Equity Research
PT Vale Indonesia Tbk

BUY

11 July 2024
Nickle Mining, Equity

Price	**IDR**	**3,980**
Target Price	**IDR**	**5,100**
JKSE Index		**7,287.042**



Stock Code	
Bloomberg code	**INCO IJ**
Market cap (IDR.bn)	**38,904.2**
52-Week High (IDR)	**6,891**
52-Week Low (IDR)	**3,554**
Free Float (%)	**21.18**
Major Shareholders (%)	
Vale Canada ltd	**43.79%**
Sumitomo Metal Mining Ltd	**15.03%**
PT Mineral Industri Indonesia (Persero)	**20.00%**
Public	**21.18%**
USD/IDR-YE	
2023A	**15,439**
2024F (Avg)	**15,955**

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Investment Consideration

Expecting higher revenue in 2Q2024

- INCO focused on improving productivity in 1Q2024, recording a +9% YoY growth in nickel in matte production, although there was a -4.6% QoQ decline to 18,199 T due to lower nickel grades. Nickel matte deliveries increased by +8% YoY but declined by -12.9% QoQ to 18,175 T.
- With an average realized price decrease of -42% YoY to USD 12,651 per ton in 1Q2024, INCO's revenue decreased by -37% YoY and -22% QoQ to USD 229.9 million.
- However, we expect stronger 2Q2024 revenue as LME nickel prices rebounded, reaching USD 21,300 per ton in May, which should reflect higher average realized prices for INCO in 2Q2024.
- We are targeting total nickel in matte production of 70,800 MT for 2024, aligning with INCO's annual production target.

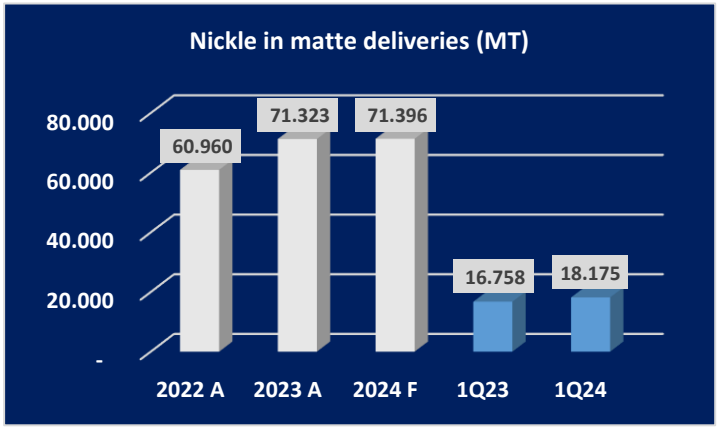
Margin remain positive, Cost efficiency maintained

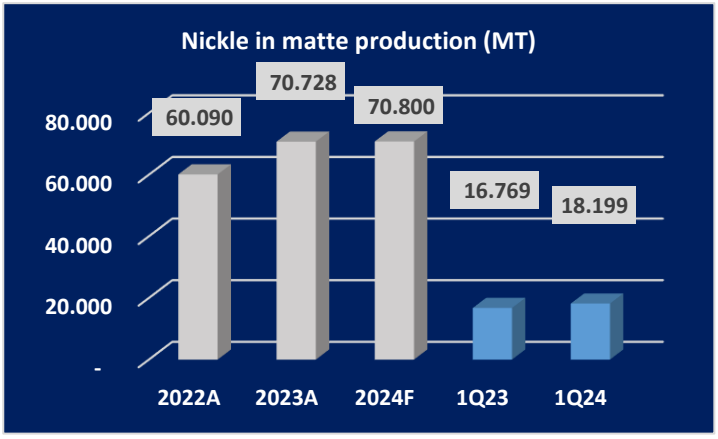
- INCO improved productivity and maintained cost efficiency in 1Q2024. The cost of revenues decreased by -8.7% YoY and -10.4% QoQ, aided by lower fuel consumption (-12% YoY) and royalty expenses (-58% YoY).
- The cash cost per ton was USD 9,231, lower by -17% YoY compared to USD 11,122 per ton in 1Q2023. Lower coal prices also contributed to reduced cash costs. Management aims to keep cash costs below USD 10,000 per ton in 2024 through continued lower energy costs and production efficiency.
- INCO booked gains of USD 24.7 million from recognizing the fair value of derivative assets from its investment in PT Kolaka Nickel Indonesia (KNI) in 1Q2024 but recorded a USD 12.88 million decline in the fair value of this derivative asset compared to 2023, primarily due to decreased nickel prices.
- This resulted in a lower net profit of -93.8% YoY or -88.5% QoQ to USD 6 million. Despite lower nickel prices, INCO's margins remained positive with a net profit margin of 2.7% in 1Q2024.
- We expect improved margins in 2024 in line with cost efficiency amid nickel price volatility.

