

PT Vale Indonesia Tbk (INCO)

Metal Mining

Headwind from global uncertainty

20 May 2022

Recommendations : BUY

Stock

Price on 19/05/2022 (Rp)	7,625
12M target price (Rp)	8,900
Capital gain potential	17%

Stock Data

Outstanding shares	9,936,338,720
Market cap (Rp)	75,764,582,740,000
Weight vs IHSG (%)	0.58

Shareholders (%)

Vale Canada Limited	43.79%
Sumitomo Metal Mining Co., Ltd.	15.03%
PT Indonesia Asahan Aluminium	20.00%
Vale Japan Limited	0.55%
Sumitomo Corporation	0.14%
Public	20.49%
Outstanding Shares (unit)	9,936,338,720

Price Performance

52-week high/low	Rp8,800 / Rp4,180
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Capital gain/(loss) (in %)

1 month (10.03)	3 month 55.61	6 month 57.54	1 Year 58.52	YTD 62.93
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Summary of Financial Performance

USD mn	2021A	2022E	2023F
Revenue	953.2	1,243.6	1,274.5
Operating Income	222.0	437.0	445.5
OPM (%)	23.29%	35.14%	34.95%
EBITDA	379.6	552.8	564.2
EV to EBITDA (x)*	7.26	8.42	8.14
Net Income	165.8	298.8	303.9
NPM (%)	24.69%	37.56%	37.81%
EPS (Rp)	239	430	438
EPS Growth (%)	100.2%	80.2%	1.7%
Price Earnings (x)*	19.64	17.33	17.04
Price to Book (x)*	1.51	2.22	2.06
Price to Sales (x)*	3.42	4.16	4.06
Return on Equity (%)	7.70%	12.80%	12.08%
Return on Assets (%)	6.70%	11.20%	10.59%

*) based on market price (19/05/2022) at Rp7,625

Sources : Company, Bloomberg and KB Valbury Indonesia

Analyst(s)

Devi Harjoto
Alfiansyah

Laba bersih INCO tumbuh 100,8% YoY pada 1Q22 menjadi USD67,7 juta. Kenaikan harga nikel menghadapi tantangan dari kenaikan suku bunga agresif. Rekomendasi "BUY" dengan target harga Rp8.900 per saham.

Laba bersih ditengah kenaikan pendapatan dan beban yang terkendali

Laba bersih INCO meningkat 100,8% YoY pada 1Q22 menjadi USD67,65 juta (+26,2% QoQ). Pertumbuhan laba bersih signifikan ini ditopang oleh pendapatan yang tumbuh 13,8% YoY pada 1Q22 menjadi USD235,1 juta (-11,9% QoQ). GPM bertumbuh dari 25,1% pada 1Q21 menjadi 39,4% pada 1Q22 ditengah penurunan beban pokok 8,0% YoY ditengah penurunan beban karyawan dan bahan pembantu. EBITDA naik 30,7% YoY pada 1Q22 dengan EBITDA margin bertumbuh dari 43,0% pada 1Q21 menjadi 49,4%. Kemudian, beban operasional meningkat 300,5% YoY pada 1Q22 karena kenaikan beban karyawan dan beban professional. Akan tetapi, margin operasional tetap meningkat dari 24,5% pada 1Q21 menjadi 37,6% pada 1Q22. INCO mencatatkan kenaikan beban keuangan 12,1% YoY pada 1Q22. Tetapi, beban lain-lain perseroan turun 64,6% YoY pada 1Q22 karena penurunan beban project development. Neraca INCO kuat dengan posisi net cash pada 1Q22.

ASP yang meningkat mendorong performa INCO

Kenaikan pendapatan INCO pada 1Q22 ditopang oleh kenaikan ASP yang naik 25,3% YoY menjadi USD17.432 per MT atau 14,3% QoQ. Kendati volume penjualan turun 9,2% YoY menjadi 13.486 MT (-22,3% QoQ). Penurunan penjualan tersebut dipacu oleh kendala produksi yang juga menurun 9,0% YoY pada 1Q22 (-18,7% QoQ) karena adanya pekerjaan pada tanur 4. Sementara itu, kami melihat penurunan produksi tersebut juga berpengaruh terhadap konsumsi bahan bakar INCO yang turun dengan volume HSFO dan diesel yang turun masing-masing 23,2% YoY dan 11,4% YoY pada 1Q22, juga batubara berkurang 0,73% YoY. Kendati volume menurun, harga ASP bahan bakar naik signifikan seperti HSFO yang meningkat 50,6% YoY dan diesel yang naik 63,4% YoY pada 1Q22 ditengah kenaikan harga energy global. Tetapi, hal tersebut tidak berdampak pada COGS pada 1Q22 karena adanya efisiensi.

