Buy

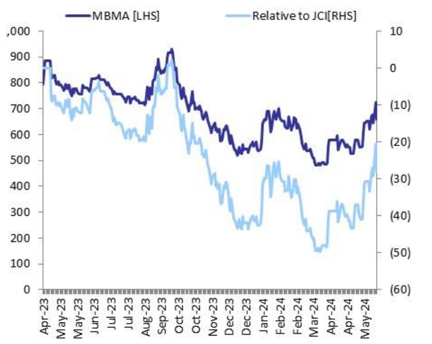
(Maintained)

Last Price (Rp)	660
Target Price (Rp)	700
Previous Target Price (Rp)	*700*
Upside/Downside	+6.1%
No. of Shares (mn)	107,995
Mkt Cap (Rpbn/US$mn)	71,277/4,394
Avg, Daily T/O (Rpbn/US$mn)	44.7/2.8
Free Float (%)	28.5
Major Shareholder (%)	
PT. Merdeka Energi Nusantara	50.0

EPS Consensus (US$cents)

	2024F	2025F	2026F
BRIDS	0.0	0.1	0.2
Consensus	0.1	0.2	0.3
BRIDS/Cons (%)	**(55.7)**	**(47.7)**	**(48.2)**

MBMA relative to JCI Index



Source: Bloomberg

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Merdeka Battery Materials (MBMA IJ)

1Q24 earnings miss, but better prospect in 2Q24 from expanding Matte margin

- **1Q results were below estimates, however we remain optimistic on 2Q earnings as nickel matte ASP could improve on higher LME price**
- **SCM could double its production capacity to >20mt by 2025 as demand pour in from HPAL plants in IMIP**
- **We maintain our FY24-25F and an unchanged TP of Rp700. Reiterate Buy rating on value upside from growth projects**

1Q24 earnings below, but expect improvements in 2Q24 onward

MBMA recorded 1Q24 net profit of US$3.7mn (-41% qoq), despite -20% qoq NPI cash margin decrease. While 1Q24 earnings only accounted for 7.7%/ 2.7% of our/ consensus FY24F estimate, we expect earnings to improve in 2Q24 onwards as LME price have risen by +14% qtd, which should boost its matte's cash margin to offset NPI's possible higher cash cost as it only rises +2% qtd.

AIM to contribute in 2H24

During the earnings call, management guides that MBMA's AIM project shall start producing copper sponge and cathode in 3Q24 and 4Q24 respectively, and to eventually produce 15-18kt of copper annually (equal to Wetar's output). However, as majority of its plants will only be operational in 2H24, management expects significant positive EBITDA contribution starting 4Q24, with a target of US$160-180mn p.a.

Monetizing SCM's vast ore reserve

Management expects the SCM mine to double its ore sales in FY25 as ESG HPAL and another HPAL plant associated with GEM requires an additional c.11Mtpa of limonite by mid-2025. Thus, MBMA's total ore sales could increase to 20Mtpa in limonite, whilst management believes that its cash cost would slightly decrease to US$8/ton (vs. US$10/ton currently) due to the economies of scale. However, we maintain our FY24-25F forecast of 15Mt for now as doubling capacity in a year could prove challenging.

Maintain Buy rating with unchanged TP of Rp700

We maintain our FY24-26F estimates and TP of Rp700 as we expect its 2Q performance to improve on the back of a stronger cash margin. We maintain our Buy rating on MBMA's attractive value upside from growth projects and prefer the stock over its parent MDKA, which posted 1Q24 net loss due to higher-than-expected interest expense. Key risks are higher cash cost, lower ASP, and project delays

Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Revenue (US$mn)	456	1,328	1,808	1,888	2,021
EBITDA (US$mn)	48	97	174	345	456
Net Profit (US$mn)	22	7	48	113	168
EPS (US$cents)	0.0	0.0	0.0	0.1	0.2
BVPS (US$cents)	0.9	1.4	1.5	1.6	1.7
DPS (US$cents)	0.0	0.0	0.0	0.0	0.0
PER (x)	202.8	634.2	91.9	38.9	26.2
PBV (x)	4.6	2.9	2.8	2.6	2.4
Dividen yield (%)	0.0	0.0	0.0	0.0	0.0
EV/EBITDA	98.4	47.2	27.2	13.9	10.5

Source: MBMA, BRIDS Estimates

Exhibit 1.Valuation Table.

