

Monday, 29 June 2020

BUY
Maintain

Last price (IDR) 595
Target Price (IDR) 750
Upside/Downside +26.1%
Previous Target Price (IDR) 800

Stock Statistics

Sector Metal Mining
Bloomberg Ticker ANTM IJ
No of Shrs (mn) 24,031
Mkt. Cap (IDRbn/USDmn) 14,298/1,022
Avg. daily T/O (IDRbn/USDmn) 50.4/3.5

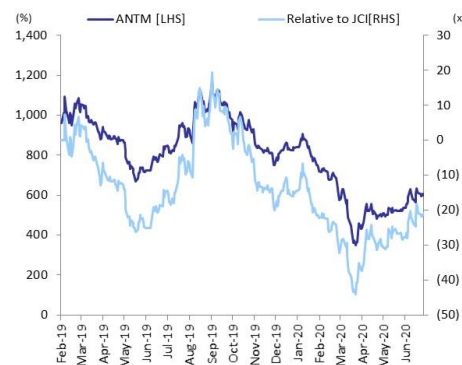
Major shareholders (%)

Inalum 65.0
Estimated Free Float 35.0

EPS Consensus (IDR)

	2020F	2021F	2022F
Danareksa	9.8	12.1	16.3
Consensus	18.3	18.0	15.4
Danareksa/Cons	(46.5)	(33.0)	6.1

ANTM relative to JCI Index



Source : Bloomberg



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Aneka Tambang(ANTM IJ)

1Q20: Lower nickel volume and forex losses

Aneka Tambang (ANTM) reported net losses of IDR282bn in 1Q20 vs. net profits of IDR176bn in 1Q19 due to: a) lower ferronickel sales volume and the absence of nickel ore sales volume and b) forex losses from its USD loan given weakening of the rupiah/USD exchange rate in 1Q20. The result is below our expectation. In 2Q20, however, we expect the forex losses to reverse given the rupiah's strengthening. Maintain BUY with lower TP of IDR750 with the expectation of a recovery in nickel prices in 4Q20.

1Q20: Lower qoq operating expenses reduced losses. Despite 36.4% qoq lower revenues in 1Q20 mainly due to lower ferronickel sales volume (-2.0% qoq), gold volume (-30.2% qoq) and no nickel ore sales volume, ANTM still managed to book operating profits in 1Q20 thanks to lower GA (-58.4% qoq) and lower selling expenses (-47.9% qoq). Still, the company reported net losses of IDR282bn (-23.3% qoq) due to forex losses from its USD loan as a result of the weakening rupiah/USD exchange rate in 1Q20. However, with the rupiah strengthening against the US dollar in 2Q20, we expect the company to reverse its forex losses in this quarter.

Net losses from lower volumes and forex losses. On a yoy basis, the company booked net losses of IDR282bn in 1Q20 vs. net profits of IDR176bn in 1Q19 due to: a) lower nickel division revenues (-51.9% yoy) from a decline in ferronickel sales volume (-10.4% yoy), with no nickel ore sales volume following implementation of the nickel-ore export ban since the beginning of 2020, and b) forex losses of IDR362bn in 1Q20 compared to forex gains of IDR76bn in 1Q19. Gold sales volume, meanwhile, declined by 21.8% yoy, with the gold division reporting flattish revenues thanks to higher gold prices.

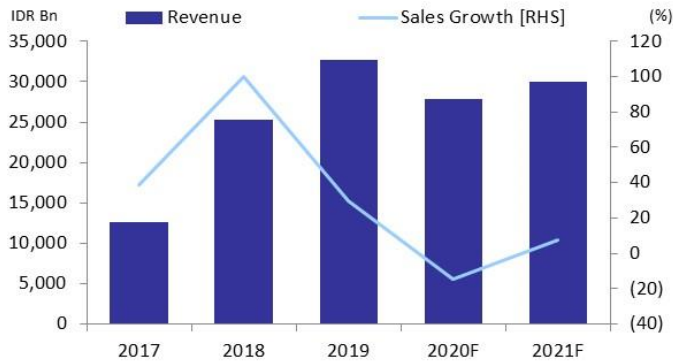
2020: higher ferronickel production with a slight improvement in gold sales. ANTM expects a further improvement in ferronickel production by 5.0% yoy to 27,000 tons for 2020 supported by higher utilization at Pomalaa ferronickel plant. To overcome the nickel-ore export ban, the company plans to increase sales volume of domestic nickel ore. Nonetheless, nickel ore production is still expected to decline by 60.0% yoy to 4.2mn wmt in 2020. Meanwhile, gold production is expected to be at a similar level to 2019's level of 1,893 kg.

