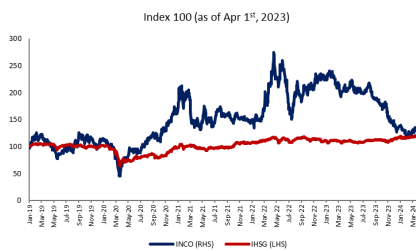


Buy

Price (April 1 st , 24)	4070
Target Price	4548
Potential Upside	11.74%
Market Cap	40.44 T
Number of Share	9.94 B
52w Lo/Hi	3660 / 4390

Source : IDX | Phintraco Sekuritas Research
| as of Mar 8th, 2023

IHSG vs INCO



Source : IDX

Shareholder	%
Vale Canada Limited	33.9
Mineral Industry Indonesia (MIND ID)	34.0
Sumitomo Metal Mining	11.5

Source : Company | as of the agreement divestment on Mar 26th, 2024

EPS Consensus vs Forecast			
	AT	Consensus*	%Diff
2024F	226.28	206.35	29.04%
2025F	247.46	253.97	-2.56%

Source : *yahoo finance | as of Mar 8th, 2024

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(INCO.JK / INCO.IJ)

Weathering Short-Term Challenges, Poised for Long-Term Growth

Posts solid FY23 revenue growth despite declining Average Selling Price (ASP) in 4Q23. In 4Q23, INCO saw robust revenue growth of 5.5% QoQ, reaching US\$294mn, with cumulative FY23 revenue hit US\$1,232.3mn, up 4.5% YoY (vs. FY22: US\$1,179.5mn). The surge was driven by a 20.1% QoQ increase in Nickel Matte Sales to 20,673 tonnes and brought FY23 sales to 71,108 tonnes (vs. FY22: 60,960 tonnes), meeting 99.6% of the company target. Production surged by 6.30% QoQ in 4Q23, reaching 19,084 tons. FY23, production soared to 70,728 tons, meeting the target guideline. However, the ASP declined by 12.1% QoQ to US\$14,239/tonne, attributed to the adverse effects of fluctuating London Metal Exchange (LME) nickel prices during 4Q23.

Lower energy costs and productivity initiatives drive cash cost reduction. INCO delivered substantial cost control in 4Q23, slashing cash costs by 8.1% QoQ to US\$8,929/tonne. This was in line with a 12.1% QoQ decline in ASPs to US\$14,239/tonne. Throughout FY23, cash costs saw a significant ~16.7% YoY reduction to US\$17,329/tonne. The key drivers behind this improvement were lower coal consumption, down to 5.3 tons/tonne (vs. 3Q23: 6.7 tons/tonne), and a decrease in Coal ASP. However, there was a 22.5% QoQ increase in Fuel and Lubricant costs due to the rising price of High Sulphur Fuel Oil (HSFO) and Diesel. Despite this, INCO achieved a 14.2% YoY decrease in cash cost for FY23, reaching US\$9,585/tonne. With 4Q23 ASP of US\$14,239/tonne and a cash cost of US\$8,929/tonne, INCO managed to secure a healthy cash margin of US\$5,310/tonne for the quarter.

Short-term headwinds from nickel prices and lower costs poised for FY24F Growth. In FY24F, the targeted production output for INCO remains steady at 70,800 tonnes, while we anticipate an increase of approximately 75,000 - 80,000 tonnes in FY25F. We expect a decrease in cash costs for FY24-25F, primarily due to lower Fuels & Lubricants and Coal ASPs. We have adjusted our forecasts for Nickel Matte ASP downwards, reflecting weaknesses in LME nickel prices due to oversupply, with a normalization of ASP by -6.86% to US\$13,981/tonne in FY24F and US\$12,374/tonne in FY25F. Considering these factors, we anticipate a 19.9% YoY decrease to US\$170mn in FY24F (vs. FY23: US\$274mn), resulting in a Net Profit Margin (NPM) for FY24F of 17.28%.

FY24 - Limited downside, strong fundamentals drive future growth. Despite limited near-term growth, we anticipate INCO emerging as a formidable global player, buoyed by robust support from its parent company. The completion of the Pomalaa, Morowali, and Sorowako projects in 2026, focusing on Mixed Hydroxide Precipitate (MHP) and Ferronickel (FeNi), is poised to meet the demands of Indonesia's burgeoning nickel industry downstream projects. Furthermore, the increased stake of Mining Industry Indonesia (MIND ID) in the company, rising to 34% from 20%, augurs well for the sustainability and resilience of INCO's operations.

