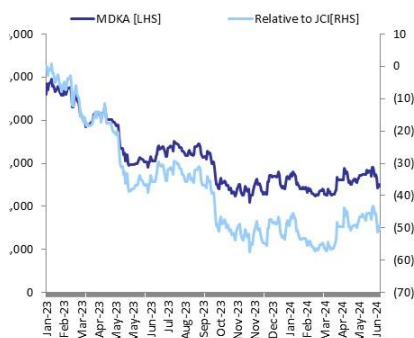


Buy

(Maintained)

Last Price (Rp)	2,460
Target Price (Rp)	3,100
Previous Target Price (Rp)	3,100
Upside/Downside	+26.0%
No. of Shares (mn)	24,111
Mkt Cap (Rpbn/US\$mn)	59,313/3,643
Avg, Daily T/O (Rpbn/US\$mn)	137.7/8.5
Free Float (%)	51.0
Major Shareholder (%)	18.8
Saratoga Investama	
Mitra Daya Mustika	11.9
EPS Consensus (US\$cents)	
	2024F 2025F 2026F
BRIDS	0.1 0.1 0.1
Consensus	0.1 0.4 0.9
BRIDS/Cons (%)	(40.5) (73.5) (90.6)

MDKA relative to JCI Index



Source: Bloomberg

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Merdeka Copper Gold (MDKA IJ)

Lowering our FY24-25F estimates on higher interest expenses; possible upside for TB Copper

- We slash our FY24-25F net profit estimates by -74%/-62% to reflect higher-than-expected interest expenses and the 1Q24 net loss.
- The mgmt expects Wetar to only breakeven in FY24 despite posting a positive cash margin in 1Q24. This implies higher costs in 2Q24 onwards.
- We maintain our Buy rating with an unchanged TP of Rp3,100 on upside potential from growth projects, but prefer its subsidiary MBMA.

Cutting our FY24-25F estimates on higher-than-expected 1Q24 interest exp. MDKA recorded a 1Q24 net loss of -US\$15.2mn reflecting higher-than-expected interest expenses from its US\$1.5bn debt. On the operating front, 1Q24 revenue was inline as it reached 25%/24% of our FY24F/consensus estimates at US\$541mn, +0.8% qoq. Against this backdrop, we raise our FY24-25 interest expenses estimate to US\$102mn/83mn (compared to US\$61mn/52mn) and lower our net profit estimates by -74% and -62%, respectively (our operating assumptions are unchanged as the 1Q24 deliveries were in-line with expectations).

Wetar copper: higher indicative costs but revenue upside from sales to AIM Following a 1Q24 net loss of -US\$1.1mn in Wetar, the management indicated that the mine may only breakeven this year, despite posting its first positive cash margin in over five quarters. We believe the management's expectation implies rising costs for the remaining quarters as the company provided guidance of costs of US\$3.25-4.0/lb (c.US\$7.1k-8.8k/ton) vs the 1Q cost of US\$2.7/lb (c.US\$5.8k/ton). However, Wetar anticipates additional sales volume from selling 1Mtpa of ore to the AIM project, potentially generating c.US\$15mn annually (vs. Wetar's FY23 revenue of US\$115mn).

Better prospects for TB copper from possible open-pit mining

MDKA aims to enhance TB copper's economic viability by exploring open-pit production opportunities in the first five years of operation, through reduction of upfront capital requirements and cashflow generation for its sub-level cave (SLC) project. Meanwhile, SLC and block cave have reportedly seen positive drilling results that resulted in a conversion of >300Mt (+71%) of inferred resources to indicated resources in Mar24 (containing 4.5Mt of copper and 16Moz of gold).

Maintain Buy rating with an unchanged TP of Rp3,100

Despite our lower FY24-25 estimates, we maintain our Buy rating on MDKA with an unchanged TP of Rp3,100 as we see upside from its key growth projects and as the higher interest rate in 1Q24 has been reflected in our WACC assumption (cost of debt: 5.9%, cost of equity: 10.5%). However, we continue to prefer its subsidiary MBMA due to lower interest risk. Key risks include a higher cash cost, lower ASP, and project delays.

Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Revenue (US\$mn)	870	1,707	2,165	2,156	2,118
EBITDA (US\$mn)	235	242	309	319	292
Net Profit (US\$mn)	58	(21)	15	26	21
EPS (US\$cents)	0.2	(0.1)	0.1	0.1	0.1
BVPS (US\$cents)	4.1	3.8	4.4	4.5	4.6
DPS (US\$cents)	0.0	0.0	0.0	0.0	0.0
PER (x)	63.3	n/m	254.1	142.3	177.7
PBV (x)	3.7	4.0	3.4	3.3	3.3
Dividen yield (%)	0.0	0.0	0.0	0.0	0.0
EV/EBITDA	20.2	20.1	15.6	14.7	15.6

Source: MDKA, BRIDS Estimates

Exhibit 1. Valuation Table

Projects	EV (USDmn)	Valuation method
TB Gold + Wetar	222	DCF (WACC 9.5%)
TB Porphyry	2,205	DCF (WACC 9.5%)
Pani	1,239	DCF (WACC 9.5%)
MBMA	2,002	SOTP
Total EV	5,668	
Net cash/(debt)	(1,058)	
Shares outstanding (Mn shares)	24,473	
Target price (IDR/sh)	3,100	

Source: BRIDS Estimates

Exhibit 2. Forecast changes

	2024F		2025F		Changes	
	Old	New	Old	New	Old	New
Revenue	2,165	2,165	2,156	2,156	0.0%	0.0%
Gross profit	210	210	220	220	0.0%	-0.1%
Interest expense	(61)	(102)	(52)	(83)	66.7%	59.4%
EBITDA	309	309	319	319	0.0%	0.0%
Net profit	55	15	69	26	-73.5%	-62.4%
Gross margin	9.7%	9.7%	10.2%	10.2%		
EBITDA margin	14.3%	14.3%	14.8%	14.8%		
Net margin	2.5%	0.7%	3.2%	1.2%		

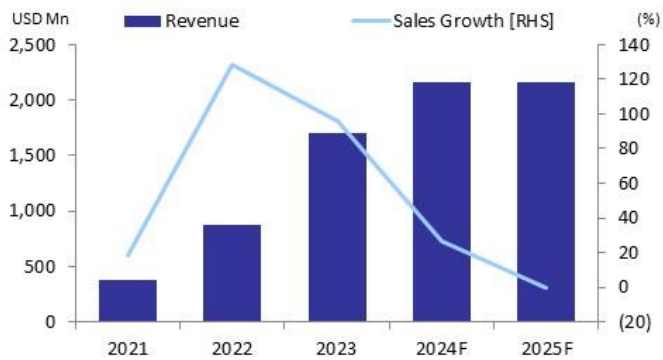
Source: BRIDS Estimates

Exhibit 3. MDKA 1Q24 Results

Operational data	1Q23	4Q23	1Q24	qoq (%)	yoy (%)	3M23	3M24	yoy (%)
Gold production (oz)	25,830	29,507	24,139	-18.2%	-6.5%	25,830	24,139	-6.5%
Gold sales (oz)	19,996	31,173	26,633	-14.6%	33.2%	19,996	26,633	33.2%
Gold ASP (USD/oz)	1,887	1,931	2,106	9.1%	11.6%	1,887	2,106	11.6%
Gold AISC (USD/oz)	1,263	1,487	1,479	-0.5%	17.1%	1,263	1,479	17.1%
Gold cash margin	624	444	627	41.2%	0.5%	624	627	0.5%
Copper production (t)	4,053	3,397	3,046	-10.3%	-24.8%	4,053	3,046	-24.8%
Copper sales (t)	3,603	2,206	4,313	95.5%	19.7%	3,603	4,313	19.7%
Copper ASP (USD/t)	8,799	8,169	8,353	2.3%	-5.1%	8,799	8,353	-5.1%
Copper AISC (USD/t)	10,670	11,398	8,135	-28.6%	-23.8%	10,670	8,135	-23.8%
Copper cash margin	- 1,871	- 3,229	218	-106.8%	-111.7%	- 1,871	218	-111.7%

