

**BUY**

### Investment Consideration

#### Production grew in 4Q23

- In 4Q2023, INCO recorded nickel in matte production growth of +18% YoY to 19,084 MT or +6.3% QoQ, the highest growth since 4Q2021. For 2023FY, the production reached 70,728 MT, an increase of +18% YoY.
- INCO's revenue decreased by -3.7% YoY but was higher by +5.5% QoQ to USD 294 million in 4Q2023. Despite an average realized price decrease of -10% YoY during 2023FY, INCO's revenue still increased by +4.5% YoY to USD 1.3 billion, in line with an increase in the volume of deliveries of nickel in matte.
- In terms of sales volume, INCO booked +26% YoY or +21% QoQ growth to 20,888 MT in 4Q2023, and an increase of +17% YoY to 71,323 MT in 2023FY.
- We are targeting a total nickel in matte production in 2024F of 70,800 MT, aligning with INCO's annual production target for this year.

#### Maintaining lower costs

- INCO remained focused on improving productivity and cost efficiency in 4Q2023.
- The cost of revenues in 4Q23 was lower by -6.7% YoY, helped by lower fuel consumption and royalty expenses. The cash cost per ton was USD 9,949, -21.2% YoY compared to USD 12,640 per ton in 4Q22. INCO also managed to maintain production costs at USD 10,089 per ton in 2023. Lower cash costs were also impacted by lower coal prices and an increase in HSFO consumption (high sulphur fuel oil) of +17% QoQ.
- The cost per ton is forecast to decline by -18% YoY in 2024F to USD 8,244 per ton as lower energy costs and production efficiency continue.
- Lower cost of revenue resulted in a higher GPM at 20.4% in 4Q2023 and reached 28.2% in 2023FY.
- INCO also booked gains on recognition of fair value of derivative assets coming from its investment in PT Kolaka Nickel Indonesia (KNI) at USD 24.7 million, resulting in a higher net profit of +66.3% YoY or +1.3% QoQ to USD 53 million.
- In terms of share divestment, The Ministry of Energy and Mineral Resources (ESDM) said that the divestment plan for INCO shares owned by Vale Canada Limited and Sumitomo Metal Mining Co. to MIND ID is in the divestment price negotiation process. INCO management confirmed there is no agreement yet.

#### Valuation: 43% upside

- For 2024F, we adjust our target price within a year to IDR 5,600. The target price is based on a 2024F EV/EBITDA target at 7.6x. With 43% potential upside, our recommendation is BUY.

Ratio Highlight	2020 A	2021 A	2022 A	2023 A	2024 F	2025 F
Sales (USD Mn)	764,7	953,2	1.179,5	1.232,3	993,9	1.093,3
EBITDA (USD Mn)	257,4	383,3	447,1	536,3	412,2	488,0
Net Profit (USD Mn)	82,8	165,8	200,4	274,3	150,3	193,4
Operating Margin	14%	23%	23%	25%	18%	21%
EBITDA margin	34%	40%	38%	44%	41%	45%
NET Profit margin	11%	17%	17%	22%	15%	18%
EV/EBITDA (x)	13,5	8,0	9,3	3,9	7,6	6,4
PER (x)	43,4	19,7	22,4	8,9	23,9	18,6
Tot. debt/ Tot. Equity (x)	0,15	0,15	0,13	0,14	0,11	0,11

