

## INCO

### PT Vale Indonesia Tbk.

#### Forging the Next Cycle

- Global nickel prices stayed weak below USD15,500/t as oversupply from Indonesia's rapid refinery expansion pushed inventories above 300,000 tons, indicating a slow market rebalancing despite mining quota cuts.
- INCO's transformation into an integrated producer is advancing, with the Bahodopi and Pomalaa projects on track to lift total capacity from 71 ktpa (2024) to 162 ktpa by 2029.
- 1H25 net profit fell -32% YoY to USD25.2 million on lower prices and higher maintenance costs, but steady operations, a debt-free balance sheet, and a USD750 million standby facility provide funding resilience.
- Maintain BUY with a higher TP of Rp5,500 (from Rp4,000), supported by improving project execution and downstream visibility.

#### Nickel Industry Under Pressure, Eyes Structural Reset

Nickel prices remain weak in 2H25, hovering below USD15,500 per ton, as global oversupply persists. The surplus mainly stems from Indonesia's rapid capacity expansion since the 2020 ore export ban, which triggered a flood of refinery investments by global stainless steel and EV battery producers. Indonesia now accounts for over half of global nickel output, driving inventories higher across exchanges and off-market channels. LME nickel stocks rose 75,000 tons YTD to 225,000 tons, while total visible inventories exceeded 300,000 tons, the highest since 2020. Although the Indonesian government cut mining quotas by 120–150 million tons (around 35% of global supply), markets remain skeptical this will tighten supply amid ongoing refinery expansion. Against this backdrop, the average LME nickel price is projected to ease further to USD15,600/t in 2025F (-8% YoY), reflecting a slow path to structural rebalancing.

#### Integrated EV-Focused Model with Expanding Resource Base

Currently, INCO sells all matte output under long-term contracts to Sumitomo Metal Mining and Vale Canada, but by 2029, it aims to diversify its customer base through new offtake deals with Huayou Cobalt, Ford-affiliated OEMs, and other EV-focused partners. Following its first sapolite ore shipment in July 2025 and approval to sell 2.2 million tons per year from Bahodopi, INCO opened a new premium revenue stream while advancing three key projects: the Pomalaa HPAL plant (JV with Huayou) slated for 2027 start-up with ~60 ktpa nickel in MHP; the Bahodopi ferronickel smelter (JV with Shandong Xinhai) targeting late 2026 commissioning with ~73 ktpa capacity; and the Sorowako Limonite Project, positioned as future HPAL feed. By 2029, total capacity should more than double from 71 ktpa (2024) to 162 ktpa, across four integrated processing hubs.

#### Resilient 1H25 Amid Price Headwinds, Balance Sheet Strength Maintained

For 1H25, INCO booked USD426.7 million in revenue (-11% YoY), USD91.7 million in EBITDA (+26% YoY), and USD25.2 million in net profit (-32% YoY) due to lower nickel matte prices, timing of shipments, and higher maintenance costs at Sorowako, which temporarily weighed on profitability. 2025 capex is set to exceed USD400 million, mainly for the Bahodopi, Pomalaa, and Sorowako projects, including USD241 million planned for 2H25. To ensure liquidity, INCO secured a USD750 million standby facility, supporting heavy investment years ahead—USD750 million in 2026 and USD907 million in 2027. Nickel matte output of 35,584 tons (+2% YoY) underscored operational stability, while management expects a stronger 2H25 from improved pricing terms, incremental ore sales, and continued financial discipline.

#### Reaffirm BUY: Structural Growth Story Strengthened

We maintain a BUY rating on INCO with a higher target price of Rp5,500 (previously Rp4,000), implying 7.7x EV/EBITDA FY26F (-0.5 std dev from its 5-year average band). The upward revision reflects stronger visibility on downstream expansion and improving execution across the Bahodopi and Pomalaa projects, which are set to double total capacity by 2029 and diversify INCO's revenue mix into higher-value ferronickel and MHP products. **Key risks:** nickel price volatility, potential project delays or cost overruns, and cash flow pressure from elevated capex.

