

Trimegah Bangun Persada Tbk.(NCKL)

Strong Top-line Growth Expected To Continue As EV Demand Rises

PT Trimegah Bangun Persada Tbk. (NCKL) posted a very strong 88.7% YoY increase in revenues for 1H23 (IDR 10.24 trillion vs IDR 5.43 trillion) despite falling global nickel prices. This rise comes off the back of a 22% YoY increase in Mixed Hydroxide Precipitate (MHP) sales (23,969 tons vs 19,588 tons) and a massive 171% YoY increase in ferronickel sales (37,756 tons vs 13,910 tons).

Production rises as NCKL continues to increase capacity

- NCKL pushed their production in 1H23 to new heights. MHP production increased by 46% YoY in 1H23, in addition to starting production of nickel sulfate (2,797 tons in 1H23). Ferronickel production output also showed a strong increase, rising by 186%.
- The company is aiming to continue expanding its maximum production capacity, with a new HPAL refinery opening in 2024 that will push maximum MHP capacity by 118% and a new smelter opening in 2025 that will expand ferronickel capacity by 154%.
- Demand for MHP in particular is expected to experience a strong increase in the next few years as demand for EVs, and consequently their batteries, is expected to grow exponentially.

Soaring Costs Offset Revenue Rise

- Despite the strong revenue growth, the company's margins and bottom line have slipped in 1H23. Gross profit margins fell from 55.2% to 34.2% while EBT fell by 20.6% YoY (IDR 3.79 trillion vs IDR 4.78 trillion).
- This is caused by a sharp 177.5% YoY rise in cost of goods sold (IDR 6.74 trillion vs IDR 2.43 trillion).

Continued Deleveraging

- One of the key short-term goals that NCKL is pursuing is deleveraging, and they have shown good progress in that area so far. Total liabilities have fallen by 12.97% YoY in 1H23 (IDR 17.73 trillion vs IDR 20.38 trillion), short term debt fell by 62.58% QoQ in 2Q23 (IDR 458 billion vs IDR 1,224 billion), and long term debt fell by 17.53% QoQ in 2Q23 (IDR 7,473 billion vs IDR 9,062 billion).

Buy Recommendation with TP at IDR 1,320 (+36.8% Upside Potential)

- NHKS Research recommends BUY rating for NCKL, with a target price of IDR 1,320 (+36.8% upside potential, implying 9.8x P/E ratio equivalent to SD -1 for the selected industry peers).
- This recommendation is driven by the planned opening of the ONC plant in mid-2024 as well as the ramping up of the HJF smelter towards full production capacity. EV sales globally are also expected to continue rising. This, alongside projected stronger US and Chinese economies in 2024, could see nickel demand steadily rise.
- Some related risks to this call include: 1) 2024 Indonesian General Election 2) Continued decline in nickel prices 3) Construction delays for the ONC refinery plant

Trimegah Bangun Persada Tbk | Summary (IDR bn)

in IDR bn	2022A	2023E	2024F	2025F
Revenue	9,568	21,162	26,453	31,744
Revenue growth	16.3%	121.2%	25.0%	20.0%
Net profit	4,668	5,717	8,109	10,872
EPS (IDR)	85	92	131	175
Net Profit growth	137.2%	22.5%	41.8%	34.1%
NPM	48.8%	27.0%	30.7%	34.2%
ROE	64.6%	63.4%	68.2%	52.1%
ROA	27.8%	27.7%	29.2%	27.3%
P/E	-	10.5x	10.1x	7.5x
P/BV	-	2.2x	2.3x	1.8x
EV/EBITDA	-	10.0x	8.6x	6.0x

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Initiation Report | November 06 - 2023

Buy

Target Price (IDR)	1,320
Consensus Price (IDR)	1,335
TP to Consensus Price	-1.12%
Potential Upside	+36.8%

Shares data

Last Price (IDR)	965
Price date as of	November 3, 2023
52 wk range (Hi/Low)	1470 / 750
Free float (%)	13.5
Outstanding sh.(mn)	63,098.6
Market Cap (IDR bn)	60,890
Market Cap (USD mn)	4,059
Avg. Trd Vol - 3M (mn)	57.24
Foreign Ownership	1.6%

Mining

Metal

Bloomberg	NCKL.IJ
Reuters	NCKL.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-26.1%	-10.2%	-1.5%	-26.1%
Rel. Ret.	-25.9%	-8.0%	0.1%	-25.9%

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Global Nickel Industry Outlook

Valued at \$34.64 billion in 2022, the global nickel industry is expected to grow to \$38.44 billion in 2023 with a compound annual growth rate of 11.0% (as per The Business Research Company). The future prospect of this industry is driven by two main forces, namely the infrastructure sector and electric vehicle (EVs).

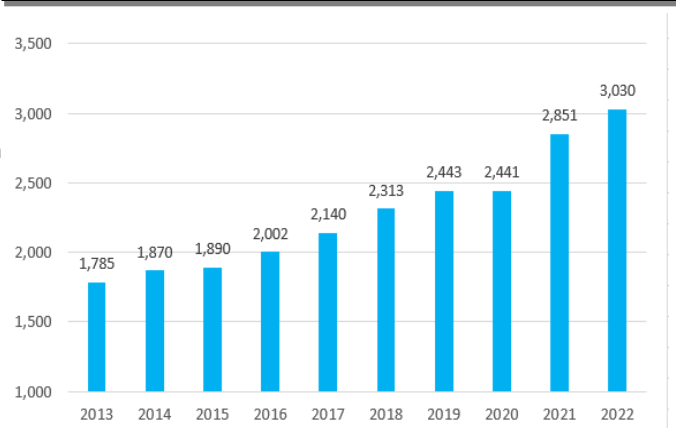
Global demand for nickel soared in 2022, reaching an all-time high of just over 3 million metric tons. To meet this demand, nickel mining operations increased in several countries, resulting also in an all-time high for global nickel mine production at 3.3 million metric tons.

Indonesia is currently the largest nickel producing country in the world. The country produced approximately 1.6 million metric tons of nickel in 2022, or around 48.5% of the total global production. This is a massive 53.8% jump from the 1.04 million metric tons produced in 2021, a signal of the ongoing government focus on the nickel sector. 2023 production volume is expected to surpass 2022 figures.

A majority of the world's nickel is purchased by China, as per TrendEconomy, as they accounted for 73% of global nickel imports in 2022. This amounted to approximately USD4.53 billion. China thus imported 9x times more nickel than the country in second place (Canada), who imported USD503 million worth of nickel in 2022.

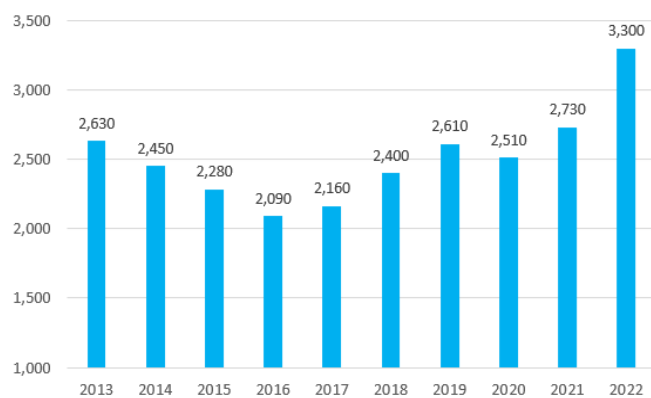
Nickel has several useful properties that make it useful for various industrial applications. This includes being non-toxic, corrosion-resistant, magnetic, and affordable. The two primary uses of nickel is the production of stainless steel and electric vehicle batteries. These two industries are expected to account for 83% of global nickel usage in 2030.

