

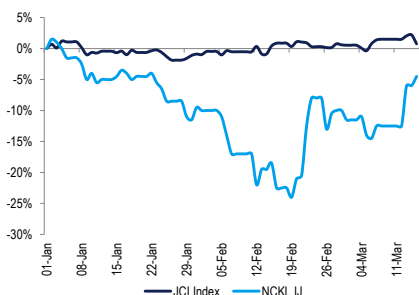
Trimegah Bangun Persada

BUY (unchanged)
Company Update | Metals | NCKL IJ | 15 March 2024
Stock Data

Target price	Rp1,100
Prior TP	Rp1,250
Current price	Rp955
Upside/downside	+15%
Shares outstanding (mn)	63,099
Market cap (Rp bn)	60,259
Free float	14%
Avg. 6m daily T/O (Rp bn)	26

Price Performance

	3M	6M	12M
Absolute	-9.0%	-14.0%	N/A
Relative to JCI	-11.2%	-19.3%	N/A
52w low/high (Rp)	760 – 1,445		


Major Shareholders

Harita Jayaraya	86.5%
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Ryan Winipta

PT Indo Premier Sekuritas
ryan.winipta@ipc.co.id
+62 21 5088 7168 ext. 718

Reggie Parengkuan

PT Indo Premier Sekuritas
reggie.parengkuan@ipc.co.id
+62 21 5088 7168 ext. 714

Concern on related-party transaction may have been priced-in; Maintain Buy

- NCKL is set conduct rights issue of up to c.30% shares outstanding, as per EGMS approval on 15 March, 2024.
- Proceeds from RI will be used to purchase equity-stake in ONC (c.30% owned by Harita family) and mining concession area near Obi Island.
- We reduced our FY23/24/25F NP forecast by 7%/22%/14% and lower our TP to Rp1,100/share but maintain our Buy rating.

Strategic buyer to enter during rights issue

NCKL has already obtained the shareholders' approval during EGMS in 15 March to conduct rights issue with pre-emptive rights of up to 30% shares outstanding (18.9bn shares). Proceeds from the rights issue will be used to purchase an equity stake of nickel-smelter i.e. Obi Nickel Cobalt (ONC; NCKL currently owns 10% stake) in addition to mining-concession area, potentially within or near Obi Island (Fig. 1). We believe a strategic buyer is set to participate on the rights issue as NCKL is currently a net-cash company and with limited future capex requirement. Investors were mainly concerned on the potential related party transaction following the acquisition plan of ONC, but such risks are already priced-in by the market.

NPI/FeNi price a laggard but downside is relatively limited

From fundamental point of view, NPI price (+3% YTD) has yet to increased significantly – currently stood at US\$11.8k/t in spite of the recent LME nickel price rally (+9% YTD, Fig. 2) to US\$18k/t level and MHP price (+23% YTD). In theory, higher LME price & NiSO₄/MHP price would incentivizes the conversion of NPI to nickel-matte, which would then positively impact NPI price as well. We think downside to NPI prices are already limited given Chinese RKEF already loss-making (Fig. 3) and low NPI inventory in China stainless mills. Nonetheless, we still take into account lower NPI price to our FY24F/25F NP and lower our 23F/24F/25F forecast NP by 7%/22%/14% (Fig. 5). **4Q23F preview:** we estimate NCKL to report an NP of Rp1.2tr in 4Q23F (-36% qoq), ending FY23 at Rp5.6-5.7tr NP, roughly-in-line with our/consensus FY23F forecasts.

Maintain our Buy rating with lower TP of Rp1,100/share

We re-iterate Buy rating with lower SOTP-based TP of Rp1,100/share (previously Rp1,250/share) as we adjusted down our LT FeNi and MHP price assumptions in our DCF calculation for each projects. Downside risks are weaker NPI/FeNi price on slower demand recovery and project delays.

