Aneka Tambang Tbk (ANTM IJ)

Maintains Positive Performance

NH KORINDO SEKURITAS

Company Update | Nov 25, 2019

ANTM's 9M19 performance was still positive with revenues growth of 23% YoY, but its net profits declined 11.1% YoY due to sharp increases in COGS and financial costs. The strengthening global gold price proves a boon for ANTM and efficiency in production is the key to its positive performance.

Positive Performance Albeit Annual Declines

ANTM posted the 9M19 revenues of IDR24.5 trillion (+23% YoY) as the gold and the ferronickel segments recorded increases in sales volume of 26,712 kg (+119.3% YoY) and 19,703 TNi (+102.9% YoY), respectively. However, COGS of IDR20.8 trillion (+22.4% YoY) and financial costs of IDR318 billion (+10.1% YoY) cut net profit to IDR561.2 billion (-11.1% YoY). Its performance is still positive as it posted the 9M19 revenues of 67.3% from our target in 2019F.

Increases in Gold Sales

The gold segment recorded the 9M19 revenues of 17 trillion (+ 27.3% YoY) with the 3Q19 ASP at IDR676 million per kg (+12.7% YoY; +10% QoQ). The gold segment, within the last 3 years, contributed 69% to ANTM's total revenues as it continued to experience significant increases. We still maintain the previous estimate of IDR20.6-IDR21.2 trillion for 2019F revenues posted by the gold segment based on prices of gold in the spot market falling short in the range of USD1,490-USD1,520 until the end of 2019.

Cost Efficiency to Be Vital due to Declining Margins

ANTM's 3Q19 margins decreased with OPM at 4.9% (vs. 5.3% in 2Q19) and NPM at 1.9% (vs. 2.4% in 2Q19). Margins are likely to deplete further in Q4 if ANTM does not perform cost efficiency. We view that ANTM has carried out efficiency by mixing energy derived from power plants and diesel to reduce production costs (estimated efficiency of 2%-4%), especially at Pomalaa-based ferronickel plants.

Maintain Rating BUY with the Price Target IDR1,100

ANTM's expansive business projects embody in a collaboration with PTBA to build Halmahera-based power plant and an Arinem-based gold mine with the total production capacities of 700-800 kg per year in West Java. The project will inevitably boost ANTM's gold production. ANTM's continuous expansion is one of its bright business prospects in long terms; therefore, we maintain BUY recommendations with a lower price target of IDR1,100 or a 35.8% potential upside based on the estimated forward EV/EBITDA of 9.9x (+0.15 SD). To date, ANTM is traded with the EV/EBITDA 2019F of 10.4x.

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	2,880	3,172	3,364
Net Profit	874	857	889	967
EPS (IDR)	36	36	37	40
Growth (%)	540.6%	-2.0%	3.8%	8.8%
P/E	21.0x	24.3x	26.1x	26.5x
P/BV	0.9x	1.0x	1.2x	1.2x
EV/EBITDA	9.4x	10.4x	10.4	10.7x
ROE (%)	4.6%	4.3%	4.4%	4.6%
DER (%)	50.3%	55.0%	59.0%	57.%
Net Debt	5,622	6,497	6,630	6,922

Unit: IDR bn, %, x
Source: Company Data, Bloomberg, NHKS Research
Please consider the rating criteria & important disclaimer

Buy

Dec 2020 TP (IDR)	**1,100**
Consensus Price (IDR)	1,226
TP to Consensus Price	-10.3%
vs. Last Price	+35.8%

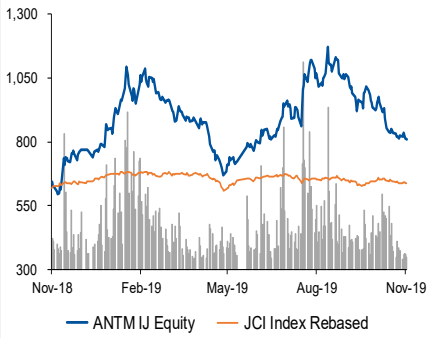
Shares data

Last Price (IDR)	810
Price Date as of	Nov 22, 2019
52 wk Range (Hi/Lo)	1,175 / 595
Free Float (%)	35
Outstanding sh.(mn)	24,031
Market Cap (IDR bn)	19,705
Market Cap (USD mn)	1,397
Avg. Trd Vol - 3M (mn)	89.51
Avg. Trd Val - 3M (bn)	89.68
Foreign Ownership	8.0%