Image 1. Global Nickel Consumption (per 1000 MT)



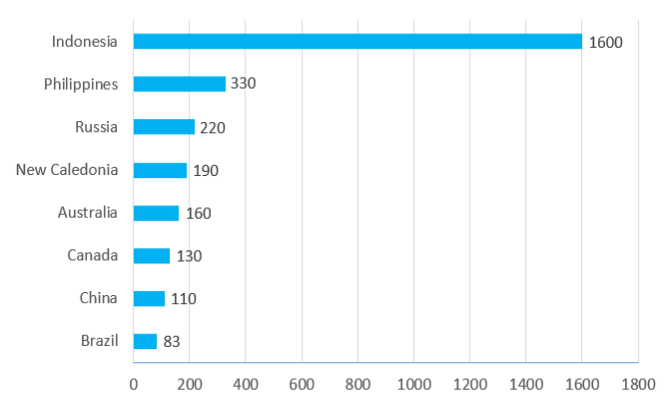
Source: Statista, NHKSI Research

Image 2. Global Nickel Mine Production (per 1000 MT)



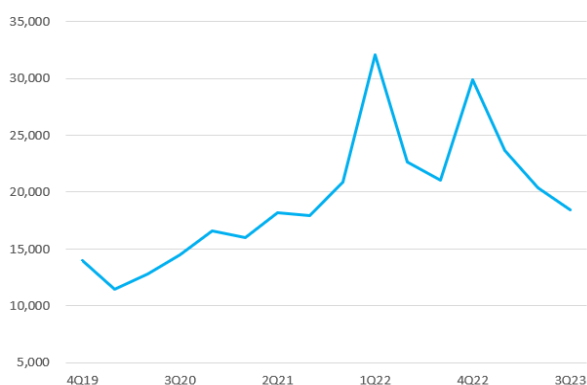
Source: Statista, NHKSI Research

Image 3. Nickel Production By Country (2022, per 1000 MT)



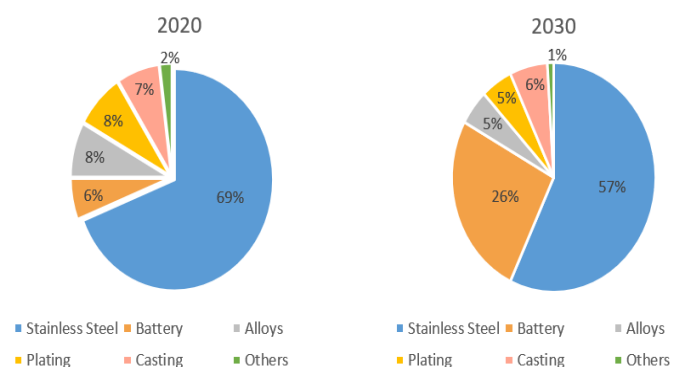
Source: United States Geological Survey, NHKSI Research

Image 4. LME Nickel Spot Price (USD per MT)



Source: Bloomberg, NHKSI Research

Image 5. Expected Global Nickel Usage



Source: Roskill, NHKSI Research

Global Nickel Price

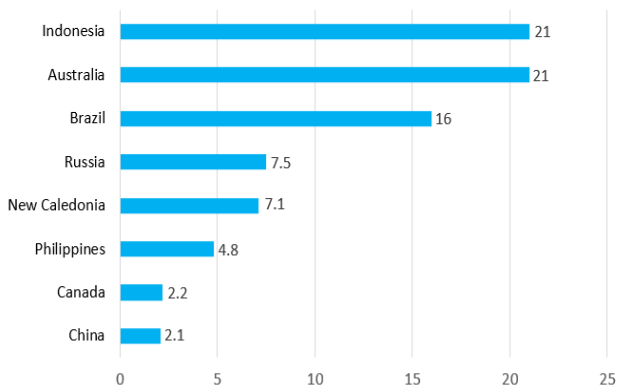
Following the rapid rise in nickel prices in 2022 due to the Russian-Ukraine war, the script has flipped in 2023 as oversupply of nickel caused prices to fall by over 40% YTD. Price is currently trading comfortably below the USD20,000/MT mark, with the nickel surplus continuing to widen as Indonesia keeps on ramping up production. This has created downward pressure on the ASP for several Indonesian nickel mining companies over the past few months. However, the future performance of those companies are not expected to be affected substantially as the forecasted increase in demand for downstream products should more than make up for lower nickel prices.

Indonesia Nickel Industry At A Glance

Nickel has been slated by the Indonesian government as one of the key industries to propel the Indonesian economy forward for the next two decades or so. Part of the reason for this decision is the high amount of nickel reserves that exist within the country. According to the United States Geological Survey (USGS), Indonesia possesses the highest purported nickel reserve in the world at 21 million, tied with Australia. This means that Indonesia has the potential to be a key player in the global EV battery & stainless steel supply chains. Identifying this opportunity, the Indonesian government banned the export of raw nickel ores in 2020 in an effort to keep ore supplies at home to be used for the production of materials/goods further down the supply chain, otherwise known as *downstreaming* or *hilirisasi*.

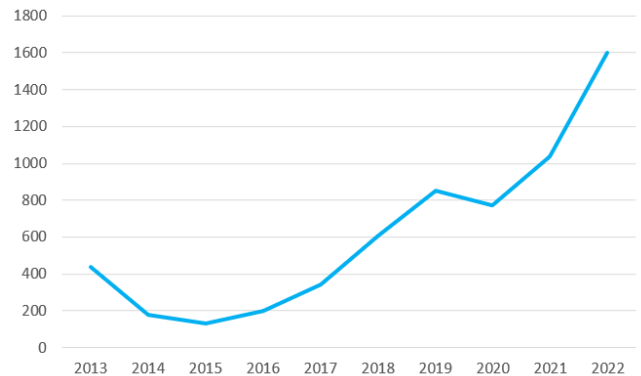
The ongoing support provided by the government is a boon for the domestic nickel industry. Policies aimed at increasing value-added to nickel products such as tax incentives, easier permit approval, and the aforementioned raw nickel export ban have pushed the performance of this industry to new heights. Indonesian nickel export value leaped to nearly USD 6 billion in 2022, a massive 369% rise since 2021, owing to a surge in the number of nickel smelters & refineries producing ferronickel and mixed hydroxide precipitate (MHP), two key materials in the stainless steel and EV battery supply chains respectively. A majority of this export, roughly USD 4.48 billion or roughly 75% of Indonesia's total nickel export, was purchased by China. This is despite China's economic slowdown in 2022, which was brought about by the tight Covid-19 policies implemented. Chinese total demand for Indonesian nickel product export is expected to increase in 2023 as Covid-19 regulations are loosened and the government introduced several incentives to help jumpstart its economy.

