

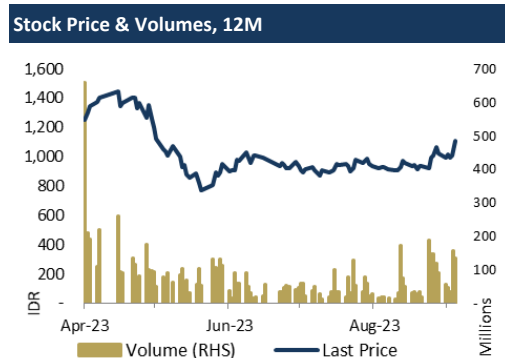
BUY (Maintain)

Target Price (IDR) 1,500 (from 1,100)
Potential Upside (%) 33.3

Price Comparison	
Cons. Target Price (IDR)	1,290
SSI vs. Cons. (%)	116.2

Stock Information	
Last Price (IDR)	1,125
Shares Issued (Mn)	63,099
Market Cap. (IDR Bn)	70,986
52-Weeks High/Low (IDR)	1,470/750
3M Avg. Daily Value (IDR Bn)	52.6
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	21.0	15.4	n.a	
JCI Return	1.9	1.0	4.0	(4.4)	
Relative	n.a	20.0	11.4	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 District, South Halmahera Regency, North Maluku.

Juan Harahap
+62 21 2854 8321
juan.oktavianus@samuel.co.id

Haikal Putra Samsul
+62 21 2854 8353
haikal.putra@samuel.co.id

Higher Output, Lower Cost

We expect NCKL to book better earnings in 2H23 than in 1H23, 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 3Q23. Hence, we expect HJF's FeNi production volume to increase to 41k tons (+74.5% HoH) in 2H23, and 2) Lower cash cost thanks to the potential decline in energy cost. We revised down our cash cost projections for NCKL's HJF and MSP smelters by -12.5% and -6.0%, respectively, considering that HJF managed to record a cash cost of USD 9,677 in June 2023. In light of all these factors, we raised our projections for NCKL's net profit in 2023F and 2024 by 20.2% and 18.0%. We reiterate our BUY rating on NCKL, with a higher TP of IDR 1,500 per share (prev: IDR 1,100/share).

Recovery of NPI. Nickel Pig Iron (NPI) prices have recovered to USD 14K/ton in 2H23, after dropping to USD 12K/ton in 1H23. Meanwhile, according to Bloomberg News, Indonesia's nickel ore prices have gone up in recent weeks, mainly due to the government's decision to suspend new mining quotas. We believe NCKL have a comparative advantage against its peers, as we see the recent surge in price will indirectly benefit NCKL (whose raw materials come from its own mine, reducing the impact of price fluctuations).

Lower cash cost + higher sales volume: better earnings. We expect NCKL to book better earnings in 2H23 than in 1H23, 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 3Q23. Hence, we expect HJF's FeNi production volume to increase to 41k tons (+74.5% HoH) in 2H23, and 2) Lower cash cost thanks to the potential decline in energy cost.

Forecast adjustments; BUY with a higher TP of IDR 1,500/share. We revised down our cash cost projections for NCKL's HJF and MSP smelters by -12.5% and -6.0% in 2023F, respectively, considering that HJF managed to record a cash cost of USD 9,677 in June 2023. In light of all these factors, we raised our projections for NCKL's net profit in 2023F and 2024 by 20.2% and 18.0%. We roll over our valuation to 2024F, and we reiterate our BUY rating on NCKL, with a higher TP of IDR 1,500 per share (prev: IDR 1,100/share).

