

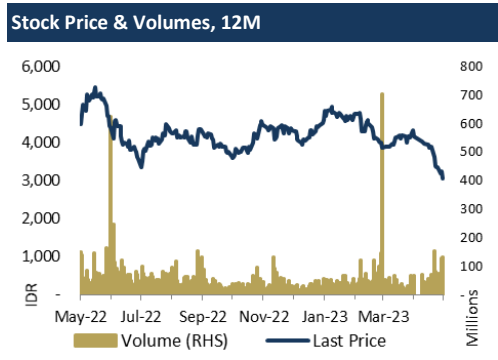
HOLD (Maintain)

Target Price (IDR) 3,300 (from 4,400)
Potential Upside (%) 8.2

Price Comparison	
Cons. Target Price (IDR)	5,195
SSI vs. Cons. (%)	63.5

Stock Information	
Last Price (IDR)	3,050
Shares Issued (Mn)	24,111
Market Cap. (IDR Bn)	76,914
52-Weeks High/Low (IDR)	5,450/3,010
3M Avg. Daily Value (IDR Bn)	279.3
Free Float (%)	51.7
Shareholder Structure:	
Vale Canada Limited (%)	43.8
Others (%)	35.0
Public (%)	21.2

Stock Performance				
(%)	YTD	1M	3M	12M
Absolute	(22.6)	(23.5)	(32.8)	(28.8)
JCI Return	(2.7)	(1.8)	(3.4)	0.3
Relative	(19.8)	(21.7)	(29.5)	(29.1)



Company Background
 PT Merdeka Copper Gold Tbk is an Indonesian-based holding company. The Company, through its subsidiaries, is engaged in mining business activities, encompassing the exploration and production of gold, silver, copper and other related minerals, and mining services

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Unleashing the Metal Giant

MDKA has recently announced the completion of TB Porphyry's PFS, with the sub-level caving (SLC) expected to commence production in 2026 and the 1st and 2nd phase of block-caving (BC) in 2031 and 2034, respectively. MDKA projected NPVs of USD 2.1bn (20% IRR; based on estimated cash flow from its current reserves) and USD 3bn (~20% IRR, current reserves + inferred resources). Taking these figures into account, we changed our valuation method for TB Porphyry to DCF and used EV/Resource for its remaining resources. We reiterate our HOLD rating with a lower TP of IDR 3,300 per share.

One of the largest copper mines around. TB Porphyry's PFS results mentioned that TB Copper project has a mineral resource of 1.7bn tons of ore at 0.47% copper and 0.5% g/t gold. Meanwhile, it has 289mn tons of ore reserve at 0.56% copper and 0.65g/t gold, giving it a copper reserve of 1.6mn tons.

Three-phase mining plan. MDKA will start by mining higher-grade sub-level cave (SLC) before moving into block cave (BC), providing early cash flow and reducing funding required for the company's BC mine development. The company projects the SLC mine development and first concentrate production to start in 2026 (Phase 1), while the BC mine will commence operations in 2031, giving MDKA an additional production capacity of 10mn tons. Lastly, MDKA plans to increase production from BC mine to 24mn tons (phase 3) in 2034 (MDKA's SLC and BC mines have reserves of 35.2mn tons of ore and 254.1mn tons of ore, respectively).

Additional funding from SLC mine. The PFS contemplates a pre-production capital investment of USD 757mn (SLC mine) and USD 2bn (BC mine). Nevertheless, the cash flow generated by the SLC mine will reduce the funding required for the BC mine development to approximately USD 335mn. Hence, the maximum required funding projected by the company is USD 1.1bn.

Financial highlights; NPV estimates of USD 2.1-USD 3bn. MDKA expects the all-in sustaining cost (AISC) for its SLC and BC mines to reach USD 1.0/lb copper (net of gold credits), while projected operating costs for both mines are USD 24.8/tons and USD 13.8/tons, respectively. In addition, MDKA projected NPVs of USD 2.1bn (20% IRR; based on estimated cash flow from its current reserves) and USD 3bn (~20% IRR, current reserves + inferred resources).

HOLD, TP of IDR 3,300. We changed our valuation method for TB Porphyry to DCF (Prev: EV/Resources), using the company cost's and production volume guidance. Our calculation gave TB Porphyry an NPV of USD 2.0bn (Prev: USD 4.76bn). We used EV/resources to value the remaining resources. We reiterate HOLD for MDKA with a lower TP of IDR 3,300 (Prev: IDR 4,400). Downside risks: 1) lower-than-expected production; 2) faster-than-expected drop in nickel prices; 3) regulatory changes.

