Trimegah Bangun Persada

Bloomberg: NCKL.IJ | Reuters: NCKL.JK

Metal Mining Sector

SAMUEL SEKURITAS INDONESIA

24 May 2023 **JCI Index: 6,729**

BUY (Maintain)

Target Price (IDR)	**1,500**
Potential Upside (%)	**58.7**

Price Comparison	
Cons. Target Price (IDR)	1,778
SSI vs. Cons. (%)	84.4

Stock Information	
Last Price (IDR)	925
Shares Issued (Mn)	63,099
Market Cap. (IDR Bn)	58,366
52-Weeks High/Low (IDR)	1,470/880
3M Avg. Daily Value (IDR Bn)	N/A
Free Float (%)	13.5
Shareholder Structure:	
PT Harita Jayaraya (%)	86.5
Public (%)	12.7
Others (%)	0.9

Stock Performance

(%)	YTD	1M	3M	12M
Absolute	n.a	n.a	n.a	n.a
JCI Return	(1.8)	(1.4)	(1.9)	(2.7)
Relative	n.a	n.a	n.a	n.a

Company Background

Part of the HARITA GROUP, Trimegah Bangun Persada Tbk (NCKL), engages in nickel ore mining and processing. The company's headquarters and production facilities are located in Kawasi Village, Obi Distric, South Halmahera Regency, North Maluku

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Prospective outlook despite some road bumps

Production volume growth supported by HJF smelter. NCKL reported a production volume surge in 1Q23 (14k tons, +116.6% YoY), mainly driven by additional production from five of the eight production lines in HJF's RKEF smelter, which helped boost the company's FeNi sales volume to 15k tons (+88.3% YoY). The company expects the remaining production lines to come on stream in 2Q23 and HJF to reach its full production capacity in 3Q23.

Higher production, higher cost. The increase in production by HJF led to surges in raw material and auxiliary costs of +263.5% YoY and +3,443.9% YoY, respectively. Meanwhile, the spike in mining expenses was mainly caused by the signing of several mining contractors in April 2022 to ramp up production at GPS mine. The company expects its costs to decline in 2Q23, supported by the company's efficiency efforts.

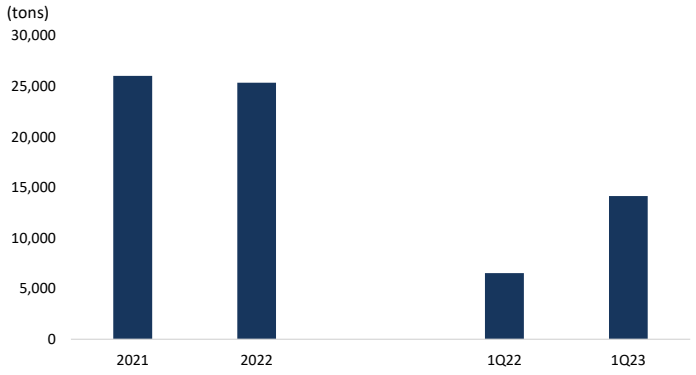
Robust earnings growth on the back of a higher production outlook. We remain optimistic that NCKL will post robust growth this year, supported by 1) additional RKEF and HPAL production capacity of 95k tons and 18k tons, respectively, and 2) the potential for better margins, since the company will convert its MHP products to nickel sulfate (production estimate: 37k tons) and cobalt sulfate (4,500 tons); the projects are planned to be started in April 2023 and June 2023, respectively.

BUY with a lower TP of IDR 1,500/share. We made some adjustments to our forecast: 1) we lowered our FeNi ASP projection by 9.3%, in line with the decline of Indonesia's NPI FOB prices, and 2) we lowered our MHP price projection by 16.7%. Hence, we lowered our forecast for NCKL's 2023F and 2024 net profit by 23.9% and 4.6%, respectively. Despite the lower forecast, we still maintain our BUY rating on NCKL, albeit with a lower TP of IDR 1,500 per share (Previously: IDR 2,000/share)

Forecasts and Valuations (at IDR 945/share)

