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KEY HIGHLIGHTS

Sector

Mining

Price normalisation continues on potentially slower demand and supply surplus; Downgrade to MARKET WEIGHT.

Page 2

TRADERS' CORNER

Page 4

GoTo Gojek Tokopedia (GOTO IJ): Technical BUY

XL Axiata (EXCL IJ): Technical BUY

REGIONAL MARKET

Market	Close	+ / -	Chg (%)
MSCI Indonesia	7,069.8	(105.6)	(1.5)
MSCI Asia-Ex Japan	584.4	(4.9)	(0.8)
KLCI	1,438.1	(2.9)	(0.2)
FSSTI	3,053.4	(23.3)	(0.8)
SET	1,399.4	-	-
Hang Seng	17,172.1	-	-
Nikkei	30,999.6	(259.8)	(0.8)
Shanghai Comp	2,939.3	(43.8)	(1.5)
Dow Jones	32,936.4	(190.9)	(0.6)

Source: Bloomberg

INDONESIA STOCK EXCHANGE

	Level	+ / -	Chg (%)
Index	6,742.0	(107.2)	(1.6)
LQ-45	899.0	(12.9)	(1.4)
Value (US\$m)	543.7	(77.7)	(12.5)

FOREIGN TRADE IN IDX

Net (US\$m)	Buy	Sell	Total (%)
(37.2)	148.9	186.1	30.8

TOP TRADING TURNOVER

Company	Price (Rp)	Chg (%)	5-day ADT (Rpb)
Bank Rakyat Indonesia	5,000	(1.0)	794.7
Bank Central Asia	8,850	(1.4)	624.4
Bank Mandiri	5,675	(1.3)	578.4
Astra International	5,600	(1.8)	463.0
Amman Mineral	6,575	0.0	329.5

TOP GAINERS

Company	Price (Rp)	Chg (%)	5-day ADT (Rpb)
Pantai Indah Kapuk Dua	4,580	14.2	40.9
GoTo Gojek Tokopedia	63	5.0	279.2
Tower Bersama	1,970	4.5	11.4
Indoritel Makmur	4,590	2.0	0.0
MAP Aktif Adiperkasa	780	2.0	9.1

TOP LOSERS

Company	Price (Rp)	Chg (%)	5-day ADT (Rpb)
BFI Finance	1,015	(6.9)	18.3
Medco Energi	1,500	(6.3)	221.8
Jasa Marga	4,210	(5.6)	44.4
Adaro Energy	2,660	(5.0)	159.6
Indah Kiat Pulp & Paper	9,775	(4.9)	81.6

*ADT: Average daily turnover

COMMODITY TREND

	23 Oct 23 Closing	Chg (%) 1-day	1-mth
Forex (Rp/US\$)	15,934	0.4	3.6
Crude Oil NYMEX (US\$/bbl)	85.49	(3.7)	(5.0)
Coal Fut Newc (US\$/tonne)	138.35	0.3	n.a.
Nickel 3M LME	18,177	(2.2)	(6.4)
Tin 3M LME	24,890	(0.4)	(5.2)
Gold SPOT (US\$/oz)	1,978	(0.2)	2.7
CPO Fut Msia (MYR/tonne)	3,692	(0.6)	1.2

Source: Bloomberg, UOB Kay Hian

SECTOR UPDATE

Mining – Indonesia

Price Normalisation Continues On Potentially Slower Demand And Supply Surplus

Risk of slower global (including China) economic growth in 2024 could result in lower nickel and copper prices. We expect 2023/24 nickel prices to average US\$22,000/tonne and US\$20,000/tonne respectively and 2023/24 copper prices to average US\$3.82/lb and US\$3.68/lb respectively. Gold prices could rise to US\$2,050/toz in 2024 from US\$1,940/toz in 2023 on rising tension in the Middle East. Downgrade to MARKET WEIGHT on the mining sector. NCKL is our top pick.

