

Vale Indonesia Tbk (INCO IJ)

Kinerja Solid di Semester Pertama

INCO membukukan laba bersih USD53 juta di 1H20 dan sejalan dengan ekspektasi kami. Hasil yang memuaskan didukung oleh produksi dan ASP yang lebih tinggi serta biaya produksi yang lebih rendah seiring penurunan harga minyak mentah dan batubara. Jadi, kami mempertahankan perkiraan kami untuk 2020-2022F setelah performa yang lebih baik di 1H20 dan estimasi harga nikel berada di USD15.300-15.800/ton hingga akhir tahun 2020. Dengan begitu, kami mempertahankan rekomendasi BUY untuk INCO.

Laba Bersih Sejalan dengan Ekspektasi Kami

INCO mencatatkan laba bersih sebesar USD53 juta di 1H20 (vs. rugi bersih sebesar USD26 juta di 1H19) karena volume produksi yang lebih tinggi (+18% YoY), ASP yang lebih tinggi (+3,5% YoY), biaya produksi per ton yang lebih rendah (-15% YoY). Laba bersih 1H20 sejalan dengan ekspektasi kami dan mencapai 66% dari target 2020F kami. INCO diuntungkan melalui penurunan harga minyak mentah dan batu bara, kami melihat bahwa INCO berpotensi mencatat biaya bahan bakar & pelumas yang lebih rendah untuk hasil tahun 2020F (diperkirakan -6% YoY).

Harga Nikel Terus Menguat

Sejak Maret 2020, harga nikel terus menguat dan sudah naik sekitar 36%. Kami percaya bahwa kenaikan harga nikel didukung oleh pemulihan ekonomi China yang menyebabkan peningkatan konsumsi nikel pada industri baja. Dalam pandangan kami, kontraksi PDB dari beberapa konsumen nikel di 1H20 membuat permintaan yang lambat dan kami berharap membaiknya permintaan di 2H20 dan harga nikel yang lebih tinggi setelah Covid-19. Kami memperkirakan harga nikel berada di kisaran USD15.300-15.800/metrik ton hingga akhir tahun 2020.

Mempertahankan Estimasi 2020-2022F Kami

INCO merevisi panduan volume produksi tahun 2020 menjadi 73.700 ton dari sebelumnya 71.000 ton karena penundaan pembangunan kembali tungku listrik #4 menjadi tahun depan. Selain itu, kami menjaga asumsi dan mempertahankan estimasi tahun 2020-2022F, mempertimbangkan: 1) permintaan nikel dari industri baja tahan karat China akan meningkat secara bertahap mulai tahun 2020; 2) potensi pertumbuhan harga nikel yang didukung oleh permintaan EV; 3) sinergi BUMN akan membantu operasional INCO ke depan.

Mempertahankan Rating BUY dengan Target Harga Lebih Tinggi di Rp4.500

Kami menaikkan Target Harga untuk INCO setelah penghasilan 1H20 lebih baik dari yang diharapkan. TP baru kami berdasarkan forward EV/EBITDA sebesar 11x (+0,2 SD dari rata-rata historis 5 tahun). INCO saat ini diperdagangkan pada 9,8x EV/EBITDA.

Vale Indonesia Tbk | Summary

	2019A	2020F	2021F	2022F
Revenue (USD mn)	782	810	850	910
Growth (%)	0.7	3.6	5.0	7.0
EBITDA (USD mn)	221	231	261	289
Net Profit (USD mn)	57	81	95	113
EPS (IDR)	87	128	131	154
Growth (%)	-0.8	46.6	2.7	17.4
P/E (x)	41.8	35.2	34.3	29.2
P/BV (x)	1.3	1.6	1.5	1.5
EV/EBITDA (x)	11.7	13.9	12.4	11.2
ROE (%)	2.9	4.0	4.5	5.0
DER (%)	14.5	18.7	18.2	19.7
Net Debt (USD mn)	-248	-389	-514	-626

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

Buy

Target Price (IDR)	4,500
Consensus Price (IDR)	3,887
TP to Consensus Price (%)	+16.3
vs. Last Price (%)	+16.6