Using the Discounted Cash Flow method with a Required Return of 10.62% and Terminal Growth of 9.46%, we estimate INCO's fair value at IDR4,548 (implying 16.9x / 1.05x expected P/E and P/BV). This outlook is fueled by INCO's strong fundamentals, including its strong cost competitiveness and promising long-term growth projects in MHP and FeNi. Additionally, MIND ID's increased stake, suggests INCO's potential to navigate near-term headwinds and emerge stronger.

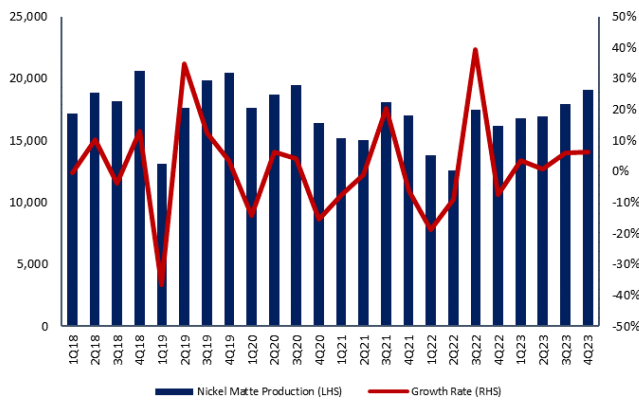
PT Vale Indonesia Tbk
Operational Highlights

	FY23	FY22	YoY	4Q23	3Q23	4Q22	QoQ	YoY
Nickel Matte								
Nickel Matte Production (m tonnes)	70,728	60,090	17.7%	19,084	17,953	16,183	6.3%	17.9%
Nickel Matte Sales (m tonnes)	71,108	60,960	16.6%	20,673	17,214	16,463	20.1%	25.6%
Nickel Matte ASP (USD/tonne)	17,329	19,348	-10.4%	14,239	16,204	18,400	-12.1%	-22.6%
Fuel and Lubricants								
HSFO Volume (k barrels)	1,655	1,468	12.8%	396	337	587	17.5%	-32.5%
HSFO ASP (USD/barrel)	82.96	86.99	-4.6%	90.93	85.60	82.04	6.2%	10.8%
Diesel Volume (kilolitres)	68,029	58,245	16.8%	19,435	17,109	13,449	13.6%	44.5%
Diesel ASP (USD/litre)	0.92	0.87	5.7%	0.9	0.86	1.01	4.7%	-10.9%
Coal								
Coal Volume (k tonnes)	386	292	31.9%	101	121	42	-17.0%	140.3%
Coal ASP (USD/tonne)	263.82	328.11	-19.6%	198.01	223.48	491.71	-11.4%	-59.7%

Source : Company | Phintraco Sekuritas Research

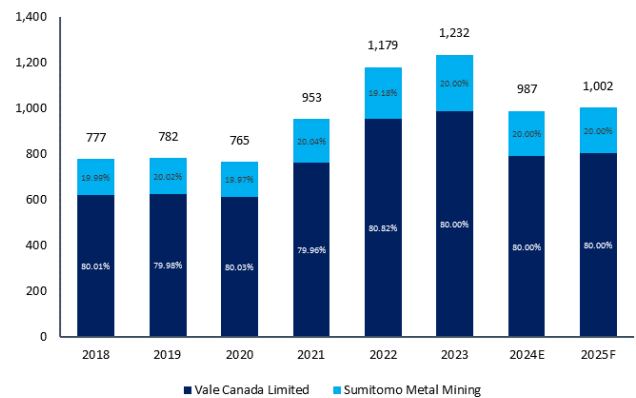
Performance Highlight

Figure 3. Nickel Matte Production (Quarterly)



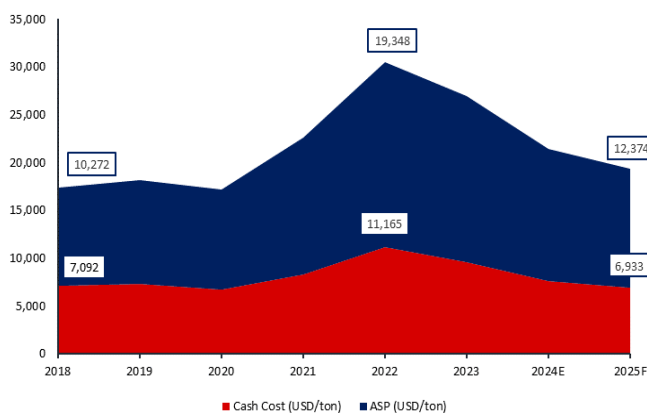
Source : Company | Phintraco Sekuritas Research