DCF	EV (US$ mn)	Valuation
SCM	1,424	
RKEF (BSI, CSI, ZHN, HNMI)	1,246	DCF
HPAL 1 (ESG)	571	
HPAL 2 (CATL)	1,128	
AIM	633	
Total	5,001	
Net (debt)/cash	- 342	
Shares outstanding (Bn shares)	108	
Target price (IDR/sh)	**700**	

Source: BRIDS Estimates

Exhibit 2.MBMA 1Q24 Results.

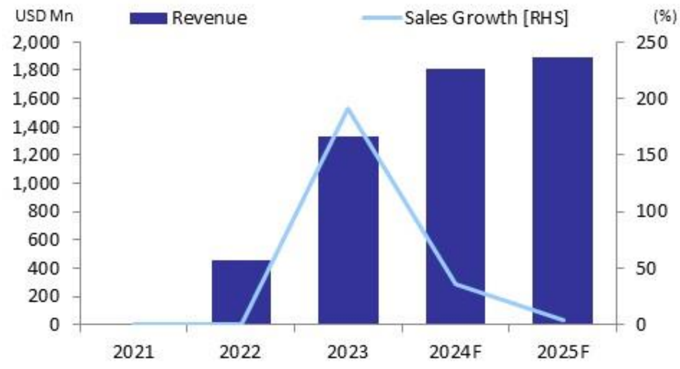
MBMA	1Q23	4Q23	1Q24	q-q (%)	y-y (%)	% of 24E	% of Cons
PROFIT & LOSS (USDmn)							
Revenue	**142.7**	**454.5**	**444.2**	**(2.3)**	**211.2**	**24.6**	**22.6**
Cost of revenue	(130.9)	(438.4)	(426.4)	(2.7)	225.7		
Gross profit	**11.8**	**16.1**	**17.9**	**11.2**	**50.9**		
Operating expenses	(5.9)	(8.8)	(7.4)	(16.0)	24.4		
Operating profit	**5.9**	**7.3**	**10.5**	**44.1**	**77.7**		
EBITDA	**13.1**	**26.8**	**26.5**	**(1.0)**	**102.5**	**15.2**	**7.3**
Other income/(expense)	(11.0)	(1.0)	2.4	(337.9)	(121.8)		
Pre-tax profit	**(5.1)**	**6.3**	**12.9**	**105.5**	**(352.2)**		
Taxes	0.9	0.2	(2.7)	(1,427.0)	(408.0)		
Non-controlling interests	(2.8)	(0.2)	(6.5)	2,561.5	132.5		
Net profit	**(7.0)**	**6.2**	**3.7**	**(41.1)**	**(152.3)**	**7.7**	**2.7**
Margins (%)							
Gross margin	8.3	3.5	4.0				
EBITDA margin	9.2	5.9	6.0				
Op. margin	4.1	1.6	2.4				
Net margin	(4.9)	1.4	0.8				

Source: Company, BRIDS

Operational data	1Q23	4Q23	1Q24	q-q (%)	y-y (%)
NPI production (t)	9,368	22,141	20,900	**-5.6%**	**123.1%**
NPI sales (t)	8,170	22,472	21,621	**-3.8%**	**164.6%**
NPI ASP (USD/t)	17,470	12,099	11,055	**-8.6%**	**-36.7%**
NPI AISC (USD/t)	15,436	10,909	10,107	**-7.4%**	**-34.5%**
NPI Cash Margin	2,034	1,190	948	**-20.3%**	**-53.4%**
Matte production (t)		12,684	12,041	**-5.1%**	
Matte sales (t)		11,700	14,404	**23.1%**	
Matte ASP (USD/t)		14,216	13,673	**-3.8%**	
Matte AISC (USD/t)		14,199	13,120	**-7.6%**	
Matte cash margin		17	553	**3152.9%**	
Limonite ore production (kwmt)		1.6	1.2	**-25.5%**	
Limonite ore sales (kwmt)		0.9	0.6	**-34.2%**	
Limonite ore ASP (USD/t)		17	13	**-23.5%**	