Shares Data

Last Price (IDR)	3,860
Price Date as of	Sep 21, 2020
52 wk Range (Hi/Lo)	4,030/1,340
Free Float (%)	20.5
Outstanding Shares (mn)	9,936
Market Cap (IDR bn)	38,851
Market Cap (USD mn)	2,645
Avg. Trd Vol - 3M (mn)	15.5
Avg. Trd Val - 3M (bn)	52.7
Foreign Ownership (%)	99.6

Mining

Metal

Bloomberg	INCO IJ
Reuters	INCO.IK

Share Price Performance

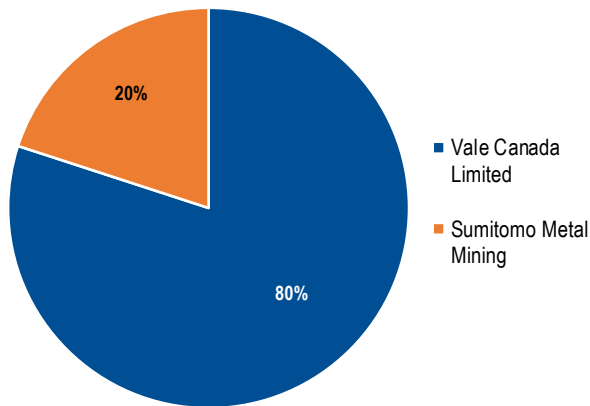


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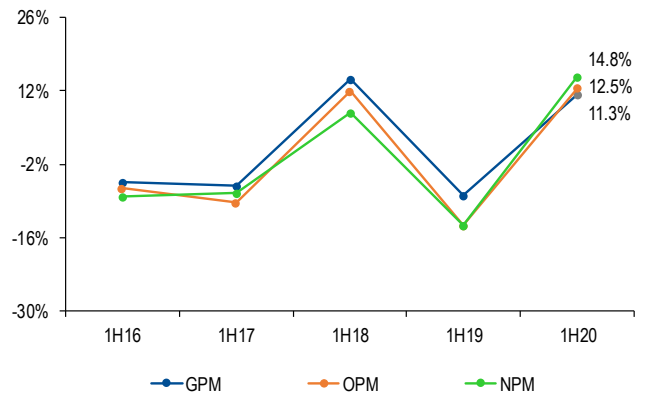
Performance Highlights in Charts