Financial Summary (Rp bn)	2021A	2022A	2023F	2024F	2025F
Revenue	8,229	9,568	23,805	28,100	30,453
EBITDA	4,226	4,355	7,958	9,996	11,923
Net profit	1,969	4,667	5,662	6,661	8,209
EPS growth	593%	137%	21%	18%	23%
ROE	35%	49%	23%	23%	23%
PER (x)	30.6	12.9	10.6	9.0	7.3
EV/EBITDA (x)	15.2	16.1	7.6	6.0	4.6
Dividend yield	0%	3%	0%	3%	3%
IPS vs. consensus			98%	101%	93%

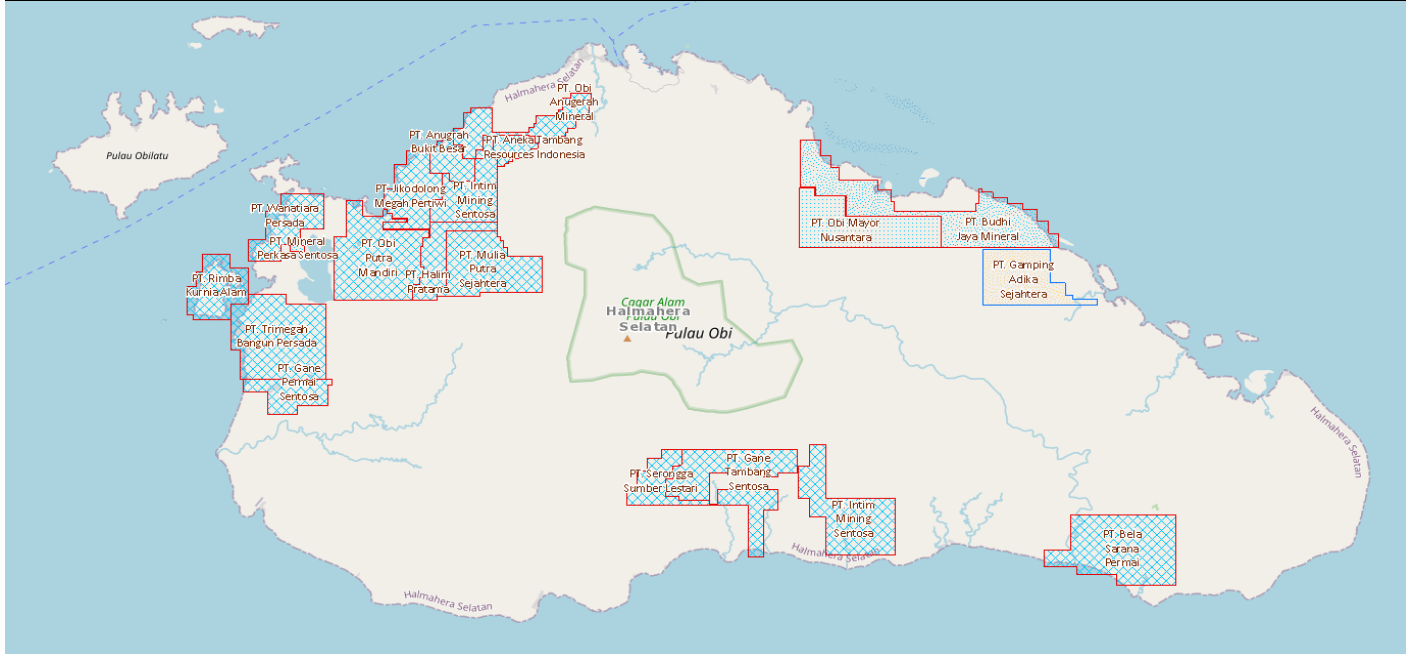
Source: Company, Indo Premier

Share price closing as of: 15 March 2024

4Q23F preview: in-line with consensus, down by 36% qoq

We estimate NCKL to report an NP of Rp1.2tr in 4Q23F (-36% qoq), ending FY23 at Rp5.6-5.7tr NP, slightly below consensus forecast (98% cons). Our estimates are mainly driven by lower NPI, MHP, and NiSO₄ ASP qoq (-7%/-10%/-10% qoq, Fig. 3), as per our estimates. On the costs side, we expect slight cash costs improvement on RKEF smelter (HJF +4% qoq, MSP +3% qoq), thanks to lower nickel ore price. However, this would also result in lower saprolite ore ASP (-15% qoq); note that NCKL booked the margin from the ore sales to its own smelter, MSP and HJF.

