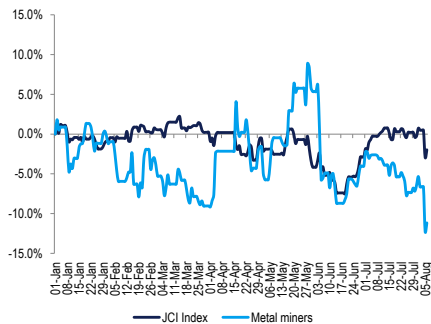


Sector Index Performance

	3M	6M	12M
Absolute	-7.6%	-8.9%	-23.4%
Relative to JCI	-7.5%	-7.9%	-26.9%



Summary Valuation Metrics

P/E (x)	2024F	2025F	2026F
ADMR IJ	8.2	8.0	6.3
ANTM IJ	11.2	9.2	8.9
HRUM IJ	7.8	7.9	6.0
INCO IJ	24.1	24.8	36.3
MBMA IJ	53.7	22.2	16.2
MDKA IJ	N/A	184.0	74.9
NCKL IJ	9.8	7.5	6.6
EV/EBITDA (x)	2024F	2025F	2026F
ADMR IJ	7.0	7.8	7.1
ANTM IJ	6.5	4.7	4.2
HRUM IJ	4.7	5.8	3.9
INCO IJ	7.3	8.0	8.3
MBMA IJ	18.4	10.5	8.2
MDKA IJ	12.1	9.0	7.4
NCKL IJ	7.0	5.2	4.7
Div. Yield	2024F	2025F	2026F
ADMR IJ	N/A	N/A	N/A
ANTM IJ	4.9%	4.5%	5.4%
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	3.0%	3.0%	4.0%

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## Another seasonality driven NPI rally

- NPI price traded at US\$12.5k/t (+6% mom), primarily driven by Philippines' monsoon season & ore-shortage in Weda Bay area.
- While there has been news on Delong bankruptcy, we think the impact to NPI price is limited.
- MBMA and NCKL are among the main beneficiaries of NPI price rally. We prefer nickel over copper from tactical standpoint.

### NPI: costs-support price rally similar to Aug23 is likely

We think NPI price cost-support rally is currently happening as NPI price traded higher to US\$12.5k/t (+6% mom), primarily driven by higher PH ore price due to monsoon season (Fig. 2), and to some extent, weather-driven regional ore-shortage in Weda Bay area. The ore shortage is also set to be worsen by limited mining-permit (RKAB) approval in that particular area. This was reflected by Weda Bay Nickel (WBN)'s lower 2Q24 sales volume (-23% yoy, Fig. 3), driven by issues related to RKAB. As such, we expect NPI price to continue its rally until at least Sep24, albeit the rally is unsustainable as it was not supported by better-than-expected demand, but rather on seasonality, in our view.

### Jiangsu Delong's bankruptcy news unlikely to deter S-D balance

SMM reported that one the biggest stainless-steel player Jiangsu Delong is facing bankruptcy. However, we think this is unlikely to deter S-D balance, as based on our channel-check, 1) majority of Delong's assets are already sold or liquidated to other parties, and 2) in the event of plant closure, the impact shall be neutral as Delong has an integrated plant (stainless + NPI) which cancel out S-D altogether. While Delong's current ownership stake remains unknown, Delong's remaining NPI capacity is c.160ktpa of NPI in Indonesia (c.9% NPI global supply) and 20ktpa in China (c.1% supply). Note that Delong has been struggling since 2023 as their stainless steel production in Indonesia has declined by 60% yoy in 2023

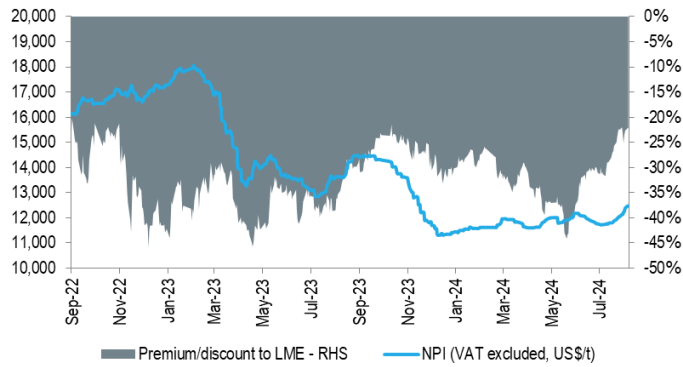
### LME: <US\$16k/t price level is unsustainable

