

Aneka Tambang (ANTM)

Spurred by EV development

19 August 2022



ANTM IJ	BUY
Sector	Metals
Price at 18 Aug 2022 (Rp)	2,050
Price target (Rp)	2,850
Upside/Downside (%)	39.0

Stock Information

Aneka Tambang is a subsidiary of SOE's holding MIND ID that engages in all activities from exploration, excavation, processing through to marketing of nickel ore, ferronickel, gold, silver, bauxite and coal. ANTAM 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)	122,105
3M average daily val. (Rp mn)	252,583

Shareholders (%)

Inalum	65.0
Public	35.0

Stock Performance

Source: Bloomberg

	1M	3M	12M
Performance (%)	35.1	(13.0)	(13.0)

- **ANTM's 1Q22 net profit skyrocketed 132.5% YoY to Rp1.5tn (+868.4% QoQ)**
- **We expect revenue and net profit of Rp39.4tn and Rp4.3tn in 2022, respectively**
- **We reiterate our "BUY" call with 39.7% upside potential on a 12-month view on high ASP of ferronickel and nickel ore**

Topping expectation

ANTM's net profit jumped 132.5% YoY in 1Q22 to Rp1.5tn (+868.4% QoQ), accounting for 33.8% of our FY estimate. The higher profit YoY was attributed to growing revenue +5.8% (-18.6% QoQ) in 1Q22 to Rp9.75tn coupled with reduced COGS by 3.8% YoY (-32.1% QoQ). As a result, ANTM's gross margin escalated from 17.7% in 1Q21 to 25.1% in 1Q22. Furthermore, the company's operating expenses decreased 0.2% YoY thanks to lower G&A from rent expenses, prompting operating margin to expand from 8.6% in 1Q21 to 16.6% in 1Q22. Meanwhile, the company's finance cost shrunk significantly by 106.6% YoY in 1Q22 to Rp39.8bn, on the back of gain on fx from short term bank and investment loans compared to loss of Rp148.3bn booked in 1Q21. In addition, the company's balance sheet remained strong in 1Q22 with net cash position.

Boosted by Ferronickel and nickel ore

ANTM's revenue growth YoY was driven mainly by ferronickel and nickel ore sales that increased 51.0% YoY and 70.9% YoY in 1Q22, respectively thanks to higher ASP by 50.1% YoY and 17.2% YoY. Gold sales, however, declined 10.7% YoY in 1Q22 to Rp5.89tn dragged by lower sales volume despite a 0.6% increase YoY in ASP to USD1,876/troy ounce. As a result, gold contribution to revenue declined from 71.5% in 1Q21 to 60.3% in 1Q22. Meanwhile, ferronickel contribution went up from 13.4% in 1Q21 to 19.1% in 1Q22 and nickel ore contribution expanded from 10.3% to 16.7%. In addition, alumina's sales were also up 24.7% YoY to Rp275.97bn in 1Q22 as ASP improved by 22.9% YoY to USD532/T.

Gaining momentum from positive nickel outlook

We expect ANTM's revenue growth of 2.5% YoY in 2022, bolstered by higher sales of ferronickel and nickel ore. We estimate ferronickel ASP to stand at USD19,000/TNI, assuming its price growth to moderate in 2H22 on the back of aggressive monetary tightening and expected mild surplus as well as slowdown in China. Nevertheless, we expect ferronickel and nickel sales volume to escalate by 2% and 22.23% YoY respectively. Meanwhile, we anticipate gold ASP to be at USD1,875/ounce, amid high uncertainty from geopolitical tension, yet strong USD from FFR hikes will limit its upside. However, gold sales volume is expected to lower in 2022. In addition, we expect ANTM's operating margin to expand to 12.6% this year as expenses to remain controllable. In partnership with CNGR Co., Ltd, the company plans to establish nickel matte processing facilities with estimated capacity of 80,000 tons.

Reiterate BUY on the back of strong nickel demand

We maintain our BUY call with a DCF-based price target of Rp2,850/share. The stock is currently traded at a 2022F PER of 15.1x. We are sanguine about ANTM's performance, propped up by 1) higher ferronickel and nickel ASP on the back of continued development of EV infrastructures; 2) government's push towards nickel downstreaming sector; 3) relatively stable gold ASP; 4) the company's efforts to increase gold reserves and 5) solid balance sheet. Nevertheless, we note several downside risks to our recommendation namely 1) lower-than-expected gold ASP due to aggressive interest rate hikes and China's slow recovery; 2) moderation in nickel and ferronickel prices growth; and 3) planned export tax policy.

