Aneka Tambang Tbk (ANTM)

Golden Momentum

Company Report | March 19, 2018

Buy

Dec 2018 TP (IDR)	**990**
Consensus Price (IDR)	1,030
TP to Consensus Price	-3.9%
vs. Last Price	+17.2%

Shares data

Last Price (IDR)	845
Price date as of	3/16/2018
52 wk range (Hi/Lo)	955/605
Free float (%)	35.0
Outstanding sh.(mn)	24,031
Market Cap (IDR bn)	19,345
Market Cap (USD mn)	1,406
Avg. Trd Vol - 3M (mn)	84.89
Avg. Trd Val - 3M (bn)	70.61
Foreign Ownership (%)	5.6

Mining
Metal & Mineral Mining

Bloomberg	**ANTM IJ**
Reuters	**ANTM.JK**

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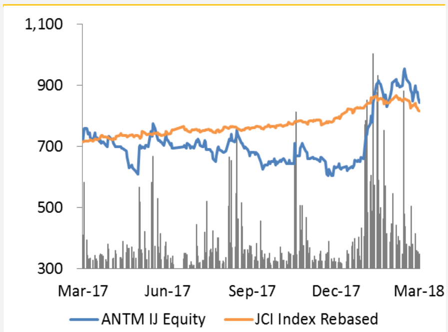
Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	33.1%	-7.1%	33.1%	18.2%
Rel. Ret.	33.6%	-2.8%	30.3%	3.9%

Global Backdrop Driving Upswing in Demand for Gold as Safe-Haven

We oversee that the recently intense geopolitical circumstances of the U.S. vs North Korea, the UK vs Russia, the conflict in the Middle East, and the threat of the U.S. protectionism bolster the demand for gold, a safe-haven investment. In 4Q17, **ANTM obtained a large amount of gold demand of Bullion Bank**; therefore, it caused the surge of 188.8% y-y into 6.2 tons in sales volume.

4Q17's gold sales amounted to IDR3.5 trillion (+197.7% y-y), and 2017's overall sales were IDR7.4 trillion (+33.0% y-y). We estimate that 2018's gold sales will reach IDR10.4 trillion (+40.3% y-y) underpinned by **the jump in sales volume from 13 tons into 18 tons**.

Upswing in Production Capacity amid Stable Global Nickel Price

ANTM's ferronickel business posted ASP of USD12,170/TNi or increasing by 10.2% **aligning with the surge in the global nickel price** currently settling at USD13,500/TNi.

The global nickel price **is projected to be stable underpinned by the picking up demand for nickel** as the component part of battery electric car and the decrease in supply due to a halt in nickel production by the four biggest Philippine-based nickel plants. This backdrop offsets the negative sentiment arising from the plan of the U.S. steel import tariff imposed on China.

The upswing in 2018's ferronickel sales is likely spurred by **the increment in Pomalaa plant's production capacity from 20,000 TNi into 37,000 TNi.** We projects that in 2018, its ferronickel sales will hit IDR4.0 trillion (+75.0%)

Aneka Tambang Tbk | Summary (IDR bn)

	2016/12A	2017/12A	2018/12E	2019/12E
Revenue	9,106	12,654	16,269	18,537
Revenue growth	-13.5%	39.0%	28.6%	13.9%
EBITDA	742	1,434	2,130	2,346
Net profit	65	137	740	929
EPS (IDR)	3	6	31	39
EPS growth	N/A	N/A	N/A	25.6%
BVPS (IDR)	264	264	264	264
EBITDA margin	8.1%	11.3%	13.1%	12.7%
NPM	0.7%	1.1%	4.5%	5.0%
ROE	0.4%	0.7%	3.9%	4.7%
ROA	0.2%	0.5%	2.4%	3.0%
ROIC	0.0%	3.6%	5.2%	5.9%
P/E	331.9x	110.0x	27.5x	21.9x
P/BV	3.4x	2.4x	3.2x	3.2x
EV/EBITDA	32.8x	13.6x	11.5x	10.6x
DPS (IDR)	-	-	-	-
Dividend yield	0.0%	0.0%	0.0%	0.0%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Target Price of IDR990

We use an estimate of forward EV/EBITDA of 11.3x (1SD higher than the one year average of 10.2x) as the basis of valuation method for obtaining the target price. The target price implies a 2018E EV/EBITDA of 12.5x. Now, ANTM is traded at a 2018E EV/EBITDA of 11.5x.

