

Monday, 12 March 2018

**HOLD**  
**Maintain**

Last price (IDR) 850  
Target Price (IDR) U/R  
Upside/Downside N/A  
Previous Target Price (IDR) 700

**Stock Statistics**

Sector Metal Mining  
Bloomberg Ticker ANTM IJ  
No of Shrs (mn) 24,031  
Mkt. Cap (IDRbn/USDmn) 20,426/1,480  
Avg. daily T/O (IDRbn/USDmn) 45.1/3.3

**Major shareholders (%)**

Indonesia Asahan Aluminium 65.0%  
Estimated Free Float 35.0%

**EPS Consensus (IDR)**

	2017F	2018F	2019F
Danareksa	(11.0)	(2.8)	0.3
Consensus	(1.4)	12.3	31.3
Danareksa/Cons	691.7	(122.9)	(99.2)

**ANTM relative to JCI Index**



Source : Bloomberg



**Stefanus Darmagiri**

(62-21) 29 555 831

stefanus.darmagiri@danareksa.com

# Aneka Tambang (ANTM IJ)

## Recovery in net profits

**Aneka Tambang (ANTM) reported net profits of IDR468bn in 4Q17 (+184.2% qoq). On a yearly basis, the net profits jumped by 110.6% yoy to IDR137bn. The net profits figure is above the consensus and our estimate mainly thanks to better-than-expected sales volume of ferronickel and gold. We maintain our HOLD recommendation while reviewing our previous target price of IDR700 (based on DCF valuation).**

**4Q17 net profits up significantly.** The company reported strong quarterly net profits of IDR468bn in 4Q17 (3Q17: IDR165bn). This mainly owed to: a) higher ferronickel sales volume (+79.0% qoq) and strong LME nickel prices (+9.4% qoq), b) 70.0% qoq higher gold sales volume and c) other income in 4Q17 vs. other expenses in 3Q17.

**2017: Boosted by strong nickel ore and gold sales volume.** The company reported 110.6% yoy higher net profits of IDR137bn in 2017. This increase was mainly driven by: a) strong nickel ore sales volume following the relaxation of nickel ore exports (with Ni < 1.7%) in the beginning of 2017 and b) higher gold sales volume (+29.1% yoy).

**Higher production target for 2018.** ANTM targets 19% yoy higher ferronickel production of 26,000 tonnes in 2018. By boosting production, ANTM seeks to gradually increase the utilization of its ferronickel plant capacity in order to raise production to meet its production capacity of 27,000 tonnes. At the same time, ANTM also expects to double its nickel ore production to 11.3mn Wmt in 2018 (2017: 5.6mn Wmt). For gold production, the company targets 11% yoy higher sales volume of 2,201 kg from the Pobngkor and Cibaliung mines.

**Maintain HOLD.** ANTM targets better earnings in 2018 supported by higher nickel ore and ferronickel sales volume and better nickel prices albeit increasing at a slower rate. We maintain our HOLD recommendation on the stock while reviewing our previous target price of IDR700 (based on DCF valuation with WACC of 9.6% and long-term growth of 3%).

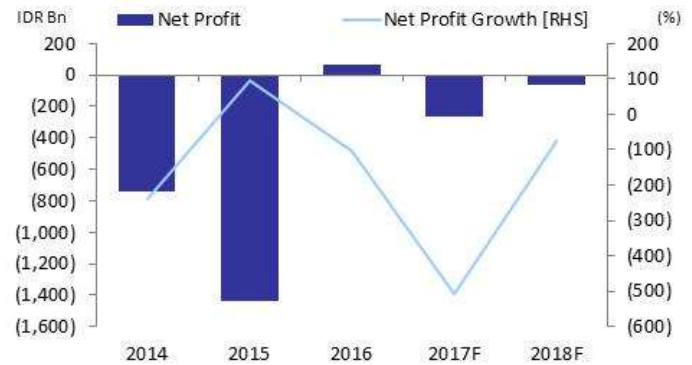
**Key Financials**

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
Revenue (IDRbn)	10,532	9,106	8,997	10,784	11,128
EBITDA (IDRbn)	57	676	723	778	926
EBITDA Growth (%)	(91.3)	1,076.3	7.0	7.5	19.0
Net profit (IDRbn)	(1,441)	65	(264)	(68)	6
EPS (IDR)	(109.5)	2.7	(11.0)	(2.8)	0.3
EPS growth (%)	40.4	(102.5)	(507.2)	(74.4)	(108.9)
BVPS (IDR)	1,391.7	766.1	755.1	752.3	752.5
DPS (IDR)	0.0	0.0	0.0	0.0	0.0
PER (x)	n/m	315.2	n/m	n/m	3,380.1
PBV (x)	0.6	1.1	1.1	1.1	1.1
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
EV/EBITDA (x)	395.1	33.9	34.2	36.0	32.2

