

Mining for Glory: A Golden and Nickel Odyssey

11 November 2024



The unaudited 3Q24 results showed a revenue growth (+4.2% QoQ, -10.6% YoY), driven by strong performance in gold ASP and copper sales volumes. MDKA's 6M24 report reflected reduced losses (-USD13 mn, down from -USD49 mn), although high interest expenses and minority stakes kept results below expectations. The company's growth outlook is fueled by surging gold gains and improved nickel cash costs, with top-line growth projected at +23.3% YoY in 2025F. We reinitiate our BUY recommendation on MDKA with a target price of IDR3,200 (13.6x 2025F EV/EBITDA, 1.3x 2025 P/BV).

MDKA IJ	BUY
Sector	Metals
Price at 8 November 2024 (IDR)	2,240
Price target (IDR)	3,200
Upside/Downside (%)	42.9

Stock Information

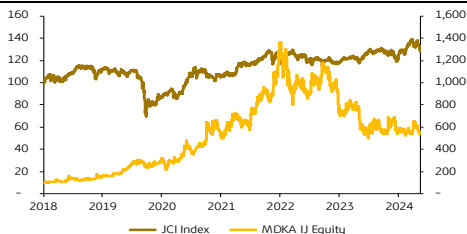
PT Merdeka Copper Gold Tbk is a mineral and mining company. The Company mines for gold, copper, and owned 51% stake in Merdeka Battery Materials.

Market cap (IDR bn)	56,532
Shares outstanding (mn)	24,473
52-week range (IDR)	2,970 – 2,600
3M average daily vol. ('000)	36,018
3M average daily val. (IDR mn)	94,755

Shareholders (%)

Saratoga Investama Sedaya	18.8
Mitra Daya Mustika	11.9
Garibaldi Thohir	7.5
Suwarna Arta Mandiri	5.5
CATL	5.0
Public (less than 5%)	51.3

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	(13.2)	1.8	(7.1)

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3Q24 Delivers Strong Gains in Gold and Copper, Driving Growth Despite Volume Challenges. MDKA reported an unaudited of 3Q24 revenue of USD574 mn (+4.2% QoQ, -10.6% YoY), bringing 9M24 revenue of USD1.7 bn (+47% YoY), slightly below our expectations (74.1%). With an 3Q24 EBITDA of USD44 mn (+10% QoQ, -58.9% YoY), MDKA achieved 9M24 EBITDA of USD185 mn (+37% YoY). This performance was driven by: 1) Gold (79.3% of EBITDA), supported by a higher ASP of USD 2,566 oz (+13.4% QoQ, +31.9% YoY) and sales volume of 27,778 oz (+11.1% QoQ, -43.5% YoY), though lower ore grades of (0.43 g/t, down from 0.52 g/t) affected volume. AISC decreased to USD 1,183/ oz (-20.7% QoQ, +3.1% YoY), likely reflecting lower avg. oil prices (-7.4% QoQ, -8.4% YoY); 2) Copper (20.6% of EBITDA) also supported results, with a robust increase in 3Q24 sales volume to 4,970 tonnes (+145.2% QoQ, +58.5% YoY).

6M24 Misses Amid High Interest and Minority Stakes. MDKA reported a 2Q24 net profit of USD3 mn (1Q24: -USD15 mn, 2Q23: -USD52 mn), marking a substantial improvement for 6M24 of -USD13 mn (6M23: -USD49 mn), though still way below expectations (KBVS: -16.4%; Cons: -719.3%). Despite an impressive 2Q24 operating profit comeback of USD42 mn (102.9% QoQ, 2Q23: USD0.41 mn), this gain was offset by high net interest expenses (58.6% of operating profit) due to project financing loans and a significant minority interest (90.0% of PBT), driven by the company's ownership structure across various subsidiaries and joint ventures.

