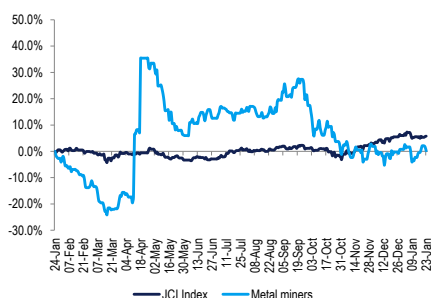


Sector Index Performance

	3M	6M	12M
Absolute	-5.1%	-12.5%	0.2%
Relative to JCI	-12.7%	-17.7%	-5.5%



Summary Valuation Metrics

P/E (x)	2023F	2024F	2025F
ADMR IJ	10.4	9.1	9.2
ANTM IJ	10.9	9.8	8.6
HRUM IJ	8.6	9.8	9.1
INCO IJ	10.6	19.5	34.9
MBMA IJ	229.1	24.4	14.8
MDKA IJ	N/A	29.4	26.9
NCKL IJ	9.8	7.0	6.2

EV/EBITDA (x)	2023F	2024F	2025F
ADMR IJ	7.9	8.1	7.4
ANTM IJ	6.7	6.1	5.2
HRUM IJ	3.3	5.0	6.5
INCO IJ	3.9	7.6	9.5
MBMA IJ	41.3	10.2	7.4
MDKA IJ	17.9	8.2	7.6
NCKL IJ	7.0	4.4	3.6

Div. Yield	2023F	2024F	2025F
ADMR IJ	N/A	N/A	N/A
ANTM IJ	4.9%	4.6%	5.1%
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
NCKL IJ	N/A	3.1%	4.3%

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LME nickel price remain soft despite supply response from Australia

- LME nickel price has fallen below US\$16k/ton YTD, and is already among the worst performing metals (-4% YTD, Fig. 1) after Aluminum.
- This was despite mine closure and smelter suspension in Australia (i.e. First Quantum, BHP, Wyloo – accounts for 2% supply).
- Price has fallen below US\$20k/t cost curve, but history suggests that it may trade below cost-curve amid S&D imbalance. Maintain Neutral.

Positive price signal in the form of supply-response from Australia

Last week, First Quantum announced that it is set to suspend their Ravensthorpe mining operation for the next 18 to 24 months, but will continue selling nickel from their existing stockpiles, which are estimated to last up until the suspension period ended. We think such supply-response is expected given that Ravensthorpe mine has a cash costs of >US\$20k/ton vs. <US\$16k/t current price level (Fig. 2) and is already loss-making in 9M23. The supply response from First Quantum is then followed-up with the closure of Kambalda mine by Wyloo Metals and nickel refining capacity by BHP in Western Australia by Jun-24. In total, we estimated total supply disrupted from Ravensthorpe and Kambalda to be c.2% of global refined nickel supply, which are theoretically positive to prices.

LME nickel price remain soft despite the supply-response

However, LME nickel price remain soft and has fallen below US\$16k/ton level (now trading at US\$15.8k/ton) as LME inventory kept rising by c.88% from the bottom in Aug-23 to 69kt, as of latest (Fig. 3) while fear on battery-grade nickel (class-1 nickel) supply addition have continue to weigh on prices. We have previously noted in our previous [report](#) that there will be further inventory addition in the form of full-plate cathode (FPC), mainly reflected in the increase of warehouse stocks in Rotterdam and Busan (Fig. 4) which continued to see an increase in the past 2-3 months.

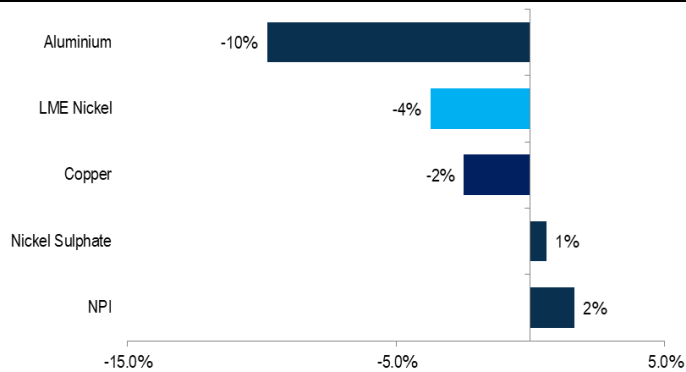
Cost-curve may indicate bottom; but short position kept piling up

We argue that marginal costs (reflected by 90th percentile cash costs) would determine LME nickel price in the long-term as prices would revert back to their cost-curve; as smelters with cash costs beyond 90th percentile would eventually stop production and eventually tilt the supply-demand balance to equilibrium. While LME price is now trading well below the cost-curve, historically, we have seen period (2012-2017) where nickel prices continue to trade below their 90th percentile cost-curve (Fig. 5), meaning that in the short-term: supply, demand, and inventory movement are the main determinants of price. As a result, soft demand, coupled with increase in supply (another 50ktpa electrolytic nickel from IMIP to come to LME market) and rising inventory, has led us to believe soft price to continue in medium-term. Speculators' short position have also slightly risen with net short of 20k contracts vs. 17k net short in Dec-23 (Fig. 6), a bearish signal to price.

