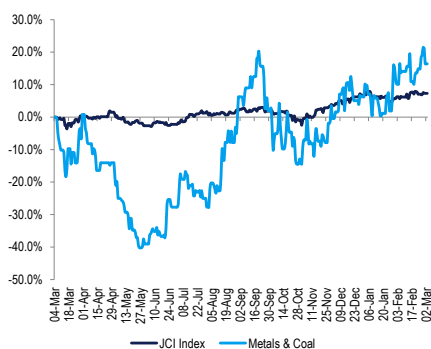


Sector Update | 4 March 2024

Sector Index Performance

	3M	6M	12M
Absolute	-3.2%	-16.1%	-6.2%
Relative to JCI	-6.2%	-20.4%	-13.0%



Summary Valuation Metrics

P/E (x)	2023F	2024F	2025F
ADMR IJ	10.1	9.9	10.1
ANTM IJ	10.1	10.6	9.5
HRUM IJ	7.8	9.1	7.6
INCO IJ	9.9	32.9	124.3
MBMA IJ	317.0	26.4	13.9
MDKA IJ	N/A	87.1	48.0
NCKL IJ	9.9	8.3	7.6
EV/EBITDA (x)	2023F	2024F	2025F
ADMR IJ	8.6	8.7	7.9
ANTM IJ	6.4	5.7	5.1
HRUM IJ	3.1	6.2	5.2
INCO IJ	4.0	9.7	12.6
MBMA IJ	36.8	12.0	8.2
MDKA IJ	16.9	11.2	9.9
NCKL IJ	7.1	5.1	4.3
Div. Yield	2023F	2024F	2025F
ADMR IJ	N/A	N/A	N/A
ANTM IJ	5.4%	5.0%	4.7%
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	3.0%	3.6%

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Feedback from Indonesia Metals & Coal marketing trip

- We went to Hong Kong, Singapore, and Kuala Lumpur marketing trip and found that majority of the investors are still bearish on metals.
- Main concerns are the lack of China's structural recovery and nickel's oversupply.
- We think local and foreign funds positions on metals name are already light, albeit it may lack structural catalyst to rally. Maintain Neutral.

Metals: light positioning among foreign but almost all are nickel-bear
 c.50-60% of foreign funds that we met, particularly the long-only (LO) funds have a tendency to ignore base-metals sector altogether, mainly due to cyclical nature of the sector. Meanwhile, the rest – hedge-funds and other LO funds – are generally open to invest in the sector but may have felt that having a China-related exposure through Indonesian commodity names are counter-intuitive as one particular fund mentioned that China's economy is currently facing structural issue, somewhat similar to Japan's 1990s real-estate burst and ageing population (see [report](#)). Avoidance towards China-related exposure (i.e. including China-equities) is also quite apparent, particularly among funds with Asia ex-Japan universe in HK & SG. Specific to nickel, several funds felt Ni price has yet to bottom, owing to oversupply situation, in addition to concern over LFP vs. NMC, albeit we argued that both chemistries are set to co-exist ([report](#)). Majority of funds generally agreed that copper is better-positioned in the future (vs. nickel) on its potential supply-demand deficit in the next 4-5 years but are reluctant to invest now due to lack of macro clarity along with funding concern on MDKA. These funds would re-shift their attention back to metal names in the event of: 1) China recovery (i.e. stimulus, etc), and/or 2) structural commodity-specific event, which could cause a price rally.

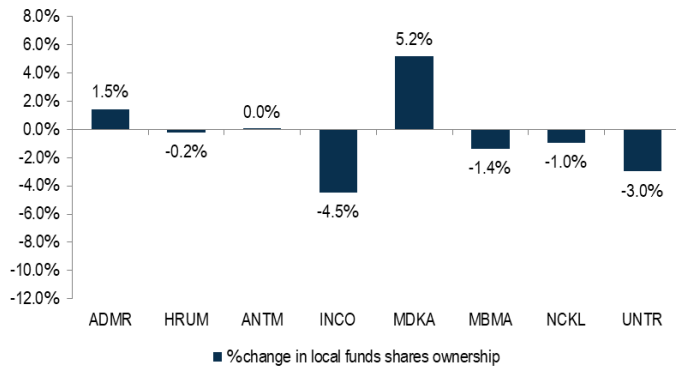
Coking & thermal coal: ESG remains a concern

LO funds generally refrained from investing in coal names (incl. coking-coal) due to ESG-consideration, albeit investing in coking-coal name is a possibility compared to thermal. If we break it down into details, majority of funds (esp. those that are linked or European/US-affiliated) are restricted to buy any coal-related names; however some funds are more flexible as long as the companies are making a progress towards a diversification to ESG-friendly, citing certain standards such as TPI ([link](#)), which could open-up potential foreign inflow for: UNTR (i.e. renewables, nickel, geothermal), ADRO (i.e. renewables), and ADMR (i.e. aluminium). Interestingly, two hedge funds that we met like Australian coal names owing to its free-cash flow (FCF) generation, potentially high dividend payout and liquidity (ADTV), unlike Indonesian coal names that are still churning out big capex spending in order to diversify away from thermal-coal businesses.

