INDOPREMIER

Vale Indonesia

BUY *(unchanged)*

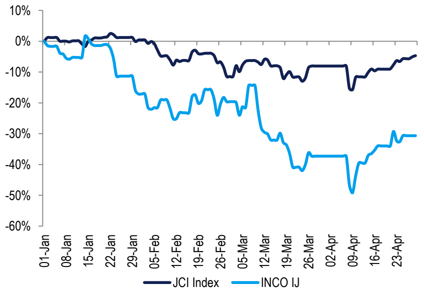
Company update | Metals | INCO IJ | 29 April 2025

Stock Data

Target price	**Rp3,650**
Prior TP	*Rp3,650*
Current price	Rp2,510
Upside/downside	*45%*
Shares outstanding (mn)	10,540
Market cap (Rp bn)	26,455
Free float	20%
Avg. 6m daily T/O (Rp bn)	40

Price Performance

	3M	6M	12M
Absolute	-21.8%	-37.6%	-39.1%
Relative to JCI	-16.0%	-26.0%	-33.4%
52w low/high (Rp)			1,840 – 5,126



Major Shareholders

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

1Q25 result: in-line headline but core NP came below consensus

- INCO reported US$22mn headline NP in 1Q25 (+300% qoq), optically in-line with consensus (25% consensus) but above ours (30% IPS).
- However, core NP came at US$11mn (flat qoq) excluding US$16.5mn derivative assets gain, or at 13% consensus estimates, which was below.
- 1Q25 also marked the first external ore sales in history with 80k wmt saprolite ore sold at US$32/wmt ASP. Maintain Buy on INCO.

1Q25 review: optically in-line but core NP came below consensus

INCO reported US$22mn headline NP in 1Q25 (+300% qoq), optically in-line with consensus estimates (25% consensus) and above ours (30% IPS), but core NP came at US$11mn (flat qoq) were actually below consensus and ours. In 1Q25, there were US$16.5mn gain recorded in relation to derivative assets gain from INCO's call option for Pomalaa HPAL. Revenue declined by -15% qoq to US$207mn as nickel-matte volume & ASP declined on qoq basis, while nickel ore sales revenue were still minimal at US$2.5mn (c.1% of 1Q25 revenue). As a result, GP declined by 30% qoq, although opex improved on qoq basis (-53% qoq) although this was due to a high-base in 4Q24. Aside from derivative assets gain, there were nothing extraordinary recorded below operating line.

Operational data: production costs improved; ore sales to increase

Nickel-matte ASP declined by -5% qoq, which was in-line with LME nickel price decline during the quarter (-5% qoq), while sales volume came at 17.1kt (-11% qoq). On the bright side, production cash costs improved by 5% qoq to US$8.5k/t, driven by a combination of lower coal costs (-11% qoq), and HSFO price (-3% qoq), albeit partly offset by higher diesel costs (+1% qoq) as a result of B40 implementation. Related to nickel ore, INCO were able to sell 80k wmt of saprolite ore at US$32/wmt ASP, marking the first 3rd party ore sales in the history of the company.

Maintain Buy rating with an unchanged TP of Rp3,650/share

We maintain our FY25F-27F NP forecast for now, as we await further clarity during earnings call. Our Buy rating and TP of Rp3,650/share is kept unchanged as INCO's growth story from its ore sales remain intact. INCO is planning to sell remainder of 210k wmt ore that it already has in its inventory throughout 2Q25F, while also revising its RKAB in order to secure additional 2mn saprolite ore quota. Downside risks include delay in progress on its nickel mine development.

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: 29 April 2025*

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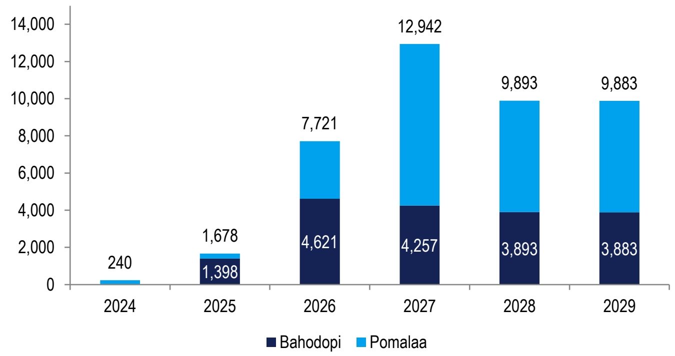
Fig. 1: 1Q25 financial summary