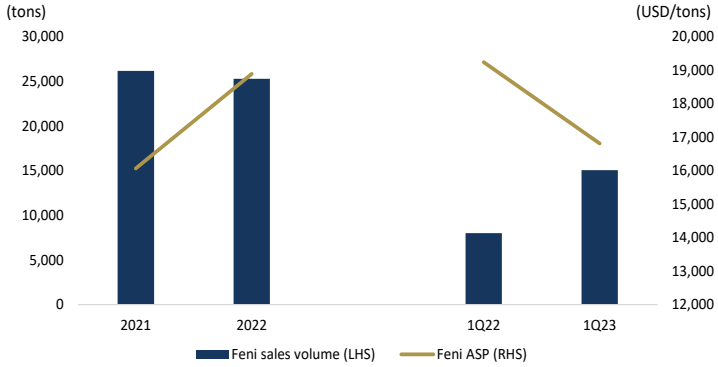
Y/E Dec	21A	22A	23F	24F	25F
Revenue (IDR Bn)	8,229	9,568	25,046	36,542	38,643
EBITDA (IDR Bn)	3,967	4,483	7,405	10,014	12,765
EV/EBITDA (x)	21.2	19.7	7.7	5.2	3.1
Net Profit (IDR Bn)	1,968	4,667	7,313	10,828	13,576
Net Profit Growth (%)	592.49	137.11	56.70	48.06	25.38
EPS (IDR)	31	74	116	172	215
P/E Ratio (x)	40.7	17.2	8.2	5.5	4.4
BVPS (IDR)	151	226	479	644	862
P/BV Ratio (x)	8.4	5.6	2.0	1.5	1.1
DPS (IDR)	-	-	22	35	51
Dividend Yield (%)	-	-	2.3	3.7	5.4
ROAE (%)	21.8	39.3	32.9	30.5	28.6
ROAA (%)	9.5	16.8	18.0	20.8	21.1
Interest Coverage (x)	11.0	12.9	30.2	46.7	66.5
Net Gearing (x)	0.4	0.6	NC	NC	NC

