BUY

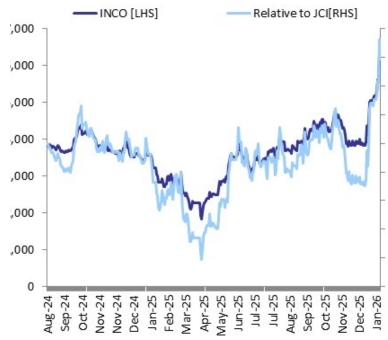
(Maintained)

Last Price (Rp)	6,000
Target Price (Rp)	6,800
Previous Target Price (Rp)	*4,700*
Upside/Downside	+13.3%
No. of Shares (mn)	10,540
Mkt Cap (Rpbn/US$mn)	63,239/3,766
Avg, Daily T/O (Rpbn/US$mn)	70.0/4.2
Free Float (%)	20.1
Major Shareholder (%)	
Mind ID	34.0
Vale Canada	33.9

EPS Consensus (US$cents)

	2025F	2026F	2027F
BRIDS	1.1	2.4	3.2
Consensus	0.8	1.8	3.1
BRIDS/Cons (%)	**40.1**	**32.0**	**1.8**

INCO relative to JCI Index



Source: Bloomberg

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Vale Indonesia (INCO IJ)

On-track Ore Monetization to Drive FY26-27 Earnings; Raise TP to Rp6,800 on Higher Nickel Price

- **INCO reaffirms its FY26 ore monetization plan of up to 20mn wmt, driven by Pomalaa mining start, despite current delay in RKAB approval.**
- **We raise our FY26-27 net profit est. by 47-16% on higher nickel prices assumption amid potential cut in Indonesia's ore production in FY26.**
- **Resume coverage with Buy rating (unchanged) but a higher SOTP-based TP of Rp6,800, supported by ore sales ramp-up and HPAL execution.**

Ore sales to drive new phase of monetization beyond nickel matte

INCO reaffirms its ore monetization plan with production target of up to 20mn wmt (vs. 2.5mn wmt in FY25), comprising of ~10mn/ ~5mn wmt of limonite/ saprolite from Pomalaa and ~5mn wmt of saprolite from Bahodopi mine. This volume step-up is driven by the start of Pomalaa mining and will lift contribution of nickel ore as new revenue driver (33% of FY26F revenue) and drive margin expansion.

Earnings to inflect on higher nickel prices and ore monetization

We raise our FY26-27F nickel price assumption to US$17-17.5k/t (vs. US$16-16.5k/t prev.), driven by the potential 34% cut in Indonesia's nickel production to ~250mn tons vs. ~379mn tons under the 2025 RKAB. We estimate that nickel ore production cut may drive refined nickel market balance to turn into a deficit of ~705kt vs. surplus of ~107kt under no-cut scenario. (see Exh. 1-2 for our est.). This scenario supports our FY26-27F nickel matte ASP assumptions of ~US$13.7–13.8k/t and nickel ore price of US$36-38/t. Amid uncertainty in RKAB approval, we assume a more conservative nickel ore sales volume of 14.5mn wmt in FY26 and FY27 (vs. mgmt. target of 20mn wmt). We project INCO's net profit to grow by 105%/112%/33% YoY in FY25/26/27F, underpinned by increasing contribution from nickel ore sales to offset nickel matte's flat revenue due to planned furnace maintenance.

Maintain BUY with higher TP of Rp6,800

We maintain our Buy rating on INCO with a higher SOTP-based TP of Rp6,800 (from Rp4,700), reflecting stronger earnings driven by ore monetization and supportive nickel prices. Our TP implies a FY27F PE of 13.1x, below the historical average of 23.9x, suggesting further room for rerating as earnings scale up. Key catalysts include the approval and execution of the 2026 RKAB, ramp-up of ore sales from Pomalaa and Bahodopi, and sustained strength in nickel prices amid tighter domestic supply. Downside risks include delays in RKAB approval, weaker than expected nickel prices, and operational disruptions.

