

Trimegah Bangun Persada Tbk.(NCKL)

Profit Soars, Cobalt Sulfate Production Begins

PT Trimegah Bangun Persada Tbk. (NCKL) reported strong performances across the board for 9M23. Revenue increased by 135% YoY (IDR 17.3 trillion vs IDR 7.4 trillion) while net profit rose by 30% (IDR 5.7 trillion vs IDR 3.5 trillion) on the back of an explosion in production. This increase in volume is able to counter the continuous decline in global nickel prices, which fell by over 38% in the first 9 months of 2023.

Nickel ore, ferronickel, & MHP production volume rises

- NCKL reported a huge YoY increase in the production volumes of both raw nickel as well as nickel products in 9M23.
- Mixed Hydrogen Precipitate (MHP) experienced a 49% YoY rise in production volume from 31 thousand tons to nearly 47 thousand tons; this is due to the addition of a 3rd production line to the existing HPAL refinery.
- Ferronickel also saw a 268% YoY increase in production volume from 18 thousand metal tons to nearly 69 thousand metal tons in 9M23. This is of little surprise as the company's new RKEF smelter successfully ramped up to full capacity in 3Q23.
- Nickel ore production rose by 119% (14.5 mn tons vs 6.6 mn tons) to facilitate those increases.

Cobalt Sulfate production commences

- The company began producing cobalt sulfate in their HPAL refinery in 3Q23. A total of 818 tons of cobalt sulfate was produced, with 271 tons being sold.
- Due to the product's high cash margin of USD12,765 per mt (55% margin), NCKL is planning to further boost cobalt sulfate production, with an expected production of 7,500 tons next year.
- Nickel sulfate, which the company started producing in 2Q23, also ramped up in 3Q23 as production volume increased by 132% QoQ (6,490 tons vs 2,797 tons).

Reserve replenishment continues

- NCKL continues to expand their nickel ore reserves as they prepare for future demand increases for nickel products.
- The company increased ownership of their current nickel mine in Loji, purchasing an additional 29% of equity on top of their existing 70% stake for just over USD 3 million. This 29% is equivalent to an extra 16 million wmt of limonite nickel ore and 4 million wmt of saprolite nickel ore.
- A mine was also acquired in South Obi Island, purchasing a 99% stake for under USD 0.5 million, thus adding another 26 million wmt of limonite and 12 million wmt of saprolite to their reserves.
- NCKL also established a JV company to operate another mine in South Obi Island, owning 36% equity of this 3,500 Ha mine with only a USD 30 thousand investment.

Buy Recommendation with TP at IDR 1,320

- NHKS Research recommends BUY rating for NCKL, with a target price of IDR 1,320.
- Risks: 1) 2024 Indonesian Elections 2) Continued nickel surplus 3) Smelter/Refinery Construction delay

Trimegah Bangun Persada Tbk | Summary (IDR bn)

In IDR bn	2022A	2023E	2024F	2025F
Revenue	9,568	24,289	28,335	31,972
Revenue growth	16.3%	153.9%	16.7%	12.8%
Net profit	4,668	6,293	7,089	7,446
EPS (IDR)	85	101	114	120
Net Profit growth	48.8%	25.9%	25.0%	23.3%
NPM	137.2%	34.8%	12.7%	5.0%
ROE	32.8%	22.1%	22.4%	20.7%
ROA	13.5%	13.4%	14.4%	13.7%
P/E	-	9.9x	8.8x	8.4x
P/BV	-	2.2x	2.0x	1.8x
EV/EBITDA	-	8.4x	7.5x	6.9x

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Company Update | December 27, 2023

Buy

Target Price (IDR)	1,320
Consensus Price (IDR)	1313
TP to Consensus Price	+0.5%
Potential Upside	+31.3%

Shares data

Last Price (IDR)	1,005
Price date as of	December 21, 2023
52 wk range (Hi/Lo)	1470/750
Free float (%)	13.5
Outstanding sh.(mn)	63,098
Market Cap (IDR bn)	63,414
Market Cap (USD mn)	4,094
Avg. Trd Vol - 3M (mn)	44.7
Foreign Ownership	1.6%

Mining

Metal

Bloomberg	NCKL IJ
Reuters	NCKL.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-20%	-6%	-11%	-20%
Rel. Ret.	-25%	-9%	-14%	-25%

