INDOPREMIER

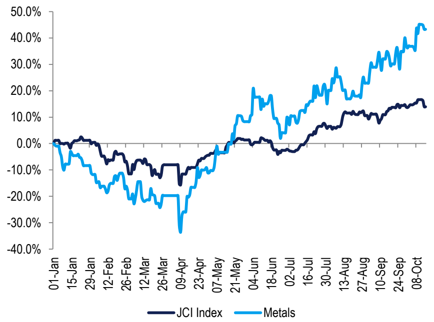
Metals

OVERWEIGHT *(unchanged)*

Sector update | 14 October 2025

Sector Index Performance

	3M	6M	12M
Absolute	24.9%	79.9%	16.8%
Relative to JCI	12.0%	54.6%	11.0%



Summary Valuation Metrics

P/E (x)	2025F	2026F	2027F
ANTM IJ	11.9	7.8	6.0
INCO IJ	31.8	14.2	6.5
MBMA IJ	175.8	21.3	11.7

EV/EBITDA (x)	2025F	2026F	2027F
ANTM IJ	11.6	8.6	7.0
INCO IJ	8.9	6.0	3.8
MBMA IJ	23.0	8.8	6.0

Div. Yield	2025F	2026F	2027F
ANTM IJ	4.5%	6.6%	5.9%
INCO IJ	N/A	N/A	N/A
MBMA IJ	N/A	N/A	N/A

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Limonite ore: a déjà vu to saprolite ore premium

- We think limonite ore premium could increase in FY26F, at the earliest, with upcoming c.350ktpa HPAL set to come online next year.
- Our channel check indicates that supply ramp-up is unlikely to match additional limonite demand, particularly from non-integrated HPAL.
- Hence, MBMA remains our top pick in the sector (Buy; TP Rp745/sh) with the co. benefitting from additional limonite margin in FY26F.

Saprolite ore premium overview: history and the cause
Our observation indicates that current situation for limonite ore is relatively similar to saprolite ore in FY22/FY23 period. At the time, saprolite ore is trading roughly at US$1-5/wmt above benchmark price (HPM) – which was an indication of equilibrium, despite continuous ramp-up in RKEFs smelter i.e. NPI/FeNi supply in Indonesia growing by +19%/+21%/+3% in FY22/23/24, respectively. Initially, the ultimate trigger in the spike of saprolite ore premium from low single digit to low teens was the curb of illegal mining in Mandiodo which resulted in lengthier process in FY24 RKAB quota approval and shortage, and since then, propelled by grade depletion, saprolite premium has yet to come down below US$10/wmt.

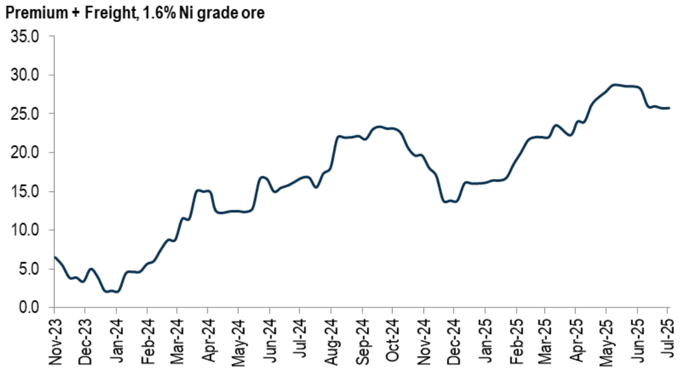
Why current backdrop in limonite ore is a déjà vu to saprolite premium
Currently, there are ~350ktpa of HPAL set to come online in FY26F: 1) Blue Sparkling Energy (67ktpa), 2) Sulawesi Nickel Cobalt (SLNC, 90ktpa), 3) Excelsior Nickel (ENC, 72ktpa), and potentially 4) Pomalaa HPAL (120ktpa), albeit it is likely that Pomalaa HPAL production is likely to be significantly ramped-up in FY27F instead. While Pomalaa and SLNC is likely to be self-sufficient – i.e. from INCO & MBMA; we think there are possibilities that at least BSE might need additional 3rd party supply as its slurry pipeline would only be completed by end FY26F which shall requires at least an additional c.11-12mn of limonite ore. Concurrently, for the overall ~350ktpa upcoming HPAL capacity, <u>it shall requires ~56-63mn of additional limonite ore supply, equivalent to c.17-20% of FY25F RKAB approval,</u> and ramping-up mining at that magnitude, is not an easy tasks, in our view, prompting a potential déjà vu to the case of saprolite premium.

