

# Aneka Tambang Tbk (ANTM IJ)

## Gold Contribution Is Still Solid

Revenues from the gold segment, ANTM's main commodity, increased 22.1% YoY in 1H19. ANTM has to work hard until the end of the year in order to boost exports of nickel ore prior to an export ban in 2020. ANTM's strategies for focusing on the downstream projects give an impression of persistent future growth.

### 1H19 Positive Performance

In 1H19, ANTM recorded the total revenues of IDR14.4 trillion (+22.1% YoY) due to the significant revenues of IDR9.6 trillion (+17.2% YoY), contributed by the gold segment; revenues of IDR1.7 trillion (+105% YoY), contributed by the nickel ore segment; although ferronickel contributions only recorded IDR2.3 trillion (-8.8% YoY). However, its operating costs swelled to IDR1.6 trillion (+190% YoY) so that ANTM's net profits were recorded at IDR366 billion (+6% YoY): still a positive result. Indeed, ANTM still has consistent NPM in 1H19 at 2.5% (vs 2.9% in 1H18).

### Gold's Solid Contribution

The gold segment was the 1H19 solid contributor to ANTM's total revenues. Its contribution was seen in sales volume of 15,741 kg (+14.4% YoY) with production volume reaching 979 kg (-5.9% YoY) but ASP succeeded in increasing (+2.3% YoY). We estimate for 2019F, ANTM is still able to record revenues of IDR20.6-IDR21.2 trillion contributed by the gold segment in light of the positive momentum of gold prices, on the basis of assumptions until the end of the year prices of gold in the spot market will be in the range of USD1,490-USD1,520.

### Nickel Ore Continue to be Stimulated Until the End of the Year

The nickel ore segment succeeded in posting sales volume of 3.9 million wmt (+103.3% YoY) despite ASP was lower (-5.9% YoY). The segment will still be driven by ANTM for the export market to 5 million wmt, based on the recommendation, given by the Ministry of Energy and Mineral Resources. Therefore, we estimate that the nickel ore segment in 2019F will be able to contribute around IDR2.9-IDR3.1 trillion to ANTM's total revenue.

### BUY Rating with the Price Target of IDR1,300

ANTM is potential for continued growth as it focuses on downstream and concrete projects by acquiring mining sites in Halmahera (estimated at USD6 billion), with a reasonable DER level (estimated 2019F at 55%) making it plausible and flexible for ANTM to seek external funding with stable financial structure. On grounds of ANTM's potentials, we recommend BUY with the target price of IDR1,300 or a 39% potential upside based on the estimates of a 10.9x forward EV/EBITDA (+0.5 SD). At present, ANTM is traded at 2019F EV/EBITDA of 10.1x.

#### Aneka Tambang Tbk | Summary

	2018A	2019F	2020F	2021F
Sales	25,241	31,285	36,458	42,014
Growth (%)	99.5%	23.9%	16.5%	15.2%
EBITDA	2,861	2,965	3,276	3,400
Net Profit	874	841	876	953
EPS (IDR)	36	35	36	40
Growth (%)	540.6%	-3.8%	4.2%	8.8%
P/E	21.0x	24.7x	26.5x	26.8x
P/BV	0.9x	1.0x	1.1x	1.1x
EV/EBITDA	9.4x	10.1x	9.8x	10.4x
ROE (%)	4.6%	4.2%	4.2%	4.3%
DER (%)	50.3%	55.0%	59.0%	57.0%
Net Debt	5,622	6,464	5,955	6,373

Unit: IDR bn, %, x

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

## Buy

Dec 2020 TP (IDR)	1,300
Consensus Price (IDR)	1,181
TP to Consensus Price	10.1%
vs. Last Price	39%

