

Buy

Price (Oct 2 nd , 24)	2730
Target Price	3040
Potential Upside	11.36%
Market Cap	66.81 T
Number of Share	24.47 B
52w Lo/Hi	2060 / 2970

Source : IDX | Phintraco Sekuritas Research
as of Oct 2nd, 2024

IHSG vs MDKA



Source : IDX

Shareholder	%
Public	50.97
PT Saratoga Investama Sedaya Tbk	18.85
Mitra Daya Mustika	11.88

Source : Company | as of fin. Statement 2Q24

EPS Consensus vs Forecast			
	AT	Consensus*	%Diff
2024F	27.84	16.22	171.6%
2025F	38.49	64.88	-59.3%

Source : *yahoofinance | as of Oct 2nd, 2024

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PT Merdeka Copper Gold Tbk

(MDKA.JK / MDKA.IJ)

Improved 1H24 Results Boosted by Nickel Business

Robust revenue growth is driven by nickel production and sales in 1H24. MDKA reported 1H24 revenue of US\$1.09bn, a strong 110.3% YoY growth. This was mainly driven by a 162.6% increase in nickel sales under PT Merdeka Battery Materials Tbk (MBMA), which rose to US\$921mn (vs. 1H23: US\$350mn). Despite lower Average Selling Prices (ASP) for Nickel Pig Iron (NPI) and High-Grade Nickel Matte (HGNM), production and sales remained solid, underpinned by lower All-in-Sustaining Costs (AISC) and cash costs. MBMA hit record production levels, with 42.78kt of NPI and 25.44kt of HGNM, boosted by adding a third Rotary Kiln-Electric Furnace (RKEF) plant and a full of HGNM sales.

Gold prices boost revenue as copper sales drop in 1H24. MDKA reported a gold sales volume of 51.63koz in 1H24, down 4.24% YoY (vs. 1H23: 49.54koz). Despite the decline in sales, the rally in gold prices pushed the ASP to US\$2,182/oz (vs. 1H23: US\$1,937/oz). This resulted in a 19.6% YoY increase in gold revenue, reaching US\$117.21mn. In contrast, Wetar's copper sales declined, dropping to 6.34kt in 1H24 (vs. 1H23: 7.87kt), with an ASP of US\$3.92/lb. Consequently, revenue from Wetar decreased to US\$54.47mn or -20.5% YoY.

Limited margin growth by escalating operating and finance costs. Despite EBITDA increasing to US\$139.91mn (vs. 1H23: US\$74.52mn), the EBITDA margin for 1H24 fell further to 15.09%, down from 19.32% in 1H23. This drop is primarily due to increased NPI production from commissioning the PT Zhao Hui Nickel (ZHN) smelter and full output from the PT Huaneng Metal Industry (HNMI). Additionally, finance costs rose to US\$53.4mn because of higher interest rates, leading to a loss of US\$12.5mn attributable to owners.

FY2024F outlook: We expect MDKA to continue its upward trajectory in 2H24, projecting a net profit attributable to owners of US\$63mn for FY24F. The commencement of the AIM and HPAL project from MBMA is expected to drive growth, along with accelerated mine development at Wetar. For 2024F, MDKA targets gold production of 100koz—120koz and copper production of 14kt—16kt, supporting our expectation of a continued rally in gold and copper prices. Meanwhile, the management revised down its NPI production guidance to 80kt—85kt per annum due to the scheduled relining of the refractory on the furnace in Sept-24. The HGNM production remains unchanged at 50kt—55kt per annum. Additionally, finance costs will likely to decrease as interest rates fall and the central bank adopts a dovish stance.

Using the Sum-of-the-Parts (SOTP) valuation method, we estimate MDKA's fair value at IDR3,030 (implying 15.77x / 4.77x expected EV/EBITDA and P/BV). This potential upside is driven primarily by its key growth projects in 2024-2025, particularly the nickel business (AIM & HPAL), which is expected to contribute to future earnings significantly. Meanwhile, gold and copper prices are anticipated to maintain their upward momentum, supported by China's ongoing stimulus measures and the dovish outlook for the Fed. Key risks to this outlook include: 1) A potential decline in metals demand; 2) Delays in project execution, and; 3) A shift toward a more hawkish stance by the Fed.

