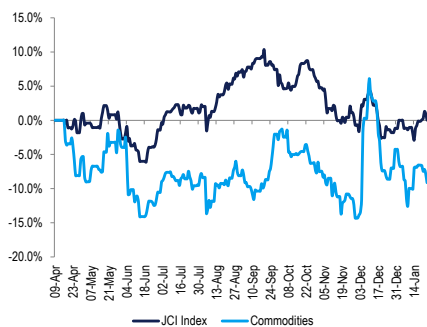


Sector update | 9 April 2025

Sector Index Performance

	3M	6M	12M
Absolute	-25.2%	-28.5%	-31.8%
Relative to JCI	-9.4%	-7.5%	-15.1%



Summary Valuation Metrics

P/E (x)	2025F	2026F	2027F
ANTM IJ	9.2	9.4	N/A
AADI IJ	3.1	3.1	N/A
EV/EBITDA (x)	2025F	2026F	2027F
ANTM IJ	4.3	4.2	N/A
AADI IJ	2.7	2.0	N/A
Div. Yield	2025F	2026F	2027F
ANTM IJ	7.9%	8.1%	N/A
AADI IJ	14.3%	14.4%	N/A

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Great Reset: painful path towards a multi-year commodity bull cycle

- Indonesia's metal & mining sector has been hammered from both internal – (i.e. B40), and external factors (i.e. recession fear).
- On the bright side, as commodity prices such as LME nickel already below US\$14k/t (-8% YTD), supply response is imminent, in our view.
- Thus, we think there might be a multi-year commodity bull cycle in the making. But, there will be painful path towards it. Maintain Neutral.

Global factors: Trump, tariffs, and recession fears

Crude oil and industrial metals have led the decline since Trump's tariff announcement with Brent oil hitting US\$60/bbl level (-18% YTD) and LME nickel trading below US\$14k/t (-8% YTD), among others (Fig. 2) on recession fears. While there are both direct and indirect impacts for companies operating either in US & China (subject to reciprocal & retaliatory tariffs), declining prices are justified as: 1) there are high possibility of postponement on expansion plan amid global trade-war uncertainty, leading to lower demand for metals, and 2) potential inflationary pressures in the short-term, leading to elevated costs of capital, albeit this might have turned to a stagflation or even deflationary environment in medium-term, also -ve for demand. While the reciprocal tariff is now in 90-days pause (except for China), demand uncertainty still lingers, in our view.

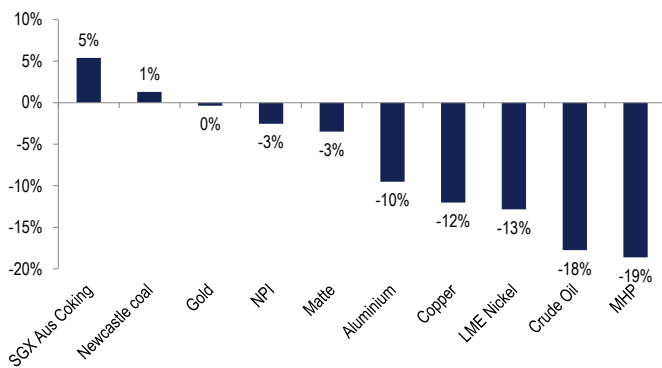
B40 & royalty might expedite supply response, but lower energy prices may lead to an even lower price equilibrium

We think potential royalty rate increase (potential implementation in mid-Apr25) remains the biggest tail risk. Aside from royalty, higher cash costs from B40 implementation is already in place, which in theory, shall expedite supply response. However, the biggest hurdle for supply response is the fact that energy prices are declining YTD with both ICI and Newcastle coal down by 6/21% YTD while crude oil – which eventually used for diesel, also down by 18% YTD. With energy costs accounting for c.30% of smelters' total cash costs, we think there are possibility for the cost-curve to decline even further and coupled with potentially weak demand due to tariffs uncertainty, may lead to lower prices for NPI. Afterwards, ore premium could also gradually decline which shall weaken the prices further, in our view. One of case study for such trend occurred in early-2023, when coal prices are declining, and NPI prices declined even further. We think similar trend to 2023 may occur as well, until the eventual supply-response occurs.

