INDOPREMIER

Vale Indonesia

BUY *(unchanged)*

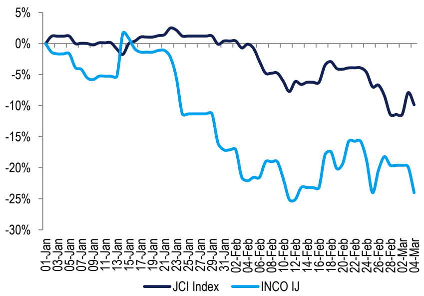
Company update | Metals | INCO IJ | 5 March 2025

Stock Data

Target price	**Rp3,650**
Prior TP	*Rp5,000*
Current price	Rp2,750
Upside/downside	*33%*
Shares outstanding (mn)	10,540
Market cap (Rp bn)	28,984
Free float	20%
Avg. 6m daily T/O (Rp bn)	22

Price Performance

	3M	6M	12M
Absolute	-22.5%	-27.6%	-31.8%
Relative to JCI	-13.1%	-10.6%	-19.5%
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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Bullish on medium to long-term but lacking short-term catalyst

- 1Q25F shall be INCO's first milestone on selling nickel ore to 3rd party with 290k wmt saprolite volume while awaiting on more RKAB quota.
- However, until ore contributed significant portion of revenue (24%/40% in FY26F/27F), share price would be dictated by LME price movement.
- We introduced our FY27F forecast and downgrade FY25F/26F NP forecast by -30/-68% on lower price. Maintain Buy at Rp3,650/share.

Key takeaways from our group meeting with INCO

Our discussion with company indicates that progress on Bahodopi & Pomalaa mining project remains on track and is set to be completed by 3Q25F and 2Q26F, respectively. In parallel, the company is seeking approval for additional RKAB quota of up to c.2mn in FY25F – which will be submitted to ESDM/MEMR by April. Note that INCO has started to sell ore to 3rd party in 1Q25F, albeit the volume was still relatively minimum at c.290k wmt of saprolite with elevated dollar premium to benchmark price (HPM) at high single digit per wmt. INCO also highlighted the flexibility of call option of its HPAL JVs in addition to potential in Tanamalia, albeit the latter is yet to be included in our forecast.

Despite growth in ore sales, share price would still be dictated by LME

We think INCO share price will still be dictated by LME nickel price until at least end of FY25F, considering that nickel-matte (priced at 78% of LME nickel price) would still contribute significantly to INCO's revenue (c.92% in FY25F). With LME nickel price hovering around US$15-16k/t YTD, we expect INCO share price to remain relatively volatile in parallel with LME nickel price movement. Benchmarking speculators' positioning in LME, net-short positions are already close to an all-time high, but not overly-bearish yet. We think downside is limited once the speculators' position already at overly-bearish position (Fig. 4), as it might trigger short-squeeze. But, we stand by our view that short-squeeze are unlikely to sustain, considering unfavourable supply-demand balance (report).

Maintain Buy rating with lower TP of Rp3,650/share

We introduced our FY27F NP forecast, albeit we conservatively put c.30-40% discount from INCO's saprolite & limonite sales projection in upcoming years(Fig.5 & 6), to account for execution risks & project delay. Despite our conservative assumptions, our model yielded US$291mn NP by FY27F, or equivalent to FY27F 6x P/E (vs. 5-11x peers). This underpins our Buy rating on INCO as we are bullish on medium to long-term. We downgraded our TP to Rp3,650/share (from Rp5,000/share) as we lower our FY25F/26F NP forecast by -30%/-68%, respectively.

