INDOPREMIER

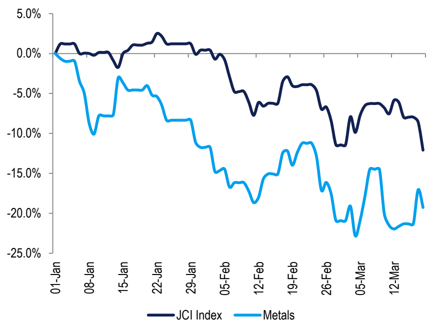
Metals

OVERWEIGHT *(upgrade)*

Sector update | 12 June 2025

Sector Index Performance

	3M	6M	12M
Absolute	45.7%	3.5%	-3.1%
Relative to JCI	37.3%	6.1%	-8.6%



Summary Valuation Metrics

P/E (x)	2024F	2025F	2026F
MDKA IJ	N/A	16.1	11.2
ANTM IJ	11.1	12.4	13.3
INCO IJ	29.3	13.4	7.0

EV/EBITDA (x)	2024F	2025F	2026F
MDKA IJ	11.4	6.6	5.5
ANTM IJ	7.0	8.1	8.6
INCO IJ	7.0	5.0	3.1

Div. Yield	2024F	2025F	2026F
MDKA IJ	N/A	N/A	N/A
ANTM IJ	4.7%	6.8%	6.1%
INCO IJ	N/A	N/A	N/A

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Nickel: closer to the bottom of cycle

- We believe nickel prices are nearing the bottom, as ore shortage risks are looming while refined supply additions are likely to be limited.
- One of the biggest market concerns on nickel prices is the potential addition in HPAL capacity, which we think this concern is overblown.
- In our view, ore grade depletion is structural and shall limit supply addition and existing production. Upgrade our rating to Overweight.

Channel checks suggest ore grade depletion is indeed structural

Our channel checks with industry players indicate that nickel ore grade depletion is indeed structural. For example, feeding saprolite ore with 1.4-1.5% is quite common in FY25F, whereas 3-4 years ago, such ore grades would have resulted in penalties to ore miners (i.e. reductions in prices/ASP from smelters). Furthermore, several nickel mine acquisitions in the past 12-months were either: 1) located relatively far from coastal areas – which are now justified on a NPV/IRR basis, considering up to a US$25/wmt ore premium, albeit with execution risks and potential delays; and/or 2) have an average nickel grades lower than those typically seen in the past acquisition.

Ore unavailability set to become a +ve tailwind to prices

As a result of ore grade depletion, we believe ore unavailability is likely to become a positive tailwind to nickel prices at some point in the future. With further shortages, existing refined nickel supply – particularly NPI/FeNi, could be at risk, as our estimates indicate that over 60% players in Indonesia are not integrated upstream-downstream players yet. Hence, we see two possible outcomes: 1) existing RKEFs capacity could be at risk – up to c.20% global supply, as limited ore availability may reduce NPI/FeNi production, and 2) upcoming supply additions may be constrained due to ore premium situation, as current ore premium has led to a 9-14% reduction in the project IRRs to either RKEF/HPAL without upstream asset ownership or secured ore supply, in addition to the risk of lower production if the ore shortage worsens.

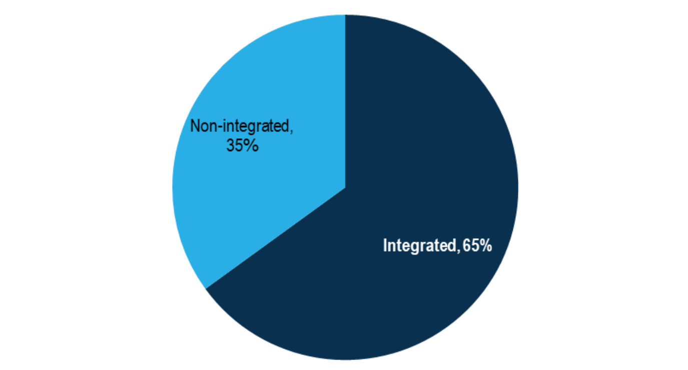
Soft underlying NPI/FeNi prices are mostly priced in

Despite soft NPI/FeNi prices of US$11-12k/t (Fig. 3), we think share price downside is relatively limited. As several miners' share prices have already underperformed on YTD basis compared to gold proxies (i.e. ANTM & MDKA), we think softer earnings from these metal miners are largely priced in by the market, following continuous consensus earnings downgrades (Fig. 4), presenting a limited share price downside, in our view.