Robust Growth Ahead: Driven by Nickel Gains and Gold Surge. We project MDKA to maintain strong growth momentum, with top-line growth of 24F: +24.5% YoY, 25F: +23.3% YoY, and a moderated in 26F: 7% YoY. This growth is backed by: 1) Nickel: Expected revenue growth of +29.2% YoY in 2024F, supported by robust additional volume from the ZHN Smelter and SCM Mine, along with improved AISC (as seen in 9M24, cash costs have decreased by -18.8% YoY); 2) Gold: Continues to outperform, with gold spreads in 3Q24 reaching USD 1,383/oz (+79.6% QoQ, +73.1% YoY). We foresee stronger gold prices in the future—USD 2,700/oz in 2024F and USD 2,600/oz thereafter—which will support increased spreads moving forward. Additionally, the expected additional volume from Pani Gold (80k oz) is projected to boost gold revenue to USD 562 million in 2025F (+122.7% YoY). Consequently, we are adjusting our FY24-26F forecasts, reducing revenue by -6% to -23% and modifying net profit projections due to continued pressure on nickel prices (YTD: -10.1%), rising gold prices (YTD: +35.2%), and continued high minority interest in 2024F (6M24: 126.6% of pre-tax income).

Reinitiate BUY with TP of IDR3,200. We reinitiate our BUY recommendation on MDKA based on the SOTP method with a Dec-25 target price of IDR3,200 (13.6x '25F EV/EBITDA, 1.3x '25 P/BV). We are optimistic on MDKA due to 1) growth projects on nickel (ZHN Smelter & SCM Mine) and gold (Pani gold), 2) the sustained upward trend in gold prices, 3) improvement in nickel cash cost, and 4) anticipated copper price recovery driven by expected Chinese stimulus. However key risk to this outlook included 1) potential volatility in nickel prices, 2) reduced demand stemming from possible Trump tariffs and the absence of Chinese economic stimulus.

Exhibit 1: Forecasts and Valuations (at closing price IDR 2,270)

Y/E Dec	22A	23A	24F	25F	26F
Revenue (USD Mn)	870	1,707	2,125	2,620	2,802
EBITDA (USD Mn)	453	249	322	385	429
EV/EBITDA (x)	16.4	21.6	13.3	9.9	7.0
Net Profit (USD Mn)	58	(21)	(46)	78	176
Net Profit Growth (%)	61.7	(135.4)	120.7	271.6	125.5
EPS (IDR)	38	(13)	(30)	52	120
P/E Ratio (x)	109.2	N/A	N/A	43.9	19.0
BVPS (IDR)	1,308	1,765	2,068	2,393	2,965
P/BV Ratio (x)	3.2	1.5	1.1	0.9	0.8
DPS (IDR)	-	-	-	-	-
Dividend Yield (%)	-	-	-	-	-
ROAE (%)	4.2	(0.9)	(1.5)	2.3	4.4
ROAA (%)	2.3	(0.5)	(0.9)	1.6	3.6

Exhibit 2: Financial Summary

(USD mn)	2Q23	1Q24	2Q24	QoQ (%)	YoY (%)	6M23	6M24	YoY (%)	6M24/ KBVs (%)	6M24/Cons (%)
Revenue	306	541	553	<i>+2.2</i>	<i>+80.8</i>	520	1,094	<i>+110.3</i>	47.6	50.2
Cost of Revenue	(291)	(508)	(497)	<i>-2.0</i>	<i>+70.8</i>	(474)	(1,005)	<i>+112.1</i>		
Gross Profit	15	33	55	<i>+66.5</i>	<i>+279.7</i>	46	89	<i>+92.3</i>	30.3	37.0
G&A Expense	(14)	(13)	(14)	<i>+7.9</i>	<i>-2.9</i>	(28)	(27)	<i>+4.3</i>		
Operating Profit	0	21	42	<i>+102.9</i>	<i>+9909.9</i>	18	62	<i>+237.7</i>	29.8	34.0
Net Interest Expense	(20)	(23)	(24)	<i>+6.8</i>	<i>+19.0</i>	(40)	(47)	<i>+19.0</i>		
Other Income (Exp) - net	(37)	(6)	17	<i>+391.0</i>	<i>+146.4</i>	(30)	11	<i>+137.0</i>		
PBT	(57)	(8)	34	<i>+519.8</i>	<i>+160.4</i>	(51)	26	<i>+150.7</i>	22.8	31.8
Income Tax Expense	(1)	(1)	(4)	<i>+296.1</i>	<i>+393.3</i>	(3)	(6)	<i>+59.9</i>		
Minority Interest	5	(6)	(27)	<i>+355.6</i>	<i>+607.7</i>	6	(33)	<i>+679.7</i>		
Net Profit	(52)	(15)	3	<i>+117.9</i>	<i>+105.2</i>	(49)	(13)	<i>+74.6</i>	(16.4)	(719.3)
GPM	4.8	6.2	10.0			8.9	8.1			
OPM	(4.6)	(2.4)	(2.5)			(5.3)	(2.4)			
NPM	0.1	3.8	7.5			3.5	5.7			

