

Merdeka Copper Gold

BUY (unchanged)

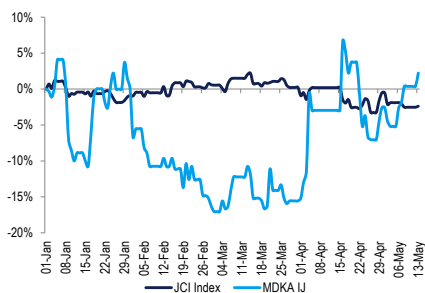
Company update | MDKA IJ | 13 May 2024

Stock Data

Target price	Rp3,100
Prior TP	Rp3,100
Current price	Rp2,760
Upside/downside	+12%
Shares outstanding (mn)	24,473
Market cap (Rp bn)	67,545
Free float	51%
Avg. 6m daily T/O (Rp bn)	131

Price Performance

	3M	6M	12M
Absolute	14.5%	22.1%	-13.5%
Relative to JCI	16.4%	17.9%	-19.3%
52w low/high (Rp)	2,100 – 3,510		



Major Shareholders

Saratoga Investama Sedaya	18.6%
Mitra Daya Mustika	12.1%
Garibaldi Thohir	7.4%

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

1Q24F preview: beat vs. consensus on Wetar improvement & higher gold ASP

- We estimate MDKA to report US\$8mn NP in 1Q24F (vs. US\$3mn in 4Q23), a beat vs ours/consensus forecast (34%/31% IPS/consensus).
- Despite soft 1Q24 from MBMA ([link](#)), we expect qoq NP improvement on higher gold ASP (+9% qoq) and costs improvement in Wetar (-17% qoq).
- We fine-tuned our FY24F-26F forecast by 2-5% (Fig. 2) and maintain MDKA as our top pick with a Buy rating and TP of Rp3,100/share.

1Q24F preview: slight beat vs. consensus forecast

MDKA reported US\$540mn revenue in 1Q24 on its operational data release, flat qoq due to lower revenue contribution from MBMA and TB Oxide (sales volume at -15% qoq) but was offset by volume improvement from Wetar (+96% qoq). We estimated MDKA to report US\$8mn NP in 1Q24F (vs. US\$3mn in 4Q23), a beat vs ours/consensus forecast (34%/31% IPS/consensus).

What we like from MDKA's 1Q24 operational data

Wetar cash costs improved to US\$2.7/lb (from US\$3.2/lb in 4Q, -17% qoq) in addition to higher sales volume qoq at 4.3kt (+96% qoq). Nonetheless, we still expect Wetar to record slight loss on PBT level due to non-cash D&A expenses, but at much better magnitude vs. 3Q23/4Q23. Gold ASP also trended higher to US\$2.1k/oz in 1Q24 (+9% qoq). During 1Q24, MDKA also managed to secure price-hedge in Dec-24 to Jun-25 for 22k oz of gold at US\$2.3k/oz (similar to current gold price level).

Weak MBMA along with lower gold sales from TB oxide are the -ve

Softer profit contribution from MBMA as a result of lower NPI margin (-30% qoq) in 1Q24 while TB oxide gold sales volume trended lower to 26.6koz (-15% qoq), resulting in lower TB oxide revenue qoq (-7% qoq). TB oxide cash costs also stood at US\$1,065/oz, slightly higher than management guidance of US\$900-1,050/oz in FY24F, albeit AISC of US\$1,479/oz in 1Q24 remains in-line with US\$1,350-1,500/oz guidance.

Project update: Pyrite ore delivery to ramp-up

Pyrite ore delivery to AIM is expected to be further ramped-up following completion of acid plant 2 in 2Q24F. During 1Q24, MDKA also released an update on mineral resources estimate ([report](#)) and Pani FS ([report](#)).

Maintain MDKA as top pick; maintain Buy with Rp3,100/share TP

We fine-tuned our FY24F-26F NP forecast by 2-5% (Fig. 2) and maintain MDKA as our top pick with a Buy rating and an unchanged Rp3,100/share TP. Re-rating catalysts include: 1) higher gold & copper price ([report](#)) which could be boosted by Fed's dovish stance, benefitting MDKA as junior copper/gold miner and 2) further cash costs improvement in Wetar.

