

Aneka Tambang Tbk (ANTM IJ)

Modest Performance

ANTM recorded a modest performance with a net loss of IDR282 billion due to a decrease in revenue of up to 16.7% YoY. We revised ANTM's estimated performance in 2020F assuming a gold sales volume of 19,888 kg and ferronickel sales volume of 26,588 TNi for 2020F plus gold ASP of IDR991 million/kg and ASP ferronickel of IDR165 million/TNi for 2020F. We still recommend BUY with TP of IDR850.

Modest Performance

In 1Q20, ANTM posted a net loss of IDR282 billion (vs 1Q19 net profit of IDR176 billion) due to lower revenue to IDR5.2 trillion (-16.3% YoY) and higher finance costs to IDR1.2 trillion (vs 1Q19 finance costs of IDR17 billion). Lower revenue in 1Q20 due to government regulations related to export bans for nickel ore. ANTM's 1Q20 revenue has reached 21% of our target in 2020F.

Revised Down 2020F Estimates

We slash our 2020F estimates (in page 4), considering: 1) pandemic condition will make a decline performance in 2020; 2) higher financial costs in 2020. We revised our assumption, as follows: 1) gold sales volume of 19,888 kg for 2020F and 20,874 kg for 2021F; 2) ferronickel sales volume of 26,588 TNi for 2020F and 27,917 TNi for 2021F; 3) gold ASP of IDR991 million/kg in 2020F and ferronickel ASP of IDR165 million/TNi for 2020F.

Gold Mine Exploration Must be a Priority

According to MIND ID, ANTM's gold reserves are running low in the next 2-3 years. We expect that in the next year, gold mine exploration becomes a priority of ANTM's exploration activity. Since 2017, ANTM's exploration costs continues to decline and we estimate in 2020 it will still be decreased by around 8-10% YoY due to the pandemic.

Maintain BUY Rating with Lower TP of IDR850

We still recommend BUY but downgrade our TP to IDR850 because of a modest 1Q20 financial performance. Our BUY recommendation considering: 1) higher gold price in 2020; 2) market expansion to Europe Union; 3) downstream development that will increase the product value in the future. Our new TP based on forward EV/EBITDA of 17.8x (+0.7 SD of its 5-year historical mean) with the potential upside of 23.2% from last price, it implies 2020F EV/EBITDA of 23.0x. ANTM is currently trading at 15.7x EV/EBITDA (below +1 SD of its 5-year historical mean).

Aneka Tambang Tbk | Summary

	2019A	2020F	2021F	2022F
Revenue (IDR bn)	32,719	25,039	27,450	29,660
Growth (%)	29.4	-23.5	9.6	8.1
EBITDA (IDR bn)	2,047	1,299	1,456	1,692
Net Profit (IDR bn)	194	16	159	251
EPS (IDR)	8	1	7	10
Growth (%)	-119.2	-91.7	885.0	57.6
P/E (x)	107.4	1265.5	128.5	81.5
P/BV (x)	1.1	1.1	1.0	1.0
EV/EBITDA (x)	14.5	23.0	20.8	18.3
ROE (%)	1.1	0.1	0.8	1.2
DER (%)	66.5	65.8	68.5	68.8
Net Debt (IDR bn)	4,921	5,345	5,573	5,930

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

Buy

Target Price (IDR)	850
Consensus Price (IDR)	719
TP to Consensus Price (%)	+18.2
vs. Last Price (%)	+23.2

Shares Data

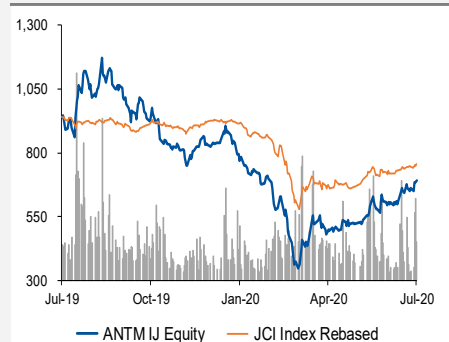
Last Price (IDR)	690
Price Date as of	Jul 23, 2020
52 wk Range (Hi/Lo)	1,175/338
Free Float (%)	35
Outstanding Shares (mn)	24,031
Market Cap (IDR bn)	16,581
Market Cap (USD mn)	1,137
Avg. Trd Vol - 3M (mn)	82.1
Avg. Trd Val - 3M (bn)	48.4
Foreign Ownership (%)	7

