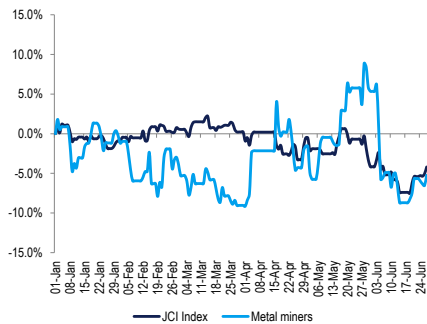


Sector Index Performance

	3M	6M	12M
Absolute	3.4%	-3.8%	-15.2%
Relative to JCI	8.1%	0.1%	-19.8%



Summary Valuation Metrics

P/E (x)	2024F	2025F	2026F
ADMR IJ	8.7	8.5	6.7
ANTM IJ	10.6	8.7	8.5
HRUM IJ	7.5	7.6	5.8
INCO IJ	18.5	26.2	37.4
MBMA IJ	59.0	24.3	17.8
MDKA IJ	N/A	197.3	80.4
NCKL IJ	9.6	7.8	N/A
EV/EBITDA (x)	2024F	2025F	2026F
ADMR IJ	7.4	8.1	7.4
ANTM IJ	6.0	4.4	3.9
HRUM IJ	4.6	5.6	3.8
INCO IJ	6.6	8.4	8.7
MBMA IJ	20.0	11.4	8.8
MDKA IJ	12.7	9.4	7.8
NCKL IJ	6.3	4.9	N/A
Div. Yield	2024F	2025F	2026F
ADMR IJ	N/A	N/A	N/A
ANTM IJ	5.2%	4.7%	5.7%
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	2.7%	3.1%	N/A

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

## Expect further softness in battery-grade nickel price

- Battery-grade nickel price has showcased a positive uptrend with NiSO<sub>4</sub>/MHP/matte price up by +7%/17%/+10% year to date (YTD).
- Such trend is unlikely to sustain as other battery raw materials have been flattish YTD, reducing NMC batteries' competitiveness vs. LFP.
- While elevated price may positively affect 2Q24F earnings, we expect limited share price reaction following recent nickel price downtrend.

### Battery-grade nickel price +ve uptrend despite EV demand slowdown

Recent narrative on electric vehicle (EV) has been negative YTD following softer economic global growth and reduction in purchasing power. While the growth has indeed been decelerating (Fig. 1 & 2); as of 5M24, China, EU, US EV sales has been growing only by +10%/+8%/+6%, respectively, vs. up to +40-70% in 5M23, NiSO<sub>4</sub> and MHP price has been resilient, as it went up by +7%/+17% YTD. Additionally, nickel-matte price has also went-up by +10% since Mar24, albeit showcasing a downtrend recently.

### However other battery raw materials showcased a divergent trend

However, such trend was only specific to nickel, as other battery raw materials prices such as lithium hydroxide and carbonate, and cobalt sulphate has been lacklustre YTD (Fig. 4), showing a divergent trend compared to battery-grade nickel. This was mainly due to higher precursor demand (+20% yoy in 5M24) while nickel sulphate (NiSO<sub>4</sub>) production has been flattish YTD, which led to supply-demand imbalance. Going forward, we think NiSO<sub>4</sub> price would continue to weaken as strong NMC (nickel, manganese, cobalt) price reduce NMC's competitiveness vs. LFP (lithium). Thus, we downgrade our NiSO<sub>4</sub> price assumptions of US\$15.5k/t in FY24F (vs. YTD price of US\$16.5k/t).

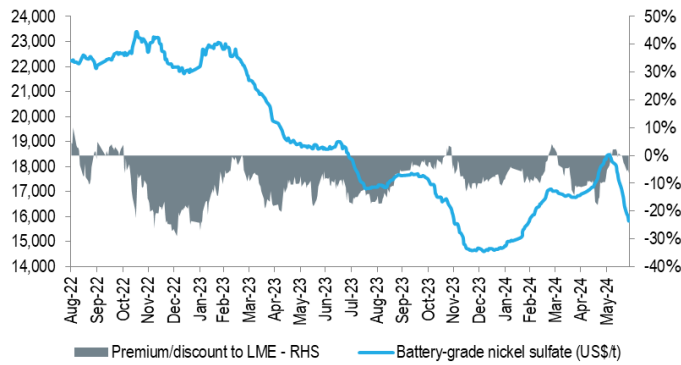
### LME: higher short position & rising inventory underpin the weak price

Traders' short positions has been building-up and is now currently at a net-short of around 7.5k as per Jun24 vs. c.25k net-short positions at peak. While traders' positioning may not solely dictate LME price movement, a one-sided bearish position should pave a way and increase a chance for price rally on short-covering, similar to US\$16k/t to US\$21k/t rally in Mar24 & Apr24. As of now, we expect short positions to continue building up amid higher dollar index (DXY). Higher LME inventory has also underpinned soft price (Fig. 9), but we think better-than-expected demand on higher defence spending ([report](#)) and positive shift in macro backdrop (i.e. rate-cut) should enable a rally in LME nickel price in 2H24F. We maintain our LME price assumptions at US\$18k/t in FY24F (vs. YTD: US\$17.6k/t).

