

Current Price (29/04) **Rp. 3,070**
12M Target Price **Rp. 3,700**
Potential Upside **20.52%**

BUY

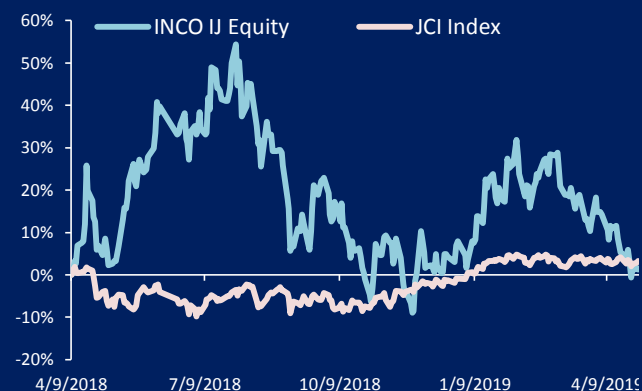
Stock Information

Ticker Code **INCO**
Market Cap (Rp) **31.31T**
52-Week High (Rp) **4,720**
52-Week Low (Rp) **2,740**
Shares Issued (Bio) **9.94**

Major Shareholders (%)

Vale Canada Limited **58.73%**
Sumitomo Metal Mining Co.,Ltd. **20.09%**
Vale Japan Limited **0.55%**
Sumitomo Corporation **0.14%**
Public (<5%) **20.49%**

Price Performance (2018-2019)



Source : Bloomberg

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Update 1Q19 : Vale Indonesia Tbk (INCO IJ), (INCO JK)

Pada tahun 2018, INCO membukukan pendapatan senilai USD 776.9 juta atau tumbuh 23% dibandingkan tahun 2017. Pertumbuhan pada pendapatan ini didukung oleh naiknya harga rata-rata jual nikel perusahaan di sepanjang tahun 2018 menjadi USD 10,272 per ton atau tumbuh 27% dibandingkan harga rata-rata jual tahun sebelumnya. Tingginya harga jual nikel *inline* dengan rendahnya pasokan nikel global pada tahun tersebut.

INCO berhasil membukukan laba bersih USD 60.5 juta dari sebelumnya rugi USD -15.3 juta. Laba bersih ini berhasil dicapai melalui penurunan pada akun *Cost of revenue* dari INCO. Turunnya beban ini salah satunya atas dikonversi bahan bakar HSFO (*High Sulphur Fuel Oil*) ke bahan bakar batubara. Selain itu, INCO juga fokus pada management biaya logistik, dimana logistik tersebut memiliki porsi sebesar 30% dalam beban biaya batubara yang akan digunakan.

Cash Cost tahun 2018, mengalami kenaikan 10.3% menjadi USD 7,110 per ton dibanding tahun 2017 yang senilai USD 6,444 per ton.

Kapasitas pengolahan yang dimiliki INCO sebesar 80,000 ton nikel dalam matte per tahun. Hingga tahun 2018, utilisasi INCO sebesar 94% dan hampir mendekati optimal. Adapun INCO baru akan menambah kapasitas produksinya pada tahun 2022 dengan peningkatan menjadi 90,000 ton nikel dalam matte per tahun.

Rekomendasi BUY

Kami memberikan rekomendasi BUY terhadap saham INCO dengan 12M Target Price IDR 3,700,-. Perhitungan ini menggunakan metode valuasi DCF (*Discounted Cashflow*) dengan asumsi WACC sebesar 10.8x dan terminal growth sebesar 2.00%. Adapun harga wajar tersebut sudah mencakup adanya *margin of safety* sebesar 13% sebagai antisipasi adanya risiko peningkatan produksi Nikel yang mungkin dilakukan negara-negara yang memproduksi nikel dengan tujuan mencapai volume penjualan, hal ini berpotensi menjadi pemberat atas pergerakan harga nikel.

