

# Trimegah Bangun Persada

BUY (unchanged)

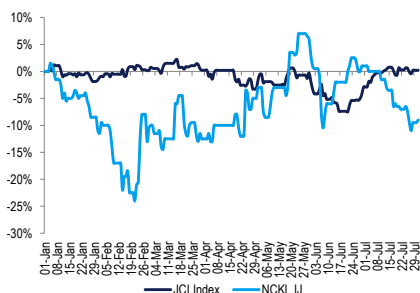
Company Update | Metals | NCKL IJ | 2 August 2024

## Stock Data

Target price	Rp1,050
Prior TP	Rp1,100
Current price	Rp915
Upside/downside	+15%
Shares outstanding (mn)	63,099
Market cap (Rp bn)	57,735
Free float	13%
Avg. 6m daily T/O (Rp bn)	25

## Price Performance

	3M	6M	12M
Absolute	-11.5%	-18.4%	N/A
Relative to JCI	-10.6%	-22.3%	N/A
52w low/high (Rp)	760 – 1,170		



## Major Shareholders

Harita Jayaraya	86.5%
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## Share price overhang remain; maintain Buy with lower TP

- Rights issue is now being postponed following the entrance of strategic shareholder (3% shares outstanding) recently.
- Postponement of the rights issue plan meant that stake-purchase of ONC from related-party (c.30%) shall remain an overhang for share price.
- Nonetheless, Rp1tr buyback initiative and improvement in quarterly performance shall support share price. Maintain Buy with lower TP.

### Postponed rights issue plan shall result in persistent overhang

During earnings call, management stated rights issue plan (of up to c.30%) is now being postponed following the entrance of strategic shareholder through negotiation market. The transaction between an undisclosed strategic shareholder and NCKL's parent company was equivalent to c.3% of NCKL's shares outstanding at Rp1,125/share price. We think share price overhang may remain as there is still an intention to buy ownership stake in ONC from affiliated party – albeit the plan is also postponed as NCKL received no proceeds from the transaction with current net-debt stood at Rp2.8tr as of 1H24, indicating insufficient funds to buy ONC.

### Fundamentally, 2Q24 operational performance was strong

We have reviewed NCKL's 2Q24 financial result ([report](#)), but following the operational data disclosure, the biggest improvement qoq was in FeNi cash costs that currently stood at US\$8k/t (-7% qoq), while improvement in NiSO4 (+23% qoq) and MHP (+24% qoq) was expected, similar to the trend in benchmark price from Shanghai Metal Market (SMM) with c.15% discount to benchmark price. Limonite ore sales volume is also expected to continue to improve (2Q24: +52% qoq) in upcoming quarters following commencement of ONC's 3<sup>rd</sup> autoclave in Aug/Sep24.

### Lower our FY24F/25F/26F NP forecast; buyback shall support price

Despite the improvement in 2Q24, we lower our FY24F/25F NP forecast by -15%/-9% following the 1H24 FeNi price achievement of US\$11.3k/t, vs. our initial forecast of US\$13k/t, while upgrading our limonite sales volume & FeNi cash costs (Fig. 3). Nonetheless, strong operational performance combined with Rp1tr buyback initiative may support share price in the near term.

### Maintain Buy with a lower SOTP-based TP of Rp1,050/share

We maintain our Buy rating but lower our SOTP-based TP to Rp1,050/share (from Rp1,100/share) following the downward adjustment in our NP forecast (Fig. 2). Downside risks include lower nickel demand owing to slowing global growth.

Financial Summary (Rp bn)	2022A	2023A	2024F	2025F	2026F
Revenue	9,568	23,858	26,712	28,775	29,427
EBITDA	4,355	8,113	8,505	10,682	10,878
Net profit	4,667	5,619	5,676	7,467	8,442
EPS growth	137%	20%	1%	32%	13%
ROE	49%	24%	21%	22%	0%
PER (x)	12.6	10.5	10.4	7.9	7.0
EV/EBITDA (x)	15.8	7.8	7.4	5.5	5.0
Dividend yield	3%	2%	3%	3%	4%
IPS vs. consensus			102%	101%	87%

