

# Buy

(Maintained)

Last Price (Rp)	790	
Target Price (Rp)	1,400	
Previous Target Price (Rp)	1,400	
Upside/Downside	+77.2%	
No. of Shares (mn)	63,099	
Mkt Cap (Rpbn/US\$mn)	49,848/3,183	
Avg, Daily T/O (Rpbn/US\$mn)	44.7/2.9	
Free Float (%)	13.5	
Major Shareholder (%)		
Harita Jayaraya PT	86.5	
PT Citra Duta Jaya Makmur	0.9	
EPS Consensus (Rp)		
	2023F	2024F
BRIDS	83.4	87.7
Consensus	95.9	119.3
BRIDS/Cons (%)	(13.1)	(26.5)
	2025F	
	87.6	
	147.7	
	(40.7)	

## NCKL relative to JCI Index



Source: Bloomberg

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# PT Trimegah Bangun Persada (NCKL IJ)

## Another fundraising to support solid expansion

- NCKL plans to conduct an EGMS in Mar24 to seek approval for fundraising through a private placement or rights issue.
- The proceeds will be used to strengthen NCKL's integrated nickel business on Obi Island.
- We maintain our FY24-25F forecasts and TP of Rp1,400 until further disclosure, but see 5.4-9% pot. upside from the expansion plan.

### NCKL plans to conduct a private placement or rights issue in 1H24

NCKL plans to conduct an EGMS in Mar24 to seek approval for a fundraising through a private placement or rights issue. The management stated that if a private placement is chosen, then up to 6.3 bn shares (10% of the total capital) will be issued. Alternatively, for a rights issue, the plan is to issue 18.93 bn shares (30% of the total capital).

### Proceeds would be allocated to fund potential M&A in the near future

The management explained that the rationale of the corporate action would be to explore the opportunity to expand capacity through acquisition. NCKL also explained that the fundraising would allow the company to strengthen and expand its integrated nickel business in Obi Island. It should also be noted that post NPR/rights issue, the majority of the ownership will remain with the Harita group.

### Expect to invest further in the HPAL project

We believe the proceeds will be allocated to increase NCKL's stake in its HPAL Phase 3 project, in which NCKL's current ownership is only 10%. This project consists of three nickel-cobalt compound production lines, with planned production capacity of 65,000 tons of nickel-cobalt compound. The project's construction started in 3Q22 with production commencing in 1Q24. We expect the smelter will produce around 25k tons of nickel and 3k tons of cobalt in FY24 before being ramped up to 65k tons of nickel and 7.5k tons of cobalt in FY25. Our sensitivity analysis suggests the impact of shares increment of this HPAL project to 20%-40% from current 10% will boost FY24 net profit by around Rp320 bn to Rp641bn and will lift our 2024F net profit forecasts to IDR5.8tn to IDR6tn.

### Maintain Buy rating and TP of Rp1,400

We maintain our FY23-24F earnings forecasts and our TP at Rp1,400 as we await further clarity from the potential M&A post NPR/Rights issue. We believe raising ownership of HPAL Phase 3 project would provide solid support for NCKL's financials. Key risks to our call include a delayed timeline in the fundraising timeline.

### Key Financials

Year to 31 Dec	2021A	2022A	2023F	2024F	2025F
Revenue (Rpbn)	8,229	9,568	25,249	28,934	29,300
EBITDA (Rpbn)	4,209	4,482	8,468	8,739	8,993
EBITDA Growth (%)	153.8	6.5	88.9	3.2	2.9
Net Profit (Rpbn)	1,969	4,667	5,261	5,531	5,530
EPS Growth (%)	592.6	137.1	12.7	5.1	0.0
PER (x)	25.3	10.7	9.5	9.0	9.0
PBV (x)	8.8	5.3	2.2	2.0	1.8
EV/EBITDA	12.5	12.7	5.9	5.6	5.2

Source: NCKL, BRIDS Estimates

**Exhibit 1. NCKL SOTP Valuation**

Assets	Valuation	Adjusted ownership value (in US\$ mn)
Mining	\$1,091.95	983
MSP	\$672.71	404
HJF	\$3,513.05	2,217
KPS	\$6,333.30	2,217
HPL	\$1,462.22	659
ONC	\$1,652.09	165
<b>Total</b>		<b>6,644</b>
Debt/ (Net cash)		537
<b>Net Value</b>		<b>6,107</b>
Outstanding shares (in mn shares)		63,098
Equity Value (IDR/sh)		1,403
<b>Target Price (IDR/sh)</b>		<b>1,400</b>

