

Friday, 27 April 2018

**HOLD**  
**Maintain**

Last price (IDR) 850  
Target Price (IDR) 1,000  
Upside/Downside +17.6%  
Previous Target Price (IDR) 700

**Stock Statistics**

Sector Metal Mining  
Bloomberg Ticker ANTM IJ  
No of Shrs (mn) 24,031  
Mkt. Cap (IDRbn/USDmn) 20,426/1,467  
Avg. daily T/O (IDRbn/USDmn) 56.8/4.1

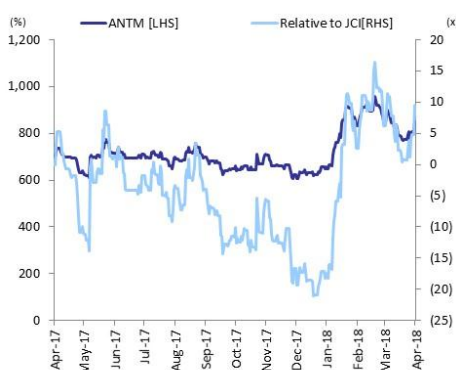
**Major shareholders (%)**

Government of Indonesia 65.0  
Estimated Free Float 35.0  
Estimated free float 35.0

**EPS Consensus (IDR)**

	2017F	2018F	2019F
Danareksa	5.7	17.8	20.8
Consensus	(1.4)	13.1	31.3
Danareksa/Cons	(509.6)	36.1	(33.4)

**ANTM relative to JCI Index**



Source : Bloomberg



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# Aneka Tambang (ANTM IJ)

## Strong prices and higher sales boosted profits

**Aneka Tambang (ANTM) reported net profits of IDR246bn in 1Q18 (-47.5% qoq, but +3,602.8% yoy). The better yearly net profits reflect strong commodity prices and higher sales volume. The 1Q18 net profits figure is above our estimate mainly thanks to better-than-expected sales volume of gold and wider margins. We maintain our HOLD recommendation on the stock with a target price of IDR1,000 (based on DCF valuation).**

**Lower quarterly net profits in the absence of gains from divestment of Dairi Prima.** The company reported 47.5% qoq lower quarterly net profits of IDR246bn in 1Q18, reflecting: a) the absence of gains from the divestment of Dairi Prima Minerals of IDR776bn that were booked in 4Q17, and b) lower quarterly sales volume of ferronickel and gold. Nonetheless, thanks to the strong nickel price, revenues were slightly higher. In addition, 38.7% qoq lower operating expenses helped to cushion against a further decline in quarterly net profits.

**Yearly net profits boosted by strong sales volume and higher prices.** The company reported strong net profits of IDR246bn in 1Q18 from only IDR7bn in 1Q17. This reflects: a) higher sales volume of ferronickel, nickel ore and gold and b) strong nickel and gold prices. Thanks to the buoyant prices, the gross margin improved to 12.7% in 1Q18 from 5.0% in 1Q17.

**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 Pongkor and Cibaliung mines.

**Maintain HOLD.** We expect ANTM to post strong earnings in 2018 supported by higher ferronickel sales, nickel ore as well as rising nickel prices albeit at a slower rate. We maintain our HOLD recommendation on the stock with a target price of IDR1,000 (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	12,654	17,242	17,465
EBITDA (IDRbn)	57	676	1,431	2,163	2,320
EBITDA Growth (%)	(91.3)	1,076.3	111.8	51.2	7.3
Net profit (IDRbn)	(1,441)	65	137	428	501
EPS (IDR)	(109.5)	2.7	5.7	17.8	20.8
EPS growth (%)	40.4	(102.5)	110.6	213.7	17.0
BVPS (IDR)	1,391.7	766.1	769.4	785.0	798.7
DPS (IDR)	0.0	0.0	0.0	2.3	7.1
PER (x)	n/m	315.2	149.6	47.7	40.8
PBV (x)	0.6	1.1	1.1	1.1	1.1
Dividend yield (%)	0.0	0.0	0.0	0.3	0.8
EV/EBITDA (x)	395.1	33.9	17.2	12.4	12.2

