

6 November 2023

Basic Materials | Mining

Aneka Tambang (ANTM IJ)

Buy (Maintained)

Limited Downside, Impressive Performance; BUY

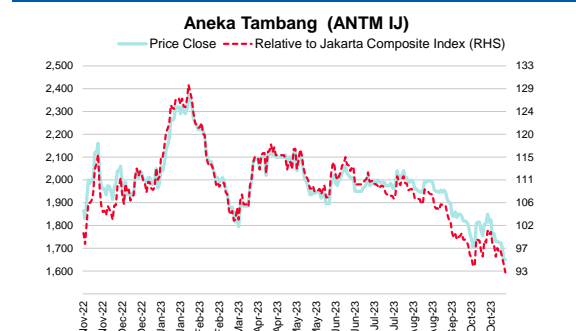
Target Price (Return): IDR2,660 (61.2%)
Price (Market Cap): IDR1,650 (USD2,488m)
ESG score: 2.7 (out of 4)
Avg Daily Turnover (IDR/USD) 66,156m/4.30m

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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(16.9)	(8.6)	(17.9)	(19.9)	(11.5)
Relative	(15.4)	(5.6)	(16.4)	(18.3)	(7.7)
52-wk Price low/high (IDR)	1,650 – 2,370				



Source: Bloomberg

- **Maintain BUY and IDR2,660 TP, 61% upside, c.1% yield.** The massive increase in national output of nickel products (especially Class-II; suitable for the steel industry) has triggered higher demand for nickel ore. This is among the main factors behind Aneka Tambang's relatively stable earnings growth (+8% YoY to IDR2.8trn in 9M23 – in line with our and Street's full-year targets). The company's mining segment solely offset the laggard performances of ANTM's other businesses. However, the other segments are still on track to meet ANTM's targets.
- **Output mostly on track; margins improved.** ANTM's topline performance was defensive (9M23: IDR30.9trn; -8% YoY, slightly below estimates) with mixed impact from fluctuations in commodity prices (gold prices are up 9% YTD, while LME's nickel price is down 40% YTD). Margins were affected by the sensitivity to sales price movement, even though some of the adverse effects were mitigated by the company's cost management efforts (9M23 EBITDA margin: 14% vs 9M22's 10%; 5-year average: c.12%). ANTM's cashflow is still healthy, enabling it to operate with robust cash support (9M23 net cash: IDR4.4trn), with additional earnings contribution from JVs (9M23: IDR723bn; +8% YoY). So far, there are no negative issues outside of its operational activities (compared to past periods where more provisions were recorded, eg legal dispute on gold transactions, revision of value estimates on subsidiaries).
- **Heavier costs incurred for gold business.** Gold sales volumes were down YTD (c.625k oz, -25% YoY) due to mitigation efforts by the company to maintain the segment's margins as the gold needed to feed its refining facility (the bulk of it is purchased from other parties) was priced at higher levels. Gold remains ANTM's staple business (c.70% of overall topline)
- **A jump in nickel ore output; conservative Fe-Ni volumes.** ANTM's nickel mining segment output rose sharply this year (10.7m tonnes of nickel ore; +72% YoY), in line with higher demand from downstream facilities – mainly rotary kiln-electric furnaces (RKEF), which supply products for the steel industry. The massive increase in smelter output has raised concerns on the country's availability of the required saprolite ore (c.1.8% Ni-content). ANTM has resorted to using lower-grade nickel for its Fe-Ni smelters (9M23: c.15,800 tonnes; -13% YoY), resulting in a correction in output growth. Management has ensured that no major maintenance works are scheduled for its smelter units for the rest of the year.
- **Valuation remains attractive for long-term play.** ANTM is trading at c.6x EV/EBITDA, hovering below -1SD of its 5-year band – providing a hefty upside to its target FY24F EV/EBITDA of c.9x. Such valuation is justified by its upcoming collaborations in the EV industry and its additional capacity.
- **ESG.** Our TP includes a 6% ESG discount based on ANTM's 2.7 ESG score (below the country median).

