Vale Indonesia Tbk (INCO IJ)

Kinerja Solid Didukung Harga Global Nikel

INCO mencatat penjualan senilai USD687,2 juta, dan penghasilan bersih sebesar USD122.3 juta di 9M-21, melebihi ekspektasi kami. Pencapaian ini didukung ASP yang lebih tinggi, mengikuti tren naik harga nikel global. Sebelumnya, kami memperkirakan kenaikan harga minyak dan batubara akan meningkatkan biaya operasional INCO dan menghambat kinerja, namun hasil 9M -21 yang lebih baik dari perkiraan membuat kami mempertahankan rekomendasi overweight.

Tren Naik Harga Nikel Jaga Pertumbuhan Pendapatan

- Hasil keuangan 9M-21 menunjukkan produksi nikel turun 12,5% YoY ke 48.373 juta ton karena masa pembukaan lahan dan pemeliharaan sepanjang Januari-Maret, di mana aktivitas pengeboran dikurangi.
- Harga nikel global naik 10,4% QoQ ke USD19.000, mendorong harga jual rata-rata (ASP) INCO sebesar 31,3% YoY ke USD13.900/Mt. Dengan itu, penjualan INCO naik 20,2% YoY ke USD687 juta, sementara pendapatan bersih melonjak 60,4% YoY ke USD122,9 juta, melampaui perkiraan kami masing-masing sebesar 18,9% dan 35,6%.
- Pendapatan INCO yang lebih baik dari perkiraan terutama didorong oleh ASP yang lebih tinggi.

Proyek *Smelter* untuk Dorong Nilai Produk

- Smelter Bahodopi baru INCO diperkirakan akan memproduksi 73.000Mt nikel per tahun, yang dapat diolah menjadi produk stainless steel untuk bersaing dengan China. INCO juga akan mulai memproduksi komponen untuk baterai kendaraan elektrik.
- Ekspansi ini mengikuti momentum di mana: 1) pasokan nikel dari industry stainless steel China sudah mulai dikurangi oleh pemerintah Indonesia, mengandalkan produsen domestik; 2) harga nikel yang stabil di 2022, didukung tarif ekspor Rusia, eksportir utama pasokan nikel dunia yang dapat menahan harga nikel global di USD18.800 - USD19.900 di 2022.

Rekomendasi Overweight dengan TP Rp5.500

- Kami meningkatkan penjualan dan pendapatan bersih FY22E masing-masing sebesar 33,4% dan 31,2% ke USD1,1 miliar dan USD129,1 juta. Dengan investasi smelter yang dapat meningkatkan produksi tahun depan, di mana INCO mengubah produk nikelnya menjadi kompone untuk baterai kendaraan elektrik dan meningkatkan volume stainless steel. Namun kami memperkirakan biaya operasional seperti harga batubara dan minyak akan menekan pendapatan bersih FY 2022.
- Rekomendasi overweight dengan TP Rp5.500, mengimplikasikan P/E 42,1x (saat ini 43,2x) dan P/BV 1,6x (industry peers di 1.8X).

Vale Indonesia Tbk | Summary

	2020A	2021F	2022F	2023F
Revenue	764	1,012	1,073	1,181
Growth	*4%*	*32.5%*	*6.1%*	*10.1%*
Net Profit	82	129	119	127
Growth	*43.1%*	*58.1%*	*-8.0%*	*6.6%*
EPS (IDR)	121	129	130	134
P/E	41.9x	43.0x	42.1x	41.5x
P/BV	1.7x	1.7x	1.6x	1.6x
EV/EBITDA	13.5x	12.6x	12.2x	11.7x
ROE	4.0%	5.9%	5.1%	5.1%
ROA	3.6%	5.2%	4.4%	4.5%

Unit: USD mn, %, x
Source: Company Data, Bloomberg, NHKSI Research
Please consider the rating criteria & important disclaimer

