FOCUS RESEARCH

11 NOVEMBER 2020

COMPANY UPDATE

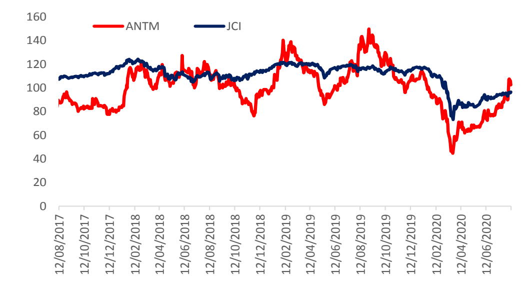
PT ANEKA TAMBANG TBK

BUY

STOCK INFORMATION

Bloomberg Code	ANTM IJ
Sector	Metal Mining
Current Price	Rp 1.200
Target Price	Rp 1.400
Upside/Downside	16.6%
Share Out (mn shares)	24,031
Market Cap (Rp bn)	28,841
52 – w range (low-high)	Rp 338 - Rp 1,255
Average daily turnover (Rp bn)	
1 month	Rp 144.6
3 month	Rp 133.1
YTD 2020	Rp 106.1

PRICE CHART



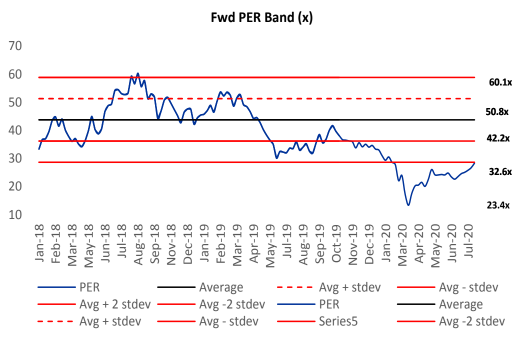
Source: Bloomberg

SHAREHOLDER'S INFORMATION

INALUM	65%
Public	35%

Source: Company data

PE/BAND



Source: Bloomberg

Glimmer of hope

ANTM posted strong results in 3Q20 with net profit of IDR 751 billion (vs. 2Q20 net profit of IDR 367 billion). The strong 3Q20 result above our expectations mainly due higher nickel ore volume and price. For 9M20, ANTM posted net profit of IDR 836 bn, achieving 75.4% and 71.5% of our and consensus FY20F. We estimates 4Q20 earnings to improve, on the back of: 1) Improving LME nickel prices supported by increasing demand; 2) Monthly mineral ore benchmark will increase domestic ANTM for nickel ore sales; 3) A stronger Rupiah appreciation. We retain our HOLD recommendation, TP Rp 1.400/share. ANTM is currently trading at 1.5x PBV 2020F.

Above Expectations 3Q20 Results, Thanks to Strong Refined Nickel Sales Volume

ANTM's 3Q20 net profit came in at IDR 751 bn (+104.8% QoQ) mainly due to: 1) Strong nickel performance with higher domestic market for ore sales volume to 1.04 wmt (vs. 0 wmt in 2Q20) 2) Higher ferronickel selling price +24,5% QoQ and nickel ore (+3% QoQ and +20% YoY) 3) Lower operating costs particularly in G&A expenses -16% QoQ. Thus, revenue has more than doubled to IDR 8,811 bn (+119% QoQ) in 3Q20. For 9M20 ANTM reported net profit to IDR 836 bn (+30.3% YoY), supported by lower production costs with -10% YoY decline in ferronickel cash cost to USD 3.34/lb and a fall in the tax rate to 25% in 9M20 from 35% in 9M19. The results accomplishing 74.5% and 71.5% of our and consensus' full-year estimates.

Strong Earnings Long-Term Going Forward

ANTM's ferronickel capacity is expected to grow upon completion of its ferronickel plant in East Halmahera. That said, the completion of Pomalaa plant will ramp up ANTM'S capacity, and expect a further improvement in ferronickel production to 40k tonnes for FY22 (vs. Now: 13K tonnes). In addition, higher nickel prices will trigger better earnings in 2H20 compared to 1H20. Given strong nickel ore sales volume in 3Q20, we expect our nickel ore sales estimate of 4.2mn wmt to be achievable. We expect nickel prices to gain momentum in the mid to long term following strong demand growth from electric vehicle (EV) batteries. In addition, we believe ANTM's gold sales volume target of 18,000 – 19,000 kg for 2020 can be exceeded, as the 9M20 gold sales volume has reached 87% of our previous 2020's forecast. LME nickel prices have risen 11% YTD and 41% from the trough this year, making it the best performing metal. We forecast our nickel price averaging at at USD 13,000/ton (-7.15% YoY) and USD 14,500/ton (+11.5% YoY) in FY20 and FY21 respectively.