Forecasts and Valuation	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
Total turnover (IDRb)	38,446	45,930	45,822	47,604	48,458
Recurring net profit (IDRb)	1,787	3,354	4,065	4,209	4,380
Recurring net profit growth (%)	49.6	87.7	21.2	3.6	4.0
Recurring P/E (x)	22.19	11.82	9.75	9.42	9.05
P/B (x)	2.0	1.8	1.2	0.9	0.7
P/CF (x)	7.86	9.65	2.94	3.59	3.13
Dividend Yield (%)	1.0	1.4	1.0	1.0	1.0
EV/EBITDA (x)	7.15	5.21	3.47	2.79	2.21
Return on average equity (%)	9.9	18.1	14.4	10.8	8.7
Net debt to equity (%)	3.8	net cash	net cash	net cash	net cash

Source: Company data, RHB

Overall ESG Score: 2.7 (out of 4)

E: GOOD

ANTM's gold mining business has achieved one Green Rating (beyond compliance) in the PROPER Awards conducted by the Ministry of Environment & Forestry in 2020. The company has also achieved six Blue Ratings.

S: GOOD

ANTM regularly disburses funds for community development and partnership programmes (IDR95bn during 2020). The company is also committed to providing sustainable benefits to support regional independence.

G: GOOD

The board of commissioners acknowledge ANTM's achievements as part of the 10 companies in Indonesia that were included in the ASEAN Asset Class PLCs category during 2019's ASEAN Corporate Governance Scorecard. This indicates its commitment towards improving corporate governance in future. However, based on the legal issues that ANTM currently faces, we think management needs to enhance its supervision of its business activities.

Financial Exhibits

Asia	Financial summary (IDR)	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
Indonesia	Recurring EPS	74.37	139.56	169.16	175.16	182.25
Basic Materials	DPS	16.74	23.85	16.68	17.01	17.18
Aneka Tambang	BVPS	816.62	936.09	1,376.62	1,764.60	2,202.01
ANTM IJ	Return on average equity (%)	9.9	18.1	14.4	10.8	8.7
Buy						
Valuation basis	Valuation metrics	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
Based on 5-year rolling-forward EV/EBITDA band (c.9x as base case scenario slightly below its 5-year average line).	Recurring P/E (x)	22.19	11.82	9.75	9.42	9.05
	P/B (x)	2.0	1.8	1.2	0.9	0.7
	FCF Yield (%)	11.4	8.6	(1.2)	8.3	10.6
	Dividend Yield (%)	1.0	1.4	1.0	1.0	1.0
	EV/EBITDA (x)	7.15	5.21	3.47	2.79	2.21
	EV/EBIT (x)	14.12	9.00	7.50	6.63	5.80
Key drivers	Income statement (IDRb)	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
i. Higher ASPs in ferronickel and nickel ore;	Total turnover	38,446	45,930	45,822	47,604	48,458
ii. Higher sales volumes of gold and nickel;	Gross profit	6,359	8,211	9,078	9,399	9,525
iii. Cost efficiencies in fuel and shipping.	EBITDA	5,410	6,804	10,598	12,260	13,932
	Depreciation and amortisation	(2,671)	(2,862)	(5,702)	(7,100)	(8,624)
	Operating profit	2,738	3,942	4,896	5,160	5,308
	Net interest	(269)	(296)	(193)	(198)	(246)
	Pre-tax profit	3,044	5,215	5,631	5,873	5,899
	Taxation	(1,182)	(1,394)	(1,622)	(1,785)	(1,770)
	Reported net profit	1,862	3,821	4,009	4,088	4,129
	Recurring net profit	1,787	3,354	4,065	4,209	4,380
Key risks	Cash flow (IDRb)	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
i. Lower demand for nickel resulting in lower ASPs;	Change in working capital	(428)	72	(3,698)	(133)	(65)
ii. FX fluctuations and higher impairment cost;	Cash flow from operations	5,043	4,108	13,501	11,054	12,688
iii. Oil price hike resulting in higher cash costs	Capex	(507)	(711)	(13,966)	(7,766)	(8,466)
	Cash flow from investing activities	(1,730)	(783)	(13,966)	(7,766)	(8,466)
	Cash flow from financing activities	(2,222)	(4,078)	1,464	(844)	(648)
	Cash at beginning of period	3,984	5,089	4,476	5,475	7,920
	Net change in cash	1,091	(753)	999	2,444	3,574
	Ending balance cash	5,089	4,476	5,475	7,920	11,494
Company Profile	Balance sheet (IDRb)	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
Integrated on 5 Jul 1968 under government regulation No. 22/1968 as Perusahaan Negara Aneka Tambang, Aneka Tambang was a state-owned company formed from the merger of several state-owned mining firms and projects, namely the State General Mining Co, State Bauxite Mining Co, Tjkotok State Gold Mining Co, State Precious Metals Co, Nickel Indonesia, and Diamond Project.	Total cash and equivalents	5,089	4,476	5,475	7,920	11,494
	Tangible fixed assets	17,544	17,191	25,405	32,174	39,269
	Total investments	1,770	2,708	2,708	2,708	2,708
	Total assets	32,916	33,637	42,697	52,020	62,707
	Short-term debt	2,168	927	250	200	350
	Total long-term debt	3,703	2,082	5,009	5,009	5,009
	Total liabilities	12,079	9,925	8,398	8,399	8,574
	Total equity	20,837	23,712	34,298	43,622	54,133
	Total liabilities & equity	32,916	33,637	42,697	52,020	62,707
	Key metrics	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
	Revenue growth (%)	40.5	19.5	(0.2)	3.9	1.8
	Recurrent EPS growth (%)	49.6	87.7	21.2	3.6	4.0
	Gross margin (%)	16.5	17.9	19.8	19.7	19.7
	Operating EBITDA margin (%)	14.1	14.8	23.1	25.8	28.7
	Net profit margin (%)	4.8	8.3	8.7	8.6	8.5
	Dividend payout ratio (%)	21.6	15.0	10.0	10.0	10.0
	Capex/sales (%)	1.3	1.5	30.5	16.3	17.5
	Interest cover (x)	7.63	10.34	17.82	18.96	18.95