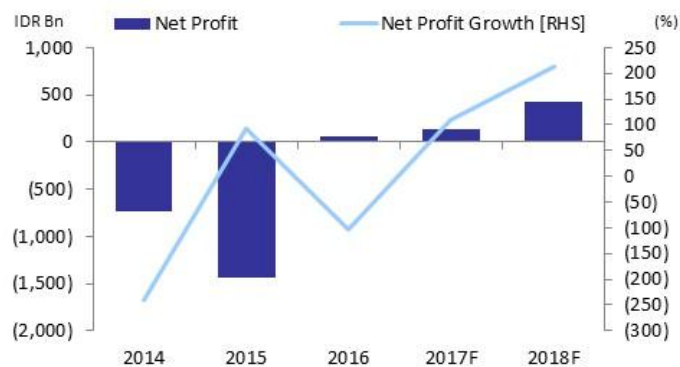
Source : ANTM, Danareksa Estimates

### Exhibit 1. Revenues and Growth



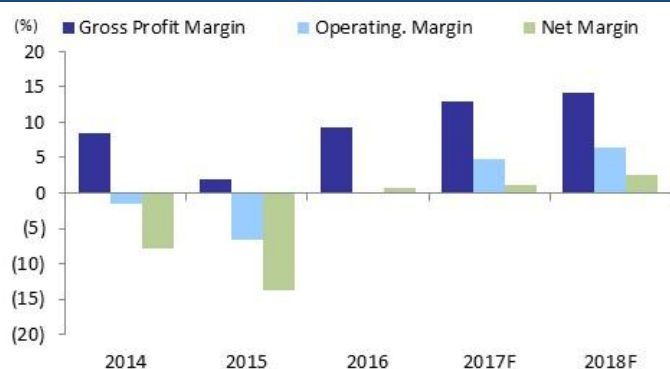
Source: Company, Danareksa Sekuritas estimates

### 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. 1Q18 Results – above expectation

Operational performance	4Q17	1Q18	QoQ,%	1Q17	1Q18	YoY, %	2018F	A/F, %
<b>Ferronickel, tons</b>								
Production	5,949	2,934	(50.7)	2,934	6,088	107.5	24,000	25
Sales	8,997	2,562	(71.5)	2,562	5,363	109.3	24,000	22
<b>Nickel Ore, tons</b>								
Production	2,057,571	525,468	(74.5)	525,468	2,109,431	301.4	7,000,000	30
Sales	768,790	1,146,640	49.1	50,500	1,146,640	2,170.6	5,080,000	23
<b>Gold, kg</b>								
Production	494	594	20.2	594	539	(9.3)	2,200	25
Sales	6,236	2,128	(65.9)	2,128	6,945	226.4	17,200	40
<b>Financial performance</b>								
Revenue, IDR bn	5,692	5,731	0.7	1,651	5,731	247.2	17,242	33
COGS, IDR bn	(4,918)	(5,004)	1.7	(1,568)	(5,004)	219.1	(14,810)	34
Gross profit, IDR bn	774	728	(6.0)	83	728	781.7	2,432	30
Operating profit, IDR bn	368	479	30.2	(84)	479	(666.7)	1,121	43
Net profit, IDR bn	468	246	(47.5)	7	246	3,602.8	428	57
Gross margin, %	13.6	12.7	(0.9)	5.0	12.7	7.7	14.1	
Operating margin, %	6.5	8.4	1.9	(5.1)	8.4	13.5	6.5	
Net margin, %	8.2	4.3	(3.9)	0.4	4.3	3.9	2.5	

Source: Company, Danareksa Sekuritas estimates

### Exhibit 6. Income Statement

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
<b>Revenue</b>	<b>10,532</b>	<b>9,106</b>	<b>12,654</b>	<b>17,242</b>	<b>17,465</b>
COGS	(10,336)	(8,254)	(11,010)	(14,810)	(14,851)
<b>Gross profit</b>	<b>195</b>	<b>852</b>	<b>1,644</b>	<b>2,432</b>	<b>2,614</b>
<b>EBITDA</b>	<b>57</b>	<b>676</b>	<b>1,431</b>	<b>2,163</b>	<b>2,320</b>
<b>Oper. profit</b>	<b>(701)</b>	<b>8</b>	<b>601</b>	<b>1,121</b>	<b>1,249</b>
Interest income	73	343	260	95	44
Interest expense	(246)	(319)	(608)	(536)	(536)
Forex Gain/(Loss)	(290)	97	(57)	0	0
Income From Assoc. Co's	(497)	(282)	(488)	(109)	(89)
Other Income (Expenses)	(8)	390	747	0	0
<b>Pre-tax profit</b>	<b>(1,669)</b>	<b>237</b>	<b>454</b>	<b>571</b>	<b>668</b>
Income tax	228	(172)	(318)	(143)	(167)
Minority interest	0	0	0	0	0
<b>Net profit</b>	<b>(1,441)</b>	<b>65</b>	<b>137</b>	<b>428</b>	<b>501</b>
<b>Core Net Profit</b>	<b>(1,151)</b>	<b>(32)</b>	<b>(583)</b>	<b>428</b>	<b>501</b>