BUY Rating – Fair Value at Rp 1.400/share

We revise up our ferronickel sales volume and nickel ore sales volume estimates for 2020F and 2021F by an increase of 8% higher nickel price forecast. We retain our TP of Rp 1.400/share, derived from 1.4x PBV 2021F. The stock is currently traded at 1.5X PBV 2020F.

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	2018A	2019A	2020F	2021F
Revenue	12.654	25.242	32.719	23.828	24.151
EBITDA	1.374	2.557	1.904	2.843	3.256
Net profit	137	874	194	1.109	1.376
EPS (Rp)	6	36	8	46	57
PER (x)	211,25	32,98	148,76	26,00	20,95
PBV (x)	1,56	1,46	1,59	1,50	1,40
EV/EBITDA (x)	5,55	5,00	5,52	5,68	5,48
RoE (%)	0,74	4,43	1,07	5,76	6,68

Source: Company data and Lotus Andalan Research

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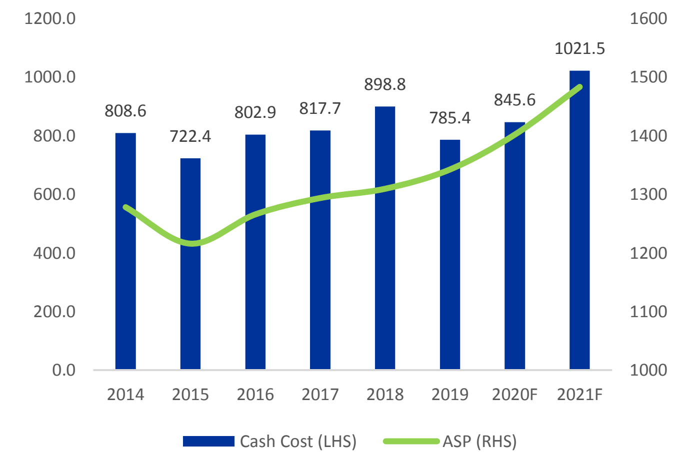
Interim Financial Result

	9M19	9M20	YoY	FY20F	Coverage	2Q20	3Q20	QoQ
P/L (In Rp billion)								
Revenue	24.557	18.037	-26,5%	23.828	75,7%	4.024	8.811	119,0%
Cost of revenue	21.179	15.133	-28,5%	20.404	74,6%	3.276	7.216	120,2%
Gross profit	3.378	2.904	-14,0%	3.424	84,8%	747	1.595	113,5%
Operating Expense	2.138	1.464	-31,5%	1.668	74,2%	433	606	40,0%
Operating profit	1.241	1.440	16,1%	1.756	82,0%	314	989	215,1%
Net Profit	642	836	30,3%	1.109	75,4%	367	751	104,8%
Profitability								
Gross margin	13,8%	16,1%				18,6%	18,1%	
EBIT margin	5,1%	8,0%				7,8%	11,2%	
Net margin	2,6%	4,6%				9,1%	8,5%	

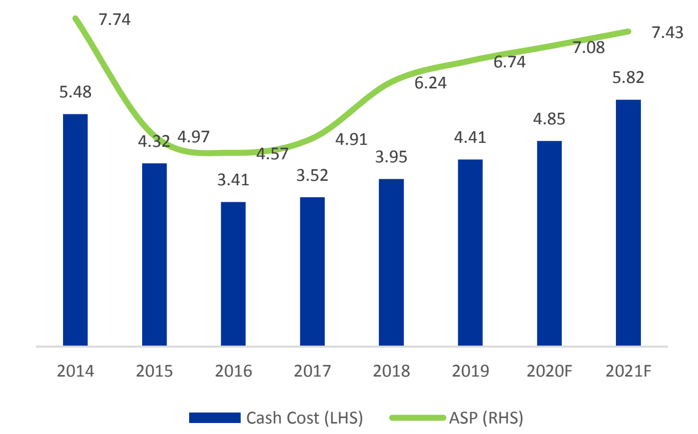
Source: Company data, Bloomberg and Lotus Andalan Research