Image 6. Global Nickel Reserve By Country (per million MT)



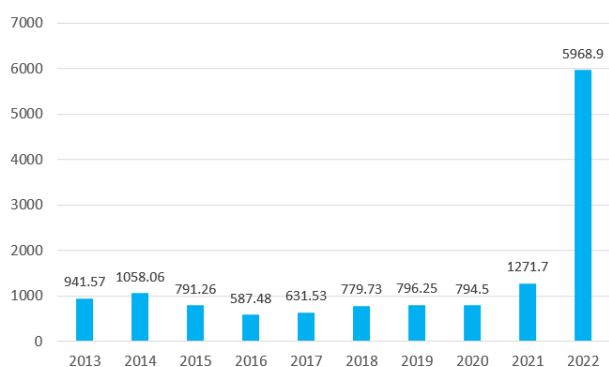
Source: United States Geological Survey, NHKSI Research

Image 7. Indonesia Nickel Production YoY (per 1000 MT)



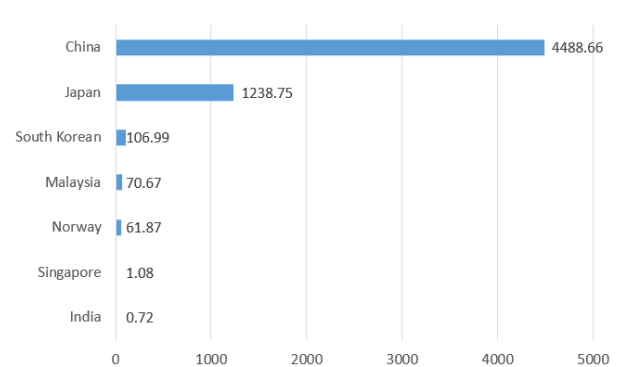
Source: United States Geological Survey, NHKSI Research

Image 8. Indonesia Nickel Export YoY (USD Million)



Source: Badan Pusat Statistik, NHKSI Research

Image 9. Indonesia Nickel Export Destinations 2022 (USD Million)



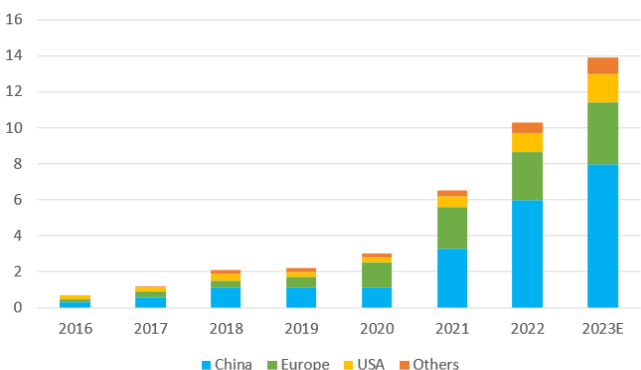
Source: Badan Pusat Statistik, NHKSI Research

Electric Vehicles

Nickel is one of the key components required to produce electric vehicle batteries. In the long run, increase in the use of electric vehicles is forecasted to be the main driver of global nickel demand. The shift from petrol-powered vehicles to EVs can already be seen in the past few years as EV sales steadily increased globally. Approximately 10.3 million EVs were sold worldwide in 2022, a 43% increase from 7.2 million in 2021. Electric vehicle sales made up 14% of all car sales in 2022, more than tripling its market share from 4% in 2020. Analysts expect total global EV sales to reach 14 million in 2023.

A huge reason for this EV sales boom is the increase in EV sales and production in China. The Chinese government is providing a large amount of subsidies and other incentives to both EV consumers as well as producers in the EV supply chain. This has significantly pushed down the selling price of EVs, way below those offered by Japanese, Korean, and Western producers. Those government subsidies also allowed Chinese EV producers such as BYD (the largest EV producer in the world by units sold) and Wuling to successfully export and compete in international markets, especially Europe and Southeast Asia. The Indonesian government is also using incentives to push the demand for electric vehicles in the form of tax allowances and tax holidays.

Image 10. Global EV Sales (per million)



Source: Badan Pusat Statistik, NHKSI Research

Overview of Trimegah Bangun Persada Tbk. (NCKL)

Part of Harita Group, PT Trimegah Bangun Persada Tbk. (TBP) is a company that focuses on nickel mining as well as nickel refining/processing. All of their operations are located on Obi Island, a medium-sized island located in South Halmahera Regency, North Maluku Province. TBP started Nickel Operation in 2007 on Obi Island, South Halmahera, North Maluku. In 2006/07 they obtained an exploration permit for Loji in 2006 and was granted a mining license of exploitation for the Loji in 2007. TBP currently operates 1 nickel refinery (used for processing limonite nickel into MHP, Nickel Sulphate, and Cobalt Sulphate) as well as 2 nickel smelters (used for processing saprolite nickel into ferronickel). TBP aims to continue assisting the government in their nickel downstream effort via increasing capacity and constructing downstream production facilities.

Image 11. PT Trimegah Bangun Persada (TBP) Logo



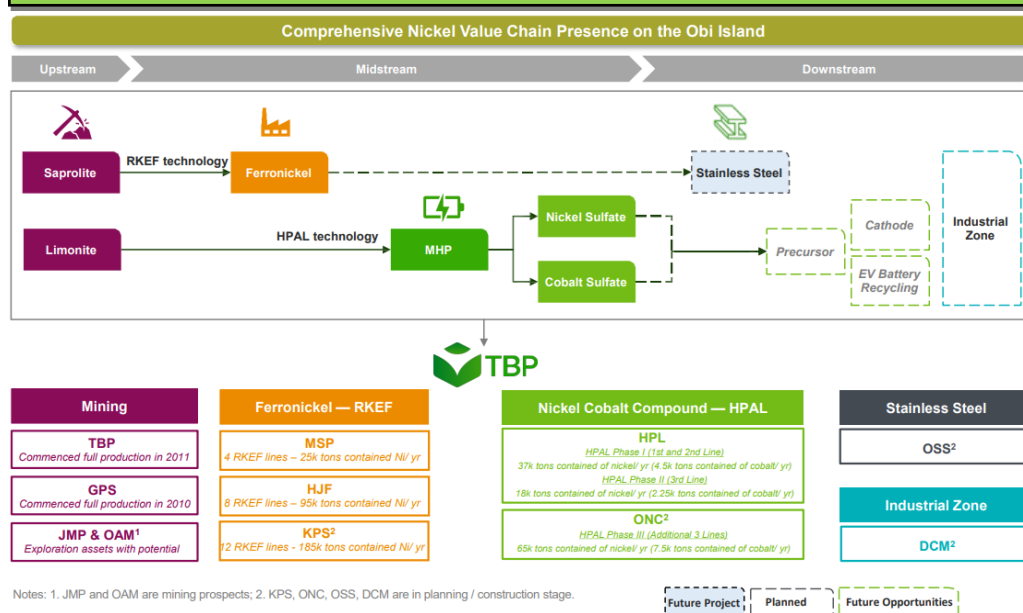
Source: NCKL HKSI Research

Group Structure & Value Chain Overview

PT Trimegah Bangun Persada Tbk. utilizes several subsidiaries & JV companies to manage its various business units. The following is an overview of their group structure:

- PT Halmahera Persada Lygend (HPL) - 45.1% ownership, manages HPAL refinery plant producing Mixed Hydroxide Precipitate (MHP), nickel sulfate, & cobalt sulfate
- PT Obi Nickel Cobalt (ONC) - 10% ownership, will manage NCKL's newest HPAL refinery plant that is expected to start production in 2024
- PT Megah Surya Pertiwi (MSP) - 60% ownership, manages one of the company's ferronickel smelters
- PT Halmahera Jaya Feronikel (HJF) - 63.1% ownership, manages the other ferronickel smelter
- PT Karunia Pemai Sentosa (KPS) - 35% ownership, will manage the company's newest ferronickel smelter that is expected to start production in 2025
- PT Obi Stainless Steel (OSS) - 35% ownership, will manage the company's planned stainless steel production facility
- PT Dhama Cipta Mulia (DCM) - 40% ownership, will operate the industrial zone of Obi Island
- PT Gane Permai Sentosa (GPS) - 70% ownership, operates the company's nickel mine at Loji
- PT Obi Anugerah Mineral (OAM) - 99.6%, will operate the company's prospect nickel mine at Tabuji-Lauwi
- PT Jikodlong Megah Pertiwi (JMP) - 99.6% ownership, will operate the company's prospect nickel mine at Jikodlong

Image 12. PT Trimegah Bangun Persada Group Structure

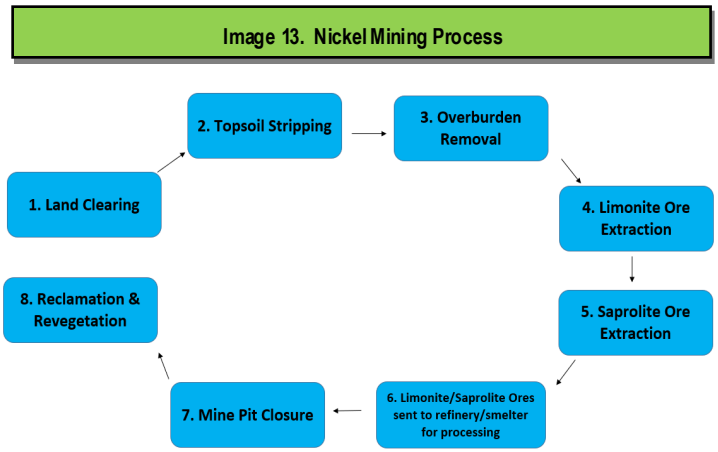


Source: NCKL, NHKSI Research

Mining Operations

PT Trimegah Bangun Persada Tbk. currently operates 2 active sites on Obi Island:

- A) **Kawasi Mine** - currently active and has an area of 4,247 hectares. It is by far the largest of all the sites both by area as well as nickel reserve. Per 1 June 2022, the Company's Kawasi Mine had proven and probable saprolite nickel ore reserves of 37.57 million wmt with an average nickel content of 1.76%. Per 30 September 2022, the Company's Kawasi Mine had proven and probable limonite nickel ore reserves of 70.82 million wmt with an average nickel content of 1.08%.
- B) **Loji Mine** - currently active and has an area of 1,276.99 hectares. Per 1 June 2022, the Company's Loji Mine had proven and probable saprolite nickel ore reserves of 13.85 million wmt with an average nickel content of 1.70%. Per 30 September 2022, the Company's Loji Mine had proven and probable limonite nickel ore reserves of 38.47 million wmt with an average nickel content of 1.12%.



Source: NCKL NHKSI Research

Furthermore, the company also possesses concessions to two other prospective mines on Obi Island located in Jikodolong and Tabuji Laiwui, each with an area of 1,884.84 hectares and 1,775.40 hectares respectively. In the first half of 2023, the company ramped up production in both the Kawasi and Loji Mines, achieving a 140% YoY growth in mining production output (9.34 million wmt vs 3.89 million wmt) and a 75% YoY growth in nickel ore sales (6.49 million wmt vs 3.71 million wmt). This rise in production is in line with the company's increase in refinery as well as smelter production capacity.

High Pressure Acid Leaching (HPAL) Refinery - Limonite Processing

PT Trimegah Bangun Persada Tbk. currently possesses 3 production lines in their HPAL refinery plant, with a total production capacity of 55,000 tons of MHP per year. The company also started their production of Nickel Sulfate in early 2023 and have begun exporting them to several international buyers such as GEM and CNGR.

The third production line was only recently completed in 1Q23, and quickly ramped up to full production capacity within only 2 months. This line is more efficient than the previous two since it utilizes the newest available processing technology, and increased overall production capacity by nearly 50%. Therefore it is of little surprise that the company's MHP production output increased by 46% YoY in 1H23, in addition to producing 2,797 tons of nickel sulfate. Overall sales volume of HPAL products also experienced a similarly strong increase, rising by 22% YoY. Cobalt sulfate also was first exported in 3Q23

Image 14. HPAL Plant Producing Nickel Sulfate & Cobalt Sulfate



Source: NCKL NHKSI Research

Image 15. Nickel Sulfate Sample

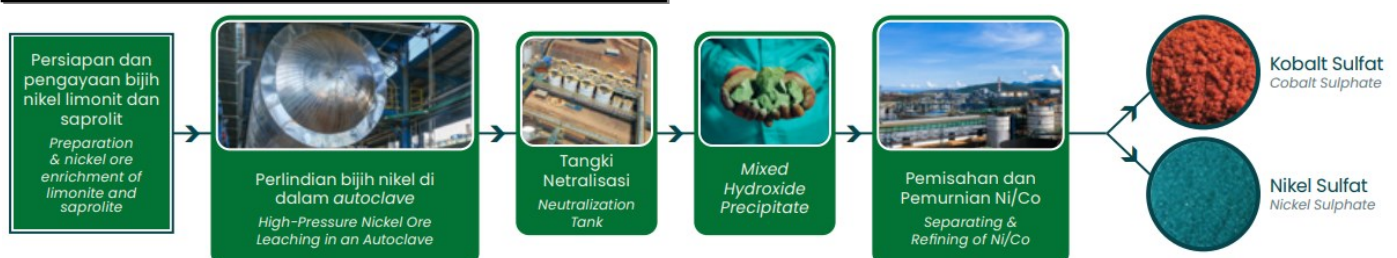


Source: NCKL NHKSI Research

NCKL is aiming to further boost their production capacity of MHP, nickel sulfate, and cobalt sulfate by embarking on a second HPAL project via its JV ONC. The company owns 10% of the shares, with the remaining owned by foreign companies Lygend (60%) and Li Yuen (30%).

This new HPAL refinery plant began construction in 2022. All autoclaves have been successfully transported to the island, and the plant is expected to start production in mid 2024. It has 3 production lines and will have an annual capacity of 65,000 tons per year. This means that once completed, the company's total MHP production capacity will be 120,000 tons per year, or an increase of 118% from the current capacity.

Image 16. HPAL Technology Process Flow Diagram



Source: NCKL NHKSI Research

Rotary Kiln Electric Furnace (RKEF) Smelter - Sapolite Processing

PT Trimegah Bangun Persada Tbk. currently operates 2 nickel smelters utilizing the Rotary Kiln Electric Furnace (RKEF) technology. This process allows for the conversion of saprolite nickel ores into ferronickel, which is a key material used in making stainless steel.

