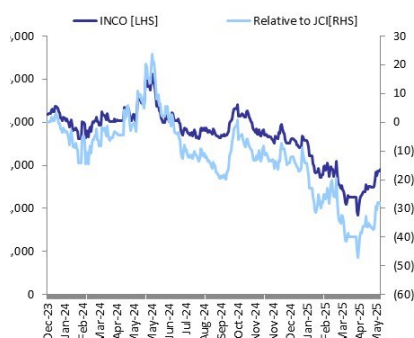


# Buy

(Upgraded)

Last Price (Rp)	2,950
Target Price (Rp)	3,300
Previous Target Price (Rp)	3,900
Upside/Downside	+11.9%
No. of Shares (mn)	10,540
Mkt Cap (Rpbn/US\$mn)	31,092/1,891
Avg, Daily T/O (Rpbn/US\$mn)	35.0/2.1
Free Float (%)	20.1
Major Shareholder (%)	
Vale Canada Ltd	43.8
Inalum	20.0
EPS Consensus (US\$cents)	
	2025F 2026F 2027F
BRIDS	0.8 1.7 2.8
Consensus	0.7 1.2 2.1
BRIDS/Cons (%)	12.7 43.4 31.1

## INCO relative to JCI Index



Source: Bloomberg

# Vale Indonesia (INCO IJ)

## Cost Efficiencies in Growth Projects

- INCO announced a reduction of US\$800mn in projected capex for Pomalaa HPAL due to efficient technology and cost-cutting measures.
- It also announced an initial resource of 825mn wmt saprolite and 533mn wmt limonite, making it the largest in Indonesia.
- We lowered our TP to Rp3,300 as we decreased our LT nickel price assumption to US\$16,500 for its HPAL projects; Upgrade rating to Buy.

## Cost efficiencies have reduced initial capex plan

INCO updated its capex schedule for its growth projects up to 2029, which highlights a decline of US\$800mn or a -21% reduction in Pomalaa HPAL capex to US\$2.7bn, implying capex intensity of US\$22.5k/ton, down from US\$28.3k/ton. Furthermore, we also noticed a notable decrease in mining capex for its Pomalaa, Sorowako, and Bahodopi sites. In terms of project timeline, Bahodopi mine completion has been brought forward to 3Q25 (vs. 4Q25), while other projects are experiencing delays of 1–2 quarters. Initial mining cost in Bahodopi is estimated to be at US\$10-11/wmt and Pomalaa at US\$7.5-8.5/wmt. Pomalaa's cost is lower due to it being closer to port (22km) vs. Bahodopi (67km), and Pomalaa operates at a much larger scale of 28mtpa vs. Bahodopi (16mtpa). Management remains confident in the execution of these growth initiatives, as the extension of INCO's concession is contingent on the completion of its downstream projects.

## Largest nickel mine in Indonesia

INCO announced its 1st resource totaling 825mn wmt of Saprolite and 533mn wmt of Limonite ore. The company also announced a notable increase in limonite reserve to 564mn wmt, +63% yoy, as it converts resources to reserves in 2024. Additionally, INCO submitted a 2.2Mtpa RKAB in Apr25 and is currently awaiting approval. Pending this approval, the company expects to begin sales in 3Q25, following the commencement of operations at the Bahodopi mine.

## Improvements ahead

The one-off gain in derivative contracts recorded in 1Q25 was mainly affected by the approval of tax holiday for BNSI which improved project economics, instead of changes in LME nickel price. Mgmt. is negotiating with its offtaker on the possibility of higher payability for its nickel matte as the current market payability could be as high as 85% vs. INCO's 78%.

## Upgrade rating to Buy with a downgraded TP of Rp3,300

While our FY25-26F forecast remained unchanged, we have slightly downgraded our TP to Rp3,300 (from Rp3,900) based on our SOTP derived valuation, as we decreased LT nickel price assumption to US\$16,500 (From: US\$17,000) for its HPAL projects. We upgrade our rating to Buy on INCO with a TP of Rp3,300, which implies FY25-26F PE of 22x/12x. Key risks to our call include lower nickel prices, a lower utilization rate, and project execution delays.

