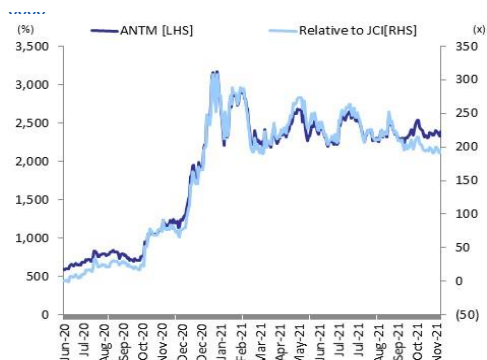


Thursday, 25 November 2021

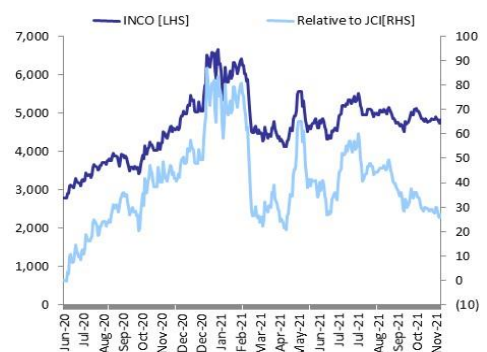
OVERWEIGHT
Maintain

Metal Mining
Solid Fundamentals

ANTM relative to JCI Index



INCO relative to JCI Index



Source : Bloomberg

We expect the solid base metal prices (nickel and tin) to continue into 1H22 thanks to: a) strong global nickel demand and b) concerns over global nickel supply from the impact of strikes, temporary shutdowns and power restrictions to impact on NPI production in China. Despite expectations that base metal prices will soften in 2H22, we believe metal mining companies will book solid 2022 earnings. **Maintain OVERWEIGHT** with our top picks being **ANTM (BUY.TP:IDR3,300)** and **INCO (BUY.TP:IDR6,500)**.

Strong global nickel prices in 2021. The global nickel price has reached USD20,500/ton (+24% ytd) supported by: a) rising global demand for nickel from industrial sectors and b) lower global nickel inventory. The combined nickel inventory (at LME and SHFE) has declined by 47.6% ytd to 138,704 tons. In addition, global nickel supply disruptions from: a) the recent labor strikes at Vale Sudbury mining operations in Canada in June and Jul 21, b) the temporary shutdown of two mining areas at Norilsk Nickel after floods and c) disruption in New Caledonia also supported nickel prices.

Expect solid global nickel prices throughout 1H22. While power restrictions will impact nickel demand with lower production of stainless steel (SS) in China, we believe that global economic recovery will help to sustain global SS production (ex-China). Coupled with the spillover impact from global nickel supply concerns from the Covid-19 pandemic as well as power restrictions impacting on NPI production in China, we foresee solid global nickel prices throughout 1H22 before they moderate in 2H22. We assume an average nickel price of USD18,000/ton for 2021 and 2022.

Rosy outlook for long-term nickel prices. We expect long-term global nickel demand to come from the development of Electric vehicles (EV). In an attempt to reduce carbon emissions, the global EV market is expected to be strong with developed countries, such as European countries (EU), the United States, and China, aggressively developing EV. With EV car sales expected to increase from 1.7mn units in 2020 to around 8.5mn units in 2025 and subsequently to 25.8mn units by 2030, we estimate that there will be additional nickel demand for batteries of around 255k tons and 774k tons by 2025 and 2030, respectively. This is expected to constitute 9% and 22% of the total global nickel demand by 2025 and 2030, respectively.

Tin prices. Strong global tin demand for electronics and interruptions in mine production in major producing countries, such as Malaysia and Indonesia from lockdowns, resulted in strong tin prices in 2021. Given that refined tin prices reached a high level, we expect them to moderate in 2022. We assume a refined tin price of USD32,000/ton in 2021 moderating to USD30,000/ton in 2022.