The company's first smelter, the MSP smelter, was their first foray into nickel processing and has been in full operation since 2017. It possesses 4 production lines and has a maximum production capacity of 25,000 tons. On top of that, the company operates another RKEF smelter (HJF) that has 8 production lines with a maximum annual output of 95,000 tons. This means that the company currently has the capability to produce a total of 120,000 tons per year.

Image 17. Ferronickel Sample



Image 18. MSP Nickel Smelter



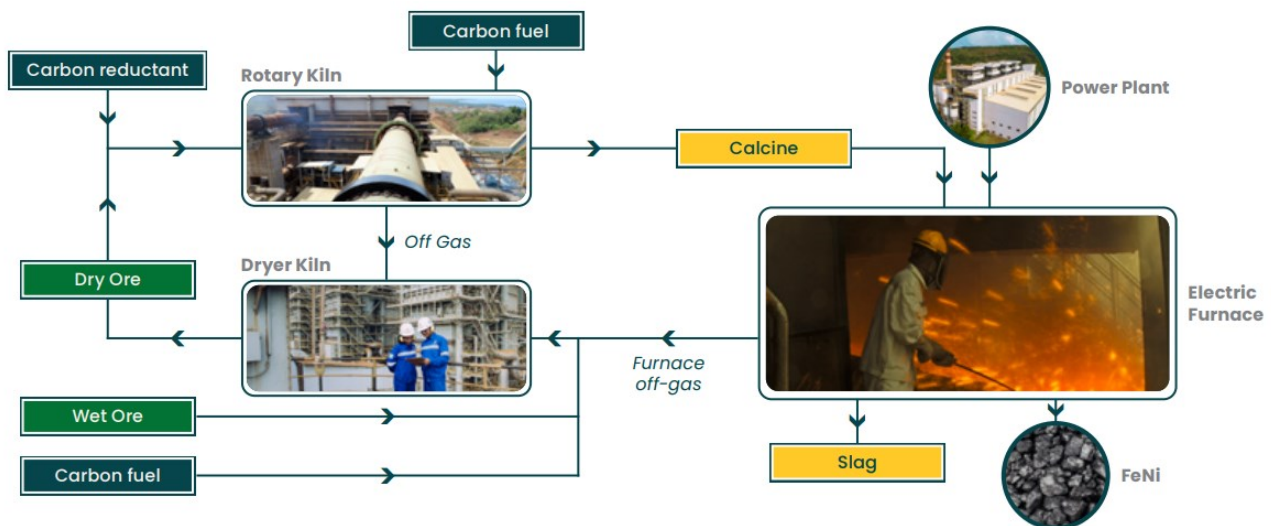
Source: HJF, NHKSI Research

Source: Petromindo, NHKSI Research

The addition of the HJF smelter has boosted the company's productivity in 1H23. Ferronickel production output increased by 186% YoY (37,550 tons vs 13,119 tons) while ferronickel sales volume rose by 171% YoY (37,756 tons vs 13,910 tons). These figures are expected to increase next year as the HJF smelter continues to ramp up towards its max production output.

In an effort to further drive up total production volume, NCKL is currently constructing a third RKEF smelter under KPS. It will have 12 production lines and will be fitted with the newest and most efficient processing technology, with a slated annual production capacity of 185,000 tons. This means that once completed, NCKL will have a total ferronickel production capacity of 305,000 tons per year. As of 1H23, the plan is still in the development phase with an expected commissioning date of mid 2025.

Image 19. RKEF Technology Process Flow Diagram



Source: NCKL, NHKSI Research

Stainless Steel Production & Industrial Zone Management

NCKL is currently finalizing its plans to construct a stainless steel production plant together with Lygend, under OSS. There is no target completion date yet. The company is also planning to build the OSS plant right next to the new KPS smelter and integrate the two operations. This would allow for greater synergy, more efficiency, faster lead times, and lower overall costs. Other than OSS, the company is also partnering up with Lygend to operate DCM. DCM will be the company that operates the industrial zone of Obi Island.

Key Partners

The most important partner of PT Trimegah Bangun Persada Tbk. is without a doubt Lygend Resources & Technology from China. Lygend is a multinational corporation operating in the nickel mining and processing industry, with activities in Indonesia, the Philippines, Turkey, New Caledonia, and other countries. They are publicly traded company that is listed on the Hong Kong Stock Exchange.

Lygend is a major partner in several of NCKL's main downstreaming initiatives, including the KPS smelter, the planned OSS stainless steel plant, the DCM industrial zone management company, and the HPL/HPAL refineries. NCKL and Lygend have a very strong relation from top to bottom that dates back years.

Image 20. NCKL 1H23 Customer Breakdown

	in IDR Billion		as % of total revenue	
	2023	2022	2023	2022
Nickel Mining				
Halmahera Persada Lygend	1657	1281	16%	24%
Nickel Processing				
Lygend Resources and Technology	5776	2531	56%	47%
Glencore International AG	1502	1613	15%	30%
Ningbo Lygend Wisdom	1306	-	13%	-

Source: NCKL, NHKSI Research

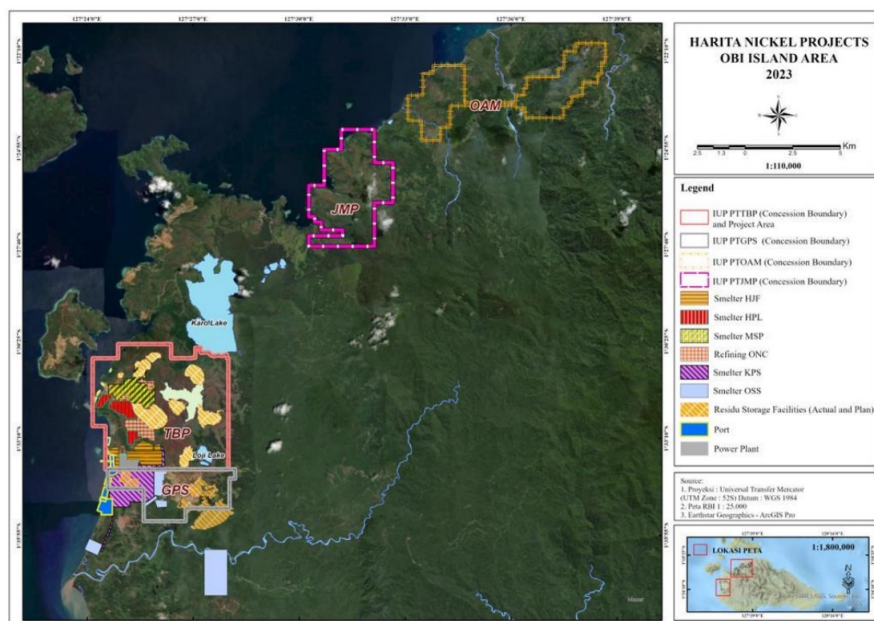
Good Cost Control

NCKL's nickel mining and processing operations have below average costs compared to other nickel companies in Indonesia and globally. The Kawasi Mine and the Loji Mine rank in the second quartile of the global nickel mining cash cost curve in 2022, meaning the company has one of the lowest costs globally for nickel laterite mining operations. These two mines are also ranked in the first quartile of the Indonesian cash cost curve, ranking as the country's third and second lowest cost nickel laterite mining operations respectively.