Source: Company data, RHB

Emissions And ESG

Trend analysis

ANTM's plans to maintain the output of its businesses (nickel ore mining, nickel smelter (for Fe-Ni production), and gold shipment) require a massive increment in the use of fuel. However, management has employed some efforts to reduce GHG emissions including the use of B30 (biosolar) fuel for its mining operation vehicles, utilisation of solar panels in mining areas, and dual engine application (to allow mixed methane and diesel fuel, rather than using marine fuel oil) to reduce GHG emissions in its Fe-Ni production process.

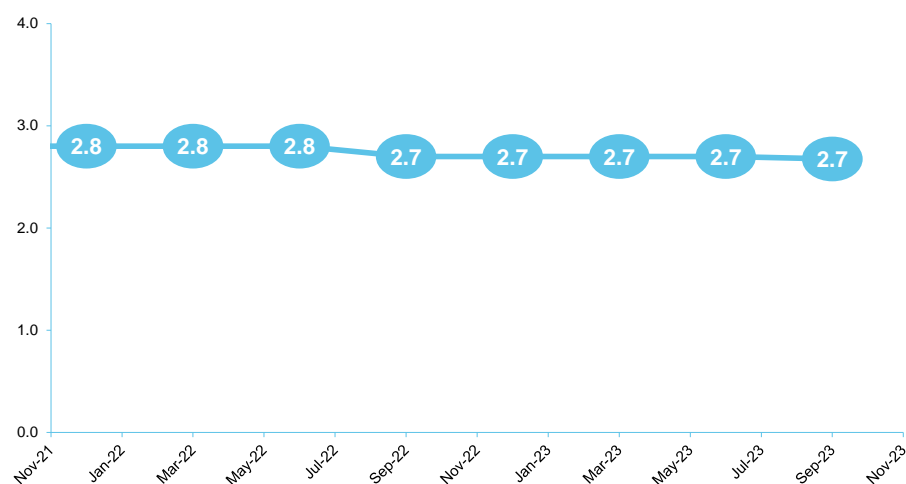
Emissions (tCO ₂ e)	Dec-20	Dec-21	Dec-22
Scope 1	1,180,331	1,125,710	1,547,010
Scope 2	52,025	56,031	64,386
Scope 3	na	na	na
Total emissions	1,232,356	1,181,741	1,611,396

Source: Company data, RHB

Latest ESG-Related Developments

- In Apr 2022, ANTM with Ningbo Contemporary Brup Lygend (CBL) and Indonesia Battery Corporation (IBC), signed a Framework Agreement for an integrated EV battery project initiative. ANTM and IBC also signed a similar agreement with LG Energy Solution. The estimated total investment value with the two partners is USD15bn.