Figure 1. MDKA 2Q24 operational highlights

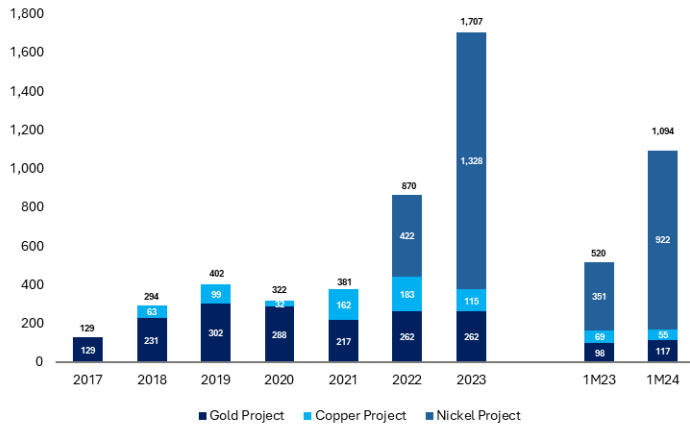
PT Merdeka Copper Gold Tbk					
Operational Highlights					
	2Q24	1Q24	2Q23	QoQ	YoY
Gold					
Production (in oz)	25,382	24,139	38,447	5.1%	(34.0%)
Sales (in oz)	25,004	26,633	29,544	(6.1%)	(15.4%)
Cash Cost (USD/oz)	1,110	1,065	787	4.2%	41.0%
AISC (USD/oz)	1,492	1,479	1,060	0.9%	40.8%
ASP (USD/oz)	2,262	2,106	1,972	7.4%	14.7%
Cash Margin (USD/oz)	770	627	912	22.8%	(15.6%)
Copper					
Production (in t)	3,626	3,046	3,128	19.0%	15.9%
Sales (in t)	2,027	4,313	4,273	(53.0%)	(52.6%)
Cash Cost (USD/t)	5,864	5,886	7,363	(0.4%)	(20.4%)
AISC (USD/t)	7,518	8,135	10,825	(7.6%)	(30.5%)
ASP (USD/t)	9,281	8,356	8,700	11.1%	6.7%
Cash Margin (USD/t)	1,763	221	(2,125)	697.7%	183.0%
Nickel Pig Iron (NPI)					
Production (in t)	21,882	20,900	11,870	4.7%	84.3%
Sales (in t)	20,846	21,621	11,053	(3.6%)	88.6%
AISC (USD/t)	10,370	10,223	13,459	1.4%	(23.0%)
ASP (USD/t)	11,536	11,055	14,123	4.4%	(18.3%)
Cash Margin (USD/t)	1,166	832	664	40.1%	75.6%
High Grade Nickel Matte					
Production (in t)	13,402	12,041	4,438	11.3%	202.0%
Sales (in t)	12,804	14,404	3,036	(11.1%)	321.7%
AISC (USD/t)	13,016	13,162	15,524	(1.1%)	(16.2%)
ASP (USD/t)	14,819	13,673	17,423	8.4%	(14.9%)
Cash Margin (USD/t)	1,803	511	1,899	252.8%	(5.1%)
Limonite Ore					
Production (in mwmt)	1.8	1.2		50.0%	
Sales (in mwmt)	2.86	1.1		160.0%	
ASP (USD/wmt)	16.5	13		26.9%	

