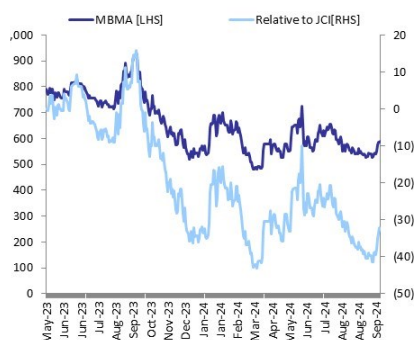


# Buy

(Maintained)

Last Price (Rp)	590
Target Price (Rp)	650
Previous Target Price (Rp)	700
Upside/Downside	+10.2%
No. of Shares (mn)	107,995
Mkt Cap (Rpbn/US\$m)	63,717/4,192
Avg, Daily T/O (Rpbn/US\$m)	41.4/2.7
Free Float (%)	28.5
Major Shareholder (%)	
PT. Merdeka Energi Nusantara	50.0
EPS Consensus (US\$cents)	
	2024F 2025F 2026F
BRIDS	0.0 0.1 0.1
Consensus	0.1 0.2 0.3
BRIDS/Cons (%)	(64.9) (46.8) (54.2)

## MBMA relative to JCI Index



Source: Bloomberg

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# Merdeka Battery Materials (MBMA IJ)

## Solid 2Q24 earnings, but 1H24 still a miss, downgrading numbers on weaker commodity prices

- MBMA's 2Q24 earnings was a robust US\$16.7mn, but we see a weaker 3Q24 ahead.
- AIM project will now contribute in FY25 instead, due to delays in commissioning.
- We lowered our FY24-26F forecasts by -21%/+2%/-12% and trimmed our TP to Rp650; reiterate Buy rating on upsides from growth projects.

### Solid 2Q24 earnings, but we expect a slowdown in 3Q24

MBMA recorded 2Q24 net profit of US\$16.7mn (+232% yoy, +356% qoq), which was supported by a stronger NPI cash margin of US\$1,166/ton (+40% qoq) and matte cash margin of US\$1,803/ton (+253% qoq). 1H24 net profit stood at US\$20.4mn (+204% yoy), reaching 43%/34% of our/cons estimate. Meanwhile, 2Q revenue was flat at US\$477mn (+7.5% qoq), with 6M24 revenue of US\$922mn (+163% yoy), reaching 51%/48% of our/cons estimate.

### AIM contribution to materialize only in FY25

During the earnings call, the management mentioned that due to the delays in commissioning progress, it is likely that the AIM project will only contribute to earnings starting FY25, after the completion of its copper cathode plant at the end of 4Q24. Thus, we factor in AIM's contribution starting FY25, along with its interest expense. Furthermore, AIM will source pyrite ore from Wetar as feed of c.1-1.1 Mtpa, which will be priced within a relatively fixed price range. Thus, any rise or fall in copper and gold prices would not affect the raw material cost.

### RKEF maintenance lowers output expectation

MBMA revised down its FY24 guidance for NPI production by -6% to -8% to 80kt-85kt due to a scheduled refractory lining on BSID's RKEF smelter, which may take c.4 months at the end of the year. Thus, we have also decreased our NPI production to 82ktpa (Prev.: 85ktpa). Furthermore, MBMA has discontinued its plan to add a nickel matte converter on one of its RKEF smelters due to the lower profitability of Matte from declining LME nickel price. Going forward, HNMI will source LGNM from a 3<sup>rd</sup> party smelter in IMIP.

### Maintain Buy rating with a lower TP of Rp650

We lowered our FY24-25F estimates and TP to Rp650, as we expect a weaker 2H24 from the declining nickel prices. Furthermore, we have factored in lower sales volume of NPI and Limonite ore according to the latest guidance. Additionally, we have included AIM and ESG's financial projection into our estimates, which resulted in a FY24-26F EPS estimates adjustments of -20.6%/+1.8%/ -11.7% to US\$38mn/ 115mn/ 148mn. However, we reiterate our **Buy** rating on valuation upsides from key growth projects. 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\$m)	456	1,328	1,778	2,266	2,383
EBITDA (US\$m)	48	97	174	420	499
Net Profit (US\$m)	22	7	38	115	148
EPS (US\$cents)	0.0	0.0	0.0	0.1	0.1
BVPS (US\$cents)	0.9	1.4	1.5	1.6	1.7
PER (x)	205.0	640.9	117.0	38.6	30.0
PBV (x)	4.6	2.9	2.8	2.6	2.4
EV/EBITDA	99.4	47.7	27.6	11.6	9.8