Reality hits: there will be a painful path before we see a bull cycle

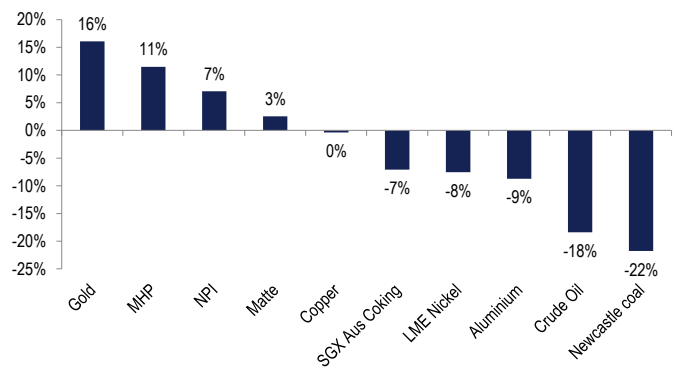
The reason why we argue that there will be a painful path until the cycle bottoms out are the fact that majority of producers do not produce pure nickel with c.99.9% purity – c.20% of global supply, but rather producing intermediates (i.e. MHP, matte) and Class 2 nickel (i.e. FeNi and NPI). These products are yet to be affected significantly (lower disc. vs. LME) by tariffs (Fig. 4-6) as there are no financial speculators on its price-formation. If tariff uncertainties would cause a physical impact, we did argue with falling cash costs – on lower energy prices & lower ore premium, prices would decline even further, underpinning our thesis of painful path before a bull cycle. As such, at the moment, we maintain a cautious stance on the sector by preferring company with strong FCF generation, attractive div. yield (9-10%), and strong balance sheet as our top pick: **ANTM (Buy)**, which has been outperforming peers & JCI YTD (Fig. 3).

