

Vale Indonesia

BUY (unchanged)

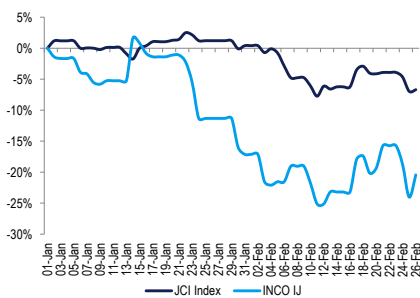
Company update | Metals | INCO IJ | 26 February 2025

Stock Data

Target price	Rp5,000
Prior TP	Rp5,000
Current price	Rp2,880
Upside/downside	74%
Shares outstanding (mn)	10,540
Market cap (Rp bn)	30,355
Free float	20%
Avg. 6m daily T/O (Rp bn)	22

Price Performance

	3M	6M	12M
Absolute	-21.1%	-23.6%	-26.6%
Relative to JCI	-12.3%	-10.6%	-17.3%
52w low/high (Rp)	2,710 – 5,126		



Major Shareholders

Mineral Industri Indonesia (MIND ID)	34.2%
Vale Canada Limited	34.1%
Sumitomo Metal mining	11.5%

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4Q24 result: softer qoq NP on higher opex, lower ASP & one-off loss

- INCO reported US\$7mn NP in 4Q24 (-52% qoq), with FY24 NP of US\$58mn, below consensus/in-line with ours (76%/99% consensus/IPS).
- 4Q24 NP decline was driven by higher opex, lower ASP (-3% qoq) and one-off loss, partly cushioned by higher sales volume (19.2kt; +8% qoq).
- We maintain our Buy rating and our TP of Rp5,000/share remain unchanged, pending details on the earnings call.

4Q24: softer NP qoq on higher opex, lower ASP & one-off loss

INCO reported US\$7mn NP in 4Q24 (-52% qoq), primarily driven by combination of lower ASP (-3% qoq), in-line with the decline in LME nickel price in 4Q24 (-4% qoq), higher operating expenses (more than doubled on qoq basis) and US\$10mn additional loss recorded in 4Q24 related to recognition of derivative assets. As a result, FY24 NP came below than consensus estimates at 76%, although came in-line with our forecast (99% IPS). Our discussion with company indicated that higher opex was mainly due to increase in compensation – i.e. bonus, in addition to expenses related to divestment process during the year (one-off nature). Note that INCO also no longer recorded 10% profit-sharing in FY24 as INCO would only need to pay the profit-sharing portion starting FY25F (next year after IUPK issuance in FY24).

Operational: higher production on limited maintenance activity

INCO production volume improved by +3% qoq to 18.5kt in 4Q24 with sales volume improving by +8% qoq to 19.2kt with additional sales coming from inventory sales. Hence, INCO FY24 production volume of 71.3kt came slightly higher vs. its production volume guidance of 70.8kt in FY24 (c.101% of FY24 target). Production cash costs improved significantly qoq to below US\$9k/ton on higher economies of scale & slightly lower fuel costs (i.e. HSFO/coal). Coal usage mix were also higher during 4Q24 as HSFO and diesel usage per ton down by -17%/-13%, respectively.

Maintain Buy rating with an unchanged TP of Rp5,000/share

We kept our Buy rating and TP of Rp5,000 unchanged as we await more details from earnings call. Note that INCO has yet to record any nickel-ore sales in 4Q24 as INCO didn't obtain the approval on time during the quarter. However, we expect ore sales to materialize in 1Q25F, albeit the amount of volume would still be under <500kt as a trial sales for its nickel ore business. Downside risks include lower than expected nickel-demand due to softer economic growth globally, delay in RKAB quota approval for INCO's external ore sales, and higher energy prices.

Financial Summary (US\$ mn)	2022A	2023A	2024F	2025F	2026F
Revenue	1,179	1,232	933	1,004	1,291
EBITDA	458	499	236	283	518
Net profit	200	274	59	82	228
EPS growth	21%	37%	-79%	39%	180%
ROE	8%	9%	2%	2%	6%
PER (x)	9.5	7.0	31.5	22.7	8.1
EV/EBITDA (x)	2.8	2.4	4.7	5.7	3.3
Dividend yield	0%	3%	0%	0%	0%
IPS vs. consensus			75%	73%	149%

Source: Company, Indo Premier

Share price closing as of: 26 February 2025

Fig. 1: 4Q24/FY24 financial summary

INCO (US\$ mn)	FY24	FY23	% yoy	4Q24	4Q23	% yoy	3Q24	% qoq	IPS FY24F	% of IPS	Cons FY24F	% of cons
Revenues	950	1,232	-23%	242	294	-18%	230	5%	933	102%	944	101%
Cost of revenues	(842)	(885)	-5%	(214)	(234)	-9%	(211)	1%	(841)	100%	(817)	26%
Gross profit	108	347	-69%	28	60	-53%	19	51%	92	118%	127	85%
Gross profit margin (%)	11%	28%		11.6%	20%		8.1%		17%		13%	
Operating expenses	(38)	(22)	73%	(17)	(6)	167%	(8)	111%	(30)	128%	(37)	103%
EBIT	70	325	-78%	11	54	-79%	11	6%	62	113%	90	78%
EBIT margin (%)	7%	26%		5%	18%		5%		7%		10%	
Depreciation & amortization	167	173	-4%	42	44	-6%	42	-1%	174	96%	165	101%
EBITDA	237	498	-52%	53	98	-46%	53	1%	236	101%	256	93%
EBITDA margin (%)	25%	40%		22%	33%		23%		32%		27%	
Finance income	36	36	1%	9	10	-12%	9	-3%	36	101%		
Finance costs	(7)	(10)	-27%	(1)	(6)	-76%	(2)	-35%	(8)	98%		
Other inc. (exp.)	(25)	2	-1334%	(12)	15	-177%	5	-339%	(13)	190%		
Profit before tax	74	353	-79%	7	73	-90%	22	-68%	77	96%	103	72%
Income tax	(16)	(78)	-79%	(4)	(20)	-79%	(5)	-14%	(14)	117%		
Tax rate (%)	22%	22%		58%	27%		22%		22%			
Minorities & PNPB	0	0	N/A	(4)	0	N/A	4	-200%	5	0%		
Net profit	58	274	-79%	7	53	-88%	14	-52%	59	99%	76	76%
Net margin (%)	6%	22%		3%	18%		6%		13%			