WHAT'S NEW

- **Risk of slower global (including China) economic growth in 2024 could result in lower nickel prices...** Bloomberg consensus expects a 4.5% growth in China's economy in 2024, which is slower than 2023 economic growth target of 5% due to the prolonged property crisis and weak trade. The potentially slower China economic growth in 2024 would still drive lower nickel demand and lower the average nickel price in 2024. On the supply side, we see that the nickel surplus will continue in 2024 as Indonesia's nickel production will continue to increase as more smelters commence operations in 2024. Hence, we maintain our assumptions for 2023 nickel price at an average of US\$22,000/tonne and 2024 nickel price at a lower average of US\$20,000/tonne, slightly above Bloomberg forecasts.
- **...and softer copper prices.** The higher for longer interest rates in the US and the looming debt problems of property giants in China might cause the global industrial growth to be slower in 2024. In the meantime, copper inventories are expected to remain high on potential slower demand next year, diminishing the concern of copper shortages in the long term. The US Energy Information Agency and the International Copper Association project copper supply to rise by 26% by 2035, sharply below the projections of a 50% increase in demand. Considering the conditions above, we expect copper prices in 2023 to average US\$3.82/lb. In 2024, we expect a lower copper price at an average of US\$3.68/lb.
- **Gold prices could increase above US\$2,000/toz in 2024 on rising tensions in the Middle East.** We think the recent Israel-Palestine conflict might prompt global investors to secure their investments in safe haven assets such as gold and cause gold prices to rise in 2024. On the other hand, the US Federal Reserve is likely to hold its interest rate at high levels for a longer period which could weigh on gold price appreciation in 2024. All in all, we think the uncertainty in global economic growth and balanced sentiments above will drive gold prices slightly higher in 2024 and we expect 2023/24 gold prices to average US\$1,940/toz and US\$2,050/toz respectively.

ACTION

- **Downgrade to MARKET WEIGHT** on the mining sector as we foresee potentially lower average nickel and copper prices in 2024. We continue to like NCKL and maintain our BUY call on NCKL with a target price of Rp1,300 as it has ongoing capacity expansions which will be the key driver of its 2024 earnings growth. On the other hand, we maintain HOLD on INCO and MDKA as both share prices might have reflected their fundamentals and could rebound if 3Q23 results are better than expected.

PEER COMPARISON

Company	Ticker	Rec	Price 23-Oct-23 (Rp)	Target Price (Rp)	Potential Upside (%)	Market Cap (US\$m)	3M Avg Turnover (US\$m)	EV/EBITDA 2023F	2024F	PE 2023F	2024F	P/B	ROE (%)	Net Gearing
Trimegah Bangun Persada	NCKL	BUY	980	1,300	32.7	3,881	3.9	9.7	6.3	10.4	7.4	2.7	36.4	7.8
Vale Indonesia	INCO	HOLD	5,575	6,000	7.6	3,477	3.2	6.9	7.1	13.1	13.8	1.3	10.7	-29.0
Merdeka Copper Gold	MDKA	HOLD	2,380	2,500	5.0	3,601	6.2	16.7	9.6	40.4	49.7	3.6	0.9	35.8
Amman Mineral Internasional	AMMIN	NR	6,575	n.a.	n.a.	29,858	19.5	30.0	n.a.	4.0	0.5	n.a.	8.7	n.a.
Merdeka Battery Materials	MBMA	NR	695	n.a.	n.a.	4,707	4.6	26.6	11.3	43.6	21.8	4.1	4.5	21.5
Aneka Tambang	ANTM	NR	1,750	n.a.	n.a.	2,637	4.7	7.4	6.2	11.2	10.5	1.7	14.3	-18.5
Bumi Resources Minerals	BRMS	NR	197	n.a.	n.a.	1,752	6.4	62.2	35.9	n.a.	n.a.	n.a.	1.6	5.5
Archi Indonesia	ARCI	NR	390	n.a.	n.a.	607	0.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	121.2
Timah	TINS	NR	700	n.a.	n.a.	327	0.5	27.4	14.7	n.a.	155.6	0.9	-1.2	23.6
Pam Mineral	NICL	NR	326	n.a.	n.a.	217	0.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-9.8
Average								23.5	13.1	16.3	34.1	2.4	8.6	24.2

Source: Bloomberg, UOB Kay Hian

MARKET WEIGHT

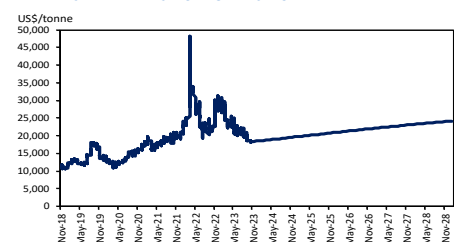
(Downgraded)

TOP PICK

Company	Ticker	Rec	Share Price (Rp)	TP (Rp)
Trimegah Bangun Persada	NCKL IJ	BUY	980	1,300
Vale Indonesia	INCO IJ	HOLD	5,575	6,000
Merdeka Copper Gold	MDKA IJ	HOLD	2,380	2,500

