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Research Center

# Morning KISI/

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# Aneka Tambang (ANTM)

## Nickel to partially offset gold decline

### Gold price is on a decline

Gold prices have declined by around 10.2% YTD, but the average still stands at slightly above USD1,800/Oz. In the midst of tightening monetary policy and a strong USD, we can see US real yields have risen to positive territory (using expected long-term inflation). Following the hawkish tone of the Fed, we may expect another 100 bps lift in the interest rate. We revised down our FY22-24F gold price assumption to USD1,700/oz/USD1,400/oz/USD1,450/oz. Subsequently, we revised down our FY22-24F gold sales volumes by 7.5/9.3% to 900,347 Oz from 973,093 Oz & 992,554 Oz, respectively, and gold ASP by 5.6%/20.0%/14.7% in FY22-24F.

### Creating value from nickel business

Instead of only becoming an upstream player, we can see the aim to move forward through involvement in nickel downstream: i) ANTM entered into a partnership agreement with CNGR to develop OESBF technology nickel smelter; it is a risky proposition given no existing success story at the moment, but the potential sales of nickel ore volumes will be substantial if accomplished; ii) Partnership with CBL and LG to develop integrated EV battery project. In the upstream nickel supply chain/nickel ore mining, ANTM will hold majority ownership or at least 51%. In the downstream, the plan is to build HPAL and RKEF (if ANTM can own 20% and 30% interest in the HPAL and RKEF smelter, our back-at-the-envelope calculation arrived at an additional value of USD163.3 mn and USD483.1mn).

### Maintain BUY call on ANTM with lower TP

We revised down our FY22-24F revenue target by 3.8%/9.3%/9.3% as we fine-tuned our gold sales volumes, gold ASP, and USDIDR exchange rate forecast. In FY22F, we adjusted down EBITDA and net profit by 17.3% and 19.1% after we take into account one-off provision expenses amounting IDR 952.4bn which was reported in opex. For FY23-24F, our EBITDA and net profit moderately lower by -4.1%/-3.4% and -4.0%/-3.3%. Valuation-wise, with a higher interest rate we raised our risk-free rate and beta, hence increasing our WACC to 11.6% (prev: 10.0%). We utilize equally weighted DCF and EV/EBITDA valuation, and also factored in the value of 10% equity interest of ANTM in WBN in our DCF. We arrived at a lower 12-mth TP of IDR2,540/share, but maintain our BUY recommendation on the counter, offering 34.4% upside.

	2019A	2020A	2021F	2022F	2023F
Sales (IDR bn)	32,719	27,372	37,823	42,375	42,339
GP (IDR bn)	4,447	4,476	7,254	9,646	10,087
OP (IDR bn)	956	2,032	3,471	5,409	5,853
NP (IDR bn)	194	1,149	2,307	3,742	4,082
EBITDA (IDR bn)	2,066	3,132	4,657	6,698	7,247
Net debt (IDR bn)	4,921	3,608	2,289	394	(666)
OP margin (%)	2.9	7.4	9.2	12.8	13.8
ROE (%)	1.1	6.0	10.8	15.4	15.4
Dividend yield (%)	0.5	0.1	0.7	1.4	3.2
EPS (IDR)	8	48	96	156	170
chg. (% YoY)		492.9	100.7	62.2	9.1
BPS (IDR)	755	792	888	1,010	1,102
DPS (IDR)	13	3	17	34	78
PE (x)	51.2	31.6	18.7	12.9	12.8
PB (x)	3.1	2.8	2.5	2.2	2.1
EV/EBITDA (x)	15.7	12.7	8.6	5.8	5.4

## Company

### In-depth

### Commodities

Oct 4, 2022

12M rating **BUY (Maintain)**  
12M TP **IDR 2,540**  
Upside **+34.4%**

#### Stock Data

JCI (Oct 3)	6,928
Stock price (Mar 4, IDR)	1,890
Market cap (IDR bn)	45,418
Shares outstanding (m)	24,030
52-week high/low (IDR)	1,535/3,170
6M avg. daily turnover (IDR bn)	270.2
Free float (%)	34.95

#### Major shareholders (%)

PT Indonesia Asahan Aluminium	65.0
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#### Performance

