

Monday, July 1st, 2024

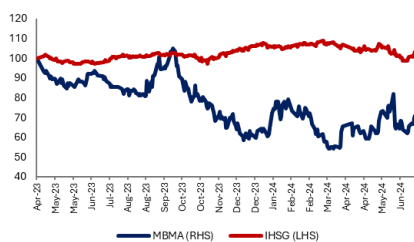
Buy

Price (June 28 th , 24)	630
Target Price	760
Potential Upside	20.58%
Market Cap	68.03 T
Number of Share	108 B
52w Lo/Hi	476 / 940

Source : IDX | Phintraco Sekuritas Research
| as of Jul 1st, 2024

IHSG vs MBMA

Index 100 (as of Jun 28th, 2024)



Source : IDX

Shareholder	%
PT Merdeka Energi Nusantara	50.04
Huayong International (Hong Kong) Limited	7.55
Garibaldi Thohir	6.33

Source : Company | as of fin. Statement 1Q24

EPS Consensus vs Forecast			
	AT	Consensus*	%Diff
2024F	11.72	11.48	2.09%
2025F	16.63	29.51	-43.65%

Source : *tradingview | as of Jul 1st, 2024

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PT Merdeka Battery Materials Tbk

(MBMA.JK / MBMA.IJ)

Enhanced Earnings Momentum with an Integrated Nickel Supply Chain

Weakening 1Q24 performance across nickel production chain. In 1Q24, MBMA reported revenue of US\$444.23 mn, reflecting a 2.25% decline QoQ (vs. 4Q23: US\$454 mn). Net profit dropped sharply by 41.3% QoQ to US\$3.67 mn (vs. 4Q23: US\$6.25 mn), falling short of consensus estimates. The revenue contraction was driven by declines in Nickel Pig Iron (NPI) sales, down 12.1% QoQ and Limonite Ore sales, which plummeted 49.4% QoQ. This was impacted by headwinds in mining production due to heavy rainfall and limited contractor equipment availability. NPI production also decreased due to lower output (-5.6% QoQ) and sales (-3.8% QoQ), worsened by an 8.6% QoQ decline in Average Selling Price (ASP) to US\$11,055/tonne amid fluctuating nickel prices.

High-Grade Nickel Matte (HGNM) sales outperform with improved margins. Revenue from HGNM increased by 18.4% QoQ to US\$196.94 mn, despite challenges from lower output and a decrease in ASP to US\$13,673/tonne, down 3.82% QoQ. The segment's revenue growth was primarily driven by lower purchasing costs for Low-Grade Nickel Matte (LGNM), which fell to US\$12,487/tonne (vs. 4Q23: US\$12,802/tonne). Consequently, the All-In-Sustaining Cost (AISC) declined by 7.30% QoQ to US\$13,162/tonne. This led to a substantial increase in cash margin, which surged by 2,905% QoQ to \$511/tonne (vs. 4Q23: US\$17/tonne).

Poised for expected growth with advancements in High Pressure Acid Leach (HPAL) and Acid Iron Metal (AIM) projects in 2024. Progress at the AIM acid plant, includes the successful delivery of the first acid from train 1 post-1Q24, with train 2 and the chloride plant on track for 2Q24 commissioning and the copper cathode plant expected in 2H24. Concurrently, the PT ESG New Energy Material (PT ESG) HPAL plant is advancing, targeting late 2024 for commissioning and subsequent nickel in Mixed Hydroxide Precipitate (MHP) production. In our view, these advancements indicate promising revenue prospects for MBMA, as the successful commissioning of these projects is expected to strengthen MBMA's market position, diversify and increase its revenue streams, and provide a solid foundation for long-term growth.

Using the Sum-of-the-Parts (SOTP) valuation method, with a Required Return of 11.43% and Terminal Growth of 5%, we estimate MBMA's fair value at IDR760 (implying 64.8x / 2.1x expected P/E and P/BV). This positive outlook is fueled by growth project progression, the AIM plant's production commencement this year, and the planned commissioning of HPAL processing plant by year-end. Key risks include: 1) potential project delays; 2) lower nickel prices; 3) weaker nickel demand.