Figure 1: FeNi production trend



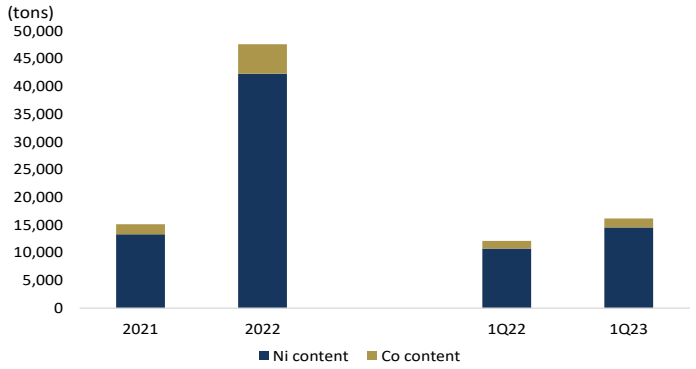
Source: Company, SSI Research

Figure 2: FeNi sales volume and average selling price



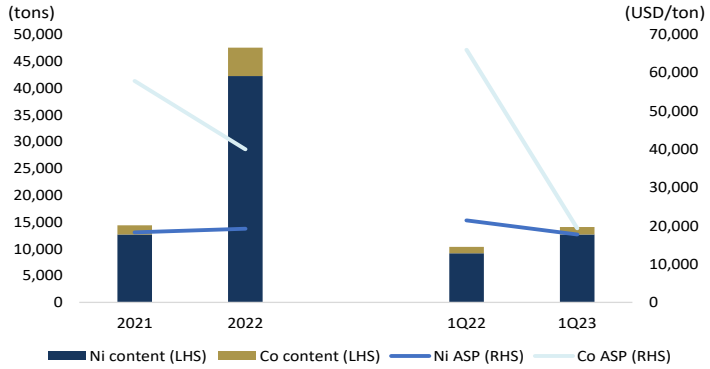
Source: Company, SSI Research

Figure 3: MHP production volume trend



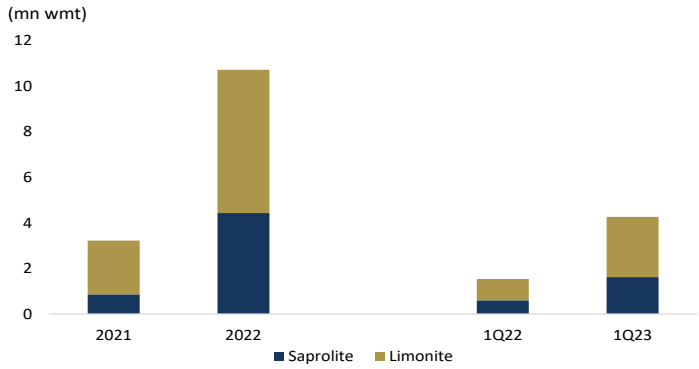
Source: Company, SSI Research

Figure 4: MHP sales volume and average selling price



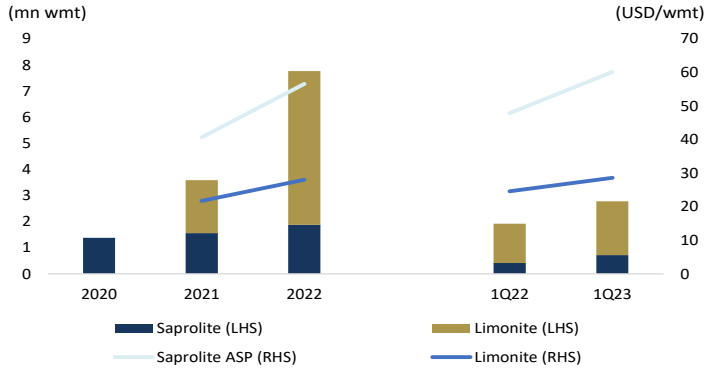
Source: Company, SSI Research

Figure 5: FeNi production trend



Source: Company, SSI Research

Figure 6: FeNi sales volume and average selling price



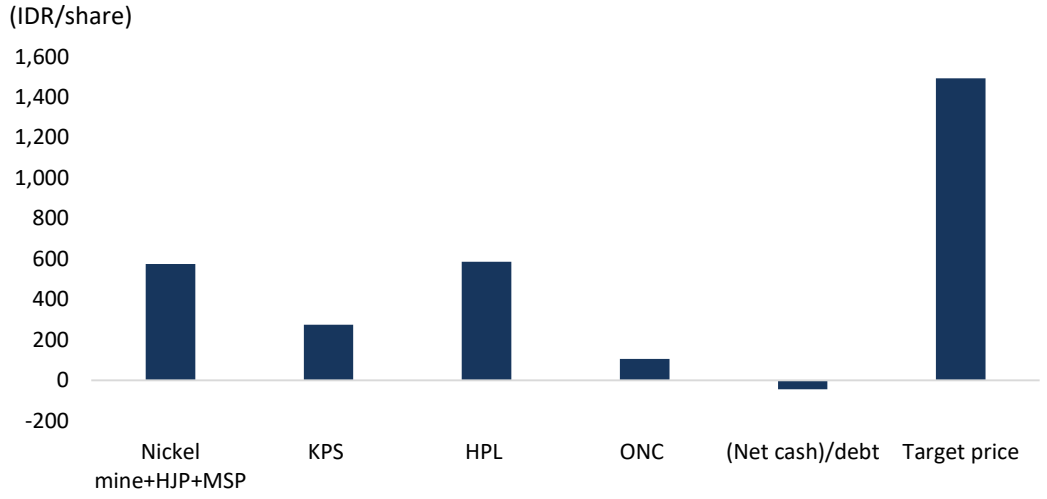
Source: Company, SSI Research

Table 1. NCKL's forecast adjustment

	Before			Revision			Percentage		
	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F
Revenue	30,512	42,442	48,777	25,046	36,542	38,643	*-17.9%*	*-13.9%*	*-20.8%*
growth (%)	*218.9%*	*39.1%*	*14.9%*	*161.8%*	*45.9%*	*5.8%*			
Operating Profit	8,562	10,220	13,404	6,655	9,178	11,837	*-22.3%*	*-10.2%*	*-11.7%*
growth (%)	*126.2%*	*19.4%*	*31.2%*	*75.8%*	*37.9%*	*29.0%*			
Net profit	9,606	11,352	14,699	7,313	10,828	13,576	*-23.9%*	*-4.6%*	*-7.6%*
growth (%)	*388.0%*	*143.2%*	*101.0%*	*271.5%*	*48.1%*	*25.4%*			

