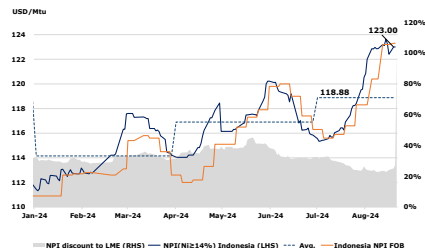


Overweight

(Maintained)

NPI (US\$/t)



LME Nickel (US\$/t)



Source: SMM, Bloomberg, BRIDS

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

Metal Mining

Aug24 Metal Sector Update: supports for tin price; nickel ore tightness persists

- Tin price strengthened to US\$32k/t in Aug24, as inventory (SHFE and LME) and Indonesian exports fell -23% mom.
- Nickel ore supply remained tight, which boosted the NPI price in Aug24. However, the LME price fell on weaker fundamentals.
- We reiterate our Overweight rating on the sector, with TINS and NCKL as our top picks due to stronger earnings visibility.

Tin: Indonesia's Jul24 export weakened

Indonesia's Jul24 refined tin export volume dropped to 3.4kt, -23.5% mom; -51.5% yoy, after consecutive growth since Apr24, where we noticed an increase of exports to China of 1.1kt, +123% mom, which could indicate a stronger export activity by private smelters. On the other hand, we noted a decline in exports to other countries (India -19%, Korea -51%, and Singapore -52%), which may suggest that TINS' sales have weakened in Jul24. Nonetheless, we are not overly concerned about monthly sales figures, as there is usually a lag from production to sales realization and management had mentioned the implementation of SIMBARA in July, which should see some sales carryover to Aug24. Moving forward, we expect tin prices to remain robust due to declining inventory and limited supply.

More cost cutting on the horizon

TINS' TSL Ausmelt is back in operation after a year-long maintenance, which, in our view, could reduce TINS' total cash cost by c.10%-15%. However, as it only started operation in Aug24, we estimate the cash cost efficiency to only materialize in 4Q24. Thus, despite the lower commodity price, we could see margins remaining flat due to stronger cash cost management.

Nickel ore supply tightness persists; NPI price soared

Nickel ore supply tightness has persisted as imports from the Philippines grew to 896k wmt in Jun24, with an additional +20% growth reported in Jul24 (source: SMM). Furthermore, Indonesian NPI output in Jul24 fell by -6.5% mom to 104.9kt, which we believe was the driver behind the recent strengthening in the NPI price of c.+7% throughout July-Aug24. Nonetheless, we remain cautious about prices in the coming months as we enter a seasonally weak restocking period. Thus, we expect prices to remain rangebound at US\$12-12.5k/ton.

Maintain Overweight on the sector with an unchanged top pick of TINS

We continue to expect a quieter market in 2H24 as we enter the off-season. Thus, we expect the benchmark price to be rangebound with lower volatility. We maintain our Overweight rating on the sector, with pecking orders as follows: TINS> NCKL> MBMA> MDKA> ANTM>INCO.

| Company | Ticker | Rec | Target Price (Rp) | Market Cap. (RpBn) | P/E (x) | | P/BV (x) | | ROE (%) 2025F |
|---------------------------|---------|-----|-------------------|--------------------|---------|-------|----------|-------|---------------|
| | | | | | 2024F | 2025F | 2024F | 2025F | |
| Timah | TINS IJ | BUY | 1,400 | 7,559.5 | 8.7 | 7.9 | 1.1 | 1.0 | 13.1 |
| Trimegah Bangun Persada | NCKL IJ | BUY | 1,300 | 57,104.2 | 11.3 | 8.7 | 2.1 | 1.8 | 22.4 |
| Merdeka Battery Materials | MBMA IJ | BUY | 700 | 58,317.5 | 78.2 | 33.1 | 2.4 | 2.2 | 6.9 |
| Merdeka Copper Gold | MDKA IJ | BUY | 3,100 | 56,043.1 | 246.9 | 138.3 | 3.3 | 3.2 | 2.4 |
| Aneka Tambang | ANTM IJ | BUY | 2,000 | 34,604.3 | 12.0 | 13.4 | 1.1 | 1.1 | 8.3 |
| Vale Indonesia | INCO IJ | BUY | 5,700 | 37,359.4 | 25.4 | 26.0 | 0.9 | 0.9 | 3.6 |