Maintain our sector Neutral rating on soft nickel price

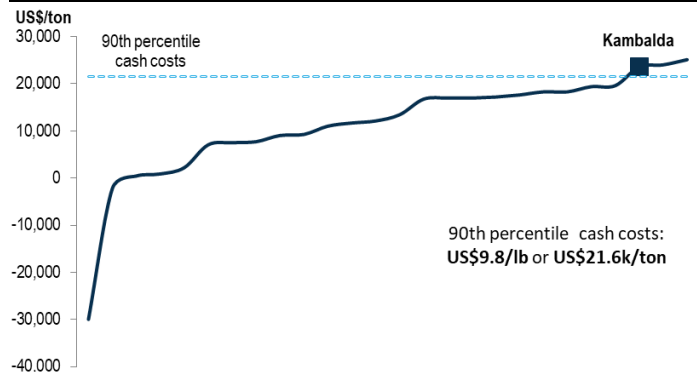
We maintain our Neutral sector rating on soft nickel prices and continue to like MDKA ([report](#)) and ADMR ([report](#)) as top pick. INCO (Hold) and ANTM (Buy) were among names that are correlated with LME price (Fig. 7 & 8). We adjusted our S&D balance and adjusted our FY24F/25F LME nickel price assumptions to US\$17k/ton and US\$16.5k/t (from US\$18.5k and US\$18k/t). Upside risks to LME price is potential short-covering.

Fig. 1: Metals (under IPS coverage) YTD performance (%)



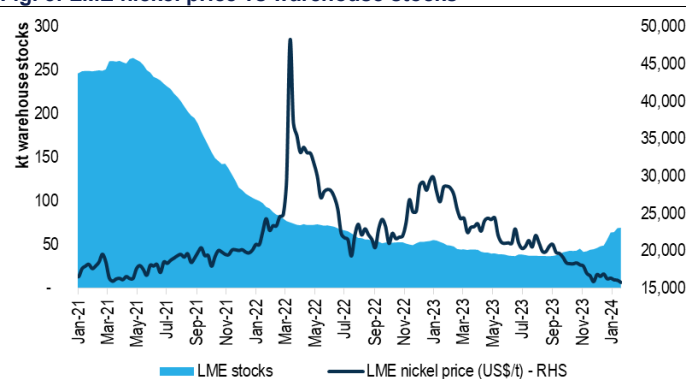
Source: Bloomberg, Indo Premier

Fig. 2: LME-deliverables cash-costs curve



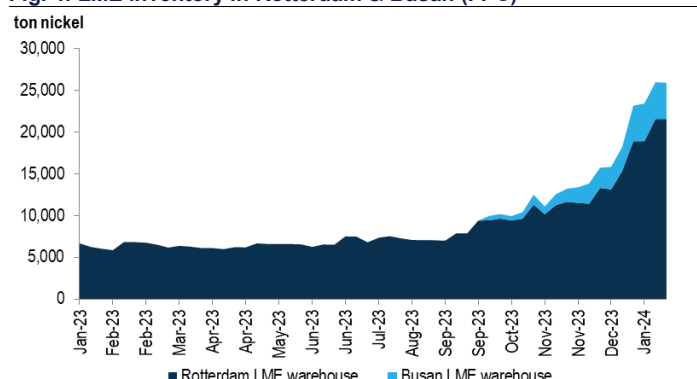
Source: Bloomberg, Company data, Indo Premier

Fig. 3: LME nickel price vs warehouse stocks



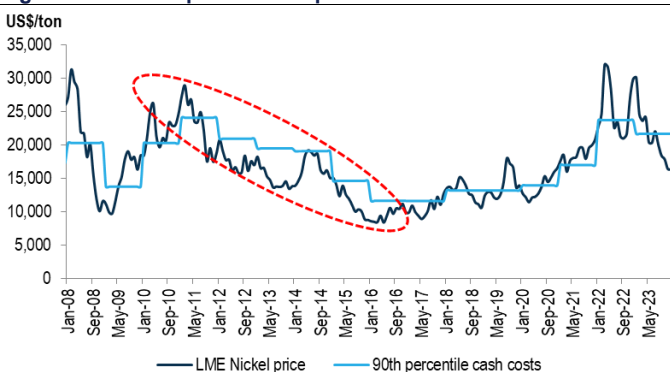
Source: Bloomberg, Indo Premier

Fig. 4: LME inventory in Rotterdam & Busan (FPC)