Figure 4. Sales to Related Parties



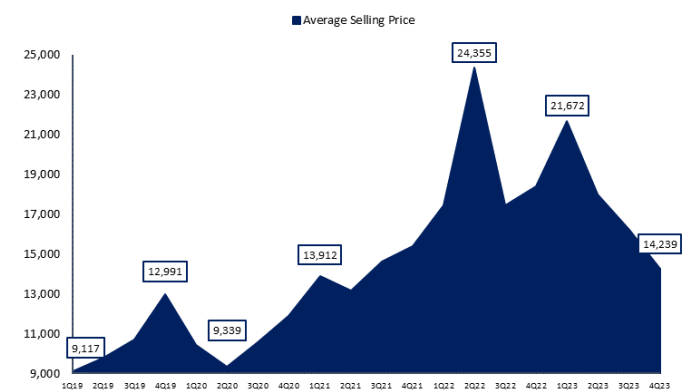
Source : Company | Phintraco Sekuritas Research

Figure 5. Cash Cost and Cash Margin



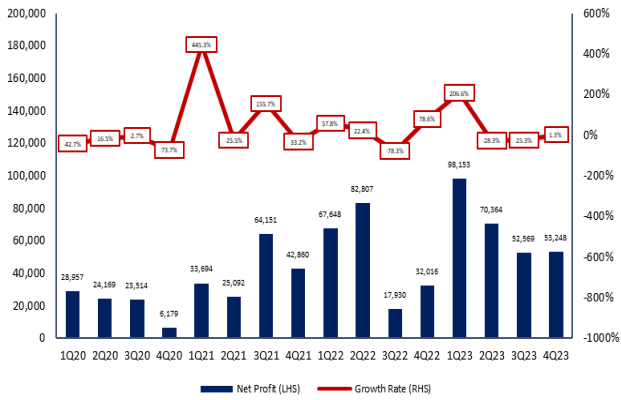
Source : Company | Phintraco Sekuritas Research

Figure 6. Average Selling Price



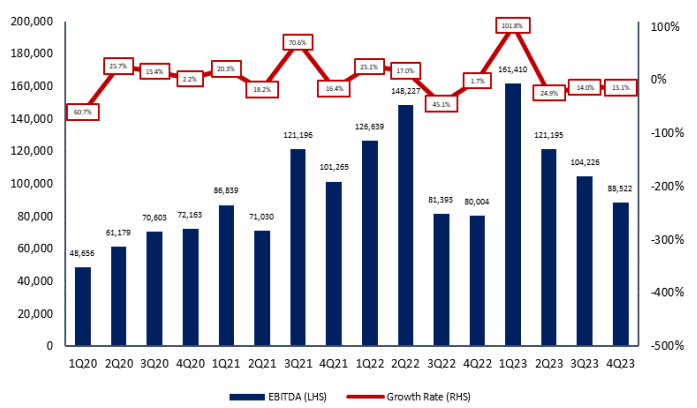
Source : Company | Phintraco Sekuritas Research

Figure 7. Net Profit Trajectory



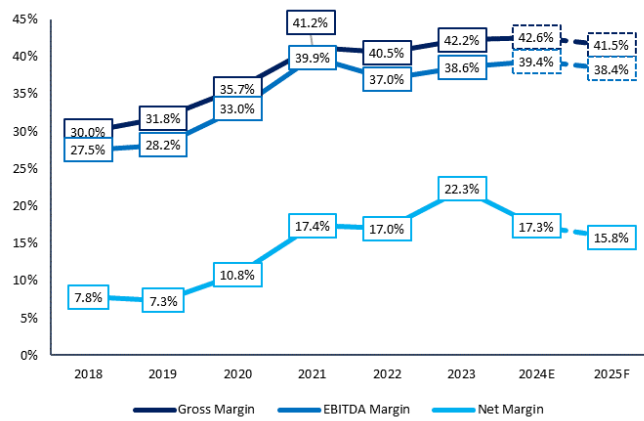
Source : Company | Phintraco Sekuritas Research

Figure 8. EBITDA Trajectory



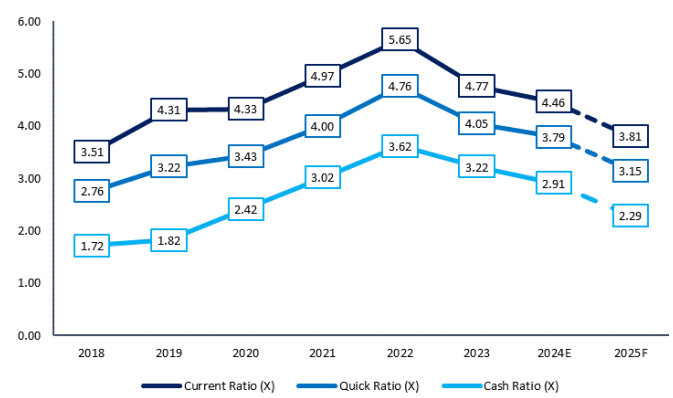
Source : Company | Phintraco Sekuritas Research