## Key Financials

Year to 31 Dec	2023A	2024A	2025F	2026F	2027F
Revenue (US\$mn)	1,232	950	935	1,180	1,529
EBITDA (US\$mn)	498	237	267	401	543
Net Profit (US\$mn)	274	58	83	181	290
EPS (US\$cents)	2.8	0.5	0.8	1.7	2.8
BVPS (US\$cents)	25.8	25.9	26.6	28.0	30.3
PER (x)	6.3	32.0	22.2	10.2	6.4
PBV (x)	0.7	0.7	0.7	0.6	0.6
EV/EBITDA	2.1	4.9	4.7	3.0	1.8

Source: INCO, BRIDS Estimates

## BRI Danareksa Sekuritas Analysts

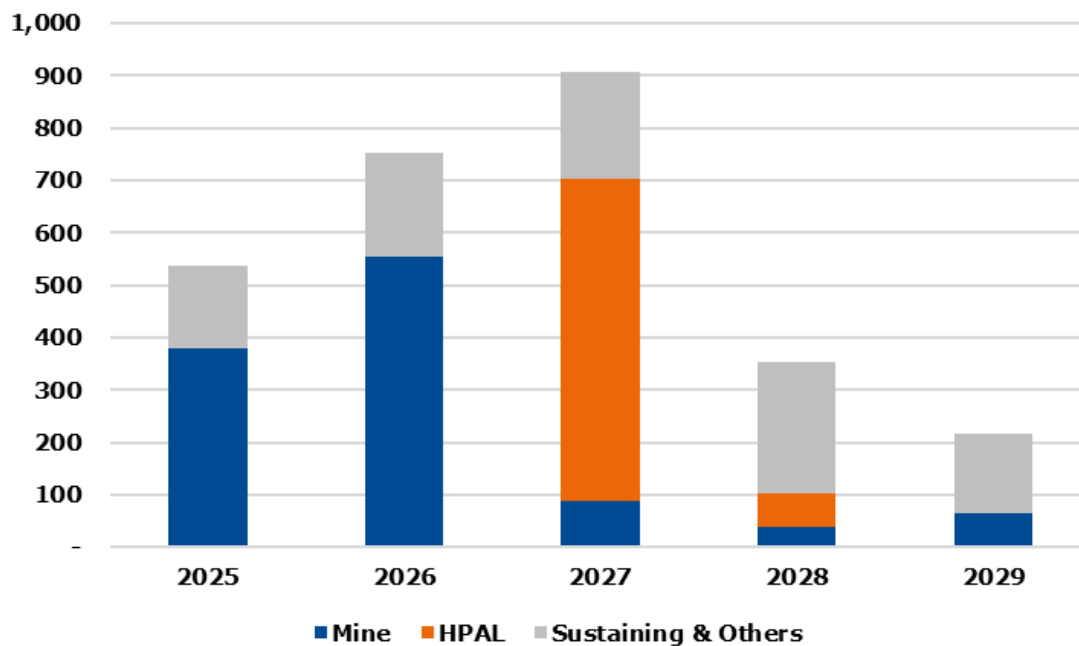
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Exhibit 1. capex schedule 2025-2029



Source: Company, BRIDS

Exhibit 2. Reduction in capex intensity

(USDmn)	Before	After	YoY % change
Bahodopi mine	600	500	-16.7%
Pomalaa mine	1,000	500	-50.0%
Sorowako mine	257	200	-22.2%
Sorowako HPAL	1,900	1,900	0.0%
Pomalaa HPAL	3,400	2,700	-20.6%
Morowali HPAL	-	1,400	