Source: Bloomberg, Company data, Indo Premier

Fig. 2: 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
ADMIR IJ	Adaro Minerals Indonesia	Buy	1,500	5.1	5.5	4.2	5.4	6.6	5.9	N/A	N/A	N/A
ANTM IJ	Aneka Tambang	Buy	2,000	11.0	10.7	10.9	6.0	5.4	5.3	7.9%	6.8%	7.0%
HRUM IJ	Harum Energy	Hold	1,450	5.0	5.1	3.9	3.6	4.7	3.1	N/A	N/A	N/A
INCO IJ	Vale Indonesia	Buy	5,000	31.5	22.7	8.1	4.7	5.7	3.3	N/A	N/A	N/A
MBMA IJ	Merdeka Battery Materials	Buy	560	150.7	69.5	11.0	22.6	15.4	8.1	N/A	N/A	N/A
MDKA IJ	Merdeka Copper Gold	Buy	2,400	N/A	N/A	62.1	14.4	11.7	7.1	N/A	N/A	N/A
NCKL IJ	Trimegah Bangun Persada	Buy	1,100	6.0	5.3	4.6	4.5	4.0	3.3	4.1%	5.0%	5.6%

Source: Bloomberg, Company Data, Indo Premier estimates

Income Statement (US\$ mn)	2022A	2023A	2024F	2025F	2026F
Net revenue	1,179	1,232	966	1,004	1,004
Cost of sales	(866)	(885)	(835)	(858)	(875)
Gross profit	314	347	131	146	129
SG&A Expenses	(20)	(22)	(27)	(22)	(22)
Operating profit	294	325	104	124	106
Net interest	4	26	29	9	(17)
Others	(22)	2	(19)	2	2
Pre-tax income	276	353	115	134	91
Income tax	(75)	(78)	(21)	(29)	(20)
Minority interest	0	0	0	0	0
Profit-sharing payment	0	0	(6)	(10)	(7)
Net income	200	274	88	94	64

Balance Sheet (US\$ mn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent	634	699	768	698	608
Receivable	141	102	107	112	112
Inventory	156	156	147	151	154
Other current assets	59	77	11	11	11
Total current assets	990	1,033	1,034	972	884
Fixed assets	1,550	1,696	1,939	2,544	2,827
Other non-current assets	118	197	197	197	240
Total non-current assets	1,668	1,893	2,136	2,742	3,068
Total assets	2,658	2,926	3,170	3,713	3,952

ST loans	0	0	0	0	0
Payable	116	141	146	150	153
Other payables	0	0	0	0	0
Current portion of LT loans	0	0	0	0	0
Other current liabilities	59	76	70	70	45
Total current liab.	175	217	216	220	198
Long term loans	0	0	0	400	500
Other LT liab.	128	145	176	211	301
Total non-current liabilities	128	145	176	611	801
Total liabilities	303	361	393	831	999

Equity	414	414	533	533	533
Retained earnings	1,941	2,150	2,244	2,349	2,420
Minority interest	0	0	0	0	0
Total SHE + minority int.	2,355	2,565	2,777	2,882	2,953
Total liabilities & equity	2,658	2,926	3,170	3,713	3,952

Source: Company, Indo Premier

Cash Flow Statement (US\$ mn)	2022A	2023A	2024F	2025F	2026F
Net income	213	244	158	105	28
Depr. & amortization	164	174	174	197	219
Changes in working capital	(31)	75	10	(4)	(25)
Others	0	0	0	0	0
Cash flow from operating	347	492	342	297	222
Capital expenditure	(195)	(319)	(417)	(802)	(502)
Others	(27)	(47)	32	35	90
Cash flow from investing	(222)	(366)	(386)	(768)	(412)
Loans	1	3	(6)	400	100
Equity	0	(0)	119	0	0
Dividends	0	(60)	0	0	0
Others	0	0	0	0	0
Cash flow from financing	1	(57)	113	400	100
Changes in cash	126	69	70	(70)	(90)

Key Ratios	2022A	2023A	2024F	2025F	2026F
Gross margin	27%	28%	14%	15%	13%
Operating margin	25%	26%	11%	12%	11%
Pre-tax margin	23%	29%	12%	13%	9%
Net margin	17%	22%	9%	9%	6%
ROA	8%	9%	3%	3%	2%
ROE	8%	9%	3%	3%	2%
Acct. receivables TO (days)	8.3	12.1	9.0	9.0	9.0
Inventory TO (days)	5.6	5.7	5.7	5.7	5.7
Payable TO (days)	7.5	6.3	5.7	5.7	5.7
Debt to equity	0.0	0.0	0.0	0.1	0.2
Interest coverage ratio (x)	42.6	32.2	17.7	8.4	3.6
Net gearing	(0.3)	(0.3)	(0.3)	(0.1)	(0.0)

Source: Company, Indo Premier