### Shares data

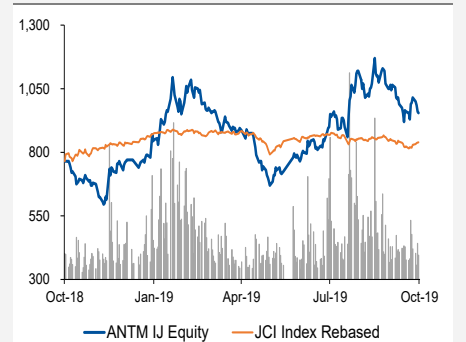
Last Price (IDR)	935
Price Date as of	Oct 18, 2019
52 wk Range (Hi/Lo)	1,175 / 595
Free Float (%)	35
Outstanding sh.(mn)	24,031
Market Cap (IDR bn)	22,949
Market Cap (USD mn)	1,622
Avg. Trd Vol - 3M (mn)	121.41
Avg. Trd Val - 3M (bn)	124.66
Foreign Ownership	8%

### Mining

#### Metal & Mineral

Bloomberg	ANTM IJ
Reuters	ANTM.JK

### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	26.4%	-12.2%	-1.6%	22.2%
Rel. Ret.	26.2%	-10.9%	1.7%	12.3%

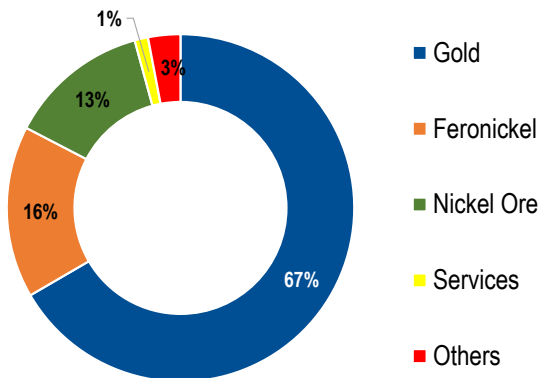
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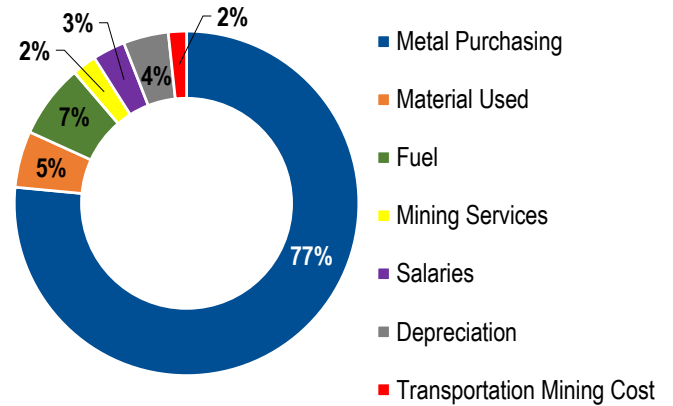
### Performance Highlights in Charts