Fig. 1: Mining concession area within Obi Island



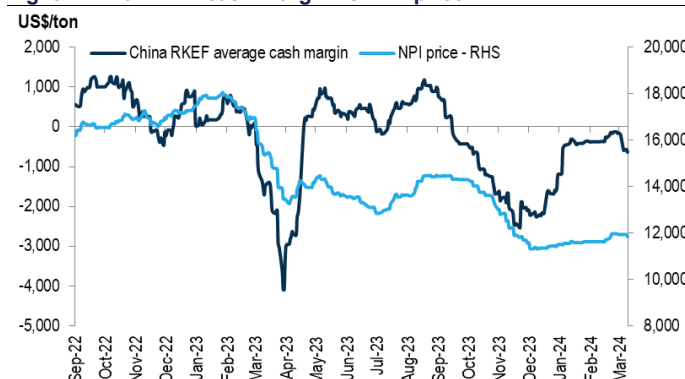
Source: Ministry of Energy and Mineral Resources (ESDM), Indo Premier

Fig. 2: Rights issue illustration (if all shareholders subscribed)

	Pre Rights Issue		Post Rights Issue	
	No. shares (bn)	%	No. shares (bn)	%
Authorized capital	220.4	-	220.4	-
PT Harita Jayaraya	54.6	86%	70.9	86%
PT Citra Duta Jaya Makmur	0.6	1%	0.7	1%
Public	8.0	13%	10.4	13%
Total of Issued and Paid-Up Capital	63.1	100%	82.0	100%
Shares in Portfolio	157.3	-	138.4	-

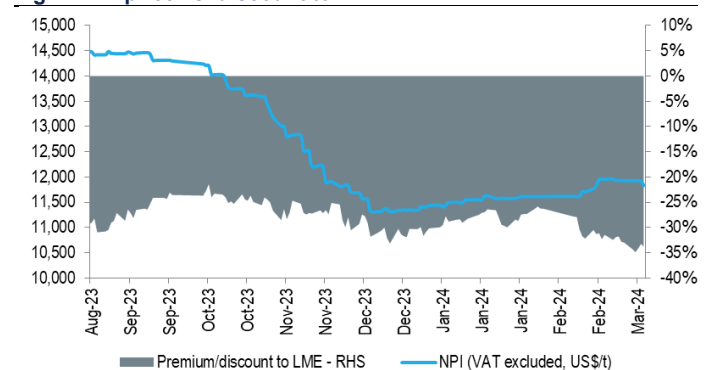
Source: Company Data, Indo Premier

Fig. 3: China RKEF cash margin vs. NPI price



Source: SMM, Bloomberg, Indo Premier

Fig. 4: NPI price vs. discount to LME



Source: SMM, Bloomberg, Indo Premier

Fig. 5: Old vs New forecasts

NCKL (Rp bn)	New forecast				Old forecast			Forecast change			Consensus			Indo-Premier vs. Consensus		
	2022A	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F
Revenues	9,568	23,805	28,100	30,453	24,202	30,422	32,497	-2%	-8%	-6%	23,124	26,811	29,806	103%	105%	102%
Gross profit	4,675	8,159	10,137	12,046	8,744	12,999	14,608	-7%	-22%	-18%	7,833	9,126	11,135	104%	111%	108%
Operating profit	3,785	6,809	8,787	10,656	7,394	11,649	13,218	-8%	-25%	-19%	6,244	7,232	9,112	109%	122%	117%
EBITDA	4,355	7,958	9,996	11,923	8,543	12,857	14,485	-7%	-22%	-18%	7,269	8,062	10,005	109%	124%	119%
NPAT	4,667	5,662	6,661	8,209	6,115	8,507	9,570	-7%	-22%	-14%	5,729	6,667	8,640	99%	100%	95%
%y-y																
Revenues		149%	18%	8%							142%	16%	11%			
Gross profit		75%	24%	19%							68%	17%	22%			
Operating profit		80%	29%	21%							65%	16%	26%			
EBITDA		83%	26%	19%							67%	11%	24%			
NPAT		21%	18%	23%							23%	16%	30%			
Gross margin	48.9%	34.3%	36.1%	39.6%	36.1%	42.7%	45.0%	-1.9%	-6.7%	-5.4%				34.3%	36.1%	39.6%
Operating margin	39.6%	28.6%	31.3%	35.0%	30.5%	38.3%	40.7%	-1.9%	-7.0%	-5.7%				28.6%	31.3%	35.0%
EBITDA margin	45.5%	33.4%	35.6%	39.2%	35.3%	42.3%	44.6%	-1.9%	-6.7%	-5.4%				33.4%	35.6%	39.2%
NPAT margin	48.8%	23.8%	23.7%	27.0%	25.3%	28.0%	29.4%	-1.5%	-4.3%	-2.5%				23.8%	23.7%	27.0%

