Source: Bloomberg, Company Data, Indo Premier; IPS forecast for metal miners under our coverage, Bloomberg forecast for non-rated.

Fig. 7: Average nickel prices



Source: Shanghai Metal Market, Indo Premier

Fig. 8: NPI price



Source: Shanghai Metal Market, Indo Premier

Income Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Net revenue	8,229	9,568	24,202	30,422	32,497
Cost of sales	(3,715)	(4,893)	(15,459)	(17,423)	(17,888)
Gross profit	4,514	4,675	8,744	12,999	14,608
SG&A Expenses	(960)	(890)	(1,350)	(1,350)	(1,391)
Operating profit	3,554	3,785	7,394	11,649	13,218
Net interest	(307)	(275)	(341)	(209)	(105)
Income from associates	715	2,916	1,695	1,128	1,193
Others	13	224	324	300	200
Pre-tax income	3,975	6,650	9,071	12,867	14,506
Income tax	(605)	(812)	(1,052)	(1,457)	(1,590)
Minority interest	(1,402)	(1,170)	(1,904)	(2,904)	(3,346)
Net income	1,969	4,667	6,115	8,507	9,570

Balance Sheet (Rp bn)	2021A	2022A	2023F	2024F	2025F
Cash & equivalent	2,578	1,277	7,589	9,710	15,451
Receivable	149	181	1,412	1,775	1,896
Inventory	1,300	4,087	5,582	6,292	6,460
Other current assets	746	788	736	736	736
Total current assets	4,772	6,334	15,319	18,512	24,542
Fixed assets	10,972	20,668	20,436	20,478	20,461
Other non-current assets	5,257	7,603	10,636	14,535	15,696
Total non-current assets	16,230	28,271	31,072	35,014	36,157
Total assets	21,002	34,605	46,391	53,526	60,699

ST loans	0	0	0	0	0
Payable	2,384	4,515	5,153	5,808	5,963
Other payables	0	0	0	0	0
Current portion of LT loans	4,335	1,690	0	0	0
Other current liabilities	1,985	4,004	3,714	3,714	3,714
Total current liab.	8,704	10,209	8,867	9,522	9,677
Long term loans	1,151	8,309	7,442	7,250	7,250
Other LT liab.	1,605	1,858	600	600	600
Total non-current liabilities	2,756	10,167	8,042	7,850	7,850
Total liabilities	11,459	20,376	16,909	17,371	17,526

Equity	362	6,981	16,688	16,688	16,688
Retained earnings	4,265	1,617	7,732	14,404	21,422
Minority interest	4,915	5,631	5,062	5,062	5,062
Total SHE + minority int.	9,542	14,229	29,482	36,155	43,172
Total liabilities & equity	21,002	34,605	46,391	53,526	60,699

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Net income	2,552	4,613	6,083	8,507	9,570
Depr. & amortization	672	570	1,150	1,208	1,267
Changes in working capital	452	1,391	(2,310)	(417)	(134)
Others	0	0	0	0	0
Cash flow from operating	3,676	6,574	4,923	9,297	10,703
Capital expenditure	2,968	(10,265)	(918)	(1,250)	(1,250)
Others	(3,556)	(2,256)	(3,015)	(3,900)	(1,160)
Cash flow from investing	(588)	(12,521)	(3,934)	(5,150)	(2,410)
Loans	(1,597)	4,630	(3,815)	(192)	0
Equity	(906)	1,835	9,139	0	0
Dividends	0	(1,819)	0	(1,834)	(2,552)
Others	0	0	0	0	0
Cash flow from financing	(2,503)	4,646	5,324	(2,027)	(2,552)
Changes in cash	585	(1,301)	6,313	2,121	5,740

Key Ratios	2021A	2022A	2023F	2024F	2025F
Gross margin	55%	49%	36%	43%	45%
Operating margin	43%	40%	31%	38%	41%
Pre-tax margin	48%	69%	37%	42%	45%
Net margin	24%	49%	25%	28%	29%
ROA	9%	13%	13%	16%	16%
ROE	35%	49%	25%	27%	25%
Acct. receivables TO (days)	55.3	52.7	17.1	17.1	17.1
Inventory TO (days)	2.9	1.2	2.8	2.8	2.8
Payable TO (days)	1.6	1.1	3.0	3.0	3.0
Debt to equity	1.2	1.2	0.3	0.2	0.2
Interest coverage ratio (x)	13.1	14.8	16.9	32.2	36.3
Net gearing	0.7	1.1	(0.0)	(0.1)	(0.2)

Source: Company, Indo Premier

INVESTMENT RATINGS

BUY	: Expected total return of 10% or more within a 12-month period
HOLD	: Expected total return between -10% and 10% within a 12-month period
SELL	: Expected total return of -10% or worse within a 12-month period

ANALYSTS CERTIFICATION

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

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