

Mine the Future: BUY as the Growth Cycle Begins

23 July 2025



MDKA's 1Q25 results missed expectations with a net loss of USD4mn and revenue down -12.1% qoq to USD502 mn, dragged by lower nickel and copper volumes, though gold stood out with strong margins (USD1,825/oz). Looking ahead, MDKA is entering a multi-year growth phase, underpinned by gold output scaling from 100koz to 300koz by 29F as Pani ramps up and TB Gold lowers costs. Nickel remains the near-term engine, led by the AIM project (USD30-50mn/quarter) and HPAL rollouts, while TB Copper's DFS in 2H25 should unlock further long-term value. With margins set to improve across segments, EBITDA is projected to surge +131.4% yoy in 26F. We reiterate our BUY call with a higher TP of IDR3,300/share, implying +41% upside, backed by diversified growth and a strong recovery story.

1Q25 Missed: Margin Pressure Deepens, Gold Resilient. MDKA's 1Q25 results came in below expectations, posting a net loss of USD 4mn (vs. USD 11mn profit in 4Q24; USD 5mn loss in 1Q24), as margin compression weighed across key segments. Revenue declined to USD 502mn (-12.1% qoq, -7.2% yoy), missing estimates by 19.2% (KBVS) and 22.0% (cons.). The topline weakness was primarily driven by lower volumes, with nickel revenue down USD 79mn and copper down USD 9mn. Gold was the only bright spot, delivering strong growth and robust cash margins of USD 1,825/oz.

Scaling Gold Output, Advancing Copper, and Ramping Up Nickel. MDKA is set to unlock significant gold upside through Tujuh Bukit Gold (TB Gold) and the Pani Gold Project. TB Gold has extended its mine life from 7 to 12-13 years, while Pani, underpinned by over 8Moz in reserves, begins ore stacking in 4Q25 with first gold pour expected in 1Q26, contributing 80koz in 26F and scaling toward 400koz/year over the long term. AISC is estimated at ~USD900-1,100/oz, offering solid margin headroom against ASP of ~USD2,500/oz (with 50% of 25F output hedged). New mining fleets at TB Gold, expected to cut costs by 20-25% from 2H25, should support margin expansion. Gold output is set to triple to ~300koz by 29F, gold revenue could rise from USD567mn in 26F to USD1,013mn in 29F. In copper, the TB Copper underground project targets a DFS in 2H25 and production by 27F, supported by increased sub level cave reserves of 6 mn tons (up from 4 mn tons) and early stage open pit ore. Meanwhile, nickel remains the core near term driver, led by the ramp up of the SCM mine and multiple HPAL projects through 25F to 26F. The AIM plant alone is expected to generate USD30-50 mn in quarterly revenue by 4Q25, while RKEF costs have improved to near industry average. With ore demand projected to reach 60 mn tons by 27F to 28F, MDKA is well positioned to capitalize on its diversified base metal exposure.

From Investment Phase to Payoff: BUY with TP of IDR3,300 (+41% Upside). We updated our 25-27F forecasts to reflect stronger margins from gold, improved cost structure in nickel, and AIM contribution. These adjustments lift our profitability forecasts from 2026 onward, despite a temporary dip in 25F earnings due to front-loaded investment. EBITDA is set to rebound sharply in 26F (+131.4% yoy) on Pani's full-year contribution, marking a turnaround from prior losses. We reaffirm our BUY call with a higher TP of IDR3,300/share (from IDR3,200), implying 26F P/E of 21.3x and 41% upside, based on DCF-based SOTP valuation, driven by TB Copper (56.2%), Pani (18.8%), HPAL 13.5%, and and gold-related assets (8.6%). Risks to our call: 1) execution risks in project development; 2) potential capital rising; and 3) soften-than-expected-commodity prices.