NH KORINDO SEKURITAS INDONESIA

Company Update | Oct 8, 2021

Overweight

Target Price (IDR)	**5,500**
Consensus Price (IDR)	6,370
TP to Consensus Price	-15.8%
Potential Upside	+13.6%

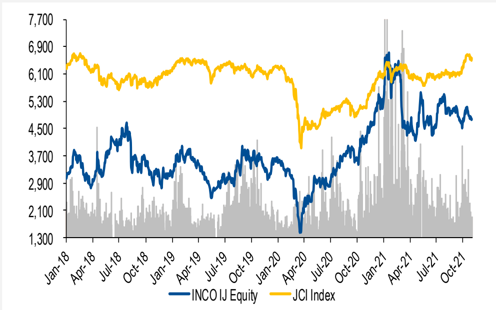
Shares data

Last Price (IDR)	4,810
Price Date as of	Nov 5, 2021
52 wk Range (Hi/Lo)	7,100 / 4,110
Free Float (%)	20.4
Outstanding sh. (mn)	9,936
Market Cap. (IDR bn)	48,091
Market Cap. (USD mn)	3,366
Avg. Trd Vol - 3M (mn)	18.7
Avg. Trd Val - 3M (bn)	71.5
Foreign Ownership	70.1%

Mining
Mineral

Bloomberg	**INCO IJ**
Reuters	**INCO.JK**

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-6.1%	-0.2%	-2.7%	5.7%
Rel. Ret.	-8.2%	-1.7%	-10.1%	-17.6%

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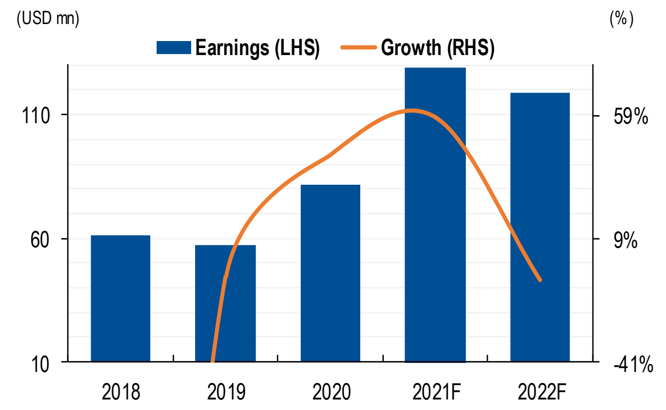
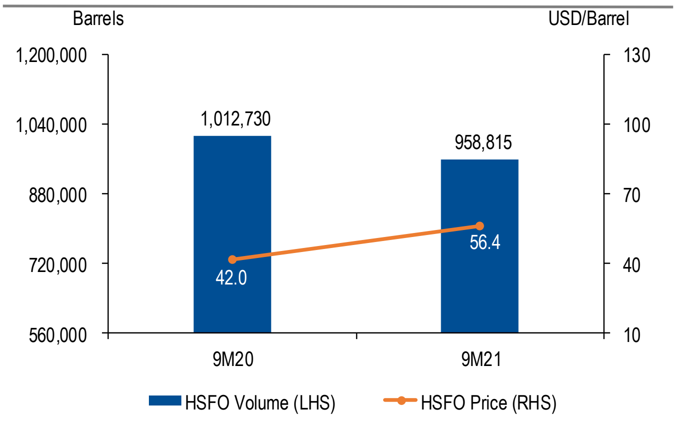
Performance Highlights in Charts

