

Strong margin performance, bottom-line beats estimate. ANTM posted 3Q20 profit at IDR 751 bn (+105% QoQ, +284% YoY), bringing 9M20 NPAT to IDR 836 bn (+49% YoY), **forming 207%/242% of ours and consensus estimate.** Stronger than expected NPAT performance were boosted by higher than expected margin in the gold trading segments, recovery in the domestic ore sales and higher nickel prices. Gold segments posted higher margin at 8.4% in 3Q20, versus 3.2% average in the last 5-years, as company mainly focuses in domestic market this year (>95% in 9M20 vs 50% in FY19). To note, management mentioned that domestic market provides better spread margin at 5%-6% versus export market (~2%). Paired with gold price rallies, ANTM's gold segment booked 184% YoY NPAT growth in 3Q20, highest quarterly figures in the past 4 years. On nickel segments, with improving domestic demand/supply balance for nickel ore and implementation of nickel reference price (HPM = harga patokan mineral), ANTM were able to book 1 mn ton of nickel ore sales during the quarter (vs 167k in 2Q20).

Strong recovery in the nickel and gold segments. ANTM booked 59%/140% QoQ revenue/NPAT growth in the nickel segments, supported by rising nickel price (ASP +24% QoQ) and a jump on nickel ore sales (+522% QoQ). Meanwhile, gold segments recorded 194%/160% QoQ revenue/NPAT growth driven by strong sales volume recovery (+145% QoQ), higher gold ASP (+12% QoQ) and higher gold trading margin.

Revising our forecast. Due to stronger than expected performance in 3Q20, we revised up our FY20E/FY21F NPAT forecast to IDR 1.2 tn/1.4 tn. Our NPAT upward revision mainly came from higher nickel ore sales assumptions and higher gold trading margin. We now assume ANTM's FY20E/FY21F nickel ore sales at 2.6/3.3 mn Wmt driven by better domestic ore balance with more smelters coming online. Meanwhile, as management switch focus to domestic market, we now assume ANTM's FY20/21/22 gold trading margin at 6%/4.5%/3.5% respectively.

We retained our BUY rating for ANTM with higher 52W target price of IDR 1,300 (+23.2 upside), derived from 10.0x EV/EBITDA (-0.3SD 10years average).

Highlights (IDR Bn)	2018	2019	2020F	2021F	2022F
Revenue	25,241	32,719	28,021	33,495	35,090
% growth	99.5%	29.6%	-14.4%	19.5%	4.8%
Gross Profit	3,476	4,447	4,271	4,757	4,930
Net Profit	874	194	1,156	1,369	1,427
% growth	540.6%	-77.8%	496.5%	18.4%	4.2%
Gross Margin (%)	13.8%	13.6%	15.2%	14.2%	14.0%
Net Margin (%)	3.5%	0.6%	4.1%	4.1%	4.1%
Return on Equity (%)	4.4%	1.1%	5.5%	6.3%	6.3%
Return on Assets (%)	2.6%	0.6%	4.0%	4.4%	4.5%
EPS	36	8	48	57	59

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Sector	Metal
Bloomberg Ticker	ANTM IJ
Market Cap. (IDR tn)	25.4
Share Out./Float (mn)	8,400/24,030
Current Price	IDR 1,055
52-Week Target Price	IDR 1,300
Upside (%)	23.2%

Share Price Performance

52W High (10/15/20)	1,180
52W Low (03/20/20)	338
52W Beta	1.6
YTD Change (%)	25.6%