#### Key Financial Highlights

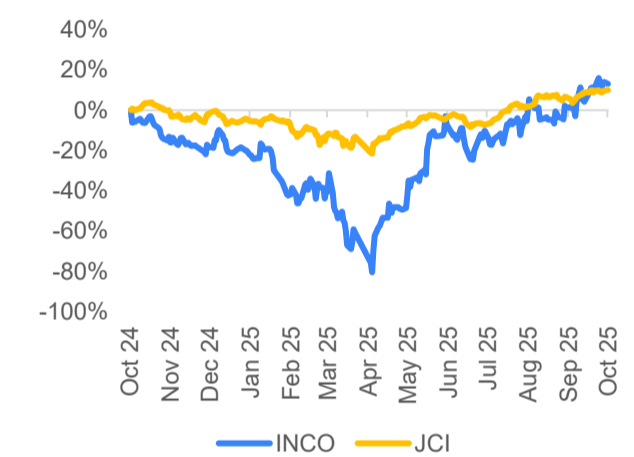
Key Metrics	2023	2024	2025F	2026F	2027F
Revenue (USD mn)	1,232	950	971	1,110	1,655
EBITDA (USD mn)	428	222	289	401	796
Net Profit (USD mn)	274	58	82	125	412
EPS Growth (%)	39.6	-78.0	47.2	52.9	228.5
P/E (x)	10.89	41.57	33.94	28.06	8.54
P/BV (x)	1.17	0.88	1.01	1.22	1.07
EV/EBITDA (x)	4.38	9.33	8.49	7.32	4.46

## BUY

#### Stock Information (as of October 7, 2025)

Last Price (Rp)	4,250
Target Price (Rp)	5,500
Potential Upside	29.4%
Previous TP (Rp)	4,000
Market Cap (Rp tn)	44.8
52 Week Range (Rp)	4,750 – 1,825
Free Float	20.6%
Share Out. (bn)	10.5

#### 1-Year Stock Performance Comparison vs JCI



#### Shareholders

INCO's Shareholders	Percentage
MIND ID	34.00%
Vale Canada Limited	33.88%
Public	20.63%
Sumitomo Metal Mining Co. Ltd.	11.48%

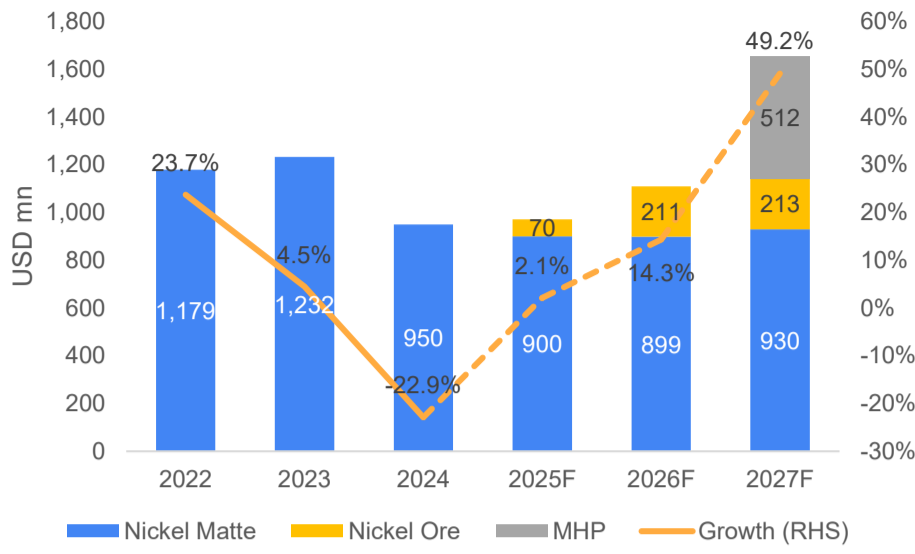
#### Company Description

**INCO's Company Profile**  
PT Vale Indonesia Tbk is an Indonesia-based company, which is engaged in nickel mining and processing in Indonesia. The Company's integrated nickel mining and processing project in Morowali Regency, Central Sulawesi consists of a mining area in Bahodopi and a processing plant with Rotary Kiln-Electric Furnace (RKEF) technology in Sambalagi. It plans to construct a nickel processing plant and facilities in Sambalagi, Morowali Regency, Central Sulawesi and in Pomalaa, Kolaka Regency, Southeast Sulawesi.