Key Financials

Year to 31 Dec	2023A	2024A	2025F	2026F	2027F
Revenue (US$mn)	1,232	950	999	1,232	1,601
EBITDA (US$mn)	498	237	318	528	660
EBITDA Growth (%)	8.7	(52.4)	34.2	65.9	25.2
Net Profit (US$mn)	274	58	118	250	333
EPS (US$cents)	2.8	0.5	1.1	2.4	3.2
EPS Growth (%)	36.9	(80.2)	104.6	111.9	32.8
BVPS (US$cents)	25.8	25.9	26.9	28.9	31.4
PER (x)	12.9	65.2	31.9	15.0	11.3
PBV (x)	1.4	1.4	1.3	1.2	1.1
EV/EBITDA	5.7	13.0	10.7	7.2	5.5

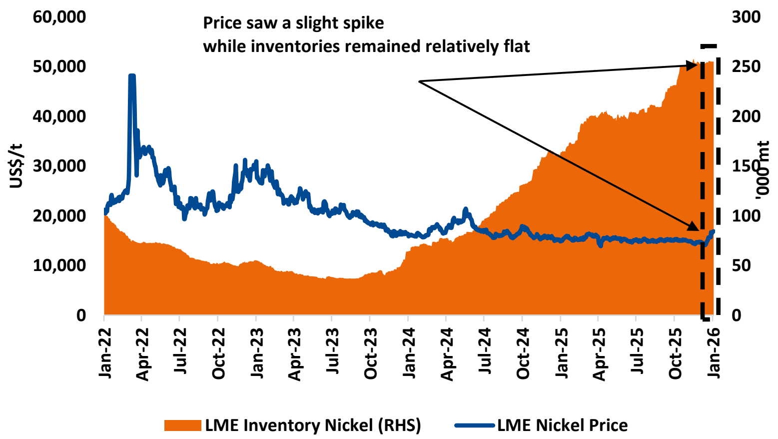
Source: INCO, BRIDS Estimates

Estimating the Potential Impact of Indonesia's Production Cut

Nickel prices edge higher amid potential supply curbs

LME nickel prices have trended higher in recent months, with the latest price reaching ~US$17k/t, the highest level in the past nine months. The rally occurred despite relatively flat LME inventories, suggesting price strength is driven more by forward-looking supply expectations. We attribute the recent uptick partly to Indonesia's plan to curb nickel production to ~250mn wmt in FY26, which is expected to potentially tighten global supply and support nickel prices going forward.

Exhibit 1. LME nickel prices and inventory trends



Source: Bloomberg, BRIDS

Baseline scenario: A more modest surplus in 2026

We estimate the global nickel market to see a more modest ~0.1 Mt Ni surplus in the absence of policy intervention. This reflects a combination of:

- slowing refined supply growth following the 2023-24 expansion cycle,
- post-maintenance normalization in 2025F, and

a demand recovery driven by stainless steel restocking and steady battery sector growth.

Exhibit 2. Historical & baseline outlook (no RKAB cut), in t Ni

Item	2023	2024	2025A	2026F (No Cut)
Global Mined Nickel Supply	3,733,337	3,772,573	3,303,462	**3,380,000**
– Indonesia	2,010,850	2,299,506	2,100,141	2,150,000
– Indonesia share	53.90%	61.00%	63.60%	~64%
Global Refined Nickel Production	3,440,198	3,546,613	2,987,281	**3,076,900**
– Indonesia	1,386,467	1,593,586	1,505,154	~1,540,000
– Indonesia share	40.30%	44.90%	50.40%	~50%
Global Refined Nickel Demand	3,075,050	3,333,771	2,801,738	**2,969,842**
Global Surplus / (Deficit)	**365,147**	**212,842**	**185,543**	**107,058**

Source: Bloomberg, BRIDS Estimates

A potential supply shock

However, should the proposed reduction in Indonesia's RKAB from 390mn wmt to 250mn wmt were implemented, this would represent a ~34% cut in ore availability, which we estimate to translate to roughly 1.3–1.4 Mt of nickel mine supply. Applying Indonesia's historical ~70% mine-to-refined conversion ratio, we estimate a ~0.9–1.0 Mt reduction in refined nickel output, predominantly affecting NPI and intermediate products.