Figure I: Financial Highlight

in Billions of IDR	2017A	2018A	2019F	2020F
Revenue	629	777	817	841
Cost of Revenue	7	104	136	140
Net Profit	(15.3)	60.5	77.5	79.8
Total Aset	2.202	2.208	2.213	2.225
NPM	7,8%	9,5%	9,5%	0,3%
ROA	2,7%	3,5%	3,6%	0,1%
Volume Penjualan (ton)	77,643	75,631	76,500	77,500
Volume Produksi (ton)	76,807	74,806	75,676	76,660

Source: Vale Indonesia, OSO Research

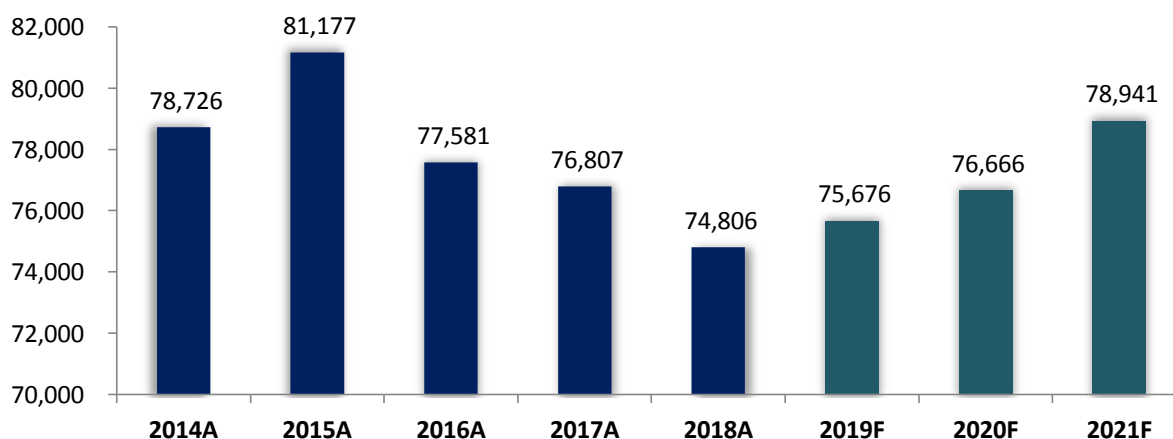
Performance Highlights and Financial Projection

Figure II: Realisasi VS Target (Mn.USD)

	2014A	2015A	2016A	2017A	2018A	2018.Old
Produksi Nikel dalam Matte Tahunan	78.726	81.177	77.581	76.807	74.806	74.227
Volume penjualan (ton)	79.591	82.907	78.976	77.643	75.631	76.147
Average Realized Price (US\$/Ton)	13.061	9.526	7.396	8.106	10.272	10.349

Source: Vale Indonesia, OSO Research

Figure III: Volume Produksi Nikel Dalam Matte Tahunan Per Ton



Source: Vale Indonesia, OSO Research

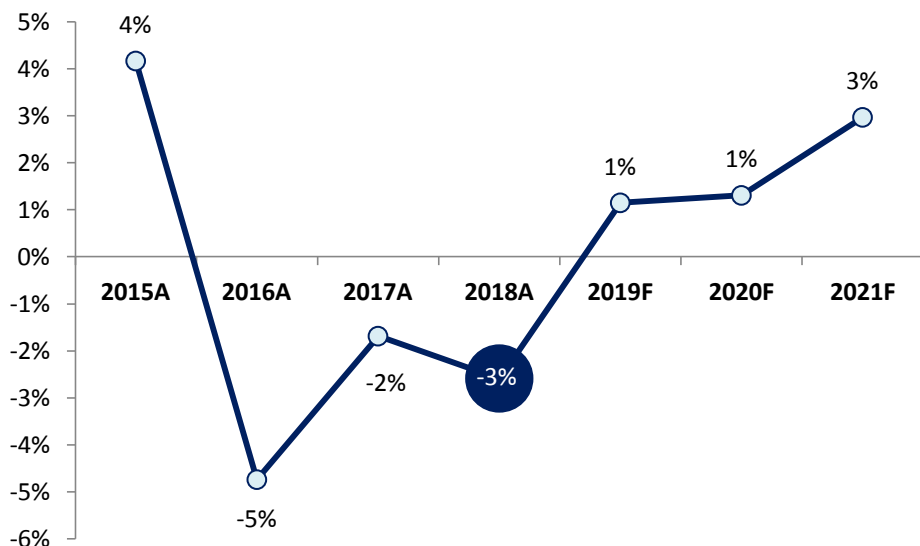
Cash Cost 2018 mengalami kenaikan 10.3% dari USD 6,444 per ton menjadi USD 7,110 per ton

Permintaan nikel 2019, diperkirakan masih cukup baik seiring dengan kebutuhan dari baja nirkarat serta permintaan dari produsen kendaraan listrik.

