

# Harum Energy

**BUY** (upgrade)

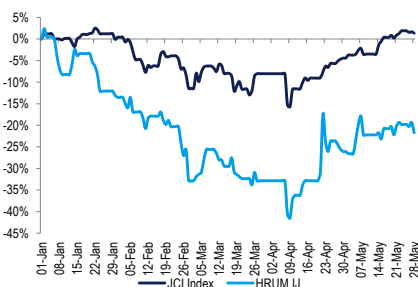
Company update | Metals | HRUM IJ | 2 Jun 2025

## Stock Data

|                           |         |
|---------------------------|---------|
| Target price              | Rp1,050 |
| Prior TP                  | Rp1,450 |
| Current price             | Rp810   |
| Upside/downside           | +30%    |
| Shares outstanding (mn)   | 13,518  |
| Market cap (Rp bn)        | 10,950  |
| Free float                | 18%     |
| Avg. 6m daily T/O (Rp bn) | 22      |

## Price Performance

|                   | 3M          | 6M     | 12M    |
|-------------------|-------------|--------|--------|
| Absolute          | 3.2%        | -28.0% | -41.5% |
| Relative to JCI   | -5.8%       | -27.0% | -40.4% |
| 52w low/high (Rp) | 605 – 1,430 |        |        |



## Major Shareholders

|                      |       |
|----------------------|-------|
| Karunia Bara Perkasa | 79.8% |
|----------------------|-------|

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## Attractive valuation suggests limited downside despite lacking ST catalysts

- HRUM share price (-21% YTD) has been lagging both coal and nickel peers (Fig. 1 & 2) owing to lack of re-rating catalysts and dividends.
- However, we think downside is limited as market expectation has toned down, while Position and BSE HPAL shall be the earnings driver.
- We upgrade our rating to Buy (from Hold) with lower TP as valuation is already at an undemanding level of 8x FY26F P/E.

### Coal business still dominates amid soft nickel pricing environment

HRUM share price (-21% YTD) has been lagging both its coal & nickel peers, as there were no immediate earnings growth driver for HRUM so far, while coal price declined significantly YTD with ICI down by 14-17% on average and Newcastle coal index down by -20% YTD. Furthermore, according to our discussion with company, HRUM won't disburse any dividend in 1H25F as existing cash proceeds is likely to be used for debt repayment and capex requirement – unlike its coal peers that distributed dividends with 9-16% yield. Based on market feedback, as HRUM's revenue and earnings driver is still split between coal & nickel, investors didn't see HRUM as a clear-cut play for either coal & nickel, which also attributes to its relatively poor share price performance YTD, in our view.

### Growth drivers: PT Position and Blue Sparkling Energy (BSE) HPAL

Primary investment thesis for HRUM is the intention to shift investors' perception on the company from coal players into nickel players. While management has always mentioned such transformation, c.70% of its earnings are still driven by coal business in FY25F, with nickel businesses recording a slight net loss in 1Q25 as nickel price continues to decline since FY23, negating the impact from volume growth/stake acquisition in nickel businesses ever since. We think such transformation is set to really materialized once Position (nickel ore) starts to record sales in 2H25F onwards and BSE HPAL starts its production in early FY26F. In FY26F, we expect nickel business to contribute around c.70% of HRUM's earnings.

### No immediate catalysts, but valuation is already attractive

We think valuation is already undemanding for HRUM as current share price implies 8x FY26F P/E, while our sum-of-the-parts (SOTP) indicated a value of Rp1,050/share, despite several downward adjustments in pricing that we have made in our DCF-model for each HRUM's assets (Fig. 4&5). As a result, we lower our TP from Rp1,450/share to Rp1,050/share, but upgrade our rating to Buy (from Hold) as share price have declined by -40% in the past 6M. Downside risks include the postponement of BSE HPAL and uncertainty on additional RKAB quota approval (c.700k addl. revision).