1H20 Destination of Sales



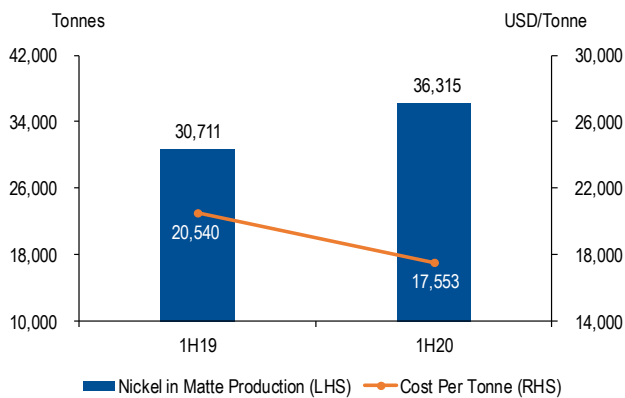
Source: Company Data, NHKSI Research

Margin Ratios



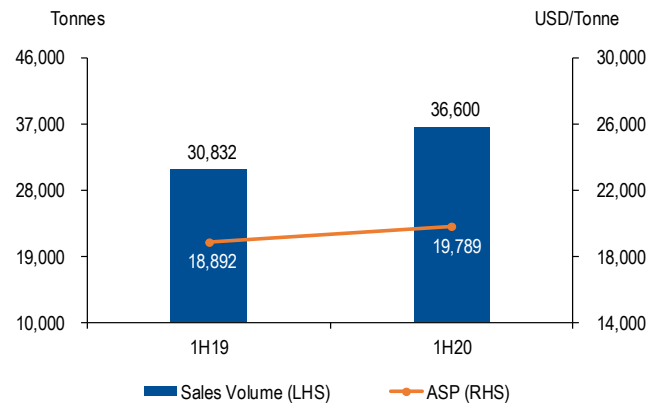
Source: Company Data, NHKSI Research

Production & Cost Per Tonne



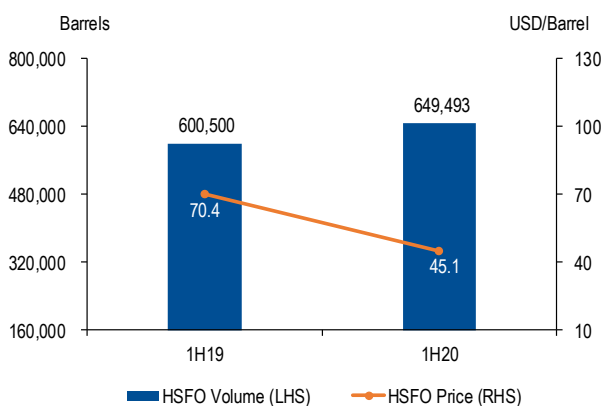
Source: Company Data, NHKSI Research

Sales Volume & ASP



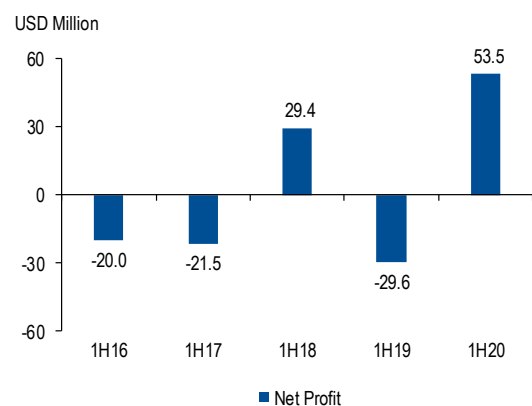
Source: Company Data, NHKSI Research

HSFO Volume & Price



Source: Company Data, NHKSI Research

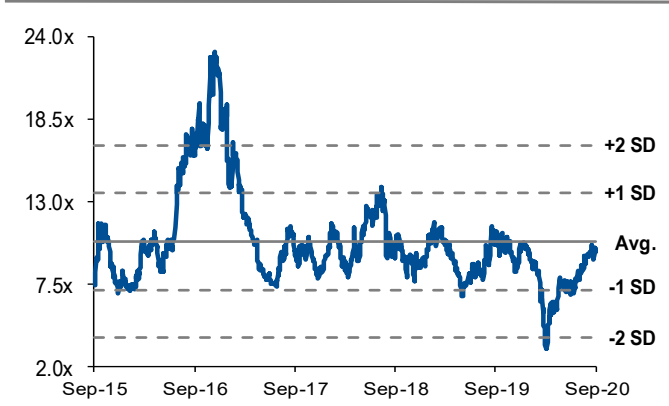
Net Profit Trend



Source: Company Data, NHKSI Research

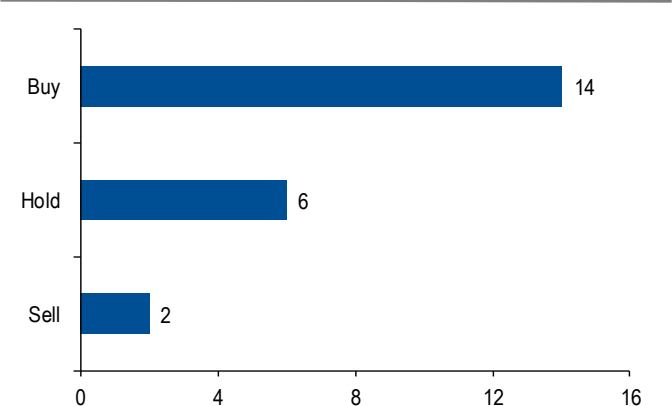
Valuation & Other Highlights in Charts

5-Year Forward EV/EBITDA Band



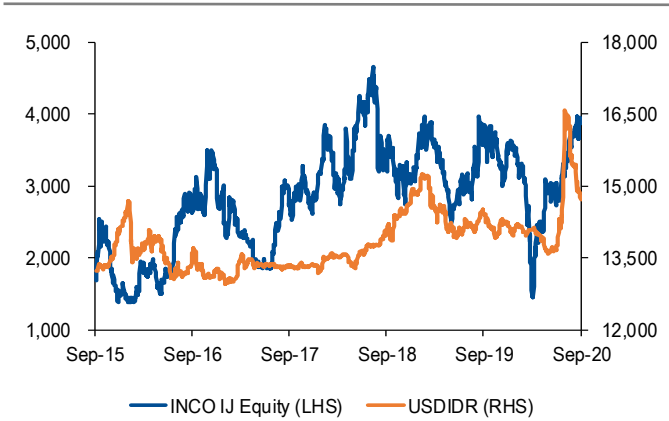
Source: Bloomberg, NHKSI Research

Recommendation by Analysts



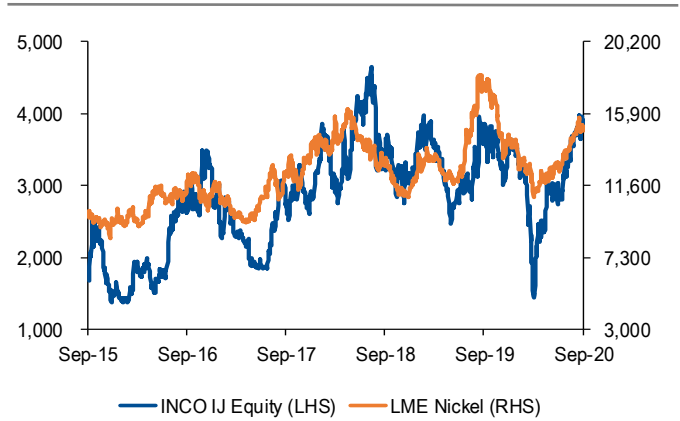
Source: Bloomberg, NHKSI Research

INCO & USDIDR Movement



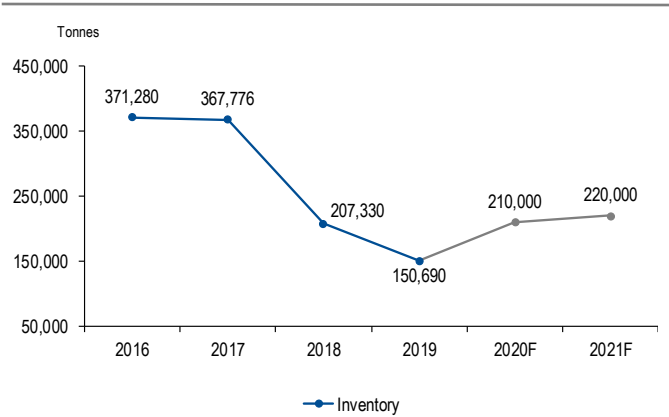
