

## BUY (Maintain)

Target Price (IDR)	1,500 (unchanged)
Potential Upside (%)	42.2

### Price Comparison

Cons. Target Price (IDR)	1,300
SSI vs. Cons. (%)	115.4

### Stock Information

Last Price (IDR)	1,055
Shares Issued (Mn)	63,099
Market Cap. (IDR Bn)	66,569
52-Weeks High/Low (IDR)	1,470/750
3M Avg. Daily Value (IDR Bn)	56.5
Free Float (%)	13.5

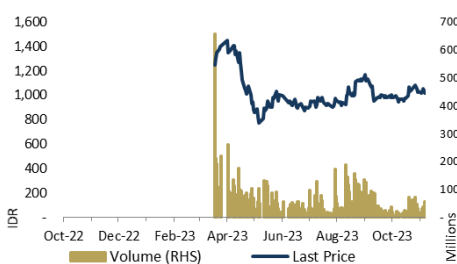
### Shareholder Structure:

PT Harita Jayaraya (%)	86.5
Public (%)	12.7
Others (%)	0.9

### Stock Performance

(%)	YTD	1M	3M	12M
Absolute	n.a	11.6	14.1	n.a
JCI Return	3.3	6.3	1.2	0.6
Relative	n.a	5.4	12.9	n.a

### Stock Price & Volumes, 12M



### 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.

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## Buying Manhattan for Beads

NCKL posted a net profit of IDR 1.7tn in 3Q23, bringing its cumulative 9M23 bottom line to IDR 4.5tn (+23.8% YoY), in line with ours and cons at 74.8% and 78.1%, respectively. The earnings growth in 3Q23 was mainly attributable to higher sales volume (partly thanks to higher output from the company's HJF smelter [+70.6% QoQ]), which offset the drop in ASP. In addition, we see a positive catalyst coming from the company's recent mine acquisitions; aside from their low prices, we believe those assets will ensure the implementation of NCKL's expansion plan. We reiterate our BUY rating on NCKL with an unchanged TP of IDR 1,500 per share, implying a 2024F P/E of 10.1x.

**Earnings in line with ours and cons.** NCKL posted revenue of IDR 7.1tn in 3Q23 (+29.3% QoQ; 265.4% YoY), translating into cumulative 9M23 revenue of IDR 17.3tn (+135.1% YoY), in line with ours and cons at 77.4% and 77.0%, respectively. The revenue growth in 3Q23 was mainly driven by higher sales volume (partly thanks to the increase in output from the company's HJF smelter of 70.6% QoQ), which offset the drop in ASP. On its bottom line, NCKL posted a net profit of IDR 1.7tn (+24.9% QoQ) in 3Q23, bringing its cumulative 9M23 bottom line to IDR 4.5tn (+23.8% YoY), in line with ours and cons at 74.8% and 78.1%, respectively.

**Positive catalyst from acquisitions.** We believe the recent acquisition of a 29% stake in the GPS mine and a 99% stake in the GTS mine might be a positive catalyst for NCKL. Assuming prices of USD 10/ton for limonite and USD 15/ton for saprolite, with total reserves of USD 20mn Wmt (GPS mine) and USD 38mn Wmt (GTS mine), our calculation suggested that the fair values of those assets are USD 220mn and USD 400mn, much higher than what NCKL actually paid for both (USD 3.1mn and USD 0.5mn respectively). In addition, we believe those assets will secure NCKL's operations for the foreseeable future, given the company's intention to expand its smelter capacity.

**Maintain BUY with an unchanged TP of IDR 1,500/share.** We reiterate our BUY rating on NCKL, with an unchanged TP of IDR 1,500 per share, implying a 2024F P/E of 10.1x. Downside risks: lower-than-expected commodity prices and regulatory changes.

### Forecasts and Valuations (at IDR 1,055/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)	15.7	14.8	9.1	5.7	4.4
Net Profit (IDR Bn)	1,968	4,667	5,965	9,363	10,432
Net Profit Growth (%)	592.5	137.1	27.8	57.0	11.4
EPS (IDR)	36	85	95	148	165
P/E Ratio (x)	29.5	12.5	11.2	7.1	6.4
BVPS (IDR)	173	258	455	599	762
P/BV Ratio (x)	6.1	4.1	2.3	1.8	1.4
DPS (IDR)	-	-	22	28	45
Dividend Yield (%)	-	-	2.1	2.7	4.2
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