Source: MBMA, BRIDS Estimates

### Exhibit 1. Forecast changes

	2024		2025		2026		Changes		
	Old	New	Old	New	Old	New	2024	2025	2026
Revenue	1,808	1,778	1,888	2,266	2,021	2,383	-1.7%	20.0%	17.9%
Gross profit	152	135	299	349	414	429	-10.9%	16.7%	3.7%
Operating profit	109	109	255	316	366	394	-0.7%	23.9%	7.5%
Net profit	48	38	113	115	168	148	-20.6%	1.8%	-11.7%

Source: BRIDS estimates

### Exhibit 2. MBMA 2Q24 financial result

	2Q23	1Q24	2Q24	QoQ (%)	YoY (%)	6M23	6M24	YoY (%)	% of 24F
<b>PROFIT &amp; LOSS (US\$m)</b>									
Revenue	208.2	444.2	477.4	7.5	129.3	351.0	921.6	162.6	51.8
Cost of revenue	(201.7)	(426.4)	(432.1)	1.4	114.3	(332.6)	(858.5)	158.1	
Gross profit	6.6	17.9	45.3	153.6	588.4	18.4	63.2	243.0	
Operating expenses	(11.6)	(7.4)	(6.4)	(13.9)	(45.0)	(17.5)	(13.7)	(21.5)	
Operating profit	(5.0)	10.5	39.0	271.7	(882.4)	0.9	49.4	5,274.1	
EBITDA	0.1	26.5	56.4	112.8	63,673.9	13.2	82.9	529.2	47.8
Other income/(expense)	(4.0)	2.4	(1.6)	(165.7)	(60.8)	(15.0)	0.8	(105.5)	
Pre-tax profit	(9.0)	12.9	37.4	190.3	(515.8)	(14.1)	50.3	(456.5)	
Taxes	(0.7)	(2.7)	(1.3)	(53.6)	83.8	0.2	(4.0)	(2,134.1)	
Non-controlling interests	(3.0)	(6.5)	(19.4)	199.3	553.6	(5.8)	(25.9)	349.6	
Net profit	(12.6)	3.7	16.7	356.1	(232.2)	(19.7)	20.4	(203.7)	53.7
<b>Margins (%)</b>									
Gross margin		3.2	4.0	9.5			5.2	6.9	
EBITDA margin		0.0	6.0	11.8			3.8	9.0	
Op. margin		(2.4)	2.4	8.2			0.3	5.4	
Net margin		(6.1)	0.8	3.5			(5.6)	2.2	

Source: Company, BRIDS

### Exhibit 3. MBMA 2Q24 operational metrics

Operational data	2Q23	1Q24	2Q24	QoQ (%)
NPI production (t)	11,870	20,900	21,882	4.7%
NPI sales (t)	11,053	21,621	20,846	-3.6%
NPI ASP (USD/t)	14,123	11,055	11,536	4.4%
NPI cash cost (USD/t)	13,459	10,107	10,288	1.8%
<b>NPI Cash Margin</b>	<b>664</b>	<b>948</b>	<b>1,248</b>	<b>31.6%</b>
Matte production (t)	14,379	12,041	13,402	11.3%
Matte sales (t)	3,036	14,404	12,805	-11.1%
Matte ASP (USD/t)	17,423	13,673	14,819	8.4%
Matte cash cost (USD/t)	15,954	13,120	12,988	-1.0%
<b>Matte cash margin</b>	<b>1,469</b>	<b>553</b>	<b>1,831</b>	<b>231.1%</b>
Limonite ore production (Mn wmt)	0.4	1.2	1.8	51.0%
Limonite ore sales (Mn wmt)		0.6	2.9	359.9%
Limonite ore ASP (USD/t)		13.0	16.5	26.9%
Limonite ore cash cost + haulage (USD/t)		12.0	10.0	-16.7%
<b>Limonite cash margin</b>		<b>1.0</b>	<b>6.5</b>	<b>550.0%</b>

