

Merdeka Copper Gold

BUY (unchanged)

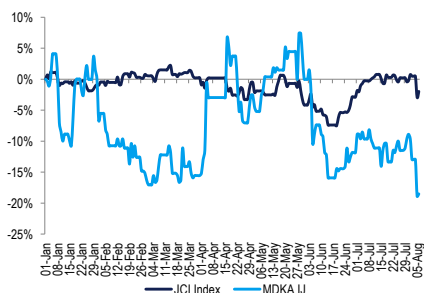
Company update | MDKA IJ | 31 January 2025

Stock Data

Target price	Rp2,400
Prior TP	Rp3,100
Current price	Rp1,565
Upside/downside	+53%
Shares outstanding (mn)	24,473
Market cap (Rp bn)	38,300
Free float	51%
Avg. 6m daily T/O (Rp bn)	94

Price Performance

	3M	6M	12M
Absolute	-38.1%	-34.2%	-42.5%
Relative to JCI	-29.6%	-31.4%	-40.6%
52w low/high (Rp)	1,330 – 2,970		



Major Shareholders

Saratoga Investama Sedaya	18.6%
Mitra Daya Mustika	12.1%
Garibaldi Thohir	7.4%

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Lacking immediate short-term catalyst; downgrading our TP

- We see 70% chance for MDKA to be excluded from MSCI index in Feb25 (Fig. 1), but further downside is limited based on historical MSCI deletion.
- However, share price lacks short-term catalyst as higher interest expenses amid MBMA's lower EBITDA shall lead to net loss for MDKA.
- As a result, we lower our FY24F-26F NP (Fig. 7) and our TP to Rp2,400/share (from Rp3,100/share) but maintain our Buy rating.

MSCI: possible exclusion from the index during Feb25 review but further downside is somewhat limited

Based on MSCI market-capitalization review period for Feb25 review (Fig. 1), we estimate ~70% chance for MDKA to be excluded from MSCI standard-cap index which is set to be announced on 12th Feb. However, historical data suggests that share price downside is already limited as majority of the downside has been already priced-in by the market prior to the actual deletion of any stock (Fig. 2), which MDKA experienced (-35% in the past 3M); at the same time, stocks that were excluded from MSCI performed relatively on par with JCI in the next 3 months after the deletion (Fig. 2) and in some cases, outperformed JCI. But, in the event of no deletion, potential MSCI deletion could become a continuous overhang.

Share price lacks immediate short-term fundamental catalyst

While we are bullish on precious metals ([report](#)), MDKA share price is neither correlated with gold & copper price – unlike its junior gold/copper mining peers (Fig 3 & 4). Additionally, the correlation with its junior peers has also decoupled (Fig 5 & 6) as local investors paid more attention to MDKA's quarterly NP delivery (at net loss in the past few quarters). With AIM timeline delayed from its initial guidance of operating at full capacity by end FY24F (vs. new guidance end FY25F) and higher interest expenses, we think MDKA share price lacks any immediate short-term fundamental catalyst given the potential quarterly net loss in the upcoming quarters, at least until 2H25F. Goldilocks situation in the U.S could also led to elevated interest-rate environment, which shall not bode well for juniors that are still seeking financing to develop their projects, in our view.

Maintain Buy rating with a lower TP of Rp2,400/share

We lower our FY24F-26F NP (Fig. 7) on lower MBMA's NP ([report](#)), driven by AIM project delay and higher interest expenses. Our recent MBMA TP revision to Rp560/share has also led to MDKA's TP downgrade (Fig. 8) from previously Rp3,100/share to Rp2,400/share. We maintain our Buy rating as we believe majority of the downside is already priced-in, albeit we argued that share price currently lacks immediate ST fundamental catalysts at least until AIM & Pani gold project started to operate and contributed to MDKA's NP in 2H25F at the soonest and would act as catalysts in medium-term.