Fig. 1: Commodity prices performance since Liberation Day



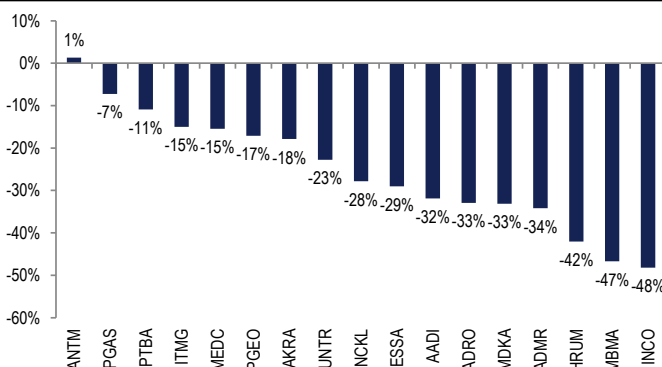
Source: Bloomberg, Indo Premier

Fig. 2: Commodity prices YTD



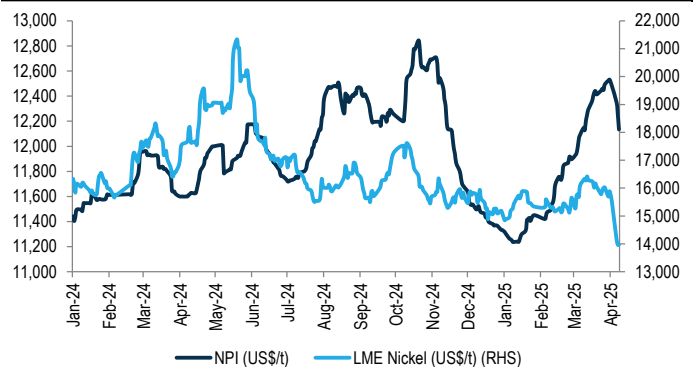
Source: Bloomberg, Indo Premier

Fig. 3: Commodity-equities performance YTD



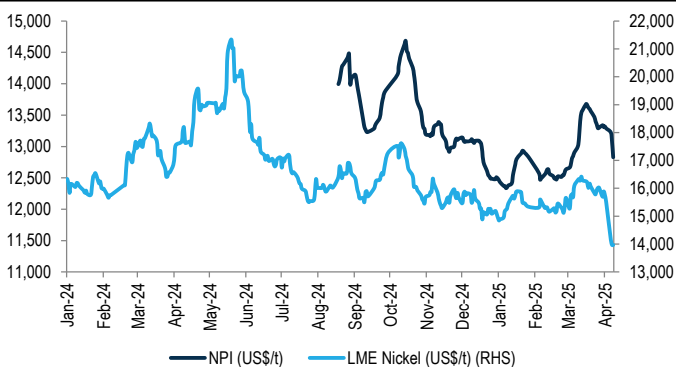
Source: Bloomberg, Indo Premier

Fig. 4: NPI prices vs LME



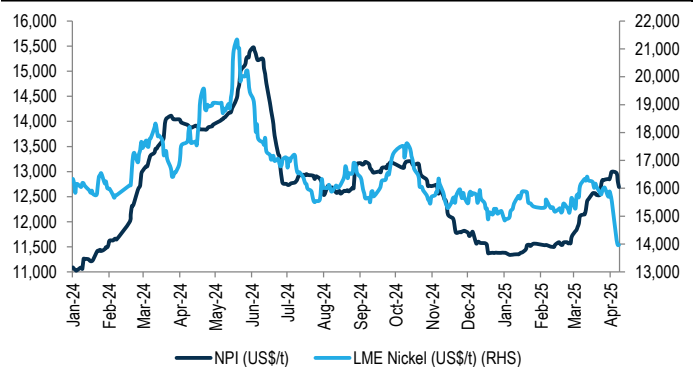
Source: Bloomberg, Indo Premier

Fig. 5: Nickel matte prices vs LME



Source: Bloomberg, Indo Premier

Fig. 6: MHP prices vs. LME



Source: Bloomberg, Indo Premier

Fig. 7: Companies 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
Metals												
ADMR IJ	Adaro Minerals Indonesia	Buy	1,500	5.5	4.2	N/A	6.5	5.8	N/A	N/A	N/A	N/A
ANTM IJ	Aneka Tambang	Buy	2,000	9.2	9.4	N/A	4.3	4.2	N/A	7.9%	8.1%	N/A
HRUM IJ	Harum Energy	Hold	1,450	4.1	3.2	N/A	4.3	2.9	N/A	N/A	N/A	N/A
INCO IJ	Vale Indonesia	Buy	3,650	23.0	10.7	5.7	0.7	0.8	0.8	N/A	N/A	N/A
MBMA IJ	Merdeka Battery Materials	Buy	560	40.4	7.3	2.8	9.6	4.4	1.5	N/A	N/A	N/A
MDKA IJ	Merdeka Copper Gold	Buy	2,400	N/A	10.4	6.4	8.1	4.7	3.9	N/A	N/A	N/A
NCKL IJ	Trimegah Bangun Persada	Buy	1,100	5.0	4.0	4.0	3.7	2.9	2.5	5.1%	6.0%	7.4%
Coal												
AADI IJ	Adaro Andalan Indonesia	Buy	12,000	3.1	3.1	N/A	2.7	2.0	N/A	14.3%	14.4%	N/A
ITMG IJ	Indo Tambangraya Megah	Hold	21,000	7.8	14.8	15.4	2.4	4.2	4.1	13.7%	5.9%	4.0%
PTBA IJ	Bukit Asam	Sell	2,000	9.1	7.7	7.8	5.2	4.5	4.6	13.7%	8.2%	9.7%
UNTR IJ	United Tractors	Buy	33,000	3.9	3.7	N/A	1.6	1.3	N/A	10.8%	11.1%	N/A

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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