



METAL MINING SECTOR UPDATE

Stronger Price, Weaker Volume

1H21 Sales Volume Overview

- ANTM's gold sales volume unexpectedly increased by +68.55% YoY to 428,923 tOz in 1H21 which exceed our expectations as volume dropped last year. On the other hand, ferronickel sales fell by -7.49% YoY to 12,068 mt in 1H21, below our estimate (only reaching 46.42%) while the sales are wholly exported. But we believe the increase on nickel ASP and gold sales volume will be able to boost their FY21E performance by +6%/+137% YoY in top and bottom line respectively as they managed to book a staggering increase on FY21E net income despite the drop on the revenue.
- INCO's nickel matte sales tumbled by -16.14% YoY to 30,692 mt in 1H21 which is quite below our estimate and the management's target (40%/48%). INCO's 1H21 result is also below our top line/bottom line estimate which only reached 48.22%/42.80%. We believe this is due to the increase in cost as well as lower production volume.
- MDKA's gold sales volume dropped by -49.62% YoY to 27,774 tOz in 1H21 which is below our estimate and management target production of 100,000 tOz to 120,000 tOz in FY21E due to the mine incident earlier this year. However, copper sales increase significantly by +306.38% YoY to 3,312 mt though it is still well below our estimate and the management's target production of 14,000 mt to 17,000 mt in FY21E. Nevertheless, we see that the rise on copper's contribution to revenue will help to adjust the fall on gold considering the +91% YoY hike on 1H21 copper ASP.

Metal Outlook: Green Economy Driven

- **Gold is not so shiny now.** It's probably the slowest performing commodity among the others as it was shimmering last year. Gold currently stood at USD1,808/tOz which fell by YoY -8.51% YoY/-4.72% YTD, despite the rebound in May to the highest at USD1,906/tOz due to inflation concerns. However, the Fed's long term hawkish policy which caused the USD to weaken further maybe can give a little push to the price along with the production recovery. MNCS estimate that gold will maintain its average price at USD1,800/tOz to USD1,900/tOz in FY21E.
- **Nickel is currently one of the most sought commodities.** The price has rose to a new record high at USD19,835/mt, increasing by +45.25% YoY/+19.39% YTD. EV seems to have been driving the craze, as now all eyes is on it, with the announcement earlier from Tsingshan Indonesia which opted to focus on EV and switching their production from refined nickel. So, same old story, a shortage on refined nickel has recently drive the price again. Despite Indonesia's increasing refined nickel production by 55% (from Jan to May-21 based on Metal Miner Market Analysis Data), the other nickel producers failed to catch up. Hence, MNCS estimate that the average nickel price in FY21E will be around USD18,000/mt to USD19,000/mt.
- **Copper is also one of the star commodities,** which is the benchmark of commodity super cycle. It now stood at USD9,728/mt, which rose by +49.89% YoY/+25.26% YTD. Like nickel, copper too is the commodity of the future as demand rose for EV and renewable power generator while supply and inventory are thinning. China is one of the main consumer and importers of copper along with other commodities, and after they severed the ties with Australia, demands had to be fulfilled elsewhere. This is also worsened by the potential labor strike from the world's largest copper mine in Chile which would interfere production and drove the price sky high. We estimate the average copper price at USD9,000/mt to USD10,000/mt in FY21E as it has not ceased to rise.

Maintaining OVERWEIGHT Recommendation with ANTM IJ as our top pick

We maintain our **OVERWEIGHT** outlook for the metal mining sector and give **BUY** recommendation with revised target price for **ANTM** at **TP: IDR3,100**; from IDR2,550 previously with a +23% potential upside. ANTM is currently traded at Mean Level with 16.71x EV/EBITDA. We choose ANTM because it has outperformed our 1Q21 estimate by 27%, while we see that MDKA is still struggling due to the mine incident, followed by INCO. So, the risk to our call is lower production volume in FY21E, but we do hope that the increase on ASP will be able to offset it.

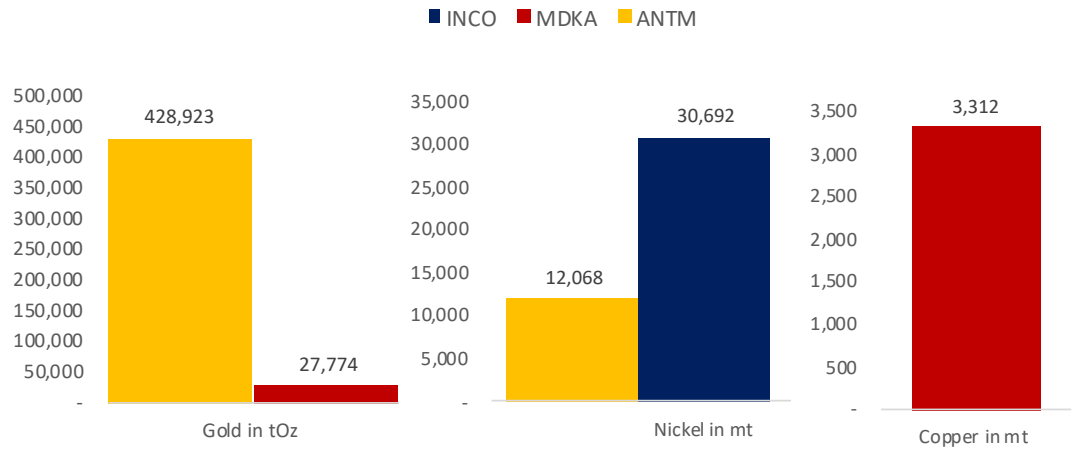
Ticker	Market Cap (IDR bn)	PER (x)		PBV (x)		Rec.	Target Price (IDR)
		FY21E	FY22F	FY21E	FY22F		
ANTM IJ	60,558	22.24	16.24	2.68	2.30	BUY	3,100
INCO IJ	54,650	27.51	20.01	1.75	1.61	BUY	7,150
MDKA IJ	67,798	50.06	36.66	7.55	6.31	BUY	3,300

