

IPO Report

Stock Information	
Book building Period	28 Mar – 4 Apr
Public offering Period	12 Apr – 14 Apr
Listing on IDX	18 Apr
IPO Price (IDR)	780/795
Free Float (%)	10.24
Shareholder Structure:	
PT Merdeka Energi Nusantara	49.21
Public	10.24
Others	40.55

Company Background

PT Merdeka Battery Materials (MBMA) is a subsidiary of Merdeka Copper Gold (MDKA). MBMA is a vertically integrated electric vehicle (EV) supply chain company.

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Still in the early stage

PT Merdeka Battery Materials (MBMA) is a vertically integrated electric vehicle (EV) supply chain company. The company currently operates one nickel ore mine and a rotary-kiln-electric furnace (RKEF) smelter with a production capacity of 38ktpa. MBMA targets to increase its RKEF production capacity to 88ktpa with ZHN's RKEF smelter (equipped with nickel matte converter), which is expected to commence production activities in 2023F. In addition, MBMA will build its first HPAL smelter at IKIP, with a projected production capacity of 120ktpa. Valuation-wise, MBMA has a premium valuation to its peers (183.3x – 186.8x FY22 P/E), which is quite reasonable, considering that the company is still in the early stage, and most of its projects are yet to come online.

IPO proceeds allocation. PT Merdeka Battery Materials (MBMA) is a vertically integrated electric vehicle (EV) supply chain company. The company currently operates one nickel ore mine (Sulawesi Cahaya Mineral (SCM) mine) with nickel ore resources of 1.1bn tons, and a rotary-kiln-electric furnace (RKEF) smelter with a production capacity of 38ktpa. With a bookbuilding range of IDR 780 – Rp 795 per share, MBMA might raise IDR 8.6tn- IDR 8.7tn from its IPO. MBMA will issue 11.0bn new shares, equivalent to 10.2% of its issued and paid-up capital. The planned proceeds allocation is as follows: 1) 48% will be used for debt repayment, 2) 5% will be used to take over receivables of USD 30mn arising from the Parent Support Facility Agreement, 3) 1.5% will be used as working capital, 4) 8.0% will be used to support the completion of the AIM I project, 5) 14.0% will be used for ZHN's RKEF smelter, including the installation of nickel matte converter, 6) 6% will be used for the SCM mine project, and the rest will be used for the HPAL 1a project.

Massive expansion plan. MBMA aims to increase its RKEF production capacity to 88ktpa with the addition of ZHN's RKEF smelter, which is expected to begin production activities in 2023F. The smelter will be equipped with nickel matte converter, which is projected to commence production activities in 1H24. Meanwhile, the SCM mine is expected to produce 14.6mn wmt of nickel ore in 2024F, while the AIM I project is expected to begin production activities in 2H23 with a production capacity of 1.2mn tons per annum. Lastly, MBMA will construct its first HPAL at IKIP, with a projected production capacity of 120ktpa; the project will be divided into two stages, each with a production capacity of 60ktpa. The first stage is expected to commence production activities in 2H25, while the second stage is expected to begin production in 2027. The HPAL smelter is expected to absorb up to 20mn wmt nickel limonite ore per annum, with SCM as the supplier. MBMA expects to secure majority ownership of the HPAL smelter (66%), while Ningbo Brunp CATL will hold the rest.

Premium valuation to industry average (183.3x – 186.8x FY22 P/E). As of 9M22, MBMA had booked a net profit of USD 23mn. If MBMA's net profit is annualized, with shares outstanding of 107bn and an assumed USD/IDR exchange rate of IDR 15,000, our valuation range for MBMA is 183.3x – 186.8x FY22 P/E, a quite premium valuation. In our view, however, the premium valuation is quite reasonable, considering that the company is still in the early stage and most of its projects are yet to come online.

Stock informations	19A	20A	21A	9M21	9M22
Y/E Dec					
Revenue (USD mn)	-	-	-	-	289
Gross Profit (USD mn)	-	-	-	-	31
Operating Profit (USD mn)	(0)	-	(0)	(0)	20
Net Profit (USD mn)	(0)	(0)	0	0	23
Gross Profit Margin (%)	N.M	N.M	N.M	N.M	10.8
Operating Profit Margin (%)	N.M	N.M	N.M	N.M	6.8
Net Profit Margin (%)	N.M	N.M	N.M	N.M	7.9

