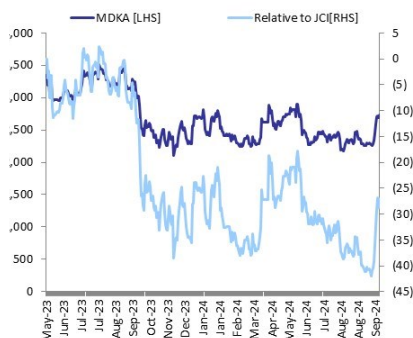


# Buy

(Maintained)

Last Price (Rp)	2,730
Target Price (Rp)	3,000
Previous Target Price (Rp)	3,100
Upside/Downside	+9.9%
No. of Shares (mn)	24,111
Mkt Cap (Rpbn/US\$m)	65,823/4,312
Avg, Daily T/O (Rpbn/US\$m)	137.7/8.5
Free Float (%)	51.0
Major Shareholder (%)	
Saratoga Investama	18.5
Mitra Daya Mustika	11.9
EPS Consensus (US\$cents)	
	2024F 2025F 2026F
BRIDS	0.0 0.4 0.5
Consensus	0.0 0.3 0.8
BRIDS/Cons (%)	10.0 25.0 (37.5)

## MDKA relative to JCI Index



Source: Bloomberg

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# Merdeka Copper Gold (MDKA IJ)

## 1H24 Earnings miss, a potential breakeven in FY24

- MDKA managed a net profit of US\$2.7mn from its nickel and gold operations, but we expect to see further weakness in 3Q24 earnings.
- Despite a positive cash margin for its copper, Wetar posted a net loss due to higher amortization costs as its mine is near depletion.
- We lowered our FY24-26F forecasts by -72%/+318%/+510% and TP to Rp3,000; reiterate Buy rating on upsides from growth projects.

### Turning positive from stronger cash margins

MDKA turned positive in 2Q24 with a net profit of US\$2.7mn as cash margins from all segments have improved from a stronger ASP. Nonetheless, MDKA still posted a net loss of -US\$12.5mn in 1H24, +75% yoy. Meanwhile, 2Q24 revenue was in line at US\$553mn, +2.2% qoq, where the 6M24 revenue reached 51%/50% of our/cons estimate at US\$1,094mn, +110.3% yoy.

### Net loss on Wetar despite strong copper cash margin

Wetar booked a higher net loss in 2Q24 of -US\$1.7mn, +55% qoq, despite it recording a positive cash margin of US\$1,761/ton (vs: US\$218/ton) and a lower AISC of US\$7,518/ton (vs: US\$8,135/ton). This was caused by a higher depreciation and amortization expense of US\$8.6mn, +69% qoq, as the mine is nearing its end of life in c. FY27. Moving forward, management expects the mine to only breakeven in FY24 from stronger copper sales after a slowdown in 1H24. Furthermore, MDKA announced that it will start selling pyrite ore to AIM project for the next 15-20 years starting in FY25 at c.1-1.1Mtpa, potentially gaining additional revenue of c.US\$30-40mn p.a.

### Preparing for a higher gold output

Pani project is undergoing smooth progress with initial heap leach operation slated in late FY25 and first gold production early FY26. Once operating, it will be able to process 7Mtpa of ore and produce c.80-85k Oz per annum, gradually growing to its capacity of 140k Oz per annum. Furthermore, the mgmt. guides Pani's initial cash cost to be relatively low at US\$850-900/Oz compared to existing TB gold project of US\$1,500/Oz.

### Maintain Buy rating with a lower TP of Rp3,000

We lowered our FY24-25F net profit estimates by -72%/+318%/+510% and TP to Rp3,000, as we expect a weaker MBMA performance in 2H24 from the declining nickel prices. We have factored in changes from our latest MBMA earnings downgrade along with adding Pani sales in FY25-26, which resulted in a net profit growth of +318%/+510% to US\$109mn/128mn. However, we maintain 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)	870	1,707	2,085	2,424	2,561
EBITDA (US\$m)	235	242	316	522	619
Net Profit (US\$m)	58	(21)	4	101	116
EPS (US\$cents)	0.2	(0.1)	0.0	0.4	0.5
BVPS (US\$cents)	4.1	3.8	4.4	4.8	5.3
PER (x)	74.9	n/m	1,031.7	43.3	37.8
PBV (x)	4.4	4.7	4.1	3.7	3.4
EV/EBITDA	23.1	22.9	17.6	10.9	9.4