Relative Valuations

Trailing P/E	54.1x
Forward P/E	15.0x
P/BV	1.3x
EV/EBITDA	10.8x

ANTM 3Q20 Earnings Summary

IDR Billions	3Q19	2Q20	3Q20	%QoQ	%YoY	9M19	9M20	%YoY	%DH	%Cons
Revenue	10,111	4,024	8,811	119%	-13%	24,537	18,037	-26%	66.1%	76.2%
Cost of Good Sold	-8,748	-3,276	-7,216	120%	-18%	-20,801	-15,133	-27%		
Gross Profit	1,363	747	1,595	114%	17%	3,736	2,904	-22%	85.1%	90.5%
G&A Expense	439	307	451	47%	3%	1,170	1,123	-4%		
Selling & Marketing	429	126	155	23%	-64%	1,331	341	-74%		
Operating Profit	495	314	989	215%	100%	1,235	1,440	17%	190.7%	134.7%
Net Financing	-94	830	-327	-139%	249%	-318	-658	107%		
Other Income/(Expense)	-69	-675	323	-148%	-567%	-7	335	-4796%		
Tax Expense	-137	-103	-234	128%	71%	-349	-282	-19%		
NCI	0	0	0	-3543%	-9942%	0	0	35987%		
Net Profit	195	367	751	105%	284%	561	836	49%	206.8%	242.4%
Margin										
GPM	13.5%	18.6%	18.1%			15.2%	16.1%			
OPM	4.9%	7.8%	11.2%			5.0%	8.0%			
NPM	1.9%	9.1%	8.5%			2.3%	4.6%			
Operating Segments										
Nickel										
Revenue	2,037	1,145	1,818	59%	-11%	6,105	3,928	-36%		
Operating Profit	497	263	693	163%	39%	1,526	1,026	-33%		
%OPM	24.4%	23.0%	38.1%			25.0%	26.1%			
Net Profit	572	216	519	140%	-9%	1,536	867	-44%		
%NPM	28.1%	18.9%	28.5%			25.2%	22.1%			
Gold										
Revenue	7,521	2,264	6,645	194%	-12%	17,244	12,937	-25%		
Operating Profit	191	195	559	186%	193%	397	1,054	166%		
%OPM	2.5%	8.6%	8.4%			2.3%	8.1%			
Net Profit	196	214	557	160%	184%	424	1,065	151%		
%NPM	2.6%	9.4%	8.4%			2.5%	8.2%			
Bauxite & Alumina										
Revenue	376	375	304	-19%	-19%	874	866	-1%		
Operating Profit	94	49	48	-4%	-49%	92	103	12%		
%OPM	25.0%	13.2%	15.7%			10.5%	11.9%			
Net Profit	44	-1	26	-5057%	-42%	66	51	-23%		
%NPM	11.8%	-0.1%	8.4%			7.6%	5.9%			
Operational Numbers										
Ferronickel (Tni)	6,546	6,666	6,462	-3%	-1%	19,703	19,507	-1%		
Nickel Ore Sales (Wmt)	1,597,253	167,606	1,042,122	522%	-35%	5,498,041	1,209,728	-78%		
Gold Sales (Oz)	352,726	90,633	223,962	147%	-37%	858,810	478,467	-44%		
Bauxite (Wmt)	555,105	509,900	385,720	-24%	-31%	1,166,375	950,897	-18%		
Alumina (Ton)	26,210	16,635	20,066	21%	-23%	51,884	60,763	17%		
ASP - Ferronickel	14,112	10,627	13,184	24%	-7%	13,001	11,506	-12%		
ASP - Nickel Ore	33	36	38	5%	16%	32	38	17%		
ASP - Gold	1,491	1,802	2,012	12%	35%	1,406	1,866	33%		
ASP - Bauxite	322,564	486,241	441,432	-9%	37%	407,932	467,158	15%		
ASP - Alumina	7,499	7,641	6,654	-13%	-11%	7,674	6,949	-9%		

Source: Company Data, Sinarmas Investment Research

Income Statement (IDR Bn)	2018	2019	2020F	2021F	2022F
Revenue	25,241	32,719	28,021	33,495	35,090
Cost of Revenue	21,765	28,271	23,750	28,738	30,160
Gross Profit	3,476	4,447	4,271	4,757	4,930
G&A	1,092	2,047	1,584	1,947	2,063
Selling & Marketing	532	1,444	528	649	688
EBIT	1,853	956	2,159	2,161	2,180
EBITDA	2,319	1,922	3,162	3,162	3,182
Net Financing	(391)	(113)	(773)	(182)	(109)
Loss from JV	(520)	(88)	(15)	(24)	(33)
Other	324	(68)	280	-	-
EBT	1,266	687	1,652	1,955	2,038
Tax	391	493	496	587	611
NCI	0	0	0	0	0
Net Profit	874	194	1,156	1,369	1,427