| Financial Summary (US\$ mn) | 2023A | 2024A | 2025F | 2026F | 2027F |
|-----------------------------|-------|-------|-------|-------|-------|
| Revenue                     | 926   | 1,295 | 1,435 | 1,733 | 1,757 |
| EBITDA                      | 350   | 281   | 244   | 368   | 383   |
| Net profit                  | 151   | 54    | 67    | 84    | 96    |
| EPS growth                  | -50%  | -64%  | 23%   | 27%   | 14%   |
| ROE                         | 17%   | 6%    | 7%    | 8%    | 8%    |
| PER (x)                     | 4.8   | 12.7  | 10.2  | 8.0   | 7.0   |
| EV/EBITDA (x)               | 2.0   | 2.8   | 4.1   | 2.9   | 2.0   |
| Dividend yield              | 0%    | 0%    | 0%    | 0%    | 0%    |
| IPS vs. consensus           |       |       | 61%   | 53%   | 43%   |

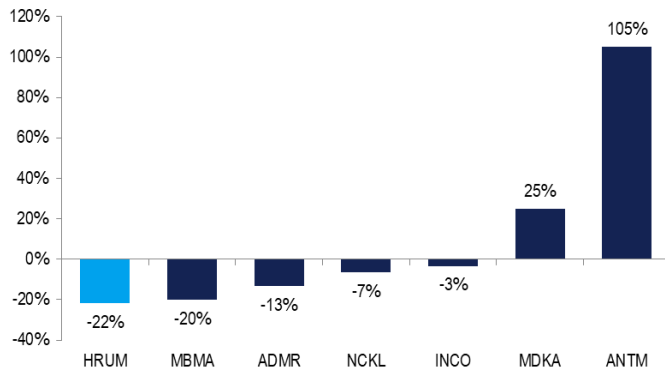
Source: Company, Indo Premier

Share price closing as of: 28 May 2025

### Changes to our key estimates (FY25F/26F)

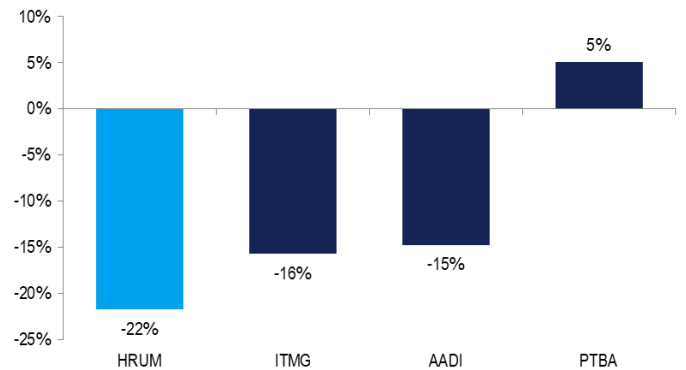
We lower our FY25F/26F NP forecast by -47%/-46% as we made downward adjustment towards our coal price assumptions – considering 1Q25 ASP of US\$89/t, was a high-base as there were no domestic shipments that had been done during the quarter. In addition, we adjusted our nickel matte and NPI price assumptions (Fig. 4), taking into account 1Q25 realization and YTD price for both matte & NPI, which was lower than our initial estimates. We have also adjusted our royalty rate assumptions for PT Position from 10% initially to 14%, following recent increase in nickel ore royalty rates.

