

Aneka Tambang (ANTM)

Pinning hopes on nickel

27 September 2022



ANTM II	BUY
Sector	Metals
Price at 26 Sept. 2022 (Rp)	1,970
Price target (Rp)	2,700
Upside/Downside (%)	36.8

Stock Information

Aneka Tambang is a subsidiary of SOE's holding MIND ID, engaging in mining activities from exploration, excavation, processing through to marketing of nickel ore, ferronickel, gold, silver, bauxite and coal. Its production facilities are spread through Indonesian archipelago.

Market cap (Rp bn)	50,224
Shares outstanding (mn)	24,030
52-week range (Rp)	1,540-2,800
3M average daily vol. ('000)	122,705
3M average daily val. (Rp mn)	239,100

Shareholders (%)

Inalum	65.0
Public	35.0

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	(0.8)	6.2	(13.5)

- **ANTM's 1H22 net profit grew 31.5% YoY to Rp1.53tn, accounting for 35.2% of our FY estimate**
- **We lower our 2022 net profit estimate to Rp2.8tn with EBITDA margin at 11.6%**
- **We maintain our "BUY" recommendation with a 37% upside potential on a 12-month view on higher nickel ASP, relatively stabilized gold sales volume and strong B/S**

Earnings miss estimate mostly due to legal provision

ANTM's net profit rose 31.5% YoY to Rp1.53tn, yet fell QoQ by 95.9%, representing 35.2% of our FY2022 estimate. The lower net profit QoQ was attributable to reduced revenue -7.4% to Rp9.03tn in 2Q22 (+8.7% YoY to Rp18,8tn in 1H22, accounting for 47.7% of our FY2022E) coupled with higher SG&A +109.1% QoQ (+56.3% YoY in 1H22), on the back of legal provision. As a result, ANTM recorded an operating loss of Rp153.2bn in 2Q22 (+Rp1.46tn in 1H22), compared to Rp1.63tn of operating income previous quarter. Excluding such provision, ANTM would have booked a Rp1.02tn in net profit in 2Q22 (Rp2.42tn in 1H22). Balance-sheet wise, ANTM's net gearing was at 0.06x in 1H22.

Ferronickel becomes the top-line driver

ANTM's revenue in 1H22 was largely supported by ferronickel that jumped 20.2% YoY (-32% QoQ in 2Q22) in the midst of higher ASP by +50.8% YoY (-2.8% QoQ) despite lower sales volume -20.3% YoY to 9,622 TNi (-30.0% QoQ), followed by gold segment that grew a tepid 3.5% YoY (+8.9% QoQ) with ASP increased 2.5% YoY (+3.8% QoQ). Gold sales volume, meanwhile, grew slightly by 1.0% YoY (+4.9% QoQ) to 433,038 T oz. Ferronickel contribution has made up 16.6% of its revenue in 1H22 compared to 15.0% in 1H21, while gold contribution decreased YoY from 68.7% to 65.4%. Meanwhile, nickel ore sales also went up 14.15% YoY in 1H22 as ASP escalated by 37.6% YoY, yet sales volume plunged 17.1% YoY (-69.6% QoQ), only reached 33% of our FY sales volume projection due to slower absorption of derivative products.

Nickel demand remains strong

We revise down our ANTM's net profit estimates to Rp2.8tn and Rp2.73tn in 2022 and 2023, respectively, on the back of lower nickel ore sales volume and ongoing legal case. On the other hand, we revise up ANTM's ferronickel ASP assumption to USD21,000/TNi following China's moves to ease its restrictions, spurring downstream stainless steel as well as growing EV industries. In addition, as FFR hikes of 75bps had been widely anticipated, we believe it will have a limited impact on nickel. Although The Fed's aggressive stance in longer horizon will mean bearish for gold, we expect ANTM's gold ASP will be relatively stabilized at USD1,875/oz this year, propped up by high concentration of sales in domestic market and gold product innovation amid strengthening purchasing power.