Valuations (at closing price IDR 3,050 per share)					
Y/E Dec	20A	21A	22A	23F	24F
Revenue (IDR Bn)	322	381	870	1,693	2,307
EBITDA (IDR Bn)	151	197	453	457	510
EV/EBITDA (x)	31.4	24.7	13.3	12.8	11.1
Net Profit (IDR Bn)	36	36	58	125	157
EPS (IDR)	(48.9)	(0.2)	61.7	113.4	26.2
EPS Growth (%)	24	24	36	76	96
P/E Ratio (x)	125.0	129.7	85.3	40.0	31.7
BVPS (IDR)	380	507	1,239	1,443	1,637
P/BV Ratio (x)	8.0	6.0	2.5	2.1	1.9
DPS (IDR)	-	-	-	-	-
Dividend Yield (%)	-	-	-	-	-
ROAE (%)	6.7	5.4	4.2	5.7	6.2
ROAA (%)	3.8	3.3	2.3	3.1	3.8
Interest Coverage (x)	5.1	7.0	2.6	4.7	6.9
Net Gearing (x)	0.5	0.4	0.2	0.5	0.4

Figure 1. TB Copper Mineral Resources

Resource Classification	Tons (mn)	Cu (%)	Au (g/t)	Cont. Cu (Mn tons)	Cont. Au (Moz)
Indicated	443	0.6	0.7	2.7	9.4
Inferred	1,263	0.4	0.4	5.4	18.0
Total	1,706	1.0	1.1	8.1	27.4

Source: Company, SSI Research

Figure 2. TB Copper Ore Reserves

Reserve Classification	Tons (mn)	Cu (%)	Au (g/t)	Cont. Cu (Mn tons)	Cont. Au (Moz)
SLC	35	1.0	1.1	0.3	1.4
BC	254	0.5	1	1	5
Total	289	1	2	2	7

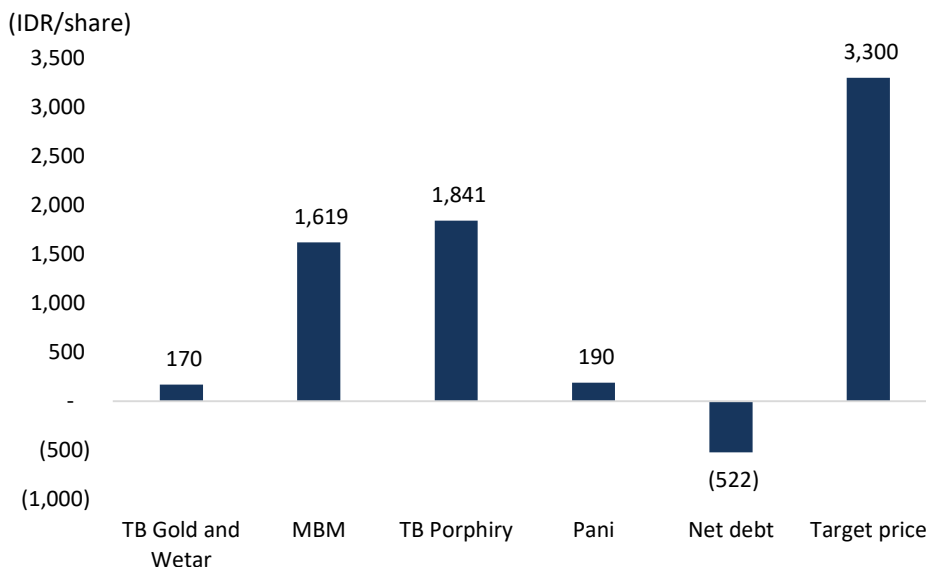
Source: Company, SSI Research

Figure 3. Concentrator Expansion Phases

Description	PHASE 1	PHASE 2	PHASE 3
Processing Capacity	4.0Mtpa	14.0Mtpa (Phase 1 +10Mtpa)	24.0Mtpa (Phase 2 + 10Mtpa)
Processing Period	2026-2031	2031-2034	2034-LOM
Production	Copper concentrate averaging 31kt of contained copper and 87koz of contained gold.	Copper concentrate averaging 85kt of contained copper and 265koz of contained gold.	Copper concentrate peaking at 112kt of contained copper and 267koz of contained gold. Additional pyrite concentrate averaging 2.2Mt containing 74koz of contained gold