Fig. 1: HRUM share price vs metal mining peers YTD



Source: Bloomberg, Indo Premier

Fig. 2: HRUM share price vs coal peers YTD



Source: Bloomberg, Indo Premier

Fig. 3: Old vs new forecast

| HRUM<br>US\$ mn  | New forecast |       |       | Forecast change |       |       | Consensus |       |       | IPS vs Consensus |       |       |
|------------------|--------------|-------|-------|-----------------|-------|-------|-----------|-------|-------|------------------|-------|-------|
|                  | 2025F        | 2026F | 2027F | 2025F           | 2026F | 2027F | 2025F     | 2026F | 2027F | 2025F            | 2026F | 2027F |
| Revenues         | 1,435        | 1,733 | 1,757 | -12%            | -11%  | na    | 1,557     | 2,094 | 2,568 | 92%              | 83%   | 68%   |
| Gross profit     | 257          | 372   | 385   | -27%            | -22%  | na    | 377       | 488   | 565   | 68%              | 76%   | 68%   |
| Operating profit | 161          | 275   | 285   | -34%            | -24%  | na    | 260       | 409   | 602   | 62%              | 67%   | 47%   |
| EBITDA           | 244          | 368   | 383   | -26%            | -20%  | na    | 319       | 529   | 760   | 76%              | 69%   | 50%   |
| NPAT             | 67           | 84    | 96    | -47%            | -46%  | na    | 109       | 160   | 222   | 61%              | 53%   | 43%   |
| <b>%y-y</b>      |              |       |       |                 |       |       |           |       |       |                  |       |       |
| Revenues         | 55%          | 21%   | 1%    |                 |       |       | 68%       | 34%   | 23%   |                  |       |       |
| Gross profit     | -33%         | 45%   | 4%    |                 |       |       | -1%       | 90%   | 16%   |                  |       |       |
| Operating profit | -44%         | 70%   | 4%    |                 |       |       | -9%       | 57%   | 47%   |                  |       |       |
| EBITDA           | -30%         | 51%   | 4%    |                 |       |       | -9%       | 66%   | 44%   |                  |       |       |
| NPAT             | -56%         | 27%   | 14%   |                 |       |       | -28%      | 46%   | 39%   |                  |       |       |
| Gross margin     | 17.9%        | 21.5% | 21.9% |                 |       |       | 24.2%     | 23.3% | 22.0% | -6.3%            | -1.8% | -0.1% |
| Operating margin | 11.3%        | 15.8% | 16.2% |                 |       |       | 16.7%     | 19.5% | 23.5% | -5.5%            | -3.7% | -7.3% |
| EBITDA margin    | 17.0%        | 21.2% | 21.8% |                 |       |       | 20.5%     | 25.3% | 29.6% | -3.5%            | -4.1% | -7.8% |
| NPAT margin      | 4.6%         | 4.9%  | 5.5%  |                 |       |       | 7.0%      | 7.6%  | 8.6%  | -2.4%            | -2.8% | -3.2% |

Source: Company, Indo Premier

Fig. 4: Key assumption changes

|                          | Old    |        |       | New    |        |        | Change (%) |       |       |
|--------------------------|--------|--------|-------|--------|--------|--------|------------|-------|-------|
|                          | FY25F  | FY26F  | FY27F | FY25F  | FY26F  | FY27F  | FY25F      | FY26F | FY27F |
| <b>Coal</b>              |        |        |       |        |        |        |            |       |       |
| ASP (US\$/t)             | 94     | 96     | na    | 83     | 80     | 80     | -11%       | -17%  | na    |
| Sales Volume (ton)       | 6.0    | 6.0    | na    | 6.0    | 6.0    | 6.0    | 0%         | 0%    | na    |
| Stripping ratio (x)      | 10.5   | 10.5   | na    | 10.5   | 10.5   | 10.5   | 0%         | 0%    | na    |
| <b>Nickel ore</b>        |        |        |       |        |        |        |            |       |       |
| ASP (US\$/w mt)          | 36     | 36     | na    | 30     | 32     | 32     | na         | -11%  | na    |
| Sales Volume (m w mt)    | 2.5    | 3.0    | na    | 2.4    | 3      | 3      | na         | 0%    | na    |
| <b>NPI (Infei Metal)</b> |        |        |       |        |        |        |            |       |       |
| ASP (US\$/t)             | 12,900 | 13,000 | na    | 11,500 | 11,500 | 11,500 | -11%       | -12%  | na    |
| Cash costs (US\$/t)      | 10,700 | 10,500 | na    | 10,900 | 10,500 | 10,500 | 2%         | 0%    | na    |
| Sales Volume (ton)       | 28,000 | 28,000 | na    | 25,000 | 25,000 | 25,000 | -11%       | -11%  | na    |
| <b>Matte (Westrong)</b>  |        |        |       |        |        |        |            |       |       |
| ASP (US\$/t)             | 14,000 | 14,000 | na    | 12,500 | 12,500 | 13,000 | -11%       | -11%  | na    |
| Cash costs (US\$/t)      | 11,250 | 11,250 | na    | 10,600 | 10,500 | 10,500 | -6%        | -7%   | na    |
| Sales Volume (ton)       | 45,000 | 47,500 | na    | 45,000 | 47,500 | 47,500 | 0%         | 0%    | na    |