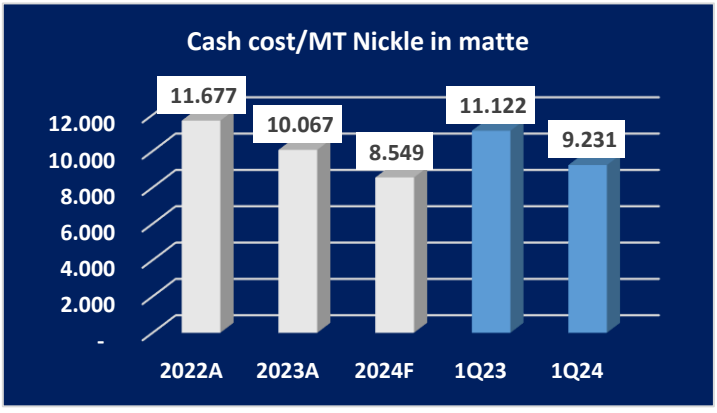
Valuation: 29% upside

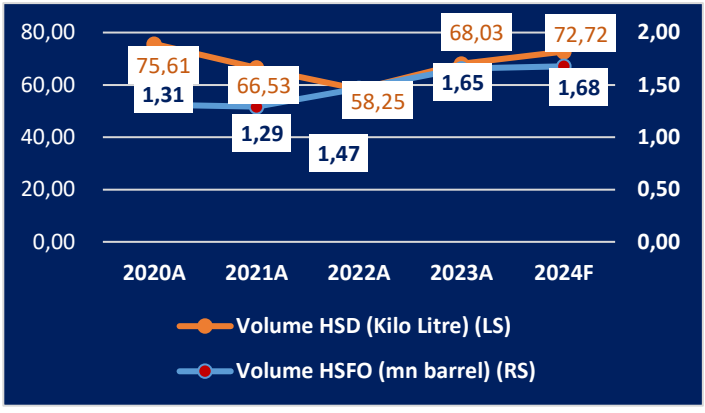
- For 2024, we adjust our target price within a year to IDR 5,100. This target price is based on a 2024 target EV/EBITDA of 7.5x. With 29% potential upside, our recommendation is BUY.

Ratio Highlight	2020 A	2021 A	2022 A	2023 A	2024 F	2025 F
Sales (USD Mn)	764,7	953,2	1.179,5	1.232,3	977,3	1.075,1
EBITDA (USD Mn)	257,4	383,3	447,1	536,3	342,7	403,4
Net Profit (USD Mn)	82,8	165,8	200,4	274,3	114,8	152,0
Operating Margin	14%	23%	23%	25%	17%	20%
EBITDA margin	34%	40%	38%	44%	35%	38%
NET Profit margin	11%	17%	17%	22%	12%	14%
EV/EBITDA (x)	13,5	8,0	9,3	4,6	10,0	8,5
PER (x)	43,4	19,7	22,4	10,2	33,1	25,0
Tot. debt/ Tot. Equity (x)	0,15	0,15	0,13	0,14	0,11	0,10









Income Statement QoQ

Income Statement (USD.Mn)	1Q2023	1Q2024	YoY	4Q2023	QoQ
Revenues	**363**	**230**	**-36,7%**	**294**	**-21,9%**
COGS	-228	-210	-8,1%	-234	-10,4%
Gross Profit	**135**	**20**	**-85,1%**	**60**	**-66,6%**
Operating expense	-15	-5	-64,8%	-16	-66,3%
Operating Profit	**120**	**15**	**-87,7%**	**44**	**-66,7%**
Other income	6	-6	-194,6%	29	-120,8%
Pretax income(PBT)	**126**	**9**	**-93,0%**	**73**	**-87,9%**
taxes	-28	-3	-90,5%	-20	-86,5%
Net Profit	**98**	**6**	**-93,8%**	**53**	**-88,5%**
EPS (USD)	0,0099	0,0006	-93,8%	0,0054	-88,5%
EBITDA	**167**	**53**	**-68,1%**	**123**	**-57,0%**
GPM	**37,2%**	**8,7%**		**20,4%**	
OPM	**33,0%**	**6,4%**		**15,0%**	
NPM	**27,0%**	**2,7%**		**18,1%**	

Source: Binaartha and company

Income Statement

Income Statement (USD.mn)	2020 A	2021 A	2022 A	2023 A	2024 F	2025 F
Revenues	**765**	**953**	**1.179**	**1.232**	**977**	**1.075**
COGS	(640)	(718)	(866)	(885)	(795)	(842)
Gross Profit	**124**	**235**	**314**	**347**	**182**	**233**
Operating expense	(21)	(12)	(42)	(45)	(20)	(22)
Operating Profit	**104**	**223**	**272**	**302**	**162**	**211**
Other income	1	(2)	4	50	(17)	(19)
Pretax income(PBT)	**105**	**221**	**276**	**353**	**145**	**192**
taxes	(22)	(55)	(75)	(78)	(31)	(40)
Net Profit	**83**	**166**	**200**	**274**	**115**	**152**
EPS	0,0083	0,0167	0,0202	0,0276	0,0109	0,0144
EBITDA	**257**	**383**	**447**	**536**	**343**	**403**