Figure 1. MBMA 1Q24 operational highlights

PT Merdeka Battery Materials Tbk					
Operational Highlights					
	1Q24	4Q23	1Q23	QoQ	YoY
Nickel Pig Iron (NPI)					
NPI Production (in tonne)	20,900	22,141	9,368	-5.60%	123.10%
NPI Sales (in tonne)	21,621	22,472	8,170	-3.79%	164.64%
NPI AISC (USD/tonne)	10,223	10,909	15,436	-6.29%	-33.77%
NPI ASP (USD/tonne)	11,055	12,099	17,470	-8.63%	-36.72%
NPI Cash Margin (USD/tonne)	832	1,190	2,034	-30.08%	-59.10%
High Grade Nickel Matte (HGNM)					
HGNM Production (in tonne)	12,041	12,684	-	-5.07%	
HGNM Sales (in tonne)	14,404	11,700	-	23.11%	
HGNM AISC (USD/tonne)	13,162	14,199		-7.30%	
HGNM ASP (USD/tonne)	13,673	14,216		-3.82%	
HGNM Cash Margin (USD/tonne)	511	17		2905.88%	
Limonite Ore					
Limonite Ore Production (in mn wmt)	1.2	1.6		-25.00%	
Limonite Ore Sales (in mn wmt)	1.1	0.9		22.22%	
Limonite Ore ASP (USD/wmt)	13	17		-23.53%	

Source: Company | Phintraco Sekuritas Research

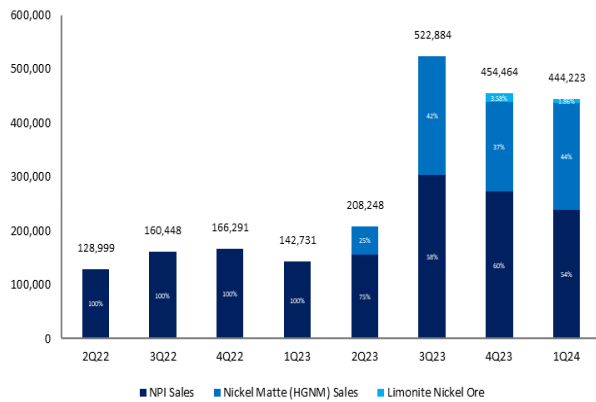
Figure 2. SOTP Valuation

MBMA SOTP Valuation	EV	MBMA's stake	Adjusted EV
Mine			
SCM	2,949	51.00%	1,504
RKEF Plant			
CSID	664	50.10%	332
BSID	622	50.10%	311
ZHN	854	50.10%	428
Nickel Matte Converter			
HNMI	802	60.00%	481
HPAL Development Plan			
JV with ESG	1,078	55.00%	593
JV with CATL	1,550	67.00%	1,039
Development Project			
AIM Project	823	80.00%	658
Total Enterprise Value			5,347
Net Debt (Cash) - FY24F			-337
Equity Value			5,010
Outstanding Shares			107,995
Target Price (in USD)			0.046
Target Price (in IDR)			760

Source: Company | Phintraco Sekuritas Research

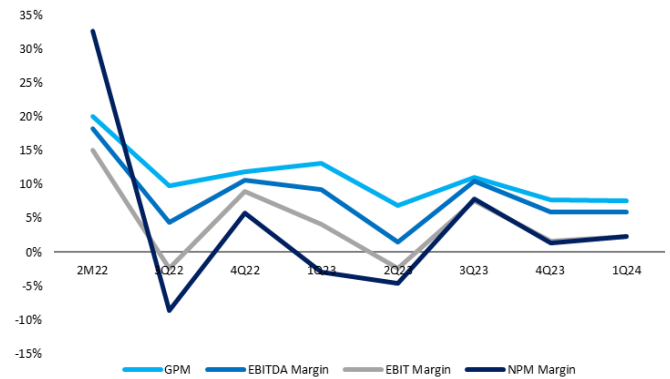
Performance Highlight

Figure 3. Quarterly Revenue



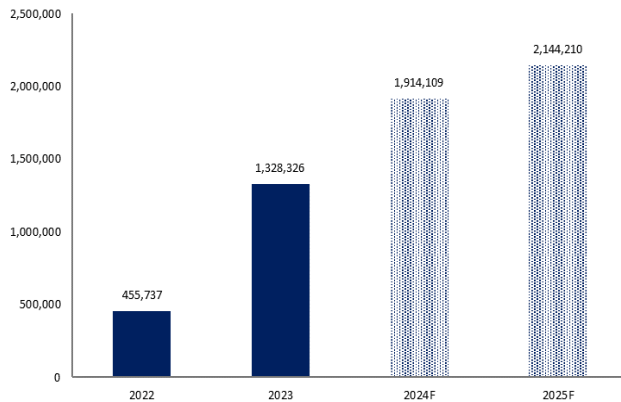
Source : Company | Phintraco Sekuritas Research