Figure 5. Margins Ratio



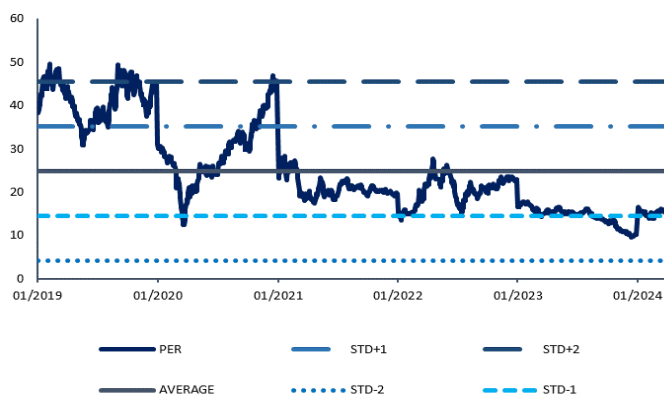
Source : Company | Phintraco Sekuritas Research

Figure 5. Liquidity Ratio



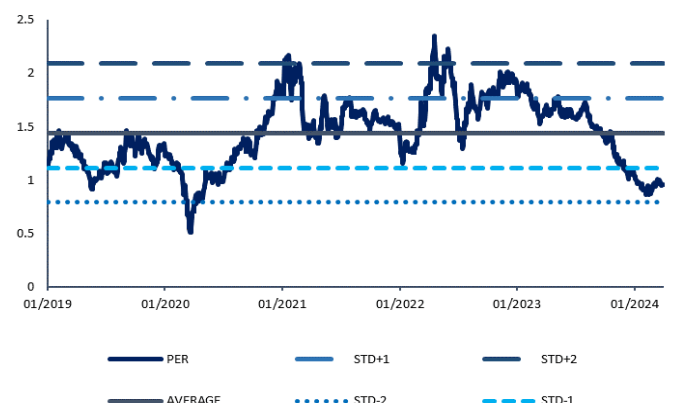
Source : Company | Phintraco Sekuritas Research

INCO's PER Band



Source : Company | Phintraco Sekuritas Research

INCO's PBV Band



Source : Company | Phintraco Sekuritas Research

Key Financial Figures

(in million of USD)

INCOME STATEMENT	FY20	FY21	FY22	FY23	FY24E	FY25F
Revenue	765	953	1,179	1,232	987	1,002
<i>Growth</i>	24.6%	23.7%	4.5%	-19.9%	1.5%	27.0%
Cost of Revenue	544	533	492	561	702	712
Gross Profit	221	420	688	672	286	290
<i>GPM</i>	35.7%	41.2%	40.5%	42.2%	42.6%	41.5%
EBITDA	253	380	436	475	389	384
<i>EBITDA Margin</i>	33.0%	39.9%	37.0%	38.6%	39.4%	38.4%
EBIT	104	223	272	302	209	197
<i>EBIT Margin</i>	13.58%	23.40%	23.06%	24.52%	21.20%	19.67%
Profit Before Tax	105	221	276	353	219	203
<i>EBT Margin</i>	13.7%	23.1%	23.4%	28.6%	22.2%	20.3%
Net Profit After Tax	83	166	200	274	171	159
<i>NPM Margin</i>	10.83%	17.39%	16.99%	22.26%	17.28%	15.82%

Source: Company | Phintraco Sekuritas Research

(in million of USD)

INCOME STATEMENT	FY20	FY21	FY22	FY23	FY24E	FY25F
Asset						
Cash	389	508	634	699	560	455
Account Receivable	60	102	141	102	96	102
Inventories	144	162	156	156	129	131
Total Current Assets	696	837	990	1033	860	757
Fixed Assets	1,479	1,519	1,550	1,696	1,995	2,282
Total Non-Current Assets	1,619	1,636	1,668	1,893	2,238	2,517
Liabilities						
Trade Payables	113	122	116	141	117	125
Total Current Liabilities	161	168	175	217	193	199
Total Non-Current Liabilities	134	150	128	145	170	182
Equity						
Total Equity	2,020	2,154	2,355	2,565	2,735	2,894

Source: Company | Phintraco Sekuritas Research

(in million of USD)