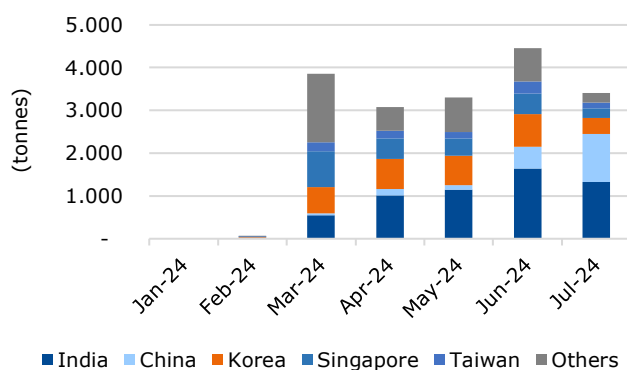
Aug-24 Metal Sector Update: Supports for tin price; Nickel ore tightness persists

Tin: Inventory Drawdown Continues

Indonesia's Jul24 refined tin export volume dropped to 3.4kt, -23.5% mom; -51.5% yoy, after consecutive growth since Apr24, where we noticed an increase of exports to China of 1.1kt, +123% mom, which could indicate stronger export activity by private smelters. On the other hand, we noted a decline in export to other countries (India -19%, Korea -51%, and Singapore -52%), which may suggest that TINS' sales have weakened in Jul24.

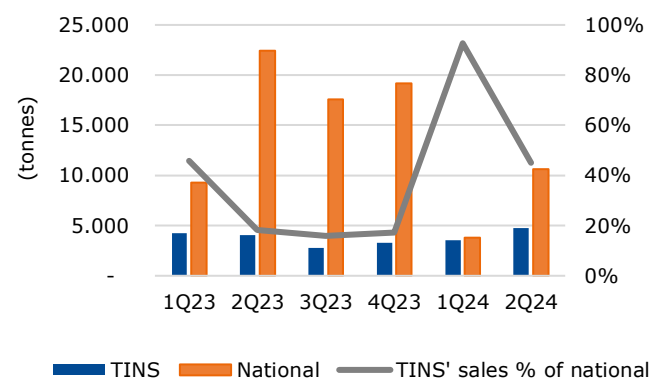
Nonetheless, we are not overly concerned about monthly sales figures, as there is usually a lag from production to sales realization and management had indicated that there was an implementation of SIMBARA in July, which should see some sales carryover to Aug24. What we deem more important is that production volume does not decline, which was the case based on our channel check. Thus, we expect tin prices to remain robust supported by ongoing inventory drawdown, limited ore supply from Myanmar, and refined tin from Indonesia