#### Analyst

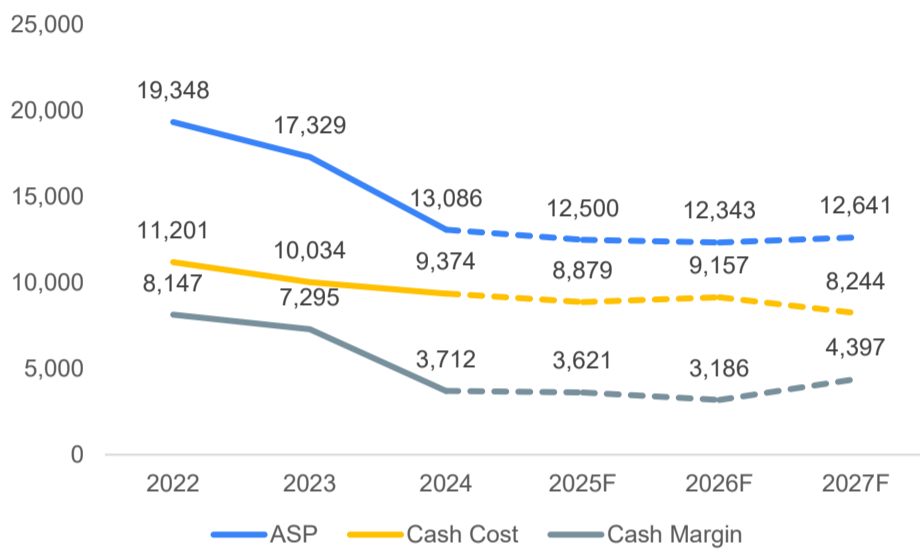
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**Figure 1. Revenue Breakdown Projections**