ASP masih kuat kendati produksi diproyeksi flattish YoY

Kami memproyeksi pendapatan mencapai US\$1,2 miliar pada 2022, utamanya didorong oleh peningkatan ASP terutama pada 1H22. Namun, secara volume, kami memperkirakan penurunan produksi dan sales akan berlanjut yang disebabkan adanya pekerjaan tanur 4 yang masih berlangsung hingga Mei 2022. Namun, kami memperkirakan ASP berpeluang terkoreksi pada 2H22, setelah The Fed melakukan kenaikan bunga secara agresif, kemungkinan eskalasi konflik di Eropa Timur yang menurun dan kekhawatiran pelambatan ekonomi sebagai imbas dari kenaikan suku bunga dan kebijakan restriksi di Cina. Faktor-faktor tersebut dapat mereduksi permintaan nikel di pasar global. Meski demikian, kami memproyeksikan ASP INCO dapat meningkat 10-15% YoY mengingat permintaan terhadap nikel yang masih tinggi. Secara jangka panjang, kami optimistis pembangunan smelter di Bahodopi, Pomalaa dan Sorowako sehingga akan meningkatkan ASP dalam jangka panjang karena dapat meningkatkan nilai tambah.

Rekomendasi BUY ditengah permintaan nikel yang kuat di pasar global

Kami merekomendasikan "BUY" saham INCO dengan target harga Rp8.900 per saham, yang mencerminkan valuasi PE 2022E 17,33x. Kami menilai beberapa sentimen positif tahun ini yakni 1) ASP yang meningkat ditengah peningkatan permintaan dan supply yang ketat; 2) berbagai efisiensi manajemen pertambangan untuk menjaga margin; 3) ekspansi pembangunan smelter dan 4) neraca INCO yang kuat. Namun, kami mencatat beberapa resiko dari 1) resiko koreksi harga nikel di pasar global setelah kenaikan suku bunga The Fed dan ancaman pelambatan ekonomi; 2) kenaikan harga bahan bakar; 3) perubahan kebijakan pemerintah dan 4) depresiasi USD.

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FINANCIAL OVERVIEW

Income Statement (USD mn)	1CQ2021	1CQ2022	YoY Change	4Q2021	1Q2022	QoQ Change
Revenue	207	235	13.8%	267	235	(11.9%)
Cost of Revenue	(155)	(142)	(8.0%)	(201)	(142)	(29.2%)
Gross Profit	52	93	79.2%	66	93	41.1%
Gross Margin (%)	25.1%	39.4%		24.6%	39.4%	
Operating Expenses	(1)	(4)	300.5%	(1)	(4)	300.7%
Operating Profit	51	88	74.5%	65	88	26.6%
Operating Margin (%)	24.5%	37.6%		24.2%	37.6%	
EBITDA	89	116	30.7%	106	116	9.9%
EBITDA Margin (%)	43.0%	49.4%		39.6%	49.4%	
Non-Operating Income (Losses)	(3)	(2)	(43.2%)	(3)	(2)	(40.7%)
Pretax Income	48	87	81.7%	62	87	40.3%
Income Tax (Expense)/ Benefit	(14)	(19)	36.0%	(19)	(19)	20.2%
Net Profit (Losses)	34	68	100.8%	43	68	26.2%
Profit Margin (%)	16.3%	28.8%		16.1%	28.8%	

Sources : Company and Valbury Sekuritas Indonesia

FINANCIAL TABLES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Year End Dec (USD mn)	2020A	2021A	2022E	2023F	2024F
Revenue	764.7	953.2	1,243.6	1,274.5	1,305.1
Revenue growth yoy	-2.2%	24.6%	30.5%	2.5%	2.4%
- Cost of Goods Sold	640.4	717.8	776.4	792.6	800.6
Gross Income	124.4	235.4	467.1	481.9	504.5
- Operating Expenses	27.6	15.0	30.1	36.4	39.5
Operating Income	98.0	222.0	437.0	445.5	465.0
Op income growth yoy	12.7%	126.4%	96.9%	1.9%	4.4%
- Non Operating Gains (Losses)	6.6	(1.3)	(2.4)	(2.8)	(3.0)
EBITDA	247.1	379.6	552.8	564.2	586.8
Pretax Income	104.6	220.6	434.6	442.7	461.9
- Income Tax Expense	21.8	54.8	135.8	138.8	144.8
Profit this Year	82.8	165.8	298.8	303.9	317.2
Net Income	82.8	165.8	298.8	303.9	317.2
Net income growth yoy	44.3%	100.2%	80.2%	1.7%	4.4%
EPS (IDR)	119	239	430	438	457
Dividends Per Share (IDR)	48	96*	172	175	183