ESG Rating History



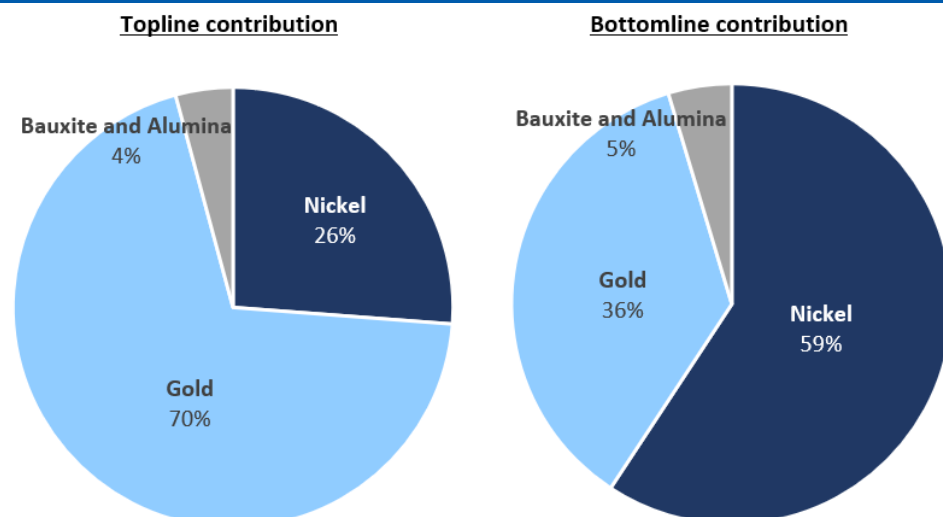
Source: RHB

Figure 1: ANTM's 9M23 results highlights

(IDRbn)	3Q22	2Q23	3Q23	QoQ	YoY	9M22	9M23	YoY	FY23/ RHB	FY23/ Cons.
Revenue	14,910	10,068	9,238	-8%	-38%	33,683	30,899	-8%	67%	70%
Gross profit	1,958	1,391	1,857	33%	-5%	5,987	6,098	2%	67%	74%
Operating profit	1,277	415	1,019	146%	-20%	2,742	3,345	22%	68%	79%
EBITDA	1,449	963	1,277	33%	-12%	3,346	4,375	31%	69%	86%
Net profit	1,101	227	959	323%	-13%	2,627	2,849	8%	71%	78%
Margins										
GPM	13%	14%	20%			18%	20%			
EBIT margin	9%	4%	11%			8%	11%			
EBITDA Margin	10%	10%	14%			10%	14%			
NPM	7%	2%	10%			8%	9%			
Production breakdown:										
Ferronickel (Tni)	6,106	5,100	5,250	3%	-14%	18,088	15,787	-13%	76%	
Nickel Ore (Wmt)	1,820,743	3,405,422	3,861,477	13%	112%	6,215,268	10,673,359	72%	103%	
Gold (oz)	9,453	9,324	10,095	8%	7%	31,090	29,193	-6%	75%	
Silver (oz)	68,996	63,980	76,358	19%	11%	190,557	205,315	8%	76%	
Bauxite (Wmt)	461,131	503,717	566,450	12%	23%	1,341,749	1,417,306	6%	82%	
Alumina (tonne)	41,982	36,604	36,928	1%	-12%	115,875	114,524	-1%	72%	
ASP breakdown:										
Ferronickel (USD/ton)	15,682	13,811	14,276	3%	-9%	19,941	15,476	-22%		
Nickel Ore (USD/Wmt)	48	44	40	-10%	-18%	53	48	-9%		
Gold (USD/oz)	1,880	2,035	2,057	1%	9%	1,979	2,040	3%		
Silver (USD/oz)	19	22	24	9%	26%	23	23	2%		
Bauxite (USD/Wmt)	39	20	20	0%	-49%	33	20	-38%		