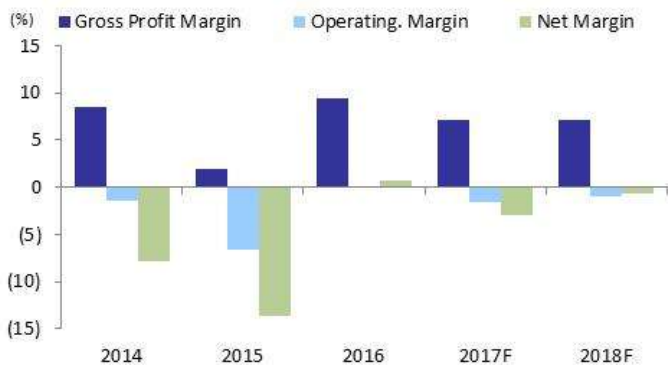
Source : ANTM, Danareksa Estimates

**Exhibit 1. Revenues and Growth**

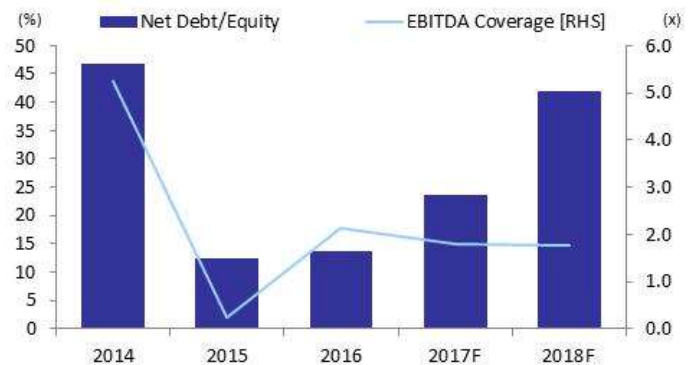

Source: Company, Danareksa Sekuritas estimates

**Exhibit 2. Net Profits and Growth**


Source: Company, Danareksa Sekuritas estimates

**Exhibit 3. Margins**


Source: Company, Danareksa Sekuritas estimates

**Exhibit 4. Gearing Level**


Source: Company, Danareksa Sekuritas estimates

**Exhibit 5. 2017 Results – above expectation**

Operational performance	4Q16	3Q17	4Q17	QoQ,%	YoY, %	2016	2017	YoY, %	2017F	A/F, %
<b>Ferronickel, tons</b>										
Production	5,900	6,486	5,949	(8.3)	0.8	20,293	21,762	7.2	20,000	109
Sales	8,793	5,025	8,997	79.0	2.3	20,888	21,813	4.4	20,000	109
<b>Nickel Ore, tons</b>										
Production	527,384	1,937,649	2,057,571	6.2	290.1	1,635,024	5,572,056	240.8	4,300,000	130
Sales	103,435	1,735,532	768,790	(55.7)	643.3	734,886	2,830,335	285.1	2,700,000	105
<b>Gold, kg</b>										
Production	666	460	494	7.4	(25.8)	2,208	1,967	(10.9)	2,200	89
Sales	2,159	3,668	6,236	70.0	188.8	10,227	13,202	29.1	8,100	163
<b>Financial performance</b>										
Revenue, IDR bn	2,661	3,951	5,692	44.1	113.9	9,106	12,654	39.0	8,997	141
COGS, IDR bn	(2,175)	(3,216)	(4,918)	52.9	126.1	(8,254)	(11,010)	33.4	(8,358)	132
Gross profit, IDR bn	486	735	774	5.3	59.1	852	1,644	93.0	639	257
Operating profit, IDR bn	201	463	368	(20.7)	82.6	8	601	7,263.9	(139)	N/A
Net profit, IDR bn	27	165	468	184.2	1,663.7	65	137	110.6	(264)	N/A
Gross margin, %	18.3	18.6	13.6	(5.0)	(4.7)	9.4	13.0	3.6	7.1	

Operating margin, %	7.6	11.7	6.5	(5.3)	(1.1)	0.1	4.7	4.7	(1.5)
Net margin, %	1.0	4.2	8.2	4.1	7.2	0.7	1.1	0.4	(2.9)