Financial Summary (US\$ mn)	2022A	2023A	2024F	2025F	2026F
Revenue	870	1,707	2,457	2,954	3,329
EBITDA	235	268	427	643	824
Net profit	58	(21)	24	54	76
EPS growth	62%	-135%	-214%	130%	40%
ROE	6%	-2%	2%	3%	3%
PER (x)	73.5	(207.9)	181.8	79.0	56.4
EV/EBITDA (x)	22.4	20.0	13.8	10.3	8.6
Dividend yield	N/A	N/A	N/A	N/A	N/A
IPS vs. consensus			89%	44%	25%

Source: Company, Indo Premier

Share price closing as of: 13 May 2024

Fig. 1: MDKA's 1Q24 operational data summary

Per Segment basis	1Q23	2Q23	3Q23	4Q23	1Q24	qoq %
Tujuh Bukit Oxide						
Gold sales volume (oz)	19,996	29,544	49,162	31,173	26,633	-15%
Gold price (US\$/oz)	1,887	1,972	1,946	1,931	2,106	9%
AISC (US\$/oz)	1,263	1,060	1,147	1,487	1,479	-1%
Cash costs (US\$/oz)	786	787	805	1,016	1,065	5%
Cash margin (US\$/oz)	1,101	1,185	1,141	915	1,041	14%
Wetar						
Copper sales volume (ton)	3,603	4,273	3,136	2,206	4,313	96%
Copper price (US\$/ton)	8,799	8,700	8,444	8,169	8,347	2%
AISC (US\$/ton)	10,670	10,825	16,050	11,398	8,135	-29%
Cash costs (US\$/ton)	8,554	7,363	10,582	7,077	5,886	-17%
Cash margin (US\$/ton)	245	(2,125)	(2,138)	1,092	2,461	125%

Source: Company, Indo Premier

Fig. 2: Old vs New forecast

MDKA US\$ mn	New forecast			Old forecast			Forecast change			Consensus			IPS vs consensus		
	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F
Revenues	2,457	2,954	3,329	2,513	2,959	3,338	-2%	0%	0%	2,246	2,670	3,319	109%	111%	100%
Gross profit	324	526	672	347	541	691	-7%	-3%	-3%	255	482	779	127%	109%	86%
Operating profit	256	442	582	278	456	600	-8%	-3%	-3%	202	445	716	127%	99%	81%
EBITDA	427	643	824	448	657	842	-5%	-2%	-2%	365	634	941	117%	102%	88%
NPAT	24	54	76	22	52	78	5%	6%	-2%	26	125	302	89%	44%	25%
%-y															
Revenues	44%	20%	13%	47%	18%	13%				-9%	19%	24%			
Gross profit	122%	62%	28%	138%	56%	28%				-21%	89%	62%			
Operating profit	165%	72%	32%	187%	64%	32%				-21%	120%	61%			
EBITDA	59%	51%	28%	67%	47%	28%				-15%	74%	48%			
NPAT	-214%	130%	40%	-209%	129%	51%				12%	373%	142%			
Gross margin	13.2%	17.8%	20.2%	13.8%	18.3%	20.7%				11.4%	18.1%	23.5%			
Operating margin	10.4%	15.0%	17.5%	11.1%	15.4%	18.0%				9.0%	16.7%	21.6%			
EBITDA margin	17.4%	21.8%	24.7%	17.8%	22.2%	25.2%				16.2%	23.7%	28.3%			
NPAT margin	1.0%	1.8%	2.3%	0.9%	1.7%	2.3%				1.2%	4.7%	9.1%			

Source: Company, Bloomberg, Indo Premier

Fig. 3: Key assumption changes

MDKA IJ US\$ mn	Old			New			Change (%)		
	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F
TB Oxide									
Sales volume (oz)	110,000	110,000	110,000	105,000	105,000	105,000	-5%	-5%	-5%
ASP (US\$/t)	2,050	2,025	2,000	2,200	2,300	2,200	7%	14%	10%
Cash costs (US\$/t)	925	950	950	1,090	1,090	1,090	18%	15%	15%
Wetar									
Sales volume (oz)	15,500	15,000	15,000	14,000	14,000	14,000	-10%	-7%	-7%
ASP (US\$/t)	8,500	8,900	8,900	9,200	9,250	9,500	8%	4%	7%
Cash costs (US\$/lb)	3.5	3.5	3.5	3.7	3.8	3.8	6%	9%	9%