Balance Sheet (IDR Bn)	2018	2019E	2020F	2021F	2022F
Cash & equivalents	4,299	3,636	3,923	5,626	6,373
Trade receivables	975	1,431	1,225	1,464	1,534
Other Current Assets	3,224	2,598	2,274	2,707	2,813
Total Current Assets	8,498	7,665	7,422	9,798	10,720
PPE	20,128	18,866	18,460	17,986	17,527
Other Long Term Assets	4,680	3,664	3,385	3,570	3,576
Total Assets	33,306	30,195	29,266	31,354	31,822
Trade payables	1,158	740	621	752	789
Short Term Loans	2,600	3,025	4,002	2,765	2,731
Other Current Liabilities	1,754	1,529	1,319	1,579	1,656
Total Current Liabilities	5,512	5,293	5,943	5,096	5,176
Long Term Loans	7,348	5,564	1,212	3,251	2,865
Other Non Current Liabilities	708	1,204	1,013	1,225	1,285
Total Liabilities	8,055	6,768	2,225	4,475	4,150
Share & APIC	6,338	6,338	6,338	6,338	6,338
Retained Earnings	10,591	7,913	10,878	11,562	12,276
NCI	0	0	0	0	0
Other Equity	2,810	3,883	3,883	3,883	3,883
Total Equity	19,739	18,133	21,099	21,783	22,496
Total Equity & Liabilities	33,306	30,195	29,266	31,354	31,822

Source: Company Data, Sinarmas Investment Research

Cash Flow (IDR Bn)	2018	2019E	2020F	2021F	2022F
Net Income	874	194	1,156	1,369	1,427
Depreciation	934	911	967	976	986
Amortization	66	1,108	51	50	49
Chg. in NWC	739	(468)	197	(277)	(59)
CF from Operating	2,614	1,745	2,371	2,117	2,402
Capital Expenditure	(6,970)	(677)	(560)	(502)	(526)
Chg. in LT Assets	2,173	937	228	(235)	(55)
Chg in LT Liabilities	34	496	(191)	212	61
CF from Investing	(4,762)	756	(523)	(525)	(520)
Chg. in Share & APIC	-	-	-	-	-
Chg. in ST Loans	(1,528)	420	983	(1,243)	(35)
Chg. in LT Loans	2,050	(1,783)	(4,352)	2,039	(386)
Dividends Paid	(437)	(97)	(578)	(684)	(713)
Others	423	1,073	0	0	0
CF from Financing	508	(388)	(3,948)	112	(1,134)
Beginning Cash	5,551	3,911	6,023	3,923	5,626
Change in Cash	(1,640)	2,113	(2,100)	1,703	747
Ending Cash	3,911	6,023	3,923	5,626	6,373

Financial Ratio & Key Assumption	2018	2019E	2020F	2021F	2022F
Profitability					
ROE	4.4%	1.1%	5.5%	6.3%	6.3%
ROA	2.6%	0.6%	4.0%	4.4%	4.5%
EBITDA Margin	9.2%	5.9%	11.3%	9.4%	9.1%
Gross Margin	13.8%	13.6%	15.2%	14.2%	14.0%
Operating Margin	7.3%	2.9%	7.7%	6.5%	6.2%
Net Profit Margin	3.5%	0.6%	4.1%	4.1%	4.1%
Liquidity					
Current Ratio	6.0	5.7	4.9	6.2	6.1
Solvency					
Debt to Equity	0.5	0.5	0.2	0.3	0.2
Debt to Assets	0.3	0.3	0.2	0.2	0.2
Valuation					
Price to Earning (PE)	31.6	96.8	27.0	22.8	21.9
Price to Book (PBV)	0.6	1.0	1.0	0.9	0.9
Key Assumptions					
Nickel Price (\$/ton)	13,186	13,956	13,500	14,500	14,500
Gold Price (\$/ounce)	1,269	1,392	1,750	1,850	1,850
Ferronickel Production (Tni)	24,868	25,713	25,456	28,001	30,802
Gold Sales (ounce)	896,792	1,093,864	784,832	857,179	873,048

Source: Company Data, Sinarmas Investment Research

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