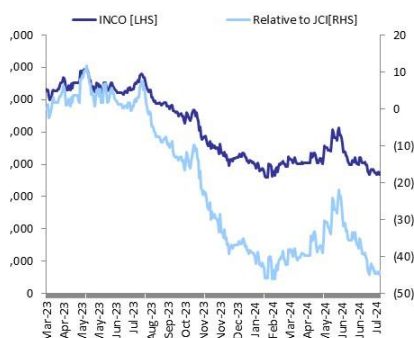


Buy

(Maintained)

Last Price (Rp)	3,740
Target Price (Rp)	5,700
Previous Target Price (Rp)	5,700
Upside/Downside	+52.4%
No. of Shares (mn)	9,936
Mkt Cap (Rpbn/US\$m)	37,162/2,285
Avg, Daily T/O (Rpbn/US\$m)	81.3/5.0
Free Float (%)	10.0
Major Shareholder (%)	
Vale Canada Ltd	43.8
Inalum	20.0
EPS Consensus (US\$cents)	
	2024F 2025F 2026F
BRIDS	1.0 0.9 1.2
Consensus	1.0 1.2 1.3
BRIDS/Cons (%)	(5.0) (22.7) (9.1)

INCO relative to JCI Index



Source: Bloomberg

Vale Indonesia (INCO IJ)

2Q24 strong earnings as expected, albeit 1H24 still below seasonal achievements

- 2Q24 net profit of US\$31mn was still below estimate (39.5%/34.1% of our/ cons. FY24F), however the result was well anticipated.
- INCO has the potential to sell up to 14Mt of saprolite and 42.5Mt of limonite once all mines are fully operational in FY25-26.
- We maintain Buy rating with a SOTP-based TP of Rp5,700. Key risks to our call include lower nickel prices and a lower utilization rate.

Stronger 2Q24 earnings, despite lower production

INCO reported a net profit of US\$31mn, +402% qoq/-55.8% yoy, driving 1H24 net profit of US\$37mn, reaching 39.5%/34.1% of our/cons est. This includes a non-cash unrealized loss of US\$6 million due to a decrease in the fair value of KNI's call option, which was revalued based on lower nickel price assumptions. Excluding this, INCO's core profit for 2Q24 stood at US\$36 million. Meanwhile, 2Q24 revenue reached US\$249mn, +8.2% qoq/ -15.9% yoy, in line with our/cons. at 49.4%/49.3% of FY24 est. The revenue growth was driven by a stronger ASP of US\$14.2k/ton, +12.4% qoq, despite a slight decline in production and sales volumes to 16.6kt and 17.5kt respectively, down by -8.5%/-3.7% qoq, due to heavy maintenance activities during the quarter.

Further clarity on INCO's huge ore reserve

INCO has prepared its mine development to meet anticipated ore demand from its growth projects as follows:

- Morowali: begin sales in 4Q24, under review to cater for production of up to 7Mt of saprolite and 11Mt of limonite (sold on the market).
- Pomalaa: begin sales in 1Q25, with 7Mt of saprolite (sold on the market) and 21Mt of limonite (for HPAL JV) with capex of US\$1bn.
- Sorowako: c.10.5Mtpa of limonite (for HPAL JV) with a capex of US\$200-300mn.

In total, INCO could achieve annual sales of 14Mt of saprolite and 42.5Mt of limonite with a competitive blended cash cost of US\$7-9/ton. (MBMA @US\$10/ton, NCKL @US\$7-13/ton).

Growth projects progress on track

The Morowali project reached 44% physical progress in June (vs. 34% in Mar24), with ore production to be expected as soon as 4Q24. Management expects to reach 70% completion by the year's end. The Pomalaa project has commenced the construction of HPAL, whilst its mine site will start producing ore by 1Q26. Meanwhile, Sorowako project has obtained FID for its mine project, and the preparation for HPAL construction is now underway.