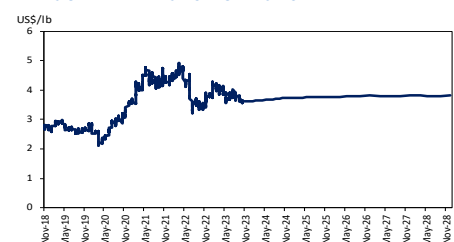
Source: Bloomberg, UOB Kay Hian

LME NICKEL PRICES FORECAST



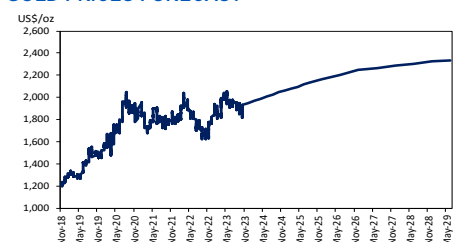
Source: Bloomberg, UOB Kay Hian

LME COPPER PRICES FORECAST



Source: Bloomberg, UOB Kay Hian

GOLD PRICES FORECAST



Source: Bloomberg, UOB Kay Hian

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STOCK IMPACT

- Ongoing production capacity expansion.** Nickel companies are going to expand and maximise their production capacity to capture the potential nickel demand growth from electric vehicle (EV) battery production.
 - Trimegah Bangun Persada (NCKL) expects to increase its ferronickel (FeNi) production to 90,000 tonnes p.a. in 2023 and 120,000 tonnes p.a. in 2024. Using high-pressure acid leach (HPAL), NCKL expects to produce 55,000 tonnes of mixed hydroxide precipitate (MHP) and 6,750 tonnes of cobalt in 2023, along with 120,000 tonnes of MHP and 14,250 tonnes of cobalt in 2024.
 - Meanwhile, Vale Indonesia (INCO) targets to produce 70,000 tonnes of nickel matte in 2023 and we expect INCO to produce 72,000 tonnes of nickel matte in 2024 as production capacity normalises.
 - In 2023, Merdeka Copper Gold (MDKA) targets to produce 120,000-140,000 oz of gold, 16,000-20,000 tonnes of copper, 57,000-65,000 tonnes of nickel pig iron (NPI), and 28,000-31,000 tonnes of nickel matte. In 2024, we expect MDKA to produce 150,000 oz of gold, 17,000 tonnes of copper, 88,000 tonnes of NPI, and 50,000 tonnes of nickel matte.
- Profit growth will be supported by capacity expansion.** As the nickel and copper prices are expected to be softer next year, metal mining companies will rely on ramping up production to achieve higher sales volume and maintain their profit growth. We expect:
 - NCKL should record 2023 revenue at Rp23.5t, with Rp6.4t in EBITDA, which implies a 41.3% yoy growth, while 2024 revenue should be Rp27.5t with EBITDA at Rp9.7t, growing 52.9% yoy. We expect 2023 and 2024 NPAT to come in at Rp5.9t (+27.2% yoy) and Rp8.4t (+41.5% yoy) respectively as sales volume will continue to increase on ramped-up nickel production in 2023-24.
 - INCO's 2023 revenue should grow 8.4% yoy to US\$1.3b while 2024 revenue should shrink 4.2% yoy to US\$1.2b. We expect 2023 and 2024 EBITDA at US\$504m (+15.4% yoy) and US\$490m (-2.7% yoy) respectively and expect 2023 and 2024 NPAT at US\$265m (+32.2% yoy) and US\$252m (-4.9% yoy) respectively, with potential net profit margin of more than 20%.
 - MDKA's 2023 and 2024 revenue should come in at US\$1.7b and US\$2.5b respectively. 2023 and 2024 EBITDA are expected to come in at US\$216m (-5.2% yoy) and US\$373m (+73.1% yoy) respectively. All in all, MDKA's NPAT should come in at US\$8.9m (-84.8% yoy) in 2023 and US\$73m (+714% yoy) in 2024 as sales volume could rise on higher production output.

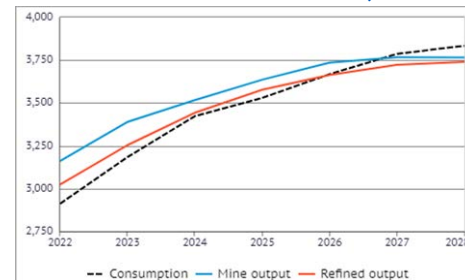
EARNINGS REVISION/RISK

- No earnings revision on NCKL, INCO and MDKA.