Financial Summary (US$ mn)	2023A	2024A	2025F	2026F	2027F
Revenue	1,232	950	967	1,180	1,451
EBITDA	499	238	260	413	638
Net profit	274	58	72	156	291
EPS growth	37%	-79%	25%	116%	86%
ROE	9%	2%	2%	4%	7%
PER (x)	6.1	28.8	23.0	10.7	5.7
EV/EBITDA (x)	2.0	4.2	5.3	3.9	2.5
Dividend yield	4%	0%	1%	0%	0%
IPS vs. consensus			72%	97%	170%

Source: Company, Indo Premier *Share price closing as of: 4 March 2025*

Fig. 1: Old vs New forecast

INCO	New forecast			Old forecast			Forecast change			Consensus			Indo Premier vs Consensus		
US$ mn	2025F	2026F	2027F	2025F	2026F	2027F	2025F	2026F	2027F	2025F	2026F	2027F	2025F	2026F	2027F
Revenues	967	1,180	1,451	1,004	1,291	na	-5%	-25%	na	960	1,132	1,254	101%	104%	116%
Gross profit	113	255	461	127	357	na	-15%	-68%	na	133	224	314	85%	114%	147%
Operating profit	82	221	422	95	321	na	-26%	-74%	na	115	211	256	71%	105%	165%
EBITDA	260	413	638	283	518	na	-16%	-50%	na	285	393	481	91%	105%	133%
NPAT	72	156	291	82	228	na	-30%	-68%	na	101	161	171	72%	97%	170%
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Revenues	2%	22%	23%	-19%	29%	na				-22%	18%	11%			
Gross profit	4%	125%	81%	-63%	181%	na				-62%	69%	40%			
Operating profit	17%	169%	91%	-71%	238%	na				-65%	83%	21%			
EBITDA	9%	59%	54%	-43%	83%	na				-43%	38%	22%			
NPAT	25%	116%	86%	-70%	178%	na				-63%	59%	7%			
Gross margin	11.7%	21.6%	31.8%	12.6%	27.7%	na				13.8%	19.8%	25.0%			
Operating margin	8.5%	18.7%	29.1%	9.5%	24.9%	na				12.0%	18.6%	20.4%			
EBITDA margin	26.9%	35.0%	43.9%	28.2%	40.1%	na				29.7%	34.7%	38.4%			
NPAT margin	7.5%	13.2%	20.0%	8.2%	17.7%	na				10.5%	14.2%	13.6%			

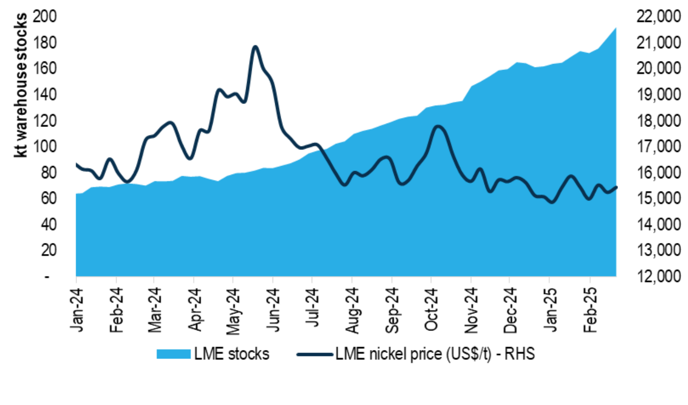
Source: Bloomberg, Indo Premier

Fig. 2: Key operational data assumptions

INCO IJ	Old			New			Change (%)		
US$ mn	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Production volume (kt)	71.2	73.0	na	71.2	73.0	73.0	0%	0%	na
Sales volume (kt)	71.2	73.0	na	71.2	72.0	72.0	0%	-1%	na
LME nickel price - US$/ton	16,500	16,500	na	16,000	16,000	15,500	-3%	-3%	na
Average selling price - US$/ton	12,870	12,870	na	12,459	12,459	12,070	-3%	-3%	na
High sulfur fuel oil (HSFO) - US$/bbl	88.0	88.0	na	85.0	85.0	85.0	-3%	-3%	na
High sulfur diesel (HSD) - US$/bbl	0.8	0.8	na	0.8	0.8	0.8	-3%	-3%	na
Coal price - US$/ton	175	150	na	165	150	150	-6%	0%	na
Saprolite sales volume - mn wmt	1.9	6.5	na	1.9	6.5	9.8	0%	0%	na
Limonite sales volume - mn wmt	0.0	3.0	na	0.0	3.0	17.5	0%	0%	na
Saprolite ASP - US$/wmt	46.0	48.0	na	42.0	38.0	38.0	-9%	-21%	na
Limonite ASP - US$/wmt	13.0	13.0	na	12.0	12.0	12.0	-8%	-8%	na

