Vale Indonesia

Bloomberg: INCO.IJ | Reuters: INCO.JK

Metal Mining Sector

14 November 2023

SAMUEL SEKURITAS INDONESIA
Your Lifelong Investment Partner

JCI Index: 6,838

HOLD (Maintain)

Target Price (IDR)	**5,000 (from 5,900)**
Potential Upside (%)	**7.8**

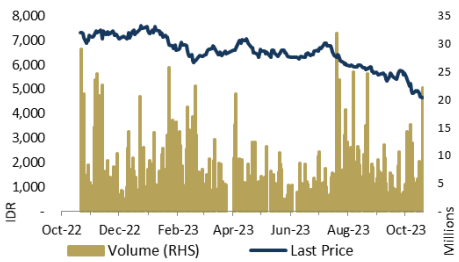
Price Comparison	
Cons. Target Price (IDR)	6,257
SSI vs. Cons. (%)	79.9

Stock Information	
Last Price (IDR)	4,640
Shares Issued (Mn)	9,936
Market Cap. (IDR Bn)	46,105
52-Weeks High/Low (IDR)	7,750/4,480
3M Avg. Daily Value (IDR Bn)	51.6
Free Float (%)	20.6
Shareholder Structure:	
Vale Canada Limited (%)	43.8
Others (%)	35.0
Public (%)	21.2

Stock Performance

(%)	YTD	1M	3M	12M
Absolute	(34.6)	(14.5)	(26.6)	(37.5)
JCI Return	(0.2)	(1.3)	(0.6)	(3.5)
Relative	(34.5)	(13.2)	(26.0)	(34.0)

Stock Price & Volumes, 12M



Company Background

Vale Indonesia (INCO) merupakan salah satu perusahaan pertambangan nikel terbesar di Indonesia. Vale memegang Kontrak Karya yang berlaku hingga tahun 2025 dengan luas konsesi 118,017 hektar. Vale memegang hak konsesi di Blok Sorowako; Bahodopi; Suasua dan Pomalaa.

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Earnings Downgrade Due to Soft Prices

Kami memutuskan untuk menurunkan proyeksi laba INCO di 2023F, karena kami memperkirakan laba INCO di 4Q23 akan lebih rendah dibandingkan 3Q23. Kami juga menurunkan asumsi harga nikel untuk 2024F menjadi USD 18,500 per ton (Sebelumnya: USD 21 ribu per ton). Kami mempertahankan rating HOLD untuk INCO dengan TP IDR 5,000 per saham.

Penurunan laba di 4Q23. INCO membukukan laba bersih sebesar USD 53 juta (-25.3% QoQ; +193.2% YoY) di 3Q23, dengan laba bersih kumulatif sebesar USD 221 juta (+31.3% YoY) di 9M23, sesuai dengan ekspektasi kami dan di atas konsensus (73.2 % dan 82,0%). Penurunan QoQ di 3Q23 terutama disebabkan oleh turunnya ASP sebesar -9.8% QoQ, meskipun volume penjualan tumbuh +4.6% QoQ. Terkait kinerja full-yearnya, kami memutuskan untuk menurunkan proyeksi laba INCO di 2023F, karena kami memperkirakan laba INCO di 4Q23 akan lebih rendah dibandingkan 3Q23, mengingat bahwa per 10 November, harga nikel LME telah turun sebesar –13.2% dari level 3Q23; karenanya, kami memproyeksikan ASP INCO akan turun ke USD 14k/ton (-11,0% QoQ) di 4Q23. Akibatnya, kami memproyeksikan laba bersih INCO di 4Q23 akan turun menjadi USD 257 juta (-7.9% QoQ) meski ada kenaikan produksi (+3.4%).

Penyesuaian proyeksi. Kami juga menurunkan asumsi harga nikel untuk 2024F menjadi USD 18,500 per ton (Sebelumnya: USD 21 ribu per ton), karena kami melihat harga nikel global akan cenderung lemah di 2024F akibat melimpahnya suplai, terutama dari Indonesia. Oleh karena itu, kami memutuskan untuk menurunkan proyeksi laba bersih INCO di 2024F sebesar 29.0% menjadi USD 195 juta.

