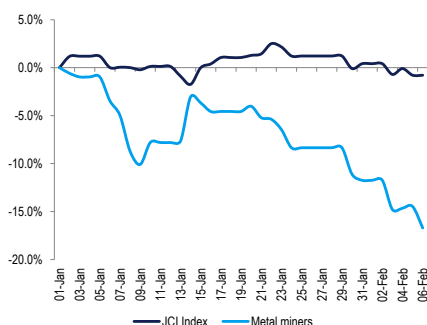


Sector Index Performance

	3M	6M	12M
Absolute	-27.1%	-26.7%	-29.8%
Relative to JCI	-22.3%	-24.1%	-26.9%



Summary Valuation Metrics

P/E (x)	2024F	2025F	2026F
ANTM IJ	9.3	9.1	9.3
HRUM IJ	5.8	5.9	4.5
INCO IJ	31.1	22.3	8.0
MBMA IJ	160.0	73.8	11.7
NCKL IJ	6.7	5.8	5.0

EV/EBITDA (x)	2024F	2025F	2026F
ANTM IJ	4.9	4.2	4.1
HRUM IJ	3.9	5.0	3.3
INCO IJ	4.6	5.6	3.2
MBMA IJ	23.8	16.1	8.5
NCKL IJ	5.1	4.3	3.7

Div. Yield	2024F	2025F	2026F
ANTM IJ	9.3%	8.0%	8.3%
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	3.8%	4.5%	5.2%

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Tough start of the year for nickel sector; five key policies highlight

- Nickel sector has performed poorly YTD and is among the worst sector in JCI with -17% YTD & -13% vs. JCI.
- We highlighted five key policies in the order of its impact & certainty of such policies: B40, GMT, royalty increase, DHE, and RUU Minerba.
- All in all, companies' NP under our nickel coverage could be negatively affected by 10-60% should all of these five key policies materialized.

B40 implementation: higher mining costs are imminent

Our check suggests that implementation of B40 could increase mining costs by 15-20% on average with the assumption that B40 would be non-subsidized by gov't vs. subsidized B35 that is previously being used as primary fuel for mining. As fuel accounts for ~30-35% of mining costs and transition from B35 to B40 is already effective since 1st of Jan25, we think B40 implementation ranked the highest in terms of its impact & certainty of the policy (Fig. 1), albeit our discussion with co. implies contradicting impact (several co. mentioned B40 would only increase mining costs by c.5%)

Nickel ore royalty rate increase: from 10% to 15%

There's a discussion for ESDM to increase nickel ore royalty rate by 5 percentage points ([report](#)), albeit not yet confirmed by the Ministry. While this policy is not yet official, the negative impact to listed companies' NP is relatively sizable by -1 to -21%.

Global minimum tax (GMT) – lingering concern but remains uncertain

As part of OECD mandate, Indonesia is now subject to global minimum tax (GMT) of 15% that may effectively remove tax holiday policy (0% CIT) in Indonesia. Note that GMT is only applicable to multinational enterprises (MNEs), but the interpretation for MNEs for mining JVs that is subject to GMT and whether tax holiday is going to get affected remains uncertain. However, we calculated worst scenario as if JVs that is majorly-owned by Chinese co. would eventually be subject to 15% GMT and the impact to earnings will be in the range of -3 to -17%.

DHE: back-to-back loans scheme & incentives shall minimize impact

Government has revised exports proceeds (DHE) retention from 30% for 3 months to 100% for 12 months, effective March 1st 2025. However, impact could be minimized via back-to-back loans & incentives that enable mining exporters to use the DHE as long as it's converted into Rp (Fig. 6). Thus, impact shall be minimal to miners, aside from higher interest expense.

RUU Minerba: no impact to listed miners

We highlighted several changes in the Mining Law (Fig. 4&5), with changes primarily surround around priority allocation of mining area (IUP) to community organization (Ormas) and universities. We think RUU Minerba has no major impact to companies under our coverage.