Source: Bloomberg, NHKSI Research

INCO & Nickel Prices Movement



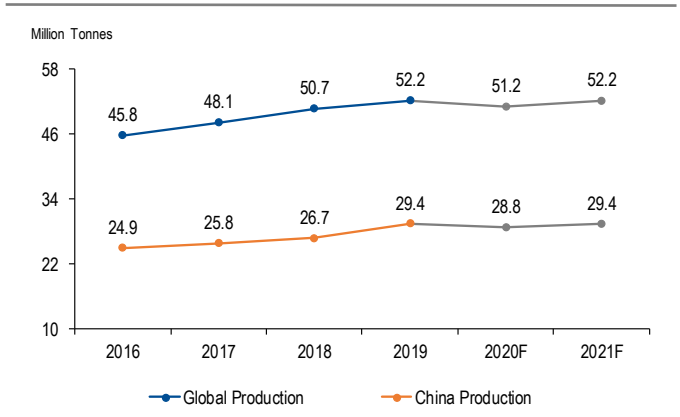
Source: Bloomberg, NHKSI Research

LME Nickel Inventory



Source: Bloomberg, NHKSI Research

Global & China Stainless Steel Output



Source: International Stainless Steel Forum (ISSF), NHKSI Research

Financial Review

Quarterly Review

	2Q19	3Q19	4Q19	1Q20	2Q20					3Q20E
					Actual	Estimate	YoY %	QoQ %	Surprise %	
Income Statement										
Revenue	166	214	276	175	186	171	12.0	6.3	8.5	211
Gross Profit	1	44	95	20	20	27	3,863.3	-1.9	-25.4	42
EBIT	-11	42	89	20	23	23	-312.1	6.4	0.0	36
EBITDA	14	82	125	50	59	53	328.0	3.0	10.6	61
Net Profit	-9	34	58	29	23	17	-345.6	-23.4	33.4	19
Margin										
Gross Margin	0.3	20.4	34.6	11.7	10.8	15.7	10.5	-0.9	-4.9	19.8
EBIT Margin	-6.6	19.6	32.2	11.6	12.5	13.6	19.1	0.0	-1.1	17.2
EBITDA Margin	8.3	38.2	45.5	28.6	31.8	31.2	23.5	-1.0	0.6	28.9