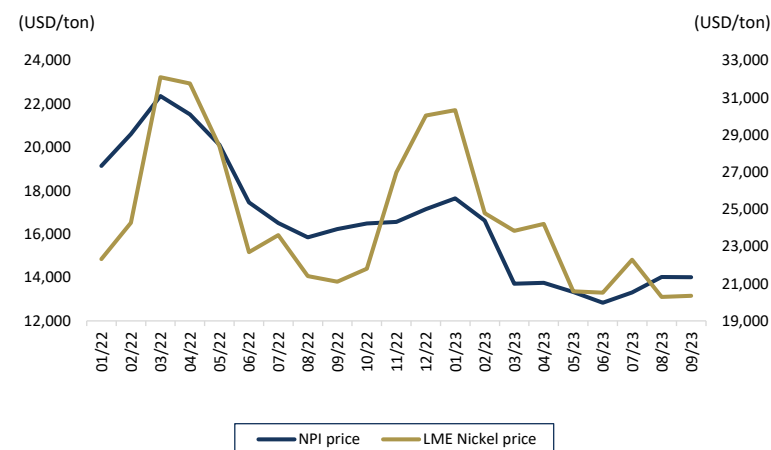
Valuations (at closing price IDR 1,125 per share)					
Y/E Dec	21A	22A	23F	24F	25F
Revenue (IDR Bn)	8,229	9,568	22,360	31,826	33,016
EBITDA (IDR Bn)	3,967	4,483	7,040	10,408	11,428
EV/EBITDA (x)	16.6	15.7	9.8	6.1	4.8
Net Profit (IDR Bn)	1,968	4,667	5,965	9,363	10,432
Net Profit Growth (%)	592.49	137.11	27.81	56.97	11.41
EPS (IDR)	36	85	95	148	165
P/E Ratio (x)	31.5	13.3	11.9	7.6	6.8
BVPS (IDR)	173	258	455	599	762
P/BV Ratio (x)	6.5	4.4	2.5	1.9	1.5
DPS (IDR)	-	-	22	28	45
Dividend Yield (%)	-	-	2.0	2.5	4.0
ROAE (%)	21.8	39.3	27.8	28.1	24.3
ROAA (%)	9.5	16.8	15.0	18.9	17.7
Interest Coverage (x)	11.0	12.9	28.6	48.8	59.2
Net Gearing (x)	0.4	0.6	NC	NC	NC

Table 1. NCKL's forecast changes

	Before			Revision			Percentage		
	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F
Revenue	22,360	31,826	n.a	22,360	31,826	33,016	0.0%	0.0%	-
growth (%)	133.7%	42.3%	n.a	133.7%	42.3%	3.7%			
Operating Profit	4,908	7,601	n.a	6,296	9,588	10,530	28.3%	26.1%	-
growth (%)	29.7%	54.9%	n.a	66.3%	52.3%	9.8%			
Net profit	4,964	7,937	n.a	5,965	9,363	10,432	20.2%	18.0%	-
growth (%)	152.2%	70.1%	n.a	203.1%	57.0%	11.4%			

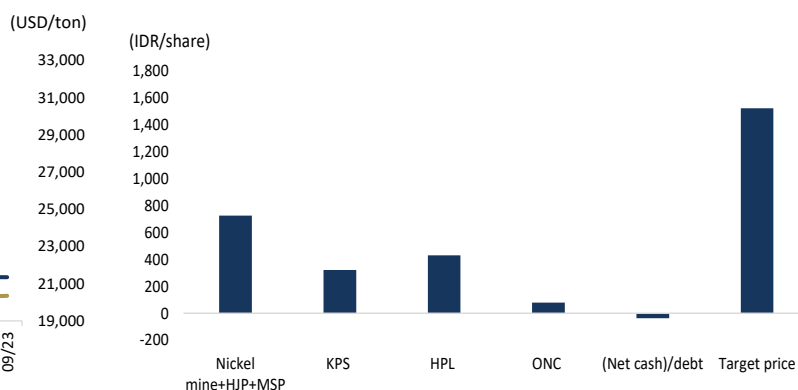
Source: Company, SSI Research

Figure 1: Metal mining commodity prices trend



Source: Bloomberg, SSI Research

Figure 2: 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 (%)	
			2024F	2025F	2024F	2025F	2024F	2025F	2024F	2025F	2024F	2025F
IGO LTD	IGO AU	100	8.3	9.8	8.9	9.3	2.2	1.9	28.1	21.5	20.0	19.1
BHP GROUP LTD	BHP AU	2,294	12.0	11.9	6.2	6.0	3.1	2.8	27.1	25.0	14.0	14.5
NICKEL INDUSTRIE	NIC AU	28	14.2	7.1	5.2	2.9	0.9	0.8	8.8	12.6	11.6	9.9
LUNDIN MINING CO	LUN CN	92	15.2	10.7	6.1	4.5	1.1	1.1	8.8	9.7	4.2	4.3
NORILSK NICKEL	GMKN RM	399	7.5	6.3	5.2	4.8	2.9	2.5	40.0	39.9	45.8	34.5
GLENCORE PLC	GLEN LN	1,071	9.4	10.7	4.7	5.1	1.6	1.5	14.7	13.2	5.6	4.8
MERDEKA COPPER GOLD*	MDKA IJ	76.4	33.1	14.9	11.6	6.4	1.9	1.5	6.2	11.5	3.8	8.4
ANEKA TAMBANG TBK*	ANTM IJ	47.8	9.8	9.1	6.8	6.0	1.6	1.4	16.9	16.3	12.1	11.8
VALE INDONESIA TBK*	INCO IJ	63.8	14.2	14.0	5.4	4.8	1.3	1.2	9.0	9.1	8.1	7.1
TRIMEGAH BANGUN PERSADA*	NCKL IJ	71.0	7.4	6.3	5.9	4.2	1.9	1.4	28.9	25.9	19.5	18.9
Global peers average			11.1	9.4	6.0	5.5	2.0	1.8	21.2	20.3	16.9	14.5
Local peers average			19.0	12.7	7.9	5.7	1.6	1.4	10.7	12.3	8.0	9.1
Industry average			13.7	10.5	6.7	5.5	1.8	1.6	17.7	17.6	13.9	12.7