Exhibit 1: Forecasts and Valuations (at closing price IDR2,340/share)

Y/E Dec	23A	24A	25F	26F	27F
Revenue (USD Mn)	1,707	2,239	1,940	2,710	2,993
EBITDA (USD Mn)	249	334	346	802	1,094
EV/EBITDA (x)	24.3	19.0	14.4	5.9	3.0
Net Profit (USD Mn)	(21)	(56)	(23)	232	475
EPS (IDR)	(135.4)	169.9	59.4	1,126.3	104.7
P/E Ratio (x)	(237.4)	(89.3)	(161.3)	15.1	7.4
BVPS (IDR)	1,691	1,758	2,058	2,580	3,586
P/BV Ratio (x)	1.8	1.7	1.1	0.9	0.7
ROAE (%)	(0.9)	(2.0)	(0.7)	6.6	10.3
ROAA (%)	(0.5)	(1.1)	(0.4)	4.0	7.5
Interest Coverage (x)	1.2	1.1	1.2	4.8	25.4
Net Gearing (x)	0.5	0.4	0.5	0.4	0.3

MDKA IJ	BUY
Sector	Metals
Price at 22 July 2025 (IDR)	2,340
Price target (IDR)	3,300
Upside (%)	+41.0

Stock Information

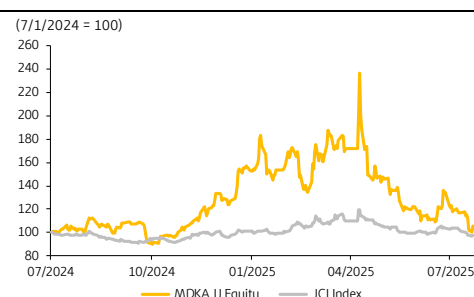
PT Merdeka Copper Gold Tbk (MDKA) is fast-growing Indonesian mining company producing gold, copper, and nickel across key projects like Tujuh Bukit, Wetar, Pani, and Merdeka Battery Materials, positioning itself as a key supplier for the global energy transition.

Market cap (IDR Bn)	59,959
Shares outstanding (mn)	24,473
52-week range (IDR)	2,780 - 1,040
3M average daily vol. ('000)	102,391
3M average daily val. (IDR Bn)	171.7

Shareholders (%)

PT Saratoga Investama Sedaya	20.3
PT Mitra Daya Mustika	17.3
Garibaldi Thohir	7.5
CATL	4.9
Public (<5%)	50.0

Stock Performance



Source: Bloomberg

	YTD	1M	3M	12M
Absolute	51.7	20.1	56.1	2.9
JCI Return	4.7	9.3	11.8	1.4
Relative	47.0	10.8	44.3	1.5

Analyst

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Exhibit 2: Financial Summary

(USD mn)	1Q24	4Q24	1Q25	qoq (%)	yoy (%)	3M24	3M25	yoy (%)	3M25/ KBVS (%)	3M25/ Cons (%)
Revenue	541	571	502	-12.1	-7.2	541	502	-7.2	19.2	22.9
Gross Profit	33	58	58	-0.9	+73.3	33	58	+73.3	15.5	18.0
Operating Income	21	40	43	+8.0	+111.6	21	43	+111.6	19.2	19.0
EBITDA	58	117	92	-21.4	+59.7	58	92	+59.7	23.9	19.8
Net Income	(15)	11	(4)	+133.2	+75.5	(15)	(4)	+75.5	N/A	N/A
GPM (%)	6.2	10.2	11.5			6.2	11.5			
OPM (%)	3.8	7.0	8.6			3.8	8.6			
EBITDA Margin (%)	10.6	20.5	18.3			10.6	18.3			
NPM (%)	-2.8	2.0	-0.7			-2.8	-0.7			

Source: Company, KBVS Research

Exhibit 3: Forecast Changes

(USD mn)	New forecast			Old forecast			Forecast change (%)		
	25F	26F	27F	25F	26F	27F	25F	26F	27F
Revenue	1,940	2,710	2,993	2,620	2,805	2,890	-25.9	-3.4	+3.6
Gross Profit	215	667	961	373	413	440	-42.3	+61.5	+118.3
Operating Profit	157	586	871	226	270	293	-30.5	+117.0	+197.2
EBITDA	346	802	1,094	385	429	452	-10.0	+86.8	+142.1
Net Profit	(23)	232	475	78	176	197	-129.0	+31.9	+141.2