Exhibit 1. Indonesia refined tin export destination



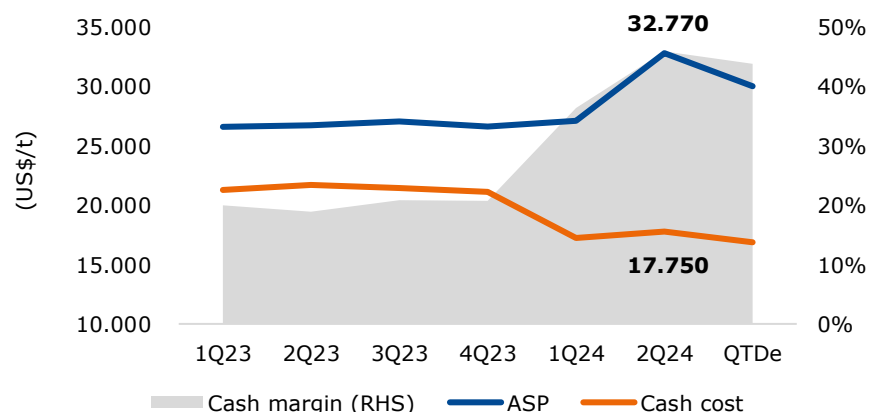
Source: Company, BPS, BRIDS

Exhibit 2. TINS vs. national export volume



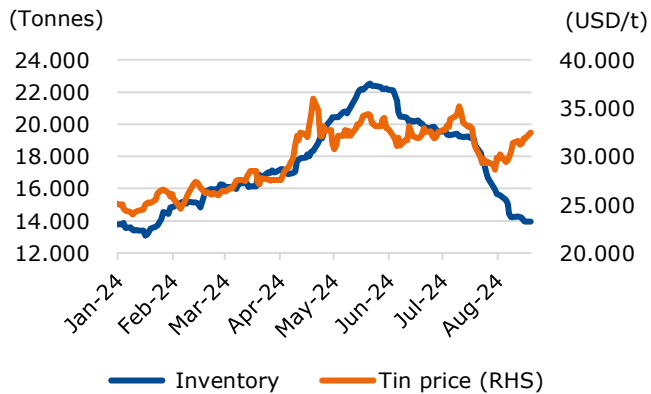
Source: Company, MoT, BRIDS

Exhibit 3. TINS ASP and cash cost

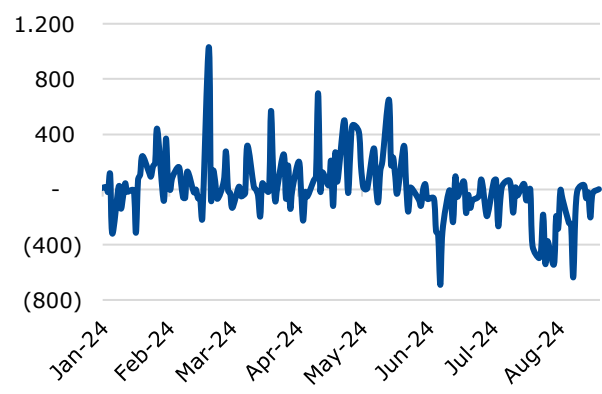


Source: Company, BRIDS

Furthermore, TINS' TSL Ausmelt is back in operation after a year-long maintenance, which, in our view, could reduce TINS' total cash cost by c.10%-15%. However, as it only started operation in Aug24, we estimate the cash cost efficiency to only materialize in 4Q24. Thus, despite the lower commodity price, we could see margins remaining flat due to stronger cash cost management.

Exhibit 4. LME tin price and SHFE+LME inventory


Source: Bloomberg, BRIDS

Exhibit 5. Changes in tin inventories (SHFE+LME)


Source: Bloomberg, BRIDS

Since our last report (Link: [July update](#)), total inventories in exchanges have continued to decline by -20% to 13.9kt, mainly driven by a drawdown in SHFE (-24%), while LME inventory declined moderately (-9.1%). Interestingly, the decline happened during a seasonally slow period, as China is experiencing a shortage of tin ore that has led to several smelters reporting difficulties in ore procurement, which, according to SMM, could reduce operation in the future. Thus, end-users are forced to purchase more imported refined tin, which explains the continued decline in inventory.