Meski demikian, risiko yang tetap harus diwaspadai yakni ketidakpastian arah geopolitik global. Hal ini diindikasikan dengan ketegangan antara AS dan China yang nampaknya masih belum benar-benar selesai.



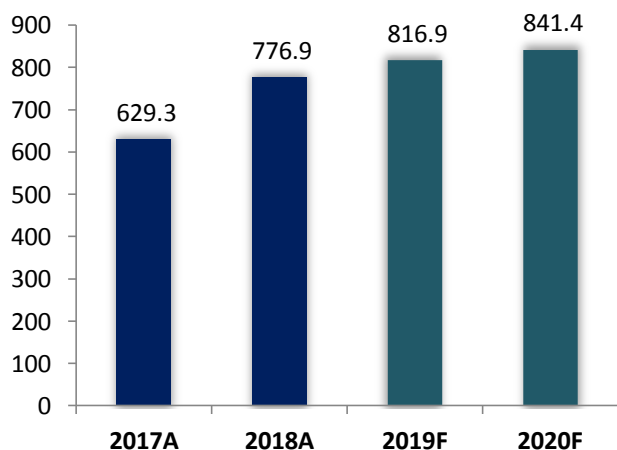
Figure IV: Pertumbuhan Volume Penjualan



2021F, pertumbuhan volume penjualan mengalami perlambatan salah satunya karena asumsi atas utilitas produksi perusahaan sudah hampir mendekati maksimal.

