

BUY (Maintain)

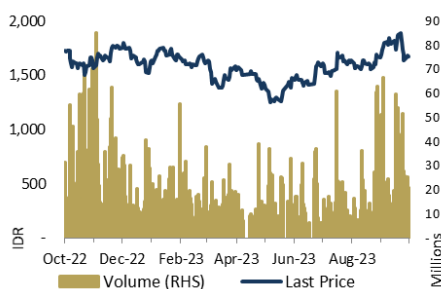
Target Price (IDR) **2,500**
Potential Upside (%) **49.3**

Price Comparison	
Cons. Target Price (IDR)	2,240
SSI vs. Cons. (%)	111.6

Stock Information	
Last Price (IDR)	1,675
Shares Issued (Mn)	13.518
Market Cap. (IDR Bn)	22,643
52-Weeks High/Low (IDR)	1,945/1,205
3M Avg. Daily Value (IDR Bn)	37.0
Free Float (%)	18.6
Shareholder Structure:	
PT Karunia Bara Perkasa (%)	79.80
PT Bara Sejahtera Abadi (%)	0.1
Treasury Stocks (%)	1.5
Public	18.6

Stock Performance				
(%)	YTD	1M	3M	12M
Absolute	3.4	(1.2)	4.0	(3.2)
JCI Return	1.2	(0.5)	2.0	(0.1)
Relative	2.2	(0.7)	2.1	(3.1)

Stock Price & Volumes, 12M



Company Background

Founded in 1995, Harum Energy (HRUM) mainly engages in coal mining and logistics activities in East Kalimantan, Indonesia. However, HRUM has started to diversify its business into nickel mining through joint operations.

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Digging Deeper into Minerals

HRUM has officially acquired a 51% stake in PT Infei Metal Industry (IMI) from Central Halmahera Holding Pte Ltd for USD 70.4mn (IDR 1.1tn), giving HRUM a complete control (99.99% ownership) of IMI's smelter for USD 7,414/ton, below the current average of USD 9,889/ton. We believe the acquisition will be a positive sentiment for HRUM, since it should help the company strengthen its position in the mineral sector. We maintain our BUY rating for HRUM with a TP of IDR 2,500 per share, implying 10.4x 2024F P/E.

Full acquisition of IMI's smelter. In September 2023, HRUM finally acquired the remaining 51% stake in IMI from Central Halmahera Holding Pte Ltd for USD 70.4mn (IDR 1.1tn). In total, HRUM invested USD 207.6mn (IDR 3.1tn), or equivalent to USD 7,414/ton through its subsidiaries PT Tanito Harum Nickel and PT Harum Nickel Perkasa, to acquire IMI and complete control of its nickel smelter, below the current average (from recent acquisitions) of USD 9,889/ton. IMI's earnings will be fully consolidated into HRUM's books starting in 3Q23.

More earnings in 2H23. We forecast more earnings from HRUM's nickel business in 2H23, as its nickel mine and its 2nd smelter are expected to commence operations in 2H23. Previously, HRUM had hinted that its second smelter, with a total capacity of 57ktpa, would start production activities in 4Q23. We project the nickel mine to contribute 3.8% of HRUM's 2023F earnings, and its 2nd smelter to start contributing in 2024F.

Fine-tuned our forecast; BUY with the same TP. We revised up our coal sales volume forecast to 7mn tons (prev: 5.4mn tons), mainly due to the higher-than-expected coal production in 1H23 (HRUM hinted that it planned to maintain its coal production level in 3Q23). In addition, we revised down our opex forecast for HRUM as we toned down our DMO provision forecast in 2023F. Next, we adjusted our nickel price assumptions for 2023F and 2024F to USD 22,500 per ton and USD 22,000 per ton, respectively. Lastly, we adjusted our long-term nickel price forecast to USD 20,500 per ton (prev: USD 22,500). Considering all these factors, we decided to maintain our TP for HRUM at IDR 2,500 per share, implying 10.4x 2024F P/E. Downside risks: commodity slump, regulatory changes.

Valuations (at closing price IDR 1,675 per share)

Y/E Dec	21A	22A	23F	24F	25F
Revenue (USD Mn)	336	904	907	1,156	1,051
EBITDA (USD Mn)	148	471	392	350	294
EV/EBITDA (x)	5.2	1.8	2.5	2.9	3.0
Net Profit (USD Mn)	74	302	263	224	191
Net Profit Growth (%)	26.0	306.0	(12.9)	(14.6)	(14.7)
EPS (IDR)	393	324	282	241	205
P/E Ratio (x)	4.3	5.2	5.9	7.0	8.2
BVPS (IDR)	3,446	1,064	1,221	1,353	1,466
P/BV Ratio (x)	0.5	1.6	1.4	1.2	1.1
DPS (IDR)	37	83	129	113	96
Dividend Yield (%)	2.2	5.0	7.7	6.7	5.7
ROAE (%)	13.4	36.7	24.7	18.7	14.6
ROAA (%)	10.8	28.0	20.3	16.3	12.8
Interest Coverage (x)	42.7	137.1	N/A	N/A	N/A
Net Gearing (x)	NC	NC	NC	NC	NC