A Glance at ANTM

Aneka tambang (ANTM), a state-owned miner, undertakes activities covering exploration, excavation, processing, and marketing varied mineral commodities such as gold, nickel ore, silver, bauxite, ferronickel, and coal. It has extensive mining concessions across Indonesia. Now, around 50% of its revenue stems from the gold sale, while the ferronickel sale contributing 20%-30% to the overall sales is the second-biggest sales contributor

Pictures of ANTM's products are below:



Gold Mining Industry in ASEAN

Indonesia still positions as the ASEAN's biggest gold producers. Now, its market capitalization reaches USD1.4 billion bigger than the market capitalization of USD567 million accomplished by Philippine-based gold miner, Phillex mining. Meanwhila, China with the market capitalization reaching USD15.3 billion is ASIA's biggest gold producer.

Compared to its Asia Pacific peers performance, ANTM's performance is less stellar because it posts inefficient net margin of 1.1% the lowest among its peers net margin. In contrast, its stock performance, P/E ANTM, is the most expensive among its peers P/E.

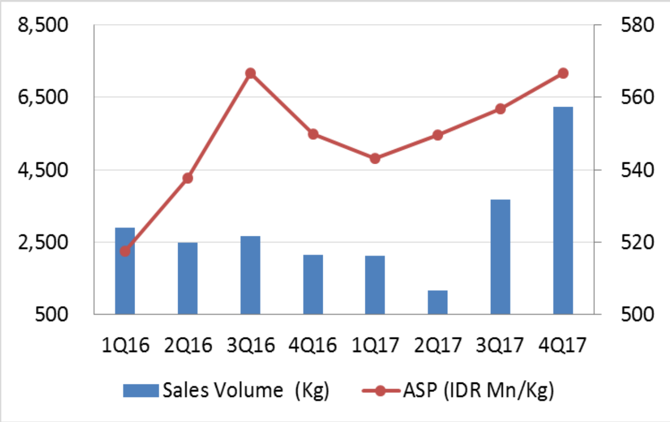
Asia Pacific Mineral Mining Company

Company	Market Cap (USD mn)	Total Asset (USD mn)	Net Profit Growth	Net Profit Margin	ROE	P/E	P/BV	Dividend Yield
ANTM	1,433	2,209	110.6%	1.1%	0.7%	110.0x	1.1x	N/A
China								
Zijin Mining Group Co Ltd	15,303	12,856	89.4%	2.4%	8.6%	38.2x	3.1x	1.3%
Changdong Gold Mining	7,963	6,473	-12.0%	2.2%	7.1%	44.0x	3.1x	0.7%
Philippine								
Philex Mining Corp	567	794	4.3%	18.1%	6.9%	17.8x	1.2x	1.3%
Australia								
Rio Tinto Ltd	92,239	95,726	89.8%	21.9%	20.9%	11.9x	2.3x	6.9%

