

Vale Indonesia Tbk (INCO IJ)

Potensi Pertumbuhan Masih Ada

INCO berhasil mencetak pendapatan FY19 sebesar USD782 juta yang naik 0,7% YoY atau setara 104,4% (+4,4%) dari estimasi kami pada 2019. Kami merevisi estimasi 2020F/2021F yang meliputi: 1) Produksi nikel dalam matte sebanyak 72.025 metrik ton untuk 2020F dan 73.156 metrik ton untuk 2021F; 2) Volume HSFO sebanyak 1,45 juta barel untuk 2020F dan 1,50 juta barel; 3) Volume penjualan sebanyak 72.231 metrik ton untuk 2020F dan 75.716 metrik ton untuk 2021F; 4) ASP sebanyak USD10.113/metrik ton untuk 2020F dan USD11.229/metrik ton untuk 2021F. INCO sedikit terdampak pandemik virus corona, dan kami tetap merekomendasikan BUY dengan target harga lebih rendah di Rp2.000.

Kinerja Tetap Stabil

Pada FY19, INCO mencatatkan pendapatan senilai USD782 juta (+0,7% YoY) yang melampaui estimasi 2019 kami sebesar 4,4% dan laba bersih senilai USD57 juta (-0,8% YoY) yang *in-line* dengan estimasi 2019 kami, yaitu senilai USD56 juta. Kami mengestimasi pendapatan 2020F senilai USD810 juta (+1,1% dari estimasi sebelumnya) dengan estimasi rata-rata harga nikel dunia pada 2020 berada di level USD13,111/metrik ton.

Volume Penjualan Bisa Tampik Sentimen Virus

Kami mengestimasi produksi sebanyak 72.025 metrik ton untuk 2020F dan 73.156 metrik ton untuk 2021F dengan volume penggunaan HSFO sebanyak 1,45 juta barel untuk 2020F dan 1,50 juta barel. Tingkat produksi INCO masih bisa sedikit meningkat pada tahun ini di tengah wabah virus corona dan peningkatan volume penjualan akan membantu pendapatan pada 2020. Kami mengestimasi volume penjualan sebanyak 72.231 metrik ton untuk 2020F dan 75.716 metrik ton untuk 2021F dengan ASP di level USD10.113/metrik ton untuk 2020F dan USD11.229/metrik ton untuk 2021F.

Skenario Terburuk

Kami melakukan *stress test analysis* untuk skenario terburuk bagi INCO jika pandemik virus corona berlanjut hingga akhir 2020. Menggunakan sampel kinerja sepanjang 2016-2017 sebagai kinerja terburuk INCO dalam 5 tahun terakhir (lihat hal. 3) maka skenario terburuk ialah potensi *downside* 27,1% dari harga terakhir.

Mempertahankan Rating BUY dengan Target Harga Lebih Rendah di Rp2.000

Proses pembangunan smelter di Bahadopi dan Pomalaa memiliki potensi bisnis jangka panjang. Berdasarkan fakta tersebut, kami tetap merekomendasikan BUY dengan potensi *upside* 20,5% berdasarkan forward EV/EBITDA sebesar 5,2x (-2 SD), target harga menyiratkan rasio P/E 2020F/2021F sebesar 17,7x/15,2x dan rasio EV/EBITDA sebesar 6,1x/5,4x.

Vale Indonesia Tbk | Summary

	2019A	2020F	2021F	2022F
Revenue (USD mn)	782	810	850	910
Growth (%)	0.7	3.6	5.0	7.0
EBITDA (USD mn)	221	231	261	289
Net Profit (USD mn)	57	81	95	113
EPS (IDR)	87	113	131	155
Growth (%)	-0.8	29.7	16.3	17.5
P/E (x)	41.8	17.7	15.2	12.9
P/BV (x)	1.3	0.7	0.7	0.7
EV/EBITDA (x)	11.7	6.1	5.4	4.9
ROE (%)	2.9	4.1	4.6	5.2
DER (%)	14.5	22.7	21.4	22.2
Net Debt (USD mn)	-248	-445	-543	-654