Figure 4. Quarterly Margin Ratios



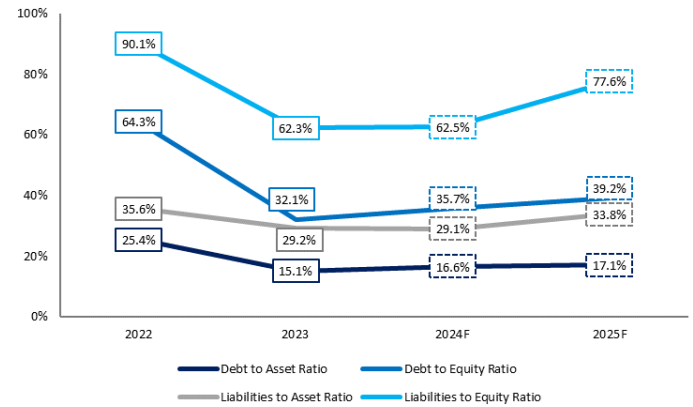
Source : Company | Phintraco Sekuritas Research

Figure 5. Expected Revenue



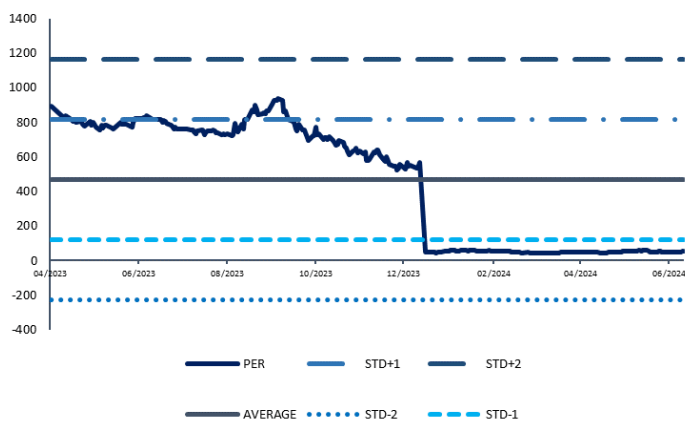
Source : Company | Phintraco Sekuritas Research

Figure 6. Leverage Ratio



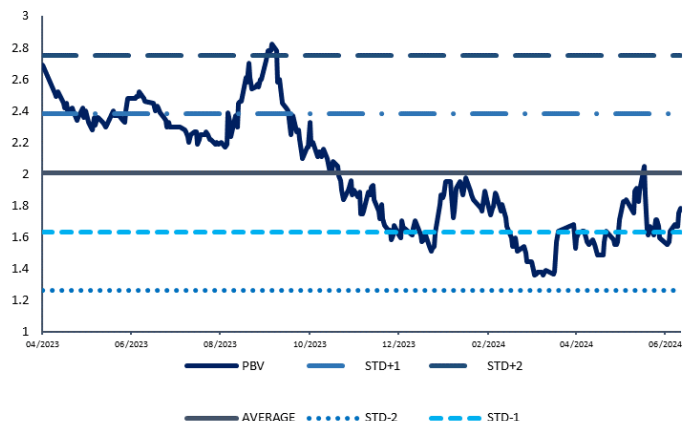
Source : Company | Phintraco Sekuritas Research

MBMA's PER Band



Source : Company | Phintraco Sekuritas Research

MBMA's PBV Band



Source : Company | Phintraco Sekuritas Research

(in million of USD)

BALANCE SHEET	FY22	FY23	FY24F	FY25F
Asset				
Cash	280	290	280	261
Trade Receivables	68	121	192	205
Inventories	79	288	378	430
Other Current Assets	42	85	80	63
Total Current Assets	469	784	929	959
Fixed Assets - Net	918	1,414	1,550	1,596
Other Non-Current Assets	1,035	1,065	1,130	1,175
Total Non-Current Assets	1,952	2,479	2,680	2,771
Liabilities				
Trade Payables	110	262	364	403
ST Borrowings (Loans)	20	2	81	115
Other Current Liabilities	35	94	135	152
Total Current Liabilities	164	358	580	669
LT Borrowings (Loans)	595	490	535	452
Other Non-Current Liabilities	102	105	105	106
Total Non-Current Liabilities	698	595	640	559
Equity				
Total Equity	957	1,532	1,573	1,635
Minority Interest	602	778	815	867

