

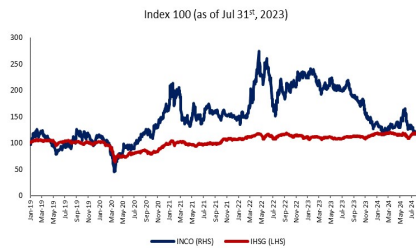
Thursday, August 1st, 2024

Buy

Price (Jul 31 st , 24)	3740
Target Price	4370
Potential Upside	16.84%
Market Cap	39.41 T
Number of Share	10.53 B
52w Lo/Hi	3610 / 6900

Source : IDX | Phintraco Sekuritas Research
| as of Jul 31st, 2024

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

EPS Consensus vs Forecast

	AT	Consensus*	%Diff
2024F	147.0	196.6	-25.23%
2025F	249.9	243.3	2.71%

Source : *yahoo finance | as of Jul 31st, 2024

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PT Vale Indonesia Tbk

(INCO.JK / INCO.IJ)

Limited Improvements by Escalating Production Costs

Revenue falls amid rising production costs. INCO reported revenue of US\$248.81 mn in 2Q24, an increase of 8.21% QoQ and a decrease of 15.88% YoY. This figure is slightly below our forecast for 1H24, which was US\$478.75 mn. The revenue drop during the quarter was attributed to more elevated production costs, which drove the cash costs up to US\$9,989/tonne. However, INCO maintained the cash cost below US\$10,000/tonne threshold. Despite a decrease in Nickel Matte production by 8.92% QoQ to 16,576 tonnes and a reduction in sales by 3.69% QoQ to 17,505 tonnes, the top line benefited from improvements in the London Metal Exchange (LME) nickel price. This led to a higher Average Selling Price (ASP), reaching US\$14,214/tonne, a 12.35% QoQ increase. Consequently, INCO enhanced its cash margin to US\$4,225/tonne, up from US\$3,194 in 1Q24.

Derivative asset loss weakens net profit. Overall, there was a notable improvement in both top-line and bottom-line figures on QoQ basis, which was anticipated due to the low base effect from 1Q24. reported an EBITDA of US\$132.09 mn for 6M24 (vs. 6M23: US\$276.93 mn), with the EBITDA margin narrowing to 27.59% from 42.02% in the 6M23. Additionally, the bottom line was adversely affected by a loss of recognition of the fair value of a derivative asset tied to the participating right in the investment in PT Kolaka Nickel Indonesia (KNI). This resulted in a loss of US\$6.12 mn, driven by declining nickel prices. Although this loss was non-operational, it impacted INCO's net profit, which fell by 82.06% YoY to US\$37.28 mn.

Management remains optimistic about production targets and healthy cash margins despite challenges. Although INCO's performance remains under pressure for the 6M24, management is confident about achieving the production target of 70,800 tonnes of nickel in matte. Furthermore, the company aims to keep its cash cost competitive, ensuring a healthy cash margin. Looking ahead to 2024, we have revised our revenue forecast downward to US\$976.98 mn and anticipate a net profit of US\$117.03 mn. This adjustment reflects our expectation of continued pressure on nickel prices compared to 2023. We readjusted that the LME nickel price will range between US\$17,500—US\$18,000 for 2024F, with INCO's realization expected to be around 78%.

Maintain BUY rating recommendation. We reiterate a BUY rating for INCO with a lower estimate fair value at IDR 4,370/share (implying 29.73x / 1.02x expected P/E and P/BV) based on a DCF method. Despite the ongoing weakness in ASP realization, we believe there is potential for INCO to enhance performance through the remainder of 2024 and lower cash costs. Key downside risks include: 1) Volatility in nickel prices; 2) Rising energy consumption and costs; and 3) Potential project delays.