Reiterate BUY on the back of rising downstream sector

We reiterate our BUY call with a lower DCF-based price target of Rp2,700/share. The stock is currently traded at 2022e EV/EBITDA of 11.2x and 2023e EV/EBITDA of 13.1x, respectively. Despite underperformed bottom-line in 1H22, we still maintain our optimism with ANTM's outlook, on the back of 1) higher ASP of ferronickel and nickel ore in; 2) stable gold ASP and sales volume thanks to strong domestic segment; 3) government's push towards nickel downstreaming sector; 4) the company's efforts to expand gold reserves and 5) strong balance sheet. However, we note several downside risks to our recommendation, namely 1) lower-than-expected gold ASP due to strong USD following aggressive FFR hikes; 2) moderation in nickel price in line with higher supply; 3) changes in government policies and 3) forex volatility.

Key Statistics

Year end Dec	2020A	2021A	2022F	2023F	2024F
Revenue (Rp bn)	27,372	38,446	38,796	38,497	38,096
Gross profit (Rp bn)	4,476	6,359	6,586	6,801	6,481
Operating profit (Rp bn)	2,032	2,738	2,680	2,969	2,563
EBITDA (Rp bn)	3,132	3,629	4,498	3,837	3,437
EBITDA margin (%)	11.4%	9.4%	11.6%	10.0%	9.0%
Net profit (Rp)	1,149	1,862	2,791	2,732	2,441
EPS (%)	47.83	77.48	116.14	113.68	101.59
ROAA (%)	0.9%	1.4%	2.1%	2.0%	1.7%
EV/EBITDA (x)	16.0	13.8	11.2	13.1	14.6
PER (x)	56.3	34.8	23.2	23.7	26.5
PBV (x)	3.6	3.4	3.1	2.8	2.6

Analyst

Devi Harjoto

Aneka Tambang (ANTM)

ANTM's Financial Overview

Consolidated Statements of Profit or Loss (Rp bn)	1H21	1H22	YoY Change	1Q22	2Q22	QoQ Change
Revenue	17,275	18,773	8.7%	9,747	9,026	(7.4%)
COGS	(14,106)	(14,743)	4.5%	(7,299)	(7,444)	2.0%
Gross profit	3,169	4,029	27.2%	2,448	1,582	(35.4%)
Gross profit margin	18.3%	21.5%		25.1%	17.5%	
Operating expenses	(1,641)	(2,565)	56.3%	(830)	(1,735)	109.1%
Operating profit	1,527	1,465	(4.1%)	1,618	(153)	(109.5%)
Operating profit margin	8.84%	7.8%		16.6%	(1.7%)	
Net. other income/ costs	181	749	314.3%	238	511	114.7%
Profit before tax	1,708	2,213	29.6%	1,856	357	(80.7%)
Income tax	(548)	(688)	25.6%	(391)	(297)	(24.0%)
Net profit	1,160	1,526	31.5%	1,465	61	(95.9%)
Net profit margin	6.7%	8.1%		15.0%	0.7%	

Source: Company, KB Valbury Sekuritas

ANTM's operational overview

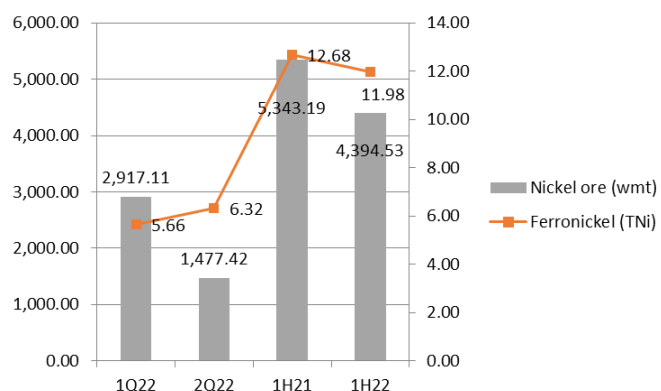


Exhibit 1. Production volume of nickel and ferronickel
Sources: Companies, KB Valbury Securities