Source: Company | Phintraco Sekuritas Research

(in million of USD)

INCOME STATEMENT	FY22	FY23	FY24F	FY25F
Revenue	456	1,328	1,914	2,144
<i>Growth</i>		<i>191.47%</i>	<i>44.10%</i>	<i>12.02%</i>
Cost of Revenue (exc. D&A)	395	1,202	1,720	1,874
Gross Profit	61	126	194	270
<i>GPM</i>	<i>13.42%</i>	<i>9.49%</i>	<i>10.16%</i>	<i>12.60%</i>
EBITDA	48	97	167	233
<i>EBITDA Margin</i>	<i>78.6%</i>	<i>77.2%</i>	<i>85.9%</i>	<i>86.3%</i>
EBIT	30	48	99	136
<i>EBIT Margin</i>	<i>6.7%</i>	<i>3.6%</i>	<i>5.2%</i>	<i>6.4%</i>
Profit Before Tax	37	33	79	114
<i>EBT Margin</i>	<i>8.2%</i>	<i>2.5%</i>	<i>4.6%</i>	<i>5.9%</i>
Profit After Tax	38	33	79	114
<i>NPM</i>	<i>8.3%</i>	<i>2.5%</i>	<i>4.1%</i>	<i>5.3%</i>
Minority Interest	-16	-26	-38	-52
Net Profit	22	7	41	62

Source: Company | Phintraco Sekuritas Research

(in million of USD)

CASH FLOW	FY22	FY23	FY24F	FY25F
Cash Flow from Operating				
Net Income	38	33	79	114
Depreciation & Amortization	24	55	74	105
Working Capital	-45	-16	-9	-14
Others	1	-78	-4	20
Net-CFFO	18	-5	140	225
Cash Flow from Investing				
Capital Expenditure	-1,475	-547	-205	-146
Others	-501	-35	-69	-50
Net-CFFI	-1,976	-582	-274	-196
Cash Flow from Financing				
Borrowings	615	-123	124	-50
Others	102	3	0	1
Equity	1,521	717	0	0
Net-CFFF	2,239	597	124	-48

Source: Company | Phintraco Sekuritas Research

RATIOS	FY22	FY23	FY24F	FY25F
Profitability Ratio (%)				
GPM	13.42%	9.49%	7.56%	10.16%
OPM (EBITDA Margin)	78.58%	77.24%	78.88%	85.89%
NPM	8.30%	2.51%	2.28%	4.13%
ROA	0.89%	0.21%	0.11%	1.15%
ROE	2.26%	0.45%	0.24%	2.63%
ROIC	0.75%	0.20%	0.10%	1.12%
Activity Ratio (X)				
Inventory Turnover	5.00	4.18	2.04	4.55
Days of Inventory	73.00	87.34	80.17	83.76
Receivable Turnover	7.10	11.14	3.19	10.40
Days of Receivables	51.40	32.76	35.09	33.93
Payable Turnover	5.97	4.59	1.70	4.72
Days of Payables	61.11	79.59	77.28	78.44
Cash Operating Cycle	63.29	40.51	37.98	39.25
Leverage Ratio (%)				
Debt to Asset Ratio	25.41%	15.09%	16.60%	17.08%
Debt to Equity Ratio	64.30%	32.14%	35.69%	39.19%
Liabilities to Asset Ratio	35.60%	29.22%	29.07%	33.81%
Liabilities to Equity Ratio	90.09%	62.25%	62.53%	77.57%
Liquidity Ratio (%)				
Current Ratio	2.85	2.19	2.28	1.60
Quick Ratio	2.37	1.39	1.76	0.95
Cash Ratio	1.70	0.81	0.74	0.48
Price Ratio (%)				
P/E (X)	565.7	58.9	41.5	56.3
P/BV (X)	1.7	1.9	1.9	1.8
P/R (X)	3.0	2.4	2.2	1.8
Price per Share	560	690	690	690
OS (in million)	107,995	107,995	107,995	107,995
EPS (USD)	0.000	0.001	0.001	0.001
EPS (IDR)	1.0	11.7	16.6	12.3
BVPS (USD)	0.02	0.02	0.02	0.02
BVPS (IDR)	329.2	353.9	366.0	373.6
RPS (USD)	0.01	0.02	0.02	0.02
RPS (IDR)	189.3	283.6	313.6	381.5
EV/EBITDA (X)	42.4	188.2	30.0	21.7

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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