Source: Bloomberg, NHKS research

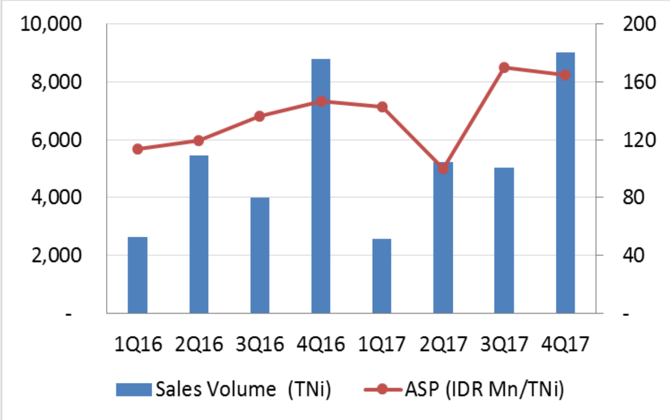
Operational Performance

Gold Performance | 1Q16 - 4Q17



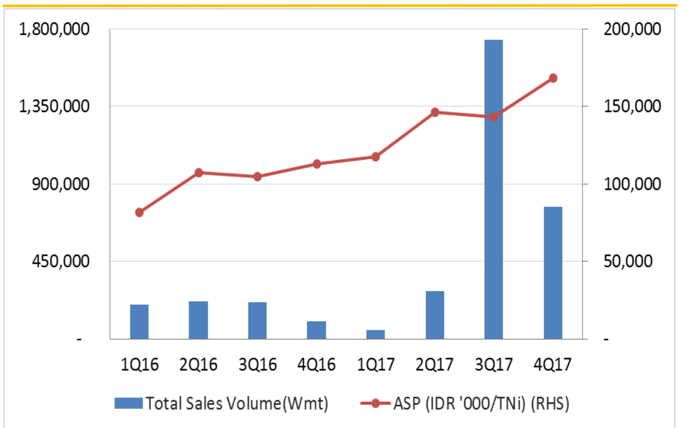
Source: Company, NHKS research

Ferronickel Performance | 1Q16 - 4Q17



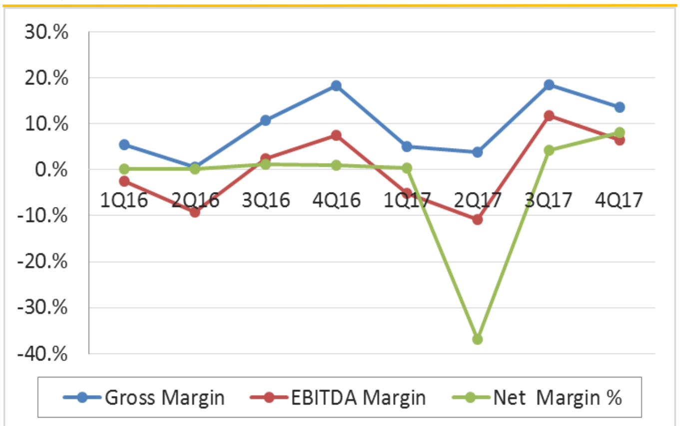
Source: Company, NHKS research

Nickel Ore Performance | 1Q16 - 4Q17



Source: Company, NHKS research

Margin Performance | 1Q16 - 4Q17

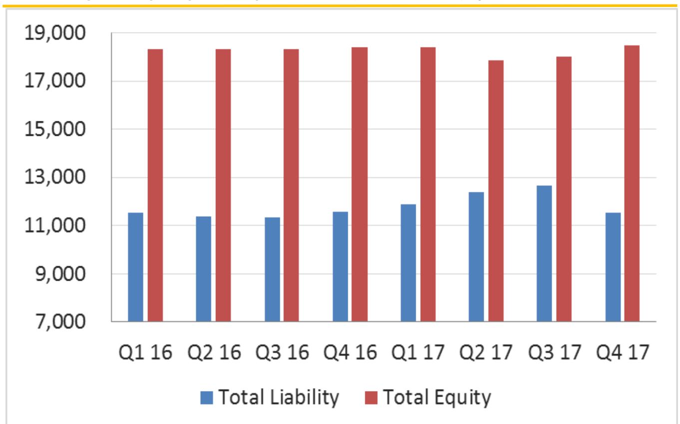


Source: Company, NHKS research

World Nickel Price | March 2017—March 2018

Source: Company

Liability & Equity Composition (in IDR Bn) | 1Q16 - 4Q17



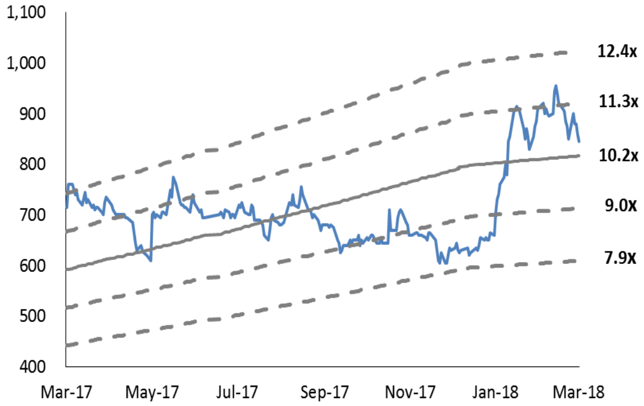
Source: Company

Multiple Valuation

Forward EV/EBITDA band | Last 1 year

Source: NHKS research

Dynamic Forward EV/EBITDA band | Last 1 year



Source: NHKS research

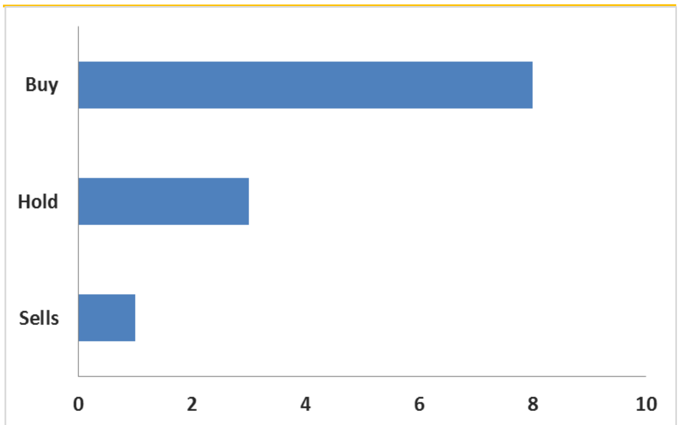
Rating and target price update

Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
09/08/2017	Buy	915 (Dec 2018)	695	760	+38.1%	+26.3%
12/28/2017	Buy	870 (Dec 2018)	630	815	+38.1%	+06.7%
03/19/2018	Buy	990 (Dec 2018)	845	1,030	-03.9%	+17.2%

Source: NHKS research, Bloomberg

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price

Source: NHKS research

NH Korindo Sekuritas Indonesia (NHKS) stock ratings

1. Period: End of year target price
2. Rating system based on a stock's absolute return from the date of publication
   - Buy : Greater than +15%
   - Hold : -15% to +15%
   - Sell : Less than -15%

Summary of Financials

ANTM Summary		
Last Price (IDR)	March 16, 2018	845
Target Price (IDR)	Dec 2018	990
Analyst: Yuni	Rating:	Buy

INCOME STATEMENT

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Sales	9,106	12,654	16,269	18,537
