Trimegah Bangun Persada

Bloomberg: NCKL.IJ | Reuters: NCKL.JK

Metal Mining Sector

SAMUEL SEKURITAS INDONESIA

20 July 2023 **JCI Index: 6,864**

BUY (Maintain)

Target Price (IDR)	**1,100**
Potential Upside (%)	**21.5**

Price Comparison	
Cons. Target Price (IDR)	1,352
SSI vs. Cons. (%)	81.3

Stock Information	
Last Price (IDR)	905
Shares Issued (Mn)	63,099
Market Cap. (IDR Bn)	57,104
52-Weeks High/Low (IDR)	1,470/750
3M Avg. Daily Value (IDR Bn)	82.0
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	(5.2)	(37.4)	n.a
JCI Return	0.2	2.7	0.6	1.9
Relative	n.a	(7.9)	(38.0)	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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Hurt by Commodity Downfall

We expect rather weak numbers from NCKL in 2Q23, mainly due to the drop in nickel (-14.1% QoQ) and cobalt prices (-14.0% QoQ). Even though we anticipate higher production in 2Q23, driven by higher utilization rates at its HJF RKEF (which just began operations at the end of 2022) and HPAL smelters, it might not be enough to offset the decline in ASP. In this report, we revised our nickel price forecast to USD 22,500 per ton (prev: USD 23,500 per ton) and lowered our forecasts for NCKL's net profit in 2023F and 2024 by 32.1% and 26.7%, respectively. Despite all these, we still maintain our BUY rating on NCKL, albeit with a lower TP of IDR 1,100 per share (prev: IDR 1,500/share).

Massive pressure from commodity downfall. Prices of metal mining commodities fell under pressure in 2Q23; LME nickel prices, NPI prices, and Shanghai cobalt prices all went down by 14.1%, 18.0%, and 14.1% QoQ, respectively. We believe this was caused by a combination of China's slower-than-anticipated economic recovery, which led to a drop in stainless steel demand, and robust nickel supply following the smooth development of nickel smelters in Indonesia. On this basis, we anticipate NCKL's 2Q23 earnings to be subdued despite higher production (thanks to higher utilization rates at its RKEF and HPAL smelters).

Expect higher earnings in 2H23F. We expect 2H23 to be better than 1H23 for NCKL despite flat nickel and cobalt prices, supported by these catalysts: 1.) Three new production lines in its RKEF projects (which was completed in 2Q23) are expected to run at full capacity in 2H23, as it typically takes the company 2-4 months to ramp up production (for information, the company installed three new production lines in the same project in 1Q23, and the three lines have been operating with respective utilization rates of 80%, 50%, and 30%. 2). In April 2023, NCKL began converting MHP into nickel sulfate, and in June 2023, it has begun producing cobalt sulfate. We anticipate that this conversion process will contribute an additional USD 1,000 per ton to the company's cash margin, resulting in a margin expansion in 2H23.

BUY with a lower TP of IDR 1,100/share. We revised our nickel price forecast to USD 22,500 per ton (prev: USD 23,500 per ton). As a consequence, we reduced our NPI and MHP price forecasts by 11.3% and 17.0%, respectively. Therefore, we decided to lower our projections for NCKL's net profit in 2023F and 2024 by 32.1% and 26.7%, Even so, we still maintain our BUY rating on NCKL, albeit with a lower TP of IDR 1,100 per share (prev: IDR 1,500/share).

Forecasts and Valuations (at IDR 905/share)

Y/E Dec	21A	22A	23F	24F	25F
Revenue (IDR Bn)	8,229	9,568	22,287	31,826	33,016
EBITDA (IDR Bn)	3,967	4,483	5,652	8,420	10,332
EV/EBITDA (x)	18.7	17.5	10.0	6.3	4.4
Net Profit (IDR Bn)	1,968	4,667	4,964	7,937	9,464
Net Profit Growth (%)	592.49	137.11	6.36	59.88	19.25
EPS (IDR)	36	85	79	126	150
P/E Ratio (x)	35.6	15.0	11.5	7.2	6.0
BVPS (IDR)	173	258	437	560	710
P/BV Ratio (x)	7.3	4.9	2.1	1.6	1.3
DPS (IDR)	-	-	22	24	38
Dividend Yield (%)	-	-	2.5	2.6	4.2
ROAE (%)	21.8	39.3	23.7	25.2	23.6
ROAA (%)	9.5	16.8	12.7	16.6	16.8
Interest Coverage (x)	11.0	12.9	22.3	38.6	53.0
Net Gearing (x)	0.4	0.6	NC	NC	NC