Maintain OVERWEIGHT. With the continuation of global economic recovery which will have a spillover impact on base metal prices (nickel and tin) until 1H22 with prices moderating in 2H22, we remain OVERWEIGHT on the metal mining sector as we believe the sector to book solid earnings (+9.0% yoy) in 2022, mainly supported from higher volume. **Top Picks: Aneka Tambang (ANTM IJ.BUY.TP: IDR3,300)** and **Vale Indo (INCO IJ.BUY.TP:IDR6,500)**. **Key risks:** lower nickel & tin prices and further rising crude oil prices.



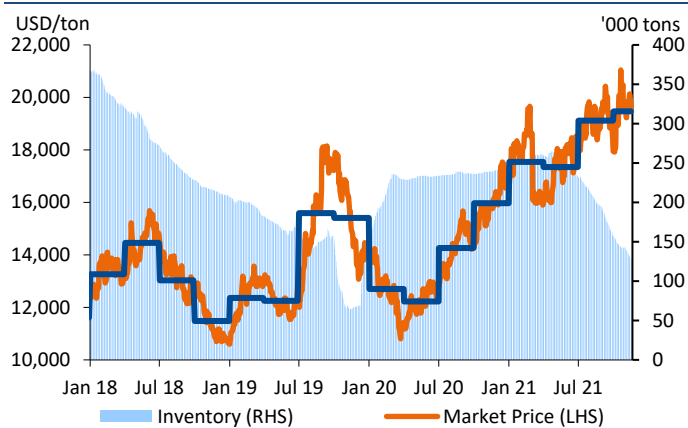
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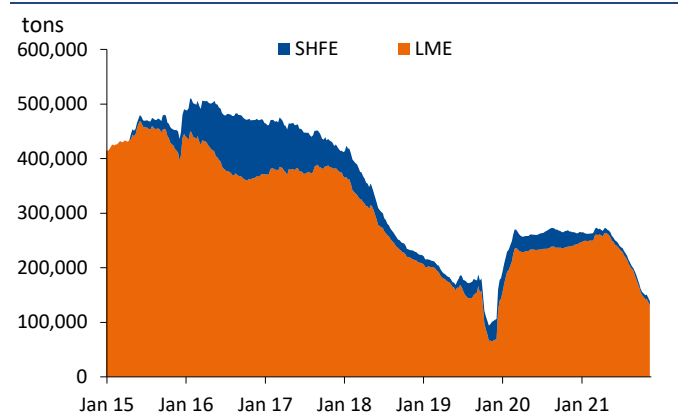
Company	Ticker	Rec	Target Price (Rp)	Market Cap. (RpBn)	P/E (x)		P/BV (x)		ROE (%) 2022F
					2021F	2022F	2021F	2022F	
Aneka Tambang	ANTM IJ	BUY	3,300	57,433.5	25.2	21.5	2.8	2.6	12.5
Vale Indonesia	INCO IJ	BUY	6,500	48,091.9	21.6	19.9	1.7	1.6	8.4
Timah	TINS IJ	HOLD	1,700	12,102.6	13.1	14.6	2.1	1.8	13.2