Sources: Bloomberg, MNCS



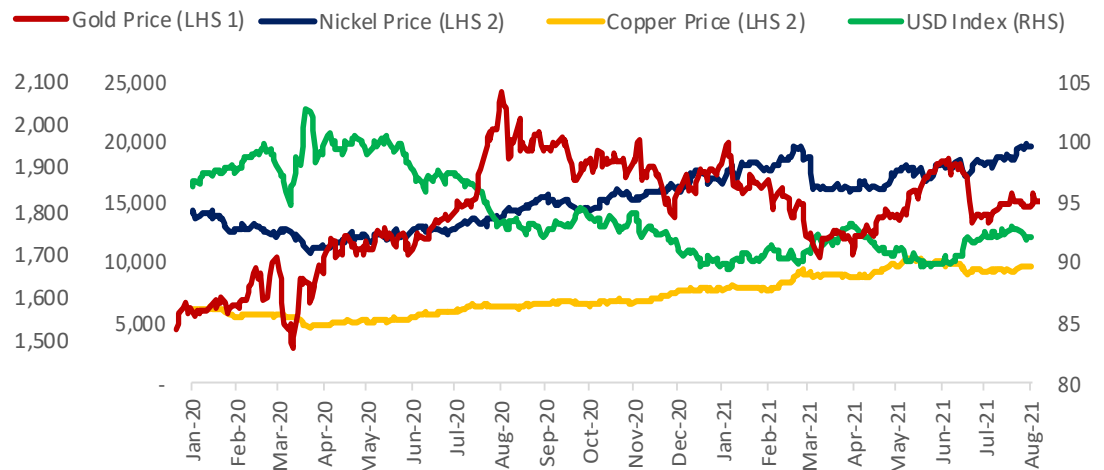
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Exhibit 01. Metal Sales in 1H21



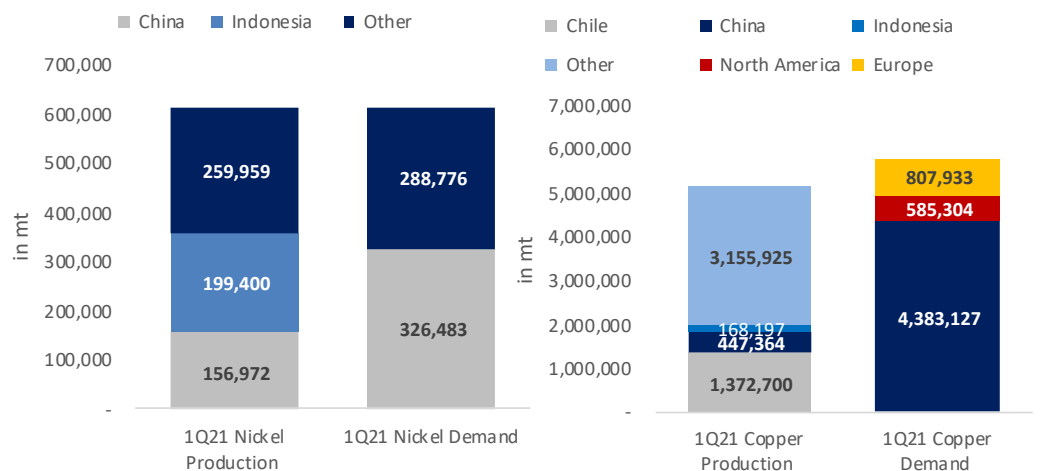
Sources : Company, MNCS

Exhibit 02. Metal Price against USD, in which USD is currently weakening and metal price otherwise