Source: MDKA, BRIDS Estimates

### Exhibit 1. Forecast changes

	2024F		2025F		2026F		Changes		
	Old	New	Old	New	Old	New	2024	2025	2026
Revenue	2,165	2,085	2,156	2,424	2,118	2,561	-3.7%	12.4%	20.9%
Gross profit	210	201	220	397	192	479	-4.3%	80.6%	149.3%
EBITDA	309	316	319	522	292	619	2.2%	63.6%	111.9%
Net profit	15	4	26	109	21	128	-71.7%	318.2%	510.0%
Gross margin	9.7%	9.6%	10.2%	16.4%	9.1%	18.7%			
EBITDA margin	14.3%	15.1%	14.8%	21.5%	13.8%	24.2%			
Net margin	0.7%	0.2%	1.2%	4.5%	1.0%	5.0%			

Source: BRIDS estimates

### Exhibit 2. MDKA 2Q24 financial results

	2Q23	1Q24	2Q24	QoQ (%)	YoY (%)	6M23	6M24	YoY (%)	% of 2024F	% of Cons
<b>PROFIT &amp; LOSS (US\$mn)</b>										
Revenue	305.8	541.1	552.8	2.2	80.8	520.0	1,093.8	110.3	50.5	50.0
Cost of revenue	(291.2)	(507.8)	(497.4)	(2.0)	70.8	(473.9)	(1,005.1)	112.1		
Gross profit	14.6	33.3	55.4	66.5	279.7	46.1	88.7	92.3		
Operating expenses	(14.2)	(12.8)	(13.8)	7.9	(2.9)	(27.7)	(26.5)	(4.3)		
Operating profit	0.4	20.5	41.6	102.9	9,909.9	18.4	62.2	237.7		
EBITDA	30.9	56.5	31.2	(44.7)	1.2	74.5	87.7	17.8	28.4	25.4
Other income/(expense)	(57.2)	(28.7)	(7.4)	(74.3)	(87.1)	(69.8)	(36.1)	(48.4)		
Pre-tax profit	(56.8)	(8.2)	34.3	(519.8)	(160.4)	(51.4)	26.1	(150.7)		
Taxes	(0.9)	(1.1)	(4.4)	296.1	393.3	(3.5)	(5.6)	59.9		
Non-controlling interests	5.3	(5.9)	(27.1)	355.6	(607.7)	5.7	(33.0)	(679.7)		
Net profit	(52.3)	(15.2)	2.7	(117.9)	(105.2)	(49.2)	(12.5)	(74.6)	(85.9)	(110.7)
<b>Margins (%)</b>										
Gross margin	4.8	6.2	10.0			8.9	8.1			
EBITDA margin	10.1	10.4	5.7			14.3	8.0			
Op. margin	0.1	3.8	7.5			3.5	5.7			
Net margin	(17.1)	(2.8)	0.5			(9.5)	(1.1)			

Source: Company, Bloomberg, BRIDS estimates

### Exhibit 3. MDKA 2Q24 operational metrics

Operational data	2Q23	1Q24	2Q24	QoQ (%)	YoY (%)	6M23	6M24	YoY (%)
Gold production (oz)	38,447	24,139	25,382	5.1%	-34.0%	64,277	49,521	-23.0%
Gold sales (oz)	29,544	26,633	25,004	-6.1%	-15.4%	49,540	51,637	4.2%
Gold ASP (USD/oz)	1,972	2,106	2,262	7.4%	14.7%	1,937	2,182	12.6%
Gold AISC (USD/oz)	1,060	1,479	1,492	0.9%	40.8%	1,141	1,482	29.9%
Gold cash margin	912	627	770	22.8%	-15.6%	796	700	-12.1%
Copper production (t)	3,128	3,046	3,626	19.0%	15.9%	7,181	6,672	-7.1%
Copper sales (t)	4,273	4,313	2,027	-53.0%	-52.6%	7,876	6,340	-19.5%
Copper ASP (USD/t)	8,700	8,353	9,279	11.1%	6.7%	8,047	8,640	7.4%
Copper AISC (USD/t)	10,825	8,135	7,518	-7.6%	-30.5%	10,736	7,824	-27.1%
Copper cash margin	-2,125	218	1,761	707.2%	-182.9%	2,690	815	-130.3%
NPI production (t)	11,870	20,900	21,882	4.7%	84.3%	21,238	42,782	101.4%
NPI sales (t)	11,053	21,621	20,846	-3.6%	88.6%	19,223	42,467	120.9%
NPI ASP (USD/t)	14,123	11,055	11,536	4.4%	-18.3%	15,543	11,291	-27.4%
NPI AISC (USD/t)	13,459	10,223	10,370	1.4%	-23.0%	14,336	10,297	-28.2%
NPI Cash Margin	664	832	1,166	40.1%	75.6%	1,207	994	-17.6%
Matte production (t)	4,438	12,041	13,402	11.3%	202.0%	4,438	25,443	473.3%
Matte sales (t)	3,036	14,404	12,804	-11.1%	321.7%	3,036	27,208	796.2%
Matte ASP (USD/t)	17,423	13,673	14,819	8.4%	-14.9%	17,423	14,212	-18.4%
Matte AISC (USD/t)	15,524	13,162	13,016	-1.1%	-16.2%	15,524	13,085	-15.7%
Matte cash margin	1,899	511	1,803	252.8%	-5.1%	1,899	1,127	-40.7%
Limonite ore production (kwt)	390	1,192	1,800	51.0%			2,992	
Limonite ore sales (kwt)	-	623	2,860	358.8%			3,483	
Limonite ore ASP (USD/t)	-	13	17	26.9%			16	
Limonite ore AISC (USD/t)	-	10	3	-70.0%			9	
Limonite cash margin	-	3	14	350.0%			7	

