Aneka Tambang Tbk (ANTM)

High Growth Consistency

Company Report | May 08, 2018

Highest Sales Record in 1Q18

ANTM posted **the fantastic sales reaching IDR5.7 trillion or soaring by 247.2%** compared to the 1Q17 sales of IDR1.6 trillion. Since the 4Q17, it consistently booked the sales higher than IDR5 trillion. The upswing in sales was coupled with the high snap in the bottom line to IDR246 billion Vs. the 1Q17 bottom line of IDR7 billion.

New Trend of Gold Sales Volume

The gold is the major contributor to ANTM's overall sales. In the 1Q18, the gold paved its way for the lustrous buoyance in terms of sales volume and average selling price (ASP). **The gold sales volume in 1Q18 reached 6,946 kg escalating by 226% y-y** and the highest sales volume since 2012.

The 1Q18 upbeat gold sales volume aligned **with the sales topping 6,000 tons in prior quarter. We oversee the sales achievement as the new trend of gold sales**. In line with the upbeat sales volume, the 1Q18's gold revenue also soared by 254% y-y into IDR4.1 trillion Vs. the 1Q17 gold revenue of IDR1.2 trillion.

Soaring Ferronickel ASP Aligning with Upbeat Global Nickel Prices

The maintenance of ferronickel factories in 1Q17 resulted in a stark contrast between the 1Q17 ferronickel sales of 2.6 TNi soaring by 109% into 5.4 TNi of 1Q18 ferronickel sales. The upbeat ferronickel sales volume was accompanied by the buoyancy of ferronickel revenue of 166% y-y into IDR972 billion Vs. the 1Q17 revenue of IDR365 billion. Meanwhile, **its ASP buoyed 27%** y-y into IDR181 million per TNi Vs. IDR142 million per TNi in 1Q17.

Aneka Tambang Tbk | Summary (IDR bn)

	2016/12A	2017/12A	2018/12E	2019/12E
Sales	9,106	12,654	24,079	25,311
Sales growth	-13.5%	39.0%	90.3%	5.1%
EBITDA	742	1,434	2,677	2,817
Net profit	65	137	1,017	1,248
EPS (IDR)	3	6	42	52
EPS growth	N/A	110.6%	644.8%	22.7%
BVPS (IDR)	264	264	264	264
EBITDA margin	8.1%	11.3%	11.1%	11.1%
NPM	0.7%	1.1%	4.2%	4.9%
ROE	0.4%	0.7%	5.4%	6.3%
ROA	0.2%	0.5%	3.2%	3.7%
ROIC	0.0%	3.4%	6.9%	7.6%
P/E	331.9x	110.0x	19.1x	15.6x
P/BV	3.4x	2.4x	3.1x	3.1x
EV/EBITDA	32.8x	13.6x	10.0x	9.6x
DPS (IDR)	-	-	2	15
Dividend yield	0.0%	0.0%	35.0%	35.0%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Buy

Dec 2018 TP (IDR)	985
Consensus Price (IDR)	1,065
TP to Consensus Price	-7.5%
vs. Last Price	+21.6%

Shares data	
Last Price (IDR)	810
Price date as of	May 07, 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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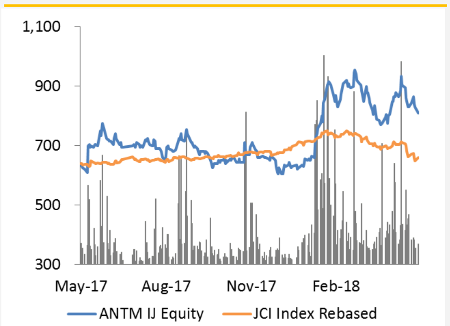
Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	27.6%	0.6%	-6.9%	26.6%
Rel. Ret.	34.7%	5.3%	3.0%	23.5%

Target Price of IDR985

We use an estimate of forward EV/EBITDA of 10.3x (2SD higher than the last one year average of 8.3x) as the basis of the valuation method for obtaining the target price. The target price implies a 2018E EV/EBITDA of 10.8x. Now, ANTM is traded at a 2018E EV/EBITDA of 10.0x.

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 the Philippine-based gold miner, Phillex mining. Meanwhile, 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 in terms of efficiency evidences by its low net profit margin and ROE. Nevertheless it has more superior net profit growth compared to its peers in Asia Pacific.