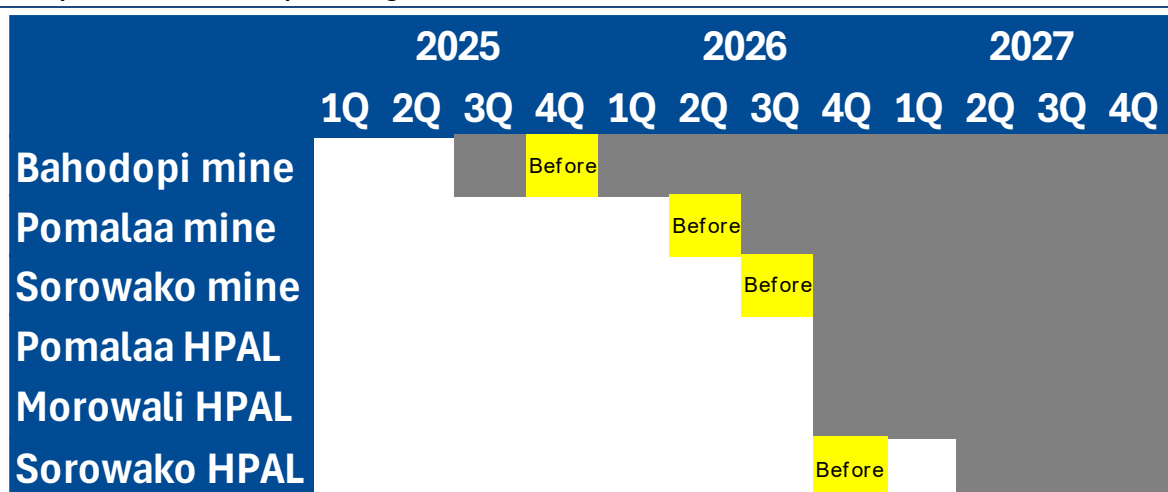
Source: Company, BRIDS

Exhibit 3. Resource and reserve addition

(mn wmt)	2024	2023	YoY % change
Saprolite resource	825	792	4.2%
Limonite resource	533	762	-30.1%
Saprolite reserve	471	494	-4.6%
Limonite reserve	564	347	62.5%