Exhibit 3. RKAB cut may impact to global nickel balance (2026F)

Key assumption:

RKAB Cut: 390 ==> 250mn wmt (-140mn wmt)

Cut allocation: 65% saprolite (NPI); 35% limonite (MJP)

Ore intensity: NPI 100 wmt/t Ni; MJP 140 wmt/t Ni

Baseline global without cut: +107 kt surplus

Segment	Ore cut (mn wmt)	Ore intensity (wmt/t Ni)	Theoretical Ni at risk (kt)	Pass-through	Refined loss (kt Ni)
NPI	91	100	910	70%	637
MHP	49	140	350	50%	175
Total refined impact	**140**	-	**1,260**	-	**812**

Implication to global balance (2026F)

Item	kt Ni
Baseline global balance (no RKAB cut)	+107
Less: RKAB-driven refined supply loss	(812)
Global balance 2026F	**(705)**

Source: Bloomberg, BRIDS Estimates

Market implications

Under this scenario, we estimate the global nickel market would swing from a marginal surplus into a structural deficit of ~0.7–1.0 Mt Ni in 2026F, even under conservative pass-through assumptions. Given the market's historical sensitivity to refined balance shifts measured in only a few hundred thousand tons, such a move may trigger a meaningful price re-rating. While partial LME inventory releases equivalent to only a few months of global consumption could temporarily smooth volatility, we think inventory drawdowns would delay rather than offset the underlying policy-driven supply shock.

Forecast revision

We raise our FY26-27F nickel price assumption to US$17-17.5k/t (vs. US$16-16,5k/t prev.), driven by the potential 34% cut in Indonesia's nickel production. This scenario supports our FY26-27F nickel matte ASP assumptions of ~US$13.7–13.8k/t and nickel ore price of US$36-38/t. Amid uncertainty in RKAB approval, we assume a more conservative nickel ore sales volume of 14.5mn wmt in FY26 and FY27 (vs. management target of 20mn wmt).

Overall, we project INCO's net profit to grow by 104%/139%/33% YoY in 2025F/2026F/2027F, underpinned by increasing contribution from nickel ore sales to offset flat revenue from nickel matte due to the planned furnace maintenance.

Exhibit 4. Forecast changes

Forecast Changes									
INCO	2025F		2026F		2027F		Changes		
in US$mn	Old	New	Old	New	Old	New	2025F	2026F	2027F
Revenue	1,010	999	1,255	1,232	1,662	1,601	-1.1%	-1.9%	-3.7%
Gross profit	131	150	242	344	437	489	14.5%	42.1%	11.9%
EBITDA	300	318	426	528	609	660	6.0%	23.8%	8.4%
Net profit	104	118	170	250	287	333	13.6%	47.3%	15.9%
Gross margin	13.0%	15.0%	19.3%	27.9%	26.3%	30.5%			
EBITDA margin	29.7%	31.8%	33.9%	42.8%	36.6%	41.2%			
Net margin	10.3%	11.8%	13.5%	20.3%	17.3%	20.8%			
Major Assumption									
Nickel price LME	16,500	16,500	16,500	17,500	16,500	17,500	0.0%	6.1%	6.1%
Nickel matte prod (mt)	70,000	72,000	70,000	60,000	70,000	72,000	2.9%	-14.3%	2.9%
Saprolite prod (mn wmt)	1.8	1.8	5.0	8.0	10.0	10.0	0.0%	60.0%	0.0%
Limonite prod (mn wmt)	-	-	9.0	6.5	25.0	15.0	N/A	-27.8%	-40.0%
Nickel matte ASP (US$/t)	12,223	12,999	12,545	13,787	13,051	13,787	6.4%	9.9%	5.6%
Saprolite ASP (US$/t)	36.2	36.2	36.2	38.4	36.2	38.4	0.0%	6.1%	6.1%
Limonite prod (US$/t)	14.1	14.1	14.1	15.0	14.1	14.5	0.0%	6.1%	3.0%

Source: BRIDS Estimates

Valuation

We value INCO using a SOTP approach to capture the differentiated risk–return profiles across its upstream and downstream assets. The core nickel matte and ore business is valued at US$2.5bn, accounting for 62% of total EV, reflecting improving earnings visibility from ore monetization and normalization following planned furnace maintenance. The downstream portfolio contributes the remaining 38% of EV, comprising Pomalaa HPAL (US$874mn; 22%), Bahodopi HPAL (US$360mn; 9%), and Sorowako HPAL (US$278mn; 7%), all valued using DCF with a WACC of 9.4%. After factoring in net cash of US$356mn, we derive an equity value of US$4.37bn, translating into a target price of Rp6,800.