INCO 1Q25 results	1Q25	1Q24	% yoy	4Q24	% qoq	IPS FY25F	% of IPS	Cons FY25F	% of cons
Revenues	207	230	-10%	242	-15%	967	21%	980	21%
Cost of revenues	(187)	(210)	-11%	(214)	-13%	(854)	22%	(772)	24%
Gross profit	**20**	**20**	**-3%**	**28**	**-30%**	**113**	**17%**	**208**	**9%**
Gross profit margin (%)	9%	9%		12%		12%		21%	
Operating expenses	(8)	(6)	25%	(17)	-53%	(31)	25%	(26)	30%
EBIT	**12**	**14**	**-16%**	**11**	**2%**	**82**	**14%**	**182**	**6%**
EBIT margin (%)	6%	6%		5%		8%		19%	
Depreciation & amortization	41	42	-1%	42	-1%	178	23%	171	24%
EBITDA	**53**	**56**	**-5%**	**53**	**-1%**	**260**	**20%**	**353**	**15%**
EBITDA margin (%)	26%	24%		22%		27%		36%	
Finance income	8	9	-18%	9	-15%	28	27%		N/A
Finance costs	(2)	(2)	-9%	(1)	37%	(9)	22%		N/A
Other inc. (exp.)	14	(12)	-219%	(12)	-223%	2	711%		N/A
Profit before tax	**31**	**9**	**257%**	**7**	**335%**	**103**	**30%**	**196**	**16%**
Income tax	(7)	(3)	169%	(4)	71%	(23)	31%		N/A
Tax rate (%)	23%	30%		58%		22%			
Minorities & PNBP	(2)	0	N/A	4	-33%	8	-30%		N/A
Net profit	**22**	**6**	**255%**	**7**	**300%**	**72**	**30%**	**87**	**25%**
Net margin (%)	11%	3%		3%		7%			
Core profit	**11**	**14**	**-25%**	**11**	**36%**	**71**	**15%**		

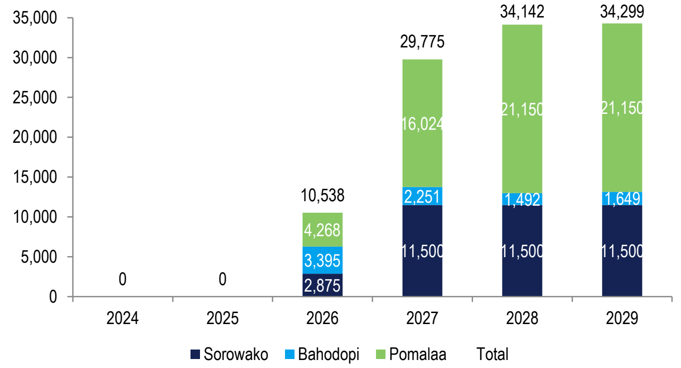
Source: Bloomberg, Indo Premier

Fig. 2: INCO's saprolite ore sales volume guidance



Source: Bloomberg, Indo Premier

Fig. 3: INCO's limonite ore sales volume guidance



Source: Bloomberg, Indo Premier

Fig. 4: Peers valuation table

Ticker	Company	Rating	Target price (Rp/share)	P/E			EV/EBITDA			Dividend yield (%)		
				25F	26F	27F	25F	26F	27F	25F	26F	27F
ADMR IJ	Adaro Minerals Indonesia	Buy	1,500	8.5	5.8	N/A	9.0	7.2	N/A	N/A	N/A	N/A
ANTM IJ	Aneka Tambang	Buy	2,500	11.3	9.7	10.5	6.8	6.2	6.7	7.0%	6.6%	7.7%
HRUM IJ	Harum Energy	Hold	1,450	5.2	4.0	N/A	4.7	3.1	N/A	N/A	N/A	N/A
INCO IJ	Vale Indonesia	Buy	3,650	21.0	9.6	5.0	4.7	3.5	2.2	N/A	N/A	N/A
MBMA IJ	Merdeka Battery Materials	Buy	560	50.8	9.2	3.5	11.6	5.4	1.9	N/A	N/A	N/A
MDKA IJ	Merdeka Copper Gold	Buy	2,400	N/A	13.0	9.0	9.9	5.7	4.7	N/A	N/A	N/A
NCKL IJ	Trimegah Bangun Persada	Buy	1,100	6.0	4.8	4.8	4.4	3.6	3.2	4.3%	5.0%	6.2%

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