Source: Company, Indo Premier

Fig. 5: Sum of the parts (SOTP) valuation

| Assets                        | Enterprise value<br>(US\$ mn) | Attributable to<br>HRUM | Enterprise value<br>(US\$ mn) | Methodology     |
|-------------------------------|-------------------------------|-------------------------|-------------------------------|-----------------|
| Coal                          | 244                           | 100.0%                  | 244                           | 5.0x FY25F P/E  |
| PT Position (POS)             | 319                           | 50.9%                   | 163                           | DCF (9.5% WACC) |
| Westrong Metal Industri       | 729                           | 41.2%                   | 300                           | DCF (9.5% WACC) |
| Blue Sparkling Energy         | 1,536                         | 26.0%                   | 399                           | DCF (10% WACC)  |
| Infei Metal Industri          | 189                           | 50.9%                   | 97                            | DCF (9.5% WACC) |
| <b>Total</b>                  | <b>3,019</b>                  |                         | <b>1,203</b>                  |                 |
| Net attributable debt - FY25F | 326                           |                         |                               |                 |
| <b>Equity value (US\$ mn)</b> | <b>877</b>                    |                         |                               |                 |
| <b>NAV/share (TP)</b>         | <b>1,050</b>                  |                         |                               |                 |

Source: Company, Indo Premier

| Income Statement (US\$ mn) | 2023A      | 2024A      | 2025F      | 2026F      | 2027F      |
|----------------------------|------------|------------|------------|------------|------------|
| Net revenue                | 926        | 1,295      | 1,435      | 1,733      | 1,757      |
| Cost of sales              | (543)      | (1,012)    | (1,178)    | (1,361)    | (1,372)    |
| <b>Gross profit</b>        | <b>382</b> | <b>283</b> | <b>257</b> | <b>372</b> | <b>385</b> |
| SG&A Expenses              | (96)       | (68)       | (95)       | (97)       | (100)      |
| <b>Operating profit</b>    | <b>287</b> | <b>215</b> | <b>161</b> | <b>275</b> | <b>285</b> |
| Net interest               | 13         | (25)       | (30)       | (31)       | (16)       |
| Income from associates/JV  | 25         | (7)        | 0          | 0          | 0          |
| Others                     | (62)       | (69)       | (15)       | 0          | 0          |
| <b>Pre-tax income</b>      | <b>263</b> | <b>115</b> | <b>116</b> | <b>243</b> | <b>268</b> |
| Income tax                 | (67)       | (37)       | (26)       | (54)       | (59)       |
| Minority interest          | (45)       | (24)       | (24)       | (106)      | (113)      |
| <b>Net income</b>          | <b>151</b> | <b>54</b>  | <b>67</b>  | <b>84</b>  | <b>96</b>  |

| Balance Sheet (US\$ mn)         | 2023A        | 2024A        | 2025F        | 2026F        | 2027F        |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|
| Cash & equivalent               | 157          | 118          | 96           | 136          | 426          |
| Receivable                      | 111          | 147          | 120          | 144          | 146          |
| Inventory                       | 78           | 140          | 98           | 132          | 133          |
| Other current assets            | 86           | 175          | 189          | 189          | 189          |
| <b>Total current assets</b>     | <b>432</b>   | <b>580</b>   | <b>503</b>   | <b>602</b>   | <b>895</b>   |
| Fixed assets                    | 170          | 976          | 1,236        | 1,521        | 1,491        |
| Other non-current assets        | 1,030        | 1,018        | 1,190        | 1,008        | 842          |
| <b>Total non-current assets</b> | <b>1,201</b> | <b>1,994</b> | <b>2,426</b> | <b>2,529</b> | <b>2,333</b> |
| <b>Total assets</b>             | <b>1,633</b> | <b>2,575</b> | <b>2,929</b> | <b>3,131</b> | <b>3,228</b> |