Performance Highlight

PT Vale Indonesia Tbk

Operational Highlights

	6M23	6M24	YoY	2Q24	1Q24	2Q23	QoQ	YoY
Nickel Matte								
Nickel Matte Production (m tonnes)	33,691	34,775	3.22%	16,576	18,199	16,922	-8.92%	-2.04%
Nickel Matte Sales (m tonnes)	33,221	35,680	7.40%	17,505	18,175	16,463	-3.69%	6.33%
Nickel Matte ASP (USD/tonne)	17,967	14,214	-20.89%	14,214	12,651	17,967	12.35%	-20.89%
Fuel and Lubricants								
HSFO Volume (k barrels)	921	779	-15.44%	354	425	364	-16.80%	-2.75%
HSFO ASP (USD/barrel)	80.29	87.31	8.74%	87.31	85.63	80.29	1.96%	8.74%
Diesel Volume (kilolitres)	31,485	35,867	13.92%	17,394	18,473	16,244	-5.84%	7.08%
Diesel ASP (USD/litre)	0.92	0.82	-10.87%	0.82	0.84	0.92	-2.38%	-10.87%
Coal								
Coal Volume (k tonnes)	143	228	60.14%	111	117	91	-5.11%	21.31%
Coal ASP (USD/tonne)	337.45	174.27	-48.36%	174.27	176.85	337.45	-1.46%	-48.36%

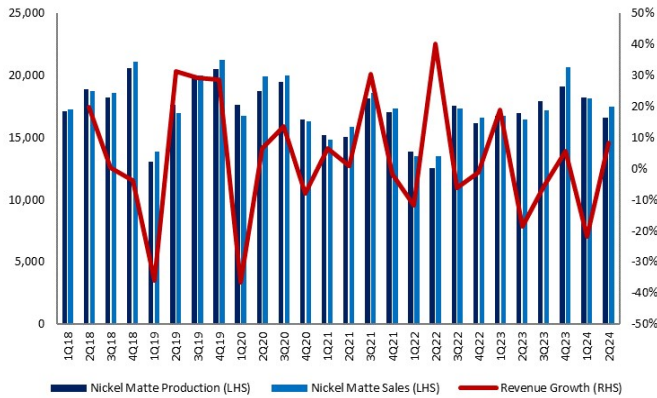
Source : Company | Phintraco Sekuritas Research

Forecast Adjustment	Old		New		Change (%)	
	2024F	2025F	2024F	2025F	2024F	2025F
Income Statement						
Revenue	987	1,002	977	1,037	-1.05%	3.50%
COGS (Exc. Depreciation)	567	586	648	617	14.33%	5.32%
Gross Profit	420	416	329	420	-21.80%	0.94%
EBITDA	389	384	297	387	-23.49%	0.73%
EBIT	209	197	118	200	-43.59%	1.43%
Profit Before Tax	219	203	117	202	-46.49%	-0.85%
Net Profit After Tax	171	159	91	157	-46.49%	-0.85%
Margin Ratios						
Gross Profit Margin (GPM)	42.55%	41.53%	33.63%	40.50%	-8.93%	-1.03%
EBITDA Margin	39.35%	38.35%	30.43%	37.33%	-8.93%	-1.03%
EBIT Margin	21.20%	19.67%	12.09%	19.27%	-9.12%	-0.39%
EBT Margin	22.15%	20.29%	11.98%	19.43%	-10.17%	-0.85%
NPM Margin	17.28%	15.82%	9.34%	15.16%	-7.93%	-0.66%

Source : Company | Phintraco Sekuritas Research

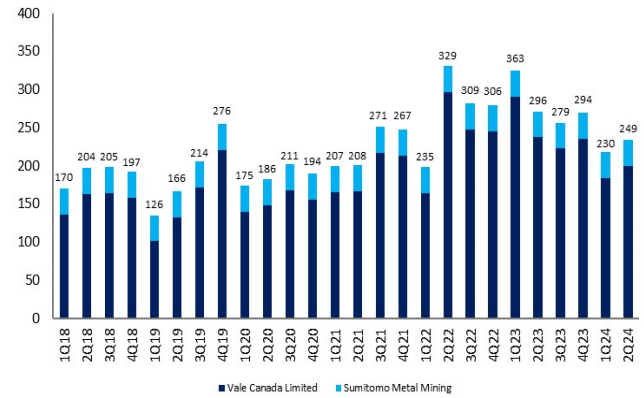
Performance Highlight

Figure 1. Nickel Matte Production & Sales (Quarterly)



