

29 OCTOBER 2019

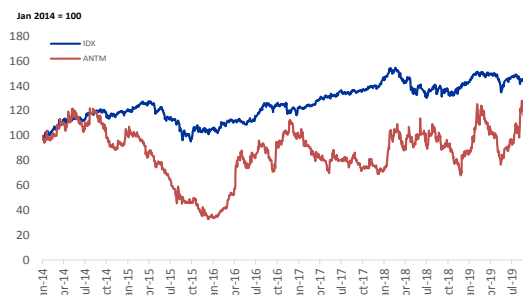
## COMPANY UPDATE

### BUY

#### STOCK INFORMATION

Bloomberg Code	ANTM U
Sector	Metal Mining
Current Price	Rp 915
Target Price	Rp 1,300
Upside/Downside	42.1%
Share Out (bn shares)	24.03
Market Cap (Rp bn)	25.713
52 – w range (low-high)	Rp 595– Rp 1,175
Average daily turnover (Rp bn)	
1 month	Rp 140.6
3 month	Rp 131.4
YTD 2019	Rp 105.3

#### PRICE CHART



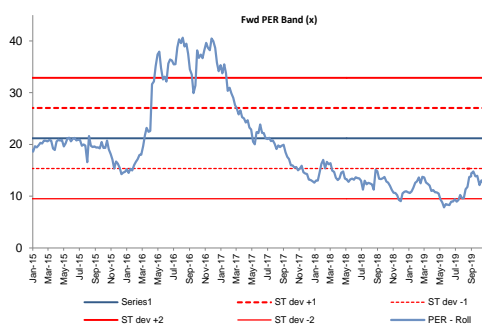
Source: Bloomberg

#### SHAREHOLDER'S INFORMATION

INALUM	65%
Public	35%

Source: Company data

#### PRICE CHART



Source: Bloomberg

## PT ANEKA TAMBANG TBK

### 3Q19 SOLID EARNINGS

ANTM reported solid earnings in 3Q19 on the back of strong nickel price led to solid operating results. Net profit became Rp 195bn (+0.7% QoQ, -31.8% YoY). We still like ANTM with a promising outlook for 2H19 earnings. We retain our BUY recommendation with TP Rp 1,300 as we roll forward our valuation basis to FY20F. ANTM is currently trading at 24.5x and 16.8x of PER in 2019F and 2020F.

#### Solid 3Q19 result, supported by ferronickel and gold segment

ANTM reported 3Q19 net profit of Rp195bn (-31.8% yoy/+0.7% qoq), bringing the 9M19 net profit to Rp 561bn or 63% and 52% of our and consensus forecast. We see the solid earnings in 3Q19 mainly due: 1) higher ferronickel sales volume to 6.546 TNi (+8.5 QoQ, +4.4 YoY) despite lower nickel ore sales volume (-26% QoQ, -27.1% YoY) 2) strong gold sales volume to 10,971 (+18.9 QoQ, +27.2 YoY) 3). Higher ASP's of ferronickel and nickel ore increased by 11% and 2% QoQ respectively. On YoY basis, net profit decline -11.1% YoY mainly due, higher trading activities increased purchases of precious metals (+22.9% YoY) this accounted 76% of total COGS and higher tax rate of 38.4% in 9M19 (vs 9M18: 32.4%).

#### Strong earnings outlook going forward

The completion of Pomalaa plant will ramp up ANTM'S capacity by +66% YoY to 40k tonnes per annum with sales of 31k tonnes in 2019, rising gradually in the following years. We estimate the revenue to increase by 9.9% YoY to Rp 31.7 trillion with net margin of approx. 4.1% YoY in 2020F. For gold segment, we forecast our gold sales volume to increase by 15.45% YoY, partly due to investors seeking more stable investment given a prolonged US – China trade tension. ANTM has also expanded their gold market into India, UEA and Malaysia to expand market penetration and we believe company will continue to be innovate after successes with batik-themed and Hello Kitty products.

#### Focused on downstream segment as long-term driver

After the acquisition of ICA from Showa Denko, the CGA Tayan is scheduled to commence operation in 4Q19. We forecast ANTM bauxite ore production to resume, reaching around 107k tons with the same of total sales. Meanwhile, to increase its capacity, ANTM will build Smelter Grade Alumina Refinery (SGAR) in Mempawah, which is targeted to operate in 2020. SGAR's project potentially produce 1 mn tonnes alumina per annum and can be a raw material to produce 500k ton aluminium. This could remove the dependency of imports alumina and potentially increase bauxite production in 2020F to 3 million wmt (+150 % YoY).