Financial Summary (US\$ mn)	2022A	2023A	2024F	2025F	2026F
Revenue	870	1,707	2,224	2,439	2,857
EBITDA	235	268	270	358	634
Net profit	58	(21)	(79)	(66)	40
EPS growth	62%	-135%	284%	-17%	-161%
ROE	6%	-2%	-9%	-8%	4%
PER (x)	41.1	(116.3)	(30.3)	(36.5)	60.4
EV/EBITDA (x)	14.3	12.9	14.1	11.6	7.0
Dividend yield	N/A	N/A	N/A	N/A	N/A
IPS vs. consensus			376%	-228%	28%

Source: Company, Indo Premier

Share price closing as of: 31 January 2025

Fig. 1: MSCI review period assessment for MDKA

MSCI review - MDKA (40% free float)	15-Jan	16-Jan	17-Jan	20-Jan	21-Jan	22-Jan	23-Jan	24-Jan	30-Jan	31-Jan
Market cap (US\$ mn)	2,408	2,391	2,405	2,552	2,476	2,484	2,423	2,422	2,378	2,335
FF Market cap (US\$ mn)	963	956	962	1,021	991	994	969	969	951	934
Rp/share (closing)	1,610	1,600	1,610	1,700	1,650	1,650	1,605	1,600	1,580	1,555
MSCI cut-off (deletion)	<US\$1bn free float market-capitalization									

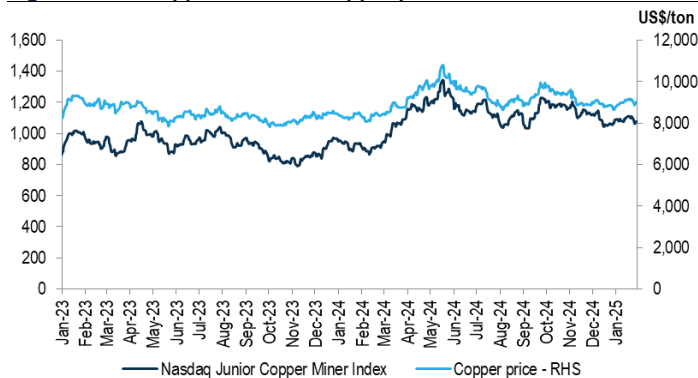
Source: Company, Indo Premier

Fig. 2: Past MSCI deletion performance

MSCI standard-cap index		Absolute return (%)		Outperformance vs. JCI	
Deletion time	Company	T-3 months	T + 3 months	T-3 months	T + 3 months
Aug24	ANTM	-16%	19%	-18%	19%
May24	SMGR	-28%	-14%	-26%	-18%
May24	TOWR	-11%	7%	-9%	3%
Nov23	INCO	-27%	-21%	-26%	-27%
Feb23	ARTO	-49%	11%	-46%	13%
Nov22	ADMR	2%	-17%	3%	-14%
Nov22	GGRM	-16%	23%	-15%	26%
Nov22	TBIG	-21%	-11%	-20%	-8%
May22	INTP	-4%	-8%	-1%	-16%
Average		-19%	-1%	-18%	-2%