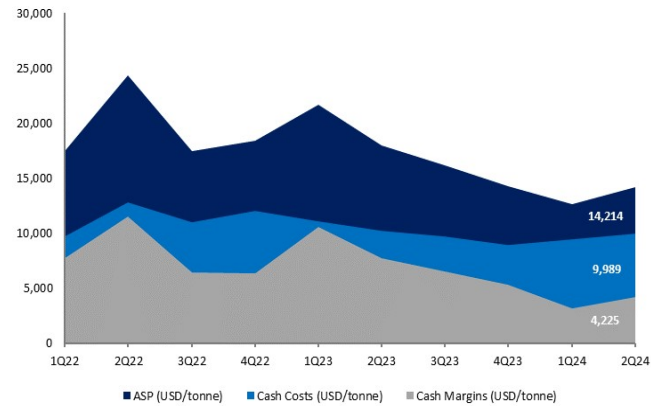
Source : Company | Phintraco Sekuritas Research

Figure 2. Sales to Related Parties (in million of USD)



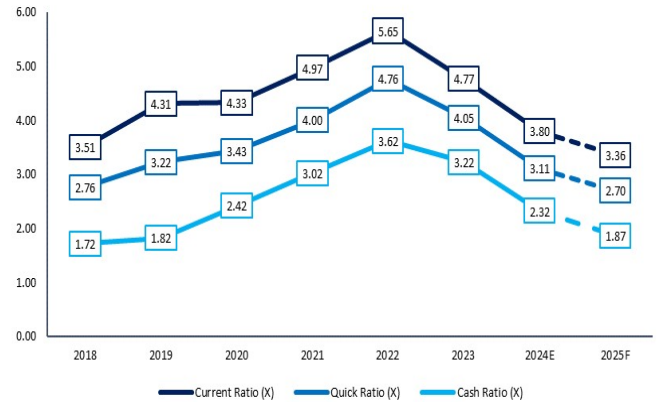
Source : Company | Phintraco Sekuritas Research

Figure 3. Cash Costs, Cash Margins, and ASP



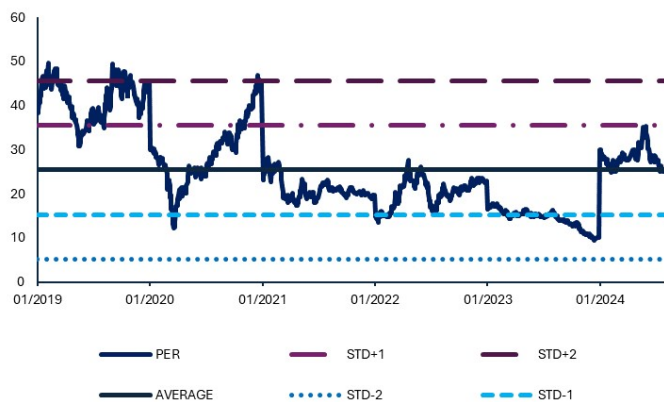
Source : Company | Phintraco Sekuritas Research

Figure 4. Liquidity Ratios



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

<i>(in million of USD)</i>						
INCOME STATEMENT	FY20	FY21	FY22	FY23	FY24E	FY25F
Revenue	765	953	1,179	1,232	977	1,037
<i>Growth</i>	24.6%	23.7%	4.5%	-19.9%	-20.7%	6.1%
Cost of Revenue	492	561	702	712	648	617
Gross Profit	273	393	478	520	329	420
<i>GPM</i>	35.7%	41.2%	40.5%	42.2%	42.6%	41.5%
EBITDA	253	380	436	475	297	387
<i>EBITDA Margin</i>	33.0%	39.9%	37.0%	38.6%	30.4%	37.3%
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	104	223	272	302	118	200
<i>EBT Margin</i>	13.6%	23.4%	23.1%	24.5%	12.1%	19.3%
Net Profit After Tax	83	166	200	274	91	157
<i>NPM Margin</i>	10.83%	17.39%	16.99%	22.26%	9.34%	15.16%