6M19 Revenue Breakdown



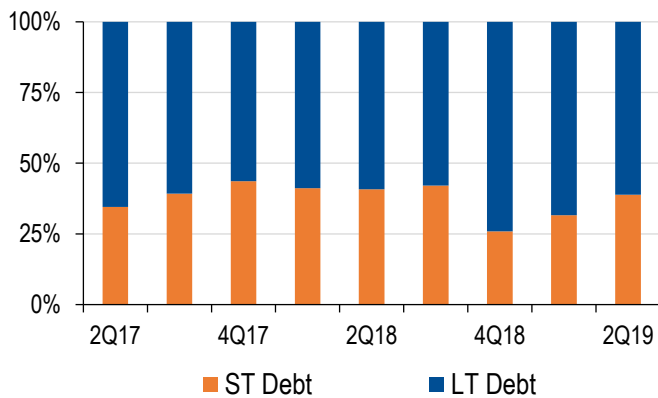
Source: Company Data, NHKS Research

6M COGS Breakdown



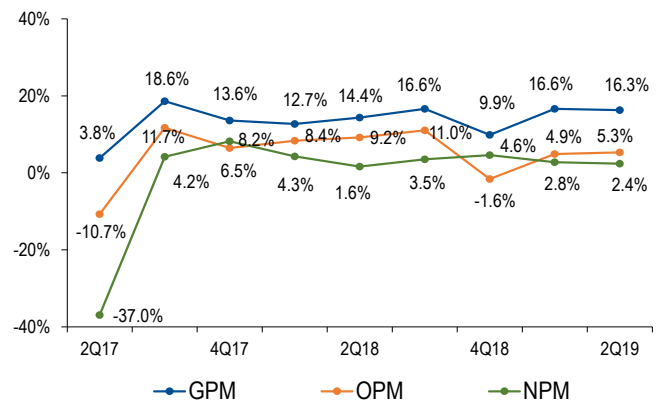
Source: Company Data, NHKS Research

ST Debt & LT Debt



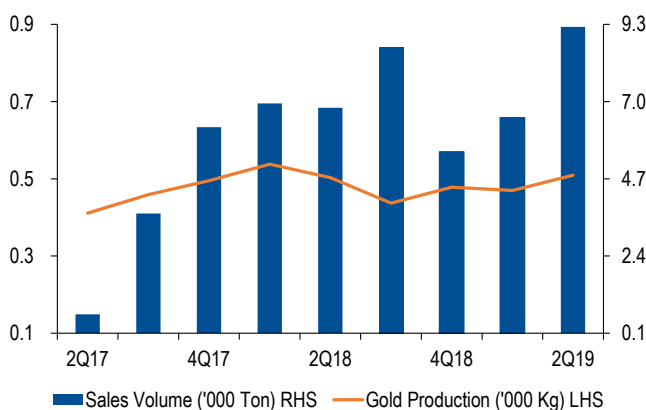
Source: Company Data, NHKS Research

Margin Ratios



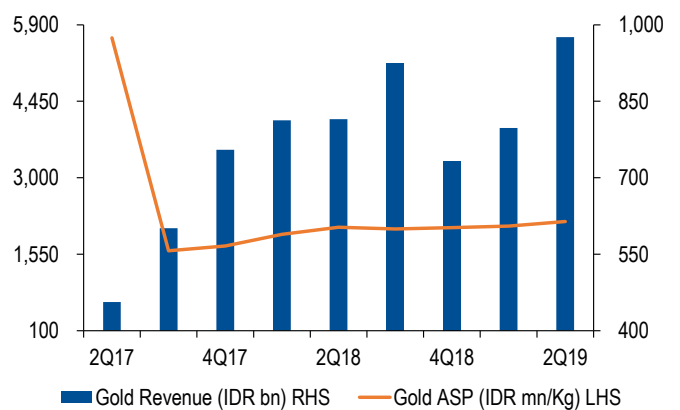
Source: Company Data, NHKS Research

Gold Production & Sales Volume



Source: Company Data, NHKS Research

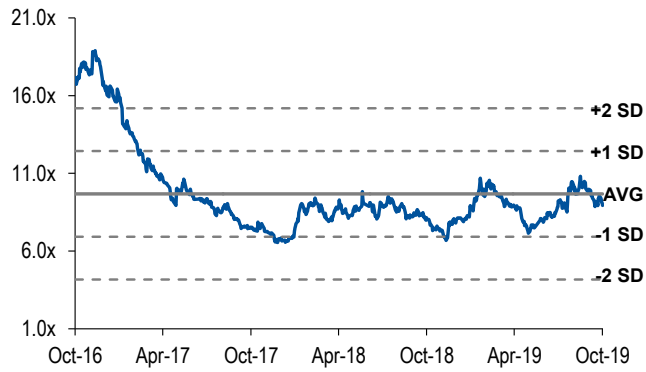
Gold Revenue & ASP



Source: Company Data, NHKS Research

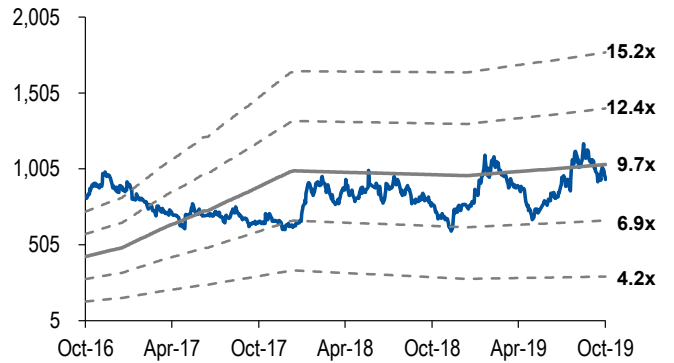
## Valuation Highlights in Charts

3-Year Forward EV/EBITDA Band



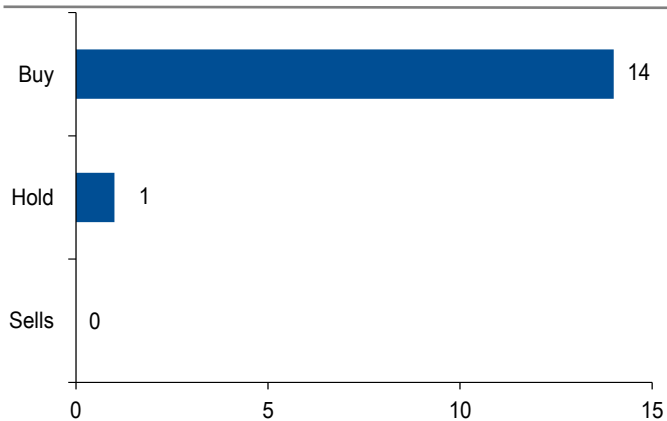
Source: Bloomberg, NHKS Research

3-Year Dynamic Forward EV/EBITDA Band



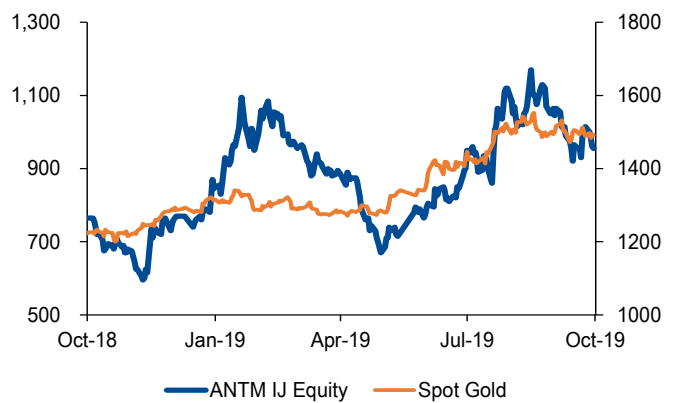
