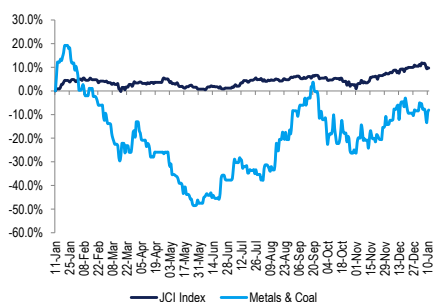


Sector Update | 11 January 2024

Sector Index Performance

	3M	6M	12M
Absolute	-10.3%	-11.6%	5.9%
Relative to JCI	-14.5%	-17.7%	-15.5%



Summary Valuation Metrics

P/E (x)	2023F	2024F	2025F
ADMR IJ	10.5	9.1	9.3
ADRO IJ	3.2	4.2	5.0
HRUM IJ	9.4	10.7	9.9
INCO IJ	11.0	20.3	36.3
MBMA IJ	189.2	20.2	12.2
MDKA IJ	N/A	27.2	24.8
ITMG IJ	4.0	5.2	6.2

EV/EBITDA (x)	2023F	2024F	2025F
ADMR IJ	8.0	8.1	7.4
ADRO IJ	1.4	1.7	2.0
HRUM IJ	3.6	5.4	7.0
INCO IJ	4.2	7.9	9.8
MBMA IJ	34.7	8.7	6.4
MDKA IJ	16.8	7.8	7.3
ITMG IJ	1.5	1.7	1.8

Div. Yield	2023F	2024F	2025F
ADMR IJ	N/A	N/A	N/A
ADRO IJ	19.8%	12.3%	9.5%
HRUM IJ	N/A	N/A	N/A
INCO IJ	N/A	N/A	N/A
MBMA IJ	N/A	N/A	N/A
MDKA IJ	N/A	N/A	N/A
ITMG IJ	39.9%	16.1%	12.6%

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Dissecting commodities fund flow; MBMA/ITMG are consensus UW

- Local funds have been reducing their position in metal & coal names in Dec-23 with the exception of INCO (+9%), MDKA (+8%), ITMG (+3%).
- Foreign outflow was recorded in Dec-23 with sizable outflow observed in: MDKA (Rp338bn), UNTR (Rp263bn), and INCO (Rp73bn).
- Overall, local funds still have an overweight position on each names we cover with the exception of MBMA (43% U/W vs. JCI weight) & ITMG.

Local funds continued to trim their position in Dec-23

Institutional domestic funds have been reducing their position on metal and coal names in Dec-23 (Fig. 1) with the biggest mom decrease in HRUM & ADRO (-5% mom) and UNTR (-3% mom). We observed that soft underlying commodity prices in nickel & coal (Fig. 3 & 4) have led to local funds to trim their position in commodity names. Specifically on ADRO, we believe that the reduced position from local funds in Dec-23 also coincided with interim dividend disbursement ex-date (29-Dec). On the other hand, local funds have added their position in INCO (+9% mom) amid potential further clarity in the divestment process, albeit we argue from fundamental perspective, we continue to see headwinds on LME nickel and potentially weaker NP on qoq basis ([report](#)). Interest-rate sensitive play and potential winter cold snaps in China were the main reasons behind local funds' added position for MDKA and ITMG, in our view, respectively. Note that majority of local funds still have an overweight position on metal and coal names, with MBMA & ITMG having the lightest position among local funds (Fig. 2).

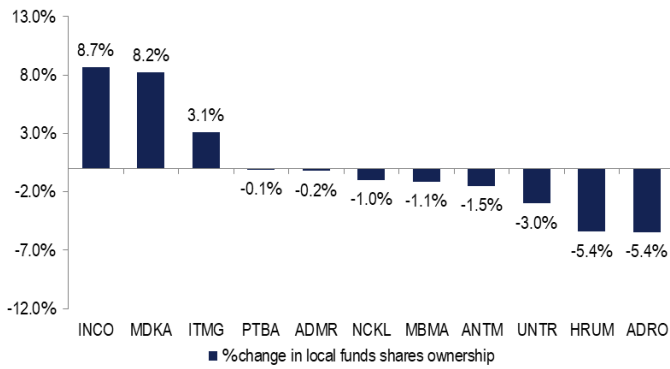
Sizable foreign outflow in Dec-23; slight inflow for ADMR/NCKL

Net sector outflow from foreign investors have been relatively sizable in Dec-23 at around Rp776bn, but was mainly driven by few names: MDKA (Rp338bn), UNTR (Rp263bn), and INCO (Rp73bn). Foreign outflow in MDKA could be mainly driven by the reduced weighting in FTSE index; while the foreign outflow in UNTR could showcase foreign investors' lack of confidence – second consecutive monthly foreign outflow – amid lacklustre outlook in heavy equipment business. Foreign funds have also remained unconvinced with uncertainty surrounding INCO's divestment process.