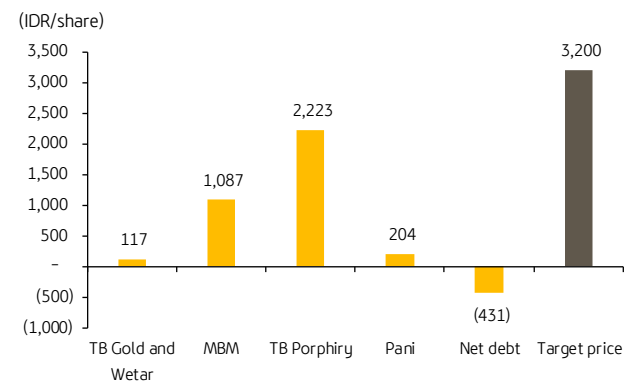
Source: Company, Bloomberg, KBVS Research

Exhibit 3: Valuation Summary

Projects	Effective Stake	EV (USDmn)	Valuation method
Tujuh Bukit Gold + Wetar	100%	178	DCF
BSI & CSI	30%	90	DCF
ZHN	30%	95	DCF
SCM	30.5%	881	EV/resource
AIMS	47.9%	589	DCF
TB Porphyry	100%	2,359	DCF
TB Porphyry resources		1,024	EV/resource
Pani	70%	310	EV/resource
Total EV (USD mn)		5,526	
Net cash/ (debt)		(656)	
Shares outstanding (Mn shares)		24,111	
USD/IDR rate		15,842	
Target price (IDR/sh)		3,200	

Source: KBVS Research

Exhibit 4: SOTP Valuation Components



Source: KBVS Research

Exhibit 5: Forecast Changes

(USD mn)	2024F			2025F			2026F		
	Old	New	Change	Old	New	Change	Old	New	Change
Revenue	2,298	2,125	-7.5%	2,795	2,620	-6.3%	3,639	2,802	-23.0%
Gross margin	12.7%	13.7%		9.3%	14.2%		8.0%	14.7%	
EBITDA	423	322	-24.0%	600	385	-35.8%	1,200	429	-64.2%
EBITDA margin	18.4%	15.1%		21.5%	14.7%		33.0%	15.3%	
Net profit	3	(46)	-1,619.4%	63	78	-24.2%	279	176	-36.8%
Net margin	0.1%	(2.1%)		2.3%	3.0%		7.7%	6.3%	

Source: KBVS Research

Exhibit 6: Sensitivity Analysis

		Gold Prices (USD/ oz)				
		-20%	-10%	0%	10%	20%
Nickel Prices (USD/ t)	-20%	3,000	3,000	3,000	3,000	3,000
	-10%	3,100	3,100	3,100	3,100	3,100
	0%	3,200	3,200	3,200	3,300	3,300
	10%	3,400	3,400	3,400	3,400	3,400
	20%	3,500	3,500	3,500	3,500	3,500

Source: KBVS Research

Exhibit 7: 9M24 Operational Summary

Operational Figures										
Production	3Q23	2Q24	3Q24	QoQ (%)	YoY (%)	9M23	9M24	YoY (%)	KBVS Target (%)	Company Target (%)
Gold (oz)	44,882	25,382	30,522	+20.3	-32.0	109,159	80,043	-26.7	69.33	80.04
Copper (ton)	2,128	3,626	3,811	+5.1	+79.1	9,309	10,483	+12.6	67.15	74.88
NPI (ton)	21,738	21,882	20,557	-6.1	-5.4	42,976	63,339	+47.4	115.16	79.17
HGNM (ton)	13,210	13,402	12,979	-3.2	-1.7	17,649	38,422	+117.7	76.84	76.84

Sales	3Q23	2Q24	3Q24	QoQ (%)	YoY (%)	9M23	9M24	YoY (%)
Gold (oz)	44,882	25,382	30,522	+20.3	-32.0	109,159	80,043	-26.7
Gold (oz)	49,162	25,004	27,778	+11.1	-43.5	98,702	79,415	-19.5
Copper (ton)	3,136	2,027	4,970	+145.2	+58.5	11,012	11,310	+2.7
NPI (ton)	22,831	20,846	18,900	-9.3	-17.2	42,054	61,368	+45.9
HGNM (ton)	13,394	12,804	13,192	+3.0	-1.5	16,430	40,401	+145.9
Limonite (mn wmt)	-	2.86	3.49	+22.0	N/A	-	9.64	N/A