Based on the cash cost of production of 2022, the MSP smelter ranks in the second quartile of the global nickel smelter cash cost curve, meaning that it is largely safe from significant price changes in the market. The company's Phase I HPAL Project under the associate entity HPL is also very cost-effective; it places as one of the lowest cost HPAL nickel refineries in the world.

One of the key reasons for the company's cost-effectiveness is proximity. All of the current nickel mining and processing operations are located in one area on the western coast of Obi Island, where the ports are also located. This means that transporting nickel ores from the mining sites to the refineries and smelters, as well as transporting final products to the ports, require minimal effort and cost. Another catalyst to cost-effectiveness is the deep waters surrounding the island. This allows the mother vessels to anchor closer to the ports, reducing the distance required for the tug boats to travel.

Image 21. NCKL Mining & Processing Locations



Source: NCKL, NHKSI Research

Environmental, Social, & Governance (ESG)

PT Trimegah Bangun Persada Tbk. is diligently operating in a sustainable and ethical manner. They aim to alter the common public perception that mining activities always negatively impact nearby communities and the environment through various ESG programs:

Mined Land Reclamation

PT Trimegah Bangun Persada Tbk. carry out reclamation on mined land that is no longer used. They do this with the aim of maintaining slope stability, preventing erosion, and restoring the vegetation that was previously cleared. They use a number of cover crops to maintain local diversity, and all seedlings used for reclamation are sustainably sourced from their in-house nursery

Image 22. Before & After Reclamation



Source: NCKL NHKSI Research

Waste Management

Nickel mining and processing generates unwanted waste that is called slag. In order to reduce the impact of this slag on the surrounding area, NCKL utilizes smart recycling and responsible waste disposal. They recycle the leftover nickel slag from saprolite processing and mix it with coal ash, which is then processed into construction material products such as paving blocks, bricks, and other precast concrete. These are raw material substitutes used for manufacturing ready-mixed concrete and can be used for road paving. As for waste from limonite processing which are solid in state, they are placed in former mining areas (Drystack). No waste from RKEF and HPAL facilities are disposed using Deep Sea Tailing Placement.

Image 23. Building Materials Made From Nickel Slag



Source: NCKL NHKSI Research

Image 24. Tailing Management



Source: NCKL NHKSI Research

Social Programs

PT Trimegah Bangun Persada Tbk. runs several social programs to support and empower the local population on Obi Island. This includes:

- Free health services and sea ambulance facilities
- Provide access to electricity and clean water for the local residents
- Providing new livable houses for local residents
- Construction of school building facilities and infrastructure
- Engaged farmer groups, MSME, and BUMDes (Village-Owned Enterprise) beneficiaries in developing Agri-Food Centers

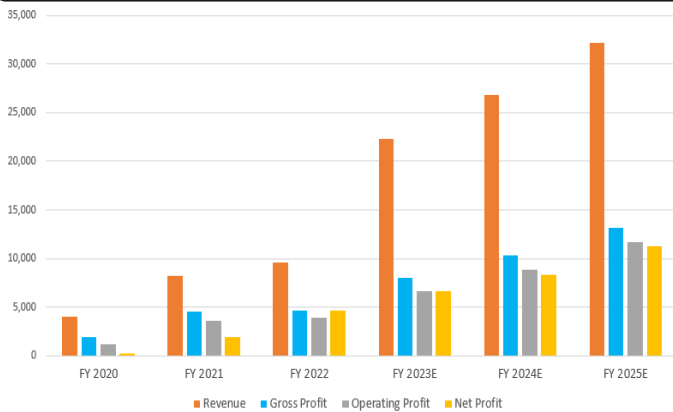
Image 25. TBP Elementary School Learning Program



Source: NCKL NHKSI Research

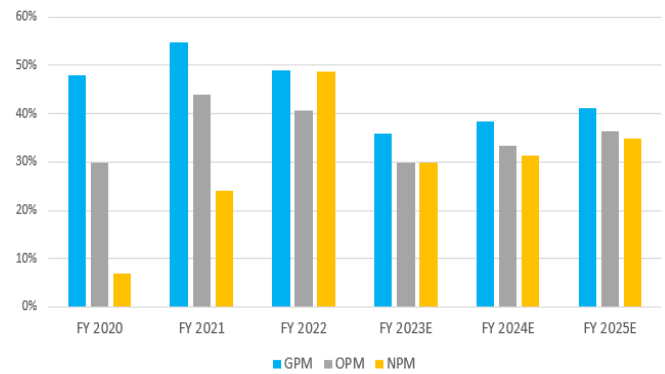
Performance Highlight Of NCKL

Image 26. NCKL Financial Performance (IDR Billion)



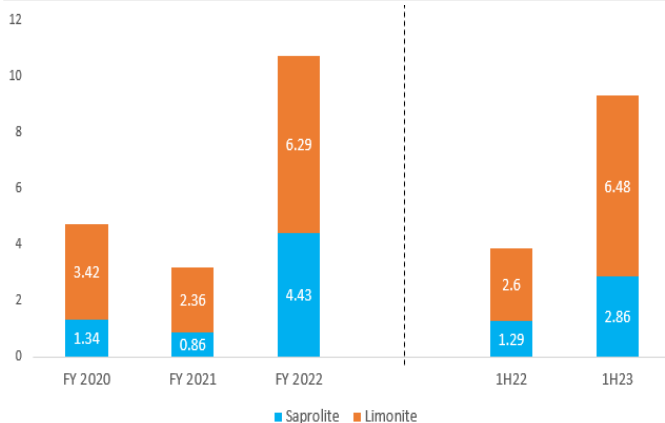
Source: NCKL, NHKSI Research

Image 27. NCKL Margin Ratios (%)



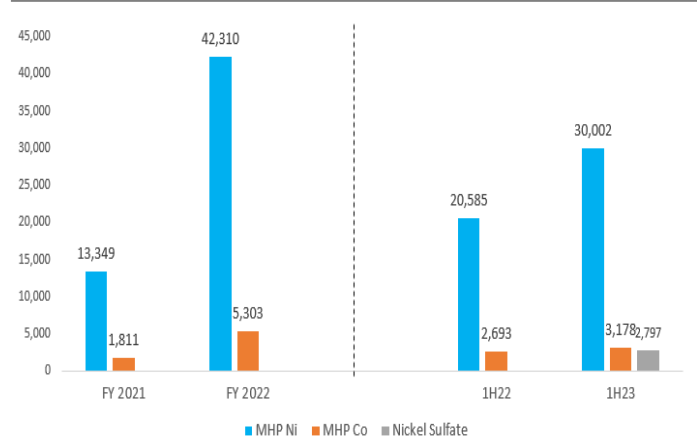
Source: NCKL, NHKSI Research

Image 28. NCKL Mining Production Output (Million WMT)