Beneficiaries of limonite ore premium: MBMA & INCO
We think MBMA & INCO shall benefit from higher limonite ore premium as despite owning its HPAL themselves, different ownership structure shall not allow the limonite ore to be sold only at benchmark price level. For example, MBMA's SCM is 51% owned by MBMA, with the rest owned by Tsingshan; but the limonite ore sales would be to HNC (100% 3rd party), and PT ESG (MBMA owns 45% as of now; the rest by GEM & EcoPro), as Tsingshan do not have any ownership in this HPAL, market-price shall be used as the benchmark price in the offtake agreements.

Maintain sector Overweight rating with MBMA as our top pick
We prefer MBMA over INCO as we think consensus' expectation is already relatively high for INCO, limiting the upside potential. We expect MBMA to benefit from limonite ore premium (Fig. 5) from the margin improvement of US$4/wmt in 2Q25 to US$10-12/wmt on blended basis in FY26F. On top of limonite margin & volume improvement, AIM project shall start contributing EBITDA in FY26F, underpinning our decision to kept MBMA as our top pick.

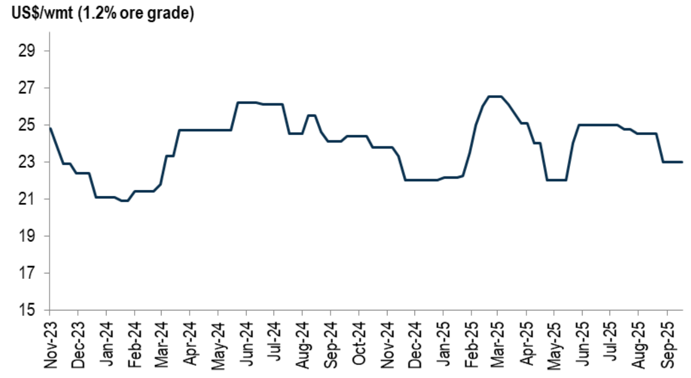
Refer to Important disclosures in the last page of this report

Fig. 1: Saprolite ore premium (1.6% grade)



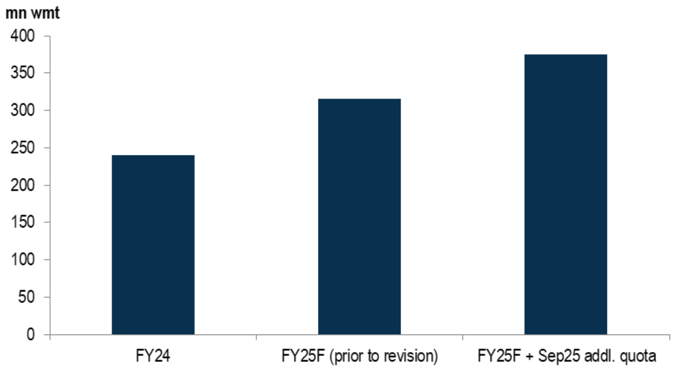
Source: SMM, Bloomberg, Indo Premier

Fig. 2: Limonite ore price (1.2% grade)