Source: Company, Indo Premier

Share price closing as of: 2 August 2024

Fig. 1: 2Q24 operational data summary

Operational Summary	Metrics	4Q23	1Q24	2Q24	qoq %
<b>Sales volume</b>					
Saprolite ore	mn w mt	2.2	1.7	1.8	7%
Limonite ore	mn w mt	2.3	2.0	3.0	52%
RKEF - MSP + HJF	ton Ni	30,746	31,646	32,353	2%
MHP - HPL	ton Ni	11,196	7,899	8,595	9%
NiSO4 - HPL	ton Ni	7,244	7,765	11,213	44%
CoSO4 - HPL	ton Co	787	945	0	-100%
<b>Average selling price (ASP)</b>					
Saprolite ore	US\$/w mt	40.3	33.0	34.0	3%
Limonite ore	US\$/w mt	16.0	16.0	17.0	6%
RKEF - MSP + HJF	US\$/t	12,135	11,208	11,379	2%
MHP - HPL + ONC	US\$/t	12,071	11,691	14,505	24%
NiSO4 - HPL	US\$/t	13,391	12,789	15,677	23%
CoSO4 - HPL	US\$/t	18,510	17,025	0	-100%
<b>Cash Costs</b>					
Saprolite ore	US\$/w mt	11.4	12.0	14.0	17%
Limonite ore	US\$/w mt	7.0	5.0	7.0	40%
RKEF - MSP + HJF	US\$/t	9,022	8,692	8,074	-7%
MHP - HPL + ONC (after Co credit)	US\$/t	6,839	6,346	5,880	-7%
NiSO4 - HPL	US\$/t	8,796	8,724	8,279	-5%
CoSO4 - HPL	US\$/t	10,207	9,830	8,262	-16%
<b>Cash Margin</b>					
Saprolite ore	US\$/w mt	28.9	21.0	20.0	-5%
Limonite ore	US\$/w mt	9.0	11.0	10.0	-9%
RKEF - MSP + HJF	US\$/t	3,113	2,516	3,305	31%
MHP - HPL + ONC (after Co credit)	US\$/t	5,232	5,345	8,625	61%
NiSO4 - HPL	US\$/t	4,595	4,065	7,398	82%
CoSO4 - HPL	US\$/t	8,303	7,195	na	na

Source: Company data, Indo Premier

Fig. 2: Old vs New forecast

NCKL (Rp bn)	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	26,712	28,775	29,427	28,100	30,453	na	-5%	-6%	na	26,101	28,906	34,269	102%	100%	86%
Gross profit	8,581	10,696	10,875	10,137	12,046	na	-15%	-11%	na	8,004	9,512	11,636	107%	112%	93%
Operating profit	7,161	9,276	9,412	8,787	10,656	na	-19%	-13%	na	6,059	7,215	9,304	118%	129%	101%
EBITDA	8,505	10,682	10,878	9,996	11,923	na	-15%	-10%	na	7,496	9,398	11,032	113%	114%	99%
NPAT	5,676	7,467	8,442	6,661	8,209	na	-15%	-9%	na	5,564	7,397	9,688	102%	101%	87%
<b>%y-y</b>															
Revenues	179%	8%	2%							173%	11%	19%			
Gross profit	84%	25%	2%							71%	19%	22%			
Operating profit	89%	30%	1%							60%	19%	29%			
EBITDA	95%	26%	2%							72%	25%	17%			
NPAT	22%	32%	13%							19%	33%	31%			
Gross margin	32.1%	37.2%	37.0%	36.1%	39.6%	na	-4.0%	-2.4%	na				32.1%	37.2%	37.0%
Operating margin	26.8%	32.2%	32.0%	31.3%	35.0%	na	-4.5%	-2.8%	na				26.8%	32.2%	32.0%
EBITDA margin	31.8%	37.1%	37.0%	35.6%	39.2%	na	-3.7%	-2.0%	na				31.8%	37.1%	37.0%
NPAT margin	21.2%	26.0%	28.7%	23.7%	27.0%	na	-2.5%	-1.0%	na				21.2%	26.0%	28.7%