	1M	6M	12M
Absolute (%)	(2.5)	(19.2)	(13.9)
Relative to JCI (%p)	1.9	(24.0)	(24.3)

#### ANTM stock price



Source: Bloomberg

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## Conventional banks

### Stick with the driving force for economy

#### Earnings on track to surpass the pre-pandemic level

Net profit for banks under our coverage continues to surge in line with the improvement in economic activities; on track to exceed the pre-pandemic level. **8M22 results showed that big SOE banks** (i.e. BBNI, BMRI, BBRI) **outperformed BBKA and their smaller counterparts** by clocking more than 60% YoY net profit growth; driven by decent loan growth, better NIM, better efficiencies, and much lower provisionings (i.e. better asset quality). **We expect big SOE banks to record ~24% earnings CAGR between FY21 & FY24 outpacing BBKA** and other conventional banks under our coverage.

#### Loan growth to moderate next year onwards

**Loan demand continues to be strong** with 10.62% YoY growth as of end Aug2022. Despite this, **current loan to GDP ratio at 31%** remains low (as compared to its 10-year average of 34%), **implying ample room for more aggressive growth**. 5 big sectors (i.e. mining, financial & insurance, manufacturing, agriculture, and trade) which made up ~50% pushed the loan demand YTD.

#### Expect heightening competition for 3<sup>rd</sup> party funds starting 4Q22

Rising USD strength and commodities (particularly oil price which has a strong correlation with Indonesia's inflation) have prompted Bank Indonesia to react with gradual tightening measures to stabilize IDR exchange rate (against USD) and control surging inflation. **We expect competition for 3rd party funds to start intensifying in 4Q22 onwards**; particularly for low-capitalized banks & other financial institutions.

#### Maintain OVERWEIGHT on this bellwether sector

Indonesian banks' fundamentals are largely intact and managed to steer away from troubles during covid-19 pandemic. Higher provisions allocated and equity raising within the last two years should provide enough capacity to allow banks to be more aggressive if needed. In particular, big banks with good asset quality have performed extremely well during a more cautious outlook. **We continue to like big SOE banks** for their potential cost efficiencies and synergies from integration **with BBNI and BMRI as our top picks** as their PB valuation remains undemanding at -1SD of their respective 10-year mean. **Other BUYs are BBRI (albeit with lower potential upside) and PNBK (for its potential M&A story)**. We have HOLD recs on BBKA (rich valuation), BBTN, and BTPS (both are less desirable higher beta conventional bank stocks).

#### Banks valuation

Bank	Mkt. cap (IDR tr)	PB		PE		Earnings growth (%)		ROE (%)
		FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F
BBKA	1,054.0	4.6	4.1	28.1	25.4	19.3	10.7	16.2
BBNI	165.0	1.2	1.1	10.3	8.2	47.2	24.9	11.8
BBRI	703.2	2.2	2.1	15.8	13.2	35.7	19.2	14.0
BMRI	430.5	1.9	1.7	11.3	9.9	35.4	14.4	16.5
BBTN	15.9	0.7	0.6	5.4	4.9	24.7	10.1	12.2
BTPS	21.3	2.5	2.1	11.6	8.8	25.4	31.2	21.7
PNBK	52.3	1.1	1.1	17.4	15.4	45.7	13.1	6.5

Source: Bloomberg, KISI

## Overweight (Maintain)

Company	Rating	TP (IDR)
BBKA	HOLD	8,250
BBNI	BUY	10,300
BBRI	BUY	5,300
BMRI	BUY	10,900
BBTN	HOLD	1,700
BTPS	HOLD	3,000
PNBK	BUY	3,000