Peak bearishness might not be here; maintain Neutral stance

We summarized the likelihood along with the impact to each company under our coverage should all of these policies are implemented in FY25F. Nonetheless, amid tariffs imposed by Trump administration & soft pricing environment, we think peak bearishness for the sector might not be here yet, thus underpinning our Neutral stance on the sector. We still like ANTM as our top pick, given its bottom-up/volume-growth story ([report](#)).

Fig. 1: Summary of potential likelihood and impact of five key policies to companies under our coverage

Key policy	Likelihood	Impact	Notes
B40 Implementation	Certain	High	Effective per January 1st, 2025 with the mandate being stricthen from B35 to B40. Estimated to increase 15-20% of total nickel mining costs, based on our check
Global Minimum Tax (GMT)	Certain with caveat	High	Regulation is already issued, but the interpretation remains unclear with possibility for companies and its JVs (that has obtained tax holiday) to avoid 15% GMT altogether
Royalty rate increase	Medium to Low	Medium to High	No regulation is out yet, but discussions between nickel miners and Ministry is ongoing. Latest check indicates a possibility of 5% increase in nickel ore royalty from 10% previously
DHE 100% retention for 12 months	Certain	Low	Regulation is already out, effective March 1st, 2025. Could be mitigated by obtaining back-to-back loans & through government incentives, that allows conversion of such DHE to Rp for operational activities
RUU Minerba	Certain	No Impact	No impact from financial perspective, as the regulation primarily focus on legalizing priority allocation of mining areas (IUP) to Ormas and Universities

Source: Bloomberg, Company data, Indo Premier

Fig. 2: Impact to FY25F NP; we assume worst case scenario at 15-20% increase in mining costs on B40 implementation

As % to FY25F NP	B40 Implementation	Global Minimum Tax (GMT)	Royalty rate increase	DHE 100% retention for 12 months	RUU Minerba
ANTM	-11%	0%	-6%	Low impact, potentially from higher int. expenses	No Impact
INCO	-8%	0%	-3%		
NCKL	-7%	-3%	-5%		
MBMA	-22%	-17%	-21%		
HRUM	-16%	-17%	-1%		

Source: Bloomberg, Company data, Indo Premier estimates

Fig. 3: Global minimum tax (GMT) summary

Aspect	Before GMT	After GMT
Application of GMT in Indonesia	All Multinational Enterprises (MNEs) net profit are subject to Indonesia's corporate income tax (PPH Badan) of 22%. However, the effective tax rate (ETR) of these MNEs might be lower if given incentives such as tax holiday or exemptions.	1. If MNEs still pay the effective tax rate of 22% to the Indonesia's government (no tax incentives, fully paid the PPh), no "top-up" or residual tax payment is required to the home country as its already exceeded the GMT minimum threshold of 15%. Thus, the MNEs has fully comply to the GMT regulation and no additional tax payment is required. 2. If MNEs were given tax incentive so that the effective tax rate is below the required GMT rate of 15%, the remaining residual tax must be paid to the home country outside of Indonesia. For example, if a Japan MNE operates in Indonesia were given tax incentives so that the PPh paid to Indonesia was only 10%, the remaining 5% must be paid to the Japanese government.
Effective Tax Rate (ETR)	Indonesia could offer tax incentives (e.g., 10% ETR or tax holidays), allowing MNEs to pay lower taxes.	Indonesia must ensure a minimum 15% ETR is applied on MNE profits to avoid residual taxes flowing to the home country.
Tax Holidays	Foreign companies benefited from tax holidays, effectively reducing or eliminating their corporate tax liability in Indonesia.	Tax holidays lose effectiveness since any tax below 15% is "topped up" and paid to the MNE's home country.
Attractiveness of Low Taxes	Low ETR was a key factor for FDI decisions, making Indonesia competitive for foreign companies.	Low taxes no longer provide a competitive advantage, as companies must pay the residual tax to their home country.
Tax Revenue for Indonesia	Indonesia collected taxes based on its lower ETR, often leaving potential revenue untapped due to tax incentives.	Indonesia can increase its tax rate to 15%, capturing the additional tax revenue locally rather than losing it to the parent company's home country.
Profit Shifting	MNEs often shifted profits to other low-tax jurisdictions, reducing Indonesia's taxable base.	Profit shifting is discouraged as MNEs must pay at least 15% tax globally, regardless of where profits are booked.
Foreign Direct Investment (FDI)	Tax incentives attracted foreign investment, as companies sought cost savings through reduced taxes.	Companies may reconsider FDI if non-tax factors (e.g., infrastructure, stability) do not outweigh the loss of tax savings.
Reporting Obligations	Reporting focused on local compliance, with no global alignment for minimum tax reporting.	MNEs must report GMT calculations annually, with deadlines 15-18 months after the fiscal year ends.
Government Strategy	Heavy reliance on tax incentives to attract FDI.	Shift toward improving infrastructure, labor quality, and non-tax incentives to remain competitive.