Key Statistics

Year end Dec	2020A	2021A	2022F	2023F	2024F
Sales (Rp bn)	27,372	38,446	39,358	38,035	37,954
Gross profit (Rp bn)	4,476	6,359	8,637	8,191	8,182
EBITDA (Rp bn)	3,132	3,629	5,798	5,400	5,311
EBITDA margin (%)	11.4%	9.4%	14.7%	14.2%	14.0%
Net profit (Rp)	1,149	1,862	4,341	3,890	3,851
EPS (%)	47.83	77.48	180.65	161.86	160.24
ROAA (%)	0.9%	1.4%	3.1%	2.5%	2.3%
EV/EBITDA (x)	16.0	13.8	8.7	9.3	9.5
PER (x)	56.9	35.2	15.1	16.8	17.0
PBV (x)	3.6	3.4	3.1	2.7	2.4

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
Sales	9,210	9,747	5.8%	11,969	9,747	(18.6%)
COGS	(7,585)	(7,299)	(3.8%)	(10,747)	(7,299)	(32.1%)
Gross profit	1,626	2,448	50.6%	1,222	2,448	100.3%
Gross profit margin	17.6%	25.1%		10.2%	25.1%	
Operating expenses	-832	-830	(0.2%)	(831)	(830)	(0.2%)
Operating profit	794	1,618	103.8%	391	1,618	314.2%
Operating profit margin	8.62%	16.6%		3.3%	16.6%	
Net. Finance income/ costs	20,364	(14)	(100.1%)	25,224	25,944	2.9%
Profit before tax	890	238	(73.3%)	514	1,856	261.4%
Income tax	(259)	(391)	50.6%	(362)	(391)	7.8%
Net profit	630	1,465	132.5%	151	1,465	868.6%
Net profit margin	6.8%	15.0%	5.8%	1.3%	25.1%	

Source: Company, KB Valbury Sekuritas

ANTM production dan sales data

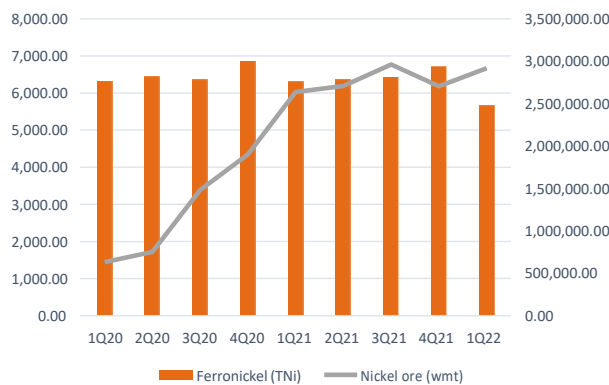


Exhibit 1. Quarterly production volume of nickel and ferronickel

Sources: Companies, KB Valbury Securities

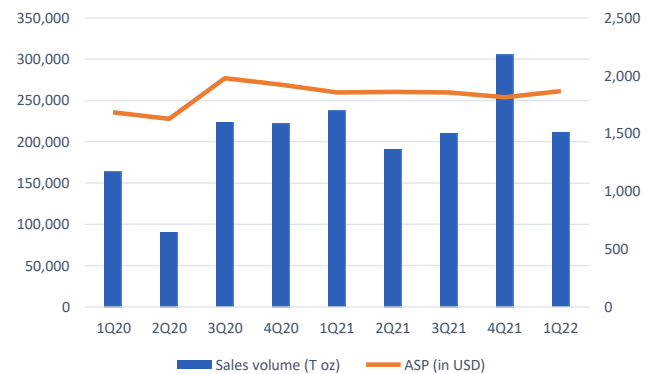


Exhibit 2. Quarterly sales volume and ASP of gold

ANTM profitability and leverage metrics



Exhibit 3: ANTM's profitability ratios

Sources: Companies, KB Valbury Securities

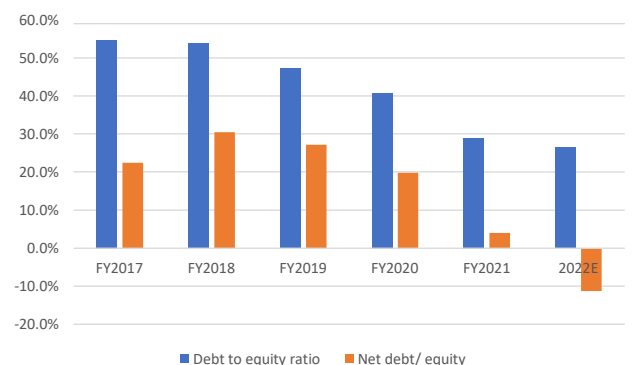


Exhibit 4: Leverage ratios

Aneka Tambang (ANTM)