26 February 2024  
Nickle Mining, Equity

Price IDR 3,950  
Target Price IDR 5,600  
JKSE Index 7,295.095

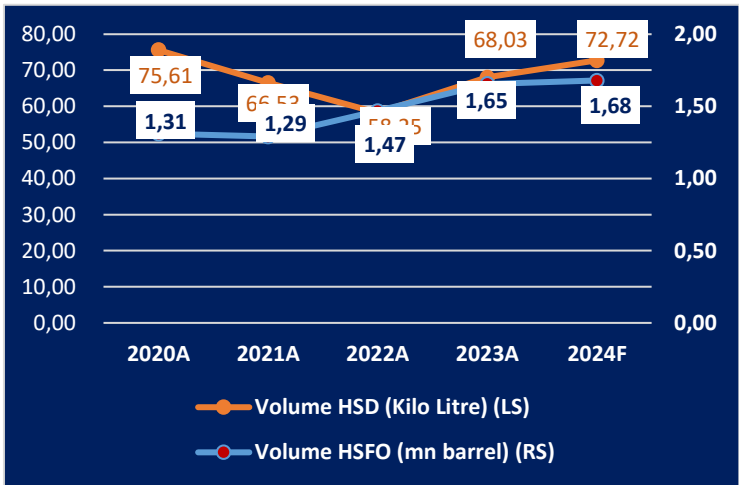
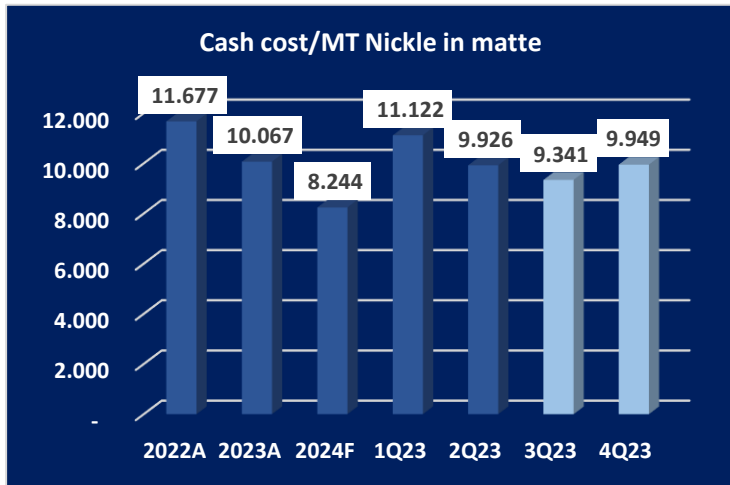
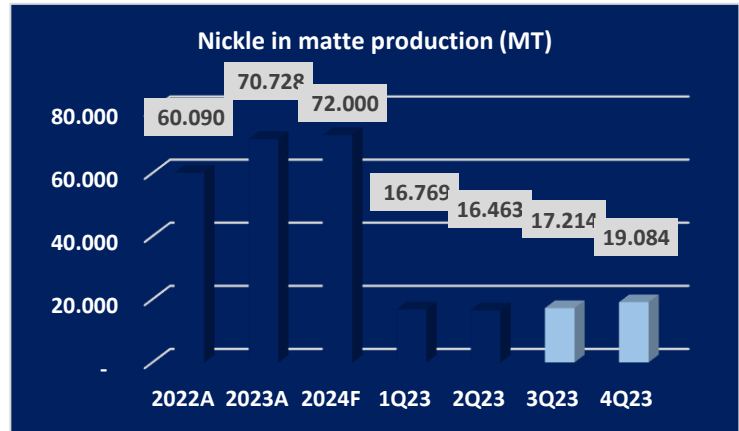
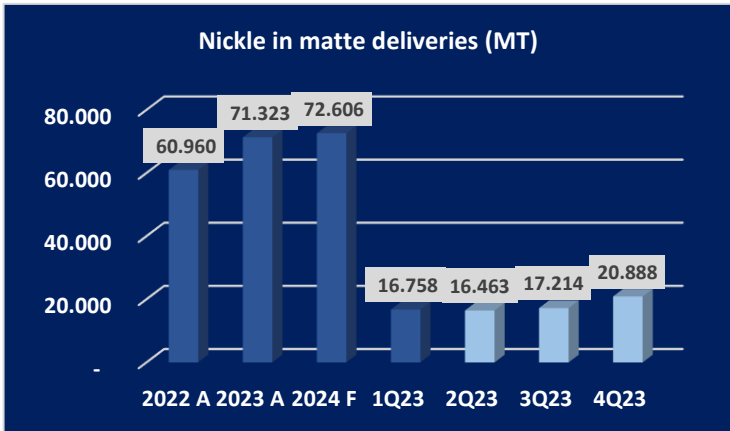


Stock Code INCO IJ  
Bloomberg code INCO IJ  
Market cap (IDR.bn) 39,248.5  
52-Week High (IDR) 7,100  
52-Week Low (IDR) 3,310  
Free Float (%) 21.18

Major Shareholders (%)  
Vale Canada Ltd 43.79%  
Sumitomo Metal Mining Ltd 15.03%  
PT Mineral Industri Indonesia (Persero) 20.00%  
Public 21.18%

