

November 23, 2022



Research Center

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■ **Company Update**

Merdeka Copper Gold, Tbk (MDKA): Nickel segment did heavy lifting

■ **Market Commentary**

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Merdeka Copper Gold (MDKA)

Nickel segment did heavy lifting

3Q22 operational results **INLINE** with expectations

Both MDKA's gold and copper productions grew QoQ in 3Q22 as expected; bringing 9M22 gold and copper productions to 107,169 oz (82% of our FY22F estimate) and 15,792 tonnes (+18% YoY, 79% of our FY22F estimate), respectively. Meanwhile, its nickel RKEF smelters operation started to contribute fully in 3Q22 with 10,374 tonnes (+17% QoQ), after the completion of Merdeka Battery Minerals (MBM) acquisition on mid-May2022.

Nickel segment's contribution started taking shape

The timely and sizable acquisition of nickel business helped MDKA to smoothen its transition from both TB gold mine and Wetar copper mine to Pani gold mine, AIM project, and the massive TB copper project. In the next 2-3 years, nickel segment revenue would make up more than 50% of MDKA's consolidated revenue, leapfrogging both gold and copper segments. Based on the 3Q22 operational indication, nickel contributed ~58% of MDKA's total revenue and ~80% of its consolidated core profit by our estimation.

Bullish on nickel; neutral on both gold & copper

We are bullish on nickel sector considering the continuing supply disruptions and tight LME nickel inventory as explained in more detail in our nickel sector report ([Nickel – Riding the crest of a wave \(30May2022\)](#)). Meanwhile, we see gold prices remain subdued amid rising interest rate environment despite being supported by surging net purchases by central banks and solid real demand (fabrication & jewelry). On the same token, the potential copper demand slippage from developed markets next year dampens resurgent demand from China (which made up ~55% of world's copper demand).

Maintain **BUY** recommendation with slightly lower TP

We tweaked our gold and copper prices assumptions for FY23/24F and rolled forward our valuation to arrive at USD9.2bn (or equivalent to IDR5,750/sh). Future upside to our current MDKA's value includes 1) full potential value of ZHN's RKEF smelter (under construction) and SCM's nickel mines (under development stage); 2) strategic partnership with Brunp CATL for investments in nickel, cobalt & copper; 3) IKIP development (with Tsingshan) & nickel chain supporting projects. Risks to our call include the possibility of TB Copper Project resources being deemed not mineable in the future and shocks in gold & copper price.

	2020A	2021A	2022F	2023F	2024F
Sales (USD mn)	322	381	836	1,311	1,186
GP (USD mn)	114	120	270	367	300
OP (USD mn)	94	91	190	269	212
NP (USD mn)	36	36	120	114	89
EBITDA (USD mn)	137	166	268	373	315
Net debt (USD mn)	180	148	596	450	367
OP margin (%)	29.2	23.8	22.7	20.5	17.9
ROE (%)	6.7	5.4	12.3	8.9	6.0
Dividend yield (%)	-	-	-	-	-
EPS (IDR)	23.6	22.5	73.9	70.9	55.5
chg. (% YoY)	(47.4)	(4.5)	227.8	(4.0)	(21.7)
BPS (IDR)	367.7	486.1	720.3	867.5	984.1
DPS (IDR)	-	-	-	-	-
PE (x)	185.1	193.9	59.1	61.6	78.7
PB (x)	11.9	9.0	6.1	5.0	4.4
EV/EBITDA (x)	50.0	41.3	26.3	18.3	21.4

Company Update

Metals & Mining

Nov 22, 2022

12M rating **BUY (Maintain)**
12M TP **IDR 5,750** (Prev IDR 6,000)
Upside **+31.6%**

Stock Data

JCI (Nov 21)	7,063
Stock price (Nov 21, IDR)	4,370
Market cap (IDR bn)	105,364
Shares outstanding (mn)	24,111
52-week high/low (IDRhds)	5,800 / 3,350
6M avg. daily turnover (IDR bn)	276.1
Free float (%)	51.9

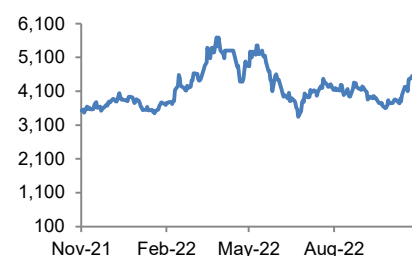
Major shareholders (%)

Saratoga Investama Sedaya Tbk	18.4
Mitra Daya Mustika	12.1
Garibaldi Thohir	7.4
Suwarna Arta Mandiri	5.6
Banyuwangi regional gov't	4.0