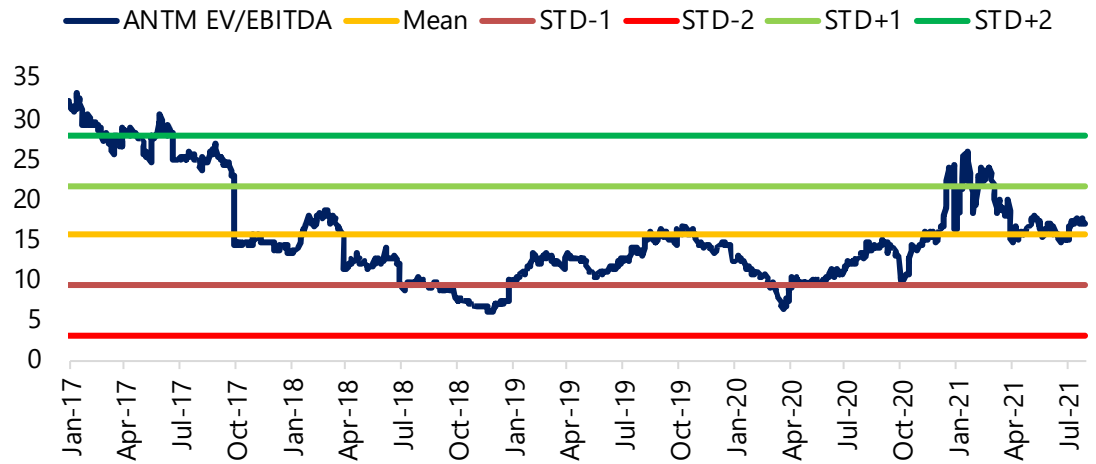
Sources : Bloomberg, MNCS

Exhibit 03. Nickel and Copper Global Supply and Demand



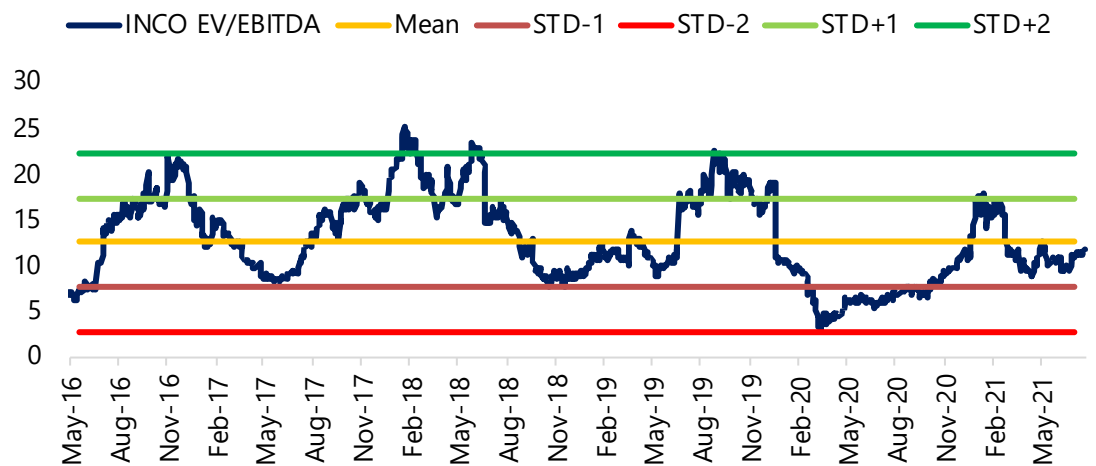
Sources : Bloomberg, MNCS

Exhibit 04. ANTM is currently traded at Mean Level (5-Year Average) with 16.71x EV/EBITDA



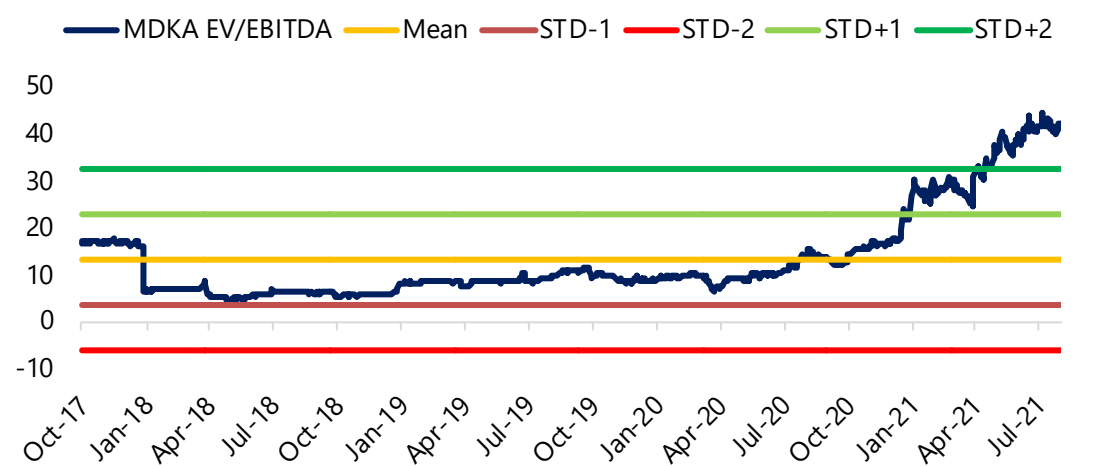
Sources : Bloomberg, MNCS

Exhibit 05. INCO is currently traded at Mean Level (5-Year Average) with 11.69x EV/EBITDA



Sources : Bloomberg, MNCS

Exhibit 06. MDKA is currently traded at +3STD (5-Year Average) with 42.05x EV/EBITDA



Sources : 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

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