

Merdeka Copper Gold

BUY (unchanged)

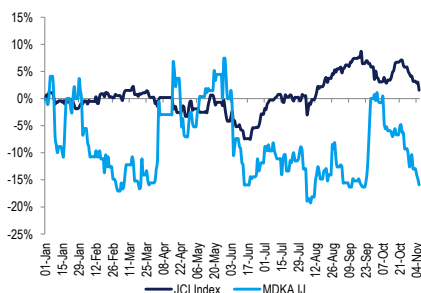
Company update | MDKA IJ | 6 November 2024

Stock Data

Target price	Rp3,100
Prior TP	Rp3,100
Current price	Rp2,270
Upside/downside	+37%
Shares outstanding (mn)	24,473
Market cap (Rp bn)	55,5541
Free float	51%
Avg. 6m daily T/O (Rp bn)	95

Price Performance

	3M	6M	12M
Absolute	3.2%	-14.3%	-9.6%
Relative to JCI	-0.4%	-19.0%	-17.5%
52w low/high (Rp)	2,100 – 2,900		



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

3Q24 operational: improvement in TB Oxide & Wetar was offset by MBMA

- TB oxide recorded positive performance on qoq basis with ASP +13% to US\$2.5k/oz, sales volume +11%, and lower cash costs (-14%)
- Wetar sales volume improved to +145% qoq to c.5kt in 3Q24 despite flattish ASP and higher cash costs (+31% qoq).
- Nonetheless, the improvement is expected to be offset by lower EBITDA/NP delivery from MBMA ([report](#)). Maintain Buy rating.

TB Oxide: improvement in ASP, sales volume, and cash costs

Gold ASP trended higher qoq to US\$2.5k/oz (+13% qoq) as global gold price continuously reached all-time high in 3Q24. Furthermore, sales volume were also up by +11% qoq to 27koz coupled with lower gold cash costs of US\$952/oz (-14% qoq). As a result, we expect higher pre-tax profit delivery from TB oxide of around US\$21mn in 3Q24F (tripled qoq). The 9M24 TB oxide volume was also in-line with our forecast of 105koz in FY24F as well as management guidance.

Wetar: higher sales volume delivery partially offset by higher costs

Sales volume improved significantly by +145% qoq to c.5kt in 3Q24 as production issue that was impacted by ore zone reconciliation and lag time between copper stacked and produced was solved during 3Q24. Wetar's copper ASP was relatively flattish on qoq basis while cash costs trended higher in 3Q24 to US\$3.5/lbs (+31% qoq). 9M24 copper volume of 11.3kt is in-line with MDKA's guidance of 14-16kt, albeit FY24F achievement would be skewed to lower-end of the guidance, according to management.

Maintain Buy rating with an unchanged TP of Rp3,100/share as lower valuation in MBMA is offset by higher PANI's gold valuation

Following lower EBITDA and NP delivery from MBMA in 3Q24, driven by HGNM's negative cash margin ([report](#)), we estimate MDKA to report US\$90mn EBITDA (flattish vs. US\$93mn in 2Q) and US\$4mn net loss (vs. US\$3mn NP in 2Q24). We lower our FY24F/25F/26F EBITDA and NP forecast (Fig. 2) and fine-tuned our SOTP valuation as we raise: 1) Pani gold project value to ~US\$1.5bn (on 100% basis) by raising our LT gold price from US\$1.9k/oz to US\$2.2k/oz, but 2) reduce our MBMA valuation as we lower MBMA's TP from Rp700/share previously to Rp635/share. As a result, our SOTP-based TP remain unchanged at Rp3,100/share and we maintain our Buy rating for MDKA. Execution risks on TB Copper and Pani project remains as the biggest downside risks to MDKA share price.