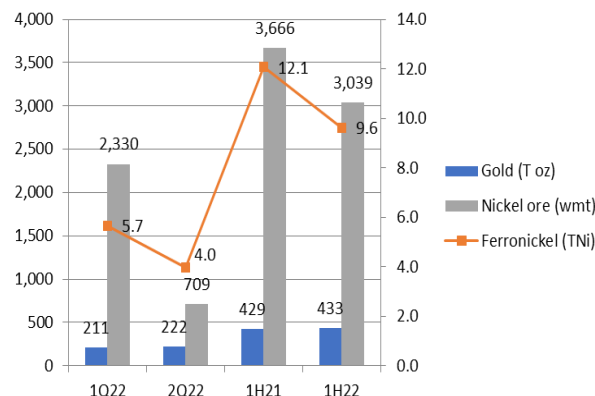


Exhibit 2. Sales volume of gold, nickel ore and ferronickel
Sources: Companies, KB Valbury Securities

ANTM's gold ASP-sales volume and leverage metrics

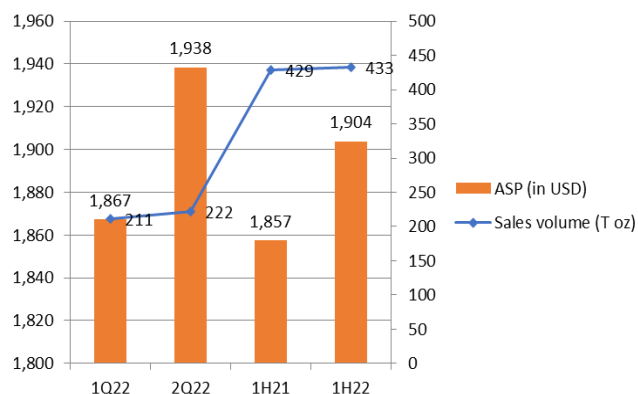


Exhibit 3: ANTM's gold ASP and sales volume
Sources: Companies, KB Valbury Securities

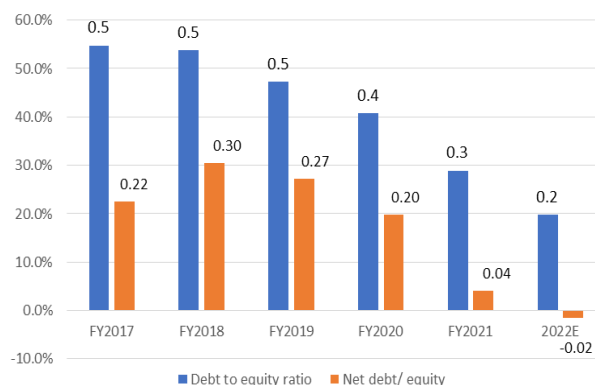


Exhibit 4: Leverage ratios
Sources: Companies, KB Valbury Securities

Aneka Tambang (ANTM)

FINANCIAL TABLES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Year End Dec (Rp bn)	2020A	2021A	2022F	2023F	2024F
Revenue	27,372	38,446	38,796	38,497	38,096
COGS	(22,897)	(32,087)	(32,210)	(31,697)	(31,614)
Gross profit	4,476	6,359	6,586	6,801	6,481
Gross profit margin	16.4%	16.5%	17.0%	17.7%	17.0%
Operating expenses	(2,443)	(3,621)	(3,906)	(3,832)	(3,918)
Operating profit	2,032	2,738	2,680	2,969	2,563
Operating profit margin	7.42%	7.12%	6.91%	7.71%	6.73%
EBITDA	3,132	3,629	4,498	3,837	3,437
EBITDA margin	11.4%	9.4%	11.6%	10.0%	9.0%
Net. other income/ expenses	(391)	305	1,307	934	924
Pretax profit	1,641	3,044	3,987	3,903	3,488
Income tax	(492)	(1,182)	(1,196)	(1,171)	(1,046)
After tax profit	1,149	1,862	2,791	2,732	2,441
Net profit margin	4.2%	4.8%	7.2%	7.1%	6.4%