Exhibit 1. Solid Nickel Prices



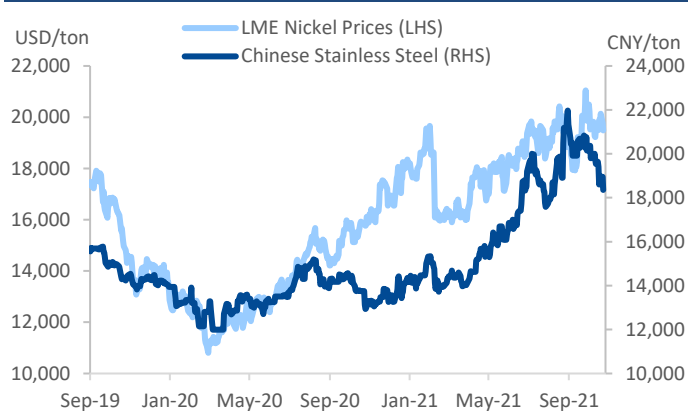
Source: Bloomberg

Exhibit 2. Declining global nickel inventory level at LME and SHFE



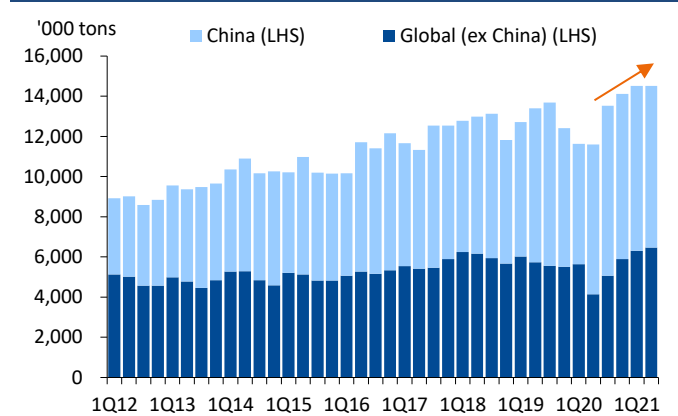
Source: Bloomberg

Exhibit 3. Strong correlation between nickel and SS prices



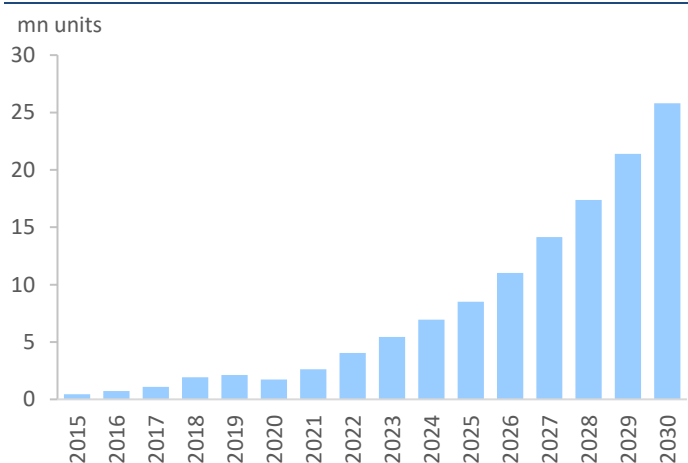
Source: Bloomberg

Exhibit 4. Global stainless steel production



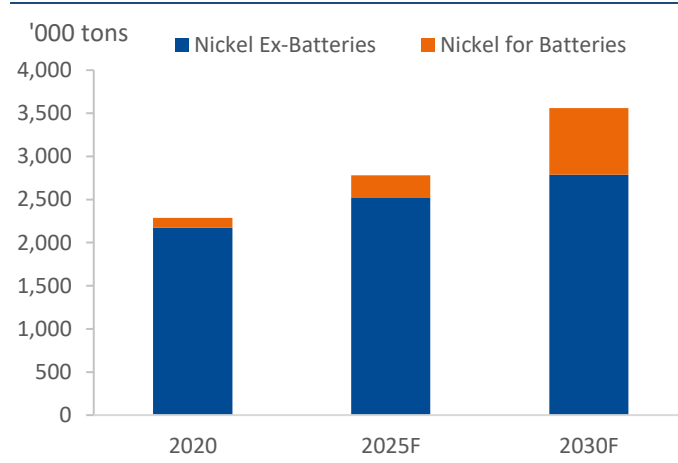
Source: ISSF

Exhibit 5. Strong EV car sales volume to...