Source: Bloomberg, NHKS Research

Recommendations by Analysts



Source: Bloomberg, NHKS Research

Stock and Gold Prices Correlated Positively



Source: Bloomberg, NHKS Research

## Quarterly Review

	2Q18	3Q18	4Q18	1Q19	2Q19			3Q19E	
					Actual	Estimate	Y-Y		Q-Q
<b>Income statement</b>									
Sales	6,084	8,136	5,290	6,219	8,207		34.9%	32.0%	8,760
Gross Profit	875	1,353	521	1,035	1,337		52.9%	29.2%	1,340
EBIT	561	897	-84	305	435		-22.4%	42.8%	394
EBITDA	791	1,152	211	586	741		-6.3%	26.6%	711
Net Profit	99	287	243	172	194		96.5%	13.1%	107
<b>Margin</b>									
Gross Margin	14.4%	16.6%	9.9%	16.6%	16.3%		1.9%	-0.3%	15.3%
EBIT Margin	9.2%	11.0%	-1.6%	4.9%	5.3%		-3.9%	0.4%	4.5%
EBITDA Margin	13.0%	14.2%	4.0%	9.4%	9.0%		-4.0%	-0.4%	8.1%
Net Profit Margin	1.6%	3.5%	4.6%	2.8%	2.4%		0.7%	-0.4%	1.2%