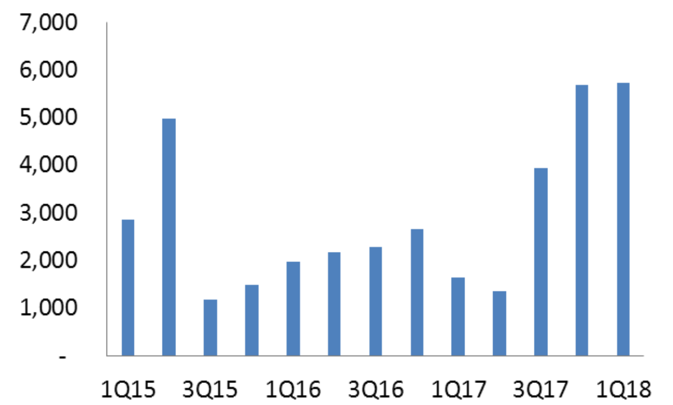
Asia Pacific Mineral Mining Company

Company	Market Cap (USD mn)	Total Asset (USD mn)	Net Profit Growth (LTM)	Net Profit Margin (LTM)	ROE (LTM)	P/E	P/BV	Dividend Yield
ANTM	1,353	2,209	467.7%	1.1%	2.0%	50.6x	1.0x	0.3%
China								
Zijin Mining Group Co Ltd	13,510	13,727	29.0%	3.8%	11.2%	25.6x	2.6x	1.5%
Changdong Gold Mining	8,330	6,473	-18.3%	2.2%	7.1%	45.5x	3.2x	0.6%
Philippine								
Philex Mining Corp	537	794	4.3%	18.1%	6.9%	16.8x	1.1x	1.4%
Australia								
Rio Tinto Ltd	98,386	95,726	89.8%	21.9%	20.9%	12.5x	2.4x	6.4%