Maintain BUY with a lower target price of IDR750 (based on DCF valuation with WACC of 12.6% and long-term growth of 3%) as we lower our earnings forecast by 63% - 68% for 2020 and 2021 as we cut our ferronickel sales volume and nickel ore sales volume estimates. Maintain BUY as we expect a recovery in the nickel price in 4Q20 after the Covid-19 pandemic recedes.

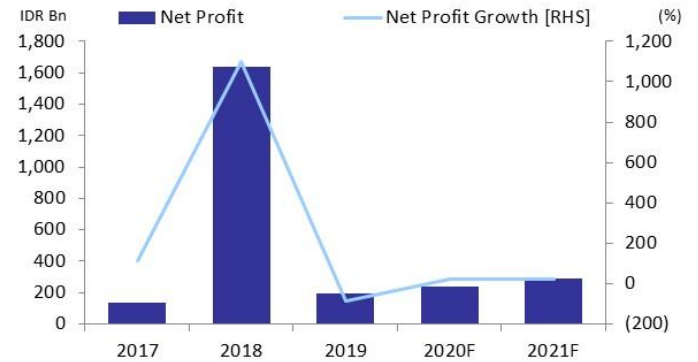
Key Financials

Year to 31 Dec	2018A	2019A	2020F	2021F	2022F
Revenue (IDRbn)	25,275	32,719	27,907	30,036	32,099
EBITDA (IDRbn)	2,400	2,233	2,092	2,172	2,292
EBITDA Growth (%)	67.7	(7.0)	(6.3)	3.8	5.5
Net profit (IDRbn)	1,636	194	235	290	392
EPS (IDR)	68.1	8.1	9.8	12.1	16.3
EPS growth (%)	1,098.5	(88.2)	21.1	23.4	35.3
BVPS (IDR)	767.7	754.6	761.1	769.3	780.8
DPS (IDR)	2.3	27.2	3.2	3.9	4.8
PER (x)	8.7	73.8	60.9	49.3	36.5
PBV (x)	0.8	0.8	0.8	0.8	0.8
Dividend yield (%)	0.4	4.6	0.5	0.7	0.8
EV/EBITDA (x)	8.5	8.9	10.2	10.0	9.9

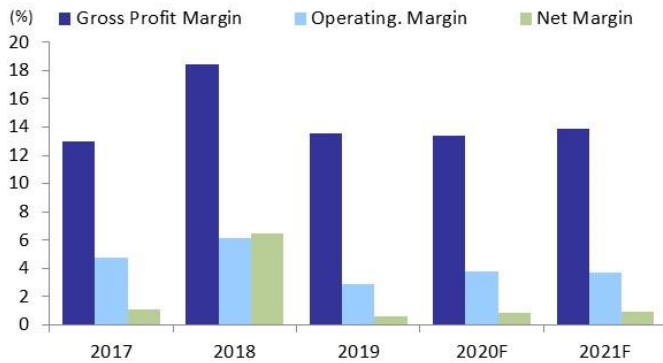
Source : ANTM, Danareksa Estimates

Exhibit 1. Revenues and Growth


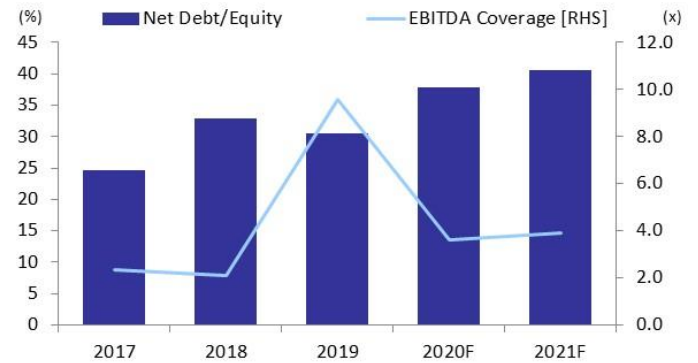
Source: Company, Danareksa Sekuritas estimates