Exhibit 5. DCF Valuation

Valuation	EV	Portion (%)	Valuation
Nickel matte & ore	2,504	62%	DCF (WACC 9.4%)
Bahodopi HPAL	360	9%	
Pomala HPAL	874	22%	
Sorowako HPAL	278	7%	
Total EV	**4,016**		
Net Debt (cash)	(356)		
Equity value	4,371		
TP in IDR	**6,800**		

Source: BRIDS Estimates

Sensitivity analysis

Our sensitivity analysis shows that INCO's valuation remains highly leveraged to nickel prices. At our base-case LME nickel price assumption of US$17.5k/t, INCO's fair value stands at Rp6,800, supported by FY27F net profit of US$368mn. Based on our sensitivity, every ~5% change in nickel prices shifts TP by approximately Rp400–450/share. At the current market level, the stock appears to be pricing in a more conservative nickel price assumption of around US$14–19k/t, or roughly 10–15% below our base case. This suggests that investors continue to discount near-term execution and commodity risks, leaving valuation upside potential should nickel prices normalize toward our forecast range and ore monetization ramp up as planned.

Exhibit 6. Sensitivity analysis

	LME Nickel Price (US$/t)	Implied FY27F Net profit (US$mn)	Implied TP (Rp)
-20%	14,000	362	5,087
-15%	14,875	377	5,470
-10%	15,750	393	5,881
-5%	16,625	409	6,324
Base case	17,500	426	6,800
+5%	18,375	452	7,208
+10%	19,250	479	7,640
+15%	20,125	508	8,099
+20%	21,000	538	8,585

Source: BRIDS Estimates

Exhibit 7. Morowali project

Port Facilities, 90.56%

Source: Company

Exhibit 8. JV side in Morowali project

JV – Civil and Mechanical Works in Acid Plant

Source: Company

Exhibit 9. Pomalaa project

First Digging Ceremony

Source: Company

Exhibit 10. Sorlim project

Limonite Stockpile Management – Laila 1

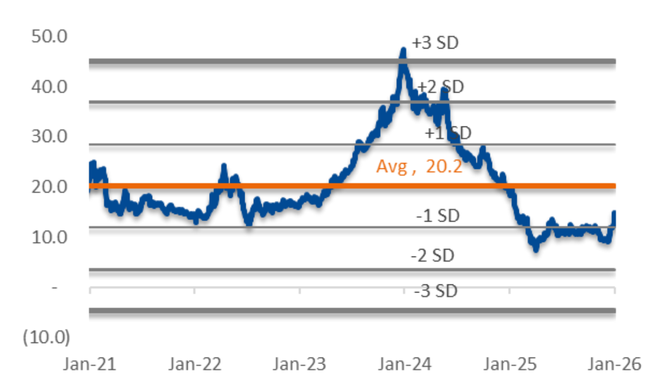
Source: Company

Exhibit 11. IRMA-50 on track

3Q 2023	4Q 2023	1Q – 3Q 2024	Q4 2024	1Q - 3Q 2025 (INCO progress)	4Q 2025
Vale Corporate Readiness Assessment	Sorowako IRMA Readiness Assessment	Ongoing work in fulfilling gaps from Readiness Assessment result	Sorowako Self-Assessment submission to IRMA Stage 1 Audit (Desktop)	Critical requirement improvement	Stage 2 Audit (Site Visit)

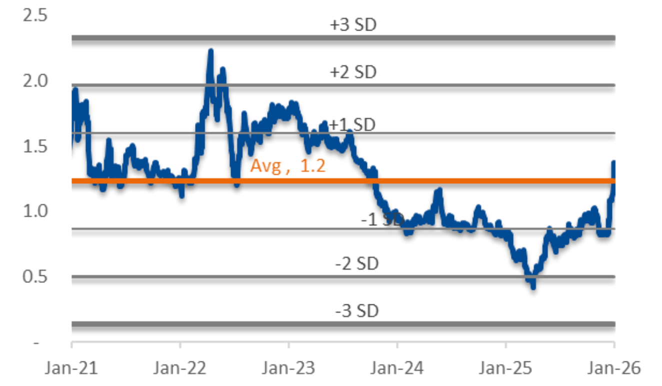
Source: Company

Exhibit 12. INCO's P/E Band (5-year)