Maintain Buy with a SOTP-based TP of Rp5,700

We maintain our Buy rating on INCO with a SOTP-based TP of Rp5,700. Key risks to our call include lower nickel prices, a lower utilization rate, and project execution delays.

Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Revenue (US\$m)	1,179	1,232	969	954	981
EBITDA (US\$m)	458	498	273	279	317
Net Profit (US\$m)	200	274	94	92	117
BVPS (US\$cents)	23.7	25.8	25.8	26.3	27.2
PER (x)	11.4	8.3	24.2	24.8	19.5
PBV (x)	1.0	0.9	0.9	0.9	0.8
EV/EBITDA	3.6	3.2	6.1	5.8	4.9

Source: INCO, BRIDS Estimates

BRI Danareksa Sekuritas Analysts

Timothy Wijaya

(62-21) 5091 4100 ext. 3504

timothy.wijaya@brids.co.id

Christian Sitorus

(62-21) 5091 4100 ext. 3506

christian.sitorus@brids.co.id

Exhibit 1. INCO 2Q24 Results

INCO	2Q23	1Q24	2Q24	q-q (%)	y-y (%)	6M23	6M24	y-y (%)	% of FY24E BRIDS	% of FY24F Cons
PROFIT & LOSS (US\$mn)										
Revenue	296	230	249	8.2	(15.9)	659	479	(27.3)	49.4	49.3
Cost of revenue	- 210	- 210	- 207	(1.2)	(1.4)	- 438	- 417	(4.9)		
Gross profit	86	20	41	106.5	(51.5)	220	62	(72.1)		
Operating expenses	- 5	- 6	- 6	1.7	34.3	- 11	- 13	16.5		
EBITDA	123	52	80	52.1	(35.2)	297	132	(55.5)	48.3	43.8
Operating profit	81	14	35	154.4	(56.6)	210	49	(76.7)		
Other income/(expense)	6	- 5	1	(112.7)	(88.6)	3	- 4	(262.1)		
Pre-tax profit	86	9	36	304.1	(58.6)	212	45	(79.0)		
Taxes	- 16	- 3	- 5	74.7	(71.0)	- 44	- 7	(83.4)		
Non-controlling interests	-	-	-	-	-	-	-	-		
Net profit	70	6	31	402.0	(55.8)	169	37	(77.9)	39.5	34.1
Margins (%)										
Gross	28.9	8.7	16.7			33.5	12.9			
Operating margin	27.3	6.0	14.1			31.8	10.2			
EBITDA	41.6	22.8	32.0			45.0	27.6			
Net	23.8	2.7	12.5			25.6	7.8			
Operational data										
Nickel production (Kt)	16,922	18,119	16,576	(8.5)	(2.0)	33,691	34,774	3.2		
Nickel sales (Kt)	16,463	18,175	17,505	(3.7)	6.3	33,221	35,680	7.4		
Nickel ASP (USD/t)	17,967	12,651	14,214	12.4	(20.9)	19,836	13,418	(32.4)		
Cash cost (USD/t)	10,488	9,590	9,846	2.7	(6.1)	10,993	9,716	(11.6)		