Source: Company, KB Valbury Sekuritas

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Year End Dec (Rp bn)	2020A	2021A	2022F	2023F	2024F
Current assets					
Cash and cash equivalents	3,984	5,193	4,910	7,900	8,116
Trade receivables	1,344	1,344	1,958	1,291	1,910
Inventories	2,626	3,107	3,820	1,943	3,911
Other current assets	1,196	2,084	2,043	2,066	2,122
Total current assets	9,151	11,728	12,731	13,200	16,059
Non-current assets					
Fixed assets	18,248	16,864	16,358	16,849	16,512
Mining properties	717	680	748	778	794
Other non-current assets	3,614	3,644	4,377	4,716	4,896
Total non-current assets	22,579	21,188	21,484	22,343	22,202
Total assets	31,730	32,916	34,214	35,543	38,261
Current liabilities					
Trade payables	673	1,399	1,340	841	1,078
Taxes payables	456	328	524	566	600
Investment loans	1,033	1,080	1,080	1,113	1,135
Short term bank loans	1,072	1,089	887	905	887
Other current liabilities	3,668	1,544	2,656	1,851	1,880
Total current liabilities	7,553	6,562	6,959	5,781	6,111
Non-current liabilities					
Investment loans	3,388	3,703	2,407	2,552	2,679
Other non-current liabilities	1,749	1,813	1,787	1,827	1,890
Total non-current liabilities	5,137	5,517	4,194	4,379	4,569
Shareholders' equity	19,039	20,837	23,061	25,383	27,581
Total liabilities and equity	31,730	32,916	34,214	35,543	38,261

Source: Company, KB Valbury Sekuritas

Aneka Tambang (ANTM)

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year End Dec (Rp bn)	2020A	2021A	2022F	2023F	2024F
Net profit	1,149	1,862	2,791	2,732	2,441
Depreciation & amortization	1,099	891	866	868	873
Changes in working capital	(161)	(311)	(703)	1,290	(2,320)
CF from operating activities	2,088	2,442	2,955	4,890	995
Investment in fixed assets	(446)	531	(325)	(1,321)	(497)
Others	(703)	(30)	(837)	(407)	(236)
CF from investing activities	(1,149)	500	(1,162)	(1,727)	(733)
Dividends paid	(68)	(402)	(558)	(410)	(244)
Debt raised/repaid	(805)	(1,738)	(1,464)	198	137
Others	282	406	(54)	40	61
CF from financing activities	(591)	(1,734)	(2,075)	(172)	(47)
Free cash flows	348	1,208	(283)	2,990	215
Cash and cash equivalents, beginning	3,636	3,984	5,193	4,910	7,900
Cash and cash equivalents, ending	3,984	5,193	4,910	7,900	8,116

Source: Company, KB Valbury Sekuritas

RATIO ANALYSIS

Year End Dec	2020A	2021A	2022F	2023F	2024F
Gross profit margin	16.4%	16.5%	17.0%	17.7%	17.0%
Operating profit margin	7.4%	7.1%	6.9%	7.7%	6.7%
EBITDA margin	11.4%	9.4%	11.6%	10.0%	9.0%
Net profit margin	4.2%	4.8%	7.2%	7.1%	6.4%
Receivables turnover (x)	23.3	28.6	23.5	23.7	23.8
Inventory turnover (x)	10.4	11.2	9.3	11.0	10.8
Payable turnover (x)	31.2	30.5	23.0	30.8	30.9
ROAA	0.9%	1.4%	2.1%	2.0%	1.7%
ROAE	1.5%	2.3%	3.2%	2.8%	2.3%
ROIC	5.0%	8.6%	12.3%	12.3%	10.0%
Debt/ Equity (x)	0.4	0.3	0.2	0.2	0.2
Net debt/Equity (x)	0.20	0.04	(0.02)	(0.12)	(0.12)
Net debt/ EBITDA (x)	1.2	0.2	(0.1)	(0.8)	(0.9)
Interest coverage (x)	5.5	10.1	16.5	13.5	11.7
EPS (Rp)	47.8	77.5	116.1	113.7	101.6
BV/ Share (Rp)	792.3	867.1	959.7	1,056.3	1,147.8

Source: Company, KB Valbury Sekuritas

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 KB Valbury Sekuritas

Headquarters

Menara Karya, 9th Floor
 Jl. H.R. Rasuna Said Blok X-5 Kav 1-2
 Jakarta 12950, Indonesia
 T +62 21 255 33 600
 F +62 21 255 33 778

Branch Office

Jakarta - Kelapa Gading
 Rukan Plaza Pasifik
 Jl. Raya Boulevard Barat Blok A1 No. 10
 Jakarta 11620
 T +62 21 - 29451577