Maintain our sector Neutral rating on soft nickel & coal price

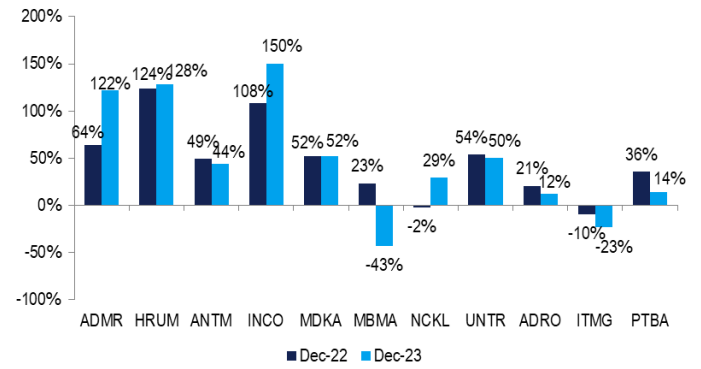
We maintain our Neutral sector rating on soft nickel & coal prices and continue to like MDKA (Buy, [report](#)) and ADMR (Buy, [report](#)) as our top pick as we believe MDKA could benefit from lower interest-rate and declining U.S 10-year yield as a junior copper miner, whilst ADMR could still enjoy elevated coking-coal prices (currently at c.US\$330/ton) which would be positively reflected in their 4Q23F and 1Q24F earnings result. Key stock actions that we observed from flow data includes: 1) in the event of NPI & Class-1 nickel price (i.e. LME/matte) recovery, we believe MBMA would have the highest upside owing to massive underweight position vs. JCI weighting and highest NP sensitivity for every 1% change in underlying commodity price assumptions, 2) similar key action with ITMG in the event of Newcastle coal price rally, due to local funds light position in the name, 3) prolonged divestment issue on INCO in addition to potential halt or cancellation in HPAL projects amid low NPV/IRR ([report](#)) may translate into more share price downside as local funds' ownership remain heavy (local funds are O/W by 150% vs. JCI weight).

Fig. 1: Percentage change in local funds ownership in Dec-23



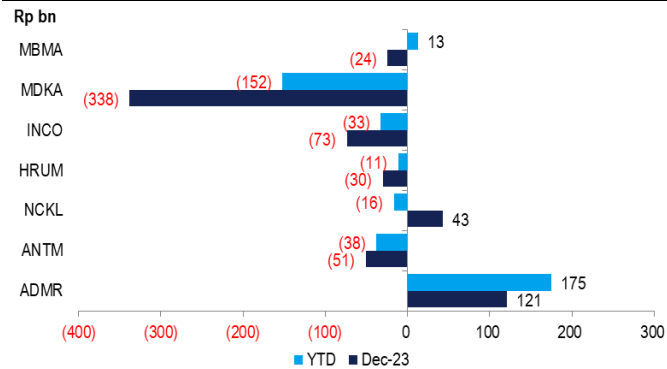
Source: Bloomberg, KSEI, Indo Premier

Fig. 2: Local fund overweight (underweight) position vs. JCI weight



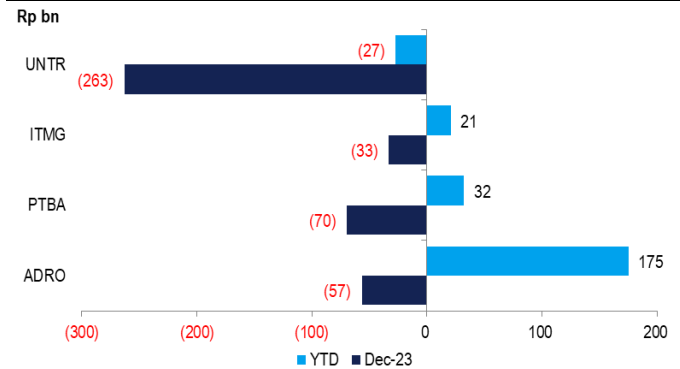
Source: KSEI, Indo Premier, MBMA & NCKL Dec-22 based on Apr-23 (IPO)