Source: Company | Phintraco Sekuritas Research

<i>(in million of USD)</i>						
BALANCE SHEET	FY20	FY21	FY22	FY23	FY24E	FY25F
Asset						
Cash	389	508	634	699	495	387
Account Receivable	60	102	141	102	95	105
Inventories	144	162	156	156	148	138
Other Current Assets	103	64	59	77	75	65
Total Current Assets	696	837	990	1033	812	695
Fixed Assets - Net	1,479	1,519	1,550	1,696	1,995	2,282
Other Non-Current Assets	140	117	118	197	233	224
Total Non-Current Assets	1,619	1,636	1,668	1,893	2,228	2,506
Liabilities						
Trade Payables	113	122	116	141	134	132
Lease Liabilities	0.07	1.44	1.82	5.54	4.42	2.06
Other Non-Current Liabilities	48	45	58	70	75	73
Total Current Liabilities	161	168	175	217	213	207
Total Non-Current Liabilities	134	150	128	145	170	182
Equity						
Total Equity	2,020	2,154	2,355	2,565	2,656	2,813

Source: Company | Phintraco Sekuritas Research

<i>(in million of USD)</i>						
CASH FLOW	FY20	FY21	FY22	FY23	FY24E	FY25F
Cash Flow from Operating						
Net Income	83	166	200	274	91	157
Depreciation & Amortization	112	112	143	126	137	137
Working Capital	72	-53	-32	71	5	-5
Others	-16	39	11	-8	9	7
Net-CFFO	250	264	322	463	242	296
Cash Flow from Investing						
Capital Expenditure	-123	-151	-173	-271	-436	-424
Others	27	22	-1	-79	-36	9
Net-CFFI	-96	-129	-175	-350	-472	-415
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 Liabilities	-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	-204	-108

Source: Company | Phintraco Sekuritas Research

RATIOS	FY22	FY23	FY24E	FY25F
Profitability Ratio (%)				
GPM	40.51%	42.22%	33.63%	40.50%
OPM (EBITDA Margin)	36.99%	38.58%	30.43%	37.33%
NPM	16.99%	22.26%	9.34%	15.16%
ROA	7.54%	9.38%	3.00%	4.91%
ROE	8.51%	10.70%	3.44%	5.59%
ROIC	5.13%	6.44%	1.96%	3.09%
Activity Ratio (X)				
Inventory Turnover	4.50	4.57	4.39	4.49
Days of Inventory	81.02	79.94	83.13	81.36
Receivables Turnover	8.34	12.10	10.31	9.84
Days of Receivables	43.75	30.16	35.40	37.09
Payables Turnover	6.07	5.06	4.83	4.69
Days of Payables	60.13	72.19	75.60	77.84
Cash Operating Cycle	64.64	37.91	42.93	40.61
Leverage Ratio (%)				
Debt to Asset Ratio	0.0	0.0	0.0	0.0
Debt to Equity Ratio	0.0	0.0	0.0	0.0
Liabilities to Asset Ratio	11.41%	12.35%	12.63%	12.13%
Liabilities to Equity Ratio	12.88%	14.09%	14.45%	13.81%
Liquidity Ratio (X)				
Current Ratio	5.65	4.77	3.80	3.36
Quick Ratio	4.76	4.05	3.11	2.70
Cash Ratio	3.62	3.22	2.32	1.87
Price Ratio				
P/E (X)	22.61	10.13	29.73	17.49
P/BV (X)	1.92	1.08	1.02	0.98
P/R (X)	3.84	2.25	2.78	2.65
Price per share	7,100	4,310	4,370	4,370
EPS (USD)	0.020	0.028	0.01	0.02
EPS (IDR)	314.08	425.62	147.00	249.89
BVPS (USD)	0.237	0.258	0.267	0.283
BVPS (IDR)	3,691	3,979	4,277	4,472
RPS (USD)	0.12	0.12	0.10	0.10
RPS (IDR)	1,849	1,912	1,573	1,648
EV/EBITDA	8.93	4.37	7.47	6.10
Dividends				
DPS (USD)	-	0.00605	-	-
DPS (IDR)	-	93.27	-	-
DPR	30%	-	-	-
Dividend Yield	-	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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