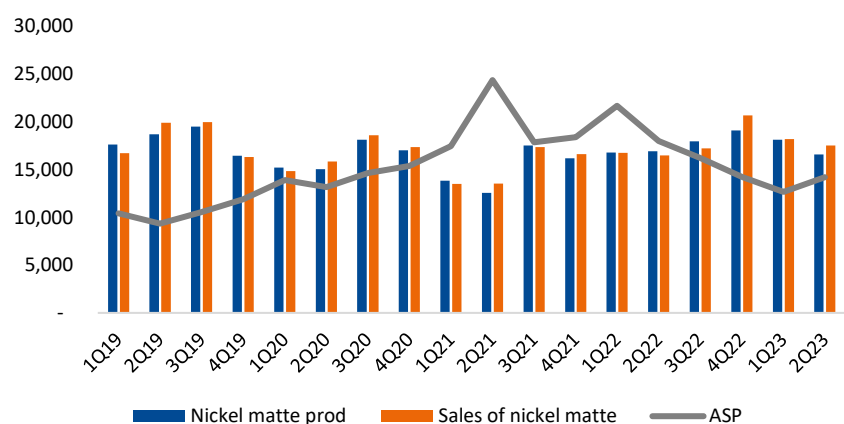
Source: Company, BRIDS Estimates

Exhibit 2. DCF valuation

Valuation		
Nickel matte	1,575	DCF (WACC 11.2%)
Bahodopi RKEF	374	
Pomala HPAL	747	
Sorowako HPAL	225	
Total EV	2,921	
Net Debt (cash)	(622)	
Equity value	3,544	
TP in IDR	5,700	