Mining

Metal

Bloomberg	ANTM IJ
Reuters	ANTM.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-17.9%	14.0%	36.6%	-26.6%
Rel. Ret.	0.3%	9.1%	22.6%	-6.9%

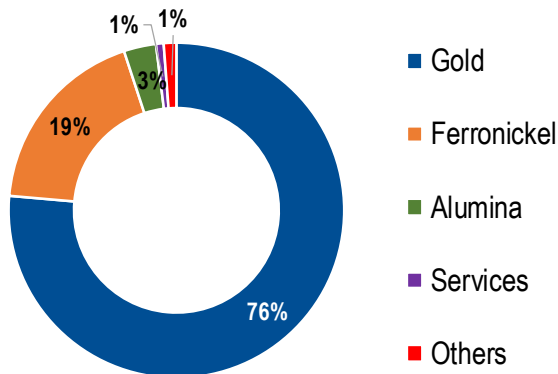


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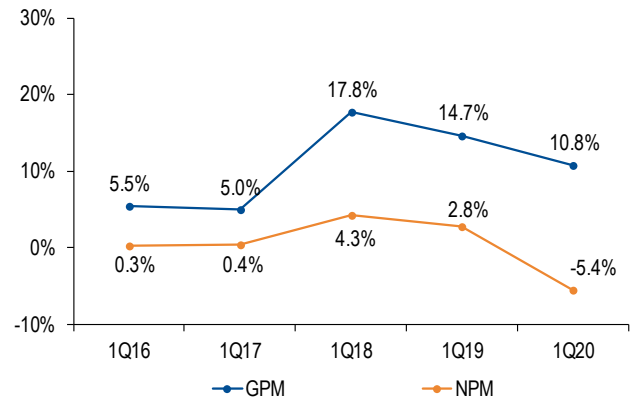
Performance Highlights in Charts

1Q20 Revenue Breakdown



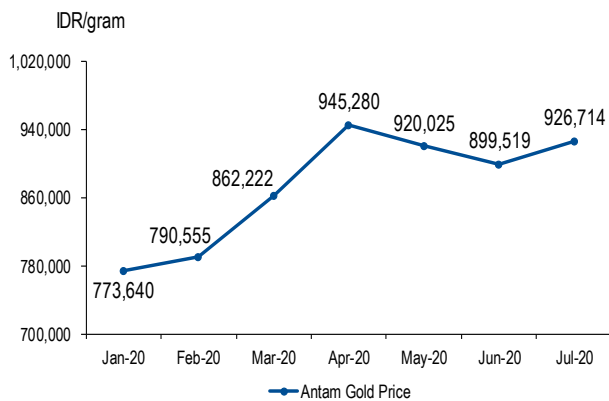
Source: Company Data, NHKSI Research

Margin Ratios



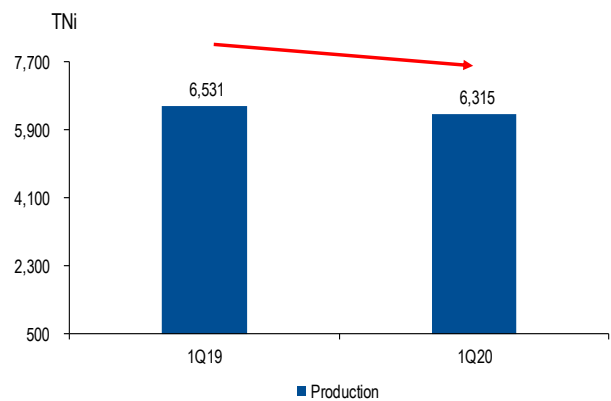
Source: Company Data, NHKSI Research

The Average Gold Price Trend (Antam Gold)



