

Buy

Merdeka Battery Materials (MBMA IJ) KTAs from 3Q24 earnings call

Last Price (Rp)	462
Target Price (Rp)	560
Upside/Downside	+21.2%
No. of Shares (mn)	107,995
Mkt Cap (Rpbn/US\$mn)	49,894/3,081
Avg, Daily T/O (Rpbn/US\$mn)	32.7/2.0

- MBMA's HPAL are progressing smoothly with ESG commencing in Dec24 and Meiming in Oct24, though no contributions are expected until FY26.
- Potential upside from NPI from full ore sustainability and electricity savings, which will put cash margin to an attractive c.US\$3k/ton.
- Delays in full commercial operation of AIM project might give MBMA a struggle as mgmt guided EBITDA contribution of c.US\$40-50mn/qtr.

Key Financials:

	2024F	2025F	2026F
EPS (US\$)	0.0	0.1	0.2
PER (x)	130.9	22.4	16.4
PBV (x)	2.0	1.8	1.6
EV/EBITDA (x)	25.2	8.0	6.8
ROAA (%)	0.7	4.0	4.9
ROAE (%)	1.5	8.5	10.5

2025 guidance

Guidance 2024 - 2025	2024	2025
Commodity Price		
LME nickel price	US\$16,800	US\$16,000
Mining		
Limonite		
Sales (mn wmt)	9.5-10.5	12.5-15.0
Cash cost	Less than US\$12/wmt	Less than US\$11/wmt
Saprolite		
Sales (mn wmt)	4.0-5.0	6.0-7.0
Cash cost	Less than US\$25/wmt	Less than US\$23/wmt
Smelters		
NPI		
Sales (tonnes)	80,000-85,000	85,000-90,000
Cash cost (US\$/t)	US\$10,000-11,000	Less than US\$11,000
HGNM		
Sales (tonnes)	50,000-55,000	50,000-55,000
Cash cost (US\$/t)	US\$13,000-15,000	Less than US\$13,500
ESG HPAL		
Nameplate capacity (tonnes)	-	30,000
Cash cost (after cobalt credit) (US\$/t)	-	US\$6,500-8,500

FPP completion target 2H25 allowing for internally sourced ore
Target to be consolidated in 2026/2027

HPAL projects progress

- MBMA's ESG HPAL have started 1st production line of 20ktpa in Dec24 and is now focusing on 2nd production line of 10ktpa, slated for operation early FY25.
- ESG HPAL will not be consolidated into MBMA until FY26/27 after it achieves four consecutive quarter of positive EBITDA.
- Meiming HPAL (25ktpa capacity) began commissioning in Oct24, though MHP sales will only start in early FY25.
- MBMA is constructing another feed preparation plant (FPP) to supply 9mn wmt of limonite to ESG and Meiming, set to complete by mid-2025.

SCM ore

- In FY25, SCM will still require support from third party miners to supply the group's RKEF smelters. The blend would roughly be 75%-25%, which grew from FY24's c.60%-40%.
- 9M24 saprolite/limonite cash cost stood at US\$25/wmt and US\$11/wmt. Mining cost was US\$7/wmt, implying hauling cost of US\$18/wmt and US\$4/wmt. This is higher compared with our estimation of US\$13/wmt and US\$8/wmt.

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NPI

- 9M24 RKEF cash cost stood at US\$10,387/t. Mgmt gave a cash cost estimation of US\$8,687/t should it use 100% own saprolite ore and internal electricity. **The potential savings of US\$1,700/t comprised of electricity cost of US\$988/t and ore cost of US\$712/t.**

AIM project

- Mgmt updated that the **latest timeline for full commercial operations could extend up until 3Q-4Q25** (from early FY25) with quarterly EBITDA of c.US\$40-50mn.
- The delays are caused by 2nd phase (roaster) maintenance of 2x500ktpa sulphuric acid, which is key to the 3rd and 4th phase (chloride and cathode sponge plant).

MDKA – Pani, TB Copper, Wetar

- **Pani will update mineral resources in 1Q25**, while gold production is still on track in FY26. Construction reached 28% per Nov24.
- Pani has spent capex of US\$65mn per 9M24, with another US\$185mn to be spent until FY25. Furthermore, MDKA plans to spend US\$20mn on feasibility study for a CIL plant.
- TB Copper plans US\$30mn for open pit drilling and aims to **update its copper resources by the end of 1Q25**. The group is also actively looking for investors in the project to fund future capex spendings.
- Wetar copper cathode production is expected to continue until FY27, while the mining activity ends by FY26. This could warrant higher cost incurred until the end of its mine life.

