

Expect Earnings Turnaround in The Following Quarters

27 May 2024



ANTM IJ	BUY
Sector	Base Metal.
Price at 20 May 2024 (IDR)	1,655
Price target (IDR)	1,865
Upside/Downside (%)	12.7

Stock Information

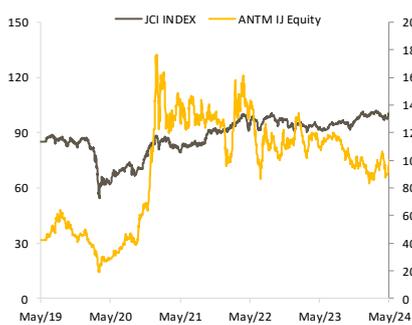
Aneka Tambang Tbk. operates as a diversified mining and metals company. The Company engages in exploration, excavation, processing, and marketing of nickel ore, ferronickel, gold, silver, bauxite, and coal. Aneka Tambang serves mining industry worldwide.

Market cap (IDR bn)	36,693
Shares outstanding (mn)	24,031
52-week range (IDR)	1,405 – 2,060
3M average daily vol. ('000)	60,452
3M average daily val. (IDR mn)	97,950

Shareholders (%)

Inalum	65.0
Public	35.0

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	(10.8)	6.8	(19.7)

Analyst

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ANTM's 1Q24 net profit dropped 85.1% yoy to IDR238 bn due to lower revenue from decreased nickel prices and production, although it benefited from a forex gain of IDR249 bn. Improved nickel ore production since Mar' 24 and a recent surge in nickel prices are expected to drive a profit recovery in the following quarters. We upgraded the 2024 net profit forecast upward to IDR2.55 tn, supported by anticipated lower costs, and forex gains. We maintain BUY on ANTM with a higher target price of IDR1,865 using DCF-based TP (WACC: 11.5%; LTG: -3%), which implied to 10.3x '24F EV/EBITDA. We like ANTM due to strong production outlook in the years on the nickel ore business, alumina, potential cost reduction in FeNi business, and it's involvement in the EV ecosystem.

Weak 1Q24 profitability mostly driven by lower production and ASP

ANTM booked IDR238 bn of net profit in 1Q24 (-85.1% yoy; +4.1% qoq) due to declined in revenue to IDR8.6 tn (-25.6% yoy; -15.1% qoq) from lower nickel price as well as lower nickel ore production (-57.1% yoy), caused by delays in the approval of the company's RKABs. Out of the eight RKABs awaiting approval, five have been approved. On the other hand, ANTM recorded a forex gain of IDR249 bn as of 1Q24, benefiting from holding a significant amount of USD deposits following the recent divestment of PT SDA.

Expect earnings turnaround in the following quarters

With the nickel ore production levels improving since Mar'24, we anticipate a recovery in the coming quarters. Despite the weak production levels in 1Q24, we expect nickel ore sales volume to grow in 2024, reaching 12m wmt (+2.5% yoy). However, this figure remains significantly below the company's guidance of 18.75m wmt (+60% yoy) in 2024. The recent surge in nickel prices, driven by factors such as the Russian nickel ban on the LME, delayed RKAB approvals in Indonesia, and riots in New Caledonia (the world's fourth-largest nickel producer), is expected to contribute significantly to a profit turnaround in 2Q24. Nevertheless, it is important to note that these high nickel prices are unlikely to be sustainable in the long term.

Expect ANTM to booked IDR2.55 tn of net profit in 2024 (-17% yoy)

We have revised our 2024 net profit forecast for ANTM to IDR2.55 tn, up from our previous estimate of IDR 2.2 tn. This upgrade is mainly driven by our expectation of slightly higher ASP in 2024, due to lower cash cost expectation, as well as anticipated forex gains in 2024. Additionally, the recent rise in nickel prices might lead ANTM to book an impairment reversal in 2024, further boosting profits. For 2024, ANTM has allocated IDR4.5 tn in capital expenditures. Of this, 25% will be used for maintenance, while the remaining funds will be invested in a bauxite mine (WKMD), exploration activities, and capital injections for the EV battery ecosystem project, which is expected to have more clarity by the end-24.

We maintain BUY with higher TP IDR1,865 (previously IDR1,820)

We maintain BUY on ANTM with a higher target price of IDR1,865 using DCF-based TP (WACC: 11.5%; LTG: -3%), which implied to 10.3x '24F EV/EBITDA. We like ANTM due to strong production outlook in the years on the nickel ore business, alumina, potential cost reduction in FeNi business, and it's involvement in the EV ecosystem.