Mining
Metal & Mineral

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

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	9.5%	-12.9%	-22.1%	29.6%
Rel. Ret.	10.8%	-10.9%	-19.9%	27.8%

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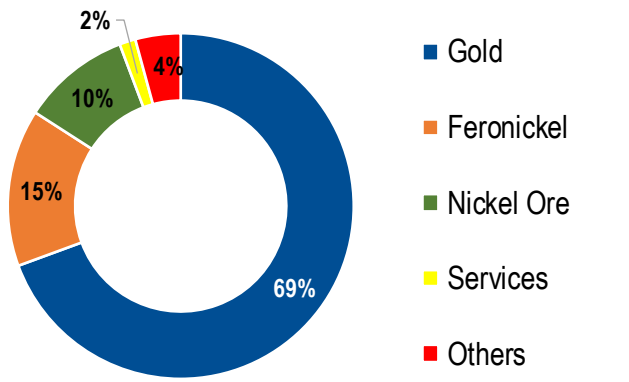
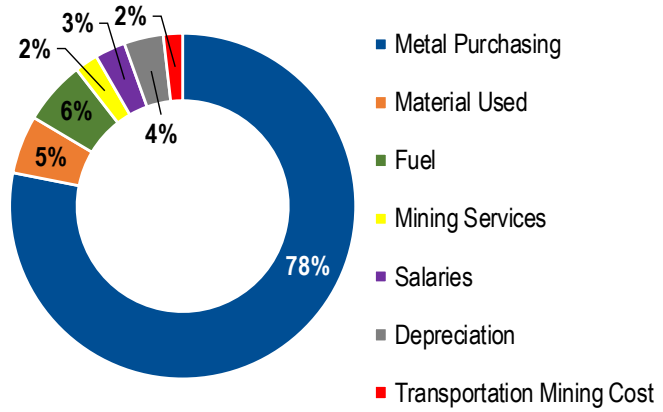
Performance Highlights in Charts