We currently have a Buy rating on MDKA with an SOTP-based TP of Rp2,600 and a BUY rating on MBMA with an SOTP-based TP of Rp560. Our FY24-25 forecast is in line with management's guidance, except for the higher hauling cost for both Saprolite and Limonite ore.

Exhibit 1. 3Q24 MBMA financial and operational table

Merdeka battery materials										
MBMA	3Q23	2Q24	3Q24	q-q (%)	y-y (%)	9M23	9M24	y-y (%)	% of FY24F	% of Cons
PROFIT & LOSS (USDmn)										
Revenue	522.9	477.4	458.2	(4.0)	(12.4)	873.9	1,379.8	57.9	77.0	75.3
Cost of revenue	(479.9)	(432.1)	(442.0)	2.3	(7.9)	(812.5)	(1,300.4)	60.1		
Gross profit	43.0	45.3	16.2	(64.3)	(62.3)	61.4	79.4	29.2		
Operating expenses	(3.6)	(6.4)	(7.2)	12.9	97.9	(21.1)	(20.9)	(1.0)		
Operating profit	39.4	39.0	9.0	(76.9)	(77.1)	40.3	58.5	45.1		
EBITDA	57.4	56.4	31.4	(44.3)	(45.3)	70.6	114.3	61.9	83.3	59.7
Other income/(expense)	1.9	(1.6)	5.0	(414.5)	155.1	(13.1)	5.8	(144.1)		
Pre-tax profit	41.3	37.4	14.0	(62.7)	(66.2)	27.2	64.2	136.1		
Taxes	(0.6)	(1.3)	(0.2)	(85.8)	(68.2)	(0.4)	(4.2)	1,029.5		
Non-controlling interests	(20.4)	(19.4)	(15.7)	(19.0)	(23.0)	(26.2)	(41.6)	59.0		
Net profit	20.3	16.7	(1.9)	(111.5)	(109.5)	0.7	18.5	2,627.1	78.4	52.3
Margins (%)										
Gross margin	8.2	9.5	3.5			7.0	5.8			
EBITDA margin	11.0	11.8	6.9			8.1	8.3			
Op. margin	7.5	8.2	2.0			4.6	4.2			
Net margin	3.9	3.5	(0.4)			0.1	1.3			

Source: Company, BRIDS

Operational data	3Q23	2Q24	3Q24	q-q (%)	y-y (%)	9M23	9M24	y-y (%)
NPI production (t)	21,738	21,882	20,557	-6.1%	-5.4%	42,976	63,338	47.4%
NPI sales (t)	22,831	20,846	18,900	-9.3%	-17.2%	42,054	61,368	45.9%
NPI ASP (USD/t)	13,193	11,536	12,041	4.4%	-8.7%	14,267	11,522	-19.2%
NPI cash cost (USD/t)	11,616	10,370	10,961	5.7%	-5.6%	12,958	10,514	-18.9%
NPI Cash Margin	1,577	1,166	1,080	-7.4%	-31.5%	1,309	1,008	-23.0%
Matte production (t)	13,210	13,402	12,979	-3.2%	-1.7%	27,589	38,422	39.3%
Matte sales (t)	13,394	12,805	13,192	3.0%	-1.5%	16,430	40,401	145.9%
Matte ASP (USD/t)	16,346	14,819	13,440	-9.3%	-17.8%	16,503	13,960	-15.4%
Matte cash cost (USD/t)	15,154	13,016	13,830	6.3%	-8.7%	15,247	13,337	-12.5%
Matte cash margin	1,192	1,803	- 390	-121.6%	-132.7%	1,256	623	-50.4%
Limonite ore production (Mn wmt)	1.6	1.8	3.7	105.6%	131.3%	2.0	6.7	236.6%
Limonite ore sales (Mn wmt)		2.9	3.5	20.3%			6.9	
Limonite ore ASP (USD/t)		16.5	15.1	-8.5%			15.5	
Limonite ore cash cost + haulage (USD/t)		3.0	3.0	0.0%		-	3.0	
Limonite cash margin		13.5	12.1	-10.4%				