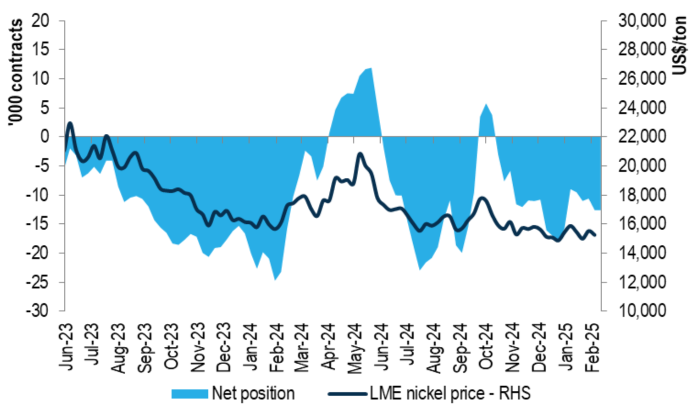
Source: Bloomberg, Indo Premier

Fig. 3: LME warehouse stocks



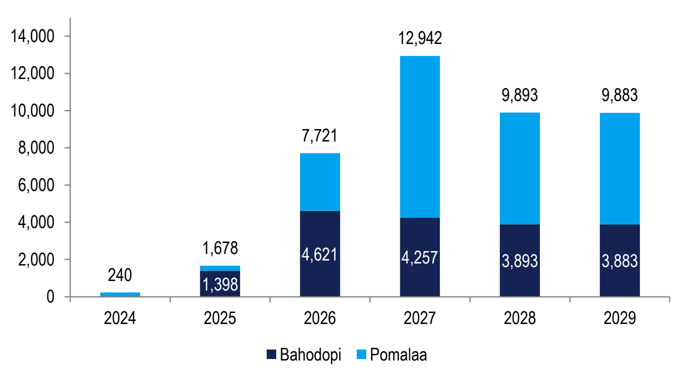
Source: Bloomberg, Indo Premier

Fig. 4: LME nickel price speculators' positioning



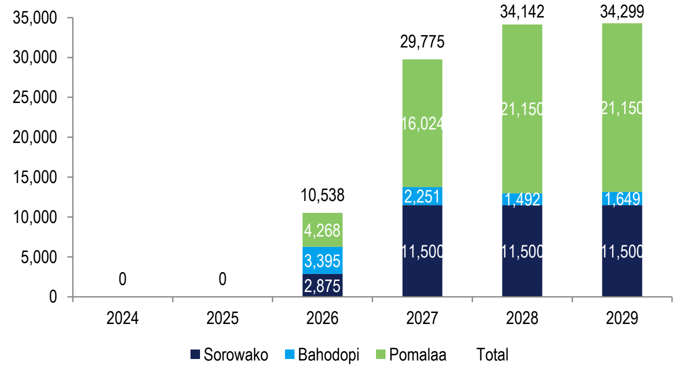
Source: Bloomberg, Indo Premier

Fig. 5: INCO's saprolite ore sales volume guidance



Source: Bloomberg, Indo Premier

Fig. 6: INCO's limonite ore sales volume guidance



Source: Bloomberg, Indo Premier

Fig. 7: 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
ADMR 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	3,650	23.0	10.7	5.7	5.3	3.9	2.5	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)	2023A	2024A	2025F	2026F	2027F
Net revenue	1,232	950	967	1,180	1,451
Cost of sales	(885)	(842)	(854)	(925)	(990)
Gross profit	**347**	**108**	**113**	**255**	**461**
SG&A Expenses	(22)	(38)	(31)	(34)	(39)
Operating profit	**325**	**70**	**82**	**221**	**422**
Net interest	26	29	19	(0)	(10)
Others	2	(25)	2	2	2
Pre-tax income	**353**	**74**	**103**	**223**	**414**
Income tax	(78)	(16)	(23)	(49)	(91)
Minority interest	0	0	0	0	0
Profit-sharing payment	0	0	(8)	(17)	(32)
Net income	**274**	**58**	**72**	**156**	**291**

Balance Sheet (US$ mn)	2023A	2024A	2025F	2026F	2027F
Cash & equivalent	699	675	445	550	579
Receivable	102	84	86	105	129
Inventory	156	149	151	163	175
Other current assets	77	97	15	16	19
Total current assets	**1,033**	**1,005**	**696**	**835**	**901**
Fixed assets	1,696	1,975	2,524	2,876	3,135
Other non-current assets	197	197	197	315	357
Total non-current assets	**1,893**	**2,172**	**2,721**	**3,191**	**3,491**
Total assets	**2,926**	**3,177**	**3,417**	**4,026**	**4,392**
ST loans	0	0	0	0	0
Payable	141	171	173	188	201
Other payables	0	0	0	0	0