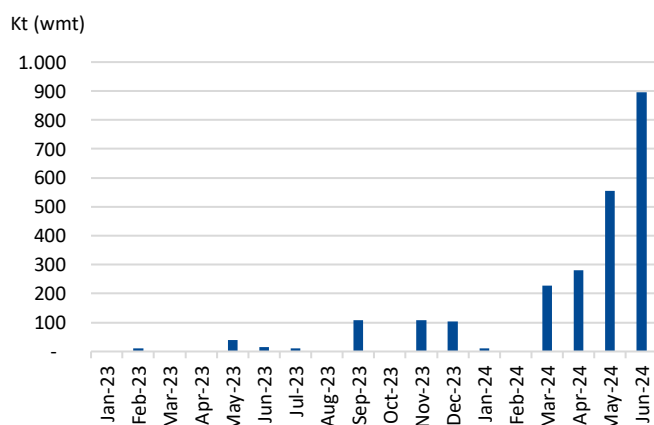
Nickel: Ore Scarcity Persists

Indonesian nickel ore supply remains tight in August as domestic mining output is still facing production shortfall. Consequently, ores were sold at a higher premium from its benchmark (up to +US\$22-23/wmt), which triggered a cost-push inflation for smelters, and what we believe caused the +7% rise in NPI price throughout July and August.

Based on BPS data, ore imports from the Philippines continue to increase, reaching 896k wmt in June, with demand primarily stemming from Weda Bay at 440k wmt (-1.9% mom), and Morowali at 340k wmt (+543% mom). Meanwhile, SMM reported July imports grew noticeably higher at >20% mom, implying import volume of >1mn wmt.

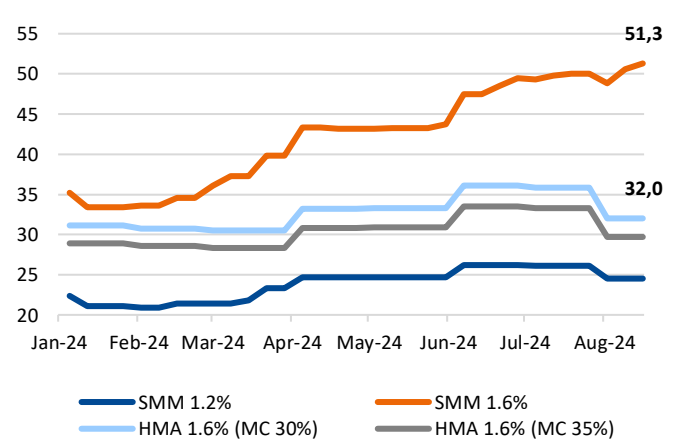
On the other hand, China reported a decline in its July ore imports from the Philippines to 3.2mn wmt, -25% mom, due to weather constraints and higher supply towards Indonesia due to the more favorable pricing premium. Thus, although weather disruptions in the Philippines have subsided, we should expect a persistent supply of ore to Indonesia in the short term.

Exhibit 6. Indonesia's Nickel Ore Import volume



Source: BPS, BRIDS

Exhibit 7. Domestic nickel ore price

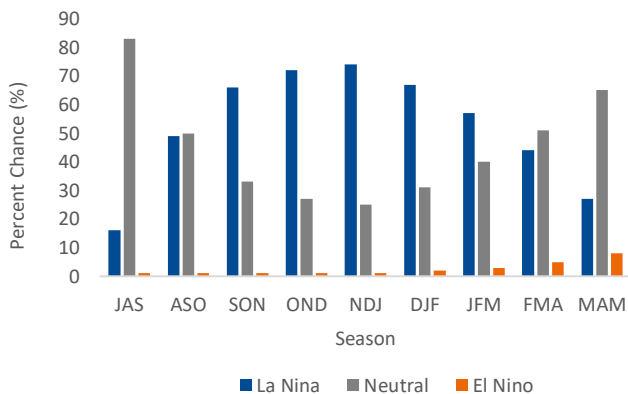


Source: SMM, BRIDS

Additionally, there were 2 lines of smelters that went online in IWIP on the 14th of August, producing FeNi at up to 30ktpa with further refining options into high-grade nickel matte products at a later stage of production.