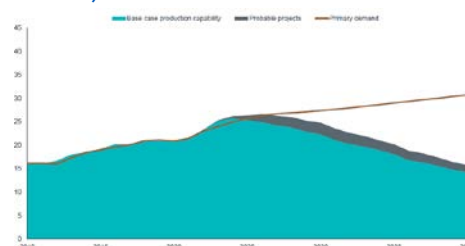
VALUATION/RECOMMENDATION

- NCKL: Maintain BUY** with a target price of Rp1,300, based on its SOTP valuation. Our target price of Rp1,300 implies -1SD to its blended 2023-24F EV/EBITDA of 9.6x and -1SD to its blended 2023-24F PE of 11.3x. We maintain BUY on the back of potential higher EBITDA and net profit in 2023-24. Sales volume will increase as NCKL ramps up its production capacity and could offset the risk of lower nickel prices in 2024. We also see that nickel demand could improve if China's economy recovers with higher usage of nickel in stainless steel and EV battery production.
- INCO: Maintain HOLD** with a lower target price of Rp6,000 (previous: Rp6,200), based on 6.9x blended forward 2023-24 EV/EBITDA, or the stock's -1SD to its 2023-24 forward EV/EBITDA. We maintain HOLD on INCO as: a) the short-term outlook for nickel remains bearish, b) the share price could have reflected its fundamentals, and c) there is potential margin expansion on lower cost of fuel.
- MDKA: Maintain HOLD** with a lower target price of Rp2,500 (previous: Rp2,700), based on its SOTP valuation. MDKA is trading at 24.9x 2023-24F EV/EBITDA or near its five-year average EV/EBITDA. Our SOTP valuation of Rp2,500 implies average five-year EV/EBITDA of 22.3x. We maintain HOLD as we believe MDKA's long-term prospects are still promising. MDKA continues to expand its nickel downstream business through MBMA and future projects such as the AIM, Tujuh Bukit Copper and Pani Gold projects.

NICKEL SUPPLY DEMAND FORECAST (K TONNES)



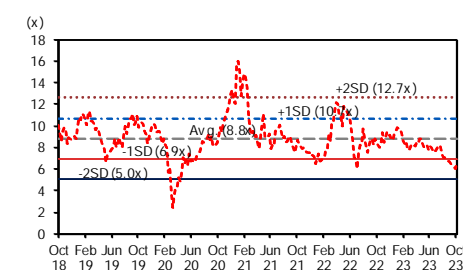
COPPER PRODUCTION VS DEMAND FORECAST (M TONNES)



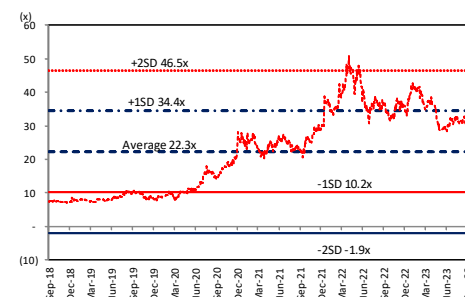
NCKL'S EV/EBITDA BAND



INCO'S EV/EBITDA BAND



MDKA'S EV/EBITDA BAND



TRADERS' CORNER



Source: Amibroker

GoTo Gojek Tokopedia (GOTO IJ)

Technical BUY with 8% potential return

Resistance: Rp66, Rp70

Support: Rp61, Rp58

Stop-loss: Rp58

Share price closed higher and formed a bullish candlestick. As price has made a rebound, there could be more rebounds triggered, and price could challenge the resistance at Rp66 and Rp70. Technical indicator RSI is sloping upwards but remains in the oversold zone, while the MACD is on a bearish crossover. Buy at Rp63 and take profit at Rp68.

Approximate timeframe: 2-4 weeks.

Our institutional research has a fundamental BUY and target price of Rp121.



Source: Amibroker

XL Axiata (EXCL IJ)

Technical BUY with 5.5% potential return

Resistance: Rp2,230, Rp2,290

Support: Rp2,130, Rp2,080

Stop-loss: Rp2,120

Share price closed lower and formed a neutral candlestick. Price rebounded from its low; hence, we see potential for more rebounds to take place and price could challenge the resistance at Rp2,230 and Rp2,290. Technical indicator RSI is sloping downwards and is in the oversold zone, while the MACD is on a bearish crossover. Buy at Rp2,170 and take profit at Rp2,290.

Approximate timeframe: 2-4 weeks.

Our institutional research has a fundamental HOLD and target price of Rp2,500.

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