NEUTRAL

Return (%)	-1D	-1W	-1M
JCI	-1.0	-0.8	+1.8
LQ45	-0.9	+1.3	+3.3
ANTM IJ	-1.5	+0.9	+1.2
INCO IJ	-1.2	-1.4	-10.5
MDKA IJ	+0.0	-2.1	-4.6

EPS Growth (%)	FY23E	FY24F
ANTM IJ	-10.3	+0.4
INCO IJ	+10.3	-16.7
MDKA IJ	-99.7	+52,637

Research Analyst
Alif Ihsanario
alif.ihsanario@mncgroup.com

Metal Mining
Highway for Precious Metals; Base Metals to be Left Behind

Gold likely to budge higher
For the bigger part of the year, gold has outperformed other contenders in the metal category, bolstered by high geopolitical elusivity, as well as robust demand from central banks in their strive to boost gold reserves. According to World Gold Council, central banks around the world had added c. 800 tons of gold throughout 9M23, a new record, 14% higher than 9M22. During 3Q23 alone, China's central bank accrued a total of 78 tons of this safe haven asset given their persisting economic turmoil, followed by Poland (57 tons), Turkey (39 tons and India (9 tons). Middle Eastern escalations, Black Sea instability and risks of Russian-style sanction by the US and European hegemony amid an overarching theme of economic instability have made central banks an avid purchaser of gold, coinciding with their huge price movements since the Covid-19 pandemic (total 1,136 tons purchased in FY22, up from 450 tons in FY21). US inflation rate have reached an inflection point; the market's recent hoarding towards US treasuries as the Fed's pivoting signal becomes more readily apparent to take place in 2Q23 and some even speculating as soon as 1Q23, points towards a strong upside for gold. If the recovery from the likely bumpy economic landing next year plays out swiftly, gold could reach beyond c. USD2,150/ton in 2H24.

Expecting a wooden nickel in FY24F
Nickel was one of the sluggish-performing metals this year, having contracted c. 45% YTD from FY22's high-base rally and a vast surplus situation as a product of Indonesia's aggressive mining output expansion (up 54% YoY to 1.6mn tons in FY22, according to USGS). The supply glut was amplified by China's increasing Class I nickel output by 36% YoY throughout 9M23, and is expected to continue rising as downstreaming endeavors by the fusion of China's technology and Indonesia's reserves have allowed intermediary products output such as mixed hydroxide precipitate (MHP) and NPI conversion to nickel matte to grow. The fate for this particular industrial base metal might not necessarily reverberate an upbeat tune in FY24F; China's slacking economic activity and unabating real estate plunge remains the main party pooper as they uptake 60% of the global metal supply. Supply's outpacing of demand in FY24F (INSG forecasts surplus to broaden to 239k tons) should subdue nickel price movements; the 5Y futures curve have slid from FY22's USD22.2k-33.3k/ton down to USD16.4k-21.4k/ton and reformed a contango from FY21's backwardation trend, but should be bullish on the longer term on the global electrification push.

A slowdown portended for copper
One of the notorious economic health indicator have slumped more than 11% YTD on China recovery woes. The Fed's pivoting narrative should revamp vigor back into copper prices, but that is unlikely before FY2025F or after the Chinese economy jumpstarts from its government's accommodative policies. We think copper could hover at USD8,500/ton throughout 2H24. A surplus risk looms for FY24F, as international forecast study group (ICSG) expects the refined copper market to reach an oversupply of 467k tons. Over the long term, however, copper should still be bullish as it holds a key role in the global green transition, used in everything from EVs to turbines and power grids, offsetting further losses if the market only depended on conventional avenues such as the property sector. There looms a supply risk from Chile as the world's largest copper producer, who struggles to revive production back to its pre-Covid levels to 1.7mn tons from 1.3mn tons in FY23E, weighed by depreciating assets and receding ore grades.

Our metal miners' fate
ANTM is looking at a potential c. 13k tons of additional ferronickel production in FY24F from its newly, soon-to-be-commissioned (in 4Q23) Halmahera Timur smelter. The company should also enjoy correlative sentiments from gold's momentum. Solid top-line growth is to be expected while not necessarily followed by a margin expansion from weak nickel prices and ANTM's position as gold price taker. We project its EPS to grow by 0.4% YoY in FY24F, and is currently being traded at a discount. Risks for the company includes the ongoing Budi Said lawsuit which could entail a substantial loss if ANTM concedes.

MDKA flaunts a busy project pipline in the works, of immediate impact towards FY24F's performance being the newly commissioned MBMA RKEFs with 88k tons of nameplate capacity. The nickel segment (c. 80.4%) will completely overshadow gold (c. 11.2%) and copper (c. 9.0% in FY24F). Recovering economies of scale indicated by 3Q23's positive net profit of USD25mn should bode well for MDKA's margins. We forecast their EPS to reach c. IDR56.8/share or grow 52,637% YoY in FY24F.