Source: Company data, RHB

Figure 2: ANTM's business segment contributions



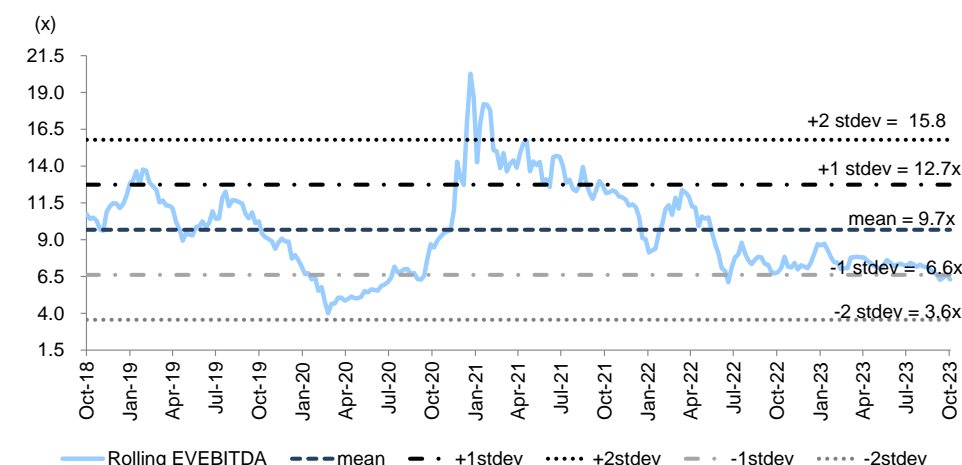
◆ While gold remains the backbone for the company's overall business, margin support from nickel ore sales (and class-II nickel downstream) act as a cushion to diversify risks.

◆ Profit margins for the segments are: Nickel c.33%, precious metal & refinery c.8%, bauxite and alumina 16%.

Note: excluding negative contribution from other segments

Source: Company data, RHB

Figure 3: ANTM's 5-year average EV/EBITDA band



Source: Company data, RHB

♦ ANTM is trading well below its 5-year forward EV/EBITDA band (base EV/EBITDA target: c.9x). However, short-term uncertainties from macro factors (muted demand from China, slower economic recovery in developed markets) have somewhat capped the share price movement, even as its fundamentals remain sound, based on solid operations and a well-managed balance sheet.