Source: Bloomberg, Company data, Indo Premier

Fig. 4: Revision in UU Minerba (mineral & coal mining Law) – Part 1

Article	Clause	Old	New
22A	1	The Central Government and Regional Governments ensure that there are no changes in the spatial and regional utilization for WPR (People's Mining Area) that have been designated.	The Central Government and Regional Governments ensure that there are no changes in the spatial and regional utilization for WPR (People's Mining Area) that have been designated, provided they do not conflict with the provisions of the applicable law s and regulations.
	3	N/A	Granting of priority , as referred to in Paragraph (1), shall be carried out by considering: a. The size of the WIUP Minerals area; b. Empowerment of small and medium enterprises (SMEs); c. Community-based and religious organizations performing economic functions; and d. Regional economic development enhancement. NEW!
51	1	WIUP Minerals shall be granted to business entities, cooperatives, or individual companies through an auction process.	WIUP Minerals shall be granted to business entities, cooperatives, or individual companies through auction mechanisms or priority allocation methods.
	2	The auction of WIUP Minerals, as referred to in paragraph (1), shall consider the following: a. The size of the WIUP Minerals area to be auctioned; b. Administrative/management capabilities; c. Technical and environmental management capabilities; and d. Financial capabilities.	The auction of WIUP Minerals, as referred to in paragraph (1), shall consider the following: a. The size of the WIUP Minerals area to be auctioned; b. Administrative/management capabilities; c. Technical and environmental management capabilities; and d. Financial capabilities.
51A	1	N/A	WIUP Minerals may be granted to universities through a priority allocation method. NEW!
	2	N/A	Granting through priority allocation, as referred to in paragraph (1), shall consider the following: a. The size of the WIUP Minerals area; b. Accreditation of the university, with a minimum status of "B"; and/or c. Enhancement of access and educational services for the community. NEW!
	3	N/A	Further provisions regarding the granting of WIUP Minerals to universities shall be regulated by applicable government regulations. NEW!
51B	1	N/A	WIUP Minerals, in the context of downstream processing (hilirisasi), may be granted to private business entities through a priority allocation method. NEW!
75	1	The granting of IUPK (Special Mining Business License), as referred to in Article 74 paragraph (1), shall be conducted based on considerations as referred to in Article 28.	The granting of IUPK (Special Mining Business License), as referred to in Article 74 paragraph (1), shall be based on the considerations as referred to in Article 28. NEW!
	2	IUPK, as referred to in paragraph (1), may be granted to State-Owned Enterprises (BUMN), Regional-Owned Enterprises (BUMD), or private companies.	IUPK, as referred to in paragraph (1), may be granted to State-Owned Enterprises (BUMN), Regional-Owned Enterprises (BUMD), private companies, or companies owned by religious community organizations. NEW!
	3	State-Owned Enterprises (BUMN) and Regional-Owned Enterprises (BUMD), as referred to in paragraph (2), are given priority in obtaining IUPK.	State-Owned Enterprises (BUMN), Regional-Owned Enterprises (BUMD), private companies, or companies owned by religious community organizations, as referred to in paragraph (2), are given priority in obtaining IUPK. NEW!
141B	1	N/A	For the implementation of guidance and supervision, a portion of the non-tax state revenue obtained from the implementation of Mineral and Coal Mining business activities shall be managed by the Minister.