Source: Company, Bloomberg, BRIDS Estimates

Exhibit 13. INCO's P/B Band (5-year)



Source: Company, Bloomberg, BRIDS Estimates

Exhibit 14. Peers comparable

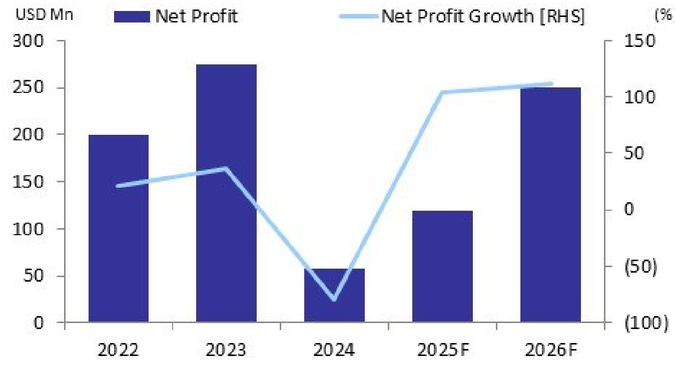
Date	Company	Company	Mkt.Cap (USD mn.)	PE 25F	PE 26F	PB 25F	PB 26F	ROA 25F	ROA 26F	ROE 25F	ROE 26F
ANTM IJ	ANTM IJ Equity	ANEKA TAMBANG TBK	4,988	10.6	10.6	2.3	2.1	16.9	15.3	23.6	21.0
BHP AU	BHP AU Equity	BHP GROUP LTD	160,972	15.5	14.2	3.4	3.0	11.2	11.1	22.9	22.6
GLEN LC	GLEN LC Equity	GLENCORE PLC	65,167	33.6	15.8	1.8	1.6	0.5	3.2	4.5	11.1
AAL LN	AAL LN Equity	ANGLO AMERICAN PLC	49,574	60.3	25.9	2.6	2.1	0.2	2.7	4.2	9.4
603799 CH	603799 CH Equity	ZHEJIANG HUAYOU COBALT CO -A	20,537	23.2	17.4	3.3	2.8	4.8	6.0	14.4	17.2
LUN CN	LUN CN Equity	LUNDIN MINING CORP	19,189	32.9	22.4	3.1	2.7	6.0	8.2	11.3	13.5
5713 JT	5713 JT Equity	SUMITOMO METAL MINING CO LTD	13,054	45.7	23.2	1.1	1.0	1.0	n.a	2.5	4.6
S32 AU	S32 AU Equity	SOUTH32 LTD	11,444	16.3	18.2	1.2	1.2	6.4	5.6	7.9	7.9
NIC AU	NIC AU Equity	NICKEL INDUSTRIES LTD	2,790	44.2	14.1	1.2	1.2	2.1	5.6	2.1	8.9
NIKL PM	NIKL PM Equity	NICKEL ASIA CORP	1,022	11.2	10.5	1.1	0.9	12.0	11.6	16.7	15.1
			Average.	**29.4**	**17.2**	**2.1**	**1.9**	**6.1**	**7.7**	**11.0**	**13.1**