# Trimegah Bangun Persada

Bloomberg: NCKL.IJ | Reuters: NCKL.JK

Metal Mining Sector



4 December 2023

JCI Index: 7,060

Table 1. 3Q23 results

NCKL - IDR Bn	9M23	9M22	YoY (%)	% estimasi SSI	% estimasi Cons	3Q23	2Q23	QoQ (%)	3Q22	YoY (%)
<b>Revenue</b>	<b>17,300</b>	<b>7,358</b>	<b>135.1%</b>	<b>77.4</b>	<b>77.0</b>	<b>7,057</b>	<b>5,456</b>	<b>29.3%</b>	<b>1,931</b>	<b>265.4%</b>
<b>Gross Profit</b>	<b>6,134</b>	<b>3,760</b>	<b>63.1%</b>			<b>2,635</b>	<b>1,932</b>	<b>36.4%</b>	<b>764</b>	<b>244.8%</b>
<i>Margin (%)</i>	<i>35.5</i>	<i>51.1</i>				<i>37.3</i>	<i>35.4</i>		<i>39.6</i>	
<b>Operating Profit</b>	<b>5,081</b>	<b>3,137</b>	<b>62.0%</b>	<b>80.7</b>	<b>85.9</b>	<b>2,334</b>	<b>1,574</b>	<b>48.3%</b>	<b>538</b>	<b>333.9%</b>
<i>Margin (%)</i>	<i>29.4</i>	<i>42.6</i>				<i>33.1</i>	<i>28.9</i>		<i>27.9</i>	
<b>Net Income</b>	<b>4,465</b>	<b>3,605</b>	<b>23.8%</b>	<b>74.8</b>	<b>78.1</b>	<b>1,719</b>	<b>1,377</b>	<b>24.9%</b>	<b>389</b>	<b>342.4%</b>
<i>Margin (%)</i>	<i>25.8</i>	<i>49.0</i>				<i>24.4</i>	<i>25.2</i>		<i>20.1</i>	
EPS - Rp	186	-								
BVS - Rp	923	-								
Cash	5,203	-								
Interest Bearing Debt	8,201	-								
Equity	27,172	-								
<b>Net Gearing</b>	<b>0.1</b>	<b>-</b>								

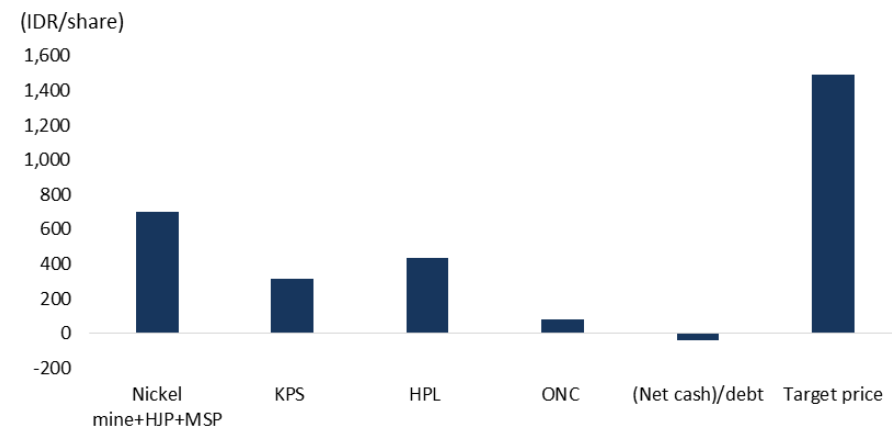
Source: Company, SSI Research

Table 2. Estimated fair value of the acquired mines

	Reserve + Resource (Mn Wmt)	Assumption ore price (USD/Wmt)	Valuation (USD Mn/ Wmt)
<b>GPS Mine</b>			
Limonite	16	10	160
Saprolite	4	15	60
			<b>220</b>
<b>GTS Mine</b>			
Limonite	26	10	260
Saprolite	12	15	180
			<b>440</b>

Source: Company, SSI Research

Figure 1: SOTP valuation



Source: Company, SSI Research

# Trimegah Bangun Persada

Bloomberg: NCKL.IJ | Reuters: NCKL.JK

Metal Mining Sector



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## 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)
<b>Gross Profit</b>	<b>4,514</b>	<b>4,675</b>	<b>7,928</b>	<b>12,548</b>	<b>14,492</b>
Operating Expenses	(948)	(890)	(1,632)	(2,960)	(3,962)
<b>Operating Profit</b>	<b>3,565</b>	<b>3,785</b>	<b>6,296</b>	<b>9,588</b>	<b>10,530</b>
<b>EBITDA</b>	<b>3,967</b>	<b>4,483</b>	<b>7,040</b>	<b>10,408</b>	<b>11,428</b>
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
<b>Pretax Profit</b>	<b>3,975</b>	<b>6,650</b>	<b>8,267</b>	<b>13,118</b>	<b>15,711</b>
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
<b>Net Profit</b>	<b>1,968</b>	<b>4,667</b>	<b>5,965</b>	<b>9,363</b>	<b>10,432</b>

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
<b>Total current assets</b>	<b>4,772</b>	<b>6,334</b>	<b>15,758</b>	<b>23,281</b>	<b>31,256</b>
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
<b>Total assets</b>	<b>21,002</b>	<b>34,605</b>	<b>44,855</b>	<b>54,114</b>	<b>63,842</b>
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
<b>Total current liabilities</b>	<b>8,704</b>	<b>10,209</b>	<b>13,896</b>	<b>14,231</b>	<b>13,869</b>
Long-term debt portion	2,292	9,568	1,640	1,465	1,325
Others	464	599	599	599	599
<b>Total liabilities</b>	<b>11,460</b>	<b>20,376</b>	<b>16,134</b>	<b>16,295</b>	<b>15,792</b>
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
<b>Total equity</b>	<b>9,542</b>	<b>14,229</b>	<b>28,722</b>	<b>37,820</b>	<b>48,051</b>

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	-	-
<b>Operating Cash Flow</b>	<b>3,483</b>	<b>8,361</b>	<b>3,695</b>	<b>8,013</b>	<b>11,621</b>
Capex	(395)	(12,739)	(1,572)	(2,555)	(2,651)
<b>Investing Cash Flow</b>	<b>(395)</b>	<b>(12,739)</b>	<b>(1,572)</b>	<b>(2,555)</b>	<b>(2,651)</b>
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)
<b>Financing Cash Flow</b>	<b>(2,503)</b>	<b>3,077</b>	<b>3,527</b>	<b>(765)</b>	<b>(601)</b>
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

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