Source: Bloomberg, Company data, Indo Premier

Fig. 5: Revision in UU Minerba (mineral & coal mining Law) – Part 2

169A	1	KK (Contract of Work) and PKP2B (Coal Mining Concession Work Agreement), as referred to in Article 169, are guaranteed an extension into IUPK (Special Mining Business License) as a continuation of contract/agreement operations after fulfilling the following requirements: a. Contracts/agreements that have not yet received an extension are guaranteed to obtain two extensions in the form of IUPK as a continuation of contract/agreement operations, each for a maximum period of 10 (ten) years, as a continuation of operations after the expiration of the KK or PKP2B, taking into account efforts to increase state revenue. b. Contracts/agreements that have already received a first extension are guaranteed to be granted a second extension in the form of IUPK as a continuation of contract/agreement operations, for a maximum period of 10 (ten) years, as a continuation of operations after the expiration of the first extension of the KK or PKP2B, taking into account efforts to increase state revenue.	KK (Contract of Work) and PKP2B (Coal Mining Concession Work Agreement), as referred to in Article 169, may be extended into IUPK (Special Mining Business License) for Contract/Agreement Operations after meeting the following requirements: a. Contracts/agreements that have not received any extensions can receive two extensions in the form of IUPK as a continuation of contract/agreement operations, each for a maximum period of 10 (ten) years as a continuation of operations after the expiration of the KK or PKP2B, taking into account efforts to increase state revenue.
173D	1	N/A	Upon the enforcement of this Law, IUPs (Mining Business Licenses) issued prior to this Law that overlap partially or entirely with other WIUPs shall be revoked and returned to the state.

Source: Bloomberg, Company data, Indo Premier

Fig. 6: Incentives given from DHE policy

DHE incentives	
1.	0% income tax rate on interest income from parked DHE.
2.	DHE SDA placement instruments can be used as collateral for back-to-back loans in Rp.
3.	Funds provided and secured by collateral - including cash collateral, current accounts, and savings deposits - that meet certain requirements will be exempt from the maximum credit limit (BMPK). Thus, funding using DHE SDA placement instruments as collateral will not impact the gearing ratio to equity.
4.	Exporters can utilize swap instruments with banks if they require Rupiah for their business activities.
5.	These instruments from parked DHE can be used to pay state levies, including taxes, royalties, and dividends.

Source: Bloomberg, Company data, Indo Premier

Fig. 7: Peers under our coverage & recommendation

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	6.0	5.8	4.6	5.5	6.2	5.8	N/A	N/A	N/A
ANTM IJ	Aneka Tambang	Buy	2,000	9.3	9.1	9.3	4.9	4.2	4.1	9.3%	8.0%	8.3%
HRUM IJ	Harum Energy	Hold	1,450	5.8	5.9	4.5	3.9	5.0	3.3	N/A	N/A	N/A
INCO IJ	Vale Indonesia	Buy	5,000	31.1	22.3	8.0	4.6	5.6	3.2	N/A	N/A	N/A
MBMA IJ	Merdeka Battery Materials	Buy	560	160.0	73.8	11.7	23.8	16.1	8.5	N/A	N/A	N/A
MDKA IJ	Merdeka Copper Gold	Buy	3,100	N/A	N/A	56.5	13.5	11.1	6.7	N/A	N/A	N/A
NCKL IJ	Trimegah Bangun Persada	Buy	1,100	6.7	5.8	5.0	5.1	4.3	3.7	3.8%	4.5%	5.2%

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

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