Update terkait proyek. Proses perizinan untuk tambang Bahodopi diperkirakam selesai pada November 2023 (pada Agustus 2023, INCO menandatangani perjanjian joint venture untuk mengembangkan smelter RKEF di sana). Setelah proses analisis mengenai dampak lingkungan (AMDAL) selesai, pembangunan smelter akan dimulai. Sementara itu, INCO diperkirakan akan menerima persetujuan AMDAL untuk proyek tambang Pomalaa pada bulan Februari 2024, sementara proses pembiayaan HPAL telah dimulai (izin utama untuk proyek HPAL diperkirakan akan selesai pada bulan Desember 2023, dengan kapasitas hingga 120,000 ton/tahun). Terakhir, INCO telah menandatangani perjanjian definitif dengan Huayou untuk proyek Sorowako pada Agustus 2023. INCO sedang melakukan studi kelayakan, yang diharapkan selesai pada Desember 2023.

Update terkait divestasi. Kementerian Energi dan Sumber Daya Mineral (ESDM) mengumumkan kesepakatan mengenai divestasi 14% saham INCO kepada MIND ID, sehingga kepemilikan MIND ID di INCO menjadi 34%. Kami melihat hal ini sebagai katalis positif; meskipun INCO harus menyerahkan lebih banyak saham dari rencana awal (14% vs 11%), INCO kemungkinan besar tetap memegang kendali operasional penuh tambang Sorowako, yang menjamin terlaksananya rencana ekspansinya.

HOLD, TP IDR 5,000. Kami mempertahankan rating HOLD untuk INCO dengan TP baru sebesar IDR 5,000 per saham (sebelumnya: IDR 5,900 per saham), yang menyiratkan EV/EBITDA FY24F sebesar 5.7x. TP kami berbasis DCF, dengan asumsi berikut: CoE 13,8% dan terminal growth 3%.

Valuations (at closing price IDR 4,640 per share)

Y/E Dec	21A	22A	23F	24F	25F
Revenue (USD Mn)	953	1,179	1,189	1,030	1,002
EBITDA (USD Mn)	343	436	470	399	395
EV/EBITDA (x)	7.9	5.9	4.8	5.1	4.6
Net Profit (USD Mn)	166	200	256	195	190
Net Profit Growth (%)	100.2	20.9	27.8	-23.8	-2.8
EPS (IDR)	239	288	387	295	286
P/E Ratio (x)	19.4	16.1	12.0	15.7	16.2
BVPS (IDR)	3,101	3,389	3,942	4,237	4,523
P/BV Ratio (x)	1.5	1.4	1.2	1.1	1.0
DPS (IDR)	48	-	-	-	-
Dividend Yield (%)	1.0	-	-	-	-
ROAE (%)	7.4	8.1	9.5	6.7	6.5
ROAA (%)	6.5	7.2	8.5	6.1	5.3
Interest Coverage (x)	45.4	42.6	63.3	218.6	140.2
Net Gearing (x)	NC	NC	NC	NC	NC

Table 1. Forecast changes

	Before			Revision			Percentage		
	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F
Revenue	1,296	1,237	n.a	1,189	1,030	1,002	*-8.3%*	*-16.7%*	n.a
growth (%)	*9.9%*	*-4.6%*	n.a	*0.8%*	*-13.3%*	*-2.7%*			
Operating Profit	404	366	n.a	317	240	231	*-21.6%*	*-34.3%*	n.a
growth (%)	*37.5%*	*-9.4%*	n.a	*7.8%*	*-24.1%*	*-3.8%*			
Net Profit	302	275	n.a	256	195	190	*-15.2%*	*-29.0%*	n.a
growth (%)	*50.7%*	*-8.9%*	n.a	*27.8%*	*-23.8%*	*-2.8%*			

Source: Company, SSI Research

Table 2. INCO's smelter and mine project

Project	Investment Cost (USD Mn)	Production	Capacity	Operation	Ownership
Mine Project					
Bahodopi Mine	400	Nickel Ore (Ni Ore)	13mn WMT	Mid 2027	INCO: 100%
Pomalaa Mine	1,000	Nickel Ore (Ni Ore)	35mn WMT	Mid 2028	INCO: 100%
Smelter Project					
Bahodopi RKEF Smelter	2,200	Ferronickel (FeNi)	73kt	Mid 2027	INCO: 49% Tisco-Xinhai: 51%
Pomalaa HPAL	3,500	Mixed Hydroxide Precipitate (MHP)	120kt	Mid 2028	INCO: 30% Huayou/Ford: 70%