Unit: IDR bn, %

Source: Company Data, NHKS Research

## Earnings Revision

		2019F	2020F	2021F
<b>Income Statement</b>				
Sales	-Revised	31,285	36,458	42,014
	-Previous	24,763	26,281	
	-Change	26.3%	38.7%	
Gross Profit	-Revised	4,968	5,790	6,672
	-Previous	3,554	3,772	
	-Change	39.8%	53.5%	
EBIT	-Revised	1,742	2,030	2,135
	-Previous	2,142	2,274	
	-Change	-18.7%	-10.7%	
EBITDA	-Revised	2,965	3,276	3,400
	-Previous	3,160	3,453	
	-Change	-6.2%	-5.1%	
Net Profit	-Revised	841	876	953
	-Previous	1,045	1,125	
	-Change	-19.5%	-22.1%	
<b>Margin</b>				
Gross Margin	-Revised	15.9%	15.9%	15.9%
	-Previous	14.4%	14.4%	
EBIT Margin	-Revised	5.6%	5.6%	5.1%
	-Previous	8.7%	8.7%	
EBITDA Margin	-Revised	9.5%	9.0%	8.1%
	-Previous	12.8%	13.1%	
Net Profit Margin	-Revised	2.7%	2.4%	2.3%
	-Previous	4.2%	4.3%	

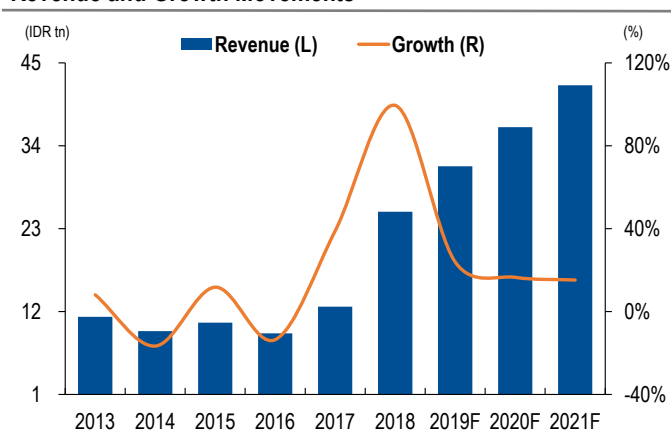
Unit: IDR bn, %

Source: Company Data, NHKS Research

## Company Overview

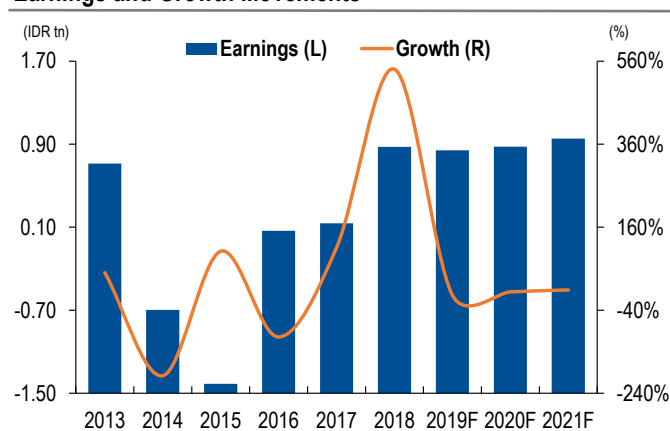
- Aneka Tambang (ANTM) is a mining company whose business activities include exploration, mining, processing, and marketing of various mineral commodities, such as gold, nickel, nickel ore, silver, bauxite, and minerals.
- ANTM's products virtually are exported; the majority of its sales are in USD denomination, with its primary consumers are leading international companies in Europe and Asia.
- ANTM is the sole gold producer in ASEAN that has an international 99% gold purity certificate granted by the London Bullion Market Association (LBMA). That will be a business advantage to penetrate the international gold trading market.
- Based on Asia's capitalization in Asia, ANTM's markets are still relatively smaller, compared with its competitors, but its sales are higher than its peers, having larger market capitalization. In the future, ANTM will continue to expand its mining business in order to improve its competitiveness.