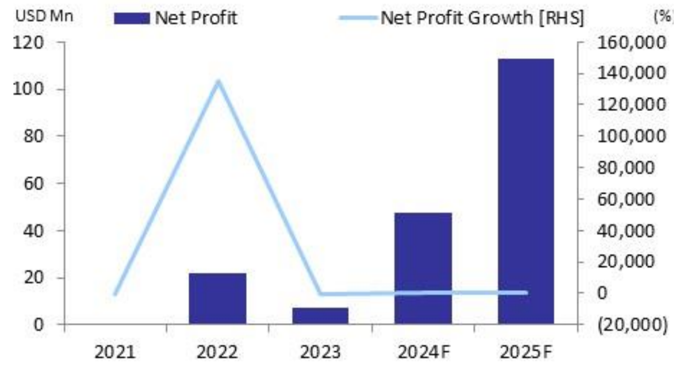
Source: Company, BRIDS Estimates

Exhibit 3. Revenue and Growth



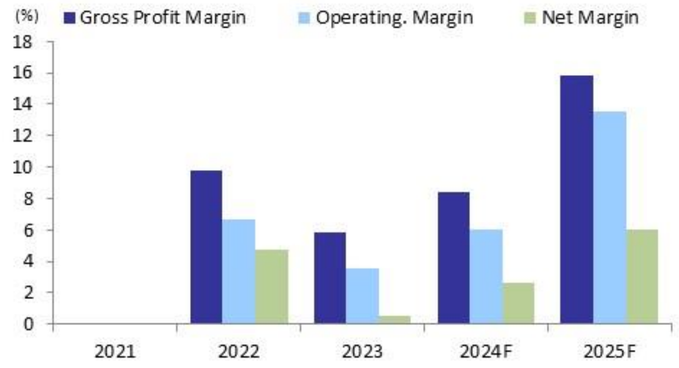
Source: Company, BRIDS Estimates

Exhibit 4. Net Profit and Growth



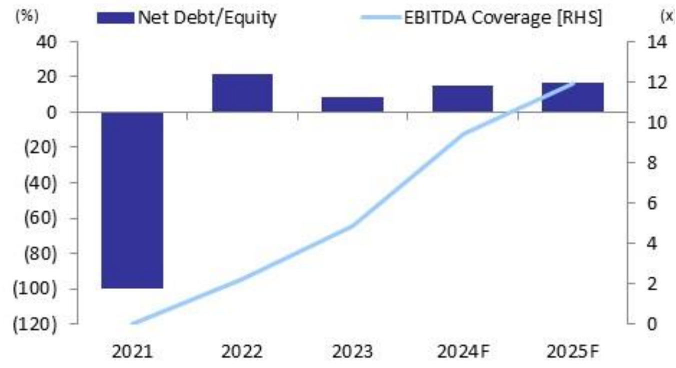
Source: Company, BRIDS Estimates

Exhibit 5. Margins



Source: Company, BRIDS Estimates

Exhibit 6. Gearing Level



Source: Company, BRIDS Estimates

Exhibit 7. Income Statement

Year to 31 Dec (US$mn)	2022A	2023A	2024F	2025F	2026F
Revenue	**456**	**1,328**	**1,808**	**1,888**	**2,021**
COGS	(411)	(1,251)	(1,656)	(1,589)	(1,607)
Gross profit	**44**	**77**	**152**	**299**	**414**
EBITDA	**48**	**97**	**174**	**345**	**456**
Oper. profit	**30**	**48**	**109**	**255**	**366**
Interest income	0	6	6	2	6
Interest expense	(22)	(20)	(19)	(29)	(33)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	1	0	0	0	0
Other Income (Expenses)	27	0	0	0	0
Pre-tax profit	**37**	**33**	**97**	**228**	**339**
Income tax	0	0	(10)	(23)	(34)
Minority interest	(16)	(26)	(39)	(92)	(137)
Net profit	**22**	**7**	**48**	**113**	**168**
Core Net Profit	**22**	**7**	**48**	**113**	**168**