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

Buy

Dec 2020 TP (IDR)	2,000
Consensus Price (IDR)	3,723
TP to Consensus Price (%)	-46.3
vs. Last Price (%)	+20.5

Shares Data

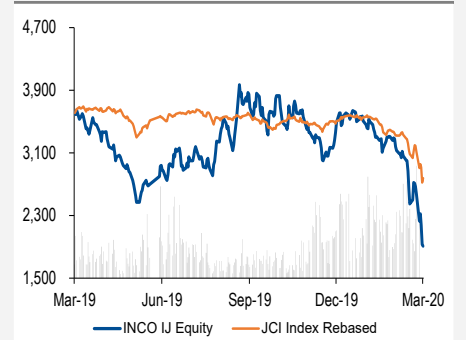
Last Price (IDR)	1,660
Price Date as of	Mar 17, 2020
52 wk Range (Hi/Lo)	4,320/1,660
Free Float (%)	20.5
Outstanding Shares (mn)	9,936
Market Cap (IDR bn)	18,978
Market Cap (USD mn)	1,292
Avg. Trd Vol - 3M (mn)	8.7
Avg. Trd Val - 3M (bn)	27.4
Foreign Ownership (%)	80.1

Mining

Metal

Bloomberg	INCO IJ
Reuters	INCO.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-47.2%	-39.9%	-45.3%	-47.1%
Rel. Ret.	-21.9%	-16.4%	-20.8%	-23.0%

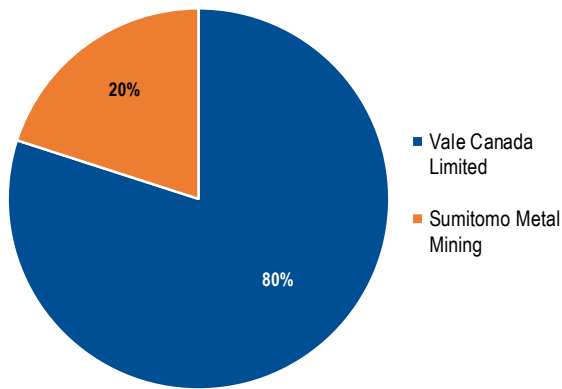


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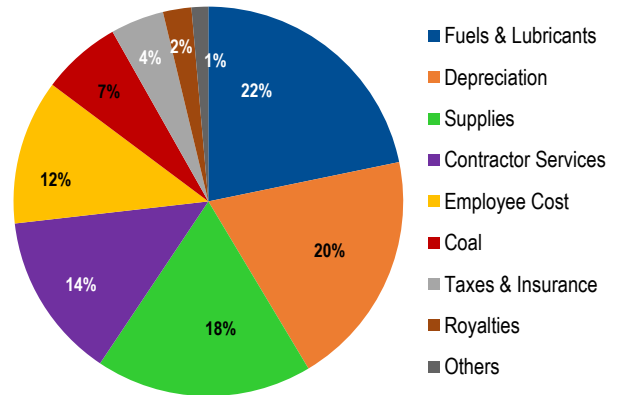
Performance Highlights in Charts