Growth (% y/y)	*-13.5%*	*39.0%*	*28.6%*	*13.9%*
COGS	(8,254)	(11,010)	(13,584)	(15,478)
Gross Profit	**852**	**1,644**	**2,684**	**3,059**
Gross Margin	*9.4%*	*13.0%*	*16.5%*	*16.5%*
Operating Expenses	(844)	(1,043)	(1,461)	(1,672)
EBIT	**8**	**601**	**1,223**	**1,386**
EBIT Margin	*0.1%*	*4.7%*	*7.5%*	*7.5%*
Depreciation	734	834	910	975
EBITDA	**742**	**1,434**	**2,133**	**2,362**
EBITDA Margin	*8.1%*	*11.3%*	*13.1%*	*12.7%*
Interest Expenses	(319)	(608)	(484)	(409)
EBT	**237**	**454**	**1,012**	**1,345**
Income Tax	(172)	(318)	(273)	(416)
Minority Interest	(0)	(0)	(0)	(0)
Net Profit	**65**	**137**	**740**	**929**
Growth (% y/y)	N/A	N/A	N/A	25.6%
Net Profit Margin	0.7%	1.1%	4.5%	5.0%

BALANCE SHEET

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Cash	7,623	5,551	5,482	5,653
Receivables	834	971	901	978
Inventories	1,388	1,258	1,347	1,451
Total Current Assets	10,630	9,002	8,697	9,067
Net Fixed Assets	14,612	15,692	16,410	17,527
Other Non Current Assets	4,739	5,320	5,443	5,685
Total Assets	29,982	30,014	30,549	32,280
Payables	586	806	911	977
ST Borrowing	2,687	2,716	2,370	2,546
Other Current Liab.	1,079	2,030	1,362	1,684
LT Debt	6,649	5,298	5,924	6,210
Other Non Current Liab.	571	674	753	704
Total Liabilities	11,573	11,524	11,320	12,121
Shareholders' Equity	6,338	6,338	6,338	6,338

CASH FLOW STATEMENT

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Net Income	65	137	740	929
Deprec & Amortization	734	834	910	975
Chg. In Working Capital	304	581	(327)	188
CFO	**1,103**	**1,551**	**1,322**	**2,092**
Capex	(1,219)	(2,365)	(1,628)	(2,093)
CFI	**(1,469)**	**(3,063)**	**(1,671)**	**(2,384)**
Dividends Paid	-	-	-	-
Net Borrowing (PMT)	(27)	(568)	280	463
CFF	**(27)**	**(568)**	**280**	**463**
Net Changes in Cash	(393)	(2,080)	(69)	171