*) Estimate

Sources: Company, Bloomberg and KB Valbury Indonesia

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Year End Dec (USD mn)	2020A	2021A	2022E	2023F	2024F
Total Current Assets	696.0	836.6	859.3	936.0	1,006.9
+ Cash & Near Cash Items	388.7	508.3	529.1	592.9	648.3
+ Accounts & Notes Receivable	60.0	102.0	102.6	106.6	111.4
+ Inventories	144.5	162.0	163.0	169.4	177.0
+ Other Current Assets	102.8	64.2	64.6	67.2	70.2
Total Long-Term Assets	1,618.7	1,636.3	1,809.7	1,934.3	2,075.2
+ Property, Plant & Equip, Net	1,479.1	1,519.0	1,685.6	1,813.0	1,948.3
Property, Plant & Equip	3,850.8	4,002.2	4,274.4	4,512.5	4,663.7
Accumulated Depreciation	2,371.6	2,483.2	2,588.8	2,699.5	2,715.3
+ Other Long Term Assets	139.5	117.3	124.1	121.3	126.9
Total Assets	2,314.7	2,472.8	2,669.0	2,870.4	3,082.1
Total Current Liabilities	160.7	168.4	175.6	184.4	194.9
+ Accounts Payable	113.1	122.2	125.9	130.9	137.3
+ Short Term Borrowings	0.1	1.4	1.5	1.5	1.5
+ Other Short Term Liabilities	47.5	44.7	48.3	52.0	56.1
Total Long Term Liabilities	133.6	149.9	159.6	169.9	180.8
+ Long Term Borrowings	0.0	3.3	3.5	3.6	3.8
+ Other Long Term Borrowings	133.6	146.6	156.1	166.2	177.0
Total Liabilities	294.3	318.4	335.2	354.3	375.8
+ Share Capital & APIC	414.2	414.2	414.2	414.2	414.2
+ Retained Earnings	1,606.2	1,740.3	1,919.6	2,101.9	2,292.2
Equity Before Minority Interest	2,020.4	2,154.5	2,333.7	2,516.1	2,706.4
Total Equity	2,020.4	2,154.5	2,333.7	2,516.1	2,706.4
Total Liabilities & Equity	2,314.7	2,472.8	2,669.0	2,870.4	3,082.1
Book Value Per Share (IDR)	2,909	3,103	3,361	3,623	3,897

Sources: Company, Bloomberg and KB Valbury Indonesia

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year End Dec (USD mn)	2020A	2021A	2022E	2023F	2024F
Net Income	82.8	165.8	298.8	303.9	317.2
+ Depreciation & Amortization	149.1	157.6	105.6	110.7	15.8
+ Other Non-Cash Adjustments	60.3	11.2	7.5	7.8	1.1
Cash From Operating Activities	292.2	334.6	411.9	422.5	334.1
+ Disposal of Fixed Assets	1.3	0.4	0.6	0.9	1.3
+ Capital Expenditures	(152.1)	(180.7)	(235.7)	(241.5)	(197.3)
Cash From Investing Activities	(150.8)	(180.2)	(235.1)	(240.7)	(196.1)
+ Dividends Paid	0.0	(33.1)	(119.5)	(121.6)	(126.9)
+ Change in Long Term Borr	(1.5)	(1.3)	(40.9)	2.2	19.1
+ Other Financing Activities	(0.2)	(0.2)	4.4	1.4	25.2
Cash From Financing Activities	(1.7)	(34.7)	(156.0)	(118.0)	(82.5)
Net Changes in Cash	139.6	119.6	20.8	63.8	55.5

Sources: Company, Bloomberg and KB Valbury Indonesia

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RATIO ANALYSIS

Year End Dec	2020A	2021A	2022E	2023F	2024F
Valuation Ratios					
Price Earnings*	43.77	19.64	17.33	17.04	16.33
EV to EBIT*	32.86	12.42	7.07	6.80	7.53
EV to EBITDA*	13.04	7.26	8.42	8.14	7.73
Price to Sales*	4.72	3.42	4.16	4.06	3.97
Price to Book*	1.79	1.51	2.22	2.06	1.91
Dividend Yield*	0.93%	2.03%**	2.31%	2.35%	2.45%
Profitability Ratios					
Gross Margin	16.26%	24.69%	37.56%	37.81%	38.66%
EBITDA Margin	32.31%	39.82%	44.45%	44.27%	44.97%
Operating Margin	12.82%	23.29%	35.14%	34.95%	35.63%
Profit Margin	10.83%	17.39%	24.03%	23.84%	24.30%
Return on Assets	3.58%	6.70%	11.20%	10.59%	10.29%
Return on Equity	4.10%	7.70%	12.80%	12.08%	11.72%
Leverage & Coverage Ratios					
Current Ratio	4.33	4.97	4.89	5.08	5.17
Quick Ratio	3.43	4.00	3.96	4.16	4.26
Tot Debt/Capital	60.89	80.57	91.38	77.96	90.78
Others					
Asset Turnover	0.33	0.39	0.47	0.44	0.42
Accounts Receivable Turnover	12.74	9.35	12.12	11.95	11.71
Accounts Payable Turnover	6.76	7.80	9.88	9.74	9.51
Inventory Turnover	5.29	5.88	7.63	7.52	7.37

*) based on market price (19/05/2022) at Rp7,625

**) Estimate

Sources: Company, Bloomberg and KB Valbury Indonesia

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