Annual Net Earnings (US$ Mn) | 2018 - 2022F



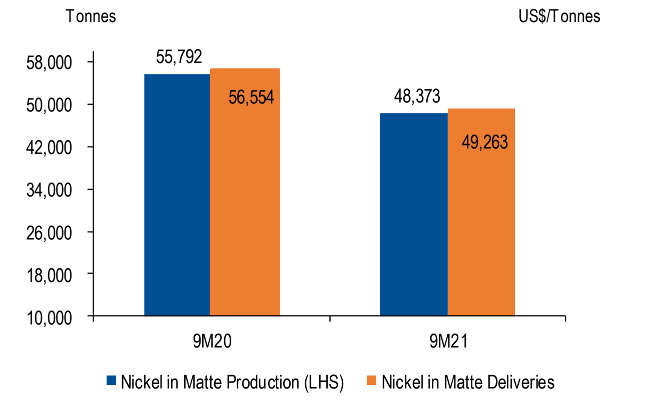
Source: Company Data, NHKSI Research

9M21 HSFO Volume (Barrels,US$/B)



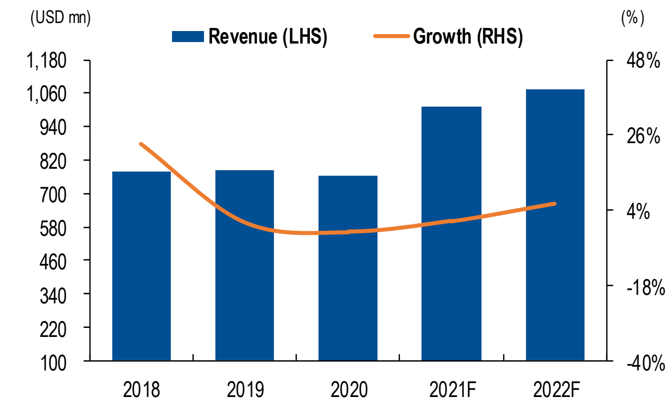
Source: Company Data, NHKSI Research

9M21 Production & Deliveries



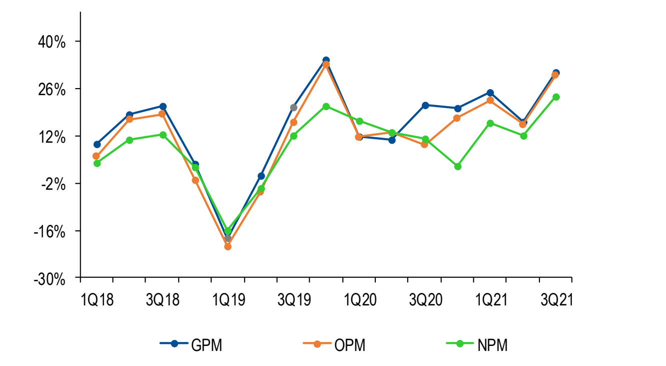
Source: Company Data, NHKSI Research

Annual Revenue (USD Mn) | 2018-2022F



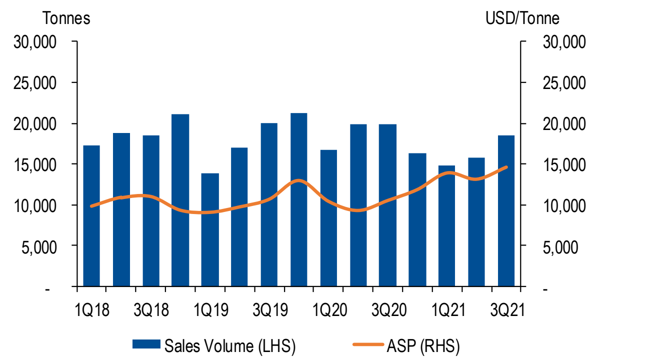
Source: Company Data, NHKSI Research

Margin Ratios



Source: Company Data, NHKSI Research

Sales Volume & ASP | Quarter



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 produsen nikel terbesar kedua di dunia. INCO menambang nikel laterit untuk menghasilkan produk akhir nikel dalam matte, dengan produksi 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 diekspor ke Vale Canada Limited di Canada dan Sumitomo Metal Co, Ltd di Jepang.