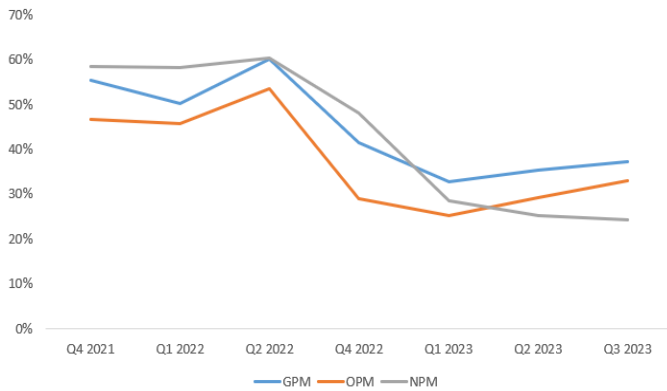
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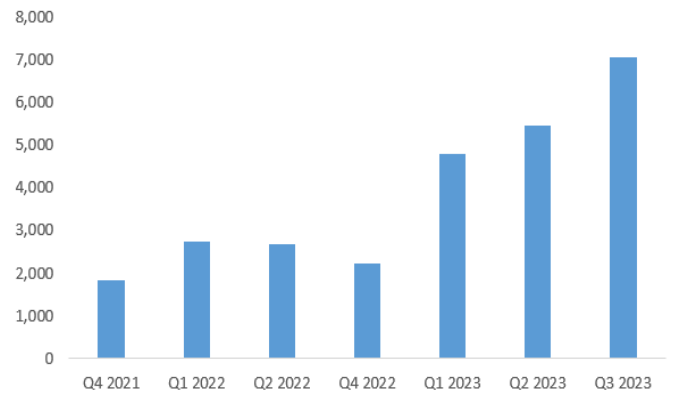
Performance Highlights in Charts