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. 1Q20 Results – below expectation on forex losses

Operational performance	4Q19	1Q20	QoQ,%	1Q19	1Q20	YoY,%	2020F	A/F,%
Ferronickel, tons								
Production	6,661	6,315	(5.2)	6,531	6,315	(3.3)	27,000	23
Sales	6,509	6,379	(2.0)	7,122	6,379	(10.4)	27,000	24
Nickel Ore, tons								
Production	1,301,232	628,819	(51.7)	2,233,700	628,819	(71.8)	4,206,000	15
Sales	2,060,692	0	(100.0)	1,743,183	0	(100.0)	1,776,000	0
Gold, kg								
Production	478	446	(6.7)	470	446	(5.1)	1,800	25
Sales	7,304	5,097	(30.2)	6,517	5,097	(21.8)	32,000	16
Financial performance								
Revenue, IDR bn	8,181	5,203	(36.4)	6,219	5,203	(16.3)	27,907	19
COGS, IDR bn	(7,470)	(4,641)	(37.9)	(5,306)	(4,641)	(12.5)	(24,159)	19
Gross profit, IDR bn	711	562	(21.0)	913	562	(38.4)	3,747	15
Operating profit, IDR bn	(280)	138	(149.2)	283	138	(51.5)	1,050	13
Net profit, IDR bn	(367)	(282)	(23.3)	176	(282)	(260.0)	235	n.a
Gross margin, %	8.7	10.8	2.1	14.7	10.8	(3.9)	13.4	
Operating margin, %	(3.4)	2.6	6.1	4.6	2.6	(1.9)	3.8	
Net margin, %	(4.5)	(5.4)	(0.9)	2.8	(5.4)	(8.2)	0.8	

Source: Company, Danareksa Sekuritas estimates

Exhibit 6. Forecasts changes

	New		Previous		Change (%)	
	2020F	2021F	2020F	2021F	2020F	2021F
Ferronickel sales volume, mn tons	27,000	28,000	29,000	32,000	(6.9)	(12.5)
Ferronickel prod. volume, mn tons	27,000	28,000	29,000	32,000	(6.9)	(12.5)
Ferronickel price, USD/lb	6.35	6.80	6.35	6.80	0.0	0.0
Ferronickel cash cost, USD/lb	3.77	4.03	3.89	4.06	(3.2)	(0.8)
Nickel ore sales volume, mn wmt	1.78	2.09	5.11	5.21	(65.2)	(59.9)
Nickel ore prod. volume, mn wmt	4.21	4.61	8.01	8.41	(47.5)	(45.2)
Gold sales volume, kg	32,000	33,000	33,000	34,000	(3.0)	(2.9)
Gold production volume, kg	1,800	1,800	2,000	2,000	(10.0)	(10.0)
Gold price, USD/tr oz	1,400	1,450	1,400	1,450	0.0	0.0
Gold cash cost, USD/tr oz	924	943	924	943	0.0	0.0
Revenue (IDR bn)	27,907	30,036	32,322	33,824	(13.7)	(11.2)
EBITDA (IDR bn)	2,092	2,172	2,863	3,049	(26.9)	(28.8)
Net Profit (IDR bn)	235	290	724	790	(67.5)	(63.3)