Asia Pacific Companies Peers Analysis

		Market Cap (USD mn)	Asset (USD mn)	Sales LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Growth LTM	Net Profit Margin	ROE LTM	EV/ EBITDA LTM	P/BV
Indonesia										
VALE INDONESIA	INCO IJ EQUITY	3,366	2,403	685	120	172.5%	23.2%	3.2%	6.8x	1.6x
ANEKA TAMBANG	ANTM IJ EQUITY	3,780	2,219	1,944	114	333.7%	6.6%	11.8%	14.2x	2.8x
China										
ZHONGJIN GOLD	600489 CH	6,298	6,448	6,341	227	-6.9%	3.2%	8.0%	15.5x	1.6x
YINTAI RESOURCES	000975 CH	3,831	2,398	904	159	7.60%	15.7%	13.3%	13.6x	2.4x
Taiwan										
KING SLIDE WORKS	2059 TT EQUITY	1,342	505	157	46	130.3%	25.8%	12.1%	10.3x	3.3x
Phillipines										
NICKEL ASIA CORP	NIKL PM EQUITY	1,222	1,005	229	57	336.1%	27.2%	20.9%	3.1x	1.9x

Unit: USD mn, %, X

Source: Bloomberg, NHKSI Research

Valuation Highlights in Charts

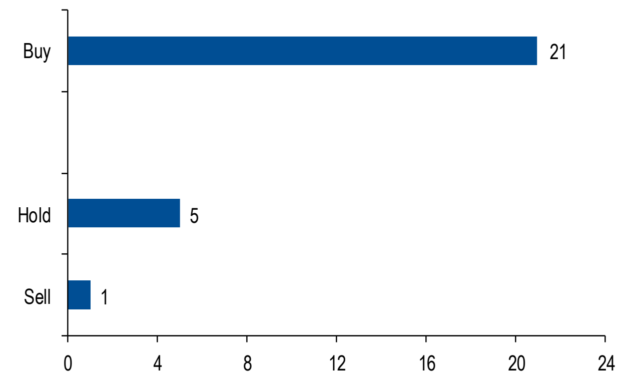
3-Years Forward P/E Band

Source: Bloomberg, NHKSI Research

2-Years P/BV

Source: Bloomberg, NHKSI Research

Analysts' Recommendation



Source: Bloomberg, NHKSI Research

Closing and Target Price Update

Source: Bloomberg, NHKSI Research

Rating and Target Price Update

Target Price

Date	Rating	Target Price	Consensus
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
2020.06.10	Buy	IDR3,500	IDR2,989
2020.09.22	Buy	IDR4,500	IDR3,870
2021.11.05	Overweight	IDR 5,500	IDR 6,370

Source: NHKSI Research, Bloomberg

Summary of Financials

INCOME STATEMENT

(USD mn)	2020/12A	2021/12F	2022/12F	2023/12F
Revenue	**764**	**1,012**	**1,073**	**1,181**
Growth	*4%*	*32.5%*	*6.1%*	*10.1%*
COGS	(640)	(840)	(912)	(1,004)
Gross Profit	**124**	**172**	**161**	**177**
Gross Margin	*16.2%*	*17.0%*	*15.0%*	*0.0%*
Operating Expenses	(17)	(23)	(24)	(27)
EBIT	**107**	**149**	**137**	**150**
EBIT Margin	*13.9%*	*14.7%*	*12.8%*	*0.0%*
Depreciation	148	150	170	182
EBITDA	**255**	**299**	**307**	**332**
EBITDA Margin	33.4%	29.7%	28.7%	0.0%
Interest Expenses	(1)	(0)	(0)	
EBT	**108**	**152**	**140**	**153**
Income Tax	(22)	(23)	(21)	(26)
Minority Interest	(5)	-	(8)	
Net Profit	**82**	**129**	**119**	**127**
Growth	*43.1%*	*58.1%*	*-8.0%*	*6.6%*
Net Profit Margin	*10.7%*	*12.7%*	*11.1%*	*10.7%*