Financial Summary (US\$ mn)	2022A	2023A	2024F	2025F	2026F
Revenue	870	1,707	2,244	2,784	3,263
EBITDA	235	268	324	542	762
Net profit	58	(21)	(16)	11	58
EPS growth	62%	-135%	-24%	-168%	443%
ROE	6%	-2%	-1%	1%	3%
PER (x)	60.2	(170.4)	(224.2)	327.6	60.3
EV/EBITDA (x)	19.1	17.1	15.0	9.8	7.5
Dividend yield	N/A	N/A	N/A	N/A	N/A
IPS vs. consensus			-352%	13%	33%

Source: Company, Indo Premier

Share price closing as of: 6 November 2024

Fig. 1: MDKA's 3Q24 operational data summary

Operational summary	9M24	9M23	% yoy	3Q24	3Q23	% yoy	2Q24	% qoq	IPS FY24F	% of IPS
TB oxide										
Gold production (oz)	80,043	109,159	-27%	30,522	44,882	-32%	25,382	20%	105,000	76%
Gold sales (oz)	79,415	98,702	-20%	27,778	49,162	-43%	25,004	11%	105,000	76%
Gold ASP (US\$/oz)	2,316	1,942	19%	2,566	1,946	32%	2,262	13%	2,200	105%
Gold cash cost (US\$/oz)	1,036	762	36%	952	805	18%	1,110	-14%	1,070	97%
Wetar copper										
Copper production (ton)	10,483	9,309	13%	3,811	2,128	79%	3,626	5%	14,000	75%
Copper sales (ton)	11,310	11,012	3%	4,970	3,136	58%	2,027	145%	14,000	81%
Copper ASP (US\$/lb)	4.1	3.9	4%	4.3	3.8	11%	4.2	1%	4.3	95%
Copper cash cost (US\$/lb)	3.0	4.8	-39%	3.5	4.8	-27%	2.7	31%	3.4	87%

Source: Company, Indo Premier

Fig. 2: Old vs New forecast

MDKA US\$ mn	New forecast			Old forecast			Consensus			IPS vs consensus		
	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F
Revenues	2,244	2,784	3,263	2,343	2,849	3,217	2,170	2,725	3,234	103%	102%	101%
Gross profit	207	416	603	282	453	597	239	510	731	87%	81%	82%
Operating profit	153	348	528	223	384	523	183	444	709	84%	78%	74%
EBITDA	324	542	762	393	578	757	328	518	766	99%	105%	99%
NPAT	(16)	11	58	(8)	19	46	4	83	176	-352%	13%	33%
%-y												
Revenues	31%	24%	17%	37%	22%	13%	-3%	26%	19%			
Gross profit	42%	101%	45%	93%	61%	32%	15%	114%	43%			
Operating profit	58%	127%	52%	130%	72%	36%	20%	142%	60%			
EBITDA	21%	67%	41%	47%	47%	31%	1%	58%	48%			
NPAT	-24%	-168%	443%	-62%	-334%	146%	-128%	1750%	114%			
Gross margin												
Gross margin	9.2%	14.9%	18.5%	12.0%	15.9%	18.5%	11.0%	18.7%	22.6%			
Operating margin	6.8%	12.5%	16.2%	9.5%	13.5%	16.3%	8.4%	16.3%	21.9%			
EBITDA margin	14.4%	19.5%	23.4%	16.8%	20.3%	23.5%	15.1%	19.0%	23.7%			
NPAT margin	-0.7%	0.4%	1.8%	-0.3%	0.7%	1.4%	0.2%	3.0%	5.5%			

Source: Company, Indo Premier

Fig. 3: Sum-of-the parts (SOTP)

MDKA SOTP	EV (US\$ m)	Attributable to MDKA	EV attributable to MDKA (US\$m n)	Methodology
Tujuh Bukit Porphyry	3,074	100%	3,074	DCF
TB Copper project	1,873	100%	1,873	DCF
Resources left	1,201	100%	1,201	EV/Resources
Pani	1,472	70%	1,030	DCF
Merdeka Battery Materials (MBMA)	4,353	50%	2,178	DCF
Total	11,973		6,282	
Enterprise value (US\$ mn)	6,282			
(+) Cash (FY24F)	421			
(-) Debt (FY24F)	(1,761)			
(-) Minority interest (FY24F)	(171)			
Equity value (US\$ mn)	4,771			
# of shares (bn)	24.1			
Target price (Rp/share)	3,100			

