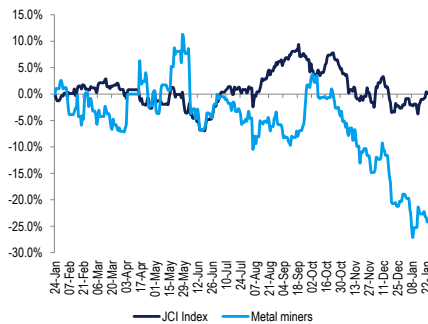


Sector Index Performance

	3M	6M	12M
Absolute	-23.9%	-21.1%	-24.2%
Relative to JCI	-16.7%	-20.7%	-24.3%



Summary Valuation Metrics

P/E (x)	2024F	2025F	2026F
ANTM IJ	12.2	10.0	10.2
HRUM IJ	6.4	6.5	5.0
INCO IJ	38.7	27.8	10.0
MBMA IJ	177.1	81.7	12.9
NCKL IJ	13.5	12.0	7.5
EV/EBITDA (x)	2024F	2025F	2026F
ANTM IJ	6.4	4.9	4.8
HRUM IJ	4.2	5.2	3.5
INCO IJ	6.5	7.2	4.1
MBMA IJ	25.9	17.5	9.2
NCKL IJ	5.2	4.5	3.8
Div. Yield	2024F	2025F	2026F
ANTM IJ	8.4%	6.1%	7.5%
HRUM IJ	N/A	N/A	N/A
INCO IJ	N/A	N/A	N/A
MBMA IJ	N/A	N/A	N/A
NCKL IJ	3.7%	4.3%	5.0%

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Assessing potential nickel ore royalty rate increase

- Our channel check indicates a potential royalty rate increase for nickel ore from 10% previously to 15%, albeit this is yet to be confirmed.
- This shall have negative impact to miners although integrated smelters within same legal entity are exempt from royalty rate increase.
- There has been concern related to global minimum tax (GMT), although our discussion with co. indicates no clear direction yet on the policy.

Potential royalty rate hike from 10% to 15%

Our channel check indicates a potential royalty-rate increase for nickel ore (i.e. saprolite & limonite) from 10% to 15%, albeit this is yet to be confirmed by the Ministry. However, discussion is still early but there is an intention from government to raise the royalty for nickel ore in order to obtain higher non-tax state revenue (PNBP). Nevertheless, if we assume royalty rate increase by 5 percentage points in FY25F, every listed miner under our coverage would be affected, with MBMA to be affected the most in terms of % of their FY25F NP, albeit due to a relatively lower-base NP vs. other companies, followed by ANTM, NCKL, INCO, and HRUM (Fig. 1). There's also a discussion among miners and regulators for an upward revision to benchmark price formula (HPM) in order to narrow the gap between Philippines ore price and Indonesia's HPM (c.50% discount), which if applied, shall increase government's royalty revenue, as royalty payment is based on the HPM (FOB), rather than the actual transaction price (CIF).

Ore royalty 101: integrated company within same entity is exempt

Based on the latest ESDM regulation, royalty rate for saprolite and limonite is set at 10% and 2%, respectively. However, one of the requirements to obtain 2% royalty rate for limonite is that the ore needs to be used for EV-battery as the end-product. As there are no EV-battery plant that operates in Indonesia at the moment, all of limonite ores sold are subject to 10% royalty rate instead. Note that integrated company (i.e. mining & smelting within the same legal entity) such as INCO, is not subject to any increase for ore royalty rate as the royalty is paid based on its end product – nickel matte (2-3% royalty depending on LME price), rather than the ore; though any 3rd party ore sales made by INCO are still be subject to 10% royalty.

Maintain Neutral stance; regulation uncertainty may deter upside

We reiterate our Neutral stance on the sector given the regulation uncertainties incl. potential royalty rate increase, 15% global minimum tax (GMT) which may offset the tax holiday policy – although still lacking any details, and soft pricing environment. Despite potential downside from royalty rate increase, we still prefer **ANTM** (Buy, TP Rp2,000/share) on its volume growth story, strong gold-trading, and attractive dividend yield (c.10%, assuming 100% dividend payout ratio from FY24 NP). Downside risks include implementation of GMT, stronger dollar, and an even softer China economic situation.

Fig. 1: Impact from royalty rate increase

Royalty rate impact (additional 5%)	Royalty impact (US\$ mn)*	to FY25F NP
Aneka Tambang (ANTM)	211	-6%
Vale Indonesia (INCO)	2	-3%
Merdeka Battery Materials (MBMA)	7	-21%
Trimegah Bangun Persada (NCKL)	357	-5%
Harum Energy (HRUM)	2	-1%

Source: Company data, Indo Premier estimates

Fig. 2: 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	6.5	6.3	5.0	5.8	6.6	6.1	N/A	N/A	N/A
ANTM IJ	Aneka Tambang	Buy	2,000	12.2	10.0	10.2	6.4	4.9	4.8	8.4%	6.1%	7.5%
HRUM IJ	Harum Energy	Hold	1,450	6.4	6.5	5.0	4.2	5.2	3.5	N/A	N/A	N/A
INCO IJ	Vale Indonesia	Buy	5,000	38.7	27.8	10.0	6.5	7.2	4.1	N/A	N/A	N/A
MBMA IJ	Merdeka Battery Materials	Buy	560	177.1	81.7	12.9	25.9	17.5	9.2	N/A	N/A	N/A
MDKA IJ	Merdeka Copper Gold	Buy	3,100	N/A	N/A	48.1	13.5	12.0	7.5	N/A	N/A	N/A
NCKL IJ	Trimegah Bangun Persada	Buy	1,100	13.5	12.0	7.5	5.2	4.5	3.8	3.7%	4.3%	5.0%

Source: Bloomberg, Company data, 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

ANALYSTS CERTIFICATION

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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