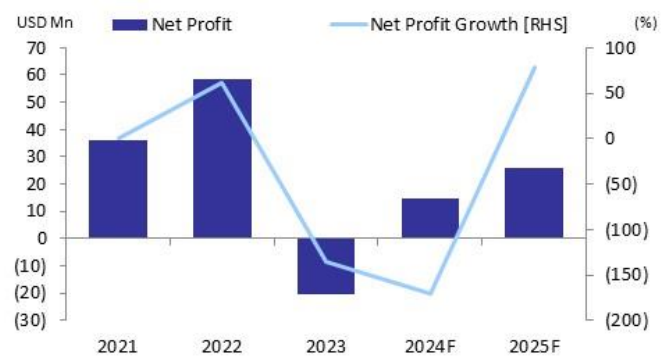
Source: Company, BRIDS

Exhibit 4. Revenue and Growth



Source: Company, BRIDS Estimates

Exhibit 5. Net Profit and Growth



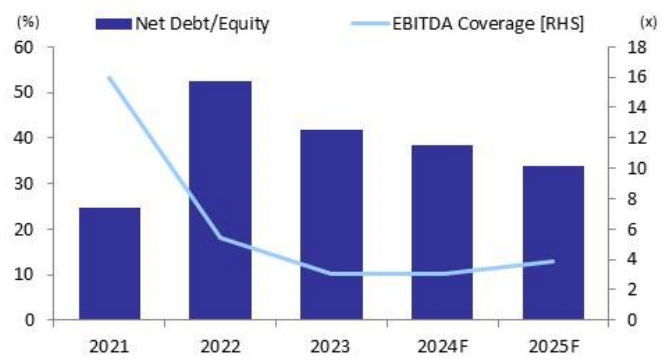
Source: Company, BRIDS Estimates

Exhibit 6. Margins



Source: Company, BRIDS Estimates

Exhibit 7. Gearing Level



Source: Company, BRIDS Estimates

Exhibit 8. Income Statement

Year to 31 Dec (US\$mn)	2022A	2023A	2024F	2025F	2026F
Revenue	870	1,707	2,165	2,156	2,118
COGS	(705)	(1,561)	(1,955)	(1,936)	(1,926)
Gross profit	165	146	210	220	192
EBITDA	235	242	309	319	292
Oper. profit	112	97	145	155	129
Interest income	2	12	4	4	3
Interest expense	(43)	(79)	(102)	(83)	(68)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	20	(17)	(10)	(10)	(10)
Pre-tax profit	90	12	37	67	53
Income tax	(25)	(7)	(8)	(15)	(12)
Minority interest	(6)	(26)	(15)	(26)	(21)
Net profit	58	(21)	15	26	21
Core Net Profit	58	(21)	15	26	21

Exhibit 9. Balance Sheet

Year to 31 Dec (US\$mn)	2022A	2023A	2024F	2025F	2026F
Cash & cash equivalent	444	519	344	215	140
Receivables	76	123	126	126	123
Inventory	251	444	435	431	428
Other Curr. Asset	125	122	114	115	115
Fixed assets - Net	0	0	0	0	0
Other non-curr.asset	2,981	3,757	3,813	3,712	3,611
Total asset	3,877	4,964	4,832	4,598	4,418
ST Debt	334	453	499	374	273
Payables	110	304	259	256	255
Other Curr. Liabilities	161	153	115	115	115
Long Term Debt	1,171	1,223	971	838	738
Other LT. Liabilities	76	67	63	64	65
Total Liabilities	1,852	2,200	1,907	1,648	1,447
Shareholder's Funds	1,003	927	1,088	1,113	1,134
Minority interests	1,022	1,837	1,837	1,837	1,837
Total Equity & Liabilities	3,877	4,964	4,832	4,598	4,418

Exhibit 10. Cash Flow

Year to 31 Dec (US\$mn)	2022A	2023A	2024F	2025F	2026F
Net income	58	(21)	15	26	21
Depreciation and Amort.	124	145	164	164	164
Change in Working Capital	(108)	(105)	(39)	2	3
Other Oper. Cash Flow	(472)	(93)	71	(1)	0
Operating Cash Flow	(399)	(74)	210	191	188
Capex	(1,758)	(767)	(330)	(63)	(63)
Others Inv. Cash Flow	78	(6)	9	0	0
Investing Cash Flow	(1,680)	(773)	(320)	(63)	(63)
Net change in debt	1,127	171	(206)	(258)	(200)
New Capital	1,187	760	146	0	0
Dividend payment	0	0	0	0	0
Other Fin. Cash Flow	23	(9)	(4)	1	1
Financing Cash Flow	2,337	922	(64)	(257)	(200)
Net Change in Cash	258	75	(174)	(129)	(75)
Cash - begin of the year	185	444	519	344	215
Cash - end of the year	444	519	344	215	140

Exhibit 11. Key Ratio

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Growth (%)					
Sales	128.3	96.2	26.8	(0.4)	(1.7)
EBITDA	13.7	2.6	28.0	3.2	(8.3)
Operating profit	22.8	(13.3)	50.0	6.8	(17.0)
Net profit	61.7	(135.4)	(170.4)	78.5	(19.9)
Profitability (%)					
Gross margin	18.9	8.5	9.7	10.2	9.1
EBITDA margin	27.1	14.2	14.3	14.8	13.8
Operating margin	12.8	5.7	6.7	7.2	6.1
Net margin	6.7	(1.2)	0.7	1.2	1.0
ROAA	2.3	(0.5)	0.3	0.6	0.5
ROAE	6.6	(2.1)	1.4	2.4	1.9
Leverage					
Net Gearing (x)	0.5	0.4	0.4	0.3	0.3
Interest Coverage (x)	2.6	1.2	1.4	1.9	1.9

Source : MDKA, 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

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