|                                      |            |            |              |              |              |
|--------------------------------------|------------|------------|--------------|--------------|--------------|
| ST loans                             | 0          | 0          | 0            | 0            | 0            |
| Payable                              | 80         | 122        | 115          | 132          | 133          |
| Other payables                       | 51         | 60         | 60           | 60           | 60           |
| Current portion of LT loans          | 0          | 0          | 0            | 0            | 0            |
| Other current liabilities            | 126        | 128        | 128          | 128          | 128          |
| <b>Total current liab.</b>           | <b>257</b> | <b>310</b> | <b>303</b>   | <b>321</b>   | <b>322</b>   |
| Long term loans                      | 137        | 222        | 422          | 522          | 522          |
| Other LT liab.                       | 65         | 259        | 354          | 354          | 354          |
| <b>Total non-current liabilities</b> | <b>202</b> | <b>481</b> | <b>777</b>   | <b>877</b>   | <b>877</b>   |
| <b>Total liabilities</b>             | <b>458</b> | <b>792</b> | <b>1,080</b> | <b>1,197</b> | <b>1,198</b> |

|                                       |              |              |              |              |              |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Equity                                | 199          | 199          | 199          | 199          | 199          |
| Retained earnings                     | 694          | 748          | 815          | 899          | 996          |
| Minority interest                     | 282          | 836          | 836          | 836          | 836          |
| <b>Total SHE + minority int.</b>      | <b>1,175</b> | <b>1,783</b> | <b>1,849</b> | <b>1,933</b> | <b>2,030</b> |
| <b>Total liabilities &amp; equity</b> | <b>1,633</b> | <b>2,575</b> | <b>2,929</b> | <b>3,131</b> | <b>3,228</b> |

Source: Company, Indo Premier

| Cash Flow Statement (US\$ mn)   | 2023A        | 2024A        | 2025F        | 2026F        | 2027F      |
|---------------------------------|--------------|--------------|--------------|--------------|------------|
| Net income                      | 87           | 58           | 67           | 84           | 96         |
| Depr. & amortization            | 55           | 66           | 73           | 83           | 89         |
| Changes in working capital      | (106)        | (154)        | 48           | (41)         | (2)        |
| Others                          | 0            | 0            | 0            | 0            | 0          |
| <b>Cash flow from operating</b> | <b>36</b>    | <b>(30)</b>  | <b>188</b>   | <b>127</b>   | <b>183</b> |
| Capital expenditure             | (153)        | (869)        | (365)        | (402)        | (93)       |
| Others                          | (335)        | 204          | (44)         | 215          | 200        |
| <b>Cash flow from investing</b> | <b>(487)</b> | <b>(665)</b> | <b>(410)</b> | <b>(186)</b> | <b>107</b> |
| Loans                           | 207          | 103          | 200          | 100          | 0          |
| Equity                          | 31           | 554          | 0            | 0            | 0          |
| Dividends                       | 0            | 0            | 0            | 0            | 0          |
| Others                          | 0            | 0            | 0            | 0            | 0          |
| <b>Cash flow from financing</b> | <b>238</b>   | <b>657</b>   | <b>200</b>   | <b>100</b>   | <b>0</b>   |
| FX effect                       | 0            | 0            | 0            | 0            | 0          |
| <b>Changes in cash</b>          | <b>(213)</b> | <b>(39)</b>  | <b>(22)</b>  | <b>40</b>    | <b>290</b> |

| Key Ratios                  | 2023A | 2024A | 2025F | 2026F | 2027F |
|-----------------------------|-------|-------|-------|-------|-------|
| Gross margin                | 41%   | 22%   | 18%   | 21%   | 22%   |
| Operating margin            | 31%   | 17%   | 11%   | 16%   | 16%   |
| Pre-tax margin              | 28%   | 9%    | 8%    | 14%   | 15%   |
| Net margin                  | 16%   | 4%    | 5%    | 5%    | 5%    |
| ROA                         | 9%    | 2%    | 2%    | 3%    | 3%    |
| ROE                         | 17%   | 6%    | 7%    | 8%    | 8%    |
| Acct. receivables TO (days) | 8.3   | 8.8   | 12.0  | 12.0  | 12.0  |
| Inventory TO (days)         | 7.0   | 7.2   | 12.0  | 10.3  | 10.3  |
| Payable TO (days)           | 6.8   | 8.3   | 10.3  | 10.3  | 10.3  |
| Debt to equity              | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| Interest coverage ratio (x) | 47.3  | 6.6   | 4.2   | 6.6   | 6.8   |
| Net gearing                 | (0.0) | 0.1   | 0.3   | 0.4   | 0.1   |

Source: Company, Indo Premier