Source: Company, BRIDS

Source: Company, BRIDS, Bloomberg

Exhibit 2. 3Q24 MDKA financial and operational table

Merdeka Copper Gold										
MDKA	3Q23	2Q24	3Q24	q-q (%)	y-y (%)	9M23	9M24	y-y (%)	% of FY24F	% of Cons
PROFIT & LOSS (US\$mn)										
Revenue	650.1	552.8	573.7	3.8	(11.8)	1,170.2	1,667.5	42.5	76.3	77.6
Cost of revenue	(577.7)	(497.4)	(544.3)	9.4	(5.8)	(1,051.6)	(1,549.4)	47.3		
Gross profit	72.5	55.4	29.5	(46.8)	(59.4)	118.6	118.2	(0.4)		
Operating expenses	(10.4)	(13.8)	(12.8)	(6.7)	23.4	(38.1)	(39.4)	3.3		
Operating profit	62.1	41.6	16.6	(60.1)	(73.2)	80.5	78.8	(2.1)		
EBITDA	107.5	93.4	71.7	(23.2)	(33.3)	182.0	221.6	21.7	65.6	67.2
Other income/(expense)	(5.5)	(7.4)	(63.3)	757.1	1,053.0	(75.3)	(99.4)	31.9		
Pre-tax profit	56.6	34.3	(46.7)	(236.3)	(182.5)	5.1	(20.6)	(501.0)		
Taxes	(5.5)	(4.4)	6.5	(247.3)	(218.0)	(9.0)	1.0	(110.9)		
Non-controlling interests	(25.6)	(27.1)	(14.4)	(47.0)	(43.9)	(19.9)	(47.4)	138.3		
Net profit	25.4	2.7	(54.5)	(2,099.3)	(314.3)	(23.8)	(67.0)	181.9	(111.9)	1,238.4
Margins (%)										
Gross margin	11.1	10.0	5.1			10.1	7.1			
EBITDA margin	16.5	16.9	12.5			15.6	13.3			
Op. margin	9.5	7.5	2.9			6.9	4.7			
Net margin	3.9	0.5	(9.5)			(2.0)	(4.0)			

Source: Company, BRIDS

Operational data	3Q23	2Q24	3Q24	q-q (%)	yoy (%)	9M23	9M24	y-y (%)
Gold production (oz)	44,882	25,382	30,522	20.3%	-32.0%	64,277	80,043	24.5%
Gold sales (oz)	49,162	25,004	27,778	11.1%	-43.5%	49,540	79,415	60.3%
Gold ASP (USD/oz)	1,946	2,262	2,406	6.4%	23.6%	1,937	2,261	16.7%
Gold AISC (USD/oz)	1,147	1,492	1,183	-20.7%	3.1%	1,141	1,370	20.1%
Gold cash margin	799	770	1,223	58.8%	53.1%	796	891	11.9%
Copper production (t)	2,128	3,626	3,811	5.1%	79.1%	7,181	10,483	46.0%
Copper sales (t)	3,136	2,027	4,970	145.2%	58.5%	7,876	11,310	43.6%
Copper ASP (USD/t)	8,444	9,279	9,392	1.2%	11.2%	8,047	8,970	11.5%
Copper AISC (USD/t)	16,049	7,518	9,612	27.9%	-40.1%	10,736	8,463	-21.2%
Copper cash margin	- 7,605	1,761	- 220	-112.5%	-97.1%	- 2,690	507	-118.8%
NPI production (t)	21,738	21,882	20,557	-6.1%	-5.4%	21,238	63,339	198.2%
NPI sales (t)	22,831	20,846	18,900	-9.3%	-17.2%	19,223	61,367	219.2%
NPI ASP (USD/t)	13,193	11,536	12,041	4.4%	-8.7%	15,543	11,291	-27.4%
NPI AISC (USD/t)	11,616	10,370	10,961	5.7%	-5.6%	14,336	10,297	-28.2%
NPI Cash Margin	1,577	1,166	1,080	-7.4%	-31.5%	1,207	994	-17.6%
Matte production (t)	13,210	13,402	12,979	-3.2%	-1.7%	4,438	38,422	765.8%
Matte sales (t)	13,394	12,804	13,192	3.0%	-1.5%	3,036	40,400	1230.7%
Matte ASP (USD/t)	16,346	14,819	13,440	-9.3%	-17.8%	17,423	14,212	-18.4%
Matte AISC (USD/t)	15,154	13,016	13,830	6.3%	-8.7%	15,524	13,085	-15.7%
Matte cash margin	1,192	1,803	- 390	-121.6%	-132.7%	1,899	1,127	-40.7%
Limonite ore production (kwmt)	1,600	1,800	3,700	105.6%	131.3%		6,692	
Limonite ore sales (kwmt)	-	2,860	3,450	20.6%			6,933	
Limonite ore ASP (USD/t)	-	17	15	-8.5%			16	
Limonite ore AISC (USD/t)	-	3	3	0.0%			9	
Limonite cash margin	-	14	12	-10.4%			7	

Source: Company, BRIDS, Bloomberg

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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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