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	6.7	7.4	8.1	7.3	N/A	N/A	N/A
ANTM IJ	Aneka Tambang	Buy	2,000	12.2	10.2	10.5	7.5	6.1	6.3	8.4%	8.2%	9.8%
HRUM IJ	Harum Energy	Hold	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	27.6	25.7	37.6	5.9	6.6	7.1	N/A	N/A	N/A
MBMA IJ	Merdeka Battery Materials	Buy	635	50.4	20.8	15.2	17.3	10.0	7.7	N/A	N/A	N/A
MDKA IJ	Merdeka Copper Gold	Buy	3,100	N/A	194.0	79.0	12.5	9.3	7.7	N/A	N/A	N/A
NCKL IJ	Trimegah Bangun Persada	Buy	1,050	9.6	7.4	6.5	6.9	5.2	4.6	3.1%	3.1%	4.1%

Source: Company, Indo Premier

Income Statement (US\$ mn)	2022A	2023A	2024F	2025F	2026F
Net revenue	870	1,707	2,244	2,784	3,263
Cost of sales	(705)	(1,561)	(2,037)	(2,368)	(2,660)
Gross profit	165	146	207	416	603
SG&A Expenses	(53)	(49)	(54)	(68)	(75)
Operating profit	112	97	153	348	528
Net interest	(42)	(79)	(94)	(106)	(127)
Others	20	(6)	11	0	0
Pre-tax income	90	12	70	241	401
Income tax	(25)	(7)	(17)	(20)	(21)
Minority interest	(6)	(26)	(69)	(211)	(321)
Net income	58	(21)	(16)	11	58

Balance Sheet (US\$ mn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent	444	519	421	369	405
Receivable	66	121	159	197	231
Inventory	251	444	339	395	443
Other current assets	135	124	124	124	124
Total current assets	896	1,207	1,043	1,084	1,202
Fixed assets	1,206	1,767	2,675	3,538	4,448
Other non-current assets	1,775	1,991	1,963	1,931	1,896
Total non-current assets	2,981	3,757	4,638	5,469	6,344
Total assets	3,877	4,964	5,681	6,553	7,546

ST loans	100	95	0	0	0
Payable	110	304	397	461	518
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	549	614	671
Long term loans	311	283	300	300	300
Other LT liab.	937	1,008	1,618	2,008	2,485
Total non-current liabilities	1,247	1,291	1,918	2,308	2,785
Total liabilities	1,852	2,200	2,467	2,921	3,456

Equity	728	728	1,178	1,578	1,978
Retained earnings	283	262	246	257	316
Minority interest	1,014	1,774	1,789	1,796	1,796
Total SHE + minority int.	2,025	2,764	3,214	3,632	4,090
Total liabilities & equity	3,877	4,964	5,681	6,553	7,546

Source: Company, Indo Premier

Cash Flow Statement (US\$ mn)	2022A	2023A	2024F	2025F	2026F
Net income	97	(151)	(16)	11	58
Depr. & amortization	124	171	171	194	234
Changes in working capital	(32)	(21)	159	(29)	(26)
Others	0	0	0	0	0
Cash flow from operating	189	(1)	314	176	267
Capital expenditure	(2,083)	(823)	(1,051)	(1,025)	(1,109)
Others	(69)	(32)	(4)	0	0
Cash flow from investing	(2,152)	(855)	(1,056)	(1,025)	(1,109)
Loans	1,034	171	179	390	478
Equity	1,187	760	465	408	400
Dividends	0	0	0	0	0
Others	0	0	0	0	0
Cash flow from financing	2,221	931	644	798	878
Changes in cash	258	75	(98)	(52)	35

Key Ratios	2022A	2023A	2024F	2025F	2026F
Gross margin	19%	9%	9%	15%	18%
Operating margin	13%	6%	7%	12%	16%
Pre-tax margin	10%	1%	3%	9%	12%
Net margin	7%	-1%	-1%	0%	2%
ROA	2%	0%	0%	0%	1%
ROE	6%	-2%	-1%	1%	3%
Acct. receivables TO (days)	13.2	14.2	14.2	14.2	14.2
Inventory TO (days)	2.8	3.5	6.0	6.0	6.0
Payable TO (days)	6.4	5.1	5.1	5.1	5.1
Debt to equity	0.5	1.4	1.7	1.3	1.2
Interest coverage ratio (x)	16.4	5.4	3.0	3.0	4.6
Net gearing	0.3	1.0	1.1	1.0	1.0

Source: Company, Indo Premier