OWNERSHIP

By Geography	%	Shareholders	%
Indonesia	94.5	Republic of Indonesia	65.0
United States	5.0	Dimensional Fund Adv	1.5
Ireland	0.2	Vanguard Group	1.3
United Kingdom	0.2	Blackrock Fund	0.6

PROFITABILITY & STABILITY

	2016/12A	2017/12A	2018/12E	2019/12E
ROE	0.4%	0.7%	3.9%	4.7%
ROA	0.2%	0.5%	2.4%	3.0%
ROIC	0.0%	3.6%	5.2%	5.9%
EBITDA/Equity	4.0%	7.8%	11.3%	12.0%
EBITDA/Assets	2.5%	4.8%	7.0%	7.5%
Cash Dividend (IDR bn)	0.0%	0.0%	0.0%	0.0%
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%
Payout Ratio (%)	0.0%	0.0%	0.0%	0.0%
DER	62.9%	62.3%	58.9%	60.1%
Net Gearing	72.2%	71.6%	67.2%	68.2%
LT Debt to Equity	104.9%	83.6%	93.5%	98.0%
Capitalization Ratio	62.2%	61.3%	60.4%	62.2%
Equity Ratio	61.4%	61.6%	62.9%	62.4%
Debt Ratio	34.7%	33.5%	31.6%	32.3%
Financial Leverage	164.3%	162.6%	160.6%	159.5%
Current Ratio	244.2%	162.1%	187.3%	174.2%
Quick Ratio	226.2%	140.1%	166.5%	155.2%
Cash Ratio	175.2%	100.0%	118.1%	108.6%
Cash Conversion Cycle	66.2	46.8	32.9	29.2
Par Value (IDR)	100	100	100	100
Total Shares (mn)	24,031	24,031	24,031	24,032
Share Price (IDR)	895	625	845	845
Market Cap (IDR tn)	21.5	15.0	20.3	20.3

VALUATION INDEX

	2016/12A	2017/12A	2018/12E	2019/12E
Price /Earnings	331.9x	110.0x	27.5x	21.9x
Price /Book Value	3.4x	2.4x	3.2x	3.2x
Price/Sales	2.4x	1.2x	1.2x	1.1x
PE/EPS Growth	N/A	N/A	N/A	0.9x
EV/EBITDA	32.8x	13.6x	11.5x	10.6x
EV/EBIT	N/A	32.5x	20.0x	18.1x
EV (IDR bn)	24,300	19,512	24,480	25,094
Sales CAGR (3-Yr)	-6.9%	10.3%	15.6%	26.7%
EPS CAGR (3-Yr)	-43.3%	-156.8%	-180.1%	142.9%
Basic EPS (IDR)	2.70	5.68	30.78	38.67
Diluted EPS (IDR)	2.70	5.68	30.78	38.67
BVPS (IDR)	264	264	264	264
Sales PS (IDR)	379	527	677	771
DPS (IDR)	-	-	-	-

DCF, RIM & EVA

	2016/12A	2017/12A	2018/12E	2019/12E
DCF (IDR bn)				
NOPAT	14	1,021	1,552	1,815
+Depr./Amor.	734	834	910	975
-CAPEX	(1,219)	(2,365)	(1,628)	(2,093)
-Incr. (Decr.) in Working Cap.	304	581	(327)	188
(Unlevered) FCFF	(167)	70	507	885
WACC				
Cost of Debt (Tax Adj.)	5.4%	4.3%	4.5%	4.5%
Cost of Equity (COE)	9.4%	6.8%	6.8%	6.8%
WACC (%)	8.1%	5.8%	6.0%	6.0%
RIM				
Spread (FROE-COE) (%)	-9.0%	-6.0%	-2.9%	-2.2%
Residual Income (IDR)	(1,663)	(1,115)	(562)	(435)
Equity Charge	1,728	1,252	1,302	1,365
EVA				
Invested Capital (IDR bn)	28,825	28,534	28,885	30,599
ROIC-WACC (%)	-8.0%	-2.2%	-0.7%	-0.1%
EVA (IDR bn)	(2,313)	(633)	(195)	(24)