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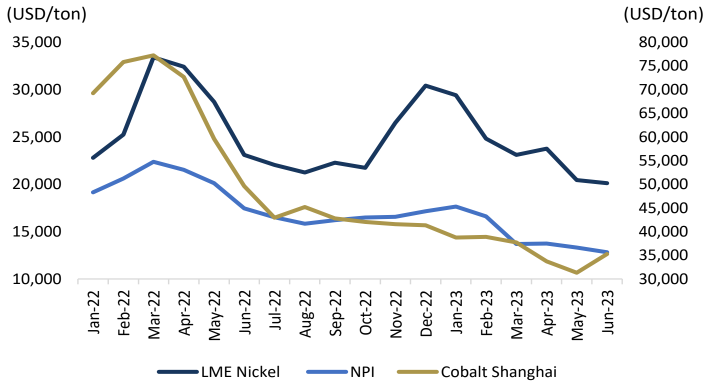
24 May 2023 | **JCI Index: 6,864**

Table 1. NCKL's forecast changes

	Before			Revision			Percentage		
	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F
Revenue	25,046	36,542	38,643	22,287	31,826	33,016	*-11.0%*	*-12.9%*	*-14.6%*
growth (%)	*161.8%*	*45.9%*	*5.7%*	*132.9%*	*42.8%*	*3.7%*			
Operating Profit	6,655	9,178	11,837	4,908	7,601	9,434	*-26.2%*	*-17.2%*	*-20.3%*
growth (%)	*75.8%*	*37.9%*	*29.0%*	*29.7%*	*54.9%*	*24.1%*			
Net profit	7,313	10,828	13,576	4,964	7,937	9,464	*-32.1%*	*-26.7%*	*-30.3%*
growth (%)	*271.5%*	*132.0%*	*173.5%*	*152.2%*	*59.9%*	*19.2%*			

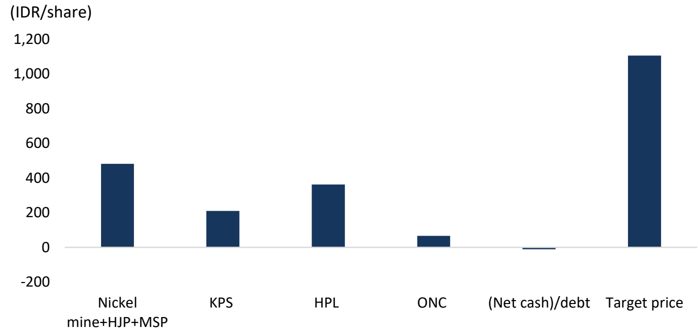
Source: Company, SSI Research

Figure 1: Metal mining commodity prices trend



Source: Bloomberg, SSI Research

Figure 2: SOTP valuation breakdown



Source: Company, SSI Research

Table 2. Global nickel companies' relative peers performance

Company Name	Company Ticker	Market Cap (IDR Tn)	PER (x) 2023F	PER (x) 2024F	EV/EBITDA (x) 2023F	EV/EBITDA (x) 2024F	PBV (x) 2023F	PBV (x) 2024F	ROE (%) 2023F	ROE (%) 2024F	ROA (%) 2023F	ROA (%) 2024F
IGO LTD	IGO AU	115	7.4	8.2	5.5	8.4	2.6	2.1	37.1	27.8	23.6	17.8
BHP GROUP LTD	BHP AU	2,327	11.1	12.0	5.6	5.8	3.5	3.2	31.9	28.5	17.1	16.6
NICKEL INDUSTRIE	NIC AU	26	9.3	7.4	3.9	3.0	0.9	0.8	13.5	13.1	12.4	10.1
LUNDIN MINING CO	LUN CN	102	17.6	12.3	6.8	5.2	1.3	1.3	7.6	8.8	3.3	4.3
NORILSK NICKEL	GMKN RM	408	7.9	6.6	5.4	5.0	3.0	2.6	40.0	39.9	45.8	34.5
GLENCORE PLC	GLEN LN	1,092	8.6	9.9	4.3	4.1	1.6	1.5	16.0	15.5	5.5	5.0
MERDEKA COPPER GOLD*	MDKA IJ	76.2	41.4	32.8	13.2	11.5	2.2	1.9	5.7	6.2	3.1	3.8
ANEKA TAMBANG TBK*	ANTM IJ	47.8	9.8	10.0	7.6	7.0	1.8	1.6	19.3	16.9	13.7	12.1
VALE INDONESIA TBK*	INCO IJ	63.8	12.2	13.4	5.5	5.4	1.6	1.4	7.9	12.2	7.1	11.0
TRIMEGAH BANGUN PERSADA*	NCKL IJ	70.0	11.5	7.2	10.0	6.3	2.1	1.6	23.7	25.2	12.7	16.6
Global peers avereage			**10.3**	**9.4**	**5.2**	**5.2**	**2.2**	**1.9**	**24.4**	**22.3**	**18.0**	**14.7**
Local peers avereage			**21.1**	**18.7**	**8.8**	**8.0**	**1.9**	**1.6**	**11.0**	**11.8**	**8.0**	**9.0**
Industry avereage			**13.9**	**12.5**	**6.4**	**6.1**	**2.1**	**1.8**	**19.9**	**18.8**	**14.6**	**12.8**