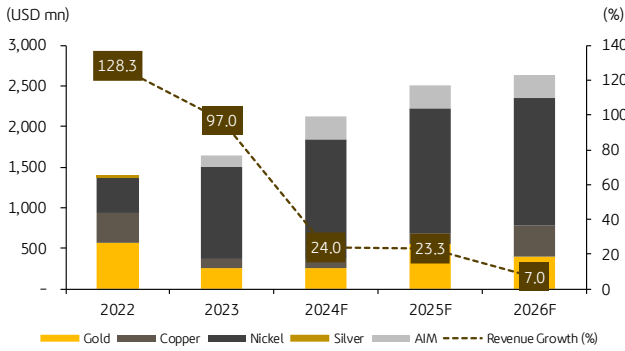
ASP	3Q23	2Q24	3Q24	QoQ (%)	YoY (%)	9M23	9M24	YoY (%)
Gold (USD/oz)	1,946	2,262	2,566	+13.4	+31.9	1,942	2,403	+23.7
Copper (USD/ton)	8,444	8,420	7,840	-6.9	-7.2	8,660	8,140	-6.0
NPI (USD/ton)	13,193	11,536	11,291	-2.1	-14.4	14,267	11,522	-19.2
HGNM (USD/ton)	16,346	14,819	14,212	-4.1	-13.1	16,503	13,960	-15.4
Limonite (wmt)	-	16.5	15.9	-3.6	N/A	-	15.5	N/A

AISC	3Q23	2Q24	3Q24	QoQ (%)	YoY (%)	9M23	9M24	YoY (%)	KBVS Target (%)	Company Target (%)
Gold (USD/oz)	1,147	1,492	1,183	-20.7	+3.1	1,138	1,385	+21.7	98.90	102.57
Copper (USD/ton)	14,560	6,820	8,720	+27.9	-40.1	14,560	7,640	-47.5	112.35	84.89
NPI (USD/ton)	11,616	10,370	10,961	+5.7	-5.6	11,616	10,518	-9.5		103.12
HGNM (USD/ton)	15,154	13,016	13,830	+6.3	-8.7	15,154	13,336	-12.0		102.27

Financials										
Revenue (USD Mn)	3Q23	2Q24	3Q24	QoQ (%)	YoY (%)	9M23	9M24	YoY (%)	KBVS Target (%)	
Gold	96	57	71	+26.0	-25.5	192	191	-0.4	75.13	
Copper	26	17	42	+148.1	+59.9	95	92	-3.5	71.04	
NPI	301	240	228	-5.4	-24.4	600	707	+17.8	74.29	
HGNM	219	190	177	-6.6	-19.0	272	564	+107.5		
COGS+OPEX (USD Mn)	3Q23	2Q24	3Q24	QoQ (%)	YoY (%)	9M23	9M24	YoY (%)		
Gold	51	38	36	-4.7	-29.9	124	111	-10.8		
Copper	31	25	33	+34.4	+7.3	136	80	-40.9		
NPI	253	227	225	-0.7	-10.8	499	666	+33.5		
HGNM	200	174	179	+2.9	-10.3	267	512	+91.6		
EBITDA (USD Mn)	3Q23	2Q24	3Q24	QoQ (%)	YoY (%)	9M23	9M24	YoY (%)		
Gold	44	19	35	+88.2	-20.4	67	80	+18.6		
Copper	(5)	(8)	9	+218.9	+302.4	(40)	12	+129.8		
NPI	49	14	2	-83.4	-95.4	101	41	-59.5		
HGNM	19	15	(2)	-114.4	-111.7	4	52	+1077.7		

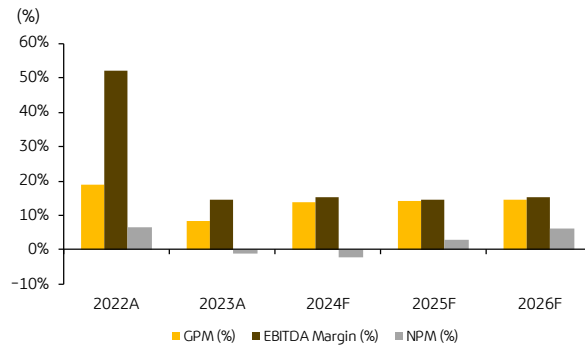
Source: Company, KBVS Research

Exhibit 8: Revenue Contribution and Growth (%)