#### IDXFIND Index



Source: Bloomberg

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## Market Commentary

### Market Commentary

- JCI ended 62 pts higher on Tuesday, tracking rally in global markets on improved risk sentiments as investors wagered central banks may slow the pace of monetary tightening.
- The index stayed elevated throughout the sessions and climbed above 7100 levels before cooling off a little to end at 7072, due to profit taking in some heavyweight names.
- The up move was supported by commodity and banks, following the rise in oil prices, gold held steady near three-week peak, and copper prices rose that buoyed by a softer usd and a dip in US bond yields.
- Coal miners led commodity stocks higher as US coal prices surpass \$200 as global energy crunch expands. ADRO IJ +4.04%, ITMG IJ +4.74%.
- Gold miners rose as gold prices extended its biggest advance since March on weaker usd and T yields. BRMS IJ +15.10%, MDKA IJ +1.79%.
- Top Gainers : BBRI (+2.43%), ADRO (+4.04%), ASII (+1.51%)
- Top Losers: TLKM (-0.45%), BMRI (-0.54%), CPIN (-1.78%)

## News

### Macroeconomic, Sector and Corporate News

- CENT – To seek shareholders' approval today to complete acquisition of 397 towers from PT. Anugerah Communication (PTAC) for IDR1.17tn. CSPA was signed on 17Aug2022. (Investor daily)
- AALI – To distribute IDR85/shs interim dividend (~1% yield). Cum date:11Oct2022. (Bisnis)
- SSMS – To distribute IDR74.6/shs interim dividend (~5.5% yield). Cum date:11Oct2022. (Bisnis)
- TINS – Issued IDR 626bn Medium Term Notes (MTN) with 3-yr tenor & 7.2% coupon rate p.a. (absorbed by PTBA & PT. Inalum) to refinance its bridging loan. (Kontan)
- PBRX – Plans to raise IDR750.2bn through pre-emptive rights issue of up to 15bn shares (231.6% of capital) @IDR50/sh. (Bisnis)
- BNBA – Plans for pre-emptive rights issue of up to 1.39 bn shares (~50% of capital) to meet min. IDR3tn core capital (set by OJK) by end of 2022. (Kontan)
- BABP – Secured shareholders' approval for pre-emptive right issue of up to 10.48bn shares (25% of capital) to meet min. IDR3tn core capital (set by OJK) by end of 2022. (Investor Daily)

## Outliers

### Outlier Stocks

- Sharp Movers (Up) : VICO (+34.8%), IPPE (+32.5%), ITMA (+21.1%)
- Sharp Movers (Down) : ESTA (-7%), BKDP (-6.9%), FPNI (-6.7%)

Mon	Tue	Wed	Thu	Fri
			1	2
			Korea> 2Q22 GDP (P) August exports and imports US> New jobless claims August ISM manufacturing PMI China> August Caixin manufacturing PMI	Korea> August CPI US> August non-farm payrolls August jobless rate July durable goods orders (F)
5	6	7	8	9
US> <b>Market closed (Labor day)</b> China> August Caixin services PMI	US> August ISM services PMI	US> <b>Fed Beige Book release</b> MBA mortgage applications July trade balance Europe> 2Q22 GDP (F) China> August exports and imports August trade balance August FX reserves	US> New jobless claims Europe> <b>ECB MPC meeting</b> Japan> 2Q22 GDP (F)	Korea> <b>Market closed (Chuseok)</b> China> August PPI August CPI
12	13	14	15	16
OECD leading economic index Korea> <b>Market closed (Chuseok)</b> China> <b>Market closed (Mid-autumn festival)</b>	<b>The OPEC Monthly Oil Market Report</b> US> August CPI	US> MBA mortgage applications August PPI Japan> July mining and manufacturing production (F)	US> New jobless claims September manufacturing index (New York) August retail sales August mining and manufacturing production August facility utilization	Korea> August unemployment rate US> September Michigan Consumer Confidence (P) Europe> August CPI (F) China> August mining and manufacturing production August fixed asset investment August retail sales
19	20	21	22	23
Japan> <b>Market closed (Respect for the Aged Day)</b>	US> August housing starts Japan> August CPI	US> <b>FOMC meeting</b> MBA mortgage applications August existing home sales	US> New jobless claims	Japan> <b>Market closed (Autumnal Equinox Day)</b>
26	27	28	29	30
	US> August durable goods orders (P) September Conference Board Consumer Expectations Index August new home sales	US> MBA mortgage applications	US> New jobless claims 2Q22 GDP	Korea> August mining and manufacturing production US> September Michigan Consumer Confidence (F) August PCE Europe> September CPI (P) China> September manufacturing PMI September services PMI Japan> August mining and 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