PT Merdeka Battery Materials

Bloomberg: MBMA.IJ | Reuters: MBMA.JK

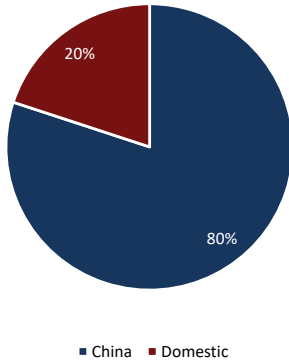
Metal Mining Sector



11 April 2023

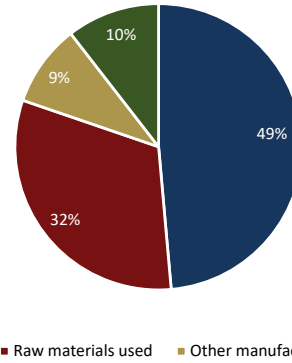
JCI Index: 6,811

Figure 1. MBMA's sales destination



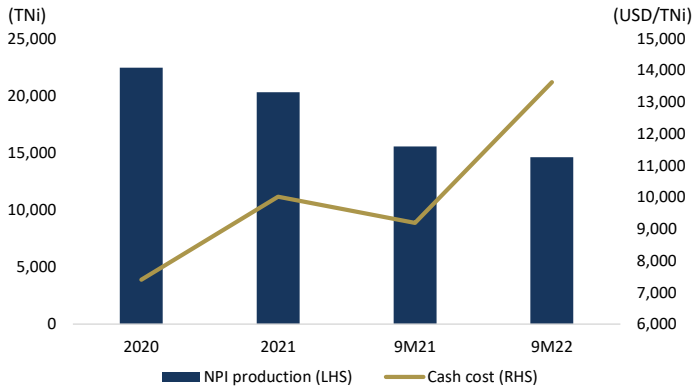
Source: Company, SSI Research

Figure 2. COGS breakdown



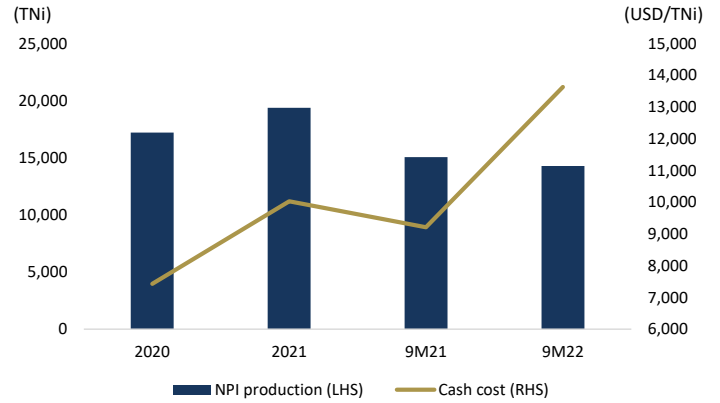
Source: Company, SSI Research

Figure 3. CSID' RKEF operational trend



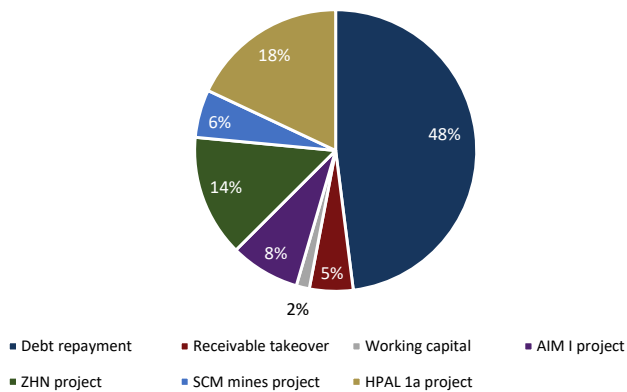
Source: Company, SSI Research

Figure 4. BSID' RKEF operational trend



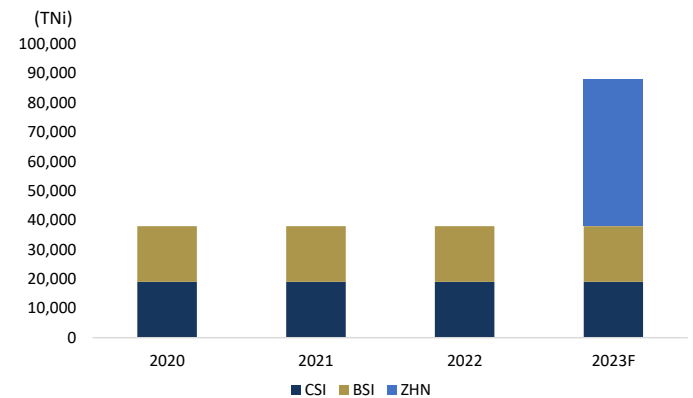
Source: Company, SSI Research

Figure 5. IPO proceeds breakdown



Source: Company, SSI Research

Figure 6. Total NPI production capacity



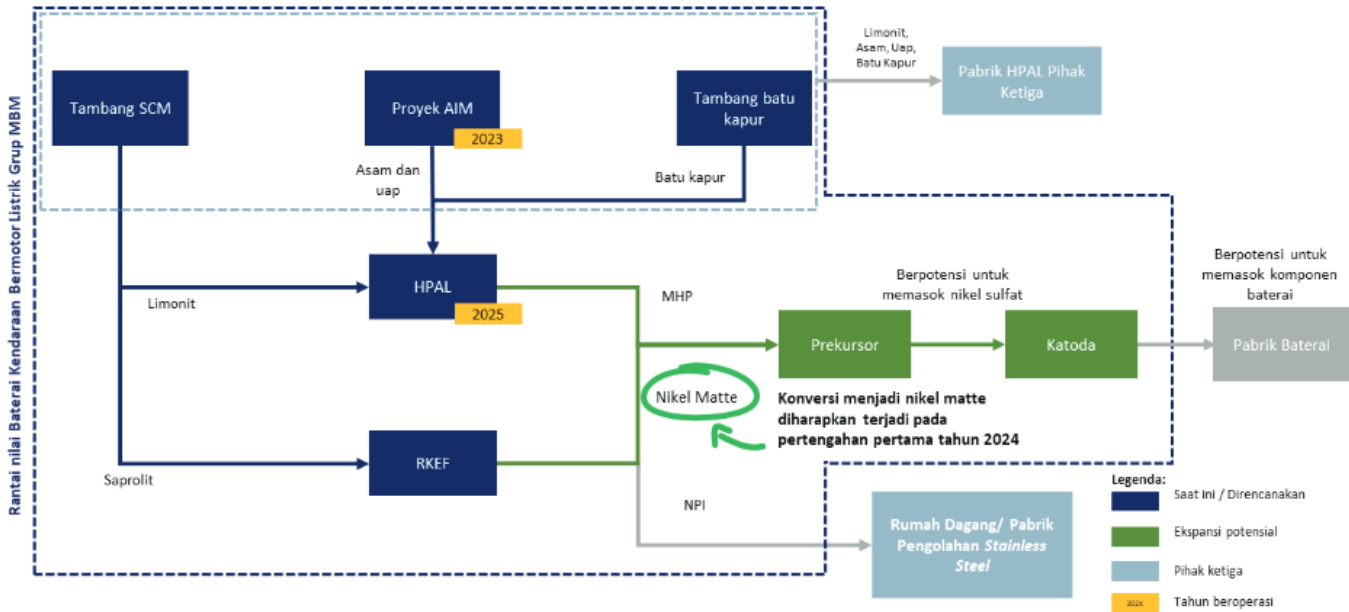
Source: Company, SSI Research

Figure 7. MBMA's assets



Source: Company, SSI Research

Figure 8. MBMA's supply chain flowchart