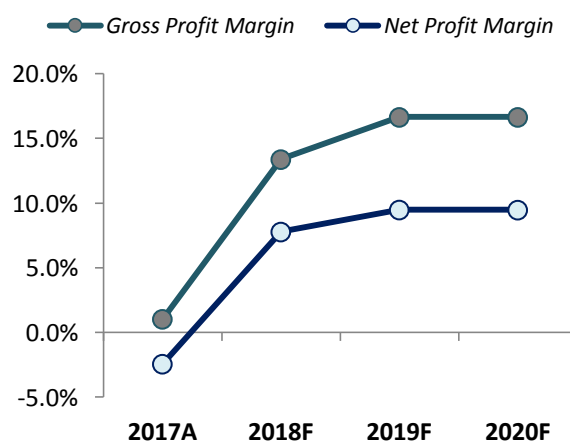
Source: Vale Indonesia, OSO Research

Figure V: Revenue - Mn.USD



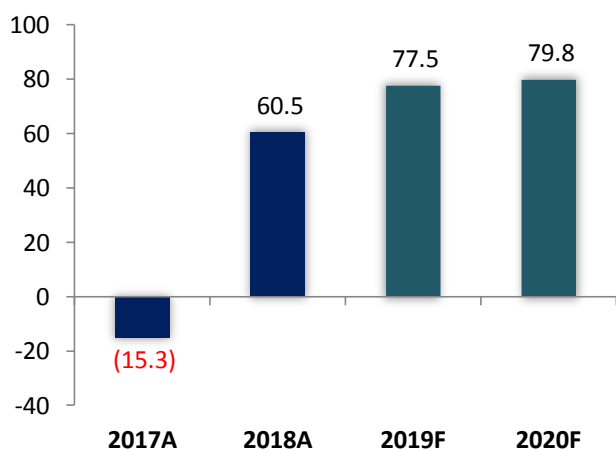
Source: Vale Indonesia, OSO Research

Figure VI: Rasio Profitabilitas



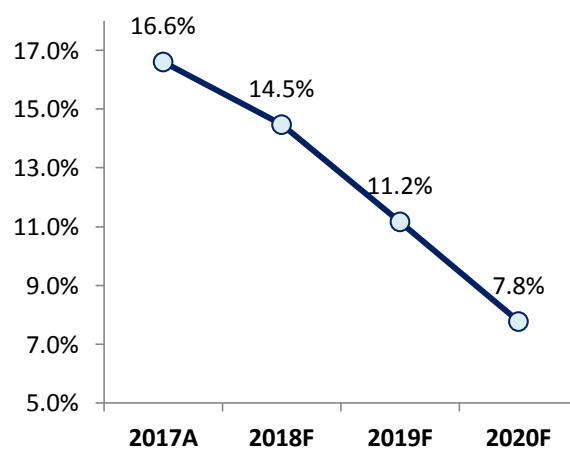
Source: Vale Indonesia, OSO Research

Figure VII: Net Income (Loss) – Mn.USD



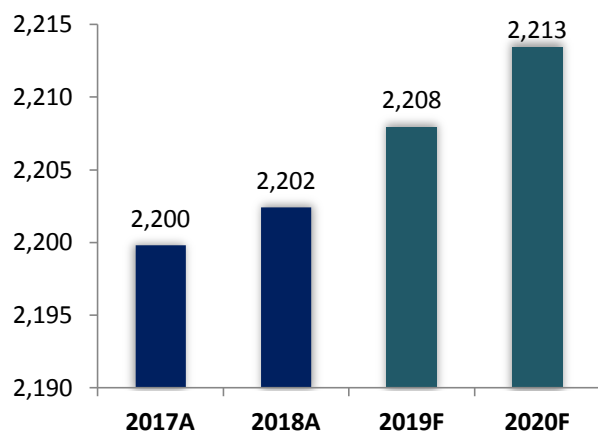
Source: Vale Indonesia, OSO Research

Figure VIII: Debt to Assets (%)