9M19 Revenue Breakdown



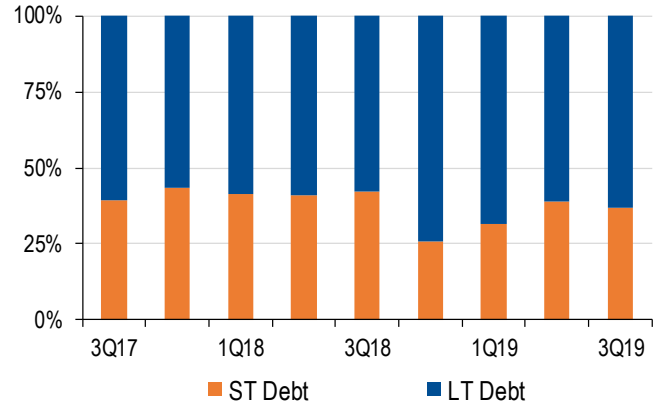
Source: Company Data, NHKS Research

9M19 COGS Breakdown



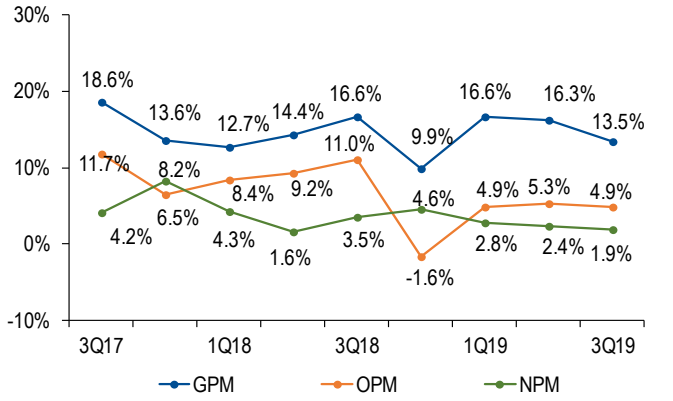
Source: Company Data, NHKS Research

Debt Portion



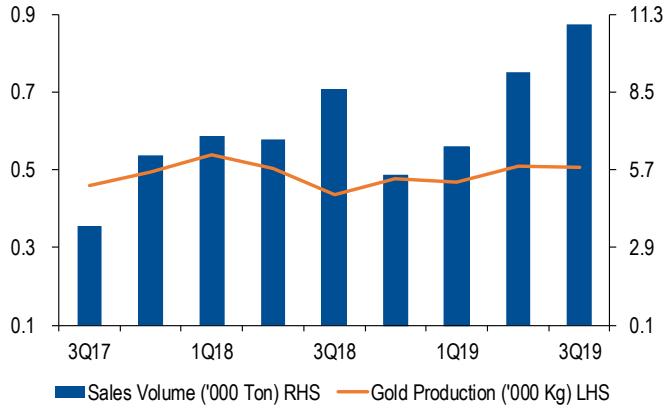
Source: Company Data, NHKS Research

Margin Ratios



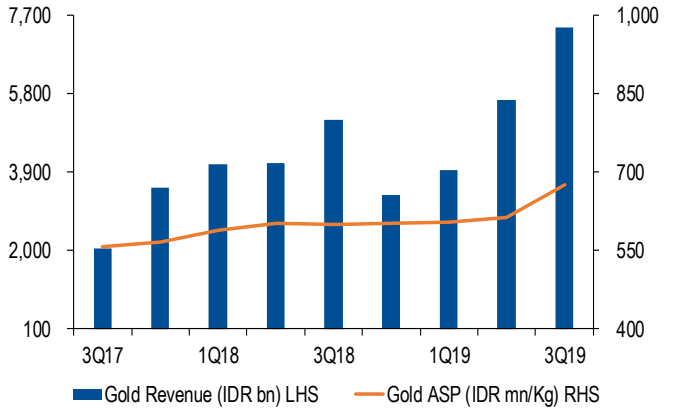
Source: Company Data, NHKS Research

Gold Production & Sales Volume



Source: Company Data, NHKS Research

Gold Revenue & ASP



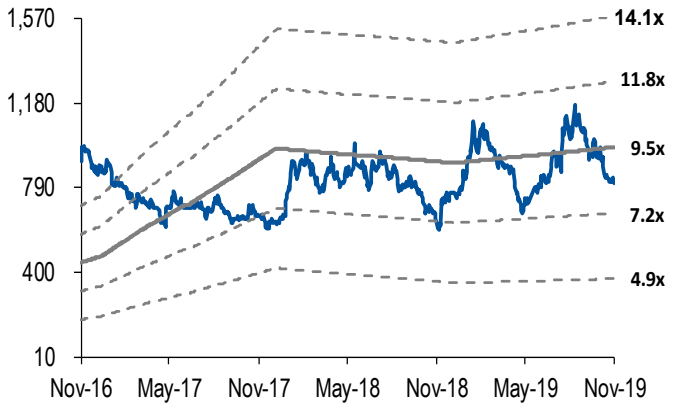
Source: Company Data, NHKS Research

Valuation Highlights in Charts

3-Year Forward EV/EBITDA Band

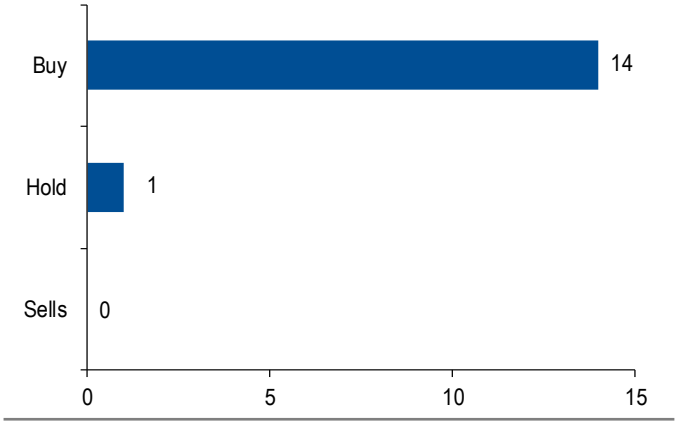
Source: Bloomberg, NHKS Research

3-Year Dynamic Forward EV/EBITDA Band



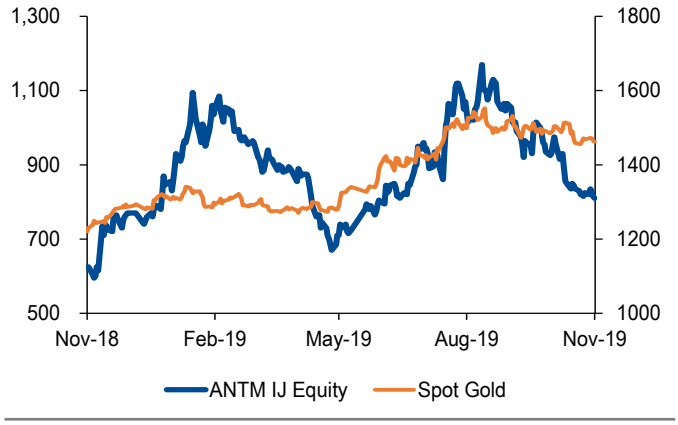
Source: Bloomberg, NHKS Research

Recommendations by Analysts



Source: Bloomberg, NHKS Research

Stock and Gold Prices Correlated Positively



Source: Bloomberg, NHKS Research

Quarterly Review

	3Q18	4Q18	1Q19	2Q19	3Q19					4Q19E
					Actual	Estimate	Y-Y	Q-Q	Surprise	
Income statement										
Sales	8,136	5,290	6,219	8,207	10,111	8,760	24.3%	23.3%	15.4%	6,748
Gross Profit	1,353	521	1,035	1,337	1,363	1,340	0.8%	1.9%	1.7%	1,232
EBIT	897	-84	305	435	495	394	-44.5%	13.8%	25.6%	506