Source: Company Data, Bloomberg, Indo Premier

Fig. 6: Operational data assumptions

Key assumptions	Old			New			Change (%)		
	FY23F	FY24F	FY25F	FY23F	FY24F	FY25F	FY23F	FY24F	FY25F
MSP - FeNi									
Sales volume (ton)	27,647	28,000	28,000	27,647	28,000	28,000	0%	0%	0%
ASP (US\$/t)	14,141	12,500	13,250	14,141	12,500	13,250	0%	0%	0%
Cash costs (US\$/t)	10,304	9,000	9,000	10,304	9,000	9,000	0%	0%	0%
HJF - FeNi									
Sales volume (ton)	73,838	99,750	99,750	73,838	99,750	99,750	0%	0%	0%
ASP (US\$/t)	13,163	12,500	13,250	13,163	12,500	13,250	0%	0%	0%
Cash costs (US\$/t)	9,758	8,800	8,800	9,758	8,800	8,800	0%	0%	0%
HPL - HPAL									
MHP									
Sales volume (ton)	43,997	38,500	38,500	43,997	38,500	38,500	0%	0%	0%
ASP (US\$/t)	14,862	13,000	14,000	14,862	13,000	14,000	0%	0%	0%
Cash costs (US\$/t)	8,708	8,100	8,100	8,708	8,100	8,100	0%	0%	0%
Cash costs (US\$/t), net byp.	6,780	6,230	6,230	6,780	6,230	6,230	0%	0%	0%
Nickel sulphate (NiSO4)									
Sales volume (ton)	13,034	16,500	16,500	13,034	16,500	16,500	0%	0%	0%
ASP (US\$/t)	15,023	15,000	15,500	15,023	15,000	15,500	0%	0%	0%
Cash costs (US\$/t)	9,314	8,730	8,730	9,314	8,730	8,730	0%	0%	0%

Source: Company Data, Bloomberg, Indo Premier

Fig. 7: SOTP valuation

NCKL assets	Equity value (US\$ m)	Attributable to NCKL	Equity value (US\$ m)	Methodology	Smelter/Products
Nickel ore business	920	100.0%	920	FY24F 5.0x P/E	Nickel ore sales
Megah Surya Pertiwi	611	60.0%	367	DCF (9.5% WACC)	RKEF - FeNi 25ktpa
Halmahera Jaya Feronikel	2,668	63.1%	1,684	DCF (9.5% WACC)	RKEF - FeNi 95ktpa
Halmahera Persada Lygend	2,140	45.1%	965	DCF (9.5% WACC)	HPAL - MHP 55ktpa
Obi Nickel Cobalt	1,348	10.0%	135	DCF (9.8% WACC)	HPAL - MHP 60ktpa
Karunia Permai Sentosa	1,145	35.0%	401	DCF (10.6% WACC)	RKEF - FeNi 185ktpa
Total	8,832		4,471		