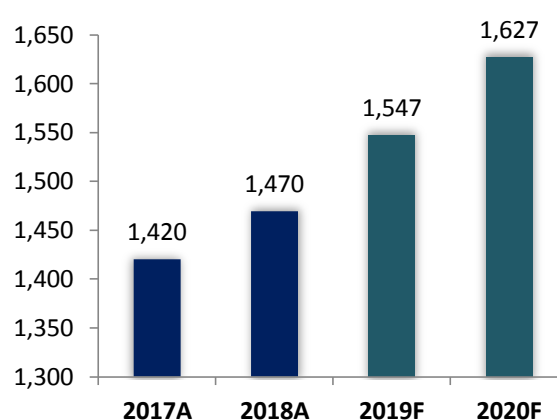
Source: Vale Indonesia, OSO Research

Figure IX: Total Assets - Mn.USD



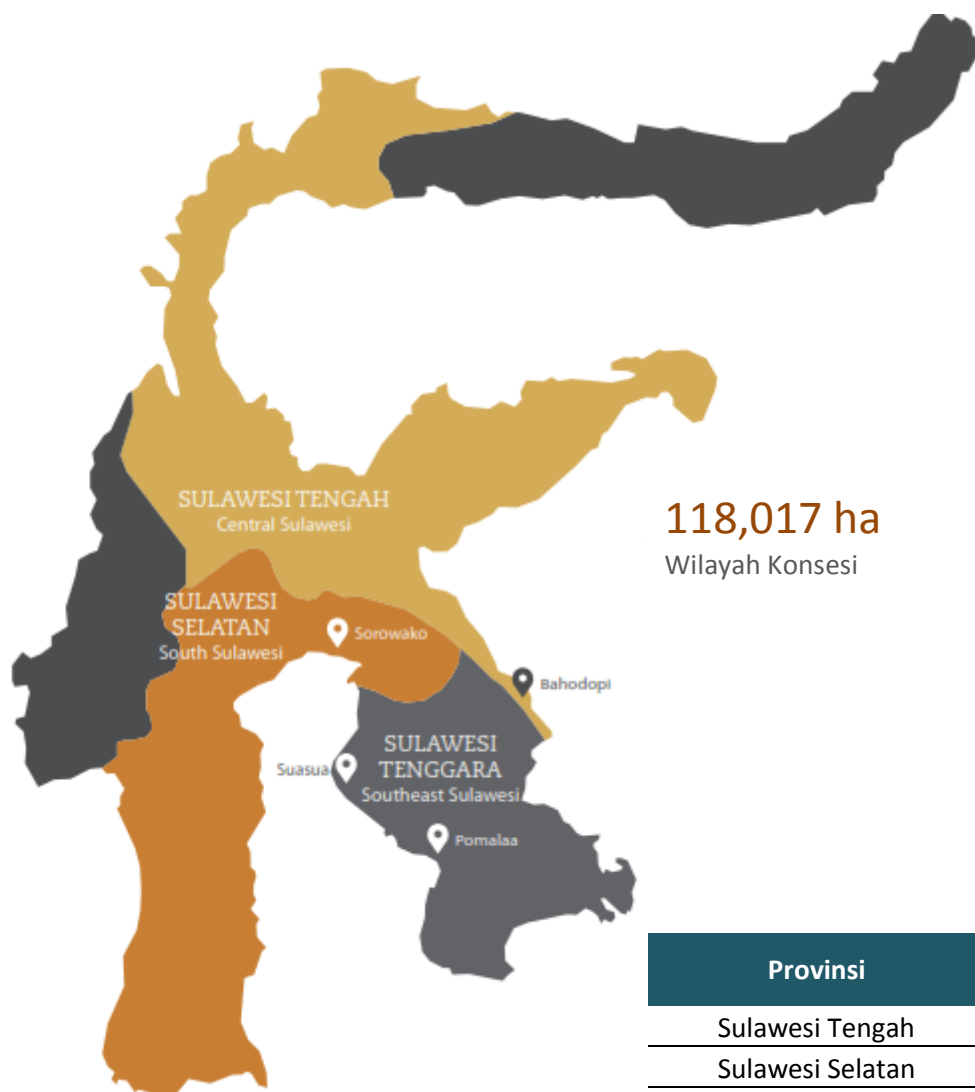
Source: Vale Indonesia, OSO Research

Figure X: Retained Earnings - Mn.USD



Source: Vale Indonesia, OSO Research

Figure XI: Wilayah Konsesi



Provinsi	Wilayah	Luas (Ha)
Sulawesi Tengah	Bahodopi	22,699
Sulawesi Selatan	Sorowako	70,566
Sulawesi Tenggara	Pomala	20,286
	Suasua	4,466