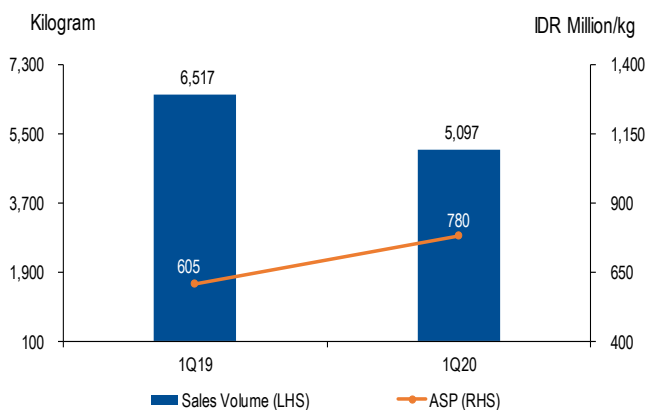
Source: Company Data, NHKSI Research

Ferronickel Production



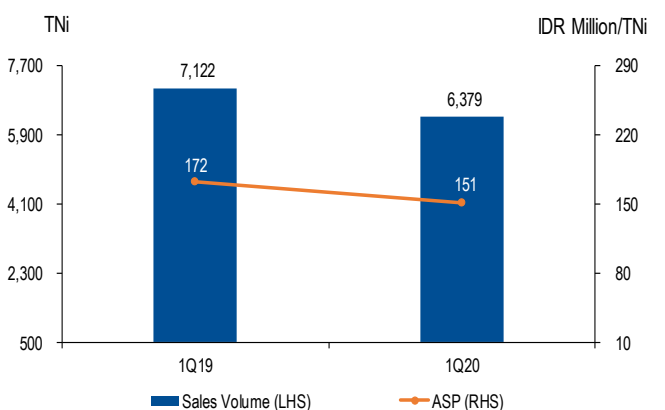
Source: Company Data, NHKSI Research

Gold Sales Volume & ASP



Source: Company Data, NHKSI Research

Ferronickel Sales Volume & ASP



Source: Company Data, NHKSI Research

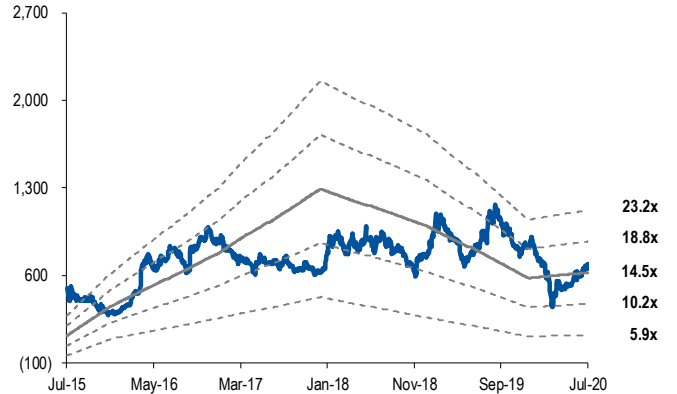
Valuation & Other Highlights in Charts

5-Year Forward EV/EBITDA Band



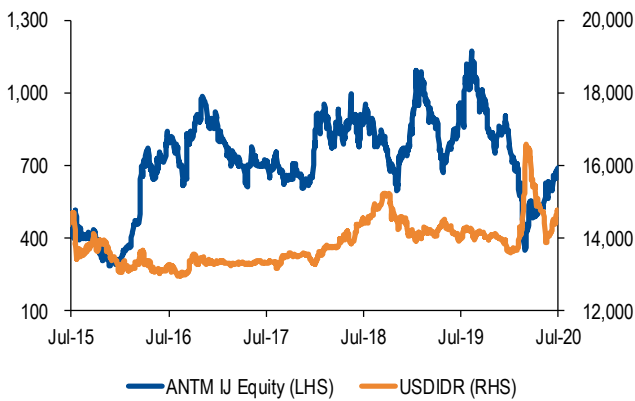
Source: Bloomberg, NHKSI Research

5-Year Dynamic Forward EV/EBITDA Band



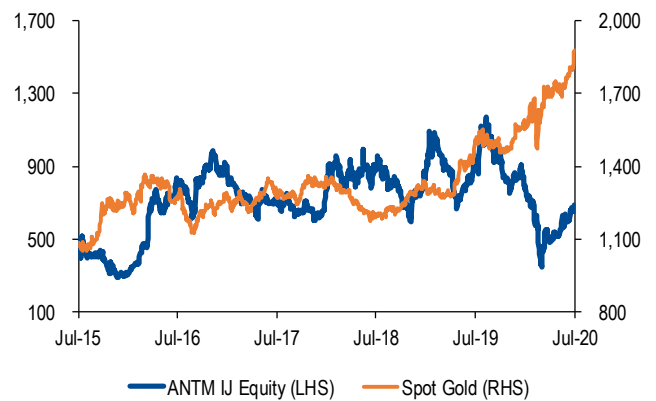
Source: Bloomberg, NHKSI Research

5-Year ANTM & USDIDR Movement



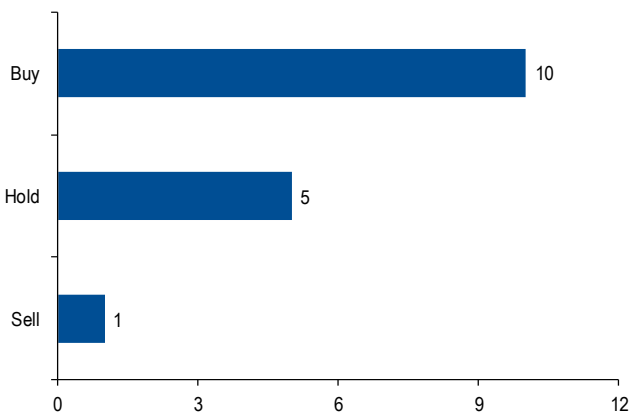
Source: Bloomberg, NHKSI Research

5-Year ANTM & Gold Prices Movement



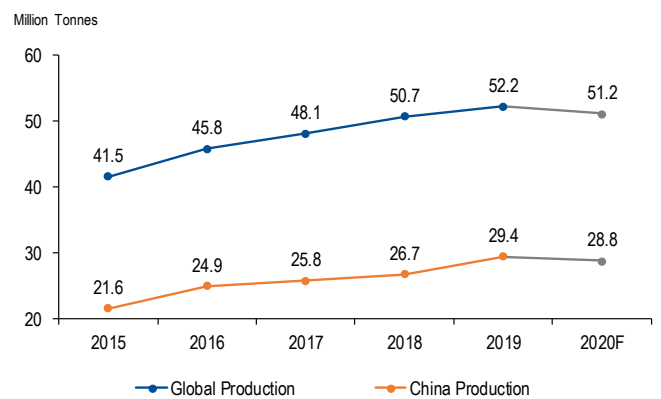
Source: Bloomberg, NHKSI Research

Recommendation by Analysts



Source: Bloomberg, NHKSI Research

Global & China Stainless Steel Output



Source: International Stainless Steel Forum (ISSF), NHKSI Research

Financial Review

Quarterly Review

	1Q19	2Q19	3Q19	4Q19	1Q20					2Q20E
					Actual	Estimate	YoY %	QoQ %	Surprise %	
Income Statement										