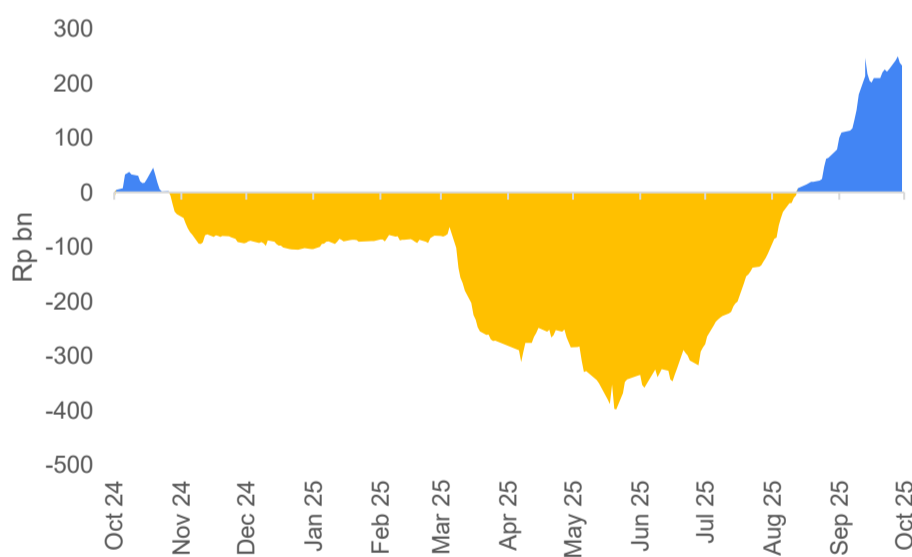
Source: Company, Ajaib Research

**Figure 3. INCO's Cash Margin Projections**



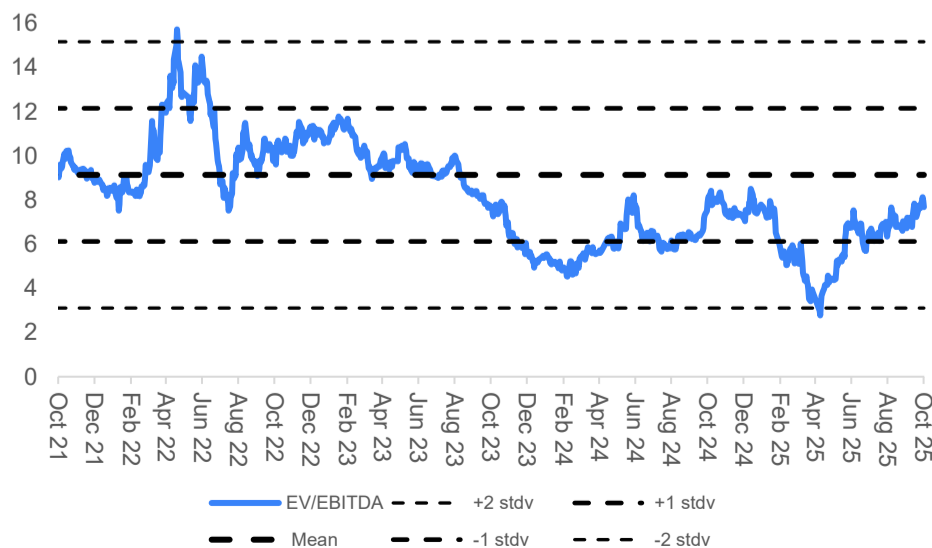
Source: Company, Ajaib Research

**Figure 5. INCO's 1-Year Accumulated Foreign Flow**



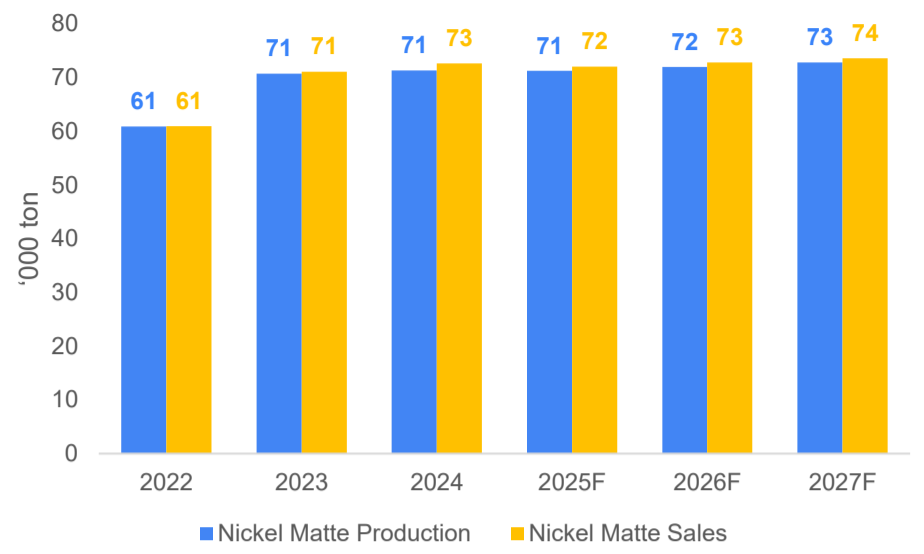
Source: Bloomberg, Ajaib Research

**Figure 7. INCO's 5-Year Forward EV/EBITDA Band 2026F**



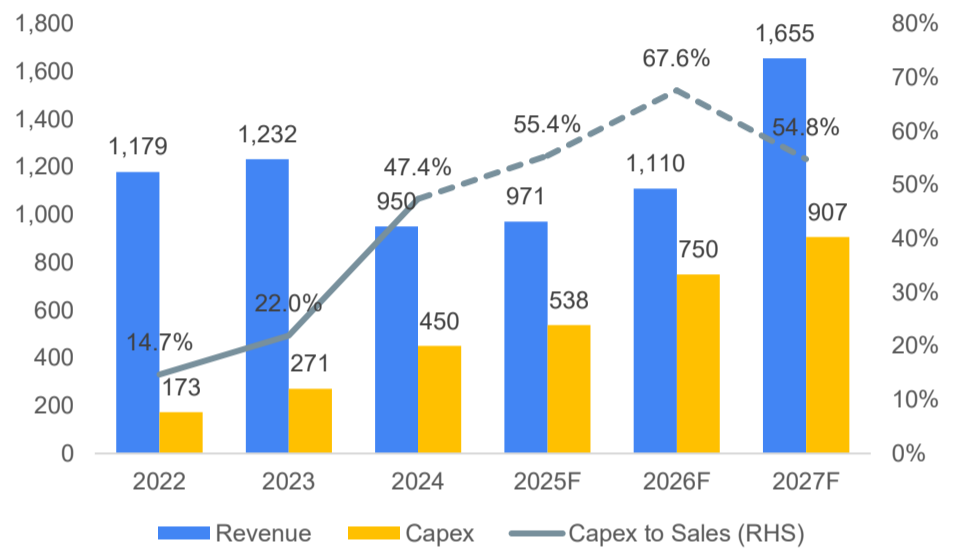
Source: Bloomberg, Ajaib Research

**Figure 2. Nickel Matte Production and Sales Projections**



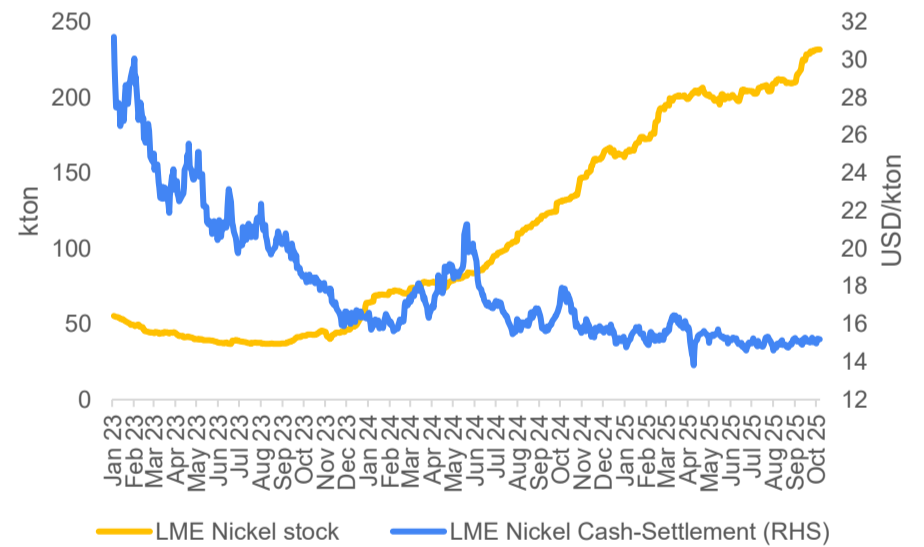
Source: Company, Ajaib Research

**Figure 4. INCO's Capex Projections**



Source: Bloomberg, Ajaib Research

**Figure 6. LME Nickel Price and Stock Trend**



Source: Bloomberg, Ajaib Research

**Figure 8. INCO's Historical Valuation**

Key Metrics	Value
Target EV/EBITDA (x)	9.1
EBITDA 2026F (Rp bn)	6,353
Enterprise Value (Rp bn)	57,990
Net Debt (Rp bn)	944
Equity Value (Rp bn)	58,934
Shares Outstanding (bn)	10.5
<b>Target Price (Rp)</b>	<b>5,500</b>

Source: Ajaib Research



**Rating for Sectors:**

Overweight : We expect the industry to perform better than the primary market index (JCI) over the next 12 months.

Neutral : We expect the industry to perform in line with the primary market index (JCI) over the next 12 months.

Underweight : We expect the industry to underperform the primary market index (JCI) over the next 12 months.

**Rating for Stocks:**

Buy : The stock is expected to give total return (price appreciation + dividend yield) of > +10% over the next 12 months.

Hold : The stock is expected to give total return of > 0% to ≤ +10% over the next 12 months.

Sell : The stock is expected to give total return of < 0% over the next 12 months.

Outperform : The stock is expected to do slightly better than the market return. Equal to “moderate buy”

Underperform : The stock is expected to do slightly worse than the market return. Equal to “moderate sell”

**Analyst Certification:**

The lead analyst(s) who prepared this equity research report confirm that the opinions stated herein genuinely represent their personal perspectives regarding all the securities or issuers discussed. Additionally, the analyst(s) assert that their remuneration was not, is not, and will not be tied, either directly or indirectly, to any specific recommendations or viewpoints presented in this report.

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