Net Profit Margin	-5.7	15.7	21.2	17.3	12.5	10.2	18.2	-4.8	2.3	8.8

Unit: USD mn, %

Source: Company Data, NHKSI Research

Earnings Revisions

		2020F	2021F	2022F
Income Statement				
Revenue	-Maintain	810	850	910
	-Previous	810	850	910
	-Change %	0.0	0.0	0.0
	-Consensus	752	836	924
Gross Profit	-Maintain	130	148	164
	-Previous	130	148	164
	-Change %	0.0	0.0	0.0
	-Consensus	134	186	214
EBIT	-Maintain	110	126	141
	-Previous	110	126	141
	-Change %	0.0	0.0	0.0
	-Consensus	94	142	177
EBITDA	-Maintain	231	261	289
	-Previous	231	261	289
	-Change %	0.0	0.0	0.0
	-Consensus	212	273	290
Net Profit	-Maintain	81	95	113
	-Previous	81	95	113
	-Change %	0.0	0.0	0.0
	-Consensus	72	108	123
Margin				
Gross Margin	-Maintain	16.1	17.4	18.0
	-Previous	16.1	17.4	18.0
EBIT Margin	-Maintain	13.5	14.9	15.5
	-Previous	13.5	14.9	15.5
EBITDA Margin	-Maintain	28.5	30.7	31.8
	-Previous	28.5	30.7	31.8
Net Profit Margin	-Maintain	10.0	11.2	12.4
	-Previous	10.0	11.2	12.4