Source: Bloomberg, Company data, Indo Premier

Fig. 3: Key changes to operational data

Key assumptions	Old			New			Change (%)		
	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F
<b>Combined RKEF</b>									
Sales volume (ton)	127,750	127,750	na	127,999	125,000	127,000	0%	-2%	na
ASP (US\$/t)	12,500	13,250	na	11,497	12,250	12,250	-8%	-8%	na
Cash costs (US\$/t)	9,000	9,000	na	8,340	8,700	8,700	-7%	-3%	na
<b>HPL - HPAL</b>									
<b>MHP</b>									
Sales volume (ton)	43,997	38,500	na	22,186	38,500	38,500	-50%	0%	na
ASP (US\$/t)	14,862	13,000	na	12,216	13,000	13,000	-18%	0%	na
Cash costs (US\$/t)	8,708	8,100	na	7,476	8,100	8,100	-14%	0%	na
Cash costs (US\$/t), net byp.	6,780	6,230	na	6,100	6,780	6,780	-10%	9%	na
<b>Nickel sulphate (NiSO4)</b>									
Sales volume (ton)	13,034	16,500	na	38,978	16,500	16,500	199%	0%	na
ASP (US\$/t)	15,023	15,000	na	13,933	14,500	14,500	-7%	-3%	na
Cash costs (US\$/t)	9,314	8,730	na	8,378	9,280	9,280	-10%	6%	na

Source: Bloomberg, Company data, Indo Premier

Fig. 4: SOTP valuation

NCKL assets	Equity value (US\$ m)	Attributable to NCKL	Equity value (US\$ m)	Methodology	Smelter/Products
Nickel ore business	1,047	100.0%	1,047	FY24F 5.0x P/E	Nickel ore sales
Megah Surya Pertiwi	490	60.0%	294	DCF (9% WACC)	RKEF - FeNi 25ktpa
Halmahera Jaya Feronikel	1,854	63.1%	1,170	DCF (9% WACC)	RKEF - FeNi 95ktpa
Halmahera Persada Lygend	2,625	45.1%	1,184	DCF (9% WACC)	HPAL - MHP 55ktpa
Obi Nickel Cobalt	1,334	10.0%	133	DCF (9% WACC)	HPAL - MHP 60ktpa
Karunia Permai Sentosa	807	35.0%	282	DCF (10% WACC)	RKEF - FeNi 185ktpa
<b>Total</b>	<b>8,157</b>		<b>4,111</b>		
Equity value (US\$ m)	4,111				
# of shares outstanding	63.1				
<b>Target price (Rp/share)</b>	<b>1,050</b>				

Source: Bloomberg, Company Data, Indo Premier

Fig. 5: Peers valuation table

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	8.9	8.6	6.8	7.5	8.2	7.4	N/A	N/A	N/A
ANTM IJ	Aneka Tambang	Buy	1,750	11.6	9.5	9.2	6.8	4.9	4.4	4.8%	4.3%	5.2%
HRUM IJ	Harum Energy	Buy	1,450	7.8	7.9	6.1	4.8	5.8	3.9	N/A	N/A	N/A
INCO IJ	Vale Indonesia	Buy	5,850	24.9	25.7	37.4	7.6	8.2	8.6	N/A	N/A	N/A
MBMA IJ	Merdeka Battery Materials	Buy	700	56.1	23.1	16.9	19.1	10.9	8.5	N/A	N/A	N/A
MDKA IJ	Merdeka Copper Gold	Buy	3,100	N/A	196.5	80.0	12.7	9.4	7.7	N/A	N/A	N/A
NCKL IJ	Trimegah Bangun Persada	Buy	1,100	10.3	7.9	7.0	7.4	5.5	4.9	2.9%	2.9%	3.8%

Source: Bloomberg, Company Data, Indo Premier; IPS forecast for metal miners under our coverage, Bloomberg forecast for non-rated.

Income Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
Net revenue	9,568	23,858	26,712	28,775	29,427
Cost of sales	(4,893)	(15,582)	(18,132)	(18,078)	(18,552)
<b>Gross profit</b>	<b>4,675</b>	<b>8,276</b>	<b>8,581</b>	<b>10,696</b>	<b>10,875</b>
SG&A Expenses	(890)	(1,446)	(1,420)	(1,420)	(1,463)
<b>Operating profit</b>	<b>3,785</b>	<b>6,830</b>	<b>7,161</b>	<b>9,276</b>	<b>9,412</b>
Net interest	(275)	(427)	(714)	(560)	(560)
Income from associates	2,916	1,578	1,699	1,577	2,854
Others	224	194	300	300	300
<b>Pre-tax income</b>	<b>6,650</b>	<b>8,175</b>	<b>8,446</b>	<b>10,594</b>	<b>12,007</b>
Income tax	(812)	(1,107)	(841)	(1,272)	(1,521)
Minority interest	(1,170)	(1,449)	(1,929)	(1,854)	(2,043)
<b>Net income</b>	<b>4,667</b>	<b>5,619</b>	<b>5,676</b>	<b>7,467</b>	<b>8,442</b>