Exhibit 8. Balance Sheet

Year to 31 Dec (US$mn)	2022A	2023A	2024F	2025F	2026F
Cash & cash equivalent	280	290	108	299	391
Receivables	68	121	125	131	140
Inventory	79	288	248	259	277
Other Curr. Asset	42	85	85	85	85
Fixed assets - Net	0	0	0	0	0
Other non-curr.asset	1,952	2,479	2,669	2,834	2,999
Total asset	**2,422**	**3,263**	**3,235**	**3,608**	**3,893**
ST Debt	20	2	2	2	2
Payables	110	262	223	233	249
Other Curr. Liabilities	35	94	94	94	94
Long Term Debt	595	490	454	704	804
Other LT. Liabilities	102	105	105	105	105
Total Liabilities	**862**	**954**	**878**	**1,138**	**1,254**
Shareholder'sFunds	957	1,532	1,580	1,693	1,860
Minority interests	602	778	778	778	778
Total Equity & Liabilities	**2,422**	**3,263**	**3,235**	**3,608**	**3,893**

Exhibit 9. Cash Flow

Year to 31 Dec (US$mn)	2022A	2023A	2024F	2025F	2026F
Net income	22	7	48	113	168
Depreciation and Amort.	18	50	65	90	90
Change in Working Capital	(77)	(68)	(4)	(7)	(11)
OtherOper. Cash Flow	(361)	(56)	0	0	0
Operating Cash Flow	**(399)**	**(67)**	**109**	**196**	**247**
Capex	(1,469)	(542)	(255)	(255)	(255)
Others Inv. Cash Flow	0	0	0	0	0
Investing Cash Flow	**(1,469)**	**(542)**	**(255)**	**(255)**	**(255)**
Net change in debt	610	(124)	(36)	250	100
New Capital	1,539	743	0	0	0
Dividend payment	0	0	0	0	0
Other Fin. Cash Flow	(2)	0	0	0	0
Financing Cash Flow	**2,148**	**619**	**(36)**	**250**	**100**
Net Change in Cash	**280**	**10**	**(182)**	**191**	**92**
Cash - begin of the year	0	280	290	108	299
Cash - end of the year	280	290	108	299	391

Exhibit 10. Key Ratio

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Growth (%)					
Sales	0.0	191.5	36.1	4.4	7.0
EBITDA	(892,9)	102.6	79.0	97.8	32.3
Operating profit	(566,6)	55.9	129.9	133.1	43.7
Net profit	134,7	(68.0)	589.9	136.2	48.7
Profitability (%)					
Gross margin	9.7	5.8	8.4	15.8	20.5
EBITDA margin	10.5	7.3	9.6	18.3	22.6
Operating margin	6.7	3.6	6.0	13.5	18.1
Net margin	4.8	0.5	2.6	6.0	8.3
ROAA	1.8	0.2	1.5	3.3	4.5
ROAE	4.5	0.6	3.1	6.9	9.5
Leverage					
Net Gearing (x)	0.2	0.1	0.1	0.2	0.2
Interest Coverage (x)	1.4	2.4	5.9	8.8	11.1

Source : MBMA, BRIDS Estimates

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INVESTMENT RATING	
BUY	Expected total return of 10% or more within a 12-month period
HOLD	Expected total return between -10% and 10% within a 12-month period
SELL	Expected total return of -10% or worse within a 12-month period