Source: Company | Phintraco Sekuritas Research

Figure 2. MDKA's SOTP Valuation

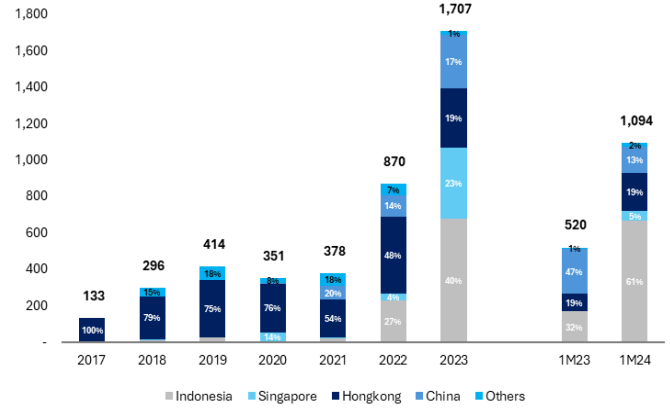
Projects	Method	EV (US\$ mn)	MDKA's stake	Adjusted EV
Tujuh Bukit Gold & Wetar	DCF	231	100%	231
Tujuh Bukit Porphyry	NAV	2,682	100%	2,682
Pani	EV/Resources	761	70%	538
Merdeka Battery Materials	SOTP	5,010	50%	2,505
Total Enterprise Value				5,956
Net Debt (Cash) - FY24F				(1,076)
Equity Value				4,880
Outstanding Shares				24,473
Target Price (in USD)				0.20
Target Price (in IDR)				3,041
Final Price (in IDR)				3,040

Figure 3. Revenue by Operating Segment



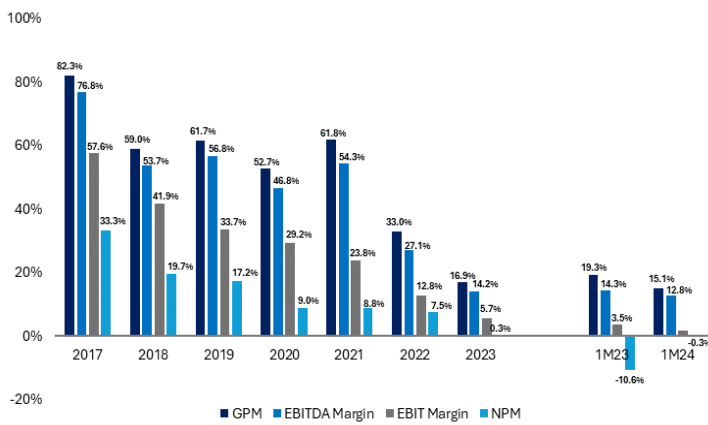
Source : Company | Phintraco Sekuritas Research

Figure 4. Revenue by Geographical Segment



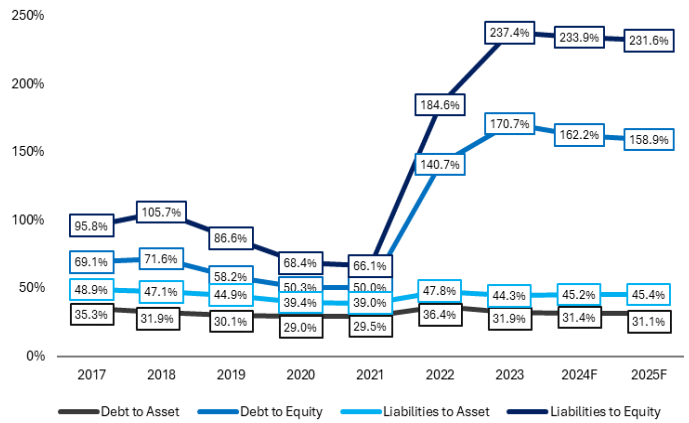
Source : Company | Phintraco Sekuritas Research

Figure 5. Margin Ratios



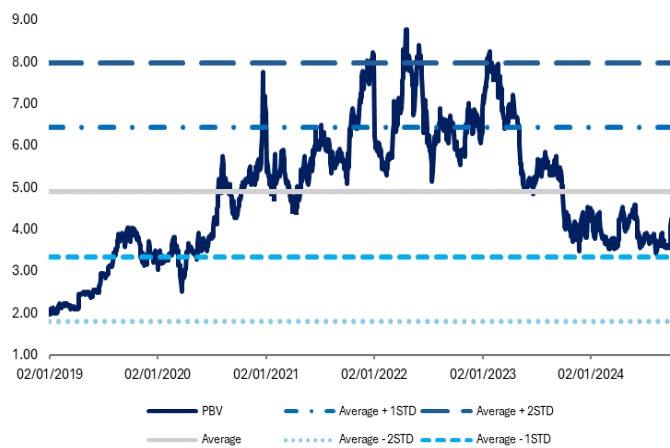
Source : Company | Phintraco Sekuritas Research