INCO, as a pure nickel player, is likely to see muted top line growth on subdued nickel prices. EPS is forecasted to slip 16.7% YoY in FY24F.

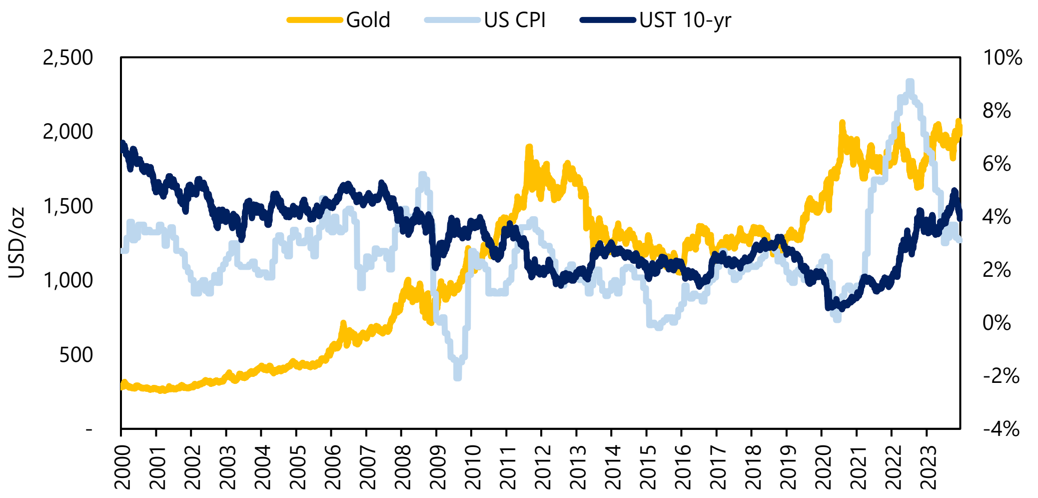
NEUTRAL recommendation for the metal mining sector
We call a **NEUTRAL** rating for the metal mining sector; base metals are likely to keep on its steady declining trend as China's much anticipated recovery remains a mirage for the near term, while at the same time gold looks set to be the beneficiary of an accelerated central bank pivoting narrative and lurking geopolitical tensions. Despite this, we incline towards ANTM and INCO with a TP of IDR2,080/share and IDR5,500/share (potential return of 26.8% and 31.9%), due to their undemanding valuations. MDKA, on the other hand, a positive profit turnaround in FY24F, while still carrying risk of margin-chipping processing costs.

Ticker	Mkt Cap (IDR tn)	EV/EBITDA (x)		P/B (x)		Rec	TP (IDR/Sh)
		FY23E	FY24F	FY23E	FY24F		
ANTM IJ	39.4	8.0	7.6	1.2	0.9	BUY	2,080
INCO IJ	41.5	4.6	5.3	1.2	1.1	BUY	5,500
MDKA IJ	55.7	17.6	11.2	3.6	2.9	HOLD	3,030

Sources : Bloomberg, MNCS Research

Gold prices and the UST 10-yr yield historically has a strong inverse correlation. It is blatantly apparent, however, since the Fed's aggressive QE as a follow up to the Covid-19 disruption, sending the 10-yr yields to fly without necessarily being met with significant pushback from gold, possibly signifying a new standard high rates to linger for longer and a higher base point for gold, with USD's to loosen up.

Exhibit 01. Gold facing upside if UST yields trends lower as markets price in growth slowdown