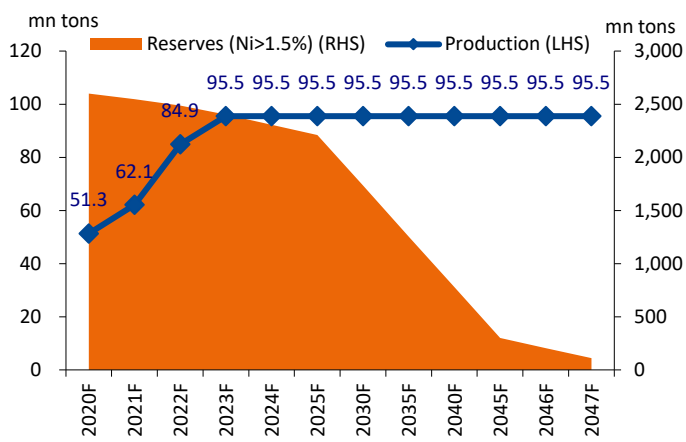
Source: BNEF

Exhibit 6. ...increase global nickel demand for batteries



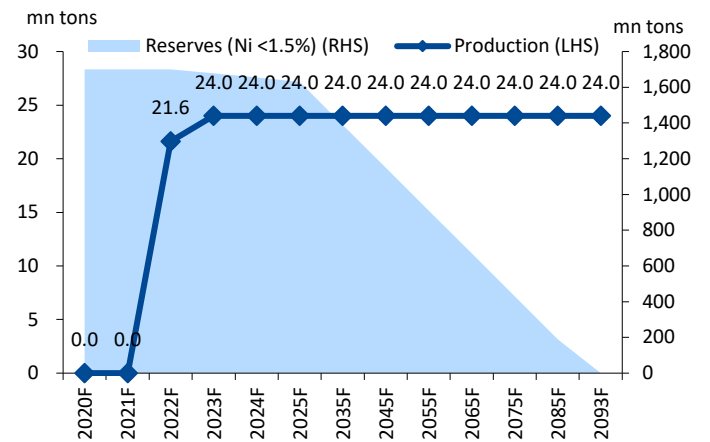
Source: WBMS, BRI-Danareksa Sekuritas estimates

Exhibit 7. Indo's nickel mining life based on pyrometallurgical technologies



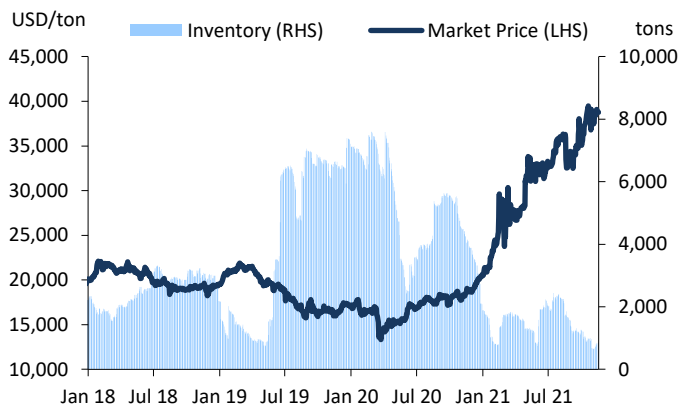
Source: Bloomberg, BRI-Danareksa Sekuritas estimates

Exhibit 8. Indo's nickel mining life based on hydrometallurgical technologies



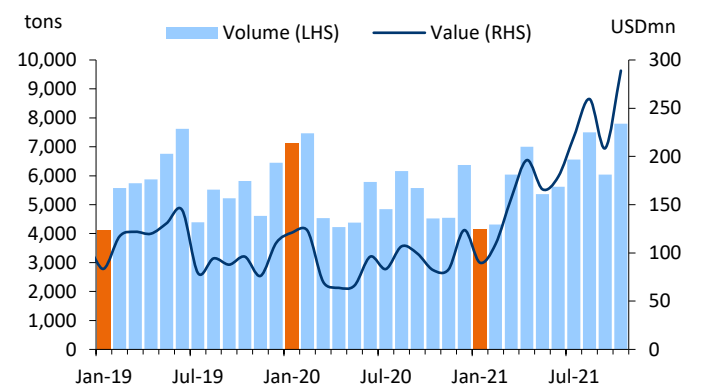
Source: Bloomberg, BRI-Danareksa Sekuritas estimates

