Indika Energy (INDY IJ)

Awak Mas On Track to Start In 1Q27

Highlights

- **Awak Mas remains on track for first gold in 1H27, supporting a 2027 earnings recovery.** Construction progress had reached 76.4% in Oct 26, with commissioning expected in 1Q27.
- **Non-coal businesses are gaining traction, supporting the 50% revenue target by 2028.** 9M26 non-coal revenue grew 51.3% yoy, contributing 23.1% of total revenue.
- Maintain BUY, with a higher SOTP-based target price of Rp2,350.

Analysis

- **9M26 earnings recovered strongly, driven by Kideco's improved coal performance.** Net profit reached US$20.2m, up from just US$0.5m in 9M25, while revenue rose 27.7% yoy to US$1.84b as coal ASP jumped from US$56.30/tonne (+14% yoy ;+2.92% qoq). Sales volume reached 22.6mt, up 1.8% yoy and 0% qoq. Better gross margins and disciplined SG&A growth lifted operating profit by 92.6% yoy to US$155.9m. However, net profit was partly offset by US$51.6m in finance costs, US$47.7m in income tax and US$9.8m in forex losses, of which around US$7m was unrealised.
- **Kideco sees limited near-term risk from Chinese buyers' pushback on 2027 contracts.** 29% of Kideco's coal sales in 9M26 were to China. Around 80% of Kideco's coal is sold under 3-5-year long-term contracts, with Indika Energy (INDY) stating that buyer relationships remain intact. Regarding the government's statement that at least 70% of mining proceeds should go to the state, INDY is awaiting further details on the mechanism and regulations, while emphasising the need to maintain sustainable mining operations.
- **Awak Mas is approaching 80% completion; 1H27 first gold target remains intact.** Construction progress reached 76.4% in October and was nearing 80% as of 19 Nov 26. INDY expects major structures to be completed by end-26, followed by commissioning in 1Q27 and first gold in 1H27. The project targets annual production capacity of around 100,000 oz, with total resources of 3.29moz and reserves of 1.93moz. Total project cost stands at US$568m, of which US$437m had been spent as of Oct 26. INDY said the ongoing land dispute involves overlapping claims rather than unpaid compensation, with mediation continuing, but does not expect it to affect the construction timeline.
- **We expect 2027 earnings to come in at US$73m.** Once Awak Mas commences operations, we expect 2027 earnings to come in at US$73m (+102.6% yoy). We are expecting the Awak Mas mine to produce 60,000 oz of gold in 2027.

Key Financials

Year to 31 Dec (US$m)	2024	2025	2026F	2027F	2028F
Net turnover	2,447	2,031	2,195	2,398	2,530
EBITDA	185	142	189	272	354
Operating profit	158	114	160	230	310
Net profit (rep./act.)	12	6	39	73	116
EPS (Rp)	35.0	18.7	136.1	258.5	424.6
PE (x)	42.6	79.5	10.9	5.8	3.5
P/B (x)	0.4	0.4	0.3	0.3	0.3
EV/EBITDA (x)	10.3	12.9	10.6	6.9	4.9
Dividend yield	6.1	1.1	0.7	5.2	8.9
Net margin (%)	0.3	1.8	3.0	4.6	5.7
Net debt/(cash) to equity (%)	49.6	48.3	70.4	61.5	50.4
Interest cover (x)	1.7	1.7	2.4	3.9	6.1
ROE (%)	0.9	0.5	3.2	5.8	8.7
Consensus net profit			31	121	165
UOBKH/Consensus (x)			1.3	0.6	0.7

Source: INDY, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	Rp1,490
Target Price	Rp2,350
Upside	+57.7%
Previous TP	Rp3,050

Stock Data

Sector	Materials
Bloomberg ticker	INDY IJ
Shares issued (m)	5,210
Market cap (Rpb)	7,763
Market cap (US$m)	423
3-mth avg daily t'over (US$m)	2.8

Price Performance (%)

52-week high/low				Rp4,370/Rp1,430
1mth	3mth	6mth	1yr	YTD
(29.4)	(43.8)	(36.9)	(15.8)	(33.5)