Growth yoy (%)						
Revenue	-13.3	+39.7	+10.5	+17.0	+7.1	+3.0
Gross Profit	+22.1	+209.8	+44.0	+111.5	+10.7	+6.5
Operating Profit	+32.1	+272.8	+48.6	+89.9	+19.5	+8.5
EBITDA	+3.6	+131.4	+36.5	+15.2	+11.4	+5.4
Net Profit	+59.4	+1126.3	+104.7	+239.9	+125.6	+11.9

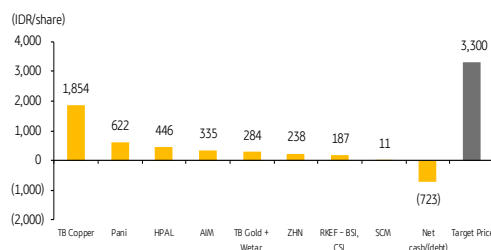
Margins (%)						
GPM	11.1	24.6	32.1	14.2	14.7	15.2
OPM	8.1	21.6	29.1	8.6	9.6	10.1
EBITDA Margin	17.9	29.6	36.6	14.7	15.3	15.6
NPM	(1.2)	8.6	15.9	3.0	6.3	6.8

Source: KBVS Research

Exhibit 4: Valuation

Projects	Effective Stake	EV (USDmn)
TB Gold & Wetar	100%	432
RKEF - BSI & CSI	25%	283
ZHN	25%	360
SCM	30.5%	16
AIM	40%	507
HPAL	100%	674
TB Copper	100%	2,804
Pani	70%	945
Total EV (USD mn)		6,021
Net cash/ (debt)		(1,164)
Shares outstanding (Mn shares)		24,473
USD/IDR rate		16,097
Target Price (IDR/sh)		3,300

Source: KBVS Research

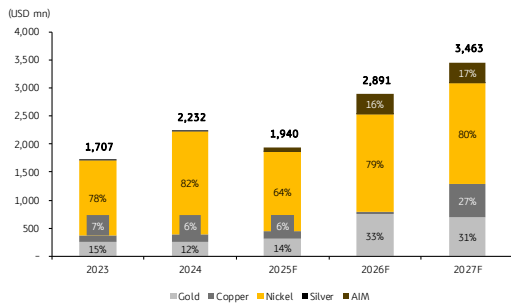


MDKA's 1Q25 results came in below expectations, posting a net loss of USD 4mn (vs. USD 11mn profit in 4Q24; USD 5mn loss in 1Q24), as margin compression weighed across key segments. Revenue declined to USD 502mn, driven by lower volumes, with nickel revenue down USD 79mn and copper down USD 9mn. Gold was the only bright spot, delivering strong growth and robust cash margins of USD 1,825/oz.

We revised our 25-27F forecasts to reflect management's latest guidance. Key changes include: (1) Gold: Pani's first gold pour in 1Q26 (80koz in 26F) and cost savings from TB Gold's new mining fleet (-20-25% from 2H25). As a result driving up gross profit forecast by +61.5% for 26F and +118.3% for 27F. GPM also improves from 14.2% in 25F to 32.1% in 27F; (2) Nickel: RKEF cash costs now near industry average; (3) AIM: full ramp-up by 4Q25 and generate USD30-50mn quarterly revenue. We cut our 25F net profit to a net loss of ~USD23 mn, reflecting continued investment-phase pressures. However, we now expected much sharper earnings recovery as both Pani Gold and AIM begin to contribute.

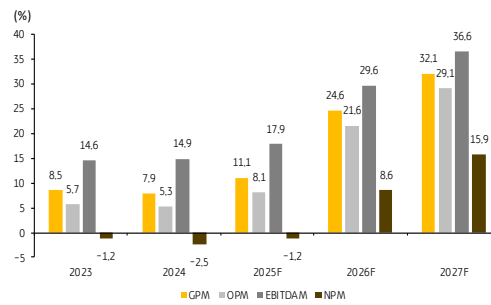
We maintain our BUY rating on MDKA with a higher target price of IDR3,300/share (from IDR3,200), reflecting improved operational momentum and updated assumptions. The valuation is based on a SOTP, with DCF applied to all major operating assets and growth projects. TB Copper accounts 56% of total value, with DFS target in 2H25 and production expected by 27F. The project plants to throughput to 6Mtpa, contributes USD2.8bn in value, supported by >450Mt in reserved and long-life copper upside.