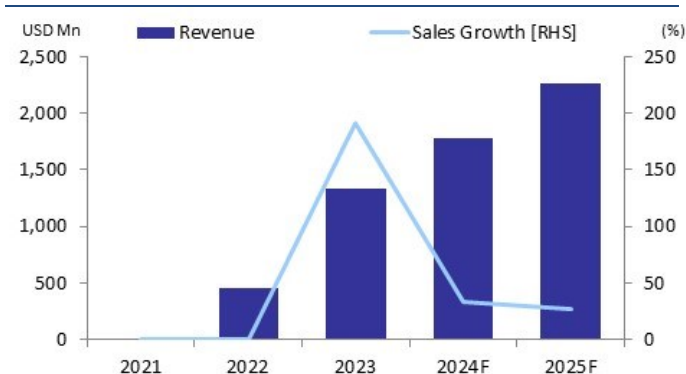
Source: Company, BRIDS

Exhibit 4. MBMA Valuation summary

DCF	EV (US\$ mn)	Valuation
SCM	1,391	DCF
RKEF (BSI, CSI, ZHN, HNMI)	685	
HPAL 1 (ESG)	570	
HPAL 2 (CATL)	1,138	
AIM	889	
Total	4,673	
Net (debt)/cash	- 349	
Shares outstanding (Bn shares)	108	
Target price (IDR/sh)	<b>650</b>	