#### BUY rating – fair value at Rp 1,300/share

We retain our BUY recommendation with TP Rp 1,300 as we roll forward our valuation basis to FY20F. The stocks implies 23.8x and 6.7x PER and EV/EBITDA 2020F, while the stock is currently traded at 24.6x and 4.9x PER and EV/EBITDA 2019F. With upside potential of 42.1%.

**Key risks:** 1) Significant drop in nickel and gold prices; 2) lower than expected ferronickel and gold sales volume; 3) changes in government policies.

#### Financial Summary

(Rp billion)	2017A	2018F	2019F	2020F	2021F
Revenue	12,654	25,242	28,840	31,707	34,034
EBITDA	1,374	2,557	2,558	3,209	6,822
Net profit	137	874	896	1,309	3,814
EPS (Rp)	6	36	37	54	159
PER (x)	161.08	25.15	24.55	16.79	5.77
PBV (x)	1.19	1.11	1.07	1.00	0.85
EV/EBITDA (x)	5.55	5.00	4.98	4.75	4.28
RoE (%)	0.74	4.43	4.34	5.97	14.81

Source: Company data and Lotus Andalan Research

## INTERIM FINANCIAL RESULT

	9M18	9M19	YoY	FY19F	Coverage	2Q19	3Q19	QoQ	Comment
<b>P/L (In Rp billion)</b>									
Revenue	19,951	24,537	23.0%	28,840	85.1%	8,207.1	10,111	23.2%	Gold segment supported quarterly earnings
Cost of revenue	(16,017)	(20,801)	29.9%	25,382	-82.0%	(6,870)	(8,748)	27.3%	
Gross profit	3,934	3,736	-5.0%	3,457	108.1%	1,337	1,363	1.9%	
Operating Expense	1,998	2,500	25.2%	2,019	123.9%	902	867	-3.9%	
Operating profit	1,937	1,235	-36.2%	1,438	85.9%	435	495	13.8%	
Net Profit	631	561	-11.1%	896	62.7%	194	195	0.7%	Lower earnings from rising costs
<b>Profitability</b>									
Gross margin	19.7%	15.2%		12.0%		16.3%	13.5%		
EBIT margin	9.7%	5.0%		12.0%		16.3%	13.5%		
Net margin	3.2%	2.3%		3.1%		2.4%	1.9%		

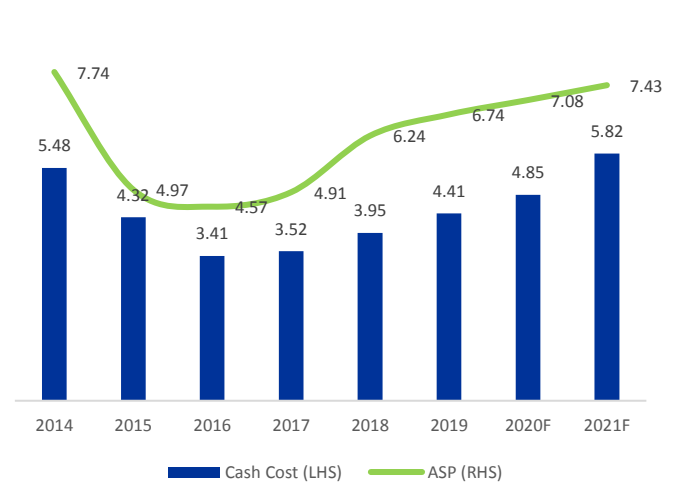
Source: Company data and Lotus Andalan Research