Balance Sheet (Rp bn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent	1,277	3,935	4,101	7,386	12,181
Receivable	181	1,243	1,855	1,998	2,044
Inventory	4,087	5,504	5,037	5,022	5,153
Other current assets	788	1,078	1,256	1,256	1,256
<b>Total current assets</b>	<b>6,334</b>	<b>11,759</b>	<b>12,249</b>	<b>15,662</b>	<b>20,634</b>
Fixed assets	20,668	22,350	22,255	22,100	21,884
Other non-current assets	7,603	11,180	15,147	16,846	18,423
<b>Total non-current assets</b>	<b>28,271</b>	<b>33,530</b>	<b>37,403</b>	<b>38,947</b>	<b>40,307</b>
<b>Total assets</b>	<b>34,605</b>	<b>45,289</b>	<b>49,651</b>	<b>54,608</b>	<b>60,942</b>
ST loans	0	432	793	0	0
Payable	4,515	5,477	5,037	5,022	5,153
Other payables	0	0	0	0	0
Current portion of LT loans	1,690	1,371	0	0	0
Other current liabilities	4,004	2,026	3,380	3,380	3,380
<b>Total current liab.</b>	<b>10,209</b>	<b>9,306</b>	<b>9,210</b>	<b>8,402</b>	<b>8,534</b>
Long term loans	8,309	6,781	7,250	7,250	7,250
Other LT liab.	1,858	809	809	809	809
<b>Total non-current liabilities</b>	<b>10,167</b>	<b>7,591</b>	<b>8,059</b>	<b>8,059</b>	<b>8,059</b>
<b>Total liabilities</b>	<b>20,376</b>	<b>16,897</b>	<b>17,269</b>	<b>16,461</b>	<b>16,593</b>
Equity	6,981	16,677	16,677	16,677	16,677
Retained earnings	1,617	5,838	9,829	15,593	21,795
Minority interest	5,631	5,876	5,876	5,876	5,876
<b>Total SHE + minority int.</b>	<b>14,229</b>	<b>28,392</b>	<b>32,383</b>	<b>38,147</b>	<b>44,349</b>
<b>Total liabilities &amp; equity</b>	<b>34,605</b>	<b>45,289</b>	<b>49,651</b>	<b>54,608</b>	<b>60,942</b>

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
Net income	2,552	4,613	6,083	8,507	9,570
Depr. & amortization	672	570	1,150	1,208	1,267
Changes in working capital	452	1,391	(2,310)	(417)	(134)
Others	0	0	0	0	0
<b>Cash flow from operating</b>	<b>3,676</b>	<b>6,574</b>	<b>4,923</b>	<b>9,297</b>	<b>10,703</b>
Capital expenditure	2,968	(10,265)	(918)	(1,250)	(1,250)
Others	(3,556)	(2,256)	(3,015)	(3,900)	(1,160)
<b>Cash flow from investing</b>	<b>(588)</b>	<b>(12,521)</b>	<b>(3,934)</b>	<b>(5,150)</b>	<b>(2,410)</b>
Loans	(1,597)	4,630	(3,815)	(192)	0
Equity	(906)	1,835	9,139	0	0
Dividends	0	(1,819)	0	(1,834)	(2,552)
Others	0	0	0	0	0
<b>Cash flow from financing</b>	<b>(2,503)</b>	<b>4,646</b>	<b>5,324</b>	<b>(2,027)</b>	<b>(2,552)</b>
<b>Changes in cash</b>	<b>585</b>	<b>(1,301)</b>	<b>6,313</b>	<b>2,121</b>	<b>5,740</b>

Key Ratios	2022A	2023A	2024F	2025F	2026F
Gross margin	49%	35%	32%	37%	37%
Operating margin	40%	29%	27%	32%	32%
Pre-tax margin	69%	34%	32%	37%	41%
Net margin	49%	24%	21%	26%	29%
ROA	13%	12%	11%	14%	14%
ROE	49%	24%	21%	22%	21%
Acct. receivables TO (days)	52.7	19.2	14.4	14.4	14.4
Inventory TO (days)	1.2	2.8	3.6	3.6	3.6
Payable TO (days)	1.1	2.8	3.6	3.6	3.6
Debt to equity	1.2	0.4	0.3	0.2	0.2
Interest coverage ratio (x)	14.8	13.7	9.4	12.5	12.7
Net gearing	1.1	0.2	0.1	(0.0)	(0.1)

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

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