Performance

	1M	6M	12M
Absolute (%)	21.8	(7.2)	31.0
Relative to JCI (%p)	16.1	(11.9)	14.9

MDKA stock price



Source: Bloomberg

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Market Commentary

Market Commentary

- JCI was modestly lower at close on Tuesday, reversed from early session gains as sentiments remain fragile with investors weighing the impact of Covid infections in China and parsing comments from Federal Reserve officials on interest rate hikes.
- Modest gains at the opening were fades as giant tech GOTO IJ and digital banking stock ARTO IJ weighed the index down, while SMMA IJ – 6.85% dragged the index to close at its day low on late selling action.
- Tech, Financials, Basic Materials, and Consumers were among the top losers. While Energy stocks remained afloat.
- RUPIAH -0.10% at 15,698 against USD.
- GOTO IJ -6.67% after 3Q result release, reported a narrower third-quarter loss, helped by cost cuts as the Indonesian ride-hailing and e-commerce giant.
- ARTO IJ -6.58% following weak sentiment from giant e-commerce and ride-hailing stocks GOTO IJ.
- Big bank stocks keep the index from further losses led by BBKA IJ +2.01% and offset the pressures in digital banking stocks. BMRI IJ +0.25%, BBNI IJ +0.82%.
- Coal and energy-related stocks remained afloat. ADRO IJ +0.27%, ITMG IJ +4.34%, PTBA IJ +1.10%, PGAS IJ +4.44%, MEDC IJ +2.37%.
- BYAN IJ +0.60% hold its gains for the fifth day and touched new record high after winning shareholder approval plan for a 10-for-1 stock split
- Top value were: BBKA IJ +2.01%, BBRI IJ 0.00% IJ, BUMI IJ +1.08%
- Top Gainers : BBKA (+2.01%), PGAS (+4.44%), BIPI (+11.25%)
- Top Losers: GOTO (-6.67%), SMMA (-6.85%), ASII (-1.58%)

News

Macroeconomic, Sector and Corporate News

- EV – Transportation Minister was quoted mentioning about plan to give subsidy for EV purchases next year. (Investor daily)
- BUMI – Moody's upgrade BUMI's debt rating to B3 with stable outlook after USD1.6bn debt repayment from private placement. (Investor daily)
- GEMS – allocates USD25mn capex next year from internal cash to increase its coal production above 40mn tonnes. (Investor daily)
- CSRA – allocates FY23 capex of IDR 250bn to acquire new lands. (Kontan)
- TBIG – recorded 9M22 net profit of IDR1.22tn, +13.2% YoY. (Investor daily)
- NRCA – recorded 9M22 net profit of IDR66.5bn, +311.2% YoY. (Bisnis)
- BBKA – to distribute IDR35/sh interim dividend (~ 0.4% yield). Cum: 1Dec2022. (Bisnis)
- PGLI – to distribute IDR10/sh interim dividend (~3.9% yield). Cum:29Nov2022. (Bisnis)
- Healthcare – Trial of JKN standard inpatient class will be expanded to 10 hospitals (from current 4) operated by Health Ministry starting 1Dec2022. (Kontan)
- UNTR – Komatsu Oct2022 sales were 553 units (+1% MoM) bringing its 10M22 to 5,087 units (+96% YoY). (Bisnis)
- ASLC – opened a new O2O used cars dealer in Medan, to bring a total of 22 touch points YTD (more than FY22 target of 20). (Kontan)
- JSMR – injects IDR 1.29tn capital into consortium SOE PT Pilar Sinergi (PSBI), which holds 60% stakes in PT Kereta Cepat Indonesia-China (KCIC). (Investor daily)

Outliers

Outlier Stocks

- Sharp Movers (Up) : SINI (+25%), WAPO (+24.3%), WEHA (+16.5%)
 - Sharp Movers (Down) : PICO (-7%), BSBK (-6.8%), BKSJ (-6.7%)
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Macro Calendar

November 23, 2022

Mon	Tue	Wed	Thu	Fri
3	4	5	6	7
Korea > Market closed (National Foundation Day) September exports and imports (announced October 1) US> September ISM manufacturing PMI China> Market closed (National Day)	US> August durable goods (F) China> Market closed (National Day)	OPEC+ ministerial meeting Korea> September CPI US> September ISM services PMI MBA mortgage applications China> Market closed (National Day)	US> New jobless claims China> Market closed (National Day)	US> September non-farm payrolls September jobless rate China> Market closed (National Day) September FX reserves
10	11	12	13	14
Korea> Market closed (substitute holiday for Hangul Day) US> Market closed (Columbus Day) China> September Caixin services PMI (announced October 8) Japan> Market closed (Sports Day)	OECD leading economic index	The OPEC Monthly Oil Market Report Korea> MPC meeting US> FOMC minutes release MBA mortgage applications September PPI	Korea> Stock options expiry US> September CPI Initial jobless claims	Korea> September jobless rate US> September retail sales October Michigan Consumer Confidence (P) China> September PPI September CPI September exports and imports September trade balance
17	18	19	20	21
US> October manufacturing index (New York) China> September mining and manufacturing production September retail sales September fixed asset investment 3Q22 GDP Japan> August mining and manufacturing production (F)	US> September industrial production	US> Fed Beige Book release MBA mortgage applications September housing starts Europe> September CPI (F)	US> Initial jobless claims September existing home sales China> PBOC LPR release	Japan> September CPI
24	25	26	27	28
	US> October Conference Board Consumer Expectations Index	US> September new home sales	Korea> 3Q22 GDP (A) US> Initial jobless claims September durable goods orders (P) 3Q22 GDP (A) Europe> ECB MPC meeting	US> September PCE October Michigan Consumer Confidence (F) Japan> BoJ MPC meeting
31				
Korea> September mining and manufacturing production China> October manufacturing PMI October services PMI Europe> October CPI (P) Japan> September manufacturing production (P)				

Note: 1) Figures in parentheses represent the latest reported figures, Bloomberg estimates and previous reported figures

in that order. For example: Data (actual reported figures, Bloomberg estimate, previous reported figures). Bloomberg estimates are subject to change 2) Earnings release date is from Bloomberg or company announcement