FY19 Destination of Sales



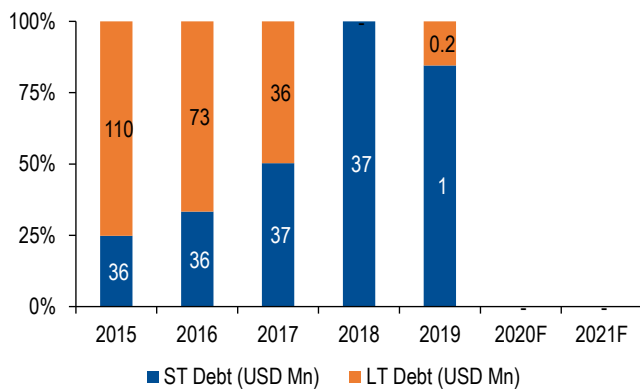
Source: Company Data, NHKSI Research

FY19 Cost of Revenue



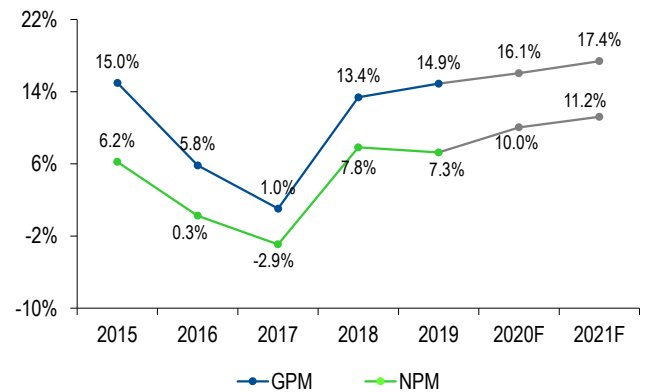
Source: Company Data, NHKSI Research

Debt Portion



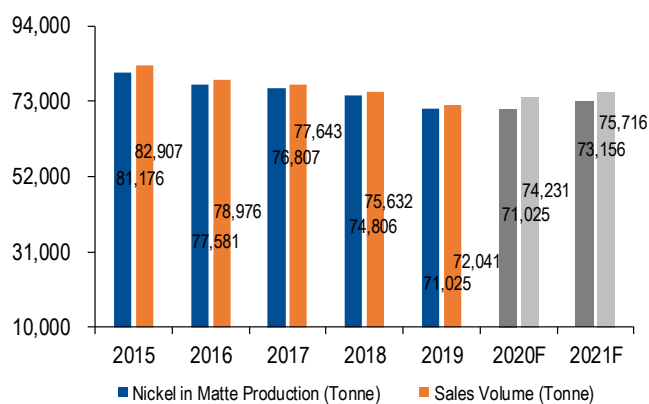
Source: Company Data, NHKSI Research

Margin Ratios



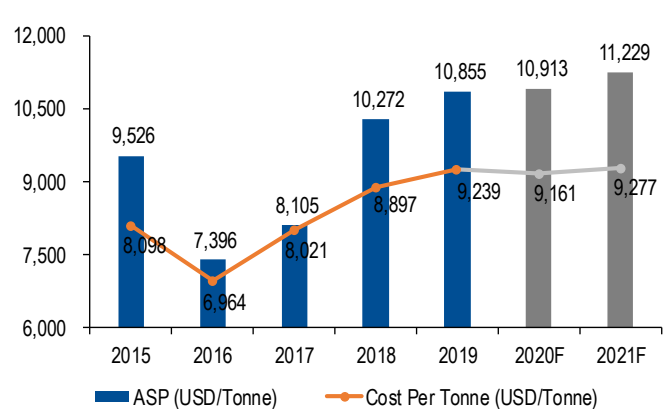
Source: Company Data, NHKSI Research

Production & Sales Volume



Source: Company Data, NHKSI Research

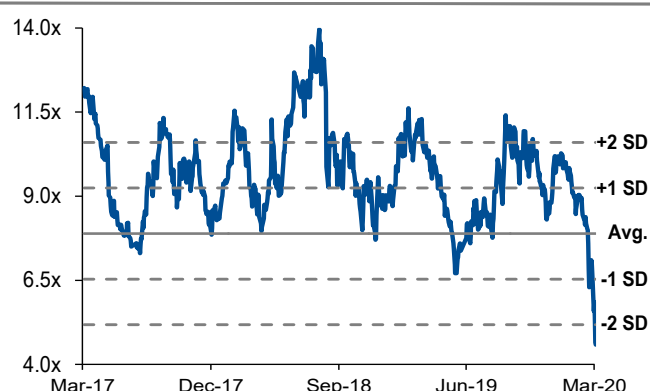
ASP & Cost Per Tonne



Source: Company Data, NHKSI Research

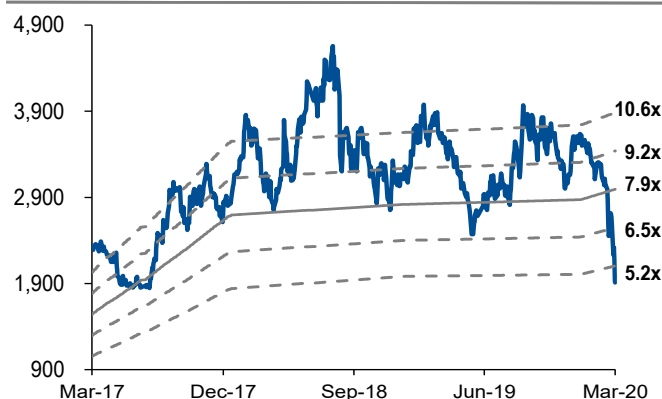
Valuation & Other Highlights in Charts

3-Year Forward EV/EBITDA Band



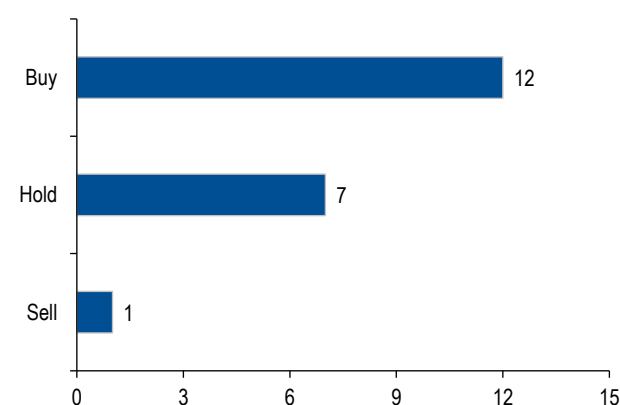
Source: Bloomberg, NHKSI Research

3-Year Dynamic Forward EV/EBITDA Band



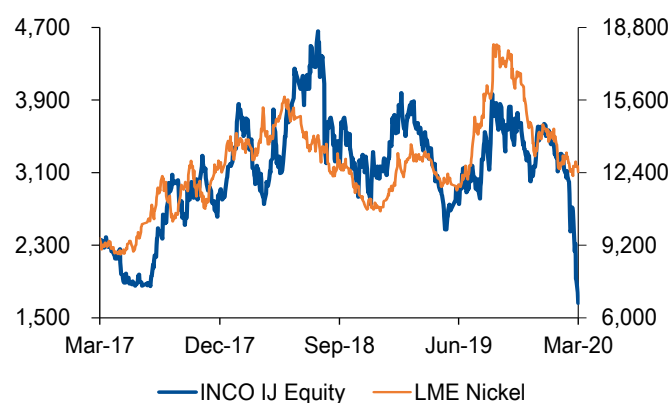
Source: Bloomberg, NHKSI Research

Recommendation by Analysts



Source: Bloomberg, NHKSI Research

Stock & Nickel Prices Movement



Source: Bloomberg, NHKSI Research

Stress Test Analysis

	NHKSI Estimates		Actual		Stress Test Using Worse of 2016 and 2017	Description
	2019A	2020F	2016	2017		
Total Production (Tonne)	71,025	72,025	77,581	76,807	76,807	In Stress Test, we use the lowest of production in 2016 and 2017
Total Nickel Sales Volume (Tonne)	72,044	74,231	78,976	77,643	77,643	In Stress Test, we use the lowest of sales volume in 2016 and 2017
ASP (USD/Tonne)	10,855	10,113	7,396	8,105	7,396	In Stress Test, we use the lowest of ASP in 2016 and 2017
Operating Profit (USD Mn)	88	110	17	-21	20	Fell from USD88 million to USD20 million in 2020
Net Profit (USD Mn)	57	81	-18	61	14	Fell from USD57 million to USD14 million in 2020
EPS (IDR)	87	113	3	-21	20	Fell from IDR87 to IDR20 in 2020
Fair Multiple (x)		5.2	5.2	5.2	5.2	
Fair Price (IDR)		2,000			1,210	Worse case TP; which might be realistic
Last Price (IDR)		1,660			1,660	
Upside/Downside (%)		+20.5			-27.1	