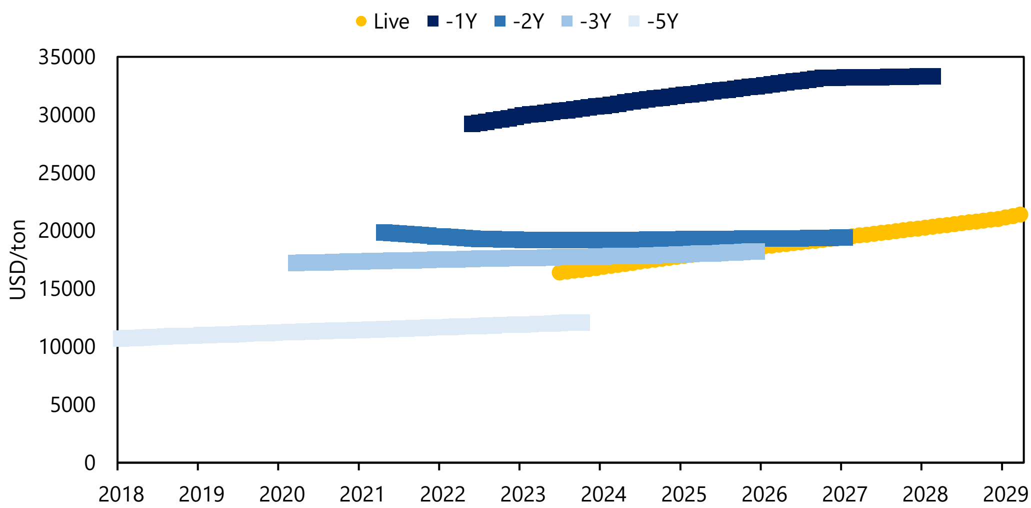


Source : Bloomberg, MNCS

Metals back to contango

The trend in historical nickel LME futures indicate that the market has tamed its overly bullish stance from a backwardation trend 2 years ago and a high base 1 year ago, in line with the supply surplus condition. It remains a crucial metal for the green transition going forward as the recent futures curve range settle higher (USD16.4k-21.4k/ton) than the curve range 5 years ago (USD10.7k-12.1k/ton).

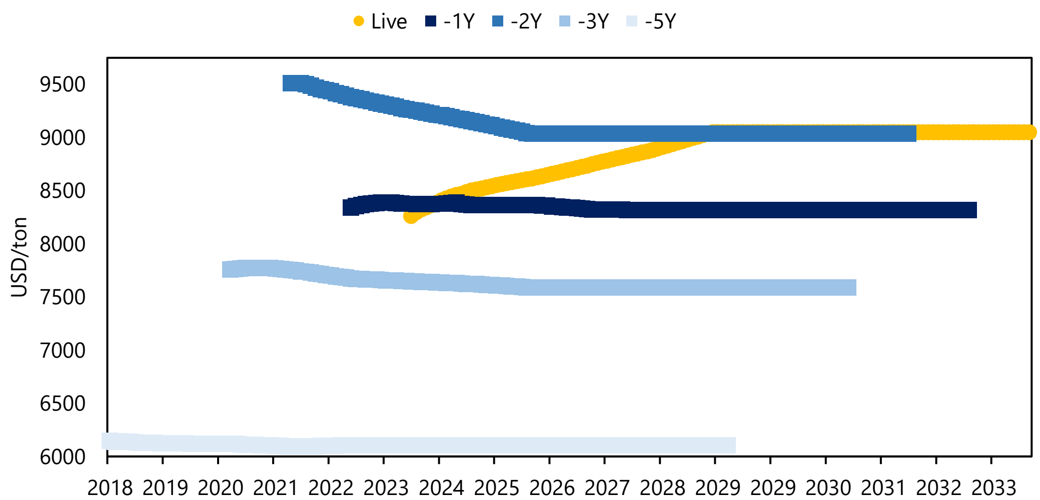
Exhibit 02. Nickel to take a breather for the next few years; prospects still strong



Source : Bloomberg, MNCS

Copper's futures curve have shifted upwards (USD8.3k-9.1k/ton) from 5 years ago (USD6.1k-6.2k/ton), indicating demand growth for copper. The curve this year has shifted to a contango from the usual backwardation, signifying a cooldown in demand for the red metal amid solid supply.

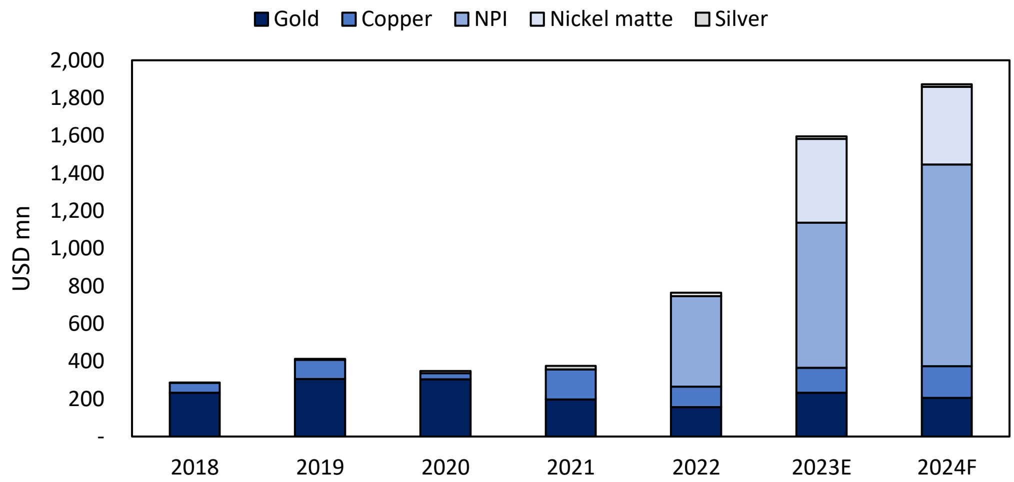
Exhibit 03. Copper futures curves indicate a slowdown in demand from previous years' rush



Source : Bloomberg, MNCS

MDKA
Volume play: NPI volume boost to prop up revenue growth in 2024F, while ASP is expected to be be lackluster compared to this year.