Upgrade sector rating to Overweight with MDKA as our top pick

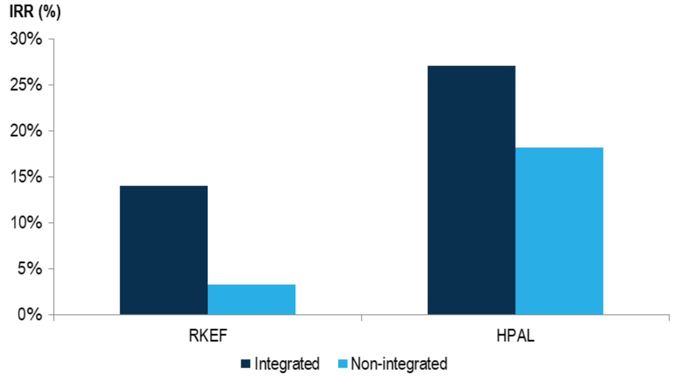
We upgrade our sector rating to Overweight (from Neutral previously), as we believe the downside risks to share prices and underlying nickel prices are already limited. With potential ore unavailability set to become a tailwind for nickel prices, we think ore miners, such as ANTM and INCO, will be the first to benefit in the short to medium-term. This is before positive upward adjustments in either NPI/Matte/MHP prices, due to lower production, which could benefit MBMA, NCKL, HRUM, at a later stage. We maintain **MDKA** as our top pick, supported by the updated pre-FS for the TB Copper and the commencement of Pani Gold project, which we see as potential re-rating catalysts. This is followed by **ANTM** (report) & **INCO** (report), on its nickel-ore volume story, in-line with our thesis.

Fig. 1: Estimated production share between integrated vs. non-integrated players



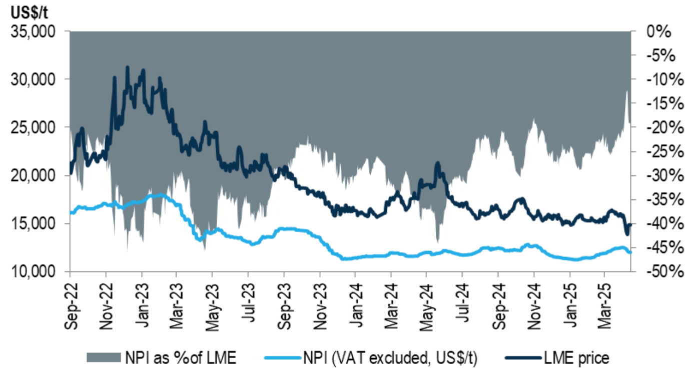
Source: Company data, Bloomberg, ESDM, SMM, Indo Premier estimates

Fig. 2: IRR difference between integrated & non-integrated players



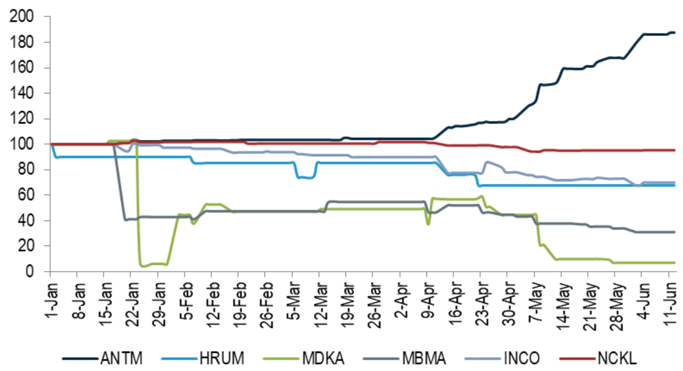
Source: Company data, Indo Premier estimates

Fig. 3: NPI vs LME nickel prices



Source: Shanghai Metal Market, Bloomberg, Indo Premier

Fig. 4: Consensus earnings downgrade YTD (>100 = upgrade)



Source: Bloomberg, Indo Premier

Fig. 5: Companies under our coverage & recommendation

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	8.9	5.8	4.5	9.4	7.1	5.9	N/A	N/A	N/A
ANTM IJ	Aneka Tambang	Buy	3,900	11.1	12.4	13.3	7.0	8.1	8.6	4.7%	6.8%	6.1%
HRUM IJ	Harum Energy	Buy	1,050	10.8	8.6	7.5	4.3	3.0	2.1	N/A	N/A	N/A
INCO IJ	Vale Indonesia	Buy	3,650	29.3	13.4	7.0	7.0	5.0	3.1	N/A	N/A	N/A
MBMA IJ	Merdeka Battery Materials	Buy	560	65.4	11.8	4.5	14.3	6.8	2.6	N/A	N/A	N/A
MDKA IJ	Merdeka Copper Gold	Buy	2,400	N/A	16.1	11.2	11.4	6.6	5.5	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

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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