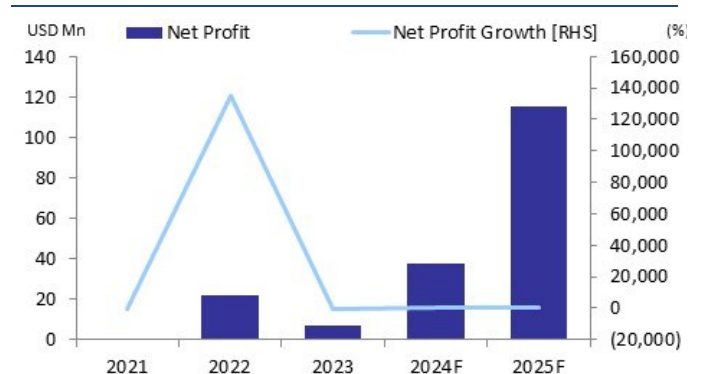
Source: BRIDS Estimates

Exhibit 5. Revenue and Growth



Source: Company, BRIDS Estimates

Exhibit 6. Net Profit and Growth



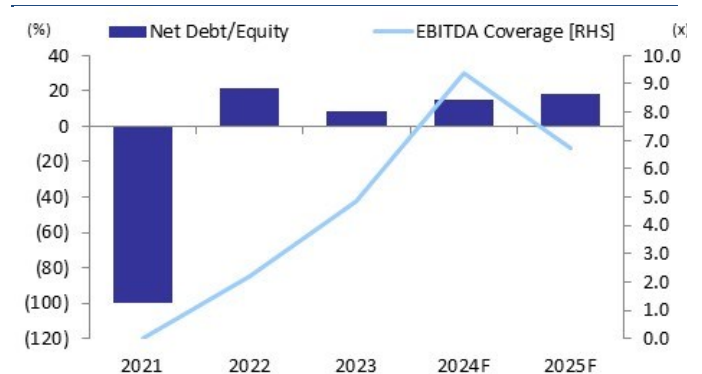
Source: Company, BRIDS Estimates

Exhibit 7. Margins



Source: Company, BRIDS Estimates

Exhibit 8. Gearing Level



Source: Company, BRIDS Estimates

**Exhibit 9. Income Statement**

Year to 31 Dec (US\$mn)	2022A	2023A	2024F	2025F	2026F
<b>Revenue</b>	<b>456</b>	<b>1,328</b>	<b>1,778</b>	<b>2,266</b>	<b>2,383</b>
COGS	(411)	(1,251)	(1,642)	(1,917)	(1,954)
<b>Gross profit</b>	<b>44</b>	<b>77</b>	<b>135</b>	<b>349</b>	<b>429</b>
<b>EBITDA</b>	<b>48</b>	<b>97</b>	<b>174</b>	<b>420</b>	<b>499</b>
<b>Oper. profit</b>	<b>30</b>	<b>48</b>	<b>109</b>	<b>316</b>	<b>394</b>
Interest income	0	6	6	2	5
Interest expense	(22)	(20)	(19)	(62)	(70)
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
<b>Pre-tax profit</b>	<b>37</b>	<b>33</b>	<b>96</b>	<b>255</b>	<b>329</b>
Income tax	0	0	(10)	(26)	(33)
Minority interest	(16)	(26)	(48)	(115)	(148)
<b>Net profit</b>	<b>22</b>	<b>7</b>	<b>38</b>	<b>115</b>	<b>148</b>
<b>Core Net Profit</b>	<b>22</b>	<b>7</b>	<b>38</b>	<b>115</b>	<b>148</b>

**Exhibit 10. Balance Sheet**

Year to 31 Dec (US\$mn)	2022A	2023A	2024F	2025F	2026F
Cash & cash equivalent	280	290	101	260	334
Receivables	68	121	123	157	165
Inventory	79	288	244	310	326
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
<b>Total asset</b>	<b>2,422</b>	<b>3,263</b>	<b>3,222</b>	<b>3,647</b>	<b>3,910</b>
ST Debt	20	2	2	2	2
Payables	110	262	219	279	294
Other Curr. Liabilities	35	94	94	94	94
Long Term Debt	595	490	454	704	804
Other LT. Liabilities	102	105	105	105	105
<b>Total Liabilities</b>	<b>862</b>	<b>954</b>	<b>874</b>	<b>1,185</b>	<b>1,299</b>
Shareholder's Funds	957	1,532	1,570	1,685	1,833
Minority interests	602	778	778	778	778
<b>Total Equity &amp; Liabilities</b>	<b>2,422</b>	<b>3,263</b>	<b>3,222</b>	<b>3,647</b>	<b>3,910</b>

**Exhibit 11. Cash Flow**

Year to 31 Dec (US\$mn)	2022A	2023A	2024F	2025F	2026F
Net income	22	7	38	115	148
Depreciation and Amort.	18	50	65	105	105
Change in Working Capital	(77)	(68)	(1)	(40)	(10)
Other Oper. Cash Flow	(361)	(56)	0	0	0
<b>Operating Cash Flow</b>	<b>(399)</b>	<b>(67)</b>	<b>102</b>	<b>180</b>	<b>244</b>
Capex	(1,469)	(542)	(255)	(270)	(270)
Others Inv. Cash Flow	0	0	0	0	0
<b>Investing Cash Flow</b>	<b>(1,469)</b>	<b>(542)</b>	<b>(255)</b>	<b>(270)</b>	<b>(270)</b>
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
<b>Financing Cash Flow</b>	<b>2,148</b>	<b>619</b>	<b>(36)</b>	<b>250</b>	<b>100</b>
<b>Net Change in Cash</b>	<b>280</b>	<b>10</b>	<b>(190)</b>	<b>160</b>	<b>74</b>
Cash - begin of the year	0	280	290	101	260
Cash - end of the year	280	290	101	260	334

**Exhibit 12. Key Ratio**

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
<b>Growth (%)</b>					
Sales	0.0	191.5	33.8	27.5	5.2
EBITDA	(892,9)	102.6	78.2	142.2	18.6
Operating profit	(566,6)	55.9	128.3	190.8	24.7
Net profit	134,7	(68.0)	447.5	203.0	29.0
<b>Profitability (%)</b>					
Gross margin	9.7	5.8	7.6	15.4	18.0
EBITDA margin	10.5	7.3	9.8	18.6	20.9
Operating margin	6.7	3.6	6.1	13.9	16.5
Net margin	4.8	0.5	2.1	5.1	6.2
ROAA	1.8	0.2	1.2	3.3	3.9
ROAE	4.5	0.6	2.4	7.1	8.4
<b>Leverage</b>					
Net Gearing (x)	0.2	0.1	0.2	0.2	0.2
Interest Coverage (x)	1.4	2.4	5.9	5.1	5.7

Source : MBMA, BRIDS Estimates

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<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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