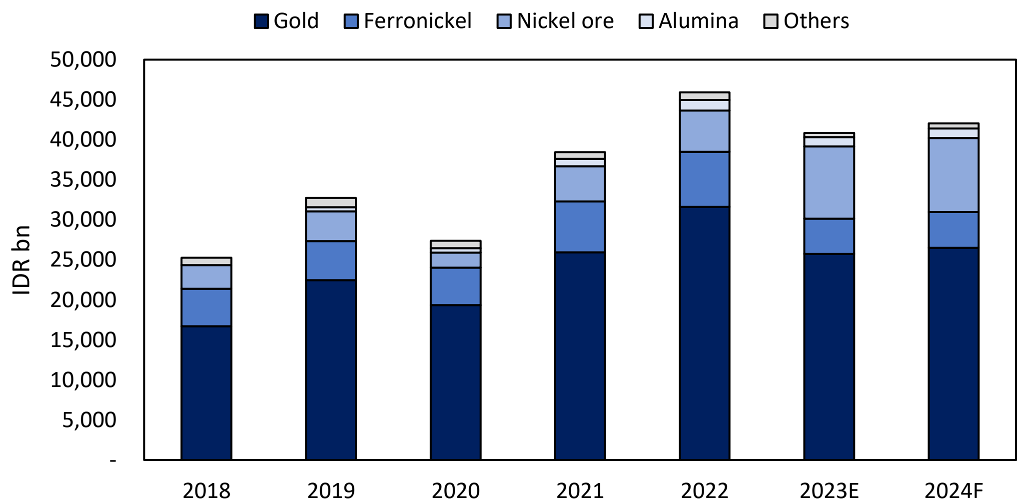
Exhibit 04. MDKA's revenue trend



Source : Bloomberg, MNCS

ANTM
This year's top line is supported by nickel ore's ramped up production (+71.2% YoY) though accompanied with a lower ASP. We expect next year's ASP to remain muted for the nickel segments, but higher for gold.

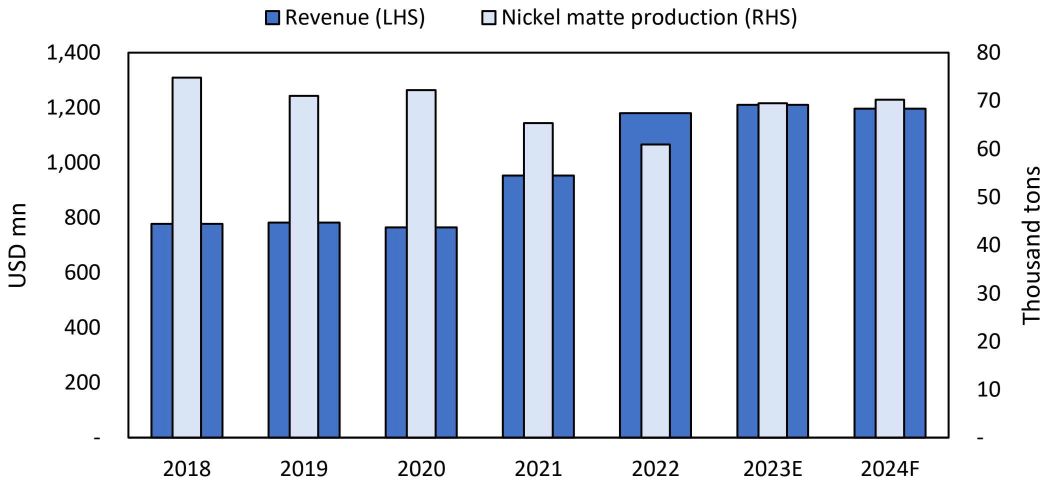
Exhibit 05. ANTM's top line growth trend



Source : Bloomberg, MNCS

INCO
INCO's production to notch above 70k tons but challenged with ASP plateau.

Exhibit 06. INCO's production and top line trend



Source : Bloomberg, MNCS

MNC Research Industry Ratings Guidance

- **OVERWEIGHT :** Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months
- **NEUTRAL :** Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months
- **UNDERWEIGHT :** Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

MNC Research Investment Ratings Guidance

- **BUY** : Share price may exceed 10% over the next 12 months
- **HOLD** : Share price may fall within the range of +/- 10% of the next 12 months
- **SELL** : Share price may fall by more than 10% over the next 12 months
- **Not Rated** : Stock is not within regular research coverage

PT MNC SEKURITAS
MNC Financial Center Lt. 14 – 16
Jl. Kebon Sirih No. 21 - 27, Jakarta Pusat 10340
Telp : (021) 2980 3111
Fax : (021) 3983 6899
Call Center : 1500 899