Maintain our sector Neutral rating with ADMR & MDKA as our top pick

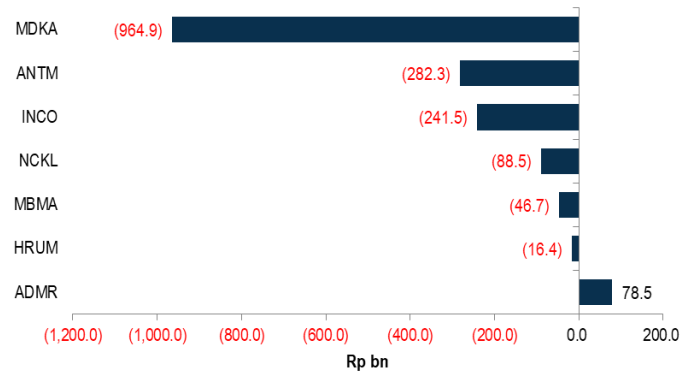
We think both local and foreign funds positioning are already light on metal & coal names post the price de-rating in 2023 (Fig. 1-4). However, we still do not foresee any structural catalyst for metal and coal names to rally in the medium to long-term period. Although in the short-term, we see potential short-covering, RKAB issue, post-CNY restocking activity to drive ST nickel prices movement. As a result, we maintain our sector Neutral rating on both metals & coal with ADMR and MDKA as our top pick.

Fig. 1: Local fund ownership changes in Feb-24



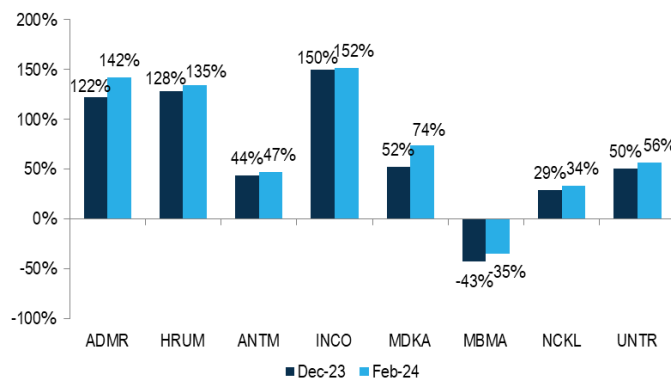
Source: Bloomberg, KSEI, Indo Premier

Fig. 2: Foreign inflow/outflow for Indonesia metals (YTD)



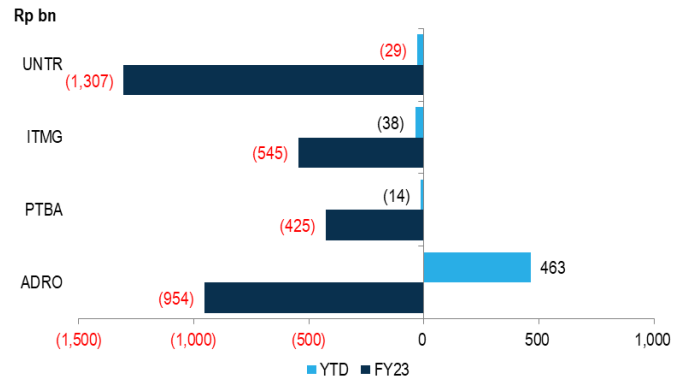
Source: Bloomberg, KSEI, Indo Premier; until 4 March 2024

Fig. 3: Overweight/underweight position vs. JCI weight



Source: Bloomberg, KSEI, Indo Premier

Fig. 4: Foreign inflow/outflow for Indonesia coal (YTD)



Source: Bloomberg, KSEI, Indo Premier; until 4 March 2024

Fig. 5: 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	10.1	9.9	10.1	8.6	8.7	7.9	N/A	N/A	N/A
ANTM IJ	Aneka Tambang	Buy	1,800	10.1	10.6	9.5	6.4	5.7	5.1	5.4%	5.0%	4.7%
HRUM IJ	Harum Energy	Buy	1,750	7.8	9.1	7.6	3.1	6.2	5.2	N/A	N/A	N/A
INCO IJ*	Vale Indonesia	Hold	4,250	9.9	32.9	124.3	4.0	9.7	12.6	N/A	N/A	N/A
MBMA IJ	Merdeka Battery Materials	Buy	750	317.0	26.4	13.9	36.8	12.0	8.2	N/A	N/A	N/A
MDKA IJ	Merdeka Copper Gold	Buy	3,000	N/A	87.1	48.0	16.9	11.2	9.9	N/A	N/A	N/A
NCKL IJ	Trimegah Bangun Persada	Buy	1,250	9.9	8.3	7.6	7.1	5.1	4.3	N/A	3.0%	3.6%

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

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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