CASH FLOW	FY20	FY21	FY22	FY23	FY24E	FY25F
Cash Flow from Operating						
Net Income	83	166	200	274	171	159
Depreciation & Amortization	112	112	143	126	137	137
Working Capital	-2	72	-53	-32	71	2
Others	-25	-16	39	11	-8	9
Net-CFFO	250	264	322	463	318	299
Cash Flow from Investing						
Capital Expenditure	-123	-151	-173	-271	-436	-424
Others	27	22	-1	-79	-46	9
Net-CFFI	-96	-129	-175	-350	-482	-416
Cash Flow from Financing						
Chg in Long-Term Liabilities	-0.2	3.3	0.6	-0.8	0.0	-1.8
Chg in Other Non-Current Liabil	-11	13	-22	17	26	13
Equity	-4.1	-31.7	-0.1	-64.6	0.0	0.0
Net-CFFF	-15	-15	-22	-48	26	11
NET CASH FLOW	140	120	126	65	-138	-106

Source: Company | Phintraco Sekuritas Research

INCOME STATEMENT	FY20	FY21	FY22	FY23	FY24E	FY25F
Profitability Ratio (%)						
GPM	35.71%	41.20%	40.51%	42.22%	42.55%	41.53%
OPM (EBITDA Margin)	33.03%	39.90%	36.99%	38.58%	39.35%	38.35%
NPM	10.83%	17.39%	16.99%	22.26%	17.28%	15.82%
ROA	3.58%	6.70%	7.54%	9.38%	5.51%	4.84%
ROE	4.10%	7.70%	8.51%	10.70%	6.24%	5.48%
ROIC	2.37%	4.51%	5.13%	6.44%	3.61%	3.06%
Activity Ratio (X)						
Inventory Turnover	3.40	3.46	4.50	4.57	4.39	4.49
Days of Inventory	107.27	105.51	81.02	79.94	83.13	81.36
Receivables Turnover	12.74	9.35	8.34	12.10	10.31	9.84
Days of Receivables	28.66	39.05	43.75	30.16	35.40	37.09
Payables Turnover	4.35	4.59	6.07	5.06	4.83	4.69
Days of Payables	83.97	79.61	60.13	72.19	75.60	77.84
Cash Operating Cycle	51.96	64.96	64.64	37.91	42.93	40.61
Leverage Ratio (%)						
Debt Ratio	0.0	0.0	0.0	0.0	0.0	0.0
Debt to Equity Ratio	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities to Asset Ratio	12.71%	12.87%	11.41%	12.35%	11.72%	11.62%
Liabilities to Equity Ratio	14.57%	14.78%	12.88%	14.09%	13.27%	13.15%
Liquidity Ratio (X)						
Current Ratio	4.33	4.97	5.65	4.77	4.46	3.81
Quick Ratio	3.43	4.00	4.76	4.05	3.79	3.15
Cash Ratio	2.42	3.02	3.62	3.22	2.91	2.29
Price Ratio						
P/E (X)	43.57	19.65	22.61	10.13	16.19	17.42
P/B (X)	1.79	1.51	1.92	1.08	1.01	0.95
P/R (X)	4.72	3.42	3.84	2.25	2.80	2.76
EPS (USD)	0.008	0.017	0.020	0.028	0.02	0.02
EPS (IDR)	117.06	238.12	314.08	425.62	266.28	247.46
BVPS (USD)	0.203	0.217	0.237	0.258	0.275	0.291
BVPS (IDR)	2,856	3,094	3,691	3,979	4,269	4,517
RPS (USD)	0.08	0.10	0.12	0.12	0.10	0.10
RPS (IDR)	1,081	1,369	1,849	1,912	1,541	1,564
Dividens						
DPS (USD)	-	0.0033	-	0.0061	-	-
DPS (IDR)	-	46.77	-	93.27	-	-
DPR (%)	40%	-	30%	-	-	-
Dividend Yield (%)		0.92%		1.31%	-	-

Source: Company | Phintraco Sekuritas Research



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Rating for Stocks :

- Buy : The stock is expected to give total return (price appreciation + dividend yield) of $> +10\%$ over the next 12 months.
- Hold : The stock is expected to give total return of $> 0\%$ to $\leq +10\%$ over the next 12 months.
- Sell : The stock is expected to give total return of $< 0\%$ over the next 12 months.
- Outperform : The stock is expected to do slightly better than the market return. Equal to "moderate buy"
- Underperform : The stock is expected to do slightly worse than the market return. Equal to "moderate sell"

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Kantor Cabang & Mitra GI BEI



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