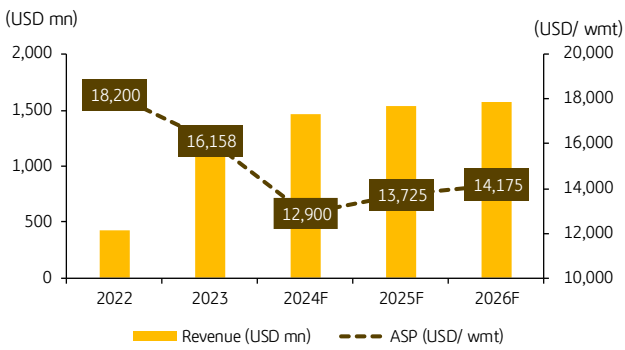
Source: Company, KBVS Research

Exhibit 9: Operational Margins (%)



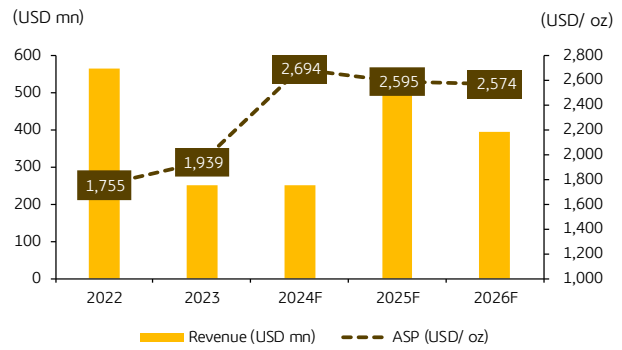
Source: Company, KBVS Research

Exhibit 10: Nickel Revenue and ASP



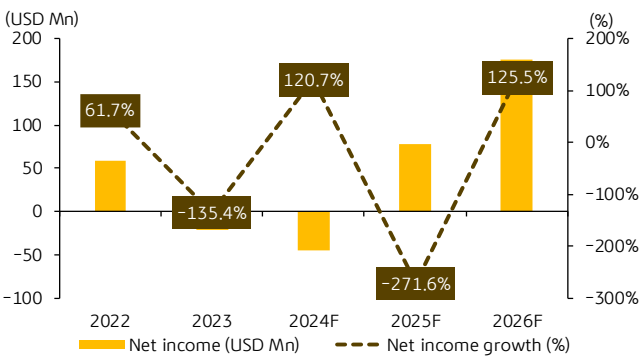
Source: Company, KBVS Research

Exhibit 11: Gold Revenue and ASP



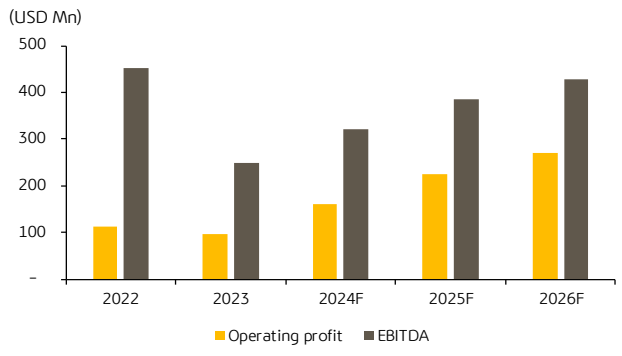
Source: Company, KBVS Research

Exhibit 12: Net profit and growth (%)