Source: Bloomberg, NHKS research

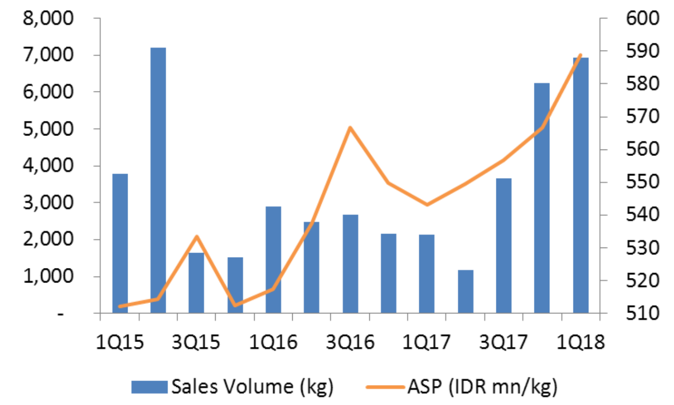
Operational Performance

Quarterly Sales | 1Q15 - 1Q18



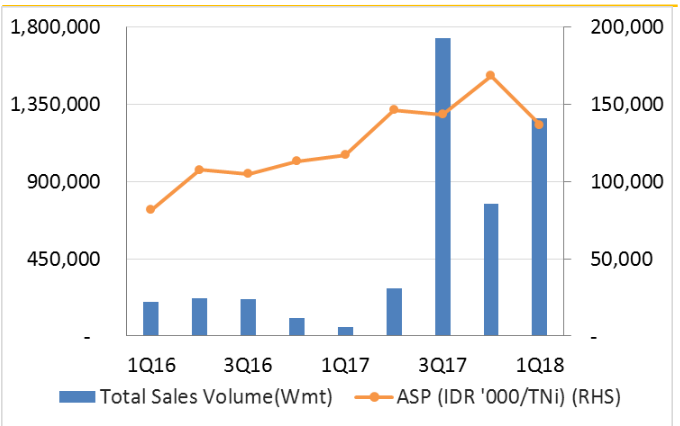
Source: Company, NHKS research

Quarterly Gold Sales | 1Q15 - 1Q18



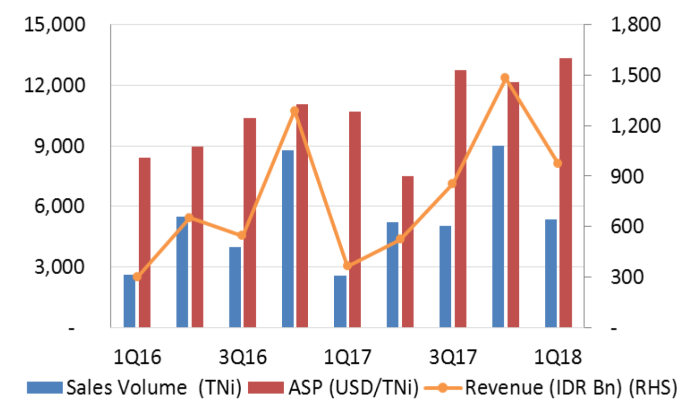
Source: Company, NHKS research

Quarterly Nickel Ore Performance | 1Q16 - 1Q18



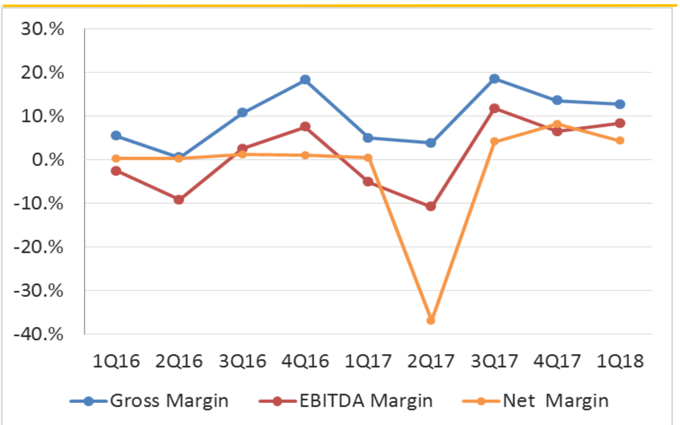
Source: Company, NHKS research

Ferronickel Performance | 1Q16 - 1Q18



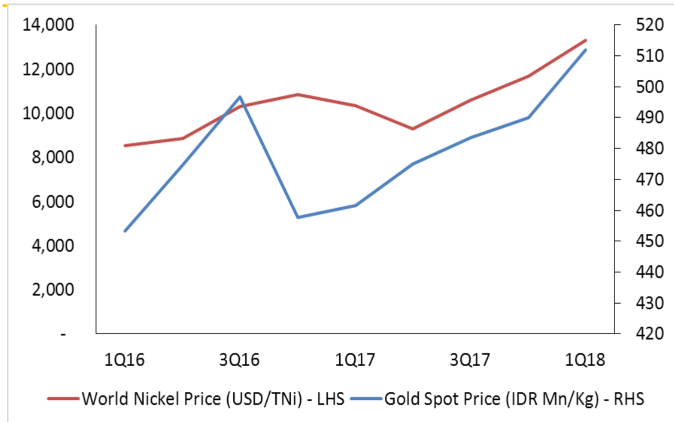
Source: Company, NHKS research

Margin Performance | 1Q16 - 1Q18



Source: Company

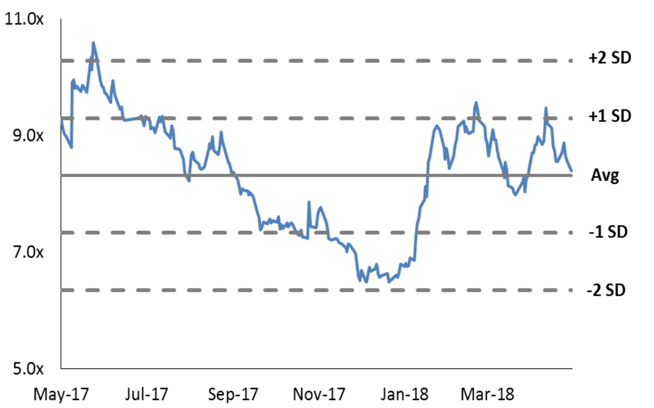
Gold & Nickel Price Benchmark | 1Q15 - 1Q18