Figure 6. Leverage Ratios



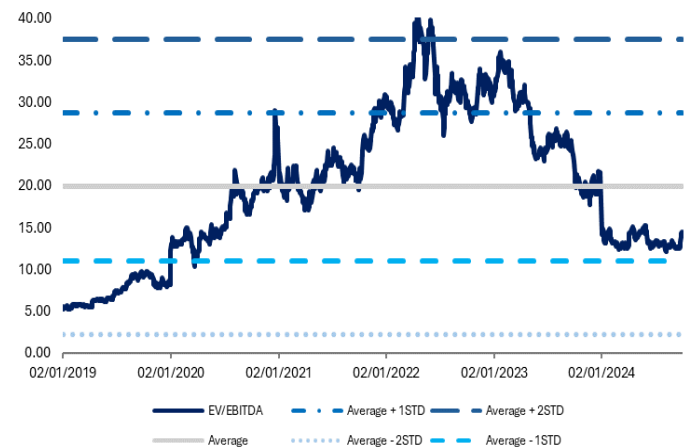
Source : Company | Phintraco Sekuritas Research

MDKA's PBV Band



Source : Company | Phintraco Sekuritas Research

MDKA's EV/EBITDA Band



Source : Company | Phintraco Sekuritas Research

(in million of USD)

BALANCE SHEET	FY21	FY22	FY23	6M24	FY24F	FY25F
Asset						
Cash	185	444	519	347	486	240
Trade Receivables	0.6	66	121	178	172	190
Inventories	131	251	444	371	611	755
Other Current Assets	94	135	124	174	120	128
Total Current Assets	411	896	1,207	1,071	1,389	1,313
Fixed Assets - Net	649	2,283	2,901	3,072	3,134	3,395
Other Non-Current Assets	218	698	856	783	789	841
Total Non-Current Assets	867	2,981	3,757	3,856	3,924	4,236
Liabilities						
Trade Payables	30	110	304	268	384	422
ST Borrowings	230	334	453	507	615	683
Other Current Liabilities	38	161	153	118	192	209
Total Current Liabilities	297	605	909	892	1,190	1,314
LT Borrowings	148	1,078	1,130	1,028	1,052	1,044
Other Non-Current Liabilities	54	170	161	196	162	159
Total Non-Current Liabilities	202	1,247	1,291	1,224	1,213	1,203
Equity						
Total Equity	779	2,025	2,764	2,810	2,910	3,032
Minority Interest	24	1,022	1,837	1,846	1,882	1,945

Source: Company | Phintraco Sekuritas Research

(in million of USD)

INCOME STATEMENT	FY21	FY22	FY23	6M24	FY24F	FY25F
Revenue	381	870	1,707	1,094	2,351	2,638
<i>Growth (yoy)</i>	<i>18.4%</i>	<i>128.3%</i>	<i>96.2%</i>	<i>110.3%</i>	<i>37.7%</i>	<i>12.2%</i>
Cost of Revenue (Exc. D&A)	145	583	1,419	929	1,901	2,096
Gross Profit	235	287	288	165	450	542
<i>GPM</i>	<i>61.8%</i>	<i>33.0%</i>	<i>16.9%</i>	<i>15.1%</i>	<i>19.1%</i>	<i>20.5%</i>
EBITDA	207	235	242	140	386	470
<i>EBITDA Margin</i>	<i>54.3%</i>	<i>27.1%</i>	<i>14.2%</i>	<i>12.8%</i>	<i>16.4%</i>	<i>17.8%</i>
EBIT	91	112	97	62	257	325
<i>EBIT Margin</i>	<i>23.8%</i>	<i>12.8%</i>	<i>5.7%</i>	<i>5.7%</i>	<i>11.0%</i>	<i>12.3%</i>
Profit Before Tax	57	90	12	26	148	210
<i>EBT Margin</i>	<i>14.89%</i>	<i>10.34%</i>	<i>0.72%</i>	<i>2.39%</i>	<i>6.28%</i>	<i>7.97%</i>
Minority Interest	-3	6	26	33	45	63
Net Profit	36	58	-21	21	45	63