Source: Company, SSI Research

Key Financial Figures

Profit and Loss					
Y/E Dec (USD Mn)	**21A**	**22A**	**23F**	**24F**	**25F**
Revenue	**953**	**1,179**	**1,189**	**1,030**	**1,002**
COGS	(704)	(866)	(852)	(773)	(754)
Gross Profit	**249**	**314**	**337**	**258**	**248**
Operating Expenses	(18)	(20)	(20)	(17)	(17)
Operating Profit	**231**	**294**	**317**	**240**	**231**
EBITDA	**343**	**436**	**470**	**399**	**395**
Interest Income	3	11	32	29	32
Interest Expenses	(5)	(7)	(5)	(1)	(2)
Other Income/Expenses	(8)	(22)	(15)	(15)	(15)
Pre-tax Income	**221**	**276**	**328**	**254**	**246**
Income Taxes	(55)	(75)	(72)	(58)	(57)
Minority Interest	-	-	-	-	-
Net Profit	**166**	**200**	**256**	**195**	**190**

Cash Flow					
Y/E Dec (USD Mn)	**21A**	**22A**	**23F**	**24F**	**25F**
Net Profit	166	200	256	195	190
D&A	112	143	153	159	164
Change in working capital	(50)	(40)	(31)	28	7
Others	9	(4)	0	0	0
Operating Cash Flow	**236**	**299**	**378**	**382**	**361**
Capital Expenditure	(151)	(173)	(190)	(165)	(160)
Investing Cash Flow	**(151)**	**(173)**	**(190)**	**(165)**	**(160)**
Change in Debt	-	-	10	10	10
Other Financing	35	(0)	0	0	0
Financing Cash Flow	**35**	**(0)**	**10**	**10**	**10**
Net - Cash Flow	**120**	**126**	**198**	**227**	**211**
Cash at beginning	**389**	**508**	**634**	**832**	**1,059**
Cash at ending	**508**	**634**	**832**	**1,059**	**1,270**

Balance Sheet					
Y/E Dec (USD Mn)	**21A**	**22A**	**23F**	**24F**	**25F**
Cash and cash equivalents	508	634	832	1,059	1,270
Trade receivables	102	141	156	135	132
Inventories	162	156	154	140	136
Others	64	59	60	60	61
Total current assets	**837**	**990**	**1,202**	**1,395**	**1,600**
Fixed Assets	1,519	1,550	1,587	1,594	1,590
Other Assets	117	118	120	122	124
Total Assets	**2,473**	**2,658**	**2,911**	**3,112**	**3,313**
Trade payables	122	116	98	91	91
ST Debt	-	-	5	10	15
Other ST Liabilities	46	59	60	61	62
Total Current Liabilities	**168**	**175**	**163**	**162**	**168**
LT Debt	-	-	5	10	15
Other LT liabilities	150	128	130	132	134
Total Liabilities	**318**	**303**	**299**	**304**	**317**
Minority Interest	0	0	0	0	0
Total Equity	**2,154**	**2,355**	**2,611**	**2,807**	**2,996**
Total liabilities & equity	**2,473**	**2,658**	**2,910**	**3,111**	**3,314**

Key Ratios					
Y/E Dec (USD Mn)	**21A**	**22A**	**23F**	**24F**	**25F**
Gross Profit Margin (%)	26.1	26.6	28.3	25.0	24.7
Operating Profit Margin (%)	24.3	24.9	26.6	23.3	23.1
EBITDA Margin (%)	36.0	37.0	39.5	38.7	39.4
Pre-Tax Margin (%)	23.1	23.4	27.6	24.6	24.6
Net Profit Margin (%)	17.4	17.0	21.5	18.9	18.9
Revenue Growth (%)	24.6	23.7	0.8	-13.3	-2.7
EBITDA Growth	50.0	27.3	7.6	-15.0	-0.9
Net Gearing (x)	NC	NC	NC	NC	NC

Major Assumptions					
Y/E Dec (USD Mn)	**21A**	**22A**	**23F**	**24F**	**25F**
Nickel mate sales volume (Mn ton)	66,615	60,960	68,600	71,400	71,400
Nickel mate asp (USD/ton)	14,309	19,348	17,331	14,430	14,040

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