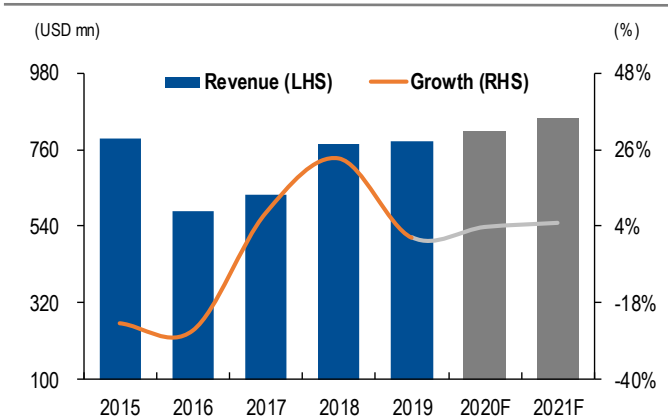
Unit: USD mn, %

Source: Company Data, NHKSI Research

Company Overview

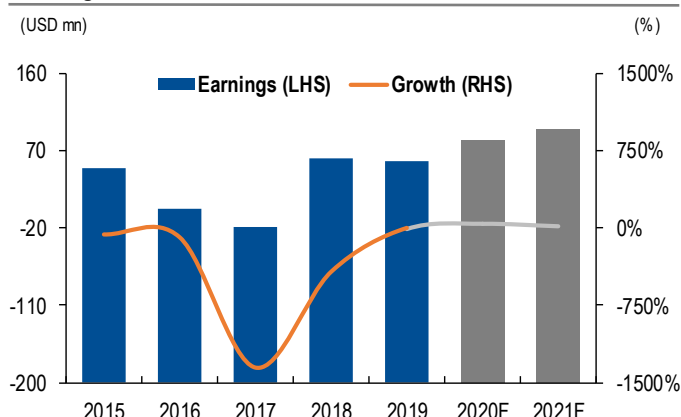
PT Vale Indonesia Tbk (INCO) yang didirikan pada 25 Juli 1968 dan *go public* pada 1990 merupakan perusahaan tambang dan pengolahan nikel terintegrasi dengan pabrik operasional pengolahan di Provinsi Sulawesi Selatan. Vale Canada Limited sebagai pemilik saham mayoritas INCO merupakan perusahaan multitambang yang berpusat di Brazil dan memiliki reputasi sebagai pemimpin global produksi bijih besi dan salah satu produsen nikel terbesar kedua di dunia. INCO menambang nikel laterit untuk menghasilkan produk akhir nikel dalam matte, memproduksi nikel mencapai rata-rata volume 75.000 metrik ton dengan menggunakan teknologi pyrometalurgi, dan memiliki total area konsesi seluas 118.017 hektar di Sorowako, Bahodopi, Pomalaa. Keseluruhan hasil produksi nikel yang seluruhnya diekspor ke Vale Canada Limited di Canada dan Sumitomo Metal Co, Ltd di Jepang.

Revenue & Growth Movement



Source: Company Data, NHKSI Research

Earnings & Growth Movement



Source: Company Data, NHKSI Research

Asia Pacific Peers Comparison

	Market Cap (USD mn)	Total Asset (USD mn)	Total Sales* (USD mn)	Net Profit* (USD mn)	NPM* (%)	ROE (%)	EV/EBITDA (x)	P/BV (x)
Indonesia								
VALE INDONESIA TBK	2,645	2,223	850	137	16.1	7.0	5.2	1.3
ANEKA TAMBANG TBK	1,293	2,181	1,921	-6	-0.3	-0.4	9.4	1.0
China								
ZHONGJIN GOLD CORP	7,734	6,443	5,736	64	-19.1	2.6	N/A	2.5
YINTAI RESOURCES	4,486	1,707	914	147	16.1	11.7	N/A	3.3
INNER MONGOLIA	2,399	2,918	3,972	107	2.7	7.0	N/A	1.5
Taiwan								
KING SLIDE WORKS	970	425	163	46	28.0	13.5	10.3	2.7
Australia								
NICKEL ASIA CORP	866	952	335	44	13.1	7.5	3.1	1.4

Note: * = Last Twelve Months (LTM)

Source: Bloomberg, NHKSI Research

Financial Summary

INCOME STATEMENT

(USD mn)	2019/12A	2020/12F	2021/12F	2022/12F
Revenue	782	810	850	910
<i>Growth</i>	0.7%	3.6%	5.0%	7.0%
COGS	(666)	(680)	(702)	(746)
Gross Profit	116	130	148	164
<i>Gross Margin</i>	14.9%	16.0%	17.4%	18.0%
Operating Expenses	(28)	(20)	(21)	(23)
EBIT	88	110	126	141
<i>EBIT Margin</i>	11.3%	13.5%	14.9%	15.5%
Depreciation	133	121	134	148
EBITDA	221	231	261	289
<i>EBITDA Margin</i>	28.2%	28.5%	30.8%	31.9%
Interest Expenses	(4)	(1)	-	-
EBT	89	110	125	139
Income Tax	(32)	(29)	(29)	(26)
Minority Interest	-	-	-	-
Net Profit	57	81	95	113
<i>Growth</i>	-6.7%	42.0%	17.9%	18.2%
<i>Net Profit Margin</i>	7.3%	10.0%	11.2%	12.4%