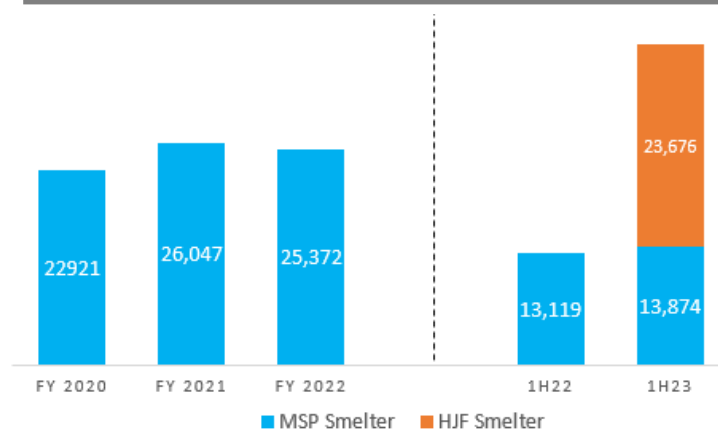
Source: NCKL, NHKSI Research

Image 29. NCKL HPAL Production Output (Million WMT)



Source: NCKL, NHKSI Research

Image 30. NCKL RKEF Production Output (Million WMT)



Source: NCKL, NHKSI Research

Management Profile

Board of Directors

Roy Arman Arfandy

President Director



Roy Arman Arfandy has been appointed as the President Director of the company since December 2022. The banking industry is the beginning of his professional career, spanning more than 25 years in a similar industry with his last position as President Director. He has been serving as an Executive Officer of Harita Group since January 2020.

He holds Bachelor's Degree in Engineering from the Hasanuddin University, Makassar, as well as participates actively in several organizations, such as the Association of Indonesian Chinese Communities, and the Alumni Association of Hasanuddin University, and board member of Happy Hearts Foundation Indonesia.

Source: NCKL NHKSI Research

Suparsin Darmo Liwan

Finance Director



Suparsin Darmo Liwan has been appointed as the Finance Director since December 2022. He has various experiences in finance, namely Auditor, Accounting, and Corporate Finance & Investor Relation, both on national and worldwide scales. Previously, he has been serving as a Chief Financial Officer of PT Halmahera Persada Lygend since 2018, a pioneer producer of raw materials for electric vehicles battery in Indonesia which is an associate company of PT Trimegah Bangun Persada Tbk.

He holds a Bachelor's Degree from the University of Tarumanegara. In addition, he is certified in CMA (Certified Management Accountant) issued by the Institute of Certified Management Accountants Australia and Professional Financial Modeler from the International Financial Modelling Institute.

Source: NCKL NHKSI Research

Younsel Evand Roos

Director of Operations



Younsel Evand Roos has been appointed as the Director of Operations since December 2022. He is experienced more than 32 years with several key positions as a Director, Senior Mine Engineer in the mining industry, as well as General Manager of mining in Harita Group. He receives a Degree in Mining Engineering from the Institute Technology of Bandung.

Source: NCKL NHKSI Research

Management Profile

Board of Directors

Lim Sian Choo

Director of Sustainability



Being appointed as the Director of Sustainability since December 2022, Lim Sian Choo is the Chief Sustainability Officer of a company in the agriculture industry and an active participant and member in the Roundtable on Sustainable Palm Oil (RSPO) and their working groups and committee including Emission Reduction Working Group, Human Rights Working Group, Peatland Working Group, and Standards Standing Committee since 2013. She received her Bachelor of Commerce and Administration Degree from Victoria University, Wellington, New Zealand, and is a Member of the Malaysian Institute of Accountants.

Source: NCKL NHKSI Research

Tonny H. Gultom

Director of HSE (Health, Safety, and Environment)



Tonny Gultom has been appointed as the Director of Health, Safety, and Environment (HSE) since December 2022. He holds the position as the head of the HSE Department in the company's subsidiaries and associates of Trimegah Bangun Persada. He also held various key positions as Senior Manager of Environmental Affairs in other mining industries, both in national and worldwide companies.

He held several specialist positions including Hydrogeologist, Hydrologist Environmental Specialist, and Capacity Building Specialist in Waseco/Iwaco BV, SNC Lavalin International Inc. on the Canadian International Development Agency project. He holds an executive professional engineer (EPE/IPU) competency certificate from The Institution Engineer Indonesia (certificate no.0905-19-062043). Expert council of PERHAPI (Association of Indonesian Mining Professionals). Head of FKPLPI (Indonesian Environmental Mining Forum), and Advisory Board of Master Program FTTM-ITB. He receives Engineer Profession issued by the Institute Technology of Bandung (2021), Post Graduate Degree in Hydrology Engineering from the UNESCO-IHE, Delft The Netherlands obtained in 1991, a Master's in Financial Management from AWU, IOWA USA (correspondent) obtained in 2000. Bachelor's Degree in Geography (1984) and Graduate Degree in Hydrology (1987), from Gajah Mada University, Yogyakarta, Indonesia.

Source: NCKL NHKSI Research

Stevi Thomas C.

Director of External Relations



Stevi Thomas C. has been appointed as the Director of External Relations since December 2022. He has experienced for more than 20 years in managing external relations. He is also President Commissioner at some subsidiary companies, namely PT Megah Surya Pertiwi and PT Obira Mitra Jaya. Previously, he was experienced in External Relations in handling mining companies, especially in Community Development and Empowerment, Land Management, Government Relations, and other External Relations. He was also experienced as External Relations Director as well as Deputy General Manager for Community, Security, and Facility Management. He receives a Master of Business Administration (MBA) degree from the Management Business Institute of Institute Technology Bandung (SBM ITB).

Source: NCKL NHKSI Research

Profil Manajemen

Board of Commissioners

Donald J Hermanus**President Commissioner**

Being appointed as the President Commissioner since December 2022, Donald J Hermanus has more than two decade's professional experience in the extractive industry, especially the mining industry. Previously he held several key positions in subsidiaries companies namely President Director of PT Obira Mitra Jaya and PT Halmahera Jaya Feronikel, Director of PT Megah Surya Pertiwi, and Commissioner of PT Gane Permai Sentosa and PT Jikodolong Megah Pertiwi.

Currently, he holds several key positions for coal mining companies owned by Harita Group, namely Director for PT Energi Nusa Mandiri, President Director of PT Pesona Khatulistiwa Nusantara, as well as Director at PT Marina Bara Lestari. He received a Bachelor in Law degree from the University of Tarumanegara, Jakarta 2020.

Source: NCKL NHKSI Research

Darjoto Setyawan**Independent Commissioner**

Being appointed as the Independent Commissioner since December 2022, Darjoto Setyawan has more than 39 years of professional experience in various positions. He previously held several key positions as President Director of the Health Services Sector, President Commissioner of Financial Technology (Fintech), Independent commissioner of Life Insurance, Advisor of Digital and Artificial Intelligence company in Singapore, as well as Independent Commissioner of PT Cita Mineral Investindo Tbk (Harita Group). He received a Master of Management from Prasetya Mulya Institute of Management in 1994.

Source: NCKL NHKSI Research

Suryadi Sasmita**Independent Commissioner**

Suryadi Sasmita has been appointed as the Independent Commissioner since January 2023. He is currently a President Director of PT Indonesia Wacoal and served as President Director and President Commissioner in several other companies.