Exhibit 1 : Key Statistics

Year end Dec (IDR bn)	2022	2023	2024F	2025F	2026F
Revenue (Rp bn)	45,930	41,048	43,183	52,297	61,566
Net Income (Rp bn)	3,821	3,078	2,555	3,651	5,566
EPS (IDR)	159	128	106	152	232
P/E	10.4	12.9	15.6	10.9	7.1
EV/EBITDA	8.4	7.9	9.0	6.2	4.0
P/BV	1.7	1.3	1.3	1.2	1.1
ROE	16.1	9.9	8.3	11.1	0.0
Dividend Yield (%)	2.3	4.8	7.7	3.2	4.59
Net gearing (%)	(8.1)	(25.3)	(13.3)	(9.2)	0.0

Source: Company, KBVS Research

Exhibit 2: ANTM's Valuation Summary

DCF Valuation (IDR bn)	2024F	2025F	2026F	2027F	2028F
Net Profit	2,555	3,651	5,566	7,216	7,907
Interest expense (1-tax)	146	124	103	81	59
Depreciation & Amortization	1,462	1,546	1,645	1,751	1,864
Reinvested Capital:	(1,276)	(2,722)	(3,070)	(2,947)	(3,058)
Working Capital	(192)	(631)	(615)	(297)	(265)
Capex	(1,084)	(2,091)	(2,455)	(2,650)	(2,793)
FCFF	2,887	2,599	4,243	6,101	6,772
PV FCFF	2,589	2,089	3,058	3,942	3,923
PV Terminal value	26,172				
Net Debt	(3,496)				
Equity Value	45,268				
Minority Interest	416				
Target 12 M (IDR/share)	1,866				
Round-down (IDR/share)	1,865				

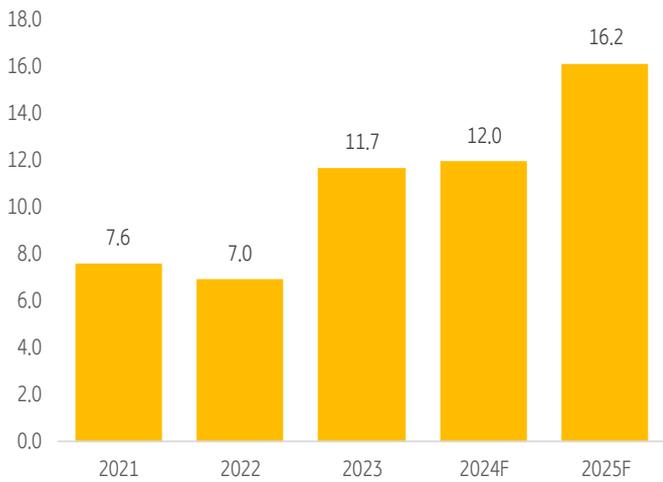
Source: KBVS Research

Exhibit 3: ANTM's 1Q24 Financial Summary

IDR (bn)	1Q24	1Q23	YoY (%)	QoQ (%)
Revenue	8,621	11,593	-25.6%	-15.1%
COGS	(8,370)	(8,744)	-4.3%	-15.7%
Gross Profit	251	2,850	-91.2%	15.5%
EBIT	(491)	1,911	-125.7%	-32.6%
Selling expenses	(656)	(719)	-8.7%	425.0%
G&A expense	(86)	(219)	-60.9%	-89.6%
Finance income	131	28	375.1%	93.0%
Finance cost	(52)	(69)	-25.3%	452.1%
Share of profit of associates	194	444	-56.3%	-13.1%
Gain from disposal of a subsidiary	0	0	n.a	-100.0%
Loss/gain on forex	249	(291)	-185.5%	-436.0%
Others	55	96	-43.1%	-54.0%
PBT	86	2,120	-96.0%	-49.7%
Income tax exp.	125	(456)	-127.3%	113.0%
Minority Interest	28	0	n.a	n.a
Net Profit	238	1,663	-85.7%	4.1%
Margins (%)				
Gross Profit Margin	2.9	24.6		
EBIT margin	-5.7	16.5		
Net Margin	2.8	14.3		