Table 1. HRUM's acquisition timeline

Date	Acquisition Price (USD Mn)	% Shares
22-Feb-21	69	24.5%
30-Jul-21	41	14.7%
13-Jan-21	27	9.8%
26-Sep-23	70	51.0%
Total	207.6	100%

Source: Company, SSI Research

Table 2. HRUM's forecast changes

	Before			Revision			Percentage		
	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F
Revenue	714	556	n.a	907	1,156	1,051	27.0%	108.0%	n.a
growth (%)	-21.1%	-22.1%	n.a	0.2%	27.5%	-9.1%			n.a
Operating Profit	317	189	n.a	371	327	271	16.9%	72.9%	n.a
growth (%)	-28.0%	-40.4%	n.a	-15.8%	-11.8%	-17.0%			n.a
Net profit	222	181	n.a	263	224	191	18.4%	24.0%	n.a
growth (%)	-26.4%	-18.5%	n.a	-12.9%	-14.6%	-14.7%			n.a

Source: Company, SSI Research

12 October 2023

JCI Index: 6,931

Key Financial Figures

Profit and Loss					
Y/E Dec (USD Mn)	21A	22A	23F	24F	25F
Revenue	336	904	907	1,156	1,051
COGS	(162)	(363)	(442)	(729)	(680)
Gross Profit	175	541	465	427	371
Selling Expenses	(16)	(65)	(47)	(64)	(63)
G&A Expenses	(26)	(36)	(47)	(37)	(37)
Operating Profit	132	440	371	327	271
EBITDA	148	471	392	350	294
Other Income/Expenses - Net	(8)	(1)	-	-	-
Finance Income	1	2	4	5	5
Finance Costs	(3)	(3)	-	-	-
Final Tax Expense	-	-	-	-	-
Net gain/(loss) From Associate and JV	6	39	39	22	24
Pretax Income	128	478	413	353	301
Income taxes	(29)	(98)	(83)	(71)	(60)
Loss from Discontinued Operation	(0)	-	-	-	-
Minority Interest	24	78	68	58	49
Net Profit	74	302	263	224	191

Balance Sheet					
Y/E Dec (USD Mn)	21A	22A	23F	24F	25F
Cash and Cash Equivalent	149	371	412	496	607
Account Receivables	23	69	46	59	53
Inventory	21	43	39	65	60
Others	54	36	26	29	33
Total Current Assets	248	519	523	649	754
Net Fixed Assets	59	52	53	51	44
Net Mine Properties	267	273	283	286	278
Other Assets	301	434	447	460	474
Total Assets	875	1,279	1,307	1,446	1,550
Account Payables	17	21	23	38	36
Accrued Expenses	17	62	63	64	65
ST Debt	17	-	-	-	-
Other ST Liabilities	30	143	68	68	68
Total Current Liabilities	81	226	154	170	168
LT Debt	83	-	-	-	-
Other LT Liabilities	60	61	14	14	15
Total Liabilities	223	287	169	185	183
Minority Interest	182	258	262	266	270
Total Equity	651	992	1,138	1,261	1,367

Cash Flow					
Y/E Dec (USD Mn)	21A	22A	23F	24F	25F
Net Profit	74	302	263	224	191
D&A	16	30	22	23	23
Changes in Working Capital	13	(15)	(46)	(23)	7
Others	(170)	(6)	(48)	(15)	(16)
Operating Cash Flow	(66)	311	191	209	205
Capital Expenditure	(217)	(30)	(33)	(23)	(8)
Investing Cash Flow	(217)	(30)	(33)	(23)	(8)
Change in Debt	99	(99)	-	-	-
Dividend	(7)	(77)	(121)	(105)	(90)
Other Financing	229	17	4	4	4
Financing Cash Flow	222	(60)	(117)	(101)	(86)
Net - Cash Flow	(62)	221	41	85	111
Cash at beginning	211	149	371	412	496
Cash at ending	149	371	412	496	607

Key Ratios					
Y/E Dec (USD Mn)	21A	22A	23F	24F	25F
Gross Profit Margin (%)	52.0%	59.9%	51.3%	37.0%	35.3%
Operating Profit Margin (%)	39.3%	48.7%	40.9%	28.3%	25.8%
EBITDA Margin (%)	44.0%	52.0%	43.3%	30.2%	28.0%
Pre-Tax Margin (%)	37.9%	52.8%	45.6%	30.5%	28.6%
Net Profit Margin (%)	22.1%	33.4%	29.0%	19.4%	18.2%
Revenue Growth (%)	113.0%	169.0%	0.2%	27.5%	-9.1%
EBITDA Growth	624.1%	217.9%	-16.6%	-10.9%	-15.8%
Net Gearing (x)	(0.1)	(0.4)	(0.4)	(0.4)	(0.4)

Major Assumptions					
Y/E Dec (USD Mn)	21A	22A	23F	24F	25F
Coal sales (Mn tons)	3.5	5.0	7.0	6.0	6.0
NPI sales (kt)	-	23,500	28,000	72,000	72,000
Global coal price (USD/ton)	136.68	346	172	140	110
Global nickel price (USD/ton)	19,185	26,000	22,500	22,000	21,000

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