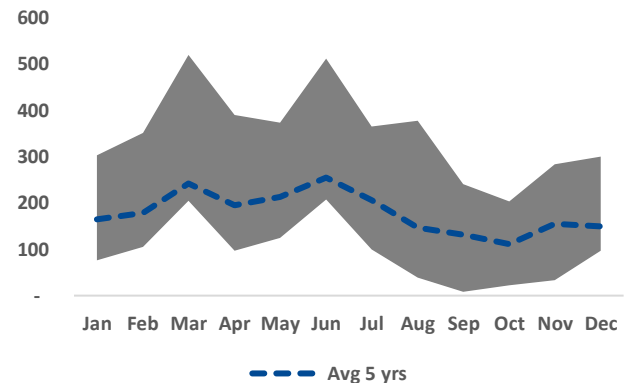
Given the current supply tightness, we believe ore premium is here to stay until production shows meaningful growth to cater for domestic needs. Furthermore, the increasing chance of La Nina occurring in the upcoming months could exacerbate the condition.

Exhibit 8. Probabilistic ENSO Forecast (issued Aug-24)



Source: NOAA, BRIS

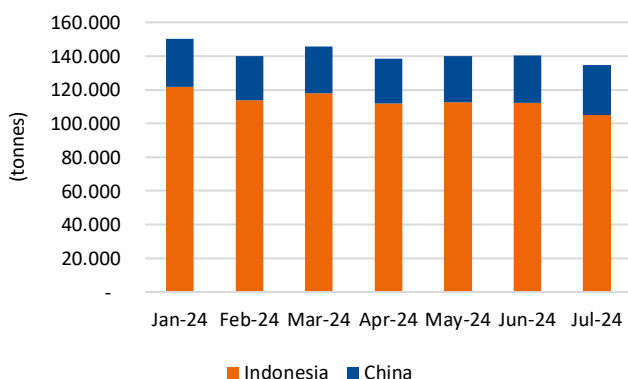
Exhibit 9. Rainfall in Sulawesi and N. Maluku



Source: BPS, BRIS

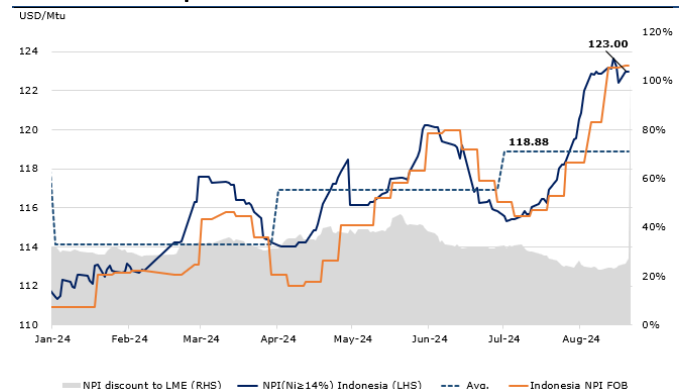
Despite the reported increase of Philippine ore imports, Indonesian NPI productions still declined to 104.9kt in July, -6.5% qoq; -12.1% yoy, with a cumulative 7M24 production of 795.3kt, +3.8% yoy. We believe this decline supports the thesis of ore tightness domestically, which could persist for an extended period. However, we note that the stainless-steel industry is currently in its offseason, with slower restocking demand compared to 1H. Thus, we estimate that prices should remain elevated but still rangebound.

Exhibit 10. Indonesia and China NPI production



Source: SMM, BRIS

Exhibit 11. NPI price

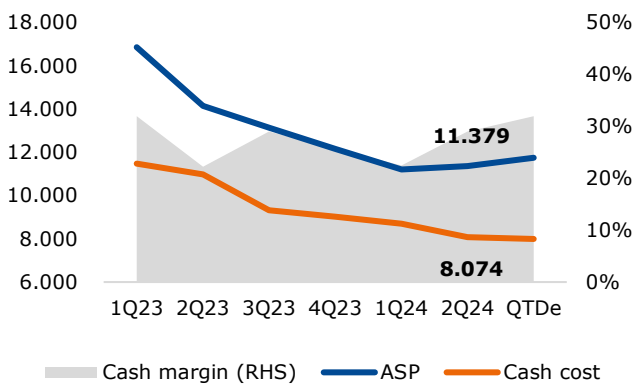


Source: SMM, BRIS

Due to the convergence of NPI and LME nickel prices, integrated mine and smelter owners (NCKL, MBMA, ANTM) will be expecting a lower saprolite ore ASP, but will enjoy a higher NPI cash margin. Effectively, the price divergence creates a profitability transfer from the mining to the smelter business unit. However, as the QTD LME price fell (-12%) more than the rise in NPI (+2%), we should be looking at an improved overall margin in 3Q24.