Figure 4: List of ANTM's expansions

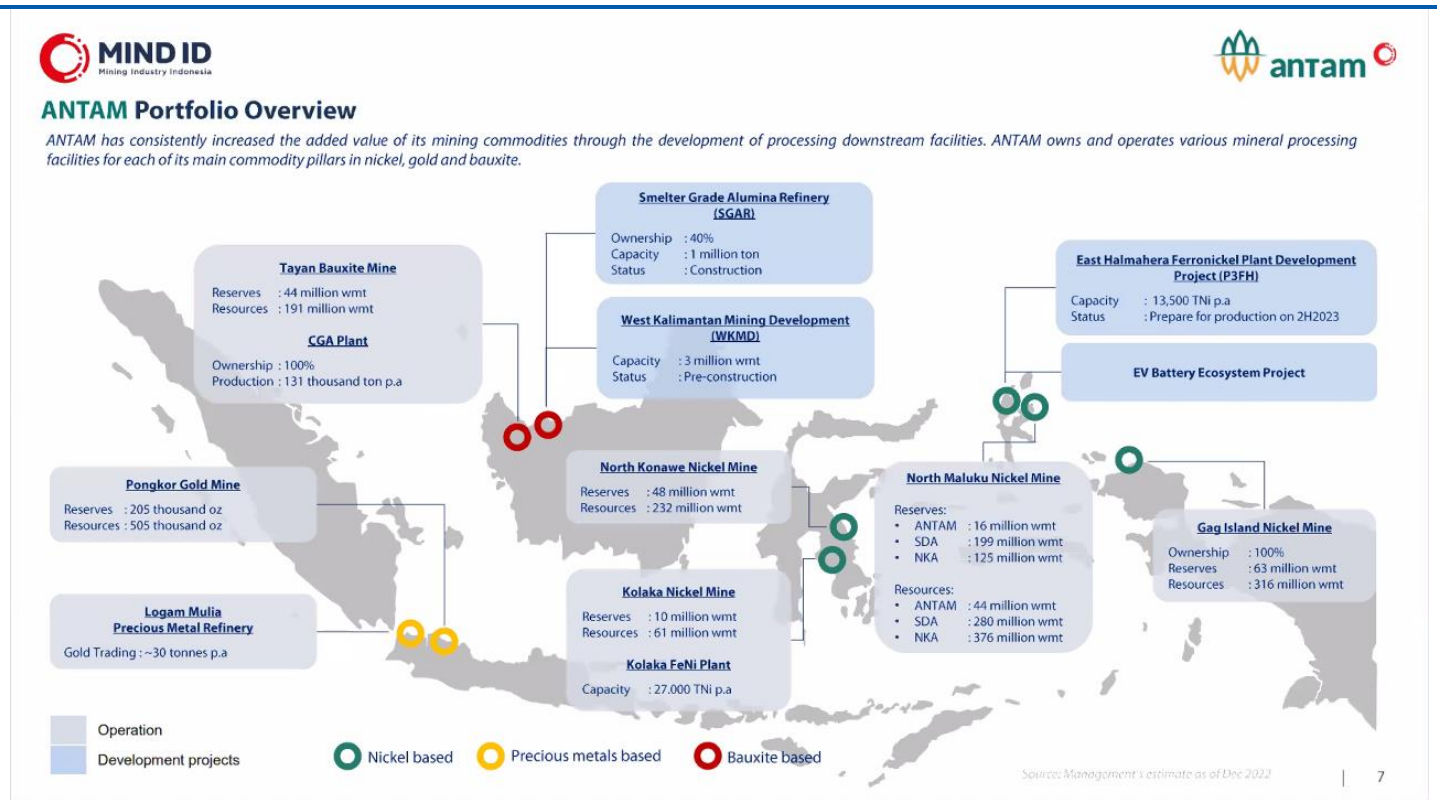
Location	Project	Total investment (USDbn)	ANTM's ownership	Partnership	COD
East Halmahera	RKEF: 13.5 tonne capacity (up to c.40.5k potential upgrade)	1.6	100%	-	2H23
	Mining: 19m tonnes of ore	0.2	51%	CBL	2H23
	RKEF: 42.5k tonne capacity	1.8	40%	CBL	TBA
	HPAL: 60k tonne capacity	1.3	30%	CBL	TBA
West Kalimantan	Alumina smelter: 1m tonnes	0.8	40%	Indonesia Asahan Aluminium (Inalum)	TBA

Note: RKEF (Rotary Kiln-Electric Furnace); output on Fe-Ni. HPAL (High Pressure Acid Leach); output on MHP (mixed hydroxide precipitate). All ore feedstock needed (sapolite for RKEF (1.3-1.9% Ni content), limonite (1.0-1.2% Ni content) for HPAL) will come from ANTM's concession area.

Source: Company, RHB

♦ ANTM has a number of expansion plans in the pipeline, although the realisation of these projects are being somewhat hindered by the lack of infrastructure – we have not included the potential from these projects into our valuations.

Figure 5: ANTM's operational areas



Source: Company data

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2023-09-05	Buy	2,660	1,950
2023-04-12	Buy	2,890	2,110
2023-03-17	Buy	2,890	1,895
2023-01-30	Buy	3,370	2,290
2022-09-06	Buy	2,960	1,990
2022-07-22	Buy	3,180	1,780
2022-06-13	Buy	3,450	2,260
2022-03-17	Buy	3,450	2,350
2021-09-30	Buy	3,450	2,290
2021-03-15	Buy	4,000	2,340
2021-02-26	Buy	4,500	2,840
2020-12-08	Buy	1,600	1,300

Source: RHB, Bloomberg

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Buy:	Share price may exceed 10% over the next 12 months
Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
Take Profit:	Target price has been attained. Look to accumulate at lower levels
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Not Rated:	Stock is not within regular research coverage

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