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	2018A	2019A	2020F	2021F
ASSETS				
Cash & cash equivalents	4.299	3.636	3.542	4.752
Accounts receivable	975	973	709	719
Inventories - net	2.028	1.796	1.623	1.667
Other current assets	1.197	1.259	1.133	1.020
Total current assets	**8.498**	**7.665**	**7.007**	**8.157**
Fixed assets	21.667	20.320	20.733	20.603
Other non current assets	3.141	2.209	1.609	1.631
Total Non current assets	**24.808**	**22.530**	**22.342**	**22.234**
TOTAL ASSETS	**33.306**	**30.195**	**29.350**	**30.390**
LIABILITIES & EQUITY				
Short term bank loan	3.773	3.374	2.457	2.490
Accounts payable	1.158	1.182	1.637	1.680
Current maturities - bank loan	-	-	-	1
Other payables	580	738	537	545
Total Current Liabilities	**5.511**	**5.293**	**4.631**	**4.715**
Bank loan	7.348	5.564	4.599	4.168
Other LTD	708	1.204	877	889
Total Non Current Liabilities	**8.055**	**6.768**	**5.476**	**5.057**
Capital Stock & APIC	6.338	6.338	6.338	6.338
RE	10.591	7.913	9.022	10.398
other	2.810	3.883	3.883	3.883
Total Equity	**19.739**	**18.133**	**19.243**	**20.619**
TOTAL LIABILITIES & EQUITY	**33.306**	**30.195**	**29.350**	**30.391**
Cash & cash equivalents	4.299	3.636	3.542	4.752

INCOME STATEMENT	2018A	2019A	2020F	2021F
Revenue	**25.242**	**32.719**	**23.828**	**24.151**
COGS	21.765	28.271	20.404	20.335
Gross profit	**3.477**	**4.447**	**3.424**	**3.816**
Operating expenses	1.624	3.492	1.668	1.691
Operating profit	**1.853**	**956**	**1.756**	**2.126**
EBITDA	**2.557**	**1.904**	**2.843**	**3.256**
Interest income	164	194	164	159
Interest expense	554	336	314	293
Other income (expenses)	(307)	-	-	-
Total other income/(expenses)	**(697)**	**(142)**	**(151)**	**(134)**
Income before tax	**1.266**	**687**	**1.605**	**1.992**
Tax expense	391	493	496	616
Net profit before minority interest	**874**	**194**	**1.109**	**1.376**
Net profit	**874**	**194**	**1.109**	**1.376**
EPS (Rp)	**36**	**8**	**46**	**57**

CASH FLOW STATEMENT	2018A	2019A	2020F	2021F
Net Income	874	194	1.109	1.376
Depreciation & Amortization	704	948	1.087	1.131
Change in WC	(500)	257	893	(9)
Others	797	95	(75)	121
Net Operating Cash Flow	**1.875**	**1.494**	**3.014**	**2.618**
Capital Expenditure	(6.679)	(1.500)	(1.500)	(1.000)
Others	4.085	931	600	(22)
Net Investing Cash Flow	**(2.594)**	**(569)**	**(900)**	**(1.022)**
Change in borrowings - net	1.722	(2.183)	(1.882)	(398)
Dividend payment	-	-	-	-
Adjustment	(2.342)	1.569	(327)	12
Net Financing Cash Flow	**(620)**	**(614)**	**(2.209)**	**(386)**
Change in cash	**(1.339)**	**311**	**(94)**	**1.210**
Cash at the beginning period	**5.551**	**4.299**	**3.636**	**3.542**
Cash at the ending period	**4.299**	**3.636**	**3.542**	**4.752**

KEY FINANCIAL RATIOS	2018A	2019A	2020F	2021F
Growth (%)				
Sales	99,5	29,6	(27,2)	1,4
Gross profit	111,5	27,9	(23,0)	11,5
Operating Profit	208,5	(48,4)	83,7	21,1
EBITDA	86,1	(25,5)	49,3	14,5
Net Profit	540,6	(77,8)	472,2	24,1
Profitability (%)				
Gross margin	13,8	13,6	14,4	15,8
Operating margin	7,3	2,9	7,4	8,8
EBITDA margin	10,1	5,8	11,9	13,5
Net Profit margin	3,5	0,6	4,7	5,7
ROA	2,6	0,6	3,8	4,5
ROE	4,4	1,1	5,8	6,7
Solvency (x)				
Current ratio (x)	1,3	1,2	1,1	1,1
Net debt to equity (x)	0,4	0,4	0,4	0,4
Net debt to EBITDA (x)	4,3	2,5	2,6	2,6
Interest coverage (x)	3,3	8,0	7,7	7,7

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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