Source: Bloomberg, NHKSI Research

Financial Review

Quarterly Review

	4Q18	1Q19	2Q19	3Q19	4Q19					1Q20E
					Actual	Estimate	YoY %	QoQ %	Surprise %	
Income Statement										
Revenue	197	126	166	214	276	243	39.7	28.6	13.5	241
Gross Profit	8	-23	1	44	95	72	1164.5	117.9	32.5	28
EBIT	-2	-29	-11	42	89	68	-4082.6	111.0	30.7	21
EBITDA	30	2	14	82	125	101	316.7	53.4	23.7	51
Net Profit	5	-20	-9	34	58	55	999.2	73.4	6.9	17
Margin										
Gross Margin	3.8	-18.4	0.3	20.4	34.6	29.7	30.8	14.2	5.0	11.4
EBIT Margin	-1.1	-23.1	-6.6	19.6	32.2	28.0	33.3	12.6	4.2	8.8
EBITDA Margin	15.3	1.7	8.3	38.2	45.5	41.8	30.3	7.4	3.7	21.2
Net Profit Margin	2.7	-15.9	-5.7	15.7	21.2	22.5	18.5	5.5	-1.3	7.0

Unit: USD mn, %

Source: Company Data, NHKSI Research

Earnings Revisions

		2020F	2021F	2022F
Income Statement				
Revenue	-Revised	810	850	910
	-Previous	801	858	
	-Change %	1.1	-0.9	
	-Consensus	835	922	943
Gross Profit	-Revised	130	148	164
	-Previous	105	159	
	-Change %	24.4	-7.1	
	-Consensus	142	197	230
EBIT	-Revised	110	126	141
	-Previous	83	103	
	-Change %	32.0	22.9	
	-Consensus	138	193	189
EBITDA	-Revised	231	261	289
	-Previous	217	242	
	-Change %	6.3	7.6	
	-Consensus	255	310	303
Net Profit	-Revised	81	95	113
	-Previous	69	89	
	-Change %	18.7	11.4	
	-Consensus	91	125	140
Margin				
Gross Margin	-Revised	16.1	17.4	18.0
	-Previous	13.1	18.5	
EBIT Margin	-Revised	13.5	14.9	15.5
	-Previous	10.4	12.0	
EBITDA Margin	-Revised	28.5	30.7	31.8
	-Previous	27.1	28.3	
Net Profit Margin	-Revised	10.0	11.2	12.4
	-Previous	8.6	10.0	

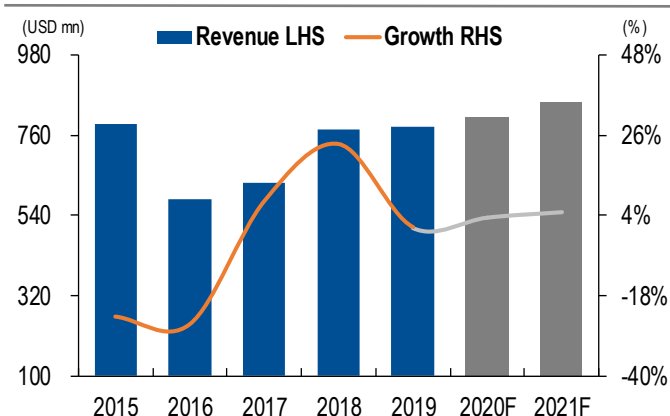
Unit: USD mn, %

Source: Company Data, NHKSI Research

Company Overview

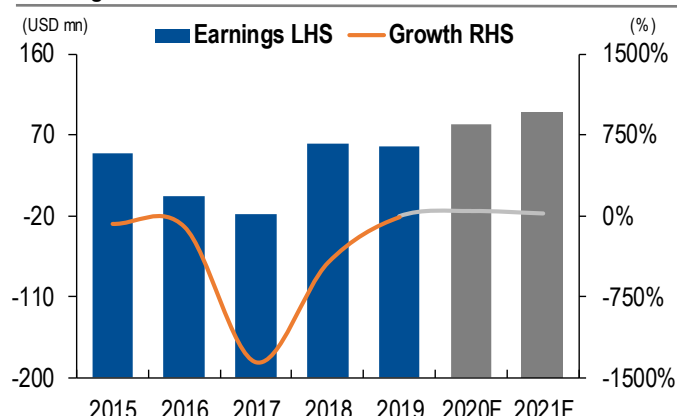
PT Vale Indonesia Tbk (INCO) yang didirikan pada 25 Juli 1968 dan *go public* pada 1990 merupakan perusahaan tambang dan pengolahan nikel terintegrasi dengan pabrik operasional pengolahan di Provinsi Sulawesi Selatan. Vale Canada Limited sebagai pemilik saham mayoritas INCO merupakan perusahaan multitambang yang berpusat di Brazil dan memiliki reputasi sebagai pemimpin global produksi bijih besi dan salah satu produsen nikel terbesar kedua di dunia. INCO menambang nikel laterit untuk menghasilkan produk akhir nikel dalam matte, memproduksi nikel mencapai rata-rata volume 75.000 metrik ton dengan menggunakan teknologi pyrometalurgi, dan memiliki total area konsesi seluas 118.017 hektar di Sorowako, Bahodopi, Pomalaa. Keseluruhan hasil produksi nikel yang seluruhnya diekspor ke Vale Canada Limited di Canada dan Sumitomo Metal Co, Ltd di Jepang.