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	22,360	31,826	33,016
Cost of Goods Sold	(3,715)	(4,893)	(14,432)	(19,277)	(18,524)
Gross Profit	4,514	4,675	7,928	12,548	14,492
Operating Expenses	(948)	(890)	(1,632)	(2,960)	(3,962)
Operating Profit	3,565	3,785	6,296	9,588	10,530
EBITDA	3,967	4,483	7,040	10,408	11,428
Other income/expenses - net	13	198	-	-	-
Finance Income	17	19	9	51	86
Finance Charges	(323)	(294)	(220)	(197)	(178)
Share in profit of associates	715	2,916	2,182	3,675	5,272
Pretax Profit	3,975	6,650	8,267	13,118	15,711
Income Tax Expense	(605)	(812)	(1,488)	(2,230)	(2,671)
Merging Entities Adjustments	(1,294)	(1,248)	-	-	-
Minority Interests	108	(78)	813	1,524	2,608
Net Profit	1,968	4,667	5,965	9,363	10,432

Balance Sheet					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Cash and cash equivalent	2,578	1,277	6,927	11,619	19,988
Trade receivables	149	181	386	549	570
Inventories	1,300	4,087	7,945	10,613	10,198
Others	746	789	500	500	500
Total current assets	4,772	6,334	15,758	23,281	31,256
Fixed assets	10,972	20,668	21,488	23,214	24,958
Mining properties	55	57	64	73	83
Others	5,203	7,546	7,546	7,546	7,546
Total assets	21,002	34,605	44,855	54,114	63,842
Short-term bank loans	-	-	-	-	-
Trade payables	125	1,209	1,968	2,629	2,526
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	13,896	14,231	13,869
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	16,134	16,295	15,792
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	6,182	13,756	21,379
Merging entities equity	983	-	-	-	-
Others	31	886	-	-	-
Minority interest	3,901	4,745	5,559	7,083	9,691
Total equity	9,542	14,229	28,722	37,820	48,051

Cash Flow					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Net income	1,968	4,667	5,965	9,363	10,432
Depreciation and amortization	402	698	744	820	898
change in working capital	(330)	(1,736)	(3,304)	(2,170)	291
others	1,443	4,731	289	-	-
Operating Cash Flow	3,483	8,361	3,695	8,013	11,621
Capex	(395)	(12,739)	(1,572)	(2,555)	(2,651)
Investing Cash Flow	(395)	(12,739)	(1,572)	(2,555)	(2,651)
change in debt	(1,597)	3,058	(5,000)	(500)	(400)
change in equity	(954)	6,480	10,813	1,524	2,608
change in other equity	48	(6,460)	(2,286)	(1,790)	(2,809)
Financing Cash Flow	(2,503)	3,077	3,527	(765)	(601)
Net cash flow	585	(1,301)	5,650	4,692	8,369
Beginning cash	1,993	2,578	1,277	6,927	11,619
Ending cash	2,578	1,277	6,927	11,619	19,988

Key Ratios					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Gross Profit Margin (%)	54.9	48.9	35.5	39.4	43.9
Operating Profit Margin (%)	43.3	39.6	28.2	30.1	31.9
EBITDA Margin (%)	48.2	46.9	31.5	32.7	34.6
Pre-Tax Margin (%)	48.3	69.5	37.0	41.2	47.6
Net Profit Margin (%)	23.9	48.8	26.7	29.4	31.6
Revenue Growth (%)	102.1	16.3	133.7	42.3	3.7
Net Gearing (x)	0.4	0.6	(0.1)	(0.2)	(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	90,000	120,000	236,550
Nickel ore sales volume (mn wmt)	4	8	14	24	36
FeNi sales volume (tons)	26,182	25,302	90,000	120,000	236,550
FeNi ASP (USD per ton)	16,065	18,889	13,950	14,300	13,650