### Exhibit 7. Balance Sheet

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
Cash & cash equivalent	8,087	7,623	5,551	2,984	1,569
Receivables	578	990	1,377	1,559	1,579
Inventory	1,753	1,388	1,258	2,171	2,200
Other Curr. Asset	835	628	816	949	952
Fixed assets - Net	12,268	12,959	14,093	16,466	17,894
Other non-curr.asset	6,833	6,389	6,919	6,837	7,055
<b>Total asset</b>	<b>30,357</b>	<b>29,982</b>	<b>30,014</b>	<b>31,135</b>	<b>31,421</b>
ST Debt	3,208	3,275	4,119	4,024	3,964
Payables	766	648	866	1,085	1,058
Other Curr. Liabilities	365	429	568	1,294	1,274
Long Term Debt	7,155	6,850	5,556	5,311	5,372
Other LT. Liabilities	546	370	415	559	560
<b>Total Liabilities</b>	<b>12,040</b>	<b>11,573</b>	<b>11,524</b>	<b>12,271</b>	<b>12,228</b>
Shareholder's Funds	18,317	18,409	18,490	18,864	19,194
Minority interests	0	0	0	0	0
<b>Total Equity &amp; Liabilities</b>	<b>30,357</b>	<b>29,982</b>	<b>30,014</b>	<b>31,135</b>	<b>31,421</b>

### Exhibit 8. Cash Flow

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
Net income	(1,441)	65	137	428	501
Depreciation and Amort.	723	687	858	1,138	1,179
Change in Working Capital	1,410	96	(98)	(283)	(98)
Other Oper. Cash Flow	(119)	211	614	(75)	569
<b>Operating Cash Flow</b>	<b>573</b>	<b>1,059</b>	<b>1,510</b>	<b>1,207</b>	<b>2,151</b>
Capex	(1,946)	(1,257)	(1,907)	(3,400)	(2,500)
Others Inv. Cash Flow	267	440	(611)	584	(360)
<b>Investing Cash Flow</b>	<b>(1,679)</b>	<b>(817)</b>	<b>(2,519)</b>	<b>(2,816)</b>	<b>(2,860)</b>
Net change in debt	2,095	(206)	(506)	(464)	(7)
New Capital	5,377	27	(55)	0	0
Dividend payment	0	0	0	(55)	(171)
Other Fin. Cash Flow	(899)	(527)	(504)	(440)	(528)
<b>Financing Cash Flow</b>	<b>6,574</b>	<b>(705)</b>	<b>(1,064)</b>	<b>(958)</b>	<b>(706)</b>
<b>Net Change in Cash</b>	<b>5,468</b>	<b>(463)</b>	<b>(2,073)</b>	<b>(2,567)</b>	<b>(1,415)</b>
Cash - begin of the year	2,619	8,087	7,623	5,551	2,984
Cash - end of the year	8,087	7,623	5,551	2,984	1,569

### Exhibit 9. Key Ratios

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
<b>Growth (%)</b>					
Sales	11.8	(13.5)	39.0	36.3	1.3
EBITDA	(91.3)	1,076.3	111.8	51.2	7.3
Operating profit	411.8	(101.2)	7,263.9	86.7	11.4
Net profit	93.8	(104.5)	110.6	213.7	17.0
<b>Profitability (%)</b>					
Gross margin	1.9	9.4	13.0	14.1	15.0
EBITDA margin	0.5	7.4	11.3	12.5	13.3
Operating margin	(6.7)	0.1	4.7	6.5	7.1
Net margin	(13.7)	0.7	1.1	2.5	2.9
ROAA	(5.5)	0.2	0.5	1.4	1.6
ROAE	(9.5)	0.4	0.7	2.3	2.6
<b>Leverage</b>					
Net Gearing (x)	0.1	0.1	0.2	0.3	0.4
Interest Coverage (x)	(2.9)	0.0	1.0	2.1	2.3

Source : ANTM, Danareksa Estimates

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