Source: Company, SSI Research

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JCI Index: 6,811

Figure 9. SCM's resources profile

Sumberdaya mineral	Klasifikasi JORC	Bijih (juta DMT)	Ni (%)	Logam Ni (kt)	Co (%)	Logam Co (kt)
Limonit > 0,7% Ni <i>in-situ</i> Sumberdaya Mineral	Terukur	6,6	1,15	76	0,11	7
	Tertunjuk	209,4	1,10	2.307	0,11	232
	Tertera	664,5	1,08	7.175	0,09	620
	Total	880,5	1,09	9.558	0,10	859
Saprolit > 1,2 < 1,6% Ni <i>in-situ</i> Sumberdaya Mineral	Terukur	2,5	1,39	35	0,03	1
	Tertunjuk	38,7	1,39	537	0,03	13
	Tertera	97,7	1,39	1.354	0,03	33
	Total	138,9	1,39	1.926	0,03	47
Saprolit > 1,6% Ni <i>in-situ</i> Sumberdaya Mineral	Terukur	1,6	1,86	30	0,04	1
	Tertunjuk	31,4	1,92	601	0,04	13
	Tertera	86,6	2,00	1.728	0,04	38
	Total	119,6	1,97	2.359	0,04	52
Komposit Limonit Saprolit	Terukur	10,7	1,32	141	0,08	9
	Tertunjuk	279,5	1,23	3.445	0,09	258
	Tertera	848,8	1,21	10.257	0,08	691
	Total	1.139,0	1,22	13.843	0,08	958