Revenue & Growth Movement



Source: Company Data, NHKSI Research

Earnings & Growth Movement



Source: Company Data, NHKSI Research

Asia Pacific Peers Comparison

	Market Cap (USD mn)	Total Asset (USD mn)	Sales LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Growth LTM (%)	Net Profit Margin (%)	ROE LTM (%)	P/E LTM (x)	P/BV (x)
Indonesia									
VALE INDONESIA TBK	1,293	2,222	782	57	467.7	7.3	3.0	10.8	0.7
ANEKA TAMBANG TBK	783	2,309	2,083	56	-26.8	2.7	4.1	13.0	0.6
CENTRAL OMEGA RESOURCES TBK	37	184	44	1	N/A	1.7	1.2	15.6	0.6
China									
ZHONGJIN GOLD CORP	3,819	5,532	5,254	20	-24.8	0.4	1.0	N/A	1.9
YINTAI RESOURCES	3,784	1,553	731	122	45.6	16.7	9.8	N/A	3.0
INNER MONGOLIA	1,942	2,918	3,307	123	-7.4	3.7	8.0	N/A	1.2
Taiwan									
KING SLIDE WORKS	1,009	425	158	50	-12.3	32.0	15.0	12.2	2.8
Australia									
NICKEL ASIA CORP	497	879	337	29	-58.0	8.6	5.0	8.0	0.8

Source: Bloomberg, NHKSI Research

Financial Summary

INCOME STATEMENT

(USD mn)	2019/12A	2020/12F	2021/12F	2022/12F
Revenue	782	810	850	910
<i>Growth</i>	<i>0.7%</i>	<i>3.6%</i>	<i>5.0%</i>	<i>7.0%</i>
COGS	(666)	(680)	(702)	(746)
Gross Profit	116	130	148	164
<i>Gross Margin</i>	<i>14.9%</i>	<i>16.1%</i>	<i>17.4%</i>	<i>18.0%</i>
Operating Expenses	(28)	(20)	(21)	(23)
EBIT	88	110	126	141
<i>EBIT Margin</i>	<i>11.3%</i>	<i>13.5%</i>	<i>14.9%</i>	<i>15.5%</i>
Depreciation	133	121	134	148
EBITDA	221	231	261	289
<i>EBITDA Margin</i>	<i>28.2%</i>	<i>28.5%</i>	<i>30.7%</i>	<i>31.8%</i>
Interest Expenses	(4)	(1)	-	-
EBT	89	110	125	139
Income Tax	(32)	(29)	(29)	(26)
Minority Interest	-	-	-	-
Net Profit	57	81	95	113
<i>Growth</i>	<i>-6.7%</i>	<i>43.4%</i>	<i>17.1%</i>	<i>18.4%</i>
<i>Net Profit Margin</i>	<i>7.3%</i>	<i>10.0%</i>	<i>11.2%</i>	<i>12.4%</i>