USD/IDR-YE  
2023A 15,439  
2024F (Avg) 15,549

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## Income Statement QoQ

Income Statement (USD.Mn)	1Q2023	2Q2023	3Q2023	4Q2023	QoQ	4Q2022	YoY	2022A	2023A	YoY
Revenues	363	296	279	294	5,5%	306	-3,7%	1.179	1.232	4,5%
COGS	-228	-210	-212	-234	10,2%	-251	-6,7%	-866	-885	2,2%
<b>Gross Profit</b>	<b>135</b>	<b>86</b>	<b>66</b>	<b>60</b>	<b>-9,5%</b>	<b>54</b>	<b>10,3%</b>	<b>314</b>	<b>347</b>	<b>10,7%</b>
Operating expense	-15	-7	-7	-16	127,8%	-19	-17,2%	-42	-45	8,0%
<b>Operating Profit</b>	<b>120</b>	<b>79</b>	<b>59</b>	<b>44</b>	<b>-25,7%</b>	<b>35</b>	<b>25,5%</b>	<b>272</b>	<b>302</b>	<b>11,1%</b>
Other income	6	7	8	29	253,1%	2	1293,3%	4	50	1228,9%
<b>Pretax income(PBT)</b>	<b>126</b>	<b>86</b>	<b>68</b>	<b>73</b>	<b>7,8%</b>	<b>37</b>	<b>95,4%</b>	<b>276</b>	<b>353</b>	<b>27,8%</b>
taxes	-28	-16	-15	-20	30,5%	-5	273,7%	-75	-78	3,7%
<b>Net Profit</b>	<b>98</b>	<b>70</b>	<b>53</b>	<b>53</b>	<b>1,3%</b>	<b>32</b>	<b>66,3%</b>	<b>200</b>	<b>274</b>	<b>36,9%</b>
EPS (USD)	0,0099	0,0071	0,0053	0,0054	1,3%	0,003	66,3%	0,0202	0,0276	36,9%
<b>EBITDA</b>	<b>167</b>	<b>133</b>	<b>114</b>	<b>123</b>	<b>8,5%</b>	<b>87</b>	<b>41,2%</b>	<b>447</b>	<b>536</b>	<b>20,0%</b>

GPM	37,2%	28,9%	23,8%	20,4%	17,8%	26,6%	28,2%
OPM	33,0%	26,7%	21,3%	15,0%	11,5%	23,1%	24,5%
NPM	27,0%	23,8%	18,8%	18,1%	10,5%	17,0%	22,3%

Income Statement						
Income Statement (USD.mn)	2020 A	2021 A	2022 A	2023 A	2024 F	2025 F
Revenues	765	953	1.179	1.232	994	1.093
COGS	(640)	(718)	(866)	(885)	(784)	(822)
Gross Profit	124	235	314	347	210	271
Operating expense	(21)	(12)	(42)	(45)	(36)	(40)
Operating Profit	104	223	272	302	174	232
Other income	1	(2)	4	50	41	45
Pretax income(PBT)	105	221	276	353	215	276
taxes	(22)	(55)	(75)	(78)	(64)	(83)
Net Profit	83	166	200	274	150	193
EPS	0,0083	0,0167	0,0202	0,0276	0,0151	0,0195
EBITDA	257	383	447	536	412	488

Statement of Financial Statement						
Balance sheet (USD in mn)	2020 A	2021 A	2022 A	2023 A	2024 F	2025 F
Cash and cash equivalent	389	508	634	699	721	791
restricted cash	10	0	0	0	0	0
short term investment	0	0	0	0	0	0
Trade Account Receivable	60	102	141	102	103	111
inventory	144	162	156	156	152	152
Other current asset	93	64	59	77	59	77
<b>Current Asset</b>	<b>696</b>	<b>837</b>	<b>990</b>	<b>1.033</b>	<b>1.035</b>	<b>1.131</b>
Net Fixed Asset	1.479	1.519	1.550	1.696	1.813	1.938
other long term asset	140	117	118	197	159	175
<b>Total non current Asset</b>	<b>1.619</b>	<b>1.636</b>	<b>1.668</b>	<b>1.893</b>	<b>1.972</b>	<b>2.113</b>
<b>Total Asset</b>	<b>2.315</b>	<b>2.473</b>	<b>2.658</b>	<b>2.926</b>	<b>3.006</b>	<b>3.244</b>
Trade Account Payable	113	122	116	141	114	125
Other Short term liabilities	48	46	59	76	61	67
<b>Total current liabilities</b>	<b>161</b>	<b>168</b>	<b>175</b>	<b>217</b>	<b>175</b>	<b>192</b>
Long term borrowings	0	0	0	0	0	0
Provision for asset retirement	57	77	71	77	62	69
Other Long term liabilities	77	72	57	67	54	60
<b>Total long term/ non current liabilities</b>	<b>134</b>	<b>150</b>	<b>128</b>	<b>145</b>	<b>117</b>	<b>128</b>
<b>Total Liabilities</b>	<b>294</b>	<b>318</b>	<b>303</b>	<b>361</b>	<b>292</b>	<b>321</b>
<b>Total Equities</b>	<b>2.020</b>	<b>2.154</b>	<b>2.355</b>	<b>2.565</b>	<b>2.715</b>	<b>2.908</b>
<b>Total Liabilities and equity</b>	<b>2.315</b>	<b>2.473</b>	<b>2.658</b>	<b>2.926</b>	<b>3.006</b>	<b>3.229</b>