Revenue	6,219	8,209	10,111	8,181	5,203		-16.3	-36.4		4,820
Gross Profit	913	1,337	1,363	711	562		-38.4	-21.0		577
EBIT	181	435	495	-280	138		-24.2	149.2		184
EBITDA	444	727	781	-28	612		37.8	2555.2		347
Net Profit	176	194	195	-185	-282		-260.0	-52.1		189
Margin										
Gross Margin	14.7	16.3	13.5	8.7	10.8		-3.9	2.1		12.0
EBIT Margin	2.9	5.3	4.9	-3.4	2.6		-0.3	6.1		3.8
EBITDA Margin	7.1	8.9	7.7	-0.3	11.8		4.6	12.1		7.2
Net Profit Margin	2.8	2.4	1.9	-2.3	-5.4		-8.2	-3.2		3.9

Unit: IDR bn, %

Source: Company Data, NHKSI Research

Earnings Revisions

		2020F	2021F	2022F
Income Statement				
Revenue	-Revised	25,039	27,450	29,600
	-Previous	36,458	42,014	
	-Change %	-31.3	-34.7	
	-Consensus	27,529	29,686	32,143
Gross Profit	-Revised	2,373	2,872	3,251
	-Previous	5,789	6,671	
	-Change %	-59.0	-57.0	
	-Consensus	2,966	3,616	3,898
EBIT	-Revised	331	633	833
	-Previous	2,029	2,218	
	-Change %	-83.7	-71.4	
	-Consensus	522	818	1,070
EBITDA	-Revised	1,299	1,456	1,692
	-Previous	3,172	3,364	
	-Change %	-59	-56.7	
	-Consensus	1,590	1,685	2,160
Net Profit	-Revised	16	159	251
	-Previous	889	967	
	-Change %	-98.2	83.6	
	-Consensus	92	231	244
Margin				
Gross Margin	-Revised	9.5	10.5	11.0