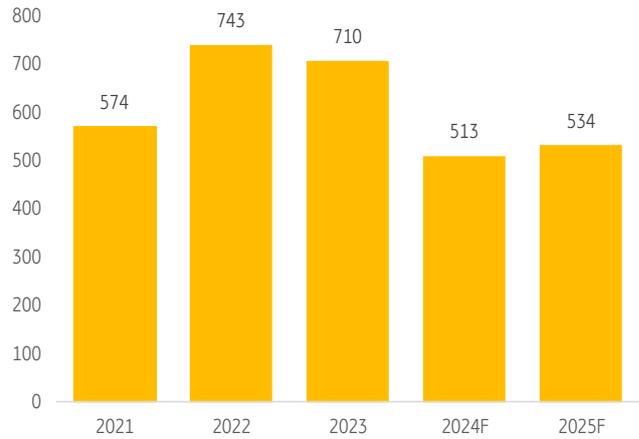
Source: Company, KBVS Research

Exhibit 4: ANTM's nickel sales ore volume forecast (M wmt)



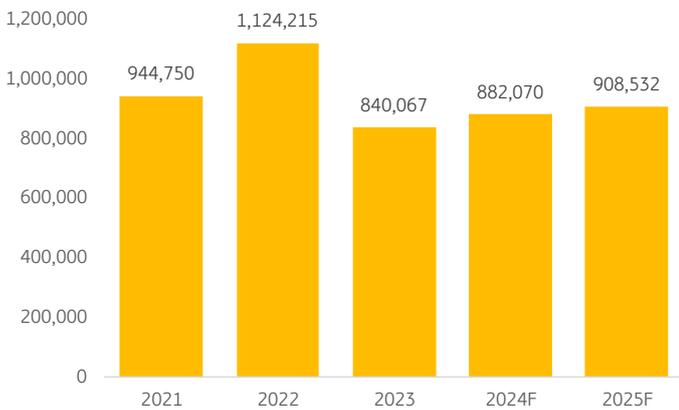
Source: Company, KBVS Research

Exhibit 5: ANTM's nickel ore ASP forecast (IDR k/wmt)



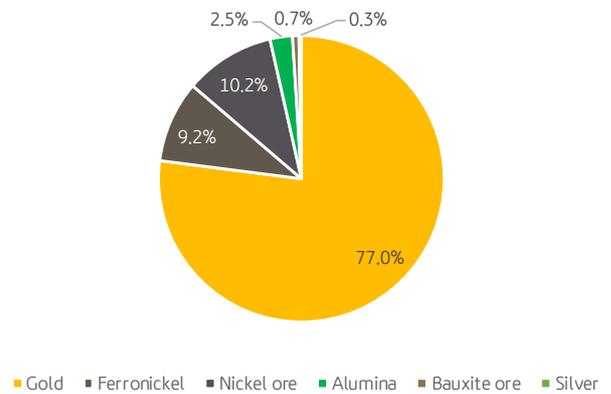
Source: Company, KBVS Research

Exhibit 6: ANTM's gold sales volume (t Oz)



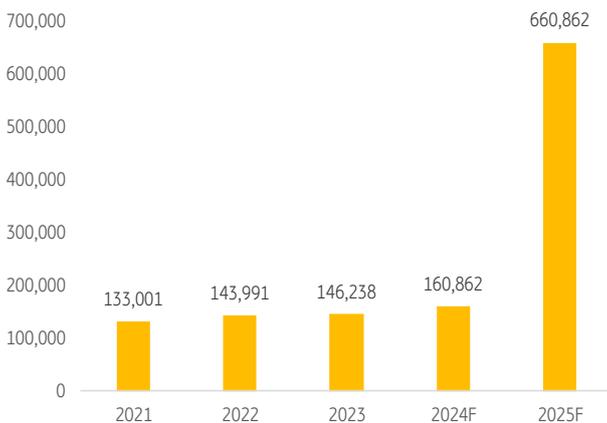
Source: Company, KBVS Research

Exhibit 7: ANTM's revenue breakdown % (2024F)



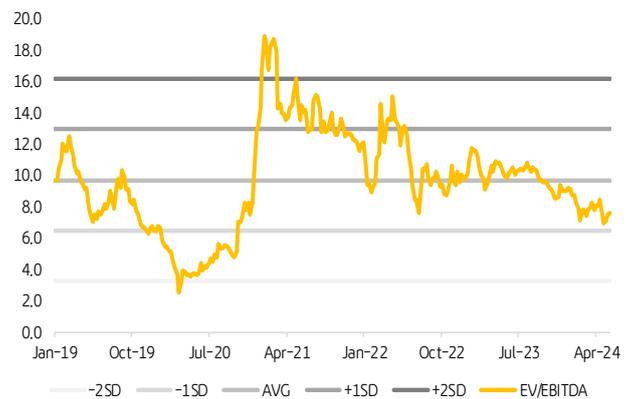
Source: KBVS Research

Exhibit 8: Alumina sales volume (t)