EBITDA	1,152	211	586	741	775	711	-32.7%	4.5%	9.0%	779
Net Profit	287	243	172	194	195	107	-31.8%	0.7%	82.7%	296
Margin										
Gross Margin	16.6%	9.9%	16.6%	16.3%	13.4%	15.3%	-3.1%	-2.8%	-1.8%	18.3%
EBIT Margin	11.0%	-1.6%	4.9%	5.3%	4.9%	4.5%	-6.1%	-0.4%	0.4%	7.5%
EBITDA Margin	14.2%	4.0%	9.4%	9.0%	7.7%	8.1%	-6.5%	-1.4%	0.5%	11.5%
Net Profit Margin	3.5%	4.6%	2.8%	2.4%	1.9%	1.2%	-1.6%	-0.4%	0.7%	4.4%

Unit: IDR bn, %

Source: Company Data, NHKS Research

Earnings Revision

		2019F	2020F	2021F
Income Statement				
Sales	-Revised	31,285	36,458	42,014
	-Previous	31,285	36,458	42,014
	-Change	0.0%	0.0%	0.0%
Gross Profit	-Revised	4,968	5,790	6,671
	-Previous	4,968	5,790	6,672
	-Change	0.0%	0.0%	0.0%
EBIT	-Revised	1,741	2,029	2,218
	-Previous	1,742	2,030	2,135
	-Change	0.0%	0.0%	3.9%
EBITDA	-Revised	2,880	3,172	3,364
	-Previous	2,965	3,276	3,400
	-Change	-2.9%	-3.2%	-1.1%
Net Profit	-Revised	857	889	967
	-Previous	841	876	953
	-Change	1.9%	1,5%	1.5%
Margin				
Gross Margin	-Revised	15.9%	15.9%	15.9%
	-Previous	15.9%	15.9%	15.9%
EBIT Margin	-Revised	5.6%	5.6%	5.3%
	-Previous	5.6%	5.6%	5.1%
EBITDA Margin	-Revised	9.2%	8.7%	8.0%
	-Previous	9.5%	9.0%	8.1%
Net Profit Margin	-Revised	2.7%	2.4%	2.3%
	-Previous	2.7%	2.4%	2.3%