	-Previous	15.9	15.9	
EBIT Margin	-Revised	1.3	2.3	2.8
	-Previous	5.6	5.3	
EBITDA Margin	-Revised	5.2	5.3	5.7
	-Previous	8.7	8.0	
Net Profit Margin	-Revised	0.1	0.6	0.8
	-Previous	2.4	2.3	

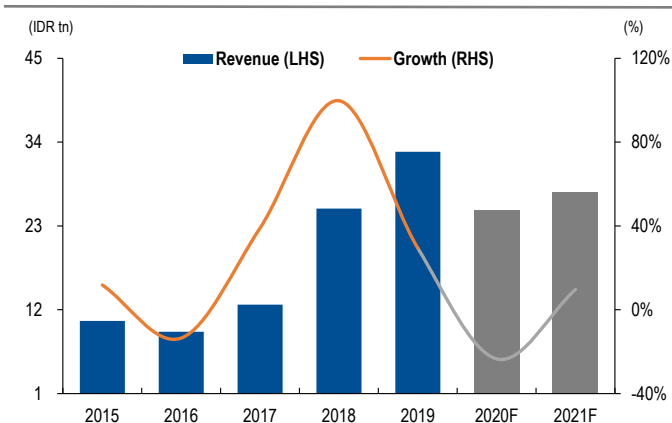
Unit: IDR bn, %

Source: Company Data, NHKSI Research

Company Overview

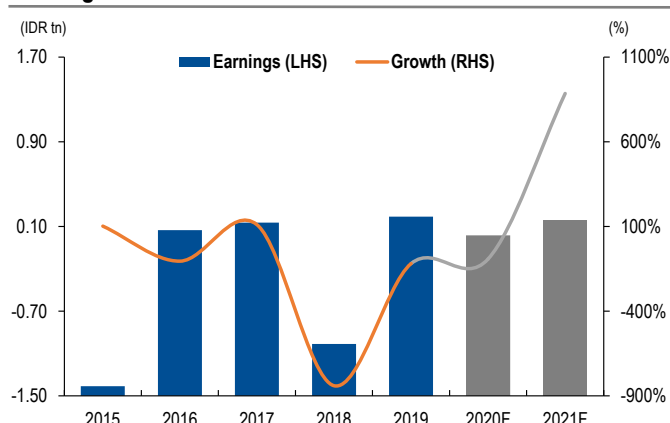
Aneka Tambang (ANTM) is a mining company whose business activities include exploration, mining, processing, and marketing such various mineral commodities as gold, nickel, nickel ore, silver, bauxite, and minerals. ANTM's products virtually are exported and sold in USD denomination, with major consumers are leading international companies in Europe and Asia. In ASEAN, ANTM is the sole gold producer to hold the international certificate of 99% gold purity certified by the London Bullion Market Association (LBMA). The certification advantages ANTM to penetrate the international gold trading markets. ANTM's market capitalization in Asia is still relatively smaller than that of its peers, but its sales are higher than its peers. In years ahead, ANTM will continue to expand its mining business in order to improve its competitiveness.