### Re-iterate Overweight, prefer precious metals > energy > base metal

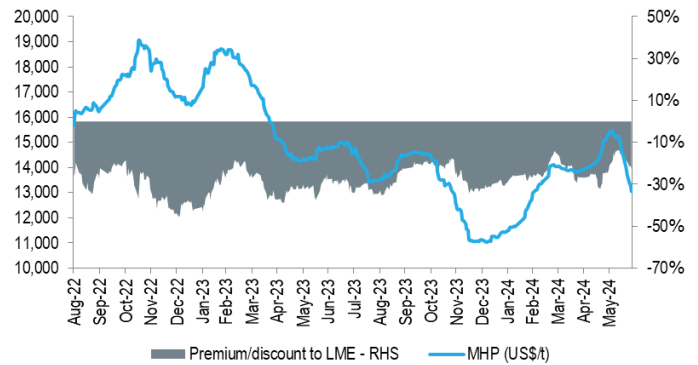
We think higher battery-grade nickel price could positively affect nickel-miners 2Q24F earnings, with MBMA and HRUM having the exposure from selling high-grade nickel matte (HGNM), and NCKL selling MHP via its 45%-owned subsidiary, Halmahera Persada Lygend (HPL) and its newly-commenced ONC (10% ownership). However, we expect limited share price reaction as share price reacted more on its underlying commodity price rather than earnings, as we have pointed out in previous report. Thus, we re-iterate our Overweight stance and maintain our preference on precious metals ([report](#)) > energy ([report](#)) > base metals with MDKA, ADRO, and INCO as our top pick.

**Fig. 1: Nickel sulfate (NiSO<sub>4</sub>) price**



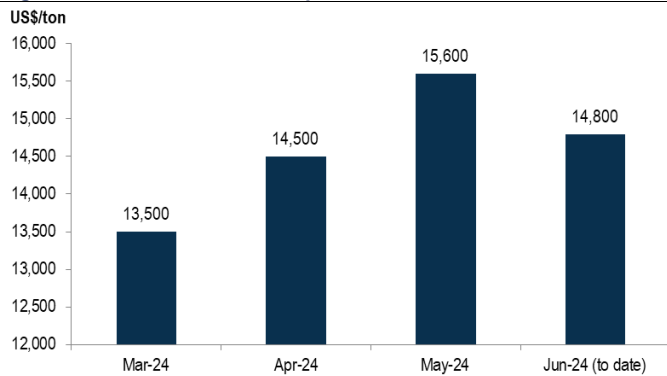
Source: Shanghai Metal Market, Bloomberg, Indo Premier

**Fig. 2: Mixed hydroxide precipitate (MHP) price**



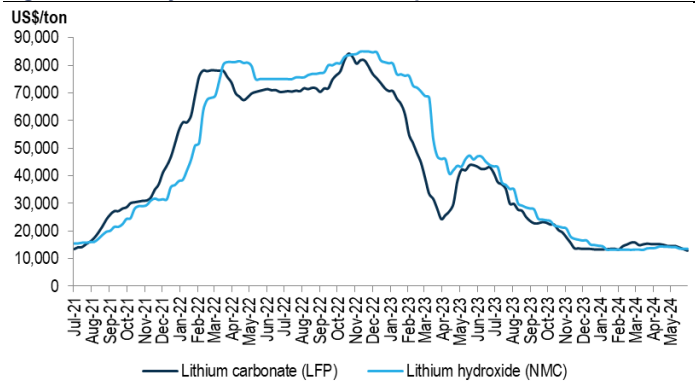
Source: Shanghai Metal Market, Bloomberg, Indo Premier

**Fig. 3: Indonesia nickel-matte price YTD**



Source: Argus Media, Indo Premier

**Fig. 4: Lithium hydroxide and carbonate prices**



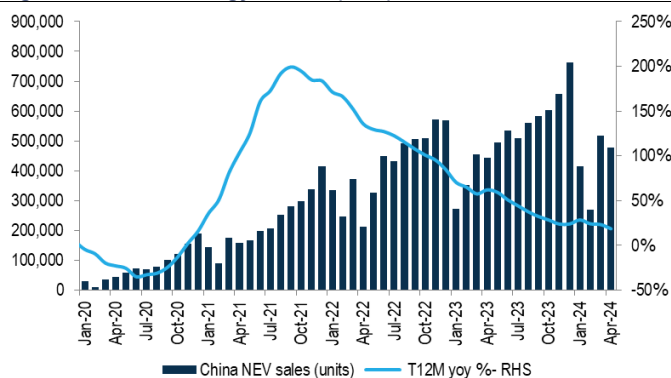
Source: Bloomberg, Indo Premier

**Fig. 5: China ternary precursor and NiSO<sub>4</sub> production**

in ton metal	Feb-24	Mar-24	Apr-24	May-24	mom %	5M23	5M24	yoy %
<b>Class-1 nickel and intermediates</b>								
Precursor (NMC)	61.6	77.6	73.7	63.9	-13%	294	353	20%
Nickel sulphate	25.6	34.0	34.5	32.7	-5%	160	162	1%