Source: Company

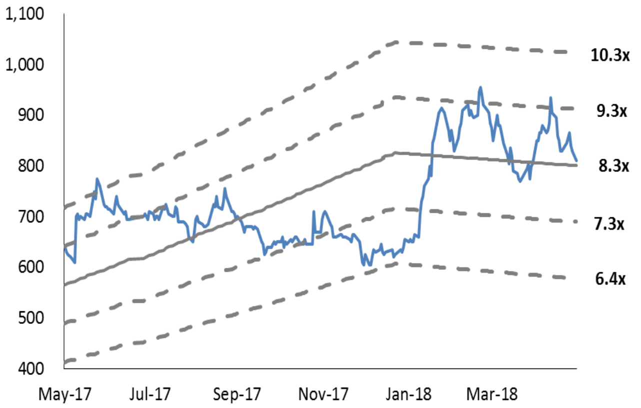
Multiple Valuation

Forward EV/EBITDA band | Last 1 year



Source: NHKS research

Dynamic Forward EV/EBITDA band | Last 1 year



Source: NHKS research

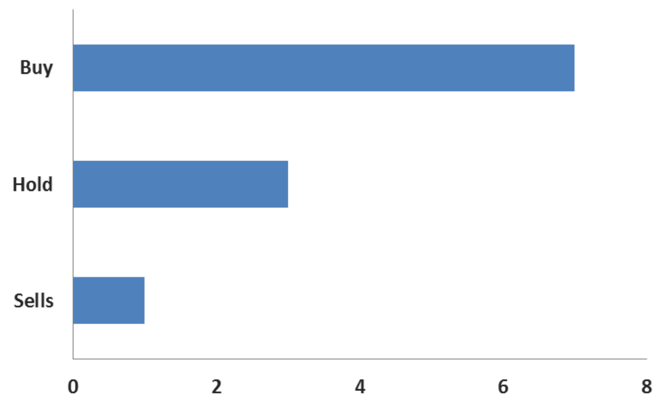
Rating and target price update

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%	+20.4%
12/28/2017	Buy	870 (Dec 2018)	630	815	+38.1%	+06.7%
03/19/2018	Buy	990 (Dec 2018)	845	1,030	+17.2%	-3.9%
05/02/2018	Buy	985 (Dec 2018)	810	1,065	+21.6%	-7.5%

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)	May 7, 2018	810
Target Price (IDR)	Dec 2018	985
Analyst: Yuni	Rating:	Buy

INCOME STATEMENT

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Sales	9,106	12,654	24,079	25,311
Growth (% y/y)	*-13.5%*	*39.0%*	*90.3%*	*5.1%*
COGS	(8,254)	(11,010)	(20,996)	(22,071)
Gross Profit	**852**	**1,644**	**3,083**	**3,240**
Gross Margin	*9.4%*	*13.0%*	*12.8%*	*12.8%*
Operating Expenses	(844)	(1,043)	(1,315)	(1,362)
EBIT	**8**	**601**	**1,767**	**1,878**
EBIT Margin	*0.1%*	*4.7%*	*7.3%*	*7.4%*
Depreciation	734	834	910	939
EBITDA	**742**	**1,434**	**2,677**	**2,817**
EBITDA Margin	*8.1%*	*11.3%*	*11.1%*	*11.1%*
Interest Expenses	(319)	(608)	(653)	(436)
EBT	**237**	**454**	**1,353**	**1,792**
Income Tax	(172)	(318)	(337)	(545)
Minority Interest	(0)	(0)	(0)	(0)
Net Profit	**65**	**137**	**1,017**	**1,248**
Growth (% y/y)	N/A	110.6%	644.8%	22.7%
Net Profit Margin	0.7%	1.1%	4.2%	4.9%

PROFITABILITY & STABILITY

	2016/12A	2017/12A	2018/12E	2019/12E
ROE	0.4%	0.7%	5.4%	6.3%
ROA	0.2%	0.5%	3.2%	3.7%
ROIC	0.0%	3.4%	6.9%	7.6%
EBITDA/Equity	4.0%	7.8%	14.1%	14.2%
EBITDA/Assets	2.5%	4.8%	8.5%	8.4%
Cash Dividend (IDR bn)	-	-	48	356
Dividend Yield (%)	0.0%	0.0%	0.2%	1.8%
Payout Ratio (%)	0.0%	0.0%	35.0%	35.0%
DER	62.9%	62.3%	69.0%	67.0%
Net Gearing	72.2%	71.6%	78.6%	75.9%
LT Debt to Equity	104.9%	83.6%	99.7%	104.2%
Capitalization Ratio	62.2%	61.3%	65.0%	65.5%
Equity Ratio	61.4%	61.6%	59.2%	59.9%
Debt Ratio	34.7%	33.5%	35.8%	35.4%
Financial Leverage	164.3%	162.6%	165.7%	168.0%
Current Ratio	244.2%	162.1%	135.1%	130.7%
Quick Ratio	226.2%	140.1%	112.9%	113.4%
Cash Ratio	175.2%	100.0%	68.3%	69.7%
Cash Conversion Cycle	66.2	46.8	26.6	28.5
Par Value (IDR)	100	100	100	100
Total Shares (mn)	24,031	24,031	24,031	24,032
Share Price (IDR)	895	625	810	810
Market Cap (IDR tn)	21.5	15.0	19.5	19.5