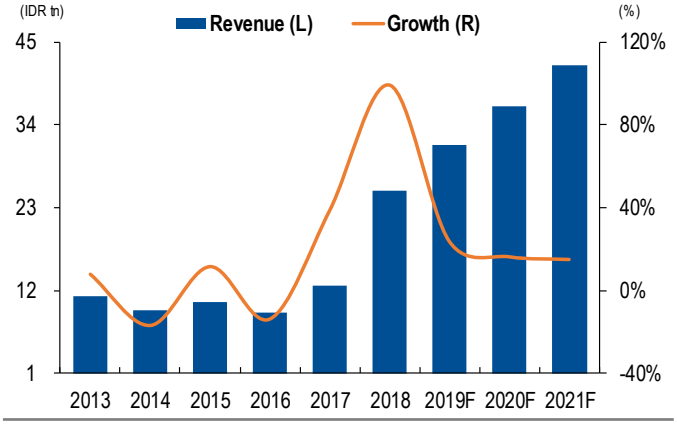
Unit: IDR bn, %

Source: Company Data, NHKS Research

Company Overview

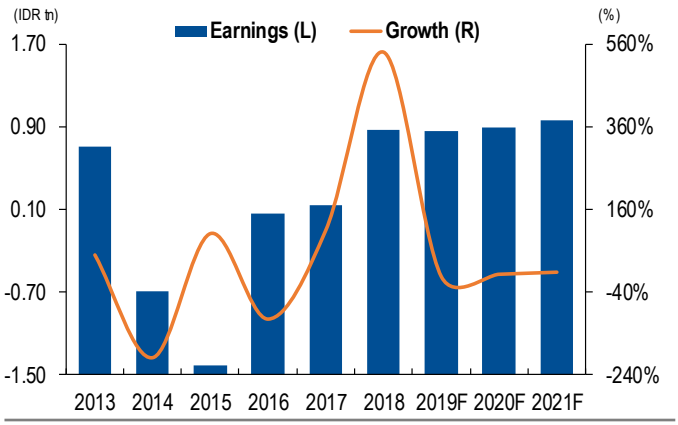
- Aneka Tambang (ANTM) is a mining company whose business activities include exploration, mining, processing, and marketing such various mineral commodities as gold, nickel, nickel ore, silver, bauxite, and minerals.
- ANTM's products virtually are exported and sold in USD denomination, with major consumers are leading international companies in Europe and Asia.
- In ASEAN, ANTM is the sole gold producer to hold the international certificate of 99% gold purity certified by the London Bullion Market Association (LBMA). The certification advantages ANTM to penetrate the international gold trading markets.
- ANTM's market capitalization in Asia is still relatively smaller than that of its peers, but its sales are higher than its peers. In years ahead, 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
Indonesia									
ANEKA TAMBANG TBK	1,397	2,309	2,083	56	467.7%	2.7%	4.1%	13.0x	1.0x
VALE INDONESIA TBK	2,339	2,202	704	5	-90.8%	0.8%	0.3%	18.2x	1.2x
MERDEKA COPPER GOLD TBK	1,646	798	402	66	-15.6%	16.3%	15.5%	9.8x	3.4x
China									
ZHONGJIN GOLD CORP	3,943	5,532	5,254	20	-24.8%	0.4%	1.0%	N/A	2.0x
YINTAI RESOURCES	3,474	1,553	727	122	45.6%	16.8%	9.8%	N/A	2.8x
INNER MONGOLIA	1,994	2,836	2,963	114	-19.3%	3.9%	7.4%	N/A	1.3x
Taiwan									
KING SLIDE WORKS	1,134	366	151	56	7.3%	36.9%	17.3%	12.5x	3.3x
Australia									
MINERAL RESOURCES	1,862	2,216	1,081	117	-39.9%	10.8%	12.3%	9.9x	2.0x
OZ MINERAL	2,264	2,425	719	99	-50.2%	13.8%	4.8%	9.9x	1.2x
INDEPENDENCE GROUP	2,434	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
Sales	**25,241**	**31,285**	**36,458**	**42,014**
Growth	*99.5%*	*23.9%*	*16.5%*	*15.2%*
COGS	(21,765)	(26,318)	(30,669)	(35,343)
Gross Profit	**3,476**	**4,968**	**5,789**	**6,671**
Gross Margin	*13.8%*	*15.9%*	*15.9%*	*15.9%*
Operating Expenses	(1,624)	(3,227)	(3,760)	(4,454)
EBIT	**1,853**	**1,741**	**2,029**	**2,218**
EBIT Margin	*7.3%*	*5.6%*	*5.6%*	*5.3%*
Depreciation	1,008	1,139	1,143	1,146
EBITDA	**2,861**	**2,880**	**3,172**	**3,364**
EBITDA Margin	11.3%	9.2%	8.7%	8.0%
Interest Expenses	(391)	(420)	(466)	(550)
EBT	**1,266**	**1,366**	**1,417**	**1,542**
Income Tax	(391)	(509)	(528)	(574)
Minority Interest	0	0	0	0
Net Profit	**874**	**857**	**889**	**967**
Growth	*540.6%*	*-2.0%*	*3.8%*	*8.8%*
Net Profit Margin	*3.5%*	*2.7%*	*2.4%*	*2.3%*