PROFITABILITY & STABILITY

	2019/12A	2020/12F	2021/12F	2022/12F
ROE	2.9%	4.0%	4.5%	5.0%
ROA	2.6%	3.5%	3.9%	4.3%
ROIC	2.9%	4.0%	4.6%	5.1%
Cash Dividend (IDR bn)	-	-	-	-
Dividend Yield	-	-	-	-
Payout Ratio	-	-	-	-
DER	14.5%	18.7%	18.2%	19.7%
Net Gearing	0.4%	0.0%	0.0%	0.0%
LT Debt to Equity	0.0%	0.0%	0.0%	0.0%
Capitalization Ratio	0.1%	0.0%	0.0%	0.0%
Equity Ratio	118.8%	123.8%	129.5%	136.2%
Debt Ratio	0.1%	0.0%	0.0%	0.0%
Financial Leverage	226.9%	218.5%	227.3%	224.5%
Current Ratio	430.8%	300.2%	360.9%	352.2%
Par Value (IDR)	25	25	25	25
Total Shares (mn)	9,936	9,936	9,936	9,936
Share Price (IDR)	3,640	4,500	4,500	4,500
Market Cap (IDR tn)	36.2	44.7	44.7	44.7

BALANCE SHEET

(USD mn)	2019/12A	2020/12F	2021/12F	2022/12F
Cash	249	398	514	626
Receivables	107	146	120	164
Inventories	148	146	157	165
Total Current Assets	588	770	872	1,036
Net Fixed Assets	1,467	1,468	1,471	1,472
Other Non Current Asset	167	176	168	170
Total Assets	1,634	1,644	1,640	1,642
Payables	97	70	85	64
ST Bank Loan	1	-	-	-
LT Debt	0	-	-	-
Total Liabilities	281	379	387	441
Capital Stock & APIC	414	414	414	414
Retained Earnings	1,528	1,620	1,710	1,823
Total Equity	1,942	2,034	2,124	2,237

VALUATION INDEX

	2019/12A	2020/12F	2021/12F	2022/12F
Price/Earnings	41.8x	35.2x	34.3x	29.2x
Price/Book Value	1.3x	1.6x	1.5x	1.5x
Price/Sales	3.3x	4.0x	3.8x	3.6x
PE/EPS Growth	-6.2x	0.8x	1.9x	1.6x
EV/EBITDA	11.7x	13.9x	12.4x	11.2x
EV/EBIT	29.3x	29.2x	25.5x	23.0x
EV (IDR bn)	35,921	44,316	44,199	44,088
Sales CAGR (3-Yr)	10.2%	8.8%	3.0%	5.2%
EPS CAGR (3-Yr)	219.7%	15.4%	15.2%	6.6%
Basic EPS (IDR)	87	128	131	154
Diluted EPS (IDR)	87	128	131	154
BVPS (IDR)	2,716	2,825	2,929	3,062
Sales PS (IDR)	1,094	1,125	1,172	1,245
DPS (IDR)	N/A	N/A	N/A	N/A

CASH FLOW STATEMENT

(USD mn)	2019/12A	2020/12F	2021/12F	2022/12F
Operating Cash Flow	137	272	230	261
Investing Cash Flow	(166)	(122)	(131)	(173)
Financing Cash Flow	(23)	13	18	24
Net Changes in Cash	(53)	163	117	112

TOP OWNERSHIP

By Geography	% Shareholders	%
Canada	70.4 Vale SA	58.7
Japan	25.0 Sumitomo Metal	20.1
Norway	1.6 Norges Bank	1.3
United States	1.5 Vale Japan Limited	0.5

Source: Company Data, NHKSI Research

Closing & Target Price Update



Source: Bloomberg, NHKSI Research

Rating & Target Price Update

Date	Rating	Target Price	Consensus
2018.08.15	Buy	IDR5,325	IDR5,300
2018.10.29	Buy	IDR3,760	IDR5,004
2019.06.25	Buy	IDR3,370	IDR3,538
2019.08.19	Buy	IDR3,960	IDR3,801
2019.10.28	Buy	IDR4,200	IDR4,041
2020.03.18	Buy	IDR2,000	IDR3,723
2020.06.10	Buy	IDR3,500	IDR2,989
2020.09.22	Buy	IDR4,500	IDR3,870

Source: NHKSI Research

NHKSI 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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