Source: Company, SSI Research

Graph 7. NCKL's SOTP breakdown



Source: Company, SSI Research

Table 2. Global nickel companies' relative peers performance

Company Name	Company Ticker	Market Cap (IDR Tn)	PER (x)		EV/EBITDA (x)		PBV (x)		ROE (%)		ROA (%)	
			2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
IGO LTD	IGO AU	109.0	7.5	8.6	5.4	7.3	2.4	2.1	35.6	26.8	26.6	21.4
BHP GROUP LTD	BHP AU	2,154	9.9	10.3	5.0	5.1	3.2	3.0	33.7	31.6	16.3	18.7
NICKEL INDUSTRIE	NIC AU	25.5	7.0	6.4	4.7	3.6	0.9	0.8	14.6	17.3	13.1	12.8
LUNDIN MINING CO	LUN CN	89.0	12.8	10.3	5.7	4.8	1.1	1.1	8.6	8.9	4.1	4.5
NORILSK NICKEL	GMKN RM	416.0	8.1	6.8	5.5	5.1	3.1	2.7	40.0	39.9	45.8	34.5
GLENCORE PLC	GLEN LN	989.0	6.7	7.4	3.4	3.5	1.4	1.4	20.1	19.3	7.1	6.9
MERDEKA COPPER GOLD*	MDKA IJ	71.1	38.9	30.9	12.5	10.9	2.1	1.8	5.7	6.2	3.1	3.8
ANEKA TAMBANG TBK*	ANTM IJ	47.0	9.6	9.7	7.4	6.8	1.7	1.6	19.3	16.9	13.7	12.1
VALE INDONESIA TBK*	INCO IJ	65.1	12.3	13.5	5.5	5.4	1.6	1.4	7.9	12.2	7.1	11.0
TRIMEGAH BANGUN PERS	NCKL IJ	59.6	8.2	5.5	7.7	5.2	2.0	1.5	32.9	30.5	20.8	21.1
Global peers avereage			**8.7**	**8.3**	**4.9**	**4.9**	**2.0**	**1.8**	**25.4**	**24.0**	**18.8**	**16.5**
Local peers avereage			**20.3**	**18.0**	**8.5**	**7.7**	**1.8**	**1.6**	**11.0**	**11.8**	**8.0**	**9.0**
Industry avereage			**12.5**	**11.5**	**6.1**	**5.8**	**2.0**	**1.8**	**20.6**	**19.9**	**15.2**	**14.0**

Source: Bloomberg, SSI Research
**SSI estimates*

Key Financial Figures

Profit and Loss					
Y/E Dec (IDR Bn)	**21A**	**22A**	**23F**	**24F**	**25F**
Revenue	**8,229**	**9,568**	**25,046**	**36,542**	**38,643**
Cost of Goods Sold	(3,715)	(4,893)	(16,061)	(23,965)	(23,212)
Gross Profit	**4,514**	**4,675**	**8,985**	**12,577**	**15,431**
Operating Expenses	(948)	(890)	(2,330)	(3,399)	(3,594)
Operating Profit	**3,565**	**3,785**	**6,655**	**9,178**	**11,837**
EBITDA	**3,967**	**4,483**	**7,405**	**10,014**	**12,765**
Other income/expenses - net	13	198	-	-	-
Finance Income	17	19	9	56	88
Finance Charges	(323)	(294)	(220)	(197)	(178)
Share in profit of associates	715	2,916	3,690	6,133	8,699
Pretax Profit	**3,975**	**6,650**	**10,135**	**15,170**	**20,446**
Income Tax Expense	(605)	(812)	(1,824)	(2,579)	(3,476)
Merging Entities Adjustments	(1,294)	(1,248)	-	-	-
Minority Interests	108	(78)	997	1,763	3,394
Net Profit	**1,968**	**4,667**	**7,313**	**10,828**	**13,576**