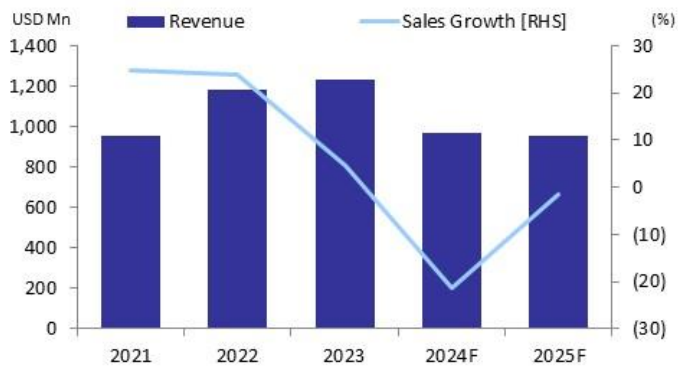
Source: BRIDS Estimates

Exhibit 3. INCO Production, Sales, and ASP trend



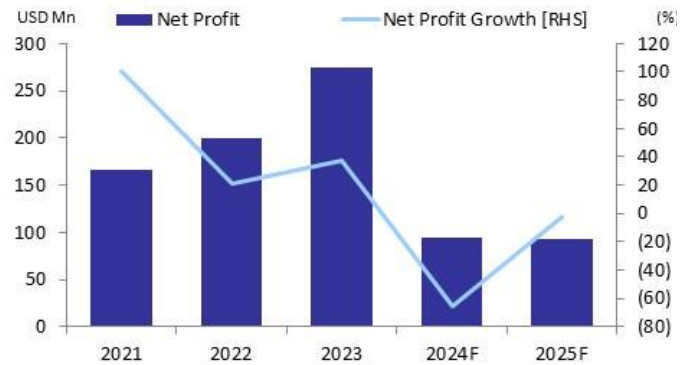
Source: Company, BRIDS

Exhibit 4. Revenue and Growth



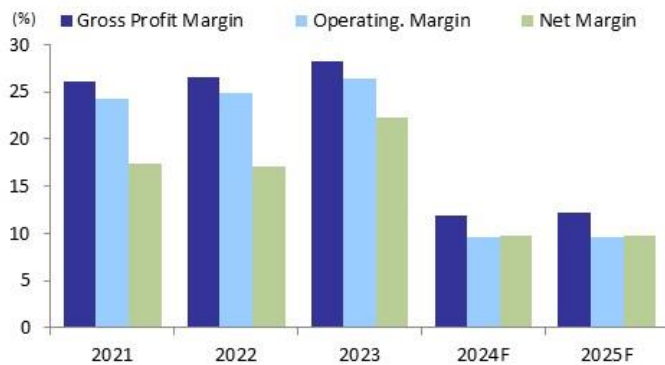
Source: Company, BRIDS Estimates

Exhibit 5. Net Profit and Growth



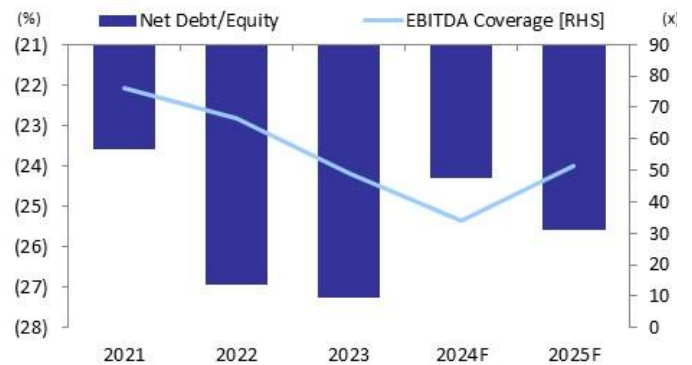
Source: Company, BRIDS Estimates

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	1,179	1,232	969	954	981
COGS	(866)	(885)	(854)	(838)	(832)
Gross profit	314	347	114	116	149
EBITDA	458	498	273	279	317
Oper. profit	294	325	93	91	121
Interest income	11	36	35	31	34
Interest expense	(7)	(10)	(8)	(5)	(5)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	(22)	2	2	2	2
Pre-tax profit	276	353	121	118	151
Income tax	(75)	(78)	(27)	(26)	(33)
Minority interest	0	0	0	0	0
Net profit	200	274	94	92	117
Core Net Profit	200	274	94	92	117

Exhibit 9. Balance Sheet

Year to 31 Dec (US\$mn)	2022A	2023A	2024F	2025F	2026F
Cash & cash equivalent	634	699	622	670	738
Receivables	141	102	93	91	94
Inventory	156	156	167	162	160
Other Curr. Asset	59	77	60	59	61
Fixed assets - Net	1,550	1,696	1,709	1,711	1,712
Other non-curr.asset	118	197	188	198	213
Total asset	2,658	2,926	2,838	2,892	2,978
ST Debt	0	0	0	0	0
Payables	116	141	122	119	119
Other Curr. Liabilities	59	76	64	63	64
Long Term Debt	0	0	0	0	0
Other LT. Liabilities	128	145	93	92	94
Total Liabilities	303	361	279	275	276
Shareholder's Funds	2,355	2,565	2,559	2,617	2,701
Minority interests	0	0	0	0	0
Total Equity & Liabilities	2,658	2,926	2,838	2,892	2,978

Exhibit 10. Cash Flow

Year to 31 Dec (US\$mn)	2022A	2023A	2024F	2025F	2026F
Net income	200	274	94	92	117
Depreciation and Amort.	164	173	181	188	196
Change in Working Capital	(51)	(22)	30	3	(5)
Other Oper. Cash Flow	37	47	(41)	1	2
Operating Cash Flow	351	473	265	284	311
Capex	(195)	(319)	(194)	(191)	(196)
Others Inv. Cash Flow	(23)	(31)	(10)	(11)	(13)
Investing Cash Flow	(218)	(350)	(204)	(202)	(209)
Net change in debt	0	0	0	0	0
New Capital	60	8	0	0	0
Dividend payment	(60)	(73)	(99)	(34)	(33)
Other Fin. Cash Flow	(6)	6	(37)	0	0
Financing Cash Flow	(7)	(58)	(137)	(34)	(33)
Net Change in Cash	126	65	(76)	48	68
Cash - begin of the year	508	634	699	622	670
Cash - end of the year	634	699	622	670	738

Exhibit 11. Key Ratio

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Growth (%)					
Sales	23.7	4.5	(21.4)	(1.5)	2.9
EBITDA	17.8	8.7	(45.1)	2.2	13.5
Operating profit	27.1	10.6	(71.5)	(1.7)	33.0
Net profit	20.9	36.9	(65.6)	(2.4)	27.4
Profitability (%)					
Gross margin	26.6	28.2	11.8	12.2	15.2
EBITDA margin	38.8	40.4	28.2	29.3	32.3
Operating margin	24.9	26.4	9.6	9.5	12.3
Net margin	17.0	22.3	9.7	9.7	12.0
ROAA	7.8	9.8	3.3	3.2	4.0
ROAE	8.9	11.2	3.7	3.6	4.4
Leverage					
Net Gearing (x)	(0.3)	(0.3)	(0.2)	(0.3)	(0.3)
Interest Coverage (x)	42.6	32.2	11.6	16.7	22.2