Cash Flow						
Cash Flow (USD in mn)	2020A	2021A	2022A	2023A	2024F	2025F
+ Net Income	83	166	200	274	150	193
Depreciation	149	158	164	174	190	203
- Change in WC	56	-13	-21	63	-21	-9
<b>Cash From Operating Activities</b>	<b>288</b>	<b>310</b>	<b>344</b>	<b>511</b>	<b>319</b>	<b>388</b>
capex	-161	-197	-195	-319	-307	-328
Other non-current asset	27	22	-1	-79	38	-16
<b>Cash from investing activities</b>	<b>-133</b>	<b>-175</b>	<b>-196</b>	<b>-398</b>	<b>-269</b>	<b>-344</b>
Long term borrowing	0	0	0	0	0	0
Provision for asset retirement	12	21	-6	6	-15	6
other long-term liabilities	-23	-5	-15	10	-13	5
Equity	-4	-32	-0	-65	0	0
<b>cash from financing activities</b>	<b>-15</b>	<b>-15</b>	<b>-22</b>	<b>-48</b>	<b>-28</b>	<b>12</b>
Net Changes in Cash	140	120	126	65	22	55
<b>Beginning Balance</b>	<b>249</b>	<b>389</b>	<b>508</b>	<b>634</b>	<b>699</b>	<b>721</b>
<b>Ending balance</b>	<b>389</b>	<b>508</b>	<b>634</b>	<b>699</b>	<b>721</b>	<b>776</b>

Ratio Highlights						
Ratio Highlight	2020 A	2021 A	2022 A	2023 A	2024 F	2025 F
<b>Growth (% YoY)</b>						
Sales	-2%	25%	24%	4%	-19%	10%
OP	18%	115%	22%	11%	-42%	33%
EBITDA	16%	49%	17%	20%	-23%	18%
NP	44%	100%	21%	37%	-45%	29%
EPS	44%	100%	21%	37%	-45%	29%
<b>Profitability (%)</b>						
Operating Margin	14%	23%	23%	25%	18%	21%
EBITDA margin	34%	40%	38%	44%	41%	45%
NET Profit margin	10,83%	17,39%	16,99%	22,26%	15,12%	17,69%
ROA	3,58%	6,70%	7,54%	9,38%	5,00%	5,96%
ROE	4,10%	7,70%	8,51%	10,70%	5,54%	6,65%
<b>Solvability</b>						
Tot. debt/ Tot. Equity (x)	0,15	0,15	0,13	0,14	0,11	0,11
int coverage (x)	28,21	43,79	39,42	29,92	23,56	27,10
<b>Liquidity</b>						
Current Ratio (X)	4,33	4,97	5,65	4,77	5,92	5,88
<b>Per Share data</b>						
EPS (USD)	0,0083	0,0167	0,0202	0,0276	0,0151	0,0195
BVS	0,203	0,217	0,237	0,258	0,273	0,293
EV/EBITDA (x)	13,5	8,0	9,3	3,9	7,6	6,4
PER (x)	43,4	19,7	22,4	8,9	23,9	18,6
PBV (x)	1,78	1,51	1,90	0,95	1,32	1,23

**Stock Ratings:**

Buy: a recommendation to purchase the security with upside potential of 20% or greater

Hold: a recommendation to neither buy nor sell a security with upside potential of 0-20%.

Sell: a recommendation to close out a long position in a security with upside potential below 0% or negative.

**RESEARCH TEAM**  
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