Source: Company, KBVS Research

Exhibit 13: Operating profit and EBITDA



Source: Company, KBVS Research

Exhibit 14: MDKA share price vs various metal price

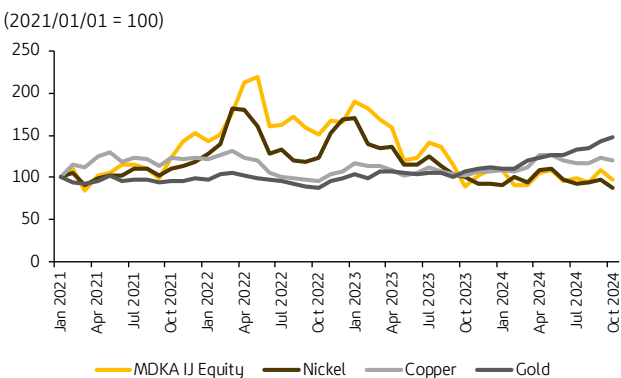


Exhibit 15: Financial Tabela

Profit and Loss (USD Mn)	22A	23A	24F	25F	26F
Revenue	870	1,707	2,125	2,620	2,802
COGS	(705)	(1,561)	(1,833)	(2,247)	(2,390)
Gross Profit	165	146	292	373	413
Operating Expenses	(53)	(49)	(130)	(147)	(143)
Operating Profit	112	97	162	226	270
EBITDA	453	249	322	385	429
Interest Income	2	12	4	4	6
Interest Expenses	(43)	(79)	(73)	(24)	(15)
Other Income/Expenses	20	(17)	11	11	11
Pre-tax Income	90	12	104	217	272
Income Taxes	(25)	(7)	(29)	(61)	(76)
Net Profit	65	6	75	156	196
Minority Interest	(6)	(26)	(120)	(78)	(20)
Net Profit Attributable to Parent	58	(21)	(46)	78	176

Balance Sheet (USD Mn)	22A	23A	24F	25F	26F
Cash and Cash Equivalent	444	519	752	241	815
Account Receivable	76	123	95	117	125
Inventories	251	444	408	500	531
Others	125	122	64	65	65
Total Current Assets	896	1,207	1,318	922	1,536
Net Fixed Assets	1,206	1,767	1,802	1,672	1,542
Net Mine Properties	600	595	576	545	513
Exploration and Evaluation Assets	460	525	592	657	723
Other Assets	716	870	860	864	862
Total Assets	3,877	4,964	5,148	4,660	5,175
Account Payables	110	304	243	298	316
ST Debt	334	453	527	215	145
Other ST Liabilities	161	153	153	153	153
Total Current Liabilities	605	909	922	666	615
LT Debt	1,171	1,223	1,047	538	505
Other LT Liabilities	76	67	63	64	65
Total Liabilities	1,852	2,200	2,033	1,267	1,185
Minority Interest	1,022	1,837	2,092	2,409	2,904
Total Equity	2,025	2,764	3,181	3,625	4,369

Cash Flow (USD Mn)	22A	23A	24F	25F	26F
Net Profit	58	(21)	(46)	78	176
D&A	341	152	159	159	159
Changes in Working Capital	(108)	(105)	3	(59)	(21)
Others	(649)	(101)	67	(5)	2
Operating Cash Flow	(358)	(75)	183	173	317
Capital Expenditure	(1,799)	(774)	(241)	(63)	(63)
Change in Other Assets	78	2	1	-	-
Investing Cash Flow	(1,721)	(772)	(240)	(63)	(63)
Change in Debt	1,127	171	(103)	(937)	(175)
Other Financing	1,210	751	393	316	495
Financing Cash Flow	2,337	922	290	(621)	320
Net - Cash Flow	258	75	233	(511)	574
Cash at beginning	185	444	519	752	241
Cash at ending	444	519	752	241	815

Key Ratios	22A	23A	24F	25F	26F
Gross Profit Margin (%)	18.9%	8.5%	13.7%	14.2%	14.7%
Operating Profit Margin (%)	12.8%	5.7%	7.6%	8.6%	9.6%
EBITDA Margin (%)	52.1%	14.6%	15.1%	14.7%	15.3%
Pre-Tax Margin (%)	10.3%	0.7%	4.9%	8.3%	9.7%
Net Profit Margin (%)	6.7%	-1.2%	-2.1%	3.0%	6.3%
Revenue Growth (%)	128.3%	96.2%	24.5%	23.3%	7.0%
EBITDA Growth	129.7%	-45.0%	29.1%	19.9%	11.3%
Net Gearing (x)	0.5	0.4	0.3	0.1	0.1
Gross Profit Margin (%)	18.9%	8.5%	13.7%	14.2%	14.7%

Major Assumptions	22A	23A	24F	25F	26F
Gold sales volume (toz)	321,800	129,875	93,660	112,778	564
Copper sales volume (ton)	45,614	13,218	14,564	14,564	45,564
NPI sales volume (ton)	23,750	58,000	78,000	78,000	78,000
Global gold price assumption (USD/ oz)	1,802	1,943	2,700	2,600	2,600
Global nickel price assumption (USD/ton)	26,000	21,544	17,200	18,300	18,900
Global copper price assumption (USD/ton)	8,807	8,523	9,400	9,800	9,800

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Kecamatan Semarang Tengah,
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