## Gold Cash Cost and ASP (US\$/ Troy oz)



Source: Company data, Lotus Andalan Research

## Ferronickel Cash Cost and ASP (US\$/lb)



Source: Company data, Lotus Andalan Research

## Financial Highlights of PT Aneka Tambang Tbk

In Rp Billion									
BALANCE SHEET					INCOME STATEMENT				
	2017A	2018A	2019F	2020F		2017A	2018A	2019F	2020F
<b>ASSETS</b>					<b>Revenue</b>				
Cash & cash equivalents	5,551	4,299	3,349	4,123	COGS	12,654	25,242	28,840	31,707
Accounts receivable	1,377	975	1,114	1,225		11,010	21,765	25,382	27,429
Inventories - net	1,258	2,028	1,961	2,182					
Other current assets	816	1,197	1,367	1,231	Gross profit	1,644	3,477	3,457	4,278
<b>Total current assets</b>	<b>9,002</b>	<b>8,498</b>	<b>7,791</b>	<b>8,761</b>					
	15,692	21,667	22,047	22,396	Operating expenses	1,043	1,624	2,019	2,220
Fixed assets	5,320	3,141	3,588	3,945	<b>Operating profit</b>	<b>601</b>	<b>1,853</b>	<b>1,438</b>	<b>2,058</b>
Other non current assets	21,012	24,808	25,636	26,341					
<b>Total Non current assets</b>	<b>30,014</b>	<b>33,306</b>	<b>33,426</b>	<b>35,102</b>	<b>EBITDA</b>	<b>1,374</b>	<b>2,557</b>	<b>2,558</b>	<b>3,209</b>
<b>TOTAL ASSETS</b>					Interest income	260	164	194	151
<b>LIABILITIES &amp; EQUITY</b>	4,101	3,773	4,311	4,740	Interest expense	348	554	336	314
Short term bank loan	1,291	1,158	1,977	2,201	Other income (expenses)	(55)	(307)	-	-
Accounts payable	-	-	-	-	<b>Total other income/(expenses)</b>	<b>(143)</b>	<b>(697)</b>	<b>(142)</b>	<b>(164)</b>
Current maturities - bank loan	161	580	663	729	<b>Income before tax</b>	<b>454</b>	<b>1,266</b>	<b>1,296</b>	<b>1,895</b>
Other payables	5,552	5,511	6,951	7,669	Tax expense	318	391	401	586
Total Current Liabilities	5,298	7,348	5,032	4,599					
Bank loan	674	708	809	889	<b>Net profit before minority interest</b>	<b>137</b>	<b>874</b>	<b>896</b>	<b>1,309</b>
Other LTD	5,971	8,055	5,840	5,488	Minority interest	(0)	0	0	0
Total Non Current Liabilities	6,338	6,338	6,338	6,338					
Capital Stock & APIC	9,766	10,591	11,487	12,796	<b>Net profit</b>	<b>137</b>	<b>874</b>	<b>896</b>	<b>1,309</b>
RE	2,387	2,810	2,810	2,810	<b>EPS (Rp)</b>	<b>6</b>	<b>36</b>	<b>37</b>	<b>54</b>
other	18,490	19,739	20,635	21,944					
Total Equity	30,014	33,306	33,426	35,102					
<b>TOTAL LIABILITIES &amp; EQUITY</b>	5,551	4,299	3,349	4,123					
	1,377	975	1,114	1,225					
<b>CASH FLOW STATEMENT</b>					<b>KEY FINANCIAL RATIOS</b>				
	2017A	2018A	2019F	2020F	<b>Growth (%)</b>	2017A	2018A	2019F	2020F
<b>Net Income</b>	137	874	896	1,309	Sales	39.0	99.5	14.3	9.9
Depreciation & Amortization	773	704	1,120	1,151	Gross profit	93.0	111.5	(0.6)	23.7
Change in WC	(46)	(500)	747	(109)	Operating Profit	72.6	208.5	(22.4)	43.1
Others	688	797	(88)	203	EBITDA	122.2	86.1	0.1	25.4
<b>Net Operating Cash Flow</b>	<b>1,551</b>	<b>1,875</b>	<b>2,675</b>	<b>2,554</b>	Net Profit	110.7	540.6	2.4	46.2
Capital Expenditure	(1,854)	(6,679)	(1,500)	(1,500)	<b>Profitability (%)</b>				
Others	(1,209)	4,085	(448)	(357)	Gross margin	13.0	13.8	12.0	13.5
<b>Net Investing Cash Flow</b>	<b>(3,063)</b>	<b>(2,594)</b>	<b>(1,948)</b>	<b>(1,857)</b>	Operating margin	4.7	7.3	5.0	6.5
Change in borrowings - net	(506)	1,722	(1,778)	(4)	EBITDA margin	10.9	10.1	8.9	10.1
Dividend payment	-	-	-	-	Net Profit margin	1.1	3.5	3.1	4.1
Adjustment	(63)	(2,342)	101	80	ROA	0.5	2.6	2.7	3.7
<b>Net Financing Cash Flow</b>	<b>(568)</b>	<b>(620)</b>	<b>(1,677)</b>	<b>77</b>	ROE	0.7	4.4	4.3	6.0
<b>Change in cash</b>	<b>(2,080)</b>	<b>(1,339)</b>	<b>(950)</b>	<b>774</b>	<b>Solvency (x)</b>	1.1	1.3	1.2	1.1
Cash at the beginning period	7,623	5,551	4,299	3,349	Current ratio (x)	0.6	0.4	0.4	0.4
Cash at the ending period	5,551	4,299	3,349	4,123	Net debt to equity (x)	6.8	4.3	2.5	2.6
					Net debt to EBITDA (x)	1.7	3.3	8.0	7.7
					Interest coverage (x)	39.0	99.5	14.3	9.9

Source: Company data and Lotus Andalan Research

**Notes:**

The definitions of Lotus Andalan Research for Investment Ratings:

- **BUY** : +15% and above, over the next 12 months
- **NEUTRAL** : -15% to +15%, over the next 12 months
- **SELL** : -15% and worse, over the next 12 months

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