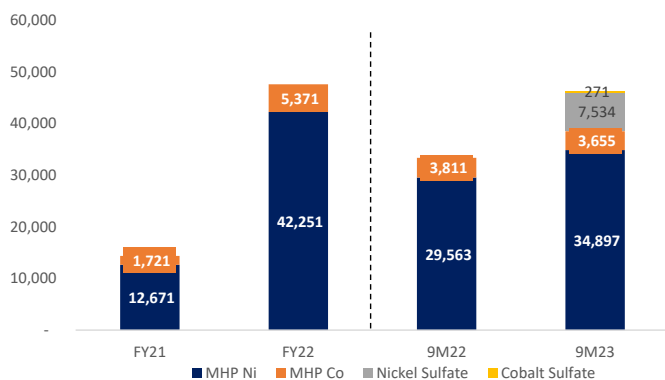
Source: Company, BRIDS Estimates

**Exhibit 2. Sensitivity analysis on 2024F earnings**

HPAL Phase 3 Equity Ownership	Earnings 2024F (in Rp tn)
20%	5,852
30%	5,981
40%	6,012

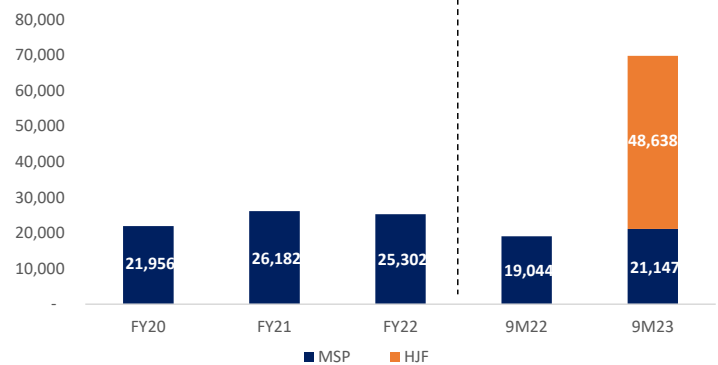
Source: Company, BRIDS Estimates

**Exhibit 3. HPAL sales volume (in tons)**



Source: Company, BRIDS Estimates

**Exhibit 4. RKEF sales volume (in tons)**



Source: Company, BRIDS Estimates

**Exhibit 5. Income Statement**

Year to 31 Dec (Rpbn)	2021A	2022A	2023F	2024F	2025F
<b>Revenue</b>	<b>8,229</b>	<b>9,568</b>	<b>25,249</b>	<b>28,934</b>	<b>29,300</b>
COGS	(3,715)	(4,893)	(17,139)	(20,448)	(20,001)
<b>Gross profit</b>	<b>4,514</b>	<b>4,675</b>	<b>8,110</b>	<b>8,487</b>	<b>9,299</b>
<b>EBITDA</b>	<b>4,209</b>	<b>4,482</b>	<b>8,468</b>	<b>8,739</b>	<b>8,993</b>
<b>Oper. profit</b>	<b>3,567</b>	<b>3,984</b>	<b>7,299</b>	<b>7,527</b>	<b>7,739</b>
Interest income	17	19	38	87	234
Interest expense	(323)	(294)	(327)	(278)	(229)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	715	2,916	2,140	1,592	1,152
Other Income (Expenses)	(1,294)	(1,223)	0	0	0
<b>Pre-tax profit</b>	<b>2,682</b>	<b>5,401</b>	<b>9,150</b>	<b>8,930</b>	<b>8,896</b>
Income tax	(605)	(812)	(911)	(880)	(929)
Minority interest	(108)	78	(2,978)	(2,518)	(2,437)
<b>Net profit</b>	<b>1,969</b>	<b>4,667</b>	<b>5,261</b>	<b>5,531</b>	<b>5,530</b>
<b>Core Net Profit</b>	<b>1,969</b>	<b>4,667</b>	<b>5,261</b>	<b>5,531</b>	<b>5,530</b>