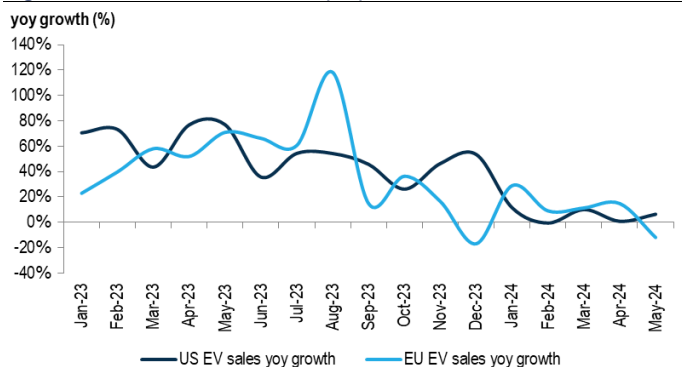
Source: Shanghai Metal Market, Indo Premier

**Fig. 6: China new energy vehicle (NEV) sales**



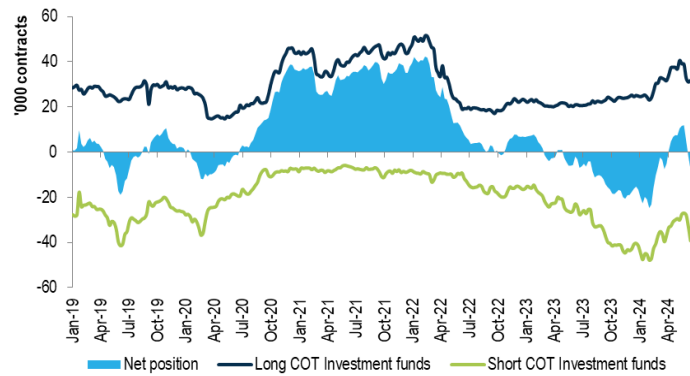
Source: CnEvPost, Indo Premier

**Fig. 7: EU & US electric vehicle (EV) sales**



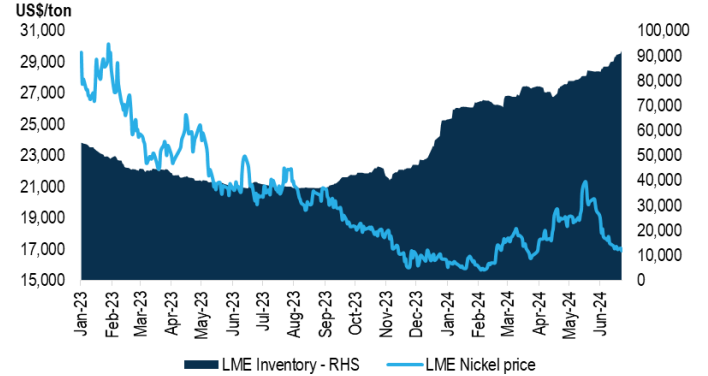
Source: Bloomberg, Indo Premier

Fig. 8: LME commitment of traders (COT) positioning



Source: Bloomberg, LME, Indo Premier

Fig. 9: LME nickel price & inventory



Source: Bloomberg, Indo Premier

Fig. 10: Peers comparison table

Ticker	Company	Rating	Target price (Rp/share)	P/E			EV/EBITDA			Dividend yield (%)		
				24F	25F	26F	24F	25F	26F	24F	25F	26F
ADMIR IJ	Adaro Minerals Indonesia	Buy	1,650	8.7	8.5	6.7	7.4	8.1	7.4	N/A	N/A	N/A
ANTM IJ	Aneka Tambang	Buy	1,750	10.6	8.7	8.5	6.0	4.4	3.9	5.2%	4.7%	5.7%
HRUM IJ	Harum Energy	Buy	1,450	7.5	7.6	5.8	4.6	5.6	3.8	N/A	N/A	N/A
INCO IJ	Vale Indonesia	Buy	5,850	18.5	26.2	37.4	6.6	8.4	8.7	N/A	N/A	N/A
MBMA IJ	Merdeka Battery Materials	Buy	700	59.0	24.3	17.8	20.0	11.4	8.8	N/A	N/A	N/A
MDKA IJ	Merdeka Copper Gold	Buy	3,100	N/A	197.3	80.4	12.7	9.4	7.8	N/A	N/A	N/A
NCKL IJ	Trimegah Bangun Persada	Buy	1,100	9.6	7.8	N/A	6.3	4.9	N/A	2.7%	3.1%	N/A

Source: Company data, 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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