Current portion of LT loans	0	0	0	0	0
Other current liabilities	76	93	87	74	79
Total current liab.	**217**	**263**	**260**	**262**	**280**
Long term loans	0	0	150	500	500
Other LT liab.	145	180	205	289	314
Total non-current liabilities	**145**	**180**	**355**	**789**	**814**
Total liabilities	**361**	**444**	**616**	**1,051**	**1,094**
Equity	414	526	526	526	526
Retained earnings	2,150	2,207	2,276	2,450	2,773
Minority interest	0	0	0	0	0
Total SHE + minority int.	**2,565**	**2,733**	**2,802**	**2,975**	**3,298**
Total liabilities & equity	**2,926**	**3,177**	**3,417**	**4,026**	**4,392**

Source: Company, Indo Premier

Cash Flow Statement (US$ mn)	2023A	2024A	2025F	2026F	2027F
Net income	244	15	163	56	282
Depr. & amortization	174	168	178	192	215
Changes in working capital	75	67	(1)	(32)	(20)
Others	0	0	0	0	0
Cash flow from operating	**492**	**250**	**340**	**216**	**477**
Capital expenditure	(319)	(448)	(727)	(544)	(474)
Others	(47)	63	25	83	26
Cash flow from investing	**(366)**	**(384)**	**(702)**	**(461)**	**(448)**
Loans	3	(1)	144	350	0
Equity	(0)	111	0	0	0
Dividends	(60)	(1)	(12)	0	0
Others	0	0	0	0	0
Cash flow from financing	**(57)**	**110**	**133**	**350**	**0**
Changes in cash	**69**	**(24)**	**(230)**	**105**	**28**

Key Ratios	2023A	2024A	2025F	2026F	2027F
Gross margin	28%	11%	12%	22%	32%
Operating margin	26%	7%	8%	19%	29%
Pre-tax margin	29%	8%	11%	19%	29%
Net margin	22%	6%	7%	13%	20%
ROA	9%	2%	2%	4%	7%
ROE	9%	2%	2%	4%	7%
Acct. receivables TO (days)	12.1	11.3	11.3	11.3	11.3
Inventory TO (days)	5.7	5.7	5.7	5.7	5.7
Payable TO (days)	6.3	4.9	4.9	4.9	4.9
Debt to equity	0.0	0.0	0.1	0.2	0.2
Interest coverage ratio (x)	32.2	9.4	8.9	8.7	11.5
Net gearing	(0.3)	(0.2)	(0.1)	(0.0)	(0.0)

Source: Company, Indo Premier