Source: Danareksa Sekuritas estimates

Exhibit 7. Income Statement

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Revenue	25,275	32,719	27,907	30,036	32,099
COGS	(20,613)	(28,271)	(24,159)	(25,866)	(27,643)
Gross profit	4,662	4,447	3,747	4,170	4,456
EBITDA	2,400	2,233	2,092	2,172	2,292
Oper. profit	1,556	956	1,050	1,107	1,198
Interest income	261	120	168	119	67
Interest expense	(1,130)	(233)	(580)	(553)	(537)
Forex Gain/(Loss)	276	(236)	0	0	0
Income From Assoc. Co's	(1,260)	(88)	(325)	(286)	(205)
Other Income (Expenses)	2,311	168	0	0	0
Pre-tax profit	2,013	687	313	386	523
Income tax	(377)	(493)	(78)	(97)	(131)
Minority interest	0	0	0	0	0
Net profit	1,636	194	235	290	392
Core Net Profit	(866)	430	235	290	392

Exhibit 8. Balance Sheet

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Cash & cash equivalent	4,299	3,636	3,357	2,379	1,336
Receivables	995	1,431	1,346	1,531	1,724
Inventory	1,846	1,796	1,532	1,649	1,762
Other Curr. Asset	203	802	762	772	833
Fixed assets - Net	19,490	18,866	20,867	21,802	22,708
Other non-curr.asset	5,364	3,664	3,694	3,441	3,492
Total asset	32,195	30,195	31,558	31,574	31,855
ST Debt	2,599	3,025	3,027	3,029	3,030
Payables	868	740	662	780	909
Other Curr. Liabilities	2,095	1,529	1,794	1,866	1,928
Long Term Debt	7,755	6,156	7,262	6,853	6,627
Other LT. Liabilities	430	612	523	560	598
Total Liabilities	13,747	12,061	13,267	13,087	13,092
Shareholder's Funds	18,448	18,133	18,291	18,487	18,763
Minority interests	0	0	0	0	0
Total Equity & Liabilities	32,195	30,195	31,558	31,574	31,855

Exhibit 9. Cash Flow

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Net income	1,636	194	235	290	392
Depreciation and Amort.	789	1,683	1,097	1,118	1,145
Change in Working Capital	1,012	(1,633)	576	(122)	(176)
Other Oper. Cash Flow	(168)	739	544	375	413
Operating Cash Flow	3,269	983	2,452	1,661	1,774
Capex	(2,411)	(893)	(2,000)	(2,000)	(2,000)
Others Inv. Cash Flow	283	989	(1,093)	378	21
Investing Cash Flow	(2,128)	96	(3,093)	(1,622)	(1,979)
Net change in debt	522	(1,364)	1,103	(444)	(270)
New Capital	(1,702)	(79)	0	0	0
Dividend payment	(48)	(429)	(78)	(94)	(116)
Other Fin. Cash Flow	(1,166)	130	(664)	(479)	(453)
Financing Cash Flow	(2,393)	(1,742)	361	(1,016)	(839)
Net Change in Cash	(1,252)	(663)	(280)	(978)	(1,043)
Cash - begin of the year	5,551	4,299	3,636	3,357	2,379
Cash - end of the year	4,299	3,636	3,357	2,379	1,336

Exhibit 10. Key Ratios

Year to 31 Dec	2018A	2019A	2020F	2021F	2022F
Growth (%)					
Sales	99.7	29.4	(14.7)	7.6	6.9
EBITDA	67.7	(7.0)	(6.3)	3.8	5.5
Operating profit	159.1	(38.6)	9.8	5.4	8.2
Net profit	1,098.5	(88.2)	21.1	23.4	35.3
Profitability (%)					
Gross margin	18.4	13.6	13.4	13.9	13.9
EBITDA margin	9.5	6.8	7.5	7.2	7.1
Operating margin	6.2	2.9	3.8	3.7	3.7
Net margin	6.5	0.6	0.8	1.0	1.2
ROAA	5.4	0.6	0.8	0.9	1.2
ROAE	9.2	1.1	1.3	1.6	2.1
Leverage					
Net Gearing (x)	0.3	0.3	0.4	0.4	0.4
Interest Coverage (x)	1.4	4.1	1.8	2.0	2.2

Source : ANTM, Danareksa Estimates

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