On LME nickel price, we think current price level of below US\$16k/t is unsustainable, especially as it trades below the 75<sup>th</sup> cash costs percentile, meaning more than c.25% of global producers (i.e. ex-Indonesia) are loss-making. In addition, speculators' position based on COT data (commitment of traders) is net-short of c.23k contracts, near all-time high level back in Feb24, which made LME nickel price prone to short-squeeze. While it lacks imminent catalyst for a rally, but we think downside is relatively limited.

### Tactically prefer nickel over copper in base metal

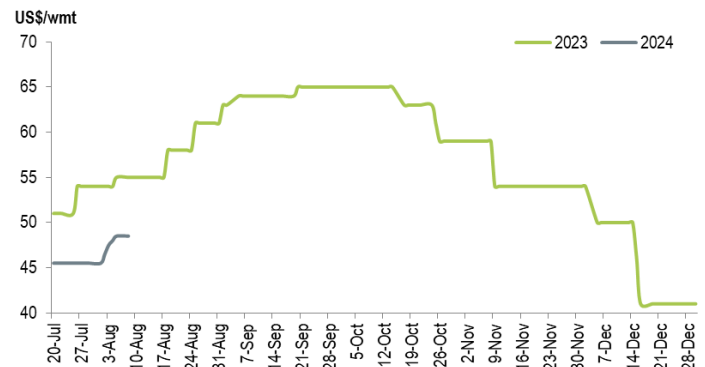
We switched our base-metals preference to nickel from copper previously, simply due to the former's lighter positioning vs. the latter (Fig. 5 & 6). In nickel-space, we like INCO as it is a pure LME proxy which was our preference over NPI/NiSO<sub>4</sub>. In regards to NPI price rally, we believe MBMA and NCKL are the main beneficiaries, owing to its exposure to NPI (c.1% change in NPI price assumptions translate into 6%/3% change in EPS, respectively). While HRUM also has an NPI exposure, we think ore-shortage in Weda Bay might negatively affect either production or costs, and potentially both in the worst-case scenario. Downside risks is macro liquidity event similar to the unwinding of JPY carry-trade.

**Fig. 1: NPI price and discount to LME price**



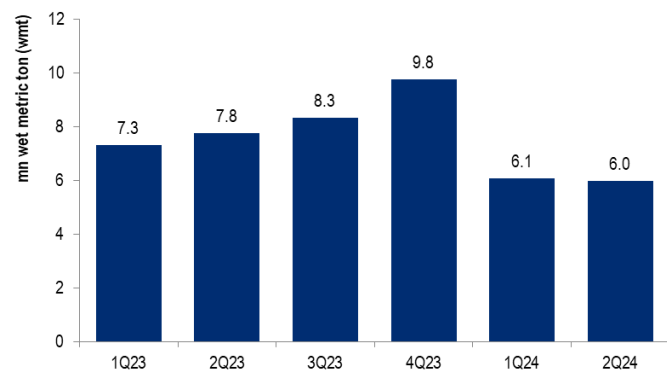
Source: Bloomberg, Shanghai Metal Market, Indo Premier