Cash Flow					
Y/E Dec (IDR Bn)	**21A**	**22A**	**23F**	**24F**	**25F**
Net income	1,968	4,667	7,313	10,828	13,576
Depreciation and amortization	402	698	750	836	928
change in working capital	(330)	(1,736)	(4,025)	(3,472)	276
others	1,443	4,731	289	-	-
Operating Cash Flow	**3,483**	**8,361**	**4,327**	**8,193**	**14,780**
Capex	(395)	(12,739)	(1,761)	(2,934)	(3,103)
Investing Cash Flow	**(395)**	**(12,739)**	**(1,761)**	**(2,934)**	**(3,103)**
change in debt	(1,597)	3,058	(5,000)	(500)	(400)
change in equity	(954)	6,480	10,997	1,763	3,394
change in other equity	48	(6,460)	(2,286)	(2,194)	(3,248)
Financing Cash Flow	**(2,503)**	**3,077**	**3,711**	**(931)**	**(254)**
Net cash flow	585	(1,301)	6,278	4,328	11,423
Beginning cash	1,993	2,578	1,277	7,555	11,882
Ending cash	2,578	1,277	7,555	11,882	23,305

Balance Sheet					
Y/E Dec (IDR Bn)	**21A**	**22A**	**23F**	**24F**	**25F**
Cash and cash equivalent	2,578	1,277	7,555	11,882	23,305
Trade receivables	149	181	432	630	667
Inventories	1,300	4,087	8,842	13,193	12,779
Others	746	789	500	500	500
Total current assets	**4,772**	**6,334**	**17,329**	**26,206**	**37,250**
Fixed assets	10,972	20,668	21,670	23,757	25,921
Mining properties	55	57	65	75	87
Others	5,203	7,546	7,546	7,546	7,546
Total assets	**21,002**	**34,605**	**46,610**	**57,584**	**70,803**
Short-term bank loans	-	-	-	-	-
Trade payables	125	1,209	2,190	3,268	3,165
Long-term bank loans	4,335	117	3,045	2,720	2,460
Others	4,244	8,883	8,883	8,883	8,883
Total current liabilities	**8,704**	**10,209**	**14,118**	**14,871**	**14,508**
Long-term debt portion	2,292	9,568	1,640	1,465	1,325
Others	464	599	599	599	599
Total liabilities	**11,460**	**20,376**	**16,356**	**16,934**	**16,431**
Share capital	10	5,510	5,510	5,510	5,510
Additional paid-in capital	352	1,471	11,471	11,471	11,471
Retained earnings	4,265	1,617	7,531	16,165	26,493
Merging entities equity	983	-	-	-	-
Others	31	886	-	-	-
Minority interest	3,901	4,745	5,743	7,505	10,899
Total equity	**9,542**	**14,229**	**30,254**	**40,651**	**54,373**

Key Ratios					
Y/E Dec (IDR Bn)	**21A**	**22A**	**23F**	**24F**	**25F**
Gross Profit Margin (%)	54.9	48.9	35.9	34.4	39.9
Operating Profit Margin (%)	43.3	39.6	26.6	25.1	30.6
EBITDA Margin (%)	48.2	46.9	29.6	27.4	33.0
Pre-Tax Margin (%)	48.3	69.5	40.5	41.5	52.9
Net Profit Margin (%)	23.9	48.8	29.2	29.6	35.1
Revenue Growth (%)	102.1	16.3	161.8	45.9	5.8
Net Gearing (x)	0.4	0.6	(0.1)	(0.2)	(0.4)

Major Assumptions					
Y/E Dec (USD Mn)	**21A**	**22A**	**23F**	**24F**	**25F**
USD/IDR	14,307	15,400	15,100	15,000	15,000
LME Nickel price (USD per ton)	19,185	26,000	23,500	23,500	23,300
Nickel ore production (mn wmt)	3	11	14	24	36
FeNi production (tons)	26,047	25,372	85,000	120,000	236,550
Nickel ore sales volume (mn wmt)	4	8	14	24	36
FeNi sales volume (tons)	26,182	25,302	85,000	120,000	236,550
FeNi ASP (USD per ton)	16,065	18,889	15,980	16,920	16,776

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