Statement of Financial Statement

Balance sheet (USD in mn)	2020 A	2021 A	2022 A	2023 A	2024 F	2025 F
Cash and cash equivalent	389	508	634	699	666	659
restricted cash	10	0	0	0	0	0
short term investment	0	0	0	0	0	0
Trade Account Receivable	60	102	141	102	118	177
inventory	144	162	156	156	154	156
Other current asset	93	64	59	77	58	75
Current Asset	**696**	**837**	**990**	**1.033**	**997**	**1.067**
Net Fixed Asset	1.479	1.519	1.550	1.696	1.813	1.938
other long-term asset	140	117	118	197	157	118
Total non-current Asset	**1.619**	**1.636**	**1.668**	**1.893**	**1.969**	**2.056**
Total Asset	**2.315**	**2.473**	**2.658**	**2.926**	**2.966**	**3.123**
Trade Account Payable	113	122	116	141	112	112
Other Short term liablities	48	46	59	76	60	54
Total current liabilities	**161**	**168**	**175**	**217**	**172**	**166**
Long term borrowings	0	0	0	0	0	0
Provision for asset retirement	57	77	71	77	61	68
Other Long-term liabilities	77	72	57	67	53	59
Total long term/ non-current liabilities	**134**	**150**	**128**	**145**	**115**	**126**
Total Liabilities	**294**	**318**	**303**	**361**	**287**	**292**
Total Equities	**2.020**	**2.154**	**2.355**	**2.565**	**2.679**	**2.831**
Total Liabilities and equity	**2.315**	**2.473**	**2.658**	**2.926**	**2.966**	**3.123**

Cash Flow

Cash Flow (USD in mn)	2020A	2021A	2022A	2023A	2024F	2025F
+ Net Income	83	166	200	274	115	152
Depreciation	149	158	164	174	190	203
- Change in WC	56	-13	-21	63	-41	-84
Cash From Operating Activities	**288**	**310**	**344**	**511**	**264**	**272**
capex	-161	-197	-195	-319	-307	-328
other non-current asset	27	22	-1	-79	41	38
Cash from investing activities	**-133**	**-175**	**-196**	**-398**	**-266**	**-290**
Long term borrowing	0	0	0	0	0	0
Provision for asset retirement	12	21	-6	6	-16	6
other long-term liabilities	-23	-5	-15	10	-14	5
Equity	-4	-32	-0	-65	0	0
cash from financing activities	**-15**	**-15**	**-22**	**-48**	**-30**	**11**
Net Changes in Cash	140	120	126	65	-32	-7
Beginning Balance	**249**	**389**	**508**	**634**	**699**	**666**
Ending balance	**389**	**508**	**634**	**699**	**666**	**659**

Ratio Highlights

Ratio Highlight	2020 A	2021 A	2022 A	2023 A	2024 F	2025 F
Growth (% YoY)						
Sales	-2%	25%	24%	4%	-21%	10%
OP	18%	115%	22%	11%	-46%	30%
EBITDA	16%	49%	17%	20%	-36%	18%
NP	44%	100%	21%	37%	-58%	32%
EPS	44%	100%	21%	37%	-60%	32%
Profitability (%)						
Operating Margin	14%	23%	23%	25%	17%	20%
EBITDA margin	34%	40%	38%	44%	35%	38%
NET Profit margin	10,83%	17,39%	16,99%	22,26%	11,75%	14,14%
ROA	3,58%	6,70%	7,54%	9,38%	3,87%	4,87%
ROE	4,10%	7,70%	8,51%	10,70%	4,29%	5,37%
Solvability						
Tot. debt/ Tot. Equity (x)	0,15	0,15	0,13	0,14	0,11	0,10
int coverage (x)	28,21	43,79	39,42	29,92	22,36	27,16
Liquidity						
Current Ratio (X)	4,33	4,97	5,65	4,77	5,80	6,44
Per Share data						
EPS (USD)	0,0083	0,0167	0,0202	0,0276	0,0109	0,0144
EV/EBITDA (x)	13,5	8,0	9,3	4,6	10,0	8,5
PER (x)	43,4	19,7	22,4	10,2	33,1	25,0
PBV (x)	1,78	1,51	1,90	1,10	1,42	1,34

Stock Ratings:
Buy: a recommendation to purchase the security with upside potential of 12.5% or greater
Hold: a recommendation to neither buy nor sell a security with upside potential of 6.25% - 12.5%.
Sell: a recommendation to close out a long position in a security with upside potential below 6.25% or negative.

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