### Revenue and Growth Movements



Source: Company Data, NHKS Research

### Earnings and Growth Movements



Source: Company Data, NHKS Research

### Asia Pacific Companies Peers Analysis

	Market Cap (USD mn)	Asset (USD mn)	Sales Growth LTM	Net Profit LTM	Net Profit Growth LTM	Net Profit Margin	ROE LTM	EV/EBITDA LTM	P/BV
<b>Indonesia</b>									
ANEKA TAMBANG TBK	1,620	2,309	1,928	62	465.7%	3.2%	4.6%	10.2x	1.2x
VALE INDONESIA TBK	2,462	2,202	695	5	-86.1%	0.7%	0.3%	17.5x	1.3x
MERDEKA COPPER GOLD TBK	1,948	798	371	62	-19.6%	16.8%	19.3%	8.4x	4.6x
<b>China</b>									
ZHONGJIN GOLD CORP	4,249	5,532	5,136	21	-28.8%	0.4%	1.1%	N/A	2.2x
YINTAI RESOURCES	3,752	1,553	761	121	64.4%	15.9%	9.9%	N/A	3.1x
INNER MONGOLIA	2,062	2,836	2,604	115	-30.1%	4.4%	7.6%	N/A	1.4x
<b>Taiwan</b>									
KING SLIDE WORKS	1,109	366	145	55	9.1%	37.6%	17.5%	11.2x	3.4x
<b>Australia</b>									
MINERAL RESOURCES	1,625	2,216	1,081	117	-39.9%	10.8%	12.3%	9.9x	1.8x
OZ MINERAL	2,071	2,425	719	99	-50.2%	13.8%	4.8%	9.9x	1.1x
INDEPENDENCE GROUP	2,446	1,536	557	54	44.4%	9.8%	4.1%	7.3x	1.9x

Unit: USD mn, %, X

Source: Bloomberg, NHKS Research

## Summary of Financials

## INCOME STATEMENT

(IDR bn)	2018/12A	2019/12F	2020/12F	2021/12F
<b>Sales</b>	<b>25,241</b>	<b>31,285</b>	<b>36,458</b>	<b>42,014</b>
<i>Growth</i>	99.5%	23.9%	16.5%	15.2%
COGS	(21,765)	(26,317)	(30,668)	(35,342)
<b>Gross Profit</b>	<b>3,476</b>	<b>4,968</b>	<b>5,790</b>	<b>6,672</b>
<i>Gross Margin</i>	13.8%	15.9%	15.9%	15.9%
Operating Expenses	(1,624)	(3,227)	(3,760)	(4,537)
<b>EBIT</b>	<b>1,853</b>	<b>1,742</b>	<b>2,030</b>	<b>2,135</b>
<i>EBIT Margin</i>	7.3%	5.6%	5.6%	5.1%
Depreciation	1,008	1,223	1,246	1,266
<b>EBITDA</b>	<b>2,861</b>	<b>2,965</b>	<b>3,276</b>	<b>3,400</b>
<i>EBITDA Margin</i>	11.3%	9.5%	9.0%	8.1%
Interest Expenses	(391)	(576)	(524)	(530)
<b>EBT</b>	<b>1,266</b>	<b>1,305</b>	<b>1,360</b>	<b>1,479</b>
Income Tax	(391)	(464)	(483)	(526)
Minority Interest	0	0	0	0
<b>Net Profit</b>	<b>874</b>	<b>841</b>	<b>876</b>	<b>953</b>
<i>Growth</i>	540.6%	-3.8%	4.2%	8.8%
<i>Net Profit Margin</i>	3.5%	2.7%	2.4%	2.3%

## PROFITABILITY &amp; STABILITY

	2018/12A	2019/12F	2020/12F	2021/12F
ROE	4.6%	4.2%	4.2%	4.3%
ROA	2.8%	2.5%	2.5%	2.5%
ROIC	4.3%	3.6%	3.9%	3.8%
Cash Dividend (IDR bn)	143	306	306	306
Dividend Yield	0.8%	1.5%	1.3%	1.2%
Payout Ratio	16.4%	36.4%	34.9%	32.1%
DER	50.3%	55.0%	59.0%	57.0%
Net Gearing	76.4%	82.5%	88.5%	83.5%
LT Debt to Equity	37.2%	38.5%	41.3%	39.9%
Capitalization Ratio	33.4%	35.5%	37.1%	36.3%
Equity Ratio	59.3%	58.8%	56.9%	57.5%
Debt Ratio	29.8%	32.3%	33.6%	32.8%
Financial Leverage	157.0%	166.6%	166.8%	167.6%
Current Ratio	154.2%	173.5%	182.0%	186.5%
Par Value (IDR)	100	100	100	100
Total Shares (mn)	24,031	24,031	24,031	24,031
Share Price (IDR)	765	865	965	1,065
Market Cap (IDR tn)	18.4	20.8	23.2	25.6