NCKL Quarterly Profit Margins | 4Q21 - 3Q23



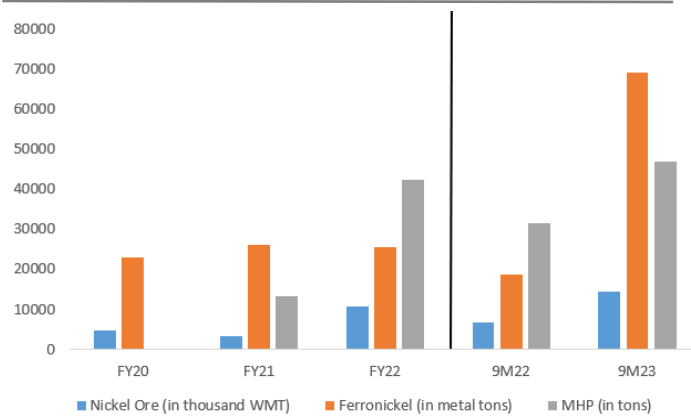
Source: Company Data, NHKSI Research

NCKL Quarterly Net Revenue | 4Q21 - 3Q23



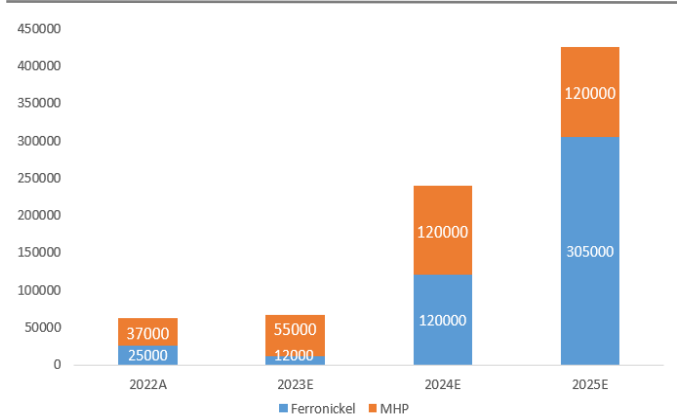
Source: Company Data, NHKSI Research

NCKL Production Volume | FY20 - 9M23



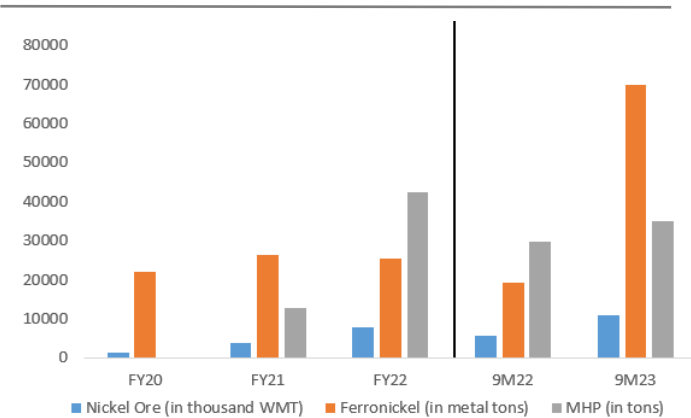
Source: Company Data, NHKSI Research

NCKL Production Capacity (Tons) | FY22A - FY25E



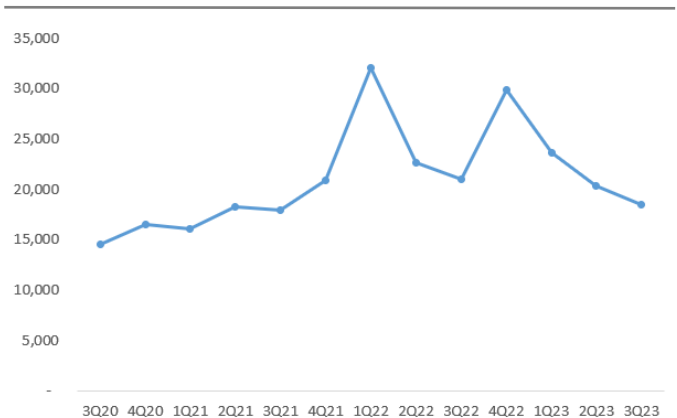
Source: Company Data, NHKSI Research

NCKL Sales Volume | FY20 - 9M23



Source: Company Data, NHKSI Research

LME Nickel Spot Price (USD/Ton) | 3Q20 - 3Q23



Source: Company Data, NHKSI Research

Summary of Financials

INCOME STATEMENT

(IDR bn)	2022/12A	2023/12F	2024/12F	2025/12F
Revenue	9,568	24,289	28,335	31,972
Growth	16.3%	153.9%	16.7%	12.8%
COGS	4,893	15,810	18,520	21,634
Gross Profit	4,675	8,479	9,814	10,338
Gross Margin	48.9%	34.9%	34.6%	32.3%
Operating Expenses	787	1,296	1,361	1,429
EBIT	3,888	7,183	8,454	8,909
EBIT Margin	40.6%	29.6%	29.8%	27.9%
Depreciation	573	1,311	1,366	1,579
EBITDA	4,461	8,494	9,820	10,488
EBITDA Margin	46.6%	35.0%	34.7%	32.8%
Interest Expenses	132	411	616	628
EBT	6,650	9,049	10,423	10,866
Income Tax	(812)	(1,155)	(1,732)	(1,819)
Minority Interest	78	(1,601)	(1,601)	(1,601)
Net Profit	4,668	6,293	7,089	7,446
Growth	48.8%	25.9%	25.0%	23.3%
Net Profit Margin	137.2%	34.8%	12.7%	5.0%

BALANCE SHEET

(IDR bn)	2022/12A	2023/12F	2024/12F	2025/12F
Cash	1,277	5,517	3,059	5,039
Receivables	181	2,496	2,995	3,295
Inventories	4,087	4,266	4,480	4,704
Total Current Assets	6,333	13,039	11,369	13,589
Net Fixed Assets	20,844	23,179	26,063	27,042
Other Non Current Assets	7,427	10,789	11,718	13,542
Total Assets	34,605	47,006	49,150	54,173
Payables	7,652	6,702	5,870	5,142
ST Debt	117	707	1,156	2,698
LT Debt	8,309	8,128	7,740	7,192
Total Liabilities	20,376	18,506	17,491	18,213
Capital Stock	5,510	6,310	6,310	6,310
Retained Earnings	1,617	6,513	9,671	13,972
Shareholders' Equity	14,229	28,501	31,659	35,960

CASH FLOW STATEMENT

(IDR bn)	2022/12A	2023/12F	2024/12F	2025/12F
Operating Cash Flow	3,398	7,220	8,118	8,618
Investing Cash Flow	(6,588)	(6,454)	(5,274)	(3,796)
Financing Cash Flow	1,760	3,498	(5,346)	(2,889)
Net Changes in Cash	(1,301)	4,240	(2,458)	1,980

PROFITABILITY & STABILITY

	2022/12A	2023/12F	2024/12F	2025/12F
ROE	32.8%	22.1%	22.4%	20.7%
ROA	13.5%	13.4%	14.4%	13.7%
Inventory Turnover	2.6	2.3	2.2	2.1
Days Inventory Outstanding	142.6	159.3	165.0	170.0
Receivables Turnover	41.8	7.1	6.1	5.6
Account Receivable Days	8.7	51.1	60.0	65.0
Dividend Yield	-	1.7%	1.6%	2.0%
Payout Ratio	-	16.6%	14.1%	16.7%
DER	59.2%	31.0%	28.1%	27.5%
Current Ratio	62%	139%	129%	134%
Quick Ratio	0.5	1.0	0.9	1.0
DAR	24%	19%	18%	18%
Total Shares (mn)	-	63,098	63,098	63,098
Share Price (IDR)	-	1,005	1,005	1,005
Market Cap (IDR tn)	-	63.41	63.41	63.41

VALUATION INDEX

	2022/12A	2023/12F	2024/12F	2025/12F
Price/Earnings	-	9.9x	8.8x	8.4x
Price/Book Value	-	2.2x	2.0x	1.8x
EV/EBITDA	-	8.4x	7.5x	6.9x
EV (IDR bn)	-	71,464	74,083	72,280
BVPS (IDR)	-	451.7	501.7	569.9
Basic EPS (IDR)	-	101.3	114.2	119.9

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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