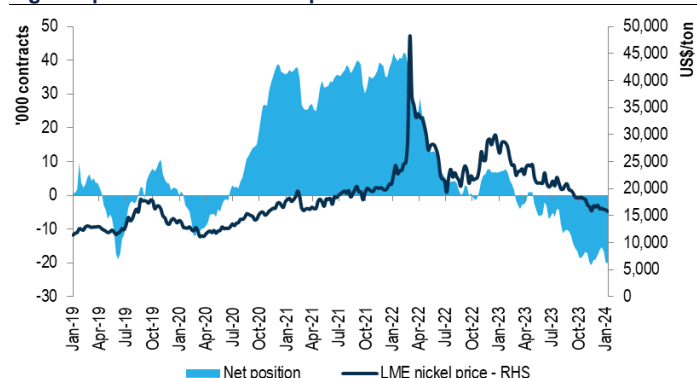
Source: Bloomberg, Indo Premier

Fig. 5: LME nickel price vs 90th percentile cash costs



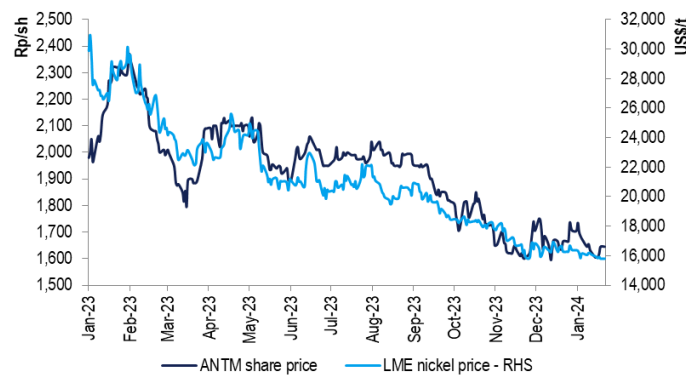
Source: Bloomberg, Indo Premier

Fig. 6: Speculators' net short position



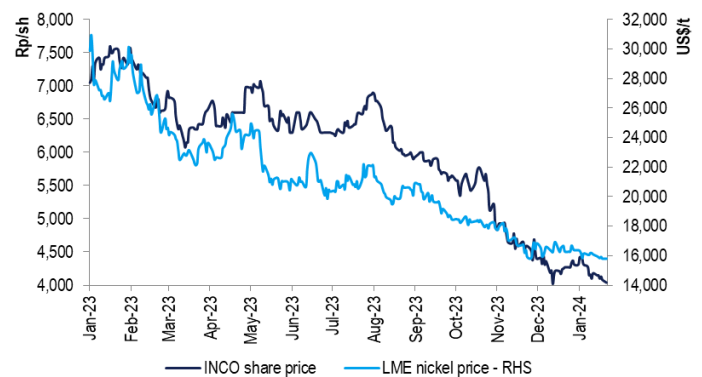
Source: Bloomberg, London Metal Exchange (LME), Indo Premier

Fig. 7: ANTM's share price vs LME nickel price



Source: Bloomberg, Indo Premier

Fig. 8: INCO's share price vs. LME nickel price



Source: Bloomberg, Indo Premier

Fig. 9: Refined nickel supply & demand balance

Supply-demand balance (kt)	2019	2020	2021	2022	2023	2024F	2025F
LME Nickel							
Refined production	2,529	2,533	2,717	3,101	3,516	3,812	4,102
Supply growth yoy (%)		0.1%	7.3%	14.1%	13.4%	8.4%	7.6%
Refined consumption	2,451	2,445	2,804	2,938	3,162	3,585	3,880
Demand growth yoy (%)		-0.2%	14.7%	4.8%	7.6%	13.4%	8.2%
Market balance	78	88	(87)	163	354	227	222
Price forecast							
LME nickel (US\$/t)	13,917	13,804	18,459	25,720	21,505	17,000	16,500

Source: Bloomberg, International Nickel Study Group (INSG), Shanghai Metal Market (SMM), MySteel, Indo Premier

Fig. 10: 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
ADMIR IJ	Adaro Minerals Indonesia	Buy	1,650	10.4	9.1	9.2	7.9	8.1	7.4	N/A	N/A	N/A
ANTM IJ	Aneka Tambang	Buy	2,100	10.9	9.8	8.6	6.7	6.1	5.2	4.9%	4.6%	5.1%
HRUM IJ	Harum Energy	Buy	1,750	8.6	9.8	9.1	3.3	5.0	6.5	N/A	N/A	N/A
INCO IJ	Vale Indonesia	Hold	5,560	10.6	19.5	34.9	3.9	7.6	9.5	N/A	N/A	N/A
MBMA IJ	Merdeka Battery Materials	Buy	940	229.1	24.4	14.8	41.3	10.2	7.4	N/A	N/A	N/A
MDKA IJ	Merdeka Copper Gold	Buy	3,500	N/A	29.4	26.9	17.9	8.2	7.6	N/A	N/A	N/A
NCKL IJ	Trimegah Bangun Persada	Buy	1,250	9.8	7.0	6.2	7.0	4.4	3.6	N/A	3.1%	4.3%

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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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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