Exhibit 9. Stong refined tin prices



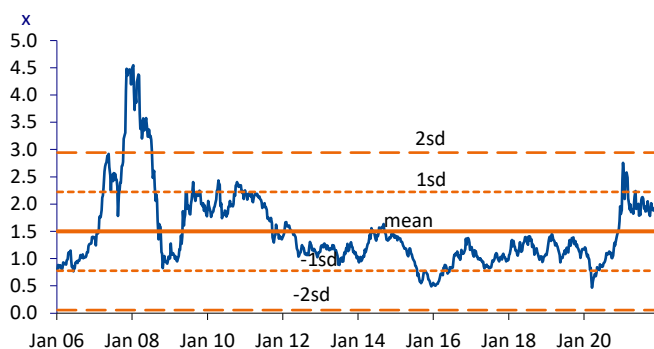
Source: LME, Bloomberg

Exhibit 10. Indonesia's refined tin export volume



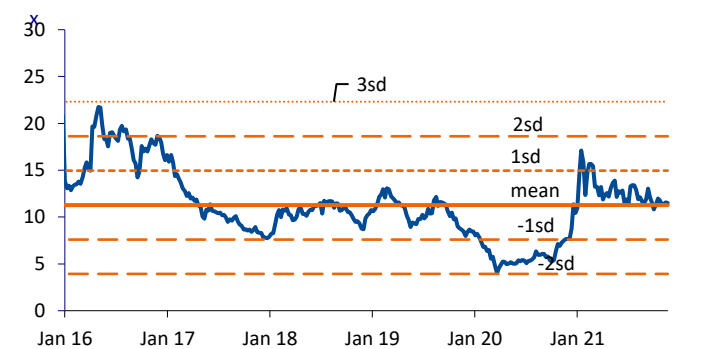
Source: Bloomberg, Ministry of Trade Indonesia

Exhibit 11. Indonesia's Metal Mining PB Band



Source: Bloomberg, BRI-Danareksa Sekuritas estimates

Exhibit 12. ANTM's EV/EBITDA Band



Source: Bloomberg, BRI-Danareksa Sekuritas estimates

Exhibit 13. Company outlook 2022

Ticker	Target Price	Rating	Summary
ANTM	IDR3,300	BUY	We expect Aneka Tambang (ANTM) to reap the benefits from long-term Electric Vehicle (EV) programs and from the operation of new smelters, which will further increase nickel ore sales volume in the domestic market, we believe. Maintain BUY with a target price of IDR3,300 (DCF valuation with WACC of 10%).
INCO	IDR6,500	BUY	While rebuilding of Electric Furnace #4 to impact nickel-in-matte production for the first five months of 2022, we expect greater production for 2H22 post completion of rebuilding of EF#4. Coupled with solid nickel prices, we believe this will help INCO to sustain earnings for 2022. Maintain BUY with target price of IDR6,500 (DCF valuation with WACC of 11.6%).
TINS	IDR1,800	HOLD	We expect improvement in the refined tin production of TINS for 2022 and with the company continues to strengthen its balance sheet which we expect its net gearing to further decline to 43.9% in 2022 (9M21: 53.5%), this will help the company to reduce its interest expenses further while maintaining its solid net profit. Given limited upside to our TP of IDR1,800 (DCF with WACC of 11.3%), we maintain HOLD recommendation for the company.

Source: Company, BRI-Danareksa Sekuritas estimates

Exhibit 14. Financial ratio 2022F

Financial ratios	ANTM	INCO	TINS
Sales growth (%)	8.6	9.4	6.1
EBITDA growth (%)	11.0	8.7	(5.5)
Operating profit growth (%)	13.5	12.1	(9.1)
Net profit growth (%)	17.3	12.6	(10.5)
Gross margin (%)	22.9	24.7	17.8
EBITDA Margin (%)	15.5	38.1	16.2
Operating margin (%)	12.2	23.8	10.3
Net margin (%)	8.3	19.0	5.8
ROAA	7.5	7.2	6.1
ROAE	12.5	8.4	13.2
Net gearing (x)	0.2	(0.2)	0.5
Interest Coverage (x)	7.2	n/a	5.2

Source: Company, BRI-Danareksa Sekuritas estimates

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