Furthermore, besides as a businessman, currently he also actively serves in several organizations, such as a Vice Chairman of APINDO (Asosiasi Pengusaha Indonesia), Deputy for Fiscal and Public Affairs of KADIN Indonesia (Kamar Dagang Industri), as well as Council Board at HIPINDO (Himpunan Peritel dan Penyewa Perbelanjaan Indonesia).

Source: NCKL NHKSI Research

Valuation of NCKL

Below we have compared NCKL with some of its peers in the nickel industry. These companies hail from China, Australia, Indonesia, Russia, and the Philippines.

The peers can be seen in the data below:

Image 31. Nickel Companies Peer Comparison

Name	Ticker	Mkt Cap (IDR Bn)	EV (IDR Bn)	Revenue (IDR Bn)	Net Profit (IDR Bn)	Net Profit Margin (%)	BF EV/EBITDA	P/E	Dividend Yield (%)
Trimegah Bangun Persada Tbk PT	NCKL ID	60,890	67,432	9,568	4,668	48.79	6.9	7.4	2.30
Vale Indonesia Tbk PT	INCO ID	49,284	37,629	17,700	3,006	16.98	5.0	12.5	1.81
Nickel Industries Ltd	NIC AU	35,813	48,473	18,300	2,385	13.03	6.0	16.4	4.85
IGO Ltd	IGO AU	74,363	70,121	10,200	5,491	53.83	9.7	13.3	7.66
MMC Norilsk Nickel PJSC	GMKN RM	463,491	613,120	253,500	88,500	34.91	5.3	23.4	-
Shenzhen Zhongjin Lingnan Nonf	000060 CH	37,359	67,499	110,840	2,420	2.18	10.7	19.4	2.14
Average						28.29	7.3	15.4	3.75

Source: Bloomberg NHKSI Research

Looking at the table above, we can see that NCKL could be considered relatively undervalued. Despite having the lowest revenue in FY2022, it posted a massive 48.79% net profit margin (20.5% higher than the average of 28.29%), meaning NCKL had the third highest net profit among the peers listed above. This strong profit margin is thanks to the proximity between operation sites and its good cost control policies.

With the planned opening of the ONC HPAL refinery in 2024 as well as the ramping up of the HJF smelter towards maximum production, we expect both the revenue as well as the net profit to continue achieving stable growth in the next year. On top of that, if we look at the valuation metrics, NCKL is currently at a relatively low price with both EV/EBITDA (6.9 vs 7.3) and P/E (7.4 vs 15.4) being below peer average.

Based on the PE of NCKL in comparison to its peers, we initiate this coverage with a target price of IDR 1320, implying a 9.8x P/E ratio, which is equivalent to SD -1 distribution level for the peer data set outlined in the table above. We believe that this target price is quite conservative in relation to its peers and also considering the potential future revenue spurt.

The biggest risks of this call include declining nickel prices due to increasing global supply surplus, change in government nickel policies/incentives based on the back of the 2024 Indonesian presidential elections, and issues/delays arising from their new HPAL refinery plant that is slated for mid-2024 production.

Summary of Financials

INCOME STATEMENT

(IDR bn)	2022/12A	2023/12F	2024/12F	2025/12F
Revenue	9,568	21,162	26,453	31,744
Growth	16.3%	121.2%	25.0%	20.0%
COGS	4,893	14,518	16,697	19,201
Gross Profit	4,675	6,645	9,757	12,543
Gross Margin	48.9%	31.4%	36.9%	39.5%
Operating Expenses	787	1,335	1,402	1,472
EBIT	3,888	5,310	8,355	11,071
EBIT Margin	40.6%	25.1%	31.6%	34.9%
Depreciation	573	1,251	883	265
EBITDA	4,461	6,561	9,237	11,335
EBITDA Margin	46.6%	31.0%	34.9%	35.7%
Interest Expenses	132	48	48	48
EBT	6,650	7,997	10,777	13,987
Income Tax	(812)	(1,116)	(1,503)	(1,951)
Minority Interest	78	(1,165)	(1,165)	(1,165)
Net Profit	4,668	5,717	8,109	10,872
Growth	48.8%	27.0%	30.7%	34.2%
Net Profit Margin	137.2%	22.5%	41.8%	34.1%

BALANCE SHEET

(IDR bn)	2022/12A	2023/12F	2024/12F	2025/12F
Cash	1,277	7,693	15,802	26,674
Receivables	181	1,557	3,227	2,513
Inventories	4,087	5,121	4,347	6,260
Total Current Assets	6,333	15,107	24,119	35,998
Net Fixed Assets	20,844	20,717	21,157	22,480
Other Non Current Assets	7,427	9,347	9,347	9,347
Total Assets	34,605	45,170	54,623	67,824
Payables	7,652	7,862	8,078	8,299
ST Debt	117	771	1,247	1,681
LT Debt	8,309	6,939	6,587	5,731
Total Liabilities	20,376	17,636	18,979	21,309
Capital Stock	5,510	6,310	6,310	6,310
Retained Earnings	1,617	5,936	14,046	24,917
Shareholders' Equity	14,229	27,534	35,643	46,515

CASH FLOW STATEMENT

(IDR bn)	2022/12A	2023/12F	2024/12F	2025/12F
Operating Cash Flow	3,398	5,378	8,101	9,996
Investing Cash Flow	(6,588)	(2,918)	(2,418)	(2,839)
Financing Cash Flow	1,760	3,996	(1,586)	(2,958)
Net Changes in Cash	(1,301)	6,417	4,093	4,194

PROFITABILITY & STABILITY

	2022/12A	2023/12F	2024/12F	2025/12F
ROE	32.8%	20.8%	22.8%	23.4%
ROA	13.5%	12.7%	14.8%	16.0%
Inventory Turnover	2.6	2.1	2.4	2.4
Days Inventory Outstanding	142.6	175.6	150.0	150.0
Receivables Turnover	41.8	11.0	11.1	11.1
Account Receivable Days	8.7	33.1	33.0	33.0
Dividend Yield	-	3.5%	2.4%	2.3%
Payout Ratio	-	36.3%	24.4%	17.3%
DER	59.2%	28.0%	22.0%	15.9%
Current Ratio	62%	151%	211%	240%
Quick Ratio	0.5	1.3	1.8	2.2
DAR	24%	17%	14%	11%
Total Shares (mn)	-	63,098	63,098	63,098
Share Price (IDR)	-	965	1,320	1,320
Market Cap (IDR tn)	-	60.89	83.29	83.29

VALUATION INDEX

	2022/12A	2023/12F	2024/12F	2025/12F
Price/Earnings	-	10.5x	10.1x	7.5x
Price/Book Value	-	2.2x	2.3x	1.8x
EV/EBITDA	-	10.0x	8.6x	6.0x
EV (IDR bn)	-	65,509	79,575	67,731
BVPS (IDR)	-	436.4	564.9	737.2
Basic EPS (IDR)	-	92.1	130.6	175.1

TOP OWNERSHIP

Shareholders	%
PT Harita Jayaraya	86.5
Public	12.7
Others	0.9

By Geography	
Indonesia	98.4
Luxembourg	0.3
United Kingdom	0.2

Source: Company Data, Bloomberg, 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%

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