Exhibit 5: Revenue Contribution



Source: Company, KBVS Research

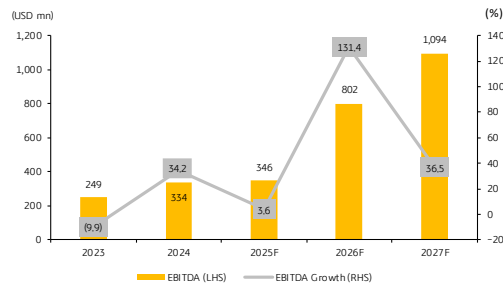
Exhibit 6: Profitability Margins



Source: Company, KBVS Research

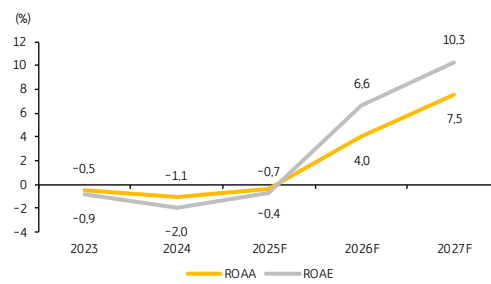
MDKA is projected to book a revenue of USD1.9bn in 25F (-13.3 yoy), with strong gold growth (+19.6% yoy) and AIM contributions partly cushioning the impact of lower copper output and higher royalty costs, while nickel remains the core driver (73.8% of revenue). Although near-term earnings may face pressure, the ramp-up of key projects is expected to support a recovery, with profitability margins set to improve in 26-27F on the back of cost efficiencies, a higher-value product mix, and growing downstream contributions.

Exhibit 7: EBITDA and Growth



Source: Company, KBVS Research

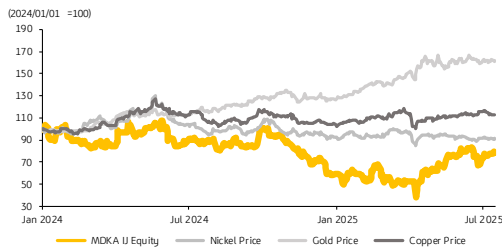
Exhibit 8: ROA & ROE



Source: Company, KBVS Research

EBITDA is expected to climb +131.4% yoy in 26F, driven by Pani's full-year contribution, marking a turnaround from prior losses. ROE and ROA are also set to rebound, reaching 10.3% and 7.5% in 27F as new projects scale and profitability returns.

Exhibit 9: MDKA Share Price vs Various Metal Price



Source: Company, KBVS Research

MDKA's share price has lagged metal prices since early 2024, reflecting short-term earnings pressure, but is expected to recover as key projects ramp up in 2H25-26F.

Exhibit 10: Peers Comparable

Ticker	Market Cap. (IDR tn)	EPS Growth (%)		P/E (x)		P/BV (x)		EV/ EBITDA (x)		ROE (%)	
		25F	26F	25F	26F	25F	26F	25F	26F	25F	26F
ANTM	71.6	73.6	(0.7)	10.6	11.0	2.0	1.9	6.5	6.6	19.8	18.1
BRMS	62.1	74.4	34.9	84.1	62.3	3.4	3.2	44.0	35.2	4.0	5.1
NCKL*	43.9	15.7	8.8	5.9	5.4	1.3	1.1	5.7	5.1	21.6	20.6
INCO	38.6	80.5	163.1	23.5	8.9	0.9	0.8	5.5	5.3	3.9	9.3
HRUM *	11.4	(49.6)	350.0	25.5	5.6	0.8	0.8	12.6	9.4	2.4	3.3
MDKA	60.0	25.5	38.9	(221.8)	21.3	1.6	1.3	18.3	7.5	(0.7)	6.6
Sector		50.9	52.5	(20.4)	22.9	1.9	1.7	17.1	12.7	9.6	11.5

Source: Bloomberg, KBVS Research

MDKA offers 39% EPS growth in 2026F, with valuation at 21.3x P/E and 7.5x EV/EBITDA, below peers, making it an attractive turnaround pick.