Fig. 3: Metals: foreign inflow (outflow) – RG + TN, in Rp bn



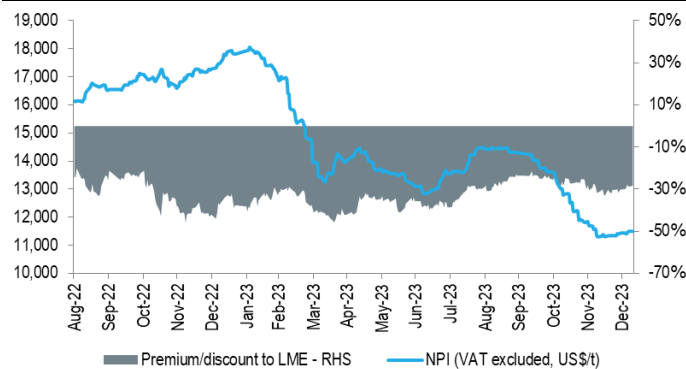
Source: Bloomberg, Indo Premier

Fig. 4: Coal: foreign inflow (outflow) – RG + TN, in Rp bn



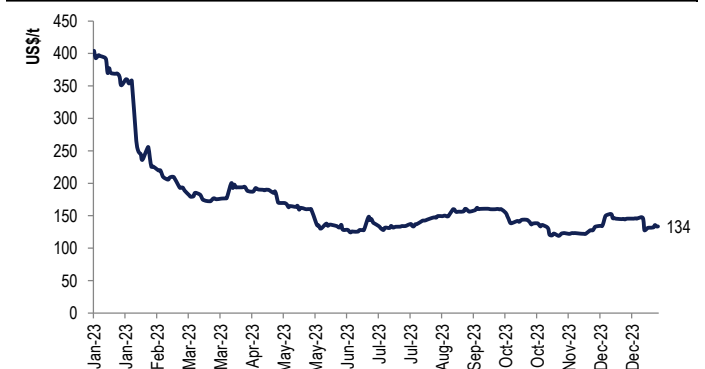
Source: Bloomberg, Indo Premier

Fig. 5: NPI price



Source: Bloomberg, Indo Premier

Fig. 6: Newcastle coal price



Source: Bloomberg, Indo Premier

Fig. 7: Peers comparison table

Ticker	Company	Rating	Target price (Rp/share)	P/E			EV/EBITDA			Dividend yield (%)		
				23F	24F	25F	23F	24F	25F	23F	24F	25F
ADMR IJ	Adaro Minerals Indonesia	Buy	1,650	10.5	9.1	9.3	8.0	8.1	7.4	N/A	N/A	N/A
ANTM IJ	Aneka Tambang	Buy	2,100	11.1	9.9	8.7	6.8	6.2	5.3	4.9%	4.5%	5.0%
HRUM IJ	Harum Energy	Buy	1,750	9.4	10.7	9.9	3.6	5.4	7.0	N/A	N/A	N/A
INCO IJ	Vale Indonesia	Hold	5,560	11.0	20.3	36.3	4.2	7.9	9.8	N/A	N/A	N/A
MBMA IJ	Merdeka Battery Materials	Buy	940	189.2	20.2	12.2	34.7	8.7	6.4	N/A	N/A	N/A
MDKA IJ	Merdeka Copper Gold	Buy	3,500	N/A	27.2	24.8	16.8	7.8	7.3	N/A	N/A	N/A
NCKL IJ	Trimegah Bangun Persada	Buy	1,250	9.8	7.0	6.3	7.0	4.5	3.6	N/A	3.1%	4.3%
ADRO IJ	Adaro Energy Indonesia	Hold	2,750	3.2	4.2	5.0	1.4	1.7	2.0	19.8%	12.3%	9.5%
ITMG IJ	Indo Tambangraya Megah	Hold	22,000	4.0	5.2	6.2	1.5	1.7	1.8	39.9%	16.1%	12.6%
PTBA IJ	Bukit Asam	Buy	2,750	6.3	7.3	8.0	3.6	3.5	3.5	41.6%	5.6%	4.8%
UNTR IJ	United Tractors	Hold	24,000	4.5	5.3	5.9	2.0	2.1	1.8	28.9%	9.6%	8.2%

Source: Bloomberg, Indo Premier

SECTOR RATINGS

- OVERWEIGHT : An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation
- NEUTRAL : A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation
- UNDERWEIGHT : An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation

COMPANY 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

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