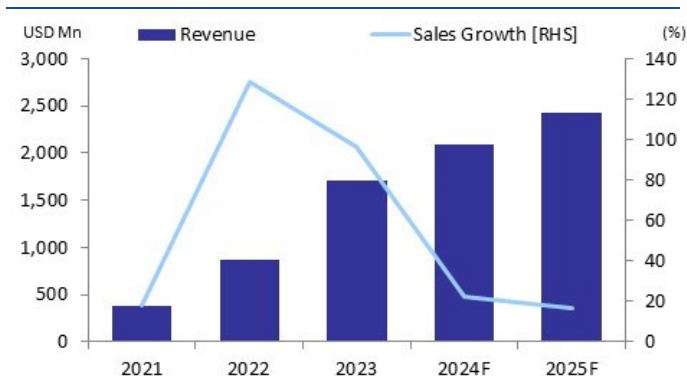
Source: Company, BRIDS

Exhibit 4. MDKA Valuation Summary Table

Projects	EV (US\$m)	Valuation method
TB Gold + Wetar	297	DCF (WACC 9.5%)
TB Porphyry	2,205	DCF (WACC 9.5%)
Pani	1,166	DCF (WACC 9.5%)
MBMA	2,002	SOTP
<b>Total EV</b>	<b>5,670</b>	
Net cash/(debt)	(1,107)	
Shares outstanding (Mn shares)	24,473	
Target price (IDR/sh)	<b>3,000</b>	