## BALANCE SHEET

(IDR bn)	2018/12A	2019/12F	2020/12F	2021/12F
Cash	4,299	4,672	6,470	6,792
Receivables	924	1,476	1,520	1,933
Inventories	2,028	2,298	2,331	3,004
<b>Total Current Assets</b>	<b>8,498</b>	<b>10,038</b>	<b>11,929</b>	<b>13,352</b>
Net Fixed Assets	21,667	21,578	21,949	23,687
Other Non Current Asset	3,141	2,833	3,124	3,132
<b>Total Assets</b>	<b>33,306</b>	<b>34,449</b>	<b>37,002</b>	<b>40,172</b>
Payables	1,158	940	1,244	1,273
ST Bank Loan	2,574	3,341	3,728	3,950
LT Debt	7,348	7,795	8,698	9,216
<b>Total Liabilities</b>	<b>13,567</b>	<b>14,202</b>	<b>15,942</b>	<b>17,074</b>
Capital Stock	2,403	2,403	2,403	2,403
Retained Earnings	10,591	11,099	11,631	13,359
<b>Shareholders' Equity</b>	<b>19,739</b>	<b>20,247</b>	<b>21,060</b>	<b>23,098</b>

## VALUATION INDEX

	2018/12A	2019/12F	2020/12F	2021/12F
Price /Earnings	21.0x	24.7x	26.5x	26.8x
Price /Book Value	0.9x	1.0x	1.1x	1.1x
Price/Sales	0.7x	0.7x	0.6x	0.6x
PE/EPS Growth	0.0x	-6.5x	6.3x	3.1x
EV/EBITDA	9.4x	10.1x	9.8x	10.4x
EV/EBIT	14.5x	17.3x	15.9x	16.6x
EV (IDR bn)	26,816	30,060	32,236	35,366
Sales CAGR (3-Yr)	33.8%	50.9%	42.3%	18.5%
EPS CAGR (3-Yr)	-185.3%	135.0%	85.9%	2.9%
Basic EPS (IDR)	36	35	36	40
Diluted EPS (IDR)	36	35	36	40
BVPS (IDR)	821	843	876	961
Sales PS (IDR)	1,050	1,302	1,517	1,748
DPS (IDR)	6	13	13	13

## CASH FLOW STATEMENT

(IDR bn)	2018/12A	2019/12F	2020/12F	2021/12F
Operating Cash Flow	2,094	435	2,410	1,502
Investing Cash Flow	(2,814)	(1,161)	(1,830)	(1,854)
Financing Cash Flow	(620)	1,108	1,218	674
<b>Net Changes in Cash</b>	<b>(1,339)</b>	<b>382</b>	<b>1,798</b>	<b>322</b>

## TOP OWNERSHIP

By Geography	% Shareholders	%
Indonesia	92.7	Inalum 65.0
United States	5.8	Dimensional Fund 1.8
Norway	0.6	Vanguard Group 1.3
United Kingdom	0.5	Blackrock 0.7

Source: Company Data, NHKS Research

## Closing and target price update



Source: Bloomberg, NHKS Research

## Rating and target price update

Date	Rating	Target price	Consensus
2016.02.17	Buy	IDR1,175	IDR950
2016.12.22	Buy	IDR1,030	IDR890
2017.03.16	Buy	IDR1,005	IDR951
2017.09.08	Buy	IDR960	IDR760
2018.03.19	Buy	IDR990	IDR1,030
2018.08.05	Buy	IDR985	IDR1,065
2018.09.18	Buy	IDR1,200	IDR1,238
2019.10.20	Buy	IDR1,300	IDR1,181

Source: NHKS Research

## NHKS stock ratings

- Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
- Buy: greater than +15%, Hold: -15% to +15%, Sell: less than -15%.
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