Source: Company, KBVS Research

Exhibit 9: ANTM's Forward EV/EBITDA



Source: Company, KBVS Research

Exhibit 10: Profit & Loss summary

Profit & Loss (Rp bn)	2022	2023	2024F	2025F	2026F
Revenue	45,930	41,048	43,183	52,297	61,566
Cost of revenue	(37,720)	(34,733)	(36,939)	(43,496)	(49,451)
Gross profit	8,211	6,315	6,244	8,801	12,114
Operating expenses	(4,269)	(3,698)	(3,752)	(4,418)	(5,022)
Operating profit	3,942	2,617	2,493	4,384	7,092
EBITDA	4,487	4,060	3,954	5,929	8,737
Other op. income/exp	638	(238)	112	-	-
Finance income	85	172	368	225	175
Finance expense	(381)	(215)	(201)	(171)	(140)
Inc/loss from assoc.	931	947	776	854	939
Pre-tax profit	5,215	3,854	3,548	5,292	8,066
Tax expense	(1,394)	(777)	(887)	(1,323)	(2,017)
Minority interest	0	(0)	(106)	(318)	(484)
Net profit	3,821	3,078	2,555	3,651	5,566
EPS (IDR)	159	128	106	152	232

Source: Company, KBVS Research

Exhibit 11: Balance sheet

Balance Sheet (Rp bn)	2022	2023	2024F	2025F	2026F
Cash and equivalents	4,476	9,209	5,628	4,386	5,963
Trade receivables	1,833	1,094	1,573	1,924	2,288
Inventories	2,906	3,470	2,859	3,349	3,789
Net- Fixed assets	16,472	16,183	15,762	16,254	17,002
Other assets	7,951	12,895	16,059	18,229	18,556
Total Assets	33,637	42,851	41,880	44,143	47,597
Trade payables	1,302	1,550	1,225	1,435	1,624
Short-term debt + CMLTD	481	453	462	471	481
Long-term debt	2,082	881	1,066	878	690
Other liabilities	6,060	8,802	8,383	8,340	8,299
Total Liabilities	9,925	11,686	11,136	11,124	11,093
Minority interest	0	522	416	99	(385)
Paid capital	3,935	9,696	9,696	9,696	9,696
Retained earnings	0	0	0	0	0
Other equities	19,777	20,947	20,632	23,224	27,193
Total Equity	23,712	31,166	30,744	33,019	36,504

Source: Company, KBVS Research

Exhibit 12: Profit & Loss summary

Cash Flow (Rp bn)	2022	2023	2024F	2025F	2026F
Net income	3,821	3,078	2,555	3,651	5,566
Depreciation & amortization	756	1,966	1,462	1,546	1,645
Change in working capital	79	(1,394)	(175)	(615)	(598)
Cash flow from operations	4,655	3,650	3,841	4,582	6,612
Capex	(402)	(1,574)	(1,006)	(2,006)	(2,361)
Others	(1,059)	(1,212)	(3,065)	(2,066)	(219)
Cash flow from investments	(1,462)	(2,786)	(4,071)	(4,072)	(2,580)
Changes in debt	(2,860)	(507)	(375)	(375)	(375)
Changes in equity	4	6,206	101	(99)	(255)
Dividends paid	(931)	(1,910)	(3,078)	(1,277)	(1,826)
Others	(19)	80	-	-	-
Cash flow from financing	(3,806)	3,869	(3,351)	(1,752)	(2,456)
Net Cash Flow	(613)	4,732	(3,581)	(1,241)	1,577

Source: Company, KBVS Research

Exhibit 13: Cash flow

Key Ratios (%)	2022	2023	2024F	2025F	2026F
Revenue growth	19.5	(10.6)	5.2	21.1	17.7
EBIT growth	71.3	(26.1)	(7.9)	49.1	52.4
EBITDA growth	24.1	(9.5)	(2.6)	49.9	47.3
Net profit growth	105.2	(19.5)	(17.0)	42.9	52.4
Gross margin	17.9	15.4	14.5	16.8	19.7
EBIT margin	8.6	6.4	5.8	8.4	11.5
EBITDA margin	9.8	9.9	9.2	11.3	14.2
Net margin	8.3	7.5	5.9	7.0	9.0
ROA	11.4	7.2	6.1	8.3	11.7
ROE	16.1	9.9	8.3	11.1	15.2
Net gearing (x)	(0.1)	(0.3)	(0.1)	(0.1)	0.0
Net debt/EBITDA (x)	(0.4)	(1.9)	(1.0)	(0.5)	(0.5)
Interest coverage ratio (x)	10.3	12.2	12.4	25.7	50.5

Source: Company, KBVS Research

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