BALANCE SHEET

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Cash	7,623	5,551	4,341	4,400
Receivables	834	971	1,218	1,348
Inventories	1,388	1,258	1,618	1,405
Total Current Assets	10,630	9,002	8,585	8,248
Net Fixed Assets	14,612	15,692	18,083	19,793
Other Non Current Assets	4,739	5,320	6,193	5,938
Total Assets	29,982	30,014	32,861	33,979
Payables	586	806	919	895
ST Borrowing	2,687	2,716	3,218	3,151
Other Current Liab.	1,079	2,030	2,218	2,264
LT Debt	6,649	5,298	6,316	6,606
Other Non Current Liab.	571	674	743	721
Total Liabilities	11,573	11,524	13,413	13,637
Shareholders' Equity	6,338	6,338	6,338	6,338

VALUATION INDEX

	2016/12A	2017/12A	2018/12E	2019/12E
Price /Earnings	331.9x	110.0x	19.1x	15.6x
Price /Book Value	3.4x	2.4x	3.1x	3.1x
Price/Sales	2.4x	1.2x	0.8x	0.8x
PE/EPS Growth	N/A	N/A	N/A	0.7x
EV/EBITDA	32.8x	13.6x	10.0x	9.6x
EV/EBIT	N/A	32.5x	15.2x	14.4x
EV (IDR bn)	24,300	19,512	26,875	27,087
Sales CAGR (3-Yr)	-6.9%	10.3%	31.7%	40.6%
EPS CAGR (3-Yr)	-43.3%	-156.8%	-189.0%	168.0%
Basic EPS (IDR)	2.70	5.68	42.31	51.91
Diluted EPS (IDR)	2.70	5.68	42.31	51.91
BVPS (IDR)	264	264	264	264
Sales PS (IDR)	379	527	1,002	1,053
DPS (IDR)	-	-	2	15

CASH FLOW STATEMENT

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Net Income	65	137	1,017	1,248
Deprec & Amortization	734	834	909	939
Chg. In Working Capital	304	581	(492)	418
CFO	**1,103**	**1,551**	**1,433**	**2,604**
Capex	(1,219)	(2,365)	(3,300)	(2,649)
CFI	**(1,469)**	**(3,063)**	**(4,104)**	**(2,416)**
Dividends Paid	-	-	(48)	(356)
Net Borrowing (PMT)	(394)	(1,323)	1,520	224
CFF	**(27)**	**(568)**	**1,468**	**(129)**
Net Changes in Cash	(393)	(2,080)	(1,203)	59

DCF, RIM & EVA

	2016/12A	2017/12A	2018/12E	2019/12E
DCF (IDR bn)				
NOPAT	14	1,021	2,207	2,449
+Depr./Amor.	734	834	909	939
-CAPEX	(1,219)	(2,365)	(3,300)	(2,649)
-Incr. (Decr.) in Working Cap.	304	581	(492)	418
(Unlevered) FCFF	(167)	70	(677)	1,157
WACC				
Cost of Debt (Tax Adj.)	0.1%	4.3%	5.5%	6.0%
Cost of Equity (COE)	9.4%	6.8%	9.6%	9.6%
WACC (%)	6.3%	5.8%	8.0%	8.2%
RIM				
Spread (FROE-COE) (%)	-9.0%	-6.0%	-4.4%	-3.4%
Residual Income (IDR)	(1,663)	(1,115)	(848)	(701)
Equity Charge	1,728	1,252	1,865	1,948
EVA				
Invested Capital (IDR bn)	28,825	28,534	31,199	32,364
ROIC-WACC (%)	-6.3%	-2.2%	-1.0%	-0.7%
EVA (IDR bn)	(1,813)	(633)	(304)	(211)

OWNERSHIP

By Geography	%	Shareholders	%
Indonesia	94.3	Republic of Indonesia	65.0
United States	5.2	Dimensional Fund Adv	1.5
Ireland	0.2	Vanguard Group	1.3
United Kingdom	0.2	Blackrock Fund	0.5