Jakarta - Puri Indah
 Rukan Grand Aries Niaga
 Blok E.1 No. 1 V Jl. Taman Aries, Kembangan,
 Jakarta 14450
 T +62 21 - 22542390
 F +62 21 - 29264310

Jakarta - Pluit
 Jl. Pluit Putra Raya No. 2
 Jakarta 14240
 T +62 21 - 29264300
 F +62 21 - 22542391

Bandung
 Jl. HOS Cokroaminoto No. 82
 Bandung 40171
 T +62 22 - 87255888
 T +62 22 - 87255800
 F +62 22 - 87255811

Semarang
 Candi Plaza Building Lt. Dasar
 Jl. Sultan Agung No. 90-90A
 Semarang 50252
 T +62 24 - 3521888
 T +62 24 - 8501122
 F +62 24 - 8507450

Yogyakarta
 Jl. Magelang KM 5.5 no. 75
 Yogyakarta 55284
 T +62 274 - 4469500
 T +62 274 - 6231111
 F +62 274 - 6232222

Galeri Investasi

Padang
 Jl. Kampung Nias II no. 10,
 Kel. Belakang Pondok,
 Kec. Padang Selatan
 T +62 751 8955747

Manado
 Kawasan Megamas, Ruko Megaprofit
 Blok IF2 No. 38 Manado. 95254
 T +62 431 7917 836
 F +62 431 880 2129

Surabaya
 Pakuwon Center Tunjungan Plaza Lantai 21
 Jl. Embong Malang No.1
 Surabaya 60261
 T +62 31 - 29557777
 T +62 31 - 29557888
 F +62 31 - 2955716

Denpasar
 Komplek Ibis Styles Hotel
 Jl. Teuku Umar No. 177
 Denpasar Bali 80114
 T +62 361 - 2558888
 T +62 361 - 225229
 F +62 361 - 225339

Banjarmasin
 Jl. Gatot Subroto No.33 Kel. Kebun Bunga
 Kec. Banjarmasin Timur
 Kalimantan Selatan 70235
 T +62 511 - 3265918
 F +62 511 - 3253432

Solo
 Jl. Ronggo Warsito no. 34
 Solo 57118
 T +62 271 632888
 F +62 271 656988

Makassar
 Ratulangi Points Lt. 3
 Jl. Dr Sam Ratulangi No. 2 Kunjungmae, Mariso
 Makassar, Sulawesi Selatan 90125
 T +62 411 8955999

Malang
 Jl. Pahlawan Trip no. 7
 Malang 65112
 T +62 341 - 585888
 F +62 341 - 560056

Solo
 Jl. Ronggowarsito No. 34
 Surakarta 57118
 T +62 271 - 632888

Palembang
 Komp. PTC Mall Blok I No. 7 J. R. Sukanto Kel. 8 Ilir
 Kec. Ilir Timur II Palembang 30114
 T 07115700281

Medan
 Komplek Jati Junction No. PS-5A
 Jl. Perintis Kemerdekaan
 Medan 20218
 T +62 61 - 88816222
 F 62 61 - 88816333

Pekanbaru
 Jl. Tuanku Tambusai
 Komplek CNN Blok A No.3 Pekanbaru 28291
 T +62 761 - 839393
 Galeri Investasi

Padang
 Jl. Kampung Nias II no. 10,
 Kel. Belakang Pondok,
 Kec. Padang Selatan
 T +62 751 8955747

Manado
 Kawasan Megamas, Ruko Megaprofit
 Blok IF2 No. 38 Manado. 95254
 T +62 431 7917 836
 F +62 431 880 2129

Solo
 Jl. Ronggowarsito No. 34
 Surakarta 57118
 T +62 271 - 632888

Palembang
 Komp. PTC Mall Blok I No. 7 J. R. Sukanto Kel. 8 Ilir
 Kec. Ilir Timur II Palembang 30114
 T 07115700281

Galeri Investasi BEI - KBVS

Yogyakarta
 Universitas Kristen Duta Wacana
 T +62 274 - 544032

Manado
 Universitas Prisma Manado
 T 0431 8800850

Jakarta
 Universitas Gunadarma
 T +62 21 - 8727541