Source: Company, Bloomberg, Indo Premier

Fig. 4: Peers comparison

Ticker	Company	Rating	Target price (Rp/share)	P/E			EV/EBITDA			Dividend yield (%)		
				24F	25F	26F	24F	25F	26F	24F	25F	26F
ADMR IJ	Adaro Minerals Indonesia	Buy	1,650	8.7	8.4	6.6	7.3	8.1	7.3	N/A	N/A	N/A
ANTM IJ	Aneka Tambang	Buy	1,800	13.2	10.8	10.5	7.9	5.9	5.3	4.2%	3.8%	4.6%
HRUM IJ	Harum Energy	Buy	1,450	9.0	9.4	7.5	6.9	6.4	4.4	N/A	N/A	N/A
INCO IJ	Vale Indonesia	Hold	4,250	36.3	137.1	139.9	10.7	13.6	11.2	N/A	N/A	N/A
MBMA IJ	Merdeka Battery Materials	Buy	700	45.5	19.6	15.3	15.6	9.1	7.4	N/A	N/A	N/A
MDKA IJ	Merdeka Copper Gold	Buy	3,100	180.5	78.4	56.0	13.8	10.2	8.5	N/A	N/A	N/A
NCKL IJ	Trimegah Bangun Persada	Buy	1,100	9.2	7.5	N/A	6.1	4.7	N/A	2.8%	3.3%	N/A

Source: Company, Indo Premier

Income Statement (US\$ mn)	2022A	2023A	2024F	2025F	2026F
Net revenue	870	1,707	2,457	2,954	3,329
Cost of sales	(705)	(1,561)	(2,065)	(2,338)	(2,558)
Gross profit	165	146	324	526	672
SG&A Expenses	(53)	(49)	(68)	(85)	(90)
Operating profit	112	97	256	442	582
Net interest	(42)	(79)	(73)	(85)	(103)
Others	20	(6)	0	0	0
Pre-tax income	90	12	183	357	479
Income tax	(25)	(7)	(12)	(16)	(18)
Minority interest	(6)	(26)	(147)	(286)	(386)
Net income	58	(21)	24	54	76

Balance Sheet (US\$ mn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent	444	519	490	172	251
Receivable	66	121	174	209	235
Inventory	251	444	587	665	727
Other current assets	135	124	124	124	124
Total current assets	896	1,207	1,374	1,169	1,337
Fixed assets	1,206	1,767	2,675	3,821	4,724
Other non-current assets	1,775	1,991	1,963	1,931	1,896
Total non-current assets	2,981	3,757	4,638	5,752	6,619
Total assets	3,877	4,964	6,012	6,921	7,956

ST loans	100	95	0	0	0
Payable	110	304	402	455	498
Other payables	49	0	0	0	0
Current portion of LT loans	235	358	0	0	0
Other current liabilities	112	153	153	153	153
Total current liab.	605	909	555	608	651
Long term loans	311	283	300	300	300
Other LT liab.	937	1,008	1,954	2,348	2,864
Total non-current liabilities	1,247	1,291	2,254	2,648	3,164
Total liabilities	1,852	2,200	2,809	3,256	3,815

Equity	728	728	1,128	1,528	1,928
Retained earnings	283	262	286	340	416
Minority interest	1,014	1,774	1,789	1,796	1,796
Total SHE + minority int.	2,025	2,764	3,203	3,665	4,141
Total liabilities & equity	3,877	4,964	6,012	6,921	7,956

Source: Company, Indo Premier

Cash Flow Statement (US\$ mn)	2022A	2023A	2024F	2025F	2026F
Net income	97	(151)	24	54	76
Depr. & amortization	124	171	171	201	242
Changes in working capital	(32)	(21)	(98)	(60)	(46)
Others	0	0	0	0	0
Cash flow from operating	189	(1)	96	196	272
Capital expenditure	(2,083)	(823)	(1,051)	(1,315)	(1,109)
Others	(69)	(32)	(4)	0	0
Cash flow from investing	(2,152)	(855)	(1,056)	(1,315)	(1,109)
Loans	1,034	171	515	394	516
Equity	1,187	760	415	408	400
Dividends	0	0	0	0	0
Others	0	0	0	0	0
Cash flow from financing	2,221	931	931	802	916
Changes in cash	258	75	(29)	(318)	78

Key Ratios	2022A	2023A	2024F	2025F	2026F
Gross margin	19%	9%	13%	18%	20%
Operating margin	13%	6%	10%	15%	17%
Pre-tax margin	10%	1%	7%	12%	14%
Net margin	7%	-1%	1%	2%	2%
ROA	2%	0%	0%	1%	1%
ROE	6%	-2%	2%	3%	3%
Acct. receivables TO (days)	13.2	14.2	14.2	14.2	14.2
Inventory TO (days)	2.8	3.5	3.5	3.5	3.5
Payable TO (days)	6.4	5.1	5.1	5.1	5.1
Debt to equity	0.5	1.4	1.7	1.5	1.4
Interest coverage ratio (x)	16.4	5.4	3.0	5.2	7.5
Net gearing	0.3	1.0	1.1	1.2	1.3

Source: Company, Indo Premier