Source: Company, Danareksa Sekuritas estimates

### Exhibit X. Income Statement

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
<b>Revenue</b>	<b>10,532</b>	<b>9,106</b>	<b>8,997</b>	<b>10,784</b>	<b>11,128</b>
COGS	(10,336)	(8,254)	(8,358)	(10,023)	(10,214)
<b>Gross profit</b>	<b>195</b>	<b>852</b>	<b>639</b>	<b>761</b>	<b>914</b>
<b>EBITDA</b>	<b>57</b>	<b>676</b>	<b>723</b>	<b>778</b>	<b>926</b>
<b>Oper. profit</b>	<b>(701)</b>	<b>8</b>	<b>(139)</b>	<b>(114)</b>	<b>4</b>
Interest income	73	343	249	115	34
Interest expense	(246)	(319)	(403)	(441)	(413)
Forex Gain/(Loss)	(290)	97	196	332	330
Income From Assoc. Co's	(497)	(282)	(254)	19	53
Other Income (Expenses)	(8)	390	0	0	0
<b>Pre-tax profit</b>	<b>(1,669)</b>	<b>237</b>	<b>(352)</b>	<b>(90)</b>	<b>8</b>
Income tax	228	(172)	88	23	(2)
Minority interest	0	0	0	0	0
<b>Net profit</b>	<b>(1,441)</b>	<b>65</b>	<b>(264)</b>	<b>(68)</b>	<b>6</b>
<b>Core Net Profit</b>	<b>(1,151)</b>	<b>(32)</b>	<b>(460)</b>	<b>(399)</b>	<b>(324)</b>

### Exhibit X. Balance Sheet

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
Cash & cash equivalent	8,087	7,623	4,887	3,711	1,240
Receivables	578	990	789	975	1,006
Inventory	1,753	1,388	1,602	1,920	1,829
Other Curr. Asset	835	628	720	864	885
Fixed assets - Net	12,268	12,959	14,612	17,120	18,698
Other non-curr.asset	6,833	6,389	6,361	6,752	7,017
<b>Total asset</b>	<b>30,357</b>	<b>29,982</b>	<b>29,059</b>	<b>31,448</b>	<b>30,785</b>
ST Debt	3,208	3,275	2,716	2,659	2,620
Payables	766	648	593	711	728
Other Curr. Liabilities	365	429	696	820	831
Long Term Debt	7,155	6,850	6,468	8,651	7,984
Other LT. Liabilities	546	370	441	529	539
<b>Total Liabilities</b>	<b>12,040</b>	<b>11,573</b>	<b>10,914</b>	<b>13,371</b>	<b>12,701</b>
Shareholder's Funds	18,317	18,409	18,145	18,077	18,083
Minority interests	0	0	0	0	0
<b>Total Equity &amp; Liabilities</b>	<b>30,357</b>	<b>29,982</b>	<b>29,059</b>	<b>31,448</b>	<b>30,785</b>

### Exhibit X. Cash Flow

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
Net income	(1,441)	65	(264)	(68)	6
Depreciation and Amort.	723	687	949	985	1,022
Change in Working Capital	1,410	96	125	(406)	66
Other Oper. Cash Flow	(119)	211	133	159	382
<b>Operating Cash Flow</b>	<b>573</b>	<b>1,059</b>	<b>943</b>	<b>670</b>	<b>1,477</b>
Capex	(1,946)	(1,257)	(2,500)	(3,400)	(2,500)
Others Inv. Cash Flow	267	440	179	(202)	(335)
<b>Investing Cash Flow</b>	<b>(1,679)</b>	<b>(817)</b>	<b>(2,321)</b>	<b>(3,602)</b>	<b>(2,835)</b>
Net change in debt	2,095	(206)	(947)	2,077	(717)
New Capital	5,377	27	0	0	0
Dividend payment	0	0	0	0	0
Other Fin. Cash Flow	(899)	(527)	(412)	(321)	(396)
<b>Financing Cash Flow</b>	<b>6,574</b>	<b>(705)</b>	<b>(1,359)</b>	<b>1,755</b>	<b>(1,113)</b>
<b>Net Change in Cash</b>	<b>5,468</b>	<b>(463)</b>	<b>(2,736)</b>	<b>(1,176)</b>	<b>(2,471)</b>
Cash - begin of the year	2,619	8,087	7,623	4,887	3,711
Cash - end of the year	8,087	7,623	4,887	3,711	1,240

### Exhibit X. Key Ratios

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
<b>Growth (%)</b>					
Sales	11.8	(13.5)	(1.2)	19.9	3.2
EBITDA	(91.3)	1,076.3	7.0	7.5	19.0
Operating profit	411.8	(101.2)	(1,807.6)	(18.0)	(103.5)
Net profit	93.8	(104.5)	(507.2)	(74.4)	(108.9)
<b>Profitability (%)</b>					
Gross margin	1.9	9.4	7.1	7.1	8.2
EBITDA margin	0.5	7.4	8.0	7.2	8.3
Operating margin	(6.7)	0.1	(1.5)	(1.1)	0.0
Net margin	(13.7)	0.7	(2.9)	(0.6)	0.1
ROAA	(5.5)	0.2	(0.9)	(0.2)	0.0
ROAE	(9.5)	0.4	(1.4)	(0.4)	0.0
<b>Leverage</b>					
Net Gearing (x)	0.1	0.1	0.2	0.4	0.5
Interest Coverage (x)	(2.9)	0.0	(0.3)	(0.3)	0.0

Source : ANTM, Danareksa Estimates

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