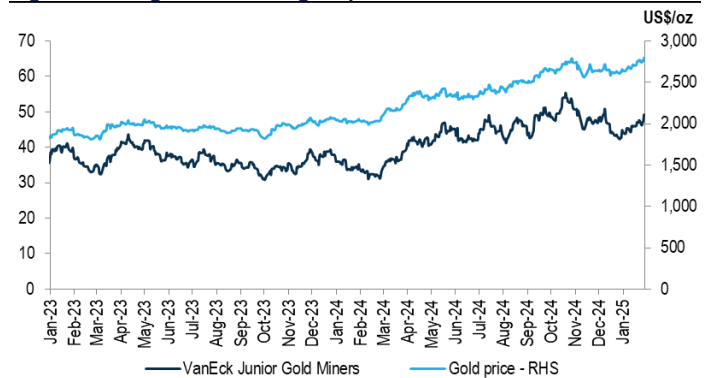
Source: Company, Indo Premier

Fig. 3: Junior copper miners & copper price



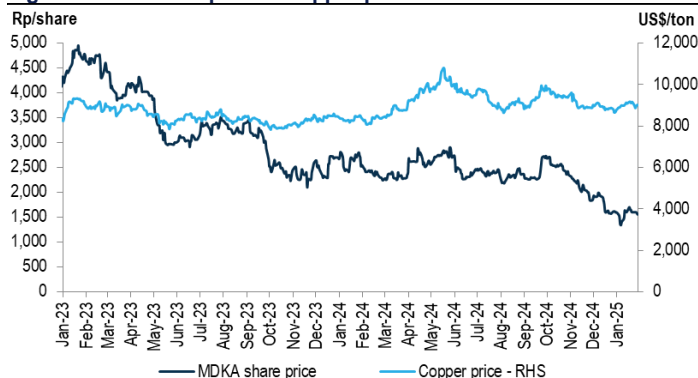
Source: Bloomberg, Indo Premier

Fig. 4: Junior gold miners & gold price



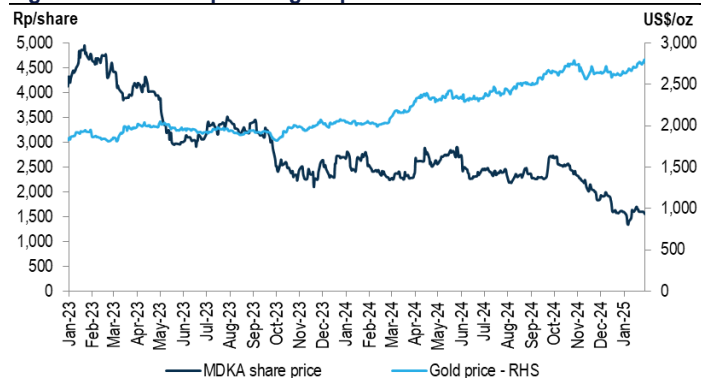
Source: Bloomberg, Indo Premier

Fig. 5: MDKA share price & copper price



Source: Bloomberg, Indo Premier

Fig. 6: MDKA share price & gold price



Source: Bloomberg, Indo Premier

Fig. 7: Old vs New forecast

MDKA US\$ m n	New forecast			Old forecast			Consensus			IPS vs consensus		
	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F
Revenues	2,224	2,439	2,857	2,244	2,784	3,263	2,226	2,498	3,018	100%	98%	95%
Gross profit	146	220	461	207	416	603	194	342	544	75%	64%	85%
Operating profit	95	159	396	153	348	528	118	256	500	81%	62%	79%
EBITDA	270	358	634	324	542	762	295	436	738	91%	82%	86%
NPAT	(79)	(66)	40	(16)	11	58	(21)	29	143	376%	-228%	28%
%y-y												
Revenues	30%	10%	17%	31%	24%	17%	0%	12%	21%			
Gross profit	0%	50%	109%	42%	101%	45%	33%	76%	59%			
Operating profit	-2%	68%	148%	58%	127%	52%	24%	118%	95%			
EBITDA	1%	33%	77%	21%	67%	41%	9%	48%	69%			
NPAT	284%	-17%	-161%	-23%	-169%	427%	-73%	-237%	397%			
Gross margin	6.6%	9.0%	16.1%	9.2%	14.9%	18.5%	8.7%	13.7%	18.0%			
Operating margin	4.3%	6.5%	13.8%	6.8%	12.5%	16.2%	5.3%	10.3%	16.6%			
EBITDA margin	12.1%	14.7%	22.2%	14.4%	19.5%	23.4%	13.2%	17.5%	24.4%			
NPAT margin	-3.6%	-2.7%	1.4%	-0.7%	0.4%	1.8%	-0.9%	1.2%	4.7%			

Source: Company, Indo Premier

Fig. 8: Sum-of-the parts (SOTP)

MDKA SOTP	EV (US\$ m)	Attributable to MDKA	EV attributable to MDKA (US\$m n)	Methodology
Tujuh Bukit Porphyry	3,074	100%	3,074	DCF
TB Copper project	1,873	100%	1,873	DCF
Resources left	1,201	100%	1,201	EV/Resources
Pani	1,472	70%	1,030	DCF
Merdeka Battery Materials (MBMA)*	3,762	50%	1,506	DCF
Total	11,382		5,610	
Enterprise value (US\$ mn)	5,610			
(+) Cash (FY25F)	349			
(-) Debt (FY25F)	(2,151)			
(-) Minority interest (FY25F)	(89)			
Equity value (US\$ mn)	3,719			
# of shares (bn)	24.1			
Target price (Rp/share)	2,400			