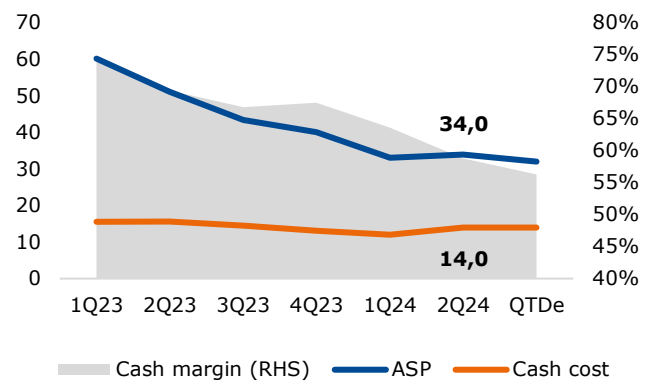
However, note that NCKL and MBMA partially sources 3rd party ores, which are subject to the market premium over the benchmark. We observed that the ore premium has grown considerably QTD to an avg. of c.US\$15/wmt (vs. c.US\$10/wmt in 2Q24). Meanwhile, ANTM fully sources its ore internally and sells ore to 3rd parties at a premium. **With stronger FeNi and gold sales volume, we favor ANTM as our 3rd quarter pick from stronger ASP and volume.**

Exhibit 12. NCKL FeNi ASP and cash cost (US\$/t)



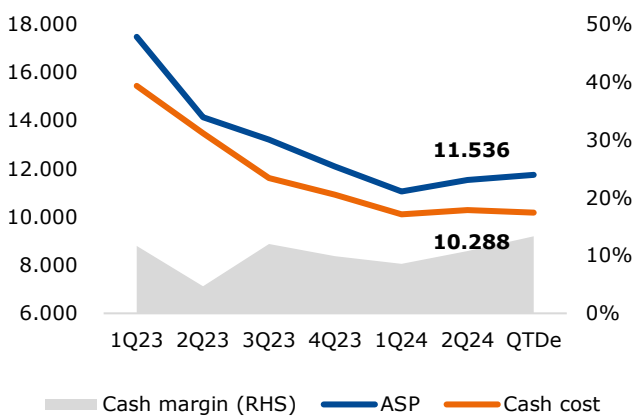
Source: Company, BRIDS

Exhibit 13. NCKL Sapolite ASP and cash cost (US\$/t)



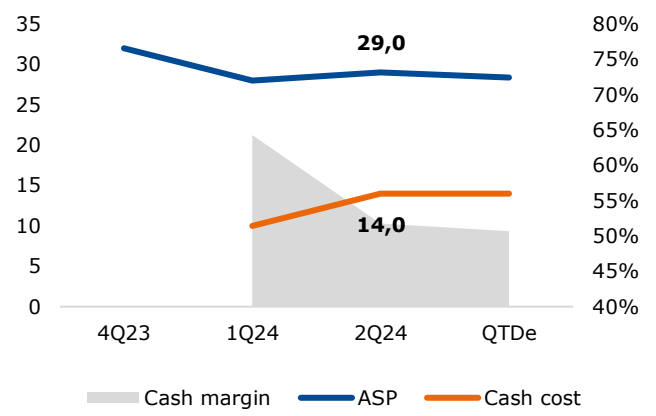
Source: Company, BRIDS

Exhibit 14. MBMA NPI ASP and cash cost (US\$/t)