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**	**22,287**	**31,826**	**33,016**
Cost of Goods Sold	(3,715)	(4,893)	(15,306)	(21,265)	(20,512)
Gross Profit	**4,514**	**4,675**	**6,981**	**10,561**	**12,505**
Operating Expenses	(948)	(890)	(2,073)	(2,960)	(3,071)
Operating Profit	**3,565**	**3,785**	**4,908**	**7,601**	**9,434**
EBITDA	**3,967**	**4,483**	**5,652**	**8,420**	**10,332**
Other income/expenses - net	13	198	-	-	-
Finance Income	17	19	9	40	61
Finance Charges	(323)	(294)	(220)	(197)	(178)
Share in profit of associates	715	2,916	2,182	3,675	4,936
Pretax Profit	**3,975**	**6,650**	**6,879**	**11,119**	**14,253**
Income Tax Expense	(605)	(812)	(1,238)	(1,890)	(2,423)
Merging Entities Adjustments	(1,294)	(1,248)	-	-	-
Minority Interests	108	(78)	677	1,292	2,366
Net Profit	**1,968**	**4,667**	**4,964**	**7,937**	**9,464**

Balance Sheet					
Y/E Dec (IDR Bn)	**21A**	**22A**	**23F**	**24F**	**25F**
Cash and cash equivalent	2,578	1,277	5,433	8,304	15,892
Trade receivables	149	181	384	549	570
Inventories	1,300	4,087	8,426	11,707	11,292
Others	746	789	500	500	500
Total current assets	**4,772**	**6,334**	**14,744**	**21,060**	**28,254**
Fixed assets	10,972	20,668	21,483	23,210	24,953
Mining properties	55	57	64	73	83
Others	5,203	7,546	7,546	7,546	7,546
Total assets	**21,002**	**34,605**	**43,837**	**51,889**	**60,835**
Short-term bank loans	-	-	-	-	-
Trade payables	125	1,209	2,087	2,900	2,797
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**	**14,015**	**14,502**	**14,140**
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**	**16,253**	**16,566**	**16,063**
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	5,181	11,629	18,712
Merging entities equity	983	-	-	-	-
Others	31	886	-	-	-
Minority interest	3,901	4,745	5,422	6,714	9,080
Total equity	**9,542**	**14,229**	**27,584**	**35,323**	**44,773**

Cash Flow					
Y/E Dec (IDR Bn)	**21A**	**22A**	**23F**	**24F**	**25F**
Net income	1,968	4,667	4,964	7,937	9,464
Depreciation and amortization	402	698	744	820	898
change in working capital	(330)	(1,736)	(3,664)	(2,632)	291
others	1,443	4,731	289	-	-
Operating Cash Flow	**3,483**	**8,361**	**2,332**	**6,124**	**10,653**
Capex	(395)	(12,739)	(1,567)	(2,555)	(2,651)
Investing Cash Flow	**(395)**	**(12,739)**	**(1,567)**	**(2,555)**	**(2,651)**
change in debt	(1,597)	3,058	(5,000)	(500)	(400)
change in equity	(954)	6,480	10,677	1,292	2,366
change in other equity	48	(6,460)	(2,286)	(1,489)	(2,381)
Financing Cash Flow	**(2,503)**	**3,077**	**3,391**	**(697)**	**(415)**
Net cash flow	585	(1,301)	4,156	2,871	7,587
Beginning cash	1,993	2,578	1,277	5,433	8,304
Ending cash	2,578	1,277	5,433	8,304	15,892

Key Ratios					
Y/E Dec (IDR Bn)	**21A**	**22A**	**23F**	**24F**	**25F**
Gross Profit Margin (%)	54.9	48.9	31.3	33.2	37.9
Operating Profit Margin (%)	43.3	39.6	22.0	23.9	28.6
EBITDA Margin (%)	48.2	46.9	25.4	26.5	31.3
Pre-Tax Margin (%)	48.3	69.5	30.9	34.9	43.2
Net Profit Margin (%)	23.9	48.8	22.3	24.9	28.7
Revenue Growth (%)	102.1	16.3	132.9	42.8	3.7
Net Gearing (x)	0.4	0.6	(0.0)	(0.1)	(0.3)

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	22,500	22,000	21,000
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	13,950	14,300	13,650

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