Source: Company, Bloomberg, Indo Premier; 20% holding discount on MBMA

Fig. 9: 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	6.5	6.3	5.0	5.8	6.6	6.1	N/A	N/A	N/A
ANTM IJ	Aneka Tambang	Buy	2,000	12.2	10.0	10.2	6.4	4.9	4.8	8.4%	6.1%	7.5%
HRUM IJ	Harum Energy	Hold	1,450	6.4	6.5	5.0	4.2	5.2	3.5	N/A	N/A	N/A
INCO IJ	Vale Indonesia	Buy	5,000	38.7	27.8	10.0	6.5	7.2	4.1	N/A	N/A	N/A
MBMA IJ	Merdeka Battery Materials	Buy	560	177.1	81.7	12.9	25.9	17.5	9.2	N/A	N/A	N/A
MDKA IJ	Merdeka Copper Gold	Buy	2,400	N/A	N/A	48.1	13.5	12.0	7.5	N/A	N/A	N/A
NCKL IJ	Trimegah Bangun Persada	Buy	1,100	13.5	12.0	7.5	5.2	4.5	3.8	3.7%	4.3%	5.0%

Source: Company, Indo Premier

Income Statement (US\$ mn)	2022A	2023A	2024F	2025F	2026F
Net revenue	870	1,707	2,224	2,439	2,857
Cost of sales	(705)	(1,561)	(2,078)	(2,219)	(2,396)
Gross profit	165	146	146	220	461
SG&A Expenses	(53)	(49)	(51)	(60)	(65)
Operating profit	112	97	95	159	396
Net interest	(42)	(79)	(103)	(115)	(130)
Others	20	(6)	(10)	0	0
Pre-tax income	90	12	(18)	45	266
Income tax	(25)	(7)	(15)	(22)	(24)
Minority interest	(6)	(26)	(47)	(89)	(202)
Net income	58	(21)	(79)	(66)	40

Balance Sheet (US\$ mn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent	444	519	363	422	613
Receivable	66	121	247	271	317
Inventory	251	444	346	401	433
Other current assets	135	124	123	123	123
Total current assets	896	1,207	1,080	1,216	1,486
Fixed assets	1,206	1,767	2,145	2,403	2,724
Other non-current assets	1,775	1,991	2,000	1,965	1,926
Total non-current assets	2,981	3,757	4,145	4,367	4,650
Total assets	3,877	4,964	5,225	5,584	6,136

ST loans	100	95	0	0	0
Payable	110	304	405	432	467
Other payables	49	0	0	0	0
Current portion of LT loans	235	358	0	0	0
Other current liabilities	112	153	153	153	153
Total current liab.	605	909	557	585	619
Long term loans	311	283	300	300	300
Other LT liab.	937	1,008	1,618	2,008	2,485
Total non-current liabilities	1,247	1,291	1,918	2,308	2,785
Total liabilities	1,852	2,200	2,475	2,893	3,405

Equity	728	728	778	778	778
Retained earnings	283	262	183	117	157
Minority interest	1,014	1,774	1,789	1,796	1,796
Total SHE + minority int.	2,025	2,764	2,749	2,691	2,731
Total liabilities & equity	3,877	4,964	5,225	5,584	6,136

Source: Company, Indo Premier

Cash Flow Statement (US\$ mn)	2022A	2023A	2024F	2025F	2026F
Net income	97	(151)	(67)	(66)	40
Depr. & amortization	124	171	175	198	238
Changes in working capital	(32)	(21)	60	(51)	(44)
Others	0	0	0	0	0
Cash flow from operating	189	(1)	168	82	234
Capital expenditure	(2,083)	(823)	(621)	(421)	(521)
Others	(69)	(32)	54	0	0
Cash flow from investing	(2,152)	(855)	(567)	(421)	(521)
Loans	1,034	171	179	390	478
Equity	1,187	760	65	8	0
Dividends	0	0	0	0	0
Others	0	0	0	0	0
Cash flow from financing	2,221	931	244	398	478
Changes in cash	258	75	(156)	58	191

Key Ratios	2022A	2023A	2024F	2025F	2026F
Gross margin	19%	9%	7%	9%	16%
Operating margin	13%	6%	4%	7%	14%
Pre-tax margin	10%	1%	-1%	2%	9%
Net margin	7%	-1%	-4%	-3%	1%
ROA	2%	0%	-2%	-1%	1%
ROE	6%	-2%	-9%	-8%	4%
Acct. receivables TO (days)	13.2	14.2	9.0	9.0	9.0
Inventory TO (days)	2.8	3.5	6.0	5.5	5.5
Payable TO (days)	6.4	5.1	5.1	5.1	5.1
Debt to equity	0.5	1.4	1.7	1.9	2.5
Interest coverage ratio (x)	16.4	5.4	3.0	2.4	2.6
Net gearing	0.3	1.0	1.1	1.5	2.0

Source: Company, Indo Premier