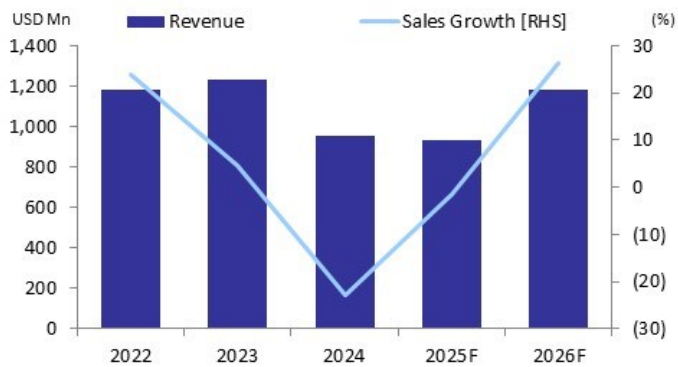
Source: Company, BRIDS

Exhibit 4. Completion schedule vs. previous guidance



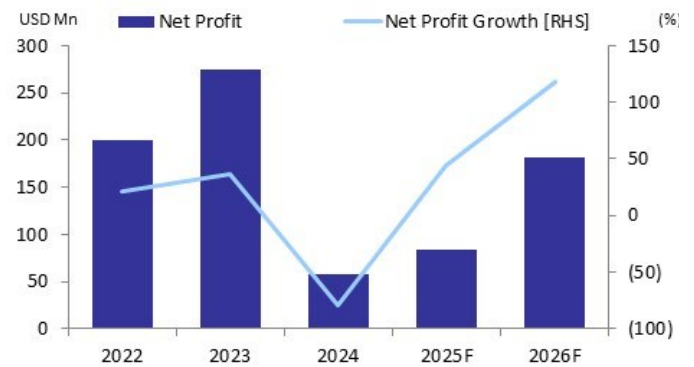
Source: Company, BRIDS

## Exhibit 5. Revenue and Growth



Source: Company, BRIDS Estimates

## Exhibit 6. Net Profit and Growth



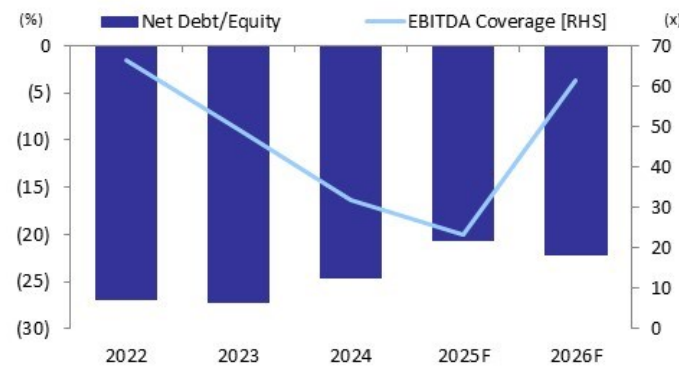
Source: Company, BRIDS Estimates

## 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)	2023A	2024A	2025F	2026F	2027F
<b>Revenue</b>	<b>1,232</b>	<b>950</b>	<b>935</b>	<b>1,180</b>	<b>1,529</b>
COGS	(885)	(842)	(827)	(940)	(1,148)
<b>Gross profit</b>	<b>347</b>	<b>108</b>	<b>108</b>	<b>240</b>	<b>381</b>
<b>EBITDA</b>	<b>498</b>	<b>237</b>	<b>267</b>	<b>401</b>	<b>543</b>
<b>Oper. profit</b>	<b>325</b>	<b>70</b>	<b>83</b>	<b>208</b>	<b>343</b>
Interest income	36	36	34	29	33
Interest expense	(10)	(7)	(12)	(7)	(7)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	2	(25)	2	2	2
<b>Pre-tax profit</b>	<b>353</b>	<b>74</b>	<b>107</b>	<b>232</b>	<b>372</b>
Income tax	(78)	(16)	(23)	(51)	(82)
Minority interest	0	0	0	0	0
<b>Net profit</b>	<b>274</b>	<b>58</b>	<b>83</b>	<b>181</b>	<b>290</b>
<b>Core Net Profit</b>	<b>274</b>	<b>58</b>	<b>83</b>	<b>181</b>	<b>290</b>

**Exhibit 10. Balance Sheet**

Year to 31 Dec (US\$mn)	2023A	2024A	2025F	2026F	2027F
Cash & cash equivalent	699	675	579	659	849
Receivables	102	84	90	113	147
Inventory	156	149	160	169	200
Other Curr. Asset	77	97	58	73	95
Fixed assets - Net	1,696	1,975	2,025	2,068	2,059
Other non-curr.asset	197	197	166	194	231
<b>Total asset</b>	<b>2,926</b>	<b>3,177</b>	<b>3,077</b>	<b>3,277</b>	<b>3,582</b>
ST Debt	0	0	0	0	0
Payables	141	171	118	134	164
Other Curr. Liabilities	76	93	62	75	96
Long Term Debt	0	0	0	0	0
Other LT. Liabilities	145	180	98	113	132
<b>Total Liabilities</b>	<b>361</b>	<b>444</b>	<b>278</b>	<b>322</b>	<b>391</b>
Shareholder's Funds	2,565	2,733	2,799	2,955	3,191
Minority interests	0	0	0	0	0
<b>Total Equity &amp; Liabilities</b>	<b>2,926</b>	<b>3,177</b>	<b>3,077</b>	<b>3,277</b>	<b>3,582</b>

**Exhibit 11. Cash Flow**

Year to 31 Dec (US\$mn)	2023A	2024A	2025F	2026F	2027F
Net income	274	58	83	181	290
Depreciation and Amort.	173	167	184	193	200
Change in Working Capital	(22)	3	33	(43)	(61)
Other Oper. Cash Flow	47	22	(62)	19	18
<b>Operating Cash Flow</b>	<b>473</b>	<b>250</b>	<b>239</b>	<b>350</b>	<b>446</b>
Capex	(319)	(447)	(234)	(236)	(191)
Others Inv. Cash Flow	(31)	17	(9)	(10)	(10)
<b>Investing Cash Flow</b>	<b>(350)</b>	<b>(429)</b>	<b>(242)</b>	<b>(246)</b>	<b>(202)</b>
Net change in debt	0	0	0	0	0
New Capital	(4)	7	0	0	0
Dividend payment	(60)	0	(17)	(25)	(54)
Other Fin. Cash Flow	6	45	(75)	1	0
<b>Financing Cash Flow</b>	<b>(58)</b>	<b>52</b>	<b>(92)</b>	<b>(24)</b>	<b>(55)</b>
<b>Net Change in Cash</b>	<b>65</b>	<b>(127)</b>	<b>(96)</b>	<b>80</b>	<b>190</b>
Cash - begin of the year	634	699	675	579	659
Cash - end of the year	699	675	579	659	849

**Exhibit 12. Key Ratio**

Year to 31 Dec	2023A	2024A	2025F	2026F	2027F
<b>Growth (%)</b>					
Sales	4.5	(22.9)	(1.6)	26.3	29.5
EBITDA	8.7	(52.4)	12.7	50.0	35.4
Operating profit	10.6	(78.5)	18.5	151.0	64.9
Net profit	36.9	(78.9)	44.0	118.0	60.0
<b>Profitability (%)</b>					
Gross margin	28.2	11.4	11.5	20.3	24.9
EBITDA margin	40.4	24.9	28.6	34.0	35.5
Operating margin	26.4	7.4	8.9	17.6	22.4
Net margin	22.3	6.1	8.9	15.4	19.0
ROAA	9.8	1.9	2.7	5.7	8.5
ROAE	11.2	2.2	3.0	6.3	9.4
<b>Leverage</b>					
Net Gearing (x)	(0.3)	(0.2)	(0.2)	(0.2)	(0.3)
Interest Coverage (x)	32.2	9.4	7.2	32.0	52.2

Source: INCO, 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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