Source: Company | Phintraco Sekuritas Research

(in million of USD)

CASH FLOW	FY21	FY22	FY23	6M24	FY24F	FY25F
Cash Flow from Operating						
Net Income	33	65	6	21	90	126
Depreciation & Amortization	122	185	169	89	149	172
Working Capital	-9	-67	-7	-63	-92	-102
Others	-49	44	-43	-51	-5	-12
Net-CFFO	98	227	125	-4	142	184
Cash Flow from Investing						
Capital Expenditure	-131	-1,819	-787	-260	-382	-433
Others	-128	-480	-158	73	67	-52
Net-CFFI	-259	-2,299	-945	-187	-315	-485
Cash Flow from Financing						
Borrowings	109	1,034	171	-48	84	61
Others	4.5	116.0	-8.8	34.8	0.6	-2.9
Equity	182	1,181	734	26	56	-3
Net-CFFF	296	2,331	895	12	140	55

Source: Company | Phintraco Sekuritas Research

RATIOS	FY21	FY22	FY23	6M24	FY24F	FY25F
Profitability Ratio (%)						
GPM	61.81%	32.97%	16.87%	15.09%	19.13%	20.54%
OPM (EBITDA Margin)	54.34%	27.07%	14.15%	12.79%	16.40%	17.82%
NPM	8.76%	7.45%	0.33%	1.88%	3.83%	4.78%
ROA	2.83%	1.51%	-0.42%	-0.25%	0.85%	1.14%
ROE	4.78%	5.82%	-2.23%	-1.30%	4.38%	5.80%
ROIC	2.57%	1.78%	-0.54%	-0.31%	1.08%	1.41%
Activity Ratio (X)						
Inventory Turnover	1.11	2.33	3.20	2.50	3.11	2.78
Days of Inventory	329.71	156.93	114.12	145.98	135.53	124.83
Receivable Turnover	642.94	13.20	14.15	6.14	13.66	13.90
Days of Receivables	0.57	27.64	25.79	59.45	26.72	26.25
Payable Turnover	4.91	5.32	4.67	3.46	4.95	4.97
Days of Payables	74.29	68.60	78.19	105.47	73.69	73.50
Cash Operating Cycle	255.99	115.97	61.72	99.95	88.55	77.58
Leverage Ratio (%)						
Debt to Asset	29.55%	36.42%	31.88%	31.15%	31.36%	31.13%
Debt to Equity	50.00%	140.73%	170.74%	159.08%	162.18%	158.94%
Liabilities to Asset	39.04%	47.77%	44.32%	42.95%	45.24%	45.36%
Liabilities to Equity	66.07%	184.59%	237.38%	219.39%	233.91%	231.58%
Liquidity Ratio (%)						
Current Ratio	1.38	1.48	1.33	1.20	1.17	1.00
Quick Ratio	0.63	0.84	0.70	0.59	0.55	0.33
Cash Ratio	0.62	0.73	0.57	0.39	0.41	0.18
Price Ratio (X)						
P/E (X)	172.58	108.82	-201.69	-284.20	108.85	78.72
P/BV (X)	8.25	6.34	4.50	3.68	4.77	4.57
P/R (X)	16.37	7.31	2.44	3.25	2.08	1.88
Price per Share	3,890	4,120	2,700	2,380	3,030	3,030
OS (In million)	22,905	24,111	24,111	24,473	24,473	24,473
EPS (in IDR)	22.54	37.86	-13.39	-8.37	27.84	38.49
BVPS (in IDR)	471.25	650.12	600.66	646.08	635.35	663.62
RPS (in IDR)	237.60	563.72	1,106.08	732.71	1,453.58	1,610.48
EV/EBITDA (X)	31.06	31.11	21.66	33.88	15.77	13.73

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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