Equity value (US\$ m) 4,471

of shares outstanding 63.1

Target price (Rp/share) 1,100

Source: Company Data, Bloomberg, Indo Premier

Fig. 8: Peers comparison

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	9.3	9.1	9.3	8.0	8.1	7.4	N/A	N/A	N/A
ANTM IJ	Aneka Tambang	Buy	1,800	11.2	11.7	10.5	7.1	6.5	5.8	4.9%	4.5%	4.3%
HRUM IJ	Harum Energy	Buy	1,750	8.6	9.6	8.4	3.1	7.0	6.0	N/A	N/A	N/A
INCO IJ*	Vale Indonesia	Hold	4,250	10.2	33.9	128.0	4.2	10.0	12.9	N/A	N/A	N/A
MBMA IJ	Merdeka Battery Materials	Buy	750	286.1	23.9	12.6	33.5	11.0	7.6	N/A	N/A	N/A
MDKA IJ	Merdeka Copper Gold	Buy	3,000	N/A	87.4	48.2	17.0	11.3	9.9	N/A	N/A	N/A
NCKL IJ	Trimegah Bangun Persada	Buy	1,250	17.0	11.3	9.9	7.0	5.0	4.2	N/A	3.1%	3.7%

Source: Company Data, Bloomberg, Indo Premier

Income Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Net revenue	8,229	9,568	23,805	28,100	30,453
Cost of sales	(3,715)	(4,893)	(15,647)	(17,962)	(18,406)
Gross profit	4,514	4,675	8,159	10,137	12,046
SG&A Expenses	(960)	(890)	(1,350)	(1,350)	(1,391)
Operating profit	3,554	3,785	6,809	8,787	10,656
Net interest	(307)	(275)	(341)	(209)	(105)
Income from associates	715	2,916	1,607	1,185	1,583
Others	13	224	343	300	200
Pre-tax income	3,975	6,650	8,418	10,064	12,334
Income tax	(605)	(812)	(1,001)	(1,126)	(1,251)
Minority interest	(1,402)	(1,170)	(1,756)	(2,276)	(2,874)
Net income	1,969	4,667	5,662	6,661	8,209

Balance Sheet (Rp bn)	2021A	2022A	2023F	2024F	2025F
Cash & equivalent	2,578	1,277	7,154	7,756	12,615
Receivable	149	181	1,389	1,639	1,776
Inventory	1,300	4,087	5,650	6,486	6,647
Other current assets	746	788	736	736	736
Total current assets	4,772	6,334	14,929	16,617	21,774
Fixed assets	10,972	20,668	20,436	20,478	20,461
Other non-current assets	5,257	7,603	10,636	14,448	15,666
Total non-current assets	16,230	28,271	31,072	34,926	36,127
Total assets	21,002	34,605	46,000	51,543	57,901

ST loans	0	0	0	0	0
Payable	2,384	4,515	5,216	5,987	6,135
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	8,929	9,701	9,849
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	16,971	17,551	17,699

Equity	362	6,981	16,688	16,688	16,688
Retained earnings	4,265	1,617	7,279	12,241	18,452
Minority interest	4,915	5,631	5,062	5,062	5,062
Total SHE + minority int.	9,542	14,229	29,029	33,992	40,202
Total liabilities & equity	21,002	34,605	46,000	51,543	57,901

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Net income	2,552	4,613	5,630	6,661	8,209
Depr. & amortization	672	570	1,150	1,208	1,267
Changes in working capital	452	1,391	(2,292)	(315)	(150)
Others	0	0	0	0	0
Cash flow from operating	3,676	6,574	4,487	7,555	9,326
Capital expenditure	2,968	(10,265)	(918)	(1,250)	(1,250)
Others	(3,556)	(2,256)	(3,015)	(3,812)	(1,218)
Cash flow from investing	(588)	(12,521)	(3,934)	(5,062)	(2,468)
Loans	(1,597)	4,630	(3,815)	(192)	0
Equity	(906)	1,835	9,139	0	0
Dividends	0	(1,819)	0	(1,698)	(1,998)
Others	0	0	0	0	0
Cash flow from financing	(2,503)	4,646	5,324	(1,891)	(1,998)
Changes in cash	585	(1,301)	5,877	602	4,860

Key Ratios	2021A	2022A	2023F	2024F	2025F
Gross margin	55%	49%	34%	36%	40%
Operating margin	43%	40%	29%	31%	35%
Pre-tax margin	48%	69%	35%	36%	41%
Net margin	24%	49%	24%	24%	27%
ROA	9%	13%	12%	13%	14%
ROE	35%	49%	23%	23%	23%
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	15.7	25.0	29.9
Net gearing	0.7	1.1	0.0	(0.0)	(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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