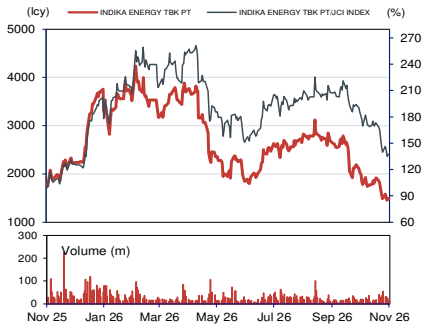
Major Shareholders (%)

Saratoga Investama Sedaya	37.8
Mitra Daya Mustika	28.1
Garibaldi Thohir	5.1

Balance Sheet Metrics

FY26 NAV/Share (Rp)	4,279
FY26 Net Cash/Share (Rp)	n.a.

Price Chart



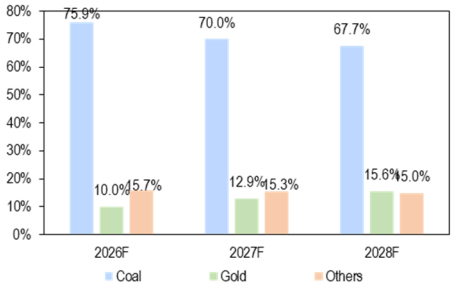
Source: Bloomberg

Company Description

Gold, copper, and nickel producer in Indonesia. The company is the first greenfield mining company listed on the JCI in 2016 and started production in 2017.

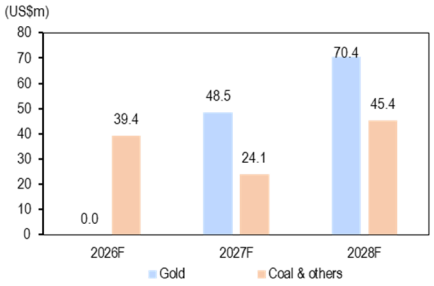
- **The proposed 70% government take remains an overhang.** The proposal raises concerns over the allocation of financial burdens and operating risks between the government and mining companies. A revenue-based calculation could undermine the viability of mining operations, given that companies would continue to bear the bulk of operating and capital expenditure. Based on our assumption of a 70% state take on pre-royalty EBIT, INDY's 2027 earnings could decline by 6.8%, primarily from its gold operations, while the impact on coal should be limited, with the government's share of coal business value already reaching around 87% as of end-Sep 26. This would lift INDY's 2027F PE to 5.9x from 5.5x at current share prices. Pending further clarity on the calculation methodology, we maintain our view that the proposal remains a regulatory overhang.
- **Sensitivity analysis**. Every 5% increase or decrease in gold prices would impact 2027 net profit by approximately 7.5%, while every 5% change in gold production would impact 2027 net profit by around 4.7%.
- **Non-coal businesses are gaining traction, supporting Indika's target of 50% non-coal revenue by 2028**. 9M26 non-coal revenue grew 51.3% yoy, contributing 23.1% of total revenue. Growth was led by Tripatra (+64.4% yoy) on the Geng North project, Interport (+47.4%) on stronger fuel trading, and Indika Indonesia Resources (+94.7%) following a recovery in coal trading. Management remains confident in achieving its 2028 target, citing improving contributions from engineering, logistics, EVs and renewables.

Revenue contribution



Source: INDY, UOB Kay Hian

Income Stream



Source: INDY, Bloomberg, UOB Kay Hian

Valuation/Recommendation

INDY'S SOTP

Description	Method	Values (mn USD)
Awak Mas	DCF	670
Kideco	EV/Reserve	852
Enterprise Value		1,523
Net Debt		843
Equity Value		680
O/S		5,207
NAV/share (Rp)		**2,350**
Adj -up (Rp)		**2,350**

Source: INDY, UOB Kay Hian

- **Maintain BUY with a lower SOTP-based target price of Rp2,350 from Rp3,050,** reflecting: a) lower volume assumption of gold sales, and b) a higher WACC of 10.37% to take into account the higher yield and risk premium environment.

