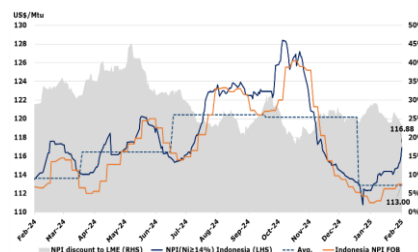


Neutral

(Maintained)

NPI (US\$/t)



LME Nickel (US\$/t)



Source: SMM, Bloomberg

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Metal Mining

Possible Royalty Hike Could Pressure FY25F Earnings

- Though implementation is still uncertain, a royalty hike to 15% could strain FY25E earnings by -2% to -9% based on our estimation.
- The Philippine's nickel ore export ban is tougher than it seems as market condition are no longer favorable and has a lower average ore grade.
- We reiterate our Neutral rating on the sector, with TINS, NCKL, and ANTM as our top picks due to their stronger earnings visibility.

A royalty hike may strain profitability, though implementation is still uncertain

Earlier this year, media news reported a possible royalty rate hike for nickel ore from 10% to 15%. Although it was later denied by the MEMR, the rumor lingers and could become an overhang in the sector. We noted that such discourse occurred in 2022 when the government is mulling over a progressive tax on NPI/ FeNi, which was ultimately never implemented. Nonetheless, based on our calculations on FY25F numbers, we found that a 5% hike in royalty rate would result in a decline in net profits of -9%/ -3% for ANTM/ INCO on saprolite ore sales, and -2%/ -8% for NCKL/ MBMA on limonite ore sales. ANTM and MBMA may be most affected by the possible policy as ore sales remain as their largest margin product. While it is also true for INCO, its contribution towards total revenue is limited at 6%.

Philippine export ore ban plan faces several hurdles

Another recent media news was regarding a potential ore export ban by from the Philippines, where the senate had passed a bill for the congress to decide in Jun25. Should the plan move forward, it will be effective in 5 years. While this ban could potentially decrease global ore supply, the delayed implementation should mitigate supply risks for Indonesian smelters, especially considering the upward trend in approved RKAB. In FY24, Indonesia imported c.10Mt of philippine ore in FY24, while China imported c.44Mt. Additionally, the export ban's effectiveness may not mirror Indonesia's success due to the Philippines' higher energy costs (as a net coal importer) and lower ore grade (approximately 1.5% Ni versus Indonesia's 1.6-1.7%). Furthermore, the Philippines' current investment climate is less favorable compared to when China entered the Indonesian market, as the nickel market now faces a medium-term surplus. Therefore, we believe that the implementation of the policy is tougher to execute.

Maintaining a Neutral stance on the sector

We maintain our Neutral rating on the sector on the back of a stagnating nickel price and a medium-term oversupply condition. However, we continue to prefer selected names under our pecking order of TINS> NCKL> ANTM> MBMA> MDKA> INCO based of a mix of valuation and earnings growth potential in FY25E

Company	Ticker	Rec	Target Price (Rp)	Market Cap. (RpBn)	P/E (x)		P/BV (x)		ROE (%) 2025F
					2025F	2026F	2025F	2026F	
Timah	TINS IJ	BUY	2,300	7,745.7	4.8	5.3	0.9	0.8	18.7
Trimegah Bangun Persada	NCKL IJ	BUY	1,500	39,752.1	4.6	4.1	1.1	0.9	21.7
Aneka Tambang	ANTM IJ	BUY	2,000	37,247.7	9.1	8.50	1.0	1.0	9.8
Merdeka Battery Materials	MBMA IJ	BUY	530	41,902.2	19.1	14.0	1.1	1.0	0.2
Merdeka Copper Gold	MDKA IJ	BUY	2,400	44,051.4	24.9	21.2	1.4	1.3	1.5
Vale	INCO IJ	HOLD	3,900	31,512.9	22.4	10.6	0.8	0.7	3.4

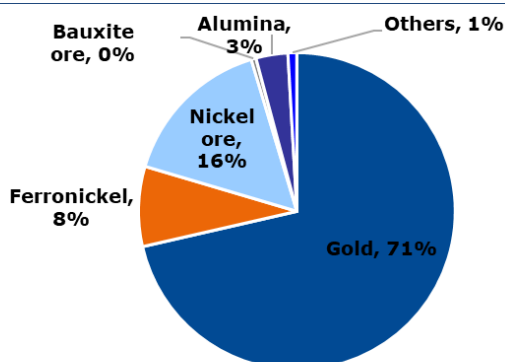
Exhibit 1. Royalty hike impact to FY25F NP

2025 (Rp)	ANTM	INCO*	NCKL	MBMA*
Nickel ore prod. (mn wmt)	15.0	2.0	17.7	15.0
Nickel ore sales (mn wmt)	13.0	1.8	16.8	13.5
ASP (Saprolite/Limonite)	40.0	40.0	16.0	16.0
USDIDR		16000		
Ore revenue	8,320	70	4,301	216
Royalty rate		10%		
Royalty	832	7	430	22
Royalty rate		15%		
Royalty	1,248	11	645	32
Additional royalty cost	416	4	215	11
Base case				
Cash cost/ton (USD/ton)	17.7	9.0	6.1	9.5
Cash cost	4,248	18	1,728	143
Under 15% royalty				
Cash cost/ton (USD/ton)	19.4	10.8	6.9	10.2
Cash cost	4,664	22	1,943	153
Change in cash cost/ton	1.7	1.8	0.8	0.7
Original FY25E NP	3,700	88	7,892	89
FY25F NP under 15%	3,374	85	7,731	82
% change	-8.8%	-3.1%	-2.0%	-7.8%

*in USD

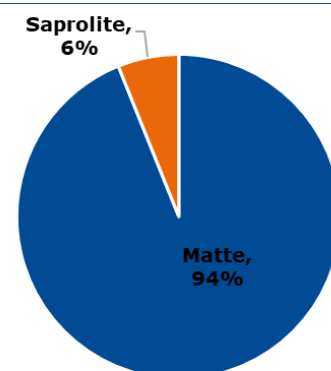
Source: BRIDS estimate

Exhibit 2. ANTM revenue breakdown



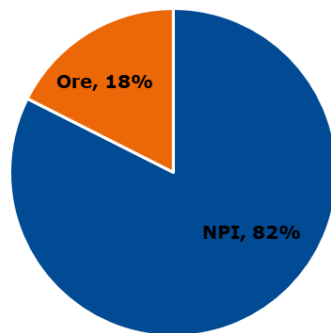
Source: Company, BRIDS

Exhibit 3. INCO revenue breakdown



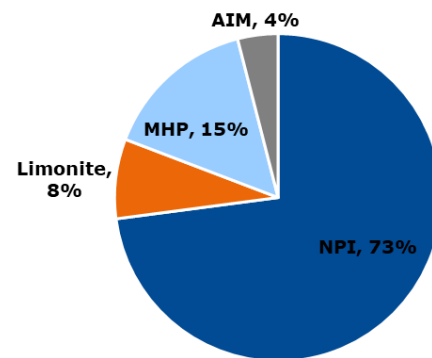
Source: Company, BRIDS

Exhibit 4. NCKL revenue breakdown



Source: Company, BRIDS

Exhibit 5. MBMA revenue breakdown



Source: Company, BRIDS

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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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