FINANCIAL TABLES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Year End Dec (Rp bn)	2020A	2021A	2022F	2023F	2024F
Sales	27,372	38,446	39,358	38,035	37,954
COGS	(22,897)	(32,087)	(30,721)	(29,844)	(29,772)
Gross profit	4,476	6,359	8,637	8,191	8,182
Gross profit margin	16.4%	16.5%	21.9%	21.5%	21.6%
Operating expenses	(2,443)	(3,621)	(3,694)	(3,639)	(3,722)
Operating profit	2,032	2,738	4,942	4,553	4,460
Operating profit margin	7.42%	7.12%	12.56%	11.97%	11.75%
EBITDA	3,132	3,629	5,798	5,400	5,311
EBITDA margin	11.4%	9.4%	14.7%	14.2%	14.0%
Net. Finance income/ expenses	(455)	(269)	(81)	(55)	(47)
Pretax profit	1,641	3,044	5,788	5,186	5,134
Income tax	(492)	(1,182)	(1,447)	(1,297)	(1,284)
After tax profit	1,149	1,862	4,341	3,890	3,851
Net profit margin	4.2%	4.8%	11.0%	10.2%	10.1%

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	9,174	13,059	16,184
Trade receivables	1,344	1,344	2,005	1,204	1,985
Inventories	2,626	3,107	2,478	2,948	2,566
Other current assets	1,196	2,084	2,092	2,121	2,179
Total current assets	9,151	11,728	15,750	19,331	22,913
Non-current assets					
Fixed assets	18,248	16,864	16,021	16,501	16,171
Mining properties	717	680	660	686	700
Other non-current assets	3,614	3,644	3,941	4,236	4,408
Total non-current assets	22,579	21,188	20,621	21,423	21,279
Total assets	31,730	32,916	36,371	40,755	44,193
Current liabilities					
Trade payables	673	1,399	691	1,217	735
Taxes payables	456	328	360	389	413
Investment loans	1,033	1,080	1,101	1,134	1,157
Short term bank loans	1,072	1,089	1,110	1,133	1,110
Other current liabilities	3,668	1,544	1,622	1,713	1,795
Total current liabilities	7,553	6,562	6,120	6,908	6,598
Non-current liabilities					
Bond payables	0	0	0	0	0
Investment loans	3,388	3,703	4,074	4,318	4,534
Other non-current liabilities	1,749	1,813	1,867	1,912	1,980
Total non-current liabilities	5,137	5,517	5,941	6,230	6,514
Shareholders' equity	19,039	20,837	24,310	27,616	31,081
Total liabilities and equity	31,730	32,916	36,371	40,755	44,193

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	4,341	3,890	3,851
Depreciation & amortization	1,099	891	856	847	851
Changes in working capital	(161)	(311)	(529)	1,034	(770)
CF from operating activities	2,088	2,442	4,668	5,770	3,932
Investment in fixed assets	(446)	531	21	(1,294)	(487)
Others	(703)	(30)	(310)	(355)	(221)
CF from investing activities	(1,149)	500	(289)	(1,648)	(708)
Debts raised/(repaid)	(68)	(402)	(868)	(583)	(385)
Dividends paid	(805)	(1,738)	415	302	220
Others	282	406	56	44	66
CF from financing activities	(591)	(1,734)	(398)	(237)	(99)
Free cash flows	348	1,208	3,981	3,885	3,125
Cash and cash equivalents, beginning	3,636	3,984	5,193	9,174	13,059
Cash and cash equivalents, ending	3,984	5,193	9,174	13,059	16,184

Source: Company, KB Valbury Sekuritas

RATIO ANALYSIS

Year End Dec	2020A	2021A	2022F	2023F	2024F
Gross profit margin	16.4%	16.5%	21.9%	21.5%	21.6%
Operating profit margin	7.4%	7.1%	12.6%	12.0%	11.7%
EBITDA margin	11.4%	9.4%	14.7%	14.2%	14.0%
Net profit margin	4.2%	4.8%	11.0%	10.2%	10.1%
Receivables turnover (x)	23.3	28.6	23.5	23.7	23.8
Inventory turnover (x)	10.4	11.2	11.0	11.0	10.8
Payable turnover (x)	31.2	30.5	30.0	30.8	30.9
ROAA	0.93%	1.44%	3.13%	2.52%	2.27%
ROAE	1.5%	2.3%	4.8%	3.7%	3.3%
ROIC	5.0%	8.6%	20.1%	18.3%	17.6%
Debt/ Equity	40.7%	28.9%	26.4%	24.4%	22.4%
Net debt/Equity	19.8%	3.9%	-11.3%	-22.9%	-29.7%
Net debt/ EBITDA	120.3%	22.7%	-47.3%	-117.2%	-173.8%
Sales/ Assets turnover (x)	0.88	1.19	1.14	0.99	0.89
Interest coverage (x)	5.5	10.1	32.3	33.4	33.9
EPS (Rp)	47.8	77.5	180.6	161.9	160.2
BV/ Share (Rp)	792.3	867.1	1,011.6	1,149.2	1,293.4

Source: Company, KB Valbury Sekuritas

Aneka Tambang (ANTM)

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