PROFITABILITY & STABILITY

	2019/12A	2020/12F	2021/12F	2022/12F
ROE	2.9%	4.1%	4.6%	5.2%
ROA	2.6%	3.5%	3.9%	4.4%
ROIC	2.9%	4.1%	4.7%	5.3%
Cash Dividend (IDR bn)	-	-	-	-
Dividend Yield	-	-	-	-
Payout Ratio	-	-	-	-
DER	14.5%	22.7%	21.4%	22.2%
Net Gearing	0.4%	0.0%	0.0%	0.0%
LT Debt to Equity	0.0%	0.0%	0.0%	0.0%
Capitalization Ratio	0.1%	0.0%	0.0%	0.0%
Equity Ratio	118.8%	124.1%	130.4%	137.3%
Debt Ratio	0.1%	0.0%	0.0%	0.0%
Financial Leverage	226.9%	226.2%	234.0%	230.2%
Current Ratio	430.8%	276.9%	311.6%	319.9%
Par Value (IDR)	25	25	25	25
Total Shares (mn)	9,936	9,936	9,936	9,936
Share Price (IDR)	3,640	2,000	2,000	2,000
Market Cap (IDR tn)	36.2	19.9	19.9	19.9

BALANCE SHEET

(USD mn)	2019/12A	2020/12F	2021/12F	2022/12F
Cash	249	445	543	654
Receivables	107	146	120	164
Inventories	148	135	157	153
Total Current Assets	588	828	922	1,074
Net Fixed Assets	1,467	1,403	1,412	1,413
Other Non Current Asset	167	180	168	170
Total Assets	1,634	1,583	1,580	1,583
Payables	97	70	86	63
ST Bank Loan	1	-	-	-
LT Debt	0	-	-	-
Total Liabilities	281	446	442	483
Capital Stock & APIC	414	414	414	414
Retained Earnings	1,528	1,551	1,646	1,759
Total Equity	1,942	1,965	2,061	2,173

VALUATION INDEX

	2019/12A	2020/12F	2021/12F	2021/12F
Price/Earnings	41.8x	17.7x	15.2x	12.9x
Price/Book Value	1.3x	0.7x	0.7x	0.7x
Price/Sales	3.3x	1.8x	1.7x	1.6x
PE/EPS Growth	-6.2x	0.4x	0.9x	0.7x
EV/EBITDA	11.7x	6.1x	5.4x	4.9x
EV/EBIT	29.3x	12.8x	11.2x	10.0x
EV (IDR bn)	35,921	19,427	19,330	19,218
Sales CAGR (3-Yr)	10.2%	8.8%	3.1%	5.2%
EPS CAGR (3-Yr)	219.7%	10.4%	15.3%	11.5%
Basic EPS (IDR)	87	113	131	155
Diluted EPS (IDR)	87	113	131	155
BVPS (IDR)	2,716	2,729	2,841	2,975
Sales PS (IDR)	1,094	1,125	1,172	1,245
DPS (IDR)	N/A	N/A	N/A	N/A

CASH FLOW STATEMENT

(USD mn)	2019/12A	2020/12F	2021/12F	2022/12F
Operating Cash Flow	137	323	230	261
Investing Cash Flow	(166)	(125)	(151)	(173)
Financing Cash Flow	(23)	13	18	24
Net Changes in Cash	(53)	210	97	112

TOP OWNERSHIP

By Geography	% Shareholders	%
Canada	70.1 Vale SA	58.7
Japan	24.9 Sumitomo Metal	20.1
United States	2.0 Norges Bank	1.26
Norway	1.5 Vanguard Group	0.71

Source: Company Data, NHKSI Research

Closing & Target Price Update



Source: Bloomberg, NHKSI Research

Rating & Target Price Update

Date	Rating	Target Price	Consensus
2017.08.14	Hold	IDR2,560	IDR2,305
2017.11.06	Hold	IDR3,410	IDR3,021
2018.08.15	Buy	IDR5,325	IDR5,300
2018.10.29	Buy	IDR3,760	IDR5,004
2019.06.25	Buy	IDR3,370	IDR3,538
2019.08.19	Buy	IDR3,960	IDR3,801
2019.10.28	Buy	IDR4,200	IDR4,041
2020.03.18	Buy	IDR2,000	IDR3,723

Source: NHKSI Research

NHKSI Stock Ratings

- Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
- Buy: greater than +15%, Hold: -15% to +15%, Sell: less than -15%.
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