Research Team			
Prasetya Gunadi	Head of Equity Research, Strategy, Banking, Digital Banks	prasetya.gunadi@samuel.co.id	+6221 2854 8320
Lionel Priyadi	Macro Equity Strategist	lionel.priyadi@samuel.co.id	+6221 2854 8854
Muhamad Alfatih, CSA, CTA, CFTe	Senior Technical Analyst	m.alfatih@samuel.co.id	+6221 2854 8129
Yosua Zisokhi	Cement , Cigarette, Paper, Plantation,Telco Infra, Chemicals	yosua.zisokhi@samuel.co.id	+6221 2854 8387
M. Farras Farhan	Media, Poultry, Oil & Gas, Technology	farras.farhan@samuel.co.id	+6221 2854 8346
Pebe Peresia	Automotive, Consumer Staples, Retail	pebe.peresia@samuel.co.id	+6221 2854 8339
Juan Oktavianus Harahap	Coal, Metal Mining	juan.oktavianus@samuel.co.id	+6221 2854 8846
Jonathan Guyadi	Banking, Healthcare, Telco	jonathan.guyadi@samuel.co.id	+6221 2854 8321
Adolf Richardo	Editor	adolf.richardo@samuel.co.id	+6221 2864 8397
Ashalia Fitri Yuliana	Research Associate	ashalia.fitri@samuel.co.id	+6221 2854 8389
Daniel Aditya Widjaja	Research Associate	daniel.aditya@samuel.co.id	+6221 2854 8322
Laurencia Hiemas	Research Associate	laurencia.hiemas@samuel.co.id	+6221 2854 8392
Brandon Boedhiman	Research Associate	brandon.boedhiman@samuel.co.id	+6221 2854 8392
Haikal Putra	Research Associate	haikal.putra@samuel.co.id	+6221 2854 8353

Equity Institutional Team			
Benny Bambang Soebagjo	Head of Institutional Equity Sales	benny.soebagjo@samuel.co.id	+6221 2854 8312
Ronny Ardianto	Institutional Equity Sales	ronny.ardianto@samuel.co.id	+6221 2854 8399
Anthony Yunus	Institutional Equity Sales	anthony.yunus@samuel.co.id	+6221 2854 8314
Widya Meidrianto	Institutional Equity Sales	widya.meidrianto@samuel.co.id	+6221 2854 8317
Fachruly Fiater	Institutional Sales Trader	fachruly.fiater@samuel.co.id	+6221 2854 8325
Lucia Irawati	Institutional Sales Trader	lucia.irawati@samuel.co.id	+6221 2854 8173
Alexander Tayus	Institutional Equity Dealer	alexander.tayus@samuel.co.id	+6221 2854 8319
Leonardo Christian	Institutional Equity Dealer	leonardo.christian@samuel.co.id	+6221 2854 8147

Equity Retail Team			
Joseph Soegandhi	Head of Equity	joseph.soegandhi@samuel.co.id	+6221 2854 8872
Damargumilang	Head of Equity Retail	damargumilang@samuel.co.id	+6221 2854 8309
Clarice Wijana	Head of Equity Sales Support	clarice.wijana@samuel.co.id	+6221 2854 8395
Gitta Wahyu Retnani	Equity Sales & Trainer	gitta.wahyu@samuel.co.id	+6221 2854 8365
Vincentius Darren	Equity Sales	darren@samuel.co.id	+6221 2854 8348
Michael Alexander	Equity Sales	michael.alexander@samuel.co.id	+6221 2854 8369
Sylviawati	Equity Sales	sylviawati@samuel.co.id	+6221 2854 8112
Wandha Ahmad	Equity Sales	wandha.ahmad@samuel.co.id	+6221 2854 8316
Handa Sandiawan	Equity Sales	handa.sandiawan@samuel.co.id	+6221 2854 8302
Denzel Obaja	Equity Sales	denzel.obaja@samuel.co.id	+6221 2854 8342
Wahyudi Budiyo	Dealer	wahyudi.budiyo@samuel.co.id	+6221 2854 8152

Fixed Income Sales Team			
R. Virine Tresna Sundari	Head of Fixed Income	virine.sundari@samuel.co.id	+6221 2854 8170
Rudianto Nugroho	Fixed Income Sales	rudianto.nugroho@samuel.co.id	+6221 2854 8306
Sany Rizal Keliobas	Fixed Income Sales	sany.rizal@samuel.co.id	+6221 2854 8337
Safitri	Fixed Income Sales	safitri@samuel.co.id	+6221 2854 8376
Khairanni	Fixed Income Sales	khairanni@samuel.co.id	+6221 28548104
Saldy Achmad Yanuar	Fixed Income Sales	saldy.achmad@samuel.co.id	+6221 28548384
Nadya Attahira	Fixed Income Sales	nadya.attahira@samuel.co.id	+6221 2854 8305

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