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 (%)	EV/BITDA LTM (x)	PBV (%)
Indonesia									
ANEKA TAMBANG TBK	1,136	2,181	2,239	-18	467.7	0.8	-1.4	8.1	0.9
MERDEKA COPPER GOLD TBK	2,566	951	414	65	37.3	15.8	15.0	7.3	5.1
VALE INDONESIA TBK	2,213	2,223	830	107	217.8	12.8	5.6	3.9	1.1
China									
ZHONGJING GOLD CORP	7,301	5,747	5,511	44	-10.2	0.8	2.1	N/A	2.8
YINTAI RESOURCES	5,376	1,707	856	139	35.1	16.2	10.9	N/A	4.0
INNER MONGOLIA	2,347	2,918	3,558	105	-15.7	3.0	6.8	N/A	1.5
Taiwan									
KING SLIDE WORKS	1,126	425	159	51	-17.3	32.2	14.5	8.9	3.0
Australia									
MINERAL RESOURCES	3,307	2,216	1,352	719	745.3	53.2	60.2	1.8	2.1
OZ MINERAL	3,212	2,679	770	114	-26.3	14.8	5.6	9.8	1.5
INDEPENDENCE GROUP	2,186	1,536	625	122	247.9	19.5	9.5	6.7	1.6

Source: Bloomberg, NHKSI Research

Financial Summary

INCOME STATEMENT					PROFITABILITY & STABILITY				
(IDR bn)	2019/12A	2020/12F	2021/12F	2022/12F	2019/12A	2020/12F	2021/12F	2022/12F	
Sales	32,719	25,039	27,450	29,660	ROE	1.1%	0.1%	0.8%	1.2%
<i>Growth</i>	29.4%	-23.5%	9.6%	8.1%	ROA	0.6%	0.1%	0.5%	0.7%
COGS	(28,271)	(22,666)	(24,578)	(26,409)	ROIC	1.0%	0.3%	0.9%	1.1%
Gross Profit	4,448	2,373	2,872	3,251	Cash Dividend (IDR bn)	918	48	144	245
<i>Gross Margin</i>	13.6%	9.5%	10.5%	11.0%	Dividend Yield	4.4%	0.2%	0.7%	1.2%
Operating Expenses	(3,492)	(2,042)	(2,239)	(2,419)	Payout Ratio	474.4%	297.4%	90.6%	97.7%
EBIT	956	331	633	833	DER	66.5%	65.8%	68.5%	68.8%
<i>EBIT Margin</i>	2.9%	1.3%	2.3%	2.8%	Net Gearing	83.0%	86.7%	85.1%	83.5%
Depreciation	1,092	968	823	859	LT Debt to Equity	30.7%	28.5%	27.0%	25.5%
EBITDA	2,047	1,299	1,456	1,692	Capitalization Ratio	32.1%	33.3%	33.3%	33.3%
<i>EBITDA Margin</i>	6.3%	5.2%	5.3%	5.7%	Equity Ratio	60.1%	60.3%	59.4%	59.3%
Interest Expenses	(233)	(400)	(392)	(384)	Debt Ratio	28.3%	30.2%	29.7%	29.6%
EBT	687	57	379	597	Financial Leverage	176.0%	162.7%	161.6%	164.0%
Income Tax	(493)	(41)	(220)	(346)	Current Ratio	144.8%	132.8%	125.6%	118.5%
Minority Interest	0	0	0	0	Par Value (IDR)	100	100	100	100
Net Profit	194	16	159	251	Total Shares (mn)	24,031	24,031	24,031	24,031
<i>Growth</i>	-119.2%	-91.7%	885.0%	57.6%	Share Price (IDR)	865	850	850	850
<i>Net Profit Margin</i>	0.6%	0.1%	0.6%	0.8%	Market Cap (IDR tn)	20.8	20.4	20.4	20.4