Source: Bloomberg, BRIDS

Exhibit 14. Revenues and Growth

Source: Company, BRIDS Estimates

Exhibit 15. Net Profits and Growth

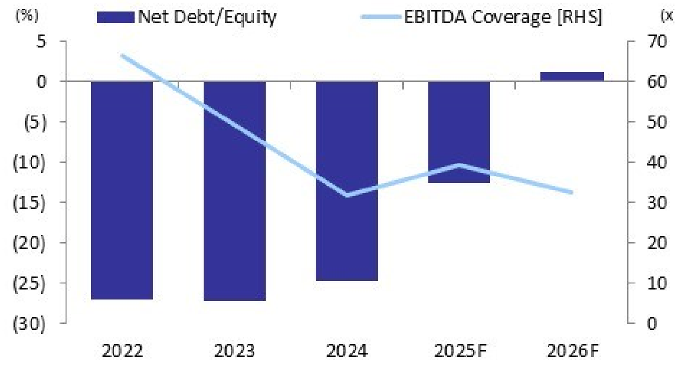


Source: Company, BRIDS Estimates

Exhibit 16. Margins

Source: Company, BRIDS Estimates

Exhibit 17. Gearing Level



Source: Company, BRIDS Estimates

Exhibit 18. Income Statement

Year to 31 Dec (US$mn)	2023A	2024A	2025F	2026F	2027F
Revenue	**1,232**	**950**	**999**	**1,232**	**1,601**
COGS	(885)	(842)	(849)	(888)	(1,112)
Gross profit	**347**	**108**	**150**	**344**	**489**
EBITDA	**498**	**237**	**318**	**528**	**660**
Oper. profit	**325**	**70**	**124**	**305**	**429**
Interest income	36	36	34	30	11
Interest expense	(10)	(7)	(8)	(16)	(16)
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	3
Pre-tax profit	**353**	**74**	**151**	**321**	**426**
Income tax	(78)	(16)	(33)	(71)	(94)
Minority interest	0	0	0	0	0
Net profit	**274**	**58**	**118**	**250**	**333**
Core Net Profit	**274**	**58**	**118**	**250**	**333**

Exhibit 19. Balance Sheet

Year to 31 Dec (US$mn)	2023A	2024A	2025F	2026F	2027F
Cash & cash equivalent	699	675	606	216	416
Receivables	102	84	96	118	154
Inventory	156	149	162	167	192
Other Curr. Asset	77	97	62	77	99
Fixed assets - Net	1,696	1,975	2,281	2,859	2,868
Other non-curr.asset	197	197	171	198	237
Total asset	**2,926**	**3,177**	**3,378**	**3,635**	**3,966**
ST Debt	0	0	0	0	0
Payables	141	171	121	126	158
Other Curr. Liabilities	76	93	65	76	97
Long Term Debt	0	0	250	250	250
Other LT. Liabilities	145	180	108	134	155
Total Liabilities	**361**	**444**	**544**	**586**	**660**
Shareholder'sFunds	2,565	2,733	2,834	3,049	3,306
Minority interests	0	0	0	0	0
Total Equity & Liabilities	**2,926**	**3,177**	**3,378**	**3,635**	**3,966**

Exhibit 20. Cash Flow

Year to 31 Dec (US$mn)	2023A	2024A	2025F	2026F	2027F
Net income	274	58	118	250	333
Depreciation and Amort.	173	167	194	223	231
Change in Working Capital	(22)	3	22	(41)	(65)
OtherOper. Cash Flow	47	22	(58)	11	27
Operating Cash Flow	**473**	**250**	**276**	**443**	**525**
Capex	(319)	(447)	(500)	(801)	(240)
Others Inv. Cash Flow	(31)	17	(9)	(10)	(10)
Investing Cash Flow	**(350)**	**(429)**	**(508)**	**(810)**	**(251)**
Net change in debt	0	0	250	0	0
New Capital	(4)	110	17	0	0
Dividend payment	(60)	0	(35)	(35)	(75)
Other Fin. Cash Flow	6	45	(69)	14	0
Financing Cash Flow	**(58)**	**155**	**164**	**(22)**	**(75)**
Net Change in Cash	**65**	**(24)**	**(69)**	**(389)**	**200**
Cash - begin of the year	634	699	675	606	216
Cash - end of the year	699	675	606	216	416

Exhibit 21. Key Ratio

Year to 31 Dec	2023A	2024A	2025F	2026F	2027F
Growth (%)					
Sales	4.5	(22.9)	5.1	23.3	30.0
EBITDA	8.7	(52.4)	34.2	65.9	25.2
Operating profit	10.6	(78.5)	77.6	145.4	40.7
Net profit	36.9	(78.9)	104.6	111.9	32.8
Profitability (%)					
Gross margin	28.2	11.4	15.0	27.9	30.5
EBITDA margin	40.4	24.9	31.8	42.8	41.2
Operating margin	26.4	7.4	12.4	24.8	26.8
Net margin	22.3	6.1	11.8	20.3	20.8
ROAA	9.8	1.9	3.6	7.1	8.7
ROAE	11.2	2.2	4.2	8.5	10.5
Leverage					
Net Gearing (x)	(0.3)	(0.2)	(0.1)	0.0	(0.1)
Interest Coverage (x)	32.2	9.4	15.3	18.8	26.4

Source: INCO, BRIDS Estimates

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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