Exhibit 11: Financial Tabela

Profit and Loss (USD Mn)	23A	24A	25F	26F	27F
Revenue	1,707	2,239	1,940	2,710	2,993
COGS	(1,561)	(2,063)	(1,701)	(2,051)	(2,238)
Gross Profit	146	176	215	667	961
Operating Expenses	(49)	(57)	(58)	(81)	(90)
Operating Profit	97	119	157	586	871
EBITDA	249	334	346	802	1,094
Net Interest Income	(84)	(97)	(117)	(114)	(24)
Pre-tax Profit	12	22	40	472	847
Income Taxes	(7)	(12)	(30)	(104)	(186)
Profit for Period	6	10	10	368	661
Minority Interest	26	66	33	136	186
Net Profit	(21)	(56)	(23)	232	475

Balance Sheet (USD Mn)	23A	24A	25F	26F	27F
Cash and Cash Equivalent	519	451	534	709	969
Account Receivable	123	184	159	223	246
Inventories	444	454	396	478	521
Others	122	139	138	138	138
Total Current Assets	1,207	1,228	1,228	1,548	1,874
Fixed Assets	1,767	1,945	2,114	2,387	2,297
Mining Properties	595	645	689	730	768
Exploration & Evaluation	525	552	656	722	787
Assets					
Others	869	868	760	763	762
Total Assets	4,964	5,237	5,447	6,150	6,488
ST Debt	453	691	619	596	187
Payables	304	239	140	169	184
Others	153	182	217	217	217
Total Current Liabilities	909	1,112	976	982	588
LT Debt	1,223	1,127	1,247	1,210	439
Others	67	81	95	95	95
Total Liabilities	2,200	2,320	2,318	2,287	1,122
Minority Interest	1,837	1,994	2,139	2,641	3,669
Total Equity	2,764	2,917	3,128	3,863	5,365

Cash Flow (USD Mn)	23A	24A	25F	26F	27F
Net Profit	(21)	(56)	(23)	232	475
D&A	152	215	189	216	224
Changes in Working Capital	(105)	(135)	(17)	(116)	(51)
Operating Cash Flow	(66)	129	192	328	649
Capital Expenditure	(774)	(469)	(507)	(595)	(237)
Others	(6)	(92)	101	-	-
Investing Cash Flow	(780)	(561)	(406)	(595)	(237)
Net - Borrowing	171	142	49	(60)	(1,180)
Other Financing	751	222	248	502	1,028
Financing Cash Flow	921	364	297	442	(152)
Net - Cash Flow	75	(68)	83	175	260
Cash at Beginning	444	519	451	534	709
Cash at Ending	519	451	534	709	969

Key Ratios	23A	24A	25F	26F	27F
Gross Profit Margin (%)	8.5	7.9	11.1	24.6	32.1
Operating Profit Margin (%)	5.7	5.3	8.1	21.6	29.1
EBITDA Margin (%)	14.6	14.9	17.9	29.6	36.6
Pre-Tax Margin (%)	0.7	1.0	2.1	17.4	28.3
Net Profit Margin (%)	(1.2)	(2.5)	(1.2)	8.6	15.9
Net Gearing (x)	0.4	0.5	0.4	0.3	(0.1)

Major Assumptions	23A	24A	25F	26F	27F
Nickel Sales Volume (kt)	65.1	80.2	80.0	80.0	80.0
Gold Sales Volume (koz)	129.9	108.5	100.0	230.0	280.0
Copper Sales Volume (kt)	13.2	14.4	11.4	2.8	31.0
Nickel ASP (USDk/ton)	21.5	16.8	15.0	16.5	17.5
Gold ASP (USDk/oz)	1.9	2.4	3.1	3.4	2.7
Copper (USDk/ton)	8.5	9.5	11.0	12.5	12.5

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