BALANCE SHEET					VALUATION INDEX				
(IDR bn)	2019/12A	2020/12F	2021/12F	2022/12F	2019/12A	2020/12F	2021/12F	2022/12F	
Cash	3,636	4,148	4,418	4,604	Price/Earnings	107.4x	1265.5x	128.5x	81.5x
Receivables	1,002	1,056	1,201	1,237	Price/Book Value	1.1x	1.1x	1.0x	1.0x
Inventories	1,796	1,930	2,111	2,231	Price/Sales	0.6x	0.8x	0.7x	0.7x
Total Current Assets	7,665	8,516	9,125	9,482	PE/EPS Growth	-0.9x	-13.8x	0.1x	1.4x
Net Fixed Assets	20,277	21,143	22,473	23,916	EV/EBITDA	14.5x	23.0x	20.8x	18.3x
Other Non Current Asset	2,252	1,827	2,069	2,161	EV/EBIT	31.0x	90.3x	47.8x	37.1x
Total Assets	30,195	31,486	33,666	35,559	EV (IDR bn)	29,591	29,870	30,303	30,875
Payables	740	751	865	871	Sales CAGR (3-Yr)	53.2%	25.5%	2.8%	-3.2%
ST Bank Loan	2,993	4,082	4,596	5,162	EPS CAGR (3-Yr)	44.0%	-50.9%	-154.0%	9.0%
LT Debt	5,564	5,411	5,395	5,373	Basic EPS (IDR)	8	1	7	10
Total Liabilities	12,061	12,499	13,684	14,489	Diluted EPS (IDR)	8	1	7	10
Capital Stock	2,403	2,403	2,403	2,403	BVPS (IDR)	755	790	832	877
Retained Earnings	7,913	8,550	9,341	10,212	Sales PS (IDR)	1,362	1,042	1,142	1,234
Shareholders' Equity	18,133	18,987	19,983	21,069	DPS (IDR)	38	2	6	10

CASH FLOW STATEMENT					TOP OWNERSHIP			
(IDR bn)	2019/12A	2020/12F	2021/12F	2022/12F	By Geography	% Shareholders	%	
Operating Cash Flow	1,966	1,381	982	1,110	Indonesia	93.0	Inalum	65.0
Investing Cash Flow	(1,217)	(857)	(1,278)	(1,494)	United States	5.1	Vanguard Group	1.2
Financing Cash Flow	(1,363)	(82)	566	571	Norway	0.8	Dimensional Fund	1.1
Net Changes in Cash	(615)	442	269	186	Luxembourg	0.5	Blackrock	0.7

Source: Company Data, NHKSI Research

Closing & Target Price Update



Source: Bloomberg, NHKSI Research

Rating & Target Price Update

Date	Rating	Target Price	Consensus
2017.03.16	Buy	IDR1,005	IDR951
2017.09.08	Buy	IDR960	IDR760
2018.03.19	Buy	IDR990	IDR1,030
2018.08.05	Buy	IDR985	IDR1,065
2018.09.18	Buy	IDR1,200	IDR1,238
2019.10.20	Buy	IDR1,300	IDR1,181
2019.11.25	Buy	IDR1,100	IDR1,226
2020.07.24	Buy	IDR850	IDR719

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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