BALANCE SHEET

(USD mn)	2020/12A	2021/12F	2022/12F	2023/12F
Cash	365	184	175	185
Receivables	96	188	179	199
Inventories	134	236	165	182
Total Current Assets	**702**	**697**	**612**	**655**
Net Fixed Assets	1,458	1,814	1,943	2,046
Other Non Current Assets	168	168	170	194
Total Assets	**2,328**	**2,680**	**2,725**	**2,896**
Payables	77	129	72	80
ST Bank Loan	0	0	0	0
LT Debt	0	0	1	0
Total Liabilities	**281**	**486**	**420**	**523**
Capital Stock & APIC	414	414	414	414
Retained Earnings	1,631	1,781	1,900	2,022
Total Equity	**2,045**	**2,196**	**2,315**	**2,463**

CASH FLOW STATEMENT

(USD mn)	2020/12F	2021/12F	2022/12F	2023/12F
Operating Cash Flow	287	279	288	309
Investing Cash Flow	(150)	(483)	(322)	(408)
Financing Cash Flow	(2)	22	25	24
Net Changes in Cash	**135**	**(182)**	**(9)**	**(75)**

PROFITABILITY & STABILITY

	2020/12A	2021/12F	2022/12F	2023/12F
ROE	4.0%	5.9%	5.1%	5.1%
ROA	3.6%	5.2%	4.4%	4.5%
ROIC	4.2%	5.8%	5.0%	5.1%
Cash Dividend (IDR bn)	-	474	-	-
Dividend Yield	-	0.9%	-	-
DER	13.7%	22.1%	18.1%	21.2%
Net Gearing	0.0%	0.1%	0.5%	0.2%
Equity Ratio	87.8%	81.9%	85.0%	85.1%
Debt Ratio	12.1%	18.1%	15.4%	18.1%
Financial Leverage	217.4%	212.0%	231.6%	221.2%
Current Ratio	438.8%	205.0%	232.8%	172.2%
Par Value (IDR)	25	25	25	25
Total Shares (mn)	9,936	9,936	9,936	9,936
Share Price (IDR)	5,075	5,473	5,500	5,261
Market Cap (IDR tn)	50.4	54.4	54.6	52.3

VALUATION INDEX

	2020/12A	2021/12F	2022/12F	2023/12F
Price/Earnings	62.3x	42.4x	42.1x	41.5
Price/Book Value	1.7x	1.7x	1.6x	1.5x
Price/Sales	4.6x	3.7x	3.5x	3.1
PE/EPS Growth	1.4x	0.7x	-5.3x	6.3
EV/EBITDA	13.5x	12.5x	12.2x	11.0x
EV/EBIT	32.3x	25.1x	27.4x	24.4x
EV (IDR bn)	50,062	54,198	54,476	52,093
Sales CAGR (3-Yr)	6.7%	9.2%	11.1%	15.6%
EPS CAGR (3-Yr)	18.0%	31.0%	6.2%	-0.6%
Basic EPS (IDR)	82	129	119	127
Diluted EPS (IDR)	82	129	119	127
BVPS (IDR)	2,984	3,204	3,378	3,520
Sales PS (IDR)	1,115	1,477	1,566	1,688
DPS (IDR)	N/A	48	N/A	N/A

TOP OWNERSHIP

By Geography	%	Shareholders	%
Canada	52.4	Vale SA	43.8%
Indonesia	20%	Inalum	20.0%
Japan	18.8	Sumitomo Metal	15.0%
United States	1.7	Vale Japan Limited	0.7%

Source: Company Data, NHKSI Research

NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
   - Buy : Greater than +15%
   - Overweight : +5% to +15%
   - Hold : -5% to +5%
   - Underweight : -5% to -15%
   - Sell : Less than -15%

DISCLAIMER