Earnings Revision/Risk

Earnings Revision

	Old		New		Changes (%)	
	2026F	2027F	2026F	2027F	2026F	2027F
Gold Production (oz)	0	80,000	0	60,000	-	(25)
Net turnover	2,195	2,478	2,195	2,398	-	(3)
EBITDA	189	313	189	272	-	(13)
Operating profit	160	271	160	230	-	(15)
Net profit	39	96	39	73	-	(24)

Source: INDY, UOB Kay Hian

- Risks include: a) Project delays and operational disruptions from natural disasters, b) regulatory uncertainty, and c) commodity price volatility.
- We downgrade our earnings forecast for 2027 by 24%, mainly due to lower gold production volume assumption.

Share Price Catalyst

- a) Awak Mas commencement, and b) stronger coal and gold pricing.

Profit & loss

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Net turnover	**2,031**	**2,195**	**2,398**	**2,530**
EBITDA	142	189	272	354
Deprec. & amort.	27	29	42	44
EBIT	114	160	230	310
Total other non-operating income	(6)	(6)	(6)	(6)
Associate contributions	13	13	13	14
Net interest income/(expense)	(43)	(38)	(53)	(47)
Pre-tax profit	**79**	**129**	**184**	**270**
Tax	(52)	(64)	(87)	(128)
Minorities	(21)	(26)	(24)	(26)
Net profit	**6**	**39**	**73**	**116**
Net profit (adj.)	6	39	73	116

Balance Sheet

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Fixed assets	608	962	951	938
Other LT assets	1,234	1,253	1,273	1,293
Cash/ST investment	488	113	59	27
Other current assets	604	610	618	624
Total assets	**2,934**	**2,938**	**2,901**	**2,883**
ST debt	165	165	166	166
Other current liabilities	386	404	421	428
LT debt	901	817	685	550
Other LT liabilities	137	140	143	146
Shareholders' equity	1,195	1,235	1,287	1,366
Minority Interest	150	176	201	227
Total liabilities & equity	**2,934**	**2,938**	**2,902**	**2,883**

Cash flow

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Operating	**216**	**109**	**126**	**164**
Pre-tax profit	6	43	73	116
Tax	0	0	0	0
Deprec. & amort.	21	52	42	44
Working capital changes	37	14	12	5
Non-cash items	151	(1)	(1)	(1)
Investing	**(172)**	**(425)**	**(51)**	**(51)**
Capex (growth)	(87)	(404)	(28)	(28)
Others	(84)	(22)	(22)	(23)
Financing	**(11)**	**(59)**	**(129)**	**(145)**
Dividend payments	(3)	(22)	(36)	(58)
Issue of shares	(11)	26	24	27
Proceeds from borrowings	5	(83)	(132)	(135)
Loan repayment	0	0	0	0
Others/interest paid	0	1	0	0
Net cash inflow (outflow)	**33**	**(376)**	**(53)**	**(32)**
Beginning cash & cash equivalent	**455**	**488**	**113**	**59**
Ending cash & cash equivalent	**488**	**113**	**59**	**27**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	7.0	8.6	11.3	14.0
Pre-tax margin	3.9	5.9	7.7	10.7
Net margin	0.5	0.3	1.8	3.0
ROA	0.2	1.3	2.5	4.0
ROE	0.5	3.2	5.8	8.7
Growth				
Turnover	(17.0)	8.1	9.2	5.5
EBITDA	(23.4)	32.9	44.1	30.3
Pre-tax profit	(9.0)	64.2	42.6	46.8
Net profit	(47.9)	553.3	84.4	59.5
Net profit (adj.)	(47.9)	553.3	84.4	59.5
EPS	(47.9)	553.3	84.4	59.5
Leverage				
Debt to total capital	79.2	69.6	57.2	45.0
Debt to equity	89.1	79.5	66.2	52.4
Net debt/(cash) to equity	48.3	70.4	61.5	50.4
Interest cover (x)	2.6	3.3	5.0	5.2

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