**Exhibit 6. Balance Sheet**

Year to 31 Dec (Rpbn)	2021A	2022A	2023F	2024F	2025F
Cash & cash equivalent	2,578	1,277	8,746	7,796	9,075
Receivables	212	381	819	939	951
Inventory	1,300	4,087	4,842	5,549	5,619
Other Curr. Asset	683	589	1,808	2,071	2,098
Fixed assets - Net	10,972	20,668	22,937	22,695	22,411
Other non-curr.asset	5,257	7,603	9,428	9,778	10,144
<b>Total asset</b>	<b>21,002</b>	<b>34,605</b>	<b>48,581</b>	<b>48,828</b>	<b>50,298</b>
ST Debt	4,335	117	2,753	980	980
Payables	2,384	4,515	5,113	5,042	4,932
Other Curr. Liabilities	1,986	5,577	5,263	5,396	5,366
Long Term Debt	1,151	8,309	6,531	5,551	4,571
Other LT. Liabilities	1,605	1,858	1,910	1,964	2,019
<b>Total Liabilities</b>	<b>11,460</b>	<b>20,376</b>	<b>21,571</b>	<b>18,933</b>	<b>17,868</b>
Shareholder's Funds	5,641	9,484	22,170	24,959	27,394
Minority interests	3,901	4,745	4,840	4,937	5,036
<b>Total Equity &amp; Liabilities</b>	<b>21,002</b>	<b>34,605</b>	<b>48,581</b>	<b>48,828</b>	<b>50,298</b>

**Exhibit 7. Cash Flow**

Year to 31 Dec (Rpbn)	2021A	2022A	2023F	2024F	2025F
Net income	1,969	4,667	5,261	5,531	5,530
Depreciation and Amort.	642	498	1,170	1,212	1,254
Change in Working Capital	651	(598)	(1,131)	(1,029)	(249)
Other Oper. Cash Flow	308	3,458	(997)	0	0
<b>Operating Cash Flow</b>	<b>3,569</b>	<b>8,025</b>	<b>4,303</b>	<b>5,714</b>	<b>6,535</b>
Capex	2,997	(10,196)	(3,439)	(969)	(969)
Others Inv. Cash Flow	(3,632)	(2,343)	(1,825)	(350)	(366)
<b>Investing Cash Flow</b>	<b>(635)</b>	<b>(12,539)</b>	<b>(5,264)</b>	<b>(1,319)</b>	<b>(1,335)</b>
Net change in debt	(1,442)	3,193	910	(2,699)	(924)
New Capital	40	6,619	10,000	0	0
Dividend payment	0	0	0	0	0
Other Fin. Cash Flow	(946)	(6,599)	(2,479)	(2,646)	(2,996)
<b>Financing Cash Flow</b>	<b>(2,348)</b>	<b>3,213</b>	<b>8,431</b>	<b>(5,345)</b>	<b>(3,920)</b>
<b>Net Change in Cash</b>	<b>585</b>	<b>(1,301)</b>	<b>7,470</b>	<b>(951)</b>	<b>1,280</b>
Cash - begin of the year	1,993	2,578	1,277	8,746	7,796
Cash - end of the year	2,578	1,277	8,746	7,796	9,075

**Exhibit 8. Key Ratios**

Year to 31 Dec	2021A	2022A	2023F	2024F	2025F
<b>Growth (%)</b>					
Sales	102.1	16.3	163.9	14.6	1.3
EBITDA	153.8	6.5	88.9	3.2	2.9
Operating profit	187.1	11.7	83.2	3.1	2.8
Net profit	592.6	137.1	12.7	5.1	0.0
<b>Profitability (%)</b>					
Gross margin	54.9	48.9	32.1	29.3	31.7
EBITDA margin	51.1	46.8	33.5	30.2	30.7
Operating margin	43.3	41.6	28.9	26.0	26.4
Net margin	23.9	48.8	20.8	19.1	18.9
ROAA	9.5	16.8	12.6	11.4	11.2
ROAE	41.2	61.7	33.2	23.5	21.1
<b>Leverage</b>					
Net Gearing (x)	0.3	0.5	0.0	0.0	(0.1)
Interest Coverage (x)	11.0	13.5	22.4	27.1	33.9

Source : NCKL, BRIDS Estimates

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**INVESTMENT RATING**

<b>BUY</b>	Expected total return of 10% or more within a 12-month period
<b>HOLD</b>	Expected total return between -10% and 10% within a 12-month period
<b>SELL</b>	Expected total return of -10% or worse within a 12-month period

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