Source : INCO, BRIDS Estimates

BRI Danareksa Equity Research Team

Erindra Krisnawan, CFA	Head of Equity Research, Strategy, Coal	erindra.krisnawan@brids.co.id
Natalia Sutanto	Consumer, Cigarettes, Pharmaceuticals, Retail	natalia.sutanto@brids.co.id
Niko Margaronis	Telco, Tower, Technology, Media	niko.margaronis@brids.co.id
Timothy Wijaya	Metal, Oil and Gas	timothy.wijaya@brids.co.id
Victor Stefano	Banks, Poultry	victor.stefano@brids.co.id
Ismail Fakhri Suweleh	Healthcare, Property, Industrial Estate	ismail.suweleh@brids.co.id
Richard Jerry Tambayong	Automotive, Cement	richard.jerry@brids.co.id
Ni Putu Wilastita Muthia Sofi	Research Associate	wilastita.sofi@brids.co.id
Naura Reyhan Muchlis	Research Associate	naura.muchlis@brids.co.id
Sabela Nur Amalina	Research Associate	sabela.amalina@brids.co.id
Christian Immanuel Sitorus	Research Associate	christian.sitorus@brids.co.id

BRI Danareksa Economic Research Team

Helmy Kristanto	Chief Economist, Macro Strategy	helmy.kristanto@brids.co.id
Dr. Telisa Aulia Falianty	Senior Advisor	telisa.falianty@brids.co.id
Kefas Sidauruk	Economist	kefas.sidauruk@brids.co.id

BRI Danareksa Institutional Equity Sales Team

Yofi Lasini	Head of Institutional Sales and Dealing	yofi.lasini@brids.co.id
Novrita Endah Putrianti	Institutional Sales Unit Head	novrita.putrianti@brids.co.id
Ehrlicch Suhartono	Institutional Sales Associate	ehrliech@brids.co.id
Yunita Nababan	Institutional Sales Associate	yunita@brids.co.id
Adeline Solaiman	Institutional Sales Associate	adeline.solaiman@brids.co.id
Andreas Kenny	Institutional Sales Associate	andreas.kenny@brids.co.id
Christy Halim	Institutional Sales Associate	christy.halim@brids.co.id
Jason Joseph	Institutional Sales Associate	jason.joseph@brids.co.id

BRI Danareksa Sales Traders

Mitcha Sondakh	Head of Sales Trader	mitcha.sondakh@brids.co.id
Suryanti Salim	Sales Trader	suryanti.salim@brids.co.id

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

Disclaimer

The information contained in this report has been taken from sources which we deem reliable. However, none of PT BRI Danareksa Sekuritas and/or its affiliated and/or their respective employees and/or agents makes any representation or warrant (express or implied) or accepts any responsibility or liability as to, or in relation to, the accuracy or completeness of the information and opinions contained in this report or as to any information contained in this report or any other such information or opinions remaining unchanged after the issue thereof.

We expressly disclaim any responsibility or liability (express or implied) of PT BRI Danareksa Sekuritas, its affiliated companies and their respective employees and agents whatsoever and howsoever arising (including, without limitations for any claims, proceedings, action, suits, losses, expenses, damages or costs) which may be brought against or suffered by any person as results of acting in reliance upon the whole or any part of the contents of this report and neither PT BRI Danareksa Sekuritas, its affiliated companies or their respective employees or agents accepts liability for any errors, omissions or mis-statements, negligent or otherwise, in the report and any liability in respect of the report or any inaccuracy therein or omission therefrom which might otherwise arise is hereby expressly disclaimed.

The information contained in the report is not to be taken as any recommendation made by PT BRI Danareksa Sekuritas or any other person to enter into any agreement with regard to any investment mentioned in this document. This report is prepared for general circulation. It does not have regards to the specific person who may receive this report. In considering any investments you should make your own independent assessment and seek your own professional financial and legal advice.