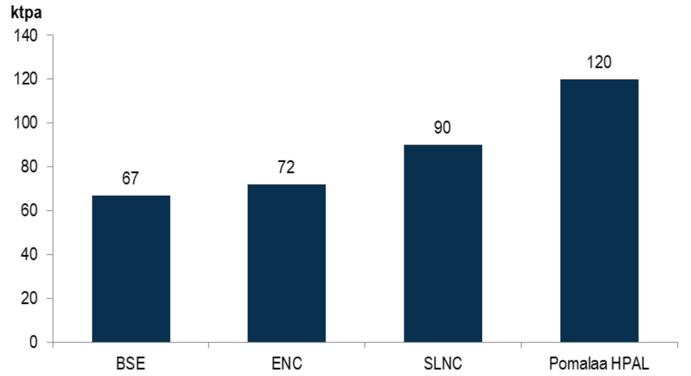
Source: SMM, Bloomberg, Indo Premier

Fig. 3: RKAB quota approval (FY25F)



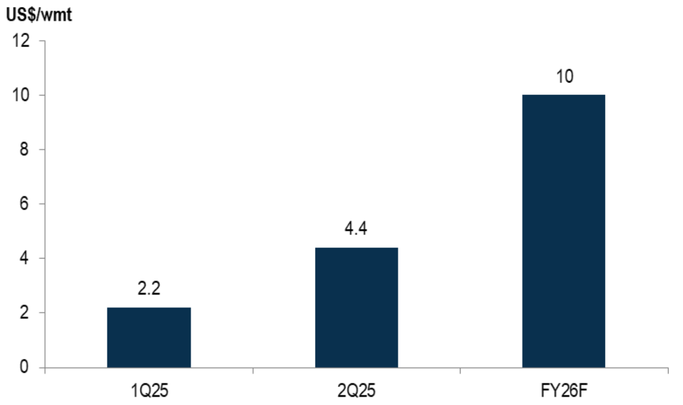
Source: SMM, Indo Premier

Fig. 4: Upcoming HPAL capacity (FY26F)



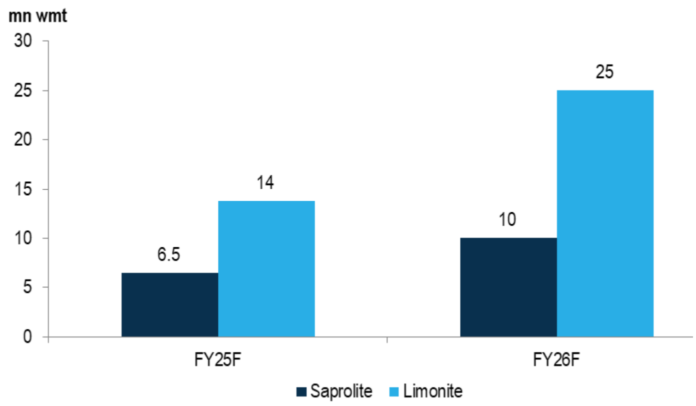
Source: Bloomberg, Indo Premier estimates

Fig. 5: MBMA's limonite ore margin improvement



Source: Company data, Indo Premier

Fig. 6: MBMA's volume improvement



Source: Company data, Indo Premier

Fig. 7: Peers comparison

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	1,650	11.9	7.8	6.0	11.6	8.6	7.0	N/A	N/A	N/A
ANTM IJ	Aneka Tambang	Buy	1,750	11.4	12.7	13.6	7.2	8.3	8.8	4.5%	6.6%	5.9%
HRUM IJ	Harum Energy	Buy	1,450	12.4	11.0	8.6	5.6	3.9	1.7	N/A	N/A	N/A
INCO IJ	Vale Indonesia	Buy	5,850	31.8	14.2	6.5	8.9	6.0	3.8	N/A	N/A	N/A
MBMA IJ	Merdeka Battery Materials	Buy	700	175.8	21.3	11.7	23.0	8.8	6.0	N/A	N/A	N/A
MDKA IJ	Merdeka Copper Gold	Buy	3,100	N/A	N/A	49.7	14.1	7.9	6.0	N/A	N/A	N/A
NCKL IJ	Trimegah Bangun Persada	Buy	1,100	8.4	7.9	7.9	7.0	6.7	6.4	2.5%	3.6%	3.8%

Source: 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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