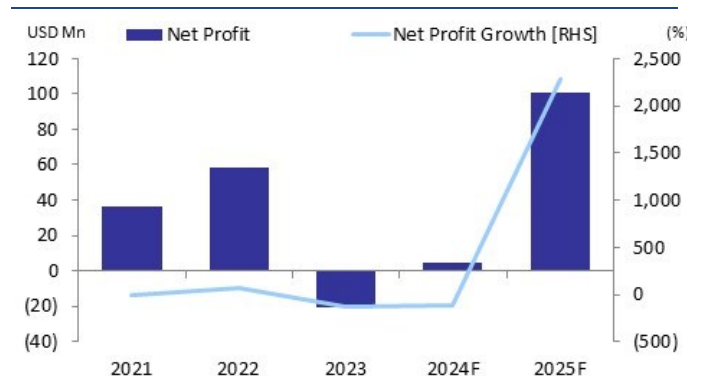
Source: BRIDS estimates

Exhibit 5. Revenue and Growth



Source: Company, BRIDS Estimates

Exhibit 6. Net Profit and Growth



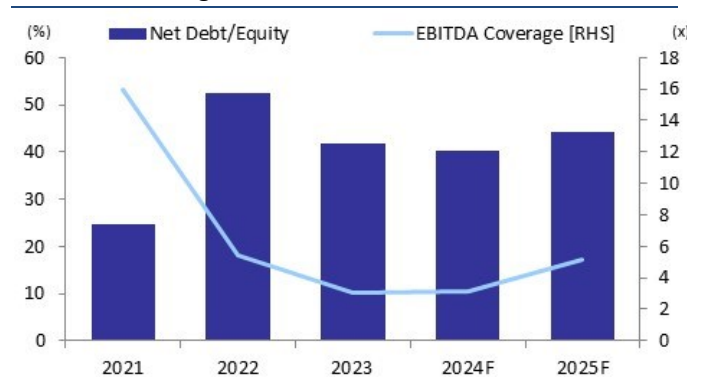
Source: Company, BRIDS Estimates

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>870</b>	<b>1,707</b>	<b>2,085</b>	<b>2,424</b>	<b>2,561</b>
COGS	(705)	(1,561)	(1,884)	(2,027)	(2,082)
<b>Gross profit</b>	<b>165</b>	<b>146</b>	<b>201</b>	<b>397</b>	<b>479</b>
<b>EBITDA</b>	<b>235</b>	<b>242</b>	<b>316</b>	<b>522</b>	<b>619</b>
<b>Oper. profit</b>	<b>112</b>	<b>97</b>	<b>149</b>	<b>337</b>	<b>415</b>
Interest income	2	12	12	14	8
Interest expense	(43)	(79)	(102)	(102)	(102)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	20	(17)	(5)	(5)	(5)
<b>Pre-tax profit</b>	<b>90</b>	<b>12</b>	<b>54</b>	<b>244</b>	<b>316</b>
Income tax	(25)	(7)	(12)	(54)	(70)
Minority interest	(6)	(26)	(38)	(90)	(131)
<b>Net profit</b>	<b>58</b>	<b>(21)</b>	<b>4</b>	<b>101</b>	<b>116</b>
<b>Core Net Profit</b>	<b>58</b>	<b>(21)</b>	<b>4</b>	<b>101</b>	<b>116</b>

**Exhibit 10. Balance Sheet**

Year to 31 Dec (US\$mn)	2022A	2023A	2024F	2025F	2026F
Cash & cash equivalent	444	519	295	137	31
Receivables	76	123	121	141	149
Inventory	251	444	419	451	463
Other Curr. Asset	125	122	114	115	115
Fixed assets - Net	0	0	0	0	0
Other non-curr.asset	2,981	3,757	3,862	4,090	4,299
<b>Total asset</b>	<b>3,877</b>	<b>4,964</b>	<b>4,812</b>	<b>4,934</b>	<b>5,058</b>
ST Debt	334	453	499	500	500
Payables	110	304	250	268	276
Other Curr. Liabilities	161	153	115	115	115
Long Term Debt	1,171	1,223	971	971	971
Other LT. Liabilities	76	67	63	64	65
<b>Total Liabilities</b>	<b>1,852</b>	<b>2,200</b>	<b>1,898</b>	<b>1,918</b>	<b>1,926</b>
Shareholder's Funds	1,003	927	1,077	1,178	1,294
Minority interests	1,022	1,837	1,837	1,837	1,837
<b>Total Equity &amp; Liabilities</b>	<b>3,877</b>	<b>4,964</b>	<b>4,812</b>	<b>4,934</b>	<b>5,058</b>

**Exhibit 11. Cash Flow**

Year to 31 Dec (US\$mn)	2022A	2023A	2024F	2025F	2026F
Net income	58	(21)	4	101	116
Depreciation and Amort.	124	145	167	185	204
Change in Working Capital	(108)	(105)	(28)	(33)	(13)
Other Oper. Cash Flow	(472)	(93)	71	(1)	0
<b>Operating Cash Flow</b>	<b>(399)</b>	<b>(74)</b>	<b>214</b>	<b>253</b>	<b>307</b>
Capex	(1,758)	(767)	(382)	(413)	(413)
Others Inv. Cash Flow	78	(6)	9	0	0
<b>Investing Cash Flow</b>	<b>(1,680)</b>	<b>(773)</b>	<b>(373)</b>	<b>(413)</b>	<b>(413)</b>
Net change in debt	1,127	171	(206)	1	0
New Capital	1,187	760	146	0	0
Dividend payment	0	0	0	0	0
Other Fin. Cash Flow	23	(9)	(4)	1	1
<b>Financing Cash Flow</b>	<b>2,337</b>	<b>922</b>	<b>(64)</b>	<b>2</b>	<b>1</b>
<b>Net Change in Cash</b>	<b>258</b>	<b>75</b>	<b>(223)</b>	<b>(159)</b>	<b>(105)</b>
Cash - begin of the year	185	444	519	295	137
Cash - end of the year	444	519	295	137	31

**Exhibit 12. Key Ratio**

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
<b>Growth (%)</b>					
Sales	128.3	96.2	22.2	16.3	5.7
EBITDA	13.7	2.6	30.7	65.4	18.5
Operating profit	22.8	(13.3)	53.9	126.2	23.2
Net profit	61.7	(135.4)	(120.5)	2,280.1	14.8
<b>Profitability (%)</b>					
Gross margin	18.9	8.5	9.6	16.4	18.7
EBITDA margin	27.1	14.2	15.1	21.5	24.2
Operating margin	12.8	5.7	7.1	13.9	16.2
Net margin	6.7	(1.2)	0.2	4.2	4.5
ROAA	2.3	(0.5)	0.1	2.1	2.3
ROAE	6.6	(2.1)	0.4	9.0	9.4
<b>Leverage</b>					
Net Gearing (x)	0.5	0.4	0.4	0.4	0.5
Interest Coverage (x)	2.6	1.2	1.5	3.3	4.1

Source : MDKA, BRIDS Estimates

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## INVESTMENT RATING

<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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