**Fig. 2: Philippines nickel ore price (1.5% Ni grade, CIF basis)**



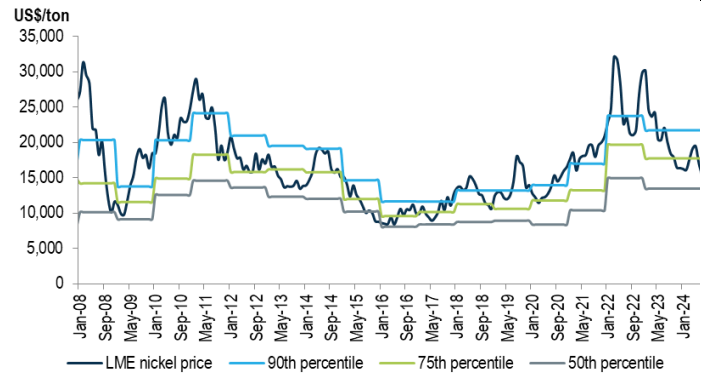
Source: Shanghai Metal Market, Indo Premier

**Fig. 3: Weda Bay Nickel (WBN) ore sales volume**



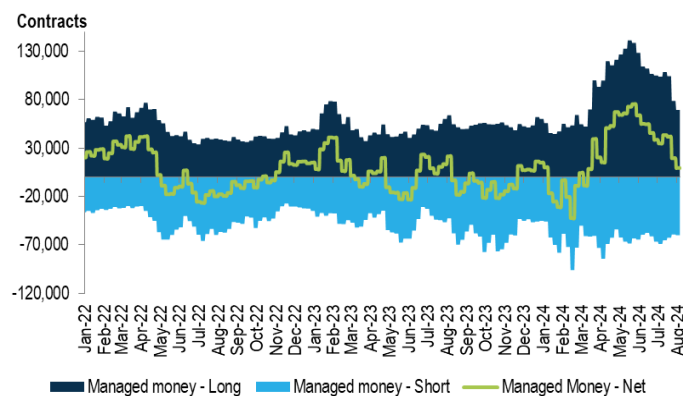
Source: Company data, Indo Premier

**Fig. 4: LME nickel cash-cost curve**



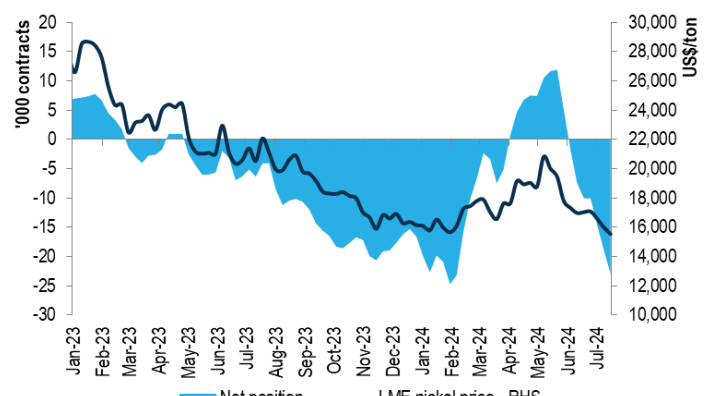
Source: Bloomberg, Indo Premier

**Fig. 5: LME copper's CFTC position**



Source: Bloomberg, Indo Premier

**Fig. 6: LME nickel's COT position**



Source: Bloomberg, Indo Premier

Fig. 7: 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
ADMR IJ	Adaro Minerals Indonesia	Buy	1,650	8.2	8.0	6.3	7.0	7.8	7.1	N/A	N/A	N/A
ANTM IJ	Aneka Tambang	Buy	1,750	11.2	9.2	8.9	6.5	4.7	4.2	4.9%	4.5%	5.4%
HRUM IJ	Harum Energy	Buy	1,450	7.8	7.9	6.0	4.7	5.8	3.9	N/A	N/A	N/A
INCO IJ	Vale Indonesia	Buy	5,850	24.1	24.8	36.3	7.3	8.0	8.3	N/A	N/A	N/A
MBMA IJ	Merdeka Battery Materials	Buy	700	53.7	22.2	16.2	18.4	10.5	8.2	N/A	N/A	N/A
MDKA IJ	Merdeka Copper Gold	Buy	3,100	N/A	184.0	74.9	12.1	9.0	7.4	N/A	N/A	N/A
NCKL IJ	Trimegah Bangun Persada	Buy	1,100	9.8	7.5	6.6	7.0	5.2	4.7	3.0%	3.0%	4.0%

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

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