PROFITABILITY & STABILITY

	2018/12A	2019/12F	2020/12F	2021/12F
ROE	4.6%	4.3%	4.4%	4.6%
ROA	2.8%	2.5%	2.6%	2.6%
ROIC	4.3%	3.5%	4.0%	4.1%
Cash Dividend (IDR bn)	143	918	927	937
Dividend Yield	0.8%	4.4%	4.0%	3.7%
Payout Ratio	16.4%	107.1%	104.3%	96.8%
DER	50.3%	55.0%	59.0%	57.0%
Net Gearing	76.4%	82.9%	90.7%	86.2%
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%	58.7%	57.1%	57.0%
Debt Ratio	29.8%	32.3%	33.7%	32.5%
Financial Leverage	157.0%	167.5%	169.9%	168.6%
Current Ratio	154.2%	172.1%	175.1%	171.3%
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	4,517	5,239	5,429
Receivables	924	1,476	1,520	1,933
Inventories	2,028	2,298	2,331	3,004
Total Current Assets	**8,498**	**9,883**	**10,698**	**11,990**
Net Fixed Assets	21,667	21,448	21,403	22,892
Other Non Current Asset	3,141	2,766	3,124	3,132
Total Assets	**33,306**	**34,097**	**35,224**	**38,014**
Payables	1,158	933	966	1,358
ST Bank Loan	2,574	3,304	3,561	3,705
LT Debt	7,348	7,709	8,308	8,646
Total Liabilities	**13,567**	**14,073**	**15,107**	**16,345**
Capital Stock	2,403	2,403	2,403	2,403
Retained Earnings	10,591	10,877	10,688	11,931
Shareholders' Equity	**19,739**	**20,025**	**20,117**	**21,669**

VALUATION INDEX

	2018/12A	2019/12F	2020/12F	2021/12F
Price/Earnings	21.0x	24.3x	26.1x	26.5x
Price/Book Value	0.9x	1.0x	1.2x	1.2x
Price/Sales	0.7x	0.7x	0.6x	0.6x
PE/EPS Growth	0.0x	-12.1x	6.9x	3.0x
EV/EBITDA	9.4x	10.4x	10.4x	10.7x
EV/EBIT	14.5x	17.3x	16.2x	16.2x
EV (IDR bn)	26,816	30,093	32,911	35,915
Sales CAGR (3-Yr)	33.8%	50.9%	42.3%	18.5%
EPS CAGR (3-Yr)	-185.3%	136.5%	86.8%	3.4%
Basic EPS (IDR)	36	36	37	40
Diluted EPS (IDR)	36	36	37	40
BVPS (IDR)	821	833	837	902
Sales PS (IDR)	1,050	1,302	1,517	1,748
DPS (IDR)	6	38	39	39

CASH FLOW STATEMENT

(IDR bn)	2018/12A	2019/12F	2020/12F	2021/12F
Operating Cash Flow	2,094	390	2,049	1,759
Investing Cash Flow	(2,814)	(901)	(1,577)	(1,485)
Financing Cash Flow	(620)	733	250	(83)
Net Changes in Cash	**(1,339)**	**222**	**722**	**190**

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
2019.11.25	Buy	IDR1,100	IDR1,226

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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