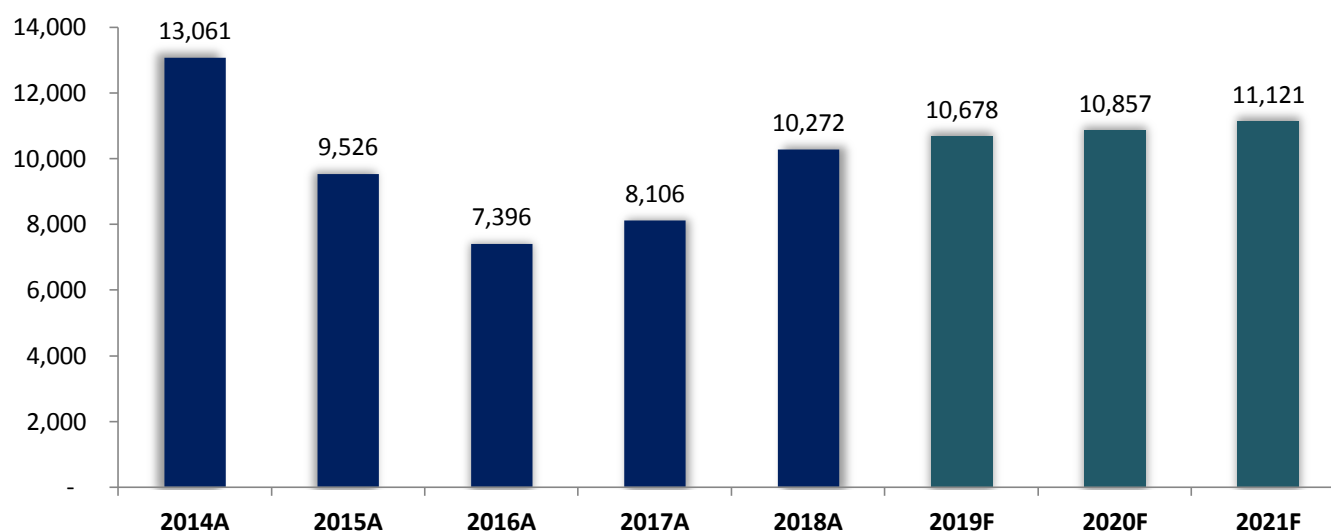
Source: Vale Indonesia, OSO Research

Figure XII: Financial Position – Mn.USD

in Millions of USD	2015A	2016A	2017A	2018A	2019F	2020F
Cash, Cash Equivalents & STI	194.75	185.6	221.70	301.20	293.34	294.08
Accounts & Notes Receiv	78.20	146.62	165.58	124.20	120.96	121.26
Inventories	104.07	129.80	117.73	131.80	128.36	128.68
Other ST Assets	169.28	136.55	107.28	73.80	71.87	72.05
Total Current Assets	546.30	598.52	612.28	631.00	614.54	616.08
Property, Plant & Equip, Net	1,603.30	1,532.65	1,493.79	1,434.50	1,466.28	1,414.18
Other LT Assets	90.96	93.69	93.71	136.90	109.05	165.08
Total Noncurrent Assets	1,694.26	1,626.34	1,587.50	1,571.40	1,575.33	1,579.27
Total Assets	2,240.56	2,224.86	2,199.78	2,202.40	2,207.91	2,213.43
Payables & Accruals	85.64	64.27	77.20	119.70	50.06	34.93
St Debt	36.22	36.46	36.74	36.50	15.26	10.65
Other ST Liabilities	26.64	31.25	15.36	19.10	7.99	5.57
Total Current Liabilities	148.50	131.99	129.30	175.30	73.31	51.16
Lt Debt	109.86	73.10	36.30	-	-	-
Other LT Liabilities	196.85	185.82	199.60	143.40	173.11	120.81
Total Noncurrent Liabilities	306.71	258.91	235.89	143.40	173.11	120.81
Total Liabilities	455.20	390.90	365.19	318.70	246.43	171.97
Share Capital & APIC	414.17	414.17	414.17	414.17	414.17	414.17
Retained Earnings	1,371.18	1,419.78	1,420.42	1,469.60	1,547.31	1,627.29
Total Equity	1,785.35	1,833.96	1,834.6	1,883.77	1,961.48	2,041.46
Total Kewajiban dan Ekuitas	2,240.56	2,224.86	2,199.8	2,202.47	2,207.91	2,213.43

Source: Vale Indonesia, OSO Research

Figure XIII: Average Realized Price (US\$/Ton)



Source: Vale Indonesia, OSO Research

Figure XIV: Income Statement – Mn.USD

in Millions of USD	2015A	2016A	2017A	2018A	2019F	2020F
Revenue	789,7	584,1	629,3	776,9	816,9	841,4
Cost of Revenue	(671,4)	(550,0)	(622,8)	(672,9)	(680,9)	(701,3)
D&A	119,4	121,5	125,5	128,9	121,4	137,1
Gross Profit	118,4	34,1	6,6	104,0	136,0	140,1
Others Operating Income	1,4	1,9	3,1	5,6	5,9	6,2
Operating Expense	26,4	18,9	28,0	29,3	30,9	33,4
Operating Income (Loss)	93,3	17,1	(18,3)	80,3	110,9	112,9
Non-Operating Loss	(23,5)	(11,9)	(4,7)	2,3	(12,8)	(11,9)
Pre-tax profit	69,8	5,2	(23,0)	82,6	98,1	101,0
Tax	(19,33)	(3,26)	7,75	(22,1)	(20,6)	(21,2)
Net Income	50,5	1,9	(15,3)	60,5	77,5	79,8

Source: Vale Indonesia, OSO Research

Figure XV: Cash Flow – Mn.USD

in Millions of USD	2015A	2016A	2017A	2018A	2019F	2020F
Net Income	50,5	1,9	(15,3)	60,5	77,5	79,8
Depreciation & Amortization	119,4	121,5	125,5	128,9	121,4	137,1
Change in working capital	(36,0)	(115,3)	42,3	12,5	85,5	23,7
Cash from Operating	133,9	8,1	152,6	201,9	284,5	240,6
CAPEX	(114,1)	(50,8)	(86,6)	(103,4)	(85,0)	(85,0)
Net Change in LT Investment	(95,7)	73,5	12,0	62,7	(31,8)	52,1
Other Investing Activities	13,3	(2,7)	(0,0)	(43,2)	27,9	(56,0)
Cash from Investing	(196,5)	19,9	(74,6)	(83,8)	(88,9)	(88,9)
Dividend paid	(0,04)	(0,01)	-	(0,15)	(0,19)	(0,20)
Cash From (Repayment) Debt	(37,5)	(37,5)	(37,5)	(36,3)	-	-
Other Financing Activities	(7,4)	0,3	(4,3)	(2,2)	(203,2)	(150,7)
Cash From Financing	(44,9)	(37,2)	(41,8)	(38,6)	(203,4)	(150,9)
Net increase/(decrease) in cash and cash equivalents	(107,5)	(9,2)	36,1	79,5	(7,9)	0,7
Beginning Cash	302,3	194,7	185,6	221,7	301,2	293,3
Ending Cash	194,7	185,6	221,7	301,2	293,3	294,1

Source: Vale Indonesia, OSO Research

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