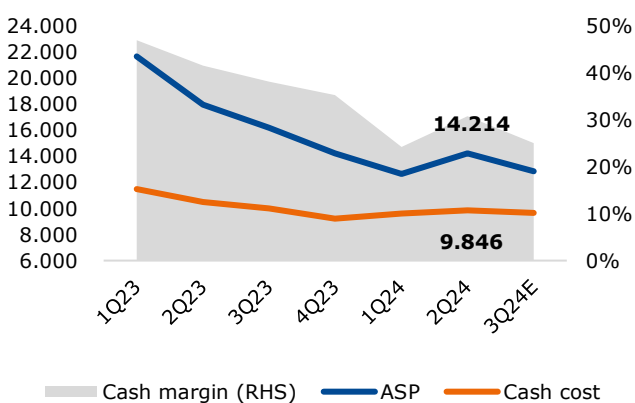
Source: Company, BRIDS

Exhibit 15. MBMA Sapolite ASP and cash cost (US\$/t)



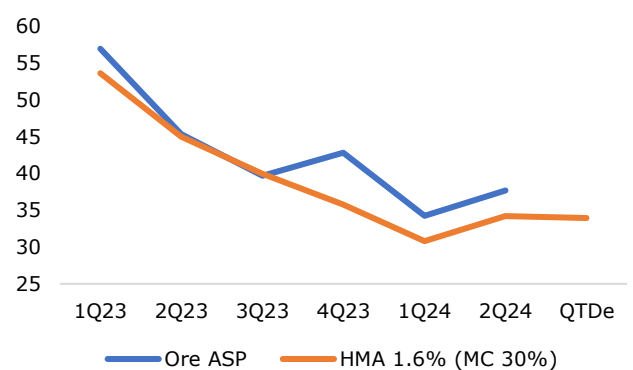
Source: Company, BRIDS

Exhibit 16. INCO Matte ASP and cash cost (US\$/t)



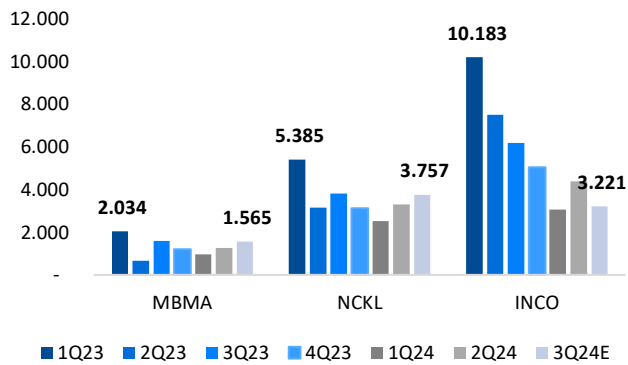
Source: Company, BRIDS

Exhibit 17. ANTM Sapolite ASP vs. HMA (US\$/t)



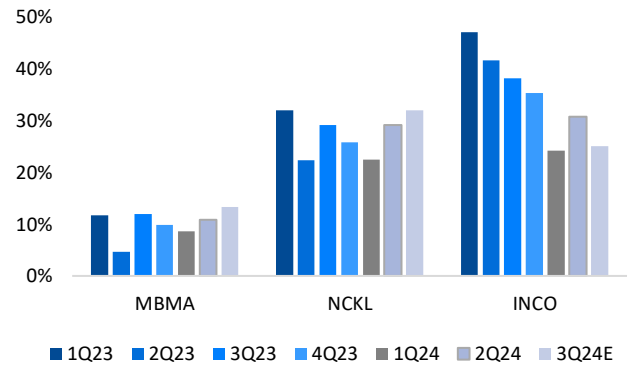
Source: Company, BRIDS

Exhibit 18. RKEF cash margin (Nominal) (US\$/t)



Source: Company, BRIDS Estimates

Exhibit 19. RKEF cash margin (%)



Source: Company, 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, Infrastructure | 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 |
| Ehrlich 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.