Source: Company, SSI Research

Figure 4. SOTP breakdown



Source: Company, SSI Research

Merdeka Copper Gold

Bloomberg: MDKA.IJ | Reuters: MDKA.JK

Metal Mining Sector

17 May 2023



JCI Index: 6,663

Key Financial Figures

Profit and Loss					
Y/E Dec (USD Mn)	20A	21A	22A	23F	24F
Revenue	322	381	870	1,693	2,307
COGS	(208)	(261)	(705)	(1,328)	(1,867)
Gross Profit	114	120	165	365	439
Operating Expenses	(20)	(29)	(53)	(102)	(138)
Operating Profit	94	91	112	263	301
EBITDA	151	197	453	457	510
Interest Income	0	2	2	1	4
Interest Expenses	(18)	(13)	(43)	(56)	(44)
Other Income/Expenses	(20)	(23)	20	(9)	(9)
Pre-tax Income	56	57	90	200	252
Income Taxes	(27)	(23)	(25)	(44)	(55)
Net Profit	29	33	65	156	197
Minority Interest	7	3	(6)	(31)	(39)
Net Profit Attributable to Parent	36	36	58	125	157

Balance Sheet					
Y/E Dec (USD Mn)	20A	21A	22A	23F	24F
Cash and Cash Equivalent	51	185	444	553	447
Account Receivable	6	6	76	80	108
Inventories	101	131	251	360	506
Others	41	89	125	56	57
Total Current Assets	199	411	896	1,048	1,118
Net Fixed Assets	297	298	1,206	1,193	1,165
Net Mine Properties	119	79	600	588	575
Exploration and Evaluation Assets	224	253	460	522	583
Other Assets	91	236	716	706	709
Total Assets	930	1,279	3,877	4,057	4,151
Account Payables	20	30	110	131	184
ST Debt	145	230	334	241	357
Other ST Liabilities	27	38	161	102	102
Total Current Liabilities	192	297	605	474	643
LT Debt	126	149	1,171	1,169	774
Other LT Liabilities	48	53	76	55	57
Total Liabilities	366	499	1,852	1,698	1,474
Minority Interest	29	24	1,022	1,190	1,351
Total Equity	564	779	2,025	2,359	2,677

Cash Flow					
Y/E Dec (USD Mn)	20A	21A	22A	23F	24F
Net Profit	36	36	58	125	157
D&A	53	106	341	193	209
Changes in Working Capital	1	(38)	(108)	(91)	(122)
Others	(35)	(86)	(472)	17	(4)
Operating Cash Flow	56	18	(181)	244	241
Capital Expenditure	(46)	(98)	(1,799)	(231)	(230)
Change in Other Assets	(4)	(78)	78	4	-
Investing Cash Flow	(49)	(176)	(1,721)	(227)	(230)
Change in Debt	(16)	108	1,127	(96)	(279)
Other Financing	11	185	1,210	189	162
Financing Cash Flow	(5)	293	2,337	93	(117)
Net - Cash Flow	1	134	435	109	(106)
Cash at beginning	50	51	185	444	553
Cash at ending	51	185	621	553	447

Key Ratios					
Y/E Dec (USD Mn)	20A	21A	22A	23F	24F
Gross Profit Margin (%)	35.5%	31.5%	18.9%	21.6%	19.0%
Operating Profit Margin (%)	29.2%	23.8%	12.8%	15.6%	13.0%
EBITDA Margin (%)	47.0%	51.8%	52.1%	27.0%	22.1%
Pre-Tax Margin (%)	17.5%	14.9%	10.3%	11.8%	10.9%
Net Profit Margin (%)	11.2%	9.5%	6.7%	7.4%	6.8%
Revenue Growth (%)	-19.9%	18.4%	128.3%	94.7%	36.2%
EBITDA Growth	-33.7%	30.4%	129.7%	0.8%	11.8%
Net Gearing (x)	0.4	0.2	0.5	0.4	0.3

Major Assumptions					
Y/E Dec (USD Mn)	20A	21A	22A	23F	24F
Gold sales volume (toz)	176,011	110,010	134,410	120,000	120,000
Copper sales volume (ton)	5,225	17,148	20,337	15,200	15,200
NPI sales volume (ton)	0	0	23,750	58,000	83,000
Global nickel price assumption (USD/ton)	14,298	19,185	26,000	23,500	22,000
Global copper price assumption (USD/ton)	6,197	9,294	8,797	8,600	8,500

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