Source: Company, SSI Research

Figure 10. SCM's reserves profile

Cadangan bijih	Klasifikasi JORC	Bijih (juta DMT)	Ni (%)	Ni Metal (kt)	Co (%)	Co Metal (kt)
Limonit	Terbukti	-	-	-	-	-
	Terkira	137,05	1,16	1.589,78	0,12	164,46
	Total	137,05	1,16	1.589,78	0,12	164,46
Saprolit	Terbukti	1,83	1,50	27,45	0,04	0,73
	Terkira	49,06	1,51	740,81	0,03	14,72
	Total	50,89	1,51	768,26	0,03	15,45
Komposit Limonit Saprolit	Terbukti	1,83	1,50	27,45	0,04	0,73
	Terkira	186,11	1,25	2.330,59	0,10	179,18
	Total	187,94	1,25	2.358,04	0,10	179,91

Source: Company, SSI Research

Figure 11. Refined nickel production capacity compilation

	ANTM	INCO	HRUM	MDKA	NCKL
Current capacity					
Feni (tons)	27,000				25,000
Nickel in matte (tons)		75,000			
NPI (tons)			28,000	38,000	
MHP (tons)					37,000
Future projects					
Feni (tons)	13,500	73,000			280,000
Nickel in matte (tons)					
NPI (tons)			50,000	50,000	
MHP (tons)		180,000		240,000	83,000
Sub total					
Feni (tons)	40,500	73,000	0	0	305,000
Nickel in matte (tons)	0	75,000	0	0	0
NPI (tons)	0	0	78,000	88,000	0
MHP (tons)	0	180,000	0	240,000	120,000
Total refined nickel production capacity	40,500	328,000	78,000	328,000	425,000

Source: Company, SSI Research

Figure 12. Peers comparison

Company Ticker	Country	Company Name	Company Ticker	Market Cap (IDR Tn)	PER (x)		EV/EBITDA (x)		PBV (x)		ROE (%)		ROA	
					2022F	2023F	2022F	2023F	2022	2023	2022	2023	2022	2023
Global peers														
IGO LTD	AU	IGO LTD	IGO AU	6,293	6.0	5.9	5.8	5.2	2.0	1.6	37.0	32.7	24.8	24.7
BHP GROUP LTD	AU	BHP GROUP LTD	BHP AU	154,339	10.3	10.5	5.4	5.3	3.4	3.1	33.3	31.8	17.7	18.9
NICKEL INDUSTRIE	ID	NICKEL INDUSTRIE	NIC AU	1,797	5.8	7.0	3.9	3.5	1.0	0.9	21.2	17.9	15.0	11.7
LUNDIN MINING CO	CL	LUNDIN MINING CO	LUN CN	4,533	12.6	9.6	4.7	4.2	0.9	0.8	7.2	8.4	3.3	4.5
NORILSK NICKEL	RU	NORILSK NICKEL	GMKN RM	29,451	5.6	6.5	4.3	4.1	5.8	4.5	112.3	74.3	45.8	34.5
GLENCORE PLC	AU	GLENCORE PLC	GLEN LN	70,899	6.2	6.8	3.6	3.6	1.5	1.4	22.4	18.7	8.7	7.4
Local peers														
MERDEKA COPPER G	ID	MERDEKA COPPER GOLD*	MDKA IJ	6,305	78.6	57.9	21.8	17.2	3.7	3.5	4.7	6.1	2.5	3.3
ANEKA TAMBANG TB	ID	ANEKA TAMBANG TBK*	ANTM IJ	2,892	15.7	14.0	11.6	9.9	2.6	2.3	16.4	16.4	10.3	10.3
VALE INDONESIA T	ID	VALE INDONESIA TBK*	INCO IJ	3,943	20.5	12.9	7.9	5.5	1.7	1.5	7.7	8.5	6.7	7.5
HARUM ENERGY	ID	HARUM ENERGY*	HRUM IJ	1,350	7.8	10.5	2.9	4.6	2.5	2.2	31.8	21.4	29.9	20.2
Global peers average					7.8	7.7	4.6	4.3	2.4	2.1	38.9	30.6	19.2	16.9
Local peers average					30.6	23.8	11.1	9.3	2.6	2.4	15.2	13.1	12.3	10.3
Industry average					16.9	14.2	7.2	6.3	2.5	2.2	29.4	23.6	16.5	14.3

Source: Bloomberg, SSI Research

*SSI Estimate

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